

ASEAN Morning Bytes - 24 February 2020

Covid-19 continues to widen its spread beyond China, setting risk-off as a theme for markets at the start of a new week



EM Space: Covid-19 widen its spread beyond China

General Asia: Covid-19 continues to widen its spread beyond China. While this sets risk-off as a theme for the markets at the start of a new week, there may be some respite as China has now pledged more stimulatory measures and Hong Kong looks poised for a record fiscal thrust in the FY2020 Budget this week. The significant surge of the disease in Korea could also nudge the Bank of Korea into a policy rate cut at the meeting later on this week.

Singapore: January CPI is due today. Contrary to the consensus of a pick-up to 0.9% YoY, we see inflation unchanged at December's 0.8% rate as the quarterly Services & Conservancy Charges (S&CC) rebate for public housing will be offset by higher electricity tariffs and an annual increase in school fees. We do share the consensus of higher core inflation in December. The MAS sees both headline and core inflation this year to be in a 0.5% to 1.5% range. With the policy now focused on growth we don't rule out a MAS easing in April despite the central bank's recent affirmation of the current policy stance.

Thailand: January trade data will show a swing in the trade balance to a deficit of over \$400 million from a surplus of about \$600 million in December. This result comes off about a 3% YoY fall in exports and a 16% fall in imports. With Covid-19 poised to depress both trade and tourism, we

expect a significant narrowing of the current account surplus this year which will maintain THB underperformance throughout the year.

Malaysia: It was a low-base acceleration in the transport component of inflation that drove the headline CPI inflation higher to 1.6% YoY in January from 1.0% in December. We believe the spike to be transitory as pass-through of low global crude oil prices and weak domestic demand will depress price pressures going forward. We continue to see the central bank (BNM) cutting rates by 25bp in March, which would be the second rate cut from them this year.

What to look out for: 4Q19 GDP and central bank policies

- Singapore CPI (24 Feb)
- Thailand trade (24 Feb)
- Philippines fiscal balance (25 Feb)
- Hong Kong 2020 Budget (26 Feb)
- Singapore industrial production (26 Feb)
- Thailand industrial production (26 Feb)
- Korea central bank meeting (27 Feb)
- US 4Q19 GDP (27 Feb)
- India 4Q19 GDP (28 Feb)
- Korea industrial production (28 Feb)
- Thailand balance of payment (28 Feb)
- US personal income and spending (28 Feb)
- China PMI (29 Feb)