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MIDF AMANAH
INVESTMENT BANK BERHAD

WEEKLY MONEY REVIEW

MIDF Strategy 21 November 2022

Week Ended 18 November 2022

- The UST market took a breather after a rally in the prior week with benchmark 10-year yield ended the review week a tad higher at 3.83% (prior week: 3.81%). Some hawkish statements by Fed officials (e.g. St. Louis Fed President James Bullard remarked that the key rate could need to rise to as high as 7%) helped to justify the selling stance. Nonetheless, at current juncture, the interest rate futures market is still implying more than 75% probability of a smaller 50-bps hike in December. The 10y-3y yield spread inverted deeper week-on-week from -37bps to -47bps as the short-end underperformed due to its higher sensitivity to policy rate movement.

- Medium-term inflation expectation ended the review week lower at 2.30% (prior week: 2.47%) arguably in reaction to the hawkish statements by Fed officials. Nonetheless, it remains within the elevated range of 2.25%-2.50% acceptable (transiently) to the US Fed. It is notable that 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 higher with the 3-year and 10-year yields shed -9.0bps and -11.5bp respectively to close at 3.83% and 4.28%. Accordingly, the 10y-3y yield spread narrowed (yield curve flattened) week-on-week from 48bps to 45bps as the long-end outperformed.

- 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 RM4.89b. It declined on-week from RM5.58b registered a week ago. However, it improved markedly on-year from -RM3.15b a year ago.

21 November 2022 | **Strategy**

Strategy Team | research@midf.com.my

Weekly Money Review

A. FIXED INCOME

- The UST market took a breather after a rally in the prior week with benchmark 10-year yield ended the review week a tad higher at 3.83% (prior week: 3.81%). Some hawkish statements by Fed officials (e.g. St. Louis Fed President James Bullard remarked that the key rate could need to rise to as high as 7%) helped to justify the selling stance. Nonetheless, at current juncture, the interest rate futures market is still implying more than 75% probability of a smaller 50-bps hike in December. The 10y-3y yield spread inverted deeper week-on-week from -37bps to -47bps as the short-end underperformed due to its higher sensitivity to policy rate movement.





Source: Bloomberg, MIDFR

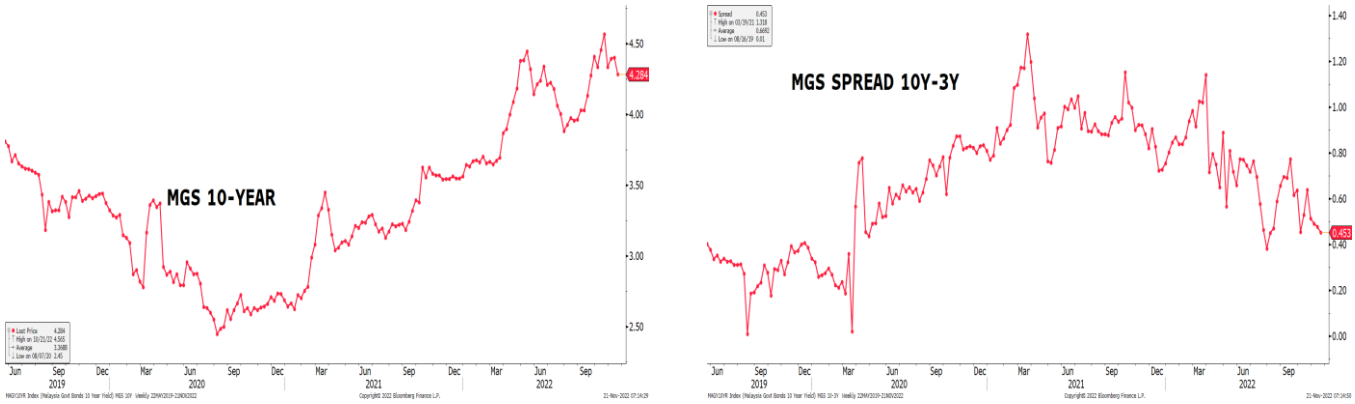
- Medium-term inflation expectation ended the review week lower at 2.30% (prior week: 2.47%) arguably in reaction to the hawkish statements by Fed officials. Nonetheless, it remains within the elevated range of 2.25%-2.50% acceptable (transiently) to the US Fed. It is notable that inflation expectation 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.

