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MIDF AMANAH
INVESTMENT BANK BERHAD

WEEKLY MONEY REVIEW

MIDF Strategy 25 January 2023

Week Ended 20 January 2023

- The 10-year UST yield was on a three-week winning streak. It ended the review week lower at 3.48% (prior week: 3.50%) as investors were rather convinced the US Fed will soon normalize its tightening pace. On this score, the interest rate futures market was implying circa 97% probability of a 25-bp hike in early February. However, the benchmark UST yield was off its intraweek low due to hawkish remarks from several Fed officials. The 10y-3y yield spread rebounded but remains deeply inverted at -35bps (prior week: -40bps) as the short-end outperformed.

- Medium-term inflation expectation (MTIE) ended the review week slightly higher at 2.27% (prior week: 2.24%) arguably in reaction to potentially less hawkish US Fed. Moreover, the MTIE rebounded to within the elevated inflation range of 2.25%-2.50% acceptable (transiently) to the US Fed. However, the MTIE has been trending lower from the high of 3.73% in late March 2022. It seems the market is rather sanguine the underlying price pressures are gradually ebbing. On this score, we reckon the MTIE would revert toward the 2.00% level in good time.

- The price of domestic MGS benchmark issues ended the review week higher with the 3-year and 10-year yields tumbled -22.9bps and -21.5bps respectively to close at 3.31% and 3.72% as investors reacted to a surprise no OPR hike decision by the BNM during its January MPC meeting. Accordingly, the 10y-3y yield spread expanded (yield curve steepened) week-on-week from 41bps to 40bps as the short-end outperformed due to its higher sensitivity to policy rate movement.

- MGS foreign holdings declined on-year from RM257b in December 2021 to RM247b in December 2022. Moreover, it also declined on-month from RM248b in November 2022. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at RM4.29b. It declined on-week from RM4.41b registered a week ago. However, it improved markedly on-year from -RM2.87b a year ago.

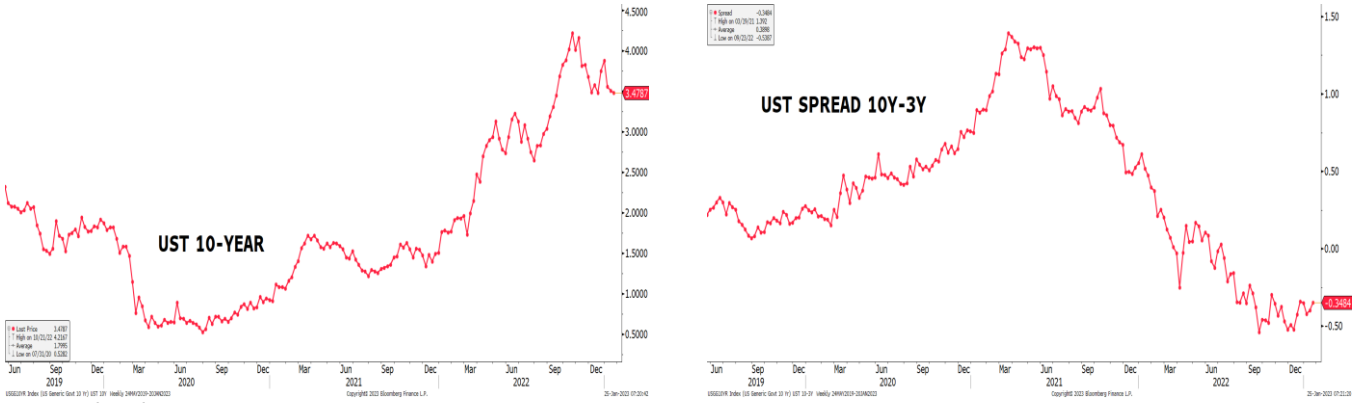
25 January 2023 | **Strategy**

Strategy Team | research@midf.com.my

Weekly Money Review

A. FIXED INCOME

- The 10-year UST yield was on a three-week winning streak. It ended the review week lower at 3.48% (prior week: 3.50%) as investors were rather convinced the US Fed will soon normalize its tightening pace. On this score, the interest rate futures market was implying circa 97% probability of a 25-bp hike in early February. However, the benchmark UST yield was off its intraweek low due to hawkish remarks from several Fed officials. The 10y-3y yield spread rebounded but remains deeply inverted at -35bps (prior week: -40bps) as the short-end outperformed.



