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MIDF AMANAH
INVESTMENT BANK BERHAD

WEEKLY MONEY REVIEW

MIDF Strategy 12 July 2022

Week Ended 8 July 2022

- The benchmark 10-year UST yield rebounded 20.0bps to close the review week at 3.08%. Selling pressure returned across the duration with larger yield spikes seen at the shorter end of the UST curve as investors reacted to stronger-than-expected payrolls data. The strong jobs report suggested the US Fed may keep its aggressive tightening stance even amid the backdrop of falling commodity prices of late. The 10y-3y yield spread inverted yet again from 3bps to -6bps as the short-end underperformed.

- Medium-term inflation expectation ended the review week lower at 2.63% (prior week: 2.64%), 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 added 2.7bps and shed -4.3bps to close at 3.48% and 4.18% respectively. Accordingly, the 10y-3y yield spread narrowed (yield curve flattened) week-on-week from 76bps to 70bps as the long-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 RM7.96b. It increased on-week from RM7.67b registered a week ago. Moreover, it improved markedly on-year from -RM12.60b a year ago.

12 July 2022 | **Strategy**

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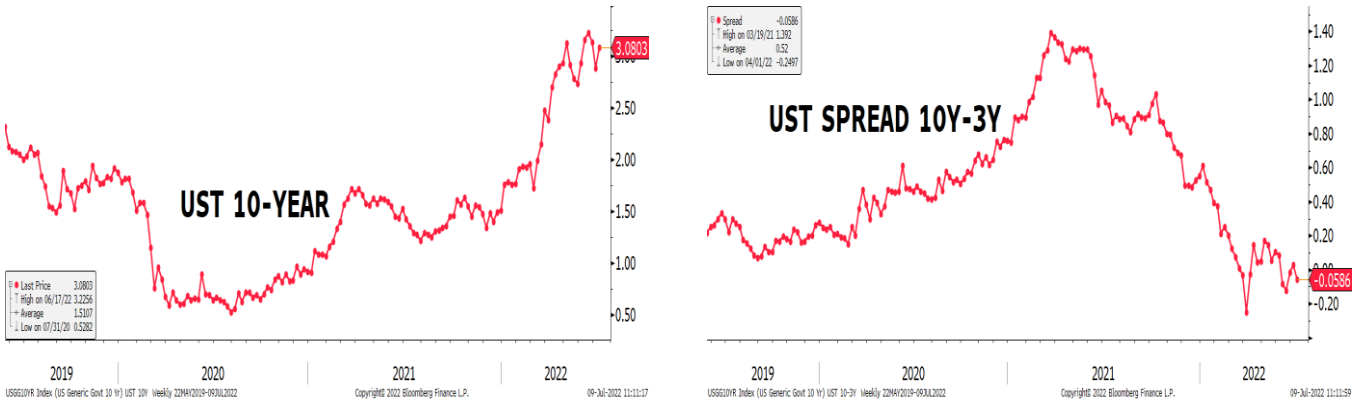
Weekly Money Review

A. FIXED INCOME

- The benchmark 10-year UST yield rebounded 20.0bps to close the review week at 3.08%. Selling pressure returned across the duration with larger yield spikes seen at the shorter end of the UST curve as investors reacted to stronger-than-expected payrolls data. The strong jobs report suggested the US Fed may keep its aggressive tightening stance even amid the backdrop of falling commodity prices of late. The 10y-3y yield spread inverted yet again from 3bps to -6bps as the short-end underperformed.



