

## Non-China nCov cases slow

Market sentiment is slightly stronger. Yesterday's China stimulus probably helps, but there is some better data on infections outside China too



thermometer

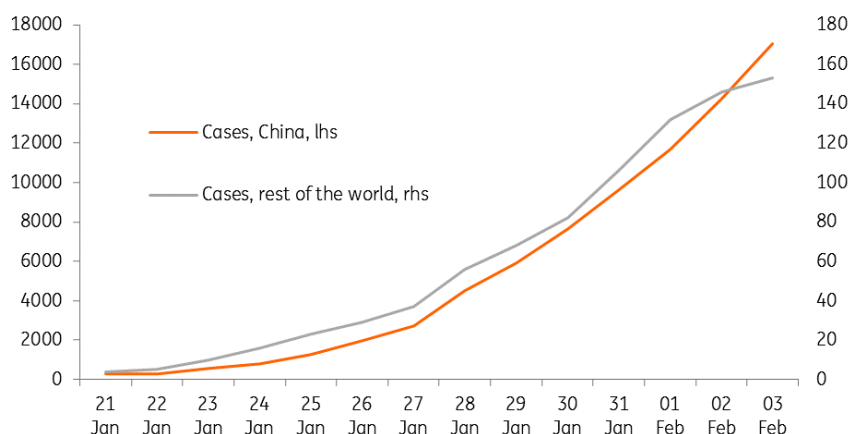
Source: Shutterstock

### It's the top story so I'll keep writing about it

I've updated my spreadsheets for the nCov virus, and the thing that stands out is that outside China, the rate of new cases seems to be slowing. China began to go into lockdown on 23 January, so we are 12 days on from this, with a disease that is supposed to have an incubation period of 2-14 days. Most of those early non-China cases were from Wuhan residents falling sick whilst travelling, so what we are increasingly going to be seeing is any evidence of "community transmission", so transmission between locally infected people.

The fact that the number of non-China cases is falling is perhaps not surprising. It also does not mean that the disease has been contained within China. We will have to keep examining this series closely to see whether the smaller numbers of community infections can generate their own expanding wave of infection growth, or whether local measures, face masks, hand sanitizer use quarantine and so on, are keeping the infection in check. We will watch this day by day, but it is unlikely to be totally clear what is going on for some weeks. But some for sure will see this as a positive sign.

## nCov cases by location



Source: WHO

## RBA today

The big event today, apart from following the tickers on nCov, will be the Reserve Bank of Australia (RBA) rate meeting. We are one of a very small minority of forecasters looking for a rate cut from them, but realistically, the chances for this are quite low.

But while we accept that you can't cure infected people with rate cuts, you can at least alleviate cash flow pressures for firms ailing in the weak demand environment emanating from the impacts of the disease, and from the impact of the recent bushfires. The Australian domestic data has not been nearly as strong as is being suggested by some - the latest labour market data was interpreted as a solid result, when in fact it confirmed the slowdown in full-time job creation across the country. That is unlikely to give wages the boost they need.

Inflation in 3Q19 was a bit better, but unless you rely on recent annualised measures, remains well short of the RBA mandate. Rather than the economy, a better excuse for inaction today would simply be a concern that further easing will push Australia towards unorthodox policies, which it is not well placed to deliver given its relatively light stock of government debt. Talk of "keeping ammunition dry" should be treated with the contempt it deserves.

## Korean inflation rises to 1.5% in January

Korean headline inflation beat the consensus forecast for a rise from 0.7%YoY in December, to 1.0%, with a 1.5% reading for January. While the Bank of Korea (BoK) was not a contender for rate cuts this year, this outcome makes that even more unlikely now.

Even so, most of this increase stems from food and energy. Core measures of inflation rose far less. Food price inflation rose from 0.1%YoY to 1.8%YoY. Transport also rose, from 2.2% to 6.2%YoY. That probably reflects higher crude oil prices around the turn-of-the-year feeding into retail gasoline prices. Given what's happened recently to oil (it has plunged) this will quickly unwind, as too will the food price spikes.

## SE Asia news

**(From Prakash Sakpal) Malaysia:** December trade data is due today. We share the consensus view

of a continuation of moderation in the export decline (-2.5% YoY vs. -5.5% in November) helped by favourable base effects. The recovery has yet to begin and it may be pushed further out the coronavirus outbreak dampens global demand. Meanwhile, Bank Negara Malaysia and the Bank of Korea renewed a bilateral KRW/MYR swap arrangement to promote trade between two countries. We don't rule out more BNM rate cuts this year if the global economic situation gets worse.

**Singapore:** The SGD-NEER is reportedly drifting toward the mid-point the MAS's policy band. A Bloomberg report notes it is about 0.4% above the mid-point, down from 1.3% at the end of the last year and it cites the drift to the expectation of a MAS easing in April to minimize the impact of the virus on the economy. The numbers of infections in Singapore haven't risen in the last two days. We aren't rushing to change our view of stable MAS policy this year just yet.

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