

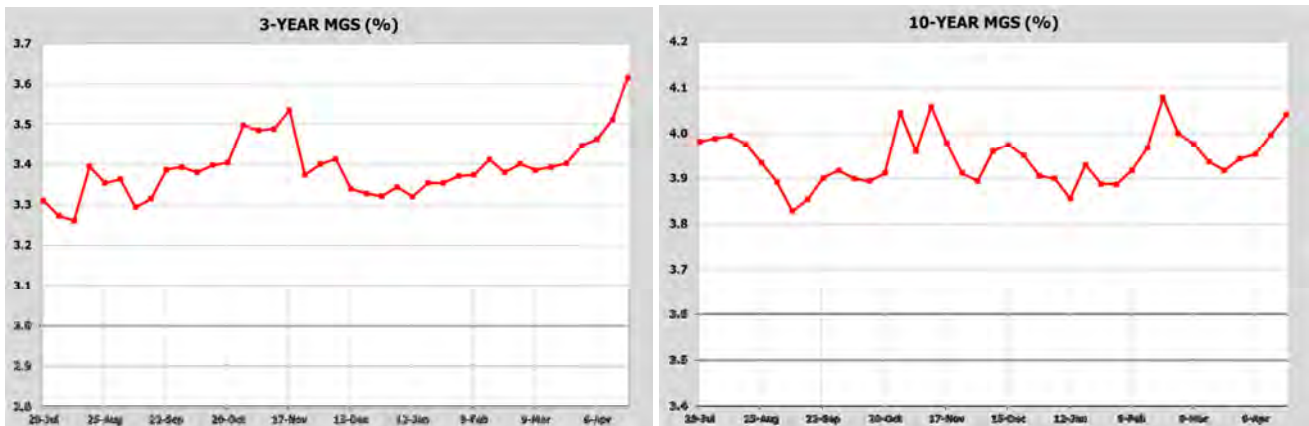
MIDF Strategy | 23 April 2018

Week Ended 20 April

- In the USD bond market, the UST tanked (prices down; yields up) across the curve last week in reaction to a bounce in economic activity (strong IPI data) and a bounce in commodity prices (crude oil back to 4Q14 levels). The benchmark 10-year yield jumped to 2.96%, the highest level since January 2014. At least temporarily, it paused the flattening of the yield curve which we have been seeing over the past months.
- Likewise, in the MYR bond market, the prices of MGS benchmark issues ended the review week lower with the 3-year and 10-year yields respectively higher at +10.4bps and +4.5bps to close the week at 3.62% and 4.04%.
- Total trading value for Government Bonds (MGS/MII) declined to RM9.2b in the review week compared to RM11.5b in the previous week (based on Bloomberg data). The total trading value of 10 most actively traded issues increased to 60% of the overall Government Bonds trades in the week under review (vis-à-vis ~54% in the week before). In addition, 8 out of 10 of the most actively traded bonds saw higher yields hence lower prices during the review week.
- Similarly, the total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM2.36b in the review week compared to RM3.30b in earlier week (based on Bloomberg data). The total trading value of 10 most actively traded issues increased to 32% of the overall Corporate Bonds trades (from ~28% in the week before).

