

FIXED INCOME DAILY

Mixed numbers, consolidating yields

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We expect some caution in Asean bonds today in view of consolidating UST market as well as mixed global macroeconomic data. Better Malaysian and Indonesian PMI readings released early today was mixed in with a weaker Thailand PMI number. Malaysia's PMI rose to 43.4 in Aug 40.1 in Jul from while Indonesia's rose to 43.7 from 40.1 in Jul. Thailand PMI fell a tad to 48.3 from 48.7 in Jul. All three remained below 50. Developments in global COVID-19 conditions will be watched in coming days as we head towards non-farm payrolls data to be released Friday.

US Treasuries: On Tuesday, US Treasuries closed mixed after showing early morning gains. The early gains came on the back of mixed global economic data which included weaker China manufacturing PMI (50.1 in Aug vs 50.4 in Jul) and non-manufacturing PMI (47.5 Aug from 53.3 Jul) while European data included Eurozone CPI up 0.4% mom in Aug from -0.1% in Jul). Late weakness in UST followed from losses in European bonds on news some ECB officials wanted to discuss reduction in asset purchases. Previous day, UST began the week on a firm note with yields descending further after last Friday's decline which came on the heels of the Jackson Hole summit where Fed chair Powell failed to strike a more hawkish tone than widely expected. Even though Powell indicated support for QE tapering this year, this view is contingent on continued progress on employment. This means this week's Aug non-farm payrolls numbers may be scrutinized. Consensus expectation for the Aug NFP is a steady +745k though lower vs Jul's +943k.

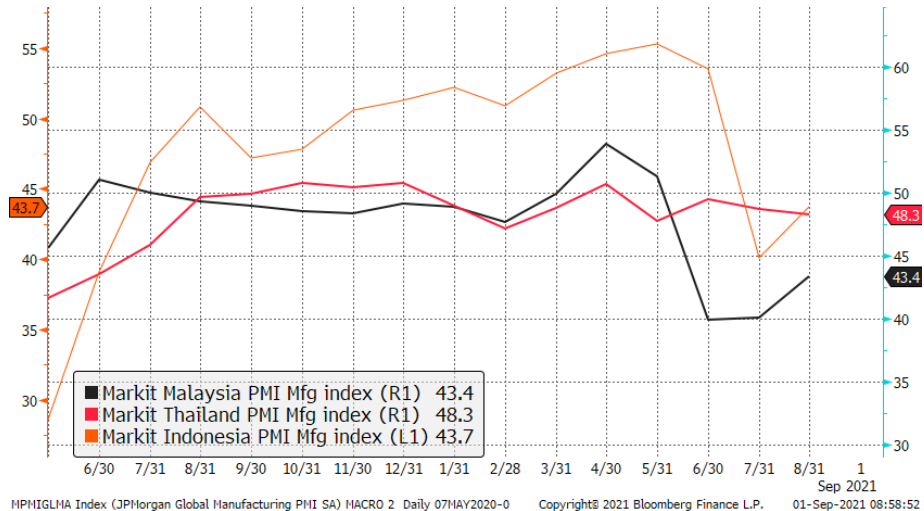
Security	Last (%)	1d (+/- bps)	5d (+/- bps)	30d Ave (%)
US 2y	0.21	1	-1	0.21
US 10y	1.31	3	2	1.28
10y/2y US (bps)	110	2	3	107
US 5y Swaps	0.87	-1	1	0.85
MY 3y	2.34	0	0	2.32
MY 10y	3.19	0	-4	3.21
10y/3y MY (bps)	85	0	-4	89
MY 5y Swaps	2.63	0	-1	2.62
TH 2y	0.46	0	0	0.47
TH 10y	1.59	-1	0	1.56
10y/2y TH (bps)	112	-1	0	109
TH 5y Swaps	0.84	0	2	0.80
ID 2y	4.02	-2	-7	4.06
ID 10y	6.05	-6	-20	6.26
10y/2y ID (bps)	203	-4	-13	220
SG 2y	0.34	0	1	0.34
SG 10y	1.40	-2	2	1.38
10y/2y SG (bps)	106	-2	1	104
SG 5y Swaps	1.05	-4	2	0.95

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

5y CDS	Last	1d (+/- bps)	5d (+/- bps)	30d Ave
Malaysia (A3/A-)	44	-1	-4	49
Thailand (Baa1/BBB+)	37	0	-1	39
Indonesia (Baa2/BBB)	68	-1	-5	75

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

Better Malaysian and Indonesian PMI readings was mixed in with a weaker Thailand PMI number.



