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MIDF AMANAH
INVESTMENT BANK BERHAD

WEEKLY MONEY REVIEW

MIDF Strategy 25 November 2024

Week Ended 22 November 2024

- The benchmark 10-year UST yield ended the review week lower at 4.40% (prior week: 4.44%) as some investors flocked into safe-haven government bonds amid rising geopolitical tensions (i.e. US allowed Ukraine to use its longer-range missiles to strike Russia whose reacted by lowering the threshold for the use of nuclear weapon). The 10y-3y yield spread narrowed (yield curve flattened) to +9bps (prior week: +17bp) as the long-end outperformed. 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 higher at 2.44% (prior week: 2.40%). 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 convinced the underlying inflation trend is easing despite the recent upswing in MTIE.

- The price of MGS benchmark issues ended the review week higher with the 3-year and 10-year yields shed -4.0bps and -7.0bps to close at 3.48% and 3.81% respectively. The 10y-3y yield spread narrowed (yield curve flattened) week-on-week from 36bps to 33bps as the long-end outperformed.

- 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 RM1.24b. It declined week-on-week from RM1.77b registered a week ago. However, it improved year-on-year from -RM4.13b a year ago.

25 November 2024 | **Strategy**

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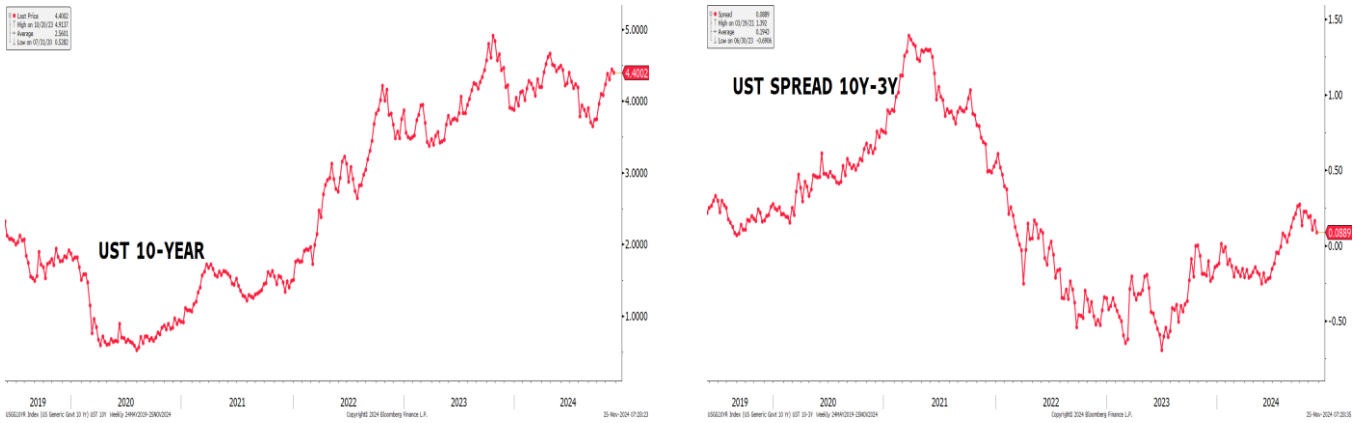
Weekly Money Review

A. FIXED INCOME

- The benchmark 10-year UST yield ended the review week lower at 4.40% (prior week: 4.44%) as some investors flocked into safe-haven government bonds amid rising geopolitical tensions (i.e. US allowed Ukraine to use its longer-range missiles to strike Russia whose reacted by lowering the threshold for the use of nuclear weapon). The 10y-3y yield spread narrowed (yield curve flattened) to +9bps (prior week: +17bp) as the long-end outperformed. At week close, the interest rate futures market implied additional rate cut totaling -25bps (prior week: -25bps) in December this year.