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



Source: Bloomberg, MIDFR

- In contrast, the price of domestic MGS benchmark issues ended the review week higher with the 3-year and 10-year yields shed -9.0bps and -11.5bp respectively to close at 3.83% and 4.28%. Accordingly, the 10y-3y yield spread narrowed (yield curve flattened) week-on-week from 48bps to 45bps as the long-end outperformed.

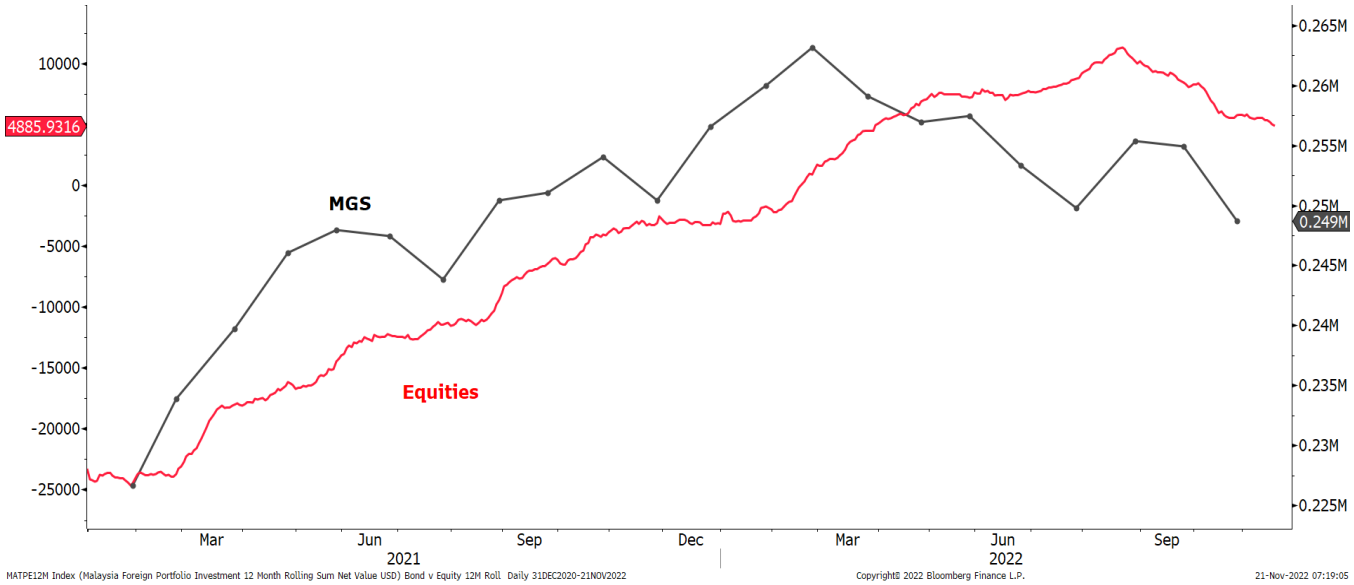


Source: Bloomberg, MIDFR

- Total trading value for Government Bonds (MGS/MII) increased to RM16.08b in the review week compared to RM10.96b in the prior week (based on Bloomberg data). The total trading value of 10 most actively traded issues was unchanged on-week at 72% of the overall Government Bonds trades. Moreover, 8 out of the 10 most actively traded bonds saw lower yields hence higher 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 MGS 3.48% 3/15/23 at RM3.76b, MGS 3.899% 11/16/27 at RM2.95b, and MII 4.13% 7/9/29 at RM1.18b.

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 RM4.89b. It declined on-week from RM5.58b registered a week ago. However, it improved markedly on-year from -RM3.15b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM1.32b in the review week compared to RM923m in the prior week (based on Bloomberg data). The total trading value of 10 most actively traded issues increased (lower trading breadth) to 52% from 48% 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 Northport 5.78% 12/19/24 at RM160m, Cagamas 4.5% 5/25/23 at RM110m, and TNB 4.84% 6/30/32 at RM110m.

B. FOREIGN EXCHANGE

- USD strengthened driven by focus on Fed's next move. USD appreciated against major currencies last week as the DXY dollar index increased by +0.6%wow to 106.93. Despite the slowing inflation as indicated by the latest PPI reading, dollar demand increased as market focused more on the future rate decision by the Fed which is expected to remain hawkish following comments from Fed policymakers.

