

10 April 2017 | Strategy

## Weekly Money Review

*Eased conditions following Fed's trimming plan*

**KLCI: 1,741.72 points**

**2017 Year-end Target: 1,830 points**

### MONEY MARKET

- Investors' reactions, following the Fed's plan trim its balance sheet, was the opposite of what policy makers expected. U.S. central bank's strategy to start reducing its bond holdings, which began the past week, has actually led to calmer financial conditions and a gradual upwards movement of the Dollar Index.

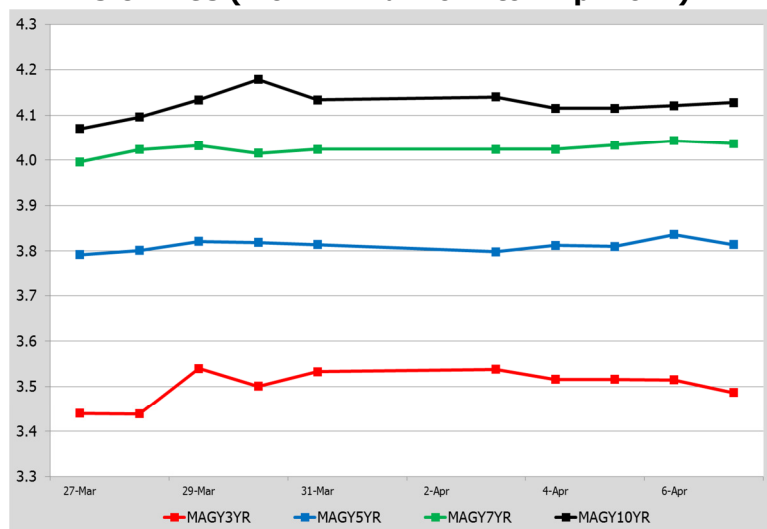
### MONEY MARKET RATES

Tenor	31-Mar Fri	3-Apr Mon	4-Apr Tue	5-Apr Wed	6-Apr Thu	7-Apr Fri	Change (WoW bp)
MGS							
3-Y	3.533	3.538	3.516	3.516	3.515	3.487	-4.6
5-Y	3.814	3.798	3.812	3.81	3.836	3.814	0
7-Y	4.024	4.024	4.024	4.033	4.043	4.037	1.3
10-Y	4.134	4.14	4.115	4.115	4.121	4.128	-0.6
20-Y	4.648	4.652	4.639	4.639	4.665	4.674	2.6
RINGGIT IRS							
1-Y	3.565	3.56	3.575	3.56	3.57	3.56	-0.5
3-Y	3.7335	3.735	3.725	3.73	3.747	3.73	-0.35
5-Y	3.8725	3.885	3.865	3.86	3.865	3.865	-0.75
7-Y	3.965	3.97	3.965	3.955	3.9575	3.96	-0.5
10-Y	4.105	4.105	4.09	4.085	4.09	4.09	-1.5
KLIBOR							
1-M	3.18	3.18	3.18	3.18	3.18	3.18	0
2-M	3.4	3.4	3.4	3.4	3.4	3.4	0
3-M	3.43	3.43	3.43	3.43	3.43	3.43	0
UST							
3-Y	1.489	1.4346	1.4697	1.437	1.4423	1.5072	1.82
5-Y	1.9212	1.8519	1.8898	1.8519	1.8585	1.9196	-0.16
7-Y	2.2098	2.1347	2.1759	2.1395	2.1443	2.2003	-0.95
10-Y	2.3874	2.3193	2.3605	2.3354	2.3408	2.3822	-0.52
30-Y	3.0095	2.9532	2.9999	2.9856	2.9864	3.0078	-0.17
USD LIBOR							
1-M	0.98278	0.98333	0.98611	0.98556	0.98944	0.99	0.722
2-M	1.025	1.02556	1.02833	1.02722	1.02667	1.02611	0.111
3-M	1.14956	1.14983	1.14983	1.15039	1.15539	1.15761	0.805

Source: Bloomberg, MIDFR

- This was in contrast to the surge in Treasury yields during the 2013 “taper tantrum”, when then-Fed Chairman Ben Bernanke hinted that the central bank would reduce its purchases of Treasuries and mortgage-backed securities that were designed to bring down long-term interest rates.

## YIELDS OF MGS (From 27 Mar 2017 to 7 Apr 2017)



Source: Bloomberg, MIDFR

- Total volume trade for MGS/GII increased to RM10.6b in the review week from RM11.7b in the week before (based on Bloomberg data). The 10 most actively traded issues represent slightly more than 63% of the overall MGS/GII trades in the review week (down from ~78% in week before).
- Unlike in previous weeks, the top 3 volumes were not confined to issues with short (less than 1 year) remaining tenor. The top 3 most actively traded were MGS 3.58% 09/28/18 at RM1.3b, MGS 3.23% 04/15/20 at RM1.6b and MGS 4.012% 09/15/17 at RM1.3b. Moreover, 9 out of the 10 most actively traded issues saw higher yields during the past week hence lower prices.

