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MIDF AMANAH
INVESTMENT BANK BERHAD

WEEKLY MONEY REVIEW

MIDF Strategy 2 December 2024

Week Ended 29 November 2024

- The UST market rallied with benchmark 10-year yield ended the review week lower at 4.17% (prior week: 4.40%) as investors continued to flock into safe-haven govvies amid rising geopolitical tensions (i.e. Russia-Ukraine war arguably entering a decisive phase as well as unexpected flare-up in the Syrian civil war). The 10y-3y yield spread narrowed (yield curve flattened) to +8bps (prior week: +9bp) as the long-end outperformed. At week close, the interest rate futures market implied additional rate cut of -25bps (prior week: -25bps) in December this year.
- Medium-term inflation expectation (MTIE) ended the review week lower at 2.35% (prior week: 2.44%). 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 -1.7bps and -0.7bp to close at 3.46% and 3.80% respectively. The 10y-3y yield spread expanded (yield curve steepened) week-on-week from 33bps to 34bps as the short-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 -RM1.22b. It declined week-on-week from RM1.24b registered a week ago. However, it improved year-on-year from -RM4.12b a year ago.

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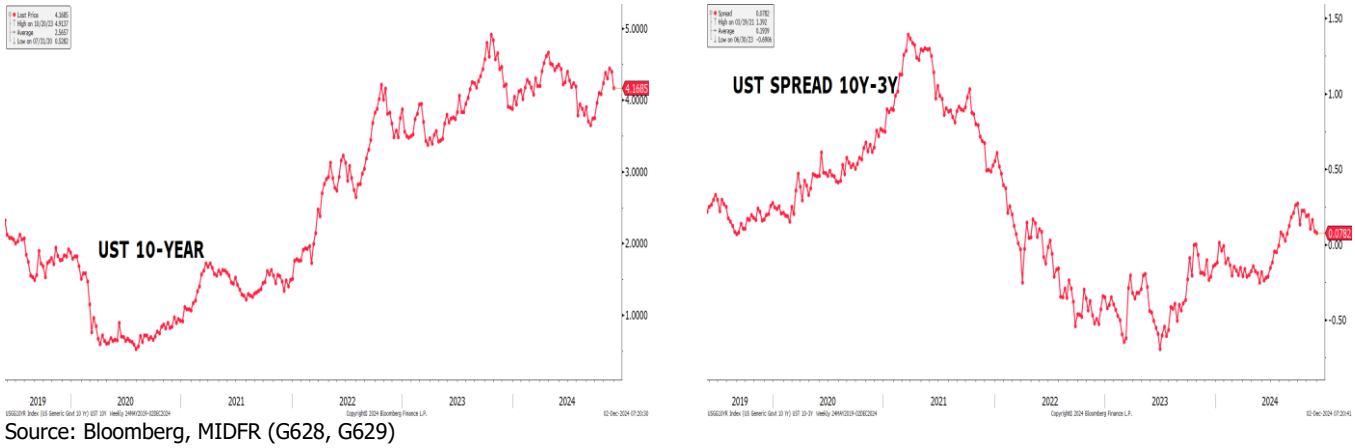
Weekly Money Review

