

Good MornING Asia - 25 January 2021

No strong clues from the Friday session in Europe and the US will leave Asia looking for direction this Monday, ahead of global pointers such as this week's Fed meeting

In this bundle



Asia starts week uncertain of direction

No strong clues from the Friday session in Europe and the US will leave Asia looking for direction this Monday, ahead of global pointers such as this...

By Robert Carnell



Thailand

Thailand's external trade ends 2020 on a positive note

Thailand's worst year seems to be over. But with persistently weak domestic demand and lack of tourism, the Thai government's view of the...

Opinion | 24 January 2021

Asia starts week uncertain of direction

No strong clues from the Friday session in Europe and the US will leave Asia looking for direction this Monday, ahead of global pointers such as this week's Fed meeting



Fed Chair, Jerome Powell

Waiting for Powell

Timezones mean that most mornings Asia looks West to see which direction markets should initially travel, and on Mondays, that means looking to Friday's US and European closing prices. Today, they don't paint a happy picture, with headline stock indices such as the S&P500 finishing lower, and the NASDAQ essentially flat. Not surprisingly, Asian equity futures are also looking mainly red this morning, though that may not last much past the opening if some nuggets of optimism can be gleaned from somewhere.

There is very little going on in FX space either. Friday saw the EUR moving a little higher (dollar weakened) but spent most of the session flat, and Asian FX has done very little since Friday morning. US Treasury yields were down about 2bp to 1.08%, which may explain the latest slight softness in the USD and begs the question of why Asian FX didn't do more.

One reason for waiting and deliberating may be the looming Fed meeting this Thursday. [James Knightley has previewed this here](#), though the 10-second version of his note seems to be that although the near term outlook for the US economy is very weak, the medium-term outlook for growth and inflation is much better, so the Fed will probably be trying to downplay any expectations that they will change their "on hold for years" message. That's always a difficult

tightrope to walk, so could explain why markets are not committing themselves ahead of the meeting.

We also may get some pointers from the virtual World Economic Forum (WEF) this week, where big-hitters, Xi, Merkel and Macron are slated to speak. My guess is that the tone of their remarks will underline just how differently some parts of the world are faring - in other words, the so-called "synchronous global recovery" is far from synchronous at present, though it may become more so as the year progresses.

One factor that is keeping the recovery from being more uniform, is the very patchy vaccine rollout record, which itself reflects how different countries have fared in trying to secure doses of the various vaccines, and then, in actually getting hold of the vaccines themselves so rollout can take place. Here, Asia is not faring well, with limited numbers of vaccines secured, and fewer actually delivered. Most of Asia is lagging the field here, with China and India the main exceptions with their own vaccines.

Here in Asia...

There isn't a whole lot going on in Asia macro space currently, though in geopolitical space, I note that Biden's government has already been flexing its muscles to China over issues relating to Taiwan airspace incursions - China may be trying to get a feel for how tolerant this new US administration is going to be over issues relating to the rest of Asia. The early answer seems to be - it isn't.

We do have some December inflation data out of Singapore today, which is not expected to deviate from the -0.1%YoY rate for November, and therefore won't have any impact on expectations for the MAS' SGD NEER policy stance.

Taiwan production data today is likely to reflect the ongoing strong global demand for semiconductors, the consensus expectation is for a 6%YoY increase. We are a little below that and this is choppy data, but the trend is clearly upwards.

Tomorrow, South Korea releases 4Q GDP, which I think could look quite strong, though I have less of a sense of how 4Q CPI from Australia will go on Wednesday. The consensus is 0.7% QoQ. That is quite a bit stronger than we saw in New Zealand in 4Q (0.5%), and we are pitching our forecast a little lower than that.

Author

Robert Carnell

Regional Head of Research, Asia-Pacific

robert.carnell@asia.ing.com

Thailand's external trade ends 2020 on a positive note

Thailand's worst year seems to be over. But with persistently weak domestic demand and lack of tourism, the Thai government's view of the economy bouncing back by 3-4% in 2021 hinges on vigorous export recovery. We're quite sceptical



Source: Shutterstock

4.7%

December export growth

Year-on-year

Higher than expected

First positive growth in months

Year-on-year export growth in most Asian economies surprised on the upside in December, which is why we expected Thailand's exports to join the crew too. And we were right.

