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MIDF AMANAH
INVESTMENT BANK BERHAD

WEEKLY MONEY REVIEW

MIDF Strategy 30 January 2023

Week Ended 27 January 2023

- After 3 consecutive winning weeks, the UST market took a breather with benchmark 10-year yield ended the review week a tad higher at 3.50% (prior week: 3.48%) as investors reacted to higher-than-expected 4Q22 GDP figure (actual: 2.9%qoq; expected: 2.8%qoq). Nonetheless, investors remain convinced of a more dovish US Fed with the interest rate futures implying circa 98% probability of a smaller 25-bp hike in early February. The 10y-3y yield spread inverted deeper week-on-week from -35bps to -39bps as the short-end underperformed.

- Medium-term inflation expectation (MTIE) ended the review week higher at 2.37% (prior week: 2.27%) arguably in reaction to the higher-than-expected US output data. However, the MTIE remains within an elevated inflation range of 2.25%-2.50% acceptable (transiently) to the US Fed. Moreover, 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 lower with the 3-year and 10-year yields added 5.4bps and 6.2bps respectively to close at 3.36% and 3.78%. Accordingly, the 10y-3y yield spread expanded (yield curve steepened) week-on-week from 40bps to 42bps as the long-end underperformed.

- 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 RM4.27b. It declined on-week from RM4.29b registered a week ago. However, it improved markedly on-year from -RM2.87b a year ago.

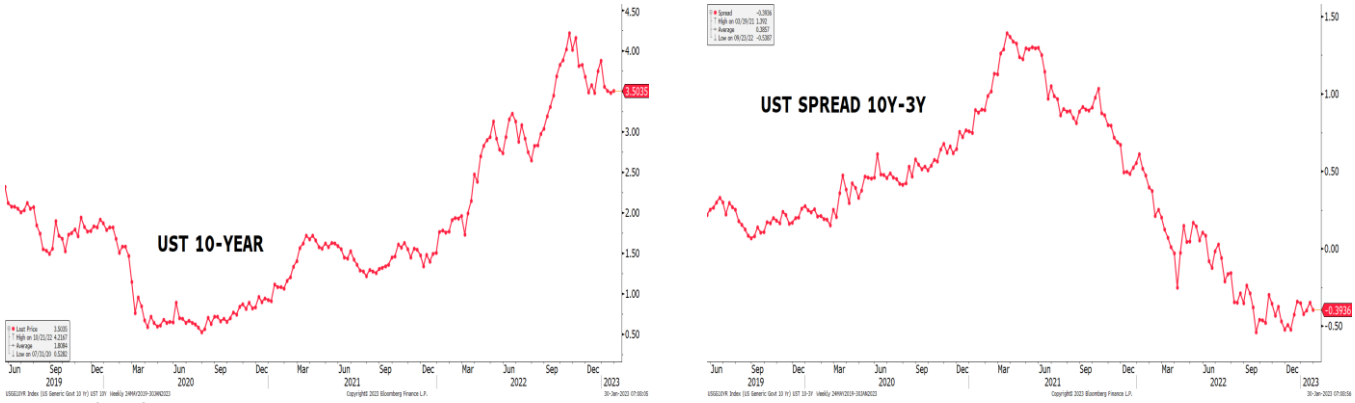
30 January 2023 | **Strategy**

Strategy Team | research@midf.com.my

Weekly Money Review

A. FIXED INCOME

- After 3 consecutive winning weeks, the UST market took a breather with benchmark 10-year yield ended the review week a tad higher at 3.50% (prior week: 3.48%) as investors reacted to higher-than-expected 4Q22 GDP figure (actual: 2.9%qoq; expected: 2.8%qoq). Nonetheless, investors remain convinced of a more dovish US Fed with the interest rate futures implying circa 98% probability of a smaller 25-bp hike in early February. The 10y-3y yield spread inverted deeper week-on-week from -35bps to -39bps as the short-end underperformed.



