

MIDF Strategy 7 October 2024

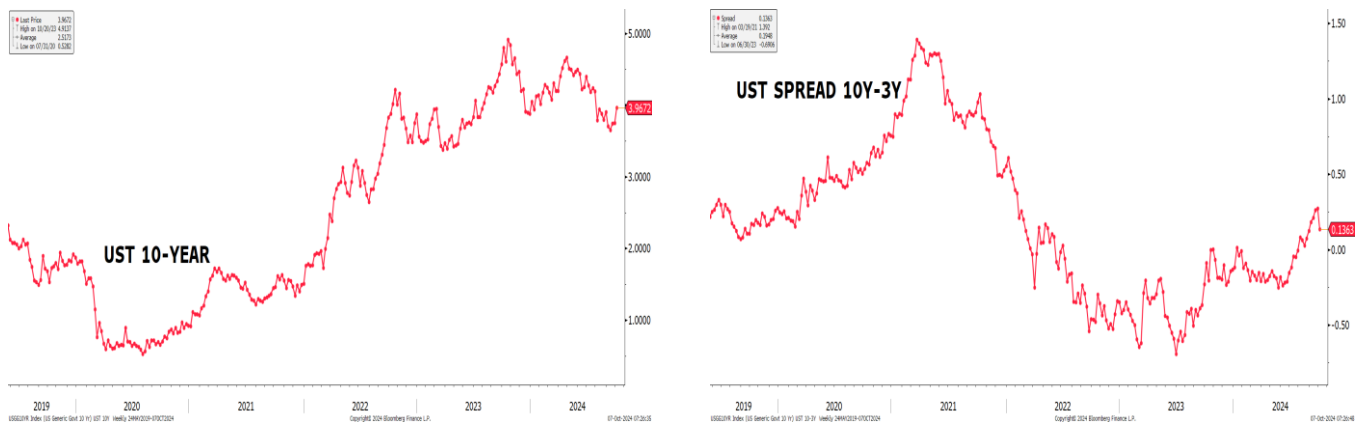
Week Ended 4 October 2024

- Selling pressure accelerated with benchmark 10-year UST yield closed the review week higher at 3.97% (prior week: 3.75%) as investors reacted to stronger than expected economic data (i.e. September NFP). The strong data points to a sturdy economy as well as the likelihood of smaller Fed rate reductions ahead. The 10y-3y yield spread narrowed (yield curve flattened) to +14bps (prior week: +27bp) as the short-end underperformed due to its higher sensitivity to policy rate outlook. At week close, the interest rate futures market implied additional rate cuts totaling -50bps (prior week: -75bps) in the final quarter this year.
- Medium-term inflation expectation (MTIE) ended the review week higher at 2.16% (prior week: 2.06%) in reaction to the strong economic data. The MTIE has remained above the US Fed target level of 2.00% since the recent outsized interest rate cut. Nonetheless, we believe the market is still 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 2.2bps and 2.8bps to close at 3.36% and 3.74% respectively. The 10y-3y yield spread expanded (yield curve steepened) week-on-week from 38bps to 39bps as the long-end underperformed.
- 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 unchanged week-on-week at RM3.28b. However, it improved year-on-year from -RM4.74b a year ago.

Weekly Money Review

A. FIXED INCOME

- Selling pressure accelerated with benchmark 10-year UST yield closed the review week higher at 3.97% (prior week: 3.75%) as investors reacted to stronger than expected economic data (i.e. September NFP). The strong data points to a sturdy economy as well as the likelihood of smaller Fed rate reductions ahead. The 10y-3y yield spread narrowed (yield curve flattened) to +14bps (prior week: +27bp) as the short-end underperformed due to its higher sensitivity to policy rate outlook. At week close, the interest rate futures market implied additional rate cuts totaling -50bps (prior week: -75bps) in the final quarter this year.



