

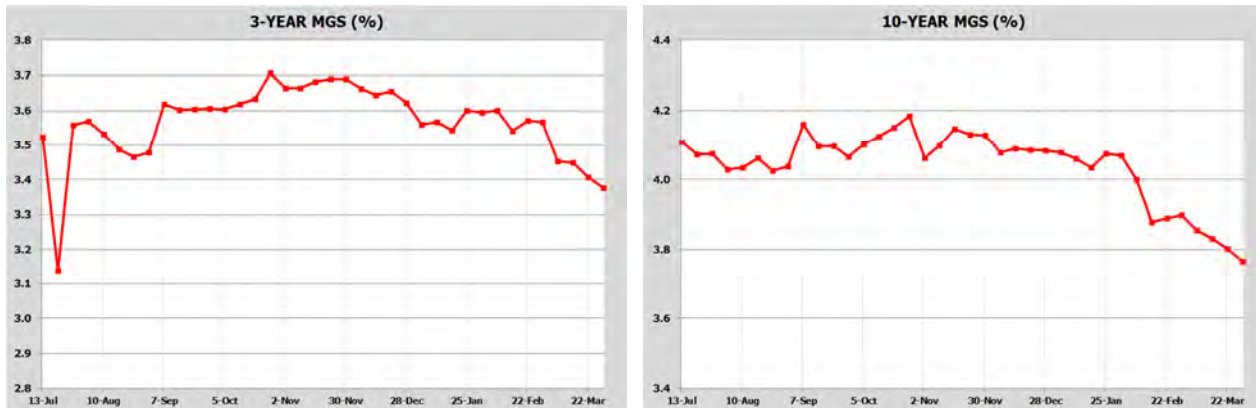
MIDF Strategy | 01 April 2019

Week Ended 29 March 2019

- UST registered another all-around gains (prices up; yields down) last week in a continued reaction to the US Fed dovish decision to pause rate hike in 2019. The benchmark 10-year yield dropped midweek to a level last seen in late 2017 before a slight late week rebound in anticipation of a possible deal from US-China trade talk which is scheduled to resume this week. Moreover, the 10y-3y yield spread marginally steepened from a week earlier at +20bps.
- Domestically, the price of MGS benchmark issues ended the review week higher while the curve slightly flattened as the long-end outperformed with the 3-year and 10-year yields fell -3.1bp and -3.5bps respectively to close at 3.38% and 3.77%.
- Total trading value for Government Bonds (MGS/MII) decreased to RM24.9b in the review week compared to RM25.0b in the previous week (based on Bloomberg data). The total trading value of 10 most actively traded issues declined (higher trading breadth) to 45% of the overall Government Bonds trades in the week under review as compared to 46% in the week before. In addition, all of the 10 most actively traded bonds saw lower yields hence higher prices during the review week.
- In contrast, the total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM5.03b in the review week compared to RM3.49b in earlier week (based on Bloomberg data). Moreover, the total trading value of 10 most actively traded issues increased (lower trading breadth) to 31% compared to 30% of the overall Corporate Bonds trades vis-à-vis the week before.

