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MIDF AMANAH
INVESTMENT BANK BERHAD

WEEKLY MONEY REVIEW

MIDF Strategy 29 November 2022

Week Ended 25 November 2022

- Buyers made a comeback to the UST market last week with benchmark 10-year yield ended lower at 3.68% (prior week: 3.83%). Investors reacted to US Fed's November meeting minutes which hinted a slower pace of interest rate hikes in the coming FOMC meetings. The interest rate futures market was implying more than 75% probability of a smaller 50-bps hike in December. The 10y-3y yield spread inverted deeper week-on-week from -47bps to -52bps as the short-end underperformed due to its higher sensitivity to policy rate movement.

- Medium-term inflation expectation (MTIE) ended the review week higher at 2.40% (prior week: 2.30%) arguably in reaction to the less hawkish US Fed's November meeting minutes. Nonetheless, the MTIE remains within elevated inflation range of 2.25%-2.50% acceptable (transiently) to the US Fed. It is notable that the MTIE 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 the MTIE would revert (toward the 2.00% inflation 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 higher with the 3-year and 10-year yields shed -1.1bps and -18.0bp respectively to close at 3.82% and 4.10%. Accordingly, the 10y-3y yield spread narrowed (yield curve flattened) week-on-week from 45bps to 28bps (i.e. narrowest spread since the onset of Covid-19 in March 2020) 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 RM5.01b. It increased on-week from RM4.89b registered a week ago. Moreover, it improved markedly on-year from -RM3.24b a year ago.

