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MIDF AMANAH
INVESTMENT BANK BERHAD

WEEKLY MONEY REVIEW

MIDF Strategy 4 July 2022

Week Ended 1 July 2022

- The benchmark 10-year UST yield slumped -25.0bps to close the review week at 2.88%. The UST market saw continued buying interest across the curve, with larger yield retracements seen at the shorter end, as investors assessed the prospect of abating price pressure in the aftermath of aggressive interest rate hikes to curb rising inflation. The 10y-3y yield spread rebounded from -2bps to 3bps as the short-end outperformed.

- Medium-term inflation expectation ended the review week lower at 2.64% (prior week: 2.84%), its lowest weekly close since early October last year. While the level of inflation expectation has been declining from the high of 3.73% in late March 2022, it however remains elevated beyond the (hotter-than-normal) inflation range of 2.25%-2.50% acceptable (transiently) to the US Fed. At current juncture, it seems the market is increasingly (albeit not fully) convinced that the elevated price pressure would ebb in good time. In this regard, we reckon inflation expectation would methodically drop if the US Fed continued walking its talk on being sufficiently aggressive in battling against inflation.

- The price of domestic MGS benchmark issues ended the review week mixed with the 3-year and 10-year yields shed -3.3bps and added 1.4bps to close at 3.46% and 4.22% respectively. Accordingly, the 10y-3y yield spread expanded (yield curve steepened) week-on-week from 72bps to 76bps as the short-end outperformed.

- MGS foreign holdings increased on-year from RM247.9b in May 2021 to RM257.5b in May 2022. Moreover, it edged higher on-month from RM256.9b in April 2022. On Bursa Malaysia, the 12-month rolling sum of foreign net equity trade ended the review week at RM7.67b. It increased on-week from RM7.47b registered a week ago. Moreover, it improved markedly on-year from -RM12.39b a year ago.

4 July 2022 | Strategy

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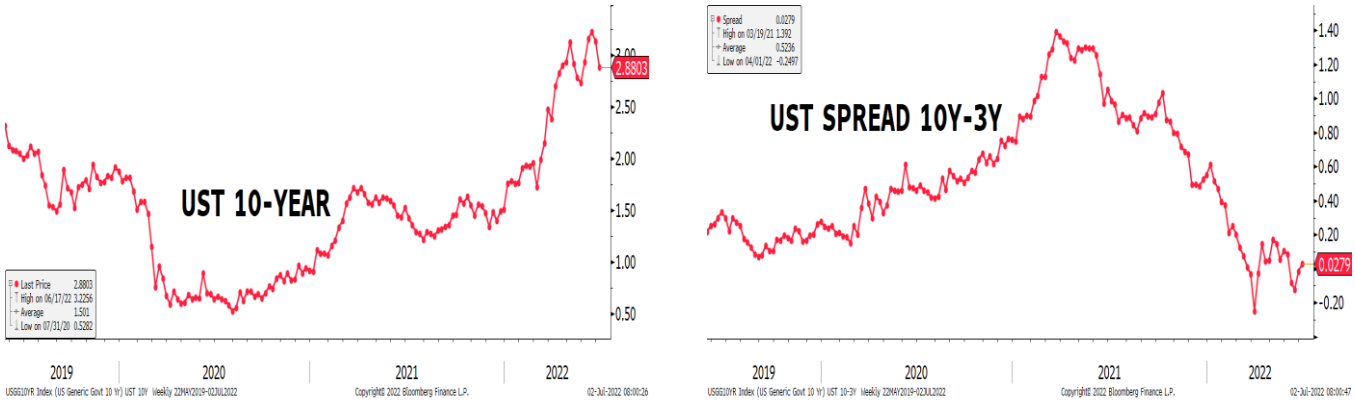
Weekly Money Review

A. FIXED INCOME

- The benchmark 10-year UST yield slumped -25.0bps to close the review week at 2.88%. The UST market saw continued buying interest across the curve, with larger yield retracements seen at the shorter end, as investors assessed the prospect of abating price pressure in the aftermath of aggressive interest rate hikes to curb rising inflation. The 10y-3y yield spread rebounded from -2bps to 3bps as the short-end outperformed.



