

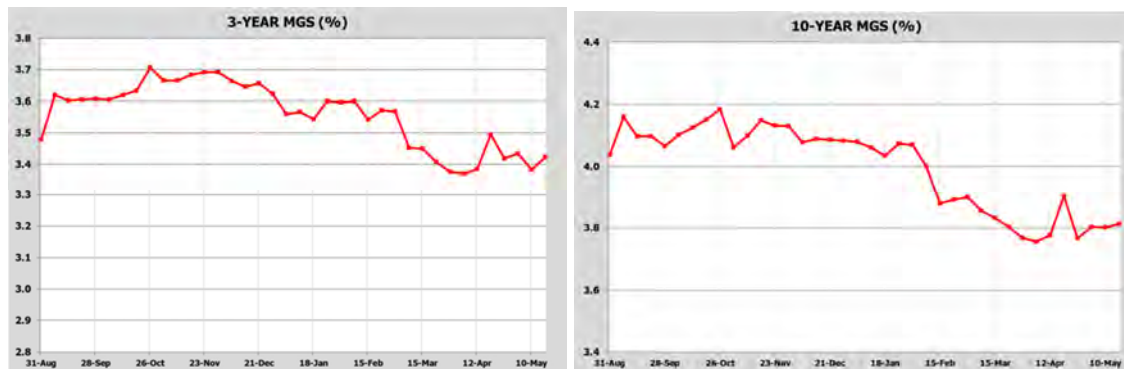
MIDF Strategy | 21 May 2019

Week Ended 17 May 2019

- UST chalked back-to-back weekly gains (prices up; yields down) last week but nonetheless the 10y-3y yield spread also continued to slightly steepened (as the short-end outperformed) to +25bps from +24bps a week earlier. While the buying activities were indubitably urged by the heightening US-China trade row, however (due to the steepening curve) we reckon the market is expecting the spat to halt sooner or later and one way or another, i.e. full tariffs or full agreement. Last week, the Chinese government imposed retaliatory tariffs of up to 25% on USD60b worth of US imports.
- Apart from the benchmark tenors, the domestic MGS yields were generally lower last week arguably in reaction to the continued external uncertainties. However, the yield of MGS benchmarks ended the review week marginally higher while the curve flattened as the long-end outperformed with the 3-year and 10-year yields added +4.0bp and +1.1bp respectively to close at 3.42% and 3.81%.
- Total foreign holdings of Government Bonds stood at RM162.3b as at end-April 2019. It was a decline of -RM7.1b from the March 2019 figure of RM169.4b.
- Likewise, total foreign holdings of Corporate Bonds decreased by -RM1.52b in the month of April 2019 to RM11.9b.
- In comparison to equities, the bonds market saw a total net outflow worth -RM8.6b in April 2019 while the former saw a total net outflow worth -RM1.41b. 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.

