FX Insight

Navigating COVID Storm

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Market Sell-Off - Are We Near the Bottom?

In response to market turmoil and the risk of protracted economic downturn, policymakers have reacted fast on both the fiscal and monetary policy fronts and indicated their willingness to do more. True that policy measures cannot kill Coronavirus, but they can help to alleviate financial market stresses and cushion against deeper economic fallout. We agree it maybe early at this stage to concur if market conditions have turned around for the better, but it is likely we are closer to a market bottom than before and that some of the overshoots in USD and excessive rise in bond yields correct lower. A more sustainable drift lower in USD would require USD funding stress to ease, COVID-19 to peak and global economic activity to stage a stronger rebound. Failing which, USD could still be supported on dips.

FX Implications for Majors

Amongst the G7, we continue to favour safe haven proxies including JPY and to some extent, EUR. For EUR, we acknowledge downside risks amid spikes in COVID-19 cases and deaths in Spain and Italy. However massive German fiscal stimulus (EUR750bn) and plans for recovery stimulus as well as massive ECB response aimed at addressing liquidity, credit and monetary transmission mechanisms could mitigate against EUR weakness. For GBP, spread of COVID-19 outbreak in UK and broad negative sentiment could negate twin stimulus positivity for the time being. In the meantime, JPY could see greater haven demand vs. USD. USDJPY pair could fade. Bias to sell on rallies.

FX Differentiation for Regional Currencies

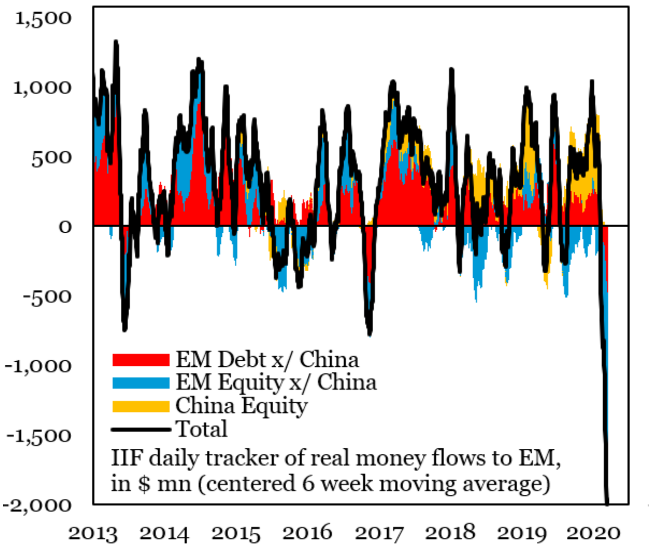
We see opportunities for more differentiated FX plays that could become more prominent should USD ease and we primarily look into four risk factors for evaluation (1) bond outflow risks that tends to weaken respective currencies in times of global financials stress, (2) effectiveness of COVID-19 containment, (3) advantageous links to China, (4) the usual twin deficits suspects that could suffer. We prefer NZD, SGD, CNH, KRW to MYR, IDR and INR.

One of the Deepest Asset Sell-Off in a Short Span of Time

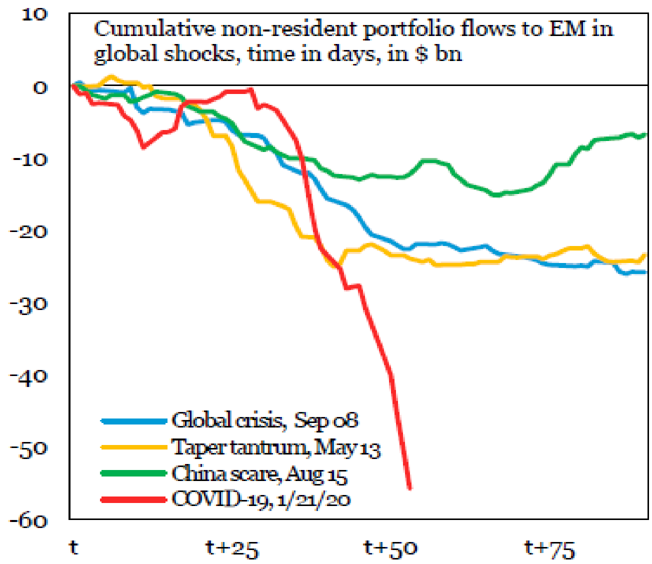
Global markets have been highly volatile over the past 4-5 weeks amid growing fears of severe global economic fallout, border shutdowns, self-isolation and risk of job losses owing to the spread of COVID-19, compounded by the plunge in oil prices due to Saudi-Russia disagreement over oil production, signs of USD shortage, unwinding of carry trades as well as bond and equity outflows from Emerging markets.

The Institute of International Finance also highlighted very large capital outflows as seen from their real time trackers. Cumulative capital outflow since COVID-19 in late January are already twice as large as in the GFC and is way more severe than the china devaluation scare in 2015 and fed's taper tantrum in 2014.

Massive EM Outflows Already Underway



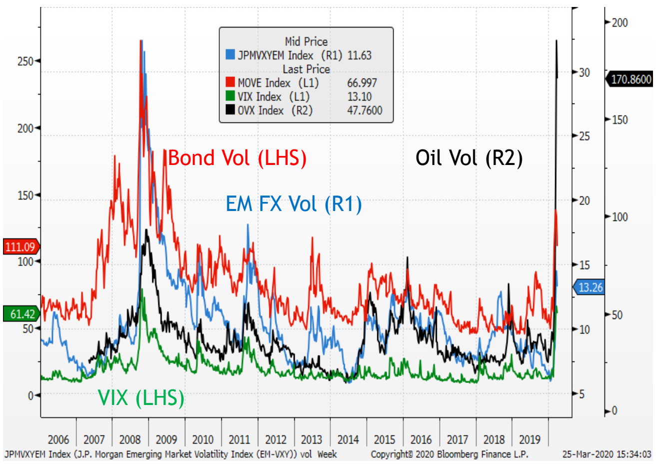
Outflows This Time Surpassed Previous Episodes



