

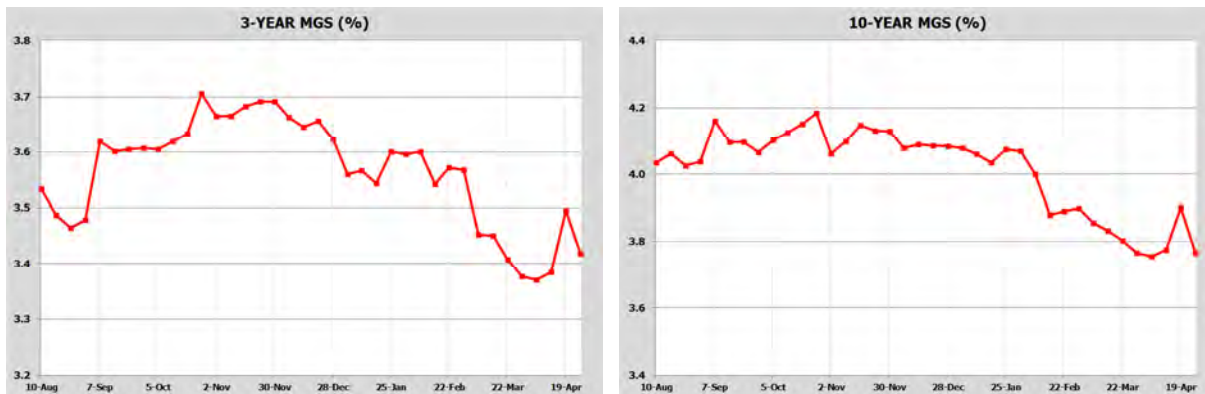
MIDF Strategy | 29 April 2019

Week Ended 26 April 2019

- UST registered another all-around gains (prices up; yields down) last week despite buoyant economic data, namely (1) US 1Q18 GDP expanded 3.2% (highest 1Q performance since 2015), soundly beat expectations for 2.5% growth, and (2) new orders for manufactured goods in the US rose by 2.7%mom, fastest since Aug-18. Not surprisingly however, the 10y-3y yield spread steepened further (as the short-end outperformed) to +25bps from +21bps a week earlier.
- Domestically, the MGS market saw significant reversals to the knee-jerk yield spike over FTSE Russell statement the week before that it may drop Malaysian sovereign debt from the FTSE World Government Bond Index. Consequently, the price of MGS benchmark issues ended the review week higher while the curve flattened as the long-end outperformed with the 3-year and 10-year yields tumbled -7.6bps and -13.6bps respectively to close at 3.42% and 3.77%.
- Total trading value for Government Bonds (MGS/MII) declined to RM19.4b in the review week compared to RM25.1b in the previous week (based on Bloomberg data). The total trading value of 10 most actively traded issues dropped (higher trading breadth) to 41% of the overall Government Bonds trades in the week under review as compared to 49% in the week before. In addition, all of the 10 most actively traded bonds saw lower yields hence higher prices during the review week.
- Likewise, the total trading value for Corporate Bonds (Conventional & Sukuk) decreased to RM2.57b in the review week compared to RM3.31b in earlier week (based on Bloomberg data). Moreover, the total trading value of the 10 most actively traded issues dropped (higher trading breadth) to 22% of the overall Corporate Bonds trades in the review week as compared to 26% in the week before.

