

MIDF Strategy 18 September 2023

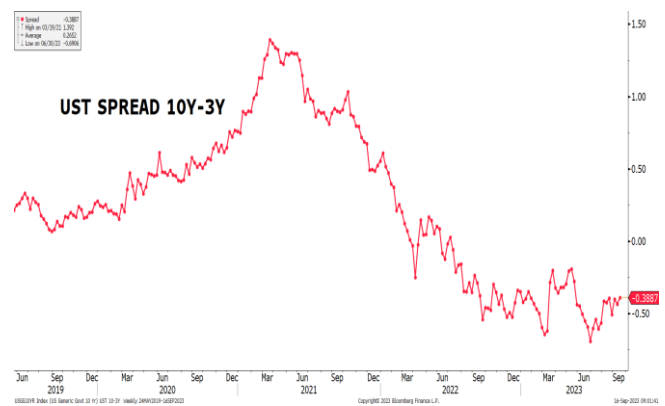
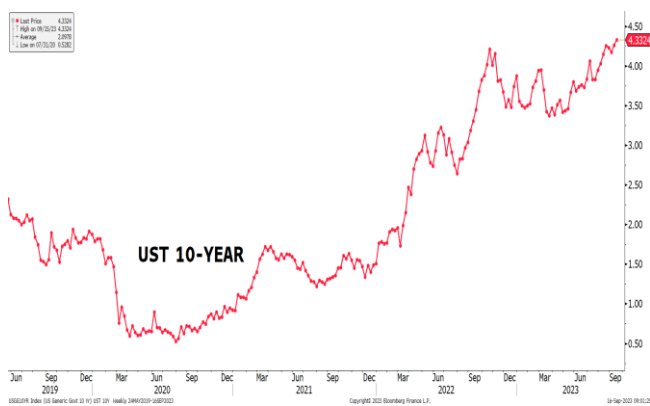
Week Ended 15 September 2023

- The UST market ended lower during the review week with benchmark 10-year yield closed higher at 4.33% (prior week: 4.26%), its highest weekly close since October 2007, as investors reacted to the latest economic data, i.e. higher than expected August CPI, PPI and Import prices. Moreover, the 10y-3y yield spread rebounded but remains deeply inverted at -39bps (prior week: -43bps) as the long-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 2.31% (prior week: 2.30%), arguably in reaction to the latest economic data. The MTIE remains 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 lower with the 3-year and 10-year yields added 3.4bps and 4.5bps to close at 3.50% and 3.90% respectively. The 10y-3y yield spread expanded (yield curve steepened) week-on-week from 38bps to 40bps 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 -RM6.42b. It improved on-week from -RM6.63b registered a week ago. Nonetheless, it slumped on-year from RM9.15b a year ago.

Weekly Money Review

A. FIXED INCOME

- The UST market ended lower during the review week with benchmark 10-year yield closed higher at 4.33% (prior week: 4.26%), its highest weekly close since October 2007, as investors reacted to the latest economic data, i.e. higher than expected August CPI, PPI and Import prices. Moreover, the 10y-3y yield spread rebounded but remains deeply inverted at -39bps (prior week: -43bps) as the long-end underperformed. Meanwhile, the interest rate futures market was implying no more Fed rate hikes.



Source: Bloomberg, MIDFR

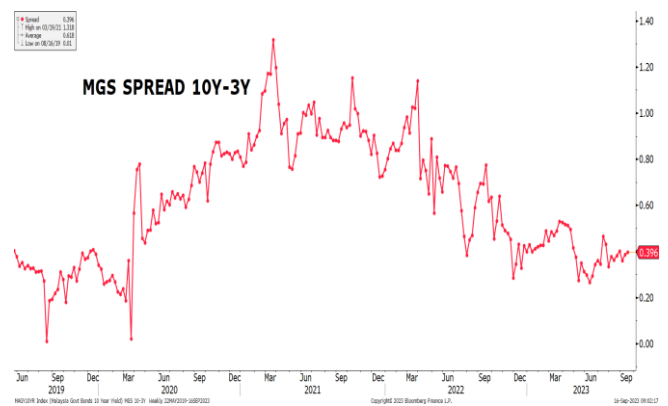
- Medium-term inflation expectation (MTIE) ended higher week-on-week at 2.31% (prior week: 2.30%), arguably in reaction to the latest economic data. The MTIE remains within an elevated inflation range (of 2.25%-2.50%) acceptable transiently to the US Fed. However, it is notable that the MTIE has been 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.

