

MIDF Strategy 20 November 2023

Week Ended 17 November 2023

- The UST market rebounded during the review week with benchmark 10-year yield closed lower at 4.44% (prior week: 4.65%) as investors reacted to lower-than-expected October inflation data. Moreover, the 10y-3y yield spread was unchanged week-on-week at -18bps. Meanwhile, the interest rate futures market was implying no more Fed rate hike.
- Medium-term inflation expectation (MTIE) ended lower week-on-week at 2.23% (prior week: 2.34%) in reaction to the soft inflation data. Moreover, the MTIE dipped below 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.
- Domestically, the price of MGS benchmark issues ended the review week mixed with the 3-year and 10-year yield added 0.9bp and shed -3.1bps to close at 3.50% and 3.84% respectively. The 10y-3y yield spread narrowed (yield curve flattened) week-on-week from 39bps to 35bps as the long-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 -RM4.75b. It improved on-week from -RM5.23b registered a week ago. However, it slumped on-year from RM5.00b a year ago.

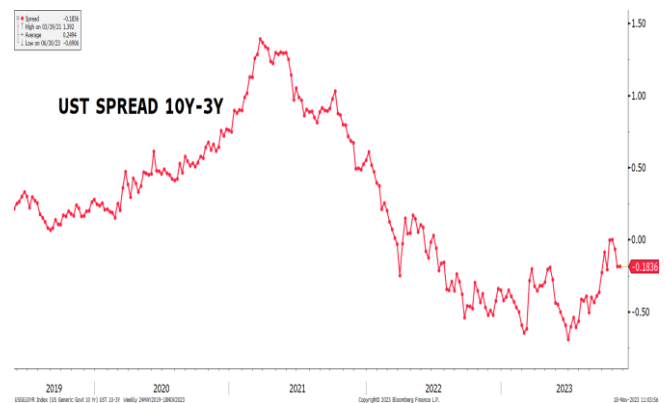
Weekly Money Review

A. FIXED INCOME

- The UST market rebounded during the review week with benchmark 10-year yield closed lower at 4.44% (prior week: 4.65%) as investors reacted to lower-than-expected October inflation data. Moreover, the 10y-3y yield spread was unchanged week-on-week at -18bps. Meanwhile, the interest rate futures market was implying no more Fed rate hike.



Source: Bloomberg, MIDFR



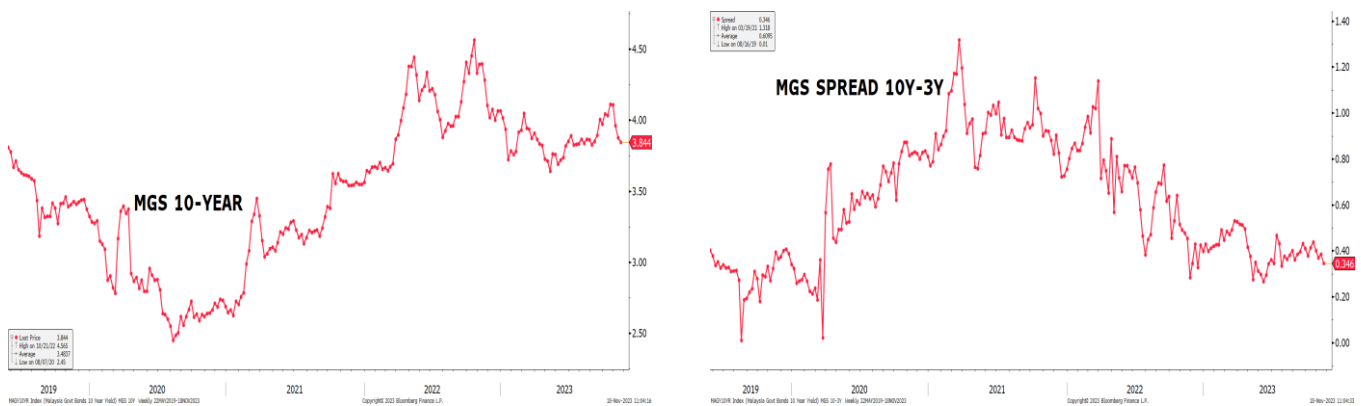
- Medium-term inflation expectation (MTIE) ended lower week-on-week at 2.23% (prior week: 2.34%) in reaction to the soft inflation data. Moreover, the MTIE dipped below an elevated inflation range (of 2.25%-2.50%) acceptable transiently to the US Fed. It is also notable that the MTIE has been trending 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.

