

## MIDF Strategy 11 September 2023

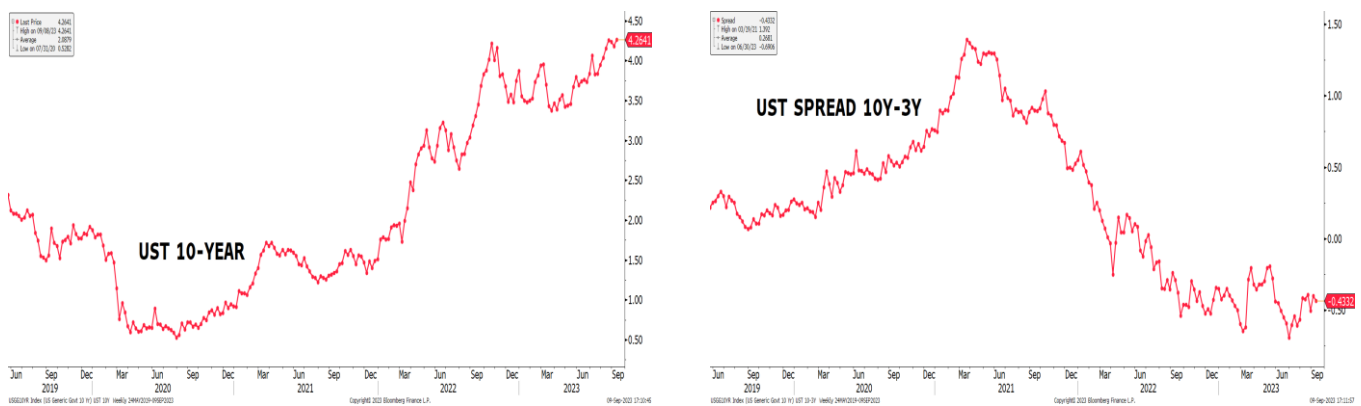
### Week Ended 8 September 2023

- The UST market ended lower during the review week with benchmark 10-year yield closed higher at 4.26% (prior week: 4.18%) as investors reacted to the latest economic data, i.e. higher than expected Services PMI in August and lower than expected latest initial jobless claims. Moreover, the 10y-3y yield inverted deeper at -43bps (prior week: -40bps) as the short-end underperformed. Meanwhile, the interest rate futures market was implying no more Fed rate hikes.
- Medium-term inflation expectation (MTIE) ended higher week-on-week at 2.30% (prior week: 2.20%), arguably in reaction to the latest economic data. The MTIE rebounded to within an elevated inflation range (of 2.25%-2.50%) acceptable transiently to the US Fed. However, it is notable that the MTIE has been trending lower from the high of 3.73% in late March 2022. We reckon the market is convinced the inflation pressure (while stubborn) is gradually ebbing.
- The price of domestic MGS benchmark issues ended the review week mixed with the 3-year and 10-year yields shed -0.2bp and added 2.2bps to close at 3.46% and 3.85% respectively. The 10y-3y yield spread expanded (yield curve steepened) week-on-week from 36bps to 38bps as the long-end underperformed.
- MGS foreign holdings increased on-year from RM255b in August 2022 to RM274b in August 2023. However, it fell on-month from RM279b in July 2023. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM6.63b. It improved on-week from -RM6.67b registered a week ago. Nonetheless, it slumped on-year from RM9.30b a year ago.

