

MIDF Strategy 29 July 2024

Week Ended 26 July 2024

- The UST market rebounded with benchmark 10-year yield closed the review week lower at 4.19% (prior week: 4.24%) as investors reacted positively to no negative surprises in the June PCE data which further supported the case for a rate cut in 3Q24. The 10y-3y yield spread rebounded to parity (prior week: -5bps) as the short-end outperformed due to its higher sensitivity to the outlook on policy rate. Meanwhile, at week close, the interest rate futures market implied 3 rate cuts (prior week: 3 rate cuts) this year, i.e. in September, November and December.
- Medium-term inflation expectation (MTIE) ended the review week lower at 2.16% (prior week: 2.19%). 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 -5.3bps and -2.0bps to close at 3.42% and 3.78% respectively. The 10y-3y yield spread expanded (yield curve steepened) week-on-week from 32bps to 36bps 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 RM1.14b. It declined week-on-week from RM2.23b registered a week ago. However, it improved year-on-year from -RM5.13b a year ago.

Weekly Money Review

A. FIXED INCOME

- The UST market rebounded with benchmark 10-year yield closed the review week lower at 4.19% (prior week: 4.24%) as investors reacted positively to no negative surprises in the June PCE data which further supported the case for a rate cut in 3Q24. The 10y-3y yield spread rebounded to parity (prior week: -5bps) as the short-end outperformed due to its higher sensitivity to the outlook on policy rate. Meanwhile, at week close, the interest rate futures market implied 3 rate cuts (prior week: 3 rate cuts) this year, i.e. in September, November and December.



Source: Bloomberg, MIDFR (G628, G629)

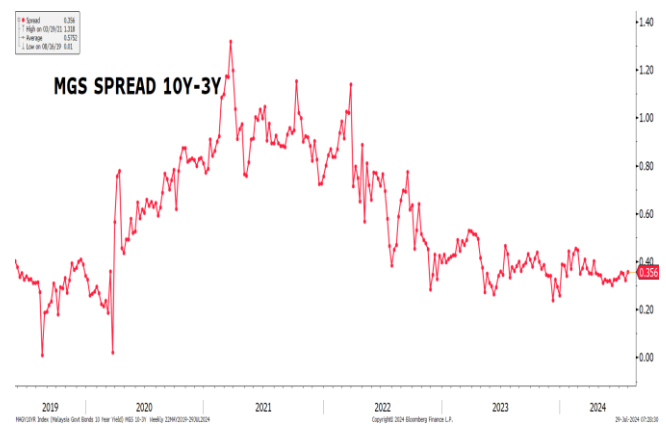
- Medium-term inflation expectation (MTIE) ended the review week lower at 2.16% (prior week: 2.19%). The MTIE remains below an elevated inflation range (of 2.25%-2.50%) acceptable transiently to the US Fed but above its 2.00% target level. It is also notable that the MTIE has been trending lower from 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.

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



Source: Bloomberg, MIDFR (G653)

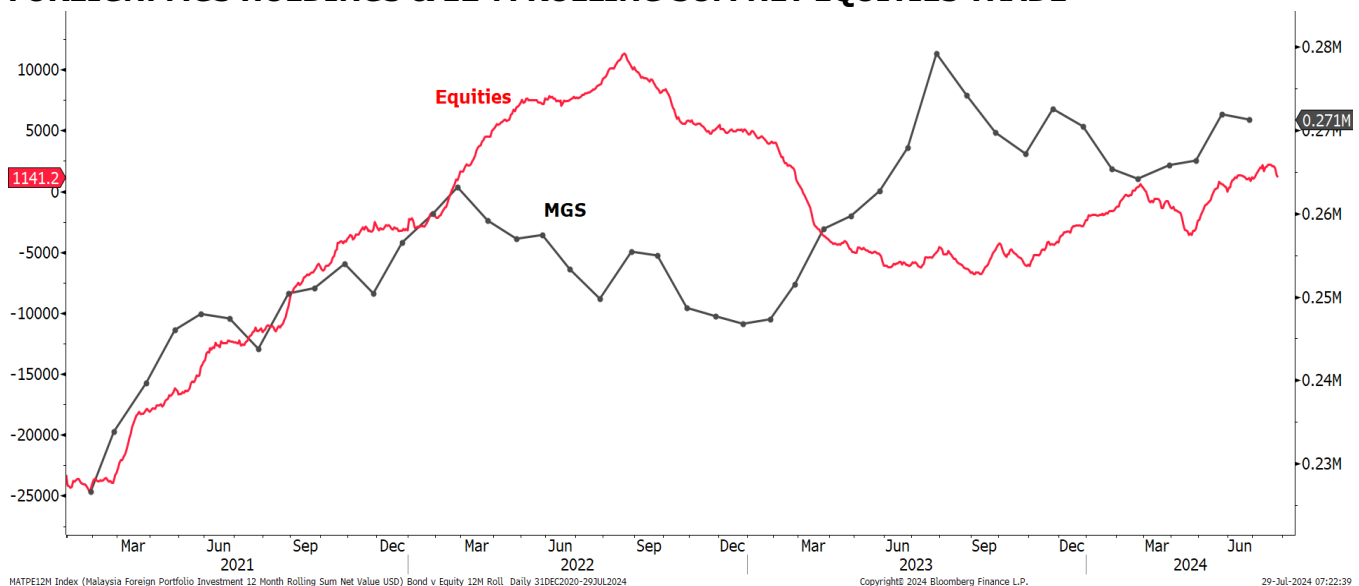
The price of MGS benchmark issues ended the review week higher with the 3-year and 10-year yields shed -5.3bps and -2.0bps to close at 3.42% and 3.78% respectively. The 10y-3y yield spread expanded (yield curve steepened) week-on-week from 32bps to 36bps as the short-end outperformed.



