

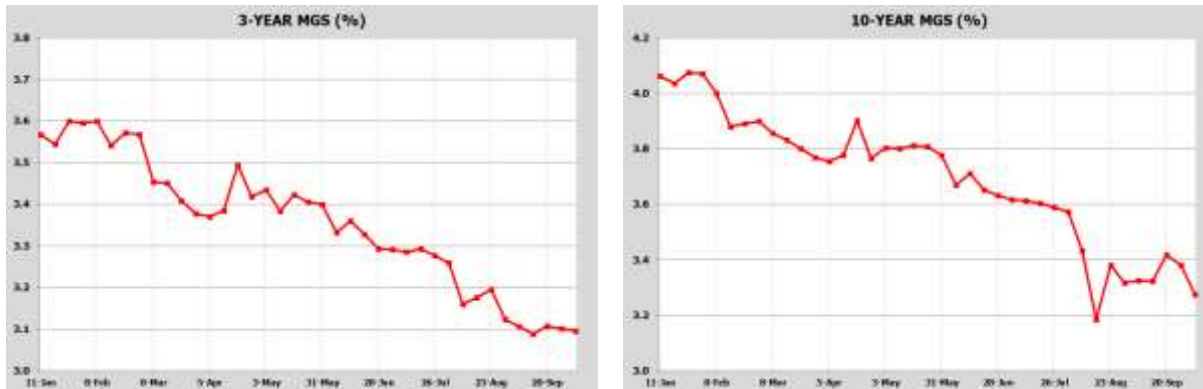
MIDF Strategy | 7 October 2019

Week Ended 4 October 2019

- UST rallied (prices up; yields down) for the third week in a row following subdued economic data, i.e. US ISM manufacturing came in below expectation recording the lowest figure since mid-2009. Nonetheless, the weak data may help justify another rate cut hence the yield curve slightly steepened, as the short-end outperformed, with 10y-3y yield spread climbed on-week from +11bps to +17bps.
- Likewise, the price of domestic MGS issues ended the review week higher with the 3-year and 10-year yields shed -0.6bp and -10.6bps respectively to close at 3.10% and 3.28%. However, the benchmark 10y-3y yield spread slightly flattened as the short-end underperformed.
- Total trading value for Government Bonds (MGS/MII) declined to RM17.4b in the review week compared to RM25.2b in the previous week (based on Bloomberg data). The total trading value of 10 most actively traded issues declined (higher trading breadth) to 45% of the overall Government Bonds trades in the week under review as compared to 63% in the week before. In addition, 7 out 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) declined to RM2.39b in the review week compared to RM3.93b in earlier week (based on Bloomberg data). Moreover, the total trading value of 10 most actively traded issues declined (higher trading breadth) to 27% compared to 55% of the overall Corporate Bonds trades in the week before.

