

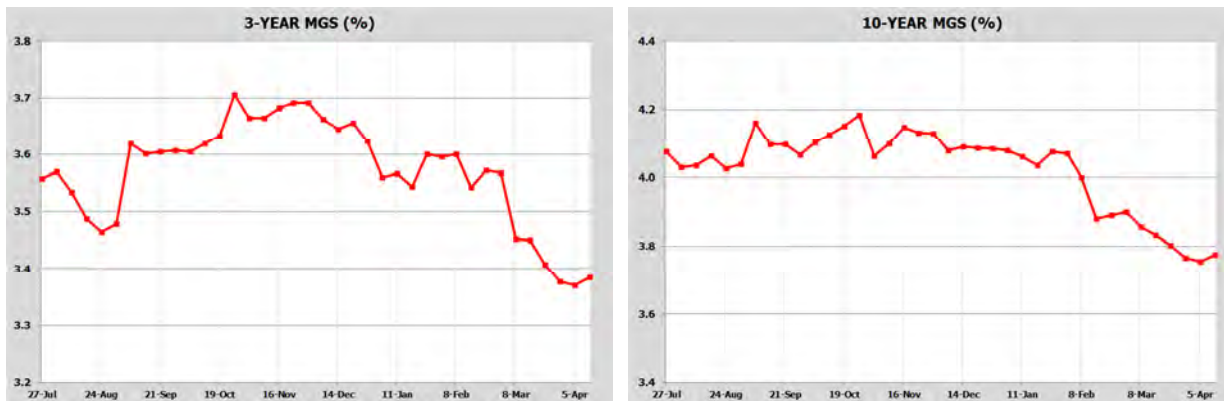
MIDF Strategy | 15 April 2019

Week Ended 12 April 2019

- Profit taking activities were still unabated as the UST market experienced another week of losses (prices down; yields up). The selling tide was also in line with the generally higher overseas rates. Nonetheless, the 10y-3y yield spread marginally flattened to +20bps from +21bps a week earlier.
- Likewise, the price of local MGS benchmark issues ended the review week lower, but the curve slightly steepened as the short-end outperformed, with the 3-year and 10-year yields added 1.5bps and 2.1bps respectively to close at 3.38% and 3.78%.
- Total trading value for Government Bonds (MGS/MII) dropped to RM17.3b in the review week compared to RM30.7b in the previous week. The total trading value of 10 most actively traded issues increased (lower trading breadth) to 48% of the overall Government Bonds trades in the week under review as compared to 40% in the week before. In addition, 7 of the 10 most actively traded bonds saw higher yields hence lower prices during the review week.
- In contrast, the total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM4.59b in the review week compared to RM4.39b in earlier week. Moreover, the total trading value of 10 most actively traded issues declined (higher trading breadth) to 28% of the overall Corporate Bonds trades vis-à-vis 31% the week before.

