

MIDF Strategy 21 April 2025

Week Ended 18 April 2025

- The UST market rebounded after a prior week's selloff with the benchmark 10-year yield closed the review week lower at 4.32% (prior week: 4.49%). The decision by US administration to grant a blanket 90-day pause (except for China which was hit with additional 150%) on the reciprocal tariffs may have calmed the market. The 10y-3y yield spread expanded (yield curve steepened) to +53bp (prior week: +48bp) as the short-end outperformed. At week close, the interest rate futures market implied 4 rate cuts totaling -100bp (prior week: 3 cuts totaling -75bp) in 2025.
- Medium-term inflation expectation (MTIE) ended the review week lower at 2.26% (prior week: 2.42%), its lowest level since mid-October last year. The MTIE nonetheless remains above the US Fed target level of 2.00% since the initial interest rate cut in September 2024. We believe the market is still convinced that the underlying 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 -4.4bp and -6.2bp to close at 3.34% and 3.68% respectively. The 10y-3y yield spread narrowed (yield curve flattened) to +34bp (prior week: +36bp) as the long-end outperformed.
- MGS foreign holdings increased month-on-month to RM278b in March 2025 from RM275b in February 2025. Moreover, it increased year-on-year from RM266b in March 2024. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM13.8b. It improved week-on-week from -RM15.0b registered a week ago. However, it declined year-on-year from -RM3.3b a year ago.

Weekly Money Review

A. FIXED INCOME

- The UST market rebounded after a prior week's selloff with the benchmark 10-year yield closed the review week lower at 4.32% (prior week: 4.49%). The decision by US administration to grant a blanket 90-day pause (except for China which was hit with additional 150%) on the reciprocal tariffs may have calmed the market. The 10y-3y yield spread expanded (yield curve steepened) to +53bp (prior week: +48bp) as the short-end outperformed. At week close, the interest rate futures market implied 4 rate cuts totaling -100bp (prior week: 3 cuts totaling -75bp) in 2025.



Source: Bloomberg, MIDFR (G628, G629)

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MEDIUM-TERM INFLATION EXPECTATION (MTIE): 5Y UST-TIPS SPREAD



Source: Bloomberg, MIDFR (G653)

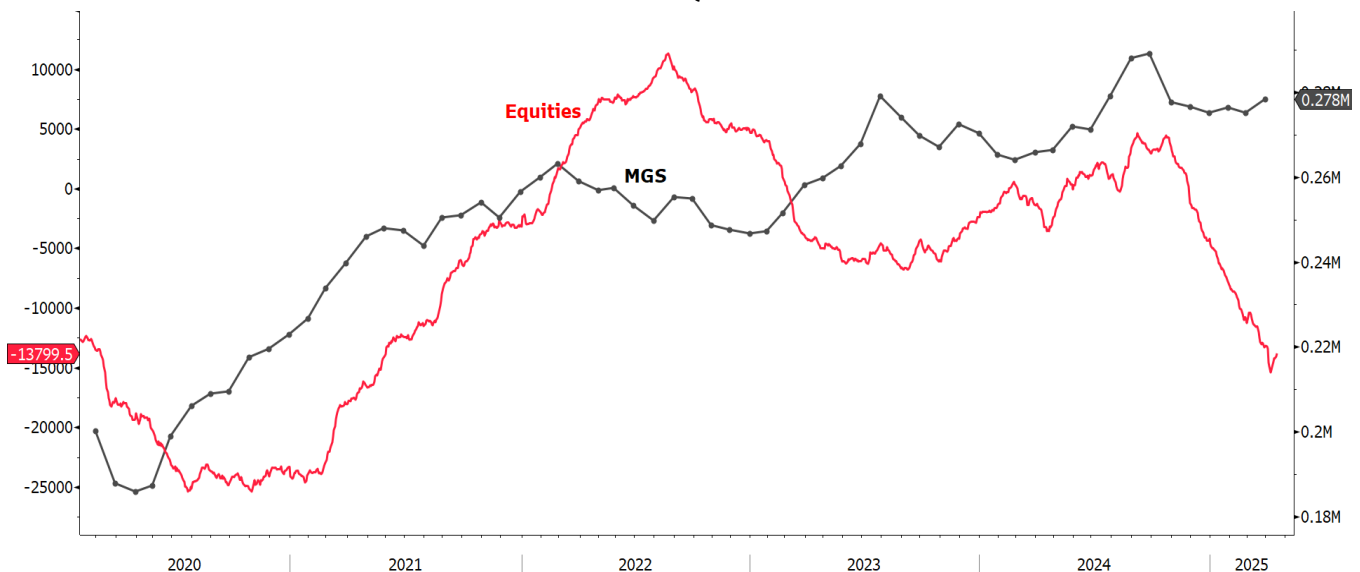
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Source: Bloomberg, MIDFR (G630, G631)

