midf RESEARCH

MIDF AMANAH
INVESTMENT BANK BERHAD

WEEKLY MONEY REVIEW

MIDF Strategy 3 June 2025

Week Ended 30 May 2025

- The UST market rebounded (after a four-week selloff) with benchmark 10-year yield ended the review week lower at 4.40% (prior week: 4.51%) as investors reacted to economic data (with jobless claims exceeded estimate while PCE lagged expectation) and trade court ruling (against Trump's universal reciprocal tariffs). The 10y-3y yield spread narrowed (yield curve flattened) to +54bp (prior week: +55bp) as the long-end outperformed. 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 2.39% (prior week: 2.42%). 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 -0.5bp and -7.1bp to close at 3.16% and 3.52% respectively. The 10y-3y yield spread narrowed (yield curve flattened) to +37bp (prior week: +43bp) 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 -RM13.6b. It improved week-on-week from -RM13.7b registered a week ago. However, it declined year-on-year from RM361m a year ago.

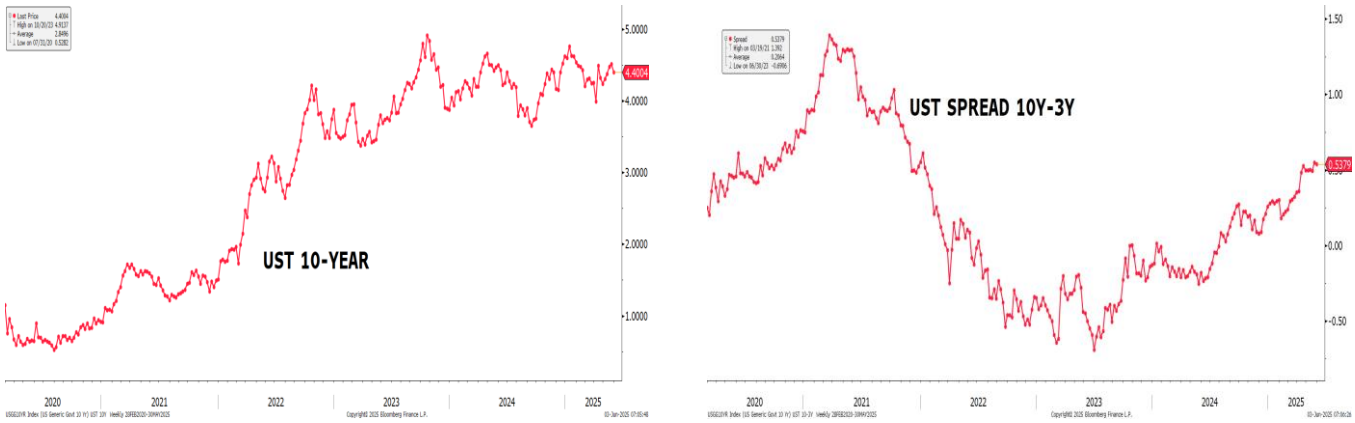
3 June 2025 | **Strategy**

Strategy Team | research@midf.com.my

Weekly Money Review

A. FIXED INCOME

- The UST market rebounded (after a four-week selloff) with benchmark 10-year yield ended the review week lower at 4.40% (prior week: 4.51%) as investors reacted to economic data (with jobless claims exceeded estimate while PCE lagged expectation) and trade court ruling (against Trump's universal reciprocal tariffs). The 10y-3y yield spread narrowed (yield curve flattened) to +54bp (prior week: +55bp) as the long-end outperformed. 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)

