midf RESEARCH

MIDF AMANAH
INVESTMENT BANK BERHAD

WEEKLY MONEY REVIEW

MIDF Strategy 10 March 2025

Week Ended 7 March 2025

- A multi-week rally in the UST market ended with benchmark 10-year yield closed the review week higher at 4.30% (prior week: 4.21%) as investors weighed the effect of President Trump's tariffs on inflation amid rising concerns over the health of the US economy. The 10y-3y yield spread expanded (yield curve steepened) to +29bp (prior week: +24bp) as the long-end underperformed. At week close, the interest rate futures market implied 3 rate cuts totaling -75bp (prior week: 3 cuts totaling -75bp) in 2025.
- Medium-term inflation expectation (MTIE) ended the review week lower at 2.57% (prior week: 2.63%). 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 inflation trend is easing despite the recent multi-month upswing in MTIE.
- The price of MGS benchmark issues ended the review week higher with the 3-year and 10-year yields shed -2.5bp and -1.8bp to close at 3.40% and 3.77% respectively. The 10y-3y yield spread expanded (yield curve steepened) to +37bp (prior week: +36bp) 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 -RM10.6b. It improved week-on-week from -RM11.2b registered a week ago. However, it declined year-on-year from -RM872m a year ago.

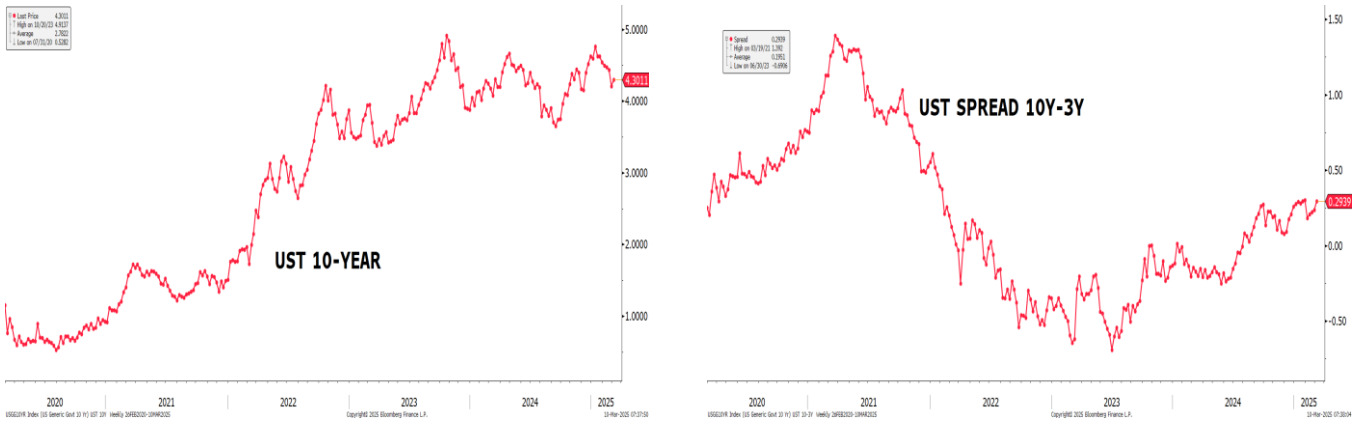
