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MIDF AMANAH
INVESTMENT BANK BERHAD

WEEKLY MONEY REVIEW

MIDF Strategy 29 May 2023

Week Ended 26 May 2023

- The UST market suffered its fourth consecutive selling week with benchmark 10-year yield ended higher at 3.80% (prior week: 3.67%). Market sentiment was dampened by (1) higher than expected April PCE data, and (2) mixed messages from the latest US Fed meeting minutes with some participants suggesting that rates should go higher. The 10y-3y yield spread inverted deeper at -44bps (prior week: -28bps) as the short-end underperformed due to its higher sensitivity to policy rate action. Moreover, interest rate futures market was implying a final 25-bp rate hike in June to be followed by a spate of rate cuts beginning in November 2023.

- Medium-term inflation expectation (MTIE) was unchanged week-on-week at 2.18% despite the higher-than-expected inflation data as investors were arguably pacified by the hawkish statements from some US Fed officials. 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 convinced the inflation pressure is generally 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 3.1bps and shed -0.6bp to close at 3.45% and 3.76% respectively. The 10y-3y yield spread narrowed (yield curve flattened) week-on-week from 35bps to 31bps 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 -RM5.10b. It worsened on-week from -RM4.96b registered a week ago. Moreover, it slumped on-year from RM7.34b a year ago.

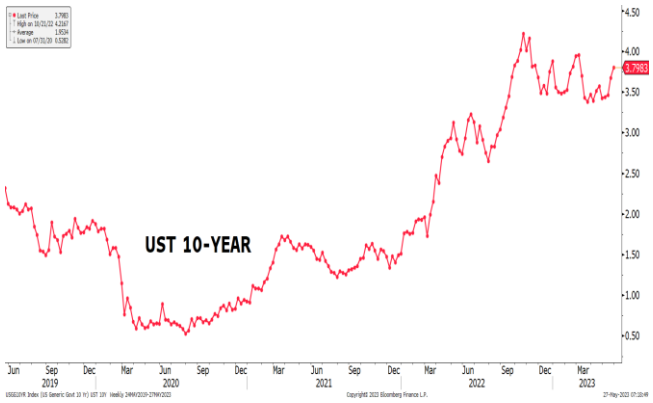
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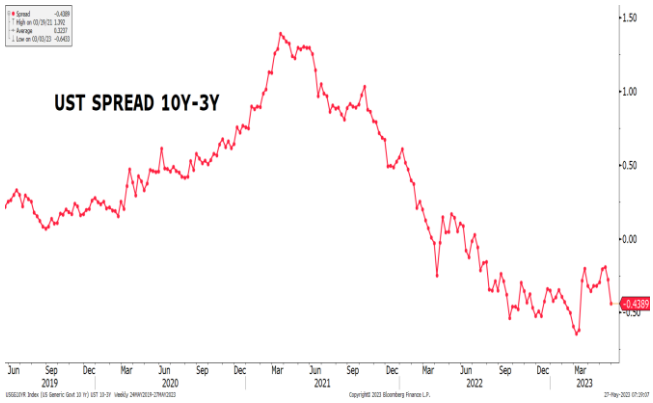
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Weekly Money Review

A. FIXED INCOME

- The UST market suffered its fourth consecutive selling week with benchmark 10-year yield ended higher at 3.80% (prior week: 3.67%). Market sentiment was dampened by (1) higher than expected April PCE data, and (2) mixed messages from the latest US Fed meeting minutes with some participants suggesting that rates should go higher. The 10y-3y yield spread inverted deeper at -44bps (prior week: -28bps) as the short-end underperformed due to its higher sensitivity to policy rate action. Moreover, interest rate futures market was implying a final 25-bp rate hike in June to be followed by a spate of rate cuts beginning in November 2023.





