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MIDF AMANAH
INVESTMENT BANK BERHAD

WEEKLY MONEY REVIEW

MIDF Strategy 14 November 2022

Week Ended 11 November 2022

- The UST market rallied last week. The benchmark 10-year yield ended the review week starkly lower at 3.81% (prior week: 4.16%) as investors reacted to better-than-expected October CPI data which portend to a Fed pivot as early as the upcoming December meeting. At current juncture, the interest rate futures market is implying more than 80% probability of a 50-bps hike in December. The 10y-3y yield spread rebounded but remains deeply inverted at -37bps (prior week: -43bps) as the short-end outperformed.

- Medium-term inflation expectation ended the review week lower at 2.47% (prior week: 2.62%) arguably in reaction to the better-than-expected inflation figures. Notably, it dropped back to within the elevated range of 2.25%-2.50% acceptable (transiently) to the US Fed. Moreover, inflation expectation has been trending lower from the high of 3.73% in late March 2022. On this score, the market seems relatively sanguine that the elevated price pressure would ebb in good time. We reckon inflation expectation would revert (toward the 2.00% target) if the US Fed were seen as being judiciously aggressive in battling inflation.

- In contrast, the price of domestic MGS benchmark issues ended the review week lower with the 3-year and 10-year yields added 1.8bps and 0.5bp respectively to close at 3.92% and 4.40%. Accordingly, the 10y-3y yield spread narrowed (yield curve flattened) week-on-week from 49bps to 48bps as the short-end underperformed. In this regard, it is notable that Malaysia's 3Q22 GDP growth came in better than expected at 14.2%yoy.

- MGS foreign holdings declined on-year from RM254b in October 2021 to RM249b in October 2022. Moreover, it also declined on-month from RM255b in September 2022. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at RM5.58b. It increased on-week from RM5.56b registered a week ago. Moreover, it improved markedly on-year from -RM3.50b a year ago.

