

ASEAN Morning Bytes

General market tone: Wait and see.

Risk markets bounced back on Tuesday in reaction to comments from the White House and positive economic data but traders remained cautious with Europe missing its growth projections.



International theme: US expresses optimism over trade talks with China

- The US equities managed to rebound on Tuesday with market players picking up bargains amid an upbeat consumer confidence data. Tech shares also bounced after a bluechip player unveiled new hardware models.

EM Space: Asian markets may track the Wall Street rebound

- **General Asia:** Asian equity markets may track the rebound on Wednesday with bargain hunting in session. Manufacturing PMI data out from China may point to possible ill effects of the trade tariffs and will likely dictate whether the rally continues.
- **Thailand:** The Bank of Thailand reports September balance of payments data today. The swing in the customs-basis trade balance to surplus in September from deficits in the previous two months will have translated into a wider current account surplus of about \$1.2bn than \$753m in August. Slower tourism receipts are the key risk to this data.

Although wider current surplus is positive for the currency, the THB is ending October as Asia's worst performing currency.

- **Thailand:** The Thai cabinet gave an in-principle approval to THB 600bn (3.9% of 2017 GDP) worth of infrastructure projects, part of THB 1.7tr Eastern Economic Corridor initiative. Following weak September manufacturing data, we have cut our 3Q18 GDP growth forecast to 3.7% from 4.1%, and full-year 2018 growth forecast to 4.2% from 4.3%. Recent data weakness not only undermines the government's optimism on the economy's growth this year but also dampens the prospects of the central bank tightening policy anytime soon ([read more here](#)).
- **Malaysia:** The MYR weakened to a one-year low of 4.1807 against the USD yesterday. However, unlike the THB, this currency has not lost its luster as Asia's outperformer in the sell-off this month. The government is considering a legislation against economic sabotage (the 'Economic Sabotage Act'), preventing businesses from selling their secured projects and approved permits for immediate gains.
- **Philippines:** Prices for important crops continue to trend lower, albeit at a modest pace with the cost of regular-milled rice showing a 0.13% fall from the previous week. Other vegetable items also posted sharp declines, which could help limit the year on year rise in food inflation, which accounts for 38% of the headline. The BSP has indicated that they would only enact a "moderate" rate hike before the year-end if inflation begins to show any deceleration.
- **Philippines:** The government has kick-started rehabilitation efforts of the southern city of Marawi, which was devastated after a protracted conflict in 2017. The estimate for the reconstruction efforts is pegged at Php80 bn over the next three years, with the government indicating a potential Php50 bn offering in 4Q 2018, subject to market conditions. The timing for the issuance of the reconstruction bond will be key as the Bureau of the Treasury is also looking to float retail bonds before the end of the year.

What to look out for: US job data and ASEAN inflation

- 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 Federal Budget (2 November)
- US Non-farm payrolls (2 November)