Weekly Money Review

A. FIXED INCOME



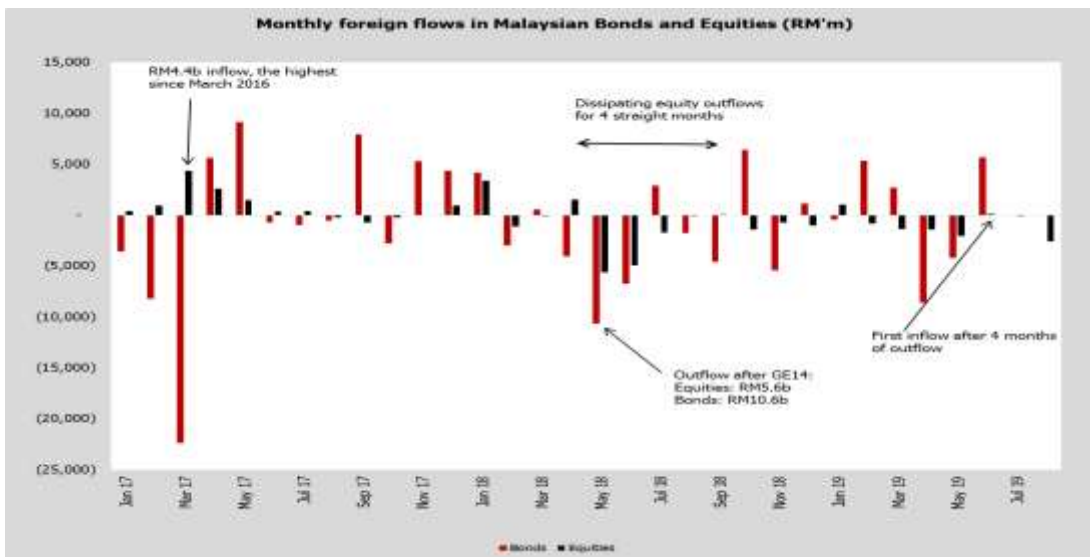
Source: Bloomberg, MIDFR

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- Total trading value for Government Bonds (MGS/MII) declined to RM17.4b in the review week compared to RM25.2b in the previous week (based on Bloomberg data). The total trading value of 10 most actively traded issues declined (higher trading breadth) to 45% of the overall Government Bonds trades in the week under review as compared to 63% in the week before. In addition, 7 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 dominated by issues of short and long residual tenors. The top 3 most actively traded were MGS 3.492% 3/31/20 at RM1.36b, MGS 3.659% 10/15/20 at RM1.28b, and MII 4.13% 17/9/29 at RM832m.
- Likewise, the total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM2.39b in the review week compared to RM3.93b in earlier week (based on Bloomberg data). Moreover, the total trading value of 10 most actively traded issues declined (higher trading breadth) to 27% compared to 55% of the overall Corporate Bonds trades in the week before.
- The top 3 actively traded Corporate Bonds were dominated by issues of short and long residual tenors. The biggest trading values were seen in Pengurusan Air SPV 4.03% 6/17/20 at RM80m, Danainfra 4.55% 5/2/28 at RM80m, and MMC Corp 5.7% 3/20/28 at RM70m.
- Total foreign holdings of Government Bonds stood at RM169.0b as at end-August 2019. It was a decrease of RM433.2m from the July 2019 figure of RM169.4b.
- On the other hand, total foreign holdings of Corporate Bonds increased by RM19.4m in the month of August 2019 to RM11.9b.



Source: BNM

- In comparison to equities, the bonds market saw a total net outflow worth -RM413.8m in August 2019 while the former saw a total net outflow worth -RM2.6b. 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 depreciated slightly due to weakening business confidence. Despite two rate cuts, business confidences in the US do not respond towards improving trajectory. In Sep-19, ISM non-manufacturing PMI recorded at 3-year low of 52.6 points while ISM manufacturing PMI slumped to 47.8 points, lowest since Jun-09. The slump in business confidences may lead to another rate cut in the near term.
- EURUSD appreciated amid marginal rise in retail sales and inflation. Retail sales improved marginally by 0.3%mom in Aug-19, better than contraction in the previous month. On annual term, the sales rose by 2.1%yoy, weakest gain in 3-month. On inflationary stance, headline CPI increased to 1% (Fastest in 3-month) while core CPI reduced to 0.9% (Lowest since Nov-16) in Sep-19.
- Ringgit – Improved despite external trade weakens. Total trade continued on contractions for 3-straight months since May-19. Exports down by -0.8%yoy while imports reduced by -12.5%yoy, lowest in a decade. The poor performance in imports indicate cloudy outlook ahead as inbound shipments of capital goods, intermediate goods and consumption goods are at weak points. We maintain our call MYR to average at 4.12 and register year-end target at 4.10 in 2019.

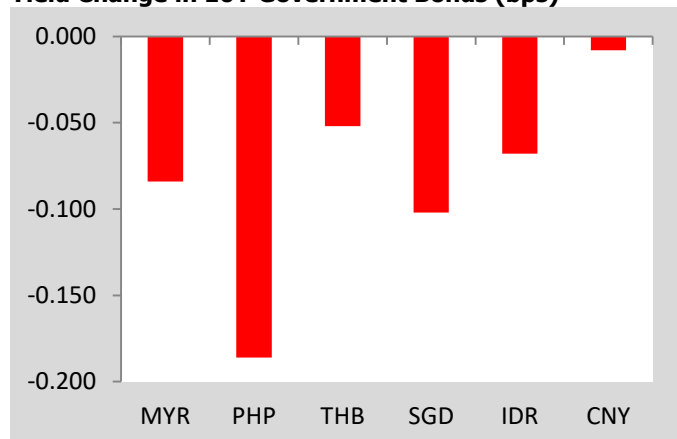
Currencies Changes (Week Ended 04/10) and Quarterly Forecasts

	Close (04/10)	Prev Close (27/09)	Change	% Change	1Q19	2Q19	3Q19	4Q19F
DXY Index	98.90	99.11	-0.209	-0.2%	96.46	97.26	98.00	100.03
EURUSD	1.10	1.09	0.003	0.3%	1.13	1.12	1.11	1.09
GBPUSD	1.23	1.23	0.005	0.4%	1.30	1.28	1.23	1.21
USDJPY	106.79	107.92	-1.130	1.1%	110.15	109.82	107.19	110.31
USDMYR	4.18	4.19	-0.001	0.0%	4.09	4.15	4.16	4.10
GBPMYR	5.16	5.15	0.019	-0.4%	5.32	5.33	5.13	5.20
JPYMYR	3.92	3.88	0.042	-1.1%	3.72	3.78	3.88	3.91

