Good MornING Asia - 25 October 2019

Asian markets will grapple for some sense of direction given mixed comments on US-China from US Vice President Pence.

In this bundle

Asia Morning Bites

ASEAN Morning Bytes

Asian markets will grapple for some sense of direction given mixed comments on US-China from US Vice President Pence.

Asia week ahead

Asia week ahead: BoJ back in the spotlight

Stable third-quarter GDP growth of some economies is a promising sign that the growth cycle is close to its trough. And so is the central bank easing...

ASEAN Morning Bytes

Asian markets will grapple for some sense of direction given mixed comments on US-China from US Vice President Pence.

EM Space: More central bank easing in the Philippines

- **General Asia:** Asian markets will grapple for some sense of direction given mixed comments on US-China from US Vice President Pence. The key data on the calendar today are Singapore industrial production and US consumer sentiment.
- **Singapore:** September industrial production data will inform on the direction of revision to advance 3Q GDP growth of 0.1% YoY (0.6% QoQ SAAR). The consensus is 4.8% YoY fall in IP, nearly double the 2.6% fall implied by the 3Q manufacturing GDP. With over 8% NODX fall in the last month, a steeper IP fall than consensus view won't come as a surprise to us. This could push GDP growth into negative territory, confirming a recession as also reflected by the highest unemployment rate of 2.3% since the 2009 global financial crisis. The economy is screaming for stimulus.
- **Thailand:** The government signed a public-private partnership deal to build a high-speed railway linking three of the country's international airports. The construction of a 220 kilometers rail project costing about $7.4 billion will start in the next one to two years and will be completed over five years. The political uncertainty has been the main headwind to such an investment boost that's required to pull the economy out of the slow growth trap it's been in for nearly a decade now.
- **Philippines:** As we had flagged in this space yesterday, the Bangko Sentral ng Pilipinas reduced reserve requirements (RRR) further by 100 bps effective. The cut to be effected in

December is in line with the central bank's broader financial reform agenda. The 400 bps year-to-date cut takes RRR to 14% of total deposits by year-end to ease chronic liquidity tightness. Yet, 14% remains one of the highest RRR in the region and we don't rule out further cuts in 2020 as Governor Diokno aims to take it down to single digits during his term. We expect further 400 bps RRR reduction in 2020 alongside 50 bps worth of cuts to the policy rate to address sagging growth momentum.
- **Indonesia:** Consistent with consensus, Bank Indonesia (BI) cut policy rates for a fourth time yesterday by 25 bps taking the overnight repurchase rate to 5.0%. It cited the need for fresh stimulus to the economy amid weak global prospects, Governor Warjiyo kept the door open for further rate cuts with continued "accommodative" stance, though it will remain data-dependent. While we don't expect any more cuts this year as the BI assesses the impact of recent easing, we expect more easing in 2020.

What to look out for: US consumer sentiment

- Singapore industrial production (25 October)
- Thailand GIR (25 October)
- US Michigan consumer sentiment (25 October)

Author

Nicholas Mapa
Senior Economist, Philippines
nicholas.antonio.mapa@asia.ing.com

Asia week ahead: BoJ back in the spotlight

Stable third-quarter GDP growth of some economies is a promising sign that the growth cycle is close to its trough. And so is the central bank easing cycle with some exceptions like the Bank of Japan

Source: Shutterstock

Will Bank of Japan ease policy?

The pressure is on for the Bank of Japan to provide more policy accommodation for the economy at its meeting next week on 31 October. The BoJ's policy decision hinges on its view of the economic risks against a worsening global backdrop.

The word on the street is that the central bank would downgrade both growth and inflation forecast, currently 0.7% and 1.0% (core inflation), in the quarterly outlook report to be released alongside the policy decision. However, such downgrades in the past haven't necessarily come as a push for easing. That could as well be the case this time, as speculation is rife that the BoJ is saving its meagre ammunition for a worse economic future.

How worse would you like it to be? The consumption tax hike this month comes as an added whammy to the economy beaten by weak domestic demand and shrinking exports, while the tax hike is unlikely to make much difference to inflation running way below the BoJ's policy target. Governor Kuroda has signalled that the stimulus is coming. We anticipate a 10bp BoJ rate cut to -0.20% in the current quarter as there is one more BoJ meeting left in the year.

Where is growth headed in the fourth quarter…

October purchasing manager index (PMI) and external trade figures will provide a sense of direction Asian economies are likely to take in the fourth quarter of the year.