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



Source: Bloomberg, MIDFR

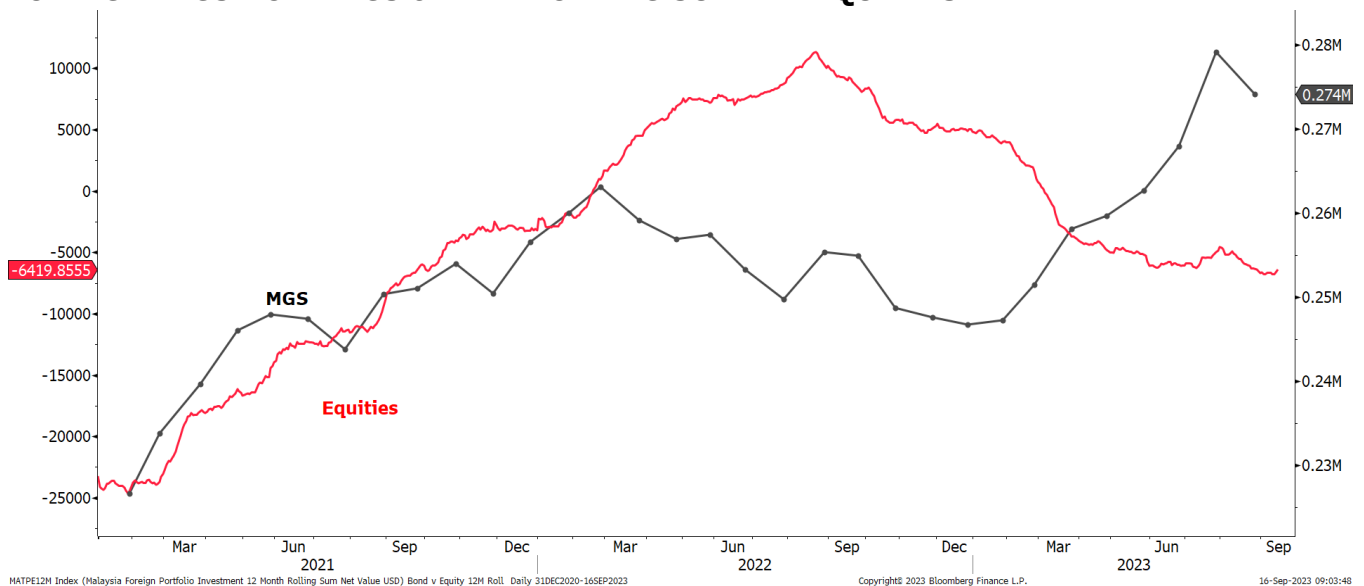
The price of domestic MGS benchmark issues ended the review week lower with the 3-year and 10-year yields added 3.4bps and 4.5bps to close at 3.50% and 3.90% respectively. The 10y-3y yield spread expanded (yield curve steepened) week-on-week from 38bps to 40bps as the long-end underperformed.



Source: Bloomberg, MIDFR

- Total trading value for Government Bonds (MGS/MII) increased to RM13.10b in the review week compared to RM9.47b in the prior week (based on Bloomberg data). The total trading value of 10 most actively traded issues increased (lower trading breadth) to 56% from 49% of the overall Government Bonds trades. Moreover, 10 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 4.07% 9/30/26 at RM1.52b, MII 4.193% 10/7/32 at RM1.17b, and MGS 4.642% 11/7/33 at RM730m.

