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MIDF AMANAH
INVESTMENT BANK BERHAD

WEEKLY MONEY REVIEW

MIDF Strategy 2 May 2023

Week Ended 28 April 2023

- A winning week in the UST market with benchmark 10-year yield ended lower at 3.42% (prior week: 3.57%) as investors reacted to weaker than expected economic data. Notably, US GDP grew 1.1%qoq in 1Q23 against the market estimate of 2.0%qoq. The 10y-3y yield spread rebounded but remains inverted at -29bps (prior week: -32bps) as the short-end outperformed. Despite the weaker than expected macro figures, interest rate futures market was still implying a final rate hike in May but to be followed by a spate of rate cuts beginning in the second half of 2023.
- Medium-term inflation expectation (MTIE) eased to 2.25% (prior week: 2.32%) arguably in reaction to the weaker-than-expected economic data. The MTIE nonetheless 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 -1.7bps and -9.7bps to close at 3.31% and 3.73% respectively. The 10y-3y yield spread narrowed (yield curve flattened) week-on-week from 50bps to 42bps 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 -RM4.94b. It dropped on-week from -RM4.46b registered a week ago. Moreover, it slumped on-year from RM6.98b a year ago.

2 May 2023 | **Strategy**

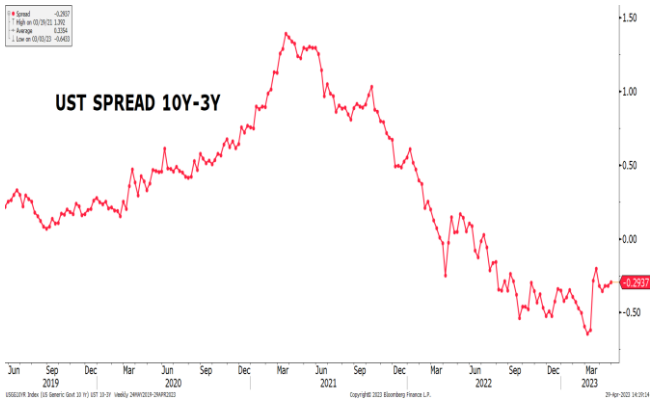
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Weekly Money Review

A. FIXED INCOME

- A winning week in the UST market with benchmark 10-year yield ended lower at 3.42% (prior week: 3.57%) as investors reacted to weaker than expected economic data. Notably, US GDP grew 1.1%qoq in 1Q23 against the market estimate of 2.0%qoq. The 10y-3y yield spread rebounded but remains inverted at -29bps (prior week: -32bps) as the short-end outperformed. Despite the weaker than expected macro figures, interest rate futures market was still implying a final rate hike in May but to be followed by a spate of rate cuts beginning in the second half of 2023.





Source: Bloomberg, MIDFR

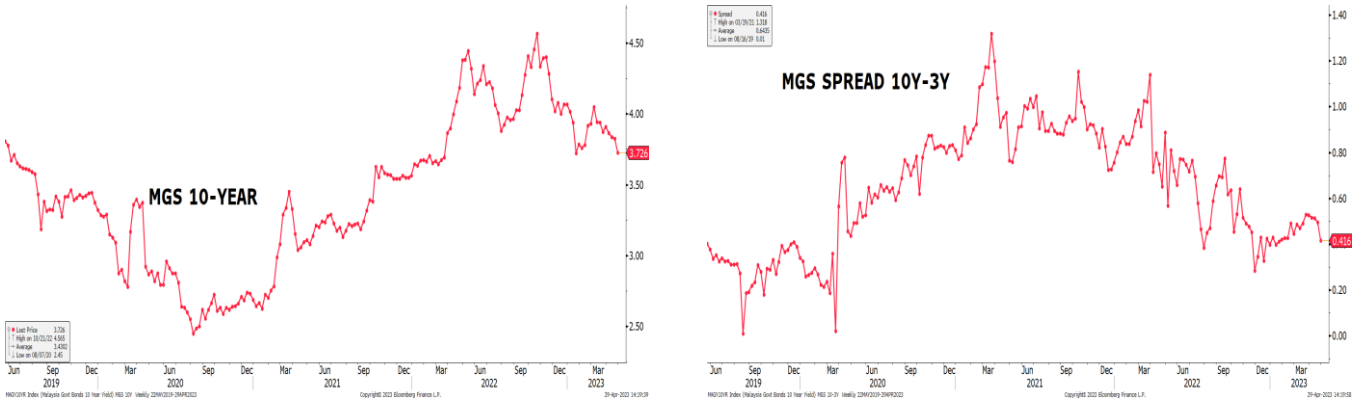
- Medium-term inflation expectation (MTIE) eased to 2.25% (prior week: 2.32%) arguably in reaction to the weaker-than-expected economic data. The MTIE nonetheless remains within an elevated inflation range (of 2.25%-2.50%) acceptable transiently to the US Fed. It is notable that the MTIE has been trending 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 -1.7bps and -9.7bps to close at 3.31% and 3.73% respectively. The 10y-3y yield spread narrowed (yield curve flattened) week-on-week from 50bps to 42bps as the long-end outperformed.