- Total trading value for Government Bonds (MGS/MII) declined to RM37.2b in the review week compared to RM53.6b 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 54% 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 3.955% 9/15/25 at RM5.2b, MII 3.804% 10/8/31 at RM2.0b and MGS 3.828% 7/5/34 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 RM278b in March 2025 from RM275b in February 2025. Moreover, it increased year-on-year from RM266b in March 2024. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM13.8b. It improved week-on-week from -RM15.0b registered a week ago. However, it declined year-on-year from -RM3.3b a year ago.
- Total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM4.2b 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 37% from 30% 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 BSN 3.82% 11/5/27 at RM300m, Danum Capital 3.87% 8/8/34 at RM240m, and Danainfra 4.32% 11/26/25 at RM200m.

B. FOREIGN EXCHANGE

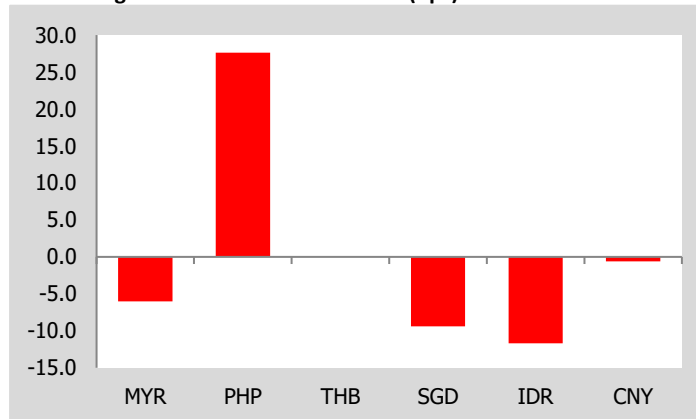
- US dollar weakened to 3-year lows. The US dollar weakened last week as the DXY index fell further by -0.9%wow to 99.3, the lowest level since Apr-22. After breaching below the 100 level early last week, the dollar index continued its downward trajectory as market participants closely monitored evolving government policies. This heightened sensitivity kept investors in a risk-off posture. Several factors contributed to the dollar's weakness. Uncertainties surrounding US trade policy changes continued, with further tariff hikes on Chinese goods to 245%. Adding to trade tensions, President Trump initiated a probe into potential new tariffs on all US critical mineral imports, increasing pressure on companies heavily dependent on imported mineral inputs, especially from China, the leading producer of minerals deemed critical by the US. Counteracting a sharper decline in the DXY was a hawkish stance from the Fed. The Fed Chair, Jerome Powell, emphasized the central bank's continued commitment to combating inflation, cautioning that tariffs could lead to a more persistent increase in prices, remaining cautious and maintaining the hawkish tone. Separately, President Trump's remarks about wanting to remove Fed Chair Jerome Powell "as soon as possible" introduced concerns about potential early changes in the Fed's leadership. Looking ahead in the short term, we anticipate a continuation of flight-to-safety flows, potentially directing investments towards alternative safe-haven assets such as euro, yen, and gold.
- Euro and pound gained on the back of dollar weakness. The euro appreciated last week by +0.3%wow to USD1.136, the strongest last seen back in Feb-22, despite the ECB cutting its interest rates and signalled weaker growth prospects for the EU last week. Similarly, the pound sterling appreciated against the US dollar by +1.6%wow to USD1.333, the highest in one week and also end-Sep-24. Like other currencies, pound gained against weak dollar, despite the UK inflation easing to +2.6%yoy in Mar-25 (Feb-25: +2.8%yoy).
- Ringgit also strengthened. On the back of dollar weakness, the ringgit traded between the range of RM4.407 to RM4.4137 last week but ended the week +0.2%wow stronger at RM4.414. The ringgit performance was fairly stable last week but strengthened towards the end of the week despite the advance estimate showing GDP moderated more than expected in 1QCY25. Nevertheless, the ringgit was also stable but appreciated slightly against the currencies of Malaysia's trading partners as our MIDF Trade-Weighted Ringgit Index increased by +0.03%wow to 90.96 (previous: 90.92), strengthening mainly against the Australian dollar (+2.1%wow), Japanese yen (+0.7%wow), and Korean won (+0.4%wow).