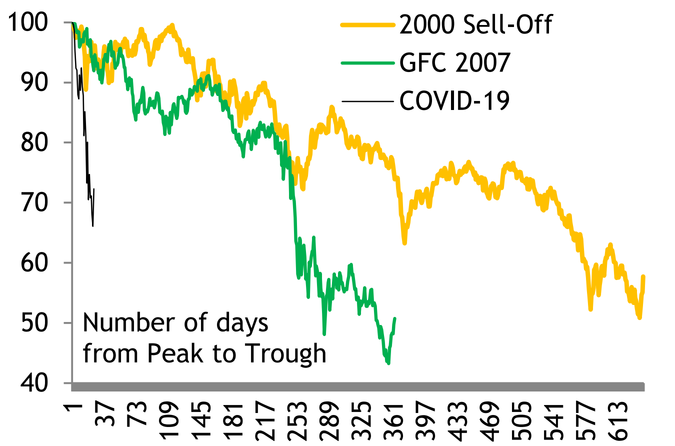
Source: IIF (Report: COVID-19 shock to EM flows, 17 Mar 2020)

For capital markets, equity, bond, oil and gold volatility have surged to very close to GFC 2008-09 levels while brent prices have plunged 64%; US, EU equities have fallen 30% and in FX, the IDR has depreciated >15% (vs. USD) from its peak this year.

Volatilities Across All Asset Classes Have Surged Close to GFC Levels

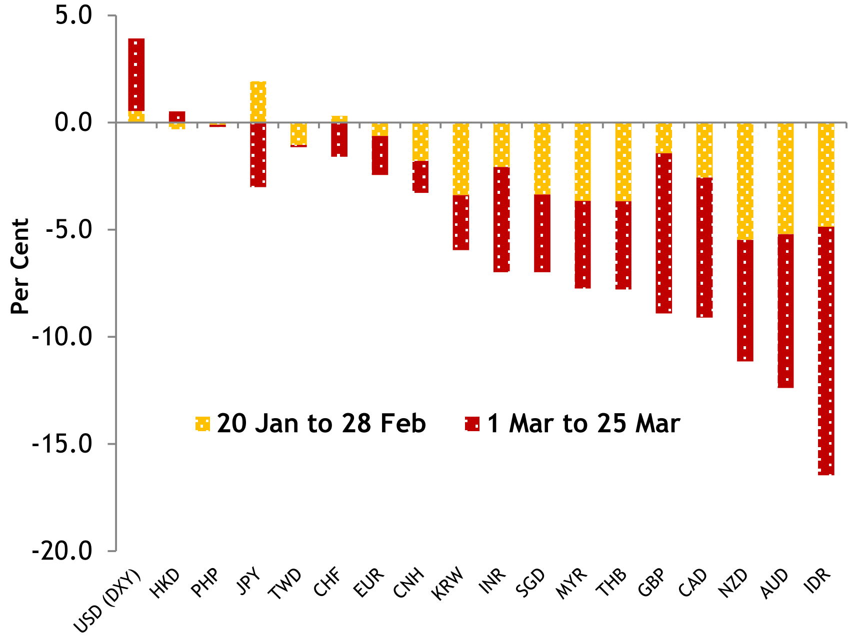


Sharpest Pace of Decline for S&P500 in COVID-19 Sell-off (Start Day Peak Indexed to 100)



Source: Bloomberg, Maybank FX Research & Strategy

Sharp Declines in most FX with USD, being the Main Beneficiary



Source: Bloomberg, Maybank FX Research & Strategy

Policy Responses from Multiple Fronts

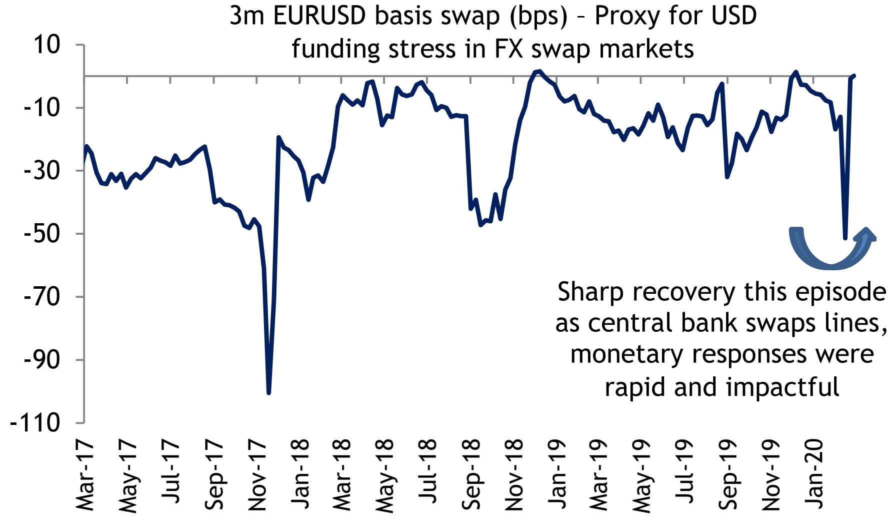
Such dramatic meltdown in asset markets within a short span of time has also been met with responses from policymakers – both on the fiscal and monetary policy fronts. We discussed some of the monetary responses below.

To some extent, central bankers around the world have unprecedentedly doubled down on their stimulus in an attempt to calm markets. For instance, RBA and RBNZ cut rates to historical low and launched bond purchase program for the first time, ECB unleashed 2 sets of stimulus measures including EUR750bn bond purchase program, more favorable terms on TLTROs in less than a week while Fed cuts interest rate by 150bps in less than 2 weeks and relaunched asset purchase program of US$700bn and announced unlimited QE, and unprecedented support for US IG corporate bond market on early this week. And even with bazooka stimulus announced, policymakers continue to show a willingness to do more.

One example is the Fed whom announced (23 Mar) another **unprecedented move - to purchase IG corporate bonds** – in attempt to alleviate the stress in corporate bond market via Primary Market Corporate Credit Facility (PMCCF), Secondary market Corporate Credit Facility (SMCCF) and Term Asset-backed Securities Loan Facility (TALF). Under the SMCCF, the Fed could purchase IG corporate bond ETFs (but the Fed cannot own more than 30% of any 1 ETF or 10% of individual corporate bonds) – unprecedented in US, but taking the idea from BoJ. Though each facility is only backed by US$100bn funding, the Fed's indication of its willingness to do more and to move into supporting the corporate bond space reinforced policymakers resolve to mitigate stresses and restore confidence to financial markets.

