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MIDF AMANAH INVESTMENT BANK BERHAD

WEEKLY MONEY REVIEW

MIDF Strategy 10 April 2023

Week Ended 7 April 2023

- Buying interest returned to the UST market with benchmark 10-year yield ended the review week lower at 3.39% (prior week: 3.47%) as investors reacted to a streak of lower-than-expected economic data (i.e. March PMI, total job openings in February and private sector hiring in March). Moreover, the 10y-3y yield spread inverted deeper week-on-week from -32bps to -36bps as the long-end outperformed. The interest rate futures market was implying a final rate hike in May to be followed by a spate of rate cuts beginning in July.
- Medium-term inflation expectation (MTIE) eased to 2.40% (prior week: 2.48%) arguably in reaction to the muted economic data. The MTIE remains within an elevated inflation range (of 2.25%-2.50%) acceptable transiently to the US Fed. 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 higher with the 3-year and 10-year yields shed -3.2bps and -4.2bps to close at 3.35% and 3.87% respectively. The 10y-3y yield spread narrowed (yield curve flattened) week-on-week from 53bps to 52bps as the long-end outperformed.
- 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 -RM4.27b. It declined on-week from -RM3.90b registered a week ago. Moreover, it dropped on-year from RM5.45b a year ago.

10 April 2023 | **Strategy**

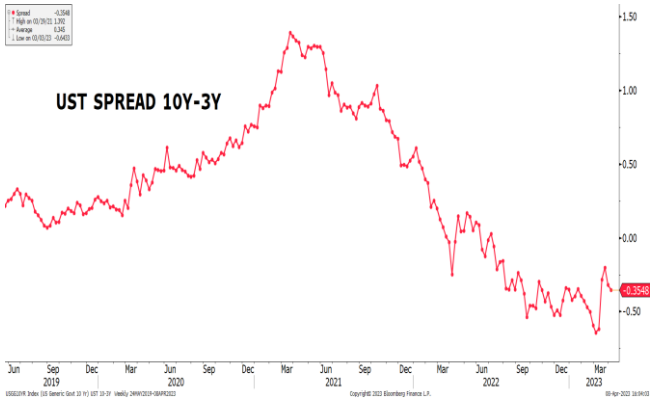
Strategy Team | research@midf.com.my

Weekly Money Review

A. FIXED INCOME

- Buying interest returned to the UST market with benchmark 10-year yield ended the review week lower at 3.39% (prior week: 3.47%) as investors reacted to a streak of lower-than-expected economic data (i.e. March PMI, total job openings in February and private sector hiring in March). Moreover, the 10y-3y yield spread inverted deeper week-on-week from -32bps to -36bps as the long-end outperformed. The interest rate futures market was implying a final rate hike in May to be followed by a spate of rate cuts beginning in July.





Source: Bloomberg, MIDFR

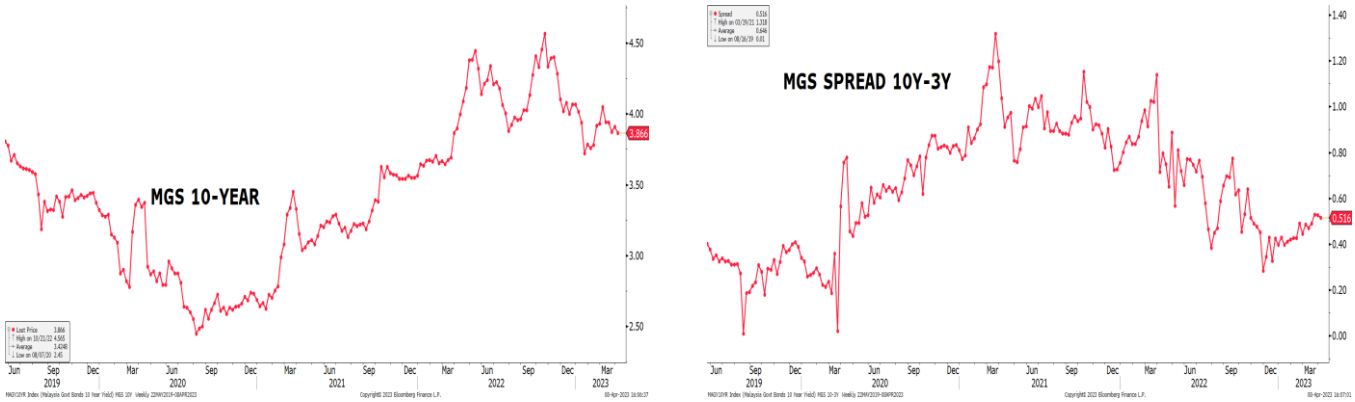
- Medium-term inflation expectation (MTIE) eased to 2.40% (prior week: 2.48%) arguably in reaction to the muted economic data. The MTIE remains within an elevated inflation range (of 2.25%-2.50%) acceptable transiently to the US Fed. It is notable that the MTIE has been trending lower from the high of 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 higher with the 3-year and 10-year yields shed -3.2bps and -4.2bps to close at 3.35% and 3.87% respectively. The 10y-3y yield spread narrowed (yield curve flattened) week-on-week from 53bps to 52bps as the long-end outperformed.