Weekly Money Review

A. FIXED INCOME



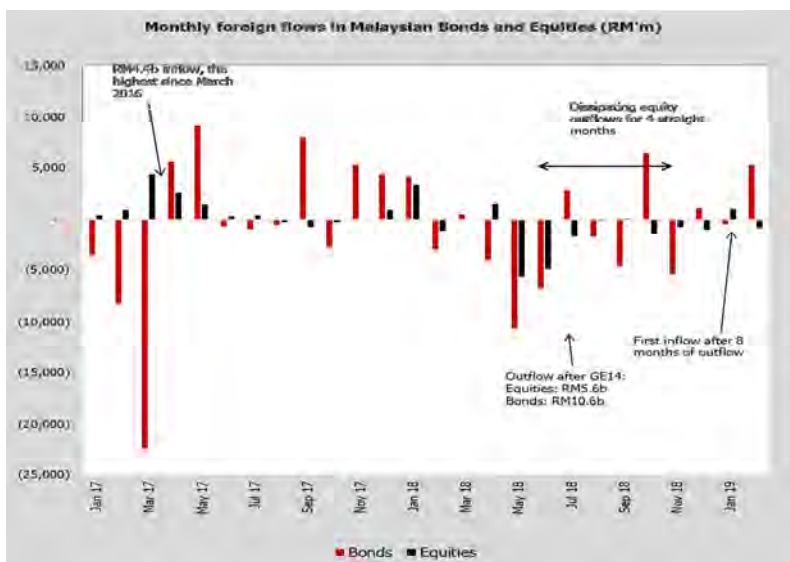
Source: Bloomberg, MIDFR

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- Furthermore, the top 3 actively traded Government Bonds were represented by issues of short and long residual tenors. The top 3 most actively traded were MII 3.558% 04/30/19 at RM1.74b, MII 4.369% 10/31/28 at RM1.41b, and MGS 3.885% 08/15/29 at RM1.26b.
- In contrast, the total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM5.03b in the review week compared to RM3.49b in earlier week (based on Bloomberg data). Moreover, the total trading value of 10 most actively traded issues increased (lower trading breadth) to 31% compared to 30% of the overall Corporate Bonds trades vis-à-vis the week before.
- The top 3 actively traded Corporate Bonds were dominated by issues of short and long residual tenors. The biggest trading values were seen in Prasarana Malaysia Bhd 4.02% 03/24/20 at RM305m, Prasarana Malaysia Bhd 4.08% 09/14/22 at RM200m, and Govco Holdings Bhd 4.95% 02/20/32 at RM200m.
- Total foreign holdings of Government Bonds stood at RM166.7b as at end-Feb 2019. It was an increase of RM5.7b from the January 2019 figure of RM161.0b.
- On the other hand, total foreign holdings of Corporate Bonds decreased by -RM366m in the month of February 2019 to RM13.5b.



Source: BNM

- In comparison to equities, the bonds market saw a total net inflow worth RM5.4b in February 2019 while the former saw a total net outflow worth -RM816m. For 2018, the net flows of both equities and bonds markets were in the red with total net outflows of -RM11.7b and -RM21.1b respectively.



Source: BNM, Bursa Preliminary Statistics

B. FOREIGN EXCHANGE

- DXY Index strengthens slightly. Trade deficit in the US narrowed to \$51.1b in Jan-19, lower than the 10-year low recorded in the final month of 2018. Exports improved by 3.4%yoy while imports grew at a slower pace of 2.6%yoy. As trade negotiation still ongoing, exports and imports with China contracted -27.5%yoy and -9.1%yoy respectively during the month.
- EURUSD weakens as business confidence dip. The Business Climate Indicator for Euro Area fell to 0.53 in Mar-19, lowest since Nov-16. As for consumer, the indicator remains in negative territory. Political uncertainties such as Brexit, global slowdown and volatility in commodity prices among others contribute towards the cloudy outlook for the economic region.
- Ringgit – Remains steady. BNM in its latest annual report 2018 highlighted Malaysian GDP to expand at a range of 4.3-4.8% this year. Headline CPI to hover between 0.7-1.7%. The growth to be supported by higher private investment, recovery in commodity-based sectors and solid domestic demand. In addition, BNM indirectly signals of maintaining its interest rate at current level of 3.25% in 2019. We maintain our call MYR to average at 4.05 and register year-end target at 4.00 in 2019.

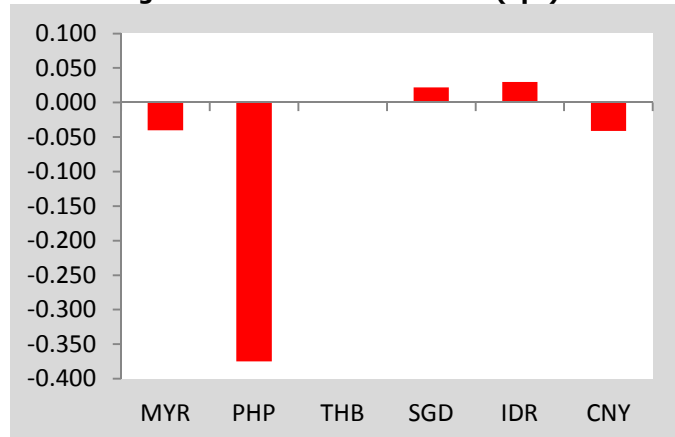
Currencies Changes (Week Ended 29/3) and Quarterly Forecasts

