

## MIDF Strategy 9 September 2024 Week Ended 6 September 2024

- The UST market rallied with benchmark 10-year yield closed the review week lower at 3.71% (prior week: 3.90%) as investors reacted to subdued manufacturing ISM report and weaker than expected jobs data which raised the likelihood of a Fed rate cut later this month. The 10y-3y yield spread expanded (yield curve steepened) to +18bps (prior week: +13bp) as the short-end outperformed due to its higher sensitivity to policy rate outlook. At week close, the interest rate futures market implied rate cuts totaling -125bps (prior week: -100bps) this year.
- Medium-term inflation expectation (MTIE) ended the review week lower at 1.89% (prior week: 2.03%). The MTIE again fell below the US Fed target level of 2.00% to its lowest level since December 2020. In gist, we reckon the market is now convinced that the underlying inflation pressure is largely contained.
- The price of MGS benchmark issues ended the review week higher with the 3-year and 10-year yields shed -0.5bp and -3.1bps to close at 3.34% and 3.73% respectively. The 10y-3y yield spread narrowed (yield curve flattened) week-on-week from 42bps to 39bps 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 RM4.18b. It improved week-on-week from RM3.35b registered a week ago. Moreover, it improved year-on-year from -RM6.64b a year ago.

## Weekly Money Review

### A. FIXED INCOME

- The UST market rallied with benchmark 10-year yield closed the review week lower at 3.71% (prior week: 3.90%) as investors reacted to subdued manufacturing ISM report and weaker than expected jobs data which raised the likelihood of a Fed rate cut later this month. The 10y-3y yield spread expanded (yield curve steepened) to +18bps (prior week: +13bp) as the short-end outperformed due to its higher sensitivity to policy rate outlook. At week close, the interest rate futures market implied rate cuts totaling -125bps (prior week: -100bps) this year.



Source: Bloomberg, MIDFR (G628, G629)

- Medium-term inflation expectation (MTIE) ended the review week lower at 1.89% (prior week: 2.03%). The MTIE again fell below the US Fed target level of 2.00% to its lowest level since December 2020. In gist, we reckon the market is now convinced that the underlying inflation pressure is largely contained.

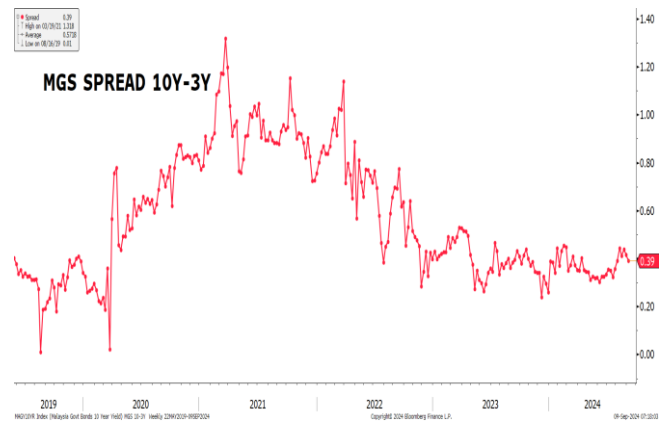
### MEDIUM-TERM INFLATION EXPECTATION (MTIE): 5Y UST-TIPS SPREAD



Source: Bloomberg, MIDFR (G653)

The price of MGS benchmark issues ended the review week higher with the 3-year and 10-year yields shed -0.5bp and -3.1bps to close at 3.34% and 3.73% respectively. The 10y-3y yield spread narrowed (yield curve flattened) week-on-week from 42bps to 39bps as the long-end outperformed.

