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MIDF AMANAH
INVESTMENT BANK BERHAD

WEEKLY MONEY REVIEW

MIDF Strategy 26 May 2025

Week Ended 23 May 2025

- The UST benchmark 10-year yield risen for the fourth consecutive weeks and closed at 4.51% (prior week: 4.48%) as investors reacted to President Trump's "big beautiful" bill which could worsen the US fiscal deficit. The 10y-3y yield spread expanded (yield curve steepened) to +55bp (prior week: +50bp) as the long-end underperformed. At week close, the interest rate futures market implied 2 rate cuts totaling -50bp (prior week: 2 cuts totaling -50bp) in 2025.
- Medium-term inflation expectation (MTIE) ended the review week lower at 2.42% (prior week: 2.44%). 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 higher with the 3-year and 10-year yields shed -1.6bp and -2.0bp to close at 3.16% and 3.59% respectively. The 10y-3y yield spread narrowed (yield curve flattened) to +43bp (prior week: +44bp) as the long-end outperformed.
- 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 -RM13.8b. It declined week-on-week from -RM13.0b registered a week ago. Moreover, it declined year-on-year from RM258m a year ago.

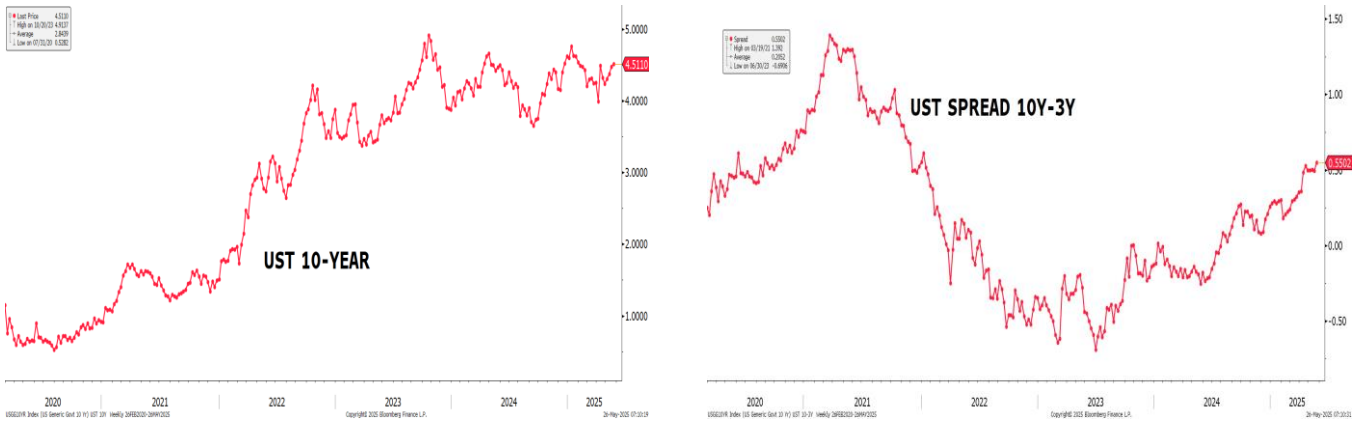
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Weekly Money Review

A. FIXED INCOME

- The UST benchmark 10-year yield risen for the fourth consecutive weeks and closed at 4.51% (prior week: 4.48%) as investors reacted to President Trump's "big beautiful" bill which could worsen the US fiscal deficit. The 10y-3y yield spread expanded (yield curve steepened) to +55bp (prior week: +50bp) as the long-end underperformed. At week close, the interest rate futures market implied 2 rate cuts totaling -50bp (prior week: 2 cuts totaling -50bp) in 2025.



