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MIDF AMANAH INVESTMENT BANK BERHAD

WEEKLY MONEY REVIEW

MIDF Strategy 24 March 2025

Week Ended 21 March 2025

- The UST market rebounded after 2 consecutive weeks of selling with benchmark 10-year yield closed the review week lower at 4.25% (prior week: 4.31%) as investors reacted to statement by US Fed expecting two rate cuts this year. The 10y-3y yield spread expanded (yield curve steepened) to +32bp (prior week: +31bp) as the short-end outperformed attributable to its higher sensitivity to policy action. 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 higher at 2.57% (prior week: 2.53%). 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 -3.4bp and -2.6bp to close at 3.35% and 3.73% respectively. The 10y-3y yield spread expanded (yield curve steepened) to +38bp (prior week: +37bp) 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 -RM12.5b. It declined week-on-week from -RM11.6b registered a week ago. Moreover, it declined year-on-year from -RM1.0b a year ago.

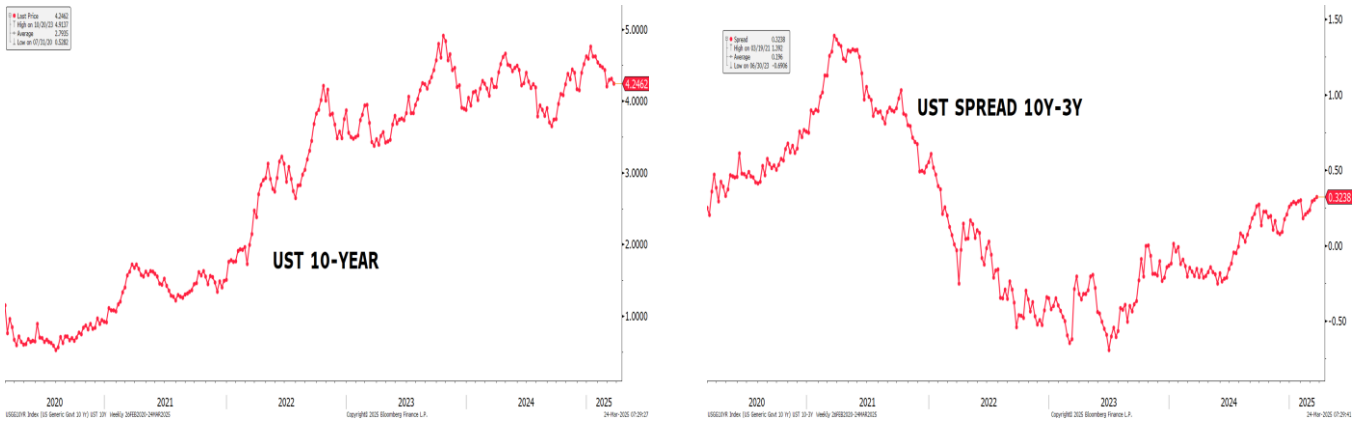
24 March 2025 | **Strategy**

Strategy Team | research@midf.com.my

Weekly Money Review

A. FIXED INCOME

- The UST market rebounded after 2 consecutive weeks of selling with a benchmark 10-year yield, which closed the review week lower at 4.25% (prior week: 4.31%) as investors reacted to statement by US Fed expecting two rate cuts this year. The 10y-3y yield spread expanded (yield curve steepened) to +32bp (prior week: +31bp) as the short-end outperformed attributable to its higher sensitivity to policy action. 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 higher at 2.57% (prior week: 2.53%). 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 -3.4bp and -2.6bp to close at 3.35% and 3.73% respectively. The 10y-3y yield spread expanded (yield curve steepened) to +38bp (prior week: +37bp) as the short-end outperformed.

