

MIDF Strategy 18 November 2024

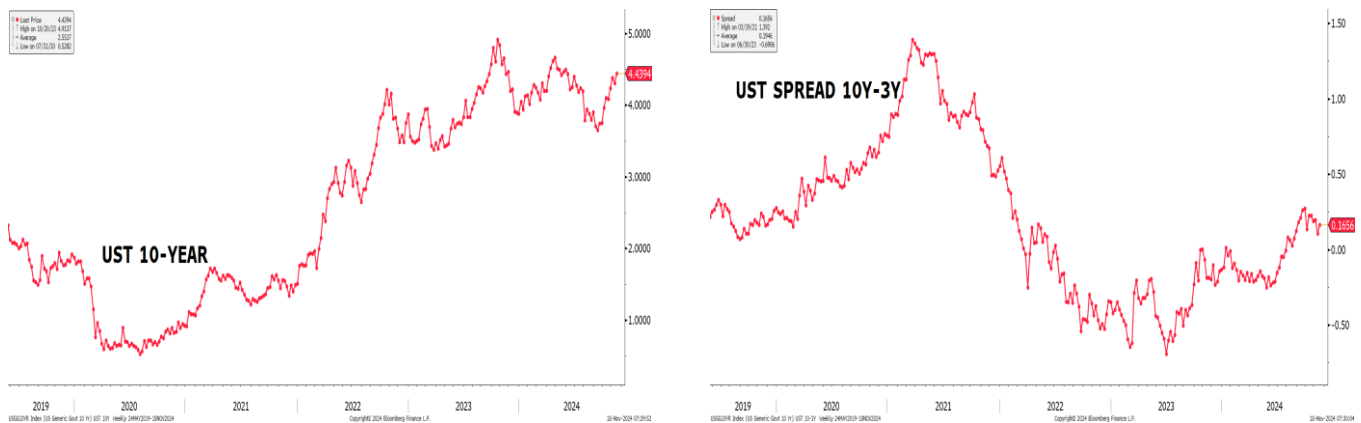
Week Ended 15 November 2024

- The UST market closed lower last week with benchmark 10-year yield ended the review week higher at 4.44% (prior week: 4.30%) as investors continued to deliberate on what Trump's election promises on taxes and trade could mean for inflation and interest rates. Moreover, the selling was also attributable to a less dovish remark by the Fed Chair that it is not in a hurry to keep cutting rates. The 10y-3y yield spread expanded (yield curve steepened) to +17bps (prior week: +11bp) as the long-end underperformed. At week close, the interest rate futures market implied additional rate cut totaling -25bps (prior week: -25bps) in December this year.
- Medium-term inflation expectation (MTIE) ended the review week lower at 2.40% (prior week: 2.42%). The MTIE has remained above the US Fed target level of 2.00% since the initial interest rate cut in September. Nonetheless, we believe the market is still persuaded that the underlying inflation trend is easing despite the recent upswing in MTIE.
- The price of MGS benchmark issues ended the review week mixed with the 3-year and 10-year yields added 2.8bps and shed -0.2bp to close at 3.52% and 3.88% 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 declined month-on-month to RM278b in October 2024 from RM289b in September 2024. It nonetheless increased year-on-year from RM267b in October 2023. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at RM1.77b. It declined week-on-week from RM2.15b registered a week ago. However, it improved year-on-year from -RM4.84b a year ago.

Weekly Money Review

A. FIXED INCOME

- The UST market closed lower last week with benchmark 10-year yield ended the review week higher at 4.44% (prior week: 4.30%) as investors continued to deliberate on what Trump's election promises on taxes and trade could mean for inflation and interest rates. Moreover, the selling was also attributable to a less dovish remark by the Fed Chair that it is not in a hurry to keep cutting rates. The 10y-3y yield spread expanded (yield curve steepened) to +17bps (prior week: +11bp) as the long-end underperformed. At week close, the interest rate futures market implied additional rate cut totaling -25bps (prior week: -25bps) in December this year.

