

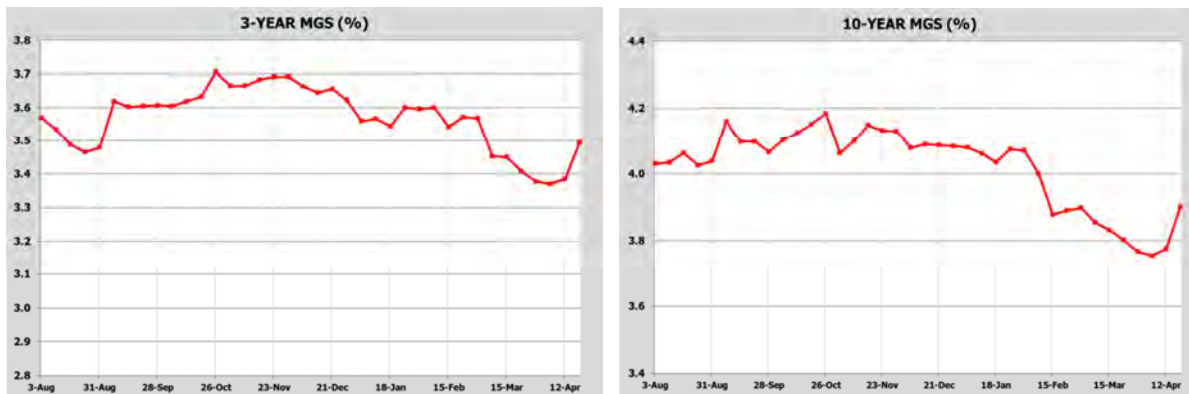
MIDF Strategy | 22 April 2019

Week Ended 19 April 2019

- UST registered another all-around gains (prices up; yields down) last week amid mixed economic data which show flash PMI figures of manufacturing and services in Apr-19 declined to almost 2-year low while US retail sales data surged 1.6% (estimate: 0.9%) in March, the fastest pace since late 2017. Moreover, the 10y-3y yield spread marginally steepened to +21bps from +20bps a week earlier.
- Domestically, the bond market was perturbed by FTSE Russell statement that it may drop Malaysian sovereign debt from the FTSE World Government Bond Index because of concerns about market accessibility and liquidity. Consequently, the price of MGS benchmark issues ended the review week lower while the curve steepened as the short-end outperformed with the 3-year and 10-year yields jumped +11.0bps and + 12.6bps respectively to close at 3.50% and 3.90%.
- Total trading value for Government Bonds (MGS/MII) increased to RM25.1b in the review week compared to RM20.5b in the previous week. The total trading value of 10 most actively traded issues increased (lower trading breadth) to 49% of the overall Government Bonds trades in the week under review as compared to 46% in the week before. In addition, all of the 10 most actively traded bonds saw higher yields hence lower prices during the review week.
- In contrast, the total trading value for Corporate Bonds (Conventional & Sukuk) decreased to RM3.31b in the review week compared to RM5.56b in earlier week. Moreover, the total trading value of the 10 most actively traded issues were unchanged vis-à-vis the week before at 26% of the overall Corporate Bonds trades.