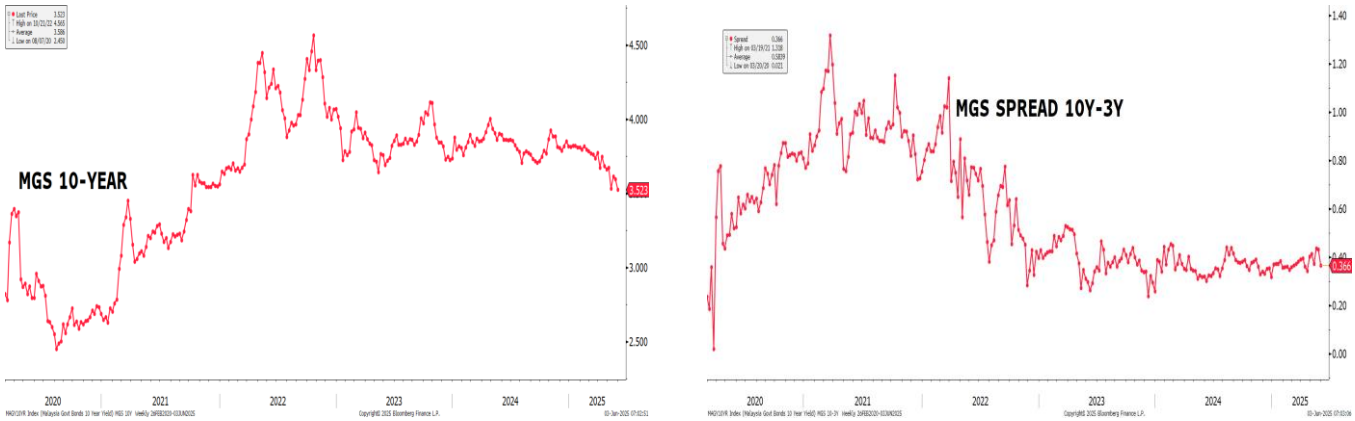
- Medium-term inflation expectation (MTIE) ended the review week lower at 2.39% (prior week: 2.42%). The MTIE has remained above the US Fed target level of 2.00% since the initial interest rate cut in September 2024. We nonetheless believe the market is still convinced that the underlying inflation trend 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 -0.5bp and -7.1bp to close at 3.16% and 3.52% respectively. The 10y-3y yield spread narrowed (yield curve flattened) to +37bp (prior week: +43bp) as the long-end outperformed.

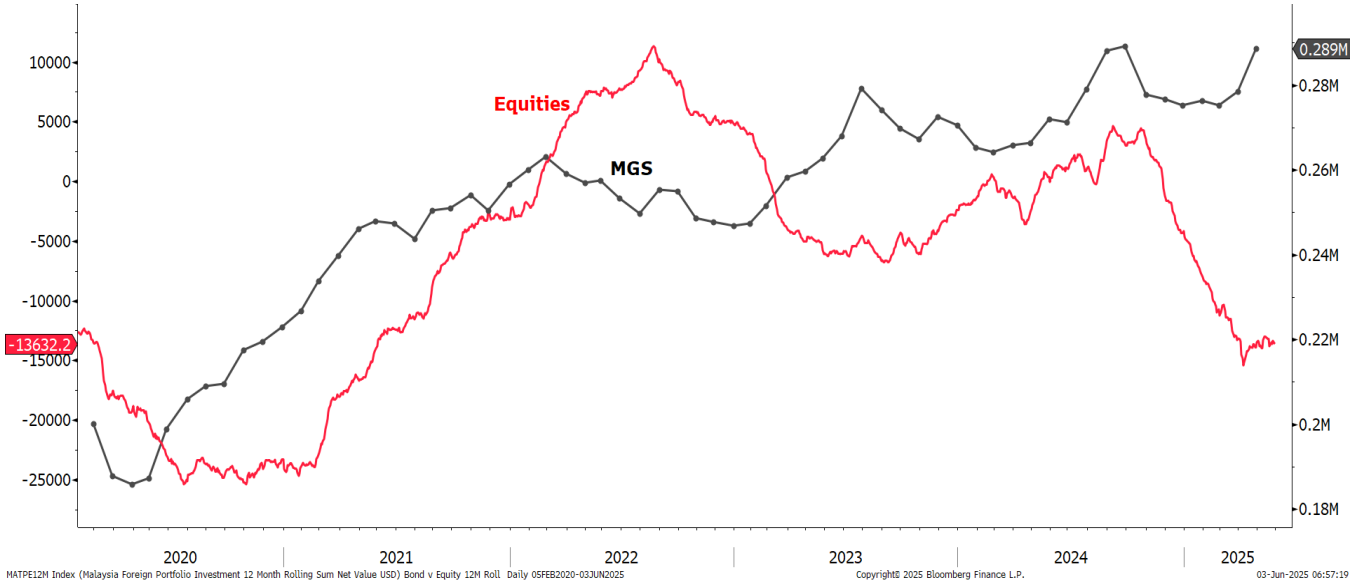


Source: Bloomberg, MIDFR (G630, G631)

- Total trading value for Government Bonds (MGS/MII) increased to RM39.7b in the review week compared to RM36.8b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 52% from 54% of the overall Government Bonds trade. Moreover, 8 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 RM5.8b, MII 3.804% 10/8/31 at RM2.7b and MGS 3.906% 7/15/26 at RM2.2b.

