

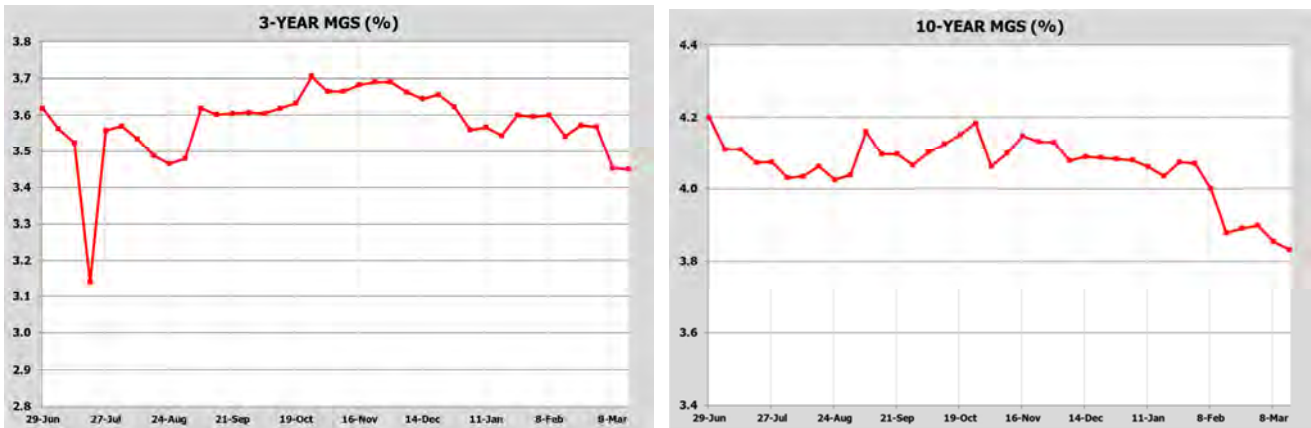
## MIDF Strategy | 18 March 2019

### Week Ended 15 March 2019

- UST registered another all-around gains (prices up; yields down) last week with the benchmark 10-year yield nearing its year low arguably in reaction to the lower than expected (act:+0.1%; est:+0.3%) industrial production figure for February.
- However, the UST yield curve steepened slightly as the short-end outperformed. The 10y-3y yield spread widened to +20bps from +19bps a week earlier. We reiterate our assertion that the yield curve shall retain its flattening bias until and unless the US Fed signals a pause to the current hiking cycle. In this regard, the US Fed may actually call a pause later this week as indicated by the US Dollar money market (i.e. OIS rate stays lower than Fed rate).
- Domestically, the price of MGS benchmark issues ended the review week higher while the curve flattened as the long-end outperformed with the 3-year and 10-year yields fell -0.3bp and -2.3bps respectively to close at 3.45% and 3.83%.
- Total trading value for Government Bonds (MGS/MII) increased to RM29.9b in the review week compared to RM27.7b in the previous week. The total trading value of 10 most actively traded issues dropped to 45% of the overall Government Bonds trades in the week under review as compared to 52% in the week before. In addition, 5 out of 10 most actively traded bonds saw lower yields hence higher prices during the review week.
- In contrast, the total trading value for Corporate Bonds (Conventional & Sukuk) decreased to RM3.68b in the review week compared to RM4.67b in earlier week. The total trading value of 10 most actively traded issues increased to 34% compared to 27% of the overall Corporate Bonds trades vis-à-vis the week before.

