

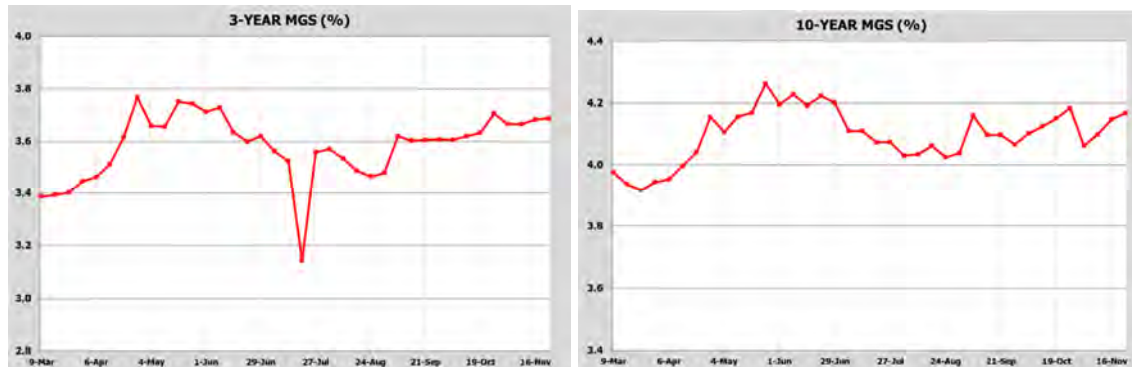
MIDF Strategy | 26 November 2018

Week Ended 23 November

- UST rallied (prices up; yields down) last week as investors rotated some of their exposures to the safety of government credit amid falling equities and crude oil prices.
- Furthermore, the yield curve flattened as the long-end outperformed. The 10y-3y yield spread narrowed to +20bps from +22bps a week earlier.
- Domestically, the price of MGS benchmark issues ended the review week mixed with the 3-year and 10-year yields increased 0.8bp and declined -1.6bps respectively to close the week at 3.69% and 4.13%.
- Total trading value for Government Bonds (MGS/MII) increased to RM11.1b in the review week compared to RM9.7b in the previous week (based on Bloomberg data). The total trading value of 10 most actively traded issues increased (lower trading breadth) to 69% of the overall Government Bonds trades in the week under review vis-à-vis 66% in the week before. In addition, 5 out of the 10 most actively traded bonds saw lower yields hence higher prices during the review week.
- In contrast, the total trading value for Corporate Bonds (Conventional & Sukuk) decreased to RM1.66b in the review week compared to RM1.95b in earlier week (based on Bloomberg data). The total trading value of 10 most actively traded issues increased (lower trading breadth) to 45% of the overall Corporate Bonds trades from 34% in the week before.

