

Asia week ahead: Will Singapore's central bank tighten policy again?

Chinese markets will be back in action after a week-long holiday and September economic data also starts to come through. But the highlight of the week will be Singapore's GDP numbers, where a significant slowdown will undoubtedly take the air out of central bank policy hawks



Source: Shutterstock

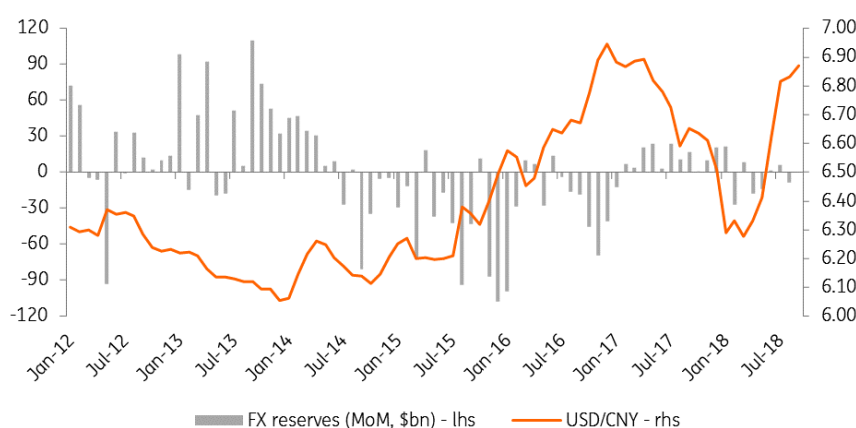
China back in action

After a soft September, the US dollar seems to be regaining its strength against most G10 and emerging Asian currencies. While there is nothing on the calendar to unsettle this, but all eyes will

be on the People's Bank of China's yuan fixing after the holiday. The USD/CNY fixing ground was higher in the week before the holidays, and the market spot almost followed suit. The US dollar's comeback and heavy stock market sell-off in Hong Kong this week, possibly spilling over to Mainland China suggests CNY will resume trading on a weaker note.

China's September data also influences the markets, starting with the foreign reserves data to be released over the weekend followed by trade and monetary data over the course of the week. Unlike the CNY devaluation in 2015, when reserves experienced significant outflows, they have been pretty stable around \$3.1 trillion despite the steep yuan depreciation this year. We believe this state of affair prevailed in September, as the trade war impact has yet to show up in the real activity and exports continue to grow by the high single-digit pace.

China's foreign exchange reserves have been stable



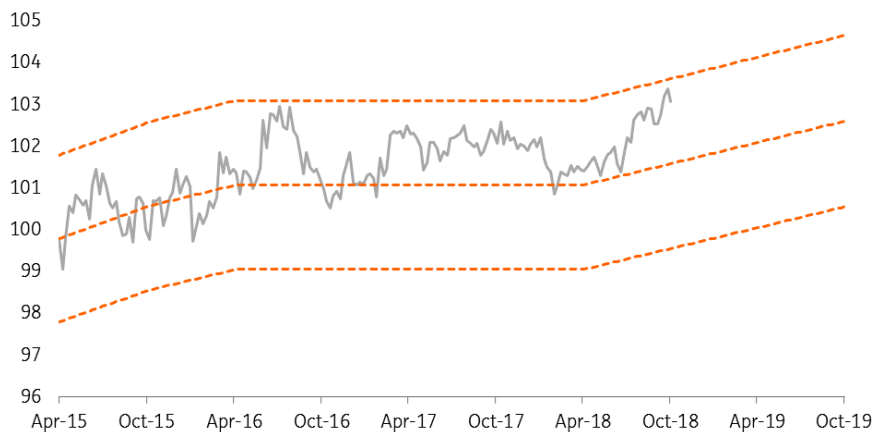
Source: Bloomberg, ING

Likely inaction by Singapore central bank

Singapore's advance GDP estimate for 3Q18 is due most likely towards the end of next week, and the central bank will also unveil the outcome of its semi-annual policy review around the same time as the GDP release. A sharp slowdown in manufacturing in the July and August release looks likely to extend to September based on a two-year low (Nikkei) manufacturing PMI. This is likely to dent the GDP growth, which is why we have cut our estimate of 3Q growth to 2.6% year on year from 3.3%, a slowdown from 3.9%.

