

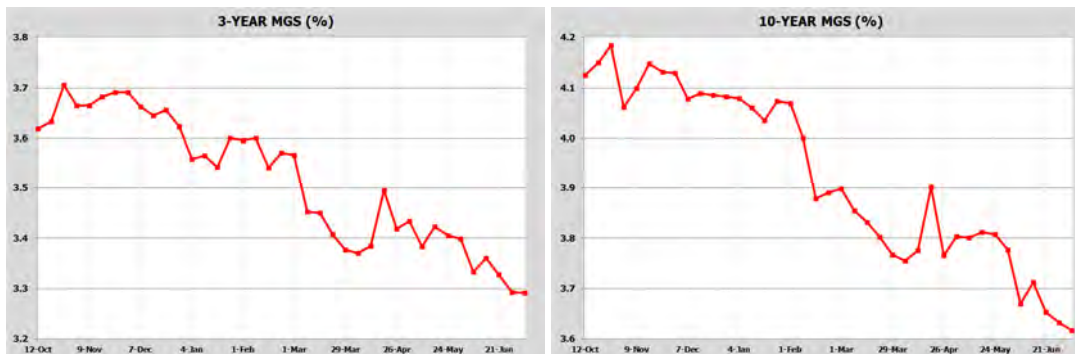
MIDF Strategy | 8 July 2019

Week Ended 6 July 2019

- The UST market broke its 8-week winning streak. Week-on-week, the benchmark 10-year yield edged up (price down) as investors reacted to a stronger than expected jobs report. The US economy added 224K jobs in June, much higher than 165K expected by the poll. Moreover, the 10y-3y yield spread flattened (the short-end underperformed) to +22bps from +30bps a week earlier as we reckon the market is less sanguine on the prospect of an interest cut in July this year.
- On the other hand, the domestic MGS saw continued buying activities. Week-on-week, the benchmark 3-year and 10-year yields shed -0.2bp and -1.5bp respectively to close at 3.29% and 3.62%. However, the curve slightly flattened as the short-end underperformed.
- Total trading value for Government Bonds (MGS/MII) declined to RM22.8b in the review week compared to RM25.0b in the earlier week (based on Bloomberg data). The total trading value of 10 most actively traded was higher (lower trading breadth) at 47% of the overall Government Bonds trades in the week under review as compared to 42% the week before. In addition, 9 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) dropped to RM3.00b in the review week compared to RM3.79b in earlier week (based on Bloomberg data). Moreover, the total trading value of the 10 most actively traded issues increased (lower trading breadth) to 44% of the overall Corporate Bonds trades in the review week as compared to 35% in the week before.

