

## MIDF Strategy 18 June 2024

### Week Ended 14 June 2024

- The UST market rallied with benchmark 10-year yield ended the review week lower at 4.22% (prior week: 4.43%) as investors reacted to weaker-than-expected inflation data, i.e. both CPI and PPI for the month of May came in lower than market estimates. The 10y-3y yield rebounded but remains inverted at -22bps (prior week: -24bps) as the short-end outperformed due to its sensitivity to expectation of policy rate movements. Meanwhile, at week close, the interest rate futures market anticipated 2 rate cuts (prior week: 1 rate cut) in September and December this year.
- Medium-term inflation expectation (MTIE) ended the review week lower at 2.13% (prior week: 2.28%). The MTIE fell below 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 ebbing.
- The price of MGS benchmark issues ended the review week mixed with the 3-year and 10-year yields shed -2.1bps and added 0.1bp to close at 3.54% and 3.86% respectively. The 10y-3y yield spread expanded (yield curve steepened) week-on-week from 30bps to 32bps as the short-end outperformed.
- MGS foreign holdings increased year-on-year from RM263b in May 2023 to RM272b in May 2024. Moreover, it risen month-on-month from RM266b in April 2024. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at RM1.34b. It increased week-on-week from RM660m registered a week ago. Moreover, it improved year-on-year from -RM5.92b a year ago.

## Weekly Money Review

### A. FIXED INCOME

- The UST market rallied with benchmark 10-year yield ended the review week lower at 4.22% (prior week: 4.43%) as investors reacted to weaker-than-expected inflation data, i.e. both CPI and PPI for the month of May came in lower than market estimates. The 10y-3y yield rebounded but remains inverted at -22bps (prior week: -24bps) as the short-end outperformed due to its sensitivity to expectation of policy rate movements. Meanwhile, at week close, the interest rate futures market anticipated 2 rate cuts (prior week: 1 rate cut) in September and December this year.



Source: Bloomberg, MIDFR (G628, G629)

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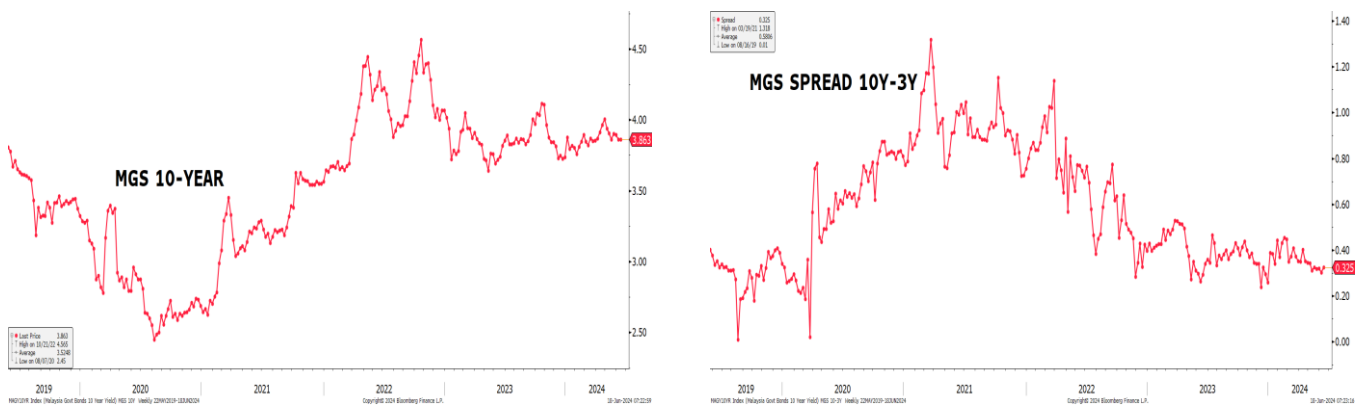
### MEDIUM-TERM INFLATION EXPECTATION (MTIE): 5Y UST-TIPS SPREAD



Source: Bloomberg, MIDFR (G653)

The price of MGS benchmark issues ended the review week mixed with the 3-year and 10-year yields shed -2.1bps and added 0.1bp to close at 3.54% and 3.86% respectively. The 10y-3y yield spread expanded (yield curve steepened) week-on-week from 30bps to 32bps as the short-end outperformed.

