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MIDF AMANAH
INVESTMENT BANK BERHAD

WEEKLY MONEY REVIEW

MIDF Strategy 17 October 2022

Week Ended 14 October 2022

- The benchmark 10-year UST yield ended higher for eleventh week in a row at 4.02% (prior week: 3.88%), its highest weekly close since July 2008, as investors reacted to higher-than-expected CPI reading in September (actual: 0.4%mom; estimate: 0.3%mom). The 10y-3y yield spread inverted deeper week-on-week from -46bps to -48bps as the short-end underperformed due to its higher sensitivity to policy rate movement.

- Arguably in reaction to the higher-than-expected inflation figures, medium-term inflation expectation ended the review week higher at 2.50% (prior week: 2.42%). Nonetheless, it remains within the elevated range of 2.25%-2.50% acceptable (transiently) to the US Fed. Moreover, despite recent upswings, inflation expectation has been trending lower from the high of 3.73% in late March 2022. The market remains rather sanguine that the elevated price pressure would ebb in good time. We reckon inflation expectation will continue to trend lower (toward the 2.00% target) if the US Fed were seen as being judiciously 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 4.8bps and 12.4bps to close at 3.92% and 4.46% respectively. Accordingly, the 10y-3y yield spread expanded (yield curve steepened) week-on-week from 46bps to 53bps as the short-end outperformed.

- MGS foreign holdings increased on-year from RM251b in September 2021 to RM255b in September 2022. Moreover, it remains unchanged on-month from RM255b in August 2022. On Bursa Malaysia, the 12-month rolling sum of foreign net equity trade ended the review week at RM6.69b. It declined on-week from RM7.96b registered a week ago. However, it improved markedly on-year from -RM5.47b a year ago.

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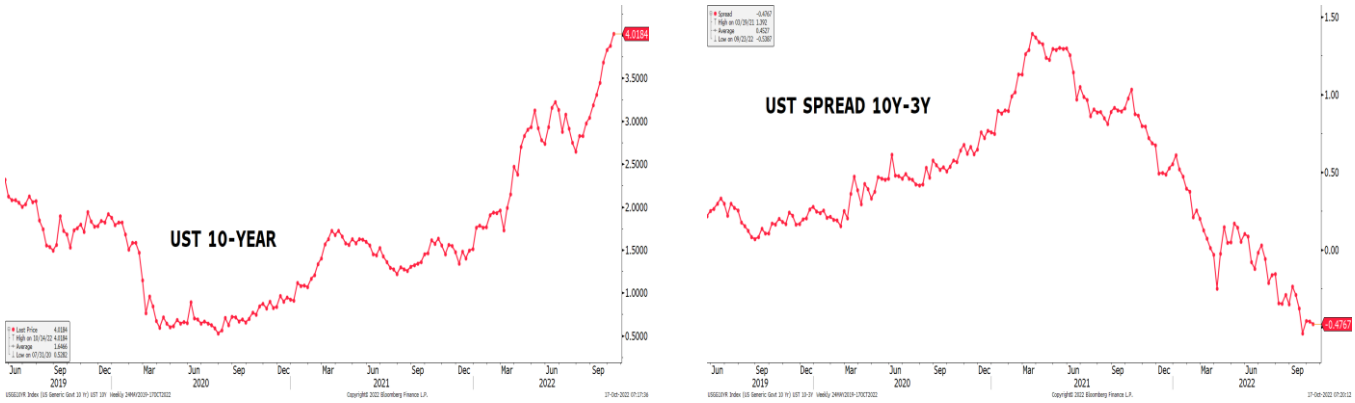
Strategy Team | research@midf.com.my

Weekly Money Review

A. FIXED INCOME

- The benchmark 10-year UST yield ended higher for eleventh week in a row at 4.02% (prior week: 3.88%), its highest weekly close since July 2008, as investors reacted to higher-than-expected CPI reading in September (actual: 0.4%mom; estimate: 0.3%mom). The 10y-3y yield spread inverted deeper week-on-week from -46bps to -48bps as the short-end underperformed due to its higher sensitivity to policy rate movement.



