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MIDF AMANAH
INVESTMENT BANK BERHAD

WEEKLY MONEY REVIEW

MIDF Strategy 17 March 2025

Week Ended 14 March 2025

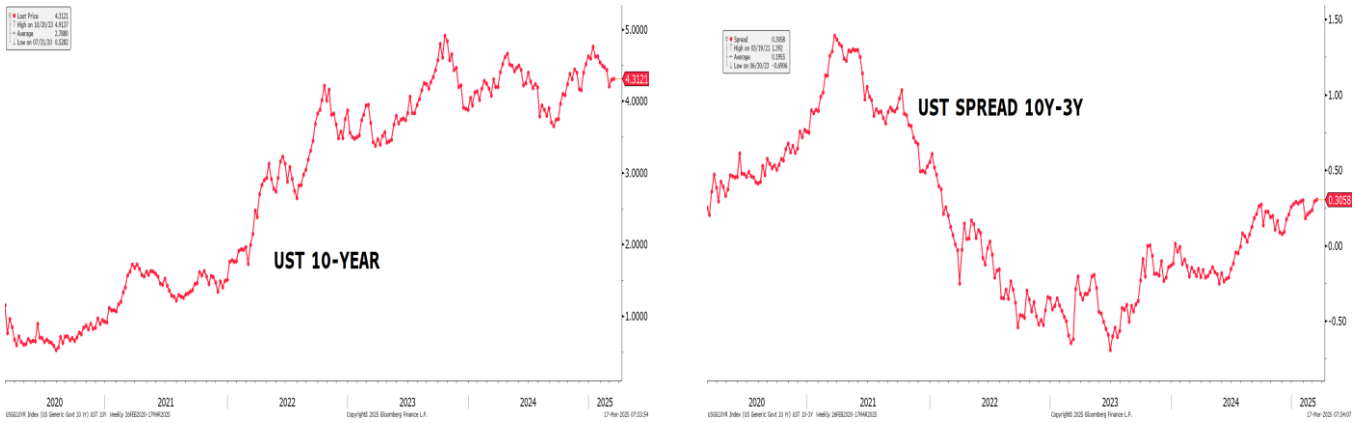
- The UST market saw further selling with benchmark 10-year yield closed the review week higher at 4.31% (prior week: 4.30%) as investors continued to weigh the effect of President Trump's proposed tariffs on inflation amid concerns over the health of the US economy. The 10y-3y yield spread expanded (yield curve steepened) to +31bp (prior week: +29bp) 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 2.53% (prior week: 2.57%). 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 are 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 -1.5bp and -0.7bp to close at 3.39% and 3.76% respectively. The 10y-3y yield spread expanded (yield curve steepened) to +37bp (prior week: +36bp) as the short-end outperformed.
- MGS foreign holdings declined month-on-month to RM275b in February 2025 from RM276b in January 2025. However, it increased year-on-year from RM264b in February 2024. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM11.6b. It declined week-on-week from -RM10.6b registered a week ago. Moreover, it declined year-on-year from -RM593m a year ago.

17 March 2025 | **Strategy** Strategy Team | research@midf.com.my

Weekly Money Review

A. FIXED INCOME

- The UST market saw further selling with benchmark 10-year yield closed the review week higher at 4.31% (prior week: 4.30%) as investors continued to weigh the effect of President Trump's proposed tariffs on inflation amid concerns over the health of the US economy. The 10y-3y yield spread expanded (yield curve steepened) to +31bp (prior week: +29bp) 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 2.53% (prior week: 2.57%). 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 are 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 -1.5bp and -0.7bp to close at 3.39% and 3.76% respectively. The 10y-3y yield spread expanded (yield curve steepened) to +37bp (prior week: +36bp) as the short-end outperformed.