## Weekly Money Review

### A. FIXED INCOME

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Source: Bloomberg, MIDFR

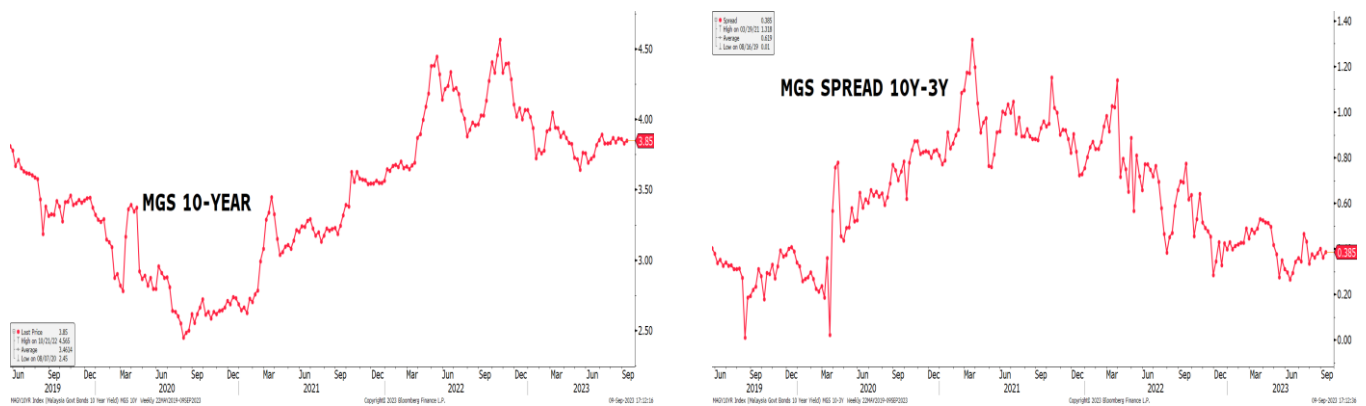
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### MEDIUM-TERM INFLATION EXPECTATION (MTIE): 5Y UST-TIPS SPREAD



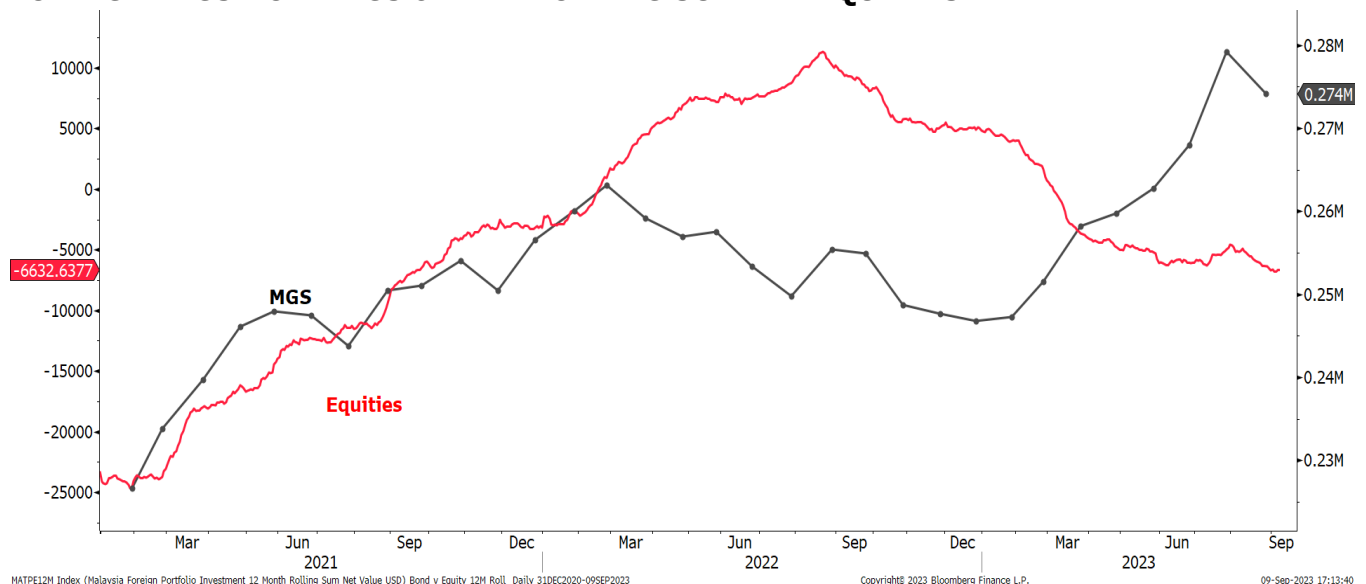
Source: Bloomberg, MIDFR

The price of domestic MGS benchmark issues ended the review week mixed with the 3-year and 10-year yields shed -0.2bp and added 2.2bps to close at 3.46% and 3.85% respectively. The 10y-3y yield spread expanded (yield curve steepened) week-on-week from 36bps to 38bps as the long-end underperformed.



- Total trading value for Government Bonds (MGS/MII) increased to RM9.47b in the review week compared to RM7.96b in the prior week (based on Bloomberg data). The total trading value of 10 most actively traded issues declined (higher trading breadth) to 49% from 55% of the overall Government Bonds trades. Moreover, 7 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 mid residual tenor. The top 3 most actively traded were MGS 3.478% 6/14/24 at RM649m, MII 3.599% 7/31/28 at RM561m, and MII 4.245% 9/30/30 at RM525m.

