

MIDF Strategy 11 December 2023

Week Ended 8 December 2023

- The UST market saw profit taking activities during the review week with benchmark 10-year yield closed higher at 4.23% (prior week: 4.20%) as investors reacted to an unexpected decline in the November unemployment rate. The 10y-3y yield spread inverted deeper at -23bps (prior week: -10bps) as the short-end underperformed. Meanwhile, the interest rate futures market continued to imply (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 2.15% (prior week: 2.16%). The MTIE is below an elevated inflation range (of 2.25%-2.50%) acceptable transiently to the US Fed but above its 2.00% target level. 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 yields added 1.7bps and shed -8.6bps to close at 3.49% and 3.73% respectively. The 10y-3y yield spread narrowed (yield curve flattened) week-on-week from 34bps to 24bps as the long-end outperformed.
- MGS foreign holdings increased on-year from RM248b in November 2022 to RM273b in November 2023. Moreover, it risen on-month from RM267b in October 2023. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM3.32b. It improved on-week from -RM4.18b registered a week ago. However, it slumped on-year from +RM4.94b a year ago.

Weekly Money Review

A. FIXED INCOME

- The UST market saw profit taking activities during the review week with benchmark 10-year yield closed higher at 4.23% (prior week: 4.20%) as investors reacted to an unexpected decline in the November unemployment rate. The 10y-3y yield spread inverted deeper at -23bps (prior week: -10bps) as the short-end underperformed. Meanwhile, the interest rate futures market continued to imply (i) no more Fed rate hike, and (ii) spate of rate cuts in the second half of 2024.



Source: Bloomberg, MIDFR

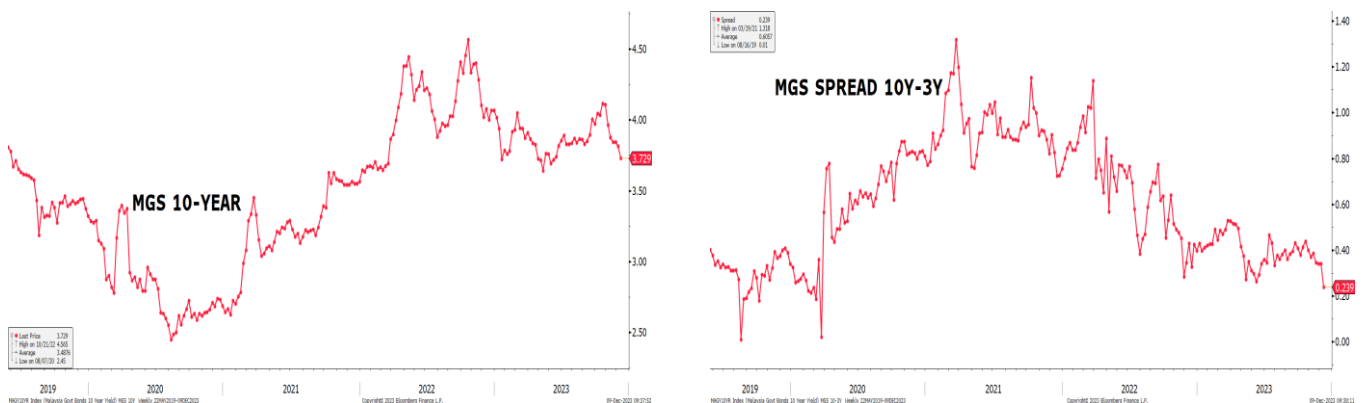
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MEDIUM-TERM INFLATION EXPECTATION (MTIE): 5Y UST-TIPS SPREAD