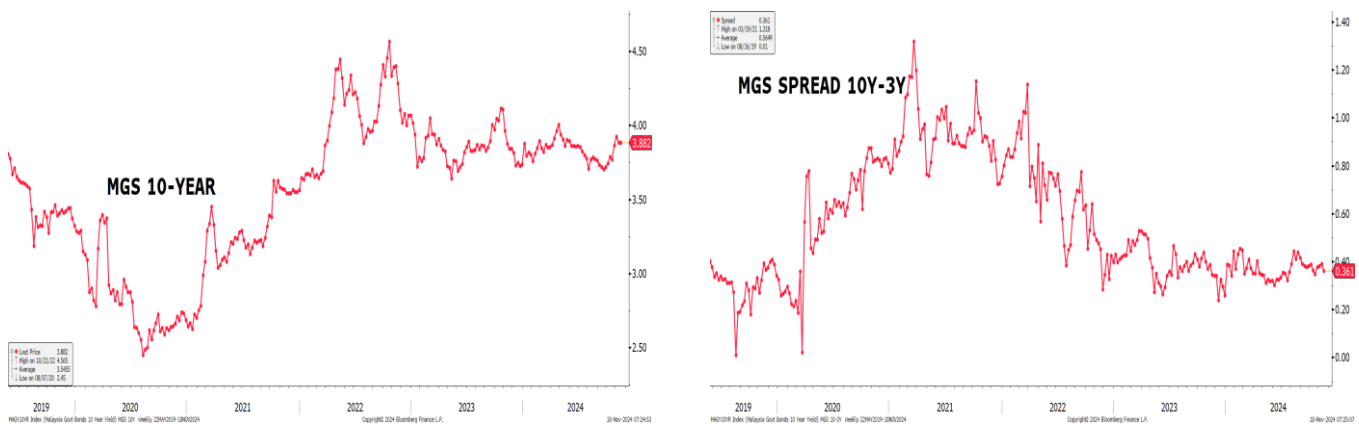


- Medium-term inflation expectation (MTIE) ended the review week lower at 2.40% (prior week: 2.42%). The MTIE has remained above the US Fed target level of 2.00% since the initial interest rate cut in September. Nonetheless, we believe the market is still persuaded that the underlying inflation trend is easing despite the recent upswing in MTIE.

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



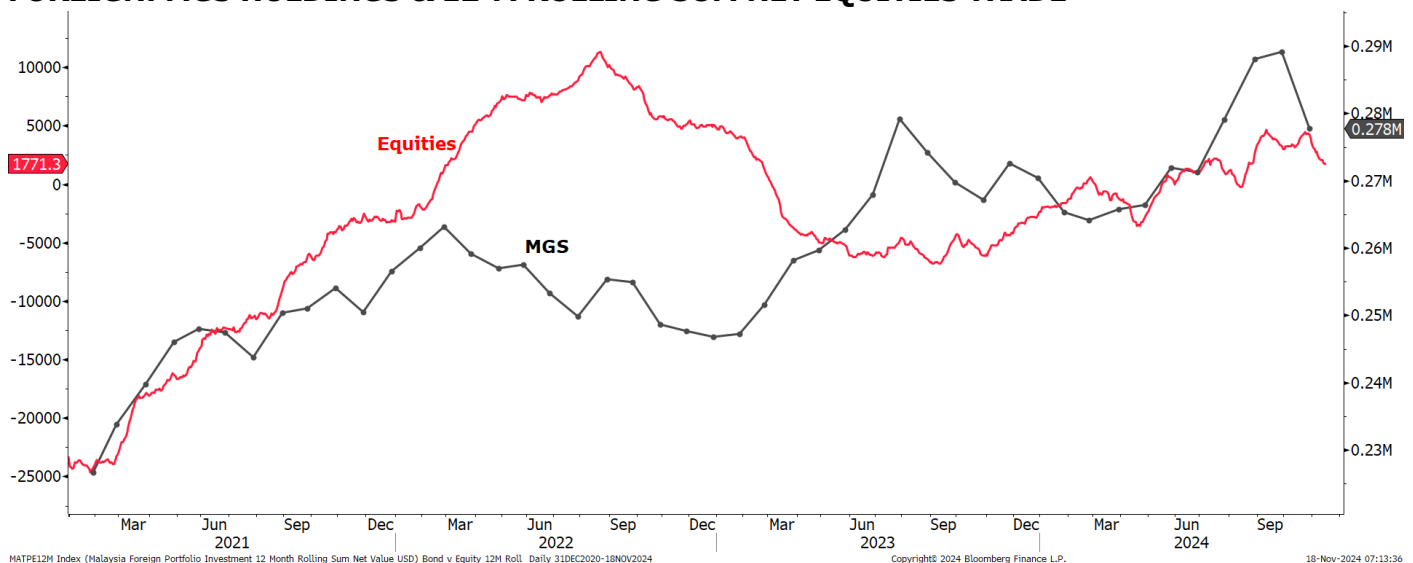
The price of MGS benchmark issues ended the review week mixed with the 3-year and 10-year yields added 2.8bps and shed -0.2bp to close at 3.52% and 3.88% respectively. The 10y-3y yield spread narrowed (yield curve flattened) week-on-week from 39bps to 36bps as the short-end underperformed.