Source: Bloomberg, MIDFR

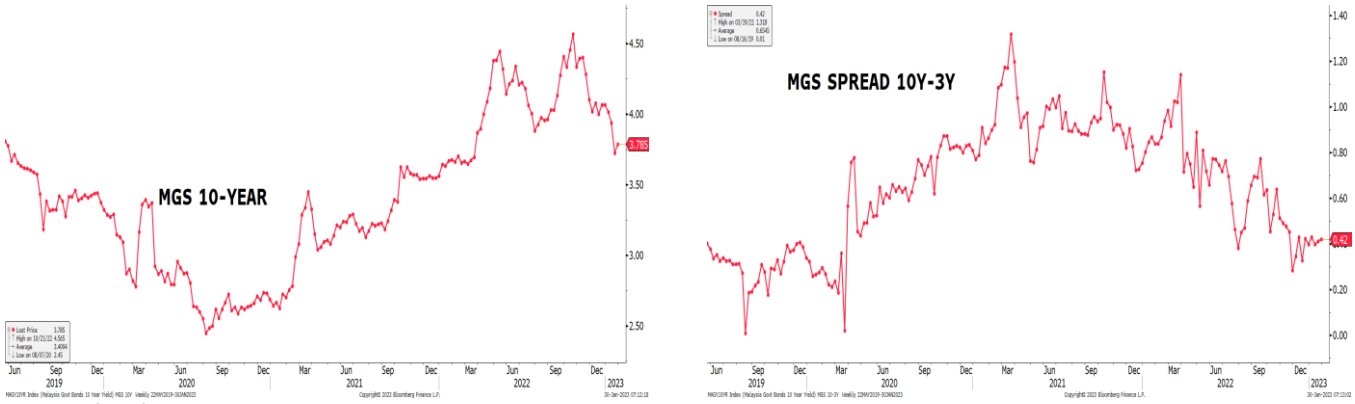
- Medium-term inflation expectation (MTIE) ended the review week higher at 2.37% (prior week: 2.27%) arguably in reaction to the higher-than-expected US output data. However, the MTIE remains within an elevated inflation range of 2.25%-2.50% acceptable (transiently) to the US Fed. Moreover, the MTIE 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.

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



Source: Bloomberg, MIDFR

- The price of domestic MGS benchmark issues ended the review week lower with the 3-year and 10-year yields added 5.4bps and 6.2bps respectively to close at 3.36% and 3.78%. Accordingly, the 10y-3y yield spread expanded (yield curve steepened) week-on-week from 40bps to 42bps as the long-end underperformed.

