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MIDF AMANAH
INVESTMENT BANK BERHAD

WEEKLY MONEY REVIEW

MIDF Strategy 19 May 2025

Week Ended 16 May 2025

- The UST market fell for the third consecutive weeks with the benchmark 10-year yield closed the review week higher at 4.48% (prior week: 4.38%) as investors reacted to the 90-day pause of US-China reciprocal tariffs on hope a final trade deal would be forthcoming and recession will be avoided. The 10y-3y yield spread was unchanged week-on-week at +50bp. At week close, the interest rate futures market implied 2 rate cuts totaling -50bp (prior week: 3 cuts totaling -75bp) in 2025.

- Medium-term inflation expectation (MTIE) ended the review week higher at 2.44% (prior week: 2.40%). The MTIE has remained above the US Fed target level of 2.00% since the initial interest rate cut in September 2024. We nonetheless believe the market is still convinced that the underlying inflation trend is easing despite the elevated MTIE.

- The price of MGS benchmark issues ended the review week lower with the 3-year and 10-year yields added 1.9bp and 8.3bp to close at 3.18% and 3.61% respectively. The 10y-3y yield spread expanded (yield curve steepened) to +44bp (prior week: +37bp) as the long-end underperformed.

- MGS foreign holdings increased month-on-month to RM289b in April 2025 from RM278b in March 2025. Moreover, it increased year-on-year from RM266b in April 2024. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM13.0b. It increased week-on-week from -RM13.9b registered a week ago. However, it declined year-on-year from -RM0.1b a year ago.