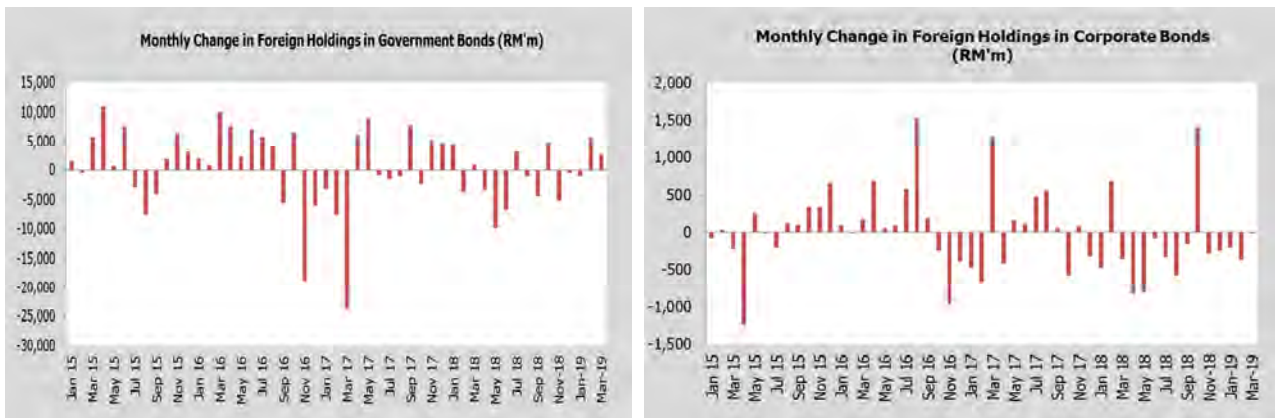
Weekly Money Review

A. FIXED INCOME



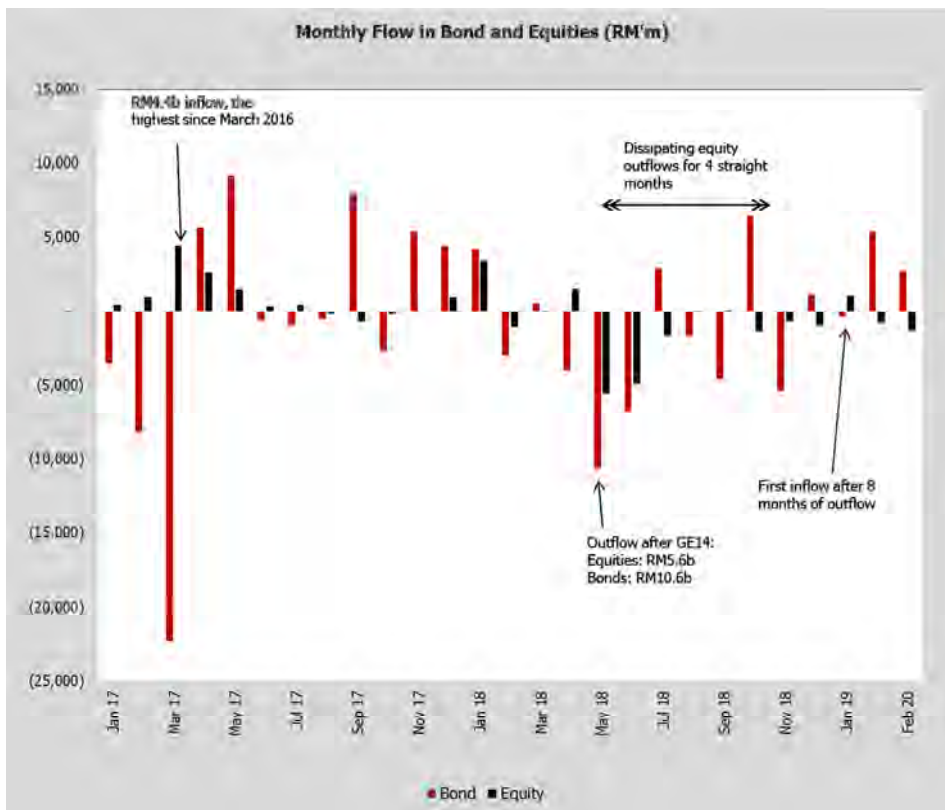
Source: Bloomberg, MIDFR

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- Furthermore, the top 3 actively traded Government Bonds were represented by issues of varied residual tenors. The top 3 most actively traded were MGS 3.88% 08/15/29 at RM1.33b, MGS 3.906% 07/15/26 at RM1.14b, and MGS 3.492% 03/31/20 at RM897m.
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- The top 3 actively traded Corporate Bonds were dominated by issues of short and long residual tenors. The biggest trading values were seen in Prasarana Malaysia Bhd 5.11% 09/12/42 at RM210m, Khazanah Nasional Bhd 0.00% 08/14/23 at RM205m, and Celcom Networks Sdn Bhd 3.75% 08/29/19 at RM145m.
- 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 back below 97.00. White House's support for Trump's controversial candidate, H. Cain for Federal Reserve Board has weakened. Besides that, Powell thinks that the US interest rates are in the right place. As for macro data, preliminary report of consumer sentiment by University of Michigan showed that the index fell to 96.9 in Apr-19 from 98.4 in the previous month and worse than 98 the market had expected, reflecting less optimism on the economic outlook.
- EURUSD is on the upside due to better Eurozone economic data. Industrial production in the Eurozone dropped by 0.3%yoy and 0.2%mom in Feb-19, smaller than market expectations of 1%yoy and 0.6%mom fall. It is the softest decline in industrial activity since Nov-18.

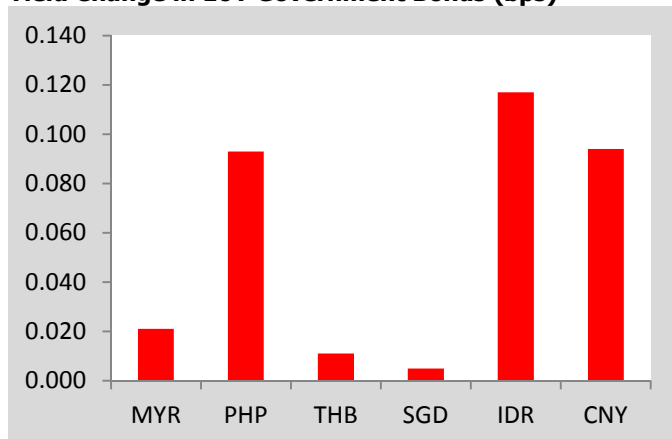
- Ringgit slides further amid weak data. Malaysia's IPI grew only by 1.7%yoy in Feb-19 as manufacturing and electricity sector index expanded at a softer pace while mining posted larger negative growth. Furthermore, distributive trade increased 6.5%yoy in Feb-19, moderating from 7.8%yoy in the previous month as retail sales growth eased to a single digit of 8.5%yoy in Feb-19 after eight continuous months growing at double digit. Besides that, employment growth inched down to 2.1%yoy and number of unemployed increased 1.6%yoy. We maintain our call MYR to average at 4.05 and register year-end target at 4.00 in 2019.