10 March 2025 | **Strategy**

Strategy Team | research@midf.com.my

Weekly Money Review

A. FIXED INCOME

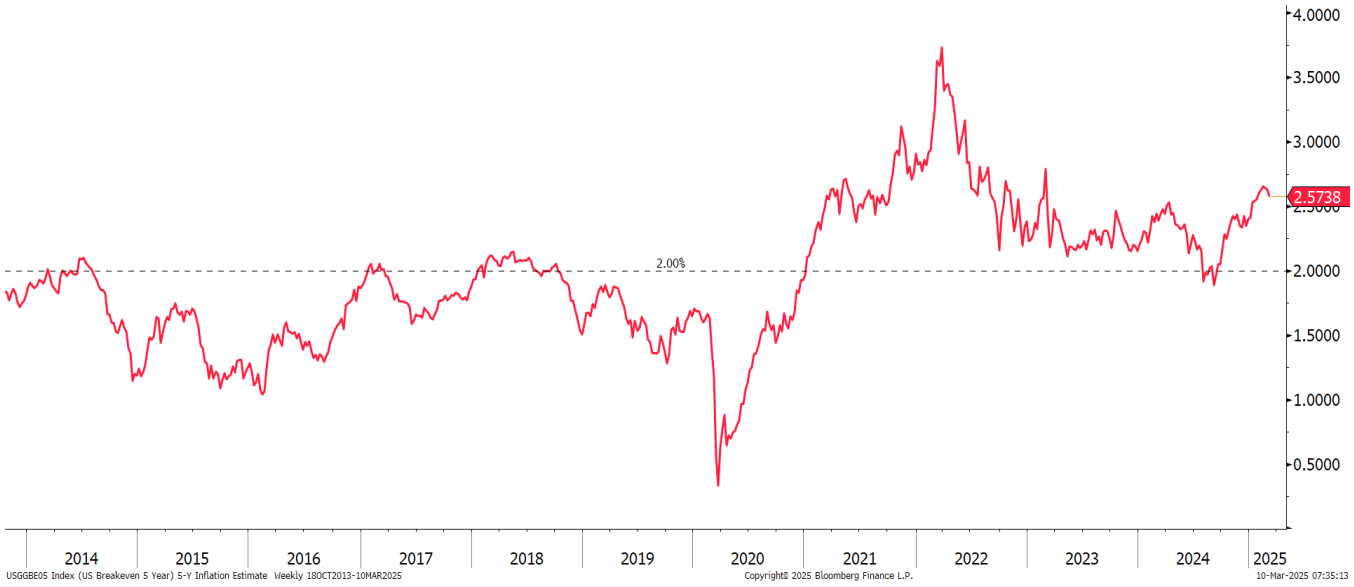
- A multi-week rally in the UST market ended with benchmark 10-year yield closed the review week higher at 4.30% (prior week: 4.21%) as investors weighed the effect of President Trump's tariffs on inflation amid rising concerns over the health of the US economy. The 10y-3y yield spread expanded (yield curve steepened) to +29bp (prior week: +24bp) as the long-end underperformed. At week close, the interest rate futures market implied 3 rate cuts totaling -75bp (prior week: 3 cuts totaling -75bp) in 2025.



Source: Bloomberg, MIDFR (G628, G629)

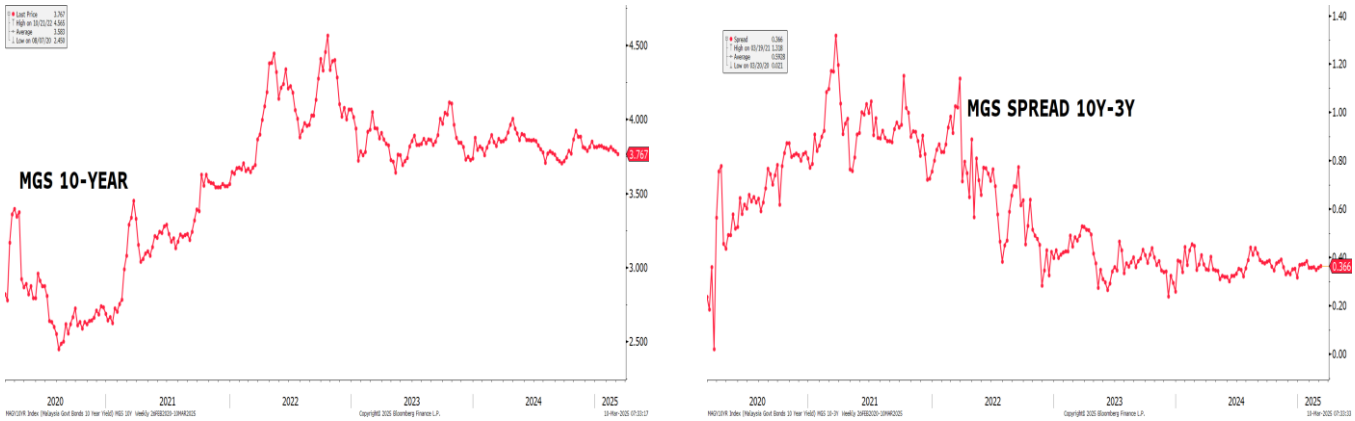
- Medium-term inflation expectation (MTIE) ended the review week lower at 2.57% (prior week: 2.63%). The MTIE has remained above the US Fed target level of 2.00% since the initial interest rate cut in September 2024. We believe the market may be perturbed but is still convinced the inflation trend is easing despite the recent multi-month 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 -2.5bp and -1.8bp to close at 3.40% and 3.77% respectively. The 10y-3y yield spread expanded (yield curve steepened) to +37bp (prior week: +36bp) as the short-end outperformed.

