

ASEAN Morning Bytes

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EM Space: Looks like a slow day ahead

- **General Asia:** The US political saga continues to rattle markets in the absence of significant economic events or data. Not much happening in Asia today apart from China's industrial profits data for August. Nearly two-decade low production growth suggests profits growth slipping back into negative territory after a one-off positive in July. Meanwhile, Chinese government bonds failed to qualify for entry in the FTSE Russell's global bond index on accessibility grounds.
- **Indonesia:** Finance minister Sri Mulyani Indrawati warned that ongoing protests over new law weakening the Corruption Eradication Commission could threaten the business sentiment. This explains some of the depreciation pressure on the Indonesian rupiah over the last two weeks besides global factors such as oil price spike contributing to the currency's weakness. Our end-2019 USD/IDR forecast is 14,300 (spot 14,165).
- **Malaysia:** Not an exclusion just yet but the Malaysian government bonds remain on FTSE Russell's watch-list for exclusion from its global bond index as the index provider seeks more measures to deepen the market while the central bank continues to bar the offshore currency trading. In more positive news for the bonds though, finance minister Lim Guan

Eng expressed the government's commitment to the 3.4% of GDP fiscal deficit target for 2019.

- **Philippines:** As expected, the BSP delivered a 25bp rate cut at the meeting yesterday as inflation dipped below the central bank's 2-4% medium-term policy target. Governor Diokno sees continued benign inflation outlook providing room for a further rate reduction to support growth. We see inflation downtrend nearing its trough, and so is the BSP policy rate. That said, we won't rule out one more rate cut before the yearend.
- **Singapore:** (From Rob Carnell) After several months of roughly stable production which had begun to drag trend rates of growth back into positive territory, the 7.5% seasonally adjusted monthly decline in the August production figures was a blow to our hopes that the worst of the global tech slump has passed. The Monetary Authority of Singapore (MAS), which is due to reset the SGD nominal effective exchange rate path and band in October, is, in our opinion, bound to ease from the moderate appreciation it currently has in place ([read more here](#)).