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MIDF AMANAH
INVESTMENT BANK BERHAD

WEEKLY MONEY REVIEW

MIDF Strategy 27 February 2023

Week Ended 24 February 2023

- Selling activities further intensified into the fifth week with benchmark 10-year UST yield ended the review week higher at 3.94% (prior week: 3.82%) as investors reacted to stronger than expected January Core PCE (actual: 0.6%mom; estimate: 0.5%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 -50bps to -59bps 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 2.56% (prior week: 2.55%) arguably in reaction to the strong Core PCE data. The MTIE remains beyond the upper bound of an elevated inflation range (of 2.25%-2.50%) acceptable transiently to the US Fed. Despite recent upswings, the MTIE has nonetheless been trending lower from the high of 3.73% in late March 2022. It seems the market is increasingly cautious of a more protracted inflation battle 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 5.9bps and 1.5bps to close at 3.48% and 3.93% respectively. Accordingly, the 10y-3y yield spread narrowed (yield curve flattened) week-on-week from 49bps to 45bps as the short-end underperformed.

- MGS foreign holdings declined on-year from RM260b in January 2022 to RM247b in January 2023. However, it barely risen 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 RM1.91b. It declined on-week from RM2.31b registered a week ago. However, it improved on-year from RM964m a year ago.

27 February 2023 | **Strategy**

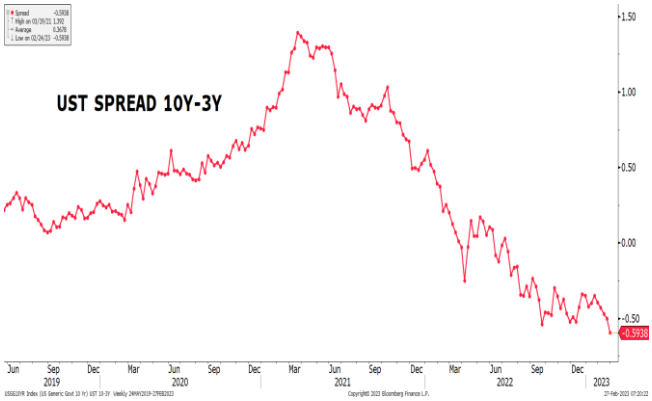
Strategy Team | research@midf.com.my

Weekly Money Review

A. FIXED INCOME

- Selling activities further intensified into the fifth week with benchmark 10-year UST yield ended the review week higher at 3.94% (prior week: 3.82%) as investors reacted to stronger than expected January Core PCE (actual: 0.6%mom; estimate: 0.5%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 -50bps to -59bps as the short-end underperformed due to its higher sensitivity to policy rate movement.





Source: Bloomberg, MIDFR

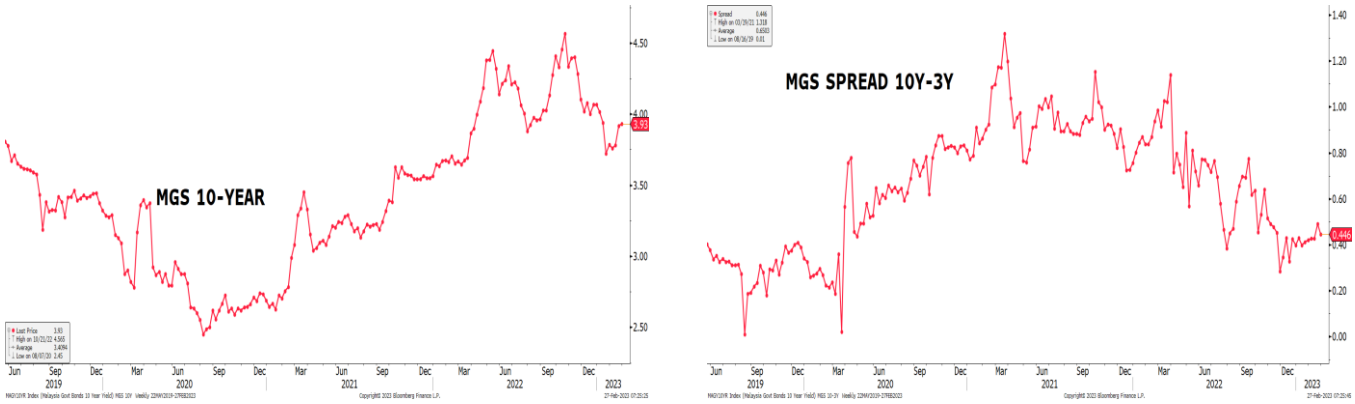
- Medium-term inflation expectation (MTIE) ended the review week higher at 2.56% (prior week: 2.55%) arguably in reaction to the strong Core PCE data. The MTIE remains beyond the upper bound of an elevated inflation range (of 2.25%-2.50%) acceptable transiently to the US Fed. Despite recent upswings, the MTIE has nonetheless been trending lower from the high of 3.73% in late March 2022. It seems the market is increasingly cautious of a more protracted inflation battle 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 5.9bps and 1.5bps to close at 3.48% and 3.93% respectively. Accordingly, the 10y-3y yield spread narrowed (yield curve flattened) week-on-week from 49bps to 45bps as the short-end underperformed.

