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MIDF AMANAH
INVESTMENT BANK BERHAD

WEEKLY MONEY REVIEW

MIDF Strategy 9 June 2025

Week Ended 6 June 2025

- The UST market saw renewed selling pressure with benchmark 10-year yield ended the review week higher at 4.51% (prior week: 4.40%) as investors reacted to buoyant jobs data (i.e. higher-than-expected May NFP). The 10y-3y yield spread narrowed (yield curve flattened) to +49bp (prior week: +54bp) as the short-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 2.36% (prior week: 2.39%). 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 -1bp and -0.4bp to close at 3.15% and 3.52% respectively. The 10y-3y yield spread was unchanged at +37bp (prior week: +37bp).
- 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 -RM14.4b. It declined week-on-week from -RM13.6b registered a week ago. Moreover, it declined year-on-year from RM660m a year ago.

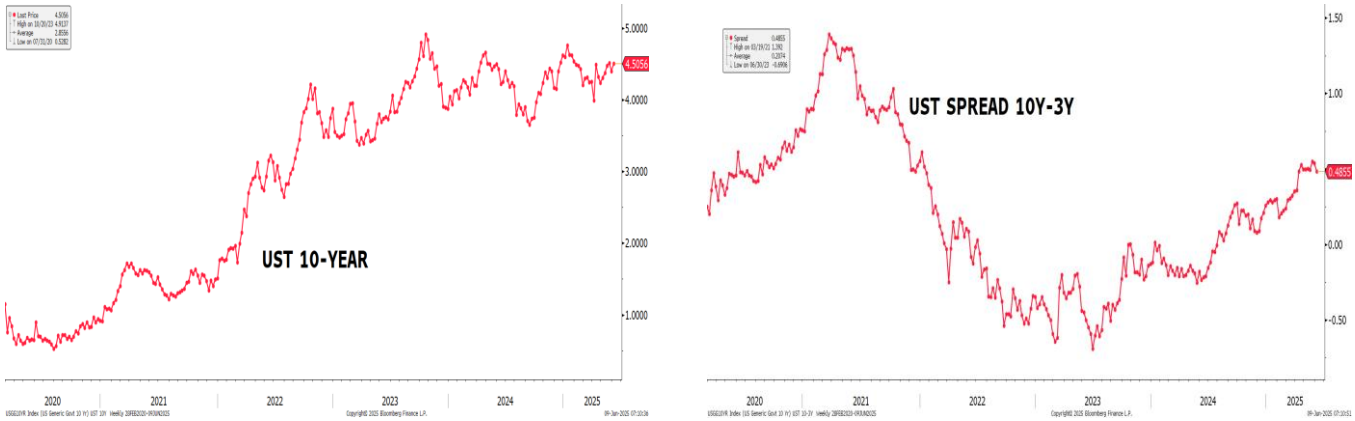
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Weekly Money Review

