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MIDF AMANAH
INVESTMENT BANK BERHAD

WEEKLY MONEY REVIEW

MIDF Strategy 15 August 2022

Week Ended 12 August 2022

- The benchmark 10-year UST yield ended the week unchanged at 2.83%. Nonetheless, investors were on buying mood until mid-week in reaction to the lower-than-expected inflation figures for July. However, selling pressure re-emerged later in the week as investors arguably surmised that while the economy may have passed its headline peak inflation, the underlying price pressure could remain at elevated levels. The 10y-3y yield spread inverted deeper week-on-week from -34bps to -35ps as the short-end underperformed.

- Medium-term inflation expectation ended the review week slightly higher at 2.71% (prior week: 2.69%). 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 lower with the 3-year and 10-year yields added 3.0bps and 5.0bps to close at 3.50% and 3.98% respectively. Accordingly, the 10y-3y yield spread expanded (yield curve steepened) week-on-week from 45bps to 47bps as the short-end outperformed.

- MGS foreign holdings increased on-year from RM244b in July 2021 to RM250b in July 2022. However, it edged lower on-month from RM253b in June 2022. On Bursa Malaysia, the 12-month rolling sum of foreign net equity trade ended the review week at RM10.34b. It increased on-week from RM9.88b registered a week ago. Moreover, it improved markedly on-year from -RM11.07b a year ago.

15 August 2022 | **Strategy**

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Weekly Money Review

A. FIXED INCOME

- The benchmark 10-year UST yield ended the week unchanged at 2.83%. Nonetheless, investors were on buying mood until mid-week in reaction to the lower-than-expected inflation figures for July. However, selling pressure re-emerged later in the week as investors arguably surmised that while the economy may have passed its headline peak inflation, the underlying price pressure could remain at elevated levels. The 10y-3y yield spread inverted deeper week-on-week from -34bps to -35ps 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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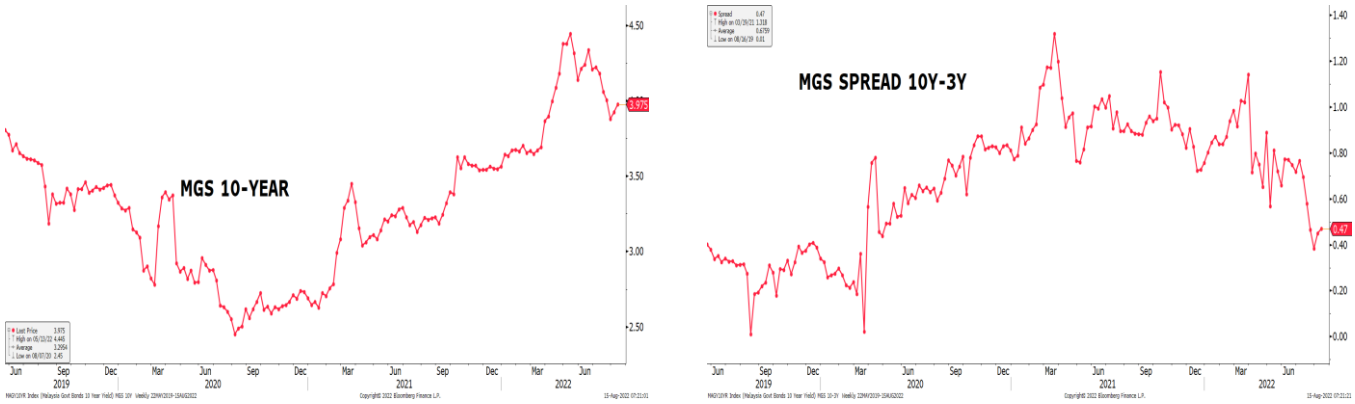
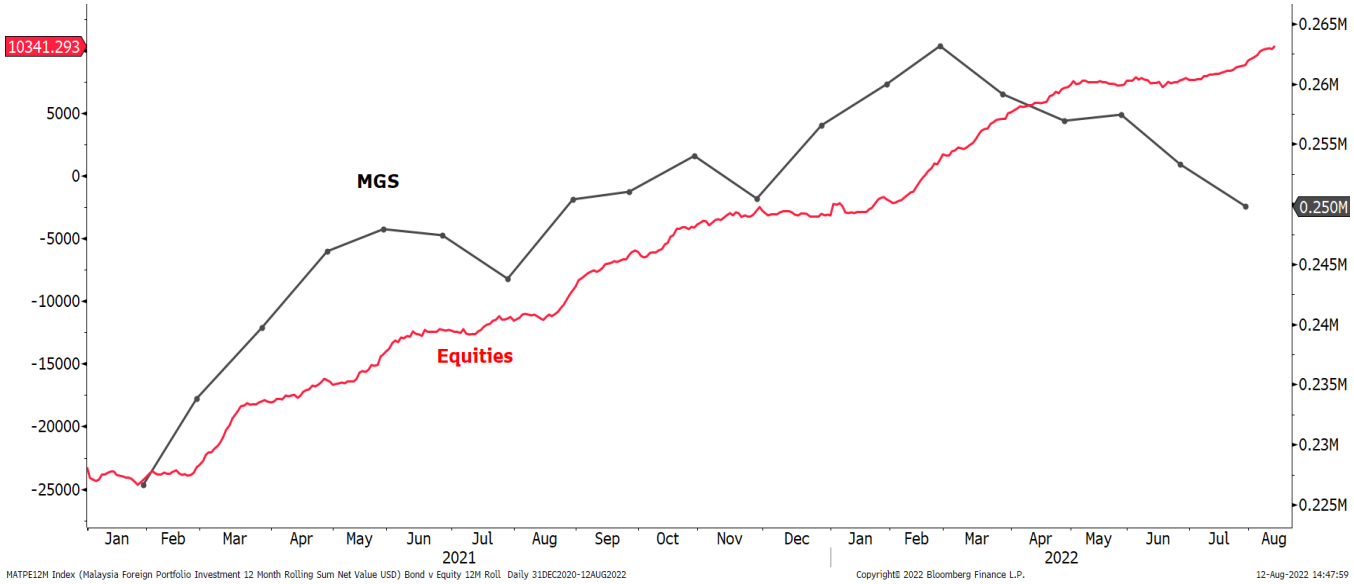


