

ASEAN Morning Bytes

Tech rally overnight to help boost sentiment on Friday



EM Space: US fiscal stimulus could bolster markets to close out the week

- **General Asia:** Asian markets will likely open on a high note on Friday with investors reacting to the strong showing of the technology sector overnight. US President Biden's rescue plan sparked a rally in equity markets with the stimulus set to lift the general economy in the coming months. Investors will be looking to US data on industrial production and consumer sentiment later on Friday for further direction with market players also waiting to see US consumers' outlook on inflation.
- **Malaysia:** January industrial production (IP) data today comes as another test of the hit to the economy from the nationwide Covid-19 Movement Control Order (MCO 2) from mid-January. The first test was the trade data for January showing a significant tapering of export strength. We anticipate the same for Industrial Production. However, MCO 2 was much less restrictive for factories than MCO 1 a year ago. Therefore, the damage to production should be much smaller too -- we forecast a -10% MoM fall as against -30% MoM plunge last April. This will bring the year-on-year IP fall of -9.5% YoY, supporting our view of a steeper GDP fall in the current quarter (ING forecast -6.2% YoY vs. -3.4% in 4Q20). We don't think this is going to sway Bank Negara Malaysia towards any policy easing this year, however.

- **Philippines:** January trade data is set for release today with market participants waiting to see if import demand has remained subdued given the ongoing recession. Soft corporate demand for the dollar has caused the overall current account balance to shift back into surplus over the past couple of months and has helped stabilize PHP. The continuation of this trend may translate to modest appreciation pressure for PHP in the near term with the current account surplus helping Bangko Sentral ng Pilipinas (BSP) build up its gross international reserves level to \$109.1 bn in February.

What to look out for: Covid-19 developments

- Philippines trade balance (12 March)
- Malaysia industrial production (12 March)
- US industrial production (12 March)
- US University of Michigan sentiment (12 March)