

ASEAN Morning Bytes

Asian markets to move sideways as investors monitor US political developments and Fed speak



EM Space: Democrats move to impeach Trump in wake of Capitol riots

- **General Asia:** Asian markets are likely to move sideways on Wednesday with investors monitoring political developments as Democrats look to impeach Trump for a second time, citing his role in last week's riots at the Capitol. Fed speakers overnight looked to quell any concerns about an early exit from the Fed's bond purchase program indicating that support would likely be present for some time. Economic data for the week is relatively light although US inflation is slated for release later in the session while Fed speakers are also scheduled to deliver separate remarks also on Wednesday. Investors will likely remain cautious, monitoring Covid-19 developments as well as the pending impeachment case against Donald Trump.
- **Thailand:** The government announced a fresh Covid-19 stimulus of THB 210 billion (1.2% of GDP) as the economy grapples with a sharp spike in infections since December. The measures include cash handouts, reductions in utility bills and property taxes, and easier bank lending to businesses. Separately, the Bank of Thailand also extended debt relief measures for SMEs and retail borrowers until mid-2021. While the additional stimulus may help to mitigate the impact of the virus on domestic demand, Thailand's economic recovery

this year hinges largely on a return of tourists. We continue to anticipate modest recovery with 2.8% GDP growth forecast in 2021.

- **Indonesia:** President Jokowi will be the first citizen to receive the Covid-19 vaccine in Indonesia as he kicks off the country's vaccination program. Indonesia has moved to lock in vaccine doses from several sources and will also look to produce the vaccine locally. Indonesia currently has the highest number of Covid-19 cases in the region and is currently dealing with a post-holiday spike in infections with Java and Bali back in partial lockdown. A robust vaccination program will be crucial in bolstering consumer confidence and help drive economic recovery in the coming quarters.
- **Philippines:** Finance Secretary Dominguez reported that the 2020 deficit-to-GDP ratio likely settled at 7.5% of GDP, more than doubling last year's 3.5% reading as the pandemic slowed revenue collection while expenditures surged to deal with the fallout from the economic recession. Authorities expect the deficit to widen in 2021 to 8.9% of GDP with the government likely to finance the bulk of the shortfall via domestic borrowings. Increased borrowing from the local government however will not likely force yields higher given the high level of excess liquidity in the system.

What to look out for: Covid-19 deployments

- US CPI inflation (13 January)
- Fed's Brainard, George and Rosengren give speeches (13 January)
- China trade (14 January)
- US initial jobless claims (14 January)
- Fed's Clarida gives a speech (14 January)
- Indonesia trade balance (15 January)
- Bank of Korea policy meeting (15 January)
- Philippines remittances (15 January)
- US retail sales, consumer sentiment and industrial production (15 January)
- Fed's Powell and Kaplan give speeches (15 January)