

MIDF Strategy 12 August 2024

Week Ended 9 August 2024

- The UST market saw profit taking activities with benchmark 10-year yield closed the review week higher at 3.94% (prior week: 3.79%) as investors deemed the fears of an economic recession kindled by the weaker than expected July jobs report were exaggerated. The 10y-3y yield spread narrowed to +6bps (prior week: +8bp) as the short-end underperformed. Meanwhile, at week close, the interest rate futures market implied rate cuts totaling -100bps (prior week: -125bps) this year.
- Medium-term inflation expectation (MTIE) ended the review week higher at 1.98% (prior week: 1.92%). The MTIE nonetheless remains below the US Fed target level of 2.00%. In gist, we reckon the market is now rather convinced that the underlying inflation pressure is largely contained.
- The price of MGS benchmark issues ended the review week lower with the 3-year and 10-year yields added 1.0bp and 6.2bps to close at 3.33% and 3.77% respectively. The 10y-3y yield spread expanded (yield curve steepened) week-on-week from 39bps to 44bps as the long-end underperformed.
- MGS foreign holdings increased month-on-month from RM271b in June 2024 to RM279b in July 2024. Moreover, it regained the all-time high level last recorded in July 2023. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM24m. It declined week-on-week from RM1.21b registered a week ago. However, it improved year-on-year from -RM4.92b a year ago.

Weekly Money Review

A. FIXED INCOME

- The UST market saw profit taking activities with benchmark 10-year yield closed the review week higher at 3.94% (prior week: 3.79%) as investors deemed the fears of an economic recession kindled by the weaker than expected July jobs report were exaggerated. The 10y-3y yield spread narrowed to +6bps (prior week: +8bp) as the short-end underperformed. Meanwhile, at week close, the interest rate futures market implied rate cuts totaling -100bps (prior week: -125bps) this year.



Source: Bloomberg, MIDFR (G628, G629)

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



Source: Bloomberg, MIDFR (G653)

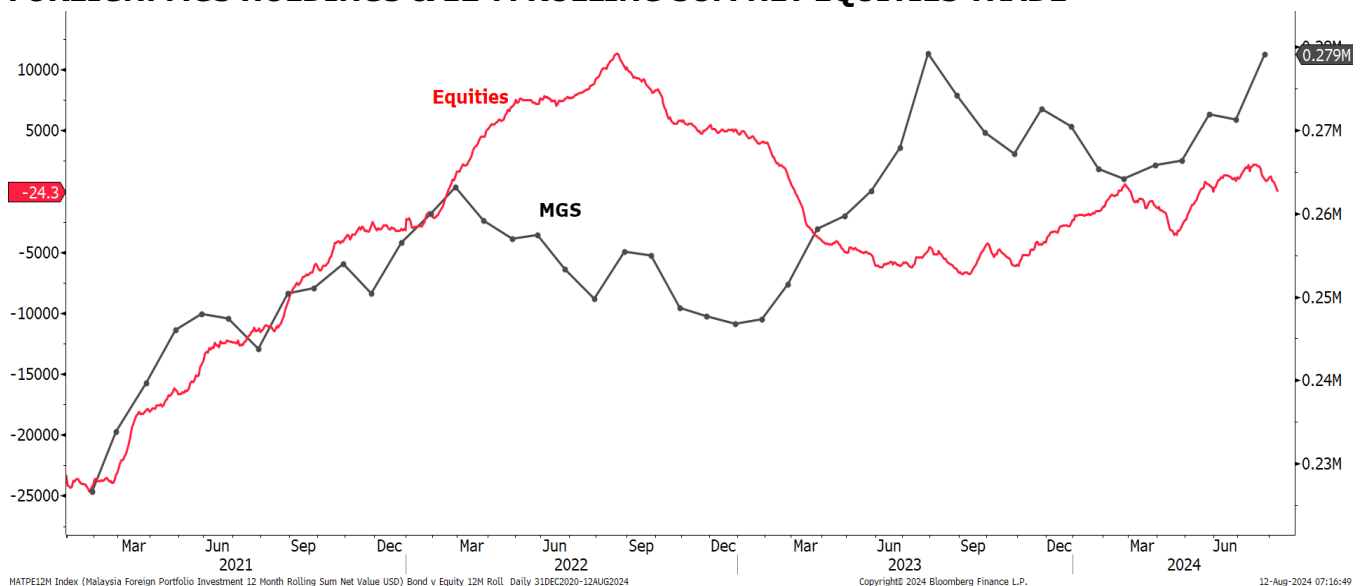
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Source: Bloomberg, MIDFR (G630, G631)

