

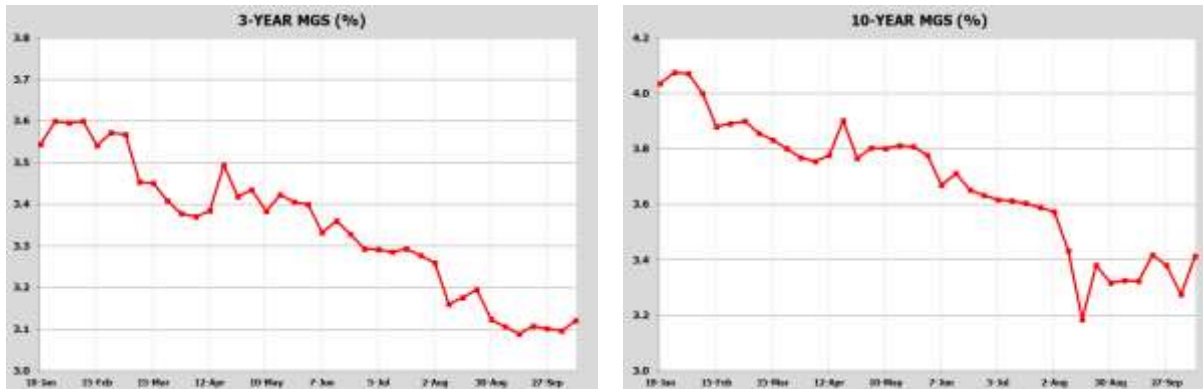
MIDF Strategy | 14 October 2019

Week Ended 11 October 2019

- UST tanked (prices down; yields up) last week and broke a three-week rally in reaction to growing prospect of a (phased) trade deal with China. On Friday, President Trump said that the US has reached a “very substantial phase one deal” with China and “phase two will start almost immediately” after the signing of the phase one deal.
- Nonetheless, the phased trade deal may weaken the argument for more rate cuts hence the yield curve slightly flattened, as the short-end underperformed, with 10y-3y yield spread narrowed on-week from +17bps to +16bps.
- Likewise, the price of domestic MGS issues ended the review week lower with the 3-year and 10-year yields added 2.4bps and 13.9bps respectively to close at 3.12% and 3.41%. Moreover, the benchmark 10y-3y yield spread steepened as the long-end underperformed.
- Total trading value for Government Bonds (MGS/MII) declined to RM13.6b in the review week compared to RM17.4b in the previous week (based on Bloomberg data). The total trading value of 10 most actively traded issues increased (lower trading breadth) to 62% of the overall Government Bonds trades in the week under review as compared to 45% in the week before. In addition, 5 out of the 10 most actively traded bonds saw higher yields hence lower prices during the review week.
- Likewise, the total trading value for Corporate Bonds (Conventional & Sukuk) declined to RM1.70b in the review week compared to RM2.39b in earlier week (based on Bloomberg data). Nonetheless, the total trading value of 10 most actively traded issues increased (lower trading breadth) to 31% compared to 27% of the overall Corporate Bonds trades in the week before.

