

## MIDF Strategy | 2 December 2019

### Week Ended 29 November 2019

- The benchmark 10-year UST yield added (price fell) circa a half percentage point on-week. The fate of the so-called phase one trade deal between US and China is potentially in limbo as the latter threatens to take “strong counter measures” against the former after President Trump signed the Hong Kong bills. The 10y-3y yield spread slightly steepened (long-end underperformed) to +17bps from +16bps a week earlier.
- Likewise, the price of domestic MGS issues ended the review week lower with the 3-year and 10-year yields added 0.5bp and 1.3bps respectively to close at 3.05% and 3.42%. Moreover, the benchmark 10y-3y yield spread steepened as the long-end underperformed.
- Total trading value for Government Bonds (MGS/MII) dropped to RM12.9b in the review week compared to RM17.0b in the previous week (based on Bloomberg data). The total trading value of 10 most actively traded issues rose (lower trading breadth) to 54% compared to 50% of the overall Government Bonds trades in the week before. In addition, 7 out of the 10 most actively traded bonds saw higher yields hence lower prices during the review week.
- Conversely, the total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM2.39b in the review week compared to RM2.14b in earlier week (based on Bloomberg data). The total trading value of 10 most actively traded issues increased (lower trading breadth) to 45% compared to 35% of the overall Corporate Bonds trades in the week before.

## Weekly Money Review

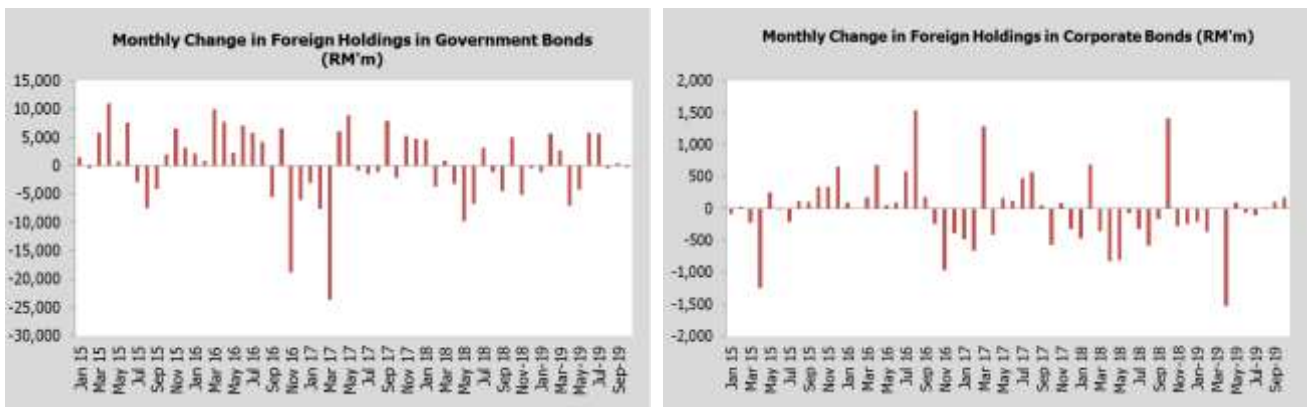
### A. FIXED INCOME

- The benchmark 10-year UST yield added (price fell) circa a half percentage point on-week. The fate of the so-called phase one trade deal between US and China is potentially in limbo as the latter threatens to take “strong counter measures” against the former after President Trump signed the Hong Kong bills. The 10y-3y yield spread slightly steepened (long-end underperformed) to +17bps from +16bps a week earlier.
- Likewise, the price of domestic MGS issues ended the review week lower with the 3-year and 10-year yields added 0.5bp and 1.3bps respectively to close at 3.05% and 3.42%. Moreover, the benchmark 10y-3y yield spread steepened as the long-end underperformed.



