

MIDF Strategy 14 November 2023

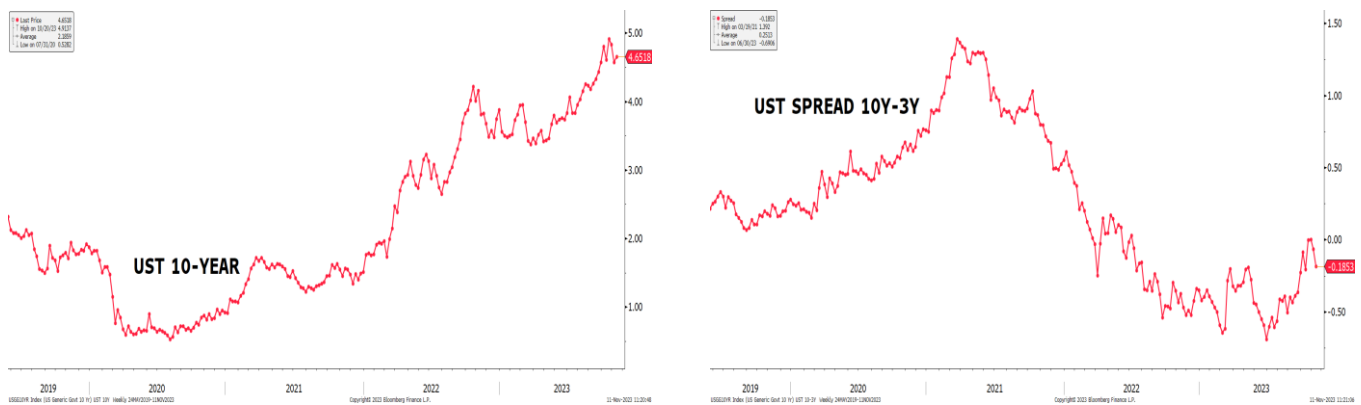
Week Ended 10 November 2023

- UST market retreated during the review week with benchmark 10-year yield closed higher at 4.65% (prior week: 4.57%) as investors reacted to a disappointing auction of 30-year bonds and tacitly hawkish comments from US Federal Reserve Chair Jerome Powell. The 10y-3y yield spread inverted deeper at -18bps (prior week: -7bps) as the short-end underperformed. However, the interest rate futures market was implying no more Fed rate hike.
- Medium-term inflation expectation (MTIE) ended lower week-on-week at 2.28% (prior week: 2.34%). 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.
- Domestically, buying interest continued. The price of MGS benchmark issues ended the review week higher with the 3-year and 10-year yield shed -10.5bps and -8.9bps to close at 3.49% and 3.88% respectively. The 10y-3y yield spread expanded (yield curve steepened) week-on-week from 37bps to 39bps as the short-end outperformed.
- MGS foreign holdings increased on-year from RM249b in October 2022 to RM267b in October 2023. However, it fell on-month from RM270b in September 2023. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM5.23b. It improved on-week from -RM5.74b registered a week ago. However, it slumped on-year from RM5.57b a year ago.

Weekly Money Review

A. FIXED INCOME

- The UST market retreated during the review week with benchmark 10-year yield closed higher at 4.65% (prior week: 4.57%) as investors reacted to a disappointing auction of 30-year bonds and tacitly hawkish comments from US Federal Reserve Chair Jerome Powell. The 10y-3y yield spread inverted deeper at -18bps (prior week: -7bps) as the short-end underperformed. However, 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

