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MIDF AMANAH
INVESTMENT BANK BERHAD

WEEKLY MONEY REVIEW

MIDF Strategy 13 February 2023

Week Ended 10 February 2023

- The selling intensified into third week with benchmark 10-year UST yield ended the review week higher at 3.73% (prior week: 3.52%). Investors continued to digest the strong January jobs data announced prior week and await January CPI figures and retail sales report due this week. The interest rate futures market was implying two more 25-bp rate hikes with the terminal rate at 5.25%. The 10y-3y yield spread inverted deeper week-on-week from -43bps to -47bps 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 2.71% (prior week: 2.32%) arguably signaling the possibility of disappointing January inflation data. The MTIE is at the upper bound of an elevated inflation range (of 2.25%-2.50%) acceptable transiently to the US Fed. The MTIE has nonetheless been trending lower from the high of 3.73% in late March 2022. It seems the market is cautiously sanguine the underlying price pressures are gradually ebbing. On this score, we reckon the MTIE would revert toward the 2.00% level by the end of this year.

- The price of domestic MGS benchmark issues ended the review week lower with both the 3-year and 10-year yields added 2.0bps to close at 3.35% and 3.78% respectively. Accordingly, the 10y-3y yield spread ended unchanged week-on-week at 43bps.

- 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 RM3.10b. It declined on-week from RM4.01b registered a week ago. However, it improved on-year from -RM1.72b a year ago.

13 February 2023 | Strategy

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Weekly Money Review

A. FIXED INCOME

- The selling intensified into third week with benchmark 10-year UST yield ended the review week higher at 3.73% (prior week: 3.52%). Investors continued to digest the strong January jobs data announced prior week and await January CPI figures and retail sales report due this week. The interest rate futures market was implying two more 25-bp rate hikes with the terminal rate at 5.25%. The 10y-3y yield spread inverted deeper week-on-week from -43bps to -47bps as the short-end underperformed due to its higher sensitivity to policy rate movement.





Source: Bloomberg, MIDFR

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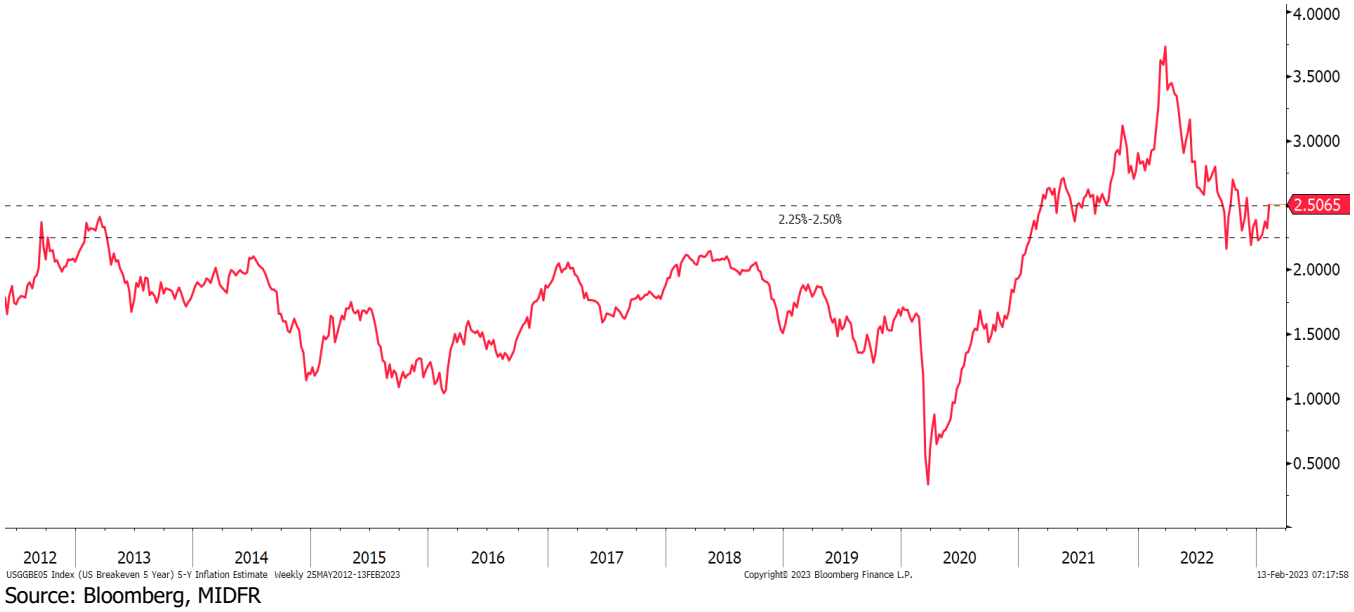
MEDIUM-TERM INFLATION EXPECTATION (MTIE): 5Y UST-TIPS SPREAD