Source: Bloomberg, MIDFR (G628, G629)

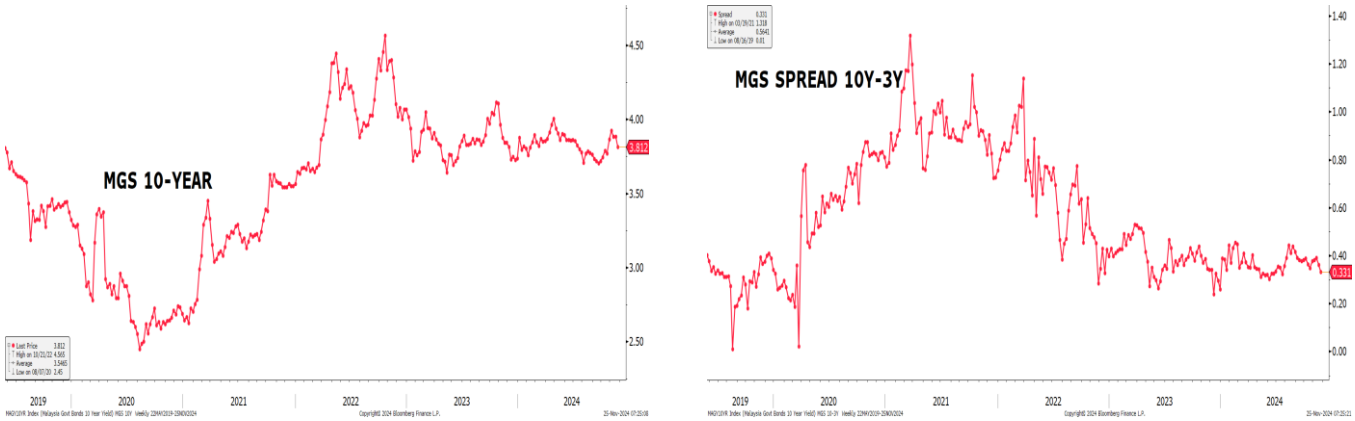
- Medium-term inflation expectation (MTIE) ended the review week higher at 2.44% (prior week: 2.40%). The MTIE has remained above the US Fed target level of 2.00% since the initial interest rate cut in September. Nonetheless, we believe the market is still convinced the underlying inflation trend is easing despite the recent upswing 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 -4.0bps and -7.0bps to close at 3.48% and 3.81% respectively. The 10y-3y yield spread narrowed (yield curve flattened) week-on-week from 36bps to 33bps as the long-end outperformed.

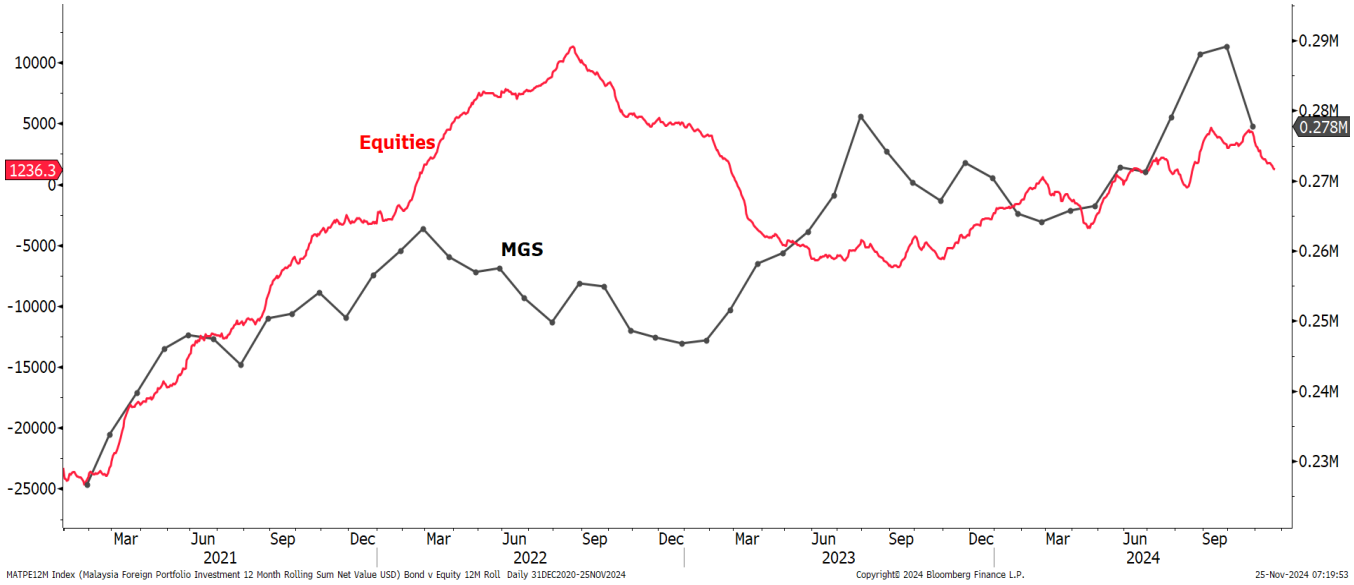


Source: Bloomberg, MIDFR (G630, G631)

