

ASEAN Morning Bytes

General market tone: Risk-off.

Risk markets were able to steady overnight after a round of corporate earnings but poor earnings reported after the bell may hurt sentiment on Friday. ECB decision stuck to script but Eurozone outlook threatened by politics and slowing momentum.



International theme: Investors tread lightly ahead of US 3Q GDP

- Wall Street saw directional trading but still managed to close up for the session as economic data was fairly upbeat. In Europe, Draghi stuck to script and telegraphed the end of Europe's bond purchase program although he did note headwinds faced ahead with political struggles in Italy and trade war impact seen to dent the growth momentum.

EM Space: Asian stocks rebound may be shallow ahead of US GDP data

- **General Asia:** Asian markets may bounce back on bargain hunting after the bloodletting on Thursday, induced by global growth fears. Risk sentiment may take its cue from Wall Street's rebound but gains may be capped with the US reporting 3Q GDP data later in the session.
- **Malaysia:** September CPI data due (rescheduled from last Wednesday). The launch of the

Sales and Services Tax in September will pressure inflation higher, but not by a whole lot. The consensus estimate of 0.6% YoY inflation in the last month is up from 0.2% (ING forecast 0.5%).

- **Malaysia:** Moody's warned that 'departure from the previous path of steady (fiscal) deficit reduction' would be credit negative. We anticipate the deficit to rise above 3% this year and remain there in the next year. Finance Minister Lim Guan Eng will unveil the Federal Budget for 2019 on Friday next week (2 November).
- **Philippines:** The BSP's currency rate risk protection program (CRPP) was unveiled recently, although initial pricing may not be enticing enough across all tenors for market players to access the facility. The CRPP pricing mechanism may lack the dynamic aspect to adjust to market prices throughout the trading day, limiting the attractiveness of the facility as an option to hedge FX positions.

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

- US 3Q GDP and core PCE (26 October)
- Fed Clardia (26 October)