

# Global Markets Daily

## RBA on Tap

### Surge in Energy Prices Undermined Sentiment

Worries of higher inflation and slowing growth momentum dampened equity risk sentiment. Asian equities were in the red this morning with Nikkei 225 (>-3%), KOSPI (-2.5%) leading declines. Sustained rise in global energy prices from oil to natural gas is likely to feed into domestic energy prices, add to inflationary pressure, increase financial burden for domestic households and possibly upset growth momentum. We reiterate that net energy importers stand to lose out. Amongst AXJs, INR and KRW are more vulnerable while MYR, IDR could be more resilient.

### RBA to Maintain Cautiously Optimistic Tone

RBA meets today (1130am SG/MYT) for a policy decision. We do not expect any change to its cautiously optimistic tone. We too do not any tweaks on its monetary policy settings after the taper has been set in motion since Sep and likely unchanged until Feb at the earliest. The central bank is likely to look for the economy to rebound as restrictions ease in Oct-Nov with the pace and timing of the recovery still an uncertainty. The August labour report underscores the flexibility of the labour market conditions (fall in labour force participation along with net change in employment) that could keep wage levels sticky and inflationary pressures subdued. That could keep the RBA as a laggard vs. other DMs which are confronted with stronger inflationary pressures and crimp on AUD's appreciation over the next 12 months.

### Global Services PMIs; SG Retail Sales; Lagarde Speaks Today

Day ahead brings US Trade (Aug); ISM Services (Sep); Services PMI (Sep); PPI (Aug); ECB's Lagarde speaks; UK Services PMI (Sep); Singapore retail sales (Aug).

| FX: Overnight Closing Levels/ % Change |            |         |          |            |         |
|--|------------|---------|----------|------------|---------|
| Majors                                 | Prev Close | % Chg   | Asian FX | Prev Close | % Chg   |
| EUR/USD                                | 1.1621     | ↑ 0.22  | USD/SGD  | 1.3569     | ↓ -0.01 |
| GBP/USD                                | 1.361      | ↑ 0.47  | EUR/SGD  | 1.5769     | ↑ 0.20  |
| AUD/USD                                | 0.7281     | ↑ 0.32  | JPY/SGD  | 1.2233     | ↑ 0.16  |
| NZD/USD                                | 0.6969     | ↑ 0.30  | GBP/SGD  | 1.8466     | ↑ 0.48  |
| USD/JPY                                | 110.93     | ↓ -0.11 | AUD/SGD  | 0.9881     | ↑ 0.27  |
| EUR/JPY                                | 128.92     | ↑ 0.10  | NZD/SGD  | 0.9454     | ↑ 0.42  |
| USD/CHF                                | 0.9251     | ↓ -0.64 | CHF/SGD  | 1.4674     | ↑ 0.67  |
| USD/CAD                                | 1.2589     | ↓ -0.47 | CAD/SGD  | 1.0779     | ↑ 0.49  |
| USD/MYR                                | 4.1745     | ↓ -0.11 | SGD/MYR  | 3.0737     | ↓ -0.11 |
| USD/THB                                | 33.78      | ↑ 0.35  | SGD/IDR  | 10506.09   | ↓ -0.26 |
| USD/IDR                                | 14267      | ↓ -0.29 | SGD/PHP  | 37.3363    | ↓ -0.10 |
| USD/PHP                                | 50.696     | ↓ -0.23 | SGD/CNY  | 4.7484     | ↓ -0.08 |

### Implied USD/SGD Estimates at 5 October 2021, 9.00am

| Upper Band Limit | Mid-Point | Lower Band Limit |
|------------------|-----------|------------------|
| 1.3395           | 1.3668    | 1.3942           |

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### G7: Events & Market Closure

| Date  | Ctry | Event          |
|-------|------|----------------|
| 4 Oct | AU   | Market Closure |
| 5 Oct | Au   | RBA MPC        |
| 6 Oct | NZ   | RBNZ MPC       |

### Asia Ex JP: Events & Market Closure

| Date      | Ctry | Event          |
|-----------|------|----------------|
| 4 Oct     | SK   | Market Closure |
| 4 - 7 Oct | CN   | Market Closure |
| 8 Oct     | IN   | RBI MPC        |