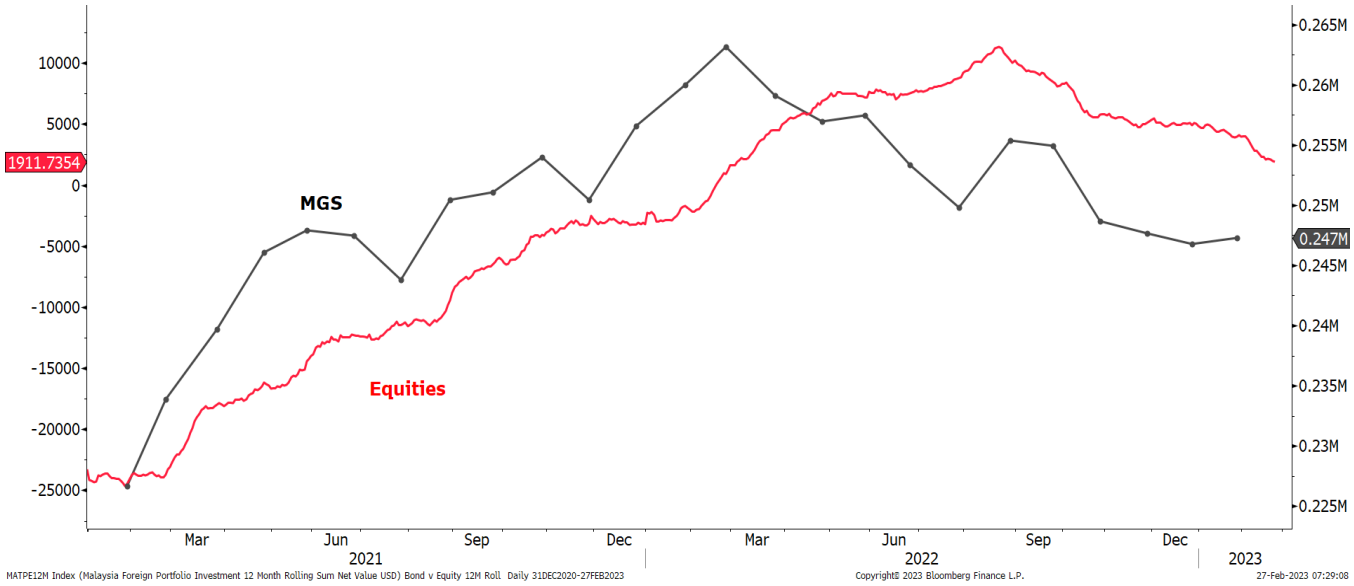


Source: Bloomberg, MIDFR

- Total trading value for Government Bonds (MGS/MII) increased to RM18.44b in the review week compared to RM17.08b in the prior week (based on Bloomberg data). The total trading value of 10 most actively traded issues declined (higher trading breadth) to 63% from 69% of the overall Government Bonds trades. Moreover, 6 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 residual tenor. The top 3 most actively traded were MGS 3.48% 3/15/23 at RM2.22b, MGS 3.906% 7/15/26 at RM2.06b, and MGS 3.757% 4/20/23 at RM1.44b.

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 barely risen 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 RM1.91b. It declined on-week from RM2.31b registered a week ago. However, it improved on-year from RM964m a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM1.93b in the review week compared to RM2.59b in the prior week (based on Bloomberg data). The total trading value of 10 most actively traded issues increased (lower trading breadth) to 40% from 38% of the overall Corporate Bonds trades.

