

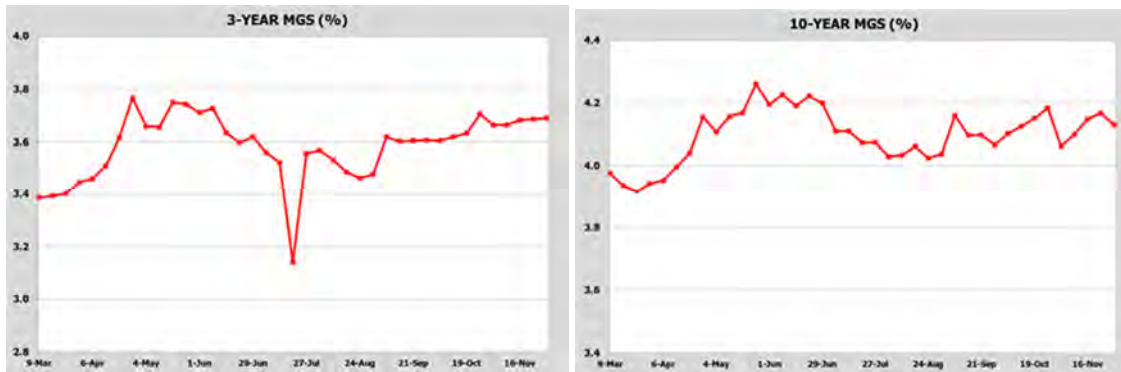
MIDF Strategy | 3 December 2018

Week Ended 30 November

- UST rallied (prices up; yields down) last week as investors reacted to US Fed Chairman Jerome Powell's remark that interest rate is nearing its neutral level; hence the possibility of a lower number of interest rate hikes in the coming year. Coincidentally, in the prior week, President Trump said in an interview that he is "not even a little bit happy" with his selection of Mr. Powell as the Fed Chair, as the President argued the series of fed rate hikes were hurting the US economy. Conversely, recall that barely two months ago, the Fed Chair commented that the fed rate is "a long way" from reaching neutral level. Moreover, the UST rally was also attributable to the release of core PCE (an inflation gauge) figure which came in below the 2.0% target at 1.8% in October.
- The UST yield curve flattened as the long-end outperformed. The 10y-3y yield spread narrowed to +19bps from +20bps a week earlier.
- Domestically, the price of MGS benchmark issues ended the review week mixed with the 3-year and 10-year yields unchanged and declined -0.2bp respectively to close the week at 3.69% and 4.13%.
- Total trading value for Government Bonds (MGS/MII) increased to RM12.6b in the review week compared to RM11.1b in the previous week (based on Bloomberg data). The total trading value of 10 most actively traded issues decreased (higher trading breadth) to 65% of the overall Government Bonds trades in the week under review vis-à-vis 69% in the week before. In addition, 6 out of the 10 most actively traded bonds saw lower yields hence higher prices during the review week.
- Likewise, the total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM1.83b in the review week compared to RM1.66b in earlier week (based on Bloomberg data). The total trading value of 10 most actively traded issues increased (lower trading breadth) to 50% of the overall Corporate Bonds trades from 45% in the week before.

