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MIDF AMANAH
INVESTMENT BANK BERHAD

WEEKLY MONEY REVIEW

MIDF Strategy 24 February 2025

Week Ended 21 February 2025

- The UST market continued rallying with the benchmark 10-year yield closed the review week lower at 4.43% (prior week: 4.48%) as investors seek safety in govvies from a stock market slump amid recurring concern over the health of the economy. The 10y-3y yield spread expanded (yield curve steepened) to +22bp (prior week: +21bp) as the short-end outperformed. At week close, the interest rate futures market implied 2 rate cuts totaling -50bp (prior week: 1 cut of -25bp) in 2025.
- Medium-term inflation expectation (MTIE) ended the review week lower at 2.64% (prior week: 2.65%). 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 higher with the 3-year and 10-year yields shed -0.9bp and -2.1bp to close at 3.44% and 3.79% respectively. The 10y-3y yield spread narrowed (yield curve flattened) to +35bp (prior week: +36bp) as the long-end outperformed.
- MGS foreign holdings increased month-on-month to RM276b in January 2025 from RM275b in December 2024. Moreover, it increased year-on-year from RM265b in January 2024. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM10.3b. It declined week-on-week from -RM9.1b registered a week ago. Moreover, it declined year-on-year from RM88m a year ago.

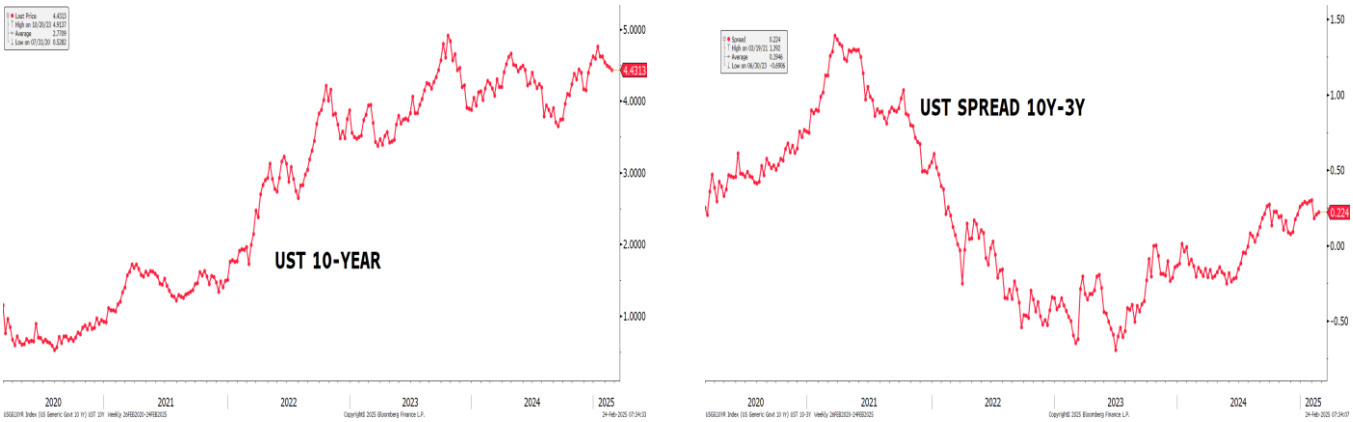
24 February 2025 | Strategy

Strategy Team | research@midf.com.my

Weekly Money Review

A. FIXED INCOME

- The UST market continued rallying with the benchmark 10-year yield closed the review week lower at 4.43% (prior week: 4.48%) as investors seek safety in govvies from a stock market slump amid recurring concern over the health of the economy. The 10y-3y yield spread expanded (yield curve steepened) to +22bp (prior week: +21bp) as the short-end outperformed. At week close, the interest rate futures market implied 2 rate cuts totaling -50bp (prior week: 1 cut of -25bp) in 2025.



Source: Bloomberg, MIDFR (G628, G629)

- Medium-term inflation expectation (MTIE) ended the review week lower at 2.64% (prior week: 2.65%). 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 higher with the 3-year and 10-year yields shed -0.9bp and -2.1bp to close at 3.44% and 3.79% respectively. The 10y-3y yield spread narrowed (yield curve flattened) to +35bp (prior week: +36bp) as the long-end outperformed.