## 10 MOST ACTIVELY TRADED GOVERNMENT BONDS (Week Ended 7 Apr 2017)

Name	Coupon	Maturity	31-Mar Yield	7-Apr Yield	Change (WoW bp)	Weekly Volume (RM bn)
MALAYSIA GOVERNMENT	3.58	09/28/18	3.394	3.461	6.7	1,336.9
MALAYSIA INVEST ISSUE	3.226	04/15/20	3.692	3.749	5.7	1,590.0
MALAYSIA GOVERNMENT	4.012	09/15/17	3.286	3.186	-10.0	1,334.4
MALAYSIA GOVERNMENT	4.24	02/07/18	3.313	3.352	3.9	1,155.4
MALAYSIA GOVERNMENT	4.059	09/30/24	N/A	4.040	N/A	1,088.2
MALAYSIA GOVERNMENT	3.882	03/10/22	3.806	3.814	0.8	1,074.3
MALAYSIA GOVERNMENT	3.58	09/28/18	3.394	3.461	6.7	1,002.5
MALAYSIA GOVERNMENT	3.654	10/31/19	3.572	3.682	11.0	868.7
MALAYSIA GOVERNMENT	4.378	11/29/19	3.624	3.693	6.9	833.7
MALAYSIA GOVERNMENT	3.26	03/01/18	3.410	3.427	1.7	832.4
MALAYSIA GOVERNMENT	3.889	07/31/20	3.680	3.791	11.1	803.7
TOTAL VOLUME (TOP 10)						10,583.3
TOTAL VOLUME (Overall)						17,000.4

Source: Bloomberg, MIDFR

- Total volume trade for Corporate Bonds declined further to RM1.4b in the review week from RM2.4b in prior week (based on Bloomberg data). Trading interest was relatively more concentrated as the 10 most actively traded issues represent circa 37% of the overall Corporate Bonds trades (down from ~41% in week before).
- The top 3 actively traded issues among the Corporate Bonds were quite varied in terms of their remaining tenor but were not confined to banks.
- The biggest volumes were seen in Maybank 6.3% 09/25/68 at RM200m, KL Kepong 4.0% 09/02/22 at RM70m and YTL Corp 4.4% 04/25/33 at RM60m.

## 10 MOST ACTIVELY TRADED CORPORATE BONDS (Week Ended 31 Mar 2017)

Name	Coupon	Maturity	31-Mar Yield	7-Apr Yield	Change (WoW bp)	Weekly Volume (RM bn)
MALAYAN BANKING BHD	6.3	09/25/68	4.822	4.822	0.0	100.0
KUALA LUMPUR KEPONG BHD	4	09/02/22	4.449	4.449	0.0	70.0
YTL CORPORATION BERHAD	4.38	04/25/23	N/A	4.592	N/A	60.0
CAGAMAS MBS BHD	4.52	08/22/17	N/A	N/A	N/A	50.0
MAH SING GROUP BHD	6.8	PERP	N/A	N/A	N/A	45.3
UEM SUNRISE BHD	4.6	12/13/18	4.600	4.600	0.0	40.0
YTL POWER INTERNATIONAL	4.49	03/24/23	N/A	4.569	N/A	40.0
TELEKOM MALAYSIA BERHAD	3.95	04/28/23	N/A	N/A	N/A	40.0
FIRST RESOURCES LTD	4.3	12/08/17	4.257	4.271	1.4	30.0
AFFIN BANK BHD	5.45	02/05/27	5.242	5.234	-0.8	30.0
TOTAL VOLUME (TOP 10)						505.3
TOTAL VOLUME (Overall)						1,382.2

Source: Bloomberg, MIDFR

## FOREIGN EXCHANGE

- **Dollar Index fell initially on Friday after US Non-farm Payroll (NFP)** came in below expectation with only 98,000 jobs created vs analysts' consensus of 180,000. The numbers for previous two months were also revised down to 219,000 vs 235,000 earlier. However, the dollar staged a rebound and closed marginally higher than on Thursday and last week by 0.05% and 0.4% respectively – signaling a positive reaction to the jobs report i.e unemployment rate fell to 4.5% - the lowest in 10 years.
- **Despite the dollar gyration caused by the relatively weak NFP number, ASEAN currencies**, on average, slid against the greenback except for Philippine Peso and Rupiah. The former edged higher by 0.6% to close at 49.888 - a two months high for the peso. Thai Baht corrected heavily after failing to break the resistance level of 34.353, shedding 0.7% to 34.605 strengthened the most, down by 0.5% to 34.656. Ringgit also closed lower during the week to 4.435 or 0.2% - ending the stretch of three consecutive weeks advancing against the dollar.