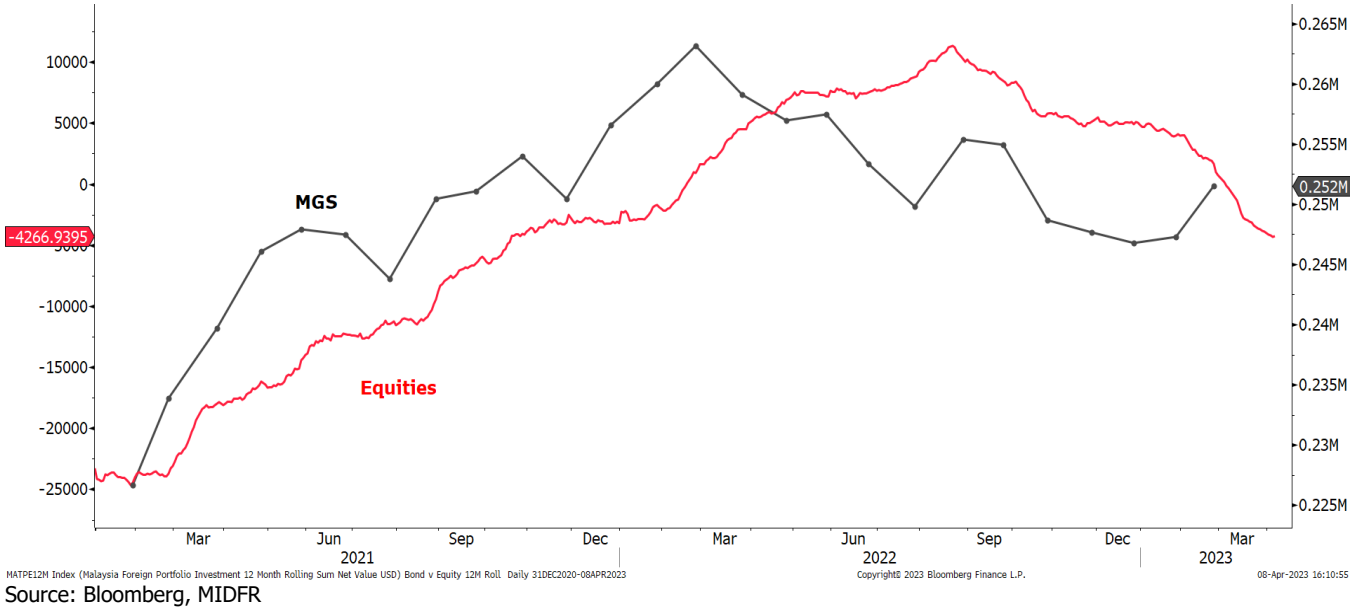


Source: Bloomberg, MIDFR

- Total trading value for Government Bonds (MGS/MII) increased to RM22.38b in the review week compared to RM17.10b in the prior week (based on Bloomberg data). The total trading value of 10 most actively traded issues declined (higher trading breadth) to 52% from 61% of the overall Government Bonds trades. Moreover, 7 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 and long residual tenor. The top 3 most actively traded were MII 4.193% 10/7/32 at RM2.40b, MGS 3.882% 3/14/25 at RM1.51b, and MGS 3.582% 7/15/32 at RM1.41b.

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 -RM4.27b. It declined on-week from -RM3.90b registered a week ago. Moreover, it dropped on-year from RM5.45b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM4.16b in the review week compared to RM2.39b in the prior week (based on Bloomberg data). The total trading value of 10 most actively traded issues declined (higher trading breadth) to 33% from 45% of the overall Corporate Bonds trades.

- The top 3 actively traded Corporate Bonds were dominated by issues of short and mid residual tenor. The largest trading values were seen in PLUS 4.445% 1/12/27 at RM261m, Cagamas 3.41% 9/25/23 at RM180m, and Khazanah 0% 3/20/24 at RM160m.

