

ASEAN Morning Bytes

Central banks dig deeper to deliver more stimulus with fiscal action still wanting.



EM Space: Fed whips out even more support measures as lawmakers fail to pass the spending bill

- **General Asia:** The Fed dug deep into its tool kit to roll out even more support measures, resorting to unlimited quantitative easing while expanding the scope of its other liquidity enhancement measures. Regional central banks have been quite busy as well with additional measures from the Philippines with Bank of Thailand on deck with a policy meeting this week after its emergency move over the weekend. All in all, despite aggressive moves by central banks, investors remain unconvinced that any of these actions will be enough to stave off the ill effects from Covid-19 as more countries implement strict measures to curb the spread of the disease.
- **Singapore:** More policy support for the economy is on the way as Covid-19 infections topped 500 with the highest single-day rise of 54 yesterday. Finance Minister Heng Swee Keat is due to announce a supplementary budget on Thursday, 26 March, bringing in more support for workers, businesses and households. The Ministry of Trade and Industry will release the advance 1Q20 GDP estimate on the same day. And, the Monetary Authority of Singapore has advanced its policy announcement to next Monday, 30 March, from the usual mid-April schedule. Strengthening the call of MAS easing, core inflation slipped into

negative territory in February for the first time in a decade. We continue to expect the MAS to re-centre S\$-NEER policy band at a lower level with a zero rate of appreciation.

- **Malaysia:** The government is due to announce the second stimulus package next Monday, 30 March as a potentially extended lockdown weighs down on the economy. The authorities are also pondering whether two weeks of lockdown will be enough as virus infections crossed the 1500 mark. The second stimulus package is likely to be much bigger than the MYR 20 billion (1.3% of GDP) first package. We also believe at least a 50bp Bank Negara Malaysia rate cut to 2.00% is imminent well before the next scheduled meeting in May. That still leaves plenty of room for the central bank to cut rates further. Look out for February CPI data on Wednesday, 25 March.
- **Philippines:** In a surprise move, the Bangko Sentral ng Pilipinas (BSP) announced it would purchase up to Php300 bn worth of government securities under a short-term repurchase agreement with the Bureau of the Treasury. The move provides a lifeline to the national government to help finance the planned rescue spending bill of up to Php200bn to help offset the economic impact of enhanced community quarantine imposed on the northern island of Luzon while limiting the rise in borrowing costs. The BSP retains the full range of its monetary tools with loads of space to cut both its policy rates (3.25%) and the reserve requirement ratio (14%) and we expect additional rate cuts and reductions to reserves as early as the next policy meeting in May.

What to look out for: regional industrial production and Covid-19 developments

- Hong Kong industrial production (24 March)
- US manufacturing PMI and new homes sales (24 March)
- Malaysia inflation (25 March)
- Bank of Thailand meeting (25 March)
- US durable goods orders (25 March)
- Singapore industrial production (26 March)
- Hong Kong trade (26 March)
- US GDP, core PCE, trade balance (26 March)
- Philippines budget balance (27 March)
- Thailand GIR (27 March)
- US consumer sentiment (27 March)