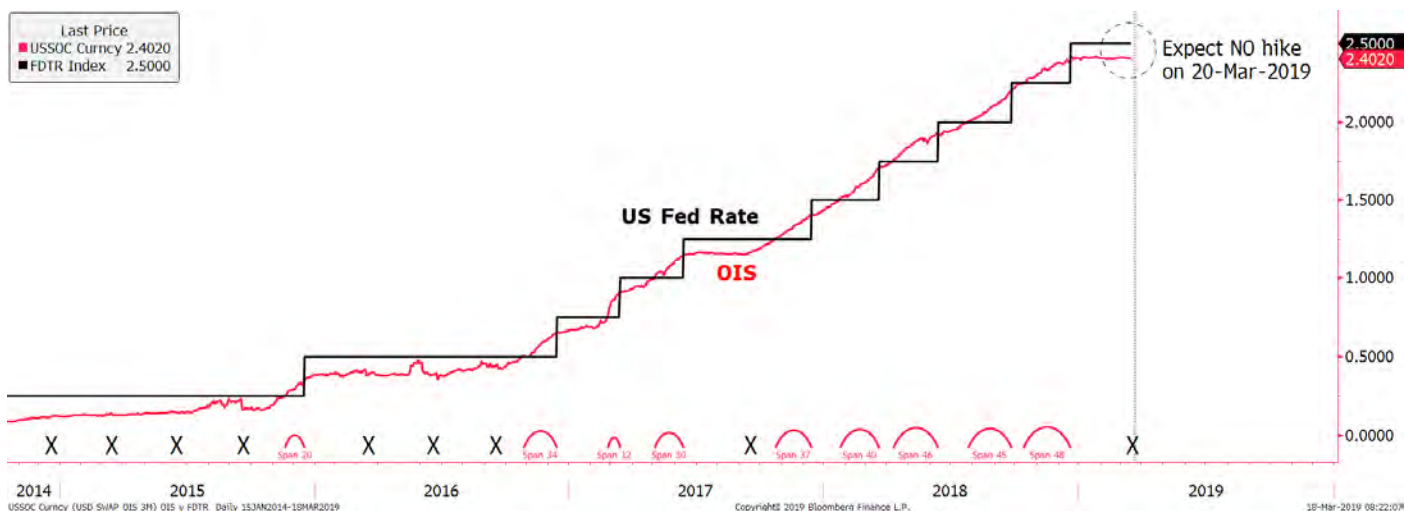
## Weekly Money Review

### A. FIXED INCOME



Source: Bloomberg, MIDFR

- UST registered another all-around gains (prices up; yields down) last week with the benchmark 10-year yield nearing its year low arguably in reaction to the lower than expected (act:+0.1%; est:+0.3%) industrial production figure for February.
- However, the UST yield curve steepened slightly as the short-end outperformed. The 10y-3y yield spread widened to +20bps from +19bps a week earlier. We reiterate our assertion that the yield curve shall retain its flattening bias until and unless the US Fed signals a pause to the current hiking cycle. In this regard, the US Fed may actually call a pause later this week as indicated by the US Dollar money market, i.e. overnight index swap (OIS) rate stays lower than overnight US Fed rate.

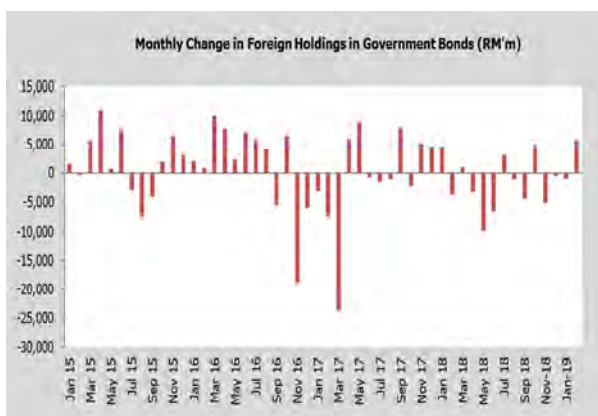


Source: Bloomberg, MIDFR

- Domestically, the price of MGS benchmark issues ended the review week higher while the curve flattened as the long-end outperformed with the 3-year and 10-year yields fell -0.3bp and -2.3bps respectively to close at 3.45% and 3.83%.
- Total trading value for Government Bonds (MGS/MII) increased to RM29.9b in the review week compared to RM27.7b in the previous week (based on Bloomberg data). The total trading value of 10 most actively traded issues dropped (higher trading breadth) to 45% of the overall Government Bonds trades in the week under

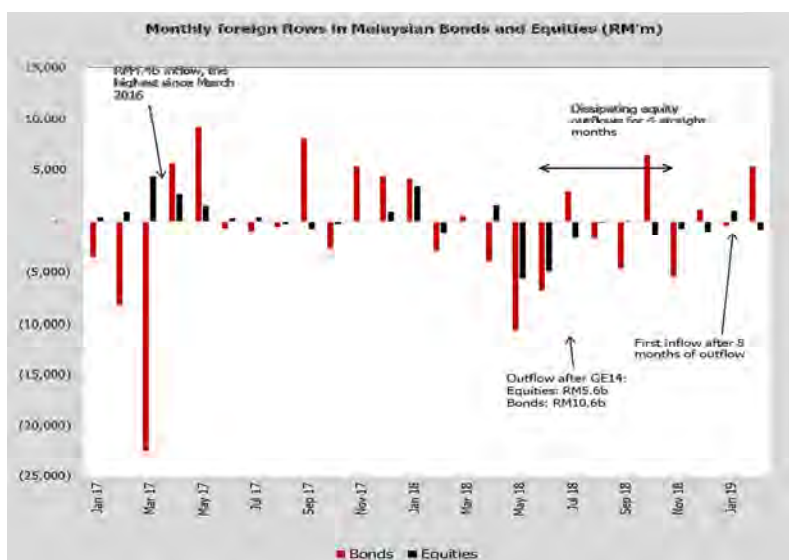
review as compared to 52% in the week before. In addition, 5 out of 10 most actively traded bonds saw lower yields hence higher prices during the review week.