Source: Bloomberg, MIDFR

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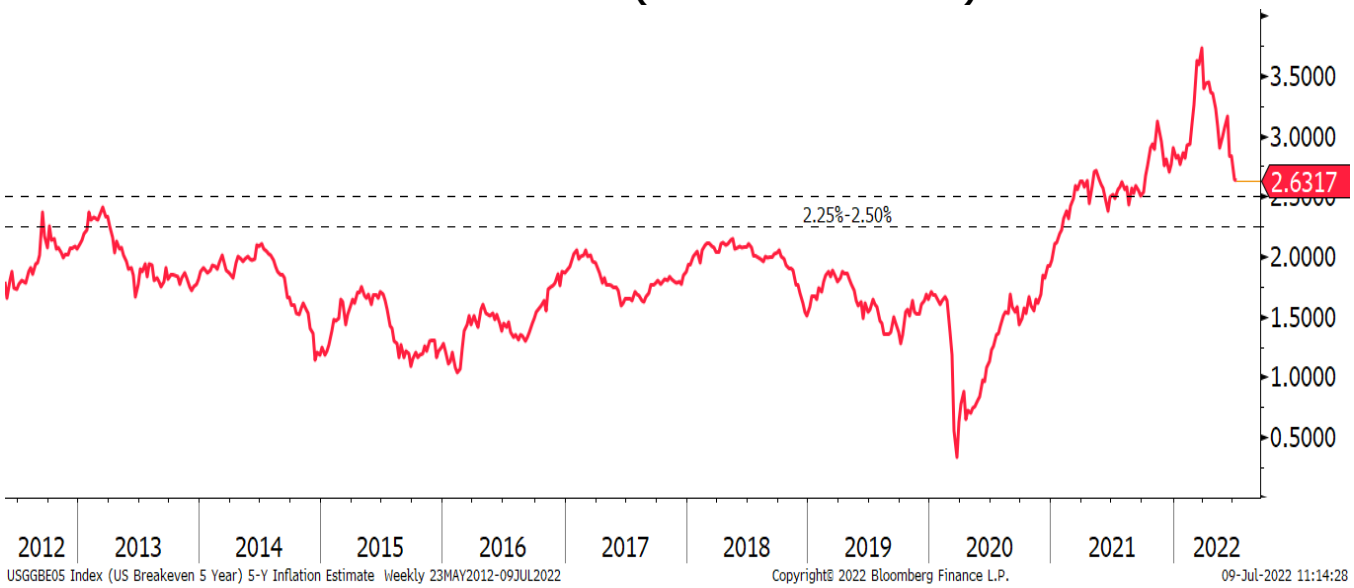
MEDIUM-TERM INFLATION EXPECTATION (5Y UST-TIPS SPREAD)



