

Daily Market Outlook

17 November 2021

Rates Themes/Strategy

- UST curve bearish steepened mildly on the strong retail sales amid a risk-on trading session overnight. Bullard, understandably a hawk, was again on the wire with hawkish comments. In addition to his opinion that the Fed could speed up taper, he went further to say the Fed can allow runoff of the balance sheet at the end of taper instead of waiting on that decision (on reinvestment) for a while. Since early August, the 10Y UST yield has been trading with higher lows, where the 1.55% level now is a strong resistance for the bond, while upsides to the yield are at the previous highs of 1.70% and then 1.77%. Tonight's 20Y coupon auction is closely watched, after the lukewarm 30Y auction last week, while the Fed has decided not to taper purchases in the 10Y to 22.5Y segment this month.
- Treasury's Yellen warned about running out of cash, and this time set the deadline on 15 December. Treasury's cash balance stood at USD211.7bn as of 15 November. Yield on the bill maturing on 23 December edged up but the kink along the bill yield curve is not obvious, suggesting investors are not overly worried about the debt ceiling issue, while flush liquidity is another factor. Usage at the Fed's o/n reverse repo rose to USD1.467trn on Tuesday.
- In the GBP space, front-end and the belly of Gilts underperformed, after a decent labour market report which covered the first month after the end of the furlough program in September. BoE Governor Bailey has said the jobs data would be one of the last indicators to watch before the MPC decides when to raise rate. SONIA pricing was however little changed, as it was already well ahead of the curve.

Frances Cheung, CFA

Rates strategist

+65 6530 5949

francescheung@ocbc.com

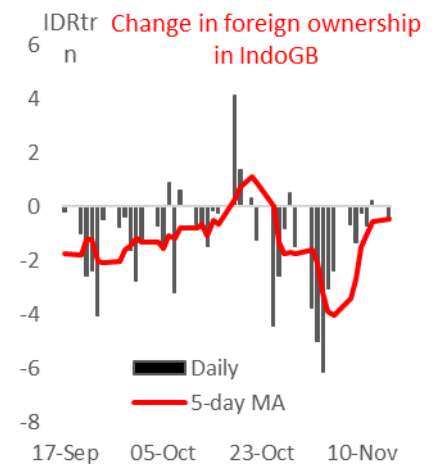
Treasury Research

Tel: 6530-8384



IDR:

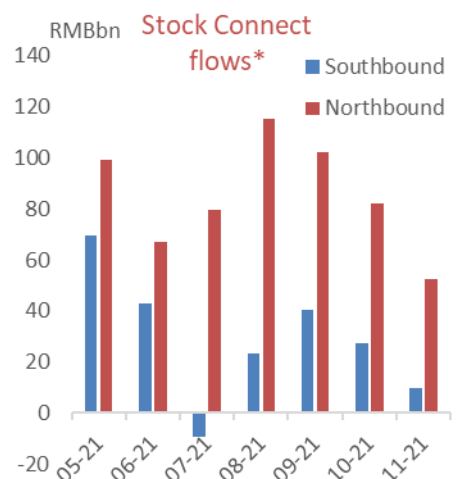
IndoGBs yields edged lower in tight ranges on Tuesday, despite the higher global yields and the mildly higher USD/IDR. The bond flow dynamic stabilized recently in that the daily outflows were smaller and there was one day of inflows. Still, foreign investors may hesitate to invest substantially in the domestic bonds where nominal yield spreads had been compressed and global yields are still on the rise. We watch if the 6.0% level for the 10Y bond (FR91) is broken; but we remain of the view that the 10Y yield is unlikely to trade below this level sustainably despite the favourable domestic conditions. On the policy front, 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 yields were better anchored at the 1Y to 7Y segment than the longer end on Tuesday as yields largely went higher with UST yield. Bias is on the upside for yields today given global market development but again we look for front-end and the belly of the MGS curve to behave more resiliently in the absence of a hawkish monetary policy outlook domestically. FX swap points still traded with better offering interest likely on the back of year-end funding need, which is supporting asset swap trades. Inflows into MYR bonds continued in October. EPF said about 6.1mn of its members have less than MYR10K in their accounts, with which 3.6mn have less than MYR1K. These are the results after previous withdrawals, which should carry no further implication on MGS demand.

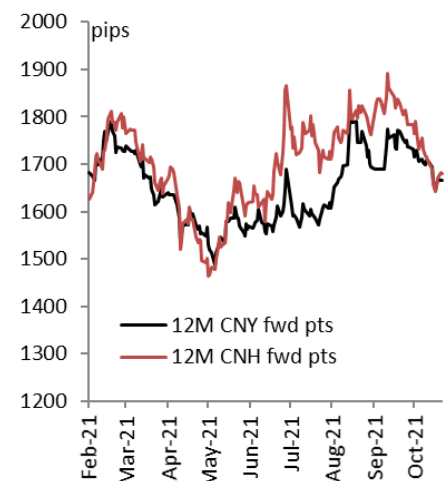


Source: CEIC, OCBC
*as of 16 November

CNY / CNH:

The PBoC again did CNY50bn of OMO this morning, thereby net withdrawing CNY50bn of liquidity from the market. While showing intention to support market liquidity, the PBoC did not provide extra liquidity. The impact therefore is likely a mitigation on the upward pressure on rates/yields arising from the better-than-expected economic data and a lack of more broad-based easing. CNY950bn of MLF matures in December; after which the MLF maturity profile becomes lighter. New LGB supply for November is estimated at CNY605.4bn based on the "deployed" annual quota of CNY4267.6bn.

In the offshore CNH market, back-end CNH point has been falling more rapidly than onshore CNY point, likely on the back of the more constructive RMB outlook; but given the liquidity constraint in CNH, offshore points shall not trade below onshore points sustainably. There was some liquidation on Southbound Stock Connect holdings for four day in a row, while Northbound flows continued, pointing to limited – if any – addition to the CNH liquidity pool.



Source: Bloomberg, OCBC

Treasury Research & Strategy

Macro Research

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

FX/Rates Strategy

Frances Cheung*Rates Strategist*FrancesCheung@ocbc.com**Terence Wu***FX Strategist*TerenceWu@ocbc.com

Credit Research

Andrew Wong*Credit Research Analyst*WongVKAM@ocbc.com**Ezien Hoo***Credit Research Analyst*EzienHoo@ocbc.com**Wong Hong Wei***Credit Research Analyst*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