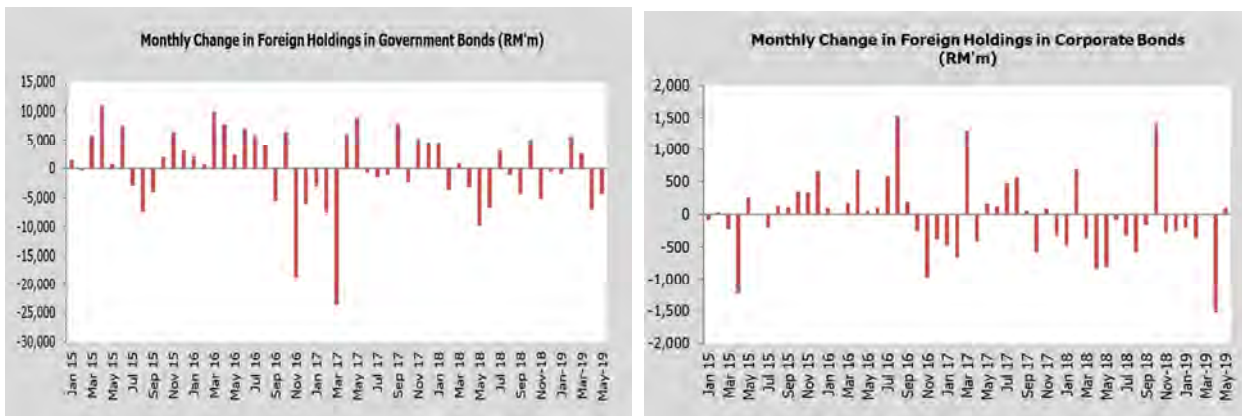
Weekly Money Review

A. FIXED INCOME



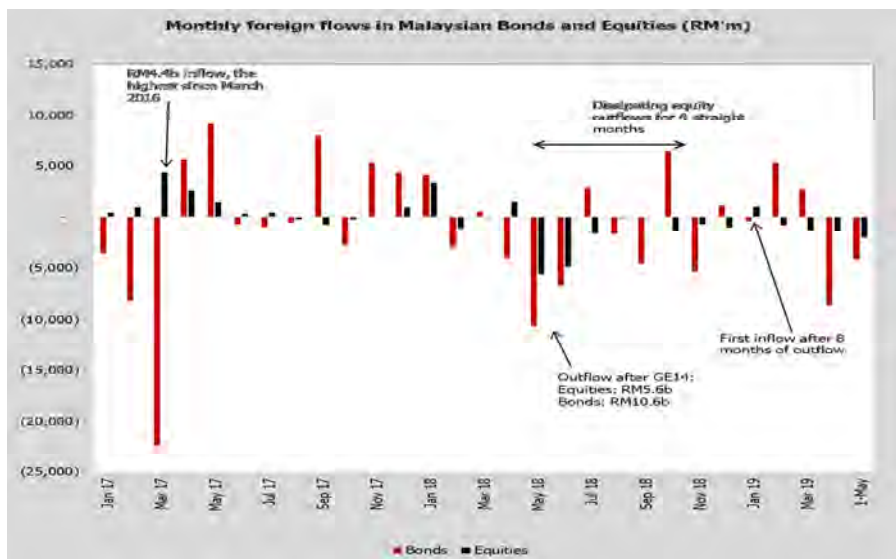
Source: Bloomberg, MIDFR

- The UST market broke its 8-week winning streak. Week-on-week, the benchmark 10-year yield edged up (price down) as investors reacted to a stronger than expected jobs report. The US economy added 224K jobs in June, much higher than 165K expected by the poll. Moreover, the 10y-3y yield spread flattened (the short-end underperformed) to +22bps from +30bps a week earlier as we reckon the market is less sanguine on the prospect of an interest cut in July this year.
- On the other hand, the domestic MGS saw continued buying activities. Week-on-week, the benchmark 3-year and 10-year yields shed -0.2bp and -1.5bp respectively to close at 3.29% and 3.62%. However, the curve slightly flattened as the short-end underperformed.
- Total trading value for Government Bonds (MGS/MII) declined to RM22.8b in the review week compared to RM25.0b in the earlier week (based on Bloomberg data). The total trading value of 10 most actively traded was higher (lower trading breadth) at 47% of the overall Government Bonds trades in the week under review as compared to 42% the week before. In addition, 9 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 of varied residual tenors. The top 3 most actively traded were MII 4.467% 9/15/39 at RM1.83b, MII 3.729% 3/31/22 at RM1.36b, and MII 3.655% 10/15/24 at RM1.22b.
- Likewise, the total trading value for Corporate Bonds (Conventional & Sukuk) dropped to RM3.00b in the review week compared to RM3.79b in earlier week (based on Bloomberg data). Moreover, the total trading value of the 10 most actively traded issues increased (lower trading breadth) to 44% of the overall Corporate Bonds trades in the review week as compared to 35% in the week before.
- The top 3 actively traded Corporate Bonds were dominated by issues of varied residual tenors. The biggest trading values were seen in Perbadanan Tabung Pendidikan 4.58% 2/28/34 at RM445m, Prasarana 5.07% 9/28/29 at RM300m, and Turus Pesawat 3.97% 2/5/25 at RM120m.
- 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

