

FIXED INCOME DAILY

Searching for cues

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

Mild strength was seen on the UST curve with gains slanted on longer tenors. Nevertheless, overall sentiment was subdued. Early gains upon release of weak initial jobless claims report (860k) were pared as sentiment remained guarded post-FOMC. Prior day's FOMC provided little short-term guidance though pledging continued low interest rate in the medium to longer term.

Meanwhile, there may be cautious gains in ID and TH bonds today; IndoGBs could gain if IDR shows further strength and ThaiGBs from speculative demand ahead of next week's MPC meeting.

US Treasuries: Mild strength was seen on the UST curve with gains slanted on longer tenors, though overall sentiment remained subdued. Early gains upon release of weak initial jobless claims report (860k) were pared as sentiment remained guarded post FOMC.

Prior day's FOMC provided little short-term guidance. However, the FOMC statement indicated policymakers' expectations that interest rates will remain at current low levels into longer term 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. 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.

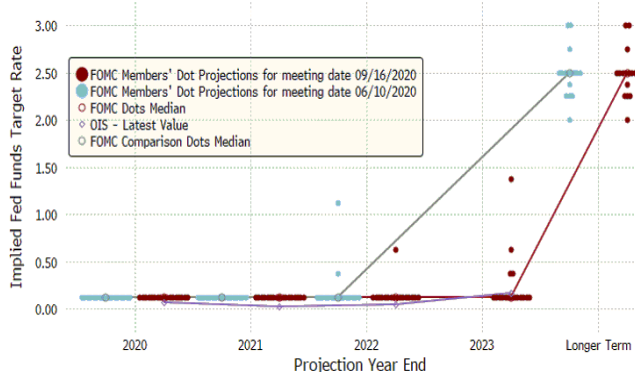
Malaysia: On Thursday, Malaysian government bonds fell post 30y GII auction which tailed badly and bid-cover was weak at 1.358x for the MYR3.0b public portion (there was MYR500m private placement). Sentiment in the Malaysian govies market remained pretty weak after last week's no change in the OPR and sustained supply worries. Overnight modest movement in UST as the Fed pressed on longer term view of sustained low interest rates did little to support onshore govies. Average yield at the 30y GII auction was 4.178% with high at 4.351% and low 3.985%, versus WI at prior day's closing at 3.95/88%.

Indonesia: IndoGBs opened quiet yesterday despite overnight FOMC where the Fed pledged lower-for-longer interest rates. Activities later turned heavier post-BI meeting (BI maintained 7dRRR at 4.00% as expected and policymakers reaffirmed independence of the central bank).

Security	Last (%)	1d (+/- bps)	5d (+/- bps)	30d Ave
US 2y	0.14	0	0	0.14
US 10y	0.69	-1	1	0.68
10y/2y US (bps)	55	-1	2	54
US 5y Swaps	0.33	0	-1	0.33
MY 3y	1.95	3	3	1.85
MY 10y	2.68	6	7	2.57
10y/3y MY (bps)	73	3	4	71
MY 5y Swaps	2.24	-2	2	2.16
TH 2y	0.53	1	0	0.53
TH 10y	1.32	3	-5	1.43
10y/2y TH (bps)	79	3	-5	90
TH 5y Swaps	0.81	2	-2	0.87
ID 2y	4.49	-2	-4	4.64
ID 10y	6.90	2	-3	6.87
10y/2y ID (bps)	241	4	1	223
SG 2y	0.18	-1	0	0.21
SG 10y	0.88	-1	-4	0.92
10y/2y SG (bps)	69	0	-4	71
SG 5y Swaps	0.48	0	-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

No cut at the BI meeting and dovish FOMC fed into IDR strength and USD weakness, supportive of IndoGBs. There was some demand heard on 5y tenors though net selling pressure also was seen, thus capping yield movements for the day.

Thailand: ThaiGBs posted mild losses following overnight higher US yields due to the lack of short-term forward guidance from the FOMC.

ThaiGBs with 5y up to 15y tenors fell, causing the yield curve to steepen in a bearish pattern. Of note, the overall activity was muted with trading volume of THB63.9b as investors waited for fresh market drivers. However, we expect speculative demand might return to ThaiGBs ahead of the MPC meeting on 23-Sep, which we might see TH yields to gradually fall in this short-run.

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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