Source: Bloomberg, MIDFR (G630, G631)

- Total trading value for Government Bonds (MGS/MII) declined to RM22.17b in the review week compared to RM22.77b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 51% from 47% of the overall Government Bonds trades. Moreover, 10 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 long residual tenor. The top 3 most actively traded were MGS 4.642% 11/7/33 at RM1.96b, MII 3.99% 10/15/25 at RM1.92b, and MGS 3.502% 5/31/27 at RM1.28b.

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 RM1.14b. It declined week-on-week from RM2.23b registered a week ago. However, it improved year-on-year from -RM5.13b a year ago.
- Total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM3.86b in the review week compared to RM2.47b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 33% 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 Amanat Lebuhraya 5.41% 10/12/35 at RM400m, Amanat Lebuhraya 5.32% 10/13/34 at RM160m, and Danainfra 2.84% 2/24/28 at RM120m.

B. FOREIGN EXCHANGE

- USD closed marginally lower. The US dollar depreciated slightly last week as the DXY dollar index fell by -0.1%wow to 104.32. The decline was attributable to growing expectations for rate cuts in anticipation of a softer job growth in Jul-24, and despite the core PCE inflation coming in slightly higher than the market expectations.
- Euro and pound depreciated further. The euro and pound weakened by -0.2%wow to USD1.086 and -0.4%wow to USD1.287, respectively. The euro and pound weakened on expectations for the ECB to cut its interest rate for the second time this year in Sep-24 and BOE to start easing its policy rate in Aug-24 decision.
- Ringgit closed the strongest since Jan-24. The Malaysian ringgit performed better than other regional currencies, appreciating by +0.6%wow to RM4.658, strongest closing since Jan-24. Additionally, appreciated further against the currencies of Malaysia's major trading partners and regional currencies, contributing to our MIDF Trade-Weighted Ringgit Index closing +0.5%wow higher at 86.87, still the highest since Aug-23. The ringgit appreciated the most against the Australian dollar, Indonesian rupiah and Taiwan new dollar. Ringgit continued to be influenced by the financial market developments as movement in the commodity prices was unfavourable towards the local currency with the Brent crude oil prices falling -1.8%wow to USD81.13pb (previous week: USD82.63pb).

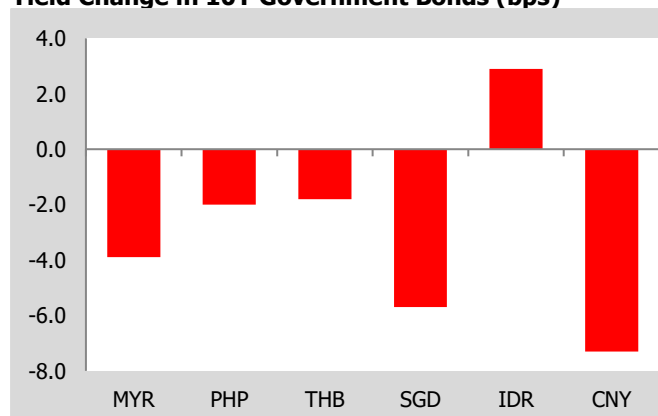
Currencies Changes (Week Ended 26 July 2024) and Quarterly Forecasts

