

## MIDF Strategy 6 May 2024

### Week Ended 3 May 2024

- The UST market rebounded (after 5 consecutive weeks of selling) with benchmark 10-year yield closed the review week lower at 4.51% (prior week: 4.66%) as investors reacted to (1) the US Fed's decision to ease the pace of QT, and (2) weaker-than-expected April's jobs report. The 10y-3y yield spread rebounded but remains inverted at -14bps (prior week: -17bps) as the short-end outperformed. Meanwhile, the interest rate futures market implied 2 rate cuts (prior week: 1 rate cut) this year.
- Medium-term inflation expectation (MTIE) ended the review week lower at 2.36% (prior week: 2.45%). 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 progressively ebbing.
- The price of MGS benchmark issues ended the review week higher with the 3-year and 10-year yields shed -6.4bps and -6.6bps to close at 3.59% and 3.94% respectively. The 10y-3y yield spread narrowed (yield curve flattened) week-on-week from 35bps to 34bps as the long-end outperformed.
- MGS foreign holdings increased on-year from RM258b in March 2023 to RM266b in March 2024. Moreover, it increased on-month from RM264b in February 2024. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM2.33b. It improved on-week from -RM3.22b registered a week ago. Moreover, it improved on-year from -RM4.99b a year ago.

## Weekly Money Review

### A. FIXED INCOME

- The UST market rebounded (after 5 consecutive weeks of selling) with benchmark 10-year yield closed the review week lower at 4.51% (prior week: 4.66%) as investors reacted to (1) the US Fed's decision to ease the pace of QT, and (2) weaker-than-expected April's jobs report. The 10y-3y yield spread rebounded but remains inverted at -14bps (prior week: -17bps) as the short-end outperformed. Meanwhile, the interest rate futures market implied 2 rate cuts (prior week: 1 rate cut) this year.



Source: Bloomberg, MIDFR (G628, G629)

- Medium-term inflation expectation (MTIE) ended the review week lower at 2.36% (prior week: 2.45%). 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 progressively ebbing.

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



Source: Bloomberg, MIDFR (G653)

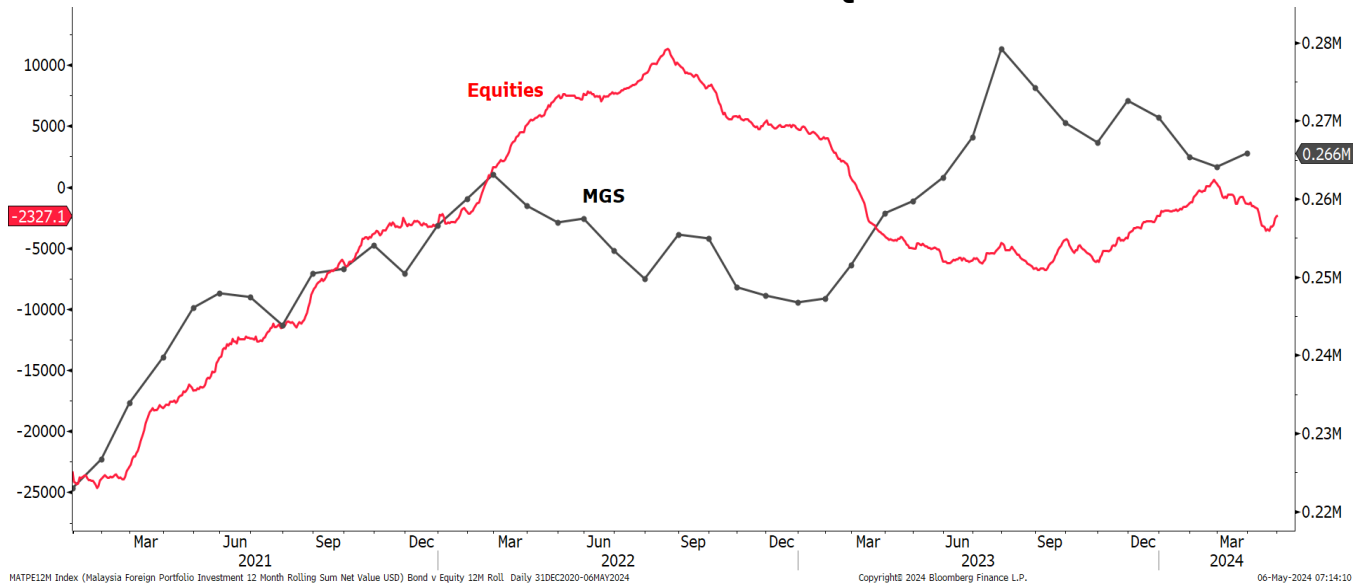
The price of MGS benchmark issues ended the review week higher with the 3-year and 10-year yields shed -6.4bps and -6.6bps to close at 3.59% and 3.94% respectively. The 10y-3y yield spread narrowed (yield curve flattened) week-on-week from 35bps to 34bps as the long-end outperformed.