B. FOREIGN EXCHANGE

- USD weakened again as economy seen cooling, less need for further tightening. USD closed lower again last week as DXY dollar index descended by -0.4%wow to 102.09, erasing gains in the past 2 months. Data releases last week pointed to cooling labour market and further easing in wage pressure. The weaker dollar signals that the market is optimistic that the Fed will pause at next meeting in light of easing inflation and slowing growth.

- Euro and pound continued to rally. Both the euro and pound appreciated by +0.6%wow and +0.7%wow to USD1.091 and USD1.234, respectively. Signs of economic growth within the euro bloc underpinned the strengthening of euro. In the UK, the pound gained strength as BOE signaled unwavering determination to fight inflation, stating further tightening would be required if evidence of more stubborn pressures existed.

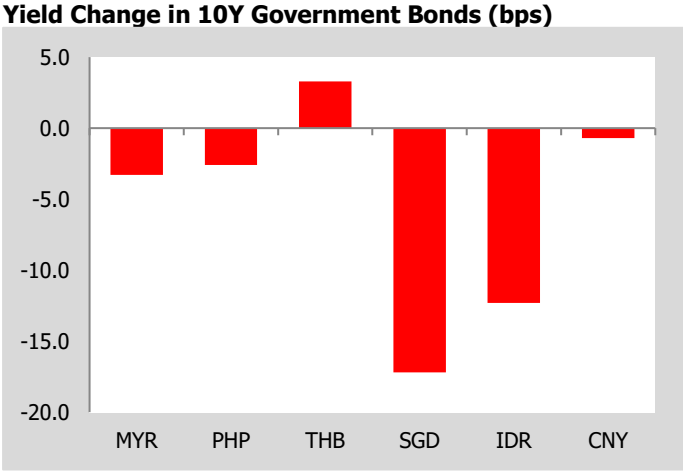
- Ringgit continued gaining against the dollar. The ringgit appreciated against the greenback, appreciating by +0.3%wow to RM4.042, the highest weekly closing in 8 weeks. Apart from weakening of dollar, the strengthening of the ringgit was buoyed by increased crude oil prices and crude palm oil prices. Brent price rose significantly by +6.7%wow while CPO prices recorded a +1.5%wow increased.

Currencies Changes (Week Ended 7 April 2023) and Quarterly Forecasts

	Close (7/04)	Prev. Close (31/03)	Weekly Change	Weekly Change (%)	1QCY23	2QCY23f	3QCY23f	4QCY23f
DXY Index	102.09	102.51	-0.414	-0.4	102.51	101	98.3	97.5
EURUSD	1.091	1.084	+0.007	+0.6	1.08	1.08	1.12	1.13
GBPUSD	1.242	1.234	+0.008	+0.7	1.23	1.22	1.24	1.26
USDJPY	132.16	132.86	+0.700	+0.5	132.86	130	129	126
USDMYR	4.402	4.415	+0.014	+0.3	4.42	4.19	4.13	4.00
GBPMYR	5.475	5.461	-0.014	-0.3	5.46	5.11	5.12	5.04
JPYMYR	3.330	3.325	-0.005	-0.1	3.33	3.20	3.20	3.17

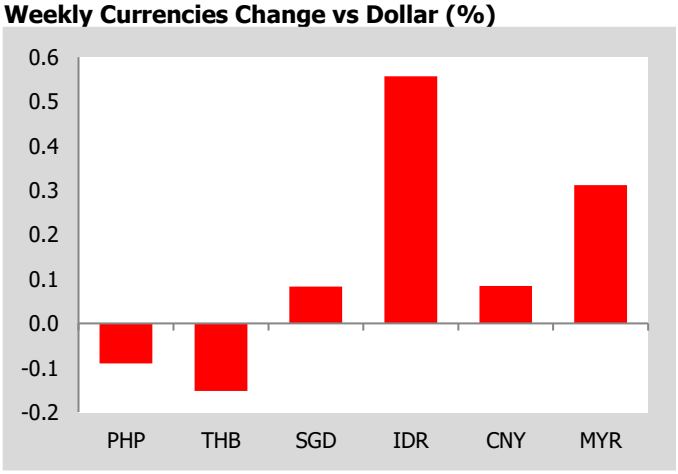
Note: "+" indicates appreciation, while "-" indicates depreciation. Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

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 (%)