A. FIXED INCOME

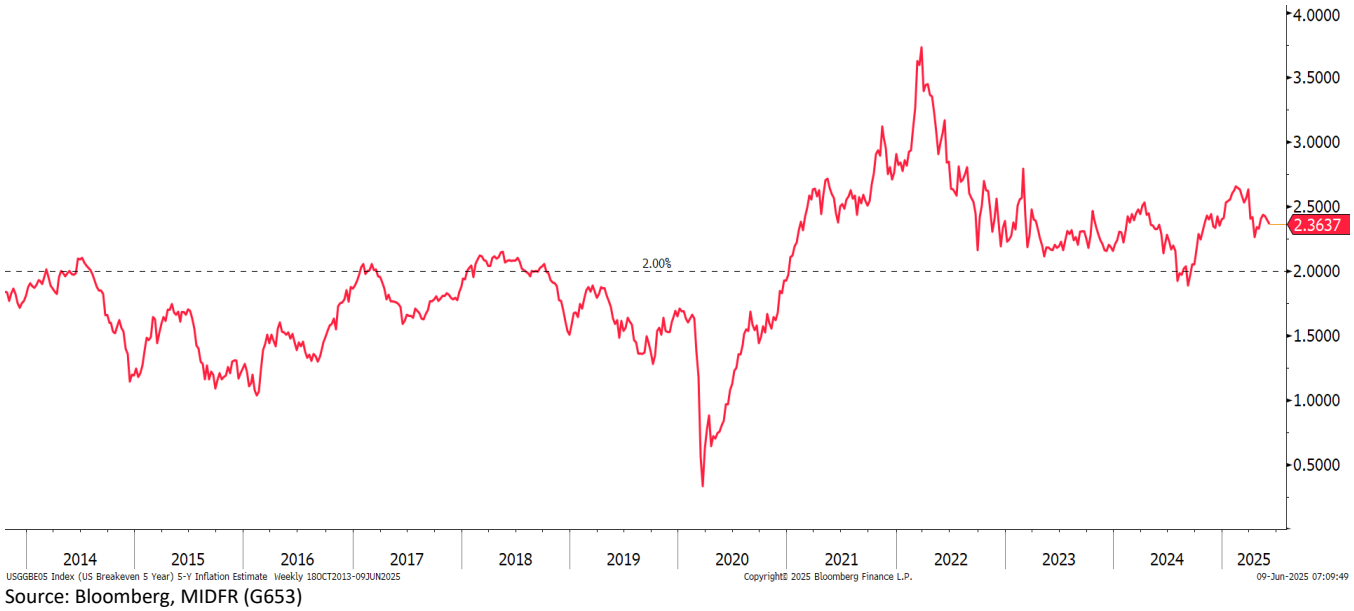
- The UST market saw renewed selling pressure with a benchmark 10-year yield ended the review week higher at 4.51% (prior week: 4.40%) as investors reacted to buoyant jobs data (i.e. higher-than-expected May NFP). The 10y-3y yield spread narrowed (yield curve flattened) to +49bp (prior week: +54bp) as the short-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)

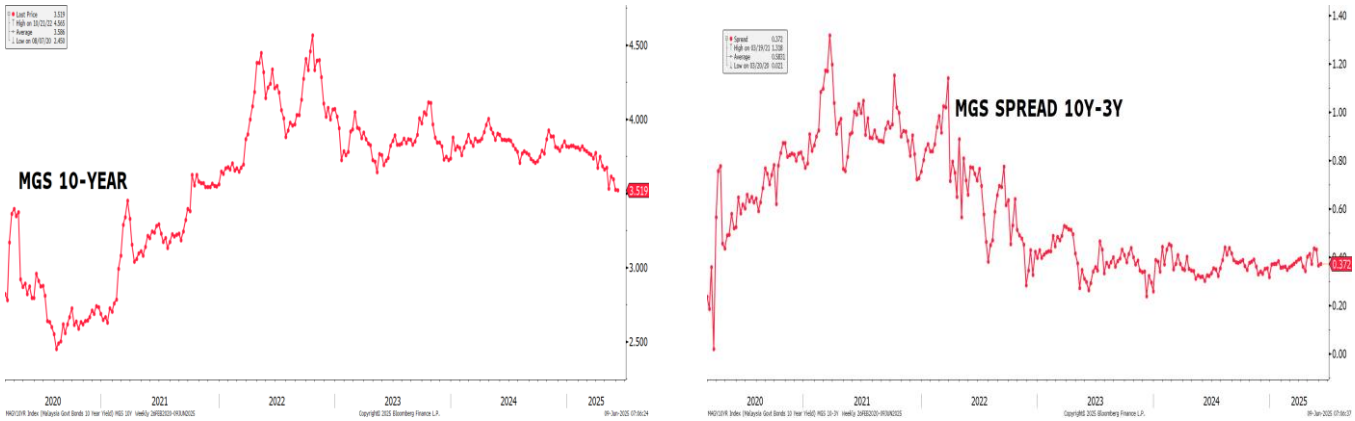
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MEDIUM-TERM INFLATION EXPECTATION (MTIE): 5Y UST-TIPS SPREAD



Source: Bloomberg, MIDFR (G653)

- The price of MGS benchmark issues ended the review week higher with the 3-year, and 10-year yields shed -1bp and -0.4bp to close at 3.15% and 3.52% respectively. The 10y-3y yield spread was unchanged at +37bp (prior week: +37bp).

