

## MIDF Strategy | 17 September 2019

### Week Ended 13 September 2019

- UST tanked (prices down; yields up) last week with the benchmark 10-year yield jumped the most in a week since November 2016. The selloff was **arguably due to a (favourable) shift in investors' perception towards the risk** of an economic downturn aided by the stated willingness of President Trump to an interim trade deal with China. Moreover, the 10y-3y yield spread steepened from +8bps a week earlier to +14bps.
- Nevertheless, the US Fed shall almost certainly cut its policy rate later this week as signaled by the US Dollar money market, i.e. overnight index swap (OIS) rate markedly lower (-40bp) than prevailing US Fed overnight rate.
- On above score, we foresee a re-steepening of yield curve which empirically may portend to a risk-on attitude among investors.
- On the other hand, the price of domestic MGS benchmark issues ended the review week higher despite weakness in other non-benchmark tenors. The benchmark 10y-3y yield spread slightly steepened as the short-end outperformed with the 3-year and 10-year yields fell -1.8bps and -0.2bp respectively to close at 3.09% and 3.32%.
- Total foreign holdings of Government Bonds stood at RM169.0b as at end-August 2019. It was a decrease of RM433.2m from the July 2019 figure of RM169.4b.
- On the other hand, total foreign holdings of Corporate Bonds increased by RM19.4m in the month of August 2019 to RM11.9b.
- In comparison to equities, the bonds market saw a total net outflow worth -RM413.8m in August 2019 while the former saw a total net outflow worth -RM2.6b. 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.

