

MIDF Strategy | 11 November 2019

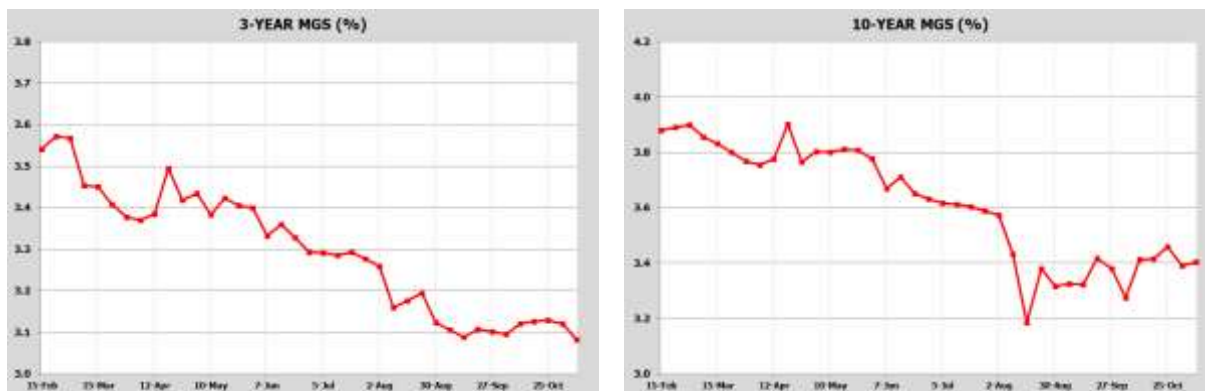
Week Ended 8 November 2019

- The UST market tanked. Week-on-week, the benchmark 10-year yield jumped (price down) more than +23bp to 1.94% as investors are arguably beginning to see lights at the end of the economic/trade tunnel. On Thursday, the big jump in 10-year yield was the biggest one-day change the since November 2016. Consequently, the 10y-3y yield spread steepened (long-end underperformed) to +23bps from +17bps a week earlier.
- On the other hand, the prices of domestic MGS were pulled in opposite directions by both external and internal factors. At the front-end of the curve, the 3-year yield ended the review week lower by -3.8bps partly attributable to the liquidity easing (SRR cut) by the BNM. While at the back-end, the 10-year yield ended the review week higher by 1.4bps as the longer dated issue was more impacted by general rise in the UST yields. Moreover, the benchmark 10y-3y yield spread steepened as the long-end underperformed.
- Total trading value for Government Bonds (MGS/MII) increased to RM21.1b in the review week compared to RM20.1b in the previous week (based on Bloomberg data). The total trading value of 10 most actively traded issues declined (higher trading breadth) to 54% compared to 60% of the overall Government Bonds trades 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) increased to RM2.36b in the review week compared to RM1.25b 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 50% of the overall Corporate Bonds trades in the week before.

Weekly Money Review

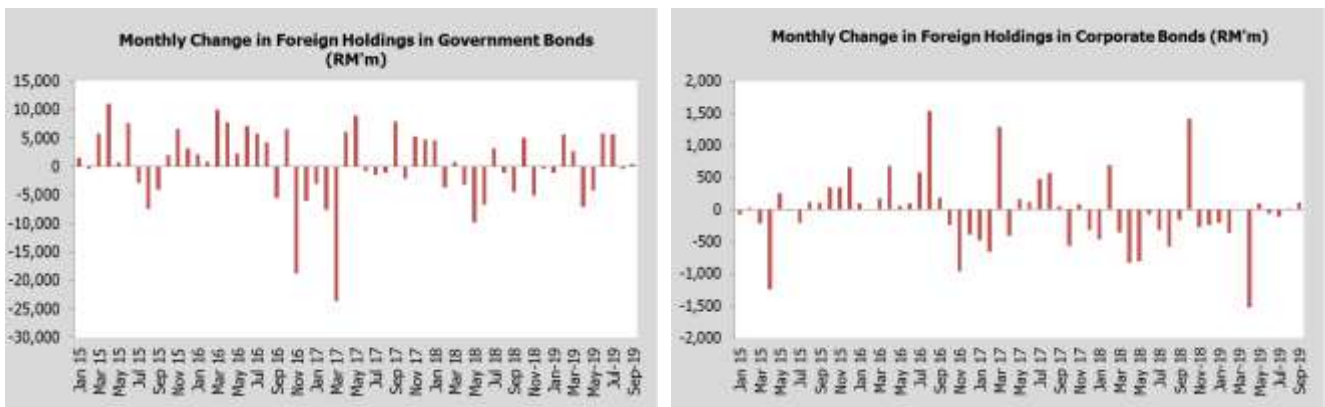
A. FIXED INCOME

- The UST market tanked. Week-on-week, the benchmark 10-year yield jumped (price down) more than +23bp to 1.94% as investors are arguably beginning to see lights at the end of the economic/trade tunnel. On Thursday, the big jump in 10-year yield was the biggest one-day change the since November 2016. Consequently, the 10y-3y yield spread steepened (long-end underperformed) to +23bps from +17bps a week earlier.