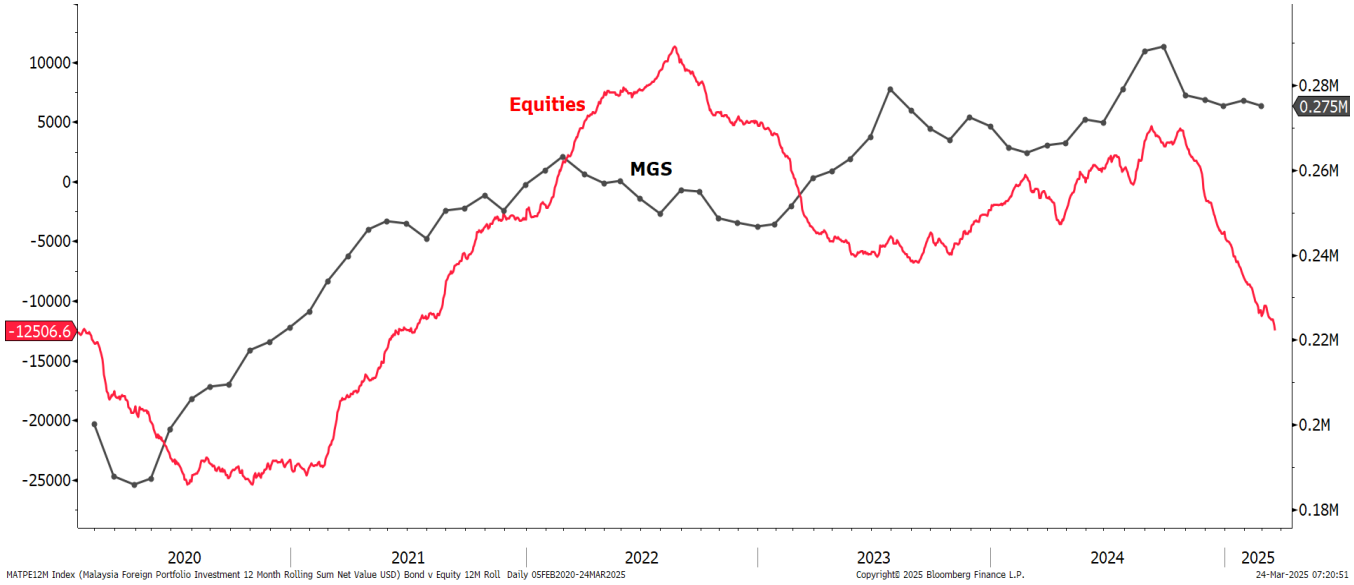


Source: Bloomberg, MIDFR (G630, G631)

- Total trading value for Government Bonds (MGS/MII) increased to RM46.2b in the review week compared to RM32.8b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 51% from 46% 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 MGS 3.828% 7/5/34 at RM5.5b, MGS 3.955% 9/15/25 at RM3.1b and MII 3.599% 7/31/28 at RM2.6b.

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 -RM12.5b. It declined week-on-week from -RM11.6b registered a week ago. Moreover, it declined year-on-year from -RM1.0b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM2.9b in the review week compared to RM4.6b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 35% from 27% of the overall Corporate Bonds trades.

- The top 3 actively traded Corporate Bonds were dominated by issues of short and mid residual tenor. The top 3 most actively traded were Pengurusan Air SPV 3.98% 6/3/31 at RM250m, Pengurusan Air SPV 4.56% 1/31/30 at RM170m, and Cagamas 4.62% 11/4/27 at RM100m.

B. FOREIGN EXCHANGE

- Slight appreciation in the US dollar. The US dollar slightly strengthened last week after two weeks of depreciation, the DXY rose by +0.4%wow to 104.09, the highest level for the week and breaching above the 104 level since 7 March 2025 but below 106.74 at the start of the month. The dollar performance was partly supported by the better-than-expected data releases such as the industrial production and retail sales. Meanwhile, the market reacted positively as the FOMC left the FFR unchanged and reiterated similar projection of 2 rate cuts this year despite signalling slightly higher inflation forecast, which was raised to +2.7% (Dec-24 projection: +2.5%), and downward revision to the US growth forecast. On top of that, Treasury Secretary Scott Bessent also mitigated concerns about a recession scenario and indicated that the underlying economy is healthy. Overall, we anticipate that investors will be cautious in the near term and will closely watch for additional US policy changes that might fuel inflation concerns.

