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MIDF AMANAH
INVESTMENT BANK BERHAD

WEEKLY MONEY REVIEW

MIDF Strategy 3 April 2023

Week Ended 31 March 2023

- Investors pared down their safe haven UST positions with benchmark 10-year yield ended the review week higher at 3.48% (prior week: 3.38%) as worries over systemic fallout following the collapse of several lenders in recent weeks receded. Moreover, the 10y-3y yield spread inverted deeper week-on-week from -20bps to -32bps as the short-end underperformed. Nonetheless, the interest rate futures market was implying a spate of rate cuts beginning in September.
- Medium-term inflation expectation (MTIE) rebounded further to 2.48% (prior week: 2.27%) due to easing worries over potential systemic banking crisis. However, the MTIE is still within an elevated inflation range (of 2.25%-2.50%) acceptable transiently to the US Fed. Moreover, it is notable that the MTIE has been trending lower from the high of 3.73% in late March 2022. It seems the market remains rather sanguine the underlying inflation pressure is ebbing.
- The price of domestic MGS benchmark issues ended the review week lower with the 3-year and 10-year yields added 3.8bps and 3.4bps to close at 3.38% and 3.91% respectively. The 10y-3y yield spread was largely unchanged week-on-week at 53bps.
- MGS foreign holdings declined on-year from RM263b in February 2022 to RM252b in February 2023. However, it risen on-month from RM247b in January 2023. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM3.90b. It declined on-week from -RM3.38b registered a week ago. Moreover, it dropped on-year from RM4.96b a year ago.

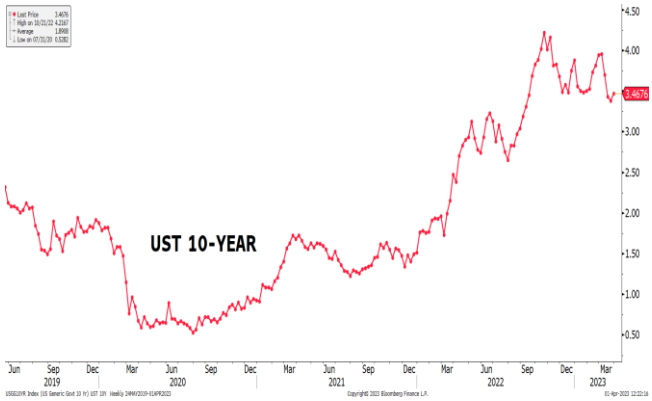
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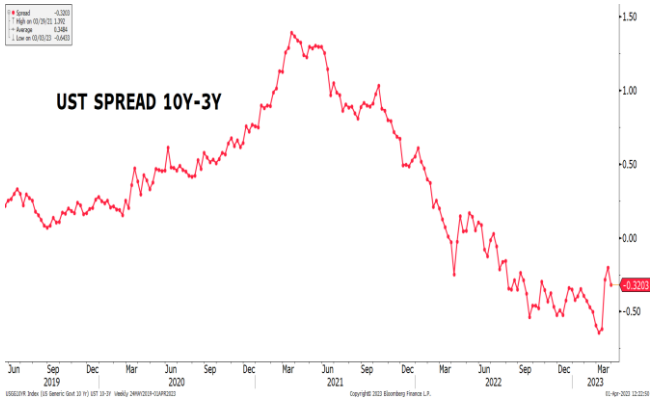
Strategy Team | research@midf.com.my

Weekly Money Review

A. FIXED INCOME

- Investors pared down their safe haven UST positions with benchmark 10-year yield ended the review week higher at 3.48% (prior week: 3.38%) as worries over systemic fallout following the collapse of several lenders in recent weeks receded. Moreover, the 10y-3y yield spread inverted deeper week-on-week from -20bps to -32bps as the short-end underperformed. Nonetheless, the interest rate futures market was implying a spate of rate cuts beginning in September.





Source: Bloomberg, MIDFR

- Medium-term inflation expectation (MTIE) rebounded further to 2.48% (prior week: 2.27%) due to easing worries over potential systemic banking crisis. However, the MTIE is still within an elevated inflation range (of 2.25%-2.50%) acceptable transiently to the US Fed. Moreover, it is notable that the MTIE has been trending lower from the high of 3.73% in late March 2022. It seems the market remains rather sanguine the underlying inflation pressure is ebbing.

