

ASEAN Morning Bytes

General market tone: risk off. A hawkish Fed and continued robust economic numbers out from the United States saw the Treasury yield jump weigh on global markets.



International theme: Global markets yield to the yield

- US economic data has driven Fed speakers to take on a hawkish tone, forcing Treasury yields north and weighing heavily on global risk appetite.

EM Space: EM Asia braces for strong NFP print as surging Treasuries weigh on sentiment

- **General Asia:** Asian markets may head to the sidelines, tracking the move on Wall Street with bond yields surging. Markets look to NFP data to confirm the sustained rise in yields which could prod the Fed to be more aggressive in its hike cycle.
- **ASEAN:** The World Bank, in its East Asia and Pacific Economic Update for October 2018, assessed the ASEAN region's growth remaining on a solid path beyond 2018, underpinned by strong private consumption and investment. But the Bank also warned that heightened financial market turbulence could complicate macroeconomic management, adding that high domestic debt levels and large external financing needs potentially amplifying external

shocks.

- **Thailand:** The Bank of Thailand tightened property sector regulation, making a mandatory 20% downpayment for homes valued at more than THB 10m and raising downpayment for the second home valued less than THB 10m bath from 5% to 20%. The new measures to be effective from January 2019 are aimed at curbing speculation in the housing sector amid rising household debt and non-performing loans in the sector.
- **Indonesia:** The World Bank cut its growth forecast for Indonesia by 0.1 percentage points for the next three years, flagging the potential refinancing risk for the country given the nation's susceptibility to foreign outflows coupled with its percentage of short-term debt. The multilateral lender, however, lauded the efforts of the central bank, pointing out that the weaker IDR could boost the competitiveness of its export sector to help alleviate its current account deficit.
- **Philippines:** September inflation will be reported on Friday with Bloomberg consensus at 6.8% given still-elevated food prices and fuel. With the government looking to distribute its recently imported haul of rice, we could see some abatement in inflation pressures in the coming months, more so as additional 750,000 MT of rice is expected to arrive throughout November. If prices remain elevated, this could force the BSP to hike anew by 25 bps at its November meeting.

What to look out for: US NFP

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