

## MIDF Strategy 25 March 2024

### Week Ended 22 March 2024

- Buyers returned to the UST market with benchmark 10-year yield closed the review week lower at 4.20% (prior week: 4.31%) as investors reacted to reaffirmation by US Fed of 3 possible rate cuts this year. The 10y-3y yield spread rebounded but remains inverted at -15bp (prior week: -20bps) as the short-end outperformed due to its higher sensitivity to policy rate action. 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 2.47% (prior week: 2.44%) arguably in reaction to the US Fed statement. 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 underlying inflation pressure (while stubborn) is progressively ebbing.
- The price of MGS benchmark issues ended the review week mixed with the 3-year and 10-year yields added 2.0bps and shed -1.8bps to close at 3.48% and 3.85% respectively. The 10y-3y yield spread narrowed (yield curve flattened) week-on-week from 41bps to 37bps as the long-end outperformed.
- 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 -RM1.01b. It declined on-week from -RM593m registered a week ago. However, it improved on-year from -RM3.06b a year ago.

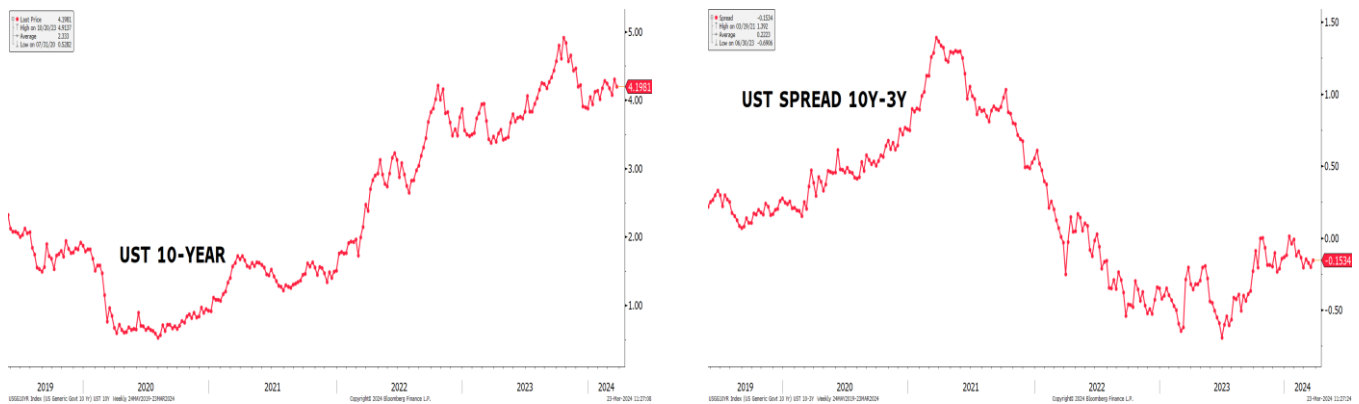
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## Weekly Money Review

### A. FIXED INCOME

- Buyers returned to the UST market with benchmark 10-year yield closed the review week lower at 4.20% (prior week: 4.31%) as investors reacted to reaffirmation by US Fed of 3 possible rate cuts this year. The 10y-3y yield spread rebounded but remains inverted at -15bp (prior week: -20bps) as the short-end outperformed due to its higher sensitivity to policy rate action. 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)