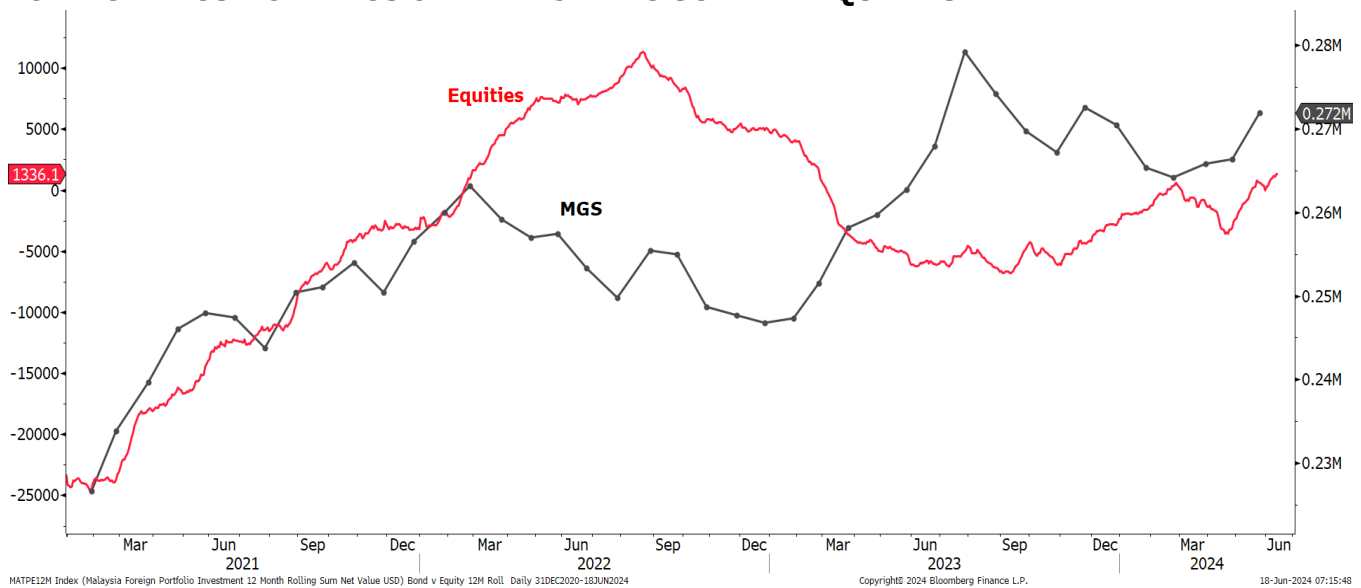




Source: Bloomberg, MIDFR (G630, G631)

- Total trading value for Government Bonds (MGS/MII) declined to RM16.58b in the review week compared to RM19.68b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 60% from 56% 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 short residual tenor. The top 3 most actively traded were MGS 3.478% 6/14/24 at RM2.10b, MGS 3.502% 5/31/27 at RM1.41b, and MGS 4.059% 9/30/24 at RM1.11b.

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



Source: Bloomberg, MIDFR (G659)

- MGS foreign holdings increased year-on-year from RM263b in May 2023 to RM272b in May 2024. Moreover, it rose month-on-month from RM266b in April 2024. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at RM1.34b. It increased week-on-week from RM660m registered a week ago. Moreover, it improved year-on-year from -RM5.92b a year ago.
- Total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM3.70b in the review week compared to RM2.49b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 30% from 31% 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 BGSM Management 4.47% 8/13/27 at RM200m, Danainfra 5.23% 10/18/52 at RM150m, and Danainfra 4.09% 10/20/26 at RM120m.

