

MIDF Strategy 8 April 2024

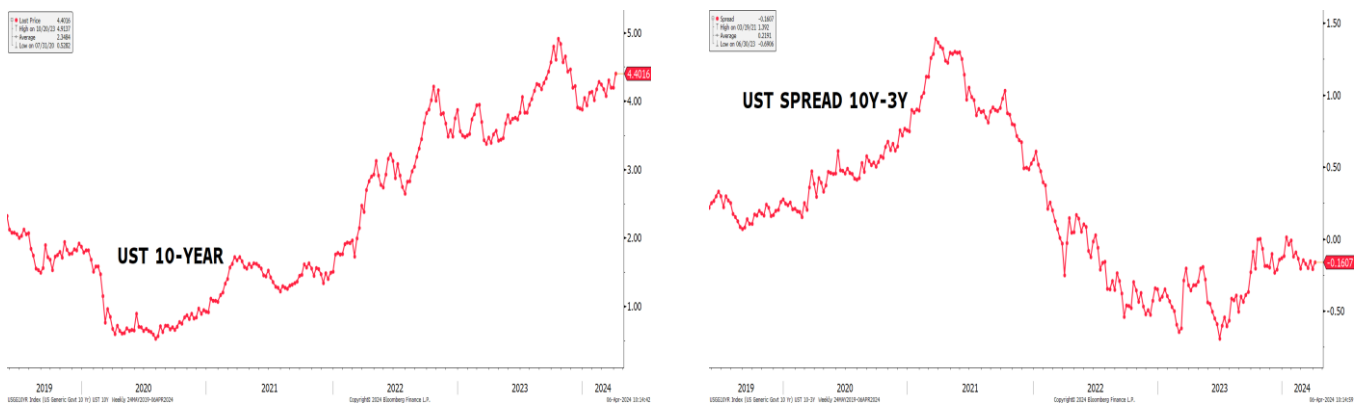
Week Ended 5 April 2024

- The UST market succumbed to selling pressure with benchmark 10-year yield closed the review week higher at 4.40% (prior week: 4.20%) as investors reacted to stronger-than-expected March jobs data. The 10y-3y yield spread rebounded but remains inverted at -16bp (prior week: -21bps) as the long-end underperformed. Meanwhile, the interest rate futures market continued to imply a series of rate cuts commencing as early as in June 2024.
- Medium-term inflation expectation (MTIE) ended the review week higher at 2.50% (prior week: 2.44%). 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 1.7bps and 1.4bps to close at 3.52% and 3.87% respectively. The 10y-3y yield spread was unchanged week-on-week at 35bps.
- 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 -RM1.54b. It declined on-week from -RM1.12b registered a week ago. However, it improved on-year from -RM4.20b a year ago.

Weekly Money Review

A. FIXED INCOME

- The UST market succumbed to selling pressure with benchmark 10-year yield closed the review week higher at 4.40% (prior week: 4.20%) as investors reacted to stronger-than-expected March jobs data. The 10y-3y yield spread rebounded but remains inverted at -16bp (prior week: -21bps) as the long-end underperformed. Meanwhile, the interest rate futures market continued to imply a series 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)