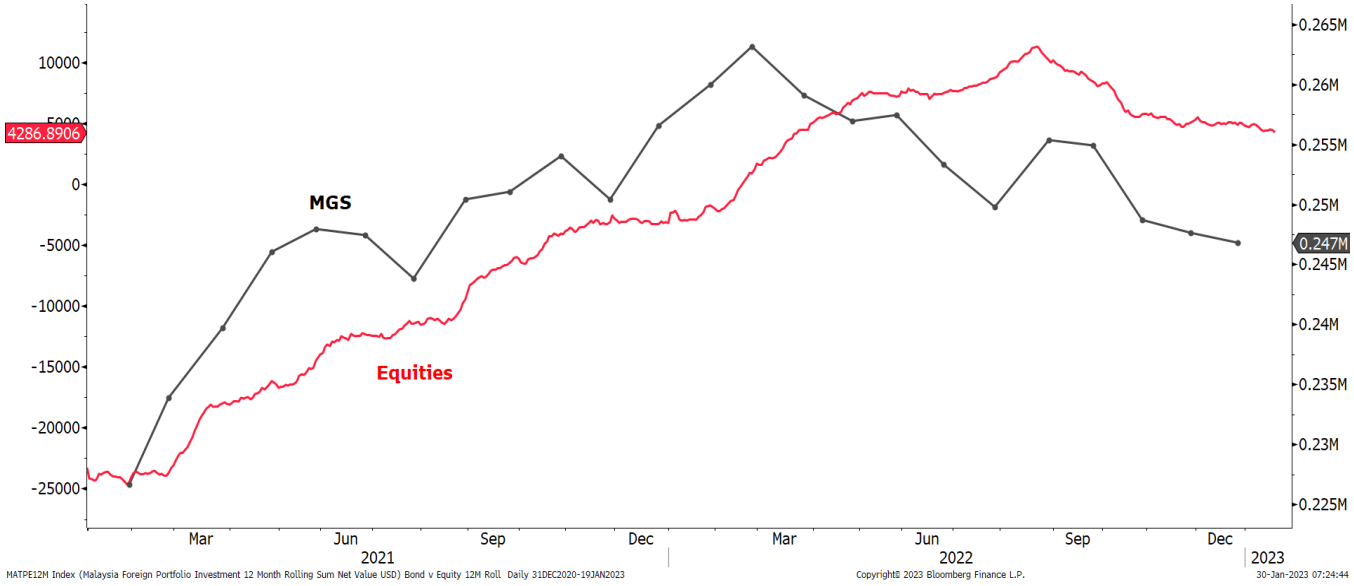


Source: Bloomberg, MIDFR

- Total trading value for Government Bonds (MGS/MII) declined to RM28.39b in the review week compared to RM31.12b in the prior week (based on Bloomberg data). The total trading value of 10 most actively traded issues increased (lower trading breadth) to 71% from 67% of the overall Government Bonds trades. Moreover, 7 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 residual tenor. The top 3 most actively traded were MGS 3.48% 3/15/23 at RM4.26b, MII 3.99% 10/15/25 at RM2.54b, and MGS 3.882% 3/14/25 at RM2.50b.

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



Source: Bloomberg, MIDFR

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- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM1.75b in the review week compared to RM3.31b in the prior week (based on Bloomberg data). The total trading value of 10 most actively traded issues declined (higher trading breadth) to 31% from 47% 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 Danainfra 4.53% 4/1/37 at RM140m, Danainfra 4.53% 4/7/37 at RM80m, and Danainfra 3.92% 10/20/23 at RM60m.

B. FOREIGN EXCHANGE

- Another week of weaker USD. US dollars continued to weaken against major currencies last week with the DXY dollar index fell -0.1%wow to 101.93, the lowest weekly closing in 8 months. Despite better-than-expected 4QCY22 GDP data, demand for US dollars declined as US inflation eased further amid expectations for the Fed to proceed with less aggressive tightening.

- EUR strengthened but GBP weakened. Following sign of stabilization in economic outlook and with expectations that the ECB will continue to hike interest rates, euro strengthened further by +0.1%wow to USD1.087, the strongest in 9 months. Pound sterling, on the other hand, closed weaker against US dollars, falling -0.1%wow to USD1.238 as demand for the currency fell in response to growing forecast that the Bank of England will have to cut interest rates by year-end to support the UK economy.

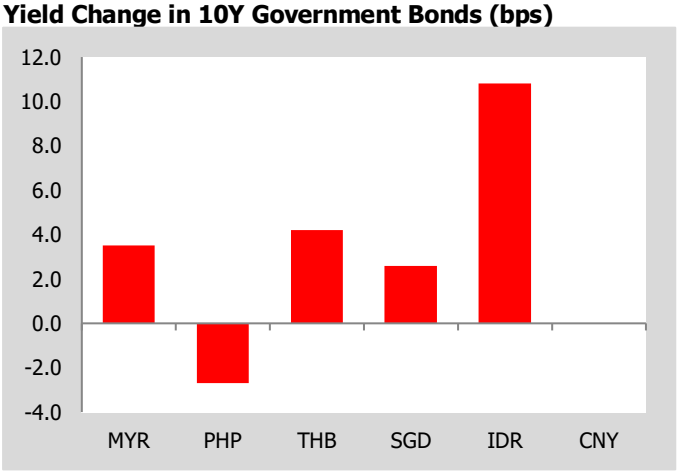
- Ringgit appreciated though oil dropped. Ringgit strengthened by +1%wow to end at RM4.244 last Friday. Although crude oil ended -1.1%wow lower at USD86.66pb, ringgit and regional currencies appreciated further last week backed by positive growth fundamentals and risk-on demand.

Currencies Changes (Week Ended 27 Jan 2023) and Quarterly Forecasts

	Close (27/01)	Prev. Close (20/01)	Weekly Change	Weekly Change (%)	1QCY23f	2QCY23f	3QCY23f	4QCY23f
DXY Index	101.93	102.01	-0.085	-0.1	102.50	100.00	98.50	97.50
EURUSD	1.087	1.086	+0.001	+0.1	1.09	1.11	1.12	1.14
GBPUSD	1.238	1.240	-0.002	-0.1	1.22	1.24	1.26	1.27
USDJPY	129.88	129.60	-0.280	-0.2	132	130	129	128
USDMYR	4.244	4.285	+0.041	+1.0	4.35	4.30	4.27	4.23
GBPMYR	5.251	5.290	+0.039	+0.7	5.31	5.33	5.38	5.37
JPYMYR	3.268	3.308	+0.040	+1.2	3.30	3.31	3.31	3.30