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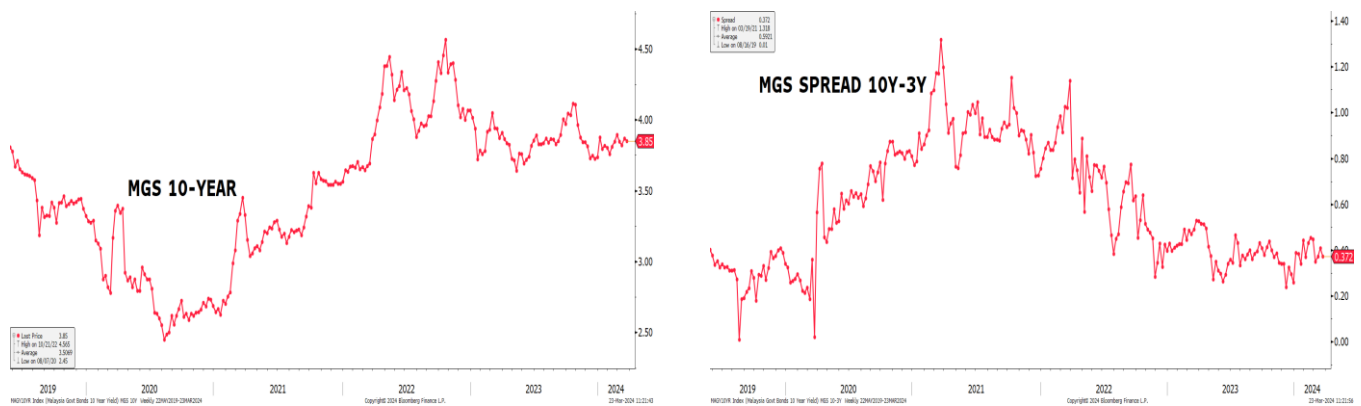
### MEDIUM-TERM INFLATION EXPECTATION (MTIE): 5Y UST-TIPS SPREAD



Source: Bloomberg, MIDFR (G653)

The price of MGS benchmark issues ended the review week mixed with the 3-year and 10-year yields added 2.0bps and shed -1.8bps to close at 3.48% and 3.85% respectively. The 10y-3y yield spread narrowed (yield curve flattened) week-on-week from 41bps to 37bps as the long-end outperformed.

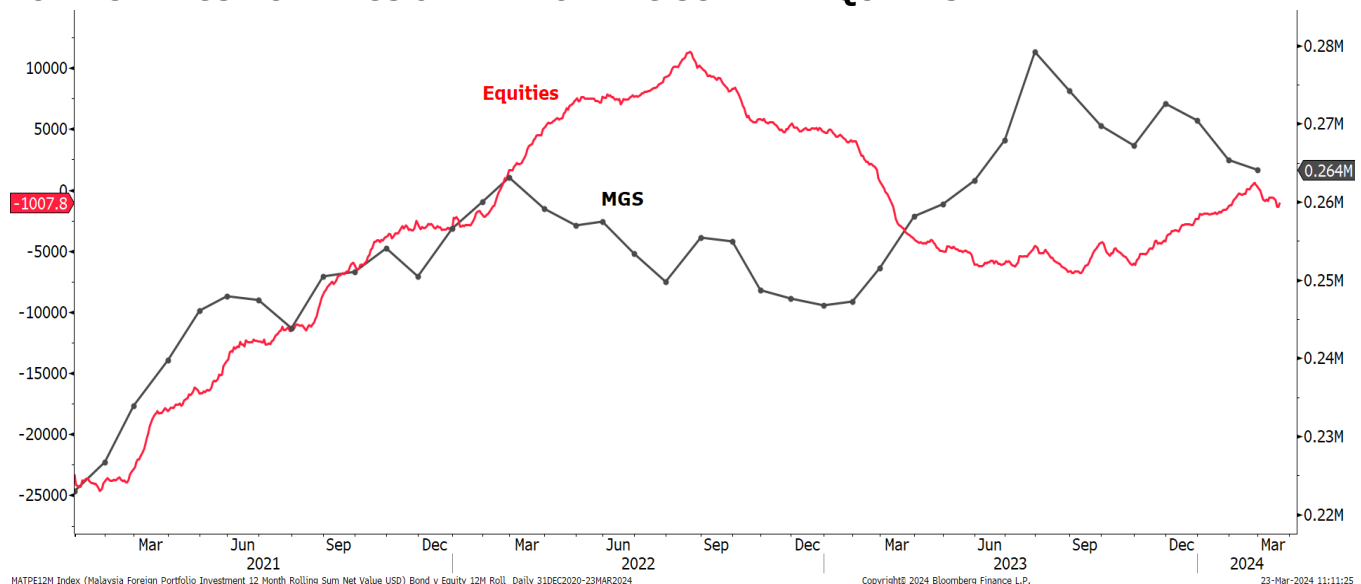




Source: Bloomberg, MIDFR (G630, G631)

- Total trading value for Government Bonds (MGS/MII) increased to RM17.12b in the review week compared to RM15.09b 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 53% of the overall Government Bonds trades. Moreover, 8 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 4.642% 11/7/33 at RM1.84b, MII 4.245% 9/30/30 at RM1.46b, and MGS 3.478% 6/14/24 at RM1.34b.