Source: Bloomberg, MIDFR

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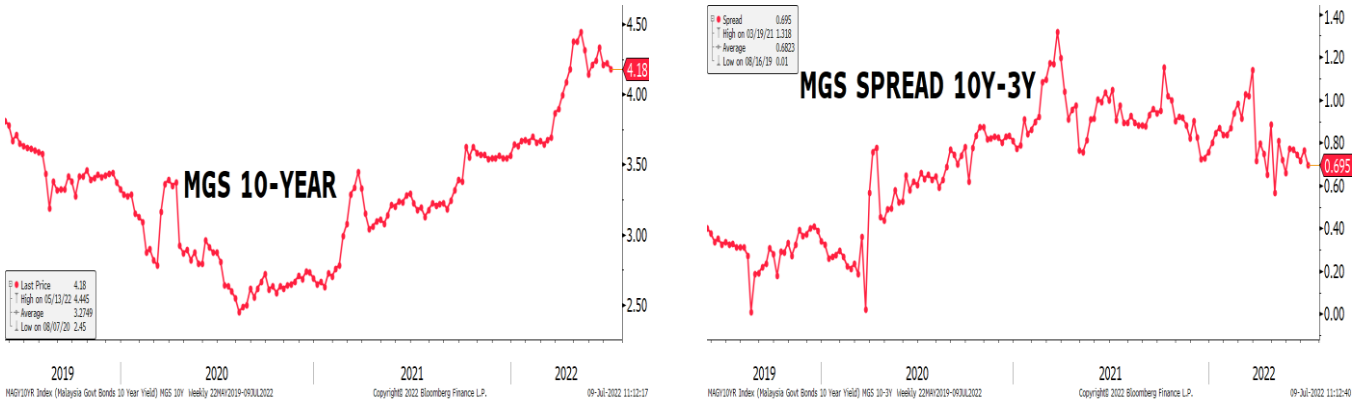
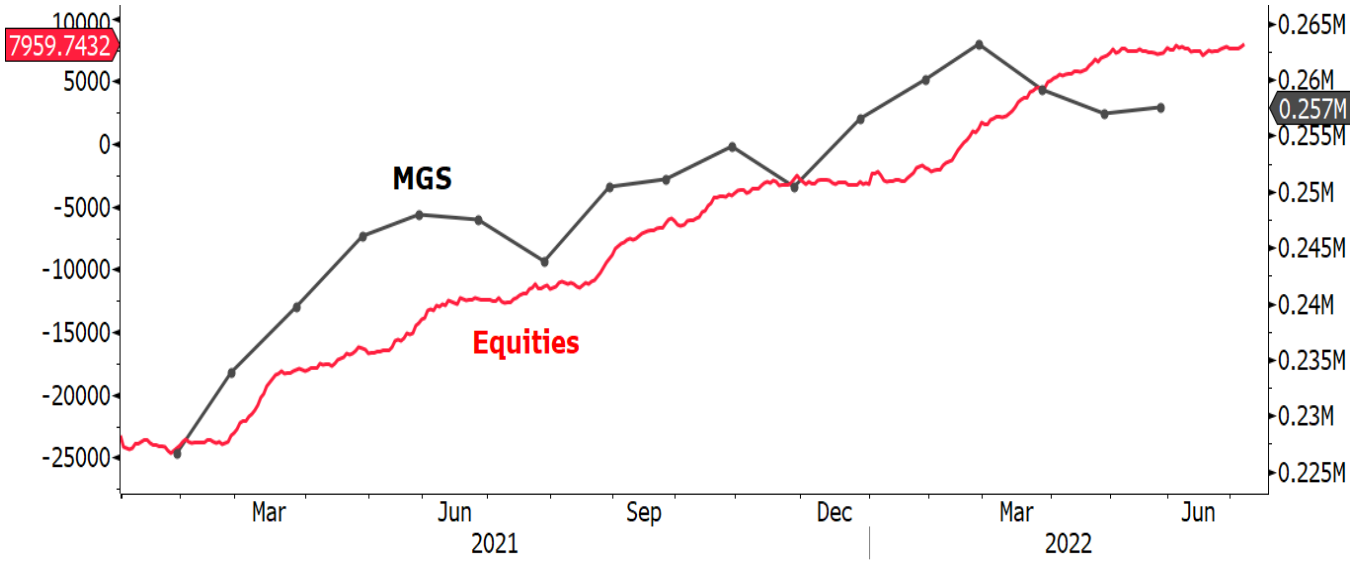


Source: Bloomberg, MIDFR

- Total trading value for Government Bonds (MGS/MII) declined to RM11.22b in the review week compared to RM17.31b in the prior week (based on Bloomberg data). The total trading value of 10 most actively traded issues declined (higher trading breadth) to 48% from 57% of the overall Government Bonds trades. Moreover, 9 out of the 10 most actively traded bonds saw lower yields hence higher prices during the review week.

- The top 3 actively traded Government Bonds were dominated by issues of short and long residual tenor. The top 3 most actively traded were MGS 3.418% 8/15/22 at RM782m, MGS 3.582% 7/15/32 at RM674m, and MGS 3.48% 3/15/23 at RM660m.

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



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 RM7.96b. It increased on-week from RM7.67b registered a week ago. Moreover, it improved markedly on-year from -RM12.60b a year ago.

