

ASEAN Morning Bytes

Asian markets to move sideways with investors looking to the FOMC decision for direction



EM Space: FOMC decision and comments from Powell awaited

- **General Asia:** Asian markets will likely move sideways on Wednesday as investors pause ahead of the FOMC decision although US bond yields moved higher overnight in response to positive US housing and consumer sentiment data. The Fed is universally expected to keep rates untouched, but investors will be awaiting comments from Chairman Powell after the meeting. Investors will also be taking their cue from economic data with Australian inflation data, Malaysia's trade balance and US 1Q GDP slated for release on Wednesday.
- **Singapore:** The 1Q21 labour report is due today. 181k job losses last year pushed the unemployment rate to 3.3% by end-2020, from 2.3% a year ago (peak was 3.5% in 3Q20). Our forecast of a fall to 3.1% in 1Q21 assumes the recovery of labour demand across all broad sectors – manufacturing, construction and services. While the accelerated export recovery likely boosted manufacturing jobs, further reopening of the economy helped those in the service sector. And, the red-hot property market bodes well for hiring in the construction sector. Although we should see the jobless rate continuing to grind lower over the coming quarters, it's hard to imagine all 181k jobs lost last year coming back this year given the constant headwinds to the export-led recovery from the global pandemic. Therefore, it will be a while before the unemployment rate reverts to the pre-Covid 2.3%

level - and this will probably not happen this year.

- **Malaysia:** The March trade report today should show exports jumping on the Asian bandwagon of strong surges (ING forecast 22.7% YoY). Besides the seasonal post-Lunar New Year jump of activity and low base year effects, the strong upswing in semiconductor exports given ongoing global chip shortages is also at work here. Our forecast of 17.9% YoY import growth leaves a slightly higher March trade surplus of MYR 18.4 billion than MYR 17.9 billion in February. A positive trade report should support the MYR's ongoing recovery from the sell-off over the last month.
- **Thailand:** Today's manufacturing data for March should underscore Thailand's lagging economic recovery behind Asian peers. We see the sector extending its two-year-long negative year-on-year growth trend for another month (ING forecast -1.7% YoY, prior -1.1%). The 8.5% YoY export growth in March was a hopeful sign of firmer output, but persistently weak domestic demand makes us and the consensus less optimistic. Manufacturing drives real GDP growth, so today's data will help us fine-tune our 1Q21 GDP growth forecast (currently -3.5% YoY). The ongoing fourth wave of Covid-19 is proving more deadly than previous waves and further clouds Thailand's recovery prospects.
- **Philippines:** The Philippines recorded a budget deficit of Php191.4 bn, pushing the year-to-date deficit to Php321.5 bn with spending rising sharply as authorities deployed the second stimulus package. Expenditures swelled 22% with government spending on infrastructure and social welfare programs under the "Bayanihan 2" law stimulus package. Meanwhile, revenue collections dipped by 17% as economic activity remains subdued due to the economic recession. The budget deficit is expected to increase to 8.9% in 2021 from 7.6% in 2020 with revenues forecast to remain weak especially after corporate taxes were slashed to 25%, which could exert upward pressure on interest rates in the coming months.

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

- Malaysia trade balance (28 April)
- Singapore unemployment (28 April)
- Thailand manufacturing production (28 April)
- US wholesale inventories (28 April)
- US Fed policy meeting and 1Q GDP (29 April)
- China non-manufacturing PMI (30 April)
- Thailand trade balance and GIR (30 April)
- US personal spending and University of Michigan sentiment (30 April)