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 -RM13.6b. It improved week-on-week from -RM13.7b registered a week ago. However, it declined year-on-year from RM361m a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM5.1b in the review week compared to RM4.8b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues declined (higher trading breadth) to 30% from 33% of the overall Corporate Bonds trade.

- The top 3 actively traded Corporate Bonds were dominated by issues of short and mid residual tenor. The top 3 most actively traded were Malaysia Rail Link 0% 8/7/25 at RM300m, Danainfra Nasional 4.58% 10/20/32 at RM200m, and Pengurusan Air SPV 3.7% 6/6/28 at RM200m.

B. FOREIGN EXCHANGE

- USD strengthened slightly. The US dollar strengthened last week as the DXY index increased by +0.2%wow to 99.33 amid mixed signals surrounding the trade war development. Early in the week, a US trade court ruled that sweeping tariffs imposed by the Trump's administration as illegal because the president overstepped his authority under the Emergency Powers Act. Looking ahead, we believe investors will closely watch the appeal process for clues about the future outlook of these tariffs. Adding to the dollar's strength, the US consumer confidence improved and the FOMC minutes revealed a hawkish bias. However, investors are likely to remain cautious about the US long-term credit outlook. We expect to see continued weakness in demand for US assets as persistent short-term growth concerns (such as weaker job numbers) will fuel more flight-to-safety flows towards alternative safe havens such as the euro, yen, and gold.

- Euro and GBP weakened further. As the US dollar strengthened, the euro weakened by -0.1%wow to USD1.135, on the back of trade war uncertainty as President Donald Trump announced that the US will double tariffs on steel imports and aluminium from Europe. Meanwhile, the pound sterling also weakened by -0.6%wow to USD 1.346, falling back to below USD1.350 which was the strongest level in Feb-22.

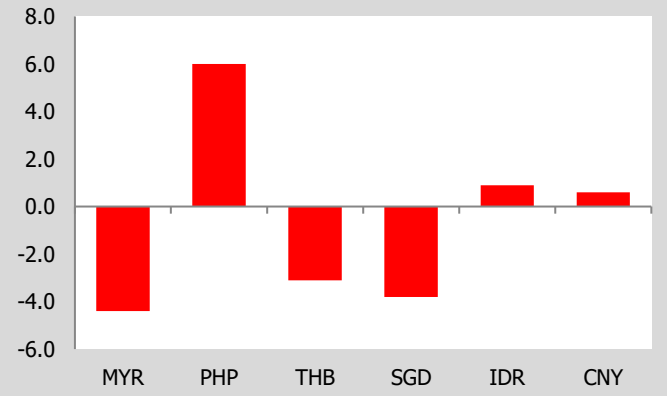
- Ringgit also depreciated. The ringgit ended the week weaker by -0.6%wow at RM4.257 primarily due to the strengthening of the US dollar, and to a certain extent some heightening of political uncertainty on the domestic front following resignation of two ministers. The ringgit, however, appreciated against the currencies of Malaysia's trading partners as our MIDF Trade-Weighted Ringgit Index increased by +0.1%wow to 93.53 last week, appreciating mainly against the Thai baht (+0.5%wow), Philippines pesos (+0.5%wow), and Korean won (+0.4%wow).

