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MIDF AMANAH
INVESTMENT BANK BERHAD

WEEKLY MONEY REVIEW

MIDF Strategy 17 April 2023

Week Ended 14 April 2023

- A losing week in the UST market with benchmark 10-year yield ended higher at 3.51% (prior week: 3.39%) despite the release of weaker-than-expected inflation (both CPI and PPI) as well as retail sales figures for the month of March. Moreover, the 10y-3y yield spread rebounded but remains inverted at -32bps (prior week: -36bps) as the long-end underperformed. The interest rate futures market was implying a final rate hike in May to be followed by a spate of rate cuts beginning in the second half of 2023.
- Medium-term inflation expectation (MTIE) eased to 2.39% (prior week: 2.40%) arguably in reaction to the weaker-than-expected 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.
- In contrast, the price of domestic MGS benchmark issues ended the review week higher with the 3-year and 10-year yields shed -2.9bps and -3.2bps to close at 3.32% and 3.83% respectively. The 10y-3y yield spread narrowed (yield curve flattened) week-on-week from 52bps to 51bps as the long-end outperformed.
- MGS foreign holdings declined on-year from RM259b in March 2022 to RM258b in March 2023. However, it risen on-month from RM252b in February 2023. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM4.20b. It improved on-week from -RM4.27b registered a week ago. However, it dropped on-year from RM5.87b a year ago.

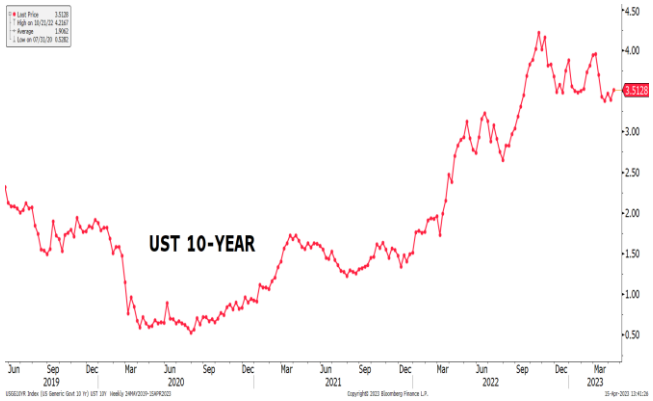
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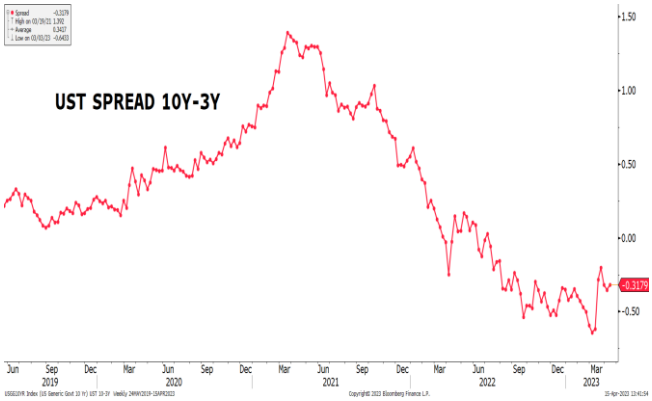
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Weekly Money Review

A. FIXED INCOME

- A losing week in the UST market with benchmark 10-year yield ended higher at 3.51% (prior week: 3.39%) despite the release of weaker-than-expected inflation (both CPI and PPI) as well as retail sales figures for the month of March. Moreover, the 10y-3y yield spread rebounded but remains inverted at -32bps (prior week: -36bps) as the long-end underperformed. The interest rate futures market was implying a final rate hike in May to be followed by a spate of rate cuts beginning in the second half of 2023.