- EUR fell but GBP appreciated. Following the appreciation of USD, euro depreciated by -0.2%wow to USD1.033. The pound sterling, on the other hand, appreciated further by +0.5%wow to USD1.189 as the UK government rolled out its latest fiscal plan to increase taxes and reduce government spending.

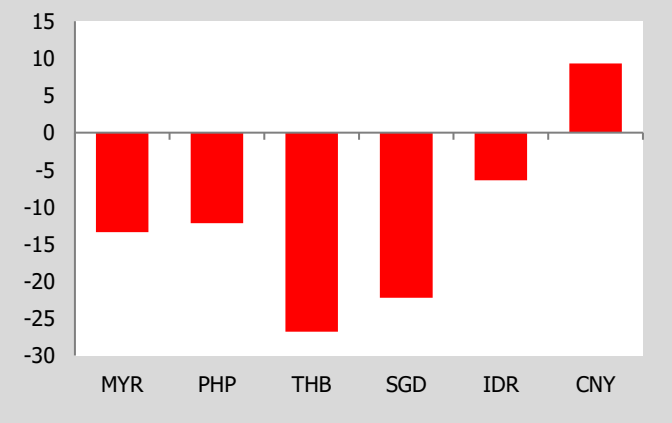
- Ringgit strengthened further. Following the better-than-expected 3QCY22 GDP reading, the improved economic fundamentals supported ringgit to appreciate further last week, strengthening by +1.5%wow to RM4.553, the strongest level last seen in mid-Sep-22. Movement in oil prices was, however, did not stop ringgit from appreciating as Brent crude prices fell by -8.7%wow to USD87.62pb (previous week: USD95.99pb).

Currencies Changes (Week Ended 18/11) and Quarterly Forecasts

	Close (18/11)	Prev. Close (11/11)	Weekly Change	Weekly Change (%)	1Q22	2Q22	3Q22F	4Q22F
DXY Index	106.93	106.29	+0.640	+0.6	98.31	104.69	112.12	104.5
EURUSD	1.033	1.035	-0.002	-0.2	1.11	1.05	0.98	1.07
GBPUSD	1.189	1.183	+0.006	+0.5	1.31	1.22	1.12	1.21
USDJPY	140.37	138.81	-1.560	-1.1	121.7	135.72	144.74	131
USDMYR	4.553	4.623	+0.070	+1.5	4.20	4.41	4.64	4.52
GBPMYR	5.432	5.432	0.000	0.0	5.52	5.35	5.20	5.47
JPYMYR	3.244	3.330	+0.086	+2.7	3.45	3.25	3.20	3.45

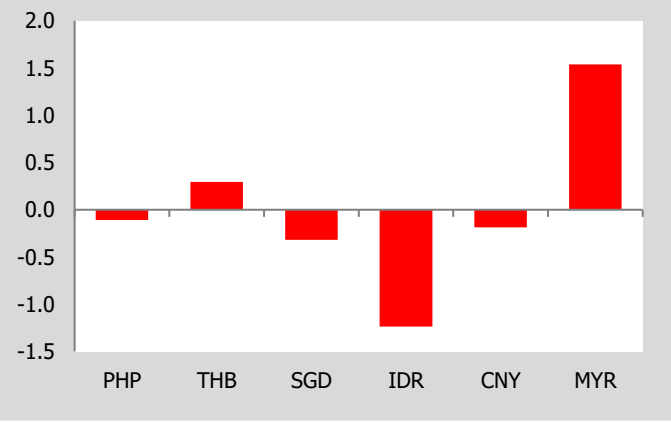
Note: "+" indicates appreciation, while "-" indicates depreciation. Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

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	5.25
Philippines	2.00	2.00	2.25	2.50	3.25	3.75	4.25	4.25	5.00
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:
  - PPI inflation indicates another sign of slowing inflationary pressures. PPI rose at 8%yoy in Oct-22 (Sep-22: +8.4%yoy), the slowest increase since Jul-21.
  - Demand looks strong as retail spending recorded a stronger-than-expected increase of +1.3%mom in Oct-22 (consensus: +1%mom), the strongest monthly growth in 8 months. Compared to Oct-21, retail sales rose by +8.3%yoy (Sep-22: +8.6%yoy), indicating consumers still spent despite concerns over rising general prices.
  - Industrial production, however, weakened as IPI fell by -0.1%mom (consensus: +0.2%mom) as businesses slowed production in anticipation for slowing demand. As a result, capacity utilization also dropped to 79.9% (Sep-22: 80.1%), only slightly above its long-run average (at 79.6%).
  - Labour market remained tight as initial jobless claims remained low and fell to 222K for the week ended 12th November (prior week: 226K).

