

## MIDF Strategy 30 September 2024

### Week Ended 27 September 2024

- Profit taking activities continued with benchmark 10-year UST yield closed the review week higher at 3.75% (prior week: 3.73%) as investors reacted to stronger than expected economic data (i.e. jobless claims and durable goods order) but the selling eased later in the week after tame inflation figure (i.e. PCE). The 10y-3y yield spread expanded (yield curve steepened) to +27bps (prior week: +26bp) as the long-end underperformed. At week close, the interest rate futures market implied additional rate cuts totaling -75bps (prior week: -75bps) in the final quarter this year.
- Medium-term inflation expectation (MTIE) ended the review week slightly higher at 2.06% (prior week: 2.05%). The MTIE reverted above the US Fed target level of 2.00% since the recent outsized interest rate cut. Nonetheless, we believe the market remains 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 0.7bp and 1.2bps to close at 3.34% and 3.72% respectively. The 10y-3y yield spread was barely changed week-on-week at 38bps.
- MGS foreign holdings rose to an all-time high of RM288b in August 2024. It improved year-on-year from RM274b in August 2023 and month-on-month from RM279b in July 2024. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at RM3.28b. It declined week-on-week from RM3.83b registered a week ago. However, it improved year-on-year from -RM4.59b a year ago.

## Weekly Money Review

### A. FIXED INCOME

- Profit taking activities continued with benchmark 10-year UST yield closed the review week higher at 3.75% (prior week: 3.73%) as investors reacted to stronger than expected economic data (i.e. jobless claims and durable goods order) but the selling eased later in the week after tame inflation figure (i.e. PCE). The 10y-3y yield spread expanded (yield curve steepened) to +27bps (prior week: +26bp) as the long-end underperformed. At week close, the interest rate futures market implied additional rate cuts totaling -75bps (prior week: -75bps) in the final quarter this year.



Source: Bloomberg, MIDFR (G628, G629)

- Medium-term inflation expectation (MTIE) ended the review week slightly higher at 2.06% (prior week: 2.05%). The MTIE reverted above the US Fed target level of 2.00% since the recent outsized interest rate cut. Nonetheless, we believe the market remains 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 lower with the 3-year and 10-year yields added 0.7bp and 1.2bps to close at 3.34% and 3.72% respectively. The 10y-3y yield spread was barely changed week-on-week at 38bps.



Source: Bloomberg, MIDFR (G630, G631)

- Total trading value for Government Bonds (MGS/MII) increased to RM24.62b in the review week compared to RM18.44b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 61% from 59% 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 MGS 3.882% 3/14/25 at RM2.95b, MGS 2.632% 4/15/31 at RM2.48b, and MGS 4.059% 9/30/24 at RM1.75b.

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



Source: Bloomberg, MIDFR (G659)

- MGS foreign holdings rose to an all-time high of RM288b in August 2024. It improved year-on-year from RM274b in August 2023 and month-on-month from RM279b in July 2024. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at RM3.28b. It declined week-on-week from RM3.83b registered a week ago. However, it improved year-on-year from -RM4.59b a year ago.
- Total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM2.42b in the review week compared to RM1.96b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 30% from 46% of the overall Corporate Bonds trades.
- The top 3 actively traded Corporate Bonds were dominated by issues of mid and long residual tenor. The top 3 most actively traded were Danainfra 4.18% 7/14/44 at RM105m, Pengurusan Air Selangor 3.59% 12/23/30 at RM100m, and Benih Restu Berhad 4.08% 7/28/34 at RM96m.

## B. FOREIGN EXCHANGE

- USD fell further as inflation update supported more rate cuts. The US dollar weakened further last week as the DXY dollar index fell by -0.2%wow to 100.38, the lowest closing since Jul-23. Demand for dollar weakened on expectations for more rate cuts by the Fed as the latest PCE price update showed continued moderation in the US inflation.
- Euro and pound both depreciated. Despite weaker dollar euro and pound sterling both depreciated by -0.1%wow to USD1.116 and -0.3%wow to USD1.337, respectively. Both currencies weakened against dollar as the recent PMI surveys indicated weaker business activities.
- Ringgit among best-performing currencies last week. The Malaysian ringgit gained further by +1.9%wow to RM4.126, the strongest level last seen in Jun-21. Like other currencies ringgit benefited from weaker dollar. In addition, new stimulus measures by China also supported ringgit to appreciate strongly. Ringgit also appreciated against currencies of Malaysia's major trading partners as our MIDF Trade-Weighted Ringgit Index rose +1.4%wow to 94.42, with the most gains against Philippine peso, euro and Indian rupee. Ringgit's movement was more influenced by changes in the financial markets as Brent crude oil price fell by -3.4%wow to USD71.98pb (previous week: USD74.49pb).