## B. FOREIGN EXCHANGE

- USD strengthened further. The US dollar appreciated for the second consecutive week last week as the DXY dollar index rose by +0.6%*wow* to 105.55, closing at the strongest level since early May-24. The dollar's gain was mainly underpinned by more hawkish sentiment after last week's FOMC meeting with the Fed keeping its restrictive policy interest rate steady.
- Euro and pound retreated. As dollar strengthened, both the euro and pound sterling depreciated by -0.9%*wow* to USD1.070 and -0.3%*wow* to USD1.269, respectively. The steeper depreciation for the euro was due to the bearish sentiment on the ECB's next move and France's political uncertainty.
- Ringgit reversed the previous week's gain. Ringgit depreciated by -0.6%*wow* to RM4.721 following the renewed strength in the US dollar. Similarly, the ringgit weakened against the currencies of Malaysia's major trading partners and regional currencies as our MIDF Trade-Weighted Ringgit Index fell -0.3%*wow* to 85.97, the lowest weekly closing in 3 weeks. The ringgit depreciated the most against the Australian dollar, Chinese yuan and Thai baht; but strengthened against Indonesian rupiah. Commodity prices also failed to prop up the ringgit despite the Brent crude oil prices rising +3.8%*wow* to USD82.62pb (previous week: USD79.62pb).

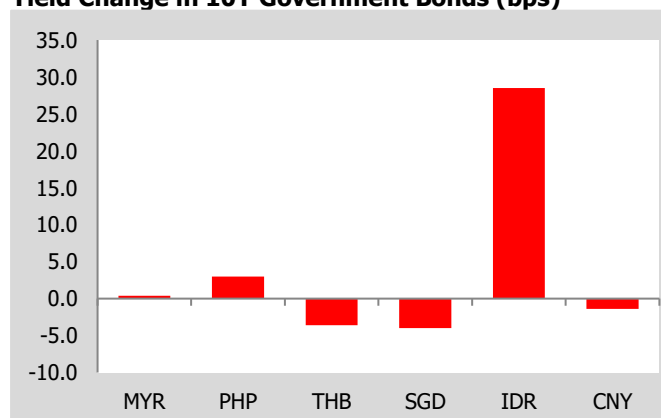
### Currencies Changes (Week Ended 14 June 2024) and Quarterly Forecasts

	Close (14/06)	Prev. Close (07/06)	Weekly Change	Weekly Change (%)	1QCY24	2QCY24f	3QCY24f	4QCY24f
DXY Index	105.55	104.89	+0.665	+0.6	104.49	102.5	101.1	99.7
EURUSD	1.070	1.080	-0.010	-0.9	1.079	1.09	1.10	1.12
GBPUSD	1.269	1.272	-0.003	-0.3	1.262	1.24	1.26	1.27
USDJPY	157.4	156.75	-0.650	-0.4	151.35	141.0	138.0	135.0
USDMYR	4.721	4.692	-0.029	-0.6	4.725	4.685	4.556	4.430
GBPMYR	5.999	6.004	+0.005	+0.1	5.960	5.73	5.72	5.74
JPYMYR	3.000	2.993	-0.007	-0.2	3.122	3.25	3.26	3.30
MIDF TWRI	85.97	86.25	-0.288	-0.3	85.00	86.40	88.00	91.50