Currencies Changes (Week Ended 12/04) and Quarterly Forecasts

	Close (12/04)	Prev Close (05/04)	Change	% Change	1Q19	2Q19F	3Q19F	4Q19F
DXY Index	96.97	97.40	-0.423	-0.4%	96.46	94.94	93.88	95.83
EURUSD	1.13	1.12	0.008	0.7%	1.13	1.15	1.17	1.15
GBPUSD	1.31	1.60	-0.296	0.3%	1.30	1.32	1.30	1.27
USDJPY	112.02	111.73	0.290	-0.3%	110.15	107.55	105.87	108.95
USDMYR	4.11	4.09	0.026	-0.6%	4.09	4.01	4.10	4.00
GBPMYR	5.38	5.35	0.032	-0.6%	5.32	5.29	5.38	5.45
JPYMYR	3.67	3.66	0.013	-0.4%	3.72	3.73	3.92	3.95

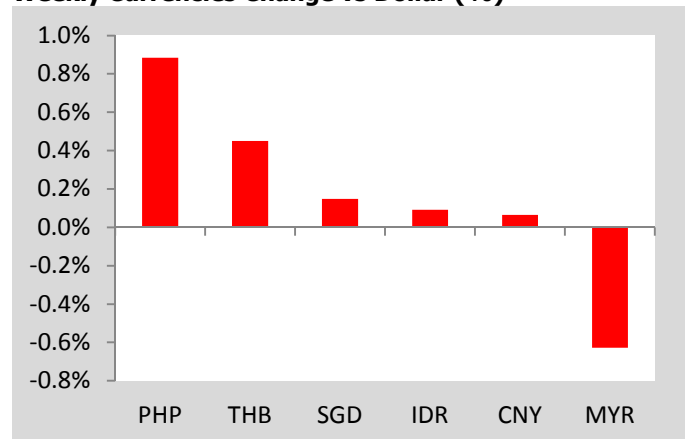
Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

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 (%)

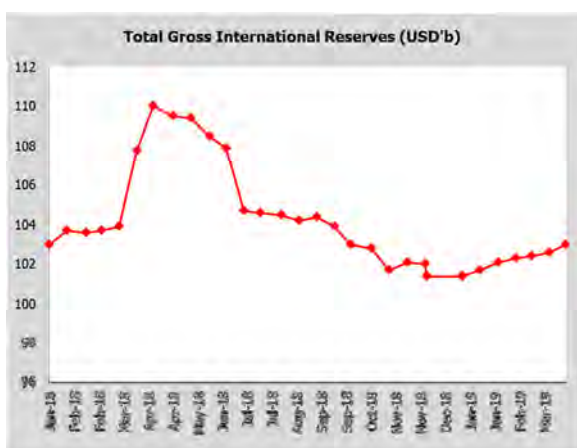
	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19
Malaysia	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
Indonesia	5.25	5.50	5.75	5.75	6.00	6.00	6.00	6.00	6.00
Singapore	Neut.	Neut.	Neut.	Neut.	Neut.	Neut.	Neut.	Neut.	Neut.
Philippines	3.25	4.00	4.50	4.50	4.75	4.75	4.75	4.75	4.75
Thailand	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 likely to reach a trade deal in less than a month as indicated by Trump.
- IMF has cut the global economic growth outlook in 2019 to 3.3% from 3.5% forecasted earlier as outlook for all major advanced economies including the US and most major emerging-market economies deteriorate.
- In contrast, IMF has raised 2019 growth forecast for China to 6.3% from 6.2% previously forecasted.
- China's exports rebounded to five-month high at 14.2%yoy, resulting in trade surplus of USD32.6B but shipments to the US fell 8.5%yoy.
- 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 resilience 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%.
- BNM expects GDP growth at a range of 4.3-4.7% in 2019, contributed by private investment, commodity-sectors and domestic demand.
- IPI hit 8-month low of 1.7%yoy as factory output growth moderated to 3.7% in Feb-19 while mining output remained in negative territory for two-straight months at -5.0%yoy as a result of drop in global oil prices.
- Distributive trade growth eased to 6.5%yoy in Feb-19 as retail sales growth moderated to a single digit of 8.5%yoy in Feb-19 after eight continuous months growing at double digit.
- 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	5-Apr Fri	8-Apr Mon	9-Apr Tue	10-Apr Wed	11-Apr Thu	12-Apr Fri	Change (WoW bp)
MGS							
3-Y	3.37	3.387	3.401	3.405	3.4	3.385	1.5
5-Y	3.521	3.555	3.563	3.558	3.568	3.559	3.8
7-Y	3.66	3.698	3.693	3.671	3.668	3.668	0.8
10-Y	3.755	3.779	3.785	3.776	3.773	3.776	2.1
20-Y	4.277	4.277	4.277	4.277	4.291	4.284	0.7
RINGGIT IRS							
1-Y	3.54	3.535	3.535	3.52	3.525	3.525	-1.5
3-Y	3.525	3.545	3.545	3.535	3.535	3.53	0.5
5-Y	3.6025	3.61	3.615	3.615	3.605	3.61	0.75
7-Y	3.705	3.69	3.695	3.7	3.69	3.7	-0.5
10-Y	3.88	3.885	3.885	3.87	3.885	3.88	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	2.2889	2.3137	2.2915	2.269	2.3042	2.3612	7.23
5-Y	2.3053	2.3272	2.3055	2.272	2.3107	2.3802	7.49
7-Y	2.3942	2.4188	2.3992	2.3648	2.3993	2.4686	7.44
10-Y	2.4954	2.5222	2.5006	2.4649	2.497	2.5651	6.97
30-Y	2.9032	2.9273	2.9141	2.8923	2.9265	2.9769	7.37
USD LIBOR							
1-M	2.47163	2.48125	2.484	2.482	2.47263	2.47738	0.575
2-M	2.54425	2.54763	2.55263	2.5485	2.53675	2.54263	-0.162
3-M	2.59213	2.584	2.58125	2.6035	2.59675	2.601	0.887

