

## MIDF Strategy 22 January 2024

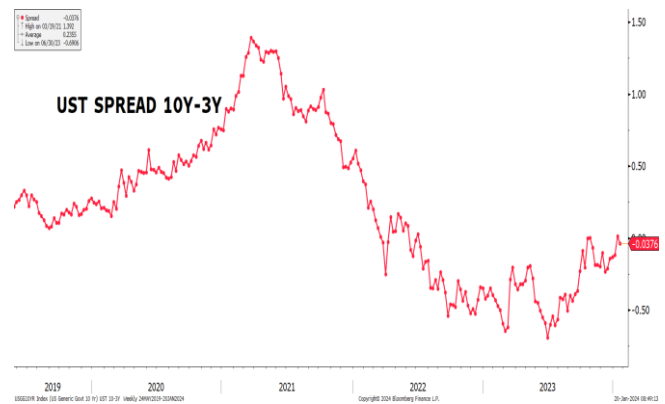
### Week Ended 19 January 2024

- Sellers again returned to the UST market with benchmark 10-year yield closed the review week higher at 4.12% (prior week: 3.94%) as investors reacted to the release of strong economic data (i.e. retail sales, consumer confidence, jobless claims). Moreover, the 10y-3y yield spread reinverted at -4bps (prior week: +1bp) as the short-end underperformed. Meanwhile, the interest rate futures market continued to imply no more Fed rate hike and spate of rate cuts commencing as early as in May 2024.
- Medium-term inflation expectation (MTIE) ended higher week-on-week at 2.30% (prior week: 2.24%), arguably in reaction to the strong economic data. The MTIE reentered 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.
- The price of MGS benchmark issues ended the review week lower with the 3-year and 10-year yields added 6.3bps and 2.1bps to close at 3.48% and 3.82% respectively. The 10y-3y yield spread narrowed (yield curve flattened) week-on-week from 38bps to 34bps as the short-end underperformed.
- MGS foreign holdings increased on-year from RM247b in December 2022 to RM270b in December 2023. However, it dropped on-month from RM273b in November 2023. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM1.96b. It fell on-week from -RM1.94b registered a week ago. Moreover, it slumped on-year from +RM4.42b a year ago.

## Weekly Money Review

### A. FIXED INCOME

- Sellers again returned to the UST market with benchmark 10-year yield closed the review week higher at 4.12% (prior week: 3.94%) as investors reacted to the release of strong economic data (i.e. retail sales, consumer confidence, jobless claims). Moreover, the 10y-3y yield spread reinverted at -4bps (prior week: +1bp) as the short-end underperformed. Meanwhile, the interest rate futures market continued to imply no more Fed rate hike and spate of rate cuts commencing as early as in May 2024.



Source: Bloomberg, MIDFR

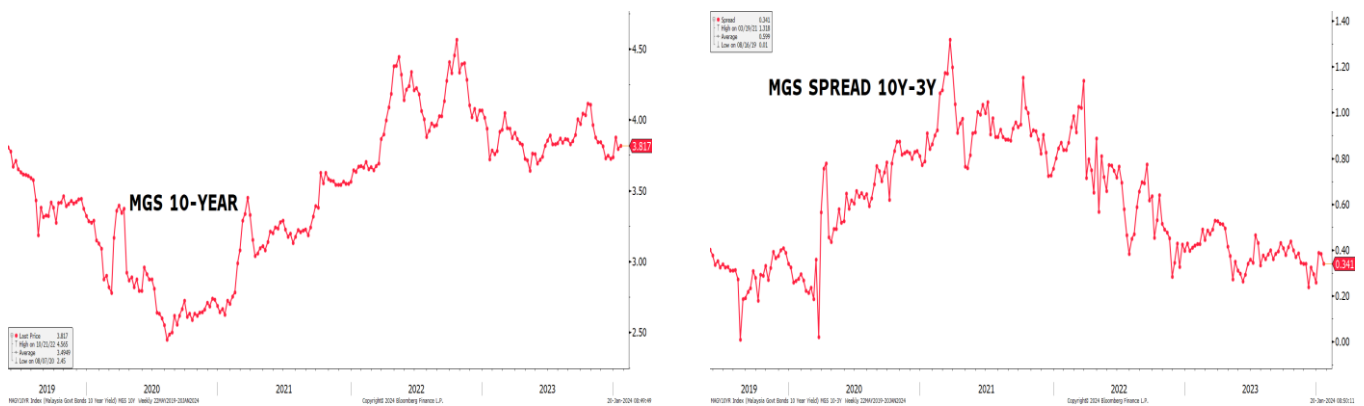
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### MEDIUM-TERM INFLATION EXPECTATION (MTIE): 5Y UST-TIPS SPREAD