	Close (29/3)	Prev Close (22/3)	Change	% Change	1Q19F	2Q19F	3Q19F	4Q19F
DXY Index	97.25	96.65	0.598	0.6%	96.46	94.94	93.88	95.83
EURUSD	1.12	1.13	-0.008	-0.7%	1.13	1.15	1.17	1.15
GBPUSD	1.30	1.32	-0.018	-1.3%	1.30	1.32	1.30	1.27
USDJPY	110.81	109.92	0.890	-0.8%	110.15	107.55	105.87	108.95
USDMYR	4.09	4.06	0.022	-0.5%	4.09	4.01	4.10	4.00
GBPMYR	5.33	5.32	0.001	0.0%	5.32	5.29	5.38	5.45
JPYMYR	3.69	3.70	-0.010	0.3%	3.72	3.73	3.92	3.95

Quarterly figures are forecast by MIDFR

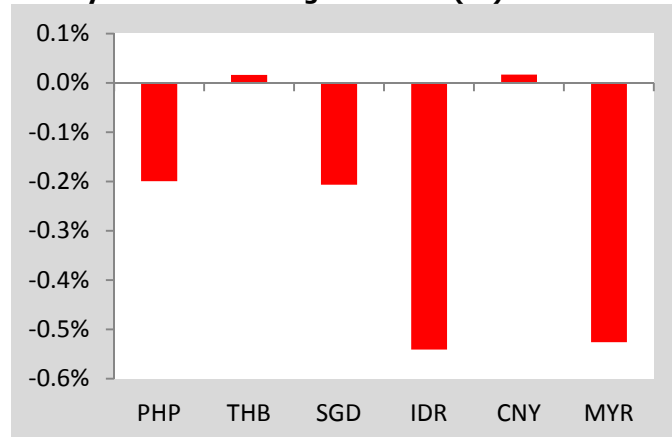
Source: Bloomberg, MIDFR

Yield Change in 10Y Government Bonds (bps)



Source: BLOOMBERG; MIDFR

Weekly Currencies Change vs Dollar (%)



Source: BLOOMBERG; MIDFR

Central Bank Policy Rate by Selected Economies (%)

	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19
Malaysia	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
Indonesia	5.25	5.50	5.75	5.75	6.00	6.00	6.00	6.00	6.00
Singapore	Neut.	Neut.	Neut.	Neut.	Neut.	Neut.	Neut.	Neut.	Neut.
Philippines	3.25	4.00	4.50	4.50	4.75	4.75	4.75	4.75	4.75
Thailand	1.50	1.50	1.50	1.50	1.50	1.75	1.75	1.75	1.75
Vietnam	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.25
Korea	1.50	1.50	1.50	1.50	1.75	1.75	1.75	1.75	1.75
China	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35
Japan	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10
United Kingdom	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
EU	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
United States	2.00	2.00	2.25	2.25	2.25	2.50	2.50	2.50	2.50