Source: Bloomberg, MIDFR

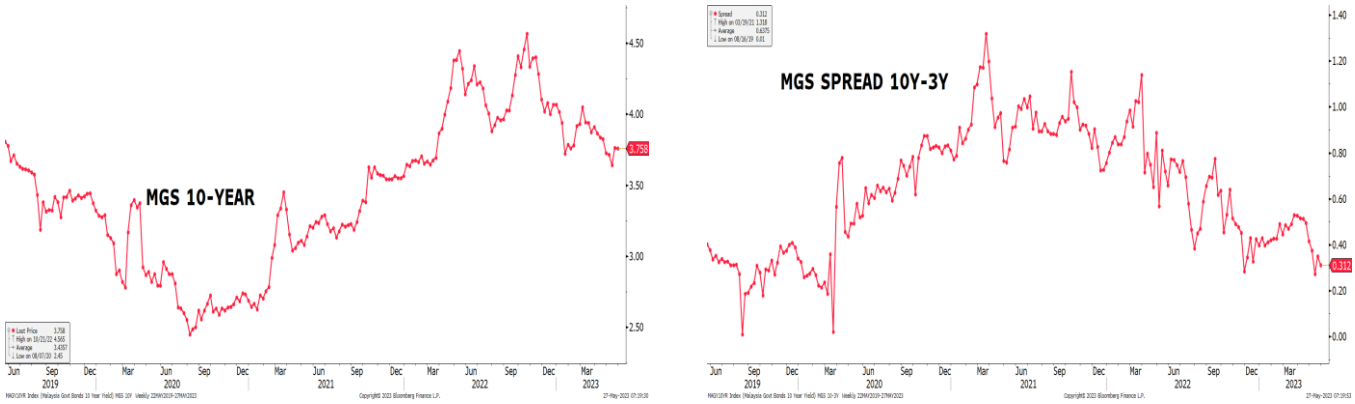
- Medium-term inflation expectation (MTIE) was unchanged week-on-week at 2.18% despite the higher-than-expected inflation data as investors were arguably pacified by the hawkish statements from some US Fed officials. The MTIE remains below an elevated inflation range (of 2.25%-2.50%) acceptable transiently 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 convinced the inflation pressure is generally 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 3.1bps and shed -0.6bp to close at 3.45% and 3.76% respectively. The 10y-3y yield spread narrowed (yield curve flattened) week-on-week from 35bps to 31bps as the long-end outperformed.