Source: Bloomberg, MIDFR (G628, G629)

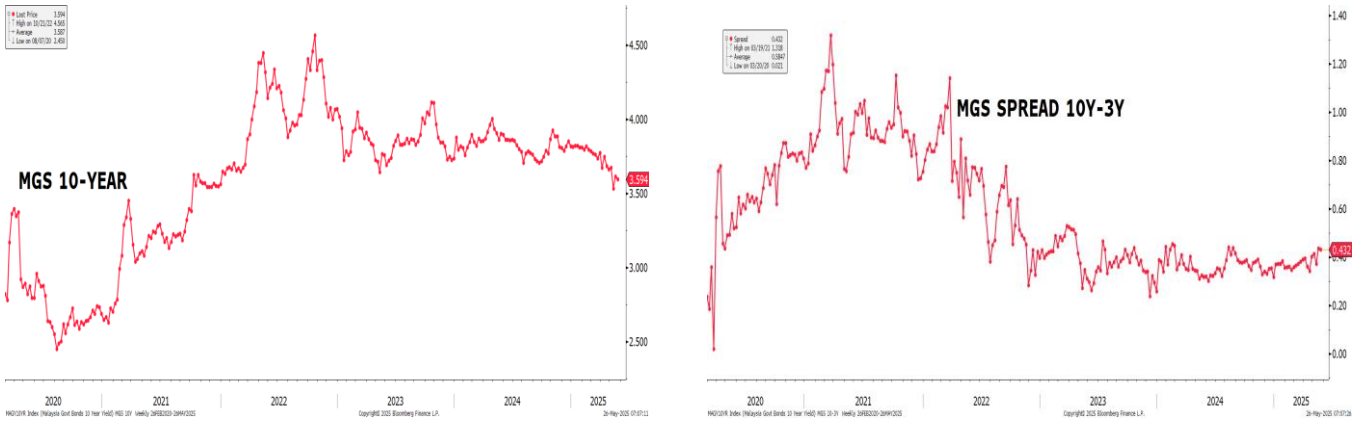
- Medium-term inflation expectation (MTIE) ended the review week lower at 2.42% (prior week: 2.44%). The MTIE has remained above the US Fed target level of 2.00% since the initial interest rate cut in September 2024. We nonetheless believe the market is still convinced that the underlying inflation trend 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 higher with the 3-year, and 10-year yields shed -1.6bp and -2.0bp to close at 3.16% and 3.59% respectively. The 10y-3y yield spread narrowed (yield curve flattened) to +43bp (prior week: +44bp) as the long-end outperformed.

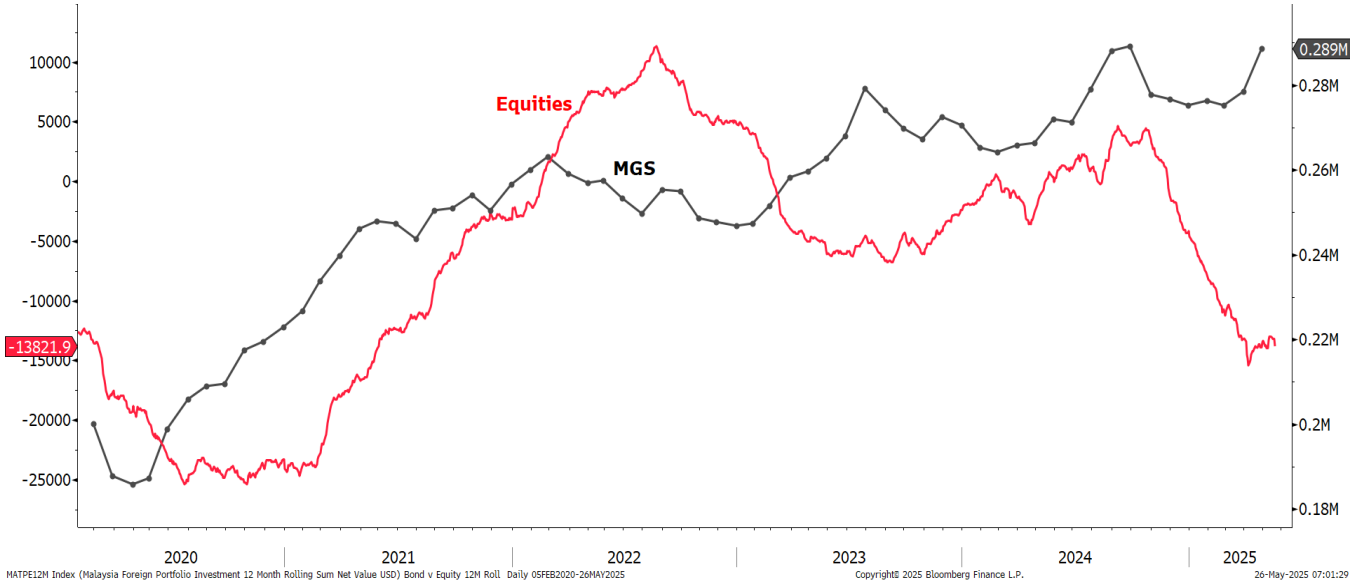


Source: Bloomberg, MIDFR (G630, G631)

