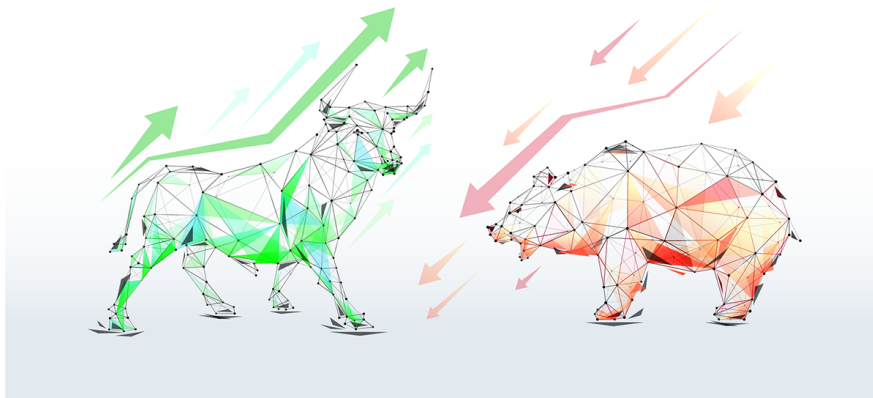


Mixed news on Covid-19

The release of a new approach to confirming Covid-19 cases in Hubei makes the numbers look a lot higher, but may not be as bad as it sounds. But some ex-China figures are nosing higher - market bullishness is not entirely supported by the data



Source: Shutterstock

Hubei records 14,840 new cases on new approach

It will take a while to figure out what the revised Hubei approach to confirming new cases will mean for the progression of this epidemic, though the details look a lot less scary than the initial headline. Of those 14840 "new" cases, 13,332 were, in fact, old cases that were reviewed and judged to have been Covid-19. If you make the deduction, this means a total of 1508 new cases (on the old methodology) for yesterday's tally, which is a bit less than the 2000 or so average of recent days and helps to keep the underlying headline new cases on a downward path.

This is, I think, the principal reason that people like Ray Dalio are taking an upbeat view and why markets are moving towards a more risk-on assessment. I can see the rationale. But still, I think a bit too much weight has been placed on these total new case figures. As I noted a few days ago, we need to consider this disease and its progression in terms of distinct cohorts, or populations, and with Hubei in total lockdown, what is happening there isn't really all that relevant for the rest of the world or for the S&P500, or US Treasury yields. Though it may still have relevance for Asian stocks and FX.

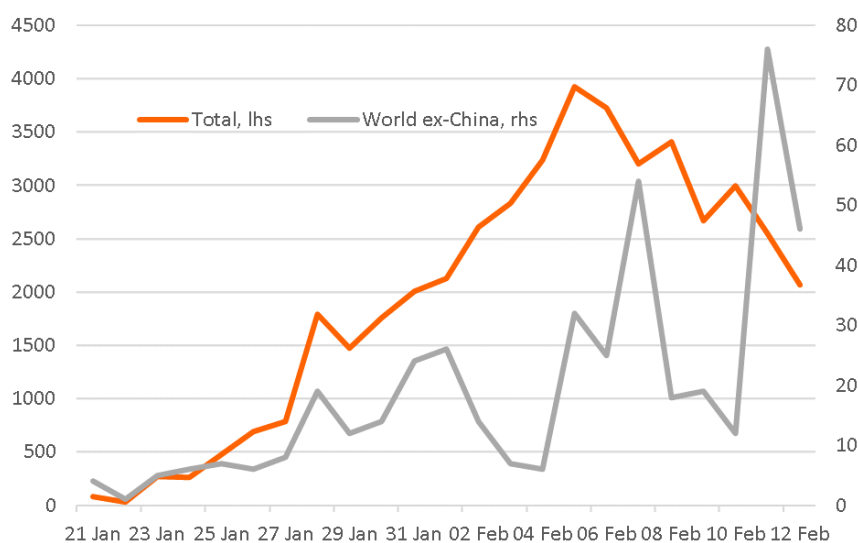
Even within China, and based on the old WHO approach, which is the only "reliable" time series we

have, the ex-Hubei cases aren't on such a clear downtrend. And ex-China, although the figures are choppy, and ought to be adjusted for the 49 cases in HK SAR, and 18 each in Taiwan and Macao SAR (which adds about 85 to the 441 ex-China total), it looks to me as if this choppy series is heading erratically higher, not lower.