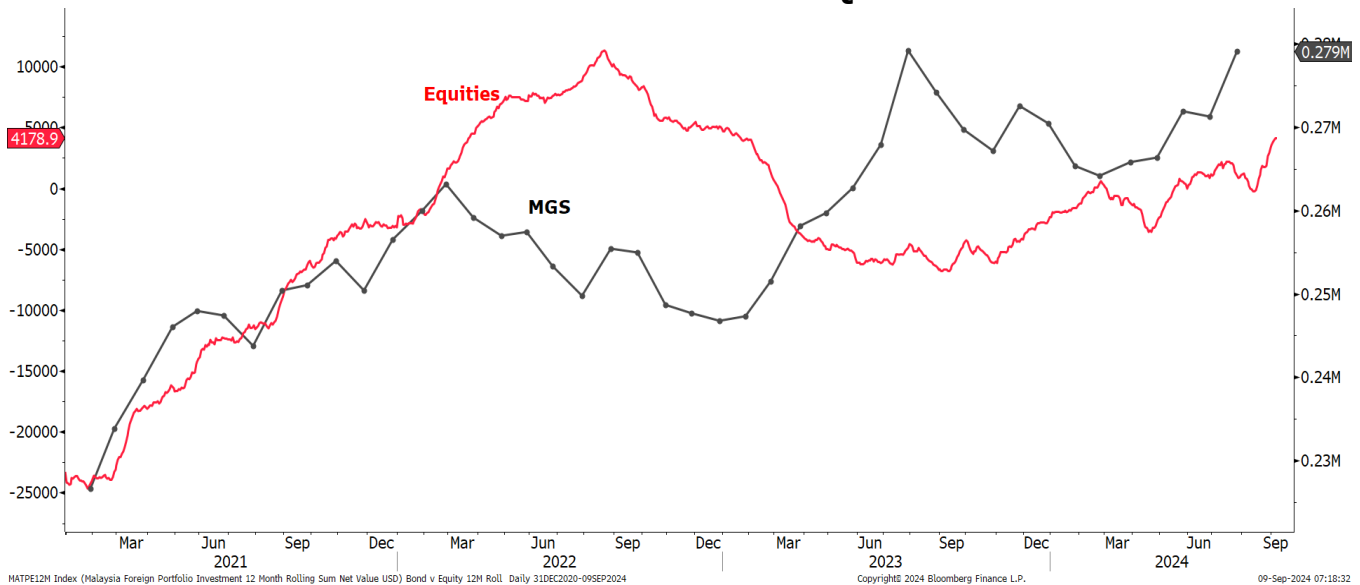




Source: Bloomberg, MIDFR (G630, G631)

- Total trading value for Government Bonds (MGS/MII) increased to RM20.93b in the review week compared to RM19.90b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 53% from 52% of the overall Government Bonds trades. Moreover, 6 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 3.885% 8/15/29 at RM1.88b, MII 3.655% 10/15/24 at RM1.71b, and MGS 4.642% 11/7/33 at RM1.43b.

## 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 RM4.18b. It improved week-on-week from RM3.35b registered a week ago. Moreover, it improved year-on-year from -RM6.64b a year ago.
- Total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM3.65b in the review week compared to RM3.38b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 28% from 24% of the overall Corporate Bonds trades.
- The top 3 actively traded Corporate Bonds were dominated by issues of varied residual tenor. The top 3 most actively traded were Cagamas 3.92% 7/17/29 at RM190m, Cagamas 3.15% 6/15/26 at RM150m, and YTL Power 4.21% 3/18/37 at RM110m.

## B. FOREIGN EXCHANGE

- USD weakened following softer economic and job data. The US dollar weakened again as the DXY dollar index fell by -0.5%wow to 101.70. As the latest indicators and surveys pointed to softer economic activities in the recent month, the dollar index fell to 1-week low of 101.11 last Thursday but regained some losses as the Aug-24 job market update on the following data indicated a decline in the jobless rate, despite weaker-than-expected job growth last month.
- Euro gained; pound was flat. Following the depreciation of US dollar, the euro gained +0.3%wow to USD1.108. The pound sterling, on the other hand, was unchanged, exchanging at USD1.313 on Friday, weighed down by expectations that the Bank of England could reduce interest rates at a relatively faster pace.
- Ringgit fell ahead of US job data update. The Malaysian ringgit depreciated last week by -0.2%wow to RM4.330. Like other regional currencies, the local currency weakened as sentiment in the market turned cautious ahead of the official US job market update, trying to gauge the size of the upcoming rate cuts. Ringgit also depreciated against currencies of Malaysia's major trading partners, resulting in the -0.6%wow drop in our MIDF Trade-Weighted Ringgit Index to 90.71, weakening the most against Japanese yen and Vietnam dong. Oil price movement was also not supportive of ringgit as the Brent crude benchmark fell further by -9.8%wow to USD71.06pb (previous week: USD78.80pb), the lowest since early Dec-21.

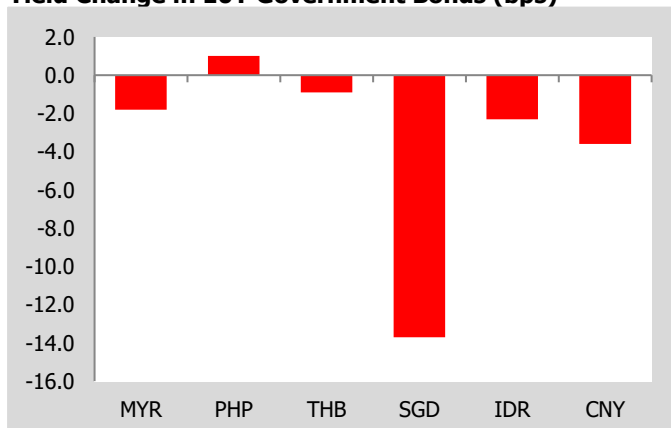
### Currencies Changes (Week Ended 6 September 2024) and Quarterly Forecasts