Currencies Changes (Week Ended 18 April 2025) and Quarterly Forecasts

	Close 18/04	Prev. Close 11/04	Weekly Change	Weekly Change (%)	1QCY25f	2QCY25f	3QCY25f	4QCY25f
DXY Index	99.23	100.10	-0.872	-0.9	104.0	102.00	100.00	98.00
EURUSD	1.139	1.136	+0.004	+0.3	1.04	1.05	1.07	1.09
GBPUSD	1.330	1.309	+0.021	+1.6	1.26	1.28	1.30	1.32
USDJPY	142.2	143.5	+1.360	+1.0	150.00	147.80	146.70	143.94
USDMYR	4.414	4.425	+0.011	+0.2	4.40	4.38	4.29	4.25
GBPMYR	5.858	5.804	-0.054	-0.9	5.54	5.52	5.44	5.28
JPYMYR	3.105	3.082	-0.023	-0.7	2.93	2.93	2.88	2.83
MIDF TWRI	90.96	90.92	+0.036	+0.0	92.00	93.50	94.10	95.00

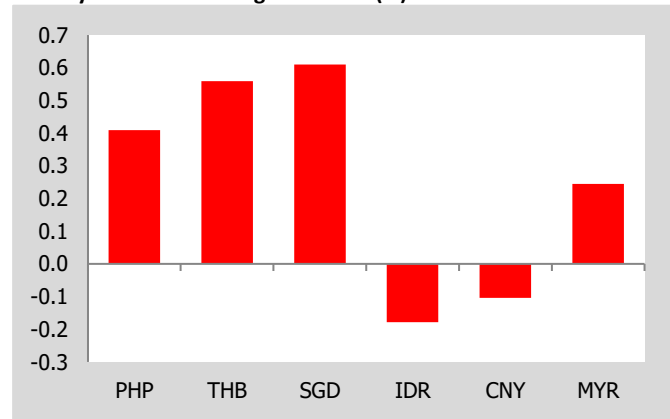
Note: "+" indicates appreciation, while "-" indicates depreciation. Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

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 (%)

	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25
Malaysia	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Indonesia	6.25	6.00	6.00	6.00	6.00	5.75	5.75	5.75	5.75
Philippines	6.25	6.25	6.00	6.00	5.75	5.75	5.75	5.75	5.50
Thailand	2.50	2.50	2.25	2.25	2.25	2.25	2.00	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	3.25	3.00	3.00	3.00	2.75	2.75	2.75
India	6.50	6.50	6.50	6.50	6.50	6.25	6.25	6.25	6.00
Japan	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50
UK	5.00	5.00	5.00	4.75	4.75	4.75	4.50	4.50	4.50
Euro area	4.25	3.65	3.40	3.40	3.15	2.90	2.90	2.90	2.65
USA	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	4.25-4.50