Exports turned a corner to positive territory in December, rising by 4.7% from a year ago after contracting by -3.7% in November surpassing our forecast of 2.0% YoY growth and the consensus

view which was centred on continued contraction. The December data ends the negative export growth streak that was in place since May 2020.

Exports ended the negative growth streak that was in place since May 2020.

Among the key export drivers, electronics staged a strong rebound by 15.9% YoY (prior -1.4%), agricultural products posted a modest pick-up by 2.1% (prior -2.4%), but automobile and parts exports softened by -0.2% (prior 1.6%).

Imports followed exports on the growth path too, posting a 3.6% YoY growth in December after having a slightly longer negative stretch than exports. Capital goods and raw material imports stood out with 8.9% YoY and 11.2% growth respectively.

The trade surplus jumped to \$964 million from \$53 million in November, which was the lowest monthly surplus in 2020.

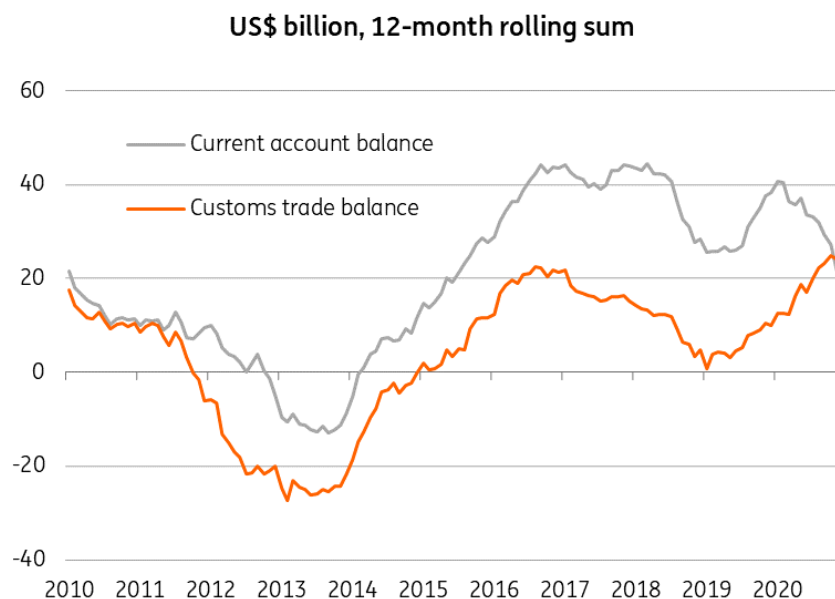
The worst year is over

December data brings FY20 export contraction to -6.0%, and import contraction to -12.4%, which caused a sharp widening of the annual trade surplus to \$24.5 billion from \$10 billion in 2019.

However, a large trade surplus wasn't enough to offset Covid-induced dent to services inflow, resulting in a significant narrowing of the current account surplus in 2020. The cumulative surplus of \$17 billion in the first 11 months of last year was almost half its level a year ago (December data is due next week, 29 January).

Looking ahead, with persistently weak domestic demand and lack of tourism the Thai government's view of the economy bouncing back by 3-4% this year hinges on vigorous export recovery but we're sceptical.

Trade and current account balances



Source: CEIC, ING Bank

A resilient currency

Falling current surplus has been the main drag on investor sentiments towards the Thai baht (THB) recently, alongside authorities talking down the appreciation pressure to aid potential export and tourism recovery. Even so, the currency has been pretty resilient to these developments, partly to a broader emerging market rally since June last year.

The markets continue to defy the authorities' efforts to curb the THB strength.

Staying on course to curb currency appreciation pressure, the Bank of Thailand launched fresh measures earlier this month allowing non-financial companies with trade and investment in Thailand to manage currency risks and THB liquidity more freely. Like many of these measures, we're doubtful of this working too.