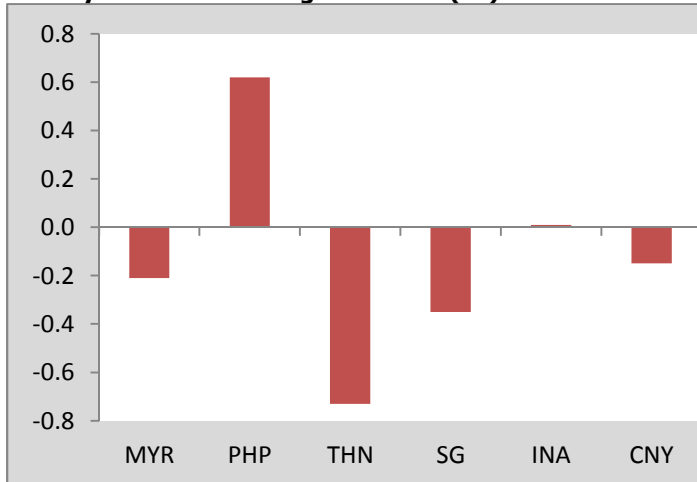
## Currencies Changes (Weekly Ended on 7/4) and Quarterly Forecast

	Close (7/4)	Prev Close (31/3)	Change	% Change	1Q17	2Q17F	3Q17F	4Q17F
DXY Index	100.72	100.35	0.370	0.4	100.35	102.50	103.0	103.5
EURUSD	1.064	1.065	-0.001	-0.1	1.065	1.045	1.020	1.030
GBPUSD	1.243	1.255	-0.013	-1.0	1.255	1.150	1.180	1.210
USDJPY	110.6	111.4	-0.760	0.7	111.4	118.0	120.0	119
USDMYR	4.435	4.426	0.010	-0.2	4.43	4.20	4.43	4.30
GBPMYR	5.515	5.508	0.007	0.1	5.51	5.25	5.15	5.20
JPYMYR	4.009	3.973	0.036	0.9	3.97	3.75	3.85	3.85

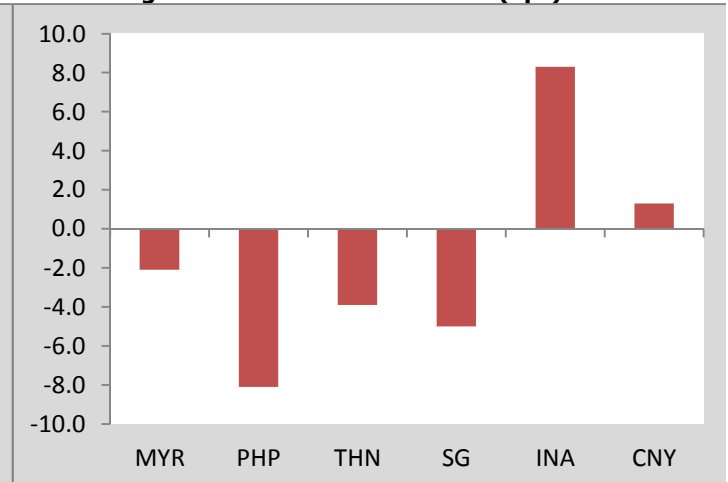
Quarterly figures are forecast by MIDFR  
Source: CEIC, Bloomberg, MIDF Research

- More inflow into bonds market amidst US attack.** On Thursday, Trump's administration launched 59 Tomahawk missiles in retaliation to the usage chemical weapons by the Assad's regime in Syria. Most 10-year sovereign bonds yield that we track slipped except for Indonesia and China which rose 8.3bps and 1.3bps respectively. The former suggest profit taking activity after having benefited significant inflow last week. The Indonesian bond was among the largest beneficiary in the last quarter – just behind India and Korea, raking in USD4.3b. Malaysia 10-year yield fell 2.1% to 4.118 during the week closing – in line with the regional trend.

Weekly Currencies Change vs Dollar (%)



Yield Change in 10Y Government Bonds (bps)



For the week ended on 7/4/2017  
Source: Bloomberg, MIDFR

## Interest rate views

- Global economy has shown signs of recovery.** Major economies have posted encouraging macroeconomic indicators data over the last quarter. Trade figures recorded double digits growth which indicates global demands are gaining momentum. The broad recovery patterns seen both in developed and emerging economies gave reason to believe that growth trajectory is on the sustained path.
- After years of loose monetary stance, the inflationary pressure is coming back; a much welcomed news for developed economies. With global economy on the charge, the current environment for loose monetary policy might come to an end.
- As far as the domestic environment is concern, the upward inflationary pressure will remain persistent throughout the year. Domestic growth will be driven by external demand, benefiting export oriented sectors. With employment condition remain stable, we maintain our stance of the current OPR to remain at 3%. However, the threat to OPR to the upside with due overshooting inflation figures and growth numbers will be key factors to trigger the next rate hike. In addition, we maintain our expectation of another 2 more hikes by the Fed.

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### MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected to be <-15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% 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.