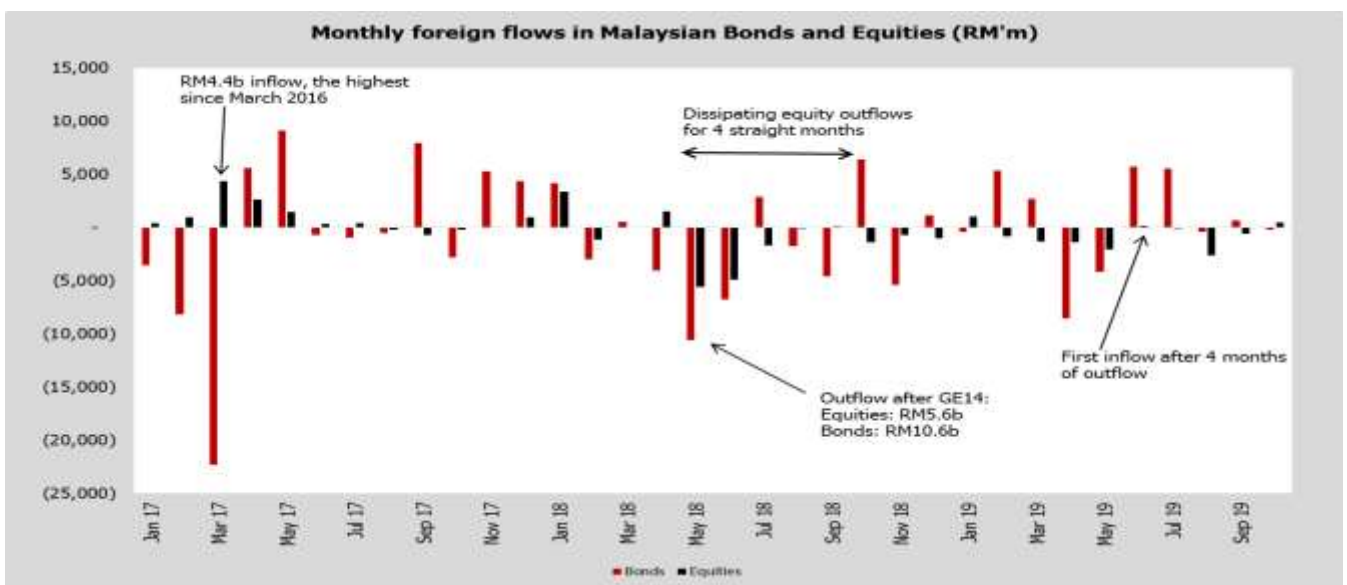
Source: Bloomberg, MIDFR

- Total trading value for Government Bonds (MGS/MII) dropped to RM12.9b in the review week compared to RM17.0b in the previous week (based on Bloomberg data). The total trading value of 10 most actively traded issues rose (lower trading breadth) to 54% compared to 50% of the overall Government Bonds trades in the week before. In addition, 7 out of the 10 most actively traded bonds saw higher yields hence lower prices during the review week.
- Furthermore, the top 3 actively traded Government Bonds were dominated by issues of short residual tenor. The top 3 most actively traded were MGS 3.492% 3/31/20 at RM1.68b, MII 3.799% 8/27/20 at RM880m, and MGS 3.659% 10/15/20 at RM814m.
- Conversely, the total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM2.39b in the review week compared to RM2.14b in earlier week (based on Bloomberg data). The total trading value of 10 most actively traded issues increased (lower trading breadth) to 45% compared to 35% of the overall Corporate Bonds trades in the week before.
- The top 3 actively traded Corporate Bonds were dominated by issues of varied residual tenors. The largest trading values were seen in HSBC Amanah 4.24% 3/27/20 at RM230m, YTL Power 4.65% 8/24/23 at RM150m, and Affin Islamic 5.05% 10/23/28 at RM140m.
- Total foreign holdings of Government Bonds stood at RM169.1b as at end-October 2019. It was a decline of -RM391.6m from the September 2019 figure of RM169.5b. On the contrary, total foreign holdings of Corporate Bonds increased by RM172.6m in the month of October 2019 to RM12.2b.



Source: BNM

- In comparison to equities, the bonds market saw a total net outflow worth -RM219.0m in October 2019 while the former saw a total net inflow worth -RM485.0m. 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

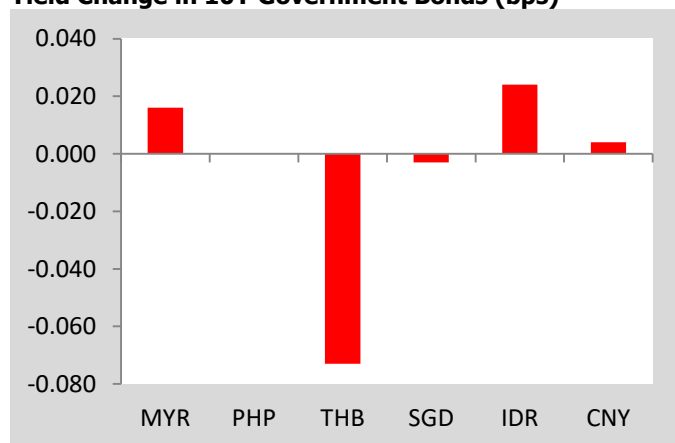
- DXY appreciates slightly. Consumer spending is predicted to strong during the week as Black Friday kicks in. Nevertheless, concerns over US-China trade war remain as China warns over possible intervention of the Trump-led administration on Hong Kong.
- EURUSD remains steady. Macro data shows some improvement despite political instability in the region. Headline CPI rebounded to 1% after 7-straight months of declining while core CPI rose to 7-month high at 1.3% in Nov-19. Jobless rate stays improving at 7.5% in Oct-19, marginally higher than lowest ever record of 7.3%.
- Ringgit – Weaken as business confidence drops. 4Q19 Business Tendency Survey results indicated Malaysian economy to continue expanding at moderate pace. The overall business confidence reduced to -0.5%, lowest in 3-quarter. The decline is mainly pressured by commodity-based sectors, construction and manufacturing industries. Services sector remains stable.

