

## MIDF Strategy 28 October 2024

### Week Ended 25 October 2024

- Selling pressure resumed after one week respite with benchmark 10-year UST yield closed the review week higher at 4.24% (prior week: 4.08%) as investors reacted to less dovish statements by some Fed officials and better than expected labor (initial jobless claims) data. The 10y-3y yield spread narrowed (yield curve flattened) to +19bps (prior week: +22bp) as the short-end underperformed. At week close, the interest rate futures market implied additional rate cuts totaling -50bps (prior week: -50bps) until the end of this year.
- Medium-term inflation expectation (MTIE) ended the review week higher at 2.31% (prior week: 2.24%). 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 the underlying inflation pressure remains on the downtrend despite recent rebound in MTIE.
- The price of MGS benchmark issues ended the review week higher with the 3-year and 10-year yields added 6.8bps and 9.7bps to close at 3.49% and 3.86% respectively. The 10y-3y yield spread expanded (yield curve steepened) week-on-week from 35bps to 38bps as the long-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 RM4.31b. It increased week-on-week from RM4.10b registered a week ago. Moreover, it improved year-on-year from -RM5.72b a year ago.

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Strategy Team | research@midf.com.my

## Weekly Money Review

### A. FIXED INCOME

- Selling pressure resumed after one week respite with benchmark 10-year UST yield closed the review week higher at 4.24% (prior week: 4.08%) as investors reacted to less dovish statements by some Fed officials and better than expected labor (initial jobless claims) data. The 10y-3y yield spread narrowed (yield curve flattened) to +19bps (prior week: +22bp) as the short-end underperformed. At week close, the interest rate futures market implied additional rate cuts totaling -50bps (prior week: -50bps) until the end of this year.



Source: Bloomberg, MIDFR (G628, G629)



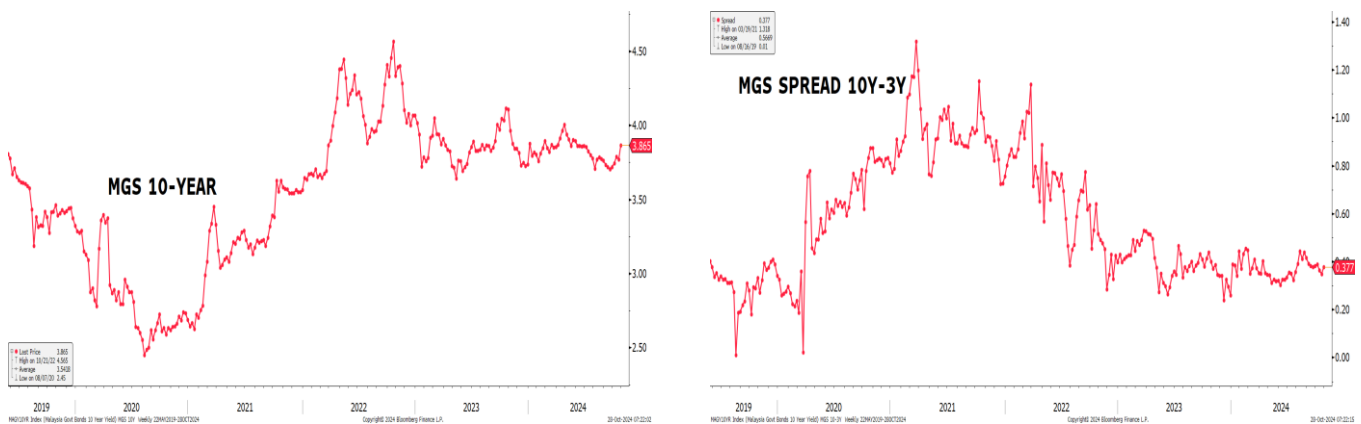
- Medium-term inflation expectation (MTIE) ended the review week higher at 2.31% (prior week: 2.24%). The MTIE has remained above the US Fed target level of 2.00% since the recent outsized interest rate cut. Nonetheless, we believe the market is still convinced the underlying inflation pressure remains on the downtrend despite recent rebound in MTIE.

