

## MIDF Strategy 9 July 2024

### Week Ended 5 July 2024

- The UST market rebounded with benchmark 10-year yield closed the review week lower at 4.28% (prior week: 4.40%) as investors reacted to higher-than-expected June unemployment rate (act: 4.1%; exp:4.0%). The 10y-3y yield rebounded but remains inverted at -12bps (prior week: -15bps) as the short-end outperformed due to its sensitivity to policy rate movement. 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 lower at 2.23% (prior week: 2.28%). The MTIE dipped 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 slowly ebbing.
- The price of MGS benchmark issues ended the review week higher with the 3-year and 10-year yields shed -2.6bps and -0.6bp to close at 3.50% and 3.86% respectively. The 10y-3y yield spread expanded (yield curve steepened) week-on-week from 33bps to 35bps as the short-end outperformed.
- MGS foreign holdings increased year-on-year from RM268b in June 2023 to RM271b in June 2024. However, it declined month-on-month from RM272b in May 2024. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at RM1.79b. It increased week-on-week from RM814m registered a week ago. Moreover, it improved year-on-year from -RM5.85b a year ago.

# Weekly Money Review

## A. FIXED INCOME

- The UST market rebounded with benchmark 10-year yield closed the review week lower at 4.28% (prior week: 4.40%) as investors reacted to higher-than-expected June unemployment rate (act: 4.1%; exp: 4.0%). The 10y-3y yield rebounded but remains inverted at -12bps (prior week: -15bps) as the short-end outperformed due to its sensitivity to policy rate movement. 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)

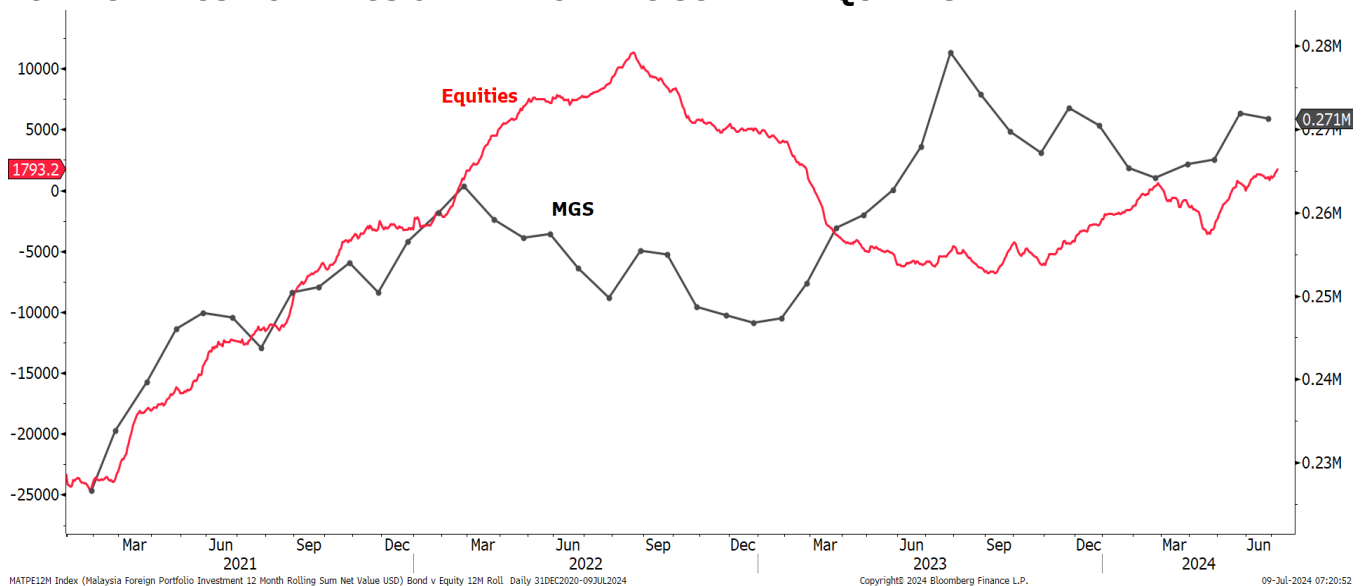
The price of MGS benchmark issues ended the review week higher with the 3-year and 10-year yields shed -2.6bps and -0.6bp to close at 3.50% and 3.86% respectively. The 10y-3y yield spread expanded (yield curve steepened) week-on-week from 33bps to 35bps as the short-end outperformed.