Weekly Money Review

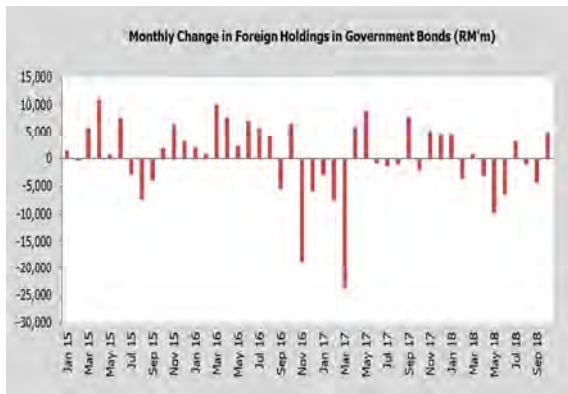
A. FIXED INCOME



Source: Bloomberg

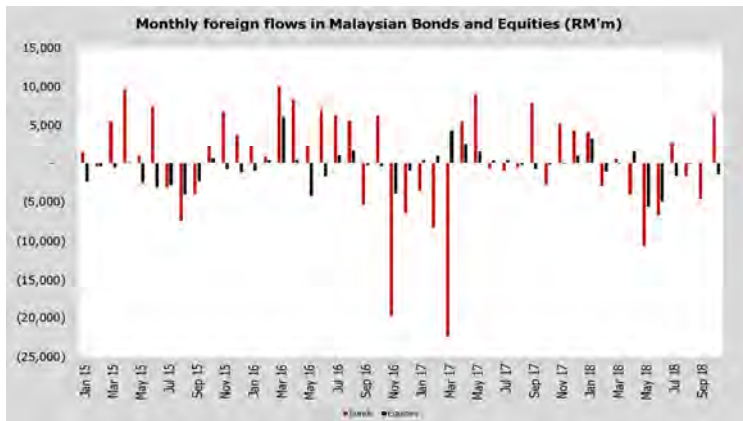
- UST rallied (prices up; yields down) last week as investors reacted to US Fed Chairman Jerome Powell’s remark that interest rate is nearing its neutral level; hence the possibility of a lower number of interest rate hikes in the coming year. Coincidentally, in the prior week, President Trump said in an interview that he is “not even a little bit happy” with his selection of Mr. Powell as the Fed Chair, as the President argued the series of fed rate hikes were hurting the US economy. Conversely, recall that barely two months ago, the Fed Chair commented that the fed rate is “a long way” from reaching neutral level.
- Moreover, the UST rally was also attributable to the release of core PCE (an inflation gauge) figure which came in below the 2.0% target at 1.8% in October.
- The UST yield curve flattened as the long-end outperformed. The 10y-3y yield spread narrowed to +19bps from +20bps a week earlier.
- Domestically, the price of MGS benchmark issues ended the review week mixed with the 3-year and 10-year yields unchanged and declined -0.2bp respectively to close the week at 3.69% and 4.13%.
- Total trading value for Government Bonds (MGS/MII) increased to RM12.6b in the review week compared to RM11.1b in the previous week (based on Bloomberg data). The total trading value of 10 most actively traded issues decreased (higher trading breadth) to 65% of the overall Government Bonds trades in the week under review vis-à-vis 69% in the week before. In addition, 6 out of the 10 most actively traded bonds saw lower yields hence higher prices during the review week.
- Furthermore, the top 3 actively traded Government Bonds were represented by issues with short and long residual tenors. The top 3 most actively traded were MII 4.369% 10/31/28 at RM1.43b, MGS 4.378% 11/29/19 at RM1.38b and MGS 3.492% 03/31/20 at RM1.22b.
- Likewise, the total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM1.83b in the review week compared to RM1.66b in earlier week (based on Bloomberg data). The total trading value of 10 most actively traded issues increased (lower trading breadth) to 50% of the overall Corporate Bonds trades from 45% in the week before.
- The top 3 actively traded Corporate Bonds were dominated by issues with short and mid residual tenors. The biggest trading values were seen in Pengurusan Air SPV Bhd 3.96% 06/05/20 at RM180m, Fortune Premiere Sdn Bhd 5.05% 09/05/25 at RM160m and Khazanah Nasional Berhad 0% 08/14/23 at RM150m.

- Total foreign holdings of Government Bonds stood at RM167.7b as at end-Oct 2018. It was an increase of RM5.0b from the Sept 2018 figure of RM162.7b.
- In tandem, total foreign holdings of Corporate Bonds increased by RM1.4b in the month of October 2018 to RM14.6b.



Source: BNM

- In comparison to equities, the bonds market saw a total net inflow worth RM6.4b in October 2018 while the former saw a total net outflow worth RM1.4b. Furthermore, year-to-date (Jan-Oct), both equities and bonds markets remained in the red with total net outflows of -RM10.0b and -RM23.2b respectively.



