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INVESTMENT BANK BERHAD

WEEKLY MONEY REVIEW

MIDF Strategy 6 January 2025

Week Ended 3 January 2025

- The UST market saw bargain hunting activities after a 3-week selloff with benchmark 10-year yield closed the review week lower at 4.60% (prior week: 4.62%) as investors weighed economic outlook for 2025. The 10y-3y yield spread expanded (yield curve steepened) to +28bps (prior week: +26bp) as the short-end outperformed. At week close, the interest rate futures market implied only 1 rate cut of -25bps in 2025.
- Medium-term inflation expectation (MTIE) ended the review week higher at 2.41% (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 -5.4bps and -0.2bp to close at 3.44% and 3.81% respectively. The 10y-3y yield spread expanded (yield curve steepened) week-on-week from 32bps to 36bps as the short-end outperformed.
- 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 -RM4.85b. It declined week-on-week from -RM4.31b registered a week ago. Moreover, it declined year-on-year from -RM2.00b a year ago.

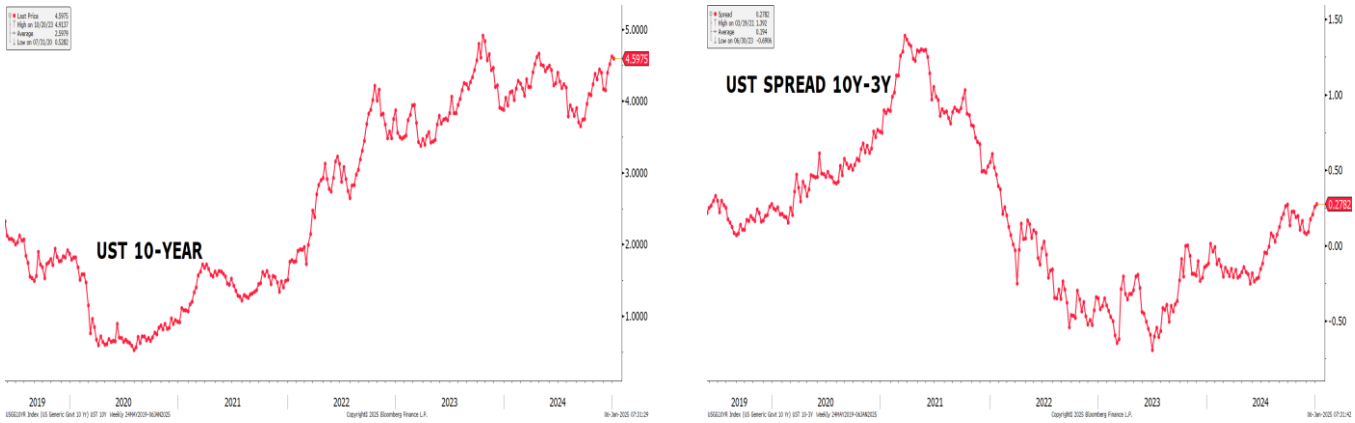
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Weekly Money Review

A. FIXED INCOME

- The UST market saw bargain hunting activities after a 3-week selloff with benchmark 10-year yield closed the review week lower at 4.60% (prior week: 4.62%) as investors weighed economic outlook for 2025. The 10y-3y yield spread expanded (yield curve steepened) to +28bps (prior week: +26bp) as the short-end outperformed. At week close, the interest rate futures market implied only 1 rate cut of -25bps in 2025.



Source: Bloomberg, MIDFR (G628, G629)

