

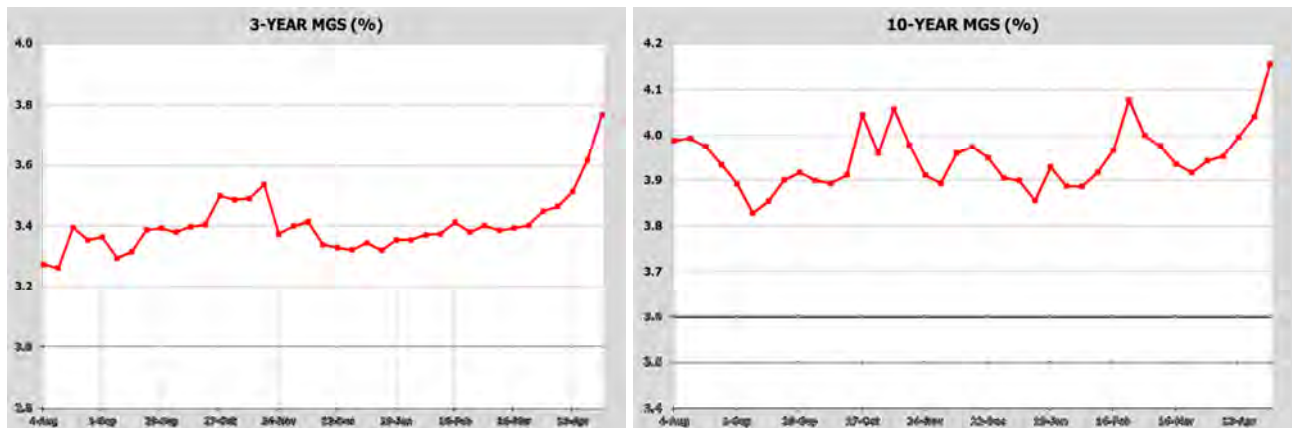
MIDF Strategy | 30 April 2018

Week Ended 27 April

- The selloff in UST continued earlier last week but buying support emerged later in the week to take advantage of cheaper prices despite recent buoyant economic data, i.e. higher than expected GDP growth in 1Q18 and positive consumer sentiment. The 3-year yield was barely changed week-on-week at 2.62% while the 10-year yield pulled back to below the (3%) threshold level to close the week at 2.96%.
- In contrast, the prices of local MGS benchmark issues ended the review week lower arguably due to uncertainties over the outcome of GE14 scheduled for next week. Week-on-week, the 3-year and 10-year yields were respectively higher at +15.1bps and +11.4bps to close at 3.77% and 4.16%.
- Total trading value for Government Bonds (MGS/MII) increased to RM16.9b in the review week compared to RM9.2b in the previous week. The total trading value of 10 most actively traded issues increased to 64% of the overall Government Bonds trades in the week under review (vis-à-vis ~60% in the week before). In addition, all top 10 most actively traded bonds saw higher yields hence lower prices during the week.
- On the other hand, the total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM1.87b in the review week compared to RM2.36b in earlier week. The total trading value of 10 most actively traded issues increased to 41% of the overall Corporate Bonds trades (from ~32% in the week before).

