

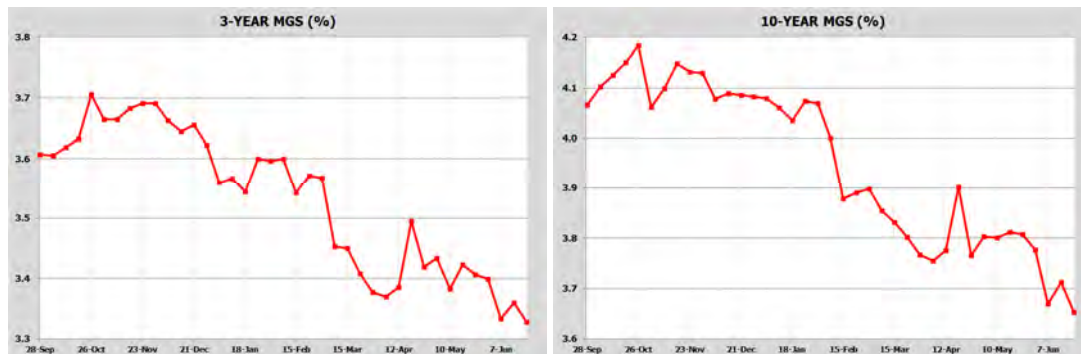
MIDF Strategy | 24 June 2019

Week Ended 21 June 2019

- The UST rallied (prices up; yields down) as the market reacted to a dovish statement (i.e. absence of the word “patience” in particular) by the US Fed during its policy meeting last week. Moreover, the 10y-3y yield spread further steepened (as the short-end outperformed) to +33bps from +30bps a week earlier as the market is imputing a higher probability for an earlier (as early as July 2019) than previously expected cut in the US Fed overnight rate.
- Likewise, the domestic MGS saw buying activities as they ended higher last week with the benchmark 3-year and 10-year yields shed -3.2bp and -5.9bp respectively to close at 3.33% and 3.65%. Moreover, the curve slightly flattened as the long-end outperformed.
- Total trading value for Government Bonds (MGS/MII) increased slightly to RM26.6b in the review week compared to RM26.4b in the earlier week (based on Bloomberg data). The total trading value of 10 most actively traded was higher (lower trading breadth) at 41% of the overall Government Bonds trades in the week under review as compared to 39% the week before. In addition, 10 out of the 10 most actively traded bonds saw lower yields hence higher prices during the review week.
- On the other hand, the total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM3.46b in the review week compared to RM4.55b in earlier week (based on Bloomberg data). Moreover, the total trading value of the 10 most actively traded issues increased (lower trading breadth) to 32% of the overall Corporate Bonds trades in the review week as compared to 22% in the week before.