Source: Bloomberg, MIDFR

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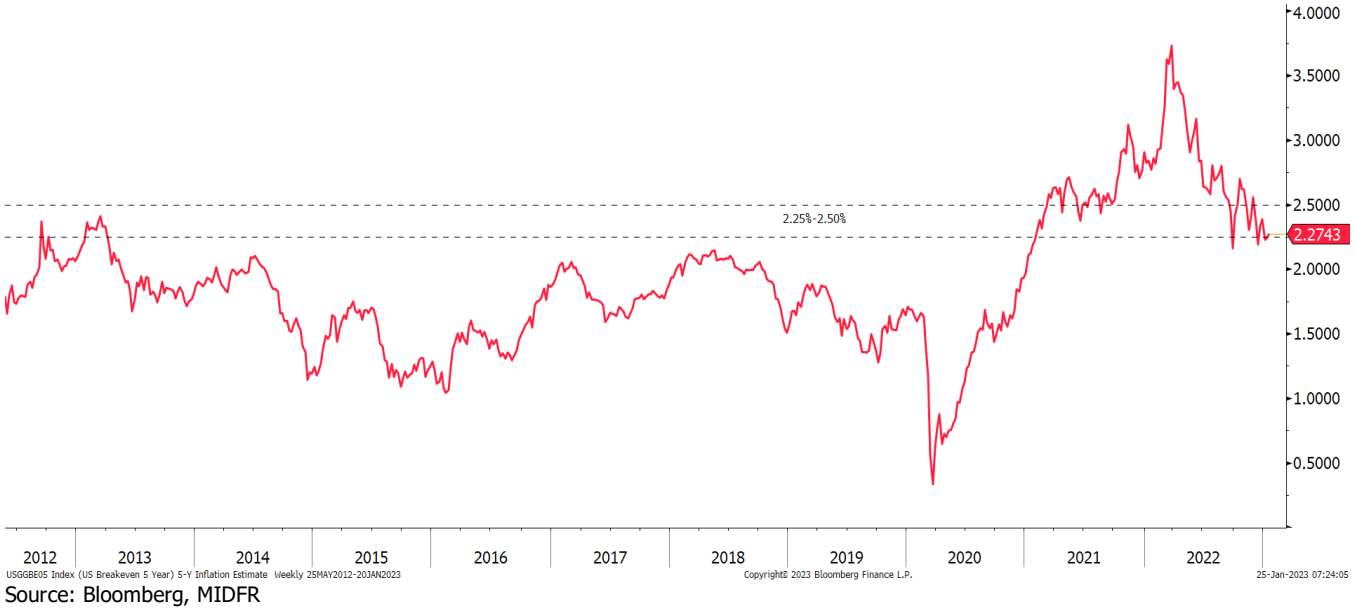
MEDIUM-TERM INFLATION EXPECTATION (MTIE): 5Y UST-TIPS SPREAD