Source: Bloomberg, MIDFR (G630, G631)

- Total trading value for Government Bonds (MGS/MII) increased to RM18.48b in the review week compared to RM16.24b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 61% from 64% of the overall Government Bonds trades. Moreover, 8 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 short and long residual tenor. The top 3 most actively traded were MGS 3.882% 3/14/25 at RM2.53b, MGS 3.955% 9/15/25 at RM1.53b, and MGS 4.054% 4/18/39 at RM1.34b.

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



Source: Bloomberg, MIDFR (G659)

- MGS foreign holdings declined month-on-month to RM278b in October 2024 from RM289b in September 2024. It nonetheless increased year-on-year from RM267b in October 2023. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at RM1.77b. It declined week-on-week from RM2.15b registered a week ago. However, it improved year-on-year from -RM4.84b a year ago.
- Total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM3.64b in the review week compared to RM1.68b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 41% from 35% of the overall Corporate Bonds trades.
- The top 3 actively traded Corporate Bonds were dominated by issues of short and long residual tenor. The top 3 most actively traded were Genting Capital 4.86% 6/8/27 at RM700m, Danainfra 4.19% 10/24/35 at RM140m, and Danainfra 4.91% 11/12/35 at RM100m.

B. FOREIGN EXCHANGE

- USD strengthened further. The US dollar appreciated further with the DXY dollar index rising sharply by +2.8%*wow* and closed at 1-year high of 106.69. With data pointing towards continued resilience in the economy, job market and consumer spending, this resulted in higher demand for US dollars as sentiment in the market shifted to even slower rate cuts to be carried out by the Fed. Following the strength in dollars, euro and the pound sterling weakened last week by -1.7%*wow* to 11-month low of USD1.054 and -2.3%*wow* to 6-month low of USD1.262, respectively.
- Ringgit weakened further. Like other regional currencies, Malaysian ringgit also weakened last week against the US dollar by -2.1%*wow* and closed at RM4.475, returning back to the weakest level last seen in early Aug-24. Given the relatively sharper fall in ringgit, the local currency also broadly depreciated against the currencies of Malaysia's major trading partners resulting in our MIDF Trade-Weighted Ringgit Index falling further by -1.2%*wow* to 90.43, weakening mainly against Indian rupee (-2.2%*wow*) and Korean won (-2.0%*wow*). Commodity price movement was also not supportive of ringgit because the Brent crude oil price fell by -3.8%*wow* to USD71.04pb (previous: USD73.87pb).

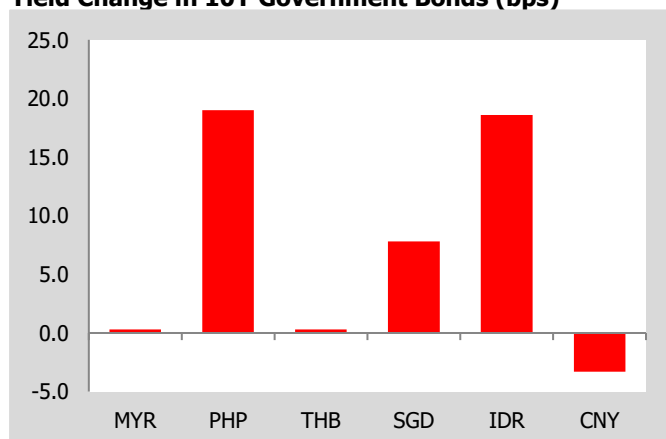
Currencies Changes (Week Ended 15 November 2024) and Quarterly Forecasts

