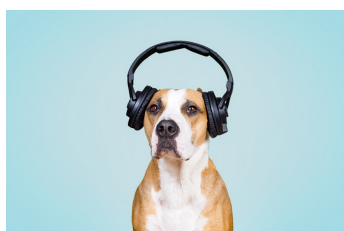


## Good MornING Asia - 21 January 2021

Lots of little bits of second-order data floating around today - probably best characterised as mildly risk-on and positive for Asian FX and stocks

### In this bundle



Australia | Indonesia...

#### Noise on Asia but nothing concrete

Lots of little bits of second-order data floating around today - probably best characterised as mildly risk-on and positive for Asian FX and stocks



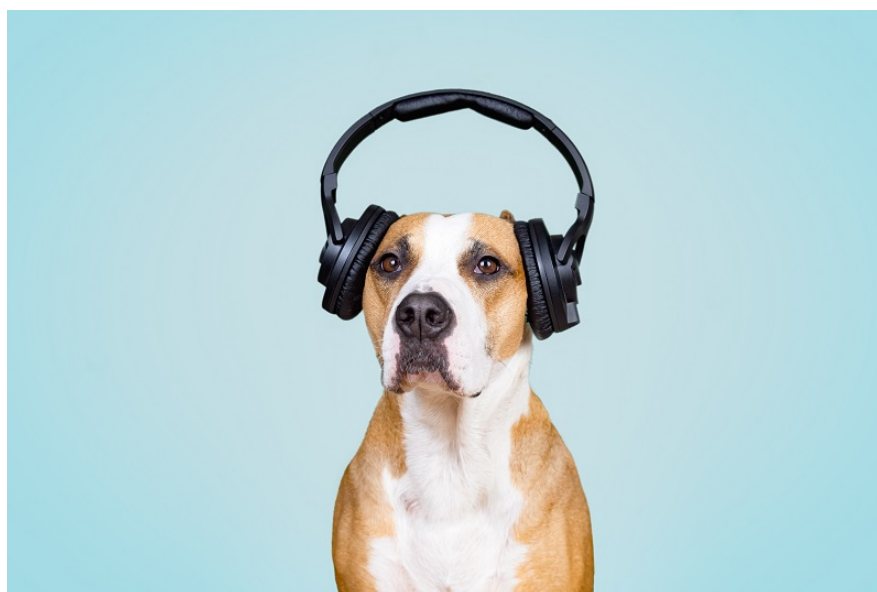
Asia Morning Bites

#### ASEAN Morning Bytes

Asian markets will likely trend higher as market participants look forward to Biden's planned fiscal stimulus package.

## Noise on Asia but nothing concrete

Lots of little bits of second-order data floating around today - probably best characterised as mildly risk-on and positive for Asian FX and stocks



Source: shutterstock  
noise dog

### Gentle steer from the US

The first day of President Biden's presidency has received a broad thumbs-up from markets, with the S&P500 and NASDAQ both up. US Treasury yields did very little, falling less than a basis point and maybe reflecting some scepticism about the \$1.9tr Biden package from key Republican moderates, such as Mitt Romney and Lisa Murkowski.

The USD ended up more or less unchanged over the last 24 hours, though was both notably weaker and stronger at times. Against Asian FX, the USD was modestly offered yesterday and most Asian currencies registered small gains. More of the same seems likely today, with perhaps a little rotation within the pack.

President Biden has been busy signing executive orders, not all of which have relevance for Asia, though tangentially, rejoining the WHO is significant, as is rejoining the Paris Agreement on Climate change, which will encourage bold policy announcements taken recently in the region on this issue.

China has apparently also put restrictions on some former Trump staff, including Mike Pompeo,

Peter Navarro, John Bolton, Steve Bannon and others, who will be barred from entering Mainland China, Hong Kong, or Macau and from doing business with China.

And there seems to be a spat opening up between Twitter and China over comments posted by the Chinese Embassy in the US which may inject a little volatility into US-China relations early on into the Biden Presidency.

On a similar note, Biden's Secretary of State, Antony Blinken kept to a fairly hard line on China in comments yesterday, so that could be an indication of the likely path ahead.

## Asian data today - more than usual

We have a more crowded data calendar today than for the last few days.

Australian employment data for December just released was exactly in line with the 50.0K consensus (lucky guess, we were just a little higher at 67K), and that comes after last month's remarkably "clean" 90.0K increase (are they getting rid of decimals in Australia?). The full-time employment numbers (+35.7K) were very close to our expectations, though we had expected a more robust part-time jobs figure, which only rose 14.3K. The unemployment rate fell a bit more than the consensus (but in line with our forecast) to 6.6% from 6.8%. There's nothing in this to lead to any big changes in expectations on Reserve Bank of Australia policy.

The Bank of Japan also meets today, though few analysts will be looking for anything remotely interesting from them today, as has been the case for many years. Japanese December trade data already out this morning were broadly in line with expectations, exports a little weaker (+2.0%YoY), and imports a little stronger (-11.6%YoY) than forecast, but probably not enough to shift the needle in markets.

We also don't see Bank Indonesia moving at their meeting today - just one brave soul is calling for a rate cut today (it's not us) and currency and inflation stability remain Governor Warjiyo's main preoccupations for the time being. For more on this and other ASEAN news, [see also our sister publication ASEAN Bytes](#).

The ECB meeting later today also probably won't change the broad USD direction. [Here is the Cribsheet for the ECB meeting from Petr Krpata and Carsten Brzeski](#).

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## ASEAN Morning Bytes

Asian markets will likely trend higher as market participants look forward to Biden's planned fiscal stimulus package.



### EM Space: Focus will be on Biden's stimulus plan and vaccination effort

- **General Asia:** Asian markets likely to track gains overnight, boosted in large part by hopes for a substantial fiscal stimulus from US president Biden who was sworn in on Wednesday. Investors may also be upbeat with Biden pushing for a more aggressive stance to combat the virus to speed up vaccination by utilizing the defense production act. Meanwhile, Thursday features several central bank decisions (BoJ, ECB and Bank Indonesia) as well as US initial jobless claims and housing starts.
- **Indonesia:** Bank Indonesia (BI) holds its first policy meeting for the year with the central bank widely expected to keep rates unchanged at 3.75% as IDR came under some depreciation pressure to open the year. BI Governor Warjiyo will likely retain the central bank's accommodative stance, signalling possible rate action in the near term should the currency stabilize and if inflation remains benign. We expect BI to be open to additional easing in the coming months to help drive the economic recovery, which may fall short of expectations after a spike in virus infections forced Java and Bali to return to stricter partial lockdown measures.
- **Philippines:** December trade data is scheduled for release Friday with investors expecting exports to nudge higher while imports are forecast to sustain double digit contraction.

Exports may post another month of modest expansion, driven in large part by outbound shipments to China but imports will likely contract for a 20th straight month as weak domestic activity saps import demand. The sharp drop off in imports during the ongoing lockdowns have helped pushed the current account into surplus and bolster PHP, with the current expected to enjoy short term appreciation pressure with import demand predicted to remain soft in the coming months.

## What to look out for: Central bank meetings and Biden presidency

- Philippines trade (21 January)
- Bank of Japan meeting (21 January)
- ECB policy meeting (21 January)
- US initial jobless claims and housing starts (21 January)
- Bank Indonesia policy meeting (21 January)
- Thailand trade (22 January)
- Malaysia CPI inflation (22 January)
- US existing home sales and PMI manufacturing (22 January)

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