

MIDF Strategy 15 July 2024

Week Ended 12 July 2024

- The UST market rallied with benchmark 10-year yield closed the review week lower at 4.18% (prior week: 4.28%) as investors reacted to lower-than-expected June inflation data. The 10y-3y yield rebounded but remains inverted at -4bps (prior week: -12bps) as the short-end outperformed due to its sensitivity to policy rate movement. Meanwhile, at week close, the interest rate futures market implied 3 rate cuts (prior week: 2 rate cuts) this year, i.e. in September, November and December.
- Medium-term inflation expectation (MTIE) ended the review week lower at 2.17% (prior week: 2.23%). The MTIE remains below an elevated inflation range (of 2.25%-2.50%) acceptable transiently to the US Fed but above its 2.00% target level. 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 -3.0bps to close at 3.48% and 3.82% respectively. The 10y-3y yield spread was unchanged week-on-week at 35bps.
- 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 RM1.67b. It declined week-on-week from RM1.79b registered a week ago. However, it improved year-on-year from -RM6.10b a year ago.

Weekly Money Review

A. FIXED INCOME

- The UST market rallied with benchmark 10-year yield closed the review week lower at 4.18% (prior week: 4.28%) as investors reacted to lower-than-expected June inflation data. The 10y-3y yield rebounded but remains inverted at -4bps (prior week: -12bps) as the short-end outperformed due to its sensitivity to policy rate movement. Meanwhile, at week close, the interest rate futures market implied 3 rate cuts (prior week: 2 rate cuts) this year, i.e. in September, November and December.



Source: Bloomberg, MIDFR (G628, G629)



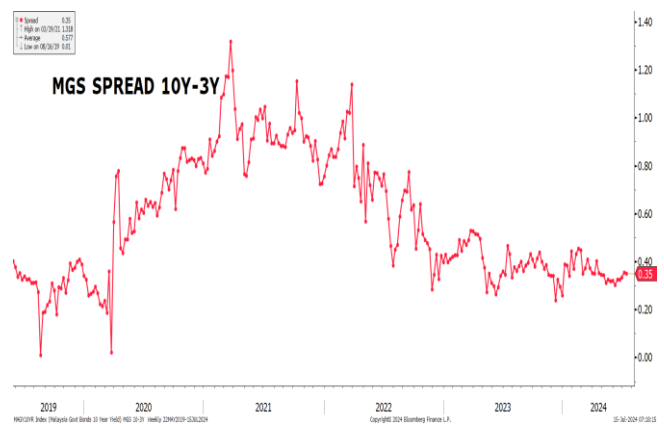
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MEDIUM-TERM INFLATION EXPECTATION (MTIE): 5Y UST-TIPS SPREAD



Source: Bloomberg, MIDFR (G653)

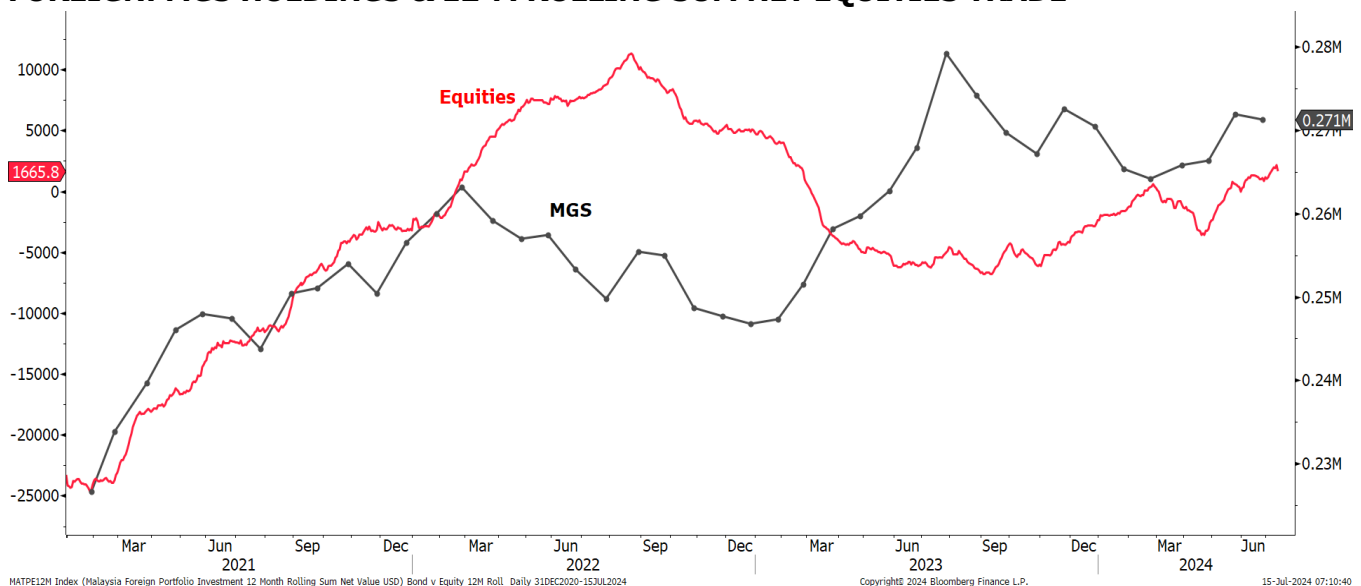
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Source: Bloomberg, MIDFR (G630, G631)

