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MIDF AMANAH
INVESTMENT BANK BERHAD

WEEKLY MONEY REVIEW

MIDF Strategy 15 May 2023

Week Ended 12 May 2023

- Another losing week in the UST market with benchmark 10-year yield ended higher at 3.46% (prior week: 3.44%). The market came under selling pressure earlier in the week as investors continued to digest the strong April NFP data. However, the bulls returned midweek in reaction to the weaker than expected April CPI and PPI data. On Friday, the market succumbed as investors weighed US economic and monetary policy outlook. The 10y-3y yield spread rebounded but remains inverted at -19bps (prior week: -20bps) as the long-end underperformed. Meanwhile, 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) fell to 2.11% (prior week: 2.20%) as investors reacted to the weaker than expected April CPI and PPI data. The MTIE remains below an elevated inflation range (of 2.25%-2.50%) acceptable transiently to the US Fed but above the 2.00% target level. Moreover, it is also notable that the MTIE has been trending lower from the high of 3.73% in late March 2022. It seems the market is increasingly convinced the inflation pressure is ebbing. We reckon the MTIE may revert to 2.00% level rather soon.

- The price of domestic MGS benchmark issues ended the review week mixed with the 3-year and 10-year yields added 3.0bps and shed -7.2bps to close at 3.37% and 3.64% respectively. The 10y-3y yield spread narrowed (yield curve flattened) week-on-week from 38bps to 27bps as the long-end outperformed.

- MGS foreign holdings increased on-year from RM257b in April 2022 to RM260b in April 2023. Moreover, it risen on-month from RM258b in March 2023. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM4.66b. It improved on-week from -RM5.03b registered a week ago. However, it slumped on-year from RM7.61b a year ago.

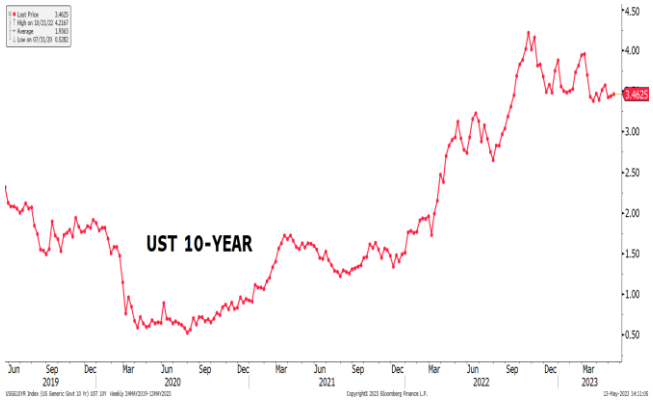
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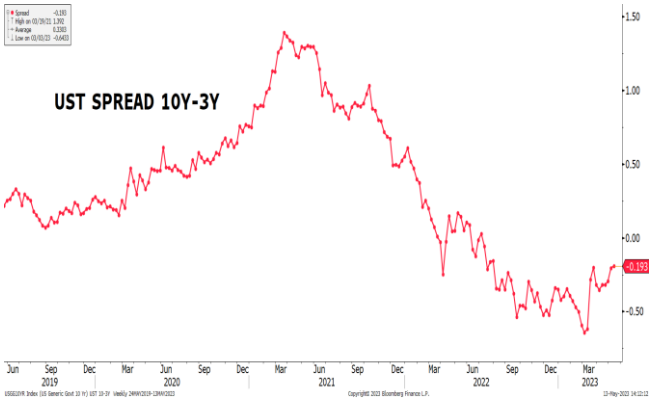
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Weekly Money Review

A. FIXED INCOME

- Another losing week in the UST market with benchmark 10-year yield ended higher at 3.46% (prior week: 3.44%). The market came under selling pressure earlier in the week as investors continued to digest the strong April NFP data. However, the bulls returned midweek in reaction to the weaker than expected April CPI and PPI data. On Friday, the market succumbed as investors weighed US economic and monetary policy outlook. The 10y-3y yield spread rebounded but remains inverted at -19bps (prior week: -20bps) as the long-end underperformed. Meanwhile, 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

