Monthly Fixed Income Perspective –

Feb 21 review & Mar 21 outlook

US Bond market

- **In February**, US Treasuries (UST's) plunged to its largest loss in four years as concerns over easy and expansionary monetary policy shifted the outlook for interest rates higher. The curve moved sharply higher as benchmark **UST yields ballooned between 2-34bps across the curve with the longer-ends pressured the most (prior month saw spikes of between 5-18bps across).** The UST 2Y yield edged 2bps up at 0.13% whilst the 10Y spiked 34bps at 1.40% (at the time of writing yields have risen to a 12-month high at 1.57% levels) as the yield curve portends the widest 2s10s and 5s30s spreads of 140bps and 150bps respectively since September 2015.

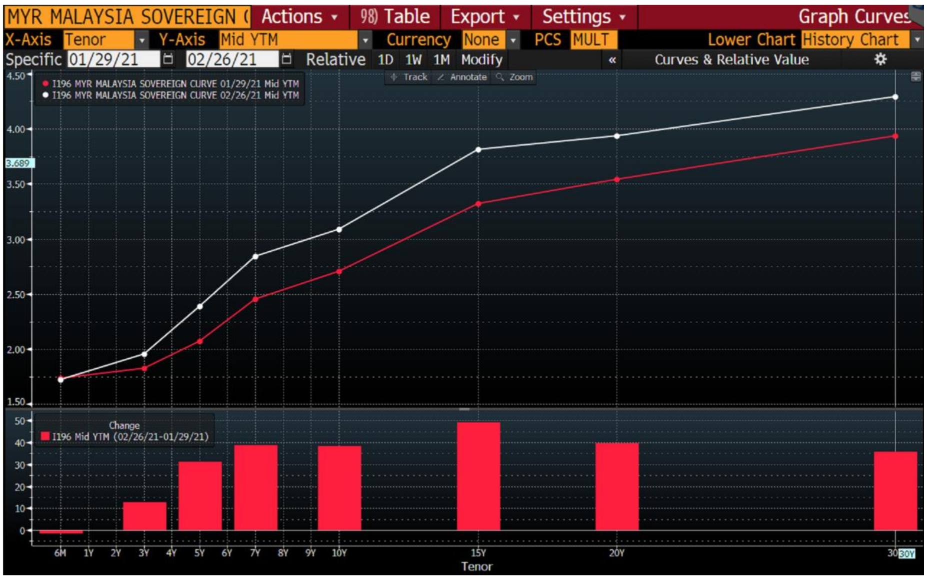
- **For March**, the stronger-than-expected US labor market coupled with the improving economic outlook is expected to result in greater volatility in the bond market. In addition, potential inflationary conditions and the reflation trade theme as larger-sized auctions for UST's coupled with a $1.9 trillion relief plan to ensure continued fiscal spending may exert further steepening of the yield curve. **The 10-year UST is expected to stay elevated ranging between 1.50-1.70%; finding support at key 1.70% levels for this month. Our preferred IG bond issuances are within the 5-7Y tenures in financials, energy and industrials.**

MYR Bond Market

- **In February**, MYR government bond curve steepened and shifted higher; pivoted closely along the 1-3Y tenures with both **MGS/GII bonds spiking between 14-46bps; with GII's feeling slightly more pressured between the two.** The more-positive outlook on the economy coupled with spiking yields in the US dampened the local govvies market. The benchmark 5Y MGS 9/25 yield spiked 27bps m/m to 2.32% whilst the 10Y MGS 4/31 ballooned 32bps at 3.08%. Foreign holdings of MYR government bonds (MGS + GII + SPK) rose again in February; with net inflows of RM5.6b totaling RM210.9b (representing 24.7% of total outstanding). All three (3) auctions saw decent participation with overall BTC ratios at~ 2.14x.

- **For March,** expect some slight pressure to weigh on the curve with the magnitude of the move in February being large, though not unprecedented. BNM's monetary policy statement sounded a tad more upbeat on the global economy. Hence, rising UST yields coupled with expectations of less active trading strategies by pension funds in both primary issuance and secondary market could influence the movements of govvies. The front-loading of issuances as per 2021 Auction Calendar comprising projected net issuance of RM7.5b for March and the approaching FTSE Russel's WGBI decision are also factors to look out for. **The 5Y MGS/GII, 10Y GII and 15Y MGS spaces reflect decent relative values along the curve. We expect the 10Y to range slightly lower between 3.20-3.40%** with support pegged at 3.40% levels. **We also like the 10Y, 20Y GG-space, in addition to the shorter-end 2Y, 10Y and 20Y AAA and AA2-rated papers.**

MYR sovereign curve (MGS)



Source: Bloomberg

An upbeat NFP data for February dents appetite for US Treasuries; cemented further by Senate's approval of President Biden's $1.9 trillion COVID-19 relief package….