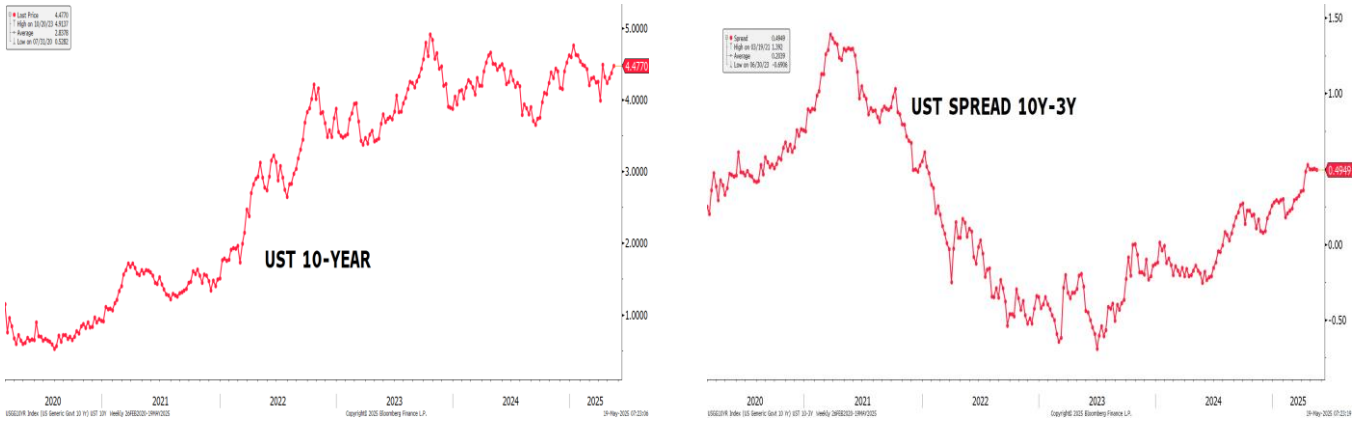
19 May 2025 | Strategy

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Weekly Money Review

A. FIXED INCOME

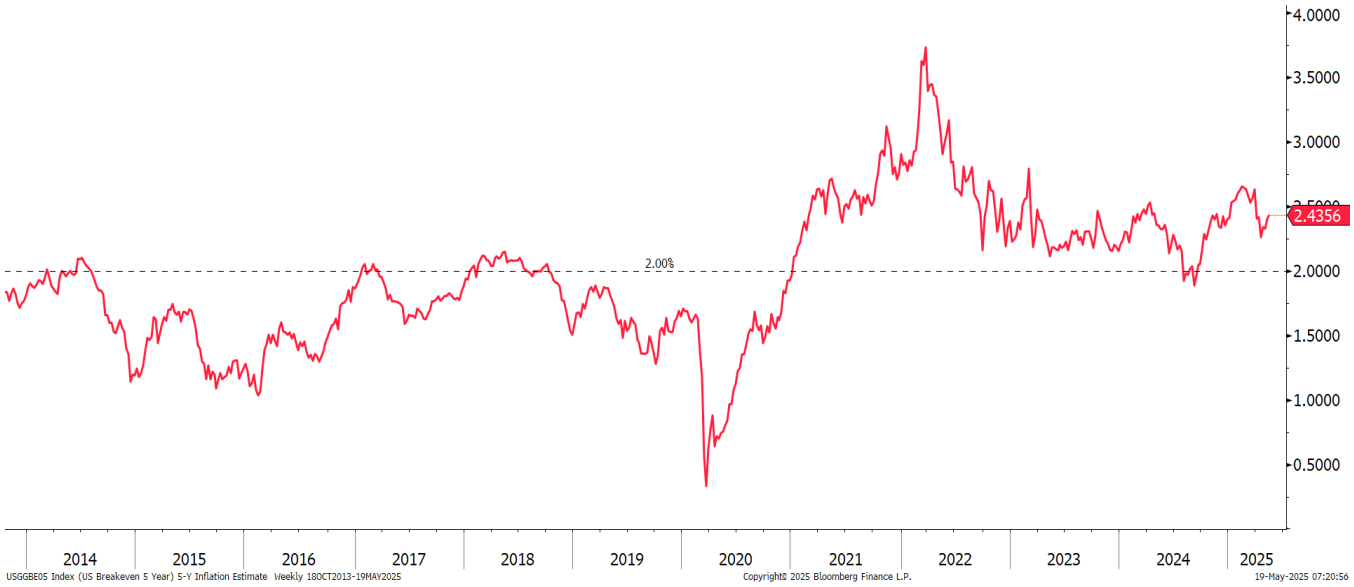
- The UST market fell for the third consecutive weeks with the benchmark 10-year yield closed the review week higher at 4.48% (prior week: 4.38%) as investors reacted to the 90-day pause of US-China reciprocal tariffs on hope a final trade deal would be forthcoming and recession will be avoided. The 10y-3y yield spread was unchanged week-on-week at +50bp. At week close, the interest rate futures market implied 2 rate cuts totaling -50bp (prior week: 3 cuts totaling -75bp) in 2025.



Source: Bloomberg, MIDFR (G628, G629)

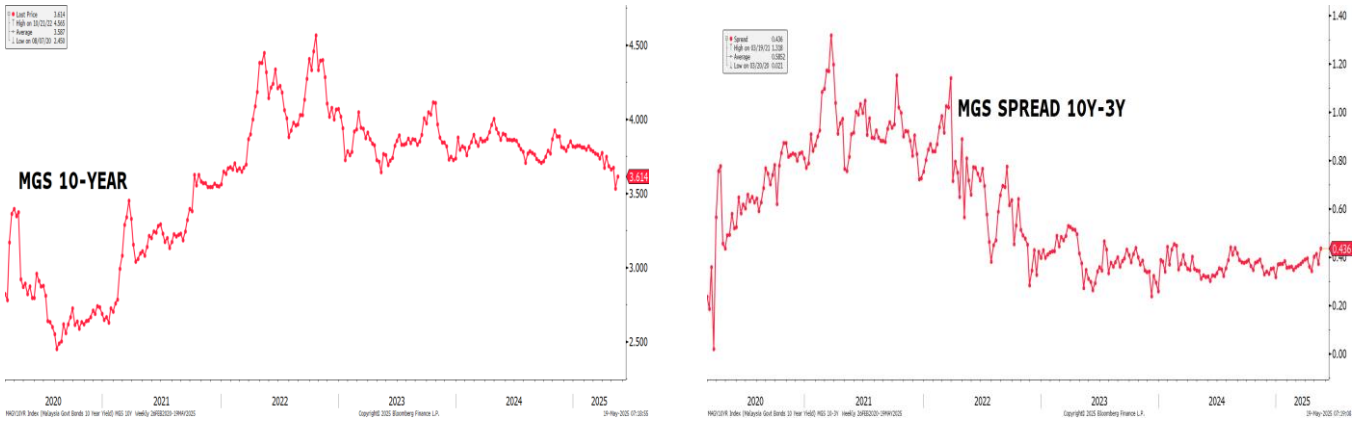
- Medium-term inflation expectation (MTIE) ended the review week higher at 2.44% (prior week: 2.40%). The MTIE has remained above the US Fed target level of 2.00% since the initial interest rate cut in September 2024. We nonetheless believe the market is still convinced that the underlying inflation trend is easing despite the elevated MTIE.