- Total trading value for Government Bonds (MGS/MII) increased to RM19.86b in the review week compared to RM19.19b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 52% from 58% 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 RM1.87b, MGS 4.059% 9/30/24 at RM1.54b, and MGS 4.181% 7/15/24 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 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 RM1.67b. It declined week-on-week from RM1.79b registered a week ago. However, it improved year-on-year from -RM6.10b a year ago.
- Total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM2.10b in the review week compared to RM1.77b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 36% from 30% 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 PTPTN 4.45% 3/12/27 at RM140m, MTT Shipping 5.21% 8/28/26 at RM100m, and YTL Power 4.18% 3/18/36 at RM85m.

B. FOREIGN EXCHANGE

- USD closed the weakest since mid-Jan-24. The US dollar marked the 2nd consecutive week of weakening as the DXY dollar index fell by -0.7%wow to 104.09. The dollar dipped further on faster-than-expected moderation in US inflation and falling consumer sentiment.
- Euro and pound appreciated further. The euro and pound sterling appreciated +0.6%wow to USD1.091 and +1.3%wow to USD1.299, respectively. Both the euro and pound sterling capitalised on the dollar's weakness, with the euro marking the strongest closing since Mar-24 while the pound closed the strongest since Jul-23. The stronger appreciation of the British pound was due to the positive effect of the renewed political stability.
- Ringgit marked the strongest closing in 6 months. Like other currencies, the Malaysian ringgit appreciated last week by +0.8%wow to RM4.672. On another note, the ringgit rebounded against the currencies of Malaysia's major trading partners and regional currencies as our MIDF Trade-Weighted Ringgit Index closed +0.5%wow higher at 86.56, the highest since Aug-23. The ringgit gained the most against Taiwan dollar, Chinese yuan, and Indian rupee. Commodity prices were, however, unfavourable to ringgit as Brent crude oil prices corrected -1.7%wow lower to USD85.03pb (previous week: USD86.54pb).

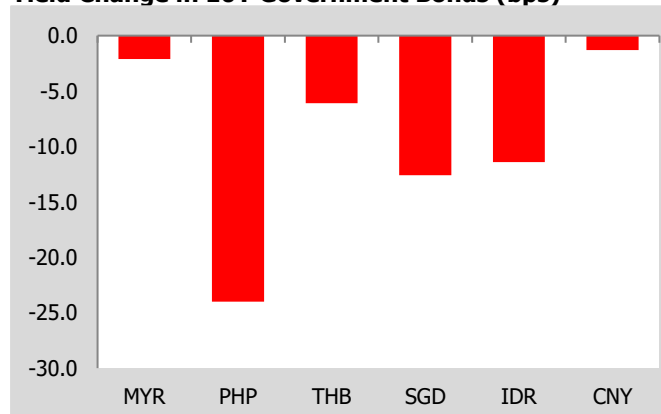
Currencies Changes (Week Ended 12 July 2024) and Quarterly Forecasts

