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MIDF AMANAH
INVESTMENT BANK BERHAD

WEEKLY MONEY REVIEW

MIDF Strategy 20 January 2025

Week Ended 17 January 2025

- The UST market rebounded with benchmark 10-year yield closed the review week lower at 4.63% (prior week: 4.76%) as investors reacted to weaker-than-expected December core CPI data. The 10y-3y yield spread narrowed (yield curve flattened) to +28bps (prior week: +29bp) as the long-end outperformed. 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 a tad higher at 2.54% (prior week: 2.53%) despite the lower-than-expected inflation data. 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 mixed with the 3-year and 10-year yields shed -0.1bp and added +0.1bp to close at 3.45% and 3.82% respectively. The 10y-3y yield spread was unchanged week-on-week at +37bps.
- 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 -RM6.5b. It declined week-on-week from -RM5.3b registered a week ago. Moreover, it declined year-on-year from -RM1.8b a year ago.

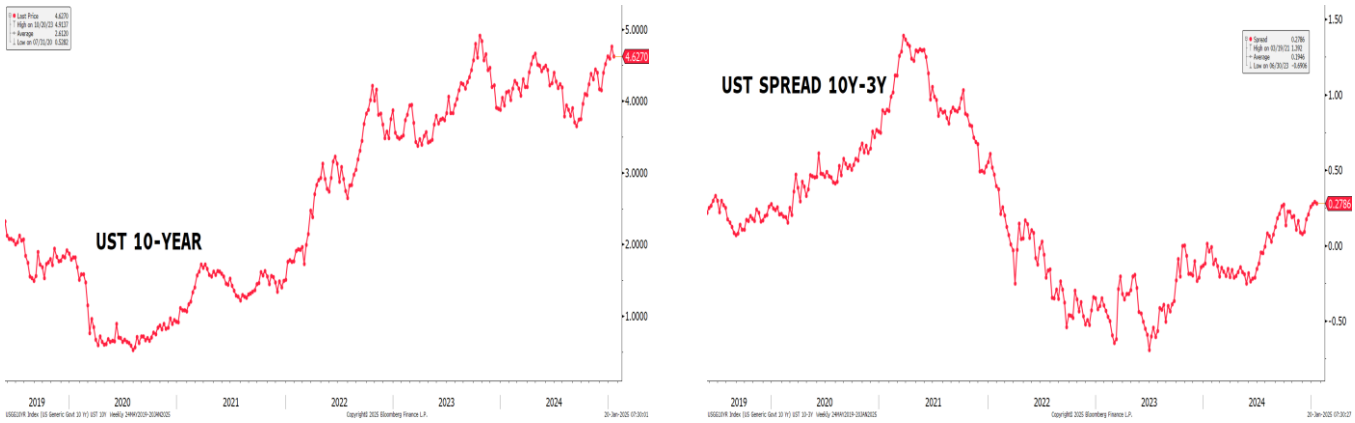
20 January 2025 | **Strategy**

