

## MIDF Strategy 2 January 2024

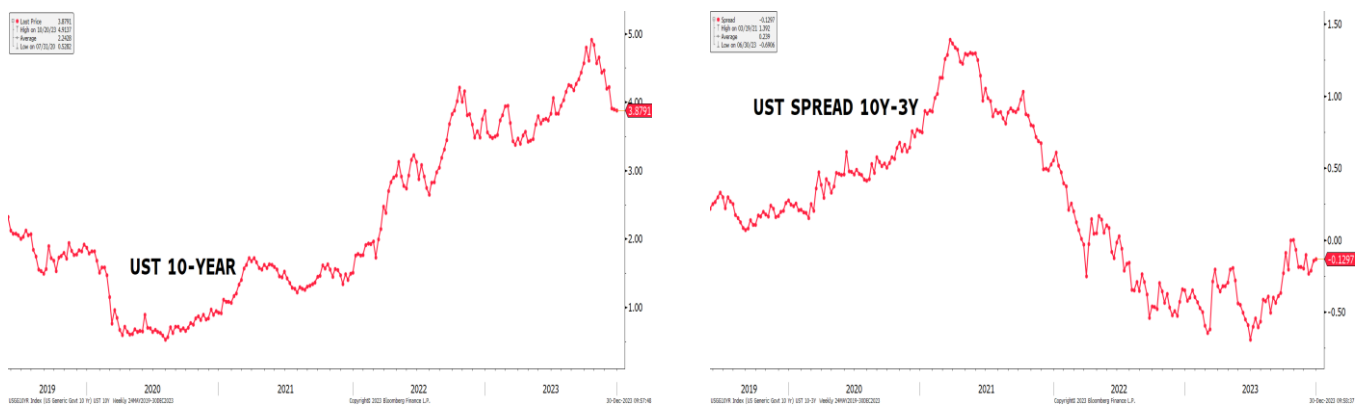
### Week Ended 29 December 2023

- The UST market continued to attract buying interest during the review week with benchmark 10-year yield closed slightly lower at 3.88% (prior week: 3.90%) as investors continued to price in a slower economic growth and monetary policy easing in 2024. Moreover, the 10y-3y yield spread rebounded but remains inverted at -13bps (prior week: -14bps) as the short-end outperformed. The interest rate futures market continued to imply no more Fed rate hike and spate of rate cuts in 2024.
- Medium-term inflation expectation (MTIE) ended lower week-on-week at 2.16% (prior week: 2.18%). The MTIE remains below an elevated inflation range (of 2.25%-2.50%) acceptable transiently to the US Fed but nonetheless 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 lower with the 3-year and 10-year yields added 4.6bps and 1.0bp to close at 3.48% and 3.74% respectively. The 10y-3y yield spread narrowed (yield curve flattened) week-on-week from 30bps to 26bps as the short-end underperformed.
- 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 -RM2.63b. It improved on-week from -RM2.75b registered a week ago. However, it slumped on-year from +RM5.07b a year ago.

## Weekly Money Review

### A. FIXED INCOME

- The UST market continued to attract buying interest during the review week with benchmark 10-year yield closed slightly lower at 3.88% (prior week: 3.90%) as investors continued to price in a slower economic growth and monetary policy easing in 2024. Moreover, the 10y-3y yield spread rebounded but remains inverted at -13bps (prior week: -14bps) as the short-end outperformed. The interest rate futures market continued to imply no more Fed rate hike and spate of rate cuts in 2024.