## G7 Currencies

- **DXY Index - Mixed.** Worries of higher inflation and slowing growth momentum dampened equity risk sentiment. Asian equities were in the red this morning with Nikkei 225 (>-3%), KOSPI (-2.5%) leading declines. Sustained rise in global energy prices from oil to natural gas is likely to feed into domestic energy prices, add to inflationary pressure, increase financial burden for domestic households and possibly upset growth momentum. We reiterate that net energy importers stand to lose out. Amongst AXJs, INR and KRW are more vulnerable while MYR, IDR could be more resilient. Overnight, President Biden cautioned that US economy is at risk if Republicans block Democrats' efforts to suspend the debt ceiling. Treasury Secretary Yellen said that Treasury department will run out of cash around 18<sup>th</sup> Oct if the debt ceiling is not lifted or suspended. Potentially Democrats can use the filibuster-proof budget reconciliation process to boost the debt limit but some Democrat leaders have rejected the approach as it is too time consuming - takes about 2 weeks. DXY was last at 93.93 levels. Bullish momentum on daily chart intact but shows tentative signs of fading while RSI is falling from near overbought conditions. Support at 93.80, 93.23 (21 DMA) and 92.90 (50 DMA). Resistance at 94.4, 94.7 levels. Week ahead brings Trade (Aug); ISM Services (Sep) on Tue; ADP Employment (Sep); on Wed; Unemployment rate, NFP, average hourly earnings (Aug) on Fri.
- **EURUSD - Lagarde Speaks Today.** Recent ECB speaks at the ECB Forum in Sintra, Portugal (28-29 Sep) revealed that most ECB officials still insist inflationary pressures are transitory and that most of them remain dovish leaning. ECB's Lagarde cautioned against withdrawing stimulus too quickly in response to what is likely to be a "transitory" spike in inflation as she said "there are no signs that this increase in inflation is becoming broad-based across the economy". She added that inflation will decline once these pandemic-driven effect pass. We keep a lookout for any dovish messaging from Lagarde later this evening. Another dovish tone could add to EUR softness. EUR traded in subdued ranges. Pair was last seen at 1.1605 levels. Bearish momentum on daily chart intact but RSI shows signs of turning lower towards oversold conditions. Sideways trade likely. Support at 1.1570 levels, 1.1490 (50% fibo retracement of 2020 low to 2021 high). Resistance at 1.1670 (previous neckline support), 1.1750/60 (21 DMA). Week brings Services PMI (Sep); PPI (Aug); ECB's Lagarde speaks; Retail sales (Aug); German factory orders (Aug) on Wed; German Industrial production (Aug) on Thu; German Trade, current account (Aug) on Fri.
- **GBPUSD - Supported.** GBP remains somewhat supported this week amid expectations of hawkish BoE and chatters from government officials that the fuel situation is stabilising (partially alleviating concerns of supply chain disruptions). British army will start to deliver fuel while UK will also allow 300 foreign tanker drivers to enter UK until end-Mar 2022. UK is also looking to allow 4,700 haulage workers from overseas (valid through end-Feb) while 5,500 poultry workers will be able to stay till end-year to tackle some of supply

side issues. GBP was last at 1.3595 levels. Bearish momentum on daily chart shows some signs of fading while RSI is rising from near oversold conditions. Immediate resistance at 1.3690 (21DMA), 1.3760 (50 DMA). Support at 1.3570, 1.3450 levels. Week ahead brings Services PMI (Sep) on Tue; Construction PMI (Sep) on Wed; Unit labor cost (2Q) on Thu.

- **USDJPY - Consolidate.** USDJPY seen at 111.01, seeing largely two-way swings yesterday. USDJPY seems to be seeing signs of stabilization near the 111-handle, just as UST10Y yield hovers just below the psychological 1.5% level. Signs of broad equity corrections could potentially support treasury demand, constraining UST yield and USDJPY interim up-moves. Bullish momentum on the daily chart is moderating, while RSI continues to ease from overbought conditions. Resistance at 111.70 (Jul high), 112.20 (2020, 2021 high). Support at 110.30 (38.2% fibo retracement of Apr low to Sep high), 109.20 (61.8% fibo). Leading index CI due Thurs, BoP current account due Fri.
- **NZDUSD - Focus on RBNZ MPC Tomorrow.** We lean towards a 25bps rate hike on favourable growth prospects, inflation running above RBNZ's 1% - 3% target range and tightening labor market conditions. However the risk of an RBNZ delay has risen as there is now another covid outbreak and PM Ardern has extended Auckland level 3 lockdown for at least another week. Recall in Aug, RBNZ was about to tighten but paused due to the unexpected outbreak in Auckland. That being a risk, we noted Governor Orr's previous comments that Covid infection alone would not prevent RBNZ from tightening policy... and that it would take "a significant shock" to change that view. We expect RBNZ to push through with an incremental 25bps hike this time. Kiwi was last at 0.6940 levels. Bearish momentum on daily chart intact for now though there are tentative signs of it fading while RSI rose. Support here at 0.6930 levels. Sustained close and subsequent price action above this could see gains build on momentum towards 0.6980 levels (38.2% fibo retracement of Aug high to Sep low), 0.7010/15 levels (50DMA, 50% fibo). This week brings Commodity price (Sep) on Tue; RBNZ MPC on Wed.
- **AUDUSD - Double Bottom, RBA to be non-event.** AUDUSD bulls were resisted overnight by the 21-dma, albeit still hovering around the 0.7280. The arguable double bottom the formed for the AUDUSD pairing (first low in Aug and the second low in end-Sep) continues to play out and neckline of this double bottom is seen around the 0.7400-0.7450 region. Record high short AUD positioning makes this rebound even more compelling, even in the face of an RBA decision later. In addition, infections in NSW remain on the decline. The same cannot be said for infections in Victoria where a surge is leading the nation count higher. As of this morning, NSW has achieved 67% at two-dose and Victoria state is at 52%. The nation is projected to reach 70% by 23 Oct with Victoria projected to be there in the week of 26-31 Oct. NSW should reach 70% at two-dose within this week and there could further easing of restrictions as promised by the former Premier Berejiklian (resigned due to ongoing corruption investigations). Back on the AUDUSD chart, bearish momentum has waned. Double bottom

might have formed with neckline around 0.7400-0.7450. Momentum indicators suggests risks to the upside in the interim. Unlikelier pullbacks to meet support at 0.7170 before the year low at 0.7110. At the RBA policy meeting today, we do not expect any change to its cautiously optimistic tone. We too do not any tweaks on its monetary policy settings after the taper has been set in motion since Sep and likely unchanged until Feb at the earliest. The central bank is likely to look for the economy to rebound as restrictions ease in Oct-Nov with the pace and timing of the recovery still an uncertainty. The August labour report underscores the flexibility of the labour market conditions (fall in labour force participation along with net change in employment) that could keep wage levels sticky and inflationary pressures subdued. That could keep the RBA as a laggard vs. other DMs which are confronted with stronger inflationary pressures and crimp on AUD's appreciation over the next 12 months. Apart from the RBA decision on Tue, Markit Services and Composite PMI for Sep came in contractionary at 45.5 and 46.0 respectively. Job advertisement for Sep also fell -2.8%/m vs. previous -2.7%. Aug trade balance was a wider surplus of A\$15bn vs. previous A\$12.65bn, supported by the exports growth of 4%/m, albeit slower than the previous 5%. Imports fell unexpectedly by -1%/m vs. previous 4%. Despite the import ban on Australia's coal by China, coal exports actually grew +12.1%/m, natural gas exports receipt was up +14.9%/m in Aug, more than offsets the drop in exports receipts for its iron ore at -9.7%/m. Terms of trade for Australia continues to rise on net. Thu has weekly payroll report by the ABS before Sep foreign reserves on Fri.