### 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 added 6.8bps and 9.7bps to close at 3.49% and 3.86% respectively. The 10y-3y yield spread expanded (yield curve steepened) week-on-week from 35bps to 38bps as the long-end underperformed.



Source: Bloomberg, MIDFR (G630, G631)

- Total trading value for Government Bonds (MGS/MII) increased to RM22.22b in the review week compared to RM15.79b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 63% from 67% 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 varied residual tenor. The top 3 most actively traded were MGS 3.882% 3/14/25 at RM2.13b, MII 4.119% 11/30/34 at RM2.10b, and MGS 2.632% 4/15/31 at RM1.86b.

## 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 RM4.31b. It increased week-on-week from RM4.10b registered a week ago. Moreover, it improved year-on-year from -RM5.72b a year ago.
- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM1.95b in the review week compared to RM4.78b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 42% from 52% 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 Prasarana 5.07% 9/28/29 at RM200m, Sarawak Energy 4.27% 7/4/33 at RM155m, and Suria KLCC 4.73% 12/31/24 at RM80m.

## B. FOREIGN EXCHANGE

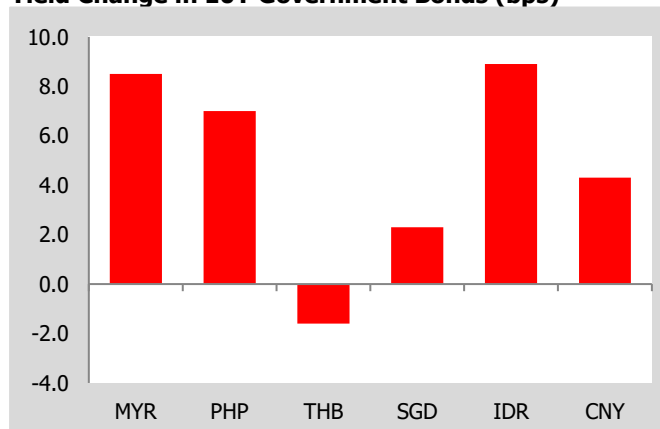
- USD strengthened to 13-week highs. The US dollar appreciated further last week as the DXY dollar index rose by +0.7%wow to 104.26, the strongest weekly closing in 3 months. The improvement in economic activities following stronger-than-expected economic releases continued to ease market expectations for another large rate cut by the Fed, hence resulting in increased demand for the greenback. On the back of stronger dollar, both euro and pound sterling continued to weaken by -0.7%wow to USD1.080 and -0.7%wow to USD1.296, respectively.
- Ringgit also weakened further against the dollar. Like other regional currencies, Malaysian ringgit depreciated further by -0.8%wow and closed at RM4.343, the weakest closing in 9 weeks. Ringgit also weakened against currencies of Malaysia's major trading partners as our MIDF Trade-Weighted Ringgit Index also fell by -0.2%wow to 92.05, as ringgit fell sharper against Saudi riyal, Indian rupee and Hong Kong dollar. Ringgit's weakening reflects continued drag from changes in the financial markets because oil price increases unable to defend ringgit from depreciating, where Brent crude oil price increased by +4.1%wow to USD76.05pb (previous week: USD73.06pb).

### Currencies Changes (Week Ended 25 October 2024) and Quarterly Forecasts

	Close 25/10	Prev. Close 18/11	Weekly Change	Weekly Change (%)	1QCY24	2QCY24	3QCY24	4QCY24f
DXY Index	104.26	103.49	+0.764	+0.7	104.49	105.87	100.8	98.5
EURUSD	1.080	1.087	-0.007	-0.7	1.079	1.071	1.11	1.13
GBPUSD	1.296	1.305	-0.009	-0.7	1.26	1.265	1.34	1.35
USDJPY	152.3	149.5	-2.780	-1.8	151.35	160.88	143.63	139.0
USDMYR	4.343	4.306	-0.037	-0.8	4.725	4.718	4.12	4.03
GBPMYR	5.637	5.613	-0.024	-0.4	5.960	5.967	5.52	5.44
JPYMYR	2.852	2.880	+0.028	+1.0	3.122	2.932	2.87	2.90
MIDF TWRI	92.05	92.26	-0.211	-0.2	85.00	86.25	94.49	95.00