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Weekly Money Review

A. FIXED INCOME

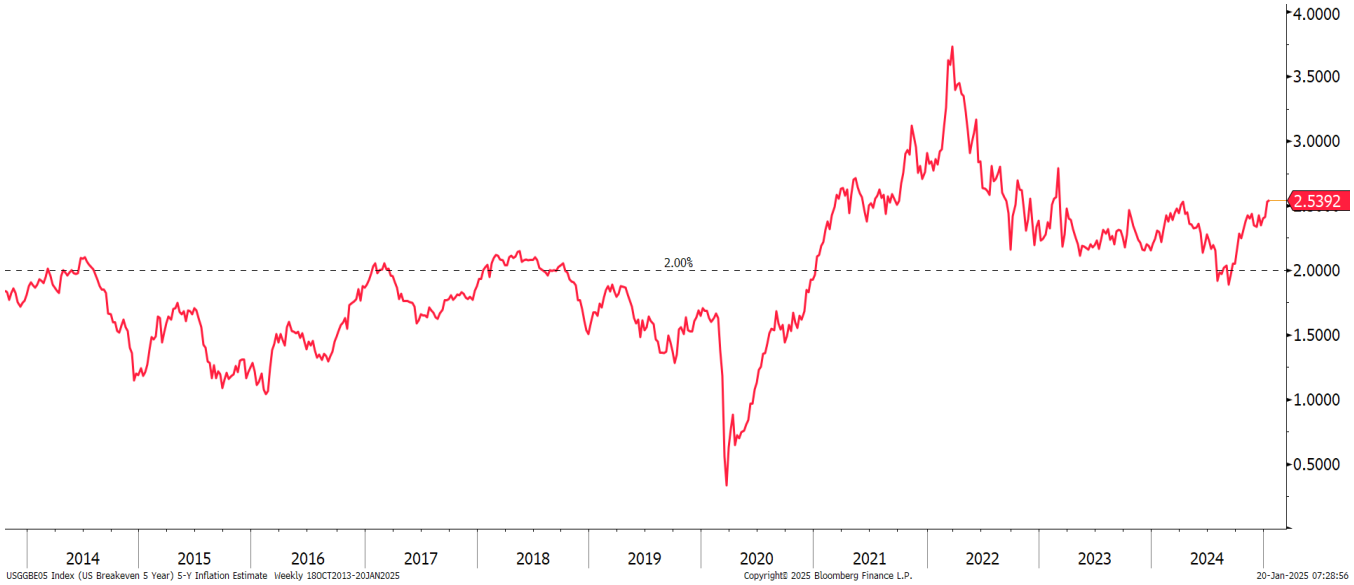
- The UST market rebounded with benchmark 10-year yield closed the review week lower at 4.63% (prior week: 4.76%) as investors reacted to weaker-than-expected December core CPI data. The 10y-3y yield spread narrowed (yield curve flattened) to +28bps (prior week: +29bp) as the long-end outperformed. At week close, the interest rate futures market implied 1 rate cut totaling -25bps (prior week: -25bps) in 2025.



Source: Bloomberg, MIDFR (G628, G629)

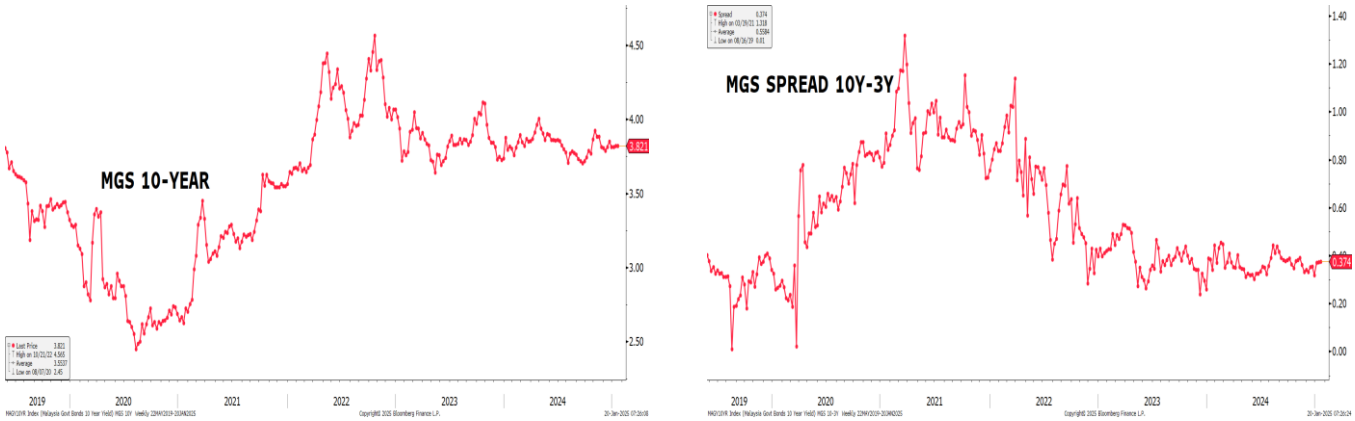
- Medium-term inflation expectation (MTIE) ended the review week a tad higher at 2.54% (prior week: 2.53%) despite the lower-than-expected inflation data. The MTIE has remained above the US Fed target level of 2.00% since the initial interest rate cut in September 2024. We believe the market may be perturbed 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 mixed with the 3-year and 10-year yields shed -0.1bp and added +0.1bp to close at 3.45% and 3.82% respectively. The 10y-3y yield spread was unchanged week-on-week at +37bps.

