

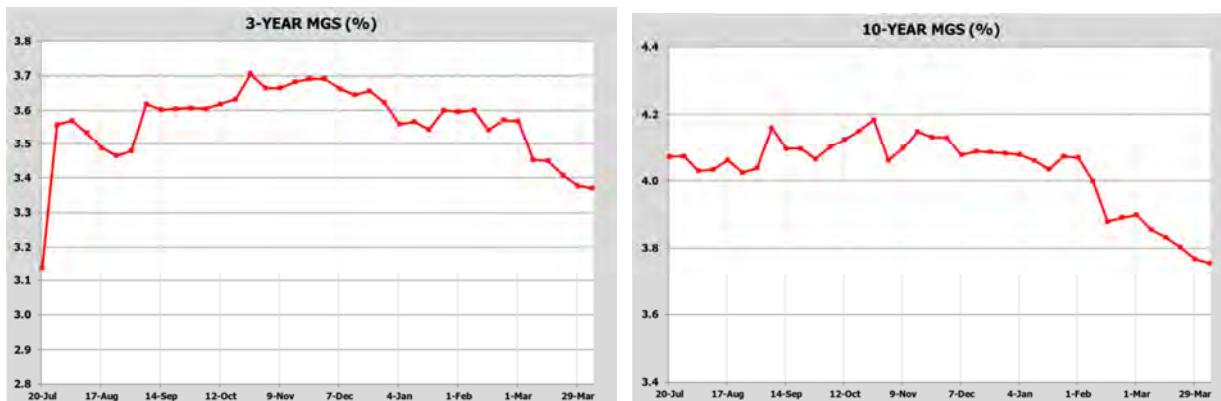
MIDF Strategy | 08 April 2019

Week Ended 5 April 2019

- UST took a breather (prices down; yields up) last week as the US Fed rate pause rally was met by profit taking activities. We reckon the market was also reacting to report of a “new consensus” reached on US-China trade talk as well as to a better than expected job figure, i.e. total NFP expanded by 196K in March (est. 180K). Moreover, the 10y-3y yield spread marginally steepened to +21bps from +20bps a week earlier.
- On the other hand, the price of local 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 -0.7bp and -1.2bps respectively to close at 3.37% and 3.76%.
- Total trading value for Government Bonds (MGS/MII) increased to RM30.7b in the review week compared to RM24.9b in the previous week. In contrast, the total trading value for Corporate Bonds (Conventional & Sukuk) decreased to RM4.39b in the review week compared to RM5.03b in earlier week.
- 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. Oppositely, total foreign holdings of Corporate Bonds decreased by a marginal -RM7m in the month of March 2019 to RM13.5b.
- 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.