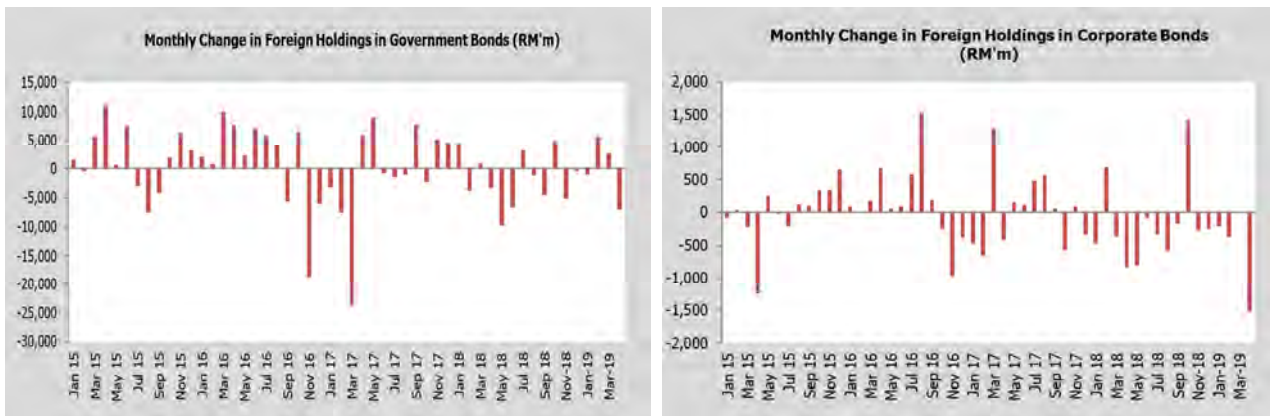
Weekly Money Review

A. FIXED INCOME



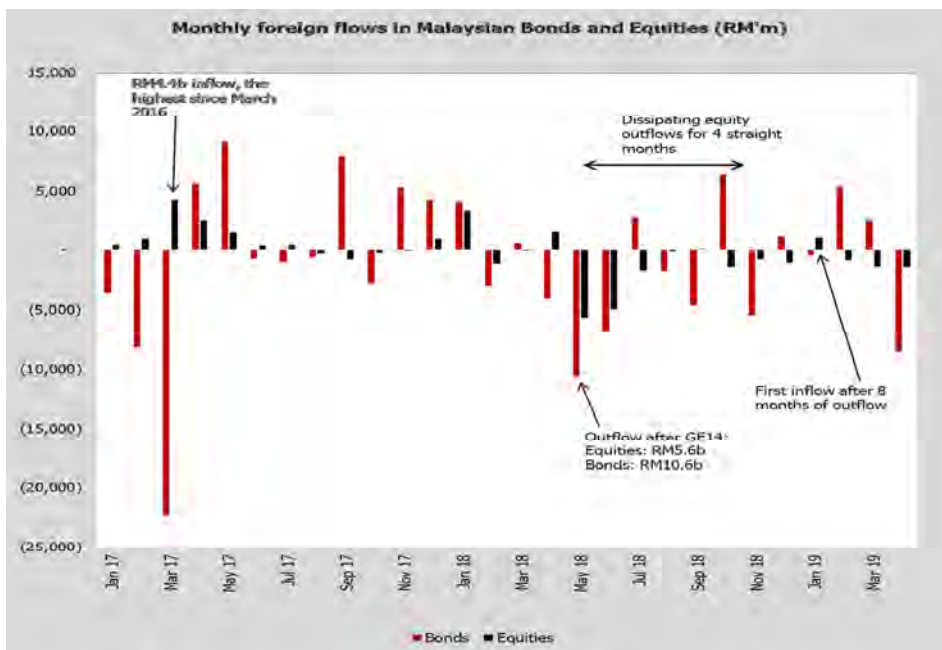
Source: Bloomberg, MIDFR

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- Apart from the benchmark tenors, the domestic MGS yields were generally lower last week arguably in reaction to the continued external uncertainties. However, the yield of MGS benchmarks ended the review week marginally higher while the curve flattened as the long-end outperformed with the 3-year and 10-year yields added +4.0bp and +1.1bp respectively to close at 3.42% and 3.81%.
- Total trading value for Government Bonds (MGS/MII) declined to RM19.2b in the review week compared to RM26.9b in the previous week (based on Bloomberg data). The total trading value of 10 most actively traded was unchanged at 45% of the overall Government Bonds trades in the week under review as compared to the week before. In addition, 8 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 and mid residual tenors. The top 3 most actively traded were MGS 3.757% 4/20/23 at RM1.42b, MGS 3.906% 7/15/26 at RM1.19b, and MGS 4.378% 11/29/19 at RM955m.
- In contrast, the total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM3.12b in the review week compared to RM1.74b in earlier week (based on Bloomberg data). Moreover, the total trading value of the 10 most actively traded issues declined (higher trading breadth) to 27% of the overall Corporate Bonds trades in the review week as compared to 49% 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 PLUS 5% 1/11/30 at RM110m, Danainfra 5.06% 2/12/49 at RM100m, and PLUS 4.4% 1/12/22 at RM90m.
- Total foreign holdings of Government Bonds stood at RM162.3b as at end-April 2019. It was a decline of -RM7.1b from the March 2019 figure of RM169.4b.
- Likewise, total foreign holdings of Corporate Bonds decreased by -RM1.52b in the month of April 2019 to RM11.9b.



