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MIDF AMANAH
INVESTMENT BANK BERHAD

WEEKLY MONEY REVIEW

MIDF Strategy 16 December 2024

Week Ended 13 December 2024

- The UST market saw its 3-week rally stunted with benchmark 10-year yield closed the review week higher at 4.40% (prior week: 4.15%) as investors took profit from recent gains coupled with the release of stronger than expected November PPI data. The 10y-3y yield spread expanded (yield curve steepened) to +18bps (prior week: +9bp) as the long-end underperformed. At week close, the interest rate futures market implied additional rate cut of -25bps (prior week: -25bps) on 18 December 2024.
- Medium-term inflation expectation (MTIE) ended the review week higher at 2.42% (prior week: 2.33%). 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 lower with the 3-year and 10-year yields added 0.8bp and 2.8bps to close at 3.46% and 3.82% respectively. The 10y-3y yield spread expanded (yield curve steepened) week-on-week from 33bps to 35bps as the long-end underperformed.
- MGS foreign holdings declined month-on-month to RM277b in November 2024 from RM278b in October 2024. It nonetheless increased year-on-year from RM273b in November 2023. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM2.74b. It declined week-on-week from -RM1.70b registered a week ago. However, it improved year-on-year from -RM3.39b a year ago.

16 December 2024 | **Strategy**

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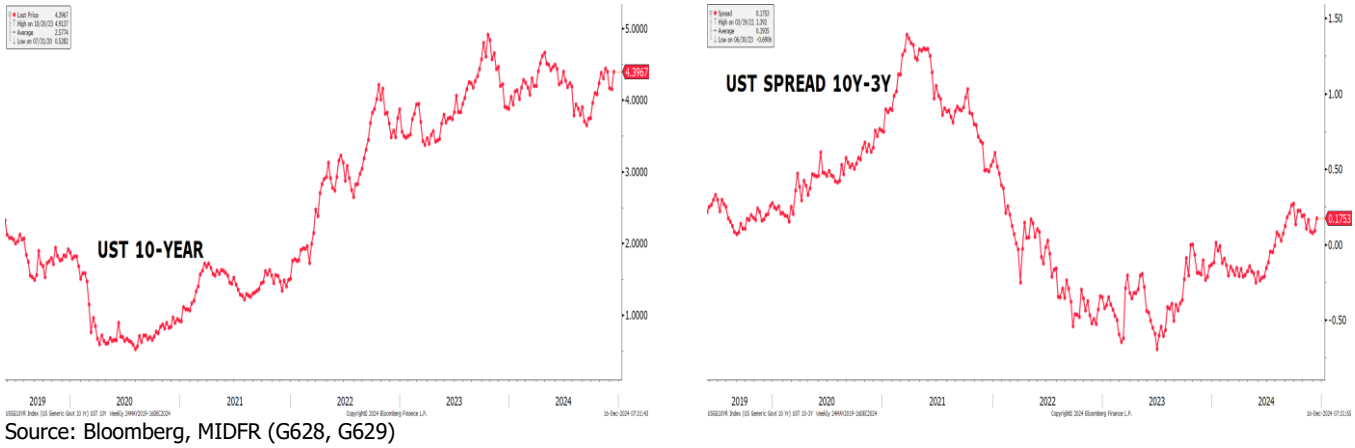
Weekly Money Review

A. FIXED INCOME

- The UST market saw its 3-week rally stunted with benchmark 10-year yield closed the review week higher at 4.40% (prior week: 4.15%) as investors took profit from recent gains coupled with the release of stronger than expected November PPI data. The 10y-3y yield spread expanded (yield curve steepened) to +18bps (prior week: +9bp) as the long-end underperformed. At week close, the interest rate futures market implied additional rate cut of -25bps (prior week: -25bps) on 18 December 2024.



