

# FIXED INCOME DAILY

## Keep calm and transition

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**UST trading was mostly calm and ended in a relatively narrow range, with losses seen higher up the curve. Recent upbeat vaccine developments continued to push flows away from safe haven investments and markets were encouraged by news Biden formally allowed to begin leadership transition and that Janet Yellen was his pick to head the Treasury. We expect firm though cautious EM Asia bond markets today.**

**Up today is Malaysia's Oct CPI where consensus expectation is for another deflationary number of -1.4% yoy versus similar -1.4% in Sep. Our economist expects a larger -1.6% yoy as underlying price pressures remain weak. Resurgence in COVID-19 cases and more states placed under conditional movement control may have forced consumers to hold back their spending. We still foresee BNM as having room for another 25bps cut to sway local demand and growth.**

**US Treasuries:** UST trading was mostly calm and ended in a relatively narrow range, with losses seen higher up the curve. Recent upbeat vaccine developments continued to push flows away from safe haven investments and markets were encouraged by news Biden was formally accepted as president-elect and allowed to begin leadership transition after the US General Services Administration acknowledged him as the 'apparent winner', and that Janet Yellen was his pick to head the Treasury. There was better pickup in UST after the Treasury Department sold USD56b of the 7T though demand was relatively weak at BTC of 2.37x vs 2.48x average at past 12 auctions of the same tenor.

UST market reversed some of late last week's inflow on news the Treasury had asked the Fed to return unused funds of about USD455b from five funding programs ahead of expiration late Dec. This would have effectively ended funding programs that provide liquidity to corporates, banks and markets of as much as USD500b though reports suggest only a small sum of about USD25b had been used since inception early this year. The UST market was cautious of the news as the funding lines were effectively an important and last line of liquidity backstop to markets.

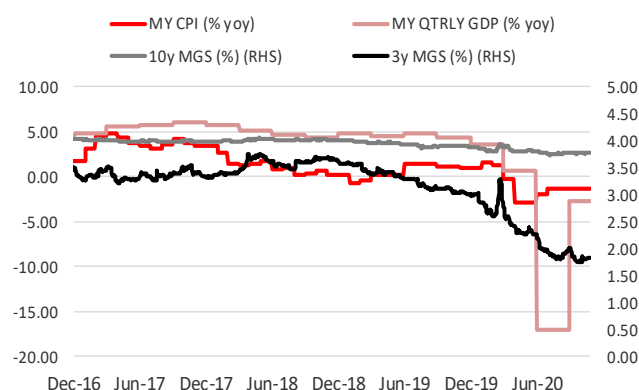
**Malaysia:** Government bonds in Malaysia saw some profit taking pressure yesterday, as caution descended amid concerns over voting in Parliament of Budget 2021. Meanwhile, mixed external drivers left little guidance as

Security	Last (%)	1d (+/- bps)	5d (+/- bps)	30d Ave
US 2y	0.16	0	-1	0.16
US 10y	0.88	3	2	0.86
10y/2y US (bps)	72	3	3	69
US 5y Swaps	0.46	0	0	0.44
MY 3y	1.84	0	2	1.81
MY 10y	2.65	0	-2	2.65
10y/3y MY (bps)	82	0	-4	85
MY 5y Swaps	2.22	1	1	2.15
TH 2y	0.51	-1	1	0.58
TH 10y	1.32	1	-1	1.41
10y/2y TH (bps)	81	2	-2	84
TH 5y Swaps	0.82	1	2	0.80
ID 2y	4.09	-3	-4	4.22
ID 10y	6.19	-1	2	6.34
10y/2y ID (bps)	211	2	5	213
SG 2y	0.26	0	0	0.24
SG 10y	0.91	0	-5	0.87
10y/2y SG (bps)	66	0	-5	63
SG 5y Swaps	0.52	2	1	0.49

5y CDS	Last	1d (+/- bps)	5d (+/- bps)	30d Ave
Malaysia (A3/A-)	37	-2	-1	41
Thailand (Baa1/BBB+)	39	-1	0	41
Indonesia (Baa2/BBB)	90	0	14	87

Source: Bloomberg, ETP, BPAM, Thai BMA, IBPA, CIMB Treasury & Markets Research

**Consensus for MY CPI is another deflationary number of -1.4% yoy in Oct versus similar -1.4% in Sep. We expect -1.6% yoy.**



Source: Bloomberg, CIMB Treasury & Markets Research

rising hopes for vaccines were shadowed by recent surge in global infection cases.

