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MIDF AMANAH
INVESTMENT BANK BERHAD

WEEKLY MONEY REVIEW

MIDF Strategy 9 December 2024

Week Ended 6 December 2024

- The UST market rallied for the third consecutive week with benchmark 10-year yield ended the review week lower at 4.15% (prior week: 4.17%) as investors raised their bets of another US Fed rate cut later this week despite the release strong November NFP data. The 10y-3y yield spread expanded (yield curve steepened) to +9bps (prior week: +8bp) as the short-end outperformed due to its higher sensitivity to policy rate action. 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 2.33% (prior week: 2.35%). 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 -0.9bp and -1.8bps to close at 3.46% and 3.79% respectively. The 10y-3y yield spread narrowed (yield curve flattened) week-on-week from 34bps 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 -RM1.70b. It declined week-on-week from -RM1.22b registered a week ago. However, it improved year-on-year from -RM3.33b a year ago.

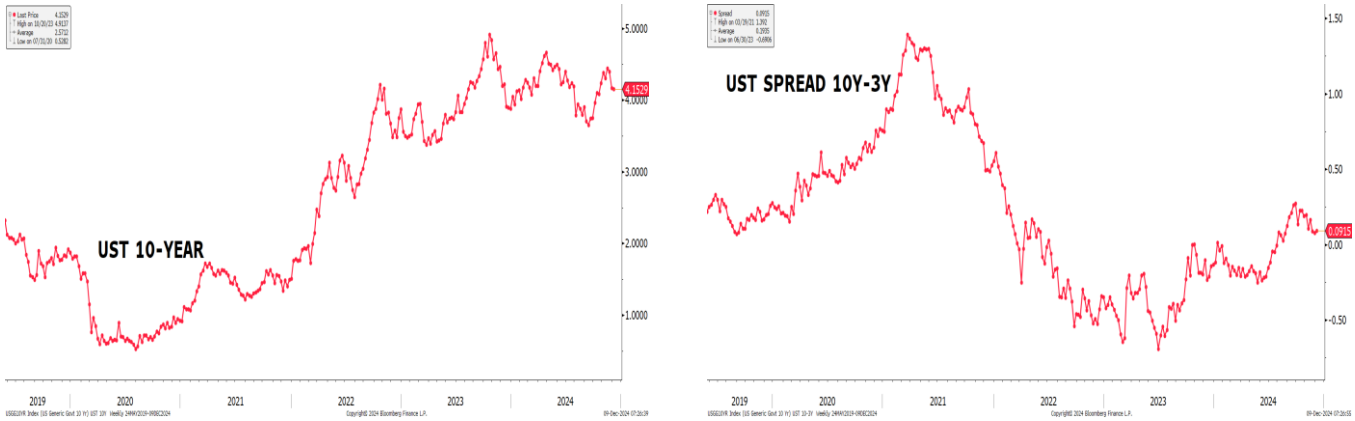
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Weekly Money Review

A. FIXED INCOME

- The UST market rallied for the third consecutive week with benchmark 10-year yield ended the review week lower at 4.15% (prior week: 4.17%) as investors raised their bets of another US Fed rate cut later this week despite the release strong November NFP data. The 10y-3y yield spread expanded (yield curve steepened) to +9bps (prior week: +8bp) as the short-end outperformed due to its higher sensitivity to policy rate action. 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)