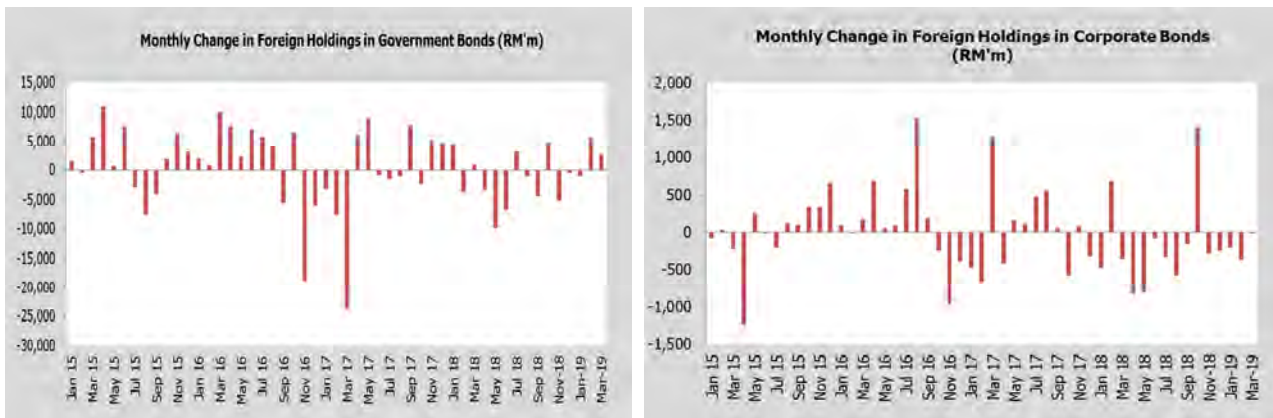
Weekly Money Review

A. FIXED INCOME



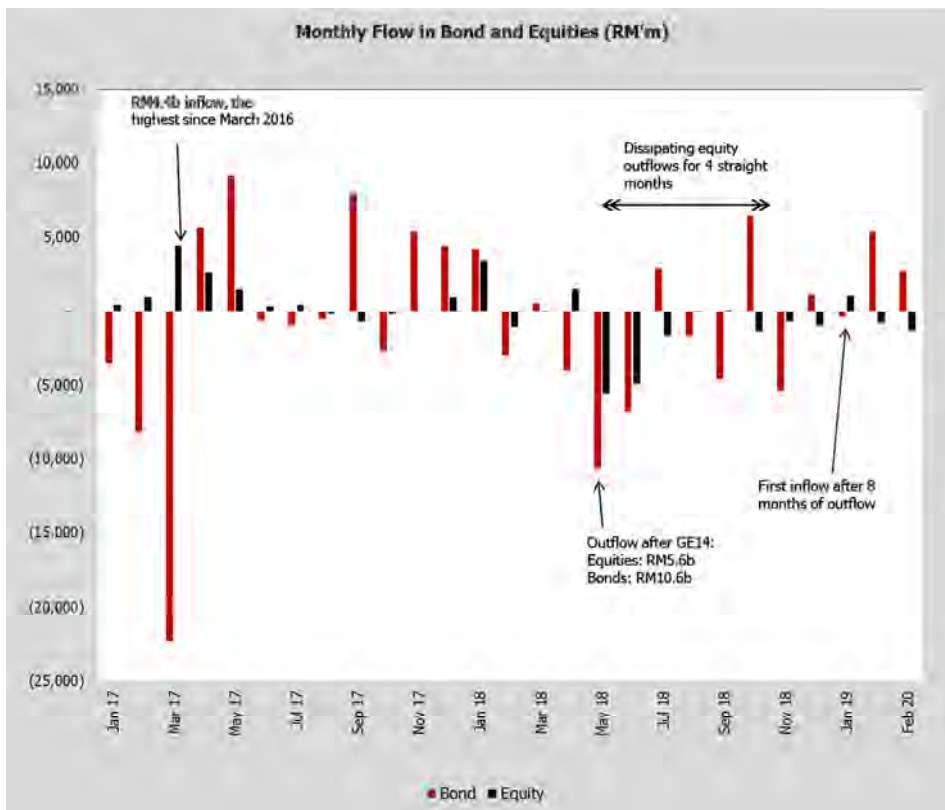
Source: Bloomberg, MIDFR

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- 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 MGS 4.64% 11/07/33 at RM1.96b, MII 4.13% 07/09/29 at RM1.95b, and MGS 4.09% 11/30/23 at RM1.40b.
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- The top 3 actively traded Corporate Bonds were dominated by issues of short and mid residual tenors. The biggest trading values were seen in Khazanah Nasional Bhd 0% 08/14/23 at RM140m, Malaysia Debt Ventures 4.37% 01/28/22 at RM130m, and Prasarana Malaysia Bhd 3.77% 09/06/22 at RM120m.
- Total foreign holdings of Government Bonds stood at RM169.4b as at end-Mar 2019. It was an increase of RM2.7b from the February 2019 figure of RM167.0b.
- On the other hand, total foreign holdings of Corporate Bonds decreased by -RM7m in the month of March 2019 to RM13.5b.



