

Global Markets Daily

Risk of Faster Fed Tightening Looms

Hawkish Powell, AxJ FX Not Spared But Drags Smaller Vs. DMs

Markets interpreted Powell's comments overnight as another hawkish tilt in Fed stance, with markets now pricing in almost 5 hikes this year compared to around 4 prior. In terms of spillovers to FX, MTD performances suggest that drags on AxJ FX from Fed concerns could be a tad more modest in extent versus DM FX, partly casualties of ensuing broad dollar strength. Among AxJs, lower-yielding THB and KRW may see some softness in the interim, with the latter likely exposed to swings in global equity sentiments as well. SGD could be shielded to some extent by MAS's recent pre-emptive tightening efforts, while elevated oil prices could help MYR avoid deeper losses.

March Hike Likely, Flexibility for Faster Pace of Tightening

There are a few key takeaways from the FoMC and we sum up as follows: (1) March lift-off is highly likely and well-priced by markets since weeks ago as Fed indicated that rate hikes "will soon be appropriate" and officials were "of a mind" to raise rate in Mar; (2) Fed opens up flexibility, optionality and created room to allow for rates to go higher as the statement left out phrases such as "gradual" or "measured", which were previously used in the last tightening cycle to indicate tightening path; (3) sense of urgency at the Fed as high inflation threat is real. It is likely Fed will unwind policy levers fairly quickly - via faster and more frequent pace of hikes as well as running off its balance sheet. In particular, Powell laid the road map for policy normalisation in saying that taper will end in early Mar and Fed to begin shrinking balance sheet after rate increases commence. Decision on timing and pace of balance sheet reduction will be made at coming meetings. On net, the Fed can be interpreted as taking another hawkish tilt with faster pace of tightening now a base case scenario as Fed now sees "risk that high inflation will be prolonged".

US Durable Goods, 4Q GDP, China Industrial Profits on Tap

Key data of interest today include US Durable goods, pending home sales (Dec) and 4Q GDP, UK CBI reported sales (Jan), Japan Machine tool orders (Dec), China Industrial profits (Dec). NZ CPI (4Q) came in

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G7: Events & Market Closure

Date	Ctry	Event
26 Jan	AU	Market Closure
26 Jan	CA	BoC Policy Decision
27 Jan	US	Fed Policy Decision

AXJ: Events & Market Closure

Date	Ctry	Event
26 Jan	IN	Market Closure

FX: Overnight Closing Levels/ % Change

Majors	Prev Close	% Chg	Asian FX	Prev Close	% Chg
EUR/USD	1.1240	↓ -0.54	USD/SGD	1.347	↑ 0.20
GBP/USD	1.3463	↓ -0.28	EUR/SGD	1.514	↓ -0.35
AUD/USD	0.7115	↓ -0.50	JPY/SGD	1.1756	↓ -0.42
NZD/USD	0.6652	↓ -0.52	GBP/SGD	1.8136	↓ -0.10
USD/JPY	114.64	↑ 0.67	AUD/SGD	0.9585	↓ -0.30
EUR/JPY	128.86	↑ 0.12	NZD/SGD	0.8963	↓ -0.30
USD/CHF	0.9237	↑ 0.62	CHF/SGD	1.4578	↓ -0.42
USD/CAD	1.267	↑ 0.32	CAD/SGD	1.064	↓ -0.04
USD/MYR	4.1905	↑ 0.01	SGD/MYR	3.1171	↓ -0.02
USD/THB	32.963	↓ -0.28	SGD/IDR	10672.96	↓ -0.08
USD/IDR	14353	↑ 0.01	SGD/PHP	38.1481	↓ -0.04
USD/PHP	51.303	↑ 0.09	SGD/CNY	4.7001	↓ -0.10

Implied USD/SGD Estimates at 27 January 2022, 9.00am

Upper Band Limit	Mid-Point	Lower Band Limit
1.3481	1.3756	1.4031

G7 Currencies

■ **DXY Index - Bid on Hawkish Fed.** UST yields, USD rose while US equities reversed gains overnight in response to hawkish comments made by Fed Chair Powell at the press conference. There are a few key takeaways from the FoMC and we sum up as follow: (1) **March lift-off is highly likely** and well-priced by markets since weeks ago as Fed indicated that rate hikes “will soon be appropriate” and officials were “of a mind” to raise rate in Mar; (2) **Fed opens up flexibility, optionality and created room to allow for rates to go higher** as the statement left out phrases such as “gradual” or “measured”, which were previously used in the last tightening cycle to indicate tightening path; (3) **sense of urgency at the Fed** as high inflation threat is real. It is likely Fed will unwind policy levers fairly quickly - via faster and more frequent pace of hikes as well as running off its balance sheet. In particular, Powell laid the road map for policy normalisation in saying that taper will end in early Mar and Fed to begin shrinking balance sheet after rate increases commence. Decision on timing and pace of balance sheet reduction will be made at coming meetings. He did point to the use of redemption caps to roll off balance sheet (like in 2017-19) instead of selling its holdings outright (to stem earlier speculation that Fed may consider this option). On net, the Fed can be interpreted as taking another hawkish tilt with faster pace of tightening now a base case scenario as Fed now sees “risk that high inflation will be prolonged”. In not pushing back markets’ pricing for 4 hikes this year, it is likely that one can expect Fed’s dot plot to shift hawkish again at Mar FoMC (current guidance as of Dec was for 3 hikes in 2022). Risk proxies, including AXJs and lower/negative yielding majors such as EUR, JPY and CHF could trade on the backfoot in the interim amid re-pricing of faster Fed. But we expect this negative effect to fade as aggressive tightening has already been priced to some extent. Fed needed to make an aggressive stance to restore its inflation fighting credibility but at the same time it does not want to derail employment, growth. Moreover, Asian economies are on a better footing today and central banks in the region have the room to tighten if need arises. On this note, we still like to fade USDAXJ rallies. That said geopolitical concerns between US-Russia over Ukraine remain and that, alongside correction in equity markets could temporarily weigh on risk proxies, including KRW. DXY was last at 96.55. Daily momentum is mild bullish while RSI rose. Resistance at 97 levels (upper bound of previous channel). Support at 96/96.10 (50% fibo, 50DMA), 95 (100DMA), 94.50 (38.2% fibo retracement of 2020 high to 2021 low). Week remaining brings Durable goods, pending home sales (Dec); GDP (4Q) on Thu; PCE core, personal income, spending (Dec); Kansas City Fed mfg, Uni of Michigan sentiment (Jan); Employment cost index (4Q) on Fri.

