

BOND+SUKUK INFORMATION EXCHANGE

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NEWS UPDATE

24 January 2022



MARKET SUMMARY

US Treasury	Yield 21 Jan 22	Daily Change bps	Yield 20 Jan 22	Weekly Change bps	Yield 14 Jan 22	Monthly Change bps	Yield 21 Dec 21	YTD Change bps	Yield 31 Dec 20
3 YEAR	1.28	-6	1.34	2	1.26	32	0.96	111	0.17
5 YEAR	1.54	-8	1.62	-4	1.55	30	1.24	118	0.36
7 YEAR	1.70	-7	1.77	-2	1.72	30	1.40	105	0.65
10 YEAR	1.75	-8	1.83	-3	1.78	27	1.48	82	0.93

MGS	Yield 21 Jan 22	Daily Change bps	Yield 20 Jan 22	Weekly Change bps	Yield 14 Jan 22	Monthly Change bps	Yield 21 Dec 21	YTD Change bps	Yield 31 Dec 20
3 YEAR	2.80	-3	2.83	1	2.79	-3	2.83	92	1.88
5 YEAR	3.27	-2	3.29	6	3.21	9	3.18	117	2.10
7 YEAR	3.49	-1	3.50	6	3.43	8	3.41	110	2.39
10 YEAR	3.67	-1	3.68	8	3.59	14	3.53	102	2.65

GII	Yield 21 Jan 22	Daily Change bps	Yield 20 Jan 22	Weekly Change bps	Yield 14 Jan 22	Monthly Change bps	Yield 21 Dec 21	YTD Change bps	Yield 31 Dec 20
3 YEAR	2.87	-2	2.89	-1	2.88	-2	2.89	95	1.92
5 YEAR	3.29	0	3.29	8	3.21	11	3.18	103	2.26
7 YEAR	3.53	1	3.52	5	3.48	6	3.47	102	2.51
10 YEAR	3.74	-1	3.75	10	3.64	12	3.62	93	2.81

AAA	Yield 21 Jan 22	Daily Change bps	Yield 20 Jan 22	Weekly Change bps	Yield 14 Jan 22	Monthly Change bps	Yield 21 Dec 21	YTD Change bps	Yield 31 Dec 20
3 YEAR	3.31	1	3.30	5	3.26	7	3.24	86	2.45
5 YEAR	3.69	1	3.68	4	3.65	5	3.64	99	2.70
7 YEAR	3.98	1	3.97	2	3.96	2	3.96	103	2.95
10 YEAR	4.15	0	4.15	3	4.12	7	4.08	89	3.26

- 1 bps = 0.01%
- Increase in Yield = Decrease in the bond price/value

Source: US Treasury, BNM & BIX Malaysia

NEWS UPDATE

Today's headlines of interest and summaries as extracted from the international and local media.

Bank Negara to raise interest rate in 2H?

Bank Negara Malaysia is expected to raise the Overnight Policy Rate (OPR) in the second half (2H) of 2022, MIDF Research said.

The central bank has decided to maintain the interest rate at 1.75 per cent after the two-day Monetary Policy Committee (MPC) meeting today.

MIDF Research said however, the decision would be subject to the stability of economic growth, pace of price increases and further improvement in macroeconomic conditions, particularly a continued recovery in the labour market and growing domestic demand.

"We believe the current focus of Bank Negara's monetary policy setting is to ensure a sustainable recovery of Malaysia's economy, especially coming out from the long containment measures imposed last year.

"With the rate of inflation hovering within Bank Negara's forecast, we opine there is less pressure for it to quickly shift towards policy tightening.

"From a medium-term perspective, the policy rate normalisation is needed to avert risks that could destabilise the future economic outlook such as the persistently high inflation and a further rise in household indebtedness," it said in a note today.

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RCEP to enter into force on March 18

The Regional Comprehensive Economic Partnership (RCEP), the world's largest free trade agreement, will finally be effective for Malaysia on March 18.

This followed the submission by Malaysia of its Instrument of Ratification (IOR) to the Asean Secretariat on Jan 17, according to the International Trade and Industry Ministry.

RCEP covers 15 countries with 2.2 billion or nearly a third (29.5 per cent) of the world's population.

This represents US\$25.8 trillion or 29.4 per cent of the world's gross domestic product (GDP) based on the World Bank's 2019 data.

Malaysia will be the 12th signatory country, joining 11 others namely Singapore, China, Japan, Brunei, Cambodia, Laos Thailand, Vietnam, Australia, New Zealand and South Korea that have completed the ratification process.

The RCEP officially took effect on January 1 this year.

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CNBC

Treasury yields retreat; 10-year falls to 1.75%

U.S. Treasury yields retreated on Friday, with the 10-year rate falling to around 1.75%.

The yield on the benchmark 10-year Treasury note fell 7 basis points to 1.75%. The yield on the 30-year Treasury bond moved 6 basis points lower to 2.074%. Yields move inversely to prices and 1 basis point is equal to 0.01%.

A pullback in central bank economic support measures, along with concerns around rising inflation, also prompted investors to sell out of two-year Treasuries, which indicate short-term interest rate expectations. The two-year yield topped 1% for the first time in two years earlier in the week. It traded at 1.024% in early trading on Friday.

Mike Harris, founder of Cribstone Strategic Macro, told CNBC's "Squawk Box Europe" on Friday that the "bond market is no longer the world's greatest economist, it's effectively taking leadership from the Fed."

Harris explained that while the debate over whether inflation is transitory was being reflected in Treasury trading, the "bond market doesn't have a way to fully price it in, until the Fed gets there."

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