

## MIDF Strategy | 18 December 2017

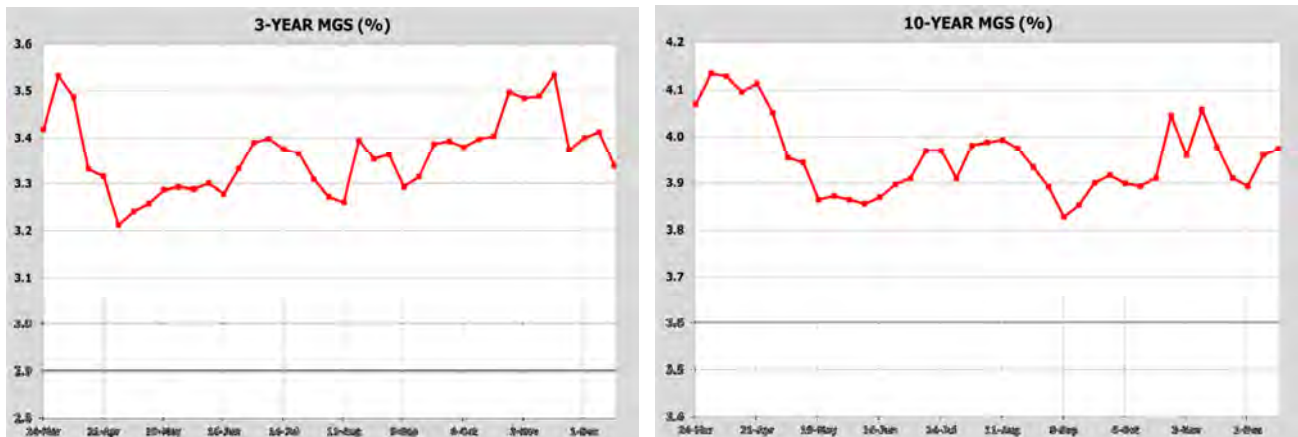
### Week Ended 15 December

- The UST yield curve ended the week flatter.
- While the US Fed's decision to raise rate was well anticipated however the dot plot for the coming years is seen as slightly more dovish.
- In contrast, the local MGS curve steepened with the yields of benchmark 3-year and 10-year respectively fell and rise -7.4bps and +1.4bps to close the week at 3.34% and 3.97%.
- A couple of notable developments were (i) Malaysia's IPI for October came in at 3.4% against market expectation of 4.1%, and (ii) the World Bank last week raised Malaysia's GDP growth forecast to 5.8% in 2017 and expect growth to continue robust at above 5% in 2018 and 2019.
- Total trading value for Government Bonds (MGS/MII) decreased to RM9.1b in the review week compared to RM10.9b in earlier week.
- Likewise, the total trading value for Corporate Bonds (Conventional & Sukuk) decreased to RM2.11b in the review week compared to RM2.29b in earlier week

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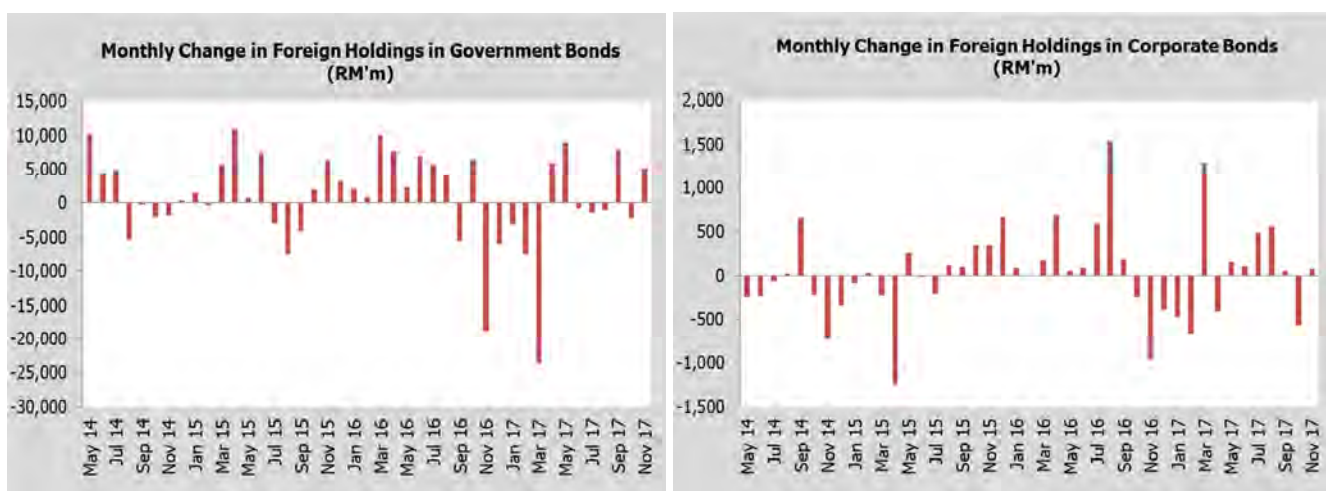
## Weekly Money Review