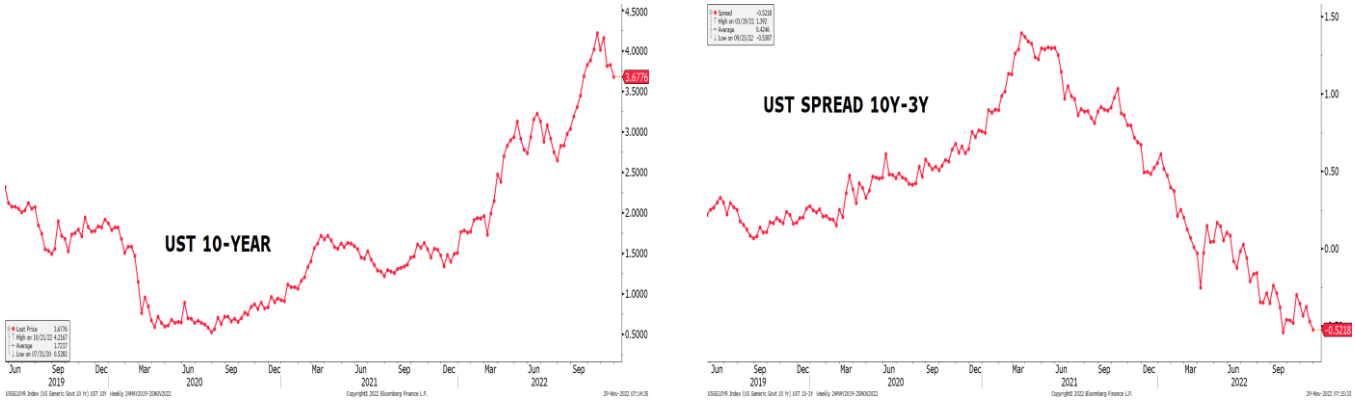
29 November 2022 | **Strategy**

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Weekly Money Review

A. FIXED INCOME

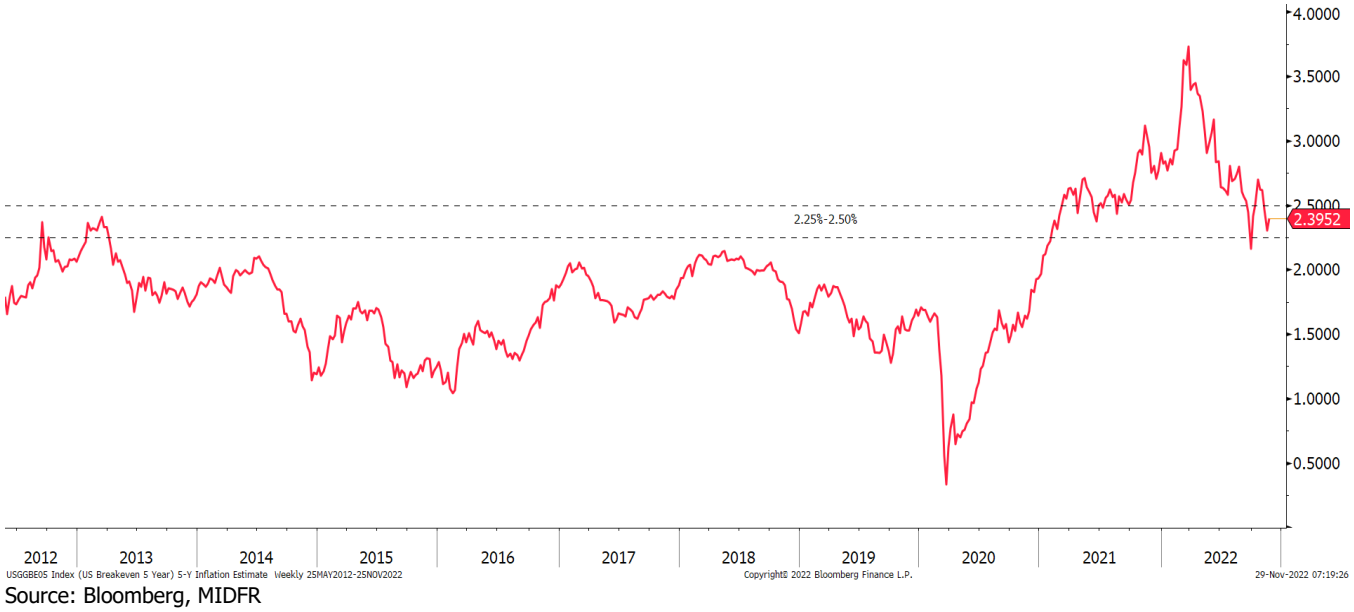
- Buyers made a comeback to the UST market last week with benchmark 10-year yield ended lower at 3.68% (prior week: 3.83%). Investors reacted to US Fed's November meeting minutes which hinted a slower pace of interest rate hikes in the coming FOMC meetings. The interest rate futures market was implying more than 75% probability of a smaller 50-bps hike in December. The 10y-3y yield spread inverted deeper week-on-week from -47bps to -52bps as the short-end underperformed due to its higher sensitivity to policy rate movement.



Source: Bloomberg, MIDFR

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

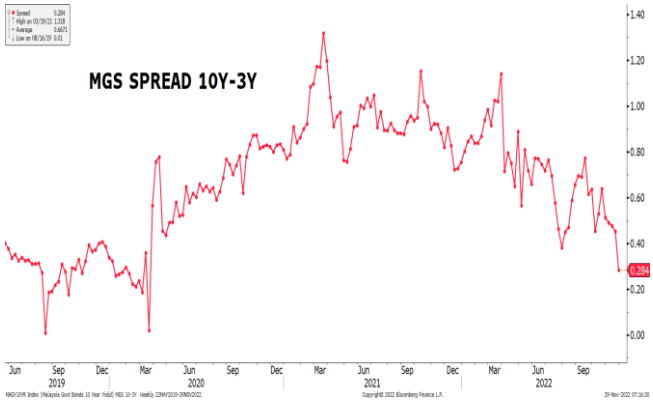


Source: Bloomberg, MIDFR

- The price of domestic MGS benchmark issues ended the review week higher with the 3-year and 10-year yields shed -1.1bps and -18.0bp respectively to close at 3.82% and 4.10%. Accordingly, the 10y-3y yield spread narrowed

(yield curve flattened) week-on-week from 45bps to 28bps (i.e. narrowest spread since the onset of Covid-19 in March 2020) as the long-end outperformed.



