

## MIDF Strategy 6 November 2023

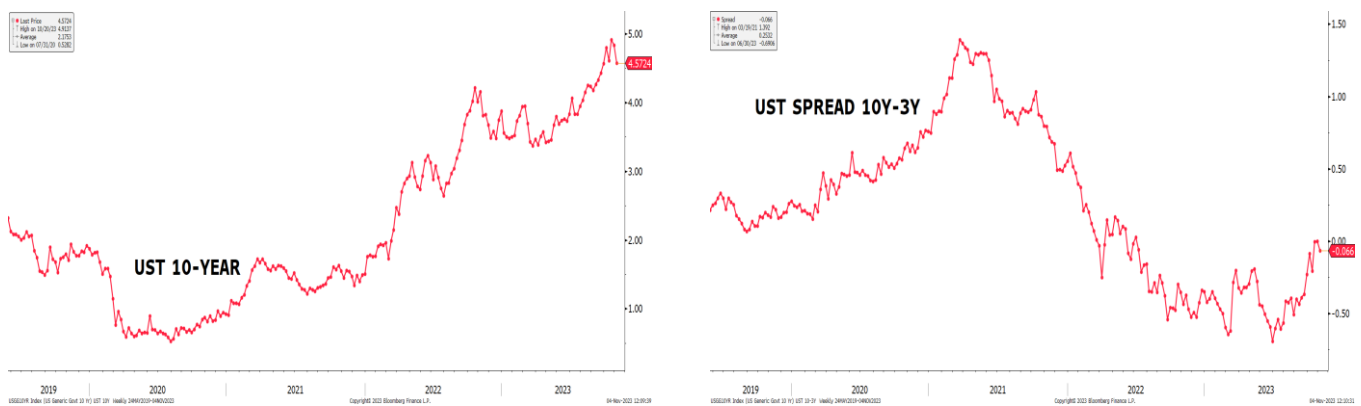
### Week Ended 3 November 2023

- The UST market rebounded further during the review week with benchmark 10-year yield closed lower at 4.57% (prior week: 4.84%) attributable to (1) rising expectation that the US Fed could be done with its rate-hiking cycle after consecutively left the policy rate unchanged during the latest FOMC meeting, and (2) softer than expected October jobs data. The 10y-3y yield spread again inverted at -7bps (prior week: 0bp) as the long-end outperformed. Moreover, the interest rate futures market was implying no more Fed rate hike.
- Medium-term inflation expectation (MTIE) ended lower week-on-week at 2.34% (prior week: 2.41%) 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. However, 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 higher with the 3-year and 10-year yield shed -11.4bps and -14.4bps to close at 3.59% and 3.96% respectively. The 10y-3y yield spread narrowed (yield curve flattened) week-on-week from 40bps to 37bps 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 -RM5.74b. It improved on-week from -RM5.96b registered a week ago. However, it slumped on-year from RM5.82b a year ago.

## Weekly Money Review

### A. FIXED INCOME

- The UST market rebounded further during the review week with benchmark 10-year yield closed lower at 4.57% (prior week: 4.84%) attributable to (1) rising expectation that the US Fed could be done with its rate-hiking cycle after consecutively left the policy rate unchanged during the latest FOMC meeting, and (2) softer than expected October jobs data. The 10y-3y yield spread again inverted at -7bps (prior week: 0bp) as the long-end outperformed. Moreover, the interest rate futures market was implying no more Fed rate hike.