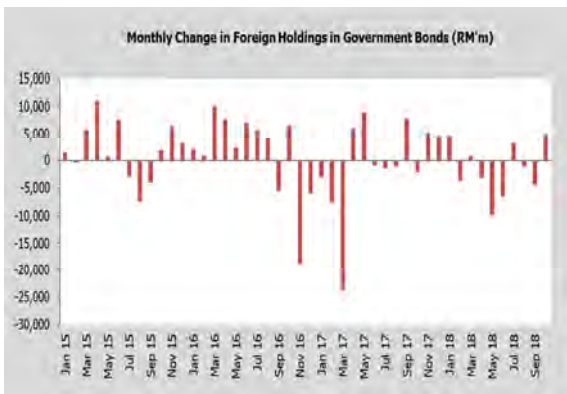
Weekly Money Review

A. FIXED INCOME



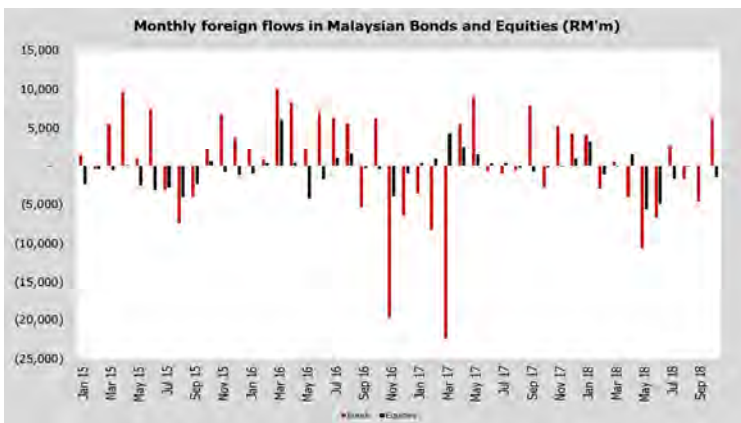
Source: Bloomberg

- UST rallied (prices up; yields down) last week as investors rotated some of their exposures to the safety of government credit amid falling equities and crude oil prices.
- Furthermore, the yield curve flattened as the long-end outperformed. The 10y-3y yield spread narrowed to +20bps from +22bps a week earlier.
- Domestically, the price of MGS benchmark issues ended the review week mixed with the 3-year and 10-year yields increased 0.8bp and declined -1.6bps respectively to close the week at 3.69% and 4.13%.
- Total trading value for Government Bonds (MGS/MII) increased to RM11.1b in the review week compared to RM9.7b in the previous week (based on Bloomberg data). The total trading value of 10 most actively traded issues increased (lower trading breadth) to 69% of the overall Government Bonds trades in the week under review vis-à-vis 66% in the week before. In addition, 5 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 varied residual tenors. The top 3 most actively traded were MII 3.558% 04/30/19 at RM1.98b, MGS 4.369% 10/31/28 at RM1.01b and MGS 3.492% 03/13/20 at RM831.9m.
- In contrast, the total trading value for Corporate Bonds (Conventional & Sukuk) decreased to RM1.66b in the review week compared to RM1.95b in earlier week (based on Bloomberg data). The total trading value of 10 most actively traded issues increased (lower trading breadth) to 45% of the overall Corporate Bonds trades from 34% in the week before.
- The top 3 actively traded Corporate Bonds were dominated by issues with short and long residual tenors. The biggest trading values were seen in Pengurusan Air SPV Bhd 3.96% 06/05/20 at RM180m, Malaysia Debt Ventures 4.39% 09/14/28 at RM150m and AmIslamic Bank Berhad 4.45% 03/06/20 at RM70m.
- Total foreign holdings of Government Bonds stood at RM167.7b as at end-Oct 2018. It was an increase of RM5.0b from the Sept 2018 figure of RM162.7b.
- In tandem, total foreign holdings of Corporate Bonds increased by RM1.4b in the month of October 2018 to RM14.6b.



Source: BNM

- In comparison to equities, the bonds market saw a total net inflow worth RM6.4b in October 2018 while the former saw a total net outflow worth -RM1.4b. Furthermore, year-to-date (Jan-Oct), both equities and bonds markets remained in the red with total net outflows of -RM10.0b and -RM23.2b respectively.