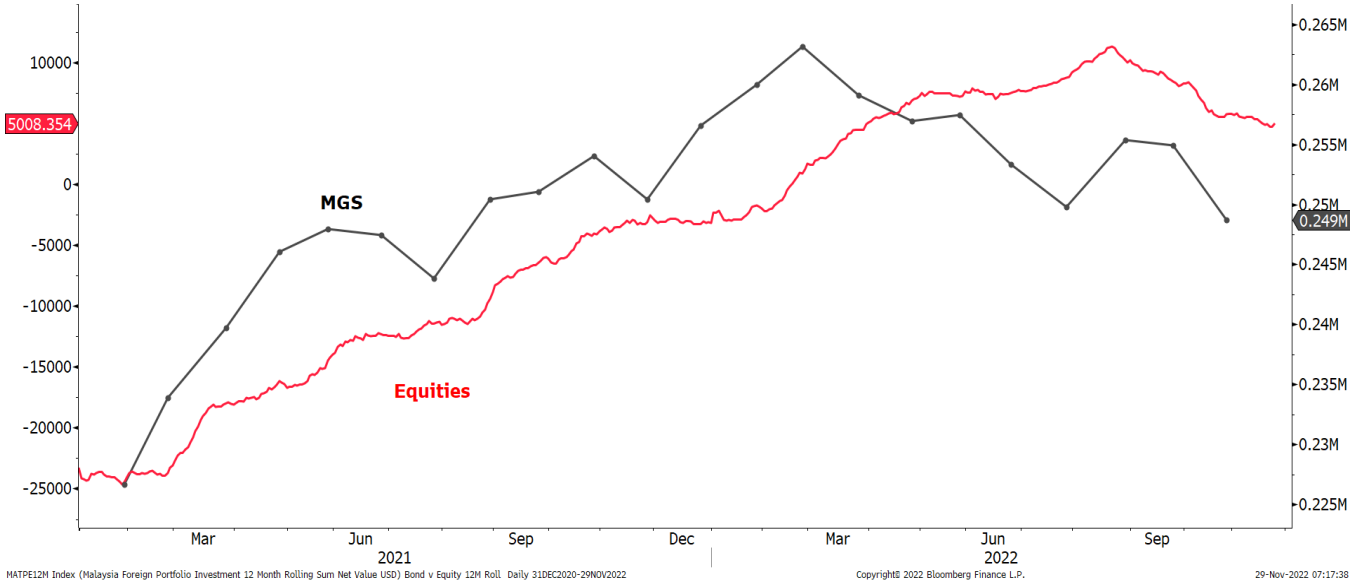


Source: Bloomberg, MIDFR

- Total trading value for Government Bonds (MGS/MII) declined to RM13.14b in the review week compared to RM16.08b in the prior week (based on Bloomberg data). The total trading value of 10 most actively traded issues declined (higher trading breadth) to 68% from 72% of the overall Government Bonds trades. Moreover, 7 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 RM3.11b, MGS 3.899% 11/16/27 at RM2.12b, and MII 3.99% 10/15/25 at RM726m.

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 RM5.01b. It increased on-week from RM4.89b registered a week ago. Moreover, it improved markedly on-year from -RM3.24b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM637m in the review week compared to RM1.32b in the prior week (based on Bloomberg data). The total trading value of 10 most actively traded issues declined (higher trading breadth) to 45% from 52% of the overall Corporate Bonds trades.

- The top 3 actively traded Corporate Bonds were dominated by issues of varied residual tenor. The largest trading values were seen in Pengurusan Air SPV 3.32% 6/4/27 at RM50m, Aeon Co. (M) 3.65% 7/14/23 at RM40m, and Edotco Malaysia 4.54% 9/9/32 at RM40m.

B. FOREIGN EXCHANGE

- USD depreciated as Fed is expected to slow rate hike. USD weakened against major currencies last week as the DXY dollar index fell -0.9%wow to 105.92. Despite hawkish statements by Fed's policymakers, the FOMC minutes indicated that FOMC members anticipated 50bps hikes to be appropriate at the upcoming FOMC meeting in Dec-22, signalling the Fed will begin to pivot and adopt smaller rate hikes at inflation eases further.

- EUR and GBP strengthened. Following weaker demand for USD, euro appreciated by +0.7%wow to USD1.040 while GDP strengthened by +1.7%wow to USD1.210 by last Friday.