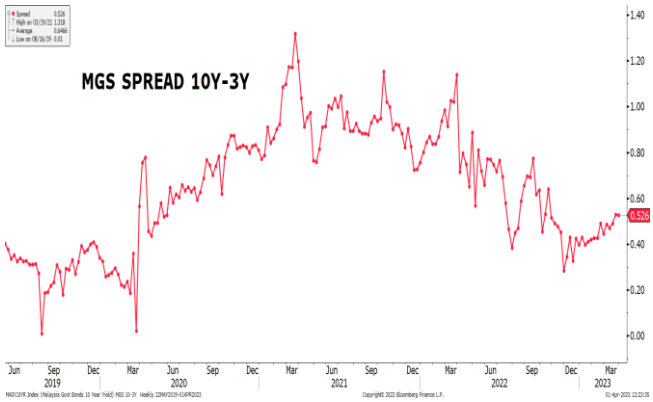
MEDIUM-TERM INFLATION EXPECTATION (MTIE): 5Y UST-TIPS SPREAD



Source: Bloomberg, MIDFR

- The price of domestic MGS benchmark issues ended the review week lower with the 3-year and 10-year yields added 3.8bps and 3.4bps to close at 3.38% and 3.91% respectively. The 10y-3y yield spread was largely unchanged week-on-week at 53bps.



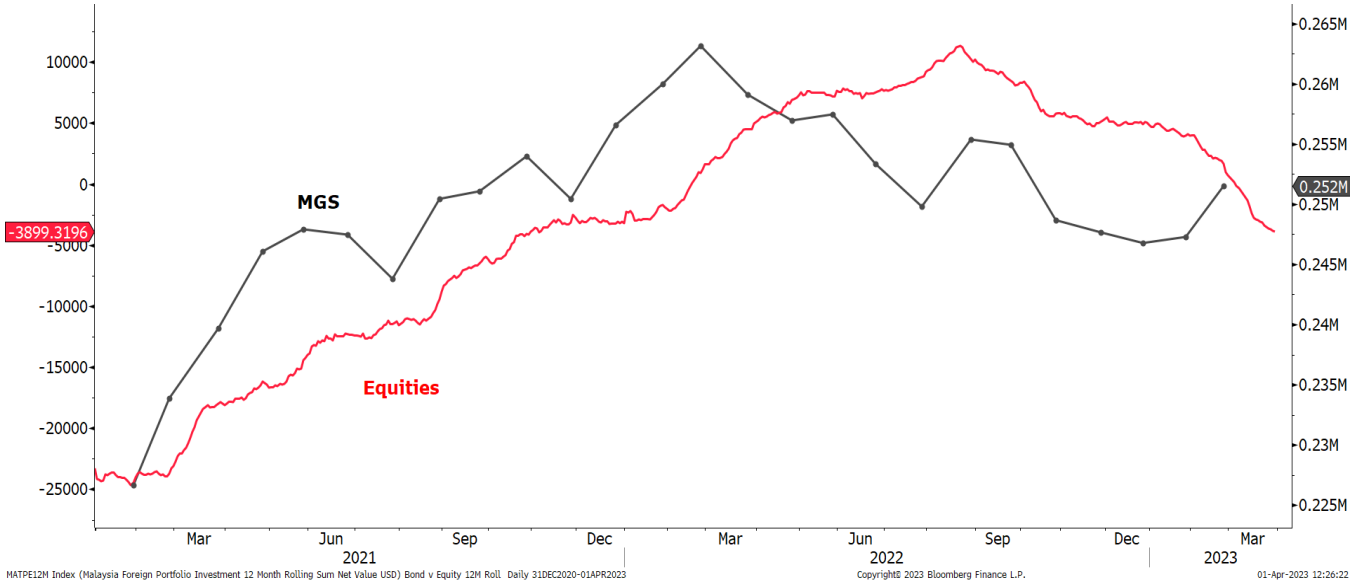


Source: Bloomberg, MIDFR

- Total trading value for Government Bonds (MGS/MII) declined to RM17.10b in the review week compared to RM19.82b in the prior week (based on Bloomberg data). The total trading value of 10 most actively traded issues increased (lower trading breadth) to 61% from 58% of the overall Government Bonds trades. Moreover, 6 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 3.882% 3/14/25 at RM2.34b, MGS 3.8% 8/17/23 at RM1.35b, and MGS 3.906% 7/15/26 at RM1.20b.