Source: BNM

- In comparison to equities, the bonds market saw a total net outflow worth -RM8.6b in April 2019 while the former saw a total net outflow worth -RM1.41b. 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 improving but yet cloudy path ahead. Following the trade talks, China via its state media signalled a lack of interest to continue negotiating with the US. The Chinese government will strengthen its economy by increasing stimulus package. On macro data, moderating trends in IPI growth as overall output grew by 0.9%yoy in Apr-19, weakest gain in 2-year. Retail sales growth at 3.1%yoy, below long-term average of 4.4%yoy.
- EURUSD weaken slightly due to European Parliament election. The election shall be held on 23rd -26th May-19 which will see either pro-EU mainstream or Eurosceptic parties to control the parliament. Headline and core CPI for Euro Area rose steadily in Apr-19. Headline CPI hit 5-month high at 1.7% while core CPI touched 1.2%, highest in 6-month.
- Ringgit – Depreciate further amid external factors. MYR remains on depreciation path due to trade war effects as China and the US failed to reach a deal. Domestically, Malaysia’s GDP growth of 4.5%yoy beat market estimates of 4.3%yoy in 1Q19. The growth is mainly contributed by domestic demand particularly private consumption and

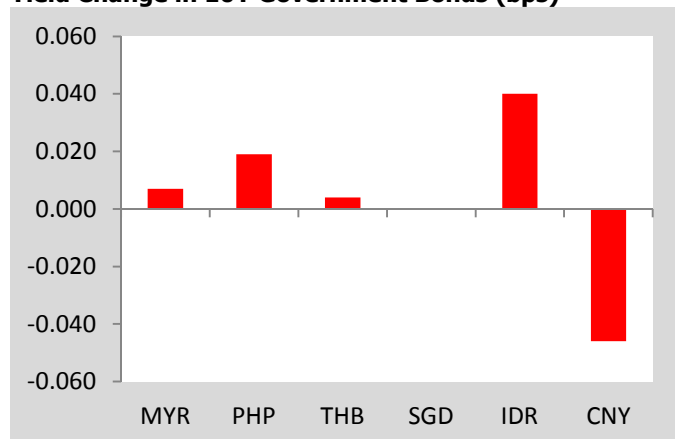
government spending. Improvement in commodity sectors also supports the higher-than-expected economic growth. We maintain our call MYR to average at 4.12 and register year-end target at 4.10 in 2019.

Currencies Changes (Week Ended 17/05) and Quarterly Forecasts

	Close (17/05)	Prev Close (10/05)	Change	% Change	1Q19	2Q19F	3Q19F	4Q19F
DXY Index	97.82	97.33	0.488	0.5%	96.46	94.94	93.88	95.83
EURUSD	1.12	1.12	-0.006	-0.5%	1.13	1.15	1.17	1.15
GBPUSD	1.28	1.30	-0.022	-1.7%	1.30	1.32	1.30	1.27
USDJPY	109.68	109.95	-0.270	0.2%	110.15	107.55	105.87	108.95
USDMYR	4.18	4.16	0.017	-0.4%	4.09	4.15	4.10	4.10
GBPMYR	5.34	5.41	-0.069	1.3%	5.32	5.29	5.38	5.45
JPYMYR	3.81	3.78	0.026	-0.7%	3.72	3.73	3.92	3.95

