

## Daily Market Outlook

15 November 2021

### Rates Themes/Strategy

- Yield curves were mildly steeper in major DMs over the weekend but price actions were overall limited. The Fed released its first monthly purchase schedule after they decided to taper. Total planned purchases are reduced from USD80bn to USD70bn according to their taper plan; purchases will be reduced across sectors except the 10Y-22.5Y sector. The 20Y bond pared losses after the release of the schedule. While there is no guarantee the taper pattern will repeat itself in the months ahead, continued purchase of the same amount of the 10Y-22.5Y sector for the month is likely to help in the near-term, when there is a 20Y coupon auction this week.
- Inflation concern appears to remain as the main driver in the DM bond space, with breakevens on the rise including those in the USD and AUD markets. In USTs, the 10Y real yield fell while inflation expectation went higher, leaving the 10Y nominal yield little changed on the month so far. The recent downward drift in real yield may be more appropriately seen as a by-product of higher inflation expectations, rather than investors becoming yet more pessimistic towards the growth outlook.
- That said, today's focus in Asia may indeed be on growth. This morning Japan's Q3 GDP surprised a lot to the downside, while China is due to release its October economic activity data – slowdown is already expected but again investors watch out for surprises.
- In China, the PBoC fully rolled over the total of CNY1trn MLF maturing this month. Although there was OMO withdrawals, the provision of longer-term liquidity via MLF shall be supportive of money market sentiment.

**Frances Cheung, CFA**

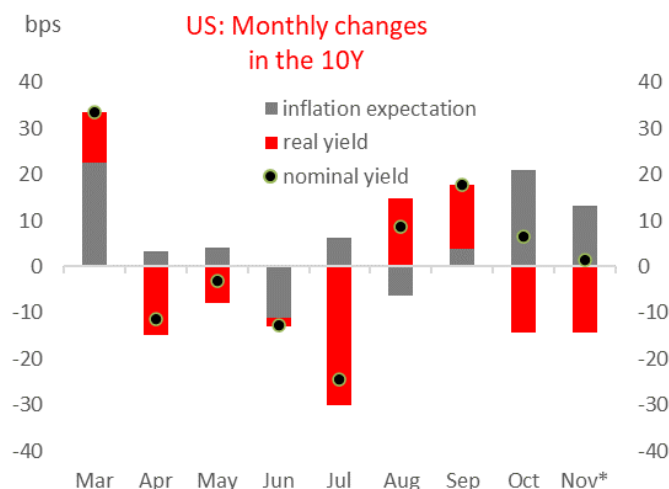
Rates strategist

+65 6530 5949

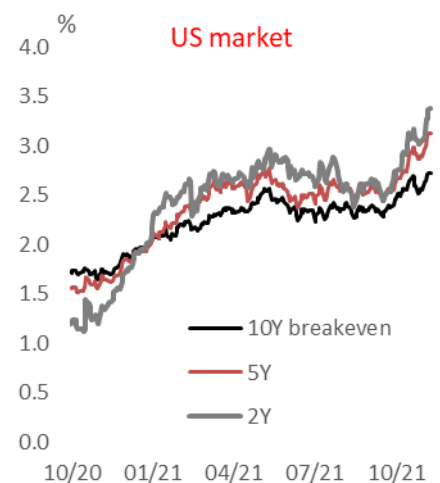
[francescheung@ocbc.com](mailto:francescheung@ocbc.com)

**Treasury Research**

Tel: 6530-8384



Source: Bloomberg, OCBC \*as of 12 November



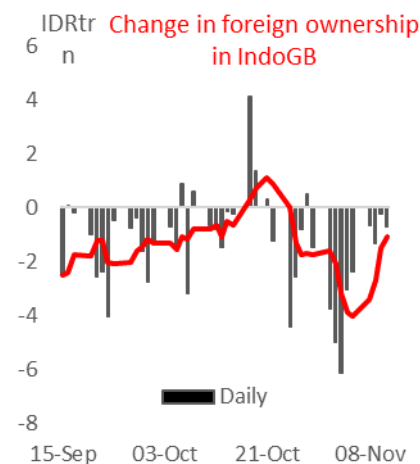
Source: Bloomberg, OCBC

## Daily Market Outlook

15 November 2021

### IDR:

IndoGBs were traded in ranges on Friday, while USD/IDR faced some selling pressure on profit-taking flows and expected equity inflows. Meanwhile, bond outflows continued. Cumulative outflows from IndoGBs amounted to IDR64trn since the trend started on 9 September; foreign holdings of IndoGBs stood at IDR926trn as of 11 November. As global yields remain unsettled, foreign investors may hesitate to invest substantially in the domestic bonds where nominal yield spreads had been compressed. Stuck between a favourable domestic conditions and global uncertainty, the resistance for the 10Y bond (FR91) at 6.0% is not easily broken. Bank Indonesia is widely expected to keep its key rate unchanged at the MPC meeting on Thursday; the central bank has signaled they are in no rush to tighten.



Source: Bloomberg, OCBC

### MYR:

MGS initially traded on a cautious tone on Friday following USTs; upon the weak Q3 GDP report, MGS got supported which ended the day with yields lower across the 3Y to 7Y segment. The Malaysia economy shrank by 4.5% yoy in Q3, worse than consensus of a 2.6% contraction. The downside surprise came from exports, which fell short of customs data. The 3Y and 5Y yields are trading around our year-end targets of 2.6% and 3.1%, which shall continue to consolidate around these levels, in the absence of a hawkish monetary policy outlook domestically. FX swap points were a tad lower, probably on the back of year-end funding need.

### CNY:

The PBoC fully rolled over the total of CNY1trn of MLF that mature on Tuesday and on 30 November. Meanwhile, the daily OMO stays at CNY10bn this morning, thereby net withdrawing CNY90bn from the market. The reverse repo maturity profile remains heavy for the rest of the week; if CNY10bn daily patterns continue, there means a total net OMO withdrawal of CNY450bn on the week. On balance, the provision of longer-term liquidity (via MLF) shall outweigh the OMO withdrawals which mostly respond to daily fluctuations in the market liquidity conditions, and be supportive of money market sentiment.

## Treasury Research & Strategy

### Macro Research

**Selena Ling***Head of Research & Strategy*[LingSSSelena@ocbc.com](mailto:LingSSSelena@ocbc.com)**Tommy Xie Dongming***Head of Greater China Research*[XieD@ocbc.com](mailto:XieD@ocbc.com)**Wellian Wiranto***Malaysia & Indonesia*[WellianWiranto@ocbc.com](mailto:WellianWiranto@ocbc.com)**Howie Lee***Thailand & Commodities*[HowieLee@ocbc.com](mailto:HowieLee@ocbc.com)**Herbert Wong***Hong Kong & Macau*[herberhtwong@ocbcwh.com](mailto:herberhtwong@ocbcwh.com)

### FX/Rates Strategy

**Frances Cheung***Rates Strategist*[FrancesCheung@ocbc.com](mailto:FrancesCheung@ocbc.com)**Terence Wu***FX Strategist*[TerenceWu@ocbc.com](mailto:TerenceWu@ocbc.com)

### Credit Research

**Andrew Wong***Credit Research Analyst*[WongVKAM@ocbc.com](mailto:WongVKAM@ocbc.com)**Ezien Hoo***Credit Research Analyst*[EzienHoo@ocbc.com](mailto:EzienHoo@ocbc.com)**Wong Hong Wei***Credit Research Analyst*[WongHongWei@ocbc.com](mailto:WongHongWei@ocbc.com)

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).

Co.Reg.no.:193200032W