

ASEAN Morning Bytes

Market players to take their cue from China trade data on Tuesday and the start of the earnings season



EM Space: China's trade data likely to showcase economic impact from Covid-19

- **General Asia:** China will report March trade figures later on Tuesday which should capture the impact of the recent lockdown measures in China and weakening global demand with the outlook for trade bleak on both supply and demand disruptions. Trading could also take its cue from the earnings season which could provide investors a benchmark for earnings in a time of Covid-19. Despite talk from some government officials about reopening economies under strict lockdown measures, infections and fatalities continue to rise, pointing to a higher likelihood that lockdowns remain in place for the time being.
- **Malaysia:** Following a surprisingly strong 12% YoY export surge in February, industrial production rose by 5.8% in the same month. Manufacturing sales also were strong at 7% YoY growth in February. Low base effects were the main reason for this apparent economic strength. The hit from the Covid-19 outbreak and the closure of the country will be reflected by the March data. We expect a 4.2% YoY fall in GDP in the first quarter and an additional 50 basis point Bank Negara Malaysia rate cut this quarter.
- **Thailand:** A Bloomberg report quoted a senior Bank of Thailand official, Don Nakornthab, director in the economic and policy division, saying that the central bank was weighing

unconventional policy options such as “a large-scale asset purchase programme and some form of yield-curve control”. This doesn’t come as a surprise given that the policy rate is at a record low level of 0.75% and a couple more rate cuts, in line with our forecasts, will leave no more easing space through that route.

- **Philippines:** Finance Secretary Dominguez indicated that the government is targeting a reopening of the economy by May with the main island of Luzon on lockdown for more than 4 weeks now. Meanwhile, Dominguez vowed to pursue the government’s aggressive infrastructure plans in 2020 despite the pandemic as these projects would be the “fuel to the recovery”. An aggressive construction directive coupled with an already bloating fiscal response to the crisis could lead to even more upward pressure on long-end yields as the Treasury upsizes its borrowing plan.
- **Indonesia:** Bank Indonesia (BI) holds a policy meeting on Tuesday with market analysts split on whether the central bank cuts policy rates to support the economy. IDR, which had previously touched all-time weakness in March, has steadied somewhat after BI secured a repurchase arrangement with the Fed but remains the worst performing currency in the region. We expect Governor Warjiyo to keep policy rates unchanged but retain an accommodative stance and only cut rates should the IDR appreciate further.

What to look out for: Covid-19 developments and China trade data

- Bank Indonesia policy meeting (14 April)
- China trade (14 April)
- Indonesia trade (15 April)
- Philippines remittances (15 April)
- US retail sales and industrial production (15 April)
- China home prices (16 April)
- US housing starts (16 April)
- Singapore non-oil exports (17 April)
- China GDP, industrial production and retail sales (17 April)