Source: BNM, Bursa Preliminary Statistics

B. FOREIGN EXCHANGE

- DXY Index stays on strengthening path. During the week, DXY depreciated on Wednesday amid Powell's statement over slower pace hikes. In addition, Core PCE inflation which mostly referred by the Fed missed its target of 2% as the inflation rate hits at 1.8% in Oct-18. Nevertheless, improved global demand thanks to Trump and Xi Jinping put DXY back on strengthening path. We expect another rate hike in Dec-18 and three times in 2019
- EURUSD remains steady. Jobless rate in Oct-18 maintains at 10-year low for 4-consecutive months at 8.1%. Headline and core inflation rates recorded at 2% and 1% respectively in Nov-18, lower than the previous month. In addition, the recent G20 summit provided good news to exporters in EU given that the US and China agreed to halt additional tariff and would reach a trade deal within 90 days.
- Ringgit – Slight improvement. MYR registered at 4.18 on last Friday, better than the previous week at 4.19. Among others, weakening Dollar over Powell's slower rate hike pace statement and trivial pick up in global crude oil prices add to the improved MYR. Domestically, economic performance is expected to expand at better pace for

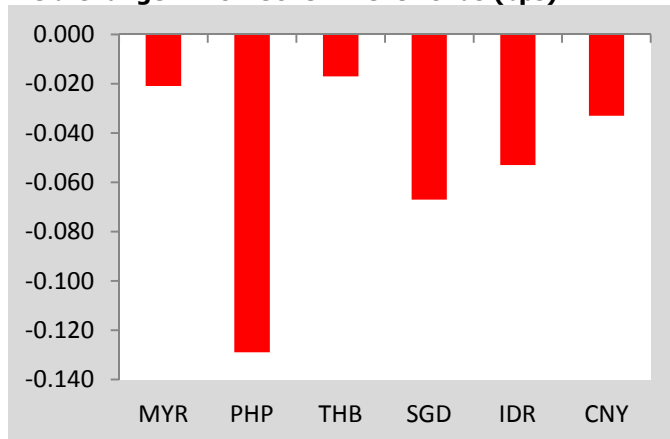
next 3-6 months as reflected by 4Q18 Business Tendency Survey. We maintain our call MYR to average at 4.00 and register year-end target at 4.10.

Currencies Changes (Week Ended 30/11) and Quarterly Forecasts

	Close (30/11)	Prev Close (23/11)	Change	% Change	1Q18	2Q18	3Q18	4Q18F
DXY Index	97.27	96.92	0.356	0.4%	90.07	92.79	95.02	96.99
EURUSD	1.14	1.13	0.004	0.4%	1.23	1.19	1.16	1.14
GBPUSD	1.28	1.28	-0.003	-0.2%	1.39	1.37	1.30	1.28
USDJPY	113.44	112.96	0.480	-0.4%	108.09	109.24	111.48	114.72
USDMYR	4.18	4.19	-0.006	0.2%	3.92	3.95	4.10	4.10
GBPMYR	5.35	5.39	-0.033	0.6%	5.46	5.37	5.33	5.40
JPYMYR	3.69	3.71	-0.018	0.5%	3.63	3.62	3.67	3.70

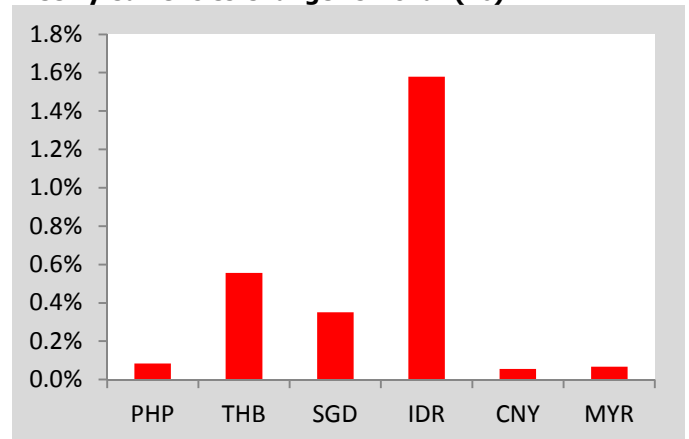
Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

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 (%)