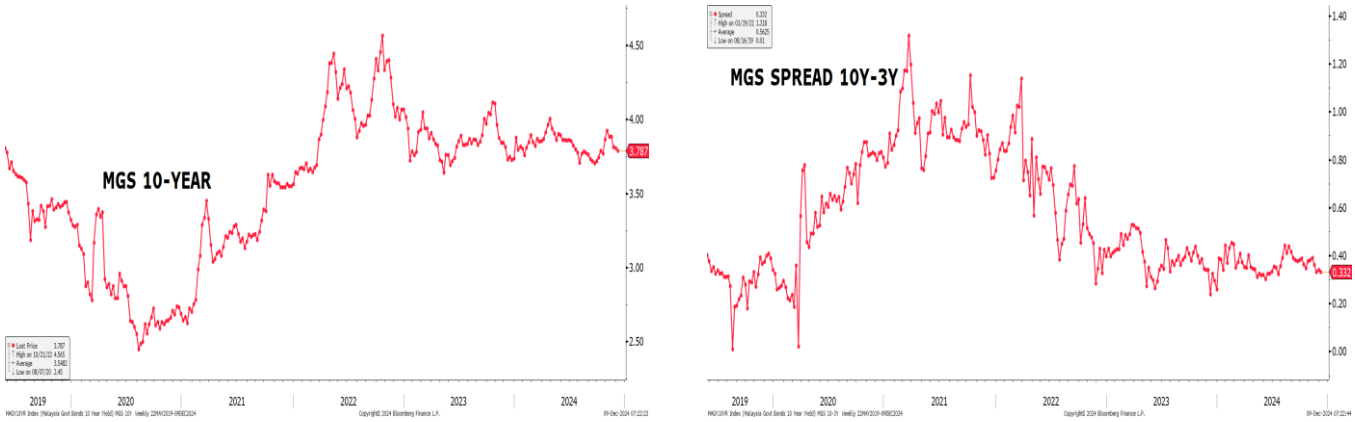
- Medium-term inflation expectation (MTIE) ended the review week lower at 2.33% (prior week: 2.35%). The MTIE has remained above the US Fed target level of 2.00% since the initial interest rate cut in September. Nonetheless, we believe the market is still convinced the underlying inflation trend is easing 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 -0.9bp and -1.8bps to close at 3.46% and 3.79% respectively. The 10y-3y yield spread narrowed (yield curve flattened) week-on-week from 34bps to 33bps as the long-end outperformed.

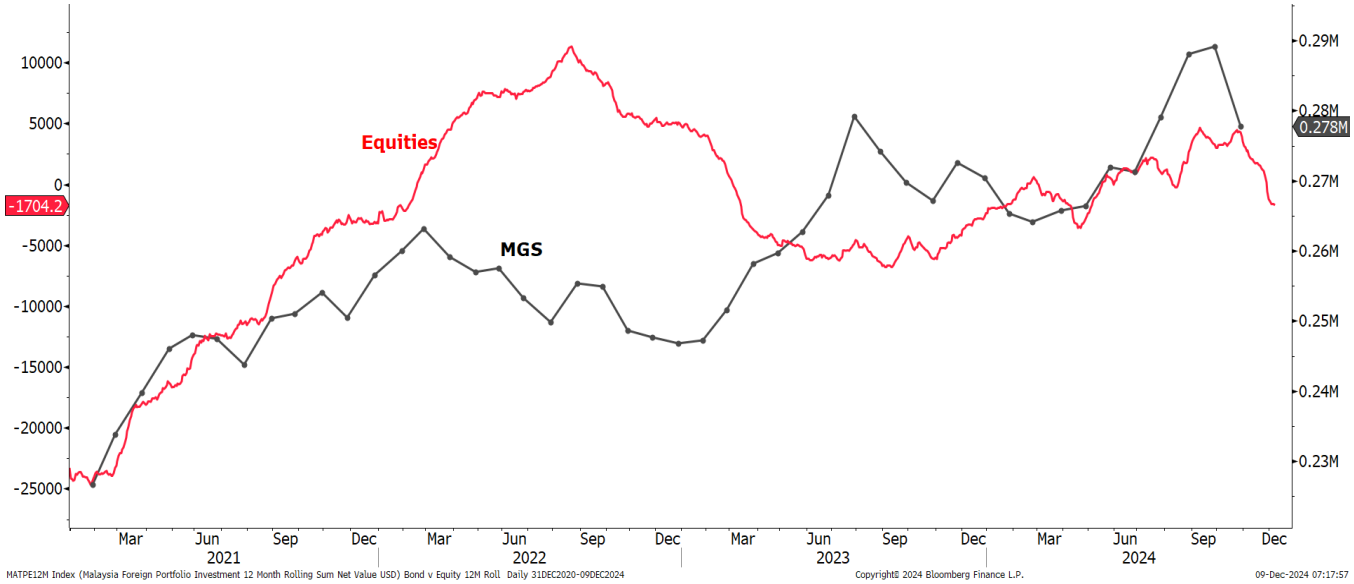


Source: Bloomberg, MIDFR (G630, G631)

- Total trading value for Government Bonds (MGS/MII) increased to RM24.39b in the review week compared to RM22.72b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 53% from 54% of the overall Government Bonds trades. Moreover, 8 out of the 10 most actively traded bonds saw a lower yield, hence higher prices during the review week.

