

ASEAN Morning Bytes

Rally capped as size and scope of promised US stimulus remains uncertain



EM Space: Markets to remain in holding pattern awaiting US stimulus package

- **General Asia:** After promising to announce a substantial economic stimulus package, President Trump opted to study potential measures to combat the fallout from the virus as confirmed cases rose in the United States. The economic calendar remains rather light with only US inflation slated for release on Wednesday with market players likely to monitor the movement of crude oil and developments related to Covid-19 infections for direction.
- **Malaysia:** The new cabinet of Prime Minister Muhyiddin was sworn in with former economy minister Azmin Ali taking over the ministry of international trade and industry, and former banker Zafrul Azis becoming the Finance Minister. The immediate focus of the new government is to start the implementation of the MYR 20 billion (1.3% of GDP) stimulus package announced by Mahathir. The latest crash in global oil prices complicates the task as it strains an already weak fiscal situation further by dampening petroleum revenue inflows. As expected, the MYR has been Asia's worst-performing currency since the oil-related rout. A 1.6% loss against the USD in the last two days pushed it above 4.23, the highest in two-and-half years. We anticipate further weakening to 4.26 over coming months.
- **Thailand:** The Thai cabinet approved THB 400 billion (about 2.4% of GDP) stimulus for the

economy bracing for a significant hit from the Covid-19 outbreak. Four times bigger than the initial talk of THB 100 billion, the package includes tax cuts and soft loans for businesses. We expect the Bank of Thailand to follow suit with more monetary easing and cut rates by another 25bp at the next meeting on 25 March.

- **Philippines:** The Philippines announced a Php1.6bn covid spending package to help bolster the capability of the local health authorities to combat the virus with cases recently escalating to 33 from just 3. The government will be unveiling further measures to offset the negative impact of Covid with Finance Secretary Dominguez indicating that the deficit-to-GDP target will likely hit 3.5%, above their initial target of 3.2% for 2020.

What to look out for: Covid-19 developments

- China money supply (11-15 March)
- US inflation (11 March)

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