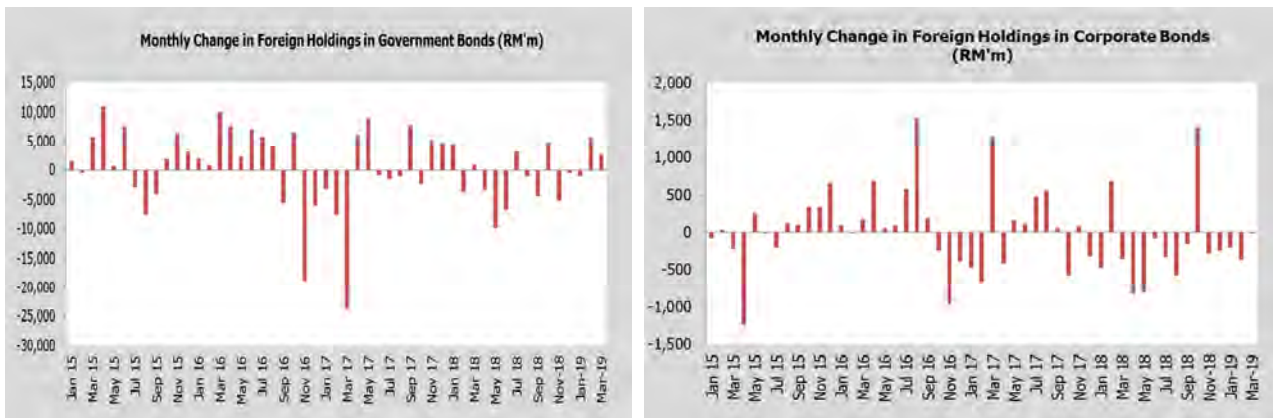
Weekly Money Review

A. FIXED INCOME



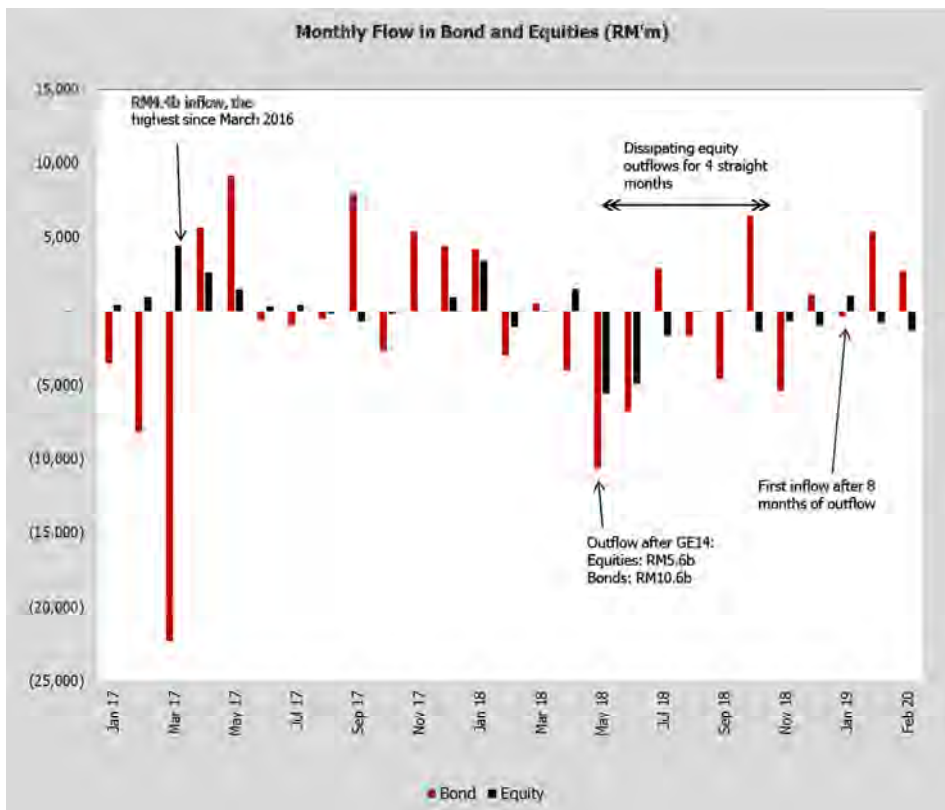
Source: Bloomberg, MIDFR

- UST took a breather (prices down; yields up) last week as the US Fed rate pause rally was met by profit taking activities. We reckon the market was also reacting to report of a “new consensus” reached on US-China trade talk as well as to a better than expected job figure, i.e. total NFP expanded by 196K in March (est. 180K). Moreover, the 10y-3y yield spread marginally steepened to +21bps from +20bps a week earlier.
- Oppositely, the price of local 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 -0.7bp and -1.2bps respectively to close at 3.37% and 3.76%.
- Total trading value for Government Bonds (MGS/MII) increased to RM30.7b in the review week compared to RM24.9b in the previous week (based on Bloomberg data). The total trading value of 10 most actively traded issues declined (higher trading breadth) to 40% of the overall Government Bonds trades in the week under review as compared to 45% in the week before. In addition, all 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 of short and mid residual tenors. The top 3 most actively traded were MII 3.73% 03/31/26 at RM2.62b, MGS 3.492% 03/31/20 at RM1.93b, and MGS 3.882% 03/10/22 at RM1.28b.
- In contrast, the total trading value for Corporate Bonds (Conventional & Sukuk) decreased to RM4.39b in the review week compared to RM5.03b in earlier week (based on Bloomberg data). Moreover, the total trading value of 10 most actively traded issues increased (lower trading breadth) to 31% of the overall Corporate Bonds trades vis-à-vis 30% 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 CJ Capital Sdn Bhd 5.54% 07/15/20 at RM300m, PTPTN 4.58% 02/28/34 at RM165m, and Khazanah Nasional Bhd 0% 03/24/20 at RM150m.
