midf RESEARCH

MIDF AMANAH
INVESTMENT BANK BERHAD

WEEKLY MONEY REVIEW

MIDF Strategy 20 February 2023

Week Ended 17 February 2023

- Selling intensified into the fourth week with benchmark 10-year UST yield ended the review week higher at 3.82% (prior week: 3.73%) as investors reacted to stronger than expected January CPI (actual: 0.5%mom; estimate: 0.4%mom) and January PPI (actual: 0.7%mom; estimate: 0.4%mom) data. The interest rate futures market was implying three more 25-bp rate hikes with terminal rate at 5.50%. The 10y-3y yield spread inverted deeper week-on-week from -47bps to -50bps 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 2.55% (prior week: 2.51%) arguably an indication of further lingering price pressures in the near term. The MTIE rose beyond the upper bound of an elevated inflation range (of 2.25%-2.50%) acceptable transiently to the US Fed. Despite recent upswing, the MTIE has nonetheless been trending lower from the high of 3.73% in late March 2022. It seems the market is cautious but remains sanguine the lingering price pressures would eventually ebb. On this score, we reckon the MTIE may 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 the 3-year and 10-year yields added 7.2bps and 13.6bps to close at 3.42% and 3.92% respectively. Accordingly, the 10y-3y yield spread expanded (yield curve steepened) week-on-week from 43bps to 49bps as the long-end underperformed.

- MGS foreign holdings declined on-year from RM260b in January 2022 to RM247b in January 2023. However, it was unchanged on-month from RM247b in December 2022. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at RM2.31b. It declined on-week from RM3.10b registered a week ago. However, it improved on-year from -RM516m a year ago.

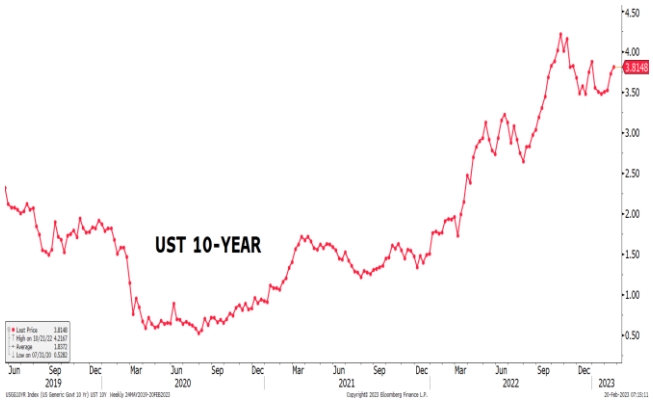
20 February 2023 | Strategy

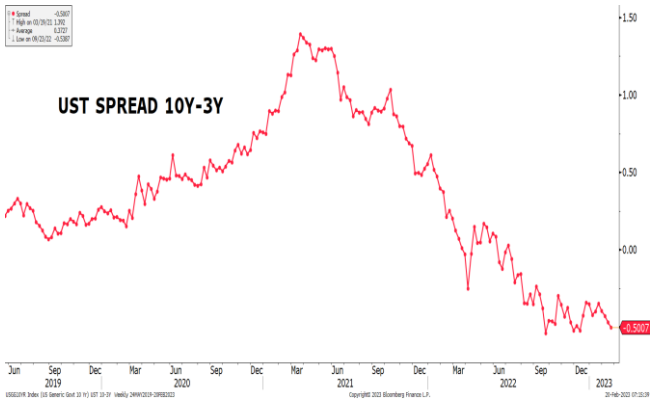
Strategy Team | research@midf.com.my

Weekly Money Review

A. FIXED INCOME

- Selling intensified into the fourth week with benchmark 10-year UST yield ended the review week higher at 3.82% (prior week: 3.73%) as investors reacted to stronger than expected January CPI (actual: 0.5%mom; estimate: 0.4%mom) and January PPI (actual: 0.7%mom; estimate: 0.4%mom) data. The interest rate futures market was implying three more 25-bp rate hikes with terminal rate at 5.50%. The 10y-3y yield spread inverted deeper week-on-week from -47bps to -50bps as the short-end underperformed due to its higher sensitivity to policy rate movement.