■ **EURUSD - Heavy Bias.** EUR fell as 2y EU-UST yield differentials widened to another record of -183bps (vs. -135bps at start of year) amid growing policy divergence between Fed (more hawkish tilt) and ECB. Elsewhere, geopolitical tensions between US-Russia over Ukraine is still not abating as US offered no concessions in response to Russia’s demand to ban Ukraine from joining NATO. But US did

outline areas in which some of Russia's concerns might be addressed provided it de-escalate tensions with Ukraine. There was no immediate response from Russia at time of writing. We had indicated the whole situation puts EU in a difficult position as the bloc relies heavily on Russia for energy consumption (40% gas comes from Russia). As much as Europe may want sanctions to serve as a deterrent on Russia, the EU may need to be careful in joining allies on imposing sanctions or fear choking off energy supplies. A potential conflict could put exacerbate on Europe's shortage gas situation. EUR was seen at 1.1230 levels. Daily momentum is mild bearish while RSI fell. Risks remain skewed to the downside. Support at 1.1190 (Nov low).. Resistance at 1.1260 levels (76.4% fibo), 1.1320/40 (21, 50 DMAs), 1 and 1.1410 (23.6% fibo retracement of Nov low to Jan high). Week remaining brings Consumer confidence (Jan); German GDP (4Q) on Fri.

■ **GBPUSD - Tactical Buy.** GBP slipped amid USD strength on hawkish Fed. Pair was last at 1.3445 levels. Bearish momentum on daily chart intact while RSI's decline is near oversold conditions. We still favor buying dips as markets could soon shift its focus away from Fed to BoE (MPC next Thu). Immediate support at 1.3420 (50DMA, 38.2% fibo retracement of Nov high to Dec low) before 1.3320 (23.6% fibo). Resistance at 1.35 (50% fibo), 1.3540 (100 DMA), 1.3570/80 (61.8% fibo, 21 DMA). We favor buying dips on the back of BoE hawkish shifts, stimulus spending and growth normalizing. Day ahead brings CBI reported sales (Jan) on Thu.

■ **USDJPY - Upswing; Bearish Momentum Moderating.** Last seen at 114.60, about 80pips higher versus levels seen yesterday morning. Main trigger was FoMC press conference. Markets interpreted Powell's comments as another hawkish tilt in Fed stance, with markets now pricing in almost 5 hikes this year compared to around 4 prior. Dollar and UST yields are broadly higher, both positive for the USDJPY pair. In particular, UST10Y yield is now back above 1.8% again; last seen at 1.84%. We note that US equities were largely positive prior to the FoMC release, but gave up gains as Powell's briefing ensued. Some haven demand for JPY intact, but more likely to temper rather than offset impact of higher dollar and UST yields. Pair could remain supported in the interim. Bearish momentum on daily chart is moderating while RSI is climbing higher. Support at 114.45 (50.0% fibo retracement from Nov low to Jan high), 113.40 (76.4% fibo). Resistance at 114.90 (38.2% fibo), 115.45 (23.6% fibo).

■ **NZDUSD - Under Pressure.** NZD continued to trade lower amid hawkish Fed, equity sell-off and covid-related restrictions in NZ to slow Omicron spread. NZD was last at 0.6625 levels. Daily momentum is bearish while RSI fell. Risks to the downside. Next support here at 0.6620 and 0.65 levels. Resistance at 0.6780 (21 DMA), 0.6820 (50 DMA) and 0.69 levels. Week remaining brings Consumer confidence (Jan) on Fri. On data released this morning, 4Q CPI rose 5.9% y/y, up from 4.9% in 3Q. But data was overwhelmed by FoMC.

