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MIDF AMANAH INVESTMENT BANK BERHAD

WEEKLY MONEY REVIEW

MIDF Strategy 13 January 2025

Week Ended 10 January 2025

- After a 1-week respite, sellers returned to the UST market with benchmark 10-year yield closed the review week higher at 4.76% (prior week: 4.60%) as investors reacted to (1) the latest US Fed meeting minutes which indicated concern over inflation, and (2) stronger than expected jobs data. The 10y-3y yield spread expanded (yield curve steepened) to +29bps (prior week: +28bp) as the long-end underperformed. At week close, the interest rate futures market implied 1 rate cut totaling -25bps (prior week: -25bps) in 2025.
- Medium-term inflation expectation (MTIE) ended the review week higher at 2.53% (prior week: 2.41%). The MTIE has remained above the US Fed target level of 2.00% since the initial interest rate cut in September 2024. We believe the market may be perturbed but 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 +0.5bps and +0.7bps to close at 3.45% and 3.82% respectively. The 10y-3y yield spread expanded (yield curve steepened) week-on-week from +36bps to +37bps as the long-end underperformed.
- MGS foreign holdings declined month-on-month to RM275b in December 2024 from RM277b in November 2024. It nonetheless increased year-on-year from RM270b in December 2023. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM5.3b. It declined week-on-week from -RM4.8b registered a week ago. Moreover, it declined year-on-year from -RM1.9b a year ago.

13 January 2025 | Strategy

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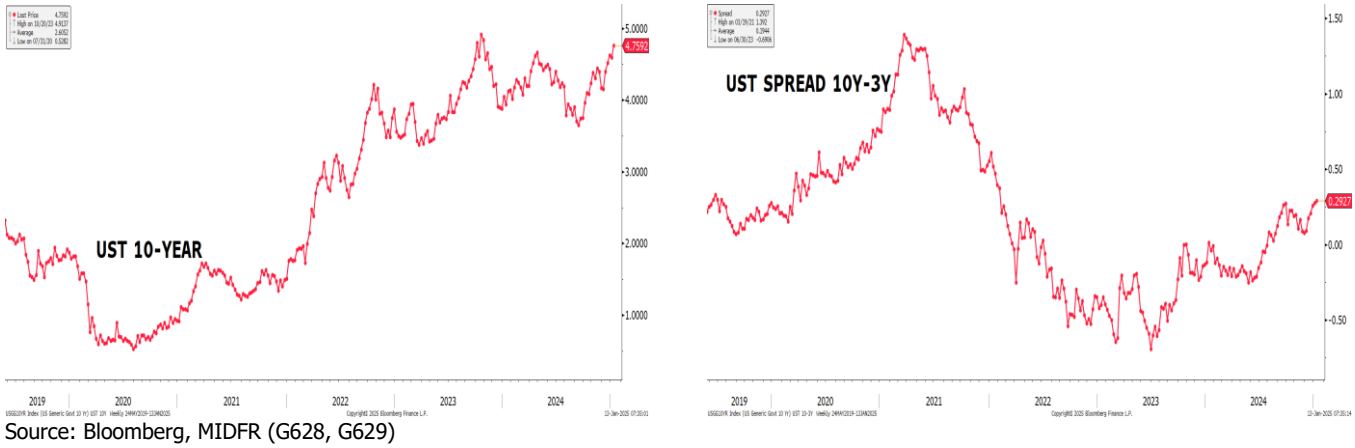
Weekly Money Review

A. FIXED INCOME

- After a 1-week respite, sellers returned to the UST market with benchmark 10-year yield closed the review week higher at 4.76% (prior week: 4.60%) as investors reacted to (1) the latest US Fed meeting minutes which indicated concern over inflation, and (2) stronger than expected jobs data. The 10y-3y yield spread expanded (yield curve steepened) to +29bps (prior week: +28bp) as the long-end underperformed. At week close, the interest rate futures market implied 1 rate cut totaling -25bps (prior week: -25bps) in 2025.