Source: Bloomberg, MIDFR

- US economic data released last week:
 - Retail sales performed better. Retail sales increased +4.60%yoy in Mar-25 (Feb-25: +3.5%yoy), over the same month in the previous year. The +1.4%mom monthly increase was slightly above +1.3%mom predicted by market consensus.
 - Factory production improved. Industrial production in the US increased by +1.3%yoy in Mar-24 (Feb-25: +1.5%yoy). The utilities increased by +4.4%yoy, while both manufacturing and mining went up by +1.0%yoy.
 - IPI growth moderated slightly. Although IPI growth eased to +1.3%yoy in Mar-25 (Feb25: +1.5%yoy), manufacturing production increased faster by +1.0%yoy (Feb-25: +0.8%yoy). The monthly decline of -0.3%mom in IPI was steeper than market expectations of -0.2%mom.
 - Job market showed resilience. Initial jobless claims decline to 215K in the second week of Apr-25 (previous: 224K), against market expectation for an increase to 225K.
- On monetary policy decisions last week:
 - The Bank of Canada maintained its benchmark interest rate at 2.75%, ending a series of seven consecutive reductions totaling -225bps and despite concerns of tariff impacts on economic growth and inflation expectations.
 - The European Central Bank (ECB) cut its key interest rates by -25bps, consistent with market forecasts. Consequently, the main refinancing rate was lowered to 2.40%, the deposit rate to 2.25%, and the marginal lending facility to 2.65%. While inflation is expected to sustainably converge to the +2.0% target, the ECB acknowledged weakening growth prospects.
 - The Bank of Korea (BOK) retained its base rate at 2.75% during its Apr-25 meeting, in a move to stabilise the national currency in response to newly imposed tariffs by the US and aligned with market expectations. Borrowing costs remained at their nadir since Sep-22, amidst ongoing efforts to moderate inflation, address subdued economic expansion, and mitigate adverse effects from the global economic landscape.
 - The Central Bank of Turkey (CBT) announced a significant increase in its benchmark interest rate by +350bps to 46% in its Apr-25 meeting. This diverged from market consensus, which anticipated for a pause, and signaled a notable shift after the three successive rate reductions, adopting a restrictive monetary policy stance until price stability is achieved.

- Malaysia's economic update last week:
 - GDP growth moderated more than expected. Based on the advance estimate, Malaysia's GDP growth moderated further to +4.4%yoy in 1QCY25 (4QCY24: +5.0%yoy), below market consensus of +4.8%yoy. Services, manufacturing and construction sectors recorded sustained but slower growth, while the mining sector contracted sharper due to weaker crude oil and natural gas production. Growth in the agriculture sector rebounded during the quarter as weak palm oil production was offset by increased production in fishery and other sub-sectors.
 - Exports grew faster in Mar-25. Malaysia's exports rose faster at +6.8%yoy (Feb-25: +6.2%yoy), sustaining the improving momentum from the previous month, with stronger shipments of E&E products. The stronger exports to the US (+50.8%yoy; Feb-25: +28.9%yoy) indicated frontloading by exporters ahead of the reciprocal tariff announcement.


C. BNM INTERNATIONAL RESERVES

- As of 28 March 2025, compared to previous fortnight, Bank Negara Malaysia's international reserves were lower at USD117.5b (14 March 2025: USD118.0b).

BNM INTERNATIONAL RESERVES



Source: Bloomberg, MIDFR (G662)

- The number of reserves is sufficient to finance 4.9 months of imports of goods & services and is 0.9 times total short-term external debt. 