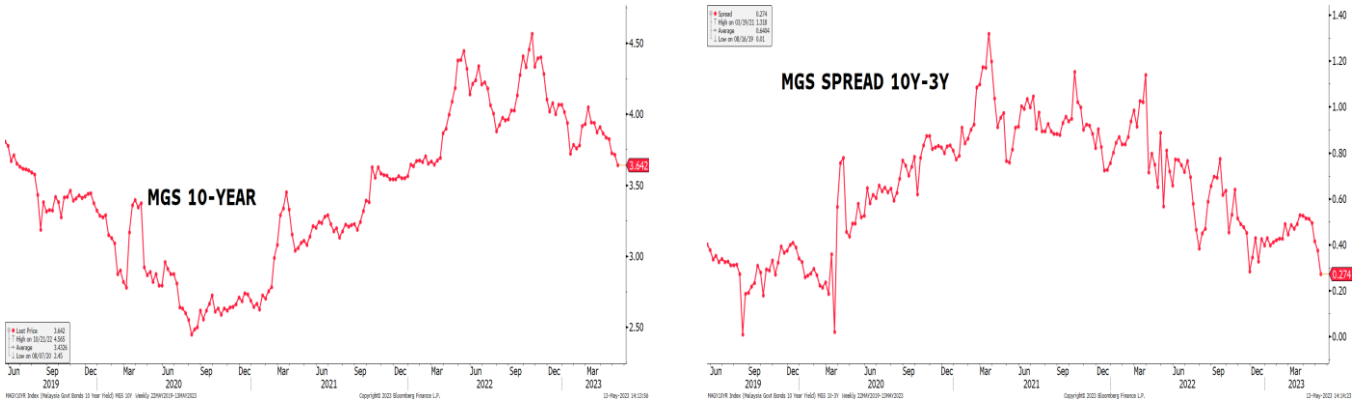
- Medium-term inflation expectation (MTIE) fell to 2.11% (prior week: 2.20%) as investors reacted to the weaker than expected April CPI and PPI data. The MTIE remains below an elevated inflation range (of 2.25%-2.50%) acceptable transiently to the US Fed but above the 2.00% target level. Moreover, it is also notable that the MTIE has been trending lower from the high of 3.73% in late March 2022. It seems the market is increasingly convinced the inflation pressure is ebbing. We reckon the MTIE may revert to 2.00% level rather soon.

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 3.0bps and shed -7.2bps to close at 3.37% and 3.64% respectively. The 10y-3y yield spread narrowed (yield curve flattened) week-on-week from 38bps to 27bps as the long-end outperformed.

