

MIDF Strategy 11 November 2024

Week Ended 8 November 2024

- The UST market ended mixed last week as investors reacted to the Trump election victory and US Fed rate cut as well as its prognosis of the economy. The shorter-end (<5-year) of the curve ended in the red while the longer-end (>5-year) ended in the green. The benchmark 10-year yield closed lower at 4.30% (prior week: 4.38%). The 10y-3y yield spread narrowed (yield curve flattened) to +11bps (prior week: +20bp) as the long-end outperformed. At week close, the interest rate futures market implied additional rate cut totaling -25bps in December this year.
- Medium-term inflation expectation (MTIE) ended the review week higher at 2.42% (prior week: 2.38%). 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 is bottoming 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 shed -4.9bps and -4.0bps to close at 3.49% and 3.88% respectively. The 10y-3y yield spread expanded (yield curve steepened) week-on-week from 38bps to 39bps as the short-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 RM2.15b. It declined week-on-week from RM3.18b registered a week ago. However, it improved year-on-year from -RM5.18b a year ago.

Weekly Money Review

A. FIXED INCOME

- The UST market ended mixed last week as investors reacted to the Trump election victory and US Fed rate cut as well as its prognosis of the economy. The shorter-end (<5-year) of the curve ended in the red while the longer-end (>5-year) ended in the green. The benchmark 10-year yield closed lower at 4.30% (prior week: 4.38%). The 10y-3y yield spread narrowed (yield curve flattened) to +11bps (prior week: +20bp) as the long-end outperformed. At week close, the interest rate futures market implied additional rate cut totaling -25bps in December this year.



Source: Bloomberg, MIDFR (G628, G629)



- Medium-term inflation expectation (MTIE) ended the review week higher at 2.42% (prior week: 2.38%). 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 is bottoming 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 shed -4.9bps and -4.0bps to close at 3.49% and 3.88% respectively. The 10y-3y yield spread expanded (yield curve steepened) week-on-week from 38bps to 39bps as the short-end outperformed.



Source: Bloomberg, MIDFR (G630, G631)

- Total trading value for Government Bonds (MGS/MII) increased to RM16.24b in the review week compared to RM15.82b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 64% from 73% of the overall Government Bonds trades. Moreover, 9 out of the 10 most actively traded bonds saw lower yield, hence higher 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 2.632% 4/15/31 at RM1.97b, MGS 3.882% 3/14/25 at RM1.58b, and MGS 3.955% 9/15/25 at RM1.55b.

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 RM2.15b. It declined week-on-week from RM3.18b registered a week ago. However, it improved year-on-year from -RM5.18b a year ago.
- Total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM1.68b in the review week compared to RM1.64b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 35% from 58% of the overall Corporate Bonds trades.
- The top 3 actively traded Corporate Bonds were dominated by issues of mid and long residual tenor. The top 3 most actively traded were OSK Rated Bond 4.39% 4/28/28 at RM100m, Danum Capital 3.87% 8/8/34 at RM100m, and Danum Capital 4.68% 2/14/34 at RM65m.