- **USDCAD - Risks Turning Lower.** USDCAD slipped below the 50-dma and was last at 1.2605. Momentum indicators suggest that risks are tilting south for the pair. Support is seen next at 1.2480 (50% fibo retracement of the Jun-Aug rally). Resistance remains at 1.2880 before 1.3087. Week ahead has building permits for Aug, Aug trade on Tue before the Sep labour report on Fri.

## Asia ex Japan Currencies

SGDNEER trades around +0.60% from the implied mid-point of 1.3668 with the top estimated at 1.3395 and the floor at 1.3942.

- **USDSGD - Higher Range.** USDSGD saw largely two-way swings yesterday. Last seen at 1.3585. Daily Covid case counts are still elevated (at >2k) and authorities have warned that daily infections may rise to >5k soon. But economic activity remains largely resilient, with PMI for Sep coming in at 50.8 vs. 50.9 prior. On net, SGD NEER could remain near the lower end of recent ranges (0.6% to 1.1%) in the interim, even as upswings in USDSGD appears more hesitant. Bullish momentum on daily chart shows signs of moderating, while RSI is on an uptick. Support at 1.3500 (38.2% fibo retracement of May low to Jul high), 1.3460 (100-DMA), 1.3380 (61.8% fibo). Resistance at 1.3630, 1.3690 (Jul high). On net we expect pair to trade in a higher range of 1.3500-1.3690 in the interim while the US bond rout and global energy crunch play out. Retail sales due today.
- **AUDSGD - Bullish Risks.** Last seen at 0.9870, retracing from the 50-dma at 0.9880 (also the 23.6% Fibonacci retracement of the Feb-Aug decline). Stochastics and MACD forest are bullish. Risks are tentatively to the upside and record high net short AUD position supports a rebound. Support at 0.9770 before the key support at 0.9673 (2021-low).
- **SGDMYR - Risk of Rebound.** SGDMYR consolidated near its recent lows, thanks to resilient MYR while SGD underperformed. Cross was last seen at 3.0775 levels. Daily momentum is bearish bias while RSI showed signs of turnaround from oversold conditions. Rebound risks not ruled out. Support here at 3.0720 (61.8% fibo retracement of Mar low to 2021 double-top), 3.0570 (76.4% fibo). Resistance at 3.0840 (50% fibo), 3.0920 (21 DMA) and 3.0960 (38.2% fibo).
- **USDMYR - Consolidate with Bias to Downside.** USDMYR held ground despite USD/AXJs higher. Oil price resilience is somewhat providing support to MYR, mitigating the effects of broad market risk-off. Pair last at 4.18 levels. Mild bullish momentum on daily chart faded. We still expect consolidative trades with bias to the downside. Support at 4.17 levels (21, 50 DMAs). Resistance at 4.1950, 4.20. FTSE KLCI was modestly firmer this morning at 0.062%. As of 1 Oct, foreigners net sold \$20.1mn of local equities. On FI, our analyst noted that better buying in MGS drove yields lower by 1-4bp, led by the 10y and 15y tenors. There was demand from both locals and foreigners and probably flow driven with locals being better buyers. Market is expected to remain quiet and US rates to dictate market direction absent new catalyst and China on holiday until Thursday. Onshore IRS market was uneventful other than the 5y being dealt at 2.75% in the morning, with interest to pay on. This set the tone for rates to be upward biased even before the selling in UST started. 3M KLIBOR was
- **1m USDKRW NDF - 2-Way Trades.** 1m USDKRW NDF firmed amid risk-off sentiment. KOSPI was down 2.5% at one point this morning. Worries of slowing global growth momentum and higher inflation,

stoked by energy prices weighed on sentiment. Pair was last at 1188 levels. Daily momentum and RSI are not indicating a clear bias for now. Look for 2-way trades. Resistance at 1190, 1192 levels. Support at 1180, 1178 (21 DMA).

■ **USDCNH - Range Intact, Onshore only back on Fri.** USDCNH rebounded in the past couple of sessions in spite of the slightly weakened USD. Some lingering concerns on Evergrande is likely to keep this pair supported on dips and within the range of 6.44-6.50. Interim resistance at 6.4606 before 6.4860. The next supports are seen at 6.4406 before 6.42. With Evergrande as the largest USD bond issuer in China, a default on its USD notes could affect China's offshore financing rates. A few weeks back, financial regulators have warned the Developer not to default on its USD notes. The next RRR cut may be around the corner and 50bps cut is widely expected. On the US-China front, USTR Katherine Tai was scheduled to give a speech on US' intentions on the trade pact Monday. Sources were cited saying that the US trade representative Katherine Tai could reach out to China's Vice Premier Liu He over the next few days to discuss China's commitments to their trade pact (including shortfalls) and to possibly work on certain exclusions from the US tariff to support American workers and businesses according to senior administration officials. An unnamed senior official wanted to assure that the Biden administration does not wish to "escalate trade tensions" but sees a need for a strategy in case China does not change. Small product exclusions from the US tariff could lift RMB on the margin but may be seen as a result of current tight-supply and inflationary environment and not a sign of warmer ties. We recall that US Treasury Secretary Janet Yellen had mentioned in a NY Times interview about tariffs being harmful to US consumers and while a huge roll-back is unlikely, there could be pressure on the Biden administration to start working on getting US-China trade pact to phase 2 within his term with the use of tariffs roll-back as leverage. Onshore markets are off until Thu and back on Fri. Data-wise, only Sep foreign reserves are due on Fri. Aggregate financing, new yuan loans and money supply data for Sep are due from 9-15<sup>th</sup> Oct.