The central bank shifted the policy from neutral to tightening at the last meeting in April – a move from zero percent Singapore dollar trade-weighted exchange rate (S\$-NEER) policy band appreciation to a 'modest and gradual' appreciation path. The Singapore dollar's outperformance in the global currency sell-off since the last central bank policy review has pushed the S\$-NEER towards the strong end of the policy band, fuelling expectations of more policy tightening in October. However, we don't see any compelling reasons for that, as consumer price inflation in Singapore continues to be among the lowest in Asia and GDP growth is also poised to slow. A significant GDP slowdown will certainly take the air out of policy hawks.

ING estimate of the MAS's S\$-NEER policy band



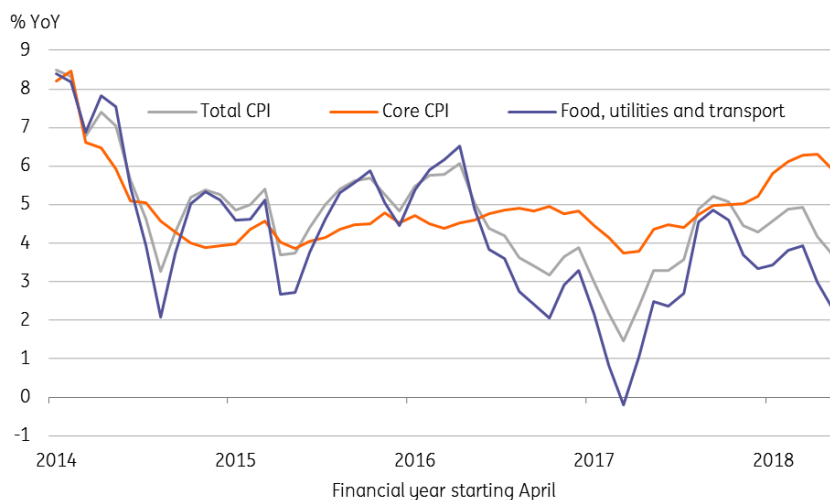
Source: Bloomberg, ING

Inflation risks resurfacing in India, slowly but surely

As the Reserve Bank of India looks set to tighten monetary policy again at the meeting on Friday, 5 October, the central bank will have no reasons to relax ahead of the September consumer price inflation release. The August inflation fall below 4% (the mid-point of the RBI's 2-6% medium-term target) appears to be a one-off. Our estimate for September is that it will rise back above 4%. Even as food price inflation continues to be low, the pass-through from increasing global oil prices will intensify due to a weak rupee and core inflation, which strips out food and fuel prices, remains high.

Without vigorous policy tightening or additional support measures, we find it hard to forecast the rupee regaining any ground in the near-term. We have just raised our end-2018 USD/INR forecast to 75 from 73.5.

Recent dip in India's CPI inflation will be transitory



Source: Bloomberg, CEIC, ING

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Sunday 7 October					
China	-	Sep Forex Reserves (US\$bn)	3105	3105	3109.72
Monday 8 October					
Singapore	-	3Q A GDP (QoQ /YoY%)	-/-	-/-	0.6/3.9
	-	MAS Semiannual Policy Statement			
Taiwan	0900	Sep Exports (YoY%)	2.9	-	1.9
	0900	Sep Imports (YoY%)	6.0	-	7.9
Wednesday 10 October					
China	-	Sep Money supply (M2) (YoY%)	8.2	-	8.2
	-	Sep Financial Institution Loans (Yuan bn)	1300	-	1280
Korea	2300	Aug Current A/c Balance (US\$m)	8950	-	8757.8
Philippines	0200	Aug Exports (YoY%)	2.7	-	0.3
	0200	Aug Imports (YoY%)	13.6	-	31.6
	0200	Aug Trade balance (US\$m)	-3750	-	-3546
Taiwan	-	National Day holiday			
Thursday 11 October					
Malaysia	0500	Aug Industrial Production (YoY%)	1.6	-	2.6
Friday 12 October					
China	-	Sep Trade Balance (US\$bn)	38	-	27.9
	-	Sep Imports (YoY%)	12.4	-	19.9
	-	Sep Exports (YoY%)	8.8	-	9.8
India	1300	Sep CPI (YoY%)	4.1	-	3.7
	1300	Aug Industrial Production (YoY%)	3.9	-	6.6
Singapore	0600	Aug Retail Sales Value (MoM/YoY%)	-5.6	-/-	-2.9/-2.6
South Korea	0000	Sep Unemployment Rate (% SA)	4.1	-	4.2

Source: ING, Bloomberg

Author

Alissa Lefebre

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