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MIDF AMANAH
INVESTMENT BANK BERHAD

WEEKLY MONEY REVIEW

MIDF Strategy 8 May 2023

Week Ended 5 May 2023

- A losing week in the UST market with benchmark 10-year yield ended higher at 3.44% (prior week: 3.42%). The market was bullish midweek after the US Fed Chair signaled no further rate hike after its May meeting. However, investors turned bearish later in the week attributable to the release of stronger than expected April nonfarm payrolls data (actual: 253K; estimate: 180K). The 10y-3y yield spread rebounded but remains inverted at -20bps (prior week: -29bps) as the long-end underperformed. Moreover, interest rate futures market was implying no rate hike during the next 2 meetings to be followed by a spate of rate cuts beginning in September 2023.

- Medium-term inflation expectation (MTIE) eased to 2.20% (prior week: 2.25%) as investors are more sanguine the underlying inflation pressure is ebbing as indicated by the heightened likelihood of US Fed rate pause. The MTIE dropped below an elevated inflation range (of 2.25%-2.50%) acceptable transiently to the US Fed but remains above the 2.00% level. It is also notable that the MTIE has been trending lower from the high of 3.73% in late March 2022.

- The price of domestic MGS benchmark issues ended the review week mixed with the 3-year and 10-year yields added 2.8bps and shed -1.2bps to close at 3.34% and 3.71% respectively. The 10y-3y yield spread narrowed (yield curve flattened) week-on-week from 42bps to 38bps 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 -RM5.03b. It dropped on-week from -RM4.94b registered a week ago. Moreover, it slumped on-year from RM7.24b a year ago.

8 May 2023 | **Strategy**

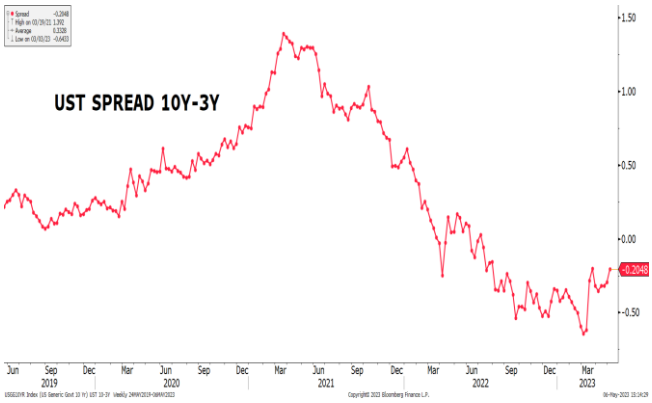
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Weekly Money Review

A. FIXED INCOME

- A losing week in the UST market with benchmark 10-year yield ended higher at 3.44% (prior week: 3.42%). The market was bullish midweek after the US Fed Chair signaled no further rate hike after its May meeting. However, investors turned bearish later in the week attributable to the release of stronger than expected April nonfarm payrolls data (actual: 253K; estimate: 180K). The 10y-3y yield spread rebounded but remains inverted at -20bps (prior week: -29bps) as the long-end underperformed. Moreover, interest rate futures market was implying no rate hike during the next 2 meetings to be followed by a spate of rate cuts beginning in September 2023.





Source: Bloomberg, MIDFR

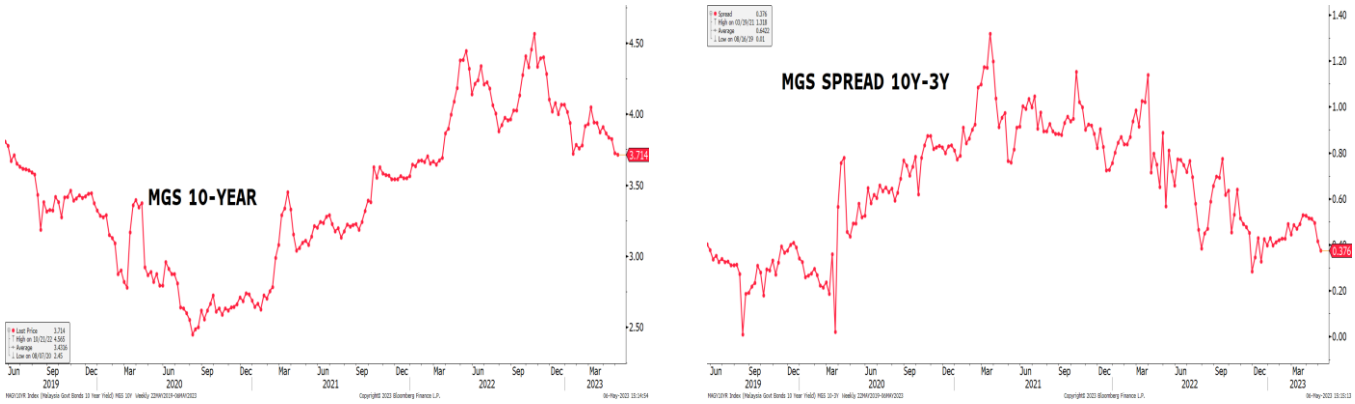
- Medium-term inflation expectation (MTIE) eased to 2.20% (prior week: 2.25%) as investors are more sanguine the underlying inflation pressure is ebbing as indicated by the heightened likelihood of US Fed rate pause. The MTIE dropped below an elevated inflation range (of 2.25%-2.50%) acceptable transiently to the US Fed but remains above the 2.00% level. It is also notable that the MTIE has been trending lower from the high of 3.73% in late March 2022.