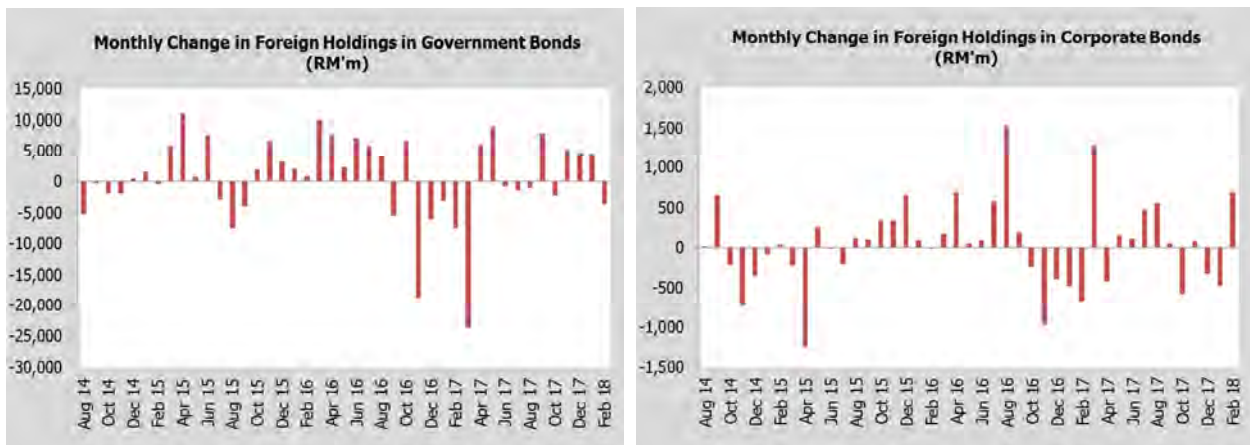
Weekly Money Review

A. FIXED INCOME



Source: Bloomberg

- The selloff in UST continued earlier last week but buying support emerged later in the week to take advantage of cheaper prices despite recent buoyant economic data, i.e. higher than expected GDP growth in 1Q18 and positive consumer sentiment. The 3-year yield was barely changed week-on-week at 2.62% while the 10-year yield pulled back to below the (3%) threshold level to close the week at 2.96%.
- In contrast, the prices of local MGS benchmark issues ended the review week lower arguably due to uncertainties over the outcome of GE14 scheduled for next week. Week-on-week, the 3-year and 10-year yields were respectively higher at +15.1bps and +11.4bps to close at 3.77% and 4.16%.
- Total trading value for Government Bonds (MGS/MII) increased to RM16.9b in the review week compared to RM9.2b in the previous week (based on Bloomberg data). The total trading value of 10 most actively traded issues increased to 64% of the overall Government Bonds trades in the week under review (vis-à-vis ~60% in the week before). In addition, all top 10 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 3.58% 09/28/18 at RM2.23b, MGS 3.899% 11/16/27 at RM1.66b and MGS 3.882% 03/14/25 at RM1.31b.
- On the other hand, the total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM1.87b in the review week compared to RM2.36b in earlier week (based on Bloomberg data). The total trading value of 10 most actively traded issues increased to 41% of the overall Corporate Bonds trades (from ~32% 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 Sunway Sukuk Treasury 0% 05/28/18 at RM145.0m, Lebuhraya Duke Fasa 3 5.64% 08/22/31 at RM100.0m and Tenaga Nasional Berhad 5.18% 08/03/37 at RM85.0m.
- 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 highest in 16-week. The DXY index improved by 1.6%wow. Among others, higher than expected GDP growth in 1Q18 and positive consumer sentiment performance. The US's GDP increase by 2.3%yoy, faster than market expectations of 2%yoy, even though it is the slowest in 4-quarter. Plus, consumer sentiment for the US in Apr-18 revised higher to 98.8 points from previous estimate of 97.8 points. The upbeat economic results would provide additional supports for the Fed to raise its interest rate this year. We maintain our call for another two rate hikes by the Fed.
- EURUSD impacted by stronger USD. Better performance in the DXY index indirectly pressure on EUR. On a flip side, business confidence in EU went down to 8-month low of 1.35 points in Apr-18. France among the largest economy in the region posted GDP growth of 0.3%qoq in 1Q18, weakest since 3Q16 and below market estimates of 0.4%qoq. In addition, ECB is expected to continue its stimulus scheme into 2019 amid of weaker-than-expected economic performance and we view there is no rate hike to be made by the central bank in the short term.

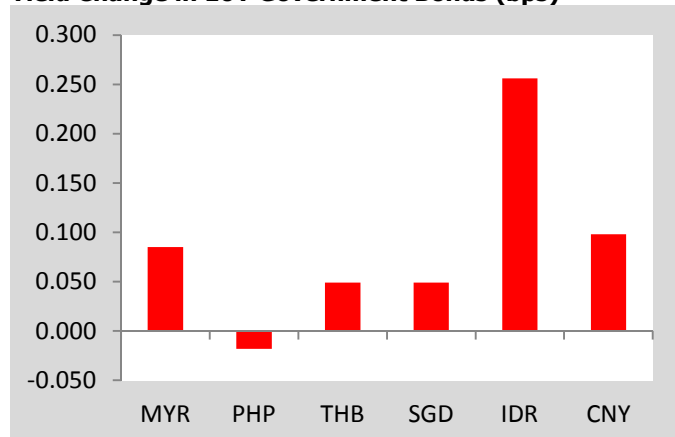
Currencies Changes (Week Ended 27/04) and Quarterly Forecasts

	Close (27/04)	Prev Close (20/04)	Change	% Change	1Q18	2Q18F	3Q18F	4Q18F
DXY Index	91.723	90.316	1.407	1.6%	90.07	90.69	91.91	95.98
EURUSD	1.207	1.229	-0.022	-1.8%	1.23	1.22	1.20	1.16
GBPUSD	1.389	1.400	-0.011	-0.8%	1.39	1.25	1.15	1.09
USDJPY	109.430	107.660	1.770	-1.6%	108.09	100.29	95.10	102.27
USDMYR	3.921	3.898	0.024	-0.6%	3.92	3.95	4.00	3.95
GBPMYR	5.447	5.476	-0.029	0.5%	5.46	4.89	4.53	4.58
JPYMYR	3.583	3.620	-0.037	1.0%	3.63	3.89	4.14	4.13

Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

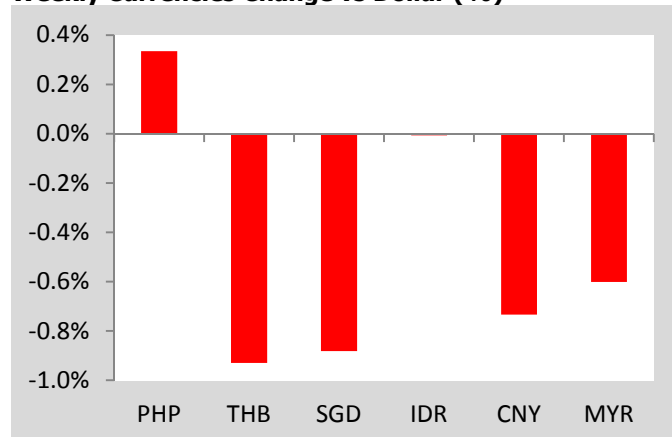
- Ringgit – Slight depreciation amid of political uncertainty. The nomination day took place on the 28th Apr-18 and the campaigning period will end on the polling day 9th May-18. We can expect MYR to continue on depreciating pace especially during this less than two weeks period. Nevertheless, we maintain 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 (%)

	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18
Malaysia	3.00	3.00	3.00	3.00	3.00	3.25	3.25	3.25	3.25
Indonesia	4.50	4.25	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	1.50	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	0.25	0.25	0.25	0.50	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	1.50	1.50	1.50	1.75	1.75

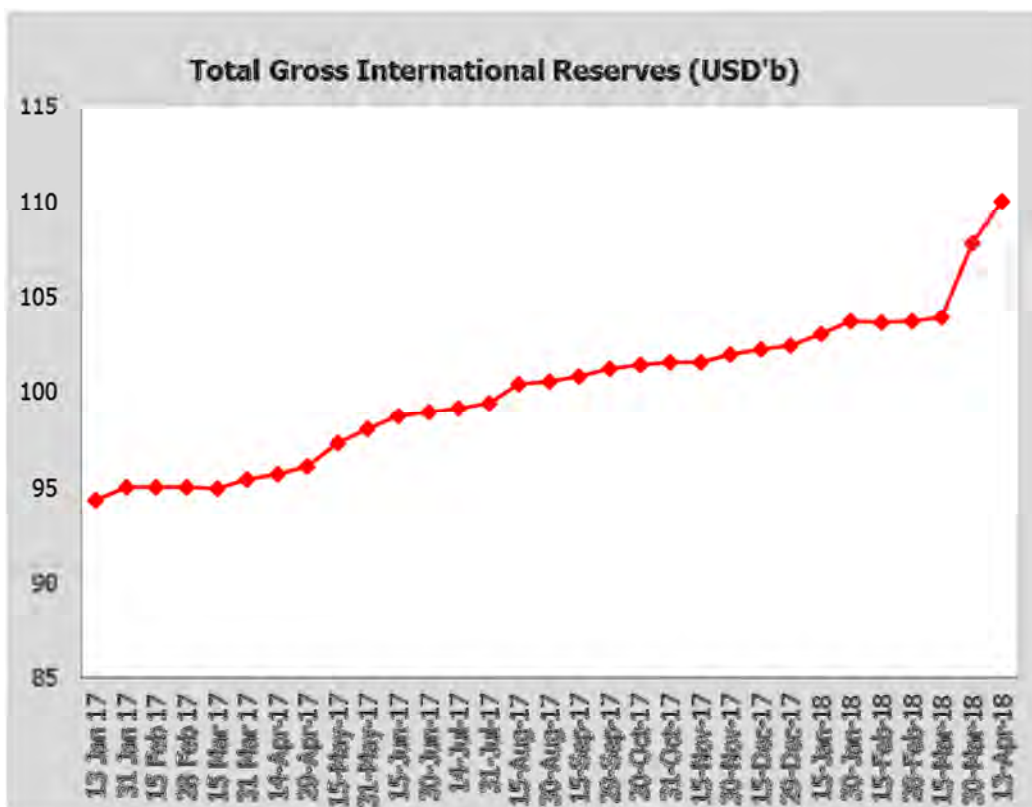
Source: CEIC, MIDFR

- Near term risk for global growth is emanating from escalating trade between US and China that can disrupt the current growth momentum.
- Cooling geopolitical tension especially in Korean Peninsular is a welcome development for global trade.
- Globally, monetary policy stance 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 positive about the trajectory of the global economy as well as their respective domestic economy.
- The risks are more on the upside. Again, we can expect see central banks to move toward normalization in months to come.
- 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 with upward bias amid rising pressure from commodities prices.