### A. FIXED INCOME



Source: Bloomberg

- The UST yield curve ended the week flatter. While the US Fed's decision to raise rate was well anticipated however the dot plot for the coming years is seen as slightly more dovish.
- In contrast, the local MGS curve steepened with the yields of benchmark 3-year and 10-year respectively fell and rise -7.4bps and +1.4bps to close the week at 3.34% and 3.97%. A couple of notable developments were (i) Malaysia's IPI for October came in at 3.4% against market expectation of 4.1%, and (ii) the World Bank last week raised Malaysia's GDP growth forecast to 5.8% in 2017 and expect growth to continue robust at above 5% in 2018 and 2019.
- Total trading value for Government Bonds (MGS/MII) decreased to RM9.1b in the review week compared to RM10.9b in earlier week (based on Bloomberg data). The total trading value of 10 most actively traded issues was at 65% (~63% in the week before) of the overall Government Bonds trades in the review week. In addition, 6 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 with short to medium residual tenors. The top 3 most actively traded were MGS 3.58% 09/28/18 at RM1.42b, MGS 3.26% 03/01/18 at RM639m and MGS 4.06% 09/30/24 at RM628m.
- Likewise, the total trading value for Corporate Bonds (Conventional & Sukuk) decreased to RM2.11b in the review week compared to RM2.29b in earlier week (based on Bloomberg data). The total trading value of 10 most actively traded issues was lower at 24% of the overall Corporate Bonds trades (from ~31% in the week before).
- The top 3 actively traded Corporate Bonds were dominated by issues with varying residual tenors. The biggest trading values were seen in YTL Power International 5.05% 05/03/27 at RM80.0m, Suria KLCC Sdn Bhd 4.73% 12/31/24 at RM75.0m and UEM Sunrise Bhd 4.6% 12/13/18 at RM70.0m.
- Total foreign holdings of Government Bonds stood at RM178.2b as at end-November 2017. It was an increase of RM5.2b from the October 2017 figure of RM173.0b.



Source: BNM

- Total foreign holdings of Corporate Bonds increased by RM85.4m in the month of November 2017 to RM16.4b.

## B. FOREIGN EXCHANGE

- DXY Index depreciated by 0.5%. The Fed, in its final meeting of 2017, increased the overnight rate by 25 basis points. In spite of this, two out of nine voting members (Charles Evans and Neel Kashkari) disagree with the rate hike. In addition, the US's industrial production for November recorded at 0.2%mom, below market expectation of 0.3%mom. Nevertheless, we view the DXY index will strengthen this week given that the huge tax cut is expected to become official by week-end.
- EUR and GBP remain steady. As expected, both ECB and BOE left interest rate unchanged. Uncertainties on Brexit slightly relief as EU leaders agree to proceed to second phase of talks. The second round will cover topics of trade and security relations. On a flip side, flash manufacturing PMI data for Eurozone indicates the highest points ever recorded at 60.6 in December 2017.