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



Source: Bloomberg, MIDFR

- MGS foreign holdings declined on-year from RM263b in February 2022 to RM252b in February 2023. However, it risen on-month from RM247b in January 2023. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM3.90b. It declined on-week from -RM3.38b registered a week ago. Moreover, it dropped on-year from RM4.96b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM2.39b in the review week compared to RM4.86b in the prior week (based on Bloomberg data). The total trading value of 10 most actively traded issues increased (lower trading breadth) to 45% from 39% of the overall Corporate Bonds trades.

- The top 3 actively traded Corporate Bonds were dominated by issues of short residual tenor. The largest trading values were seen in Cagamas 4.15% 10/31/24 at RM300m, Danum Capital 4.02% 6/30/25 at RM185m, and Cagamas 4.24% 12/22/25 at RM100m.

B. FOREIGN EXCHANGE

- USD weakened further as inflation eased. As concerns over banking sector subsided, US dollars weakened further last week as the DXY dollar index fell by -0.6%wow to 102.51, the lowest weekly closing in the past couple months. The weaker dollar reflects reduced market expectations for more rate hikes by the Fed in view of easing inflation, and weaker growth in personal consumption and income.

- Euro and pound rallied further. In contrast, both euro and pound appreciated last week by +0.7%wow to USD1.084 and +0.9%wow to USD1.234, respectively. The economic resilience amid reduced concerns over energy crisis and expectation for more hikes by the ECB supported the euro performance. Similarly, BOE's commitment to tackle inflation supported the GBP's strengthening against US dollars.

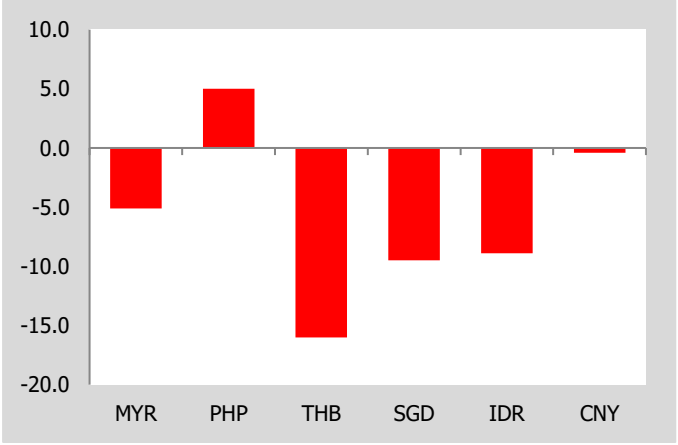
- Ringgit also gained from weaker dollar. As dollar weakened further, ringgit returned to the strongest level in 7 weeks, following +0.3%wow appreciation and ending last week at RM4.415. This was also underpinned by higher crude oil prices as Brent benchmark increased +6.4%wow last week to USD79.77pb (prior week: USD74.99pb).

Currencies Changes (Week Ended 31 March 2023) and Quarterly Forecasts

	Close (31/03)	Prev. Close (24/03)	Weekly Change	Weekly Change (%)	1QCY23	2QCY23f	3QCY23f	4QCY23f
DXY Index	102.51	103.12	-0.610	-0.6	102.51	101	98.3	97.5
EURUSD	1.084	1.076	+0.008	+0.7	1.08	1.08	1.12	1.13
GBPUSD	1.234	1.223	+0.010	+0.9	1.23	1.22	1.24	1.26
USDJPY	132.86	130.73	-2.130	-1.6	132.86	130	129	126
USDMYR	4.415	4.428	+0.013	+0.3	4.42	4.19	4.13	4.00
GBPMYR	5.461	5.409	-0.052	-1.0	5.46	5.11	5.12	5.04
JPYMYR	3.325	3.386	+0.061	+1.8	3.33	3.20	3.20	3.17

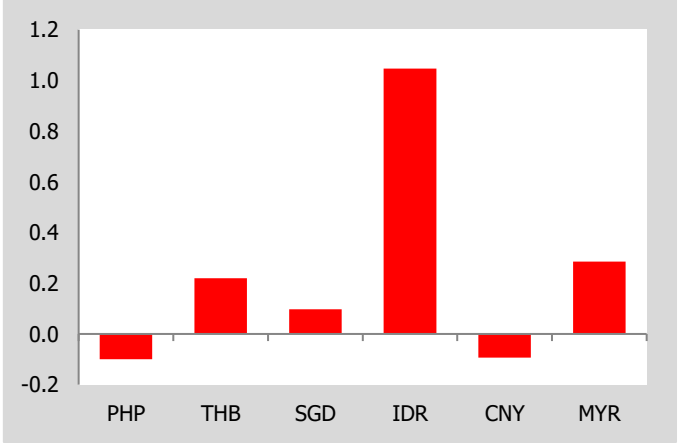
Note: "+" indicates appreciation, while "-" indicates depreciation. Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

