

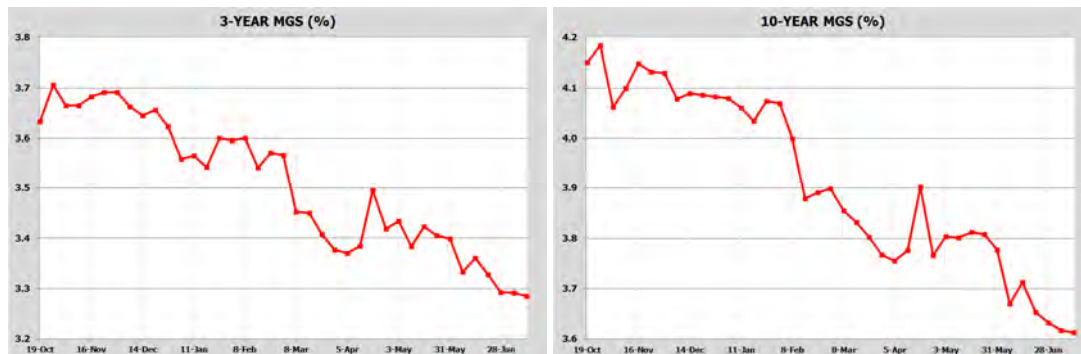
MIDF Strategy | 15 July 2019

Week Ended 12 July 2019

- The UST market lost ground for the second week in a row. Week-on-week, the benchmark 10-year yield jumped (price down) nearly +9bp to 2.12% as investors reacted to stronger than expected inflation numbers. The US CPI rose more than expected last month while the core figure posted its biggest gain since early last year. Consequently, the 10y-3y yield spread steepened (long-end underperformed) to +30bps from +22bps a week earlier.
- On the other hand, the domestic MGS saw continued buying activities. Week-on-week, the benchmark 3-year and 10-year yields shed -0.6bp and -0.4bp respectively to close at 3.28% and 3.61%. Meanwhile, the curve slightly steepened as the long-end underperformed.
- Total trading value for Government Bonds (MGS/MII) declined to RM17.8b in the review week compared to RM22.8b in the earlier week (based on Bloomberg data). The total trading value of 10 most actively traded was lower (higher trading breadth) at 44% of the overall Government Bonds trades in the week under review as compared to 47% the week before. In addition, 5 out of the 10 most actively traded bonds saw lower yields hence higher prices during the review week.
- Total foreign holdings of Government Bonds stood at RM163.8b as at end-June 2019. It was an increase of RM5.8b from the May 2019 figure of RM158.0b.
- On the other hand, total foreign holdings of Corporate Bonds declined by -RM64.0m in the month of June 2019 to RM12.0b.
- In comparison to equities, the bonds market saw a total net inflow worth RM5.7b in June 2019 while the former saw a total net inflow worth RM136m. 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



