

ASEAN Morning Bytes

The coronavirus is now the global emergency



EM Space: The global emergency

- **General Asia:** The coronavirus is now the global emergency, having a significant bearing on global growth. The downward adjustments to growth forecasts for the affected countries are already underway with expectations of China of facing about 1.5% dent to its GDP growth and the US and Eurozone about 0.1%. We are reviewing forecasts for Asian countries.
- **Thailand:** December balance of payments data is due. The expectations of a higher current surplus of \$3.6 billion than \$3.4 billion in November should be some relief for the THB selloff. The currency has lost a significant ground coming into 2020 with 3.7% depreciation against the USD this month, the worst among Asian currencies. The USD/THB rate has now moved up to a higher range of 31-33 and we see it trading close to the top of this range by the end of this quarter.
- **Philippines:** The Bangko Sentral ng Pilipinas (BSP) Governor Diokno kept up his dovish rhetoric, indicating that he could still cut policy rates by up to 50 basis points in 2020. Noting upside risks to inflation and a possible slowdown in growth due to a recent volcanic eruption, Diokno highlighted that inflation should remain within target for both 2020 and 2012. Meanwhile, the Philippines confirmed its first case for the 2019-nCov and market panic may cause the Peso to weaken today.
- **Indonesia:** Bank Indonesia (BI) Governor Perry Warjiyo attempted to calm fears, indicating

that financial markets are “stabilizing” after the initial selloff linked to panic over the global spread of the 2019-nCov. He called for closer coordination between the fiscal and monetary authorities, noting that monetary policy “isn’t the only game in town”, though 2020 presents challenges and that the central bank would maintain its accommodative stance. The IDR is the Asian top-performing emerging market currency, which keeps doors open for more BI easing ahead.

What to look out for: US core PCE inflation and Brexit

- Thailand balance of payments (31 January)
- EU GDP (31 January)
- US core PCE (31 January)
- UK exit deadline