

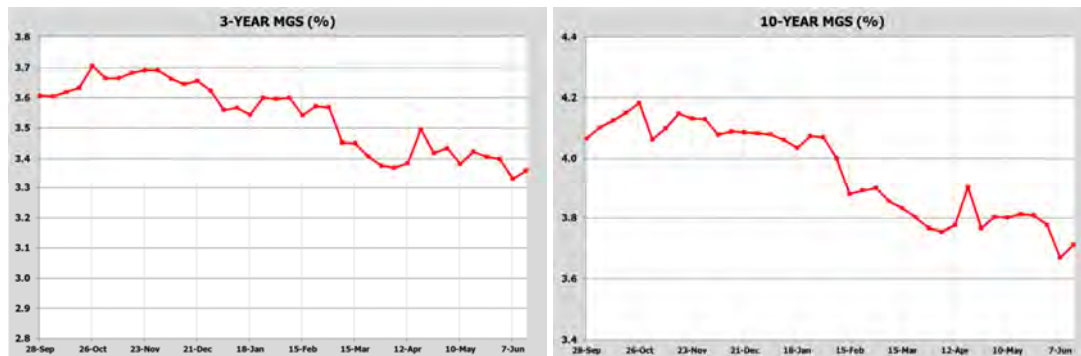
MIDF Strategy | 17 June 2019

Week Ended 14 June 2019

- The benchmark 10-year UST yield was little changed but the front-end of the curve continued to rally (prices up; yields down) last week as the market awaits the outcome of US Fed policy meeting this week. Consequently, the 10y-3y yield spread further steepened (as the short-end outperformed) to +30bps from +26bps a week earlier as the market is imputing a higher probability for an earlier (as early as July 2019) than previously expected cut in the US Fed overnight rate.
- Domestically, the MGS mostly succumbed to profit taking as they ended lower last week with the benchmark 3-year and 10-year yields added +2.7bp and +4.2bp respectively to close at 3.36% and 3.71%. Moreover, the curve slightly steepened as the short-end outperformed.
- Total trading value for Government Bonds (MGS/MII) increased to RM26.4b in the review week compared to RM12.0b in the holiday-shortened earlier week. Likewise, the total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM4.55b in the review week compared to RM497m in earlier week (based on Bloomberg data).
- 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.
- 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.