Source: Bloomberg, MIDFR

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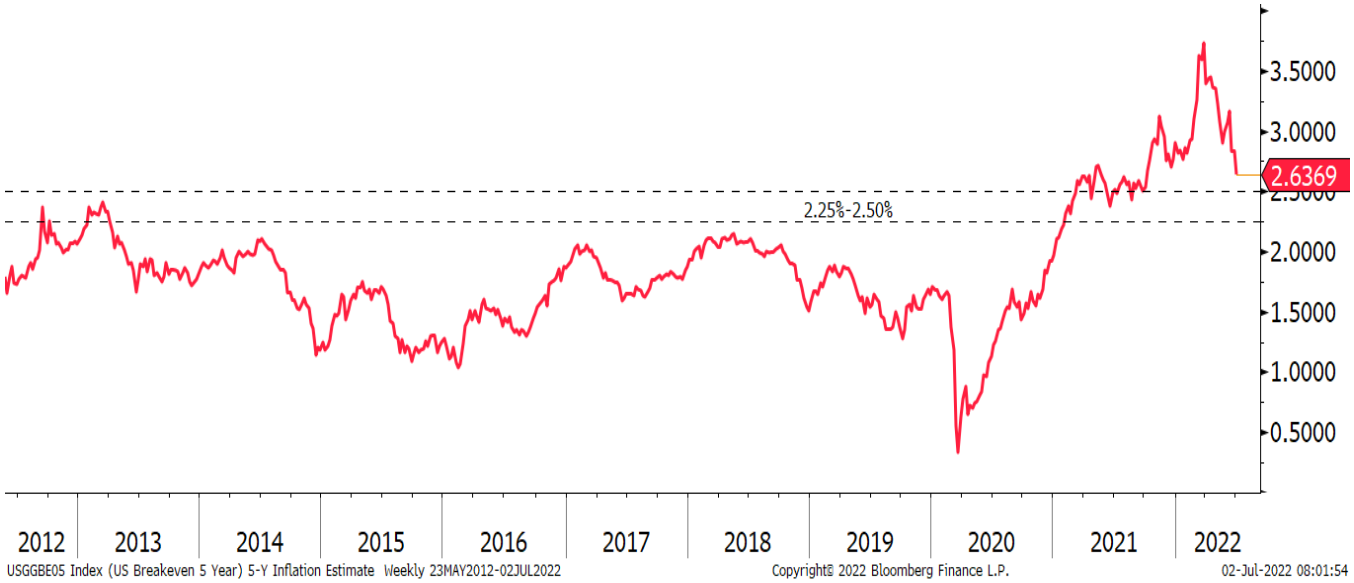
MEDIUM-TERM INFLATION EXPECTATION (5Y UST-TIPS SPREAD)