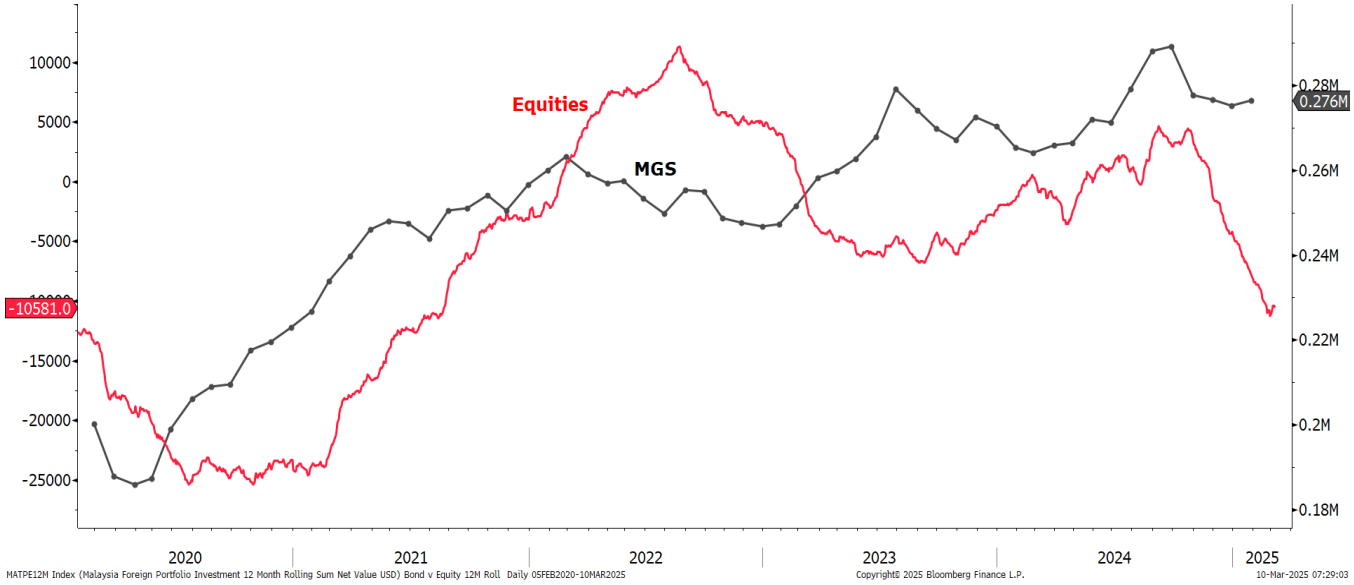


Source: Bloomberg, MIDFR (G630, G631)

- Total trading value for Government Bonds (MGS/MII) increased to RM39.4b in the review week compared to RM30.6b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 49% from 53% of the overall Government Bonds trades. Moreover, 9 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 varied residual tenors. The top 3 most actively traded were MGS 3.955% 9/15/25 at RM3.4b, MII 3.804% 10/8/31 at RM2.4b, and MGS 4.054% 4/18/39 at RM2.1b.

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 -RM10.6b. It improved week-on-week from -RM11.2b registered a week ago. However, it declined year-on-year from -RM872m a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM4.7b in the review week compared to RM4.8b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 34% from 46% of the overall Corporate Bonds trades.

- The top 3 actively traded Corporate Bonds were dominated by issues of short residual tenor. The top 3 most actively traded were Malaysia Rail Link 0% 6/12/25 at RM500m, Petroleum Sarawak Exploration 3.8% 3/17/28 at RM180m, and Cagamas 3.8% 11/13/25 at RM180m.