## 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 -RM1.01b. It declined on-week from -RM593m registered a week ago. However, it improved on-year from -RM3.06b a year ago.
- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM4.13b in the review week compared to RM4.33b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues was unchanged at 29% 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 Prasarana 4.26% 10/11/39 at RM210m, Prasarana 4.64% 3/22/30 at RM200m, and Prasarana 4.75% 2/26/31 at RM110m.

## B. FOREIGN EXCHANGE

- USD appreciated for the second week. The USD dollar closed last Friday at the strongest level since mid-Feb-24 as the DXY dollar index rose +1.0%wow to 104.43. The appreciation was underpinned by market perception that the Fed appeared to be relatively more hawkish than other central banks, with the surprise move by Swiss National Bank to ease its monetary policy. The strength in dollar was also supported by signs of sticky inflation and continued economic resilience in the US.
- Euro and pound weakened further. As dollar strengthened, the euro and pound sterling weakened by -0.7%wow to USD1.081 and -1.1%wow to USD1.260, respectively. The depreciation was due to the continued sluggishness of the manufacturing sector as indicated by the latest PMI releases. In particular, the steeper depreciation of the pound stemmed from the faster-than-expected moderation in the UK inflation.
- Ringgit continued to weaken vs. dollar. Like other currencies, the ringgit also depreciated last week against US dollar by -0.6%wow to RM4.737. In contrast, the ringgit fared relatively better against most other regional currencies and currencies of Malaysia's major trading partners, resulting in our MIDF TWRI closing +0.1%wow higher at 10-week high of 84.74. The rise was mainly underpinned by the ringgit gained against the JPY, which weakened despite BOJ's decision to end its negative interest rate policy. Commodity prices were also unable to support the ringgit, despite Brent crude oil prices rising by +0.1%wow to USD85.43pb (previous week: USD85.34pb).

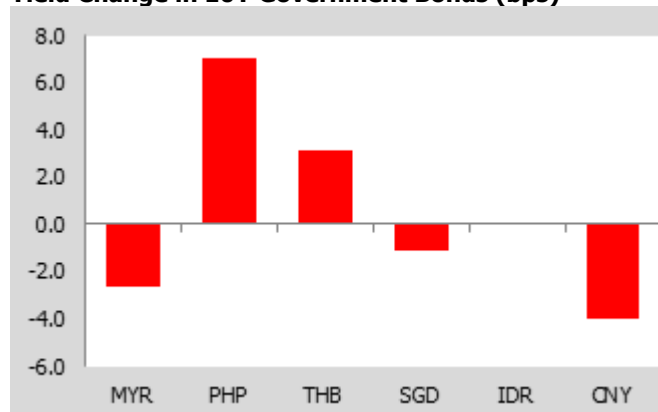
### Currencies Changes (Week Ended 22 March 2024) and Quarterly Forecasts

	Close (22/03)	Prev. Close (15/03)	Weekly Change	Weekly Change (%)	1QCY24f	2QCY24f	3QCY24f	4QCY24f
DXY Index	104.43	103.43	+0.998	+1.0	103.8	102.5	101.1	99.7
EURUSD	1.081	1.089	-0.008	-0.7	1.07	1.09	1.10	1.12
GBPUSD	1.260	1.274	-0.014	-1.1	1.23	1.24	1.26	1.27
USDJPY	151.41	149.04	-2.370	-1.6	145	141	138	135
USDMYR	4.737	4.7072	-0.029	-0.6	4.39	4.38	4.32	4.20
GBPMYR	5.962	6.003	+0.041	+0.7	5.75	5.73	5.72	5.74
JPYMYR	3.128	3.158	+0.030	+1.0	3.19	3.25	3.26	3.30
MIDF TWRI	84.74	84.68	+0.060	+0.1	84.35	86.40	88.00	91.50

