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MIDF AMANAH
INVESTMENT BANK BERHAD

WEEKLY MONEY REVIEW

MIDF Strategy | 10 February 2025

Week Ended 7 February 2025

- The UST market rallied with benchmark 10-year yield ended -4.5bps lower at +4.496% (prior: +4.541%) as market players continued to be on the defensive stance on the back of the heightened political risk in the US as President Donald Trump went ahead and imposed higher tariff on Chinese good, but delaying tariff hike on Mexico and Canada. The 10y-3y yield spread contracted (yield curve flattened) to +18.2bps (prior week: +30.2bps), the lowest since 18th December 2024, as the long-end moved lower. At the closing of the week, the interest rate future market implied the next probable rate cut by the Fed would be in Jul-25 by -25bps.
- Medium-term inflation expectation (MTIE) closed the week slightly higher at 2.62% (prior week: 2.60%), as the mid-week it increased to 2.63%, being the highest level since the start of the year. The MTIE has continued to remain above the 2.00% since Sept-24. We think the market is still expecting the underlying inflationary pressure is still weak despite the recent upswing in MTIE.
- The 10-year MGS yields closed slightly higher as it traded sideways throughout the week, while the 3-year yields declined by -1.6bps and closed at 4.496% and +3.810% respectively. The 10y-3y yield spreads closed higher week-on-week at +37bps.
- MGS foreign holdings increased month-on-month to RM276b in January 2025 from RM275b in December 2024. The latest reading in Jan-25 was higher than RM265b a year ago in Jan-24.

10 February 2025 | **Strategy**

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Weekly Money Review

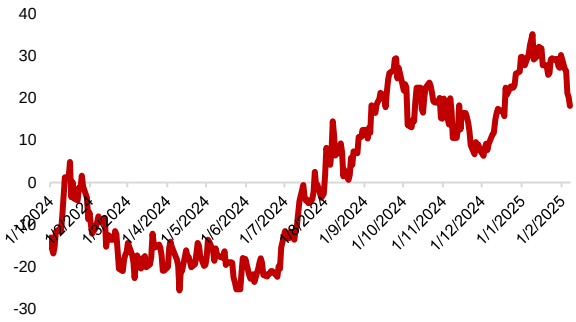
A. FIXED INCOME

- The UST market rallied with benchmark 10-year yield ended -4.5bps lower at +4.496% (prior: +4.541%) as market players continued to be on the defensive stance on the back of the heightened political risk in the US as President Donald Trump went ahead and imposed higher tariff on Chinese good, but delaying tariff hike on Mexico and Canada. Meanwhile, the initial jobless claims, nonfarm payrolls, and unemployment rate data released last week signal that the US labour market remained resilient. The positive data releases also support for a delayed rate cut by the Fed. The 10y-3y yield spread contracted (yield curve flattened) to +18.2bps (prior week: +30.2bps), the lowest since 18th December 2024, as the long-end moved lower. At the closing of the week, the interest rate future market implied the next probable rate cut by the Fed would be in Jul-25 by -25bps.

10-Year US Treasury yields



US Treasury 10Y-3Y spreads



Source: Macrobond, MIDFR

- Medium-term inflation expectation (MTIE) closed the week slightly higher at 2.62% (prior week: 2.60%), as the mid-week it increased to 2.63%, being the highest level since the start of the year. The MTIE has continued to remain above 2.00% since Sept-24. We think the market is still expecting the underlying inflationary pressure is still weak despite the recent upswing in MTIE.