Source: Bloomberg, MIDFR

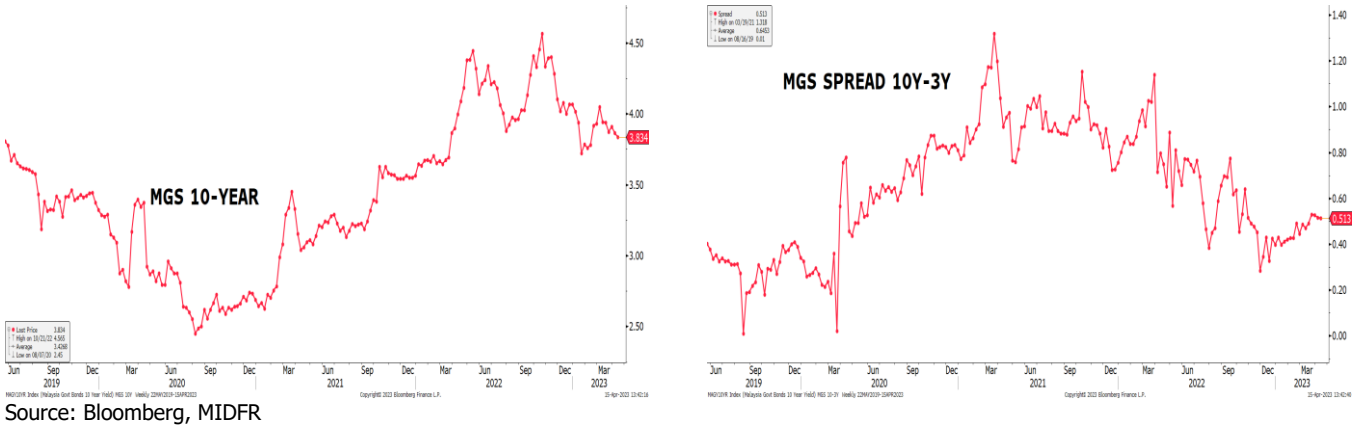
- Medium-term inflation expectation (MTIE) eased to 2.39% (prior week: 2.40%) arguably in reaction to the weaker-than-expected economic data. The MTIE remains within an elevated inflation range (of 2.25%-2.50%) acceptable transiently to the US Fed. It is notable that the MTIE has been trending lower 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

- In contrast, the price of domestic MGS benchmark issues ended the review week higher with the 3-year and 10-year yields shed -2.9bps and -3.2bps to close at 3.32% and 3.83% respectively. The 10y-3y yield spread narrowed (yield curve flattened) week-on-week from 52bps to 51bps as the long-end outperformed.

