

Global Markets Daily

Stagflation Fears?

USD Print Fresh 2021 High

Equities and bonds fell as markets rushed to reprice the prospect of more hawkish Fed. Overnight, Fed's Bullard told Reuters that he could see a case for 2 rate hikes next year while Fed Chair Powell told lawmakers that if inflation does not abate, the Fed is ready to use its tools to lower pressure on prices. Ongoing rise in energy and food prices have added to inflationary pressures. Brent rose above \$80/bbl for the first time in nearly 3 years while UN food price index was up >30% over the past 1y. On US data, consumer confidence fell for 3rd month in a row while Richmond Fed manufacturing index and its subcomponents - new orders and shipment all fell. To some extent, fears of stagflation risks may gain traction especially if upcoming PMI releases from around the world turn more cautious. This could further weigh on risk assets, including AXJ FX while USD firms.

US Runs Out of Cash by 18th Oct if Debt Ceiling Not Raised

Treasury secretary Yellen has once again told lawmakers to swiftly address debt limit issues or risk its first default in history. Treasury department estimates that US run out of cash to pay bills by 18th Oct if Congress does not act to raise or suspend debt ceiling. Senate Republicans had on Mon night blocked a short term spending bill that would have also suspended the debt limit through Dec-2022 and again blocked an effort by Senate Majority leader Chuck Schumer to lift the debt ceiling by a majority vote. Democrats may have to resort to raising the debt ceiling via the timing consuming process of budget reconciliation.

BoT MPC Today - Likely to Stand Pat

Day ahead brings US pending home sales; EU consumer confidence and BoT MPC. We expect BoT to leave policy rate unchanged at 0.50% today. The growth outlook remains fragile, with Thailand's key source of tourists (China) likely to be absent for the near-term, and it could also take another 4-6 months for the vaccination rate to exceed the key 75%-mark.

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G7: Events & Market Closure

Date	Ctry	Event
29 Sep	JN	Liberal Democratic Party Leadership Elections

Asia Ex JP: Events & Market Closure

Date	Ctry	Event
29 Sep	TH	BoT policy decision
1 Oct	CH, HK	Market Closure

FX: Overnight Closing Levels/ % Change					
Majors	Prev Close	% Chg	Asian FX	Prev Close	% Chg
EUR/USD	1.1683	↓ -0.10	USD/SGD	1.358	↑ 0.34
GBP/USD	1.3537	↓ -1.18	EUR/SGD	1.5865	↑ 0.21
AUD/USD	0.7236	↓ -0.69	JPY/SGD	1.2172	↓ -0.19
NZD/USD	0.6957	↓ -0.86	GBP/SGD	1.8384	↓ -0.85
USD/JPY	111.5	↑ 0.45	AUD/SGD	0.9826	↓ -0.35
EUR/JPY	130.27	↑ 0.34	NZD/SGD	0.9447	↓ -0.52
USD/CHF	0.9295	↑ 0.40	CHF/SGD	1.4609	↓ -0.08
USD/CAD	1.2687	↑ 0.47	CAD/SGD	1.0701	↓ -0.18
USD/MYR	4.1845	↓ -0.07	SGD/MYR	3.0873	↓ -0.18
USD/THB	33.846	↑ 0.76	SGD/IDR	10524.27	↓ -0.02
USD/IDR	14273	↑ 0.14	SGD/PHP	37.6143	↓ -0.13
USD/PHP	51	→ 0.00	SGD/CNY	4.7609	↓ -0.21

Implied USD/SGD Estimates at 29 September 2021, 9.00am

Upper Band Limit	Mid-Point	Lower Band Limit
1.3406	1.3679	1.3953

G7 Currencies

■ **DXY Index - Bid.** Equities and bonds fell as markets rushed to reprice the prospect of more hawkish Fed. Overnight, Fed's Bullard told Reuters that he could see a case for 2 rate hikes next year. At the Senate Banking Panel, Fed Chair Powell told lawmakers that *"as the economy continues to reopen and spending rebounds, we are seeing upward pressure on prices, particularly due to supply bottlenecks in some sectors... and these effects have been larger and longer than anticipated"*. He added that **if inflation does not abate, the Fed is ready to use its tools to lower pressure on prices**. Ongoing rise in energy and food prices have added to inflationary pressures. Brent rose above \$80/bbl for the first time in nearly 3 years while UN food price index was up >30% over the past 1y. On US data, consumer confidence fell for 3rd month in a row while Richmond Fed manufacturing index and its subcomponents - new orders and shipment all fell. To some extent, fears of stagflation risks may gain traction especially if upcoming PMI releases from around the world turn more cautious. This could further weigh on risk assets, including AXJ FX while USD firms. Furthermore, the Chinese government's efforts to reduce carbon emission and curb energy consumption have led to power outages across many key manufacturing hubs. This can have negative repercussion on economic activities (due to self-inflicted climate policies). DXY rose; last at 93.7 levels. Mild bullish momentum intact while RSI is rising towards near overbought conditions. Resistance here at 93.72 (Aug high). Decisive break puts next resistance at 94.4, 94.7 levels. Support at 92.74 (23.6% fibo retracement of May low to Aug high, 21, 50DMAs), 92.1 (38.2% fibo). For US, Treasury secretary Yellen has once again told lawmakers at the Senate Banking Panel to swiftly address debt limit issues or risk its first default in history. Treasury department estimates that US run out of cash to pay bills by 18th Oct if Congress does not act to raise or suspend debt ceiling. Senate Republicans had on Mon night blocked a short term spending bill that would have also suspended the debt limit through Dec-2022 and again blocked an effort by Senate Majority leader Chuck Schumer to lift the debt ceiling by a majority vote. Democrats may have to resort to raising the debt ceiling via the timing consuming process of budget reconciliation. Week remaining brings Pending home sales (Aug) on Wed; GDP (2Q); Chicago PMI (Sep) on Thu; PCE core (Aug); ISM mfg (Sep); Construction spending (Aug) on Fri.