Source: Bloomberg, MIDFR

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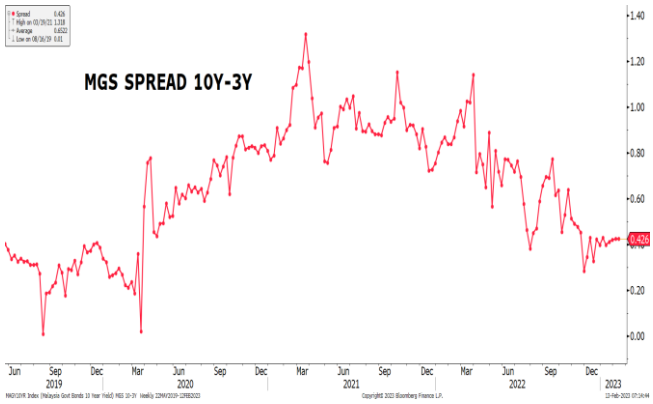
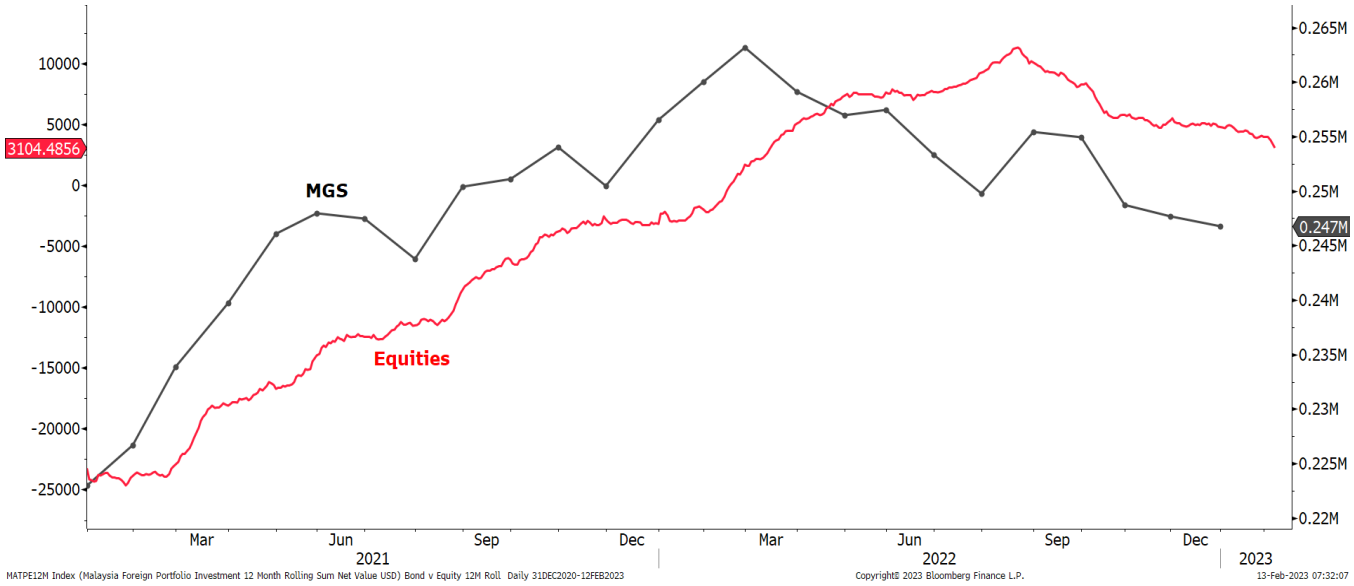


