

ASEAN Morning Bytes

General market tone: Risk off. Sentiment took a hit once more last night with only energy players benefiting from the sustained rally in oil prices as investors react to Trump's America-First speech and await Powell's after the Fed meeting's close on Wednesday



International theme: Yet another of Trump's America-First speech

- Donald Trump continues to dominate the headlines after his America-First speech at the UN, forcing dealers to worry about the tension both across the US northern border and across the Pacific with China. Dealers also offloaded risk assets with the Fed starting a two-day meeting with the FOMC possibly turning up the dial on rate hikes as data continues to show that the US economy remains on course for faster growth.
- Oil price continues to edge higher as forecasts for lower stockpiles coupled with conflicting Trump remarks sent crude moving directionally after. Trump called on OPEC to pump more oil but only after defending his sanctions on Iran before the UN. With oil price already elevated, global inflation will likely track the rise, leaving some already exposed EM currencies very vulnerable.

EM Space: Focus on Fed's "dot watch" and forward guidance

- **General Asia:** Most will likely take their cue from Wall Street, reacting to Trump's speech on trade and to the higher energy prices and Treasury yields as a sign to stay on sidelines and await Fed Chairman Powell's press conference
- **Malaysia:** Firmer oil price was of little help to the MYR yesterday, as another US Fed rate hike against stable BNM policy bias weighed down the local unit. Malaysia's International Trade and Industry minister Darell Leiking expressed concerns about a likely diversion of trade flows in the ongoing the US-China trade war leading to import dumping and warned of steps against such activities. On the positive side, the authorities also see the trade diversion positioning Malaysia as an alternative investment destination.
- **Singapore:** The consensus estimate for August industrial production growth is 4.7%, a slowdown from 6% growth in July. This is consistent with a NODX slowdown over the same months. Growth is prone to sharp swings from the highly volatile pharmaceutical output. It would take a big upside surprise to rekindle expectations MAS tightening in October after these were put to rest by the below-expected August core inflation.
- **Thailand:** August manufacturing missed expectation with only 0.7% YoY growth. A sharp slowdown from 4.9% July growth was despite firmer exports. Data supports our view of the continued slowdown in GDP growth to 4.1% in 3Q18 from 4.6% in 2Q, and the Bank of Thailand keeping the rate policy on hold in the remainder of the year.
- **Philippines:** Inflation in the Philippines is about to get yet another boost with wages set to rise by PHP20 in the capital. Philippine inflation is already beset by cost side pressures with the latest round of wage and transport fares possibly leading to more inflation to force the BSP to remain hawkish well into 2019.

What to look out for: Calendar loaded with CB meetings

- 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)