

MIDF Strategy 4 June 2024

Week Ended 31 May 2024

- The benchmark 10-year UST yield ended the review week higher at 4.50% (prior week: 4.46%). Selling pressure sustained (particularly from mid to far end of the curve) as investors continued to digest the less dovish latest Fed meeting minutes. However, the release of core PCE data, which came in mostly on target, helped to pare some of the intraweek losses. The 10y-3y yield spread rebounded but remains inverted at -18bps (prior week: -25bps) as the long-end underperformed. Meanwhile, the interest rate futures market (at week close) continued to anticipate only 1 rate cut this year.
- Medium-term inflation expectation (MTIE) ended the review week higher at 2.36% (prior week: 2.33%). The MTIE remains within an elevated inflation range (of 2.25%-2.50%) acceptable transiently to the US Fed. It is also notable that the MTIE has been trending lower from the high of 3.73% in late March 2022. In gist, we reckon the market is convinced that underlying inflation pressure (while stubborn) is gradually ebbing.
- The price of MGS benchmark issues ended the review week higher with the 3-year and 10-year yields shed -0.9bp and -0.8bp to close at 3.58% and 3.89% respectively. The 10y-3y yield spread was barely changed week-on-week at 32bps.
- MGS foreign holdings increased year-on-year from RM260b in April 2023 to RM266b in April 2024. However, it stagnated month-on-month from RM266b in March 2024. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at RM361m. It declined week-on-week from RM792m registered a week ago. However, it improved year-on-year from -RM5.76b a year ago.

Weekly Money Review

A. FIXED INCOME

- The benchmark 10-year UST yield ended the review week higher at 4.50% (prior week: 4.46%). Selling pressure sustained (particularly from mid to far end of the curve) as investors continued to digest the less dovish latest Fed meeting minutes. However, the release of core PCE data, which came in mostly on target, helped to pare some of the intraweek losses. The 10y-3y yield spread rebounded but remains inverted at -18bps (prior week: -25bps) as the long-end underperformed. Meanwhile, the interest rate futures market (at week close) continued to anticipate only 1 rate cut this year.



Source: Bloomberg, MIDFR (G628, G629)

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



Source: Bloomberg, MIDFR (G653)

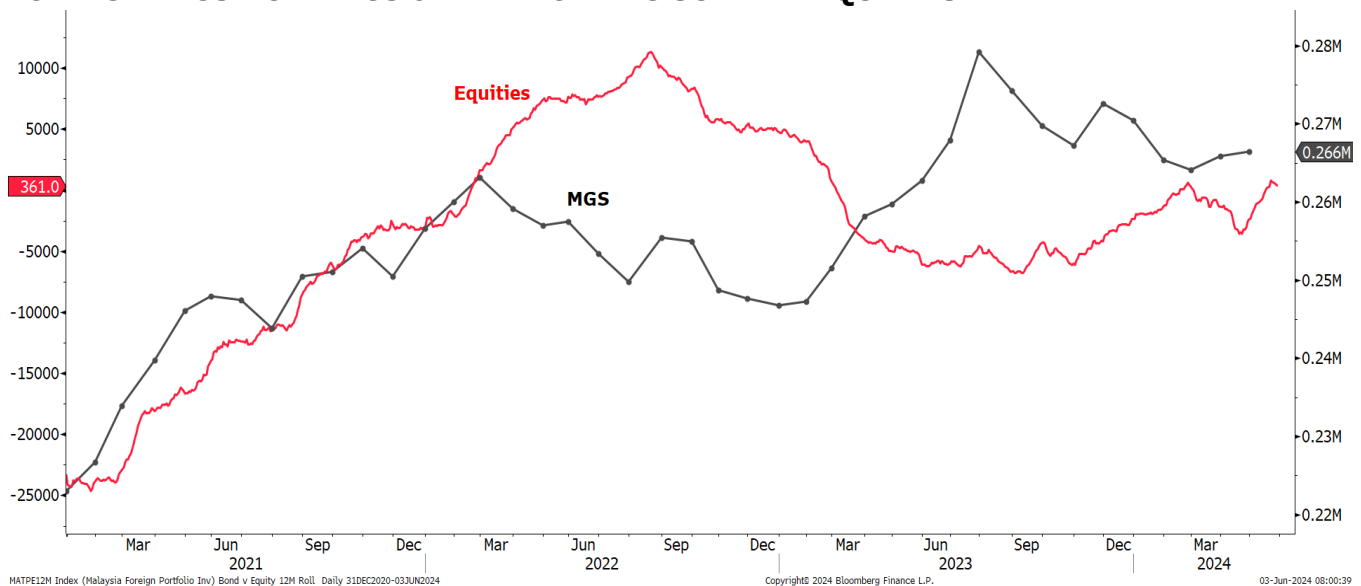
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Source: Bloomberg, MIDFR (G630, G631)

