

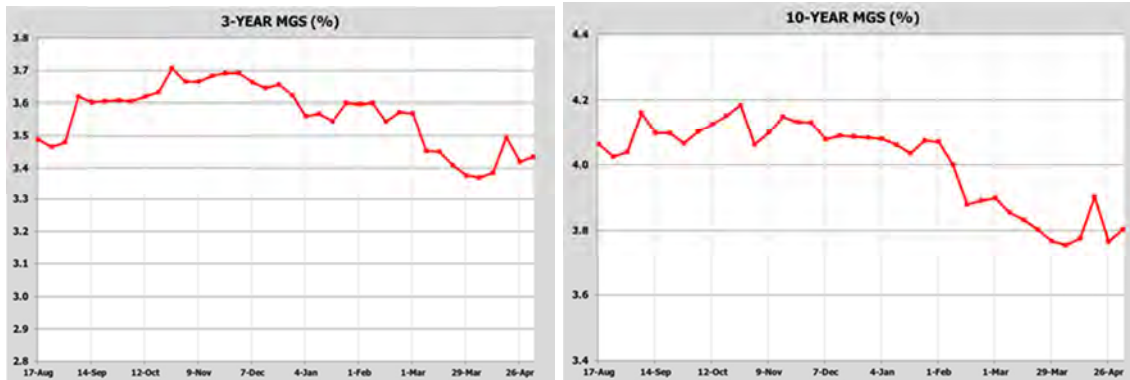
MIDF Strategy | 6 May 2019

Week Ended 3 May 2019

- UST generally took a breather (prices down; yields up) last week after two consecutive weekly gains while the 10y-3y yield spread slightly flattened (as the long-end outperformed) to +23bps from +25bps a week earlier. The profit taking activities were attributable to a statement by the US Fed which implies a scant likelihood of an interest rate cut this year. Furthermore, the US economy recorded stronger than expected job gains (act: 263K; est: 190K) in April which drove unemployment rate down to 3.6%, the lowest since 1969.
- Likewise, the domestic MGS yields generally edged higher as some investors took profits from the sharp gains in earlier week. The price of MGS benchmark issues ended the review week lower while the curve steepened as the short-end outperformed with the 3-year and 10-year yields added +1.5bp and +3.7bp respectively to close at 3.43% and 3.80%.
- Total trading value for Government Bonds (MGS/MII) declined to RM19.4b in the review week compared to RM25.1b in the previous week. The total trading value of 10 most actively traded issues dropped (higher trading breadth) to 41% of the overall Government Bonds trades in the week under review as compared to 49% in the week before. In addition, 8 out of the 10 most actively traded bonds saw higher yields hence lower prices during the review week.
- Similarly, the total trading value for Corporate Bonds (Conventional & Sukuk) decreased to RM2.57b in the review week compared to RM3.31b in earlier week. Moreover, the total trading value of the 10 most actively traded issues dropped (higher trading breadth) to 22% of the overall Corporate Bonds trades in the review week as compared to 26% in the week before.

