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MIDF AMANAH
INVESTMENT BANK BERHAD

WEEKLY MONEY REVIEW

MIDF Strategy 8 August 2022

Week Ended 5 August 2022

- The benchmark 10-year UST yield jumped 18bps, breaking a 3-week buying streak, to close the review week at 2.83%. Selling pressure returned across the duration with larger yield rise seen at the shorter end of the UST curve as investors reacted to the strong July jobs report. Hence, the possibility another aggressive rate action with the US Fed is now widely expected to hike by another 75bps next month. The 10y-3y yield spread inverted deeper week-on-week from -16bps to -34ps as the short-end underperformed.

- Medium-term inflation expectation ended the review week lower at 2.69% (prior week: 2.81%) arguably in view of another aggressive US Fed action. 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 -2.3bps and added 4.4bps to close at 3.48% and 3.92% respectively. Accordingly, the 10y-3y yield spread expanded (yield curve steepened) week-on-week from 38bps to 45bps as the short-end outperformed.

- MGS foreign holdings increased on-year from RM247b in June 2021 to RM253b in June 2022. However, it edged lower on-month from RM257b in May 2022. On Bursa Malaysia, the 12-month rolling sum of foreign net equity trade ended the review week at RM9.88b. It increased on-week from RM8.84b registered a week ago. Moreover, it improved markedly on-year from -RM11.07b a year ago.

8 August 2022 | **Strategy**

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Weekly Money Review

A. FIXED INCOME

- The benchmark 10-year UST yield jumped 18bps, breaking a 3-week buying streak, to close the review week at 2.83%. Selling pressure returned across the duration with larger yield rise seen at the shorter end of the UST curve as investors reacted to the strong July jobs report. Hence, the possibility another aggressive rate action with the US Fed is now widely expected to hike by another 75bps next month. The 10y-3y yield spread inverted deeper week-on-week from -16bps to -34ps as the short-end underperformed.





Source: Bloomberg, MIDFR

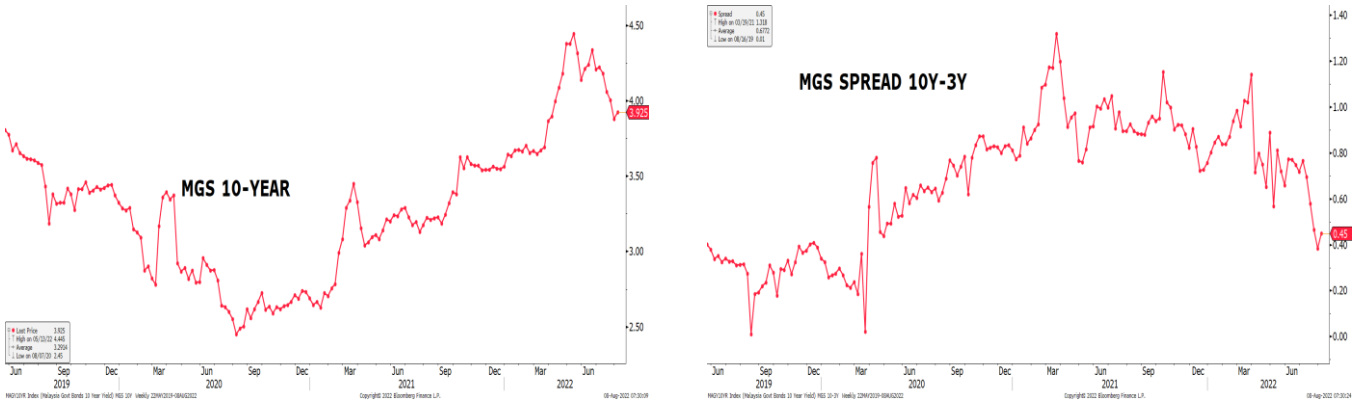
- Medium-term inflation expectation ended the review week lower at 2.69% (prior week: 2.81%) arguably in view of another aggressive US Fed action. While the level of inflation expectation has been declining from the high of 3.73% in late March 2022, it however remains elevated beyond the (hotter-than-normal) 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.

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



Source: Bloomberg, MIDFR

- The price of domestic MGS benchmark issues ended the review week mixed with the 3-year and 10-year yields shed -2.3bps and added 4.4bps to close at 3.48% and 3.92% respectively. Accordingly, the 10y-3y yield spread expanded (yield curve steepened) week-on-week from 38bps to 45bps as the short-end outperformed.

