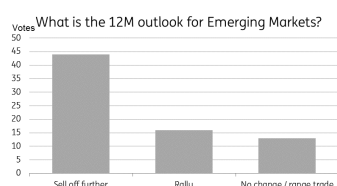


## Good MornING Asia 9 October, 2018

Which way is the market heading? We asked them...

### In this bundle



### China

#### Ask the market

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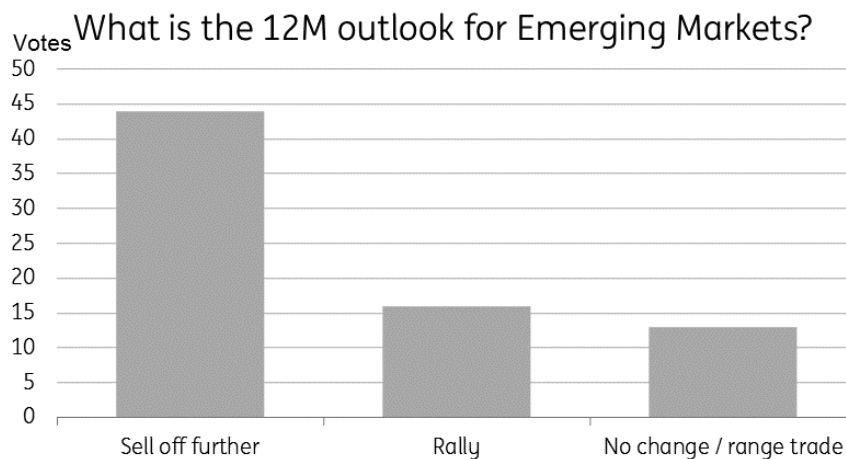


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### Emerging Market Traders Association (EMTA) meetings in Singapore and HK

For the second year running, I have moderated the sell-side panel of strategists and economists at the Emerging Market Traders Association meetings in Singapore (5 Oct) and Hong Kong (8 Oct).

For the first time, we used a nifty little online survey tool to judge the mood of the audience. Questions were few and very simple. The chart above shows the Singapore answer to the question, on a 12-month horizon, "What is the outlook for Emerging markets?" There were 38% more bears than bulls. In Hong Kong, the ratio was only slightly more bearish, at 40% on a slightly smaller sample.

We'll write up these results more fully later. But the other question, pertinent a day after Mike Pompeo has had a difficult set of conversations in Beijing was whether there would be a resolution to the US-China trade war over the same time horizon. Here, the mood was even less upbeat, with 55% of the respondents saying "No".

Judging by yesterday's price action in terms of the CNY, and other Asian currencies, including of course Indonesia's Rupiah, and Indian Rupee, the mood of the conference audience seems spot on.

## China, manipulator or not?

It isn't credibly possible to assert that the Chinese authorities run a clean float on their currency. They wouldn't claim that themselves. But does that make them manipulators? Well, it all depends. In any sensible economic test of manipulation, there would need to be some evidence that the CNY was being held artificially away from levels to which it would revert if allowed a free float. That might include extended periods away from a fundamentally calculated fair value, or evidence of systematic central bank intervention with the intention of maintaining an "unfair" competitive edge over trading rivals. Neither is true of China. If the currency were free to float right now, it would probably hurtle higher (depreciate) against the dollar. Recent FX reserve data indicate that the PBOC in all likelihood had to intervene to limit CNY weakness, not to generate it.

But then threats by the US of currency manipulation don't have to be anchored in solid analysis. At the end of the day, if the political will is to label China a currency manipulator, this is what the US Treasury will do, opening up the possibility of still more tariffs.

## Day ahead - quiet

There is very little happening in Asia Macro space today. What we do have though in the G-7 arena is the US NFIB Survey. As a barometer of the health of the US domestic economy, and any emerging price pressures, this is a mine of useful data, and will be well worth ploughing through. Although it is far too early to do so now, next year, this is where we may see the signs of fiscal momentum fading the soonest. Add it to your list of useful data points if it is not already there.

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## ASEAN Morning Bytes

General market tone: risk off Global markets took a tumble as Treasury yields remained elevated and traders scoured the news for evidence to lift market sentiment.



### International theme: Market players seek cover as growth fears take center stage

- Risk sentiment took a big hit on Monday with the US out for a holiday as investors digested the possibility of slower global growth. Fed Bullard's comments failed to lift sentiment.

### EM Space: EM Asia takes a pounding as global growth fears escalate

- General Asia: Asian markets were walloped on Monday with concerns about global growth hitting home even as China looked to pacify anxiety via its RRR cut. Oil prices dipped ever so slightly but only because markets feel growth will slow.
- Indonesia: Despite the struggles of the IDR, Indonesia is seen to be on much better footing than it was in 1997. The ASEAN+3 Macroeconomic Research Office believes that the level of Indonesia's reserves remains quite adequate, thereby lowering the need to tap multilateral standby loans such as the Chang Mai reserve pool. Despite this, the Bank of Indonesia may need to hike rates again to slow the currency's slide.

- Philippines: Price pressures continue to build with retail gasoline pump prices seeing a hefty 2-3% increase overnight as crude oil prices continue to trend higher. Providing some relief would be the decline in power rates, with prices seen dipping 7.4% over the previous year. BSP contends that inflation will trend lower in the coming months, all the more as non-monetary measures begin to take root. BSP has maintained they would be data dependent in their next decisions but retained their hawkish bias as prices remain well-above their target.

## What to look out for: Fed speakers, IMF-WB meetings

- Fed Williams speaks (9 October)
- Fed Harker and Williams (10 October)
- PH trade balance (10 October)
- US Producer prices (10 October)
- Fed Evans and Bostic speak (11 October)
- US inflation (11 October)
- China trade balance (12 October)
- IMF-WB annual meeting in Bali (12-14 October)

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