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MIDF AMANAH
INVESTMENT BANK BERHAD

WEEKLY MONEY REVIEW

MIDF Strategy 5 September 2022

Week Ended 2 September 2022

- The benchmark 10-year UST yield ended higher for fifth week in a row at 3.19% (prior week: 3.04%) amid the backdrop of rising expectations for a third straight 75-bp rate hike at US Fed meeting later this month. On this score, good economic data (such as ISM Manufacturing and NFP) are giving the Fed more leeway to aggressively raise interest rates to battle inflation. The 10y-3y yield spread rebounded, but remains inverted, from -35bps to -24bps as the long-end underperformed.

- Accordingly, medium-term inflation expectation ended the review week lower at 2.60% (prior week: 2.80%). 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 inflation.

- The price of domestic MGS benchmark issues ended the review week lower with the 3-year and 10-year yields added 2.5bps and 6.4bps to close at 3.33% and 4.03% respectively. Accordingly, the 10y-3y yield spread expanded (yield curve steepened) week-on-week from 66bps to 70bps as the long-end underperformed.

- 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 RM9.97b. It declined on-week from RM10.65b registered a week ago. However, it improved markedly on-year from -RM8.32b a year ago.

5 September 2022 | **Strategy**

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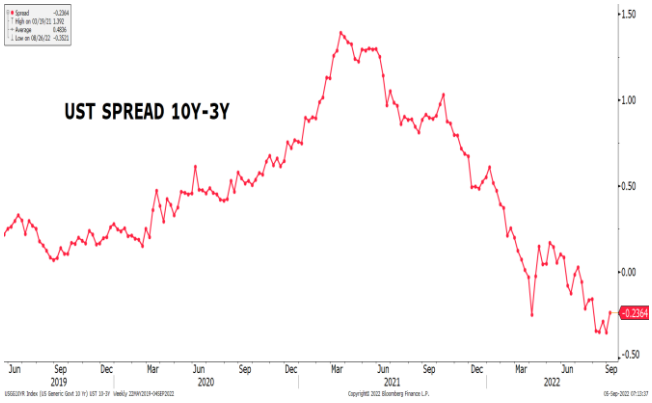
Weekly Money Review

A. FIXED INCOME

- The benchmark 10-year UST yield ended higher for fifth week in a row at 3.19% (prior week: 3.04%) amid the backdrop of rising expectations for a third straight 75-bp rate hike at US Fed meeting later this month. On this score, good economic data (such as ISM Manufacturing and NFP) are giving the Fed more leeway to aggressively raise interest rates to battle inflation. The 10y-3y yield spread rebounded, but remains inverted, from -35bps to -24bps as the long-end underperformed.





