

MIDF Strategy 30 October 2023

Week Ended 27 October 2023

- The UST market rebounded during the review week with benchmark 10-year yield closed lower at 4.84% (prior week: 4.91%) as investors reacted to higher-than-expected weekly jobless claims as well as continued moderation in Core PCE data. The 10y-3y yield spread remains neutral at 0bp. Meanwhile, the interest rate futures market was implying no more Fed rate hike.
- Medium-term inflation expectation (MTIE) ended lower week-on-week at 2.41% (prior week: 2.46%) arguably in reaction to the sign of cooling labor market. The MTIE nonetheless remains within an elevated inflation range (of 2.25%-2.50%) acceptable transiently to the US Fed. It is also notable that the MTIE has been trending lower from the high of 3.73% in late March 2022. We reckon the market is convinced that inflation pressure (while stubborn) is progressively ebbing.
- The price of domestic MGS benchmark issues ended the review week mixed with the 3-year and 10-year yields added 3.3bps and shed -0.5bp to close at 3.71% and 4.11% respectively. The 10y-3y yield spread narrowed (yield curve flattened) week-on-week from 44bps to 40bps as the long-end outperformed.
- MGS foreign holdings increased on-year from RM255b in September 2022 to RM270b in September 2023. However, it fell on-month from RM274b in August 2023. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM5.96b. It worsened on-week from -RM5.25b registered a week ago. Moreover, it slumped on-year from RM5.57b a year ago.

Weekly Money Review

A. FIXED INCOME

- The UST market rebounded during the review week with benchmark 10-year yield closed lower at 4.84% (prior week: 4.91%) as investors reacted to higher-than-expected weekly jobless claims as well as continued moderation in Core PCE data. The 10y-3y yield spread remains neutral at 0bp. Meanwhile, the interest rate futures market was implying no more Fed rate hike.



Source: Bloomberg, MIDFR

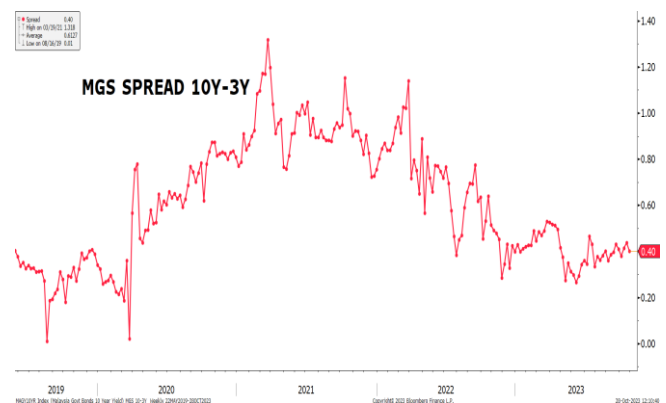
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MEDIUM-TERM INFLATION EXPECTATION (MTIE): 5Y UST-TIPS SPREAD



Source: Bloomberg, MIDFR

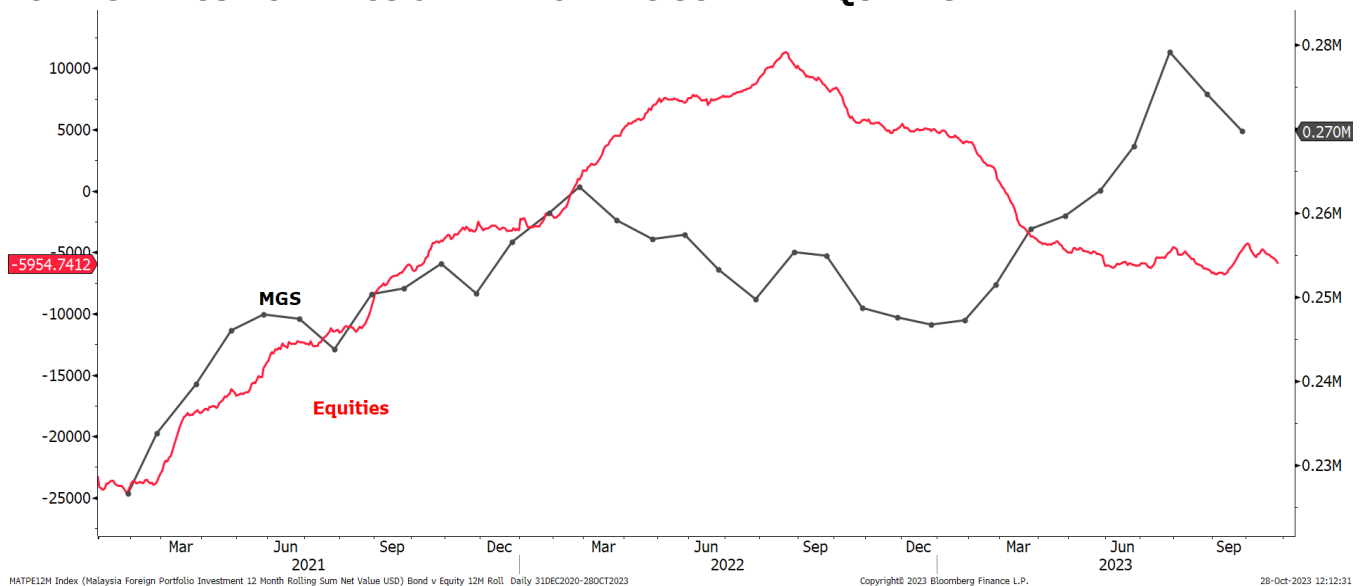
The price of domestic MGS benchmark issues ended the review week mixed with the 3-year and 10-year yields added 3.3bps and shed -0.5bp to close at 3.71% and 4.11% respectively. The 10y-3y yield spread narrowed (yield curve flattened) week-on-week from 44bps to 40bps as the long-end outperformed.