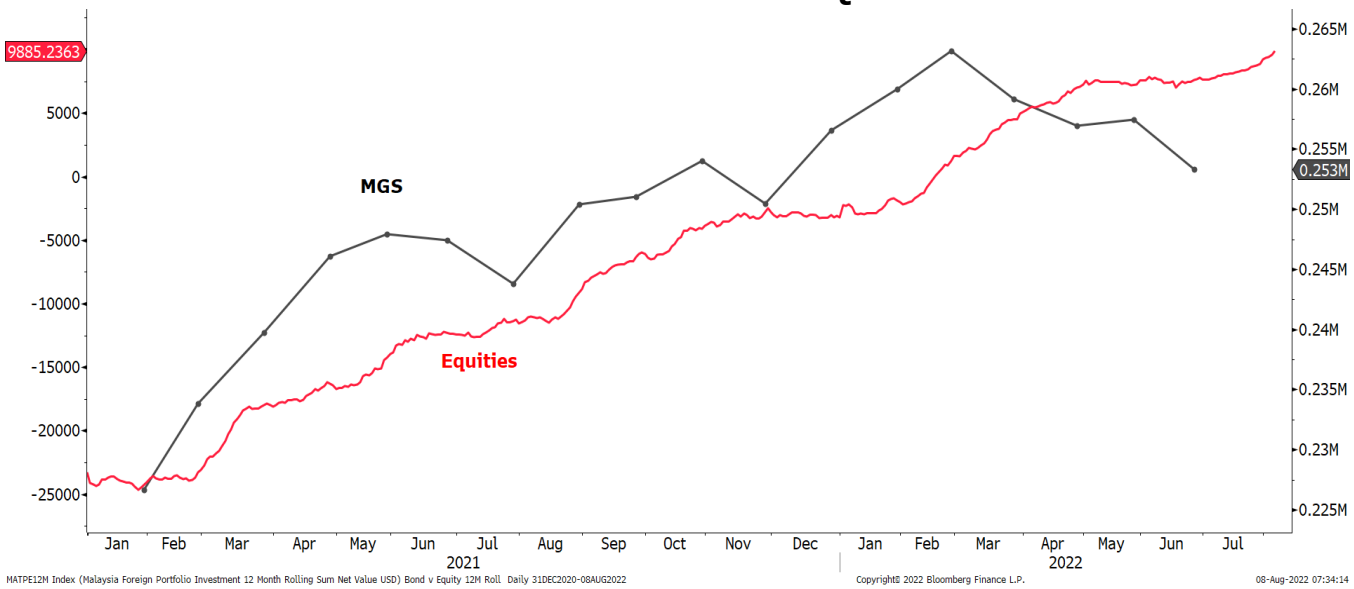


Source: Bloomberg, MIDFR

- Total trading value for Government Bonds (MGS/MII) declined to RM15.89b in the review week compared to RM15.95b in the prior week (based on Bloomberg data). The total trading value of 10 most actively traded issues declined (higher trading breadth) to 54% from 62% of the overall Government Bonds trades. Moreover, 6 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 mid and long residual tenor. The top 3 most actively traded were MGS 3.899% 11/16/27 at RM1.41b, MII 4.13% 7/9/29 at RM1.16b, and MII 4.193% 10/7/32 at RM998m.

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



Source: Bloomberg, MIDFR

- MGS foreign holdings increased on-year from RM247b in June 2021 to RM253b in June 2022. However, it edged lower on-month from RM257b in May 2022. On Bursa Malaysia, the 12-month rolling sum of foreign net equity trade ended the review week at RM9.88b. It increased on-week from RM8.84b registered a week ago. Moreover, it improved markedly on-year from -RM11.07b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM1.48b in the review week compared to RM1.31b in the prior week (based on Bloomberg data). The total trading value of 10 most actively traded issues declined (higher trading breadth) to 52% from 59% of the overall Corporate Bonds trades.

- The top 3 actively traded Corporate Bonds were dominated by issues of varied residual tenor. The largest trading values were seen in BGSM Management 2.88% 8/25/23 at RM240m, TNB 5.57% 6/28/47 at RM205m, and UOB 4.8% 7/25/28 at RM60m.

B. FOREIGN EXCHANGE

- USD rose due to geopolitical risk and economic resilience. US dollars appreciated against major currencies last week as the DXY US dollar index increased by +0.7%wow to 106.62 after 2 straight weeks of declines. To a certain extent, the rise in geopolitical tension between US and China resulted in higher safe-haven demand for the US dollars. In addition, the strong economic data released last week also drove USD demand as investors still expected for more rate hikes by the Fed.

- EUR and GBP weakened. As a result of stronger demand for US dollars, euro and pound sterling both depreciated, weakening by -0.4% to USD1.018 and -0.8% to USD1.207, respectively.

