

ASEAN Morning Bytes

Warming of trade relations between the US and China helps positive investor sentiment despite sustained political noise.



4.00%

Consensus for BSP policy rate

After a 25bp cut today

EM Space: Philippines BSP looks poised to ease policy again

- **General Asia:** Warming of trade relations between the US and China helps positive investor sentiment despite sustained political noise. No surprises from central policy announcements yesterday in New Zealand and Thailand. The Philippines' BSP looks poised to ease the policy today in a third rate cut this year.
- **Indonesia:** Bank Indonesia's Senior Deputy Governor Destry Damayanti sees better prospects for the country's bonds as attractive yields and sound macro fundamentals lure global investors to the market. The prospects of further BI monetary policy easing also bode well for the market.
- **Malaysia:** August CPI inflation came in line with consensus at 1.5%. rose in line with is due. The increase from 1.4% in July was from food and miscellaneous CPI components while the

quarterly hikes in housing rents also contributed to it. We don't see inflation becoming a worry for the economy anytime soon. The key event risk today is FTSE Russell's decision on whether to keep the Malaysian government bonds in its global bond index. Hopes are pinned on the liquidity boosting measures by the BNM to satisfy the index provider.

- **Philippines:** We are part of the near-unanimous consensus of a 25bp cut to the BSP's overnight borrowing and deposit rates today. Yesterday, the central bank cut its inflation forecast for 2019 to 2.5% from 2.6% earlier. This is one of the two Asian central banks (the other being Bank Indonesia) enjoying significant policy space from 175bp of rate hikes last year. We don't think the BSP will need to use up all that policy leeway unless pent-up government spending failed to revive growth above 6% in the second half of 2019.
- **Singapore:** (From Rob Carnell) Today's August Industrial production figures are expected to edge down from -0.4%YoY in July. Commentators tend to get hugely bogged down by tiny changes in annual figures from month to month. But to do this for this month's data, and draw downbeat conclusions would be to miss the much bigger and more positive point. Just like the export data which drive Singapore's production figures, the prevailing trend seems to have stopped deteriorating. Sure we can pointlessly whinge about the odd tenth of a percent here or there. The bigger and more important story is that the month on month incremental changes in production have turned slightly positive (3, 4 and 5 month moving averages) and though they may remain weak, the direction is now positive for the first time since last October 2018. We should be cheering that - albeit very quietly.
- **Thailand:** The Bank of Thailand left the monetary policy unchanged yesterday but cut its growth forecast for the current year to 2.8% from 3.3% and for 2020 to 3.3% from 3.7% on a continued weak export outlook. It now sees export growth slipping to -1% from 0% this year. The BoT also lowered its inflation forecast for 2019 to 0.8% from 1%, though left it unchanged at 1% for next year. We aren't yet giving up on our call for at least one more 25 basis point rate cut this year ([read more here](#)).

What to look out for: Developments on trade and political fronts

- Philippines central bank meeting (26 Sep)
- Singapore manufacturing (26 Sep)
- US final 2Q19 GDP (26 Sep)
- China industrial profits (27 Sep)
- US durable goods and core PCE deflator (27 Sep)