

MIDF Strategy 14 October 2024

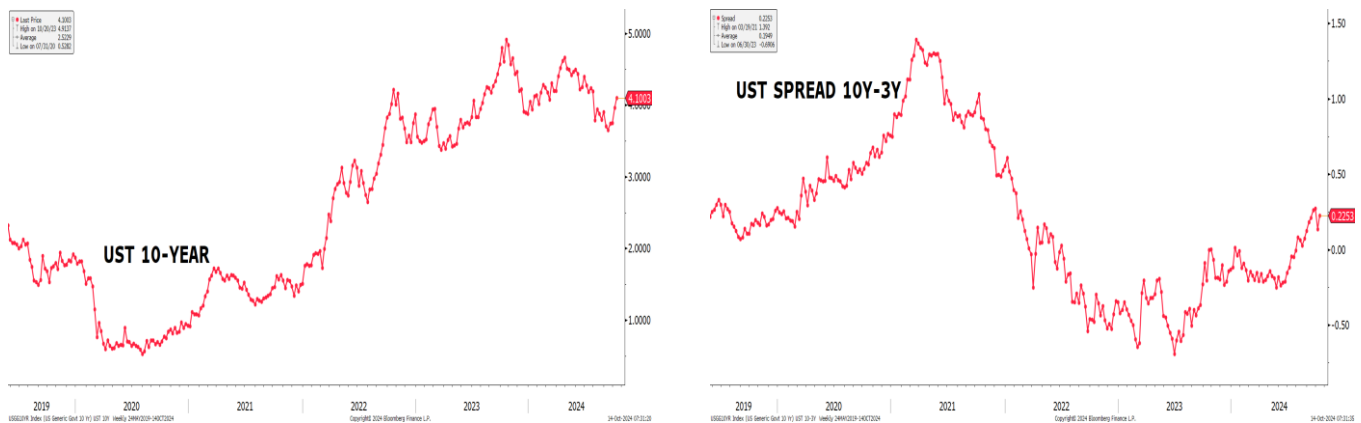
Week Ended 11 October 2024

- Selling pressure continued for the fourth week in a row with benchmark 10-year UST yield closed the review week higher at 4.10% (prior week: 3.97%) as investors reacted to higher-than-expected economic data (i.e. September NFP and CPI) as well as less dovish comment (i.e. possibly skipping a rate cut at one of the last two policy meetings this year) by a Fed President. The 10y-3y yield spread expanded (yield curve steepened) to +22bps (prior week: +14bp) as the long-end underperformed. At week close, the interest rate futures market implied additional rate cuts totaling -50bps (prior week: -50bps) in the final quarter this year.
- Medium-term inflation expectation (MTIE) ended the review week higher at 2.28% (prior week: 2.16%) in reaction to the higher-than-expected economic data. The MTIE has rebounded back 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 6.8bps and 4.3bps to close at 3.42% and 3.79% respectively. The 10y-3y yield spread narrowed (yield curve flattened) week-on-week from 39bps to 36bps as the short-end underperformed.
- MGS foreign holdings rose to another all-time high of RM289b in September 2024. It increased year-on-year from RM270b in September 2023 and month-on-month from RM288b in August 2024. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at RM3.13b. It declined week-on-week from RM3.28b registered a week ago. However, it improved year-on-year from -RM5.12b a year ago.

Weekly Money Review

A. FIXED INCOME

- Selling pressure continued for the fourth week in a row with benchmark 10-year UST yield closed the review week higher at 4.10% (prior week: 3.97%) as investors reacted to higher-than-expected economic data (i.e. September NFP and CPI) as well as less dovish comment (i.e. possibly skipping a rate cut at one of the last two policy meetings this year) by a Fed President. The 10y-3y yield spread expanded (yield curve steepened) to +22bps (prior week: +14bp) as the long-end underperformed. At week close, the interest rate futures market implied additional rate cuts totaling -50bps (prior week: -50bps) in the final quarter this year.