Source: BNM

- In comparison to equities, the bonds market saw a total net inflow worth RM2.7b in March 2019 while the former saw a total net outflow worth -RM1.4b. 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 on uptrend amid retail sales data. Domestic demand in the US remains solid as retail sales jumped 1.6%mom, biggest gain since Sep-17 while on yearly basis, it expanded by 3.6%yoy in Mar-19, fastest in 4-month. However, flash PMI figures of manufacturing and services in Apr-19 decrease to almost 2-year low.
- EURUSD weakens slightly. Flash services PMI figure for Euro-Area fell to 3-month low at 52.5 points while manufacturing PMI remains in pessimistic region at 47.8 points in Apr-19. In addition, core CPI declined to 11-month low at 0.8% while headline CPI stable at 1.4% in Mar-19.
- Ringgit – Depreciated due to World Government Bond Index. MYR weakened as FTSE Russel warned Malaysia may be excluded from the bond index. If excluded, capital flight is the biggest risk. Nevertheless, Malaysia is unlikely to be excluded given that macro fundamentals remain solid, gradual pick-up in global economy and

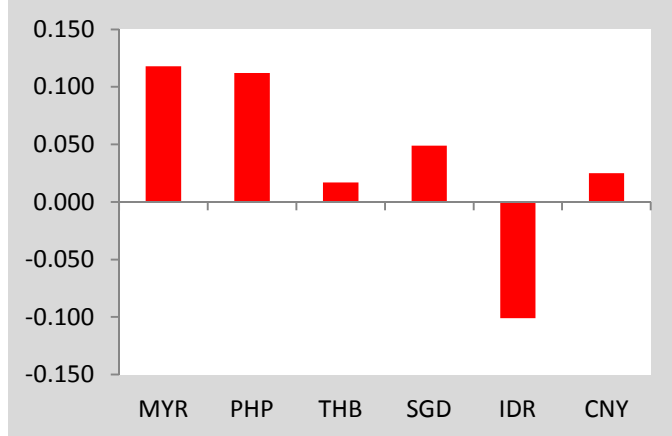
improvement in infrastructure spending. The depreciation is only short-term, will recover within a month. We maintain our call MYR to average at 4.05 and register year-end target at 4.00 in 2019.

Currencies Changes (Week Ended 19/4) and Quarterly Forecasts

	Close (19/04)	Prev Close (12/04)	Change	% Change	1Q19	2Q19F	3Q19F	4Q19F
DXY Index	97.36	96.97	0.383	0.4%	96.46	94.94	93.88	95.83
EURUSD	1.12	1.13	-0.005	-0.5%	1.13	1.15	1.17	1.15
GBPUSD	1.30	1.31	-0.007	-0.6%	1.30	1.32	1.30	1.27
USDJPY	111.92	112.02	-0.100	0.1%	110.15	107.55	105.87	108.95
USDMYR	4.13	4.11	0.021	-0.5%	4.09	4.01	4.10	4.00
GBPMYR	5.38	5.38	-0.003	0.1%	5.32	5.29	5.38	5.45
JPYMYR	3.69	3.67	0.022	-0.6%	3.72	3.73	3.92	3.95

