

ASEAN Morning Bytes

Asian markets may move sideways as investors digest latest inflation reports



EM Space: Investors will continue to digest inflation numbers and look to US jobs data for direction

- **General Asia:** Asian markets will likely see muted moves on Thursday with key markets already shuttered for holiday ahead of the Chinese New Year. Investors may continue to digest the latest inflation reports from China and the US while Fed Chair Powell attempted to allay fears of a quick reversal in terms of policy. Market players will turn their attention to US initial jobless claims set for release later on Thursday while monitoring the impeachment trial of former US President Trump, although most analysts expect Trump to be acquitted.
- **Malaysia:** 4Q20 GDP and balance of payments reports are due today. We expect a steeper GDP fall by -5.2% YoY from -2.7% in 3Q20. This stems from an increased hit to the economy from the resurgent Covid-19 pandemic. The export recovery gathered pace in the last quarter though, and this sustained net trade as a key source of GDP growth, as will be reflected by a wider current account surplus (ING forecast MYR 30 billion vs. MYR 26 billion in 3Q). The economy is off to an even weaker start in 2021. The total cumulative Covid-19 caseload has jumped to 251k currently from 113k at the end of 2020, forcing strict nationwide movement restrictions. We forecast a further GDP fall in 1Q21 by -6.2% YoY and

a 25bp BNM rate cut at the next policy meeting in March.

- **Singapore:** The government yesterday unveiled its “Green Plan 2030” which aims at furthering green living and sustainable economic development as well as developing Singapore as the sustainability hub for Asia over the next 10 years. The key initiatives include the requirement of cleaner-energy models for all new car registrations; reducing landfill waste by 30%; raising sustainability standards of buildings; two-thirds reduction of net carbon emissions from schools and making 20% of schools carbon neutral; and developing sustainability capabilities of local enterprises. Last year’s record Covid-19 fiscal stimulus (19% of GDP) was meagre on climate initiatives. It needs to be seen if the forthcoming 2021 Budget next week goes some way towards this.
- **Philippines:** Bangko Sentral ng Pilipinas (BSP) officials meet today to discuss monetary policy with the central bank widely expected to keep rates unchanged at its first meeting for the year. Governor Diokno signaled a “long pause” despite the recent uptick in inflation citing cost side factors for the January 4.2% inflation reading. We expect BSP to keep its policy rate at 2.0% to provide further monetary support for the time being but we do not discount a possible reversal should inflation remain elevated over the coming months.

What to look out for: Covid-19 developments

- Malaysia GDP (11 February)
- Philippines BSP policy meeting (11 February)
- US initial jobless claims (11 February)
- US consumer sentiment (12 February)