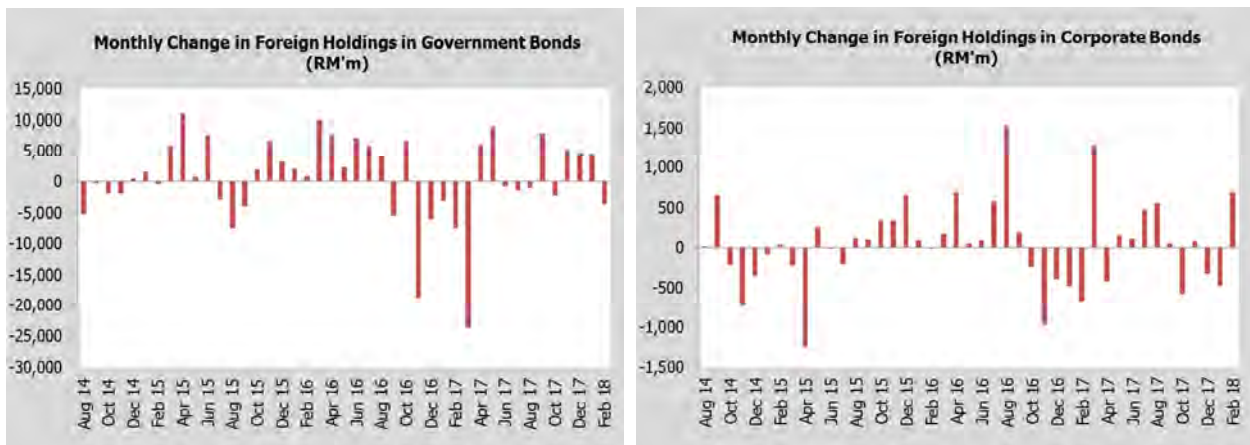
Weekly Money Review

A. FIXED INCOME



Source: Bloomberg

- In the USD bond market, the UST tanked (prices down; yields up) across the curve last week in reaction to a bounce in economic activity (strong IPI data) and a bounce in commodity prices (crude oil back to 4Q14 levels). The benchmark 10-year yield jumped to 2.96%, the highest level since January 2014. At least temporarily, it paused the flattening of the yield curve which we have been seeing over the past months.
- Likewise, in the MYR bond market, the prices of MGS benchmark issues ended the review week lower with the 3-year and 10-year yields respectively higher at +10.4bps and +4.5bps to close the week at 3.62% and 4.04%.
- Total trading value for Government Bonds (MGS/MII) declined to RM9.2b in the review week compared to RM11.5b in the previous week (based on Bloomberg data). The total trading value of 10 most actively traded issues increased to 60% of the overall Government Bonds trades in the week under review (vis-à-vis ~54% in the week before). In addition, 8 out of 10 of the most actively traded bonds saw higher yields hence lower prices during the review week.
- Furthermore, the top 3 actively traded Government Bonds were represented by issues with varied residual tenors. The top 3 most actively traded were MGS 3.654% 10/31/19 at RM799.6m, MGS 3.899% 11/16/27 at RM790.4m and MII 3.948% 04/14/22 at RM554.8m.
- Similarly, the total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM2.36b in the review week compared to RM3.30b in earlier week (based on Bloomberg data). The total trading value of 10 most actively traded issues increased to 32% of the overall Corporate Bonds trades (from ~28% in the week before).
- The top 3 actively traded Corporate Bonds were dominated by issues with both short and long residual tenors. The biggest trading values were seen in Public Bank Berhad 4.85% 04/23/27 at RM120m, Cagamas Berhad 4.20% 10/22/18 at RM110m and Cagamas Berhad 3.42% 10/15/18 at RM80m.
- Total foreign holdings of Government Bonds stood at RM183.9b as at end-February 2018. It was a decline of RM3.7b from the January 2018 figure of RM187.6b.



Source: BNM

- On the other hand, total foreign holdings of Corporate Bonds increased by RM688.4m in the month of February 2018 to RM16.3b.

B. FOREIGN EXCHANGE

- DXY Index appreciated by 0.3%wow. The greenback currency improved during the week underpinned by rising US treasury yields. The U.S. government 10-year yield rose to 2.96%, its highest level since Jan-14. Plus, industrial performance in the US recorded solid expansionary rate with overall IPI and manufacturing output increase by 4.3%yoy and 3%yoy respectively in Mar-18. The strong IPI trends indicate upbeat momentum for the US's GDP in 1Q18.
- EURUSD remains intact. EU's consumer confidence went up to 0.4 points in Apr-18, beating market expectations of -0.2 points. The better performance of the consumer confidence is in line with rising inflationary trends. Headline inflation in the region rose by 1.3%yoy in Mar-18 while core inflation stays at 1%yoy during the first quarter of 2018.