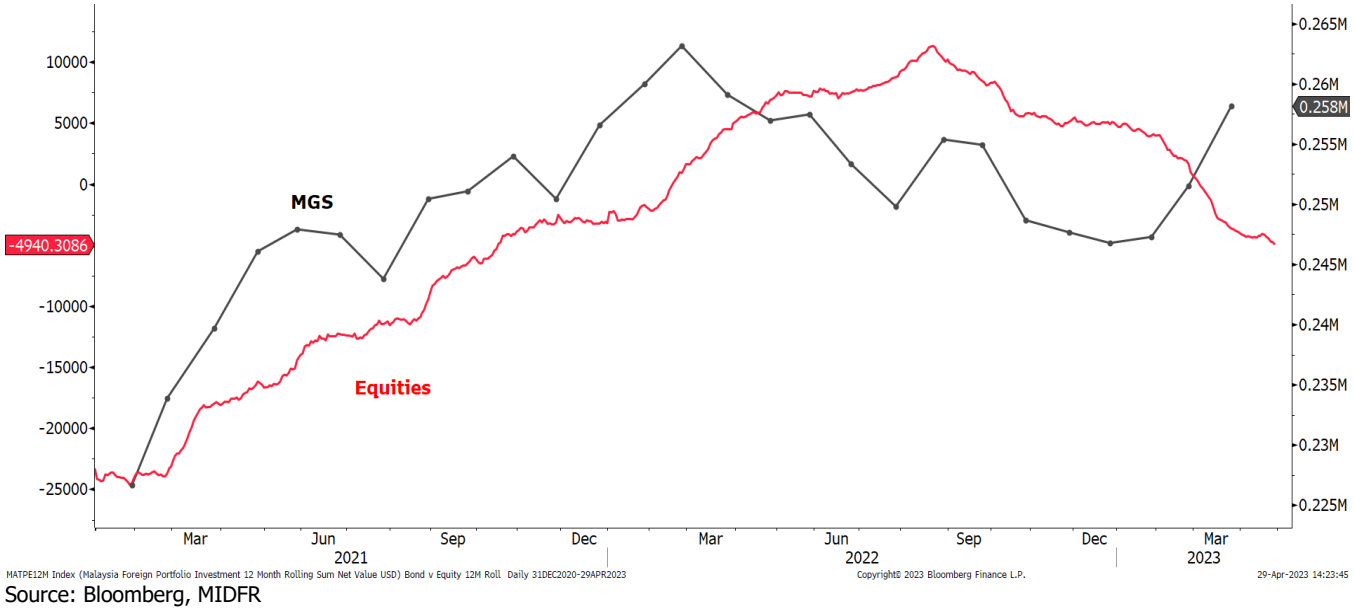


Source: Bloomberg, MIDFR

- Total trading value for Government Bonds (MGS/MII) increased to RM22.17b in the review week compared to RM14.25b in the prior week (based on Bloomberg data). The total trading value of 10 most actively traded issues declined (higher trading breadth) to 54% from 63% 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 MGS 3.582% 7/15/32 at RM2.94b, MII 4.193% 10/7/32 at RM1.86b, and MGS 3.8% 8/17/23 at RM1.29b.

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 -RM4.94b. It dropped on-week from -RM4.46b registered a week ago. Moreover, it slumped on-year from RM6.98b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM1.91b in the review week compared to RM1.44b in the prior week (based on Bloomberg data). The total trading value of 10 most actively traded issues increased (lower trading breadth) to 51% from 40% 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 Cagamas 4.5% 12/13/27 at RM320m, Cagamas 4.5% 12/27/27 at RM165m, and Malakoff Power 5.95% 12/15/28 at RM90m.

