# 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)

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