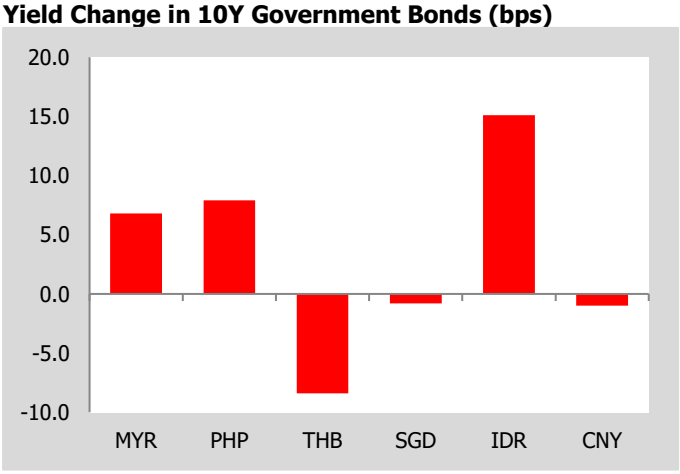
- Ringgit was unchanged from previous week. Despite the strength in US dollars against other major currencies and the correction in crude oil prices, ringgit was unchanged from previous week. By the end of last week, ringgit was exchanged at RM4.451 on Friday. For record, Brent crude oil price fell by -13.7%wow to USD94.92pb, the lowest weekly closing since Feb-22.

Currencies Changes (Week Ended 05/08) and Quarterly Forecasts

	Close (05/08)	Prev. Close (29/07)	Weekly Change	Weekly Change (%)	1Q22	2Q22	3Q22F	4Q22F
DXY Index	106.62	105.90	+0.718	+0.7	98.31	104.69	104.2	102.8
EURUSD	1.018	1.022	-0.004	-0.4	1.11	1.05	1.06	1.07
GBPUSD	1.207	1.217	-0.010	-0.8	1.31	1.22	1.23	1.25
USDJPY	135.01	133.27	-1.740	-1.3	121.7	135.72	132	131
USDMYR	4.451	4.451	0.000	0.0	4.20	4.41	4.33	4.25
GBPMYR	5.410	5.417	+0.006	+0.1	5.52	5.35	5.34	5.30
JPYMYR	3.297	3.341	+0.044	+1.3	3.45	3.25	3.28	3.24

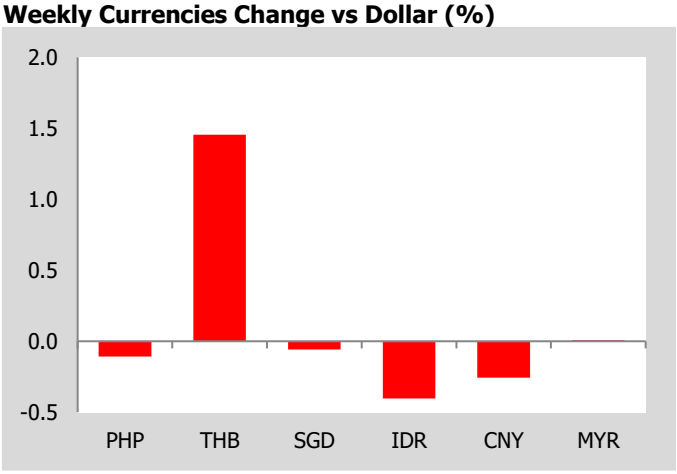
Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

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 (%)

	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22
Malaysia	1.75	1.75	1.75	1.75	1.75	2.00	2.00	2.25	2.25
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	2.25	2.50	3.25	3.25
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	1.00	1.25	1.25	1.25	1.50	1.75	1.75	2.25	2.25
India	4.00	4.00	4.00	4.00	4.00	4.40	4.90	4.90	5.40
Japan	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)
UK	0.25	0.25	0.50	0.75	0.75	1.00	1.25	1.25	1.75
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	0.25-0.50	0.25-0.50	0.75-1.00	1.50-1.75	2.25-2.50	2.25-2.50

Source: Bloomberg, MIDFR

- US job market remained strong in Jul-22 as the economy added 528K (Jun-22: 298K), the fastest monthly job creation in 5 months and stronger than market forecast (+250K). As a result of the strong job growth, the US jobless rate fell further to 3.5%, back to pre-pandemic level in Feb-20 and the lowest since 1969. Meanwhile, the stronger new order and production activity in the US services sector pushed the ISM non-manufacturing PMI to 56.7 in Jul-22 (Jun-22: 55.3). The manufacturing sector's ISM PMI was marginally lower at 52.8 (Jun-22: 53.0) amid continud fall in new orders, but the overall slowdown was not as sharp as predicted by market.

- Despite warnings from China, Speaker Nancy Pelosi visited Taiwan on 2 August 2022 as part of her trip to Asian countries, intensifying geopolitical tension between the US and China.

- On 4 August 2022, Bank of England unanimously raised its Bank rate to 1.75%, the highest level since 2009. The 50bps increase marks the biggest rate hike since 1995 to contain high inflation in the UK.