## Currencies Changes (Week Ended 29/11) and Quarterly Forecasts

	Close (29/10)	Prev Close (22/10)	Change	% Change	1Q19	2Q19	3Q19	4Q19F
DXY Index	98.35	98.27	0.084	0.1%	96.46	97.26	97.98	99.88
EURUSD	1.10	1.10	-0.001	-0.1%	1.13	1.12	1.11	1.09
GBPUSD	1.29	1.28	0.007	0.6%	1.30	1.28	1.23	1.21
USDJPY	109.53	108.66	0.870	-0.8%	110.16	109.84	107.20	109.81
USDMYR	4.18	4.17	0.004	-0.1%	4.09	4.15	4.16	4.15
GBPMYR	5.39	5.38	0.005	-0.1%	5.32	5.33	5.13	5.19
JPYMYR	3.81	3.84	-0.026	0.7%	3.72	3.78	3.88	3.91

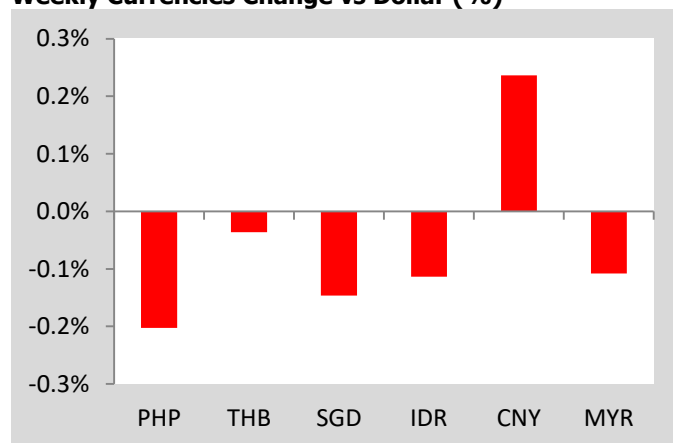
Quarterly figures are forecast by MIDFR  
Source: Bloomberg, MIDFR

### 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 (%)


	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19
Malaysia	3.25	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Indonesia	6.00	6.00	6.00	6.00	5.75	5.50	5.25	5.00	5.00
Singapore	Neut.	Neut.	Neut.	Neut.	Neut.	Neut.	Neut.	Neut.	Neut.
Philippines	4.75	4.75	4.50	4.50	4.50	4.25	4.00	4.00	4.00
Thailand	1.75	1.75	1.75	1.75	1.75	1.50	1.50	1.50	1.25
Vietnam	6.25	6.25	6.25	6.25	6.25	6.25	6.00	6.00	6.00
South Korea	1.75	1.75	1.75	1.75	1.50	1.50	1.25	1.25	1.25
China	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.20	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	2.50	2.25	2.25	2.00	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.
- US-China trade war remains uncertain and western intervention especially Trump-led administration in Hong Kong may affect the trade agreement process and trajectory.
- Latest Fed's minutes showed FOMC members were not thinking of another rate cut in 2019 anymore.