Source: Bloomberg, MIDFR (G628, G629)

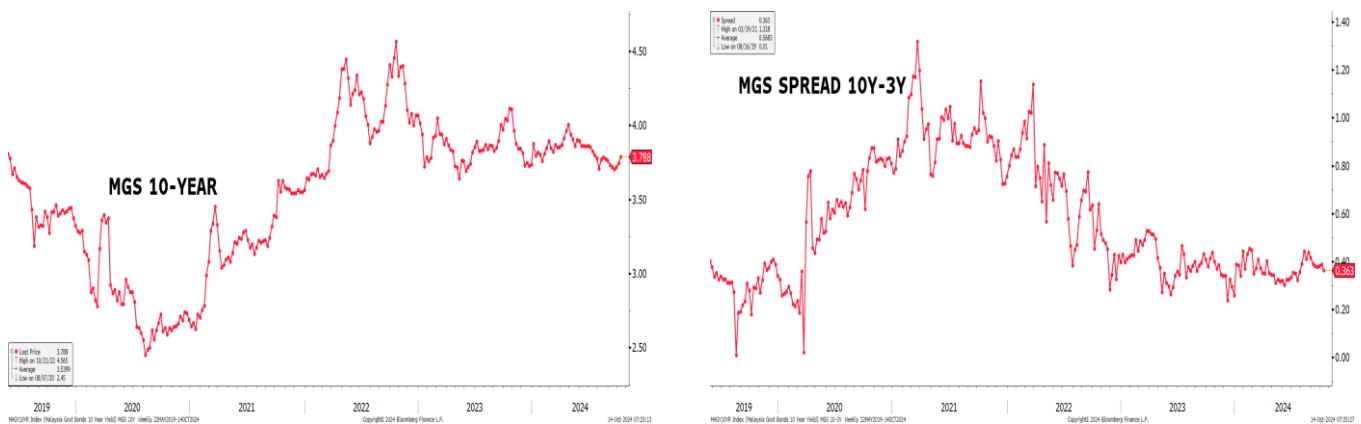
- Medium-term inflation expectation (MTIE) ended the review week higher at 2.28% (prior week: 2.16%) in reaction to the higher-than-expected economic data. The MTIE has rebounded back above the US Fed target level of 2.00% since the recent outsized interest rate cut. Nonetheless, we believe the market is still convinced that the underlying inflation pressure is largely contained.

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



Source: Bloomberg, MIDFR (G653)

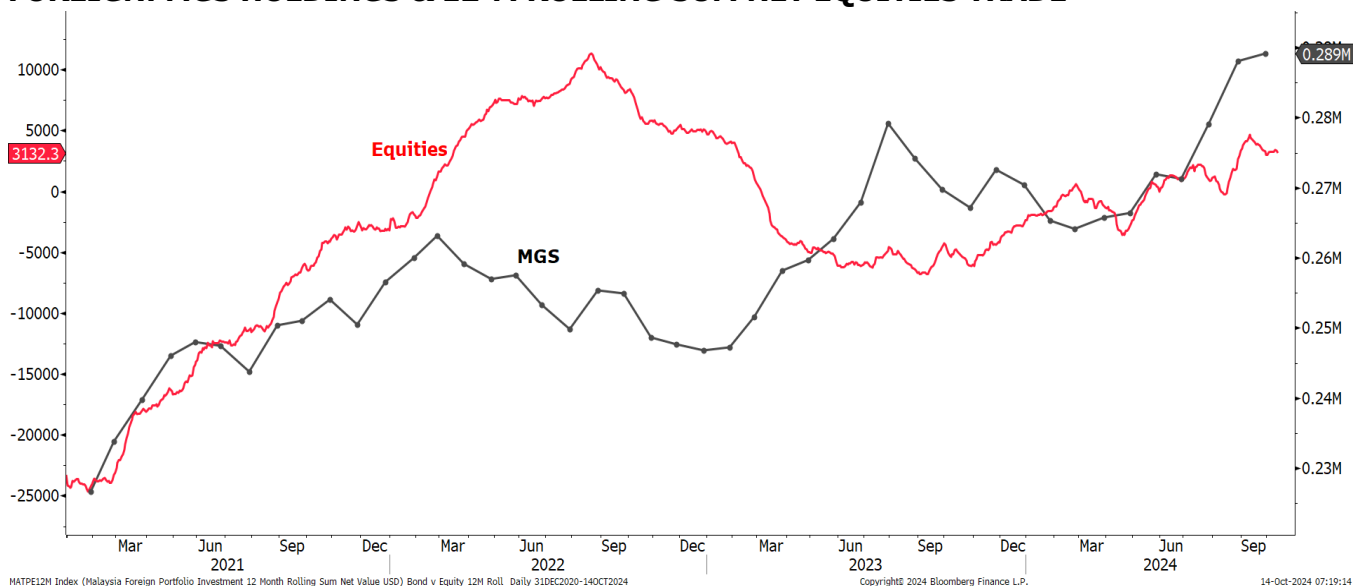
The price of MGS benchmark issues ended the review week lower with the 3-year and 10-year yields added 6.8bps and 4.3bps to close at 3.42% and 3.79% respectively. The 10y-3y yield spread narrowed (yield curve flattened) week-on-week from 39bps to 36bps as the short-end underperformed.