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



Source: Bloomberg, MIDFR

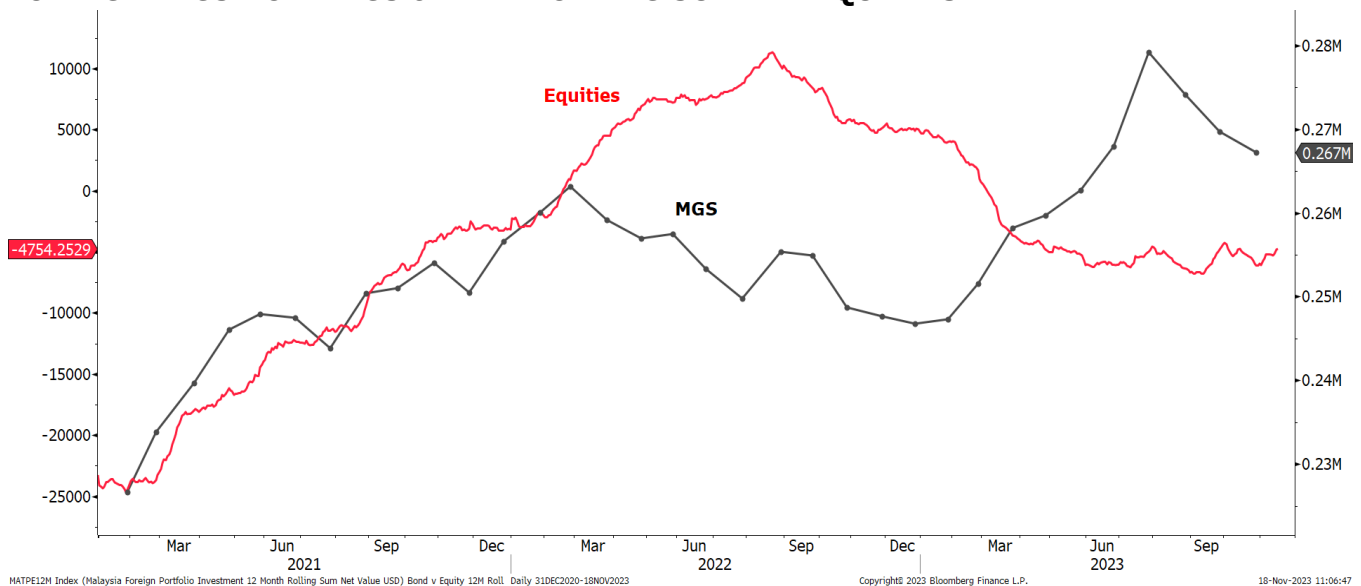
Domestically, the price of MGS benchmark issues ended the review week mixed with the 3-year and 10-year yield added 0.9bp and shed -3.1bps to close at 3.50% and 3.84% respectively. The 10y-3y yield spread narrowed (yield curve flattened) week-on-week from 39bps to 35bps as the long-end outperformed.



Source: Bloomberg, MIDFR

- Total trading value for Government Bonds (MGS/MII) declined to RM13.50b in the review week compared to RM16.57b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 66% from 57% of the overall Government Bonds trades. Moreover, 9 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 long residual tenor. The top 3 most actively traded were MII 4.07% 9/30/26 at RM2.24b, MGS 3.478% 6/14/24 at RM2.22b, and MII 5.357% 5/15/52 at RM760m.

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



Source: Bloomberg, MIDFR

- 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 -RM4.75b. It improved on-week from -RM5.23b registered a week ago. However, it slumped on-year from RM5.00b a year ago.
- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM2.74b in the review week compared to RM3.20b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 52% from 43% 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 Cagamas 4.27% 11/17/28 at RM600m, Danainfra 4.95% 3/19/32 at RM170m, and PLUS 5.75% 1/12/37 at RM150m.

