

MIDF Strategy 18 March 2024

Week Ended 15 March 2024

- A three-week buying streak ended with benchmark 10-year UST yield closed the review week higher at 4.31% (prior week: 4.08%) as investors reacted to higher than expected inflation (both CPI and PPI) data. The 10y-3y yield spread inverted deeper at -20bp (prior week: -17bps) as the short-end underperformed. Moreover, the interest rate futures market continued to imply no more Fed rate hike and spate of rate cuts commencing as early as in June 2024.
- Medium-term inflation expectation (MTIE) ended the review week higher at 2.44% (prior week: 2.39%). The MTIE remains within an elevated inflation range (of 2.25%-2.50%) acceptable transiently to the US Fed. Moreover, it is notable that the MTIE has been trending lower from the high of 3.73% in late March 2022. We reckon the market is convinced that inflation pressure (while stubborn) is progressively ebbing.
- The price of MGS benchmark issues ended the review week lower with the 3-year and 10-year yields added 1.0bp and 4.8bps to close at 3.46% and 3.87% respectively. The 10y-3y yield spread expanded (yield curve steepened) week-on-week from 37bps to 41bps as the long-end underperformed.
- MGS foreign holdings increased on-year from RM252b in February 2023 to RM264b in February 2024. However, it dropped on-month from RM265b in January 2024. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM593m. It improved on-week from -RM872m registered a week ago. Moreover, it improved on-year from -RM1.86b a year ago.

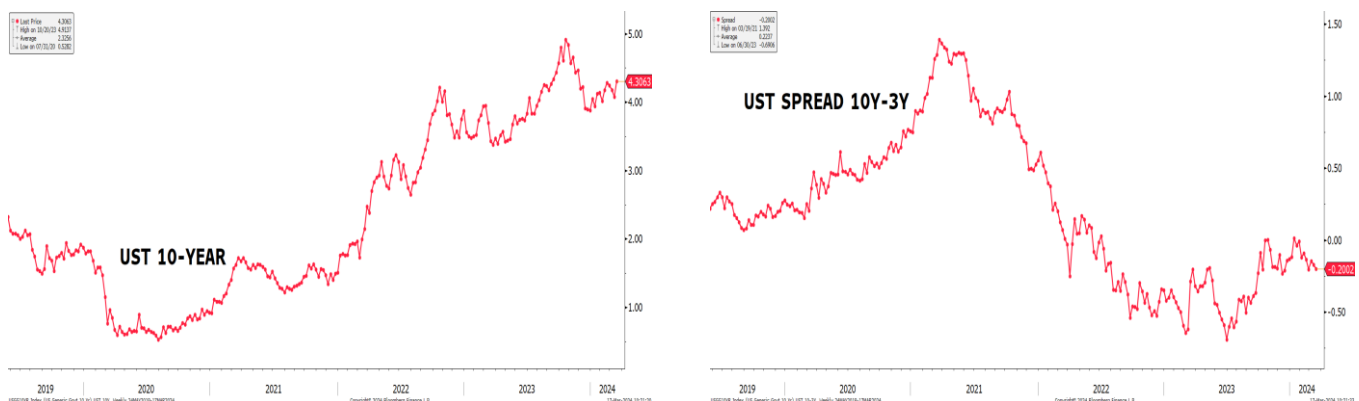
18 March 2024 | Strategy

Strategy Team | research@midf.com.my

Weekly Money Review

A. FIXED INCOME

- A three-week buying streak ended with benchmark 10-year UST yield closed the review week higher at 4.31% (prior week: 4.08%) as investors reacted to higher-than-expected inflation (both CPI and PPI) data. The 10y-3y yield spread inverted deeper at -20bp (prior week: -17bps) as the short-end underperformed. Moreover, the interest rate futures market continued to imply no more Fed rate hike and spate of rate cuts commencing as early as in June 2024.