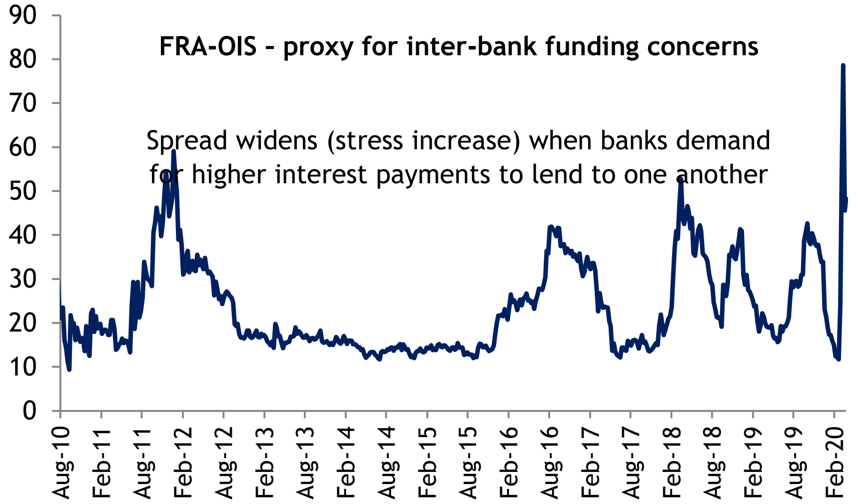
The Fed also re-established US$ liquidity swap lines with 9 additional central banks including Australia, Brazil, Denmark, South Korea, Mexico, Norway, NZ, Singapore and Sweden for amounts between US$30bn and $60bn. This is on top of the standing swap lines with BoC, BoE, BoJ, ECB and SNB. Swap lines are expected to ease USD funding stress and stabilise FX markets and hopefully, restore confidence. In sum these monetary responses are targeted to boost liquidity and to rein in both short term borrowing costs and long term yields as well as to anchor market confidence.

Demand for USD Funding Eases



Source: Bloomberg, Maybank FX Research & Strategy

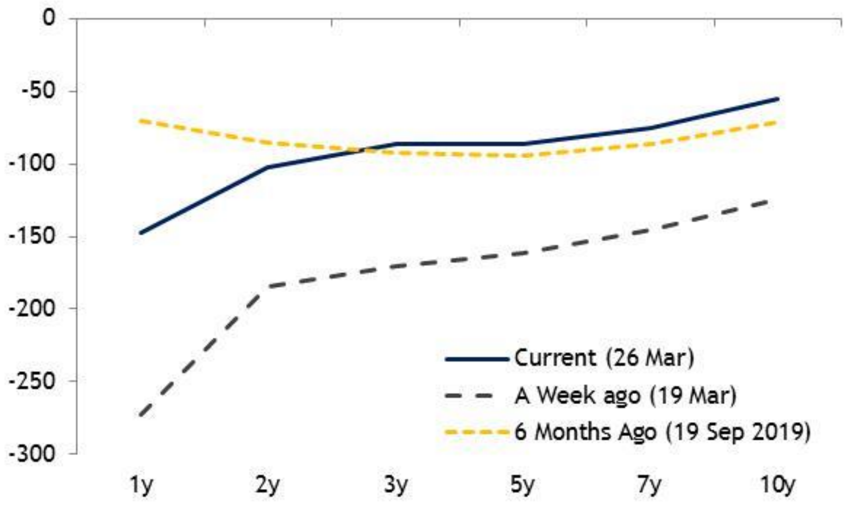
Inter-bank Funding Stress Eases but Still Remains Elevated

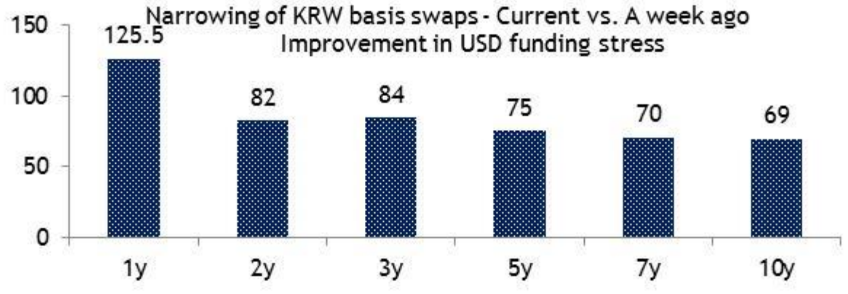


Source: Bloomberg, Maybank FX Research & Strategy

In Korea, policymakers will temporarily ease FX liquidity coverage ratio to 70% (from 80% through May) and start injecting USD in the week starting 30 Mar from the $60bn currency swap line with the US to ease USD funding stresses and potentially stabilise the FX markets. KRW-USD 1y basis swap was at distressed levels of -270bps a week ago. Since the announcement of swap line facility from Fed and planned domestic injection, KRW-USD basis spread has narrowed (or improved) by 125bps between this week and last week. That said current conditions (-147bps) still indicate some form of stress relative to 6months ago (-70bps in 1y).

USD Funding Stress in Korea Improved from a week ago





Source: Bloomberg, Maybank FX Research & Strategy

Fed's Swap lines can be Effective in Alleviating Funding Stress

Drawing from past episode of GFC 2007-09, Korean authorities took various measures to stabilise their foreign currency funding market including the use of swap line with the Fed and using their own FX reserves to provide USD funding liquidity to the private sector. According to a BIS study on dislocation in the KRW-USD swap market during the 2007 – 09 crisis, the **use of BoK's USD loans of the proceeds of swap with the Fed were effective in reducing covered interest rate parity (CIP) deviations in the 3m FX swap market** while the use of BoK's own FX reserves was not effective. The study believed that the former (tapping on Fed's USD swap) was an effective policy response in reducing CIP deviation because BoK's US$ loan auctions funded by Fed's swap line was effectively added to Korea's FX reserves. During the crisis period, Korea's FX reserves were just enough to cover its short-term foreign currency debt. Providing dollar liquidity from official reserves reduced this coverage however auctioning off the proceeds from the swap line with the Fed, by contrast, did not result in a reduction of reserves and instead, enhancing market confidence.

