

If it looks like a duck...pandemic fears grow

If it looks like a duck, walks like a duck and quacks like a duck, then it probably is a duck. The World Health Organization (WHO) is holding back from calling Covid-19 a pandemic. But does this even matter for economies and markets? At this stage, probably not



The Bank of Korea is caught between a weak currency and weak growth

Source: Shutterstock

What is a pandemic?

Back on 30 January, the World Health Organisation (WHO) labelled the Covid-19 outbreak a "public health emergency". Markets, which had been remarkably dismissive about this up until then, briefly sold off, before resuming their rose-tinted view of the world.

More people are now questioning why the WHO does not now label Covid-19 a pandemic. And while a couple of days ago, I was asking the same question, today, I'm not sure that it matters.

The Merriam Webster dictionary definition of a pandemic is "an outbreak of a disease that takes place over a wide geographic area and affects an exceptionally high proportion of the population".

So far, the Covid-19 outbreak is present in 48 countries, with the following new countries added to

the list overnight:

- Norway
- Romania
- North Macedonia
- Georgia
- Greece
- Pakistan

Part one of the definition looks to have been well and truly ticked. But for many of those, there are only one or two confirmed cases, or for others, the daily tally of new cases is still very small, with most of the others associated with the Diamond Princess cruise ship or evacuees from Wuhan. So the second part is still not close to being fulfilled.

I don't think this should concern us. For the purposes of markets, it is enough that this outbreak has the potential to turn into a pandemic and appears to be making good progress in that direction. So the next question is, how much further can markets fall?

How long is a piece of string?

One answer to such questions that particularly infuriates TV presenters and limits my return invitations is, "How long is a piece of string?", but it really is about the only sensible answer you can give to what is actually a fairly silly question.

Today, markets seem to be taking a bit of a breather having sold off hard in the days before. That may reflect some investors looking for bargains. I suspect that it is far too early to do that yet, and that with this outbreak and its spread possibly only in its fairly early stages, a 2-day sell-off is not a realistic time to be piling back into risk assets.

So how much further? It certainly isn't possible to dismiss a very substantial correction. Some people are beginning to talk about global recession. I don't have a strong objection to that as a possible scenario.

Bank of Korea holds rates at 1.25%

By the time the BoK made their decision to hold the 7-day repo rate at 1.25%, I'm not sure I can even remember what my call was. As far as the consensus goes, I think we were in a minority looking for no change, but that historic call had been subsumed by events, and verbally, I have to say that I was erring on the side of a cut.

Perhaps the plunge in the KRW was a factor holding them from moving? Or maybe the fact that this would have made real interest rates even more negative, or perhaps concern about the impact on residential house prices?

Perhaps a more realistic explanation would be to note that it would have done virtually nothing to help. The issue for firms in Korea, China and elsewhere that supply chains are being hit and workforces excluded from factories is cash flow. Wages still need to be paid, creditors paid, debt service to banks paid. And yet with no production and no goods leaving warehouses due to logistics issues, no income is being earned.

This really is a job for the government, and for banks. Financial forbearance is really what is

needed. Rate cuts provide only a very marginal improvement on the debt service side of the problem and the issues run far deeper than that. The BoK did increase their bank intermediated loan facility to small and medium-sized firms by \$5 billion. This is a more targeted approach than rate cuts. Though it may need to be expanded in the coming months. And there is still time for the BoK to react later on, depending on how this outbreak progresses. We'll keep an easing bias in place for them in with a 25bp cut in 2Q20 remaining our base forecast.

Asia recap

(From Iris Pang) On HK, the total relief measures from Carrie Lam as well as from the Financial Secretary, Paul Chan, who announced the budget yesterday, amount to around 5% of nominal GDP. But I doubt the effectiveness of tax concessions and cash handouts to individuals. Consumers may not spend that money during Covid-19 and a likely return of protests. Low-interest rate loans to SMEs, however, should provide support for firms and can, therefore, stabilise the jobs market.

In Mainland China, the central government has issued notices day after day to make sure that local governments are getting the right balance between helping factories to resume work and preventing Covid-19 infections during this resumption of work. We expect that factory production can achieve normal capacity by May.