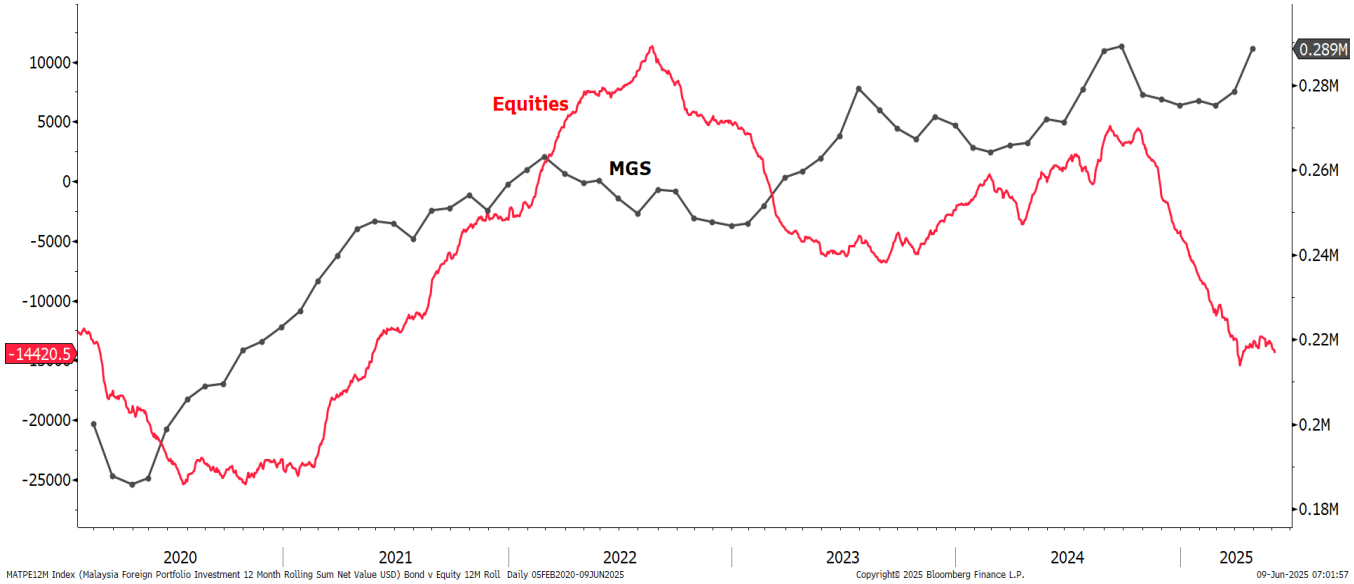


Source: Bloomberg, MIDFR (G630, G631)

- Total trading value for Government Bonds (MGS/MII) declined to RM27.8b in the review week compared to RM39.7b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 53% from 52% of the overall Government Bonds trades. Moreover, 4 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 residual tenor. The top 3 most actively traded were MGS 3.955% 9/15/25 at RM3.8b, MGS 3.906% 7/15/26 at RM2.3b and MII 4.07% 9/30/26 at RM2.0b.

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 -RM14.4b. It declined week-on-week from -RM13.6b registered a week ago. Moreover, it declined year-on-year from RM660m a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM3.3b in the review week compared to RM5.1b 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 mid residual tenor. The top 3 most actively traded were Sarawak Petchem 5.09% 7/26/30 at RM230m, Sarawak Petchem 5.05% 7/27/29 at RM150m, and Sarawak Petchem 5.19% 7/27/33 at RM140m.

