

# FIXED INCOME DAILY

## FOMC extends rates outlook

**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

**UST closed a little changed, with the FOMC reiterating expectations of lower-for-longer interest rates. The FOMC statement indicated policymakers' expectations that rates will remain at current low levels until maximum employment is achieved and that inflation exceeds 2.0% for some time. And this comes with Fed's updated economic projections that do not show that inflation will exceed 2.0% before end of 2023. Hence, this means that is that interest rates will not be raised anytime soon.**

**Earlier this week, speculative flows into IndoGBs was suspected ahead of BI policy meeting today. However, we think BI may hold the 7dRRR, preferring to watch FX volatility.**

**US Treasuries:** UST closed mildly weaker after backing away from early modest gains after the FOMC meeting.

The FOMC statement indicated policymakers' expectations that interest rates will remain at current low levels until maximum employment is achieved and that inflation exceeds 2.0% for some time. And this comes with Fed's updated economic projections that do not show that inflation will exceed 2.0% before end of 2023. Hence, this means that is that interest rates will not be raised anytime soon. With rates policy now seem cemented for a longer period of time, medium to longer term moves by the Fed to boost US growth will likely entail increases or tweaks in asset purchases.

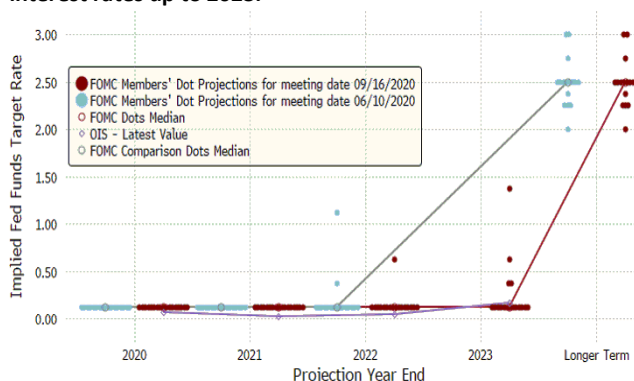
**Malaysia:** On Tuesday, pre-FOMC, MYR govies were seen in narrow ranges with sporadic selling pressures by local names around the bellies. However, this was counteracted by net buying demand by foreign names on the longer 15y tenor. Sentiment was also guarded ahead of more supply, including this week's 30y GII (GII 11/49) reopening and GG bonds. The 30y GII worth MYR3.0b plus MYR500m private placement closes today. WI last seen at 3.95/88%. On the secondary, the 10y MGS closed unchanged at 2.62%.

**Indonesia:** IndoGBs opened a little changed yesterday but moved weaker in cautious trading before the FOMC after-hours. We saw 5y tenors up about 7bps and 10y tenors up by <5bps. The day before on Tuesday, the market was relatively quiet and moved firm in the late session amid demand from locals. Lack of activities were also seen in at the syariah auction that generated low incoming bids

Security	Last (%)	1d (+/- bps)	5d (+/- bps)	30d Ave
US 2y	0.14	0	-1	0.14
US 10y	0.70	2	0	0.68
10y/2y US (bps)	56	2	1	54
US 5y Swaps	0.33	0	0	0.33
MY 3y	1.92	0	6	1.85
MY 10y	2.62	0	5	2.56
10y/3y MY (bps)	70	0	-1	71
MY 5y Swaps	2.26	0	10	2.15
TH 2y	0.53	1	1	0.53
TH 10y	1.29	0	-10	1.43
10y/2y TH (bps)	77	0	-10	90
TH 5y Swaps	0.79	0	-6	0.88
ID 2y	4.51	-1	-2	4.65
ID 10y	6.89	0	3	6.87
10y/2y ID (bps)	238	1	5	222
SG 2y	0.19	0	0	0.21
SG 10y	0.89	-1	-4	0.92
10y/2y SG (bps)	70	-1	-4	71
SG 5y Swaps	0.48	-2	-4	0.53

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

**Fed's latest dot=plot projections extends forecast of current low interest rates up to 2023.**



Source: Bloomberg, US Federal Reserve, CIMB Treasury & Markets Research

(IDR20.8t). MoF upsized the issuance by IDR2.5t to IDR9.5t at market yields.

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**Thailand:** ThaiGBs were relatively steady yesterday compared with recent days' rallies with the market awaiting for the FOMC meeting. Yields moved gradually lower in first half of the trading session following strong demand at reopening auctions of 10y and 50y benchmark bonds, at BTC at 3.95x and 2.72x respectively.

The day before on Tuesday, the market continued to show strength amid safe haven demand and speculative flows before next week's MPC meeting (23-Sep). Sustained risk to growth was spurring net buying into ThaiGBs on Tuesday with some speculation of BoT easing.

#### 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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