BOND+SUKUK INFORMATION EXCHANGE

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NEWS UPDATE

1 September 2021

MARKET SUMMARY

US Treasury	Yield 30 Aug 21	Daily Change bps	Yield 27 Aug 21	Weekly Change bps	Yield 23 Aug 21	Monthly Change bps	Yield 30 July 21	YTD Change bps	Yield 31 Dec 20
3 YEAR	0.40	-1	0.41	-3	0.43	5	0.35	23	0.17
5 YEAR	0.77	-2	0.79	-1	0.78	8	0.69	41	0.36
7 YEAR	1.07	-2	1.09	2	1.05	7	1.00	42	0.65
10 YEAR	1.29	-2	1.31	4	1.25	5	1.24	36	0.93

MGS	Yield 30 Aug 21	Daily Change bps	Yield 27 Aug 21	Weekly Change bps	Yield 23 Aug 21	Monthly Change bps	Yield 30 July 21	YTD Change bps	Yield 31 Dec 20
3 YEAR	2.34	-1	2.35	-1	2.35	6	2.28	46	1.88
5 YEAR	2.68	-1	2.69	1	2.67	6	2.62	58	2.10
7 YEAR	3.04	-1	3.05	-1	3.05	2	3.02	65	2.39
10 YEAR	3.19	-4	3.23	-3	3.22	2	3.17	54	2.65

GII	Yield 30 Aug 21	Daily Change bps	Yield 27 Aug 21	Weekly Change bps	Yield 23 Aug 21	Monthly Change bps	Yield 30 July 21	YTD Change bps	Yield 31 Dec 20
3 YEAR	2.36	-3	2.39	0	2.36	6	2.30	44	1.92
5 YEAR	2.64	-2	2.66	-1	2.65	3	2.61	38	2.26
7 YEAR	3.16	0	3.16	0	3.16	17	2.99	65	2.51
10 YEAR	3.31	-1	3.32	-5	3.36	2	3.29	50	2.81

AAA	Yield 30 Aug 21	Daily Change bps	Yield 27 Aug 21	Weekly Change bps	Yield 23 Aug 21	Monthly Change bps	Yield 30 July 21	YTD Change bps	Yield 31 Dec 20
3 YEAR	2.76	0	2.76	3	2.73	5	2.71	31	2.45
5 YEAR	3.09	0	3.09	1	3.08	4	3.05	39	2.70
7 YEAR	3.41	3	3.38	5	3.36	4	3.37	46	2.95
10 YEAR	3.71	0	3.71	0	3.71	-5	3.76	45	3.26

- 1 bps = 0.01%
- Increase in Yield = Decrease in the bond price/value

Source: US Treasury, BNM & BIX Malaysia

NEWS UPDATE

Today's headlines of interest and summaries as extracted from the international and local media.

THE EDGE

Banks continued to set aside additional provisions against potential credit losses

Banks continued to set aside additional provisions against potential credit losses, which stood at 1.9% of total banking system loans. Bank Negara Malaysia (BNM) in its monthly highlights, July 2021 report said the overall gross impaired loans ratio increased marginally to 1.7% (June 2021: 1.6%), driven by the household segment.

"Banks continued to facilitate repayment assistance for viable borrowers facing temporary financial difficulties amid a credit risk outlook that remains challenging," the central bank said.

Meanwhile, the banking system's liquidity position remained supportive of financial intermediation, it said.

The banking system continued to maintain healthy liquidity buffers with the liquidity coverage ratio (LCR) remaining strong in July (June 2021: 149.1%).

"Banks' funding profile remained stable amid sustained growth in deposits as individuals, businesses and non-bank financial institutions continued to maintain precautionary cash buffers," BNM added.

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THE STRAITS TIMES

Malaysia's fiscal deficit to rise to level seen during global financial crisis

Malaysia's fiscal deficit for 2021 should hit a level similar to that seen during the global financial crisis more than a decade ago, according to the government's first-ever pre-budget statement.