The head of the World Health Organization is taking a much more sombre assessment over the direction of this epidemic. I'd have to say that my money is on him knowing what he is talking about, rather than Ray Dalio. But anything is possible I suppose. I attach some updated charts below using the old-style WHO numbers. Make of them what you will.

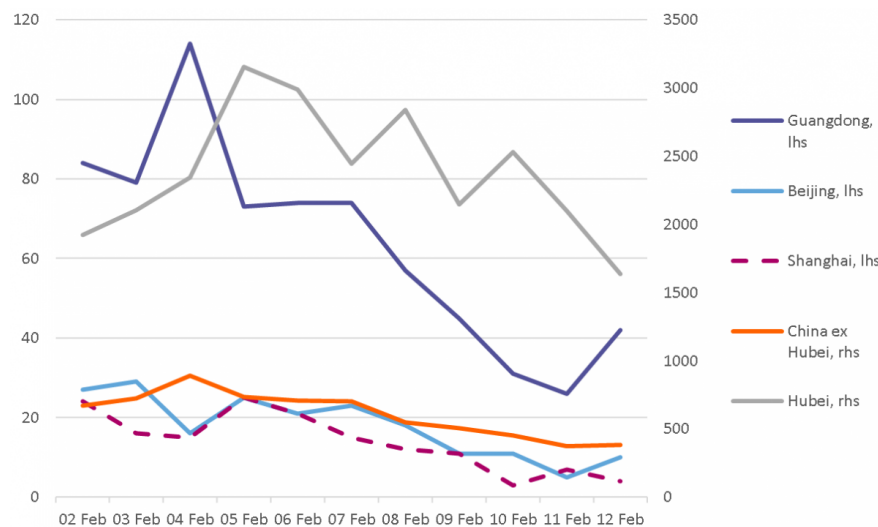
New Cases - Total, and Ex China*

Ex-China excludes HK SAR, Macao SAR and Taipei and its surrounds



Source: WHO
New Cases

New Cases Hubei and selected other areas



Source: WHO
New Cases China provinces

No need to worry about US inflation, unless the bulls are right

Another possible source of danger to the market's current bullishness is this afternoon's US inflation figures for January. With an expected 0.2%MoM increase (pre-dates most of the Covid-19 episode), the headline inflation rate should rise to 2.4%YoY. And if followed through in the later PCE figures, should show PCE inflation rising to 1.8%YoY. This is still less than the Fed's 2% target, but creeping ever closer to it. Could that eradicate thoughts of a "Powell put", and put rate hikes back into play? I think that is very unlikely, unless of course, Ray Dalio is right, and this is all a lot of fuss about nothing. If so, then crude prices are heading up to reverse their recent \$10/bbl decline, and the Fed may have some re-thinking to do, and so too will Ray Dalio and other risk asset bulls.

The day today

It's super quiet in Asia today - [I add a link here to Prakash Sakpal's write up of yesterday's Malaysian GDP numbers](#) - which were a big disappointment (the numbers, not his note). I was left wondering if Malaysia, which has been holding out far better than many of its regional peers, may be a harbinger for disappointing data across the region. I'm certainly beginning to lean that way.

In case you didn't see it, [here too is a link to Nicky Mapa's latest Indonesia write-up](#).

Iris Pang makes the following remarks about Aggregate finance data due shortly... "Aggregate finance data and new yuan loan data will be released soon (I don't want to say today, as it can change to tomorrow). We expect around a doubling in aggregate financing but even more than double new yuan loans in Jan compared to Dec's CNY2103 bn and CNY1140 bn, respectively. Banks in China usually book loans in the first two months to enjoy a full year of interest income. This year is no different. As shadow banking is shrinking we expect aggregate financing will not grow as fast as bank loans.

The market should focus more on Feb's loan and bond issuance data. We expect a further jump from Jan's data given the PBoC's special re-lending scheme and increase in local government bond issuance. Money added to the economy in Feb will be focused on fighting the coronavirus, which is different from Jan's money growth to deal with the technology war and the trade war.

And, as mentioned earlier, US CPI dominates the G-7 Calendar.

Author

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