

ASEAN Morning Bytes

General market tone: Risk-off.

The mounting geopolitical tensions between the US and Russia over the nuclear arms race sustain global risk aversion



International theme: Flight to safety amid elevated geopolitical risk

- The equity market sell-off started in the Asian session yesterday spread to European and then to the US markets. The flight to safety was evident in higher US Treasuries, Japanese yen and gold. The concerns of trade tensions between the US and China hurting corporate profitability are coming to fore.
- The US Fed seems to be unfazed by recent stock rout with Atlanta Fed President Bostic favouring continued policy tightening.
- President Trump and President Xi will be meeting on the sidelines of at the G-20 summit next week to discuss trade.
- The Italian budget crisis continues to dominate headlines in the Eurozone.
- Saudi Arabia offers to make up for supply shortfall due to Iranian sanction drives oil lower.
- Advance October manufacturing and services PMIs will provide a sense of the economic performance coming into the final quarter of 2018.

EM Space: Expect some consolidation in risk asset after heavy sell-off yesterday

- **General Asia:** The investors' face-off from Chinese stocks after the market-support measures boosted sentiment briefly doesn't come as a complete surprise. The risk of slower Asian and global growth will continue to be depressive for markets, yet some consolidation after yesterday's sell-off could be the tone for today.
- **Malaysia:** September CPI data due today. The re-introduction of the sales and services Tax (SST), replacement of the Goods and Services Tax (GST), which was scrapped in June, is expected to bump the inflation, but not by a whole lot. The consensus estimate of 0.6% YoY inflation in the last month is up from 0.2%. We are below consensus at 0.5%.
- **Singapore:** September CPI inflation surprised on the downside with headline unchanged at 0.7% YoY as against the consensus of a rise to 0.8% and core down to 1.8% from 1.9% in August. Was the MAS's latest tightening needed?
- **Indonesia:** As widely expected, Bank Indonesia backed off from another rate hike yesterday, allowing total 150bp rate hike and government measures to take root amid recent stability of the IDR exchange rate. The future policy moves will likely to be data-dependent, as what Deputy Governor Mirza Adityaswara signaled yesterday. We don't consider BI tightening cycle over just yet and continue to forecast one more 25bp hike before the end of the year and two hikes in 2019.
- **Philippines:** Bloomberg quoted Finance Secretary Carlos Dominguez as saying that recent supply-boosting measures will rein in inflationary pressures.

What to look out for: 3Q US GDP and ECB meeting

- 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)