

ASEAN Morning Bytes

Asian markets to get a boost from positive developments on the vaccine front



EM Space: Optimism over second vaccine development to bolster sentiment

- **General Asia:** Asian markets are likely to get a lift from positive developments on the vaccine front with a second candidate vaccine reporting encouraging numbers. Hopes for an official approval for emergency use are high, helping lift sentiment although Covid-19 new infections continue to spike across the globe. US President Trump insists he won the election and shows little sign of conceding to President-Elect Biden. Economic data on Tuesday features Singapore non-oil domestic exports and US retail sales. Investors will likely keep an eye on developments on the pandemic, monitoring new cases and possible government actions while also watching vaccine development for more direction.
- **Thailand:** The year-on-year GDP contraction almost halved to -6.4% in 3Q from -12.1% in 2Q. This was better than our -8.2% forecast for the quarter and pushes our full-year forecast up to -6.2% from -6.7%, aligning with the official growth view of -6.0%. However, risks remain tilted to the downside as the second wave of the pandemic threatens the recovery of the economy which is heavily reliant on tourism and exports ([read more here](#)).
- **Singapore:** October Non-oil domestic exports (NODX) surprised on the downside with a -5.3% MoM SA and -3.1% YoY contraction (ING forecasts +4.9% MoM and +6.5% YoY). This

was the second straight month-on-month fall, following -11.4% MoM in September, and may hint at possible cracks developing in Singapore's export-led recovery as the second-wave of global Covid-19 outbreak is causing havoc in its main trading partners. Reinforcing this was a 28% MoM plunge in shipments to Europe and a 19% plunge in those to Malaysia, though exports to the US bucked the trend with 16% MoM bounce. By product type, electronics were a source of negative headline NODX growth in October, while pharmaceuticals outperformed with a 73% MoM surge. The Monetary Authority of Singapore's neutral policy stance, targeting zero appreciation of the trade-weighted SGD exchange rate (S\$-NEER), may serve to support Singapore's external competitiveness going forward, but the resurgent global pandemic could hold back the recovery.

- **Philippines:** Bangko Sentral ng Pilipinas (BSP) reported that overseas Filipino (OF) remittances grew 9.3% for September, much better than market analysts had expected (4.3% drop for the month). This brings the year-to-date total to \$21.9 bn, down 1.4% with the BSP expecting remittances to contract by less than 2% for the year. The surprise bounce in remittances may be traced to some economies opening up after lockdowns in 2Q and as Filipinos sent home life savings ahead of repatriation. We expect weakness in remittances for 4Q with lockdowns reinstated around the globe and with the stock of Filipinos abroad depleted after 300,000 Filipinos returned home after job losses in host countries.
- **Indonesia:** October trade numbers showed both exports and imports contracting although the steeper drop in imports caused the trade surplus to swell to multi-year highs. The trade surplus hit \$3.6 bn, the highest since 2011, which should be supportive of IDR in the near term although successive months of weaker imports could take its toll on productive capacity in the coming months. We expect exports and imports to remain soft amidst the pandemic but the recent signing of the sweeping trade pact between Asia Pacific countries could signal a rebound next year.

What to look out for: US retail sales and Covid-19 developments

- 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)