The USD/THB exchange rate has been steady around 30.0 since December - and we see it continuing to hover around here in the months ahead until the Covid-19 situation stabilises. Our end-2021 forecast for this pair remains at 29.3 (spot 30.0).

Author

Alissa Lefebre

Economist

alissa.lefebvre@ing.com

Deepali Bhargava

Regional Head of Research, Asia-Pacific

Deepali.Bhargava@ing.com

Ruben Dewitte

Economist

+32495364780

ruben.dewitte@ing.com

Kinga Havasi

Economic research trainee

kinga.havasi@ing.com

Marten van Garderen

Consumer Economist, Netherlands

marten.van.garderen@ing.com

David Havrlant

Chief Economist, Czech Republic

420 770 321 486

david.havrlant@ing.com

Sander Burgers

Senior Economist, Dutch Housing

sander.burgers@ing.com

Lynn Song

Chief Economist, Greater China

lynn.song@asia.ing.com

Michiel Tukker

Senior European Rates Strategist

michiel.tukker@ing.com

Michal Rubaszek

Senior Economist, Poland

michal.rubaszek@ing.pl

This is a test author

Stefan Posea

Economist, Romania

tiberiu-stefan.posea@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Jesse Norcross

Senior Sector Strategist, Real Estate

jesse.norcross@ing.com

Teise Stellema

Research Assistant, Energy Transition

teise.stellema@ing.com

Diederik Stadig

Sector Economist, TMT & Healthcare

diederik.stadig@ing.com

Diogo Gouveia

Sector Economist

diogo.duarte.vieira.de.gouveia@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

ING Analysts

James Wilson

EM Sovereign Strategist

James.wilson@ing.com

Sophie Smith

Digital Editor

sophie.smith@ing.com

Frantisek Taborsky

EMEA FX & FI Strategist

frantisek.taborsky@ing.com

Adam Antoniak

Senior Economist, Poland

adam.antoniak@ing.pl

Min Joo Kang

Senior Economist, South Korea and Japan
min.joo.kang@asia.ing.com

Coco Zhang
ESG Research
coco.zhang@ing.com

Jan Frederik Slijkerman
Senior Sector Strategist, TMT
jan.frederik.slijkerman@ing.com

Katinka Jongkind
Senior Economist, Services and Leisure
Katinka.Jongkind@ing.com

Marina Le Blanc
Sector Strategist, Financials
Marina.Le.Blanc@ing.com

Samuel Abettan
Junior Economist
samuel.abettan@ing.com

Franziska Biehl
Economist, Germany
Franziska.Marie.Biehl@ing.de

Rebecca Byrne
Senior Editor and Supervisory Analyst
rebecca.byrne@ing.com

Mirjam Bani
Sector Economist, Commercial Real Estate & Public Sector (Netherlands)
mirjam.bani@ing.com

Timothy Rahill
Credit Strategist
timothy.rahill@ing.com

Leszek Kasek
Senior Economist, Poland
leszek.kasek@ing.pl

Oleksiy Soroka, CFA
Senior High Yield Credit Strategist
oleksiy.soroka@ing.com

Antoine Bouvet

Head of European Rates Strategy
antoine.bouvet@ing.com

Jeroen van den Broek
Global Head of Sector Research
jeroen.van.den.broek@ing.com

Edse Dantuma
Senior Sector Economist, Industry and Healthcare
edse.dantuma@ing.com

