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ASEAN Morning Bytes

General market tone: Wait and see.

Risk sentiment played tug of war with optimism over the strong jobs numbers offset by concerns about conflicting reports on the status of US-China trade developments

International theme: US labor market fully on the mend but trade issues cloud outlook

- Equity markets saw directional trading on Friday with positive sentiment coming from an extremely strong jobs print which was promptly offset by conflicting reports on the actual status of the US-China trade negotiation status.

EM Space: Asian markets to move sideways, look to China's trade data for direction

- **General Asia:** Asian markets will likely digest the recent performance of Wall Street with markets still keenly watching developments on the trade negotiation front. Trade numbers out from China will also help drive sentiment throughout the week.
- **Malaysia:** In a significant fiscal derailment, the government estimates its budget deficit to spike to 3.7% of GDP in 2018 from 3% in the last year. The gap is projected to narrow to 3.4% in 2019. These projections rest on the GDP growth of 4.8% this year and 4.9% in the

next. The wider budget deficit also comes as a significant fiscal impetus to the economy amid elevated external risks. But weak public finances are negative for the MYR and we're reviewing our end-2018 USD/MYR forecast of 4.20 for upward revision.

- **Thailand:** Somchai Jitsuchon, member of the Bank of Thailand's Monetary Policy Committee, signaled increased downside growth risk in 2019 from slower exports and persistent low agriculture product prices pressuring farmers. Among other headwinds to growth is slowing tourist arrivals from China. On our forecast, GDP growth dips below the 4% level in 3Q18 (data due 19 November) and remains there through most of 2019. This also means the BoT leaves policy on hold for a prolonged period.

- **Indonesia:** 3Q GDP numbers will be reported on Monday with the market looking at a print of 5.18%, slightly slower than the 5.27% print in 2Q but faster than the same quarter in 2017. Indonesia's growth will likely come from healthy government expenditures as well as a sustained push from the household sector with inflation remaining well within target. The Rupiah's recovery in recent sessions will take some pressure off from Bank of Indonesia but the central bank may still need to adjust monetary policy before year-end to help the IDR find a more convincing rally.

- **Philippines:** Important data reports will be released in the coming sessions with October inflation reported on Tuesday (6 November), trade data released on Wednesday (7 November) and 3Q GDP out on Thursday (8 November). Inflation is expected to come off its peak, albeit still at an elevated level, the trade deficit forecasted to remain wide at more than $3 bn while growth will see an above 6% print on strong government spending.

- **Philippines:** The Philippine Peso had outperformed the region but Philippine markets have been shuttered in the past few sessions, with the Peso likely to see some moderate catch down after traders return from the holiday. Pent-up remittance flows over the extended holiday, coupled with some slight risk on tone will help PHP appreciate slightly with inflation and still strong growth seen to support.

- **Philippines:** Government officials had sounded off in the recent weeks that a Dollar-denominated bond issuance was in the works and would likely be floated in November and when market conditions improved. With the slight risk on tone emanating from possible improved relations between the US and China creeping in the past sessions, the government may look to issue in the next few weeks, which should support the Peso.

What to look out for: China trade data and FOMC decision

- CH Caixin PMI services (5 November)
- TH consumer confidence (5 November)
- MY trade (5 November)
- US PMI services (5 November)
- ID 3Q GDP (5 November)
- PH CPI inflation (6 November)
- US JOLTS (6 November)
- PH trade (7 November)
- ID GIR (7 November)
- PH GIR (7 November)
- CH GIR (7 November)
- PH 3Q GDP (8 November)
- CH trade (8 November)
- US FOMC (9 November)

- US consumer sentiment (9 November)

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