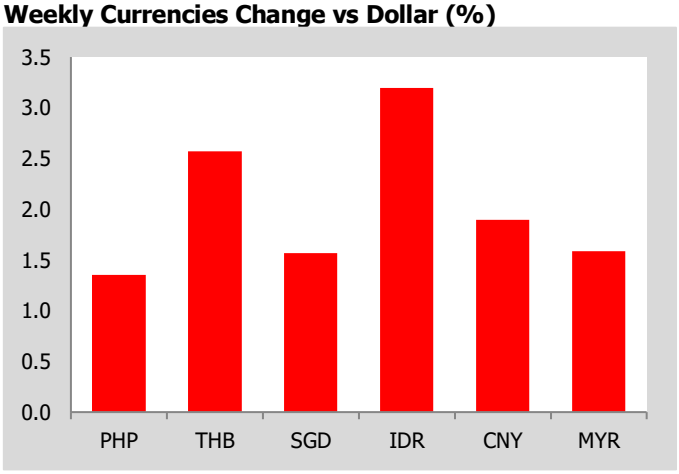
Note: "+" indicates appreciation, while "-" indicates depreciation. Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

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	1.50
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	3.50
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

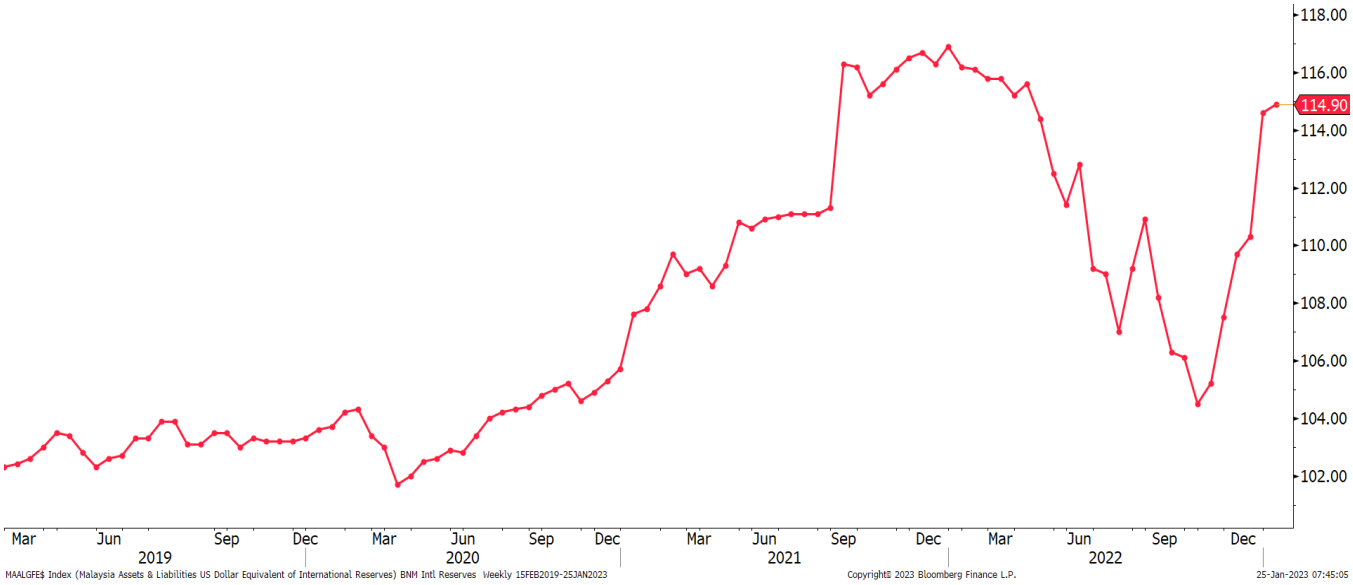
- US economic data released last week:
  - Based on advance estimate, US GDP grew by +2.9%qoq on annualized basis in 4QCY22 (3QCY22: +3.2%qoq), better than market expectations of +2.6%qoq. Positive growth was underpinned by build-up in private inventories and increases in personal consumption expenditures and government spending. Full-year US GDP growth for 2022 exceeded +2.1%, far higher than US Fed FOMC's projection of +0.5%.
  - Core PCE inflation eased to +4.4%yoy in Dec-22 (Nov-22: +4.7%yoy), the slowest in more a year and in line with market consensus.
  - Job market remained tight and strong as initial jobless claims dropped further to 186K for week ended 21st January (prior week: 205K), defying market forecast of small rise to 205K.

- On monetary policy decisions last week:
- 25 Jan: Bank of Thailand (BOT) raised its benchmark interest rate by 25bps to 1.50%, the highest level since mid-2019. BOT projected Thai economy to pick up backed by recovery in the tourism sector, and therefore will continue to monitor the demand pressure on prices.

