

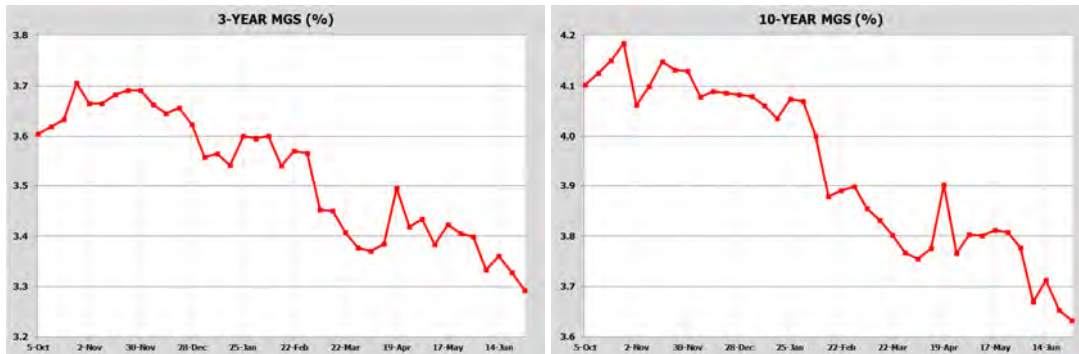
MIDF Strategy | 1 July 2019

Week Ended 28 June 2019

- The UST continued to rally (prices up; yields down) as the market was arguably not expecting any major breakthrough in the much anticipated meeting between US President Trump and President Xi of China during the G20 meeting in Osaka over the weekend. Moreover, the 10y-3y yield spread slightly flattened (as the long-end outperformed) to +30bps from +33bps a week earlier. *[In fact, the US-China top level meeting brought no tangible progress as it ended in a temporary 'truce' with both parties agreeing to continue talking]*
- Likewise, the domestic MGS saw buying activities as they mostly ended higher last week with the benchmark 3-year and 10-year yields shed -3.5bp and -2.1bp respectively to close at 3.29% and 3.63%. However, the curve slightly steepened as the short-end outperformed.
- Total trading value for Government Bonds (MGS/MII) declined slightly to RM25.0b in the review week compared to RM26.6b in the earlier week (based on Bloomberg data). The total trading value of 10 most actively traded was higher (lower trading breadth) at 42% of the overall Government Bonds trades in the week under review as compared to 41% the week before. In addition, 8 out of the 10 most actively traded bonds saw lower yields hence higher prices during the review week.
- On the other hand, the total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM3.79b in the review week compared to RM3.46b in earlier week (based on Bloomberg data). Moreover, the total trading value of the 10 most actively traded issues increased (lower trading breadth) to 35% of the overall Corporate Bonds trades in the review week as compared to 32% in the week before.

