

MIDF Strategy 27 November 2023

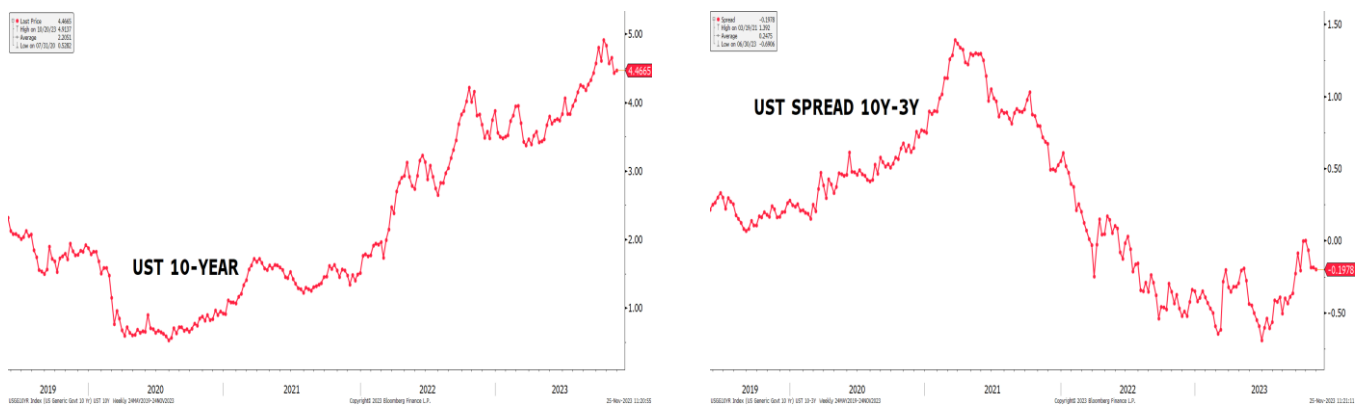
Week Ended 24 November 2023

- The UST market saw slight profit taking during the review week with benchmark 10-year yield closed higher at 4.47% (prior week: 4.44%) as investors reacted to the US Fed's November meeting minutes which gave no indication of rate cuts in the near future. The 10y-3y yield spread inverted deeper at -20bps (prior week: -18bps) as the short-end underperformed. Meanwhile, the interest rate futures market was implying (i) no more Fed rate hike, and (ii) spate of rate cuts in the second half of 2024.
- Medium-term inflation expectation (MTIE) ended lower week-on-week at 2.21% (prior week: 2.23%). The MTIE remains below an elevated inflation range (of 2.25%-2.50%) acceptable transiently to the US Fed but nonetheless above its target level. 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 MGS benchmark issues ended the review week mixed with the 3-year and 10-year yield added 0.5bp and shed -0.1bp to close at 3.50% and 3.84% respectively. The 10y-3y yield spread narrowed (yield curve flattened) week-on-week from 35bps to 34bps 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 -RM4.42b. It improved on-week from -RM4.75b registered a week ago. However, it slumped on-year from +RM4.75b a year ago.

Weekly Money Review

A. FIXED INCOME

- The UST market saw slight profit taking during the review week with benchmark 10-year yield closed higher at 4.47% (prior week: 4.44%) as investors reacted to the US Fed's November meeting minutes which gave no indication of rate cuts in the near future. The 10y-3y yield spread inverted deeper at -20bps (prior week: -18bps) as the short-end underperformed. Meanwhile, the interest rate futures market was implying (i) no more Fed rate hike, and (ii) spate of rate cuts in the second half of 2024.