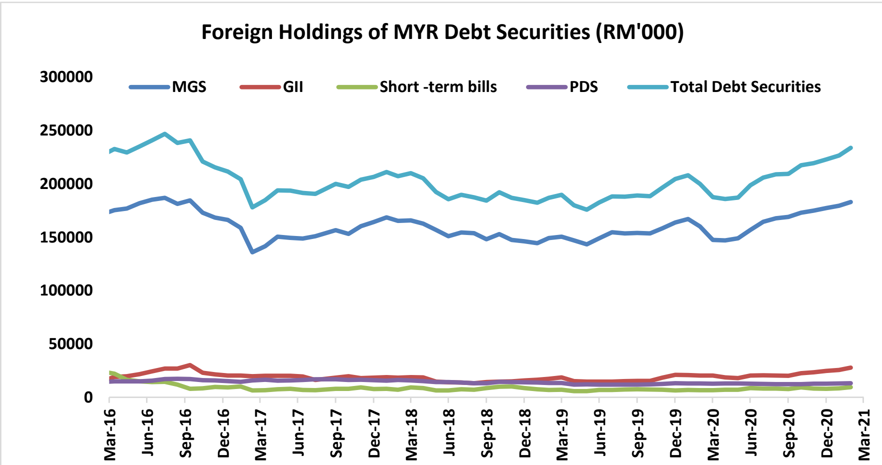
February Non-Farm Payrolls ("NFP") beat consensus estimates of 200k by adding 379k as the labor market gathered steam with the COVID-19 pandemic loosening its grip. (Job gains for December and January were revised up by a combined 38k). The unemployment rate which ticked lower at 6.2% (Jan: 6.3%) brought cheer as well. The earlier hard-hit leisure and hospitality sectors covering restaurants, bars, hotels, motels, retail sector saw improvement as jobs were added along with factory employment. The participation rate also remained at 61.4% indicating that labor force participation rate remained decent for the month; maintaining below pre-pandemic levels of around 63%. The average hourly wages growth maintained at +0.2% m/m whilst the y/y figures eased to 5.3% (previous month 5.4%). Recovery in the labor market got a boost as vaccinations accelerate and the Democrat's $1.9 trillion stimulus was expected to jolt the US economy. According to the monthly survey of households, 10m Americans are unemployed, down from 23.1m in April, but up from 5.8m in February. US PMI and ISM manufacturing data for February turned stronger; denoting expansion @ between 58- 61, compared to the previous month. Separately, the Fed's preferred inflation measure i.e. core PCE maintained m/m at 0.3% and at +1.5% y/y in January which is yet to have marginal effect on UST yields for now.

To recap, the Fed left the Fed Fund Rates unchanged between 0.00- 0.25% at its last FOMC on 27th January following total rate cuts amounting to 150bps in 2020. The **Fed's current dot plot still pins rates unchanged at current level through 2023. Nevertheless, data from the Fed Fund Futures now reflect traders' lesser hypothetical expectations of a cut in the next FOMC meeting on 17th March whilst CME FedWatch Tool continues to maintain a 100% chance of a rate pause.** Nevertheless, despite the **Fed's robust ongoing purchase of bonds of** $80b a month in Treasuries and $40b a month in agency MBS which has boosted its balance sheet to ~$7.56 trillion as at end-Feb 2021 ($4.24 trillion end-Feb 2020); concerns arise over the possibility of further stimulus bills over and above the recent $1.9 trillion under President Biden's stewardship weigh on the yield curve.

Foreign holdings of overall MYR bonds rose again albeit by 3.1% or RM7.2b in February for the 10th month-in-row amid slightly weaker USDMYR @ 4.0498; falling further to ~4.1065 at the time of writing…

Foreign holdings of overall MYR bonds rose in February by RM7.2b or 3.1% to RM233.8b. Non-resident holdings of MGS rose by RM3.5b from RM179.6b to RM183.1b (representing 41.2% of total outstanding) whereas total MYR Government bonds (i.e. MGS+GII+SPK) holdings similarly saw net inflows of RM5.6b to RM210.9b (representing 24.7% of total outstanding) amid lower net issuances of +RM8.5b for the month (Jan: net issuances of +RM12.0b). Supply concerns arising from the higher fiscal deficit seemed somewhat dissipated whilst the rating affirmation by Moody's was a welcoming relief.