Source: Bloomberg, MIDFR (G628, G629)

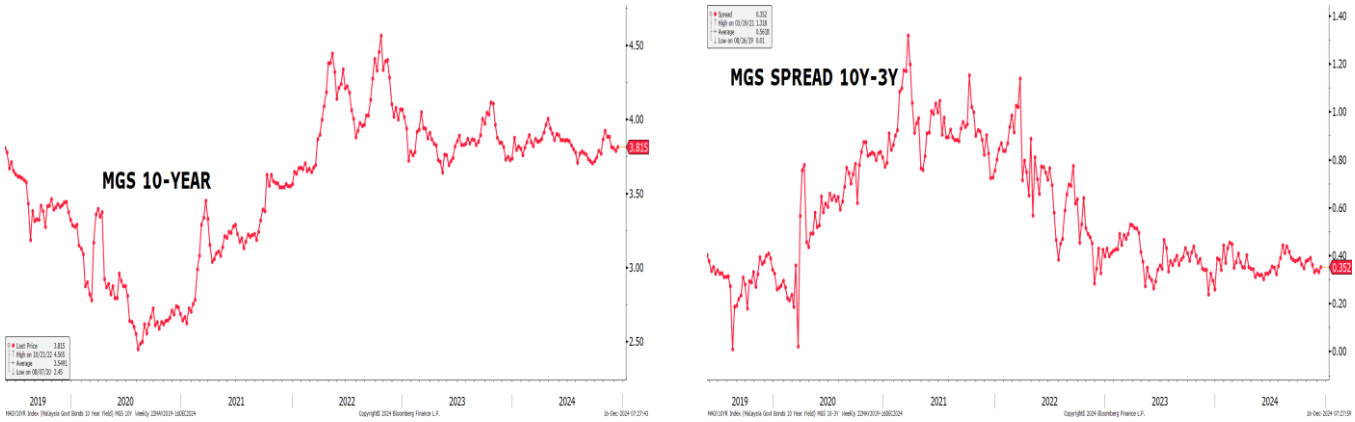
- Medium-term inflation expectation (MTIE) ended the review week higher at 2.42% (prior week: 2.33%). The MTIE has remained above the US Fed target level of 2.00% since the initial interest rate cut in September. Nonetheless, we believe the market is still convinced the underlying inflation trend is 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 lower with the 3-year and 10-year yields added 0.8bp and 2.8bps to close at 3.46% and 3.82% respectively. The 10y-3y yield spread expanded (yield curve steepened) week-on-week from 33bps to 35bps as the long-end underperformed.

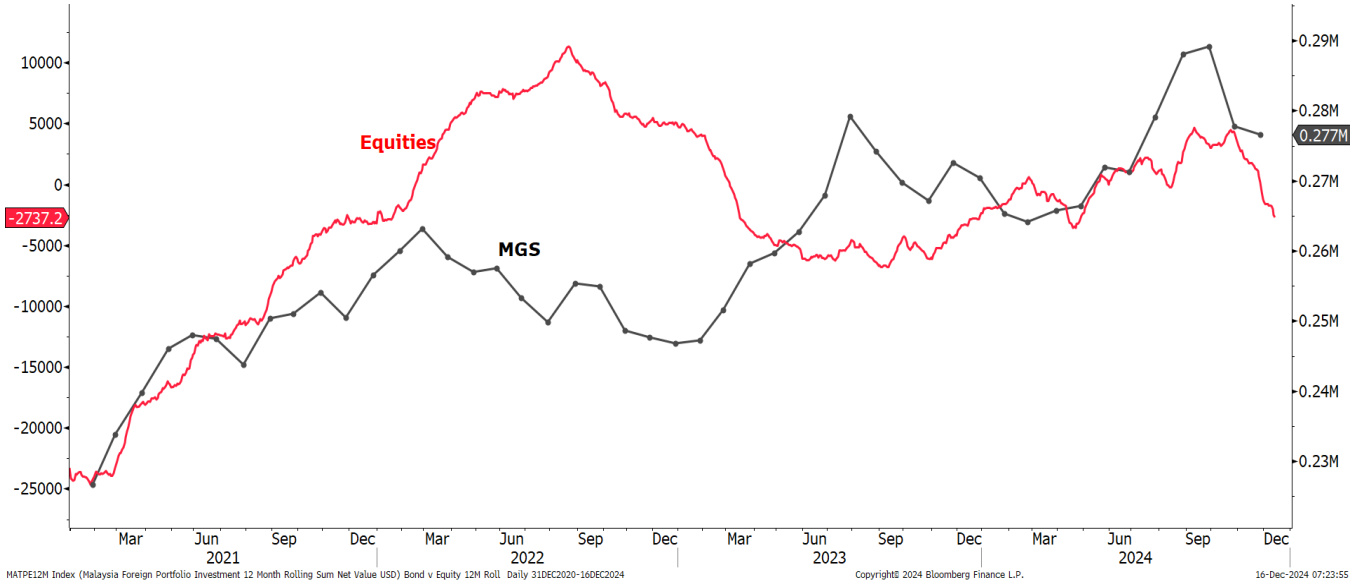


Source: Bloomberg, MIDFR (G630, G631)