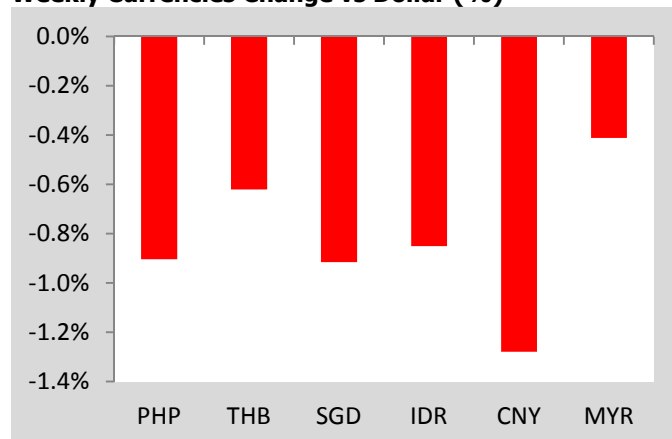
Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

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

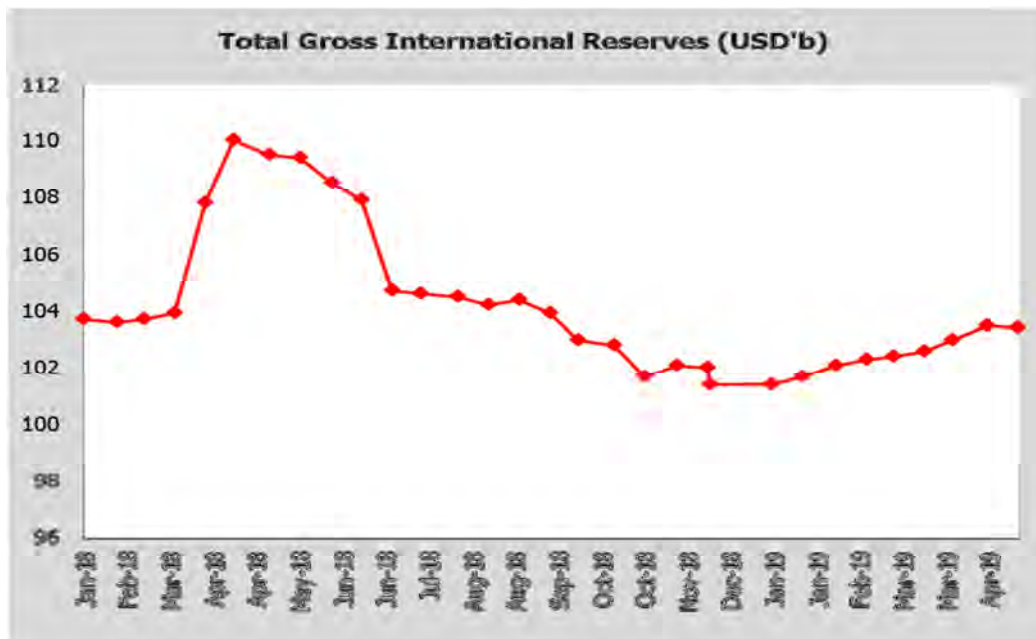
Source: CEIC, MIDFR

- China has signaled its lack of interest to continue trade talks with the US.


- 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.
- The Fed predicts slower GDP growth, higher jobless rate while Core PCE inflation stays at 2%.
- ECB sees no rate hike in 2019.
- Malaysia's GDP growth at 4.5%yoy in 1Q19, outpaced market expectations of 4.3%yoy.
- Domestic demand remains intact and solid, contributed towards the 1Q19 GDP growth.
- External sectors including manufacturing output showing signs of moderating amid trade war effects.
- Commodity-based sectors are predicted to pick-up, in line with commodity prices.
- 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 30 April 2019, compared to previous fortnight, Bank Negara Malaysia's international reserves increased to USD103.4b.



