

MIDF Strategy 13 May 2024

Week Ended 10 May 2024

- The benchmark 10-year UST yield ended the review week lower at 4.50% (prior week: 4.51%) as investors reacted to bigger-than-expected initial jobless claims which rose to the highest in more than eight months. The 10y-3y yield spread inverted deeper at -17bps (prior week: -14bps) as the long-end outperformed. Meanwhile, the interest rate futures market continued to imply 2 rate cuts this year.
- Medium-term inflation expectation (MTIE) ended the review week lower at 2.35% (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 progressively ebbing.
- The price of MGS benchmark issues ended the review week mixed with the 3-year and 10-year yields added 0.3bp and shed -3.0bps to close at 3.60% and 3.91% respectively. The 10y-3y yield spread narrowed (yield curve flattened) week-on-week from 34bps to 31bps 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 -RM1.10b. It improved week-on-week from -RM2.33b registered a week ago. Moreover, it improved year-on-year from -RM4.72b a year ago.

Weekly Money Review

A. FIXED INCOME

- The benchmark 10-year UST yield ended the review week lower at 4.50% (prior week: 4.51%) as investors reacted to bigger-than-expected initial jobless claims which rose to the highest in more than eight months. The 10y-3y yield spread inverted deeper at -17bps (prior week: -14bps) as the long-end outperformed. Meanwhile, the interest rate futures market continued to imply 2 rate cuts this year.



Source: Bloomberg, MIDFR (G628, G629)

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



Source: Bloomberg, MIDFR (G653)

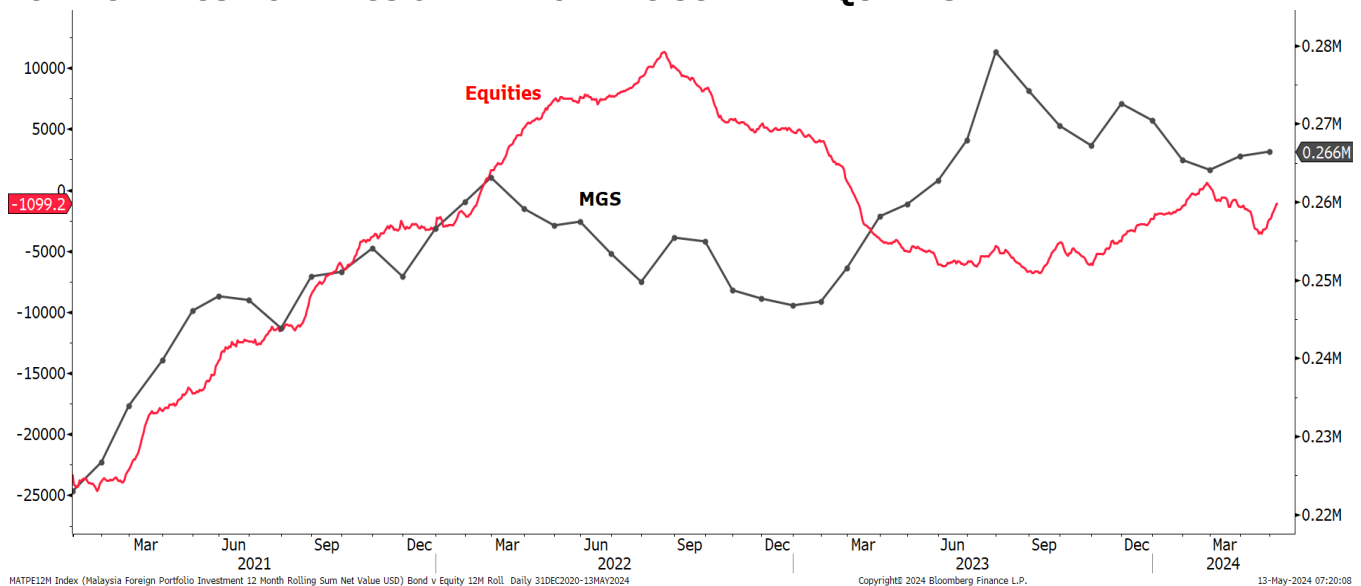
The price of MGS benchmark issues ended the review week mixed with the 3-year and 10-year yields added 0.3bp and shed -3.0bps to close at 3.60% and 3.91% respectively. The 10y-3y yield spread narrowed (yield curve flattened) week-on-week from 34bps to 31bps as the long-end outperformed.