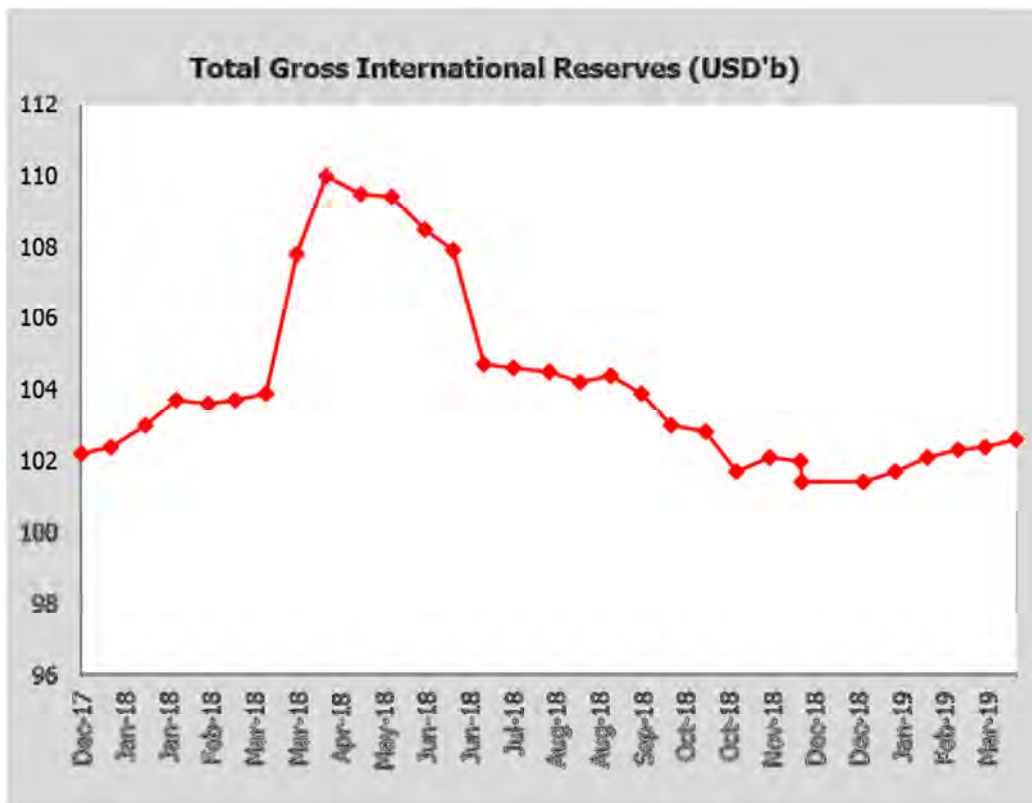
Source: CEIC, MIDFR

- The US and China are still on progressive path towards a trade deal.
- Trade tension, geopolitical instability, policy and political uncertainties, tightening monetary policy, volatility in commodities prices remain as key factors affecting growth trajectory.


- Nevertheless, global demand is expected to remain resilient and inflationary pressure is tepid. Trade deal between the US and China in which on progressive development may provide hope for long term solution and boost market confidence.
- On the monetary policy space, as guided by the latest projection, the Fed will maintain its interest rate at current range in 2019.
- The Fed predicts slower GDP growth, higher jobless rate while Core PCE inflation stays at 2%.
- ECB sees no rate hike in 2019.
- BNM expects GDP growth at a range of 4.3-4.7% in 2019, contributed by private investment, commodity-sectors and domestic demand.
- Headline CPI to hover 0.7-1.7% according to the central bank.
- The solid economic growth contributed by private consumption and external market.
- Current monetary policy remains accommodative at present to support growth in the domestic economy.
- We expect no changes in monetary policy which OPR maintains at 3.25% in 2019.

C. BNM FOREIGN RESERVES

- As at 15 March 2019, compared to previous fortnight, Bank Negara Malaysia's international reserves increased to USD102.6b.



Source: BNM

- The amount of reserves is sufficient to finance 7.4 months of retained imports and is 1.0 times the short-term external debt. 