B. FOREIGN EXCHANGE

- USD depreciated last week. The US dollar weakened last week as the DXY declined by -3.5%wow to 103.84. The index came off and breached below the 104 level during the mid-week as economic data releases pointed to weaker manufacturing activities, while President Donald Trump went ahead with the increased tariffs on Canadian and Mexican products, with some exceptions on several products. Meanwhile, Canada and China announced further retaliation on US imports by imposing tariffs, while Mexico is in preparation to counteract the US tariff, which has led to growing expectations of weaker economic activities for the US. In turn, market expectation on the FFR rate path based on the interest rate futures has shifted, pricing an additional rate cut and making it three cuts for this year. The first-rate cut is expected to happen in the June-25 FOMC meeting, and the third rate cut will be in Dec-25. However, the weakness in the dollar tapered towards the end of the week after the release of the labour market data which still signalled resilience in the job market.

- Euro and pound sterling both appreciated. The euro appreciated against the US dollar last week by +4.4%wow to USD1.083, despite the European Central Bank (ECB) cutting its key interest rate by -25bps as the dollar weakened last week. Meanwhile, the pound sterling appreciated by +2.7%wow against the US dollar and closed at USD1.292.

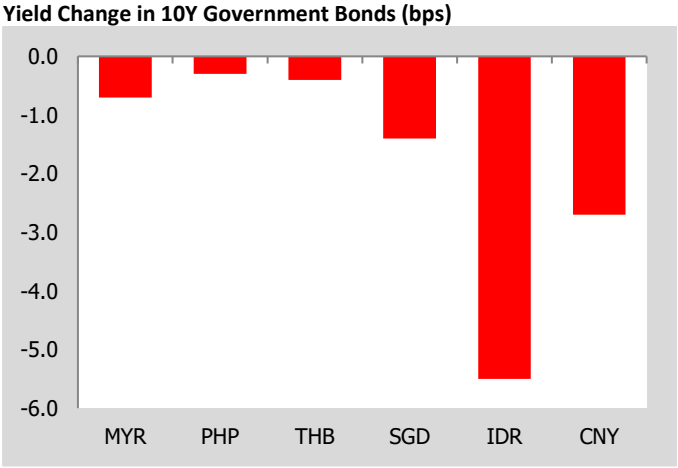
- Ringgit appreciated slightly. The ringgit gradually appreciated against the US dollar since the start of the week on the back of encouraging manufacturing PMI release and the BNM MPC decision to keep OPR unchanged, although the central bank signalled external uncertainty could weigh on the ringgit performance. Meanwhile, the ringgit was supported by the news coming from China's National People's Congress, which indicated that the Chinese government expects GDP to grow at +5.0% this year by boosting consumption, higher bond issuance to support the economy, and raising its budget deficit to 4.0% of GDP (previous: 3.0%), being the highest since 2010.

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

	Close 7/03	Prev. Close 28/02	Weekly Change	Weekly Change (%)	1QCY25f	2QCY25f	3QCY25f	4QCY25f
DXY Index	103.84	107.61	-3.776	-3.5	109.00	107.40	106.50	104.60
EURUSD	1.083	1.038	+0.046	+4.4	1.04	1.05	1.07	1.09
GBPUSD	1.292	1.258	+0.034	+2.7	1.26	1.28	1.30	1.32
USDJPY	148.0	150.6	+2.590	+1.7	150.00	147.80	146.70	143.94
USDMYR	4.412	4.463	+0.051	+1.1	4.40	4.31	4.22	4.03
GBPMYR	5.709	5.621	-0.088	-1.5	5.54	5.52	5.44	5.28
JPYMYR	2.981	2.963	-0.018	-0.6	2.93	2.93	2.88	2.83
MIDF TWRI	91.48	91.63	-0.150	-0.2	92.00	93.50	94.10	95.00

