

ASEAN Morning Bytes

General market tone: Risk-off

Risk off tone continued to dominate as global growth concerns trumped still robust growth numbers out from the United States



International theme: Risk assets backpedaled further with earnings failing to inspire

- Despite reporting a better-than-expected growth print in the US, risk assets were hit as investors continue to fret over a weaker outlook in the coming months.

EM Space: Asia seen to slide as tech rout persists

- **General Asia:** Asian equity markets will likely remain rattled on Monday with investors reacting to the sell-off on Wall Street with tech shares pressured. Persistent fears of a slowdown in global growth hurt risk appetite with the outlook on earnings turning less optimistic despite the decent earnings season.
- **Malaysia:** The government unveils the [2019 Federal Budget](#) this week (2 November). Significant policy changes such as the elimination of goods and services tax have derailed a decade-long fiscal consolidation. We expect this to push the fiscal deficit above 3% of GDP in 2018 and keep it there in the coming years. Yet, with the expectation of continued

monetary policy accommodation for a prolonged period, the macro policy mix still remains healthy.

- **Indonesia:** Bank Indonesia (BI) expects growth to slow with GDP now expected to slip below 5.2% by year-end. Meanwhile, inflation is seen to remain stable with full-year projections at 3.5% while the current account deficit is expected to settle below 3% by the end of the year. BI is also reiterated its tightening stance to safeguard the economy from risks emanating from trade tensions, global geopolitics, and the Fed rate hike cycle.
- **Philippines:** Pump prices were rolled back for a third straight week on Monday with signs pointing to our expectations that inflation had peaked in September. Gasoline prices are seen to fall PHP1.5 while diesel will drop by PHP 0.6 to reflect the sustained dip in crude oil. The sentiment appears to be echoed by BSP's Governor Espenilla who indicated that perhaps only a "moderate" rate hike was needed for the balance of the year to anchor inflation expectations. Thus we continue to expect only a 25 bps rate hike, most likely at the December meeting to anchor expectations going into 2019.
- **Philippines:** Although food prices have begun to normalize in recent weeks after augmentation to supply of fresh fruits, vegetables, and rice, another super typhoon barrels down on the northern portion of the Philippines which could cause renewed crop damage and disrupt supply chains further to stall the recent downtrend in food prices and inflation. This supports our view that although inflation is seen to decelerate, it may be a gradual slide in price pressures but we continue to believe that inflation had peaked in 3Q.

What to look out for: trade war traces with global export numbers due

- US core PCE (29 October)
- EZ 3Q GDP (30 October)
- US consumer confidence (30 October)
- AU CPI inflation (31 October)
- CH PMI manufacturing and services (31 October)
- TH trade balance (31 October)
- EZ core inflation (31 October)
- US ADP employment (31 October)
- BoJ policy meeting (31 October)
- SK CPI inflation (1 November)
- SK trade balance (1 November)
- AU trade balance (1 November)
- TH CPI inflation (1 November)
- ID CPI inflation (1 November)
- BoE policy meeting (1 November)
- US PMI manufacturing (1 November)
- MY 2019 Budget (2 November)
- US Non-farm payrolls (2 November)