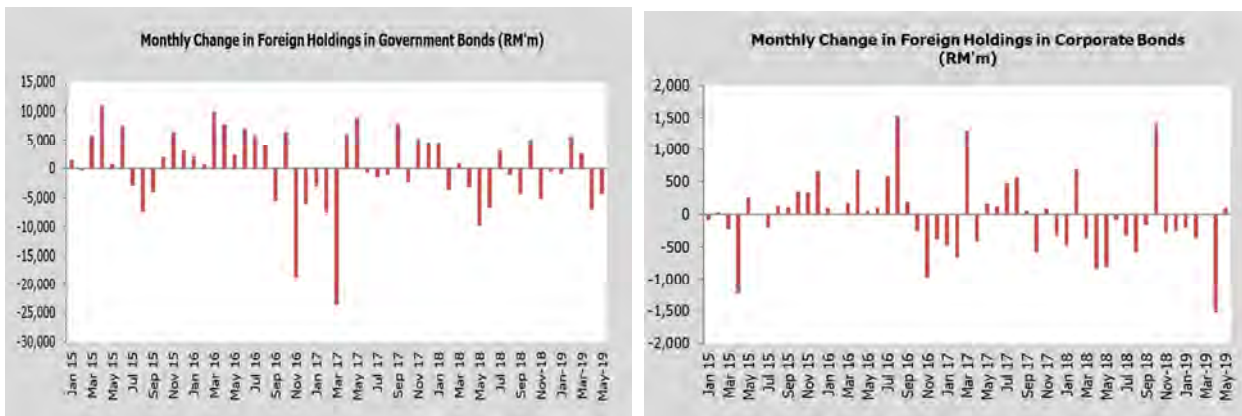
Weekly Money Review

A. FIXED INCOME



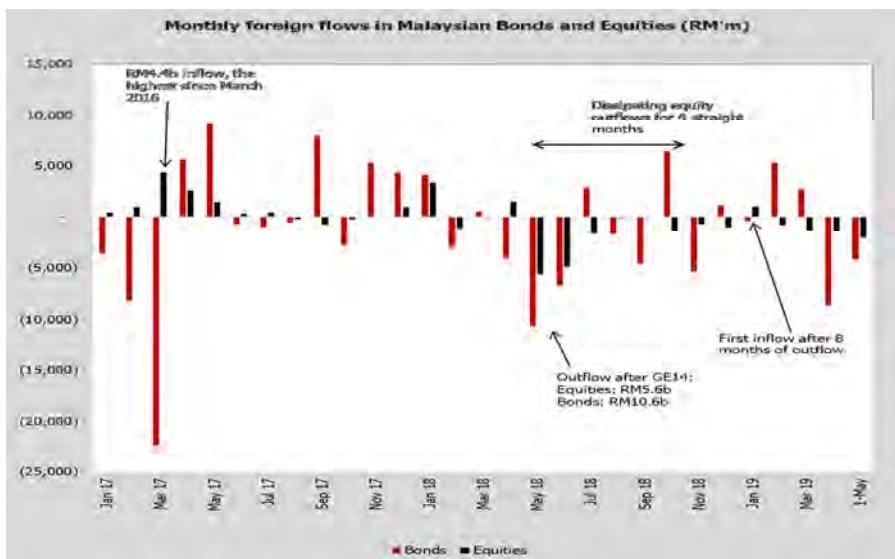
Source: Bloomberg, MIDFR

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- Furthermore, the top 3 actively traded Government Bonds were represented by issues of short and long residual tenors. The top 3 most actively traded were MGS 3.654% 10/31/19 at RM1.67b, MGS 3.885% 8/15/29 at RM1.34b, and MGS 4.378% 11/29/19 at RM1.27b.
- On the other hand, the total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM3.46b in the review week compared to RM4.55b in earlier week (based on Bloomberg data). Moreover, the total trading value of the 10 most actively traded issues increased (lower trading breadth) to 32% of the overall Corporate Bonds trades in the review week as compared to 22% in the week before.
- The top 3 actively traded Corporate Bonds were dominated by issues of short and mid residual tenors. The biggest trading values were seen in MKD Kencana 4.43% 2/21/25 at RM225m, PLUS 4.31% 1/12/21 at RM102m, and Danainfra 4.15% 2/12/26 at RM100m.
- Total foreign holdings of Government Bonds stood at RM158.0b as at end-May 2019. It was a decline of -RM4.3b from the April 2019 figure of RM162.3b.
- Likewise, total foreign holdings of Corporate Bonds decreased by -RM94.0m in the month of May 2019 to RM12.0b.



