

MIDF Strategy 10 June 2024

Week Ended 7 June 2024

- The benchmark 10-year UST yield ended the review week lower at 4.43% (prior week: 4.50%). Buying interest returned as investors reacted to weaker-than-expected manufacturing PMI data suggesting a slowdown in the economy. However, the release of stronger-than-expected NFP figure later in the week pared some of the intraweek gains. The 10y-3y yield inverted deeper to -24bps (prior week: -18bps) as the long-end outperformed. Meanwhile, the interest rate futures market at week close anticipated only 1 rate cut (in November) this year.
- Medium-term inflation expectation (MTIE) ended the review week lower at 2.28% (prior week: 2.36%). 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 -1.4bps and -3.1bps to close at 3.56% and 3.86% respectively. The 10y-3y yield spread narrowed (yield curve flattened) week-on-week from 32bps to 30bps as the long-end outperformed.
- 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 RM660m. It increased week-on-week from RM361m registered a week ago. Moreover, it improved year-on-year from -RM6.18b a year ago.

Weekly Money Review

A. FIXED INCOME

- The benchmark 10-year UST yield ended the review week lower at 4.43% (prior week: 4.50%). Buying interest returned as investors reacted to weaker-than-expected manufacturing PMI data suggesting a slowdown in the economy. However, the release of stronger-than-expected NFP figure later in the week pared some of the intraweek gains. The 10y-3y yield inverted deeper to -24bps (prior week: -18bps) as the long-end outperformed. Meanwhile, the interest rate futures market at week close anticipated only 1 rate cut (in November) this year.



Source: Bloomberg, MIDFR (G628, G629)

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



Source: Bloomberg, MIDFR (G653)

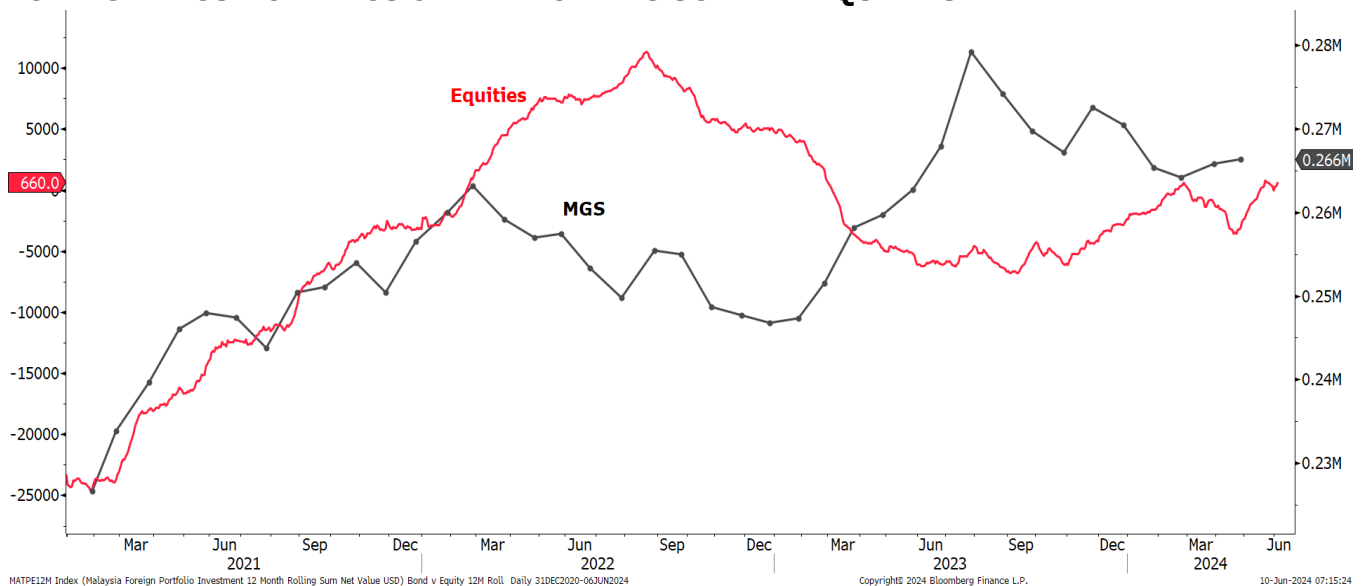
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Source: Bloomberg, MIDFR (G630, G631)