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 (%)

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

Source: Bloomberg, MIDFR

- US economic data released last week:
  - US Conference Board consumer confidence rose to 104.2 in Mar-23 (Feb-23: 103.4) as consumers expected better future economic outlook, rather unaffected by the turmoil in the US banking sector. In contrast, final reading of the University of Michigan consumer sentiment index revised lower to 62 (Feb-23: 67) as the survey found consumers expressed greater concern over recession risk, apart from lower inflation expectation.
  - US job market remained tight. Initial jobless claims remained at low levels, despite rising to 198K for the week ended 25th March (prior week: 191K), slightly higher than market consensus of 196K.
  - Inflation continued to ease as core PCE inflation slowed to +4.6%yoy in Feb-23 (Jan-23: +4.7%yoy).
  - Personal spending and income grew rose slower at +0.2%mom (Jan-23: +2%mom) and +0.3%Mom (Jan-23: +0.6%mom), respectively.

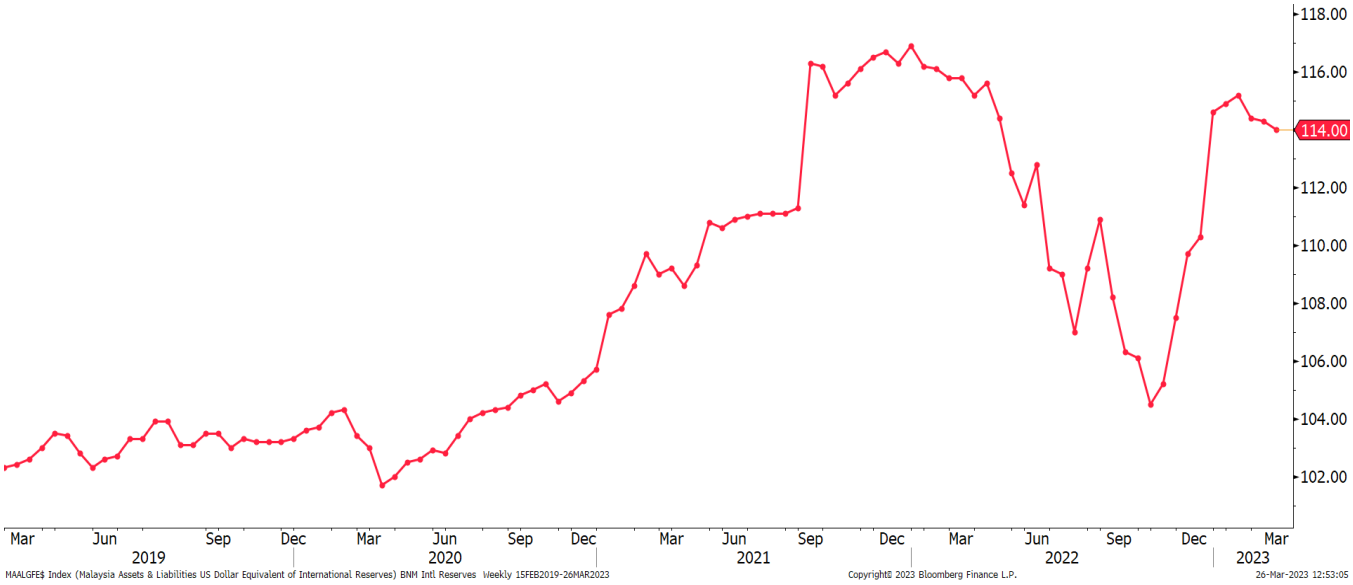
- Last week, Bank of Thailand raised its benchmark interest rate by 25bps to 1.75%, the highest since mid-2019. The improvement in growth and inflation outlook allows the central to continue with its policy normalization.

- Cost pressures among local producers declined for the first time in 2 years as Malaysia's PPI declined by -0.8%yoy in Feb-23 (Jan-23: +1.3%yoy). The decline reflects the continued disinflation in the costs for crude materials, the main reason for continued reduction in the PPI for agriculture and mining sectors.

C. BNM INTERNATIONAL RESERVES

- As of 15 March 2023, compared to previous fortnight, Bank Negara Malaysia's international reserves was lower at USD114.0b (28 February 2023: USD114.3b).

