

ASEAN Morning Bytes

Asian markets to move sideways on Thursday after the technology sector sell-off overnight



EM Space: Investors wait for fresh leads

- **General Asia:** Asian markets are likely to move sideways on Thursday with sentiment subdued in reaction to the weakness of the technology sector overnight. Comments from FOMC officials were mixed although Powell continued to highlight slack in the labor force, highlighting his emphasis on chasing full employment. US data fell below market expectations with durable goods orders slipping into contraction with investors looking to Thursday's initial jobless claims data for more direction.
- **Singapore:** The authorities yesterday announced further relaxation of Covid-19 safety measures as they have now expanded the country's vaccination drive to cover the younger population in age groups 45-59 years. Starting from 5 April up to 75% of staff will be allowed to return to the office, up from 50% currently, without the need for any split-time arrangements. The limit for attendees of large-scale activities like wedding receptions is set to rise to 250 from 100 and those at live performances to be tripled to 750 from 24 April subject to pre-event testing. All this should put the economy on a faster recovery mode from the next quarter, giving some upside risk to our 14% YoY GDP growth forecast for 2Q21.
- **Thailand:** The Bank of Thailand left policy on hold yesterday but cut its growth outlook for

2021 to 3.0% from 3.2% citing a persistently weak tourism sector. The February trade figures out today should reinforce this downside growth risk, especially with continued sluggish exports and firmer imports narrowing the trade surplus. Our forecasts are a 1.6% YoY export growth and 18.5% surge in imports in the last month, resulting in a trade surplus of \$1.45 billion. This implies the cumulative surplus in the first two months is \$1.5 billion below the level a year ago. Such an economic backdrop and sustained political uncertainty should keep THB as one of Asia's underperforming currencies this year.

- **Philippines:** Bangko Sentral ng Pilipinas (BSP) holds a policy meeting today with the central bank widely expected to keep rates unchanged despite the recent spike in inflation. Governor Diokno believes that the current inflation episode is caused by transitory supply side factors that will eventually fade by the second half of the year. Diokno also shared that the BSP was crafting an “exit strategy” from its massive liquidity infusion efforts but that it was “too early” to talk about implementing the strategy in 2021 with the economy still in recession. We expect BSP to pause today and likely be on hold for most of the year. Thus short-end yields will likely be anchored but continued above-target inflation could keep long-end yields elevated.

What to look out for: Fed speakers and Covid-19 developments

- 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)