Source: BNM, Bursa Preliminary Statistics

B. FOREIGN EXCHANGE

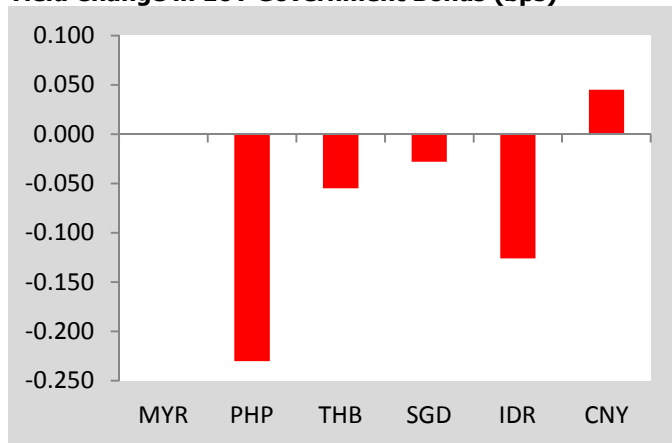
- DXY Index remains on strengthening path. Despite of the midterm elections held in Nov-18, business confidences in the US stay on optimistic lane. Flash Markit's manufacturing and services PMI registered at 55.4 and 54.4 points respectively in Nov-18. The business confidence indicator signals continuous expansion in the economy particularly driven by domestic demand. Henceforth, the likelihood of a rate hike in Dec-18 is very high and supporting the Fed's normalization plan for 2019.
- EURUSD declined over falling PMI. The Eurozone Manufacturing PMI fell to 51.5 points in Nov-18 from 52 points in the preceding month. The reading is the weakest since May-16 as new orders as well as exports orders continue on declining patterns amid concerns over geopolitical stress in EU and global trade protectionism measures. Brexit deal and Italy's populist budget are two major dragging factors for EU.
- Ringgit – Reach 1-year low. MYR touches 4.20 on last Friday amid falling global crude oil prices and continuous market uncertainties. Brent crude oil fell to below \$60pbd mark, lowest point since Oct-17. On domestic macro data, inflation rate in Malaysia rose slightly in Oct-18. Headline and core inflation improve at 0.6% (Highest in 3-month) and 0.4% (Highest in 5-month). We maintain our call MYR to average at 4.00 and register year-end target at 4.10.

Currencies Changes (Week Ended 23/11) and Quarterly Forecasts

	Close (23/11)	Prev Close (16/11)	Change	% Change	1Q18	2Q18	3Q18	4Q18F
DXY Index	96.61	96.47	0.148	0.2%	90.07	92.79	95.02	96.99
EURUSD	1.14	1.14	-0.005	-0.4%	1.23	1.19	1.16	1.14
GBPUSD	1.28	1.28	0.000	0.0%	1.39	1.37	1.30	1.28
USDJPY	112.90	112.83	0.070	-0.1%	108.09	109.24	111.48	114.72
USDMYR	4.20	4.19	0.006	-0.1%	3.92	3.95	4.10	4.00
GBPMYR	5.39	5.36	0.028	-0.5%	5.46	5.37	5.33	5.40
JPYMYR	3.72	3.71	0.003	-0.1%	3.63	3.62	3.67	3.70

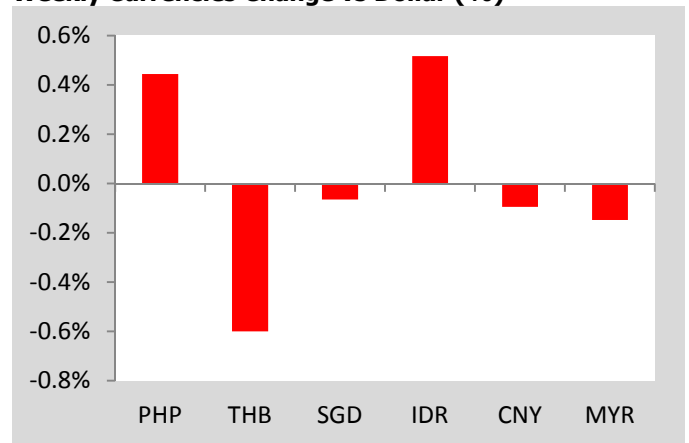
Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

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 (%)

	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18
Malaysia	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
Indonesia	4.25	4.25	4.75	5.25	5.25	5.50	5.75	5.75	5.75
Singapore	Neut.	Neut.	Neut.	Neut.	Neut.	Neut.	Neut.	Neut.	Neut.
Philippines	3.00	3.00	3.00	3.25	3.25	4.00	4.50	4.50	4.50
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	1.50	1.50	1.50	1.50	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	0.50	0.50	0.50	0.50	0.50	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	1.75	1.75	1.75	2.00	2.00	2.00	2.25	2.25	2.25

