

MIDF Strategy 29 April 2024

Week Ended 26 April 2024

- The UST market succumbed to yet another wave of selling pressure with benchmark 10-year yield closed the review week higher at 4.66% (prior week: 4.62%) as investors reacted to higher-than-expected inflation data. The 10y-3y yield spread rebounded but remains inverted at -17bp (prior week: -20bps) as the long-end underperformed. Meanwhile, the interest rate futures market implied only 1 rate cut this year.
- Medium-term inflation expectation (MTIE) ended the review week higher at 2.45% (prior week: 2.43%). Nonetheless, 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 4.6bps and 4.0bps to close at 3.66% and 4.00% respectively. The 10y-3y yield spread was unchanged week-on-week at 35bps.
- 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 -RM3.22b. It improved on-week from -RM3.28b registered a week ago. Moreover, it improved on-year from -RM4.69b a year ago.

Weekly Money Review

A. FIXED INCOME

- The UST market succumbed to yet another wave of selling pressure with benchmark 10-year yield closed the review week higher at 4.66% (prior week: 4.62%) as investors reacted to higher-than-expected inflation data. The 10y-3y yield spread rebounded but remains inverted at -17bp (prior week: -20bps) as the long-end underperformed. Meanwhile, the interest rate futures market implied only 1 rate cut this year.



Source: Bloomberg, MIDFR (G628, G629)

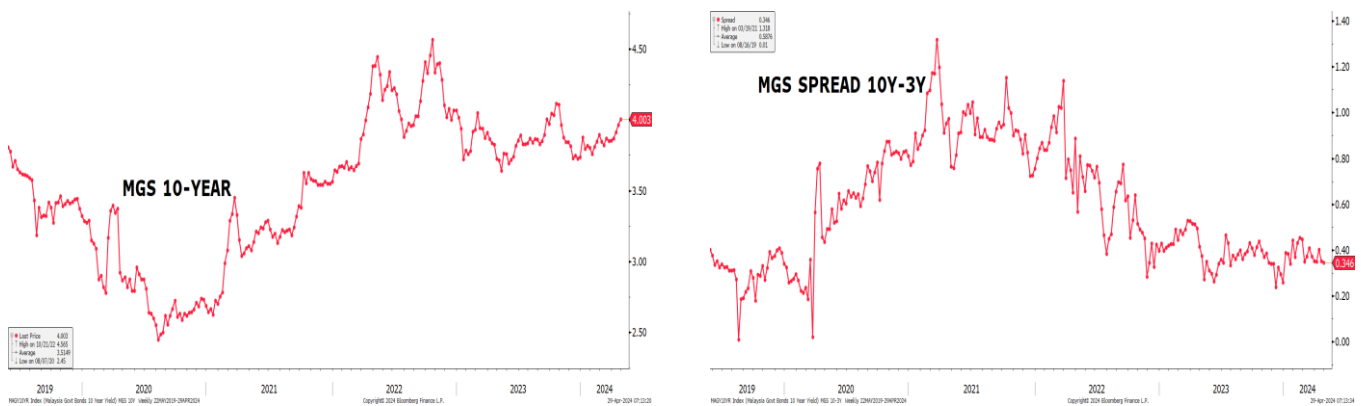
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MEDIUM-TERM INFLATION EXPECTATION (MTIE): 5Y UST-TIPS SPREAD



Source: Bloomberg, MIDFR (G653)

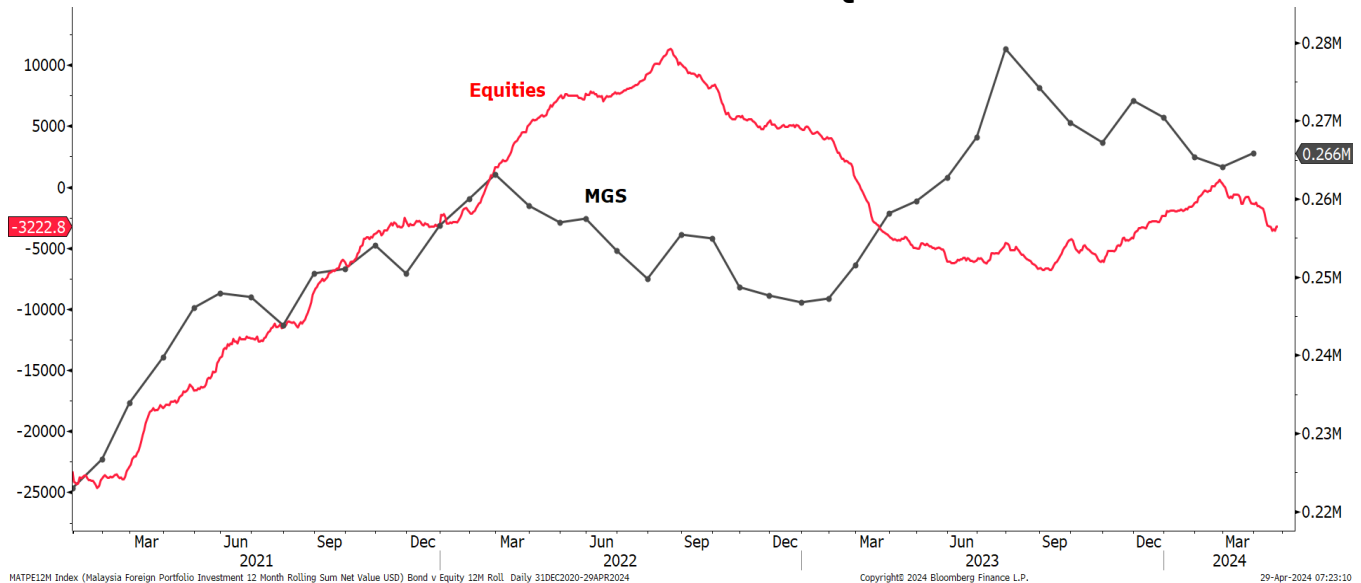
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Source: Bloomberg, MIDFR (G630, G631)