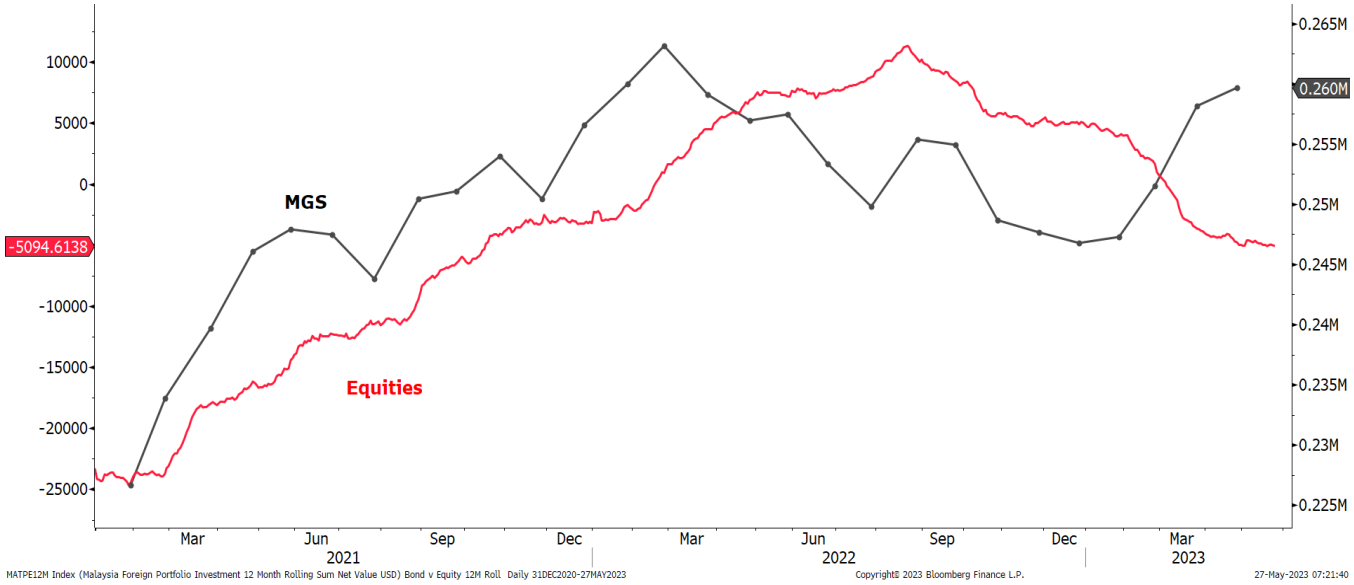


Source: Bloomberg, MIDFR

- Total trading value for Government Bonds (MGS/MII) increased to RM16.78b in the review week compared to RM16.08b in the prior week (based on Bloomberg data). The total trading value of 10 most actively traded issues declined (higher trading breadth) to 56% from 64% 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 varied residual tenor. The top 3 most actively traded were MII 4.193% 10/7/32 at RM1.67, MGS 3.906% 7/15/26 at RM1.58b, and MII 3.599% 7/31/28 at RM962m.

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 -RM5.10b. It worsened on-week from -RM4.96b registered a week ago. Moreover, it slumped on-year from RM7.34b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM2.46b in the review week compared to RM2.87b in the prior week (based on Bloomberg data). The total trading value of 10 most actively traded issues declined (higher trading breadth) to 41% from 52% 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 PLUS 4.954% 1/12/37 at RM180m, Jambatan Kedua 4.2% 7/28/26 at RM170m, and PLUS 5.017% 1/12/38 at RM135m.

B. FOREIGN EXCHANGE

- USD continued its upward rally. The US dollars continued gaining over major currencies for the third consecutive week, appreciating by +1.0%wow to 104.21, the highest level in 11 weeks. Demand for US dollars rose as sentiment in the market remained apprehensive over the US prolonged debt ceiling decision. Moreover, the appreciation was also supported by stronger-than-expected inflation data which spurred the case for another hike by the Fed.

- Euro and pound continued to depreciate. As US dollars gained, euro and pound both weakened by -0.8%wow to USD1.072 and USD1.234, respectively. Euro was also weighed down after the bloc's largest economy, Germany, reported experiencing a technical recession in 1QCY23. Likewise, the pound also slipped further as demand for the greenback outweighed hawkish sentiment for more hikes by the BOE.

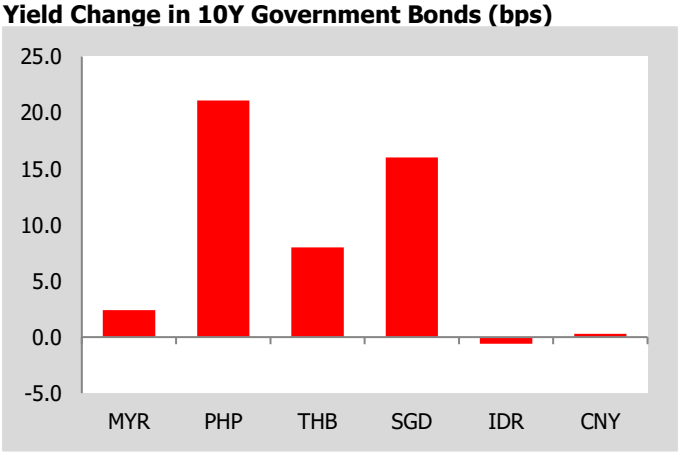
- Ringgit depreciated further. Ringgit slipped for the third week in a row, weakening by -1.4%wow to RM4.600, still around the weakest weekly closing since Nov-22. The ringgit weakness continued to stem mainly from the strengthening dollar and financial market developments. Higher crude oil prices failed to bolster the ringgit; Brent closed +1.8%wow higher for the second consecutive week at USD76.95pb (previous week: USD75.58pb). Relative to other regional currencies, ringgit decline was the largest as we conclude the recent weaker-than-expected trade data in Apr-23 signaled concerns of larger drag from international trade on overall growth outlook.