B. FOREIGN EXCHANGE

- USD closed at 19-week high. The US dollar strengthened further as the DXY dollar index rose +0.7%*wow* to 105.00, the highest weekly closing in 19 weeks. Initially, the greenback weakened, with the DXY index closing at 2-week low of 103.42 on Tuesday, due to uncertainties ahead of the presidential election. However, demand for US dollar rebounded, following the Republican Party's electoral victory and consequently the DXY index rose to 105.09 on Wednesday. This was triggered by inflationary concerns (from the higher tariffs), causing market to ease expectations on the future pace of rate cuts by the Fed and treasury yields going higher due to higher inflation concerns. The FOMC's decision to reduce interest rates by 25bps and softer labour market data later pushed down US dollar index to 104.51 on the following day before rising towards 105.00 on Friday due to better economic data.
- Euro depreciated while pound sterling barely moved. Euro weakened by -1.1%*wow* to USD1.072 amidst political uncertainties (i.e. the collapse of Germany's coalition government and concerns over future US policies). Meanwhile, pound sterling remained unchanged at USD1.292 despite growing expectations of further rate cuts.
- Ringgit weakened further. Against stronger dollar, Malaysian ringgit depreciated marginally by -0.04%*wow* and closed at RM4.383 last week, the weakest closing in 12 weeks. The depreciation was relatively moderate compared to other currencies' performance against USD as ringgit pared some gains prior to the US presidential election. Notably, ringgit appreciated against the currencies of Malaysia's major trading partners as our MIDF Trade-Weighted Ringgit Index rose by +0.3%*wow* to 91.57, strengthening the most against Korean won (+1.4%*wow*) and euro (+1.1%*wow*). Commodity price movement was not in favour of ringgit as the Brent crude oil price declined -1.1%*wow* to USD73.87pb (previous: USD73.10pb). Additionally, emerging market bonds faced significant selling pressure. As investors moved to reduce their exposure to risky markets amid prevailing uncertainties, the potential inflationary effects of Donald Trump's proposed policies could also keep the FFR high for longer period, thus taking longer for the interest rate differential between the US and developing economies to narrow.

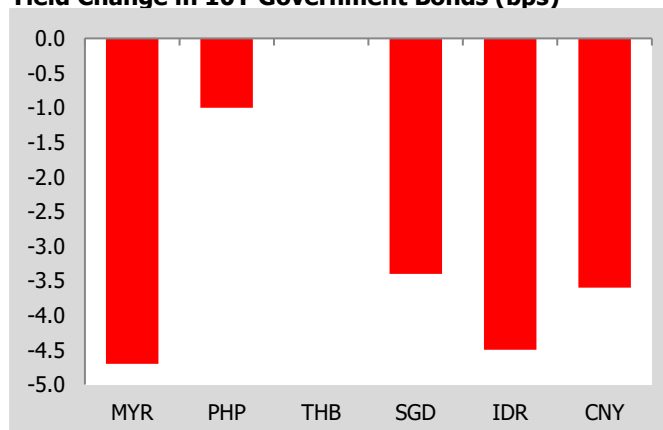
Currencies Changes (Week Ended 8 November 2024) and Quarterly Forecasts

	Close 08/11	Prev. Close 01/11	Weekly Change	Weekly Change (%)	1QCY24	2QCY24	3QCY24	4QCY24f
DXY Index	105.00	104.282	+0.715	+0.7	104.49	105.87	100.8	98.5
EURUSD	1.072	1.0834	-0.012	-1.1	1.079	1.071	1.11	1.13
GBPUSD	1.292	1.2924	-0.000	-0.0	1.26	1.265	1.34	1.35
USDJPY	152.6	153.01	+0.370	+0.2	151.35	160.88	143.63	139.0
USDMYR	4.383	4.3807	-0.002	-0.0	4.725	4.718	4.12	4.03
GBPMYR	5.680	5.6554	-0.025	-0.4	5.960	5.967	5.52	5.44
JPYMYR	2.871	2.8634	-0.008	-0.3	3.122	2.932	2.87	2.90
MIDF TWRI	91.57	91.32	+0.247	+0.3	85.00	86.25	94.49	95.00

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

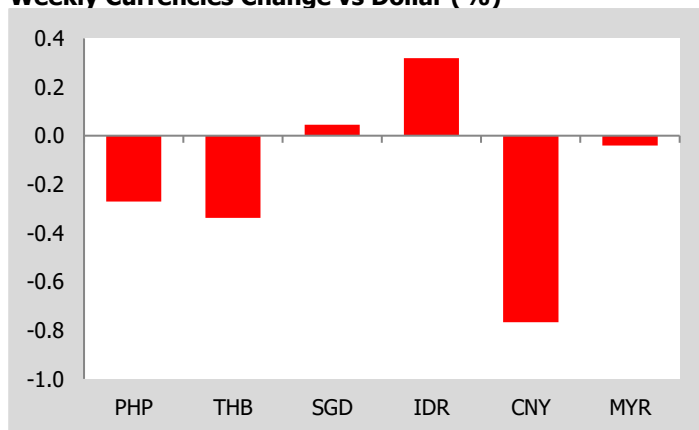
Source: Bloomberg, MIDFR

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 (%)