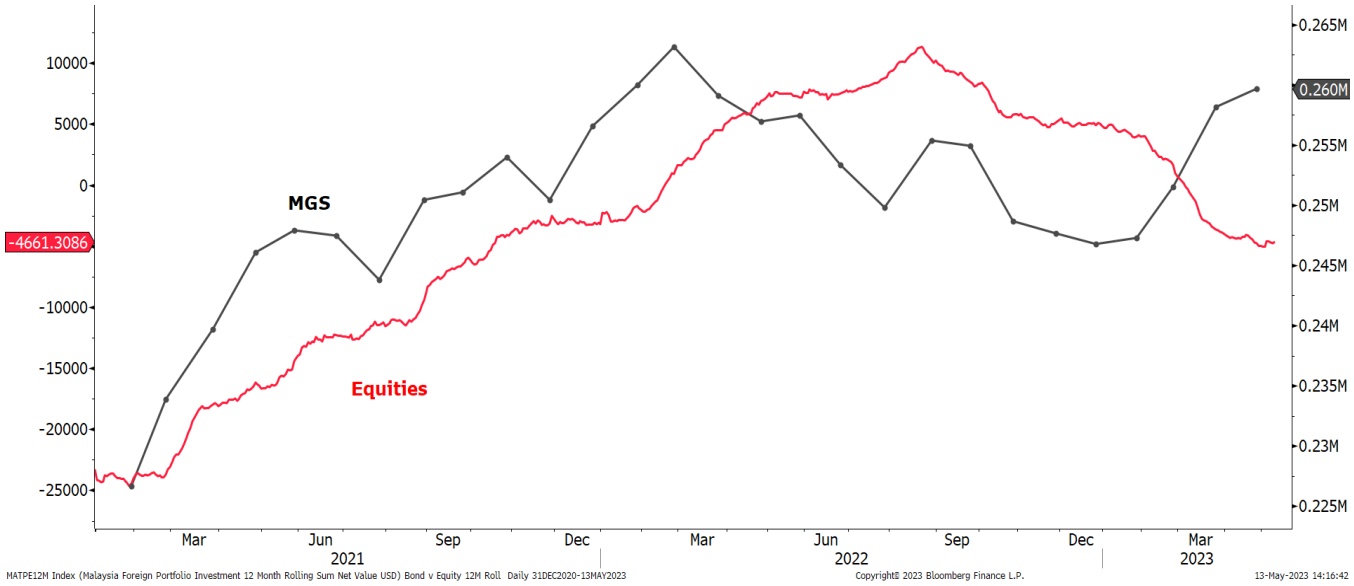


Source: Bloomberg, MIDFR

- Total trading value for Government Bonds (MGS/MII) increased to RM17.89b in the review week compared to RM13.28b in the prior week (based on Bloomberg data). The total trading value of 10 most actively traded issues declined (higher trading breadth) to 60% from 63% of the overall Government Bonds trades. Moreover, 8 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 RM1.73, MGS 3.582% 7/15/32 at RM1.60b, and MGS 3.906% 7/15/26 at RM1.32b.

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



Source: Bloomberg, MIDFR

- MGS foreign holdings increased on-year from RM257b in April 2022 to RM260b in April 2023. Moreover, it risen on-month from RM258b in March 2023. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM4.66b. It improved on-week from -RM5.03b registered a week ago. However, it slumped on-year from RM7.61b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM2.29b in the review week compared to RM1.22b 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 67% 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 4.526% 1/12/29 at RM190m, PLUS 4.582% 1/11/30 at RM95m, and PLUS 5.017% 1/12/38 at RM80m.

B. FOREIGN EXCHANGE

- USD appreciated against major currencies. The USD strengthened over major currencies last week, appreciating by +1.4%wow to 102.68 after two weeks of declines. The weekly gain came after woes over the US debt ceiling expiry and re-emergence of fears over the banking crisis overwhelmed dovish sentiment over Fed's upcoming decisions following softer inflation data. This led to increased safe-haven demand for the greenback.

- Both euro and pound depreciated. Against stronger dollar, both euro and pound weakened by -1.5%wow and -1.4%wow to USD1.085 and USD1.246, respectively. Downward pressure on euro also came from declining certainty over the ECB's hawkishness. Meanwhile, the BOE's 25bps hike last week failed to support the pound sterling, which ended the week at the weakest level in nearly 2 weeks.

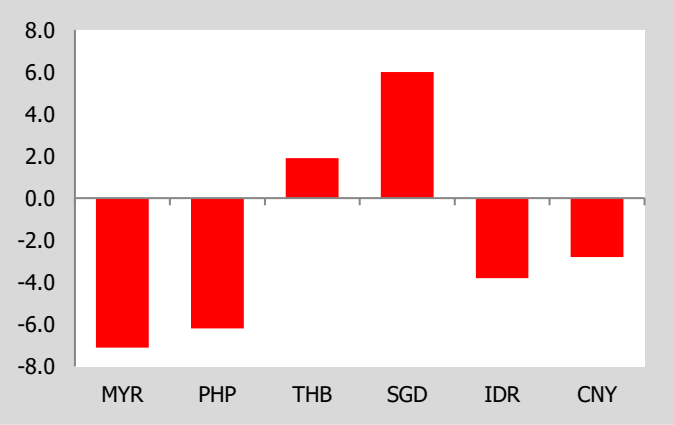
- Ringgit also weakened. Ringgit depreciated against the greenback by -1.0%wow to RM4.48, back to levels last seen in mid-Mar-23. Despite Malaysia's 1QCY23 GDP growth overshooting market consensus, the ringgit failed to overcome the strengthening of USD driven by the flight to safety. The commodity market was also unfavourable towards the ringgit as Brent closed -1.5%wow lower at USD74.17pb.