■ **1M USDINR NDF - Break-Out Higher.** Last seen around 74.70, this pair retraces from its overnight rally this morning. Brent had rallied towards the \$82/bbl after OPEC+ decided to stick to its original agreement of production increase and ratified the 400k barrel-a-day supply hike for Nov. A refusal to react to current energy supply conditions exacerbate fears of stagflation and India faces its own power outage risks with more than half of coal-fired power stations on alert for possible outages. Rising crude oil prices continue to undermine the INR and drove the 1M NDF to a high of 74.83 before tapering off, still elevated. MACD is bullish but stochastics show signs of turning from overbought condition. Data-wise, Services and Composite PMI for Sep due on Tue before RBI policy decision on Fri. *We continue to expect RBI to keep all its policy rates unchanged - key repo rate at 4.00%, reverse repo at 3.35% and cash reserve ratio at 4.00%. Of key interest was the OMO conducted on 28 Sep where RBI withdrew liquidity via the 7-day reverse repo at 3.99%, a 57bps increase from the previous auction. This is likely in reaction to the*

*recent rise in energy prices and INR weakness seen in Sep. While the recent hike in reverse repo rate suggests that RBI is concerned about the abundance of liquidity and inflation risks, it is hardly likely the RBI will seek to tighten on 8<sup>th</sup> Oct, with activity levels and consumption still not fully recovered. The central bank may also prefer to keep its accommodative monetary policy stance but we do not rule out shifting towards a neutral stance and starting to wind down its QE within 1H 2022 once demand gains traction and more adults are fully vaccinated. Market implied OIS pricing suggest 87bps rise in repo rate over the next 1 year. We look for a rate hike only in the later part of 2022.*

- **USDVND - Stable, Warmer Ties with US Buoy the Dong.** USDVND closed 22749, slightly lower vs. its close at 22755 on 1 Oct. This pair remains stuck within the 22730-22800 range for the past several sessions, stabilizing since its drop from the 23000-handle. In news, the US and Vietnam have crossed another item off the list of potential conflict with an agreement reached on illegally harvested and traded timber. A section 301 investigation was launched on this issue last year that could potentially enable US to impose tariffs on Vietnam. Vietnam is now committed to “keep illegally harvested/traded timber out of the supply chain and protect the environment and natural resources”. At home, concerns are on large numbers of migrant workers leaving HCM city after Vietnam eased lockdown on concerns that they would get stuck within their quarters in case of another wave of infections. Any labour shortage could hamper the resumption of activities in the manufacturing sector. As of 2 Oct, Vietnam only has less than 11% of its population full vaccinated and 34% given at least one dose. That said, vaccination rate has been on the rise with 0.9 dose administered per 100 people (7-day average), a rebound from 0.55 on 23rd Sep.
- **1M USDIDR NDF - Consolidate.** 1M NDF last seen near 14,310, largely seeing narrow trading ranges yesterday. Daily Covid case counts have reached lows last seen in mid-2020, and Bali is set to reopen direct flights from China, Japan, Korea this month. Recent uptrend in crude palm oil prices is also positive for trade balance and the IDR. We are watchful of swings in UST yields, but the 10Y yield show signs of stabilizing just below the 1.5% handle for now. On the NDF daily chart, momentum and RSI are not showing a clear bias. Support at 14,200 (Jun low), 14,130 (May low). Resistance at 14,370 (200-DMA), before 14,420 (100-DMA). Foreign reserves due Fri.
- **USDTHB - Up-moves Slowing Near Key 34.0 Resistance.** Last seen at 33.85, edging up towards 2021-high near 34.0. Authorities plan to significantly increase the share of longer-dated sovereign bonds (vs. short-term securities) for its financing needs, with the former expected to make up around 48%-56% of the government’s THB2.3trn (US\$68.4bn) in the new FY compared with 31% in the prior year. Meanwhile, Covid-19 vaccinations for school students have begun, which could help anchor the broad downtrend in Covid cases. Bullish momentum on daily chart shows tentative signs of moderating, but stochastics remain near overbought conditions. Support at 33.30 (38.2% fibo retracement from end-Aug low to end-Sep high), 32.90

(61.8% fibo). Key resistance at 34.0 (recent high), before 34.60 (76.4% fibo retracement from 2017 high to 2020 low). CPI due today.

- **1M USDPHP NDF - Range.** 1m USDPHP NDF was last seen at 51.01, showing signs of stickiness around the 51.0 handle. Bullish momentum on daily chart shows signs of moderating while RSI is hovering below overbought conditions. Support at 50.50 (23.6% fibo of the Jun-Jul rally), 50.0 (38.2% fibo), 49.50 (50.0% fibo). Resistance at 51.40 (Jul high), 52.0. CPI for Sep came in at 4.8%, mildly lower versus 4.9% prior.