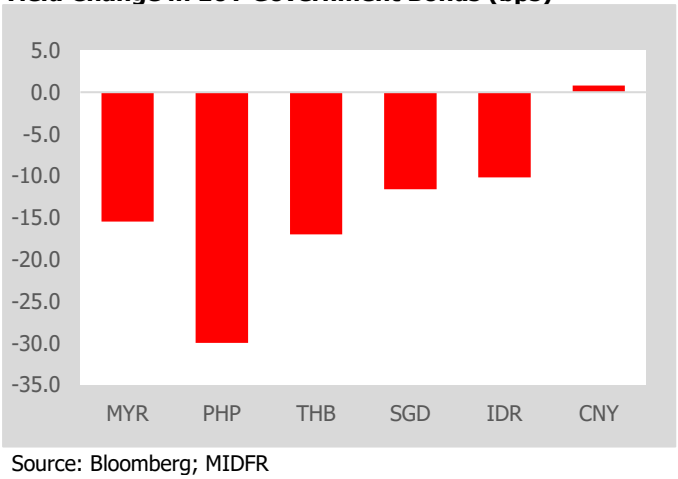
- Ringgit appreciated on positive political development. Ringgit appreciated +1.6%wow to RM4.480 as sentiment improved with the formation of unity government and appointment of 10th Prime Minister, ending days of political gridlock as a result of no political parties or coalitions managed to secure simple majority after the 15th General Election. Once again, changes in oil prices did not support for stronger ringgit because Brent crude benchmark declined further by -4.5%wow to USD83.71pb (previous week: USD87.62pb). With the positive political development, we now forecast ringgit to move towards RM4.45 by end-2022.

Currencies Changes (Week Ended 25/11) and Quarterly Forecasts

	Close (25/11)	Prev. Close (18/11)	Weekly Change	Weekly Change (%)	1Q22	2Q22	3Q22F	4Q22F
DXY Index	105.92	106.83	-0.909	-0.9	98.31	104.69	112.12	104.5
EURUSD	1.040	1.033	+0.007	+0.7	1.11	1.05	0.98	1.07
GBPUSD	1.210	1.189	+0.021	+1.7	1.31	1.22	1.12	1.21
USDJPY	139.12	140.37	+1.250	+0.9	121.7	135.72	144.74	131
USDMYR	4.480	4.553	+0.073	+1.6	4.20	4.41	4.64	4.45
GBPMYR	5.419	5.407	-0.011	-0.2	5.52	5.35	5.20	5.38
JPYMYR	3.288	3.253	-0.035	-1.1	3.45	3.25	3.20	3.40

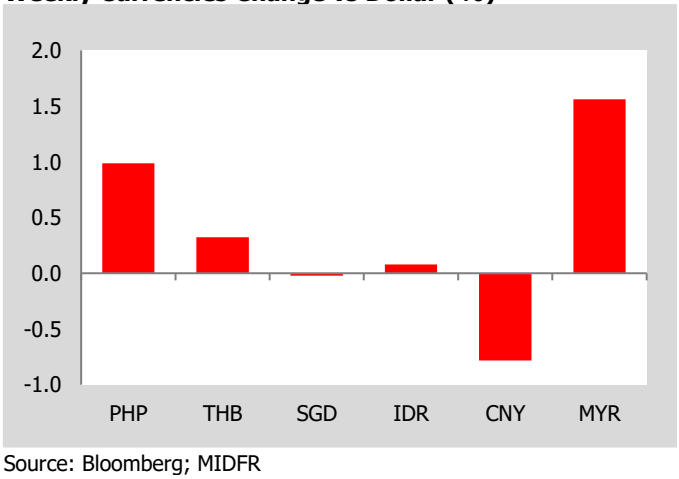
Note: "+" indicates appreciation, while "-" indicates depreciation. Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

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	3.25
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