Source: Bloomberg, MIDFR (G628, G629)

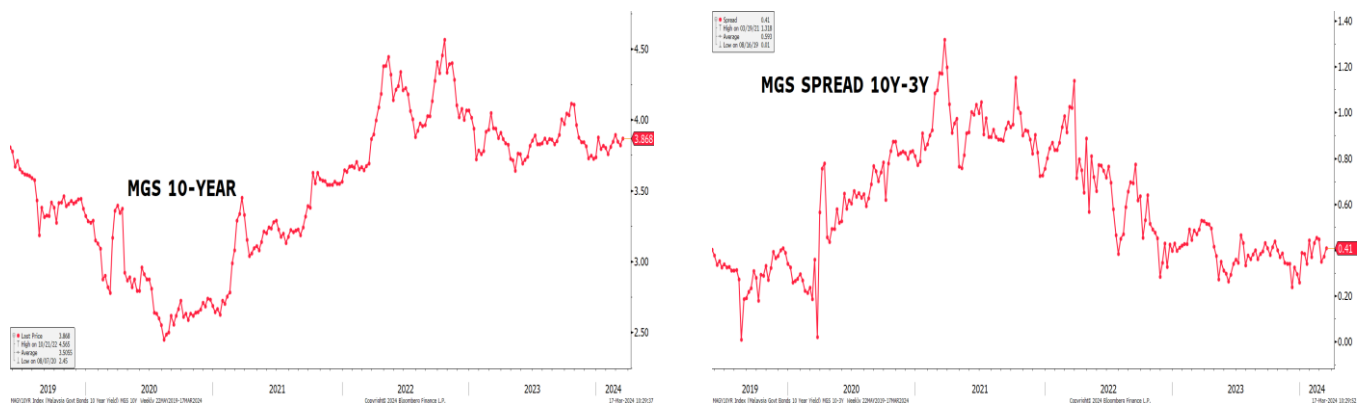
- Medium-term inflation expectation (MTIE) ended the review week higher at 2.44% (prior week: 2.39%). The MTIE remains within an elevated inflation range (of 2.25%-2.50%) acceptable transiently to the US Fed. Moreover, it is notable that the MTIE has been trending lower from the high of 3.73% in late March 2022. We reckon the market is convinced that inflation pressure (while stubborn) is progressively ebbing.

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



Source: Bloomberg, MIDFR (G653)

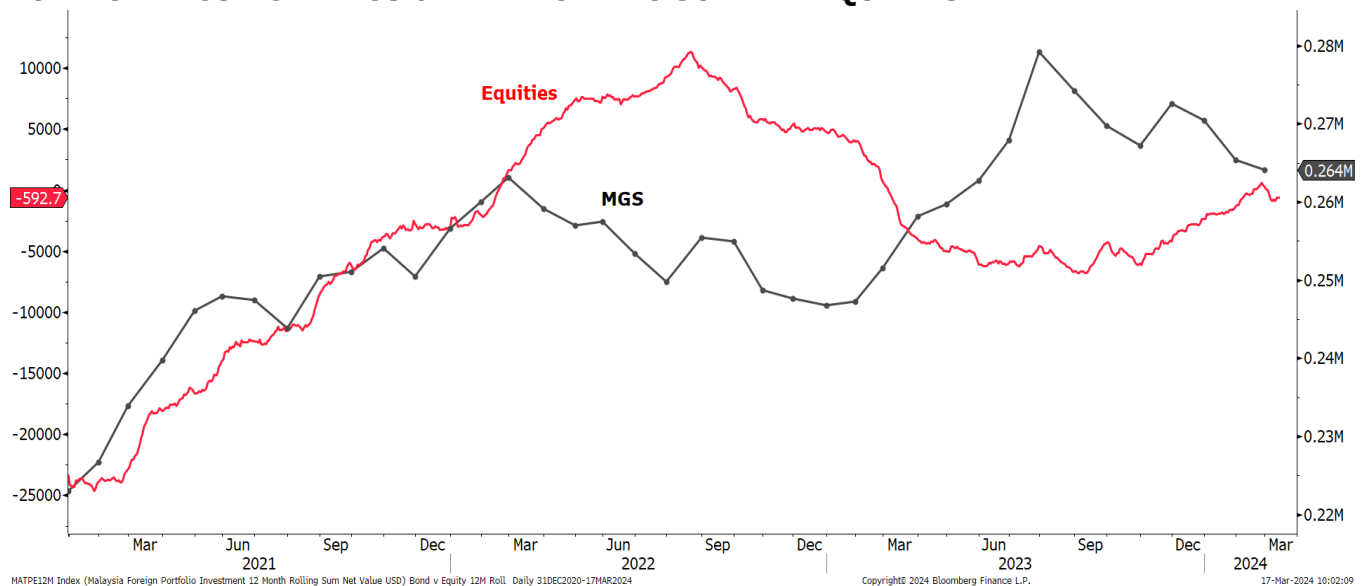
The price of MGS benchmark issues ended the review week lower with the 3-year and 10-year yields added 1.0bp and 4.8bps to close at 3.46% and 3.87% respectively. The 10y-3y yield spread expanded (yield curve steepened) week-on-week from 37bps to 41bps as the long-end underperformed.



