

## ASEAN Morning Bytes

Investors in Asia are likely to tread a cautious path today amid muddled sentiment from Brexit and ahead of the ECB meeting on Thursday.



### EM Space: Subdued inflation

- **General Asia:** Inflation numbers out from regional economies will inform on the monetary policy direction in Asia ahead of the ECB meeting tomorrow.
- **Singapore:** We share the consensus of unchanged CPI inflation in September at the August's rates of 0.5% for the headline and 0.8% for the core measures. Widening of the negative output gap suggests that inflation should remain subdued for a prolonged period, which conflicts with the continued MAS tightening announced last week (albeit at a slower pace of SGD NEER appreciation). Unfortunately, monetary policy is now fixed for the next six months, shifting the onus on fiscal policy, which also looks unlikely to deliver a meaningful boost. Barring any improvement in the external trade environment, the economy is in for further slow growth.
- **Malaysia:** September CPI is due with consensus looking for a dip in inflation to 1.3% YoY from 1.5% in August. While inflation continues to be subdued, some weak signals emerged recently from the Malaysian economy, which had otherwise been outperforming the region. These signals reinforce our view that there will be one more preemptive Bank Negara Malaysia policy rate cut in the current quarter.

- **Philippines:** The government budget posted a hefty PHP 178.6 billion deficit in September as government expenditure soared by 39%, far outpacing revenue collection growth of 16.9%. The strong spending in September puts 3Q expenditure growth at 17%, which should be a boost for the economy in the second half of the year. If so, we could imagine the BSP taking a backstep on further policy easing.
- **Indonesia:** President Jokowi retained finance minister Sri Mulyani Indrawati with the mandate to “guard the economy and maintain economic stability and resilience”. Indrawati’s reappointment was received well by investors with bonds rallying sharply in a vote of confidence for the veteran economist. Foreign flows have bolstered the IDR and keep the door open for a rate cut by the Bank of Indonesia either at the meeting this week, or later in November, in an additional stimulus for the economy.

## What to look out for: ECB meeting

- Malaysia inflation (23 October)
- Singapore inflation (23 October)
- Hong Kong trade (24 October)
- Bank Indonesia meeting (24 October)
- ECB meeting (24 October)
- US durable goods and new home sales (24 October)
- Singapore industrial production (25 October)
- Thailand GIR (25 October)