- Developed and emerging economies are predicted to follow similar steps in loosening monetary policy to boost economic growth.
- 4Q19 GDP growth is expected to further moderate as projected by the latest result of Business Tendency Survey.
- Commodity-based sectors continue on pessimism due to weak global prices while manufacturing sector stays tepid due to global trade tension.
- Construction sector remains in negative due to weak government investment whereas services sector solid due to stable job market, low inflationary pressure and easing monetary policy.
- 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 15 November 2019, compared to previous fortnight, Bank Negara Malaysia's international reserves was unchanged at USD103.2b.
- 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	22-Nov Fri	25-Nov Mon	26-Nov Tue	27-Nov Wed	28-Nov Thu	29-Nov Fri	Change (WoW bp)
MGS							
3-Y	3.044	3.036	3.047	3.044	3.026	3.049	0.5
5-Y	3.185	3.185	3.185	3.182	3.179	3.183	-0.2
7-Y	3.334	3.322	3.33	3.34	3.333	3.322	-1.2
10-Y	3.41	3.422	3.426	3.425	3.427	3.423	1.3
20-Y	3.779	3.779	3.796	3.831	3.809	3.809	3
RINGGIT IRS							
1-Y	3.235	3.245	3.235	3.235	3.235	3.255	2
3-Y	3.225	3.235	3.23	3.245	3.235	3.245	2
5-Y	3.265	3.27	3.265	3.275	3.275	3.295	3
7-Y	3.305	3.31	3.31	3.31	3.305	3.33	2.5
10-Y	3.35	3.37	3.36	3.37	3.37	3.38	3
KLIBOR							
1-M	3.17	3.17	3.17	3.17	3.17	3.17	0
2-M	3.31	3.31	3.31	3.31	3.31	3.32	1
3-M	3.34	3.34	3.34	3.34	3.34	3.35	1
UST							
3-Y	1.6087	1.5979	1.5762	1.6141	1.6141	1.6086	-0.01
5-Y	1.624	1.6108	1.5959	1.6292	1.6292	1.6259	0.19
7-Y	1.7041	1.6945	1.6801	1.7163	1.7107	1.7274	2.33
10-Y	1.7706	1.7551	1.7414	1.7654	1.7654	1.7758	0.52
30-Y	2.2209	2.2013	2.179	2.1901	2.1901	2.2054	-1.55
USD LIBOR							
1-M	1.70275	1.6995	1.70163	1.69113	1.7085	1.69713	-0.562
2-M	1.83675	1.842	1.84363	1.83463	1.83575	1.83988	0.313
3-M	1.91725	1.91863	1.90863	1.91375	1.90688	1.9055	-1.175

Source: Bloomberg

## 10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	22-Nov Yield	29-Nov Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.492	03/31/20	2.890	2.946	5.6	1,684.5
MALAYSIA INVESTMNT ISSUE	3.799	08/27/20	3.012	2.989	-2.3	880.0
MALAYSIA GOVERNMENT	3.659	10/15/20	2.953	2.984	3.1	814.5
MALAYSIA GOVERNMENT	4.16	07/15/21	3.041	2.997	-4.4	728.3
MALAYSIA GOVERNMENT	3.478	06/14/24	3.185	3.183	-0.2	609.0
MALAYSIA GOVERNMENT	3.441	02/15/21	2.993	3.008	1.5	579.6
MALAYSIA INVESTMNT ISS	4.13	07/09/29	3.453	3.500	4.7	509.3
MALAYSIA INVESTMNT ISS	3.726	03/31/26	3.376	3.379	0.3	392.1
MALAYSIA INVESTMNT ISS	3.576	05/15/20	2.994	3.001	0.7	360.0
MALAYSIA INVESTMNT ISS	4.39	07/07/23	3.179	3.188	0.9	356.0
TOTAL VOLUME (TOP 10)						6,913.4
TOTAL VOLUME (Overall)						12,896.1

Source: Bloomberg

## 10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	22-Nov Yield	29-Nov Yield	Change (WoW bp)	Weekly Volume (RM mn)
HSBC AMANAH MALAYSIA	4.24	03/27/20	#N/A N/A	3.270	#VALUE!	230.0
YTL POWER INTERNATIONAL	4.65	08/24/23	#N/A N/A	3.881	#VALUE!	150.0
AFFIN ISLAMIC BANK BHD	5.05	10/23/28	#N/A N/A	4.053	#VALUE!	140.0
YTL POWER INTERNATIONAL	4.99	08/24/28	4.199	4.194	-0.5	130.0
ALLIANCE BK MALAYSIA BH	5.75	10/27/25	4.179	3.345	-83.4	101.3
CGN POWER CO LTD	4.5	11/11/17	#N/A N/A	#N/A N/A	#VALUE!	84.6
SARAWAK HIDRO SDN BHD	4.29	08/11/23	3.537	3.552	1.5	70.0
TAN CHONG MOTOR HLDG	4.7	11/24/21	#N/A N/A	4.147	#VALUE!	62.0
CELCOM NETWORKS SDN B	5.05	08/29/24	#N/A N/A	3.678	#VALUE!	60.0
SARAWAK HIDRO SDN BHD	4.34	08/09/24	#N/A N/A	3.573	#VALUE!	60.0
TOTAL VOLUME (TOP 10)						1,087.9
TOTAL VOLUME (Overall)						2,392.8

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.