Source: Bloomberg, MIDFR

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



Source: Bloomberg, MIDFR

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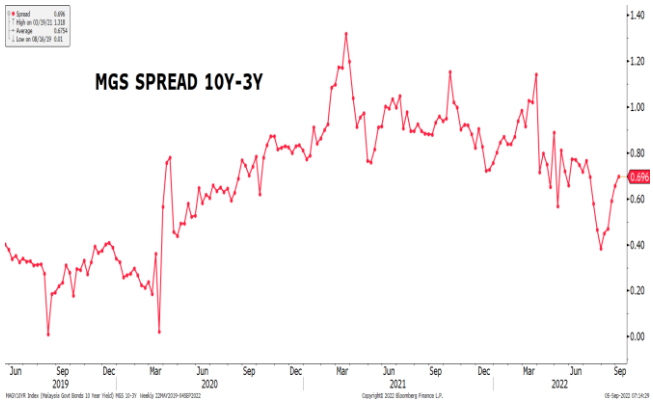
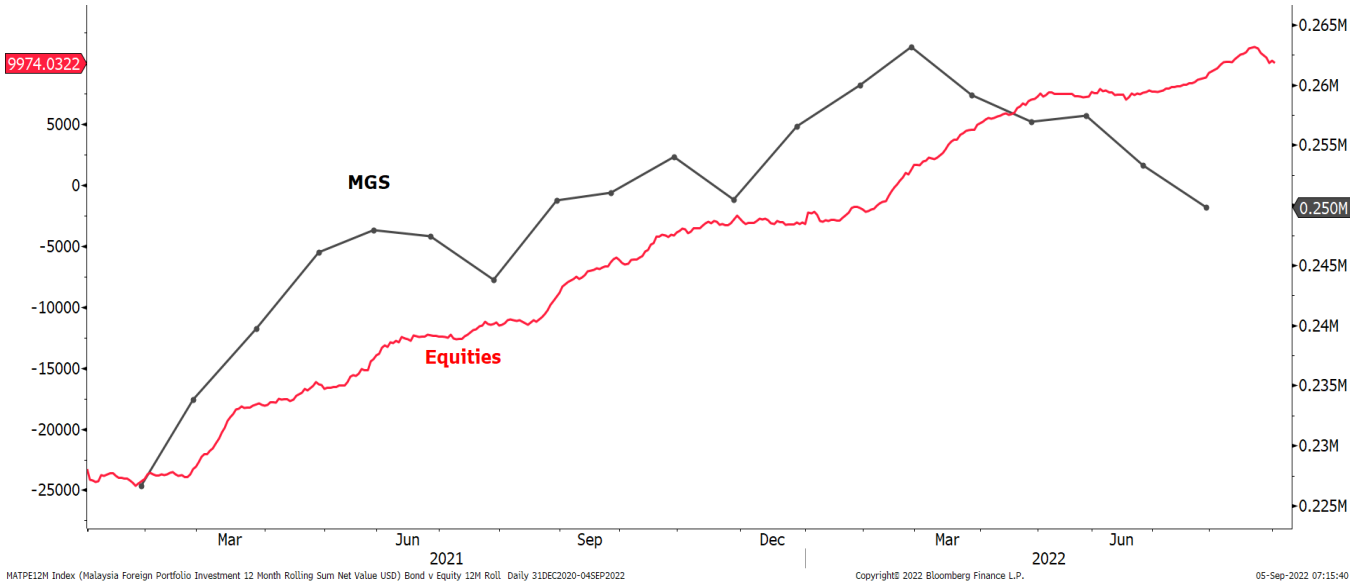


Source: Bloomberg, MIDFR

- Total trading value for Government Bonds (MGS/MII) increased to RM16.53b in the review week compared to RM14.08b in the prior week (based on Bloomberg data). The total trading value of 10 most actively traded issues increased (lower trading breadth) to 59% from 58% of the overall Government Bonds trades. Moreover, 9 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 long residual tenor. The top 3 most actively traded were MGS 4.762% 4/7/37 at RM1.75b, MGS 3.48% 3/15/23 at RM1.45b, and MGS 3.582% 7/15/32 at RM1.40b.

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



Source: Bloomberg, MIDFR

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- Total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM2.62b in the review week compared to RM1.55b in the prior week (based on Bloomberg data). The total trading value of 10 most actively traded issues increased (lower trading breadth) to 50% from 49% 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 RM430m, Prasarana 4.64% 3/22/30 at RM150m, and Prasarana 4.75% 2/26/31 at RM140m.

B. BNM INTERNATIONAL RESERVES

- As of 15 August 2022, compared to previous fortnight, Bank Negara Malaysia's international reserves was higher at USD110.9b (29 July 2022: USD109.2b).