The appetite for yield-carry in Asian Rates asset class saw real-money investors purchasing MYR government bonds for February. **Overall MYR govvies saw cumulative net inflows of RM5.6b for February 2021 whilst 12-month rolling inflows notched an impressive RM30.4b. Net equity outflows edged lower by RM867m in February 2021 compared to the 12-month rolling outflows of RM24.2b.** On the currency side, the MYR weakened slightly against USD to 4.0498 as at end-Feb but weaken considerably at 4.1065 levels thereafter at the time of writing.



Source: BNM, HLBB Global Markets Research

OPR stayed pat at 1.75% at the recent MPC meeting in March; in line with our house view….

BNM in its 2nd monetary policy committee (MPC) meeting for the year on 4th of March, left the OPR unchanged at 1.75%. This was the 4th consecutive meeting since the last cut. The tone of monetary policy statement sounded a tad more upbeat on the global economy, highlighting that global economic recovery is gaining momentum, supported by steady improvement in manufacturing and trade activity. Vaccine roll-out and continued policy support will remain crucial to facilitate improvement in private demand and labor market conditions. While the balance of risks remains tilted to the downside, due primarily to uncertainties surrounding the Covid-19 pandemic and efficacy of vaccination programmes, BNM assessed that risks to growth outlook has abated slightly.

On inflation outlook, the decline in CPI is seen to narrow; evidenced by the smallest negative print since March 2020. January continued to see negative print for the 11th consecutive month at -0.2% y/y (Dec: -1.4%). Core CPI was stable at 0.7% y/y in January, while services inflation moderated slightly to 0.8% y/y, suggesting well-contained price pressure based on overall continued soft inflation following the re-introduction of MCO measures in January. For 2021, headline inflation is projected to average higher, primarily due to higher global oil prices. CPI is on track to turn positive in March/April, heading back above the 3.0% level in 2Q; but possibly skewed due to base effect. We expect inflation to pull back to more subdued level of 2.0% again in the second half of 2021, resulting in a full year average CPI of 2.2% y/y.

On balance overall, BNM stands ready to act if need be, with the degree of monetary policy response largely data dependent. Despite the economic contraction for the 3rd straight quarter in 4Q2020, the pace of decline of 3.4% (3Q2020: -2.7%) was better-than our expectations due to the government's economic proposals/assistance. The manufacturing sector supported by both domestic and export-orientated sectors is expected to be in the driver's seat spearheading recovery.

Following the neutral policy statement, **we reaffirm our house view that BNM would keep OPR unchanged at 1.75% this year**, barring any escalation in downside growth risks. The MPC statement continued to reiterate that the stance of monetary policy is "appropriate and accommodative", suggesting BNM is comfortable with the current degree of monetary accommodation.

MYR government bond auction saw decent bidding metrics for the three (3) auctions in February….

The three (3) government bond tenders concluded for the month of February 2021 under the auction calendar saw a slight pullback in BTC ratios which nevertheless ended above the 2.0x handle i.e. 2.14x (Jan: 2.27x). The reopening of 20Y MGS 5/40 saw the strongest BTC ratio of 2.22x; but attracting a total sum of bids of only RM4.45b due to the relatively small issuance of RM2.0b (with a Private Placement of RM2.0b). The other re-openings involved both the 5Y GII 3/26 and 7Y GII 9/27 which recorded BTC ratios of 2.07x and 2.20x respectively with bids totaling between RM7.7-9.3b. We note at the time of writing, the recently-concluded auction involving the re-opening of 30Y MGS 6/50 in early-March also saw admirable bidding metrics @ BTC ratio of 2.02x); tailing 6.3bps with total bids submitted amounting to RM4.05b. The table below summarizes the recent tenders and also our projected sizes for MGS/GII auctions in 2021.