As always, China's manufacturing PMI remains under close scrutiny. There have been conflicting signals from the recent figures -- the official PMI pointing to contraction and unofficial, Caixin PMI, showing expansion of manufacturing activity. Yet, a rebound in industrial production growth in September from a nearly two-decade low in August is positive. We can expect pretty much the same message from the October data. Our house-view is that China's GDP growth in 4Q stays at the same rate as seen in the third-quarter around 6%.

Korea's October export figure will be another important one to look out for. A 20% year-on-year fall in exports in the first 20 days of October isn't a good sign. Electronics exports have been a weak link, and even more now given the widening trade rift with Japan over sourcing key raw materials. However, despite steep export declines, a steady 2% GDP growth in 3Q suggests growth is close to its low-point in the cycle.

… and has it really bottomed now?

Like Korea, Singapore's growth also held steady (read - virtually flat) in 3Q – supporting the view that the Asian growth downturn has probably bottomed. Adding to the evidence will be more third-quarter GDP figures next week as Hong Kong and Taiwan report their data.

Indeed, the protests since June have hit Hong Kong's economy hard. A record 23% plunge in retail sales in August (September data is due next week) speaks volumes about the significant dent to consumer spending. The low base year effect may save the day, though the risk to our forecast of 0.5% YoY GDP growth in 3Q is tilted to the downside.

Taiwan's economy likely benefitted from new smartphone launches in the last quarter. Alas, the September activity data wasn't quite supportive of this view, imparting a downside risk to the consensus of a slight pick-up in GDP growth to 2.5% in 3Q from 2.4% in 2Q (ING forecast 2.0%).

Elsewhere, September manufacturing data from Thailand will help us to fine-tune our 3Q GDP growth forecast, currently at 2.3% or the same pace as in the previous quarter.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
		Sunday 27 October			
China	0130	Sep Industrial profits (YTD, YoY%)	-1.4	-	-2.0
		Monday 28 October			
South Korea	2100	Nov BOK Business Survey Index, mfg	-	-	73.0
	2100	Nov BOK Business Survey Index, non-mfg	-	-	74.0
		Wednesday 30 October			
Thailand	-	Sep Manufacturing index (YoY%)	-2.7	-	-4.4
South Korea	2300	Sep Industrial production (SA MoM /YoY%)	-/-	-/-	-1.4/-2.95
		Thursday 31 October			
China	0100	Oct Manufacturing PMI	49.8	-	49.8
	0100	Oct Non-manufacturing PMI	53.5	-	53.7
India	-	Sep Fiscal deficit (INR crore)	-	-	6235
Hong Kong	0830	3Q A GDP (YoY%)	0.5	-	0.5
Taiwan	0800	3Q P GDP (YoY%)	-	-	2.4
Thailand	-	Sep Current account balance (US$bn)	2.9	-	4.0
South Korea	2300	Oct CPI (MoM/YoY%)	-/-	-/-	0.4/-0.4
		Friday 1 November			
China	0145	Oct Caixin Manufacturing PMI	51.4	-	51.4
India	0500	Oct Nikkei Manufacturing PMI	51.8	-	51.4
Hong Kong	0830	Sep Retail sales value (YoY%)	-35.0	-	-23.0
	0830	Sep Retail sales volume (YoY%)	-35.0	-	-25.3
Indonesia	-	Oct CPI (YoY%)	3.2	-	3.4
	-	Oct CPI core (YoY%)	-	-	3.3
Malaysia	0030	Oct Nikkei Manufacturing PMI	47.7	-	47.9
Philippines	0030	Oct Nikkei Manufacturing PMI	51.5	-	51.8
Taiwan	0030	Oct Nikkei Manufacturing PMI	50.0	-	50.0
Thailand	0030	Oct Nikkei Manufacturing PMI	49.9	-	50.6
	0400	Oct CPI (YoY%)	0.3	-	0.3
	0400	Oct Core-CPI (YoY%)	0.4	-	0.4
South Korea	0000	Oct Trade balance (US$mn)	-	-	5982.0
	0000	Oct Exports (YoY%)	-	-	-11.7
	0000	Oct Imports (YoY%)	-	-	-5.6
	0030	Oct Nikkei Manufacturing PMI	-	-	48.0

Source: ING, Bloomberg, *GMT

Click here to download a printer-friendly version of this table

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.lefebre@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.schroder@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.

 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.