

ASEAN Morning Bytes

All about politics, little about economics push the markets in the risk-off mode.



1.25%

Bank of Thailand policy rate

ING forecast with 25bp cut today

EM Space: Will the Bank of Thailand cut rates again today?

- **General Asia:** Global risk aversion returns as democrats prepare to begin impeachment inquiry of President Trump, British Supreme Court rules parliament suspension unlawful, and the US-China trade tensions return into the news. The day in Asia will be marked by central bank policy decisions in New Zealand and Thailand.
- **Indonesia:** Finance Minister Sri Mulyani Indrawati pointed to persistent global headwinds challenging the government's 5.3% growth assumption for 2020. She said, "A prolonged and escalating trade war between the US and China has created uncertainties that are becoming more unpredictable. Separately, director-general for financing and risk management at the finance ministry, Luky Alfirman, said the government budget for the current year was on track with the 'frontloading' strategy in the first half of the year. With

inflation under control, we see a greater likelihood of the Bank Indonesia cutting rates again this year.

- **Malaysia:** August CPI is due. In line with consensus, we expect a slight uptick in inflation rate to 1.5% YoY from 1.4% in July. However, this is the result of a low base effect rather than underlying upward price pressure. More relevant for markets than the CPI data would be the FTSE Russell's decision tomorrow on whether to keep the Malaysian government bonds in its global bond index. The uncertainty explains some of the recent bond market sell-off this month that has most of the 30bp fall in the 10-year MGS yields in August clawed back.
- **Philippines:** Speaking at Euromoney forum yesterday, BSP's Governor Diokno vowed to keep inflation stable but he also ruled out any risk of the 2-4% inflation target despite the ongoing threat of oil price spike. Inflation drifted below the target to a three-year low of 1.7% in August, keeping the central bank on the path of easing. We anticipate another 25bp policy rate cut to 4.00% tomorrow.
- **Thailand:** The Bank of Thailand's policy announcement is expected at 2 pm local time. Yesterday's dismal manufacturing data for August showing a steeper-than-expected 4.4% fall in output forced another cut in our GDP growth forecast for the year to 2.5% from 2.8%, the third cut this year. This is why we buck the consensus with our view of a 25bp BoT policy rate cut to 1.25% today ([read more here](#)).

What to look out for: RBNZ, BSP, BoT policy meetings

- Malaysia CPI (25 Sep)
- New Zealand central bank meeting (25 Sep)
- Thailand central bank meeting (25 Sep)
- US New home sales (25 Sep)
- Philippines central bank meeting (26 Sep)
- Singapore manufacturing (26 Sep)
- US final 2Q19 GDP (26 Sep)
- China industrial profits (27 Sep)
- US durable goods and core PCE deflator (27 Sep)