Asset Market Sell Off - Still Not Out of the Woods

Though it remains early at this stage to concur if market conditions have turned around for the better, but it is likely that **the pace of large sell-offs in asset markets gradually start to moderate especially when policymakers have demonstrated that they will go all out to "fight fire".**

To some extent, we are **closer to a market bottom than before and it is likely that some of the overshoots in USD and excessive rise in bond yields correct lower** at some stage. A **more sustainable drift lower in USD would require USD funding stress to ease and global economic activity to stage a stronger rebound.**

But that said we are still not out of the woods and **markets are likely to stay volatile for as long as coronavirus does not peak** and that the spread is faster than policy responses.

FX Implications for Majors

Amongst the G7, we continue to favour safe haven proxies including JPY and to some extent, EUR.

We acknowledged that EUR could face downside risks amid spikes in COVID-19 cases and deaths in Spain and Italy. Country lockdown and business disruption are also likely to weigh on EUR. However massive German fiscal stimulus (EUR750bn) and plans for recovery stimulus as well as massive ECB response aimed at addressing liquidity, credit and monetary transmission mechanisms could mitigate against EUR weakness. In addition, EUR somewhat trading like JPY and CHF (safe haven proxies in loose terms as EUR tend to trade higher alongside JPY and CHF in risk-off sentiment) could partially serve to offset EUR softness emanating from COVID-19 pandemic severity and negative repercussions on economy.

For GBP, the twin stimulus could anchor medium term support for the economy and provide a buffer against a deeper economic fall-out but COVID-19 outbreak spread in UK and broad negative sentiment in markets (as seen from sharp declines in global equities, oil prices, etc.) could negate twin stimulus positivity for the time being. As such GBP is expected to take cues more from external drivers and face downward pressure.

For AUD and NZD, they have both fallen to decade low of below 0.60. Both central banks and respective governments have also responded with measures to support economy but expect no immediate cure as these currencies continue to be driven by external events. So if external sentiment fails to improve, AUD and NZD could stay volatile for as long COVID-19 pandemic stays and lockdowns and self-isolation remain in place.

JPY could re-exert as haven – As COVID-19 epicentre shifts to US, JPY could see greater haven demand vs. USD. USDJPY pair could fade. Bias to sell on rallies.

For the dollar index (DXY), we expect DXY to ease off gradually, more so when USD demand comes to an end (which may not be so soon) as focus shifts back to weak USD fundamentals – real rate disadvantage and deteriorating twin deficits (-6.1% of GDP). These factors would argue that USD should eventually underperform.

A Closer Look at Regional Currencies

The sharp correction in Feb-Mar for most risk assets corresponds with weakness in regional currencies against the USD, exacerbated by the USD funding squeeze. Looking forward, there could be opportunities for more differentiated FX plays and we primarily look at four risk factors for evaluation:

(1) Countries prone to **bond outflow risks** have correspondingly more vulnerable currencies. We focus on ASEAN FX in this space.

(2) **Effectiveness of COVID-19 containment matter** as countries that are able to stabilize the COVID-19 outbreak are more likely to recover faster.

(3) **Currencies linked more closely to CNY can be anchored by the more resilient RMB.** Given China is already well into recovery stage, economies that are most exposed to China's domestic demand may see relative strength in their currencies vs. those that are not.

(4) As global governments dig deeper into coffers, those governments with **less fiscal space and weaker external balance** are likely more weakness in their currencies.

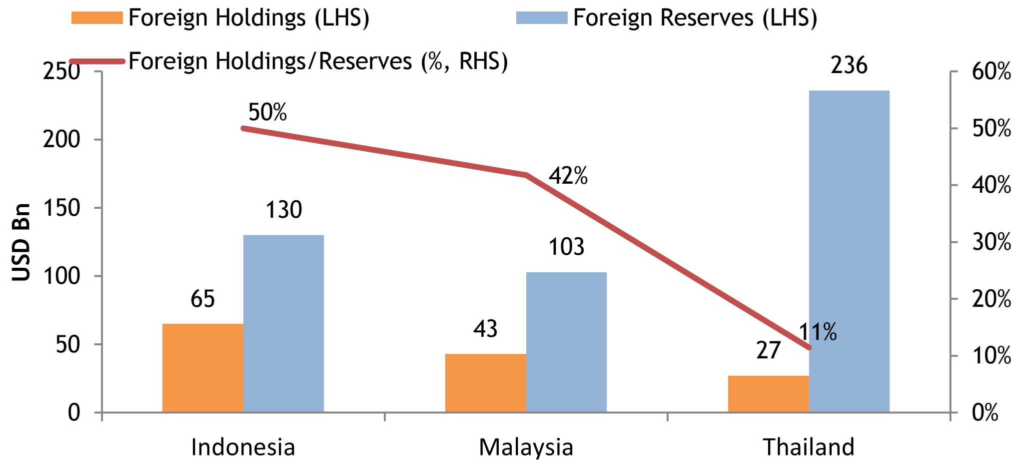
(1) Countries Prone to Outflow Risks Have More Vulnerable Currencies

Historically, capital outflow risk has been a concern for some ASEAN countries in times of financial market stress. FX moves can be sensitive to these portfolio flows, particularly if local currency proceeds are quickly exchanged into USD or other foreign currencies and withdrawn from the local economy.

We note that a larger $ amount of local currency bonds in Indonesia and Malaysia are held by non-residents, especially when compared to Thailand.

In contrast, the PHP-denominated bond market in Philippines is relatively small at the moment, at around US$2.6bn. While PHP sentiments was partly hit in 2018 (Turkey Contagion episode) on twin deficit worries, we note that since then, the currency has seen relatively lower volatility compared to regional peers. In part, the country has been building up its foreign reserves, at US$78bn now vs. US$68bn in mid-2018. We think that downside risks to PHP emanating from outflows are manageable at this point.