Source: Bloomberg, MIDFR

- Total trading value for Government Bonds (MGS/MII) declined to RM27.73b in the review week compared to RM34.12b in the prior week (based on Bloomberg data). The total trading value of 10 most actively traded issues was unchanged at 61% of the overall Government Bonds trades. Moreover, 10 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 and mid residual tenor. The top 3 most actively traded were MII 4.13% 7/9/29 at RM2.53b, MGS 3.757% 4/20/23 at RM2.40b, and MGS 3.48% 3/15/23 at RM2.32b.

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



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- 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 RM3.10b. It declined on-week from RM4.01b registered a week ago. However, it improved on-year from -RM1.72b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM2.77b in the review week compared to RM5.19b in the prior week (based on Bloomberg data). The total trading value of 10 most actively traded issues declined (higher trading breadth) to 44% from 59% of the overall Corporate Bonds trades.

- The top 3 actively traded Corporate Bonds were dominated by issues of mid and long residual tenor. The largest trading values were seen in PLUS 4.821% 1/12/35 at RM200m, PLUS 4.628% 1/10/31 at RM170m, and PLUS 4.773% 1/12/34 at RM170m.

B. FOREIGN EXCHANGE

- Concerns on economy and inflation pushed dollar higher. US dollars appreciated last week, with the DXY dollar index rising +0.7%wow to 103.63, the highest weekly closing in 5 weeks. Renewed concerns on the economy, with steeper yield curve, boosted safe-demand for USD at the start of the week. Softer data and downbeat comment from Fed policymakers pulled down DXY index to 103.2 by Thursday. However, USD strengthened again On Friday as market sentiment turned cautious on the inflation outlook (to be released this week) which could remain elevated.

- Euro weakened, but GBP virtually unchanged. Against the strength in US dollars, euro depreciated by -1.1%wow to one-month low of USD1.068. Pound sterling, on the other hand, closed the week at same level of USD1.206 as prior week following hint of further rate hike by the Bank of England at the next meeting in Mar-23.

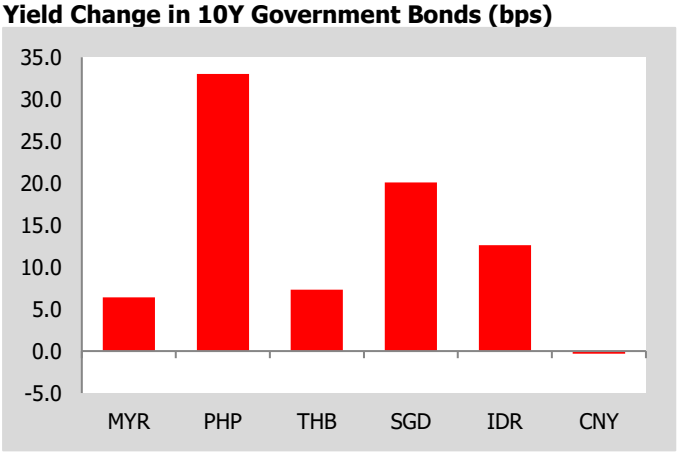
- Ringgit also weakened as market more focused on US. Like other regional currencies, Malaysian ringgit depreciated last week, closing -1.7%wow lower at RM4.334 last Friday. Ringgit movement was more influenced by the change in mood in the financial market rather than commodity price changes because Brent crude oil prices rebounded strongly by +8.1%wow to USD86.39 (previous week: USD79.94pb).