Weekly Money Review

A. FIXED INCOME



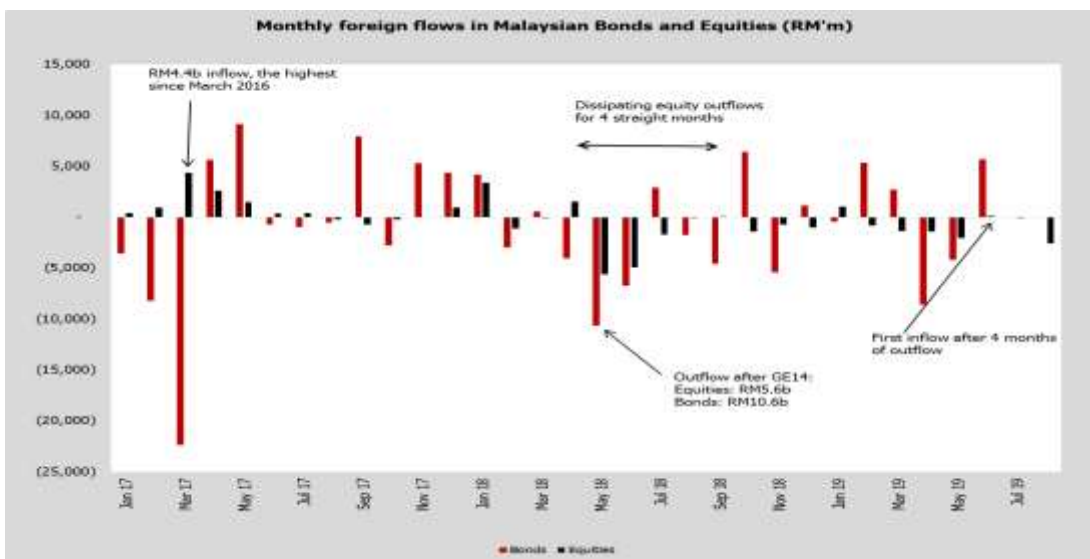
Source: Bloomberg, MIDFR

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- 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 3.885% 8/15/29 at RM2.91b, MGS 4.378% 11/29/19 at RM826m, and MGS 3.659% 10/15/20 at RM791m.
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- The top 3 actively traded Corporate Bonds were dominated by issues of short residual tenors. The largest trading values were seen in MDV 4.37% 1/28/22 at RM100m, BGSM 5.25% 12/24/20 at RM70m, and YTLP 4.49% 3/24/23 at RM55m.
- 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 unchanged inflation points. Headline and core CPI maintained at 1.7% and 2.4% respectively in Sep-19. Food CPI inched slightly to 1.8%. The steady trend in CPI signals economic momentum to remain positive in the medium term. Hence, possibility of another rate cut is low for this year.
- EURUSD appreciated as inflationary pressure in Germany softens. Headline CPI of EU's largest economy declined to 1.2% in Sep-19, lowest since Feb-18. Core CPI maintained at 1.4%. On a different note, ECB minutes indicated a fragmented institution given that some key members against the restart of QE program and some demanded for a larger cut in deposit facility rate to spur the economy.
- Ringgit – Stays unchanged amid Budget 2020. Malaysia's fiscal policy continues on expansionary stance with development expenditure remains above RM50 billion. Budget deficit is expected to lower at 3.2% next year. On macro data, IPI grew by 1.9%yoy in Aug-19, slightly lower than market estimates of 2.0%yoy. Unemployment rate maintained at 3.3% during the month. We maintain our call MYR to average at 4.12 and register year-end target at 4.10 in 2019.

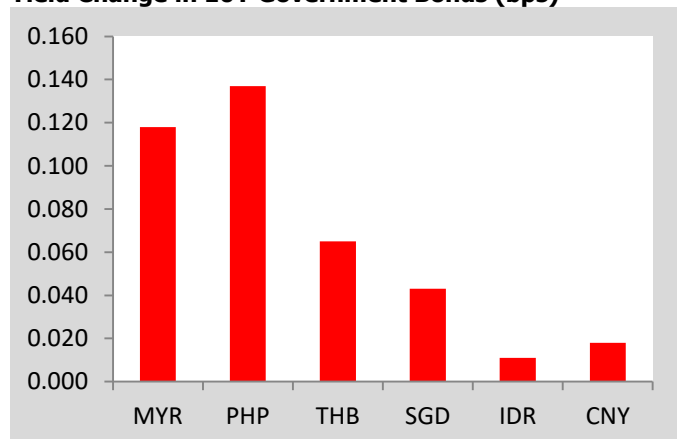
Currencies Changes (Week Ended 11/10) and Quarterly Forecasts

	Close (11/10)	Prev Close (04/10)	Change	% Change	1Q19	2Q19	3Q19	4Q19F
DXY Index	98.38	98.81	-0.425	-0.4%	96.46	97.26	98.00	100.03
EURUSD	1.10	1.10	0.007	0.6%	1.13	1.12	1.11	1.09
GBPUSD	1.26	1.23	0.029	2.4%	1.30	1.28	1.23	1.21
USDJPY	108.40	106.94	1.460	-1.3%	110.15	109.82	107.19	110.31
USDMYR	4.19	4.19	0.002	0.0%	4.09	4.15	4.16	4.10
GBPMYR	5.23	5.16	0.074	-1.4%	5.32	5.33	5.13	5.20
JPYMYR	3.86	3.91	-0.051	1.3%	3.72	3.78	3.88	3.91