	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18
Malaysia	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
Indonesia	4.25	4.25	4.75	5.25	5.25	5.50	5.75	5.75	6.00
Singapore	Neut.	Neut.	Neut.	Neut.	Neut.	Neut.	Neut.	Neut.	Neut.
Philippines	3.00	3.00	3.00	3.25	3.25	4.00	4.50	4.50	4.50
Thailand	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
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	1.50	1.50	1.50	1.50	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	0.50	0.50	0.50	0.50	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	1.75	1.75	1.75	2.00	2.00	2.00	2.25	2.25	2.25

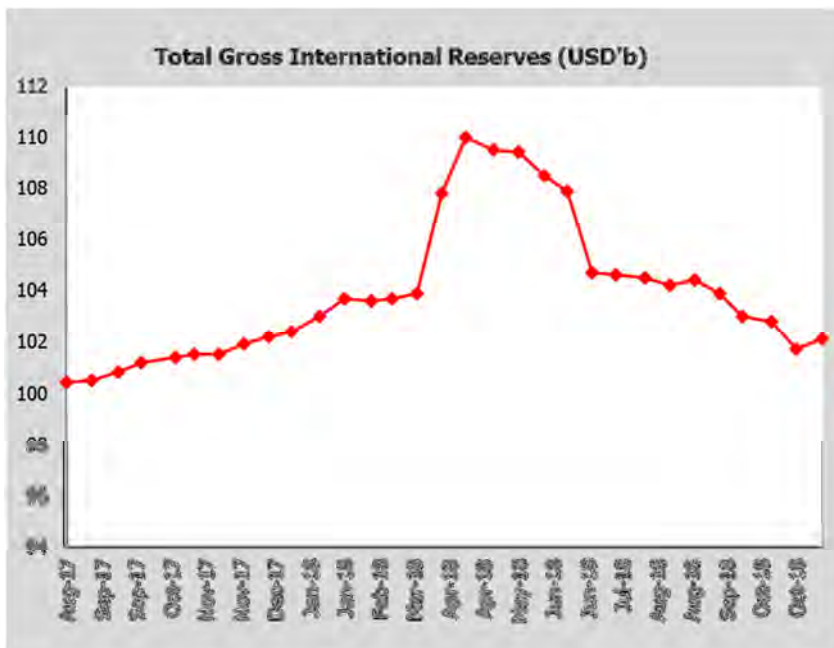
Source: CEIC, MIDFR

- Growth moderation for the global economy is expected in the near term as pocket of uneven growth seen in different parts of the world based on 3Q GDP figures.

- Ongoing headwinds such as trade tension, geopolitical instability, policy and political uncertainties, tightening monetary policy, volatility in commodities prices remain as key factors affecting growth.
- Both business and consumer sentiments in most major and developing markets are showing signs of moderation.
- Domestic leading indicators as reflected in the latest Business Tendency Survey are pointing towards better performance leading into 1Q 2019.
- Pace in rate of normalization in the US shift risk appetite and boost dollar strength which is negative to EM currencies - the trend observed in the last couple of months.
- Jerome Powell signals slower pace of rate normalization and he is scheduled to testify on Thursday to a congressional Joint Economic Committee.
- President Trump and his counterpart Xi Jinping agreed to halt additional tariff and would reach a deal within 90 days.
- Domestically, consumption is expected to remain robust amid stable labor market and positive wage growth.
- Headline inflation in the upcoming months is expected to remain tepid but tracking upward. The trend is expected to continue.
- Current monetary policy remains accommodative at present to support growth in the domestic economy.

C. BNM FOREIGN RESERVES

- As at 15 November 2018, compared to previous fortnight, Bank Negara Malaysia's international reserves decreased to USD102.1b.



Source: BNM

- The amount of reserves is sufficient to finance 7.7 months of retained imports and is 1.0 times the short-term external debt. 

