

## MIDF Strategy 2 September 2024

### Week Ended 30 August 2024

- The UST market saw profit taking activities with benchmark 10-year yield closed the review week higher at 3.90% (prior week: 3.80%) arguably in reaction to an upward revision to the 2Q24 GDP growth figure while the July PCE data met expectations. The 10y-3y yield spread expanded (yield curve steepened) to +13bps (prior week: +8bp) as the long-end underperformed. At week close, the interest rate futures market implied rate cuts totaling -100bps (prior week: -100bps) this year.
- Medium-term inflation expectation (MTIE) ended the review week a tad higher at 2.03% (prior week: 2.02%). The MTIE remains above the US Fed target level of 2.00% in view of the prospect of lower interest rates. Nonetheless, we reckon the market is rather convinced that the underlying inflation pressure is largely contained.
- The price of MGS benchmark issues ended the review week mixed with the 3-year and 10-year yields added +1.2bps and shed -1.1bps to close at 3.35% and 3.76% respectively. The 10y-3y yield spread narrowed (yield curve flattened) week-on-week from 44bps to 42bps as the long-end outperformed.
- 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 RM3.35b. It improved week-on-week from RM1.77b registered a week ago. Moreover, it improved year-on-year from -RM6.67b 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 3.90% (prior week: 3.80%) arguably in reaction to an upward revision to the 2Q24 GDP growth figure while the July PCE data met expectations. The 10y-3y yield spread expanded (yield curve steepened) to +13bps (prior week: +8bp) as the long-end underperformed. At week close, the interest rate futures market implied rate cuts totaling -100bps (prior week: -100bps) this year.



Source: Bloomberg, MIDFR (G628, G629)

- Medium-term inflation expectation (MTIE) ended the review week a tad higher at 2.03% (prior week: 2.02%). The MTIE remains above the US Fed target level of 2.00% in view of the prospect of lower interest rates. Nonetheless, we reckon the market is rather convinced that the underlying inflation pressure is largely contained.

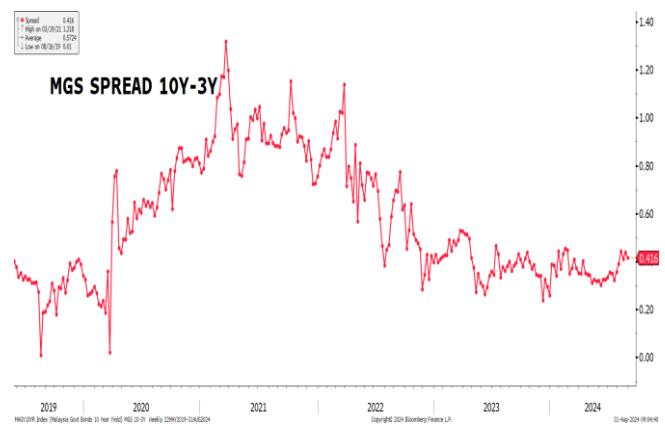
### MEDIUM-TERM INFLATION EXPECTATION (MTIE): 5Y UST-TIPS SPREAD



Source: Bloomberg, MIDFR (G653)

The price of MGS benchmark issues ended the review week mixed with the 3-year and 10-year yields added +1.2bps and shed -1.1bps to close at 3.35% and 3.76% respectively. The 10y-3y yield spread narrowed (yield curve flattened) week-on-week from 44bps to 42bps as the long-end outperformed.