Source: Bloomberg, MIDFR (G630, G631)

- Total trading value for Government Bonds (MGS/MII) declined to RM15.09b in the review week compared to RM17.42b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 53% from 50% 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 short and long residual tenor. The top 3 most actively traded were MII 3.599% 7/31/28 at RM1.55b, MGS 4.642% 11/7/33 at RM1.39b, and MGS 3.478% 6/14/24 at RM1.11b.

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



Source: Bloomberg, MIDFR (G659)

- MGS foreign holdings increased on-year from RM252b in February 2023 to RM264b in February 2024. However, it dropped on-month from RM265b in January 2024. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM593m. It improved on-week from -RM872m registered a week ago. Moreover, it improved on-year from -RM1.86b a year ago.
- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM4.33b in the review week compared to RM4.55b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 29% from 35% 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 Maybank 4.13% PERP at RM200m, Cagamas 3.67% 5/30/24 at RM200m, and Bank Islam 3.6% 10/21/30 at RM180m.

B. FOREIGN EXCHANGE

- USD appreciated after 3 weeks of depreciation. The US dollar appreciated for the first time in 4 weeks as the DXY index rose +0.7%wow to close at 103.43. The dollar strengthened as sticky inflation and growing retail spending supported market expectations for the Fed to delay the interest rate cuts into the latter half of the year. Additionally, dollar demand was also underpinned by the continued resilience of the US labour market.
- Euro and pound depreciated. The euro and pound both depreciated due to the dollar's strength, weakening by -0.5%wow to USD1.089 and -0.9%wow to USD1.274, respectively. The euro depreciation was however somewhat limited by hawkish sentiment by ECB officials, suggesting the earliest rate cuts would be at mid-year. Meanwhile, the pound depreciated at a steeper rate on falling UK inflation expectations.
- Ringgit ended 3 weeks of strengthening. The strength in dollar also caused ringgit to depreciated by -0.5%wow to RM4.707 last week, ending 3 weeks of gains. The ringgit closed at the strongest level since mid-Jan-24 last Tuesday at RM4.678 before retreating towards end of the week as dollar demand rebounded. Commodity prices failed to support ringgit, although the Brent crude oil prices increased by +4.0%wow to USD85.34pb (previous week: USD82.08pb).

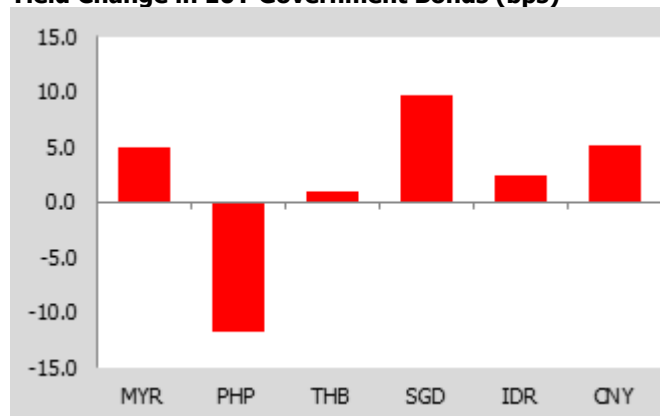
Currencies Changes (Week Ended 15 March 2024) and Quarterly Forecasts

	Close (15/03)	Prev. Close (08/03)	Weekly Change	Weekly Change (%)	1QCY24f	2QCY24f	3QCY24f	4QCY24f
DXY Index	103.43	102.71	+0.720	+0.7	103.8	102.5	101.1	99.7
EURUSD	1.089	1.094	-0.005	-0.5	1.07	1.09	1.10	1.12
GBPUSD	1.274	1.286	-0.012	-0.9	1.23	1.24	1.26	1.27
USDJPY	149.04	147.06	-1.980	-1.3	145	141	138	135
USDMYR	4.707	4.6835	-0.024	-0.5	4.39	4.38	4.32	4.20
GBPMYR	6.003	6.008	+0.005	+0.1	5.75	5.73	5.72	5.74
JPYMYR	3.158	3.184	+0.026	+0.8	3.19	3.25	3.26	3.30