- Total trading value for Government Bonds (MGS/MII) increased to RM15.57b in the review week compared to RM11.22b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 62% from 60% 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 short and mid residual tenor. The top 3 most actively traded were MGS 3.478% 6/14/24 at RM1.80b, MII 4.07% 9/30/26 at RM1.60b, and MGS 2.632% 4/15/31 at RM1.39b.

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



Source: Bloomberg, MIDFR (G659)

- MGS foreign holdings increased year-on-year from RM260b in April 2023 to RM266b in April 2024. However, it stagnated month-on-month from RM266b in March 2024. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at RM361m. It declined week-on-week from RM792m registered a week ago. However, it improved year-on-year from -RM5.76b a year ago.
- Total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM3.18b in the review week compared to RM3.12b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 31% from 36% of the overall Corporate Bonds trades.
- The top 3 actively traded Corporate Bonds were dominated by issues of varied residual tenor. The top 3 most actively traded were PLUS 5% 12/31/38 at RM170m, PLUS 4.68% 1/12/32 at RM115m, and Prasarana 4.65% 12/11/25 at RM110m.

B. FOREIGN EXCHANGE

- Economic releases not so encouraging, USD retreated. The US dollar depreciated slightly last week as the DXY dollar index fell by -0.1%wow to 104.67. The US dollar peaked at 2-week high, closing at 105.12 on Wednesday. However, USD depreciated towards the end of the week following a series of economic releases signalling a softer economic outlook, cooling labour market and moderating inflationary pressure.
- Euro and pound steadied against the dollar. The euro and pound sterling were virtually unchanged against the dollar at USD1.085 and USD1.274, respectively. Although the euro gained due to stronger inflation in euro area and weaker dollar, the appreciation was limited by expectations for rate cuts by the ECB.
- Ringgit gained slightly against the dollar. Ringgit outperformed most regional currencies, appreciating by +0.1%wow to RM4.707. Similarly, the ringgit appreciated against the currencies of Malaysia's major trading partners and regional currencies as our MIDF Trade-Weighted Ringgit Index closed +0.3%wow higher at 86.11, the highest since Oct-23. The ringgit gained the most against the Indonesian rupiah and South Korea won. Commodity prices were unfavourable towards the ringgit, with the Brent crude oil prices declining -0.6%wow to USD82.62pb (previous week: USD82.12pb).

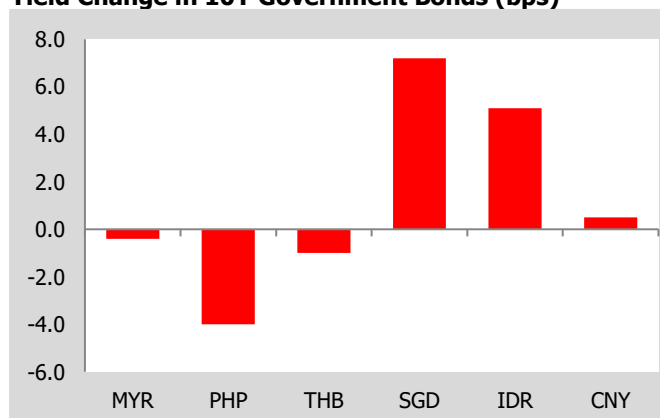
Currencies Changes (Week Ended May 2024) and Quarterly Forecasts