Currencies Changes (Week Ended 26 May 2023) and Quarterly Forecasts

	Close (26/5)	Prev. Close (19/5)	Weekly Change	Weekly Change (%)	1QCY23	2QCY23f	3QCY23f	4QCY23f
DXY Index	104.21	103.20	+1.008	+1.0	102.51	101	98.3	97.5
EURUSD	1.072	1.081	-0.008	-0.8	1.08	1.09	1.12	1.13
GBPUSD	1.234	1.245	-0.010	-0.8	1.23	1.25	1.24	1.26
USDJPY	140.6	137.98	-2.620	-1.9	132.86	131.3	129	126
USDMYR	4.600	4.538	-0.063	-1.4	4.42	4.35	4.13	4.00
GBPMYR	5.686	5.641	-0.046	-0.8	5.46	5.44	5.12	5.04
JPYMYR	3.273	3.289	+0.016	+0.5	3.33	3.32	3.20	3.17

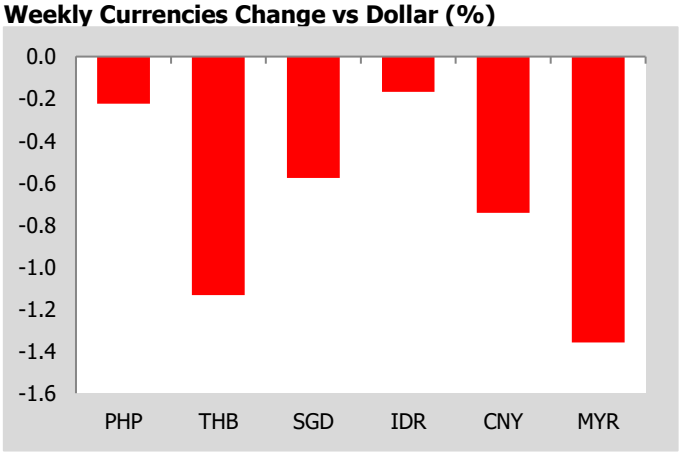
Note: "+" indicates appreciation, while "-" indicates depreciation. Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

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	4.50
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:
  - Labour market remained robust. US initial jobless claims rose to 229K from its over two-month low of 225K, but well below market expectations of 245K.
  - Manufacturing contracted while services remained robust. US S&P Global Manufacturing PMI fell short of market expectations after falling to contractionary territory in May-23 at 48.5 (Apr-23: 50.2; market forecast: 50.0). On the other hand, services PMI registered the fourth month of expansion at 55.1 in May-23 (Apr-23: 53.6; market forecast: 52.6), indicating stronger business activities in the services sector.
  - 1QCY23 GDP growth beat market expectations. The US economy grew by +1.3%qoq during the 1QCY23, lower than +2.6%qoq recorded in 4QCY22 but exceeded market expectations of +1.1%qoq. The stronger-than-expected growth increased the bet against a more dovish Fed.
  - Core PCE inflation unexpectedly rose to +4.7%yoy in Apr-23 (Mar-23: +4.6%yoy), against market consensus of +4.6%yoy.
  - The FOMC minutes for May-23 meeting signaled a mixed view as market perceived the Fed to be open for more hikes, although policymakers becoming less certain on the need for further tightening.

- On monetary policy decisions last week:
  - Bank of Indonesia kept the rate steady. The Indonesian central bank unsurprisingly kept the rate steady at 5.75% for the fourth consecutive meeting, optimistic that the current rate will be able to keep core inflation within its 3 ± 1% target for the rest of the year.
  - Bank of Korea held the rate constant. In a widely expected decision, the Bank of Korea kept its interest rate at 3.50% in its May-23 meeting, the third consecutive time it kept the interest rate steady.

- Malaysia's inflation eased further as CPI inflation eased to +3.3%yoy in Apr-23 (Mar-23: +3.4%yoy) due to slower rise in food inflation. Demand pressures remained strong as core CPI remained elevated and above the headline, albeit moderating to +3.6%yoy. In another release, Malaysia's Leading Index signals slowing growth momentum in the near term as the index fell again by -1.2%yoy in Mar-23 (Feb-23: +0.4%yoy).

C. BNM INTERNATIONAL RESERVES

- As of 15 May 2023, compared to previous fortnight, Bank Negara Malaysia's international reserves was higher at USD114.7b (28 April 2023: USD114.4b).

BNM INTERNATIONAL RESERVES



Source: Bloomberg, MIDFR

- The amount of reserves is sufficient to finance 4.9 months of imports of goods & services and is 1.0 times total short-term external debt.