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

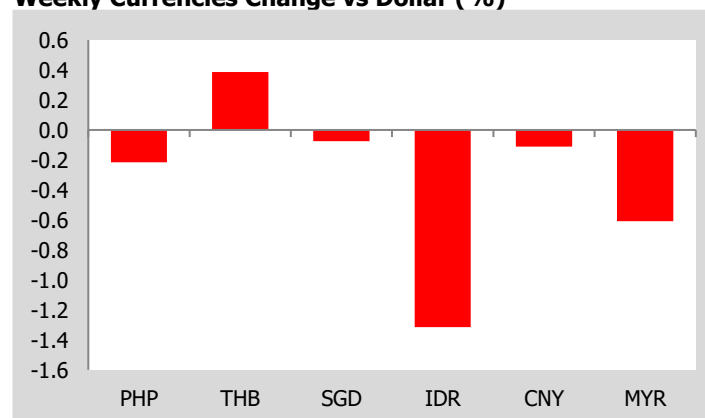
Source: Bloomberg, MIDFR

### 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 (%)

	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:
  - Consumer sentiment declined. The Michigan Consumer Sentiment Index unexpectedly fell to 65.6 in Jun24 (May-24: 69.1), missing market expectations for an increase to 72.0 as consumers expressed concerns about rising prices and weaker incomes.
  - Labour market signalled further cooling. Initial jobless claims for the week ending 8th June 2024 jumped to a 10-month high of 242K (previous week: 229K), exceeding market expectations of 225K.
  - Price pressure moderated further:
    - Headline CPI inflation moderated to +3.3%yoy in May-24, marginally lower than +3.4%yoy expected by market consensus. Meanwhile, core CPI inflation eased to +3.4%yoy (Apr-24: +3.6%yoy; market consensus: +3.5%yoy), marking the slowest rise in over 3 years.
    - Producer price inflation decelerated to +2.2%yoy in May-24 (Apr-24: +2.3%yoy), against market expectations of a faster +2.5%yoy inflation.
- Monetary decisions last week:
  - The Fed's FOMC kept its benchmark fed funds rate (FFR) at the existing range of 5.25-5.50%. The decision was widely anticipated as the US inflation remained above the Fed's 2% target. The FOMC also revised its FFR forecast to only 1 rate cut this year (previous forecast: 3 rate cuts).
  - Bank of Japan (BOJ) maintained the current interest rate at 0.00%-0.10% in its Jun-24 policy meeting, conforming to market expectations. The decision was accompanied by indications to reduce bond purchases to allow long-term rates to move more freely.
  - Bank of Thailand (BOT) kept the benchmark interest rate steady at 2.50% in Jun-24, as expected by the market consensus. BOT deemed the current rate is aligned with the improving growth and inflation outlook.
  - The Central Bank of the Republic of China maintained its interest rate steady at 2.00%, stating the current stance is appropriate for stability in overall economic and financial development.
- Malaysia economic data released last week:
  - IPI growth accelerated to +6.1%yoy in Apr-24. Malaysia's IPI grew faster at +6.1%yoy in Apr-24 (Mar-24: +2.4%yoy), driven by increased output in the mining (+10%yoy) and manufacturing (+4.9%yoy) industries.
  - Healthy job market. Malaysia's labour market remained steady and stable with unemployment rate staying at the post-pandemic low of 3.3% in Apr-24.
  - Domestic demand remained robust. Malaysia's consumer demand remained steady as overall domestic trade expanded by +6.6%yoy in Apr-24, the fastest pace since Sep-23.

## C. BNM INTERNATIONAL RESERVES

- As of 31 May 2024, compared to previous fortnight, Bank Negara Malaysia's international reserves was higher at USD113.6b (15 May 2024: USD113.3b).

### BNM INTERNATIONAL RESERVES



Source: Bloomberg, MIDFR (G662)

