

ASEAN Morning Bytes

Monetary policy is likely to be the dominant theme for markets today as central banks in Europe and Indonesia meet



EM Space: Bank Indonesia to ease again

- **General Asia:** Absent any developments on trade or Brexit fronts, the monetary policy is likely to be a dominant theme for the markets as central banks in Europe and Indonesia meet today. In Asia, Korea's stable GDP growth in the third quarter followed a similar outcome in Singapore last week. This is a hopeful sign that the Asian growth cycle is close to its trough and so is the central bank policy easing cycle.
- **Philippines:** Bangko Sentral ng Pilipinas is monitoring the effect of recent reductions to the reserve requirements (RRR) in the wake of a hefty 300 bps cut this year. Monetary Board member Tolentino indicated that they would like to see the impact of these reductions on bank lending before cutting further. Previously, Governor Diokno hinted at further cuts and we're penciling the 4th RRR cut before the year-end.
- **Indonesia:** Bank Indonesia (BI) meets today with the market pricing in another 25bp policy rate cut to 5.00%, the fourth cut this year. Inflation has been firmly within BI's target. So, President Jokowi's recent push for growth may prod the central bank to cut policy. And with the inflows in the bond market supporting the IDR around 1400, the door remains open for BI rate cut today.
- **Singapore:** Slower increases in food, fuel and utilities, communication, and education

components were behind [three-year low core CPI inflation](#) of 0.7% YoY in September from 0.8% in August. The headline inflation was steady at 0.5% over these months. The year-to-date average core inflation of 1.2% is consistent with the MAS view of the full-year print close to the low end of its 1-2% forecast range. The central bank's forecast for the headline inflation this year is 0.5% (0.6% YTD). Activity data continues to underscore the need for greater policy support to the economy.

- **Malaysia:** The [low inflation trend is here to stay](#). We have cut our inflation forecast for the current year to 0.7% from 0.8% and for the next year to 1.2% from 1.4%. With persistent external headwinds to growth, one more Bank Negara policy rate cut this year won't hurt. Don't be surprised if we get one in the next BNM meeting on 5 November.

What to look out for: ECB meeting and BI meeting

- 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)