- Total trading value for Government Bonds (MGS/MII) increased to RM20.20b in the review week compared to RM18.48b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 59% from 61% of the overall Government Bonds trades. Moreover, 10 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 3.882% 3/14/25 at RM3.69b, MII 4.13% 7/9/29 at RM1.52b, and MGS 3.955% 9/15/25 at RM1.26b.

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 RM1.24b. It declined week-on-week from RM1.77b registered a week ago. However, it improved year-on-year from -RM4.13b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM3.63b in the review week compared to RM3.64b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 24% from 41% of the overall Corporate Bonds trades.

- The top 3 actively traded Corporate Bonds were dominated by issues of mid residual tenor. The top 3 most actively traded were Prasarana Malaysia 4.58% 8/29/28 at RM140m, PTPTN 2.77% 10/27/28 at RM120m, and DRB-Hicom 5.1% 12/12/29 at RM103m.

B. FOREIGN EXCHANGE

- USD strengthened on safe-haven demand. The US dollar appreciated further with the DXY dollar index rising by +0.8%wow to 107.55, still around the highest level last seen in Nov-23. Apart from the stronger-than-expected economic update, the increased demand for US dollars was driven by concerns about the escalation in the geopolitical conflicts between Ukraine and Russia. Following the strength in dollars, euro and the pound sterling weakened last week by -1.2%wow to nearly 1-year low of USD1.042 and -0.7%wow to 6-month low of USD1.253, respectively.

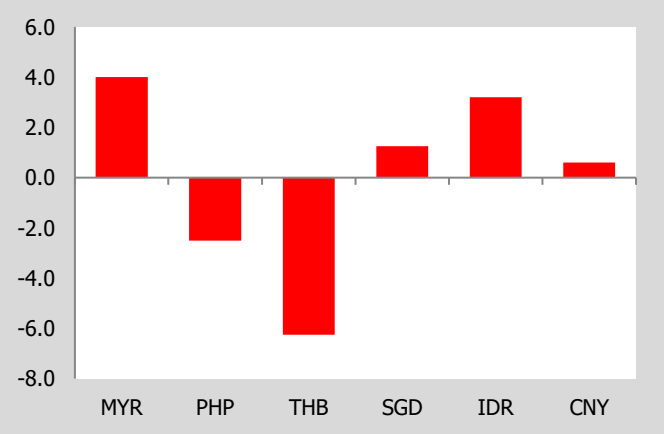
- Ringgit registered slight appreciation. Despite the strength in US dollar, Malaysian ringgit managed to register slight appreciation last week by +0.1%wow to RM4.470, still around the weakest level since Aug-24. Part of the appreciation was driven by improved sentiment after the local currency was removed from the US currency watch list. Ringgit also broadly gained against the currencies of Malaysia's major trading partners as our MIDF Trade-Weighted Ringgit Index rose +0.3%wow to 90.74, appreciating mainly against Taiwan dollar (+0.5%wow) and Vietnam dong (+0.3%wow). Commodity price movement was also supportive of ringgit because the Brent crude oil price increased by +5.8%wow to USD75.17pb (previous: USD71.04pb).