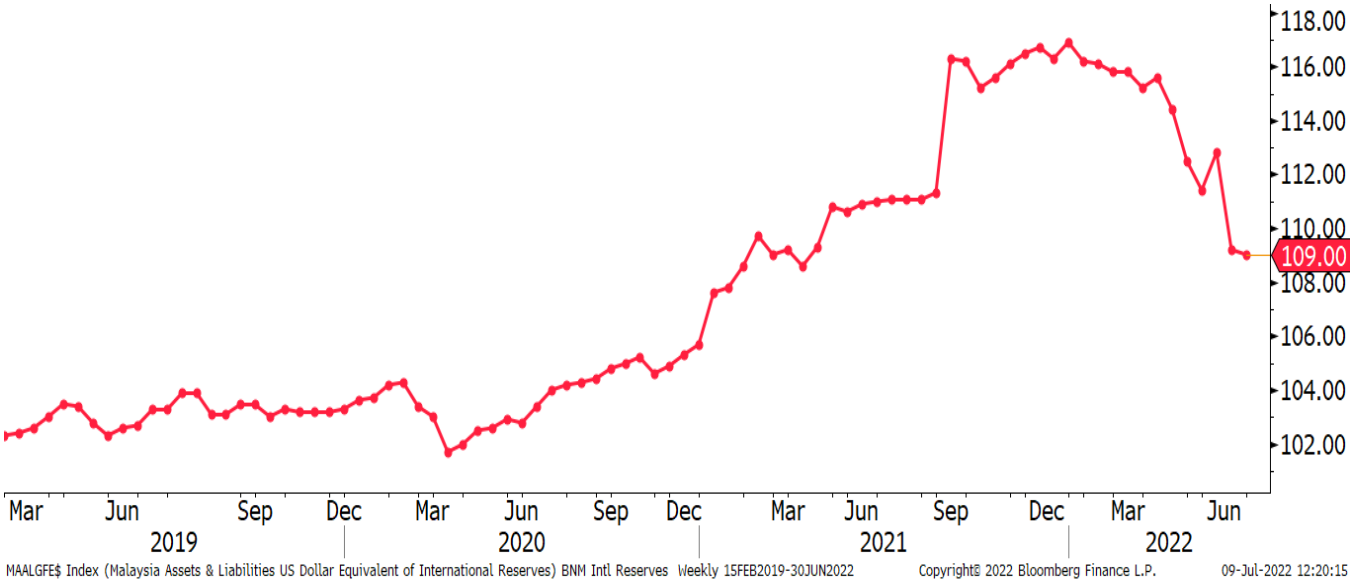
- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM1.25b in the review week compared to RM1.60b in the prior week (based on Bloomberg data). The total trading value of 10 most actively traded issues declined (higher trading breadth) to 55% from 66% of the overall Corporate 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 Johor Corp 4.72% 6/11/27 at RM340m, TNB 4.73% 6/29/29 at RM60m, and Gamuda Land T12 0% 10/6/22 at RM50m.

B. BNM INTERNATIONAL RESERVES

- As of 30 June 2022, compared to previous fortnight, Bank Negara Malaysia's international reserves was lower at USD109.0b (15 June 2022: USD109.2b).

BNM INTERNATIONAL RESERVES



Source: Bloomberg, MIDFR

- The amount of reserves is sufficient to finance 5.8 months of imports of goods & services and is 1.1 times total short-term external debt.