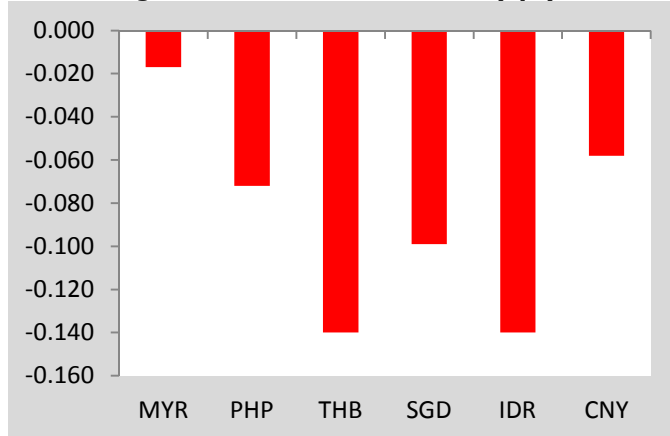
- DXY Index appreciates as macro improves. Despite of protectionist policy, trade deficit widened to 7-month high in May-19 at -\$78.9b. Imports grew faster at 1.2%yoy while exports contracted by -1.6%yoy, recording four-straight months of negative growth. As for leading sign, the IBD/TIPP Economic Optimism Index in the US went up to 56.6 in Jul-19, gaining some momentum after a -9.2% slide in the previous month. All three major sub-indexes which measure the near-term economic prospects, the outlook for personal finances, and confidence in Federal Economic Policies have recorded increase in optimism.
- EURUSD declines amid Germany's benchmark Bund yield touched a fresh record low. Fears of global slowdown among others lead investors to the safer asset. Current Managing Director IMF, Christine Lagarde is expected to be the President of ECB replacing Mario Draghi. She is likely to maintain the dovish stance of EU's monetary policy. On macro data, overall retail sales declined to 5-month low in May-19 at 1.3%yoy.
- Ringgit – Continue improving. External trade performance stays on upward trajectory as exports and imports increased by 2.5%yoy and 1.4%yoy respectively in May-19. Trade balance registered at RM9.1b, higher than market consensus, RM8.2b. The upcoming monetary meeting is expected to see BNM maintaining its interest rate at 3.00%. We maintain our call MYR to average at 4.12 and register year-end target at 4.10 in 2019.

Currencies Changes (Week Ended 05/07) and Quarterly Forecasts

	Close (05/07)	Prev Close (28/06)	Change	% Change	1Q19	2Q19	3Q19F	4Q19F
DXY Index	97.29	96.13	1.156	1.2%	96.46	97.26	93.88	95.83
EURUSD	1.12	1.14	-0.015	-1.3%	1.13	1.12	1.17	1.15
GBPUSD	1.25	1.27	-0.018	-1.4%	1.30	1.28	1.30	1.27
USDJPY	108.47	107.85	0.620	-0.6%	110.15	109.82	105.87	108.95
USDMYR	4.14	4.13	0.004	-0.1%	4.09	4.15	4.12	4.10
GBPMYR	5.19	5.24	-0.051	1.0%	5.32	5.33	5.38	5.45
JPYMYR	3.81	3.83	-0.018	0.5%	3.72	3.78	3.92	3.95

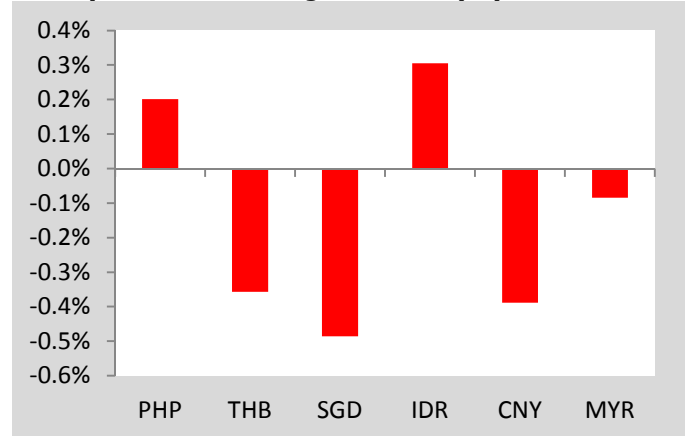
Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

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.
- Trade deficit of the US hits 7-month high as imports continue expanding while exports stay in contraction.
- The IBD/TIPP Economic Optimism Index in the US went up to 56.6 in Jul-19, gaining some momentum after a -9.2% slide in the previous month. All three major sub-indexes which measure the near-term economic prospects, the outlook for personal finances, and confidence in Federal Economic Policies have recorded increase in optimism.
- Christine Lagarde is expected to be the next President of ECB. Dovish stance shall continue.
- Germany's 10-year bond yield fell to -0.40%, the lowest on record. Hopes of interest rate cut, fears of global economic slowdown and demand for safer assets by investors.
- Malaysia's external trade performance remains in expansionary mood. Exports and imports rose by 2.5%yoy and 1.4%yoy respectively in May-19.
- 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 28 June 2019, compared to previous fortnight, Bank Negara Malaysia's international reserves increased to USD102.7b.
- The amount of reserves is sufficient to finance 7.3 months of retained imports and is 1.2 times the short-term external debt. 

