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MIDF AMANAH
INVESTMENT BANK BERHAD

WEEKLY MONEY REVIEW

MIDF Strategy 5 December 2022

Week Ended 2 December 2022

- The UST market rallied further with benchmark 10-year yield ended the review week lower at 3.49% (prior week: 3.68%). Investors reacted to remarks by US Fed Chair Jerome Powell that the pace of rate hikes could slow down as early as in the December meeting. Meanwhile, the interest rate futures market was implying more than 78% probability of a smaller 50-bp hike in December. The 10y-3y yield spread rebounded but remains deeply inverted at -49bps (prior week: -52bps) as the short-end outperformed.

- Medium-term inflation expectation (MTIE) ended the review week higher at 2.56% (prior week: 2.40%) arguably in reaction to the possibility of a Fed pivot in December. Moreover, the MTIE scaled above the elevated inflation range of 2.25%-2.50% acceptable (transiently) to the US Fed. However, it is notable that the MTIE has been trending lower from the high of 3.73% in late March 2022. We reckon the market seems relatively sanguine that the price pressure is gradually ebbing. On this score, the MTIE would revert toward the 2.00% inflation target in good time if the US Fed were seen as being judicious in battling inflation.

- The price of domestic MGS benchmark issues ended the review week higher with the 3-year and 10-year yields shed -14.8bps and -8.6bps respectively to close at 3.67% and 4.02%. Accordingly, the 10y-3y yield spread expanded (yield curve steepened) week-on-week from 28bps to 35bps as the short-end outperformed.

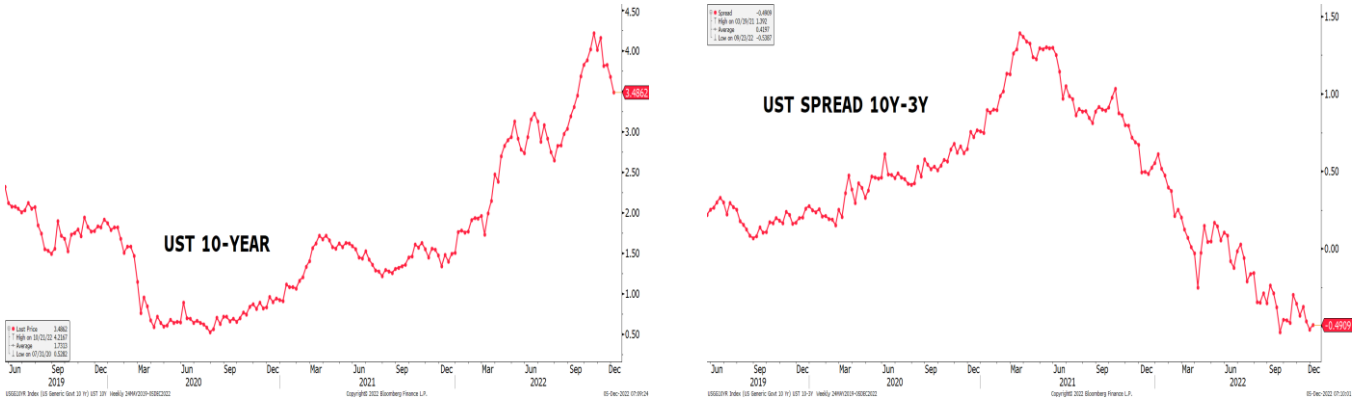
- MGS foreign holdings declined on-year from RM254b in October 2021 to RM249b in October 2022. Moreover, it also declined on-month from RM255b in September 2022. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at RM5.48b. It increased on-week from RM5.01b registered a week ago. Moreover, it improved markedly on-year from -RM3.01b a year ago.

5 December 2022 | **Strategy** Strategy Team | research@midf.com.my

Weekly Money Review

A. FIXED INCOME

- The UST market rallied further with benchmark 10-year yield ended the review week lower at 3.49% (prior week: 3.68%). Investors reacted to remarks by US Fed Chair Jerome Powell that the pace of rate hikes could slow down as early as in the December meeting. Meanwhile, the interest rate futures market was implying more than 78% probability of a smaller 50-bp hike in December. The 10y-3y yield spread rebounded but remains deeply inverted at -49bps (prior week: -52bps) as the short-end outperformed.