- Total trading value for Government Bonds (MGS/MII) declined to RM28.19b in the review week compared to RM44.90b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 52% from 48% of the overall Government Bonds trades. Moreover, 5 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 3.882% 3/14/25 at RM2.55b, MGS 4.642% 11/7/33 at RM1.88b, and MII 4.07% 9/30/26 at RM1.42b.

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



Source: Bloomberg, MIDFR (G659)

- MGS foreign holdings increased month-on-month from RM271b in June 2024 to RM279b in July 2024. Moreover, it regained the all-time high level last recorded in July 2023. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM24m. It declined week-on-week from RM1.21b registered a week ago. However, it improved year-on-year from -RM4.92b a year ago.
- Total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM3.30b in the review week compared to RM3.20b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 31% from 33% 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 Danainfra 5.04% 11/12/40 at RM190m, Danainfra 4.47% 11/24/28 at RM150m, and Danainfra 4.95% 4/6/40 at RM120m.

B. FOREIGN EXCHANGE

- The weakest weekly closing for USD since early Mar-24. The US dollar depreciated for the 3rd consecutive week as the DXY dollar index declined -0.1%wow to 103.14. The depreciation was due to a more dovish tone by Fed officials, heightening the expectations for a Fed rate cut soon. This was further supported by the renewed concerns over recession risk in the US.
- Euro appreciated further while the pound continued to weaken. The euro appreciated by +0.1wow to USD1.092, capitalising on the weaker dollar to appreciate for the 2nd consecutive week. In contrast, the pound depreciated for the 3rd consecutive week by -0.3%wow to USD1.276, in anticipation of further cooling in the UK's labour market and underlying inflation, which would prompt the BOE to ease its policy interest rate further.
- Ringgit closed the strongest since Apr-23. The Malaysian ringgit appreciated +1.7%wow to RM4.424, outperforming most regional currencies, gaining from the weakening of US dollar and more positive sentiment on the local currency. Additionally, the ringgit appreciated further against the currencies of Malaysia's major trading partners and regional currencies, contributing to our MIDF Trade-Weighted Ringgit Index (TWRI) closing +1.7%wow higher at 90.33, the highest since Feb-23. The ringgit appreciated against all currencies within TWRI except the Indonesian rupiah. Commodity prices were also favourable towards the ringgit with the Brent crude oil prices rising +3.7%wow to USD79.66pb (previous week: USD76.81pb).

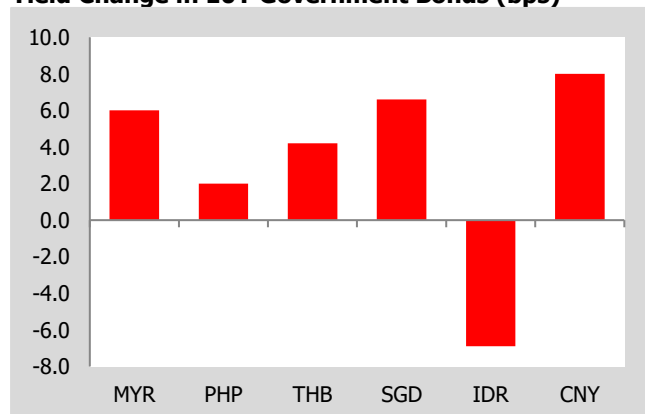
Currencies Changes (Week Ended 9 August 2024) and Quarterly Forecasts