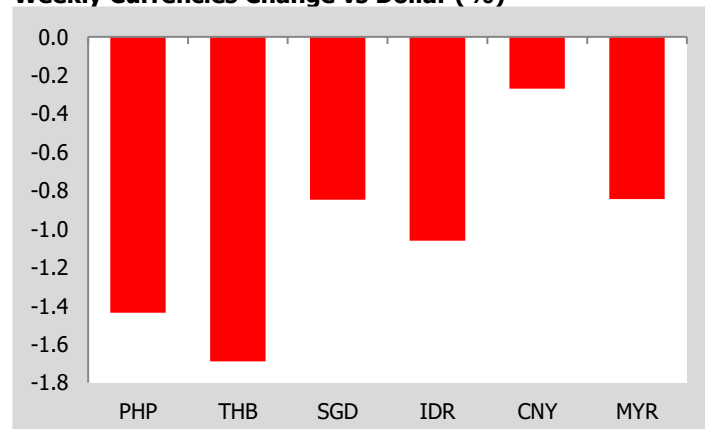
Note: "+" indicates appreciation, while "-" indicates depreciation. Quarterly figures are forecast by MIDFR  
Source: Bloomberg, MIDFR

### 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	6.25	6.25	6.00
Thailand	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.25
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	3.25
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	3.40
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:
  - Improved in business activities. The flash reading of the US S&P Global manufacturing PMI rose to 47.8 in Oct-24 (Sep-24: 47.3), higher than 47.5 predicted by market expectations. Meanwhile, the S&P Global services PMI rose to 55.3 (Sep-24: 55.2; market forecast: 55.0), signaling slightly faster expansion.
  - Growth momentum to soften. Conference Board Leading Index continued to fall at -0.5%mom in Oct-24 (Sep-24: -0.3%mom), steeper than -0.3%mom predicted by market consensus, which signals the US economic growth would slow in the coming period.
  - Continued resilience in job market. New claims for unemployment benefits fell further to 227K (previous: 242K) for the week ended 19th October, below 242K predicted by market consensus.
  - Consumer sentiment improved. The final reading of University of Michigan's consumer sentiment index improved to 70.5 in Oct-24 (Sep-24: 70.1), better than preliminary reading of 69.0.
- The Fed Beige Book report continued to point towards sluggish economy as 9 out of 12 districts reported flat or declining activity. Most districts indicated lower manufacturing activity and consumers searched for bargains. Meanwhile, employment increased slightly while layoffs remained limited. Wage growth remained positive but rising at a modest to moderate pace.
- Malaysia's economic update last week:
  - Inflation moderated to 5-month low. Malaysia's CPI inflation eased further to +1.8%yoy in Sep-24, the slowest reading in 5 months, mainly due to slower non-food inflation. Core CPI inflation also eased to +1.8%yoy (Aug-24: +1.9%yoy), indicating underlying price pressures also slowed during the month.
  - Growth momentum to remain positive in the short run. Leading index rose further albeit moderately at +4.0% in Aug-24 (Jul-24: +5.2%yoy), with increases recorded across all components. The expansion in Coincident Index also eased to +2.1%yoy (Jul-24: +2.8%yoy).

## C. BNM INTERNATIONAL RESERVES

- As of 15 October 2024, compared to previous fortnight, Bank Negara Malaysia's international reserves was lower at USD119.6b (30 September 2024: USD119.7b).

