

MIDF Strategy 21 October 2024

Week Ended 18 October 2024

- Buyers dominated after four weeks of incessant selling with benchmark 10-year UST yield closed the review week lower at 4.08% (prior week: 4.10%). The market reacted to a downbeat housing data (i.e. housing starts and building permits fell in September) as well as rather dovish statements by some Fed officials. Nonetheless, the price gain was moderated by upbeat retail and labour (jobless claims) figures. The 10y-3y yield spread was unchanged week-on-week at +22bps. 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 lower at 2.24% (prior week: 2.28%). 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 firmness.
- The price of MGS benchmark issues ended the review week higher with the 3-year and 10-year yields shed -0.5bp and -0.8bp to close at 3.42% and 3.77% respectively. The 10y-3y yield spread narrowed (yield curve flattened) week-on-week from 36bps to 35bps as the long-end outperformed.
- 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 RM4.10b. It increased week-on-week from RM3.13b registered a week ago. Moreover, it improved year-on-year from -RM5.17b a year ago.

Weekly Money Review

A. FIXED INCOME

- Buyers dominated after four weeks of incessant selling with benchmark 10-year UST yield closed the review week lower at 4.08% (prior week: 4.10%). The market reacted to a downbeat housing data (i.e. housing starts and building permits fell in September) as well as rather dovish statements by some Fed officials. Nonetheless, the price gain was moderated by upbeat retail and labour (jobless claims) figures. The 10y-3y yield spread was unchanged week-on-week at +22bps. 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 lower at 2.24% (prior week: 2.28%). 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 firmness.

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



Source: Bloomberg, MIDFR (G653)

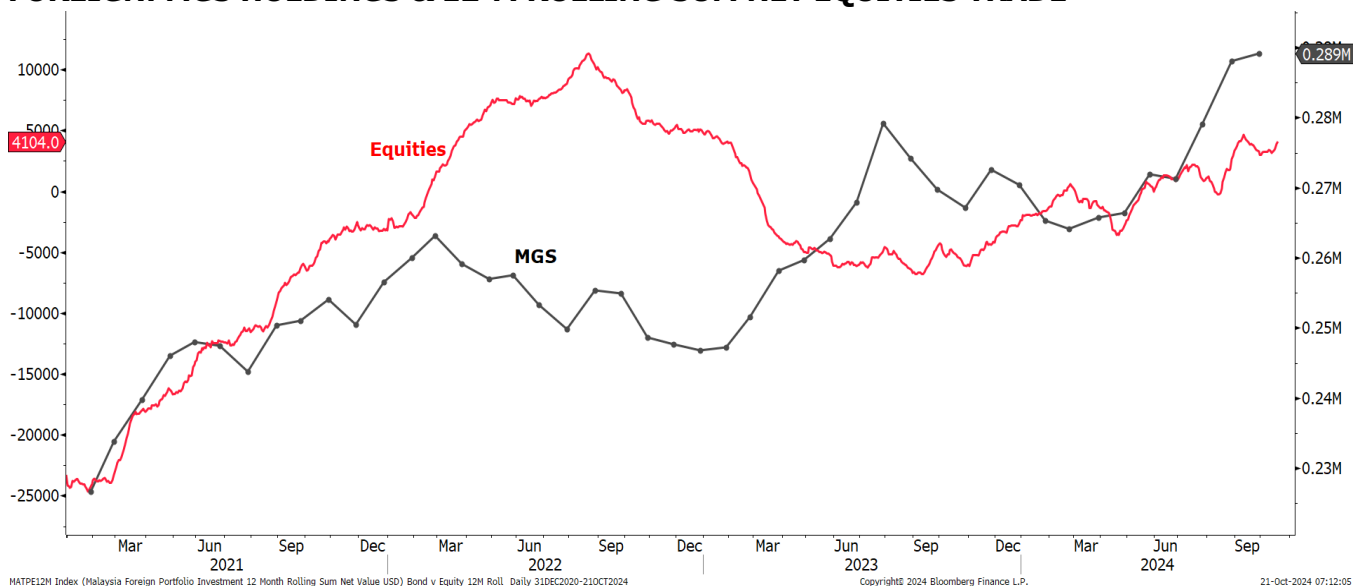
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Source: Bloomberg, MIDFR (G630, G631)