Source: Bloomberg, MIDFR

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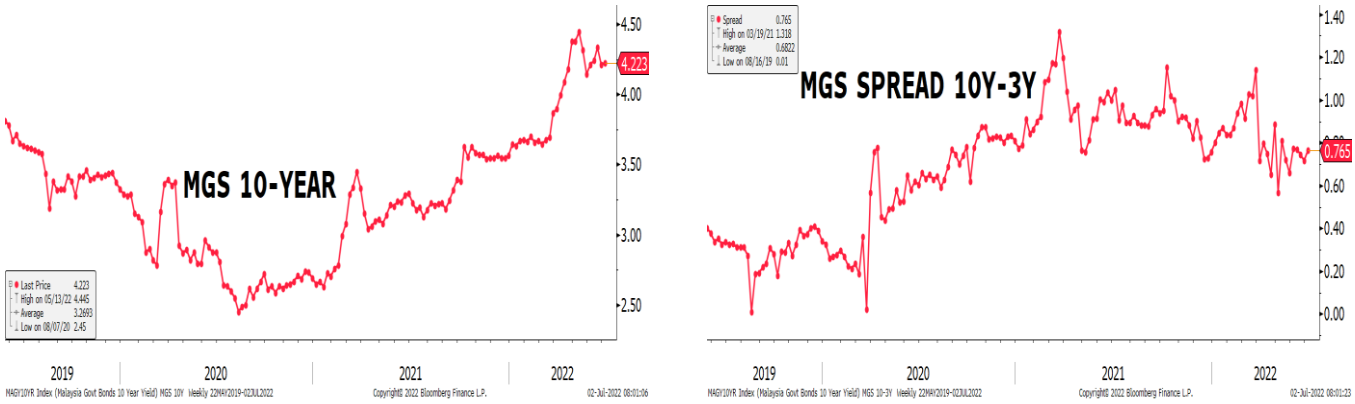
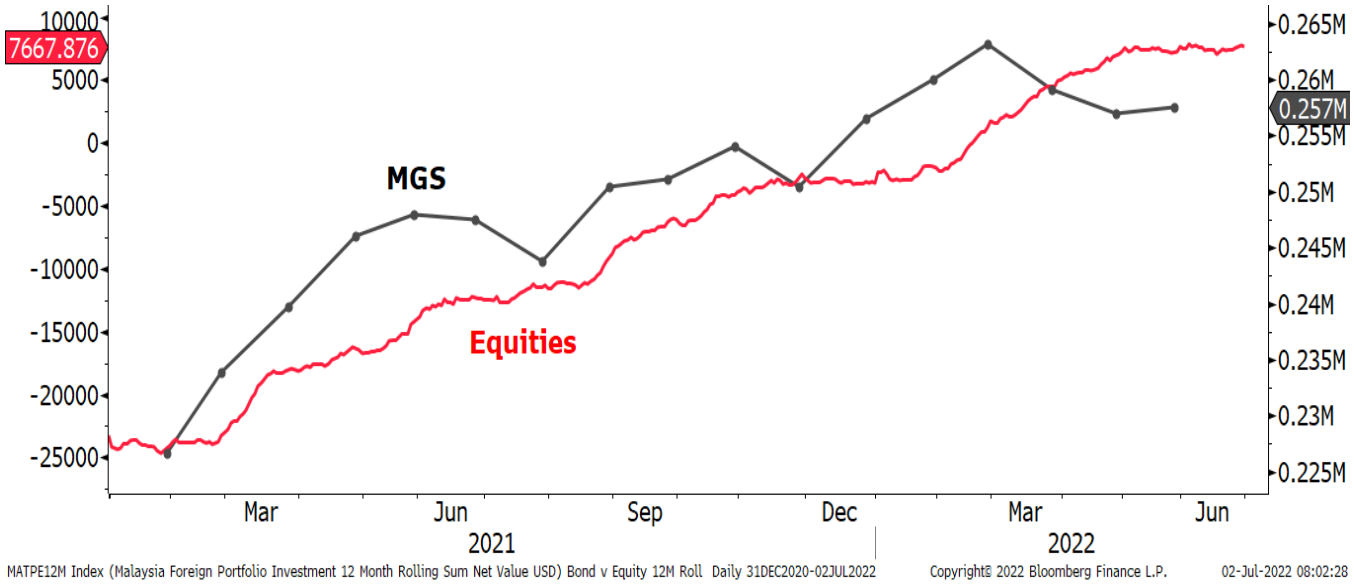


Source: Bloomberg, MIDFR

- Total trading value for Government Bonds (MGS/MII) increased to RM17.31b in the review week compared to RM11.27b in the prior week (based on Bloomberg data). The total trading value of 10 most actively traded issues declined (higher trading breadth) to 57% from 78% of the overall Government Bonds trades. Moreover, 7 out of the 10 most actively traded bonds saw higher yields hence lower prices during the review week.

- The top 3 actively traded Government Bonds were dominated by issues of short and mid residual tenor. The top 3 most actively traded were MII 3.422% 9/30/27 at RM1.94b, MII 3.465% 10/15/30 at RM1.55b, and MGS 3.48% 3/15/23 at RM1.07b.