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

Source: Bloomberg, MIDFR

- US economic data released last week:
  - Slower activities in services and manufacturing sector. ISM non-manufacturing PMI dropped to 51.2 in Mar-23 (Feb-23: 55.1), and factory activity contracted faster as ISM manufacturing PMI declined to 46.3 (Feb-23: 47.7)
  - Job market remained strong, but signs of cooling:
    - The unemployment rate pared down to 3.5% in Mar-23, against market expectations that it would remain at February's 3.6%.
    - Job creation was weaker-than-expected as nonfarm payrolls only rose by 189K (Feb-23: 266K), lower than market forecast (+215K).
    - Wage growth also eased, with a slower rise in average hourly earnings (Mar-23: 4.2%yoy; Feb-23: +4.6%yoy).
    - The number of applications for unemployment benefits fell to 228K thousand in the week ending 1 April (previous week: 246K). The change in the methodology for seasonality adjustment led to large revisions since 2018, depicting softer job market as number of filings was significantly larger than initially reported.

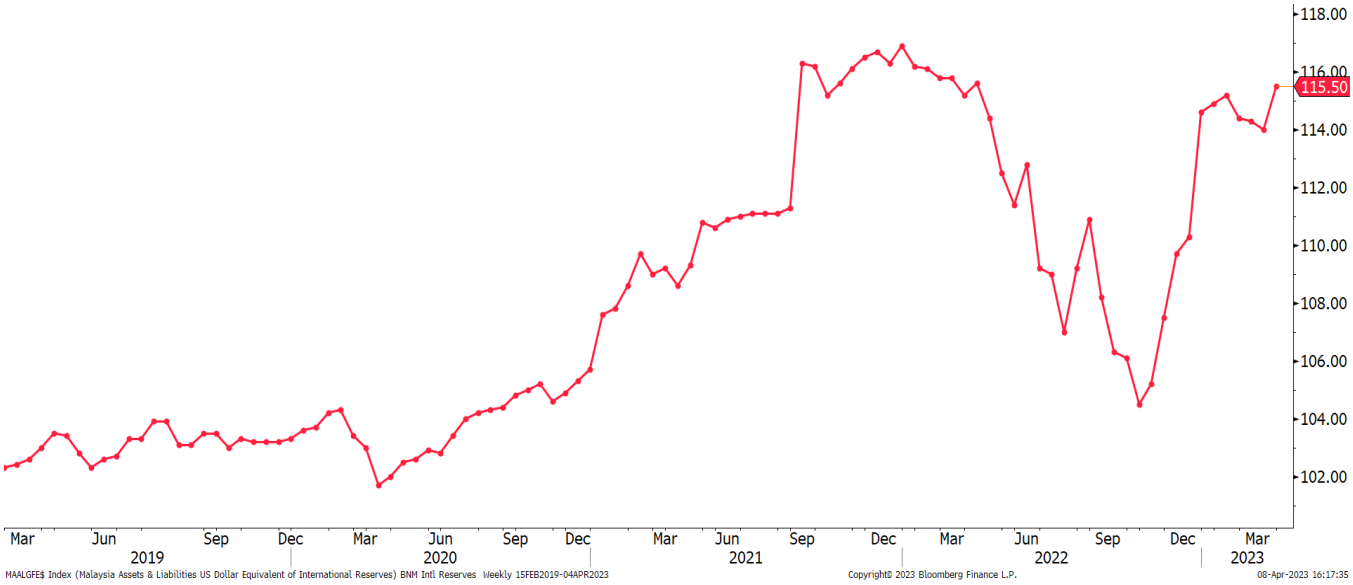
- On monetary policy meetings last week:
  - Reserve Bank of Australia held its rate at 3.6% during the Apr-23 meeting, just as the market expected.
  - Reserve Bank of India unexpectedly kept its policy rate unchanged at 6.5% during its Apr-23 meeting.

- Malaysia's factory activity improved in Mar-23. The S&P Global Malaysia Manufacturing PMI rose to 48.8 in Mar-23 (Feb-23: 48.4). This marked 7 consecutive months of contraction for the sector, but the shallowest since Sep-22 due to slower fall in new orders and better hirings.

C. BNM INTERNATIONAL RESERVES

- As of 30 March 2023, compared to previous fortnight, Bank Negara Malaysia's international reserves was higher at USD115.5b (15 March 2023: USD114.0b).

BNM INTERNATIONAL RESERVES



Source: Bloomberg, MIDFR

- The amount of reserves is sufficient to finance 5.1 months of imports of goods & services and is 1.1 times total short-term external debt.