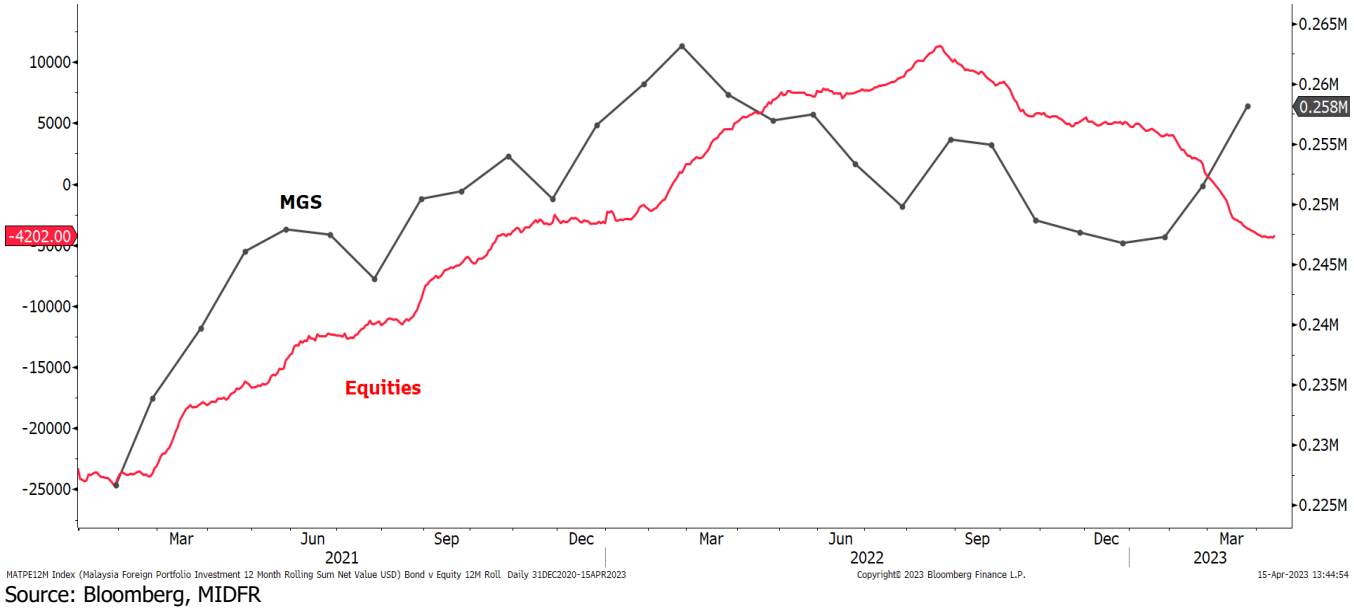


Source: Bloomberg, MIDFR

- Total trading value for Government Bonds (MGS/MII) declined to RM19.86b in the review week compared to RM22.38b in the prior week (based on Bloomberg data). The total trading value of 10 most actively traded issues increased (lower trading breadth) to 56% from 52% of the overall Government Bonds trades. Moreover, 9 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 RM2.19b, MGS 3.906% 7/15/26 at RM1.58b, and MGS 3.582% 7/15/32 at RM1.48b.

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



Source: Bloomberg, MIDFR

- MGS foreign holdings declined on-year from RM259b in March 2022 to RM258b in March 2023. However, it risen on-month from RM252b in February 2023. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM4.20b. It improved on-week from -RM4.27b registered a week ago. However, it dropped on-year from RM5.87b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM3.40b in the review week compared to RM4.16b in the prior week (based on Bloomberg data). The total trading value of 10 most actively traded issues increased (lower trading breadth) to 37% from 33% 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 4.729% 1/12/33 at RM320m, PLUS 4.526% 1/12/29 at RM150m, and PLUS 4.68% 1/12/32 at RM130m.

B. FOREIGN EXCHANGE

- USD continued to weaken. The USD closed lower again last week as the fear of recession sparked. The DXY index closed -0.5%wow, marking a 5-week continuous drop. March's CPI data signifies headline inflation eased more than expected, while the labour market also indicated cooling hiring as the application for unemployment benefits rose by 4.8%. Although worries of an aggressive hike by the Fed alleviated in view of the slowing economy, markets are still pricing in another 25bps raise in May-23 as core inflation remained elevated.

- Euro continued its rally, but pound virtually unchanged. The euro appreciated +0.8%wow against the USD to close at USD1.099 as the European Central Bank seen persistent to continue raising interest rates for at least another 25bps in May-23. On the other hand, the pound pulled back its gains during the week on Friday to close at USD1.241, unchanged from a week earlier as dollar rallied following positive economic releases and hawkish comment from Fed's policymaker.

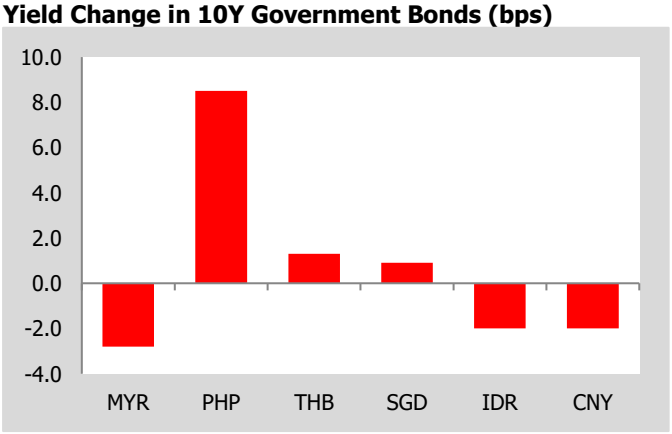
- Ringgit unchanged from prior week. Ringgit's weekly movement left it unchanged despite the continued dollar weakness. Ringgit erased earlier weakness after the release of softer US inflation data. However, there was little catalyst to push ringgit stronger than RM4.40 as sentiment was also influenced by slow China recovery.

