

ASEAN Morning Bytes

Asian markets to open with a positive tone driven by dovish Powell comments



EM Space: Powell keeps dovish leaning, signals support until US economy improves significantly

- **General Asia:** Asian markets will likely edge higher on Thursday, emboldened by Powell's dovish comments at the close of the Fed policy meeting. Economic projections were upgraded but Powell signalled that the Fed's bond purchase program would be around for some time or until the economy made some big strides towards its full employment goals. Thursday features a couple of regional central bank policy meetings but markets will likely focus on the Fed's tone while also looking to US labour market data for more direction.
- **Malaysia:** The government yesterday announced an additional Covid-19 stimulus worth MYR 20 billion (1.4% of GDP) as the economy is feeling the brunt of a second-wave outbreak and tighter movement restrictions earlier this year. The sixth package since the start of the pandemic a year ago follows an MYR 15 billion package in mid-January when daily new infections were nearing their peak. Separately, Bank Negara Malaysia also announced yesterday an MYR 700 million of funding for the automation and digitalisation of SMEs. The increased fiscal thrust should revive the economy from 2Q21, while the year-on-year GDP growth will also get a significant boost from low base effects. But in the meantime, we look for a deeper GDP fall in the current quarter, by -6.2% YoY than -3.4% YoY in 4Q20, to be

followed by over 15% YoY bounce in 2Q21. We expect no more BNM policy moves this year.

- **Philippines:** Philippine authorities have been reinstating tight lockdown measures and have closed the borders to non-residents and citizens in a bid to slow a recent spike in new Covid-19 infections. Despite the uptick in infections, the national government has pushed back on resorting to a full lockdown, citing the slow trickle in of vaccines and the need to support the ailing economy. The resurgence in daily cases will further dampen fragile consumer sentiment which will complicate recovery prospects in 2021, with PHP likely outperforming peers in the near term as import demand stays soft.
- **Indonesia:** Bank Indonesia (BI) holds a policy meeting later today with the central bank widely expected to keep the policy rate unchanged at 3.5%. A month after trimming policy rates in February, IDR has come under extreme pressure in connection to movements in global bond yields. IDR stability has been at the forefront of BI decisions of late and Governor Warjiyo had clearly signalled that the central bank had “limited space” to cut policy rates further after the February cut. We expect BI to be on hold with the central bank opting to provide monetary support via incentives to boost bank lending.

What to look out for: Covid-19 developments

- Bank Indonesia policy meeting (18 March)
- Taiwan CBC policy meeting (18 March)
- US initial jobless claims (18 March)
- Thailand GIR (19 March)
- BoJ policy meeting (19 March)