Weekly Money Review

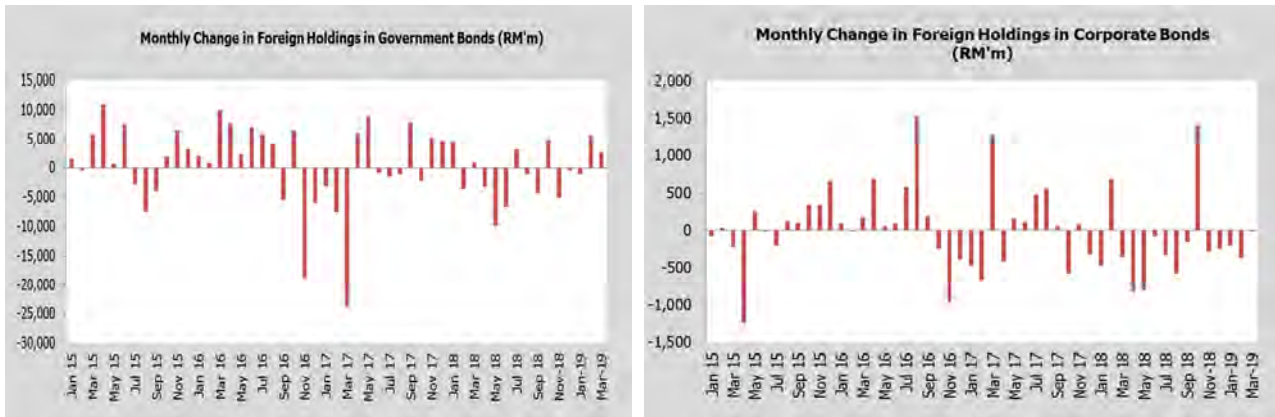
A. FIXED INCOME



Source: Bloomberg, MIDFR

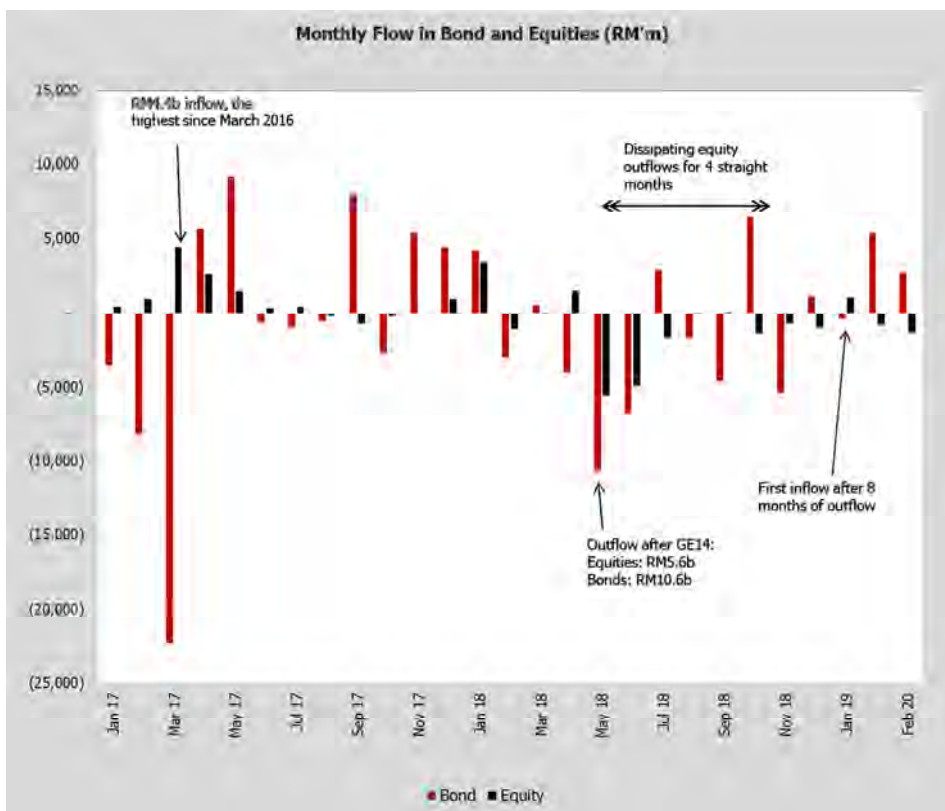
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- Total trading value for Government Bonds (MGS/MII) declined to RM19.4b in the review week compared to RM25.1b in the previous week (based on Bloomberg data). The total trading value of 10 most actively traded issues dropped (higher trading breadth) to 41% of the overall Government Bonds trades in the week under review as compared to 49% in the week before. In addition, all 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 varied residual tenors. The top 3 most actively traded were MII 4.045% 8/15/24 at RM1.04b, MII 4.13% 7/09/29 at RM1.00b, and MII 4.729% 3/31/22 at RM932m.
- Likewise, the total trading value for Corporate Bonds (Conventional & Sukuk) decreased to RM2.57b in the review week compared to RM3.31b in earlier week (based on Bloomberg data). Moreover, the total trading value of the 10 most actively traded issues dropped (higher trading breadth) to 22% of the overall Corporate Bonds trades in the review week as compared to 26% in the week before.
- The top 3 actively traded Corporate Bonds were dominated by issues with mid residual tenor. The biggest trading values were seen in PTPTN 4.45% 3/12/27 at RM80m, Danainfra 4.33% 11/15/24 at RM70m, and Prasarana 4.00% 9/06/27 at RM65m.
- 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 strong uptrend amid trade deal. President Donald Trump indicated China's President Xi Jinping would be visiting the White House soon. The expectation of both leaders signing a trade deal is very high during this upcoming visit. On macro data, new orders for manufactured goods in the US rose by 2.7% mom, fastest since Aug-18.
- EURUSD weakens slightly. EU's largest economic power Germany saw a marginal drop in its business confidence level in Apr-19. The Ifo Business Climate Index fell 0.5 points to 99.2, lower than the previous month. In order to

calm “Yellow Vest” protesters, French president Macron announced further tax cuts. Indirectly, this would enlarge France’s budget deficit, way above EU’s fiscal deficit limit target of 3%.