- The top 3 actively traded Government Bonds were dominated by issues of varied residual tenors. The top 3 most actively traded were MGS 3.882% 3/14/25 at RM3.52b, MGS 3.828% 7/5/34 at RM1.49b, and MII 3.804% 10/8/31 at RM1.42b.

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 -RM1.70b. It declined week-on-week from -RM1.22b registered a week ago. However, it improved year-on-year from -RM3.33b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM3.69b in the review week compared to RM3.54b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 38% from 32% of the overall Corporate Bonds trades.

- The top 3 actively traded Corporate Bonds were dominated by issues of long residual tenor. The top 3 most actively traded were Danainfra Nasional 4.7% 10/27/51 at RM375m, Danainfra Nasional 4.7% 11/10/51 at RM340m, and Prasarana Malaysia 3.97% 6/28/34 at RM135m.

B. FOREIGN EXCHANGE

- USD strengthened on the back of strong job creation. The US dollar bounced back and appreciated last week as the DXY dollar index increased by +0.3%wow to 106.06. At the start of last week, the DXY index ended stronger at 106.45 on Monday following increased safe-haven demand for the greenback as President-elect Donald Trump warned BRICS countries against replacing US dollar or risk being imposed higher tariffs. Despite the stronger-than-expected job creation in Nov-24 and the somewhat less dovish comment by the Fed Chair, rate cut expectations led the DXY ending the week relatively lower.

- EUR weakened; GBP gained. As dollar strengthened, euro depreciated by -0.1%wow to USD1.057. The euro performance was also affected by the sharper-than-expected fall in retail trade, which warrants for more policy easing by the ECB. Pound sterling, on the other hand, appreciated +0.1%wow to USD1.274, despite dovish comment by the BOE Governor. The gain was underpinned by the expectations of rate cuts by the Fed.

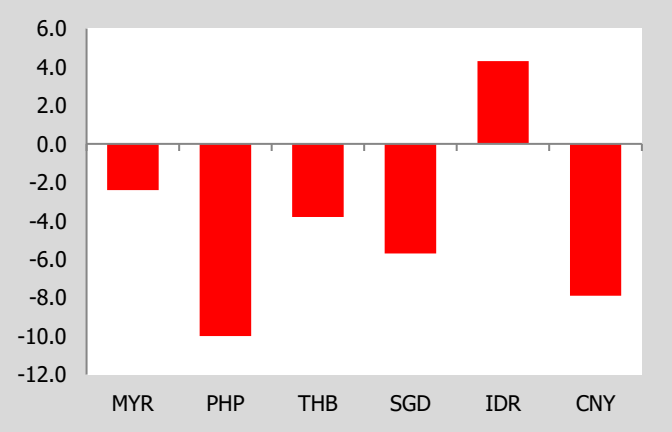
- Ringgit gained on further. Malaysian ringgit also appreciated by +0.7%wow to RM4.418, continued to be underpinned the market expectations for more rate cuts by the Fed. On a broader picture, ringgit strengthened against the currencies of Malaysia's major trading partners as our MIDF Trade-Weighted Ringgit Index also rose by +0.7%wow to 91.32, mainly against Korean won (+2.1%wow) and Australian dollar (+1.9%wow). Commodity price movement, however, was not supportive of ringgit as the Brent crude oil price contracted by -2.5%wow to USD71.12pb (previous: USD72.94pb).

Currencies Changes (Week Ended 6 December 2024) and Quarterly Forecasts

	Close 06/12	Prev. Close 29/11	Weekly Change	Weekly Change (%)	1QCY24	2QCY24	3QCY24	4QCY24f
DXY Index	106.06	105.74	+0.318	+0.3	104.49	105.87	100.8	106.8
EURUSD	1.057	1.058	-0.001	-0.1	1.079	1.071	1.11	1.07
GBPUSD	1.274	1.274	+0.001	+0.1	1.26	1.265	1.34	1.29
USDJPY	150.0	149.8	-0.230	-0.2	151.35	160.88	143.63	147.0
USDMYR	4.418	4.448	+0.030	+0.7	4.725	4.718	4.12	4.23
GBPMYR	5.637	5.645	+0.008	+0.1	5.960	5.967	5.52	5.46
JPYMYR	2.946	2.969	+0.023	+0.8	3.122	2.932	2.87	2.88
MIDF TWRI	91.32	90.70	+0.621	+0.7	85.00	86.25	94.49	93.00

