

Good Morning Asia - 5 February 2021

Asian markets may trend higher to close out the week

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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)

Asia week ahead: Holiday lull takes over

The markets may slacken slightly ahead of the Lunar New Year holiday, but central banks and statistical agencies will still be busy at work



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

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