

MIDF Strategy | 30 December 2019

Week Ended 27 December 2019

- The benchmark 10-year UST yield fell (price up) marginally by a tad more than 4 basis points in thin trading during the festive-shortened week. The 10y-3y yield spread slightly steepened (long-end underperformed) to +28bps from +26bps a week earlier.
- Likewise, the price of domestic MGS issues ended the review week higher with the 3-year and 10-year yields shed -0.3bp and -5.1bps respectively to close at 2.98% and 3.32%. Moreover, the benchmark 10y-3y yield spread slightly flattened as the long-end outperformed.
- Total trading value for Government Bonds (MGS/MII) tumbled to RM2.8b in the festive-shortened review week compared to RM12.0b in the previous week.
- The total trading value of 10 most actively traded issues declined (higher trading breadth) to 55% compared to 57% of the overall Government Bonds trades in the week before. In addition, 9 out of the 10 most actively traded bonds saw lower yields hence higher prices during the review week.
- Total foreign holdings of Government Bonds stood at RM176.8b as at end-November 2019. It was a decline of -RM7.67b from the November 2019 figure of RM169.1b. On the contrary, total foreign holdings of Corporate Bonds increased by RM437.9m in the month of November 2019 to RM12.6b.
- In comparison to equities, the bonds market saw a total net inflow worth RM8.1b in November 2019 while the former saw a total net outflow worth -RM1.5b. 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.

Weekly Money Review

A. FIXED INCOME

- The benchmark 10-year UST yield fell (price up) marginally by a tad more than 4 basis points in thin trading during the festive-shortened week. The 10y-3y yield spread slightly steepened (long-end underperformed) to +28bps from +26bps a week earlier.
- Likewise, the price of domestic MGS issues ended the review week higher with the 3-year and 10-year yields shed -0.3bp and -5.1bps respectively to close at 2.98% and 3.32%. Moreover, the benchmark 10y-3y yield spread slightly flattened as the long-end outperformed.