Source: Bloomberg, MIDFR

- Total trading value for Government Bonds (MGS/MII) increased to RM12.65b in the review week compared to RM12.28b in the prior week (based on Bloomberg data). The total trading value of 10 most actively traded issues was unchanged week-on-week at 56% 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 4.498% 4/15/30 at RM1.71b, MII 4.07% 9/30/26 at RM1.02b, and MGS 3.733% 6/15/28 at RM872m.

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



Source: Bloomberg, MIDFR

- MGS foreign holdings increased on-year from RM255b in September 2022 to RM270b in September 2023. However, it fell on-month from RM274b in August 2023. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM5.96b. It worsened on-week from -RM5.25b registered a week ago. Moreover, it slumped on-year from RM5.57b a year ago.
- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM2.64b 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 40% from 57% of the overall Corporate Bonds trades.
- The top 3 actively traded Corporate Bonds were dominated by issues of mid and long residual tenor. The top 3 most actively traded were Khazanah Nasional 0% 9/30/32 at RM300m, Ambank Malaysia 4.98% 11/15/28 at RM235m, and YTL Power 4.74% 8/24/38 at RM110m.

B. FOREIGN EXCHANGE

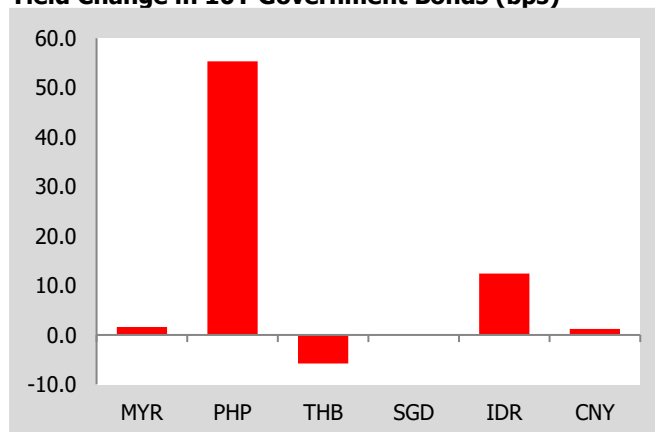
- USD rebounded after depreciating last week. The US dollar advanced against major currencies as the DXY index rose +0.4wow to 106.56. USD reached an intra-week high on Thursday at 106.60, following stronger-than-expected 3QCY23 GDP growth. However, the greenback ended the week slightly lower as the core PCE inflation, the Fed's preferred inflation measure, moderated further in Sep-23.
- Euro and pound depreciated. The euro and pound weakened on the stronger dollar, both by -0.3%wow to USD1.057 and USD1.212, respectively. Aside from the stronger dollar the euro also depreciated following the ECB's decision to hold the interest rate steady in its Oct-23 monetary policy decision on broadly receding inflation and rising recession woes. Meanwhile, the pound initially closed at over 3-week low of USD1.211 by mid-week before closing the week slightly higher as dollar weakened after the release of Sep-23 PCE inflation data.
- The ringgit marked another low. Ringgit performance marked the 9th consecutive week of depreciation, ending at the weakest weekly closing of RM4.778. On Monday, ringgit ended at an all-time low of RM4.794 on the back of higher 10-year US treasury yields and ongoing conflict in the Middle East. Despite appreciation in the next few days as moderating US inflation caused dollar to fall, ringgit still ended the week -0.2%wow weaker than previously. Commodity prices were also unfavourable towards the ringgit as Brent crude oil prices fell -1.8%wow to USD90.48pb (previous week: USD92.16pb).