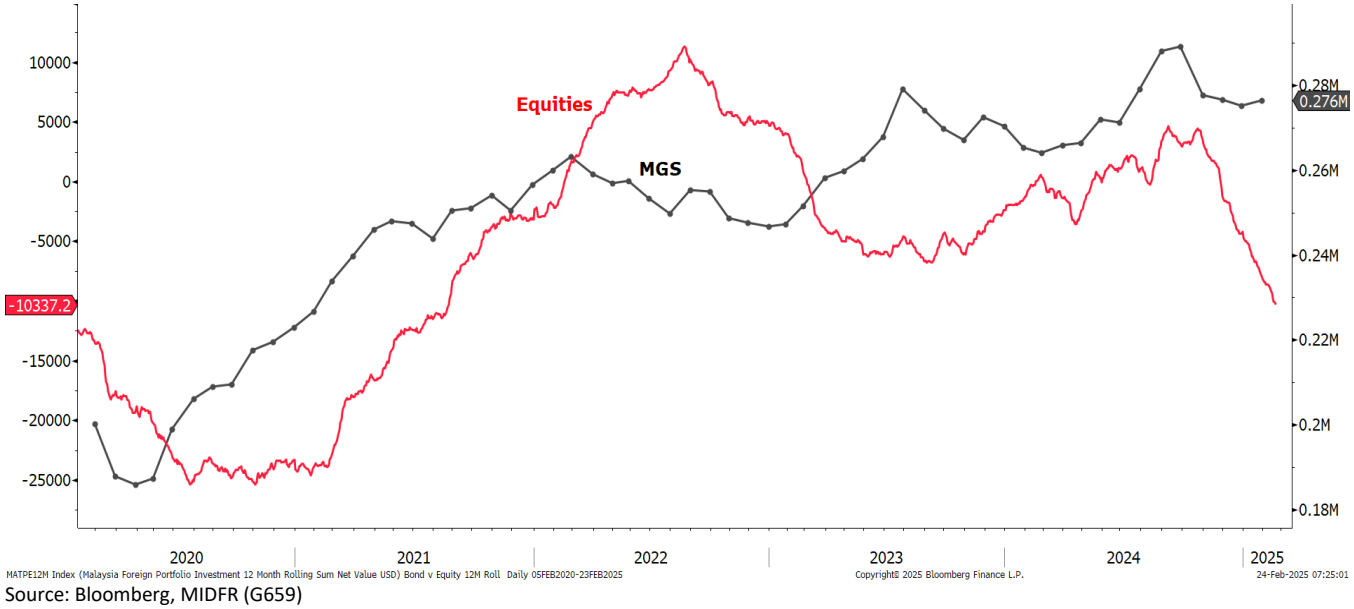


Source: Bloomberg, MIDFR (G630, G631)

- Total trading value for Government Bonds (MGS/MII) increased to RM25.1b in the review week compared to RM17.5b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 54% from 53% of the overall Government Bonds trades. Moreover, 8 out of the 10 most actively traded bonds saw a 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 3.582% 7/15/32 at RM2.2b, MGS 3.882% 3/14/25 at RM1.9b, and MGS 3.955% 9/15/25 at RM1.7b.

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. Moreover, it increased year-on-year from RM265b in January 2024. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM10.3b. It declined week-on-week from -RM9.1b registered a week ago. Moreover, it declined year-on-year from RM88m a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM5.2b in the review week compared to RM2.9b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 39% from 37% 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 Cagamas 3.78% 2/28/25 at RM1.8b, PTPTN 4.58% 2/28/34 at RM150m, and Danainfra Nasional 5.25% 5/24/47 at RM100m.