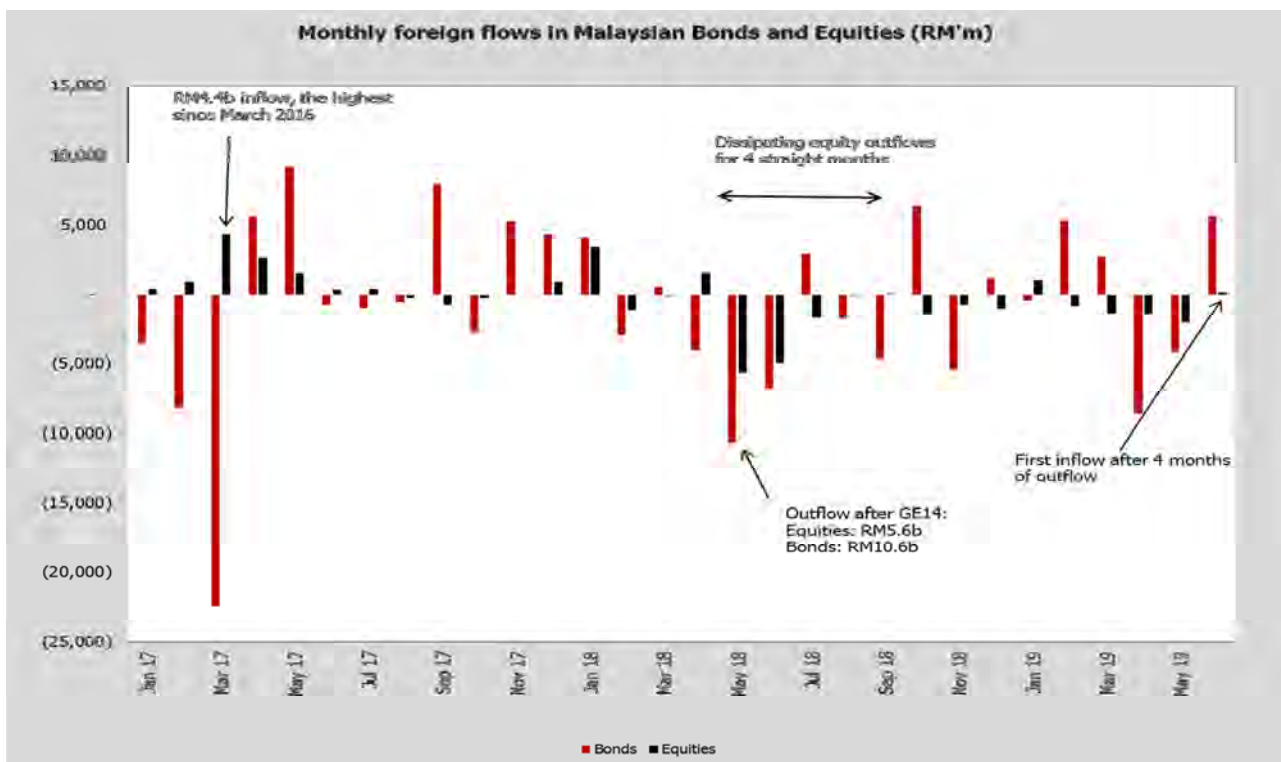
Source: Bloomberg, MIDFR

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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 3.654% 10/31/19 at RM1.62b, MGS 3.885% 8/15/29 at RM1.19b, and MII 3.726% 3/31/26 at RM1.08b.
- In contrast, the total trading value for Corporate Bonds (Conventional & Sukuk) rose to RM3.53b in the review week compared to RM3.00b in earlier week (based on Bloomberg data). Moreover, the total trading value of the 10 most actively traded issues dropped (higher trading breadth) to 36% of the overall Corporate Bonds trades in the review week as compared to 44% in the week before.
- The top 3 actively traded Corporate Bonds were dominated by issues of short and mid residual tenors. The biggest trading values were seen in Danainfra 4.03% 4/1/26 at RM230m, Sunway Sukuk 4.5% 6/6/22 at RM200m, and Sunway Sukuk 4.9% 6/6/22 at RM140m.
- Total foreign holdings of Government Bonds stood at RM163.8b as at end-June 2019. It was an increase of RM5.8b from the May 2019 figure of RM158.0b.
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Source: BNM

- In comparison to equities, the bonds market saw a total net inflow worth RM5.7b in June 2019 while the former saw a total net inflow worth RM136mb. 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 declines as signals of rate cut stronger. The Fed's chairman Jerome Powell affirmed of possible rate cuts in 2019 amid global trade risks and moderating economic growth. In addition, headline CPI declined from 1.8% in May-19 to 1.6% in Jun-19. Core CPI at 2.1%. Moderating trends and global risk factors are pushing the Fed to consider rate cut in the near term.
- 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 – Appreciate positively due to upbeat macro figures. Malaysia's overall IPI grew by 4%yoy, registering 6-month high. Continuous recovery in mining output and expansion in manufacturing and electricity productions contributed to the upbeat IPI momentum. Distributive trade rose by 6.8%yoy, 4-month high while unemployment