Source: Bloomberg, MIDFR

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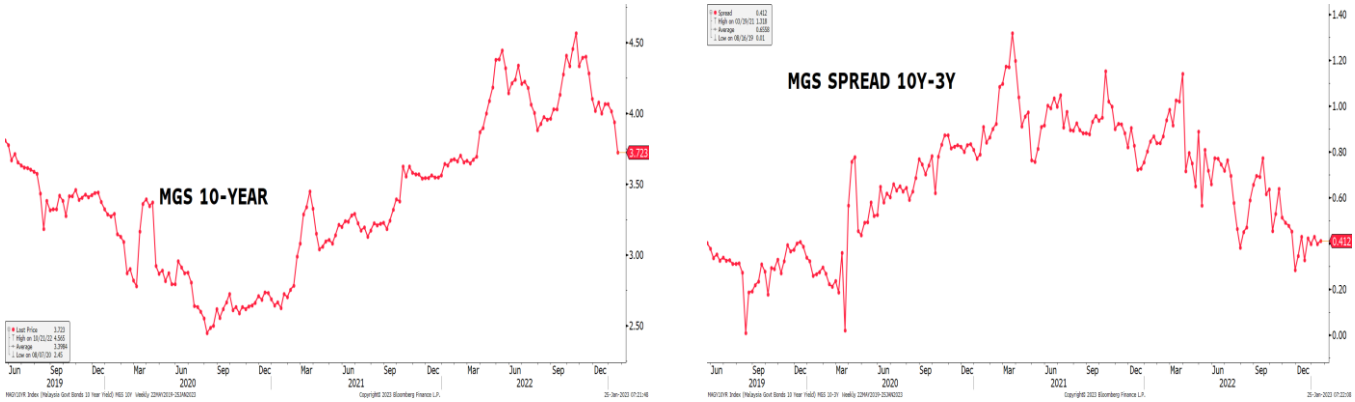
curve steepened) week-on-week from 41bps to 40bps as the short-end outperformed due to its higher sensitivity to policy rate movement.