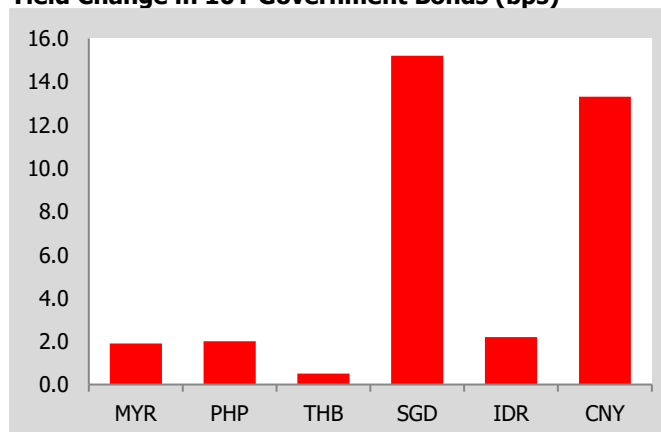
### Currencies Changes (Week Ended 27 September 2024) and Quarterly Forecasts

	Close 27/09	Prev. Close 20/09	Weekly Change	Weekly Change (%)	1QCY24	2QCY24	3QCY24f	4QCY24f
DXY Index	100.38	100.56	-0.181	-0.2	104.49	105.87	100.0	98.5
EURUSD	1.116	1.118	-0.001	-0.1	1.079	1.071	1.11	1.13
GBPUSD	1.337	1.342	-0.004	-0.3	1.26	1.265	1.33	1.35
USDJPY	142.2	144.8	+2.600	+1.8	151.35	160.88	142.0	139.0
USDMYR	4.126	4.204	+0.078	+1.9	4.725	4.718	4.13	4.03
GBPMYR	5.521	5.537	+0.016	+0.3	5.960	5.967	5.49	5.44
JPYMYR	2.901	2.863	-0.038	-1.3	3.122	2.932	2.91	2.90
MIDF TWRI	94.42	93.12	+1.300	+1.4	85.00	86.25	94.00	95.00

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

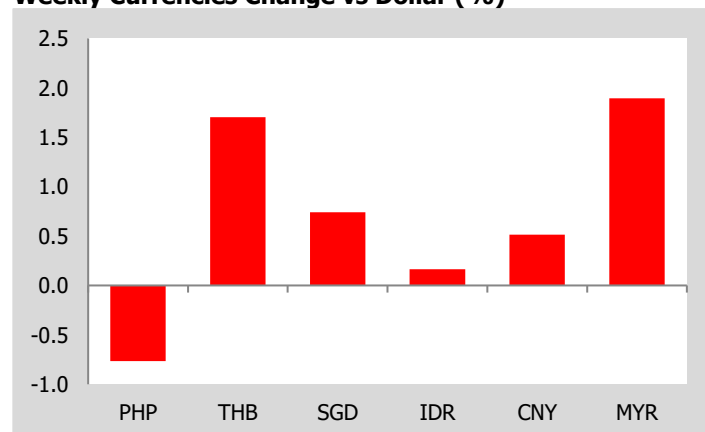
Source: Bloomberg, MIDFR

### 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	6.00
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	3.65
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	4.75-5.00

Source: Bloomberg, MIDFR

- US economic data last week:
  - Still healthy job market. Initial jobless claims fell to 218K for the week ending 21 September 2024 (previous: 222K), lower than 225K predicted by market consensus.
  - Inflation eased further. Headline and core PCE prices both increased by +0.1%mom in Aug-24, generally within market's expectations although market anticipated the core PCE increasing stronger at +0.2%mom. On year-to-year basis, inflation eased further as headline PCE inflation moderated to +2.2%yoy (Jul-24: +2.5%yoy), the lowest reading since Feb-21. Meanwhile, the core PCE inflation accelerated slightly to +2.7%yoy (Jul-24: +2.6%yoy), still in line with market consensus.
  - Consumer sentiment improved in Sep-24. The final reading of University of Michigan's US Consumer Sentiment Index improved higher than expected to 70.1 in Sep-24 (Aug-24: 67.9).
- Monetary policy decision last week:
  - On 24 September 2024, Reserve Bank of Australia maintained its policy interest rate at 4.35% for the 7th consecutive meeting as predicted by market expectations.
  - The People's Bank of China unveiled several measures to stimulate China's economy. Among the measures are cutting the reserve requirement ratio for banks by -50bps and reducing down payment for second-home purchases from 25% to 15%.
- Malaysia economic data last week:
  - Malaysia's economy continued to point towards growing momentum. Leading index rose stronger at +5.2%yoy in Jul-24 (Jun-24: +3.8%yoy), particularly supported by increases in real imports of semiconductors and increased Bursa Malaysia industrial index.

## C. BNM INTERNATIONAL RESERVES

- As of 13 September 2024, compared to previous fortnight, Bank Negara Malaysia's international reserves was higher at USD117.6b (30 August 2024: USD116.8b), its highest level since 15 December 2014.