	Close 09/08	Prev. Close 02/08	Weekly Change	Weekly Change (%)	1QCY24	2QCY24	3QCY24f	4QCY24f
DXY Index	103.14	103.21	-0.073	-0.1	104.49	105.87	101.1	99.7
EURUSD	1.092	1.091	+0.001	+0.1	1.079	1.071	1.10	1.12
GBPUSD	1.276	1.280	-0.004	-0.3	1.26	1.265	1.26	1.27
USDJPY	146.6	146.5	-0.080	-0.1	151.35	160.88	138.0	135.0
USDMYR	4.424	4.497	+0.073	+1.7	4.725	4.718	4.556	4.430
GBPMYR	5.645	5.729	+0.083	+1.5	5.960	5.967	5.72	5.74
JPYMYR	3.019	3.068	+0.049	+1.6	3.122	2.932	3.26	3.30
MIDF TWRI	90.33	89.19	+1.142	+1.3	85.00	86.25	88.00	91.50

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

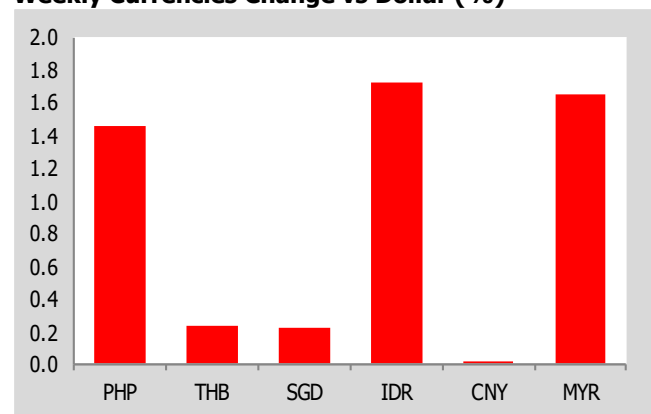
Source: Bloomberg, MIDFR

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 (%)

	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Jul-24	Aug-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	6.25	6.25	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)	0.00-0.10	0.00-0.10	0.00-0.10	0.00-0.10	0.25	0.25	0.25
UK	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.00	5.00
Euro area	4.50	4.50	4.50	4.50	4.50	4.25	4.25	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:
 - The services sector rebounded. US ISM Services PMI returned to expansionary territory in Jul-24 at 51.4 (Jun-24: 48.8), rebounding from an over 4-year low and surpassing the market projection of 51.0. Meanwhile, the S&P Global Services PMI was revised lower to 55.0 in Jul-24 (Jun-24: 55.3) from a preliminary reading of 56.0.
 - Easing concerns over cooling job market. Initial jobless claims for the week ending 3rd August 2024 declined to 233K (previous week: 250K), much lower than 240K predicted by the market consensus.
- Reserve Bank Australia kept its policy rate steady at 4.35%, conforming to market expectations. However, the central bank remains concerned, as inflation is still above the 2–3% target range and is not expected to approach the midpoint until 2026.
- Malaysia economic data released last week:
 - Labour remains stable in Jun-24. Malaysia's labour market remained robust in Jun-24, with the unemployment rate holding steady at a post-pandemic low of 3.3%.
 - IPI growth increased to +5.0%yoy in Jun-24. Malaysia's IPI growth accelerated to +5.0%yoy in Jun-24 (May-24: +2.4%yoy), supported by stronger manufacturing and mining output. The pace of IPI growth in Jun-24 exceeded market expectations of +4.7%yoy.

C. BNM INTERNATIONAL RESERVES

- As of 31 July 2024, compared to previous fortnight, Bank Negara Malaysia's international reserves was higher at USD114.7b (15 July 2024: USD113.3b).

BNM INTERNATIONAL RESERVES



HAALGFES Index (Malaysia Assets & Liabilities US Dollar Equivalent of International Reserves) BNM Intl Reserves Weekly 15FEB2019-12AUG2024

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Source: Bloomberg, MIDFR (G662)