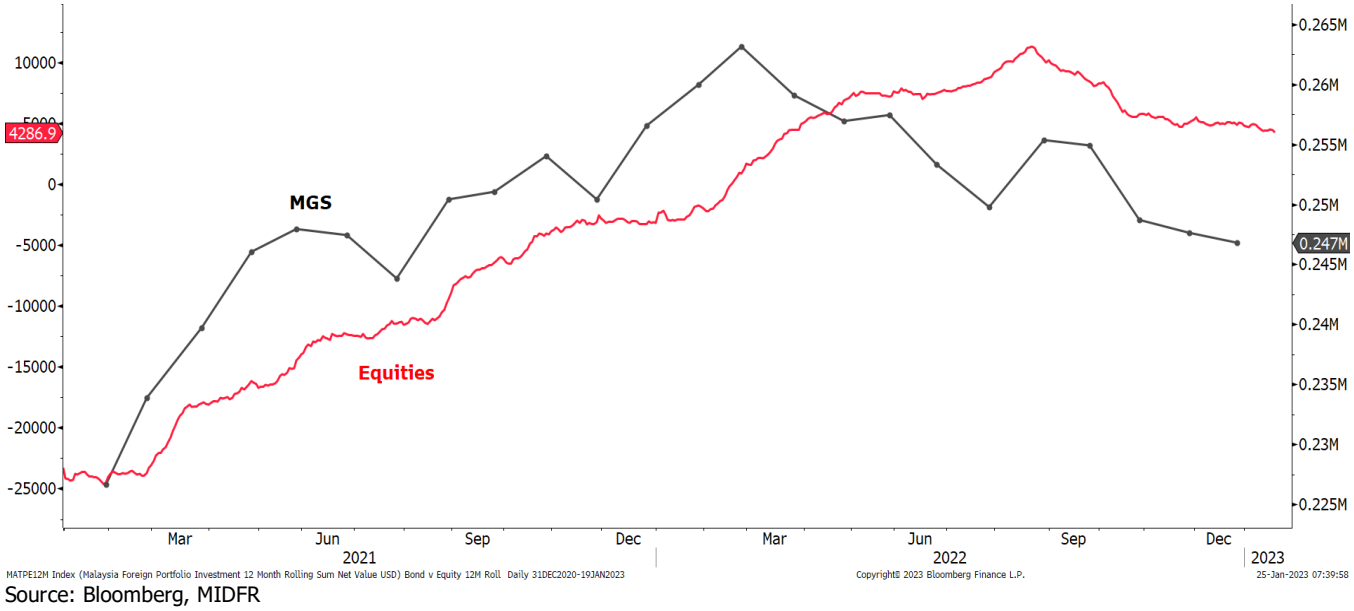


Source: Bloomberg, MIDFR

- Total trading value for Government Bonds (MGS/MII) increased to RM31.12b in the review week compared to RM24.76b in the prior week (based on Bloomberg data). The total trading value of 10 most actively traded issues increased (lower trading breadth) to 67% from 65% of the overall Government Bonds trades. Moreover, 10 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 varied residual tenor. The top 3 most actively traded were MGS 3.48% 3/15/23 at RM4.80b, MGS 3.899% 11/16/27 at RM2.58b, and MII 4.193% 10/7/32 at RM2.51b.

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



Source: Bloomberg, MIDFR

- MGS foreign holdings declined on-year from RM257b in December 2021 to RM247b in December 2022. Moreover, it also declined on-month from RM248b in November 2022. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at RM4.29b. It declined on-week from RM4.41b registered a week ago. However, it improved markedly on-year from -RM2.87b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM3.31b in the review week compared to RM4.04b in the prior week (based on Bloomberg data). The total trading value of 10 most actively traded issues declined (higher trading breadth) to 47% from 50% 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 4.821% 1/12/35 at RM260m, PLUS 4.773% 1/12/34 at RM250m, and Danainfra 4.53% 11/12/25 at RM200m.

B. FOREIGN EXCHANGE

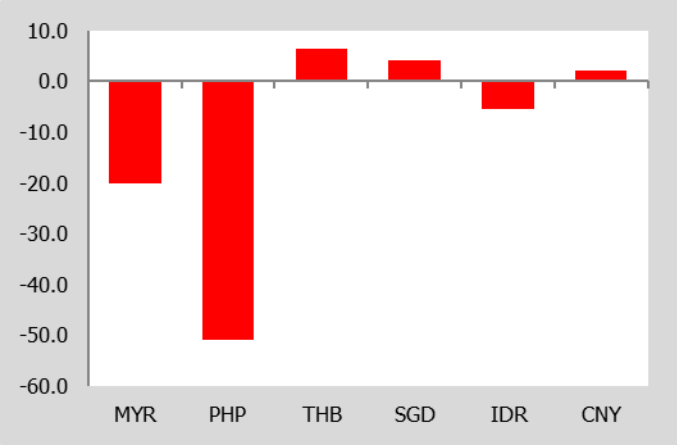
- USD weakened as risk-on sentiment picked up. US dollars depreciated as the DXY dollar index fell -0.2%wow last week to 102.01. Despite concerns over recession risk, demand for US dollars declined as market continued to priced in small hike by the Fed at the next FOMC meeting as more data shows easing inflation.
- EUR and GBP gained. With the reduced demand for US dollars, both euro and pound sterling strengthened last week, appreciating by +0.2%wow to USD1.086 and +1.4%wow to USD1.240, respectively.
- Ringgit appreciated despite no change to OPR. Despite the surprise move by BNM to keep OPR unchanged, ringgit appreciated against USD last week, strengthening by +1.2%wow to close at RM4.285 on Friday. We believe this was driven more by relatively better growth fundamentals and improved risk-on sentiment among investors, and increased demand towards EM currencies.