Source: Bloomberg, MIDFR

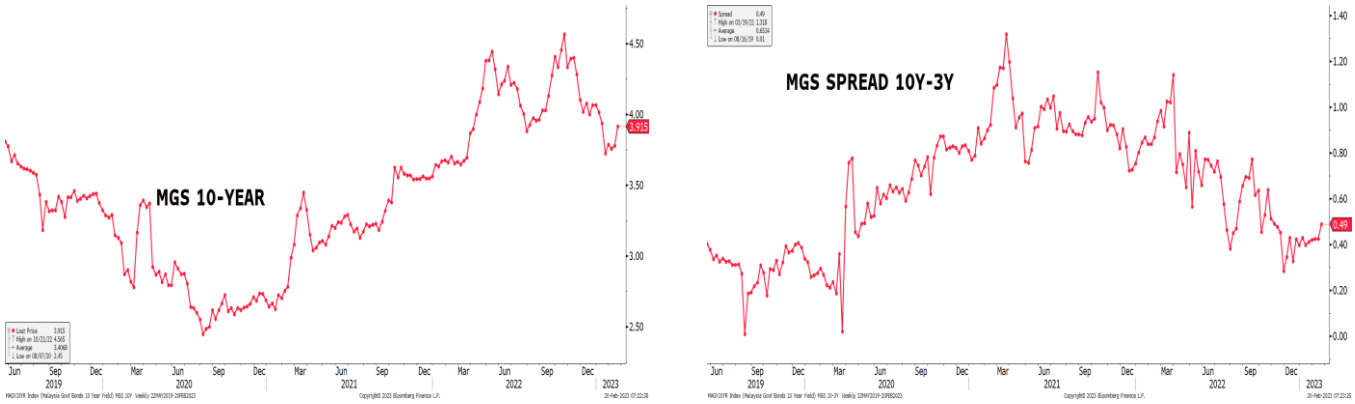
- Medium-term inflation expectation (MTIE) ended the review week higher at 2.55% (prior week: 2.51%) arguably an indication of further lingering price pressures in the near term. The MTIE rose beyond the upper bound of an elevated inflation range (of 2.25%-2.50%) acceptable transiently to the US Fed. Despite recent upswing, the MTIE has nonetheless been trending lower from the high of 3.73% in late March 2022. It seems the market is cautious but remains sanguine the lingering price pressures would eventually ebb. On this score, we reckon the MTIE may revert toward the 2.00% level by the end of this year.

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 7.2bps and 13.6bps to close at 3.42% and 3.92% respectively. Accordingly, the 10y-3y yield spread expanded (yield curve steepened) week-on-week from 43bps to 49bps as the long-end underperformed.