- Total trading value for Government Bonds (MGS/MII) declined to RM24.12b in the review week compared to RM24.39b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 56% from 53% 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 residual tenor. The top 3 most actively traded were MGS 3.882% 3/14/25 at RM2.54b, MGS 3.955% 9/15/25 at RM2.38b, and MII 3.99% 10/15/25 at RM2.32b.

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



Source: Bloomberg, MIDFR (G659)

- MGS foreign holdings declined month-on-month to RM277b in November 2024 from RM278b in October 2024. It nonetheless increased year-on-year from RM273b in November 2023. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM2.74b. It declined week-on-week from -RM1.70b registered a week ago. However, it improved year-on-year from -RM3.39b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM2.67b in the review week compared to RM3.69b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues was unchanged week-on-week at 38% of the overall Corporate Bonds trades.

- The top 3 actively traded Corporate Bonds were dominated by issues of short and mid residual tenor. The top 3 most actively traded were KL Kepong 4.17% 3/16/32 at RM230m, Genting Capital 4.86% 6/8/27 at RM134m, and Sarawak Energy 4.75% 8/18/25 at RM105m.

B. FOREIGN EXCHANGE

- USD strengthened to 3-week high. The US dollar appreciated and ended last week at 3-week high as the DXY dollar index increased by +0.9%wow to 107.00. Although the latest CPI inflation was broadly aligned with market expectations, the Nov-24 reading indicated further acceleration. Consequently, the further strengthening of dollar demand reflected increased market expectations for a less dovish stance by the Fed.

- Both euro and pound weakened. As dollar appreciated, both euro and pound sterling depreciated by -0.6%wow to USD1.050 and -1.0%wow to USD1.262, respectively. Euro weakened following another rate cut by ECB last week and further dovish signal. Despite gradual approach to rate cut, the weakening of GBP was also linked to dovish BOE, which signaled more rate cuts next year.

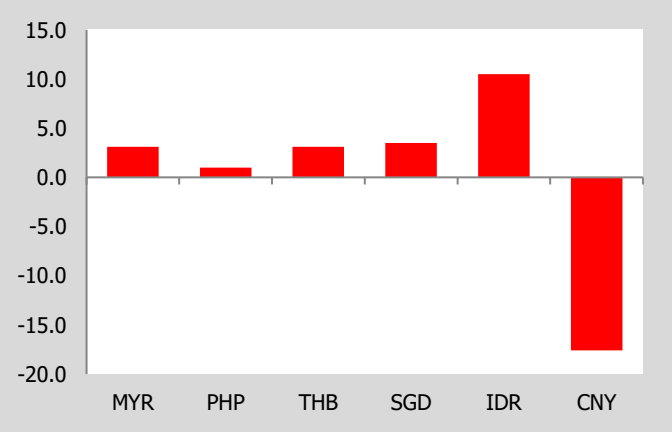
- Ringgit hit by stronger dollar. Malaysian ringgit also weakened by -0.7%wow to RM4.45, a 3-week low, on the back of stronger US dollar. However, ringgit's weakening against the currencies of Malaysia's major trading partners was not as steep as our MIDF Trade-Weighted Ringgit Index only fell by -0.1%wow to 91.25, limited by ringgit's appreciation against Japanese yen (+1.2%wow), Philippine peso (+0.6%wow) and Australian dollar (+0.5%wow). Commodity price movement was unable to support ringgit performance despite the Brent crude oil price rising by +4.7%wow to USD74.49pb (previous: USD71.12pb).