Source: Bloomberg, MIDFR (G630, G631)

- Total trading value for Government Bonds (MGS/MII) declined to RM24.49b in the review week compared to RM24.80b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 68% from 62% of the overall Government Bonds trades. Moreover, 10 out of the 10 most actively traded bonds saw higher yields, 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 3.99% 10/15/25 at RM4.00b, MII 3.655% 10/15/24 at RM2.74b, and MGS 3.502% 5/31/27 at RM2.32b.

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



Source: Bloomberg, MIDFR (G659)

- MGS foreign holdings rose to another all-time high of RM289b in September 2024. It increased year-on-year from RM270b in September 2023 and month-on-month from RM288b in August 2024. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at RM3.13b. It declined week-on-week from RM3.28b registered a week ago. However, it improved year-on-year from -RM5.12b a year ago.
- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM2.89b in the review week compared to RM3.34b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 33% from 35% 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 Public Bank 4% 7/25/34 at RM190m, Cagamas 3.91% 11/30/26 at RM165m, and PLUS 4.03% 1/1/31 at RM105m.

B. FOREIGN EXCHANGE

- Another weekly gain for USD. The US dollar appreciated further last week as the DXY dollar index rose by +0.4%wow to 102.89, the strongest weekly closing since mid-Aug-24. Despite the cooling job market, the appreciation was mainly driven by market adjusted expectations on the pace of Fed's future rate cuts as the inflation data in Sep-24 was stickier-than-expected. On the back of stronger dollar, both euro and pound sterling depreciated further by -0.3%wow to USD1.094 and -0.4%wow to USD1.307, respectively.
- Ringgit also weakened against stronger dollar. The Malaysian ringgit also depreciated last week by -1.6%wow to RM4.289, reversing the gains in the past one month. Our MIDF Trade-Weighted Ringgit Index also declined further by -1.2%wow to 92.25 as ringgit weakened against currencies of Malaysia's major trading partners, mainly against Thai baht and Singaporean dollar. The increase in oil price was unable to support Ringgit from depreciating as Brent crude oil price rose by +1.3%wow to USD79.04pb (previous week: USD78.05pb).

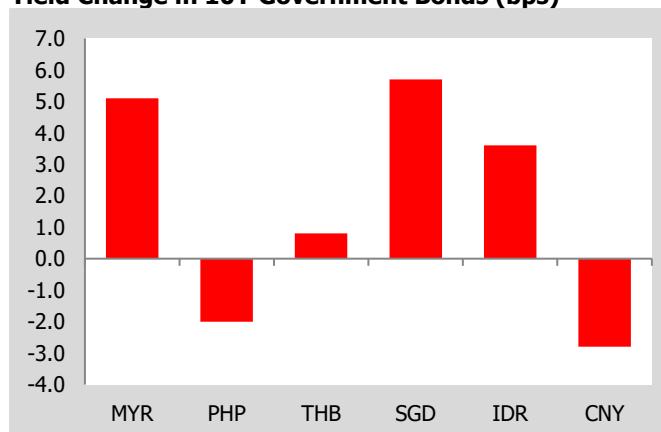
Currencies Changes (Week Ended 11 October 2024) and Quarterly Forecasts

	Close 11/10	Prev. Close 04/11	Weekly Change	Weekly Change (%)	1QCY24	2QCY24	3QCY24	4QCY24f
DXY Index	102.89	102.52	+0.370	+0.4	104.49	105.87	100.8	98.5
EURUSD	1.094	1.097	-0.004	-0.3	1.079	1.071	1.11	1.13
GBPUSD	1.307	1.312	-0.006	-0.4	1.26	1.265	1.34	1.35
USDJPY	149.1	148.7	-0.430	-0.3	151.35	160.88	143.63	139.0
USDMYR	4.289	4.220	-0.069	-1.6	4.725	4.718	4.12	4.03
GBPMYR	5.606	5.556	-0.050	-0.9	5.960	5.967	5.52	5.44
JPYMYR	2.876	2.838	-0.038	-1.3	3.122	2.932	2.87	2.90
MIDF TWRI	92.25	93.39	-1.141	-1.2	85.00	86.25	94.49	95.00