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



Source: Bloomberg, MIDFR

- The price of domestic MGS benchmark issues ended the review week mixed with the 3-year and 10-year yields added 2.8bps and shed -1.2bps to close at 3.34% and 3.71% respectively. The 10y-3y yield spread narrowed (yield curve flattened) week-on-week from 42bps to 38bps as the long-end outperformed.

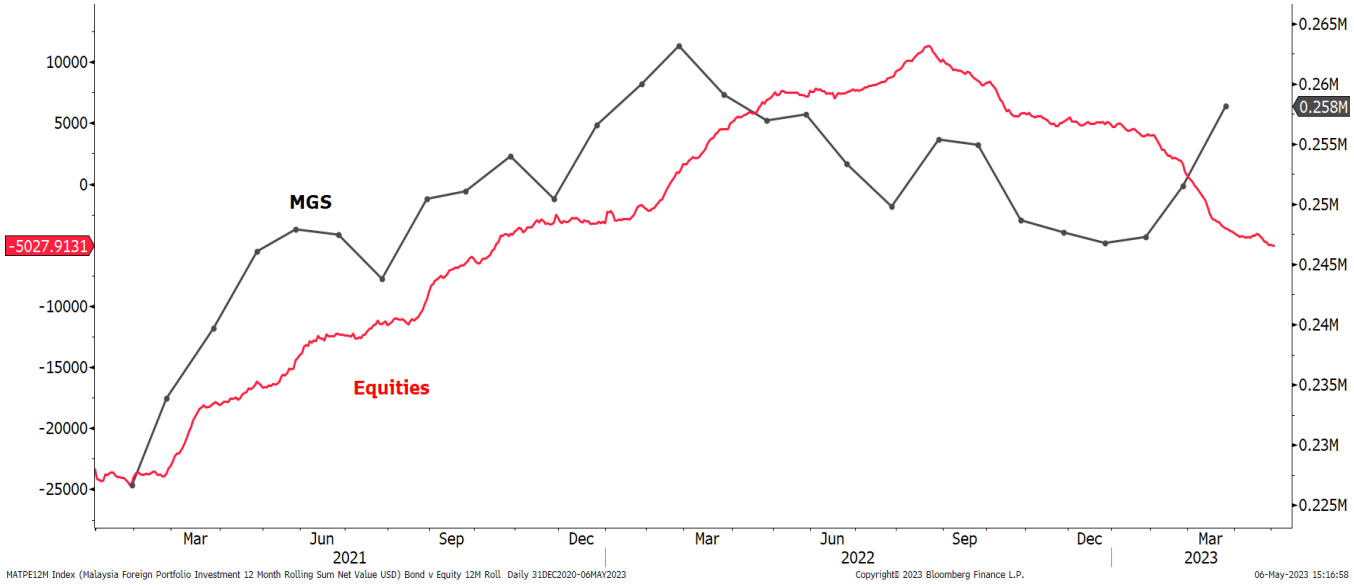


Source: Bloomberg, MIDFR

- Total trading value for Government Bonds (MGS/MII) declined to RM13.28b in the review week compared to RM22.17b in the prior week (based on Bloomberg data). The total trading value of 10 most actively traded issues increased (lower trading breadth) to 63% from 54% 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 and long residual tenor. The top 3 most actively traded were MII 4.193% 10/7/32 at RM1.85, MGS 3.582% 7/15/32 at RM1.31b, and MGS 3.8% 8/17/23 at RM1.26b.

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 -RM5.03b. It dropped on-week from -RM4.94b registered a week ago. Moreover, it slumped on-year from RM7.24b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM1.22b in the review week compared to RM1.91b in the prior week (based on Bloomberg data). The total trading value of 10 most actively traded issues increased (lower trading breadth) to 67% from 51% of the overall Corporate Bonds trades.