	Close 06/09	Prev. Close 30/08	Weekly Change	Weekly Change (%)	1QCY24	2QCY24	3QCY24f	4QCY24f
DXY Index	101.18	101.70	-0.521	-0.5	104.49	105.87	101.1	99.7
EURUSD	1.108	1.105	+0.004	+0.3	1.079	1.071	1.10	1.12
GBPUSD	1.313	1.313	+0.000	+0.0	1.26	1.265	1.26	1.27
USDJPY	142.3	146.2	+3.870	+2.7	151.35	160.88	138.0	135.0
USDMYR	4.330	4.321	-0.010	-0.2	4.725	4.718	4.367	4.230
GBPMYR	5.705	5.696	-0.009	-0.2	5.960	5.967	5.50	5.37
JPYMYR	3.043	2.956	-0.088	-2.9	3.122	2.932	3.16	3.13
MIDF TWRI	90.71	91.30	-0.587	-0.6	85.00	86.25	91.00	93.00

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

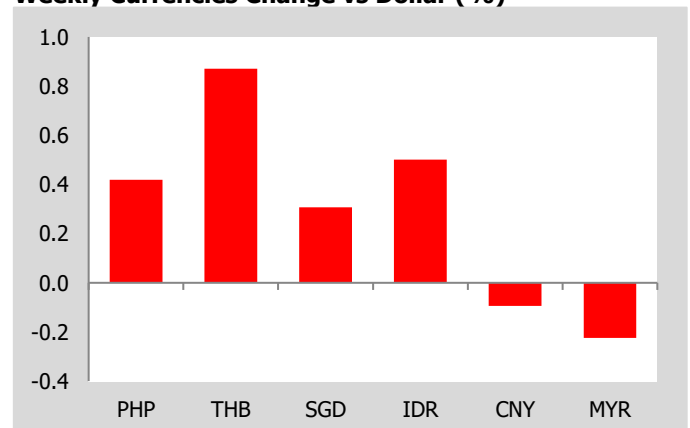
Source: Bloomberg, MIDFR

### 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 (%)

	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Jul-24	Aug-24	Sep-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	6.25	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	6.25	6.25
Japan	(0.10)	0.00-0.10	0.00-0.10	0.00-0.10	0.00-0.10	0.25	0.25	0.25	0.25
UK	5.25	5.25	5.25	5.25	5.25	5.25	5.00	5.00	5.00
Euro area	4.50	4.50	4.50	4.50	4.25	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:
  - Manufacturing activities continued to decline. ISM Manufacturing PMI remained below 50 despite rising to 47.2 in Aug-24 (Jul-24: 46.8), reflecting reduced new orders and output. The S&P Global Manufacturing PMI also indicated reduced activities in the sector as the index dropped to 47.9 (Jul-24: 49.6).
  - Services sector activities grew modestly. Activities in the US services sector rose modestly, albeit faster as the ISM Services PMI increased to 51.5 (Jul-24: 51.4), better than 51.1 predicted by the market forecast. The S&P Global Services PMI also indicated faster expansion as the index rose to 55.7 (Jul-24: 55.0).
  - Cooling job market but no significant deterioration:
    - Labour demand decreased to a 3.5-year low of 7.7m in Jul-24 (Jun-24: 7.9m), in contrast to 8.1m predicted by market consensus.
    - Initial jobless claims fell to 227K in the week ending 31 August 2024 (previous: 232K), lower than the market forecast for a decline to 230K.
    - Nonfarm payrolls rose faster by 142K in Aug-24 (Jul-24: 89K), but lower than 160K predicted by market consensus. The ADP also reported weaker growth in private payrolls, which increased slower-than-expected by 99K (Jul-24: 111K).
    - The jobless rate, however, fell to 4.2% (Jul-24: 4.3%), in line with the market expectations.
    - Wage growth or average hourly earnings, on the other hand, rose faster at +3.8%yoy (Jul-24: +3.6%yoy), slightly more than the market forecast of +3.7%yoy.
- The Fed latest Beige Book report concluded that the economy grew slower between mid-Jul-24 to late Aug-24 as most districts reported weaker or lower activities, with firms slowing hirings and inflation rising modestly.
- On 5 September 2024, BNM maintained the Overnight Policy Rate (OPR) at 3.00% for the 8th consecutive meeting as inflation in Malaysia remained under control. BNM also reiterated that the current policy rate deemed supportive of sustainable growth of Malaysia's economy.
- Malaysia economic data released last week:
  - Malaysia's manufacturing activities remained contractionary in Aug-24 as the S&P Global Manufacturing PMI was unchanged at 49.7 as demand remained subdued, leading to lower production, employment and purchasing activities.

