

ASEAN Morning Bytes

General market tone: Slight risk on. Investors continued to drive the rally last Friday, with the fears of the full-blown trade war fading from recent memories. Traders will likely remain upbeat going into the week although the upcoming Fed meeting and results of the OPEC summit may cap the rally.



International theme: OPEC signals production to continue, Iran tells Trump to stop tweeting

- The OPEC rebuffed Donald Trump's calls to ramp up production to cap price gains, indicating that growing supply from the United States would help push prices down amidst forecasts for flat to lower demand in the coming years. This will likely keep oil prices elevated in the short term with Trump facing a re-election bid in the coming months.
- The Fed is almost sure to hike rates at the close of its two-day meeting on Wednesday with investors focused on the dot plots and rhetoric from Powell for direction in the coming months. Economic indicators, most especially those on inflation continue to point to higher rates so a hawkish outlook may drive global yields higher should the Fed signal it will step on the gas pedal with regard to hikes.

EM Space: Most of Asia shuttered for the mid-autumn festival ahead of Fed meet

- **General Asia:** Several Asian markets will be closed on Monday to celebrate the mid-autumn festival with markets seen to move sideways ahead of key central bank meetings for the week. Traders will be looking to Powell's press conference and the dot plots for direction on global rates.
- **Malaysia:** Foreign reserves fell by 0.5% to \$103.9bn in the first two weeks of September from their end-August level, the steepest fortnightly drop since June. The reserves have been on a downward path since May this year, associated with over 5% depreciation of the MYR against the USD over the same period. Our end-2018 USD/MYR forecast is 4.25 (spot 4.13).
- **Thailand:** August trade surprised on the downside with the \$588m deficit. We cut our 2018 current account surplus to 7% of GDP from 9%, still strong enough to sustain the THB Thailand outperformance through the rest of the year. Our end-2018 USD/THB forecast remains at 33.0 (32.4).
- **Singapore:** Singapore's CPI inflation will have nudged higher in August, most likely reaching 0.7%YoY. The core rate may also push higher. Consensus anticipates a 2.1% result. The bulk of any price increases will reflect higher imported energy prices, and we don't believe a reading above 2.0% will lead to any further MAS tightening at the forthcoming October meeting.
- **Indonesia:** The Bank of Indonesia reported that they would allow lenders to offer on-deliverable rupiah forward contracts, to be settled in the local currency. The BI heads into this week's policy meeting with the market expecting a rate hike with the majority expecting a 25 bps increase. The combination of hawkish rhetoric and macroprudential measures will likely point to more stability and now the strength for the IDR in the near-term.
- **Philippines:** The BSP continues to signal a hawkish stance going into the policy meeting on Thursday although officer-in-charge Chuchi Fonacier indicates that non-monetary measures will be needed to completely snuff out the inflation bug. All 8 economist surveyed by Bloomberg expect a 50 bps rate hike on Thursday with more action likely needed in the coming months as inflation projects to remain elevated.

What to look out for: Calendar loaded with CB meetings

- China, South Korea, and Japan out for a holiday
- FOMC meeting September 25-26
- Taiwan central bank meeting September 27
- Bangko Sentral ng Pilipinas meeting September 27
- Bank of Indonesia meeting September 27
- US-Canada trade negotiations (deadline: end of September)
- Argentina-IMF credit line request (on-going)