B. FOREIGN EXCHANGE

- Another weekly decline for US dollar. The US dollar continued to weaken last week as the DXY index fell by -0.1%wow to 106.6. The index went up to above the 107-level reflecting strengthening of the US dollar prior to the release of the FOMC minutes, but later retreated to below 107 due to softer labour market data. The FOMC minutes indicated that Fed officials debated on the trajectory of the future FFR path surrounded by the uncertainty in the changes in trade and immigration policy that could hinder the disinflation process. In turn, the market continues to price in the first rate cut in the Jul-25 meeting. Meanwhile, the DXY was also supported by the news flow as President Donald Trump mentioned the possibility of an additional tariffs on auto, pharmaceuticals, and semiconductor products, added to the efforts to improve the relationship between the US and Russia. In turn, we continue to expect investors to remain cautious in the near term and continue to react to any policy changes announced by the president that could add to inflationary in the US.

- Pound sterling gained against the dollar while the euro weakened. The pound sterling appreciated by +0.4%wow against the US dollar and closed at USD1.263 last week despite inflation reading were higher the expected at +3.0%yoy (market consensus: +2.8%yoy). The euro depreciated against the US dollar last week by -0.3%wow to USD1.049, gaining on the weakness in US dollar.

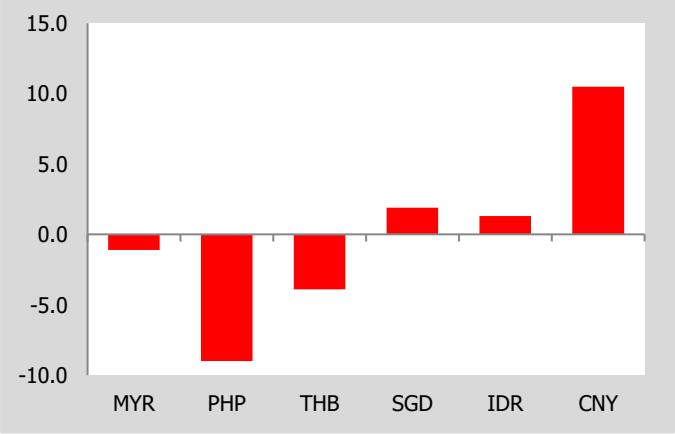
- Ringgit appreciated slightly. The ringgit strengthened slightly against the US dollar and briefly breached the RM4.440 level, which was later reversed towards the end of the week. The ringgit ended stronger than the previous week by +0.4%wow to RM4.41 on the back of higher core inflation while exports data continue to grow. However, ringgit weakened against the currencies of Malaysia's trading partner as our MIDF Trade-Weighted Ringgit Index increased by +0.2%wow to 91.8 (previous: 91.7), mainly depreciating against the Indonesian rupiah (-0.84%wow), Vietnam dong (-0.6%wow), and Taiwan dollar (-0.4%wow)

Currencies Changes (Week Ended 21 February 2025) and Quarterly Forecasts

	Close 21/02	Prev. Close 14/02	Weekly Change	Weekly Change (%)	1QCY25f	2QCY25f	3QCY25f	4QCY25f
DXY Index	106.61	106.71	-0.098	-0.1	109.00	107.40	106.50	104.60
EURUSD	1.046	1.049	-0.003	-0.3	1.04	1.05	1.07	1.09
GBPUSD	1.263	1.259	+0.005	+0.4	1.26	1.28	1.30	1.32
USDJPY	149.3	152.3	+3.040	+2.0	150.00	147.80	146.70	143.94
USDMYR	4.418	4.435	+0.016	+0.4	4.40	4.31	4.22	4.03
GBPMYR	5.589	5.584	-0.006	-0.1	5.54	5.52	5.44	5.28
JPYMYR	2.960	2.912	-0.048	-1.6	2.93	2.93	2.88	2.83
MIDF TWRI	91.83	91.68	+0.157	+0.2	92.00	93.50	94.10	95.00

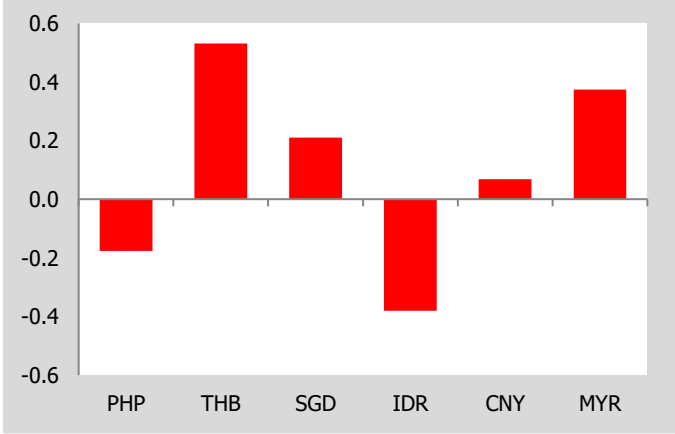
Note: "+" indicates appreciation, while "-" indicates depreciation. Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

