

Asia week ahead: China-US trade talks resume

In an otherwise light economic calendar, Malaysia's 2020 budget will be the highlight alongside US-China trade talks next week in Asia. Trade data from Taiwan and the Philippines will provide a state of play on the global electronics downturn and if it is nearing its trough



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➔ Trade talks – fingers crossed

After a breather of more than two months, Chinese and American trade representatives return to the negotiation table next week. While President Trump sees a 'good chance' of a trade deal 'sooner than you think', the news of Chinese companies starting to purchase US agricultural goods

this week with a waiver from retaliatory import tariff bodes well for the upcoming talks.

Even so, caution is warranted given the breakdown of earlier negotiations. President Trump's on-and-off rhetoric against China's trade practices and the US now considering limiting financial flows to China too means the risk of yet another negotiation round ending in vain still exists.

Aside from the trade developments, there is little on the Chinese calendar to drive markets after a week of pause in trading for the National Day holiday this week.

➔ Malaysia budget – growth comes first

Malaysia's finance minister Lim Guan Eng presents the 2020 Federal Budget to parliament on 11 October. Malaysia's export-driven economy is holding up well in the face of accelerating global economic slowdown due to the trade and tech war. With steady GDP growth, the finance minister is confident of achieving the target reduction in fiscal deficit to 3.4% of GDP this year from 3.7% in 2018, which seems fine for now.

However, the key question is whether these positive trends will be sustained into next year and beyond as the government aims to trim deficit under 3% in the near-term (2.8% by 2021). Indeed, it's going to be difficult for the economy to continue to outperform as global headwinds are getting stronger and this demands greater policy support. Without losing sight on continued fiscal consolidation, the government will need to pursue an expansionary fiscal policy to support growth. It's going to be a challenge.

We don't see them backtracking on the fiscal goals, though the planned 3% of GDP deficit for 2020 sounds optimistic for now.

➔ Trade figures – how's electronics doing?

Is the global electronics downturn near its trough yet? For answers, look out for trade reports from Taiwan and the Philippines next week. Electronics and electronic parts dominate exports in both of these countries, accounting for about a third of Taiwan's total exports, while that share is more than half in the Philippines.

The recent pick-up in the growth of electronics export from these countries stems from new smartphone launches. However, such seasonal boosts are quickly reversed, while weak economic prospects weighing on consumer confidence and deterring spending on more fancy gadgets is the added whammy this time around.

That said, the recent green shoots are hopeful signs of the electronics cycle close to its low. The recovery could be prolonged, though.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Saturday 5 October					
Taiwan	0900	Sep CPI (YoY%)	-	0.6	0.4
	0900	Sep WPI (YoY%)	-	-	-3.4
Monday 7 October					
China	-	Sep Forex Reserves (US\$bn)	-	-	3107
Malaysia	0800	Sep 30 Forex reserves- Month end (US\$bn)	-	-	103.5
Philippines	-	Sep Forex reserves (US\$bn)	86.3	-	86
S Korea	0000	Aug Current account (\$ bn)	6.8	-	6.9
Taiwan	0900	Sep Exports (YoY%)	-	-	2.6
	0900	Sep Imports (YoY%)	-	-	-2.7
Tuesday 8 October					
Hong Kong	-	Sep Forex Reserves (US\$bn)	-	-	432.8
Wednesday 9 October					
China	-	Sep Money supply (M2) (YoY%)	-	8.3	8.2
Thursday 10 October					
Philippines	0200	Aug Exports (YoY%)	1.2	-	3.5
	0200	Aug Imports (YoY%)	1.7	-	-4.2
	0200	Aug Trade balance (US\$mn)	-3687.6	-	-3393
Friday 11 October					
Mexico	1200	Aug Industrial Production (SA MoM/YoY%)	-/-	-	-0.4/-1.7
India	1300	Aug Industrial production (YoY%)	1.0	-	4.3
Malaysia	0500	Aug Industrial production (YoY%)	2.3	-/-	1.2
Malaysia	-	2020 Budget			
Singapore	0600	Aug Retail sales value (MoM/YoY%)	-1.1/-5.0	-/-	2.6/-1.8

Source: ING, Bloomberg, *GMT

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