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	10-May Fri	13-May Mon	14-May Tue	15-May Wed	16-May Thu	17-May Fri	Change (WoW bp)
MGS							
3-Y	3.383	3.419	3.423	3.43	3.421	3.423	4
5-Y	3.592	3.605	3.611	3.597	3.589	3.303	-28.9
7-Y	3.777	3.782	3.817	3.812	3.768	3.754	-2.3
10-Y	3.801	3.766	3.801	3.825	3.807	3.812	1.1
20-Y	4.312	4.312	4.312	4.312	4.312	4.304	-0.8
RINGGIT IRS							
1-Y	3.48	3.483	3.47	3.47	3.47	3.47	-1
3-Y	3.52	3.52	3.52	3.52	3.52	3.515	-0.5
5-Y	3.595	3.59	3.58	3.575	3.575	3.575	-2
7-Y	3.67	3.66	3.655	3.645	3.655	3.645	-2.5
10-Y	3.86	3.87	3.86	3.85	3.85	3.85	-1
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	2.2306	2.1466	2.1547	2.1142	2.1385	2.144	-8.66
5-Y	2.2633	2.1831	2.1881	2.148	2.1696	2.1728	-9.05
7-Y	2.3578	2.2846	2.2895	2.2505	2.2724	2.2722	-8.56
10-Y	2.4672	2.4015	2.4104	2.3732	2.3944	2.3909	-7.63
30-Y	2.8867	2.8362	2.8485	2.8199	2.8338	2.8253	-6.14
USD LIBOR							
1-M	2.449	2.43963	2.43763	2.43238	2.44063	2.44188	-0.712
2-M	2.48963	2.49525	2.49863	2.49575	2.48913	2.48788	-0.175
3-M	2.52788	2.518	2.5245	2.52513	2.51963	2.52188	-0.6

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	10-May Yield	17-May Yield	Change (WoW bp)	Weekly Volume (RM bn)
MALAYSIA GOVERNMENT	3.757	04/20/23	3.592	3.303	-28.9	1,414.9
MALAYSIA GOVERNMENT	3.906	07/15/26	3.777	3.754	-2.3	1,186.5
MALAYSIA GOVERNMENT	4.378	11/29/19	3.140	3.171	3.1	955.2
MALAYSIA GOVERNMENT	3.654	10/31/19	3.160	3.149	-1.1	876.7
MALAYSIA GOVERNMENT	4.059	09/30/24	3.707	3.704	-0.3	797.0
MALAYSIA INVESTMNT ISSUE	4.13	07/09/29	3.865	3.877	1.2	730.0
MALAYSIA INVESTMNT ISSUE	3.576	05/15/20	3.290	3.280	-1.0	720.0
MALAYSIA INVESTMNT ISSUE	3.655	10/15/24	3.655	3.648	-0.7	700.0
MALAYSIA GOVERNMENT	4.642	11/07/33	4.125	4.094	-3.1	639.6
MALAYSIA GOVERNMENT	3.899	11/16/27	3.913	3.906	-0.7	638.8
TOTAL VOLUME (TOP 10)						8,658.7
TOTAL VOLUME (Overall)						19,152.9

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	10-May Yield	17-May Yield	Change (WoW bp)	Weekly Volume (RM bn)
PROJEK LEBUHRAYA USAHASA	5	01/11/30	4.297	4.309	1.2	110.0
DANAINFRA NASIONAL	5.06	02/12/49	4.691	4.681	-1.0	100.0
PROJEK LEBUHRAYA USAHASA	4.4	01/12/22	3.988	3.982	-0.6	90.0
PROJEK LEBUHRAYA USAHASA	5.07	01/10/31	4.340	4.351	1.1	90.0
PERBADANAN TABUNG PENDID	4.85	07/26/41	4.591	4.560	-3.1	80.0
DANAINFRA NASIONAL	4.36	02/12/29	4.091	4.025	-6.6	80.0
WCT HOLDINGS BHD	4.6	08/28/20	4.699	4.736	3.7	80.0
PROJEK LEBUHRAYA USAHASA	4.22	01/10/20	3.798	3.792	-0.6	75.0
MKD KENCANA SDN BHD	4.47	04/25/25	3.928	3.928	0.0	75.0
MKD KENCANA SDN BHD	4.43	02/21/25	3.913	3.913	0.0	75.0
TOTAL VOLUME (TOP 10)						855.0
TOTAL VOLUME (Overall)						3,121.8

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.