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



Source: Bloomberg, MIDFR (G653)

- The price of MGS benchmark issues ended the review week lower with the 3-year, and 10-year yields added 1.9bp and 8.3bp to close at 3.18% and 3.61% respectively. The 10y-3y yield spread expanded (yield curve steepened) to +44bp (prior week: +37bp) as the long-end underperformed.

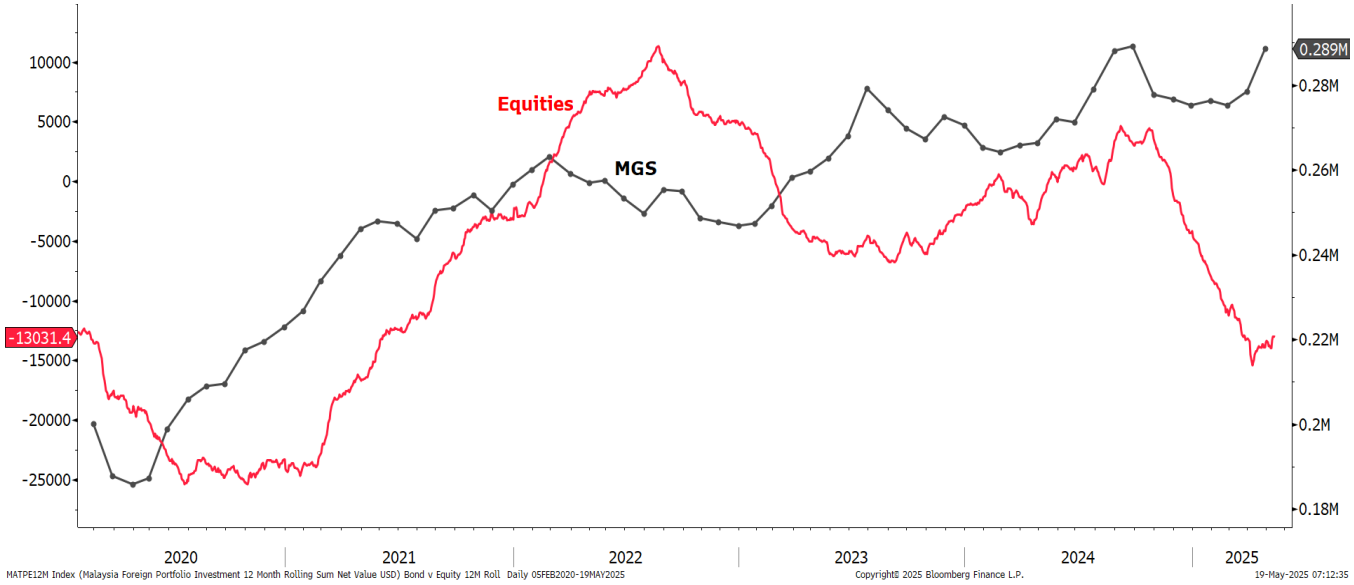


Source: Bloomberg, MIDFR (G630, G631)

- Total trading value for Government Bonds (MGS/MII) declined to RM34.8b in the review week compared to RM50.7b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 62% from 53% of the overall Government Bonds trades. Moreover, 8 out of the 10 most actively traded bonds saw a higher yield, hence lower 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 RM6.2b, MGS 3.828% 7/5/34 at RM2.4b and MII 3.804% 10/8/31 at RM2.3b.

FOREIGN: MGS HOLDINGS & 12-M ROLLING SUM NET EQUITIES TRADE



Source: Bloomberg, MIDFR (G659)

- MGS foreign holdings increased month-on-month to RM289b in April 2025 from RM278b in March 2025. Moreover, it increased year-on-year from RM266b in April 2024. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM13.0b. It increased week-on-week from -RM13.9b registered a week ago. However, it declined year-on-year from -RM0.1b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM3.4b in the review week compared to RM4.5b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 39% 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 Malayan Banking 2.9% 10/9/30 at RM330m, Malayan Banking 4.71% 1/31/31 at RM200m, and Khazanah Nasional 0% 10/12/27 at RM180m.

