

ASEAN Morning Bytes

General market tone: Risk-off.

Talk about additional US tariffs on Chinese goods was floated again on Tuesday with a report indicating that plans were in the works for an additional \$257bn worth of levies on imports from China should talks between Trump and Xi breakdown



International theme: US China trade spat back in focus, Merkel plans her exit

- Separate news reports sparked risk-off sentiment further with concerns about global growth rising. The US is ready to slap an additional \$257 bn worth of tariffs on China if trade talks sour, while Angela Merkel, long-standing Chancellor of Germany, has indicated she may not seek the top post of her Christian Democrat party.

EM Space: Recycled trade war report may hurt Asian sentiment again

- **General Asia:** Asian risk markets may be in for another rough session as the US readies another substantial round of levies on China should trade talks between top officials bog down.
- **Thailand:** September manufacturing index is due today. Our estimate of -0.5% YoY growth

is close to the center of estimates ranging from -3.5% to +2.2% in the Bloomberg survey. A surprising 5% YoY fall in exports in September bodes ill for manufacturing. Data will help us to refine tune our 3Q GDP growth forecast, currently 4.1% (4.6% in 2Q). Yesterday the finance ministry reaffirmed its 2018 GDP growth forecast of 4.5% but cut its export growth forecast to 8% from 9.7% projected three months ago. The ministry expects no change to the central bank policy this year.

- **Philippines:** The BSP reported a slowdown in the growth of bank's credit to the real estate sector to 11.2% in the first half of 2018 from 18.6% in the same period last year. The central bank attributed the slowdown in both real estate and consumer loans growth to the then 50 bps policy interest rate hike during the period. We surmise a continued slowdown in lending with additional 100bp rate hike hurting the demand. This will have a knock-on effect on inflation in 2019 as GDP growth will also decelerate.
- **Philippines:** Energy sales in the metropolis grew by 4.8% while customer base grew by 4.7% as of September, pointing to weak consumer demand for energy and a slower GDP print. Other indicators point to a slowdown in growth in 3Q, all the more given the high base posed by strong growth in 3Q 2017.

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

- 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)

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