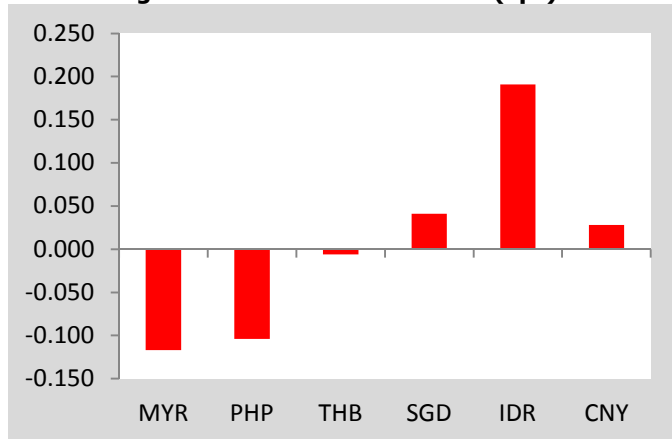
- Ringgit – Show signs of improvement. MYR appreciated slightly in the early weeks as headline CPI returned to positive rate at 0.2% in Mar-19. Core CPI stays on uptick trend, recording 0.5% during the month. Possible Xi Jinping’s visit to the US and gradual rise in Brent crude oil price provide sanguine prospects for MYR to appreciate in the near term. We maintain our call MYR to average at 4.05 and register year-end target at 4.00 in 2019.

Currencies Changes (Week Ended 26/04) and Quarterly Forecasts

	Close (26/04)	Prev Close (19/04)	Change	% Change	1Q19	2Q19F	3Q19F	4Q19F
DXY Index	98.01	97.38	0.628	0.6%	96.46	94.94	93.88	95.83
EURUSD	1.12	1.12	-0.009	-0.8%	1.13	1.15	1.17	1.15
GBPUSD	1.29	1.30	-0.008	-0.6%	1.30	1.32	1.30	1.27
USDJPY	111.58	111.92	-0.340	0.3%	110.15	107.55	105.87	108.95
USDMYR	4.13	4.13	-0.002	0.0%	4.09	4.01	4.10	4.00
GBPMYR	5.34	5.37	-0.037	0.7%	5.32	5.29	5.38	5.45
JPYMYR	3.70	3.69	0.011	-0.3%	3.72	3.73	3.92	3.95

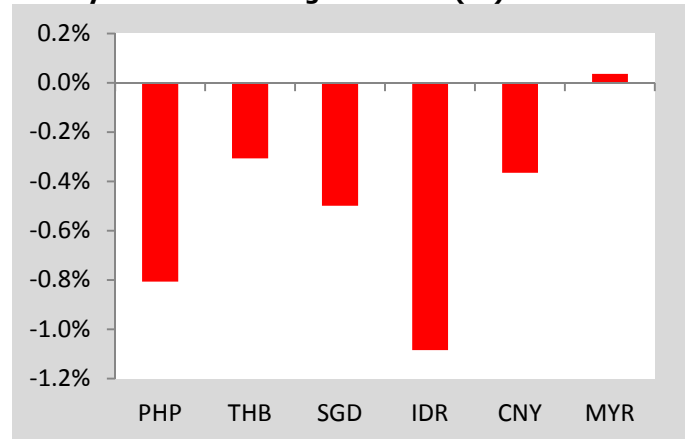
Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

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 (%)

