

Good Morning Asia - 5 February 2021

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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)

Author

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com

Asia week ahead: Holiday lull takes over

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Source: Shutterstock

➔ A short week ahead

It's a short week for markets as most Asian countries celebrate the arrival of the Lunar Year of the Ox.

China begins its new year-Golden Week holiday on 11 February as does Korea while Taiwan starts a day earlier on Wednesday. Most other countries will be out on Friday.

The holiday lull is expected to drain the liquidity from the markets, making it a relatively quiet week for market watchers.

➔ The data

Even as regional markets slacken next week in the run-up to the holiday, statistical authorities in some countries will remain busy.

China's Statistical Bureau will begin its monthly data dump for January and the front-loading of activity ahead of the New Year holiday should underscore firmer growth trend coming into 2021. Lined up next week are foreign exchange reserves and inflation figures, though we might get monetary and trade releases for January before the holiday starts.

Following on strong January export reading in Korea, Taiwan's exports data for January should further confirm the positive global semiconductor cycle. The cyclical upswing also received a further boost from a favourable base effect, which is what underlies the consensus of over 20% year-on-year surge in Taiwan's exports in the last month.

Malaysia will be in the limelight for its 4Q20 GDP report. No prizes for guessing that accelerated Covid-19 spread dented output further. We anticipate a steeper GDP contraction in the last quarter, by -5.2% YoY than the -2.7% seen in 3Q20. This should strengthen our call of a 25bp policy rate cut from the central bank this quarter.

➔ Philippines central bank meeting

The Philippines' central bank, which meets next Thursday paused its rate cut cycle at the last meeting in December after slashing the policy rate by total 175 basis points in the last year. The economy continues to take a beating from the pandemic as reflected by continued GDP contraction. However, CPI inflation also has started moving higher in recent months, which blunts the argument of more policy support for growth.

With the central bank's overnight borrowing rate of 2.0% and about 3.5% inflation rate, the real rate is already negative. We don't think the BSP wants to push it even lower and risk a weaker currency and potentially high inflation. In our view, the BSP easing cycle has run its course. The next move in the policy rates will be higher, though that's not something for this year or even the next.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Sunday 7 February					
China		- Jan FX Reserves (Monthly)	-		3.217
Monday 8 February					
Malaysia	0400	Dec Industrial Output (YoY%)	1.5		-2.2
Indonesia		- Q4 Balance of Payments	-		2.1
		- Q4 Current Account/GDP	-		0.4
		- Jan Forex Reserves	-		135.9
Singapore	0900	Jan Foreign Reserves USD	-		362.3
Taiwan	0800	Jan Imports	-		0.9
	0800	Jan Exports	-		12
	0800	Jan Trade Balance	-		5.76
Tuesday 9 February					
South Korea	2300	Jan Unemployment Rate	4.5		4.6
Wednesday 10 February					
China	0130	Jan CPI (YoY%)	-		0.2
	0130	Jan PPI (YoY%)	-		-0.4
		- Jan M2 Money Supply (YoY)	-		10.1
		- Jan Exports (%YoY)	-		18.1
		- Jan Imports (%YoY)	-		6.5
		- Jan Trade balance (US\$bn)	-		78.2
Thursday 11 February					
Malaysia	0400	4Q20 GDP (QoQ SA/YoY %)	-2.0/-5.2		18.2/-2.7
	0400	Q4 Current Account Balance	29.9		26.1
Philippines	0800	Policy Interest Rate	2.00		2.00
Friday 12 February					
India	1200	Jan CPI Inflation (YoY%)	4.7		4.59
	1200	Dec Industrial Output (YoY%)	-1.5		-1.9

Source: ING, Refinitiv, *GMT

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

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