

ASEAN Morning Bytes

General market tone: Wait and see. The Fed's widely anticipated rate hike was met with mixed reactions with Powell espousing looking more at economic data reports rather than Fed statements for clues as to where the FOMC were going. Energy prices continued to trend higher as we inch closer to losing Iran's oil supply in the world market



International theme: Keep watching the data in the US

- Powell reiterated that the Fed would remain data dependent as it continues to gauge the appropriateness of monetary policy, telling markets to weigh economic data releases more than statements from FOMC officials. Economic data showed core capital goods fell into contraction as did pending home sales.
- On the trade front, the US continues to be at odds with China and Canada, with prime minister Trudeau refusing to budge at the negotiating table while China denied allegations of favoring the Democratic party at the US mid-term election.

EM Space: Dots a wrap; Asia continues to digest Fed tone and look to trade for direction

- **General Asia:** Traders will continue to digest the Fed's tone and the dot plots while looking

to fresh developments on rising oil and trade negotiations between the US with Canada and China.

- **Thailand:** August balance of payments data is due. We estimate the current account surplus to be little changed from the July level of \$1.1bn. We infer from reduced foreign reserves outflow that the overall payments balance improved in August, as the local markets bucked the EM sell-off with \$1.8bn of net inflow in the bond market and 1.7% THB appreciation. We expect the THB to remain as Asia's outperforming currency this year, and probably beyond.
- **Indonesia:** The Bank of Indonesia raised rates as expected by 25 bps to 5.75% as the central bank looks to remain ahead of the curve. The central bank also indicated it was busy readying non-interest rate measures to stem IDR volatility and should these alternative measures take hold, we may see BI keeping the powder dry and hold off on rates for the rest of the year.
- **Philippines:** The Philippines hiked policy rates by 50 bps as expected to 4.5% in a bid to anchor inflation expectations and limit FX volatility. Second round effects have begun to take root with the central bank looking to anchor expectations. Inflation forecasts now point to a breach in the 2019 target, bringing us to forecast a possible 25 bp rate hike by year-end.

What to look out for: Manufacturing data in coming week

- US-Canada trade negotiations (deadline: end of September)
- Argentina-IMF credit line request (on-going)
- Manufacturing data out from China (30 September)
- Manufacturing data out from EZ (1 October)
- Central bank meeting India (5 October)

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