Source: Bloomberg, MIDFR

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



Source: Bloomberg, MIDFR

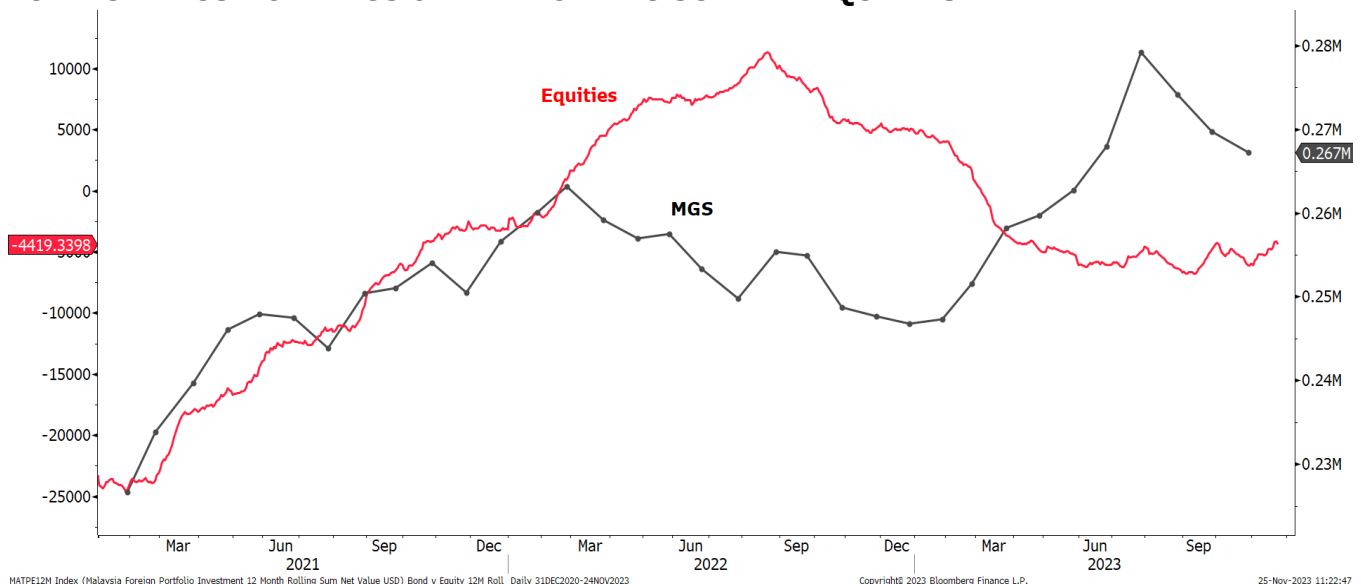
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Source: Bloomberg, MIDFR

- Total trading value for Government Bonds (MGS/MII) declined to RM11.08b in the review week compared to RM13.50b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 54% from 66% 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 long residual tenor. The top 3 most actively traded were MGS 3.478% 6/14/24 at RM1.16b, MGS 4.181% 7/15/24 at RM819m, and MGS 4.642% 11/7/33 at RM630m.

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 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 -RM4.42b. It improved one-week from -RM4.75b registered a week ago. However, it slumped one year from +RM4.75b a year ago.
- Total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM2.98b in the review week compared to RM2.74b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 33% from 52% 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 TNB 5.57% 6/28/47 at RM160m, Danainfra 5.07% 10/20/42 at RM150m, and Hong Leong Assurance 3.85% 1/31/30 at RM120m.

B. FOREIGN EXCHANGE

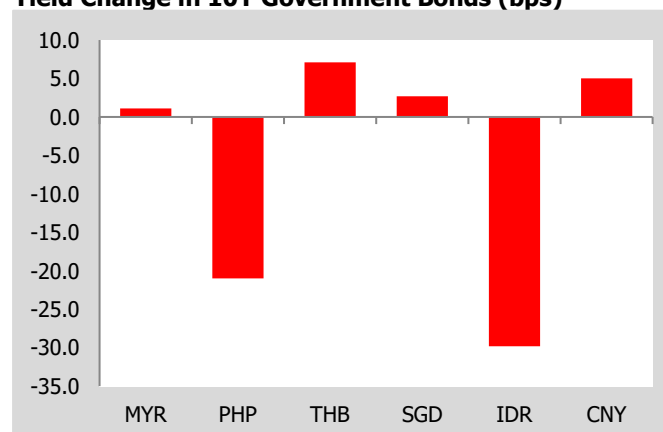
- USD fell further to 14-week low. The US dollar weakened again last week as the DXY index continued to depreciate by -0.5%w and ended at 14-week low of 103.40. Demand for the dollar declined as market viewed the Fed to have reached the end of its policy tightening. With the recent economic data pointed to weaker activities, there is less need for the Fed to continue raising fed funds rate.
- Euro and pound rallied further. The euro and pound gained last week following the weakness in dollar demand, strengthening further by +0.2%w to USD1.094 and +1.1%w to USD1.260, respectively. The euro's appreciation was relatively smaller as the ECB President Lagarde indicated reaffirmed the pause stance and the wait-and-see approach as the fight to contain inflation is still ongoing. The pound rally was also supported by the hawkish sentiment as BOE Governor Andrew Bailey warned the UK inflation may not fall quickly.
- Ringgit closed -0.1% weaker. Despite the weak dollar demand, ringgit depreciated by -0.1%w after ending at RM4.685 last week. Although the weak dollar caused ringgit to close at RM4.653 on Tuesday, which was the strongest level in 2 weeks, the local currency weakened towards latter part of the week in reaction to stronger-than-expected US job data and to a certain extent declines in crude oil prices. Brent crude oil prices fell further to USD80.58pb last week, still at the lowest weekly closing since Jul-23.