- **AUDUSD - Bears Invigorated by Hawkish Fed, Eyes on RBA next Tue.** US equities sank on the FOMC policy statement and press conference. Fed Powell was hawkish as he expressed his concerns on price stability and that PCE forecasts could be raised “a few tenths”. Timing of the first rate hike is almost certain to be in Mar but there was no commitment to the pace of rate hikes, opening the door to a potentially more aggressive schedule than the median estimate of (three (25bps) hikes for 2022) as suggested by the Dec dots plot. Powell even acknowledged that inflation has to be reined in for the economy to return to expansion. He was confident that rate increases will not affect labour market. AUDUSD slumped towards the 0.7080-support overnight before stabilizing around the 0.71-handle. Support at 0.7080 before the next at 0.6990. **The current weakness of the AUD could mean more room for RBA to make a hawkish shift next Tue. We remain constructive on this pair as we expect risk reward to remain skewed to the upside for the next RBA meeting. RBA has stressed on patience as Australia has a different inflation profile compared to most other developed nations but the three considerations that the central bank flagged for its normalization path included “actions of other central banks”. The greater momentum in monetary policy tightening seen in other central banks increase the room for RBA to become more open to raising cash target rate this year instead of Lowe’s past reiterations that rate hike in 2023 is “more likely”. We acknowledge that the employment and inflation targets remain the most important consideration for the RBA in its policy consideration and recent labour market report (Dec unemployment rate better than end 2021 forecast and is around 2022 projection) and inflation numbers (underlying at >7-year high) suggest that there is resilience even as the latest flash PMI numbers, NAB business survey reflect some impact from the Omicron wave. However, the wave has showed signs of peaking already and economic damage may be limited. There have been anecdotes of worker shortage in Australia and this could be the best economic condition (covid-linked impact on worker supply, accommodative monetary policy) for the long-awaited wage growth to accelerate. We look for RBA to commence rate hikes as early as May and RBA may impart some forward guidance ahead of that. 4Q wage price index is due on 23 Feb. A strong print closer towards 2.5%/y (that would also imply multi-year high sequential acceleration) could firm 1Q CPI release in Apr could pave the way for an eventual rate lift-off in May. For the rest of the week, 4Q export and import price index are due on Thu before PPI on Fri.**
- **USDCAD - BoC Held Overnight Cash Rates and Readies Market for Hike.** BoC is likely to raise rates as soon as Mar. We had expected the central bank to raise rates in Jan due to the upbeat 4Q business outlook conducted but overnight rate was held unchanged at 0.25%, bank rate at 0.5% and deposit rate at 0.25%. **What the central bank did on 27 Jan was to remove “exceptional forward guidance on its policy interest rate”, kept the balance sheet unchanged by reinvesting bonds that have matured (and not starting the roll-off process). The central bank clarified that balance sheet will remain roughly unchanged until the first rate hike. Economic**

assessment remains upbeat given the acknowledgement that “overall economic slack” is considered to have been absorbed. The Governing Council also ended its pledge to keep policy rate at the effective lower bound. **While the statement was perceived to be more dovish than expected, there is no question that BoC is taking another step further (albeit a smaller step than expected) to normalize its monetary policy.** The central bank could be concerned that an abrupt rate hike in Jan (3 months ahead of the projected 2Q-3Q) could see financial conditions tighten more quickly than desired. That said, rate hikes are an eventuality (expect Mar) as output gap is officially closed. USDCAD was lifted higher on the combination of hawkish Fed and more-dovish-than-expected BoC. Pair was last seen around 1.2680. Pair now hovers in the middle of the range traded in the past six months and there are room for two-way moves. Momentum is bullish we could see another attempt at the 1.2750-resistance. That said, we hold on to our view that a tightening BoC should render more support for the CAD, particularly in an environment of rising crude oil prices. We continue to prefer to lean against rallies towards 1.2750 and look for a decline towards 1.2370. Interim support at 1.2500. Completion of the head and shoulders formation would require this pair to head towards the 1.2320. Data-wise, CFIB business barometer for Jan is due on Thu.

Asia ex Japan Currencies

SGDNEER trades around +1.86% from the implied mid-point of 1.3756 with the top estimated at 1.3481 and the floor at 1.4031.

- **USDSGD - Upswing in Tandem with Dollar Strength.** USDSGD last seen around the 1.35-handle, up around 60pips compared to yesterday morning, as dollar swung higher on FoMC trigger overnight. Markets interpreted Powell's comments during his FoMC briefing as another hawkish tilt in Fed stance, with Powell leaving open the option for a faster pace of rate hikes and QT. In terms of spillovers to FX, overall trends could remain similar to what we saw in early Jan when US yields spiked. On the whole, drags on EM Asia FX could be more modest in extent versus DM FX, mostly casualties of ensuing broad dollar strength. SGD could also be shielded to some extent by MAS' pre-emptive tightening efforts earlier this week. On the USDSGD daily chart, momentum has turned mildly bullish while RSI is climbing higher. Resistance at 1.3500 (23.6% fibo retracement of Nov 2021 high to Jan low) is being tested and could be breached; next at 1.3550 (38.2% fibo), 1.3670 (76.4% fibo). Support at 1.3420 (Oct low), 1.3380 (Sep low), 1.32. On data releases, manufacturing output (+15.6%) climbed to a new high in Dec, driven by the volatile pharma segment and the recovery in transport engineering. Electronics (-2.9%) fell for the first time in 14 months as high base effects kicked in. Our economist team expects an upgrade in the 4Q final GDP growth to +6.5% (from advance estimate of +5.9%), given the better performance in manufacturing. Unemployment rate due Fri.
- **AUDSGD - Oversold, Bullish Divergence.** AUDSGD last seen at 0.9570, with momentum increasingly bearish. This cross tests the key support area at around 0.9560-0.9590. Stochastics flag oversold condition and recent price action has formed a bullish divergence against the MACD. Momentum may be bearish but there are signs of a turn. Afterall, MAS' pre-emptive calibration could mean less urgency for further tightening while laggard RBA could be on the cusp of further policy shift. Resistance at 0.9690 before 0.9770. That said, a break of the key support area (0.9560-0.9590) could lead the cross towards next support at 0.9450.
- **SGDMYR - Bulls Run into Fatigue.** SGDMYR slipped from recent highs in line with our caution for signs of fatigue as highlighted in GM Daily yesterday. Cross was last at 3.1130 levels. Bullish momentum shows signs of waning while RSI is turning lower from near overbought conditions. Risk of retracement lower. Support at 3.1110 levels (23.6% fibo retracement of 2021 low to 2021 double top), 3.1020 (21 DMA) and 3.0960 (38.2% fibo). Resistance at 3.12.
- **USDMYR - Momentum Turning Slight Bullish.** USDMYR gapped higher in the open this morning, in response to broad USD rebound following hawkish Fed. We opined that the Fed can be interpreted as taking another hawkish tilt with **faster pace of tightening now a base case scenario** as Fed now sees "risk that high inflation will be prolonged". In not pushing back markets' pricing for 4 hikes this year, it is likely that one can expect Fed's dot plot to shift hawkish again at Mar FoMC