	Apr-24	May-24	Jun-24	Jul-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24
Malaysia	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Indonesia	6.25	6.25	6.25	6.25	6.25	6.25	6.00	6.00	6.00
Philippines	6.50	6.50	6.50	6.50	6.50	6.25	6.25	6.00	6.00
Thailand	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.25	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	3.25	3.25
India	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50
Japan	0.00-0.10	0.00-0.10	0.00-0.10	0.25	0.25	0.25	0.25	0.25	0.25
UK	5.25	5.25	5.25	5.25	5.00	5.00	5.00	5.00	4.75
Euro area	4.50	4.50	4.25	4.25	4.25	4.25	3.65	3.40	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	4.75-5.00	4.75-5.00	4.50-4.75

Source: Bloomberg, MIDFR

- US economic data released last week:
 - US trade deficit widened. The US monthly trade deficit widened to -USD84.4b in Oct-24 (Sep-24: -USD70.8b) as businesses ramped up imports in anticipation of higher tariffs.
 - Improved activities in the services sector. The ISM services PMI rose to 56.0 in Oct-24 (Sep-24: 54.9), mainly due to rebound in employment and easing price pressures. The final reading of S&P Global Services PM, in contrast, indicated some slowdown, with the index falling slightly to 55.0 (Sep-24: 55.2) as firms slowed hirings due to uncertain future demand.
 - The US labor market showed signs of weakness in early Nov-24. Weekly jobless claims rose marginally by +3k, reflecting slowed job growth due to extreme weathers and labour strikes.
 - Consumer sentiment improved further. The preliminary reading of the University of Michigan's Consumer Confidence Index rose to 7-month high of 73.0 in Nov-24 (Oct-24: 70.5), higher than 71.0 predicted by the market consensus.
- Monetary policy decisions last week:
 - On 6 November 2024, Bank Negara Malaysia (BNM) maintained the overnight policy rate at 3.00%, as expected, as inflation remained under control and the current rate deemed to be supportive of economic growth.
 - On 7 October 2024, the Bank of England cut its Bank rate by -25bps to 4.75%, as widely anticipated, expressing concerns over inflationary pressures from increased borrowing and indicated a gradual approach to further rate cuts. On the same day, the Fed's FOMC reduced the fed funds rate (FFR) by -25bps to 4.50-4.75% amid a cooling labour market and inflation moving closer to +2%, as widely predicted by the market consensus.
- Malaysia's economic update last week:
 - Malaysia's industrial activities slowed down in Sep-24. Malaysia's IPI growth moderated further to +2.3%yoy in Sep-24 (Aug-24: +4.1%yoy), reflecting the continued drag from reduced mining output and slower rise in both manufacturing and electricity output.
 - Labour market remained robust in Sep-24. Malaysia's unemployment rate remained stable at a post-pandemic low of 3.2%. Labour force and employment experienced growth at +1.7%yoy and +1.9%yoy respectively.

C. BNM INTERNATIONAL RESERVES

- As of 30 October 2024, compared to previous fortnight, Bank Negara Malaysia's international reserves was lower at USD117.6b (15 October 2024: USD119.6b).

