

Good Morning Asia - 19 October 2018

Markets are likely to trade sideways with a downward bias after the Wall Street selloff overnight, while market players also looking to China's 3Q GDP report for more direction.

In this bundle



ASEAN Morning Bytes

General market tone: Risk-off. Equity markets continued to slide on protracted fears on global trade after acerbic comments from a US official on...



Asia week ahead: Bank Indonesia to pause tightening

Manufacturing, trade, inflation and GDP releases dominate the Asian economic calendar in the coming week, though an Indonesian central bank policy meeting...

Article | 19 October 2018

ASEAN Morning Bytes

General market tone: Risk-off. Equity markets continued to slide on protracted fears on global trade after acerbic comments from a US official on China's trade practices, while Mario Draghi's comments on EU nations' fiscal discipline also sent dealers to seek safety



International theme: Risk sentiment remains scant after Draghi comments

- Equity markets continued to slide as investors remained cautious given the on-going US-China trade spat. Mario Draghi's remarks on fiscal discipline, alluding to Italy, forced bond yields to pullback.

EM Space: China's 3Q GDP likely to show slightly slower growth

- **General Asia:** Markets are likely to trade sideways with a downward bias after the Wall Street selloff, while market players also looking to China's 3Q GDP report for more direction.
- **Malaysia:** The government unveiled the mid-term review of the 11th Malaysia Plan (2016-2020), aiming for an inclusive growth, sustained development, and fiscal consolidation. It scaled back growth target for the plan period to 4.5-5.5% from 5-6%, and inflation target to 2-3% from 2.5-3%. In a sign of shelving the plan to balance the budget by 2020, the fiscal deficit is projected at 3% of GDP over the period. We remain of the view that positive terms of trade shock from rising oil will cushion the economy in the medium-term.

- **Thailand:** The commerce ministry projects 8% export growth in 2019, led by strong growth in exports to China (12%) and ASEAN (8.2%). At 9% year-to-date through this year export growth was steady at the pace a year ago. The escalation of the US-China trade war is the potential risk to exports next year, though it also opens an opportunity for increased intra-regional trade to bypass tariff barriers.
- **Philippines:** The anticipated stock re-issuance of a major conglomerate that was expected to bring in a sizable amount of foreign flows was priced lower than expected. This development moves in-line with our new forecast for the Peso to consolidate by year-end after an expected \$2bn bond issuance by the government.
- **Philippines:** The government approved a Php1 increase in city bus fares for the first 5 kilometers and a P0.15 increase in provincial buses for every kilometer after 5 kilometers to help operators recover costs associated with elevated crude oil prices.

What to look out for: China 3Q GDP

- China 3Q GDP and retail sales (19 October)
- US existing home sales (19 October)
- Fed Kaplan (19 October)

Author

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com

Article | 19 October 2018

Asia week ahead: Bank Indonesia to pause tightening

Manufacturing, trade, inflation and GDP releases dominate the Asian economic calendar in the coming week, though an Indonesian central bank policy meeting is likely to capture the most attention



Source: Shutterstock

➔ Bank Indonesia to pause tightening

The Indonesian central bank, Bank Indonesia (BI), announces the outcome of its monetary policy meeting on Tuesday (23 October). We believe it's time for BI to pause the tightening started in May this year, and subsequently intensified amidst the emerging market currency contagion that saw the Indonesia rupiah (IDR) plunge in value. As part of its currency stabilisation drive, BI lifted the policy rate by a total 150 basis points to 5.75% through to September.

With well-behaved inflation, dipping below 3% year-on-year in September for the first time in over

two years, monetary policy remains geared towards stabilising the Indonesian rupiah. And the USD/IDR appears to have traded tightly around 15,200 this month after an early October spike. Recent economic reports-, such as the trade balance swinging back to surplus in September and a lower-than-expected government budget deficit this year, are contributing to improve investor sentiment towards the currency. We believe this has taken pressure off the central bank to hike rates at the forthcoming policy meeting.

5.75% BI policy rate

No change expected

➔ Fine-tuning of GDP growth estimates

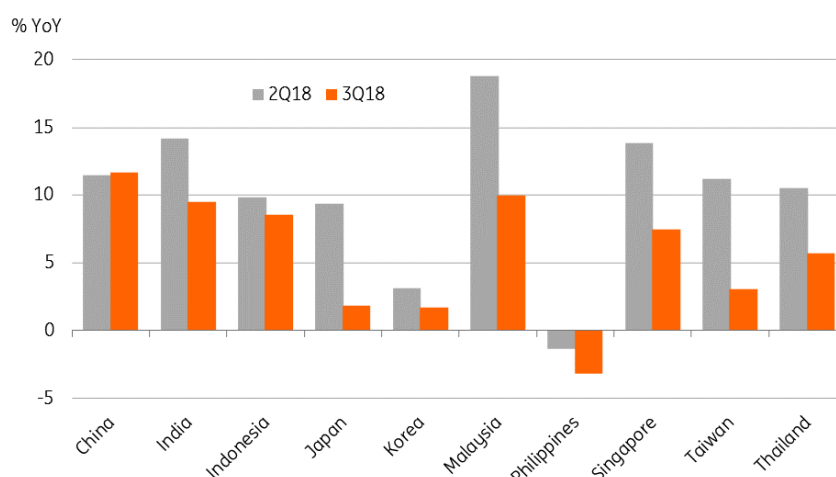
September manufacturing data releases from Taiwan and Singapore will help to fine-tune estimates of GDP growth for these economies, while Korea will report actual GDP data for the third quarter.

