

ASEAN Morning Bytes

Asian markets may trend higher to close out the week



EM Space: Earnings reports as well as US jobs numbers help lift sentiment

- **General Asia:** Asian markets may inch higher with market participants reacting to positive US initial jobless claims with investors looking to Friday's non-farm payroll for more validation of an improving US labor market. Investors may have also been reacting to Covid-19 developments with authorities hoping to ramp up vaccination efforts while additional vaccine candidates apply for emergency use authorization in the US. The economic data calendar features inflation reports out from the Philippines, Taiwan and Thailand as well as growth numbers out from Indonesia. Investor focus will likely be on Friday's US non-farm payroll report for more direction.
- **Thailand:** January CPI inflation is due today. We are looking for slightly more negative headline inflation (-0.4% YoY vs. -0.3% % in December) but unchanged core inflation at 0.2%. It will be the 11th straight month with negative headline inflation, a trend that's about to end in February. Then, low base effects will swing it to positive territory in March and even push up to the Bank of Thailand's 1-3% policy target zone in the subsequent months. However, with persistently weak domestic demand and exceptionally weak tourism spending, the central bank will continue to face difficulty in keeping inflation on target throughout the year. We see the BoT policy rate staying at an all-time low of 0.50% well

into 2022.

- **Singapore:** December retail sales data is due today. We expect a steeper sales decline of -3.8% YoY than the -1.9% fall in November. The festive season demand typically boosts sales in December with double-digit month-on-month gains. However, that wasn't the case last December when the Covid-19 restrictions and lack of tourism weighed on spending. The accelerated decline in core CPI inflation in December (-0.3% YoY vs. -0.1% in November) reinforces this view further. We expect the Phase-3 reopening of the economy from 28 December together with the receding jobless rate to pave the return to positive sales growth in 2021.
- **Indonesia:** The 4Q GDP report is due on Friday with market participants expecting that Indonesia remained in a recession to close out 2020. Despite improvements in the export sector, household consumption, which makes up the bulk of economic activity, was a likely drag on overall momentum with the negative effects tied to partial lockdowns and anxiety over the virus capping spending. Authorities remain hopeful for a quick bounce back in 2021 but a challenging first month has already forced authorities to bump up the fiscal stimulus to IDR 619 tn, up from IDR 533 tn. We expect GDP to remain in contraction in 1Q 2021 with Bank Indonesia keeping the door open for further easing with recent IDR weakness the main impediment to further rate cuts.
- **Philippines:** January CPI inflation will be reported on Friday with analysts expecting price pressure to remain elevated to open the year. A spate of destructive typhoons and the onset of African Swine Fever (ASF) likely sparked another round of accelerating food inflation with ING forecasting inflation to surge to 3.8% (median consensus at 3.5%). Meanwhile, higher transport costs, driven by resurgent global oil prices also forced price pressures higher. Despite the pickup in prices, we expect Bangko Sentral ng Pilipinas (BSP) to refrain from adjusting policy rates given the fragile state of the economy with the Philippines still in recession.

What to look out for: Regional inflation, US NFP and Covid-19 developments

- Philippines CPI inflation (5 February)
- Thailand CPI inflation (5 February)
- Singapore retail sales (5 February)
- Taiwan CPI inflation (5 February)
- Indonesia 4Q GDP (5 February)
- US non-farm payrolls (5 February)