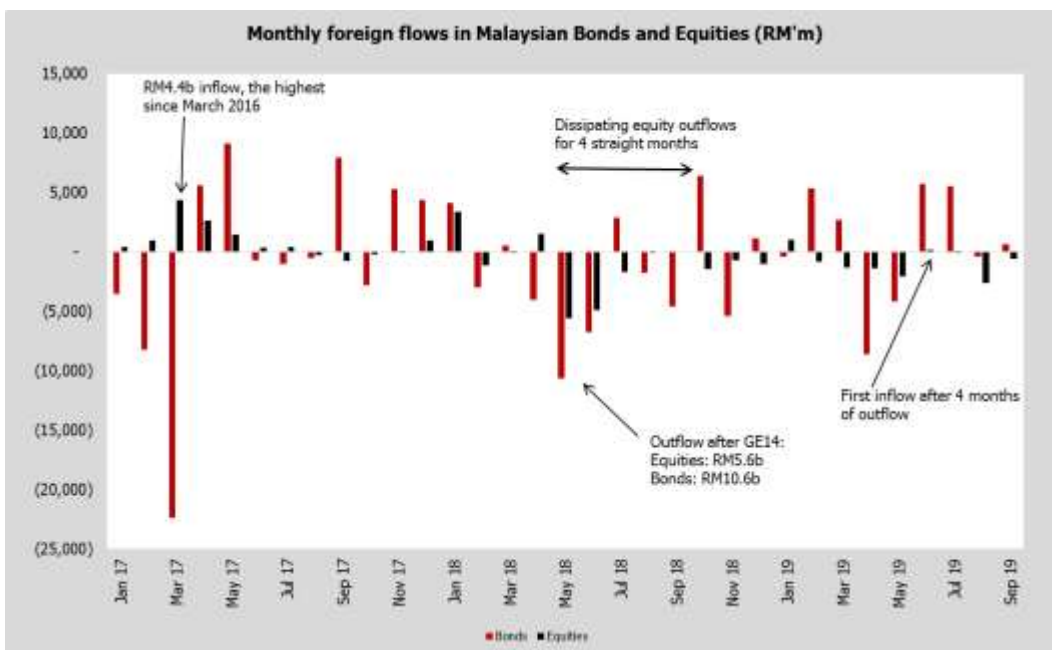
Source: Bloomberg, MIDFR

- On the other hand, the prices of domestic MGS were pulled in opposite directions by both external and internal factors. At the front-end of the curve, the 3-year yield ended the review week lower by -3.8bps partly attributable to the liquidity easing (SRR cut) by the BNM. While at the back-end, the 10-year yield ended the review week higher by 1.4bps as the longer dated issue was more impacted by general rise in the UST yields. Moreover, the benchmark 10y-3y yield spread steepened as the long-end underperformed.
- Total trading value for Government Bonds (MGS/MII) increased to RM21.1b in the review week compared to RM20.1b in the previous week (based on Bloomberg data). The total trading value of 10 most actively traded issues declined (higher trading breadth) to 54% compared to 60% of the overall Government Bonds trades 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 varied residual tenors. The top 3 most actively traded were MGS 3.492% 3/31/20 at RM3.73b, MGS 3.478% 6/14/24 at RM1.56b, and MGS 3.906% 7/15/26 at RM1.19b.
- Likewise, the total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM2.36b in the review week compared to RM1.25b 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 50% of the overall Corporate Bonds trades in the week before.
- The top 3 actively traded Corporate Bonds were dominated by issues of long residual tenors. The largest trading values were seen in MKD Kencana 4.85% 10/1/32 at RM130m, Turus Pesawat 4.36% 11/19/32 at RM105m, and CIMB Group 5.4% Perpetual at RM91m.
- Total foreign holdings of Government Bonds stood at RM169.5b as at end-September 2019. It was an increase of RM516.0m from the August 2019 figure of RM169.0b. Similarly, total foreign holdings of Corporate Bonds increased by RM111.1m in the month of September 2019 to RM12.0b.