Currencies Changes (Week Ended 14 April 2023) and Quarterly Forecasts

	Close (14/04)	Prev. Close (07/04)	Weekly Change	Weekly Change (%)	1QCY23	2QCY23f	3QCY23f	4QCY23f
DXY Index	101.55	102.09	-0.540	-0.5	102.51	101	98.3	97.5
EURUSD	1.099	1.091	+0.009	+0.8	1.08	1.08	1.12	1.13
GBPUSD	1.241	1.242	-0.001	-0.0	1.23	1.22	1.24	1.26
USDJPY	133.79	132.16	-1.630	-1.2	132.86	130	129	126
USDMYR	4.401	4.402	+0.000	+0.0	4.42	4.19	4.13	4.00
GBPMYR	5.505	5.475	-0.030	-0.5	5.46	5.11	5.12	5.04
JPYMYR	3.290	3.330	+0.041	+1.2	3.33	3.20	3.20	3.17

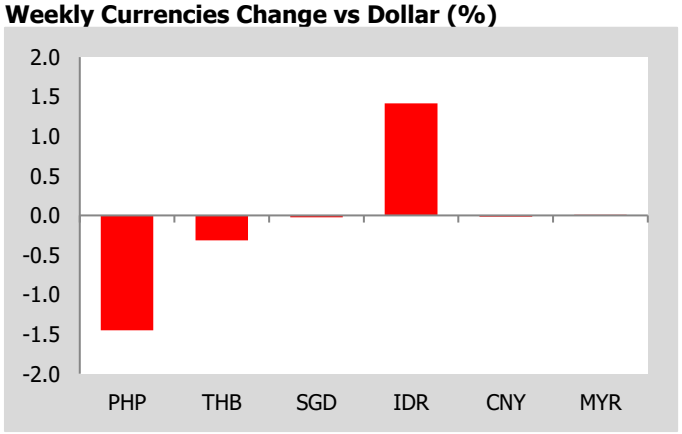
Note: "+" indicates appreciation, while "-" indicates depreciation. Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

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:
  - Inflation continued to ease for the ninth consecutive month as headline CPI inflation rate eased to +5%yoy in Mar-2023, lower than the market forecast of +5.2%yoy. However, core CPI inflation rose from a 14-month low to +5.6%yoy in Mar-23 (Feb-23: +5.5%yoy).
  - The PPI inflation descended to +2.7%yoy in Mar-23 from +4.9%yoy in Feb-23, lower than +3.0%yoy forecasted by market consensus.
  - Job markets continued showing more signs of cooling. Initial jobless claims rose by 11 thousand to 239 thousand last week against the market forecast of 232 thousand, the first increase in 3 weeks.
  - Retail sales slowed to +2.9%yoy in Mar-23 (Feb-23: +5.9%yoy), the slowest expansion since Jun-20 as weaker spending led to reduced sales for motor vehicle dealers, furniture, electronic & appliances, and clothing. Sales at gasoline stations also fell due to effect of lower prices.
  - Preliminary reading of University of Michigan consumer sentiment index unexpectedly rose to 63.5 in Apr-23 (Mar-23: 62). Despite expectations for persistent inflation, consumers indicated better assessment on current and future economic conditions.

- The minutes of Mar-23 FOMC meeting indicated Fed staff's projection that the banking sector turmoil could result in the US economy going into a mild recession this year. However, FOMC participants generally concluded US banks are still in healthy and sound position.

- On Friday, Fed Board Governor, Christopher Waller, called for more rate hikes because he sees little progress to bring inflation towards its longer-term goal. He indicated hawkish stance in view of still-elevated inflation and continued strength in the job market.