(current guidance as of Dec was for 3 hikes in 2022). USDMYR was last at 4.2025 levels. Daily momentum is showing signs of turning mild bullish while RSI rose. Resistance at 4.2065 (50% fibo retracement of Nov high to Jan low), 4.2160 (61.8% fibo). Support at 4.1965 (38.2% fibo, 50 DMA), 4.1840 (23.6% fibo) and 4.1720 (200 DMA). Local equities was -0.20% this morning. Foreigners net bought \$5.1mio local equities on Wed. MTD foreign inflows into local equities was at \$124.1mio. On FI, our strategist noted that local government bonds market was quiet ahead of the FOMC outcome yesterday. The 15y GII 7/36 reopening was announced at an expected size of MYR3b. MYR IRS curve shifted 1-3bp higher on better paying interests across tenors. Offerors have been defensive throughout the session, and there was no interbank trade. 3M KLIBOR remained the same at 1.97%.

- **1m USDKRW NDF - Mild Bullish.** 1m USDKRW NDF resumed its rise overnight as markets moved to re-price a faster Fed. There were a few key takeaways from the FoMC and we sum up as follow: (1) **March lift-off is highly likely**; (2) **Fed opens up flexibility, optionality and created room to allow for rates to go higher** as the statement left out phrases such as “gradual” or “measured”; (3) **sense of urgency at the Fed** as high inflation threat is real. It is likely Fed will unwind policy levers fairly quickly - via faster and more frequent pace of hikes as well as running off its balance sheet. On net, the Fed can be interpreted as taking another hawkish tilt with faster pace of tightening now a base case scenario Risk proxies, including KRW could trade on the backfoot in the interim amid re-pricing of faster Fed. But we expect this negative effect to fade as aggressive tightening has already been priced to some extent. Elsewhere geopolitical tensions (US-Russia and North Korea firing missiles every other day) remain a risk to watch. Pair was last at 1203 levels. Daily momentum turned bullish while rise rose. Risks to the upside. Resistance at 1205, 1208 levels. Support at 1195 (21 DMA), 1189 (50 DMA).
- **USDCNH - BreakOut of the USDCNH.** USDCNH rose decisively alongside broader USD strength and was last at 6.3440. USDCNY reference rate was a tad higher at 6.3382 vs. median estimate of 6.3364. The higher fix adds further bullish momentum of the USDCNH. The move last night broke out of the falling wedge. We hold the view that there could be consolidation within the 6.32-6.37 range into February. We had mentioned before that while the shift to growth prioritization is positive for the RMB, we expect policy-divergence vs. the rest of the world (RoW) to eventually remove one of the currency’s supports (US-CH 10y yield differential narrowed further to -87bps vs. -120bps at the start of the year). That could be playing out now. Industrial profits softened to 4.2%/y from previous 9.0%. In news from home, focus remains on the property developer Evergrande Group who held a conference call with creditors on Wed, informing them of a restructuring plan pver the next six months. Separately, NDRC announced that an international sourcing platform for electronic components and integrated circuits will be built in Shenzhen for the city for China to be more self-sufficient in its plans to advance on technology.

- **CNHSGD - Bullish Momentum For Now, Rising Wedge.** CNHSGD was last seen around 0.2128. This cross is resisted by the 0.2129-level (38.2% Fibonacci retracement of the Dec-Jan decline). Next resistance at 0.2133 (50% fibo). We do not expect this cross to be able to extend much further as a rising wedge has formed, preceding a bearish reversal. Support remains at the 100-dma at 0.2117 before the next at 0.2113 and then at 0.2108.
- **1M USDINR NDF - Breaking Out Higher.** The 1M NDF extended higher in overnight trade and was last seen around 75.40, testing the resistance thereabouts. Next resistance at 75.65. Support at 74.95 before 74.50. We had warned of bullish risk for this pair and that has played out pretty well. At home, eyes are on the 2022-2023 Union Budget that would be delivered on 1 Feb. The government has flagged on its ambition to get India's sovereign debt to be included in international bond index and there are increasing expectations for the government to reduce capital gains tax to entice foreign investors. Other measures expected include certain relief measures to facilitate and support new entrepreneurs and other MSMEs. Given key state elections in the first half of the year (not least of all Uttar Pradesh), the budget could be an election budget.
- **USDVND - Bears in Control Still.** USDVND closed at 22649 on 26 Jan, vs. the previous 22668. Momentum indicators are still mildly bearish although there seems to be a bullish divergence. Key support at around 22625 remains intact. Next support is seen around 22570. Rebounds to meet resistance around 22700 before 22740. Fitch Ratings projects Vietnam to rebound with a 7.9% growth for 2022 on domestic demand recovery and strong exports.
- **1M USDIDR NDF - Supported.** 1M NDF last seen near 14,410, about 0.4% higher versus levels seen yesterday morning. Powell's hawkish-leaning comments during US FoMC briefing brought both USD and UST yields higher, concomitantly exerting upward pressures on USDIDR. Magnitude of upswing still appears to be somewhat contained for now. BI signalled start of pre-emptive policy normalization earlier this month, starting with a reserve ratio hike, which could help limit extent of divergence in Fed-BI policy paths. On the NDF daily chart, momentum and RSI are modestly bullish. Resistance at 14,470 (Jan high), 14,550 (Dec high). Support at 14,370 (200-DMA), 14,310 (100-DMA), 14,200 (76.4% fibo retracement from Dec low to Jan high).
- **USDTHB - Supported.** Last seen around 33.2, versus the sub-33 levels seen yesterday morning. Main trigger was broad dollar strengthening post-FoMC overnight. Markets interpreted Powell's comments as another hawkish tilt in Fed stance, with markets now pricing in almost 5 Fed hikes this year compared to around 4 prior. In particular, expectations for some policy divergence between an incrementally hawkish Fed and a dovish-leaning BoT could keep the USDTHB supported in the interim. Our economist team expects a first policy hike from BoT in 3Q (to 0.75%) before another 2 hikes in 2023. Bearish momentum on USDTHB daily chart has largely moderated while RSI is swinging higher from near-oversold conditions earlier. Resistance at 33.30 (50.0% fibo retracement from Nov 2021 low to

Dec 2021 high), 33.65 (23.6%). Support at 32.90 (76.4% fibo), 32.55 (Nov low). Foreign reserves due Fri.