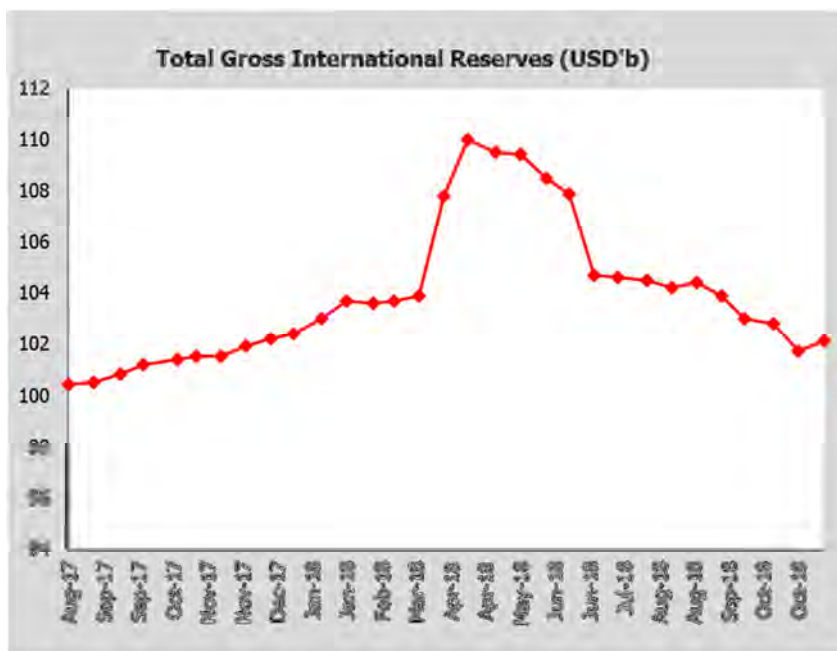
Source: CEIC, MIDFR

- Growth moderation for the global economy is expected in the near term as pocket of uneven growth seen in different parts of the world based on 3Q GDP figures.
- Ongoing headwinds such as trade tension, geopolitical instability, policy and political uncertainties, tightening monetary policy, volatility in commodities prices remain as key factors affecting growth.
- Both business and consumer sentiments in most major and developing markets are showing signs of moderation.


- Domestic leading indicators for businesses are also pointing toward moderation leading into 1Q 2019.
- Pace in rate of normalization in the US shift risk appetite and boost dollar strength which is negative to EM currencies - the trend observed in the last couple of months.
- Federal Reserve will release its latest minutes this week to provide clues of future monetary policy path.
- President Trump and his counterpart Xi Jinping are expected to meet on the sidelines of a G20 summit in Argentina to discuss about the ongoing trade spat.
- Domestically, consumption is expected to remain robust amid stable labor market and positive wage growth.
- Headline inflation in the upcoming months is expected to remain tepid but tracking upward. The trend is expected to continue.
- Current monetary policy remains accommodative at present to support growth in the domestic economy.

C. BNM FOREIGN RESERVES

- As at 15 November 2018, compared to previous fortnight, Bank Negara Malaysia's international reserves decreased to USD102.1b.



Source: BNM

- The amount of reserves is sufficient to finance 7.7 months of retained imports and is 1.0 times the short-term external debt. 

