

ASEAN Morning Bytes

Asian markets brace for another round of heavy selling as Fed conducts second and more aggressive emergency move



EM Space: Emergency slash by Fed sets tone for the week

- **General Asia:** Jerome Powell and the Fed frontloaded their stimulus with a bazooka-type 100 bps rate cut while pledging to step up bond purchases to help support the economy amidst the Covid-19 outbreak. Powell did, however, stress the following: 1) that fiscal stimulus will also be necessary and 2) that negative rates were not considered at this time. The aggressive move by the Fed underlines how bad the situation is becoming, and there will be a selloff today in Asian markets reflecting this dismal reality.
- **Singapore:** The Jan-Feb non-oil domestic exports data due early morning on Tuesday will provide a sense of Covid-19 damage to the economy, of which the worst is yet to come. Prime Minister Lee Hsien Loong expects the fallout to be worse than the 2008 global financial crisis and the pandemic to last at least this year. We expect the MAS to ease by recentering the S\$-NEER policy band at a lower level (currently about 1.3% below the mid-point of the band) and flattening the appreciation rate at the next policy review in April. With the global central bank easing cycle in full throttle, don't be surprised if we see these moves coming way ahead of the scheduled meeting, possibly in over the next few days.
- **Thailand:** Prime Minister Prayuth Chan-Ocha is considering a proposal to set up a stock market stabilisation fund to prevent a market collapse amid heightened volatility due to

Covid-19. We expect some announcement towards this today as the market is poised for another day of beating. We also think that our forecast of an additional 50 basis point Bank of Thailand policy rate cut in this cycle is now a matter of days.

- **Indonesia:** Indonesia reports trade numbers on Monday with market analysts expecting weakness in both exports and imports in light of the impact of Covid on supply chains and demand for goods. The Indonesian government approved a second rescue package last week which covers support to importers who will be granted tax breaks for the next few months. We expect both imports and exports to remain in contraction for the next few months leading to trade deficits which would exert additional pressure to the already pressured IDR.
- **Philippines:** Bangko Sentral ng Pilipinas (BSP) Governor Diokno indicated that growth fundamentals remained strong and that GDP could still hit 6% growth “under the worst-case scenario” as the BSP was ready to deploy all its tools if needed. In light of the Fed move, we expect Diokno to front-load his policy action and we revise our expectation for Thursday’s meeting for a 50 bps rate cut and a possible announcement for additional liquidity via a reduction in reserve requirement or a lowering of the volume for its term deposit facilities.

What to look out for: Covid-19 developments and central bank action

- Malaysia Industrial production (16 March)
- China retail sales and new home prices (16 March)
- Indonesia trade (16 March)
- Philippines remittances (16 March)
- Indonesia non-oil exports (17 March)
- US retail sales (17 March)
- US housing starts (18 March)
- Philippines BSP policy meeting (19 March)
- Indonesia BI policy meeting (19 March)
- Bank of Japan policy meeting (19 March)
- Taiwan policy meeting (19 March)
- US initial jobless claims (19 March)
- Malaysia GIR (20 March)
- Thailand GIR (20 March)
- US existing home sales (20 March)