Source: Bloomberg, MIDFR

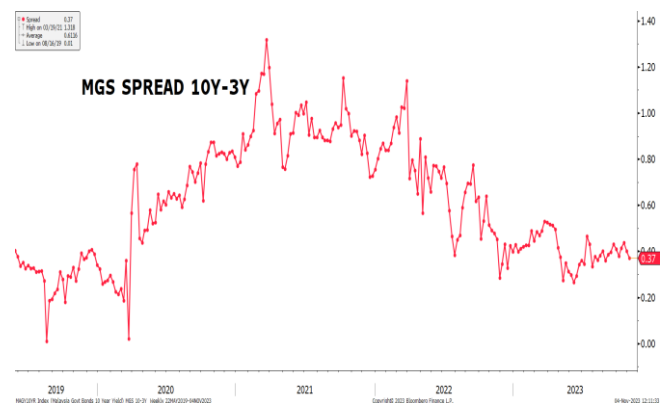
- Medium-term inflation expectation (MTIE) ended lower week-on-week at 2.34% (prior week: 2.41%) arguably in reaction to the sign of cooling labor market. The MTIE nonetheless remains within an elevated inflation range (of 2.25%-2.50%) acceptable transiently to the US Fed. However, it is also notable 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.

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



Source: Bloomberg, MIDFR

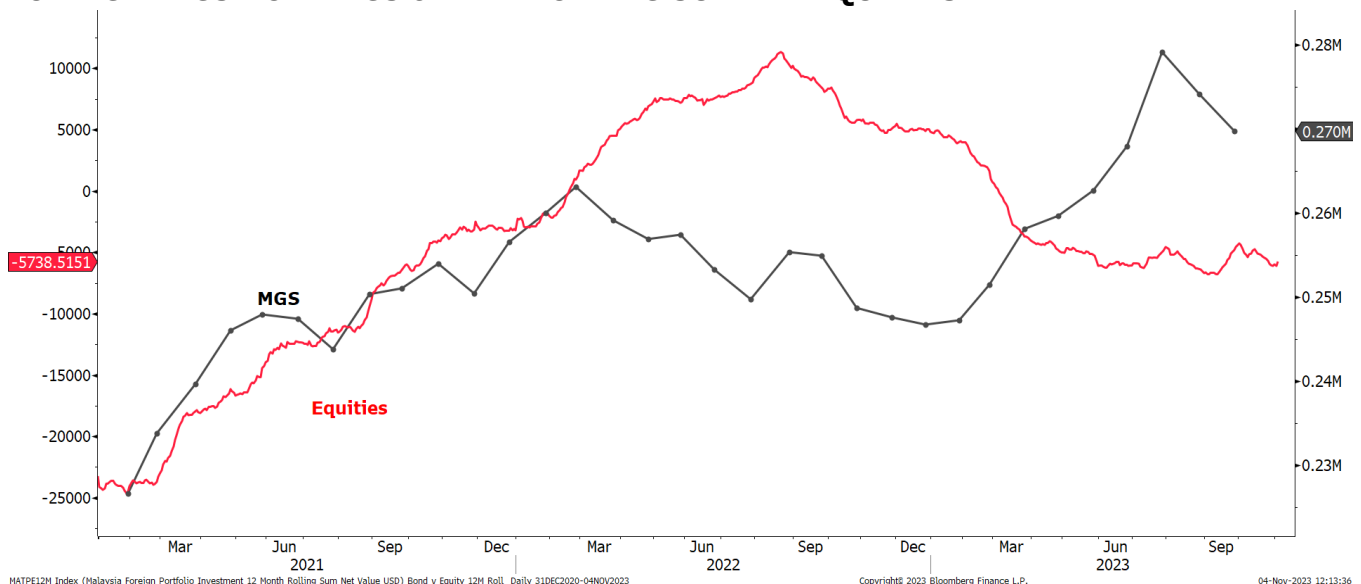
The price of domestic MGS benchmark issues ended the review week higher with the 3-year and 10-year yield shed -11.4bps and -14.4bps to close at 3.59% and 3.96% respectively. The 10y-3y yield spread narrowed (yield curve flattened) week-on-week from 40bps to 37bps as the long-end outperformed.



Source: Bloomberg, MIDFR

- Total trading value for Government Bonds (MGS/MII) increased to RM18.52b in the review week compared to RM12.65b in the prior week (based on Bloomberg data). The total trading value of 10 most actively traded issues declined (higher trading breadth) to 54% from 56% of the overall Government Bonds trades. Moreover, 10 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 mid residual tenor. The top 3 most actively traded were MGS 4.498% 4/15/30 at RM2.19b, MGS 3.478% 6/14/24 at RM1.43b, and MGS 4.059% 9/30/24 at RM1.22b.