### BNM INTERNATIONAL RESERVES



- The number 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	18-Oct Fri	21-Oct Mon	22-Oct Tue	23-Oct Wed	24-Oct Thu	25-Oct Fri	Change (WoW bp)
MGS							
3-Y	3.42	3.424	3.46	3.477	3.493	3.488	6.8
5-Y	3.561	3.564	3.581	3.61	3.632	3.625	6.4
7-Y	3.743	3.754	3.818	3.837	3.844	3.841	9.8
10-Y	3.768	3.785	3.84	3.871	3.877	3.865	9.7
20-Y	4.09	4.14	4.154	4.157	4.14	4.126	3.6
RINGGIT IRS							
1-Y	3.54	3.54	3.5625	3.58	3.56	3.56	2
3-Y	3.47	3.5025	3.53	3.53	3.525	3.505	3.5
5-Y	3.52	3.54	3.55	3.5675	3.5525	3.54	2
7-Y	3.605	3.62	3.645	3.6525	3.6525	3.63	2.5
10-Y	3.7075	3.72	3.745	3.7525	3.745	3.745	3.75
KLIBOR							
1-M	3.28	3.28	3.28	3.28	3.28	3.28	0
3-M	3.57	3.57	3.58	3.58	3.58	3.58	1
UST							
3-Y	3.858	3.9589	3.9786	4.0322	4.0182	4.0496	19.16
5-Y	3.8781	3.9866	4.0064	4.0567	4.0319	4.0631	18.5
7-Y	3.9728	4.0838	4.1025	4.1479	4.1187	4.1485	17.57
10-Y	4.0828	4.1956	4.2076	4.2456	4.2118	4.2399	15.71
30-Y	4.3924	4.4994	4.4965	4.5182	4.4739	4.4995	10.71
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	18-Oct Yield	25-Oct Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.882	03/14/25	3.126	3.193	6.7	2,127.1
MALAYSIA INVESTMNT ISSU	4.119	11/30/34	3.834	3.907	7.3	2,098.5
MALAYSIA GOVERNMENT	2.632	04/15/31	3.743	3.841	9.8	1,859.0
MALAYSIA INVESTMNT ISSU	3.99	10/15/25	3.256	3.265	0.9	1,594.6
MALAYSIA GOVERNMENT	3.828	07/05/34	3.768	3.865	9.7	1,526.1
MALAYSIA GOVERNMENT	3.955	09/15/25	3.246	3.247	0.1	1,286.0
MALAYSIA GOVERNMENT	4.18	05/16/44	4.090	4.126	3.6	1,051.7
MALAYSIA INVESTMNT ISSU	3.804	10/08/31	3.745	3.862	11.7	877.9
MALAYSIA GOVERNMENT	3.502	05/31/27	3.420	3.488	6.8	784.8
MALAYSIA GOVERNMENT	3.885	08/15/29	3.561	3.625	6.4	764.1
TOTAL VOLUME (TOP 10)						13,969.8
TOTAL VOLUME (Overall)						22,217.0

Source: Bloomberg

**10 MOST ACTIVELY TRADED CORPORATE BONDS**

Name	Coupon	Maturity	18-Oct Yield	25-Oct Yield	Change (WoW bp)	Weekly Volume (RM mn)
PRASARANA MALAYSIA BHD	5.07	09/28/29	3.646	3.669	2.3	200.0
SARAWAK ENERGY BHD	4.27	07/04/33	3.948	3.985	3.7	155.0
SURIA KLCC SDN BHD	4.73	12/31/24	N/A	3.387	N/A	80.0
SARAWAK ENERGY BHD	3.65	06/15/35	N/A	3.979	N/A	80.0
PRASARANA MALAYSIA BHD	2.98	08/27/26	3.341	3.462	12.1	80.0
PERBADANAN TABUNG PEN	4.27	03/01/29	N/A	3.671	N/A	60.0
TANJUNG BIN ENERGY SDN	5.9	03/16/29	N/A	4.817	N/A	50.0
MALAYAN BANKING BHD	4.13	PERP	4.129	4.057	-7.2	45.0
RENIKOLA II SOLAR	5.19	09/28/40	N/A	4.351	N/A	40.0
MERC BENZ SVC MALAYSIA	3.95	08/28/26	3.685	3.737	5.2	40.0
TOTAL VOLUME (TOP 10)						830.0
TOTAL VOLUME (Overall)						1,954.1

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