- 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 a marginal -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 on hold amid trade deal. Referring to Trump's statement, the president opines a trade deal with China is set to seal within four months. As for macro data, job market strengthens as non-farm payroll increases by 180K in Mar-19, rebound from 17-month low recorded in the previous month.
- EURUSD stable at 1.2 as Germany's IPI indicates positive signs. Overall IPI growth in the EU's largest economy posted positive growth for three-consecutive months since Dec-18. In Feb-19, the IPI grew by 0.7%mom. However, on yearly basis the IPI stills at contractionary, -3.3%yo in the second month of 2019.
- Ringgit – Remains steady. Business confidence among manufacturers in Malaysia remains in pessimistic territory for six-consecutive months since Oct-18 as reflected in the latest Nikkei Manufacturing PMI for Mar-19. Nevertheless, long-term outlook stays positive amid input cost pressure remains stable. Malaysia's exports

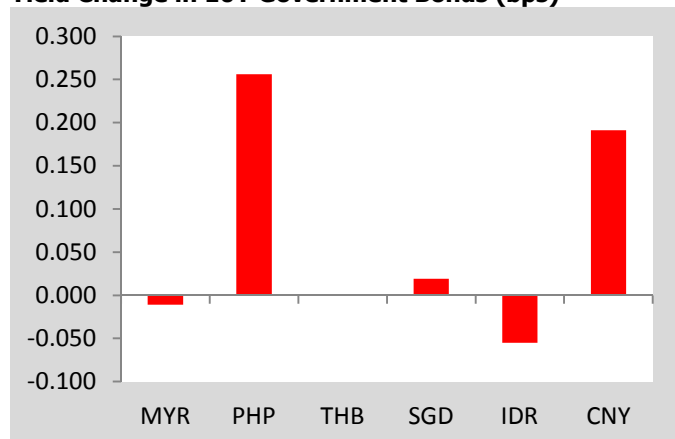
performance recorded two-year low at -5.3%yoy in Feb-19 due to among others the Chinese Lunar Year. We maintain our call MYR to average at 4.05 and register year-end target at 4.00 in 2019.

Currencies Changes (Week Ended 05/04) and Quarterly Forecasts

	Close (05/04)	Prev Close (29/03)	Change	% Change	1Q19	2Q19F	3Q19F	4Q19F
DXY Index	97.26	97.28	-0.020	0.0%	96.46	94.94	93.88	95.83
EURUSD	1.12	1.12	0.001	0.1%	1.13	1.15	1.17	1.15
GBPUSD	1.31	1.57	-0.260	0.4%	1.30	1.32	1.30	1.27
USDJPY	111.70	110.86	0.840	-0.8%	110.15	107.55	105.87	108.95
USDMYR	4.09	4.08	0.003	-0.1%	4.09	4.10	4.01	4.00
GBPMYR	5.35	5.32	0.028	-0.5%	5.32	5.29	5.38	5.45
JPYMYR	3.66	3.68	-0.025	0.7%	3.72	3.73	3.92	3.95