Source: Bloomberg, MIDFR (G628, G629)

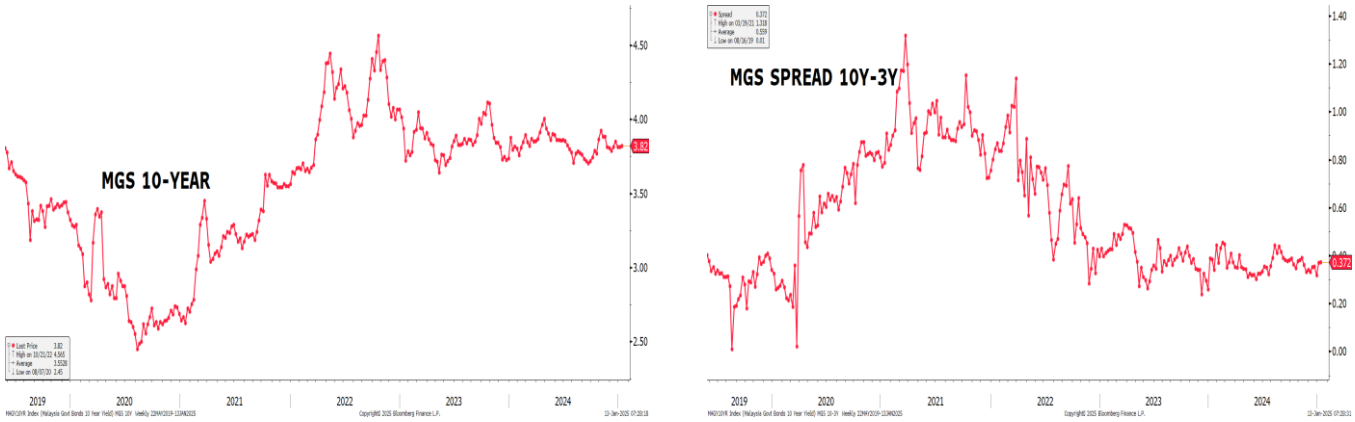
- Medium-term inflation expectation (MTIE) ended the review week higher at 2.53% (prior week: 2.41%). The MTIE has remained above the US Fed target level of 2.00% since the initial interest rate cut in September 2024. We believe the market may be perturbed but is still convinced the underlying inflation 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 +0.5bps and +0.7bps to close at 3.45% and 3.82% respectively. The 10y-3y yield spread expanded (yield curve steepened) week-on-week from +36bps to +37bps as the long-end underperformed.

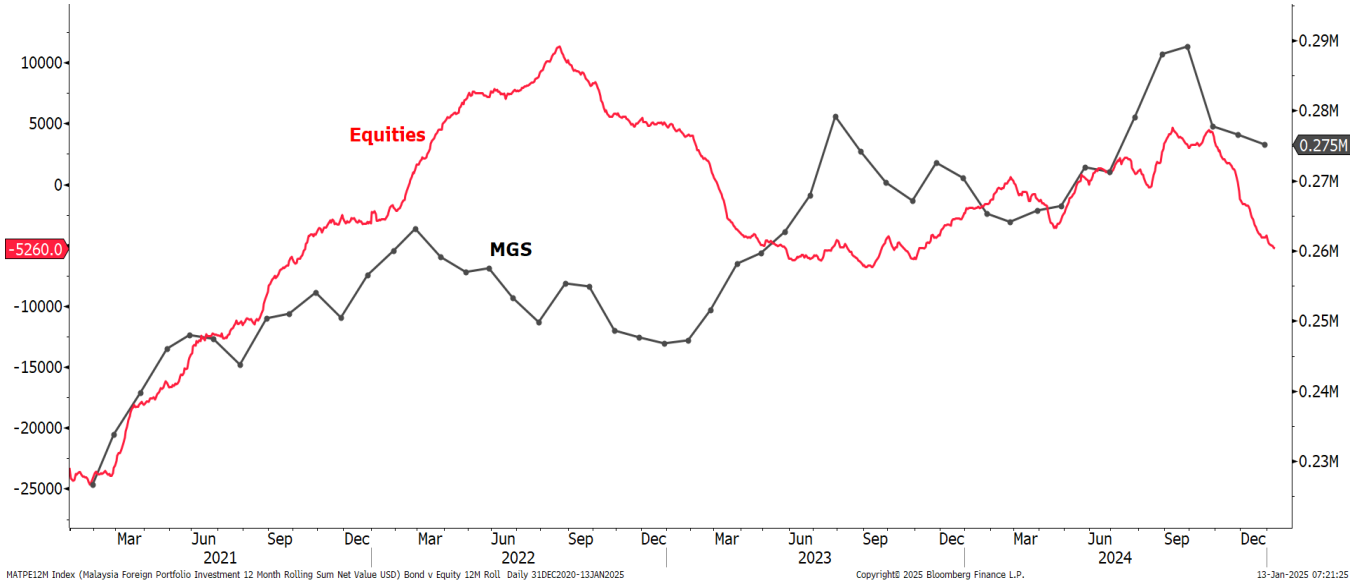


Source: Bloomberg, MIDFR (G630, G631)