- Total trading value for Government Bonds (MGS/MII) increased to RM19.68b in the review week compared to RM15.57b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 56% from 62% of the overall Government Bonds trades. Moreover, 9 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 RM2.52b, MII 4.059% 9/30/24 at RM1.42b, and MGS 2.632% 4/15/31 at RM1.13b.

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 RM660m. It increased week-on-week from RM361m registered a week ago. Moreover, it improved year-on-year from -RM6.18b a year ago.
- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM2.49b in the review week compared to RM3.18b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues was unchanged week-on-week at 31% 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 Prasarana 4.54% 3/3/42 at RM240m, Toyota Capital 4.35% 8/29/28 at RM71m, and Jambatan Kedua 4.52% 5/28/30 at RM70m.

B. FOREIGN EXCHANGE

- USD strengthened again. The US dollar appreciated last week as the DXY dollar index rose by +0.2%*wow* to 104.89. The US dollar was mostly traded weaker than the previous week but ended the week stronger following a steep appreciation last Friday after the release of better-than-expected labour market data in May-24.
- Euro and pound retreated on a stronger dollar. The euro and pound depreciated by -0.4%*wow* to USD1.080 and -0.2%*wow* to USD1.272, respectively, on the back of stronger dollar. The steeper depreciation for the euro was due to the ECB's decision to finally cut its interest rates following a broad easing of inflationary pressure.
- Ringgit appreciated for the 2nd consecutive week. Ringgit strengthened further by +0.3%*wow* to RM4.692 against the greenback. The strengthening was broad-based as ringgit appreciated against the currencies of Malaysia's major trading partners and regional currencies and as a result our MIDF Trade-Weighted Ringgit Index closed +0.2%*wow* higher at 86.25, the highest since Aug-23. The ringgit gained the most against the Australian dollar, the euro and the Chinese yuan. Commodity prices remained a drag for the ringgit as the Brent crude oil prices fell -2.5%*wow* to USD79.62pb (previous week: USD81.62pb).

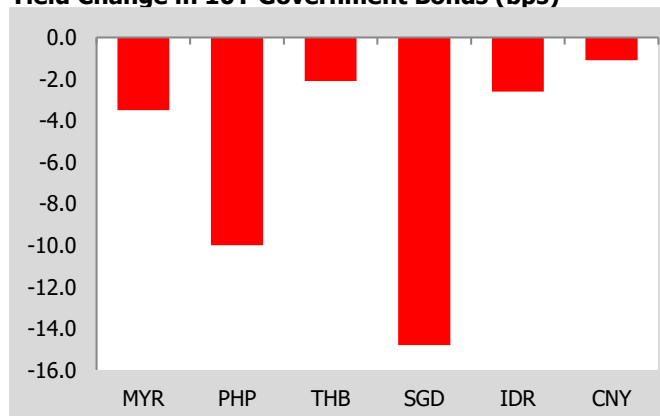
Currencies Changes (Week Ended 10 June 2024) and Quarterly Forecasts

	Close (07/06)	Prev. Close (31/05)	Weekly Change	Weekly Change (%)	1QCY24	2QCY24f	3QCY24f	4QCY24f
DXY Index	104.89	104.67	+0.214	+0.2	104.49	102.5	101.1	99.7
EURUSD	1.080	1.085	-0.005	-0.4	1.079	1.09	1.10	1.12
GBPUSD	1.272	1.274	-0.002	-0.2	1.262	1.24	1.26	1.27
USDJPY	156.75	157.31	+0.560	+0.4	151.35	141.0	138.0	135.0
USDMYR	4.692	4.7065	+0.015	+0.3	4.725	4.685	4.556	4.430
GBPMYR	6.004	5.989	-0.015	-0.2	5.960	5.73	5.72	5.74
JPYMYR	2.993	2.993	-0.000	-0.0	3.122	3.25	3.26	3.30
MIDF TWRI	86.25	86.11	+0.148	+0.2	85.00	86.40	88.00	91.50

