

ASEAN Morning Bytes

General market tone: Risk-off

Markets reacted to earnings reports in the United States, while Brexit negotiations continue to drag along. Italy retained its budget but pledged to avoid *Italeave*. Meanwhile, Saudi pledged to turn up production to make up for Iran's projected loss from the market.



International theme: Global growth fears keep risk sentiment fragile

- Traders will likely remain cautious with investors focused on important data reports out from the US (3Q GDP) and the ECB meeting. Earnings reports and negotiations in Europe forced dealers to tread even more carefully even as *Italeave* is promised to be avoided.

EM Space: Taking cue from developments in Europe and oil prices

- **General Asia:** Risk markets will likely consolidate on Tuesday with investor sentiment still fragile given directional trading seen on Wall Street. Investors carefully monitor developments in Europe (Brexit talks and Italian budget concerns) while also tracking oil price movements that failed to react to Saudi Arabia's pledge to bring 11 million barrels per day to the market.

- **Thailand:** Markets are on holiday for Chulalongkorn Day. Yesterday's trade data for September missed expectations, with exports posting the first year-on-year fall since early 2017 coupled with a sharp import slowdown produced a small trade surplus. And in a sign of slowing tourism, the growth of international air passenger traffic at Bangkok airports hit the lowest rate in two years of 1.5% YoY in September. Our forecast of about 7% of GDP current account surplus in 2018 remains on track.
- **Singapore:** September CPI data is due today. In line with consensus, we expect the headline inflation to tick up to 0.8% YoY from 0.7% in August, but no change to the core rate from 1.9%.
- **Indonesia:** Bank Indonesia will likely keep rates unchanged although 10 out of 30 analysts now think that the central bank has space to hike rates in its drive to stabilize the IDR further. Governor Warjiyo has retained the hawkish tone but the relative stability in currency markets of late (IDR up 0.24% since 16 October) may afford the central bank some breathing room.
- **Philippines:** Wage boards in the capital will be holding consultations this week to petition a substantial increase in wages (65%) which could reignite the second round effects and make inflation more deeply rooted. If passed in full, the BSP will likely be called to hike policy rates to stem the tide, pushing up borrowing costs and slow growth momentum even further.
- **Philippines:** The national government continues to spend in a big way with the spending sans interest payments retained its robust trend to grow 26% year-on-year, resulting in a budget gap of PHP 96.2 bn for the month of September. This brings the year to date deficit to Php378.2 bn or 72% of the full year target. The change in cash position for the year shows a PHP 52bn deficit despite strong collections, with the government needing to make up for the shortfall either through increased borrowing or further improvement in collections.

What to expect: 3Q US GDP and ECB meeting

- Bank of Indonesia meeting (23 October)
- Fed Kashari (23 October)
- Fed Kaplan and Fed George (24 October)
- US new home sales (24 October)
- Korea 3Q GDP (25 October)
- ECB meeting (25 October)
- Fed Bostic and Fed Mester (25 October)
- US durable goods orders (25 October)
- US 3Q GDP and core PCE (26 October)
- Fed Clardia (26 October)