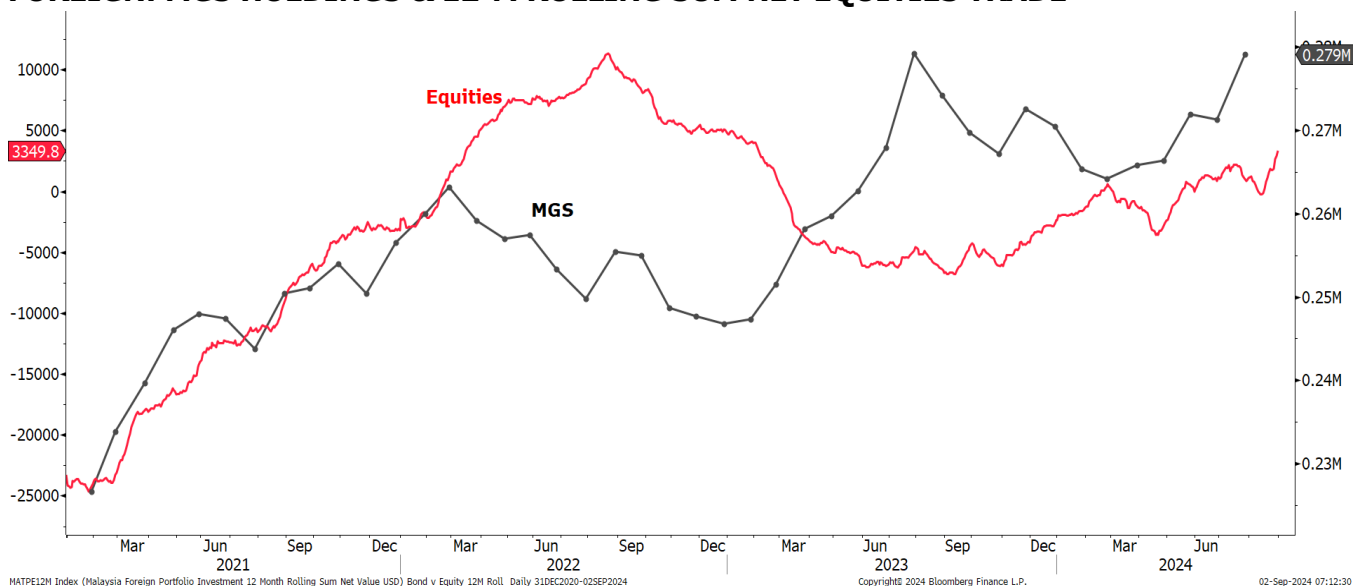




Source: Bloomberg, MIDFR (G630, G631)

- Total trading value for Government Bonds (MGS/MII) declined to RM19.90b in the review week compared to RM22.29b 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, 7 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 MII 3.655% 10/15/24 at RM1.61b, MII 4.193% 10/7/32 at RM1.28b, and MGS 2.632% 4/15/31 at RM1.19b.

## 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 RM3.35b. It improved week-on-week from RM1.77b registered a week ago. Moreover, it improved year-on-year from -RM6.67b a year ago.
- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM3.38b in the review week compared to RM4.38b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 24% from 22% of the overall Corporate Bonds trades.
- The top 3 actively traded Corporate Bonds were dominated by issues of long residual tenor. The top 3 most actively traded were UEM Sunrise 4.84% 2/14/34 at RM145m, TNB Power 4.84% 3/27/43 at RM95m, and PLUS 5.017% 1/12/38 at RM80m.

## B. FOREIGN EXCHANGE

- USD reversed some losses. The US dollar appreciated and reversed some of depreciation over the past 1 month as the DXY dollar index rose +1.0%w to 101.70. The appreciation was supported by some reduction in expectations for aggressive rate cuts by the Fed as data released last week pointed to continued resilience in the US economy, including no further disinflation following the stable annual PCE inflation in Jul-24. As dollar strengthened, the euro and pound sterling weakened by -1.3%w to USD1.105 and -0.7%w to USD1.313, respectively.
- Ringgit strengthened further. The Malaysian ringgit gained by +1.3%w and closed at RM4.321, still at the strongest level last seen in Feb-23. Despite the dollar strength, demand for ringgit and regional currencies increased further as market continued to price in rate cuts by the Fed. Ringgit also appreciated against Malaysia's major trading partners' currencies and regional currencies, as reflected by the +1.3%w increase in our MIDF Trade-Weighted Ringgit Index to 91.30, with the most gains against euro and Korean won. Commodity price movement was however not supportive of ringgit as Brent crude oil price fell -0.3%w to USD78.80pb (previous week: USD79.02pb).