Source: Bloomberg, MIDFR

- Arguably in reaction to the higher-than-expected inflation figures, medium-term inflation expectation ended the review week higher at 2.50% (prior week: 2.42%). Nonetheless, it remains within the elevated range of 2.25%-2.50% acceptable (transiently) to the US Fed. Moreover, despite recent upswings, inflation expectation has been trending lower from the high of 3.73% in late March 2022. The market remains rather sanguine that the elevated price pressure would ebb in good time. We reckon inflation expectation will continue to trend lower (toward the 2.00% target) if the US Fed were seen as being judiciously aggressive in battling inflation.

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



Source: Bloomberg, MIDFR

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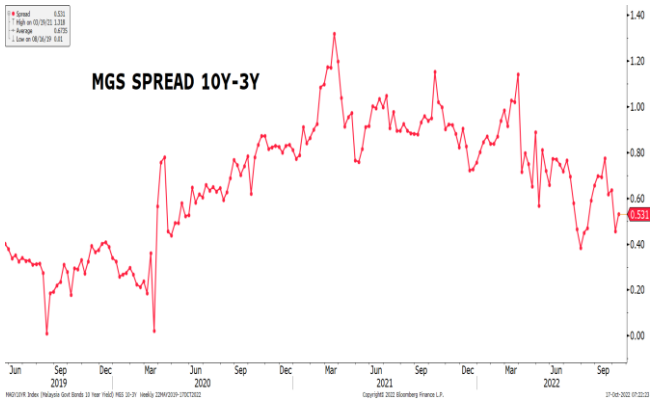
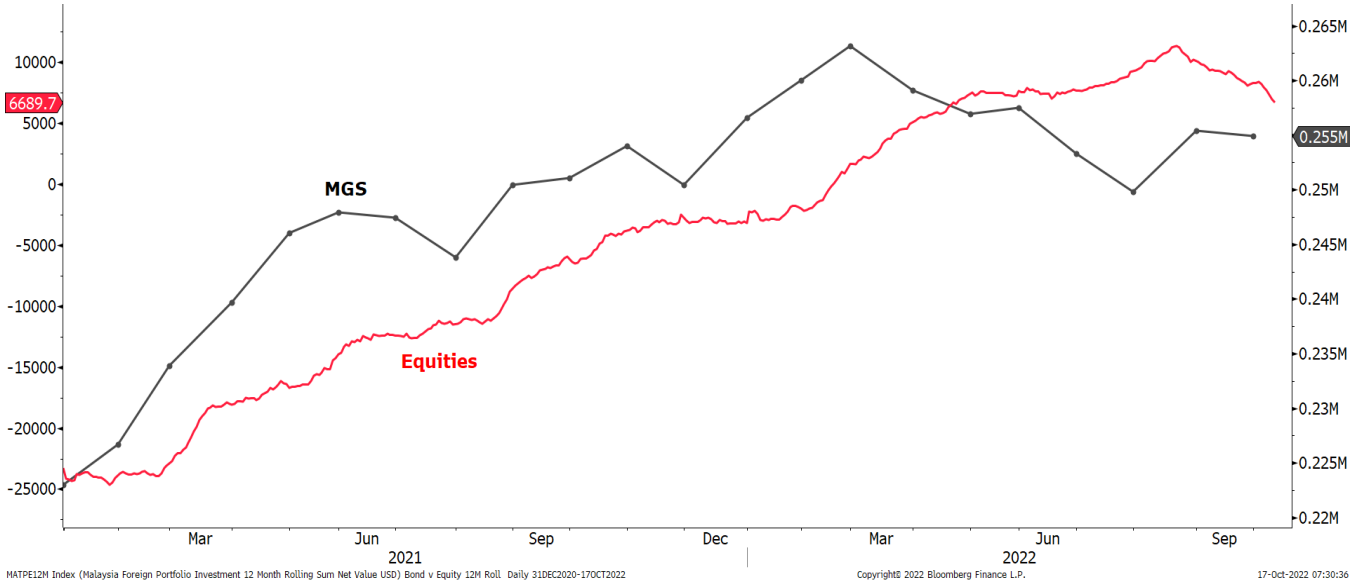