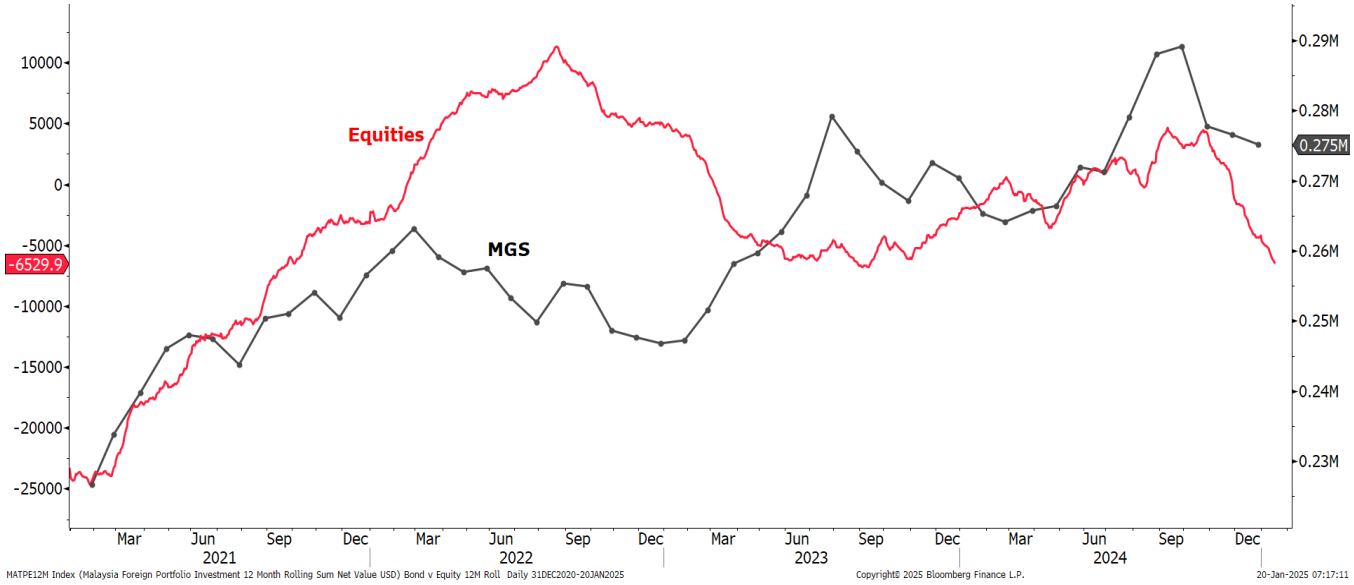


Source: Bloomberg, MIDFR (G630, G631)

- Total trading value for Government Bonds (MGS/MII) declined to RM21.1b in the review week compared to RM21.4b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (lower trading breadth) to 56% from 59% of the overall Government Bonds trades. Moreover, 5 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 3.502% 5/31/27 at RM2.4b, MGS 3.882% 3/14/25 at RM2.0b, and MGS 3.582% 7/15/32 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 -RM6.5b. It declined week-on-week from -RM5.3b registered a week ago. Moreover, it declined year-on-year from -RM1.8b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM2.7b in the review week compared to RM2.4b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 29% from 27% 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 Danainfra Nasional 4.36% 2/24/51 at RM145m, Pengurusan Air Selangor 4.74% 10/29/36 at RM90m, and Ponsb Capital 5.31% 6/29/29 at RM80m.