Source: Bloomberg, MIDFR (G630, G631)

- Total trading value for Government Bonds (MGS/MII) increased to RM14.94b in the review week compared to RM12.65b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 52% from 48% 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 MII 4.07% 9/30/26 at RM1.42b, MII 3.804% 10/8/31 at RM1.06b, and MGS 4.181% 7/15/24 at RM782m.

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 -RM1.10b. It improved week-on-week from -RM2.33b registered a week ago. Moreover, it improved year-on-year from -RM4.72b a year ago.
- Total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM3.19b in the review week compared to RM2.31b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 41% from 42% of the overall Corporate Bonds trades.
- The top 3 actively traded Corporate Bonds were dominated by issues of long residual tenor. The top 3 most actively traded were Danainfra 5.07% 10/20/42 at RM300m, PLUS 5% 12/31/38 at RM200m, and Prasarana 4.54% 3/3/42 at RM150m.

B. FOREIGN EXCHANGE

- USD gained after 2 weeks of depreciation. The US dollar strengthened last week as the DXY dollar index rose by +0.3%wow to 105.30, reversing some of the declines in the previous 2 weeks. Despite closing at the intra-week high of 105.55 on Wednesday, the dollar weakened as a new sign of cooling labour market boosted expectations for rate cuts by the Fed this year.
- Euro appreciated while the pound weakened. The euro gained by +0.1%wow to USD1.077, supported by hawkish sentiment from the ECB in addition to weaker dollar. Meanwhile, the pound sterling depreciated -0.2%wow to USD1.253 after BOE kept interest rates steady and revised downward its projection for the UK inflation outlook.
- Ringgit was virtually unchanged against the dollar. The ringgit was virtually unchanged from the previous week, closing at RM4.740 last Friday. Despite the strength in dollar, the local currency gained following encouraging regional trade performance. Beyond USDMYR, the ringgit managed to gain against the currencies of Malaysia's major trading partners and regional currencies as our MIDF Trade-Weighted Ringgit Index rose by +0.2%wow to 85.35, with significant gains against the Japanese yen. The ringgit performance was not so much influenced by the commodity price movement, despite further fall in the Brent crude oil prices by -0.2%wow to USD82.79pb.

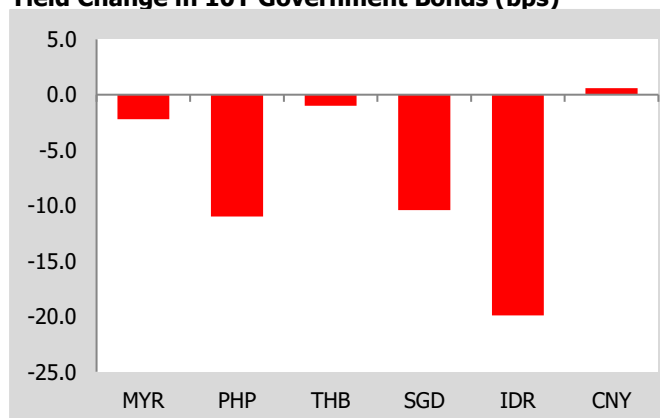
Currencies Changes (Week Ended 10 May 2024) and Quarterly Forecasts