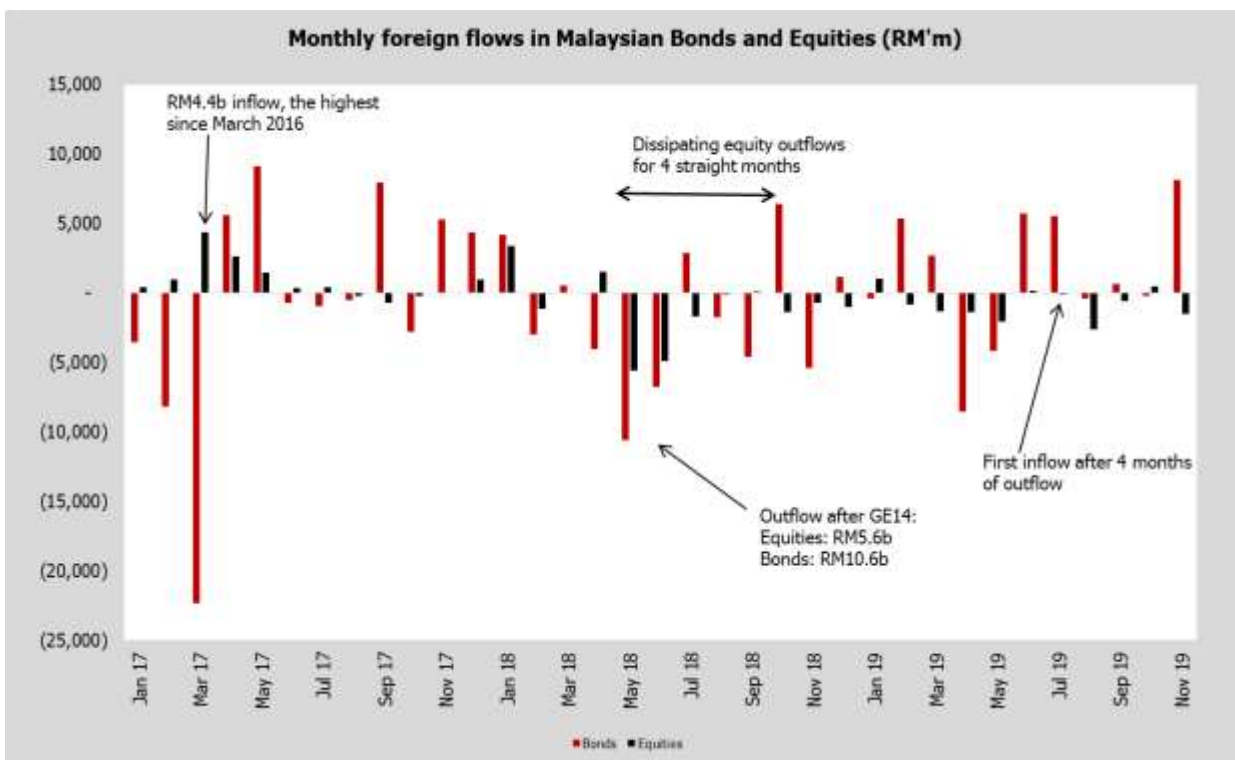
Source: Bloomberg, MIDFR

- Total trading value for Government Bonds (MGS/MII) tumbled to RM2.8b in the festive-shortened review week compared to RM12.0b in the previous week (based on Bloomberg data). The total trading value of 10 most actively traded issues declined (higher trading breadth) to 55% compared to 57% of the overall Government Bonds trades in the week before. In addition, 9 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 RM277m, MII 3.226% 4/15/20 at RM229m, and MII 4.13% 7/9/29 at RM192m.
- Likewise, the total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM1.06b in the review week compared to RM2.19b in earlier week (based on Bloomberg data). The total trading value of 10 most actively traded issues increased (lower trading breadth) to 48% compared to 37% of the overall Corporate Bonds trades in the week before.
- The top 3 actively traded Corporate Bonds were dominated by issues of long residual tenor. The largest trading values were seen in Danainfra 4.3% 3/31/34 at RM80m, Danainfra 4.91% 11/12/35 at RM70m, and CIMB 6.35% 4/5/60 at RM60m.
- Total foreign holdings of Government Bonds stood at RM176.8b as at end-November 2019. It was a decline of -RM7.67b from the November 2019 figure of RM169.1b. On the contrary, total foreign holdings of Corporate Bonds increased by RM437.9m in the month of November 2019 to RM12.6b.



Source: BNM

- In comparison to equities, the bonds market saw a total net inflow worth RM8.1b in November 2019 while the former saw a total net outflow worth -RM1.5b. 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

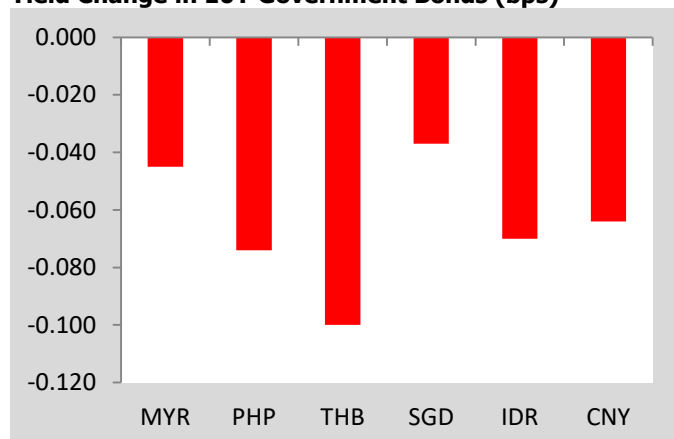
- DXY marginal decline. DXY depreciated slightly while emerging currencies appreciated following the announcement of Trump and Xi's upcoming trade deal signing. Other than that, initial jobless claims fell reflecting stable job market and steady domestic demand in the economy.
- EURUSD slight pick-up. Political instability amid rising voices of Eurosceptic in the EU's parliament remains as downside risks to the region and indirectly becomes global concern. The victory by Boris Johnson reflects the protectionist sentiments in the region stay strong.
- Ringgit – Continuous Appreciation. MYR improved further as global trade sees positive development as Trump and Xi are expected to sign the "Phase One" deal very soon. Following that, commodity prices like Brent Oil and CPO surged above \$65pbpd and RM3,000 per metric tonne last week. We expect MYR to average at 4.18 and year-end at 4.20 in 2020.