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 (%)

	Jul-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-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	6.00	6.00	6.00	6.00	5.75	5.75
Philippines	6.50	6.50	6.25	6.25	6.00	6.00	5.75	5.75	5.75
Thailand	2.50	2.50	2.50	2.50	2.25	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	3.25	3.00	3.00	3.00	3.00
India	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.25	6.25
Japan	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50
UK	5.25	5.00	5.00	5.00	5.00	4.75	4.75	4.75	4.50
Euro area	4.25	4.25	4.25	3.65	3.40	3.40	3.15	2.90	2.90
USA	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	4.25-4.50

Source: Bloomberg, MIDFR

- US economic data released last week:
  - Some softening in the labour market. The initial jobless claims increased by -5K from the preceding week to 219K (previous: 214K), below the consensus market forecast of 215K but still indicated continued robustness within the US labour market. The four-week moving average of initial claims declined slightly to 215.2K
  - US private sector growth stalls in February 2025. The S&P Global US Composite PMI fell sharply to 50.4 in February 2025 from 52.7 in January, signaling near-stagnation in the private sector. This marks the slowest pace of business expansion since September 2023. The decline was driven by a sharp drop in the S&P Global US Services PMI, which fell to 49.7 in February from 52.9 in the previous month. This is the first contraction in the services sector activity in over two years, and it was well below market expectations of 53. In contrast, the S&P Global US Manufacturing PMI rose slightly to 51.6 in February from 51.2 in January, exceeding market expectations of 51.5. This is the highest reading since June 2024, indicating a continued recovery in the manufacturing sector

- On monetary policy decisions last week:
  - The Reserve Bank of Australia (RBA) lowered its cash rate by -25bps to 4.1% at its February 2025 meeting, as expected by the market. This is the first time the rate has been cut since Nov-20. The decision was made due to continued signs of easing inflation. The RBA is increasingly optimistic that inflation will remain within its target range of 2–3%.
  - The People's Bank of China (PBoC) held its key lending rates steady for the fourth straight month, as anticipated by markets. The one-year loan prime rate (LPR), the rate used for the majority of corporate and household loans, stayed at 3.1%. The five-year LPR, the benchmark for mortgage rates, also remained unchanged at 3.6%.

- Malaysia's economic update last week:
  - Headline inflation unchanged at +1.7%yoy in Jan-25. Malaysia's headline inflation remains unchanged at +1.7%yoy in Jan-25, within our estimated range, on the back of moderation of the food inflation to +2.5%yoy (Dec-24: +2.7%yoy), as food inflation slightly slowed from the 14-month high recorded in the previous month.
  - Exports growth slowed in Jan-25. Malaysia's total trade growth softened to +3.1%yoy in Jan-25 (Dec-24: +14.5%yoy) primarily reflecting the sharp slowdown in exports (+0.3%yoy; Dec-24: +16.9%yoy), marking the lowest reading since Sep-24. The weaker export performance mainly stemmed from lower shipments of petroleum products (-34.1%yoy), while exports of E&E products and palm oil & palm oil-based products (accounting for 46% of total exports).

C. BNM INTERNATIONAL RESERVES

- As of 14 February 2025, compared to previous fortnight, Bank Negara Malaysia's international reserves was higher at USD117.7b (31 January 2025: USD116.4b).

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 0.9 times total short-term external debt.

