

ASEAN Morning Bytes

Coronavirus remains on top of everything, casting the shadow over the Lunar New Year celebrations due to begin from Friday



EM Space: Coronavirus dominates headlines and sentiment

- **General Asia:** The Chinese authorities rushed to contain the spread of the virus as investors are monitoring the potential spread of the virus and its economic impact. The key question for the markets today is whether the Malaysian central bank's surprise move to cut rates yesterday would tip the Indonesian central bank in that direction.
- **Malaysia:** Bank Negara Malaysia unexpectedly cut the policy rate by 25bp policy rate at the meeting yesterday. It's a pre-emptive move to support growth while inflation remains benign. December inflation of 1.0% YoY was in line with the consensus. We believe the BNM's brief easing cycle with only two rate cuts (the last 25bp cut was in May 2019) has now run its course. We expect no more BNM easing this year ([read more here](#)).
- **Singapore:** December consumer price data is due with the consensus looking for an uptick in the headline inflation to 0.7% YoY from 0.6% in November but a dip in core inflation to 0.5% from 0.6%. We think higher private road transport cost was responsible for higher total inflation (core measures excludes this component). We expect inflation in 2020 to stay within the MAS's 0.5-1.5% range (for both headline and core), which with the expectation of firmer GDP growth points to a stable MAS policy throughout the year.
- **Philippines:** 4Q19 GDP report comes today with consensus centred on a 6.4% expansion,

which would translate into to a 5.9% full-year growth. Meanwhile, the government cut its initial estimate for 3Q GDP growth to 6.0% from 6.2%, which could be enough to prod the central bank towards another rate cut at the 6 February meeting. Peso should face renewed pressure on a growth miss as this would cement the central bank easing story.

- **Indonesia:** Bank Indonesia (BI) is holding its policy meeting today with analysts expecting the central bank to hold off on adjusting policy rates for the time being. However, Governor Warjiyo has pledged continued accommodative stance, keeping the door open for further rate cuts in the near term.

What to look out for: central bank meetings

- Philippines GDP (23 January)
- Singapore inflation (23 January)
- Bank Indonesia meeting (23 January)
- ECB meeting (23 January)
- US PMI manufacturing (24 January)