- Total trading value for Government Bonds (MGS/MII) increased to RM36.8b in the review week compared to RM34.8b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 54% from 62% of the overall Government Bonds trades. Moreover, 7 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 RM4.4b, MII 4.245% 9/30/30 at RM2.3b and MII 3.804% 10/8/31 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 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 -RM13.8b. It declined week-on-week from -RM13.0b registered a week ago. Moreover, it declined year-on-year from RM258m a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM4.8b in the review week compared to RM3.4b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 33% from 39% 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, Malaysia Rail Link 0% 8/7/25 at RM320m, and Danainfra Nasional 4.58% 10/20/32 at RM170m.

B. FOREIGN EXCHANGE

- USD weakened on fiscal concerns. The US dollar weakened last week as the DXY index declined by -2.0%wow to 99.10, primarily attributable to the heightened fiscal concerns. The recent Moody's downgrade of the US sovereign rating dampened market sentiment, raising concerns regarding the US long-term creditworthiness. The combination of the rating downgrade and the anticipated increase in the US national debt led to rising bond yields and therefore higher borrowing costs, leaving investors more uncertain about the US long-term credit outlook. This uncertainty is also compounded by the higher interest payment burden on the government. Looking ahead, we anticipate that investors will remain cautious. We expect to see continued weakness in US assets and a persistent sell-off in the longer-term bond market this week, thus persistent short-term growth concerns will fuel flight-to-safety flows towards alternative safe havens such as the euro, yen, and gold.

- Euro and GBP strengthened further. As the US dollar weakened, the euro appreciated by +1.7%wow to USD1.136, despite the Eurozone composite PMI showed weaker activities as the index fell to 49.5 in May-25 (Apr-25: 50.4) and President Donald Trump threatened Europe with a 50% tariff on EU goods. The pound sterling also strengthened by +1.9%wow to USD1.354, the strongest level in 3 years, supported by trade optimism and higher inflation reading in Apr-25.

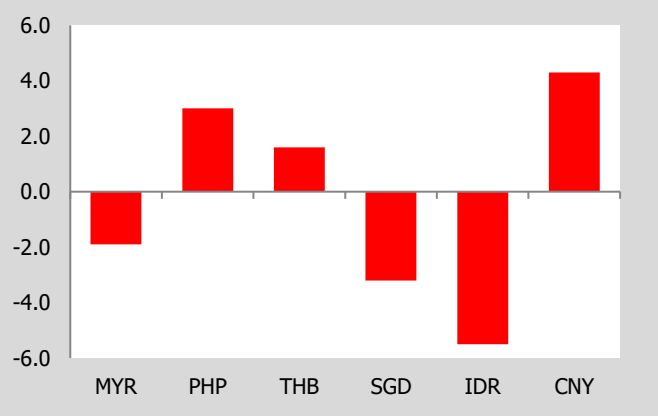
- Ringgit appreciated strongly. The ringgit ended the week stronger by +1.6%wow at RM4.228 on the back of weaker US dollar last week. Meanwhile, domestic data releases last week were also supportive of the ringgit, particularly exports which picked up strongly and stable inflation in Apr-25. Given this optimism, we expect the ringgit to end the month between the range of RM4.20-4.25 against the US dollar. The ringgit, however, appreciated against the currencies of Malaysia's trading partners as our MIDF Trade-Weighted Ringgit Index increased by +0.7%wow to 93.41 last week, appreciating mainly against the Vietnam dong (+1.6%wow), Saudi riyal (+1.5%wow), and UAE dirham (+1.5%wow).