Source: Bloomberg, MIDFR

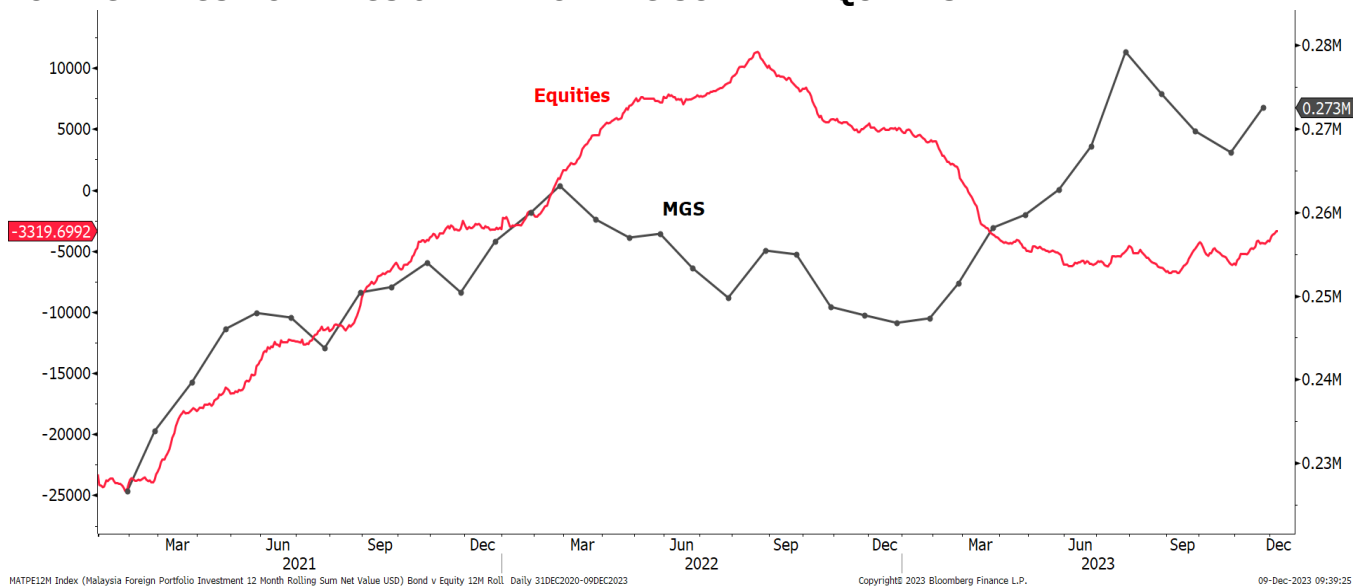
The price of MGS benchmark issues ended the review week mixed with the 3-year and 10-year yields added 1.7bps and shed -8.6bps to close at 3.49% and 3.73% respectively. The 10y-3y yield spread narrowed (yield curve flattened) week-on-week from 34bps to 24bps as the long-end outperformed.



Source: Bloomberg, MIDFR

- Total trading value for Government Bonds (MGS/MII) increased to RM21.8b in the review week compared to RM16.19b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 58% from 59% of the overall Government Bonds trades. Moreover, 8 out of the 10 most actively traded bonds saw lower yield, hence higher prices during the review week.
- The top 3 actively traded Government Bonds were dominated by issues of varied residual tenor. The top 3 most actively traded were MII 4.07% 9/30/26 at RM2.58b, MGS 4.642% 11/7/33 at RM1.80b, and MGS 4.498% 4/15/30 at RM1.47b.

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



Source: Bloomberg, MIDFR

- MGS foreign holdings increased one year from RM248b in November 2022 to RM273b in November 2023. Moreover, it risen one-month from RM267b in October 2023. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM3.32b. It improved in one-week from -RM4.18b registered a week ago. However, it slumped one year from +RM4.94b a year ago.
- Total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM4.31b in the review week compared to RM2.93b 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 37% of the overall Corporate Bonds trades.
- The top 3 actively traded Corporate Bonds were dominated by issues of long residual tenor. The top 3 most actively traded were Danainfra 4.85% 5/3/41 at RM600m, PLUS 5.0% 12/31/38 at RM550m, and Sunway Berhad 4.4% PERP at RM400m.

B. FOREIGN EXCHANGE

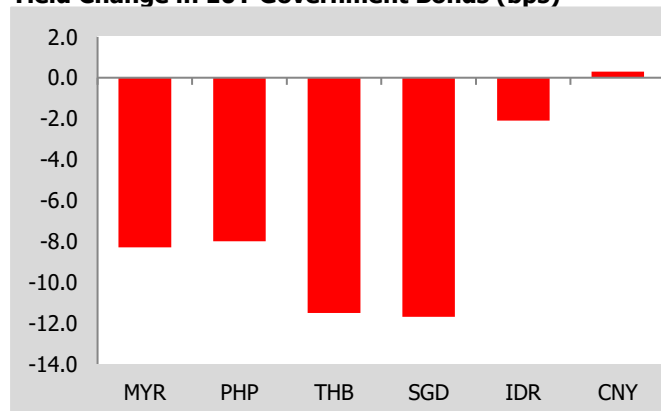
- USD closed the strongest in 4 weeks. The US dollar rebounded against major currencies as the DXY index rose +0.7%w to 104.01. The greenback closed at an intra-week low of 103.54 on Thursday but jumped higher the following day following the faster-than-expected increase in nonfarm payrolls. The dollar rally was also underpinned by the stronger expansion of the services sector as shown by PMI data.
- The euro and pound depreciated on the stronger dollar. Both the euro and pound weakened against the USD by -1.1%w to USD1.076 and -1.3%w to USD USD1.255, respectively. The euro depreciated to the weakest level in 4 weeks, as recession fears rose following a series of discouraging economic data. Meanwhile, the pound depreciated for the first time in 4 weeks, despite hawkish BOE.
- Ringgit appreciated to the strongest level in 14 weeks. Despite the stronger dollar, the ringgit appreciated +0.2%w and ended the week at RM4.665. Ringgit closed at an intra-week high on Monday but ended the week weaker as the USD appreciated on the stronger services sector and labour market data. Unlike the ringgit, however, other regional currencies depreciated against the dollar on signs of waning China's domestic demand. Additionally, commodity price movement dampened the ringgit rally as Brent crude oil prices plunged -3.9%w to USD75.84pb (previous week: USD78.88pb).