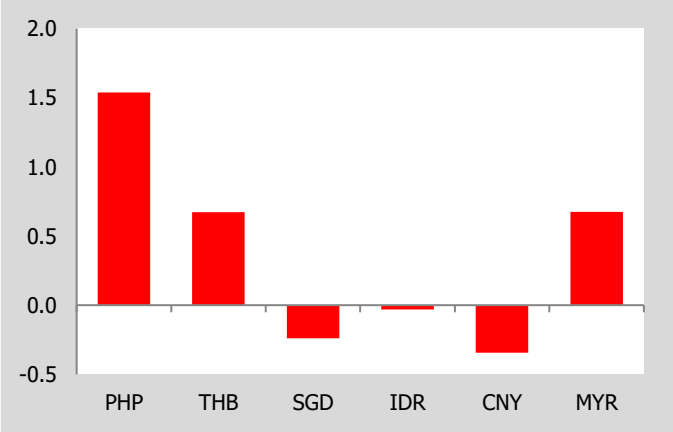
Note: "+" indicates appreciation, while "-"indicates depreciation. Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

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 (%)

	May-24	Jun-24	Jul-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-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	6.00	6.00	6.00	6.00
Philippines	6.50	6.50	6.50	6.50	6.25	6.25	6.00	6.00	6.00
Thailand	2.50	2.50	2.50	2.50	2.50	2.50	2.25	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	3.25	3.00	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	0.25	0.25	0.25	0.25	0.25	0.25	0.25
UK	5.25	5.25	5.25	5.00	5.00	5.00	5.00	4.75	4.75
Euro area	4.50	4.25	4.25	4.25	4.25	3.65	3.40	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	4.75-5.00	4.75-5.00	4.50-4.75	4.50-4.75

Source: Bloomberg, MIDFR

- US economic data released last week:
  - Slower contraction in manufacturing activities. The ISM Manufacturing PMI rose to 48.4 in Nov-24 (Oct-24: 46.5), better than the market prediction of 47.5 following a rebound in new orders and a slower fall in output and employment. This is in line with S&P Global manufacturing PMI which rose to 49.7 (Oct-24: 48.5).
  - The service sector growth slowed. The ISM Services PMI decreased to 52.1 in Nov-24 (Oct-24: 56.0), lower than 55.5 predicted by the market forecast, indicating a slower rise in business activities, new orders and employment. In contrast, S&P Global Services PMI indicated faster expansion as the index rose to 56.1 (Oct-24: 55.0).
  - Stronger job creation and job demand despite some signs of cooling.
    - Job openings rose to 7.74m in Oct-24 (Sep-24: 7.37m), higher than market expectations of 7.48m.
    - Nonfarm payrolls rose more than expected to reach +236K in Nov-24 (Oct-24: +36K), higher than +200K predicted by market consensus. In contrast, ADP reported a slower rise in private payrolls by +145K (Oct-24: +184K).
    - The jobless rate, on the other hand, rose to 4.2% (Oct-24: 4.1%), similar to the market forecast.
    - Initial jobless claims rose by 224K in the week ending 30th November 2024 (previous: 213K), higher than 215K predicted by market consensus.
  - Consumer sentiment improved further. The University of Michigan's Consumer Sentiment Index increased to 74.0 in Nov-24 (Oct-24: 71.8), surpassing the market forecast of 73.0 as consumers expressed more optimistic views on the current economic conditions, but higher inflation expectations of +2.9% in the next 12 months (previous survey: +2.6%).

- The Fed's Beige Book concluded that economic activity increased slightly in most districts in Nov-24, with businesses indicating a more optimistic view that demand will improve in the coming months.

- The Fed Chair, Jerome Powell, indicated that the Fed can be a little more cautious in easing fed funds rate to neutral level as he expected the strength in the US economy will continue with recent inflation edged marginally higher.

- On 6 December 2024, the Reserve Bank of India (RBI) kept its policy interest rate unchanged at 6.50% for the 11th straight meeting, keeping a neutral stance following signs of economic slowdown. However, RBI slashed its Cash Reserve Ratio (CRR) by -50bps to 4% to boost liquidity, the first cut since Apr-20.

- Malaysia's economic update last week:
  - Activities in the manufacturing sector continued to contract. Malaysia's S&P Global manufacturing PMI signaled continued contraction for the 6th month in Nov-24 as the index fell to 49.2 (Oct-24: 49.5) as firms reduced output, employment, inventories and buying activities in view of weak demand.