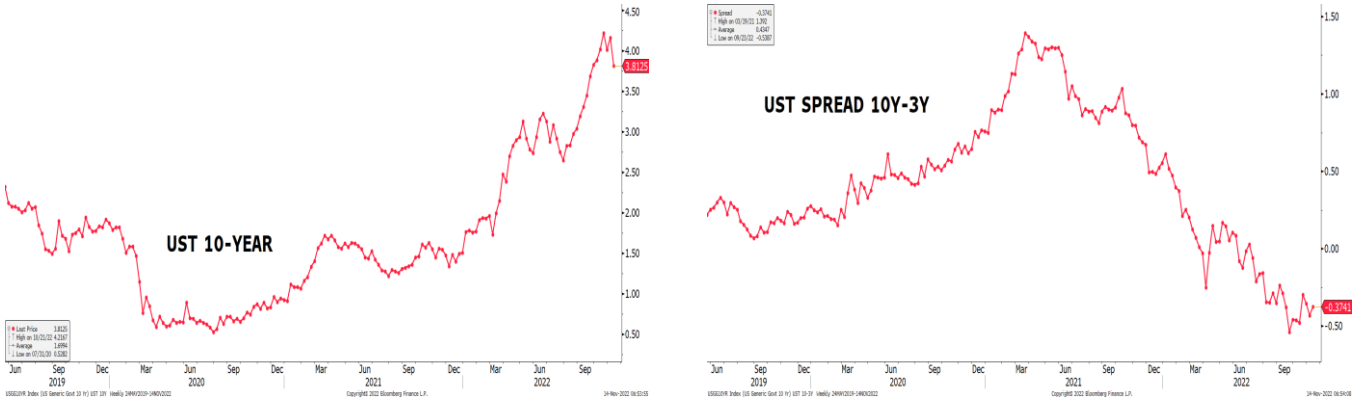
14 November 2022 | **Strategy**

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Weekly Money Review

A. FIXED INCOME

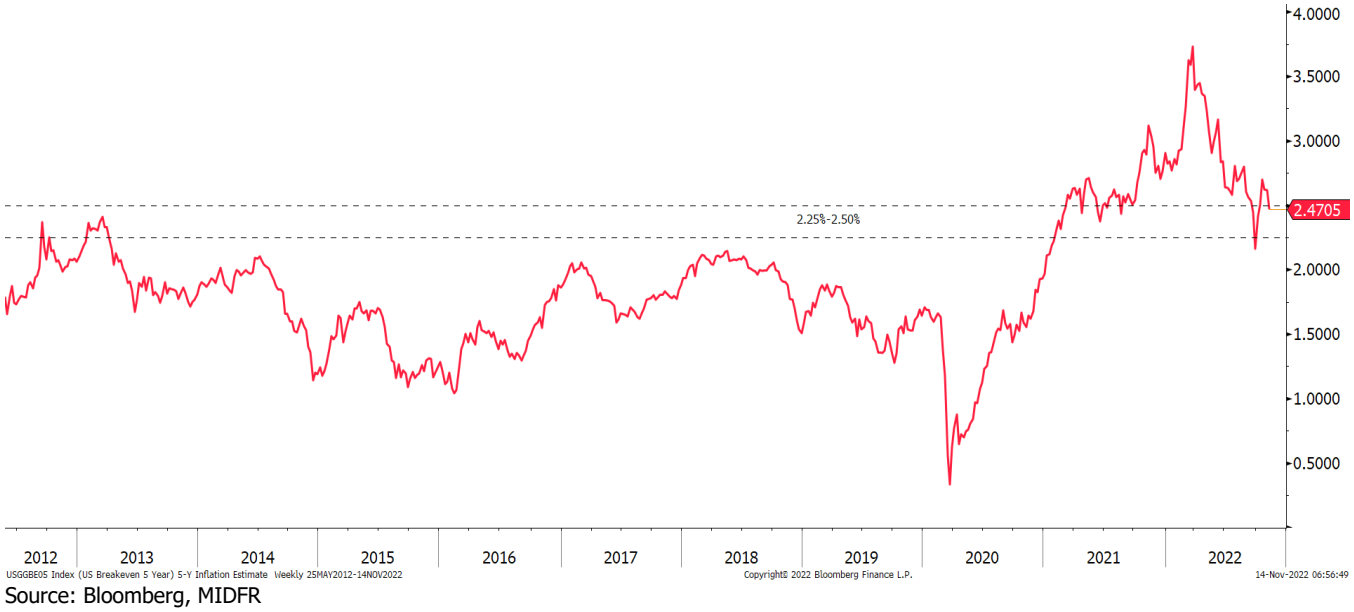
- The UST market rallied last week. The benchmark 10-year yield ended the review week starkly lower at 3.81% (prior week: 4.16%) as investors reacted to better-than-expected October CPI data which portend to a Fed pivot as early as the upcoming December meeting. At current juncture, the interest rate futures market is implying more than 80% probability of a 50-bps hike in December. The 10y-3y yield spread rebounded but remains deeply inverted at -37bps (prior week: -43bps) as the short-end outperformed.



Source: Bloomberg, MIDFR

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

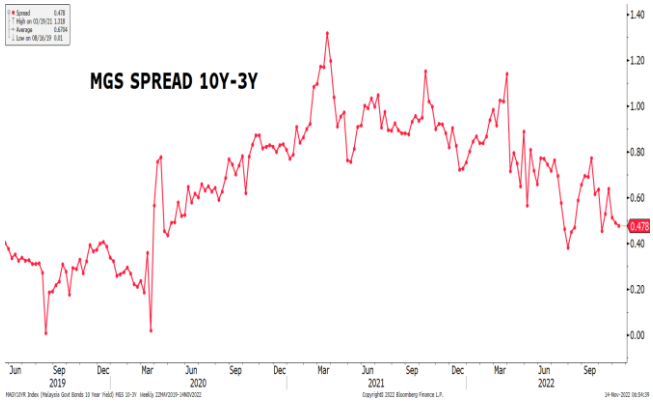


Source: Bloomberg, MIDFR

- In contrast, the price of domestic MGS benchmark issues ended the review week lower with the 3-year and 10-year yields added 1.8bps and 0.5bp respectively to close at 3.92% and 4.40%. Accordingly, the 10y-3y yield spread

narrowed (yield curve flattened) week-on-week from 49bps to 48bps as the short-end underperformed. In this regard, it is notable that Malaysia's 3Q22 GDP growth came in better than expected at 14.2%yoy.