Source: Bloomberg, MIDFR

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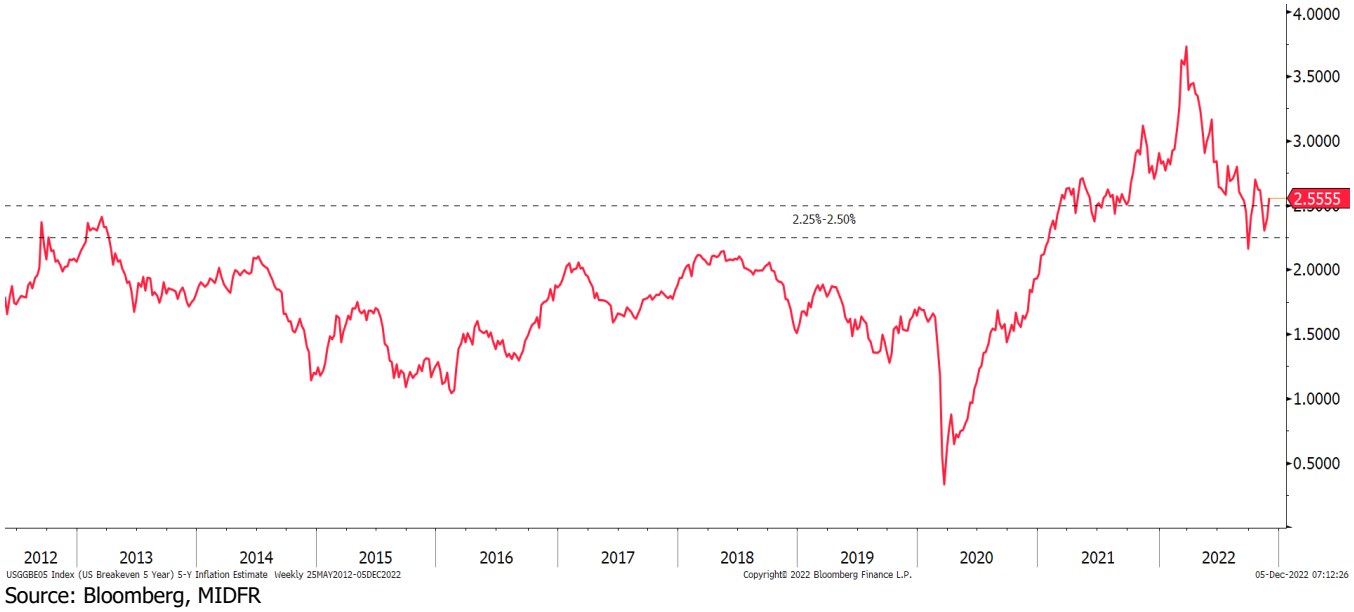
MEDIUM-TERM INFLATION EXPECTATION (MTIE): 5Y UST-TIPS SPREAD