Currencies Changes (Week Ended 13 December 2024) and Quarterly Forecasts

	Close 13/12	Prev. Close 06/12	Weekly Change	Weekly Change (%)	1QCY24	2QCY24	3QCY24	4QCY24f
DXY Index	107.00	106.06	+0.948	+0.9	104.49	105.87	100.8	106.8
EURUSD	1.050	1.057	-0.007	-0.6	1.079	1.071	1.11	1.07
GBPUSD	1.262	1.274	-0.013	-1.0	1.26	1.265	1.34	1.29
USDJPY	153.7	150.0	-3.650	-2.4	151.35	160.88	143.63	147.0
USDMYR	4.450	4.418	-0.032	-0.7	4.725	4.718	4.12	4.23
GBPMYR	5.624	5.637	+0.013	+0.2	5.960	5.967	5.52	5.46
JPYMYR	2.897	2.946	+0.049	+1.7	3.122	2.932	2.87	2.88
MIDF TWRI	91.25	91.32	-0.070	-0.1	85.00	86.25	94.49	93.00

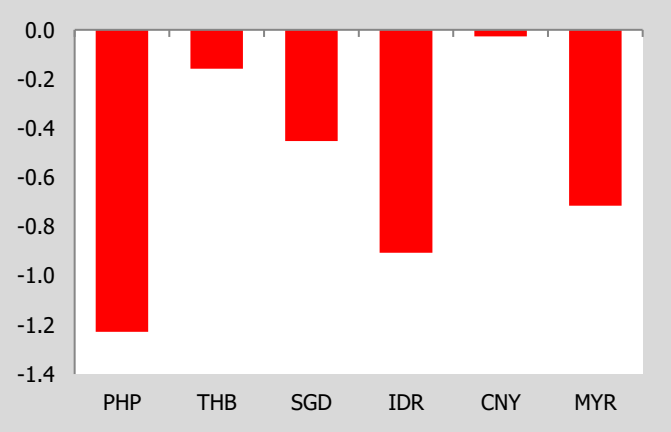
Note: "+" indicates appreciation, while "-"indicates depreciation. Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

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	3.15
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:
  - Higher inflation expectations. The New York Fed reported American consumers in Nov-24 increased inflation expectations, for the 1-year inflation to reach +3.0% (previous: +2.9%), the first increase since Apr-24. Consumers also anticipated higher longer-term inflations, for the next 3 years and 5 years at +2.6% (previous: +2.5%) and +2.9% (previous: +2.8%), respectively.
  - CPI inflation accelerated as expected. Consumer prices rose faster at +2.7%yoy in Nov-24 (Oct-24: +2.6%yoy) as expected, with core CPI inflation remaining unchanged at +3.3%yoy for the 3rd consecutive month. Higher inflations were driven by higher food inflation and slower energy price declines, while inflation for services less energy services slowed to 2.5-year-low as inflation for shelter and transport services moderated further.
  - Sign of cooling labour market. Initial jobless claims rose to 8-week high of 242K in the week ending 7th December 2024 (previous: 225K), higher than 220K predicted by market consensus.
  - Higher cost pressures. US PPI inflation accelerated to +3.0%yoy in Nov-24 (Oct-24: +2.6%yoy), the highest since Feb-23. Core PPI inflation was unchanged but still at around 1.5-year-high at 3.4%yoy.

- Monetary policy meetings held last week:
  - On 10 December 2024, Reserve Bank of Australia maintained its kept its cash rate unchanged at 4.35% for the 9th straight meeting, in line with market expectations, as the underlying inflation remained elevated.
  - On 12 December 2024, the European Central Bank reduced interest rates by -25bps, lowering the main refinancing rate to 3.15%, to support the economy and anticipating inflation will ease further.

- Malaysia's economic update last week:
  - More encouraging domestic spending. Retail trade grew faster at +7.1%yoy in Sep-24 (Aug-24: +5.5%yoy) as consumers spent more due to festive season and increased consumption of foods, beverages & tobacco.
  - Healthy labour market. Continued rise in employment by +1.9%yoy allowed more people entering the job market, given sustained rise in labour force by +1.5%yoy, and kept unemployment rate low at 3.2%.
  - Slower-than-expected IPI growth. Industrial production, however, grew modestly at +2.1%yoy in Sep-24 (Aug-24: +2.3%yoy), lower than +2.5%yoy predicted by market consensus, with continued weakness in mining output.