Source: Bloomberg, MIDFR

- Total trading value for Government Bonds (MGS/MII) declined to RM7.24b in the review week compared to RM9.68b in the prior week (based on Bloomberg data). The total trading value of 10 most actively traded issues increased (lower trading breadth) to 70% from 64% 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 varied residual tenor. The top 3 most actively traded were MII 4.193% 10/7/32 at RM1.05b, MGS 3.882% 3/14/25 at RM880m, and MGS 3.48% 3/15/23 at RM794m.

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



Source: Bloomberg, MIDFR

- MGS foreign holdings increased on-year from RM251b in September 2021 to RM255b in September 2022. Moreover, it remains unchanged on-month from RM255b in August 2022. On Bursa Malaysia, the 12-month rolling sum of foreign net equity trade ended the review week at RM6.69b. It declined on-week from RM7.96b registered a week ago. However, it improved markedly on-year from -RM5.47b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM707m in the review week compared to RM1.61b in the prior week (based on Bloomberg data). The total trading value of 10 most actively traded issues increased (lower trading breadth) to 56% from 48% of the overall Corporate Bonds trades.

- The top 3 actively traded Corporate Bonds were dominated by issues of short and mid residual tenor. The largest trading values were seen in MRCB 3.75% 4/14/23 at RM100m, Ambank 4.98% 11/15/28 at RM60m, and Sarawak Hidro 4.43% 8/11/26 at RM45m.

B. FOREIGN EXCHANGE

- USD appreciated again as inflation remained high. USD appreciated last week as the US dollar DXY index increased +0.5%wow to 113.31, still around the strongest level since 2002. Investors increased demand for USD because the latest inflation indicates broader price pressures in the US, signalling another large rate hike by the Fed at the next FOMC meeting in early Nov-22.

- EUR depreciated but GBP strengthened vs. dollar. Euro depreciated further by 0.2%wow to USD0.972 as investors preferred to hold USD as interest differentials widened. Pound sterling, however, strengthened by 1.4%wow to USD1.124 as the Bank of England ended its emergency bond-buying progamme.

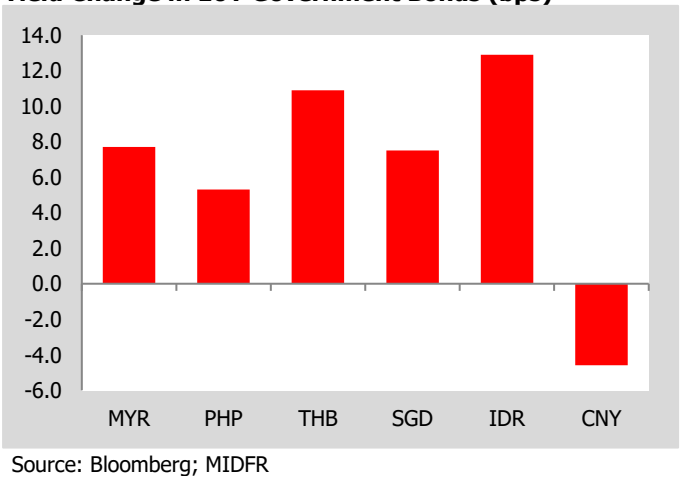
- Ringgit weakened to new low since 1998. Following strength in USD, ringgit depreciated by 1.2%wow to RM4.705, the weakest weekly closing since 1998. Lower crude oil prices also dragged down ringgit; Brent crude fell -6.4%wow last week to USD91.63pb (previous week: USD97.92pb).