	Close 15/11	Prev. Close 08/11	Weekly Change	Weekly Change (%)	1QCY24	2QCY24	3QCY24	4QCY24f
DXY Index	106.69	105.00	+1.690	+1.6	104.49	105.87	100.8	98.5
EURUSD	1.054	1.072	-0.018	-1.7	1.079	1.071	1.11	1.13
GBPUSD	1.262	1.292	-0.030	-2.3	1.26	1.265	1.34	1.35
USDJPY	154.3	152.6	-1.660	-1.1	151.35	160.88	143.63	139.0
USDMYR	4.475	4.383	-0.092	-2.1	4.725	4.718	4.12	4.03
GBPMYR	5.661	5.680	+0.019	+0.3	5.960	5.967	5.52	5.44
JPYMYR	2.899	2.871	-0.028	-1.0	3.122	2.932	2.87	2.90
MIDF TWRI	90.43	91.57	-1.138	-1.2	85.00	86.25	94.49	95.00

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

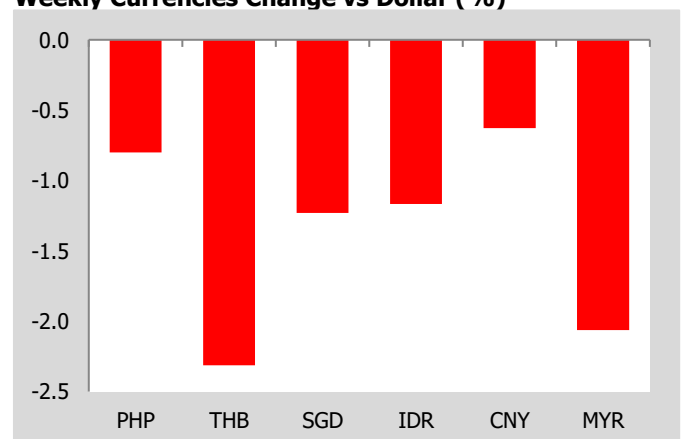
Source: Bloomberg, MIDFR

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 (%)

	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:
 - Consumer inflation expectations eased in Oct-24. The New York Fed survey reported further easing in inflation expectations in Oct-24, down to +2.9% (Sep-24 survey: +3.0%) for the next 1 year and to +2.5% (Sep-24 survey: +2.7%) for the next 3 years.
 - Headline CPI inflation accelerated in Oct-24. As predicted by the market, the US CPI inflation was higher at +2.6%yoy in Oct-24 (Sep-24: +2.4%yoy), the first acceleration in 8 months. Core CPI inflation, however, remained at +3.3%yoy, also in line with market expectations.
 - Cost pressures also increased. PPI inflation also accelerated to +2.4%yoy in Oct-24 (Sep-24: +1.9%yoy).
 - Resilience in the job market. The new weekly jobless claims fell to 217K for the week ending 9th November (previous: 221K), in contrast to market expectations for an increase to 223K.
 - Consumer spending remained strong. Retail sales sustained monthly growth at +0.4%mom in Oct-24 (Sep-24: +0.8%mom), slightly higher than market predictions of +0.3%mom. From the year-on-year perspective, the US retail sales grew faster at +2.8%yoy (Sep-24: +2.4%yoy).
 - Slower fall in industrial production. The US IPI fell further by -0.3%yoy in Oct-24, but slower than -0.7%yoy in Sep-24. This mainly reflected the slower output decline in manufacturing (-0.3%yoy; Sep-24: -0.6%yoy) and mining (-1.5%yoy; Sep-24: -2.5%yoy) industries and higher utility production (+1.5%yoy; Sep-24: +0.5%yoy).
- Malaysia's economic update last week:
 - GDP growth moderated to +5.3%yoy in 3QCY24. Similar to the advance estimate, Malaysia's GDP growth remained robust but moderated to +5.3%yoy in 3QCY24. Growth continued to be underpinned by growing domestic demand and recovery in external trade.