### Currencies Changes (Week Ended 15/12) and Quarterly Forecasts

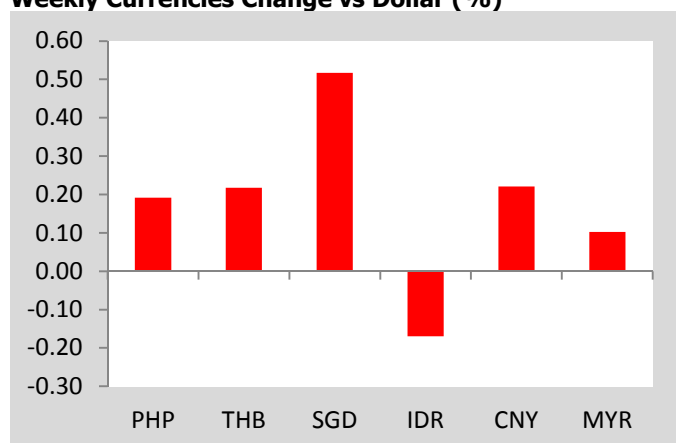
	Close (15/12)	Prev Close (8/12)	Change	% Change	1Q17	2Q17	3Q17	4Q17F
DXY Index	93.500	93.965	-0.465	-0.5	100.80	98.25	93.28	103.50
EURUSD	1.180	1.177	0.002	0.2	1.07	1.10	1.18	1.03
GBPUSD	1.344	1.339	0.005	0.3	1.24	1.28	1.31	1.21
USDJPY	112.160	113.480	-1.320	1.2	113.56	111.10	110.78	119.00
USDMYR	4.083	4.088	-0.004	0.1	4.44	4.33	4.26	4.20
GBPMYR	5.486	5.513	-0.027	0.5	5.51	5.54	5.58	5.30
JPYMYR	3.640	3.602	0.038	-1.1	3.91	3.90	3.85	4.00

Quarterly figures are forecast by MIDFR

Source: CEIC, Bloomberg, MIDFR

- Ringgit – Hovering below 4.10 for three consecutive weeks. MYR is on positive momentum as the economy continues indicating expansionary direction. IPI grew by 3.4%yoy in October underpinned by growth in manufacturing and electricity productions. On a flip side, distributive trade rose steadily by 9%yoy with retail trade sales rebounded to double digit pace at 10.9%yoy in October.

## Weekly Currencies Change vs Dollar (%)



Source: BLOOMBERG; MIDFR

- Balanced and broad-based growth observed in the last 11 months of 2017 will likely to sustain its momentum. 2017 is likely to end with better than expected economic growth performance across all regions.
- The current trend in global trade is likely to sustain its momentum into 2018. Countries which have high level of trade openness such as Malaysia will benefit for this development.
- Changes in accommodative monetary stance are expected to start in both developed and emerging economies at the back of expected better economic growth and stable commodities prices.
- Most central banks including ECB, Bank of England, Central Bank of Philippine, Bank Indonesia which held their final meeting of 2017 last week maintained their policy rate respectively.
- Inflationary pressures remain tepid in developed economy while higher commodities prices in recent weeks will keep the pressure on.
- Crude oil price is expected to remain elevated going into 2018 amid heighten geopolitical risks in the Middle East and expected prolong OPEC production cut.
- Domestically, inflationary pressure is expected to moderate amid stable commodities prices and high base effect.
- Monetary policy wise - with economic growth remain robust, crude oil prices trending upward, and inflationary pressure build up we anticipate BNM to make its move in 1Q18. Possible upward revision is on the card.