Source: Bloomberg, MIDFR (G628, G629)

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



Source: Bloomberg, MIDFR (G653)

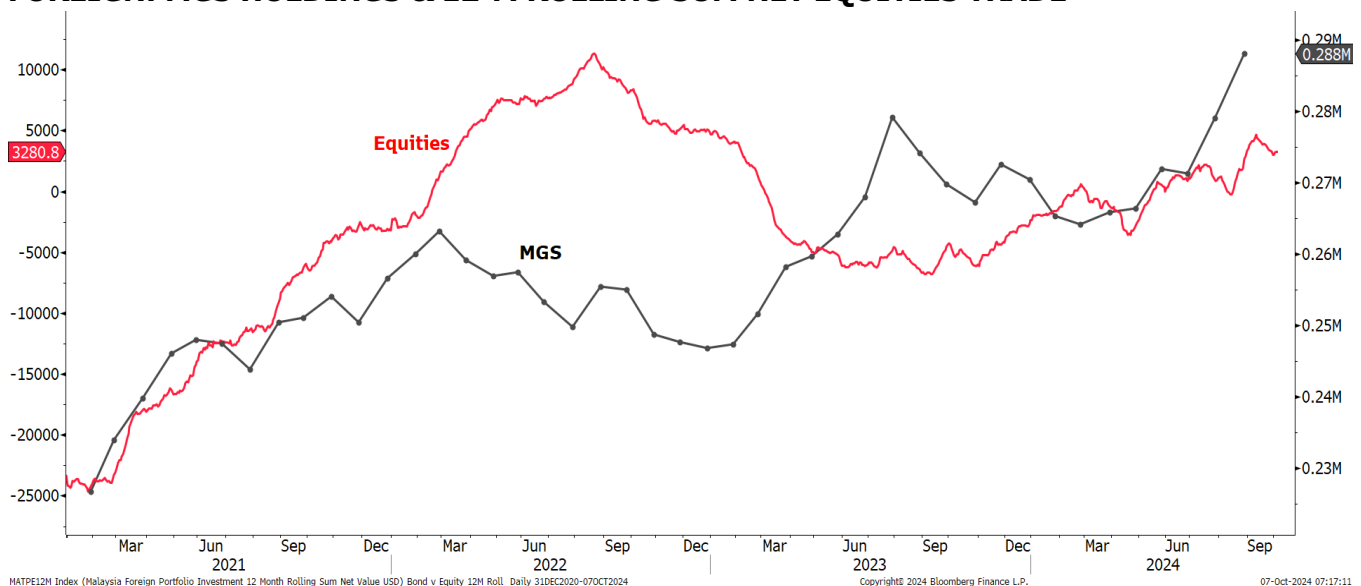
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Source: Bloomberg, MIDFR (G630, G631)

- Total trading value for Government Bonds (MGS/MII) increased to RM24.80b in the review week compared to RM24.62b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 62% from 61% of the overall Government Bonds trades. Moreover, 10 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 RM2.52b, MGS 3.955% 9/15/25 at RM2.41b, and MGS 2.632% 4/15/31 at RM2.26b.

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 unchanged week-on-week at RM3.28b. However, it improved year-on-year from -RM4.74b a year ago.
- Total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM3.34b in the review week compared to RM2.42b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 35% from 30% of the overall Corporate Bonds trades.
- The top 3 actively traded Corporate Bonds were dominated by issues of short and mid residual tenor. The top 3 most actively traded were Danainfra 4.15% 1/31/30 at RM180m, Cagamas 4.2% 10/31/28 at RM140m, and Cagamas 3.97% 10/5/26 at RM140m.

B. FOREIGN EXCHANGE

- Strong weekly jump for the dollar amid strong job data. The US dollar recorded a strong gain last week as the DXY dollar index rose by +2.1%w to 102.52, returning to the higher level last seen in Aug-24. The stronger demand for dollar was supported by easing expectations for a large rate cut by the Fed in response to the stronger-than-expected economic and job market updates. The strength in US dollar was also attributable to increased safe-haven demand as a result of the escalating geopolitical tensions in the Middle East. On the back of stronger dollar, both euro and pound sterling depreciated by -1.7%w to USD1.097 and -1.9%w to USD1.312, respectively.
- Ringgit also weakened. Like other currencies, the Malaysian ringgit also depreciated against stronger dollar, weakening by -2.2%w to RM4.220, reversing the gains the past couple weeks. Our MIDF Trade-Weighted Ringgit Index also fell by -1.1%w to 93.39 as ringgit weakened against currencies of Malaysia's major trading partners, mainly against Hong Kong dollar, US dollar, and Chinese yuan. The increase in oil price was unable to support Ringgit from declining as Brent crude oil price rose by +8.4%w to USD78.05pb (previous week: USD71.98pb).