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	8-Nov Fri	11-Nov Mon	12-Nov Tue	13-Nov Wed	14-Nov Thu	15-Nov Fri	Change (WoW bp)
MGS							
3-Y	3.493	3.465	3.497	3.523	3.522	3.521	2.8
5-Y	3.614	3.594	3.621	3.667	3.678	3.665	5.1
7-Y	3.809	3.772	3.8	3.823	3.83	3.827	1.8
10-Y	3.884	3.846	3.865	3.878	3.894	3.882	-0.2
20-Y	4.106	4.09	4.098	4.105	4.105	4.101	-0.5
RINGGIT IRS							
1-Y	3.565	3.548	3.555	3.5625	3.565	3.57	0.5
3-Y	3.4925	3.49	3.505	3.513	3.525	3.515	2.25
5-Y	3.525	3.525	3.5525	3.565	3.5675	3.5625	3.75
7-Y	3.62	3.62	3.635	3.6475	3.665	3.655	3.5
10-Y	3.73	3.71	3.745	3.765	3.775	3.765	3.5
KLIBOR							
1-M	3.28	3.28	3.28	3.28	3.28	3.28	0
3-M	3.6	3.6	3.6	3.6	3.6	3.6	0
UST							
3-Y	4.1978	4.1978	4.3016	4.2679	4.3101	4.2738	7.6
5-Y	4.1915	4.1915	4.3135	4.3065	4.3243	4.3068	11.53
7-Y	4.245	4.245	4.377	4.3823	4.3824	4.3773	13.23
10-Y	4.3043	4.3043	4.4275	4.4512	4.4354	4.4394	13.51
30-Y	4.4696	4.4696	4.5673	4.6357	4.5868	4.617	14.74

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	8-Nov Yield	15-Nov Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.882	03/14/25	3.098	3.160	6.2	2,529.7
MALAYSIA GOVERNMENT	3.955	09/15/25	3.269	3.304	3.5	1,530.6
MALAYSIA GOVERNMENT	4.054	04/18/39	4.026	3.999	-2.7	1,334.9
MALAYSIA GOVERNMENT	2.632	04/15/31	3.809	3.827	1.8	1,320.8
MALAYSIA GOVERNMENT	4.642	11/07/33	3.910	3.919	0.9	1,198.6
MALAYSIA GOVERNMENT	4.457	03/31/53	4.214	4.202	-1.2	846.5
MALAYSIA GOVERNMENT	3.885	08/15/29	3.614	3.665	5.1	813.2
MALAYSIA GOVERNMENT	3.502	05/31/27	3.493	3.521	2.8	626.7
MALAYSIA INVESTMNT ISSU	3.804	10/08/31	3.812	3.820	0.8	604.9
MALAYSIA GOVERNMENT	3.899	11/16/27	3.546	3.556	1.0	516.8
TOTAL VOLUME (TOP 10)						11,322.7
TOTAL VOLUME (Overall)						18,475.4

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	8-Nov Yield	15-Nov Yield	Change (WoW bp)	Weekly Volume (RM mn)
GENTING CAPITAL BHD	4.86	06/08/27	4.375	4.800	42.5	700.0
DANAINFRA NASIONAL	4.19	10/24/35	N/A	4.014	N/A	140.0
DANAINFRA NASIONAL	4.91	11/12/35	N/A	4.013	N/A	100.0
DANAINFRA NASIONAL	4.9	04/29/33	N/A	3.948	N/A	100.0
PERBADANAN TABUNG PEN	4.03	03/07/36	N/A	4.022	N/A	100.0
PERBADANAN TABUNG PEN	4.58	02/28/34	N/A	3.992	N/A	75.0
PENGURUSAN AIR SPV BHD	4.56	01/31/30	N/A	3.926	N/A	75.0
DANAINFRA NASIONAL	4.53	04/07/37	N/A	4.037	N/A	70.0
DANAINFRA NASIONAL	4.36	02/12/29	N/A	3.665	N/A	60.0
KUALA LUMPUR KEPONG	3.95	09/27/34	N/A	4.089	N/A	60.0
TOTAL VOLUME (TOP 10)						1,480.0
TOTAL VOLUME (Overall)						3,638.2

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