APPENDIX

WEEKLY INTEREST RATE MONITOR

Tenor	14-Feb Fri	17-Feb Mon	18-Feb Tue	19-Feb Wed	20-Feb Thu	21-Feb Fri	Change (WoW bp)
MGS							
3-Y	3.454	3.451	3.436	3.454	3.452	3.445	-0.9
5-Y	3.626	3.619	3.605	3.6	3.596	3.592	-3.4
7-Y	3.774	3.77	3.767	3.773	3.76	3.756	-1.8
10-Y	3.815	3.788	3.802	3.805	3.795	3.794	-2.1
20-Y	4.064	4.048	4.066	4.066	4.07	4.066	0.2
RINGGIT IRS							
1-Y	3.59	3.59	3.59	3.595	3.5925	3.6	1
3-Y	3.5275	3.515	3.5325	3.54	3.53	3.5325	0.5
5-Y	3.572	3.555	3.5725	3.58	3.5775	3.58	0.8
7-Y	3.65	3.6325	3.645	3.65	3.649	3.655	0.5
10-Y	3.75	3.7425	3.745	3.753	3.748	3.764	1.4
KLIBOR							
1-M	3.28	3.28	3.28	3.28	3.28	3.28	0
3-M	3.66	3.66	3.66	3.66	3.66	3.66	0
UST							
3-Y	4.2695	4.2695	4.3286	4.2864	4.2751	4.2073	-6.22
5-Y	4.3274	4.3274	4.4021	4.3648	4.3435	4.2725	-5.49
7-Y	4.401	4.401	4.475	4.4512	4.4274	4.3535	-4.75
10-Y	4.4762	4.4762	4.5503	4.5327	4.5053	4.4313	-4.49
30-Y	4.6963	4.6963	4.7657	4.7657	4.7468	4.6785	-1.78

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	14-Feb Yield	21-Feb Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.582	07/15/32	3.774	3.756	-1.8	2,167.6
MALAYSIA GOVERNMENT	3.882	03/14/25	3.149	3.165	1.6	1,862.6
MALAYSIA GOVERNMENT	3.955	09/15/25	3.201	3.166	-3.5	1,743.5
MALAYSIA INVESTMNT ISSUE	3.804	10/08/31	3.776	3.764	-1.2	1,501.1
MALAYSIA INVESTMNT ISSUE	3.599	07/31/28	3.555	3.554	-0.1	1,349.0
MALAYSIA GOVERNMENT	3.885	08/15/29	3.626	3.592	-3.4	1,334.0
MALAYSIA GOVERNMENT	3.502	05/31/27	3.454	3.445	-0.9	1,047.4
MALAYSIA GOVERNMENT	4.18	05/16/44	4.064	4.066	0.2	950.1
MALAYSIA INVESTMNT ISSUE	4.582	08/30/33	3.807	3.803	-0.4	890.0
MALAYSIA INVESTMNT ISSUE	4.245	09/30/30	3.705	3.700	-0.5	852.0
TOTAL VOLUME (TOP 10)						13,697.2
TOTAL VOLUME (Overall)						25,141.0

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	14-Feb Yield	21-Feb Yield	Change (WoW bp)	Weekly Volume (RM mn)
CAGAMAS BERHAD	3.78	03/28/25	3.158	3.483	32.5	1,170.0
PERBADANAN TABUNG PENDI	4.58	02/28/34	3.841	3.838	-0.3	150.0
DANAINFRA NASIONAL	5.25	05/24/47	N/A	4.128	N/A	100.0
DANAINFRA NASIONAL	4.62	08/18/42	4.050	4.051	0.1	100.0
PELABURAN HARTANAH BHD	3.91	09/02/31	3.934	3.927	-0.7	100.0
PERBADANAN TABUNG PENDI	4.86	03/12/32	3.833	3.815	-1.8	90.0
MBSB BANK BHD	5.25	12/19/31	N/A	4.008	N/A	90.0
PERBADANAN TABUNG PENDI	4.11	03/07/39	3.979	3.975	-0.4	80.0
PERBADANAN TABUNG PENDI	4.03	03/07/36	3.894	3.876	-1.8	80.0
MALAYSIA RAIL LINK	ZERO	03/11/25	N/A	3.244	N/A	80.0
TOTAL VOLUME (TOP 10)						2,040.0
TOTAL VOLUME (Overall)						5,205.1

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 prices are expected to *rise* by >10% within 3 months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTTRAL	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