## 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 -RM5.74b. It improved on-week from -RM5.96b registered a week ago. However, it slumped on-year from RM5.82b a year ago.
- Total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM3.50b in the review week compared to RM2.64b in the prior week (based on Bloomberg data). The total trading value of 10 most actively traded issues increased (lower trading breadth) to 51% from 40% 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 PLUS 5% 12/31/38 at RM500m, PLUS 4.86% 1/12/38 at RM405m, and Khazanah Nasional 0% 9/30/32 at RM200m.

## B. FOREIGN EXCHANGE

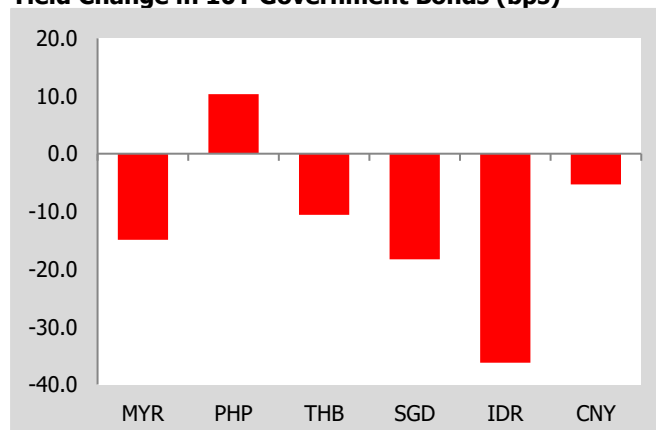
- The dollar registered the weakest weekly closing in 9 weeks. The US dollar depreciated against major currencies as the DXY index declined -1.4wow to 105.02. USD marked the strongest daily closing in 4 weeks at 106.88 mid-week but weakened afterwards as market expected the Fed to keep FFR unchanged at the Nov-23 FOMC meeting last week. USD also closed weaker following weaker-than-expected job creation in Oct-23.
- Euro and pound appreciated. The euro and pound strengthened on the weaker dollar by +1.6%wow to USD1.073 and +2.1%wow to USD1.238, respectively. The euro appreciated despite the softer-than-expected GDP growth data and decelerating inflation in the EU. Similarly, the pound appreciated despite the BOE's decision to keep the interest rate steady in its Nov-23 decision and rising recession concerns.
- The ringgit ended at strongest level in 2 weeks. Ringgit finally appreciated, gaining +1.0%wow against the USD to end the week at RM4.729 which was also the strongest daily closing in over 2 weeks. The ringgit performance reversed after reaching intra-week low of RM4.772 at mid-week. Like other regional currencies, ringgit appreciated on the back of weak dollar. Ringgit's advance was mostly due to movement in the financial markets as changes in commodity prices were unfavourable towards the ringgit; Brent crude oil prices fell -6.2%wow to USD84.89pb (previous week: USD90.48pb).

### Currencies Changes (Week Ended 3 November 2023) and Quarterly Forecasts

	Close (03/11)	Prev. Close (27/10)	Weekly Change	Weekly Change (%)	1QCY23	2QCY23	3QCY23f	4QCY23f
DXY Index	105.02	106.56	-1.538	-1.4	102.51	102.91	98.3	97.5
EURUSD	1.073	1.057	+0.017	+1.6	1.08	1.09	1.12	1.13
GBPUSD	1.238	1.212	+0.026	+2.1	1.23	1.27	1.24	1.26
USDJPY	149.39	149.66	+0.270	+0.2	132.86	144.31	147	135
USDMYR	4.729	4.7775	+0.048	+1.0	4.42	4.67	4.58	4.24
GBPMYR	5.774	5.799	+0.025	+0.4	5.46	5.90	5.68	5.34
JPYMYR	3.166	3.192	+0.026	+0.8	3.33	3.23	3.12	3.14