Source: Bloomberg, MIDFR

- Total trading value for Government Bonds (MGS/MII) declined to RM13.42b in the review week compared to RM15.89b in the prior week (based on Bloomberg data). The total trading value of 10 most actively traded issues increased (lower trading breadth) to 58% from 54% of the overall Government Bonds trades. Moreover, 4 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 mid and long residual tenor. The top 3 most actively traded were MGS 3.899% 11/16/27 at RM2.18b, MGS 3.582% 7/15/32 at RM725m, and MII 3.422% 9/30/27 at RM719m.

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



Source: Bloomberg, MIDFR

- MGS foreign holdings increased on-year from RM244b in July 2021 to RM250b in July 2022. However, it edged lower on-month from RM253b in June 2022. On Bursa Malaysia, the 12-month rolling sum of foreign net equity trade ended the review week at RM10.34b. It increased on-week from RM9.88b 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 RM1.62b in the review week compared to RM1.48b 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 52% 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 TNB 5.57% 6/28/47 at RM260m, BGSM Mgmt. 7.1% 12/28/22 at RM114m, and Rantau Abang Cap. 5% 1/16/32 at RM90m.

B. FOREIGN EXCHANGE

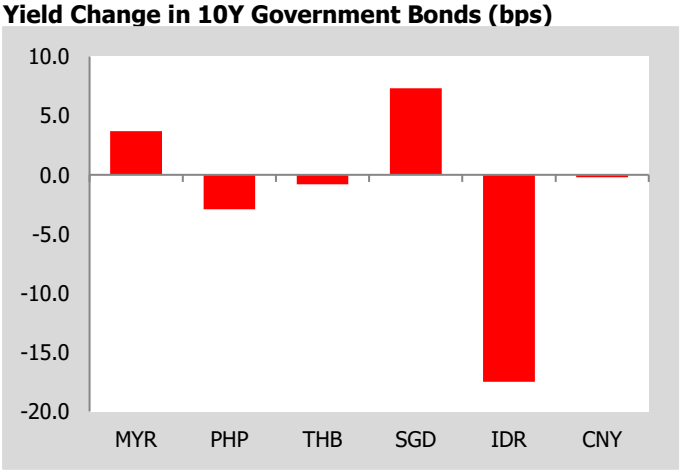
- USD weakened as inflation started to ease. US dollars weakened last week as the DXY US dollar index decreased by -0.9%wow to 105.65. Investor sentiment improved as US inflation eased more than expected in Jul-22, reducing expectations for another large rate hike at the next FOMC meeting.
- EUR and GBP rose on reduced demand for USD. Following the weakness in US dollars, euro closed stronger last week at USD1.026, or +0.7%wow higher. Pound sterling also appreciated +0.5%wow to USD1.214, despite the GDP data shows the UK economy slowing in 2QCY22.
- Good economic data supported ringgit. On top of weaker dollar, more encouraging economic data supported ringgit last week. Ringgit was exchanged at RM4.445 on Friday, +0.1%wow appreciation from previous week. The stronger ringgit also moved in line with rising crude oil prices, with the Brent benchmark rising +3.4%wow to USD98.15pb.

Currencies Changes (Week Ended 12/08) and Quarterly Forecasts

	Close (12/08)	Prev. Close (05/08)	Weekly Change	Weekly Change (%)	1Q22	2Q22	3Q22F	4Q22F
DXY Index	105.63	106.62	-0.990	-0.9	98.31	104.69	104.2	102.8
EURUSD	1.026	1.018	+0.008	+0.7	1.11	1.05	1.06	1.07
GBPUSD	1.214	1.207	+0.006	+0.5	1.31	1.22	1.23	1.25
USDJPY	133.42	135.01	+1.590	+1.2	121.7	135.72	132	131
USDMYR	4.445	4.451	+0.006	+0.1	4.20	4.41	4.33	4.25
GBPMYR	5.413	5.410	-0.003	-0.1	5.52	5.35	5.34	5.30
JPYMYR	3.329	3.295	-0.034	-1.0	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

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	0.75
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 inflation data shows a slightly better reading in Jul-22 than predicted by market. The headline CPI eased to +8.5%yoy (Jun-22: +9.1%yoy), mainly due to slower rise in energy inflation following correction in gasoline, fuel and natural gas prices. Meanwhile, core CPI inflation was unchanged at +5.9%, also lower than market forecast. In addition, PPI inflation also slowed to +9.8%yoy in Jul-22 (Jun-22: +11.3%yoy), indicating slowing price pressures on producers. Consumers also indicated shift in their expectations, anticipating for the 1-year inflation rate to slow to +6.2% (Jun-22: +6.8%), as highlighted by New York Fed's survey.

- On 10 August 2022, Bank of Thailand raised its policy interest rate by 25bps to 0.75%, the first hike in nearly 4 years to contain rising inflation.

- On the back of economic reopening and relaxation of Covid-19 SOPs, Malaysia's growth momentum improved further in 2QCY22. Real GDP expanded by +8.9%yoy (1QCY22: +5%yoy), driven mainly by surge in private consumption (+18.3%yoy) and higher real exports (+10.4%yoy). Data for Jun-22 also shows improved activities in the domestic market, with IPI grew faster at +12.1%yoy (May-22: +4.1%yoy) and distributive trade jumped to +44%yoy (May-22: 19.6%yoy). Labor market condition also improved further, with increased employment led to further decline in unemployment rate to 3.8% in Jun-22, a new pandemic low.