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

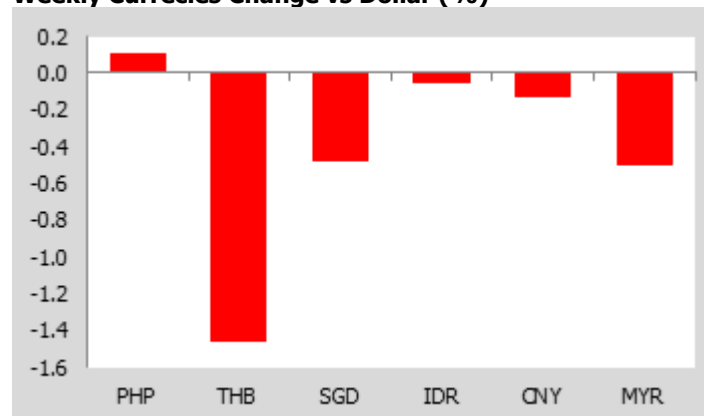
Source: Bloomberg, MIDFR

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 (%)

	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24
Malaysia	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Indonesia	5.75	5.75	5.75	6.00	6.00	6.00	6.00	6.00	6.00
Philippines	6.25	6.25	6.25	6.50	6.50	6.50	6.50	6.50	6.50
Thailand	2.00	2.25	2.50	2.50	2.50	2.50	2.50	2.50	2.50
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	3.50
India	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50
Japan	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)
UK	5.00	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25
Euro area	4.25	4.25	4.50	4.50	4.50	4.50	4.50	4.50	4.50
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	5.25-5.50	5.25-5.50

Source: Bloomberg, MIDFR

- US economic data released last week:
 - Inflation remained sticky:
 - The US headline CPI inflation accelerated slightly to +3.2%yoy in Feb-24, (Jan-24: +3.1%yoy), against market expectations for the rate to remain unchanged at +3.1%yoy.
 - Core CPI inflation only eased to +3.8%yoy (Jan-24: +3.9%yoy), the lowest since May-21 but not moderating as quick as +3.7%yoy anticipated by the market consensus.
 - PPI inflation soared to +1.6%yoy (Jan-24: +1.0%yoy), the highest in 5 months and above market expectations of +1.1%yoy.
 - Labour market still resilient. The initial jobless claims for the week ended 9th March 2024 declined to 209K (previous week: 210K), in contrast to the market projection for an increase to +218K.
 - Domestic demand rebounded. US retail sales rose +1.5%yoy in Feb-24, after registering no growth in Jan-24. This was attributable to monthly rebound to +0.6%mom from previous month (Jan-24: -1.1%mom), but below market expectations of +0.8%mom.
 - Factory output slumped further. Industrial production contracted -0.2%yoy in Feb-24 (Jan-24: -0.3%yoy), underpinned by the continued fall in manufacturing production (Jan-24: -0.7%yoy (Jan-24: -1.1%yoy).
- Malaysia economic data released last week:
 - Factory output reversed contractionary run. IPI registered a rebound and grew at +4.3%yoy in Jan-24 (Dec-23: -0.03%yoy), the fastest growth since May-23 and largely reflected the rebound in the manufacturing sector output particularly export-oriented products and motor vehicles.
 - Retail trade growth softened to 2-year low. Malaysia's consumer demand continued to grow in Jan-24 but the pace of growth in retail sales moderated to +2.6%yoy (Dec-23: +5.0%yoy), the slowest growth since Sep-21. Overall distributive trade sales grew stronger at +5.4%yoy, thanks to double-digit expansion in motor vehicles sales and steady rise in wholesale trade.


C. BNM INTERNATIONAL RESERVES

- As of 29 February 2024, compared to previous fortnight, Bank Negara Malaysia's international reserves was lower at USD114.3b (15 February 2024: USD115.4b).

BNM INTERNATIONAL RESERVES



Source: Bloomberg, MIDFR (G662)

- The amount of reserves is sufficient to finance 5.4 months of imports of goods & services and is 1.0 times total short-term external debt. 