Source: Bloomberg, MIDFR

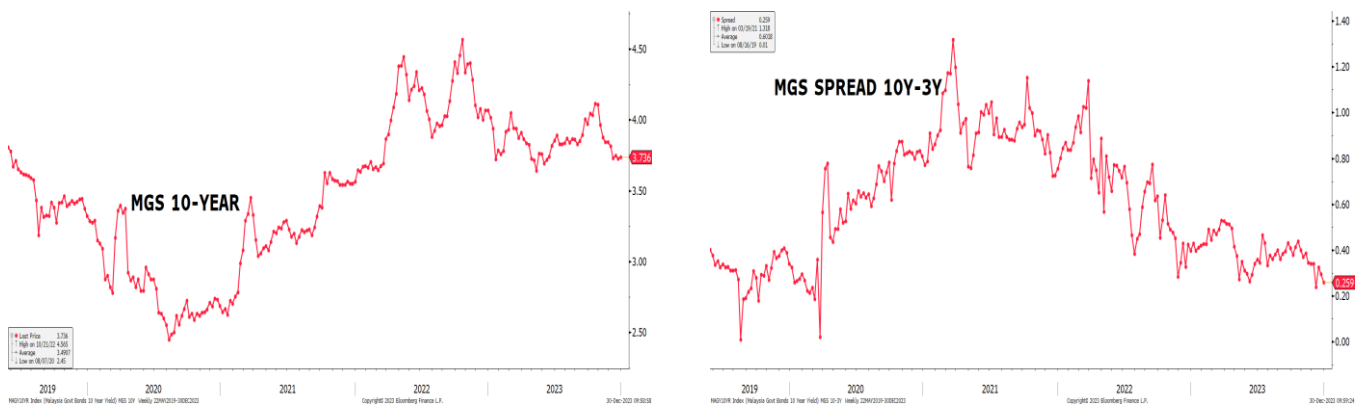
- Medium-term inflation expectation (MTIE) ended lower week-on-week at 2.16% (prior week: 2.18%). The MTIE remains below an elevated inflation range (of 2.25%-2.50%) acceptable transiently to the US Fed but nonetheless above its 2.00% target level. It is also notable that the MTIE has been trending lower from the high of 3.73% in late March 2022. We reckon the market is convinced that inflation pressure (while stubborn) is progressively ebbing.

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



Source: Bloomberg, MIDFR

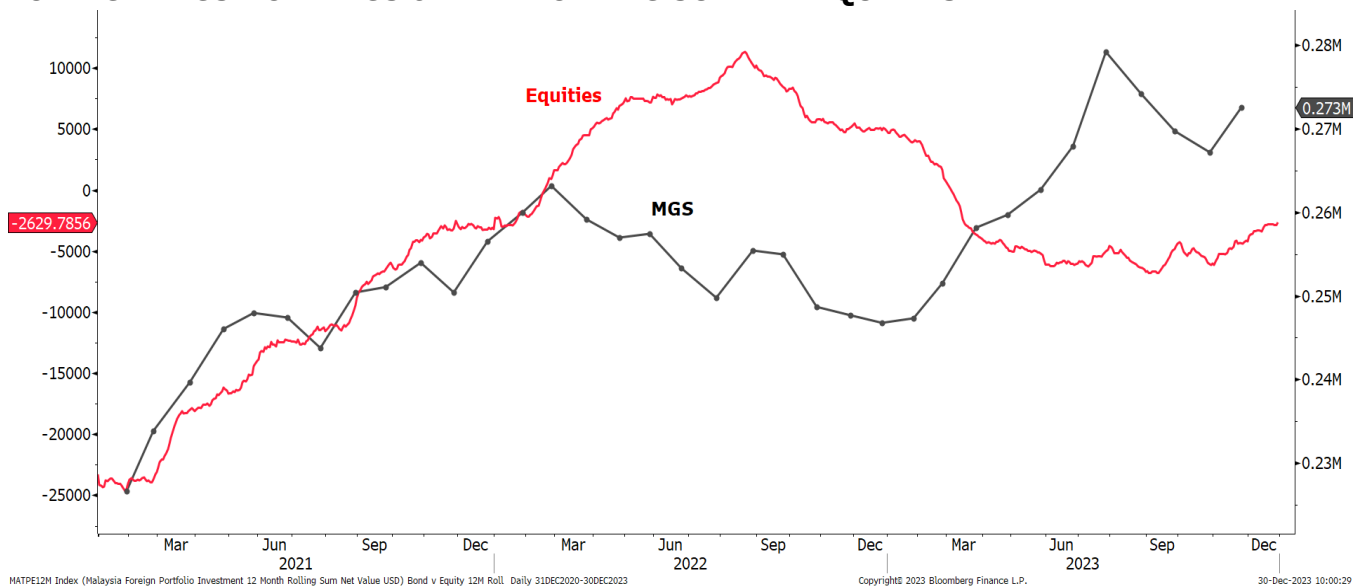
The price of MGS benchmark issues ended the review week lower with the 3-year and 10-year yields added 4.6bps and 1.0bp to close at 3.48% and 3.74% respectively. The 10y-3y yield spread narrowed (yield curve flattened) week-on-week from 30bps to 26bps as the short-end underperformed.