Currencies Changes (Week Ended 24 November 2023) and Quarterly Forecasts

	Close (24/11)	Prev. Close (17/11)	Weekly Change	Weekly Change (%)	4QCY23f	1QCY24f	2QCY24f	3QCY24f
DXY Index	103.40	103.92	-0.514	-0.5	105.5	103.8	102.5	101.1
EURUSD	1.094	1.092	+0.002	+0.2	1.06	1.07	1.09	1.10
GBPUSD	1.260	1.246	+0.014	+1.1	1.22	1.23	1.24	1.26
USDJPY	149.44	149.63	+0.190	+0.1	148	145	141	138
USDMYR	4.685	4.6805	-0.005	-0.1	4.30	4.39	4.23	4.16
GBPMYR	5.883	5.809	-0.074	-1.3	5.67	5.69	5.64	5.64
JPYMYR	3.135	3.128	-0.006	-0.2	3.14	3.19	3.23	3.24

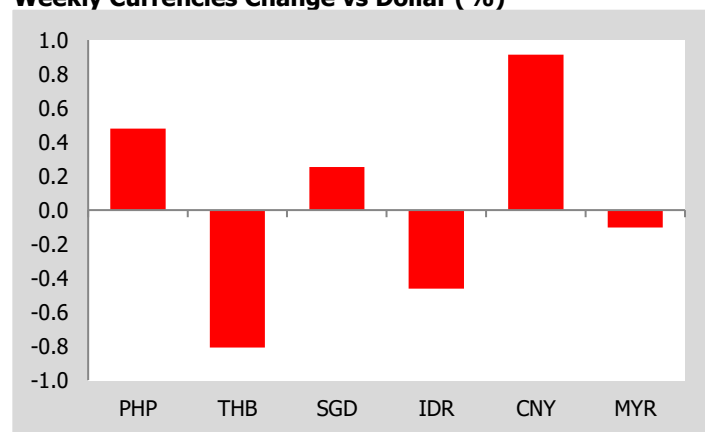
Note: "+" indicates appreciation, while "-" indicates depreciation. Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

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 releases pointed to weaker activities:
 - The Conference Board Leading Economic Index fell more than expected at -0.8%mom in Oct-23 (Sep-23: -0.7%mom) and continued to signal recession in the short run.
 - Existing home sales fell further at sharper pace of -4.1%mom in Oct-23 (Sep-23: -2.2%mom) as 3.79m were sold (Sep-23: 3.95m; market consensus: 3.9m).
 - Consumer were more pessimistic in Oct-23 as the final reading of Univ. of Michigan consumer sentiment index fell to 61.3 (Sep-23: 63.8, preliminary reading: 60.5), falling for the 4th straight month as consumers indicated weaker assessment of the current and future economic conditions.
 - Initial jobless claims fell more than expected to 209K for the week ended 18th November (previous week: 233K; market consensus: 225K), signaling continued strength in the US job market.
 - Flash reading of the S&P Manufacturing PMI fell to 49.4 in Nov-23 (Oct-23: 50.0), indicating activities in the US manufacturing sector contracted after 2 months of expansion. Operating operations fell sharper and demand for inputs was weak, as shown by reduced purchasing activity. Businesses also reduced inventories amid improved supply conditions and subdued demand.
- US FOMC minutes for the recent meeting concluded on 1st November 2023 shows the Fed policymakers were cautious on how the high interest rates would affect the US economy, despite the recent decision to keep interest rates unchanged and restrictive. Nevertheless, while there is no discussion about rate cuts, the Fed is still open to more hikes to ensure inflation eases further to its 2% target.
- Last week,
 - On 20th November, People's Bank of China (PBOC) maintained its 1-year and 5-year Loan Prime Rates (LPRs) at record lows of 3.45% and 4.20%, respectively.
 - On 23rd November, as expected Bank Indonesia maintained its policy interest rate at 6.50% deemed to be consistent to support rupiah stability and mitigate imported inflation.
- Malaysia's economic indicators:
 - Exports fell slower than expected at -4.4%yoy in Oct-23 (Sep-23: -13.8%yoy). The continued decline reflected weakness in mining exports, with sharp drops in LNG and crude petroleum exports, and weaker shipments of manufactured goods. Imports also improved, with a small decline of -0.2%yoy (Sep-23: -11.1%yoy).
 - CPI inflation moderated further to +1.8%yoy in Oct-23 (Sep-23: +1.9%yoy), the slowest since Mar-21 with slower rise in food prices. Core inflation, however, rose slightly to +2.5%yoy (Sep-23: +2.4%yoy).

C. BNM INTERNATIONAL RESERVES

- As of 15 November 2023, compared to previous fortnight, Bank Negara Malaysia's international reserves was higher at USD110.5b (31 October 2023: USD108.5b).