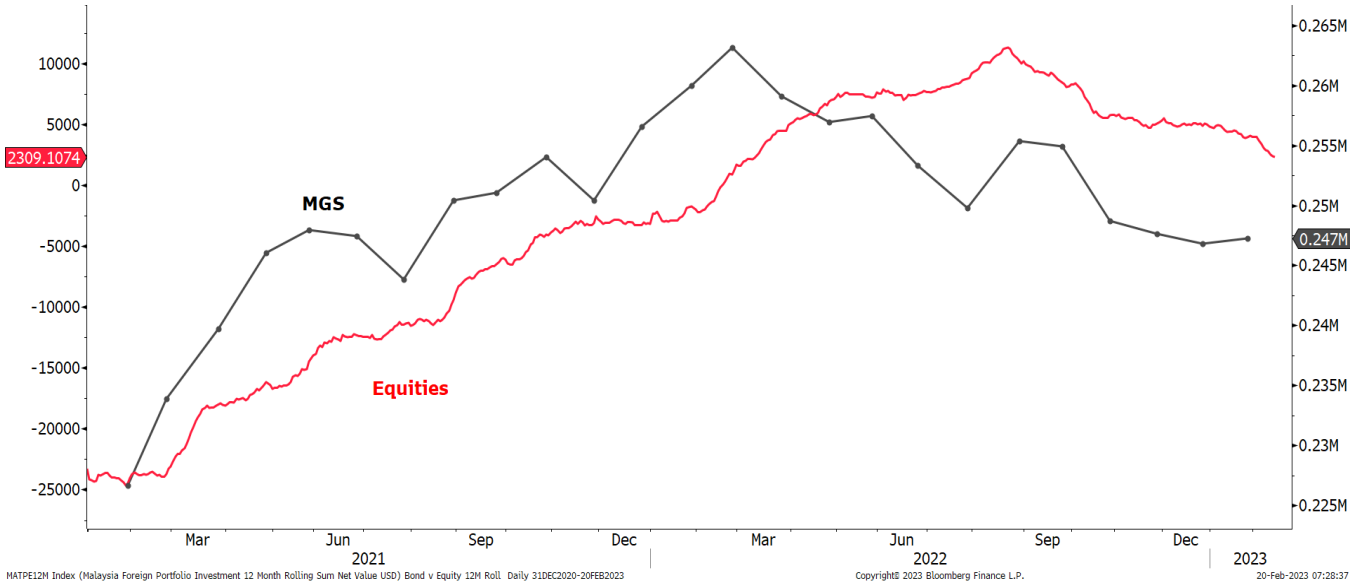


Source: Bloomberg, MIDFR

- Total trading value for Government Bonds (MGS/MII) declined to RM17.08b in the review week compared to RM27.73b in the prior week (based on Bloomberg data). The total trading value of 10 most actively traded issues increased (lower trading breadth) to 69% from 61% of the overall Government Bonds trades. Moreover, 8 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 MGS 3.757% 4/20/23 at RM1.96b, MGS 3.899% 11/16/27 at RM1.89b, and MGS 3.882% 3/14/25 at RM1.67b.

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



Source: Bloomberg, MIDFR

- MGS foreign holdings declined on-year from RM260b in January 2022 to RM247b in January 2023. However, it was unchanged on-month from RM247b in December 2022. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at RM2.31b. It declined on-week from RM3.10b registered a week ago. However, it improved on-year from -RM516m a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM2.59b in the review week compared to RM2.77b 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 44% 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 Cagamas 4.5% 12/27/27 at RM190m, Imtiaz Sukuk II 4.77% 5/11/29 at RM170m, and PLUS 4.773% 1/12/34 at RM110m.

B. FOREIGN EXCHANGE

- USD continued to rise in reaction to sticky inflation and hawkish expectations. US dollars appreciated again last week, with the DXY dollar index rising +0.2%wow to 103.86. With inflation slowing not as fast as market expectations, demand for US increased on the back of calls for more rate hikes by the Fed.

- Euro appreciated, but GBP weakened. Euro appreciated by +0.2%wow last week and ended at USD1.070 on Friday following expectations for more rate hikes by the ECB. However, pound sterling depreciated by -0.2%wow after closing the week at USD1.204 as better inflation reading reduced expectations for more rate hikes by the Bank of England.

