

## MIDF Strategy 1 April 2024

### Week Ended 29 March 2024

- The benchmark 10-year UST yield closed the review week unchanged at 4.20% (prior week: 4.20%) as investors pondered the outlook on interest rates. The latest PCE data came in largely within market expectations. The 10y-3y yield spread inverted deeper at -21bp (prior week: -15bps) as the short-end underperformed. Moreover, the interest rate futures market continued to imply no more Fed rate hike and spate of rate cuts commencing as early as in June 2024.
- Medium-term inflation expectation (MTIE) ended the review week lower at 2.44% (prior week: 2.47%). The MTIE remains within an elevated inflation range (of 2.25%-2.50%) acceptable transiently to the US Fed. Moreover, it is 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 underlying 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 2.3bps and 0.3bp to close at 3.50% and 3.85% respectively. The 10y-3y yield spread narrowed (yield curve flattened) week-on-week from 37bps to 35bps as the short-end underperformed.
- MGS foreign holdings increased on-year from RM252b in February 2023 to RM264b in February 2024. However, it dropped on-month from RM265b in January 2024. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM1.12b. It declined on-week from -RM1.01b registered a week ago. However, it improved on-year from -RM3.68b a year ago.

## Weekly Money Review

### A. FIXED INCOME

- The benchmark 10-year UST yield closed the review week unchanged at 4.20% (prior week: 4.20%) as investors pondered the outlook on interest rates. The latest PCE data came in largely within market expectations. The 10y-3y yield spread inverted deeper at -21bp (prior week: -15bps) as the short-end underperformed. Moreover, the interest rate futures market continued to imply no more Fed rate hike and spate of rate cuts commencing as early as in June 2024.



Source: Bloomberg, MIDFR (G628, G629)

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



Source: Bloomberg, MIDFR (G653)

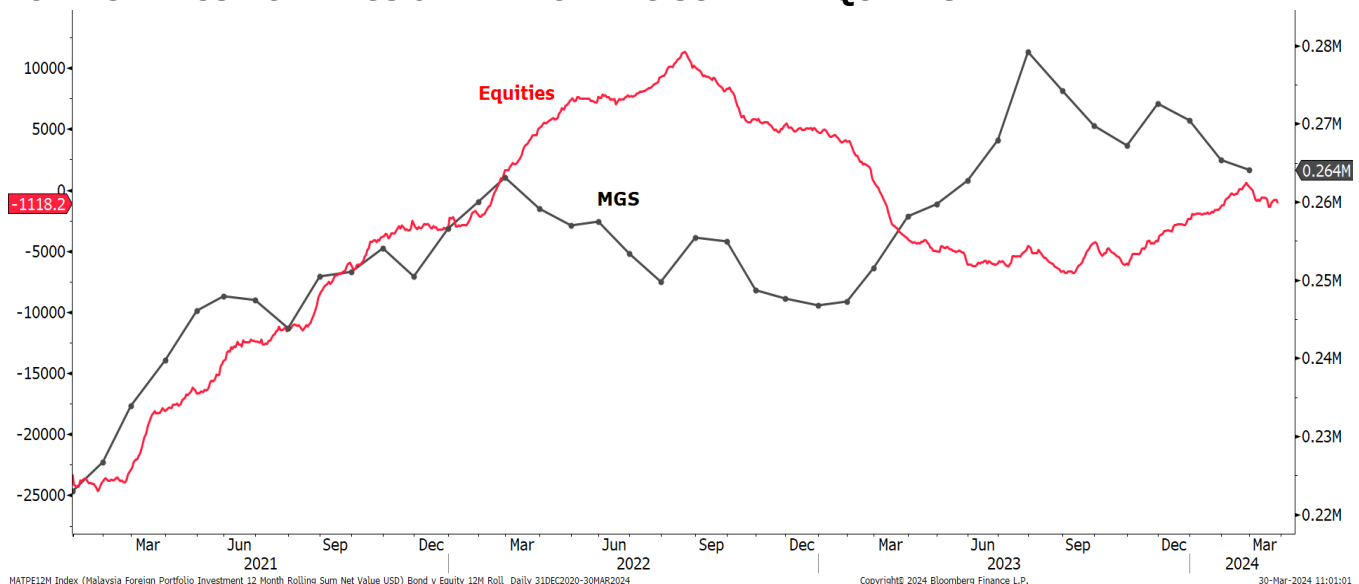
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Source: Bloomberg, MIDFR (G630, G631)

- Total trading value for Government Bonds (MGS/MII) increased to RM17.98b in the review week compared to RM17.12b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded was unchanged week-on-week at 58% 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 short and long residual tenor. The top 3 most actively traded were MGS 3.882% 3/14/25 at RM1.68b, MGS 3.478% 6/14/24 at RM1.45b, and MII 4.467% 9/15/39 at RM1.22b.