Source: BNM

- In comparison to equities, the bonds market saw a total net outflow worth -RM4.2b in May 2019 while the former saw a total net outflow worth -RM2.04b. 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

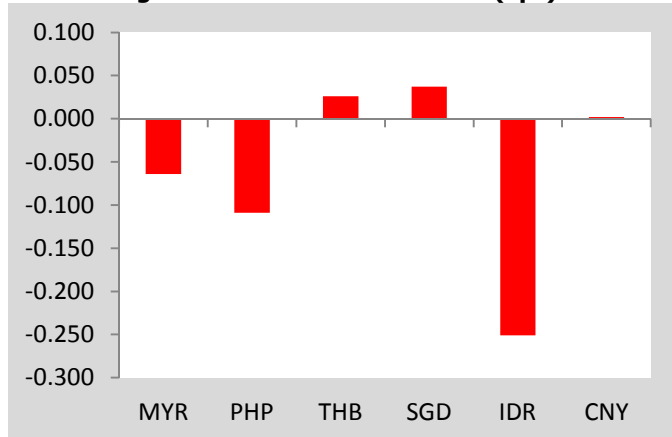
- DXY Index weakens amid possible rate cut. Based on the Fed's latest projection, there might be one rate cut in 2H19. We expect the earliest is Jul-19. Weakening NFP figure, slow IPI growth, declining exports growth and rising global uncertainties are among key factors taken by the Fed to consider for a rate cut.
- EURUSD gains, thanks to the Fed. EUR appreciated as due to the Fed's signal. On macro wise, the economic performance is showing further moderation as consumer confidence remains pessimistic, ZEW economic sentiment index fell to -20.2 points in Jun-19 (Weakest since Jan-19) and inflationary pressure stays at low levels.
- Ringgit – Improved slightly due to oil price and Fed's cut. As macro fundamentals remain solid, trivial rebound in global oil price affects MYR to appreciate to 4.15 levels. Brent oil price increased marginally from \$62pbd on 14th Jun-19 to \$65pbd on 21st. In addition, the signal hinted by the Fed to cut interest rate indirect appreciate currencies of emerging economies including Malaysia. We maintain our call MYR to average at 4.12 and register year-end target at 4.10 in 2019.

Currencies Changes (Week Ended 21/06) and Quarterly Forecasts

	Close (21/06)	Prev Close (14/06)	Change	% Change	1Q19	2Q19F	3Q19F	4Q19F
DXY Index	96.62	97.57	-0.953	-1.0%	96.46	94.94	93.88	95.83
EURUSD	1.13	1.12	0.010	0.9%	1.13	1.15	1.17	1.15
GBPUSD	1.27	1.26	0.009	0.7%	1.30	1.32	1.30	1.27
USDJPY	107.37	108.56	-1.190	1.1%	110.15	107.55	105.87	108.95
USDMYR	4.16	4.17	-0.011	0.3%	4.09	4.15	4.10	4.10
GBPMYR	5.27	5.28	-0.011	0.2%	5.32	5.29	5.38	5.45
JPYMYR	3.87	3.84	0.033	-0.9%	3.72	3.73	3.92	3.95

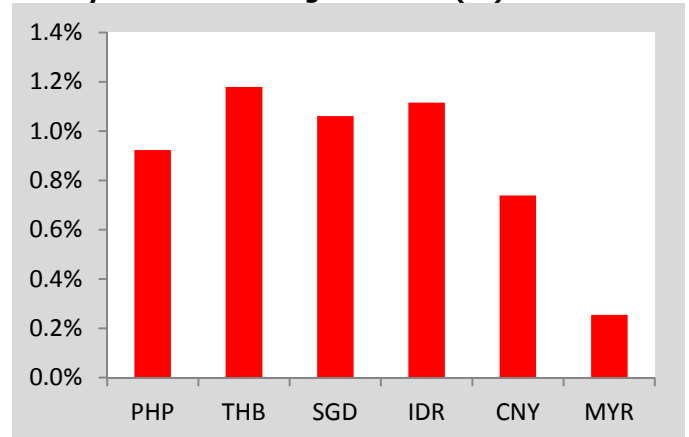
Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

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 (%)