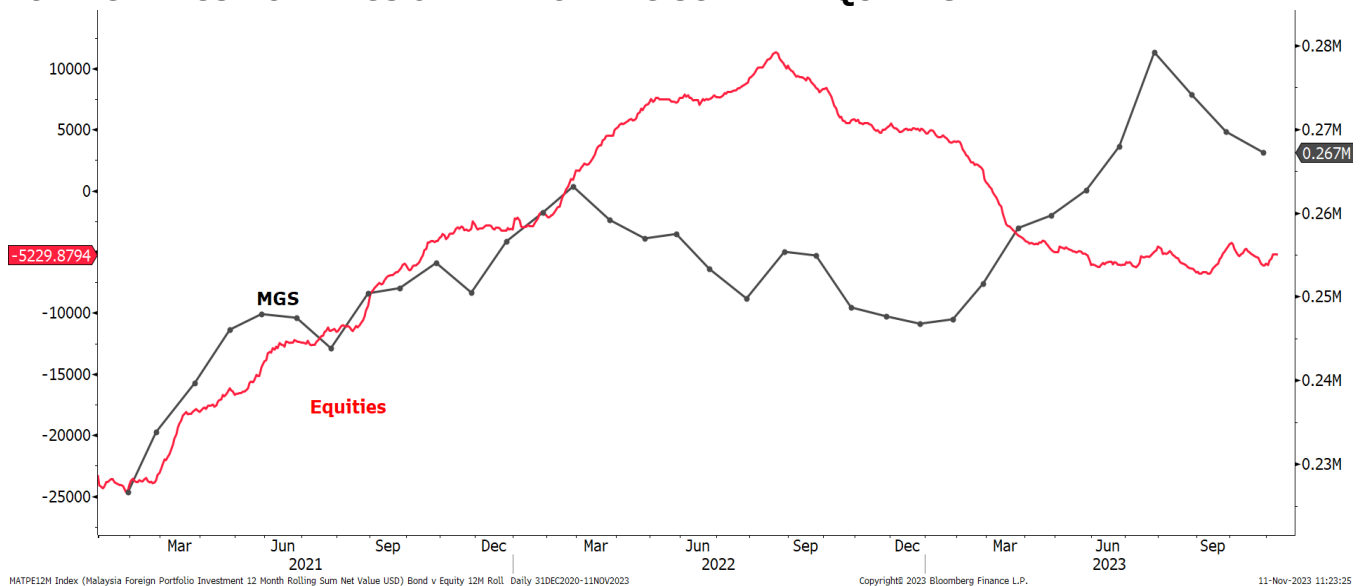
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Source: Bloomberg, MIDFR

- Total trading value for Government Bonds (MGS/MII) declined to RM16.57b in the review week compared to RM18.52b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 57% from 54% 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 residual tenor. The top 3 most actively traded were MGS 3.478% 6/14/24 at RM2.45b, MGS 3.906% 7/15/26 at RM1.82b, and MGS 4.059% 9/30/24 at RM824m.

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



Source: Bloomberg, MIDFR

- MGS foreign holdings increased one year from RM249b in October 2022 to RM267b in October 2023. However, it fell one-month from RM270b in September 2023. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM5.23b. It improved one week from -RM5.74b registered a week ago. However, it slumped one year from RM5.57b a year ago.
- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM3.20b in the review week compared to RM3.50b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 43% from 51% of the overall Corporate Bonds trades.
- The top 3 actively traded Corporate Bonds were dominated by issues of varied residual tenor. The top 3 most actively traded were Danainfra 4.57% 5/2/31 at RM400m, Danainfra 5.1% 10/29/38 at RM250m, and Danainfra 4.32% 11/26/25 at RM240m.

B. FOREIGN EXCHANGE

- The dollar rebounded against major currencies. The US dollar appreciated against major currencies as the DXY dollar index rose +0.8wow to 105.86. The USD closed at intra-week low of 105.22 on Monday but appreciated in the latter part of the week following hawkish statement by Fed officials and indication of still tight US labour market.
- Euro and pound weakened. As dollar strengthened, the euro and pound depreciated last week by -0.4%wow to USD1.069 and -1.2%wow to USD1.223, respectively. The depreciation of the euro was also underpinned by rising recession concerns as recent data continued to show sluggish domestic demand and weak manufacturing sector activities. Meanwhile, the pound sterling weakened despite the better-than-expected UK GDP growth in 3QCY23.
- Ringgit appreciated for the second consecutive week. Ringgit appreciated +0.4%wow last week after ending at RM4.709 on Friday, the strongest weekly closing in 6 weeks. Like other currencies, the ringgit depreciated throughout the week as dollar strengthened although ringgit closed at an intra-week high of RM4.637 on Monday, which was also the strongest level since mid-Aug-23. Additionally, oil price movement was also unfavourable to ringgit as Brent crude benchmark fell -4.1%wow to USD81.43pb (previous week: USD84.89pb).

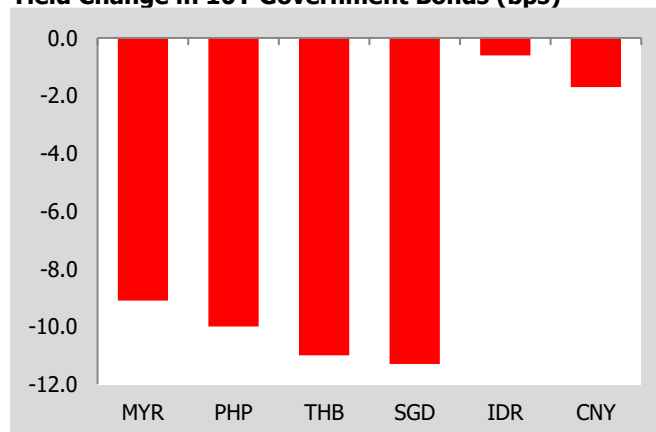
Currencies Changes (Week Ended 10 November 2023) and Quarterly Forecasts

