

ASEAN Morning Bytes

Asian markets may pullback as optimism over recent vaccine development fades



EM Space: Covid-19 infection spike outweighs optimism over vaccine development

- **General Asia:** Asian markets are likely to edge lower as the shine from the recent string of positive developments on the vaccine front are overshadowed by the sustained pickup in daily infections. Investors are also reacting to comments from the Fed's Powell and disappointing US retail sales which fell below market expectations as stimulus measures remain in limbo with President Trump focused mainly on his election protest. Market players will remain focused on Covid-19 developments as well as the ongoing US election challenge by President Trump.
- **Thailand:** The Bank of Thailand's Monetary Policy Committee meets today, the first meeting under new governor Sethaput Suthiwart-Narueput who took office in October. The decision is expected at around 2 pm local time, though it will pass as a non-event given an unanimous consensus for stable policy rates. At 0.5% currently, the Thai policy rate is one of the lowest in Asia. Hopes for the Thai economy's recovery rest on the revival of tourism rather than any additional macro-policy support. Unfortunately, those hopes too are misplaced in an unabating global pandemic. BoT policymakers have been vocal about the need for more fiscal policy support instead, while the new governor is also worried about

rising household debt. Accelerating THB appreciation is another headwind to the potential recovery, though all efforts in this direction so far have failed and nothing more can be anticipated. Our end-2020 USD/THB forecast is 30.30.

- **Philippines:** Bangko Sentral ng Pilipinas (BSP) reportedly slowed down on its secondary market bond purchases with the central bank cornering roughly 13% of total bond trading volume, down from 20% at the height of the pandemic. The daily bond purchase window is part of BSP's unconventional monetary policy strategy to help keep rates floored in a bid to bolster economic activity with the Philippines currently in recession. The gradual pullback in purchase volume was felt by the market with the yield curve steepening by roughly 16 bps on intermediate tenors. BSP vowed, however, to retain its support for the bond market in the near term as the economy weathers the recession.

What to look out for: Covid-19 developments

- 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)

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