

FIXED INCOME DAILY

Key vote passed

Nik A Mukharriz
Fixed Income Strategist
ahmadmukharriz.muhammad@cimb.com
+603 2261 8557

Shazeya Shah Razzaad
Markets Strategist
shazeya.razzaad@cimb.com
+603 2261 8205

Nachapholn Jirasathid
Markets Strategist
nachapholn.j@cimbthai.com
+662 638 8649

Freda Yeo
Strategist
freda.yeo@cimb.com
+65 638 8649

Ray Choy, PhD
Regional Head
ray.choy@cimb.com
+603 2261 8353

Malaysian government bonds were mostly weaker yesterday as players awaited key vote in Parliament to pass the 2021 Malaysian Budget. Players were also seen paring down position before today's 15y MGS reopening. After a rancorous debate at Parliament, lawmakers voted to pass the budget bill. This development is positive, as the initial uncertainties ahead of the budget debate and vote was pressuring sentiment in Malaysia's bond market in the past week. A major positive is that Malaysia's fiscal deficit target for 2021 will be maintained at 5.4% of GDP, where the official GDP growth target for the year remains at 6.5-7.5% range. Earlier this week, the central bank announced details for reopening of 15y MGS (MGS 07/34), and we expect at least decent demand with size relatively small at MYR3.0b and no private placement.

US Treasuries: UST was closed Thursday for Thanksgiving. Movement had been pretty mixed in the past week though in relatively narrow range of 0.80-0.90% after testing 1.00% level over a week ago. 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. Nevertheless, underlying safe haven demand remained in the past week amid recent surge in COVID-19 cases and negative economic data.

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%.

Elsewhere this week, 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 were mostly in weaker mode yesterday as players awaited key vote in Parliament to pass the 2021 Malaysian Budget. Players were also seen paring down position before today's 15y MGS reopening. However, losses were pared with 15y MGS steady before auction and 30y MGS also steady amid suspected local support.

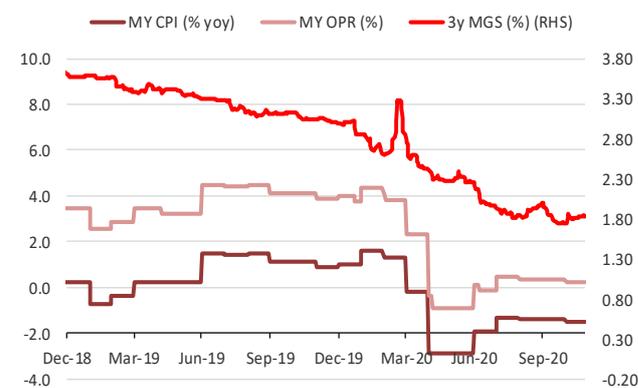
Earlier this week, the central bank announced details for reopening of 15y MGS (MGS 07/34), and we expect at least decent demand with size relatively small at MYR3.0b and no private placement.

Security	Last (%)	1d (+/- bps)	5d (+/- bps)	30d Ave
US 2y	0.16	0	0	0.16
US 10y	0.88	0	5	0.86
10y/2y US (bps)	72	0	6	70
US 5y Swaps	0.45	-1	0	0.44
MY 3y	1.86	2	3	1.81
MY 10y	2.68	2	3	2.66
10y/3y MY (bps)	82	0	0	84
MY 5y Swaps	2.24	2	2	2.16
TH 2y	0.52	0	-1	0.57
TH 10y	1.32	0	0	1.41
10y/2y TH (bps)	80	0	1	84
TH 5y Swaps	0.83	0	1	0.80
ID 2y	4.05	-5	-8	4.20
ID 10y	6.15	-1	1	6.31
10y/2y ID (bps)	210	4	9	211
SG 2y	0.25	-2	-2	0.24
SG 10y	0.91	-1	-5	0.87
10y/2y SG (bps)	66	1	-3	63
SG 5y Swaps	0.51	-1	0	0.49

5y CDS	Last	1d (+/- bps)	5d (+/- bps)	30d Ave
Malaysia (A3/A-)	36	0	-3	40
Thailand (Baa1/BBB+)	38	0	-1	41
Indonesia (Baa2/BBB)	90	0	12	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

After a rancorous debate at Parliament, lawmakers voted to pass the federal government budget for 2021. This development is positive, as the initial uncertainties ahead of the budget debate and vote was pressuring sentiment in Malaysia's bond market in the past week. A major positive is that Malaysia's fiscal deficit target for 2021 will be maintained at 5.4% of GDP, where the official GDP growth target for the year remains at 6.5-7.5% range. This means we are not changing our forecast for MGS and GII issuance for 2021; it remains at gross issuance of MYR153b comprising fiscal financing of MYR84.4b and refinancing of maturing MGS/GII of MYR67.7b.

Earlier this week, the 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 find support as external sentiment remained positive from recent vaccine and US political developments, despite spike in virus infection cases. In addition, IDR was boosted, alongside regional fx movements, opening yesterday around 14120/150 to move 14120 at lowest and highest at 14145 before closing near 14125/35.

Thailand: ThaiGBs curve steepened with strong local demand on the front-end and the bellies. We suspect the optimism of economic recovery on the back of vaccine hopes were influencing onshore investors to avoid duration risk. Notably, we observed offshore returned to buy the long-end though longer tenor yields were still a tad higher yesterday.

We view ThaiGBs should see support in the short term period with new bond issuance schedule in Dec not announced yet while there may be incoming safe haven demand alongside cautious economic data, for instance worsening US initial jobless claims.

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

Date	Publication	Title
27-Nov-20	Market Musings	TH: Malaysia's Budget 2021 Update: Lawmakers pass bill
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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