■ **EURUSD - Signs of Bottoming?** EUR continued to trade with a heavy bias owing to widening yield differentials as markets rushed to price in Fed normalisation, with a bit more conviction. 2y EU-UST yield differentials widened to -98bps (levels not seen since Mar-2020). On ECB speaks overnight, 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. On German politics, negotiations for coalition government formation has started but it may take up to months for an outcome to be firmed. EUR was last at 1.1690 levels. Bearish momentum on daily

chart intact for now while RSI is showing signs of turning from near oversold conditions. Support at 1.1667 (Aug low). Resistance at 1.1750, 1.1780 (21, 50 DMAs), 1.1840 levels. Week brings Consumer confidence (Sep) on Wed; Unemployment rate (Aug) on Thu; PMI Mfg, CPI estimate (Sep) on Fri.

■ **GBPUSD - Vulnerable to Further Downside.** GBP fell after BoE's Mann said that inflation is transitory, not troubling. This inferred that the BoE may not tighten in Nov. Recall on Mon, BoE Governor Bailey re-surfaced the option for Nov rate hike even before current bond purchase program concludes (though he did caution that early tightening could disrupt UK's nascent economic recovery). We reiterate that while hawkish BoE may keep GBP supported, energy woes and supply disruptions at home could hamper growth recovery momentum and GBP. Pair was last at 1.3545 levels. Bearish momentum on daily chart shows intact while RSI fell. Support at 1.3520 (yest low), 1.3450. Resistance at 1.3570, 1.3750 (21DMA). On price action, we are cautious as sustained price action below 1.3570 may fuel bearish pressure. This week brings GDP, Current account (2Q) on Thu; PMI Mfg (Sep) on Fri.

■ **USDJPY - Bullish But Near-Overbought.** USDJPY seen at 111.60. The pair continued its steady up-move as US10Y yields breached the psychological 1.5%-handle. Natural gas price spikes likely added to concerns of higher inflation. We note though, that energy shortages are more pertinent in Europe vs. US and both natural gas and oil prices show signs of moderating from intraday highs yesterday. While worries over the ongoing US debt ceiling saga may keep US rates buoyant for now, the worst-case scenario of a US debt default would likely be avoided, and base case remains for concerns to ease in several weeks' time. The key interim deadline investors are monitoring would be 18 Oct, when Yellen has said the Treasury could run out of cash without actions from Congress. On net, we do not rule out recent surge in UST yields possibly begin to show fatigue. Daily momentum and RSI are suggesting a modest bullish bias. But the latter is swiftly approaching overbought conditions. Resistance at 111.70 (Jul high), 112.20 (2020 high). Support at 111, 110.10 (38.2% fibo retracement of Apr low to Jul high), 109.60 (50% fibo). Industrial production, retail sales due Thurs, jobless rate and 3Q Tankan Surveys due Fri. On domestic politics, Japan's LDP is expected to pick a new leader today to replace Suga. Winner will likely become the next PM before Nov. Candidates Fumio Kishida, Sanae Takaichi, Taro Kono and Seiko Noda are all supportive of more fiscal stimulus, and results should not have a significant impact on JPY sentiments.

■ **NZDUSD - Lower Range.** NZD slipped as NZ reported an unexpected surge in covid infection (45 cases). Pair was last at 0.6950 levels. Bearish momentum on daily chart intact for now while RSI fell. Support at 0.6920 (23.6% fibo retracement of May high to Aug low). Resistance at 0.0.70 (38.2% fibo). Day ahead, we look for 0.6940 - 0.6990 range. This week brings Building permits (Aug); Activity Outlook, Business confidence (Sep) on Thu; Consumer confidence (Sep) on Fri