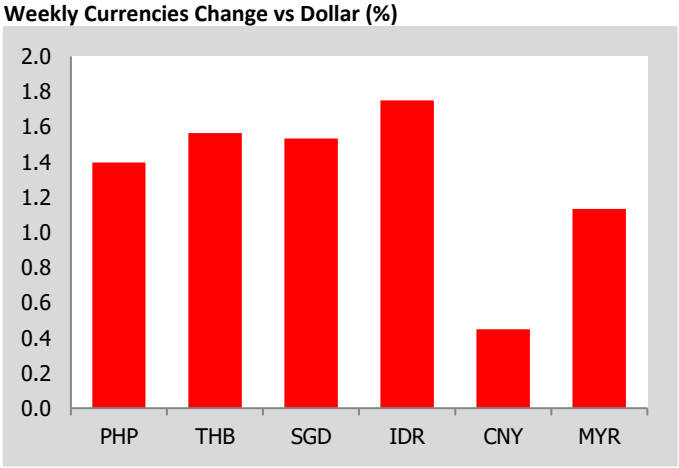
Note: "+" indicates appreciation, while "-" indicates depreciation. Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

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	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-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	6.00	6.00	6.00	6.00	5.75	5.75	5.75
Philippines	6.50	6.25	6.25	6.00	6.00	5.75	5.75	5.75	5.75
Thailand	2.50	2.50	2.50	2.25	2.25	2.25	2.25	2.00	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	3.25	3.00	3.00	3.00	2.75	2.75
India	6.50	6.50	6.50	6.50	6.50	6.50	6.25	6.25	6.25
Japan	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50
UK	5.00	5.00	5.00	5.00	4.75	4.75	4.75	4.50	4.50
Euro area	4.25	4.25	3.65	3.40	3.40	3.15	2.90	2.90	2.90
USA	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	4.25-4.50

Source: Bloomberg, MIDFR

- US economic data released last week:
  - Manufacturing activity slowed. The ISM Manufacturing PMI fell to 50.3 in Feb-25 from 50.9 in Jan-25, indicating slower expansion due to decreased demand, stable production, and continued job cuts amid new tariffs.
  - S&P Global PMI indicated stronger activities. The S&P Global US Composite PMI for February 2025 was finalised at 51.6, a slight upward revision from the preliminary 50.4 but a decrease from January's 52.7. This indicates a notable slowdown in the overall US private sector, marking the weakest expansion since April 2024. The service sector, a key component, experienced its slowest growth in 15 months. However, manufacturing output saw a robust increase. The Services PMI fell to 51 in Feb-25 from 52.9 in Jan-25.
  - Unemployment claims declined. The initial jobless claims declined by -21K from the previous week to 221K, well below the market consensus of 235K. The result continues to signal that the US continues to have a tight labour market.
  - US trade deficit widened. The U.S. trade deficit hit a record USD131.4b in Jan-25, up from USD98.1b in Dec-25. Imports soared 10% to a record USD401.2b due to expected tariffs, while exports rose only 1.2%.
  - Non-farm payroll moved higher. The non-farm payroll (NFP) added +151K jobs in Feb-25, higher than the +125K added in Jan-25, but lower than consensus of +160K. The increases were seen in the healthcare services, financial activities, transportation, and warehousing. Meanwhile, the Federal government employment declined by -10K, due to the impact of the DOGE layoff. Stronger job growth indicates that the US labour market is still resilient
  - The unemployment rate rose higher. The US unemployment rate increased to 4.1% in Feb-25, slightly higher than the 4.0% recorded in Jan-25 (consensus: 4.0%). The number of employed people declined by -588K to 163.1m, while labour force participation declined to 62.4%.

- On monetary policy decisions last week:
  - The ECB cut its key interest rates by -0.25bps, lowering the deposit, refinancing, and lending rates to 2.50%, 2.65%, and 2.90%, respectively, based on revised inflation and policy assessments. The ECB lowered its 2025 economic growth forecast, which expects growth to be at +0.9% for 2025, compared to the previous year of +0.7%.
  - As broadly expected, BNM maintained the Overnight Policy Rate (OPR) at 3.00% during the Mar-25 Monetary Policy Meeting, emphasizing that the current policy stance remains conducive to sustain economic growth.

- Malaysia's economic update last week:
  - Manufacturing remains in contraction. The S&P Malaysia manufacturing PMI rose to 49.7 in Feb-25 (previous: 48.7). New orders increased for the first time since last October, driven in part by domestic sales growth, though new export orders declined for the third straight month.

C. BNM INTERNATIONAL RESERVES

- As of 28 February 2025, compared to previous fortnight, Bank Negara Malaysia's international reserves was higher at USD118.3b (14 February 2025: USD117.7b).