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	1-Nov Fri	4-Nov Mon	5-Nov Tue	6-Nov Wed	7-Nov Thu	8-Nov Fri	Change (WoW bp)
MGS							
3-Y	3.542	3.549	3.526	3.563	3.539	3.493	-4.9
5-Y	3.681	3.69	3.656	3.684	3.646	3.614	-6.7
7-Y	3.902	3.892	3.839	3.871	3.863	3.809	-9.3
10-Y	3.924	3.934	3.903	3.925	3.915	3.884	-4
20-Y	4.135	4.127	4.124	4.15	4.128	4.106	-2.9
RINGGIT IRS							
1-Y	3.575	3.565	3.565	3.5975	3.58	3.565	-1
3-Y	3.525	3.525	3.5138	3.5525	3.53	3.4925	-3.25
5-Y	3.58	3.57	3.5625	3.6075	3.59	3.525	-5.5
7-Y	3.67	3.66	3.655	3.71	3.695	3.62	-5
10-Y	3.775	3.765	3.755	3.81	3.805	3.73	-4.5
KLIBOR							
1-M	3.28	3.28	3.28	3.28	3.28	3.28	0
3-M	3.58	3.58	3.59	3.6	3.6	3.6	2
UST							
3-Y	4.1846	4.1334	4.1334	4.2314	4.1558	4.1978	1.32
5-Y	4.2248	4.1459	4.1494	4.2743	4.1704	4.1915	-3.33
7-Y	4.3078	4.2135	4.2083	4.3686	4.2476	4.245	-6.28
10-Y	4.3836	4.2847	4.2708	4.4315	4.3257	4.3043	-7.93
30-Y	4.5782	4.4672	4.435	4.6095	4.5297	4.4696	-10.86

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	1-Nov Yield	8-Nov Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	2.632	04/15/31	3.902	3.809	-9.3	1,969.9
MALAYSIA GOVERNMENT	3.882	03/14/25	3.132	3.098	-3.4	1,576.9
MALAYSIA GOVERNMENT	3.955	09/15/25	3.344	3.269	-7.5	1,545.8
MALAYSIA GOVERNMENT	3.885	08/15/29	3.681	3.614	-6.7	921.7
MALAYSIA GOVERNMENT	4.642	11/07/33	3.976	3.910	-6.6	892.8
MALAYSIA INVESTMNT ISSU	3.804	10/08/31	3.905	3.812	-9.3	811.4
MALAYSIA GOVERNMENT	3.502	05/31/27	3.542	3.493	-4.9	726.2
MALAYSIA GOVERNMENT	4.498	04/15/30	3.740	3.740	0.0	695.4
MALAYSIA INVESTMNT ISSU	4.119	11/30/34	3.934	3.883	-5.1	665.4
MALAYSIA INVESTMNT ISSU	4.07	09/30/26	3.455	3.407	-4.8	606.5
TOTAL VOLUME (TOP 10)						10,411.9
TOTAL VOLUME (Overall)						16,245.2

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	1-Nov Yield	8-Nov Yield	Change (WoW bp)	Weekly Volume (RM mn)
OSK RATED BOND SDN BHD	4.39	04/28/28	3.926	4.005	7.9	100.0
DANUM CAPITAL BHD	3.87	08/08/34	N/A	4.075	N/A	100.0
DANUM CAPITAL BHD	4.68	02/14/34	N/A	4.059	N/A	65.0
INFRACAP RESOURCES S B	4.4	04/15/31	3.899	4.024	12.5	60.0
MMC CORP BHD	5.4	11/30/29	3.957	4.037	8.0	50.0
BENIH RESTU BHD	4.62	06/05/25	3.645	3.650	0.5	45.0
SARAWAK PETCHEM SDN B	5.01	07/27/28	N/A	3.854	N/A	40.0
AMANAT LEBUHRAYA RAKY	5.41	10/12/35	N/A	4.222	N/A	40.0
PENGURUSAN AIR SPV BHD	4.63	02/03/33	3.908	3.998	9.0	40.0
AEON CREDIT SERVICE M	4.26	04/20/29	4.047	4.069	2.2	40.0
TOTAL VOLUME (TOP 10)						580.0
TOTAL VOLUME (Overall)						1,676.9

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