Quarterly figures are forecast by MIDFR

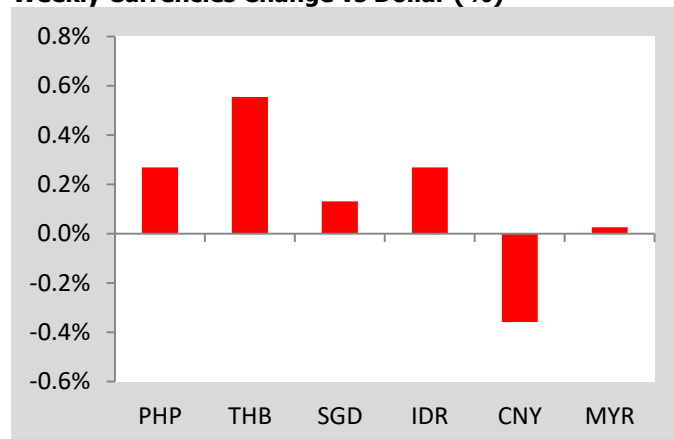
Source: Bloomberg, MIDFR

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 (%)

	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19
Malaysia	3.25	3.25	3.25	3.25	3.00	3.00	3.00	3.00	3.00
Indonesia	6.00	6.00	6.00	6.00	6.00	6.00	5.75	5.50	5.25
Singapore	Neut.	Neut.	Neut.	Neut.	Neut.	Neut.	Neut.	Neut.	Neut.
Philippines	4.75	4.75	4.75	4.75	4.75	4.50	4.50	4.25	4.00
Thailand	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.50	1.50
Vietnam	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.25
South Korea	1.75	1.75	1.75	1.75	1.75	1.75	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
UK	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
USA	2.50	2.50	2.50	2.50	2.50	2.50	2.25	2.25	2.00

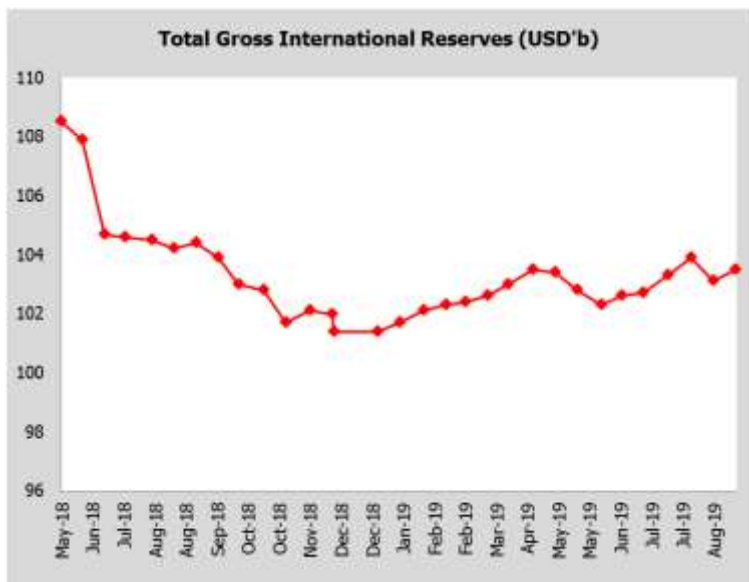
Source: CEIC, MIDFR

- Trade tension, geopolitical instability, policy and political uncertainties, loosening monetary policy, volatility in commodities prices remain as key factors affecting growth trajectory.
- Global demand and trade flows remain uncertain due to trade war especially the US vs China.


- On the monetary policy space, as guided by the latest projection, the Fed will not cut further interest rate in 2019.
- Global demand is set to rebound steadily as developed and emerging economies adopt expansionary monetary policy.
- Malaysia's economic prospect remains resilient amid firming domestic demand, stable job market, low inflationary pressure and recovery in commodity-based sectors.
- External trade continues on contractionary form as total trade shrank by -6.3%yoy, registering 3-consecutive months of negative growth rate.
- Medium term outlook is cloudy as imports of capital goods declined hugely by -31%yoy, worst in 16-year while imports of intermediate goods decreased by -13.9%yoy, lowest in 17-month.
- 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 13 September 2019, compared to previous fortnight, Bank Negara Malaysia's international reserves was unchanged at USD103.5b.



Source: BNM

- The amount of reserves is sufficient to finance 7.6 months of retained imports and is 1.1 times the short-term external debt. 