APPENDIX

WEEKLY INTEREST RATE MONITOR

Tenor	31-Mar Fri	3-Apr Mon	4-Apr Tue	5-Apr Wed	6-Apr Thu	7-Apr Fri	Change (WoW bp)
MGS							
3-Y	3.382	3.404	3.407	3.381	3.367	3.35	-3.2
5-Y	2.505	3.496	3.549	3.531	3.495	3.507	100.2
7-Y	3.739	3.791	3.756	3.691	3.703	3.7	-3.9
10-Y	3.908	3.933	3.899	3.886	3.853	3.866	-4.2
20-Y	4.203	4.208	4.181	4.194	4.161	4.147	-5.6
RINGGIT IRS							
1-Y	3.645	3.695	3.645	3.62	3.575	3.575	-7
3-Y	3.6	3.625	3.565	3.545	3.465	3.45	-15
5-Y	3.665	3.695	3.63	3.595	3.535	3.535	-13
7-Y	3.775	3.8	3.74	3.715	3.665	3.66	-11.5
10-Y	3.89	3.915	3.86	3.865	3.8	3.8	-9
KLIBOR							
1-M	2.96	2.96	2.96	2.96	2.96	2.96	0
3-M	3.62	3.62	3.61	3.61	3.59	3.58	-4
UST							
3-Y	3.7879	3.7203	3.6	3.5714	3.601	3.7454	-4.25
5-Y	3.5733	3.5011	3.3881	3.3709	3.3755	3.4971	-7.62
7-Y	3.5309	3.4651	3.372	3.3494	3.3364	3.4419	-8.9
10-Y	3.4676	3.4114	3.3387	3.3108	3.305	3.3906	-7.7
30-Y	3.6499	3.6283	3.5965	3.5701	3.5506	3.6076	-4.23
USD LIBOR							
1-M	4.85771	4.85771	4.87114	4.89014	4.90029	4.90029	4.258
3-M	5.19271	5.22257	5.21886	5.211	5.19786	5.19786	0.515

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	31-Mar Yield	7-Apr Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA INVESTMNT ISSU	4.193	10/07/32	3.958	3.931	-2.7	2,399.6
MALAYSIA GOVERNMENT	3.882	03/14/25	3.186	3.164	-2.2	1,505.7
MALAYSIA GOVERNMENT	3.582	07/15/32	3.908	3.866	-4.2	1,410.1
MALAYSIA GOVERNMENT	4.392	04/15/26	3.377	3.329	-4.8	1,013.2
MALAYSIA GOVERNMENT	3.757	04/20/23	2.731	2.300	-43.1	999.5
MALAYSIA GOVERNMENT	3.906	07/15/26	3.382	3.350	-3.2	996.2
MALAYSIA INVESTMNT ISSU	3.151	05/15/23	2.413	2.626	21.3	923.1
MALAYSIA GOVERNMENT	3.8	08/17/23	2.168	2.288	12.0	897.7
MALAYSIA GOVERNMENT	3.899	11/16/27	2.505	3.495	99.0	735.6
MALAYSIA INVESTMNT ISSU	3.599	07/31/28	3.598	3.565	-3.3	728.8
TOTAL VOLUME (TOP 10)						11,609.5
TOTAL VOLUME (Overall)						22,379.3

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	31-Mar Yield	7-Apr Yield	Change (WoW bp)	Weekly Volume (RM mn)
PROJEK LEBUHRAYA USAHA	4.445	01/12/27	4.132	4.157	2.5	261.0
CAGAMAS BERHAD	3.41	09/25/23	3.700	3.484	-21.6	180.0
KHAZANAH NASIONAL BHD	ZERO	03/20/24	N/A	3.362	N/A	160.0
PROJEK LEBUHRAYA USAHA	4.526	01/12/29	4.321	4.311	-1.0	150.0
MERC BENZ SVC MALAYSIA	3.62	03/18/26	3.933	3.925	-0.8	124.6
PROJEK LEBUHRAYA USAHA	4.582	01/11/30	N/A	4.370	N/A	110.0
TENAGA NASIONAL BERHA	4.95	08/03/32	4.399	4.348	-5.1	100.0
TENAGA NASIONAL BERHA	2.9	08/12/30	N/A	4.179	N/A	100.0
HONG LEONG FINL GROUP	4.3	06/14/29	4.138	4.138	0.0	91.5
SARAWAK HIDRO SDN BHD	4.47	08/11/27	4.052	4.018	-3.4	90.0
TOTAL VOLUME (TOP 10)						1,367.1
TOTAL VOLUME (Overall)						4,162.5

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