Currencies Changes (Week Ended 10 Feb 2023) and Quarterly Forecasts

	Close (10/02)	Prev. Close (03/02)	Weekly Change	Weekly Change (%)	1QCY23f	2QCY23f	3QCY23f	4QCY23f
DXY Index	103.63	102.92	+0.715	+0.7	102.50	101.00	98.60	97.10
EURUSD	1.068	1.080	-0.012	-1.1	1.07	1.08	1.10	1.11
GBPUSD	1.206	1.206	+0.001	0.0	1.20	1.22	1.24	1.25
USDJPY	131.36	131.19	-0.170	-0.1	132	131	130	129
USDMYR	4.334	4.259	-0.075	-1.7	4.21	4.17	4.15	4.00
GBPMYR	5.243	5.216	-0.026	-0.5	5.05	5.09	5.15	5.00
JPYMYR	3.297	3.247	-0.051	-1.5	3.19	3.18	3.19	3.10

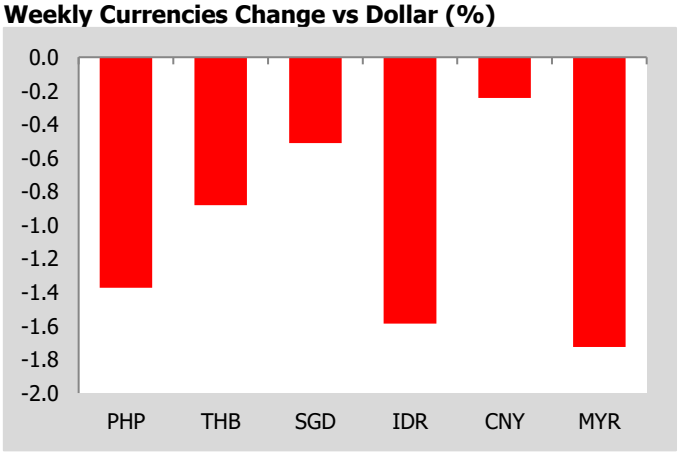
Note: "+" indicates appreciation, while "-" indicates depreciation. Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

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 (%)

	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23
Malaysia	2.00	2.25	2.25	2.50	2.50	2.75	2.75	2.75	2.75
Indonesia	3.50	3.50	3.75	4.25	4.75	5.25	5.50	5.75	5.75
Philippines	2.50	3.25	3.75	4.25	4.25	5.00	5.50	5.50	5.50
Thailand	0.50	0.50	0.75	1.00	1.00	1.25	1.25	1.50	1.50
Vietnam	4.00	4.00	4.00	5.00	6.00	6.00	6.00	6.00	6.00
South Korea	1.75	2.25	2.50	2.50	3.00	3.25	3.25	3.50	3.50
India	4.90	4.90	5.40	5.90	5.90	5.90	6.25	6.25	6.50
Japan	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)
UK	1.25	1.25	1.75	2.25	2.25	3.00	3.50	3.50	4.00
Euro area	0.00	0.50	0.50	1.25	2.00	2.00	2.50	2.50	3.00
USA	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	4.50-4.75

Source: Bloomberg, MIDFR

- US economic data released last week:
  - Job market remained tight and strong, although initial jobless claims rose for the first time in 6 weeks to 196K for the week ended 4th February (prior week: 183K), above market forecast of 190K.
  - According to preliminary finding by University of Michigan, US consumer sentiment improved in Feb-23 with the index rising to 13-month high at 66.4 (Jan-23: 64.9), even higher than market forecast. The improvement was mainly due to better assessment on current economic situation vs. downgrade in future economic expectations due to concerns over higher inflation in the next 12 months and weaker job market.

- Fed Chair Jerome Powell reiterated that disinflation has started, but the process to bring down inflation will take time. He cautioned that interest rates may need to go higher if inflation remains sticky at high levels. In contrast, Richmond Fed President Thomas Barkin hinted for slower increases in future rate hikes and possibly for Fed to pause as the economy is slowing as a result of Fed tightening its monetary policy.

