

FIXED INCOME DAILY

Key vote being watched

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UST was mixed with curve moving steeper after release of FOMC minutes and weak economic data. Recent upbeat vaccine developments continued to push flows away from safe haven investments and markets were encouraged by news Biden can begin his leadership transition and that Janet Yellen was his pick to head the Treasury. We expect firm though cautious EM Asia bond markets today.

In Malaysia, cautious mood in MGS trading was sustained amid uncertainties over voting in Parliament of Budget 2021, which was scheduled for today if time permits after some members are due to present debates on the budget itself. Non passage of Budget 2021 places fiscal plans in doubt and increases risks on Malaysia's growth prospects, not to mention sustained political uncertainties at a time when COVID-19 new cases remained at high levels.

US Treasuries: UST closed mixed the curve moving steeper, after release of the FOMC minutes and early release of weak economic data. Recent upbeat vaccine developments continued to push flows away from safe haven investments and markets were encouraged by news Biden can begin his leadership transition and that Janet Yellen was his pick to head the Treasury. In economic data, initial jobless claims rose to 778k in the week ended 21-Nov from 748k the week before, while second reading of 3Q2020 GDP was unrevised at 33.1%. The FOMC minutes did not contain clarity on conditions how the Fed would change direction of its asset purchases programs. Meanwhile, NY Fed's Williams said negative rates is an option though chair Powell has signaled that negative rates are not appropriate for the US.

Malaysia: Government bonds saw mild pickup but trading interest remained thin. Amid political uncertainties, cautious mood in MGS trading was sustained due to uncertainties over voting in Parliament of Budget 2021, which was scheduled for today if time permits after some members are due to present debates on the budget itself. Non passage of Budget 2021 places fiscal plans in doubt and increases risks on Malaysia's growth prospects, not to mention sustained political uncertainties at a time when COVID-19 new cases remained at high levels.

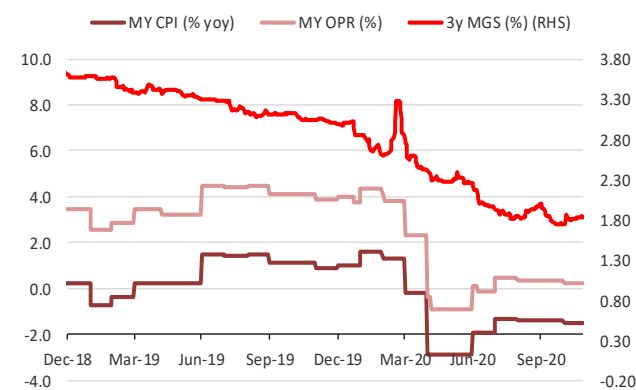
The central bank announced details for reopening of 15y MGS (MGS 07/34), which sustained caution in the MGS market, though size was relatively small at MYR3.0b and no private placement.

Security	Last (%)	1d (+/- bps)	5d (+/- bps)	30d Ave
US 2y	0.16	0	-1	0.16
US 10y	0.88	0	1	0.86
10y/2y US (bps)	72	0	3	69
US 5y Swaps	0.46	-1	1	0.44
MY 3y	1.83	0	1	1.81
MY 10y	2.65	0	0	2.65
10y/3y MY (bps)	82	0	0	85
MY 5y Swaps	2.23	1	3	2.16
TH 2y	0.52	1	-1	0.58
TH 10y	1.31	0	0	1.41
10y/2y TH (bps)	79	-1	0	84
TH 5y Swaps	0.83	1	2	0.80
ID 2y	4.10	2	-1	4.21
ID 10y	6.17	-3	4	6.33
10y/2y ID (bps)	207	-4	5	212
SG 2y	0.26	0	0	0.24
SG 10y	0.91	0	-3	0.87
10y/2y SG (bps)	66	1	-3	63
SG 5y Swaps	0.51	-1	1	0.49

5y CDS	Last	1d (+/- bps)	5d (+/- bps)	30d Ave
Malaysia (A3/A-)	36	-1	-2	41
Thailand (Baa1/BBB+)	38	-1	-1	41
Indonesia (Baa2/BBB)	90	0	14	87

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

MY CPI was another deflationary number at -1.5% yoy in Oct.



Source: Bloomberg, CIMB Treasury & Markets Research

Oct CPI was another deflationary number, released at -1.5% yoy versus -1.4% in Sep and -1.4% consensus. Our economist had expected a larger -1.6% yoy as underlying price pressures remain weak and more states under conditional movement control order. Core inflation moderated to 0.8% yoy in Oct (+1.0% yoy in Sep). Higher MYR currently is likely to mitigate higher oil prices and could lead to continued weak CPI number for Nov. We still think BNM as having room for another 25bps cut to sway local demand and growth.

Indonesia: IndoGBs continued to be supported amid positive news out of the US as Biden was allowed to begin his leadership transition and Yellen expected to be named Treasury secretary. IndoGB market saw interest early session along long dated >10y tenors before the afternoon session saw more interest for 5-10y tenors. There was some profit taking late in the day along 20y-30y tenors but overall market remained biased to the upside for the day. Meanwhile, IDR remained supported as well with USDIDR breaking below 14200, touching 14165 before late rise around 14170/80 on suspected USD short covering.

Thailand: ThaiGBs ended mixed with buying interest on the front-end, leading to <5y yields modestly lower by 2bps. However, long-end rose 1-2bps, suggesting investors were reducing duration amid upbeat global expectations and markets returning to normalcy. We saw 10y/2y spread increased to 86bps from 84bps in the prior week. Also, the potential baht weakness amid prospective BoT measures may be another concern for offshore investors. Yesterday saw foreign investors being net sellers of TH3.6Bb TH bonds. However, support for ThaGBs and potential limit to yield upside currently comes from the lack of new bond issuance in end of Nov, as well recent dovish BoT.

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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