■ **AUDUSD - Risk-Off Weighs.** Pure USD strength, spurred by higher UST yields and safe haven demands brought the AUDUSD back to the bottom of the 0.7220-0.7320 range, last printed 0.7240. The greenback remains supported by multiple underpinnings including Evergrande concerns (that extends to China's property sector), political uncertainties post German elections that weigh on the EUR as well as the increasingly prominent energy crisis that could hamper global growth. The AUDUSD daily chart still shows little bias at this point. On the weekly chart however, we still see a bottom forming for the AUDUSD with bearish momentum on MACD gradually fading and stochastics also rising from oversold condition. The combination of elevated crude oil prices and weak activity data brings back concerns of stagflation again. This supply-side triggered stagflation could continue to hurt risk assets. On net, that could pressure the AUD for now. That said, net short contracts are at record high and as such, risk reward does not favour the bears. In addition, infections in NSW peaked and are on the decline. Meanwhile in Victoria, infections continue to rise but on a national scale, infections seem to have stabilized and vaccinations in Australia are accelerating - 1.13 doses are administered for every 100 people there on a 7-day moving average as of 26 Sep. 70% of the population (> 16yrs) are poised to be fully vaccinated by 27 Oct and 80% by 11 Nov, data as of 29 Sep. We look for a rebound in consumer and business confidence as restrictions start to ease. We also look for AUD to benefit from the energy crisis (affecting Europe and China) given that Australia is a substantial net energy exporter but fears of stagflation could crimp growth right now. Back on the AUDUSD chart, pair needs to clear the resistance at 0.7320 and the next resistance is seen at 0.7450 (61.8% fibo). Support at 0.7220 before the next at 0.7110 (year low). Data-wise, we have Aug building approvals, private sector credit on Wed, final Sep Mfg PMI on Thu.

■ **USDCAD - Sentiment Souring.** USDCAD failed to break below the key support at 1.2620. This pair was last at 1.2690. We had looked for CAD to gain on further improvements in data, elevated crude oil, a benign risk environment and as stretched long USD positioning unwinds. However, sentiment seems to have soured of late as UST yields continue to rise on inflation fears. On the daily chart, resistance remains at 1.2880 before 1.3087. Support at 1.2650 before 1.2550. Momentum is more neutral of late. We hold the view to lean against the USDCAD strength. Spot reference at 1.2787. Stoploss at 1.2880 and first target at 1.2650 (met on 23 Sep) before 1.2550. Risk reward ratio of 1:2.5. We close this trade with spot price at 1.2695 with a profit of around 0.7%. Week ahead has industrial product price for Aug on Wed, Jul GDP on Thu.

Asia ex Japan Currencies

SGDNEER trades around +0.76% from the implied mid-point of 1.3679 with the top estimated at 1.3406 and the floor at 1.3953.

- **USDSGD - Higher Range.** USDSGD continued to rise modestly higher yesterday. Last seen at 1.3575. The climb was in line with moves seen in other AxJ FX and appears to be part of a broader level shift in response to higher UST yields and DXY. The latter in turn likely resulted from a confluence of developments including Fed's hawkish tilt last week (faster tapering) and recent energy price rallies fuelling inflation concerns. Momentum and RSI on daily chart are modestly bullish, but up-moves show signs of slowing. Support at 1.3500 (38.2% fibo retracement of May low to Jul high), 1.3450 (100-DMA), 1.3380 (61.8% fibo). Resistance at 1.3575 (23.6% fibo) is currently being tested; next at 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 plays out.
- **AUDSGD - Testing Key Resistance.** Last seen at 0.9830, this cross is still unable to break above the key resistance at 0.9880, marked by the 21-dma and close to the 50-dma at 0.9903. Stochastics are still rising from overbought condition and MACD forest is mild bullish. A decisive clearance of the 21-dma at 0.9860 is needed for bullish extension towards parity. 21-dma is about to cross the 50-dma to the upside, adding another bullish signal.
- **SGDMYR - Bias to the Downside.** SGDMYR continued to trade with a heavy bias, in line with our bias. Move lower came amid relative SGD underperformance. Cross was last seen at 3.0830 levels. Bullish momentum on daily chart faded while the RSI fell. Bias still to the downside. Support here at 3.0820/40 levels (200DMA, 50% fibo retracement of Mar low to 2021 double-top). Below this puts support at 3.0720 (61.8% fibo). Resistance at 3.0940/60 levels (21 DMA, 38.2% fibo), 3.1050 levels (50, 100 DMAs).
- **USDMYR - Consolidate with Bias to Downside.** USDMYR held steady despite other USD/AXJs rising as oil prices remain elevated. USDMYR last at 4.1850 levels. Mild bullish momentum on daily chart shows signs of it fading while RSI shows signs of turning lower from overbought conditions. We still expect consolidative trades with bias to the downside. Support at 4.17 levels (21, 50 DMAs). Resistance at 4.1950, 4.20. Week brings mfg PMI on Fri. FTSE KLCI was a touch softer at -0.60% this morning. As of Tue, foreigners net bought \$17.4mn local equities. On FI, our analyst noted that continuing bearish sentiment on global bonds due to hawkish major central banks weighed on local bond market. MGS and GII curves flattened further with the 7y benchmarks underperforming as yields spiked 10-12bp higher, amplified by stop-loss triggers as selling pressure mounted. IRS curve bear steepened shifting 1-5bp higher from the 3y onwards amid UST weakness and selling pressure in govies. But seemingly more offerors at current level helped contain rates from gapping further up. 3M KLIBOR was unchanged at 1.93%.