Currencies Changes (Week Ended 22 November 2024) and Quarterly Forecasts

	Close 22/11	Prev. Close 15/11	Weekly Change	Weekly Change (%)	1QCY24	2QCY24	3QCY24	4QCY24f
DXY Index	107.55	106.69	+0.867	+0.8	104.49	105.87	100.8	98.5
EURUSD	1.042	1.054	-0.012	-1.2	1.079	1.071	1.11	1.13
GBPUSD	1.253	1.262	-0.009	-0.7	1.26	1.265	1.34	1.35
USDJPY	154.8	154.3	-0.480	-0.3	151.35	160.88	143.63	139.0
USDMYR	4.470	4.475	+0.005	+0.1	4.725	4.718	4.12	4.03
GBPMYR	5.593	5.661	+0.068	+1.2	5.960	5.967	5.52	5.44
JPYMYR	2.887	2.899	+0.012	+0.4	3.122	2.932	2.87	2.90
MIDF TWRI	90.74	90.43	+0.302	+0.3	85.00	86.25	94.49	95.00

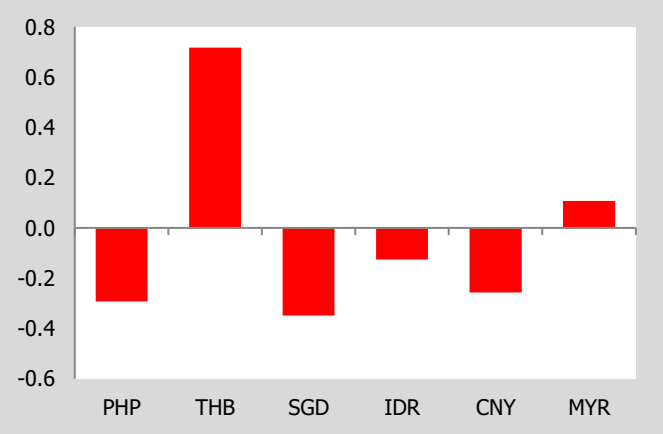
Note: "+" indicates appreciation, while "-"indicates depreciation. Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

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:
  - Still resilient the job market. The new weekly jobless claims fell to 213K for the week ending 16th November (previous: 219K), below market expectations for an increase to 220K.
  - The leading index fell further. The Conference Board Leading Economic Index fell more than expected -0.4%mom to 99.5 in Oct-24 (Sep-24: -0.3%mom) mainly due to weakness in manufacturing new orders.
  - Slower but continued contraction in manufacturing activities. The flash reading of S&P Global manufacturing PMI rose to 48.8 in Nov-24 (Oct-24: 48.5), the highest in 4 months due to slower fall in new orders and rising employment which offset the sharper fall in production.
  - Stronger activities in the services sector. The preliminary finding concluded that S&P Global services PMI rose to 57.0 in Nov-24 (Oct-24: 55.0), better than 55.2 predicted by market consensus. The faster expansion was driven by improved new orders and optimism of better outlook, although companies continued to reduce hirings.
  - Consumers' sentiment rose to a 7-month high. Consumer sentiment improved further in Nov-24, with the University of Michigan's Consumer Sentiment Index rising to 71.8 in Nov-24 (Oct-24: 70.5). The final reading was lower than preliminary reading of 73.0 as consumers indicated greater concerns about future economic policy by the incoming Trump administration and expected inflation may be higher in the medium term.

- On 20 November 2024, Bank Indonesia maintained its benchmark interest rate at 6.00% to support the stability of rupiah exchange rates, even though inflation eased further to +1.7%yoy in Oct-24, which was the lowest in 3 years.

- Malaysia's economic update last week:
  - Exports rebounded albeit below expectations. Malaysia's exports returned to positive in Oct-24, growing at +1.6%yoy (Sep-24: -0.6%yoy) underpinned by stronger exports of E&E products. Import growth, in contrast, moderated further to +2.6%yoy (Sep-24: +10.9%yoy) dragged down by lower capital goods imports and slower growth in purchases of intermediate goods.
  - Inflation accelerated due to higher food prices. Headline CPI inflation accelerated slightly to +1.9%yoy in Oct-24 (Sep-24: +1.8%yoy) due to higher food inflation.

C. BNM INTERNATIONAL RESERVES

- As of 15 November 2024, compared to previous fortnight, Bank Negara Malaysia's international reserves was higher at USD118.0b (30 October 2024: USD117.6b).

BNM INTERNATIONAL RESERVES



Source: Bloomberg, MIDFR (G662)

- The number of reserves is sufficient to finance 4.6 months of imports of goods & services and is 0.9 times total short-term external debt.