APPENDIX

WEEKLY INTEREST RATE MONITOR

Tenor	23-Nov Fri	26-Nov Mon	27-Nov Tue	28-Nov Wed	29-Nov Thu	30-Nov Fri	Change (WoW bp)
MGS							
3-Y	3.691	3.709	3.709	3.695	3.716	3.691	0
5-Y	3.874	3.881	3.869	3.884	3.878	3.856	-1.8
7-Y	4.063	4.064	4.063	4.049	4.054	4.049	-1.4
10-Y	4.132	4.16	4.15	4.155	4.136	4.13	-0.2
20-Y	4.754	4.765	4.753	4.762	4.754	4.754	0
RINGGIT IRS							
1-Y	3.72	3.72	3.715	3.715	3.71	3.71	-1
3-Y	3.775	3.775	3.775	3.765	3.76	3.76	-1.5
5-Y	3.8825	3.8875	3.875	3.88	3.87	3.855	-2.75
7-Y	3.995	4.005	4.005	4.005	4	3.98	-1.5
10-Y	4.2	4.1875	4.2	4.2	4.19	4.175	-2.5
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	2.8361	2.8554	2.8609	2.8415	2.8276	2.7997	-3.64
5-Y	2.8662	2.885	2.8901	2.8649	2.8463	2.8125	-5.37
7-Y	2.9496	2.9671	2.9721	2.9595	2.9421	2.8973	-5.23
10-Y	3.039	3.0535	3.0572	3.059	3.0298	2.9879	-5.11
30-Y	3.3015	3.3113	3.3187	3.3459	3.3245	3.29	-1.15
USD LIBOR							
1-M	2.32188	2.33675	2.34931	2.34463	2.34925	2.34694	2.506
2-M	2.49538	2.49525	2.499	2.495	2.51125	2.51006	1.468
3-M	2.69119	2.70681	2.706	2.70663	2.73813	2.73613	4.494

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	23-Nov Yield	30-Nov Yield	Change (WoW bp)	Weekly Volume (RM bn)
MALAYSIA INVESTMNT ISSUE	4.369	10/31/28	4.247	4.231	-1.6	1,431.9
MALAYSIA GOVERNMENT	4.378	11/29/19	3.439	3.472	3.3	1,380.9
MALAYSIA GOVERNMENT	3.492	03/31/20	3.528	3.513	-1.5	1,217.4
MALAYSIA GOVERNMENT	3.899	11/16/27	4.216	4.233	1.7	1,196.4
MALAYSIA INVESTMNT ISSUE	4.128	08/15/25	4.170	4.144	-2.6	611.5
MALAYSIA GOVERNMENT	4.16	07/15/21	3.696	3.693	-0.3	546.9
MALAYSIA GOVERNMENT	3.757	04/20/23	3.874	3.856	-1.8	499.9
MALAYSIA GOVERNMENT	3.654	10/31/19	3.430	3.470	4.0	472.1
MALAYSIA GOVERNMENT	4.181	07/15/24	4.060	4.040	-2.0	447.5
MALAYSIA GOVERNMENT	4.893	06/08/38	4.754	4.754	0.0	394.3
TOTAL VOLUME (TOP 10)						8,198.9
TOTAL VOLUME (Overall)						12,581.5

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	23-Nov Yield	30-Nov Yield	Change (WoW bp)	Weekly Volume (RM bn)
PENGURUSAN AIR SPV BHD	3.96	06/05/20	3.847	3.847	0.0	180.0
FORTUNE PREMIERE SDN BHD	5.05	09/05/25	4.991	4.942	-4.9	160.0
KHAZANAH NASIONAL BHD	ZERO	08/14/23	#N/A N/A	4.165	#VALUE!	150.0
SUNWAY TREASURY SUKUK SD	ZERO	12/31/18	#N/A N/A	3.873	#VALUE!	100.0
CAGAMAS BERHAD	5.28	07/17/19	#N/A N/A	3.803	#VALUE!	85.0
MALAYSIA STEEL WORKS KL	5.1	11/30/23	#N/A N/A	5.101	#VALUE!	60.0
DANAINFRA NASIONAL	4.8	11/25/33	#N/A N/A	4.800	#VALUE!	50.0
BGSM MANAGEMENT SDN BHD	6.6	12/27/19	4.209	4.209	0.0	50.0
GB SERVICES BHD	5.3	11/08/19	4.370	4.370	0.0	45.0
MBSB BANK BHD	4.7	10/21/20	#N/A N/A	4.493	#VALUE!	40.0
TOTAL VOLUME (TOP 10)						920.0
TOTAL VOLUME (Overall)						1,832.4

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 <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.