- Total trading value for Government Bonds (MGS/MII) increased to RM21.4b in the review week compared to RM13.7b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 59% from 53% of the overall Government Bonds trades. Moreover, 7 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 and mid residual tenor. The top 3 most actively traded were MGS 3.582% 7/15/32 at RM3.2b, MGS 3.882% 3/14/25 at RM1.9b, and MGS 3.955% 9/15/25 at RM1.4b.

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



Source: Bloomberg, MIDFR (G659)

- MGS foreign holdings declined month-on-month to RM275b in December 2024 from RM277b in November 2024. It nonetheless increased year-on-year from RM270b in December 2023. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM5.3b. It declined week-on-week from -RM4.8b registered a week ago. Moreover, it declined year-on-year from -RM1.9b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM2.4b in the review week compared to RM2.1b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 27% from 33% of the overall Corporate Bonds trades.

- The top 3 actively traded Corporate Bonds were dominated by issues of short and long residual tenor. The top 3 most actively traded were Maybank 4.13% PERP at RM165m, Jambatan Kedua 4.3% 5/28/25 at RM90m, and Johor Plantations 4.04% 9/26/34 at RM80m.

B. FOREIGN EXCHANGE

- US dollar strengthened to the highest level since Nov-22. The US dollar continued to appreciate last week as the DXY dollar index increased by +0.6%wow to 109.65. The continuation of the US dollar strengthening was partially driven by sentiment that the Fed may take on a more cautious approach to the fed funds rate future trajectory. This was also reaffirmed by the release of the FOMC meeting minutes which saw the members signalling uncertainty on the trade and immigration policy and its potential impact on inflation future expectations, mainly signalling concerns on President-elect Donald Trump's potential policy shift. The DXY strengthening was also driven by the solid labour market update, especially the Dec-24 nonfarm payrolls data which was better than expected.

- The euro and pound weakened as they depreciated by -0.6%wow and -1.7%wow to USD1.024 and USD1.221, respectively, on the back of the US dollar continue to strengthen. The euro weakened on the back of several domestic economic data releases last week which were less encouraging such as slightly higher inflation and continued weakness in the PMI release. Meanwhile, the weakness in pound was dragged down by expectation for further rate cuts.

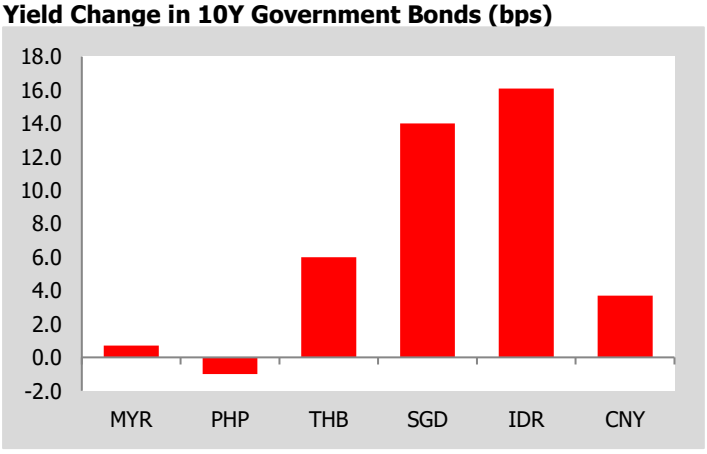
- Slight appreciation in ringgit. Despite the strength in dollar, ringgit appreciated by +0.1%wow to RM4.498, the weakest closing in 2 weeks. Ringgit also strengthened against the currencies of Malaysia's trading partner as our MIDF Trade Weighted Ringgit Index increased +0.3%wow to 91.51, strengthening against Australian dollar (+1.3%wow), euro (+0.6%wow) and Japanese yen (+0.5%wow). Meanwhile, the ringgit was also supported by the movement of the commodity prices as Brent crude oil price increased by +4.2%wow to USD79.76pb (previous: 76.51pb)