- **1M USDPHP NDF - Supported.** 1m USDPHP NDF was last seen at 51.57, on a modest up-move overnight and this morning alongside upswing in USD and UST yields, on Fed hawkish signalling. Back in Philippines, exports for Dec grew by 7.1%/y (mildly lower than expected 7.5%), while imports surged 38.3%/y (vs. expected 29.5%), leading trade deficit to widen to US\$5214mn from US\$4706mn prior. Signs of larger trade deficits could weigh on PHP sentiments in the interim as well. On a more positive note, GDP growth for 4Q came in at 7.7%/y, above expected 6.3%. On the daily chart, bearish momentum shows tentative signs of moderating while RSI is on a gentle climb. Resistance at 52.15 (Jan high). Support at 51.20 (38.2% fibo retracement from Dec low to Jan high), 50.85 (50.0% fibo).

Malaysia Fixed Income

Rates Indicators

Analysts

MGS	Previous Bus. Day	Yesterday's Close	Change (bps)
3YR MH 6/24	2.82	*2.80/79	Not traded
5YR MO 11/26	3.30	3.28	-2
7YR MS 6/28	3.50	3.48	-2
10YR MO 7/32	3.69	3.67	-2
15YR MS 5/35	4.06	4.06	Unchanged
20YR MY 5/40	4.19	4.26	+7
30YR MZ 6/50	4.34	4.31	-3
IRS			
6-months	1.99	1.99	-
9-months	2.10	2.10	-
1-year	2.21	2.21	-
3-year	2.86	2.88	+2
5-year	3.13	3.15	+2
7-year	3.35	3.36	+1
10-year	3.55	3.56	+1

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Source: Maybank IBG Research

*Indicative levels

- Local government bonds market was quiet ahead of the FOMC outcome. Traders were better bidders on benchmark bonds, especially at the front end and belly of the curve where MGS yields lowered 2bp. The 15y GII 7/36 reopening was announced at an expected size of MYR3b. All eyes turn to the FOMC decision on the trajectory of QE taper and rate hikes.
- MYR IRS curve shifted 1-3bp higher on better paying interests across tenors. Offerors have been defensive throughout the session, and there was no interbank trade. 3M KLIBOR remained the same at 1.97%.
- In PDS, GGs traded mixed on balanced flows at the short end with spreads moving 2-3bp. Danainfra and PTPTN were better bid with spreads tightening 2-3bp, while LPPSA and quasi Cagamas widened 2-3bp. Rated corporate bonds also had mixed flows, though skewed towards better selling at the front end and belly sectors with spreads unchanged to 4bp wider. Notable was the weakening in Tenaga and other names traded include BGSM, Kesturi, UMWH and Genting Capital.

Singapore Fixed Income

Rates Indicators

SGS	Previous Bus. Day	Yesterday's Close	Change (bps)
2YR	0.99	1.00	+1
5YR	1.56	1.56	-
10YR	1.77	1.77	-
15YR	1.99	1.99	-
20YR	2.05	2.06	+1
30YR	2.09	2.09	-

Source: MAS (Bid Yields)

- SGD OIS retraced 1-4bp up following the UST curve action. SGS saw a few off-the-run bonds and the benchmark 10y being lifted in the market, and yields outperformed SGD rates being pretty much unchanged from previous close. SGD rates markets look towards the US FOMC and 5y SGS reopening auction.
- In Asia credit, risk sentiment somewhat recovered but volumes were low. China IGs tightened 2-4bp, mainly in the 10y bucket, on short covering. Tech credits like Lenovo and Meituan tightened 5bp. China IG property stayed defensive and spreads overall remained flat, except Longfor which tightened 5-15bp due to strong demand. HY space was fairly stable on balanced two-way flows. Shimao, however, remained better sold, primarily from fast money, after news of the company hiring an independent financial advisor at the request of offshore holders of its syndicated loans and the curve gapped 4-7pt lower. Non-China HYs generally traded flat. Asian sovereign bond space was rather quiet though spreads tightened 1-3bp with better demand for INDONs at the belly. All eyes on the FOMC outcome.

Indonesia Fixed Income

Rates Indicators

IDR Gov't Bonds	Previous Bus. Day	Yesterday's Close	Change
1YR	3.52	3.53	0.01
3YR	4.93	4.93	0.01
5YR	5.23	5.22	(0.01)
10YR	6.41	6.41	0.00
15YR	6.43	6.43	0.00
20YR	6.99	6.98	(0.01)
30YR	6.88	6.89	0.00