B. FOREIGN EXCHANGE

- USD weakened slightly. The US dollar weakened last week as the DXY index declined by -0.1%wow to 99.19 amid mixed signal surrounding the labour market data, while the spat between President Donald Trump and Elon Musk continued to weigh on market sentiment. The labour market update was mixed, with Apr-25 job openings and May-25 non-farm payrolls both increased more than expected, but the growth in private business payrolls moderated sharper than the market forecast. Nevertheless, the market continued to anticipate the first rate cut of -25bps in Oct-25. Adding to the pressure, Donald Trump last week urged Fed Chair Powell to implement a full-point interest rate cut. We believe market sentiment could improve due to potential positive outcomes from negotiations between President Trump and President Xi Jinping, though this could also lead to increased market volatility. Investors will 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 strengthened. As the US dollar weakened, the euro strengthened by +0.4%wow to USD1.140, despite the ECB delivering its seventh rate cut in a row by lowering its deposit rate by -25bps to 2.00%. The pound sterling also strengthened by +0.5%wow to USD1.353.

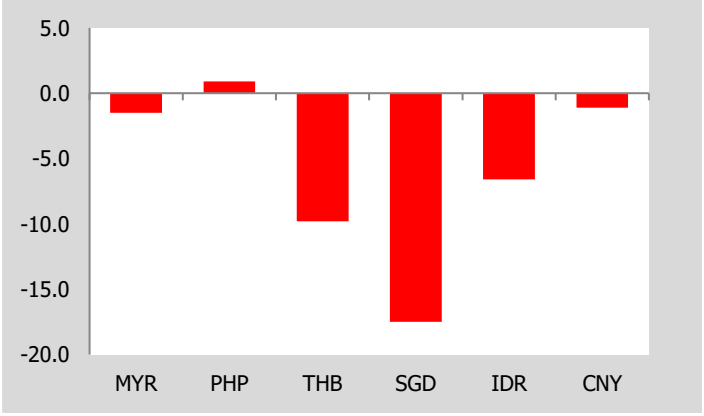
- Ringgit appreciated. The ringgit ended the week higher by +0.6%wow at RM4.232, primarily due to the weaker US dollar amid lack of domestic catalysts last week. The ringgit also appreciated against the currencies of Malaysia's trading partners as our MIDF Trade-Weighted Ringgit Index increased by +0.3%wow to 93.46 last week, strengthening mainly against the Vietnam dong (+0.75%wow), Japanese yen (+0.69%wow), and Hong Kong dollar (+0.63%wow).

Currencies Changes (Week Ended 6 June 2025) and Quarterly Forecasts

	Close 06/06	Prev. Close 30/05	Weekly Change	Weekly Change (%)	1QCY25	2QCY25f	3QCY25f	4QCY25f
DXY Index	99.19	99.33	-0.139	-0.1	104.0	102.00	100.00	98.00
EURUSD	1.140	1.135	+0.005	+0.4	1.04	1.05	1.07	1.09
GBPUSD	1.353	1.346	+0.007	+0.5	1.26	1.28	1.30	1.32
USDJPY	144.9	144.0	-0.830	-0.6	150.00	147.80	146.70	143.94
USDMYR	4.232	4.257	+0.025	+0.6	4.40	4.38	4.29	4.25
GBPMYR	5.727	5.734	+0.007	+0.1	5.54	5.52	5.44	5.28
JPYMYR	2.921	2.955	+0.034	+1.2	2.93	2.93	2.88	2.83
MIDF TWRI	93.46	93.15	+0.308	+0.3	92.00	93.50	94.10	95.00

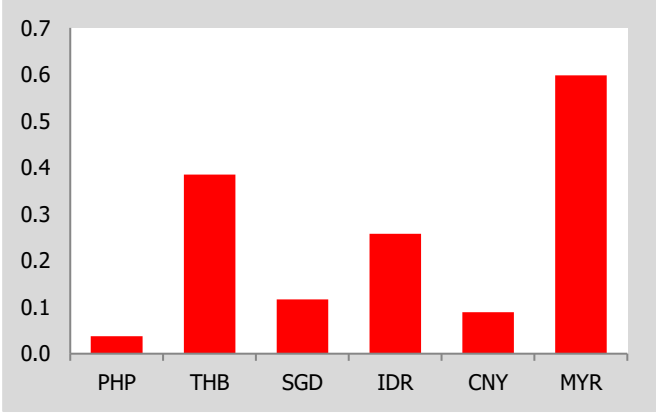
Note: "+" indicates appreciation, while "-" indicates depreciation. Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

