

## Daily Market Outlook

12 November 2021

### Rates Themes/Strategy

- Treasury market was closed overnight but upon Asia open selling was seen pushing up UST yields by 1-4bp across the curve with the belly underperforming thus far. Gilt yields were trading in ranges on Thursday as UK reported slower than expected Q3 GDP, but SONIA pricing got a tad more hawkish, going half-way/almost fully back to pre-BoE MPC meeting levels across contracts. SONIA pricing of a terminal rate of 1% still looks overly hawkish to us.
- That said, inflation concerns, and the subsequent CB expectations appear to outweigh (soft) economic data at the moment, with the market reaction to Australia's employment report a case in point. Next week brings UK's labour market report.
- Month-to-date the UST 10Y nominal yield is little changed upon the higher breakeven and lower real yield. From here, the bias is for inflation expectations to be sustained, and for some potential for real yield to edge higher, a combination that may push up nominal yield
- In China, focus is shifting to the total of CNY1trn of MLF that mature next week and later this month. A full or near-full (at least CNY800bn) rollover is probably needed to continue to support the domestic market, assuming there is no near-term RRR cut.
- In MYR space, despite some expected fluctuations, we maintain our year-end targets for the 3Y and 5Y MGS yields at 2.6% and 3.1% respectively, in the absence of a hawkish monetary outlook domestically.

**Frances Cheung, CFA**

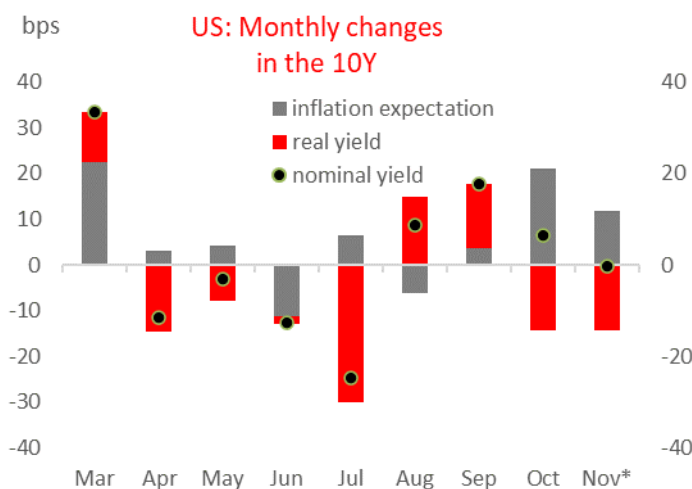
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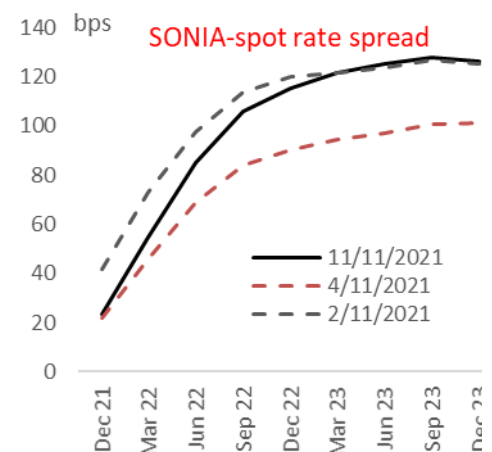
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Source: Bloomberg, OCBC \*as of 11 November



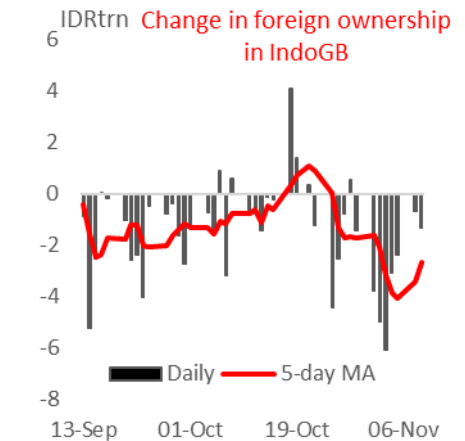
Source: Bloomberg, OCBC

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### IDR:

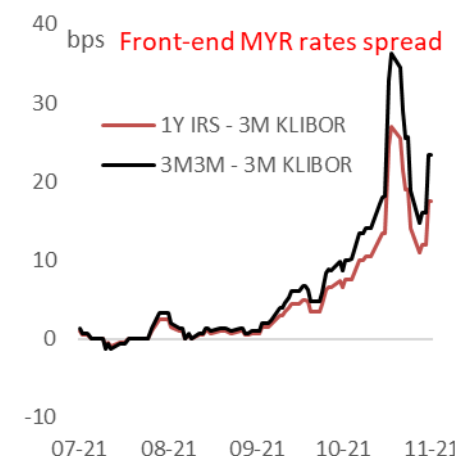
IndoGBs outperformed USTs on Thursday with local yields up by 2-3bp only, supported by a lack of bond supply and domestic liquidity. Foreign outflows continued. Offers of DNDf and some (not particularly huge) equity inflows have helped support the Rupiah, against the broader dollar strength. Latest data still show bond outflows, however. Cumulative outflows from IndoGBs amounted to IDR63trn since the trend started on 9 September; foreign holdings of IndoGBs stood at IDR927trn as of 9 November. Foreign investors may hesitate to invest substantially in the domestic bonds as long as global yields remain volatile.



Source: Bloomberg, OCBC

### MYR:

MGS yields went higher on Thursday following USTs, with the 3-7Y sector underperforming. Despite some expected fluctuations, we maintain our year-end targets for the 3Y and 5Y MGS yields at 2.6% and 3.1% respectively, in the absence of a hawkish monetary outlook domestically. Meanwhile, the pattern of smaller auction sizes continues with the upcoming MYR2bn of 15Y bond. On the macro front, Q3 GDP is due out later today, with the economy expected to have shrunk yoy, mainly dragged by private consumption amid MCO restriction orders while exports were supportive.



Source: Bloomberg, OCBC

### CNY:

The PBoC continued with its daily CNY100bn of OMO this morning, matching today's maturing amount, in line with our expectation for OMOs to go back to neutral. Still, uncertainty is there regarding next week's OMOs upon the heavy maturity profile because of this week's operations. Focus is also on the total of CNY1trn of MLF that mature next week (CNY800bn) and later this month (CNY200bn). A full or near-full (at least CNY800bn) rollover is probably needed to continue to support the domestic market, assuming there is no near-term RRR cut. The liquidity backdrop shall set a floor to CNY rates and CGB yields.

## Treasury Research & Strategy

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