

ASEAN Morning Bytes

Market sentiment remains fragile as investors assess the economic impact of the coronavirus



EM Space: Potential economic fallout from virus assessed

- **General Asia:** With Chinese factories shuttered and economic activity ground to a halt, investors are gauging the potential economic hit from the 2019-nCoV to China's GDP growth. Manufacturing reports showed mixed trends but the trading sentiment was still likely affected by virus concerns as reported cases continue to increase.
- **Singapore:** The SGD-NEER is reportedly drifting toward the mid-point the MAS's policy band. A Bloomberg report notes it is about 0.4% above the mid-point, down from 1.3% at the end of the last year and it cites the drift to the expectation of a MAS easing in April to minimize the impact of the virus on the economy. The numbers of infections in Singapore haven't risen in the last two days. We aren't rushing to change our view of stable MAS policy this year just yet.
- **Malaysia:** December trade data is due today. We share the consensus view of a continuation of moderation in the export decline (-2.5% YoY vs. -5.5% in November) helped by favourable base effects. The recovery has yet to begin and it may be pushed further out the coronavirus outbreak dampens global demand. Meanwhile, Bank Negara Malaysia and the Bank of Korea renewed a bilateral KRW/MYR swap arrangement to promote trade between two countries. We don't rule out more BNM rate cuts this year if the global

economic situation gets worse.

- **Indonesia:** CPI inflation in January was little changed from 2.7% in December as lower transport and education costs offset higher food prices, keeping inflation at the lower end of the government's 2.5-4.5% target. Meanwhile, Bank Indonesia pledged "bold" steps to curb volatility in the IDR market with the central bank participating in the bond, currency and non-deliverable forwards markets to keep the currency stable.

What to look out for: Developments on the virus

- 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)