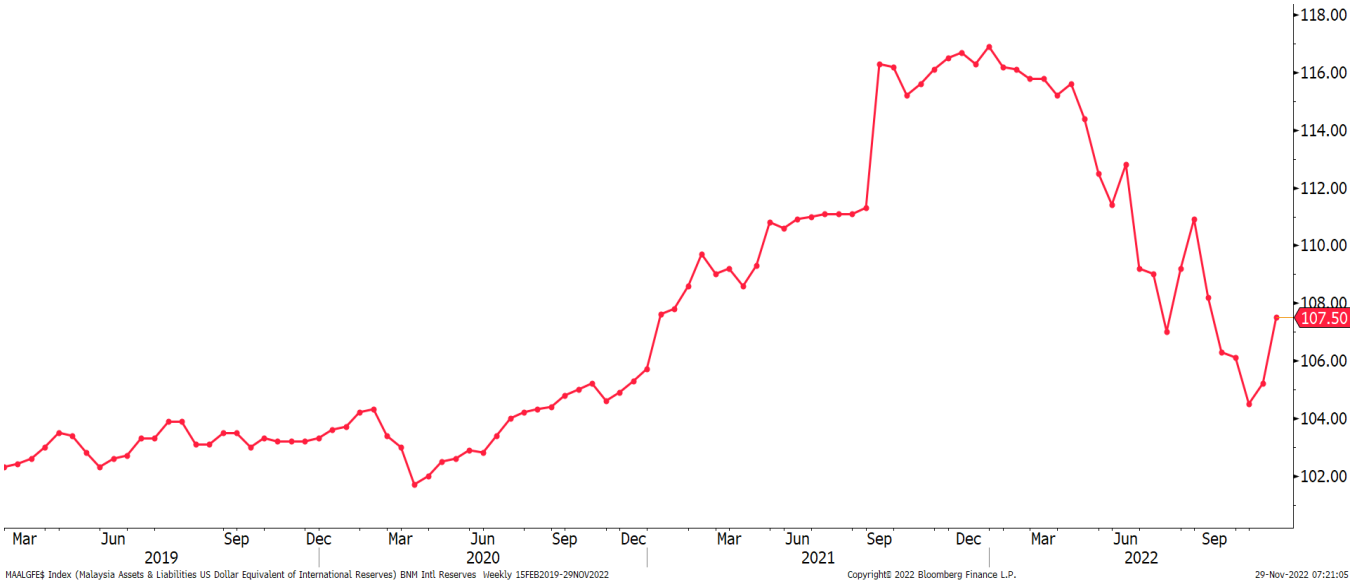
Source: Bloomberg, MIDFR

- US economic data released last week:
  - Chicago Fed National Activity Index, a leading indicator for the US GDP, fell to -0.05 in Oct-22 (Sep-22: 0.17) dragged down by weaker business (such as production, sales, new orders) and employment indicators which more than offset the better reading for consumption and housing market.
  - Flash reading of S&P Global manufacturing PMI fell to 47.6 in Nov-22 (Oct-22: 50.4), pointing to declining activities in the manufacturing sector. Activities in the US services sector declined faster than previous month as the services PMI fell to 46.1 (Oct-22: 47.8). Broadly, both PMIs suggest slowing US growth in Nov-22.
  - Labour market remained tight despite some weakness as initial jobless claims rose higher than expected to 240K for the week ended 19th November (prior week: 222K; consensus: 225K).
- The ECB President Christine Lagarde indicated that the central may have to restrict growth and raise interest rates further to control inflation which escalated to multi-year highs.
- Fed policymakers, Fed Cleveland President Loretta Mester and Fed St. Louis President James Bullard, indicated more rate hikes needed to bring inflation down. The effect from the recent rate hikes has been rather limited, and Fed will need to bring interest rates higher to see more progress in inflation trending lower and before ending the policy tightening.
- The Nov-22 FOMC minutes, however, revealed that most FOMC members expected smaller or 50bps rate hike to be decided at next FOMC meeting in Dec-22.
- On 24 November 2022, Bank of Korea taised its policy interest rate by 25bps to 3.25%, the highest since June 2012, continuing with further policy tightening to keep inflation under control.
- Malaysia's CPI inflation eased to +4%yoy in Oct-22 (Sep-22: +4.5%yoy), reflecting the slower rise in non-food inflation. Food inflation, however, rose back to +7.1%yoy as recorded in Aug-22. Core CPI inflation continued to increase faster at +4.1%yoy, the highest on record and signaling growing demand pressures on prices.

C. BNM INTERNATIONAL RESERVES

- As of 15 November 2022, compared to previous fortnight, Bank Negara Malaysia's international reserves was higher at USD107.5b (31 October 2022: USD105.2b).

BNM INTERNATIONAL RESERVES



Source: Bloomberg, MIDFR

- The amount of reserves is sufficient to finance 5.2 months of imports of goods & services and is 1.0 times total short-term external debt.