Currencies Changes (Week Ended 8 December 2023) and Quarterly Forecasts

	Close (08/12)	Prev. Close (01/12)	Weekly Change	Weekly Change (%)	4QCY23f	1QCY24f	2QCY24f	3QCY24f
DXY Index	104.01	103.27	+0.742	+0.7	105.5	103.8	102.5	101.1
EURUSD	1.076	1.088	-0.012	-1.1	1.06	1.07	1.09	1.10
GBPUSD	1.255	1.271	-0.016	-1.3	1.22	1.23	1.24	1.26
USDJPY	144.95	146.82	+1.870	+1.3	148	145	141	138
USDMYR	4.665	4.6735	+0.009	+0.2	4.45	4.39	4.23	4.16
GBPMYR	5.857	5.920	+0.063	+1.1	5.67	5.69	5.64	5.64
JPYMYR	3.218	3.183	-0.035	-1.1	3.14	3.19	3.23	3.24

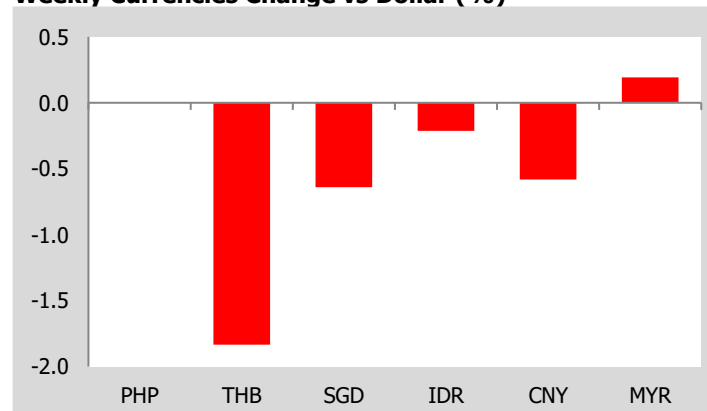
Note: "+" indicates appreciation, while "-" indicates depreciation. Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

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 (%)

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

Source: Bloomberg, MIDFR

- US economic data released last week:
 - The services sector expanded further. US ISM services PMI rose to 52.7 in Nov-23 (Oct-23: 51.8), better than market expectations (52.0) and extending the sector's expansion for the 11th consecutive month. Another release saw the US S&P Global Services PMI confirmed at 50.8 (Oct-23: 50.6) in Nov-23, the fastest in 4 months.
 - The labour market remained robust, with little signs of cooling. More jobs added into the US economy as nonfarm payrolls rose faster at +199K in Nov-23 (Oct-23: +150K), above market expectations of +180K. The jobless rate edged lower for the first time in 4 months to 3.7%, below market expectations for it to remain unchanged at 3.9%. Meanwhile, the initial jobless claims for the week ended 2nd December rose to +220K (previous week: +219), but below market expectations of +222K.
- On monetary decisions last week:
 - On 5th December, the Reserve Bank of Australia (RBA) kept the interest rate status quo at 4.35% as the RBA takes more time to assess the economic impact of previous rate hikes.
 - On 8th December, the Reserve Bank of India (RBI) also kept its benchmark interest rate unchanged at +6.50% as predicted by the market consensus, in view of the easing cost pressure.
- Malaysia economic data released last week:
 - The labour market remained robust. The labour market continued on improving trend as unemployment rate kept at post-pandemic low of 3.4% in Oct-23. The labour force and employment growth rates continued at a moderating pace of +1.7%yoy and +2.0%yoy, respectively, the slowest in 2 years.

C. BNM INTERNATIONAL RESERVES

- As of 30 November 2023, compared to previous fortnight, Bank Negara Malaysia's international reserves was higher at USD112.3b (15 November 2023: USD110.5b).

