

ASEAN Morning Bytes

Market players brace for another week of rough sailing as the virus spreads globally



EM Space: Markets brace for full impact of virus as Covid-19 spreads across the globe

- **General Asia:** Regional PMI manufacturing data has come out as a mixed bag already. Though with no results as bad as those reported by China over the weekend. Markets will likely be in for a rough ride on Monday as the virus continues to spread across the globe and more importantly, now in the United States. Despite dovish comments from central bankers, the full-frontal impact from the virus is yet to be felt with safe-haven demand expected to keep bond yields lower.
- **Malaysia:** [Has political standoff really ended?](#) The King appointed former interior minister Muhyiddin Yassin as eighth Prime Minister, taking over the reins from Mahathir Mohamad. However, Mahathir still claims to have majority support to form the government and has called for an urgent parliamentary session to prove this. We expect investors to stay on the sidelines until the political dust settles completely. And, with the prospects of any fiscal stimulus continuing to be dim, the central bank (BNM) will have to do all heavy-lifting to support the economy. We expect a 25bp BNM rate cut on Tuesday (3 March).
- **Thailand:** The Bank of Thailand's pursuit of weak currency (THB) continues. Effective today, the central bank allows businesses to hold back abroad up to \$1 million of their foreign

earnings, both exports proceeds and other income, up from the earlier limit of \$200,000. The THB has been already a worst-performing emerging market currency so far this year with about a 5% depreciation. We don't expect the latest measures to cause a further dent. Meanwhile, February CPI data is likely to show slower inflation of 0.8% than 1.1% in January, paving way for another BoT rate cut at the March meeting.

- **Indonesia:** Indonesia will be reporting inflation for February with the market looking at price gains to settle well within target at 2.9%, picking up slightly from 2.7% the previous month. We, however, do not expect Bank Indonesia (BI) to be able to cut policy rates in the near term given the recent heightened risk-off tone although Governor Warjiyo will likely keep an accommodative stance to help support sagging growth momentum with Covid-19 expected to hurt the export and manufacturing sectors.

What to look out for: Regional PMI and Covid-19

- Regional PMI manufacturing (2 March)
- Indonesia inflation (2 March)
- Hong Kong retail sales (2 March)
- US ISM manufacturing (2 March)
- Malaysia BNM policy rate meeting (3 March)
- Singapore PMI manufacturing (3 March)
- China Caixin PMI services (4 March)
- Malaysia trade (4 March)
- Philippines inflation (5 March)
- Thailand inflation (5 March)
- US initial jobless claims (5 March)
- Taiwan inflation (6 March)

US trade balance and jobs report (6 March)