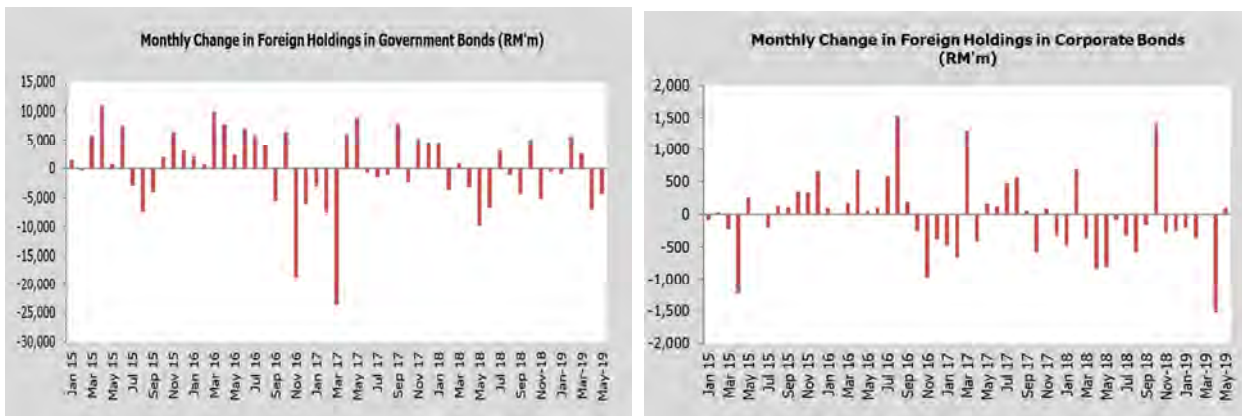
Weekly Money Review

A. FIXED INCOME



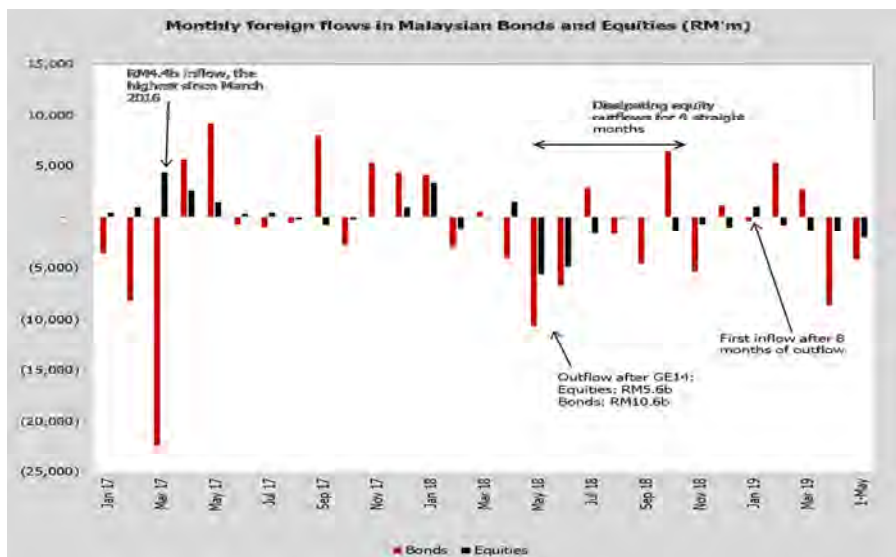
Source: Bloomberg, MIDFR

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- Likewise, the domestic MGS saw buying activities as they mostly ended higher last week with the benchmark 3-year and 10-year yields shed -3.5bp and -2.1bp respectively to close at 3.29% and 3.63%. However, the curve slightly steepened as the short-end outperformed.
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- Furthermore, the top 3 actively traded Government Bonds were represented by issues of mid and long residual tenors. The top 3 most actively traded were MGS 4.642% 11/7/33 at RM1.46b, MII 4.467% 9/15/39 at RM1.31b, and MGS 3.906% 7/15/26 at RM1.30b.
- On the other hand, the total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM3.79b in the review week compared to RM3.46b in earlier week (based on Bloomberg data). Moreover, the total trading value of the 10 most actively traded issues increased (lower trading breadth) to 35% of the overall Corporate Bonds trades in the review week as compared to 32% in the week before.
- The top 3 actively traded Corporate Bonds were dominated by issues of short and mid residual tenors. The biggest trading values were seen in Danum Capital 3.96% 5/9/23 at RM230m, Khazanah 0.00% 8/14/23 at RM220m, and YTL Corp 4.63% 11/11/26 at RM150m.
- Total foreign holdings of Government Bonds stood at RM158.0b as at end-May 2019. It was a decline of -RM4.3b from the April 2019 figure of RM162.3b.
- Likewise, total foreign holdings of Corporate Bonds decreased by -RM94.0m in the month of May 2019 to RM12.0b.



Source: BNM

- In comparison to equities, the bonds market saw a total net outflow worth -RM4.2b in May 2019 while the former saw a total net outflow worth -RM2.04b. 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 remains on slight declining trend. Economic growth for 1Q19 is confirmed at 3.1% annualised. Nevertheless, domestic demand is expected to soften as the Conference Board’s consumer confidence index dropped 9.8 points to a reading of 121.5 in Jun-19, the lowest since Sep-17. Other indicators such as IBD/TIPP Economic Optimism Index and IHS Markit Manufacturing PMI are indicating the same downward trends.
- EURUSD stays stable. Economic outlook for European region remains cloudy as leading indicators showed pessimistic signs. Economic sentiment indicator for Euro-Area decreased to 103.3 points, lowest since Aug-16. Consumer confidence stays at negative territory and Business Climate Indicator (BCI) registered 5-year low at 0.17 points in Jun-19. Eurosceptic and trade war are among the major reasons for the falling economic sentiments.
- Ringgit – Continue improving. Malaysia’s leading economic index surged by 2.6%mom in Apr-19 (Mar-19: 0.7%mom) as six out of seven components recorded increases. Based on the performance, the economy is expected to grow better in Aug-19 to Oct-19. Headline and core CPI remain at low levels, 0.2% and 0.4% respectively in May-19. We maintain our call MYR to average at 4.12 and register year-end target at 4.10 in 2019.