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	20-Jan Fri	23-Jan Mon	24-Jan Tue	25-Jan Wed	26-Jan Thu	27-Jan Fri	Change (WoW bp)
MGS							
3-Y	3.311	3.311	3.311	3.316	3.343	3.365	5.4
5-Y	3.51	3.51	3.51	3.479	3.512	3.531	2.1
7-Y	3.674	3.674	3.674	3.691	3.664	3.643	-3.1
10-Y	3.723	3.723	3.723	3.734	3.734	3.785	6.2
20-Y	4.141	4.141	4.141	4.157	4.146	4.157	1.6
RINGGIT IRS							
1-Y	3.445	3.445	3.445	3.455	3.43	3.45	0.5
3-Y	3.315	3.315	3.315	3.325	3.355	3.375	6
5-Y	3.445	3.445	3.445	3.43	3.495	3.52	7.5
7-Y	3.555	3.555	3.555	3.54	3.58	3.643	8.8
10-Y	3.66	3.66	3.66	3.645	3.68	3.785	12.5
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	3.7	3.7	3.7	3.68	3.68	3.68	-2
UST							
3-Y	3.8271	3.8943	3.8578	3.8297	3.8858	3.8971	7
5-Y	3.5614	3.62	3.5749	3.5453	3.5929	3.6102	4.88
7-Y	3.514	3.5544	3.5112	3.4884	3.5515	3.5635	4.95
10-Y	3.4787	3.5098	3.4527	3.4416	3.4947	3.5035	2.48
30-Y	3.6547	3.6805	3.6043	3.5937	3.6397	3.619	-3.57
USD LIBOR							
1-M	4.51314	4.50586	4.516	4.51729	4.54729	4.56971	5.657
3-M	4.81557	4.81771	4.82186	4.81457	4.80243	4.82529	0.972

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	20-Jan Yield	27-Jan Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.48	03/15/23	2.816	2.851	3.5	4,256.6
MALAYSIA INVESTMNT ISSU	3.99	10/15/25	3.367	3.395	2.8	2,537.2
MALAYSIA GOVERNMENT	3.882	03/14/25	3.311	3.365	5.4	2,500.9
MALAYSIA GOVERNMENT	3.899	11/16/27	3.510	3.531	2.1	2,401.9
MALAYSIA GOVERNMENT	4.504	04/30/29	3.674	3.643	-3.1	1,837.3
MALAYSIA GOVERNMENT	3.582	07/15/32	3.723	3.785	6.2	1,739.4
MALAYSIA INVESTMNT ISSU	4.13	07/09/29	3.825	3.808	-1.7	1,566.6
MALAYSIA INVESTMNT ISSU	4.193	10/07/32	3.876	3.917	4.1	1,445.3
MALAYSIA INVESTMNT ISSU	3.151	05/15/23	2.922	2.781	-14.1	916.5
MALAYSIA GOVERNMENT	3.757	04/20/23	2.851	2.892	4.1	908.3
TOTAL VOLUME (TOP 10)						20,109.9
TOTAL VOLUME (Overall)						28,393.9

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	20-Jan Yield	27-Jan Yield	Change (WoW bp)	Weekly Volume (RM mn)
DANAINFRA NASIONAL	4.53	04/01/37	4.210	4.150	-6.0	140.0
DANAINFRA NASIONAL	4.53	04/07/37	4.209	4.209	0.0	80.0
DANAINFRA NASIONAL	3.92	10/20/23	3.475	3.379	-9.6	60.0
MALAKOFF POWER BHD	6.05	12/17/29	N/A	5.000	N/A	45.0
DANAINFRA NASIONAL	4.57	05/02/31	4.054	4.054	0.0	40.0
DANAINFRA NASIONAL	4.47	05/03/41	N/A	4.304	N/A	40.0
PROJEK LEBUHRAYA USAHA	4.88	01/12/28	N/A	4.160	N/A	40.0
UEM SUNRISE BHD	4.79	04/11/25	N/A	5.020	N/A	33.5
DRB-HICOM BHD	5.1	12/12/29	5.395	5.395	0.0	32.0
FORTUNE PREMIERE SDN B	5.05	09/05/25	4.441	4.369	-7.2	30.0
TOTAL VOLUME (TOP 10)						540.5
TOTAL VOLUME (Overall)						1,747.0

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