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MIDF AMANAH INVESTMENT BANK BERHAD

WEEKLY MONEY REVIEW

MIDF Strategy 3 March 2025

Week Ended 28 February 2025

- The UST market continued rallying with the benchmark 10-year yield closed the review week lower at 4.21% (prior week: 4.43%) amid recurring concern over the health of the US economy with the Atlanta Fed's GDPNow tracker is now indicating a -1.5%qoq GDP growth in 1Q25. The 10y-3y yield spread expanded (yield curve steepened) to +24bp (prior week: +22bp) as the short-end outperformed. At week close, the interest rate futures market implied 3 rate cuts totaling -75bp (prior week: 2 cuts totaling -50bp) in 2025.
- Medium-term inflation expectation (MTIE) ended the review week lower at 2.63% (prior week: 2.64%). 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 -1.9bp and -0.9bp to close at 3.43% and 3.78% respectively. The 10y-3y yield spread expanded (yield curve steepened) to +36bp (prior week: +35bp) as the short-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 -RM11.2b. It declined week-on-week from -RM10.3b registered a week ago. Moreover, it declined year-on-year from RM394m a year ago.

3 March 2025 | **Strategy**

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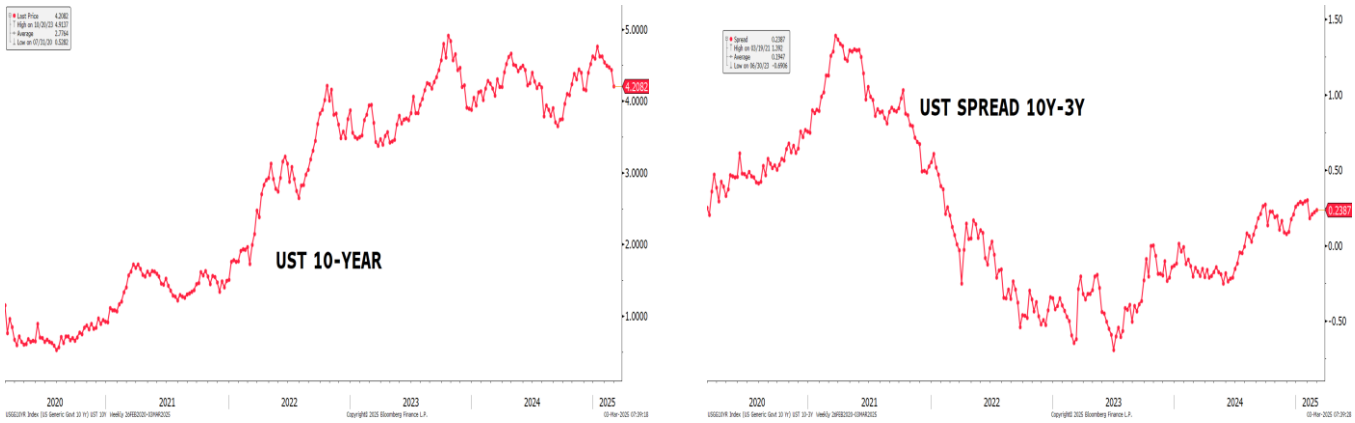
Weekly Money Review