	Close (10/05)	Prev. Close (03/05)	Weekly Change	Weekly Change (%)	1QCY24	2QCY24f	3QCY24f	4QCY24f
DXY Index	105.30	105.03	+0.271	+0.3	104.49	102.5	101.1	99.7
EURUSD	1.077	1.076	+0.001	+0.1	1.079	1.09	1.10	1.12
GBPUSD	1.253	1.255	-0.002	-0.2	1.262	1.24	1.26	1.27
USDJPY	155.78	153.05	-2.730	-1.8	151.35	141.0	138.0	135.0
USDMYR	4.740	4.739	-0.001	-0.0	4.725	4.685	4.556	4.430
GBPMYR	5.939	5.951	+0.013	+0.2	5.960	5.73	5.72	5.74
JPYMYR	3.043	3.097	+0.054	+1.8	3.122	3.25	3.26	3.30
MIDF TWRI	85.35	85.21	+0.137	+0.2	85.00	86.40	88.00	91.50

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

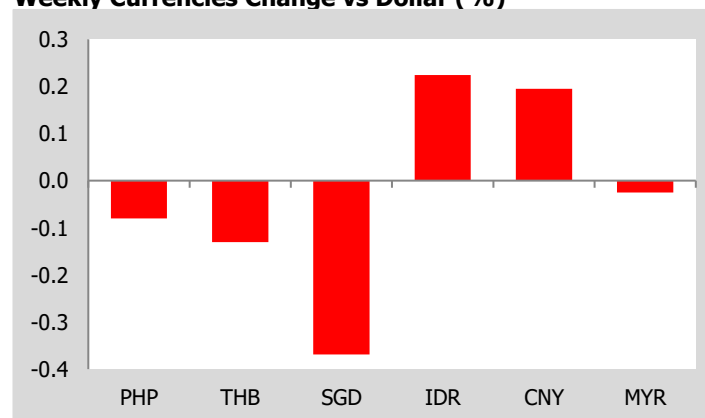
Source: Bloomberg, MIDFR

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 (%)

	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 sentiment fell. Michigan Consumer Sentiment plunged to 67.4 in May-24 (Apr-24: 77.2) missing market expectations of 76.0.
 - Further sign of cooling in the labour market. Initial jobless claims for the week ended 4th May 2024 soared to 231K (previous week: 209K), the highest since Aug-23 and well above market expectations of 210K.
- Monetary decisions announced last week:
 - On 7 May 2024, Reserve Bank of Australia unsurprisingly kept the interest rate steady at 4.35% in response to signs the sticky inflation situation.
 - On 8 May 2024,
 - Bank Negara Malaysia kept the interest rate steady at 3.00% as expected, citing improvement in economic conditions while inflation remained under control.
 - The Bank of England (BOE) maintained its interest rate at 5.25% as predicted by market consensus. BOE also revised downward its forecast for the UK inflation and upgraded its growth projection.
- Malaysia economic data released last week:
 - Full employment continued. The unemployment rate remained at a post-pandemic low of 3.3% in Mar-24 as the labour force and employment grew steadily by +1.7%yoy and +1.9%yoy respectively.
 - Industrial production remained expansionary. IPI extended its expansionary growth into the 3rd consecutive month, advancing +2.4%yoy in Mar-24 (Feb-24: +3.1%yoy).
 - More encouraging consumer spending. Retail trade sales rose by +7.1%yoy in Mar-24, marking the fastest growth since May-23.

C. BNM INTERNATIONAL RESERVES

- As of 30 April 2024, compared to previous fortnight, Bank Negara Malaysia's international reserves was lower at USD112.8b (15 April 2024: USD113.4b).

BNM INTERNATIONAL RESERVES



Source: Bloomberg, MIDFR (G662)

- The number of reserves is sufficient to finance 5.5 months of imports of goods & services and is 1.0 times total short-term external debt. 📈