	Close (10/11)	Prev. Close (03/11)	Weekly Change	Weekly Change (%)	1QCY23	2QCY23	3QCY23	4QCY23f
DXY Index	105.86	105.02	+0.840	+0.8	102.51	102.91	106.17	97.5
EURUSD	1.069	1.073	-0.004	-0.4	1.08	1.09	1.06	1.13
GBPUSD	1.223	1.238	-0.015	-1.2	1.23	1.27	1.22	1.26
USDJPY	151.52	149.39	-2.130	-1.4	132.86	144.31	149.37	135
USDMYR	4.709	4.7292	+0.021	+0.4	4.42	4.67	4.70	4.24
GBPMYR	5.753	5.774	+0.021	+0.4	5.46	5.90	5.76	5.34
JPYMYR	3.108	3.166	+0.058	+1.9	3.33	3.23	3.14	3.14

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

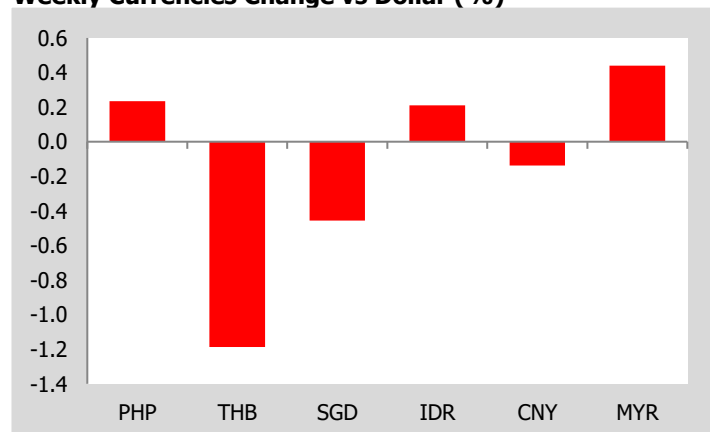
Source: Bloomberg, MIDFR

Yield Change in 10Y Government Bonds (bps)



Source: Bloomberg; Macrobond; 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:
 - Exports and imports rose in Sep-23. US Exports increased to USD261.1b (Aug-23: USD255.4b) while imports edged up to USD322.7b (Aug-23: 314.4b). The faster increase in imports widened the negative trade balance -USD61.5b (Aug-23: -USD58.7b; market forecasts: -USD59.9b).
 - The labour market remained tight. Initial jobless claims for the week ending 4th November declined to +217K (previous week: +220K; market forecasts: +218K).
 - US consumers sentiment deteriorated in Oct-23. The University of Michigan consumer sentiment index fell to 60.4 in Oct-23 (Sep-23: 63.8) as American consumers weaker assessment on both current and future economic conditions, in view of high interest rates and recent geopolitical tensions.
- On 9th November, Fed's Chair, Jerome Powell reiterated the Fed's target of bringing down inflation to 2%, adding that the Fed had not tightened enough. However, he stated the Fed needs to be cautious in finding the balance between doing too much or too little to achieve its goal.
- On 7th November, the Reserve Bank of Australia raised the interest rate by another 25bps to 4.35%, the highest since Jan-11 to contain sticky inflation following further rise in services prices.
- Malaysia economic data released last week:
 - Services producer price inflation moderated in 3QCY23 to +1.4%yoy (2QCY23: +2.7%yoy), marking the slowest increase in 6 quarters, mainly underpinned by the deceleration in production cost for transportation services.
 - IPI contracted by -0.5%yoy in Sep-23 (Aug-23: -0.3%yoy), falling for the second month due to weaker mining output and despite rebound in manufacturing output.
 - Labour market condition remained encouraging as the unemployment rate remained at post-pandemic low of 3.4% in Sep-23, with continued growth in labour force and employment, although the growth rates moderated to +1.8%yoy and +2%yoy, respectively, the slowest in 2 years.
 - Growth in the construction sector, as measured by construction work done, accelerated to +9.6%yoy (2QCY23: +8.1%yoy), the fastest expansion in 3 quarters.
 - Retail trade grew by +5.9%yoy in Sep-23 (Aug-23: +6.3%yoy), signaling continued growth in domestic spending activities. Distributive trade also sustained growth at +6.5%yoy (Aug-23: +6.7%yoy), backed by stronger wholesale trade, in addition to sustained rise in retail trade and spending on motor vehicles.

C. BNM INTERNATIONAL RESERVES

- As of 31 October 2023, compared to previous fortnight, Bank Negara Malaysia's international reserves was lower at USD108.5b (13 October 2023: USD108.9b).