B. FOREIGN EXCHANGE

- USD ended stronger. The US dollar strengthened last week as the DXY index increased by +0.7% wow to 101.09, driven by the shift in market sentiment towards delayed and fewer rate cuts by the Fed this year despite softer inflation readings. On top of that, Fed Chair Jerome Powell also mentioned that the likelihood of the longer-term interest rate will be higher as the economy changes and policy is in flux. At the end of the week, Moody's lowered the US credit rating by one notch to Aa1 from Aaa, due to concerns about rising debt and interest payments. Moving forward, we expect further development in the negotiations between the US and China to add volatility to the market as negotiation outcomes remain uncertain. We anticipate persistent short-term growth concerns will fuel flight-to-safety flows, with investments may be channeled into alternative safe havens such as the euro, yen, and gold.

- Euro and GBP both weakened. As the US dollar strengthened, the euro depreciated by -0.8%wow to USD1.116. The pound sterling also weakened by -0.2%wow to USD1.328 as the UK economy growth moderated to +1.3%yoy in the 1QCY25, slightly below the +1.5%yoy recorded in the 4Q24.

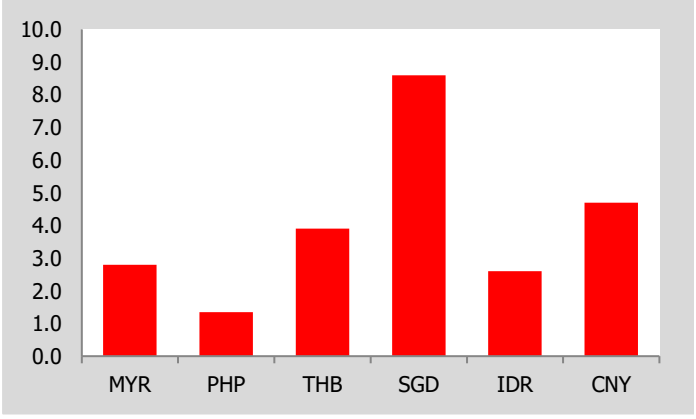
- Ringgit appreciated, generally stable. The ringgit ended the week slightly stronger by +0.1%wow at RM4.294, within our expectations. The ringgit strengthened last week on the back of encouraging distributive trade update, while 1QCY25 GDP was reaffirmed moderating to +4.4%yoy, similar to the advance estimate. The ringgit, however, depreciated against the currencies of Malaysia's trading partners as our MIDF Trade-Weighted Ringgit Index declined by -0.1%wow to 92.75, depreciating mainly against the Hong Kong dollar (-0.6%wow), euro (-0.5%wow), and Japanese yen (-0.4%wow).

Currencies Changes (Week Ended 16 May 2025) and Quarterly Forecasts

	Close 16/05	Prev. Close 09/05	Weekly Change	Weekly Change (%)	1QCY25f	2QCY25f	3QCY25f	4QCY25f
DXY Index	101.09	100.34	+0.751	+0.7	104.0	102.00	100.00	98.00
EURUSD	1.116	1.125	-0.009	-0.8	1.04	1.05	1.07	1.09
GBPUSD	1.328	1.331	-0.002	-0.2	1.26	1.28	1.30	1.32
USDJPY	145.7	145.4	-0.330	-0.2	150.00	147.80	146.70	143.94
USDMYR	4.294	4.299	+0.005	+0.1	4.40	4.38	4.29	4.25
GBPMYR	5.708	5.707	-0.001	-0.0	5.54	5.52	5.44	5.28
JPYMYR	2.950	2.961	+0.012	+0.4	2.93	2.93	2.88	2.83
MIDF TWRI	92.75	92.68	+0.064	+0.1	92.00	93.50	94.10	95.00