* Source: Bloomberg, Maybank Indonesia

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- Yesterday, Indonesian government bonds moved with relative limited movements. It seemed that most investors took a safety action before the Fed's monetary meeting. The Federal Reserve signalled its readiness to raise interest rates in mid-March amidst recent conditions of uncomfortably high inflation and a strong labour market. Tapering—the gradual halt of its monthly asset purchase—will end earlier that month. The central bank is preparing to start reducing its roughly US\$9trn balance sheet thereafter. Furthermore the geopolitical tension in Ukraine between Russian versus NATO Alliances. Russian and Ukrainian envoys are meeting in Paris to discuss efforts to calm the tensions on the border between the two countries. Senior diplomats from France and Germany will also attend. The meeting comes as America and some European countries have increased threats of sanctions against Russia, should the country invade Ukraine. The Biden administration has outlined various potential measures, including export controls and direct sanctions on Vladimir Putin, Russia's president.
- Meanwhile, on the domestic side, recent drastic increasing cases of COVID-19 had weakened investors' optimism on further economic recovery prospect. Daily cases have started to climb in Indonesia, reaching 7,010 yesterday. Then, according to Bloomberg, Bank Indonesia signals more hawkish stance ahead of key Fed's policy meeting. Indonesia's central bank adopted a more hawkish tone, signaling it's ready to strike early to temper volatility in the rupiah and bond yields as global markets sell off in anticipation of U.S. rate hikes. "The principle we will conduct with is what we call a preemptive, ahead-of-the curve, front-loading policy," Deputy Governor Dody Budi Waluyo said on Wednesday. "We will sequence all measures based on exchange-rate stability, liquidity management, and interest rate policy." The central bank would act depending on the latest inflation and rupiah development. "If there's no risk, we will keep our interest rate as today," he added. Bank Indonesia has used the phrase "preemptive, ahead-of-the curve, front-loading policy" at times when it's shifting directions, including when it delivered a surprise rate cut in August 2019 or before Governor Perry Warjiyo called an out-of-cycle meeting that kicked off 175 basis points of rate increases in 2018. Bank Indonesia has kept its benchmark interest rate at a record low 3.5% since last February, with Governor Perry Warjiyo saying the rate will remain unchanged until there are signs of rising inflation, which isn't expected until the third quarter. The yield on Indonesia's benchmark 10-year bonds were at 6.4% on Wednesday, having climbed almost 40 basis points from its November low. Still, that's a far cry from the highs of 8.9% in 2018 during the last Fed hike cycle.

Foreign Exchange: Daily Levels

	EUR/USD	USD/JPY	AUD/USD	GBP/USD	USD/CNH	NZD/USD	EUR/JPY	AUD/JPY
R2	1.1337	115.28	0.7216	1.3558	6.3469	0.6728	129.5400	82.5853
R1	1.1289	114.96	0.7165	1.3510	6.3412	0.6690	129.2000	82.0837
Current	1.1229	114.51	0.7075	1.3444	6.3481	0.6622	128.5700	81.0060
S1	1.1214	114.05	0.7080	1.3430	6.3268	0.6626	128.5600	81.1517
S2	1.1187	113.46	0.7046	1.3398	6.3181	0.6600	128.2600	80.7213
	USD/SGD	USD/MYR	USD/IDR	USD/PHP	USD/THB	EUR/SGD	CNY/MYR	SGD/MYR
R2	1.3519	4.1952	14378	51.3877	33.2523	1.5227	0.6638	3.1211
R1	1.3494	4.1929	14365	51.3453	33.1077	1.5184	0.6634	3.1191
Current	1.3501	4.2040	14390	51.4250	33.1600	1.5160	0.6631	3.1143
S1	1.3439	4.1886	14331	51.2233	32.8757	1.5114	0.6624	3.1155
S2	1.3409	4.1866	14310	51.1437	32.7883	1.5087	0.6619	3.1139

*Values calculated based on pivots, a formula that projects support/resistance for the day.

Policy Rates

Rates	Current (%)	Upcoming CB Meeting	MBB Expectation
MAS SGD 3-Month SIBOR	0.4375	Apr-22	Tightening Bias
BNM O/N Policy Rate	1.75	3/3/2022	Easing Bias
BI 7-Day Reverse Repo Rate	3.50	10/2/2022	Neutral
BOT 1-Day Repo	0.50	9/2/2022	Easing Bias
BSP O/N Reverse Repo	2.00	17/2/2022	Easing Bias
CBC Discount Rate	1.13	17/3/2022	Neutral
HKMA Base Rate	0.50	-	Neutral
PBOC 1Y Loan Prime Rate	3.70	-	Neutral
RBI Repo Rate	4.00	9/2/2022	Neutral
BOK Base Rate	1.25	24/2/2022	Tightening
Fed Funds Target Rate	0.25	27/1/2022	Tightening Bias
ECB Deposit Facility Rate	-0.50	3/2/2022	Easing Bias
BOE Official Bank Rate	0.25	3/2/2022	Tightening Bias
RBA Cash Rate Target	0.10	1/2/2022	Neutral
RBNZ Official Cash Rate	0.75	23/2/2022	Tightening
BOJ Rate	-0.10	18/3/2022	Easing Bias
BoC O/N Rate	0.25	26/1/2022	Tightening Bias

Equity Indices and Key Commodities

	Value	% Change
Dow	34,168.09	-0.38
Nasdaq	13,542.12	0.02
Nikkei 225	27,011.33	-0.44
FTSE	7,469.78	1.33
Australia ASX 200	6,961.63	-2.49
Singapore Straits Times	3,271.57	0.73
Kuala Lumpur Composite	1,515.76	0.45
Jakarta Composite	6,600.82	0.50
Philippines Composite	7,253.61	-0.47
Taiwan TAIEX	17,701.12	-1.40
Korea KOSPI	2,709.24	-0.41
Shanghai Comp Index	3,455.67	0.66
Hong Kong Hang Seng	24,289.90	0.19
India Sensex	57,858.15	0.64
Nymex Crude Oil WTI	87.35	2.04
Comex Gold	1,832.00	-1.24
Reuters CRB Index	251.93	1.26
MBB KL	8.30	0.85

