

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

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