B. FOREIGN EXCHANGE

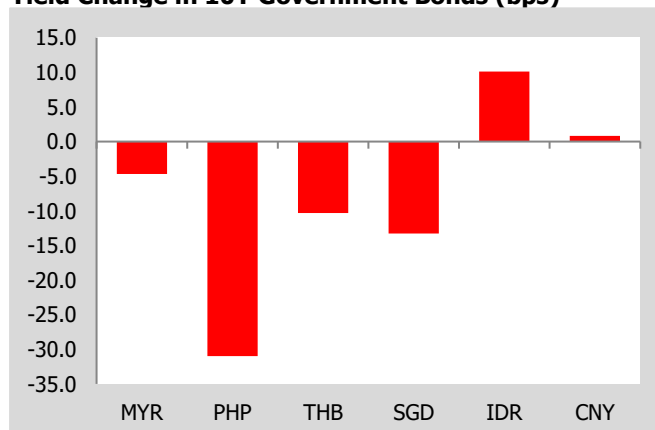
- USD closed at the lowest in 13 weeks. The US dollar depreciated against major currencies as the DXY index plunged -1.8wov to 103.92. The USD closed the week at its intra-week low, also the weakest closing since the end of Aug-23. The dollar retreated following a steeper-than-expected moderation in US inflation and signs of easing tightness in the labour market and softening domestic demand.
- Euro and pound rallied. The euro and pound advanced on the depreciating dollar, strengthening by +2.1%wov to USD1.092 and +1.9%wov to USD1.246, respectively. In addition, the euro also appreciated following ECB's hawkish sentiment, despite softer euro area inflation data. Meanwhile, the pound rally was limited by the softer UK inflation data and faster deterioration in domestic demand.
- Ringgit closed at 10-week highs. Ringgit gained +0.6%wov against the USD to end the week at RM4.681. The ringgit was at an intra-week high of RM4.673 mid-week but closed the week somewhat lower as GDP growth remained moderate in 3QCY23. Like the ringgit, other regional currencies also gained against the USD. Additionally, commodity prices also limited the ringgit rally as Brent crude oil prices fell -1.0%wov to USD80.61pb (previous week: USD81.43pb).

Currencies Changes (Week Ended 17 November 2023) and Quarterly Forecasts

	Close (17/11)	Prev. Close (10/11)	Weekly Change	Weekly Change (%)	4QCY23f	1QCY24f	2QCY24f	3QCY24f
DXY Index	103.92	105.86	-1.944	-1.8	105.5	103.8	102.5	101.1
EURUSD	1.092	1.069	+0.023	+2.1	1.06	1.07	1.09	1.10
GBPUSD	1.246	1.223	+0.024	+1.9	1.22	1.23	1.24	1.26
USDJPY	149.63	151.52	+1.890	+1.3	148	145	141	138
USDMYR	4.681	4.7085	+0.028	+0.6	4.30	4.39	4.23	4.16
GBPMYR	5.809	5.753	-0.056	-1.0	5.67	5.69	5.64	5.64
JPYMYR	3.128	3.108	-0.020	-0.7	3.14	3.19	3.23	3.24

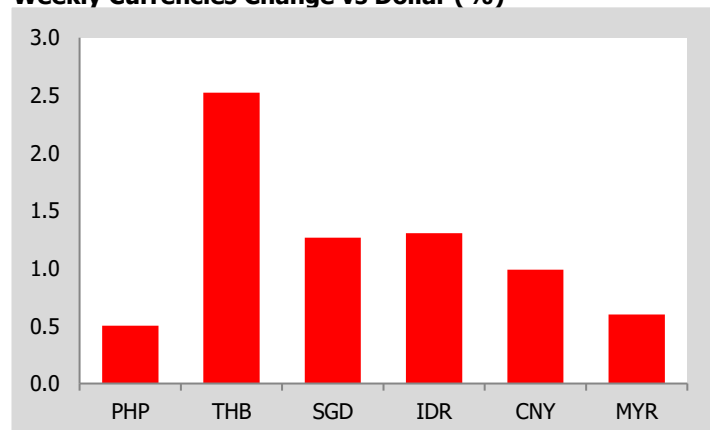
Note: "+" indicates appreciation, while "-" indicates depreciation. Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

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:
 - Industrial production plunged further in Oct-23. Industrial production shrank faster in its 2nd consecutive month of contraction at -0.7%yoy. Manufacturing production shrank at the fastest in its 8-month contraction sequence at -1.7%yoy.
 - Inflation eased faster. US Oct-23 consumer inflation moderated to +3.2%yoy after remaining at +3.7%yoy the past 2 consecutive months, also steeper than market expectations of +3.3%. Underlying inflation to +4.0%yoy, the lowest in over 2 years and below market expectations of +4.1%yoy. Producers inflation cooled to +1.3%yoy (Sep-23: +2.2%yoy; market forecasts: +1.9%yoy).
 - Retail sales growth moderated to a 4-month low in Oct-23. Retail sales expanded further but slower at +2.5%yoy (Sep-23: +4.1%yoy).
 - The tight labour market showed signs of easing. Initial jobless claims for the week ending 11th November rose to +231K (previous week: +218K; market forecasts: +220K).
- On 16th November, Bangko Sentral ng Pilipinas kept the interest rate steady at 6.50%, citing moderating inflation and allowing previous adjustments to impact the economy.
- Malaysia's GDP growth remained moderate at +3.3%yoy in 3QCY23. Malaysia's economic growth accelerated slightly to +3.3%yoy in 3QCY22, (2QCY23: +2.9%yoy), similar to the advance estimate. The current account surplus widened slightly. Malaysia's current account remained in surplus and increased to a three-quarter high at RM9.14b in 3QCY22.