Underlying our estimate of 2.1% year-on-year growth in Korea's GDP in 3Q, which is close to the low end of analysts' estimates ranging from 2% to 2.7% in the latest Bloomberg poll, is a sustained slowdown in export growth. September's 8.2% YoY fall in exports was the worst showing in over two years although partly coming off a high base, as growth peaked at 35% in the same month a year ago. As it left monetary policy on hold this week, the Bank of Korea also downgraded its outlook for growth this year and next, the second downgrade this year.

We don't think it's just Korea. Asia's other export-reliant economies Taiwan and Singapore are also exposed to a growth slowdown amid lingering US-China trade tensions. [Singapore's weaker-than-expected non-oil domestic exports](#) in September are likely to have depressed manufacturing, raising the risk of a downward revision to the 3Q advance GDP growth estimate of 2.6%, which in itself was a sharp slowdown from 4.1% growth in 2Q.

And being on the frontline of the US-China trade conflict, Taiwan's exports have already started to take a beating, keeping both manufacturing and GDP growth in the low single-digits. Look out for Taiwan's export orders data for September; orders' growth has been firm but it failed to translate into actual shipments.

Asian export performance in last two quarters



ING's 3Q18 estimates for Philippines, Malaysia and Thailand.

Source: Bloomberg, ING

➔ Sustained low inflation in most of Asia

Of the two countries to report September inflation data in the coming week, Malaysia and Singapore, we consider Malaysia's to be the more closely-watched report. This is not because of any alarming outcome but because of the re-introduction of the Sales and Services Tax (SST) from 1 September. Replacing the Goods and Services Tax (GST), which was scrapped in June this year, we anticipate the SST impact on consumer prices to be benign, keeping inflation well under 1%. With persistently low inflation through most of 2019, the central bank (BNM) will be under no pressure to change policy next year.

Similar to Malaysia, Singapore continues to enjoy the lowest inflation among the Asian economies. We expect headline inflation to tick up to 0.8% YoY in September from 0.7% in the previous month but no change in the core inflation rate from 1.9%. The central bank's (MAS) semi-annual Macroeconomic Policy review will provide insight into its thinking behind the recent tightening via a slight increase in the slope of the SGD-NEER policy band.

Apart from India and the Philippines, inflation in most other Asian countries has been subdued. This is despite higher global oil prices and weaker Asian currencies this year.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 22 October					
Malaysia	0800	Oct Forex reserves- Month end (US\$bn)	-	-	103
Philippines	-	Sep Budget Balance (PHP bn)	-71.2	-	-2.6
Taiwan	0900	Sep Export Orders (YoY%)	-	-	7.11
Thailand	0430	Sep Exports (Cust est, YoY%)	2.5	5.6	6.7
	0430	Sep Imports (Cust est, YoY%)	16	12.2	22.8
	0430	Sep Trade balance (US\$m)	1045	-	-588
South Korea	2200	Sep PPI (MoM/YoY%)	-/-	-/-	0.5/3.0
Tuesday 23 October					
Indonesia	-	BI policy decision (7-day reverse repo, %)	5.75	5.75	5.75
Singapore	0600	Sep CPI (YoY%)	0.8	-	0.7
	0600	Sep CPI Core (YoY%)	1.9	-	1.9
Taiwan	0900	Sep Industrial Production (YoY%)	-	-	1.3
Wednesday 24 October					
Malaysia	0500	Sep CPI (YoY%)	0.5	-	0.2
Singapore	-	3Q Jobless rate (Q) (% SA)	2.2	-	2.1
Taiwan	0920	Sep Money Supply (M2) (YoY%)	-	-	3.4
Thursday 25 October					
Hong Kong	0930	Sep Exports (YoY%)	-	-	13.1
	0930	Sep Imports (YoY%)	-	-	16.4
	0930	Sep Trade balance (HK\$ bn)	-	-	-52.149
South Korea	0000	3Q P GDP (QoQ/YoY%)	-/2.1	-/-	0.6/2.8
	2200	Oct BOK Consumer Sentiment Index	-	-	101.7
Friday 26 October					
Singapore	0600	Sep Industrial production (MoM, SA/YoY%)	5.8	-/-	2.2/3.3

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
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

Robert Carnell

Regional Head of Research, Asia-Pacific
robert.carnell@asia.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

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.