- The top 3 actively traded Corporate Bonds were dominated by issues of mid residual tenor. The largest trading values were seen in Danainfra 4.44% 10/19/29 at RM145m, PLUS 4.496% 1/12/28 at RM140m, and Danum Capital 4.02% 6/30/25 at RM100m.

B. FOREIGN EXCHANGE

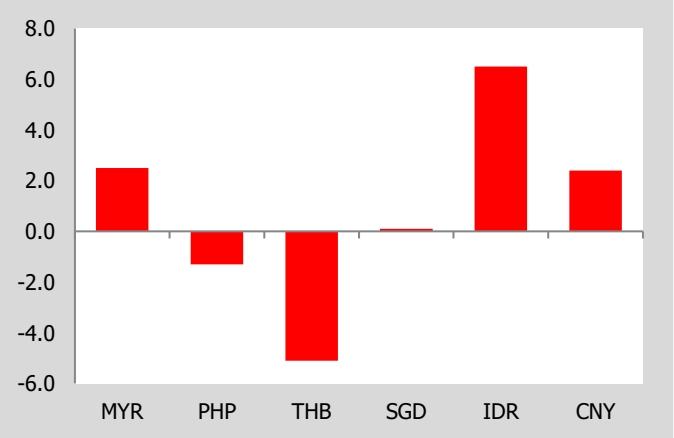
- Another week of stronger dollar as inflation higher than expected. The higher inflation reading and rate expectation pushed US dollars to appreciate again last week, with the DXY dollar index rising +1.3%wow to 105.21, level last seen in more than 2 months.
- Euro and pound depreciated. As dollar strengthened, both euro and pound sterling weakened last week, depreciating by -1.4%wow to USD1.055 and -0.8%wow to USD1.194, respectively. GBP also weakened despite calls by BOE policymaker for BOE to continue tightening monetary policy.
- Ringgit weakened slightly. Malaysian ringgit depreciated for the 4th straight week and reached the weakest weekly closing against US dollar since late Nov-22. But, ringgit only weakened slightly by -0.1%wow and ended at RM4.435 last Friday. Stabilization in oil prices is also positive for ringgit, although Brent crude benchmark only increased by +0.2%wow to USD83.16pb (previous week: USD83.00).

Currencies Changes (Week Ended 24 Feb 2023) and Quarterly Forecasts

	Close (24/02)	Prev. Close (17/02)	Weekly Change	Weekly Change (%)	1QCY23f	2QCY23f	3QCY23f	4QCY23f
DXY Index	105.21	103.86	+1.352	+1.3	102.50	101.00	98.60	97.10
EURUSD	1.055	1.070	-0.015	-1.4	1.07	1.08	1.10	1.11
GBPUSD	1.194	1.204	-0.009	-0.8	1.20	1.22	1.24	1.25
USDJPY	136.48	134.15	-2.330	-1.7	132	131	130	129
USDMYR	4.435	4.433	-0.002	-0.1	4.21	4.17	4.15	4.00
GBPMYR	5.333	5.293	-0.040	-0.7	5.05	5.09	5.15	5.00
JPYMYR	3.250	3.304	+0.054	+1.7	3.19	3.18	3.19	3.10

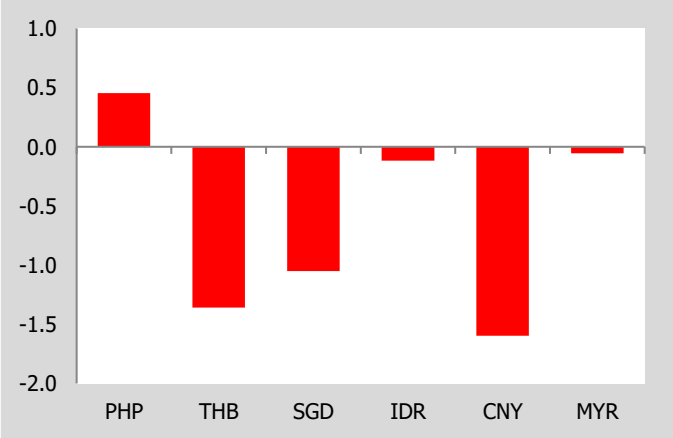
Note: "+" indicates appreciation, while "-" indicates depreciation. Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

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:
  - Revised GDP growth for 4QCY22 shows the US economy grew slightly slower at annualized +2.7%qoq (advance estimate: +2.9%qoq) due to slower growth in personal consumption expenditures.
  - Core PCE inflation unexpectedly rose to +4.7%yoy in Jan-23 (Dec-22: +4.6%yoy; market consensus: +4.3%yoy).
  - US consumer confidence in Jan-23 improved as the final reading for University of Michigan consumer sentiment index rose to 67 (Dec-22: 64.9), even better than preliminary reading of 66.4 mainly because of better expectations on future economic condition.
  - Job market remained tight as weekly initial jobless claims fell further to 192K for the week ended 18th February (prior week: 195K), below market forecast for an increase to 200K.