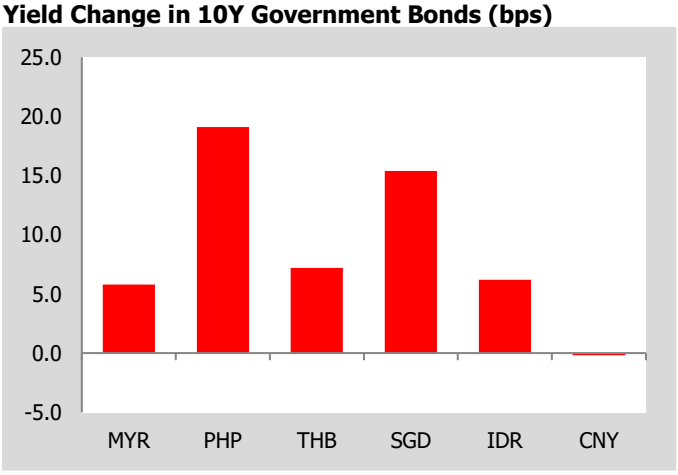
- Ringgit weakened and erased YTD gains in 2023. Like other regional currencies, Malaysian ringgit depreciated further last week, weakening even faster by -2.2%wow and ended at RM4.433 last Friday. While growing expectations for more hikes by the Fed caused EM currencies to weaken, ringgit performance could have been dragged down by lower crude oil prices too because Brent crude benchmark fell by -3.9%wow to USD83.00pb (previous week: USD86.39pb).

Currencies Changes (Week Ended 17 Feb 2023) and Quarterly Forecasts

	Close (17/02)	Prev. Close (10/02)	Weekly Change	Weekly Change (%)	1QCY23f	2QCY23f	3QCY23f	4QCY23f
DXY Index	103.86	103.63	+0.232	+0.2	102.50	101.00	98.60	97.10
EURUSD	1.070	1.068	+0.002	+0.2	1.07	1.08	1.10	1.11
GBPUSD	1.204	1.206	-0.002	-0.2	1.20	1.22	1.24	1.25
USDJPY	134.15	131.36	-2.790	-2.1	132	131	130	129
USDMYR	4.433	4.334	-0.099	-2.2	4.21	4.17	4.15	4.00
GBPMYR	5.293	5.243	-0.051	-1.0	5.05	5.09	5.15	5.00
JPYMYR	3.304	3.297	-0.007	-0.2	3.19	3.18	3.19	3.10

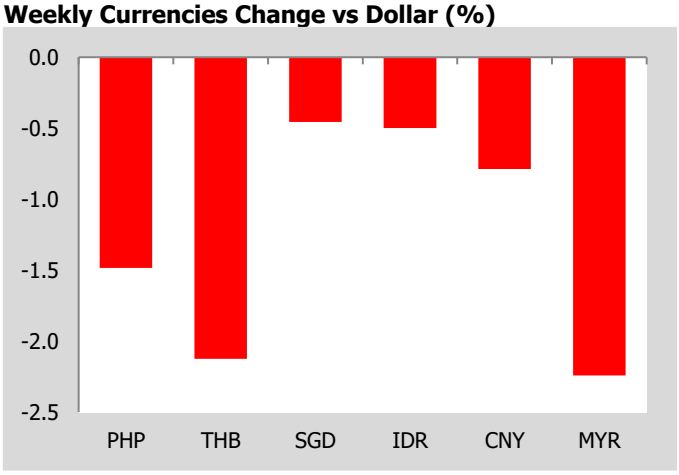
Note: "+" indicates appreciation, while "-" indicates depreciation. Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

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	6.00
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:
  - Inflation remained elevated and eased slower than expected in Jan-23, with headline CPI inflation moderating to +6.4%yoy (market forecast: +6.3%yoy) and core CPI inflation slowing to +5.6%yoy (market forecast: +5.5%yoy).
  - PPI inflation indicated increased cost pressures in Jan-23 from previous month, rising +0.7%mom faster than market forecast (+0.4%mom). As a result, annual PPI inflation only slowed to +6%yoy (Dec-22: +6.5%yoy; market forecast: +5.4%yoy).
  - Retail spending grew faster than expected, rising +3%mom (market forecast: +1.8%mom) in Jan-23. Compared to Jan-22, retail sales rose faster at +6.4%yoy (Dec-22: +5.9%yoy).
  - Job market remained tight as weekly initial jobless claims declined again to 194K for the week ended 11th February (prior week: 195K), below market forecast for an increase by 200K.