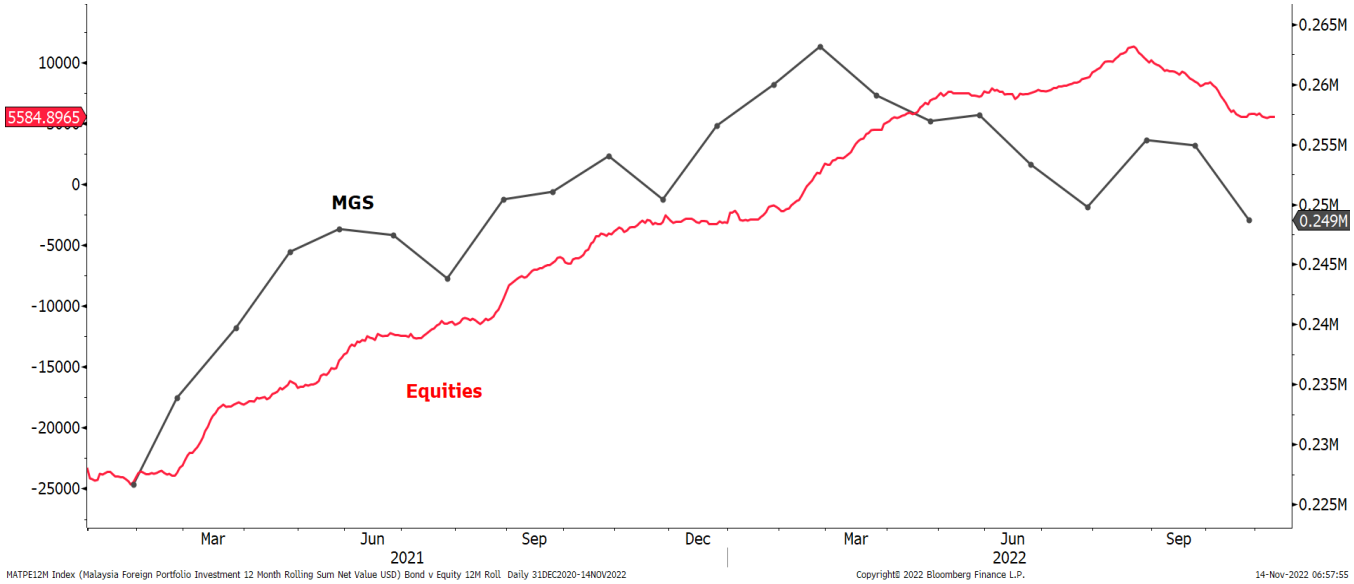


Source: Bloomberg, MIDFR

- Total trading value for Government Bonds (MGS/MII) increased to RM10.96b in the review week compared to RM9.20b in the prior week (based on Bloomberg data). The total trading value of 10 most actively traded issues increased (lower trading breadth) to 72% from 55% of the overall Government Bonds trades. Moreover, 6 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 mid residual tenor. The top 3 most actively traded were MII 4.13% 7/9/29 at RM2.84b, MGS 3.882% 3/14/25 at RM983m, and MGS 3.48% 3/15/23 at RM884m.

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



Source: Bloomberg, MIDFR

- MGS foreign holdings declined on-year from RM254b in October 2021 to RM249b in October 2022. Moreover, it also declined on-month from RM255b in September 2022. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at RM5.58b. It increased on-week from RM5.56b registered a week ago. Moreover, it improved markedly on-year from -RM3.50b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM923m in the review week compared to RM881m in the prior week (based on Bloomberg data). The total trading value of 10 most actively traded issues increased (lower trading breadth) to 48% from 42% 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 PLUS 4.48% 1/12/23 at RM130m, Affin Islamic Bank 5.65% PERP at RM60m, and Exim Cap Resources 4.5% 1/9/25 at RM60m.

B. FOREIGN EXCHANGE

- USD weakened as inflation eased. USD depreciated sharply against major currencies last week as the DXY dollar index fell by -4.1%wow to 106.29 which the lowest in 3 months. Demand for USD weakened as market expected the Fed to hike interest rates at slower pace in Dec-22 meeting following the release of latest inflation data indicating slower price increases.

- EUR and GBP jumped as dollar weakened. Following weaker demand for USD, euro and pound sterling both appreciated by +3.9%wow to USD1.035 and +4%wow to USD1.183, respectively.