Foreign Holdings in Local Currency Bonds



Source: Bloomberg, CEIC, Maybank KE

Bond Outflows & FX Changes in Past Episodes of Stress

	Indonesia			Malaysia			Thailand		
	Period	**LC Bond Flows**	**IDR vs. USD**	**Period**	**LC Bond Flows**	**MYR vs. USD**	**Period**	**LC Bond Flows**	**THB vs. USD**
Episode 1	Aug 08 to Mar 09	-US$4.9bn (-42%)	**-21.8%**	Apr 08 to Mar 09	-US$8.6bn (-54%)	**-13.5%**	Oct 16 to Dec 16	-US$2.6bn (-13%)	**-2.20%**
Episode 2	Jan 18 to Oct 18	-US$8.1bn (-12%)	**-12.1%**	Aug 16 to Mar 17	-US$15.8bn (-34%)	**-7.4%**	Jan 18 to May 18	-US$2.5bn (-9%)	**-2.30%**
Current	Mid-Jan 2020 to Now (Ongoing)	>-US$8bn as of now (~>10% decline)	**-17.5% as of now**	Mid-Jan 2020 to Now (Ongoing)	-US$2.5bn in Feb (*Data lagged*)	**-8.4% as of now**	Mid-Jan 2020 to Now (Ongoing)	>-US$2.5bn as of now (~> 8% decline)	**-7.9%**

Source: Bloomberg, CEIC, Maybank FX Research & Strategy Estimates

A quick look at past crises shows that:

- Outflow risks for Thailand are unable to explain extent of decline in THB vs. USD in current episode. Other factors such as a potential severe drag in tourism receipts are likely at play. Thai authorities expect that tourist arrivals may drop by around a quarter in 2020.

- **For IDR and MYR, magnitude of current FX softening are more severe than stress episodes seen in recent years but less severe than during GFC (for now).**

- During GFC, local currency bond markets in Indonesia and Malaysia were less developed (in size), and a lack of liquidity could have magnified the impact on currency moves. In % terms, the extent of current outflows from LC bond markets is a lot lower as compared to GFC. But what likely magnified the FX moves this time round was the pace of the outflows. In a period of less than 3 months, IDR bonds saw outflows equivalent to that seen over a period of 10 months in 2018.

- In addition, the current COVID-19 shock is a lot more complex than even the financial system shock during GFC. In addition to a negative global demand shock, there are interactive effects via supply chain disruptions, potential corporate debt blow-up, oil market mayhem etc. The extent of contagion in a country would influence the period for which key parts of the economy are stalled.

- Applying GFC-type severity to pre-crisis FX levels, we think that a key interim resistance for USDIDR and USDMYR could be 16,800 and 4.60 respectively. These levels are not our baseline and might only be reached if (i) USD continues to be in strong demand on liquidity/haven demand, (ii) some outflows from Indonesian and Malaysian asset markets continue, even if pace of outflows moderate a tad from Feb-Mar outturns, (iii) overall global risk sentiments remain fragile.

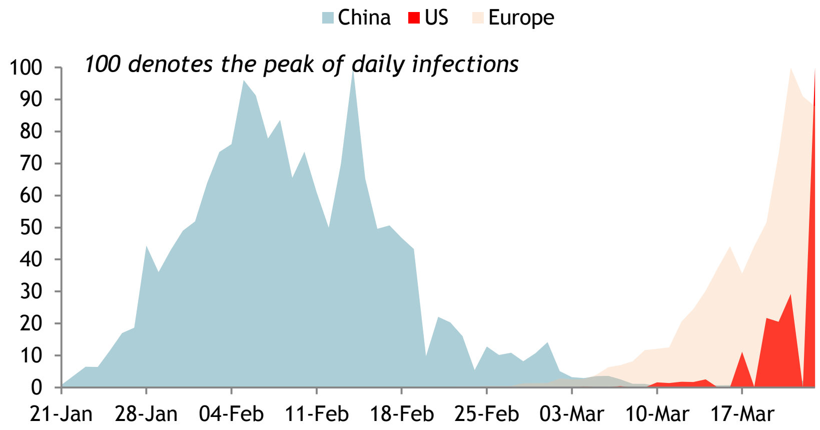
- In another scenario where continued repatriation of foreign assets occur rapidly for the next three months, with magnitudes similar to that seen in Feb-Mar (i.e., extreme stress scenario), we adopt a 1.25x GFC severity as a potential guide. These would give resistance levels of 17600 for USDIDR and 4.73 for USDMYR. We attribute very low likelihood to these outcomes. More rapid news flow this time vs. GFC means that a large part of negativity in sentiments and hence asset outflows are likely front-loaded. At some point, more clarity on the COVID-19 and oil market situation, coupled with attractive yield differentials (IDR-USD, MYR-USD), could lead to a return of foreign funds.

- There have been market chatters of potential capital flow measures. We see tentative signs of COVID-19-led volatility starting to ease as global central banks ramped up efforts to maintain financial stability. More aggressive measures relating to capital flows may be less likely in the interim. For more details, please refer to the ANNEX at the end of the report.

(2) Effectiveness of COVID-19 Containment Matter

Investors are understandably concerned about the evolvement of the COVID-19 outbreaks in different countries. While almost every government has meted out measures to contain the virus as well as eased monetary policies to support financial system, the containment effectiveness would eventually impact the duration of the outbreak as well as the economic damage. In this section, we look at the stage of the outbreak that each regional country is in. We believe countries with better containment outcome could see more resilience in their currency while countries where new daily infections do not show signs of stabilizing could see a more protracted outbreak and weakness in their currencies.

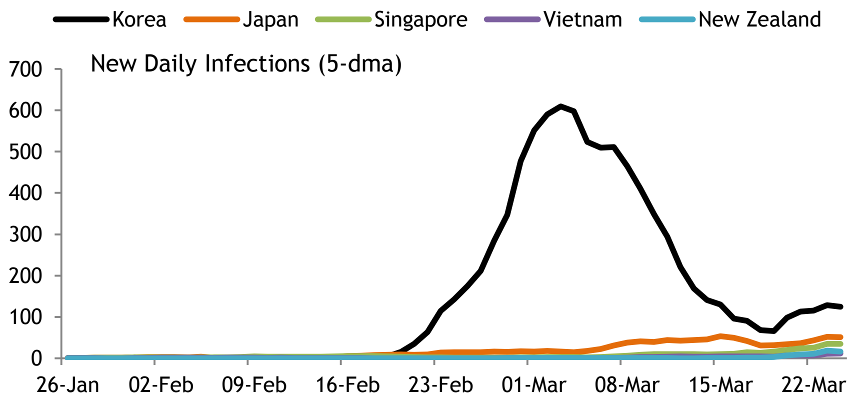
The Epicenter of COVID-19 Shifted Away from China



Source: WHO situational reports updated 24 Mar, Maybank FX Research & Strategy

We made broad comparison of daily infections in China, the US and Europe. These are a few observations: It took around 50 days for China to almost completely flatten the curve. Europe has started to show signs of stabilization in terms of new cases while the curve for the US is only at the early stage of formation, rising exponentially as the US catches up with its diagnostic capacity. This underscores CNY as a safe-haven proxy and the potential peak in the strength of the USD as the US becomes the new epicentre. We still do not rule out some demand for the USD as risk-off mood re-emerge in such uncertain times.