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



Source: Bloomberg, MIDFR

- 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 -RM6.42b. It improved on-week from -RM6.63b registered a week ago. Nonetheless, it slumped on-year from RM9.15b a year ago.
- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM2.64b in the review week compared to RM3.56b in the prior week (based on Bloomberg data). The total trading value of 10 most actively traded issues was unchanged at 40% of the overall Corporate Bonds trades.
- The top 3 actively traded Corporate Bonds were dominated by issues of long residual tenor. The largest trading values were seen in Prasarana 4.59% 8/29/42 at RM300m, Danainfra 4.53% 4/1/37 at RM145m, and Danainfra 4.91% 11/12/35 at RM100m.

B. FOREIGN EXCHANGE

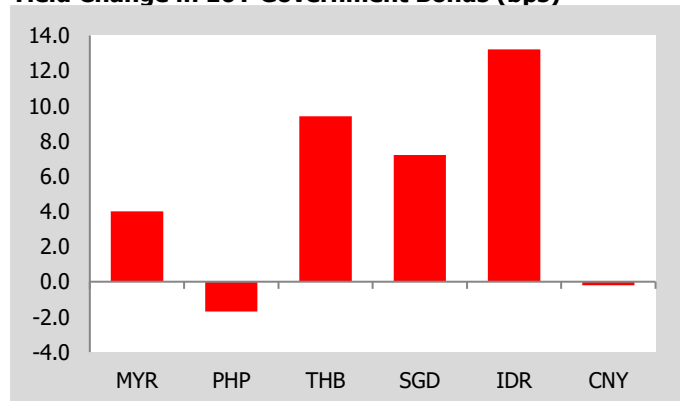
- USD registered the strongest weekly closing in 42 weeks. The greenback marked 9th consecutive week of appreciation against major currencies as the DXY index rose +0.2%*wow* to 105.32. The dollar extended its rally on the back of elevated inflation and continued resilience in the US labour market. This led to heightened expectations that the Fed may consider another rate hike later this year, despite overwhelming prediction that the Fed will keep its policy interest rate unchanged at the FOMC meeting this week.
- Euro and pound depreciated further. As the US dollar appreciated, both the euro and pound weakened by -0.4%*wow* to USD1.066 and -0.7%*wow* to USD1.238, respectively. Despite another rate hike last week, the euro extended its 9th consecutive week of depreciation as the ECB is seen approaching the end of its tightening cycle. The pound recorded the weakest weekly closing in 16 weeks after signs of slowing growth and rising unemployment escalated recession woes.
- Ringgit depreciated to the weakest in 45 weeks. On the stronger dollar, the ringgit depreciated -0.1%*wow* to RM4.683, marking 3rd consecutive week of depreciation and the weakest weekly closing since early Nov-22. Like other currencies, the ringgit performance was mainly impacted by the stronger dollar. The ringgit movement was more influenced by sentiment in the financial market as higher commodity prices failed to support the ringgit as the Brent crude benchmark rose by +3.6%*wow* to USD93.93pb, the highest since mid-Nov-22.

Currencies Changes (Week Ended 15 September 2023) and Quarterly Forecasts

	Close (15/09)	Prev. Close (08/09)	Weekly Change	Weekly Change (%)	1QCY23	2QCY23	3QCY23f	4QCY23f
DXY Index	105.32	105.09	+0.232	+0.2	102.51	102.91	98.3	97.5
EURUSD	1.066	1.070	-0.004	-0.4	1.08	1.09	1.12	1.13
GBPUSD	1.238	1.247	-0.008	-0.7	1.23	1.27	1.24	1.26
USDJPY	147.85	147.83	-0.020	-0.0	132.86	144.31	147	135
USDMYR	4.683	4.677	-0.006	-0.1	4.42	4.67	4.58	4.24
GBPMYR	5.822	5.839	+0.017	+0.3	5.46	5.90	5.68	5.34
JPYMYR	3.167	3.164	-0.003	-0.1	3.33	3.23	3.12	3.14