	Close (26/07)	Prev. Close (19/07)	Weekly Change	Weekly Change (%)	1QCY24	2QCY24	3QCY24f	4QCY24f
DXY Index	104.32	104.40	-0.080	-0.1	104.49	105.87	101.1	99.7
EURUSD	1.086	1.088	-0.003	-0.2	1.079	1.071	1.10	1.12
GBPUSD	1.287	1.291	-0.005	-0.4	1.26	1.265	1.26	1.27
USDJPY	153.76	157.48	+3.720	+2.4	151.35	160.88	138.0	135.0
USDMYR	4.658	4.6858	+0.028	+0.6	4.725	4.718	4.556	4.430
GBPMYR	5.994	6.048	+0.054	+0.9	5.960	5.967	5.72	5.74
JPYMYR	3.027	2.976	-0.052	-1.7	3.122	2.932	3.26	3.30
MIDF TWRI	86.87	86.44	+0.431	+0.5	85.00	86.25	88.00	91.50

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

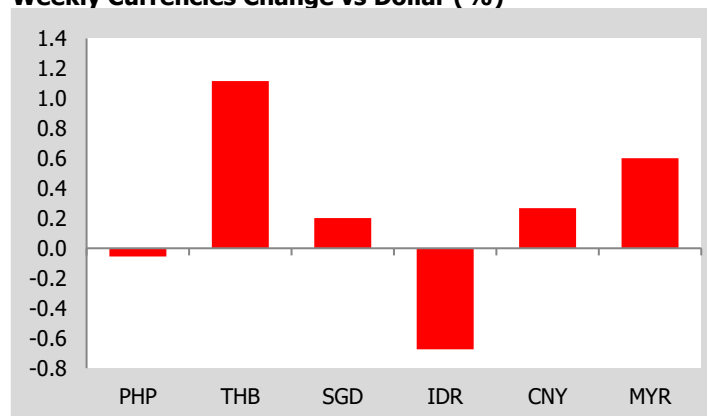
Source: Bloomberg, MIDFR

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:
 - Economic growth accelerated. US GDP expanded by annualised +2.8%qoq in 2QCY24 (1QCY24: +1.4%qoq), according to advance estimates, surpassing market expectations of +2.0%qoq.
 - The services sector advanced further. The S&P Global Service PMI rose to 56.0 in Jul-24 (Jun-24: 55.3), the highest in 28 months and above market forecasts of 55.0.
 - Manufacturing sector deteriorated. The S&P Global Manufacturing PMI fell to 49.5 (Jun-24: 51.6), the first deterioration in 2024 and against market expectations for a slight increase to 51.7.
 - Underlying core inflation remained unchanged. The headline PCE inflation eased slightly to +2.5%yoy in Jun-24 (May-24: +2.6%yoy), right within market expectations. Core PCE inflation, however, remained at +2.6%yoy, missing the market forecast of a slight moderation to +2.5%yoy.
 - Consumer sentiment revised higher. The University of Michigan consumer sentiment for the month of Jul-24 was revised higher to 66.4 from 66.0 previously but remained at an 8-month low.
- People's Bank of China (PBOC) cut its 1-year and 5-year Loan Prime Rates (LPRs) by -10bps to record lows of 3.35% and 3.85%, respectively. The decision to ease monetary policy was a surprise to support the economy, against the market consensus which expected PBOC to keep interest rates unchanged.
- Malaysia economic data released last week:
 - Growth momentum will continue. Malaysia's Leading Index (LI) continued to increase by +3.8%yoy in May-24 (Apr-24: +4.5%yoy), pointing to sustained growth momentum in the short run. The Coincident Index (CI) rose further, growing for the 33rd month at +2.2%yoy in May-24 (Apr-24: 3%yoy).
 - Stable inflation in Jun-24. Headline CPI inflation was unchanged at +2.0%yoy in Jun-24, still the highest since Sep-23 but lower than +2.2%oy anticipated by market expectations. Core CPI inflation was unchanged at +1.9%yoy for the 3rd consecutive month as demand pressures on general prices remained under control.

C. BNM INTERNATIONAL RESERVES

- As of 15 July 2024, compared to previous fortnight, Bank Negara Malaysia's international reserves was lower at USD113.3b (28 June 2024: USD113.8b).