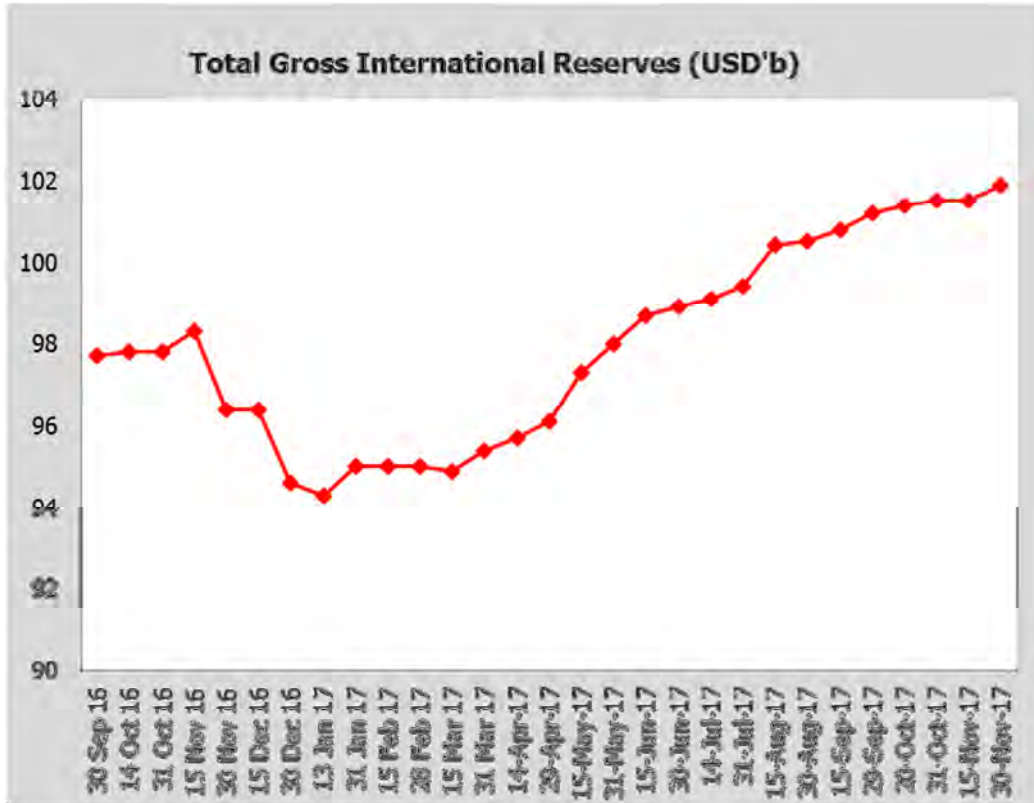
## Central Bank Policy Rate by Selected Economies (%)

	17-Apr	17-May	17-Jun	17-Jul	17-Aug	17-Sep	17-Oct	17-Nov	17-Dec
Malaysia	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Indonesia	4.75	4.75	4.75	4.75	4.50	4.25	4.25	4.25	4.25
Singapore	Neut.	Neut.	Neut.	Neut.	Neut.	Neut.	Neut.	Neut.	Neut.
Philippines	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Thailand	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Vietnam	6.50	6.50	6.50	6.25	6.25	6.25	6.25	6.25	6.25
Korea	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.50	1.50
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	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50
EU	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
United States	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.50


Source: CEIC, MIDFR

## C. BNM FOREIGN RESERVES

- As at 30 November 2017, Bank Negara Malaysia's international reserves rose remain at USD101.9b (equivalent to RM430.4b).



Source: BNM

- The amount of reserves is sufficient to finance 7.5 months of retained imports and is 1.1 times the short-term external debt. 