- As for domestic monetary policy, our base case scenario for OPR remains unchanged (single rate hike) for the full year.
- OPR to 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	20-Apr Fri	23-Apr Mon	24-Apr Tue	25-Apr Wed	26-Apr Thu	27-Apr Fri	Change (WoW bp)
MGS							
3-Y	3.616	3.649	3.679	3.769	3.785	3.767	15.1
5-Y	3.711	3.769	3.895	3.877	3.891	3.779	6.8
7-Y	3.945	4.049	4.074	4.065	4.097	4.051	10.6
10-Y	4.041	4.154	4.18	4.177	4.213	4.155	11.4
20-Y	4.614	4.614	4.614	4.614	4.747	4.742	12.8
RINGGIT IRS							
1-Y	3.76	3.755	3.755	3.755	3.765	3.75	-1
3-Y	3.8248	3.84	3.835	3.845	3.8435	3.82	-0.48
5-Y	3.91	3.925	3.915	3.93	3.925	3.905	-0.5
7-Y	4.01	4.05	4.04	4.05	4.05	4.015	0.5
10-Y	4.15	4.2	4.19	4.2	4.2	4.165	1.5
KLIBOR							
1-M	3.42	3.42	3.42	3.43	3.43	3.43	1
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	2.6164	2.6359	2.6333	2.6335	2.6199	2.6178	0.14
5-Y	2.7999	2.8207	2.826	2.8366	2.8124	2.8006	0.07
7-Y	2.9128	2.9357	2.9535	2.9714	2.936	2.9197	0.69
10-Y	2.9602	2.9752	2.9995	3.0259	2.9809	2.9568	-0.34
30-Y	3.1451	3.1443	3.1825	3.2068	3.1642	3.1245	-2.06
USD LIBOR							
1-M	1.89695	1.89711	1.89826	1.89988	1.90076	1.90701	1.006
2-M	2.05813	2.05938	2.06063	2.06313	2.05582	2.06111	0.298
3-M	2.35923	2.35954	2.36167	2.36561	2.35878	2.35805	-0.118

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	20-Apr Yield	27-Apr Yield	Change (WoW bp)	Weekly Volume (RM bn)
MALAYSIA GOVERNMENT	3.58	09/28/18	3.335	3.468	13.3	2,229.2
MALAYSIA GOVERNMENT	3.899	11/16/27	4.041	4.155	11.4	1,658.7
MALAYSIA GOVERNMENT	3.882	03/14/25	3.945	4.051	10.6	1,307.1
MALAYSIA GOVERNMENT	3.654	10/31/19	3.527	3.619	9.2	1,165.3
MALAYSIA GOVERNMENT	3.757	04/20/23	3.738	3.779	4.1	1,093.0
MALAYSIA INVESTMNT ISSUE	3.948	04/14/22	3.882	3.920	3.8	807.7
MALAYSIA GOVERNMENT	3.62	11/30/21	3.616	3.767	15.1	757.3
MALAYSIA GOVERNMENT	4.048	09/30/21	3.734	3.817	8.3	670.3
MALAYSIA INVESTMNT ISSUE	4.724	06/15/33	4.631	4.752	12.1	570.0
MALAYSIA GOVERNMENT	3.955	09/15/25	4.002	4.217	21.5	549.3
TOTAL VOLUME (TOP 10)						10,807.9
TOTAL VOLUME (Overall)						16,880.0

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	20-Apr Yield	27-Apr Yield	Change (WoW bp)	Weekly Volume (RM bn)
SUNWAY TREASURY SUKUK SD	ZERO	05/28/18	N/A	3.883	N/A	145.0
LEBUHRAYA DUKE FASA 3 SD	5.64	08/22/31	5.067	5.143	7.6	100.0
TENAGA NASIONAL BERHAD	5.18	08/03/37	5.092	5.101	0.9	85.0
CAGAMAS BERHAD	3.42	10/15/18	3.802	3.802	0.0	80.0
UMW HOLDINGS BERHAD	6.35	PERP	6.195	6.099	-9.6	76.0
LEBUHRAYA DUKE FASA 3 SD	5.54	08/23/30	N/A	5.082	N/A	70.0
MKD KENCANA SDN BHD	4.47	04/25/25	N/A	4.467	N/A	60.0
CIMB BANK BHD	4.77	08/07/26	4.785	4.785	0.0	55.0
CIMB BANK BHD	6.7	10/07/38	4.596	4.649	5.3	50.0
PENGURUSAN AIR SPV BHD	4.42	02/05/21	N/A	4.052	N/A	50.0
TOTAL VOLUME (TOP 10)						771.0
TOTAL VOLUME (Overall)						1,865.7

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.