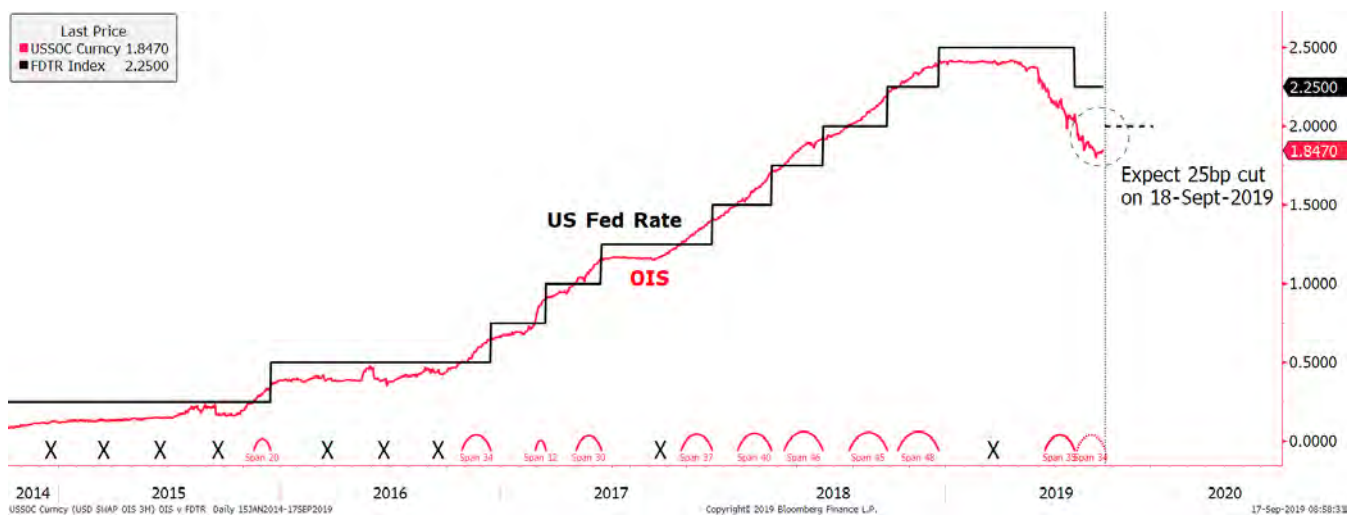
# Weekly Money Review

## A. FIXED INCOME



Source: Bloomberg, MIDFR

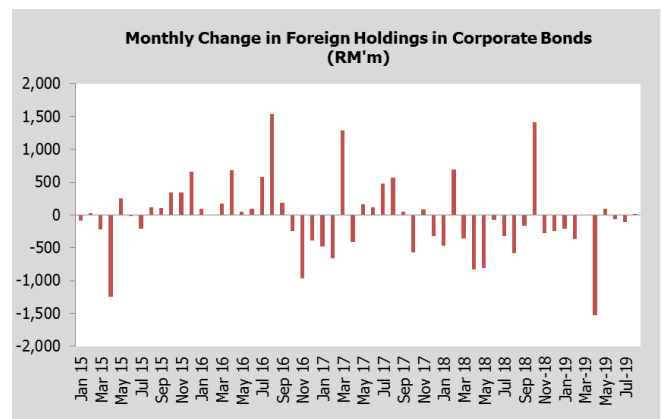
- UST tanked (prices down; yields up) last week with the benchmark 10-year yield jumped the most in a week since November 2016. **The selloff was arguably due to a (favourable) shift in investors' perception towards the risk of an economic downturn aided by the stated willingness of President Trump to an interim trade deal with China.** Moreover, the 10y-3y yield spread steepened from +8bps a week earlier to +14bps.
- Nevertheless, the US Fed shall almost certainly cut its policy rate later this week as signaled by the US Dollar money market, i.e. overnight index swap (OIS) rate markedly lower (-40bp) than prevailing US Fed overnight rate.



- On above score, we foresee a re-steepening of yield curve which empirically may portend to a risk-on attitude among investors.
- On the other hand, the price of domestic MGS benchmark issues ended the review week higher despite weakness in other non-benchmark tenors. The benchmark 10y-3y yield spread slightly steepened as the short-end outperformed with the 3-year and 10-year yields fell -1.8bps and -0.2bp respectively to close at 3.09% and 3.32%.
- Total trading value for Government Bonds (MGS/MII) increased to RM18.1b in the review week compared to RM14.91b in the previous week (based on Bloomberg data). The total trading value of 10 most actively traded issues declined (higher trading breadth) to 58% of the overall Government Bonds trades in the week under

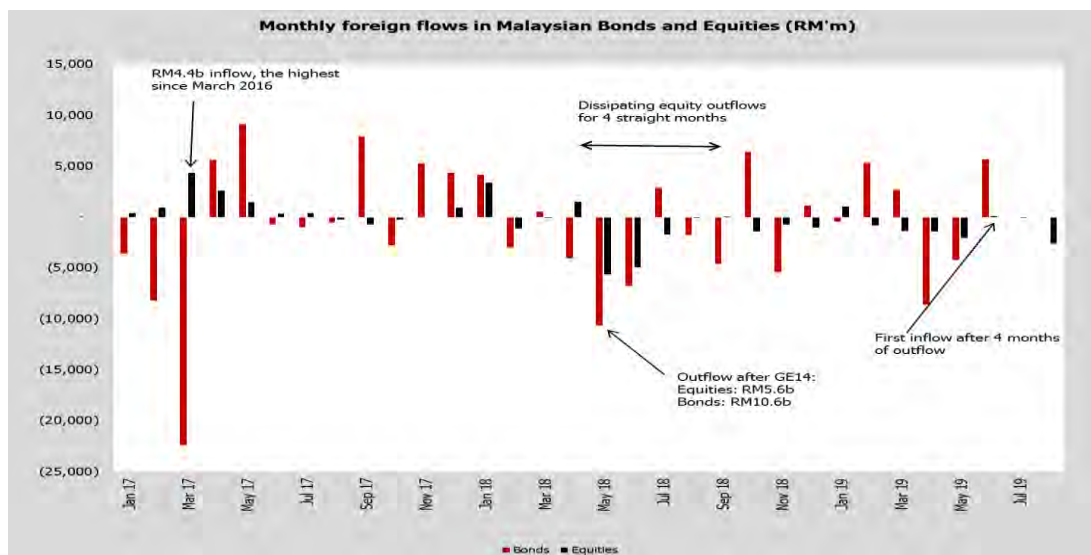
review as compared to 48% in the week before. In addition, four out of the 10 most actively traded bonds saw lower yields hence higher prices during the review week.