(And from Prakash Sakpal) In Malaysia, despite political upheaval earlier this week, the government is going ahead with a stimulus package to help the economy ride over the crisis brought on by the global Covid-19 outbreak. Interim Prime Minister Mahathir Mohamad met finance ministry officials yesterday in this regard and he will be making the announcement today around 4 pm local time. Already prepared before Mahathir's shocking resignation on Monday, the package is expected to include support measures for travel and tourism and also to spur domestic demand in face of persistent export weakness ahead.

Finally, yesterday's manufacturing releases were a mixed bag with Thailand posting a deeper than expected fall but Singapore's bouncing back in January. We don't pay much heed to this data as growth is poised for a bigger hit from the virus in February and the months to come.

Author

Amrita Naik Nimbalkar

Junior Economist, Global Macro

amrita.naik.nimbalkar@ing.com

Mateusz Sutowicz

Senior Economist, Poland

mateusz.sutowicz@ing.pl

Alissa Lefebvre

Economist

alissa.lefebvre@ing.com

Deepali Bhargava

Regional Head of Research, Asia-Pacific

Deepali.Bhargava@ing.com

Ruben Dewitte

Economist

+32495364780

ruben.dewitte@ing.com

Kinga Havasi

Economic research trainee

kinga.havasi@ing.com

Marten van Garderen

Consumer Economist, Netherlands

marten.van.garderen@ing.com

David Havrlant

Chief Economist, Czech Republic

420 770 321 486

david.havrlant@ing.com

Sander Burgers

Senior Economist, Dutch Housing

sander.burgers@ing.com

Lynn Song

Chief Economist, Greater China

lynn.song@asia.ing.com

Michiel Tukker

Senior European Rates Strategist

michiel.tukker@ing.com

Michal Rubaszek

Senior Economist, Poland

michal.rubaszek@ing.pl

This is a test author

Stefan Posea

Economist, Romania

tiberiu-stefan.posea@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Jesse Norcross

Senior Sector Strategist, Real Estate

jesse.norcross@ing.com

Teise Stellema

Research Assistant, Energy Transition

teise.stellema@ing.com

Diederik Stadig

Sector Economist, TMT & Healthcare

diederik.stadig@ing.com

Diogo Gouveia

Sector Economist

diogo.duarte.vieira.de.gouveia@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

ING Analysts

James Wilson

EM Sovereign Strategist

James.wilson@ing.com

Sophie Smith

Digital Editor

sophie.smith@ing.com

Frantisek Taborsky

EMEA FX & FI Strategist

frantisek.taborsky@ing.com

Adam Antoniak

Senior Economist, Poland

adam.antoniak@ing.pl

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

Coco Zhang

ESG Research

coco.zhang@ing.com

Jan Frederik Slijkerman

Senior Sector Strategist, TMT
jan.frederik.slijkerman@ing.com

Katinka Jongkind
Senior Economist, Services and Leisure
Katinka.Jongkind@ing.com

Marina Le Blanc
Sector Strategist, Financials
Marina.Le.Blanc@ing.com

Samuel Abettan
Junior Economist
samuel.abettan@ing.com

Franziska Biehl
Senior Economist, Germany
Franziska.Marie.Biehl@ing.de

Rebecca Byrne
Senior Editor and Supervisory Analyst
rebecca.byrne@ing.com

Mirjam Bani
Sector Economist, Commercial Real Estate & Public Sector (Netherlands)
mirjam.bani@ing.com