FOREIGN: MGS HOLDINGS & 12-M ROLLING SUM NET EQUITIES TRADE



MATPE12M Index (Malaysia Foreign Portfolio Investment 12 Month Rolling Sum Net Value USD) Bond v Equity 12M Roll Daily 31DEC2020-02JUL2022 Copyright© 2022 Bloomberg Finance L.P. 02-Jul-2022 08:02:28
Source: Bloomberg, MIDFR

- MGS foreign holdings increased on-year from RM247.9b in May 2021 to RM257.5b in May 2022. Moreover, it edged higher on-month from RM256.9b in April 2022. On Bursa Malaysia, the 12-month rolling sum of foreign net equity trade ended the review week at RM7.67b. It increased on-week from RM7.47b registered a week ago. Moreover, it improved markedly on-year from -RM12.39b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM1.60b in the review week compared to RM779m in the prior week (based on Bloomberg data). The total trading value of 10 most actively traded issues increased (lower trading breadth) to 66% from 39% of the overall Corporate Bonds trades.

- The top 3 actively traded Corporate Bonds were dominated by issues of mid and long residual tenor. The largest trading values were seen in Prasarana 4.93% 12/28/32 at RM620m, Govco Holdings 4.95% 2/20/32 at RM120m, and Danajamin 4.8% 10/6/27 at RM85m.

B. FOREIGN EXCHANGE

- USD strengthened on recession fear. US dollars appreciated against major currencies last week as the DXY US dollar index rose by +0.9%wow to 105.14, the highest level in 2 weeks. Possible sharper slowdown in the US economy from aggressive tightening by the Fed and higher inflation, in view of elevated energy prices, led to growing recession fear. This risk-off sentiment basically drove more safe-haven demand for the US dollars.

- EUR and GBP weakened last week. On the back of higher demand for dollar, euro and pound sterling both depreciated last week, falling by 1.3% to USD1.041 and -1.4% to USD1.210, respectively. Expectations for hawkish ECB and BOE supported both currencies to appreciate against the dollar.

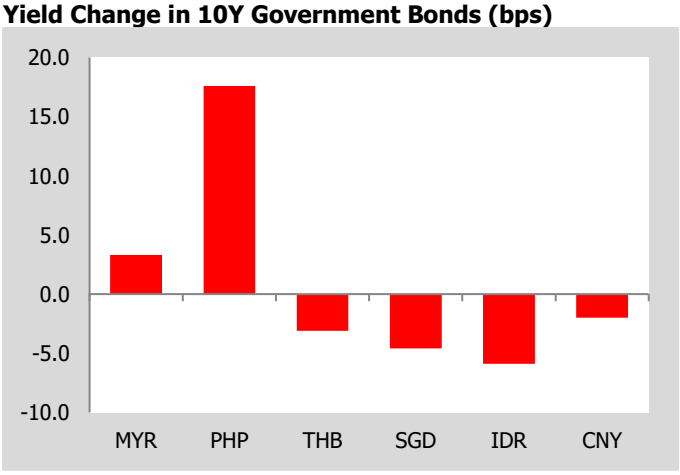
- Ringgit and regional currencies also depreciated. Similar, ringgit and other regional currencies weakened last week. Ringgit was exchanged at RM4.407 per dollar by Friday, closing slightly weaker (or -0.1%) from previous week. The weakening of ringgit also reflects weaker oil prices; with Brent crude benchmark closing -1.3%wow at USD111.63pb. For 2022 ringgit outlook, we revise down our projection for ringgit to average this year at RM4.28 (previous: RM4.25) to the dollar, taking into account mainly recent weakness in ringgit because of widening interest differential as a result of more aggressive tightening by the US Fed. While we expect fundamentals to continue supporting ringgit outlook, we also change our year-end forecast for ringgit to RM4.25 (previous: RM4.15).

