ASEAN Morning Bytes

Asian markets may take their cue from a rally in the technology sector but the focus remains on the FOMC and Covid-19

EM Space: Technology sector may spark optimism on Wednesday but FOMC meeting still in focus

- **General Asia:** Asian markets may inch higher on Wednesday with optimism sparked by a strong showing for the technology sector after relatively upbeat earnings. Meanwhile, investors remain focused on the upcoming FOMC meeting later in the evening as well as the status of the Biden rescue plan. Market participants will also be monitoring developments related to the Covid-19 vaccination rollout around the globe with worldwide infections topping the 100 million mark on Tuesday.
- **Thailand:** December manufacturing data is due today. Ending a year-and-half-long negative growth streak, manufacturing output rose slightly by 0.4% YoY in November. However, it could just be a blip given the disruption to activity from the second wave of Covid-19 started in December. We are looking for a -2.5% YoY manufacturing fall, though firmer exports in December means there is some upside risk to this forecast (made prior to the export data release). This data will help us to refine our 4Q20 GDP growth forecast, currently -4.7% YoY. Sluggish exports, together with tourism and Covid-19 restrictions are going to hit the economy further in 1Q21. A media headline yesterday suggested that the Thai tourism sector faced one million more job losses this quarter.

- **Philippines:** December trade data is set for release on Wednesday with imports predicted to contract while exports are forecast to show a modest expansion. The export sector has been a pleasant surprise with shipments to China helping lift the headline number while slowing demand for capital goods and consumer items have weighed on the overall import numbers. The trade balance will likely remain in deficit but much narrower compared to pre-pandemic levels, a dynamic that has helped provide some support for PHP. In the coming months, we expect the trade deficit to remain modest given the ongoing recession, with PHP enjoying mild appreciation pressure in the near term.

What to look out for: FOMC meeting and Covid-19 developments

- Philippine trade (27 January)
- US durable goods orders (27 January)
- FOMC policy decision (27 January)
- Japan retail sales (27 January)
- Philippines GDP (28 January)
- US initial jobless claims, GDP core PCE (28 January)
- Malaysia trade (29 January)
- Thailand trade (29 January)
- Taiwan GDP (29 January)
- US personal spending and core PCE, consumer sentiment (29 January)