APPENDIX

WEEKLY INTEREST RATE MONITOR

Tenor	11-Apr Fri	14-Apr Mon	15-Apr Tue	16-Apr Wed	17-Apr Thu	18-Apr Fri	Change (WoW bp)
MGS							
3-Y	3.386	3.378	3.376	3.399	3.37	3.342	-4.4
5-Y	3.498	3.489	3.464	3.474	3.457	3.42	-7.8
7-Y	3.653	3.654	3.629	3.638	3.621	3.589	-6.4
10-Y	3.747	3.737	3.719	3.724	3.705	3.685	-6.2
20-Y	3.969	3.975	3.947	3.977	3.958	3.932	-3.7
RINGGIT IRS							
1-Y	3.4395	3.43	3.4095	3.4	3.4	3.3795	-6
3-Y	3.29	3.265	3.26	3.248	3.245	3.21	-8
5-Y	3.34	3.315	3.31	3.3	3.2962	3.265	-7.5
7-Y	3.4175	3.415	3.385	3.385	3.385	3.355	-6.25
10-Y	3.515	3.505	3.5	3.49	3.495	3.475	-4
KLIBOR							
1-M	3.28	3.28	3.28	3.28	3.28	3.28	0
3-M	3.65	3.65	3.65	3.65	3.65	3.65	0
UST							
3-Y	4.0067	3.8697	3.8558	3.7694	3.7973	3.7973	-20.94
5-Y	4.1597	4.0119	3.9856	3.9034	3.9381	3.9381	-22.16
7-Y	4.3294	4.1874	4.1482	4.0727	4.1194	4.1194	-21
10-Y	4.4895	4.3739	4.333	4.2768	4.3249	4.3249	-16.46
30-Y	4.8703	4.8091	4.7778	4.7387	4.798	4.798	-7.23

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	11-Apr Yield	18-Apr Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.955	09/15/25	3.213	2.986	-22.7	5,206.7
MALAYSIA INVESTMNT ISSUE	3.804	10/08/31	3.678	3.577	-10.1	2,039.9
MALAYSIA GOVERNMENT	3.828	07/05/34	3.747	3.685	-6.2	1,677.0
MALAYSIA INVESTMNT ISSUE	4.119	11/30/34	3.744	3.697	-4.7	1,478.0
MALAYSIA INVESTMNT ISSUE	3.599	07/31/28	3.475	3.345	-13.0	1,432.7
MALAYSIA INVESTMNT ISSUE	3.465	10/15/30	3.505	3.556	5.1	1,421.6
MALAYSIA INVESTMNT ISSUE	4.07	09/30/26	3.319	3.238	-8.1	1,249.2
MALAYSIA INVESTMNT ISSUE	3.635	08/30/30	3.564	3.490	-7.4	1,204.5
MALAYSIA GOVERNMENT	4.642	11/07/33	3.732	3.699	-3.3	1,196.8
MALAYSIA INVESTMNT ISSUE	4.128	08/15/25	3.207	3.188	-1.9	1,180.0
TOTAL VOLUME (TOP 10)						18,086.4
TOTAL VOLUME (Overall)						37,243.3

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	11-Apr Yield	18-Apr Yield	Change (WoW bp)	Weekly Volume (RM mn)
BANK SIMPANAN NASIONAL	3.82	11/05/27	N/A	3.657	N/A	300.0
DANUM CAPITAL BHD	3.87	08/08/34	3.879	3.819	-6.0	240.0
DANAINFRA NASIONAL	4.32	11/26/25	N/A	3.369	N/A	200.0
PRESS METAL ALUMINIUM	4.06	03/19/35	N/A	3.909	N/A	160.0
DANAINFRA NASIONAL	4.9	04/29/33	N/A	3.730	N/A	140.0
GENTING CAPITAL BHD	4.86	06/08/27	4.416	4.356	-6.0	130.0
YINSON HOLDINGS BERHAD	7.5	PERP	6.503	6.004	-49.9	125.0
DANAINFRA NASIONAL	4.8	10/31/33	3.798	3.749	-4.9	110.0
DANAINFRA NASIONAL	4.23	11/23/35	3.806	3.795	-1.1	95.0
PRASARANA MALAYSIA BHD	4.58	08/29/28	N/A	3.552	N/A	90.0
TOTAL VOLUME (TOP 10)						1,590.0
TOTAL VOLUME (Overall)						4,242.7

Source: Bloomberg

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077 (23878-X)).

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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 <i>rise</i> 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 <i>fall</i> 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