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 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	10-Nov Fri	13-Nov Mon	14-Nov Tue	15-Nov Wed	16-Nov Thu	17-Nov Fri	Change (WoW bp)
MGS							
3-Y	3.489	3.489	3.547	3.531	3.522	3.498	0.9
5-Y	3.66	3.66	3.691	3.647	3.642	3.617	-4.3
7-Y	3.854	3.854	3.893	3.846	3.857	3.848	-0.6
10-Y	3.875	3.875	3.898	3.839	3.85	3.844	-3.1
20-Y	4.218	4.218	4.262	4.226	4.235	4.199	-1.9
RINGGIT IRS							
1-Y	3.745	3.745	3.74	3.705	3.705	3.68	-6.5
3-Y	3.805	3.805	3.785	3.735	3.735	3.7	-10.5
5-Y	3.89	3.89	3.8675	3.8	3.811	3.75	-14
7-Y	4.015	4.015	4	3.92	3.93	3.9	-11.5
10-Y	4.145	4.145	4.13	4.06	4.07	4.01	-13.5
KLIBOR							
1-M	3.33	3.33	3.33	3.33	3.33	3.33	0
3-M	3.66	3.66	3.66	3.67	3.67	3.67	1
UST							
3-Y	4.8372	4.8088	4.594	4.6729	4.5854	4.6191	-21.81
5-Y	4.6839	4.6625	4.4385	4.5173	4.4187	4.4408	-24.31
7-Y	4.7099	4.6913	4.4685	4.5545	4.4526	4.4677	-24.22
10-Y	4.6518	4.6399	4.4473	4.5314	4.4355	4.4354	-21.64
30-Y	4.7618	4.7549	4.6203	4.6953	4.6146	4.5889	-17.29
USD LIBOR							
1-M	5.43678	5.43739	5.44401	5.44407	5.44555	5.44555	0.877
3-M	5.63925	5.64133	5.65182	5.63098	5.62871	5.62871	-1.054

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	10-Nov Yield	17-Nov Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA INVESTMNT ISSU	4.07	09/30/26	3.589	3.571	-1.8	2,242.0
MALAYSIA GOVERNMENT	3.478	06/14/24	3.019	3.024	0.5	2,217.2
MALAYSIA INVESTMNT ISSU	5.357	05/15/52	4.508	4.439	-6.9	759.8
MALAYSIA INVESTMNT ISSU	4.193	10/07/32	3.971	3.949	-2.2	697.4
MALAYSIA GOVERNMENT	4.498	04/15/30	3.854	3.848	-0.6	564.6
MALAYSIA INVESTMNT ISSU	4.094	11/30/23	3.209	3.190	-1.9	551.5
MALAYSIA GOVERNMENT	4.696	10/15/42	4.218	4.199	-1.9	505.3
MALAYSIA INVESTMNT ISSU	4.291	08/14/43	4.275	4.245	-3.0	504.2
MALAYSIA GOVERNMENT	4.642	11/07/33	3.875	3.844	-3.1	449.1
MALAYSIA INVESTMNT ISSU	3.599	07/31/28	3.762	3.692	-7.0	402.0
TOTAL VOLUME (TOP 10)						8,893.2
TOTAL VOLUME (Overall)						13,496.3

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	10-Nov Yield	17-Nov Yield	Change (WoW bp)	Weekly Volume (RM mn)
CAGAMAS BERHAD	4.27	11/17/28	N/A	4.268	N/A	600.0
DANAINFRA NASIONAL	4.95	03/19/32	N/A	3.998	N/A	170.0
PROJEK LEBUHRAYA USAHA	5.75	01/12/37	4.511	4.438	-7.3	150.0
DANAINFRA NASIONAL	4.58	10/20/32	4.026	4.039	1.3	100.0
PRASARANA MALAYSIA BHD	4.93	12/28/32	4.027	4.006	-2.1	80.0
PROJEK LEBUHRAYA USAHA	5.63	01/11/36	4.479	4.418	-6.1	80.0
PETROLEUM SARAWAK EXP	5.22	11/09/29	4.198	4.149	-4.9	65.0
JAMBATAN KEDUA SDN BHD	4.3	05/28/25	3.665	3.559	-10.6	60.0
PAC LEASE BHD	4.15	07/29/25	N/A	4.141	N/A	60.0
UNITED OVERSEAS BANK M	3	08/02/30	3.423	3.264	-15.9	55.0
TOTAL VOLUME (TOP 10)						1,420.0
TOTAL VOLUME (Overall)						2,744.0

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