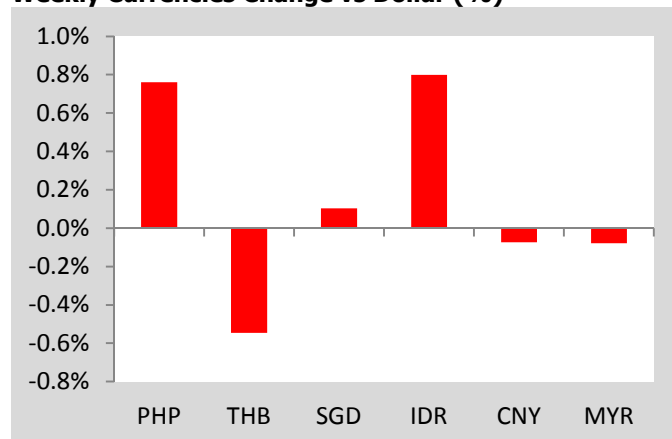
Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

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

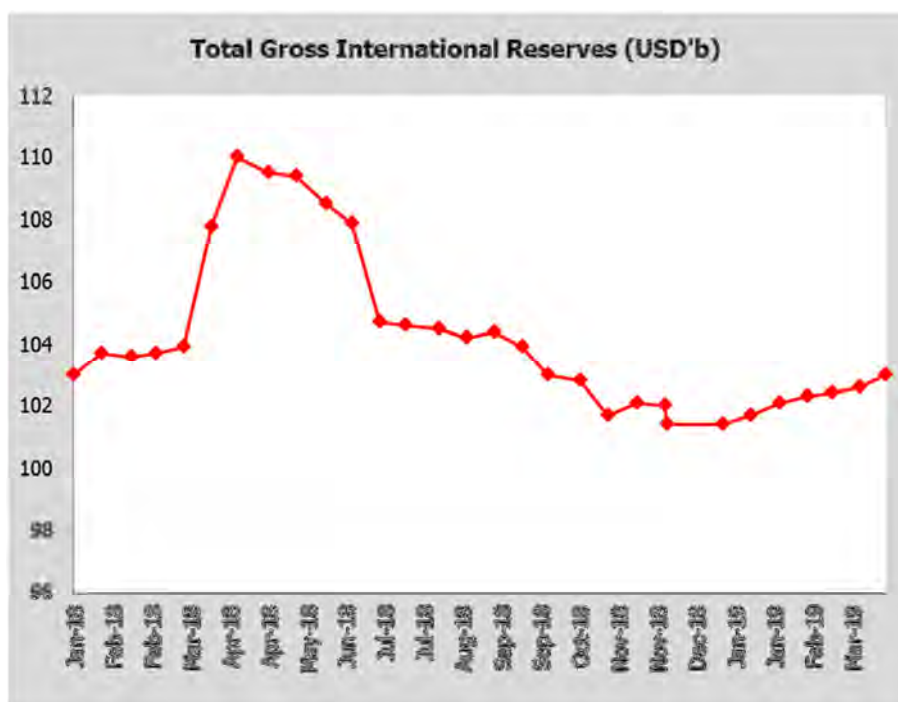
Source: CEIC, MIDFR

- The US and China are still on progressive path towards a trade deal. Possibly by end of Apr-19 as indicated by Donald Trump.

- 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.
- Malaysia's manufacturing PMI remains in pessimistic path.
- Poor external trade performance as exports and imports shrank by -5.3%yoy and -9.2%yoy respectively in Feb-19.
- 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 29 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 7.5 months of retained imports and is 1.0 times the short-term external debt.