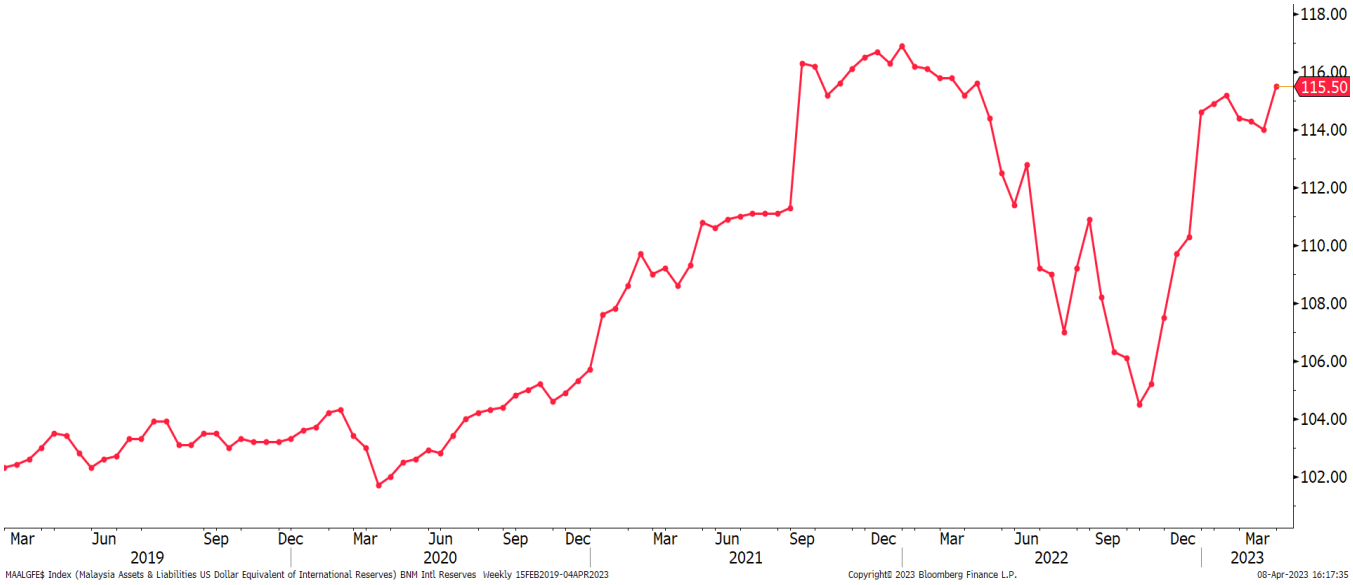
- Last week, the Bank of Korea held its interest rate at 3.50% after its Apr-23 meeting, signaling the bank is nearing the end of its tightening cycle. However, BOK stresses that it will keep interest rates restrictive (at high levels) to contain inflation even if the economy slows.

- Malaysia's economic indicators pointed to stronger growth in Feb-23.
  - Malaysia's labour market strengthens. The unemployment rate for Feb-23 landed at 3.5% against 3.6% in Feb-23. Labour force participation also rose to 69.9% compared to 69.1% in Feb-22.
  - IPI grew faster at +3.6%yoy in (Jan-23: +1.4%yoy) underpinned by stronger manufacturing production and rebound in electricity generation.
  - Distributive trade rose further by +14.7%yoy (Jan-23: +12.4%yoy) on the back of stronger expansion in motor vehicle sales (+36.1%yoy) and wholesale trade (+5.9%yoy) and sustained double-digit rise in retail trade (+19.2%yoy).

