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MIDF AMANAH
INVESTMENT BANK BERHAD

WEEKLY MONEY REVIEW

MIDF Strategy 19 September 2022

Week Ended 16 September 2022

- The benchmark 10-year UST yield ended higher for seventh week in a row at 3.45% (prior week: 3.31%), its highest weekly close since April 2011. Investors reacted to worse than expected inflation data which cementing another aggressive rate hike by the Federal Reserve later this week of either 75-bp or even a full percentage point. The US CPI figure for August came in above expectation at 8.3%yoy (exp: 8.1%yoy). The 10y-3y yield spread inverted deeper week-on-week from -29bps to -38bps as the short-end underperformed due to its higher sensitivity to policy rate movement.

- Accordingly, medium-term inflation expectation ended the review week lower at 2.53% (prior week: 2.56%) in view of an aggressive Fed. 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 2.1bps and 10.3bps to close at 3.36% and 4.13% respectively. Accordingly, the 10y-3y yield spread expanded (yield curve steepened) week-on-week from 69bps to 77bps as the short-end outperformed.

- MGS foreign holdings increased on-year from RM250b in August 2021 to RM255b in August 2022. Moreover, it climbed higher on-month from RM250b in July 2022. On Bursa Malaysia, the 12-month rolling sum of foreign net equity trade ended the review week at RM9.01b. It declined on-week from RM9.38b registered a week ago. However, it improved markedly on-year from -RM7.01b a year ago.

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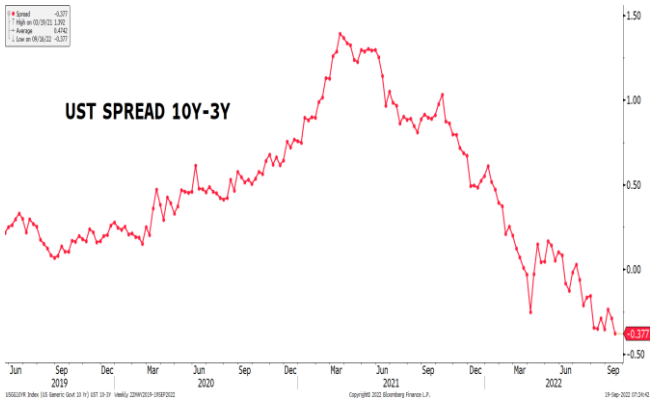
Weekly Money Review

A. FIXED INCOME

- The benchmark 10-year UST yield ended higher for seventh week in a row at 3.45% (prior week: 3.31%), its highest weekly close since April 2011. Investors reacted to worse than expected inflation data which cementing another aggressive rate hike by the Federal Reserve later this week of either 75-bp or even a full percentage point. The US CPI figure for August came in above expectation at 8.3%yoy (exp: 8.1%yoy). The 10y-3y yield spread inverted deeper week-on-week from -29bps to -38bps as the short-end underperformed due to its higher sensitivity to policy rate movement.





Source: Bloomberg, MIDFR

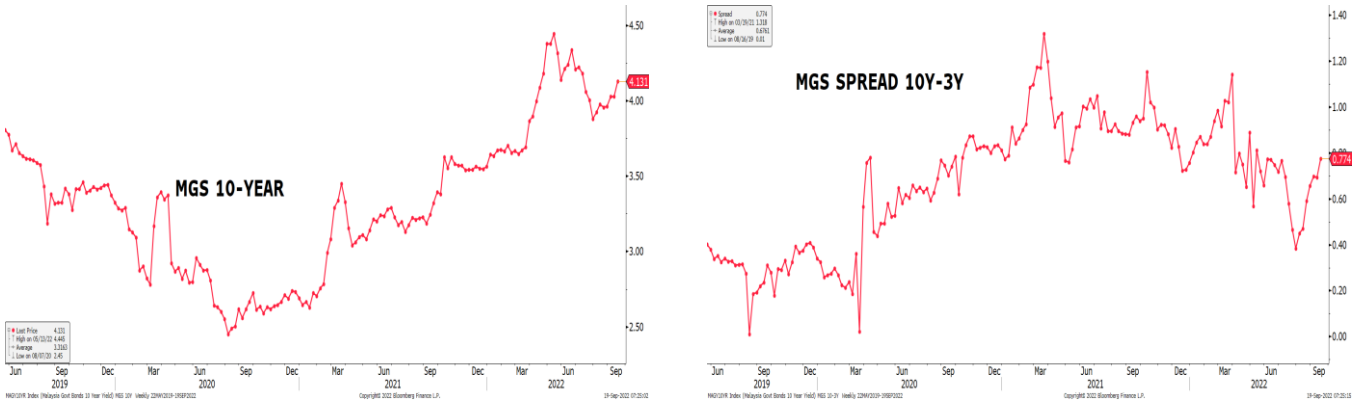
- Accordingly, medium-term inflation expectation ended the review week lower at 2.53% (prior week: 2.56%) in view of an aggressive Fed. While the level of inflation expectation has been declining from the high of 3.73% in late March 2022, it however remains elevated beyond the (hotter-than-normal) inflation 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.