Currencies Changes (Week Ended 27 September 2023) and Quarterly Forecasts

	Close (27/10)	Prev. Close (20/10)	Weekly Change	Weekly Change (%)	1QCY23	2QCY23	3QCY23f	4QCY23f
DXY Index	106.56	106.16	+0.396	+0.4	102.51	102.91	98.3	97.5
EURUSD	1.057	1.059	-0.003	-0.3	1.08	1.09	1.12	1.13
GBPUSD	1.212	1.216	-0.004	-0.3	1.23	1.27	1.24	1.26
USDJPY	149.66	149.86	+0.200	+0.1	132.86	144.31	147	135
USDMYR	4.778	4.768	-0.010	-0.2	4.42	4.67	4.58	4.24
GBPMYR	5.799	5.781	-0.018	-0.3	5.46	5.90	5.68	5.34
JPYMYR	3.192	3.182	-0.011	-0.3	3.33	3.23	3.12	3.14

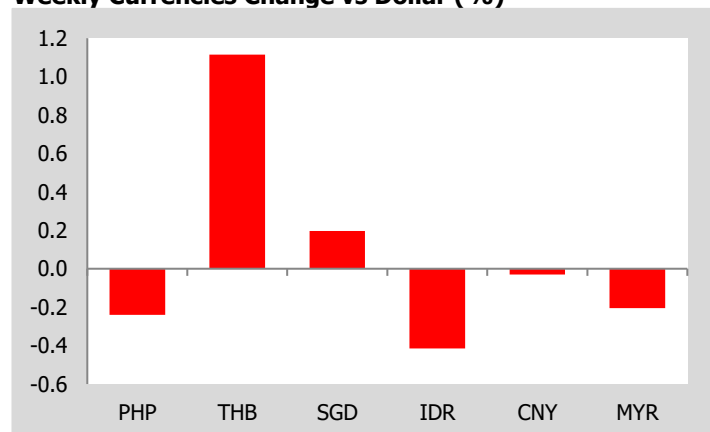
Note: "+" indicates appreciation, while "-" indicates depreciation. Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

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 (%)

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

Source: Bloomberg, MIDFR

- US economic data released last week:
 - The US economy grew faster than expected. The US GDP growth accelerated to annualized +4.9%qoq in 3QCY23 (2QCY23: +2.1%qoq; market consensus: +4.4%qoq) and the highest growth since +7.0%qoq expansion in 4QCY21. The stronger growth was mainly due to higher consumer spending on both goods and services.
 - Manufacturing sector activity was unchanged while the services sector expanded faster, PMI data shows. the S&P Global Manufacturing PMI rose to 50.0 (Sep-23: 49.8; market consensus: 49.5). Meanwhile, the services sector expanded faster in Oct-23 with the Services PMI rising to 50.9 (Sep-23: 50.1; market consensus: 49.8).
 - Still robust labour market. Initial jobless claims rose to +210K (previous week: +200K; market forecasts: +208K) for the week ending 21st October, still near the 9-month low registered the previous week.
- On 26th October, after 10 consecutive rate hikes, the ECB maintained its policy interest rate steady at 4.50% as widely predicted by the market observers. The decision was based on the receding inflationary pressure and rising concerns over recession.
- Malaysia's economic releases last week:
 - Slower contraction in LI suggests better growth momentum. LI extended its contractionary run into the 6th consecutive month in Aug-23 but the decline was the slowest at -0.5%yoy (Jul-23: -1.0%yoy). Current economic conditions remained expansionary as the CI rose +2.1%yoy (Jul-23: +2.2%yoy), sustaining growth for 2 years.
 - Producers' prices returned to inflation. Producer prices registered the first inflation in 8 months, rising by +0.2%yoy in Sep-23 (Aug-23: -2.2%yoy) as higher commodity prices led to inflation in the agriculture and mining sectors. Compared to Aug-23, PPI registered monthly inflation of +0.9%mom (Aug-23: 0%mom).

C. BNM INTERNATIONAL RESERVES

- As of 13 October 2023, compared to previous fortnight, Bank Negara Malaysia's international reserves was lower at USD108.9b (29 September 2023: USD110.1b).