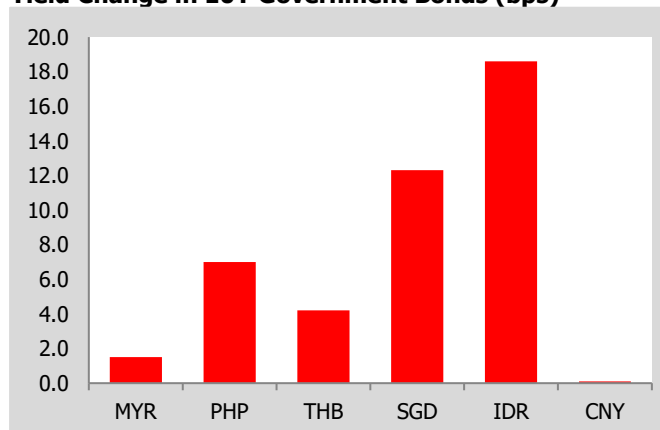
Currencies Changes (Week Ended 4 October 2024) and Quarterly Forecasts

	Close 04/10	Prev. Close 27/09	Weekly Change	Weekly Change (%)	1QCY24	2QCY24	3QCY24	4QCY24f
DXY Index	102.52	100.38	+2.139	+2.1	104.49	105.87	100.8	98.5
EURUSD	1.097	1.116	-0.019	-1.7	1.079	1.071	1.11	1.13
GBPUSD	1.312	1.337	-0.025	-1.9	1.26	1.265	1.34	1.35
USDJPY	148.7	142.2	-6.490	-4.4	151.35	160.88	143.63	139.0
USDMYR	4.220	4.126	-0.094	-2.2	4.725	4.718	4.12	4.03
GBPMYR	5.556	5.521	-0.035	-0.6	5.960	5.967	5.52	5.44
JPYMYR	2.838	2.901	+0.063	+2.2	3.122	2.932	2.87	2.90
MIDF TWRI	93.39	94.42	-1.028	-1.1	85.00	86.25	94.49	95.00

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

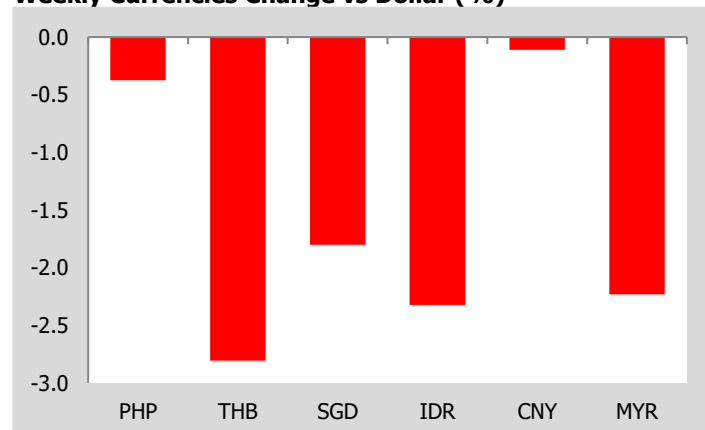
Source: Bloomberg, MIDFR

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 released last week:
 - Continued contraction in manufacturing activities. ISM manufacturing PMI remained at 47.2 in Sep-24, remaining below 50 for the 6th consecutive month. The final reading of the US' S&P Global manufacturing PMI also indicated further contraction, declining to 47.3 (Aug-24: 47.9).
 - Stronger growth in the services sector. The ISM services PMI rose to 54.9 in Sep-24 (Aug-24: 51.5), reflecting stronger business activity and new orders.
 - Job market remained robust in Sep-24:
 - ADP payroll data showed stronger rise in private payrolls by +143K (Aug-24: +103K).
 - Nonfarm payrolls rose more than expected by +254K (Aug-24: +159K), far exceeding market consensus of +140K due to stronger hirings in the services sector.
 - Unemployment rate fell to 3-month low of 4.1% (Aug-24: 4.2%).
 - Average hourly earnings rose marginally faster at +4.0%yoy (Aug-24: 3.9%yoy).
 - Weekly jobless claims showed no sharp deterioration in the job market although new filings increased to 3-week high of 225K for the week ending 28th September 2024 (previous: 219K; market consensus: 220K).
- Malaysia economic data released last week:
 - Manufacturing sector activities contracted at relatively faster pace in Sep-24 as the S&P Global Manufacturing PMI fell to 49.5 (Aug-24: 49.7) due to as firms reduced production and buying activities.