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 (%)

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

Source: Bloomberg, MIDFR

- US economic data released last week:
  - Composite PMI picked up. The S&P Global US Composite PMI was revised up to 53.0 in May-25, from a preliminary reading of 52.1 and well above the Apr-25 19-month low of 50.6.
  - Mixed signals from the sector surveys:
    Manufacturing Sector
    - S&P Global Manufacturing PMI increased to 52.0 in May-25, well above the 50.2 in the previous two months.
    - The ISM Manufacturing PMI in the US fell to 48.5 in May-25 from 48.7 in Apr-25, below market expectations of 49.5. The reading marked the third consecutive month of contraction in the manufacturing sector and the sharpest decline since Nov-24.

    Services Sector
    - The S&P Services PMI rose to 53.7 in May-25 up from 50.8 in Apr-25.
    - The ISM Services PMI declined to 49.9 in May-25 from 51.6 in Apr-25 and was well below market expectations of 52. The reading signalled a modest contraction in the US services sector, marking the first decline in activity since Jun-25, amid growing tariffs uncertainty.
  - Trade balance narrowed. The U.S. trade deficit significantly narrowed in Apr-25, reaching a 19-month low of USD61.6b. This marks a sharp reduction from Mar-25 USD138.3b gap. The improvement was driven by a -16.3%yoy decrease in imports, which fell to USD351b, a six-month low, after a record high of USD419.4b in Mar-25 due to anticipated tariff announcements.
  - Mixed signals in the labour market:
    - Jobs openings increased. Jobs opening in the US rose by 191K to 7.391 m in Apr-25, above market expectations of 7.10 million. The U.S.'s labor market remained resilient in April as the number of job openings surprised to the upside.
    - Private business in the US added 37K workers to their payrolls in May-25, the lowest since Mar-23, compared to a downwardly revised 60K in April and forecasts of 115K. The services sector added 36K jobs.
    - Initial jobless claims grew higher to 247k for the week ending 31-May (previous week: 240k), the highest level for the month.
    - US nonfarm payrolls increased by 139K in May 2025, a small slowdown from Apr-25 of 147K (consensus: +130K).
    - The U.S. unemployment rate remained at 4.2% in May-25 for the second consecutive month, aligning with market predictions. This rate has stayed consistently within a tight 4.0% to 4.2% range since May-24.

- More monetary policy easing last week:
  - The Bank of Canada (BoC) held its benchmark interest rate unchanged at 2.75% in its Jun-25 meeting, within market expectations. The governing council noted that fluctuating US tariffs and unpredictable bilateral trade talks, with rates significantly higher than early 2025 levels, posed downside risks to growth and heightened inflation expectations. This warranted caution regarding further monetary easing.
  - The Reserve Bank of India (RBI) unexpectedly lowered its key repo rate by -50 bps to 5.50% at its May meeting, larger than market expectations of a -25bps reduction. The move brought total rate cuts to -100 bps since February, pushing borrowing costs to their lowest level since Aug-22.

- The European Central Bank (ECB) lowered its deposit rate by -25bps to 2.00%, marking its seventh consecutive cut and bringing rates to a level that policymakers now see as close to the likely endpoint for the easing cycle. "Inflation is currently at around the Governing Council's 2.0% medium-term target," Updated projections show headline inflation dipping to +1.6% in 2026 before rebounding to +2.0% in 2027, with growth expected to remain sluggish—just +0.9% in 2025 and +1.3% in 2027.

- Malaysia's economic update last week:
  - Manufacturing showed some stability. The S&P Global Malaysia Manufacturing PMI rose to 48.8 in May-25 (Apr-25: 48.6), signaling a slight recovery from the previous month's four-month low, but remained in contraction territory for twelve consecutive months. New export orders fell for the sixth consecutive month, though the pace of decline was the slowest since Feb-25. Total new orders declined for the third straight month and firms cited weak client confidence both locally and abroad. New export orders also fell for the sixth month running.