APPENDIX

WEEKLY INTEREST RATE MONITOR

Tenor	29-Mar Fri	1-Apr Mon	2-Apr Tue	3-Apr Wed	4-Apr Thu	5-Apr Fri	Change (WoW bp)
MGS							
3-Y	3.377	3.369	3.376	3.386	3.376	3.37	-0.7
5-Y	3.532	3.524	3.54	3.54	3.515	3.521	-1.1
7-Y	3.716	3.708	3.705	3.692	3.668	3.66	-5.6
10-Y	3.767	3.773	3.791	3.767	3.755	3.755	-1.2
20-Y	4.284	4.277	4.284	4.292	4.276	4.277	-0.7
RINGGIT IRS							
1-Y	3.535	3.54	3.54	3.55	3.545	3.54	0.5
3-Y	3.535	3.56	3.545	3.555	3.54	3.525	-1
5-Y	3.62	3.64	3.645	3.64	3.62	3.6025	-1.75
7-Y	3.735	3.755	3.75	3.75	3.725	3.705	-3
10-Y	3.92	3.94	3.935	3.935	3.91	3.88	-4
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	2.2045	2.2922	2.2564	2.2948	2.2919	2.2889	8.44
5-Y	2.233	2.3215	2.2865	2.3268	2.3201	2.3053	7.23
7-Y	2.3132	2.4037	2.3744	2.421	2.4088	2.3942	8.1
10-Y	2.405	2.5009	2.4741	2.5241	2.5151	2.4954	9.04
30-Y	2.8143	2.8901	2.8769	2.9336	2.9196	2.9032	8.89
USD LIBOR							
1-M	2.4945	2.49338	2.47938	2.47713	2.4735	2.47163	-2.287
2-M	2.56388	2.56188	2.5595	2.56075	2.55425	2.54425	-1.963
3-M	2.59975	2.5955	2.60238	2.59775	2.58863	2.59213	-0.762

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	29-Mar Yield	5-Apr Yield	Change (WoW bp)	Weekly Volume (RM bn)
MALAYSIA INVESTMNT ISSUE	3.726	03/31/26	#N/A N/A	3.709	#VALUE!	2,622.9
MALAYSIA GOVERNMENT	3.492	03/31/20	3.378	3.355	-2.3	1,929.1
MALAYSIA GOVERNMENT	3.882	03/10/22	3.377	3.370	-0.7	1,275.8
MALAYSIA GOVERNMENT	3.906	07/15/26	3.716	3.660	-5.6	1,107.8
MALAYSIA INVESTMNT ISSUE	4.369	10/31/28	3.883	3.864	-1.9	954.1
MALAYSIA GOVERNMENT	3.757	04/20/23	3.532	3.521	-1.1	900.0
MALAYSIA GOVERNMENT	4.921	07/06/48	4.575	4.548	-2.7	869.0
MALAYSIA GOVERNMENT	3.654	10/31/19	3.351	3.310	-4.1	853.3
MALAYSIA GOVERNMENT	3.885	08/15/29	3.767	3.755	-1.2	846.2
MALAYSIA INVESTMNT ISSUE	4.724	06/15/33	4.106	4.081	-2.5	808.4
TOTAL VOLUME (TOP 10)						12,166.6
TOTAL VOLUME (Overall)						30,693.1

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	29-Mar Yield	5-Apr Yield	Change (WoW bp)	Weekly Volume (RM bn)
CJ CAPITAL SDN BHD	5.54	07/15/20	#N/A N/A	8.431	#VALUE!	300.0
PERBADANAN TABUNG PENDID	4.58	02/28/34	#N/A N/A	4.227	#VALUE!	165.0
KHAZANAH NASIONAL BHD	ZERO	03/24/20	3.908	3.668	-24.0	150.0
DANAINFRA NASIONAL	4.4	04/21/21	#N/A N/A	3.613	#VALUE!	145.0
PRASARANA MALAYSIA BHD	5.07	09/28/29	4.039	3.980	-5.9	130.0
DANAINFRA NASIONAL	5.25	04/21/34	#N/A N/A	4.209	#VALUE!	120.0
PERBADANAN KEMAJUAN SEL	4.58	04/01/22	#N/A N/A	4.551	#VALUE!	95.0
PRASARANA MALAYSIA BHD	4.02	03/24/20	3.572	3.572	0.0	95.0
DANAINFRA NASIONAL	3.74	07/20/22	#N/A N/A	3.685	#VALUE!	85.0
DANAINFRA NASIONAL	4.1	05/03/23	3.943	3.765	-17.8	85.0
TOTAL VOLUME (TOP 10)						1,370.0
TOTAL VOLUME (Overall)						4,389.0

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.