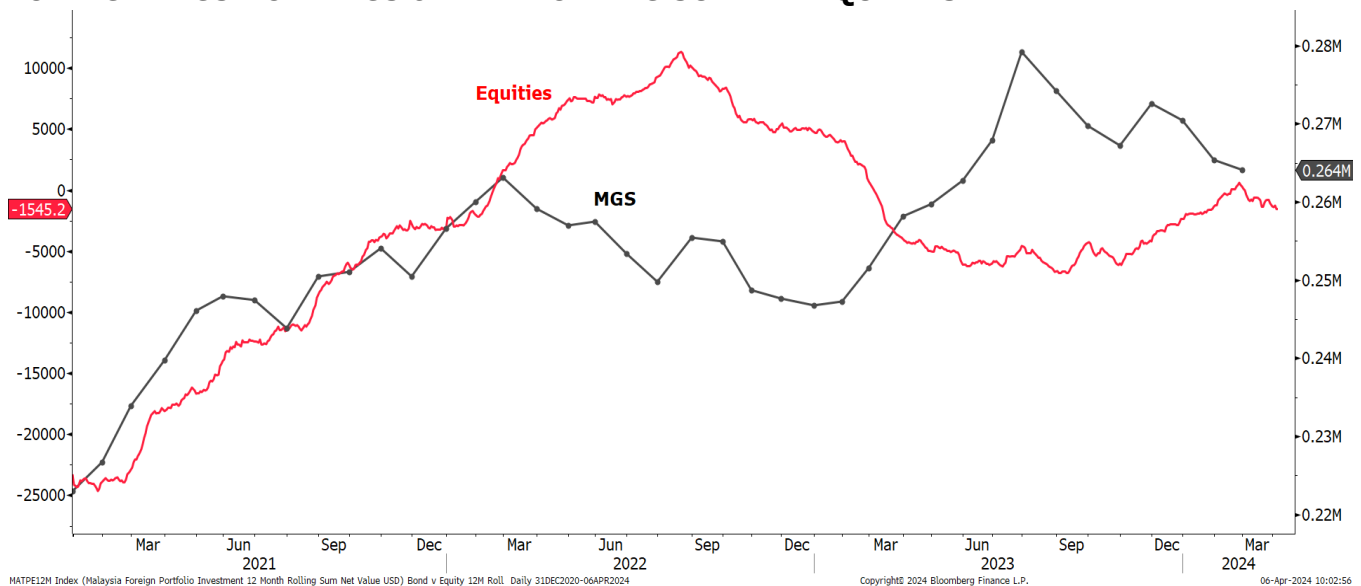
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Source: Bloomberg, MIDFR (G630, G631)

- Total trading value for Government Bonds (MGS/MII) increased to RM18.41b in the review week compared to RM17.98b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 43% from 58% of the overall Government Bonds trades. Moreover, 6 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 MGS 3.885% 8/15/29 at RM1.11b, MGS 3.478% 6/14/24 at RM1.04b, and MGS 4.642% 11/7/33 at RM995m.

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 -RM1.54b. It declined on-week from -RM1.12b registered a week ago. However, it improved on-year from -RM4.20b a year ago.
- Total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM3.28b in the review week compared to RM3.00b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 40% 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 Danainfra Nasional 4.53% 4/7/37 at RM300m, Danum Capital 4.02% 6/30/25 at RM200m, and Danainfra Nasional 5.23% 10/18/52 at RM130m.

B. FOREIGN EXCHANGE

- USD ended 3 weeks of appreciation. The US dollar depreciated last week as the DXY dollar index fell by -0.2%wow to 104.30. Since registering the strongest closing since mid-Nov-23 at 105.02 last Monday, the dollar was on a broad moderating trend due to easing inflation signs as indicated in the PMI reports. The dollar ended the week weaker despite hawkish comments by Fed officials and the gains on Friday following still robust jobs market update.
- Both euro and pound appreciated. Amid the weaker dollar, both the euro and pound sterling appreciated by +0.4%wow to USD1.084 and +0.1%wow to USD1.264, respectively. Euro appreciation was also underpinned by more encouraging growth prospects following the stronger expansion of the services sector in Mar-24 as indicated by the PMI release. Meanwhile, the strengthening of the pound sterling was limited by rising expectations of softer wage and price increases in the UK.
- Ringgit closed the weakest in 6 weeks. Despite the weakening of dollar, the ringgit depreciated by -0.5%wow to 6-week low of RM4.748. Ringgit and some regional currencies weakened against dollar as Fed was seen not in a rush to ease its monetary policy. The ringgit also broadly weakened against other regional currencies and currencies of Malaysia's major trading partners as our MIDF TWRI fell -0.4%wow to 84.65, with the steepest declines recorded against EUR and SGD. The continued rise in commodity prices also failed to support the ringgit as Brent crude oil prices rose by +4.2%wow to USD91.17pb (previous week: USD87.48pb).

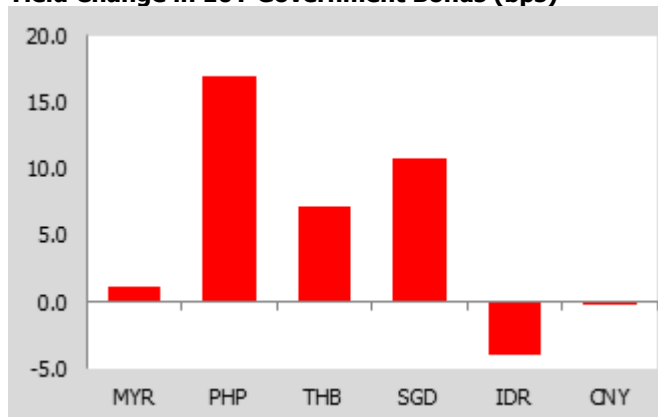
Currencies Changes (Week Ended 5 April 2024) and Quarterly Forecasts

