

Good MornING Asia - 15 October 2018

The S&P500 sits just above its 200-day moving average today. That is an encouraging sign after recent declines. But just as you shouldn't breathe too big a sigh of relief after earth tremors end, we remain anxious of a market that seems jittery, even against the backdrop of a very strong US economy

In this bundle



Stocks perched on the edge

The S&P500 sits just above its 200-day moving average today. That is an encouraging sign after recent declines. But just as you shouldn't breathe...



ASEAN Morning Bytes

General market tone: Wait and see. Market sentiment improved ever so slightly but mainly on bargain hunting with market players still looking to...



FX | China | India...

Asian FX Talking: Take your pick

Emerging market currencies are not moving as a bloc any more, and investors are rightly taking a more differentiated view of the regional FX market. But...

Opinion | 15 October 2018

Stocks perched on the edge

The S&P500 sits just above its 200-day moving average today. That is an encouraging sign after recent declines. But just as you shouldn't breathe too big a sigh of relief after earth tremors end, we remain anxious of a market that seems jittery, even against the backdrop of a very strong US economy



Up, but still vulnerable

Friday's stock rebound in the US was a welcome relief after the nail-biting two days of losses that preceded it. And it was somewhat unexpected to see stocks making a fight back into a weekend when you might have expected them to hunker down, lick their wounds and wait for a new week. Strong bank earnings figures last Friday surely helped. But with US Treasury bonds still up at 3.16%, a V-shaped equity recovery seems a stretch too far as we head into the year-end. Buying this dip may take a while to pay off. And the downside risk remains substantial.

A little bit of politics

The week ahead offers a lot for us to digest on the political front. Bavarian elections over the weekend show us that even in Germany, the old political order is under threat, with new regional

elections in a couple of weeks. Carsten Brzeski outlines the details of this [in his recent note](#).

Then there is the Brexit deal, or rather the lack of it, which is weighing on both the GBP and EUR. There was supposed to be a meeting of EM ministers today to proclaim some sort of deal having been struck. But it appears that weekend talks have reached a stalemate. Instead, the EU is meeting to talk about contingency measures in the event of no-deal. That doesn't sound very optimistic.

Emerging market sentiment may have been given some support by the Pastor Brunson release from Turkey - but the alleged murder of the Saudi journalist in their embassy in Turkey opens a new source of risk, as President Trump threatens "punishment". Any Saudi retaliation will presumably mainly come through reduced oil supply and higher prices. That won't help market sentiment.

Then in terms of the macro picture, there are the Fed minutes to digest mid-week. After recent market turmoil, these will be pored over for any signs that the Fed is veering towards a faster pace of tightening. I don't expect there to be any.

Asia ahead - CBs in the spotlight

Reserve Bank of Australia (RBA) minutes provide some of the central bank interest in Asia-Pacific this week, though they haven't been interesting for a very long time. You have to at least have some potential near-term policy action for such publications to be worth a read. This is not the case for Australia, though it would be interesting to see how the RBA were evaluating Australia's house price declines and high household indebtedness (mainly housing related) with their longer-term positive view of the economy. It seems to me that you can paint a much bleaker scenario based on the household balance sheet erosion.

The BoK has been a bit more interesting of late, with some hints about hiking rates (same household debt problem as Australia), though later backtracked. We aren't expecting a rate hike this week. But the confusing signals coming out of the BoK mean that we shouldn't rule anything out. Tough talk might just be one way for the BoK to try to realign the KRW which has been one of the worst performing currencies in the region month-to-date. Indeed, a number of economists are looking for a hike this week - about 7 out of 18 according to the Bloomberg poll.

For a bit of real economy data, Singapore's Non-oil domestic exports on Wednesday offers a break from all the political and central bank noise.

But the key event to watch will be China's 3Q GDP release on Friday, where a very slight slowdown of the YoY growth rate from 6.7% to 6.6% is the consensus expectation. Any softer than that will likely put the yuan under weakening pressure.