	Close (12/07)	Prev. Close (05/07)	Weekly Change	Weekly Change (%)	1QCY24	2QCY24	3QCY24f	4QCY24f
DXY Index	104.09	104.88	-0.782	-0.7	104.49	105.87	101.1	99.7
EURUSD	1.091	1.084	+0.007	+0.6	1.079	1.071	1.10	1.12
GBPUSD	1.299	1.282	+0.017	+1.3	1.26	1.265	1.26	1.27
USDJPY	157.83	160.75	+2.920	+1.9	151.35	160.88	138.0	135.0
USDMYR	4.672	4.7087	+0.037	+0.8	4.725	4.718	4.556	4.430
GBPMYR	6.049	6.022	-0.028	-0.5	5.960	5.967	5.72	5.74
JPYMYR	2.958	2.929	-0.029	-1.0	3.122	2.932	3.26	3.30
MIDF TWRI	86.56	86.14	+0.419	+0.5	85.00	86.25	88.00	91.50

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

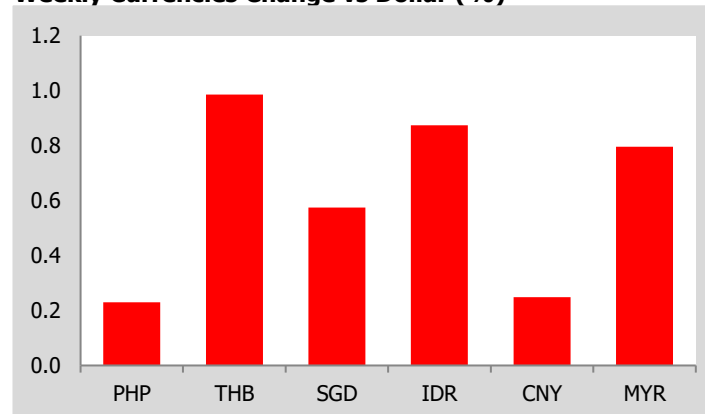
Source: Bloomberg, MIDFR

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:
 - Consumer sentiment fell. University of Michigan's US Consumer Sentiment Index fell to 66.0 in Jul-24 (Jun-24: 68.2), worse than market expectations of 68.5 as consumers were frustrated with high prices.
 - Labour market cooling eased. Initial jobless claims for the week ending 6th July 2024 declined to 222K (previous week: 239K), lower than market expectations of 236K.
 - Price pressure moderated:
 - The headline CPI inflation moderated to +3.0%yoy in Jun-24 (May-24: +3.3%yoy), a 1-year low and softer than market expectations of +3.1%yoy. Excluding volatile price items, the underlying inflation decelerated further to +3.3%yoy (May-24: +3.4%yoy), the softest reading in over 3 years.
 - Cost inflation, however, accelerated as PPI rose faster by +2.6%yoy in Jun-24 (May-24: +2.4%yoy), steeper than +2.3%yoy anticipated by market expectations. Core PPI also soared more than expected to +3.0%yoy (May-24: +2.6%yoy).

- Monetary decisions announced last week:
 - On 10th July 2024,
 - Bank Negara Malaysia (BNM) kept the interest rate steady at 3.00% as expected, citing the current policy rate remains supportive of the economy.
 - Bank of Korea (BOK) maintained its interest rate at 3.50% as predicted by market consensus. The decision was made to assess further inflation slowdown, forex market volatility, housing prices in Seoul and surrounding areas, and high household debt.

- Malaysia economic data released last week:
 - Retail trade growth surged to more than 1-year high. Retail trade expanded the steepest in 13 months at +8.7%yoy and motor vehicle sales maintained a double-digit pace for 2 straight months.
 - Stable job market continues. Malaysia's labour market remained steady and stable as unemployment rate stayed at post-pandemic low of 3.3% in May-24. Labour force and employment rose steadily by +1.7%yoy and +1.8%yoy respectively.
 - IPI growth moderated to +2.4%yoy in May-24. Malaysia's IPI growth eased to +2.4%yoy in May-24 (Apr-24: +6.1%yoy), as a result of decline in mining output and slower growth in manufacturing output and electricity generation.

