Good MornING Asia - 17 April 2020

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President Trump's guidelines on when states will be in a position to re-open leave plenty of room for governors to decide if the conditions are ripe or not. Elsewhere in the world, the picture on re-opening is mixed

Source: Shutterstock

Believe it or not...

The following text was my paraphrased version of an official recommendation from (I can't remember exactly now, but I think maybe the US Centre for Disease Control) on what would be a necessary set of conditions before a country (or state) might consider loosening its lockdown - it can be found on page 33 of our recent monthly on the Covid-19 outbreak. It does not represent any original thought on my part.

"In general, before any government removes emergency measures, we would anticipate seeing the following criteria:

1. New case numbers falling for a sustained period (say 14 days).
2. Health services are able to deal with cases that require hospitalisation without recourse to emergency measures – field hospitals, military support etc.
3. In a position to fully test potential cases, trace and test their contacts, and monitor them".

The official guidelines released by President Trump yesterday, and which are linked here, note the following conditions before considering re-opening:

1. Downward trajectory of influenza-like illnesses (ILI) reported within a 14-day period and downward trajectory of covid-like syndromic cases reported within a 14-day period
2. Downward trajectory of documented cases within a 14-day period or downward trajectory of positive tests as a per cent of total tests within a 14-day period (flat or increasing volume of tests)
3. Treat all patients without crisis care. Robust testing program in place for at-risk healthcare workers, including emerging antibody testing.

Apart from my paraphrasing, it is virtually the same. This is good. It shows the US President is being led by medical experts.

I took a quick look at the change in new cases by US state this morning. What is very clear is that most states seem to plateauing, rather than showing clear signs of new cases falling (and some are still rising).

Where you compare yesterday's new case count with that 14 days ago, you do quite often get a lower number. But that is because the figures bounce around a lot. On the basis of a simple 14-day comparison, you would open up Florida, New York, Georgia, Louisiana, Michigan and a few others. On the basis of common sense, you would open up none of these states. For most of these, not only are the case numbers still running unacceptably high, but the day to day volatility makes calling a trajectory "downward" a very subjective exercise, or one that should only be attempted after data smoothing, say a 3-day moving average?

In any case, I think that with the exception of a few states, like Missouri, and Montana, the data just don't give a clear green light yet.

Looking around the world at countries that are attempting to move away from lockdown, Austria, which was the source of many of Europe's infections, seems to be doing well, with a clearly falling new case count. Denmark on the other hand, which is also attempting the same, has seen new cases hold up at a little under 200 a day. It is not getting worse and is about half of the peak rate. But these numbers are still high, and so the risk of a renewed upwards spike remains present.

What I'm saying is, we may see US states begin to move towards a relaxation of their lockdowns in May (mid or late rather than early), but the process is likely to be slow. If markets are betting on a rapid return to normal output conditions, they are wide of the mark.

On a positive note, trials on one of the antivirals thought most likely to have a beneficial impact on Covid-19 patients seem to be delivering quite optimistic results. This is not a cure, but it could reduce the mortality rate considerably, which could aid in the normalisation process.

Aaia data today - good start from Singapore

Ahead of the big China data dump later this morning, Singapore has released figures on its non-oil domestic exports: Prakash Sakpal has written a brief summary before his main note to follow: "March non-oil domestic exports (NODX) posted a 17.6% year-on-year (12.8% month-on-month, seasonally adjusted) gain, a significant outperformance compared with the consensus expectation for an 8.0% fall. A 49% jump in the pharmaceuticals stood out as the main driver of growth as the sector is benefiting from the ongoing global health crisis. Electronics also fared well with a 5.8% rise being the sector's best performance in over two years. This data explains the resiliency of Singapore's manufacturing explained by only a 0.5% YoY fall in the advance GDP estimate. We believe worse lies ahead, as the month-long circuit-breaker to contain the Covid-19 spread will significantly impair activity in April and in the rest of this quarter".

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ASEAN Morning Bytes

Trump issues “guidelines” for state reopening while investors await China data for further direction

EM Space: Key data out from China should help give direction to trading on Friday

- **General Asia:** US President Trump issued “guidelines” for states to reopen even as New York extended its lockdown further into the month of May. Meanwhile, reports that a certain drug was effective against Covid-19 may have some hopeful for an effective treatment. Data out from China on Friday could give investors additional cues with growth, industrial production and retail sales reported later on Friday.
- **Singapore:** March non-oil domestic exports (NODX) posted a 17.6% year-on-year (12.8% month-on-month, seasonally adjusted) gain, a significant outperformance compared with the consensus expectation for an 8.0% fall. A 49% jump in the pharmaceuticals stood out as the main driver of growth as the sector is benefiting from the ongoing global health crisis. Electronics also fared well with a 5.8% rise being the sector's best performance in over two years. This data explains the resiliency of Singapore’s manufacturing explained by only a 0.5% YoY fall in the advance GDP estimate. We believe worse lies ahead, as the month-long circuit-breaker to contain the Covid-19 spread will significantly impair activity in April and in the rest of this quarter.
- **Philippines:** Bangko Sentral ng Pilipinas (BSP) cut policy rates by 50 bps at an off-cycle meeting as the government extended its lockdown until the end of the month. BSP

Governor Diokno indicated that the central bank wanted to give Thursday's rate cut enough time to feed into the financial system to cushion the economy against the impending economic slowdown. BSP also allowed banks to book loans to small and medium-sized corporations against the 14% reserve requirement, a move that could free up roughly Php360 bn in fresh liquidity.