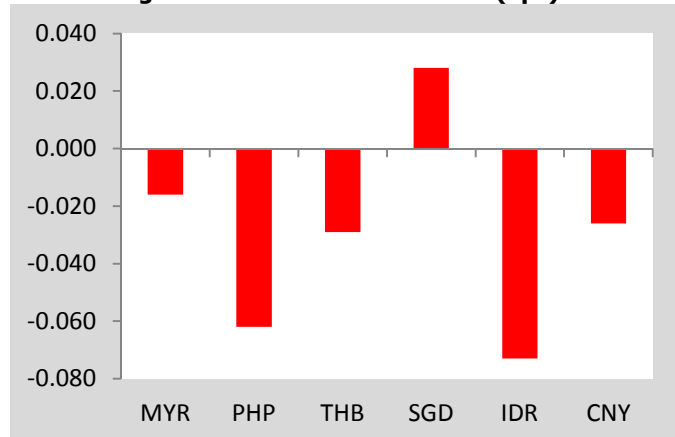
Currencies Changes (Week Ended 28/06) and Quarterly Forecasts

	Close (28/06)	Prev Close (21/06)	Change	% Change	1Q19	2Q19	3Q19F	4Q19F
DXY Index	96.11	96.22	-0.114	-0.1%	96.46	97.26	93.88	95.83
EURUSD	1.14	1.14	0.002	0.1%	1.13	1.12	1.17	1.15
GBPUSD	1.27	1.27	-0.007	-0.5%	1.30	1.28	1.30	1.27
USDJPY	107.66	107.32	0.340	-0.3%	110.15	109.82	105.87	108.95
USDMYR	4.14	4.15	-0.013	0.3%	4.09	4.15	4.12	4.10
GBPMYR	5.24	5.26	-0.026	0.5%	5.32	5.33	5.38	5.45
JPYMYR	3.84	3.87	-0.024	0.6%	3.72	3.78	3.92	3.95

Quarterly figures are forecast by MIDFR

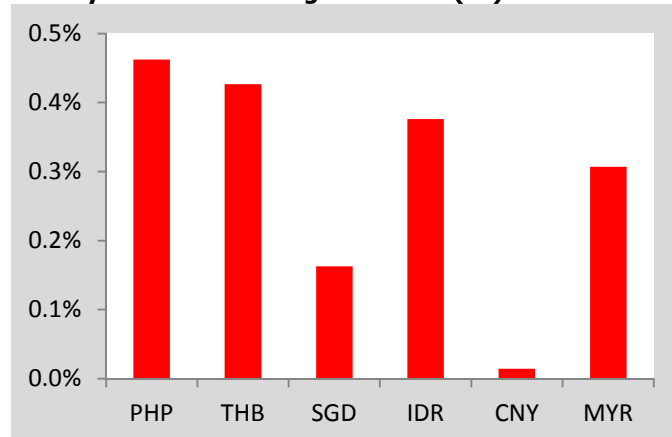
Source: Bloomberg, MIDFR

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 (%)

	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19
Malaysia	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.00	3.00
Indonesia	5.75	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Singapore	Neut.	Neut.	Neut.	Neut.	Neut.	Neut.	Neut.	Neut.	Neut.
Philippines	4.50	4.50	4.75	4.75	4.75	4.75	4.75	4.50	4.50
Thailand	1.50	1.50	1.50	1.75	1.75	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	1.75	1.75	1.75	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	0.75	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	2.25	2.25	2.50	2.50	2.50	2.50	2.50	2.50	2.50