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	19-Jul Fri	22-Jul Mon	23-Jul Tue	24-Jul Wed	25-Jul Thu	26-Jul Fri	Change (WoW bp)
MGS							
3-Y	3.475	3.469	3.47	3.452	3.444	3.422	-5.3
5-Y	3.601	3.601	3.595	3.586	3.579	3.57	-3.1
7-Y	3.768	3.758	3.754	3.741	3.723	3.723	-4.5
10-Y	3.798	3.804	3.806	3.794	3.774	3.778	-2
20-Y	4.003	4.07	4.072	4.047	4.054	4.058	5.5
RINGGIT IRS							
1-Y	3.52	3.525	3.505	3.4575	3.455	3.47	-5
3-Y	3.48	3.4875	3.478	3.437	3.415	3.42	-6
5-Y	3.55	3.55	3.525	3.495	3.475	3.505	-4.5
7-Y	3.66	3.6575	3.64	3.595	3.595	3.59	-7
10-Y	3.765	3.765	3.75	3.705	3.68	3.705	-6
KLIBOR							
1-M	3.29	3.29	3.29	3.29	3.29	3.29	0
3-M	3.58	3.58	3.58	3.58	3.57	3.57	-1
UST							
3-Y	4.2873	4.2928	4.273	4.2587	4.2473	4.1988	-8.85
5-Y	4.1665	4.1735	4.1628	4.1716	4.1309	4.0749	-9.16
7-Y	4.1842	4.1946	4.1867	4.2102	4.1684	4.1146	-6.96
10-Y	4.2389	4.2525	4.2506	4.2838	4.2407	4.1939	-4.5
30-Y	4.4468	4.472	4.4842	4.5419	4.4832	4.4523	0.55
USD LIBOR							
1-M	5.46123	5.46398	5.46406	5.46374	5.4616	5.46118	-0.005
3-M	5.5446	5.54497	5.54621	5.54082	5.52517	5.51698	-2.762

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	19-Jul Yield	26-Jul Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	4.642	11/07/33	3.798	3.778	-2.0	1,955.5
MALAYSIA INVESTMNT ISSU	3.99	10/15/25	3.281	3.248	-3.3	1,916.6
MALAYSIA GOVERNMENT	3.502	05/31/27	3.475	3.422	-5.3	1,290.7
MALAYSIA GOVERNMENT	3.885	08/15/29	3.601	3.570	-3.1	1,069.9
MALAYSIA INVESTMNT ISSU	4.582	08/30/33	3.834	3.807	-2.7	970.0
MALAYSIA INVESTMNT ISSU	4.119	11/30/34	3.810	3.770	-4.0	916.5
MALAYSIA GOVERNMENT	2.632	04/15/31	3.768	3.723	-4.5	886.8
MALAYSIA INVESTMNT ISSU	4.07	09/30/26	3.404	3.374	-3.0	839.3
MALAYSIA GOVERNMENT	3.899	11/16/27	3.481	3.448	-3.3	784.1
MALAYSIA INVESTMNT ISSU	4.193	10/07/32	3.813	3.787	-2.6	720.1
TOTAL VOLUME (TOP 10)						11,349.6
TOTAL VOLUME (Overall)						22,168.3

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	19-Jul Yield	26-Jul Yield	Change (WoW bp)	Weekly Volume (RM mn)
AMANAT LEBUHRAYA RAKY	5.41	10/12/35	N/A	4.171	N/A	400.0
AMANAT LEBUHRAYA RAKY	5.32	10/13/34	N/A	4.120	N/A	160.0
DANAINFRA NASIONAL	2.84	02/24/28	N/A	3.607	N/A	120.0
PENGURUSAN AIR SPV BHD	4.56	01/31/30	3.937	3.908	-2.9	100.0
CAGAMAS BERHAD	4.03	05/02/31	N/A	3.897	N/A	100.0
IMTIAZ SUKUK II BHD	4.15	10/02/28	3.948	3.908	-4.0	90.0
CAGAMAS BERHAD	4.2	05/31/33	N/A	3.949	N/A	90.0
DANAINFRA NASIONAL	4.53	04/01/37	N/A	3.953	N/A	70.0
RHB BANK	3.95	05/25/26	N/A	3.701	N/A	65.0
DANAINFRA NASIONAL	3.9	09/24/49	N/A	4.180	N/A	60.0
TOTAL VOLUME (TOP 10)						1,255.0
TOTAL VOLUME (Overall)						3,859.5

Source: Bloomberg

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077 (23878-X)).
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878-X)). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This document may not be reproduced, distributed or published in any form or for any purpose.

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