B. FOREIGN EXCHANGE

- USD weakened on more signs of slowing economy. The USD closed lower last week against major currencies as the DXY dollar index declined -0.2%wow to 101.66 due to concerns over economic slowdown. In particular, the index fell to 101.47 on Wednesday as core durable goods orders pointed to weak investment outlook. Despite the lower-than-expected USD GDP growth in 1QCY23, the dollar index rose towards 101.66 by Friday as the strength in consumer spending and slower fall in core PCE inflation led to renewed expectation for another hike by the Fed at the upcoming meeting in May-23.

- Euro and pound appreciated. Following the weakness in USD, the euro and pound appreciated by +0.3%wow and +1.1%wow to USD1.102 and USD1.257, respectively. The euro appreciated ahead of the ECB interest rate this week; with the ECB is expected to continue raising interest rates by another 25bps in view of the still uncomfortably high inflation. Euro rally was however limited by Germany's weak GDP growth in 1QCY23. Similarly, rate hike expectation also supported pound sterling as the BOE is forecasted to hike the interest rate by 25bps next week, given the higher-than-expected inflation in Mar-23.

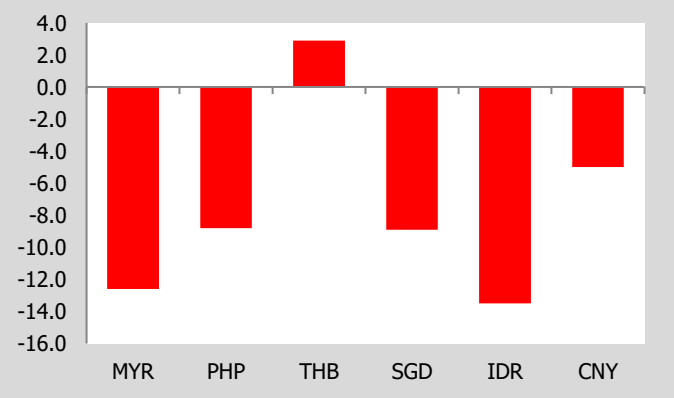
- Ringgit depreciated against the greenback. Despite the USD weakness, ringgit depreciated by -0.6%wow last week and ended trading at RM4.462 last Friday. In addition to market pricing in another hike by the Fed, concerns over weak growth and therefore decline in commodity prices also dragged down the ringgit's performance. Brent crude oil price extended its downward trend into the second week, declining by -2.6%wow to 5-week low of USD79.54pb, while CPO prices slipped -9.9%wow to RM3,338 per tonne.

Currencies Changes (Week Ended 28 April 2023) and Quarterly Forecasts

	Close (28/04)	Prev. Close 21/04)	Weekly Change	Weekly Change (%)	1QCY23	2QCY23f	3QCY23f	4QCY23f
DXY Index	101.66	101.82	-0.163	-0.2	102.51	101	98.3	97.5
EURUSD	1.102	1.099	+0.003	+0.3	1.08	1.08	1.12	1.13
GBPUSD	1.257	1.243	+0.013	+1.1	1.23	1.22	1.24	1.26
USDJPY	136.3	134.16	-2.140	-1.6	132.86	130	129	126
USDMYR	4.462	4.437	-0.025	-0.6	4.42	4.19	4.13	4.00
GBPMYR	5.558	5.514	-0.044	-0.8	5.46	5.11	5.12	5.04
JPYMYR	3.273	3.309	+0.036	+1.1	3.33	3.20	3.20	3.17

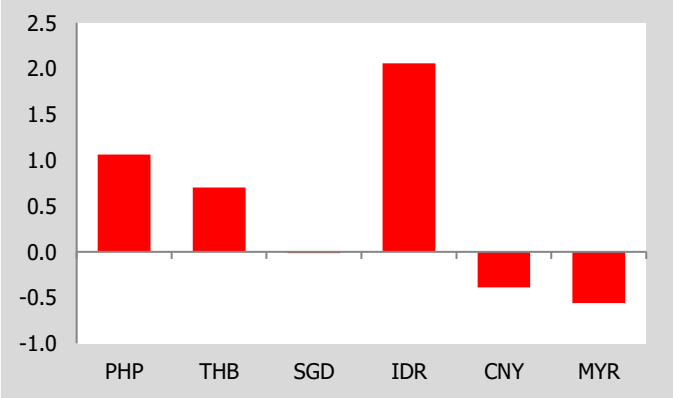
Note: "+" indicates appreciation, while "-" indicates depreciation. Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