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



Source: Bloomberg, MIDFR (G659)

- MGS foreign holdings increased on-year from RM252b in February 2023 to RM264b in February 2024. However, it dropped on-month from RM265b in January 2024. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM1.12b. It declined on-week from -RM1.01b registered a week ago. However, it improved on-year from -RM3.68b a year ago.
- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM3.00b in the review week compared to RM4.13b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 49% from 29% of the overall Corporate Bonds trades.
- The top 3 actively traded Corporate Bonds were dominated by issues of short and mid residual tenor. The top 3 most actively traded were Seaport Terminal Johore FLOAT% 9/27/29 at RM328m, Seaport Terminal Johore FLOAT% 9/27/27 at RM277m, and Seaport Terminal Johore FLOAT% 9/27/28 at RM277m.

## B. FOREIGN EXCHANGE

- USD extended appreciation into the 3rd week. The US dollar ended last week at the strongest weekly closing since Nov-23 as the DXY dollar index rose by +0.1%wow to 104.49. The dollar recorded the strongest daily closing since mid-Feb-24 after ending last Thursday at 104.55 as the stronger GDP data meant delayed urgency for the Fed to cut interest rates. The dollar however tapered some of the gains as the core PCE inflation eased further in Feb-24.
- Euro depreciated further while pound rebounded. The euro weakened by -0.2%wow to USD1.079, also marking the third week of depreciation following the prolonged strength in US dollar. Moreover, demand for euro dropped following signs of subdued consumer demand. The pound sterling, in contrast, appreciated +0.2%wow to USD1.262, ending 2 weeks of depreciation on the back of hawkish signals from the BOE officials.
- Ringgit ended 2 weeks of weakening. Despite the dollar's strength, the ringgit appreciated by +0.2%wow to RM4.725. Concurrently, the ringgit gained against almost all other regional currencies and currencies of Malaysia's major trading partners as shown by our MIDF TWRI which closed +0.3%wow higher at 11-week high of 85.00. The ringgit's gains were particularly recorded against IDR and KRW, each contributed +0.05% to the gains in the overall TWRI index. Commodity prices were also supportive of the ringgit as Brent crude oil prices increased +2.4%wow to USD87.48pb (previous week: USD85.43pb).

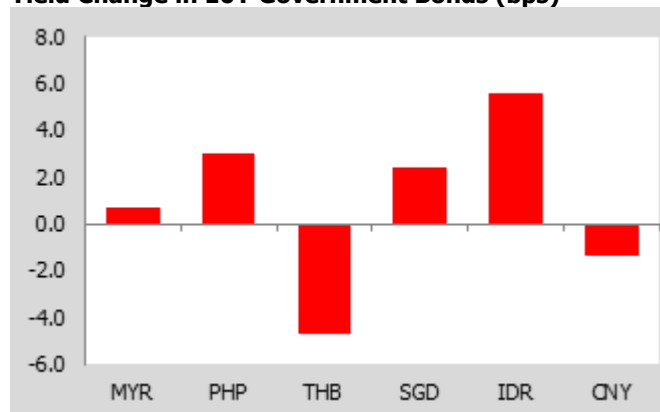
### Currencies Changes (Week Ended 29 March 2024) and Quarterly Forecasts

	Close (29/03)	Prev. Close (22/03)	Weekly Change	Weekly Change (%)	1QCY24	2QCY24f	3QCY24f	4QCY24f
DXY Index	104.49	104.43	+0.057	+0.1	104.49	102.5	101.1	99.7
EURUSD	1.079	1.081	-0.002	-0.2	1.079	1.09	1.10	1.12
GBPUSD	1.262	1.260	+0.002	+0.2	1.262	1.24	1.26	1.27
USDJPY	151.35	151.41	+0.060	+0.0	151.35	141.0	138.0	135.0
USDMYR	4.725	4.7365	+0.012	+0.2	4.725	4.38	4.32	4.20
GBPMYR	5.960	5.962	+0.002	+0.0	5.960	5.73	5.72	5.74
JPYMYR	3.122	3.128	+0.006	+0.2	3.122	3.25	3.26	3.30
MIDF TWRI	85.00	84.74	+0.262	+0.3	85.00	86.40	88.00	91.50