## Malaysia Fixed Income

### Rates Indicators

### Analysts

| MGS          | Previous Bus. Day | Yesterday's Close | Change (bps) |
|--------------|-------------------|-------------------|--------------|
| 3YR MH 6/24  | 2.46              | 2.43              | -3           |
| 5YR MO 11/26 | 2.90              | *2.90/88          | Not traded   |
| 7YR MS 6/28  | 3.31              | 3.30              | -1           |
| 10YR MO 4/31 | 3.39              | 3.35              | -4           |
| 15YR MS 5/35 | 3.89              | 3.86              | -3           |
| 20YR MY 5/40 | 4.09              | 4.08              | -1           |
| 30YR MZ 6/50 | 4.28              | 4.27              | -1           |
| IRS          |                   |                   |              |
| 6-months     | 1.95              | 1.95              | -            |
| 9-months     | 1.96              | 1.96              | -            |
| 1-year       | 1.98              | 1.98              | -            |
| 3-year       | 2.43              | 2.44              | +1           |
| 5-year       | 2.76              | 2.77              | +1           |
| 7-year       | 2.93              | 2.95              | +2           |
| 10-year      | 3.18              | 3.19              | +1           |

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Source: Maybank KE

\*Indicative levels

- Better buying in MGS drove yields lower by 1-4bp, led by the 10y and 15y tenors. But volume was light with less than MYR2b in total, not helped by two regional markets closed for holiday. There was demand from both locals and foreigners and probably flow driven with locals being better buyers. Market is expected to remain quiet and US rates to dictate market direction absent new catalyst and China on holiday until Thursday.
- Onshore IRS market was uneventful other than the 5y being dealt at 2.75% in the morning, with interest to pay on. This set the tone for rates to be upward biased even before the selling in UST started. 3M KLIBOR was unchanged at 1.94%.
- PDS was muted with light flows. GG space saw mild selling in ultra-long end bonds, such as LPPSA 2047 and Prasarana 2038 which weakened by 2-3bp. For rated corporate bonds, power producers traded mixed with AAA-rated Sarawak Energy 2027 weaker by 2bp while AA3-rated QSP 2035 was firmer by 3bp on better buying. Other AA3/AA- credits that also saw better buying and traded slightly firmer were UEM Edgenta, WCT and Kedah Cement 2022s.

## Singapore Fixed Income

### Rates Indicators

| SGS  | Previous Bus. Day | Yesterday's Close | Change (bps) |
|------|-------------------|-------------------|--------------|
| 2YR  | 0.58              | 0.57              | -1           |
| 5YR  | 0.93              | 0.92              | -1           |
| 10YR | 1.57              | 1.57              | -            |
| 15YR | 1.87              | 1.87              | -            |
| 20YR | 1.97              | 1.97              | -            |
| 30YR | 1.95              | 1.95              | -            |

Source: MAS (Bid Yields)

- Payers seen in 5y SORA OIS at the open pushed rates off the lows, though the SORA curve ended lower by 1-3bp. SGS market was extremely quiet with yields more or less unchanged amid lackluster activity.
- Muted session for Asian credits with light and mixed flows given China, HK and South Korea markets were closed for holiday. IG spreads broadly unchanged. Huarong climbed 2-3pt up, mainly on the back of real money demand for long end bonds following headlines on the company's planned CNY70b bond issuance. HY space remain affected by the Evergrande crisis. In the latest development, news reported that Hopson Development plans to acquire 51% of Evergrande's property services unit which led to one-way selling in Hopson, sending its curve down 2-5pt, while Evergrande's bonds edged 0.5-1.5pt up. With risk sentiment still weak, other high beta names like Fantasia, Powerlong and Sunac also fell 0.5-3.5pt, except Guangzhou R&F which was better bid and up 0.5-1pt. Asian sovereign bonds were better offered by ETFs and real money, and INDON curve flattened with the front end +2-3bp and back end flat to -1bp.

## Indonesia Fixed Income

### Rates Indicators

| IDR Gov't Bonds | Previous Bus. Day | Yesterday's Close | Change |
|-----------------|-------------------|-------------------|--------|
| <b>1YR</b>      | 3.26              | 3.26              | (0.00) |
| <b>3YR</b>      | 4.41              | 4.39              | (0.01) |
| <b>5YR</b>      | 5.11              | 5.10              | (0.01) |
| <b>10YR</b>     | 6.24              | 6.22              | (0.02) |
| <b>15YR</b>     | 6.38              | 6.37              | (0.01) |
| <b>20YR</b>     | 6.93              | 6.91              | (0.02) |
| <b>30YR</b>     | 6.85              | 6.84              | (0.00) |

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\* Source: Bloomberg, Maybank Indonesia

- Most Indonesian government bonds strengthened yesterday. Indonesian bond market is relative conducive, driven by positive sentiments from the local side, such as solid macroeconomic condition, lessening trends on the domestic's COVID-19 cases, more flexible activities on the tourism, the sports, and the entertainment. Recent rallies on the global commodities prices also bring positive impacts for the country that has strong reliance on the commodities explorations, such as Indonesia. Indonesian commodities producers, mainly from the palm oil, the coal, the oil, and the mining products, enjoy their business advantages due to both stronger prices and higher volume demand. Hence, those aforementioned conditions are expected to give more confidences for the banking sector to give their support for the commodities sector. Currently, Indonesian banking is one of the main buyers for the local bond market. We expect recent favourable condition on the local commodities sector to grab more US\$ inflow for the domestic liquidity. Today, the government is scheduled to offer six series of Islamic Bonds on its Sukuk auction. This auction is expected to absorb Rp5 trillion with relative competitive level on the Sukuk's weighted average yields.
- However, global sentiments aren't favourable enough for investors to enter new position on the emerging markets, such as in Indonesia. Global investors' confidences for further economic outlook have weakened due to recent unfavourable sentiments, such as re-emerging cases of COVID-19 in major countries, more hawkish tones on the Fed's monetary bias, the U.S. fiscal debt problems, and the threat of global debt problems for "the big too fail" entities. Then, more pressure is also coming from recent increasing trends on the global oil prices. It will give side effects on both domestic inflation and fiscal positions. Furthermore, Indonesian inflation is expected to increase, following recent higher people mobilization and stronger imported inflation pressures, from the component of transport cost. Indonesian inflation potentially can increase to be around 1.80%-2% this year, if the oil prices sustain its rally trends to above US\$80/barrel until the end of 2021. Meanwhile, Indonesian deficit fiscal position can widen if the government enforces to add its spending budget on the energy subsidy due to the consequence of recent energy commodities prices, such as oil and coal. Those conditions can be reflected by recent increasing on Indonesian 5Y CDS position from 76.98 on 01 Oct-21 to 79.94 today. Global investors have also reduced their ownerships on Indonesian financial markets recently. According to those aforementioned conditions, we thought that investors, mainly foreigners, continued their action to apply strategy "sell on rally" for avoiding further negative consequences due to recent various global sentiments.