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



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	27-Sep Fri	30-Sep Mon	1-Oct Tue	2-Oct Wed	3-Oct Thu	4-Oct Fri	Change (WoW bp)
MGS							
3-Y	3.335	3.335	3.332	3.33	3.338	3.357	2.2
5-Y	3.506	3.502	3.499	3.499	3.492	3.52	1.4
7-Y	3.68	3.684	3.69	3.69	3.699	3.704	2.4
10-Y	3.717	3.707	3.72	3.72	3.717	3.745	2.8
20-Y	4.028	4.042	4.031	4.029	4.053	4.029	0.1
RINGGIT IRS							
1-Y	3.5075	3.525	3.525	3.515	3.525	3.525	1.75
3-Y	3.39	3.4	3.4145	3.405	3.425	3.44	5
5-Y	3.445	3.4475	3.4625	3.4575	3.4775	3.4625	1.75
7-Y	3.536	3.525	3.555	3.545	3.56	3.555	1.9
10-Y	3.645	3.615	3.65	3.655	3.6625	3.66	1.5
KLIBOR							
1-M	3.28	3.28	3.28	3.28	3.28	3.28	0
3-M	3.55	3.55	3.55	3.55	3.56	3.56	1
UST							
3-Y	3.4783	3.5486	3.5122	3.5489	3.6197	3.8309	35.26
5-Y	3.5052	3.5585	3.5086	3.5533	3.6277	3.8038	29.86
7-Y	3.6072	3.6479	3.597	3.6428	3.7119	3.8644	25.72
10-Y	3.7506	3.7809	3.7315	3.7809	3.8458	3.9672	21.66
30-Y	4.1038	4.1191	4.0716	4.1299	4.1779	4.2497	14.59
USD LIBOR							
1-M	4.95858	4.96018	4.96018	4.96018	4.96018	4.96018	0.16
3-M	4.85496	4.85372	4.85372	4.85372	4.85372	4.85372	-0.124

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	27-Sep Yield	4-Oct Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.882	03/14/25	3.104	3.138	3.4	2,525.4
MALAYSIA GOVERNMENT	3.955	09/15/25	3.161	3.232	7.1	2,409.0
MALAYSIA GOVERNMENT	2.632	04/15/31	3.680	3.704	2.4	2,263.0
MALAYSIA GOVERNMENT	3.828	07/05/34	3.717	3.745	2.8	1,579.1
MALAYSIA GOVERNMENT	3.885	08/15/29	3.506	3.520	1.4	1,355.8
MALAYSIA INVESTMNT ISSU	4.193	10/07/32	3.763	3.764	0.1	1,325.3
MALAYSIA INVESTMNT ISSU	4.07	09/30/26	3.309	3.328	1.9	1,149.8
MALAYSIA INVESTMNT ISSU	3.804	10/08/31	3.690	3.714	2.4	957.0
MALAYSIA GOVERNMENT	3.502	05/31/27	3.335	3.357	2.2	928.4
MALAYSIA GOVERNMENT	4.893	06/08/38	3.913	3.921	0.8	821.9
TOTAL VOLUME (TOP 10)						15,314.5
TOTAL VOLUME (Overall)						24,802.3

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	27-Sep Yield	4-Oct Yield	Change (WoW bp)	Weekly Volume (RM mn)
DANAINFRA NASIONAL	4.15	01/31/30	3.611	3.610	-0.1	180.0
CAGAMAS BERHAD	4.2	10/31/28	N/A	3.800	N/A	140.0
CAGAMAS BERHAD	3.97	10/05/26	N/A	3.608	N/A	140.0
PRASARANA MALAYSIA BHD	4.32	09/07/28	N/A	3.526	N/A	120.0
CAGAMAS BERHAD	4.26	01/18/28	N/A	3.751	N/A	120.0
DANAINFRA NASIONAL	4.18	07/15/44	4.099	4.105	0.6	115.0
GOVCO HOLDINGS BHD	4.95	02/20/32	N/A	3.848	N/A	100.0
PROJEK LEBUHRAYA USAHA	4.88	01/12/28	3.705	3.705	0.0	90.0
OSK RATED BOND SDN BHD	4.39	04/28/28	3.826	3.848	2.2	80.0
DRB-HICOM BHD	5.1	12/12/29	4.027	4.028	0.1	70.0
TOTAL VOLUME (TOP 10)						1,155.0
TOTAL VOLUME (Overall)						3,339.1

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