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

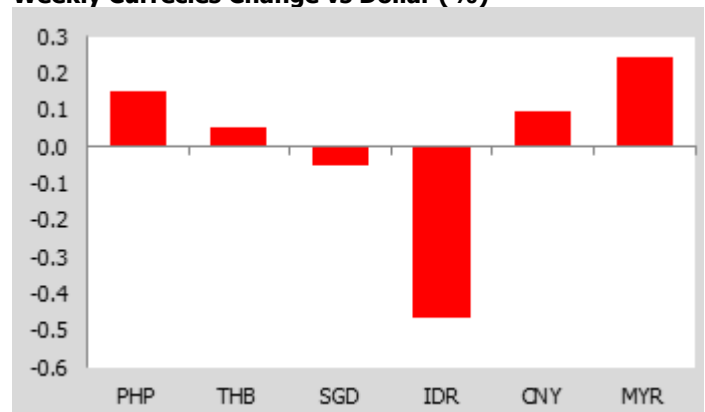
Source: Bloomberg, MIDFR

### 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 (%)

	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-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	6.00	6.00	6.00	6.00	6.00	6.00

Philippines	6.25	6.25	6.25	6.50	6.50	6.50	6.50	6.50	6.50
Thailand	2.00	2.25	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Vietnam	4.50	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)	0.00-0.10
UK	5.00	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25
Euro area	4.25	4.25	4.50	4.50	4.50	4.50	4.50	4.50	4.50
USA	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	5.25-5.50	5.25-5.50

Source: Bloomberg, MIDFR

- US economic data released last week:
  - Core PCE inflation eased further. Although the headline PCE inflation accelerated to +2.5%yoy in Feb-24 (Jan-24: +2.4%yoy), as expected by the market consensus, the core PCE inflation moderated further to +2.8%yoy, the slowest rise since Mar-21 and meeting market expectations.
  - Consumer confidence moderated. Conference Board Consumer Confidence Index declined to 104.7 in Mar-24 (Feb-24:104.8), worse than expectations for an increase to 107.0 due to concerns over economic outlook.
  - Upward revision to 4QCY23 GDP growth. The US economic growth was revised higher to annualised +3.4%qoq in 4QCY23 (3QCY23: +4.9%qoq; 2nd estimate: +3.2%qoq) backed by higher consumer spending.
  - Labour market remained resilient. The initial jobless claims for the week ended 23rd March 2024 edged lower to 210K (previous week: 212K), lower than 215K expected by market consensus.
- Malaysia economic data released last week:
  - Growth momentum seen improving. Leading Index advanced +3.2%yoy in Jan-24 (Dec-23: +0.4%yoy), the steepest increase since Aug-22. Meanwhile, the current economic condition improved further in Jan-24 as the Coincident Index was up by +3.2%yoy, the fastest expansion since Apr-23.
  - Inflation hit a turning point. The headline CPI inflation accelerated to +1.8%yoy in Feb-24, the highest in 4 months and outpaced market expectations of +1.4%yoy. Core CPI inflation was however stable at +1.8%yoy, indicating demand pressures remained under control.

## C. BNM INTERNATIONAL RESERVES

- As of 15 March 2024, compared to previous fortnight, Bank Negara Malaysia's international reserves was lower at USD113.4b (29 February 2024: USD114.3b).