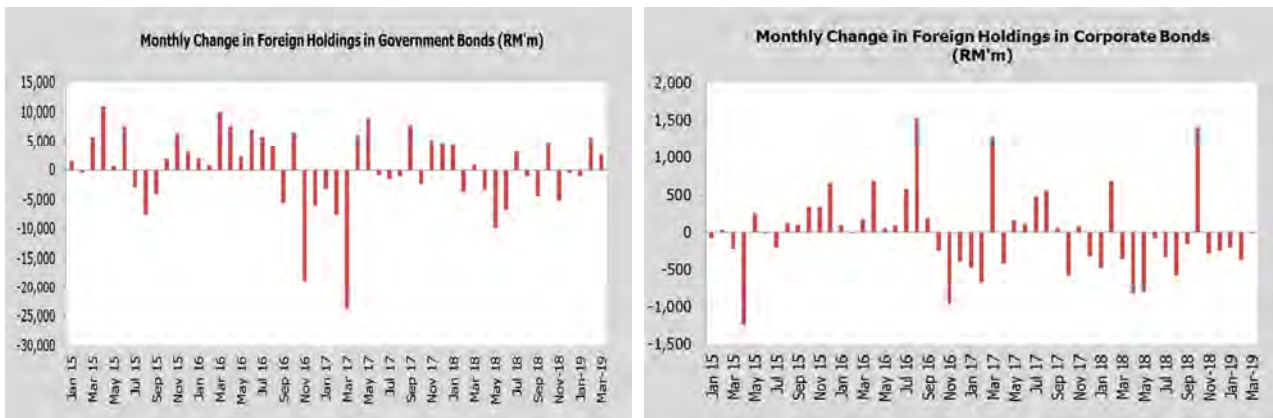
Weekly Money Review

A. FIXED INCOME



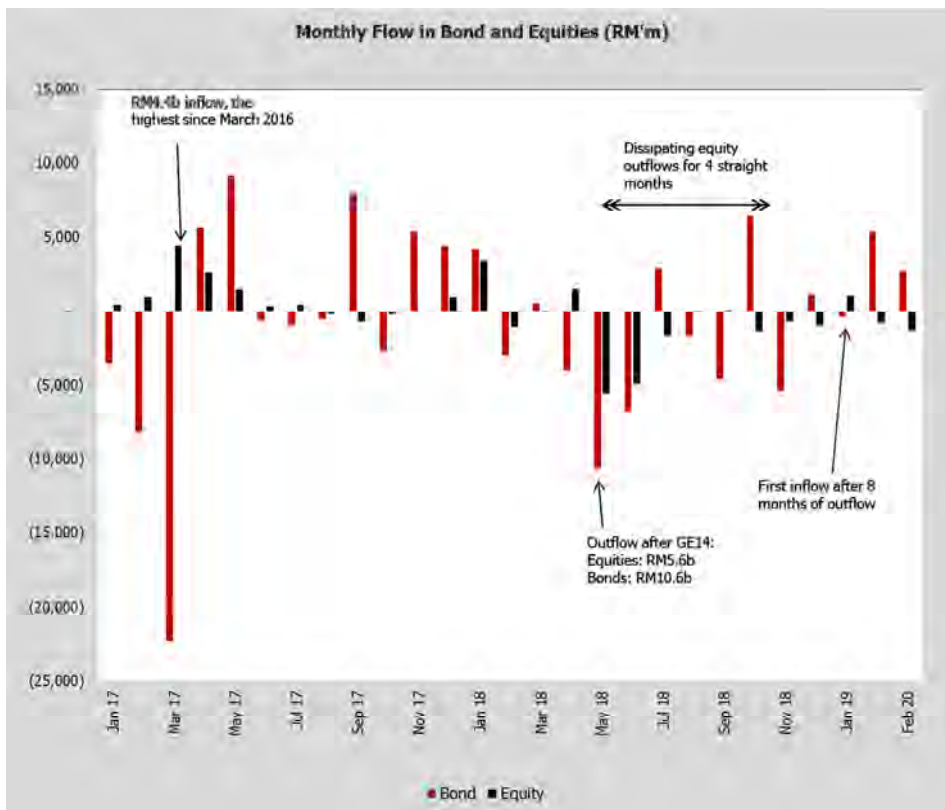
Source: Bloomberg, MIDFR

- UST generally took a breather (prices down; yields up) last week after two consecutive weekly gains while the 10y-3y yield spread slightly flattened (as the long-end outperformed) to +23bps from +25bps a week earlier. The profit taking activities were attributable to a statement by the US Fed which implies a scant likelihood of an interest rate cut this year. Furthermore, the US economy recorded stronger than expected job gains (act: 263K; est: 190K) in April which drove unemployment rate down to 3.6%, the lowest since 1969.
- Likewise, the domestic MGS yields generally edged higher as some investors took profits from the sharp gains in earlier week. The price of MGS benchmark issues ended the review week lower while the curve steepened as the short-end outperformed with the 3-year and 10-year yields added +1.5bp and +3.7bp respectively to close at 3.43% and 3.80%.
- Total trading value for Government Bonds (MGS/MII) declined to RM19.4b in the review week compared to RM25.1b in the previous week (based on Bloomberg data). The total trading value of 10 most actively traded issues dropped (higher trading breadth) to 41% of the overall Government Bonds trades in the week under review as compared to 49% in the week before. In addition, 8 out of the 10 most actively traded bonds saw higher yields hence lower prices during the review week.
- Furthermore, the top 3 actively traded Government Bonds were represented by issues of varied residual tenors. The top 3 most actively traded were MII 4.045% 8/15/24 at RM1.04b, MII 4.13% 7/09/29 at RM1.00b, and MII 4.729% 3/31/22 at RM932m.
- Similarly, the total trading value for Corporate Bonds (Conventional & Sukuk) decreased to RM2.57b in the review week compared to RM3.31b in earlier week (based on Bloomberg data). Moreover, the total trading value of the 10 most actively traded issues dropped (higher trading breadth) to 22% of the overall Corporate Bonds trades in the review week as compared to 26% in the week before.
- The top 3 actively traded Corporate Bonds were dominated by issues with mid residual tenor. The biggest trading values were seen in PTPTN 4.45% 3/12/27 at RM80m, Danainfra 4.33% 11/15/24 at RM70m, and Prasarana 4.00% 9/06/27 at RM65m.
- Total foreign holdings of Government Bonds stood at RM169.4b as at end-Mar 2019. It was an increase of RM2.7b from the February 2019 figure of RM167.0b.
- On the other hand, total foreign holdings of Corporate Bonds decreased by -RM7m in the month of March 2019 to RM13.5b.