APPENDIX

WEEKLY INTEREST RATE MONITOR

Tenor	28-Jun Fri	1-Jul Mon	2-Jul Tue	3-Jul Wed	4-Jul Thu	5-Jul Fri	Change (WoW bp)
MGS							
3-Y	3.293	3.302	3.3	3.269	3.286	3.291	-0.2
5-Y	3.418	3.429	3.42	3.405	3.415	3.415	-0.3
7-Y	3.863	3.549	3.543	3.501	3.525	3.522	-34.1
10-Y	3.632	3.639	3.634	3.622	3.617	3.617	-1.5
20-Y	4.055	4.062	4.055	4.019	4.015	3.998	-5.7
RINGGIT IRS							
1-Y	3.375	3.385	3.38	3.3925	3.38	3.38	0.5
3-Y	3.4	3.415	3.405	3.385	3.385	3.385	-1.5
5-Y	3.475	3.48	3.48	3.465	3.465	3.47	-0.5
7-Y	3.525	3.535	3.54	3.535	3.525	3.52	-0.5
10-Y	3.69	3.675	3.67	3.635	3.64	3.635	-5.5
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	1.7064	1.739	1.709	1.7062	1.7062	1.8129	10.65
5-Y	1.7664	1.7894	1.7434	1.7336	1.7336	1.8308	6.44
7-Y	1.875	1.8966	1.8463	1.8319	1.8319	1.9182	4.32
10-Y	2.0051	2.024	1.974	1.9498	1.9498	2.0338	2.87
30-Y	2.5291	2.5478	2.5013	2.4666	2.4666	2.5419	1.28
USD LIBOR							
1-M	2.398	2.38775	2.3795	2.36	2.36413	2.3665	-3.15
2-M	2.33088	2.339	2.33838	2.3355	2.33475	2.33738	0.65
3-M	2.31988	2.33188	2.313	2.2885	2.30263	2.31138	-0.85

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	28-Jun Yield	5-Jul Yield	Change (WoW bp)	Weekly Volume (RM bn)
MALAYSIA INVESTMNT ISSUE	4.467	09/15/39	4.064	4.019	-4.5	1,832.0
MALAYSIA INVESTMNT ISSUE	3.729	03/31/22	3.343	3.310	-3.3	1,360.1
MALAYSIA INVESTMNT ISSUE	3.655	10/15/24	3.442	3.443	0.1	1,220.0
MALAYSIA GOVERNMENT	4.642	11/07/33	3.907	3.842	-6.5	1,097.6
MALAYSIA GOVERNMENT	3.885	08/15/29	3.632	3.617	-1.5	940.3
MALAYSIA INVESTMNT ISSUE	3.799	08/27/20	3.232	3.182	-5.0	931.5
MALAYSIA GOVERNMENT	3.478	06/14/24	3.418	3.415	-0.3	914.7
MALAYSIA GOVERNMENT	3.654	10/31/19	3.082	3.069	-1.3	841.3
MALAYSIA GOVERNMENT	3.882	03/10/22	3.293	3.291	-0.2	800.1
MALAYSIA GOVERNMENT	3.659	10/15/20	3.216	3.203	-1.3	674.6
TOTAL VOLUME (TOP 10)						10,612.0
TOTAL VOLUME (Overall)						22,745.6

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	28-Jun Yield	5-Jul Yield	Change (WoW bp)	Weekly Volume (RM bn)
PERBADANAN TABUNG PENDID	4.58	02/28/34	4.027	3.997	-3.0	445.0
PRASARANA MALAYSIA BHD	5.07	09/28/29	3.830	3.787	-4.3	300.0
TURUS PESAWAT SDN BHD	3.97	02/05/25	3.733	3.732	-0.1	120.0
COUNTRY GARDEN REAL ESTA	6.6	02/23/23	6.521	6.530	0.9	80.8
DANAINFRA NASIONAL	4.47	11/24/28	3.808	3.778	-3.0	75.0
PROJEK LEBUHRAYA USAHASA	5.07	01/10/31	4.221	4.082	-13.9	70.0
PERBADANAN TABUNG PENDID	4.45	03/12/27	#N/A N/A	3.708	#VALUE!	65.0
MKD KENCANA SDN BHD	4.85	10/01/32	4.091	4.085	-0.6	60.0
SMALL MEDIUM ENT BANK	4.03	03/22/24	3.694	3.676	-1.8	60.0
DANAINFRA NASIONAL	4.82	04/01/48	4.399	4.359	-4.0	50.0
TOTAL VOLUME (TOP 10)						1,325.8
TOTAL VOLUME (Overall)						2,999.6

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.