

ASEAN Morning Bytes

Market players will likely stay sidelined on Friday, taking stock of the recent developments on the 2019-nCoV



EM Space: After directional trading for most of the week, investors likely to stay sidelined on Friday

- **General Asia:** After a week of highs and lows, traders will likely sit out Friday's trading session as hopes for a quick fix to the virus clashes with the rising count of fatalities and confirmed cases. The US reports labor market data on Friday which could show more signs of steady growth for the US economy.
- **Malaysia:** December industrial production is due with the consensus of steady growth at November's 2% YoY rate at risk of an upside miss from a surprising export rebound in the month. Coming ahead of 4Q19 GDP report next week (12 February), IP data will reveal risk to our view of a further modest dip in GDP growth to 4.2% from 4.4% in 3Q. With the outbreak of the coronavirus weighing down tourism and overall demand, we would expect a couple more quarters of a slowdown ahead. If so, the Bank Negara Malaysia easing cycle will have further to run, while the government is also drafting a stimulus package.
- **Thailand:** After a surprising rate cut earlier this week, the Bank of Thailand Governor Veerathai Santiprabhob said: "We're ready for additional appropriate measures against speculation on the baht that would significantly affect our economic stability". This comes as the USD/THB rate drifted below 31 in the run-up to the policy meeting. We anticipate one

more BoT rate cut in March as the impact of the coronavirus on the economy becomes pronounced. No change to our view of the USD/THB settling in the new, higher trading range of 31-33 this year.

- **Philippines:** Bangko Sentral ng Pilipinas (BSP) cut policy rates by 25 bps as expected to 3.75% with Governor Diokno carrying out what he termed as a “preemptive” strike given expectations for slower global growth. Meanwhile, Diokno disclosed that only about 30% of liquidity released via reserve requirement (RR) reductions have translated to lending, hinting that RR reductions may be on the shelf for now. We expect a follow through rate cut at the May policy meeting by 25 bps as Deputy Governor Dakila shared that BSP has “lots of space” to cut further.

What to look out for: Developments on the virus and US NFP

- China trade (7 February)
- Malaysia industrial production (7 February)
- Taiwan trade (7 February)
- US nonfarm payrolls (7 February)