

ASEAN Morning Bytes

Asian markets could tread higher on stimulus hopes and as vaccination rollouts continue



EM Space: Upbeat tone to continue on Monday

General Asia: Asian markets may edge higher with positive sentiment driven by stimulus hopes and with vaccination operations in process. Monday will feature GDP reports from Singapore and Thailand, trade numbers from Indonesia, and remittances from the Philippines but investors will be looking forward to the FOMC meeting later in the week. Several major markets will remain shuttered on Monday while investors look to developments related to Covid-19 and US fiscal stimulus for further developments.

Thailand: 4Q20 GDP is due today. Narrower exports and manufacturing declines underpin our view of a smaller GDP fall of -4.7% YoY compared to -6.4% in 3Q20. Rising Covid-19 cases continued to depress domestic demand in the fourth quarter and the lack of tourism kept net trade as a big source of headline GDP contraction. The significant surge in the pandemic since December and tighter movement restrictions likely stalled the recovery this quarter, subjecting our forecast of another -3.5% YoY GDP fall in 1Q21 to downside risk. The low base year effect may return growth to positive territory in 2Q21. However, without additional policy support this year the recovery is going to be painfully slow, in our view.

Singapore: The first of the three key things to watch out for this week is out of the way. It's the

revised GDP figure for 4Q20 released this morning. The persistent exports and manufacturing strength in December drove GDP to a much smaller contraction of -2.4% YoY than the -3.8% advance estimate. This brings the annual GDP decline in 2021 to -5.4%. The next in line is the Budget for fiscal year (FY) 2021-22 (starts in April) to be unveiled tomorrow. After a record surge last year some scaling back in government spending may be in order as GDP growth turns positive this year, though we expect the broad expansionary policy stance to prevail. Lastly, the January NODX data due on Wednesday will shed light on how 2021 is shaping up for growth. Strong gains in Korea's and Taiwan's electronics exports last month bode well for Singapore NODX.

Indonesia: Trade numbers for January will be released today with market expectations pointing to yet another month of trade surplus. Exports have managed to pick up substantially despite the pandemic, driven in large part by outbound shipments to China, while imports are forecast to remain in contraction as the economy remains in recession. The trade surplus should help limit the current account deficit and help lend some stability to the IDR, which will be a key factor in the timing for a possible rate reduction by Bank Indonesia in the near term.

What to look out for: FOMC meeting and Covid-19 developments

- Singapore GDP (15 February)
- Thailand GDP (15 February)
- Indonesia trade (15 February)
- Philippines remittances (15 February)
- Euro zone GDP (16 February)
- Singapore non-oil domestic exports (16 February)
- US PPI inflation and retail sales (16 February)
- Hong Kong composite interest rate (16 February)
- FOMC meeting (17-18 February)
- Bank Indonesia policy meeting (18 February)
- US initial jobless claims and housing starts (18 February)
- US existing home sales and Markit PMI manufacturing (19 February)