Currencies Changes (Week Ended 20 Jan 2023) and Quarterly Forecasts

	Close (20/01)	Prev. Close (13/01)	Weekly Change	Weekly Change (%)	1QCY23f	2QCY23f	3QCY23f	4QCY23f
DXY Index	102.01	102.20	-0.192	-0.2	102.50	100.00	98.50	97.50
EURUSD	1.086	1.083	+0.003	+0.2	1.09	1.11	1.12	1.14
GBPUSD	1.240	1.223	+0.017	+1.4	1.22	1.24	1.26	1.27
USDJPY	129.6	127.87	-1.730	-1.3	132	130	129	128
USDMYR	4.285	4.335	+0.050	+1.2	4.35	4.30	4.27	4.23
GBPMYR	5.290	5.301	+0.011	+0.2	5.31	5.33	5.38	5.37
JPYMYR	3.308	3.391	+0.083	+2.5	3.30	3.31	3.31	3.30

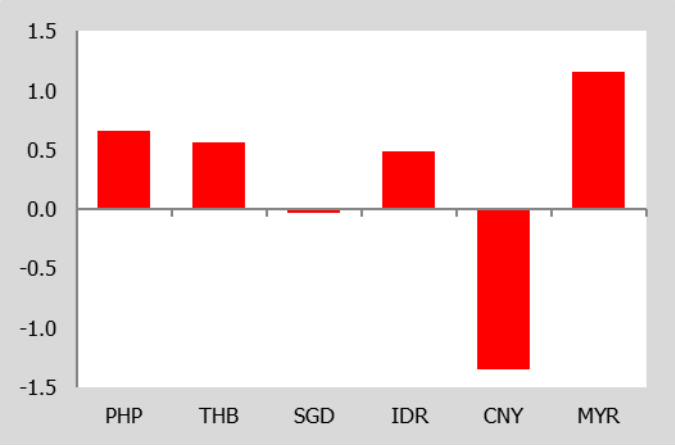
Note: "+" indicates appreciation, while "-" indicates depreciation. Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

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 (%)

	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23
Malaysia	2.00	2.00	2.25	2.25	2.50	2.50	2.75	2.75	2.75
Indonesia	3.50	3.50	3.50	3.75	4.25	4.75	5.25	5.50	5.75
Philippines	2.25	2.50	3.25	3.75	4.25	4.25	5.00	5.50	5.50
Thailand	0.50	0.50	0.50	0.75	1.00	1.00	1.25	1.25	1.25
Vietnam	4.00	4.00	4.00	4.00	5.00	6.00	6.00	6.00	6.00
South Korea	1.75	1.75	2.25	2.50	2.50	3.00	3.25	3.25	3.25
India	4.40	4.90	4.90	5.40	5.90	5.90	5.90	6.25	6.25
Japan	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)
UK	1.00	1.25	1.25	1.75	2.25	2.25	3.00	3.50	3.50
Euro area	0.00	0.00	0.50	0.50	1.25	2.00	2.00	2.50	2.50
USA	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	4.25-4.50	4.25-4.50

Source: Bloomberg, MIDFR

- US economic data released last week:
  - Retail sales weakened more than expected, falling -1.1%mom in Dec-22 (Nov-22: -1%mom). On annual basis, the growth was still within market consensus of +6%yoy, unchanged from prior month.
  - Production activities also grew slower as IPI growth eased to +1.6%yoy in Dec-22 (Nov-22: +2.2%yoy), the slowest growth since Mar-21. The moderation mainly reflects decline in manufacturing output.
  - Job market remained tight and strong as initial jobless claims dropped to 190K for the week ended 14th January (prior week: 205K), against market forecast of small rise to 214K.

