

Wuhan: Trains, planes and automobiles

After struggling in the "...and in other news..." sections, Wuhan makes it into the TOP section today, as authorities clamp down on travel in and from the city.



Wuhan

The city of Wuhan is effectively quarantined

It struck me that many of our readers might know very little about Wuhan, so [here is a link to the daily-writer's almanac of wisdom, Wikipedia](#). You could have easily found this yourself, but here is a synopsis of what it says. Wuhan is the capital and most populous city in Hubei in central China with a population of about 11 million. It is a major transportation hub with roads and railways connecting it to the rest of China and is often referred to as the Chicago of China. In 2018, Wuhan produced GDP of \$224bn.

Authorities in Wuhan have suspended travel by bus, subway, ferry, and outbound flights and rail services. This sounds like a sensible precaution. The latest numbers I can find suggest 19 dead amidst 550 infections (source: People's Daily), though the infection rate is probably a gross underestimate according to some sources, so calculating a mortality rate from these numbers is fraught with problems.

Whatever the number, in China at least, and for sure in Wuhan, the economic impact of the disease is now manifesting itself not just in household's precautionary behaviour, but in the authorities' quarantine efforts.

Market reaction to this is hard to extract from other influences. With the long lunar New Year holiday's approaching, this has probably curtailed a lot of position-taking but seems generally on the weaker side. The Shanghai composite index is actually up over the last two days but down from last week, and USDCNH is looking a bit weaker and back above 6.91. I wouldn't bet against these trends near-term until we see signs of this outbreak peaking, and pressure for a greater move weaker may build over the New Year holidays.

This might also hit some of the markets in the region that have been showing some signs of improvement - Korean and Taiwan GDP in recent days, both coming in a bit stronger than had been expected. So with the KRW at 1166 now, there is perhaps some risk of further weakening for this and other Asian litmus currencies.

Asia - busy day ahead

Dragging ourselves away from viral outbreaks, ignoring Brexit, and the Trump impeachment trial and focussing on news in the region today, and we have a pretty heavy day ahead.

Bank Indonesia meets today to decide their rate policy, and [after yesterday's Bank Negara Malaysia rate cut decision](#). I suspect the odds on a rate cut from BI will have come in a bit. After all, most commentators see BI cutting before too long, and so the question that looms is "why not move now?". To which the only, and not very satisfactory responses are along the lines of "keeping your powder dry", which is fatuous excuse though a better one might be, that the economy simply isn't bad enough to warrant a rate cut, even if inflation is very low currently, and the IDR fairly robust. Maybe BI is just waiting for the 4Q GDP data, and will cut on weakness. In any event, 5 of 19 economists surveyed by Bloomberg expect a cut today. We are not among that group but have sympathy with the view.

We also get Philippine GDP today. [Our Nicholas Mapa has previewed this release here](#). But the short story is that we see some upside surprise to the consensus 6.4% view, though with lower revisions to 2019 data, Nicky sees downside risks to the government's 6.0-6.5% full-year forecast for 2019 even so. This feeds into his expectation that BSP is not done with easing yet. All reasons to take a downbeat view on the peso after any knee-jerk appreciation on today's data.

Singapore also releases CPI data for December today, Prakash Sakpal writes "...consensus is looking for an uptick in the headline inflation to 0.7% YoY from 0.6% in November but a dip in core inflation to 0.5% from 0.6%. We think higher private road transport cost was responsible for higher total inflation (the core measures excludes this component). We expect inflation in 2020 to stay within the MAS's 0.5-1.5% range (for both headline and core), which with the expectation of firmer GDP growth points to a stable MAS policy throughout the year.

And it is Australian labour market day, with figures on the employment change, and the unemployment rate the key focus. We are at the higher end of these numbers with an 18-thousand total employment estimate, which if my memory serves me right, we anticipate being the result of an unwind in the part-time employment figures but a pick up in full time. The unemployment rate should stay at around 5.2%. If so, it won't have any influence on the Feb RBA decision, which we still think leans towards a 25bp cut.

Author

Robert Carnell

Regional Head of Research, Asia-Pacific

robert.carnell@asia.ing.com

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