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:
  - Conference Board Consumer Confidence fell to 101.3 in Apr-23 (Mar-23: 104.0) as consumers were less optimistic about business and labour markets' outlook, despite unchanged inflation expectations.
  - Although durable goods orders jumped robustly at +3.2%mom in Mar-23 (Feb-23: -1.2%mom; market consensus: +0.7%mom), there was sign of weak investment outlook given the continued fall in demand for non-defense capital goods excluding aircraft (-0.4%mom; Feb-23: -0.7%mom).
  - According to advance estimate, US GDP grew slower in 1QCY23 at an annualized +1.1%qoq (4QCY22: 2.6%qoq), below market forecast (+2.0%qoq), mainly attributable to by weak investment (as rising mortgage rates affected housing market) and inventory drawdown. The positive growth, however, was supported by stronger growth in consumer spending (+2.5%qoq; 4QCY22: +0.7%qoq) on both goods and services.
  - Job market remained strong; initial jobless claims declined to 230K (previous week: 246K) for the week ended 22nd April 2023, against market expectations for an increase to 248K.

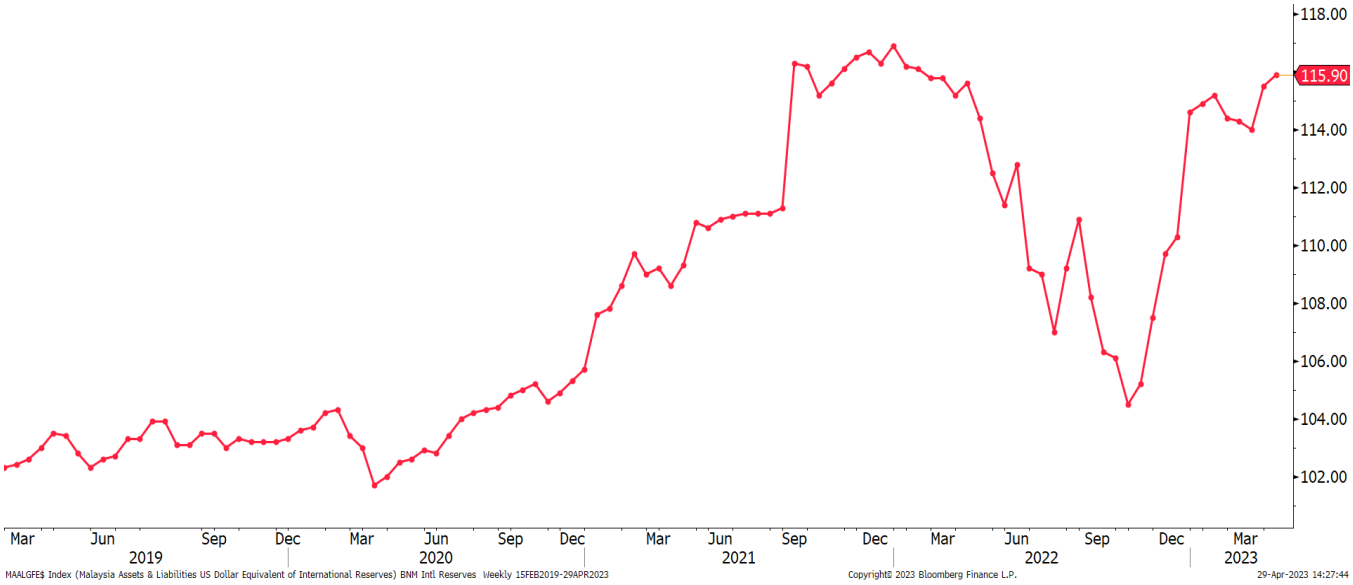
- The Bank of Japan unsurprisingly maintained its interest rate at -0.1% and its 10-year bond yields at around 0% last week. BOJ also announced a policy review to be taken place within a timeframe of around 1.5 years.

  - Malaysia's PPI inflation recorded the second consecutive month of contraction, with a more significant deflation of -2.9%yoy (Feb-23: -0.8%yoy) mainly due to the decline in prices of crude materials and signalling further easing in cost pressures for local producers.

C. BNM INTERNATIONAL RESERVES

- As of 14 April 2023, compared to previous fortnight, Bank Negara Malaysia's international reserves was higher at USD115.9b (30 March 2023: USD115.5b).

