

17 April 2017 | Strategy

Weekly Money Review

Rally on the back of geopolitical concerns

KLCI: 1,730.99 points

2017 Year-end Target: 1,830 points

MONEY MARKET

- As President Trump gave his comments about favouring a low interest rate policy, treasuries rallied with the benchmark 10-year yield tumbling to the lowest level of 2017. The 10-year U.S. yield fell to 2.257%, its lowest intraday level since 17 November 2016.

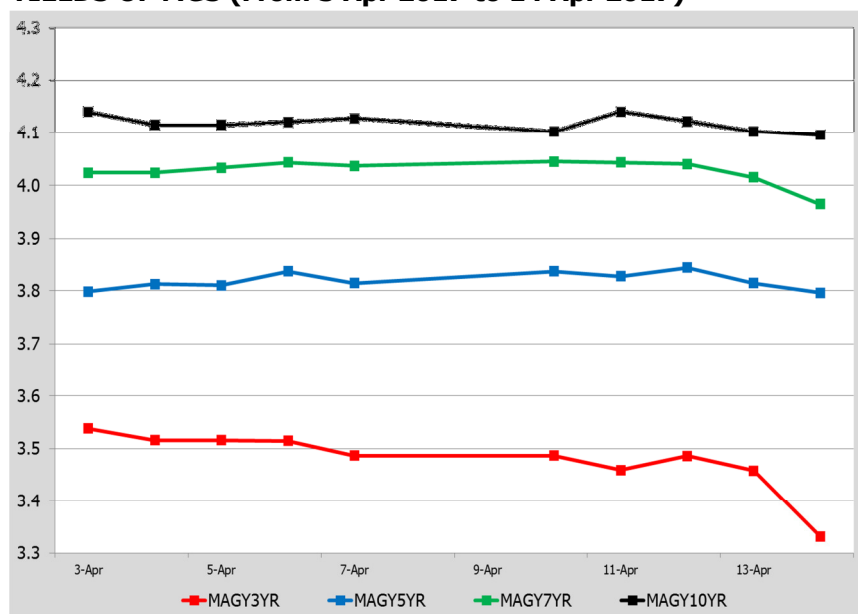
MONEY MARKET RATES

Tenor	7-Apr Fri	10-Apr Mon	11-Apr Tue	12-Apr Wed	13-Apr Thu	14-Apr Fri	Change (WoW bp)
MGS							
3-Y	3.487	3.487	3.459	3.486	3.458	3.332	-15.5
5-Y	3.814	3.836	3.827	3.843	3.814	3.796	-1.8
7-Y	4.037	4.045	4.043	4.04	4.015	3.965	-7.2
10-Y	4.128	4.102	4.141	4.122	4.102	4.096	-3.2
20-Y	4.674	4.687	4.691	4.682	4.77	4.716	4.2
RINGGIT IRS							
1-Y	3.56	3.555	3.555	3.545	3.55	3.525	-3.5
3-Y	3.73	3.7175	3.705	3.7045	3.6915	3.68	-5
5-Y	3.865	3.865	3.845	3.845	3.82	3.8	-6.5
7-Y	3.96	3.955	3.955	3.94	3.925	3.905	-5.5
10-Y	4.09	4.09	4.09	4.08	4.07	4.045	-4.5
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	1.5072	1.4962	1.4599	1.4144	1.4118	1.4118	-9.54
5-Y	1.9196	1.8998	1.8303	1.7676	1.7691	1.7691	-15.05
7-Y	2.2003	2.1808	2.108	2.0451	2.045	2.045	-15.53
10-Y	2.3822	2.3661	2.2962	2.2392	2.2374	2.2374	-14.48
30-Y	3.0078	2.9903	2.9289	2.8861	2.8923	2.8923	-11.55
USD LIBOR							
1-M	0.99	0.98833	0.99	0.99389	0.99444	0.99444	0.444
2-M	1.02611	1.02611	1.02722	1.03333	1.035	1.035	0.889
3-M	1.15761	1.15567	1.15511	1.15844	1.15844	1.15844	0.083

Source: Bloomberg, MIDFR

- Rising geopolitical concerns throughout the world, treasuries have also rallied in the domestic market, for a fifth-straight week as investors were prompted to shift to safe-haven assets.

YIELDS OF MGS (From 3 Apr 2017 to 14 Apr 2017)



Source: Bloomberg, MIDFR

- Total volume trade for MGS/GII increased to RM16.3b in the review week from RM10.6b in the week before (based on Bloomberg data). The 10 most actively traded issues represent slightly more than 59% of the overall MGS/GII trades in the review week (down from ~63% 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 4.01% 09/15/17 at RM1.8b, MGS 4.06% 09/30/24 at RM1.7b and MGS 3.88% 03/10/22 at RM1.34b. 7 out of the 10 most actively traded issues saw lower yields during the past week hence higher prices.