- **1m USDKRW NDF - Range.** 1m USDKRW NDF continued to trade higher amid broad USD strength (as markets reprice fed normalisation with more conviction), risk-off tone and higher energy prices (hurt net energy importer, KRW). 1m USDKRW NDF was last at 1187 levels. Daily momentum and RSI indicators are not showing a clear bias. We look for consolidative trade in 1182 - 1190 range intraday.
- **USDCNH - Still in Range, But Risks Tilting Up.** USDCNH rose this morning, lifted by the broader USD surge alongside the elevated UST 10y yield at 1.53% as we write. While we had expected RMB to remain resilient in the face of rising UST yields as the currency remains in the sweet spot of carry advantage and stable macro fundamentals relative to other EM peers, a report on Nikkei that Japan's GPIF (Government Pension Investment Fund) had decided not to include RMB-denominated government debt in its portfolio likely weighed on RMB sentiment this morning. This in the midst of lingering concerns surrounding Evergrande. In the last monetary policy statement for 3Q, PBoC had vowed to ensure "healthy" development of the property market and to protect legitimate rights of home owners. In addition, we have an energy crisis for China too. China's tightening emission standards and the ramp-up in industrial activity have resulted in tight coal supplies and power shortages at several factories (that also affect Apple/Tesla). Thermal coal price is up 70% since Aug low. This would serve as another headwind for China's growth outlook. That said, we have some assurance from the authorities. The State Grid Corp pledged (27 Sep) to ensure basic power supply and avoid electricity cuts. The National Energy Administration also ordered coal and natural gas firms to ensure enough energy supplies to keep homes warm through winter. Price action of the USDCNH is still within the broader range of 6.42-6.4880 but risks are increasing tilting north. PBoC injected a net CNY40bn of liquidity via the 14D reverse repo at 2.35%. Back on the USDCNH daily chart, pair is last seen around 6.4720 underpinned by the support area (6.4650, marked by the 21 and 100-dma) and the next supports are seen at 6.4406 before 6.42. Momentum indicators are rather neutral on the daily chart at this point. Resistance at 6.4880 (23.6% fibo of the May-Jul rise) is intact so far. Week ahead has NBS non-mfg PMI, mfg PMI and Caixin mfg PMI on Thu.
- **1M USDINR NDF - Break-Out Higher.** Last seen around 74.40, lifted by the strong USD and UST yields. MACD is bullish. Support is seen at 74.20 (50% fibo retracement of the 1H low to high) before the next at 73.70 marked by the 21-dma and then at 73.40. Resistance at 74.20. Month-to-date, INR is also supported by equity-related inflows of around \$1.48bn as of 27th Sep. The country also saw demand for its bonds as well with \$1.55bn of bond-related inflows recorded for the same period. Data-wise, Mfg PMI for Sep is due on Fri.
- **USDVND - Stable.** USDVND was last at 22768, little changed for the past few months. This pair has been hovering within the 22730-22800 range for the past several sessions, stabilizing since its drop from the 23000-handle. Flow-wise, foreigners sold \$320.7mn of equities this month as of 28 Sep. Vietnam is reported to shift from its covid-zero policy as businesses are allowed to resume production from this week

so as to get the economy back on its feet. HCM city is said to reopen wet markets. Infections remains elevated but had been on the decline from its peak at the turn of the month - 7-dma at 10K as of 27 Sep. The World Bank retained its growth forecast of 4.8% for 2021, expecting a rebound in the 4Q. The World Bank also counts on sustained strong demand for Vietnamese goods in its main export market.