- Furthermore, the top 3 actively traded Government Bonds were dominated by issues of short residual tenors. The top 3 most actively traded were MII 3.49% 03/31/20 at RM2.12b, MGS 3.88% 03/10/22 at RM1.67b, and MGS 4.37% 11/29/19 at RM1.39b.
- Likewise, the total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM3.62b in the review week compared to RM2.69b in earlier week (based on Bloomberg data). Moreover, the total trading value of 10 most actively traded issues increased to 32% compared to 40% of the overall Corporate Bonds trades vis-à-vis the week before.
- The top 3 actively traded Corporate Bonds were dominated by issues of varied residual tenors. The biggest trading values were seen in Danainfra Nasional 4.08% 08/18/23 at RM160m, Danainfra Nasional 3.87% 07/19/24 at RM155m, and Hong Leong Financial Group 4.30% 06/14/29 at RM140m.
- Total foreign holdings of Government Bonds stood at RM169.0b as at end-August 2019. It was a decrease of RM433.2m from the July 2019 figure of RM169.4b.
- On the other hand, total foreign holdings of Corporate Bonds increased by RM19.4m in the month of August 2019 to RM11.9b.



Source: BNM

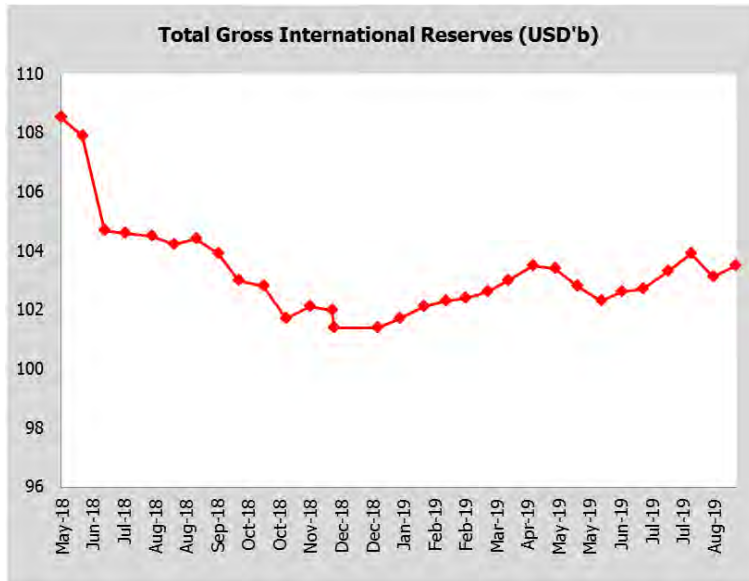
- In comparison to equities, the bonds market saw a total net outflow worth -RM413.8m in August 2019 while the former saw a total net outflow worth -RM2.6b. For 2018, the net flows of both equities and bonds markets were in the red with total net outflows of -RM11.7b and -RM21.1b respectively.




Source: BNM, Bursa Preliminary Statistics

**B. BNM FOREIGN RESERVES**

- As at 30 August 2019, compared to previous fortnight, Bank Negara Malaysia's international reserves increased to USD103.5b.



Source: BNM

- The amount of reserves is sufficient to finance 7.6 months of retained imports and is 1.1 times the short-term external debt. 

