

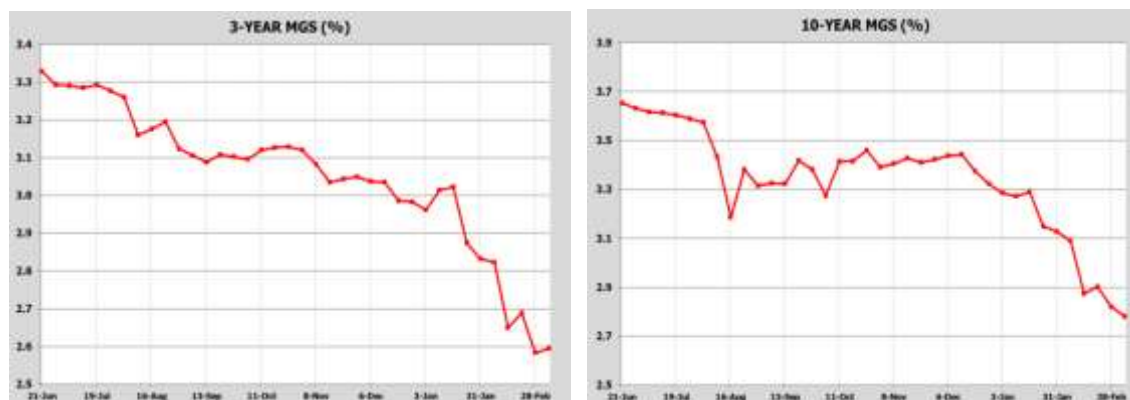
MIDF Strategy | 9 March 2020

Week Ended 6 March 2020

- The UST market went ballistic last week as yields tumbled (prices up) with the benchmark 10-year closed at an all-time low level of 1.15% as heightened concerns over the coronavirus outbreak continued to drive investors into so-called safe haven assets. Meanwhile, the 10y-3y yield spread expanded (i.e. yield curve steepened) to +25bps from +15bps a week earlier.
- Likewise, the price of domestic MGS issues ended the review week higher amid local political impasse with the benchmark 3-year and 10-year yields slumped -10.6bps and -8.2bps respectively to close at 2.58% and 2.82%. Moreover, the 10y-3y yield spread steepened as the short-end outperformed.
- Total trading value for Government Bonds (MGS/MII) increased to RM29.6b in the review week compared to RM23.2b in the previous week (based on Bloomberg data). The total trading value of 10 most actively traded issues dropped (higher trading breadth) to 50% compared to 53% of the overall Government Bonds trades in the week before. In addition, 10 out of the 10 most actively traded bonds saw lower yields hence higher prices during the review week.
- On the other hand, the total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM2.29b in the review week compared to RM3.99b in earlier week (based on Bloomberg data). The total trading value of 10 most actively traded issues increased (lower trading breadth) to 35% compared to 30% of the overall Corporate Bonds trades in the week before.