- **1M USDIDR NDF - *Supported*.** 1M NDF last seen near 14,360, showing modest (upward) reaction to the broader external environment of rising dollar and UST yields. Lower sensitivity to US tapering concerns (vs. historical) are likely due to various factors, including improving Covid-19 situation at home, lower foreign participation in the IDR sovereign bond market etc. Still, IDR is not immune to ongoing US bond rout and USDIDR could see some support alongside. Back home, the parliament has approved Jokowi's 2022 budget with a total spending of IDR2,714.2trn (US\$190.4bn) and deficit of 4.85% of GDP. On the NDF daily chart, momentum and RSI are mildly bullish. Support at 14,200 (Jun low), 14,130 (May low). Resistance nearby at 14,370 (200-DMA), before 14,420 (100-DMA). PMI Mfg and CPI due Fri.
- **USDTHB - *Highest Since Mid-2017, BoT to Stand Pat*.** Last seen at 33.89 on another bout of up-move yesterday, and making new highs vs. mid-2017. The recent bout of THB softness vs. USD is likely on account of a confluence of multiple drivers. First, a broadly buoyant dollar. Second, Fed tapering concerns and the concomitant rise in UST yields have weighed on foreign bond flows. Concerns over these factors likely grew yesterday as Yellen warned that the US treasury could run out of cash on 18 Oct if Congress still does not act. Third, the relative underperformance in exports and elevated imports in Aug led trade balance to turn to a deficit of -US\$1216mn and incremental concerns on the trade front could be creeping in. Fourth, near-term THB sentiments were also dampened after the government postponed the reopening of Bangkok and other key provinces to Nov. While we think that domestic concerns could be somewhat priced, broader risk sentiments for the region are notably turning cautious. On monetary policy, BoT is expected to leave policy rate unchanged at 0.50% today. The growth outlook remains fragile, with Thailand's key source of tourists (China) likely to be absent for the near-term, and it could also take another 4-6 months for the vaccination rate to exceed the key 75%-mark. Nonetheless, fiscal policy is expected to do the heavy lifting in supporting growth in the interim, especially after the debt ceiling was raised from 60% to 70% earlier this month. We note though, that the meeting may still drop hints of further easing down the road, especially after two of the six policy makers attending (one was absent) voted for a 25bps rate cut at the Aug meeting. Bullish momentum on daily chart is intact, but stochastics are in overbought conditions. Support at 32.90 (23.6% fibo retracement from Jun low to Aug high), 32.26 (50.0% fibo). Key resistance at 33.60 (Sep high) breached, next at 34.60 (76.4% fibo retracement from 2017 high to 2020 low). Current account due Thurs, PMI Mfg due Fri.

- **1M USDPHP NDF - *Bullish But Overbought*.** 1m USDPHP NDF was last seen at 51.24, roughly on par with levels seen yesterday morning. Notably, bullish pressures on the USDPHP NDF were mild yesterday despite more discernible upswings in other USD-AxJ pairs. 7-day average in new Covid-19 cases shows tentative signs of dipping, and Covid-19 vaccine doses have been approved for children as young as 12. Momentum on daily chart is bullish but RSI has reached overbought conditions. Barring continued broad dollar rallies, there could be room for the NDF to retrace modestly lower. Support at 50.50 (23.6% fibo of the Jun-Jul rally), 50.0 (38.2% fibo), 49.50 (50.0% fibo). Resistance 51.0 has been breached; next at 51.40 (Jul high), 52.0. Unemployment rate due Thurs, PMI Mfg due Fri.

Malaysia Fixed Income

Rates Indicators

MGS	Previous Bus. Day	Yesterday's Close	Change (bps)
3YR MH 6/24	2.52	2.54	+2
5YR MO 11/26	2.92	2.95	+3
7YR MS 6/28	3.25	3.37	+12
10YR MO 4/31	3.45	3.45	Unchanged
15YR MS 5/35	3.89	3.89	Unchanged
20YR MY 5/40	4.11	4.12	+1
30YR MZ 6/50	4.25	4.26	+1
IRS			
6-months	1.94	1.95	+1
9-months	1.96	1.96	-
1-year	1.98	1.98	-
3-year	2.47	2.49	+2
5-year	2.81	2.82	+1
7-year	2.95	3.00	+5
10-year	3.20	3.25	+5

Source: Maybank KE

*Indicative levels

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- The continuing bearish sentiment on global bonds due to hawkish major central banks weighed on local bond market. MGS and GII curves flattened further with the 7y benchmarks underperforming as yields spiked 10-12bp higher, amplified by stop-loss triggers as selling pressure mounted. 5y GII 3/26 cheapened further by 6bp and last traded at 3.00% in WI.
- IRS curve bear steepened shifting 1-5bp higher from the 3y onwards amid UST weakness and selling pressure in govies. But seemingly more offerors at current level helped contain rates from gapping further up. Trades include the 2y at 2.22%, 5y at 2.82% and 7y at 2.98%. 3M KLIBOR was unchanged at 1.93%.
- PDS were resilient compared to govies with yields broadly unchanged to 2bp higher. Hardly any GGs dealt except for Danainfra 2037 which softened 1bp. AAA credits generally unchanged in a muted session other than some trades Cagamas 2023 and Tenaga 2038. AA space was more active, though yields remained sticky and were broadly flat to 2bp higher. Active names were Kesturi, Fortune Premier and Edra Energy. Reckon will see quarter-end rebalancing trades over the remaining week.

Singapore Fixed Income

Rates Indicators

SGS	Previous Bus. Day	Yesterday's Close	Change (bps)
2YR	0.41	0.59	+18
5YR	0.85	0.92	+7
10YR	1.51	1.58	+7
15YR	1.79	1.88	+9
20YR	1.91	1.97	+6
30YR	1.92	1.96	+4

Source: MAS (Bid Yields)

- SGS yields moved 4-9bp higher across the curve in tandem with the continuing selloff in UST. Market's focus was likely on the auctions. While bid-to-cover ratios of 1.63x for 2y SGS 2/24 and 1.58x for the maiden 30y SINGA bond were the weakest YTD, total amount applied was moderate at SGD4.6b and SGD4.1b respectively and given two sizeable auctions on the same day and a weak global bond sentiment. 2y SGS benchmark yield cut off at a high of 0.58% and the 30y SINGA bond at 1.95%.
- For Asian credit, spreads generally flat to 2bp wider as weaker UST spurred absolute yield investors to sell credits. UST volatility which caused a decline in US equity futures also weakened risk sentiment. China tech and AMC names saw demand from short covering and some risk taking in recent underperforming sectors. In Malaysia USD space, Petronas saw some light demand given the surge in oil prices. Sovereign bonds PHILIP and INDON declined in price alongside UST, though spreads tightened 1bp on the back of onshore support. A continuing UST selloff could trigger more selling by absolute yields investors, in turn possibly widening credit spreads.