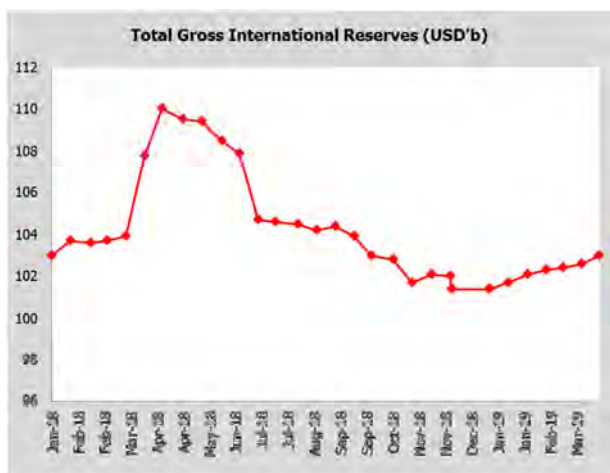
	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19
Malaysia	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
Indonesia	5.50	5.75	5.75	6.00	6.00	6.00	6.00	6.00	6.00
Singapore	Neut.	Neut.	Neut.	Neut.	Neut.	Neut.	Neut.	Neut.	Neut.
Philippines	3.25	4.00	4.50	4.50	4.75	4.75	4.75	4.75	4.75
Thailand	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. President Xi Jinping is expected to visit the White House soon.
- 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.
- Headline CPI returns to positive rate at 0.2% while core CPI stays on uptrend, 0.5% in Mar-19.
- Malaysia's economy is likely to continue growing in June to August 2019 however at a moderating pace as indicated by Malaysian Leading Index.
- The monthly change of leading index (LI) fell in Feb-19, registering a negative growth of -2.2%, deviating from a 1.3% rise in the preceding month as five out of seven components recorded decreases.
- 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	19-Apr Fri	22-Apr Mon	23-Apr Tue	24-Apr Wed	25-Apr Thu	26-Apr Fri	Change (WoW bp)
MGS							
3-Y	3.495	3.476	3.454	3.439	3.423	3.419	-7.6
5-Y	3.678	3.689	3.648	3.624	3.617	3.585	-9.3
7-Y	3.857	3.869	3.802	3.759	3.714	3.754	-10.3
10-Y	3.902	3.908	3.863	3.837	3.784	3.766	-13.6
20-Y	4.436	4.424	4.409	4.394	4.353	4.353	-8.3
RINGGIT IRS							
1-Y	3.55	3.55	3.548	3.5405	3.53	3.53	-2
3-Y	3.59	3.58	3.565	3.545	3.54	3.5445	-4.55
5-Y	3.66	3.67	3.65	3.625	3.6	3.595	-6.5
7-Y	3.745	3.74	3.745	3.725	3.68	3.69	-5.5
10-Y	3.97	3.95	3.95	3.95	3.9	3.9	-7
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	2.3482	2.3537	2.3319	2.2827	2.3019	2.2471	-10.11
5-Y	2.3709	2.3863	2.3593	2.3119	2.3299	2.2882	-8.27
7-Y	2.4617	2.4841	2.4569	2.4074	2.4248	2.3847	-7.7
10-Y	2.5596	2.5885	2.565	2.5181	2.5325	2.4982	-6.14
30-Y	2.961	2.9919	2.98	2.9343	2.9421	2.9233	-3.77
USD LIBOR							
1-M	2.48088	2.48088	2.47663	2.48338	2.4785	2.48313	0.225
2-M	2.54113	2.54113	2.53063	2.54163	2.54538	2.54138	0.025
3-M	2.58113	2.58113	2.58025	2.58638	2.58238	2.58275	0.162

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	19-Apr Yield	26-Apr Yield	Change (WoW bp)	Weekly Volume (RM bn)
MALAYSIA INVESTMNT ISSUE	4.045	08/15/24	3.752	3.719	-3.3	1,040.0
MALAYSIA INVESTMNT ISSUE	4.13	07/09/29	3.983	3.860	-12.3	1,004.3
MALAYSIA INVESTMNT ISSUE	3.729	03/31/22	3.548	3.445	-10.3	932.0
MALAYSIA INVESTMNT ISSUE	4.369	10/31/28	4.000	3.862	-13.8	859.5
MALAYSIA GOVERNMENT	4.642	11/07/33	4.261	4.130	-13.1	824.8
MALAYSIA GOVERNMENT	3.885	08/15/29	3.944	3.766	-17.8	741.3
MALAYSIA INVESTMNT ISSUE	3.655	10/15/24	3.767	3.640	-12.7	714.0
MALAYSIA GOVERNMENT	3.733	06/15/28	4.036	3.857	-17.9	625.1
MALAYSIA GOVERNMENT	3.757	04/20/23	3.678	3.585	-9.3	585.2
MALAYSIA INVESTMNT ISSUE	4.094	11/30/23	3.747	3.675	-7.2	585.1
TOTAL VOLUME (TOP 10)						7,911.3
TOTAL VOLUME (Overall)						19,348.3

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	19-Apr Yield	26-Apr Yield	Change (WoW bp)	Weekly Volume (RM bn)
PERBADANAN TABUNG PENDID	4.45	03/12/27	#N/A N/A	4.048	#VALUE!	80.0
DANAINFRA NASIONAL	4.33	11/15/24	#N/A N/A	3.827	#VALUE!	70.0
PRASARANA MALAYSIA BHD	4	09/06/27	3.917	3.948	3.1	65.0
MANJUNG ISLAND ENERGY BH	4.12	11/25/20	4.009	3.937	-7.2	65.0
DANAINFRA NASIONAL	4.33	04/04/25	3.840	3.841	0.1	55.0
DANAINFRA NASIONAL	4.55	05/02/28	3.950	4.003	5.3	50.0
PERBADANAN TABUNG PENDID	4.27	03/01/29	4.046	4.107	6.1	50.0
MMC CORP BHD	5.95	11/12/27	5.371	5.398	2.7	49.2
DANAINFRA NASIONAL	4.29	04/30/26	3.902	3.866	-3.6	45.0
DANAINFRA NASIONAL	4.41	07/24/24	3.874	3.809	-6.5	45.0
TOTAL VOLUME (TOP 10)						574.2
TOTAL VOLUME (Overall)						2,567.2

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.