### Foreign Exchange: Daily Levels

|                | EUR/USD | USD/JPY | AUD/USD | GBP/USD | USD/CNH | NZD/USD | EUR/JPY  | AUD/JPY |
|----------------|---------|---------|---------|---------|---------|---------|----------|---------|
| R2             | 1.1668  | 111.50  | 0.7332  | 1.3702  | 6.4707  | 0.7014  | 129.7733 | 81.5143 |
| R1             | 1.1645  | 111.21  | 0.7306  | 1.3656  | 6.4606  | 0.6992  | 129.3467 | 81.1597 |
| <b>Current</b> | 1.1620  | 110.93  | 0.7288  | 1.3612  | 6.4516  | 0.6961  | 128.9100 | 80.8420 |
| S1             | 1.1593  | 110.73  | 0.7253  | 1.3548  | 6.4388  | 0.6937  | 128.5267 | 80.4697 |
| S2             | 1.1564  | 110.54  | 0.7226  | 1.3486  | 6.4271  | 0.6904  | 128.1333 | 80.1343 |

  

|                | USD/SGD | USD/MYR | USD/IDR | USD/PHP | USD/THB | EUR/SGD | CNY/MYR | SGD/MYR |
|----------------|---------|---------|---------|---------|---------|---------|---------|---------|
| R2             | 1.3615  | 4.1825  | 14320   | 50.8353 | 33.9507 | 1.5828  | 0.6491  | 3.0860  |
| R1             | 1.3592  | 4.1785  | 14293   | 50.7657 | 33.8653 | 1.5799  | 0.6485  | 3.0798  |
| <b>Current</b> | 1.3575  | 4.1760  | 14268   | 50.7120 | 33.8050 | 1.5774  | 0.6486  | 3.0767  |
| S1             | 1.3543  | 4.1700  | 14252   | 50.6567 | 33.6473 | 1.5724  | 0.6473  | 3.0693  |
| S2             | 1.3517  | 4.1655  | 14238   | 50.6173 | 33.5147 | 1.5678  | 0.6466  | 3.0650  |

\*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      | 0.4292      | Oct-21              | Neutral         |
| BNM O/N Policy Rate        | 1.75        | 3/11/2021           | Easing Bias     |
| BI 7-Day Reverse Repo Rate | 3.50        | 21/10/2021          | Easing Bias     |
| BOT 1-Day Repo             | 0.50        | 10/11/2021          | Easing Bias     |
| BSP O/N Reverse Repo       | 2.00        | 18/11/2021          | Easing Bias     |
| CBC Discount Rate          | 1.13        | 16/12/2021          | Neutral         |
| HKMA Base Rate             | 0.50        | -                   | Neutral         |
| PBOC 1Y Loan Prime Rate    | 3.85        | -                   | Neutral         |
| RBI Repo Rate              | 4.00        | 8/10/2021           | Easing          |
| BOK Base Rate              | 0.75        | 12/10/2021          | Tightening Bias |
| Fed Funds Target Rate      | 0.25        | 4/11/2021           | Tightening Bias |
| ECB Deposit Facility Rate  | -0.50       | 28/10/2021          | Easing Bias     |
| BOE Official Bank Rate     | 0.10        | 4/11/2021           | Tightening Bias |
| RBA Cash Rate Target       | 0.10        | 5/10/2021           | Easing Bias     |
| RBNZ Official Cash Rate    | 0.25        | 6/10/2021           | Tightening Bias |
| BOJ Rate                   | -0.10       | 28/10/2021          | Easing Bias     |
| BoC O/N Rate               | 0.25        | 27/10/2021          | Tightening Bias |

### Equity Indices and Key Commodities

|                                | Value     | % Change |
|--------------------------------|-----------|----------|
| <b>Dow</b>                     | 34,002.92 | -0.94    |
| <b>Nasdaq</b>                  | 14,255.48 | -2.14    |
| <b>Nikkei 225</b>              | 28,444.89 | -1.13    |
| <b>FTSE</b>                    | 7,011.01  | -0.23    |
| <b>Australia ASX 200</b>       | 7,278.54  | 1.29     |
| <b>Singapore Straits Times</b> | 3,089.65  | 1.26     |
| <b>Kuala Lumpur Composite</b>  | 1,522.47  | -0.13    |
| <b>Jakarta Composite</b>       | 6,342.69  | 1.83     |
| <b>Philippines Composite</b>   | 6,960.89  | 0.54     |
| <b>Taiwan TAIEX</b>            | 16,408.35 | -0.98    |
| <b>Korea KOSPI</b>             | 3,019.18  | -1.62    |
| <b>Shanghai Comp Index</b>     | 0.00      | na       |
| <b>Hong Kong Hang Seng</b>     | 24,036.37 | -2.19    |
| <b>India Sensex</b>            | 59,299.32 | 0.91     |
| <b>Nymex Crude Oil WTI</b>     | 77.62     | 2.29     |
| <b>Comex Gold</b>              | 1,767.60  | 0.52     |
| <b>Reuters CRB Index</b>       | 233.08    | 1.17     |
| <b>MBB KL</b>                  | 8.03      | -0.25    |