- US FOMC minutes reaffirms the Fed's projection to continue tightening and keep interest rates at high levels for extended period to ensure inflation ease towards its 2% target.

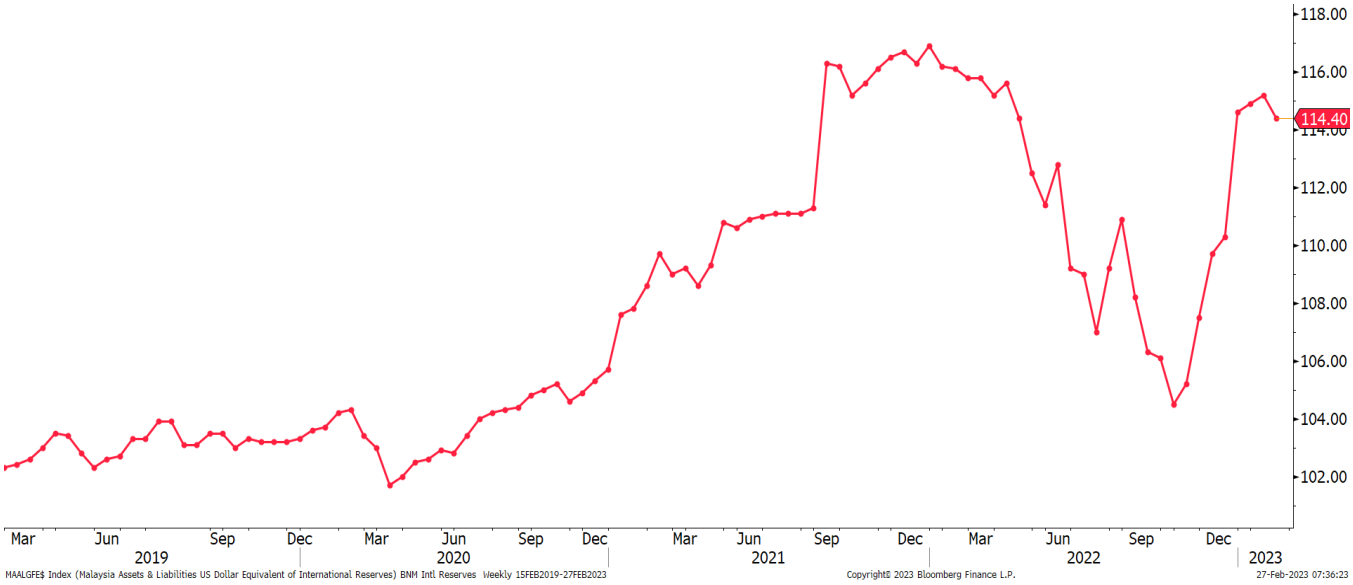
- Bank of Korea maintained its policy rate unchanged at 3.50% as inflation is projected to ease. However, with inflation remains above its target, the bank keeps it open for possible rate hike at the upcoming meeting.

  - Malaysia's headline CPI inflation eased further to +3.7%yoy in Jan-23 (Dec-22: +3.8%yoy). It looks rather sticky as core CPI inflation remained at high levels, despite easing to +3.9%yoy. As inflation remained elevated, we maintain our projection for BNM to raise OPR by 25bps to 3.00% at the upcoming MPC meeting in Mar-23.

C. BNM INTERNATIONAL RESERVES

- As of 15 February 2023, compared to previous fortnight, Bank Negara Malaysia's international reserves was lower at USD114.4b (31 January 2023: USD115.2b).

BNM INTERNATIONAL RESERVES



Source: Bloomberg, MIDFR

- The amount of reserves is sufficient to finance 5.0 months of imports of goods & services and is 1.0 times total short-term external debt.