Source: BNM

- In comparison to equities, the bonds market saw a total net inflow worth RM2.7b in March 2019 while the former saw a total net outflow worth -RM1.4b. 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 depreciates by trivial point. The Fed maintains its interest rate as expected during last week's FOMC meeting. The economy remains in upward trajectory as factory orders rose to 7-month high at 1.9%mom in the last month of 1Q19. Nevertheless, jobless claims stay at 2-month high, 230K in the final week of Apr-19.
- EURUSD improves marginally. In 1Q19, Eurozone economy increased steadily by 0.4%qoq, highest in 3-quarter while on yearly basis, the growth rate is 1.2%yoy, similar to the previous quarter. The economy still in upward path despite of pressures from trade war and geopolitics. On a flip side, Germany's retail sales contracted -2.1%yoy, lowest since Oct-18.
- Ringgit – Stays weaken despite improving macro trends. Malaysia's external trade performance rebounded soundly in Mar-19, exports and imports grew 26.2%mom and 25.4%mom respectively. Trade surplus rose to 5-

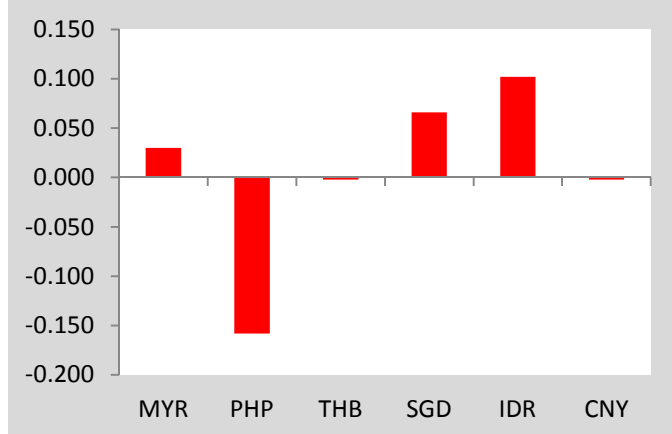
month high at RM14.4 billion. Manufacturing PMI for Apr-19 registered 7-month high at 49.2 points. We maintain our call MYR to average at 4.05 and register year-end target at 4.00 in 2019.

Currencies Changes (Week Ended 03/05) and Quarterly Forecasts

	Close (03/05)	Prev Close (26/04)	Change	% Change	1Q19	2Q19F	3Q19F	4Q19F
DXY Index	97.87	98.01	-0.133	-0.1%	96.46	94.94	93.88	95.83
EURUSD	1.12	1.12	0.002	0.2%	1.13	1.15	1.17	1.15
GBPUSD	1.30	1.29	0.011	0.8%	1.30	1.32	1.30	1.27
USDJPY	111.49	111.58	-0.090	0.1%	110.15	107.55	105.87	108.95
USDMYR	4.14	4.13	0.011	-0.3%	4.09	4.01	4.10	4.00
GBPMYR	5.40	5.34	0.060	-1.1%	5.32	5.29	5.38	5.45
JPYMYR	3.72	3.70	0.012	-0.3%	3.72	3.73	3.92	3.95

