

## ASEAN Morning Bytes

The risk of Covid-19 becoming a global pandemic has put risk assets in a tailspin. While we may see some bargain hunting today, there is unlikely to be any lasting relief from weak investor sentiment anytime soon



### EM space: Pandemic worries

**General Asia:** The risk of Covid-19 becoming a global pandemic sent risk assets in a tailspin yesterday. The selloff started in Asia and persisted in European and US trading. While we may see some bargain hunting today, there is unlikely to be any lasting relief from weak investor sentiment anytime soon. Malaysia remains in the spotlight for heightened political risk.

**Malaysia:** [Political uncertainty spiked](#) yesterday with the sudden resignation of Prime Minister Mahathir Mohamad, a big blow to hopes of a smooth leadership transition to his rival-turned-successor, Anwar Ibrahim, later this year. Mahathir still remains the interim prime minister until a new government is formed. This political crisis comes at the worst time for the economy - bracing for a significant beating from the Covid-19 outbreak. It dashes hopes of any fiscal stimulus for the economy and sends the Malaysian ringgit on a steady depreciation path. The USD/MYR traded above our end-1Q20 forecast of 4.20 yesterday. Prolonged political uncertainty could see it depreciating towards 4.50 over the course of the year - a level last seen three years ago.

**Thailand:** Surprisingly [firmer January export growth](#) appears more of a transitory blip and we

expect weakness to return as the impact of Covid-19 becomes more pronounced. Besides depressing trade growth ahead, Covid-19 will seriously dent the Thai tourism sector ([see also this note on Asian tourism and the coronavirus](#)). The finance ministry is considering soft loans worth THB 100 billion for affected tour operators. We forecast a near-halving of the current surplus this year to about 3.5% of GDP from 6.9% in 2019. We continue to forecast the USD/THB rate at 32.80 by the end of the first quarter, close to the top end of our anticipated 31-33 trading range for 2020 (spot 31.66).

**Singapore:** A sharp slowdown in core inflation was a standout in yesterday's inflation release for January. The annual hike in school fees at the start of the year typically pushes core inflation higher. This year there was a cut in fees, dragging the core measure down to 0.3% from 0.7% in December, the lowest reading in over four years. Headline inflation was steady at 0.8%. Subdued inflation provides more reason for the central bank (MAS) to ease in April.

**Indonesia:** Finance Minister Sri Mulyani Indrawati told media yesterday about an imminent support package for the sectors affected by the virus outbreak. The announcement is expected after a Cabinet meeting later today.

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

- Hong Kong 2020 Budget (26 Feb)
- Philippines fiscal balance (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)

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