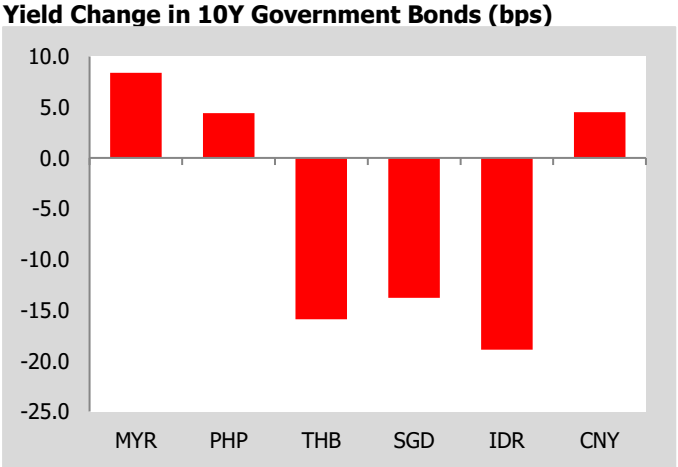
- Ringgit strengthened amid dollar weakness. Following increased in risk-on sentiment, regional currencies including ringgit also appreciated last week. Ringgit strengthened by +2.7%wow to RM4.623, the strongest level in nearly 2 months. To a certain extent, declines in oil prices limited ringgit's appreciation as Brent crude fell by -1%wow to USD95.99pb (previous week: USD96.98pb). With the Fed expected to pivot sooner than previously anticipated, we now project ringgit to end stronger at RM4.52 by end-2022.

Currencies Changes (Week Ended 11/11) and Quarterly Forecasts

	Close (11/11)	Prev. Close (04/11)	Weekly Change	Weekly Change (%)	1Q22	2Q22	3Q22F	4Q22F
DXY Index	106.29	110.88	-4.585	-4.1	98.31	104.69	112.12	104.5
EURUSD	1.035	0.996	+0.039	+3.9	1.11	1.05	0.98	1.07
GBPUSD	1.183	1.138	+0.045	+4.0	1.31	1.22	1.12	1.21
USDJPY	138.81	146.62	+7.810	+5.6	121.7	135.72	144.74	131
USDMYR	4.623	4.748	+0.125	+2.7	4.20	4.41	4.64	4.52
GBPMYR	5.432	5.326	-0.106	-2.0	5.52	5.35	5.20	5.47
JPYMYR	3.330	3.238	-0.092	-2.8	3.45	3.25	3.20	3.45

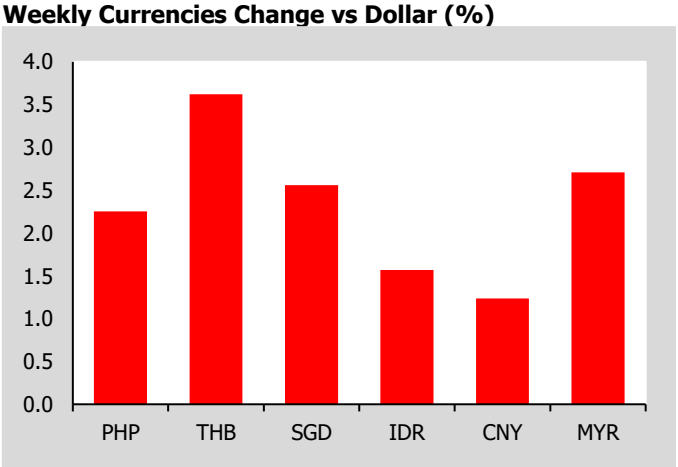
Note: "+" indicates appreciation, while "-" indicates depreciation. Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

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 (%)

	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22
Malaysia	1.75	1.75	2.00	2.00	2.25	2.25	2.50	2.50	2.75
Indonesia	3.50	3.50	3.50	3.50	3.50	3.75	4.25	4.75	4.75
Philippines	2.00	2.00	2.25	2.50	3.25	3.75	4.25	4.25	4.25
Thailand	0.50	0.50	0.50	0.50	0.50	0.75	1.00	1.00	1.00
Vietnam	4.00	4.00	4.00	4.00	4.00	4.00	5.00	6.00	6.00
South Korea	1.25	1.50	1.75	1.75	2.25	2.50	2.50	3.00	3.00
India	4.00	4.00	4.40	4.90	4.90	5.40	5.90	5.90	5.90
Japan	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)
UK	0.75	0.75	1.00	1.25	1.25	1.75	2.25	2.25	3.00
Euro area	0.00	0.00	0.00	0.00	0.50	0.50	1.25	1.25	2.00
USA	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	3.75-4.00

