

Asia week ahead: Calm after the storm

After a hectic week, the Golden Week holiday in China should bring some calm to markets. The key question for next week is whether the Indian central bank will hike policy rates by more than 25bp?



Source: Shutterstock

➔ A holiday-shortened week

Asian market liquidity is expected to be thin, as Chinese markets are closed for a holiday during 1-7 October, and Hong Kong, Korea, and India are also out on public holiday on other days of the week. Nevertheless, it's quite a busy economic calendar dominated by manufacturing, trade, and inflation releases and the central bank meeting in India.

The weekend release of China's purchasing managers index, followed by PMI releases for other Asian economies on Monday will set the tone for the markets. The key focal point in PMIs will be

the new export order components and we'll be keeping an eye out for what that says about the trade war impact. However, this is still a soft indicator.

➔ What's happening to Asian exports?

The hard data on Korea's export performance in September will be hitting the newswires early on Monday morning, and that will be worth watching as a leading indicator for the rest of Asian exports.

The base effect is kicking in. Korean export growth peaked at 35% year-on-year in September 2017. But apart from the high base effect, our estimate of over 5% YoY export decline this September reflects a slack towards the end of the month due to the mid-Autumn festival holiday. But a 22% YoY surge in exports in the first 20 days of the month, partly on the back of front-loading of shipment is still a strong performance, that reinforces no big hit to regional exports from the trade war yet.

The recent signing of the US-Korea Free Trade Agreement bodes well for the export outlook.

➔ Inflation not an issue in Asia, barring Philippines

Of several September inflation releases, Philippines' data will be the highlight. The supply disruptions due to the worst typhoon in recent years will have undoubtedly bumped up inflation higher from August's 6.4% rate. Our forecast for September is 6.9%, and we feel it is now close to peaking.

The Philippines central bank (BSP) raised the policy rate by another 50bp to 4.50% this week, taking the cumulative hike since May to 150bp. However, this still leaves a negative real interest rate as a pull on the currency. We don't think the BSP tightening cycle is over just yet and the Bank is likely to remain vigilant of the impact of a weak peso on inflation in the future. We expect one more 25bp rate hike before the end of the year.

Indonesia, Taiwan, and Thailand are other countries to report September inflation, but we expect nothing exciting here.

➔ Will India's Reserve Bank hike by more than 25bp?

The Reserve Bank of India unveils its monetary policy decision next Friday (5 October).

Speculation is rife about the RBI joining ranks with its Indonesian and Philippines counterparts in aggressive tightening to curb currency weakness, but we're far from convinced. Although the RBI needs more tightening, it's likely to argue that inflation, the main policy target, has been well-behaved, currently under the 4% (+/-2%) medium-term target.

We continue to forecast one more 25bp RBI rate hike this year at the December meeting, and two hikes in 2019

Not only inflation, but ongoing troubles in India's financial sector from a serial default by a non-bank finance company on its debt obligations and resultant liquidity squeeze are other limitations

on the RBI in going for more than the conventional 25bp hike. Also, the government has started taking measures to rein in the rupee's weakness - which although have so far proved to be inadequate, reduce the onus on the RBI to support the currency.

We still can't underestimate the potential inflationary impact of ongoing currency depreciation, which will further be complicated by the impact of higher oil prices due to the supply disruption from Iran sanctions. If not in the next couple of months, we expect inflation to rear its head again, thus keeping the RBI busy going forward.