B. FOREIGN EXCHANGE

- First weekly decline of USD in 7 weeks. The US dollar closed slightly lower last week as the DXY dollar index fell -0.3%wow to 109.35 but still hovering around the highest level in 2 years. In the first four days last week, the DXY weakened continuously and closed at 1-week low of 108.96 on Thursday. The retreat in dollar demand was attributable to no surprise in inflation updates, broadly in line with market forecasts with core CPI inflation even eased in Dec-24. Demand for USD was also impacted by moderate Dec-24 retail sales data. On another note, safe-haven demand also softened last week following the Israel-Hamas ceasefire deal. However, more encouraging economic update i.e. stronger Dec-24 industrial production pushed the DXY index back to above 109 on Friday.

- Euro strengthened but pound weakened further. On the back of weaker dollar, euro gained +0.3%wow to USD1.027. The gain was also supported by stronger CPI inflation in Dec-24, which accelerated for the 3rd straight month to +2.4%yoy. Meanwhile, the pound sterling weakened -0.3%wow to USD1.217 on the back of the weaker-than-expected Nov-24 monthly GDP data.

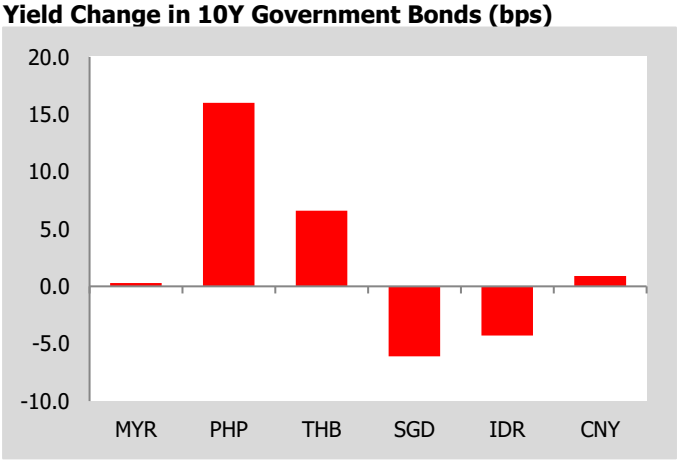
- Slight depreciation of the ringgit. Throughout the week, the ringgit traded sideways against the USD dollar, but ended slightly weaker by -0.2%wow to RM4.507. The Ringgit also weakened against the currencies of Malaysia's trading partner as our MIDF Trade Weighted Ringgit Index fell -0.4%wow to 91.14, mainly depreciating against the Japanese yen (-1.6%wow), Korean won (-1.3%wow) and Australian dollar (-1.1%wow). In contrast, the depreciation of ringgit was limited by the rise in crude oil prices as Brent crude rose by +1.3%wow to USD80.79pb (previous: USD79.76pb).

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

	Close 17/01	Prev. Close 10/01	Weekly Change	Weekly Change (%)	1QCY25f	2QCY25f	3QCY25f	4QCY25f
DXY Index	109.35	109.65	-0.303	-0.3	109.00	107.40	106.50	104.60
EURUSD	1.027	1.024	+0.003	+0.3	1.04	1.05	1.07	1.09
GBPUSD	1.217	1.221	-0.004	-0.3	1.26	1.28	1.30	1.32
USDJPY	156.3	157.7	+1.430	+0.9	150.00	147.80	146.70	143.94
USDMYR	4.507	4.498	-0.009	-0.2	4.40	4.31	4.22	4.03
GBPMYR	5.496	5.533	+0.037	+0.7	5.54	5.52	5.44	5.28
JPYMYR	2.883	2.852	-0.031	-1.1	2.93	2.93	2.88	2.83
MIDF TWRI	91.14	91.51	-0.363	-0.4	92.00	93.50	94.10	95.00