APPENDIX

WEEKLY INTEREST RATE MONITOR

Tenor	18-Nov Fri	21-Nov Mon	22-Nov Tue	23-Nov Wed	24-Nov Thu	25-Nov Fri	Change (WoW bp)
MGS							
3-Y	3.831	3.958	3.91	3.907	3.857	3.82	-1.1
5-Y	4.168	4.292	4.293	4.193	3.977	3.966	-20.2
7-Y	4.279	4.324	4.297	4.252	4.093	4.079	-20
10-Y	4.284	4.343	4.377	4.38	4.134	4.104	-18
20-Y	4.622	4.672	4.676	4.673	4.496	4.57	-5.2
RINGGIT IRS							
1-Y	3.935	3.93	3.92	3.86	3.825	3.818	-11.7
3-Y	4.055	4.075	4.065	4.005	3.895	3.875	-18
5-Y	4.145	4.18	4.185	4.115	3.98	3.955	-19
7-Y	4.28	4.34	4.32	4.25	4.07	4.07	-21
10-Y	4.39	4.455	4.465	4.36	4.215	4.17	-22
KLIBOR							
1-M	2.94	2.94	2.94	2.94	2.94	2.94	0
2-M	3.24	3.25	3.25	3.25	3.26	3.26	2
3-M	3.49	3.49	3.5	3.5	3.5	3.5	1
UST							
3-Y	4.2968	4.3191	4.2879	4.2312	4.2312	4.1994	-9.74
5-Y	4.0085	4.0224	3.9445	3.8837	3.8837	3.8577	-15.08
7-Y	3.9271	3.9348	3.8805	3.8032	3.8032	3.7726	-15.45
10-Y	3.8288	3.8269	3.7559	3.6927	3.6927	3.6776	-15.12
30-Y	3.926	3.8961	3.8248	3.7276	3.7276	3.7326	-19.34
USD LIBOR							
1-M	3.95671	3.979	4.01614	4.04357	4.02914	4.05471	9.8
3-M	4.66486	4.69186	4.69871	4.75729	4.73629	4.73386	6.9

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	18-Nov Yield	25-Nov Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.48	03/15/23	2.783	2.730	-5.3	3,110.6
MALAYSIA GOVERNMENT	3.899	11/16/27	4.168	3.966	-20.2	2,124.7
MALAYSIA INVESTMNT ISSU	3.99	10/15/25	3.893	3.896	0.3	725.5
MALAYSIA INVESTMNT ISSU	4.193	10/07/32	4.400	4.236	-16.4	550.1
MALAYSIA INVESTMNT ISSU	3.465	10/15/30	4.380	4.341	-3.9	526.8
MALAYSIA INVESTMNT ISSU	3.422	09/30/27	4.203	4.030	-17.3	515.0
MALAYSIA GOVERNMENT	3.757	04/20/23	2.588	2.784	19.6	346.6
MALAYSIA GOVERNMENT	3.955	09/15/25	3.908	3.896	-1.2	335.2
MALAYSIA GOVERNMENT	4.065	06/15/50	4.689	4.586	-10.3	333.4
MALAYSIA GOVERNMENT	4.059	09/30/24	3.523	3.573	5.0	331.8
TOTAL VOLUME (TOP 10)						8,899.8
TOTAL VOLUME (Overall)						13,140.3

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	18-Nov Yield	25-Nov Yield	Change (WoW bp)	Weekly Volume (RM mn)
PENGURUSAN AIR SPV BHD	3.32	06/04/27	4.595	4.512	-8.3	50.0
AEON CO. (M) BHD	3.65	07/14/23	N/A	4.031	N/A	40.0
EDOTCO MALAYSIA SDN BH	4.54	09/09/32	N/A	4.748	N/A	40.0
BGSM MANAGEMENT SDN B	5.45	06/28/24	4.036	3.993	-4.3	37.4
DANAINFRA NASIONAL	4.91	11/12/35	4.805	4.669	-13.6	20.0
PENGURUSAN AIR SPV BHD	4.54	02/23/29	4.740	4.570	-17.0	20.0
YTL CORPORATION BERHA	4.38	04/25/23	4.207	4.285	7.8	20.0
SARAWAK ENERGY BHD	5.5	07/04/29	4.745	4.547	-19.8	20.0
CAGAMAS BERHAD	4.54	10/12/27	N/A	4.497	N/A	20.0
DANAINFRA NASIONAL	5.29	11/22/52	N/A	4.949	N/A	20.0
TOTAL VOLUME (TOP 10)						287.4
TOTAL VOLUME (Overall)						636.7

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