Currencies Changes (Week Ended 12 May 2023) and Quarterly Forecasts

	Close (12/05)	Prev. Close (05/05)	Weekly Change	Weekly Change (%)	1QCY23	2QCY23f	3QCY23f	4QCY23f
DXY Index	102.68	101.21	+1.467	+1.4	102.51	101	98.3	97.5
EURUSD	1.085	1.102	-0.017	-1.5	1.08	1.09	1.12	1.13
GBPUSD	1.246	1.264	-0.018	-1.4	1.23	1.25	1.24	1.26
USDJPY	135.7	134.8	-0.900	-0.7	132.86	131.3	129	126
USDMYR	4.480	4.436	-0.044	-1.0	4.42	4.35	4.13	4.00
GBPMYR	5.612	5.592	-0.020	-0.4	5.46	5.44	5.12	5.04
JPYMYR	3.302	3.290	-0.012	-0.4	3.33	3.32	3.20	3.17

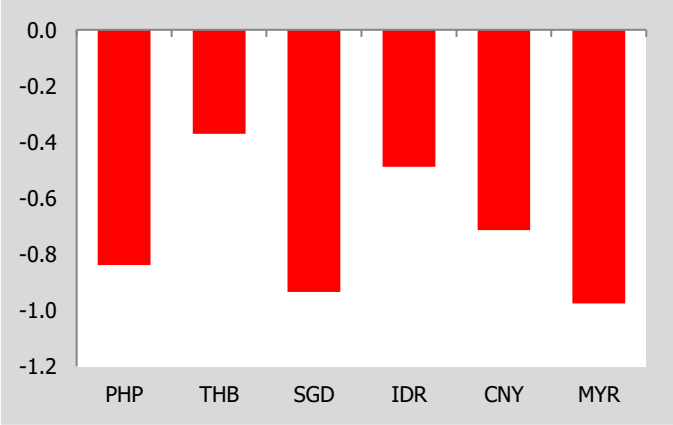
Note: "+" indicates appreciation, while "-" indicates depreciation. Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

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	4.50
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:
  - Inflation eased further. CPI inflation eased for the 10th consecutive month to +4.9%yoy (Mar-23: +5.0%yoy), with the core inflation moderating to +5.5%yoy (+5.6%yoy), in line with market expectations. PPI inflation also decelerated to +2.3%yoy in Apr-23 (Mar-23: +2.7%yoy). The downward pressure came from prices for the production of foods which contracted -0.5%yoy.
  - Small businesses' optimism in the US fell. The NFIB Small Business Optimism Index trended down for the second consecutive month to 89.0 in Apr-23 (Mar-23: 90.1), below market forecast of 89.6. Expectations for better business conditions in the next 6 months also weakened.
  - Signs of cooling labour market. US initial jobless claim rose by 22K to 264K, the highest since Oct-21 and significantly more than +3K rise predicted by market forecast.