A. FIXED INCOME

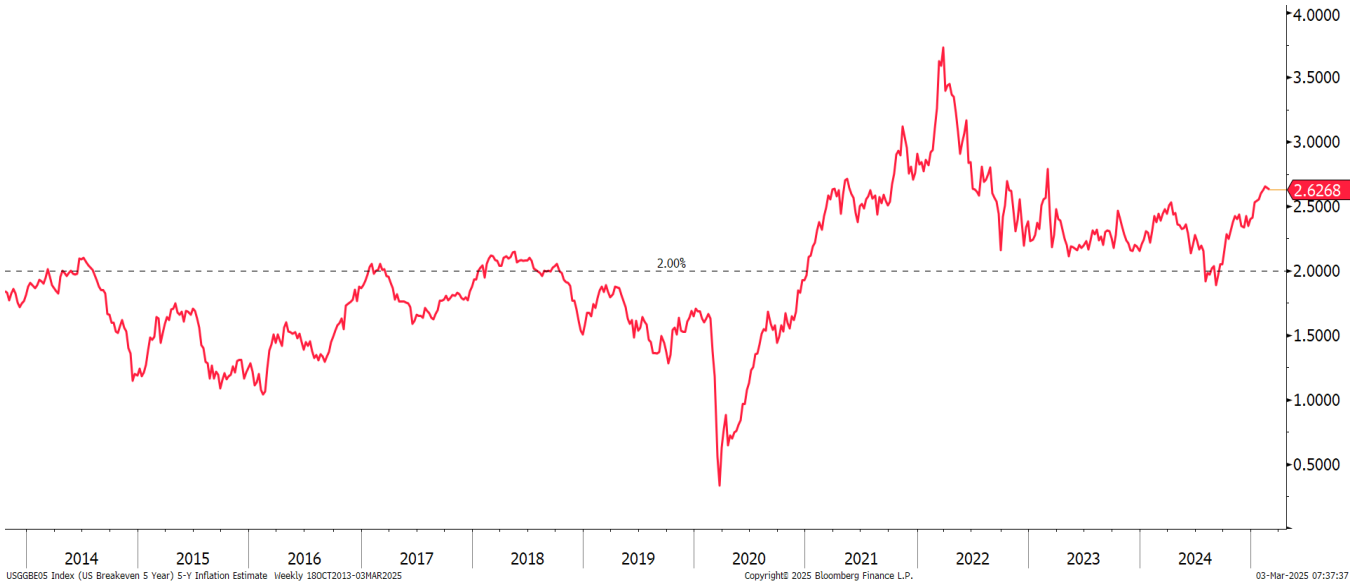
- The UST market continued rallying with the benchmark 10-year yield closed the review week lower at 4.21% (prior week: 4.43%) amid recurring concern over the health of the US economy with the Atlanta Fed's GDPNow tracker is now indicating a -1.5%qoq GDP growth in 1Q25. The 10y-3y yield spread expanded (yield curve steepened) to +24bp (prior week: +22bp) as the short-end outperformed. At week close, the interest rate futures market implied 3 rate cuts totaling -75bp (prior week: 2 cuts totaling -50bp) in 2025.



Source: Bloomberg, MIDFR (G628, G629)

- Medium-term inflation expectation (MTIE) ended the review week lower at 2.63% (prior week: 2.64%). 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 -1.9bp and -0.9bp to close at 3.43% and 3.78% respectively. The 10y-3y yield spread expanded (yield curve steepened) to +36bp (prior week: +35bp) as the short-end outperformed.

