

## Asia Morning Bites

Asia markets to remain defensive as market participants monitor geopolitical developments



## Asia Morning Bites

Source: shutterstock

### Macro outlook

- **Global:** The announced extension of military exercises between Belarus and Russia over the weekend and further warnings from the US administration of possible imminent military action have heightened market anxieties. Equities fell further on Friday and safe-haven assets like US Treasuries gained. Yields on the 10Y US Treasury declined a further 3bp on Friday to stand at just under 1.93% now. Still, the market moves seem relatively modest given the backdrop, though equity futures suggest further downside to come. The US is on vacation today for US President's day, so markets may be a little choppier than usual as a result. Data flow in the G-7 is limited today to a wave of PMI data across Europe. These indices are mainly expected to show modest gains as Europe emerges from its Omicron waves to a new endemic form of living.
- **Japan:** The February manufacturing PMI fell to 52.9 from 55.4 in January, with both output and new orders down sharply. The recent Omicron surge and global supply chain bottlenecks are the most likely reasons for the decline.
- **China:** The PBoC will set the 1Y and 5Y Loan Prime Rates (LPR) today. The market expects no change to these rates. This should be followed by "no-change" to the Medium-Term Lending Facility (MLF) as it is a variable in the formula of setting the LPR. Even though the

PBoC has said that its monetary policy will be proactive, it seems that it is now behind the curve as bond defaults are rising again. This will increase credit costs. Higher borrowing costs will hurt GDP growth.

- **Korea:** The 20-day trade (Exports 13.1% YoY, Imports 12.9%) data suggest that the Feb trade balance will post a slight surplus after recording a deficit for two straight months. That said, the net export contribution to GDP will be lower than expected, adding some downside risk to the current 1Q22 GDP forecast of 2.9%YoY.
- **Taiwan:** Export orders are expected to grow at around 15%YoY in January as semiconductor production should be running at full speed. Equipment export growth could slow, as its peak should have passed in 2H21.
- **Indonesia:** Bank Indonesia Governor, Warjiyo's recent interview show a stark shift in tone. Over the weekend Warjiyo indicated that he is now open to hiking policy rates as early as July should inflation accelerate. Previously, Warjiyo had hinted that he would prefer to keep rates unchanged until the end of the year. Furthermore, Warjiyo also indicated that he would like to end BI's "burden-sharing" arrangement with the national government by the end of the year. We continue to pencil in a BI rate hike by 2Q22.

## What to look out for: Geopolitical developments

- Australia PMI (21 February)
- China loan prime rate (21 February)
- South Korea trade (21 February)
- Thailand GDP (21 February)
- Hong Kong CPI inflation (22 February)
- US conference board consumer confidence (22 February)
- RBNZ policy meeting (23 February)
- Thailand trade balance (23 February)
- Singapore CPI inflation (23 February)
- Hong Kong GDP (23 February)
- Taiwan GDP (24 February)
- South Korea BoK meeting (24 February)
- US initial jobless claims (24 February)
- US GDP, core PCE new home sales (24 February)
- Singapore industrial production (25 February)
- Tokyo CPI inflation (25 February)
- US durable goods and personal spending (25 February)

## Authors

### Min Joo Kang

Senior Economist, South Korea and Japan

[min.joo.kang@asia.ing.com](mailto:min.joo.kang@asia.ing.com)

### Robert Carnell

Regional Head of Research, Asia-Pacific

[robert.carnell@asia.ing.com](mailto:robert.carnell@asia.ing.com)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.