### BNM INTERNATIONAL RESERVES



Source: Bloomberg, MIDFR (G662)

- The amount 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	22-Mar Fri	25-Mar Mon	26-Mar Tue	27-Mar Wed	28-Mar Thu	29-Mar Fri	Change (WoW bp)
MGS							
3-Y	3.478	3.478	3.484	3.493	3.493	3.501	2.3
5-Y	3.578	3.569	3.577	3.585	3.585	3.586	0.8
7-Y	3.764	3.757	3.76	3.773	3.773	3.783	1.9
10-Y	3.85	3.845	3.85	3.85	3.85	3.853	0.3
20-Y	4.062	4.059	4.054	4.072	4.072	4.072	1
RINGGIT IRS							
1-Y	3.59	3.59	3.6	3.595	3.595	3.595	0.5
3-Y	3.545	3.545	3.56	3.565	3.565	3.575	3
5-Y	3.655	3.645	3.6575	3.655	3.655	3.65	-0.5
7-Y	3.755	3.745	3.765	3.755	3.765	3.755	0
10-Y	3.885	3.878	3.88	3.88	3.89	3.88	-0.5
KLIBOR							
1-M	3.29	3.29	3.29	3.29	3.29	3.29	0
3-M	3.57	3.57	3.58	3.58	3.58	3.59	2
UST							
3-Y	4.3515	4.3912	4.3856	4.3601	4.4089	4.4089	5.74
5-Y	4.1822	4.2281	4.221	4.1862	4.2125	4.2125	3.03
7-Y	4.1998	4.2469	4.2338	4.1944	4.2082	4.2082	0.84
10-Y	4.1981	4.2454	4.2316	4.1903	4.2003	4.2003	0.22
30-Y	4.3779	4.4154	4.3971	4.3503	4.3427	4.3427	-3.52
USD LIBOR							
1-M	5.44319	5.44665	5.44464	5.44182	5.44322	5.44322	0.003
3-M	5.57409	5.56916	5.57103	5.56352	5.55984	5.55984	-1.425

Source: Bloomberg

**10 MOST ACTIVELY TRADED GOVERNMENT BONDS**

Name	Coupon	Maturity	22-Mar Yield	29-Mar Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.882	03/14/25	3.278	3.348	7.0	1,684.9
MALAYSIA GOVERNMENT	3.478	06/14/24	3.102	3.392	29.0	1,445.7
MALAYSIA INVESTMNT ISS	4.467	09/15/39	3.964	3.961	-0.3	1,220.5
MALAYSIA GOVERNMENT	3.885	08/15/29	3.649	3.669	2.0	1,156.9
MALAYSIA INVESTMNT ISS	4.291	08/14/43	4.107	4.099	-0.8	1,143.9
MALAYSIA GOVERNMENT	3.519	04/20/28	3.578	3.586	0.8	904.8
MALAYSIA GOVERNMENT	4.642	11/07/33	3.850	3.853	0.3	834.0
MALAYSIA INVESTMNT ISS	4.662	03/31/38	3.982	3.941	-4.1	762.5
MALAYSIA INVESTMNT ISS	4.07	09/30/26	3.436	3.437	0.1	709.3
MALAYSIA INVESTMNT ISS	4.13	07/09/29	3.643	3.666	2.3	600.0
TOTAL VOLUME (TOP 10)						10,462.4
TOTAL VOLUME (Overall)						17,979.3

Source: Bloomberg

**10 MOST ACTIVELY TRADED CORPORATE BONDS**

Name	Coupon	Maturity	22-Mar Yield	29-Mar Yield	Change (WoW bp)	Weekly Volume (RM mn)
SEAPORT TERMINAL JOHO	FLOAT	09/27/29	N/A	N/A	N/A	328.2
SEAPORT TERMINAL JOHO	FLOAT	09/27/27	N/A	N/A	N/A	277.1
SEAPORT TERMINAL JOHO	FLOAT	09/27/28	N/A	N/A	N/A	277.1
GAMUDA BERHAD	3.9	03/27/29	N/A	3.851	N/A	120.0
PRASARANA MALAYSIA BH	4.32	01/30/37	3.977	3.969	-0.8	110.0
DANAINFRA NASIONAL	4.3	03/31/34	3.911	3.899	-1.2	100.0
DANAINFRA NASIONAL	3.96	02/07/25	N/A	N/A	N/A	90.0
PRASARANA MALAYSIA BH	3.92	08/04/34	3.917	3.888	-2.9	60.0
UNITED OVERSEAS BANK	3	08/02/30	N/A	3.173	N/A	60.0
SP SETIA BERHAD	4.67	04/20/29	3.981	3.976	-0.5	60.0
TOTAL VOLUME (TOP 10)						1,482.4
TOTAL VOLUME (Overall)						2,996.2

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