What to look out for: Covid-19 developments

- Philippines remittances (17 April)
- Singapore non-oil exports (17 April)
- China GDP, industrial production and retail sales (17 April)

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Asia week ahead: Fine-tuning 1Q GDP estimates

Trade and manufacturing data crowds next week's Asian economic calendar. But, Korea's 1Q20 GDP may attract more attention with regards to the Covid-19 impact

Source: Shutterstock

Asia: Trade and manufacturing releases

The fact that some Asia countries have been reporting firmer exports than we expected in March suggests the rapid spread of Covid-19 hasn't completely broken the back of economic activity in its entirety.

We anticipate the same from the trade and manufacturing releases from the region next week. The lockdowns to combat the pandemic were just beginning in the second half of March and were loosely implemented in most countries in the region. This kept some activity going, while a raft of stimulus announcements ensured that businesses continue operations during this period.

These releases will also help us to refine our estimates of first-quarter GDP growth for these countries. However, this is just the beginning of what's likely to be a deep and prolonged economic slump, not just in Asia but around the world.

Korea: Keeping afloat

Korea's resilient export performance in the first quarter is a surprise but this is probably because the pandemic was yet to grip the US - its leading trading partner and demand from China was also beginning to recover. The 1.1% year-on-year fall in Korean exports in 1Q was a marked improvement over the 12% YoY fall in 4Q19, although some of that firmness was due to the low base effect.

As Korea reports 1Q20 GDP data next week, we believe GDP growth will remain in the positive territory, albeit slow down to 1.2% YoY from 2.2% in the previous quarter. As noted above, the worst is ahead as significant destruction of global demand takes a toll on Korean exports and potentially pushes GDP growth into the negative territory.

However, the return of the incumbent government of President Moon in the Assembly elections held this week should pave way for increased fiscal policy support to prevent further GDP slide.

Country	Time	Data/event	ING	Survey	Prev.
		Monday 20 April			
Taiwan	0900	Mar Export orders (YoY%)	-6.0	-	-0.77
		Tuesday 21 April			
South Korea	2200	Mar PPI (YoY%)	-	-	0.7
		Wednesday 22 April			
Malaysia	0500	Mar CPI (YoY%)	0.6	-	1.3
	0800	Apr 15 Forex reserves- Month end (US$bn)	-	-	101.7
Thailand	0430	Mar Exports (Cust est, YoY%)	-6.0	-	-4.47
	0430	Mar Imports (Cust est, YoY%)	-10.0	-	-4.3
		Thursday 23 April			
Singapore	0600	Mar CPI (YoY%)	-0.5	-	0.3
	0600	Mar CPI core (YoY%)	-0.6	-	-0.1
Hong Kong	0930	Mar CPI (YoY%)	2.0	-	2.2
Taiwan	0900	Mar Industrial production (YoY%)	17	-	20.34
South Korea	0000	1Q P GDP (YoY%)	1.2	-	2.3
	0000	1Q P GDP (QoQ%)	-	-	1.3
		Friday 24 April			
Philippines	-	Mar Budget balance (PHP bn)	-	-	-37.595
Singapore	0330	1Q Jobless rate (Q) (%, SA)	2.7	-	2.3
	0600	Mar Industrial production (MoM%/YoY%)	-2.8/-7.8	-/-	-22.3/-1.1
Taiwan	0920	Mar Money supply (M2) (YoY%)	4.4	-	4.35

Source: Bloomberg, ING

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Snap | 16 April 2020

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Philippines: Central bank cuts rates 50bp at off-cycle meeting

The Bangko Sentral ng Pilipinas uncorks additional easing to help insulate the economy from the Covid-19 fallout

2.75% policy rate

off-cycle move

BSP uncorks further easing at off-cycle meeting

Bangko Sentral ng Pilipinas (BSP) Governor Benjamin Diokno continued to ease monetary policy, cutting policy rates by 50 basis points on Thursday to help insulate the economy further from the impending fallout from the virus. Diokno's latest rate cut was carried out ahead of the 24 May meeting as the national government extended a lockdown of the main island of Luzon until 30 April. Market reaction to the move was muted given that Diokno had heavily hinted at implementing a "deeper rate cut" at an off-cycle meeting.

Digging deeper into the toolkit

BSP has been proactive in providing stimulus as the Philippines grapples with the spread of Covid-19, forcing the government to implement stringent lockdown measures across the country. On top of cutting rates by 125bp, the central bank has reduced reserve requirements (RR) by 200bp, bought up government bonds in the secondary market and entered into a Php300 billion repurchase deal with the Treasury. We expect Diokno to continue to ease monetary policy, reducing RR by another 200bp before the end of April and cutting policy rates by another 25bp by May. Investors will continue to monitor the size and scope of the fiscal Covid recovery plan now that the lockdown has been extended to the end of the month with government officials flagging a worst case scenario technical recession by the 3Q of the year.

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