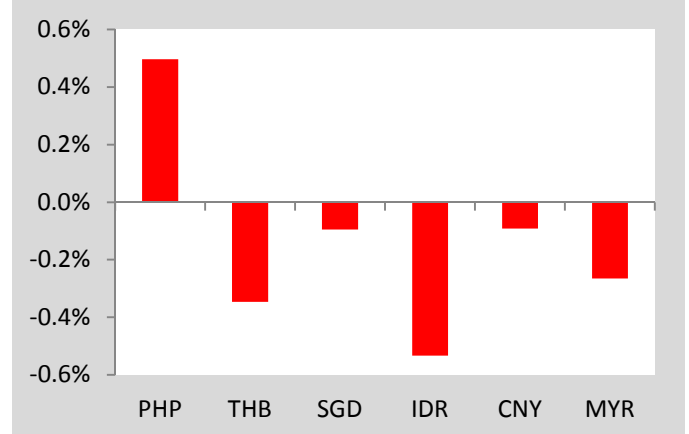
Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

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 (%)

	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19
Malaysia	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
Indonesia	5.50	5.75	5.75	6.00	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	1.75	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	2.00	2.25	2.25	2.25	2.50	2.50	2.50	2.50	2.50

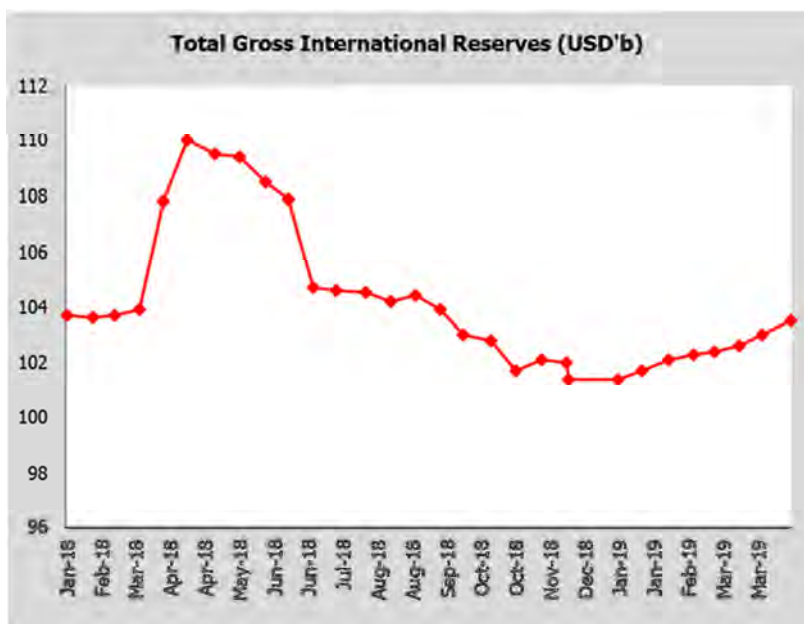
Source: CEIC, MIDFR

- The US and China are still on progressive path towards a trade deal. President Xi Jinping is expected to visit the White House soon.

- 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.
- Malaysia's external trade performance rebounded strongly as exports, imports and total trade grew by 26.2%mom, 25.4%mom and 25.9%mom respectively in Mar-19.
- Trade surplus widened to 5-month high at RM14.4 billion.
- Malaysia's economy is likely to record slight moderation in 1Q19 as guided by the external trade performance which exports shrank by -0.9%yoy, lowest in 10-quarter.
- Nevertheless, the trade outlook is sanguine for 2Q19 and 2H19 particularly due to gradual pick-up in commodity prices, receding trade war effects and steady rise in business optimism globally.
- 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 April 2019, compared to previous fortnight, Bank Negara Malaysia's international reserves increased to USD103.5b.



Source: BNM

- The amount of reserves is sufficient to finance 7.5 months of retained imports and is 1.0 times the short-term external debt.