- Euro and pound both depreciated. The pound sterling slightly depreciated against the US dollar last week by -0.1%wow to USD1.292 on the back of the Bank of England (BOE) maintaining its interest rate and signalling that inflation to temporarily rise in the 3Q25, on top of the US dollar strengthening last week. Meanwhile, the euro weakened against the US dollar last week by -0.6%wow to USD1.082.

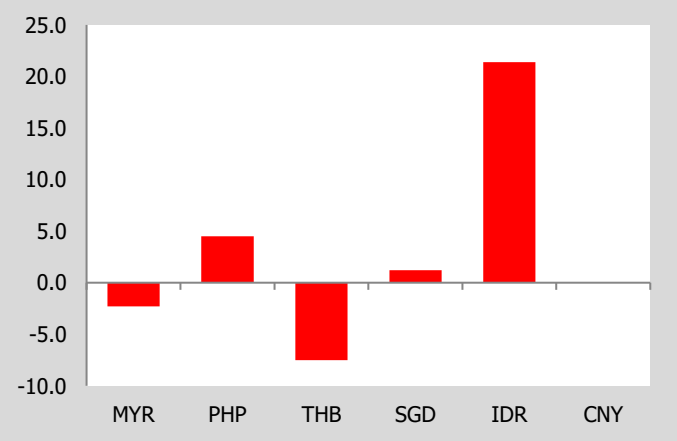
- Ringgit strengthened despite a stronger dollar. The ringgit gradually appreciated against the US dollar since the start of the week on the back of encouraging external trade performance. Meanwhile, inflation eased lower which supports the view that the OPR to remain unchanged for the year, supporting the stability of the ringgit. The ringgit ended higher last week, rising by +0.2%wow to RM4.421. In addition, the ringgit appreciated against the currencies of Malaysia's trading partners as our MIDF Trade-Weighted Ringgit Index increased by +0.2%wow to 91.3 (previous: 91.1), appreciating mainly against the Korean won (+1.5%wow), Indonesian rupiah (+1.4%wow), and Thailand baht (+1.3%wow).

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

	Close 21/03	Prev. Close 14/03	Weekly Change	Weekly Change (%)	1QCY25f	2QCY25f	3QCY25f	4QCY25f
DXY Index	104.09	103.72	+0.370	+0.4	104.0	102.00	100.00	98.00
EURUSD	1.082	1.088	-0.006	-0.6	1.04	1.05	1.07	1.09
GBPUSD	1.292	1.294	-0.002	-0.1	1.26	1.28	1.30	1.32
USDJPY	149.3	148.6	-0.680	-0.5	150.00	147.80	146.70	143.94
USDMYR	4.421	4.446	+0.026	+0.6	4.40	4.24	4.16	4.13
GBPMYR	5.717	5.748	+0.030	+0.5	5.54	5.52	5.44	5.28
JPYMYR	2.960	2.990	+0.030	+1.0	2.93	2.93	2.88	2.83
MIDF TWRI	91.30	91.10	+0.200	+0.2	92.00	93.50	94.10	95.00

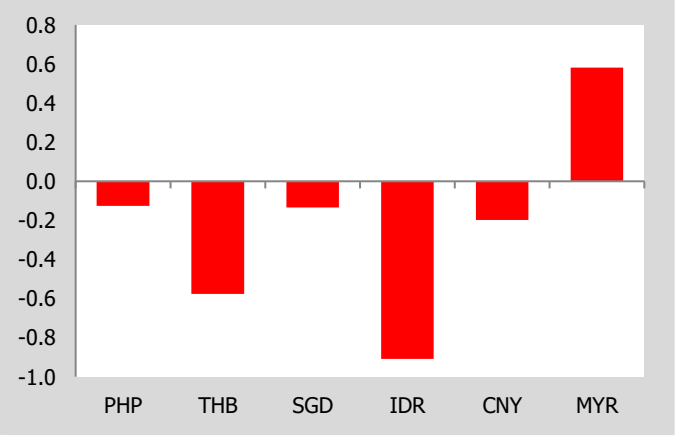
Note: "+" indicates appreciation, while "-" indicates depreciation. Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

