

ASEAN Morning Bytes

Investor sentiment continues to bounce back despite the continued spread of the 2019-nCoV. We are sceptical this will sustain



EM Space: Asian central banks are moving to support growth

- **General Asia:** Reports of “breakthroughs” in unlocking a possible vaccine for the virus sprouted on Wednesday, fueling hopes for a quick cure and only a marginal impact on global growth. While this may have supported risk-taking, we don't see much substance in these reports just yet and we are sceptical the risk rally will continue. The Asian central banks are easing to cushion the impact of the virus with the Philippines BSP likely to join the flow today.
- **Thailand:** The Bank of Thailand (BoT) followed up counterparts in China and Malaysia in cutting policy rates to curb the economic risks stemming from the coronavirus outbreak and its impact on tourism. We believe the central bank will want to remain ahead of the curve in its policy response to the evolving situation. If so, another cut at the next meeting in March makes sense as a timely, and probably more effective, boost to the economy ([read more here](#)).
- **Singapore:** The Monetary Authority of Singapore in a statement yesterday downplayed any policy easing. The statement noted there was sufficient room within the policy band to accommodate easing of S\$NEER in line with weakening economic conditions due to the outbreak of 2019-nCoV. The number of infections in Singapore rose to 28 yesterday,

overtaking Thailand (25) to take third place after China and Japan. The MAS' view of a modest recovery in growth this year (compared to 0.7% in 2019) remains at risk. We don't rule out an easing if things continue to deteriorate. We will certainly know how things stand before the next meeting in April.

- **Indonesia:** Indonesia posted a 5.0% expansion in 4Q19, translating to a similar growth reading for the full year, missing forecasts and the official government target. The disappointing growth print will likely prod Bank Indonesia (BI) to cut policy rates at their next policy meeting with the easing more likely given the ongoing hit to sentiment from the global virus episode.
- **Philippines:** Bangko Sentral ng Pilipinas (BSP) holds its first policy meeting for the year today, with investors pricing in a likely rate cut by the central bank. Dovish comments from Governor Diokno point to a 25 bps rate cut today despite inflation jumping to 2.9% in January. Expect the Peso to come under pressure temporarily after the rate cut.

What to look out for: Developments on the virus, US jobs report

- 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)