BNM INTERNATIONAL RESERVES



Source: Bloomberg, MIDFR

- The number of reserves is sufficient to finance 5.3 months of imports of goods & services and is 1.0 times total short-term external debt. 📈

APPENDIX

WEEKLY INTEREST RATE MONITOR

Tenor	17-Nov Fri	20-Nov Mon	21-Nov Tue	22-Nov Wed	23-Nov Thu	24-Nov Fri	Change (WoW bp)
MGS							
3-Y	3.498	3.525	3.505	3.505	3.504	3.503	0.5
5-Y	3.617	3.63	3.626	3.625	3.618	3.643	2.6
7-Y	3.848	3.874	3.851	3.865	3.867	3.873	2.5
10-Y	3.844	3.862	3.856	3.849	3.802	3.843	-0.1
20-Y	4.199	4.205	4.205	4.201	4.198	4.246	4.7
RINGGIT IRS							
1-Y	3.68	3.67	3.68	3.675	3.68	3.685	0.5
3-Y	3.7	3.705	3.68	3.6825	3.683	3.695	-0.5
5-Y	3.75	3.775	3.745	3.755	3.7575	3.805	5.5
7-Y	3.9	3.908	3.88	3.89	3.89	3.91	1
10-Y	4.01	4.057	4.02	4.03	4.037	4.03	2
KLIBOR							
1-M	3.33	3.34	3.34	3.34	3.35	3.35	2
3-M	3.67	3.67	3.67	3.68	3.69	3.69	2
UST							
3-Y	4.6191	4.6304	4.5906	4.6189	4.6189	4.6643	4.52
5-Y	4.4408	4.4388	4.3999	4.431	4.431	4.485	4.42
7-Y	4.4677	4.4572	4.4232	4.4489	4.4489	4.5059	3.82
10-Y	4.4354	4.4198	4.3926	4.4042	4.4042	4.4665	3.11
30-Y	4.5889	4.5709	4.5484	4.5371	4.5371	4.5973	0.84
USD LIBOR							
1-M	5.44701	5.44931	5.45527	5.45737	5.45737	5.45737	1.036
3-M	5.62854	5.63312	5.63963	5.64129	5.64129	5.64129	1.275

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	17-Nov Yield	24-Nov Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.478	06/14/24	3.024	3.102	7.8	1,159.7
MALAYSIA GOVERNMENT	4.181	07/15/24	3.125	3.095	-3.0	819.0
MALAYSIA GOVERNMENT	4.642	11/07/33	3.844	3.802	-4.2	630.3
MALAYSIA INVESTMNT ISSU	4.193	10/07/32	3.949	3.956	0.7	623.1
MALAYSIA INVESTMNT ISSU	5.357	05/15/52	4.439	4.428	-1.1	614.1
MALAYSIA INVESTMNT ISSU	4.07	09/30/26	3.571	3.601	3.0	613.4
MALAYSIA GOVERNMENT	3.955	09/15/25	3.409	3.432	2.3	427.6
MALAYSIA INVESTMNT ISSU	4.245	09/30/30	3.887	3.916	2.9	396.0
MALAYSIA GOVERNMENT	4.498	04/15/30	3.848	3.867	1.9	384.4
MALAYSIA GOVERNMENT	4.696	10/15/42	4.199	4.246	4.7	356.5
TOTAL VOLUME (TOP 10)						6,024.1
TOTAL VOLUME (Overall)						11,082.5

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	17-Nov Yield	24-Nov Yield	Change (WoW bp)	Weekly Volume (RM mn)
TENAGA NASIONAL BERHA	5.57	06/28/47	N/A	4.738	N/A	160.0
DANAINFRA NASIONAL	5.07	10/20/42	4.495	4.318	-17.7	150.0
HONG LEONG ASSURANCE	3.85	01/31/30	3.973	3.947	-2.6	120.0
MBSB BANK BHD	5.25	12/19/31	4.813	4.726	-8.7	107.4
EDOTCO MALAYSIA SDN BH	4.27	09/09/27	4.226	4.075	-15.1	100.0
EDOTCO MALAYSIA SDN BH	4.44	09/07/29	N/A	4.219	N/A	95.0
PROJEK LEBUHRAYA USAHA	4.821	01/12/35	4.319	4.299	-2.0	70.0
GENM CAPITAL BHD	4.9	08/22/25	N/A	4.262	N/A	60.1
JAMBATAN KEDUA SDN BHD	4.2	07/28/26	3.658	3.595	-6.3	60.0
MKD KENCANA SDN BHD	4.43	02/21/25	N/A	3.522	N/A	60.0
TOTAL VOLUME (TOP 10)						982.5
TOTAL VOLUME (Overall)						2,980.4

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