Source: Bloomberg, MIDFR

- Total trading value for Government Bonds (MGS/MII) declined to RM6.16b in the holiday-shortened review week compared to RM7.48b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues was unchanged week-on-week at 63% of the overall Government Bonds trades. Moreover, 5 out of the 10 most actively traded bonds saw higher yield, 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 RM1.17b, MGS 4.642% 11/7/33 at RM541m, and MGS 4.181% 7/15/24 at RM433m.

## 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 -RM2.63b. It improved one week from -RM2.75b registered a week ago. However, it slumped one year from +RM5.07b a year ago.
- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM670m in the review week compared to RM3.70b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 55% from 49% of the overall Corporate Bonds trades.
- The top 3 actively traded Corporate Bonds were dominated by issues of short and long residual tenor. The top 3 most actively traded were Johor Corp 4.72% 6/11/27 at RM140m, Danainfra 4.49% 10/23/43 at RM70m, and Pengurusan Air SPV 3.32% 6/4/27 at RM20m.

## B. FOREIGN EXCHANGE

- USD depreciated for the 3rd consecutive week. The US dollar continued to weaken against major currencies as the DXY index fell -0.4wow to 101.33, the weakest weekly closing since Jul-23. The demand for the greenback softened further on signs of a cooling labour market. The dollar also depreciated amid declining treasury yields on rising expectations for the Fed to start cutting interest rates this year.
- Euro and pound strengthened. As dollar weakened, the euro and pound sterling both appreciated by +0.2%wow to USD1.104 and USD1.273, respectively. The euro marked the strongest closing since Jul-23, while the pound closed the week at the strongest level since mid-Aug-23.
- Ringgit appreciated for the second week. The ringgit appreciated by +0.8%wow to end the week at RM4.594, still the strongest closing since mid-Aug-23. Ringgit remained among the best performers among regional currencies, which mostly gained from the weakness in US dollars. The ringgit appreciated despite Brent crude oil prices declined by -2.6%wow during the week to USD77.04pb (previous week: USD 79.07pb).

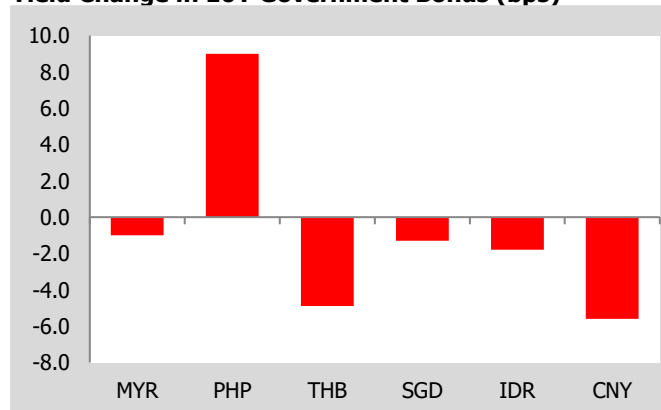
### Currencies Changes (Week Ended 29 December 2023) and Quarterly Forecasts