APPENDIX

WEEKLY INTEREST RATE MONITOR

Tenor	27-Sep Fri	30-Sep Mon	1-Oct Tue	2-Oct Wed	3-Oct Thu	4-Oct Fri	Change (WoW bp)
MGS							
3-Y	3.102	3.122	3.1	3.112	3.101	3.096	-0.6
5-Y	3.226	3.244	3.244	3.239	3.222	3.199	-2.7
7-Y	3.325	3.322	3.317	3.311	3.306	3.309	-1.6
10-Y	3.381	3.316	3.264	3.287	3.257	3.275	-10.6
20-Y	3.669	3.628	3.611	3.628	3.624	3.597	-7.2
RINGGIT IRS							
1-Y	3.27	3.265	3.275	3.275	3.275	3.27	0
3-Y	3.265	3.265	3.262	3.2675	3.26	3.25	-1.5
5-Y	3.295	3.305	3.31	3.32	3.295	3.27	-2.5
7-Y	3.345	3.34	3.335	3.35	3.34	3.305	-4
10-Y	3.37	3.37	3.37	3.375	3.38	3.365	-0.5
KLIBOR							
1-M	3.19	3.19	3.19	3.19	3.19	3.19	0
2-M	3.34	3.34	3.34	3.34	3.34	3.34	0
3-M	3.38	3.38	3.38	3.38	3.38	3.38	0
UST							
3-Y	1.5732	1.5596	1.4918	1.4321	1.3453	1.3585	-21.47
5-Y	1.562	1.544	1.4902	1.4316	1.3473	1.347	-21.5
7-Y	1.6226	1.6131	1.5705	1.5233	1.4481	1.4432	-17.94
10-Y	1.6801	1.6646	1.6353	1.5992	1.5341	1.529	-15.11
30-Y	2.1286	2.1105	2.0925	2.0876	2.0321	2.0151	-11.35
USD LIBOR							
1-M	2.0315	2.01563	2.01088	1.99725	1.9895	1.978	-5.35
2-M	2.07088	2.06538	2.05963	2.03388	2.02238	2.00438	-6.65
3-M	2.09863	2.08513	2.08863	2.05638	2.04313	2.027	-7.163

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	27-Sep Yield	4-Oct Yield	Change (WoW bp)	Weekly Volume (RM bn)
MALAYSIA GOVERNMENT	3.492	03/31/20	3.100	3.080	-2.0	1,360.2
MALAYSIA GOVERNMENT	3.659	10/15/20	3.122	3.095	-2.7	1,279.3
MALAYSIA INVESTMNT ISS	4.13	07/09/29	3.410	3.371	-3.9	832.4
MALAYSIA INVESTMNT ISS	3.576	05/15/20	3.055	3.075	2.0	710.0
MALAYSIA GOVERNMENT	3.906	07/15/26	3.325	3.309	-1.6	682.0
MALAYSIA INVESTMNT ISS	3.655	10/15/24	3.228	3.231	0.3	636.3
MALAYSIA GOVERNMENT	3.899	11/16/27	3.517	3.422	-9.5	620.1
MALAYSIA GOVERNMENT	3.654	10/31/19	3.018	3.060	4.2	605.4
MALAYSIA INVESTMNT ISS	4.369	10/31/28	3.513	3.421	-9.2	596.3
MALAYSIA GOVERNMENT	4.16	07/15/21	3.149	3.107	-4.2	589.7
TOTAL VOLUME (TOP 10)						7,911.6
TOTAL VOLUME (Overall)						17,439.7

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	27-Sep Yield	4-Oct Yield	Change (WoW bp)	Weekly Volume (RM bn)
PENGURUSAN AIR SPV BHD	4.03	06/17/20	3.149	3.131	-1.8	80.0
DANAINFRA NASIONAL	4.55	05/02/28	3.509	3.528	1.9	80.0
MMC CORP BHD	5.7	03/24/28	4.823	4.944	12.1	70.0
PRASARANA MALAYSIA BH	4.44	12/03/27	3.406	3.489	8.3	70.0
DANAINFRA NASIONAL	4.21	10/31/23	3.327	3.325	-0.2	60.0
WCT HOLDINGS BHD	4.4	04/09/20	3.784	3.783	-0.1	60.0
DANAINFRA NASIONAL	4.95	03/19/32	3.577	3.681	10.4	60.0
SARAWAK HIDRO SDN BHD	4.16	08/11/20	3.226	3.196	-3.0	60.0
BGSM MANAGEMENT SDN	6.6	12/27/19	3.500	3.464	-3.6	54.0
FIRST RESOURCES LTD	4.35	06/05/20	3.537	3.557	2.0	50.0
TOTAL VOLUME (TOP 10)						644.0
TOTAL VOLUME (Overall)						2,394.1

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.