Currencies Changes (Week Ended 01/07) and Quarterly Forecasts

	Close (01/07)	Prev. Close (24/06)	Weekly Change	Weekly Change (%)	1Q22	2Q22	3Q22F	4Q22F
DXY Index	105.14	104.19	+0.953	+0.9	98.31	104.69	104.2	102.8
EURUSD	1.041	1.055	-0.014	-1.3	1.11	1.05	1.06	1.07
GBPUSD	1.210	1.227	-0.017	-1.4	1.31	1.22	1.23	1.25
USDJPY	135.21	135.23	+0.020	0.0	121.7	135.72	132	131
USDMYR	4.407	4.403	-0.005	-0.1	4.20	4.41	4.33	4.25
GBPMYR	5.339	5.408	+0.069	+1.3	5.52	5.35	5.34	5.30
JPYMYR	3.257	3.256	0.000	0.0	3.45	3.25	3.28	3.24

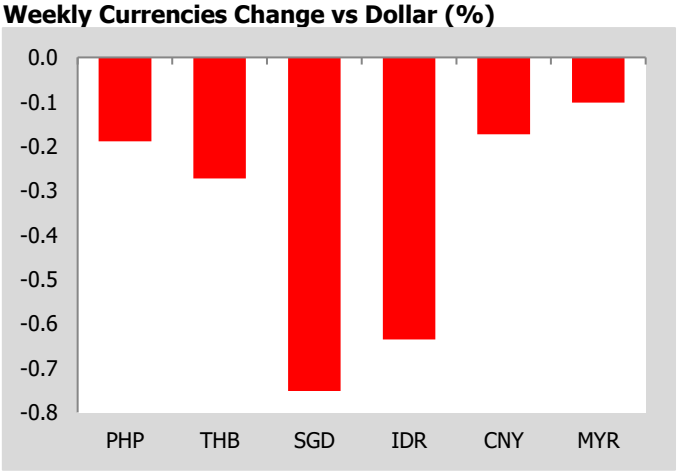
Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

Yield Change in 10Y Government Bonds (bps)



Source: Bloomberg; MIDFR

Weekly Currencies Change vs Dollar (%)



Source: Bloomberg; MIDFR

Central Bank Policy Rate by Selected Economies (%)

	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22
Malaysia	1.75	1.75	1.75	1.75	1.75	1.75	1.75	2.00	2.00
Indonesia	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Philippines	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.25	2.50
Thailand	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Vietnam	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
South Korea	0.75	1.00	1.00	1.25	1.25	1.25	1.50	1.75	1.75
India	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.40	4.90
Japan	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)
UK	0.10	0.10	0.25	0.25	0.50	0.75	0.75	1.00	1.25
Euro area	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
USA	0.00-0.25	0.00-0.25	0.00-0.25	0.00-0.25	0.00-0.25	0.25-0.50	0.25-0.50	0.75-1.00	1.50-1.75

Source: Bloomberg, MIDFR

- Latest data shows the US economy continued to grow albeit at moderate pace. ISM manufacturing PMI fell to 53 in Jun-22 (May-22: 56.1), indicating a sharper-than-expected moderation in manufacturing sector activities. However, the Conference Board Consumer Confidence index declined to 98.7 in Jun-22 (May-22: 103.2) as consumers expressed more pessimistic view on the near-term economic and labour market conditions.

- Revised GDP data shows the US economy declined slightly larger by -1.6%qoq on annualized basis in 1QCY22 (previous estimate: -1.5%qoq), with growth in private consumption expenditures revised down to annualized +1.8%qoq (previous estimate: +3.1%qoq). This shows American consumers already started to adjust their spending due to high inflation and rising borrowing costs.