	Close (29/12)	Prev. Close (22/12)	Weekly Change	Weekly Change (%)	1QCY24f	2QCY24f	3QCY24f	4QCY24f
DXY Index	101.33	101.70	-0.365	-0.4	103.8	102.5	101.1	99.7
EURUSD	1.104	1.101	+0.003	+0.2	1.07	1.09	1.10	1.12
GBPUSD	1.273	1.270	+0.003	+0.2	1.23	1.24	1.26	1.27
USDJPY	141.04	142.41	+1.370	+1.0	145	141	138	135
USDMYR	4.594	4.6285	+0.034	+0.8	4.39	4.38	4.32	4.20
GBPMYR	5.837	5.872	+0.035	+0.6	5.75	5.73	5.72	5.74
JPYMYR	3.255	3.250	-0.005	-0.2	3.19	3.25	3.26	3.30

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

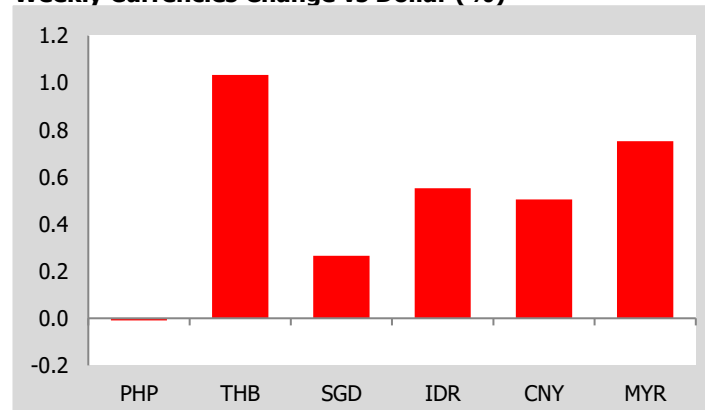
Source: Bloomberg, MIDFR

### 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 (%)

	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24
Malaysia	3.00	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	6.00	6.00	6.00	6.00
Philippines	6.25	6.25	6.25	6.25	6.25	6.50	6.50	6.50	6.50
Thailand	2.00	2.00	2.00	2.25	2.50	2.50	2.50	2.50	2.50
Vietnam	5.00	4.50	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	4.50	5.00	5.00	5.25	5.25	5.25	5.25	5.25	5.25
Euro area	3.75	4.00	4.25	4.25	4.50	4.50	4.50	4.50	4.50
USA	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	5.25-5.50

Source: Bloomberg, MIDFR

- US economic data released last week:
  - Labour market signaled cooling. The initial jobless claims for the week ended 23rd December rose to +218K (previous week: +206K), considerably higher than market expectations (market consensus: +210K).
- Malaysia economic data released last week:
  - Producer prices deflated further. Producer prices deflated by -1.5%yoy in Nov-23 (Oct-23: -0.3%yoy), falling for the second consecutive month. The deeper deflation was due to steeper contraction in input cost for the manufacturing sector, which accounted 81.6% of the weight in the overall PPI.

## C. BNM INTERNATIONAL RESERVES

- As of 15 December 2023, compared to previous fortnight, Bank Negara Malaysia's international reserves was higher at USD112.8b (30 November 2023: USD112.3b).

### BNM INTERNATIONAL RESERVES



HAALGFES Index (Malaysia Assets & Liabilities US Dollar Equivalent of International Reserves) BNM Intl Reserves Weekly 15FEB2019-15DEC2023

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Source: Bloomberg, MIDFR

- The number of reserves is sufficient to finance 5.5 months of imports of goods & services and is 1.0 times total short-term external debt. 📈