- The top 3 actively traded Corporate Bonds were dominated by issues of short and long residual tenor. The largest trading values were seen in Govco 4.4% 6/5/26 at RM3240m, MRL 2.88% 7/23/26 at RM180m, and PLUS 4.729% 1/12/33 at RM135m.

B. FOREIGN EXCHANGE

- USD continued to weaken on possible end to rate hikes. The USD depreciated against major currencies for the second consecutive week by -0.4%wow to 101.21 on the back of expectations that the Fed is ready to end its tightening cycle. Despite the stronger-than-expected job market update, the dovish sentiment comes after Fed's 25bps hike last week was similar to market expectations and the Fed's tone after the FOMC meeting signals for possible pause from further increases.

- Euro was unchanged, pound continued to rally. Euro remained virtually unchanged against the USD at USD1.102 despite the greenback weakness. Euro gained back its early losses in early part of the week following the Fed's less hawkish outlook, but the gains were limited by the smaller hike by the ECB in its May-23 policy meeting last week which signals the region's central bank is nearing its tightening cycle. Meanwhile, the pound sterling continued to gain by +0.5%wow to USD1.264 following USD weakness and expectations that the BOE will continue to hike the interest rate in its May-23 meeting this week.

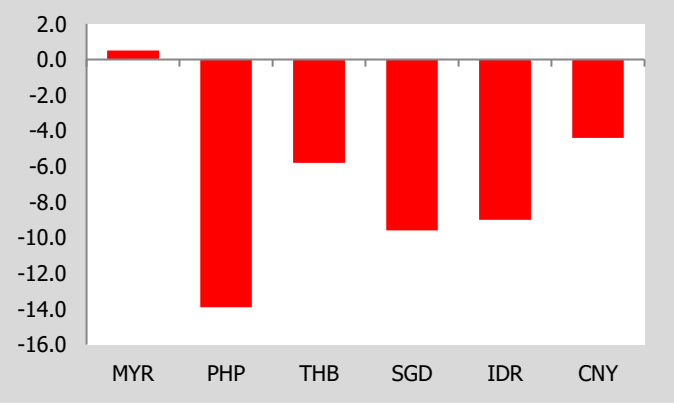
- Ringgit appreciated against the USD. The ringgit appreciated by +0.6%wow against the USD to RM4.436 last Friday. The gain was due to the greenback weakness and BNM's unexpected decision to hike the interest rate by another 25bps, bringing the OPR to a pre-pandemic level of 3.0%. Ringgit's movement was more influenced by the financial market developments as oil prices closed lower due to concerns over slowing global growth; Brent crude benchmark closed -0.5%wow lower at USD75.30pb.

Currencies Changes (Week Ended 5 May 2023) and Quarterly Forecasts

	Close (05/05)	Prev. Close (28/04)	Weekly Change	Weekly Change (%)	1QCY23	2QCY23f	3QCY23f	4QCY23f
DXY Index	101.21	101.66	-0.445	-0.4	102.51	101	98.3	97.5
EURUSD	1.102	1.102	+0.000	+0.0	1.08	1.09	1.12	1.13
GBPUSD	1.264	1.257	+0.007	+0.5	1.23	1.25	1.24	1.26
USDJPY	134.8	136.3	+1.500	+1.1	132.86	131.3	129	126
USDMYR	4.436	4.462	+0.026	+0.6	4.42	4.35	4.13	4.00
GBPMYR	5.592	5.558	-0.034	-0.6	5.46	5.44	5.12	5.04
JPYMYR	3.290	3.273	-0.017	-0.5	3.33	3.32	3.20	3.17

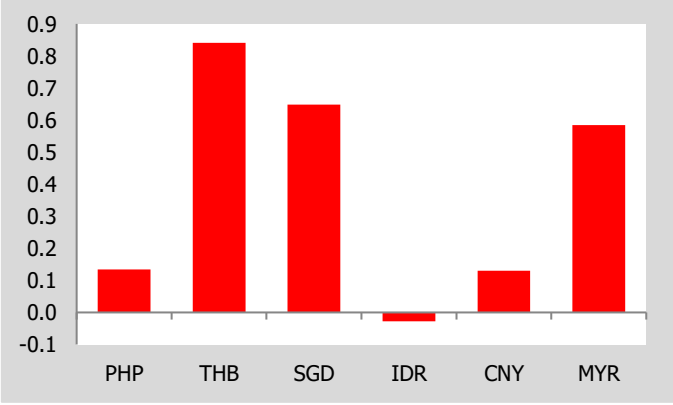
Note: "+" indicates appreciation, while "-" indicates depreciation. Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

