

MIDF Strategy 1 July 2024

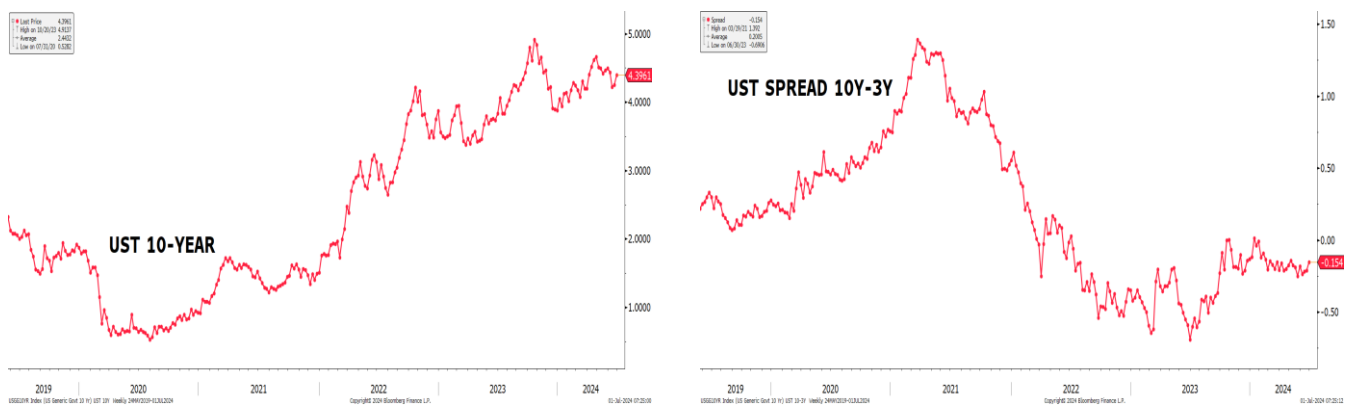
Week Ended 28 June 2024

- Selling pressure persisted in the UST market with benchmark 10-year yield closed the review week higher at 4.40% (prior week: 4.26%) as investors remain somewhat perturbed despite the release of a key inflation measure (i.e. May PCE) that came in line with market expectations. The 10y-3y yield rebounded but remains inverted at -15bps (prior week: -21bps) as the long-end underperformed. Meanwhile, at week close, the interest rate futures market implied 2 rate cuts (prior week: 2 rate cuts) this year, i.e. in September and December.
- Medium-term inflation expectation (MTIE) ended the review week higher at 2.28% (prior week: 2.20%). The MTIE climbed back to 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 slowly ebbing.
- The price of MGS benchmark issues ended the review week mixed with the 3-year and 10-year yields shed -0.5bp and added 0.5bp to close at 3.53% and 3.86% respectively. The 10y-3y yield spread expanded (yield curve steepened) week-on-week from 32bps to 33bps as the long-end underperformed.
- 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 RM814m. It declined week-on-week from RM1.21b registered a week ago. However, it improved year-on-year from -RM6.12b a year ago.

Weekly Money Review

A. FIXED INCOME

- Selling pressure persisted in the UST market with benchmark 10-year yield closed the review week higher at 4.40% (prior week: 4.26%) as investors remain somewhat perturbed despite the release of a key inflation measure (i.e. May PCE) that came in line with market expectations. The 10y-3y yield rebounded but remains inverted at -15bps (prior week: -21bps) as the long-end underperformed. Meanwhile, at week close, the interest rate futures market implied 2 rate cuts (prior week: 2 rate cuts) this year, i.e. in September and December.



Source: Bloomberg, MIDFR (G628, G629)

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



Source: Bloomberg, MIDFR (G653)