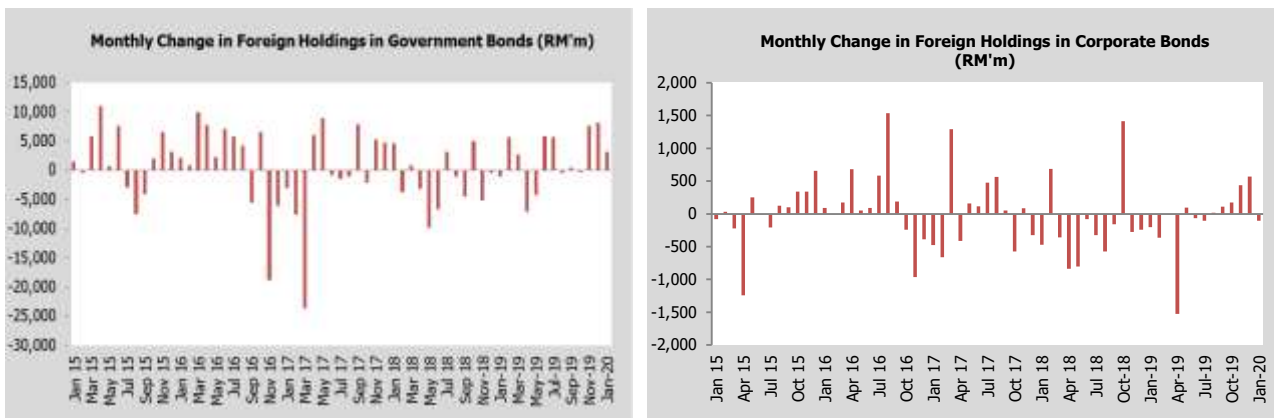
Weekly Money Review

A. FIXED INCOME



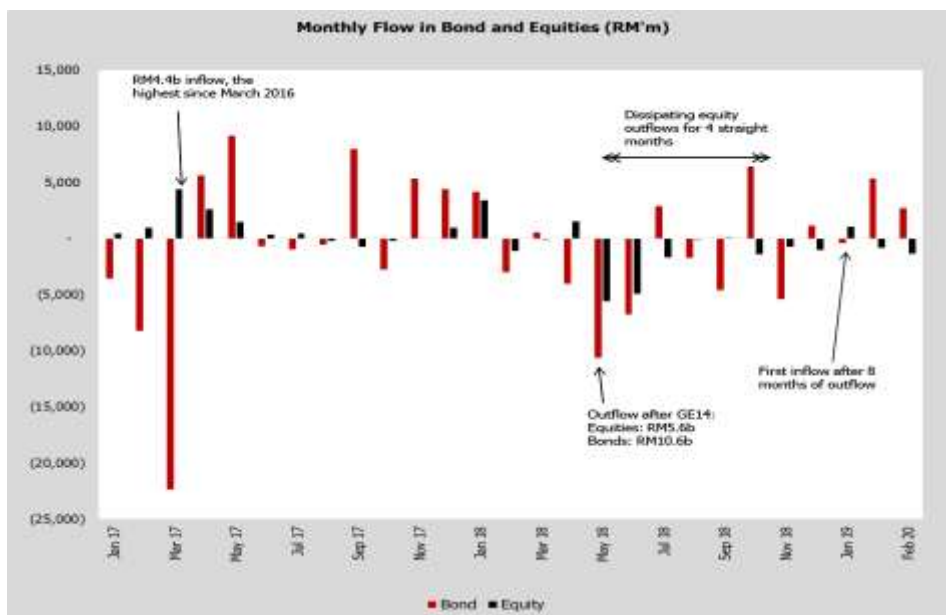
Source: Bloomberg, MIDFR

- The UST yields slumped (prices up) again last week with the benchmark 10-year closed at a fresh all-time low level of 0.76% as heightened concerns over the coronavirus outbreak continued to drive investors into so-called safe haven assets. Meanwhile, the 10y-3y yield spread narrowed (i.e. yield curve flattened) to +20bps from +25bps a week earlier.
- On the other hand, the price of domestic MGS issues ended the review week mixed with the benchmark 3-year and 10-year yields added +1.2bps and shed -3.9bps respectively to close at 2.60% and 2.78%. Moreover, the 10y-3y yield spread flattened as the long-end outperformed. Total trading value for Government Bonds (MGS/MII) increased to RM39.5b in the review week compared to RM29.6b in the previous week (based on Bloomberg data).
- The total trading value of 10 most actively traded issues dropped (higher trading breadth) to 44% compared to 50% 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.
- Likewise, the total trading value for Corporate Bonds (Conventional & Sukuk) jumped to RM4.54b in the review week compared to RM2.29b in earlier week (based on Bloomberg data). The total trading value of 10 most actively traded issues declined (higher trading breadth) to 32% compared to 35% of the overall Corporate Bonds trades in the week before.
- Total foreign holdings of Government Bonds stood at RM188.1b as at end-January 2020. It was an increase of RM3.20b from the December 2019 figure of RM185.0b. In contrast, total foreign holdings of Corporate Bonds decreased by -RM106.5m in the month of January 2020 to RM13.1b.



Source: BNM

- In comparison to equities, the bonds market saw a total net inflow worth RM3.1b in January 2020 while the former saw a total net outflow worth -RM138.3m. For 2019, the bonds market saw a total net inflow of RM22.9b while the equity market saw a total foreign net outflow of -RM10.0b.