Source: Bloomberg, MIDFR

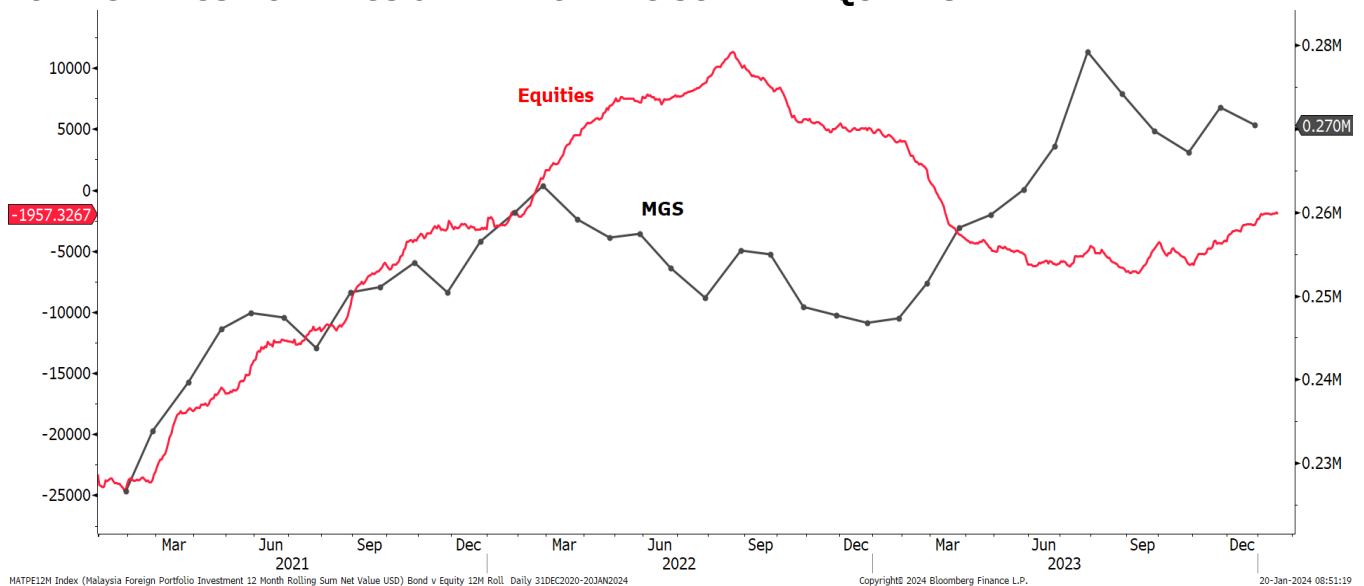
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Source: Bloomberg, MIDFR

- Total trading value for Government Bonds (MGS/MII) declined to RM17.60b in the review week compared to RM23.30b 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 50% of the overall Government Bonds trades. Moreover, 7 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 varied residual tenor. The top 3 most actively traded were MII 3.599% 7/31/28 at RM1.69b, MGS 4.642% 11/7/33 at RM1.53b, and MGS 3.478% 6/14/24 at RM1.43b.

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



Source: Bloomberg, MIDFR

- MGS foreign holdings increased on-year from RM247b in December 2022 to RM270b in December 2023. However, it dropped on-month from RM273b in November 2023. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM1.96b. It fell on-week from -RM1.94b registered a week ago. Moreover, it slumped for one year from +RM4.42b a year ago.
- Total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM4.87b in the review week compared to RM4.25b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 32% from 39% 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 CIMB Bank 4.6% 5/17/24 at RM445m, YNH Property 6.85% PERP at RM251m, and Cagamas 3.05% 10/29/24 at RM130m.

## B. FOREIGN EXCHANGE

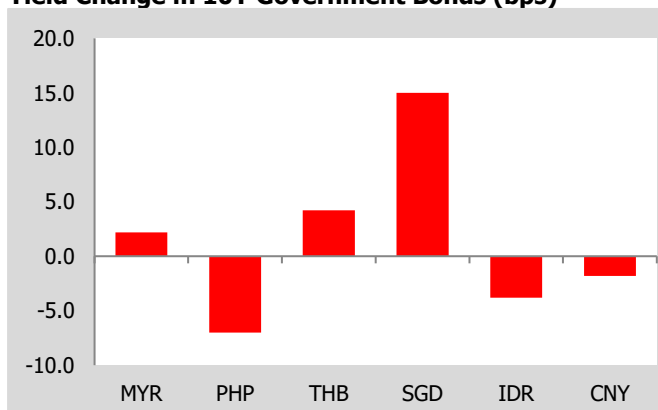
- USD appreciated due to strength in the economy and job market. The US dollar strengthened against major currencies last week as the DXY index rose +0.9%wow to close at 103.29. The appreciation was underpinned by the strength in the economy, especially consumer spending and the job market, defying market expectations for the Fed to cut interest rates. The dollar also appreciated on safe-haven demand as geopolitical tension in the Middle East escalated.
- Euro and pound depreciated. The euro and pound sterling both weakened by -0.5%wow to USD1.090 and -0.4%wow to USD1.270, respectively. Aside from the strong dollar, the euro also depreciated on the relatively dovish tone of the ECB. Meanwhile, the pound depreciation was also attributable to growth concerns in the UK following signs of weak domestic demand.
- Ringgit plunged against the greenback. The ringgit depreciated by -1.5%wow to RM4.719 against the greenback, also weakening like other regional currencies due to broad dollar strength. The ringgit started the week at the strongest level of RM4.671 before weakening as the dollar strengthened. There was a lack of catalyst to support ringgit as exports fell sharper than expected in Dec-23. Oil price movement also failed to support ringgit despite the Brent crude oil prices rising by +0.3%wow during the week to USD78.56pb (previous week: USD78.29pb).