10 MOST ACTIVELY TRADED GOVERNMENT BONDS (Week Ended 14 Apr 2017)

Name	Coupon	Maturity	7-Apr Yield	14-Apr Yield	Change (WoW bp)	Weekly Volume (RM bn)
MALAYSIA GOVERNMENT	4.012	09/15/17	3.186	3.207	2.1	1,759.9
MALAYSIA GOVERNMENT	4.059	09/30/24	4.040	4.037	-0.3	1,663.0
MALAYSIA GOVERNMENT	3.882	03/10/22	3.814	3.814	0.0	1,338.9
MALAYSIA INVEST ISSUE	3.226	04/15/20	3.749	3.743	-0.6	808.0
MALAYSIA GOVERNMENT	3.58	09/28/18	3.461	3.438	-2.3	777.2
MALAYSIA GOVERNMENT	4.378	11/29/19	3.693	3.633	-6.0	745.3
MALAYSIA GOVERNMENT	3.955	09/15/25	4.217	4.196	-2.1	658.4
MALAYSIA GOVERNMENT	4.232	06/30/31	4.508	4.481	-2.7	640.3
MALAYSIA GOVERNMENT	3.9	11/30/26	4.134	4.128	-0.6	637.3
MALAYSIA GOVERNMENT	4.24	02/07/18	3.352	3.369	1.7	629.1
TOTAL VOLUME (TOP 10)						9,657.4
TOTAL VOLUME (Overall)						16,253.0

Source: Bloomberg, MIDFR

- Total volume trade for Corporate Bonds increased to RM1.6b in the review week from RM1.4b in prior week (based on Bloomberg data). Trading interest was relatively more concentrated as the 10 most actively traded issues represent circa 48% of the overall Corporate Bonds trades (up from ~37% 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 First Resources Ltd 4.3% 12/08/17 at RM145m, Pengurusan Air SPV 4.0% 06/15/18 at RM120m and Sunway Treasury Sukuk 0% 05/17/17 at RM115m.

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

Name	Coupon	Maturity	7-Mar Yield	14-Apr Yield	Change (WoW bp)	Weekly Volume (RM bn)
FIRST RESOURCES LTD	4.3	12/08/17	4.271	4.255	-1.6	145.0
PENGURUSAN AIR SPV BHD	4.04	06/15/18	3.654	3.654	0.0	120.0
SUNWAY TREASURY SUKUK SD	ZERO	05/17/17	N/A	N/A	N/A	115.0
JIMAH EAST POWER SDN	6.2	12/04/31	N/A	5.050	N/A	60.0
PUBLIC BANK BERHAD	4.2	04/15/19	N/A	N/A	N/A	60.0
KUALA LUMPUR KEPONG	4	09/02/22	4.449	4.444	-0.5	55.0
SUNWAY TREASURY SUKUK SD	ZERO	05/17/17	N/A	N/A	N/A	54.0
MAYBANK ISLAMIC BHD	4.75	04/05/24	4.386	4.386	0.0	50.0
SUNWAY TREASURY SUKUK SD	ZERO	05/15/17	N/A	N/A	N/A	50.0
MALAYSIA DEBT VENTURES	4.26	08/26/20	4.015	N/A	N/A	40.0
TOTAL VOLUME (TOP 10)						749.0
TOTAL VOLUME (Overall)						1,563.5

Source: Bloomberg, MIDFR

FOREIGN EXCHANGE

- Dollar slid on Trump's comment, nearing a two weeks low. DXY index shed 0.7% to 100.47 last week after Trump made a move that raised eyebrows – stating the dollar is too strong and in favour of lower interest rates. Yen gained the most on the news – edging up to a five months high against the greenback at 108.9; this is definite a headwind for Abe's administration which looks for weaker currency to support the nation's exports activity. Pound advanced 1.1% to 1.251 while Euro only gained marginally by 0.3% to 1.062.
- All ASEAN currencies and China appreciated against dollar last week. Thai Baht advanced the most during the week, gaining 0.69% followed by Ringgit (0.63%), Philippines Peso (0.62%) and Singaporean Dollar (0.60%). Rupiah only appreciated marginally despite having most inflows into its bond market last week.