	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19
Malaysia	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.00	3.00
Indonesia	5.75	6.00	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	4.50	4.50	4.75	4.75	4.75	4.75	4.75	4.50	4.50
Thailand	1.50	1.50	1.50	1.75	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	1.75	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	2.50	2.50	2.50	2.50	2.50	2.50	2.50

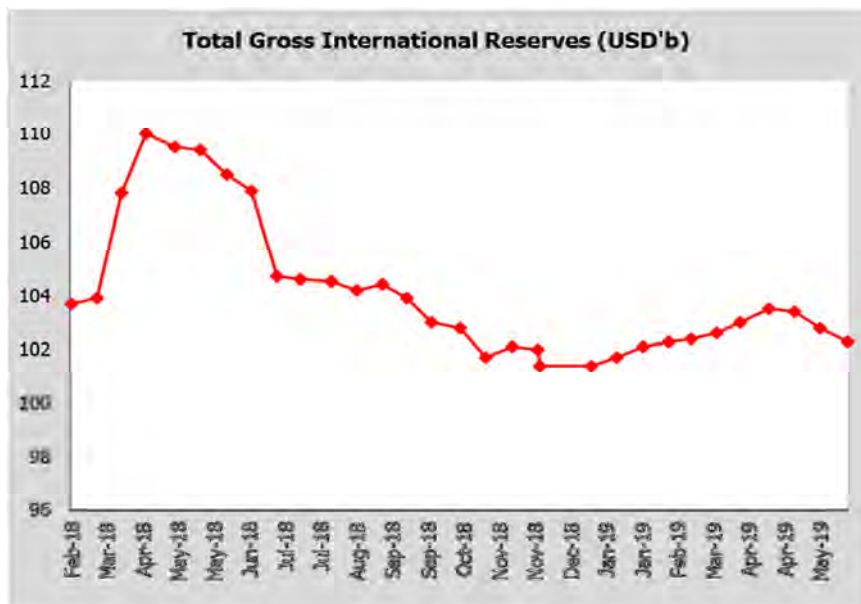
Source: CEIC, MIDFR

- 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 may consider one rate cut in 2H19.
- Weak NFP figures, moderating IPI growth and tepid retail sales growth are among factors for the Fed to consider for a rate cut in 2019.
- The IBD/TIPP economic optimism in the US fell to 4-month low in Jun-19. Among the components, the six-month economic outlook turns pessimistic amid revival of trade war with China. On a flip side, optimism in federal government policies and personal financial outlook remains high.
- ECB sees no rate hike in 2019.
- IPI growth at 4%yoy, highest in six-month. Supported by rebound in mining and continuous steady expansion in factory and electricity output.
- Distributive trade grew steadily at 5.3%yoy while employment growth at 1.9%yoy and jobless rate at 3.4%, reflecting full-employment condition.
- Accommodative in global crude oil prices to support mining sector to improve in 2Q19 and 2H19.
- 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 31 May 2019, compared to previous fortnight, Bank Negara Malaysia's international reserves decreased to USD102.3b.



Source: BNM

- The amount of reserves is sufficient to finance 7.3 months of retained imports and is 1.1 times the short-term external debt. 

