

FIXED INCOME DAILY

Support seen

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We are quietly upbeat on Asean bonds early this week. IndoGBs could gain if IDR shows further strength and ThaiGBs from speculative demand ahead of MPC meeting. Negative news on COVID-19 front with threats of lockdown in Europe as well as Asean countries are playing on sentiment but likely UST gains could prove positive for overall bond markets.

US Treasuries: Last Friday, UST market opened firm on safe haven demand due to COVID-19 negative news flow coming out of Europe amid lockdown threats in the UK and Spain. Also, news of US-China relation deterioration played on sentiment with the US banning TikTok and WeChat from app stores. Nevertheless, UST saw weakness thereafter due to release of better-than-expected consumer sentiment figures. The Michigan consumer index rose to 78.9 reading for Sep from 74.1 prior month. UST sentiment remains supported by last week's dovish Fed but lack of immediate term signaling coming from the Fed led to limits on gains last week.

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.

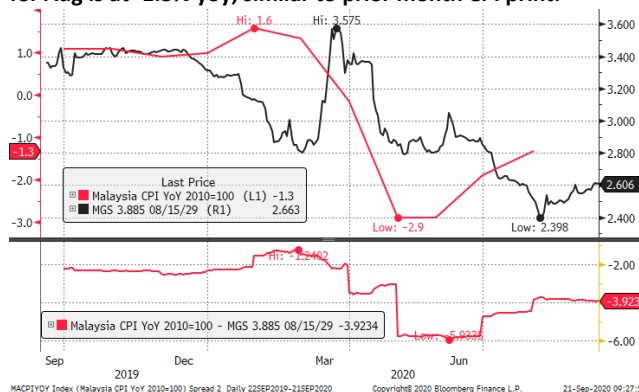
Malaysia: Market flows had been lagging in recent days coming alongside last midweek holiday as well as players watching FOMC. Also, guiding the market was large tail in last week's 30y GII auction but last Friday we noted the paper rallying down about 13bps due to suspected short-covering. Overall, MGS last Friday saw mild gains led by the 30y GII tracking back.

This week, the market will receive latest inflation data on tap. Consensus is still a deflation number for Aug at -1.3% yoy, similar to prior month CPI print. We are quietly confident for MGS this week, mainly on bargain hunting expectations and assuming steady UST market. That said, 10y MGS downward yield likely limited after recent MPC which was more neutral, and resistance is to hold above 2.60% for now.

Security	Last (%)	1d (+/- bps)	5d (+/- bps)	30d Ave
US 2y	0.14	0	1	0.14
US 10y	0.69	1	3	0.68
10y/2y US (bps)	55	0	2	55
US 5y Swaps	0.33	0	-1	0.34
MY 3y	1.95	0	3	1.86
MY 10y	2.67	-1	5	2.58
10y/3y MY (bps)	72	-1	2	72
MY 5y Swaps	2.24	-1	1	2.17
TH 2y	0.54	1	1	0.54
TH 10y	1.30	-2	-3	1.44
10y/2y TH (bps)	77	-3	-4	90
TH 5y Swaps	0.80	-1	-1	0.86
ID 2y	4.50	0	-3	4.64
ID 10y	6.88	-2	-7	6.88
10y/2y ID (bps)	238	-3	-4	225
SG 2y	0.19	0	2	0.21
SG 10y	0.87	-1	-4	0.93
10y/2y SG (bps)	67	-1	-6	72
SG 5y Swaps	0.47	0	-4	0.53

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

We still expect a deflation number for Malaysia CPI. Consensus for Aug is at -1.3% yoy, similar to prior month CPI print.



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

Indonesia: IndoGBs have been helped by firm IDR against USD, especially after BI held the 7dRRR, the FOMC still dovish, and Indonesia's central bank assuring the market it remains independent from government intervention. Last Friday saw IndoGBs traded firm with suspected support from local banks and bidders chasing yields especially near 10y buckets, followed by bonds 5-7y. However, profit taking also evident, capping overall gains. On average, yields down 3-5bps last Friday.

Thailand: ThaiGB ended steady on Friday with mixed interest flows. TH yields inched up in the first half of trading session before the inflow returned in the afternoon, aided by weak US data. However, the concerns on the local political uncertainty on the protests over the weekend was the negative factor to ThaiGB. Nonetheless, we think ThaiGB should remain modestly firm in near-term due to lack of new supply till the end of this month. Of note, there was inflow of THB1.2b into Thai bond market, suggesting firm underlying sentiment. In addition, we expect speculative demand might boost Thai govies ahead of the MPC meeting on 23-Sep. Hence, we might see TH yield to gradually decline with 10y ThaiGB may further fall to 1.30%.

With regards to the MPC, there is likely no rate cut from the present 0.50%, though that has not stopped the speculative flows amid weak Thai growth outlook. BoT is anticipated to release its economic outlook report which may downgrade GDP forecast for 2021 from 5.0% amid travel restriction, which could lead to the lower number of tourists than the earlier forecast seen in Jun. Also this week, export data will likely show rebounding exports, especially agricultural products and electronics.

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

Date	Publication	Title
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
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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