APPENDIX

WEEKLY INTEREST RATE MONITOR

Tenor	19-May Fri	22-May Mon	23-May Tue	24-May Wed	25-May Thu	26-May Fri	Change (WoW bp)
MGS							
3-Y	3.415	3.404	3.424	3.422	3.433	3.446	3.1
5-Y	3.494	3.485	3.525	3.507	3.524	3.474	-2
7-Y	3.686	3.668	3.726	3.702	3.709	3.68	-0.6
10-Y	3.764	3.747	3.797	3.764	3.81	3.758	-0.6
20-Y	4.023	4.012	4.108	4.065	4.13	4.13	10.7
RINGGIT IRS							
1-Y	3.475	3.48	3.48	3.485	3.525	3.55	7.5
3-Y	3.465	3.465	3.485	3.485	3.5205	3.5395	7.45
5-Y	3.55	3.53	3.585	3.555	3.5975	3.595	4.5
7-Y	3.665	3.65	3.705	3.685	3.725	3.73	6.5
10-Y	3.775	3.79	3.82	3.82	3.84	3.85	7.5
KLIBOR							
1-M	3.2	3.19	3.19	3.19	3.19	3.19	-1
3-M	3.48	3.48	3.47	3.47	3.46	3.46	-2
UST							
3-Y	3.95	3.9841	3.9731	4.0612	4.2124	4.2372	28.72
5-Y	3.7319	3.7619	3.7426	3.8186	3.9131	3.9271	19.52
7-Y	3.7056	3.7369	3.7109	3.7787	3.873	3.8656	16
10-Y	3.6726	3.7148	3.6919	3.7419	3.8174	3.7983	12.57
30-Y	3.9271	3.9662	3.9476	3.9859	3.9953	3.9607	3.36
USD LIBOR							
1-M	5.13971	5.12686	5.138	5.14086	5.16	5.16	2.029
3-M	5.39271	5.37471	5.39586	5.42443	5.46314	5.46314	7.043

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	19-May Yield	26-May Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA INVESTMNT ISSU	4.193	10/07/32	3.840	3.864	2.4	1,673.2
MALAYSIA GOVERNMENT	3.906	07/15/26	3.415	3.446	3.1	1,583.5
MALAYSIA INVESTMNT ISSU	3.599	07/31/28	3.562	3.553	-0.9	961.8
MALAYSIA INVESTMNT ISSU	4.245	09/30/30	3.804	3.726	-7.8	903.6
MALAYSIA GOVERNMENT	3.8	08/17/23	3.175	3.075	-10.0	854.9
MALAYSIA GOVERNMENT	3.899	11/16/27	3.510	3.520	1.0	776.8
MALAYSIA GOVERNMENT	3.519	04/20/28	3.494	3.474	-2.0	776.5
MALAYSIA GOVERNMENT	4.762	04/07/37	3.969	4.026	5.7	682.2
MALAYSIA INVESTMNT ISSU	4.291	08/14/43	4.093	4.173	8.0	678.6
MALAYSIA GOVERNMENT	3.885	08/15/29	3.721	3.730	0.9	553.7
TOTAL VOLUME (TOP 10)						9,444.8
TOTAL VOLUME (Overall)						16,783.0

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	19-May Yield	26-May Yield	Change (WoW bp)	Weekly Volume (RM mn)
PROJEK LEBUHRAYA USAHA	4.954	01/12/37	4.539	4.460	-7.9	180.0
JAMBATAN KEDUA SDN BHD	4.2	07/28/26	N/A	3.596	N/A	170.0
PROJEK LEBUHRAYA USAHA	5.017	01/12/38	4.525	4.522	-0.3	135.0
SP SETIA BERHAD	4.8	04/21/32	N/A	4.532	N/A	110.0
MALAKOFF POWER BHD	5.75	12/17/26	N/A	4.705	N/A	80.0
YTL POWER INTERNATIONA	5.05	05/03/27	4.258	4.256	-0.2	80.0
DANAINFRA NASIONAL	2.86	09/23/30	N/A	3.917	N/A	70.0
PROJEK LEBUHRAYA USAHA	4.68	01/12/32	4.370	4.289	-8.1	66.9
DIALOG GROUP BERHAD	4.15	PERP	5.402	4.798	-60.4	56.5
MALAYSIA AIRPORTS HG B	5.75	PERP	N/A	4.635	N/A	50.0
TOTAL VOLUME (TOP 10)						998.4
TOTAL VOLUME (Overall)						2,455.4

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