We continue to forecast one more 25bp RBI rate hike this year in the December meeting, and two hikes in 2019.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Sunday 30 September					
China	0200	Sep Non-manufacturing PMI	-	54	54.2
	0200	Sep Manufacturing PMI	-	51.1	51.3
Monday 1 October					
India	0600	Sep Nikkei Manufacturing PMI	-	-	51.7
Indonesia	0400	Sep CPI (MoM/YoY%)	0.4/3.1	-	-0.1/3.2
Korea	0000	Sep Exports (YoY%)	-5.5	-	8.7
	0000	Sep Imports (YoY%)	7.8	-	9.2
	0000	Sep Trade balance (US\$m)	7114	-	6853
	0000	Sep Nikkei manufacturing PMI	48.9	-	49.9
	2100	Oct BOK Business Survey Index, mfg	77	-	77
	2100	Oct BOK Business Survey Index, non-mfg	78	-	77
	2300	Aug Industrial Production (MoM, SA/YoY%)	0.5/1.6	-	0.4/0.9
Malaysia	0030	Sep Nikkei Manufacturing PMI	50.5	-	51.2
Philippines	0030	Sep Nikkei Manufacturing PMI	-	-	51.9
Taiwan	0200	Sep Nikkei Manufacturing PMI	52.9	-	53
Thailand	0030	Sep Nikkei Manufacturing PMI	-	-	49.9
	0430	Sep CPI (YoY%)	1.1	-	1.6
	0430	Sep CPI Core (YoY%)	0.8	-	0.8
Tuesday 2 October					
Hong Kong	0815	Aug Retail Sales Value (YoY%)	8.6	-	7.8
	0815	Aug Retail Sales Volume (YoY%)	6.2	-	5.9
Singapore	1330	Sep Purchasing Managers Index	52.4	-	52.6
Thursday 4 October					
India	0600	Sep Nikkei Services PMI	-	-	51.5
Hong Kong	0230	Sep Nikkei PMI	-	-	48.5
Indonesia	1000	Sep BI Consumer Confidence Index	-	-	121.6
Thailand	0330	Sep UTCC's Consumer Confidence	-	-	83.2
Friday 5 October					
India	1000	RBI Policy Decision (Repo Rate, %)	-	-	6.5
Malaysia	0400	Aug Exports (YoY%)	4.5	-	9.4
	0400	Aug Imports (YoY%)	5.5	-	10.3
	0400	Aug Trade balance (RM bn)	9.6	-	8.3
	0900	Sep Forex Reserves- Month end (US\$bn)	-	-	103.9
Philippines	0100	Sep CPI (YoY%)	6.9	-	6.4
	0900	Sep Forex Reserves (US\$bn)	-	-	77.9
Taiwan	0030	Sep CPI (YoY%)	1.7	-	1.5
	0030	Sep WPI (YoY%)	6.5	-	6.8
	0820	Sep Forex Reserves (US\$bn)	461.5	-	459.9

Source: ING, Bloomberg

Author

Alissa Lefebvre

Economist

alissa.lefebvre@ing.com

Deepali Bhargava

Regional Head of Research, Asia-Pacific

Deepali.Bhargava@ing.com

Ruben Dewitte

Economist

+32495364780

ruben.dewitte@ing.com

Kinga Havasi

Economic research trainee

kinga.havasi@ing.com

Marten van Garderen

Consumer Economist, Netherlands

marten.van.garderen@ing.com

David Havrlant

Chief Economist, Czech Republic

420 770 321 486

david.havrlant@ing.com

Sander Burgers

Senior Economist, Dutch Housing

sander.burgers@ing.com

Lynn Song

Chief Economist, Greater China

lynn.song@asia.ing.com

Michiel Tukker

Senior European Rates Strategist

michiel.tukker@ing.com

Michal Rubaszek

Senior Economist, Poland

michal.rubaszek@ing.pl

This is a test author

Stefan Posea

Economist, Romania
tiberiu-stefan.posea@ing.com

Marine Leleux
Sector Strategist, Financials
marine.leleux2@ing.com

Jesse Norcross
Senior Sector Strategist, Real Estate
jesse.norcross@ing.com

Teise Stellema
Research Assistant, Energy Transition
teise.stellema@ing.com

Diederik Stadig
Sector Economist, TMT & Healthcare
diederik.stadig@ing.com

Diogo Gouveia
Sector Economist
diogo.duarte.vieira.de.gouveia@ing.com

Marine Leleux
Sector Strategist, Financials
marine.leleux2@ing.com

Ewa Manthey
Commodities Strategist
ewa.manthey@ing.com

ING Analysts

James Wilson
EM Sovereign Strategist
James.wilson@ing.com

Sophie Smith
Digital Editor
sophie.smith@ing.com

Frantisek Taborsky
EMEA FX & FI Strategist
frantisek.taborsky@ing.com

Adam Antoniak
Senior Economist, Poland

adam.antoniak@ing.pl

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

Coco Zhang

ESG Research

coco.zhang@ing.com

Jan Frederik Slijkerman

Senior Sector Strategist, TMT

jan.frederik.slijkerman@ing.com

Katinka Jongkind

Senior Economist, Services and Leisure

Katinka.Jongkind@ing.com

Marina Le Blanc

Sector Strategist, Financials

Marina.Le.Blanc@ing.com

Samuel Abettan

Junior Economist

samuel.abettan@ing.com

Franziska Biehl

Senior Economist, Germany

Franziska.Marie.Biehl@ing.de

Rebecca Byrne

Senior Editor and Supervisory Analyst

rebecca.byrne@ing.com

Mirjam Bani

Sector Economist, Commercial Real Estate & Public Sector (Netherlands)