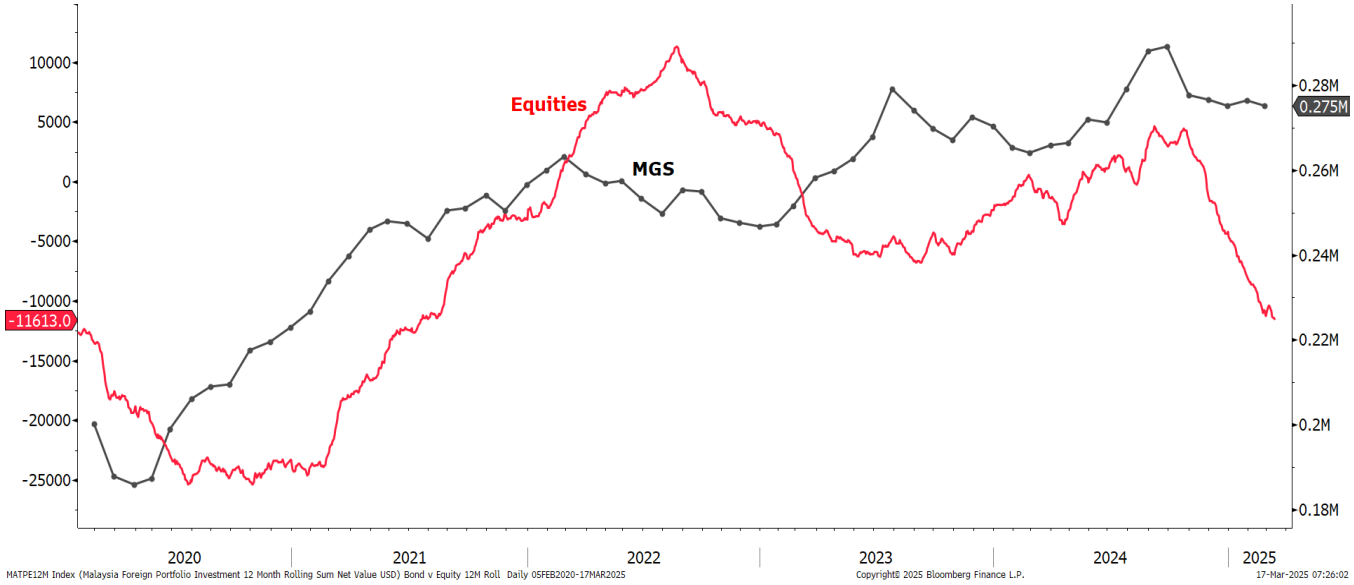


Source: Bloomberg, MIDFR (G630, G631)

- Total trading value for Government Bonds (MGS/MII) declined to RM32.8b in the review week compared to RM39.4b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 46% from 49% 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 short and mid residual tenor. The top 3 most actively traded were MII 3.804% 10/8/31 at RM2.3b, MII 4.245% 9/30/30 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 declined month-on-month to RM275b in February 2025 from RM276b in January 2025. However, it increased year-on-year from RM264b in February 2024. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM11.6b. It declined week-on-week from -RM10.6b registered a week ago. Moreover, it declined year-on-year from -RM593m a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM4.6b in the review week compared to RM4.7b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 27% from 34% 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 Johor Corp 4.72% 6/11/27 at RM210m, Cagamas 3.89% 11/2/29 at RM200m, and Cagamas 3.86% 3/29/29 at RM140m.

B. FOREIGN EXCHANGE

- Slight depreciation in US dollar. The US dollar slightly weakened last week as the DXY declined by -0.1%wow to 103.72. The index continued to be eased below the 104.0 level after breaching the level at the end of the previous week. The DXY weakened on the back of the easing inflationary pressure as reported from the CPI and PPI release, which strengthened the view of the market expectation on the FFR rate path based on the interest rate futures to price a three-rate cut scenario for this year. On top of that, the selling pressure in the equity market added to the recession warnings from survey data, which continues to weigh down on the DXY performance. Consequentially, we foresee investors maintaining a cautious stance in Mar-25, closely monitoring more policy changes that may heighten inflationary concerns in the US.

- Euro and pound sterling both appreciated. The pound sterling appreciated against the US dollar last week by +0.1%wow to USD1.294, the highest weekly closing since late Oct-24, on the back of a weaker US dollar and despite moderation in the UK economic growth in Jan-25. Meanwhile, the euro appreciated against the US dollar last week by +0.4%wow and closed at USD1.088, also the strongest weekly closing in 5 months.

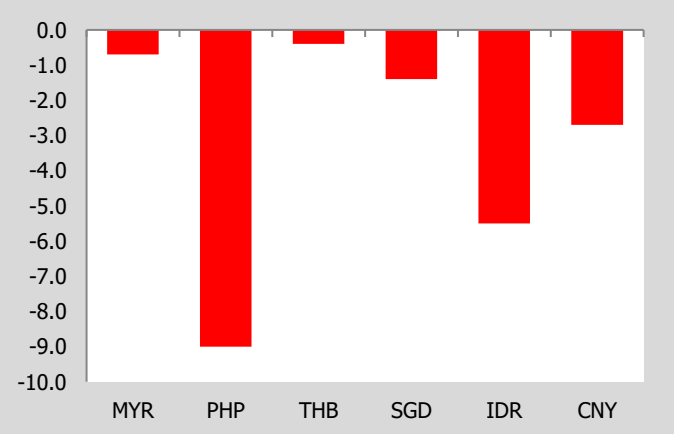
- Ringgit weakened despite weaker USD. The ringgit gradually depreciated against the US dollar since the start of the week. Despite the encouraging data releases during the week which indicated still positive performance in the retail trade and labour market, the equity market moved lower due to global growth concerns and the weak sentiment also weighed down on the ringgit performance. The ringgit ended last week -0.8%wow weaker at RM4.446. In addition, ringgit depreciated against the currencies of Malaysia's trading partner as our MIDF Trade Weighted Ringgit Index fell by -0.5%wow to 91.1 (previous: 91.6), depreciating mainly against the Thailand baht (-1.0%wow), Australian dollar (-0.9%wow), and Chinese yuan (-0.8%wow).