Source: BNM

- In comparison to equities, the bonds market saw a total net inflow worth RM627.4m in September 2019 while the former saw a total net outflow worth -RM559m. 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

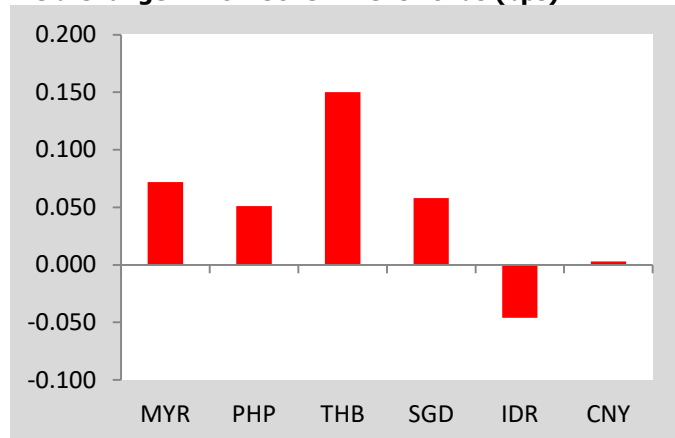
- DXY is gaining amid positive trade talk development. The US and China agree to roll back tariffs on each other's goods in the Phase One trade deal if it is signed by both presidents. Nevertheless, market uncertainty remains due to the possibility of sudden U-turn by the Trump-led administration. The uncertainty would be reduced if both presidents agreed on black & white terms. The earliest meet-up would be in early Dec-19 during NATO Summit in London.
- EURUSD weakens amid lower forecast target. European Commission released its latest forecast which saw next year the Eurozone to expand by 1.2%, lower than the previous forecast at 1.5%. Italy is predicted to be the slowest growth at 0.7% in 2020. Global trade tension and uncertainty over trade policies between EU and UK are among key dragging factors.
- Ringgit – Appreciate strongly. MYR appreciated to 4.135 on 8th Nov-19, highest value in 14-week. BNM maintains OPR at 3.00% despite macro indicators are signalling further moderation in the economy. Indirectly this may suggest GDP growth for 3Q19 is higher than expected which possibly above 4.5%yoy. We maintain our call MYR to average and register year-end target at 4.15 in 2019.

Currencies Changes (Week Ended 08/11) and Quarterly Forecasts

	Close (08/11)	Prev Close (01/11)	Change	% Change	1Q19	2Q19	3Q19	4Q19F
DXY Index	98.15	97.24	0.915	0.9%	96.46	97.26	98.00	100.03
EURUSD	1.11	1.12	-0.011	-1.0%	1.13	1.12	1.11	1.09
GBPUSD	1.28	1.29	-0.013	-1.0%	1.30	1.28	1.23	1.21
USDJPY	109.26	108.19	1.070	-1.0%	110.15	109.82	107.19	110.31
USDMYR	4.14	4.17	-0.030	0.7%	4.09	4.15	4.16	4.10
GBPMYR	5.30	5.40	-0.098	1.8%	5.32	5.33	5.13	5.20
JPYMYR	3.78	3.85	-0.065	1.7%	3.72	3.78	3.88	3.91

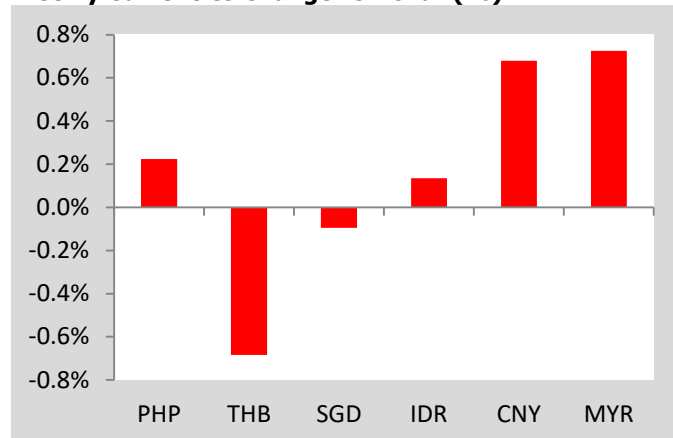
Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

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	4.20
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.
- China and the US agree to roll back tariffs on each other's goods in the Phase One trade deal if it is completed.