Currencies Changes (Week Ended 27/12) and Quarterly Forecasts

	Close (27/12)	Prev Close (20/12)	Change	% Change	1Q19	2Q19	3Q19	4Q19
DXY Index	97.43	97.69	-0.260	-0.3%	96.46	97.26	97.98	97.87
EURUSD	1.11	1.11	0.004	0.4%	1.13	1.12	1.11	1.11
GBPUSD	1.30	1.30	0.001	0.1%	1.30	1.28	1.23	1.29
USDJPY	109.51	109.44	0.070	-0.1%	110.16	109.84	107.20	108.74
USDMYR	4.13	4.14	-0.011	0.3%	4.09	4.15	4.16	4.16
GBPMYR	5.37	5.40	-0.026	0.5%	5.32	5.33	5.13	5.37
JPYMYR	3.77	3.78	-0.012	0.3%	3.72	3.78	3.88	3.83

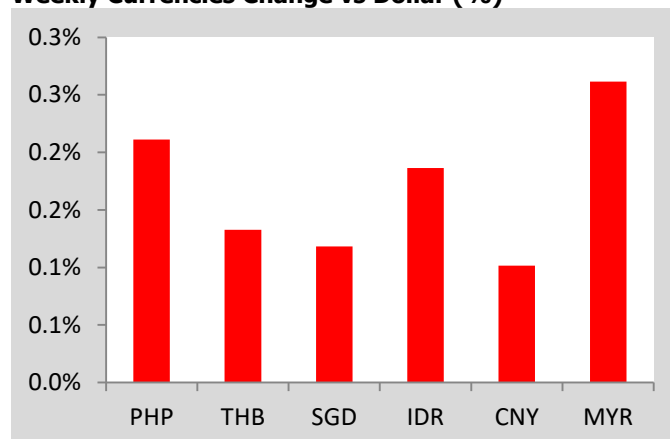
Source: Bloomberg, MIDFR

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 (%)


	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
Malaysia	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Indonesia	6.00	6.00	6.00	5.75	5.50	5.25	5.00	5.00	5.00
Philippines	5.25	5.00	5.00	5.00	4.75	4.50	4.50	4.50	4.50
Thailand	1.75	1.75	1.75	1.75	1.50	1.50	1.50	1.25	1.25
Vietnam	6.25	6.25	6.25	6.25	6.25	6.00	6.00	6.00	6.00
South Korea	1.75	1.75	1.75	1.50	1.50	1.50	1.25	1.25	1.25
India	6.00	6.00	5.75	5.75	5.40	5.40	5.15	5.15	5.15
China	4.35	4.35	4.35	4.35	4.25	4.20	4.20	4.15	4.15
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	2.25	2.25	2.00	1.75	1.75	1.75

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 economy in 2020 is expected to continue in moderation due to trade war tension, political instability in developed economies and volatility in commodity prices.
- We expect the Fed to announce two rate cuts next year amid GDP moderation.
- Developed and emerging economies are predicted to follow similar steps in loosening monetary policy to boost economic growth.
- Malaysia's economy is predicted to grow by 4.5% in 2020, slightly lower than this year's 4.6%.
- Inflationary pressure is set to rise at 2.4% in 2020 due to the floating fuel price mechanism. Transport price covers about 15% of CPI basket and its spillover effects would cause other goods' prices to increase.
- Rebound in investments side, steady domestic spending and recovery in commodity-based sectors are expected to drive the Malaysian economy.
- We expect BNM to slash further OPR by 25 basis points in 2020, possibly the earliest in 1Q2020.

C. BNM FOREIGN RESERVES

- As at 13 December 2019, compared to previous fortnight, Bank Negara Malaysia's international reserves was slightly higher at USD103.3b (29 Nov: USD103.2b).
- The amount of reserves is sufficient to finance 7.8 months of retained imports and is 1.1 times the short-term external debt. 