## APPENDIX

### WEEKLY INTEREST RATE MONITOR

Tenor	8-Dec Fri	11-Dec Mon	12-Dec Tue	13-Dec Wed	14-Dec Thu	15-Dec Fri	Change (WoW bp)
MGS							
3-Y	3.413	3.413	3.403	3.383	3.379	3.339	-7.4
5-Y	3.65	3.624	3.675	3.675	3.855	3.613	-3.7
7-Y	3.94	3.923	3.931	3.914	3.923	3.914	-2.6
10-Y	3.96	3.96	3.968	3.966	3.974	3.974	1.4
20-Y	4.592	4.62	4.604	4.604	4.604	4.62	2.8
RINGGIT IRS							
1-Y	3.645	3.645	3.645	3.645	3.645	3.645	0
3-Y	3.74	3.73	3.745	3.745	3.745	3.74	0
5-Y	3.82	3.82	3.82	3.84	3.83	3.8175	-0.25
7-Y	3.93	3.9295	3.9345	3.955	3.945	3.93	0
10-Y	4.06	4.06	4.06	4.075	4.08	4.07	1
KLIBOR							
1-M	3.18	3.18	3.18	3.18	3.18	3.18	0
2-M	3.41	3.41	3.41	3.41	3.41	3.41	0
3-M	3.43	3.43	3.43	3.43	3.43	3.43	0
UST							
3-Y	1.9069	1.9375	1.9531	1.8911	1.9235	1.9479	4.1
5-Y	2.1398	2.1566	2.1718	2.1049	2.1384	2.1537	1.39
7-Y	2.2883	2.3006	2.3154	2.2468	2.2664	2.2764	-1.19
10-Y	2.376	2.3886	2.4011	2.3422	2.3493	2.353	-2.3
30-Y	2.7685	2.7762	2.7762	2.7269	2.7063	2.6873	-8.12
USD LIBOR							
1-M	1.44438	1.45951	1.47195	1.47703	1.49078	1.495	5.062
2-M	1.48849	1.50218	1.51217	1.52182	1.52997	1.53863	5.014
3-M	1.54878	1.56347	1.57352	1.58849	1.60042	1.61331	6.453

Source: Bloomberg

## 10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	8-Dec Yield	15-Dec Yield	Change (WoW bp)	Weekly Volume (RM bn)
MALAYSIA GOVERNMENT	3.58	09/28/18	2.837	2.760	-7.7	1,423.8
MALAYSIA GOVERNMENT	3.26	03/01/18	2.689	2.698	0.9	638.5
MALAYSIA GOVERNMENT	4.059	09/30/24	3.940	3.914	-2.6	627.7
MALAYSIA INVESTMNT ISSUE	3.704	09/30/19	3.436	3.445	0.9	601.5
MALAYSIA GOVERNMENT	3.955	09/15/25	4.045	4.030	-1.5	504.5
MALAYSIA GOVERNMENT	4.24	02/07/18	2.875	2.699	-17.6	485.9
MALAYSIA GOVERNMENT	3.899	11/16/27	3.960	3.974	1.4	444.2
MALAYSIA INVESTMNT ISSUE	3.508	05/15/18	3.031	3.014	-1.7	441.8
MALAYSIA INVESTMNT ISSUE	4.492	04/30/20	#N/A N/A	3.517	N/A	400.0
MALAYSIA GOVERNMENT	3.62	11/30/21	3.587	3.510	-7.7	370.8
TOTAL VOLUME (TOP 10)						5,938.6
TOTAL VOLUME (Overall)						9,091.7

Source: Bloomberg

## 10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	8-Dec Yield	15-Dec Yield	Change (WoW bp)	Weekly Volume (RM bn)
YTL POWER INTERNATIONAL	5.05	05/03/27	4.903	4.897	-0.6	80.0
SURIA KLCC SDN BHD	4.73	12/31/24	4.445	4.445	0.0	75.0
UEM SUNRISE BHD	4.6	12/13/18	4.336	4.346	1.0	70.0
ALLIANCE BK MALAYSIA BHD	5.75	10/27/25	4.853	4.889	3.6	53.0
BERJAYA LAND BERHAD	4.55	12/17/18	N/A	4.504	N/A	45.0
AFFIN BANK BHD	5.45	02/05/27	4.838	4.836	-0.2	40.0
CAGAMAS BERHAD	3.95	03/20/18	N/A	3.421	N/A	40.0
PROJEK LEBUHRAYA USAHASA	5.07	01/10/31	4.917	4.898	-1.9	40.0
PUBLIC BANK BERHAD	4.77	10/27/23	4.231	4.294	6.3	35.0
LEBUHRAYA DUKE FASA 3 SD	6.04	08/23/35	5.303	5.306	0.3	34.2
TOTAL VOLUME (TOP 10)						512.2
TOTAL VOLUME (Overall)						2,105.3

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.