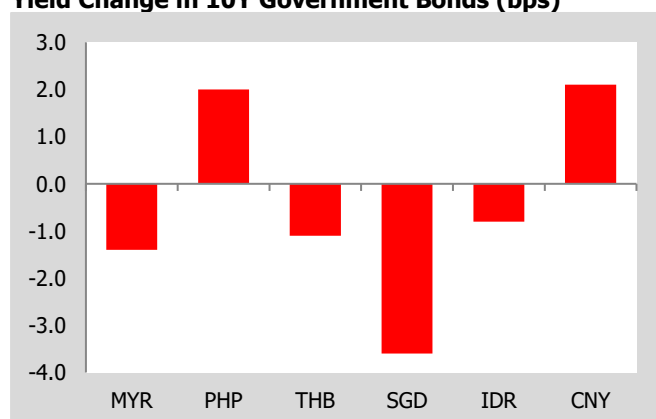
### Currencies Changes (Week Ended 30 August 2024) and Quarterly Forecasts

	Close 30/08	Prev. Close 23/08	Weekly Change	Weekly Change (%)	1QCY24	2QCY24	3QCY24f	4QCY24f
DXY Index	101.70	100.72	+0.980	+1.0	104.49	105.87	101.1	99.7
EURUSD	1.105	1.119	-0.014	-1.3	1.079	1.071	1.10	1.12
GBPUSD	1.313	1.321	-0.009	-0.7	1.26	1.265	1.26	1.27
USDJPY	146.2	144.4	-1.800	-1.2	151.35	160.88	138.0	135.0
USDMYR	4.321	4.375	+0.054	+1.3	4.725	4.718	4.367	4.230
GBPMYR	5.696	5.743	+0.046	+0.8	5.960	5.967	5.72	5.74
JPYMYR	2.956	3.030	+0.075	+2.5	3.122	2.932	3.26	3.30
MIDF TWRI	91.30	90.15	+1.155	+1.3	85.00	86.25	91.00	93.00

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

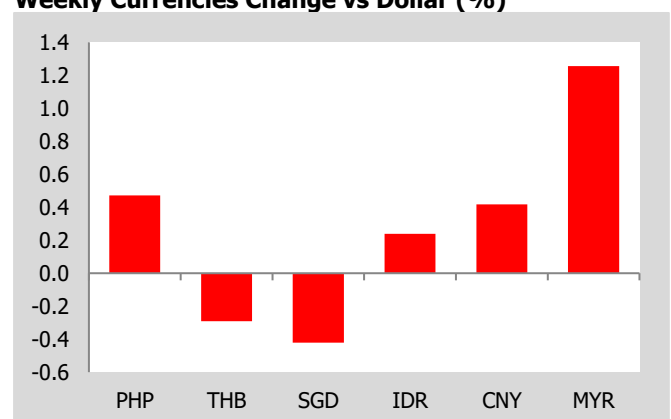
Source: Bloomberg, MIDFR

### 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	6.25
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:
  - Resilient economic growth. The US economy grew faster at annualised +3.0%qoq in 2QCY24 (1QCY24: +1.4%qoq), higher than initial estimate of +2.8%qoq, mainly attributable to the stronger growth in personal consumption spending.
  - Improved consumer confidence. The Conference Board Consumer Confidence Index rose to 103.3 in Aug-24 (Jul-24: 101.9), against market prediction for a drop to 100.7. The final reading of University of Michigan's Consumer Sentiment survey also indicated improved consumer sentiment as the index rose to 67.9 in Aug-24 (Jul-24: 66.4).
  - PCE inflation was unchanged. The headline and core PCE inflation remained at +2.5%yoy and +2.6%yoy, respectively, in Jul-24, defying market expectations for some re-acceleration.
  - Still resilient job market. Initial jobless claims for the week ending 24th August 2024 fell to 231K (previous week: 233K), lower than 232K predicted by the market consensus.
  
- Malaysia economic data released last week:
  - Moderated rise in cost pressures. Producer Price Index (PPI) increased further by +1.3%yoy in Jul-24, albeit slightly slower than +1.6%yoy rise in Jun-24.

## C. BNM INTERNATIONAL RESERVES

- As of 15 August 2024, compared to previous fortnight, Bank Negara Malaysia's international reserves was higher at USD115.9b (31 July 2024: USD114.7b).