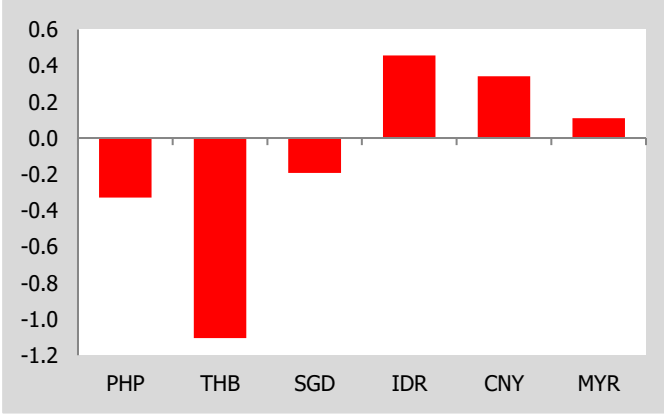
Note: "+" indicates appreciation, while "-"indicates depreciation. Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

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 (%)

	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25
Malaysia	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Indonesia	6.00	6.00	6.00	6.00	5.75	5.75	5.75	5.75	5.75
Philippines	6.25	6.00	6.00	5.75	5.75	5.75	5.75	5.50	5.50
Thailand	2.50	2.25	2.25	2.25	2.25	2.00	2.00	1.75	1.75
Vietnam	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50
South Korea	3.50	3.25	3.00	3.00	3.00	2.75	2.75	2.75	2.75
India	6.50	6.50	6.50	6.50	6.25	6.25	6.25	6.00	6.00
Japan	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50
UK	5.00	5.00	4.75	4.75	4.75	4.50	4.50	4.50	4.25
Euro area	3.65	3.40	3.40	3.15	2.90	2.90	2.90	2.40	2.40
USA	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	4.25-4.50

Source: Bloomberg, MIDFR

- US economic data released last week:
  - Softer inflation was recorded last month. Consumer prices in the US grew at a softer pace of +2.3%yoy in Apr-25 (Mar-25: +2.4%yoy), falling slightly below market expectations of +2.4%yoy. The reading was the lowest since Feb-21 and driven by steeper decline in energy prices (-3.7%yoy; Mar-25: -3.3%yoy), namely gasoline (-11.8%yoy; Mar-25: -9.8%yoy).
  - Inflation has yet to hit producers. Producer prices in the US grew at a softer pace of +2.4%yoy in Apr-25 (Mar-25: +3.4%yoy), and slightly below market expectations of +2.5%yoy. The reading, which marked the lowest since Sept-24. On a monthly basis, the producer prices contracted by -0.5%mom in Apr-25, after the flat reading in Mar-25, and well below the market expectation of +0.2%mom growth.
  - Front-loading consumers. US retail sales grew by +5.2%yoy in Apr-25, unchanged from last month. Meanwhile, retail sales growth eased significantly to +0.1%mom in Apr-25 from the +1.7% surge recorded in Mar-25. Severe moderation may suggest consumers scaling back their spending in response to tariff announcements.
  - Jobless claims remain stable, still indicating a robust labour market. Initial jobless claims unchanged from last week at +229K in the week ending 10th May 2025 (26-Apr: 241K), being the third highest since the start of the year.
  - Factory remains resilient. US Industrial production rose by +1.5%yoy in Apr-25 (Mar-25: +1.3%yoy), utilities surged by +4.3%yoy, while manufacturing increased by +1.2%yoy, the highest since Oct-22.

- On monetary policy decisions last week:
  - The Bank of Mexico lowered its key rate by -20bps to 8.50% in the May-25 meeting. The central bank remains cautious due to high global uncertainty, like US trade issues and escalating geopolitical conflicts.

- Malaysia's economic update last week:
  - Higher distributive trade, driven by improved retail spending growth. Malaysia's overall distributive trade grew faster by +5.7%yoy (Feb-25: +5.2%yoy) on the back of stronger retail trade, which increased by +6.6%yoy in Mar-25 (Feb-25: +5.8%yoy).
  - GDP growth moderated in 1QCY25. Malaysia's economy grew by +4.4%yoy in 2024. Malaysia's GDP growth moderated further to +4.4%yoy in 1QCY25 (4QCY24: +4.9%yoy), similar to the advance estimate. During the quarter, domestic demand was stronger, growing by +3.7%yoy (4QCY24: +3.0%yoy). Private consumption recorded sustained growth albeit marginally slower at +5.0%yoy (4QCY24: +5.3%yoy).