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	21-Apr Fri	24-Apr Mon	25-Apr Tue	26-Apr Wed	27-Apr Thu	28-Apr Fri	Change (WoW bp)
MGS							
3-Y	3.327	3.327	3.317	3.326	3.324	3.31	-1.7
5-Y	3.475	3.475	3.409	3.431	3.431	3.433	-4.2
7-Y	3.696	3.696	3.646	3.639	3.645	3.641	-5.5
10-Y	3.823	3.823	3.759	3.724	3.741	3.726	-9.7
20-Y	4.106	4.106	4.049	4.042	4	3.975	-13.1
RINGGIT IRS							
1-Y	3.425	3.425	3.42	3.44	3.425	3.445	2
3-Y	3.375	3.375	3.365	3.36	3.37	3.365	-1
5-Y	3.46	3.46	3.445	3.445	3.47	3.445	-1.5
7-Y	3.585	3.585	3.57	3.56	3.58	3.565	-2
10-Y	3.73	3.73	3.705	3.7	3.72	3.71	-2
KLIBOR							
1-M	2.96	2.96	2.96	2.96	2.96	2.96	0
3-M	3.54	3.54	3.53	3.52	3.51	3.51	-3
UST							
3-Y	3.89	3.7889	3.6461	3.6907	3.803	3.7157	-17.43
5-Y	3.663	3.5706	3.4491	3.4975	3.5912	3.4828	-18.02
7-Y	3.617	3.5274	3.4231	3.4712	3.5682	3.4569	-16.01
10-Y	3.5718	3.4901	3.3996	3.4485	3.5204	3.422	-14.98
30-Y	3.7757	3.7092	3.6585	3.7022	3.7499	3.6733	-10.24
USD LIBOR							
1-M	5.02043	5.01614	5.01771	5.02457	5.03414	5.03414	1.371
3-M	5.25514	5.26814	5.29157	5.27271	5.29914	5.29914	4.4

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	21-Apr Yield	28-Apr Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.582	07/15/32	3.823	3.726	-9.7	2,942.8
MALAYSIA INVESTMNT ISSU	4.193	10/07/32	3.877	3.811	-6.6	1,856.2
MALAYSIA GOVERNMENT	3.8	08/17/23	2.587	2.848	26.1	1,285.8
MALAYSIA GOVERNMENT	4.762	04/07/37	4.035	3.988	-4.7	987.5
MALAYSIA INVESTMNT ISSU	3.151	05/15/23	2.919	2.666	-25.3	927.5
MALAYSIA GOVERNMENT	3.906	07/15/26	3.327	3.310	-1.7	896.6
MALAYSIA GOVERNMENT	3.519	04/20/28	3.475	3.433	-4.2	815.3
MALAYSIA GOVERNMENT	3.899	11/16/27	3.485	3.431	-5.4	807.2
MALAYSIA GOVERNMENT	3.955	09/15/25	3.186	3.137	-4.9	804.1
MALAYSIA GOVERNMENT	3.478	06/14/24	2.952	2.880	-7.2	635.5
TOTAL VOLUME (TOP 10)						11,958.5
TOTAL VOLUME (Overall)						22,174.3

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	21-Apr Yield	28-Apr Yield	Change (WoW bp)	Weekly Volume (RM mn)
CAGAMAS BERHAD	4.5	12/13/27	3.948	3.949	0.1	320.0
CAGAMAS BERHAD	4.5	12/27/27	3.947	3.922	-2.5	165.0
MALAKOFF POWER BHD	5.95	12/15/28	N/A	5.048	N/A	90.0
RANTAU ABANG CAPITAL	5.05	05/12/31	4.258	4.178	-8.0	80.0
DANAINFRA NASIONAL	4.67	11/27/29	N/A	3.769	N/A	70.0
CAGAMAS BERHAD	3.41	09/25/23	3.484	3.598	11.4	70.0
LAFARGE CEMENT SDN BHD	4.25	07/10/23	N/A	4.561	N/A	50.0
CAGAMAS BERHAD	4.5	12/13/27	N/A	3.929	N/A	50.0
CAGAMAS BERHAD	4.27	12/22/25	3.847	3.800	-4.7	45.0
CELCOM NETWORKS SDN B	5.05	08/29/24	3.837	3.837	0.0	40.0
TOTAL VOLUME (TOP 10)						980.0
TOTAL VOLUME (Overall)						1,913.6

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