MGS/GII issuance pipeline in 2021

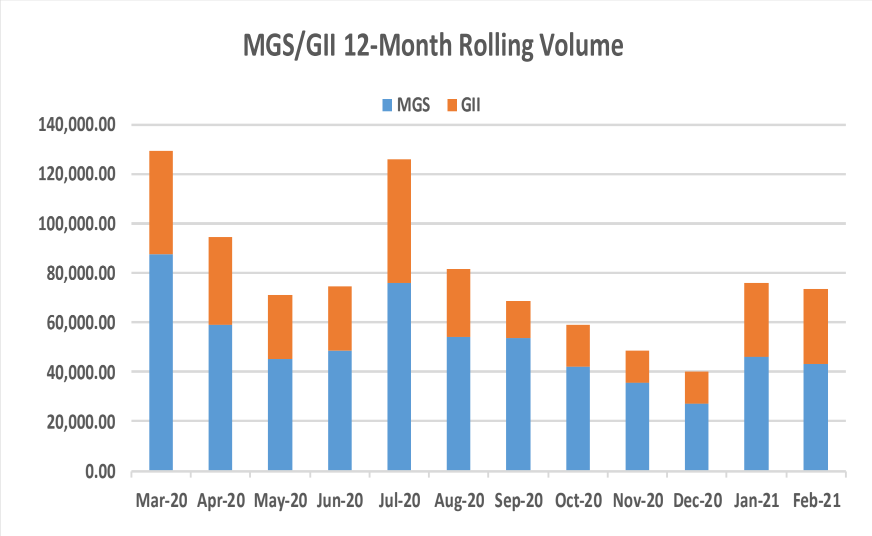
No	Stock	Tenure (yrs)	Tender Month	Quarter	Tender Date	Projected Auction Size (RM mil)	Actual Auction Issuance (RM mil)	Private Placement	Auction Amt Issued YTD	BTC (times)	Low	Average	High	Cut-off
1	7-yr reopening of MGS (Mat on 06/28)	7	Jan	Q1	6/1/2021	3,500	3,500		3,500	2.026	2.406	2.449	2.463	50.0%
2	15.5-yr new Issuance of GII (Mat on 7/36)	15	Jan	Q1	14/1/2021	3,000	3,000	1,500	6,500	2.917	3.385	3.447	3.475	95.5%
3	10-yr Reopening of MGS (Mat on 04/31)	10	Jan	Q1	21/1/2021	4,000	4,000		10,500	1.992	2.684	2.714	2.730	91.7%
4	5-yr Reopening of GII (Mat on 03/26)	5	Feb	Q1	3/2/2021	4,500	4,500		15,000	2.067	2.230	2.252	2.260	63.2%
5	20-yr Reopening of MGS (Mat on 05/40)	20	Feb	Q1	17/2/2021	2,000	2,000	2,000	17,000	2.224	3.901	3.969	4.010	90.0%
6	7-yr Reopening of GII (Mat on 09/27)	7	Feb	Q1	24/2/2021	3,500	3,500		20,500	2.196	2.792	2.806	2.824	82.5%
7	30-yr Reopening of MGS (Mat on 06/50)	30	Mar	Q1	5/3/2021	2,000	2,000	2,000	22,500	2.023	4.443	4.486	4.549	20.0%
8	10-yr Reopening of GII (Mat on 10/30)	10	Mar	Q1		4,000								
9	5-yr Reopening of MGS (Mat on 09/25)	5	Mar	Q1		4,500								
10	20.5-yr New Issue of GII (Mat on 09/41)	20	Mar	Q1		2,000		2,500						
11	7-yr Reopening of MGS (Mat on 06/28)	7	Apr	Q2		4,000								
12	15-yr Reopening of GII (Mat on 7/36)	15	Apr	Q2		3,000		1,000						
13	3-yr Reopening of MGS (Mat on 06/24)	3	Apr	Q2		4,000								
14	30-yr Reopening of GII (Mat on 11/49)	30	May	Q2		2,000		2,000						
15	15-yr Reopening of MGS (Mat on 05/35)	15	May	Q2		3,000		1,500						
16	5-yr Reopening of GII (Mat on 03/26)	5	May	Q2		4,000								
17	10-yr Reopening of MGS (Mat on 04/31)	10	Jun	Q2		3,500		1,000						
18	3-yr Reopening of GII (Mat on 10/24)	3	Jun	Q2		4,500								
19	20-yr Reopening MGS (Mat on 05/40)	20	Jun	Q2		2,000		2,000						
20	15-yr Reopening of GII (Mat on 07/36)	15	Jul	Q3		3,000		1,500						
21	5-yr Reopening of MGS (Mat on 11/26)	5	Jul	Q3		4,000								
22	10-yr Reopening of GII (Mat on 10/30)	10	Jul	Q3		2,500		1,500						
23	30-yr Reopening of MGS (Mat on 06/50)	30	Aug	Q3		2,000		2,500						
24	7-yr Reopening of GII (Mat on 08/28)	7	Aug	Q3		4,500								
25	3-yr Reopening of MGS (Mat on 06/24)	3	Aug	Q3		4,000								
26	20-yr Reopening of GII (Mat on 09/41)	20	Sep	Q3		3,000		1,500						
27	10-yr Reopening of MGS (Mat on 04/31)	10	Sep	Q3		3,500		1,000						
28	5-yr Reopening of GII (Mat on 03/26)	5	Sep	Q3		4,000								
29	7-yr Reopening of MGS (Mat on 06/28)	7	Oct	Q4		4,000								
30	30-yr Reopening of GII (Mat on 11/49)	30	Oct	Q4		2,000		2,000						
31	5-yr Reopening of MGS (Mat on 11/26)	5	Oct	Q4		4,000								
32	10-yr Reopening of GII (Mat on 10/30)	10	Oct	Q4		2,000		2,000						
33	15-yr Reopening of MGS (Mat on 05/35)	15	Nov	Q4		3,000		1,500						
34	3-yr Reopening of GII (Mat on 10/24)	3	Nov	Q4		4,000								
35	20-yr Reopening of MGS (Mat on 05/40)	20	Nov	Q4		2,000		2,000						
36	7-yr Reopening of GII (Mat on 08/28)	7	Dec	Q4		3,500								
37	3-yr Reopening of MGS (Mat on 06/24)	3	Dec	Q4		3,000								
	Gross MGS/GII supply in 2021					121,000		31,000		PROJECTED TOTAL ISSUANCE SIZE = 152,500				