MYR Bonds Trades Details

MGS & GII	Coupon	Maturity Date	Volume (RM 'm)	Last Done	Day High	Day Low
MGS 1/2017 3.882% 10.03.2022	3.882%	10-Mar-22	400	1.629	1.663	1.629
MGS 2/2015 3.795% 30.09.2022	3.795%	30-Sep-22	5	1.582	1.582	1.582
MGS 3/2013 3.480% 15.03.2023	3.480%	15-Mar-23	20	2.11	2.133	2.059
MGS 2/2018 3.757% 20.04.2023	3.757%	20-Apr-23	85	2.13	2.134	2.118
MGS 3/2019 3.478% 14.06.2024	3.478%	14-Jun-24	167	2.79	2.82	2.787
MGS 2/2017 4.059% 30.09.2024	4.059%	30-Sep-24	60	2.852	2.902	2.852
MGS 1/2018 3.882% 14.03.2025	3.882%	14-Mar-25	31	2.973	2.973	2.948
MGS 1/2015 3.955% 15.09.2025	3.955%	15-Sep-25	11	3.04	3.051	3.04
MGS 1/2019 3.906% 15.07.2026	3.906%	15-Jul-26	19	3.251	3.251	3.239
MGS 3/2016 3.900% 30.11.2026	3.900%	30-Nov-26	148	3.27	3.303	3.258
MGS 3/2007 3.502% 31.05.2027	3.502%	31-May-27	27	3.38	3.388	3.342
MGS 4/2017 3.899% 16.11.2027	3.899%	16-Nov-27	111	3.421	3.427	3.399
MGS 5/2013 3.733% 15.06.2028	3.733%	15-Jun-28	28	3.484	3.498	3.477
MGS 2/2019 3.885% 15.08.2029	3.885%	15-Aug-29	72	3.61	3.648	3.61
MGS 3/2010 4.498% 15.04.2030	4.498%	15-Apr-30	22	3.682	3.721	3.682
MGS 2/2020 2.632% 15.04.2031	2.632%	15-Apr-31	10	3.711	3.731	3.701
MGS 4/2011 4.232% 30.06.2031	4.232%	30-Jun-31	4	3.743	3.743	3.743
MGS 1/2022 3.582% 15.07.2032	3.582%	15-Jul-32	140	3.669	3.686	3.669
MGS 4/2013 3.844% 15.04.2033	3.844%	15-Apr-33	5	3.926	3.926	3.926
MGS 4/2019 3.828% 05.07.2034	3.828%	5-Jul-34	4	4.013	4.055	4.013
MGS 4/2015 4.254% 31.05.2035	4.254%	31-May-35	51	4.058	4.058	4.042
MGS 3/2017 4.762% 07.04.2037	4.762%	7-Apr-37	5	4.066	4.066	4.066
MGS 5/2019 3.757% 22.05.2040	3.757%	22-May-40	8	4.247	4.261	3.911
MGS 2/2016 4.736% 15.03.2046	4.736%	15-Mar-46	20	4.443	4.443	4.443
MGS 5/2018 4.921% 06.07.2048	4.921%	6-Jul-48	31	4.455	4.498	4.455
MGS 1/2020 4.065% 15.06.2050	4.065%	15-Jun-50	7	4.229	4.342	4.229
GII MURABAHAH 3/2017 3.948% 14.04.2022	3.948%	14-Apr-22	42	1.58	1.58	1.58
GII MURABAHAH 1/2015 4.194% 15.07.2022	4.194%	15-Jul-22	350	1.754	1.754	1.75
GII MURABAHAH 7/2019 3.151% 15.05.2023	3.151%	15-May-23	7	2.156	2.156	2.156
GII MURABAHAH 2/2017 4.045% 15.08.2024	4.045%	15-Aug-24	30	2.857	2.857	2.857
GII MURABAHAH 4/2019 3.655% 15.10.2024	3.655%	15-Oct-24	26	4.4	4.4	2.863
GII MURABAHAH 3/2019 3.726% 31.03.2026	3.726%	31-Mar-26	30	3.255	3.281	3.255
GII MURABAHAH 1/2017 4.258% 26.07.2027	4.258%	26-Jul-27	5	3.443	3.443	3.443
GII MURABAHAH 1/2020 3.422% 30.09.2027	3.422%	30-Sep-27	20	3.391	3.391	3.391
GII MURABAHAH 2/2020 3.465% 15.10.2030	3.465%	15-Oct-30	3	3.736	3.742	3.736
GII MURABAHAH 1/2021 3.447% 15.07.2036	3.447%	15-Jul-36	13	4.103	4.103	4.103
GII MURABAHAH 5/2017 4.755% 04.08.2037	4.755%	4-Aug-37	10	4.22	4.22	4.22
GII MURABAHAH 2/2021 4.417% 30.09.2041	4.417%	30-Sep-41	2	4.311	4.311	4.311
GII MURABAHAH 5/2019 4.638% 15.11.2049	4.638%	15-Nov-49	60	4.449	4.449	4.449
Total			2,088			