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	26-Aug Fri	29-Aug Mon	30-Aug Tue	31-Aug Wed	1-Sep Thu	2-Sep Fri	Change (WoW bp)
MGS							
3-Y	3.307	3.289	3.363	3.363	3.299	3.332	2.5
5-Y	3.692	3.77	3.738	3.738	3.723	3.759	6.7
7-Y	3.852	3.952	3.885	3.885	3.918	3.901	4.9
10-Y	3.964	4.015	3.969	3.969	3.995	4.028	6.4
20-Y	4.388	4.431	4.409	4.409	4.43	4.464	7.6
RINGGIT IRS							
1-Y	3.215	3.245	3.24	3.24	3.25	3.27	5.5
3-Y	3.505	3.555	3.55	3.55	3.585	3.625	12
5-Y	3.61	3.68	3.67	3.67	3.7375	3.78	17
7-Y	3.725	3.775	3.76	3.76	3.834	3.84	11.5
10-Y	3.885	3.93	3.935	3.935	3.98	4.02	13.5
KLIBOR							
1-M	2.43	2.43	2.43	2.43	2.43	2.43	0
2-M	2.6	2.6	2.6	2.6	2.6	2.6	0
3-M	2.73	2.73	2.73	2.73	2.74	2.75	2
UST							
3-Y	3.393	3.441	3.4638	3.5149	3.5378	3.4258	3.28
5-Y	3.2051	3.2529	3.2649	3.3508	3.3975	3.2928	8.77
7-Y	3.135	3.2053	3.2078	3.3064	3.3598	3.2686	13.36
10-Y	3.0409	3.1024	3.1025	3.1926	3.2533	3.1894	14.85
30-Y	3.192	3.2399	3.2155	3.2926	3.3609	3.3435	15.15
USD LIBOR							
1-M	2.52386	2.52386	2.564	2.55343	2.63329	2.65571	13.185
3-M	3.06957	3.06957	3.08214	3.09971	3.14414	3.15814	8.857

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	26-Aug Yield	2-Sep Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	4.762	04/07/37	4.230	4.274	4.4	1,784.8
MALAYSIA GOVERNMENT	3.48	03/15/23	2.782	2.609	-17.3	1,453.8
MALAYSIA GOVERNMENT	3.582	07/15/32	3.964	4.028	6.4	1,398.8
MALAYSIA GOVERNMENT	3.733	06/15/28	3.878	3.888	1.0	917.1
MALAYSIA GOVERNMENT	3.795	09/30/22	2.350	2.411	6.1	851.1
MALAYSIA GOVERNMENT	3.478	06/14/24	3.268	3.271	0.3	811.8
MALAYSIA GOVERNMENT	3.899	11/16/27	3.692	3.759	6.7	694.7
MALAYSIA GOVERNMENT	3.955	09/15/25	3.376	3.404	2.8	655.5
MALAYSIA GOVERNMENT	3.882	03/14/25	3.307	3.332	2.5	626.7
MALAYSIA GOVERNMENT	4.696	10/15/42	4.388	4.464	7.6	588.1
TOTAL VOLUME (TOP 10)						9,782.2
TOTAL VOLUME (Overall)						16,532.5

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	26-Aug Yield	2-Sep Yield	Change (WoW bp)	Weekly Volume (RM mn)
PRASARANA MALAYSIA BHD	4.93	12/28/32	4.239	4.289	5.0	430.0
PRASARANA MALAYSIA BHD	4.64	03/22/30	4.130	4.200	7.0	150.0
PRASARANA MALAYSIA BHD	4.75	02/26/31	4.199	4.248	4.9	140.0
SARAWAK HIDRO SDN BHD	4.43	08/11/26	N/A	4.130	N/A	135.0
BANK PEMBANGUNAN MALA	4.5	11/04/26	N/A	4.138	N/A	98.0
PRASARANA MALAYSIA BHD	4.53	12/28/27	N/A	4.017	N/A	90.0
PROJEK LEBUHRAYA USAHA	5.75	01/12/37	4.758	4.769	1.1	75.0
TENAGA NASIONAL BERHA	5.18	08/03/37	4.701	4.712	1.1	70.0
PRASARANA MALAYSIA BHD	4.28	09/13/24	N/A	3.487	N/A	60.0
SARAWAK ENERGY BHD	4.95	11/25/33	4.489	4.478	-1.1	60.0
TOTAL VOLUME (TOP 10)						1,308.0
TOTAL VOLUME (Overall)						2,618.1

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