Currencies Changes (Week Ended 14/10) and Quarterly Forecasts

	Close (14/10)	Prev. Close (07/10)	Weekly Change	Weekly Change (%)	1Q22	2Q22	3Q22F	4Q22F
DXY Index	113.31	112.80	+0.516	+0.5	98.31	104.69	112.12	107.5
EURUSD	0.972	0.974	-0.002	-0.2	1.11	1.05	0.98	1.03
GBPUSD	1.117	1.109	+0.009	+0.8	1.31	1.22	1.12	1.15
USDJPY	148.67	145.25	-3.420	-2.3	121.7	135.72	144.74	139
USDMYR	4.705	4.650	-0.055	-1.2	4.20	4.41	4.64	4.45
GBPMYR	5.289	5.205	-0.085	-1.6	5.52	5.35	5.20	5.08
JPYMYR	3.163	3.199	+0.036	+1.2	3.45	3.25	3.20	3.18

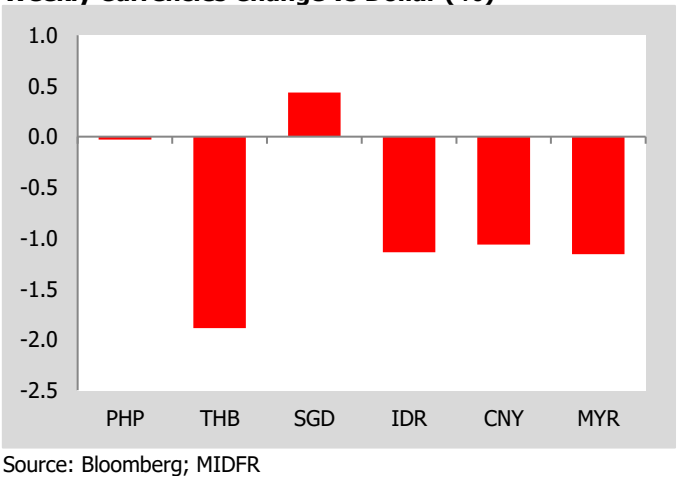
Note: "+" indicates appreciation, while "-" indicates depreciation. Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

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 (%)

	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22
Malaysia	1.75	1.75	1.75	2.00	2.00	2.25	2.25	2.50	2.50
Indonesia	3.50	3.50	3.50	3.50	3.50	3.50	3.75	4.25	4.25
Philippines	2.00	2.00	2.00	2.25	2.50	3.25	3.75	4.25	4.25
Thailand	0.50	0.50	0.50	0.50	0.50	0.50	0.75	1.00	1.00
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	1.50	1.75	1.75	2.25	2.50	2.50	3.00
India	4.00	4.00	4.00	4.40	4.90	4.90	5.40	5.40	5.40
Japan	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)
UK	0.50	0.75	0.75	1.00	1.25	1.25	1.75	2.25	2.25
Euro area	0.00	0.00	0.00	0.00	0.00	0.50	0.50	1.25	1.25
USA	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	3.00-3.25	3.00-3.25

Source: Bloomberg, MIDFR

- US economic data released last week:
  - New York Fed reported inflation expectations among Americans eased to 5.4% in Sep-22 (Aug-22: +5.7%).
  - Job market remained tight although initial weekly jobless claims rose to 6-week high of 228K in the week ended 8 Oct.
  - Headline CPI inflation eased to +8.2%yoy in Sep-22, the slowest in 7 months and attributable to slower inflation in prices of energy, food and used cars & trucks. However, core CPI inflation rose to 40-year high at +6.6%yoy indicating broader price increases from higher costs for shelter, medical care, and new vehicles.

- The Sep-22 FOMC minutes shows the Fed policymakers expected the higher interest rates to remain for a longer period as the Fed remains committed to bring down inflation from current high levels.

- On 10 October 2022, Prime Minister Dato' Sri Ismail Sabri announced the dissolution of parliament. The 15th General Election is expected to be held in Nov-22.