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

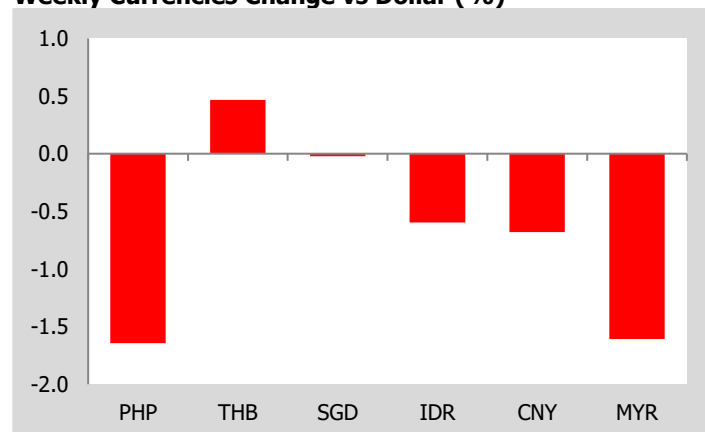
Source: Bloomberg, MIDFR

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 (%)

	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Jul-24	Aug-24	Sep-24	Oct-24
Malaysia	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Indonesia	6.00	6.25	6.25	6.25	6.25	6.25	6.25	6.00	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	6.25	6.25	6.25
Japan	0.00-0.10	0.00-0.10	0.00-0.10	0.00-0.10	0.25	0.25	0.25	0.25	0.25
UK	5.25	5.25	5.25	5.25	5.25	5.00	5.00	5.00	5.00
Euro area	4.50	4.50	4.50	4.25	4.25	4.25	4.25	3.65	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	4.75-5.00	4.75-5.00

Source: Bloomberg, MIDFR

- US economic data released last week:
 - Sticky inflation in Sep-24. The US headline CPI inflation moderated further to +2.4%yoy in Sep-24 (Aug-24: +2.5%yoy), but missing market expectations of +2.3%yoy. The core CPI inflation, on the other hand, re-accelerated to +3.3%yoy (Aug-24: +3.2%yoy), against market consensus for the reading to remain unchanged.
 - Cooling job market. Claims for unemployment benefits rose to 258K (previous: 225K) for the week ended 5th October, surpassing 230K predicted by market consensus as the impact from Hurricane Helene led to higher filings in North Carolina and Florida.
 - Preliminary reading of University of Michigan's consumer sentiment index fell to 68.9 in Oct-24 (Sep-24: 70.1) as American consumers due to concerns over high prices.
- The minutes of Sep-24 FOMC meeting shows that the Fed policymakers decided to recalibrate its policy setting through the -50bps reduction in the fed funds rate to sustain strength in the economy and job market, and not a signal that the economic outlook has turned less favorable.
- On 9 October 2024, Reserve Bank of India maintained its policy rate unchanged at 6.25%. Nevertheless, RBI indicated a shift to "neutral" policy stance, keeping it open for rate cuts as early as Dec-24.
- Malaysia's economic update last week:
 - Retail spending moderated in Aug-24. Distributive trade grew further but at slower pace of +4.7%yoy in Aug-24 (Jul-24: +6.7%yoy) with slower growth in retail trade (+5.9%yoy; Jul-24: +6.4%yoy).
 - IPI growth also moderated. Malaysia's industrial production continued to expand but at moderate growth of +4.1%yoy (Jul-24: +5.3%yoy), supported by increased manufacturing output and electricity generation.
 - Healthy labour market. Healthy labour market conditions and stronger employment growth resulted in the unemployment rate falling to new post-pandemic low of 3.2% in Aug-24, back to the level last seen in Jan-20.

C. BNM INTERNATIONAL RESERVES

- As of 30 September 2024, compared to previous fortnight, Bank Negara Malaysia's international reserves was higher at USD119.7b (13 September 2024: USD117.6b), its highest level since 15 December 2014.