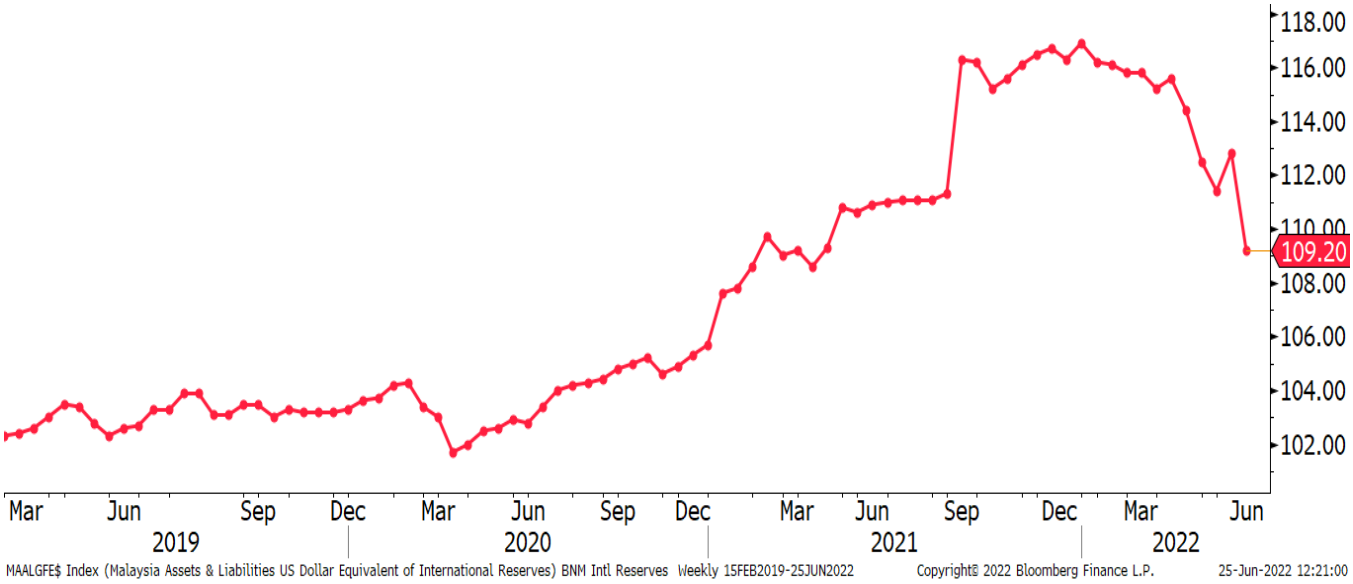
- At the ECB Conference last week,
  - Fed Chair Jerome Powell mentioned that the US economy could slower sharper as a result of the aggressive policy tightening. Nevertheless, persistently high inflation is the bigger risk to the US economy.
  - Leaders of major central banks also called for rapid action to tighten policy and bring down inflation. The era of low interest rates and moderate inflation has come to an end due to "massive geopolitical shock" from Russia-Ukraine war and the Covid-19 pandemic.

- Malaysia's manufacturing PMI increased to 50.4 in Jun-22 (May-22: 50.1), indicating activities in the local manufacturing sector grew slightly faster than previous month. This was supported by growing new orders and stabilization in production activities, after 5 months of declines.

C. BNM INTERNATIONAL RESERVES

- As of 15 June 2022, compared to previous fortnight, Bank Negara Malaysia's international reserves was lower at USD109.2b (31 May 2022: USD112.8b).

BNM INTERNATIONAL RESERVES



Source: Bloomberg, MIDFR

- The amount of reserves is sufficient to finance 5.5 months of imports of goods & services and is 1.1 times total short-term external debt.