Quarterly figures are forecast by MIDFR

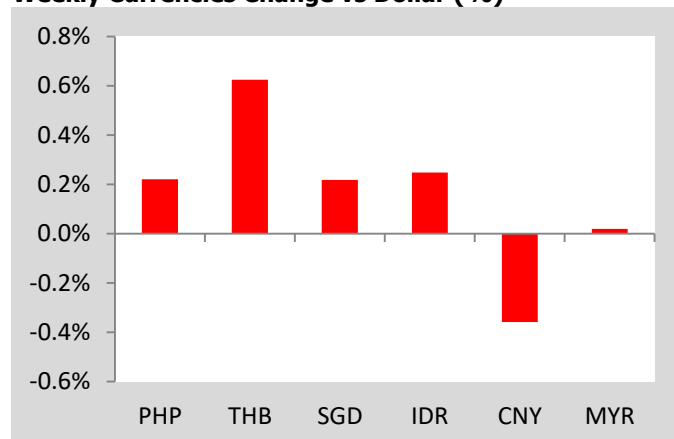
Source: Bloomberg, MIDFR

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.
- Overall IPI continued on expansion by 1.9%yoy in Aug-19, supported by manufacturing and electricity output.
- Full-employment condition remains as jobless rate at 3.3% and retail sales rose by 6.7%yoy, weakest gain since Oct-15.
- 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 30 September 2019, compared to previous fortnight, Bank Negara Malaysia's international reserves was slightly lower at USD103.0b (from USD103.5b).
- 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	4-Oct Fri	7-Oct Mon	8-Oct Tue	9-Oct Wed	10-Oct Thu	11-Oct Fri	Change (WoW bp)
MGS							
3-Y	3.096	3.125	3.111	3.124	3.116	3.12	2.4
5-Y	3.199	3.222	3.28	3.233	3.198	3.203	0.4
7-Y	3.309	3.356	3.34	3.351	3.347	3.363	5.4
10-Y	3.275	3.415	3.391	3.394	3.398	3.414	13.9
20-Y	3.597	3.698	3.695	3.662	3.701	3.701	10.4
RINGGIT IRS							
1-Y	3.27	3.23	3.235	3.215	3.225	3.22	-5
3-Y	3.25	3.235	3.23	3.2	3.205	3.2095	-4.05
5-Y	3.27	3.275	3.27	3.24	3.245	3.26	-1
7-Y	3.305	3.28	3.3	3.275	3.28	3.3	-0.5
10-Y	3.365	3.36	3.365	3.35	3.38	3.37	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	1.3585	1.4127	1.3691	1.4257	1.5033	1.565	20.65
5-Y	1.347	1.3908	1.3517	1.4037	1.4885	1.5542	20.72
7-Y	1.4432	1.476	1.4407	1.4924	1.5775	1.6417	19.85
10-Y	1.529	1.558	1.5289	1.5836	1.6681	1.729	20
30-Y	2.0151	2.0484	2.0293	2.0841	2.1615	2.1941	17.9
USD LIBOR							
1-M	1.978	1.94025	1.93875	1.92738	1.92125	1.9135	-6.45
2-M	2.00438	2.00213	1.99863	1.9785	1.96538	1.97463	-2.975
3-M	2.027	2.012	2.0095	1.98425	1.98613	2.00088	-2.612

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	4-Oct Yield	11-Oct Yield	Change (WoW bp)	Weekly Volume (RM bn)
MALAYSIA GOVERNMENT	3.885	08/15/29	3.275	3.414	13.9	2,910.2
MALAYSIA GOVERNMENT	4.378	11/29/19	3.065	3.031	-3.4	826.4
MALAYSIA GOVERNMENT	3.659	10/15/20	3.095	3.076	-1.9	790.9
MALAYSIA GOVERNMENT	3.654	10/31/19	3.060	3.050	-1.0	747.4
MALAYSIA INVESTMNT ISS	4.13	07/09/29	3.371	3.400	2.9	740.0
MALAYSIA GOVERNMENT	3.478	06/14/24	3.199	3.203	0.4	612.1
MALAYSIA GOVERNMENT	3.906	07/15/26	3.309	3.363	5.4	537.4
MALAYSIA GOVERNMENT	3.882	03/10/22	3.096	3.120	2.4	507.5
MALAYSIA INVESTMNT ISS	4.128	08/15/25	3.345	3.320	-2.5	452.4
MALAYSIA GOVERNMENT	4.048	09/30/21	3.110	3.084	-2.6	307.6
TOTAL VOLUME (TOP 10)						8,432.0
TOTAL VOLUME (Overall)						13,610.9

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	4-Oct Yield	11-Oct Yield	Change (WoW bp)	Weekly Volume (RM bn)
MALAYSIA DEBT VENTURE	4.37	01/28/22	#N/A N/A	3.248	#VALUE!	100.0
BGSM MANAGEMENT SDN	5.25	12/24/20	#N/A N/A	3.549	#VALUE!	70.0
YTL POWER INTERNATION	4.49	03/24/23	3.807	3.788	-1.9	55.0
SARAWAK ENERGY BHD	5.32	12/03/32	3.856	3.838	-1.8	50.0
BENIH RESTU BHD	4.62	06/05/25	3.869	3.858	-1.1	50.0
CGN POWER CO LTD	4.5	11/11/17	#N/A N/A	#N/A N/A	#VALUE!	46.7
TENAGA NASIONAL BERHA	4.98	08/27/38	4.021	4.042	2.1	45.0
TAN CHONG MOTOR HLDG	4.7	11/24/21	4.559	4.141	-41.8	40.0
AFFIN ISLAMIC BANK BHD	5.65	PERP	4.470	4.457	-1.3	40.0
MANJUNG ISLAND ENERGY	4.66	11/24/28	#N/A N/A	3.669	#VALUE!	30.0
TOTAL VOLUME (TOP 10)					31%	526.7
TOTAL VOLUME (Overall)						1,705.3

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.