Timothy Rahill
Credit Strategist
timothy.rahill@ing.com

Leszek Kasek
Senior Economist, Poland
leszek.kasek@ing.pl

Oleksiy Soroka, CFA
Senior High Yield Credit Strategist
oleksiy.soroka@ing.com

Antoine Bouvet
Head of European Rates Strategy
antoine.bouvet@ing.com

Jeroen van den Broek
Global Head of Sector Research
jeroen.van.den.broek@ing.com

Edse Dantuma

Senior Sector Economist, Industry and Healthcare
edse.dantuma@ing.com

Francesco Pesole
FX Strategist
francesco.pesole@ing.com

Rico Luman
Senior Sector Economist, Transport and Logistics
Rico.Luman@ing.com

Jurjen Witteveen
Sector Economist
jurjen.witteveen@ing.com

Dmitry Dolgin
Chief Economist, CIS
dmitry.dolgin@ing.de

Nicholas Mapa
Senior Economist, Philippines
nicholas.antonio.mapa@asia.ing.com

Egor Fedorov
Senior Credit Analyst
egor.fedorov@ing.com

Sebastian Franke
Consumer Economist
sebastian.franke@ing.de

Gerben Hieminga
Senior Sector Economist, Energy
gerben.hieminga@ing.com

Nadège Tillier
Head of Corporates Sector Strategy
nadege.tillier@ing.com

Charlotte de Montpellier
Senior Economist, France and Switzerland
charlotte.de.montpellier@ing.com

Laura Straeter
Behavioural Scientist
+31(0)611172684
laura.Straeter@ing.com

Valentin Tataru

Chief Economist, Romania

valentin.tataru@ing.com

James Smith

Developed Markets Economist, UK

james.smith@ing.com

Suvi Platerink Kosonen

Senior Sector Strategist, Financials

suvi.platerink-kosonen@ing.com

Thijs Geijer

Senior Sector Economist, Food & Agri

thijs.geijer@ing.com

Maurice van Sante

Senior Economist Construction & Team Lead Sectors

maurice.van.sante@ing.com

Marcel Klok

Senior Economist, Netherlands

marcel.klok@ing.com

Piotr Poplawski

Senior Economist, Poland

piotr.poplawski@ing.pl

Paolo Pizzoli

Senior Economist, Italy, Greece

paolo.pizzoli@ing.com

Marieke Blom

Chief Economist and Global Head of Research

marieke.blom@ing.com

Raoul Leering

Senior Macro Economist

raoul.leering@ing.com

Maarten Leen

Head of Global IFRS9 ME Scenarios

maarten.leen@ing.com

Maureen Schuller

Head of Financials Sector Strategy

Maureen.Schuller@ing.com

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Rafal Benecki

Chief Economist, Poland

rafal.benecki@ing.pl

Philippe Ledent

Senior Economist, Belgium, Luxembourg

philippe.ledent@ing.com

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

Inga Fechner

Senior Economist, Germany, Global Trade

inga.fechner@ing.de

Dimitry Fleming

Senior Data Analyst, Netherlands

Dimitry.Fleming@ing.com

Ciprian Dascalu

Chief Economist, Romania

+40 31 406 8990

ciprian.dascalu@ing.com

Muhammet Mercan

Chief Economist, Turkey

muhammet.mercan@ingbank.com.tr

Iris Pang

Chief Economist, Greater China

iris.pang@asia.ing.com

Sophie Freeman

Writer, Group Research

+44 20 7767 6209

Sophie.Freeman@uk.ing.com

Padhraic Garvey, CFA

Regional Head of Research, Americas

padhraic.garvey@ing.com

James Knightley

Chief International Economist, US

james.knightley@ing.com

Tim Condon

Asia Chief Economist
+65 6232-6020

Martin van Vliet

Senior Interest Rate Strategist
+31 20 563 8801
martin.van.vliet@ing.com

Karol Pogorzelski

Senior Economist, Poland
Karol.Pogorzelski@ing.pl

Carsten Brzeski

Global Head of Macro
carsten.brzeski@ing.de

Viraj Patel

Foreign Exchange Strategist
+44 20 7767 6405
viraj.patel@ing.com

Owen Thomas

Global Head of Editorial Content
+44 (0) 207 767 5331
owen.thomas@ing.com

Bert Colijn

Chief Economist, Netherlands
bert.colijn@ing.com

Peter Vanden Houte

Chief Economist, Belgium, Luxembourg, Eurozone
peter.vandenhoute@ing.com

Benjamin Schroeder

Senior Rates Strategist
benjamin.schroeder@ing.com

Chris Turner

Global Head of Markets and Regional Head of Research for UK & CEE
chris.turner@ing.com

Gustavo Rangel

Chief Economist, LATAM
+1 646 424 6464

gustavo.rangel@ing.com

Carlo Cocuzzo

Economist, Digital Finance

+44 20 7767 5306

carlo.cocuzzo@ing.com