Source: Bloomberg, MIDFR (G630, G631)

- Total trading value for Government Bonds (MGS/MII) increased to RM19.19b in the review week compared to RM18.82b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 58% from 50% 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 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 RM268b in June 2023 to RM271b in June 2024. However, it declined month-on-month from RM272b in May 2024. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at RM1.79b. It increased week-on-week from RM814m registered a week ago. Moreover, it improved year-on-year from -RM5.85b a year ago.
- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM1.77b in the review week compared to RM4.20b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 30% from 27% 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 PLUS 4.03% 1/1/31 at RM80m, Sarawak Energy 5.32% 12/3/32 at RM70m, and WCT Holdings 5.65% 4/20/26 at RM60m.

## B. FOREIGN EXCHANGE

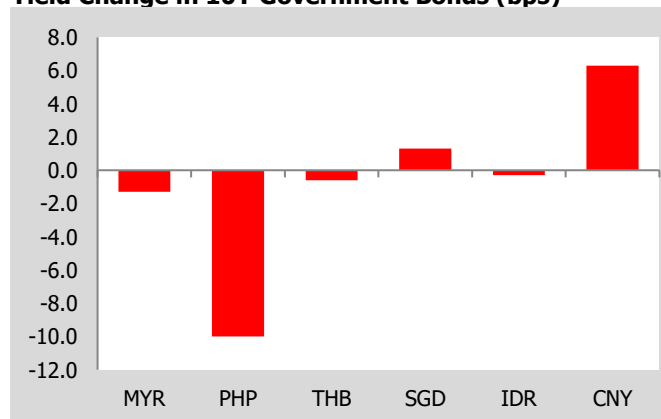
- USD experienced a sharp retreat. The US dollar depreciated last week, ending 4 consecutive weeks of strengthening, as the DXY dollar index fell sharply by -0.9%wow to 104.88, the weakest closing since mid-Jun-24. The dollar was on a broad moderating trend throughout the week underpinned by a series of economic releases pointing to softer activities in the services sector and cooling labour market in Jun-24.
- Euro and pound registered steep gains. The euro and pound sterling appreciated +1.2%wow to USD1.084 and +1.3%wow to USD1.282, respectively. Aside from the dollar's weakness, the euro gained on expectations for inflation to remain sticky. In contrast, the pound sterling strengthened despite rising expectations the BOE will start easing its interest rate soon.
- Ringgit registered a slight gain against the USD. Like most regional currencies, the Malaysian ringgit appreciated against the dollar last week by +0.2%wow to RM4.709. However, the ringgit continued to weaken against the currencies of Malaysia's major trading partners and regional currencies, contributing to our MIDF Trade-Weighted Ringgit Index closing -0.1%wow closing lower at 86.14. In particular, the ringgit depreciated the most against the euro and Australian dollar but gained considerably against the Taiwan dollar and South Korean won. Movement in the commodity prices was also favourable towards the ringgit as the Brent crude oil prices rose +0.2%wow to USD86.54pb (previous week: USD86.41pb).

### Currencies Changes (Week Ended 5 July 2024) and Quarterly Forecasts

	Close (05/07)	Prev. Close (28/06)	Weekly Change	Weekly Change (%)	1QCY24	2QCY24	3QCY24f	4QCY24f
DXY Index	104.88	105.87	-0.991	-0.9	104.49	105.87	101.1	99.7
EURUSD	1.084	1.071	+0.013	+1.2	1.079	1.071	1.10	1.12
GBPUSD	1.282	1.265	+0.017	+1.3	1.26	1.265	1.26	1.27
USDJPY	160.75	160.88	+0.130	+0.1	151.35	160.88	138.0	135.0
USDMYR	4.709	4.7175	+0.009	+0.2	4.725	4.718	4.556	4.430
GBPMYR	6.022	5.967	-0.055	-0.9	5.960	5.967	5.72	5.74
JPYMYR	2.929	2.932	+0.003	+0.1	3.122	2.932	3.26	3.30
MIDF TWRI	86.14	86.25	-0.107	-0.1	85.00	86.25	88.00	91.50