### BNM INTERNATIONAL RESERVES



Source: Bloomberg, MIDFR (G662)

- The amount 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	23-Aug Fri	26-Aug Mon	27-Aug Tue	28-Aug Wed	29-Aug Thu	30-Aug Fri	Change (WoW bp)
MGS							
3-Y	3.335	3.336	3.328	3.278	3.328	3.347	1.2
5-Y	3.487	3.471	3.491	3.495	3.497	3.507	2
7-Y	3.694	3.678	3.677	3.701	3.696	3.7	0.6
10-Y	3.774	3.766	3.776	3.778	3.754	3.763	-1.1
20-Y	4.044	4.051	4.05	4.054	4.039	4.054	1
RINGGIT IRS							
1-Y	3.415	3.3875	3.395	3.39	3.41	3.4475	3.25
3-Y	3.345	3.32	3.335	3.345	3.345	3.3675	2.25
5-Y	3.406	3.39	3.3975	3.3975	3.41	3.4325	2.65
7-Y	3.48	3.485	3.48	3.48	3.485	3.5	2
10-Y	3.6025	3.59	3.59	3.585	3.595	3.615	1.25
KLIBOR							
1-M	3.28	3.28	3.28	3.28	3.28	3.28	0
3-M	3.53	3.53	3.53	3.53	3.53	3.53	0
UST							
3-Y	3.7244	3.7468	3.7131	3.7271	3.7523	3.7777	5.33
5-Y	3.6486	3.6657	3.6482	3.6653	3.6664	3.7027	5.41
7-Y	3.6994	3.7221	3.722	3.732	3.7574	3.7987	9.93
10-Y	3.799	3.816	3.8216	3.8349	3.8615	3.9034	10.44
30-Y	4.0908	4.1051	4.1131	4.1248	4.1455	4.1955	10.47
USD LIBOR							
1-M	5.39049	5.39049	5.36661	5.36122	5.31503	5.31503	-7.546
3-M	5.34225	5.34225	5.32358	5.31879	5.2773	5.2773	-6.495

Source: Bloomberg

**10 MOST ACTIVELY TRADED GOVERNMENT BONDS**

Name	Coupon	Maturity	23-Aug Yield	30-Aug Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA INVESTMNT ISSU	3.655	10/15/24	3.118	3.044	-7.4	1,609.1
MALAYSIA INVESTMNT ISSU	4.193	10/07/32	3.778	3.231	-54.7	1,277.9
MALAYSIA GOVERNMENT	2.632	04/15/31	3.694	3.700	0.6	1,187.8
MALAYSIA GOVERNMENT	3.828	07/05/34	3.760	3.763	0.3	1,184.3
MALAYSIA GOVERNMENT	3.882	03/14/25	3.102	3.104	0.2	996.8
MALAYSIA GOVERNMENT	4.642	11/07/33	3.774	3.790	1.6	993.7
MALAYSIA GOVERNMENT	4.498	04/15/30	3.596	3.601	0.5	942.4
MALAYSIA INVESTMNT ISSU	4.291	08/14/43	4.062	4.081	1.9	699.6
MALAYSIA INVESTMNT ISSU	4.128	08/15/25	3.164	3.156	-0.8	692.7
MALAYSIA INVESTMNT ISSU	4.724	06/15/33	3.801	3.812	1.1	680.0
TOTAL VOLUME (TOP 10)						10,264.3
TOTAL VOLUME (Overall)						19,903.9

Source: Bloomberg

**10 MOST ACTIVELY TRADED CORPORATE BONDS**

Name	Coupon	Maturity	23-Aug Yield	30-Aug Yield	Change (WoW bp)	Weekly Volume (RM mn)
UEM SUNRISE BHD	4.84	02/14/34	N/A	4.031	N/A	145.0
TNB POWER GENERATION	4.84	03/27/43	4.079	4.075	-0.4	95.0
PROJEK LEBUHRAYA USAHA	5.017	01/12/38	3.999	4.029	3.0	80.0
DIGI TELECOMMUNICATION	3.93	06/27/31	3.838	3.859	2.1	80.0
DANAINFRA NASIONAL	4.3	03/31/34	3.844	3.848	0.4	70.0
AMANAT LEBUHRAYA RAKY	5.41	10/12/35	4.171	4.140	-3.1	70.0
SABAH CREDIT CORP	3.91	01/25/27	N/A	3.829	N/A	70.0
DANAINFRA NASIONAL	5.07	10/20/42	N/A	4.075	N/A	70.0
CAGAMAS BERHAD	3.65	03/03/25	N/A	3.480	N/A	70.0
DANUM CAPITAL BHD	4.02	06/30/25	3.589	3.550	-3.9	67.0
TOTAL VOLUME (TOP 10)						817.0
TOTAL VOLUME (Overall)						3,376.5

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