Indonesia Fixed Income

Rates Indicators

IDR Gov't Bonds	Previous Bus. Day	Yesterday's Close	Change
1YR	3.13	3.13	0.00
3YR	4.36	4.37	0.01
5YR	5.16	5.14	(0.02)
10YR	6.20	6.20	0.01
15YR	6.35	6.36	0.01
20YR	6.85	6.87	0.03
30YR	6.84	6.84	-

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* Source: Bloomberg, Maybank Indonesia

■ Most Indonesian government bonds were still underpressures yesterday. 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 on the domestic financial market is also coming from recent increasing trends on the global oil prices. It will give side effects on both domestic inflation and fiscal positions. 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 above 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. Both oil and coal are utilized as the main fuels for generating electric power. Indonesian government is targeting Rp128.5 trillion of the spending budget for the energy subsidy this year. The government still targets its fiscal deficit above 3% level this year to 5.8% of GDP.

■ Those conditions can be reflected by recent increasing trends on investors' risk perception, as shown by higher Indonesian 5Y CDS position from 69.11 on 17 Sep-21 to 83.31 on 29 Sep-21. Global investors have also reduced their ownerships on Indonesian government bonds from Rp990.28 trillion on 8 Sep-21 to Rp966.49 trillion on 27 Sep-21. Moreover, we also saw weakening investors' interest for participating on the government's conventional bond auction. Total amount of investors' incoming bids dropped from Rp80.66 trillion on 14 Sep-21 to Rp58.83 trillion on 28 Sep-21. From yesterday's debt auction, the government met its indicative to absorb Rp12 trillion, although investors asked relative higher of yields (compared previous edition) as their compensation for recent unfavourable market condition. For example on FR0091, the government gave weighted average yields at 6.11753%. 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	1.1720	112.06	0.7343	1.3788	6.4755	0.7060	130.8167	81.6660
R1	1.1701	111.78	0.7289	1.3662	6.4708	0.7008	130.5433	81.1890
Current	1.1683	111.62	0.7240	1.3538	6.4746	0.6946	130.4000	80.8150
S1	1.1666	111.08	0.7204	1.3466	6.4575	0.6924	129.8333	80.3610
S2	1.1650	110.66	0.7173	1.3396	6.4489	0.6892	129.3967	80.0100
	USD/SGD	USD/MYR	USD/IDR	USD/PHP	USD/THB	EUR/SGD	CNY/MYR	SGD/MYR
R2	1.3627	4.1953	14296	51.2667	34.0987	1.5918	0.6494	3.0958
R1	1.3603	4.1899	14285	51.1333	33.9723	1.5892	0.6486	3.0916
Current	1.3578	4.1900	14275	50.9900	33.8900	1.5863	0.6480	3.0859
S1	1.3543	4.1794	14259	50.8663	33.6373	1.5832	0.6472	3.0843
S2	1.3507	4.1743	14244	50.7327	33.4287	1.5798	0.6466	3.0812

*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	0.4298	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	29/9/2021	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
Dow	34,299.99	-1.63
Nasdaq	14,546.68	-2.83
Nikkei 225	30,183.96	-0.19
FTSE	7,028.10	-0.50
Australia ASX 200	7,275.55	-1.47
Singapore Straits Times	3,077.69	-0.73
Kuala Lumpur Composite	1,546.82	0.90
Jakarta Composite	6,113.11	-0.15
Philippines Composite	6,885.36	-1.02
Taiwan TAIEX	17,181.44	-0.76
Korea KOSPI	3,097.92	-1.14
Shanghai Comp Index	3,602.22	0.54
Hong Kong Hang Seng	24,500.39	1.20
India Sensex	59,667.60	-0.68
Nymex Crude Oil WTI	75.29	-0.21
Comex Gold	1,737.50	-0.83
Reuters CRB Index	228.59	0.15
MBB KL	8.10	0.00