Currencies Changes (Week Ended 14 March 2025) and Quarterly Forecasts

	Close 14/03	Prev. Close 7/02	Weekly Change	Weekly Change (%)	1QCY25f	2QCY25f	3QCY25f	4QCY25f
DXY Index	103.72	103.84	-0.120	-0.1	109.00	107.40	106.50	104.60
EURUSD	1.088	1.083	+0.005	+0.4	1.04	1.05	1.07	1.09
GBPUSD	1.294	1.292	+0.002	+0.1	1.26	1.28	1.30	1.32
USDJPY	148.6	148.0	-0.600	-0.4	150.00	147.80	146.70	143.94
USDMYR	4.446	4.412	-0.034	-0.8	4.40	4.31	4.22	4.03
GBPMYR	5.748	5.709	-0.039	-0.7	5.54	5.52	5.44	5.28
JPYMYR	2.990	2.981	-0.009	-0.3	2.93	2.93	2.88	2.83
MIDF TWRI	91.10	91.57	-0.473	-0.5	92.00	93.50	94.10	95.00

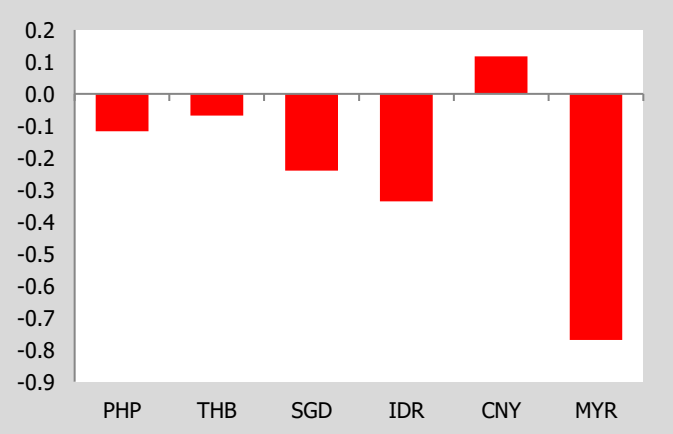
Note: "+" indicates appreciation, while "-"indicates depreciation. Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

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:
  - Headline inflation eased. The US CPI inflation eased to +2.8%yoy in Feb-25 (Jan-25: +3.0%yoy), below market consensus of +2.9%yoy, with energy costs declining by -0.2%yoy (Jan-25: +1.0%yoy). Meanwhile, the core CPI inflation slowed to +3.1%yoy (Jan-25: +3.3%yoy; consensus: +3.2%yoy), the lowest level since Apr-21.
  - Producer prices moderated. The producer price index (PPI) moderated to +3.2%yoy (Jan-25: +3.7%yoy), marking the smallest growth in the past three months. Meanwhile, the core PPI inflation moderated to +3.3%yoy (Jan-25: +3.4%yoy), the slowest in ten months.
  - Jobs opening expanded in Jan-25. JOLTS job openings increased by +232K to 7.74m in Jan-25, with notable increases in the retail trade (+143K) and finance and insurance (+77K). The opening of jobs could potentially soften in the coming months due to uncertainties in the government policies.
  - Unemployment claims continued to decline. The weekly initial jobless claims declined by -2K to 220K, well below the market expectation of 225K. The result continues to signal that the US continues to have a tight labour market.

- On monetary policy decisions last week:
  - The Bank of Canada trimmed its key policy rate by 25 basis points on Wednesday to 2.75% and raised concerns about inflationary pressures and weaker economic growth stemming from trade uncertainty and President Donald Trump's tariffs. The bank also said it would "proceed carefully with any further changes"

- Malaysia's economic update last week:
  - IPI growth moderated more than expected. Malaysia's IPI growth eased to +2.1%yoy in Jan-25 (Dec-24: +4.6%yoy), growing for the 13th straight month since Jan-24. The moderation was expected in view of slower export growth, but the Jan-25 IPI growth was relatively market expectations mainly due to slower growth in manufacturing output (+3.7%yoy; Dec-24: +5.8%yoy).
  - Retail trade grew faster in Jan-25. Malaysia's retail spending registered an encouraging start at the beginning of the year as retail trade grew faster at +8.2%yoy in Jan-25 (Dec-24: +5.4%yoy). Nevertheless, the overall distributive trade growth softened to +4.6%yoy (Dec: +5.7%yoy) on the back of a more moderate rise in wholesale trade (+4.9%yoy; Dec-24: +5.7%yoy)
  - The unemployment rate unchanged at 3.1%. Malaysia's labour market began the year on a stable footing as the unemployment rate remained steady at 3.1% in Jan-25. The stable labor market was mainly attributable to robust investment in the semiconductor industry, which continues to fuel job creation and boost employment.