Source: Bloomberg, MIDFR

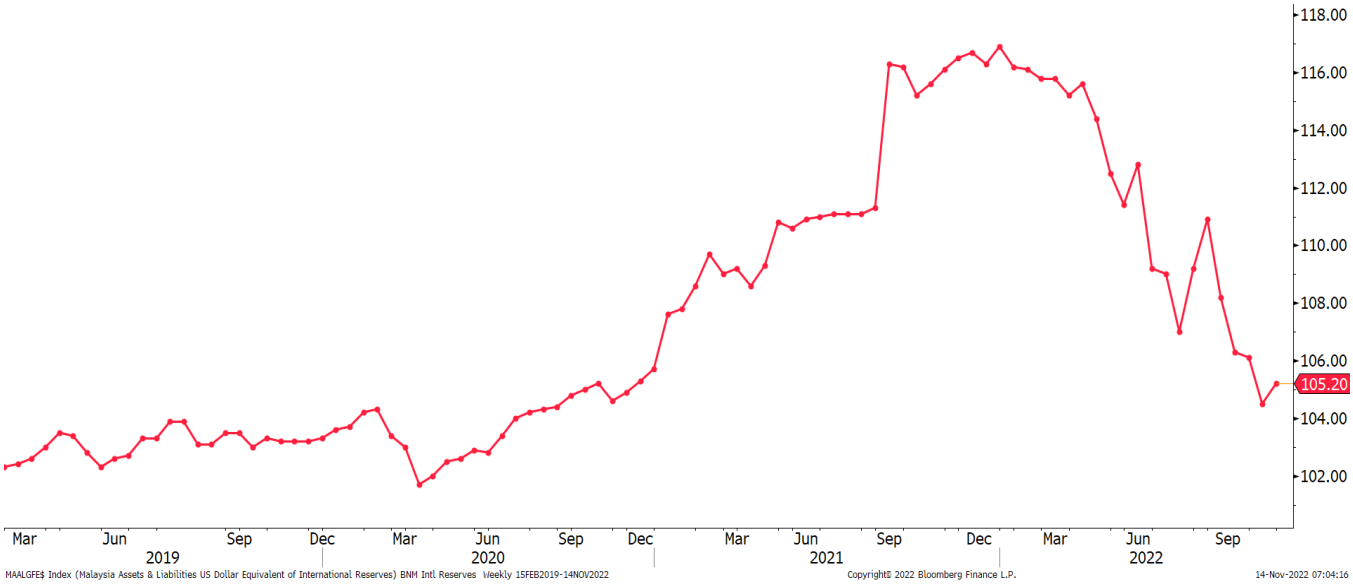
- US economic data released last week:
  - CPI inflation eased for the fourth straight month to +7.7%yoy in Oct-22, the slowest since Jan-22 and even lower than market consensus (+8%yoy) attributable to slower rise in energy and food prices. Core CPI inflation also eased to +6.3%yoy, the same level in Aug-22 and down from 40-year high of +6.6%yoy in Sep-22.
  - Labour market remained tight as initial jobless claims still around pandemic lows, despite rising to 225K for the week ended 5th November.
  - Consumer sentiment weakened as the University of Michigan's sentiment index fell to 54.7 in Nov-22 (Oct-22: 59.9), expressing concerns over current and future economic conditions, slight uptick in 1-year inflation expectation and deterioration in spending plans following rise in borrowing costs and higher prices.

- Malaysia's GDP growth was stronger than expected, rising by +14.2%yoy in 3QCY22 driven by sustained growth in consumer spending, higher capital expenditure and robust exports. As a result, we upgraded our projection for 2022 that Malaysia's economy would grow by +8% (previous forecast: +6.6%) on the back of economic reopening and stronger domestic economic activities.

C. BNM INTERNATIONAL RESERVES

- As of 31 October 2022, compared to previous fortnight, Bank Negara Malaysia's international reserves was higher at USD105.2b (14 October 2022: USD104.5b).