Source: Bloomberg, MIDFR (G630, G631)

- Total trading value for Government Bonds (MGS/MII) declined to RM12.65b in the review week compared to RM15.13b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 48% from 59% of the overall Government Bonds trades. Moreover, 7 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 long residual tenor. The top 3 most actively traded were MII 4.07% 9/30/26 at RM1.16b, MGS 3.955% 9/15/25 at RM976m, and MGS 4.054% 4/18/39 at RM584m.

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



Source: Bloomberg, MIDFR (G659)

- MGS foreign holdings increased year-on-year from RM258b in March 2023 to RM266b in March 2024. Moreover, it increased month-on-month from RM264b in February 2024. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM2.33b. It improved week-on-week from -RM3.22b registered a week ago. Moreover, it improved year-on-year from -RM4.99b a year ago.
- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM2.31b in the review week compared to RM5.24b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 42% 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 Danainfra Nasional 4.19% 10/24/35 at RM360m, Jambatan Kedua 4.3% 5/28/25 at RM90m, and Danainfra Nasional 4.32% 11/26/25 at RM80m.

## B. FOREIGN EXCHANGE

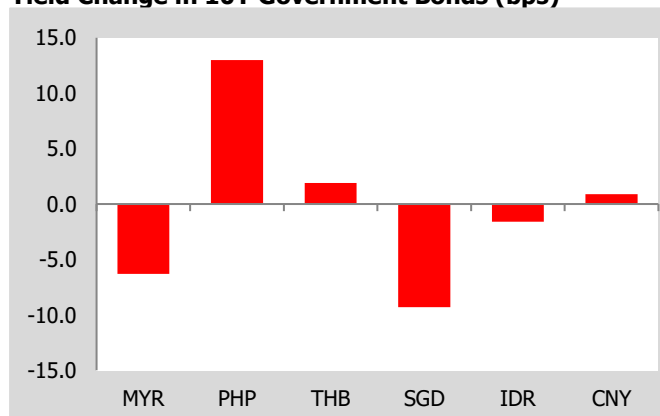
- USD depreciated for 2 consecutive weeks. The US dollar weakened last week as the DXY dollar index plunged by -0.9%w to 105.03, the lowest in over 3 weeks. The dollar strength subsided in response to the dovish signal by the Fed after a no-surprise decision by the FOMC last Wednesday to maintain high interest rates for a longer period. Moreover, demand for the dollar also fell as softer-than-expected Apr-24 labour market data and the weaker PMI readings supported expectations that the Fed will cut interest rates this year.
- Euro and pound appreciated further. The euro and pound sterling appreciated by +0.6%w to USD1.076 and +0.4%w to USD1.255, respectively. The euro and pound sterling both registered the strongest weekly closings in 4 weeks, reciprocally gaining from lower demand for the US dollar.
- Ringgit soared to 1-month high. The ringgit appreciated by +0.6%w to RM4.739, closing at the strongest level since early Apr-24. On a wider spectrum, the ringgit was virtually stable against the currencies of Malaysia's major trading partners and regional currencies. As a result, our MIDF Trade-Weighted Ringgit Index closed around previous week's level at 85.21, despite notable gains against the Vietnamese dong and the Indian rupee. Ringgit managed to record weekly gains despite the fall in crude oil prices, with the Brent benchmark plunging by -7.3%w to USD82.96pb (previous week: USD89.50pb).