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



- MGS foreign holdings increased on-year from RM255b in August 2022 to RM274b in August 2023. However, it fell on-month from RM279b in July 2023. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM6.63b. It improved on-week from -RM6.67b registered a week ago. Nonetheless, it slumped on-year from RM9.30b a year ago.
- Total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM3.56b in the review week compared to RM1.71b in the prior week (based on Bloomberg data). The total trading value of 10 most actively traded issues increased (lower trading breadth) to 42% 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 Danainfra 4.48% 10/20/31 at RM270m, Danainfra 4.47% 11/24/28 at RM210m, and Malaysia Rail Link 3.13% 7/5/30 at RM200m.

## B. FOREIGN EXCHANGE

- USD closed the strongest in over 26 weeks. The greenback appreciated for the 8<sup>th</sup> consecutive week against major currencies as the DXY index rose +0.8%wow to 105.09. The dollar extended its rally as services sector registered a faster expansion in Aug-23, signalling resilient spending but with concerns about faster price increase. The demand for the dollar also rose as indication of elevated inflation and the strength in the job market data led to heightened expectations for Fed to tighten further.
- Euro and pound weakened. As dollar strengthened, both euro and pound depreciated by -0.7%wow to USD1.070 and -1.0%wow to USD1.247, respectively. The euro registered the weakest weekly closing since Mar-23 dragged down by growth concerns following the slower-than-expected GDP growth in 2QCY23. Similarly, the pound closed weakest against the dollar in 14 weeks on dovish sentiments by the BOE, indicating the current level of interest rates is sufficiently restrictive.
- Ringgit weakened for the second consecutive week. Like other currencies, ringgit also depreciated by -0.7%wow to RM4.677, the weakest weekly closing in 4 weeks, overwhelmed by the broad strength in US dollars. Ringgit reached its intra-week low on Thursday, following BNM's decision to maintain its monetary policy setting but closed the week slightly stronger. Commodity prices may have provided some support to ringgit as crude oil prices continued to trend higher, with the Brent crude benchmark rising by +2.4%wow to USD90.65pb.

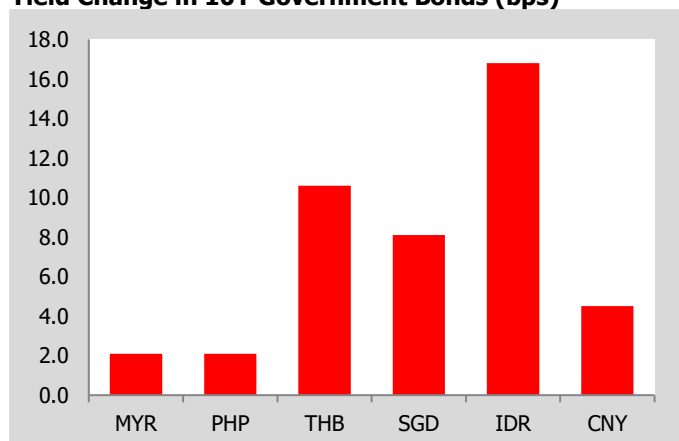
### Currencies Changes (Week Ended 8 September 2023) and Quarterly Forecasts

	Close (08/09)	Prev. Close (01/09)	Weekly Change	Weekly Change (%)	1QCY23	2QCY23	3QCY23f	4QCY23f
DXY Index	105.09	104.24	+0.854	+0.8	102.51	102.91	98.3	97.5
EURUSD	1.070	1.078	-0.008	-0.7	1.08	1.09	1.12	1.13
GBPUSD	1.247	1.259	-0.012	-1.0	1.23	1.27	1.24	1.26
USDJPY	147.83	146.22	-1.610	-1.1	132.86	144.31	133	129
USDMYR	4.677	4.647	-0.031	-0.7	4.42	4.67	4.38	4.24
GBPMYR	5.839	5.890	+0.051	+0.9	5.46	5.90	5.53	5.25
JPYMYR	3.164	3.178	+0.013	+0.4	3.33	3.23	3.35	3.26