APPENDIX

WEEKLY INTEREST RATE MONITOR

Tenor	22-Mar Fri	25-Mar Mon	26-Mar Tue	27-Mar Wed	28-Mar Thu	29-Mar Fri	Change (WoW bp)
MGS							
3-Y	3.408	3.408	3.372	3.402	3.377	3.377	-3.1
5-Y	3.575	3.578	3.583	3.543	3.53	3.532	-4.3
7-Y	3.773	3.698	3.735	3.765	3.661	3.716	-5.7
10-Y	3.802	3.777	3.814	3.779	3.75	3.767	-3.5
20-Y	4.333	4.333	4.342	4.325	4.306	4.284	-4.9
RINGGIT IRS							
1-Y	3.565	3.56	3.56	3.555	3.54	3.535	-3
3-Y	3.575	3.57	3.57	3.565	3.53	3.535	-4
5-Y	3.67	3.664	3.66	3.66	3.62	3.62	-5
7-Y	3.8	3.795	3.8	3.77	3.73	3.735	-6.5
10-Y	3.97	3.985	3.98	3.96	3.915	3.92	-5
KLIBOR							
1-M	3.43	3.43	3.43	3.43	3.43	3.43	0
2-M	3.66	3.66	3.66	3.66	3.66	3.66	0
3-M	3.69	3.69	3.69	3.69	3.69	3.69	0
UST							
3-Y	2.2411	2.1647	2.1917	2.137	2.1832	2.2045	-3.66
5-Y	2.2419	2.1783	2.2049	2.1563	2.2145	2.233	-0.89
7-Y	2.3354	2.2866	2.3109	2.2597	2.2986	2.3132	-2.22
10-Y	2.439	2.3983	2.423	2.3665	2.3946	2.405	-3.4
30-Y	2.8739	2.8616	2.8731	2.8105	2.8226	2.8143	-5.96
USD LIBOR							
1-M	2.49888	2.48975	2.4955	2.49863	2.5015	2.4945	-0.438
2-M	2.556	2.56238	2.55775	2.559	2.55238	2.56388	0.788
3-M	2.60988	2.60875	2.59738	2.601	2.59175	2.59975	-1.013

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	22-Mar Yield	29-Mar Yield	Change (WoW bp)	Weekly Volume (RM bn)
MALAYSIA INVESTMNT ISSUE	3.558	04/30/19	3.309	3.275	-3.4	1,735.0
MALAYSIA INVESTMNT ISSUE	4.369	10/31/28	3.989	3.883	-10.6	1,411.0
MALAYSIA GOVERNMENT	3.885	08/15/29	3.802	3.767	-3.5	1,265.6
MALAYSIA INVESTMNT ISSUE	4.13	07/09/29	3.893	3.814	-7.9	1,198.2
MALAYSIA GOVERNMENT	3.906	07/15/26	3.773	3.716	-5.7	1,124.9
MALAYSIA INVESTMNT ISSUE	4.128	08/15/25	3.837	3.798	-3.9	1,075.1
MALAYSIA INVESTMNT ISSUE	4.724	06/15/33	4.242	4.106	-13.6	975.1
MALAYSIA GOVERNMENT	3.757	04/20/23	3.575	3.532	-4.3	838.7
MALAYSIA GOVERNMENT	3.882	03/10/22	3.408	3.377	-3.1	790.3
MALAYSIA INVESTMNT ISSUE	4.094	11/30/23	3.676	3.597	-7.9	767.2
TOTAL VOLUME (TOP 10)						11,181.0
TOTAL VOLUME (Overall)						24,892.2

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	22-Mar Yield	29-Mar Yield	Change (WoW bp)	Weekly Volume (RM bn)
PRASARANA MALAYSIA BHD	4.02	03/24/20	3.695	3.572	-12.3	305.0
PRASARANA MALAYSIA BHD	4.08	09/14/22	#N/A N/A	3.776	#VALUE!	200.0
GOVCO HOLDINGS BHD	4.95	02/20/32	4.482	4.361	-12.1	200.0
DANAINFRA NASIONAL	4.67	11/27/29	4.302	4.032	-27.0	161.0
PUBLIC BANK BERHAD	4.7	10/27/28	#N/A N/A	4.455	#VALUE!	160.0
PRASARANA MALAYSIA BHD	4.39	03/07/25	3.945	3.910	-3.5	125.0
TELEKOM MALAYSIA BERHAD	4.68	10/31/28	4.461	4.361	-10.0	120.0
BANK PEMBANGUNAN MALAY	4.38	09/12/24	#N/A N/A	3.949	#VALUE!	100.0
DANAINFRA NASIONAL	4.37	02/21/25	4.060	3.923	-13.7	100.0
GENM CAPITAL BHD	5.58	07/11/33	#N/A N/A	4.918	#VALUE!	100.0
TOTAL VOLUME (TOP 10)						1,571.0
TOTAL VOLUME (Overall)						5,032.6

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 <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 price is 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.