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	20-Oct Fri	23-Oct Mon	24-Oct Tue	25-Oct Wed	26-Oct Thu	27-Oct Fri	Change (WoW bp)
MGS							
3-Y	3.675	3.71	3.69	3.67	3.709	3.708	3.3
5-Y	3.805	3.837	3.842	3.85	3.907	3.886	8.1
7-Y	4.09	4.163	4.121	4.126	4.133	4.115	2.5
10-Y	4.113	4.15	4.12	4.132	4.163	4.108	-0.5
20-Y	4.509	4.53	4.469	4.454	4.479	4.467	-4.2
RINGGIT IRS							
1-Y	3.795	3.825	3.8	3.805	3.815	3.805	1
3-Y	3.885	3.93	3.915	3.895	3.94	3.925	4
5-Y	4.025	4.12	4.06	4.065	4.08	4.06	3.5
7-Y	4.145	4.23	4.195	4.185	4.22	4.2	5.5
10-Y	4.29	4.405	4.333	4.345	4.36	4.335	4.5
KLIBOR							
1-M	3.3	3.3	3.3	3.3	3.3	3.31	1
3-M	3.63	3.63	3.63	3.63	3.64	3.64	1
UST							
3-Y	4.9155	4.867	4.9159	4.9765	4.876	4.8334	-8.21
5-Y	4.8581	4.7986	4.8203	4.9201	4.7969	4.7614	-9.67
7-Y	4.9199	4.8604	4.8578	4.9773	4.866	4.8378	-8.21
10-Y	4.9137	4.8502	4.8229	4.9549	4.8445	4.8346	-7.91
30-Y	5.0755	4.9995	4.9381	5.086	4.9861	5.0144	-6.11
USD LIBOR							
1-M	5.44613	5.43892	5.43939	5.44053	5.44134	5.44134	-0.479
3-M	5.66008	5.63983	5.64121	5.6491	5.65159	5.65159	-0.849

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	20-Oct Yield	27-Oct Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	4.498	04/15/30	4.090	4.115	2.5	1,711.2
MALAYSIA INVESTMNT ISSU	4.07	09/30/26	3.699	3.711	1.2	1,019.4
MALAYSIA GOVERNMENT	3.733	06/15/28	3.851	3.921	7.0	871.9
MALAYSIA GOVERNMENT	3.906	07/15/26	3.675	3.708	3.3	689.8
MALAYSIA GOVERNMENT	4.696	10/15/42	4.509	4.467	-4.2	537.7
MALAYSIA INVESTMNT ISSU	4.193	10/07/32	4.146	4.162	1.6	484.2
MALAYSIA INVESTMNT ISSU	4.369	10/31/28	3.865	3.898	3.3	480.3
MALAYSIA GOVERNMENT	3.899	11/16/27	3.778	3.810	3.2	468.0
MALAYSIA INVESTMNT ISSU	3.655	10/15/24	3.424	3.416	-0.8	417.4
MALAYSIA GOVERNMENT	4.642	11/07/33	4.113	4.108	-0.5	406.5
TOTAL VOLUME (TOP 10)						7,086.4
TOTAL VOLUME (Overall)						12,652.6

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	20-Oct Yield	27-Oct Yield	Change (WoW bp)	Weekly Volume (RM mn)
KHAZANAH NASIONAL BHD	ZERO	09/03/32	N/A	4.340	N/A	300.0
AMBANK MALAYSIA BHD	4.98	11/15/28	N/A	4.539	N/A	235.0
YTL POWER INTERNATIONA	4.74	08/24/38	4.609	4.684	7.5	110.0
PENGURUSAN AIR SELANGO	5.28	07/24/37	4.519	4.609	9.0	80.0
MKD KENCANA SDN BHD	4.85	10/01/32	4.262	4.199	-6.3	60.0
HONG LEONG FINL GROUP	4.3	06/14/29	3.893	3.872	-2.1	60.0
DANAINFRA NASIONAL	4.85	08/16/52	4.540	4.709	16.9	60.0
YTL CORPORATION BERHA	5.15	11/11/36	N/A	4.779	N/A	50.0
PROJEK LEBUHRAYA USAHA	4.954	01/12/37	4.479	4.599	12.0	50.0
PERBADANAN TABUNG PEN	4.22	02/28/28	N/A	3.967	N/A	40.0
TOTAL VOLUME (TOP 10)						1,045.0
TOTAL VOLUME (Overall)						2,644.8

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