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

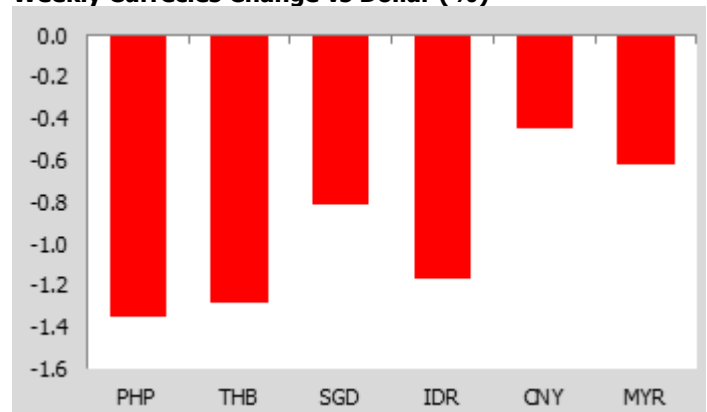
Source: Bloomberg, MIDFR

### 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)	0.00-0.10
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:
  - Slower expansion in the services sector, manufacturing activities expanded faster. The flash S&P Global US Services PMI fell to 3-month low of 51.7 in Mar-24, below 52.0 expected by market consensus. On the other hand, the flash Manufacturing PMI edged higher to 52.5, the highest in 21 months and exceeded the market consensus of 51.7.
  - Labour market remained hot. The initial jobless claim for the week ended 16th March 2024 declined to 210K (previous week: 212K), defying market expectations for an increase to 215K.
  - Leading index improved in Feb-24. Conference Board leading index signalled improved momentum in the near term as the index advanced +0.1%mom (Jan-24: -0.4%mom), surpassing market expectations for a contraction of -0.2%mom.
- Monetary decisions announced last week:
  - On 19th March,
    - Bank of Japan (BOJ) hiked its interest rate to 0.00%-0.10% from -0.10%, ending over 8 years of negative interest rate setting. The decision was expected considering Japan's inflation remained above +2% since Apr-22.
    - Reserve Bank of Australia (RBA) unsurprisingly kept the interest rate steady at 4.35% in response to signs of slowing economic growth and moderating inflation.
  - On 20th March,
    - People's Bank of China (PBOC) kept both the 1-year and 5-year Loan Prime Rates (LPRs) steady at 3.45% and 3.95%, respectively, conforming to market expectations given better-than-expected data releases.
    - Bank Indonesia (BI) kept interest rates unchanged at 6.00% in Mar-24 as widely expected to support rupiah, with BI governor signalling possible policy easing after middle of this year.
  - On 21st March,
    - Central Bank of Republic of China raised the interest rate by +12.5bps to 2.00% against market expectations for the rate to remain unchanged at 1.875%. The decision was made due to address the persistent inflationary pressure.
    - In a surprise move, Swiss National Bank (SNB) reduced its interest rate by -25bps to 1.50%, the first cut in 9 years. The decision makes SNB the first major central bank to ease its policy after inflation eased to +1.2%yoy in Feb-24, the 9th month inflation hovering within the bank's +0.0-2.0% target range.
    - Bank of England (BOE) kept the policy rate at 5.25%, conforming to market expectations. The decision was made cautiously, ascertaining inflationary pressure has subsided.
- Malaysia exports fell while imports growth moderated. Malaysia's exports fell again by -0.8%yoy in Feb-24 due to lower re-exports and weaker shipments of E&E, petroleum products and palm oil. Import growth also

moderated to +8.4%yoy (Jan-24: +18.7%yoy), with a continued but slower rise in purchases of intermediate, capital and consumption goods.


## C. BNM INTERNATIONAL RESERVES

- As of 15 March 2024, compared to previous fortnight, Bank Negara Malaysia's international reserves was lower at USD113.4b (29 February 2024: USD114.3b).