- Total trading value for Government Bonds (MGS/MII) declined to RM15.13b in the review week compared to RM18.29b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 59% from 54% of the overall Government Bonds trades. Moreover, 10 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 and mid residual tenor. The top 3 most actively traded were MGS 3.478% 6/14/24 at RM1.95b, MGS 4.07% 9/30/26 at RM1.41b, and MGS 3.885% 8/15/29 at RM1.18b.

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



Source: Bloomberg, MIDFR (G659)

- MGS foreign holdings increased one year from RM258b in March 2023 to RM266b in March 2024. Moreover, it increased one-month from RM264b in February 2024. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM3.22b. It improved one-week from -RM3.28b registered a week ago. Moreover, it improved one year from -RM4.69b a year ago.
- Total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM5.24b in the review week compared to RM3.03b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 39% from 34% of the overall Corporate Bonds trades.
- The top 3 actively traded Corporate Bonds were dominated by issues of short and mid residual tenor. The top 3 most actively traded were Seaport Terminal Johore FLOAT% 9/27/29 at RM390m, Seaport Terminal Johore FLOAT% 9/27/27 at RM329m, and Seaport Terminal Johore FLOAT% 9/27/28 at RM329m.

B. FOREIGN EXCHANGE

- USD ended 2 weeks appreciation. The US dollar weakened last week as the DXY dollar index declined by -0.2%wow to 105.94. The dollar closed at an intra-week low on Thursday at 105.60, following lower-than-expected GDP data. However, the dollar rebounded and closed relatively higher on Friday after the Fed's favoured inflation gauge came in higher than market expectations.
- Euro and pound appreciated to 3-week highs. As the dollar depreciated, the euro and pound strengthened by +0.3%wow to USD1.069 and +1.0%wow to USD1.249, respectively. The euro and pound sterling both registered the strongest weekly closing in 3 weeks. However, the appreciation of both currencies was partially limited on Friday following the stronger-than-expected US inflation reading.
- Ringgit ended 3 weeks of depreciation. The ringgit appreciated by +0.3%wow to RM4.768, closing at its intra-week high and performing better than most regional currencies. On a wider spectrum, the ringgit broadly appreciated against the currencies of Malaysia's major trading partners and regional currencies. As a result, our MIDF Trade-Weighted Ringgit Index rose +0.3%wow to 85.17, gaining mainly against Japanese yen and Thai baht. Commodity prices also were supportive of the ringgit as Brent crude oil prices rose by +2.5%wow to USD89.50pb (previous week: USD87.29pb).

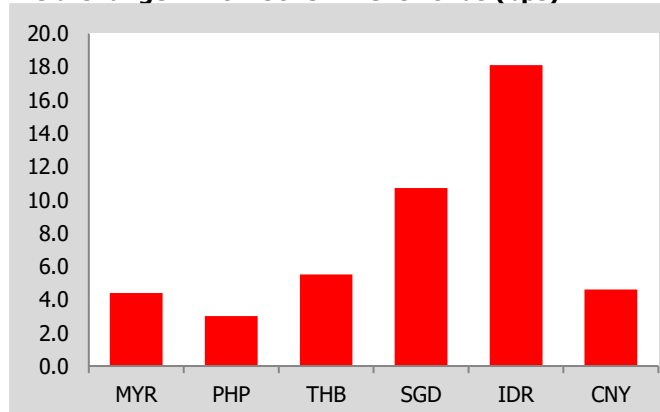
Currencies Changes (Week Ended 26 April 2024) and Quarterly Forecasts