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 (%)

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

Source: Bloomberg, MIDFR

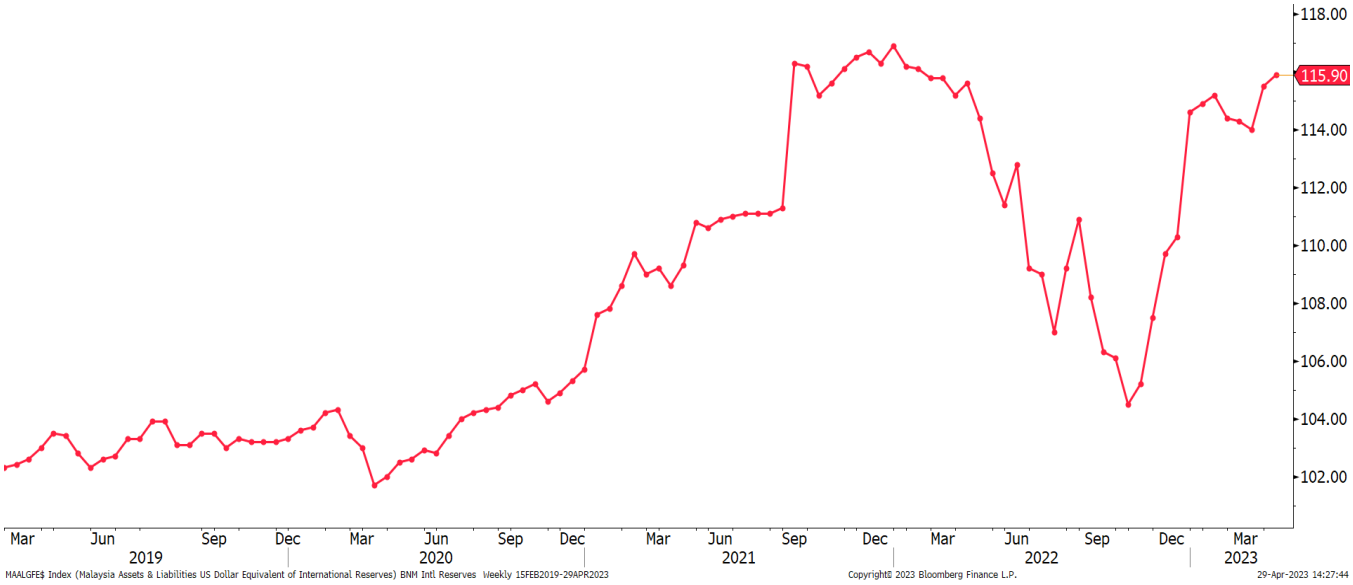
- US economic data released last week:
  - Improved activity in Apr-23 according to S&P Global as manufacturing PMI increased to 50.2 (Mar-23:49.2; market consensus: 50.4), back into expansionary territory after 5 months of contraction, and services PMI rose to nearly one-year high at 53.6 (Mar-23: 52.6) on the back of stronger demand condition. ISM surveys also showed better readings as manufacturing PMI rose to 47.1 (Mar-23: 46.3) and services PMI rose to 51.9 (Mar-23: 51.2).
  - Factory orders improved slower than expected. New orders for manufactured goods increased for the first time in 3 months by +0.9%mom in Mar-23 (Feb-23:-1.1%mom; market expectation: +1.1%mom). Excluding transportation, orders continued to fall by -0.7%mom (Feb-23: -0.7%mom).
  - The job market remained strong in Apr-23. The US economy added +253K jobs in Apr-23 (Mar-23: +165K) against market expectations of +180k. The increase came after the Mar-23 number was sharply revised down from an initial 236K.

- On monetary policy decisions last week:
  - BNM unexpectedly hiked OPR by 25bps to 3.00%, normalizing the policy rate back to the pre-pandemic level. The hike was in contrast to market expectations for no change after the pause in Jan-23 and Mar-23.
  - The Fed's FOMC increased fed funds rate by 25bps to 5.00%-5.25%, well within market expectations. While the Fed Chair indicated the openness for pause or more hikes to contain elevated inflation, the Fed is seen already at the end of its tightening cycle and no more hikes priced in for future meetings.
  - The ECB increased interest rates by 25bps to 3.75%, within market expectations. Given the previous 50bps hikes, the smaller increase was considerably dovish, signalling ECB might shift to pause at future meetings.
  - Activities in Malaysia's manufacturing sector continued to contract as S&P Global Manufacturing PMI was unchanged at 48.8 in Apr-23 as firms remained cautious on the back of subdued demand. The contractionary trend was also observed in Taiwan, Japan, and South Korea on back of the sluggish global demand for E&E and technology products.