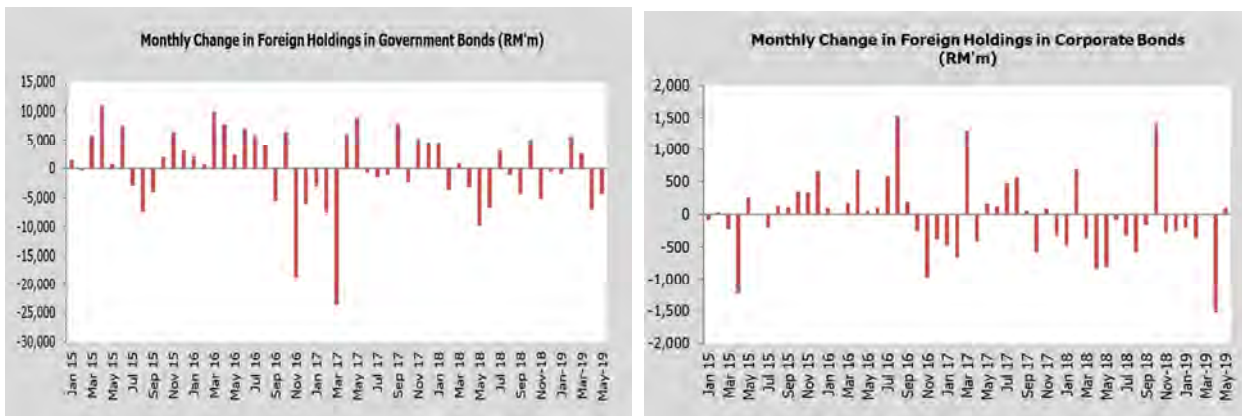
Weekly Money Review

A. FIXED INCOME



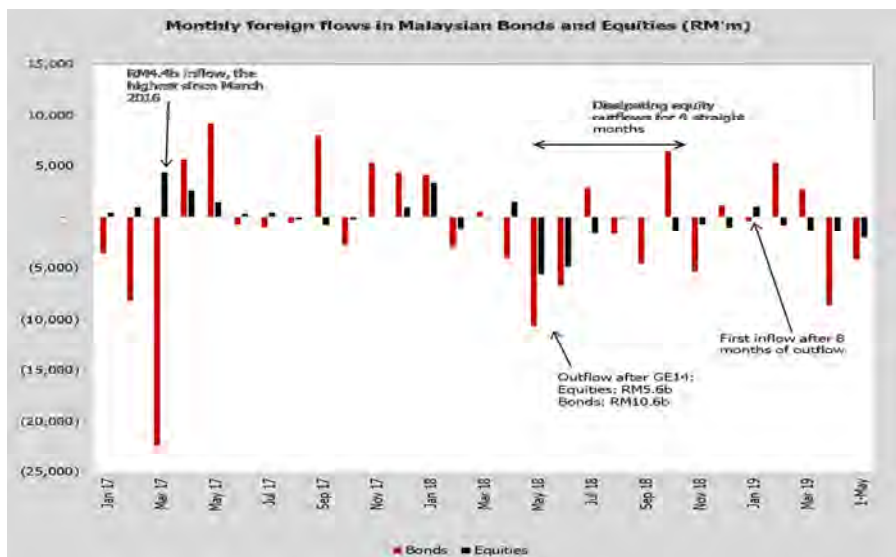
Source: Bloomberg, MIDFR

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- Domestically, the MGS mostly succumbed to profit taking as they ended lower last week with the benchmark 3-year and 10-year yields added +2.7bp and +4.2bp respectively to close at 3.36% and 3.71%. Moreover, the curve slightly steepened as the short-end outperformed.
- Total trading value for Government Bonds (MGS/MII) increased to RM26.4b in the review week compared to RM12.0b in the holiday-shortened earlier week (based on Bloomberg data). The total trading value of 10 most actively traded was lower (higher trading breadth) at 39% of the overall Government Bonds trades in the week under review as compared to 50% the week before. In addition, 5 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 short residual tenor. The top 3 most actively traded were MGS 3.654% 10/31/19 at RM1.67b, MGS 4.378% 11/29/19 at RM1.43b, and MGS 3.62% 11/30/21 at RM1.11b.
- Likewise, the total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM4.55b in the review week compared to RM497m in earlier week (based on Bloomberg data). Moreover, the total trading value of the 10 most actively traded issues decreased (higher trading breadth) to 22% of the overall Corporate Bonds trades in the review week as compared to 56% in the week before.
- The top 3 actively traded Corporate Bonds were dominated by issues of short and long residual tenors. The biggest trading values were seen in Aman Sukuk Berhad 4.10% 03/08/23 at RM160m, Danum Capital Berhad 3.96% 05/09/23/ at RM135m, and Govco Holdings Berhad 4.95% 02/20/32 at RM1100m.
- 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

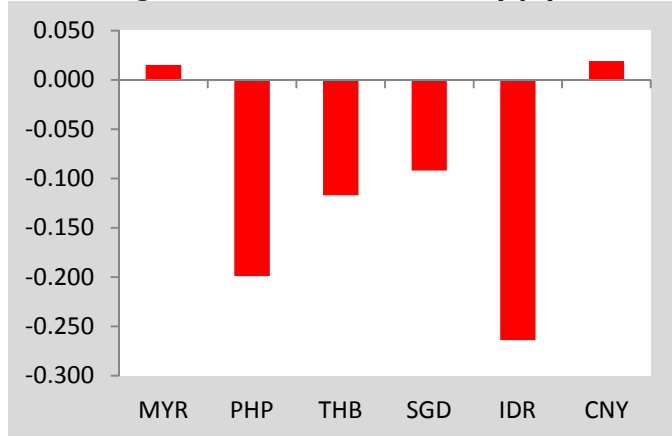
- DXY Index strengthens before FOMC meeting. The FOMC meeting this week is predicted to see the Fed maintaining its interest rate at current level. Most interestingly, the Fed will release its latest projections and provide clearer future path of its monetary policy. The IBD/TIPP economic optimism in the US fell to 4-month low in Jun-19. Among the components, the six-month economic outlook turns pessimistic amid revival of trade war with China. On a flip side, optimism in federal government policies and personal financial outlook remains high.
- EURUSD weakens slightly. IPI in the region remains in contractionary path for five-consecutive months. In Apr-19, the industry output shrank by -0.4%yoy and -0.5%mom. Germany's headline and core CPI recorded at 1.4% in May-19, weaker than the previous month performances. Moderating economic growth and inflationary pressure will lead ECB to maintain its dovish stance in 2019 and 2020.
- Ringgit – Maintains at 4.16. MYR is highly influenced by the developments in the US's monetary policy and movements of commodity prices. Domestic wise, economic data indicates solid performances and sound macro fundamentals. In Apr-19, IPI grew by 4%yoy, fastest in 6-month while domestic trade expanded by 5.3%yoy. In addition, employment rose by 1.9%yoy and jobless rate at full-employment condition, 3.4%. We maintain our call MYR to average at 4.12 and register year-end target at 4.10 in 2019.