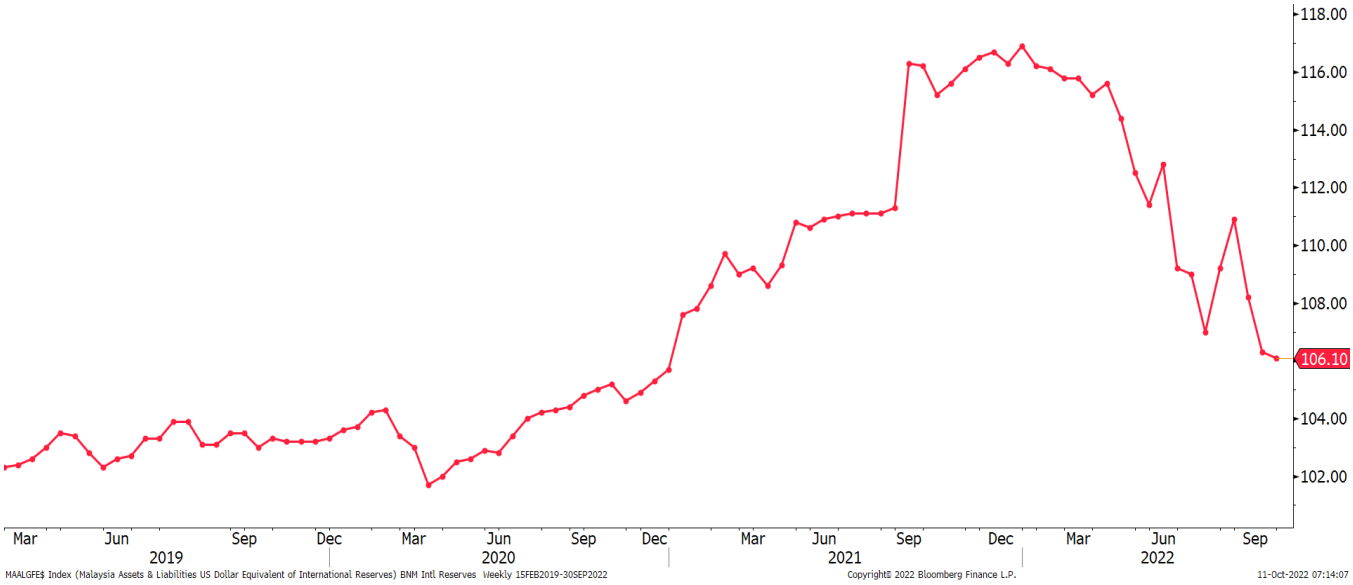
- On 14 October 2022, Bank of Korea raised its benchmark interest rate by 50bps to 3.00% due to inflation concerns as import costs could go up on the back of weak Korean won.

- Malaysia's indicators continued to suggest sustained and resilience in domestic economic activities in Aug-22:
  - Labour market recovery continues as jobless rate remained at pandemic low of 3.7% in Aug-22. Although more people entered the job market, unemployment count fell further on the back of increased labour demand.
  - Distributive trade grew at +33.7%yoy (Jul-22: +40.7%yoy), supported by increased wholesale & retail trades and higher motor vehicle sales.
- Industrial production growth jumped to +13.6%yoy (Jul-22: +12.5%yoy), backed by stronger output in manufacturing and mining sectors.

C. BNM INTERNATIONAL RESERVES

- As of 30 September 2022, compared to previous fortnight, Bank Negara Malaysia's international reserves was lower at USD106.1b (15 September 2022: USD106.3b).

BNM INTERNATIONAL RESERVES



Source: Bloomberg, MIDFR

- The amount of reserves is sufficient to finance 5.6 months of imports of goods & services and is 1.1 times total short-term external debt.