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	4-Nov Fri	7-Nov Mon	8-Nov Tue	9-Nov Wed	10-Nov Thu	11-Nov Fri	Change (WoW bp)
MGS							
3-Y	3.903	3.948	3.993	3.948	3.925	3.921	1.8
5-Y	4.211	4.268	4.29	4.304	4.278	4.235	2.4
7-Y	4.343	4.395	4.45	4.419	4.425	4.303	-4
10-Y	4.394	4.454	4.506	4.488	4.488	4.399	0.5
20-Y	4.83	4.857	4.934	4.894	4.898	4.79	-4
RINGGIT IRS							
1-Y	3.81	3.815	3.848	3.88	3.955	3.885	7.5
3-Y	4.03	4.045	4.115	4.145	4.155	4.033	0.3
5-Y	4.205	4.225	4.3	4.285	4.27	4.145	-6
7-Y	4.345	4.4	4.445	4.42	4.405	4.29	-5.5
10-Y	4.44	4.46	4.53	4.51	4.5	4.398	-4.2
KLIBOR							
1-M	2.93	2.93	2.94	2.94	2.94	2.94	1
2-M	3.23	3.23	3.24	3.24	3.24	3.24	1
3-M	3.45	3.46	3.46	3.47	3.48	3.48	3
UST							
3-Y	4.591	4.6463	4.5626	4.4887	4.1866	4.1866	-40.44
5-Y	4.3308	4.3876	4.2938	4.2409	3.9375	3.9375	-39.33
7-Y	4.2505	4.306	4.2059	4.1666	3.8758	3.8758	-37.47
10-Y	4.1584	4.2135	4.1234	4.0923	3.8125	3.8125	-34.59
30-Y	4.2463	4.319	4.2749	4.2684	4.0508	4.0153	-23.1
USD LIBOR							
1-M	3.85814	3.85514	3.85871	3.87857	3.87314	3.87529	1.715
3-M	4.55029	4.55729	4.592	4.63	4.64971	4.60614	5.585

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	4-Nov Yield	11-Nov Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA INVESTMNT ISSU	4.13	07/09/29	4.400	4.427	2.7	2,839.6
MALAYSIA GOVERNMENT	3.882	03/14/25	3.903	3.921	1.8	983.3
MALAYSIA GOVERNMENT	3.48	03/15/23	2.610	2.191	-41.9	884.5
MALAYSIA GOVERNMENT	3.899	11/16/27	4.211	4.235	2.4	691.8
MALAYSIA GOVERNMENT	3.733	06/15/28	4.393	4.343	-5.0	580.0
MALAYSIA GOVERNMENT	3.582	07/15/32	4.348	4.399	5.1	475.0
MALAYSIA GOVERNMENT	4.696	10/15/42	4.830	4.790	-4.0	406.3
MALAYSIA GOVERNMENT	3.8	08/17/23	3.084	3.147	6.3	387.3
MALAYSIA INVESTMNT ISSU	3.99	10/15/25	3.790	3.879	8.9	344.1
MALAYSIA GOVERNMENT	3.478	06/14/24	3.639	3.529	-11.0	315.5
TOTAL VOLUME (TOP 10)						7,907.6
TOTAL VOLUME (Overall)						10,964.5

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	4-Nov Yield	11-Nov Yield	Change (WoW bp)	Weekly Volume (RM mn)
PROJEK LEBUHRAYA USAHA	4.48	01/12/23	3.276	3.292	1.6	130.0
AFFIN ISLAMIC BANK BHD	5.65	PERP	N/A	4.605	N/A	60.0
EXSIM CAPITAL RESOURCE	4.5	01/09/25	N/A	5.523	N/A	60.0
KUALA LUMPUR KEPONG	4.17	03/16/32	4.998	5.000	0.2	45.0
PRASARANA MALAYSIA BHD	4.38	03/12/31	N/A	4.658	N/A	40.0
MALAKOFF POWER BHD	5.35	12/16/22	3.386	3.358	-2.8	25.0
KAPAR ENERGY VENTURES	4.71	07/05/23	3.786	3.837	5.1	20.0
PRASARANA MALAYSIA BHD	4.64	03/22/30	N/A	4.659	N/A	20.0
PENGURUSAN AIR SPV BHD	4.43	02/03/23	N/A	3.279	N/A	20.0
RANTAU ABANG CAPITAL	5	01/16/32	N/A	4.876	N/A	20.0
TOTAL VOLUME (TOP 10)						440.0
TOTAL VOLUME (Overall)						922.6

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