- Total trading value for Government Bonds (MGS/MII) declined to RM15.79b in the review week compared to RM24.49b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 67% from 68% of the overall Government Bonds trades. Moreover, 8 out of the 10 most actively traded bonds saw a lower yield, hence higher prices during the review week.
- The top 3 actively traded Government Bonds were dominated by issues of short and long residual tenor. The top 3 most actively traded were MGS 3.882% 3/14/25 at RM2.71b, MII 4.119% 11/30/34 at RM2.02b, and MGS 3.955% 9/15/25 at RM1.22b.

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 RM4.10b. It increased week-on-week from RM3.13b registered a week ago. Moreover, it improved year-on-year from -RM5.17b a year ago.
- Total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM4.78b in the review week compared to RM2.89b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 52% from 33% of the overall Corporate Bonds trades.
- The top 3 actively traded Corporate Bonds were dominated by issues of long residual tenor. The top 3 most actively traded were Danainfra 4.78% 10/18/41 at RM800m, Danainfra 4.47% 3/18/42 at RM350m, and Danainfra 4.48% 11/25/41 at RM300m.

B. FOREIGN EXCHANGE

- USD closed at 12-week high. The US dollar appreciated further last week as the DXY dollar index rose by +0.6%wow to 103.49, the strongest weekly closing since early Aug-24. The continued resilience in the economy, as data update shows stronger-than-expected retail sales in Sep-24, led to increased demand for the greenback as market shift expectations to gradual and less aggressive rate cuts by the Fed.
- Further declines for euro and pound. On the back of stronger dollar, both euro and pound sterling continued to weaken by -0.6%wow to USD1.087 and -0.1%wow to USD1.305, respectively. The relatively sharper fall in euro was also linked to policy easing by the ECB as inflation continues to moderate.
- Ringgit also weakened further. The Malaysian ringgit experienced another week of depreciation as the local currency weakened by -0.4%wow to RM4.306, the weakest weekly closing in 6 weeks. Our MIDF Trade-Weighted Ringgit Index, however, was virtually unchanged at 92.26 as ringgit's exchange rates against currencies of Malaysia's major trading partners, remained stable. Despite the depreciation against US dollar and other regional currencies like Indonesian rupiah and Taiwan dollar, ringgit also gained against Korean won, Vietnam dong and euro. The decline oil price also outweighed on ringgit's performance as Brent crude oil price fell by -7.6%wow to USD73.06pb (previous week: USD79.04pb).

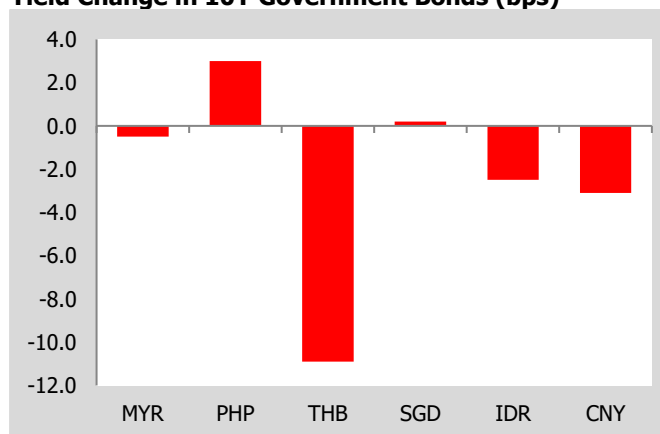
Currencies Changes (Week Ended 18 October 2024) and Quarterly Forecasts

	Close 18/10	Prev. Close 11/11	Weekly Change	Weekly Change (%)	1QCY24	2QCY24	3QCY24	4QCY24f
DXY Index	103.49	102.89	+0.603	+0.6	104.49	105.87	100.8	98.5
EURUSD	1.087	1.094	-0.007	-0.6	1.079	1.071	1.11	1.13
GBPUSD	1.305	1.307	-0.002	-0.1	1.26	1.265	1.34	1.35
USDJPY	149.5	149.1	-0.400	-0.3	151.35	160.88	143.63	139.0
USDMYR	4.306	4.289	-0.017	-0.4	4.725	4.718	4.12	4.03
GBPMYR	5.613	5.606	-0.007	-0.1	5.960	5.967	5.52	5.44
JPYMYR	2.880	2.876	-0.003	-0.1	3.122	2.932	2.87	2.90
MIDF TWRI	92.26	92.25	+0.011	+0.0	85.00	86.25	94.49	95.00

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

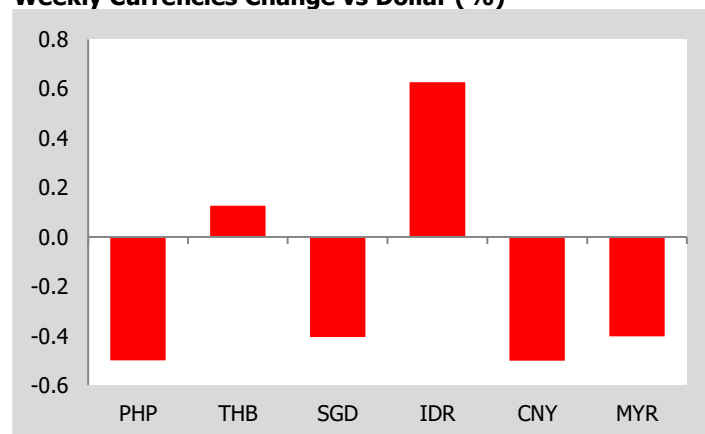
Source: Bloomberg, MIDFR

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:
 - Better-than-expected retail spending. Although retail sales moderated to +1.7%yoy in Sep-24 (Aug-24: +2.2%yoy) from the 12-month perspective, the monthly increase of +0.4%mom was higher than market consensus of +0.3%mom and +0.1%mom growth in Aug-24.
 - Sharper fall in IPI. The US industrial production declined sharper at -0.6%yoy in Sep-24 (Aug-24: -0.2%yoy) as manufacturing output affected by the adverse weather and union strike in the aviation industry.
 - Still resilient job market. New claims for unemployment benefits fell to 241K (previously: 260K) for the week ended 12th October, below 260K predicted by market consensus.

- Monetary policy decisions last week:
 - On 16 October 2024, Bangko Sentral ng Pilipinas and Bank of Thailand both reduced their policy interest rates by -25bps to 6.00% and 2.25%, respectively. While the BSP's decision was based on moderating inflation, the surprise cut by BOT was due to concerns over slowing economy. On the same day, as expected, Bank Indonesia kept its benchmark interest rate unchanged at 6.00%.
 - On 17 October 2024, ECB reduced its key interest rates by -25bps, pushing the main refinancing rate to 3.40%. This marks the third rate cut this year to prop up the economy as inflation continues to moderate.

- Malaysia's economic update last week:
 - External trade slowed more than expected. Malaysia's exports fell again by -0.3%yoy in Sep-24 (Aug-24: +12.0%yoy) dragged down by weaker exports of petroleum and E&E products. Meanwhile, import growth moderated steeper than expected to +10.9%yoy (Aug-24: +26.2%yoy) due to slower rise in imports of intermediate and consumption goods. Trade balance, however, widened to +RM13.2b (Aug-24: +RM5.5b) due to a relatively sharp monthly decline in imports.
 - The government unveiled RM421b Budget 2025, maintaining its fiscal consolidation agenda while ensuring continued support to the economy such as construction of infrastructure projects, push for digitalization and automation, and extending cash assistance for the needy.

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 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	11-Oct Fri	14-Oct Mon	15-Oct Tue	16-Oct Wed	17-Oct Thu	18-Oct Fri	Change (WoW bp)
MGS							
3-Y	3.425	3.425	3.42	3.412	3.416	3.42	-0.5
5-Y	3.564	3.555	3.549	3.523	3.54	3.561	-0.3
7-Y	3.751	3.751	3.752	3.736	3.735	3.743	-0.8
10-Y	3.788	3.806	3.803	3.775	3.785	3.768	-2
20-Y	4.068	4.077	4.079	3.915	4.07	4.09	2.2
RINGGIT IRS							
1-Y	3.5375	3.535	3.53	3.535	3.54	3.54	0.25
3-Y	3.475	3.49	3.47	3.465	3.475	3.47	-0.5
5-Y	3.51	3.525	3.53	3.515	3.515	3.52	1
7-Y	3.595	3.615	3.6175	3.605	3.595	3.605	1
10-Y	3.695	3.715	3.715	3.705	3.69	3.7075	1.25
KLIBOR							
1-M	3.28	3.28	3.28	3.28	3.28	3.28	0
3-M	3.56	3.56	3.56	3.57	3.57	3.57	1
UST							
3-Y	3.875	3.875	3.8583	3.8471	3.8888	3.858	-1.7
5-Y	3.9018	3.9018	3.8543	3.8439	3.8988	3.8781	-2.37
7-Y	3.9905	3.9905	3.9329	3.9173	3.9856	3.9728	-1.77
10-Y	4.1003	4.1003	4.0317	4.0122	4.0906	4.0828	-1.75
30-Y	4.4106	4.4106	4.32	4.2955	4.3895	4.3924	-1.82
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	11-Oct Yield	18-Oct Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.882	03/14/25	3.175	3.126	-4.9	2,707.9
MALAYSIA INVESTMNT ISSU	4.119	11/30/34	3.810	3.834	2.4	2,022.3
MALAYSIA GOVERNMENT	3.955	09/15/25	3.250	3.246	-0.4	1,219.6
MALAYSIA INVESTMNT ISSU	3.99	10/15/25	3.273	3.256	-1.7	1,055.0
MALAYSIA GOVERNMENT	3.828	07/05/34	3.788	3.768	-2.0	840.7
MALAYSIA GOVERNMENT	2.632	04/15/31	3.751	3.743	-0.8	782.4
MALAYSIA GOVERNMENT	3.885	08/15/29	3.564	3.561	-0.3	553.5
MALAYSIA GOVERNMENT	3.502	05/31/27	3.425	3.420	-0.5	485.3
MALAYSIA INVESTMNT ISSU	4.13	07/09/29	3.549	3.560	1.1	463.5
MALAYSIA GOVERNMENT	4.498	04/15/30	3.638	3.628	-1.0	413.1
TOTAL VOLUME (TOP 10)						10,543.1
TOTAL VOLUME (Overall)						15,791.2

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	11-Oct Yield	18-Oct Yield	Change (WoW bp)	Weekly Volume (RM mn)
DANAINFRA NASIONAL	4.78	10/18/41	N/A	4.081	N/A	800.0
DANAINFRA NASIONAL	4.47	03/18/42	N/A	4.099	N/A	350.0
DANAINFRA NASIONAL	4.48	11/25/41	N/A	4.089	N/A	300.0
PRASARANA MALAYSIA BHD	5.07	09/28/29	3.653	3.646	-0.7	250.0
PENGURUSAN AIR SPV BHD	3.9	10/30/29	N/A	3.849	N/A	220.0
PRASARANA MALAYSIA BHD	4.62	03/08/28	N/A	3.527	N/A	130.0
DANAINFRA NASIONAL	4.04	10/24/30	N/A	3.752	N/A	130.0
DANAINFRA NASIONAL	4.15	01/31/30	3.610	3.692	8.2	110.0
MALAYSIA RAIL LINK	ZERO	03/11/25	3.346	3.343	-0.3	110.0
DANAINFRA NASIONAL	4.09	10/20/26	N/A	3.395	N/A	100.0
TOTAL VOLUME (TOP 10)						2,500.0
TOTAL VOLUME (Overall)						4,779.7

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.
HOLD	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