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



Source: Bloomberg, MIDFR

- The price of domestic MGS benchmark issues ended the review week lower with the 3-year and 10-year yields added 2.1bps and 10.3bps to close at 3.36% and 4.13% respectively. Accordingly, the 10y-3y yield spread expanded (yield curve steepened) week-on-week from 69bps to 77bps as the short-end outperformed.

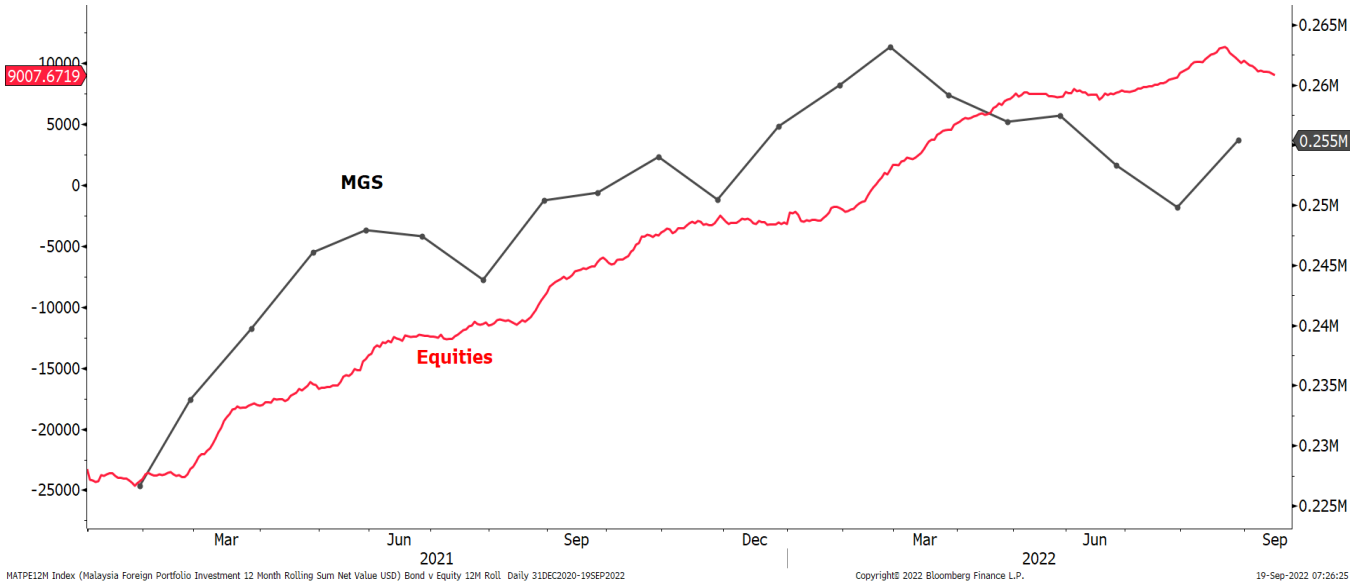


Source: Bloomberg, MIDFR

- Total trading value for Government Bonds (MGS/MII) declined to RM7.68b in the review week compared to RM13.82b in the prior week (based on Bloomberg data). The total trading value of 10 most actively traded issues declined (higher trading breadth) to 61% from 64% of the overall Government Bonds trades. Moreover, 8 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 MII 3.99% 10/15/25 at RM1.11b, MGS 3.582% 7/15/32 at RM654m, and MGS 3.795% 9/30/22 at RM654m.