Source: BNM, Bursa Preliminary Statistics

B. FOREIGN EXCHANGE

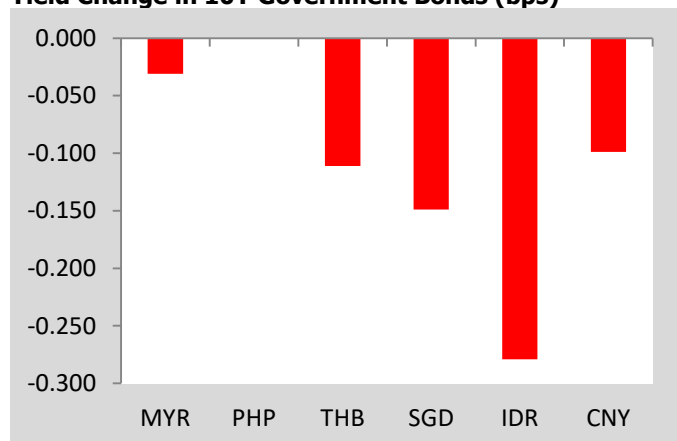
- DXY depreciated amid emergency cuts. The Fed made 50 basis points cuts following the fear effects of Covid-19 in the US. The move is seen as pre-emptive measures to support the economy via strengthening domestic demand. Moving forward, we view there are possibility for another two rate cuts in 2H20 amid political uncertainty in the US as presidential election to be held in Nov-20.
- EURUSD appreciated as positive domestic economic developments. Despite trade tension and Covid-19 outbreak, jobless rate maintained at 7.4% in Jan-20, lowest since May-08. Inflationary pressure remains at moderate levels, below 2% for both headline and core CPI. Retail sales increased by 1.7%yoy, similar pace with the previous month.
- Ringgit – Stronger MYR due steady trade balance. Malaysia's trade balance widened to RM12 billion in the first month of 2020. Exports growth at -1.5%yoy, slightly better than market estimates at -1.6%yoy. The contraction is mainly due to Lunar New Year celebration. We expect external front to swim at rough wave due to Covid-19 and trade war. We expect MYR to average at 4.18 and year-end at 4.20 in 2020.

Currencies Changes (Week Ended 06/03) and Quarterly Forecasts

	Close (06/03)	Prev Close (28/02)	Change	% Change	1Q19F	2Q19F	3Q19F	4Q19F
DXY Index	96.56	98.13	-1.568	-1.6%	96.81	97.24	96.61	97.19
EURUSD	1.12	1.10	0.020	1.8%	1.12	1.12	1.13	1.12
GBPUSD	1.30	1.28	0.014	1.1%	1.32	1.32	1.29	1.31
USDJPY	105.98	107.89	-1.910	1.8%	107.56	107.06	106.84	108.39
USDMYR	4.18	4.22	-0.032	0.8%	4.12	4.16	4.18	4.20
GBPMYR	5.42	5.43	-0.008	0.1%	5.38	5.36	5.29	5.36
JPYMYR	3.95	3.90	0.044	-1.1%	3.80	3.81	3.85	3.79

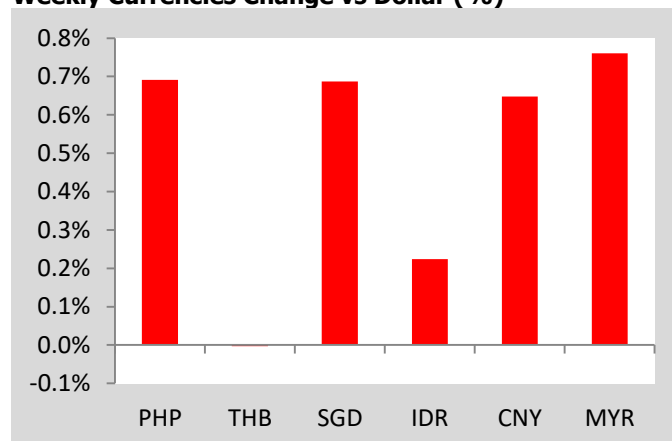
Source: Bloomberg, MIDFR

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 (%)