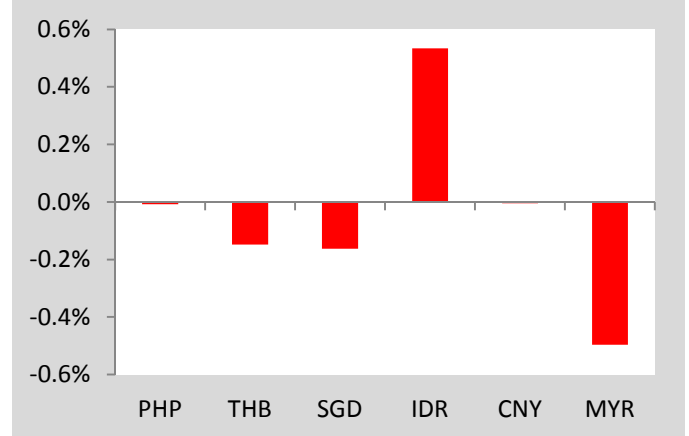
Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

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 (%)

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

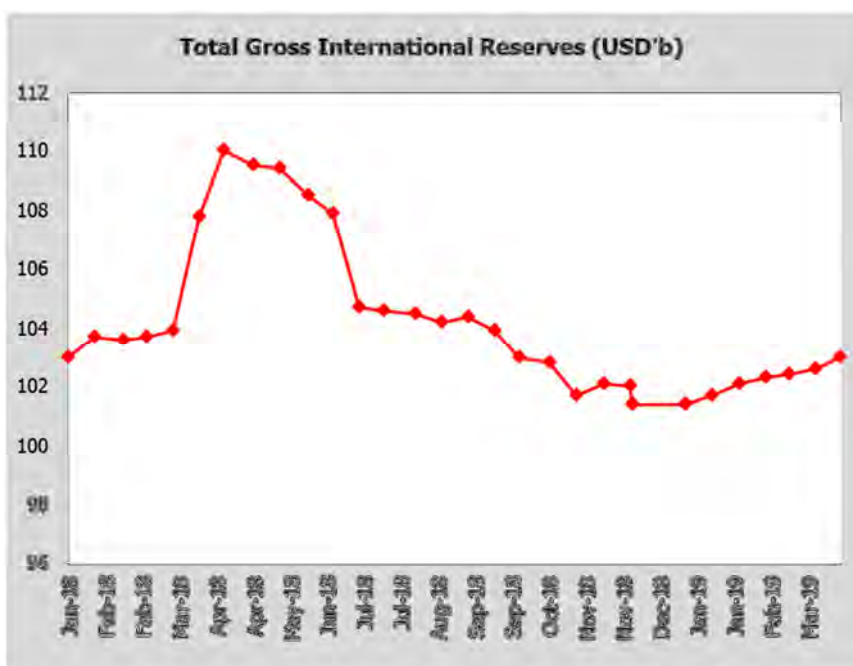
Source: CEIC, MIDFR

- The US and China are still on progressive path towards a trade deal. Possibly by end of Apr-19 as indicated by Donald Trump.

- 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 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.
- BNM expects GDP growth at a range of 4.3-4.7% in 2019, contributed by private investment, commodity-sectors and domestic demand.
- MIER's survey results indicate further moderation in 1Q19 as CSI and BCI went down to 5-quarter low and 9-quarter low.
- Poor external trade performance as exports and imports shrank by -5.3%yoy and -9.2%yoy respectively in Feb-19.
- 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 29 March 2019, compared to previous fortnight, Bank Negara Malaysia's international reserves increased to USD102.6b.



Source: BNM

- The amount of reserves is sufficient to finance 7.5 months of retained imports and is 1.0 times the short-term external debt.