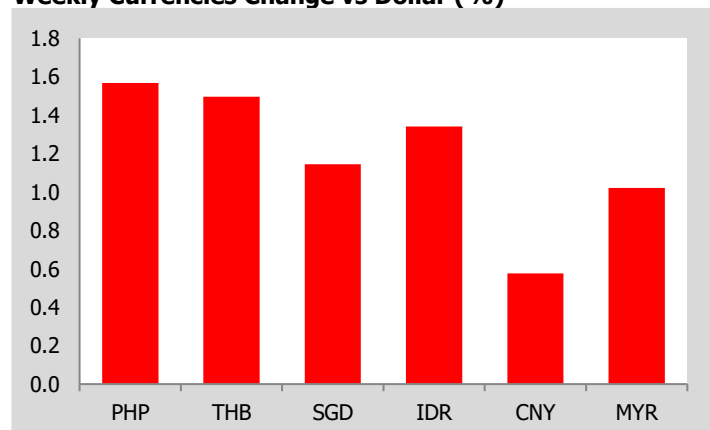
Note: "+" indicates appreciation, while "-" indicates depreciation. Quarterly figures are forecast by MIDFR  
Source: Bloomberg, MIDFR

### 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 (%)

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

Source: Bloomberg, MIDFR

- US economic data released last week:
  - The manufacturing sector contracted while the services sector expanded slower in Oct-23 ISM data shows. ISM manufacturing PMI contracted further at 46.7, missing market expectations for it to remain at Sep-23's 49.0. Meanwhile, the S&P Global Manufacturing PMI was confirmed at 50.0 (Sep-23: 49.8). The ISM services PMI expanded slower at 51.8 (Sep-23: 53.6; market forecasts: 53.0) and the S&P Globals Services PMI was revised lower at 50.6 (Sep-23: 50.1; preliminary: 50.9).
  - The sticky labour market signaled easing. US Oct-23 nonfarm payrolls rose +150K (Sep-23:+297K; market forecasts: +180K), the most modest expansion in 4 months. Meanwhile, the unemployment rate edged higher at 3.9% against the market consensus for it to steady at Sep-23's 3.8%. Additionally, initial jobless claims for the week ending 28th October rose faster than market expectations at +217K (previous week: +212K; market forecasts: +210K).
  
- Monetary decisions last week:
  - On 2nd November,
    - The Fed's FOMC decided to maintain the fed funds rate (FFR) target at 5.25-5.50%, in line with the overwhelming expectations in the market for 'no change' on the back of easing inflation and despite continued resilience in the US economy.
    - BNM kept the Overnight Policy Rate (OPR) at 3.00%, in its final Monetary Policy Meeting of 2023 as the current rate deemed supportive of economic growth, which continued to be supported by growing domestic demand amid easing inflation.
    - BOE kept the interest rate steady at 5.25% in its Nov-23 decision on emerging signs of economic slowdown. However, interest rates will be kept elevated to achieve the 2.00% inflation target.
  
- Malaysia's manufacturing activities fell further in Oct-23. Activities in Malaysia's manufacturing sector continued to decline as Malaysia's S&P Global Manufacturing PMI remained unchanged at 46.8 in Oct-23, marking the 14-straight months of contraction.