Up today is Oct CPI where consensus is for another deflationary number of -1.4% yoy versus similar -1.4% in Sep. Our economist expects a larger -1.6% yoy as underlying price pressures remain weak. The resurgence in COVID-19 cases and more states under conditional movement control order may have forced consumers to hold back spending. We still foresee BNM as having room for another 25bps cut to sway local demand and growth.

**Indonesia:** IndoGBs were supported after news in the US that Biden was now formally accepted as president-elect (the General Services Administration had acknowledged Biden as the 'apparent winner') and that Janet Yellen was his pick to head the Treasury. IndoGBs were aided by suspected offshore inflows.

MoF held a sukuk auction with IDR10t target issuance size, and being second to last scheduled auction for sukuk this year. Demand was firm at bids amounting to IDR24.9t but Mof issued at the target IDR10t meaning no upsize.

**Thailand:** ThaiGBs came under profit taking pressure on lack of fresh positive drivers while hopes of vaccines seems to be fully priced-in. Offshore investors were net sellers of THB4.108b of TH bonds and caused long-end govies to rise by 1-2bps. However, <5y were steady which suggested players reducing their portfolio duration to avoid the risk of a steepening yield curve. Nonetheless, we observed 10y ThaiGB has been ranging between 1.38-1.43% since Oct with the lack of catalysts, and expect to see Thai govies to move within limited range till the end of this year.

Last week, the MPC unanimously voted to hold the policy interest rate at 0.50% and the statement indicates the committee as more dovish. The MPC states the recovery path for the Thai economy remains fragile and uneven. Despite the better-than-expected 3Q2020 GDP, the economy still requires support from accommodative policies amid concerns over COVID-19 and risks to the tourism sector due to slow border reopening.

#### Recent fixed income-related reports from Treasury & Markets Research, CIMB

Date	Publication	Title
18-Nov-20	Market Musings	TH: BoT holds rates, expresses caution
12-Nov-20	Market Musings	TH: BoT Nov-2020 Meeting Preview: Dovish Expectations
03-Nov-20	Market Musings	MY: Bank Negara Malaysia holds for now
02-Nov-20	Market Musings	MY: Malaysia's Budget 2021 Preview: Fiscal Boost Set to Continue
28-Oct-20	Market Musings	MY: BNM November 2020 MPC Preview
21-Oct-20	Market Musings	US Election: Politics Versus Markets
14-Oct-20	Market Musings	SG: The Portents of MAS' Status Quo
23-Sep-20	Market Musings	TH: BoT holds rates, preserving policy flexibility
17-Sep-20	Navigator	4Q2020: Staggering on
10-Sep-20	Market Musings	MY: BNM holds but wary of risks
28-Aug-20	Market Musings	TH: Thailand's era of low rates
05-Aug-20	Conference Notes	MY: FMAM webinar highlights Malaysia's measures to move forward from pandemic
05-Aug-20	Market Musings	TH: BoT holds the rate with cautious outlook
07-Jul-20	Market Musings	MY: BNM cut the policy rate, within expectations.
24-Jun-20	Market Musings	TH: BoT pauses; Cautious statement, but recovery in sight
17-Jun-20	Navigator	3Q2020: Low-for-longer (LFL)
22-May-20	Market Musings	Rates directed by epidemic fallout
21-May-20	Market Musings	TH: BoT Meets Rate Cut Expectation
06-May-20	Market Musings	MY: Malaysia delivers on OPR cut

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