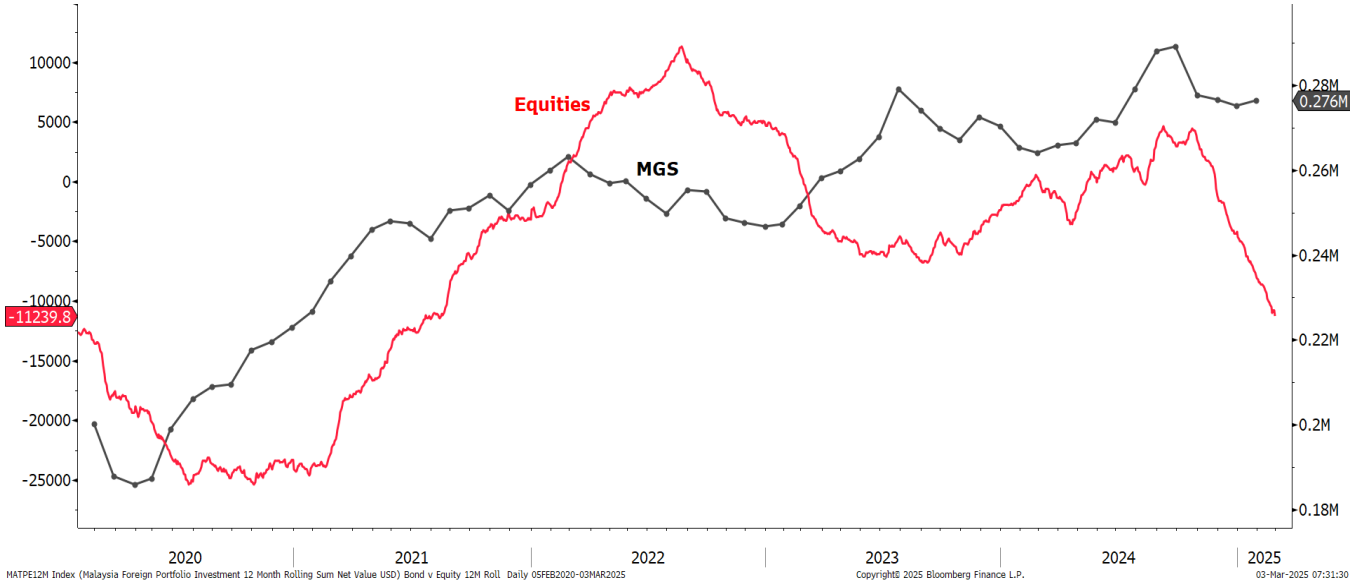


Source: Bloomberg, MIDFR (G630, G631)

- Total trading value for Government Bonds (MGS/MII) increased to RM30.6b in the review week compared to RM25.1b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 53% from 54% 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 3.955% 9/15/25 at RM3.6b, MGS 3.804% 10/8/31 at RM2.2b, and MGS 3.582% 7/15/32 at RM2.2b.

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 -RM11.2b. It declined week-on-week from -RM10.3b registered a week ago. Moreover, it declined year-on-year from RM394m a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM4.8b in the review week compared to RM5.2b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 46% from 39% 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 Prasarana Malaysia 4.18% 8/27/32 at RM990m, PTPTN 4.03% 3/7/36 at RM340m, and PLUS 5% 12/31/38 at RM145m.

B. FOREIGN EXCHANGE

- USD appreciated last week. The US dollar strengthened last week as the DXY index increased by +0.7%wow to 107.36. The index breached the 107 level during midweek as short- to medium-term inflationary expectation continued to drive sentiment on the dollar despite the signs of a softer labour market, weaker consumer confidence and moderating GDP release. Meanwhile, the PCE inflation data released at the end of the week indicated moderated inflation in Jan-25. In turn, the market future sentiment based on the interest rate futures currently priced in an additional cut, making it two rate cuts for this year. News of President Trump's announced tariffs, including the 25% increase on Mexico and Canada which will take effect this week and an additional 10% hikes on China, bolstered the DXY. Consequentially, we foresee investors maintaining a cautious stance in Mar-25, closely monitoring more policy changes that may heighten US inflationary concerns.

- Pound sterling and euro both depreciated. The euro depreciated against the US dollar last week by -0.6%wow to USD1.040, on the back of the stronger dollar and the rising expectation for a rate cut move by the ECB this week. Meanwhile, the pound sterling depreciated by -0.3%wow against the US dollar and closed at USD1.260.

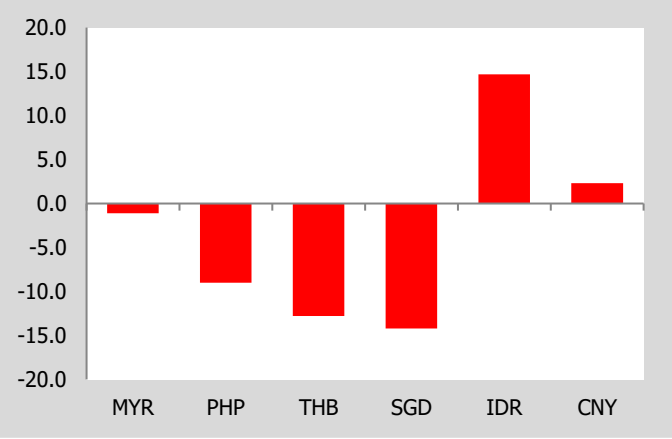
- Ringgit depreciated slightly. The ringgit gradually weakened against the US dollar since the start of the week despite encouraging economic release as the leading index still showing positive growth momentum. The ringgit ended weaker than the previous week by -0.9%wow to RM4.46. In addition, ringgit weakened against the currencies of Malaysia's trading partner as our MIDF Trade Weighted Ringgit Index declined by -0.2%wow to 91.6 (previous: 91.8), mainly depreciating against the Japanese yen (-1.1%wow), Saudi riyal (-1.0%wow), and UAE dirham (-1.0%wow).