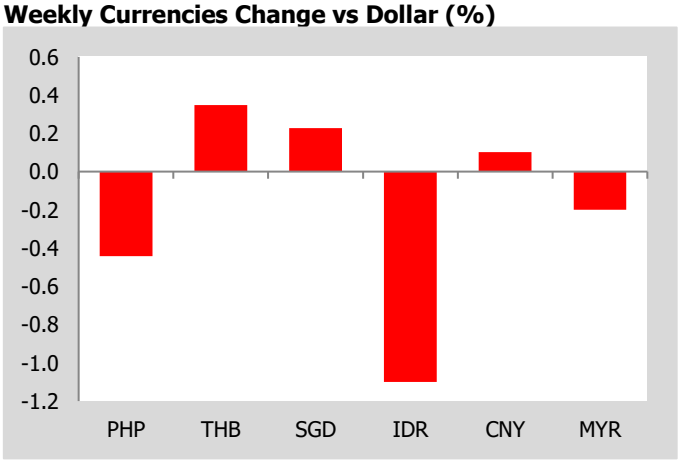
Note: "+" indicates appreciation, while "-" indicates depreciation. Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

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 (%)

	Jun-24	Jul-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25
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	6.00	6.00	6.00	6.00	5.75
Philippines	6.50	6.50	6.50	6.25	6.25	6.00	6.00	6.00	5.75
Thailand	2.50	2.50	2.50	2.50	2.50	2.25	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	3.25	3.00	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	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
UK	5.25	5.25	5.00	5.00	5.00	5.00	4.75	4.75	4.75
Euro area	4.25	4.25	4.25	4.25	3.65	3.40	3.40	3.15	3.15
USA	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	4.25-4.50

Source: Bloomberg, MIDFR

- US economic data released last week:
  - Further acceleration in PPI inflation. The US PPI inflation increased faster at +3.3%yoy in Dec-24 (Nov-24: +3.0%yoy), but slightly below market expectations of +3.4%yoy. This marks three consecutive months of acceleration and the highest annual rate since Feb-23.
  - Core CPI inflation eased in Dec-24. Consumer price levels in the US remain elevated as inflation ticked up in Dec-24 to +2.9%yoy (Nov-24: +2.7%yoy), in line with market expectations. Meanwhile, core CPI unexpectedly moderate to +3.2%yoy during the month after growing steadily at +3.3%yoy for three consecutive months.
  - Still low claims for unemployment benefits. Initial jobless claims, Initial jobless claims in the US rose +14K from the previous week to 217K in the week ending 11th January 2024, firmly above market expectations of 210K.
  - Retail sales slower than expected. Retail sales in the US increased +0.4%mom in Dec-24 (Nov-24: +0.8%mom), the least in four months, below market forecasts of +0.6%mom. On year-on-year basis, retail sales growth eased to +3.9%yoy (Nov-24: +4.1%yoy).
  - More encouraging production activities. Industrial production rebounded to +0.5%yoy in Dec-24 (Nov-24: -0.6%yoy), thanks to the stronger monthly rise of +0.9%mom (Nov-24: +0.2%mom) including faster rise in manufacturing production.

- Malaysia's economic update last week:
  - Sustained but moderate growth in domestic spending. Distributive trade growth moderated to +4.7%yoy in Nov-24 (Oct-24: +5.5%yoy), with moderation seen in all major sub-components including retail trade (Nov-24: +5.8%yoy; Oct-24: +7.1%yoy).
  - Moderate GDP growth in 4QCY24. Malaysia's economy grew by 4.8% year-on-year in the 4QCY24, slowing from a 5.3% expansion in the previous quarter, advanced estimates showed. This marked the lowest growth rate since the first quarter of 2024, primarily driven by a notable slowdown in manufacturing (+4.3%yoy; 3QCY24: +5.6%yoy) and contraction in agricultural output (-0.6%yoy; 3QCY24: +3.9%yoy). In 2024, Malaysia's economy grew faster at +5.1% (2023: +3.6%), slightly above our estimate.