mirjam.bani@ing.com

Timothy Rahill

Credit Strategist

timothy.rahill@ing.com

Leszek Kasek

Senior Economist, Poland

leszek.kasek@ing.pl

Oleksiy Soroka, CFA

Senior High Yield Credit Strategist

oleksiy.soroka@ing.com

Antoine Bouvet

Head of European Rates Strategy

antoine.bouvet@ing.com

Jeroen van den Broek

Global Head of Sector Research

jeroen.van.den.broek@ing.com

Edse Dantuma

Senior Sector Economist, Industry and Healthcare

edse.dantuma@ing.com

Francesco Pesole

FX Strategist

francesco.pesole@ing.com

Rico Luman

Senior Sector Economist, Transport and Logistics

Rico.Luman@ing.com

Jurjen Witteveen

Sector Economist

jurjen.witteveen@ing.com

Dmitry Dolgin

Chief Economist, CIS

dmitry.dolgin@ing.de

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com

Egor Fedorov

Senior Credit Analyst

egor.fedorov@ing.com

Sebastian Franke

Consumer Economist

sebastian.franke@ing.de

Gerben Hieminga

Senior Sector Economist, Energy

gerben.hieminga@ing.com

Nadège Tillier

Head of Corporates Sector Strategy

nadege.tillier@ing.com

Charlotte de Montpellier

Senior Economist, France and Switzerland

charlotte.de.montpellier@ing.com

Laura Straeter

Behavioural Scientist

+31(0)611172684

laura.Straeter@ing.com

Valentin Tataru

Chief Economist, Romania

valentin.tataru@ing.com

James Smith

Developed Markets Economist, UK

james.smith@ing.com

Suvi Platerink Kosonen

Senior Sector Strategist, Financials

suvi.platerink-kosonen@ing.com

Thijs Geijer

Senior Sector Economist, Food & Agri

thijs.geijer@ing.com

Maurice van Sante

Senior Economist Construction & Team Lead Sectors

maurice.van.sante@ing.com

Marcel Klok

Senior Economist, Netherlands

marcel.klok@ing.com

Piotr Poplawski

Senior Economist, Poland

piotr.poplawski@ing.pl

Paolo Pizzoli

Senior Economist, Italy, Greece

paolo.pizzoli@ing.com

Marieke Blom

Chief Economist and Global Head of Research

marieke.blom@ing.com

Raoul Leering

Senior Macro Economist

raoul.leering@ing.com

Maarten Leen

Head of Global IFRS9 ME Scenarios

maarten.leen@ing.com

Maureen Schuller

Head of Financials Sector Strategy

Maureen.Schuller@ing.com

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Rafal Benecki

Chief Economist, Poland

rafal.benecki@ing.pl

Philippe Ledent

Senior Economist, Belgium, Luxembourg

philippe.ledent@ing.com

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

Inga Fechner

Senior Economist, Germany, Global Trade

inga.fechner@ing.de

Dimitry Fleming

Senior Data Analyst, Netherlands

Dimitry.Fleming@ing.com

Ciprian Dascalu

Chief Economist, Romania

+40 31 406 8990

ciprian.dascalu@ing.com

Muhammet Mercan

Chief Economist, Turkey

muhammet.mercan@ingbank.com.tr

Iris Pang

Chief Economist, Greater China

iris.pang@asia.ing.com

Sophie Freeman

Writer, Group Research

+44 20 7767 6209

Sophie.Freeman@uk.ing.com

Padhraic Garvey, CFA

Regional Head of Research, Americas

padhraic.garvey@ing.com

James Knightley

Chief International Economist, US

james.knightley@ing.com

Tim Condon

Asia Chief Economist

+65 6232-6020

Martin van Vliet

Senior Interest Rate Strategist

+31 20 563 8801

martin.van.vliet@ing.com

Karol Pogorzelski

Senior Economist, Poland

Karol.Pogorzelski@ing.pl

Carsten Brzeski

Global Head of Macro

carsten.brzeski@ing.de

Viraj Patel

Foreign Exchange Strategist

+44 20 7767 6405

viraj.patel@ing.com

Owen Thomas

Global Head of Editorial Content

+44 (0) 207 767 5331

owen.thomas@ing.com

Bert Colijn

Chief Economist, Netherlands

bert.colijn@ing.com

Peter Vanden Houte

Chief Economist, Belgium, Luxembourg, Eurozone

peter.vandenhoute@ing.com

Benjamin Schroeder

Senior Rates Strategist

benjamin.schroeder@ing.com

Chris Turner

Global Head of Markets and Regional Head of Research for UK & CEE

chris.turner@ing.com

Gustavo Rangel

Chief Economist, LATAM

+1 646 424 6464

gustavo.rangel@ing.com

Carlo Cocuzzo

Economist, Digital Finance

+44 20 7767 5306

carlo.cocuzzo@ing.com