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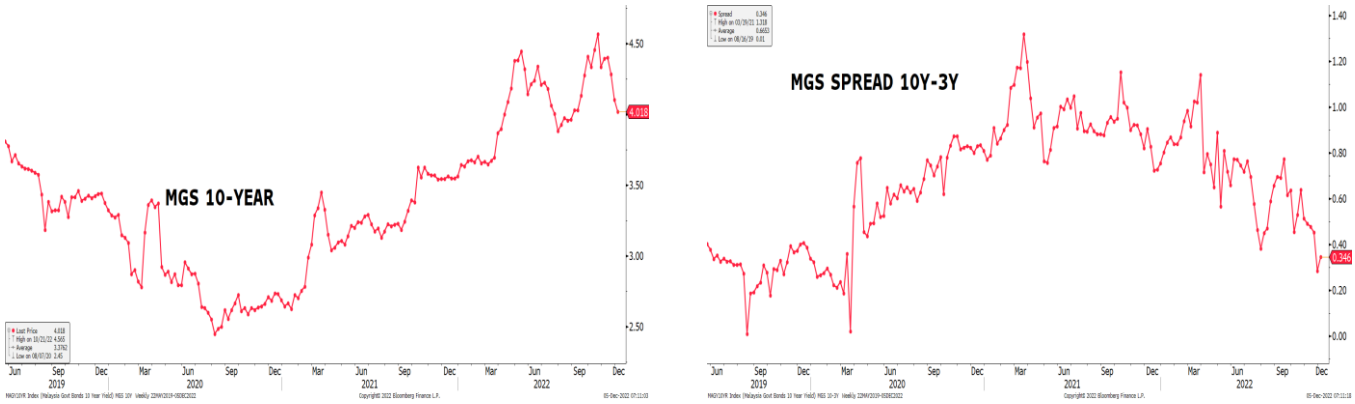
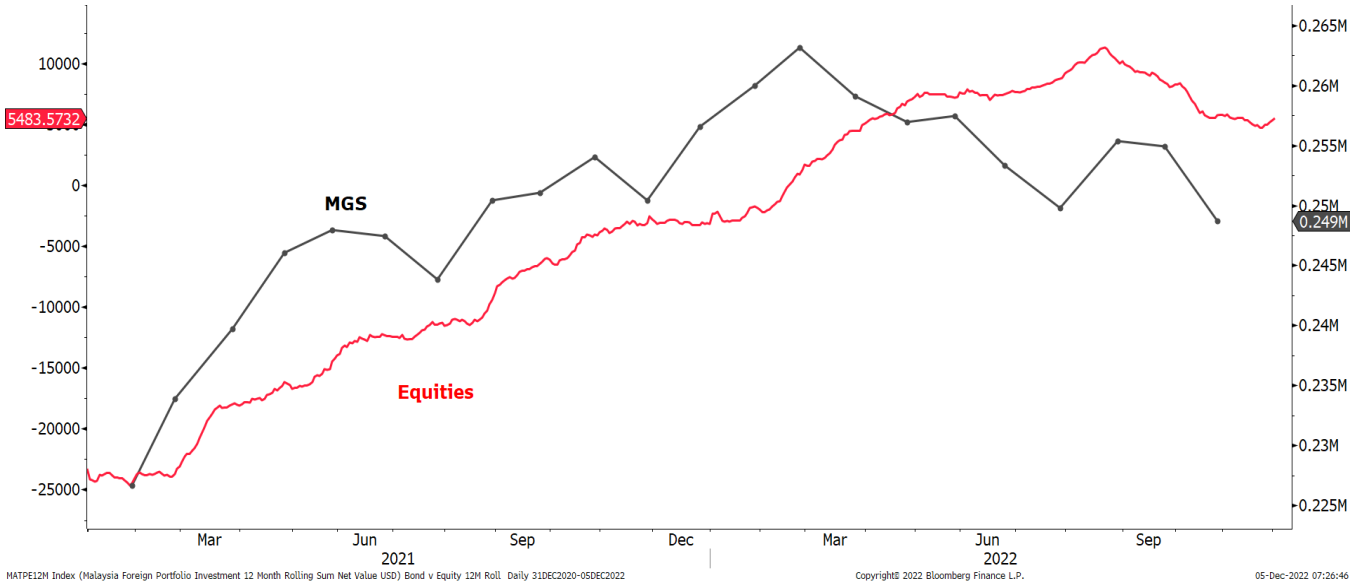


Source: Bloomberg, MIDFR

- Total trading value for Government Bonds (MGS/MII) increased to RM18.58b in the review week compared to RM13.14b in the prior week (based on Bloomberg data). The total trading value of 10 most actively traded issues declined (higher trading breadth) to 59% from 68% 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 RM2.67b, MGS 3.899% 11/16/27 at RM1.89b, and MGS 3.757% 4/20/23 at RM1.23b.

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 RM5.48b. It increased on-week from RM5.01b registered a week ago. Moreover, it improved markedly on-year from -RM3.01b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM1.20b in the review week compared to RM637m in the prior week (based on Bloomberg data). The total trading value of 10 most actively traded issues declined (higher trading breadth) to 38% from 45% 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 TNB 5.57% 6/28/47 at RM95m, Edotco Malaysia 4.54% 9/9/32 at RM70m, and Inverfin 4.98% 2/28/23 at RM60m.

