

ASEAN Morning Bytes

Asian markets may track risk off tone overnight



EM Space: Concerns over renewed shutdowns in Europe to weigh on sentiment

- **General Asia:** Asian markets may open on the backfoot on Wednesday with sentiment shifting overnight as investors react to concerns on the Covid-19 front and poor US housing data. Select European nations are reverting to strict mobility curbs to deal with a recent spike in cases amidst their vaccination efforts. Meanwhile, FOMC Chair Powell told congressional leaders that inflation would likely pick up in the next few months but such a rise was not worrisome for now although Janet Yellen did suggest attaining full employment by 2022. Market players will take their cue from ongoing Covid-19 developments as well as comments from other Fed officials in the coming days.
- **Malaysia:** February CPI inflation data is due today. The negative inflation streak that started in March last year likely extended for another month given that tighter Covid-19 movement and interstate travel restrictions continued to depress spending. Anyway, this is going to be the last month of low or negative inflation before base effects begin to push it upward from March. However, with growth taking a beating from the second-wave of the pandemic, BNM is left with no choice but to maintain an accommodative policy stance for all of 2021. The MYR has been an underperforming Asian FX this month with 1.8% depreciation month-to-date as global oil prices took a tumble. We are looking at our

end-2021 USD/MYR forecast of 3.96 for a possible upward revision in view of the recent selloff (spot 4.12).

- **Thailand:** The Thai cabinet yesterday approved a THB 250 billion (1.6% of GDP) support package for businesses. The key measures to be rolled out by May 2021 include further liquidity support for SMEs via soft loans and an asset-warehousing programme for distressed businesses. This suggests that the Bank of Thailand's rate policy will continue to take a backseat as the central bank reviews the current policy setting today. Indeed, there is a unanimous consensus that the BoT will leave the policy rate at 0.50%, which is where it's been since the 25bp cut back in May 2020. A stable BoT policy remains the baseline for all of 2021. The THB is Asia's worst performer in the recent rout, down 2.7% month-to-date against the USD. Our end-2021 USD/THB view of 29.8 is under review for an upward revision (spot 31.0).
- **Indonesia:** Finance Minister Indrawati indicated that 1Q GDP will likely stay in contraction, forecasting GDP to slip between 0.1 to 1.0% as a spike in Covid-19 infections in January forced lockdowns in Java and Bali. Indrawati was previously hopeful for an expansion in the first three months of 2021 but renewed partial lockdowns and a string of calamities likely slowed growth momentum. Authorities also said that policy support, both monetary and fiscal, would remain in place with the pace of recovery dictating any adjustments in the coming months. ING expects 1Q GDP to contract by 1.0%.

What to look out for: Another round of FOMC speeches and Covid-19 developments

- Thailand trade balance (24 March)
- Malaysia CPI inflation (24 March)
- Bank of Thailand policy meeting (24 March)
- US durable goods orders (24 March)
- Fed's Powell, Brainard, Williams, Bullard and Barkin give speeches (24 March)
- Hong Kong trade balance (25 March)
- Philippines BSP policy meeting (25 March)
- US initial jobless claims, 4Q GDP. Core PCE (25 March)
- Fed's Williams, Daly, Evans and Clarida give speeches (25 March)
- Singapore industrial production (26 March)
- US University of Michigan consumer sentiment, personal spending (26 March)
- Fed's Bostic, Evans and Daly give speeches (26 March)