

ASEAN Morning Bytes

General market tone: Risk off. Sentiment reversed on Monday with last week's rally proving short-lived as the US tariffs on Chinese imports kicked in.



International theme: Trade issues back in focus, Fed dot plots awaited

- The recent rally quickly faded with traders pulling back on Monday after the US tariffs on \$200 billion worth of Chinese imports kicked in. With China looking more intent on retaliating via both quantitative and qualitative measures, investors are now readying for a long drawn out trade dispute.
- The Fed begins its two-day policy meeting with market full pricing-in a rate hike by the FOMC. With the dot plots likely to show further rate hikes down the road given accelerating inflation, Mario Draghi apparently has begun to sing a hawkish tune as well as flagged inflation building momentum in the Eurozone.

EM Space: Emerging markets head for cover with trade spat and Fed

- **General Asia:** Well that didn't last very long. The risk rally quickly dissipated with the

market finally reacting to the US tariffs on China, which went into effect on Monday. Investors now turn to the Fed for clues on the rate hike momentum with the Powell press conference and dot plots seen to be the highlight on Wednesday.

- **Singapore:** August headline CPI inflation rose in line with the expectation to 0.7% YoY from 0.6% in the previous month, but core at 1.9% was surprisingly unchanged. Despite a modestly improved outlook for headline inflation over the coming months, the escalating trade war makes a change of the already slightly tightening MAS monetary policy stance in October seem very unlikely.
- **Thailand:** August manufacturing index is due. Our estimate of 3.2% YoY growth is consistent with consensus implying a sharp slowdown from 4.6% in July. We are getting more support for our view of an on-hold Bank of Thailand policy through the end of the year. A Bloomberg report quoted the Bank of Thailand governor Veerathai saying that monetary policy was data-dependent and was unlikely to shift to tightening from an accommodative stance.
- **Philippines:** The Philippines reported substantial crop damage as a result of the recent super typhoon Mangkhut. Total crop damage was pegged at PHP26.7 billion while the all import rice damage climbed to PHP14 billion, which will likely keep inflation elevated and the BSP busy even after their projected rate hike on Thursday.
- **Philippines:** The Philippines posted a budget deficit of PHP2.6 billion as core spending surged to 32% while collections grew 11% for the month of August. For the year, the national government spending was at PHP281.99 billion as the government looks to keep up the pace of spending to augment overall GDP growth. With expenditure rising rapidly, interest rates are seen to rise as well with the government needing to fund the overall national government spending agenda.

What to look out for: Calendar loaded with CB meetings, Argentina says deal with IMF close

- 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)