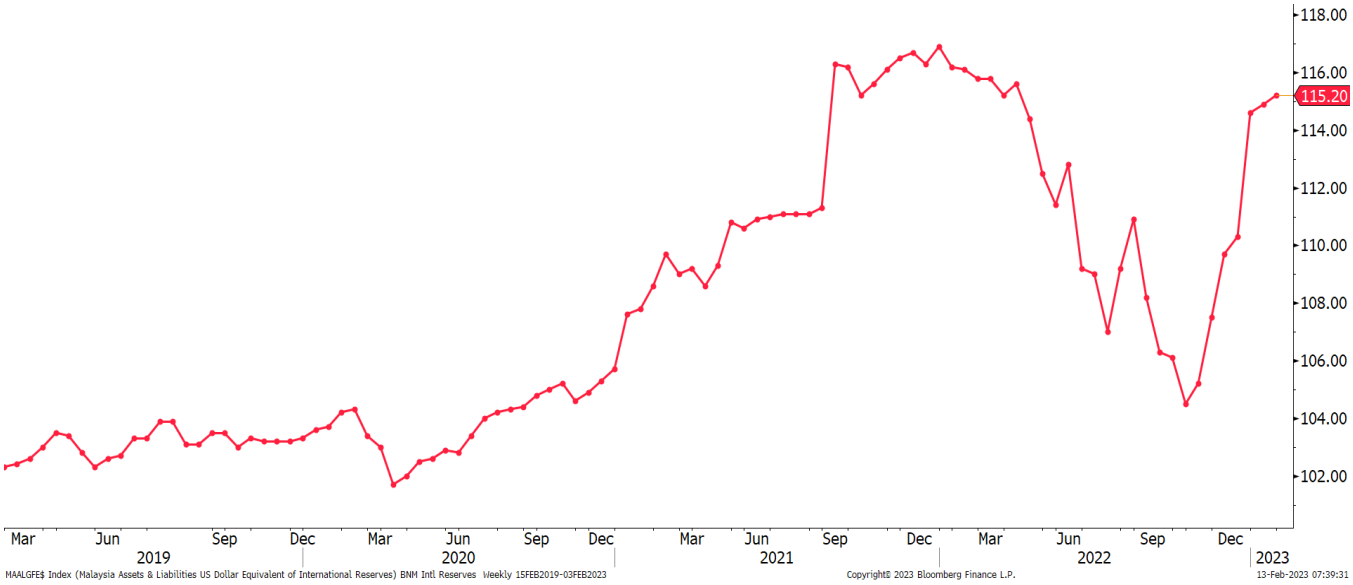
- More Fed policymakers expressed support for the Fed to be more hawkish. Cleveland Fed President Loretta Mester shared her view that the latest economic data supports her view that fed funds rate needs to be raised to more than 5% and kept at high levels to bring inflation back to Fed's 2% target. Meanwhile, St. Louis Fed President James Bullard indicated his call for the Fed to consider 50bps rate hike for the interest rates to be sufficiently restrictive.

- On monetary policy meetings last week:
  - Bank Indonesia kept its policy rate unchanged at 5.75% as widely anticipated by market consensus.
  - Bangko Sentral ng Pilipinas raised its benchmark interest rate higher by 50bps to 6.00%, the highest since late 2008. The decision was similar to market expectations to contain inflation which accelerated further in Jan-23.