B. FOREIGN EXCHANGE

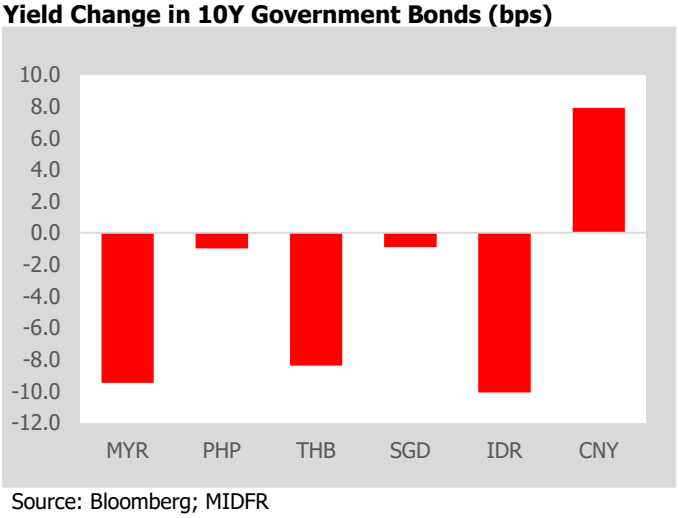
- USD depreciated again as Fed hinted slower rate hikes. Last week marks another week of USD weakening against major currencies as the DXY dollar index fell -1.3%wow to 104.55. Although labour market remained tight, data released last week shows easing inflation, thus less need for another large rate hike at the upcoming meeting. Fed Chair also indicated last week that the Fed may began slowing down its rate hike from Dec-22 meeting.
- EUR and GBP appreciated on USD sell-off. Following continued weakness in USD, euro appreciated by +1.2%wow to USD1.053 while GDP strengthened by +1.5%wow to USD1.228. The rally in euro
- Ringgit also gained from weak dollar. Ringgit appreciated strongly last week by +2.1%wow to RM4.388, which was the strongest level since early Jun-22. Ringgit and EM currencies also gained in reaction to news about China easing its Covid restrictions, which also pushed oil prices higher. Brent crude benchmark rose +2.2%wow last week to USD85.57pb (previous week: USD83.71pb).

Currencies Changes (Week Ended 02/12) and Quarterly Forecasts

	Close (02/12)	Prev. Close (25/11)	Weekly Change	Weekly Change (%)	1Q22	2Q22	3Q22F	4Q22F
DXY Index	104.55	105.96	-1.414	-1.3	98.31	104.69	112.12	104.5
EURUSD	1.053	1.040	+0.013	+1.3	1.11	1.05	0.98	1.07
GBPUSD	1.228	1.209	+0.018	+1.5	1.31	1.22	1.12	1.21
USDJPY	134.4	139.19	+4.790	+3.6	121.7	135.72	144.74	131
USDMYR	4.388	4.480	+0.092	+2.1	4.20	4.41	4.64	4.45
GBPMYR	5.384	5.413	+0.029	+0.5	5.52	5.35	5.20	5.38
JPYMYR	3.267	3.222	-0.045	-1.4	3.45	3.25	3.20	3.40

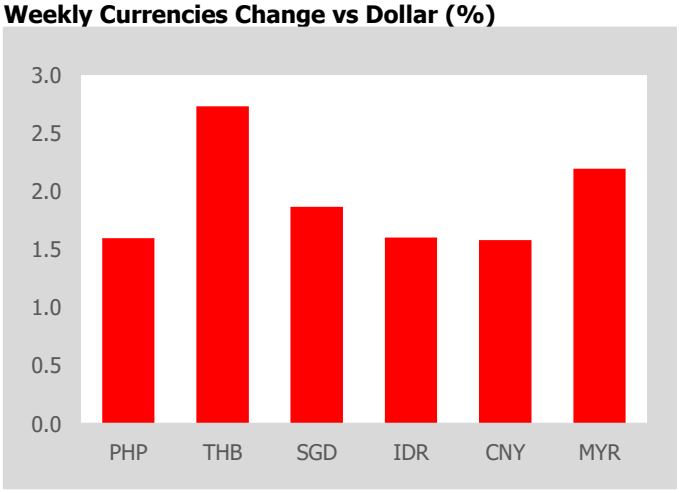
Note: "+" indicates appreciation, while "-" indicates depreciation. Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

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 (%)

	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
Malaysia	1.75	2.00	2.00	2.25	2.25	2.50	2.50	2.75	2.75
Indonesia	3.50	3.50	3.50	3.50	3.75	4.25	4.75	5.25	5.25
Philippines	2.00	2.25	2.50	3.25	3.75	4.25	4.25	5.00	5.00
Thailand	0.50	0.50	0.50	0.50	0.75	1.00	1.00	1.00	1.25
Vietnam	4.00	4.00	4.00	4.00	4.00	5.00	6.00	6.00	6.00
South Korea	1.50	1.75	1.75	2.25	2.50	2.50	3.00	3.25	3.25
India	4.00	4.40	4.90	4.90	5.40	5.90	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	1.00	1.25	1.25	1.75	2.25	2.25	3.00	3.00
Euro area	0.00	0.00	0.00	0.50	0.50	1.25	1.25	2.00	2.00
USA	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	3.75-4.00

