

**The development of coronavirus outbreak.** As of 2nd Feb-20, there were 14.642 confirmed cases, of which total deaths and total recovered discharged were 305 and 328 respectively. The full extent of the hit to the broader business world is not yet clear. The obvious comparison is that Coronavirus is known to spread faster than the 2003 SARS outbreak, but it has a lower fatality rate at 3%, as compared to SARS' at 10%. Due to the outbreak, the Chinese government has extended the Lunar New Year holiday, which could disrupt production and hurt the country's growth. China's GDP growth in the first quarter of 2020 is predicted to decrease by about 1 percentage point to 5 %, and the possibility of falling below 5% cannot be ruled out. Many Asian stock markets were closed for the Lunar New Year holiday, but those that were open, including Japan's and South Korea's, fell and futures trading in China slumped. China's authorities suspended trading on the Shanghai and Shenzhen stock exchange since January 23 and will resume on February 3. Money poured into safe-haven assets like gold and pushed up the value of the United States dollar. Most European markets were slightly higher. Lastly, OPEC is planning to move its 5 March meeting forward to February due to Coronavirus impact that exert strong downward pressures on oil prices and deeper production cuts could be considered. Overall, markets would remain cautious until more positive developments on the virus are visible. Hard commodities prices are also likely to be pressured considering uncertain halts in manufacturing and consumption activities.

**WHO conference on coronavirus.** The Emergency Committee of WHO held its second meeting on Thursday, 30th January 2020, regarding the outbreak of novel coronavirus, to give advice to the Director-General on the determination of a Public Health Emergency of International Concern (PHEIC). The Committee believes that it is still possible to interrupt virus spread, provided that countries put in place strong measures to detect disease early, isolate and treat cases, trace contacts, and promote social distancing measures commensurate with the risk. The Committee agreed that the outbreak now meets the criteria for a Public Health Emergency of International Concern and proposed the following advice to be issued as Temporary Recommendations. This would result in a negative sentiment in the market that might have adverse impacts in the coming days or even weeks if the situation does not seem to improve. In the meantime, countries should place particular emphasis on prevention of secondary transmission and international spread, and contributing to the international response through multi-sectoral communication and collaboration and active participation in increasing knowledge on the virus. The Emergency Committee will be reconvened within three months or earlier, at the discretion of the Director-General to update on the situation if necessary.

**China's PMI development.** According to the National Bureau of Statistics, China's official manufacturing Purchasing Managers' Index (PMI) came in at 50.0 for January as forecasted, slightly down from 50.2 in December 2019. However, this result does not fully reflect the impact of the coronavirus outbreak as the survey was conducted before

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20th January 2020, while the outbreak began in late December 2019. PMI in the coming months will then portray the actual implications of the virus. Meanwhile, the decline was partly resulted from the lower production growth due to the Lunar New Year holiday that reduced industrial activities. Moreover, up to 17.6% of the surveyed companies have complained about the insufficient labor supply, 2.1% points higher than a month ago. The sub-index for production, though remaining in the expansion zone, lost 1.9 points to 51.3 in January month on month, while the sub-index for new orders rose 0.2 points to 51.4. On the other hand, China's nonmanufacturing PMI rose from 53.5 in December to 54.1 in January. The sub-index measuring business activity in the service sector rose to 53.1 from 53.0 in December, while the sub-index measuring construction activity surged to 59.7 in January from 56.7. The new orders sub-index for the entire nonmanufacturing sector increased to 50.6 in January 50.4 in December.

**Unchanged Fed Fund Rate.** The Federal Reserve on its January meeting decided to keep its benchmark steady at the current target range of 1.5 % to 1.75%, continuing to describe the economy as "rising at a moderate rate". The decision marked the second straight meeting the Fed made no changes to rates following three consecutive reductions in 2019. The Fed also boosted the interest on excess reserve rate (IOER) by 5bps from 1.55% to 1.6%, the mid-range of FFR. Meanwhile, the Fed downgraded its assessment of household spending, originally describing consumption by the US consumers as "strong" in December, but now characterizing activity as "moderate". The Fed tweaked its description of inflation to say that policymakers see current policy supporting inflation "returning" to its 2% target, as opposed to "near" its 2% target as the December statement noted.

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