APPENDIX

WEEKLY INTEREST RATE MONITOR

Tenor	3-May Fri	6-May Mon	7-May Tue	8-May Wed	9-May Thu	10-May Fri	Change (WoW bp)
MGS							
3-Y	3.593	3.578	3.588	3.592	3.617	3.596	0.3
5-Y	3.758	3.726	3.724	3.727	3.749	3.747	-1.1
7-Y	3.866	3.854	3.824	3.838	3.851	3.84	-2.6
10-Y	3.937	3.905	3.905	3.912	3.923	3.907	-3
20-Y	4.198	4.186	4.178	4.16	4.159	4.141	-5.7
RINGGIT IRS							
1-Y	3.665	3.65	3.64	3.64	3.6475	3.63	-3.5
3-Y	3.685	3.675	3.665	3.66	3.68	3.66	-2.5
5-Y	3.78	3.76	3.77	3.7525	3.7825	3.755	-2.5
7-Y	3.9	3.873	3.855	3.859	3.89	3.865	-3.5
10-Y	4.0025	3.988	3.98	3.975	3.995	3.98	-2.25
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	4.6483	4.6484	4.6428	4.6495	4.6212	4.6693	2.1
5-Y	4.4993	4.4869	4.471	4.4991	4.469	4.5128	1.35
7-Y	4.4985	4.4827	4.4565	4.4905	4.4564	4.5007	0.22
10-Y	4.5077	4.4874	4.457	4.4937	4.4531	4.4963	-1.14
30-Y	4.6645	4.6349	4.5974	4.639	4.6075	4.6386	-2.59
USD LIBOR							
1-M	5.43689	5.43689	5.43435	5.43534	5.43533	5.43435	-0.254
3-M	5.58916	5.58916	5.58483	5.58718	5.58514	5.58359	-0.557

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	3-May Yield	10-May Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA INVESTMNT ISSU	4.07	09/30/26	3.556	3.534	-2.2	1,420.7
MALAYSIA INVESTMNT ISSU	3.804	10/08/31	3.874	3.813	-6.1	1,062.3
MALAYSIA GOVERNMENT	4.181	07/15/24	3.224	3.367	14.3	782.0
MALAYSIA GOVERNMENT	2.632	04/15/31	3.866	3.840	-2.6	677.0
MALAYSIA GOVERNMENT	3.502	05/31/27	3.593	3.596	0.3	662.6
MALAYSIA GOVERNMENT	3.478	06/14/24	3.574	3.146	-42.8	651.9
MALAYSIA GOVERNMENT	4.054	04/18/39	4.055	4.027	-2.8	638.6
MALAYSIA GOVERNMENT	4.696	10/15/42	4.198	4.141	-5.7	636.1
MALAYSIA GOVERNMENT	4.642	11/07/33	3.937	3.907	-3.0	594.1
MALAYSIA INVESTMNT ISSU	4.582	08/30/33	3.947	3.895	-5.2	572.5
TOTAL VOLUME (TOP 10)						7,697.7
TOTAL VOLUME (Overall)						14,938.8

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	3-May Yield	10-May Yield	Change (WoW bp)	Weekly Volume (RM mn)
DANAINFRA NASIONAL	5.07	10/20/42	N/A	4.164	N/A	300.0
PROJEK LEBUHRAYA USAHA	5	12/31/38	4.094	4.058	-3.6	200.0
PRASARANA MALAYSIA BHD	4.54	03/03/42	N/A	4.156	N/A	150.0
PROJEK LEBUHRAYA USAHA	4.773	01/12/34	N/A	4.017	N/A	120.0
PROJEK LEBUHRAYA USAHA	4.891	01/11/36	4.009	4.039	3.0	120.0
DANAINFRA NASIONAL	4.63	11/23/29	N/A	3.798	N/A	100.0
CAGAMAS BERHAD	3.74	07/24/24	3.499	3.508	0.9	100.0
DANAINFRA NASIONAL	4.51	11/08/41	N/A	4.145	N/A	100.0
CIMB GROUP HOLDINGS BH	3.88	06/12/24	3.568	3.282	-28.6	70.0
BANK MUAMALAT MALAYSI	4.5	06/13/31	N/A	4.198	N/A	60.0
TOTAL VOLUME (TOP 10)						1,320.0
TOTAL VOLUME (Overall)						3,188.0

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