

ASEAN Morning Bytes

General market tone: wait and see

Energy prices took center stage with crude oil remaining elevated ahead of US sanctions on Iran that could snuff out a significant source of production from global supply.



International theme: Italy refuses to budge on their budget, markets await trade developments

- Markets will continue to digest the recent USMCA deal while also awaiting how Trump will proceed with China. In Europe, markets remain on edge as Italy refuses to budge on its budget.

EM Space: Asian markets will likely move sideways despite Wall Street finish

- **General Asia:** Asian markets are still likely to move sideways as Fed's Powell kept his options open regarding his asymmetric inflation target. Markets are also awaiting Trump's negotiating approach with China after he bagged the USMCA. China remains shuttered for a holiday.

- **Thailand:** The Bank of Thailand releases minutes of the policy meeting held on 19 September and also the quarterly monetary policy report. Both growth and inflation have started to taper off, but we don't think the BoT will take these as formative trends. We expect no change to the BoT's 4.4% growth and 1.1% inflation forecasts for 2018 in the quarterly policy report. Any moves to 2019 forecasts, 4.2% growth and 1.1% inflation, will be important for policy expectations next year.
- **Singapore:** The Nikkei PMI for Singapore is not well followed, but the official Singapore PMI released yesterday evening fell slightly (52.6 to 52.4). With wide (even wild) swings in this alternative PMI, and three consecutive declines in recent months, it would not be surprising to see this index bounce slightly, though we would not read anything meaningful into such a move.
- **Indonesia:** Bank of Indonesia (BI) maintained their stance on the IDR, indicating they will remain vigilant with sustained intervention to stabilize the currency. BI's Deputy Governor, Waluyo, relayed that they would remain in the market to limit volatility as the currency crossed 15,000 on worries about a wider current account due to rising oil prices. The government is also mulling a proposal to cut taxes on sovereign bonds to entice bondholders to stay onshore. For the time being the government will look for coordinated action to stem the tide on the currency but should this persist, the BI may be called to hike yet again before year end.
- **Philippines:** Jeepney operators have submitted to the land transportation regulatory board (LTFRB) a fare hike petition in light of the sustained rise in global oil prices. If realized in full, transport fares could increase by 33% and push inflation higher given that transport costs account for 8% of the CPI basket. Inflation will remain elevated going into 2019 if oil prices continue to rise. A further \$10/barrel would add a full percentage point to PHL inflation in this scenario, which could offset the projected 0.7 percentage point reduction in inflation should the rice tariffication law be passed.

What to look out for: US NFP and Fed speakers

- Argentina-IMF credit line request (on-going)
- Philippine inflation (5 October)
- Central bank meeting India (5 October)
- US non-farm payrolls (5 October)

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