

ASEAN Morning Bytes

Aggressive monetary action helps lift sentiment but fiscal response still awaited



EM Space: Sweeping Fed moves soothe frayed nerves..for now

- **General Asia:** With the Fed pulling out all the stops, investors opted to snatch up previously battered assets with a relief rally but it remains to be seen how long this will last without some meaningful response from the fiscal side.
- **Thailand:** It's decision day for the Bank of Thailand. An emergency 25bp rate cut on Friday reduces the odds of another cut today. However, with the worsening Covid-19 situation both locally and globally and fiscal stimulus slow to arrive, pressure is on for the BoT to do more. The consensus (including us) is tipped towards a 25bp cut today to 0.50%. Just ahead of the BoT policy announcement comes manufacturing data for February, which should provide some sense of GDP growth in the current quarter. We see GDP growth slipping into the negative territory and staying there for much of the year, likely forcing the BoT to deliver more policy rate cuts ahead while inflation continues to be subdued.
- **Malaysia:** February CPI data is due with consensus forecasting a slowdown in inflation to 1.4% YoY from 1.6% in January. Bank Negara Malaysia, the central bank, has announced a moratorium on loan repayments for small and medium enterprises (SMEs) and individuals affected by the virus. While this concession will last for six months there will be no waiver of loan and interest repayments accrued during this period. We continue to see at least a

50bp BNM rate cut to 2.00% in this cycle and expect it well before the next scheduled meeting in May.

- **Indonesia:** Amidst the Covid-19 fallout, lawmakers are asking President Jokowi to enact a decree that would allow a widening of the deficit to GDP ratio to 5%. The deficit-to-GDP ratio is currently mandated to remain below 3%, a law passed in response to a previous economic crisis. Lawmakers are hoping to repeal this to allow government to roll out aggressive spending plans to address the economic fallout from the Covid-19 epidemic.
- **Philippines:** The Bangko Sentral ng Pilipinas (BSP) was busy again, cutting the reserve requirement (RR) by 200 bps to 12% in a bid to flood the market with liquidity and calm panicked financial markets. BSP Governor Diokno also indicated that he has provisional authority to cut RR by 200 bps more should the need arise. Meanwhile, economic planning secretary Pernia indicated that planned spending efforts may force the deficit to GDP ratio to widen to 4.4-5.4% of GDP from last year's 3.6% as the government readies a sizable fiscal rescue package to keep the economy afloat amidst the Covid-19 quarantine.

What to look out for: Covid-19 developments

- 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)