Currencies Changes (Week Ended 14/06) and Quarterly Forecasts

	Close (14/06)	Prev Close (07/06)	Change	% Change	1Q19	2Q19F	3Q19F	4Q19F
DXY Index	96.96	96.54	0.415	0.4%	96.46	94.94	93.88	95.83
EURUSD	1.13	1.13	-0.005	-0.4%	1.13	1.15	1.17	1.15
GBPUSD	1.27	1.27	-0.007	-0.6%	1.30	1.32	1.30	1.27
USDJPY	108.22	108.19	0.030	0.0%	110.15	107.55	105.87	108.95
USDMYR	4.17	4.16	0.010	-0.2%	4.09	4.15	4.10	4.10
GBPMYR	5.28	5.29	-0.010	0.2%	5.32	5.29	5.38	5.45
JPYMYR	3.85	3.84	0.008	-0.2%	3.72	3.73	3.92	3.95

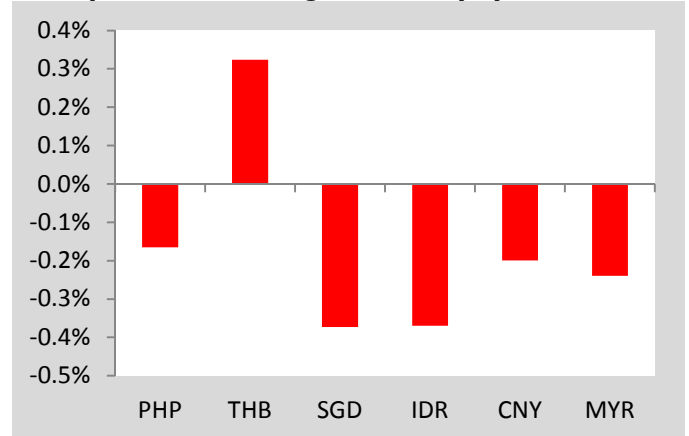
Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

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 (%)

	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19
Malaysia	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.00
Indonesia	5.75	5.75	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	4.00	4.50	4.50	4.75	4.75	4.75	4.75	4.75	4.50
Thailand	1.50	1.50	1.50	1.50	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	1.50	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	2.25	2.50	2.50	2.50	2.50	2.50	2.50

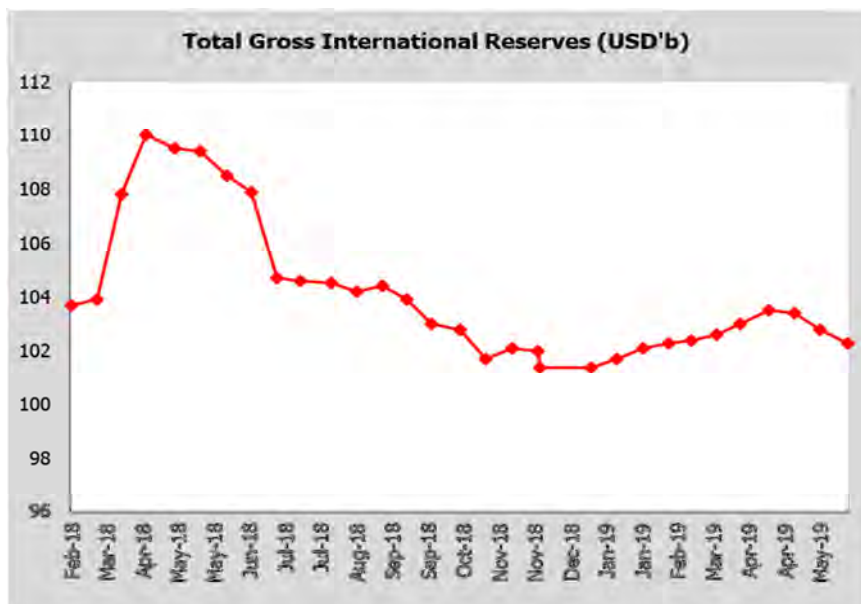
Source: CEIC, MIDFR

- 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 will maintain its interest rate at current range in 2019.
- Weak NFP figures, moderating IPI growth and tepid retail sales growth are among factors for the Fed to consider for a rate cut in 2019.
- The IBD/TIPP economic optimism in the US fell to 4-month low in Jun-19. Among the components, the six-month economic outlook turns pessimistic amid revival of trade war with China. On a flip side, optimism in federal government policies and personal financial outlook remains high.
- ECB sees no rate hike in 2019.
- IPI growth at 4%yoy, highest in six-month. Supported by rebound in mining and continuous steady expansion in factory and electricity output.
- Distributive trade grew steadily at 5.3%yoy while employment growth at 1.9%yoy and jobless rate at 3.4%, reflecting full-employment condition.
- 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 31 May 2019, compared to previous fortnight, Bank Negara Malaysia's international reserves decreased to USD102.3b.