Francesco Pesole
FX Strategist
francesco.pesole@ing.com

Rico Luman
Senior Sector Economist, Transport and Logistics
Rico.Luman@ing.com

Jurjen Witteveen
Sector Economist
jurjen.witteveen@ing.com

Dmitry Dolgin
Chief Economist, CIS
dmitry.dolgin@ing.de

Nicholas Mapa
Senior Economist, Philippines
nicholas.antonio.mapa@asia.ing.com

Egor Fedorov
Senior Credit Analyst
egor.fedorov@ing.com

Sebastian Franke
Consumer Economist
sebastian.franke@ing.de

Gerben Hieminga
Senior Sector Economist, Energy
gerben.hieminga@ing.com

Nadège Tillier
Head of Corporates Sector Strategy
nadege.tillier@ing.com

Charlotte de Montpellier

Senior Economist, France and Switzerland
charlotte.de.montpellier@ing.com

Laura Straeter
Behavioural Scientist
+31(0)611172684
laura.Straeter@ing.com

Valentin Tataru
Chief Economist, Romania
valentin.tataru@ing.com

James Smith
Developed Markets Economist, UK
james.smith@ing.com

Suvi Platerink Kosonen
Senior Sector Strategist, Financials
suvi.platerink-kosonen@ing.com

Thijs Geijer
Senior Sector Economist, Food & Agri
thijs.geijer@ing.com

Maurice van Sante
Senior Economist Construction & Team Lead Sectors
maurice.van.sante@ing.com

Marcel Klok
Senior Economist, Netherlands
marcel.klok@ing.com

Piotr Poplawski
Senior Economist, Poland
piotr.poplawski@ing.pl

Paolo Pizzoli
Senior Economist, Italy, Greece
paolo.pizzoli@ing.com

Marieke Blom
Chief Economist and Global Head of Research
marieke.blom@ing.com

Raoul Leering
Senior Macro Economist
raoul.leering@ing.com

Maarten Leen

Head of Global IFRS9 ME Scenarios

maarten.leen@ing.com

Maureen Schuller

Head of Financials Sector Strategy

Maureen.Schuller@ing.com

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Rafal Benecki

Chief Economist, Poland

rafal.benecki@ing.pl

Philippe Ledent

Senior Economist, Belgium, Luxembourg

philippe.ledent@ing.com

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

Inga Fechner

Senior Economist, Germany, Global Trade

inga.fechner@ing.de

Dimitry Fleming

Senior Data Analyst, Netherlands

Dimitry.Fleming@ing.com

Ciprian Dascalu

Chief Economist, Romania

+40 31 406 8990

ciprian.dascalu@ing.com

Muhammet Mercan

Chief Economist, Turkey

muhammet.mercan@ingbank.com.tr

Iris Pang

Chief Economist, Greater China

iris.pang@asia.ing.com

Sophie Freeman

Writer, Group Research

+44 20 7767 6209

Sophie.Freeman@uk.ing.com

Padhraic Garvey, CFA

Regional Head of Research, Americas

padhraic.garvey@ing.com

James Knightley

Chief International Economist, US

james.knightley@ing.com

Tim Condon

Asia Chief Economist

+65 6232-6020

Martin van Vliet

Senior Interest Rate Strategist

+31 20 563 8801

martin.van.vliet@ing.com

Robert Carnell

Regional Head of Research, Asia-Pacific

robert.carnell@asia.ing.com

Karol Pogorzelski

Senior Economist, Poland

Karol.Pogorzelski@ing.pl

Carsten Brzeski

Global Head of Macro

carsten.brzeski@ing.de

Viraj Patel

Foreign Exchange Strategist

+44 20 7767 6405

viraj.patel@ing.com

Owen Thomas

Global Head of Editorial Content

+44 (0) 207 767 5331

owen.thomas@ing.com

Bert Colijn

Chief Economist, Netherlands

bert.colijn@ing.com

Peter Vanden Houte

Chief Economist, Belgium, Luxembourg, Eurozone

peter.vandenhoute@ing.com

Benjamin Schroeder

Senior Rates Strategist

benjamin.schroeder@ing.com

Chris Turner

Global Head of Markets and Regional Head of Research for UK & CEE

chris.turner@ing.com

Gustavo Rangel

Chief Economist, LATAM

+1 646 424 6464

gustavo.rangel@ing.com

Carlo Cocuzzo

Economist, Digital Finance

+44 20 7767 5306

carlo.cocuzzo@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 www.ing.com.