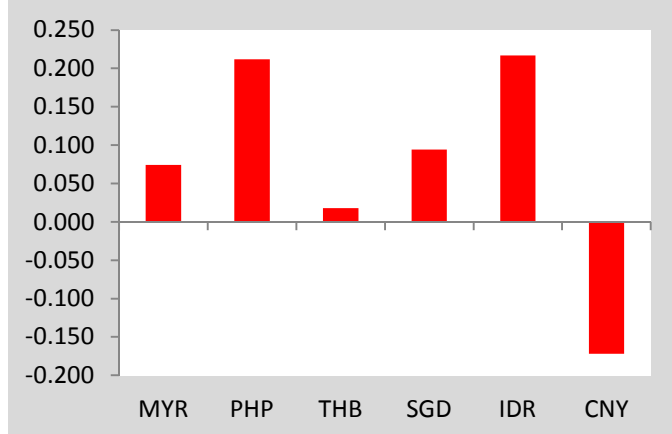
Currencies Changes (Week Ended 20/04) and Quarterly Forecasts

	Close (20/04)	Prev Close (13/04)	Change	% Change	1Q18	2Q18F	3Q18F	4Q18F
DXY Index	90.054	89.800	0.254	0.3%	90.07	90.69	91.91	95.98
EURUSD	1.231	1.233	-0.002	-0.1%	1.23	1.22	1.20	1.16
GBPUSD	1.406	1.424	-0.018	-1.3%	1.39	1.25	1.15	1.09
USDJPY	107.620	107.350	0.270	-0.3%	108.09	100.29	95.10	102.27
USDMYR	3.894	3.880	0.014	-0.4%	3.92	3.95	4.00	3.95
GBPMYR	5.476	5.542	-0.066	1.2%	5.46	4.89	4.53	4.58
JPYMYR	3.619	3.614	0.004	-0.1%	3.63	3.89	4.14	4.13

Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

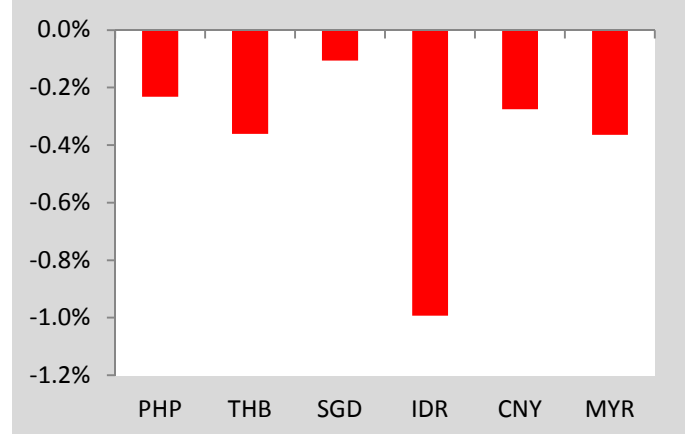
- Ringgit – Stays on healthy path. Apart from continuous rise in global commodity prices, the MYR has been on appreciating trends since late last year. In spite of this, latest inflation data showed descending direction as headline inflation decelerated to 1.3%yoy, slowest since Jul-16 while core inflation went down to the lowest level at 1.7%yoy in Mar-18. We maintain our call MYR to average at 4.00 and register year-end target at 3.95.

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 (%)

	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18
Malaysia	3.00	3.00	3.00	3.00	3.00	3.00	3.25	3.25	3.25
Indonesia	4.75	4.50	4.25	4.25	4.25	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	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.25
Korea	1.25	1.25	1.25	1.25	1.50	1.50	1.50	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	0.50	0.50	0.50	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	1.25	1.25	1.25	1.25	1.25	1.50	1.50	1.50	1.75