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

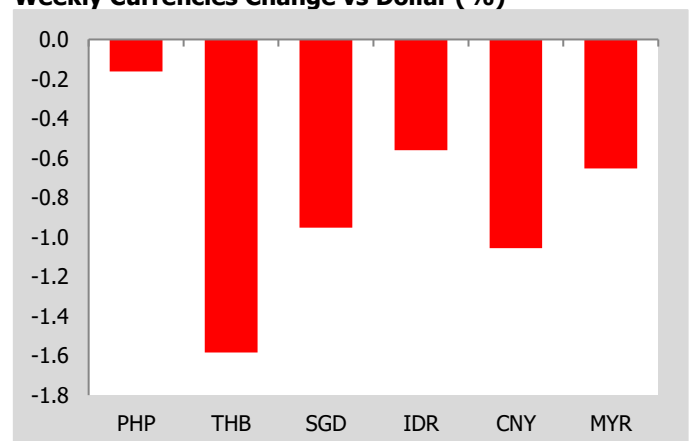
Source: Bloomberg, MIDFR

### 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 (%)

	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23
Malaysia	2.75	2.75	2.75	2.75	3.00	3.00	3.00	3.00	3.00
Indonesia	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75
Philippines	5.50	6.00	6.25	6.25	6.25	6.25	6.25	6.25	6.25
Thailand	1.50	1.50	1.75	1.75	2.00	2.00	2.00	2.25	2.25
Vietnam	6.00	6.00	6.00	5.50	5.00	4.50	4.50	4.50	4.50
South Korea	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
India	6.25	6.50	6.50	6.50	6.50	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	3.50	4.00	4.25	4.25	4.50	5.00	5.00	5.25	5.25
Euro area	2.50	3.00	3.50	3.50	3.75	4.00	4.25	4.25	4.25
USA	4.25-4.50	4.50-4.75	4.75-5.00	4.75-5.00	5.00-5.25	5.00-5.25	5.25-5.50	5.25-5.50	5.25-5.50

Source: Bloomberg, MIDFR

- US economic data released last week:
  - Services sector expanded further. ISM Service PMI rose to 54.5 in Aug-23 (Jul-23: 52.7; market consensus: 52.5). The S&P Global Services PMI also remained in the expansionary territory at 50.5 (Jul-23: 52.3; market forecasts: 51.0)
  - The labour market remained tight. Initial jobless claims for the week ending 2 September 2023 fell to 216K (previous week: 229K, market forecasts: 234K), the lowest reading since Feb-23.
  - Reduced pessimism in the economy. The IBD/TIPP Economic Optimism Index improved to 43.2 in Sep-23 (Aug-23: 40.3; market forecasts: 41.1), albeit marking the 25<sup>th</sup> consecutive month of contraction, attributable to some improvement in assessment on the near-term economic outlook.
  - Widened trade deficits in Jul-23. US trade deficit widened to -USD65.0b in Jul-23 (Jun-23: -USD63.7b) as imports grew faster (+1.7%mom) than exports (+1.6%mom).
- Malaysia economic data released last week:
  - Malaysia's labour market continued on improving trend. Unemployment rate remained at post-pandemic low of 3.4% in Jul-23. Labour force and employment continued expanding +1.9%yoy and +2.2%yoy, respectively. Total unemployment count fell further to 579.2K, the lowest since Mar-20.
- Monetary policy meetings last week:
  - On 5 September, RBA kept its policy rate steady at 4.10% in its Sep-23 decision, as predicted by market.
  - On 7 September, BNM maintained the Overnight Policy Rate (OPR) at 3.00%, in line with market expectations.

## C. BNM INTERNATIONAL RESERVES

- As of 30 August 2023, compared to previous fortnight, Bank Negara Malaysia's international reserves was higher at USD112.5b (15 August 2023: USD112.2b).