APPENDIX

WEEKLY INTEREST RATE MONITOR

Tenor	24-Jun Fri	27-Jun Mon	28-Jun Tue	29-Jun Wed	30-Jun Thu	1-Jul Fri	Change (WoW bp)
MGS							
3-Y	3.491	3.49	3.49	3.47	3.508	3.458	-3.3
5-Y	3.862	3.914	3.937	3.962	3.962	3.912	5
7-Y	4.115	4.105	4.164	4.231	4.217	4.158	4.3
10-Y	4.209	4.235	4.235	4.229	4.303	4.223	1.4
20-Y	4.642	4.757	4.804	4.816	4.772	4.734	9.2
RINGGIT IRS							
1-Y	2.97	2.985	3.01	3.06	3.085	3.065	9.5
3-Y	3.615	3.66	3.68	3.67	3.67	3.625	1
5-Y	3.79	3.85	3.88	3.86	3.845	3.79	0
7-Y	3.89	3.97	3.965	3.97	3.975	3.92	3
10-Y	3.96	4.01	4.08	4.073	4.065	4.025	6.5
KLIBOR							
1-M	2.16	2.16	2.16	2.18	2.21	2.22	6
2-M	2.27	2.27	2.27	2.31	2.36	2.38	11
3-M	2.3	2.3	2.3	2.34	2.38	2.41	11
UST							
3-Y	3.147	3.206	3.2007	3.1086	3.0082	2.8524	-29.46
5-Y	3.1857	3.2545	3.233	3.1429	3.0379	2.8775	-30.82
7-Y	3.1955	3.2679	3.2448	3.1573	3.0676	2.9165	-27.9
10-Y	3.1301	3.1997	3.1715	3.0891	3.0129	2.8803	-24.98
30-Y	3.2571	3.3119	3.2788	3.2185	3.1827	3.1031	-15.4
USD LIBOR							
1-M	1.63271	1.65229	1.66614	1.71314	1.78671	1.78671	15.4
3-M	2.23443	2.23157	2.25043	2.27714	2.28514	2.28514	5.071

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	24-Jun Yield	1-Jul Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA INVESTMNT ISSU	3.422	09/30/27	4.061	4.037	-2.4	1,938.9
MALAYSIA INVESTMNT ISSU	3.465	10/15/30	4.332	4.342	1.0	1,548.9
MALAYSIA GOVERNMENT	3.48	03/15/23	2.906	2.993	8.7	1,072.1
MALAYSIA GOVERNMENT	3.795	09/30/22	2.201	2.200	-0.1	1,050.1
MALAYSIA GOVERNMENT	3.582	07/15/32	4.209	4.223	1.4	847.4
MALAYSIA GOVERNMENT	3.885	08/15/29	4.210	4.226	1.6	807.7
MALAYSIA GOVERNMENT	3.418	08/15/22	1.875	2.500	62.5	687.1
MALAYSIA GOVERNMENT	4.762	04/07/37	4.597	4.592	-0.5	665.7
MALAYSIA GOVERNMENT	4.893	06/08/38	4.691	4.803	11.2	658.1
MALAYSIA GOVERNMENT	4.504	04/30/29	4.115	4.158	4.3	553.8
TOTAL VOLUME (TOP 10)						9,829.7
TOTAL VOLUME (Overall)						17,308.7

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	24-Jun Yield	1-Jul Yield	Change (WoW bp)	Weekly Volume (RM mn)
PRASARANA MALAYSIA BHD	4.93	12/28/32	N/A	4.599	N/A	620.0
GOVCO HOLDINGS BHD	4.95	02/20/32	N/A	4.599	N/A	120.0
DANAJAMIN NASIONAL BHD	4.8	10/06/27	N/A	3.144	N/A	85.0
TURUS PESAWAT SDN BHD	3.74	11/18/22	2.757	2.909	15.2	60.0
DANAINFRA NASIONAL	5.36	02/21/48	N/A	5.094	N/A	40.0
TENAGA NASIONAL BERHA	5.57	06/28/47	N/A	5.515	N/A	35.0
DANAINFRA NASIONAL	4.95	03/19/32	4.652	4.571	-8.1	30.0
PRESS METAL ALUMINIUM	4	08/15/25	4.177	4.220	4.3	30.0
NORTHPORT MALAYSIA BH	5.78	12/19/24	N/A	4.073	N/A	20.0
PROJEK LEBUHRAYA USAHA	5.39	01/12/34	5.000	4.939	-6.1	20.0
TOTAL VOLUME (TOP 10)						1,060.0
TOTAL VOLUME (Overall)						1,598.6

Source: Bloomberg

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to *fall* by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.
SECTOR RECOMMENDATIONS	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell