

MIDF Strategy 4 November 2024

Week Ended 1 November 2024

- Selling pressure continued last week with benchmark 10-year UST yield closed higher at 4.38% (prior week: 4.24%) as investors downplayed the weak (weather-related) October NFP data and the high likelihood of another Fed rate cut later this week. The 10y-3y yield spread expanded (yield curve steepened) to +20bps (prior week: +19bp) as the long-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 2.38% (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 persuaded that the underlying inflation pressure remains on the downtrend despite the recent upturn in MTIE.
- The price of MGS benchmark issues ended the review week higher with the 3-year and 10-year yields added 5.4bps and 5.9bps to close at 3.54% and 3.92% respectively. The 10y-3y yield spread was unchanged week-on-week at 38bps.
- 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 RM3.18b. It declined week-on-week from RM4.31b registered a week ago. However, it improved year-on-year from -RM6.11b a year ago.

Weekly Money Review

A. FIXED INCOME

- Selling pressure continued last week with benchmark 10-year UST yield closed higher at 4.38% (prior week: 4.24%) as investors downplayed the weak (weather-related) October NFP data and the high likelihood of another Fed rate cut later this week. The 10y-3y yield spread expanded (yield curve steepened) to +20bps (prior week: +19bp) as the long-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 2.38% (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 persuaded that the underlying inflation pressure remains on the downtrend despite the recent upturn 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 5.4bps and 5.9bps to close at 3.54% and 3.92% respectively. The 10y-3y yield spread was unchanged week-on-week at 38bps.



Source: Bloomberg, MIDFR (G630, G631)

- Total trading value for Government Bonds (MGS/MII) declined to RM15.82b in the review week compared to RM22.22b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 73% from 63% of the overall Government Bonds trades. Moreover, 9 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 varied residual tenor. The top 3 most actively traded were MII 4.467% 9/15/39 at RM4.43b, MII 3.804% 10/8/31 at RM1.80b, and MGS 3.882% 3/14/25 at RM1.37b.

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 RM3.18b. It declined week-on-week from RM4.31b registered a week ago. However, it improved year-on-year from -RM6.11b a year ago.
- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM1.64b in the review week compared to RM1.95b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 58% from 42% 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 Malaysia Rail Link 0% 4/28/25 at RM250m, Pengurusan Air Selangor 4.82% 9/17/32 at RM110m, and CIMB Islamic Bank 4.13% 3/27/34 at RM94m.

B. FOREIGN EXCHANGE

- USD was virtually unchanged. The US dollar was virtually unchanged despite the DXY dollar index rising further by +0.02%*wow* to 104.28, the highest weekly closing in 14 weeks. Despite a small dip following the release of Oct-24 nonfarm payroll data, the US dollar rebounded on Friday as weaker job creation, albeit reinforcing market expectations for another rate cut by the Fed, was due to temporary factors i.e. hurricanes and labor strikes. Previously, the DXY index fell below 104.0 in the previous 3 days to Thursday as market anticipated dovish Fed as the PCE inflation moderated further and the US economy grew slower than expected in 3QCY24.
- Euro appreciated but pound sterling depreciated. Although the US dollar appreciated marginally, euro strengthened by +0.4%*wow* to USD1.083, breaking 5 consecutive weeks of depreciation. Meanwhile, pound sterling continued to weaken by -0.3%*wow* to USD1.292, ending the week at the lowest level last seen in mid-Aug-24.
- Ringgit weakened further. Like other regional currencies, Malaysian ringgit depreciated further by -0.9%*wow* and closed at RM4.381, the weakest closing in 11 weeks. Additionally, ringgit also weakened against the currencies of Malaysia's major trading partners as our MIDF Trade-Weighted Ringgit Index fell by -0.8%*wow* to 91.32, weakening the most against Korean won (-1.9%*wow*) and New Taiwan dollar (-1.3%*wow*). Commodity price movement was also not in favour of ringgit as the Brent crude oil price fell -3.9%*wow* to USD73.10pb (previous: USD76.05pb).

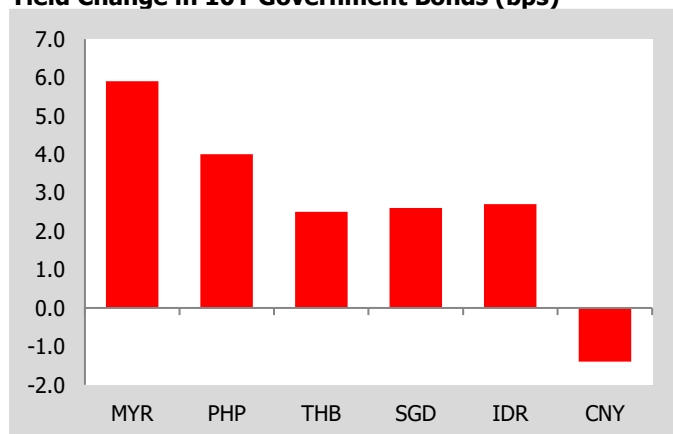
Currencies Changes (Week Ended 1 November 2024) and Quarterly Forecasts

	Close 01/11	Prev. Close 25/10	Weekly Change	Weekly Change (%)	1QCY24	2QCY24	3QCY24	4QCY24f
DXY Index	104.28	104.26	+0.025	+0.0	104.49	105.87	100.8	98.5
EURUSD	1.083	1.080	+0.004	+0.4	1.079	1.071	1.11	1.13
GBPUSD	1.292	1.296	-0.004	-0.3	1.26	1.265	1.34	1.35
USDJPY	153.0	152.3	-0.700	-0.5	151.35	160.88	143.63	139.0
USDMYR	4.381	4.343	-0.038	-0.9	4.725	4.718	4.12	4.03
GBPMYR	5.655	5.637	-0.018	-0.3	5.960	5.967	5.52	5.44
JPYMYR	2.863	2.852	-0.012	-0.4	3.122	2.932	2.87	2.90
MIDF TWRI	91.32	92.05	-0.724	-0.8	85.00	86.25	94.49	95.00

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

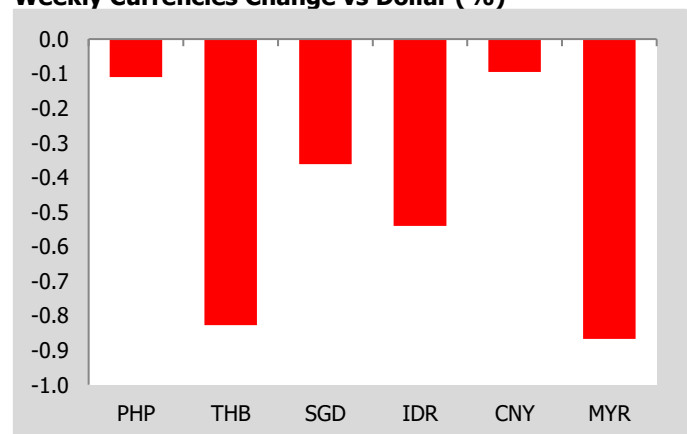
Source: Bloomberg, MIDFR

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:
 - Sharp slowdown in job growth in Oct-24:
 - In Oct-24, total nonfarm payroll employment saw a modest increase of +12K (Sep-24: +223K), significantly below the anticipated +113K and attributable to the aftermath of two major hurricanes and labor strikes.
 - The unemployment rate remained flat at 4.1%, in line with the median forecast.
 - Average hourly earnings for private nonfarm employees increased by +4.0%yoy to \$35.46 (Sep-24: \$35.33)
 - Inflation moderated as expected. The US headline PCE inflation moderated further to +2.1%yoy in Sep-24 (Aug-24: +2.3%yoy), the lowest reading since early 2021. The core PCE inflation held steady at +2.7%yoy for the third straight month.
 - GDP growth is below expectations. The US real GDP grew at an annualized rate of 2.8%qoq in 3QCY24 (2QCY24: +3.0%qoq), below market expectations of +2.8%qoq. Nevertheless, personal consumption expenditures surged by +3.7%qoq (2QCY24: +2.8%qoq), the highest increase since 1QCY23, reflecting still robust consumer spending.
 - Consumer confidence improved. The Conference Board Consumer Confidence Index rose sharply to 108.7 in Oct-24 (Sep-24: 99.2), marking the most significant monthly increase since Mar-21.
- On 31 October 2024, Bank of Japan maintained its policy interest rate unchanged at 0.25%. The central bank signalled external risks subsided and the BOJ will consider more hikes if the economy maintains moderate recovery with inflation projected to be around the 2% target in the coming years.
- Malaysia's economic update last week:
 - Cost pressures eased. Malaysia's PPI inflation recorded a -2.1% decline in Sep-24, primarily driven by a sharper cooldown in PPI for the mining sector (Sep-24: -16.1%yoy) closely linked with the lower crude oil prices.
 - Manufacturing activity softened on Oct-24. Malaysia's manufacturing PMI remained unchanged at 49.5 (iAASep-24: 49.5), marking the fifth consecutive month of contraction. Despite new order growth, the output index continued to fall for five consecutive months.