MYR Bonds Trades Details

MGS & GII	Coupon	Maturity Date	Volume (RM 'm)	Last Done	Day High	Day Low
MGS 3/2014 4.048% 30.09.2021	4.048%	30-Sep-21	100	3.969	3.969	3.969
MGS 4/2016 3.620% 30.11.2021	3.620%	30-Nov-21	99	1.759	1.777	1.759
MGS 1/2017 3.882% 10.03.2022	3.882%	10-Mar-22	292	1.73	1.828	1.726
MGS 1/2012 3.418% 15.08.2022	3.418%	15-Aug-22	45	1.739	1.741	1.739
MGS 2/2015 3.795% 30.09.2022	3.795%	30-Sep-22	278	1.754	1.778	1.754
MGS 3/2013 3.480% 15.03.2023	3.480%	15-Mar-23	139	1.98	1.998	1.948
MGS 2/2018 3.757% 20.04.2023	3.757%	20-Apr-23	20	1.968	1.968	1.968
MGS 1/2016 3.800% 17.08.2023	3.800%	17-Aug-23	100	2.12	2.12	2.12
MGS 3/2019 3.478% 14.06.2024	3.478%	14-Jun-24	487	2.16	2.534	2.16
MGS 1/2014 4.181% 15.07.2024	4.181%	15-Jul-24	7	2.548	2.548	2.548
MGS 1/2018 3.882% 14.03.2025	3.882%	14-Mar-25	30	2.603	2.603	2.603
MGS 1/2015 3.955% 15.09.2025	3.955%	15-Sep-25	92	2.826	2.826	2.76
MGS 3/2011 4.392% 15.04.2026	4.392%	15-Apr-26	15	2.856	2.856	2.856
MGS 1/2019 3.906% 15.07.2026	3.906%	15-Jul-26	1	2.921	2.921	2.921
MGS 3/2016 3.900% 30.11.2026	3.900%	30-Nov-26	161	2.943	2.954	2.923
MGS 3/2007 3.502% 31.05.2027	3.502%	31-May-27	15	3.075	3.075	3.075
MGS 5/2013 3.733% 15.06.2028	3.733%	15-Jun-28	427	3.355	3.38	3.264
MGS 2/2019 3.885% 15.08.2029	3.885%	15-Aug-29	1	3.375	3.375	3.375
MGS 3/2010 4.498% 15.04.2030	4.498%	15-Apr-30	10	3.436	3.436	3.436
MGS 2/2020 2.632% 15.04.2031	2.632%	15-Apr-31	244	3.443	3.46	3.277
MGS 4/2011 4.232% 30.06.2031	4.232%	30-Jun-31	2	3.463	3.463	3.448
MGS 4/2012 4.127% 15.04.2032	4.127%	15-Apr-32	1	3.666	3.666	3.666
MGS 4/2013 3.844% 15.04.2033	3.844%	15-Apr-33	14	3.844	3.844	3.79
MGS 4/2019 3.828% 05.07.2034	3.828%	05-Jul-34	3	3.888	3.908	3.888
MGS 4/2015 4.254% 31.05.2035	4.254%	31-May-35	21	3.892	3.892	3.884
MGS 3/2017 4.762% 07.04.2037	4.762%	07-Apr-37	10	4.02	4.02	4.02
MGS 5/2019 3.757% 22.05.2040	3.757%	22-May-40	76	4.109	4.112	4.101
MGS 1/2020 4.065% 15.06.2050	4.065%	15-Jun-50	11	4.179	4.263	4.179
GII MURABAH 4/2018 3.729% 31.03.2022	3.729%	31-Mar-22	40	1.81	1.81	1.81
GII MURABAH 3/2017 3.948% 14.04.2022	3.948%	14-Apr-22	218	1.761	1.8	1.761
GII MURABAH 1/2015 4.194% 15.07.2022	4.194%	15-Jul-22	260	1.81	1.81	1.79
PROFIT-BASED GII 4/2012 15.11.2022	3.699%	15-Nov-22	30	1.855	1.855	1.855
GII MURABAH 7/2019 3.151% 15.05.2023	3.151%	15-May-23	10	2.037	2.037	2.037
GII MURABAH 3/2018 4.094% 30.11.2023	4.094%	30-Nov-23	1	2.062	2.062	2.062
GII MURABAH 8/2013 22.05.2024	4.444%	22-May-24	40	2.592	2.592	2.581
GII MURABAH 2/2017 4.045% 15.08.2024	4.045%	15-Aug-24	47	2.538	2.538	2.538
GII MURABAH 4/2019 3.655% 15.10.2024	3.655%	15-Oct-24	185	2.605	2.608	2.581
GII MURABAH 3/2019 3.726% 31.03.2026	3.726%	31-Mar-26	99	3	3	2.803
GII MURABAH 1/2017 4.258% 26.07.2027	4.258%	26-Jul-27	10	3.214	3.214	3.214
GII MURABAH 2/2018 4.369% 31.10.2028	4.369%	31-Oct-28	220	3.431	3.431	3.331
GII MURABAH 2/2020 3.465% 15.10.2030	3.465%	15-Oct-30	180	3.556	3.556	3.523
GII MURABAH 6/2019 4.119% 30.11.2034	4.119%	30-Nov-34	2	3.986	3.987	3.986
GII MURABAH 1/2021 3.447% 15.07.2036	3.447%	15-Jul-36	40	4.006	4.006	4.006
GII MURABAH 2/2021 4.417% 30.09.2041	4.417%	30-Sep-41	233	4.194	4.194	4.158
GII MURABAH 4/2017 4.895% 08.05.2047	4.895%	08-May-47	20	4.446	4.498	4.4
GII MURABAH 5/2019 4.638% 15.11.2049	4.638%	15-Nov-49	50	4.489	4.502	4.365
Total			4,385			