APPENDIX

WEEKLY INTEREST RATE MONITOR

Tenor	1-Jul Fri	4-Jul Mon	5-Jul Tue	6-Jul Wed	7-Jul Thu	8-Jul Fri	Change (WoW bp)
MGS							
3-Y	3.458	3.476	3.507	3.487	3.47	3.485	2.7
5-Y	3.912	3.937	3.924	3.887	3.819	3.824	-8.8
7-Y	4.158	4.13	4.166	4.029	4.042	4.448	29
10-Y	4.223	4.226	4.198	4.129	4.153	4.18	-4.3
20-Y	4.734	4.75	4.657	4.689	4.657	4.68	-5.4
RINGGIT IRS							
1-Y	3.065	3.065	3.09	3.02	3	3	-6.5
3-Y	3.625	3.605	3.63	3.475	3.47	3.5	-12.5
5-Y	3.79	3.755	3.805	3.65	3.65	3.675	-11.5
7-Y	3.92	3.915	3.89	3.75	3.78	3.78	-14
10-Y	4.025	3.98	4.03	3.85	3.885	3.895	-13
KLIBOR							
1-M	2.22	2.24	2.26	2.27	2.41	2.41	19
2-M	2.38	2.41	2.43	2.44	2.55	2.56	18
3-M	2.41	2.44	2.46	2.47	2.6	2.61	20
UST							
3-Y	2.8524	2.8524	2.8245	3.0116	3.0398	3.1389	28.65
5-Y	2.8775	2.8775	2.817	2.9797	3.032	3.1234	24.59
7-Y	2.9165	2.9165	2.8526	2.9977	3.0621	3.1468	23.03
10-Y	2.8803	2.8803	2.8054	2.928	2.9945	3.0803	20
30-Y	3.1031	3.1031	3.0397	3.1181	3.1845	3.2436	14.05
USD LIBOR							
1-M	1.79757	1.77729	1.791	1.80686	1.87214	1.87214	7.457
3-M	2.29286	2.32171	2.34829	2.39057	2.42757	2.42757	13.471

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	1-Jul Yield	8-Jul Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.418	08/15/22	2.500	2.178	-32.2	782.1
MALAYSIA GOVERNMENT	3.582	07/15/32	4.223	4.180	-4.3	674.3
MALAYSIA GOVERNMENT	3.48	03/15/23	2.993	2.911	-8.2	660.4
MALAYSIA GOVERNMENT	3.899	11/16/27	4.060	3.846	-21.4	532.4
MALAYSIA GOVERNMENT	3.9	11/30/26	3.912	3.824	-8.8	517.4
MALAYSIA INVESTMNT ISSU	3.422	09/30/27	4.037	3.902	-13.5	508.6
MALAYSIA GOVERNMENT	4.504	04/30/29	4.158	4.448	29.0	472.0
MALAYSIA GOVERNMENT	3.733	06/15/28	4.197	4.049	-14.8	457.4
MALAYSIA GOVERNMENT	3.828	07/05/34	4.651	4.526	-12.5	396.0
MALAYSIA INVESTMNT ISSU	4.39	07/07/23	3.148	3.090	-5.8	386.0
TOTAL VOLUME (TOP 10)						5,386.6
TOTAL VOLUME (Overall)						11,222.3

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	1-Jul Yield	8-Jul Yield	Change (WoW bp)	Weekly Volume (RM mn)
JOHOR CORPORATION	4.72	06/11/27	4.720	4.719	-0.1	340.0
TENAGA NASIONAL BERHA	4.73	06/29/29	N/A	4.581	N/A	59.5
GAMUDA LAND T12 SDN BH	ZERO	10/06/22	N/A	2.920	N/A	50.0
DANAINFRA NASIONAL	5.36	02/21/48	5.094	5.010	-8.4	40.0
KUALA LUMPUR KEPONG BH	4	09/02/22	2.651	2.749	9.8	40.0
INFRACAP RESOURCES S B	3.11	04/15/24	N/A	3.746	N/A	40.0
YTL POWER INTERNATIONA	5.05	05/03/27	5.261	4.867	-39.4	30.0
PRASARANA MALAYSIA BHD	4.93	12/28/32	4.599	4.599	0.0	30.0
ALLIANCE BK MALAYSIA BH	5.5	PERP	N/A	4.725	N/A	29.3
PRASARANA MALAYSIA BHD	5.01	09/14/37	N/A	4.854	N/A	25.0
TOTAL VOLUME (TOP 10)						683.8
TOTAL VOLUME (Overall)						1,248.9

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