- 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	7-Jun Fri	10-Jun Mon	11-Jun Tue	12-Jun Wed	13-Jun Thu	14-Jun Fri	Change (WoW bp)
<b>MGS</b>							
3-Y	3.559	3.591	3.555	3.541	3.545	3.538	-2.1
5-Y	3.644	3.66	3.664	3.645	3.654	3.655	1.1
7-Y	3.777	3.815	3.802	3.813	3.806	3.797	2
10-Y	3.862	3.869	3.874	3.858	3.863	3.863	0.1
20-Y	4.122	4.173	4.139	4.124	4.129	4.128	0.6
<b>RINGGIT IRS</b>							
1-Y	3.59	3.605	3.595	3.596	3.585	3.585	-0.5
3-Y	3.59	3.605	3.605	3.587	3.585	3.58	-1
5-Y	3.655	3.68	3.6705	3.65	3.65	3.64	-1.5
7-Y	3.77	3.785	3.778	3.7475	3.755	3.75	-2
10-Y	3.885	3.901	3.887	3.879	3.875	3.865	-2
<b>KLIBOR</b>							
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
<b>UST</b>							
3-Y	4.669	4.672	4.5939	4.4953	4.4335	4.4391	-22.99
5-Y	4.4626	4.482	4.4183	4.3161	4.244	4.2383	-22.43
7-Y	4.4485	4.472	4.4091	4.3076	4.2351	4.2166	-23.19
10-Y	4.4335	4.467	4.404	4.316	4.2442	4.2209	-21.26
30-Y	4.5546	4.5958	4.5365	4.4752	4.3964	4.3488	-20.58
<b>USD LIBOR</b>							
1-M	5.44212	5.44355	5.44523	5.44494	5.44332	5.4464	0.428
3-M	5.5956	5.60482	5.60841	5.60822	5.60083	5.60564	1.004

Source: Bloomberg

## 10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	7-Jun Yield	14-Jun Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.478	06/14/24	2.100	3.419	131.9	2,103.0
MALAYSIA GOVERNMENT	3.502	05/31/27	3.559	3.538	-2.1	1,407.8
MALAYSIA GOVERNMENT	4.059	09/30/24	3.152	3.217	6.5	1,109.2
MALAYSIA INVESTMNT ISSU	4.07	09/30/26	3.485	3.461	-2.4	1,024.2
MALAYSIA GOVERNMENT	2.632	04/15/31	3.777	3.797	2.0	995.4
MALAYSIA GOVERNMENT	3.955	09/15/25	3.335	3.291	-4.4	809.5
MALAYSIA GOVERNMENT	4.642	11/07/33	3.862	3.863	0.1	715.8
MALAYSIA GOVERNMENT	3.885	08/15/29	3.644	3.655	1.1	662.0
MALAYSIA GOVERNMENT	3.882	03/14/25	3.331	3.274	-5.7	593.0
MALAYSIA INVESTMNT ISSU	4.582	08/30/33	3.866	3.874	0.8	490.0
TOTAL VOLUME (TOP 10)						9,910.0
TOTAL VOLUME (Overall)						16,576.1

Source: Bloomberg

## 10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	7-Jun Yield	14-Jun Yield	Change (WoW bp)	Weekly Volume (RM mn)
BGSM MANAGEMENT SDN B	4.47	08/13/27	N/A	3.988	N/A	200.0
DANAINFRA NASIONAL	5.23	10/18/52	N/A	4.248	N/A	150.0
DANAINFRA NASIONAL	4.09	10/20/26	N/A	3.579	N/A	120.0
PERBADANAN TABUNG PEN	3.73	03/29/29	3.759	3.708	-5.1	110.0
AEON CREDIT SERVICE M	4.45	12/01/28	4.155	3.962	-19.3	110.0
IJM TREASURY MANAGEME	4.4	03/21/39	4.289	4.238	-5.1	95.0
AMANAT LEBUHRAYA RAKY	4.97	10/12/29	N/A	3.887	N/A	90.0
PENGURUSAN AIR SELANGO	4.66	04/19/33	4.019	4.019	0.0	90.0
TENAGA NASIONAL BERHA	4.98	08/27/38	4.079	4.079	0.0	80.0
PENGURUSAN AIR SELANGO	4.4	10/11/30	3.941	3.949	0.8	60.0
TOTAL VOLUME (TOP 10)						1,105.0
TOTAL VOLUME (Overall)						3,702.4

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