- The number 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	2-Aug Fri	5-Aug Mon	6-Aug Tue	7-Aug Wed	8-Aug Thu	9-Aug Fri	Change (WoW bp)
MGS							
3-Y	3.317	3.276	3.32	3.343	3.331	3.327	1
5-Y	3.491	3.476	3.502	3.534	3.484	3.489	-0.2
7-Y	3.666	3.624	3.7	3.704	3.697	3.699	3.3
10-Y	3.707	3.686	3.753	3.775	3.753	3.769	6.2
20-Y	4.032	4.032	4.039	4.054	4.039	4.043	1.1
RINGGIT IRS							
1-Y	3.427	3.375	3.425	3.425	3.3925	3.365	-6.2
3-Y	3.38	3.33	3.39	3.365	3.315	3.315	-6.5
5-Y	3.4125	3.355	3.43	3.4225	3.385	3.375	-3.75
7-Y	3.503	3.435	3.52	3.525	3.465	3.465	-3.8
10-Y	3.6025	3.54	3.61	3.5925	3.565	3.555	-4.75
KLIBOR							
1-M	3.29	3.29	3.29	3.29	3.28	3.28	-1
3-M	3.57	3.57	3.57	3.56	3.55	3.54	-3
UST							
3-Y	3.7072	3.7458	3.8182	3.7973	3.8753	3.8753	16.81
5-Y	3.6166	3.6421	3.7312	3.7621	3.8276	3.7961	17.95
7-Y	3.67	3.6849	3.7834	3.8239	3.8799	3.8387	16.87
10-Y	3.7904	3.7884	3.8919	3.9431	3.9877	3.9398	14.94
30-Y	4.1072	4.0721	4.1792	4.2463	4.2766	4.2186	11.14
USD LIBOR							
1-M	5.46652	5.44188	5.404	5.43949	5.44114	5.448	-1.852
3-M	5.48934	5.39402	5.31812	5.36577	5.36444	5.3743	-11.504

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	2-Aug Yield	9-Aug Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.882	03/14/25	3.172	3.081	-9.1	2,553.5
MALAYSIA GOVERNMENT	4.642	11/07/33	3.707	3.769	6.2	1,876.9
MALAYSIA INVESTMNT ISSU	4.07	09/30/26	3.306	3.324	1.8	1,424.1
MALAYSIA GOVERNMENT	3.906	07/15/26	3.207	3.218	1.1	1,418.0
MALAYSIA GOVERNMENT	3.955	09/15/25	3.157	3.124	-3.3	1,377.4
MALAYSIA GOVERNMENT	3.885	08/15/29	3.491	3.489	-0.2	1,359.0
MALAYSIA INVESTMNT ISSU	3.804	10/08/31	3.691	3.704	1.3	1,358.3
MALAYSIA GOVERNMENT	4.059	09/30/24	3.079	3.019	-6.0	1,281.2
MALAYSIA GOVERNMENT	3.502	05/31/27	3.317	3.327	1.0	1,234.4
MALAYSIA GOVERNMENT	4.498	04/15/30	3.596	3.590	-0.6	875.3
TOTAL VOLUME (TOP 10)						14,758.1
TOTAL VOLUME (Overall)						28,186.6

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	2-Aug Yield	9-Aug Yield	Change (WoW bp)	Weekly Volume (RM mn)
DANAINFRA NASIONAL	5.04	11/12/40	N/A	4.039	N/A	190.0
DANAINFRA NASIONAL	4.47	11/24/28	N/A	3.527	N/A	150.0
DANAINFRA NASIONAL	4.95	04/06/40	3.979	3.999	2.0	120.0
CAGAMAS BERHAD	4	08/29/28	3.857	3.750	-10.7	120.0
UMW HOLDINGS BERHAD	6.35	PERP	4.066	4.148	8.2	90.0
DANAINFRA NASIONAL	4.36	02/12/29	N/A	3.548	N/A	80.0
DANAINFRA NASIONAL	3.93	11/27/34	N/A	3.901	N/A	80.0
PRASARANA MALAYSIA BHD	4.32	09/07/28	N/A	3.557	N/A	70.0
PENGURUSAN AIR SPV BHD	4.63	02/03/33	N/A	3.846	N/A	70.0
UMW HOLDINGS BERHAD	3.03	11/05/25	N/A	3.650	N/A	60.2
TOTAL VOLUME (TOP 10)						1,030.2
TOTAL VOLUME (Overall)						3,304.8

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.
HOLD	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