Currencies Changes (Week Ended 28 February 2025) and Quarterly Forecasts

	Close 28/02	Prev. Close 21/02	Weekly Change	Weekly Change (%)	1QCY25f	2QCY25f	3QCY25f	4QCY25f
DXY Index	107.36	106.61	+0.745	+0.7	109.00	107.40	106.50	104.60
EURUSD	1.040	1.046	-0.006	-0.6	1.04	1.05	1.07	1.09
GBPUSD	1.260	1.263	-0.004	-0.3	1.26	1.28	1.30	1.32
USDJPY	150.4	149.3	-1.110	-0.7	150.00	147.80	146.70	143.94
USDMYR	4.461	4.418	-0.042	-0.9	4.40	4.31	4.22	4.03
GBPMYR	5.618	5.589	-0.029	-0.5	5.54	5.52	5.44	5.28
JPYMYR	2.966	2.960	-0.006	-0.2	2.93	2.93	2.88	2.83
MIDF TWRI	91.63	91.83	-0.205	-0.2	92.00	93.50	94.10	95.00

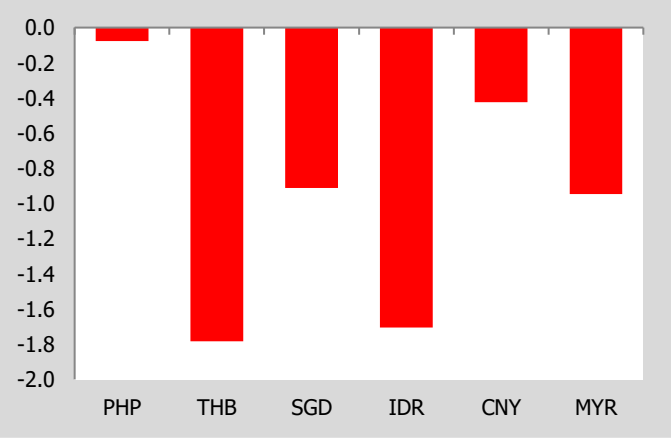
Note: "+" indicates appreciation, while "-" indicates depreciation. Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

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	2.00
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	2.75
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:
  - PCE Inflation moderated. The headline PCE inflation grew softer at +2.5%yoy in Jan-25 (Dec-24: +2.6%yoy), in line with market expectations. Meanwhile, core PCE eased to +2.6%yoy (Dec-24: +2.9%yoy), the first moderation since Jun-24.
  - Economic growth slowed. According to the 2nd Estimate, GDP slowed to +2.3%qoq in 4QCY24 (3QCY24: +3.1%qoq), in line with the advance estimate, with concerns that tariffs could raise prices and curb spending.
  - Unemployment claims grew**.** The initial jobless claims increased by +22K from the preceding week to 242K, well above the consensus of 221K. It recorded the largest increase in five months, indicating a steadily slowing labor market. The four-week moving average of claims rose sharply to the four-week moving average of claims to 224,000, an increase of 8,500.
  - Consumer confidence weakened**.** Based on the Conference Board survey, consumer confidence deteriorated, falling to 98.3 on Feb-25 (Jan-25: 105.3), the lowest since Aug-21.

- On monetary policy decisions last week:
  - The Bank of Korea cut interest rates by 25 basis points and lowered its GDP forecasts. The BOK's seven-member board unanimously voted to reduce its benchmark interest rate, and the reduction is the third since the BOK started cutting borrowing costs from a 15-year high in October. The central bank also lowered its growth forecast for this year to 1.5% from 1.9%, below the range of 1.6% and 1.7%
  - Thailand's central bank cuts its interest rate by -25bps to 2% in its Feb-25 decision against the market expectations of maintaining the rate and marking its lowest level since Jul-23. Six of seven members of the Monetary Policy Committee voted in favour of a rate cut with only one member advocating for an unchanged rate.

- Malaysia's economic update last week:
  - Malaysia's PPI grew faster. Malaysia's producer prices grew at a faster pace of +0.8%yoy in Jan-25 (Dec-24: +0.5%yoy). This marked two consecutive months of rising prices and the quickest rate since Jul-24.
  - Malaysia's leading index up by +3.1%yoy. Malaysia's economy is expected to continue to demonstrate promising progress in the near term as the leading index (LI) accelerated to +3.1%yoy in Dec-24 (Dec-23: +0.4%yoy). The annual growth was mainly driven by the strong performance in the Bursa Malaysia Industrial Index (+27.1%yoy) and the Real Imports of Semiconductors (+21.6%yoy).