Currencies Changes (Week Ended 30 May 2025) and Quarterly Forecasts

	Close 30/05	Prev. Close 23/05	Weekly Change	Weekly Change (%)	1QCY25	2QCY25f	3QCY25f	4QCY25f
DXY Index	99.33	99.11	+0.217	+0.2	104.0	102.00	100.00	98.00
EURUSD	1.135	1.136	-0.002	-0.1	1.04	1.05	1.07	1.09
GBPUSD	1.346	1.354	-0.008	-0.6	1.26	1.28	1.30	1.32
USDJPY	144.0	142.6	-1.460	-1.0	150.00	147.80	146.70	143.94
USDMYR	4.257	4.232	-0.025	-0.6	4.40	4.38	4.29	4.25
GBPMYR	5.734	5.712	-0.022	-0.4	5.54	5.52	5.44	5.28
JPYMYR	2.955	2.968	+0.013	+0.4	2.93	2.93	2.88	2.83
MIDF TWRI	93.53	93.40	+0.128	+0.1	92.00	93.50	94.10	95.00

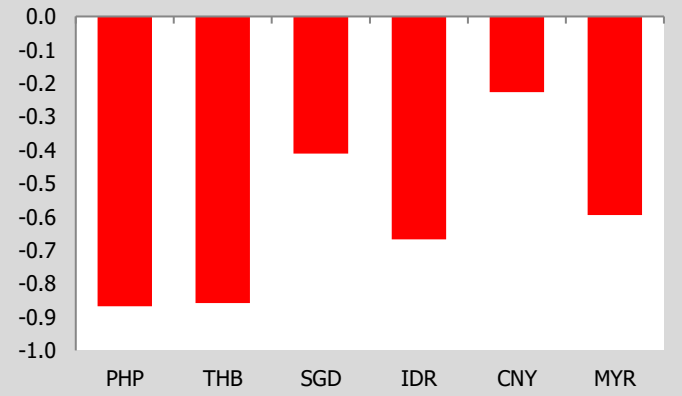
Note: "+" indicates appreciation, while "-" indicates depreciation. Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

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	5.50
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	2.50
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:
  - Slightly smaller contraction in 1Q GDP. The US economy contracted at an annualised rate of -0.2%qoq in 1QCY25 (4QCY24: +2.4%qoq), according to the second estimate but still marked the first decline since 1QCY22. The contraction was slightly less steep than -0.3%qoq in the advance estimate, attributable primarily to stronger-than-expected fixed investment (+7.8%qoq), the strongest growth since mid-2023.
  - Softening of the labour market. Initial jobless claims inched higher to 240k for the week ending 24-May (previous week: 227k), the highest level for the month.
  - Easing PCE inflation. Headline PCE inflation eased for the second consecutive month to +2.1%yoy in Apr-25 (Mar-25: +2.3%yoy), the lowest level in seven months. Meanwhile, core PCE inflation slowed to +2.5%yoy (Mar-25: +2.7%yoy), also the lowest level in seven months.

- More monetary policy easing last week:
  - The Reserve Bank of New Zealand (RBNZ) cut its Official Cash Rate (OCR) by -25bps to 3.25% in May-25, aligning with market expectations. This move lowered borrowing costs to the lowest since Aug-22. The RBNZ's accompanying statement highlighted that inflation remains within its +1.0-3.0% target range and reiterated its readiness to respond to developments to maintain medium-term price stability.
  - The Bank of Korea (BOK) cut its base rate by -25bps to 2.50% at its May-25 policy meeting, a move that followed a steady rate in Apr-25 and was widely anticipated. This decision was prompted by a 1QCY25 economic contraction, easing inflation, and concerns over potential US tariffs. The BOK subsequently lowered its 2025 growth forecast to +0.8% from +1.5% in its Feb-25 projection, citing weakened domestic demand and slower export growth due to shifts in US tariffs.

- Malaysia's economic update last week:
  - Cost pressures continued to fall. Malaysia's producer prices continued to contract, as shown by the sharper PPI deflation at -3.4%yoy in Apr-25 (Mar-25: -1.9%yoy), marking the second month of decline and the sharpest drop since Jun-23. The weaker price pressure was mainly attributable to the steeper double-digit price decline in the mining sector (-17.8%yoy; Mar-25: -15.0%yoy).

