Election fraud claims lead to coup

The Reuters report that Myanmar leader, Aung San Suu Kyi has been detained comes against a market that was already in risk-off mode. That sentiment has also not been helped by what some in the media have described over the weekend as "vaccine hijacking" by the EU. Oh, and its payrolls week...

Source: shutterstock

Reuters reporting the detention of Aung San Suu Kyi in Myanmar

We don't formally cover Myanmar, but the reported detention of Myanmar's leader, Aung San Suu Kyi, along with President Win Myint and others, is the sort of news that in the past, would have rattled markets in the region, even if Myanmar seems too small and too far away to many to be a systemic worry.

Alarmingly, the Myanmar military's claims of mass voting fraud following the apparent landslide in November elections for Suu Kyi's National League for Democracy party, seem to have an ominous echo closer to home in the same major markets that may shrug off this news. And perhaps the message is not what Myanmar means to the rest of the world, but rather, what do the actions taken by those in power in the leading group of nations have elsewhere in the world.

Where will be the next Myanmar, ignoring the public will and overthrowing an election to seize or cling on to power?

Certainly, Aung San Suu Kyi's leadership does not have an unblemished record, with the repression of the Rohingya people a particularly ugly stain. But her party does at least notionally stand for democracy, and though it clearly lacked any sort of control over the actions of its military, it could be argued to have been a step forward from the previous military dictatorship.

Other political noise still colouring market sentiment this Monday morning, include the clumsily executed vaccine control order imposed by EU President, Ursula von der Leyen, in response to Europe's feeble vaccine rollout. Although some furious back-pedalling seems to have undone much of the political damage, it draws into stark relief just how patchy the global vaccine rollout is. Now would be a good time to do a sweepstake on the seven-day moving average of daily confirmed Covid cases on December 31, 2021. My totally unsubstantiated guess would be about 40% of the current tally, and therefore still a problem. And that's based on a wild guess about global levels of vaccination together with creeping herd immunity in countries such as India. But it will also be winter in the Northern hemisphere, and we may also have new strains to worry about.

Patchy rollout undermines market optimism about a synchronous global recovery, on which market expectations were being heavily based on 1 Jan 2021. Patchy recovery overlaid with hot political noise on everything from trade to human rights doesn't shout anything with much clarity to me.

Asia today

The weekend release of **China** PMI data showed a small decline in the manufacturing PMI to 51.3 from 51.9, and a bigger decline in the non-manufacturing PMI to 52.4 from 55.7. Looming Lunar New Year spending may be distorting the current non-manufacturing PMI, but there may also be some spillover from the recent lockdowns associated with the return of some Covid-19 infections in and around Beijing in recent weeks. Iris Pang writes more about this in her piece this morning.

Other PMI data is due out across the region this morning, including the Caixin China figures. Some data has already been released, though there is a fairly mixed picture emerging, with some, S Korea, Taiwan, Indonesia, and the Philippines showing a firmer manufacturing recovery, others, Malaysia, Japan, Thailand pointing to a renewed slowdown.

S Korea has also already released trade data for January, which showed double-digit growth rates being maintained, and some slight improvement in import data too, which could be both a reflection of parts imports for future export or firming domestic demand. Both of which would be good outcomes.

Nicky Mapa has this to say about Indonesian inflation due later today "**Indonesia** reports CPI inflation today with market analysts expecting price pressures to remain subdued with inflation set to fall below the central bank’s 2-4% inflation target again. Despite a slight uptick to close out 2020, price pressures have been relatively weak given the current economic situation with stricter lockdowns reinstated in Java and Bali. Bank Indonesia (BI) has flagged the possibility of an uptick in prices later in the year but inflation will likely remain within its target range, which would leave the door open for further rate cuts by BI in the near term should IDR stabilize".

And Prakash Sakpal notes the following on India's scheduled budget and other matters: "It’s a big policy week in **India**. Finance Minister Nirmala Sitharaman today unveils the Budget for Fiscal Year (FY) 2021-22 (starts in April 2021). Released ahead of the Budget last Friday, the government's annual Economic Survey for FY2020-21 projects a -7.7% GDP contraction in the current financial year and as much as an 11% bounce in FY2021-22, both of which appear optimistic (ING forecasts -9.8% and +8.1% respectively). Supporting such a V-shaped recovery, fiscal policy ought to be expansionary. However, after a record budget deficit estimated to be over 7% of GDP in the current financial year, we believe some consolidation is in order as also reflected by news of possible hikes in import duties. It's going to be a balancing act of supporting economic recovery without risking any sovereign rating downgrades or dampening investors' confidence in the government's economic management. That said, we look for a planned reduction in the deficit under 6% of GDP in FY2021-22. The Reserve Bank of India also meets on Friday, 5 February. We expect it to ignore the return of inflation back to the 2-6% policy target (4.6% in December) and leave the rate policy on hold, which is also a consensus view.

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