	Close (05/04)	Prev. Close (29/03)	Weekly Change	Weekly Change (%)	1QCY24	2QCY24f	3QCY24f	4QCY24f
DXY Index	104.30	104.49	-0.189	-0.2	104.49	102.5	101.1	99.7
EURUSD	1.084	1.079	+0.005	+0.4	1.079	1.09	1.10	1.12
GBPUSD	1.264	1.262	+0.002	+0.1	1.262	1.24	1.26	1.27
USDJPY	151.62	151.35	-0.270	-0.2	151.35	141.0	138.0	135.0
USDMYR	4.748	4.725	-0.023	-0.5	4.725	4.38	4.32	4.20
GBPMYR	5.998	5.960	-0.038	-0.6	5.960	5.73	5.72	5.74
JPYMYR	3.131	3.122	-0.009	-0.3	3.122	3.25	3.26	3.30
MIDF TWRI	84.65	85.00	-0.353	-0.4	85.00	86.40	88.00	91.50

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

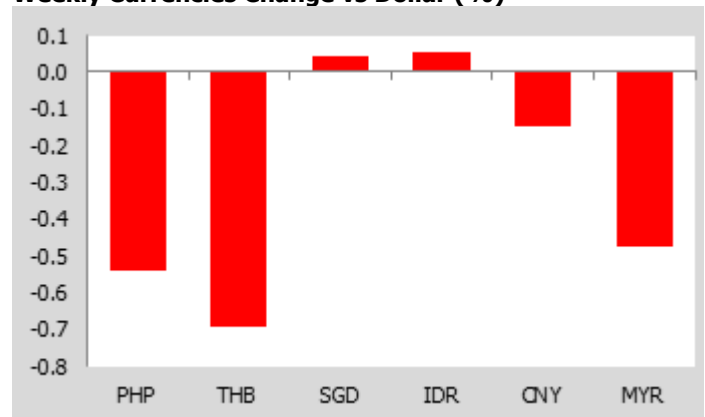
Source: Bloomberg, MIDFR

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 (%)

	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-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	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Philippines	6.25	6.25	6.50	6.50	6.50	6.50	6.50	6.50	6.50
Thailand	2.25	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)	(0.10)	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	4.25	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:
 - Services sector expansion moderated. Growth in the services sector moderated in Mar-24 to the slowest pace in 3 months as both the ISM Services PMI and S&P Global Services PMI fell to 51.4 and 51.7, respectively.
 - Manufacturing sector grew in Mar-24. Activities in the US manufacturing sector expanded in Mar-24 following the rebound in the ISM Manufacturing PMI, which rose to 50.3 (Feb-24: 47.8). The index recorded the first expansion in 17 months. Despite the S&P Global manufacturing PMI fell to 51.9 (Feb-24: 52.2), the reading remained expansionary (above 50) for 3 consecutive months.
 - Labour market remained resilient despite recent signs of cooling:
 - The number of job creation was more than expected as nonfarm payrolls rose faster by +303K in Mar-24 (Feb-24: +270K; market consensus: +200K), which was the fastest increase in 14 months. Similarly, private payroll growth was faster as the ADP private sector employment rose +184K in Mar-24, the highest in 8 months.
 - The unemployment rate moderated to 3.8% in Mar-24, better than the market consensus for the rate to remain unchanged at 2-year high of 3.9%.
 - Labour demand stabilized as the JOLTs job openings rose +8,000 to 8.76m in Feb-24, higher than 8.75m expected by market expectations.
 - Initial jobless claims for the week ended 30th March 2024 rose to 221K (previous week: 212K; market forecasts: 214K), indicating some cooling in the job market.
- The Reserve Bank of India (RBI) held its interest rate steady at 6.5% after the Apr-24 policy meeting on 5 April 2024, keeping the high interest rates in line with market expectations as inflation remained sticky.
- Malaysia's manufacturing activities fell sharper. Malaysia's S&P Global Manufacturing PMI fell to 48.4 in Mar-24 (Feb-24: 49.5), extending the contractionary sequence since Sep-22.