- Furthermore, the top 3 actively traded Government Bonds were represented by issues of mid and long residual tenors. The top 3 most actively traded were MII 4.09% 11/30/23 at RM2.40b, MII 4.76% 08/04/37 at RM1.81b, and MII 4.37% 10/31/28 at RM1.76b.
- In contrast, the total trading value for Corporate Bonds (Conventional & Sukuk) decreased to RM3.68b in the review week compared to RM4.67b in earlier week (based on Bloomberg data). The total trading value of 10 most actively traded issues increased (lower trading breadth) to 34% compared to 27% of the overall Corporate Bonds trades vis-à-vis the week before.
- The top 3 actively traded Corporate Bonds were dominated by issues of mid and long residual tenors. The biggest trading values were seen in Jimah East Power 5.05% 12/03/27 at RM220m, Perbadanan Tabung Pendidikan Negara 4.86% 03/12/32 at RM195m, and Celcom Network Sdn Bhd 5.05% 08/29/24 at RM160m.
- Total foreign holdings of Government Bonds stood at RM166.7b as at end-Feb 2019. It was an increase of RM5.7b from the January 2019 figure of RM161.0b.
- On the other hand, total foreign holdings of Corporate Bonds decreased by -RM366m in the month of February 2019 to RM13.5b.



Source: BNM

- In comparison to equities, the bonds market saw a total net inflow worth RM5.4b in February 2019 while the former saw a total net outflow worth -RM816m. 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

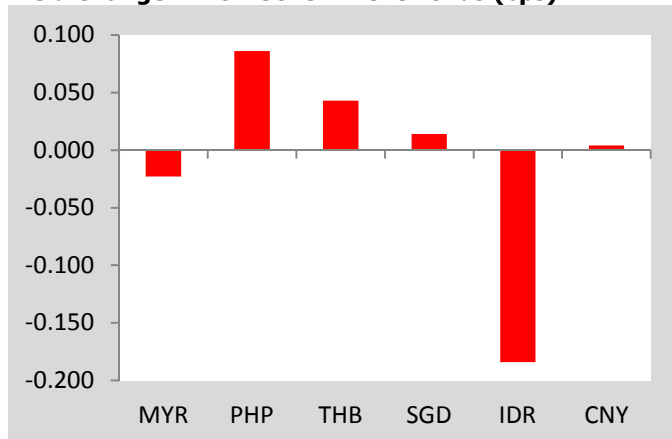
- DXY Index weakens as Fed's rate to stay still. Referring key data, the US economy is signaling trivial moderation as indicated in job market. Initial jobless claims increased 6K to 229K by 9th Mar-19. The trend has been on upward direction since mid of Feb-19. Non-farm payrolls recorded 20K in Feb-19, lowest in 2-year. Inflationary pressure is trending now amid modest pick-up in energy prices. Headline CPI at 1.5% in Feb-19, lowest since Sep-16 while core PCE inflation which mostly referred by the Fed still close to 2% target level.
- EURUSD slight improvement. Inflationary pressure in EU rebounded modestly in Feb-19. Headline and core inflation of Germany increased 1.5% and 1.3% respectively during the month. Macroeconomic condition remains uncertain in the region due to political qualms and declining business confidences.
- Ringgit – Remains steady. Despite global uncertainties, macro data for Malaysia reflects healthy expansion in the economy. In Jan-19, overall IPI jumped 3.2%yoy, beating market estimates of 2.4%yoy while retail sales increased 10.6%yoy, recording eight-consecutive months of double digit rate. We maintain our call MYR to average at 4.05 and register year-end target at 4.00 in 2019.