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

	Close 20/12	Prev. Close 13/12	Weekly Change	Weekly Change (%)	1QCY25	2QCY25	3QCY25	4QCY25f
DXY Index	109.65	108.95	+0.698	+0.6	109.00	107.40	106.50	104.60
EURUSD	1.024	1.031	-0.006	-0.6	1.04	1.05	1.07	1.09
GBPUSD	1.221	1.242	-0.022	-1.7	1.26	1.28	1.30	1.32
USDJPY	157.7	157.3	-0.470	-0.3	150.00	147.80	146.70	143.94
USDMYR	4.498	4.500	+0.003	+0.1	4.40	4.31	4.22	4.03
GBPMYR	5.533	5.583	+0.050	+0.9	5.54	5.52	5.44	5.28
JPYMYR	2.852	2.861	+0.009	+0.3	2.93	2.93	2.88	2.83
MIDF TWRI	91.51	91.24	+0.269	+0.3	92.00	93.50	94.10	95.00

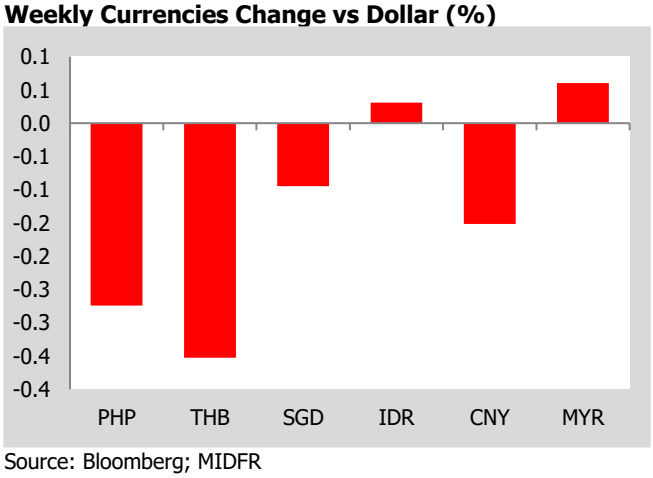
Note: "+" indicates appreciation, while "-" indicates depreciation. Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

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:
  - The US nonfarm payrolls (NFP) rose by +256k in Dec-24 beating the market consensus of 160k, higher than the recorded rise in Nov-24 of 212k (revised lower from 227k); meanwhile the NFP in October was revised higher to +43k.
  - The US unemployment rate went up to +4.2% in Nov-24 (previous: 4.1%: Consensus: +4.2%). The US economy added just 227k jobs as the labour market rebounded from weather disruptions and worker strikes that impacted prior reports.
  - The S&P Global Composite PMI rose to 55.4 in Dec-24 from 54.9 in Nov-24, being the fastest growth since Apr-22, below the preliminary estimates of 56.6. Meanwhile, the S&P Global Services PMI increased to 56.8 (Nov-24: 56.1), reaching a 33-month high.
  - The Federal Reserve released the minutes of the FOMC meeting on 17th Dec 24. The FOMC members expect inflation to move toward 2% although they noted that recent higher-than-expected readings on inflation changes in trade and immigration policy suggest that the process could take longer than previously expected.
  - Continued resilience in the job market. The number of new applications for unemployment benefits fell to an 11-month low last week, recorded at 201k on the week ending 4th Jan 25(previous: 211k).

- Malaysia's economic update last week:
  - Labour market remains healthy as the unemployment rate held steady in Nov-24 at 3.2% unchanged from the previous month. The growth stemmed from a continued increase in the labour force at +1.7% yoy and a steady rise in employment at +1.9%yoy.
  - Malaysia's industrial production grew higher to +3.6% yoy in Nov-24, faster than the +2.0% recorded Oct-24, underpinned by stronger manufacturing output notably in export-oriented sectors. Stronger growth in sales of manufactured goods is in line with stronger exports in Nov-24.

C. BNM INTERNATIONAL RESERVES

- As of 31 December 2024, compared to previous fortnight, Bank Negara Malaysia's international reserves was lower at USD116.2b (13 December 2024: USD118.1b).