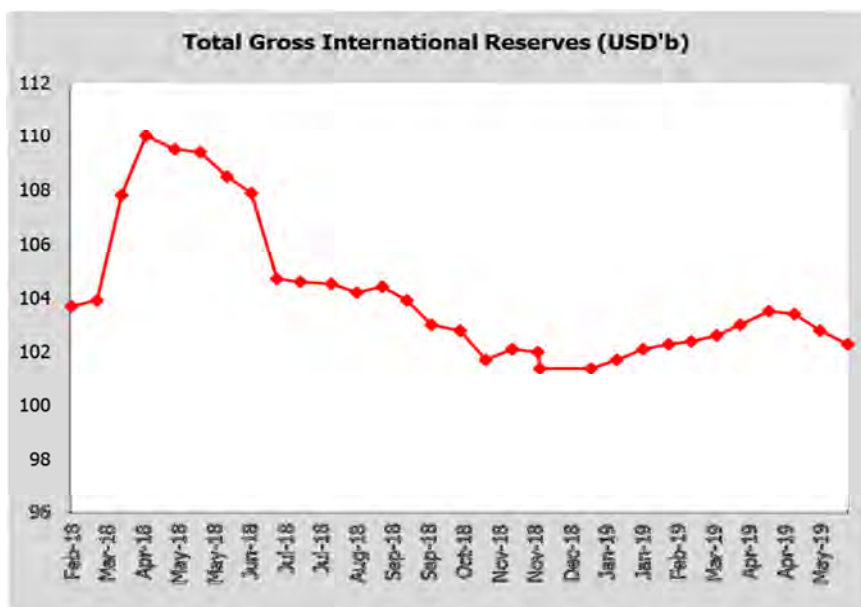
Source: CEIC, MIDFR

- Trade tension, geopolitical instability, policy and political uncertainties, tightening monetary policy, volatility in commodities prices remain as key factors affecting growth trajectory.
- Global demand and trade flows are expected to moderate following the imposition of tariff hikes by both the US and China.


- On the monetary policy space, as guided by the latest projection, the Fed may consider one rate cut in 2H19.
- The Conference Board's consumer confidence index dropped 9.8 points to a reading of 121.5 in Jun-19, the lowest since Sep-17.
- IBD/TIPP Economic Optimism Index fell to 4-month low at 53.2 points, IHS Markit Manufacturing PMI dropped to 10-year low at 50.1 points and IHS Markit Services PMI decreased to 3-year low at 50.7 points in Jun-19.
- Economic outlook for European region remains cloudy as leading indicators showed pessimistic signs. Economic sentiment indicator for Euro-Area decreased to 103.3 points, lowest since Aug-16. Consumer confidence stays at negative territory and Business Climate Indicator (BCI) registered 5-year low at 0.17 points in Jun-19.
- Malaysia's leading economic index surged by 2.6%mom in Apr-19 (Mar-19: 0.7%mom) as six out of seven components recorded increases. Based on the performance, the economy is expected to grow better in Aug-19 to Oct-19.
- Headline and core CPI maintain at low levels, 0.2% and 0.4% respectively in May-19. Inflationary pressure is expected to stay low amid lower retail fuel prices.
- Accommodative in global crude oil prices to support mining sector to improve in 2Q19 and 2H19.
- Current monetary policy remains accommodative at present to support growth in the domestic economy.
- We expect no further changes in monetary policy which OPR maintains at 3.00% in 2019.

C. BNM FOREIGN RESERVES

- As at 31 May 2019, compared to previous fortnight, Bank Negara Malaysia's international reserves decreased to USD102.3b.



Source: BNM

- The amount of reserves is sufficient to finance 7.3 months of retained imports and is 1.1 times the short-term external debt. 