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



Source: Bloomberg, MIDFR

- MGS foreign holdings increased on-year from RM250b in August 2021 to RM255b in August 2022. Moreover, it climbed higher on-month from RM250b in July 2022. On Bursa Malaysia, the 12-month rolling sum of foreign net equity trade ended the review week at RM9.01b. It declined on-week from RM9.38b registered a week ago. However, it improved markedly on-year from -RM7.01b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM1.98b in the review week compared to RM2.57b in the prior week (based on Bloomberg data). The total trading value of 10 most actively traded issues declined (higher trading breadth) to 37% from 47% of the overall Corporate Bonds trades.

- The top 3 actively traded Corporate Bonds were dominated by issues of short and long residual tenor. The largest trading values were seen in Cagamas 2.5% 5/29/23 at RM160m, Govco 4.27% 9/27/24 at RM100m, and Prasarana 4.84% 12/2/33 at RM80m.

B. FOREIGN EXCHANGE

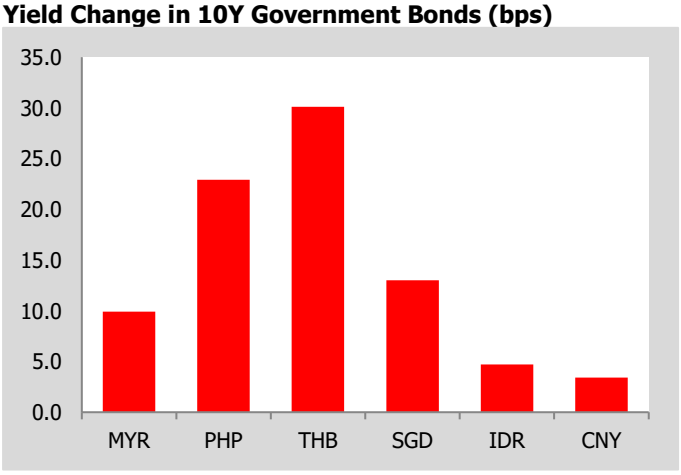
- Broad strengthening of US dollars. US dollar recorded another week of broad strengthening against other currencies as DXY US dollar index rose by +0.7%wow to 109.76. The appreciation of US dollars was driven by expectations that the Fed would continue another large rate hike in Sep-22 meeting in view of the stubbornly high inflation.
- Both EUR and GBP depreciated against USD. Following stronger demand for US dollars, euro and pound sterling both depreciated last week by 0.3%wow to USD1.002 and 1.5%wow to USD1.142, respectively. The depreciation in EUR was relatively smaller, backed by expectations for further rate hike by the ECB; while weaker-than-expected economic data (e.g. monthly GDP and retail sales) resulted in the larger fall in GBP during the week.
- Ringgit and regional currencies also weakened last week. With the broad strength in US dollars, ringgit like otherer regional currencies depreciated, with ringgit weakening by -0.8%wow to RM4.535, a new low which even surpassed the lowest level recorded during Asian Financial Crisis. Market seems to be more focused on the Fed's next rate hike decision, consequently causing other currencies to fall against USD. Oil price movement also failed to support ringgit with Brent crude ended -1.6%wow lower at USD91.35pb (previous week: USD92.84pb).

Currencies Changes (Week Ended 16/09) and Quarterly Forecasts

	Close (16/09)	Prev. Close (09/09)	Weekly Change	Weekly Change (%)	1Q22	2Q22	3Q22F	4Q22F
DXY Index	109.76	109.00	+0.761	+0.7	98.31	104.69	104.2	102.8
EURUSD	1.002	1.004	-0.003	-0.3	1.11	1.05	1.06	1.07
GBPUSD	1.142	1.159	-0.017	-1.5	1.31	1.22	1.23	1.25
USDJPY	142.92	142.47	-0.450	-0.3	121.7	135.72	132	131
USDMYR	4.535	4.498	-0.037	-0.8	4.20	4.41	4.48	4.35
GBPMYR	5.184	5.231	+0.047	+0.9	5.52	5.35	5.34	5.30
JPYMYR	3.171	3.155	-0.016	-0.5	3.45	3.25	3.28	3.24