	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20
Malaysia	3.00	3.00	3.00	3.00	3.00	3.00	2.75	2.75	2.50
Indonesia	5.75	5.50	5.25	5.00	5.00	5.00	5.00	5.00	5.00
Philippines	5.00	4.75	4.50	4.50	4.50	4.50	4.50	4.50	4.50
Thailand	1.75	1.50	1.50	1.50	1.25	1.25	1.25	1.25	1.25
Vietnam	6.25	6.25	6.00	6.00	6.00	6.00	6.00	6.00	6.00
South Korea	1.50	1.50	1.50	1.25	1.25	1.25	1.25	1.25	1.25
India	5.75	5.40	5.40	5.15	5.15	5.15	5.15	5.15	5.15
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	2.00	2.00	2.00	1.75	1.50	1.50	1.50	1.50	1.00

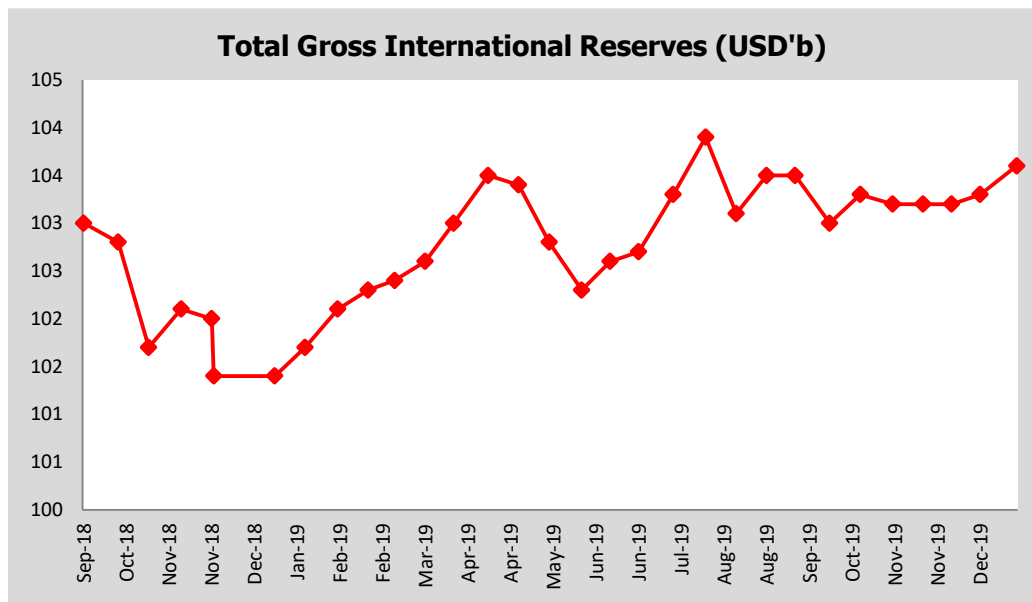
Source: CEIC, MIDFR

- Covic-19 outbreak, 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, virus outbreak, political instability in developed economies and volatility in commodity prices.
- Plunge in US Treasury Yields leads to higher expectation of further rate cuts by the Fed.
- WHO stated that no country will be spared from Covid-19. All countries must prepare for the worse.
- Trade balance maintained above RM10 billion in Jan-20. Exports growth at -1.5%yoy while imports growth at -2.4%yoy.
- Exports of manufactured goods rose by 1.1%yoy, thanks to outbound shipments of petroleum products, iron & steel products, rubber products and machinery & equipment.
- No appointment of ministers yet, reflecting instability in the newly formed coalition, Perikatan Nasional. Market confidence and economic growth trajectory would be affected if this situation prolongs.
- RM20 billion stimulus package is expected to support the economic growth especially private consumption via the reduction in EPF Employee's contribution from 11% to 7%.

C. BNM FOREIGN RESERVES

- As at 14 February 2020, compared to previous fortnight, Bank Negara Malaysia's international reserves was higher at USD104.3b (31 Jan: USD104.2b).
- The amount of reserves is sufficient to finance 7.4 months of retained imports and is 1.1 times the short-term external debt. 