### BNM INTERNATIONAL RESERVES



- The amount of reserves is sufficient to finance 5.2 months of imports of goods & services and is 1.0 times total short-term external debt. 📈

## APPENDIX

### WEEKLY INTEREST RATE MONITOR

Tenor	1-Sep Fri	4-Sep Mon	5-Sep Tue	6-Sep Wed	7-Sep Thu	8-Sep Fri	Change (WoW bp)
MGS							
3-Y	3.467	3.475	3.482	3.474	3.465	3.465	-0.2
5-Y	3.58	3.604	3.607	3.613	3.625	3.59	1
7-Y	3.74	3.731	3.739	3.747	3.738	3.728	-1.2
10-Y	3.828	3.842	3.839	3.856	3.856	3.85	2.2
20-Y	4.157	4.146	4.154	4.145	4.143	4.157	0
RINGGIT IRS							
1-Y	3.59	3.6	3.61	3.62	3.615	3.6125	2.25
3-Y	3.61	3.635	3.637	3.65	3.65	3.63	2
5-Y	3.695	3.7225	3.7325	3.74	3.719	3.72	2.5
7-Y	3.805	3.83	3.85	3.85	3.837	3.825	2
10-Y	3.94	3.95	3.977	3.977	3.95	3.957	1.7
KLIBOR							
1-M	3.27	3.27	3.27	3.27	3.27	3.27	0
3-M	3.52	3.52	3.52	3.53	3.53	3.54	2
UST							
3-Y	4.5777	4.5777	4.6643	4.7311	4.6648	4.6973	11.96
5-Y	4.2958	4.2958	4.3766	4.4172	4.373	4.403	10.72
7-Y	4.2606	4.2606	4.3395	4.3686	4.3264	4.353	9.24
10-Y	4.1788	4.1788	4.2598	4.2797	4.2441	4.2641	8.53
30-Y	4.2936	4.2936	4.3704	4.351	4.3405	4.3376	4.4
USD LIBOR							
1-M	5.44335	5.44335	5.4421	5.44132	5.44381	5.44381	0.046
3-M	5.66391	5.66391	5.65269	5.65934	5.6726	5.6726	0.869

Source: Bloomberg

**10 MOST ACTIVELY TRADED GOVERNMENT BONDS**

Name	Coupon	Maturity	1-Sep Yield	8-Sep Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.478	06/14/24	3.195	3.245	5.0	649.0
MALAYSIA INVESTMNT ISSU	3.599	07/31/28	3.630	3.655	2.5	561.0
MALAYSIA INVESTMNT ISSU	4.245	09/30/30	3.791	3.803	1.2	525.0
MALAYSIA GOVERNMENT	3.882	03/14/25	3.322	3.298	-2.4	513.2
MALAYSIA GOVERNMENT	3.519	04/20/28	3.580	3.590	1.0	503.9
MALAYSIA INVESTMNT ISSU	4.13	07/09/29	3.754	3.753	-0.1	472.3
MALAYSIA GOVERNMENT	4.642	11/07/33	3.828	3.850	2.2	391.3
MALAYSIA GOVERNMENT	4.498	04/15/30	3.740	3.728	-1.2	364.9
MALAYSIA GOVERNMENT	4.893	06/08/38	3.897	4.048	15.1	352.3
MALAYSIA INVESTMNT ISSU	4.07	09/30/26	3.473	3.488	1.5	281.5
TOTAL VOLUME (TOP 10)						4,614.4
TOTAL VOLUME (Overall)						9,467.2

Source: Bloomberg

**10 MOST ACTIVELY TRADED CORPORATE BONDS**

Name	Coupon	Maturity	1-Sep Yield	8-Sep Yield	Change (WoW bp)	Weekly Volume (RM mn)
DANAINFRA NASIONAL	4.48	10/20/31	3.859	3.883	2.4	270.0
DANAINFRA NASIONAL	4.47	11/24/28	N/A	3.740	N/A	210.0
MALAYSIA RAIL LINK	3.13	07/05/30	3.889	3.919	3.0	200.0
SARAWAK ENERGY BHD	4.27	07/04/33	4.148	4.138	-1.0	150.0
JOHOR CORPORATION	4.72	06/11/27	4.417	4.426	0.9	140.0
DANAINFRA NASIONAL	4.09	10/20/26	N/A	3.608	N/A	130.0
BANK PEMBANGUNAN MALA	4.95	11/02/35	N/A	4.284	N/A	120.0
BANK ISLAM MALAYSIA BH	5.16	PERP	4.777	4.745	-3.2	110.0
RHB BANK	3.95	05/25/26	3.913	3.905	-0.8	90.0
ALLIANCE BK MALAYSIA BH	3.6	10/25/30	3.800	3.821	2.1	81.3
TOTAL VOLUME (TOP 10)						1,501.3
TOTAL VOLUME (Overall)						3,564.0

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 <i>rise</i> 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 <i>fall</i> 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