Currencies Changes (Week Ended 23 May 2025) and Quarterly Forecasts

	Close 23/05	Prev. Close 16/05	Weekly Change	Weekly Change (%)	1QCY25f	2QCY25f	3QCY25f	4QCY25f
DXY Index	99.10	101.09	-1.992	-2.0	104.0	102.00	100.00	98.00
EURUSD	1.136	1.116	+0.019	+1.7	1.04	1.05	1.07	1.09
GBPUSD	1.354	1.328	+0.025	+1.9	1.26	1.28	1.30	1.32
USDJPY	142.6	145.7	+3.150	+2.2	150.00	147.80	146.70	143.94
USDMYR	4.228	4.294	+0.066	+1.6	4.40	4.38	4.29	4.25
GBPMYR	5.726	5.708	-0.019	-0.3	5.54	5.52	5.44	5.28
JPYMYR	2.960	2.942	-0.018	-0.6	2.93	2.93	2.88	2.83
MIDF TWRI	93.41	92.76	+0.643	+0.7	92.00	93.50	94.10	95.00

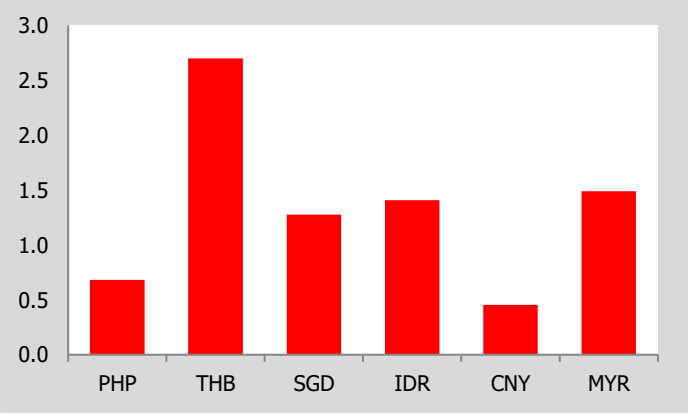
Note: "+" indicates appreciation, while "-" indicates depreciation. Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

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	5.50
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:
  - Activities in the US improved. US business activity growth and expectations for future output improved from lows seen in Apr-25, according to the flash S&P US Composite PMI which rose to 52.1 (Apr-25: 50.6). The Services PMI increased to 52.3 (Apr-25: 50.8), a 2-month high, while the US manufacturing PMI increased to 52.3 (Apr-25: 50.2), a 3-month high.
  - Still encouraging job market. Initial jobless claims inched lower to 227K for the week ending 17th May 2025 (previous week: 229K), the lowest level since the start of the month.

- On monetary policy decisions last week:
  - The People's Bank of China (PBOC) cut its benchmark lending rates by -10bps for both 1-year Loan Prime Rate (from 3.1% to 3.0%) and the 5-year LPR (from 3.6% to 3.5%). Both rates are now at their lowest levels since China revamped the LPR mechanism in 2019.
  - Bank Indonesia (BI) cut its benchmark interest rates by -25bps to 5.5% in its May-25 decision, aligning with market expectations and marking the second rate cut this year. The decision, which brings the interest rate to its lowest level since Dec-22 to support growth.
  - The Reserve Bank of Australia (RBA) cut its cash rate by -25bps to 3.85% in its May-25 meeting, the first rate cut since Jan-25, which brought the borrowing cost to their lowest in two years.

- Malaysia's economic update last week:
  - Malaysia's Apr-25 exports rose more than expected on frontloading activities. Malaysia's total trade recorded significant expansion by +18.2%yoy in Apr-25 (Mar-25: +2.2%yoy). The growth was supported by more robust export performance, which rose by +16.4%yoy (Mar-25: +6.2%yoy), the strongest growth in 4 months. Similarly, imports rebounded back to double-digit growth, rising by +20.0%yoy (Jan-25: +6.2%yoy), marking the fastest growth since Aug-24
  - Headline remained unchanged at +1.4%yoy in Apr-25. Malaysia's headline CPI inflation was unchanged at +1.4%yoy in Apr-25, marking the second month of the lowest point since Feb-21. Meanwhile, core CPI inflation accelerated slightly to +2.0%yoy in Apr-25 (Mar-25: +1.9%yoy) but still signals mild underlying price pressures.
  - The leading index indicated more encouraging momentum. Malaysia's economy is expected to continue expanding, with a slight uptick in growth momentum as the leading index (LI) edged up by +0.6%yoy in Mar-25 (Feb-25: +0.1%yoy). This improvement was mainly driven by the double-digit expansion in the Number of Housing Units Approved (+27.8%yoy) and the Real Imports of Semi-Conductors (+22.3%yoy).

