ASEAN Morning Bytes

Asian markets will likely remain pressured with governments around the world resorting to stricter measures to curb the spread of Covid-19

EM Space: Governments close borders in an attempt to slow Covid-19

- **General Asia:** The panic selling in global markets persists as coordinated central bank action failed to calm investors worried about a deeper economic slump due to Covid-19. The Fed's second round of emergency easing over the weekend sent a worrying message for the markets. It also sent its global peers into a fire-fighting mode. However, the main worry seems to be the central banks running out of policy space needed to combat the impact of the virus. And this now calls for a coordinated fiscal response by the governments.
- **Singapore:** The economic data is yet to reveal the Covid-19 impact. Released this morning, non-oil domestic exports surprised with a 3% YoY growth in February, beating the consensus of about 7% fall in the month. Electronics was a source of upside miss in the headline; a 2.5% growth was the first positive in over a year and in stark contrast to the consensus of 17% YoY fall. Pharmaceuticals also helped with strong gains. This leaves NODX in the first two months almost flat at the level a year ago. We believe the Monetary Authority of Singapore will see through the positive data and join the global central bank easing bandwagon.
- **Malaysia:** The government announced a two-week lockdown to contain the spread of

Covid-19 as new infection almost doubled to 566 in the last two days. Prime Minister Muhyiddin also announced additional financial support for people to cope with the situation, including cash handout for low-income households and workers on unpaid leave, discounts on utility bills, etc. This is on top of a 20 billion ringgit (1.3% of GDP) stimulus program announced earlier to bolster the economy. We believe a 50bp Bank Negara policy rate cut is imminent and expect it to be way ahead of the next meeting on 4-5 May.

- **Indonesia:** Bank Indonesia (BI) indicated that it was not inclined to conduct an emergency meeting ahead of its scheduled 19 March decision although given the moves of central banks we now expect BI to be open to cut policy rates by at least 25bp. The previously reluctant central bank may opt to bolster the economy as the number of cases in Indonesia continues to rise rapidly. If the IDR remains severely pressured, BI may opt instead to reduce the reserve requirements while looking to the two fiscal packages unveiled by Minister Indrawati to support the economy.
- **Philippines:** Bangko Sentral ng Pilipinas (BSP) Governor Diokno ruled out resorting to emergency action with the BSP set to decide on monetary policy on 19 March. Diokno did, however, telegraph a possible 50bp rate cut, upsizing his previous hint for only a 25bp. Meanwhile, the national government announced a lockdown of the northern island of Luzon, including the capital Manila, which taken together accounts for 74% of economic output. The 30-day enhanced quarantine with businesses shuttered and economic activity halted will likely force GDP growth in the first half of the year to slide below 5%.

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

- RBA policy minutes (17 March)
- US retail sales and industrial production (17 March)
- US housing starts (18 March)
- Australia jobs report (19 March)
- New Zealand 4Q19 GDP (19 March)
- Philippines BSP policy meeting (19 March)
- Indonesia BI policy meeting (19 March)
- Taiwan policy meeting (19 March)
- US initial jobless claims (19 March)
- US existing home sales (20 March)