APPENDIX
WEEKLY INTEREST RATE MONITOR

Tenor	8-Mar Fri	11-Mar Mon	12-Mar Tue	13-Mar Wed	14-Mar Thu	15-Mar Fri	Change (WoW bp)
MGS							
3-Y	3.448	3.441	3.441	3.431	3.456	3.458	1
5-Y	3.55	3.55	3.55	3.558	3.558	3.576	2.6
7-Y	3.732	3.727	3.741	3.74	3.768	3.775	4.3
10-Y	3.82	3.811	3.829	3.835	3.851	3.868	4.8
20-Y	4.041	4.034	4.041	4.052	4.066	4.066	2.5
RINGGIT IRS							
1-Y	3.575	3.575	3.575	3.5775	3.585	3.585	1
3-Y	3.535	3.535	3.529	3.5175	3.535	3.535	0
5-Y	3.59	3.585	3.595	3.6	3.622	3.6175	2.75
7-Y	3.735	3.71	3.71	3.725	3.745	3.74	0.5
10-Y	3.88	3.85	3.85	3.855	3.88	3.89	1
KLIBOR							
1-M	3.29	3.29	3.29	3.29	3.29	3.29	0
3-M	3.57	3.57	3.57	3.57	3.57	3.57	0
UST							
3-Y	4.2472	4.3018	4.3313	4.3848	4.4637	4.5065	25.93
5-Y	4.0466	4.0884	4.1477	4.1986	4.2885	4.3257	27.91
7-Y	4.0628	4.0963	4.1585	4.2027	4.2995	4.3258	26.3
10-Y	4.0749	4.0982	4.1507	4.1899	4.2903	4.3063	23.14
30-Y	4.2526	4.261	4.3124	4.3398	4.4337	4.4289	17.63
USD LIBOR							
1-M	5.43318	5.43517	5.43992	5.43981	5.44115	5.4408	0.762
3-M	5.58245	5.57659	5.58677	5.59088	5.59115	5.59129	0.884

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	8-Mar Yield	15-Mar Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA INVESTMNT ISSU	3.599	07/31/28	3.569	3.606	3.7	1,549.8
MALAYSIA GOVERNMENT	4.642	11/07/33	3.820	3.868	4.8	1,389.3
MALAYSIA GOVERNMENT	3.478	06/14/24	3.114	3.279	16.5	1,109.5
MALAYSIA INVESTMNT ISSU	4.13	07/09/29	3.630	3.649	1.9	686.0
MALAYSIA GOVERNMENT	3.906	07/15/26	3.390	3.399	0.9	630.4
MALAYSIA INVESTMNT ISSU	4.07	09/30/26	3.432	3.446	1.4	592.1
MALAYSIA GOVERNMENT	3.882	03/14/25	3.281	3.290	0.9	574.5
MALAYSIA INVESTMNT ISSU	4.193	10/07/32	3.827	3.837	1.0	548.7
MALAYSIA INVESTMNT ISSU	4.245	09/30/30	3.736	3.766	3.0	484.5
MALAYSIA INVESTMNT ISSU	3.99	10/15/25	3.348	3.312	-3.6	473.6
TOTAL VOLUME (TOP 10)						8,038.4
TOTAL VOLUME (Overall)						15,092.6

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	8-Mar Yield	15-Mar Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYAN BANKING BHD	4.13	PERP	4.000	3.995	-0.5	200.0
CAGAMAS BERHAD	3.67	05/30/24	N/A	3.505	N/A	200.0
BANK ISLAM MALAYSIA BH	3.6	10/21/30	3.730	3.726	-0.4	180.0
SARAWAK ENERGY BHD	4.19	07/04/30	3.887	3.879	-0.8	130.0
PRASARANA MALAYSIA BHD	4.58	08/29/28	3.638	3.606	-3.2	120.0
CAGAMAS BERHAD	4.24	12/22/25	N/A	3.681	N/A	110.0
PUBLIC BANK BERHAD	4.27	10/25/33	3.938	3.930	-0.8	110.0
PRASARANA MALAYSIA BHD	4.53	12/28/27	N/A	3.547	N/A	80.0
CAGAMAS BERHAD	3.97	10/05/26	3.716	3.716	0.0	70.0
TOYOTA CAPITAL MALAYSI	3.3	10/17/24	N/A	3.729	N/A	70.0
TOTAL VOLUME (TOP 10)						1,270.0
TOTAL VOLUME (Overall)						4,330.6

Source: Bloomberg

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077 (23878-X)).
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878-X)). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This document may not be reproduced, distributed or published in any form or for any purpose.

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