C. BNM INTERNATIONAL RESERVES

- As of 30 April 2025, compared to previous fortnight, Bank Negara Malaysia's international reserves were higher at USD118.7b (15 April 2025: USD118.4b).

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	9-May Fri	12-May Mon	13-May Tue	14-May Wed	15-May Thu	16-May Fri	Change (WoW bp)
MGS							
3-Y	3.159	3.159	3.184	3.223	3.204	3.178	1.9
5-Y	3.263	3.263	3.288	3.352	3.332	3.266	0.3
7-Y	3.439	3.439	3.483	3.483	3.494	3.503	6.4
10-Y	3.531	3.531	3.59	3.601	3.604	3.614	8.3
20-Y	3.826	3.826	3.866	3.844	3.844	3.811	-1.5
RINGGIT IRS							
1-Y	3.342	3.342	3.38	3.38	3.375	3.355	1.3
3-Y	3.14	3.14	3.202	3.2275	3.235	3.1975	5.75
5-Y	3.21	3.21	3.2585	3.29	3.285	3.2575	4.75
7-Y	3.3	3.3	3.325	3.39	3.405	3.355	5.5
10-Y	3.42	3.42	3.485	3.505	3.5	3.485	6.5
KLIBOR							
1-M	3.27	3.27	3.27	3.27	3.27	3.27	0
3-M	3.61	3.61	3.6	3.6	3.6	3.59	-2
UST							
3-Y	3.8781	4.0067	3.9899	4.0487	3.948	3.9821	10.4
5-Y	4.0007	4.11	4.0977	4.1668	4.0537	4.0928	9.21
7-Y	4.1798	4.2826	4.2747	4.349	4.2379	4.2777	9.79
10-Y	4.3785	4.4709	4.465	4.5363	4.4315	4.477	9.85
30-Y	4.8343	4.905	4.906	4.9696	4.8867	4.9439	10.96

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	9-May Yield	16-May Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.955	09/15/25	2.828	2.681	-14.7	6,195.1
MALAYSIA GOVERNMENT	3.828	07/05/34	3.531	3.614	8.3	2,390.3
MALAYSIA INVESTMNT ISSUE	3.804	10/08/31	3.435	3.450	1.5	2,326.9
MALAYSIA INVESTMNT ISSUE	4.119	11/30/34	3.571	3.601	3.0	2,088.5
MALAYSIA GOVERNMENT	3.336	05/15/30	N/A	3.266	N/A	2,036.5
MALAYSIA INVESTMNT ISSUE	3.612	04/30/35	3.565	3.573	0.8	1,957.6
MALAYSIA GOVERNMENT	3.582	07/15/32	3.439	3.503	6.4	1,346.2
MALAYSIA GOVERNMENT	3.885	08/15/29	3.263	3.293	3.0	1,045.4
MALAYSIA GOVERNMENT	2.632	04/15/31	3.402	3.437	3.5	1,033.3
MALAYSIA GOVERNMENT	3.502	05/31/27	3.065	3.067	0.2	985.7
TOTAL VOLUME (TOP 10)						21,405.5
TOTAL VOLUME (Overall)						34,746.1

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	9-May Yield	16-May Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYAN BANKING BHD	2.9	10/09/30	2.961	2.950	-1.1	330.0
MALAYAN BANKING BHD	4.71	01/31/31	N/A	3.551	N/A	200.0
KHAZANAH NASIONAL BHD	ZERO	10/12/27	N/A	3.360	N/A	180.0
GENTING RMTN BHD	4.18	11/08/29	N/A	4.160	N/A	150.0
IMTIAZ SUKUK II BHD	3.98	05/05/32	3.868	3.846	-2.2	85.0
DANAINFRA NASIONAL	4.65	02/10/34	N/A	3.607	N/A	80.0
DANAINFRA NASIONAL	4.3	03/31/34	3.699	3.609	-9.0	80.0
GENTING RMTN BHD	4.38	11/08/34	4.709	4.520	-18.9	80.0
OSK RATED BOND SDN BHD	4.12	03/02/35	3.929	3.829	-10.0	80.0
RHB BANK	2.85	10/20/25	N/A	3.518	N/A	60.0
TOTAL VOLUME (TOP 10)						1,325.0
TOTAL VOLUME (Overall)						3,373.5

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