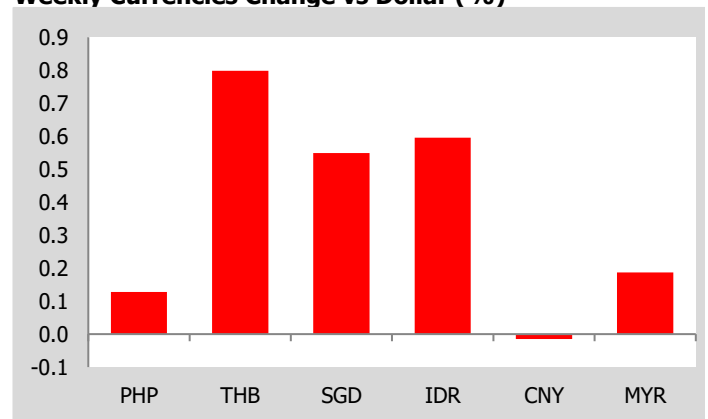
Note: "+" indicates appreciation, while "-" indicates depreciation. Quarterly figures are forecast by MIDFR  
Source: Bloomberg, MIDFR

### 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 (%)

	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-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	6.25	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)	0.00-0.10	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	4.25	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:
  - Softer activities in the services sector. ISM Services PMI fell to 48.8 in Jun-24, the sharpest deterioration since Apr-20 and much lower than 52.5 anticipated by market expectations. On the contrary, the S&P Global Services PMI soared to 55.3, the highest since Apr-22 and surpassing market expectations of 55.1.
  - Contraction in the manufacturing sector. ISM Manufacturing PMI fell to 48.5 in Jun-24 (May-24: 48.7), against market expectations for an increase to 49.1. The S&P Global Manufacturing PMI, however, remained in expansionary rising slightly to 51.6 (May-24: 51.3), albeit lower than market expectations of 51.7.
  - Labour market signalled cooling:
    - Nonfarm payrolls expanded softer at +206K in Jun-24 (May-24: +218K), albeit higher than market expectations of +190K.
    - The unemployment rate rose to 4.1%, against market expectations for the rate to remain at 4.0%.
    - ADP data shows private sector hiring expanded softer at +150K in Jun-24, the least in 5 months and lower than market expectations of +160K.
    - Initial jobless claims for the week ending 29th June 2024 rose to 238K (previous week: 234K), higher than the market projection of 235K.
    - Labour demand rose as the number for JOLTs job openings rose to 8.14m in May-24 (Apr-24: 7.92m) against market expectations for a further decline to 7.91m.
  
- Malaysia economic data released last week:
  - Malaysia's manufacturing sector returned to contractionary. Malaysia's S&P Global Manufacturing PMI fell marginally to 49.9 in Jun-24 (May-24: 50.2), pointing to weaker activities as firms reduced production slightly and new orders grew at softer pace.

## C. BNM INTERNATIONAL RESERVES

- As of 28 June 2024, compared to previous fortnight, Bank Negara Malaysia's international reserves was lower at USD113.8b (14 June 2024: USD114.1b).