APPENDIX

WEEKLY INTEREST RATE MONITOR

Tenor	14-Jun Fri	17-Jun Mon	18-Jun Tue	19-Jun Wed	20-Jun Thu	21-Jun Fri	Change (WoW bp)
MGS							
3-Y	3.36	3.352	3.354	3.361	3.356	3.328	-3.2
5-Y	3.463	3.46	3.451	3.46	3.423	3.427	-3.6
7-Y	3.615	3.617	3.62	3.623	3.575	3.56	-5.5
10-Y	3.712	3.711	3.7	3.694	3.641	3.653	-5.9
20-Y	4.157	4.164	4.164	4.163	4.113	4.123	-3.4
RINGGIT IRS							
1-Y	3.4	3.395	3.4	3.4	3.38	3.375	-2.5
3-Y	3.42	3.41	3.415	3.405	3.375	3.385	-3.5
5-Y	3.485	3.485	3.485	3.475	3.44	3.45	-3.5
7-Y	3.56	3.57	3.575	3.565	3.515	3.525	-3.5
10-Y	3.74	3.765	3.745	3.75	3.7	3.715	-2.5
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	1.7823	1.812	1.7985	1.688	1.7311	1.7229	-5.94
5-Y	1.8326	1.8556	1.8324	1.7581	1.781	1.7906	-4.2
7-Y	1.9463	1.9679	1.9318	1.8839	1.8933	1.9146	-3.17
10-Y	2.0804	2.0942	2.0595	2.0233	2.0284	2.054	-2.64
30-Y	2.5856	2.5827	2.5488	2.5351	2.5401	2.5841	-0.15
USD LIBOR							
1-M	2.38175	2.39025	2.38288	2.38338	2.40363	2.40438	2.263
2-M	2.39438	2.40638	2.39838	2.39538	2.381	2.37663	-1.775
3-M	2.402	2.4185	2.38663	2.38613	2.34313	2.34925	-5.275

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	14-Jun Yield	21-Jun Yield	Change (WoW bp)	Weekly Volume (RM bn)
MALAYSIA GOVERNMENT	3.654	10/31/19	3.120	3.099	-2.1	1,666.3
MALAYSIA GOVERNMENT	3.885	08/15/29	3.712	3.653	-5.9	1,344.9
MALAYSIA GOVERNMENT	4.378	11/29/19	3.119	3.069	-5.0	1,273.6
MALAYSIA GOVERNMENT	4.642	11/07/33	4.002	3.976	-2.6	1,269.5
MALAYSIA GOVERNMENT	3.906	07/15/26	3.615	3.560	-5.5	1,143.4
MALAYSIA GOVERNMENT	3.882	03/10/22	3.360	3.328	-3.2	1,002.8
MALAYSIA GOVERNMENT	3.733	06/15/28	3.753	3.680	-7.3	851.6
MALAYSIA GOVERNMENT	3.899	11/16/27	3.764	3.655	-10.9	825.5
MALAYSIA INVESTMNT ISSUE	4.13	07/09/29	3.736	3.662	-7.4	735.7
MALAYSIA INVESTMNT ISSUE	3.729	03/31/22	3.409	3.372	-3.7	713.9
TOTAL VOLUME (TOP 10)						10,827.0
TOTAL VOLUME (Overall)						26,554.0

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	14-Jun Yield	21-Jun Yield	Change (WoW bp)	Weekly Volume (RM bn)
MKD KENCANA SDN BHD	4.43	02/21/25	#N/A N/A	3.725	#VALUE!	225.0
PROJEK LEBUHRAYA USAHASA	4.31	01/12/21	#N/A N/A	3.623	#VALUE!	102.0
DANAINFRA NASIONAL	4.15	02/12/26	#N/A N/A	3.619	#VALUE!	100.0
KHAZANAH NASIONAL BHD	ZERO	09/02/22	3.547	3.503	-4.4	100.0
GOVCO HOLDINGS BHD	4.88	09/28/32	4.256	4.229	-2.7	100.0
JAMBATAN KEDUA SDN BHD	4.2	07/28/26	#N/A N/A	3.882	#VALUE!	100.0
GOVCO HOLDINGS BHD	4.95	02/20/32	4.152	4.149	-0.3	100.0
KUALA LUMPUR KEPONG BHD	4	09/02/22	#N/A N/A	3.822	#VALUE!	95.0
MKD KENCANA SDN BHD	4.85	10/01/32	4.208	4.085	-12.3	90.0
SMALL MEDIUM ENT BANK	4.03	03/22/24	#N/A N/A	3.694	#VALUE!	90.0
TOTAL VOLUME (TOP 10)						1,102.0
TOTAL VOLUME (Overall)						3,458.8

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.