

Coronavirus - markets think its all over

I'm reading reports talking of "containment" and "vaccine breakthroughs". There is little if any substance to these claims, indeed, the numbers tell a different story



Vaccine

Source: Shutterstock

Hype getting the better of us?

Talk of an existent nCov vaccine entered the ING Singapore research office this morning. Needless to say, it got pretty short shrift from me, even if the "perpetrator" was simply trying to start a reasoned debate (I may have been listening to too much Professor Brian Cox on the radio and getting a bit dogmatic in my old age).

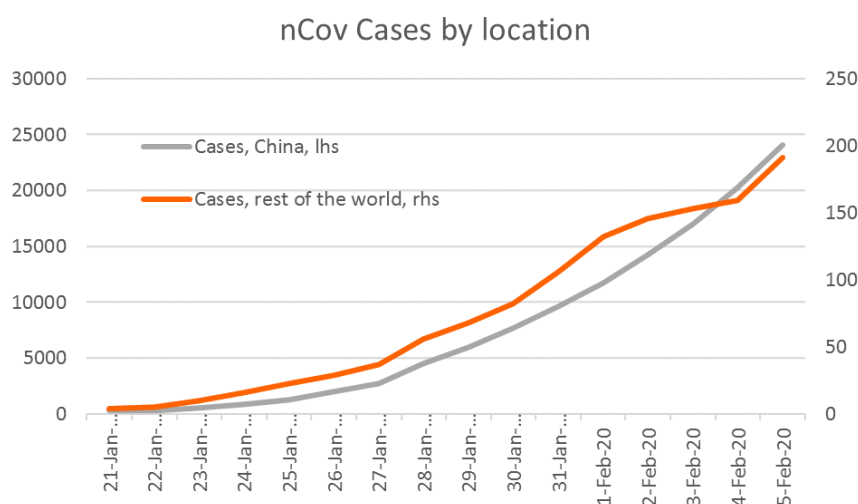
But don't take my word for it, [here is a fairly recent article talking about the limits to vaccine development and testing](#), with the key limitation being the latter, part - testing. No company or government is going to release a vaccine for use on their population without being pretty sure it will not give rise other issues - birth defects for example. So realistically, we are talking many months for something new to come onto the market. In the meantime, using existing drugs like the Remsidivir, where testing is underway in China may offer a quicker route to treatment, though it would be a push to describe this as a "cure".

Then normally sensible commentators, including some of my daily "Go-to's" are talking about "containment". I guess this shows that you can be perfectly sensible when you are talking about things you know, but once you step outside that safety cordon, you become a babbling idiot.

Below are my latest updates of the WHO figures - these lag other sources by 12 hours or so (where the figures are already considerably higher), but they are confirmed cases and do come with a reliable history so we can compare the change over time.

Without being more outspoken, I think you would be hard put to back up the claim that either nCov is peaking, or that it is contained from the chart below. The key to that last remark is the non-China cases, where new cases are no longer dominated by Chinese tourists. Containment might still turn out to be the case. I certainly hope so. But on the back of these figures, I can see little justification for the extent of the market's rally if it is entirely a relief move over the nCov outbreak.

nCov 2019 cases by location



Source: WHO
nCov cases by location

Impeachment trial over - President Trump remains in office

The results of the impeachment trial of President Trump were rarely in any doubt, and I think it is very unlikely that the market's rally has anything to do with the outcome. At least we can put this behind us, and maybe concentrate on some economic figures? That is probably wishful thinking. The Democrat race is looking quite a heated contest, especially given the debacle of the Iowa result reporting. President Trump's approval ratings are on the up - and that might have very little to do with what he is doing or saying, but what is happening in his opposition's camp. Meanwhile, the US economy might not be booming, but it appears to be reasonably solid. Tomorrow's labour report will add weight to that debate.

Asia update - more rate cuts on the way?

(Back to Economics again, this from Prakash Sakpal)

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.

India: Will the Reserve Bank of India go with the flow and cut policy rates again at their meeting today? There is unanimous consensus behind an 'on-hold' policy as inflation recently spiked above the RBI's 2-6% target. Governor Shaktikanta Das also has warned against persistent inflation risks ahead. The rapid easing last year through both monetary and fiscal channels has yet to bear fruit, while India isn't at grave risk from the coronavirus just yet. However, if there is anything that could tip the RBI towards further easing, it is the recent sharp fall in global oil prices. If this persists, this could knock a few points from inflation.

(...and from Nicky Mapa in Manila)

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.

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