Sources: BPAM

MYR Bonds Trades Details

PDS	Rating	Coupon	Maturity Date	Volume (RM 'm)	Last Done	Day High	Day Low
DANAINFRA IMTN 5.100% 25.05.2037 - Tranche No 65	GG	5.100%	25-May-37	10	4.199	4.2	4.199
CAGAMAS IMTN 2.480% 26.06.2023	AAA IS	2.480%	26-Jun-23	60	2.343	2.343	2.343
ZAMARAD ABS-IMTN 26.07.2024 (Class A S3 Tranche 2)	AAA	4.450%	26-Jul-24	10	3.406	3.413	3.406
CAGAMAS IMTN 2.780% 30.09.2024	AAA IS	2.780%	30-Sep-24	120	2.777	2.78	2.777
ZAMARAD ABS-IMTN 19.11.2024 (CLASS A S3 TRANCHE 3)	AAA	4.200%	19-Nov-24	10	3.425	3.432	3.425
AQUASAR IMTN 5.430% 18.07.2029	AAA (S)	5.430%	18-Jul-29	8	3.598	3.601	3.598
TENAGA IMTN 27.08.2038	AAA	4.980%	27-Aug-38	10	4.321	4.321	4.321
AGROTO IMTN 4.800% 05.08.2026 (Tranche 1)	AA1 (BG)	4.800%	05-Aug-26	16	4.757	4.801	4.757
ENCORP 5.520% 18.05.2028	AA1	5.520%	18-May-28	10	3.697	3.699	3.697
PUBLIC SUB-NOTES 3.90% 27.7.2029 Tranche 6	AA1	3.900%	27-Jul-29	70	3.135	3.143	3.135
IMTIAZ II IMTN 4.580% 27.05.2022	AA2 (S)	4.580%	27-May-22	60	2.408	2.484	2.408
FPSB IMTN 4.650% 21.12.2022	AA IS	4.650%	21-Dec-22	40	2.945	2.961	2.945
FPSB IMTN 4.800% 13.03.2023	AA IS	4.800%	13-Mar-23	40	3.014	3.028	3.014
FPSB IMTN 4.850% 07.09.2023	AA IS	4.850%	07-Sep-23	10	3.133	3.133	3.133
BENIH RESTU IMTN 4.620% 05.06.2025	AA2 (S)	4.620%	05-Jun-25	20	3.236	3.253	3.236
FPSB IMTN 5.050% 31.10.2025	AA IS	5.050%	31-Oct-25	40	3.65	3.655	3.65
ANIH IMTN 6.00% 29.11.2028 - Tranche 15	AA IS	6.000%	29-Nov-28	10	3.912	3.914	3.912
STSSB IMTN Series 1 3.250% 17.01.2022	AA- IS (CG)	3.250%	17-Jan-22	20	2.922	2.956	2.922
QSPS Green SRI Sukuk 5.240% 06.10.2023 - T10	AA- IS	5.240%	06-Oct-23	10	3.336	3.341	3.336
PKNS IMTN 5.013% 31.10.2023	AA3	5.013%	31-Oct-23	20	3.369	3.376	3.369
KESTURI IMTN 4.75% 01.12.2028 - IMTN 10	AA- IS	4.750%	01-Dec-28	20	4.023	4.024	4.023
KESTURI IMTN 4.75% 30.11.2029 - IMTN 11	AA- IS	4.750%	30-Nov-29	10	4.129	4.13	4.129
RENIKOLA IMTN 4.600% 09.05.2031 (Series 10)	AA3	4.600%	09-May-31	10	4.508	4.51	4.508
EDRA ENERGY IMTN 6.470% 05.01.2035 - Tranche No 27	AA3	6.470%	05-Jan-35	10	4.533	4.534	4.533
EDRA ENERGY IMTN 6.630% 05.01.2037 - Tranche No 31	AA3	6.630%	05-Jan-37	10	4.718	4.72	4.718
TSHSMSB IMTN 5.300% 16.06.2023	A+ IS	5.300%	16-Jun-23	30	4.692	4.698	4.692
TROPICANA IMTN 5.450% 06.10.2023 - SEC. SUKUK T4S1	A+ IS	5.450%	06-Oct-23	1	3.887	4.922	3.887
DRB-HICOM IMTN 5.100% 12.12.2029	A+ IS	5.100%	12-Dec-29	1	4.835	4.838	4.835
MAH SING 6.900% PERPETUAL SECURITIES - SERIES NO 1	NR(LT)	6.900%	02-Apr-17	2	4.709	4.868	2.508
CRE IMTN 6.500% 04.09.2120	NR(LT)	6.500%	04-Sep-20	1	5.793	6.294	5.793
Total				689			

Sources: BPAM

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