	Close (26/04)	Prev. Close (19/04)	Weekly Change	Weekly Change (%)	1QCY24	2QCY24f	3QCY24f	4QCY24f
DXY Index	105.94	106.15	-0.216	-0.2	104.49	102.5	101.1	99.7
EURUSD	1.069	1.066	+0.004	+0.3	1.079	1.09	1.10	1.12
GBPUSD	1.249	1.237	+0.012	+1.0	1.262	1.24	1.26	1.27
USDJPY	158.33	154.64	-3.690	-2.3	151.35	141.0	138.0	135.0
USDMYR	4.768	4.7832	+0.015	+0.3	4.725	4.685	4.556	4.430
GBPMYR	5.968	5.956	-0.011	-0.2	5.960	5.73	5.72	5.74
JPYMYR	3.013	3.094	+0.081	+2.7	3.122	3.25	3.26	3.30
MIDF TWRI	85.17	84.92	+0.248	+0.3	85.00	86.40	88.00	91.50

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

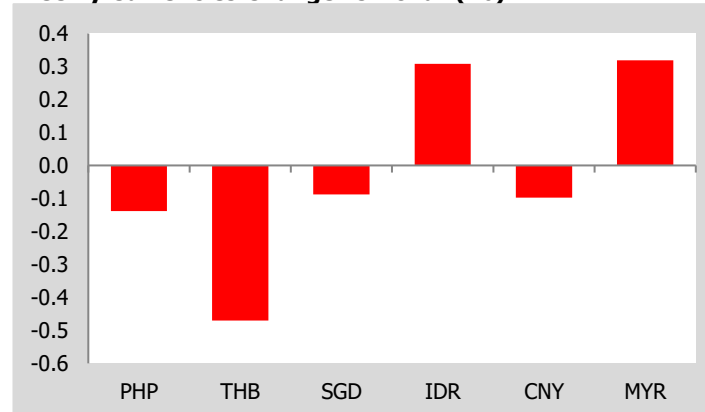
Source: Bloomberg, MIDFR

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 (%)

	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	6.25
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:
 - GDP expanded weaker than expected. The US economy grew at annualised +1.6%qoq in 1QCY24, the softest expansion in 7 quarters and missing market expectations of +2.5%qoq. On a year-on-year basis, the 1Q GDP growth moderated slightly to +3.0%yoy (4QCY23: +3.1%yoy).
 - The services sector expanded slower while the manufacturing sector deteriorated. The US S&P Global Services PMI fell to 50.9 in Apr-24, indicating the softest expansion in 5 months and missing market expectations of 52.0. Concurrently, the manufacturing PMI registered the first contraction in 4 months, falling to 49.9 (Mar-24: 51.9) and well under market projections of 52.0.
 - Inflation persistently sticky in Mar-24. The US PCE inflation accelerated to +2.7%yoy in Mar-24, the highest in 4 months and higher than market expectations of +2.6%yoy. The core PCE inflation was unchanged at +2.8%yoy, against market expectations for a decline to +2.6%yoy.
 - Consumer sentiment weakened in Apr-24. The University of Michigan consumer sentiment was revised lower to 77.2 in Apr-24 (Mar-24: 79.4), from a preliminary of 77.9, as consumers indicated uncertainty about future economic trajectory and higher inflation expectations in the next 1 year.
 - Labour market continued its resilience. Initial jobless claims for the week ending 20th April 2024 fell to 207K (previous week: 212K), better than market expectations for an increase to 214K.
- Monetary decisions announced last week:
 - People's Bank of China (PBOC) maintained its 1-year and 5-year Loan Prime Rates (LPRs) unchanged at 3.45% and 3.95% respectively, yesterday, conforming to market expectations. The decision arrived following better-than-expected economic growth reported in 1QCY24.
 - Bank Indonesia (BI) surprised the market with a hike, raising the policy interest rate by +25bps to 6.25%, against market expectations for the rate to remain steady at 6.00%. The decision, which brought the benchmark rate to the highest level since its introduction in 2016, was to support the stability of the IDR.
 - Bank of Japan (BOJ) maintained its interest rate at 0.00%-0.10% in its first policy meeting after ending its negative interest rate policy in Mar-24. BOJ also revised upward its core inflation forecast and downgraded Japan's growth outlook.
- Malaysia economic data released last week:
 - The headline CPI inflation remained at +1.8%yoy in Mar-24, the 7th straight month of below +2.0% level. Core inflation eased to a more than 2-year low at +1.7%yoy, reducing the possibility of any OPR hike.
 - PPI inflation accelerated to +1.6%yoy in Mar-24, as prices increased for the 2nd month and the highest since Dec-22, signaling renewed cost pressures to local producers.
 - The Leading Index continued to signal improving momentum as the index rose further for the third month in Feb-24, albeit relatively slower at +2.0%yoy (Jan-24: +3.4%yoy). The Coincident Index also rose at moderate pace of +1.9%yoy (Jan-24: +3.1%yoy), but continued to indicate growing economic activities for the 30th consecutive month.