BNM INTERNATIONAL RESERVES



Source: Bloomberg, MIDFR

- The number of reserves is sufficient to finance 5.4 months of imports of goods & services and is 1.0 times total short-term external debt. 📈

APPENDIX

WEEKLY INTEREST RATE MONITOR

Tenor	1-Dec Fri	4-Dec Mon	5-Dec Tue	6-Dec Wed	7-Dec Thu	8-Dec Fri	Change (WoW bp)
MGS							
3-Y	3.473	3.46	3.46	3.439	3.46	3.49	1.7
5-Y	3.634	3.606	3.65	3.551	3.573	3.581	-5.3
7-Y	3.836	3.792	3.778	3.762	3.726	3.757	-7.9
10-Y	3.815	3.821	3.778	3.725	3.726	3.729	-8.6
20-Y	4.164	4.127	4.147	4.101	4.091	4.101	-6.3
RINGGIT IRS							
1-Y	3.6575	3.595	3.595	3.58	3.585	3.6	-5.75
3-Y	3.6	3.525	3.5225	3.505	3.54	3.53	-7
5-Y	3.67	3.625	3.641	3.615	3.6275	3.63	-4
7-Y	3.795	3.755	3.754	3.735	3.76	3.76	-3.5
10-Y	3.923	3.89	3.89	3.87	3.89	3.89	-3.3
KLIBOR							
1-M	3.35	3.35	3.35	3.35	3.36	3.36	1
3-M	3.7	3.7	3.71	3.72	3.74	3.75	5
UST							
3-Y	4.2964	4.3927	4.3299	4.3239	4.3407	4.4571	16.07
5-Y	4.1231	4.2066	4.135	4.1035	4.1347	4.2392	11.61
7-Y	4.1979	4.2705	4.1874	4.1357	4.1769	4.2676	6.97
10-Y	4.1956	4.2529	4.1649	4.104	4.1495	4.2256	3
30-Y	4.3888	4.4087	4.2967	4.2143	4.2552	4.3036	-8.52
USD LIBOR							
1-M	5.46035	5.45956	5.47409	5.4803	5.47187	5.47187	1.152
3-M	5.63684	5.62458	5.63784	5.64174	5.63344	5.63344	-0.34

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	1-Dec Yield	8-Dec Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA INVESTMNT ISSU	4.07	09/30/26	3.564	3.516	-4.8	2,580.0
MALAYSIA GOVERNMENT	4.642	11/07/33	3.815	3.729	-8.6	1,804.5
MALAYSIA GOVERNMENT	4.498	04/15/30	3.836	3.757	-7.9	1,473.4
MALAYSIA INVESTMNT ISSU	4.193	10/07/32	3.889	3.859	-3.0	1,401.4
MALAYSIA INVESTMNT ISSU	4.245	09/30/30	3.866	3.774	-9.2	1,240.7
MALAYSIA GOVERNMENT	3.519	04/20/28	3.634	3.573	-6.1	1,096.3
MALAYSIA GOVERNMENT	3.478	06/14/24	3.097	3.176	7.9	833.7
MALAYSIA INVESTMNT ISSU	4.045	08/15/24	3.233	3.309	7.6	770.0
MALAYSIA INVESTMNT ISSU	3.599	07/31/28	3.681	3.610	-7.1	756.2
MALAYSIA GOVERNMENT	3.733	06/15/28	3.648	3.609	-3.9	677.5
TOTAL VOLUME (TOP 10)						12,633.7
TOTAL VOLUME (Overall)						21,751.3

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	1-Dec Yield	8-Dec Yield	Change (WoW bp)	Weekly Volume (RM mn)
DANAINFRA NASIONAL	4.85	05/03/41	4.274	4.212	-6.2	600.0
PROJEK LEBUHRAYA USAHA	5	12/31/38	4.249	4.239	-1.0	550.0
SUNWAY BERHAD	4.4	PERP	N/A	5.772	N/A	400.0
YTL CORPORATION BERHA	4.65	04/10/28	N/A	4.266	N/A	140.0
MALAYSIA RAIL LINK	4.41	07/23/41	N/A	4.267	N/A	120.0
BANK PEMBANGUNAN MALA	4.98	03/02/32	N/A	4.078	N/A	110.0
INFRACAP RESOURCES S B	4.9	04/15/36	4.407	4.350	-5.7	110.0
PENGURUSAN AIR SPV BHD	4.27	06/06/24	N/A	3.303	N/A	80.0
YTL POWER INTERNATIONAL	4.62	08/24/35	4.449	4.279	-17.0	70.0
PRASARANA MALAYSIA BHD	4.34	09/12/25	N/A	3.476	N/A	60.0
TOTAL VOLUME (TOP 10)						2,240.0
TOTAL VOLUME (Overall)						4,312.6

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