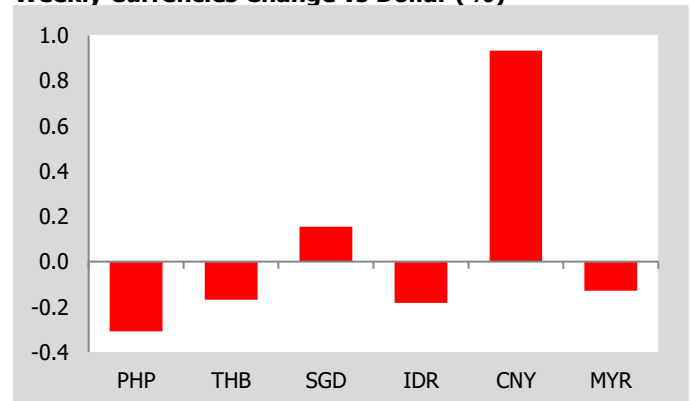
Note: "+" indicates appreciation, while "-" indicates depreciation. Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

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	4.50
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:
 - Headline CPI inflation accelerated, but core inflation cooled further. The headline CPI inflation rate accelerated to the fastest in 3-month at +3.7%yoy in Aug-23 (Jul-23: +3.2%yoy; market forecasts: +3.6%yoy). The core CPI inflation rate, however, eased to +4.3%yoy (Jul-23: +4.7%yoy), the slowest reading in almost 2 years and similar to market expectations. Meanwhile, PPI inflation accelerated to +1.6%yoy in Aug-23 (Jul-23: +0.8%yoy; market forecasts: +1.2%yoy)
 - Sustained growth in retail spending. Retail sales advanced +2.5%yoy in Aug-23 (Jul-23: +2.6%yoy), signaling continued growth in US consumer spending since recovering from the decline in 2020.
 - Labour market continued to show resilience. Initial jobless claims for the week ending 9th September were less than market expectations, only increasing to +220K (previous week: +217K; market forecasts: +225K).
 - Industrial production picked up. Industrial production grew +0.2%yoy in Aug-23 against no growth recorded in Jul-23. Manufacturing production, however, shrank -0.6%yoy matching Jul-23 reading.
- On 14 September, the ECB hiked the interest rates for the 10th consecutive time by +25bps to a new high of 4.50% after its Sep-23 monetary policy meeting but signaled that it might be at the end of its tightening cycle.
- Malaysia's economic releases last week:
 - IPI rebounded in Jul-23. Malaysia's IPI growth rebounded back to positive growth +0.7%yoy in Jul-23 (Jun-23: -2.2%yoy) following rebound in mining output and slower fall in manufacturing production.
 - Distributive trade surged to 4-month high. distributive trade growth posted at +7.2%yoy in Jul-23 (Jun-23: +4.3%yoy), the strongest pace since Apr-23. Retail trade expanded steadily by +5.5%yoy (Jun-23: +5.8%yoy), while spending on motor vehicles rose faster at +20.5%yoy (Jun-23: +3.4%yoy).