### Currencies Changes (Week Ended 19 January 2024) and Quarterly Forecasts

	Close (19/01)	Prev. Close (12/01)	Weekly Change	Weekly Change (%)	1QCY24f	2QCY24f	3QCY24f	4QCY24f
DXY Index	103.29	102.40	+0.884	+0.9	103.8	102.5	101.1	99.7
EURUSD	1.090	1.095	-0.005	-0.5	1.07	1.09	1.10	1.12
GBPUSD	1.270	1.275	-0.005	-0.4	1.23	1.24	1.26	1.27
USDJPY	148.12	144.88	-3.240	-2.2	145	141	138	135
USDMYR	4.719	4.6477	-0.071	-1.5	4.39	4.38	4.32	4.20
GBPMYR	5.985	5.927	-0.058	-1.0	5.75	5.73	5.72	5.74
JPYMYR	3.185	3.207	+0.023	+0.7	3.19	3.25	3.26	3.30

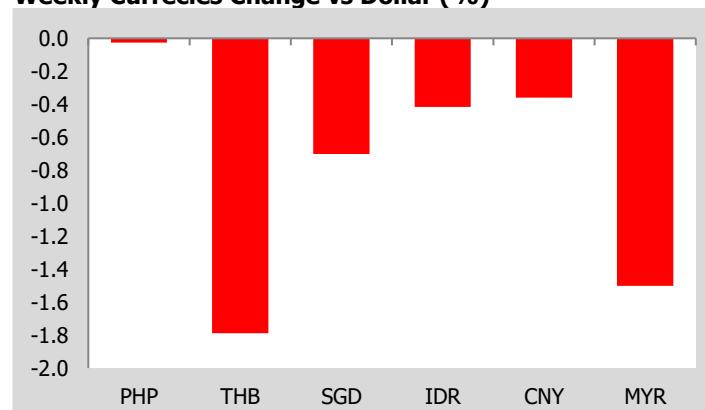
Note: "+" indicates appreciation, while "-" indicates depreciation. Quarterly figures are forecast by MIDFR  
Source: Bloomberg, MIDFR

### 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:
  - Consumer spending remained robust. Retail sales advanced +0.6%mom (Nov-23: +0.3%mom), stronger than market expectations of +0.4%mom. As a result, US retail sales grew faster at +5.6%yoy in Dec-23 (Nov-23: +4.0%yoy), the highest year-on-year growth in 11 months.
  - Factory output returned to expansion. Industrial production rose +1.0%yoy in Dec-23 (Nov-23: -0.6%yoy), the first expansion in 4 months. Manufacturing output growth rebounded to +1.2%yoy (Nov-23: -1.0%yoy).
  - Labour market remained tight. The initial jobless claims for the week ended 13 January 2024 fell to +187K (previous week: +203K), the lowest since Sep-22 well under market expectations for an increase to +207K.
  
- Malaysia economic data released last week:
  - GDP growth remained modest in 4QCY23. Advance estimate showed Malaysia's GDP grew modestly at +3.4%yoy in 4QCY23 (3QCY23: +3.3%yoy), below +4.5%yoy expected by market consensus. For the full-year growth, GDP grew by +3.8%yoy in 2023, missing government's forecast of +4.0%.
  - Exports fell sharper in Dec-23. Exports fell sharper by -10%yoy (Nov-23: -6.1%yoy), mainly due to a sharper fall in re-exports as well as lower exports of E&E, palm oil and petroleum products.
  
- Other economic data released last week:
  - Bank Indonesia kept the rate steady. Bank Indonesia conformed to market expectations by keeping the rate unchanged at 6.00%, to ensure inflation stays within the central bank target of 2.5±1.

## C. BNM INTERNATIONAL RESERVES

- As of 29 December 2023, compared to previous fortnight, Bank Negara Malaysia's international reserves was higher at USD113.5b (15 December 2023: USD112.8b).