APPENDIX

WEEKLY INTEREST RATE MONITOR

Tenor	20-Dec Fri	23-Dec Mon	24-Dec Tue	25-Dec Wed	26-Dec Thu	27-Dec Fri	Change (WoW bp)
MGS							
3-Y	2.986	2.993	3.01	3.01	2.998	2.983	-0.3
5-Y	3.193	3.18	3.19	3.19	3.181	3.187	-0.6
7-Y	3.333	3.333	3.324	3.324	3.335	3.325	-0.8
10-Y	3.374	3.377	3.359	3.359	3.352	3.323	-5.1
20-Y	3.767	3.76	3.767	3.767	3.746	3.75	-1.7
RINGGIT IRS							
1-Y	3.275	3.27	3.275	3.275	3.275	3.27	-0.5
3-Y	3.285	3.285	3.285	3.285	3.285	3.285	0
5-Y	3.36	3.36	3.365	3.365	3.36	3.32	-4
7-Y	3.365	3.3745	3.375	3.375	3.375	3.355	-1
10-Y	3.415	3.415	3.42	3.42	3.42	3.4	-1.5
KLIBOR							
1-M	3.17	3.17	3.17	3.17	3.17	3.17	0
2-M	3.32	3.32	3.32	3.32	3.32	3.32	0
3-M	3.35	3.35	3.35	3.35	3.35	3.35	0
UST							
3-Y	1.6573	1.6763	1.6385	1.6385	1.6439	1.5978	-5.95
5-Y	1.7304	1.7488	1.709	1.709	1.7189	1.678	-5.24
7-Y	1.8442	1.8589	1.8275	1.8275	1.8178	1.8001	-4.41
10-Y	1.9171	1.9294	1.8996	1.8996	1.8944	1.8752	-4.19
30-Y	2.3421	2.3567	2.329	2.329	2.3218	2.316	-2.61
USD LIBOR							
1-M	1.77988	1.792	1.80475	1.80475	1.80475	1.79938	1.95
2-M	1.85025	1.84388	1.853	1.853	1.853	1.84913	-0.112
3-M	1.93475	1.94663	1.9605	1.9605	1.9605	1.94463	0.988

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	20-Dec Yield	27-Dec Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.492	03/31/20	2.792	2.779	-1.3	277.1
MALAYSIA INVESTMNT ISS	3.226	04/15/20	2.969	2.962	-0.7	229.1
MALAYSIA INVESTMNT ISS	4.13	07/09/29	3.510	3.448	-6.2	191.6
MALAYSIA GOVERNMENT	3.659	10/15/20	2.937	2.932	-0.5	156.4
MALAYSIA INVESTMNT ISS	4.467	09/15/39	3.875	3.880	0.5	152.2
MALAYSIA INVESTMNT ISS	4.369	10/31/28	3.508	3.455	-5.3	130.0
MALAYSIA GOVERNMENT	3.478	06/14/24	3.193	3.190	-0.3	103.0
MALAYSIA INVESTMNT ISS	3.655	10/15/24	3.269	3.245	-2.4	100.0
MALAYSIA GOVERNMENT	3.62	11/30/21	3.029	2.996	-3.3	90.1
MALAYSIA INVESTMNT ISS	3.726	03/31/26	3.372	3.355	-1.7	80.0
TOTAL VOLUME (TOP 10)						1,509.5
TOTAL VOLUME (Overall)						2,763.2

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	20-Dec Yield	27-Dec Yield	Change (WoW bp)	Weekly Volume (RM mn)
DANAINFRA NASIONAL	4.3	03/31/34	3.899	3.831	-6.8	80.0
DANAINFRA NASIONAL	4.91	11/12/35	3.983	3.951	-3.2	70.0
CIMB GROUP HOLDINGS B	6.35	04/05/60	5.392	3.763	-162.9	60.0
GENM CAPITAL BHD	4.98	07/11/23	3.803	3.804	0.1	60.0
CGN POWER CO LTD	4.5	11/11/17	#N/A N/A	#N/A N/A	#VALUE!	58.2
GOVCO HOLDINGS BHD	4.95	02/20/32	#N/A N/A	3.809	#VALUE!	50.0
MALAYAN BANKING BHD	4.13	PERP	4.079	4.014	-6.5	40.0
DANAINFRA NASIONAL	4.53	04/01/37	4.010	3.949	-6.1	30.0
MBSB BANK BHD	5.05	12/20/29	#N/A N/A	5.043	#VALUE!	30.0
BANK PEMBANGUNAN MAL	4.62	03/02/27	3.747	3.740	-0.7	30.0
TOTAL VOLUME (TOP 10)						508.2
TOTAL VOLUME (Overall)						1,064.8

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.