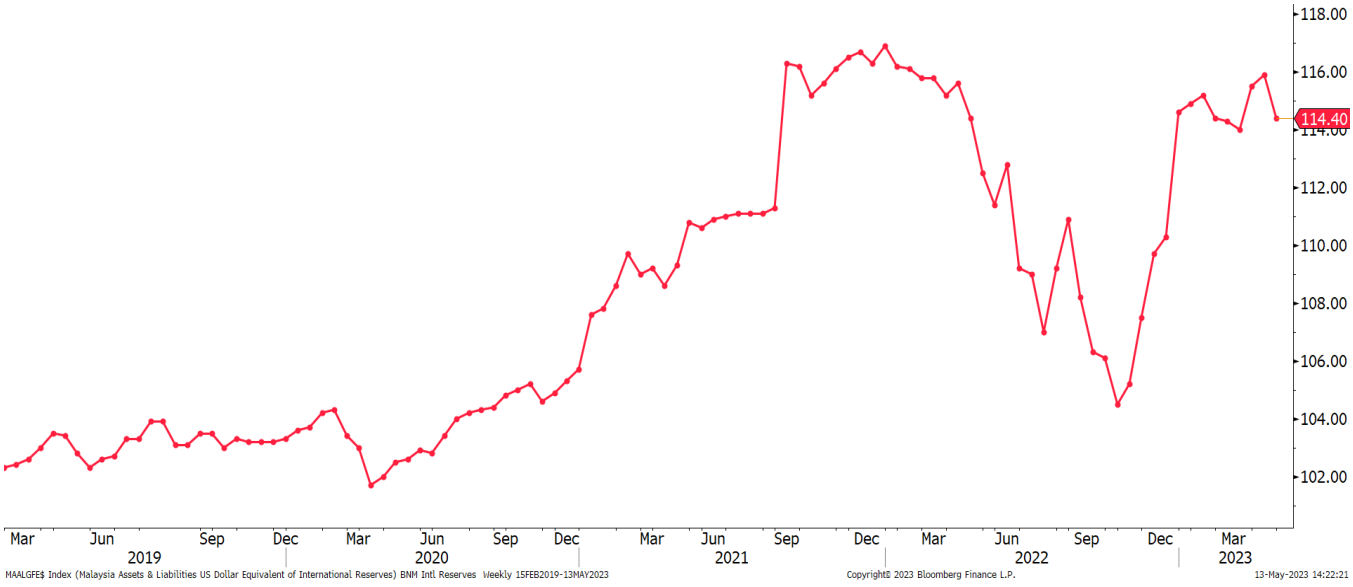
- The BOE unsurprisingly raised the interest rate by another 25 bps to 4.50%, a level not seen since 2008. The increase was accompanied by hawkish sentiment as the UK inflation rate remained uncomfortably elevated.

- Indicators pointed to still robust growth in Malaysia's economy in 1QCY23 and Mar-23:
  - GDP growth exceeded expectations. Real GDP grew by +5.6%yoy in 1QCY23, surpassing market projections of +5.1%yoy, mainly driven by domestic demand.
  - Labour market continued to be resilient. Unemployment rate was unchanged from the previous month in Mar-23 at 3.5%, still at pandemic lows with unemployment count fell to below 590K.
  - Sustained IPI growth. Industrial production sustained growth at +3.1%yoy in Mar-23 (Feb-23: +3.5%yoy), above market consensus due to higher manufacturing output and rebound in mining production.
  - Distributive trade maintained double-digit growth. Distributive trade sales extended their double-digit growth for the 12th consecutive month, growing by +11.9%yoy in Mar-23 (Feb-23: +14.3%yoy), buoyed by strong domestic demand as reflected in robust growth in retail sales and motor vehicles.

C. BNM INTERNATIONAL RESERVES

- As of 28 April 2023, compared to previous fortnight, Bank Negara Malaysia's international reserves was lower at USD114.4b (14 April 2023: USD115.9b).

BNM INTERNATIONAL RESERVES



Source: Bloomberg, MIDFR

- The amount of reserves is sufficient to finance 5.1 months of imports of goods & services and is 1.0 times total short-term external debt.