### Currencies Changes (Week Ended 15/3) and Quarterly Forecasts

	Close (15/3)	Prev Close (8/3)	Change	% Change	1Q19F	2Q19F	3Q19F	4Q19F
DXY Index	96.67	97.31	-0.638	0.8%	96.78	95.26	94.20	96.15
EURUSD	1.13	1.12	0.008	-1.1%	1.14	1.16	1.18	1.16
GBPUSD	1.33	1.30	0.024	-1.4%	1.25	1.27	1.25	1.22
USDJPY	111.66	111.17	0.490	0.6%	111.76	109.13	107.42	110.55
USDMYR	4.09	4.09	0.001	-0.4%	4.12	4.07	4.05	4.00
GBPMYR	5.41	5.36	0.059	0.8%	5.23	5.21	5.29	5.36
JPYMYR	3.66	3.68	-0.015	-1.0%	3.74	3.76	3.95	3.97

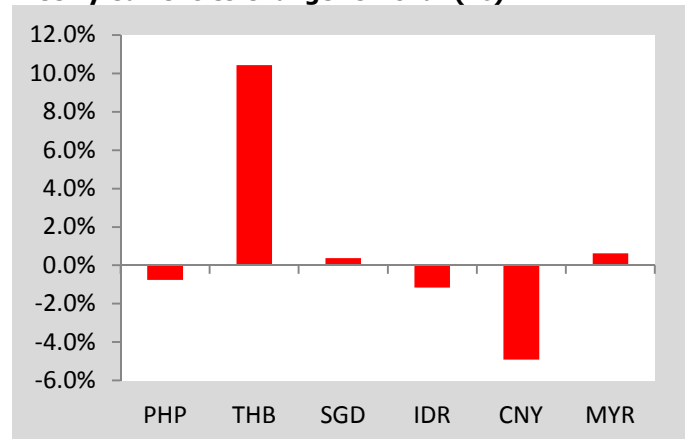
Quarterly figures are forecast by MIDFR  
Source: Bloomberg, MIDFR

### 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 (%)

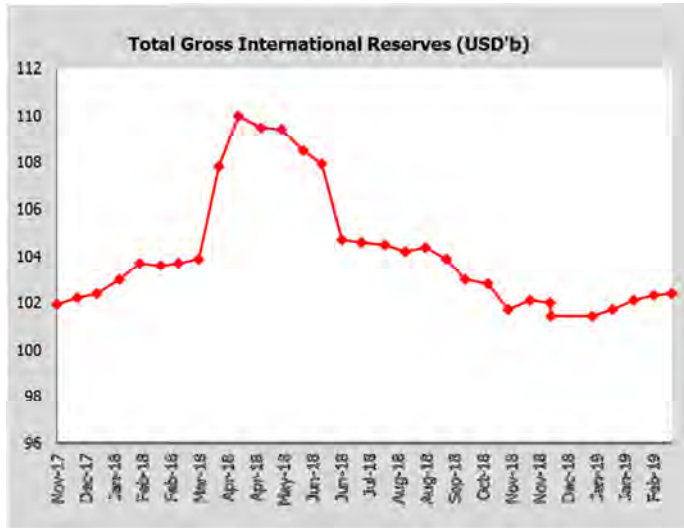
	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19
Malaysia	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
Indonesia	5.25	5.25	5.50	5.75	5.75	6.00	6.00	6.00	6.00
Singapore	Neut.	Neut.	Neut.	Neut.	Neut.	Neut.	Neut.	Neut.	Neut.
Philippines	3.25	3.25	4.00	4.50	4.50	4.75	4.75	4.75	4.75
Thailand	1.50	1.50	1.50	1.50	1.50	1.50	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	1.50	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	0.50	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	2.00	2.25	2.25	2.25	2.50	2.50	2.50

Source: CEIC, MIDFR


- The US and China are still on progressive path towards a trade deal.
- 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 its latest minutes, the Fed is predicted to slower its normalization pace in 2019 as most of the officials were unsure on the future rate hikes amid increased downside risks.
- We expect two times of rate hike this year.
- ECB sees no rate hike in 2019.
- Domestic leading indicators on the other hand are pointing towards steady performance leading into 1Q19.
- Overall IPI jumped 3.2%yoy in Jan-19, beating market estimates of 2.4%yoy.
- The solid economic growth contributed by private consumption and external market.
- Retail sales up 10.6%yoy, registering 8-consecutive months of double digit expansion rate.
- Exports growth exceeds market expectation, 3.1%yoy vs 1.4%yoy.
- PPI remains in negative territory, indicating low inflationary pressure for 1H19.
- 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 28 February 2019, compared to previous fortnight, Bank Negara Malaysia's international reserves increased to USD102.4b.



Source: BNM

- The amount of reserves is sufficient to finance 7.4 months of retained imports and is 1.0 times the short-term external debt. 