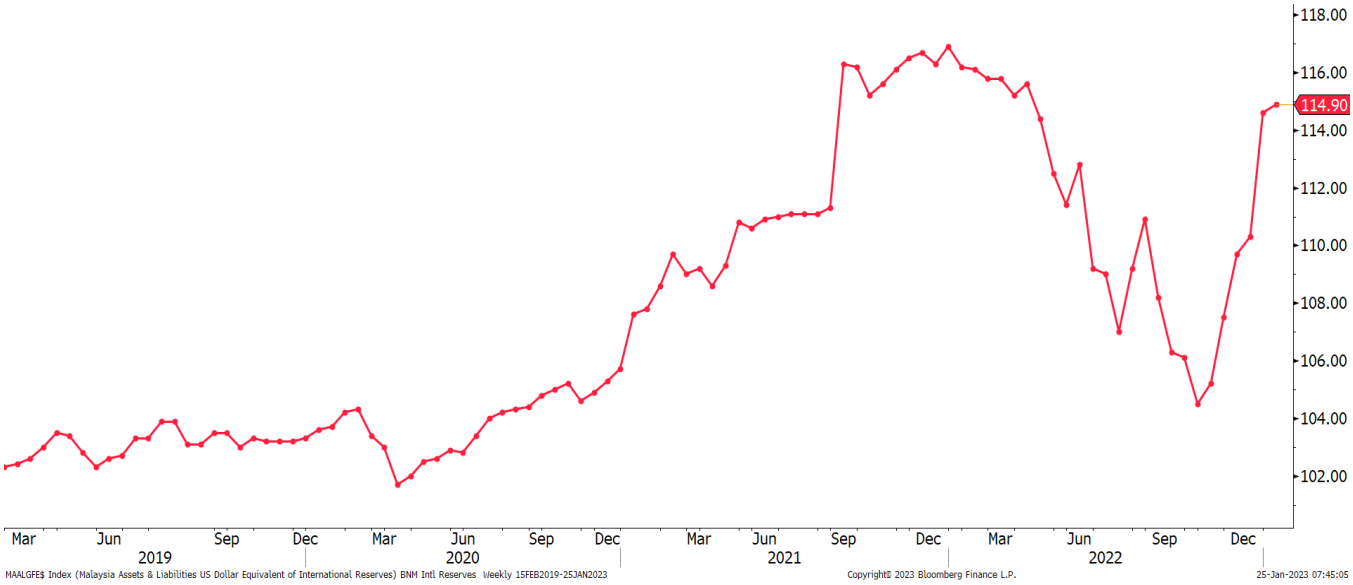
- On monetary policy decisions last week:
  - Defying market expectations, Bank of Japan kept its yield curve control targets unchanged. The BOJ decided last Wednesday to keep short-term interest rate at ultra-dovish of -0.1% and the 10-year JGB yield around 0%.
  - Bank Negara Malaysia also surprised market with the decision to keep OPR unchanged at 2.75% to gauge the previous impacts on the economy.
  - Bank Indonesia, as expected, raised its policy rate by 25bps to 5.75%, the sixth rate hikes since Aug-22. BI also signaled to the market that its tightening cycle was ending as inflation seems cooling faster than expected.

- Malaysia's inflation eased further with the headline CPI rising at +3.8%yoy in Dec-22 (Nov-22: +4%yoy). Core CPI inflation remained elevated, although easing slightly to +4.1%yoy from record-high +4.2%yoy in Nov-22. This shows demand pressures on prices remained strong.

C. BNM INTERNATIONAL RESERVES

- As of 13 January 2023, compared to previous fortnight, Bank Negara Malaysia's international reserves was higher at USD114.9b (30 December 2022: USD114.6b).

BNM INTERNATIONAL RESERVES



Source: Bloomberg, MIDFR

- The amount of reserves is sufficient to finance 5.3 months of imports of goods & services and is 1.0 times total short-term external debt.