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:
  - Industrial production grew slower. Industrial production in the US moderated to +1.4%yoy in Feb-25 (Jan-25: +1.9%yoy), while it grew by +0.7%mom in Feb-25, the third consecutive month of increases. Meanwhile, the manufacturing output increased by +0.9%mom, boosted by +8.5%yoy growth for motor vehicles and parts.
  - Manufacturing moderation. Manufacturing production growth moderated to +0.7%yoy in Feb-24 (Jan-25: +1.0%yoy). The growth was boosted by a surge in motor vehicle output, but tariffs are casting a shadow on factory recovery.
  - Retail sales picked up. Retail sales in the US increased +3.1%yoy in Feb-25, following a downwardly revised +3.9%yoy rise in January. Monthly sales increased by +2.4%yoy surge in receipts from online stores. Sales at health and personal care stores jumped +1.7%yoy. Sales at building material and garden equipment suppliers gained +0.2%yoy.
  - Jobless claims rose slightly higher. The weekly initial jobless claims increased by +2.0K to 223K, slightly below the market expectation of 224K. The result continues to signal that the US continues to have a robust labour market.

- On monetary policy decisions last week:
  - The Federal Reserve kept its benchmark interest rate unchanged, signalling that it still expects to cut rates twice this year. The FOMC revised its projection of the US GDP growth to lower to +1.7% (previous: +2.1%) for 2025 and +1.8% (previous: +2.0%) for 2026, while upgrading the headline and core PCE inflation forecast to +2.7% (previous: +2.5%) and +2.8% (previous: +2.5%), respectively. The FOMC still projects that the fed unds rate will be slashed to 3.90% this year and 3.40% next year.
  - The BOE maintained its interest rate at 4.50% in its Mar-25 decision, aligning with market expectations. Eight members of the Monetary Policy Committee voted in favour of an unchanged rate with only one member advocating for a -25bps cut. The BOE slightly raised its inflation forecast for this year's peak, now projecting +3.75% in the 3QCY25 (Feb-25 estimate: +3.7%), fuelled by rising energy costs
  - The People's Bank of China kept the 1-year loan prime rate (LPR) at 3.1% and the 5-year LPR at 3.6%, as China juggles between propping up growth and stabilising its currency amid escalating trade frictions. Meanwhile, China's inflation in Feb-25 contracted for the first time in over a year.
  - The Bank of Japan (BOJ) kept interest rates steady on Wednesday in a widely expected move, the board voted unanimously to maintain the bank's short-term policy rate at 0.5%. Policymakers chose to spend more time gauging how prospects of higher US tariffs would affect the export-reliant economy.
  - Bank Indonesia (BI) kept its key interest rate unchanged at 5.75%, within market expectations. This decision was made amidst a sharp sell-off in the Indonesian equity markets on Tuesday, driven by concerns over the country's fiscal situation and the resignation of the finance minister Indrawati and the legislative move to revise the Military Law.

- Malaysia's economic update last week:
  - External trade performed better in Feb-25**.** Malaysia's total trade expanded +5.9%yoy in Feb-25 (Jan-25: +3.1%yoy), driven by an improvement in exports (+6.2%yoy; Jan-25: +0.3%yoy) from the previous month's low, which was the weakest reading since Sep-24. The improved exports mainly stemmed from higher shipments of E&E products (+18.1%yoy; Jan-25: 14.9%yoy. Meanwhile, imports continued to expand albeit relatively slowly at +5.5%yoy (Jan-25:

+6.2%yoy), driven by increased imports of E&E products (+23.1%yoy). Re-exports and domestic exports grew faster by +7.3%yoy (Jan-25: -8.8%yoy) and +5.9%yoy (Jan-25: +3%yoy), respectively.

- Inflation moderates in Feb-25. Malaysia's headline inflation moderated to +1.5%yoy in Feb-25, slightly below our estimate of 1.6%yoy on the back of easing inflation in both food and non-food prices. Food inflation eased to +2.4%yoy (Jan-25: +2.5%yoy) due to slower inflation for food away from home (+4.6%yoy; Jan-24: +5.0%yoy).