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	28-Feb Fri	3-Mar Mon	4-Mar Tue	5-Mar Wed	6-Mar Thu	7-Mar Fri	Change (WoW bp)
MGS							
3-Y	3.426	3.43	3.421	3.411	3.422	3.401	-2.5
5-Y	3.583	3.588	3.588	3.578	3.585	3.577	-0.6
7-Y	3.757	3.751	3.736	3.723	3.727	3.719	-3.8
10-Y	3.785	3.792	3.774	3.766	3.769	3.767	-1.8
20-Y	4.057	4.053	4.051	4.052	4.051	4.048	-0.9
RINGGIT IRS							
1-Y	3.605	3.6	3.59	3.56	3.585	3.575	-3
3-Y	3.525	3.515	3.494	3.465	3.49	3.47	-5.5
5-Y	3.55	3.5525	3.515	3.4825	3.5275	3.505	-4.5
7-Y	3.625	3.629	3.584	3.565	3.595	3.579	-4.6
10-Y	3.715	3.725	3.695	3.655	3.695	3.655	-6
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	3.9695	3.927	3.9858	4.011	3.9712	4.0072	3.77
5-Y	4.0191	3.9616	4.0453	4.0785	4.0558	4.0856	6.65
7-Y	4.1146	4.0524	4.1457	4.1795	4.1691	4.1978	8.32
10-Y	4.2082	4.1551	4.2442	4.2785	4.2784	4.3011	9.29
30-Y	4.4894	4.4493	4.5376	4.5719	4.5786	4.5978	10.84

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	28-Feb Yield	7-Mar Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.955	09/15/25	3.244	3.179	-6.5	3,376.6
MALAYSIA INVESTMNT ISSUE	3.804	10/08/31	3.758	3.726	-3.2	2,355.6
MALAYSIA GOVERNMENT	4.054	04/18/39	3.959	3.949	-1.0	2,091.2
MALAYSIA GOVERNMENT	3.885	08/15/29	3.583	3.577	-0.6	2,047.3
MALAYSIA GOVERNMENT	3.882	03/14/25	3.065	3.336	27.1	1,837.4
MALAYSIA GOVERNMENT	3.582	07/15/32	3.746	3.719	-2.7	1,737.3
MALAYSIA INVESTMNT ISSUE	4.119	11/30/34	3.809	3.785	-2.4	1,556.9
MALAYSIA INVESTMNT ISSUE	4.13	07/09/29	3.633	3.601	-3.2	1,512.1
MALAYSIA INVESTMNT ISSUE	3.635	08/30/30	3.629	3.592	-3.7	1,414.2
MALAYSIA INVESTMNT ISSUE	4.582	08/30/33	3.796	3.776	-2.0	1,360.2
TOTAL VOLUME (TOP 10)						19,288.7
TOTAL VOLUME (Overall)						39,452.0

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	28-Feb Yield	7-Mar Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA RAIL LINK	ZERO	06/12/25	N/A	3.390	N/A	500.0
PETROLEUM SARAWAK EXPLO	3.8	03/17/28	3.680	3.677	-0.3	180.0
CAGAMAS BERHAD	3.8	11/13/25	N/A	3.659	N/A	180.0
DANAINFRA NASIONAL	4.7	11/10/51	4.176	4.167	-0.9	170.0
TNB POWER GENERATION	4.58	03/29/33	3.905	3.889	-1.6	110.0
PENGURUSAN AIR SELANGOR	5.45	07/25/42	N/A	4.051	N/A	105.0
MALAYSIA DEBT VENTURES	4.39	09/14/28	N/A	3.641	N/A	100.0
RHB BANK	3.95	05/25/26	3.631	3.609	-2.2	100.0
DANAINFRA NASIONAL	4.08	03/30/29	3.638	3.600	-3.8	80.0
PROJEK LEBUHRAYA USAHASA	4.891	01/11/36	3.933	3.929	-0.4	80.0
TOTAL VOLUME (TOP 10)						1,605.0
TOTAL VOLUME (Overall)						4,756.4

Source: Bloomberg

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077 (23878-X)).
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878-X)). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This document may not be reproduced, distributed or published in any form or for any purpose.

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