Countries That Seem To Have COVID-19 Under More Control

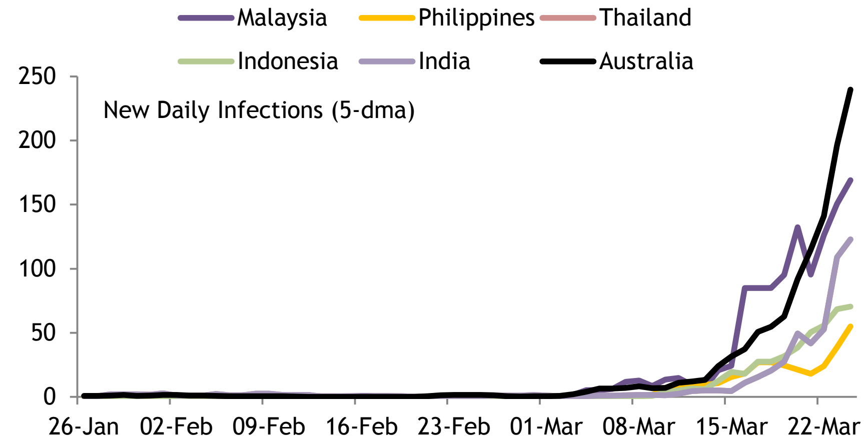


Source: WHO situational reports updated 24 Mar, Maybank FX Research & Strategy

There are other regional economies that seem to have COVID-19 under control and their currencies may show more resilience vs. even the safe-haven proxy CNY including KRW, VND, SGD and NZD. As COVID-19 epicentre shifts to US, JPY could see greater haven demand vs. USD. USDJPY Pair could fade. Bias to sell on rallies.

On the other end of the spectrum, we have regional countries that still report rising new infections every day and show little signs of stabilization. As such, MYR, PHP, THB, IDR, INR and AUD may still have room for depreciation.

Countries Where Daily Infections Show Little Signs of Stabilizing

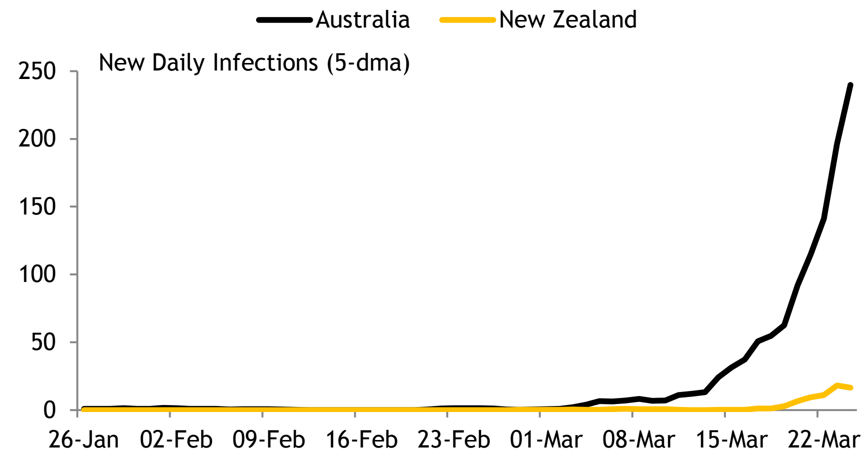


Source: WHO situational reports updated 24 Mar, Maybank FX Research & Strategy

The Contrast in the Antipodes

While AUD and NZD typically move together in reaction to global risk-sentiment and are sensitive to the monetary policy divergence between RBA and RBNZ, the COVID-19 outbreaks in Australia seems to be a jarring contrast to the infections in New Zealand. Thus far, monetary policies have been in locked steps along with strong coordination in social distancing, closure of non-essential services and travel measures. However, based on the containment outcome thus far, the recent AUDNZD rally may correct eventually as New Zealand may have a stronger chance of normalizing earlier than Australia.

The Antipodes Fare Differently in Containing COVID-19

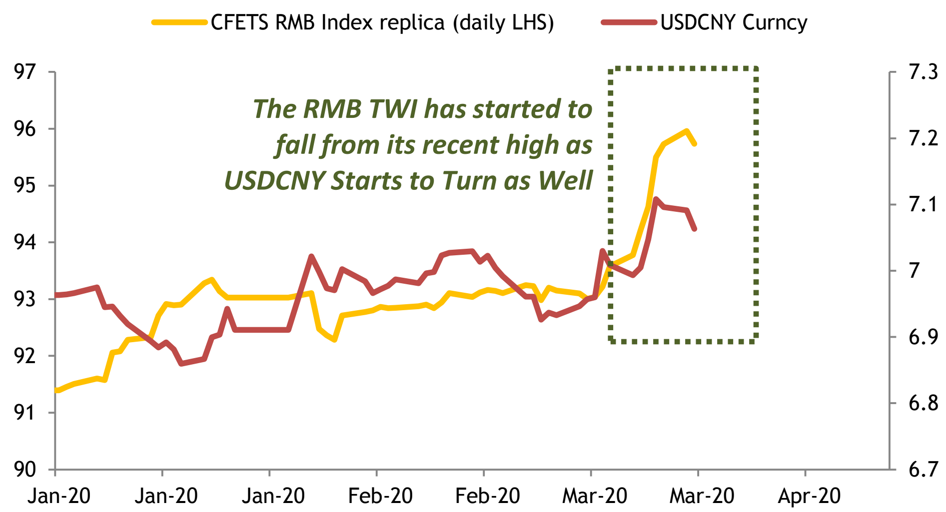


Source: WHO situational reports updated 24 Mar, Maybank FX Research & Strategy

(3) Currencies That Are More Linked to CNY

The surge in the USD did not spare the CNY but the currency was relatively more resilient vs. other non-USD FX. This was due to the fact that China seems to have successfully contained the COVID-19 virus (as mentioned in the previous section) and has started to behave like a safe haven proxy. Amidst the USD funding squeeze, the CNY was not spared vs. the USD but the resilience of the CNY vs. other non-USD FX resulted in the 5% ytd rise in its TWI. Upon the launch of Fed's "unlimited QE", some calm and confidence is restored in global markets, also easing the demand for USD and safe-haven proxy RMB. As such, the TWI has come off even as CNY strengthened against the broadly weaker USD.

