

## Omicron in the Asia pipeline

It's probably only a matter of time before Omicron-infections really kick off in Asia. The question is, will governments take it in their stride, or will this lead them to moonwalk back their re-opening efforts?



Woman wearing a face mask to help curb the spread of Covid-19 as her friends prepare to set up a picnic cloth on a scenic mountain in Yanqing, outskirts of Beijing, China

Source: Shutterstock

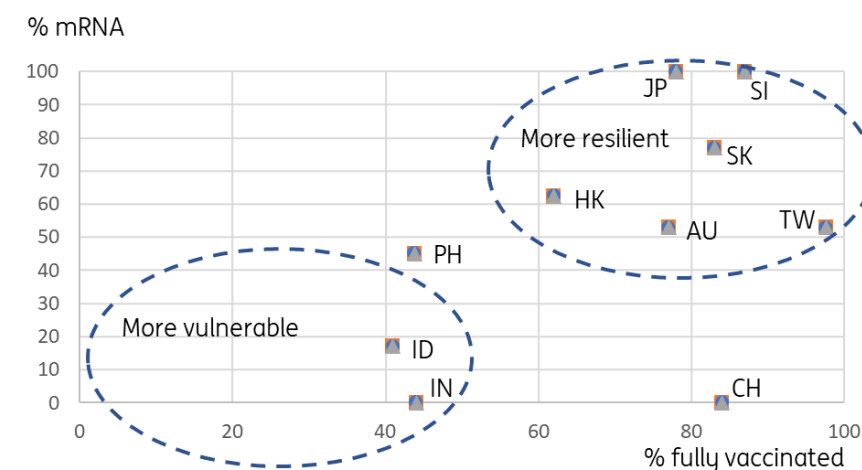
### Things look and feel very different in Asia than Europe

I've just returned from 2 weeks holiday in Europe. Practically every family we know has had at least one Omicron casualty, though fortunately, none of them serious - most of them very slight. But it has ruined Christmas for many. Holiday's have been cancelled, reunions shelved. As far as I am aware, our family's hermit-like existence at our rural French retreat has left us all unscathed, though I am only halfway through my VTL testing period, so never say never. And the wife still has to run the gauntlet of 2 days in London before she heads back to Singapore. So we are not in the clear yet.

But it feels very different here in Asia. Where France, Germany and the UK have been seeing 100,000-200,000 cases some days, all these countries seem to be trying, as far as is possible, to take a pragmatic approach to what appears to be an intrinsically milder variant of Covid-19. Here in Asia, Omicron is on everyone's mind, but it isn't yet a clear and present danger for most. And it isn't affecting behaviour particularly. Oddly, with only about 840 daily Covid-19 cases and zero deaths yesterday, Singapore has, according to Bloomberg, been put on a travel warning for US travellers. The US in contrast is tallying 500,000 cases per day. This seems a bit odd.

But what also seems to be abundantly clear, is that while Asia is not yet suffering the full fury of Omicron, it is only a matter of time before Omicron really starts to take off. And as the reaction functions of Asian governments throughout the crisis have been inherently more conservative than their European or American peers, it is not unreasonable to be a little bit concerned about where this may lead. Global markets seem to be writing off Omicron as an existential threat, with some suggesting that the Omicron variant represents the 'last hurrah' for Covid. Let's hope they are right. But there may still be a final hit to activity in Asia before we can return to a semblance of normality.

## Omicron vulnerability in Asia



Source: Our World in Data, Wikipedia, Local Sources

## Where is the biggest worry for omicron?

One question that we will see answered over the coming months will be whether China's zero-Covid policy is maintained in the face of Omicron. I will avoid commenting on whether I think they *should* persist with this approach (that sort of comment gets economists into trouble), but with Omicron reportedly 70-times more infectious than even Delta, I would question whether strict lockdowns and hosing cities down with disinfectant will actually work. My non-medically qualified gut feel is that this is an unwinnable battle. Of course, if this zero-covid policy remains in place, then there is a good chance that we will see lockdowns drag on across the year weighing on an already subdued growth prospect for China.

Elsewhere in the region, my main concern is that most of the Omicron analysis I have read so far relates to heavily vaccinated populations (Europe, UK). Also, a lot of the studies I have read in the last few days seems to indicate that of the vaccines widely distributed, only the mRNA type of vaccines seem to offer much in the way of protection from infection, and that these also provide a greater degree of protection from severe forms of the disease. This is perhaps a reason for some governments in Asia to be a bit more cautious than those in Europe / US when Omicron numbers inevitably start to rise sharply.

In the chart above, we show a scatter diagram showing the percentage of the populations in the region that are fully vaccinated against the proportion of vaccinations in each country that are mRNA based (for example, Pfizer, Moderna).

So for example, China is heavily vaccinated, but almost exclusively with Sinovac / Sinopharm's

traditional vaccines - though it seems that boosters are now focussing on mRNA vaccines to provide a stronger degree of protection. India is not nearly as well vaccinated as China, and it too has focussed almost exclusively on traditional vaccines, mainly based on the AZ vaccine produced locally. Indian daily cases have been very low in recent weeks, only about 7000 or so. Earlier this week, the daily case numbers rose to 9,000. Today, they were 34,000. At this rate, Indian daily cases will be in the 100,000s by next week, and there is no telling where the peak will be. However, judging by other countries, it will at least match the 400,000+ tally hit during the March/April 2021 wave. Again, the question is, will this overwhelm health services locally? Or is Omicron so intrinsically less severe that India can just push on through?

As well as India, both Indonesia and the Philippines also lag the median in terms of vaccination rates and in terms of the prevalence of mRNA vaccines in that mix. Both countries struggled with access to vaccines in the early stages of the rollout and had to rely on donations of Sinovac / Sinopharm as well as Astra-Zeneca. More recently, both countries have been concentrating more on mRNA vaccines, but the bulk of their historical vaccine protection relies on traditional vaccines that may prove ineffective against Omicron.

## Markets are torn, but will probably keep rising

As far as markets are concerned, there is a clear tension here. Global markets seem to want to find a silver lining in the Omicron wave, and Asian markets should benefit from any sentiment upturn. But the experience of Europe may provide too optimistic an extrapolation for some Asian economies. And improving global sentiment could clash against a negatively evolving story locally and against a stronger USD and higher bond yields, both of which could take the wind out of Asian risk sentiment.

Asian markets will therefore likely remain quite choppy for the next few weeks or months as we get to know Omicron better and can get a better understanding of where the world is heading. But the underlying trend could well remain a positive one, punctuated by occasional periods of local anxiety.

As my first note of the year, let me take this opportunity to wish you all a healthy and prosperous New Year. Good luck.

### Author

#### Robert Carnell

Regional Head of Research, Asia-Pacific

[robert.carnell@asia.ing.com](mailto:robert.carnell@asia.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 <http://www.ing.com>.