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	6-Dec Fri	9-Dec Mon	10-Dec Tue	11-Dec Wed	12-Dec Thu	13-Dec Fri	Change (WoW bp)
MGS							
3-Y	3.455	3.455	3.455	3.459	3.463	3.463	0.8
5-Y	3.557	3.573	3.582	3.596	3.61	3.621	6.4
7-Y	3.729	3.735	3.754	3.758	3.77	3.775	4.6
10-Y	3.787	3.789	3.79	3.791	3.804	3.815	2.8
20-Y	4.09	4.037	4.044	4.046	4.043	4.048	-4.2
RINGGIT IRS							
1-Y	3.595	3.5925	3.585	3.585	3.59	3.6	0.5
3-Y	3.47	3.46	3.475	3.473	3.4925	3.51	4
5-Y	3.485	3.485	3.5	3.5	3.525	3.5388	5.38
7-Y	3.585	3.585	3.59	3.59	3.605	3.615	3
10-Y	3.68	3.69	3.685	3.702	3.706	3.715	3.5
KLIBOR							
1-M	3.29	3.29	3.29	3.29	3.29	3.29	0
3-M	3.69	3.7	3.7	3.71	3.71	3.71	2
UST							
3-Y	4.0614	4.087	4.1069	4.1203	4.1623	4.2213	15.99
5-Y	4.0356	4.074	4.0967	4.1335	4.1827	4.2499	21.43
7-Y	4.0833	4.1352	4.1587	4.2005	4.2503	4.3242	24.09
10-Y	4.1529	4.2012	4.2263	4.2711	4.3278	4.3967	24.38
30-Y	4.3359	4.3858	4.4194	4.4826	4.544	4.6013	26.54

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	6-Dec Yield	13-Dec Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.882	03/14/25	3.115	3.187	7.2	2,535.2
MALAYSIA GOVERNMENT	3.955	09/15/25	3.270	3.210	-6.0	2,384.7
MALAYSIA INVESTMNT ISSU	3.99	10/15/25	3.225	3.269	4.4	2,320.8
MALAYSIA GOVERNMENT	2.632	04/15/31	3.729	3.775	4.6	1,614.1
MALAYSIA INVESTMNT ISSU	4.128	08/15/25	3.186	3.250	6.4	1,287.2
MALAYSIA GOVERNMENT	3.885	08/15/29	3.557	3.621	6.4	973.8
MALAYSIA INVESTMNT ISSU	4.13	07/09/29	3.604	3.626	2.2	742.4
MALAYSIA INVESTMNT ISSU	4.291	08/14/43	4.079	4.086	0.7	628.5
MALAYSIA GOVERNMENT	4.642	11/07/33	3.782	3.828	4.6	580.7
MALAYSIA INVESTMNT ISSU	3.804	10/08/31	3.733	3.770	3.7	551.9
TOTAL VOLUME (TOP 10)						13,619.3
TOTAL VOLUME (Overall)						24,121.9

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	6-Dec Yield	13-Dec Yield	Change (WoW bp)	Weekly Volume (RM mn)
KUALA LUMPUR KEPONG	4.17	03/16/32	4.000	4.040	4.0	230.0
GENTING CAPITAL BHD	4.86	06/08/27	4.752	4.752	0.0	134.0
SARAWAK ENERGY BHD	4.75	08/18/25	N/A	3.556	N/A	105.0
DANAINFRA NASIONAL	4.06	07/15/39	N/A	4.027	N/A	100.0
MALAYSIA RAIL LINK	ZERO	03/11/25	N/A	3.325	N/A	100.0
DANAINFRA NASIONAL	4.5	10/25/41	N/A	4.079	N/A	90.0
PROJEK LEBUHRAYA USAHA	4.891	01/11/36	4.028	3.979	-4.9	75.0
PROJEK LEBUHRAYA USAHA	4.821	01/12/35	3.999	3.985	-1.4	70.0
SABAH CREDIT CORP	4.18	11/15/28	N/A	3.957	N/A	60.0
VS CAP MAN SDN BHD	4.74	09/21/27	4.048	4.046	-0.2	60.0
TOTAL VOLUME (TOP 10)						1,024.0
TOTAL VOLUME (Overall)						2,668.4

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