	Close (31/05)	Prev. Close (24/05)	Weekly Change	Weekly Change (%)	1QCY24	2QCY24f	3QCY24f	4QCY24f
DXY Index	104.67	104.72	-0.053	-0.1	104.49	102.5	101.1	99.7
EURUSD	1.085	1.085	+0.000	+0.0	1.079	1.09	1.10	1.12
GBPUSD	1.274	1.274	+0.000	+0.0	1.262	1.24	1.26	1.27
USDJPY	157.31	156.99	-0.320	-0.2	151.35	141.0	138.0	135.0
USDMYR	4.707	4.712	+0.005	+0.1	4.725	4.685	4.556	4.430
GBPMYR	5.989	5.988	-0.001	-0.0	5.960	5.73	5.72	5.74
JPYMYR	2.993	3.002	+0.009	+0.3	3.122	3.25	3.26	3.30
MIDF TWRI	86.11	85.81	+0.296	+0.3	85.00	86.40	88.00	91.50

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

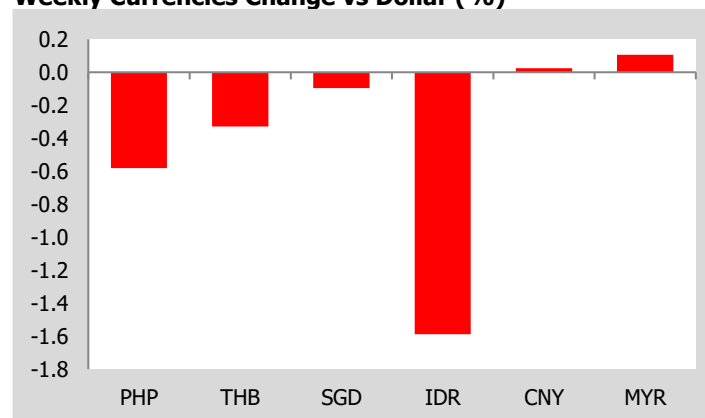
Source: Bloomberg, MIDFR

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 (%)

	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24
Malaysia	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Indonesia	5.75	6.00	6.00	6.00	6.00	6.00	6.00	6.25	6.25
Philippines	6.25	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50
Thailand	2.50	2.50	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)	0.00-0.10	0.00-0.10	0.00-0.10
UK	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25
Euro area	4.50	4.50	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:
 - 1QCY24 GDP growth revised lower. US GDP grew at annualised +1.3%qoq in 1QCY24 (4QCY23: +3.4%qoq), a steeper moderation than annualised +1.6%qoq in the preliminary estimate.
 - Fed key inflation gauge steadied in Apr-24. The core PCE inflation was unchanged in Apr-24 at +2.8%yoy as the market expected, but the sequential change indicated softer inflation of +0.2%mom (Mar-24: +0.3%mom) also below market expectations of +0.3%mom.
 - Sign of cooling labour market. Initial jobless claims for the week ending 25th May 2024 rose to 219K (previous week: 216K), exceeding market expectations of 218K.
 - Consumer confidence improved. The Conference Board (CB) consumer confidence increased to 102.0 in May-24 (Apr-24: 97.0), against market expectations for another month of deterioration to 95.9.
 - Businesses indicated pessimism on outlook. Although the Beige Book reported continued cooling and rebalancing in the job market to a more normal level amid further expansion in the US economic activity, firms indicated a more pessimistic view of the economic outlook due to rising uncertainty and downside risks.
- Cost pressures rose again in Malaysia. PPI inflation quickened to +1.9%yoy in Apr-24 (Mar-24: +1.3%yoy), rising for the 3rd straight month and the fastest increase since Dec-22.

C. BNM INTERNATIONAL RESERVES

- As of 15 May 2024, compared to previous fortnight, Bank Negara Malaysia's international reserves was higher at USD113.3b (30 April 2024: USD112.8b).