MEDIUM-TERM INFLATION EXPECTATION (MTIE): 5Y UST-TIPS SPREAD



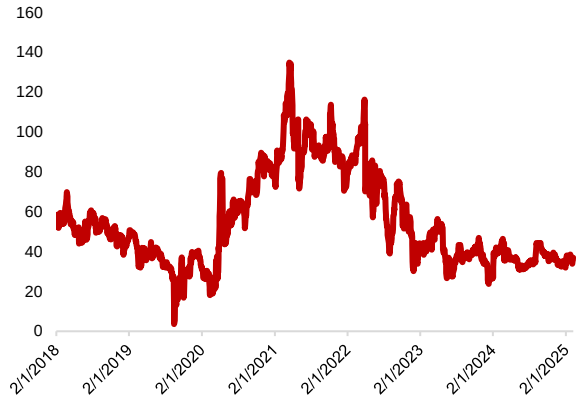
Source: Macrobond, MIDFR

- The 10-year MGS yields closed slightly higher as it traded sideways throughout the week, while the 3-year yields declined by -1.6bps and closed at 4.496% and +3.810% respectively. The 10y-3y yield spread close higher week-on-week at +37bps.

10-Year MGS Yields

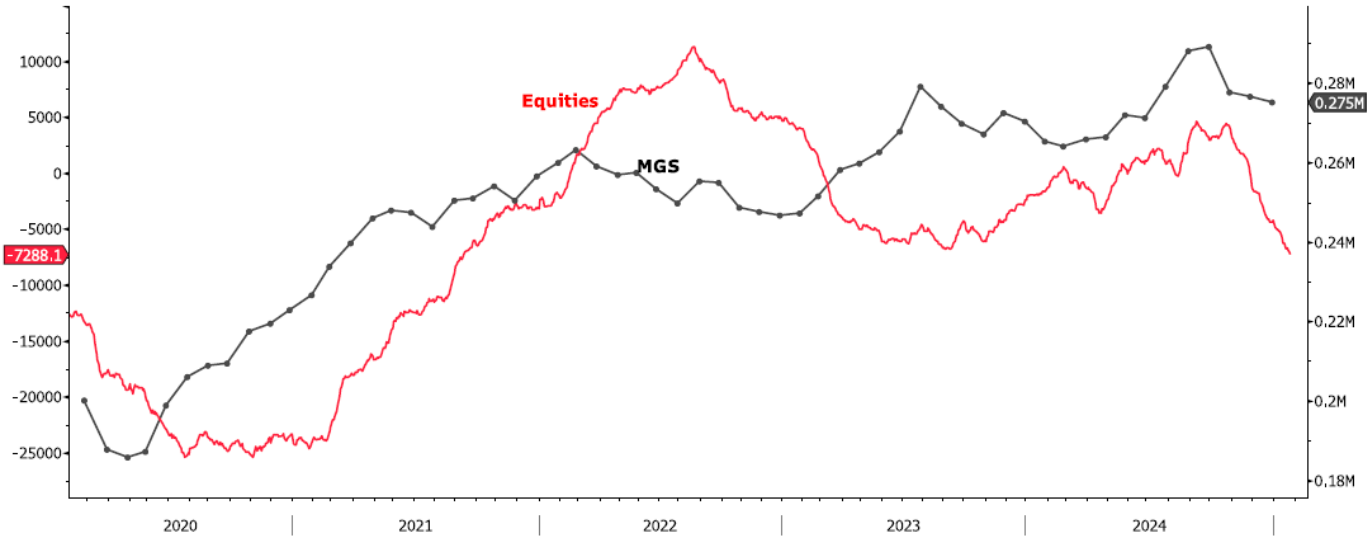


Malaysia MGS 10Y-3Y Spreads



Source: Macrobond, MIDFR

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



Source: Bloomberg, MIDFR (G659)

- MGS foreign holdings increased month-on-month to RM276b in January 2025 from RM275b in December 2024. The latest reading in Jan-25 was higher than RM265b a year ago in Jan-24. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM42.1b. It declined week-on-week from -RM17.6b registered a week ago. Moreover, it declined year-on-year from +RM1.2b a year ago.