## MYR Bonds Trades Details

| MGS & GII                                 | Coupon | Maturity Date | Volume (RM 'm) | Last Done | Day High | Day Low |
|---|--------|---------------|----------------|-----------|----------|---------|
| MGS 4/2016 3.620% 30.11.2021              | 3.620% | 30-Nov-21     | 41             | 1.74      | 1.74     | 1.621   |
| MGS 1/2017 3.882% 10.03.2022              | 3.882% | 10-Mar-22     | 122            | 1.8       | 1.8      | 1.713   |
| MGS 1/2012 3.418% 15.08.2022              | 3.418% | 15-Aug-22     | 112            | 1.745     | 1.75     | 1.696   |
| MGS 2/2015 3.795% 30.09.2022              | 3.795% | 30-Sep-22     | 71             | 1.723     | 1.723    | 1.692   |
| MGS 3/2013 3.480% 15.03.2023              | 3.480% | 15-Mar-23     | 136            | 1.9       | 1.925    | 1.888   |
| MGS 2/2018 3.757% 20.04.2023              | 3.757% | 20-Apr-23     | 23             | 1.908     | 1.917    | 1.908   |
| MGS 3/2019 3.478% 14.06.2024              | 3.478% | 14-Jun-24     | 21             | 2.434     | 2.434    | 2.427   |
| MGS 1/2014 4.181% 15.07.2024              | 4.181% | 15-Jul-24     | 62             | 2.477     | 2.477    | 2.459   |
| MGS 1/2018 3.882% 14.03.2025              | 3.882% | 14-Mar-25     | 78             | 2.618     | 2.618    | 2.568   |
| MGS 1/2015 3.955% 15.09.2025              | 3.955% | 15-Sep-25     | 8              | 2.671     | 2.686    | 2.671   |
| MGS 3/2011 4.392% 15.04.2026              | 4.392% | 15-Apr-26     | 17             | 2.867     | 2.867    | 2.867   |
| MGS 1/2019 3.906% 15.07.2026              | 3.906% | 15-Jul-26     | 13             | 2.889     | 2.906    | 2.889   |
| MGS 3/2007 3.502% 31.05.2027              | 3.502% | 31-May-27     | 29             | 3.178     | 3.178    | 3.178   |
| MGS 4/2017 3.899% 16.11.2027              | 3.899% | 16-Nov-27     | 2              | 3.396     | 3.396    | 3.253   |
| MGS 5/2013 3.733% 15.06.2028              | 3.733% | 15-Jun-28     | 137            | 3.3       | 3.3      | 3.28    |
| MGS 2/2019 3.885% 15.08.2029              | 3.885% | 15-Aug-29     | 27             | 3.4       | 3.4      | 3.317   |
| MGS 2/2020 2.632% 15.04.2031              | 2.632% | 15-Apr-31     | 141            | 3.383     | 3.393    | 3.335   |
| MGS 4/2013 3.844% 15.04.2033              | 3.844% | 15-Apr-33     | 44             | 3.769     | 3.79     | 3.763   |
| MGS 3/2018 4.642% 07.11.2033              | 4.642% | 07-Nov-33     | 3              | 3.817     | 3.817    | 3.817   |
| MGS 4/2019 3.828% 05.07.2034              | 3.828% | 05-Jul-34     | 10             | 3.898     | 3.93     | 3.896   |
| MGS 4/2015 4.254% 31.05.2035              | 4.254% | 31-May-35     | 6              | 3.915     | 3.915    | 3.863   |
| MGS 4/2018 4.893% 08.06.2038              | 4.893% | 08-Jun-38     | 2              | 4.113     | 4.113    | 4.095   |
| MGS 5/2019 3.757% 22.05.2040              | 3.757% | 22-May-40     | 66             | 4.079     | 4.089    | 4.078   |
| MGS 1/2020 4.065% 15.06.2050              | 4.065% | 15-Jun-50     | 14             | 4.179     | 4.274    | 4.179   |
| GII MURABAHAH 3/2017 3.948%<br>14.04.2022 | 3.948% | 14-Apr-22     | 13             | 1.761     | 1.789    | 1.761   |
| GII MURABAHAH 2/2017 4.045%<br>15.08.2024 | 4.045% | 15-Aug-24     | 30             | 2.527     | 2.548    | 2.527   |
| GII MURABAHAH 4/2019 3.655%<br>15.10.2024 | 3.655% | 15-Oct-24     | 103            | 2.535     | 2.535    | 2.535   |
| GII MURABAHAH 3/2019 3.726%<br>31.03.2026 | 3.726% | 31-Mar-26     | 190            | 3.004     | 3.004    | 2.93    |
| GII MURABAHAH 1/2017 4.258%<br>26.07.2027 | 4.258% | 26-Jul-27     | 14             | 3.219     | 3.219    | 3.219   |
| GII MURABAHAH 1/2020 3.422%<br>30.09.2027 | 3.422% | 30-Sep-27     | 11             | 3.255     | 3.255    | 3.219   |
| GII MURABAHAH 2/2018 4.369%<br>31.10.2028 | 4.369% | 31-Oct-28     | 10             | 3.321     | 3.321    | 3.321   |
| GII MURABAHAH 5/2013 4.582%<br>30.08.2033 | 4.582% | 30-Aug-33     | 12             | 3.745     | 3.745    | 3.745   |
| GII MURABAHAH 2/2021 4.417%<br>30.09.2041 | 4.417% | 30-Sep-41     | 63             | 4.185     | 4.194    | 4.165   |
| GII MURABAHAH 5/2019 4.638%<br>15.11.2049 | 4.638% | 15-Nov-49     | 2              | 4.425     | 4.495    | 4.425   |
| <b>Total</b>                              |        |               | <b>1,634</b>   |           |          |         |

