What is your outlook for Asia?
The 2021 outlook for Asia is constructive. We expect further appreciation in local currencies, although heavy positioning may constrain the pace near-term. Three key themes dominate our narrative. One: COVID normalization. Asia's recovery will be contingent on the successful introduction of COVID vaccines, enabling a global recovery. This is especially so for Indonesia, India and Philippines that continue to struggle with controlling the virus.

Two: supportive policy mix for Asia rates. Western economies are likely to remain heavily reliant on monetary stimulus, with fiscal stimulus constrained by gridlock such as in the U.S., or bureaucracy like in Europe. The developed market policy mix will be supportive for Asian markets in our view. This is especially true for China, where supply concerns should ease in 2021.

Three: Central Bank tolerance for FX appreciation. Our expectation for Asia FX is that the mix of net exporter dollar selling will transition to more foreign portfolio inflows, maintaining the broad uptrend in local currencies. However, a key question is whether Asian policymakers will tolerate further appreciation. However, in our view, an improving growth outlook and return of moderate inflation expectations could imply greater tolerance of modest FX appreciation by Asian Central Banks, as we forecast for 2021.