APPENDIX

WEEKLY INTEREST RATE MONITOR

Tenor	21-Jun Fri	24-Jun Mon	25-Jun Tue	26-Jun Wed	27-Jun Thu	28-Jun Fri	Change (WoW bp)
MGS							
3-Y	3.328	3.355	3.327	3.347	3.317	3.293	-3.5
5-Y	3.427	3.462	3.445	3.423	3.451	3.418	-0.9
7-Y	3.56	3.59	3.571	3.582	3.569	3.863	30.3
10-Y	3.653	3.676	3.647	3.647	3.647	3.632	-2.1
20-Y	4.123	4.108	4.125	4.098	4.069	4.055	-6.8
RINGGIT IRS							
1-Y	3.375	3.375	3.355	3.355	3.375	3.375	0
3-Y	3.385	3.39	3.375	3.3775	3.385	3.4	1.5
5-Y	3.45	3.46	3.45	3.45	3.47	3.475	2.5
7-Y	3.525	3.535	3.525	3.52	3.535	3.525	0
10-Y	3.715	3.71	3.68	3.68	3.675	3.69	-2.5
KLIBOR							
1-M	3.19	3.19	3.19	3.19	3.19	3.19	0
2-M	3.41	3.41	3.41	3.41	3.41	3.41	0
3-M	3.46	3.46	3.46	3.46	3.46	3.46	0
UST							
3-Y	1.7229	1.6823	1.6741	1.7418	1.7092	1.7064	-1.65
5-Y	1.7906	1.7475	1.7243	1.7952	1.7697	1.7664	-2.42
7-Y	1.9146	1.8714	1.845	1.9144	1.8807	1.875	-3.96
10-Y	2.054	2.0143	1.985	2.0468	2.014	2.0051	-4.89
30-Y	2.5841	2.5443	2.5192	2.5695	2.5292	2.5291	-5.5
USD LIBOR							
1-M	2.40438	2.40175	2.40413	2.40238	2.40238	2.398	-0.638
2-M	2.37663	2.3495	2.34125	2.34538	2.34088	2.33088	-4.575
3-M	2.34925	2.33288	2.31125	2.32988	2.31888	2.31988	-2.937

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	21-Jun Yield	28-Jun Yield	Change (WoW bp)	Weekly Volume (RM bn)
MALAYSIA GOVERNMENT	4.642	11/07/33	3.976	3.907	-6.9	1,456.9
MALAYSIA INVESTMNT ISSUE	4.467	09/15/39	4.115	4.064	-5.1	1,310.1
MALAYSIA GOVERNMENT	3.906	07/15/26	3.560	3.863	30.3	1,304.7
MALAYSIA GOVERNMENT	3.492	03/31/20	3.174	3.159	-1.5	1,260.8
MALAYSIA GOVERNMENT	3.885	08/15/29	3.653	3.632	-2.1	1,207.1
MALAYSIA GOVERNMENT	3.654	10/31/19	3.099	3.082	-1.7	1,115.8
MALAYSIA GOVERNMENT	4.893	06/08/38	4.123	4.055	-6.8	891.9
MALAYSIA GOVERNMENT	4.16	07/15/21	3.312	3.315	0.3	692.3
MALAYSIA INVESTMNT ISSUE	3.704	09/30/19	3.111	3.092	-1.9	691.5
MALAYSIA GOVERNMENT	3.733	06/15/28	3.680	3.660	-2.0	643.5
TOTAL VOLUME (TOP 10)						10,574.6
TOTAL VOLUME (Overall)						25,027.6

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	21-Jun Yield	28-Jun Yield	Change (WoW bp)	Weekly Volume (RM bn)
DANUM CAPITAL BHD	3.96	05/09/23	3.778	3.774	-0.4	230.0
KHAZANAH NASIONAL BHD	ZERO	08/14/23	3.602	3.534	-6.8	220.0
YTL CORPORATION BERHAD	4.63	11/11/26	#N/A N/A	4.224	#VALUE!	150.0
KHAZANAH NASIONAL BHD	ZERO	03/24/20	3.403	3.257	-14.6	140.0
CAGAMAS BERHAD	3.65	08/09/19	3.575	3.271	-30.4	120.0
YTL CORPORATION BERHAD	4.6	06/23/34	#N/A N/A	4.377	#VALUE!	110.0
DANAINFRA NASIONAL	4.47	11/24/28	#N/A N/A	3.808	#VALUE!	100.0
PERBADANAN TABUNG PENDID	4.27	03/01/29	3.928	3.819	-10.9	90.0
COUNTRY GARDEN REAL ESTA	6.6	02/23/23	6.599	6.521	-7.8	89.5
DANAINFRA NASIONAL	4.9	04/29/33	4.100	4.034	-6.6	80.0
TOTAL VOLUME (TOP 10)						1,329.5
TOTAL VOLUME (Overall)						3,790.2

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.