- Unlike the slower growth in other countries, activities in Malaysia's manufacturing sector improved in Jul-22 as the S&P Global manufacturing PMI rose to 3-month high at 50.6 (Jun-22: 50.4) because increased new orders pushed production to grow for the first time in 7 months.

C. BNM INTERNATIONAL RESERVES

- As of 29 July 2022, compared to previous fortnight, Bank Negara Malaysia's international reserves was higher at USD109.2b (15 July 2022: USD107.0b).

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	29-Jul Fri	1-Aug Mon	2-Aug Tue	3-Aug Wed	4-Aug Thu	5-Aug Fri	Change (WoW bp)
MGS							
3-Y	3.498	3.509	3.493	3.523	3.496	3.475	-2.3
5-Y	3.71	3.722	3.71	3.735	3.797	3.747	3.7
7-Y	3.845	3.866	3.834	3.93	3.929	3.923	7.8
10-Y	3.881	3.896	3.887	3.945	3.95	3.925	4.4
20-Y	4.454	4.417	4.331	4.365	4.387	4.351	-10.3
RINGGIT IRS							
1-Y	3.09	3.095	3.09	3.125	3.135	3.135	4.5
3-Y	3.41	3.405	3.395	3.45	3.455	3.455	4.5
5-Y	3.5	3.53	3.5	3.56	3.6075	3.595	9.5
7-Y	3.6	3.6	3.59	3.665	3.68	3.69	9
10-Y	3.69	3.7	3.66	3.75	3.78	3.78	9
KLIBOR							
1-M	2.43	2.43	2.43	2.43	2.43	2.43	0
2-M	2.59	2.59	2.59	2.59	2.59	2.59	0
3-M	2.68	2.68	2.69	2.69	2.69	2.7	2
UST							
3-Y	2.8055	2.7942	3.008	3.008	2.9773	3.1709	36.54
5-Y	2.676	2.6341	2.8531	2.826	2.7922	2.9555	27.95
7-Y	2.6792	2.6176	2.8182	2.7809	2.7461	2.9013	22.21
10-Y	2.6487	2.5732	2.7483	2.7046	2.6883	2.8268	17.81
30-Y	3.0097	2.9143	3.0065	2.9453	2.9653	3.0662	5.65
USD LIBOR							
1-M	2.36229	2.36686	2.35729	2.37629	2.37271	2.36943	0.714
3-M	2.78829	2.80214	2.807	2.83229	2.86329	2.86671	7.842

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	29-Jul Yield	5-Aug Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.899	11/16/27	3.715	3.790	7.5	1,407.7
MALAYSIA INVESTMNT ISSU	4.13	07/09/29	3.874	3.938	6.4	1,158.7
MALAYSIA INVESTMNT ISSU	4.193	10/07/32	3.976	4.005	2.9	998.5
MALAYSIA GOVERNMENT	4.762	04/07/37	4.218	4.156	-6.2	886.1
MALAYSIA GOVERNMENT	4.065	06/15/50	4.559	4.545	-1.4	840.5
MALAYSIA GOVERNMENT	3.418	08/15/22	2.267	2.234	-3.3	697.6
MALAYSIA GOVERNMENT	3.882	03/14/25	3.498	3.475	-2.3	635.5
MALAYSIA GOVERNMENT	3.48	03/15/23	2.788	2.632	-15.6	630.6
MALAYSIA GOVERNMENT	3.795	09/30/22	2.278	2.253	-2.5	629.1
MALAYSIA INVESTMNT ISSU	3.422	09/30/27	3.764	3.825	6.1	628.5
TOTAL VOLUME (TOP 10)						8,512.9
TOTAL VOLUME (Overall)						15,889.6

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	29-Jul Yield	5-Aug Yield	Change (WoW bp)	Weekly Volume (RM mn)
BGSM MANAGEMENT SDN B	2.88	08/25/23	N/A	3.418	N/A	240.0
TENAGA NASIONAL BERHA	5.57	06/28/47	5.515	5.075	-44.0	205.0
UNITED OVERSEAS BANK M	4.8	07/25/28	N/A	3.617	N/A	60.0
DANUM CAPITAL BHD	4.68	06/29/29	4.498	4.309	-18.9	60.0
GENM CAPITAL BHD	5.3	07/11/28	5.005	5.198	19.3	45.0
PRASARANA MALAYSIA BHD	2.98	08/27/26	3.970	3.897	-7.3	40.0
CAGAMAS BERHAD	4.7	12/21/22	N/A	3.020	N/A	30.0
EDRA ENERGY SDN BHD	6.09	01/04/30	N/A	4.748	N/A	30.0
TG EXCELLENCE BHD	3.95	PERP	5.383	4.300	-108.3	30.0
PENGURUSAN AIR SELANGO	4.87	07/26/32	4.630	4.544	-8.6	30.0
TOTAL VOLUME (TOP 10)						770.0
TOTAL VOLUME (Overall)						1,475.5

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