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	24-May Fri	27-May Mon	28-May Tue	29-May Wed	30-May Thu	31-May Fri	Change (WoW bp)
MGS							
3-Y	3.582	3.573	3.567	3.58	3.58	3.573	-0.9
5-Y	3.703	3.689	3.661	3.693	3.692	3.69	-1.3
7-Y	3.839	3.832	3.818	3.856	3.863	3.837	-0.2
10-Y	3.901	3.9	3.9	3.901	3.899	3.893	-0.8
20-Y	4.132	4.128	4.117	4.124	4.128	4.116	-1.6
RINGGIT IRS							
1-Y	3.6	3.605	3.605	3.61	3.614	3.6075	0.75
3-Y	3.61	3.605	3.595	3.62	3.615	3.62	1
5-Y	3.697	3.69	3.675	3.7	3.705	3.705	0.8
7-Y	3.8	3.794	3.78	3.8	3.805	3.8025	0.25
10-Y	3.907	3.915	3.895	3.92	3.9325	3.9225	1.55
KLIBOR							
1-M	3.29	3.29	3.29	3.29	3.29	3.29	0
3-M	3.59	3.59	3.59	3.59	3.59	3.59	0
UST							
3-Y	4.7163	4.7163	4.7624	4.7913	4.7397	4.6798	-3.65
5-Y	4.5277	4.5277	4.5937	4.6326	4.5671	4.507	-2.07
7-Y	4.4866	4.4866	4.5686	4.6297	4.5592	4.5066	2
10-Y	4.465	4.465	4.55	4.6117	4.546	4.4985	3.35
30-Y	4.57	4.57	4.6658	4.7328	4.6795	4.6472	7.72
USD LIBOR							
1-M	5.44226	5.44226	5.44286	5.44368	5.44366	5.44429	0.203
3-M	5.60449	5.60449	5.60786	5.60895	5.60769	5.60445	-0.004

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	24-May Yield	31-May Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.478	06/14/24	3.254	3.261	0.7	1,795.4
MALAYSIA INVESTMNT ISSU	4.07	09/30/26	3.530	3.525	-0.5	1,598.5
MALAYSIA GOVERNMENT	2.632	04/15/31	3.839	3.837	-0.2	1,392.7
MALAYSIA GOVERNMENT	4.059	09/30/24	3.260	3.229	-3.1	1,098.5
MALAYSIA GOVERNMENT	4.642	11/07/33	3.901	3.893	-0.8	883.8
MALAYSIA GOVERNMENT	3.502	05/31/27	3.582	3.573	-0.9	690.4
MALAYSIA GOVERNMENT	3.885	08/15/29	3.703	3.690	-1.3	577.2
MALAYSIA GOVERNMENT	4.181	07/15/24	3.263	3.170	-9.3	551.8
MALAYSIA INVESTMNT ISSU	4.245	09/30/30	3.788	3.773	-1.5	524.1
MALAYSIA GOVERNMENT	3.882	03/14/25	3.300	3.303	0.3	469.7
TOTAL VOLUME (TOP 10)						9,582.0
TOTAL VOLUME (Overall)						15,571.0

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	24-May Yield	31-May Yield	Change (WoW bp)	Weekly Volume (RM mn)
PROJEK LEBUHRAYA USAHA	5	12/31/38	4.028	4.038	1.0	170.0
PROJEK LEBUHRAYA USAHA	4.68	01/12/32	3.980	4.010	3.0	115.0
PRASARANA MALAYSIA BHD	4.65	12/11/25	N/A	3.548	N/A	110.0
MALAYSIA RAIL LINK	ZERO	08/09/24	N/A	3.451	N/A	100.0
PENGURUSAN AIR SPV BHD	4.63	02/05/26	N/A	3.558	N/A	90.0
PROJEK LEBUHRAYA USAHA	4.729	01/12/33	N/A	4.019	N/A	90.0
PENGURUSAN AIR SELANGO	4.89	04/19/38	4.119	4.150	3.1	90.0
SMALL MEDIUM ENT BANK	4.1	03/20/26	N/A	3.590	N/A	80.0
MALAYSIA AIRPORTS HG B	5.75	PERP	4.508	4.348	-16.0	75.0
PETROLEUM SARAWAK EXP	4.54	02/22/30	3.947	3.898	-4.9	60.0
TOTAL VOLUME (TOP 10)						980.0
TOTAL VOLUME (Overall)						3,184.5

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