## APPENDIX

### WEEKLY INTEREST RATE MONITOR

Tenor	22-Dec Fri	25-Dec Mon	26-Dec Tue	27-Dec Wed	28-Dec Thu	29-Dec Fri	Change (WoW bp)
MGS							
3-Y	3.431	3.431	3.471	3.469	3.457	3.477	4.6
5-Y	3.569	3.569	3.58	3.562	3.589	3.581	1.2
7-Y	3.725	3.725	3.712	3.71	3.714	3.709	-1.6
10-Y	3.726	3.726	3.739	3.72	3.742	3.736	1
20-Y	4.089	4.089	4.089	4.107	4.1	4.1	1.1
RINGGIT IRS							
1-Y	3.585	3.585	3.585	3.585	3.575	3.575	-1
3-Y	3.5	3.5	3.5	3.5	3.48	3.49	-1
5-Y	3.58	3.58	3.575	3.565	3.55	3.58	0
7-Y	3.695	3.695	3.695	3.695	3.685	3.705	1
10-Y	3.84	3.84	3.83	3.83	3.825	3.82	-2
KLIBOR							
1-M	3.37	3.37	3.37	3.37	3.37	3.37	0
3-M	3.77	3.77	3.77	3.77	3.77	3.77	0
UST							
3-Y	4.0364	4.0364	4.0641	3.9825	4.0242	4.0088	-2.76
5-Y	3.8721	3.8721	3.8875	3.7954	3.8384	3.8471	-2.5
7-Y	3.9099	3.9099	3.9174	3.8127	3.866	3.8812	-2.87
10-Y	3.895	3.895	3.8967	3.7944	3.8443	3.8791	-1.59
30-Y	4.0493	4.0493	4.0451	3.9534	3.9944	4.0282	-2.11
USD LIBOR							
1-M	5.46984	5.46984	5.46984	5.47044	5.46718	5.4692	-0.064
3-M	5.61272	5.61272	5.61272	5.60975	5.59177	5.59301	-1.971

Source: Bloomberg

**10 MOST ACTIVELY TRADED GOVERNMENT BONDS**

Name	Coupon	Maturity	22-Dec Yield	29-Dec Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.478	06/14/24	3.146	3.199	5.3	1,171.5
MALAYSIA GOVERNMENT	4.642	11/07/33	3.726	3.736	1.0	541.4
MALAYSIA GOVERNMENT	4.181	07/15/24	3.224	3.130	-9.4	432.9
MALAYSIA GOVERNMENT	3.955	09/15/25	3.372	3.345	-2.7	297.4
MALAYSIA INVESTMNT ISSU	4.07	09/30/26	3.497	3.490	-0.7	252.8
MALAYSIA INVESTMNT ISSU	4.245	09/30/30	3.746	3.770	2.4	247.7
MALAYSIA GOVERNMENT	4.893	06/08/38	4.002	3.971	-3.1	241.9
MALAYSIA INVESTMNT ISSU	4.444	05/22/24	3.176	3.191	1.5	240.0
MALAYSIA GOVERNMENT	4.059	09/30/24	3.196	3.241	4.5	228.4
MALAYSIA GOVERNMENT	4.232	06/30/31	3.811	3.784	-2.7	216.5
TOTAL VOLUME (TOP 10)						3,870.5
TOTAL VOLUME (Overall)						6,154.6

Source: Bloomberg

**10 MOST ACTIVELY TRADED CORPORATE BONDS**

Name	Coupon	Maturity	22-Dec Yield	29-Dec Yield	Change (WoW bp)	Weekly Volume (RM mn)
JOHOR CORPORATION	4.72	06/11/27	4.328	4.396	6.8	140.5
DANAINFRA NASIONAL	4.49	10/23/43	N/A	4.242	N/A	70.0
PENGURUSAN AIR SPV BHD	3.32	06/04/27	3.963	3.837	-12.6	20.0
SARAWAK PETCHEM SDN B	5.01	07/27/28	4.058	3.947	-11.1	20.0
UEM SUNRISE BHD	4.25	09/19/25	N/A	4.374	N/A	20.0
AMANAT LEBUHRAYA RAKY	5.09	10/11/30	4.042	4.019	-2.3	20.0
PETROLEUM SARAWAK EXP	5.39	11/11/32	4.199	4.108	-9.1	20.0
PETROLEUM SARAWAK EXP	4.65	02/22/33	4.229	4.118	-11.1	20.0
AMBANK ISLAMIC BHD	4.53	06/27/33	N/A	4.150	N/A	20.0
YTL POWER INTERNATIONAL	4.62	08/24/35	4.209	4.167	-4.2	20.0
TOTAL VOLUME (TOP 10)						370.5
TOTAL VOLUME (Overall)						670.3

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