Released on Tuesday (Aug 31), the country's Independence Day, the pre-budget statement showed the fiscal deficit reaching between 6.5 per cent and 7 per cent for 2021, higher than the 5.4 per cent initially estimated. The deficit reached 6.7 per cent during the 2008-2009 global financial crisis.

Malaysia's economy has been battered since a budget projection was first made late last year, with the country beset by surging Covid-19 infections and repeated lockdowns for much of the year. The health and economic crisis ultimately led to a change in government.

The Ministry of Finance (MOF) on Tuesday also said that there was a need to raise the ceiling for debt to the gross domestic product (GDP) ratio, given the country's economic situation. As of June, the ratio stood at 56.8 per cent, with the ceiling set at 60 per cent.

"There is a need to increase the statutory debt limit to provide additional fiscal space in strengthening the domestic economy and ensuring a sustainable recovery," the ministry said in its statement.

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CNBC

Treasury yields rise as jobs data, central banks remain in focus

Treasury yields rose on Tuesday, as investor focus remained on a key jobs report due out later in the week and central bank policy in Europe.

The yield on the benchmark 10-year Treasury note climbed more than 2 basis points to 1.309%. The yield on the 30-year Treasury bond rose more than 2 basis points to 1.925%. Yields move inversely to prices and 1 basis point is equal to 0.01%.

Treasury yields were lower earlier in the session but moved higher following comments from members of the European Central Bank. The euro zone reported its highest inflation reading in a decade.

“The markets were surprised because we had a couple of ECB members deliver rather hawkish rhetoric. And that kind of kickstarted the move higher in global bond yields,” said Ed Moya, senior market analyst at Oanda.

The August nonfarm payroll report is due to be released at 8:30 a.m. ET on Friday. Economists polled by Dow Jones expect 750,000 jobs were created in August and the unemployment rate fell to 5.2%.

The Federal Reserve is monitoring the recovery in the labor market to gauge when it should tighten monetary policy in the U.S. .

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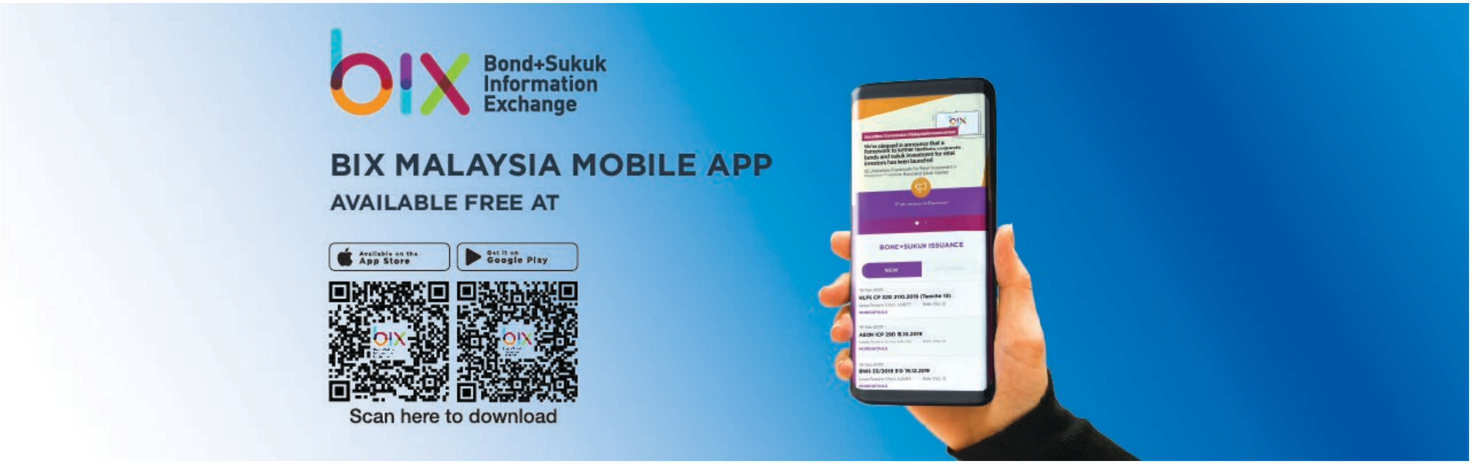

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