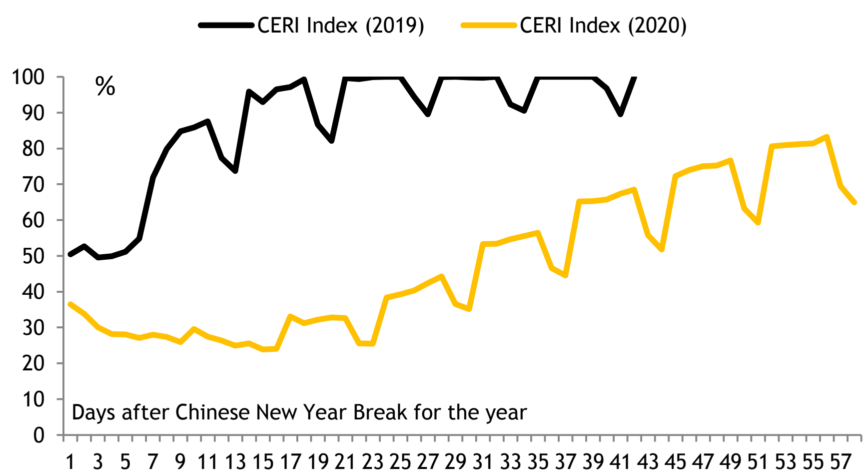
RMB TWI could Fall in Times of Improving Risk Appetite



Source: Bloomberg, Maybank FX Research & Strategy

We do not expect a complete unwinding of the 5% rally since the start of the year as there are reports of China already resuming over 80% of its activities. Based on WeBank CERI (China Economic Recovery Index - an aggregated mobility data), 81% of activities (includes manufacturing and consumption but not capturing online shopping and working from home) had been restored as of 17 Mar.

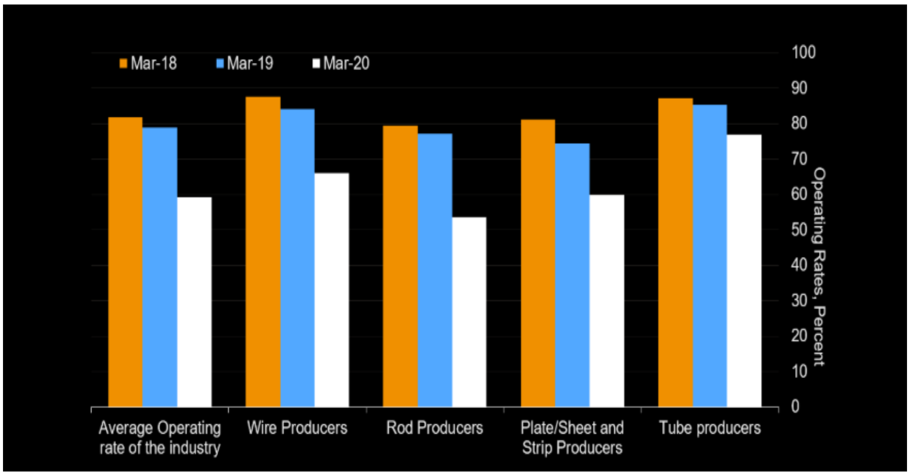
Webank Data Suggests Around 81% of activities Restored in China



Source: Webank CERI, Bloomberg

Data compiled by WIND, EntGroup, FT Research and Bloomberg show that traffic congestion has resumed to 90% of pre-Lunar New Year levels although the volume of container freight languishes at 70%, dragged by the global slowdown.

Copper Production Are Close to Normal Production for Mar



Source: SMM, Bloomberg Economics

There can be no doubts on the ricochet impact of COVID-19 on China in terms of imported cases as well as external headwinds. That said, a recovery of household spending from depressed levels (along with the lifting of the lockdown on epicenter Wuhan poised to happen on Apr 8), could benefit countries that have the strongest links to China's domestic demand. This is contingent on China being able to remain vigilant on imported cases of COVID-19 and maintain social stability. Premier Li Keqiang had urged all government departments to give top priority to stabilizing employment at a State Council meeting on 10 Mar.

The above leading indicators have to be validated by the release of economic data as well as a stable jobless rate. As long as the next tranche of activity data (for Mar, due in Apr) indicate some recovery (relative to the rest of the world), the appeal of the CNY should remain intact vs. non-USD FX.

Exposure to China's Domestic Demand (% of GDP)*			
Coutnries Less Exposed		Countries More Exposed	
USD	1.20%	**AUD**	4.90%
EUR	1.70%	**NZD**	4.20%
JPY	2.60%	**SGD**	7.80%
CHF	2.40%	**MYR**	8.50%
GBP	1.20%	**THB**	7.00%
CAD	1.70%	**KRW**	6.90%
IDR	2.50%	**TWD**	13.00%
INR	1.10%		
PHP	3.90%		

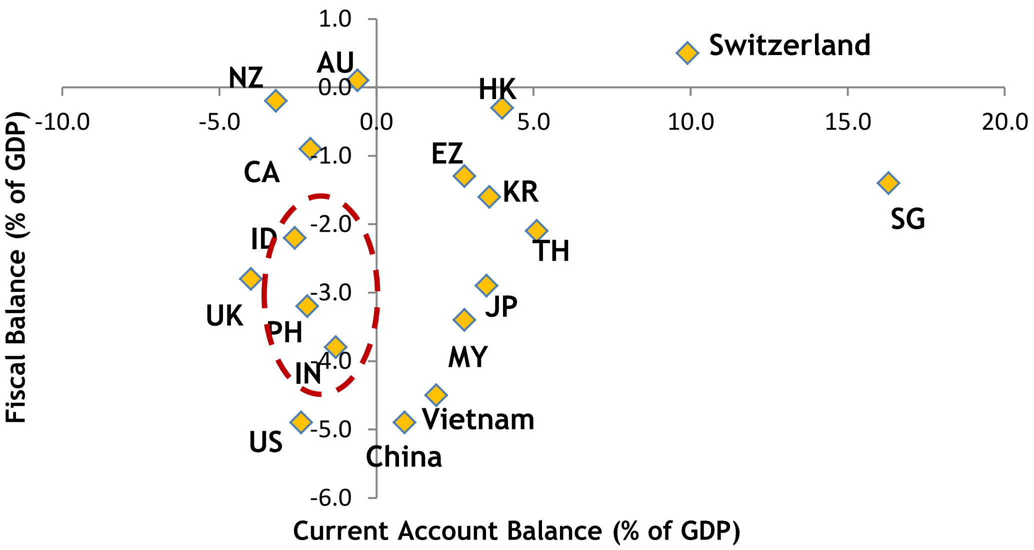
Source: OECD-TIVA Database(Due to Complexity of calculations, data are as of 2015), Maybank FX Research & Strategy