APPENDIX

WEEKLY INTEREST RATE MONITOR

Tenor	15-Nov Fri	18-Nov Mon	19-Nov Tue	20-Nov Wed	21-Nov Thu	22-Nov Fri	Change (WoW bp)
MGS							
3-Y	3.521	3.511	3.481	3.468	3.481	3.481	-4
5-Y	3.665	3.645	3.631	3.594	3.617	3.614	-5.1
7-Y	3.827	3.803	3.794	3.773	3.768	3.778	-4.9
10-Y	3.882	3.858	3.85	3.809	3.808	3.812	-7
20-Y	4.101	4.083	4.069	4.069	4.062	4.072	-2.9
RINGGIT IRS							
1-Y	3.57	3.57	3.555	3.55	3.565	3.5675	-0.25
3-Y	3.515	3.515	3.485	3.475	3.49	3.5	-1.5
5-Y	3.5625	3.5675	3.525	3.5225	3.535	3.5325	-3
7-Y	3.655	3.655	3.61	3.605	3.623	3.62	-3.5
10-Y	3.765	3.765	3.73	3.7175	3.74	3.74	-2.5
KLIBOR							
1-M	3.28	3.28	3.28	3.28	3.28	3.29	1
3-M	3.6	3.6	3.6	3.6	3.6	3.61	1
UST							
3-Y	4.2738	4.2485	4.2401	4.2684	4.2996	4.3113	3.75
5-Y	4.3068	4.2749	4.2625	4.2785	4.3035	4.2948	-1.2
7-Y	4.3773	4.3429	4.3271	4.343	4.3563	4.3353	-4.2
10-Y	4.4394	4.4138	4.3962	4.41	4.4218	4.4002	-3.92
30-Y	4.617	4.6102	4.5819	4.5975	4.6014	4.5877	-2.93

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	15-Nov Yield	22-Nov Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.882	03/14/25	3.160	3.147	-1.3	3,689.0
MALAYSIA INVESTMNT ISSU	4.13	07/09/29	3.670	3.629	-4.1	1,518.4
MALAYSIA GOVERNMENT	3.955	09/15/25	3.304	3.262	-4.2	1,258.2
MALAYSIA GOVERNMENT	3.885	08/15/29	3.665	3.614	-5.1	890.6
MALAYSIA INVESTMNT ISSU	4.28	03/23/54	4.197	4.186	-1.1	876.7
MALAYSIA INVESTMNT ISSU	4.291	08/14/43	4.150	4.087	-6.3	819.5
MALAYSIA INVESTMNT ISSU	4.119	11/30/34	3.883	3.821	-6.2	814.0
MALAYSIA GOVERNMENT	4.18	05/16/44	4.101	4.072	-2.9	743.5
MALAYSIA INVESTMNT ISSU	4.467	09/15/39	4.009	3.946	-6.3	683.8
MALAYSIA INVESTMNT ISSU	3.804	10/08/31	3.820	3.778	-4.2	630.2
TOTAL VOLUME (TOP 10)						11,923.9
TOTAL VOLUME (Overall)						20,195.2

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	15-Nov Yield	22-Nov Yield	Change (WoW bp)	Weekly Volume (RM mn)
PRASARANA MALAYSIA BHD	4.58	08/29/28	3.563	3.699	13.6	140.0
PERBADANAN TABUNG PEN	2.77	10/27/28	3.720	3.718	-0.2	120.0
DRB-HICOM BHD	5.1	12/12/29	4.127	4.126	-0.1	103.0
DRB-HICOM BHD	5.57	04/26/30	4.078	4.157	7.9	80.0
OSK RATED BOND SDN BHD	4.59	09/15/33	N/A	4.149	N/A	80.0
DANAINFRA NASIONAL	4.9	11/16/32	N/A	3.945	N/A	70.0
DANAINFRA NASIONAL	4.47	11/24/28	N/A	3.675	N/A	70.0
PRASARANA MALAYSIA BHD	2.78	10/20/28	3.604	3.704	10.0	70.0
AMANAT LEBUHRAYA RAKY	5.24	10/13/32	N/A	4.078	N/A	70.0
TNB POWER GENERATION	4.67	03/29/38	4.129	4.089	-4.0	70.0
TOTAL VOLUME (TOP 10)						873.0
TOTAL VOLUME (Overall)						3,634.8

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 *rise* 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 *fall* 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