WEEKLY INTEREST RATE MONITOR

Tenor	28-Feb Fri	2-Mar Mon	3-Mar Tue	4-Mar Wed	5-Mar Thu	6-Mar Fri	Change (WoW bp)
MGS							
3-Y	2.583	2.601	2.625	2.601	2.578	2.595	1.2
5-Y	2.632	2.656	2.619	2.662	2.66	2.641	0.9
7-Y	2.77	2.701	2.742	2.721	2.721	2.704	-6.6
10-Y	2.82	2.783	2.786	2.885	2.858	2.781	-3.9
20-Y	3.216	3.183	3.206	3.153	3.138	3.157	-5.9
RINGGIT IRS							
1-Y	2.755	2.755	2.755	2.675	2.65	2.645	-11
3-Y	2.695	2.7	2.695	2.62	2.59	2.55	-14.5
5-Y	2.71	2.7325	2.75	2.635	2.63	2.59	-12
7-Y	2.7875	2.795	2.81	2.685	2.675	2.71	-7.75
10-Y	2.95	2.96	2.952	2.85	2.85	2.85	-10
KLIBOR							
1-M	2.94	2.94	2.94	2.7	2.7	2.7	-24
2-M	3.05	3.05	3.05	2.8	2.8	2.79	-26
3-M	3.08	3.08	3.08	2.83	2.83	2.82	-26
UST							
3-Y	0.8972	0.8994	0.7076	0.7176	0.6242	0.5585	-33.87
5-Y	0.9356	0.9419	0.7431	0.7825	0.6779	0.6093	-32.63
7-Y	1.0623	1.0715	0.8847	0.9374	0.816	0.711	-35.13
10-Y	1.1486	1.1632	0.999	1.0522	0.912	0.7623	-38.63
30-Y	1.6752	1.7213	1.6145	1.7014	1.5407	1.2874	-38.78
USD LIBOR							
1-M	1.51525	1.35575	1.37675	1.01625	1.00513	0.86263	-65.262
2-M	1.50263	1.30488	1.37563	1.01913	1.00863	0.87663	-62.6
3-M	1.46275	1.25375	1.31425	1.00063	0.99888	0.896	-56.675

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	28-Feb Yield	6-Mar Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA GOVERNMENT	3.885	08/15/29	2.820	2.781	-3.9	2,441.4
MALAYSIA GOVERNMENT	3.492	03/31/20	2.654	2.562	-9.2	2,357.3
MALAYSIA GOVERNMENT	3.828	07/05/34	3.050	2.975	-7.5	2,349.8
MALAYSIA GOVERNMENT	3.659	10/15/20	2.588	2.504	-8.4	1,759.0
MALAYSIA GOVERNMENT	3.502	05/31/27	2.745	2.704	-4.1	1,745.7
MALAYSIA GOVERNMENT	4.048	09/30/21	2.572	2.545	-2.7	1,367.1
MALAYSIA GOVERNMENT	3.478	06/14/24	2.632	2.641	0.9	1,364.3
MALAYSIA INVESTMNT ISSUE	3.655	10/15/24	2.681	2.644	-3.7	1,326.1
MALAYSIA INVESTMNT ISSUE	4.13	07/09/29	2.863	2.835	-2.8	1,310.3
MALAYSIA INVESTMNT ISSUE	3.726	03/31/26	2.760	2.708	-5.2	1,169.4
TOTAL VOLUME (TOP 10)						17,190.3
TOTAL VOLUME (Overall)						39,459.9

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	28-Feb Yield	6-Mar Yield	Change (WoW bp)	Weekly Volume (RM mn)
DANAINFRA NASIONAL	3.53	11/27/26	3.008	2.900	-10.8	460.0
DANUM CAPITAL BHD	3.42	02/21/35	3.410	3.289	-12.1	180.0
TG EXCELLENCE BHD	3.95	PERP	3.620	3.559	-6.1	150.0
DANUM CAPITAL BHD	4.68	02/14/34	3.352	3.251	-10.1	100.0
CIMB GROUP HOLDINGS BHD	4.88	09/13/29	#N/A N/A	3.367	#VALUE!	100.0
PERBADANAN TABUNG PENDID	4.85	07/26/41	3.582	3.440	-14.2	91.0
DANAINFRA NASIONAL	5.06	02/12/49	3.839	3.630	-20.9	90.0
GAS MALAYSIA BERHAD	3.52	12/13/22	#N/A N/A	3.148	#VALUE!	90.0
PRASARANA MALAYSIA BHD	3.02	02/25/27	#N/A N/A	2.898	#VALUE!	90.0
BANK PEMBANGUNAN MALAY	4.5	11/04/26	3.285	3.108	-17.7	81.0
TOTAL VOLUME (TOP 10)						1,432.0
TOTAL VOLUME (Overall)						4,536.0

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.