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	14-Mar Fri	17-Mar Mon	18-Mar Tue	19-Mar Wed	20-Mar Thu	21-Mar Fri	Change (WoW bp)
MGS							
3-Y	3.386	3.358	3.358	3.334	3.362	3.352	-3.4
5-Y	3.556	3.557	3.557	3.546	3.538	3.536	-2
7-Y	3.707	3.704	3.704	3.687	3.684	3.68	-2.7
10-Y	3.76	3.758	3.758	3.746	3.738	3.734	-2.6
20-Y	4.029	4.025	4.025	3.995	3.985	3.979	-5
RINGGIT IRS							
1-Y	3.5575	3.565	3.565	3.5563	3.5412	3.5395	-1.8
3-Y	3.465	3.46	3.46	3.4575	3.425	3.4225	-4.25
5-Y	3.4875	3.49	3.49	3.485	3.455	3.4525	-3.5
7-Y	3.56	3.56	3.56	3.535	3.53	3.53	-3
10-Y	3.655	3.655	3.655	3.635	3.625	3.625	-3
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	4.0063	4.0232	4.0148	3.9504	3.9392	3.9224	-8.39
5-Y	4.0893	4.0911	4.0735	4.0207	4.0119	4.003	-8.63
7-Y	4.2031	4.2005	4.1822	4.1325	4.1246	4.122	-8.11
10-Y	4.3121	4.2985	4.2831	4.2428	4.2369	4.2462	-6.59
30-Y	4.6219	4.5939	4.5852	4.5507	4.5555	4.589	-3.29

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	14-Mar Yield	21-Mar Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.828	07/05/34	3.760	3.734	-2.6	5,524.8
MALAYSIA GOVERNMENT	3.955	09/15/25	3.165	3.179	1.4	3,129.0
MALAYSIA INVESTMNT ISSUE	3.599	07/31/28	3.540	3.496	-4.4	2,649.9
MALAYSIA GOVERNMENT	4.054	04/18/39	3.923	3.879	-4.4	2,028.8
MALAYSIA INVESTMNT ISSUE	3.804	10/08/31	3.707	3.684	-2.3	1,993.1
MALAYSIA GOVERNMENT	3.502	05/31/27	3.386	3.352	-3.4	1,888.9
MALAYSIA GOVERNMENT	3.899	11/16/27	3.445	3.405	-4.0	1,714.0
MALAYSIA INVESTMNT ISSUE	4.07	09/30/26	3.366	3.348	-1.8	1,658.8
MALAYSIA INVESTMNT ISSUE	4.193	10/07/32	3.730	3.708	-2.2	1,609.4
MALAYSIA INVESTMNT ISSUE	4.245	09/30/30	3.623	3.605	-1.8	1,530.0
TOTAL VOLUME (TOP 10)						23,726.7
TOTAL VOLUME (Overall)						46,239.1

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	14-Mar Yield	21-Mar Yield	Change (WoW bp)	Weekly Volume (RM mn)
PENGURUSAN AIR SPV BHD	3.98	06/04/31	N/A	3.808	N/A	250.0
PENGURUSAN AIR SPV BHD	4.56	01/31/30	N/A	3.792	N/A	170.0
CAGAMAS BERHAD	4.62	11/04/27	3.715	3.660	-5.5	100.0
YINSON HOLDINGS BERHAD	7.5	PERP	6.498	6.696	19.8	100.0
CAGAMAS BERHAD	4.31	10/27/33	3.839	3.836	-0.3	90.0
DANAINFRA NASIONAL	4.23	11/23/35	3.831	3.792	-3.9	80.0
MALAYAN BANKING BHD	4.03	01/31/34	3.801	3.863	6.2	70.0
DANAINFRA NASIONAL	4.84	02/11/39	N/A	3.924	N/A	60.0
BANK SIMPANAN NASIONAL	3.9	02/12/29	N/A	3.807	N/A	60.0
PERBADANAN TABUNG PENDI	3.95	07/29/33	N/A	3.759	N/A	60.0
TOTAL VOLUME (TOP 10)						1,040.0
TOTAL VOLUME (Overall)						2,941.2

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