### Currencies Changes (Week Ended 3 May 2024) and Quarterly Forecasts

	Close (03/05)	Prev. Close (26/04)	Weekly Change	Weekly Change (%)	1QCY24	2QCY24f	3QCY24f	4QCY24f
DXY Index	105.03	105.94	-0.908	-0.9	104.49	102.5	101.1	99.7
EURUSD	1.076	1.069	+0.007	+0.6	1.079	1.09	1.10	1.12
GBPUSD	1.255	1.249	+0.005	+0.4	1.262	1.24	1.26	1.27
USDJPY	153.05	158.33	+5.280	+3.4	151.35	141.0	138.0	135.0
USDMYR	4.739	4.768	+0.029	+0.6	4.725	4.685	4.556	4.430
GBPMYR	5.951	5.968	+0.017	+0.3	5.960	5.73	5.72	5.74
JPYMYR	3.097	3.013	-0.084	-2.7	3.122	3.25	3.26	3.30
MIDF TWRI	85.21	85.17	+0.042	+0.0	85.00	86.40	88.00	91.50

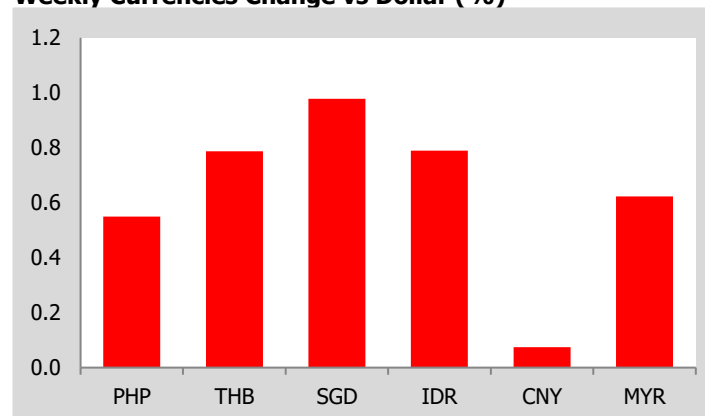
Note: "+" indicates appreciation, while "-" indicates depreciation. Quarterly figures are forecast by MIDFR  
Source: Bloomberg, MIDFR

### 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:
  - Consumer confidence dropped in Apr-24. The Conference Board Consumer Confidence Index slid to 97.0, the lowest since Jul-22 and lower than 104.0 predicted by market consensus.
  - Activities in the manufacturing sector deteriorated on Apr-24. ISM Manufacturing PMI fell to 49.2 (Mar-24: 50.3), worse than market expectations of 50.0. The final reading for S&P Global Manufacturing PMI at 50.0 also indicated weaker momentum in Apr-24 (Mar-24: 51.9).
  - The services sector also weakened in Apr-24. The ISM Services PMI fell to 49.4, the first contraction since Dec-22 and lower than market expectations of 52.0. Despite upward revision from the preliminary reading, the S&P Global Services PMI still indicated slower growth as the index fell to 51.3 (Mar-24: 51.7).
  - Signs of cooling in the US labour market:
    - Nonfarm payrolls rose +175K in Apr-24, the softest expansion in 6 months and below market expectations of +243K. The ADP payroll private sector also showed slower hiring (Apr-24: +192K; Mar-24: +208K) but better than market expectations of +175K.
    - The jobless rate increased to 3.9%, against market expectations for the rate to remain at 3.8%.
    - Labour demand eased as the JOLTs job openings declined by -325K to 8.49m in Mar-24, the lowest since Feb-21.
    - Initial jobless claims for the week ended 27th April 2024, however remained low, unchanged at 208K against market expectations of a rise to 212K.
- On 1 May 2024, the Fed's FOMC kept the fed funds rate unchanged at 5.25-5.50%, as widely expected, to contain sticky and elevated inflation. According to the Fed Chair, the Fed will not need to tighten further as the current setting is still restrictive and sufficient to contain inflationary pressures. The Fed also announced it will slow down the pace of balance sheet drawdown starting 1 June 2024, reducing the monthly cap on Treasury securities that are allowed to mature and not be replaced to USD25b from up to USD60b currently.
- Malaysia's manufacturing activities registered slower contraction in Apr-23 as the S&P Global Manufacturing PMI rose to 49.0 (Mar-24: 48.4), with foreign sales improving at the fastest pace since Apr-21.

## C. BNM INTERNATIONAL RESERVES

- As of 15 April 2024, compared to previous fortnight, Bank Negara Malaysia's international reserves was lower at USD113.4b (29 March 2024: USD113.8b).