BNM INTERNATIONAL RESERVES



Source: Bloomberg, MIDFR (G662)

- The amount of reserves is sufficient to finance 4.8 months of imports of goods & services and is 0.9 times total short-term external debt. 📈

APPENDIX

WEEKLY INTEREST RATE MONITOR

Tenor	4-Oct Fri	7-Oct Mon	8-Oct Tue	9-Oct Wed	10-Oct Thu	11-Oct Fri	Change (WoW bp)
MGS							
3-Y	3.357	3.427	3.421	3.421	3.429	3.425	6.8
5-Y	3.52	3.549	3.548	3.549	3.566	3.564	4.4
7-Y	3.704	3.757	3.75	3.743	3.757	3.751	4.7
10-Y	3.745	3.772	3.774	3.766	3.785	3.788	4.3
20-Y	4.029	4.055	4.061	3.886	4.075	4.068	3.9
RINGGIT IRS							
1-Y	3.525	3.525	3.53	3.545	3.55	3.5375	1.25
3-Y	3.44	3.45	3.44	3.46	3.4815	3.475	3.5
5-Y	3.4625	3.5125	3.4925	3.5125	3.525	3.51	4.75
7-Y	3.555	3.6	3.5775	3.6	3.605	3.595	4
10-Y	3.66	3.6975	3.685	3.695	3.71	3.695	3.5
KLIBOR							
1-M	3.28	3.28	3.28	3.28	3.28	3.28	0
3-M	3.56	3.56	3.56	3.56	3.56	3.56	0
UST							
3-Y	3.8309	3.8943	3.8632	3.9279	3.8694	3.875	4.41
5-Y	3.8038	3.8653	3.8461	3.9167	3.8852	3.9018	9.8
7-Y	3.8644	3.9269	3.9114	3.9821	3.9612	3.9905	12.61
10-Y	3.9672	4.0256	4.0119	4.0726	4.0608	4.1003	13.31
30-Y	4.2497	4.3049	4.2936	4.3408	4.3588	4.4106	16.09
USD LIBOR							
1-M	4.96018	4.96018	4.96018	4.96018	4.96018	4.96018	0
3-M	4.85372	4.85372	4.85372	4.85372	4.85372	4.85372	0

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	4-Oct Yield	11-Oct Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA INVESTMNT ISSU	3.99	10/15/25	3.202	3.273	7.1	4,004.7
MALAYSIA INVESTMNT ISSU	3.655	10/15/24	2.827	3.230	40.3	2,739.0
MALAYSIA GOVERNMENT	3.502	05/31/27	3.357	3.425	6.8	2,320.1
MALAYSIA GOVERNMENT	3.882	03/14/25	3.138	3.175	3.7	1,725.5
MALAYSIA GOVERNMENT	2.632	04/15/31	3.704	3.751	4.7	1,307.6
MALAYSIA GOVERNMENT	3.885	08/15/29	3.520	3.564	4.4	1,191.0
MALAYSIA GOVERNMENT	3.828	07/05/34	3.745	3.788	4.3	920.8
MALAYSIA INVESTMNT ISSU	4.128	08/15/25	3.184	3.257	7.3	875.5
MALAYSIA GOVERNMENT	3.955	09/15/25	3.232	3.250	1.8	729.9
MALAYSIA INVESTMNT ISSU	3.804	10/08/31	3.714	3.754	4.0	717.3
TOTAL VOLUME (TOP 10)						16,531.4
TOTAL VOLUME (Overall)						24,489.3

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	4-Oct Yield	11-Oct Yield	Change (WoW bp)	Weekly Volume (RM mn)
PUBLIC BANK BERHAD	4	07/25/34	N/A	3.997	N/A	190.0
CAGAMAS BERHAD	3.91	11/30/26	N/A	3.580	N/A	165.0
PROJEK LEBUHRAYA USAHA	4.03	01/10/31	N/A	3.818	N/A	105.0
CAGAMAS BERHAD	4.23	10/25/30	N/A	3.859	N/A	100.0
PRASARANA MALAYSIA BHD	5.07	09/28/29	N/A	3.653	N/A	100.0
IMTIAZ SUKUK II BHD	4.77	05/11/29	N/A	3.857	N/A	70.0
PRASARANA MALAYSIA BHD	4.53	12/28/27	N/A	3.536	N/A	65.0
PRASARANA MALAYSIA BHD	4.35	08/04/26	3.334	3.397	6.3	60.0
PROJEK LEBUHRAYA USAHA	5.07	01/10/31	N/A	3.815	N/A	55.0
CAGAMAS BERHAD	3.98	06/28/28	N/A	3.781	N/A	55.0
TOTAL VOLUME (TOP 10)						965.0
TOTAL VOLUME (Overall)						2,885.1

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