C. BNM INTERNATIONAL RESERVES

- As of 15 May 2025, compared to previous fortnight, Bank Negara Malaysia's international reserves was 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	23-May Fri	26-May Mon	27-May Tue	28-May Wed	29-May Thu	30-May Fri	Change (WoW bp)
MGS							
3-Y	3.162	3.161	3.154	3.146	3.159	3.157	-0.5
5-Y	3.204	3.193	3.184	3.186	3.221	3.21	0.6
7-Y	3.429	3.414	3.391	3.389	3.4	3.39	-3.9
10-Y	3.594	3.556	3.549	3.524	3.545	3.523	-7.1
20-Y	3.815	3.799	3.799	3.804	3.803	3.784	-3.1
RINGGIT IRS							
1-Y	3.265	3.25	3.2475	3.2575	3.275	3.245	-2
3-Y	3.17	3.15	3.135	3.145	3.155	3.135	-3.5
5-Y	3.255	3.245	3.22	3.2387	3.2575	3.225	-3
7-Y	3.3625	3.34	3.335	3.3525	3.365	3.33	-3.25
10-Y	3.495	3.47	3.455	3.48	3.49	3.4725	-2.25
KLIBOR							
1-M	3.27	3.27	3.27	3.26	3.26	3.26	-1
3-M	3.52	3.51	3.51	3.51	3.5	3.5	-2
UST							
3-Y	3.9608	3.9608	3.9299	3.9583	3.9047	3.8625	-9.83
5-Y	4.0811	4.0811	4.0333	4.0618	3.9965	3.9617	-11.94
7-Y	4.281	4.281	4.2281	4.2599	4.1938	4.1717	-10.93
10-Y	4.511	4.511	4.4436	4.4773	4.418	4.4004	-11.06
30-Y	5.0374	5.0374	4.9511	4.9758	4.9162	4.9305	-10.69

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	23-May Yield	30-May Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.955	09/15/25	2.763	2.885	12.2	5,775.7
MALAYSIA INVESTMNT ISSUE	3.804	10/08/31	3.451	3.394	-5.7	2,740.0
MALAYSIA GOVERNMENT	3.906	07/15/26	2.983	2.920	-6.3	2,226.9
MALAYSIA GOVERNMENT	3.502	05/31/27	3.037	3.066	2.9	1,681.2
MALAYSIA GOVERNMENT	3.828	07/05/34	3.594	3.523	-7.1	1,549.7
MALAYSIA GOVERNMENT	3.519	04/20/28	3.162	3.157	-0.5	1,515.2
MALAYSIA GOVERNMENT	3.582	07/15/32	3.429	3.390	-3.9	1,501.6
MALAYSIA INVESTMNT ISSUE	4.291	08/14/43	3.958	3.800	-15.8	1,345.7
MALAYSIA GOVERNMENT	3.885	08/15/29	3.268	3.255	-1.3	1,272.6
MALAYSIA INVESTMNT ISSUE	4.467	09/15/39	3.719	3.694	-2.5	1,139.2
TOTAL VOLUME (TOP 10)						20,747.9
TOTAL VOLUME (Overall)						39,670.4

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	23-May Yield	30-May Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA RAIL LINK	ZERO	08/07/25	3.342	3.329	-1.3	300.0
DANAINFRA NASIONAL	4.58	10/20/32	3.575	3.558	-1.7	200.0
PENGURUSAN AIR SPV BHD	3.7	06/06/28	N/A	3.311	N/A	200.0
YTL CORPORATION BERHAD	4.65	04/10/28	3.687	3.658	-2.9	160.0
DANAINFRA NASIONAL	3.99	04/06/29	N/A	3.295	N/A	135.0
DANAINFRA NASIONAL	4.19	10/24/35	3.639	3.626	-1.3	120.0
DANAINFRA NASIONAL	3.69	11/27/29	N/A	3.349	N/A	110.0
PERBADANAN TABUNG PENDI	4.2	07/27/26	3.247	3.193	-5.4	100.0
DANAINFRA NASIONAL	5.08	04/30/38	N/A	3.718	N/A	100.0
DANAINFRA NASIONAL	4.47	11/24/28	N/A	3.321	N/A	100.0
TOTAL VOLUME (TOP 10)						1,525.0
TOTAL VOLUME (Overall)						5,137.6

Source: Bloomberg

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077 (23878-X)).
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878-X)). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein This document may not be reproduced, distributed or published in any form or for any purpose.

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 price is 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