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

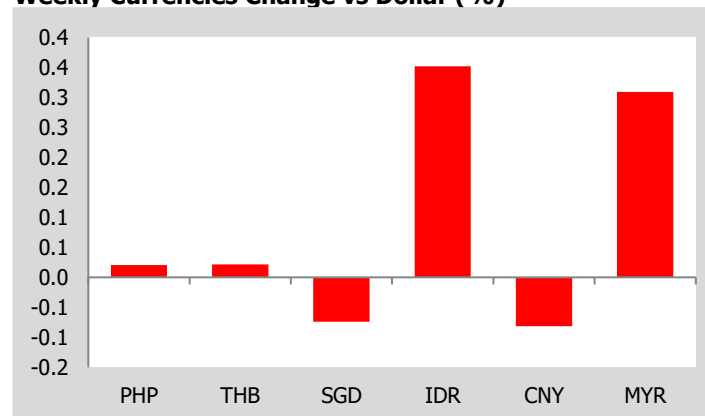
Source: Bloomberg, MIDFR

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 (%)

	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24
Malaysia	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Indonesia	6.00	6.00	6.00	6.00	6.00	6.00	6.25	6.25	6.25
Philippines	6.50	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)	0.00-0.10	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	4.25
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:
 - Mixed signal on the US manufacturing activities. The ISM Manufacturing PMI indicated a sharper fall in manufacturing activities as the index declined sharper than expected to 48.7 in May-24 (Apr-24: 49.2). Meanwhile, the final reading of US S&P Global Manufacturing PMI was revised higher to 51.3 from preliminary 50.9 (Apr-24: 50.0), signalling a stronger expansion in the manufacturing sector.
 - The services sector advanced faster in May-24. ISM Services PMI rose to a 9-month high at 53.8 (Apr-24: 49.4), higher than 50.8 expected by the market consensus. This was also backed by the rise in the S&P Global Services PMI rose to 54.8 (Apr-24: 51.3), the highest reading in a year.
 - Resilience in the US job market following stronger-than-expected job growth, despite new sign of cooling:
 - Nonfarm payrolls surged by +272K in May-24 (Apr-24: +165K), surpassing expectations of +185K. In contrast, the ADP reported a softer rise in private payrolls at +152K in May-24, the slowest in 5 months.
 - The unemployment rate increased to 4.0% (Apr-24: 3.9%), the highest since Jan-22. The market consensus expected the jobless rate to remain at 3.9%.
 - Labour demand eased further as JOLTs job openings declined to 8.06m in Apr-24 (Mar-24: 8.36m), the lowest since Feb-21 and lower than market expectations of 8.34m.
 - Initial jobless claims for the week ended 1st June 2024 surged to 229K (previous week: 221K), surpassing market projections of 220K.
- Monetary decisions announced last week:
 - European Central Bank (ECB) cut its benchmark interest rate by -25bps to 4.25% in its Jun-24 decision, as the market expected following broadly easing inflation in euro area.
 - Reserve Bank of India (RBI) maintained its interest rate at 6.50%, conforming to market expectations despite persistent price pressure and continued economic resilience.
- Activities in Malaysia's manufacturing sector expanded in May-24 as the S&P Global Manufacturing PMI rose to 50.2 in May-24 (Apr-24: 49), marking the first expansion since Aug-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