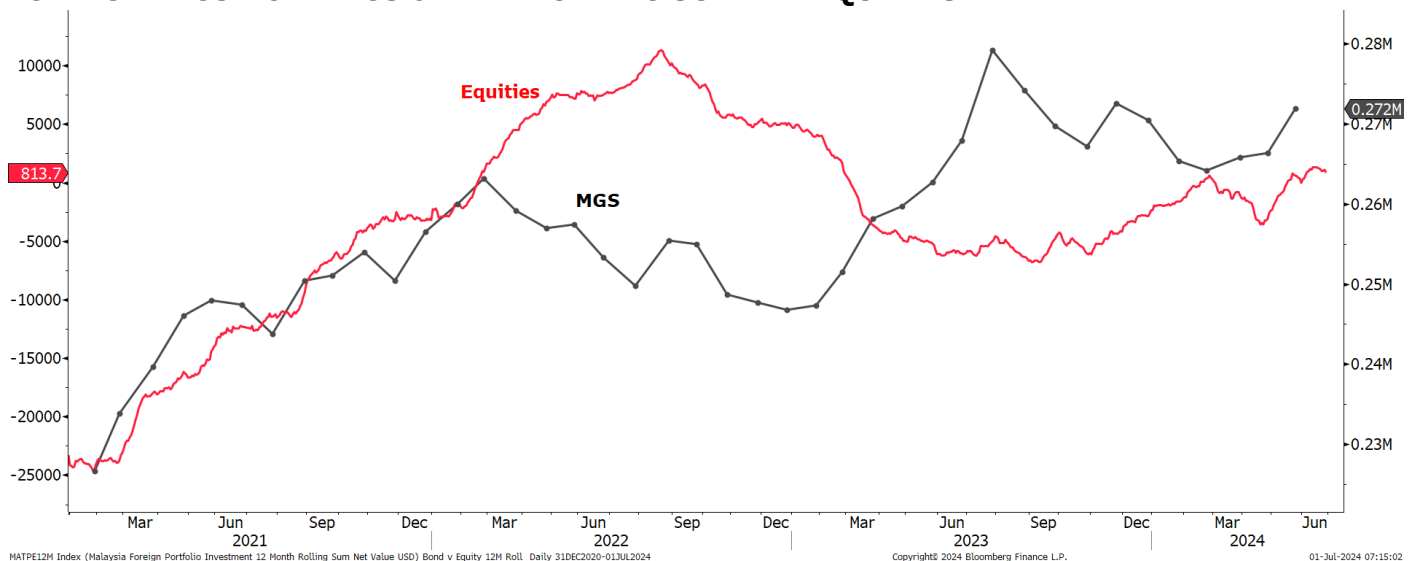
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Source: Bloomberg, MIDFR (G630, G631)

- Total trading value for Government Bonds (MGS/MII) increased to RM18.82b in the review week compared to RM15.73b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 50% from 53% of the overall Government Bonds trades. Moreover, 5 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 4.642% 11/7/33 at RM1.51b, MII 3.99% 10/15/25 at RM1.36b, and MGS 3.885% 8/15/29 at RM1.04b.

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 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 RM814m. It declined week-on-week from RM1.21b registered a week ago. However, it improved year-on-year from -RM6.12b a year ago.
- Total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM4.20b in the review week compared to RM2.76b 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 27% 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 PTPTN 4.22% 2/28/28 at RM220m, Genting RMTN 5.62% 3/25/32 at RM180m, and TNB 5.57% 6/28/47 at RM150m.

B. FOREIGN EXCHANGE

- USD trended higher. The US dollar appreciated for the 4th consecutive week as the DXY dollar index rose by +0.1%wow to 105.87, the highest weekly closing in 9 weeks. The US dollar strengthened and ended at 106.05 on Wednesday, the highest level since late Apr-24, before paring some of the gains by Friday as the Fed's preferred inflation gauge moderated further, reigniting a quicker rate cut expectations.
- Euro rebounded while the pound virtually flat. Despite the stronger dollar, the euro rebounded to appreciate +0.2%wow to USD 1.071 while the pound sterling closed at the previous week's level of USD1.265. The euro gained on moderating US inflation. The pound was in contrast weighed by dovish expectations that the BOE will cut the interest rate soon.
- Ringgit reversed last week's gain. Like most regional currencies, the Malaysian ringgit depreciated against the dollar last week by -0.1%wow to RM4.718. Similarly, the ringgit tapered the previous week's gains against the currencies of Malaysia's major trading partners and regional currencies, contributing to our MIDF Trade-Weighted Ringgit Index closing -0.1%wow lower at 86.25. The ringgit depreciated the most against the South Korean won but registered a strong gain against the Japanese yen. Commodity price movement failed to support the ringgit despite the Brent crude oil prices rising +1.4%wow to USD86.41pb (previous week: USD85.24pb).