Sources: BPAM

## MYR Bonds Trades Details

| PDS             | Rating | Coupon | Maturity | Volume | Last | Day | Day |
|-----------------|--------|--------|----------|--------|------|-----|-----|
| October 5, 2021 |        |        |          |        |      |     |     |

|  |         |        | Date      | (RM 'm)    | Done  | High  | Low   |
|--|---------|--------|-----------|------------|-------|-------|-------|
| DANAINFRA IMTN 4.760% 02.05.2036 - Tranche No 46 | GG      | 4.760% | 02-May-36 | 30         | 4.221 | 4.222 | 4.209 |
| PRASARANA IMTN 5.120% 08.03.2038 - Series 7      | GG      | 5.120% | 08-Mar-38 | 5          | 4.36  | 4.36  | 4.36  |
| PRASARANA IMTN 4.370% 27.08.2041 (Series 4)      | GG      | 4.370% | 27-Aug-41 | 2          | 4.352 | 4.352 | 4.352 |
| LPPSA IMTN 5.220% 17.04.2047 - Tranche No 12     | GG      | 5.220% | 17-Apr-47 | 5          | 4.6   | 4.6   | 4.6   |
| SEB IMTN 4.850% 19.01.2027                       | AAA     | 4.850% | 19-Jan-27 | 10         | 3.417 | 3.417 | 3.417 |
| PSEP IMTN 4.100% 19.03.2031                      | AAA     | 4.100% | 19-Mar-31 | 2          | 3.945 | 3.945 | 3.945 |
| SAMALAJU IMTN 5.55% 28.12.2028 - Issue No. 6     | AA1 (S) | 5.550% | 28-Dec-28 | 10         | 4.117 | 4.13  | 4.117 |
| HLFG Tier 2 Subordinated Notes (Tranche 2)       | AA2     | 4.300% | 14-Jun-29 | 30         | 3.184 | 3.199 | 3.184 |
| PKNS IMTN 3.000% 24.11.2021                      | AA3     | 3.000% | 24-Nov-21 | 5          | 2.858 | 2.858 | 2.858 |
| UEMED IMTN 4.850% 26.04.2022                     | AA- IS  | 4.850% | 26-Apr-22 | 10         | 2.739 | 2.757 | 2.739 |
| LCSB IMTN 5.060% 08.07.2022                      | AA3     | 5.060% | 08-Jul-22 | 20         | 3.025 | 3.038 | 3.025 |
| WCT IMTN 5.050% 21.10.2022                       | AA- IS  | 5.050% | 21-Oct-22 | 10         | 3.919 | 3.928 | 3.919 |
| TADAU SRI SUKUK 5.20% 27.07.2023 (Tranche 5)     | AA3     | 5.200% | 27-Jul-23 | 5          | 3.392 | 3.392 | 3.392 |
| PKNS IMTN 5.013% 31.10.2023                      | AA3     | 5.013% | 31-Oct-23 | 5          | 3.364 | 3.364 | 3.364 |
| PENANGPORT IMTN 4.300% 24.12.2026 - Tranche No 1 | AA- IS  | 4.300% | 24-Dec-26 | 10         | 3.679 | 3.704 | 3.679 |
| RHBA 4.320% 21.05.2029(Series 3)                 | AA3     | 4.320% | 21-May-29 | 20         | 3.205 | 3.213 | 3.205 |
| RHBBANK MTN 3652D 28.4.2031                      | AA3     | 3.650% | 28-Apr-31 | 20         | 3.614 | 3.633 | 3.614 |
| QSPS Green SRI Sukuk 6.120% 06.10.2034 - T32     | AA- IS  | 6.120% | 06-Oct-34 | 20         | 4.657 | 4.658 | 4.629 |
| QSPS Green SRI Sukuk 6.160% 06.04.2035 - T33     | AA- IS  | 6.160% | 06-Apr-35 | 10         | 4.71  | 4.712 | 4.71  |
| HLFG Perpetual Capital Securities (Tranche 1)    | A1      | 5.230% | 30-Nov-17 | 20         | 3.397 | 3.414 | 3.397 |
| ALLIANCEB MTN 4383D 27.10.2032                   | A2      | 3.800% | 27-Oct-32 | 1          | 3.614 | 3.614 | 3.614 |
| ALLIANCEB MTN 5477D 26.10.2035                   | A2      | 4.050% | 26-Oct-35 | 1          | 3.819 | 3.819 | 3.819 |
| TROPICANA 7.000% PERPETUAL SUKUK MUSHARAKAH - T1 | A IS    | 7.000% | 25-Sep-19 | 1          | 5.594 | 5.601 | 5.389 |
| ECO CAPITAL MTN 6.10% 13.8.2024                  | NR(LT)  | 6.100% | 13-Aug-24 | 1          | 5.4   | 5.407 | 5.4   |
| <b>Total</b>                                     |         |        |           | <b>252</b> |       |       |       |

Sources: BPAM

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