Source: BNM, HLBB Global Markets Research

MGS/GII sees slight pullback in secondary market activity for February

Trading volume for MYR govvies i.e. MGS + GII bonds fell by small margin of 3.9% m/m to ~RM71.6b in February compared to prior month's RM74.5b due to some investors preferring to be sidelined due to concerns over rising global yields especially UST's. Interest was mainly seen across the short-end and the belly with substantial and frequent trades done predominantly in MGS/GII off-the-run 21-22's (altogether RM18.3b or 25.6% of overall volume of RM74.5b; compared to prior month's RM21.2b representing 28.5%) and also the 24's and 29's. This was followed by tremendous interest in the 5Y and 10Y benchmarks which churned a solid secondary market volume of ~ RM6.9b and RM6.1b respectively whilst maintaining altogether 18% of overall volume for the month. Investors were seen active mainly in the short-ends and also the 5Y and 10Y space.

We opine that the secondary market volume for local govvies may see less action in March on speculation credit spreads may jump due to volatility of govvies movements in view of strong possibility of no further interest rate cuts this year. Opportunities for relative yield-carry differentials in EM Asia will face competition from neighboring ASEAN countries. Our projection of the front-loading of issuances under the 2021 Auction Calendar and re-visitation of FTSE Russell's weightage of Malaysian sovereign bonds in the WGBI at end-March are factors to watch out for now.



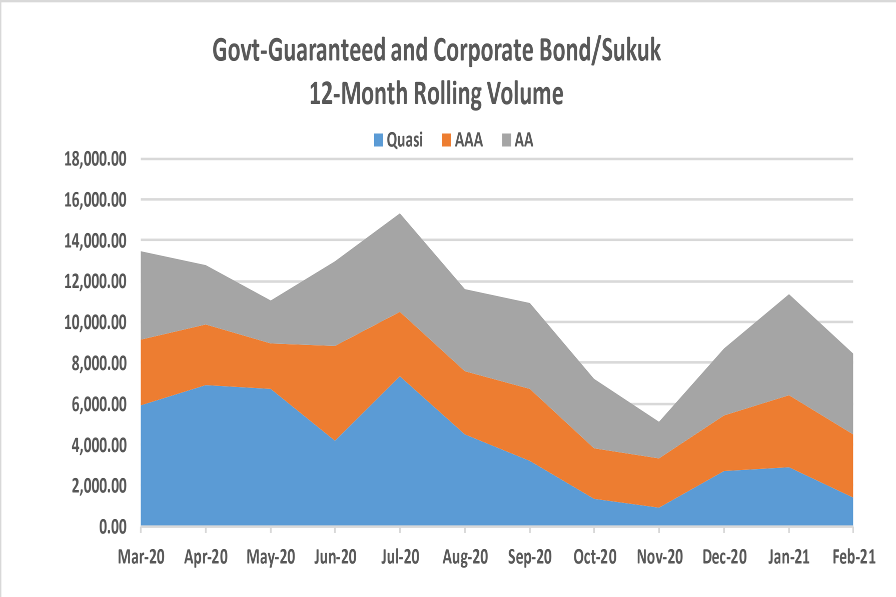
Source: BPAM, Bloomberg, HLBB Global Markets Research