- Fed policymakers shared their views that the Fed will continue raising rates until inflation is contained.
  - Minneapolis Fed President Neel Kashkari believes the Fed will need to continue raising interest rates until it is clear that inflation has peaked. This basically signals it is hard to pinpoint at which high level the Fed will stop from raising rates.
  - Boston Fed President Susan M. Collins also sounded hawkish as she anticipates another 75bps hike is possible because there is little evidence of easing inflationary pressures.

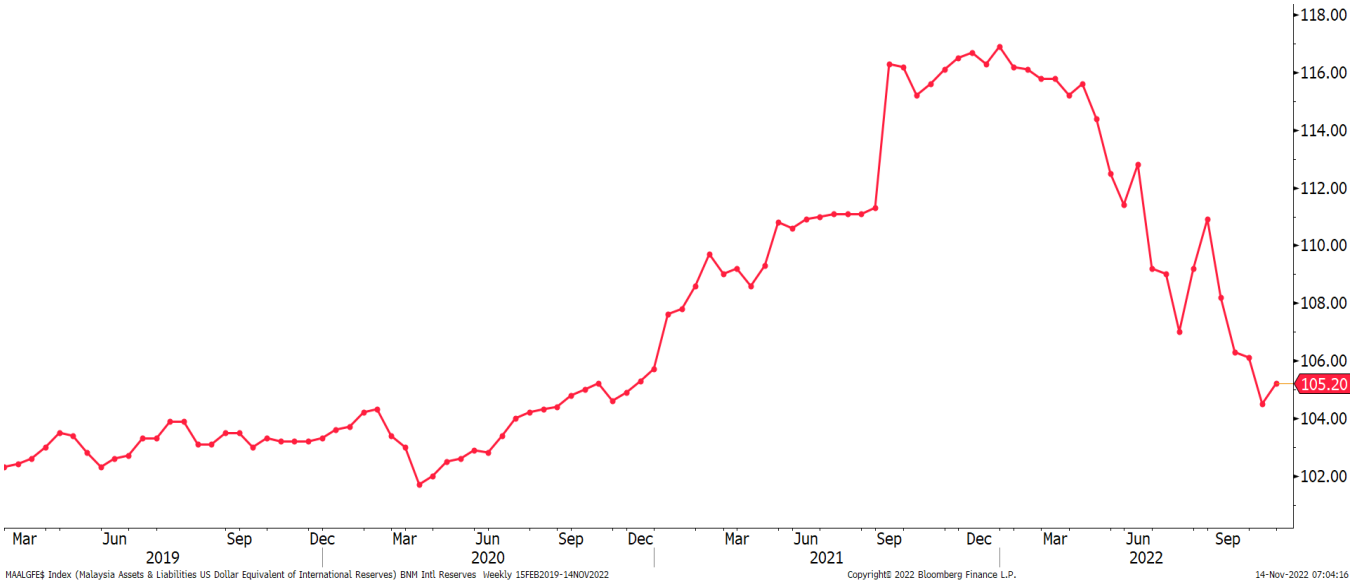
- Last week, Philippines and Indonesia concluded the Nov-22 monetary policy meetings:
  - Bangko Sentral ng Pilipinas decided to raise its benchmark interest rate by 75bps to 5.00%, the highest level since 2009, with ongoing focus to curb inflation which reached 14-year high in Oct-22.
  - Bank Indonesia also raised its 7-day reverse repo rate by 50bps to 5.25%, marking the third consecutive meeting of rate hikes, as a "pre-emptive" move to contain inflation expectations and support Indonesian rupiah.

- Malaysia's external trade performance continued to grow but more moderate compared to previous months, moving towards more normalized growth and signaling signs of softening external demand. Exports grew further at +15%yoy in Oct-22 (Sep-22: +30.1%yoy), with continued demand for refined petroleum products and E&E. Similarly, imports growth moderated to +29.2%yoy (Sep-22: 32.8%yoy), supported by stronger purchases of capital goods and continued imports of intermediate and consumption goods.