A. FIXED INCOME

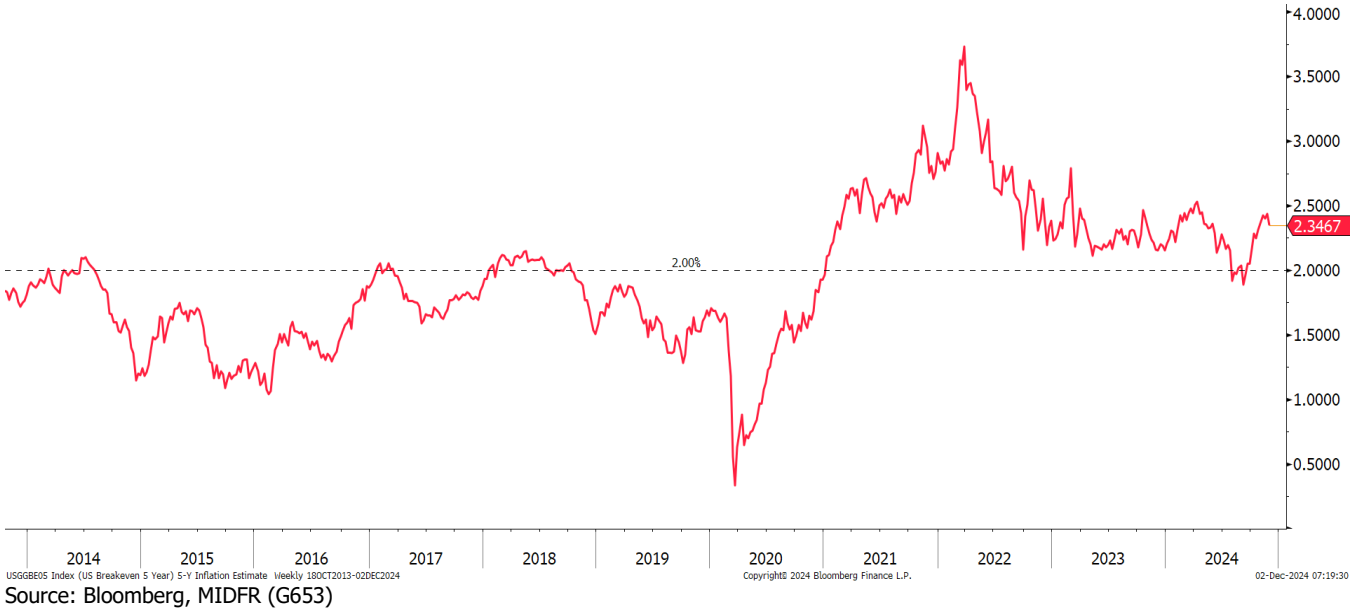
- The UST market rallied with benchmark 10-year yield ended the review week lower at 4.17% (prior week: 4.40%) as investors continued to flock into safe-haven govvies amid rising geopolitical tensions (i.e. Russia-Ukraine war arguably entering a decisive phase as well as unexpected flare-up in the Syrian civil war). The 10y-3y yield spread narrowed (yield curve flattened) to +8bps (prior week: +9bp) as the long-end outperformed. At week close, the interest rate futures market implied additional rate cut of -25bps (prior week: -25bps) in December this year.



Source: Bloomberg, MIDFR (G628, G629)

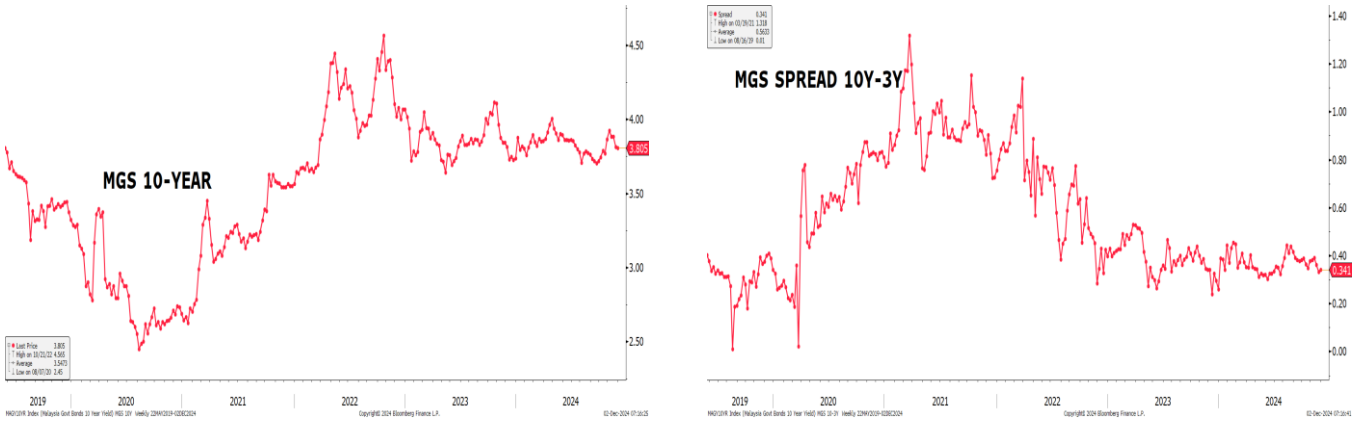
- Medium-term inflation expectation (MTIE) ended the review week lower at 2.35% (prior week: 2.44%). The MTIE has remained above the US Fed target level of 2.00% since the initial interest rate cut in September. Nonetheless, we believe the market is still convinced the underlying inflation trend is easing 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 -1.7bps and -0.7bp to close at 3.46% and 3.80% respectively. The 10y-3y yield spread expanded (yield curve steepened) week-on-week from 33bps to 34bps as the short-end outperformed.