APPENDIX

WEEKLY INTEREST RATE MONITOR

Tenor	16-Nov Fri	19-Nov Mon	20-Nov Tue	21-Nov Wed	22-Nov Thu	23-Nov Fri	Change (WoW bp)
MGS							
3-Y	3.683	3.699	3.699	3.687	3.687	3.691	0.8
5-Y	3.856	3.826	3.826	3.893	3.874	3.874	1.8
7-Y	4.057	4.057	4.057	4.084	4.07	4.063	0.6
10-Y	4.148	4.154	4.154	4.161	4.168	4.132	-1.6
20-Y	4.79	4.79	4.79	4.79	4.79	4.754	-3.6
RINGGIT IRS							
1-Y	3.715	3.715	3.715	3.715	3.71	3.72	0.5
3-Y	3.78	3.78	3.78	3.775	3.775	3.775	-0.5
5-Y	3.8875	3.885	3.885	3.875	3.885	3.8825	-0.5
7-Y	3.995	4.005	4.005	3.9925	3.995	3.995	0
10-Y	4.2	4.2	4.2	4.2	4.2	4.2	0
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	2.842	2.831	2.8474	2.8501	2.8501	2.8361	-0.59
5-Y	2.8782	2.8697	2.8867	2.8901	2.8901	2.8662	-1.2
7-Y	2.9698	2.9697	2.9747	2.9772	2.9772	2.9496	-2.02
10-Y	3.0628	3.0628	3.0628	3.0627	3.0627	3.039	-2.38
30-Y	3.3163	3.3212	3.3147	3.3163	3.3163	3.3015	-1.48
USD LIBOR							
1-M	2.30088	2.30025	2.3055	2.31513	2.31488	2.32188	2.1
2-M	2.45213	2.45769	2.4585	2.47313	2.48013	2.49538	4.325
3-M	2.6445	2.64581	2.65313	2.67694	2.68925	2.69119	4.669

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	16-Nov Yield	23-Nov Yield	Change (WoW bp)	Weekly Volume (RM bn)
MALAYSIA INVESTMNT ISSUE	3.558	04/30/19	3.253	3.251	-0.2	1,975.0
MALAYSIA INVESTMNT ISSUE	4.369	10/31/28	4.270	4.247	-2.3	1,010.7
MALAYSIA GOVERNMENT	3.492	03/31/20	3.505	3.528	2.3	831.9
MALAYSIA GOVERNMENT	3.955	09/15/25	4.110	4.135	2.5	657.9
MALAYSIA GOVERNMENT	4.378	11/29/19	3.453	3.439	-1.4	633.6
MALAYSIA GOVERNMENT	4.642	11/07/33	4.572	4.540	-3.2	591.1
MALAYSIA INVESTMNT ISSUE	4.128	08/15/25	4.168	4.170	0.2	590.4
MALAYSIA GOVERNMENT	3.757	04/20/23	3.856	3.874	1.8	491.0
MALAYSIA GOVERNMENT	3.654	10/31/19	3.424	3.430	0.6	482.5
MALAYSIA GOVERNMENT	3.759	03/15/19	3.293	3.232	-6.1	335.0
TOTAL VOLUME (TOP 10)						7,598.9
TOTAL VOLUME (Overall)						11,086.8

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	16-Nov Yield	23-Nov Yield	Change (WoW bp)	Weekly Volume (RM bn)
PENGURUSAN AIR SPV BHD	3.96	06/05/20	3.834	3.847	1.3	180.0
MALAYSIA DEBT VENTURES	4.39	09/14/28	4.411	4.411	0.0	150.0
AMISLAMIC BANK BHD	4.45	03/06/20	4.223	4.200	-2.3	70.0
RANTAU ABANG CAPITAL	4.3	12/03/20	4.051	4.051	0.0	65.0
SARAWAK ENERGY BHD	5.32	12/03/32	4.837	4.828	-0.9	60.0
BGSM MANAGEMENT SDN BHD	6.6	12/27/19	#N/A N/A	4.209	#VALUE!	50.0
GB SERVICES BHD	5.3	11/08/19	4.642	4.370	-27.2	45.0
UMW HOLDINGS BERHAD	5.22	10/02/26	4.758	4.758	0.0	40.0
PERBADANAN TABUNG PENDID	4.86	03/12/32	#N/A N/A	4.652	#VALUE!	40.0
MKD KENCANA SDN BHD	4.85	10/01/32	#N/A N/A	4.660	#VALUE!	40.0
TOTAL VOLUME (TOP 10)						740.0
TOTAL VOLUME (Overall)						1,656.3

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.