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	21-Feb Fri	24-Feb Mon	25-Feb Tue	26-Feb Wed	27-Feb Thu	28-Feb Fri	Change (WoW bp)
MGS							
3-Y	3.445	3.445	3.442	3.431	3.426	3.426	-1.9
5-Y	3.592	3.592	3.594	3.594	3.586	3.583	-0.9
7-Y	3.756	3.801	3.758	3.754	3.751	3.757	0.1
10-Y	3.794	3.793	3.783	3.79	3.783	3.785	-0.9
20-Y	4.066	4.033	4.062	4.064	4.059	4.057	-0.9
RINGGIT IRS							
1-Y	3.6	3.5912	3.59	3.5925	3.607	3.605	0.5
3-Y	3.5325	3.525	3.515	3.5245	3.5325	3.525	-0.75
5-Y	3.58	3.565	3.5575	3.5675	3.57	3.55	-3
7-Y	3.655	3.645	3.625	3.645	3.643	3.625	-3
10-Y	3.764	3.74	3.73	3.72	3.742	3.715	-4.9
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	4.2073	4.1734	4.086	4.0436	4.0293	3.9695	-23.78
5-Y	4.2725	4.2352	4.1292	4.0836	4.0732	4.0191	-25.34
7-Y	4.3535	4.3166	4.2092	4.1701	4.1691	4.1146	-23.89
10-Y	4.4313	4.4003	4.2945	4.2562	4.2599	4.2082	-22.31
30-Y	4.6785	4.655	4.5548	4.5093	4.531	4.4894	-18.91

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	21-Feb Yield	28-Feb Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.955	09/15/25	3.166	3.244	7.8	3,557.2
MALAYSIA INVESTMNT ISSUE	3.804	10/08/31	3.764	3.758	-0.6	2,237.9
MALAYSIA GOVERNMENT	3.582	07/15/32	3.756	3.746	-1.0	2,199.5
MALAYSIA GOVERNMENT	3.502	05/31/27	3.445	3.426	-1.9	1,390.2
MALAYSIA GOVERNMENT	3.882	03/14/25	3.165	3.065	-10.0	1,297.0
MALAYSIA GOVERNMENT	3.885	08/15/29	3.592	3.583	-0.9	1,284.4
MALAYSIA INVESTMNT ISSUE	3.599	07/31/28	3.554	3.554	0.0	1,172.0
MALAYSIA INVESTMNT ISSUE	4.291	08/14/43	4.074	4.066	-0.8	1,092.5
MALAYSIA GOVERNMENT	4.18	05/16/44	4.066	4.057	-0.9	995.1
MALAYSIA GOVERNMENT	2.632	04/15/31	3.772	3.749	-2.3	923.3
TOTAL VOLUME (TOP 10)						16,149.1
TOTAL VOLUME (Overall)						30,601.2

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	21-Feb Yield	28-Feb Yield	Change (WoW bp)	Weekly Volume (RM mn)
PRASARANA MALAYSIA BHD	4.18	08/27/32	N/A	3.814	N/A	990.0
PERBADANAN TABUNG PENDI	4.03	03/07/36	3.876	3.869	-0.7	340.0
PROJEK LEBUHRAYA USAHASA	5	12/31/38	N/A	3.955	N/A	145.0
SARAWAK HIDRO SDN BHD	4.38	08/11/25	N/A	3.494	N/A	135.0
TG TREASURY BHD	4.22	02/20/30	4.097	4.058	-3.9	120.0
DANAINFRA NASIONAL	4.57	05/02/31	3.748	3.738	-1.0	110.0
PROJEK LEBUHRAYA USAHASA	4.86	01/12/38	3.942	3.968	2.6	100.0
DANAINFRA NASIONAL	4.07	04/07/32	N/A	3.802	N/A	100.0
YTL POWER INTERNATIONAL	4.74	08/24/38	4.089	4.084	-0.5	90.0
DANAINFRA NASIONAL	4.85	05/03/41	N/A	4.025	N/A	70.0
TOTAL VOLUME (TOP 10)						2,200.0
TOTAL VOLUME (Overall)						4,780.7

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.
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