Author

Amrita Naik Nimbalkar

Junior Economist, Global Macro

amrita.naik.nimbalkar@ing.com

Mateusz Sutowicz

Senior Economist, Poland

mateusz.sutowicz@ing.pl

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

Article | 12 October 2018

ASEAN Morning Bytes

General market tone: Wait and see. Market sentiment improved ever so slightly but mainly on bargain hunting with market players still looking to developments on the trade front for direction



International theme: IMF-WB tell markets to brace for risks ahead

- Stocks managed to recover on Friday after a volatile session but mainly on bargain hunting but recent caustic rhetoric out from Washington may spark renewed tension to push oil prices higher. IMF-WB meetings concluded with a message we all know: brace for risks from trade wars and higher interest rates.
- ECB minutes and the Italian budget appear to be brewing on the sidelines but the general tone will follow the warning from the IMF and the World Bank about potential risks.

EM Space: EM Asia looks for cues after volatile week, the Italian job clouding the periphery

- **General Asia:** Asian markets managed to make up some lost ground on Friday after an extremely volatile week of trading with investors still worried about global growth.
- **Malaysia:** Anwar Ibrahim, Prime Minister Mahathir's pick as his successor, made his formal entry in the parliament after winning a by-election in Port Dickson with a landslide 71%

votes. The markets are now focused on the upcoming national budget for 2019 on November 2, especially turn the fiscal policy takes under the new administration after PM Mahathir's recent signal of new taxes. Local media suggest that the widely talked-about capital gains and inheritance taxes won't be introduced in the 2019 budget.

- **Thailand:** Markets are closed today for the King's Memorial Day holiday.
- **Indonesia:** Bank of Indonesia Governor Warjiyo assured market players that the level of international reserves held by the central bank remains "more than enough" even as he indicated that he felt the current IDR levels pointed to a currency that was undervalued given Indonesia's current fundamentals.
- **Philippines:** The government is likely to approve the suspension of an additional PHP 2.50 excise tax on fuel, which is scheduled for implementation on January 1, 2019. Domestic inflation has remained well-beyond the central bank's target of 2-4% with the planned move said to be carried out to anchor inflation expectations. The government, however, warned that the move, even if implemented may not result in a drastic drop in overall prices given that global oil prices remain elevated.
- **Philippines:** Philippine government officials kept up the hawkish rhetoric with the central bank deputy governor and finance chief both signaling the willingness to hike rates further to tame inflation. Speaking at the sidelines of the IMF-WB meetings in Indonesia, top-level officials have pointed to further rate hikes by the regulators, pointing to at least another rate hike by the BSP going into 2019 with inflation still elevated.
- **Philippines:** Foreign selling in the local equity market has hit a 31-session streak as investor sentiment continues to sour on the Philippines. Official data shows \$440 million left Philippine bond and equity markets in September and we expect this to continue into October. Inflation and possible weaker growth prodded the flight with the PHP seen to remain on the back foot given the sustained outflow of the Peso, possibly convincing the central bank to hike rates again to contain the currency's slide.

What to look out for: EM trade data and FOMC minutes

- IMF-WB annual meeting in Bali (12-14 October)
- Indonesia trade data (15 October)
- India trade data (15 October)
- PH OFW remittances (15 October)
- US retail sales (15 October)
- China CPI inflation (16 October)
- FOMC minutes (18 October)
- Fed Bullard (18 October)
- Fed Kaplan (19 October)

Author

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com

Asian FX Talking: Take your pick

Emerging market currencies are not moving as a bloc any more, and investors are rightly taking a more differentiated view of the regional FX market. But there are too many moving parts to this story to have a clear view of the way things will pan out. Things are better than they were, but this could change sharply, and in either direction with little notice



Author

Iris Pang

Chief Economist, Greater China

iris.pang@asia.ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.