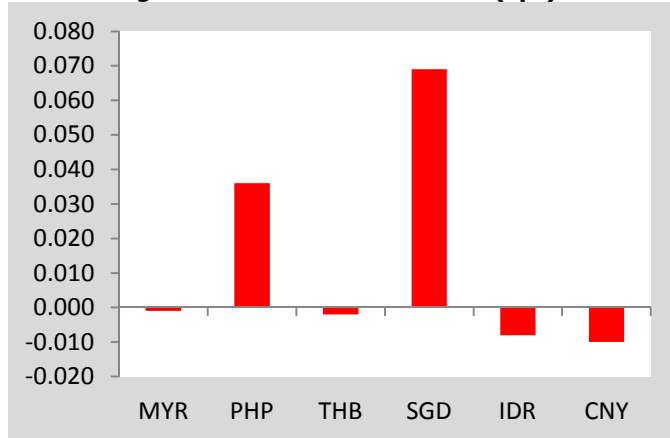
rate stays at full-employment condition of 3.3%. We maintain our call MYR to average at 4.12 and register year-end target at 4.10 in 2019.

Currencies Changes (Week Ended 12/07) and Quarterly Forecasts

	Close (12/07)	Prev Close (05/07)	Change	% Change	1Q19	2Q19	3Q19F	4Q19F
DXY Index	96.96	97.29	-0.329	-0.3%	96.46	97.26	93.88	95.83
EURUSD	1.13	1.12	0.004	0.4%	1.13	1.12	1.17	1.15
GBPUSD	1.25	1.25	0.002	0.2%	1.30	1.28	1.30	1.27
USDJPY	108.29	108.47	-0.180	0.2%	110.15	109.82	105.87	108.95
USDMYR	4.11	4.14	-0.025	0.6%	4.09	4.15	4.12	4.10
GBPMYR	5.16	5.19	-0.034	0.7%	5.32	5.33	5.38	5.45
JPYMYR	3.80	3.81	-0.016	0.4%	3.72	3.78	3.92	3.95

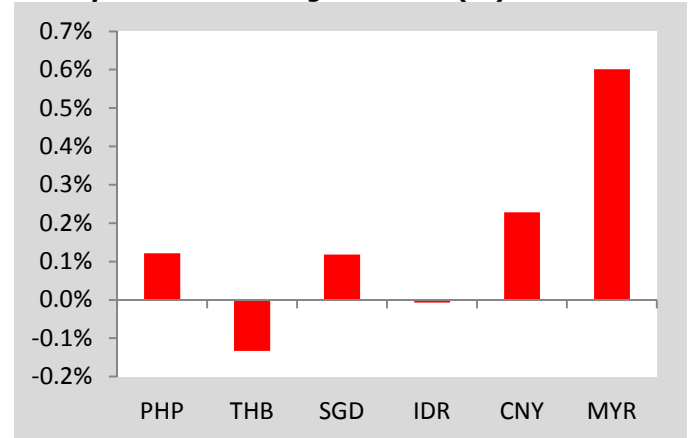
Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