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	30-May Fri	2-Jun Mon	3-Jun Tue	4-Jun Wed	5-Jun Thu	6-Jun Fri	Change (WoW bp)
MGS							
3-Y	3.157	3.157	3.157	3.162	3.157	3.147	-1
5-Y	3.21	3.21	3.218	3.217	3.197	3.181	-2.9
7-Y	3.39	3.39	3.401	3.398	3.407	3.411	2.1
10-Y	3.523	3.523	3.53	3.53	3.52	3.519	-0.4
20-Y	3.784	3.784	4.038	3.778	3.774	3.771	-1.3
RINGGIT IRS							
1-Y	3.245	3.245	3.25	3.255	3.2395	3.25	0.5
3-Y	3.135	3.135	3.135	3.125	3.12	3.135	0
5-Y	3.225	3.225	3.225	3.215	3.2	3.2125	-1.25
7-Y	3.33	3.33	3.33	3.32	3.3	3.315	-1.5
10-Y	3.4725	3.4725	3.4725	3.45	3.43	3.43	-4.25
KLIBOR							
1-M	3.26	3.26	3.26	3.26	3.26	3.26	0
3-M	3.5	3.5	3.5	3.5	3.5	3.5	0
UST							
3-Y	3.8625	3.8994	3.9166	3.8258	3.894	4.0201	15.76
5-Y	3.9617	4.0034	4.0208	3.9233	3.9911	4.1207	15.9
7-Y	4.1717	4.2108	4.2265	4.1249	4.1795	4.308	13.63
10-Y	4.4004	4.4399	4.4537	4.3552	4.3906	4.5056	10.52
30-Y	4.9305	4.9655	4.981	4.8775	4.8775	4.9676	3.71

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	30-May Yield	6-Jun Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.955	09/15/25	2.885	2.847	-3.8	3,781.9
MALAYSIA GOVERNMENT	3.906	07/15/26	2.920	2.952	3.2	2,272.1
MALAYSIA INVESTMNT ISSUE	4.07	09/30/26	3.003	3.021	1.8	2,019.4
MALAYSIA GOVERNMENT	3.828	07/05/34	3.523	3.519	-0.4	1,163.6
MALAYSIA GOVERNMENT	2.632	04/15/31	3.359	3.349	-1.0	1,118.5
MALAYSIA GOVERNMENT	3.885	08/15/29	3.255	3.270	1.5	1,060.6
MALAYSIA GOVERNMENT	4.054	04/18/39	3.692	3.705	1.3	986.3
MALAYSIA GOVERNMENT	3.582	07/15/32	3.390	3.411	2.1	915.1
MALAYSIA INVESTMNT ISSUE	3.599	07/31/28	3.179	3.154	-2.5	861.8
MALAYSIA INVESTMNT ISSUE	3.804	10/08/31	3.394	3.395	0.1	672.4
TOTAL VOLUME (TOP 10)						14,851.7
TOTAL VOLUME (Overall)						27,768.2

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	30-May Yield	6-Jun Yield	Change (WoW bp)	Weekly Volume (RM mn)
SARAWAK PETCHEM SDN BHD	5.09	07/26/30	N/A	3.729	N/A	230.0
SARAWAK PETCHEM SDN BHD	5.05	07/27/29	N/A	3.720	N/A	150.0
SARAWAK PETCHEM SDN BHD	5.19	07/27/33	N/A	3.789	N/A	140.0
DANAINFRA NASIONAL	4.19	10/24/35	3.626	3.625	-0.1	120.0
CAGAMAS BERHAD	3.82	03/07/30	N/A	3.531	N/A	120.0
MALAYSIA RAIL LINK	3.95	04/01/36	N/A	3.658	N/A	100.0
SARAWAK PETCHEM SDN BHD	5.01	07/27/28	N/A	3.700	N/A	90.0
SARAWAK PETCHEM SDN BHD	5.11	07/27/32	N/A	3.759	N/A	90.0
DANAINFRA NASIONAL	4.94	10/20/37	3.709	3.702	-0.7	90.0
CAGAMAS BERHAD	3.97	10/05/26	3.426	3.396	-3.0	90.0
TOTAL VOLUME (TOP 10)						1,220.0
TOTAL VOLUME (Overall)						3,275.4

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 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