BNM INTERNATIONAL RESERVES



Source: Bloomberg, MIDFR (G662)

- The number of reserves is sufficient to finance 5.0 months of imports of goods & services and is 1.0 times total short-term external debt.

APPENDIX

WEEKLY INTEREST RATE MONITOR

Tenor	3-Jan Fri	6-Jan Mon	7-Jan Tue	8-Jan Wed	9-Jan Thu	10-Jan Fri	Change (WoW bp)
MGS							
3-Y	3.443	3.435	3.444	3.455	3.439	3.448	0.5
5-Y	3.604	3.611	3.6	3.604	3.606	3.61	0.6
7-Y	3.766	3.788	3.768	3.769	3.79	3.787	2.1
10-Y	3.813	3.832	3.815	3.815	3.819	3.82	0.7
20-Y	4.041	4.045	4.044	4.03	4.037	4.04	-0.1
RINGGIT IRS							
1-Y	3.535	3.5625	3.555	3.5625	3.58	3.578	4.3
3-Y	3.475	3.493	3.495	3.505	3.5187	3.515	4
5-Y	3.52	3.546	3.535	3.5625	3.5675	3.5725	5.25
7-Y	3.595	3.605	3.61	3.635	3.64	3.64	4.5
10-Y	3.685	3.72	3.715	3.745	3.735	3.75	6.5
KLIBOR							
1-M	3.29	3.29	3.29	3.29	3.29	3.29	0
3-M	3.73	3.72	3.71	3.7	3.7	3.69	-4
UST							
3-Y	4.3193	4.3253	4.3594	4.351	4.337	4.4665	14.72
5-Y	4.4119	4.4295	4.4649	4.4614	4.4561	4.5737	16.18
7-Y	4.5078	4.5288	4.5764	4.5764	4.5738	4.6749	16.71
10-Y	4.5975	4.63	4.685	4.6892	4.6893	4.7592	16.17
30-Y	4.811	4.8482	4.913	4.9309	4.9288	4.9469	13.59

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	3-Jan Yield	10-Jan Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.582	07/15/32	3.788	3.787	-0.1	3,246.6
MALAYSIA GOVERNMENT	3.882	03/14/25	3.154	3.162	0.8	1,917.1
MALAYSIA GOVERNMENT	3.955	09/15/25	3.249	3.220	-2.9	1,424.1
MALAYSIA GOVERNMENT	3.885	08/15/29	3.604	3.610	0.6	1,123.2
MALAYSIA GOVERNMENT	3.502	05/31/27	3.443	3.448	0.5	945.7
MALAYSIA GOVERNMENT	3.828	07/05/34	3.813	3.820	0.7	927.7
MALAYSIA GOVERNMENT	4.893	06/08/38	3.975	3.955	-2.0	773.1
MALAYSIA GOVERNMENT	4.054	04/18/39	3.947	3.948	0.1	763.0
MALAYSIA GOVERNMENT	2.632	04/15/31	3.766	3.772	0.6	749.8
MALAYSIA INVESTMNT ISSU	4.119	11/30/34	3.823	3.833	1.0	694.0
TOTAL VOLUME (TOP 10)						12,564.4
TOTAL VOLUME (Overall)						21,414.6

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	3-Jan Yield	10-Jan Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYAN BANKING BHD	4.13	PERP	4.048	3.973	-7.5	165.5
JAMBATAN KEDUA SDN BHD	4.3	05/28/25	N/A	3.300	N/A	90.0
JOHOR PLANTATIONS GRO	4.04	09/26/34	4.029	4.009	-2.0	80.0
TENAGA NASIONAL BERHA	4.98	08/27/38	4.050	4.038	-1.2	60.0
PRASARANA MALAYSIA BHD	3.97	06/28/34	3.889	3.907	1.8	60.0
IMTIAZ SUKUK II BHD	4.15	10/02/28	3.848	3.847	-0.1	50.0
SD GUTHRIE BHD	5.65	PERP	4.026	3.967	-5.9	40.0
PERBADANAN TABUNG PEN	4.2	07/27/26	3.497	3.476	-2.1	40.0
WCT HOLDINGS BHD	5.55	02/21/25	N/A	4.851	N/A	40.0
AEON CREDIT SERVICE M	3.85	02/10/28	N/A	3.905	N/A	40.0
TOTAL VOLUME (TOP 10)						665.5
TOTAL VOLUME (Overall)						2,432.1

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