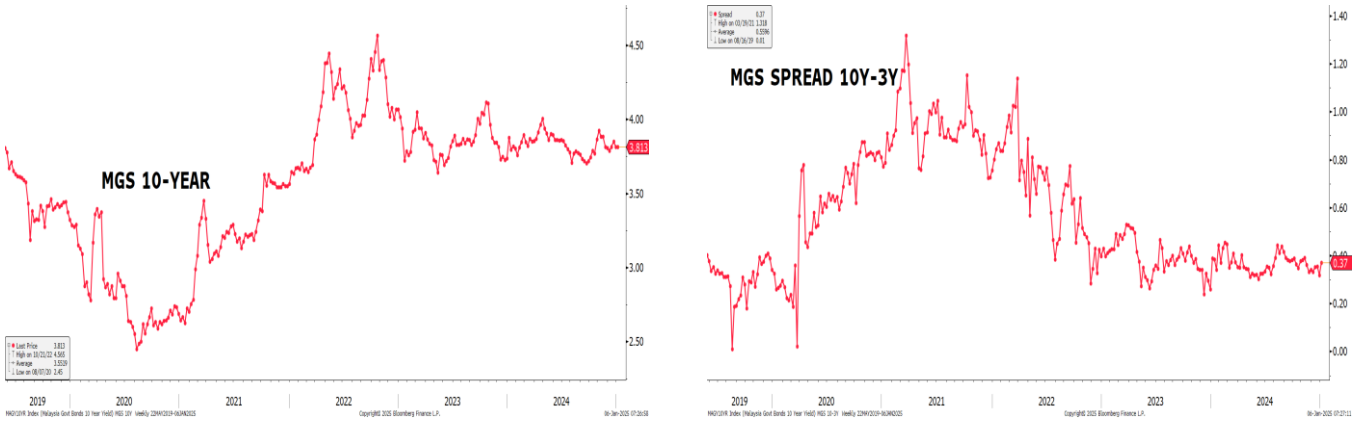
- Medium-term inflation expectation (MTIE) ended the review week higher at 2.41% (prior week: 2.40%). The MTIE has remained above the US Fed target level of 2.00% since the initial interest rate cut in September. Nonetheless, we believe the market is still convinced the underlying inflation trend is 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 -5.4bps and -0.2bp to close at 3.44% and 3.81% respectively. The 10y-3y yield spread expanded (yield curve steepened) week-on-week from 32bps to 36bps as the short-end outperformed.

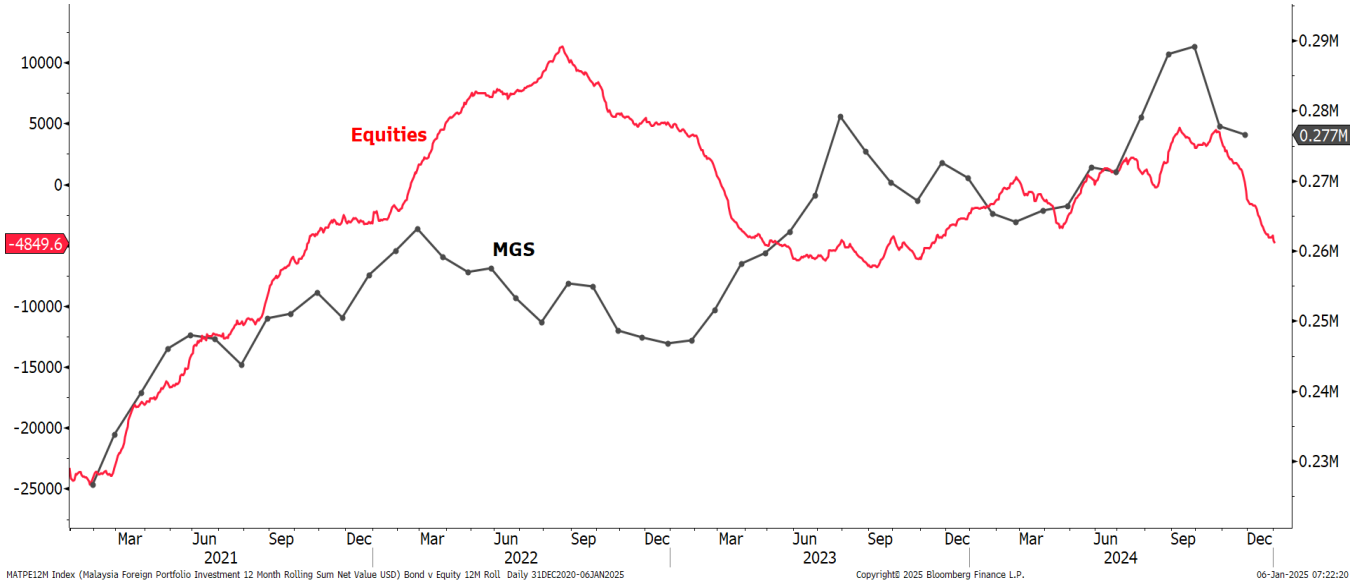


Source: Bloomberg, MIDFR (G630, G631)

- Total trading value for Government Bonds (MGS/MII) increased to RM13.66b in the review week compared to RM8.02b 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 61% of the overall Government Bonds trades. Moreover, 9 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 mid and long residual tenor. The top 3 most actively traded were MGS 2.632% 4/15/31 at RM1.55b, MII 4.291% 8/14/43 at RM839m, and MII 4.193% 10/7/32 at RM785m.

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 -RM4.85b. It declined week-on-week from -RM4.31b registered a week ago. Moreover, it declined year-on-year from -RM2.00b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM2.10b in the review week compared to RM1.43b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 33% from 48% 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 Malayan Banking 4.13% PERP at RM113m, Danainfra Nasional 4.95% 10/19/46 at RM100m, and PLUS 4.68% 1/12/32 at RM80m.