Corporate Bonds/Sukuk activity took cue from weaker government bonds as trading activity slumps up in February 2021…

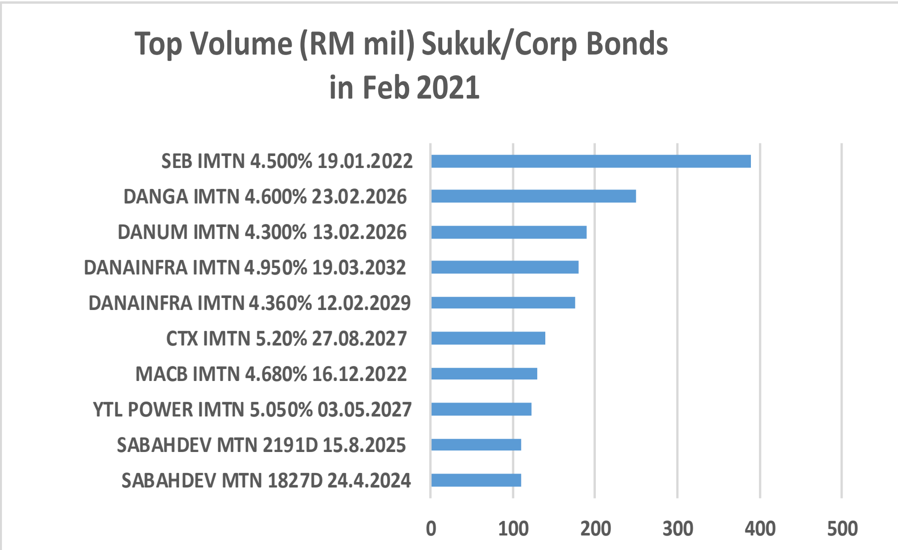
Similar to local govvies, overall Corporate Bonds/Sukuk (including Govt-Guaranteed bonds) saw secondary market trading volume nosedive to ~RM8.61b in February (i.e. 25.2% drop) compared to RM11.52b in January. The weaker momentum was partly due to knock-on effects from govvies as many fund managers preferred to be sidelined. Following BNM's decision to stay pat on the OPR in January, the stronger December numbers for industrial production overshadowed the weaker-than-expected 4Q2020 GDP of -3.4% compared to consensus of -3.1%. The lower portfolio turnover by institutional buyers, inter-bank players, lifers and asset management companies were believed to be due to underlying concerns over the largest private pension fund's passive activities in the secondary market as overall yields ended mostly higher instead. Yield spreads ended mostly tighter in the belly; settling wider between 14-55bps in the GG-segment with most meat found in the 1Y and 10Y sectors. The AAA-rated bonds saw spreads of ~30-70bps whilst the AA2-segment spreads were 33-88bps (tenures extending out from 5Y until 20Y tenures saw the most increase in yields). We note that foreign holdings for both GG and pure Credits notch up slightly at ~ RM13.29b.

Total transactions for GG bonds fell m/m to form ~16.6% of overall volume; quite the reverse of both AAA and AA-rated bonds in the secondary market. AAA-rated papers saw a 6.2% increase in volume m/m resulting in 36.8% of overall trades whilst AA-rated ones surged in activity by 2.7%; ultimately forming the bulk of investor interest overall at 46.6%. The GG-space was again mainly centered on DANAINFRA and LPPSA bonds followed by quasi-govt entity i.e. CAGAMAS Bhd. **Bonds that garnered top volume for the month were the short-end energy-related bonds SEB 1/22 (AAA) that declined 10bps at 2.09% and also DANGA 2/26 (AAA) which closed 6bps higher instead at 2.75%. This was followed by DANUM 2/26 (AAA) which rose 4bps at 2.72%.** Frequency and volume of trades in the pure credit space were seen mainly seen in conglomerates (i.e. DANUM 25-26's, DANGA 24-33's, KLK 25-34's, UMW Holdings 22-25's, YTL Corp 23-26's, MMC 23-28's and infrastructure-cum construction/property/toll (i.e. PLUS 23-31's, IJM 22-28's, AMAN 21-27's, Putrajaya 23-24's, UEM SUNRISE 21-25's), utilities encompassing energy/telco/water/power (i.e. AAA-rated PASB 21-26's, TENAGA 27-34's, DIGI 22-29's, CTX 22-27's, MANJUNG 21-27's, SARAWAKHIDRO 24-31's, AA-rated EDRA 26-38's, Southern Power 24-28's, JEP 23-31's, SEB 21-27's, YTL Power 23-27's, MACB 22's, TCMH 21's, UMW Holdings 22-26's and TG Excellence. The banking sector saw SABAH DEV 24-25's, IMTIAZ 21-