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.
- Slight decline in inflation, worrying business confidence, global risks and moderating economic growth signal the Fed to consider for rate cuts.
- ECB council agreed to ease monetary stance by changing forward guidance on rates, resume net asset purchases and cut interest rates.
- Malaysia's IPI maintains expanding at 4%yoy, recording 6-month high, driven by recovery in mining output and continued expansion in manufacturing and electricity productions.
- Labor market remains at full-employment condition as jobless rate at 3.3% and distributive trade rose by 6.8%yoy, fastest gain since Jan-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	5-Jul Fri	8-Jul Mon	9-Jul Tue	10-Jul Wed	11-Jul Thu	12-Jul Fri	Change (WoW bp)
MGS							
3-Y	3.291	3.293	3.284	3.292	3.297	3.285	-0.6
5-Y	3.415	3.413	3.438	3.451	3.433	3.422	0.7
7-Y	3.522	3.549	3.557	3.566	3.54	3.556	3.4
10-Y	3.617	3.628	3.634	3.635	3.619	3.613	-0.4
20-Y	3.998	4.005	4.008	4.004	3.984	3.997	-0.1
RINGGIT IRS							
1-Y	3.38	3.38	3.395	3.4	3.385	3.385	0.5
3-Y	3.385	3.385	3.407	3.417	3.39	3.39	0.5
5-Y	3.47	3.47	3.475	3.485	3.45	3.45	-2
7-Y	3.52	3.54	3.535	3.54	3.52	3.52	0
10-Y	3.635	3.65	3.665	3.655	3.635	3.635	0
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	1.8129	1.835	1.8571	1.7984	1.8495	1.8253	1.24
5-Y	1.8308	1.8556	1.8789	1.8259	1.8923	1.8709	4.01
7-Y	1.9182	1.9399	1.9593	1.9303	2.0029	1.9836	6.54
10-Y	2.0338	2.0476	2.0648	2.0613	2.1378	2.1219	8.81
30-Y	2.5419	2.529	2.5404	2.5758	2.6593	2.6467	10.48
USD LIBOR							
1-M	2.3665	2.37938	2.36863	2.36913	2.325	2.332	-3.45
2-M	2.33738	2.36475	2.35788	2.36363	2.32475	2.33375	-0.363
3-M	2.31138	2.33775	2.34075	2.3395	2.30338	2.32225	1.087

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	5-Jul Yield	12-Jul Yield	Change (WoW bp)	Weekly Volume (RM bn)
MALAYSIA GOVERNMENT	3.654	10/31/19	3.069	3.068	-0.1	1,617.4
MALAYSIA GOVERNMENT	3.885	08/15/29	3.617	3.613	-0.4	1,191.4
MALAYSIA INVESTMNT ISSUE	3.726	03/31/26	3.560	3.581	2.1	1,080.0
MALAYSIA GOVERNMENT	3.828	07/05/34	3.793	3.802	0.9	777.0
MALAYSIA INVESTMNT ISSUE	4.39	07/07/23	3.458	3.459	0.1	604.0
MALAYSIA GOVERNMENT	3.955	09/15/25	3.537	3.536	-0.1	545.0
MALAYSIA GOVERNMENT	3.492	03/31/20	3.148	3.163	1.5	525.6
MALAYSIA GOVERNMENT	4.642	11/07/33	3.842	3.837	-0.5	525.6
MALAYSIA GOVERNMENT	4.736	03/15/46	4.274	4.250	-2.4	491.9
MALAYSIA GOVERNMENT	4.378	11/29/19	-1.375	3.050	442.5	484.0
TOTAL VOLUME (TOP 10)						7,841.9
TOTAL VOLUME (Overall)						17,834.9

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	5-Jul Yield	12-Jul Yield	Change (WoW bp)	Weekly Volume (RM bn)
DANAINFRA NASIONAL	4.03	04/01/26	3.578	3.576	-0.2	230.0
SUNWAY TREASURY SUKUK SD	4.5	06/06/22	#N/A N/A	4.149	#VALUE!	200.0
SUNWAY TREASURY SUKUK SD	4.9	06/06/22	#N/A N/A	4.147	#VALUE!	140.0
DANAINFRA NASIONAL	4.33	11/15/24	3.657	3.507	-15.0	135.0
KHAZANAH NASIONAL BHD	ZERO	03/24/20	3.257	3.270	1.3	110.0
AMAN SUKUK BHD	4.4	04/12/27	#N/A N/A	3.730	#VALUE!	105.0
PERBADANAN TABUNG PENDID	4.27	03/14/24	#N/A N/A	3.497	#VALUE!	100.0
YTL CORPORATION BERHAD	4.38	04/25/23	3.996	3.928	-6.8	90.0
KHAZANAH NASIONAL BHD	ZERO	08/14/23	3.534	3.469	-6.5	80.0
GOVCO HOLDINGS BHD	4.73	06/06/31	4.008	3.959	-4.9	70.0
TOTAL VOLUME (TOP 10)						1,260.0
TOTAL VOLUME (Overall)						3,529.0

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.