

Asia week ahead: A big policy week in Malaysia

Anxiety about the US election outcome and a raft of activity data will likely make it a volatile trading week in Asia for markets. The main highlight will be the Malaysian budget proving to be a key test of confidence in the Muhyiddin administration and the central bank meeting



Source: Shutterstock

➔ Asia – a big data week

The usual start-of-the-month releases, especially purchasing manager indexes for October will shed some light on the direction Asian economies are headed in the 4Q20.

Adding to this will be Korea's export growth in October - the first hard data of the month from the region. While these indicators shape up expectations of economic recovery, the resurgent Covid-19 infections around the world may well mean we're in for a prolonged economic slump. Probably this is what underlies the consensus about Korea's exports returning to negative growth in October from a one-off bounce in September.

Lots of inflation figures due from around the region won't budge the markets, but they will still be important for central bank policymakers. Central banks of Australia and Malaysia are reviewing their monetary policies next week. Our Australia watcher, Rob Carnell, sees a decent chance of further RBA easing, though more likely via the quantitative easing route rather than a rate cut. More so given weakening pressure on AUD in the ongoing risk-off.

Indonesia is the next one in Asia to report 3Q GDP data. The consensus of a slightly smaller GDP fall than -5.3% YoY in 2Q looks likely given continued pounding of the economy. Hence our house view of steeper GDP fall by 5.6% YoY. And, rising jobless rates will continue to depress consumer spending in Hong Kong and Singapore as their retail sales figures should reveal.

➔ Malaysia – a big policy week

Malaysia's central bank meets on Tuesday, 3 November, which will be followed by the latest government budget for 2021 on Friday. We expect an expansionary macro policy.

The central bank is widely expected to leave policy on hold, leaving the overnight policy rate at 1.75%. However, we won't entirely rule out a rate cut in view of the latest second wave developments. Unlike most Asian peers, the BNM has sufficient easing space from negative inflation, while there is limited leeway for fiscal policy after a record stimulus unleashed earlier this year.

However, the upcoming budget has become a contentious political issue in view of a slim coalition majority. Amidst the ongoing power struggle, fears that the budget bill might not get through the parliament and this causes yet another political crisis are prevalent.

Malaysia's King has urged lawmakers to refrain from politicising the issue and support the budget at such a critical juncture. We aren't ruling out any political fireworks just yet.

Asia Economic Calendar

| Country | Time Data/event | ING | Survey | Prev. |
|-----------------------------|------------------------------------------------|-------|--------|-------|
| Sunday 1 November | | | | |
| South Korea | 0000 Oct Imports (YoY%) | -5.6 | -2.2 | 1.6 |
| | 0000 Oct Exports (YoY%) | -2.8 | -4.9 | 7.6 |
| | 0000 Oct Trade balance (US\$mn) | 3500 | 4542 | 8696 |
| Monday 2 November | | | | |
| China | 0145 Oct Caixin Manufacturing PMI | - | 52.8 | 53.0 |
| India | 0500 Oct Nikkei Manufacturing PMI | 54.8 | - | 56.8 |
| Hong Kong | 0830 Sep Retail sales value (YoY%) | - | - | -13.1 |
| | 0830 Sep Retail sales volume (YoY%) | - | - | -13.4 |
| Indonesia | 0400 Oct CPI core (YoY%) | - | 1.87 | 1.86 |
| | 0400 Oct CPI (YoY%) | 1.4 | 1.45 | 1.42 |
| Philippines | 0030 Oct Nikkei Manufacturing PMI | 49.8 | - | 50.1 |
| Taiwan | 0030 Oct Nikkei Manufacturing PMI | - | - | 55.2 |
| South Korea | 0030 Oct Nikkei Manufacturing PMI | 50.1 | - | 49.8 |
| | 2300 Oct CPI (YoY%) | 0.8 | - | 1 |
| | 2300 Oct CPI core (YoY%) | 0.7 | - | 0.9 |
| Tuesday 3 November | | | | |
| South Korea | 2300 Sep Current account balance (US\$bn) | 10.4 | - | 6.6 |
| Malaysia | 0700 Overnight Policy Rate | 1.75 | 1.75 | 1.75 |
| Singapore | 1300 Oct Purchasing Managers Index | - | - | 50.3 |
| Wednesday 4 November | | | | |
| India | 0500 Oct Nikkei Services PMI | 51 | - | 49.8 |
| Hong Kong | 0030 Oct Nikkei PMI | - | - | 47.7 |
| Philippines | 0100 Sep Exports (YoY%) | -13.3 | - | -18.6 |
| | 0100 Sep Imports (YoY%) | -20.9 | - | -22.6 |
| | 0100 Sep Trade balance (US\$mn) | -1967 | - | -2076 |
| Thursday 5 November | | | | |
| Indonesia | 0400 3Q GDP (YoY%) | -5.6 | - | -5.3 |
| Philippines | 0100 Oct CPI (YoY%) | 2.4 | - | 2.3 |
| Singapore | 0500 Sep Retail sales value (YoY%) | - | - | -5.7 |
| | 0500 Sep Retail sales value (MoM% SA) | - | - | 1.4 |
| Taiwan | 0800 Oct WPI (YoY%) | - | - | -8.12 |
| | 0800 Oct CPI (YoY%) | - | - | -0.58 |
| Thailand | 0330 Oct CPI (YoY%) | -0.5 | - | -0.70 |
| | 0330 Oct Core-CPI (YoY%) | 0.25 | - | 0.25 |
| Friday 6 November | | | | |
| Hong Kong | - Oct Forex Reserves (US\$bn) | - | - | 453.3 |
| Malaysia | 0700 Oct 30 Forex reserves- Month end (US\$bn) | - | - | 105.2 |
| | - 2021 Federal Budget | | | |
| Philippines | - Oct Forex reserves (US\$bn) | 101.1 | - | 101 |

Source: ING, Bloomberg, *GMT