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	11-Nov Fri	14-Nov Mon	15-Nov Tue	16-Nov Wed	17-Nov Thu	18-Nov Fri	Change (WoW bp)
MGS							
3-Y	3.921	3.88	3.801	3.798	3.831	3.831	-9
5-Y	4.235	4.246	4.19	4.145	4.168	4.168	-6.7
7-Y	4.303	4.324	4.289	4.219	4.279	4.279	-2.4
10-Y	4.399	4.388	4.342	4.31	4.284	4.284	-11.5
20-Y	4.79	4.758	4.696	4.645	4.622	4.622	-16.8
RINGGIT IRS							
1-Y	3.885	3.93	3.9	3.89	3.935	3.935	5
3-Y	4.033	4.075	4	4.005	4.055	4.055	2.2
5-Y	4.145	4.18	4.1225	4.095	4.145	4.145	0
7-Y	4.29	4.32	4.22	4.22	4.28	4.28	-1
10-Y	4.398	4.42	4.36	4.315	4.39	4.39	-0.8
KLIBOR							
1-M	2.94	2.94	2.94	2.94	2.94	2.94	0
2-M	3.24	3.24	3.24	3.24	3.24	3.24	0
3-M	3.48	3.48	3.49	3.49	3.49	3.49	1
UST							
3-Y	4.1866	4.2256	4.1362	4.1358	4.2164	4.2968	11.02
5-Y	3.9375	3.9897	3.8956	3.8503	3.9371	4.0085	7.1
7-Y	3.8758	3.9299	3.8423	3.7833	3.8627	3.9271	5.13
10-Y	3.8125	3.8536	3.7696	3.6899	3.7657	3.8288	1.63
30-Y	4.0153	4.0361	3.9606	3.8395	3.8751	3.926	-8.93
USD LIBOR							
1-M	3.87529	3.88657	3.90357	3.91071	3.93857	3.95671	8.142
3-M	4.60614	4.64386	4.64971	4.67429	4.67543	4.66486	5.872

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	11-Nov Yield	18-Nov Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.48	03/15/23	2.191	2.783	59.2	3,758.9
MALAYSIA GOVERNMENT	3.899	11/16/27	4.235	4.168	-6.7	2,953.8
MALAYSIA INVESTMNT ISSU	4.13	07/09/29	4.427	4.354	-7.3	1,179.2
MALAYSIA INVESTMNT ISSU	4.193	10/07/32	4.445	4.400	-4.5	769.0
MALAYSIA INVESTMNT ISSU	3.99	10/15/25	3.879	3.893	1.4	616.0
MALAYSIA GOVERNMENT	3.882	03/14/25	3.921	3.831	-9.0	562.4
MALAYSIA GOVERNMENT	3.733	06/15/28	4.343	4.141	-20.2	455.5
MALAYSIA GOVERNMENT	3.757	04/20/23	2.805	2.588	-21.7	443.6
MALAYSIA GOVERNMENT	4.065	06/15/50	4.859	4.689	-17.0	411.4
MALAYSIA GOVERNMENT	4.696	10/15/42	4.790	4.622	-16.8	403.8
TOTAL VOLUME (TOP 10)						11,553.7
TOTAL VOLUME (Overall)						16,079.4

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	11-Nov Yield	18-Nov Yield	Change (WoW bp)	Weekly Volume (RM mn)
NORTHPORT MALAYSIA BH	5.78	12/19/24	N/A	4.345	N/A	160.0
CAGAMAS BERHAD	4.5	05/25/23	N/A	3.490	N/A	110.0
TENAGA NASIONAL BERHA	4.84	06/30/32	N/A	4.888	N/A	110.0
CAGAMAS BERHAD	2.78	09/30/24	4.121	3.952	-16.9	60.0
DANUM CAPITAL BHD	3.96	05/09/23	N/A	3.452	N/A	50.0
AFFIN ISLAMIC BANK BHD	5.65	PERP	4.605	4.580	-2.5	40.8
GEORGE KENT MALAYSIA B	5.5	03/26/26	N/A	6.064	N/A	40.0
SARAWAK PETCHEM SDN B	5.01	07/27/28	4.747	4.759	1.2	40.0
SARAWAK PETCHEM SDN B	5.11	07/25/31	N/A	4.978	N/A	40.0
BENIH RESTU BHD	4.62	06/05/25	4.351	4.301	-5.0	35.0
TOTAL VOLUME (TOP 10)						685.8
TOTAL VOLUME (Overall)						1,324.5

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