B. FOREIGN EXCHANGE

- The DXY trended lower after opening strongly last week. The US dollar closed lower last week as the DXY index fell by -0.3%wow to 108.04, falling from above the 109 level. The weakness in the DXY was influenced by the decision of President Donald Trump to delay the imposition of tariffs against Canada and Mexico by 30 days, in contrast to continuation of tariff hikes on China. The China government retaliated in return, imposing tariffs on several US products and filing a complaint with the World Trade Organisation. Meanwhile, the latest initial jobless claims data came slightly higher to 219K, but still within the low range, while the ISM manufacturing and S&P Global composite PMI remains expansionary. However, we think that the dollar declined as a continuation of weakness due to the

dovish signal in the previous week. Therefore, we expect investors to remain cautious in the near term, and markets will react to any announcements by the president.

- The pound weakened but the euro performed better against the US dollar. The pound sterling appreciated against the US dollar last week by +0.1%wow to USD1.230 despite the BOE's interest rate cut in benchmark interest rate by -25bps. Meanwhile, the euro depreciated by -0.3%wow to USD1.033 although the US dollar weakened last week.

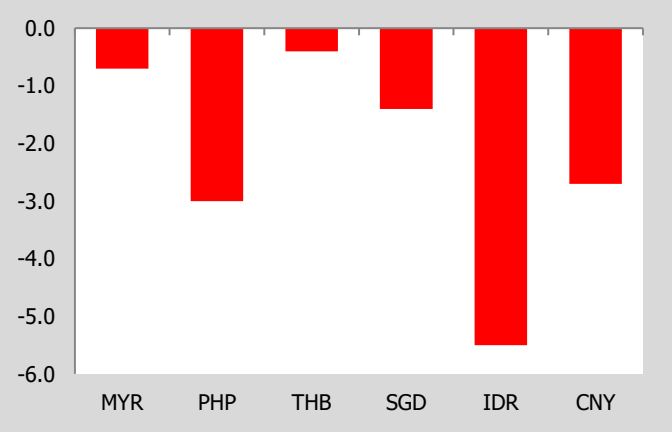
- Ringgit performed better last week. In the early part of the week, the ringgit weakened against the US dollar and briefly breached the RM4.50 level and later reversed to below RM4.40 level mid-week. The ringgit ended the week stronger than the previous week by +0.5%wow to RM4.440. Encouraging data releases also supported the ringgit performance. Ringgit even strengthened against the currencies of Malaysia's trading partner as our MIDF Trade Weighted Ringgit Index increased by +0.1%wow to 91.98 (previous: 91.90), mainly appreciating against Indian rupee (+1.3%wow), euro (+1.1%wow), and Thai baht (+0.8%wow).

Currencies Changes (Week Ended 7 February 2025) and Quarterly Forecasts

	Close 7/02	Prev. Close 31/01	Weekly Change	Weekly Change (%)	1QCY25f	2QCY25f	3QCY25f	4QCY25f
DXY Index	108.04	108.37	-0.330	-0.3	109.00	107.40	106.50	104.60
EURUSD	1.033	1.036	-0.003	-0.3	1.04	1.05	1.07	1.09
GBPUSD	1.240	1.240	+0.001	+0.1	1.26	1.28	1.30	1.32
USDJPY	151.4	155.2	+3.780	+2.5	150.00	147.80	146.70	143.94
USDMYR	4.440	4.460	+0.021	+0.5	4.40	4.31	4.22	4.03
GBPMYR	5.532	5.540	+0.009	+0.2	5.54	5.52	5.44	5.28
JPYMYR	2.932	2.872	-0.060	-2.0	2.93	2.93	2.88	2.83
MIDF TWRI	91.90	91.98	+0.080	+0.1	92.00	93.50	94.10	95.00