35's and BPMB 24-25's bonds traded. Odd-lot denominated trades involving banking names such as AFFIN Bank perps, ALLIANCE Bank 2030NC25 and 2035NC30 and also unrated ECO World 23-25's, YNH PROPERTIES perps, Tropicana 23-25's & perps were also prevalent.



Source: BPAM, Bloomberg, HLBB Global Markets Research



Source: BPAM, Bloomberg, HLBB Global Markets Research

Primary issuance print in January driven by the following:

Notable issuances in Feb-21	Rating	Amount Issued (RM mil)
BGMC BRAS Power Sdn Berhad	NR	4
Cagamas Berhad	AAA	400
DanaInfra Nasional Berhad	GG	2,200
Damansara Uptown Retail Centre Sdn Berhad	NR	25
Fenghuang Development Sdn Berhad	NR	5
Glenealy Plantations Sdn Berhad	NR	250
Hektar Black Sdn Berhad	NR	10
Idiwan Solar Sdn Berhad	NR	12
KYS Assets Sdn Berhad	NR	25
MAG Holdings Berhad (fka Xinghe Holdings Berhad)	NR	3
Maybank Islamic Berhad	AA1	1,000
ORIX Credit Malaysia Sdn Berhad	AA2	50
Pengurusan Air SPV Berhad	AAA	800
Potensi Angkasa Sdn Berhad	NR	15
Setia Fontaines Sdn Berhad (fka Setia Recreation Sdn Berhad)	NR	8
SMTrack Berhad	NR	2
Sunway Treasury Sukuk Sdn Berhad	NR	100
Tumpuan Azam Sdn Berhad	NR	7
Techna-X Berhad (fka Sino Hua-An International Berhad)	NR	8
Tanjung Pinang Development Sdn Berhad	NR	20
UEM Sunrise Berhad	AA3	400
		5,343

Source : BPAM, Bloomberg, HLBB Global Markets Research

Total fresh issuances of Corp Bonds/Sukuk rose to a 4-year low of ~RM5.34b (Jan 20: RM2.01b) with DANAINFRA Nasional Bhd (DANA) and MAYBANK Islamic Bhd being the more prominent ones. DANA issued 7-30Y bonds (GG) totaling RM2.2b between coupons of 2.84-4.36% whilst Maybank Islamic successfully arranged 2031NC26 papers (AA1) amounting to RM1.0b at a coupon of 2.90%.

Outlook for March 2021

Expect bond yields to drift slightly higher....

The MYR bond market which saw decent bidding metrics for all of its auction exercises in February including the recently-concluded long-bond auction i.e. reopening of 30Y MGS 5/40 in early-March; saw admirable bidding metrics. It notched a BTC ratio @2.02x); tailing at 6.3bps with total bids submitted amounting to RM4.05b. Nevertheless, we note several events going forward that may impact on bonds:

- FTSE Russell's announcement of changes (if any) in the WGBI weightage for Malaysia.
- Likelihood of BNM not lowering the present OPR rate of 1.75%.
- Rising global yields especially UST yields.
- Speed of deployment of vaccine rollouts and readiness of acceptance by the public which are incumbent on the faster economic recovery as movement restrictions are lifted.
- Potential sovereign rating updates by S&P.
- Reduction in EPF's active investing/trading activities in both secondary bond market bond coupled with primary auctions in view of its national strategic role to allow for lower contribution rate and sizeable withdrawals under the various economic stimulus packages.

S&P Ratings is expected to provide its report on the sovereign status of Malaysia soon. (To re-cap Moody's affirmed the GOM's local and foreign currency long-term issue and local currency senior unsecured debt ratings at A3. However, the country's long-term issuer default rating was downgraded from A- to BBB+/Stable by Fitch Ratings in early December). The heavy responsibility shouldered by the EPF with regards to the government's decision to allow for lesser contributions coupled with easier withdrawals by the Rakyat may see slightly lesser deployment of funds for purchases in the fixed income space for 1H2021. Some mitigation can be expected by other well-capitalized institutions in the country.