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	10-Feb Fri	13-Feb Mon	14-Feb Tue	15-Feb Wed	16-Feb Thu	17-Feb Fri	Change (WoW bp)
MGS							
3-Y	3.353	3.433	3.445	3.467	3.435	3.425	7.2
5-Y	3.57	3.621	3.586	3.632	3.574	3.608	3.8
7-Y	3.735	3.798	3.797	3.79	3.734	3.777	4.2
10-Y	3.779	3.9	3.876	3.907	3.915	3.915	13.6
20-Y	4.117	4.23	4.243	4.188	4.221	4.188	7.1
RINGGIT IRS							
1-Y	3.505	3.525	3.495	3.55	3.515	3.505	0
3-Y	3.465	3.5	3.49	3.56	3.515	3.545	8
5-Y	3.545	3.62	3.585	3.655	3.615	3.65	10.5
7-Y	3.685	3.74	3.735	3.805	3.75	3.792	10.7
10-Y	3.79	3.875	3.86	3.92	3.875	3.93	14
KLIBOR							
1-M	2.97	2.97	2.97	2.97	2.96	2.96	-1
3-M	3.65	3.65	3.65	3.65	3.64	3.63	-2
UST							
3-Y	4.2015	4.2015	4.3169	4.3482	4.3682	4.3155	11.4
5-Y	3.9226	3.9104	4.001	4.0368	4.0727	4.0291	10.65
7-Y	3.848	3.8168	3.8848	3.9375	3.985	3.9355	8.75
10-Y	3.732	3.7016	3.7435	3.8049	3.8608	3.8148	8.28
30-Y	3.8158	3.7728	3.7746	3.841	3.9142	3.8693	5.35
USD LIBOR							
1-M	4.578	4.58786	4.59	4.60143	4.59786	4.59129	1.329
3-M	4.86943	4.86357	4.87157	4.87657	4.90086	4.91529	4.586

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	10-Feb Yield	17-Feb Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.757	04/20/23	2.878	2.962	8.4	1,961.7
MALAYSIA GOVERNMENT	3.899	11/16/27	3.570	3.608	3.8	1,887.4
MALAYSIA GOVERNMENT	3.882	03/14/25	3.353	3.425	7.2	1,669.1
MALAYSIA INVESTMNT ISSU	4.369	10/31/28	3.617	3.700	8.3	1,231.1
MALAYSIA INVESTMNT ISSU	4.193	10/07/32	3.947	3.988	4.1	1,066.0
MALAYSIA GOVERNMENT	3.48	03/15/23	2.937	2.859	-7.8	981.2
MALAYSIA GOVERNMENT	4.498	04/15/30	3.735	3.777	4.2	922.7
MALAYSIA INVESTMNT ISSU	3.99	10/15/25	3.422	3.450	2.8	862.0
MALAYSIA INVESTMNT ISSU	3.599	07/31/28	3.599	3.597	-0.2	641.5
MALAYSIA INVESTMNT ISSU	4.13	07/09/29	3.804	3.835	3.1	613.0
TOTAL VOLUME (TOP 10)						11,835.7
TOTAL VOLUME (Overall)						17,081.6

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	10-Feb Yield	17-Feb Yield	Change (WoW bp)	Weekly Volume (RM mn)
CAGAMAS BERHAD	4.5	12/27/27	N/A	4.084	N/A	190.0
IMTIAZ SUKUK II BHD	4.77	05/11/29	4.458	4.409	-4.9	170.0
PROJEK LEBUHRAYA USAHA	4.773	01/12/34	4.571	4.631	6.0	110.0
PROJEK LEBUHRAYA USAHA	4.21	01/10/25	4.020	4.019	-0.1	100.0
SARAWAK ENERGY BHD	5	07/04/24	3.716	3.740	2.4	80.0
PROJEK LEBUHRAYA USAHA	4.376	01/12/26	3.999	4.115	11.6	70.0
PROJEK LEBUHRAYA USAHA	4.445	01/12/27	4.099	4.188	8.9	70.0
WCT HOLDINGS BHD	4.05	03/31/23	4.657	4.605	-5.2	62.8
DANUM CAPITAL BHD	4.02	06/30/25	3.815	3.815	0.0	61.0
PROJEK LEBUHRAYA USAHA	4.821	01/12/35	4.621	4.710	8.9	60.0
TOTAL VOLUME (TOP 10)						973.8
TOTAL VOLUME (Overall)						2,586.9

Source: Bloomberg

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077 (23878-X)).
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878-X)). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein This document may not be reproduced, distributed or published in any form or for any purpose.

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