

FIXED INCOME DAILY

Cautious before FOMC

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Today, ahead of FOMC we remain cautious regional bond markets except ThaiGBs which could profit from risk aversion elsewhere. US Treasuries shrugged aside the US stock market rebound rally. Bond participants are eager to hear more clarity on the Fed's new framework on monetary policy. We remain cautious IndoGBs before BI's policy meeting whilst watching virus news headlines.

US Treasuries: UST market saw a quiet session overnight, closing within a tight range. The 10T closed unchanged at 0.67%. The bond market shrugged aside the stock market rebound rally as sentiment was guarded ahead of the FOMC meeting. Bond participants are eager to hear more clarity on the Fed's new framework on monetary policy, specifically stance of average-inflation overshooting over 2% before the Fed contemplates tightening financial conditions.

In the very short term, we are cautious global bonds but TH assets could profit from risk aversion elsewhere.

Malaysia: MGS market was largely quiet except for mild net buying interest along selective benchmark tenures with rest of the curve little changed. Most of what were traded occurred along 3y, 7y, and 15y benchmarks. Meanwhile, the central bank announced details for next reopening, being MYR3.0b of the 30y GII 11/49 with added private placement of MYR500m. Tender closes Thursday and WI yesterday last at 3.95/85%.

Short term, we expect yields to be pressured higher post MPC and various incoming risks including large supply and FTSE Russell announcement. We see 3y MGS likely to remain above 1.85% and 10y MGS above 2.60%.

Indonesia: IndoGBs were stronger yesterday on firm IDR, supported by bids from a mix of names including local banks, onshore foreign banks, and real money players. Trading interest was slanted on <10y tenors while 30y papers aided by retail demand.

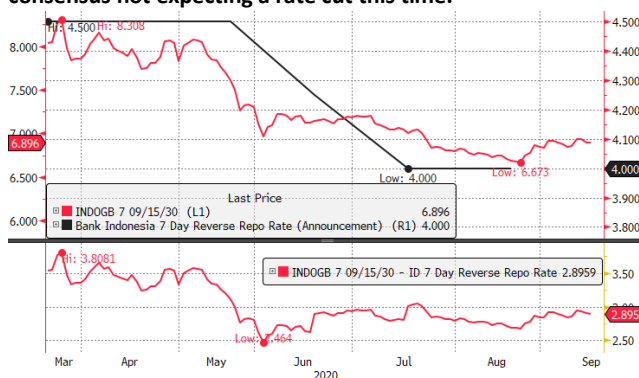
USDIDR seen near 14935 late yesterday as ID stocks recouped more than half of last week's 4% decline as Jakarta's latest COVID-19 restrictions not as severe as feared, and Asia stocks buoyed by news of resumption in trials of one of the leading coronavirus vaccine candidates.

Steadier IDR prospects led to some bond players raising some bets yesterday as we close in on this week's BI meeting. Nevertheless, we remain cautious IndoGBs before

Security	Last (%)	1d (+/- bps)	5d (+/- bps)	30d Ave
US 2y	0.14	1	-1	0.14
US 10y	0.67	1	-5	0.68
10y/2y US (bps)	54	0	-4	54
US 5y Swaps	0.32	-2	-3	0.33
MY 3y	1.91	-1	7	1.85
MY 10y	2.61	-1	5	2.55
10y/3y MY (bps)	70	0	-2	71
MY 5y Swaps	2.23	0	8	2.15
TH 2y	0.53	0	1	0.52
TH 10y	1.28	-6	-14	1.43
10y/2y TH (bps)	75	-6	-15	91
TH 5y Swaps	0.79	-3	-9	0.89
ID 2y	4.53	0	-3	4.66
ID 10y	6.90	-4	3	6.86
10y/2y ID (bps)	238	-4	5	220
SG 2y	0.17	0	-3	0.22
SG 10y	0.89	-2	-6	0.93
10y/2y SG (bps)	72	-1	-3	71
SG 5y Swaps	0.49	-2	-7	0.54

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

We're cautious IndoGBs before BI's policy meeting with consensus not expecting a rate cut this time.



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Source: Bloomberg, CIMB Treasury & Markets Research

BI's policy meeting with consensus not expecting a rate cut this time, whilst watching global virus headlines and this week's FOMC.

Thailand: ThaiGBs maintained their strong momentum in tandem with US yields as the market remained concerned over the economic recovery. Front-end was relatively steady while >5y posted strengthened around 1-3bps.

TH yield curve continued flattening, where 10y/2y spread declined to 84bps from 86bps at the end of last week.

We think ThaiGB will continue bullish trend ahead of FOMC this week, awaiting more updates from the Fed on the change the Fed's inflation framework. In addition, we think there was some speculative flow ahead of the MPC meeting later this month. We view ThaiGBs could further slide down to 1.30% from the current level of 1.37%.

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

Date	Publication	Title
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
23-Apr-20	Market Musings	TH: The Rationale of Rising THBFX Amid a Dovish BoT
21-Apr-20	Market Musings	Evaluating the negative WTI oil price
30-Mar-20	Market Musings	MY: Raising MGS+GII supply further
30-Mar-20	Market Musings	SG: MAS Delivers on Market Expectations
27-Mar-20	Market Musings	SG: How far will MAS go?
17-Mar-20	Navigator	2Q2020: Under the weather
05-Mar-20	Market Musings	MY: 15y MGS reopening: Aided by rates & supply outlook
03-Mar-20	Market Musings	MY: BNM's dovish stance

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