Source: Bloomberg, CIMB Treasury & Markets Research

Malaysia: Malaysian government bond market showed strength on Monday, on relatively heavy volume traded (except for thin flows along the 10y MGS). Month-end demand was likely the main support to the market especially ahead of Tuesday's public holiday. Amid players picking up longer end MGS due to a lack of supply, the market still faces MYR2.5b reopening of 20y GII (GII 09/41) this week (plus MYR2.0b private placement). The auction could garner decent demand in the public tender, but we are cautious overall MGS/GII market for the rest of the week if UST yields consolidate especially ahead of Friday's non-farm payrolls data release.

Indonesia: IndoGBs rallied with players picking up longer tenor bonds with 10y or longer maturities. Yesterday's gains where yields fell 2-10bps followed from Monday's gains where yields fell 5-10bps. We sensed that, in addition to relatively lower UST yields since the dovish remarks recently by the Fed's Powell, IndoGBs remained supported by the recent announcement of burden sharing in the state budget. This was reflected in yesterday's govies auction, where the MoF received the highest incoming bids this year of IDR 116.1t while targeting to issue only IDR21t.

For the burden sharing plan, BI could buy bonds worth up to IDR439t in 2021 and 2022 (IDR215t in 2021 and IDR224t in 2022). This adds to positive news last month that this year's net bond issuance could decline by IDR283t to IDR924 with MoF set to utilize unspent cash balances to fill the gap in funding the deficit. The market also heard comments from the finance minister that Indonesia's 2021 budget deficit will be lower than expected by IDR66.8t to IDR939.6t. Meanwhile, there was also an announcement by the president that the 2022 budget is targeted at 4.85% of GDP or lower vs 5.7% 2021 target, and that the 2022 net issuance of debt is targeted at IDR868t. Assumption for 2022 GDP is at growth of 5.0-5.5% based on expected reopening of the economy next year.

Thailand: ThaiGBs closed mixed yesterday. We noted strong gains on longer tenor bonds (>10y maturities) as well as some gains on short tenor papers (<7y tenors) but weakness was found near the bellies of the curve (7-10y). UST consolidating near recent lows supported the TH curve in our opinion, as well as recent strength in THB currency. However, both UST and USDTHB consolidating after recent strengths, as well as players paring expectations of an incoming BoT rate cut, we think contributed to the mixed ThaiGB market yesterday.

Earlier on Monday, ThaiGBs mostly gained, led by pickup on >10y bonds, except for mild weakness on the front of the curve. Dovish tone by Fed's Jerome Powell and lower UST yields lessened pressure on ThaiGBs. However, the mild weakness on short tenor ThaiGBs we think owed to players reining in potential for a BoT rate hike at the next MPC meeting. The paring down of a BoT cut was after recent declines in daily virus cases. Moreover, the Thailand COVID-19 panel has approved the proposal to ease restrictions from 1-Sep, allowing shopping malls to reopen while restaurants will be permitted operate at 75% dine-in capacity.

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Date	Publication	Title
19-Aug-21	Market Musings	ID: Policy Review: Bank Indonesia holds again
11-Aug-21	Market Musings	TH: Thai Baht - Excessively bearish
04-Aug-21	Market Musings	TH: Policy Review: BoT holds the rate with a split vote
03-Aug-21	Market Musings	MY: The Ringgit's route though the pandemic
30-Jul-21	Market Musings	TH: Policy Preview - BoT to hold albeit rising virus risks
22-Jul-21	Market Musings	ID: Policy Review: Bank Indonesia maintains course
13-Jul-21	Market Musings	TH: 3Q21 ThaiGB Supply: New supply should be well digested
08-Jul-21	Market Musings	MY: Policy Review: BNM holds but recognizes risks
05-Jul-21	Market Musings	MY: Policy Preview: Expecting BNM to hold
23-Jun-21	Market Musings	TH: Policy Review: BoT trimmed growth forecast again
21-Jun-21	Market Musings	TH: Policy Preview: BoT to hold, maintain accommodation
17-Jun-21	Market Musings	ID: Policy Review: Bank Indonesia holds again
09-June-21	Fixed Income Navigator	3Q2021: Raging bear
25-May-21	Market Musings	ID: Policy Review: Bank Indonesia's show of strength
06-May-21	Market Musings	MY: Policy Review: BNM maintains upbeat growth outlook
05-May-21	Market Musings	TH: BoT Policy Review – Concerns On Virus & Vaccines
04-May-21	Market Musings	MY: Policy Preview: BNM likely to hold despite risks
30-Apr-21	Market Musings	TH: Policy Preview – Dovish BoT Amid Virus Spike
20-Apr-21	Market Musings	ID: Policy Review: Bank Indonesia holds again
14-Apr-21	Market Musings	SG: MAS Review: Growth versus core inflation
14-Apr-21	Market Musings	MY: Malaysia FX policy: Relaxation is good
08-Apr-21	Market Musings	SG: MAS Preview: Inching towards normalization
07-Apr-21	Market Musings	TH: 2Q21 ThaiGB supply: The storm has passed

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