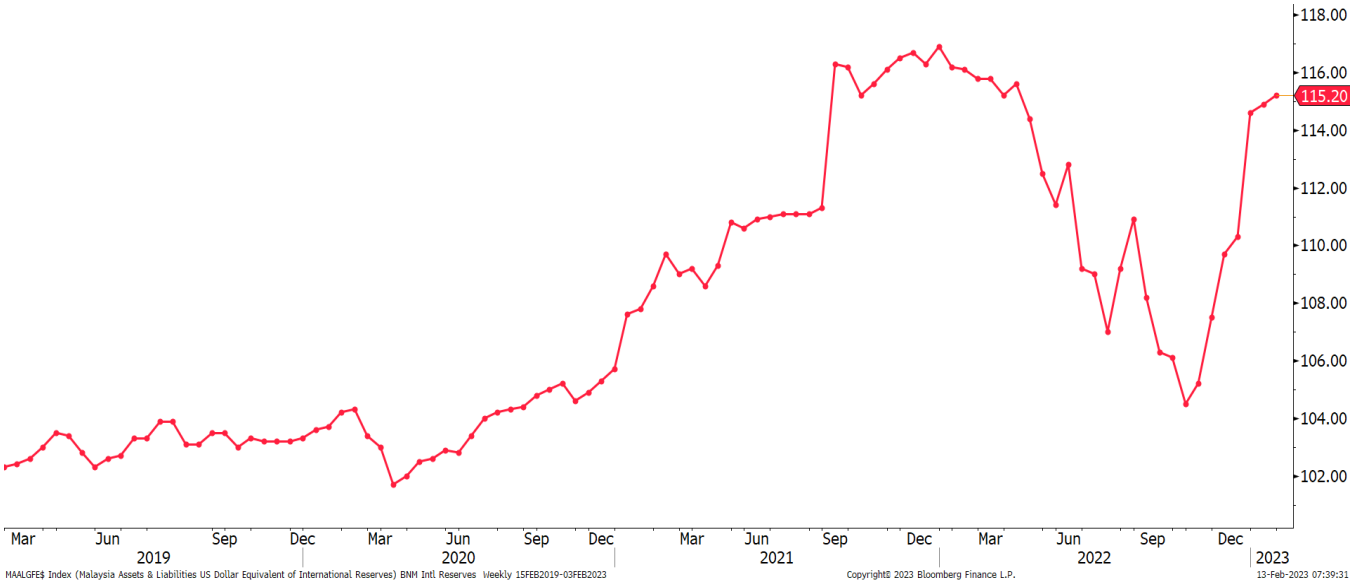
- Last week, Reserve Bank of India raised its key repo rate by 25bps to 6.50%, as expected, marking the sixth rate hike to contain price pressures.

- Malaysia's economy grew at +7%yoy in 4QCY22, moderating from +14.2%yoy in 3QCY22 but continued to be anchored by increased private and public sector spending as well as larger positive contribution from net exports. For full-year 2022, Malaysia's GDP growth surged to +8.7% (2021: +3.7%) driven mainly by recovery in domestic economic activities as the economy reopened (from lockdown and movement control) and transitioned into endemic phase. Other economic indicators released last week also show activities continued to grow in Dec-22:
  - Industrial production grew by +3%yoy (Nov-22: +4.8%yoy), backed by positive but moderate growth in mining and manufacturing output vis-à-vis decline in electricity generation.
  - Distributive trade grew by +13.8%yoy (Nov-22: +14.2%yoy), with sustained growth in retail trade (Dec-22: +22.7%; Nov-22: +22.8%yoy) and somewhat stronger rise in motor vehicle sales (Dec-22: +20.3%yoy; Nov-22: +19.8%yoy).
- Labour market improved further as employment growth remained in the positives (+3.1%yoy), and unemployment count dropped for 16th straight month to new pandemic low of 600K. Jobless rate was unchanged at 3.6% as more people entered the job market on the back of rising labour demand.

C. BNM INTERNATIONAL RESERVES

- As of 31 January 2023, compared to previous fortnight, Bank Negara Malaysia's international reserves was higher at USD115.2b (13 January 2023: USD114.9b).