### BNM INTERNATIONAL RESERVES



Source: Bloomberg, MIDFR (G662)

- The number of reserves is sufficient to finance 5.6 months of imports of goods & services and is 1.0 times total short-term external debt. 📈

## APPENDIX

### WEEKLY INTEREST RATE MONITOR

Tenor	26-Apr Fri	29-Apr Mon	30-Apr Tue	1-May Wed	2-May Thu	3-May Fri	Change (WoW bp)
MGS							
3-Y	3.657	3.612	3.609	3.609	3.602	3.593	-6.4
5-Y	3.817	3.779	3.777	3.777	3.821	3.758	-5.9
7-Y	3.936	3.909	3.899	3.899	3.902	3.866	-7
10-Y	4.003	3.98	3.991	3.991	3.949	3.937	-6.6
20-Y	4.216	4.211	4.231	4.231	4.217	4.198	-1.8
RINGGIT IRS							
1-Y	3.685	3.665	3.67	3.67	3.665	3.665	-2
3-Y	3.73	3.705	3.705	3.705	3.695	3.685	-4.5
5-Y	3.835	3.79	3.795	3.795	3.8	3.78	-5.5
7-Y	3.939	3.9	3.91	3.91	3.915	3.9	-3.9
10-Y	4.06	4.01	4.025	4.025	4.03	4.0025	-5.75
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	4.8371	4.8115	4.8751	4.8061	4.7171	4.6483	-18.88
5-Y	4.687	4.6445	4.7154	4.648	4.5701	4.4993	-18.77
7-Y	4.6832	4.6303	4.7044	4.6382	4.5748	4.4985	-18.47
10-Y	4.663	4.6136	4.6798	4.6283	4.5811	4.5077	-15.53
30-Y	4.7754	4.7315	4.7839	4.7493	4.7284	4.6645	-11.09
USD LIBOR							
1-M	5.43021	5.42765	5.4304	5.43469	5.43732	5.43689	0.668
3-M	5.59111	5.58842	5.58975	5.59433	5.59754	5.58916	-0.195

Source: Bloomberg

**10 MOST ACTIVELY TRADED GOVERNMENT BONDS**

Name	Coupon	Maturity	26-Apr Yield	3-May Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA INVESTMNT ISSU	4.07	09/30/26	3.612	3.556	-5.6	1,155.3
MALAYSIA GOVERNMENT	3.955	09/15/25	3.479	3.403	-7.6	975.7
MALAYSIA GOVERNMENT	4.054	04/18/39	4.045	4.055	1.0	584.1
MALAYSIA GOVERNMENT	3.885	08/15/29	3.817	3.758	-5.9	555.8
MALAYSIA GOVERNMENT	3.519	04/20/28	3.765	3.683	-8.2	512.0
MALAYSIA GOVERNMENT	4.642	11/07/33	4.003	3.937	-6.6	497.1
MALAYSIA GOVERNMENT	4.696	10/15/42	4.216	4.198	-1.8	489.6
MALAYSIA GOVERNMENT	3.733	06/15/28	3.817	3.711	-10.6	459.3
MALAYSIA GOVERNMENT	3.882	03/14/25	3.374	3.398	2.4	423.5
MALAYSIA GOVERNMENT	3.478	06/14/24	3.304	3.574	27.0	406.5
TOTAL VOLUME (TOP 10)						6,058.9
TOTAL VOLUME (Overall)						12,649.1

Source: Bloomberg

**10 MOST ACTIVELY TRADED CORPORATE BONDS**

Name	Coupon	Maturity	26-Apr Yield	3-May Yield	Change (WoW bp)	Weekly Volume (RM mn)
DANAINFRA NASIONAL	4.19	10/24/35	4.020	4.055	3.5	360.0
JAMBATAN KEDUA SDN BHD	4.3	05/28/25	N/A	3.505	N/A	90.0
DANAINFRA NASIONAL	4.32	11/26/25	3.492	3.500	0.8	80.0
PROJEK LEBUHRAYA USAHA	5	12/31/38	4.068	4.094	2.6	80.0
VS CAP MAN SDN BHD	4.74	09/21/27	3.947	4.057	11.0	70.0
DANAINFRA NASIONAL	4.53	04/07/37	4.065	4.076	1.1	65.0
SARAWAK ENERGY BHD	4.27	07/04/33	3.999	4.113	11.4	65.0
FORTUNE PREMIERE SDN B	5.05	09/05/25	4.006	3.993	-1.3	60.0
MNRB HOLDINGS BHD	4.46	03/22/34	4.329	4.101	-22.8	52.8
PENGURUSAN AIR SPV BHD	4.34	02/07/29	3.802	3.866	6.4	50.0
TOTAL VOLUME (TOP 10)						972.8
TOTAL VOLUME (Overall)						2,311.2

Source: Bloomberg



MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077 (23878-X)).  
(Bank Pelaburan)  
(A Participating Organisation of Bursa Malaysia Securities Berhad)

## DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878-X)). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees, and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have an interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This document may not be reproduced, distributed, or published in any form or for any purpose.

### 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