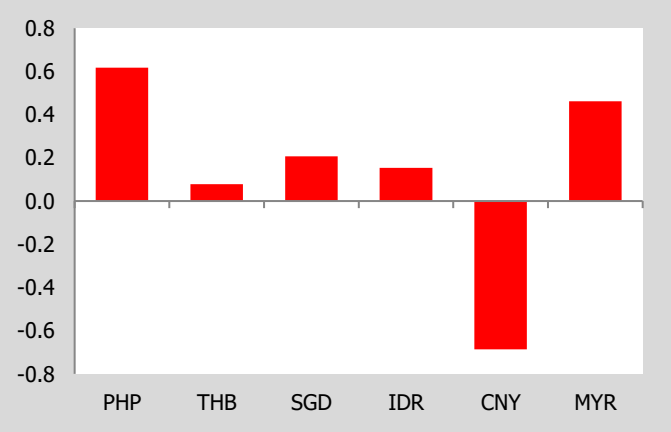
Note: "+" indicates appreciation, while "-"indicates depreciation. Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

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	5.75	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	6.25
Japan	0.00-0.10	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50
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	2.90
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:
  - The manufacturing sector remains resilient. ISM manufacturing PMI for the US rose to 50.9 in January 2025 from a downwardly revised 49.2 in December 2024 and beating forecasts of 49.8. The reading recorded the first expansion in the production sector after 26 months of contraction.
  - US trade is in a deeper deficit. The US trade deficit widened to USD98b in Dec-2, this is the highest trade deficit since Mar-22. The trade deficit was perpetuated due to the pickup in goods deficit frontloading before the Trump Administration tariff to be in effect.
  - PMI indicates continued expansion. The S&P Global US Composite PMI recorded at 52.7 in Jan-25, slightly higher than the preliminary estimate of 52.4. This marks the lowest reading since May-24. The S&P Global US services PMI was recorded lower to 52.8 in Jan-25 (consensus: 54.3), below the Dec-24 reading of 54.0. Poor weather conditions were highlighted is impacting business level and production.
  - Unemployment claims picked up. Initial jobless claims rose by 11K to 219K in the week ending 1st February 2025 (consensus: 213K), indicating a slight softening of the labour market.
  - Weaker than expected NFP data. The US economy added 143K jobs in January 2025, well below an upwardly revised 307K gain in December and forecasts of 170K. The Bureau of Labor Statistics mentioned that the wildfires in LA and the severe winter conditions have a *"discernible effect"* on employment.
  - The unemployment rate came down. The US unemployment dipped to 4.0% in Jan-25 (previous: 4.1%), being the lowest level since May-24 and coming below market expectations of 4.1%.

- Monetary policy decisions last week:
  - On 7th February 2024, the Bank of England (BOE) cut interest rate by -25bps from 4.75% to 4.5%, as Governor Andrew Bailey said that rates remain on a downward bias. On top of that, the BOE halved its growth forecast for 2025 to +0.75% from the previous estimate of +1.5%. However, the growth for 2026 and 2027 is now expected to be at +1.5% (previous: +1.25%).
  - The Reserve Bank of India (RBI) cut its benchmark interest rate by -25bps to 6.25%, for the first time in nearly 5-years. RBI also cut the cash reserve ratio back in Dec-24

- Malaysia's economic update last week:
  - The S&P Global Malaysia Manufacturing PMI was at 48.7 in January 2025 slightly higher than 48.6 recorded in Dec-24. Factory activity declined for the eighth straight month while new orders shrank for the seventh straight month.
  - The industrial production index (IPI) increased by +4.6%yoy in Dec-24 (previous: +3.6%yoy), driven by the expansion of all sectors. The manufacturing rose by +4.6%yoy in Dec-24 (Nov-24: +3.6%yoy), while mining sector recovered by +0.4%yoy in Dec-24 (Nov-24: -0.8%yoy).

C. BNM INTERNATIONAL RESERVES

- As of 31 January 2025, compared to the previous fortnight, Bank Negara Malaysia's international reserve rose to USD116.4bn in 31-Jan-25 from USD115.5bn in 15-Jan-25.

BNM INTERNATIONAL RESERVES



Source: Bloomberg (G662), MIDFR

- 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.

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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 prices are 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 prices are 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