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



Source: Bloomberg, MIDFR

- 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	8-Sep Fri	11-Sep Mon	12-Sep Tue	13-Sep Wed	14-Sep Thu	15-Sep Fri	Change (WoW bp)
MGS							
3-Y	3.465	3.479	3.505	3.497	3.492	3.499	3.4
5-Y	3.59	3.616	3.614	3.649	3.643	3.626	3.6
7-Y	3.728	3.755	3.78	3.779	3.77	3.766	3.8
10-Y	3.85	3.873	3.878	3.898	3.876	3.895	4.5
20-Y	4.157	4.179	4.175	4.212	4.191	4.185	2.8
RINGGIT IRS							
1-Y	3.6125	3.625	3.632	3.6375	3.655	3.655	4.25
3-Y	3.63	3.645	3.655	3.7	3.695	3.695	6.5
5-Y	3.72	3.74	3.75	3.795	3.765	3.81	9
7-Y	3.825	3.855	3.865	3.865	3.895	3.935	11
10-Y	3.957	3.98	3.99	4.04	4.02	4.06	10.3
KLIBOR							
1-M	3.27	3.27	3.27	3.27	3.27	3.27	0
3-M	3.54	3.54	3.54	3.54	3.54	3.54	0
UST							
3-Y	4.6973	4.7063	4.6984	4.6447	4.6871	4.7211	2.38
5-Y	4.403	4.4118	4.4295	4.3835	4.4189	4.4633	6.03
7-Y	4.353	4.3716	4.3717	4.3347	4.3718	4.4198	6.68
10-Y	4.2641	4.288	4.2801	4.2485	4.2863	4.3324	6.83
30-Y	4.3376	4.3723	4.3511	4.3434	4.3811	4.4172	7.96
USD LIBOR							
1-M	5.44394	5.44281	5.44804	5.44668	5.44505	5.44505	0.111
3-M	5.67208	5.66686	5.66983	5.67104	5.6717	5.6717	-0.038

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	8-Sep Yield	15-Sep Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA INVESTMNT ISSU	4.07	09/30/26	3.488	3.561	7.3	1,517.4
MALAYSIA INVESTMNT ISSU	4.193	10/07/32	3.883	3.919	3.6	1,165.5
MALAYSIA GOVERNMENT	4.642	11/07/33	3.850	3.895	4.5	730.4
MALAYSIA GOVERNMENT	3.478	06/14/24	3.245	3.266	2.1	667.5
MALAYSIA GOVERNMENT	4.893	06/08/38	4.048	4.073	2.5	636.2
MALAYSIA GOVERNMENT	3.733	06/15/28	3.651	3.716	6.5	610.3
MALAYSIA GOVERNMENT	3.519	04/20/28	3.590	3.643	5.3	525.9
MALAYSIA INVESTMNT ISSU	4.291	08/14/43	4.242	4.259	1.7	495.7
MALAYSIA GOVERNMENT	3.882	03/14/25	3.298	3.343	4.5	482.6
MALAYSIA GOVERNMENT	3.582	07/15/32	3.830	3.900	7.0	478.2
TOTAL VOLUME (TOP 10)						7,309.7
TOTAL VOLUME (Overall)						13,095.6

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	8-Sep Yield	15-Sep Yield	Change (WoW bp)	Weekly Volume (RM mn)
PRASARANA MALAYSIA BHD	4.59	08/29/42	4.247	4.273	2.6	300.0
DANAINFRA NASIONAL	4.53	04/01/37	4.104	4.126	2.2	145.0
DANAINFRA NASIONAL	4.91	11/12/35	N/A	4.074	N/A	100.0
SP SETIA BERHAD	4.56	06/21/30	4.310	4.279	-3.1	90.0
SUNWAY BERHAD	4.63	07/07/27	N/A	4.531	N/A	90.0
TM TECHNOLOGY SDN BHD	4.58	09/03/27	N/A	3.846	N/A	80.0
DANAINFRA NASIONAL	4.21	06/08/38	4.150	4.169	1.9	70.0
SP SETIA BERHAD	4.41	06/23/28	N/A	4.168	N/A	65.0
PRASARANA MALAYSIA BHD	5.25	03/06/43	N/A	4.283	N/A	60.0
UNITED OVERSEAS BANK M	4.91	10/27/32	4.140	4.098	-4.2	60.0
TOTAL VOLUME (TOP 10)						1,060.0
TOTAL VOLUME (Overall)						2,635.5

Source: Bloomberg

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077 (23878-X)).
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878-X)). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This document may not be reproduced, distributed or published in any form or for any purpose.

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