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	5-Jul Fri	8-Jul Mon	9-Jul Tue	10-Jul Wed	11-Jul Thu	12-Jul Fri	Change (WoW bp)
MGS							
3-Y	3.501	3.501	3.492	3.494	3.497	3.475	-2.6
5-Y	3.637	3.637	3.635	3.635	3.63	3.617	-2
7-Y	3.782	3.782	3.782	3.779	3.782	3.767	-1.5
10-Y	3.855	3.855	3.85	3.846	3.843	3.825	-3
20-Y	4.106	4.106	4.106	4.11	4.096	4.08	-2.6
RINGGIT IRS							
1-Y	3.575	3.575	3.5775	3.58	3.58	3.57	-0.5
3-Y	3.57	3.57	3.575	3.565	3.565	3.5525	-1.75
5-Y	3.625	3.625	3.625	3.615	3.61	3.6	-2.5
7-Y	3.73	3.73	3.73	3.73	3.715	3.705	-2.5
10-Y	3.855	3.855	3.855	3.845	3.84	3.82	-3.5
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	4.3948	4.4146	4.4058	4.3862	4.2825	4.2266	-16.82
5-Y	4.2252	4.2392	4.2427	4.2374	4.1426	4.102	-12.32
7-Y	4.229	4.2368	4.2498	4.242	4.156	4.1247	-10.43
10-Y	4.2784	4.2783	4.2959	4.2841	4.2101	4.1829	-9.55
30-Y	4.4768	4.4646	4.4881	4.4768	4.42	4.3959	-8.09
USD LIBOR							
1-M	5.44191	5.44079	5.44085	5.44321	5.44328	5.44228	0.037
3-M	5.5685	5.56624	5.56565	5.5657	5.56298	5.54772	-2.078

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	5-Jul Yield	12-Jul Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	4.642	11/07/33	3.855	3.825	-3.0	1,873.8
MALAYSIA GOVERNMENT	4.059	09/30/24	3.196	3.120	-7.6	1,544.8
MALAYSIA GOVERNMENT	4.181	07/15/24	3.240	4.097	85.7	1,108.2
MALAYSIA INVESTMNT ISSU	4.07	09/30/26	3.435	3.411	-2.4	1,047.0
MALAYSIA GOVERNMENT	3.885	08/15/29	3.637	3.617	-2.0	1,045.7
MALAYSIA INVESTMNT ISSU	4.119	11/30/34	3.860	3.815	-4.5	936.6
MALAYSIA INVESTMNT ISSU	4.045	08/15/24	3.204	3.164	-4.0	736.8
MALAYSIA GOVERNMENT	3.882	03/14/25	3.202	3.170	-3.2	731.4
MALAYSIA GOVERNMENT	3.955	09/15/25	3.256	3.258	0.2	710.2
MALAYSIA INVESTMNT ISSU	4.582	08/30/33	3.869	3.848	-2.1	690.0
TOTAL VOLUME (TOP 10)						10,424.4
TOTAL VOLUME (Overall)						19,860.5

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	5-Jul Yield	12-Jul Yield	Change (WoW bp)	Weekly Volume (RM mn)
PERBADANAN TABUNG PEN	4.45	03/12/27	N/A	3.545	N/A	140.0
MTT SHIPPING SDNBHD	5.21	08/28/26	4.815	4.748	-6.7	100.0
YTL POWER INTERNATIONA	4.18	03/18/36	4.163	4.145	-1.8	85.0
BANK ISLAM MALAYSIA BH	3.75	03/26/30	N/A	3.765	N/A	80.0
PRASARANA MALAYSIA BHD	4.53	12/28/27	N/A	3.597	N/A	70.0
AMANAT LEBUHRAYA RAKY	4.28	10/11/24	3.509	3.470	-3.9	70.0
TENAGA NASIONAL BERHA	4.73	06/29/29	3.824	3.831	0.7	65.0
CIMB ISLAMIC BANK BHD	4.13	03/27/34	3.998	4.019	2.1	51.0
MALAYSIA RAIL LINK	3.58	07/06/35	N/A	3.960	N/A	50.0
DANAINFRA NASIONAL	4.04	07/20/27	N/A	3.546	N/A	40.0
TOTAL VOLUME (TOP 10)						751.0
TOTAL VOLUME (Overall)						2,097.2

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