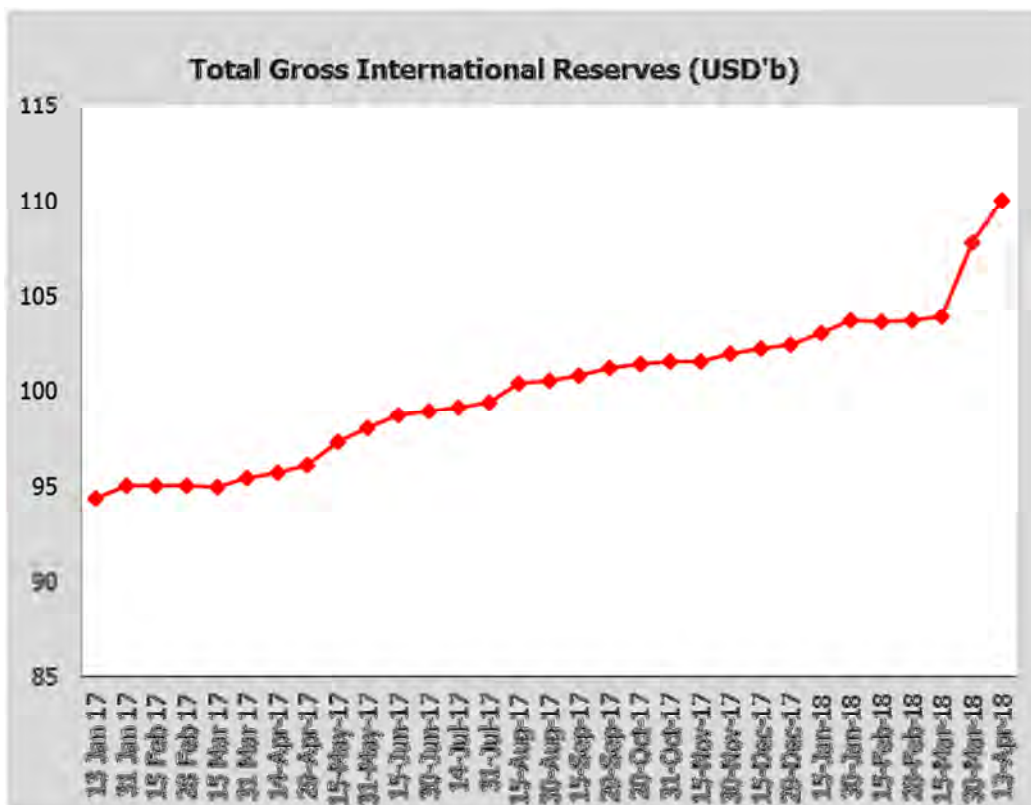
Source: CEIC, MIDFR

- Global growth continue buoyant with macroeconomics condition remain resilience thus it validate our expectation that the momentum carried from 2017 remain intact albeit at slower pace.
- Near term risk for global growth is emanating from escalating trade between US and China that can disrupt the current growth momentum.
- Presently, monetary policy stance globally is seen as accommodative to support growth as well as providing favorable financial environment for the sustainable economic expansion.
- In general, central banks around the world are more hawkish about the trajectory of the global economy as well as their respective domestic economy.
- The risks are more on the upside. Again, the threats of trade war will slowly taking center stage for central bankers and it can derail the upward growth trajectory.
- Commodities prices continue trending upward signaling inflationary pressure to start kick-in in both developed and emerging economies.
- Core inflation is expected to gain traction in developed economy driven by improved labor market and upbeat domestic economic performance as well as commodities prices.
- Domestically, inflationary pressure is expected to moderate amid stable commodities prices and high base effect.


- Stronger Ringgit performance as well as availability of spare capacity in the labor market will help demand pressure in the near term.
- Our base case scenario for OPR remains unchanged (single rate hike) for the full year. End the year at 3.25% barring any pleasant upward surprises from economic growth.

C. BNM FOREIGN RESERVES

- As at 13 April 2018, compared to previous fortnight, Bank Negara Malaysia's international reserves increased to USD110.0b.



Source: BNM

- The amount of reserves is sufficient to finance 7.7 months of retained imports and is 1.1 times the short-term external debt. 