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	5-Aug Fri	8-Aug Mon	9-Aug Tue	10-Aug Wed	11-Aug Thu	12-Aug Fri	Change (WoW bp)
MGS							
3-Y	3.475	3.535	3.507	3.5	3.475	3.505	3
5-Y	3.747	3.747	3.782	3.782	3.773	3.75	0.3
7-Y	3.923	3.914	3.923	3.877	3.907	3.922	-0.1
10-Y	3.925	3.962	3.939	3.965	3.95	3.975	5
20-Y	4.351	4.347	4.354	4.365	4.362	4.394	4.3
RINGGIT IRS							
1-Y	3.135	3.15	3.15	3.135	3.125	3.135	0
3-Y	3.455	3.495	3.475	3.475	3.44	3.48	2.5
5-Y	3.595	3.64	3.625	3.6	3.565	3.6075	1.25
7-Y	3.69	3.74	3.71	3.71	3.68	3.6995	0.95
10-Y	3.78	3.85	3.815	3.83	3.78	3.7975	1.75
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	2.7	2.7	2.7	2.7	2.7	2.7	0
UST							
3-Y	3.1709	3.14	3.205	3.1442	3.1718	3.18	0.91
5-Y	2.9555	2.9061	2.9608	2.9216	2.9867	2.9562	0.07
7-Y	2.9013	2.8436	2.8763	2.8588	2.947	2.8994	-0.19
10-Y	2.8268	2.7572	2.7773	2.7809	2.8876	2.8312	0.44
30-Y	3.0662	2.9847	2.9895	3.0326	3.1749	3.1078	4.16
USD LIBOR							
1-M	2.36943	2.38857	2.38014	2.40043	2.391	2.38686	1.743
3-M	2.86671	2.91157	2.921	2.92271	2.90514	2.92157	5.486

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	5-Aug Yield	12-Aug Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.899	11/16/27	3.790	3.750	-4.0	2,175.8
MALAYSIA GOVERNMENT	3.582	07/15/32	3.925	3.975	5.0	725.1
MALAYSIA INVESTMNT ISSU	3.422	09/30/27	3.825	3.790	-3.5	718.9
MALAYSIA GOVERNMENT	3.48	03/15/23	2.632	2.553	-7.9	650.4
MALAYSIA INVESTMNT ISSU	5.357	05/15/52	4.652	4.600	-5.2	650.2
MALAYSIA INVESTMNT ISSU	4.417	09/30/41	4.409	4.389	-2.0	629.2
MALAYSIA INVESTMNT ISSU	4.13	07/09/29	3.938	3.913	-2.5	622.5
MALAYSIA GOVERNMENT	3.882	03/14/25	3.475	3.505	3.0	582.4
MALAYSIA GOVERNMENT	4.762	04/07/37	4.156	4.186	3.0	519.8
MALAYSIA INVESTMNT ISSU	4.193	10/07/32	4.005	4.011	0.6	507.7
TOTAL VOLUME (TOP 10)						7,781.9
TOTAL VOLUME (Overall)						13,421.2

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	5-Aug Yield	12-Aug Yield	Change (WoW bp)	Weekly Volume (RM mn)
TENAGA NASIONAL BERHA	5.57	06/28/47	5.075	5.084	0.9	260.0
BGSM MANAGEMENT SDN B	7.1	12/28/22	#N/A N/A	2.846	#VALUE!	114.0
RANTAU ABANG CAPITAL	5	01/16/32	#N/A N/A	4.468	#VALUE!	90.0
PERBADANAN TABUNG PEN	4.85	07/26/41	#N/A N/A	4.629	#VALUE!	60.0
OSK RATED BOND SDN BHD	4.39	04/28/28	#N/A N/A	4.738	#VALUE!	60.0
SARAWAK PETCHEM SDN B	5.5	07/27/37	#N/A N/A	4.965	#VALUE!	50.0
BANK PEMBANGUNAN MALA	4.98	03/02/32	#N/A N/A	4.502	#VALUE!	40.0
GOVCO HOLDINGS BHD	4.04	09/28/22	#N/A N/A	2.663	#VALUE!	40.0
TOYOTA CAPITAL MALAYSI	3.8	12/24/24	#N/A N/A	4.094	#VALUE!	40.0
AFFIN BANK BHD	5.03	09/20/27	5.038	5.049	1.1	30.3
TOTAL VOLUME (TOP 10)						784.3
TOTAL VOLUME (Overall)						1,619.4

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