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	19-Apr Fri	22-Apr Mon	23-Apr Tue	24-Apr Wed	25-Apr Thu	26-Apr Fri	Change (WoW bp)
MGS							
3-Y	3.611	3.594	3.575	3.608	3.632	3.657	4.6
5-Y	3.731	3.758	3.746	3.754	3.804	3.817	8.6
7-Y	3.888	3.89	3.882	3.887	3.904	3.936	4.8
10-Y	3.963	3.963	3.956	3.97	3.987	4.003	4
20-Y	4.186	4.187	4.183	4.18	4.194	4.216	3
RINGGIT IRS							
1-Y	3.652	3.66	3.65	3.6625	3.685	3.685	3.3
3-Y	3.655	3.68	3.68	3.675	3.71	3.73	7.5
5-Y	3.76	3.78	3.785	3.785	3.82	3.835	7.5
7-Y	3.872	3.895	3.895	3.91	3.935	3.939	6.7
10-Y	3.985	4.0225	4.02	4.03	4.06	4.06	7.5
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	4.8211	4.8013	4.7672	4.7846	4.8536	4.8371	1.6
5-Y	4.6701	4.6504	4.6289	4.6564	4.7189	4.687	1.69
7-Y	4.6513	4.6352	4.6218	4.6545	4.7281	4.6832	3.19
10-Y	4.6207	4.6085	4.6004	4.6417	4.7039	4.663	4.23
30-Y	4.7106	4.7127	4.7272	4.7712	4.8123	4.7754	6.48
USD LIBOR							
1-M	5.43138	5.43019	5.43133	5.43264	5.43274	5.43021	-0.117
3-M	5.58801	5.58455	5.58516	5.58606	5.58648	5.59111	0.31

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	19-Apr Yield	26-Apr Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.478	06/14/24	3.247	3.304	5.7	1,954.0
MALAYSIA INVESTMNT ISSU	4.07	09/30/26	3.487	3.612	12.5	1,407.7
MALAYSIA GOVERNMENT	3.885	08/15/29	3.731	3.817	8.6	1,183.1
MALAYSIA GOVERNMENT	3.882	03/14/25	3.324	3.374	5.0	978.7
MALAYSIA INVESTMNT ISSU	3.599	07/31/28	3.713	3.788	7.5	760.0
MALAYSIA INVESTMNT ISSU	3.804	10/08/31	3.866	3.901	3.5	570.0
MALAYSIA GOVERNMENT	4.181	07/15/24	3.280	3.297	1.7	557.2
MALAYSIA GOVERNMENT	4.642	11/07/33	3.963	4.003	4.0	547.7
MALAYSIA INVESTMNT ISSU	3.655	10/15/24	3.283	3.284	0.1	514.0
MALAYSIA GOVERNMENT	3.733	06/15/28	3.687	3.817	13.0	448.5
TOTAL VOLUME (TOP 10)						8,921.0
TOTAL VOLUME (Overall)						15,127.2

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	19-Apr Yield	26-Apr Yield	Change (WoW bp)	Weekly Volume (RM mn)
SEAPORT TERMINAL JOHOR	FLOAT	09/27/29	N/A	N/A	N/A	389.8
SEAPORT TERMINAL JOHOR	FLOAT	09/27/27	N/A	N/A	N/A	329.0
SEAPORT TERMINAL JOHOR	FLOAT	09/27/28	N/A	N/A	N/A	329.0
DANAINFRA NASIONAL	4.31	10/24/39	4.114	4.119	0.5	240.0
DANAINFRA NASIONAL	4.34	10/27/36	4.058	4.066	0.8	180.0
DANAINFRA NASIONAL	4.53	04/07/37	3.975	4.065	9.0	150.0
LEBUHRAYA DUKE FASA 3 S	6.43	08/23/39	N/A	5.210	N/A	110.0
PETROLEUM SARAWAK EXP	3.8	03/17/28	3.747	3.813	6.6	105.0
DANAINFRA NASIONAL	4.95	04/06/40	4.029	4.129	10.0	100.0
PENGURUSAN AIR SPV BHD	4.34	02/07/29	3.737	3.802	6.5	100.0
TOTAL VOLUME (TOP 10)						2,032.8
TOTAL VOLUME (Overall)						5,237.0

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