

ASEAN Morning Bytes

Asian markets will likely trend lower on Thursday with sentiment souring overnight



EM Space: Powell signals prolonged support as recovery moderates

- **General Asia:** Asian markets are likely to edge lower on Thursday with sentiment taking a hit as technology names reacted to disappointing earnings. Meanwhile, FOMC Chair Powell reiterated the need for policy support “for some time” with the economy still far from the central bank’s inflation and employment goals, although he did refrain from mentioning the word “taper”. Despite this reassurance, equity markets in the US slipped overnight driven by concerns about stock valuations with the focus shifting back to the ongoing pandemic. Vaccination has been slow in most countries although Jerome Powell did cite that vaccinations could point to an “improved outlook later in the year”. Investors will likely focus on the pace of vaccination around the globe while also keeping an eye on the progress of President Biden’s fiscal rescue plan that may be facing some roadblocks in the US senate.
- **Singapore:** The 4Q20 labour report is due today. Total job losses in the first three quarters of 2020 amounted to 173k, pushing the unemployment rate to 3.6% (seasonally adjusted) from 2.0% at the end of 2019. Services have been a weak spot with 110k job losses, whereas manufacturing was much less affected with a 27k loss. While this pattern likely held in the

final quarter of 2020, we would imagine strong manufacturing growth in recent months providing respite from the rising overall jobless rate trend. On a more positive note, the monthly jobless rate series introduced in March last year as a high-frequency gauge of the Covid-19 effect on the labour market showed a sharp fall to 3.3% in November from 3.6% in October. This is a hopeful sign that macro policy heavily geared towards protecting jobs has started to bear fruit. There may not be room for significant improvement ahead, but at least the worst may have passed.

- **Indonesia:** Finance Minister Indrawati announced that Covid-19 related spending would receive a boost with the authorities upsizing their pandemic budget to IDR553 bn from IDR372 bn, up roughly 48%. Indrawati reported that 1Q GDP would be challenged given recent natural calamities as well as the ongoing partial lockdown for both Java and Bali with Covid-19 infections now consistently above 10,000 on a daily basis. The move is not expected to affect the budget-deficit-to-GDP ratio target of 5.7% as authorities realign funding for the 2021 budget but increased spending on healthcare and social safety nets may help cushion the impact of the recent lockdowns.
- **Philippines:** The 4Q2020 GDP report is scheduled today with market analysts expecting a 7.9% contraction in 4Q 2020 and a 9.5% drop for the year. The Philippines has been hard hit by the pandemic with authorities keeping in place partial lockdown measures in the capital region and neighboring provinces to help limit the spread of the virus. Household consumption, the economy's main growth driver remains shackled by movement restrictions while the government has largely held back on spending to limit the impact on its fiscal metrics. ING is expecting a 10.4% contraction for 4Q. A potential downside surprise for GDP may spark renewed concerns about medium-term prospects but don't expect additional stimulus from monetary authorities with inflation forecast to creep higher in 2021.

What to look out for: Covid-19 developments

- 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)