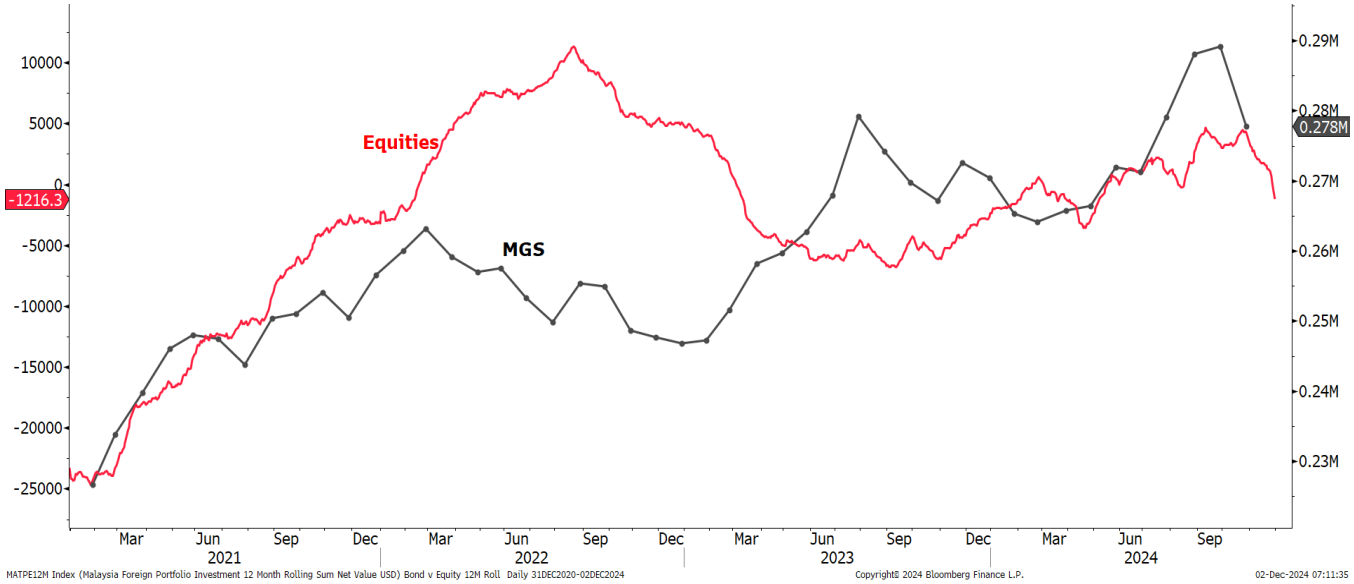


Source: Bloomberg, MIDFR (G630, G631)

- Total trading value for Government Bonds (MGS/MII) increased to RM22.72b in the review week compared to RM20.20b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 54% from 59% of the overall Government Bonds trades. Moreover, 7 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 RM3.00b, MGS 2.632% 4/15/31 at RM2.03b, and MGS 3.502% 5/31/27 at RM1.07b.

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 -RM1.22b. It declined week-on-week from RM1.24b registered a week ago. However, it improved year-on-year from -RM4.12b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM3.54b in the review week compared to RM3.63b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 32% from 24% 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 Cagamas Berhad 3.78% 3/28/25 at RM235m, Danainfra Nasional 5.1% 10/29/38 at RM205m, and Prasarana Malaysia 4.62% 3/8/28 at RM120m.

B. FOREIGN EXCHANGE

- USD weakened as market expects Fed to cut. The US dollar depreciated last week with the DXY dollar index declining by -1.7%wow to 105.74, reversing some of the gains in the past couple weeks. Although PCE inflation accelerated in Oct-24, it was no surprise as the latest data was similar to market expectations. The releases of FOMC minutes also signalled Fed policymakers anticipated for more rate cuts ahead. With the weakening of dollar, euro and the pound sterling appreciated by +1.5%wow to USD1.058 and +1.6%wow to 2-week high of USD1.274, respectively.