APPENDIX

WEEKLY INTEREST RATE MONITOR

Tenor	26-Apr Fri	29-Apr Mon	30-Apr Tue	1-May Wed	2-May Thu	3-May Fri	Change (WoW bp)
MGS							
3-Y	3.419	3.429	3.41	3.41	3.416	3.434	1.5
5-Y	3.585	3.593	3.593	3.593	3.609	3.612	2.7
7-Y	3.754	3.785	3.774	3.774	3.801	3.785	3.1
10-Y	3.766	3.78	3.79	3.79	3.807	3.803	3.7
20-Y	4.353	4.356	4.342	4.342	4.349	4.349	-0.4
RINGGIT IRS							
1-Y	3.53	3.5325	3.545	3.545	3.545	3.545	1.5
3-Y	3.5445	3.55	3.555	3.555	3.555	3.555	1.05
5-Y	3.595	3.61	3.61	3.61	3.625	3.64	4.5
7-Y	3.69	3.69	3.71	3.71	3.72	3.725	3.5
10-Y	3.9	3.905	3.9	3.9	3.9	3.9	0
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	2.2471	2.2663	2.2388	2.2773	2.3159	2.2995	5.24
5-Y	2.2882	2.3116	2.2783	2.2999	2.345	2.3234	3.52
7-Y	2.3847	2.4116	2.3872	2.3945	2.441	2.4239	3.92
10-Y	2.4982	2.5252	2.5018	2.4999	2.5414	2.525	2.68
30-Y	2.9233	2.9547	2.9288	2.9038	2.9296	2.9186	-0.47
USD LIBOR							
1-M	2.48313	2.48588	2.4805	2.48325	2.46713	2.46663	-1.65
2-M	2.54138	2.53013	2.52625	2.52438	2.50688	2.50838	-3.3
3-M	2.58275	2.579	2.57563	2.5755	2.56513	2.55988	-2.287

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	26-Apr Yield	3-May Yield	Change (WoW bp)	Weekly Volume (RM bn)
MALAYSIA INVESTMNT ISSUE	4.13	07/09/29	3.860	3.901	4.1	1,145.2
MALAYSIA GOVERNMENT	3.906	07/15/26	3.754	3.785	3.1	1,095.5
MALAYSIA GOVERNMENT	3.955	09/15/25	3.785	3.790	0.5	837.1
MALAYSIA GOVERNMENT	3.889	07/31/20	3.417	3.385	-3.2	818.8
MALAYSIA GOVERNMENT	3.885	08/15/29	3.766	3.803	3.7	814.0
MALAYSIA GOVERNMENT	3.899	11/16/27	3.857	3.921	6.4	778.5
MALAYSIA INVESTMNT ISSUE	3.799	08/27/20	3.505	3.383	-12.2	716.0
MALAYSIA GOVERNMENT	3.757	04/20/23	3.585	3.612	2.7	662.2
MALAYSIA INVESTMNT ISSUE	3.729	03/31/22	3.445	3.487	4.2	620.7
MALAYSIA GOVERNMENT	4.232	06/30/31	4.086	4.116	3.0	597.7
TOTAL VOLUME (TOP 10)						8,085.6
TOTAL VOLUME (Overall)						18,508.7

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	26-Apr Yield	3-May Yield	Change (WoW bp)	Weekly Volume (RM bn)
PROJEK LEBUHRAYA USAHASA	4.96	01/12/29	4.271	4.251	-2.0	150.0
PRASARANA MALAYSIA BHD	4.75	02/26/31	4.132	4.130	-0.2	125.0
PROJEK LEBUHRAYA USAHASA	4.48	01/12/23	#N/A N/A	4.027	#VALUE!	90.0
PROJEK LEBUHRAYA USAHASA	4.4	01/12/22	#N/A N/A	3.988	#VALUE!	80.0
EDRA ENERGY SDN BHD	5.97	01/05/28	5.472	5.442	-3.0	80.0
MALAYAN BANKING BHD	4.2	02/22/32	4.054	4.043	-1.1	60.0
PRASARANA MALAYSIA BHD	4.38	03/12/31	4.049	4.137	8.8	60.0
MMC CORP BHD	5.95	11/12/27	5.398	5.372	-2.6	59.9
MANJUNG ISLAND ENERGY BH	4.12	11/25/20	3.937	3.937	0.0	55.0
PROJEK LEBUHRAYA USAHASA	4.72	01/12/26	#N/A N/A	4.101	#VALUE!	45.0
TOTAL VOLUME (TOP 10)						804.9
TOTAL VOLUME (Overall)						2,592.7

Source: Bloomberg

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (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 (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 <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.