

## 33rd ASEAN summit gets underway

ASEAN summit - what to expect: Reflection about Smart Cities for one, but some progress on RCEP would also be welcome.



### Singapore Prepares to hand over ASEAN chair to Thailand

The 33rd ASEAN summit, which kicked off yesterday, marks the culmination of Singapore's chairmanship of the fast-growing 10-member region before it is handed over to Thailand. Singapore's chairmanship has focussed on themes of innovation and resilience with flagship projects such as the Smart City Network, which aimed to help the rapid urbanization occurring in some countries by harnessing technological and digital solutions to improve the lives of those affected. As one of the main drivers of growth in developing countries, urbanization can be a boon. But get it wrong, clog your cities with traffic or pollution, and those rewards can be lost.

Rather more pressing, given the global backdrop, might be any progress the group could make over RCEP (Regional Comprehensive Economic Partnership). RCEP is a Free Trade Agreement between ASEAN and the six Asia-Pacific countries of Australia, China, India, Japan, South Korea and New Zealand.

RCEP (not yet signed) would be the world's largest free-trade area, covering 39% of Global GDP at 2017 estimates, and about half the world's population (3.4 billion). Making progress on RCEP, which some have speculated could be signed this month, would be a direct riposte to US efforts to pressure China into a trade deal at the Buenos Aires G-20, by enhancing regional trade options.

Talks between the US and China last week on trade seem to have gone nowhere.

There is an all-star cast of attendees in the fringes of this ASEAN summit, and meetings with Russia's Vladimir Putin, Japan's Shinzo Abe, the IMF's Christine Lagarde, Australia's Scott Morrison, and Canada's Justin Trudeau are slated. US President Trump will not attend. My understanding is that Mike Pence will be attending on his behalf. We don't expect any further progress on trade in the region with the US, given Pence's previous stance on this issue.

## Fed in the limelight

Last week's FOMC meeting may have been light on interesting content, but the week ahead has tons of Fed speakers, including Jerome Powell, and could well be more interesting given expectations that the Fed is on course to hike rates again this December. Inflation data later this week will probably be of more interest than the retail sales figures, with the main market risk of a higher core CPI print (consensus unchanged at 2.2%) adding to concerns the Fed may be on a "higher for longer" or "higher and faster" trajectory than the one priced in by markets. A softer retail sales print than expected (consensus headline 0.5%MoM) would exacerbate that picture. Our US economics team doesn't expect big surprises from either release.

## Asian Central banks busy this week, but not that busy

It's not just the Fed where there is central bank interest this week. In Asia, there are lots of CB meetings, including Bank Indonesia, Bank of Thailand, and BSP (Philippines Central Bank). We are not looking for any of them to change policy. Indeed, we are not looking for any further tightening of rates for either BI or BSP, a change from earlier in the year, when we were looking for further tightening from both central banks in response to the unsettled nature of EM sentiment weighing on currencies, and the impact of higher oil prices on current account deficits and inflation. The environment seems decidedly more peaceful currently, though we are ever-watchful for anything that could change that.

Chinese data due this week might start to chip away at EM investor confidence. Retail sales, fixed asset investment, and industrial production this week too may all hint at a slowing economy, according to our Greater China Economist. Money supply data also due out this week may be harder to interpret.

Malaysian GDP also due this week will likely reflect the somewhat softer run of data in 3Q18 if industrial production and service indicators are reliable. We are towards the bottom of the consensus view at 4.1% (Cons = 4.7%).

## Outlook for the Rupee

And this from Prakash Sakpal:

The ongoing consolidation in the Indian rupee (INR) this month pose a question: [Are things really turned around in favour of the rupee?](#) All-important data for the Reserve Bank of India, consumer price inflation, is due today, although there has been nothing much exciting about this data lately, with inflation sitting in the middle of the central bank's 2-6% policy target. With lower oil prices offsetting administrative measures (a hike in minimum support prices for farm products and higher civil servant salaries) inflation should remain in the middle of the RBI's target range through the end of the current financial year in March 2019. However, with tight liquidity depressing

investment and the drag from net exports continuing to widen, GDP growth is poised to slow. Also look out for industrial production today and trade data on Thursday.

We have revised our RBI policy forecast from a 50bp hike in the December meeting to no change in the policy rate. Despite some consolidation this month the worst isn't over for the rupee just yet. Even so, we now anticipate a slower depreciation to 74.0 than our previous forecast of 76.5 by end-2018.

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