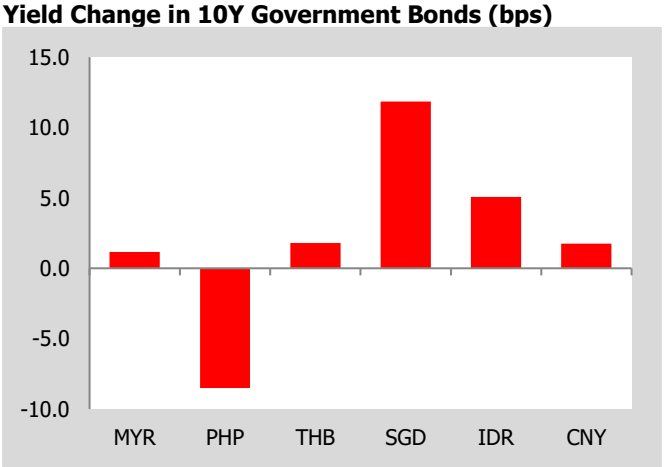
- Ringgit gained on Fed rate cut expectations. Like other currencies, Malaysian ringgit also appreciated against the weaker dollar by +0.5%wow to RM4.448, the strongest weekly closing in 3 weeks, as the local currency gained from the market expectations for more rate cuts by the Fed. On a broader picture, ringgit relatively weakened against the currencies of Malaysia's major trading partners as our MIDF Trade-Weighted Ringgit Index declined by -0.04%wow to 90.70, mainly weakened against Japanese yen (-2.3%wow) and euro (-1.0%wow). Commodity price movement was also not supportive of ringgit as the Brent crude oil price contracted by -3.0%wow to USD72.94pb (previous: USD75.17pb).

Currencies Changes (Week Ended 29 November 2024) and Quarterly Forecasts

	Close 29/11	Prev. Close 22/11	Weekly Change	Weekly Change (%)	1QCY24	2QCY24	3QCY24	4QCY24f
DXY Index	105.74	107.55	-1.817	-1.7	104.49	105.87	100.8	106.8
EURUSD	1.058	1.042	+0.016	+1.5	1.079	1.071	1.11	1.07
GBPUSD	1.274	1.253	+0.021	+1.6	1.26	1.265	1.34	1.29
USDJPY	149.8	154.8	+5.010	+3.3	151.35	160.88	143.63	147.0
USDMYR	4.448	4.470	+0.023	+0.5	4.725	4.718	4.12	4.23
GBPMYR	5.645	5.593	-0.052	-0.9	5.960	5.967	5.52	5.46
JPYMYR	2.969	2.887	-0.082	-2.8	3.122	2.932	2.87	2.88
MIDF TWRI	90.70	90.74	-0.037	-0.0	85.00	86.25	94.49	93.00

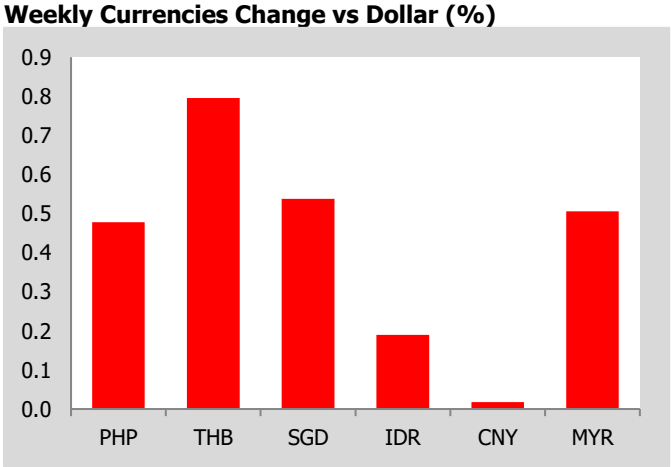
Note: "+" indicates appreciation, while "-"indicates depreciation. Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

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	3.00
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 confidence improved. Similar to the University of Michigan's survey, the Conference Board Consumer Confidence improved to 111.7 in Nov-24 (Oct-24: 109.6), the highest level in more than a year.
  - Still healthy job market. Initial jobless claims remained at 213K for the week ending 23 November 2024, better than 216K predicted by market consensus.
  - PCE prices accelerated as expected. Both headline and core PCE prices rose in Oct-24 by +0.2%mom and 0.3%mom, respectively, matching market expectations. As a result, it was no surprise that the headline and core PCE prices accelerated to +2.3%yoy (Sep-24: +2.1%yoy) and +2.8%yoy (Sep-24: +2.7%yoy).

- The FOMC minutes for the Nov-24 meeting indicated that the Fed policymakers expect for more rate cuts but expect "gradual" adjustments as inflation eases further while the labour market remains strong.

- On 28 November 2024, Bank of Korea slashed its policy interest rate by -25bps to 3.00%, defying market expectations for no change. With inflation easing further, the rate cut was to support the economy as the bank reduced its growth forecast.

- Malaysia's economic update last week:
  - Moderation in growth outlook. The near-term growth momentum will remain positive, but the pace of growth will be more moderate as the rise in Leading Index rose moderated to +1.8%yoy in Sep-24 (Aug-24: +4.0%yoy) but supported mainly by the increase in Bursa Malaysia industrial index.
  - Cost pressures continued to deflate. The PPI remained in deflation, falling by -2.4%yoy in Oct-24 (Sep-24: -1.3%yoy) with a persistent fall in mining PPI and steeper deflation in the manufacturing sector.