B. FOREIGN EXCHANGE

- US dollar strengthened to highest level since Nov-22. The USD continued to appreciate last week as the DXY dollar index increased by +0.9% wow to 108.95. The strengthening of the dollar continued to be driven by market sentiment of a more cautious approach by the Fed in the future rate cuts, affirmed after the Dec-24 FOMC meeting, which saw a less dovish interest rate path than previously expected. Apart from the higher inflation expectations, the resilient job market also supported the dollar last week.

- Both euro and pound weakened. Both the euro and pound sterling depreciated by -1.1%wow and -1.2%wow to USD1.031 and USD1.242, respectively, on the back of the strength in the US dollar. The euro was also impacted by the less encouraging economic data, such as weak manufacturing PMI, and dovish signal by ECB policymaker. Similarly, the weaker pound was dragged down by expectations for more rate cuts by the BOE this year.

- Ringgit closed at 2-week low. The movement of the MYR was also impacted by the stronger USD as the local currency weakened by -0.7%wow to USDMYR 4.497, the weakest closing in 2 weeks. However, the 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 -0.4%wow to 91.24, limited by the ringgit's appreciation against the euro (+0.8%wow) and Thai baht (+0.6%wow). Meanwhile, the ringgit was slightly supported by the movement of the commodity prices as Brent crude oil price increased by +3.2%wow to USD76.51pb (previous: 74.17pb).

Currencies Changes (Week Ended 3 January 2024) and Quarterly Forecasts

	Close 03/01	Prev. Close 27/12	Weekly Change	Weekly Change (%)	1QCY24	2QCY24	3QCY24	4QCY24f
DXY Index	108.95	108.00	+0.954	+0.9	109.00	107.40	106.50	104.60
EURUSD	1.031	1.043	-0.012	-1.1	1.04	1.05	1.07	1.09
GBPUSD	1.242	1.258	-0.016	-1.2	1.26	1.28	1.30	1.32
USDJPY	157.3	157.9	+0.610	+0.4	150.00	147.80	146.70	143.94
USDMYR	4.500	4.471	-0.030	-0.7	4.40	4.31	4.22	4.03
GBPMYR	5.583	5.593	+0.010	+0.2	5.54	5.52	5.44	5.28
JPYMYR	2.861	2.837	-0.025	-0.9	2.93	2.93	2.88	2.83
MIDF TWRI	91.24	91.56	-0.325	-0.4	92.00	93.50	94.10	95.00

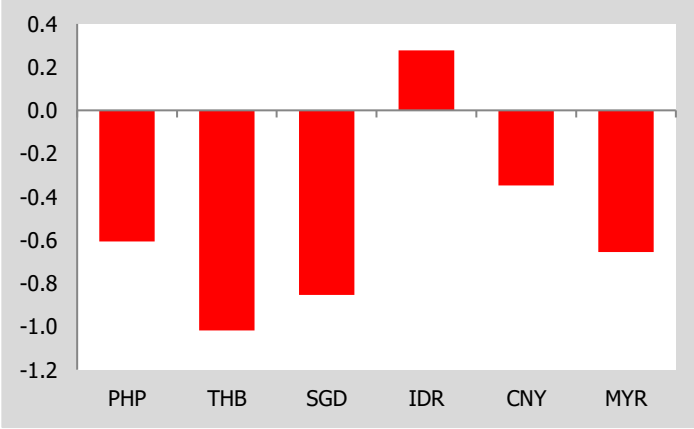
Note: "+" indicates appreciation, while "-" indicates depreciation. Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

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 (%)

	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	4.25-4.50

Source: Bloomberg, MIDFR

- US economic data released last week:
  - Slower contraction in manufacturing activities. The US ISM manufacturing PMI increased to 49.3 in Dec-24 (Nov-24: 48.4), higher than the market consensus of 48.4, supported by higher new orders. The final reading of S&P Global manufacturing PMI which fell slightly to 49.4 (Nov-24: 49.7) indicated continued declines in factory activities, but not as steep preliminary reading of 48.3, with declines in orders linked to the reluctance among customers to commit to new projects ahead of policy changes by the new US administration.
  - Continued resilience in job market. Initial jobless claims in the US slumped by -9K from the previous week to 211k in the week ending 28-Dec compared to the market consensus of 222K as the market expected, hitting the lowest level since Apr-24.