## APPENDIX

## WEEKLY INTEREST RATE MONITOR

Tenor	6-Sep Fri	9-Sep Mon	10-Sep Tue	11-Sep Wed	12-Sep Thu	13-Sep Fri	Change (WoW bp)
MGS							
3-Y	3.106	3.106	3.085	3.092	3.101	3.088	-1.8
5-Y	3.226	3.226	3.214	3.228	3.225	3.259	3.3
7-Y	3.249	3.249	3.326	3.327	3.309	3.308	5.9
10-Y	3.325	3.325	3.4	3.336	3.301	3.323	-0.2
20-Y	3.601	3.601	3.62	3.627	3.62	3.633	3.2
RINGGIT IRS							
1-Y	3.18	3.18	3.19	3.21	3.26	3.275	9.5
3-Y	3.19	3.19	3.21	3.205	3.26	3.27	8
5-Y	3.23	3.23	3.245	3.25	3.315	3.31	8
7-Y	3.235	3.235	3.28	3.28	3.31	3.35	11.5
10-Y	3.33	3.33	3.37	3.37	3.375	3.44	11
KLIBOR							
1-M	3.19	3.19	3.19	3.19	3.19	3.19	0
2-M	3.36	3.36	3.36	3.35	3.35	3.35	-1
3-M	3.4	3.4	3.4	3.4	3.39	3.39	-1
UST							
3-Y	1.478	1.5327	1.6234	1.6126	1.6583	1.758	28
5-Y	1.4328	1.4987	1.5913	1.5932	1.6349	1.7507	31.79
7-Y	1.5076	1.5769	1.6706	1.6731	1.7046	1.8315	32.39
10-Y	1.5602	1.6438	1.7316	1.7385	1.7715	1.8958	33.56
30-Y	2.025	2.1281	2.2163	2.2213	2.2557	2.3708	34.58
USD LIBOR							
1-M	2.049	2.0495	2.03863	2.03588	2.0275	2.02475	-2.425
2-M	2.1445	2.14538	2.12838	2.12425	2.12275	2.11513	-2.937
3-M	2.13413	2.13838	2.13163	2.12725	2.1185	2.13938	0.525

Source: Bloomberg

**10 MOST ACTIVELY TRADED GOVERNMENT BONDS**

Name	Coupon	Maturity	6-Sep Yield	13-Sep Yield	Change (WoW bp)	Weekly Volume (RM bn)
MALAYSIA GOVERNMENT	3.492	03/31/20	3.050	3.109	5.9	2,116.2
MALAYSIA GOVERNMENT	3.882	03/10/22	3.106	3.088	-1.8	1,674.5
MALAYSIA GOVERNMENT	4.378	11/29/19	3.050	3.037	-1.3	1,388.0
MALAYSIA GOVERNMENT	3.828	07/05/34	3.497	3.539	4.2	986.4
MALAYSIA GOVERNMENT	3.885	08/15/29	3.325	3.323	-0.2	930.7
MALAYSIA INVESTMNT ISSUE	4.13	07/09/29	3.383	3.388	0.5	837.2
MALAYSIA INVESTMNT ISSUE	3.655	10/15/24	3.259	3.256	-0.3	748.1
MALAYSIA GOVERNMENT	3.654	10/31/19	3.015	3.045	3.0	715.6
MALAYSIA GOVERNMENT	3.733	06/15/28	3.361	3.393	3.2	608.5
MALAYSIA GOVERNMENT	3.478	06/14/24	3.226	3.259	3.3	472.9
TOTAL VOLUME (TOP 10)						10,478.0
TOTAL VOLUME (Overall)						18,162.1

Source: Bloomberg

**10 MOST ACTIVELY TRADED CORPORATE BONDS**

Name	Coupon	Maturity	6-Sep Yield	13-Sep Yield	Change (WoW bp)	Weekly Volume (RM bn)
DANAINFRA NASIONAL	4.08	08/18/23	3.297	3.297	0.0	160.0
DANAINFRA NASIONAL	3.87	07/19/24	3.326	3.326	0.0	155.0
HONG LEONG FINL GROUP	4.3	06/14/29	3.827	3.827	0.0	140.0
PRASARANA MALAYSIA BHD	4.35	08/04/26	3.380	3.378	-0.2	135.0
DANAINFRA NASIONAL	5.06	02/12/49	3.969	3.968	-0.1	125.0
PENGURUSAN AIR SPV BHD	4.3	06/06/22	#N/A N/A	3.272	#VALUE!	100.0
DANAINFRA NASIONAL	4.09	10/20/26	3.370	3.392	2.2	100.0
DANAINFRA NASIONAL	4.48	10/20/31	3.768	3.568	-20.0	90.0
CAGAMAS BERHAD	4.1	10/08/21	#N/A N/A	3.335	#VALUE!	85.0
PRASARANA MALAYSIA BHD	4.67	03/12/24	3.316	3.316	0.0	85.0
TOTAL VOLUME (TOP 10)						1,175.0
TOTAL VOLUME (Overall)						3,622.7

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.