C. BNM INTERNATIONAL RESERVES

- As of 15 May 2025, compared to previous fortnight, Bank Negara Malaysia's international reserves were higher at USD119.1b (30 April 2025: USD118.7b).

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	16-May Fri	19-May Mon	20-May Tue	21-May Wed	22-May Thu	23-May Fri	Change (WoW bp)
MGS							
3-Y	3.178	3.175	3.193	3.185	3.398	3.162	-1.6
5-Y	3.266	3.298	3.298	3.298	3.237	3.204	-6.2
7-Y	3.503	3.467	3.464	3.462	3.449	3.429	-7.4
10-Y	3.614	3.575	3.594	3.588	3.581	3.594	-2
20-Y	3.811	3.842	3.818	3.822	3.826	3.815	0.4
RINGGIT IRS							
1-Y	3.355	3.365	3.35	3.3075	3.28	3.265	-9
3-Y	3.1975	3.23	3.23	3.2	3.2	3.17	-2.75
5-Y	3.2575	3.3	3.283	3.282	3.28	3.255	-0.25
7-Y	3.355	3.385	3.4	3.385	3.38	3.3625	0.75
10-Y	3.485	3.51	3.44	3.51	3.49	3.495	1
KLIBOR							
1-M	3.27	3.27	3.27	3.27	3.27	3.27	0
3-M	3.59	3.57	3.56	3.55	3.53	3.52	-7
UST							
3-Y	3.9821	3.9514	3.9487	4.0136	3.9659	3.9608	-2.13
5-Y	4.0928	4.0629	4.0735	4.1606	4.0932	4.0811	-1.17
7-Y	4.2777	4.2513	4.2726	4.3764	4.2993	4.281	0.33
10-Y	4.477	4.4474	4.4869	4.5985	4.5287	4.511	3.4
30-Y	4.9439	4.903	4.9696	5.0923	5.0395	5.0374	9.35

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	16-May Yield	23-May Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.955	09/15/25	2.681	2.763	8.2	4,448.9
MALAYSIA INVESTMNT ISSUE	4.245	09/30/30	3.371	3.359	-1.2	2,266.5
MALAYSIA INVESTMNT ISSUE	3.804	10/08/31	3.450	3.451	0.1	2,068.9
MALAYSIA GOVERNMENT	3.828	07/05/34	3.614	3.594	-2.0	1,873.6
MALAYSIA INVESTMNT ISSUE	4.193	10/07/32	3.526	3.491	-3.5	1,823.9
MALAYSIA GOVERNMENT	3.582	07/15/32	3.503	3.429	-7.4	1,719.8
MALAYSIA INVESTMNT ISSUE	3.599	07/31/28	3.200	3.175	-2.5	1,707.7
MALAYSIA INVESTMNT ISSUE	3.612	04/30/35	3.573	3.540	-3.3	1,569.1
MALAYSIA GOVERNMENT	3.906	07/15/26	2.945	2.983	3.8	1,249.9
MALAYSIA GOVERNMENT	3.519	04/20/28	3.178	3.162	-1.6	1,042.4
TOTAL VOLUME (TOP 10)						19,770.7
TOTAL VOLUME (Overall)						36,839.8

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	16-May Yield	23-May Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYAN BANKING BHD	2.9	10/09/30	2.950	2.950	0.0	330.0
MALAYSIA RAIL LINK	ZERO	08/07/25	3.399	3.342	-5.7	320.0
DANAINFRA NASIONAL	4.58	10/20/32	N/A	3.575	N/A	170.0
PRASARANA MALAYSIA BHD	4.18	08/27/32	3.642	3.580	-6.2	120.0
PRASARANA MALAYSIA BHD	4.65	12/11/25	N/A	3.164	N/A	110.0
PRASARANA MALAYSIA BHD	4.93	12/28/32	3.658	3.601	-5.7	110.0
DANAINFRA NASIONAL	4.89	05/25/32	3.575	3.563	-1.2	100.0
SP SETIA BERHAD	4.3	06/23/28	N/A	3.746	N/A	100.0
CAGAMAS BERHAD	3.9	05/29/26	N/A	3.900	N/A	100.0
YTL POWER INTERNATIONAL	4.74	08/24/38	3.854	3.828	-2.6	100.0
TOTAL VOLUME (TOP 10)						1,560.0
TOTAL VOLUME (Overall)						4,768.0

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