- Malaysia's economic update last week:
  - Sharper fall in factory activity. The S&P Global Malaysia Manufacturing PMI fell to 48.6 in Dec-24 (Nov-24: 49.2), marking the lowest reading since Mar-24 and the 7th consecutive month of contraction in the manufacturing activities. New orders and export orders continue to moderate, signs of moderating external demand.

C. BNM INTERNATIONAL RESERVES

- As of 13 December 2024, compared to previous fortnight, Bank Negara Malaysia's international reserves was lower at USD118.1b (29 November 2024: USD118.3b).

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	27-Dec Fri	30-Dec Mon	31-Dec Tue	1-Jan Wed	2-Jan Thu	3-Jan Fri	Change (WoW bp)
MGS							
3-Y	3.497	3.484	3.469	3.469	3.465	3.443	-5.4
5-Y	3.633	3.642	3.615	3.615	3.611	3.604	-2.9
7-Y	3.775	3.771	3.764	3.764	3.767	3.766	-0.9
10-Y	3.815	3.809	3.817	3.817	3.822	3.813	-0.2
20-Y	4.089	4.063	4.038	4.038	4.043	4.041	-4.8
RINGGIT IRS							
1-Y	3.57	3.575	3.57	3.57	3.565	3.535	-3.5
3-Y	3.505	3.5	3.5	3.495	3.495	3.475	-3
5-Y	3.57	3.565	3.545	3.545	3.53	3.52	-5
7-Y	3.6475	3.625	3.63	3.63	3.605	3.595	-5.25
10-Y	3.75	3.735	3.725	3.725	3.695	3.685	-6.5
KLIBOR							
1-M	3.29	3.29	3.29	3.29	3.29	3.29	0
3-M	3.73	3.73	3.73	3.73	3.73	3.73	0
UST							
3-Y	4.3662	4.2693	4.2726	4.2726	4.2756	4.3193	-4.69
5-Y	4.4613	4.3592	4.382	4.382	4.3696	4.4119	-4.94
7-Y	4.5421	4.4423	4.4789	4.4789	4.4684	4.5078	-3.43
10-Y	4.6253	4.5327	4.569	4.569	4.559	4.5975	-2.78
30-Y	4.8171	4.7497	4.7812	4.7812	4.7772	4.811	-0.61

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	27-Dec Yield	3-Jan Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	2.632	04/15/31	3.775	3.766	-0.9	1,548.8
MALAYSIA INVESTMNT ISSU	4.291	08/14/43	4.086	4.063	-2.3	839.0
MALAYSIA INVESTMNT ISSU	4.193	10/07/32	3.805	3.793	-1.2	785.0
MALAYSIA GOVERNMENT	3.502	05/31/27	3.497	3.443	-5.4	745.3
MALAYSIA INVESTMNT ISSU	4.119	11/30/34	3.834	3.823	-1.1	726.5
MALAYSIA GOVERNMENT	3.885	08/15/29	3.633	3.604	-2.9	708.7
MALAYSIA INVESTMNT ISSU	3.804	10/08/31	3.744	3.739	-0.5	572.2
MALAYSIA GOVERNMENT	3.882	03/14/25	3.147	3.154	0.7	519.8
MALAYSIA GOVERNMENT	3.828	07/05/34	3.815	3.813	-0.2	440.4
MALAYSIA GOVERNMENT	4.696	10/15/42	4.075	4.025	-5.0	422.4
TOTAL VOLUME (TOP 10)						7,308.0
TOTAL VOLUME (Overall)						13,661.0

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	27-Dec Yield	3-Jan Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYAN BANKING BHD	4.13	PERP	4.047	4.048	0.1	113.0
DANAINFRA NASIONAL	4.95	10/19/46	N/A	4.178	N/A	100.0
PROJEK LEBUHRAYA USAHA	4.68	01/12/32	3.929	3.955	2.6	80.0
TENAGA NASIONAL BERHA	4.67	11/25/41	4.119	4.089	-3.0	60.0
UEM SUNRISE BHD	4.4	09/08/26	3.832	3.860	2.8	60.0
MMC PORT HOLDING SDN B	4.66	04/06/29	4.028	4.010	-1.8	60.0
IMTIAZ SUKUK II BHD	4.15	10/02/28	3.867	3.848	-1.9	60.0
MALAYSIA RAIL LINK	ZERO	02/07/25	3.313	3.311	-0.2	60.0
AEON CREDIT SERVICE M	4.43	09/04/28	N/A	3.964	N/A	50.0
PUBLIC BANK BERHAD	4	12/11/34	N/A	4.008	N/A	50.0
TOTAL VOLUME (TOP 10)						693.0
TOTAL VOLUME (Overall)						2,101.4

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