APPENDIX

WEEKLY INTEREST RATE MONITOR

Tenor	17-Feb Fri	20-Feb Mon	21-Feb Tue	22-Feb Wed	23-Feb Thu	24-Feb Fri	Change (WoW bp)
MGS							
3-Y	3.425	3.424	3.404	3.489	3.491	3.484	5.9
5-Y	3.608	3.585	3.602	3.649	3.607	3.619	1.1
7-Y	3.777	3.754	3.765	3.788	3.79	3.773	-0.4
10-Y	3.915	3.876	3.889	3.909	3.915	3.93	1.5
20-Y	4.188	4.195	4.17	4.192	4.177	4.188	0
RINGGIT IRS							
1-Y	3.505	3.505	3.515	3.55	3.555	3.555	5
3-Y	3.545	3.54	3.555	3.585	3.59	3.585	4
5-Y	3.65	3.64	3.65	3.7075	3.71	3.71	6
7-Y	3.792	3.75	3.77	3.835	3.83	3.845	5.3
10-Y	3.93	3.9	3.91	3.97	3.97	3.96	3
KLIBOR							
1-M	2.96	2.96	2.96	2.96	2.96	2.96	0
3-M	3.63	3.63	3.63	3.63	3.63	3.63	0
UST							
3-Y	4.3155	4.3155	4.4379	4.4269	4.4101	4.537	22.15
5-Y	4.0291	4.0291	4.1745	4.1514	4.1064	4.2152	18.61
7-Y	3.9355	3.9355	4.0867	4.0682	4.0339	4.1088	17.33
10-Y	3.8148	3.8148	3.9525	3.9156	3.8768	3.9432	12.84
30-Y	3.8693	3.8693	3.9718	3.9142	3.8848	3.9309	6.16
USD LIBOR							
1-M	4.59129	4.59271	4.592	4.60429	4.617	4.63486	4.357
3-M	4.91529	4.90943	4.92214	4.92814	4.95786	4.95343	3.814

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	17-Feb Yield	24-Feb Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.48	03/15/23	2.859	2.831	-2.8	2,217.5
MALAYSIA GOVERNMENT	3.906	07/15/26	3.461	3.484	2.3	2,063.0
MALAYSIA GOVERNMENT	3.757	04/20/23	2.962	2.875	-8.7	1,435.2
MALAYSIA GOVERNMENT	3.899	11/16/27	3.608	3.630	2.2	1,223.4
MALAYSIA INVESTMNT ISSU	3.99	10/15/25	3.450	3.431	-1.9	920.9
MALAYSIA GOVERNMENT	3.882	03/14/25	3.425	3.365	-6.0	920.4
MALAYSIA GOVERNMENT	3.582	07/15/32	3.915	3.930	1.5	899.8
MALAYSIA INVESTMNT ISSU	4.193	10/07/32	3.988	3.953	-3.5	846.8
MALAYSIA INVESTMNT ISSU	4.417	09/30/41	4.291	4.287	-0.4	705.2
MALAYSIA INVESTMNT ISSU	4.045	08/15/24	3.231	3.248	1.7	471.9
TOTAL VOLUME (TOP 10)						11,704.0
TOTAL VOLUME (Overall)						18,444.5

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	17-Feb Yield	24-Feb Yield	Change (WoW bp)	Weekly Volume (RM mn)
DANAINFRA NASIONAL	4.44	10/19/29	N/A	3.939	N/A	145.0
PROJEK LEBUHRAYA USAHA	4.496	01/12/28	4.168	4.243	7.5	140.0
DANUM CAPITAL BHD	4.02	06/30/25	3.815	3.937	12.2	100.0
TG EXCELLENCE BHD	3.95	PERP	4.828	4.846	1.8	82.0
PERBADANAN TABUNG PEN	4.58	02/28/34	4.088	4.102	1.4	60.0
PROJEK LEBUHRAYA USAHA	4.773	01/12/34	4.631	4.640	0.9	60.0
PROJEK LEBUHRAYA USAHA	4.891	01/11/36	4.689	4.749	6.0	50.0
PROJEK LEBUHRAYA USAHA	4.954	01/12/37	4.703	4.780	7.7	50.0
HONG LEONG FINL GROUP	4.82	PERP	N/A	4.344	N/A	40.0
PROJEK LEBUHRAYA USAHA	4.72	01/12/26	3.978	4.096	11.8	40.0
TOTAL VOLUME (TOP 10)						767.0
TOTAL VOLUME (Overall)						1,926.4

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