### BNM INTERNATIONAL RESERVES



HAALGFES Index (Malaysia Assets & Liabilities US Dollar Equivalent of International Reserves) BNM Intl Reserves Weekly 15FEB2019-13JAN2024

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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	12-Jan Fri	15-Jan Mon	16-Jan Tue	17-Jan Wed	18-Jan Thu	19-Jan Fri	Change (WoW bp)
<b>MGS</b>							
3-Y	3.413	3.392	3.379	3.441	3.481	3.476	6.3
5-Y	3.544	3.568	3.587	3.605	3.595	3.569	2.5
7-Y	3.737	3.719	3.722	3.781	3.782	3.76	2.3
10-Y	3.796	3.808	3.816	3.873	3.841	3.817	2.1
20-Y	4.11	4.099	4.108	4.11	4.117	4.095	-1.5
<b>RINGGIT IRS</b>							
1-Y	3.485	3.47	3.505	3.5235	3.5	3.51	2.5
3-Y	3.425	3.385	3.44	3.455	3.46	3.46	3.5
5-Y	3.528	3.52	3.565	3.587	3.5745	3.57	4.2
7-Y	3.66	3.648	3.68	3.717	3.705	3.705	4.5
10-Y	3.81	3.79	3.83	3.867	3.85	3.85	4
<b>KLIBOR</b>							
1-M	3.3	3.29	3.29	3.29	3.29	3.29	-1
3-M	3.59	3.59	3.58	3.58	3.57	3.57	-2
<b>UST</b>							
3-Y	3.9275	3.9275	4.0083	4.1372	4.1401	4.1601	23.26
5-Y	3.83	3.83	3.9335	4.0254	4.0467	4.0507	22.07
7-Y	3.8868	3.8868	3.999	4.0752	4.1043	4.0941	20.73
10-Y	3.939	3.939	4.0581	4.1019	4.142	4.1226	18.36
30-Y	4.1751	4.1751	4.2948	4.3116	4.3653	4.3285	15.34
<b>USD LIBOR</b>							
1-M	5.45246	5.45246	5.44624	5.44926	5.45114	5.45114	-0.132
3-M	5.57814	5.57814	5.55952	5.57118	5.57942	5.57942	0.128

Source: Bloomberg

## 10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	12-Jan Yield	19-Jan Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA INVESTMNT ISSU	3.599	07/31/28	3.587	3.613	2.6	1,690.9
MALAYSIA GOVERNMENT	4.642	11/07/33	3.796	3.817	2.1	1,528.6
MALAYSIA GOVERNMENT	3.478	06/14/24	3.159	3.173	1.4	1,428.9
MALAYSIA INVESTMNT ISSU	4.582	08/30/33	3.818	3.853	3.5	1,325.0
MALAYSIA INVESTMNT ISSU	4.13	07/09/29	3.653	3.685	3.2	831.8
MALAYSIA INVESTMNT ISSU	4.07	09/30/26	3.411	3.491	8.0	686.0
MALAYSIA GOVERNMENT	4.696	10/15/42	4.110	4.095	-1.5	640.7
MALAYSIA INVESTMNT ISSU	5.357	05/15/52	4.356	4.333	-2.3	574.3
MALAYSIA GOVERNMENT	4.457	03/31/53	4.240	4.237	-0.3	538.2
MALAYSIA INVESTMNT ISSU	4.245	09/30/30	3.763	3.783	2.0	488.1
TOTAL VOLUME (TOP 10)						9,732.5
TOTAL VOLUME (Overall)						17,599.1

Source: Bloomberg

## 10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	12-Jan Yield	19-Jan Yield	Change (WoW bp)	Weekly Volume (RM mn)
CIMB BANK BHD	4.6	05/17/24	N/A	3.606	N/A	445.0
YNH PROPERTY BHD	6.85	PERP	N/A	9.405	N/A	251.0
CAGAMAS BERHAD	3.05	10/29/24	N/A	3.600	N/A	130.0
CAGAMAS BERHAD	3.9	05/29/26	N/A	3.706	N/A	120.0
UEM SUNRISE BHD	4.75	03/22/24	4.013	3.851	-16.2	110.0
PUBLIC BANK BERHAD	4.6	04/09/25	N/A	3.645	N/A	105.0
PENGURUSAN AIR SPV BHD	4.34	02/07/29	N/A	3.759	N/A	100.0
DANAINFRA NASIONAL	4.34	11/10/36	3.999	4.020	2.1	100.0
CAGAMAS BERHAD	3.94	08/24/26	N/A	3.707	N/A	100.0
DANAINFRA NASIONAL	4.76	05/02/36	#N/A N/A	3.988	#VALUE!	90.0
TOTAL VOLUME (TOP 10)						1,551.0
TOTAL VOLUME (Overall)						4,868.3

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