Our YTD projected total gross issuances for 2021 of about RM28.0b is on track with actual issuances which consist of both auctions and private placements. (Overall issuances of RM152b is expected to exceed the actual issuance of RM148.8b in 2020). Notably, the USDMYR pair which fell to 4.0498 end February has however climbed higher to 4.1065 levels at the time of writing as a result of a stronger greenback. However, we expect MYR to be supported by current steady oil/ gas prices

We reiterate our view for OPR to stay pat at 1.75% as global growth risks have slightly abated whilst domestic growth is expected to improve in 2Q2021. Expect lesser institutional support on weakness as slight pressure exerts on the curve. The positive interest-rate differentials may entice offshore real money investor interest like pension funds, central banks, global asset managers and lifers into the local sovereign debt space although the regional competition for these funds remains challenging. We note that despite a RM9.5b govvies maturity in March, there may also be slight pressure on yields due to our projection of ~ RM17.0b of MGS/GII issuances for this month as per the auction calendar for the year. **The 5Y MGS/GII, 10Y GII and 15Y MGS spaces reflect decent relative values along the curve. We expect the 10Y to range slightly lower between 3.20-3.40%** with support pegged at 3.40% levels We continue to expect the shorter-end i.e. 21-22's, 28's, 29's and benchmark 5Y, 10Y bonds to attract interest.

We also like the 10Y, 20Y GG-space, in addition to the shorter-end 2Y, 10Y and 20Y AAA and AA2-rated papers. The GG bond names like PRASARANA and DANAINFRA, PRASARANA are expected to provide good liquidity, lesser portfolio slippage whilst providing decent spreads. We prefer names covering large conglomerates with a well-diversified business structure, utilities (electricity, water etc), power and toll-operators, power/energy-related and also toll-operators.

US rates market shift the curve higher in March amid Republicans capacity to embark on additional relief packages....

The Federal Reserve will be having its next FOMC meeting on the 18th of March to decide on its current policy rate which has been pegged between 0.00 - 0.25% since March 2020. Both the US ISM Manufacturing PMI which improved to @ 60.8 in February (Jan: 58.7) and Markit's US Manufacturing PMI which inched up at 58.6 (Jan: 58.5) still reflects positive momentum whilst unemployment rate dropped at 6.2%. (Dec: 6.3%). The slow but sure lifting of containment measures across the US due to COVID-19 infections may see boost economic activities and fan inflationary pressures due to the massive $2.9 trillion, $900b policy stimulus and the recent $1.9 trillion spending bill. Elsewhere for many advanced economies, 2021 is seen as a recovery year with virus infections expected to be capped. The potential appetite for risk-assets in the US may spillover to EM Asia. Expect attention to eventually resume on US-China relations and global trade.

The Fed's neutral view on the rate outlook suggests further rate cuts are unlikely through 2023. We still opine that the **Fed may embark on forward guidance on the target and future path for the Fed Fund rate and also yield curve control to cap yields on certain maturities**. We believe that t**he UST 7Y and 10Y tenures are currently seen to offer slightly better relative value at this juncture.**

In the Credit/Corporate space, the Bloomberg Barclays US Corporate Total Return Value (for Investment Grade or IG) saw a monthly loss of 1.40% in February (January: -1.28%) with OAS spreads rising slightly by 2bps to ~ 99bps. Net Issuances for February saw $110b priced (mainly by financial sector, corporates like Apple, Nippon Telegraph etc). We'd expect issuances to ease to about $120-130b (vs the $260b we saw in March 2020) with maturities of ~$63b in March. The Bloomberg Barclays US Corporate High Yield Total Return Index (for High Yield or HY), bucked the trend and managed 0.40% return for February with spreads compressing 35bps to ~335bps. The high duration-low yield profile, and the continued prospect for muted spread action and further steepening in the Treasury curve may add to year-to-date declines. **The 10-year UST is expected to stay elevated ranging between 1.50-1.70%; finding support at key 1.70% levels for this month. Our preferred IG bond issuances are within the 5-7Y tenures in financials, energy and industrials.** Despite the positive performance of the High Yield sector, we advocate a cautious stance due to oversupply credit concerns.

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