A relatively stable CNY could in turn, provide anchor for Asian currencies that are typically correlated to the RMB. FX that have somewhat been hurt at the start of the outbreak due to their linkages to China may see a turnaround as China moves beyond containment to activity normalization. This suggests AUD, NZD, SGD, MYR, THB, KRW and TWD could have an advantage in the near term.

(4) Twin Deficit FX To Be More Vulnerable

At a time where the duration of the COVID-19 pandemic is still uncertain, governments around the world have launched multiple packages of stimulus. Sovereigns with stronger fiscal position would naturally be able to bolster the economy should the pandemic last longer than expected. At the same time, current account deficit countries are also likely to see their currencies weaken more readily in of times portfolio outflows and weak external demand. As history has shown, twin deficit currencies, i.e. INR, IDR, PHP, could come under pressure in adverse global environment. But for PHP, we note that it has been seemingly resilient, as investors note its lower reliance on external funding. In recent times, investors have also viewed its current account deficits in a less negative light, as it resulted from increases in imports of productivity-enhancing equipment and raw materials.

Expected Fiscal and Current Account Balances in 2020



Source: Bloomberg, Maybank FX Research & Strategy Estimates

FX Implications (Regional Currencies)

Typical carry proxy FX such as IDR and INR in the AXJ space will stay under pressure. In addition those AXJs with constrained fiscal space to fight COVID-19 and current account deficit are likely to stay vulnerable – IDR, INR and MYR. On the other end of the spectrum, AXJs that are better positioned to weather COVID-19 are the ones with greater fiscal space, these AXJs include SGD, THB and KRW.

For RMB, this currency is displaying a lot of resilience against other currencies even as the CNY weaken against the USD. This is basically due to the fact that China seems to have successfully contained the coronavirus and it is on its way to recovery, in contrast to economies in other parts of the world that are still in the stage of suppression and lockdowns. In much of this episode, PBoC has been allowing the USDCNY reference rate to be fixed higher, in tandem with market expectations. Risk-reward ratio suggests that market players should shift focus to the downside for USDCNH from here. With the US now clearly the latest epicenter and stimulus package not as forthcoming as investors would like, the bull-run in the USD may start to fade.

In this context and taking into account the risk factors identified above, we prefer NZD, SGD, CNH, KRW to MYR, IDR and INR.

Risk Factors	Contagion	China Recovery	Fiscal Space	Outflow Risks
AUD	−	+	+	↔
NZD	+	+	+	↔
SGD	+	+	+	↔
MYR	−	+	−	−
IDR	−	↔	−	−
INR	−	↔	−	↔
CNH	+	+	↔	↔
THB	−	+	+	↔
KRW	+	+	+	↔
PHP	−	↔	↔	↔

− Denotes Negative

+ Denotes Positive

↔ Denotes Neutral

ANNEX

Risk of Capital Flow Measures? (Indonesia as example)

- Various ASEAN countries have implemented measures relating to capital flows in the past, especially in periods of market stresses. Market perception when it comes to managing capital flows in ASEAN-5 has been biased to a certain extent by the capital controls imposed during the Asian Financial Crisis. Nonetheless, we note that central banks in ASEAN have introduced measures to ensure more balanced two-way flows in recent years.
- Taking BI for instance, **we note that measures broadly do not aim to control the volume of portfolio flows. Rather, they** are **designed to reduce volatility through selective foreign exchange intervention and by targeted macroprudential measures**. Some examples are the limitation of foreign access to central bank instruments and lengthening of the minimum holding period of Bank Indonesia certificates (SBIs) in 2010 to reduce volatility of flows. During broad periods of capital flow reversal caused by foreign holders selling off government bonds, Bank Indonesia's usual responses include the purchase of these government bonds in the secondary market, which has worked to stem IDR volatility in the past.
- For now, BI's focus will likely be on its recently introduced 7 key measures:

	Measures
1	**Intensify triple intervention policy** to ensure IDR exchange rates move in line with the currency's fundamental value and market mechanisms. To that end, Bank Indonesia will optimise its intervention strategy in the DNDF market, spot market and SBN market in order to minimise the risk of increasing rupiah exchange rate volatility.
2	Extending the SBN repo tenor to 12 months and providing daily auctions to loosen IDR liquidity in the banking industry, effective from 20 Mar.
3	Increasing the frequency of FX swap auctions for 1, 3, 6 and 12-month tenors from three times per week to daily auctions in order to ensure adequate liquidity, effective from 19 Mar.
4	Strengthening FX term deposit instruments in order to enhance FX liquidity management in the domestic market, while encouraging banks to utilise the foreign currency reserve requirements lowered by Bank Indonesia for domestic purposes.
5	Expediting the enforcement of domestic vostro IDR accounts for foreign investors as underlying transactions for DNDFs, thus enhancing hedging alternatives for IDR holdings in Indonesia. This has been brought forward from 1st April 2020 to no later than 23 Mar.
6	Expanding the incentive of a 50bps daily IDR reserve requirement beyond banks that are engaged in export-import financing to include the financing of MSMEs and other priority sectors, effective from 1 Apr.
7	Strengthening payment system policy to support COVID-19 mitigation efforts by providing hygienic currency fit for circulation, alternative cash and backup services, and urging the public to prioritise non-cash payment transactions.

- Broadly, there are tentative signs too that some of the Covid-led volatility has started to ease as global central banks ramped up efforts to maintain financial stability. More aggressive measures relating to capital flows may be less likely in the interim.

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