## 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	27-Oct Fri	30-Oct Mon	31-Oct Tue	1-Nov Wed	2-Nov Thu	3-Nov Fri	Change (WoW bp)
MGS							
3-Y	3.708	3.689	3.642	3.669	3.617	3.594	-11.4
5-Y	3.886	3.885	3.863	3.863	3.77	3.79	-9.6
7-Y	4.115	4.097	4.066	4.071	3.981	3.972	-14.3
10-Y	4.108	4.098	4.096	4.067	3.981	3.964	-14.4
20-Y	4.467	4.44	4.408	4.41	4.315	4.303	-16.4
RINGGIT IRS							
1-Y	3.805	3.805	3.75	3.765	3.725	3.73	-7.5
3-Y	3.925	3.905	3.845	3.835	3.775	3.825	-10
5-Y	4.06	4.025	3.9545	3.94	3.9	3.88	-18
7-Y	4.2	4.16	4.095	4.085	4.04	4.03	-17
10-Y	4.335	4.305	4.23	4.235	4.18	4.16	-17.5
KLIBOR							
1-M	3.31	3.31	3.32	3.33	3.33	3.33	2
3-M	3.64	3.64	3.65	3.65	3.65	3.65	1
UST							
3-Y	4.8334	4.894	4.926	4.7532	4.7821	4.6383	-19.51
5-Y	4.7614	4.8235	4.8536	4.65	4.634	4.5036	-25.78
7-Y	4.8378	4.8936	4.931	4.7239	4.6765	4.5583	-27.95
10-Y	4.8346	4.8942	4.9307	4.7341	4.659	4.5724	-26.22
30-Y	5.0144	5.0485	5.0931	4.9273	4.8008	4.7666	-24.78
USD LIBOR							
1-M	5.4386	5.43456	5.43407	5.43719	5.44419	5.44419	0.559
3-M	5.64482	5.63873	5.64436	5.65351	5.65431	5.65431	0.949

Source: Bloomberg

**10 MOST ACTIVELY TRADED GOVERNMENT BONDS**

Name	Coupon	Maturity	27-Oct Yield	3-Nov Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	4.498	04/15/30	4.115	3.972	-14.3	2,192.5
MALAYSIA GOVERNMENT	3.478	06/14/24	3.359	3.305	-5.4	1,426.5
MALAYSIA GOVERNMENT	4.059	09/30/24	3.407	3.314	-9.3	1,218.9
MALAYSIA GOVERNMENT	4.696	10/15/42	4.467	4.303	-16.4	1,029.1
MALAYSIA INVESTMNT ISSU	4.193	10/07/32	4.162	4.027	-13.5	924.2
MALAYSIA GOVERNMENT	4.181	07/15/24	3.395	3.285	-11.0	793.5
MALAYSIA GOVERNMENT	3.906	07/15/26	3.708	3.594	-11.4	789.8
MALAYSIA INVESTMNT ISSU	4.582	08/30/33	4.108	3.991	-11.7	534.4
MALAYSIA INVESTMNT ISSU	4.07	09/30/26	3.711	3.629	-8.2	501.3
MALAYSIA GOVERNMENT	3.519	04/20/28	3.886	3.790	-9.6	496.5
TOTAL VOLUME (TOP 10)						9,906.8
TOTAL VOLUME (Overall)						18,514.6

Source: Bloomberg

**10 MOST ACTIVELY TRADED CORPORATE BONDS**

Name	Coupon	Maturity	27-Oct Yield	3-Nov Yield	Change (WoW bp)	Weekly Volume (RM mn)
PROJEK LEBUHRAYA USAHA	5	12/31/38	N/A	4.418	N/A	500.0
PROJEK LEBUHRAYA USAHA	4.86	01/12/38	4.370	4.420	5.0	405.0
KHAZANAH NASIONAL BHD	ZERO	09/03/32	4.340	4.201	-13.9	200.0
PERBADANAN TABUNG PEN	4.86	03/12/32	N/A	4.209	N/A	130.0
DANAINFRA NASIONAL	4.58	10/20/32	N/A	4.139	N/A	130.0
CAGAMAS BERHAD	4.2	10/31/28	N/A	4.198	N/A	120.0
CAGAMAS BERHAD	3.67	05/30/24	N/A	3.709	N/A	100.0
TNB POWER GENERATION	4.84	03/27/43	4.599	4.701	10.2	77.0
PRASARANA MALAYSIA BHD	5.07	09/28/29	N/A	4.098	N/A	65.0
PROJEK LEBUHRAYA USAHA	5.63	01/11/36	4.451	4.519	6.8	60.0
TOTAL VOLUME (TOP 10)						1,787.0
TOTAL VOLUME (Overall)						3,498.7

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 <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