APPENDIX

WEEKLY INTEREST RATE MONITOR

Tenor	5-May Fri	8-May Mon	9-May Tue	10-May Wed	11-May Thu	12-May Fri	Change (WoW bp)
MGS							
3-Y	3.338	3.354	3.353	3.369	3.358	3.368	3
5-Y	3.452	3.441	3.447	3.474	3.463	3.445	-0.7
7-Y	3.61	3.626	3.631	3.615	3.624	3.587	-2.3
10-Y	3.714	3.685	3.686	3.724	3.686	3.642	-7.2
20-Y	3.919	3.905	3.901	3.884	3.905	3.91	-0.9
RINGGIT IRS							
1-Y	3.475	3.455	3.445	3.46	3.455	3.465	-1
3-Y	3.405	3.375	3.36	3.375	3.375	3.385	-2
5-Y	3.45	3.455	3.435	3.455	3.455	3.455	0.5
7-Y	3.585	3.56	3.555	3.575	3.575	3.57	-1.5
10-Y	3.72	3.71	3.68	3.7	3.665	3.695	-2.5
KLIBOR							
1-M	3.22	3.22	3.21	3.21	3.2	3.2	-2
3-M	3.57	3.55	3.54	3.53	3.51	3.51	-6
UST							
3-Y	3.6418	3.7181	3.7237	3.5724	3.5613	3.6555	1.37
5-Y	3.4104	3.4912	3.4947	3.3845	3.3553	3.4462	3.58
7-Y	3.4112	3.4897	3.4948	3.406	3.3605	3.4515	4.03
10-Y	3.437	3.5072	3.5186	3.4426	3.3843	3.4625	2.55
30-Y	3.7535	3.8227	3.8381	3.7965	3.7402	3.7888	3.53
USD LIBOR							
1-M	5.10443	5.10443	5.10571	5.108	5.10743	5.10543	0.1
3-M	5.33686	5.33686	5.33914	5.34243	5.32071	5.31829	-1.857

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	5-May Yield	12-May Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA INVESTMNT ISSU	4.193	10/07/32	3.803	3.766	-3.7	1,728.2
MALAYSIA GOVERNMENT	3.582	07/15/32	3.714	3.642	-7.2	1,603.4
MALAYSIA GOVERNMENT	3.906	07/15/26	3.338	3.368	3.0	1,321.6
MALAYSIA INVESTMNT ISSU	4.245	09/30/30	3.707	3.690	-1.7	1,124.9
MALAYSIA GOVERNMENT	3.8	08/17/23	2.979	2.969	-1.0	1,102.9
MALAYSIA GOVERNMENT	4.498	04/15/30	3.610	3.587	-2.3	994.7
MALAYSIA GOVERNMENT	3.899	11/16/27	3.473	3.472	-0.1	823.7
MALAYSIA INVESTMNT ISSU	4.13	07/09/29	3.696	3.702	0.6	798.0
MALAYSIA GOVERNMENT	4.893	06/08/38	3.908	3.820	-8.8	614.2
MALAYSIA INVESTMNT ISSU	3.599	07/31/28	3.518	3.509	-0.9	576.5
TOTAL VOLUME (TOP 10)						10,688.1
TOTAL VOLUME (Overall)						17,892.5

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	5-May Yield	12-May Yield	Change (WoW bp)	Weekly Volume (RM mn)
PROJEK LEBUHRAYA USAHA	4.526	01/12/29	4.320	4.255	-6.5	190.0
PROJEK LEBUHRAYA USAHA	4.582	01/11/30	4.371	4.290	-8.1	95.0
PROJEK LEBUHRAYA USAHA	5.017	01/12/38	4.708	4.614	-9.4	80.0
PROJEK LEBUHRAYA USAHA	4.954	01/12/37	N/A	4.559	N/A	80.0
DANAINFRA NASIONAL	4.53	11/12/25	3.398	3.382	-1.6	65.0
DANAINFRA NASIONAL	4.84	02/11/39	N/A	4.129	N/A	60.0
PROJEK LEBUHRAYA USAHA	4.68	01/12/32	4.500	4.370	-13.0	50.0
DANAINFRA NASIONAL	4.32	03/18/37	N/A	4.039	N/A	50.0
NORTHPORT MALAYSIA BH	5.78	12/19/24	4.103	4.006	-9.7	40.0
PRASARANA MALAYSIA BHD	4.16	03/02/35	N/A	4.059	N/A	40.0
TOTAL VOLUME (TOP 10)						750.0
TOTAL VOLUME (Overall)						2,286.7

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