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	3-Feb Fri	6-Feb Mon	7-Feb Tue	8-Feb Wed	9-Feb Thu	10-Feb Fri	Change (WoW bp)
MGS							
3-Y	3.333	3.333	3.367	3.356	3.374	3.353	2
5-Y	3.446	3.446	3.555	3.471	3.536	3.57	12.4
7-Y	3.631	3.631	3.682	3.69	3.689	3.735	10.4
10-Y	3.759	3.759	3.791	3.811	3.792	3.779	2
20-Y	4.078	4.078	4.154	4.149	4.115	4.117	3.9
RINGGIT IRS							
1-Y	3.365	3.365	3.465	3.455	3.47	3.505	14
3-Y	3.265	3.265	3.385	3.375	3.415	3.465	20
5-Y	3.39	3.39	3.49	3.48	3.5025	3.545	15.5
7-Y	3.525	3.525	3.61	3.61	3.63	3.685	16
10-Y	3.7	3.7	3.75	3.733	3.75	3.79	9
KLIBOR							
1-M	2.98	2.98	2.98	2.97	2.97	2.97	-1
3-M	3.67	3.67	3.66	3.66	3.65	3.65	-2
UST							
3-Y	3.9538	4.1424	4.1225	4.0782	4.1482	4.2015	24.77
5-Y	3.659	3.8283	3.8337	3.7883	3.8586	3.9226	26.36
7-Y	3.5943	3.7435	3.7643	3.7075	3.7774	3.848	25.37
10-Y	3.5246	3.6399	3.6735	3.6098	3.6579	3.732	20.74
30-Y	3.614	3.6736	3.7129	3.671	3.7264	3.8158	20.18
USD LIBOR							
1-M	4.57186	4.58829	4.58071	4.575	4.57257	4.578	0.614
3-M	4.83414	4.84314	4.845	4.85929	4.87257	4.86943	3.529

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	3-Feb Yield	10-Feb Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA INVESTMNT ISSU	4.13	07/09/29	3.755	3.804	4.9	2,531.7
MALAYSIA GOVERNMENT	3.757	04/20/23	2.823	2.878	5.5	2,395.8
MALAYSIA GOVERNMENT	3.48	03/15/23	2.726	2.937	21.1	2,318.0
MALAYSIA GOVERNMENT	4.498	04/15/30	3.655	3.735	8.0	2,045.6
MALAYSIA INVESTMNT ISSU	4.193	10/07/32	3.873	3.947	7.4	1,848.7
MALAYSIA GOVERNMENT	3.882	03/14/25	3.333	3.353	2.0	1,349.5
MALAYSIA GOVERNMENT	3.899	11/16/27	3.446	3.570	12.4	1,236.1
MALAYSIA GOVERNMENT	4.504	04/30/29	3.631	3.699	6.8	1,153.2
MALAYSIA GOVERNMENT	3.582	07/15/32	3.759	3.779	2.0	1,071.9
MALAYSIA INVESTMNT ISSU	3.599	07/31/28	3.498	3.599	10.1	1,034.2
TOTAL VOLUME (TOP 10)						16,984.5
TOTAL VOLUME (Overall)						27,728.4

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	3-Feb Yield	10-Feb Yield	Change (WoW bp)	Weekly Volume (RM mn)
PROJEK LEBUHRAYA USAHA	4.821	01/12/35	4.631	4.621	-1.0	200.0
PROJEK LEBUHRAYA USAHA	4.628	01/10/31	4.410	4.375	-3.5	170.0
PROJEK LEBUHRAYA USAHA	4.773	01/12/34	4.555	4.571	1.6	170.0
PROJEK LEBUHRAYA USAHA	4.729	01/12/33	4.502	4.480	-2.2	160.0
PROJEK LEBUHRAYA USAHA	4.582	01/11/30	4.348	4.326	-2.2	140.0
PROJEK LEBUHRAYA USAHA	4.68	01/12/32	4.420	4.481	6.1	100.0
PRASARANA MALAYSIA BHD	5.11	09/12/42	4.370	4.399	2.9	80.0
BGSM MANAGEMENT SDN B	5.45	06/28/24	3.912	3.891	-2.1	75.0
PUBLIC ISLAMIC BANK BHD	3.75	10/31/29	3.831	3.831	0.0	60.0
PERBADANAN TABUNG PEN	4.58	02/28/34	N/A	4.088	N/A	50.0
TOTAL VOLUME (TOP 10)						1,205.0
TOTAL VOLUME (Overall)						2,768.0

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