APPENDIX

WEEKLY INTEREST RATE MONITOR

Tenor	13-Apr Fri	16-Apr Mon	17-Apr Tue	18-Apr Wed	19-Apr Thu	20-Apr Fri	Change (WoW bp)
MGS							
3-Y	3.512	3.512	3.515	3.53	3.542	3.616	10.4
5-Y	3.598	3.598	3.645	3.631	3.63	3.711	11.3
7-Y	3.89	3.898	3.887	3.907	3.932	3.945	5.5
10-Y	3.996	4.006	4	4.018	4.007	4.041	4.5
20-Y	4.603	4.603	4.603	4.605	4.614	4.614	1.1
RINGGIT IRS							
1-Y	3.75	3.75	3.75	3.75	3.755	3.76	1
3-Y	3.815	3.815	3.805	3.81	3.815	3.8248	0.98
5-Y	3.88	3.875	3.865	3.8775	3.885	3.91	3
7-Y	3.99	3.995	3.985	3.98	4	4.01	2
10-Y	4.13	4.13	4.13	4.13	4.14	4.15	2
KLIBOR							
1-M	3.42	3.42	3.42	3.42	3.42	3.42	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	2.5002	2.5194	2.5277	2.5717	2.5828	2.6164	11.62
5-Y	2.6726	2.6795	2.6881	2.7309	2.7549	2.7999	12.73
7-Y	2.7765	2.7816	2.7841	2.8268	2.8646	2.9128	13.63
10-Y	2.8267	2.8267	2.8285	2.8728	2.9098	2.9602	13.35
30-Y	3.027	3.0246	3.0198	3.0601	3.0983	3.1451	11.81
USD LIBOR							
1-M	1.8955	1.89426	1.89563	1.89707	1.89826	1.89695	0.145
2-M	2.0375	2.04063	2.04188	2.04625	2.05625	2.05813	2.063
3-M	2.35281	2.35509	2.35539	2.35866	2.36156	2.35923	0.642

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	13-Apr Yield	20-Apr Yield	Change (WoW bp)	Weekly Volume (RM bn)
MALAYSIA GOVERNMENT	3.654	10/31/19	3.411	3.527	11.6	799.6
MALAYSIA GOVERNMENT	3.899	11/16/27	3.996	4.041	4.5	790.4
MALAYSIA INVESTMNT ISSUE	3.948	04/14/22	3.839	3.882	4.3	554.8
MALAYSIA GOVERNMENT	3.58	09/28/18	3.232	3.335	10.3	548.6
MALAYSIA GOVERNMENT	3.62	11/30/21	3.512	3.616	10.4	543.4
MALAYSIA INVESTMNT ISSUE	4.258	07/26/27	4.186	4.205	1.9	518.6
MALAYSIA GOVERNMENT	3.882	03/14/25	3.890	3.945	5.5	459.3
MALAYSIA INVESTMNT ISSUE	4.245	09/30/30	4.596	4.585	-1.1	450.0
MALAYSIA GOVERNMENT	4.048	09/30/21	3.622	3.734	11.2	429.4
MALAYSIA GOVERNMENT	3.757	04/20/23	N/A	3.738	N/A	426.0
TOTAL VOLUME (TOP 10)						5,520.2
TOTAL VOLUME (Overall)						9,209.8

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	13-Apr Yield	20-Apr Yield	Change (WoW bp)	Weekly Volume (RM bn)
PUBLIC BANK BERHAD	4.85	04/23/27	4.671	4.680	0.9	120.0
CAGAMAS BERHAD	4.2	10/22/18	3.814	3.800	-1.4	110.0
CAGAMAS BERHAD	3.42	10/15/18	3.751	3.802	5.1	80.0
PROJEK LEBUHRAYA USAHASA	4.64	01/10/25	4.481	4.481	0.0	80.0
CAGAMAS BERHAD	3.9	11/16/18	N/A	3.849	N/A	70.0
CAGAMAS BERHAD	3.95	10/26/18	3.800	3.800	0.0	70.0
MMC CORP BHD	5.7	03/24/28	5.696	5.694	-0.2	60.0
MALAYSIA AIRPORTS CAPITA	4.55	08/28/20	4.255	4.252	-0.3	60.0
CIMB BANK BHD	4.8	09/13/23	4.292	4.762	47.0	55.5
PUTRAJAYA HOLDINGS BHD	4	09/19/18	3.800	3.800	0.0	55.0
TOTAL VOLUME (TOP 10)						760.5
TOTAL VOLUME (Overall)						2,361.7

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.