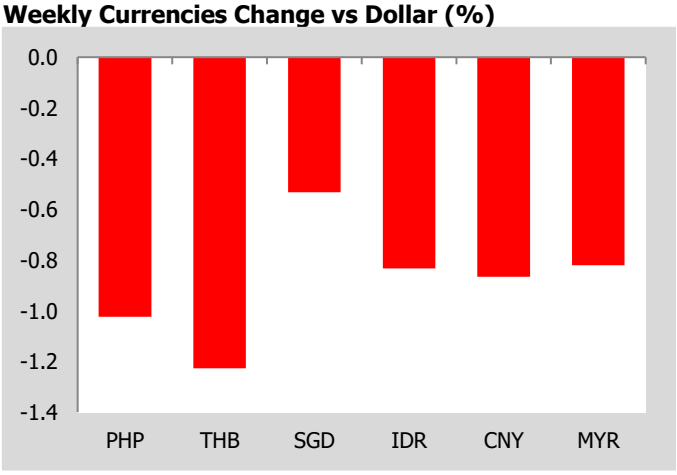
Note: "+" indicates appreciation, while "-" indicates depreciation. Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

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 (%)

	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22
Malaysia	1.75	1.75	1.75	1.75	2.00	2.00	2.25	2.25	2.50
Indonesia	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.75	3.75
Philippines	2.00	2.00	2.00	2.00	2.25	2.50	3.25	3.75	3.75
Thailand	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.75	0.75
Vietnam	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
South Korea	1.25	1.25	1.25	1.50	1.75	1.75	2.25	2.50	2.50
India	4.00	4.00	4.00	4.00	4.40	4.90	4.90	5.40	5.40
Japan	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)
UK	0.25	0.50	0.75	0.75	1.00	1.25	1.25	1.75	1.75
Euro area	0.00	0.00	0.00	0.00	0.00	0.00	0.50	0.50	1.25
USA	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	2.25-2.50

Source: Bloomberg, MIDFR

- US data releases last week generally supported for another aggressive rate hike by the Fed to contain high inflation:
  - US CPI inflation only eased to +8.3%yoy in Aug-22 (Jul-22: +8.5%yoy), higher than +8.1%yoy predicted by market consensus. Despite the correction gasoline prices, the higher price pressures came from rising prices of foods, natural gas, shelter and used cars & trucks. Core CPI inflation, on the other hand, rose to +6.3%yoy (Jul-22: +5.9%yoy), the highest in 5 months indicating inflationary pressures were broader Aug-22.
  - Initial jobless claims for week ended 10 September dropped to 213K (previous week: 218K), the lowest since end-May-22 and lower than market consensus of 226K.
  - Preliminary reading of University of Michigan consumer sentiment index rose to 59.5 in Sep-22 (Aug-22: 58.2), the highest in 5 months following improvements in both current conditions and future expectations. With declines in energy prices, American consumers indicated easing inflation expectations.

- Malaysia's consumer spending was robust in Jul-22 as the distributive trade maintained strong growth of +41%yoy (Jun-22: 44%yoy) backed by sustained expansion in wholesale & retail trade as well as increased motor vehicle sales, despite the SST exemption ended in Jun-22.

C. BNM INTERNATIONAL RESERVES

- As of 30 August 2022, compared to previous fortnight, Bank Negara Malaysia's international reserves was lower at USD108.2b (15 August 2022: USD110.9b).

BNM INTERNATIONAL RESERVES



Source: Bloomberg, MIDFR

- The amount of reserves is sufficient to finance 5.4 months of imports of goods & services and is 1.1 times total short-term external debt.