Sources: BPAM

MYR Bonds Trades Details

PDS	Rating	Coupon	Maturity Date	Volume (RM 'm)	Last Done	Day High	Day Low
LPPSA IMTN 4.170% 15.04.2022 - Tranche No 7	GG	4.170%	15-Apr-22	60	1.98	1.98	1.98
DANAINFRA IMTN 4.060% 25.05.2022 - Tranche No 61	GG	4.060%	25-May-22	25	2	2	2
PTPTN IMTN 4.670% 28.03.2024	GG	4.670%	28-Mar-24	40	2.836	2.836	2.836
PTPTN IMTN 2.770% 27.10.2028	GG	2.770%	27-Oct-28	30	3.742	3.742	3.742
PRASARANA IMTN 4.200% 12.03.2029 - Tranche 3	GG	4.200%	12-Mar-29	10	3.832	3.832	3.832
DANAINFRA IMTN 4.820% 12.11.2030 - Tranche No 39	GG	4.820%	12-Nov-30	20	3.922	3.922	3.922
PTPTN IMTN 25.07.2031	GG	4.500%	25-Jul-31	10	3.972	3.972	3.972
DANAINFRA IMTN 5.170% 26.11.2048 - Tranche No 84	GG	5.170%	26-Nov-48	20	4.58	4.58	4.58
STARBRIGHT ABSMTN 1096D 27.12.2022 - Tranche No. 3	AAA	4.000%	27-Dec-22	7	2.996	3.007	2.996
CAGAMAS IMTN 2.780% 30.09.2024	AAA	2.780%	30-Sep-24	10	3.129	3.129	3.097
PLUS BERHAD IMTN 4.800% 12.01.2027 - Series 1 (11)	AAA IS	4.800%	12-Jan-27	10	3.6	3.62	3.6
DIGI IMTN 3.60% 20.09.2029 - Tranche No 5	AAA	3.600%	20-Sep-29	30	4.008	4.023	4.008
DANGA IMTN 4.880% 29.01.2030 - Tranche 4	AAA (S)	4.880%	29-Jan-30	30	4.059	4.082	4.059
TENAGA IMTN 2.900% 12.08.2030	AAA	2.900%	12-Aug-30	5	3.988	3.991	3.988
TENAGA IMTN 03.08.2032	AAA	4.950%	3-Aug-32	10	4.128	4.14	4.128
TENAGA IMTN 27.08.2038	AAA	4.980%	27-Aug-38	70	4.428	4.439	4.428
UMWH IMTN 4.830% 22.06.2022	AA+ IS	4.830%	22-Jun-22	3	2.225	2.25	2.225
SABAHDEV MTN 1826D 30.7.2026 - Tranche 1 Series 2	AA1	4.600%	30-Jul-26	1	4.179	4.474	4.179
YTL POWER IMTN 5.050% 03.05.2027	AA1	5.050%	3-May-27	2	4.698	4.702	4.698
GENTING CAP MTN 4.86% 08.6.2027 - Issue No. 2	AA1 (S)	4.860%	8-Jun-27	1	4.659	4.659	4.659
ESSB IMTN 4.100% 11.10.2022	AA2	4.100%	11-Oct-22	6	2.532	2.547	2.532
FPSB IMTN 4.650% 21.12.2022	AA IS	4.650%	21-Dec-22	5	3.034	3.045	3.034
FPSB IMTN 4.800% 13.03.2023	AA IS	4.800%	13-Mar-23	54	3.146	3.155	3.146
ANIH IMTN 5.85% 29.11.2027 - Tranche 14	AA IS	5.850%	29-Nov-27	10	4.147	4.182	4.147
JEV IMTN 0% 11.11.2022	AA3	9.550%	11-Nov-22	2	2.6	2.613	2.6
AZRB CAPITAL IMTN 4.700% 23.12.2022	AA- IS	4.700%	23-Dec-22	5	3.424	3.435	3.424
BGSM MGMT IMTN 4.920% 29.08.2025 - Issue No 13	AA3	4.920%	29-Aug-25	45	3.61	3.614	3.608
KESTURI IMTN 4.75% 02.12.2025 - IMTN 7	AA- IS	4.750%	2-Dec-25	20	4.377	4.403	4.377
HLA Sub Notes 26.12.2025 (Tranche 2A)	AA3	3.450%	26-Dec-25	10	4.132	4.163	4.132
WCT IMTN 5.650% 20.04.2026	AA- IS	5.650%	20-Apr-26	4	4.977	4.982	4.977
KESTURI IMTN 4.75% 02.12.2026 - IMTN 8	AA- IS	4.750%	2-Dec-26	20	4.537	4.563	4.537
MMC CORP IMTN 5.950% 12.11.2027	AA- IS	5.950%	12-Nov-27	10	4.247	4.251	4.247
MMC CORP IMTN 5.700% 24.03.2028	AA- IS	5.700%	24-Mar-28	10	4.308	4.312	4.308
SPG IMTN 5.130% 31.10.2029	AA- IS	5.130%	31-Oct-29	10	4.351	4.363	4.351
SPG IMTN 5.250% 30.04.2031	AA- IS	5.250%	30-Apr-31	20	4.478	4.491	4.478
QSPS Green SRI Sukuk 6.080% 06.04.2034 - T31	AA- IS	6.080%	6-Apr-34	10	4.771	4.771	4.769
QSPS Green SRI Sukuk 6.120% 06.10.2034 - T32	AA- IS	6.120%	6-Oct-34	10	4.799	4.801	4.799
UMWH Perpetual Sukuk Musharakah 6.35% - Tranche 1	AA- IS	6.350%	20-Apr-18	8	4.367	4.836	4.367
TROPICANA IMTN 5.500% 30.06.2023 - SEC. SUKUK T251	A+ IS	5.500%	30-Jun-23	3	4.035	5.496	4.035
DIALOG SENIOR SUKUK WAKALAH TRANCHE NO. 2	A1	Pending	28-Jan-32	4	4.33	4.48	4.33
DIALOG PERPETUAL SUKUK WAKALAH TRANCHE NO. 1	A1	4.150%	15-Nov-20	5	4.163	4.163	4.163
IJM LAND 5.650% PERPETUAL SUKUK MUSHARAKAH -S1 T1	A2 (S)	5.650%	17-Mar-19	3	4.867	4.872	4.867
TROPICANA 7.000% PERPETUAL SUKUK MUSHARAKAH - T1	A IS	7.000%	25-Sep-19	1	5.418	5.418	5.418
EWIB IMTN 6.400% 24.05.2023	NR(LT)	6.400%	24-May-23	1	4.907	4.907	4.907
YNHP 6.850% PERPETUAL SECURITIES - TRANCHE NO 1	NR(LT)	6.850%	7-Aug-19	1	5.814	6.849	5.814
PESTECH IMTN 6.000% 16.10.2120	NR(LT)	6.000%	16-Oct-20	3	6.3	6.32	6.3
Total				672			

Sources: BPAM

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