- The Fed cuts its interest rate three times in 2019. The current rate is 1.50-1.75%.
- Developed and emerging economies are predicted to follow similar steps in loosening monetary policy to boost economic growth.
- Bank Negara Malaysia maintained OPR at 3.00% despite macro indicators are signaling further moderation in the economy.
- 3Q19 GDP growth which to be announced on 15th Nov-19 is expected to stay above 4.5%.
- Stronger domestic demand, stable job market, low inflationary pressure and accommodative commodity prices are predicted to support the GDP growth in 3Q19.
- 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 31 October 2019, compared to previous fortnight, Bank Negara Malaysia's international reserves was slightly lower at USD103.2b (from USD103.3b).
- 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	1-Nov Fri	4-Nov Mon	5-Nov Tue	6-Nov Wed	7-Nov Thu	8-Nov Fri	Change (WoW bp)
MGS							
3-Y	3.12	3.109	3.091	3.099	3.078	3.082	-3.8
5-Y	3.282	3.262	3.242	3.273	3.277	3.194	-8.8
7-Y	3.358	3.377	3.417	3.433	3.35	3.393	3.5
10-Y	3.391	3.418	3.439	3.447	3.468	3.405	1.4
20-Y	3.764	3.743	3.763	3.808	3.808	3.822	5.8
RINGGIT IRS							
1-Y	3.29	3.29	3.335	3.335	3.3275	3.295	0.5
3-Y	3.285	3.295	3.335	3.335	3.33	3.3	1.5
5-Y	3.32	3.335	3.38	3.375	3.375	3.33	1
7-Y	3.355	3.37	3.405	3.4	3.4	3.375	2
10-Y	3.45	3.43	3.445	3.43	3.44	3.4	-5
KLIBOR							
1-M	3.18	3.18	3.18	3.18	3.18	3.18	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	1.5438	1.5877	1.6372	1.6117	1.6889	1.7026	15.88
5-Y	1.5424	1.5932	1.664	1.6311	1.7302	1.7456	20.32
7-Y	1.6274	1.6845	1.7683	1.7347	1.8334	1.8579	23.05
10-Y	1.7103	1.777	1.8584	1.8283	1.9173	1.9417	23.14
30-Y	2.1897	2.263	2.3384	2.3156	2.3974	2.4243	23.46
USD LIBOR							
1-M	1.77425	1.771	1.76988	1.755	1.758	1.759	-1.525
2-M	1.83888	1.85338	1.85463	1.84525	1.84675	1.85	1.112
3-M	1.8905	1.90825	1.8935	1.90425	1.90138	1.90063	1.013

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	1-Nov Yield	8-Nov Yield	Change (WoW bp)	Weekly Volume (RM bn)
MALAYSIA GOVERNMENT	3.492	03/31/20	2.995	2.925	-7.0	3,734.2
MALAYSIA GOVERNMENT	3.478	06/14/24	3.282	3.194	-8.8	1,557.1
MALAYSIA GOVERNMENT	3.906	07/15/26	3.358	3.393	3.5	1,186.7
MALAYSIA GOVERNMENT	4.378	11/29/19	2.985	3.124	13.9	983.0
MALAYSIA INVESTMNT ISS	4.128	08/15/25	3.407	3.405	-0.2	852.9
MALAYSIA GOVERNMENT	3.885	08/15/29	3.391	3.405	1.4	752.4
MALAYSIA GOVERNMENT	3.48	03/15/23	3.242	3.217	-2.5	698.2
MALAYSIA GOVERNMENT	4.16	07/15/21	3.095	3.071	-2.4	576.4
MALAYSIA GOVERNMENT	3.882	03/10/22	3.120	3.082	-3.8	549.8
MALAYSIA INVESTMNT ISS	4.724	06/15/33	3.841	3.821	-2.0	503.8
TOTAL VOLUME (TOP 10)						11,394.3
TOTAL VOLUME (Overall)						21,071.3

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	1-Nov Yield	8-Nov Yield	Change (WoW bp)	Weekly Volume (RM bn)
MKD KENCANA SDN BHD	4.85	10/01/32	3.738	3.827	8.9	130.0
TURUS PESAWAT SDN BHD	4.36	11/19/32	#N/A N/A	3.929	#VALUE!	105.0
CIMB GROUP HOLDINGS B	5.4	PERP	4.450	4.217	-23.3	91.2
GENM CAPITAL BHD	5.58	07/11/33	4.252	4.248	-0.4	70.0
FIRST RESOURCES LTD	4.35	06/05/20	3.599	3.498	-10.1	70.0
CIMB GROUP HOLDINGS B	4.88	09/13/29	3.948	3.960	1.2	60.0
WCT HOLDINGS BHD	6	PERP	#N/A N/A	5.874	#VALUE!	60.0
DANAINFRA NASIONAL	4.53	04/01/37	3.990	4.015	2.5	60.0
TENAGA NASIONAL BERHA	5.18	08/03/37	4.048	4.058	1.0	55.0
CGN POWER CO LTD	4.5	11/11/17	#N/A N/A	#N/A N/A	#VALUE!	51.1
TOTAL VOLUME (TOP 10)						752.3
TOTAL VOLUME (Overall)						2,356.5

Source: Bloomberg

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (23878 - X).

(Bank Pelaburan)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (23878-X). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This document may not be reproduced, distributed or published in any form or for any purpose.

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.