### BNM INTERNATIONAL RESERVES



- 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	20-Sep Fri	23-Sep Mon	24-Sep Tue	25-Sep Wed	26-Sep Thu	27-Sep Fri	Change (WoW bp)
MGS							
3-Y	3.328	3.328	3.328	3.343	3.343	3.335	0.7
5-Y	3.481	3.481	3.481	3.511	3.511	3.506	2.5
7-Y	3.685	3.685	3.685	3.682	3.683	3.68	-0.5
10-Y	3.705	3.705	3.705	3.723	3.723	3.717	1.2
20-Y	4.031	4.031	4.031	4.035	4.031	4.028	-0.3
RINGGIT IRS							
1-Y	3.41	3.425	3.465	3.475	3.495	3.5075	9.75
3-Y	3.31	3.325	3.34	3.364	3.365	3.39	8
5-Y	3.355	3.3725	3.4	3.415	3.43	3.445	9
7-Y	3.445	3.474	3.491	3.52	3.525	3.536	9.1
10-Y	3.54	3.57	3.585	3.605	3.625	3.645	10.5
KLIBOR							
1-M	3.28	3.28	3.28	3.28	3.28	3.28	0
3-M	3.53	3.53	3.54	3.54	3.54	3.55	2
UST							
3-Y	3.4806	3.4835	3.4361	3.4892	3.5481	3.4783	-0.23
5-Y	3.4978	3.5064	3.4665	3.5253	3.5671	3.5052	0.74
7-Y	3.6111	3.6187	3.588	3.6442	3.6647	3.6072	-0.39
10-Y	3.7413	3.7489	3.728	3.7849	3.7963	3.7506	0.93
30-Y	4.0833	4.0922	4.0842	4.1398	4.1308	4.1038	2.05
USD LIBOR							
1-M	4.9717	4.96926	4.96895	4.96976	4.95992	4.95858	-1.312
3-M	4.95286	4.92956	4.92044	4.90478	4.86528	4.85496	-9.79

Source: Bloomberg

**10 MOST ACTIVELY TRADED GOVERNMENT BONDS**

Name	Coupon	Maturity	20-Sep Yield	27-Sep Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.882	03/14/25	3.063	3.104	4.1	2,954.1
MALAYSIA GOVERNMENT	2.632	04/15/31	3.685	3.680	-0.5	2,481.3
MALAYSIA GOVERNMENT	4.059	09/30/24	3.143	3.142	-0.1	1,746.2
MALAYSIA GOVERNMENT	3.955	09/15/25	3.189	3.161	-2.8	1,544.1
MALAYSIA GOVERNMENT	3.885	08/15/29	3.481	3.506	2.5	1,369.0
MALAYSIA INVESTMNT ISSU	4.07	09/30/26	3.305	3.309	0.4	1,177.4
MALAYSIA GOVERNMENT	3.502	05/31/27	3.328	3.335	0.7	1,125.3
MALAYSIA GOVERNMENT	3.828	07/05/34	3.705	3.717	1.2	1,072.2
MALAYSIA INVESTMNT ISSU	4.28	03/23/54	4.182	4.197	1.5	759.1
MALAYSIA GOVERNMENT	3.733	06/15/28	3.443	3.468	2.5	669.4
TOTAL VOLUME (TOP 10)						14,898.0
TOTAL VOLUME (Overall)						24,622.8

Source: Bloomberg

**10 MOST ACTIVELY TRADED CORPORATE BONDS**

Name	Coupon	Maturity	20-Sep Yield	27-Sep Yield	Change (WoW bp)	Weekly Volume (RM mn)
DANAINFRA NASIONAL	4.18	07/15/44	4.099	4.099	0.0	105.0
PENGURUSAN AIR SELANGO	3.59	12/23/30	3.820	3.831	1.1	100.0
BENIH RESTU BHD	4.08	07/28/34	3.999	3.989	-1.0	96.0
PENGURUSAN AIR SELANGO	4.82	09/17/32	3.861	3.873	1.2	70.0
DIGI TELECOMMUNICATION	4.05	05/30/30	3.818	3.823	0.5	70.0
EDRA ENERGY SDN BHD	6.43	07/05/34	N/A	4.071	N/A	60.0
MALAYSIAN RESOURCES CO	5.2	10/17/31	N/A	4.348	N/A	60.0
MALAYAN CEMENT BHD	4.24	07/03/29	3.988	3.999	1.1	60.0
EDRA ENERGY SDN BHD	6.35	07/05/33	N/A	4.050	N/A	55.0
INFRACAP RESOURCES S B	4.12	04/14/28	3.768	3.733	-3.5	50.0
TOTAL VOLUME (TOP 10)						726.0
TOTAL VOLUME (Overall)						2,422.9

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