

ASEAN Morning Bytes

Asian markets to edge higher as RCEP signed and president-elect Biden says "no" to sweeping US lockdowns



EM Space: Investor sentiment to get a boost from RCEP signing

- **General Asia:** Asian markets are likely to push higher after several nations in Asia-Pacific signed the Regional Comprehensive Economic Partnership (RCEP) at the weekend. Positive sentiment will also likely be driven by reports that US President-Elect, Joe Biden, prefers targeted lockdowns as opposed to sweeping US shutdowns, which would be less detrimental to economic activity. Investors will likely take additional direction from data reports out of China on Monday while still keeping an eye on Covid-19 developments and the ongoing reluctance of US President Trump to concede the recently concluded US elections.
- **Malaysia:** The 3Q20 GDP report showing only -2.7% YoY GDP contraction was a significant upside surprise (-17.1% in 2Q). An 18.2% QoQ surge in 3Q20 reversed the 16.5% slump in 2Q, thanks to a broad-based improvement in both domestic demand and exports. The record Covid-19 stimulus and central bank policy easing paid off, preventing a further slump. However, resurgent Covid-19 cases globally and locally could still derail the recovery. The escalation of political uncertainty is another drag. As such, we expect the negative YoY GDP growth trend to get some further traction in the current quarter. Even so, the 3Q upside surprise leads us to revise our annual growth forecast for 2020 higher, to -6.3% from -7.8%

earlier. The government's GDP forecast range for the year is -5.5% to -3.5%.

- **Thailand:** 3Q20 GDP is due today. As elsewhere, a big quarter-on-quarter GDP bounce is on the cards after a record 2Q crash caused by Covid-19 restrictions. However, that won't be sufficient to pull year-on-year GDP growth back into positive territory. We are looking for an 8.2% YoY GDP fall (-12.2% in 2Q). The key economic drivers, exports and tourism, remained missing in action in the last quarter, while increased political uncertainty and slow implementation of stimulus weighed down domestic demand. The second wave of global Covid-19 outbreak threatens the recovery. This supports our baseline case of a couple more quarters of negative YoY GDP growth ahead, until a low base effect swings GDP back into positive territory in 2Q21.
- **Philippines:** Bangko Sentral ng Pilipinas (BSP) announced that the latest level of gross international reserves (GIR) crested \$103.8 bn as of October, up sharply from \$100.4 in the previous month with the central bank stepping up its currency market operations to smooth out sharp fluctuations in the spot market. BSP has maintained its presence in the foreign exchange market and we expect the GIR buildup to continue for the rest of the year with the latest level of reserves rising to more than 9 months' worth of imports.

What to look out for: China data and Covid-19 developments

- China retail sales and industrial production (16 November)
- Thailand GDP (16 November)
- Indonesia trade (16 November)
- Philippines remittances (16 November)
- Singapore non-oil domestic exports (17 November)
- US retail sales and industrial production (17 November)
- Bank of Thailand policy meeting (18 November)
- US building permits and housing starts (18 November)
- Bank Indonesia policy meeting (19 November)
- Bangko Sentral ng Pilipinas policy meeting (19 November)
- US initial jobless claims and existing home sales (19 November)
- Malaysia GIR (20 November)
- Thailand GIR (20 November)
- Fed's Kaplan, Bostic and Barkin give speeches (20 November)