Source: BNM

- The amount of reserves is sufficient to finance 7.3 months of retained imports and is 1.1 times the short-term external debt. 

APPENDIX

WEEKLY INTEREST RATE MONITOR

Tenor	7-Jun Fri	10-Jun Mon	11-Jun Tue	12-Jun Wed	13-Jun Thu	14-Jun Fri	Change (WoW bp)
MGS							
3-Y	3.333	3.346	3.342	3.358	3.365	3.36	2.7
5-Y	3.449	3.454	3.476	3.471	3.462	3.463	1.4
7-Y	3.608	3.624	3.623	3.643	3.623	3.615	0.7
10-Y	3.67	3.706	3.718	3.73	3.73	3.712	4.2
20-Y	4.201	4.164	4.157	4.157	4.157	4.157	-4.4
RINGGIT IRS							
1-Y	3.4	3.405	3.41	3.41	3.395	3.4	0
3-Y	3.415	3.435	3.44	3.435	3.425	3.42	0.5
5-Y	3.475	3.495	3.505	3.49	3.485	3.485	1
7-Y	3.55	3.555	3.59	3.585	3.555	3.56	1
10-Y	3.72	3.731	3.74	3.765	3.74	3.74	2
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	1.8167	1.874	1.8793	1.8173	1.7769	1.7823	-3.44
5-Y	1.8529	1.9155	1.9155	1.8708	1.8378	1.8326	-2.03
7-Y	1.9684	2.0332	2.0283	1.9922	1.9585	1.9463	-2.21
10-Y	2.0809	2.1484	2.1431	2.1205	2.0945	2.0804	-0.05
30-Y	2.572	2.6288	2.6149	2.6156	2.6002	2.5856	1.36
USD LIBOR							
1-M	2.41213	2.41338	2.41063	2.40113	2.39425	2.38175	-3.038
2-M	2.43013	2.42075	2.42838	2.42038	2.40238	2.39438	-3.575
3-M	2.45063	2.43575	2.4495	2.42788	2.41025	2.402	-4.863

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	7-Jun Yield	14-Jun Yield	Change (WoW bp)	Weekly Volume (RM bn)
MALAYSIA GOVERNMENT	3.654	10/31/19	3.090	3.120	3.0	1,671.8
MALAYSIA GOVERNMENT	4.378	11/29/19	3.155	3.119	-3.6	1,428.8
MALAYSIA GOVERNMENT	3.62	11/30/21	3.352	3.354	0.2	1,106.7
MALAYSIA GOVERNMENT	3.885	08/15/29	3.670	3.712	4.2	1,041.0
MALAYSIA GOVERNMENT	4.642	11/07/33	3.971	4.002	3.1	973.2
MALAYSIA INVESTMNT ISSUE	4.13	07/09/29	3.744	3.736	-0.8	938.6
MALAYSIA GOVERNMENT	4.048	09/30/21	3.355	3.363	0.8	892.5
MALAYSIA INVESTMNT ISSUE	4.194	07/15/22	3.426	3.424	-0.2	820.0
MALAYSIA GOVERNMENT	4.921	07/06/48	4.478	4.452	-2.6	698.0
MALAYSIA INVESTMNT ISSUE	3.948	04/14/22	3.491	3.413	-7.8	697.1
TOTAL VOLUME (TOP 10)						10,267.7
TOTAL VOLUME (Overall)						26,369.3

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	7-Jun Yield	14-Jun Yield	Change (WoW bp)	Weekly Volume (RM bn)
AMAN SUKUK BHD	4.1	03/08/23	#N/A N/A	3.888	#VALUE!	160.0
DANUM CAPITAL BHD	3.96	05/09/23	3.905	3.846	-5.9	135.0
GOVCO HOLDINGS BHD	4.95	02/20/32	4.250	4.152	-9.8	110.0
PROJEK LEBUHRAYA USAHASA	4.86	01/12/38	4.436	4.251	-18.5	110.0
COUNTRY GARDEN REAL ESTA	6.6	02/23/23	#N/A N/A	6.810	#VALUE!	99.5
DANAINFRA NASIONAL	4.33	11/15/24	3.797	3.657	-14.0	90.0
SIME DARBY BHD	5.65	PERP	4.223	4.223	0.0	90.0
DANAINFRA NASIONAL	4.27	05/24/24	3.768	3.627	-14.1	80.0
GENM CAPITAL BHD	4.9	08/22/25	#N/A N/A	4.242	#VALUE!	75.0
TELEKOM MALAYSIA BERHAD	4.342	08/25/23	#N/A N/A	3.910	#VALUE!	70.0
TOTAL VOLUME (TOP 10)						1,019.5
TOTAL VOLUME (Overall)						4,546.8

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.