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	10-Jan Fri	13-Jan Mon	14-Jan Tue	15-Jan Wed	16-Jan Thu	17-Jan Fri	Change (WoW bp)
MGS							
3-Y	3.448	3.482	3.479	3.465	3.453	3.447	-0.1
5-Y	3.61	3.634	3.63	3.617	3.609	3.62	1
7-Y	3.787	3.806	3.801	3.797	3.794	3.797	1
10-Y	3.82	3.841	3.829	3.824	3.821	3.821	0.1
20-Y	4.04	4.059	4.05	4.045	4.056	4.056	1.6
RINGGIT IRS							
1-Y	3.578	3.6	3.5887	3.58	3.575	3.585	0.7
3-Y	3.515	3.55	3.545	3.525	3.5325	3.53	1.5
5-Y	3.5725	3.6225	3.6037	3.58	3.6	3.5875	1.5
7-Y	3.64	3.685	3.665	3.655	3.665	3.665	2.5
10-Y	3.75	3.7885	3.775	3.76	3.765	3.755	0.5
KLIBOR							
1-M	3.29	3.29	3.28	3.28	3.28	3.28	-1
3-M	3.69	3.69	3.68	3.68	3.68	3.68	-1
UST							
3-Y	4.4665	4.4778	4.4693	4.337	4.2948	4.3485	-11.8
5-Y	4.5737	4.597	4.5953	4.4473	4.3958	4.4313	-14.24
7-Y	4.6749	4.6963	4.7044	4.5526	4.5049	4.5313	-14.36
10-Y	4.7592	4.7779	4.7924	4.6531	4.6125	4.627	-13.22
30-Y	4.9469	4.9618	4.9746	4.8795	4.8545	4.8567	-9.02

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	10-Jan Yield	17-Jan Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.502	05/31/27	3.448	3.447	-0.1	2,413.4
MALAYSIA GOVERNMENT	3.882	03/14/25	3.162	3.139	-2.3	1,993.2
MALAYSIA GOVERNMENT	3.582	07/15/32	3.787	3.797	1.0	1,395.6
MALAYSIA GOVERNMENT	4.054	04/18/39	3.948	3.972	2.4	1,388.9
MALAYSIA INVESTMNT ISSU	3.99	10/15/25	3.253	3.238	-1.5	915.0
MALAYSIA INVESTMNT ISSU	4.07	09/30/26	3.333	3.331	-0.2	878.3
MALAYSIA GOVERNMENT	3.955	09/15/25	3.220	3.194	-2.6	874.8
MALAYSIA INVESTMNT ISSU	4.13	07/09/29	3.620	3.633	1.3	691.2
MALAYSIA INVESTMNT ISSU	4.245	09/30/30	3.706	3.725	1.9	615.8
MALAYSIA GOVERNMENT	3.828	07/05/34	3.820	3.821	0.1	573.8
TOTAL VOLUME (TOP 10)						11,740.1
TOTAL VOLUME (Overall)						21,099.1

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	10-Jan Yield	17-Jan Yield	Change (WoW bp)	Weekly Volume (RM mn)
DANAINFRA NASIONAL	4.36	02/24/51	N/A	4.169	N/A	145.0
PENGURUSAN AIR SELANGO	4.74	10/29/36	4.009	4.033	2.4	90.0
PONSB CAPITAL BHD	5.31	06/29/29	3.969	3.956	-1.3	80.0
TENAGA NASIONAL BERHA	4.73	06/29/29	3.907	3.876	-3.1	80.0
RHB BANK	4.38	11/17/28	N/A	3.875	N/A	80.0
DANAINFRA NASIONAL	4.16	03/18/44	4.098	4.093	-0.5	65.0
YTL POWER INTERNATIONA	5.05	05/03/27	3.828	3.838	1.0	60.0
UMW HOLDINGS BERHAD	3.03	11/05/25	3.701	3.640	-6.1	60.0
SP SETIA BERHAD	4.8	04/21/32	N/A	4.088	N/A	60.0
IJM TREASURY MANAGEME	4.4	03/21/39	4.159	4.139	-2.0	60.0
TOTAL VOLUME (TOP 10)						780.0
TOTAL VOLUME (Overall)						2,690.2

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