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 amount 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	22-Nov Fri	25-Nov Mon	26-Nov Tue	27-Nov Wed	28-Nov Thu	29-Nov Fri	Change (WoW bp)
MGS							
3-Y	3.481	3.468	3.46	3.468	3.468	3.464	-1.7
5-Y	3.614	3.605	3.602	3.609	3.597	3.581	-3.3
7-Y	3.778	3.766	3.77	3.776	3.762	3.755	-2.3
10-Y	3.812	3.798	3.804	3.805	3.813	3.805	-0.7
20-Y	4.072	4.06	4.06	4.079	4.049	4.053	-1.9
RINGGIT IRS							
1-Y	3.5675	3.57	3.565	3.555	3.55	3.545	-2.25
3-Y	3.5	3.48	3.48	3.46	3.445	3.445	-5.5
5-Y	3.5325	3.515	3.52	3.5	3.4775	3.475	-5.75
7-Y	3.62	3.61	3.6137	3.585	3.56	3.57	-5
10-Y	3.74	3.72	3.725	3.705	3.685	3.68	-6
KLIBOR							
1-M	3.29	3.29	3.29	3.29	3.29	3.29	0
3-M	3.61	3.62	3.62	3.62	3.62	3.62	1
UST							
3-Y	4.3113	4.2065	4.2094	4.1726	4.1726	4.0903	-22.1
5-Y	4.2948	4.1757	4.1882	4.1354	4.1354	4.0482	-24.66
7-Y	4.3353	4.2111	4.2401	4.1928	4.1926	4.1042	-23.11
10-Y	4.4002	4.2731	4.3062	4.2634	4.2634	4.1685	-23.17
30-Y	4.5877	4.4657	4.4818	4.4383	4.4383	4.3599	-22.78

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	22-Nov Yield	29-Nov Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.882	03/14/25	3.147	3.114	-3.3	3,002.5
MALAYSIA GOVERNMENT	2.632	04/15/31	3.778	3.755	-2.3	2,027.7
MALAYSIA GOVERNMENT	3.502	05/31/27	3.481	3.464	-1.7	1,069.3
MALAYSIA GOVERNMENT	4.054	04/18/39	3.933	3.937	0.4	1,008.2
MALAYSIA INVESTMNT ISSU	4.467	09/15/39	3.946	3.962	1.6	958.4
MALAYSIA GOVERNMENT	3.885	08/15/29	3.614	3.581	-3.3	956.1
MALAYSIA GOVERNMENT	3.828	07/05/34	3.812	3.805	-0.7	902.1
MALAYSIA INVESTMNT ISSU	4.119	11/30/34	3.821	3.810	-1.1	877.2
MALAYSIA INVESTMNT ISSU	3.99	10/15/25	3.241	3.266	2.5	758.8
MALAYSIA INVESTMNT ISSU	3.804	10/08/31	3.778	3.758	-2.0	732.5
TOTAL VOLUME (TOP 10)						12,292.7
TOTAL VOLUME (Overall)						22,718.4

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	22-Nov Yield	29-Nov Yield	Change (WoW bp)	Weekly Volume (RM mn)
CAGAMAS BERHAD	3.78	03/28/25	3.453	3.491	3.8	235.0
DANAINFRA NASIONAL	5.1	10/29/38	N/A	4.031	N/A	205.0
PRASARANA MALAYSIA BHD	4.62	03/08/28	3.678	3.671	-0.7	120.0
GENTING CAPITAL BHD	4.86	06/08/27	4.800	4.800	0.0	115.0
DANAINFRA NASIONAL	3.35	09/21/35	N/A	3.954	N/A	110.0
PERBADANAN TABUNG PEN	4.85	07/26/41	N/A	4.095	N/A	80.0
YTL CORPORATION BERHA	4.55	09/27/35	4.229	4.179	-5.0	80.0
TOYOTA CAPITAL MALAYSI	4.42	01/31/31	N/A	4.047	N/A	75.0
VS CAP MAN SDN BHD	4.74	09/21/27	4.037	4.048	1.1	60.0
DANUM CAPITAL BHD	4.02	06/30/25	3.513	3.529	1.6	55.0
TOTAL VOLUME (TOP 10)						1,135.0
TOTAL VOLUME (Overall)						3,540.2

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 *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