

ASEAN Morning Bytes

General market tone: Wait and see.

Global markets are trained on streaming results for the US elections with oil prices dipping despite recently implemented trade sanctions on Iran



International theme: Markets tiptoe higher but focus still on US elections and European politics

- Results will be trickling in with investors waiting to see the outcome of the US mid-term election, which could have a significant impact on bond yields depending on the composition of the Congress. In Europe, conflicting Brexit reports drove sentiment while anxiety remains elevated regarding the Italian budget.

EM Space: Asian markets may take their cue from the US election results

- **General Asia:** Market players will remain focused on the outcome of the US mid-term elections with the Fed meeting later in the week. Meanwhile, Asian economies will be set to release foreign exchange reserves numbers later in the session. Were the Asian central banks able to replenish lost reserves after the September swoon?
- **Indonesia:** Bank Indonesia indicates that it expects growth in 4Q to be flat from 3Q at

5.17% with full-year growth seen to settle within the 5-5.4% target. Furthermore, Deputy Governor Waluyo indicated that future monetary policy decisions will remain data dependent and that government efforts to limit the current account deficit had begun to bear fruit after Indonesia posted its first trade surplus for the year in September of \$227m.

- **Philippines:** CPI inflation remained steady at 6.7% year on year in October on still elevated food price pressures. Prices accelerated by 0.3% versus September, indicating that the “hump-shaped” inflation path would be more drawn out. Given that inflation has not been able to show a substantial deceleration trend, the likelihood of that “moderate” rate hike at the 15 November meeting has increased. The Peso should continue to benefit from structural as well as capital flows in the coming week, which the BSP maintained its hawkish bias of late.
- **Philippines:** Efforts to augment the supply of all-important rice stocks hit a snag with the government announcing that it failed to secure bids for a tender to import 203,000 MT of rice, which could keep rice prices elevated going into the holiday season. The government had allotted 750,000 MT for rice imports before December but only 47,000 have been procured to date. This could keep the deceleration in overall inflation much slower as rice accounts for roughly 9% of the CPI basket.
- **Thailand:** In a second consecutive slide, the University of the Thai Chamber of Commerce’s Consumer Confidence Index fell further to 81.3 in October from 82.3 in the previous month. Data signals a weakening private consumption support to GDP growth coming into the final quarter of the year. More reasons for the central bank to maintain the current policy stance at the upcoming meeting on 14 November, and beyond.

What to look out for: China trade data, FOMC meeting

- 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)