APPENDIX

WEEKLY INTEREST RATE MONITOR

Tenor	13-Jan Fri	16-Jan Mon	17-Jan Tue	18-Jan Wed	19-Jan Thu	20-Jan Fri	Change (WoW bp)
MGS							
3-Y	3.54	3.544	3.529	3.49	3.303	3.311	-22.9
5-Y	3.769	3.795	3.786	3.738	3.522	3.51	-25.9
7-Y	3.941	3.984	3.959	3.923	3.73	3.674	-26.7
10-Y	3.938	3.964	3.984	3.928	3.894	3.723	-21.5
20-Y	4.276	4.298	4.287	4.28	4.065	4.141	-13.5
RINGGIT IRS							
1-Y	3.695	3.72	3.72	3.695	3.532	3.445	-25
3-Y	3.61	3.64	3.615	3.54	3.345	3.315	-29.5
5-Y	3.66	3.705	3.685	3.605	3.395	3.445	-21.5
7-Y	3.79	3.835	3.825	3.75	3.5	3.555	-23.5
10-Y	3.94	3.965	3.95	3.87	3.625	3.66	-28
KLIBOR							
1-M	2.98	2.98	2.98	2.98	2.98	2.98	0
2-M	3.35	3.35	3.35	3.35	3.35	3.35	0
3-M	3.71	3.71	3.71	3.71	3.71	3.7	-1
UST							
3-Y	3.9	3.9	3.8805	3.73	3.7688	3.8271	-7.29
5-Y	3.6107	3.6107	3.6209	3.4385	3.4828	3.5614	-4.93
7-Y	3.5552	3.5552	3.5906	3.399	3.4289	3.514	-4.12
10-Y	3.5035	3.5035	3.5476	3.3698	3.3915	3.4787	-2.48
30-Y	3.6103	3.6103	3.6606	3.5378	3.5613	3.6547	4.44
USD LIBOR							
1-M	4.45443	4.46486	4.47	4.48571	4.50843	4.51314	5.871
3-M	4.79243	4.79471	4.79757	4.80771	4.81529	4.81557	2.314

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	13-Jan Yield	20-Jan Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.48	03/15/23	2.935	2.816	-11.9	4,800.0
MALAYSIA GOVERNMENT	3.899	11/16/27	3.769	3.510	-25.9	2,575.6
MALAYSIA INVESTMNT ISSU	4.193	10/07/32	4.042	3.876	-16.6	2,509.9
MALAYSIA INVESTMNT ISSU	4.13	07/09/29	4.024	3.825	-19.9	2,404.3
MALAYSIA GOVERNMENT	3.582	07/15/32	3.938	3.723	-21.5	2,203.4
MALAYSIA INVESTMNT ISSU	3.99	10/15/25	3.606	3.367	-23.9	1,556.3
MALAYSIA GOVERNMENT	4.504	04/30/29	3.941	3.674	-26.7	1,476.8
MALAYSIA GOVERNMENT	4.893	06/08/38	4.123	3.973	-15.0	1,420.2
MALAYSIA GOVERNMENT	3.882	03/14/25	3.540	3.311	-22.9	1,253.5
MALAYSIA INVESTMNT ISSU	3.422	09/30/27	3.784	3.526	-25.8	760.1
TOTAL VOLUME (TOP 10)						20,960.2
TOTAL VOLUME (Overall)						31,115.6

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	13-Jan Yield	20-Jan Yield	Change (WoW bp)	Weekly Volume (RM mn)
PROJEK LEBUHRAYA USAHA	4.821	01/12/35	4.778	4.778	0.0	260.0
PROJEK LEBUHRAYA USAHA	4.773	01/12/34	4.729	4.748	1.9	250.0
DANAINFRA NASIONAL	4.53	11/12/25	3.916	3.802	-11.4	200.0
PROJEK LEBUHRAYA USAHA	4.68	01/12/32	4.607	4.560	-4.7	180.0
PROJEK LEBUHRAYA USAHA	4.729	01/12/33	4.579	4.609	3.0	160.0
PROJEK LEBUHRAYA USAHA	4.582	01/11/30	4.486	4.438	-4.8	160.0
CAGAMAS BERHAD	4.5	12/13/27	N/A	4.137	N/A	150.0
SABAH CREDIT CORP	3.55	06/26/23	N/A	3.870	N/A	70.0
TENAGA NASIONAL BERHA	4.98	08/27/38	4.669	4.654	-1.5	60.0
RHB ISLAMIC BANK BHD	4.32	05/21/29	4.115	4.076	-3.9	60.0
TOTAL VOLUME (TOP 10)						1,550.0
TOTAL VOLUME (Overall)						3,306.0

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