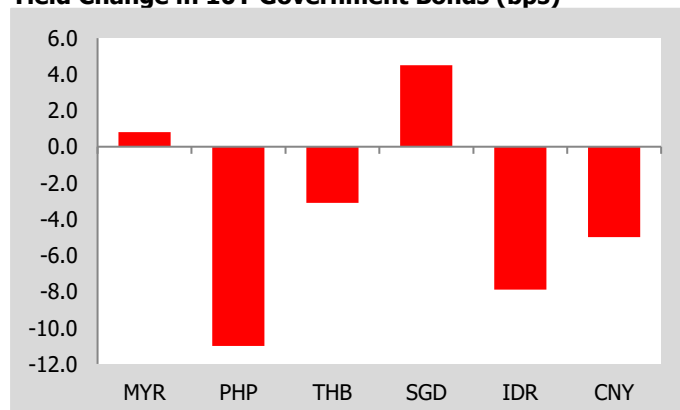
Currencies Changes (Week Ended 28 June 2024) and Quarterly Forecasts

	Close (28/06)	Prev. Close (21/06)	Weekly Change	Weekly Change (%)	1QCY24	2QCY24	3QCY24f	4QCY24f
DXY Index	105.87	105.80	+0.070	+0.1	104.49	105.87	101.1	99.7
EURUSD	1.071	1.069	+0.002	+0.2	1.079	1.071	1.10	1.12
GBPUSD	1.265	1.265	+0.000	+0.0	1.26	1.265	1.26	1.27
USDJPY	160.88	159.8	-1.080	-0.7	151.35	160.88	138.0	135.0
USDMYR	4.718	4.7127	-0.005	-0.1	4.725	4.718	4.556	4.430
GBPMYR	5.967	5.963	-0.004	-0.1	5.960	5.967	5.72	5.74
JPYMYR	2.932	2.949	+0.017	+0.6	3.122	2.932	3.26	3.30
MIDF TWRI	86.25	86.35	-0.097	-0.1	85.00	86.25	88.00	91.50

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

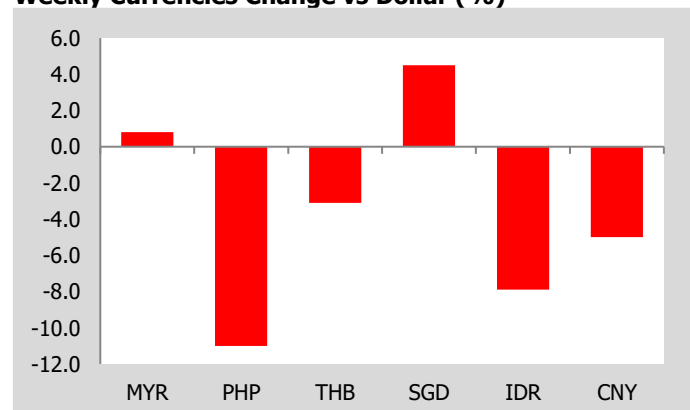
Source: Bloomberg, MIDFR

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:
 - Inflation eased further. PCE headline inflation moderated to +2.6%yoy in May-24 (Apr-24: +2.7%yoy) while the core PCE inflation slowed to +2.6%yoy (Apr-24: +2.8%yoy), both conforming to market expectations.
 - Consumer sentiment revised higher. Michigan Consumer Sentiment Index was revised higher to 68.2 for Jun-24 (May-24: 69.1) from preliminary reading of 65.6, surpassing market projections of 65.8.
 - Consumer confidence moderated. The Conference Board (CB) Consumer Confidence Index dipped to 100.4 in Jun-24 (May-24: 101.3) as consumers expressed concerns about the future economic outlook.
 - The US economy grew faster than initially expected. The annualised GDP growth in 1QCY24 was revised marginally higher to +1.4%qoq from +1.3%qoq in the 2nd estimate, in line with market expectations.
 - Labour market showed resilience. Initial jobless claims for the week ending 22 June 2024 declined to 233K (previous week: 239K), better than market expectations of 236K.
- Bangko Sentral ng Pilipinas maintained its benchmark interest rate at 6.50%. The decision was expected following the recent gradual rise in inflation.
- Malaysia economic data released last week:
 - Growth momentum accelerated. Leading Index (LI) continued to increase by +4.3%yoy in Apr-24 (Mar-24: +2.3%yoy), marking the steepest rise since Jul-22. Coincident Index (CI) increased by +3.0%yoy (Mar-24: +2.3%yoy), the fastest growth in three months.
 - Inflation quickened:
 - Headline CPI inflation accelerated to +2.0%yoy in May-24, the highest since Sep-23 and slightly above market estimates of +1.9%yoy.
 - Producer price inflation continued to increase for the 4th straight month albeit softer at +1.4%yoy in May-24, down from a 16-month high of +1.9%yoy in the preceding month.

C. BNM INTERNATIONAL RESERVES

- As of 14 June 2024, compared to previous fortnight, Bank Negara Malaysia's international reserves was higher at USD114.1b (31 May 2024: USD113.6b).