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	5-Apr Yield	12-Apr Yield	Change (WoW bp)	Weekly Volume (RM bn)
MALAYSIA GOVERNMENT	3.885	08/15/29	3.755	3.776	2.1	1,330.1
MALAYSIA GOVERNMENT	3.906	07/15/26	3.660	3.668	0.8	1,145.9
MALAYSIA GOVERNMENT	3.492	03/31/20	3.355	3.373	1.8	897.0
MALAYSIA GOVERNMENT	4.378	11/29/19	3.334	3.331	-0.3	856.9
MALAYSIA INVESTMNT ISSUE	4.128	08/15/25	3.779	3.799	2.0	851.8
MALAYSIA INVESTMNT ISSUE	4.369	10/31/28	3.864	3.894	3.0	761.4
MALAYSIA GOVERNMENT	3.654	10/31/19	3.310	3.331	2.1	708.5
MALAYSIA GOVERNMENT	4.642	11/07/33	4.066	4.060	-0.6	701.7
MALAYSIA GOVERNMENT	3.9	11/30/26	3.715	3.743	2.8	648.2
MALAYSIA INVESTMNT ISSUE	3.704	09/30/19	3.341	3.320	-2.1	500.0
TOTAL VOLUME (TOP 10)						8,401.5
TOTAL VOLUME (Overall)						17,316.4

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	5-Apr Yield	12-Apr Yield	Change (WoW bp)	Weekly Volume (RM bn)
PRASARANA MALAYSIA BHD	5.11	09/12/42	4.577	4.508	-6.9	210.0
KHAZANAH NASIONAL BHD	ZERO	08/14/23	3.952	3.834	-11.8	205.0
CELCOM NETWORKS SDN BHD	3.75	08/29/19	3.915	3.844	-7.1	145.0
PRASARANA MALAYSIA BHD	5.23	09/13/47	#N/A N/A	4.658	#VALUE!	140.0
PRASARANA MALAYSIA BHD	4.28	09/13/24	3.897	3.839	-5.8	135.0
CAGAMAS BERHAD	3.65	08/09/19	3.613	3.615	0.2	100.0
PERBADANAN TABUNG PENDID	4.86	03/12/32	4.357	4.199	-15.8	90.0
KHAZANAH NASIONAL BHD	ZERO	09/02/22	#N/A N/A	3.791	#VALUE!	90.0
DANAINFRA NASIONAL	4.85	05/03/41	4.511	4.481	-3.0	80.0
DANAINFRA NASIONAL	4.27	05/24/24	3.871	3.783	-8.8	80.0
TOTAL VOLUME (TOP 10)						1,275.0
TOTAL VOLUME (Overall)						4,590.8

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.