### 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	28-Jun Fri	1-Jul Mon	2-Jul Tue	3-Jul Wed	4-Jul Thu	5-Jul Fri	Change (WoW bp)
MGS							
3-Y	3.527	3.545	3.534	3.527	3.52	3.501	-2.6
5-Y	3.643	3.668	3.673	3.662	3.646	3.637	-0.6
7-Y	3.791	3.814	3.827	3.815	3.792	3.782	-0.9
10-Y	3.861	3.879	3.872	3.866	3.857	3.855	-0.6
20-Y	4.12	4.117	4.124	4.121	4.117	4.106	-1.4
RINGGIT IRS							
1-Y	3.57	3.585	3.5775	3.585	3.575	3.575	0.5
3-Y	3.56	3.585	3.575	3.585	3.57	3.57	1
5-Y	3.625	3.6575	3.6475	3.65	3.62	3.625	0
7-Y	3.725	3.775	3.76	3.758	3.73	3.73	0.5
10-Y	3.84	3.89	3.8825	3.88	3.855	3.855	1.5
KLIBOR							
1-M	3.3	3.29	3.29	3.29	3.29	3.29	-1
3-M	3.59	3.59	3.59	3.59	3.59	3.59	0
UST							
3-Y	4.55	4.5756	4.5527	4.4896	4.4896	4.3948	-15.52
5-Y	4.3765	4.426	4.3942	4.3237	4.3237	4.2252	-15.13
7-Y	4.3729	4.4335	4.3993	4.3231	4.3231	4.229	-14.39
10-Y	4.3961	4.4613	4.4316	4.3587	4.3587	4.2784	-11.77
30-Y	4.5583	4.6237	4.6053	4.5278	4.5278	4.4768	-8.15
USD LIBOR							
1-M	5.45165	5.44868	5.4464	5.44659	5.44659	5.44191	-0.974
3-M	5.58621	5.5825	5.57978	5.57587	5.57587	5.5685	-1.771

Source: Bloomberg

**10 MOST ACTIVELY TRADED GOVERNMENT BONDS**

Name	Coupon	Maturity	28-Jun Yield	5-Jul Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.885	08/15/29	3.643	3.637	-0.6	2,385.9
MALAYSIA GOVERNMENT	3.502	05/31/27	3.527	3.501	-2.6	1,698.2
MALAYSIA GOVERNMENT	4.059	09/30/24	3.206	3.196	-1.0	1,248.8
MALAYSIA GOVERNMENT	4.054	04/18/39	3.999	3.963	-3.6	1,027.0
MALAYSIA GOVERNMENT	3.955	09/15/25	3.281	3.256	-2.5	999.1
MALAYSIA GOVERNMENT	4.642	11/07/33	3.861	3.855	-0.6	913.2
MALAYSIA INVESTMNT ISSU	4.07	09/30/26	3.445	3.435	-1.0	908.2
MALAYSIA GOVERNMENT	2.632	04/15/31	3.791	3.782	-0.9	676.7
MALAYSIA INVESTMNT ISSU	4.582	08/30/33	3.869	3.869	0.0	671.0
MALAYSIA INVESTMNT ISSU	3.99	10/15/25	3.283	3.287	0.4	534.6
TOTAL VOLUME (TOP 10)						11,062.7
TOTAL VOLUME (Overall)						19,187.6

Source: Bloomberg

**10 MOST ACTIVELY TRADED CORPORATE BONDS**

Name	Coupon	Maturity	28-Jun Yield	5-Jul Yield	Change (WoW bp)	Weekly Volume (RM mn)
PROJEK LEBUHRAYA USAHA	4.03	01/10/31	3.979	3.947	-3.2	80.0
SARAWAK ENERGY BHD	5.32	12/03/32	3.988	3.968	-2.0	70.0
WCT HOLDINGS BHD	5.65	04/20/26	N/A	5.400	N/A	60.0
YTL POWER INTERNATIONAL	4.18	03/18/36	4.152	4.163	1.1	60.0
BANK PEMBANGUNAN MALA	4.38	09/12/24	N/A	3.335	N/A	50.0
MBSB BANK BHD	5.25	12/19/31	4.226	4.174	-5.2	41.0
SARAWAK ENERGY BHD	5.04	04/25/31	3.917	3.918	0.1	40.0
CELCOM NETWORKS SDN B	5.05	08/29/24	N/A	3.472	N/A	40.0
SAJ CAPITAL SDN BHD	5.49	01/26/27	N/A	4.126	N/A	40.0
GAMUDA LAND T12 SDN BH	3.9	08/12/30	N/A	4.088	N/A	40.0
TOTAL VOLUME (TOP 10)						521.0
TOTAL VOLUME (Overall)						1,765.8

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