### BNM INTERNATIONAL RESERVES



Source: Bloomberg, MIDFR (G662)

- The number 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	15-Mar Fri	18-Mar Mon	19-Mar Tue	20-Mar Wed	21-Mar Thu	22-Mar Fri	Change (WoW bp)
MGS							
3-Y	3.458	3.434	3.484	3.477	3.471	3.478	2
5-Y	3.576	3.553	3.579	3.582	3.558	3.578	0.2
7-Y	3.775	3.769	3.762	3.762	3.744	3.764	-1.1
10-Y	3.868	3.861	3.885	3.876	3.853	3.85	-1.8
20-Y	4.066	4.07	4.072	4.071	4.062	4.062	-0.4
RINGGIT IRS							
1-Y	3.585	3.59	3.5925	3.5825	3.58	3.59	0.5
3-Y	3.535	3.54	3.56	3.555	3.54	3.545	1
5-Y	3.6175	3.625	3.65	3.6525	3.64	3.655	3.75
7-Y	3.74	3.735	3.755	3.76	3.755	3.755	1.5
10-Y	3.89	3.875	3.89	3.9	3.88	3.885	-0.5
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	4.5065	4.518	4.47	4.3937	4.4136	4.3515	-15.5
5-Y	4.3257	4.3416	4.2973	4.2442	4.253	4.1822	-14.35
7-Y	4.3258	4.3443	4.3074	4.2706	4.2732	4.1998	-12.6
10-Y	4.3063	4.3242	4.2925	4.2728	4.2669	4.1981	-10.82
30-Y	4.4289	4.4483	4.4415	4.4532	4.4347	4.3779	-5.1
USD LIBOR							
1-M	5.4408	5.44323	5.44312	5.4433	5.44389	5.44389	0.309
3-M	5.59129	5.59412	5.59461	5.59013	5.58157	5.58157	-0.972

Source: Bloomberg

## 10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	15-Mar	22-Mar	Change	Weekly Volume
			Yield	Yield	(WoW bp)	(RM mn)
MALAYSIA GOVERNMENT	4.642	11/07/33	3.868	3.850	-1.8	1,840.0
MALAYSIA INVESTMNT ISS	4.245	09/30/30	3.766	3.746	-2.0	1,463.5
MALAYSIA GOVERNMENT	3.478	06/14/24	3.279	3.102	-17.7	1,341.6
MALAYSIA INVESTMNT ISS	4.07	09/30/26	3.446	3.436	-1.0	944.2
MALAYSIA INVESTMNT ISS	3.599	07/31/28	3.606	3.598	-0.8	911.5
MALAYSIA GOVERNMENT	3.885	08/15/29	3.648	3.649	0.1	790.8
MALAYSIA INVESTMNT ISS	4.582	08/30/33	3.862	3.852	-1.0	779.2
MALAYSIA INVESTMNT ISS	3.655	10/15/24	3.262	3.282	2.0	671.5
MALAYSIA INVESTMNT ISS	4.13	07/09/29	3.649	3.643	-0.6	632.1
MALAYSIA INVESTMNT ISS	5.357	05/15/52	4.292	4.275	-1.7	497.1
TOTAL VOLUME (TOP 10)						9,871.5
TOTAL VOLUME (Overall)						17,122.7

Source: Bloomberg

## 10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	15-Mar	22-Mar	Change	Weekly Volume
			Yield	Yield	(WoW bp)	(RM mn)
PRASARANA MALAYSIA BH	4.26	10/11/39	N/A	4.019	N/A	210.0
PRASARANA MALAYSIA BH	4.64	03/22/30	N/A	3.713	N/A	200.0
PRASARANA MALAYSIA BH	4.75	02/26/31	3.799	3.798	-0.1	110.0
PETROLEUM SARAWAK EX	5.22	11/09/29	3.851	3.820	-3.1	110.0
MKD KENCANA SDN BHD	4.85	10/01/32	N/A	3.869	N/A	100.0
PRASARANA MALAYSIA BH	4.2	09/12/31	N/A	3.818	N/A	100.0
PROJEK LEBUHRAYA USAH	5	12/31/38	4.049	3.999	-5.0	100.0
TURUS PESAWAT SDN BHD	4.36	11/19/32	3.928	3.919	-0.9	90.0
MBSB BANK BHD	5.05	12/20/29	4.024	4.230	20.6	90.0
PERBADANAN TABUNG PE	4.31	03/27/37	N/A	3.999	N/A	80.0
TOTAL VOLUME (TOP 10)						1,190.0
TOTAL VOLUME (Overall)						4,131.1

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