## C. BNM INTERNATIONAL RESERVES

- As of 30 August 2024, compared to previous fortnight, Bank Negara Malaysia's international reserves was higher at USD116.8b (15 August 2024: USD115.9b).

### 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	30-Aug Fri	2-Sep Mon	3-Sep Tue	4-Sep Wed	5-Sep Thu	6-Sep Fri	Change (WoW bp)
MGS							
3-Y	3.347	3.351	3.369	3.359	3.33	3.342	-0.5
5-Y	3.507	3.525	3.522	3.513	3.728	3.495	-1.2
7-Y	3.7	3.71	3.709	3.689	3.686	3.68	-2
10-Y	3.763	3.772	3.769	3.766	3.75	3.732	-3.1
20-Y	4.054	4.053	4.064	4.051	4.054	4.05	-0.4
RINGGIT IRS							
1-Y	3.4475	3.45	3.438	3.39	3.415	3.415	-3.25
3-Y	3.3675	3.38	3.385	3.335	3.3325	3.33	-3.75
5-Y	3.4325	3.46	3.44	3.39	3.385	3.375	-5.75
7-Y	3.5	3.53	3.53	3.49	3.47	3.465	-3.5
10-Y	3.615	3.645	3.6375	3.585	3.575	3.565	-5
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	3.7777	3.7777	3.7268	3.6252	3.6081	3.5259	-25.18
5-Y	3.7027	3.7027	3.6387	3.5491	3.537	3.4852	-21.75
7-Y	3.7987	3.7987	3.7243	3.6427	3.6248	3.5866	-21.21
10-Y	3.9034	3.9034	3.831	3.7552	3.7269	3.708	-19.54
30-Y	4.1955	4.1955	4.1229	4.0578	4.0198	4.018	-17.75
USD LIBOR							
1-M	5.30983	5.30983	5.28843	5.27697	5.23248	5.22432	-8.551
3-M	5.27823	5.27823	5.27314	5.25603	5.20768	5.20025	-7.798

Source: Bloomberg

**10 MOST ACTIVELY TRADED GOVERNMENT BONDS**

Name	Coupon	Maturity	30-Aug Yield	6-Sep Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.885	08/15/29	3.507	3.495	-1.2	1,880.4
MALAYSIA INVESTMNT ISSU	3.655	10/15/24	3.044	3.137	9.3	1,713.6
MALAYSIA GOVERNMENT	4.642	11/07/33	3.790	3.763	-2.7	1,431.4
MALAYSIA GOVERNMENT	3.882	03/14/25	3.104	3.146	4.2	1,306.8
MALAYSIA GOVERNMENT	3.828	07/05/34	3.763	3.732	-3.1	1,122.6
MALAYSIA GOVERNMENT	3.955	09/15/25	3.100	3.149	4.9	995.8
MALAYSIA GOVERNMENT	4.498	04/15/30	3.601	3.591	-1.0	696.9
MALAYSIA GOVERNMENT	3.502	05/31/27	3.347	3.342	-0.5	688.0
MALAYSIA INVESTMNT ISSU	4.07	09/30/26	3.319	3.319	0.0	673.0
MALAYSIA INVESTMNT ISSU	4.119	11/30/34	3.780	3.770	-1.0	634.7
TOTAL VOLUME (TOP 10)						11,143.2
TOTAL VOLUME (Overall)						20,933.4

Source: Bloomberg

**10 MOST ACTIVELY TRADED CORPORATE BONDS**

Name	Coupon	Maturity	30-Aug Yield	6-Sep Yield	Change (WoW bp)	Weekly Volume (RM mn)
CAGAMAS BERHAD	3.92	07/17/29	N/A	3.778	N/A	190.0
CAGAMAS BERHAD	3.15	06/15/26	N/A	3.640	N/A	150.0
YTL POWER INTERNATIONA	4.21	03/18/37	4.040	4.128	8.8	110.0
DANAINFRA NASIONAL	4.47	11/24/28	3.527	3.530	0.3	100.0
YTL POWER INTERNATIONA	4.74	08/24/38	4.169	4.159	-1.0	90.0
AMANAT LEBUHRAYA RAKY	4.97	10/12/29	3.789	3.749	-4.0	80.0
BENIH RESTU BHD	4.08	07/28/34	4.001	3.999	-0.2	80.0
TENAGA NASIONAL BERHA	4.98	08/27/38	3.989	4.039	5.0	75.0
PUTRAJAYA HOLDINGS BHD	4.4	04/11/25	3.555	3.524	-3.1	70.0
CAGAMAS BERHAD	3.8	11/13/25	N/A	3.560	N/A	70.0
TOTAL VOLUME (TOP 10)						1,015.0
TOTAL VOLUME (Overall)						3,648.4

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