Source: Bloomberg, MIDFR

- US economic data released last week:
  - Core PCE prices, the Fed's key inflation measure, shows easing inflation in Oct-22, slowing to +5%yoy (Sep-22: +5.2%yoy).
  - The Fed's latest Beige Book indicated slower growth momentum based on assessment through 23th November. Meanwhile, inflation eased due to both better supply condition and weakening demand. However, the latest report found increased pessimism on the outlook on the back of rising interest rates and still high inflation.
  - The latest PMI survey concluded that activities in the US manufacturing sector contracted in Nov-22 as ISM manufacturing PMI fell to 49 in Nov-22 (Oct-22: 50.2), marking the first decline since May 2020. This was due to reduction in new orders and employment, and slower growth in manufacturing production.
  - Labour market remained tight. US jobless rate remained unchanged at 3.7% in Nov-22 with the number of job creation rising better than expected at 263K (Oct-22: 284K), as shown by the change in nonfarm payrolls. Initial jobless claims fell to 225K for the week ended 26th November (prior week: 241K; consensus: 235K).

- In a speech last week, the Fed Chair Jerome Powell stated that the Fed could begin scaling back its policy tightening pace as early as Dec-22 FOMC meeting. However, he reiterated that the fight against inflation is still ongoing, making it challenging to gauge the right level of interest rates that will bring down inflation over time.

- The ECB President Christine Lagarde again hinted that more rate hikes will be necessary to contain inflation, which has not peaked and likely to go higher than expected.

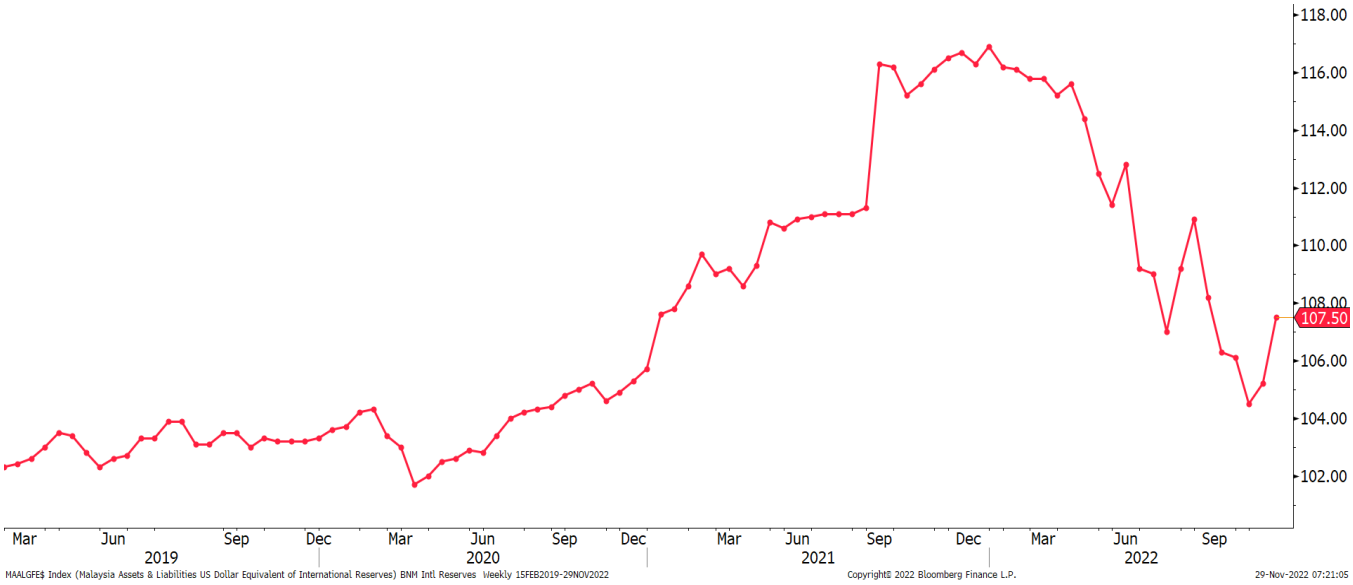
- On 30 November 2022, Bank of Thailand hiked its benchmark interest rate for the third straight meeting, raising by 25bps to 1.25%, to control inflation, which remains above its target of 1-3%.

- Malaysia's PPI inflation eased to +4%yoy in Oct-22 (Sep-22: +4.9%yoy), similar to the CPI inflation rate recorded during the month. The reading was the slowest rise since Feb-21 which mainly reflected the declines in producer prices for agriculture and mining sectors as well as easing PPI inflation for manufacturing sector.

