

## ASEAN Morning Bytes

Fed's emergency rate cut sounds alarm bells instead of allaying fears.



### EM Space: Fed “bazooka” cut may spook market players on Wednesday

- **General Asia:** The emergency “bazooka” 50 bps rate cut by Jerome Powell and company failed to lift market sentiment substantially with investors doubting that the daring rate cut could prevent a full-blown US recession as the virus claims more fatalities. Investors will continue to monitor the spread of the virus and China’s services PMI data later on Wednesday for additional cues for trading.
- **Malaysia:** January trade figures today will reinforce persistently weak exports. Bank Negara Malaysia cut the policy rate by 25bp to 2.50% yesterday, noting persistent downside risks ahead from a prolonged impact of the Covid-19 and weakness in commodity-related sectors. With inflation running around 1% (barring a January spike to 1.6, which is going to be reversed) BNM has more room than most other Asian central banks to ease further. Taking a cue from the accelerated global easing cycle, we are adding one more 25bp rate cut to our BNM policy forecast for this year, taking the overnight policy rate to an all-time low of 2% reached during the 2008 global financial crisis by July this year.
- **Singapore:** The manufacturing PMI dipped to 48.7 in February from 50.3 in the previous month, the biggest single-month fall in over five years. The electronics sector PMI fell to 47.6 from 50.1. With the risk of an economic recession looming large, we see the MAS joining the

global easing bandwagon at the next policy review in April

- **Thailand:** Prime Minister Prayuth Chan-Ocha has announced urgent measures to contain the Covid-19 spread. He has put Deputy Prime Minister Somkid Jatusripitak and Finance Minister Uttama Savanayana in charge of measures to support the economy, which are likely to range from tax incentives, loan deferments to confidence-boosting measures for capital markets. We also expect the Bank of Thailand to cut the policy rate by 25bp at the next meeting on 25 March.
- **Indonesia:** Indonesia announced that they were readying a second stimulus package to insulate Indonesia from the economic fallout from Covid with Jokowi vowing to more than double up on the initial \$750 mn package. The two packages would need to be funded outside the 2020 budget, indicating that they may need to breach once again their deficit-to-GDP target for the year. We expect Indonesia to roll out both fiscal and monetary stimulus to curb the projected slowdown from the virus with more emphasis on fiscal spending given that Bank Indonesia will be hard-pressed to cut further given the recent struggles of the IDR.

## What to look out for: Response to Fed cut Covid-19

- China Caixin PMI services (4 March)
- Malaysia trade (4 March)
- Philippines inflation (5 March)
- Thailand inflation (5 March)
- US initial jobless claims (5 March)
- Taiwan inflation (6 March)
- US trade balance and jobs report (6 March)

### Author

#### Nicholas Mapa

Senior Economist, Philippines

[nicholas.antonio.mapa@asia.ing.com](mailto:nicholas.antonio.mapa@asia.ing.com)

### Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the

Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.