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	25-Oct Fri	28-Oct Mon	29-Oct Tue	30-Oct Wed	31-Oct Thu	1-Nov Fri	Change (WoW bp)
MGS							
3-Y	3.488	3.522	3.505	3.534	3.534	3.542	5.4
5-Y	3.625	3.655	3.673	3.666	3.666	3.681	5.6
7-Y	3.841	3.885	3.906	3.899	3.899	3.902	6.1
10-Y	3.865	3.896	3.928	3.921	3.921	3.924	5.9
20-Y	4.126	4.146	4.142	4.127	4.127	4.135	0.9
RINGGIT IRS							
1-Y	3.56	3.5825	3.58	3.57	3.57	3.575	1.5
3-Y	3.505	3.5275	3.535	3.52	3.52	3.525	2
5-Y	3.54	3.575	3.5825	3.5662	3.5662	3.58	4
7-Y	3.63	3.655	3.665	3.6575	3.6575	3.67	4
10-Y	3.745	3.7575	3.765	3.755	3.755	3.775	3
KLIBOR							
1-M	3.28	3.28	3.28	3.28	3.28	3.28	0
3-M	3.58	3.58	3.58	3.58	3.58	3.58	0
UST							
3-Y	4.0496	4.0922	4.0527	4.1466	4.1326	4.1846	13.5
5-Y	4.0631	4.1173	4.0814	4.1617	4.1582	4.2248	16.17
7-Y	4.1485	4.1968	4.1622	4.2265	4.2239	4.3078	15.93
10-Y	4.2399	4.2821	4.2541	4.3004	4.2844	4.3836	14.37
30-Y	4.4995	4.5292	4.4985	4.5035	4.475	4.5782	7.87

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	25-Oct Yield	1-Nov Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA INVESTMNT ISSU	4.467	09/15/39	3.995	4.008	1.3	4,433.1
MALAYSIA INVESTMNT ISSU	3.804	10/08/31	3.862	3.905	4.3	1,800.0
MALAYSIA GOVERNMENT	3.882	03/14/25	3.193	3.132	-6.1	1,370.9
MALAYSIA GOVERNMENT	3.955	09/15/25	3.247	3.344	9.7	860.8
MALAYSIA GOVERNMENT	2.632	04/15/31	3.841	3.902	6.1	668.7
MALAYSIA INVESTMNT ISSU	4.119	11/30/34	3.907	3.934	2.7	584.4
MALAYSIA GOVERNMENT	3.502	05/31/27	3.488	3.542	5.4	568.7
MALAYSIA INVESTMNT ISSU	3.99	10/15/25	3.265	3.311	4.6	496.3
MALAYSIA GOVERNMENT	4.642	11/07/33	3.913	3.976	6.3	421.1
MALAYSIA GOVERNMENT	4.18	05/16/44	4.126	4.135	0.9	411.7
TOTAL VOLUME (TOP 10)						11,615.7
TOTAL VOLUME (Overall)						15,815.6

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	25-Oct Yield	1-Nov Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA RAIL LINK	ZERO	04/28/25	N/A	3.365	N/A	250.0
PENGURUSAN AIR SELANGO	4.82	09/17/32	N/A	4.009	N/A	110.0
CIMB ISLAMIC BANK BHD	4.13	03/27/34	4.039	4.128	8.9	94.0
TENAGA NASIONAL BERHA	4.73	06/29/29	N/A	3.878	N/A	90.0
TENAGA NASIONAL BERHA	4.84	06/30/32	N/A	4.008	N/A	90.0
AMBANK M BHD	4.1	06/19/31	N/A	4.108	N/A	80.0
PUTRAJAYA BINA SDN BHD	4.56	03/26/25	N/A	3.446	N/A	70.0
PENGURUSAN AIR SPV BHD	4.54	02/23/29	N/A	3.846	N/A	60.0
PENGURUSAN AIR SELANGO	4.1	10/27/28	3.798	3.826	2.8	60.0
AMBANK ISLAMIC BHD	4.1	05/09/31	3.981	4.098	11.7	50.0
TOTAL VOLUME (TOP 10)						954.0
TOTAL VOLUME (Overall)						1,642.1

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