BNM INTERNATIONAL RESERVES



Source: Bloomberg, MIDFR (G662)

- The amount 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	21-Jun Fri	24-Jun Mon	25-Jun Tue	26-Jun Wed	27-Jun Thu	28-Jun Fri	Change (WoW bp)
MGS							
3-Y	3.532	3.53	3.53	3.534	3.527	3.527	-0.5
5-Y	3.635	3.636	3.642	3.643	3.65	3.643	0.8
7-Y	3.786	3.778	3.783	3.789	3.799	3.791	0.5
10-Y	3.856	3.857	3.856	3.864	3.866	3.861	0.5
20-Y	4.135	4.131	4.124	4.128	4.124	4.12	-1.5
RINGGIT IRS							
1-Y	3.57	3.5625	3.5675	3.5675	3.57	3.57	0
3-Y	3.545	3.55	3.555	3.565	3.575	3.56	1.5
5-Y	3.615	3.61	3.62	3.63	3.6275	3.625	1
7-Y	3.7085	3.71	3.73	3.733	3.735	3.725	1.65
10-Y	3.84	3.8225	3.84	3.8525	3.865	3.84	0
KLIBOR							
1-M	3.29	3.29	3.29	3.29	3.29	3.3	1
3-M	3.59	3.59	3.59	3.59	3.59	3.59	0
UST							
3-Y	4.4659	4.4516	4.4712	4.5277	4.4907	4.55	8.41
5-Y	4.2742	4.2547	4.2757	4.3428	4.2973	4.3765	10.23
7-Y	4.2543	4.2335	4.2514	4.3293	4.2849	4.3729	11.86
10-Y	4.2554	4.2321	4.2476	4.3294	4.2864	4.3961	14.07
30-Y	4.3971	4.3651	4.3778	4.462	4.4257	4.5583	16.12
USD LIBOR							
1-M	5.45971	5.45798	5.46042	5.45841	5.45752	5.45165	-0.806
3-M	5.60616	5.60217	5.601	5.59619	5.59317	5.58621	-1.995

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	21-Jun Yield	28-Jun Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	4.642	11/07/33	3.856	3.861	0.5	1,511.2
MALAYSIA INVESTMNT ISSU	3.99	10/15/25	3.309	3.283	-2.6	1,362.4
MALAYSIA GOVERNMENT	3.885	08/15/29	3.635	3.643	0.8	1,037.6
MALAYSIA GOVERNMENT	4.059	09/30/24	3.229	3.206	-2.3	912.0
MALAYSIA INVESTMNT ISSU	4.07	09/30/26	3.452	3.445	-0.7	888.9
MALAYSIA INVESTMNT ISSU	4.582	08/30/33	3.861	3.869	0.8	830.0
MALAYSIA GOVERNMENT	3.502	05/31/27	3.532	3.527	-0.5	809.1
MALAYSIA GOVERNMENT	2.632	04/15/31	3.786	3.791	0.5	690.1
MALAYSIA INVESTMNT ISSU	4.245	09/30/30	3.748	3.746	-0.2	685.5
MALAYSIA INVESTMNT ISSU	4.13	07/09/29	3.641	3.650	0.9	659.7
TOTAL VOLUME (TOP 10)						9,386.5
TOTAL VOLUME (Overall)						18,817.6

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	21-Jun Yield	28-Jun Yield	Change (WoW bp)	Weekly Volume (RM mn)
PERBADANAN TABUNG PEN	4.22	02/28/28	3.722	3.678	-4.4	220.0
GENTING RMTN BHD	5.62	03/25/32	4.847	4.780	-6.7	180.0
TENAGA NASIONAL BERHA	5.57	06/28/47	4.254	4.280	2.6	150.0
YTL CORPORATION BERHA	4.55	09/27/35	4.199	4.200	0.1	105.0
YTL CORPORATION BERHA	5.15	11/11/36	4.218	4.209	-0.9	85.0
GAMUDA LAND T12 SDN BH	4.4	10/11/28	N/A	3.976	N/A	80.0
SMJ ENERGY SDN BHD	4.67	10/26/38	4.184	4.149	-3.5	80.0
YTL POWER INTERNATIONA	4.18	03/18/36	4.159	4.152	-0.7	75.0
PETROLEUM SARAWAK EXP	5.22	11/09/29	N/A	3.846	N/A	70.0
CAGAMAS BERHAD	3.74	07/24/24	N/A	3.409	N/A	70.0
TOTAL VOLUME (TOP 10)						1,115.0
TOTAL VOLUME (Overall)						4,202.7

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