APPENDIX

WEEKLY INTEREST RATE MONITOR

Tenor	7-Oct Fri	10-Oct Mon	11-Oct Tue	12-Oct Wed	13-Oct Thu	14-Oct Fri	Change (WoW bp)
MGS							
3-Y	3.877	3.877	3.881	3.903	3.92	3.925	4.8
5-Y	4.074	4.074	4.251	4.229	4.211	4.252	17.8
7-Y	4.276	4.276	4.353	4.329	4.27	4.362	8.6
10-Y	4.332	4.332	4.428	4.415	4.448	4.456	12.4
20-Y	4.754	4.754	4.861	4.747	4.85	4.893	13.9
RINGGIT IRS							
1-Y	3.54	3.54	3.635	3.62	3.615	3.605	6.5
3-Y	3.95	3.95	4.04	4.015	4.03	4.015	6.5
5-Y	4.16	4.16	4.245	4.225	4.24	4.2075	4.75
7-Y	4.3	4.3	4.4	4.39	4.39	4.375	7.5
10-Y	4.45	4.45	4.58	4.557	4.54	4.55	10
KLIBOR							
1-M	2.67	2.67	2.67	2.67	2.67	2.67	0
2-M	2.94	2.94	2.94	2.94	2.95	2.95	1
3-M	3.07	3.07	3.08	3.08	3.09	3.1	3
UST							
3-Y	4.343	4.343	4.3466	4.3089	4.4442	4.495	15.2
5-Y	4.1423	4.1423	4.1704	4.1177	4.2004	4.2677	12.54
7-Y	4.0278	4.0278	4.0801	4.0279	4.0907	4.1646	13.68
10-Y	3.8814	3.8814	3.947	3.8962	3.9435	4.0184	13.7
30-Y	3.8417	3.8417	3.9223	3.8744	3.9164	3.9916	14.99
USD LIBOR							
1-M	3.31357	3.31671	3.34557	3.33871	3.41214	3.443	12.943
3-M	3.90871	3.91914	3.94071	4.01086	4.07914	4.19371	28.5

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	7-Oct Yield	14-Oct Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA INVESTMNT ISSU	4.193	10/07/32	4.367	4.501	13.4	1,053.0
MALAYSIA GOVERNMENT	3.882	03/14/25	3.877	3.925	4.8	879.5
MALAYSIA GOVERNMENT	3.48	03/15/23	2.759	2.852	9.3	794.4
MALAYSIA GOVERNMENT	3.899	11/16/27	4.074	4.252	17.8	625.2
MALAYSIA GOVERNMENT	3.885	08/15/29	4.388	4.457	6.9	478.5
MALAYSIA GOVERNMENT	4.065	06/15/50	4.967	4.968	0.1	376.7
MALAYSIA GOVERNMENT	4.181	07/15/24	3.586	3.599	1.3	319.8
MALAYSIA GOVERNMENT	3.8	08/17/23	3.005	3.096	9.1	266.4
MALAYSIA GOVERNMENT	3.478	06/14/24	3.569	3.601	3.2	159.8
MALAYSIA GOVERNMENT	4.762	04/07/37	4.666	4.614	-5.2	143.5
TOTAL VOLUME (TOP 10)						5,096.8
TOTAL VOLUME (Overall)						7,240.1

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	7-Oct Yield	14-Oct Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIAN RESOURCES CO	3.75	04/14/23	4.618	4.668	5.0	100.0
AMBANK MALAYSIA BHD	4.98	11/15/28	3.899	4.132	23.3	60.0
SARAWAK HIDRO SDN BHD	4.43	08/11/26	4.349	4.549	20.0	45.0
BGSM MANAGEMENT SDN B	5.35	03/09/26	4.331	4.593	26.2	40.0
BANK PEMBANGUNAN MALA	4.5	11/04/26	4.167	4.601	43.4	30.0
MALAYSIA RAIL LINK	2.88	07/23/26	4.055	4.501	44.6	30.0
TENAGA NASIONAL BERHA	5.57	06/28/47	5.429	5.489	6.0	30.0
AMBANK MALAYSIA BHD	5.2	10/12/32	N/A	4.860	N/A	22.3
MALAKOFF POWER BHD	6.05	12/17/29	N/A	5.138	N/A	20.0
PRASARANA MALAYSIA BHD	4.39	03/07/25	N/A	4.078	N/A	20.0
TOTAL VOLUME (TOP 10)						397.3
TOTAL VOLUME (Overall)						707.2

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