APPENDIX

WEEKLY INTEREST RATE MONITOR

Tenor	12-Apr Fri	15-Apr Mon	16-Apr Tue	17-Apr Wed	18-Apr Thu	19-Apr Fri	Change (WoW bp)
MGS							
3-Y	3.385	3.388	3.435	3.481	3.484	3.495	11
5-Y	3.559	3.573	3.622	3.703	3.743	3.678	11.9
7-Y	3.668	3.66	3.695	3.81	3.825	3.857	18.9
10-Y	3.776	3.778	3.814	3.873	3.944	3.902	12.6
20-Y	4.284	4.291	4.339	4.369	4.424	4.436	15.2
RINGGIT IRS							
1-Y	3.525	3.53	3.53	3.535	3.535	3.55	2.5
3-Y	3.53	3.53	3.55	3.575	3.58	3.59	6
5-Y	3.61	3.61	3.63	3.655	3.655	3.66	5
7-Y	3.7	3.695	3.725	3.75	3.765	3.745	4.5
10-Y	3.88	3.9	3.9	3.95	3.95	3.97	9
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	2.3612	2.3559	2.3832	2.3751	2.3482	2.3482	-1.3
5-Y	2.3802	2.3719	2.4059	2.4026	2.3709	2.3709	-0.93
7-Y	2.4686	2.4588	2.4961	2.4962	2.4617	2.4617	-0.69
10-Y	2.5651	2.5543	2.5904	2.594	2.5596	2.5596	-0.55
30-Y	2.9769	2.9682	2.9919	2.9943	2.961	2.961	-1.59
USD LIBOR							
1-M	2.47738	2.47388	2.47975	2.48738	2.48088	2.48088	0.35
2-M	2.54263	2.53488	2.53825	2.54363	2.54113	2.54113	-0.15
3-M	2.601	2.588	2.60088	2.5915	2.58113	2.58113	-1.987

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	12-Apr Yield	19-Apr Yield	Change (WoW bp)	Weekly Volume (RM bn)
MALAYSIA GOVERNMENT	4.642	11/07/33	4.060	4.261	20.1	1,956.8
MALAYSIA INVESTMNT ISSUE	4.13	07/09/29	3.853	3.983	13.0	1,953.0
MALAYSIA INVESTMNT ISSUE	4.094	11/30/23	3.671	3.747	7.6	1,403.2
MALAYSIA INVESTMNT ISSUE	4.369	10/31/28	3.894	4.000	10.6	1,184.4
MALAYSIA GOVERNMENT	3.733	06/15/28	3.785	4.036	25.1	1,178.9
MALAYSIA INVESTMNT ISSUE	3.655	10/15/24	#N/A N/A	3.767	#VALUE!	1,035.0
MALAYSIA GOVERNMENT	3.757	04/20/23	3.559	3.678	11.9	964.5
MALAYSIA GOVERNMENT	3.885	08/15/29	3.776	3.944	16.8	957.0
MALAYSIA INVESTMNT ISSUE	3.226	04/15/20	3.390	3.423	3.3	822.6
MALAYSIA GOVERNMENT	4.059	09/30/24	3.662	3.771	10.9	721.6
TOTAL VOLUME (TOP 10)						12,177.0
TOTAL VOLUME (Overall)						25,007.8

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	12-Apr Yield	19-Apr Yield	Change (WoW bp)	Weekly Volume (RM bn)
KHAZANAH NASIONAL BHD	ZERO	08/14/23	3.834	3.834	0.0	140.0
MALAYSIA DEBT VENTURES	4.37	01/28/22	#N/A N/A	3.688	#VALUE!	130.0
PRASARANA MALAYSIA BHD	3.77	09/06/22	#N/A N/A	3.676	#VALUE!	120.0
PENGURUSAN AIR SPV BHD	4.63	02/05/26	3.885	3.893	0.8	90.0
KHAZANAH NASIONAL BHD	ZERO	09/02/22	3.791	3.791	0.0	90.0
PRASARANA MALAYSIA BHD	5.23	09/13/47	4.658	4.783	12.5	60.0
DANAINFRA NASIONAL	4.56	03/19/27	3.929	3.919	-1.0	60.0
PROJEK LEBUHRAYA USAHASA	5	12/31/38	4.470	4.470	0.0	60.0
DANAINFRA NASIONAL	5.17	11/26/48	4.692	4.801	10.9	55.0
PERBADANAN TABUNG PENDID	4.2	07/27/26	3.967	3.983	1.6	55.0
TOTAL VOLUME (TOP 10)						860.0
TOTAL VOLUME (Overall)						3,305.7

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.