

Flash Note: 30/01/2020

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Latest news from China

Coronavirus

- The AP reported the death toll rose to 170 on Thursday with the number of cases now at 7,711.
- It also noted that 37 of the 38 new fatalities were in Hubei province (the epicenter of the outbreak).
- Foreign evacuees from the worst-hit region began returning home under close observation.
- White House economic adviser Larry Kudlow told reporters that the US would send CDC experts to China to help contain the outbreak of coronavirus.

Economy

- Economist at the Chinese Academy of Sciences, said that the Wuhan coronavirus outbreak could cut China's Q1 GDP growth by ~1% to 5% in 1Q20.
- The impact will lead policymakers to introduce more stimulus measures.
- The central bank set to keep liquidity ample, using monetary policy tools such as open market operations and RRR cuts to release and maintain reasonable liquidity levels in the banking system.
- The government is likely to step up fiscal spending to take the deficit-to-GDP ratio above 3%.

Corporate: Virus crisis risks delaying earnings reports across Hong Kong

- The virus crisis is raising risks that many Hong Kong-listed companies won't be able to get their earnings reports done in time, lining them up for a suspension in trading if they run afoul of exchange rules. Companies whose fiscal year ended in December might not be able to meet a 31-Mar deadline for filing their accounts.
- Some 1,814 companies that trade on the Shanghai and Shenzhen stock exchanges released their performance forecasts, with 1,116 companies (or about 62% showing positive profit growth). Best net profit growth forecasts are mostly in the sectors of software, information technology, retail, chemistry, husbandry services, infrastructure building, real estate, and electronic equipment manufacturing.

US-China negotiations

- Commerce Department officials have withdrawn proposed regulations that make it harder for US companies to sell to Huawei. They objected that “if US companies can’t continue to ship to Huawei, they will lose a key source of revenue, and money for R&D needed to maintain a technological edge”.
- Treasury Secretary Mnuchin, said in an interview that he “expects negotiations on phase two to begin soon”. While President Trump has made similar comments.