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	24-Mar Fri	27-Mar Mon	28-Mar Tue	29-Mar Wed	30-Mar Thu	31-Mar Fri	Change (WoW bp)
MGS							
3-Y	3.344	3.343	3.333	3.345	3.347	3.382	3.8
5-Y	3.486	3.477	3.472	3.532	3.52	2.505	-98.1
7-Y	3.75	3.755	3.769	3.809	3.795	3.739	-1.1
10-Y	3.874	3.881	3.892	3.898	3.925	3.908	3.4
20-Y	4.144	4.151	4.165	4.166	4.19	4.203	5.9
RINGGIT IRS							
1-Y	3.455	3.485	3.505	3.58	3.595	3.645	19
3-Y	3.415	3.445	3.455	3.525	3.515	3.6	18.5
5-Y	3.49	3.545	3.565	3.605	3.585	3.665	17.5
7-Y	3.63	3.67	3.695	3.745	3.72	3.775	14.5
10-Y	3.76	3.815	3.83	3.88	3.86	3.89	13
KLIBOR							
1-M	2.96	2.96	2.96	2.96	2.96	2.96	0
3-M	3.62	3.62	3.62	3.62	3.62	3.62	0
UST							
3-Y	3.5779	3.7813	3.8862	3.8939	3.9016	3.7879	21
5-Y	3.4075	3.5911	3.6757	3.6819	3.6837	3.5733	16.58
7-Y	3.4002	3.5684	3.6316	3.6416	3.6199	3.5309	13.07
10-Y	3.3762	3.5299	3.5696	3.5639	3.5488	3.4676	9.14
30-Y	3.6438	3.7604	3.7694	3.7587	3.7339	3.6499	0.61
USD LIBOR							
1-M	4.83057	4.85229	4.85871	4.84029	4.84757	4.85771	2.714
3-M	5.10143	5.14314	5.16286	5.15914	5.17657	5.19271	9.128

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	24-Mar Yield	31-Mar Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.882	03/14/25	3.245	3.186	-5.9	2,344.1
MALAYSIA GOVERNMENT	3.8	08/17/23	2.375	2.168	-20.7	1,349.4
MALAYSIA GOVERNMENT	3.906	07/15/26	3.344	3.382	3.8	1,200.1
MALAYSIA GOVERNMENT	3.899	11/16/27	3.486	2.505	-98.1	1,142.6
MALAYSIA INVESTMNT ISSU	3.99	10/15/25	3.289	3.304	1.5	964.2
MALAYSIA GOVERNMENT	3.582	07/15/32	3.874	3.908	3.4	953.2
MALAYSIA GOVERNMENT	3.757	04/20/23	2.215	2.731	51.6	813.9
MALAYSIA INVESTMNT ISSU	4.193	10/07/32	3.917	3.958	4.1	676.2
MALAYSIA GOVERNMENT	4.498	04/15/30	3.750	3.739	-1.1	536.8
MALAYSIA GOVERNMENT	4.893	06/08/38	4.100	4.164	6.4	522.0
TOTAL VOLUME (TOP 10)						10,502.4
TOTAL VOLUME (Overall)						17,100.9

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	24-Mar Yield	31-Mar Yield	Change (WoW bp)	Weekly Volume (RM mn)
CAGAMAS BERHAD	4.15	10/31/24	N/A	3.769	N/A	300.0
DANUM CAPITAL BHD	4.02	06/30/25	3.921	3.868	-5.3	185.0
CAGAMAS BERHAD	4.24	12/22/25	3.948	3.969	2.1	100.0
SARAWAK ENERGY BHD	5.04	04/25/31	4.289	4.248	-4.1	90.0
CAGAMAS BERHAD	3.31	01/31/25	3.809	3.810	0.1	80.0
SARAWAK ENERGY BHD	4.85	01/19/27	3.984	3.947	-3.7	70.0
SARAWAK ENERGY BHD	4.75	08/18/25	N/A	3.859	N/A	70.0
DANAINFRA NASIONAL	4.32	11/26/25	3.628	3.516	-11.2	70.0
SARAWAK HIDRO SDN BHD	4.67	08/11/31	4.328	4.279	-4.9	60.0
PUBLIC ISLAMIC BANK BHD	3.75	10/31/29	3.820	3.814	-0.6	60.0
TOTAL VOLUME (TOP 10)						1,085.0
TOTAL VOLUME (Overall)						2,392.5

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