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	7-Apr Fri	10-Apr Mon	11-Apr Tue	12-Apr Wed	13-Apr Thu	14-Apr Fri	Change (WoW bp)
MGS							
3-Y	3.35	3.337	3.356	3.349	3.315	3.321	-2.9
5-Y	3.507	3.512	3.524	3.53	3.505	3.47	-3.7
7-Y	3.7	3.714	3.686	3.731	3.693	3.712	1.2
10-Y	3.866	3.84	3.873	3.86	3.824	3.834	-3.2
20-Y	4.147	4.132	4.134	4.125	4.103	4.105	-4.2
RINGGIT IRS							
1-Y	3.575	3.505	3.515	3.51	3.455	3.465	-11
3-Y	3.45	3.435	3.445	3.435	3.37	3.41	-4
5-Y	3.535	3.535	3.525	3.515	3.485	3.505	-3
7-Y	3.66	3.66	3.645	3.635	3.605	3.61	-5
10-Y	3.8	3.785	3.78	3.76	3.74	3.75	-5
KLIBOR							
1-M	2.96	2.96	2.96	2.96	2.96	2.96	0
3-M	3.58	3.58	3.58	3.57	3.57	3.57	-1
UST							
3-Y	3.7454	3.7763	3.7783	3.6888	3.7027	3.8307	8.53
5-Y	3.4971	3.5194	3.528	3.4625	3.5003	3.6056	10.85
7-Y	3.4419	3.4647	3.4722	3.4191	3.4695	3.5532	11.13
10-Y	3.3906	3.4168	3.4262	3.3906	3.4449	3.5128	12.22
30-Y	3.6076	3.6283	3.6196	3.6248	3.6873	3.7348	12.72
USD LIBOR							
1-M	4.90029	4.90029	4.93729	4.94571	4.94771	4.94771	4.742
3-M	5.19786	5.19786	5.24157	5.25129	5.26029	5.26029	6.243

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	7-Apr Yield	14-Apr Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA INVESTMNT ISSU	4.193	10/07/32	3.931	3.881	-5.0	2,193.0
MALAYSIA GOVERNMENT	3.906	07/15/26	3.350	3.321	-2.9	1,577.4
MALAYSIA GOVERNMENT	3.582	07/15/32	3.866	3.834	-3.2	1,475.0
MALAYSIA GOVERNMENT	3.8	08/17/23	2.288	2.368	8.0	1,139.4
MALAYSIA GOVERNMENT	3.885	08/15/29	3.733	3.706	-2.7	1,061.4
MALAYSIA INVESTMNT ISSU	4.662	03/31/38	4.108	4.014	-9.4	801.5
MALAYSIA GOVERNMENT	3.899	11/16/27	3.495	3.470	-2.5	799.9
MALAYSIA INVESTMNT ISSU	3.599	07/31/28	3.565	3.544	-2.1	761.0
MALAYSIA GOVERNMENT	4.893	06/08/38	4.082	4.000	-8.2	686.7
MALAYSIA GOVERNMENT	3.757	04/20/23	2.300	2.259	-4.1	655.0
TOTAL VOLUME (TOP 10)						11,150.3
TOTAL VOLUME (Overall)						19,855.7

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	7-Apr Yield	14-Apr Yield	Change (WoW bp)	Weekly Volume (RM mn)
PROJEK LEBUHRAYA USAHA	4.729	01/12/33	N/A	4.557	N/A	320.0
PROJEK LEBUHRAYA USAHA	4.526	01/12/29	4.311	4.320	0.9	150.0
PROJEK LEBUHRAYA USAHA	4.68	01/12/32	4.489	4.500	1.1	130.0
PROJEK LEBUHRAYA USAHA	4.496	01/12/28	4.241	4.248	0.7	130.0
AMISLAMIC BANK BHD	4.88	10/18/28	4.184	4.445	26.1	110.0
PENGURUSAN AIR SPV BHD	4.41	06/06/23	N/A	3.269	N/A	100.0
PERBADANAN TABUNG PEN	4.8	03/01/39	4.294	4.289	-0.5	100.0
MERC BENZ SVC MALAYSIA	3.29	04/08/25	N/A	3.768	N/A	80.0
SARAWAK HIDRO SDN BHD	4.61	08/09/30	4.238	4.178	-6.0	60.0
PERBADANAN KEMAJUAN S	5.15	08/10/23	N/A	4.284	N/A	60.0
TOTAL VOLUME (TOP 10)						1,240.0
TOTAL VOLUME (Overall)						3,396.8

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