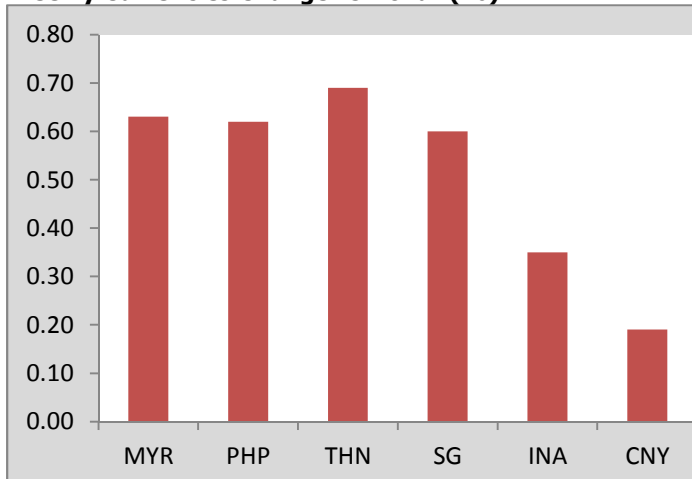
Currencies Changes (Weekly Ended on 24/3) and Quarterly Forecast

	Close (14/4)	Prev Close (7/4)	Change	% Change	1Q17	2Q17F	3Q17F	4Q17F
DXY Index	100.47	101.18	-0.710	-0.7	100.35	102.50	103.0	103.5
EURUSD	1.062	1.059	0.003	0.3	1.065	1.045	1.020	1.030
GBPUSD	1.251	1.237	0.014	1.1	1.255	1.150	1.180	1.210
USDJPY	108.9	111.1	-2.210	2.0	111.4	118.0	120.0	119
USDMYR	4.407	4.435	-0.028	0.6	4.43	4.20	4.43	4.30
GBPMYR	5.514	5.515	-0.001	0.0	5.51	5.25	5.15	5.20
JPYMYR	4.048	3.993	0.054	1.4	3.97	3.75	3.85	3.85

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

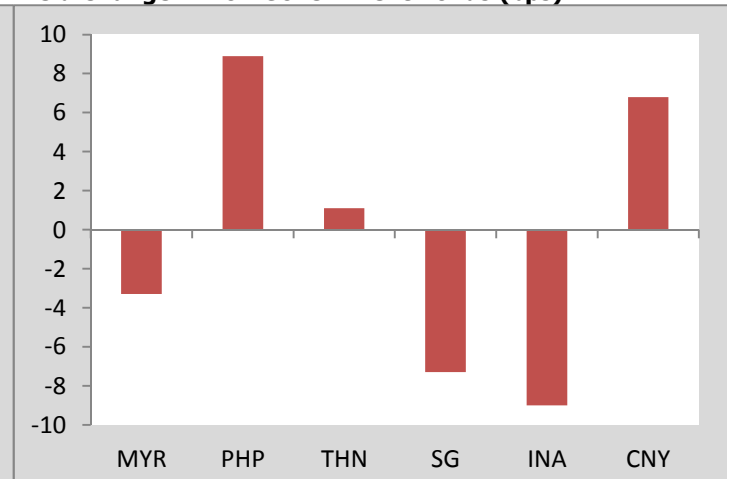
- The week also saw another mixed performance for bonds market in the markets that we are tracking. As aforementioned, Indonesian 10-year yield dropped the most – shedding 9.0bps while Singapore and Malaysia saw yield declined by 7.3bps and 3.3bps respectively. On the latter, we opine the foreign withdrawal in the MGS market will continue but probably not at the pace that we have seen in March. Rise in the Philippines 10-year yield suggest another profit taking move after its bond price rose rather significantly during the week before.

Weekly Currencies Change vs Dollar (%)




For the week ended on 17/4/2017
Source: Bloomberg, MIDFR

Yield Change in 10Y Government Bonds (bps)



Interest rate views

- The current geopolitical developments around the world particularly in North Korea, Middle East and Europe will be potential threats to look out for in months to come. Globally, improving trade figures recorded by major economies such as China, US and EU indicated a sustain recovery in global trade. China for instance, posted highest exports growth in 24 months with imports recorded a double digits growth. The current momentum in global trade has been evident in the last 5 months.
- Inflation trajectory is on the up-trend in most economies which boosted by rising and stable commodities prices. Inflationary pressure as well higher expected economic growth will be key indicators for central banks to assess in making their call in regard to monetary stance. In general, we anticipate interest rate to remain low at least for the remaining first half of the year.
- Domestically, gauging by the movement of commodities especially crude oil in the past few weeks we are anticipating higher inflation rate in March as compared to previous month. As far as interest rate is concern, we maintain our expectation of BNM to hold the OPR at this current level barring any major shock in the near term. 

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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.