## APPENDIX

### WEEKLY INTEREST RATE MONITOR

Tenor	8-Mar Fri	11-Mar Mon	12-Mar Tue	13-Mar Wed	14-Mar Thu	15-Mar Fri	Change (WoW bp)
MGS							
3-Y	3.453	3.463	3.452	3.443	3.444	3.45	-0.3
5-Y	3.577	3.598	3.598	3.582	3.592	3.588	1.1
7-Y	3.778	3.787	3.791	3.783	3.787	3.79	1.2
10-Y	3.855	3.867	3.861	3.85	3.739	3.832	-2.3
20-Y	4.46	4.46	4.437	4.418	4.388	4.388	-7.2
RINGGIT IRS							
1-Y	3.565	3.57	3.58	3.57	3.575	3.57	0.5
3-Y	3.585	3.595	3.605	3.585	3.585	3.58	-0.5
5-Y	3.69	3.68	3.695	3.67	3.67	3.67	-2
7-Y	3.79	3.8035	3.8	3.7995	3.795	3.795	0.5
10-Y	3.965	3.99	3.99	3.99	3.98	3.975	1
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	2.4359	2.4497	2.4076	2.4266	2.4184	2.3886	-4.73
5-Y	2.4303	2.4421	2.4085	2.4304	2.4304	2.3951	-3.52
7-Y	2.5196	2.5294	2.4975	2.5221	2.5245	2.4876	-3.2
10-Y	2.6285	2.6393	2.6015	2.6213	2.6303	2.5871	-4.14
30-Y	3.0119	3.027	2.9912	3.0159	3.0455	3.0111	-0.08
USD LIBOR							
1-M	2.4915	2.49888	2.48863	2.48375	2.48175	2.48175	-0.975
2-M	2.57013	2.5715	2.56925	2.5685	2.56675	2.55838	-1.175
3-M	2.59663	2.60825	2.59325	2.61088	2.61463	2.62525	2.862

Source: Bloomberg

## 10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	8-Mar Yield	15-Mar Yield	Change (WoW bp)	Weekly Volume (RM bn)
MALAYSIA INVESTMNT ISSUE	4.094	11/30/23	3.732	3.732	0.0	2,404.3
MALAYSIA INVESTMNT ISSUE	4.755	08/04/37	4.600	4.521	-7.9	1,807.2
MALAYSIA INVESTMNT ISSUE	4.369	10/31/28	4.057	4.050	-0.7	1,760.3
MALAYSIA GOVERNMENT	4.378	11/29/19	3.387	3.390	0.3	1,511.3
MALAYSIA INVESTMNT ISSUE	3.729	03/31/22	3.544	3.557	1.3	1,290.0
MALAYSIA GOVERNMENT	3.885	08/15/29	3.855	3.832	-2.3	1,135.3
MALAYSIA GOVERNMENT	3.654	10/31/19	3.360	3.377	1.7	1,107.3
MALAYSIA GOVERNMENT	3.882	03/10/22	3.453	3.450	-0.3	874.5
MALAYSIA GOVERNMENT	3.492	03/31/20	3.374	3.402	2.8	866.3
MALAYSIA INVESTMNT ISSUE	4.724	06/15/33	4.340	4.292	-4.8	849.9
TOTAL VOLUME (TOP 10)						13,606.3
TOTAL VOLUME (Overall)						29,932.6

Source: Bloomberg

## 10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	8-Mar Yield	15-Mar Yield	Change (WoW bp)	Weekly Volume (RM bn)
JIMAH EAST POWER SDN	5.62	12/03/27	#N/A N/A	4.600	#VALUE!	220.0
PERBADANAN TABUNG PENDID	4.86	03/12/32	4.458	4.448	-1.0	195.0
CELCOM NETWORKS SDN BHD	5.05	08/29/24	#N/A N/A	4.371	#VALUE!	160.0
CELCOM NETWORKS SDN BHD	3.75	08/29/19	#N/A N/A	3.922	#VALUE!	120.0
CIMB GROUP HOLDINGS BHD	5.4	PERP	5.184	4.934	-25.0	110.3
PERBADANAN TABUNG PENDID	4.93	08/17/32	#N/A N/A	4.451	#VALUE!	100.0
SUNWAY BERHAD	ZERO	04/18/19	#N/A N/A	3.913	#VALUE!	100.0
SUNWAY TREASURY SUKUK SD	ZERO	04/11/19	3.913	3.913	0.0	100.0
PUBLIC ISLAMIC BANK BHD	4.3	07/27/21	4.125	4.068	-5.7	80.0
BANK ISLAM MALAYSIA BHD	5.15	11/07/28	#N/A N/A	4.666	#VALUE!	80.0
TOTAL VOLUME (TOP 10)						1,265.3
TOTAL VOLUME (Overall)						3,680.9

Source: Bloomberg



MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (23878 - X).

(Bank Pelaburan)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

## DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (23878-X). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This document may not be reproduced, distributed or published in any form or for any purpose.

### 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.