

ASEAN Morning Bytes

Anxiety over the 2019-nCov virus continues to spread with the number of reported cases on the rise and the Philippines reporting the first death outside China



EM Space: Market sentiment to remain jittery with China market reopening after the extended hiatus

- **General Asia:** China markets reopen but the 2019-nCov continues to weigh on investor sentiment with more cases reported over the weekend across the globe ([see also here](#) for more detail). Meanwhile, the data calendar is relatively loaded with regional GDP data and central bank meetings, while the US reports jobs data on Friday.
- **Thailand:** The Markit manufacturing PMI slipped to 49.9 in January from 50.1 in December, indicating a contraction in manufacturing. Supporting our non-consensus call for the Bank of Thailand to cut its policy rates 25 basis points this week (5 February), the central bank's senior director for economics and policy, Don Nakornthab, warned that weaker tourism due to the coronavirus outbreak and the delayed fiscal 2020 budget would depress growth in the current quarter. We believe growth dipped below 2% in 4Q19 (data due mid-February) and will stay there through the first half of 2020 ([read more here](#)).
- **Malaysia:** The Markit manufacturing PMI fell to 48.8 in January from 50.0 in December, indicating a contraction of activity. Bank Negara Malaysia's 25 basis point rate cut in

January was a timely policy boost for the economy as overall economic growth is poised to take a hit from the coronavirus outbreak. We now don't rule out more BNM rate cuts this year.

- **Philippines:** Bangko Sentral ng Pilipinas (BSP) Governor Diokno reiterated that he could cut policy rates as much as 50 basis points in 2020 although he pledged to simultaneously be data-dependent in any of his decisions. His comments come ahead of the BSP policy meeting this week (6 February) where market consensus is for the central bank to trim its policy rate to 3.75% from 4.0%. The Peso could come under renewed weakening pressure on rate cut expectations, while there is now the first 2019-nCov death outside China in the Philippines.
- **Indonesia:** Japan Credit Rating Agency (JCR) upgraded Indonesia's credit rating, citing steady growth and disciplined fiscal management. JCR also tagged a stable outlook on Indonesia, highlighting the economy's resilience to external shocks and credible monetary policy. The IDR was recently hit by the market selloff related to virus contagion but the outlook could help reverse some of the flows. January inflation data is due today with analysts expecting a rise to 2.9% from 2.7% in December.

What to look out for: Manufacturing data from the region, developments on the virus

- Indonesia PMI manufacturing and inflation (3 February)
- Malaysia PMI manufacturing (3 February)
- China Caixin PMI manufacturing (3 February)
- Hong Kong GDP (3 February)
- US ISM PMI manufacturing (3 February)
- Malaysia trade (4 February)
- Hong Kong retail sales (4 February)
- US factory orders (4 February)
- Philippines CPI (5 February)
- China Caixin PMI services (5 February)
- Indonesia 4Q GDP (5 February)
- Bank of Thailand (5 February)
- US trade (5 February)
- US PMI services (5 February)
- Thailand CPI (6 February)
- India RBI meeting (6 February)
- Philippines BSP meeting (6 February)
- Taiwan CPI (6 February)
- US initial jobless claims (6 February)
- Malaysia industrial production (7 February)
- Taiwan trade (7 February)
- US nonfarm payrolls (7 February)

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