BNM INTERNATIONAL RESERVES



Source: Bloomberg, MIDFR

- The number 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	3-Nov Fri	6-Nov Mon	7-Nov Tue	8-Nov Wed	9-Nov Thu	10-Nov Fri	Change (WoW bp)
MGS							
3-Y	3.594	3.532	3.53	3.491	3.489	3.489	-10.5
5-Y	3.79	3.703	3.674	3.681	3.654	3.66	-13
7-Y	3.972	3.888	3.886	3.886	3.859	3.854	-11.8
10-Y	3.964	3.876	3.87	3.878	3.857	3.875	-8.9
20-Y	4.303	4.232	4.236	4.239	4.232	4.218	-8.5
RINGGIT IRS							
1-Y	3.73	3.755	3.77	3.75	3.73	3.745	1.5
3-Y	3.825	3.795	3.805	3.79	3.78	3.805	-2
5-Y	3.88	3.87	3.9	3.885	3.875	3.89	1
7-Y	4.03	3.99	4.03	4.005	3.997	4.015	-1.5
10-Y	4.16	4.13	4.17	4.15	4.12	4.145	-1.5
KLIBOR							
1-M	3.33	3.33	3.33	3.33	3.33	3.33	0
3-M	3.65	3.65	3.65	3.66	3.66	3.66	1
UST							
3-Y	4.6383	4.7247	4.6873	4.6758	4.7861	4.8372	19.89
5-Y	4.5036	4.5876	4.5365	4.5047	4.6401	4.6839	18.03
7-Y	4.5583	4.642	4.5738	4.5241	4.6706	4.7099	15.16
10-Y	4.5724	4.6431	4.5665	4.4925	4.6241	4.6518	7.94
30-Y	4.7666	4.8085	4.7253	4.6148	4.7646	4.7618	-0.48
USD LIBOR							
1-M	5.43624	5.43792	5.43645	5.43581	5.43567	5.43567	-0.057
3-M	5.64178	5.62967	5.62728	5.63069	5.63264	5.63264	-0.914

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	3-Nov Yield	10-Nov Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.478	06/14/24	3.305	3.019	-28.6	2,452.7
MALAYSIA GOVERNMENT	3.906	07/15/26	3.594	3.489	-10.5	1,818.7
MALAYSIA GOVERNMENT	4.059	09/30/24	3.314	3.144	-17.0	823.7
MALAYSIA GOVERNMENT	4.498	04/15/30	3.972	3.854	-11.8	808.6
MALAYSIA INVESTMNT ISSU	5.357	05/15/52	4.522	4.508	-1.4	733.3
MALAYSIA GOVERNMENT	3.882	03/14/25	3.429	3.371	-5.8	693.2
MALAYSIA GOVERNMENT	4.642	11/07/33	3.964	3.875	-8.9	651.8
MALAYSIA INVESTMNT ISSU	4.245	09/30/30	4.007	3.903	-10.4	519.9
MALAYSIA GOVERNMENT	3.955	09/15/25	3.481	3.397	-8.4	487.8
MALAYSIA INVESTMNT ISSUE	4.582	08/30/33	3.991	3.984	-0.7	455.0
TOTAL VOLUME (TOP 10)						9,444.7
TOTAL VOLUME (Overall)						16,566.7

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	3-Nov Yield	10-Nov Yield	Change (WoW bp)	Weekly Volume (RM mn)
DANAINFRA NASIONAL	4.57	05/02/31	N/A	4.048	N/A	400.0
DANAINFRA NASIONAL	5.1	10/29/38	4.319	4.241	-7.8	250.0
DANAINFRA NASIONAL	4.32	11/26/25	3.660	3.596	-6.4	240.0
PETROLEUM SARAWAK EXP	5.39	11/11/32	4.451	4.300	-15.1	80.0
PRASARANA MALAYSIA BHD	3.56	08/27/31	4.069	4.059	-1.0	70.0
AMANAT LEBUHRAYA RAKY	5.09	10/11/30	4.358	4.318	-4.0	70.0
DANAINFRA NASIONAL	5.29	07/22/44	4.438	4.388	-5.0	65.0
PROJEK LEBUHRAYA USAHA	4.821	01/12/35	4.453	4.378	-7.5	65.0
TENAGA NASIONAL BERHA	4.73	06/29/29	N/A	4.198	N/A	60.0
PETROLEUM SARAWAK EXP	5.22	11/09/29	N/A	4.198	N/A	60.0
TOTAL VOLUME (TOP 10)						1,360.0
TOTAL VOLUME (Overall)						3,197.6

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