APPENDIX

WEEKLY INTEREST RATE MONITOR

Tenor	9-Sep Fri	12-Sep Mon	13-Sep Tue	14-Sep Wed	15-Sep Thu	16-Sep Fri	Change (WoW bp)
MGS							
3-Y	3.336	3.327	3.361	3.375	3.357	3.357	2.1
5-Y	3.752	3.759	3.759	3.769	3.844	3.844	9.2
7-Y	3.913	3.907	3.924	3.983	4.039	4.039	12.6
10-Y	4.028	4.06	4.022	4.112	4.131	4.131	10.3
20-Y	4.453	4.46	4.471	4.494	4.505	4.505	5.2
RINGGIT IRS							
1-Y	3.305	3.315	3.345	3.37	3.435	3.435	13
3-Y	3.575	3.58	3.575	3.62	3.72	3.72	14.5
5-Y	3.725	3.735	3.7	3.75	3.835	3.835	11
7-Y	3.82	3.835	3.805	3.845	3.92	3.92	10
10-Y	3.995	4.015	3.99	4	4.115	4.115	12
KLIBOR							
1-M	2.66	2.66	2.66	2.67	2.67	2.67	1
2-M	2.86	2.88	2.88	2.89	2.89	2.89	3
3-M	3	3.01	3.01	3.01	3.02	3.02	2
UST							
3-Y	3.5984	3.6103	3.7584	3.7919	3.8537	3.8264	22.8
5-Y	3.4352	3.4493	3.5787	3.6035	3.6654	3.6309	19.57
7-Y	3.3989	3.4273	3.515	3.528	3.5853	3.5597	16.08
10-Y	3.3097	3.3578	3.408	3.4043	3.4489	3.4494	13.97
30-Y	3.4474	3.5121	3.4868	3.4581	3.4662	3.5131	6.57
USD LIBOR							
1-M	2.77314	2.78343	2.81771	2.93914	2.99343	3.01386	24.072
3-M	3.24543	3.27014	3.29257	3.48343	3.52714	3.56529	31.986

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	9-Sep Yield	16-Sep Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA INVESTMNT ISSU	3.99	10/15/25	3.438	3.511	7.3	1,107.8
MALAYSIA GOVERNMENT	3.582	07/15/32	4.028	4.131	10.3	653.9
MALAYSIA GOVERNMENT	3.795	09/30/22	2.523	1.570	-95.3	653.7
MALAYSIA GOVERNMENT	3.48	03/15/23	2.658	2.542	-11.6	537.8
MALAYSIA INVESTMNT ISSU	4.369	10/31/28	3.981	4.033	5.2	439.5
MALAYSIA GOVERNMENT	3.882	03/14/25	3.336	3.357	2.1	340.6
MALAYSIA GOVERNMENT	3.899	11/16/27	3.752	3.844	9.2	276.9
MALAYSIA GOVERNMENT	4.762	04/07/37	4.283	4.310	2.7	267.8
MALAYSIA INVESTMNT ISSU	4.193	10/07/32	4.071	4.157	8.6	210.2
MALAYSIA GOVERNMENT	4.504	04/30/29	3.913	4.039	12.6	195.1
TOTAL VOLUME (TOP 10)						4,683.4
TOTAL VOLUME (Overall)						7,679.4

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	9-Sep Yield	16-Sep Yield	Change (WoW bp)	Weekly Volume (RM mn)
CAGAMAS BERHAD	2.5	05/29/23	3.403	3.457	5.4	160.0
GOVCO HOLDINGS BHD	4.27	09/27/24	3.599	3.588	-1.1	100.0
PRASARANA MALAYSIA BHD	4.84	12/02/33	4.352	4.381	2.9	80.0
BGSM MANAGEMENT SDN B	4.92	08/29/25	4.063	4.100	3.7	70.0
INFRACAP RESOURCES S B	3.11	04/15/24	3.797	3.858	6.1	70.0
DANUM CAPITAL BHD	4.02	06/30/25	3.908	3.968	6.0	70.0
PROJEK LEBUHRAYA USAHA	5	12/31/38	4.675	4.649	-2.6	60.0
MBSB BANK BHD	5.05	12/20/29	N/A	4.083	N/A	50.0
TG EXCELLENCE BHD	3.95	PERP	5.388	4.324	-106.4	41.6
WCT HOLDINGS BHD	4	02/27/23	N/A	4.458	N/A	40.0
TOTAL VOLUME (TOP 10)						741.6
TOTAL VOLUME (Overall)						1,980.8

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