- 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	31-May Fri	3-Jun Mon	4-Jun Tue	5-Jun Wed	6-Jun Thu	7-Jun Fri	Change (WoW bp)
MGS							
3-Y	3.573	3.573	3.581	3.559	3.545	3.559	-1.4
5-Y	3.69	3.69	3.671	3.66	3.651	3.644	-4.6
7-Y	3.837	3.837	3.83	3.819	3.82	3.777	-6
10-Y	3.893	3.893	3.881	3.87	3.868	3.862	-3.1
20-Y	4.116	4.116	4.129	4.14	4.124	4.122	0.6
RINGGIT IRS							
1-Y	3.6075	3.6075	3.595	3.595	3.605	3.59	-1.75
3-Y	3.62	3.62	3.595	3.595	3.605	3.59	-3
5-Y	3.705	3.705	3.68	3.6675	3.6725	3.655	-5
7-Y	3.8025	3.8025	3.785	3.78	3.775	3.77	-3.25
10-Y	3.9225	3.9225	3.9	3.89	3.882	3.885	-3.75
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	4.6798	4.608	4.5535	4.499	4.5047	4.669	-1.08
5-Y	4.507	4.4048	4.345	4.2941	4.2993	4.4626	-4.44
7-Y	4.5066	4.3969	4.3293	4.2775	4.2877	4.4485	-5.81
10-Y	4.4985	4.3884	4.3259	4.2755	4.287	4.4335	-6.5
30-Y	4.6472	4.5376	4.4735	4.4297	4.4352	4.5546	-9.26
USD LIBOR							
1-M	5.44429	5.44242	5.442	5.44239	5.44078	5.44212	-0.217
3-M	5.60445	5.60156	5.6001	5.59912	5.59605	5.5956	-0.885

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	31-May Yield	7-Jun Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.478	06/14/24	3.261	2.100	-116.1	2,519.7
MALAYSIA GOVERNMENT	4.059	09/30/24	3.229	3.152	-7.7	1,422.0
MALAYSIA GOVERNMENT	2.632	04/15/31	3.837	3.777	-6.0	1,129.1
MALAYSIA INVESTMNT ISSU	4.582	08/30/33	3.890	3.866	-2.4	1,050.0
MALAYSIA INVESTMNT ISSU	4.291	08/14/43	4.146	4.012	-13.4	1,023.8
MALAYSIA GOVERNMENT	3.885	08/15/29	3.690	3.644	-4.6	1,005.4
MALAYSIA INVESTMNT ISSU	4.07	09/30/26	3.525	3.485	-4.0	882.0
MALAYSIA GOVERNMENT	3.502	05/31/27	3.573	3.559	-1.4	864.8
MALAYSIA INVESTMNT ISSU	4.193	10/07/32	3.874	3.853	-2.1	614.1
MALAYSIA GOVERNMENT	3.882	03/14/25	3.303	3.331	2.8	605.7
TOTAL VOLUME (TOP 10)						11,116.5
TOTAL VOLUME (Overall)						19,685.0

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	31-May Yield	7-Jun Yield	Change (WoW bp)	Weekly Volume (RM mn)
PRASARANA MALAYSIA BHD	4.54	03/03/42	4.156	4.119	-3.7	240.0
TOYOTA CAPITAL MALAYSI	4.35	08/29/28	3.968	3.908	-6.0	71.0
JAMBATAN KEDUA SDN BHD	4.52	05/28/30	3.869	3.837	-3.2	70.0
JOHOR CORPORATION	4.54	07/06/33	4.023	4.008	-1.5	70.0
PRASARANA MALAYSIA BHD	3.44	02/24/40	N/A	4.070	N/A	60.0
BANK ISLAM MALAYSIA BH	4.1	11/12/31	N/A	4.094	N/A	60.0
CAGAMAS BERHAD	3.9	04/14/26	3.733	3.677	-5.6	55.0
MUMTAZ RAKYAT SUKUK B	3.78	06/25/31	3.894	3.893	-0.1	50.0
JOHOR CORPORATION	4.72	06/11/27	4.013	3.978	-3.5	50.0
PROJEK LEBUHRAYA USAHA	4.773	01/12/34	4.017	3.939	-7.8	50.0
TOTAL VOLUME (TOP 10)						776.0
TOTAL VOLUME (Overall)						2,490.6

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