C. BNM INTERNATIONAL RESERVES

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

BNM INTERNATIONAL RESERVES



Source: Bloomberg, MIDFR (G662)

- The amount 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	29-Mar Fri	1-Apr Mon	2-Apr Tue	3-Apr Wed	4-Apr Thu	5-Apr Fri	Change (WoW bp)
MGS							
3-Y	3.501	3.491	3.504	3.518	3.504	3.518	1.7
5-Y	3.586	3.667	3.677	3.685	3.683	3.679	9.3
7-Y	3.783	3.774	3.792	3.806	3.806	3.803	2
10-Y	3.853	4.642	3.872	3.871	3.873	3.867	1.4
20-Y	4.072	4.073	4.083	4.084	4.091	4.085	1.3
RINGGIT IRS							
1-Y	3.595	3.595	3.605	3.62	3.61	3.63	3.5
3-Y	3.575	3.575	3.585	3.62	3.625	3.62	4.5
5-Y	3.65	3.66	3.68	3.735	3.725	3.73	8
7-Y	3.755	3.765	3.775	3.795	3.865	3.85	9.5
10-Y	3.88	3.89	3.85	3.93	3.95	3.96	8
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	4.4089	4.5092	4.5037	4.4866	4.4609	4.5623	15.34
5-Y	4.2125	4.3198	4.3411	4.327	4.2971	4.3947	18.22
7-Y	4.2082	4.3183	4.3525	4.342	4.3105	4.4058	19.76
10-Y	4.2003	4.3092	4.3491	4.3472	4.3094	4.4016	20.13
30-Y	4.3427	4.4484	4.4953	4.5072	4.4757	4.5528	21.01
USD LIBOR							
1-M	5.44322	5.44322	5.43852	5.43789	5.436	5.436	-0.722
3-M	5.55984	5.55984	5.56973	5.56794	5.56345	5.56345	0.361

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	29-Mar Yield	5-Apr Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.885	08/15/29	3.669	3.679	1.0	1,111.4
MALAYSIA GOVERNMENT	3.478	06/14/24	3.392	3.219	-17.3	1,043.2
MALAYSIA GOVERNMENT	4.642	11/07/33	3.853	3.867	1.4	994.8
MALAYSIA GOVERNMENT	2.632	04/15/31	3.783	3.803	2.0	915.2
MALAYSIA GOVERNMENT	3.882	03/14/25	3.348	3.360	1.2	885.0
MALAYSIA GOVERNMENT	3.757	05/22/40	4.007	4.003	-0.4	649.7
MALAYSIA INVESTMNT ISS	4.245	09/30/30	3.748	3.764	1.6	586.1
MALAYSIA GOVERNMENT	4.893	06/08/38	4.014	3.975	-3.9	585.4
MALAYSIA GOVERNMENT	3.828	07/05/34	3.872	3.833	-3.9	580.2
MALAYSIA INVESTMNT ISS	4.28	03/23/54	4.244	4.248	0.4	541.3
TOTAL VOLUME (TOP 10)						7,892.2
TOTAL VOLUME (Overall)						18,410.3

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	29-Mar Yield	5-Apr Yield	Change (WoW bp)	Weekly Volume (RM mn)
DANAINFRA NASIONAL	4.53	04/07/37	3.989	3.975	-1.4	300.0
DANUM CAPITAL BHD	4.02	06/30/25	3.660	3.623	-3.7	200.0
DANAINFRA NASIONAL	5.23	10/18/52	N/A	4.212	N/A	130.0
MALAYSIA RAIL LINK	3.13	07/05/30	N/A	3.778	N/A	110.0
PRASARANA MALAYSIA BH	4.37	08/27/41	4.064	4.065	0.1	100.0
PRASARANA MALAYSIA BH	4.65	03/04/47	N/A	4.154	N/A	100.0
PRASARANA MALAYSIA BH	4.26	10/11/39	4.019	4.021	0.2	100.0
MALAYSIA RAIL LINK	ZERO	08/09/24	N/A	3.471	N/A	100.0
MALAYAN BANKING BHD	3.41	08/05/31	3.552	3.526	-2.6	80.0
MALAYSIAN RESOURCES C	4.66	10/16/26	N/A	4.409	N/A	80.0
TOTAL VOLUME (TOP 10)						1,300.0
TOTAL VOLUME (Overall)						3,278.3

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