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	25-Nov Fri	28-Nov Mon	29-Nov Tue	30-Nov Wed	1-Dec Thu	2-Dec Fri	Change (WoW bp)
MGS							
3-Y	3.82	3.82	3.811	3.811	3.695	3.672	-14.8
5-Y	3.966	3.966	4.002	3.924	3.894	3.887	-7.9
7-Y	4.079	4.079	4.126	4.065	3.951	3.97	-10.9
10-Y	4.104	4.104	4.122	4.102	4.037	4.018	-8.6
20-Y	4.57	4.57	4.43	4.444	4.377	4.336	-23.4
RINGGIT IRS							
1-Y	3.818	3.818	3.825	3.79	3.735	3.71	-10.8
3-Y	3.875	3.875	3.895	3.85	3.77	3.74	-13.5
5-Y	3.955	3.955	3.965	3.89	3.83	3.83	-12.5
7-Y	4.07	4.07	4.065	3.997	3.95	3.91	-16
10-Y	4.17	4.17	4.17	4.13	4.05	4.03	-14
KLIBOR							
1-M	2.94	2.94	2.94	2.94	2.94	2.94	0
2-M	3.26	3.26	3.27	3.28	3.28	3.29	3
3-M	3.5	3.5	3.51	3.52	3.53	3.54	4
UST							
3-Y	4.1994	4.2019	4.2411	4.0492	3.9645	3.9771	-22.23
5-Y	3.8577	3.875	3.9236	3.7367	3.6644	3.652	-20.57
7-Y	3.7726	3.7904	3.8468	3.6759	3.5923	3.5844	-18.82
10-Y	3.6776	3.6812	3.7441	3.6054	3.5048	3.4862	-19.14
30-Y	3.7326	3.7208	3.8015	3.7359	3.5982	3.5478	-18.48
USD LIBOR							
1-M	4.05471	4.07143	4.12014	4.142	4.17229	4.18486	13.015
3-M	4.73386	4.73486	4.76057	4.77857	4.765	4.73257	-0.129

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	25-Nov Yield	2-Dec Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.48	03/15/23	2.730	2.882	15.2	2,669.0
MALAYSIA GOVERNMENT	3.899	11/16/27	3.966	3.887	-7.9	1,888.4
MALAYSIA GOVERNMENT	3.757	04/20/23	2.784	2.925	14.1	1,234.4
MALAYSIA GOVERNMENT	4.696	10/15/42	4.496	4.336	-16.0	999.3
MALAYSIA GOVERNMENT	4.935	09/30/43	4.655	4.553	-10.2	809.6
MALAYSIA INVESTMNT ISSU	4.193	10/07/32	4.236	4.130	-10.6	793.1
MALAYSIA INVESTMNT ISSU	5.357	05/15/52	4.800	4.650	-15.0	700.6
MALAYSIA GOVERNMENT	3.8	08/17/23	3.034	3.182	14.8	678.1
MALAYSIA GOVERNMENT	3.582	07/15/32	4.104	4.018	-8.6	635.9
MALAYSIA GOVERNMENT	3.885	08/15/29	4.179	4.015	-16.4	552.0
TOTAL VOLUME (TOP 10)						10,960.5
TOTAL VOLUME (Overall)						18,586.1

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	25-Nov Yield	2-Dec Yield	Change (WoW bp)	Weekly Volume (RM mn)
TENAGA NASIONAL BERHA	5.57	06/28/47	N/A	5.280	N/A	95.0
EDOTCO MALAYSIA SDN BH	4.54	09/09/32	4.748	4.539	-20.9	70.0
INVERFIN SDN BHD	4.98	02/28/23	N/A	4.304	N/A	60.0
GENTING CAPITAL BHD	4.86	06/08/27	N/A	5.151	N/A	50.0
AMAN SUKUK BHD	4.78	05/30/24	4.017	4.005	-1.2	41.6
SARAWAK ENERGY BHD	5.5	07/04/29	4.547	4.446	-10.1	40.0
CELCOM NETWORKS SDN B	5.05	08/29/24	4.071	4.053	-1.8	36.4
DANAINFRA NASIONAL	4.63	11/23/29	4.579	4.318	-26.1	25.0
UEM SUNRISE BHD	5.03	09/19/25	5.338	5.339	0.1	22.3
PRASARANA MALAYSIA BHD	4.58	08/29/28	4.514	4.238	-27.6	20.0
TOTAL VOLUME (TOP 10)						460.3
TOTAL VOLUME (Overall)						1,195.7

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