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	28-Apr Fri	1-May Mon	2-May Tue	3-May Wed	4-May Thu	5-May Fri	Change (WoW bp)
MGS							
3-Y	3.31	3.31	3.313	3.322	3.322	3.338	2.8
5-Y	3.433	3.433	3.441	3.463	3.463	3.452	1.9
7-Y	3.641	3.641	3.643	3.625	3.625	3.61	-3.1
10-Y	3.726	3.726	3.743	3.698	3.698	3.714	-1.2
20-Y	3.975	3.975	3.982	4.038	4.038	3.919	-5.6
RINGGIT IRS							
1-Y	3.445	3.445	3.44	3.56	3.56	3.475	3
3-Y	3.365	3.365	3.375	3.455	3.455	3.405	4
5-Y	3.445	3.445	3.455	3.52	3.52	3.45	0.5
7-Y	3.565	3.565	3.595	3.64	3.64	3.585	2
10-Y	3.71	3.71	3.725	3.77	3.77	3.72	1
KLIBOR							
1-M	2.96	2.96	2.96	2.96	2.96	3.22	26
3-M	3.51	3.51	3.5	3.5	3.5	3.57	6
UST							
3-Y	3.7157	3.8624	3.6762	3.502	3.5129	3.6418	-7.39
5-Y	3.4828	3.6345	3.4484	3.298	3.3286	3.4104	-7.24
7-Y	3.4569	3.6044	3.4341	3.3133	3.3458	3.4112	-4.57
10-Y	3.422	3.5681	3.4239	3.3356	3.3787	3.437	1.5
30-Y	3.6733	3.8081	3.7119	3.6821	3.7296	3.7535	8.02
USD LIBOR							
1-M	5.06214	5.06214	5.09386	5.08157	5.09871	5.09871	3.657
3-M	5.30243	5.30243	5.33629	5.32629	5.32371	5.32371	2.128

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	28-Apr Yield	5-May Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA INVESTMNT ISSU	4.193	10/07/32	3.811	3.803	-0.8	1,854.3
MALAYSIA GOVERNMENT	3.582	07/15/32	3.726	3.714	-1.2	1,310.4
MALAYSIA GOVERNMENT	3.8	08/17/23	2.848	2.979	13.1	1,255.7
MALAYSIA GOVERNMENT	4.893	06/08/38	3.916	3.908	-0.8	729.1
MALAYSIA GOVERNMENT	3.906	07/15/26	3.310	3.338	2.8	701.1
MALAYSIA GOVERNMENT	3.519	04/20/28	3.433	3.452	1.9	681.2
MALAYSIA GOVERNMENT	3.882	03/14/25	3.107	3.160	5.3	471.4
MALAYSIA INVESTMNT ISSU	3.151	05/15/23	2.666	3.104	43.8	449.0
MALAYSIA INVESTMNT ISSU	4.245	09/30/30	3.723	3.707	-1.6	440.0
MALAYSIA INVESTMNT ISSU	3.599	07/31/28	3.489	3.518	2.9	413.6
TOTAL VOLUME (TOP 10)						8,305.7
TOTAL VOLUME (Overall)						13,282.6

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	28-Apr Yield	5-May Yield	Change (WoW bp)	Weekly Volume (RM mn)
GOVCO HOLDINGS BHD	4.4	06/05/26	N/A	3.514	N/A	240.0
MALAYSIA RAIL LINK	2.88	07/23/26	N/A	3.590	N/A	180.0
PROJEK LEBUHRAYA USAHA	4.729	01/12/33	4.561	4.425	-13.6	135.0
MALAKOFF POWER BHD	6.05	12/17/29	N/A	5.149	N/A	65.0
DRB-HICOM BHD	5.57	04/26/30	N/A	5.444	N/A	42.0
YTL CORPORATION BERHA	4.97	04/10/31	4.800	4.689	-11.1	37.5
DANAINFRA NASIONAL	4.85	05/03/41	N/A	4.198	N/A	30.0
YTL POWER INTERNATIONA	4.99	08/24/28	4.710	4.427	-28.3	30.0
DANUM CAPITAL BHD	3.14	05/13/27	4.020	3.948	-7.2	30.0
SARAWAK ENERGY BHD	3.3	06/14/30	4.140	4.118	-2.2	25.0
TOTAL VOLUME (TOP 10)						814.5
TOTAL VOLUME (Overall)						1,221.2

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