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	7-Mar Fri	10-Mar Mon	11-Mar Tue	12-Mar Wed	13-Mar Thu	14-Mar Fri	Change (WoW bp)
MGS							
3-Y	3.401	3.401	3.396	3.392	3.386	3.386	-1.5
5-Y	3.577	3.572	3.565	3.564	3.567	3.556	-2.1
7-Y	3.719	3.719	3.723	3.715	3.707	3.707	-1.2
10-Y	3.767	3.771	3.763	3.763	3.757	3.76	-0.7
20-Y	4.048	4.045	4.04	4.036	4.035	4.029	-1.9
RINGGIT IRS							
1-Y	3.575	3.565	3.5637	3.57	3.56	3.5575	-1.75
3-Y	3.47	3.47	3.46	3.47	3.465	3.465	-0.5
5-Y	3.505	3.5045	3.49	3.5025	3.4975	3.4875	-1.75
7-Y	3.579	3.565	3.555	3.575	3.5775	3.56	-1.9
10-Y	3.655	3.67	3.66	3.67	3.665	3.655	0
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	4.0072	3.8908	3.9471	3.9839	3.9447	4.0063	-0.09
5-Y	4.0856	3.9666	4.0348	4.0699	4.0295	4.0893	0.37
7-Y	4.1978	4.091	4.1613	4.1926	4.1508	4.2031	0.53
10-Y	4.3011	4.2131	4.2799	4.3124	4.2682	4.3121	1.1
30-Y	4.5978	4.5404	4.5949	4.6306	4.5891	4.6219	2.41

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	7-Mar Yield	14-Mar Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA INVESTMNT ISSUE	3.804	10/08/31	3.726	3.707	-1.9	2,326.9
MALAYSIA INVESTMNT ISSUE	4.245	09/30/30	3.653	3.623	-3.0	1,928.8
MALAYSIA GOVERNMENT	3.955	09/15/25	3.179	3.165	-1.4	1,683.3
MALAYSIA GOVERNMENT	2.632	04/15/31	3.719	3.711	-0.8	1,516.8
MALAYSIA INVESTMNT ISSUE	3.599	07/31/28	3.541	3.540	-0.1	1,414.1
MALAYSIA GOVERNMENT	4.054	04/18/39	3.949	3.923	-2.6	1,404.5
MALAYSIA INVESTMNT ISSUE	4.28	03/23/54	4.172	4.164	-0.8	1,259.8
MALAYSIA GOVERNMENT	3.502	05/31/27	3.401	3.386	-1.5	1,233.0
MALAYSIA INVESTMNT ISSUE	4.07	09/30/26	3.360	3.366	0.6	1,163.1
MALAYSIA INVESTMNT ISSUE	4.193	10/07/32	3.754	3.730	-2.4	1,004.1
TOTAL VOLUME (TOP 10)						14,934.5
TOTAL VOLUME (Overall)						32,816.4

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	7-Mar Yield	14-Mar Yield	Change (WoW bp)	Weekly Volume (RM mn)
JOHOR CORPORATION	4.72	06/11/27	4.483	3.826	-65.7	210.0
CAGAMAS BERHAD	3.89	11/02/29	N/A	3.766	N/A	200.0
CAGAMAS BERHAD	3.86	03/29/29	N/A	3.763	N/A	140.0
CAGAMAS BERHAD	3.81	02/04/28	3.739	3.710	-2.9	120.0
KUALA LUMPUR KEPONG BHD	4.65	04/24/26	N/A	3.618	N/A	100.0
DANAINFRA NASIONAL	4.7	11/10/51	4.167	4.156	-1.1	100.0
F&N CAPITAL SDN BHD	4.68	10/05/27	N/A	3.718	N/A	100.0
SARAWAK HIDRO SDN BHD	4.58	10/13/28	N/A	3.607	N/A	100.0
PUBLIC ISLAMIC BANK BHD	3.9	10/23/34	N/A	3.856	N/A	100.0
PERBADANAN TABUNG PENDI	4.11	03/07/39	3.961	3.935	-2.6	80.0
TOTAL VOLUME (TOP 10)						1,250.0
TOTAL VOLUME (Overall)						4,660.4

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 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