

ASEAN Morning Bytes

Risk rally may fade on Wednesday as focus shifts back to the Covid-19 spread and rising fatality count.



EM Space: Sentiment to sour on Wednesday as Covid-19 continues to spread

- **General Asia:** The recent risk rally faded quickly despite recent stimulus efforts from both monetary and fiscal authorities, with market players coming to terms with the unabated rise in fatalities as the virus continues to spread. Minutes from the most recent Federal Reserve meeting are due for release later on Wednesday but will likely be overshadowed by Covid-19 developments with trading sentiment to be subdued despite reports suggesting that the US government is considering partially reopening the economy but only after mass testing.
- **Singapore:** The Monetary Authority of Singapore (MAS) announced the relaxation of capital requirements for banks in a bid to free-up their cash to lend more. The central bank also announced relief from the total debt servicing ratio (TDSR) limitation for mortgages and consumer loans to help borrowers during the current crisis.
- **Thailand:** The Cabinet approved the third stimulus package of THB 1.9 trillion (11.3% of GDP), comprising THB 600 billion of cash handouts, THB 400 billion for social rehabilitation, THB 500 billion of soft loans for SMEs, and remaining THB 400 billion to set up a market stabilization fund. This brings the total stimulus so far to 14.3% of GDP. A little over half of

this, 7.6% of GDP, amounts to real spending thrust and the rest goes towards monetary support such as soft loans, etc. Despite the unprecedented stimulus, the economy remains at the mercy of tourism, which is in for a prolonged slump beyond the end of Covid-19 pandemic.

- **Philippines:** The Philippines will be reporting February trade data later on Wednesday with analysts expecting the trade gap to narrow as import demand remains lacklustre with capital intensive infrastructure projects on hold. On Tuesday, the government announced a 2-week extension for the enhanced community quarantine as infections in the country continue to rise although business groups have been clamouring for a partial lifting of the lockdown measures. Growth will likely grind lower as 73% of the economy remains in quarantine mode and we expect GDP of only 3.2% for the year.
- **Indonesia:** Indonesia has reported it has secured a \$60 bn repurchase agreement with the US Federal Reserve which should provide additional Dollar liquidity to shore up the battered IDR. Bank Indonesia indicated that they have yet to tap the facility but the lifeline should ease some pressure on IDR for now. BI also has bilateral swap arrangements with other central banks like the Bank of Korea and Bank of Japan. Tuesday's announcement should provide some relief to the IDR in the near term but expect the IDR to face bouts of weakness as the number of infections continues to rise with authorities reluctant to issue more stringent containment measures.

What to look out for: Covid-19 developments

- Philippines trade (8 April)
- Taiwan trade and inflation (8 April)
- Fed minutes (8 April)
- Korea BoK meeting (9 April)
- US consumer sentiment (9 April)
- China inflation (10 April)
- US inflation (10 April)