C. BNM INTERNATIONAL RESERVES

- As of 29 November 2024, compared to previous fortnight, Bank Negara Malaysia's international reserves was higher at USD118.3b (15 November 2024: USD118.0b).

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	29-Nov Fri	2-Dec Mon	3-Dec Tue	4-Dec Wed	5-Dec Thu	6-Dec Fri	Change (WoW bp)
MGS							
3-Y	3.464	3.459	3.455	3.459	3.442	3.455	-0.9
5-Y	3.581	3.569	3.566	3.564	3.569	3.557	-2.4
7-Y	3.755	3.735	3.732	3.723	3.725	3.729	-2.6
10-Y	3.805	3.799	3.805	3.815	3.781	3.787	-1.8
20-Y	4.053	4.05	4.049	4.049	4.045	4.09	3.7
RINGGIT IRS							
1-Y	3.545	3.535	3.54	3.5525	3.595	3.595	5
3-Y	3.445	3.42	3.425	3.43	3.48	3.47	2.5
5-Y	3.475	3.4575	3.445	3.465	3.48	3.485	1
7-Y	3.57	3.5425	3.535	3.56	3.5825	3.585	1.5
10-Y	3.68	3.6525	3.65	3.67	3.675	3.68	0
KLIBOR							
1-M	3.29	3.29	3.29	3.29	3.29	3.29	0
3-M	3.62	3.62	3.63	3.64	3.67	3.69	7
UST							
3-Y	4.0903	4.1272	4.1413	4.0873	4.0986	4.0614	-2.89
5-Y	4.0482	4.0865	4.1109	4.0672	4.0742	4.0356	-1.26
7-Y	4.1042	4.1353	4.1665	4.1223	4.1249	4.0833	-2.09
10-Y	4.1685	4.1897	4.2245	4.18	4.1761	4.1529	-1.56
30-Y	4.3599	4.3618	4.4017	4.3442	4.3341	4.3359	-2.4

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	29-Nov Yield	6-Dec Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.882	03/14/25	3.114	3.115	0.1	3,523.4
MALAYSIA GOVERNMENT	3.828	07/05/34	3.805	3.787	-1.8	1,488.4
MALAYSIA INVESTMNT ISSU	3.804	10/08/31	3.758	3.733	-2.5	1,418.4
MALAYSIA INVESTMNT ISSU	4.119	11/30/34	3.810	3.791	-1.9	1,232.0
MALAYSIA INVESTMNT ISSU	4.13	07/09/29	3.606	3.604	-0.2	1,025.2
MALAYSIA GOVERNMENT	3.955	09/15/25	3.240	3.270	3.0	968.7
MALAYSIA GOVERNMENT	2.632	04/15/31	3.755	3.729	-2.6	948.1
MALAYSIA GOVERNMENT	4.893	06/08/38	3.966	3.958	-0.8	822.9
MALAYSIA INVESTMNT ISSU	4.291	08/14/43	4.083	4.079	-0.4	812.9
MALAYSIA INVESTMNT ISSU	4.467	09/15/39	3.962	3.944	-1.8	798.3
TOTAL VOLUME (TOP 10)						13,038.2
TOTAL VOLUME (Overall)						24,393.9

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	29-Nov Yield	6-Dec Yield	Change (WoW bp)	Weekly Volume (RM mn)
DANAINFRA NASIONAL	4.7	10/27/51	N/A	4.220	N/A	375.0
DANAINFRA NASIONAL	4.7	11/10/51	N/A	4.215	N/A	340.0
PRASARANA MALAYSIA BHD	3.97	06/28/34	N/A	3.889	N/A	135.0
PRASARANA MALAYSIA BHD	4.84	12/02/33	N/A	3.901	N/A	100.0
KHAZANAH NASIONAL BHD	ZERO	10/12/27	N/A	3.667	N/A	100.0
DANAINFRA NASIONAL	3.97	07/16/35	N/A	3.949	N/A	100.0
PRASARANA MALAYSIA BHD	4.05	10/11/33	N/A	3.901	N/A	80.0
PENGURUSAN AIR SPV BHD	4.56	01/31/30	3.926	3.896	-3.0	70.0
PRASARANA MALAYSIA BHD	4.97	02/26/36	4.028	3.969	-5.9	60.0
PROJEK LEBUHRAYA USAHA	5.27	01/12/33	N/A	3.958	N/A	60.0
TOTAL VOLUME (TOP 10)						1,420.0
TOTAL VOLUME (Overall)						3,690.8

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