

## ASEAN Morning Bytes

Market players continue to focus on developments on the trade front with the US and China seemingly closing in on a partial deal.



### EM Space: US and China believed to be inching closer to phase one agreement

- **General Asia:** As expected the week is off on a positive note of increased risk appetite stemmed from hopes of the US and China coming to a partial trade deal later this month. There is nothing on the Asian calendar to derail the positive sentiment today. The key highlights of the day are central bank policy meetings in Australia and Malaysia.
- **Malaysia:** Bank Negara Malaysia announces its policy decision at 3 pm local time. Yesterday's [weak trade report](#) showed a steepest export drop in three years was timely support to our view of a 25bp rate cut today. Accelerated declines in both exports and imports in 3Q point to slower GDP growth, while persistent external risks are likely to hold back growth in the period ahead. This tips the balance in favour of a pre-emptive easing as continued low inflation and stable to strong currency provide scope for such a policy.
- **Thailand:** In further support of our call of a 25bp Bank of Thailand policy cut tomorrow, Finance Minister Uttama Savanayna signaled a move to narrow the central bank's policy target of inflation, currently 1-4%. Barring occasional hits, inflation has undershot the target since 2015 (0.7% YTD in 2019). So, cutting it down to a reasonable level makes more sense for better policymaking. We see a likelihood of a point target of 2% inflation, instead of a

new lower range.

- **Indonesia:** 3Q GDP report is due with the consensus of a modest slowdown in growth to 5.0% from 5.05% in the 2Q. Despite four policy rate cuts this year, Bank Indonesia (BI) continues to be accommodative and a downside GDP surprise could nudge it for further easing ahead. Household consumption is expected to support the headline GDP growth, though that may not be enough to offset drags from fixed capital formation and net exports.
- **Philippines:** October CPI is due with consensus centered on a 0.8% YoY inflation, slightly slower than the 0.9% in the previous month. The index-heavy food component is expected to remain in negative territory due to base effects, while transport costs will likely also push headline inflation below 1%. Our forecast for the month is 0.9% inflation. The Bangko Sentral ng Pilipinas (BSP) has flagged a pause in easing for now though we expect it to cut policy rates again in early 2020 should inflation continue to stay below the target.

## What to look out for: regional growth and central bank data

- Philippines inflation (5 November)
- China Caixin PMI Services (5 November)
- Indonesia GDP (5 November)
- Malaysia BNM meeting (5 November)
- US trade (5 November)
- ISM services PMI (5 November)
- Philippines trade (6 November)
- Thailand BoT meeting (6 November)
- Taiwan inflation (6 November)
- Philippines GDP (7 November)
- Indonesia GIR (7 November)
- Malaysia GIR (7 November)
- Thailand consumer confidence (7 November)

# 2.75%

ING forecast of BNM policy rate

After a 25bp cut today