

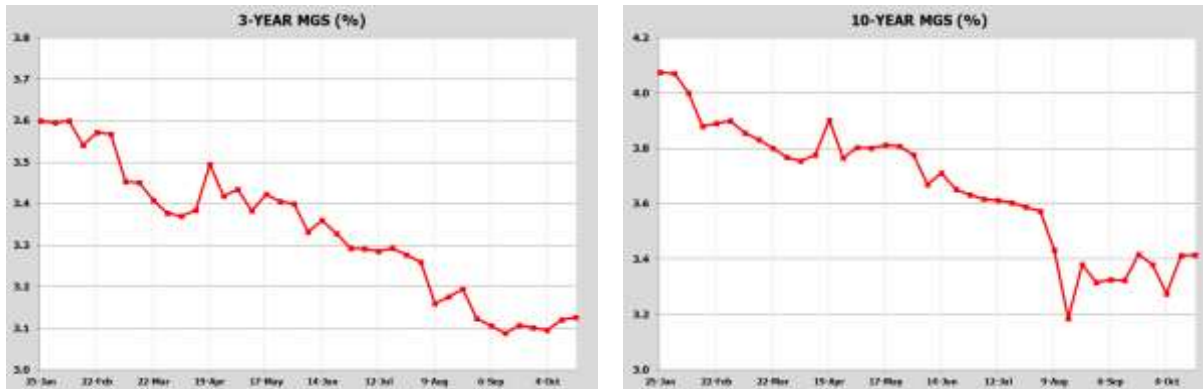
MIDF Strategy | 21 October 2019

Week Ended 18 October 2019

- The mid to longer end of the UST curve, i.e. 5 years and more, weakened (prices down; yields up) last week in reaction to a Brexit deal struck between UK and the EU as well as market sanguinity over a trade deal between US and China particularly in view of the weaker than expected 3Q output growth reported by the latter.
- On the other hand, the shorter end of the curve, i.e. 3 year and less, firmed (prices up; yields down) during the review week as weaker than expected US retail sales and industrial output figures may strengthen the argument for more short-term rate cuts. Consequently, the yield curve steepened, as the short-end outperformed, with 10y-3y yield spread expanded on-week from +16bps to +20bps.
- Meanwhile, the price of domestic MGS issues ended the review week mostly lower with the 3-year and 10-year yields added 0.7bp and 0.2bp respectively to close at 3.13% and 3.42%. Moreover, the benchmark 10y-3y yield spread slightly flattened as the short-end underperformed.
- Total trading value for Government Bonds (MGS/MII) increased to RM17.8b in the review week compared to RM13.6b in the previous week (based on Bloomberg data). The total trading value of 10 most actively traded issues declined (higher trading breadth) to 57% of the overall Government Bonds trades in the week under review as compared to 62% in the week before.
- 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.
- 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.

Weekly Money Review

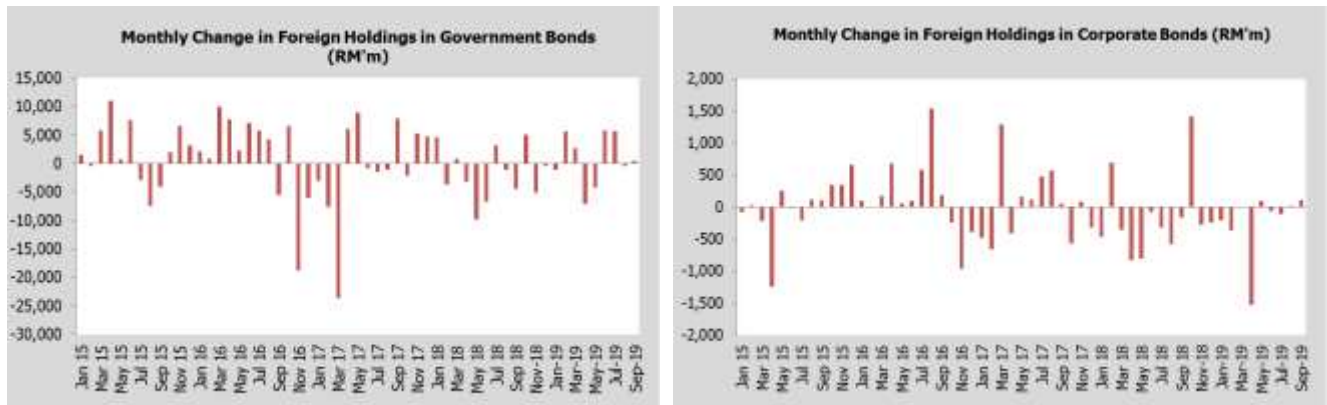
A. FIXED INCOME



Source: Bloomberg, MIDFR

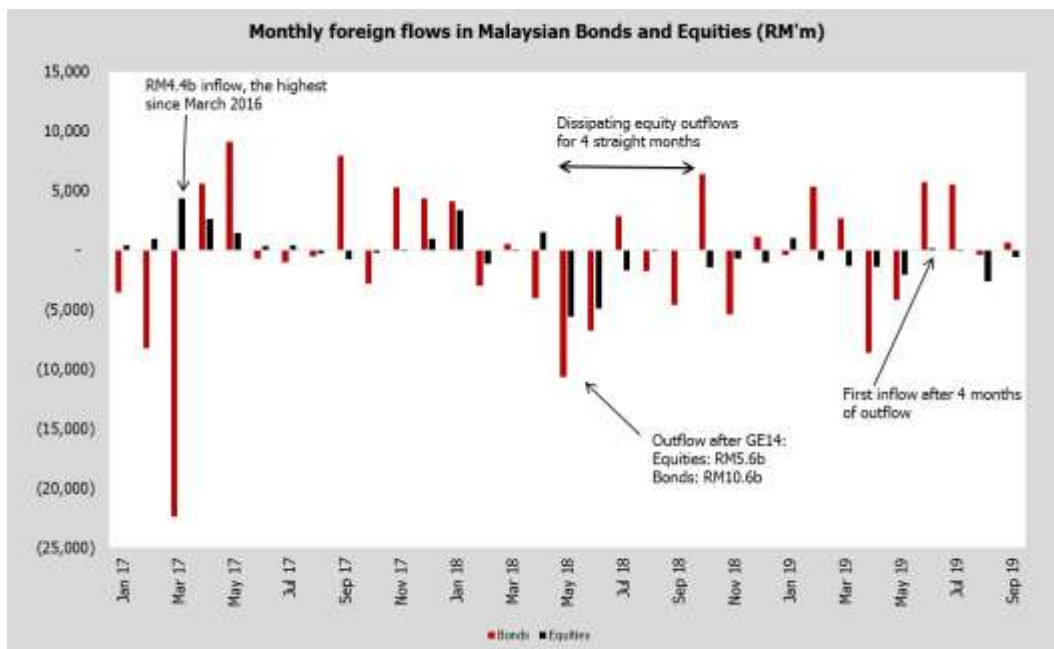
- The mid to longer end of the UST curve, i.e. 5 years and more, weakened (prices down; yields up) last week in reaction to a Brexit deal struck between UK and the EU as well as market sanguinity over a trade deal between US and China particularly in view of the weaker than expected 3Q output growth reported by the latter.
- On the other hand, the shorter end of the curve, i.e. 3 year and less, firmed (prices up; yields down) during the review week as weaker than expected US retail sales and industrial output figures may strengthen the argument for more short-term rate cuts. Consequently, the yield curve steepened, as the short-end outperformed, with 10y-3y yield spread expanded on-week from +16bps to +20bps.
- Meanwhile, the price of domestic MGS issues ended the review week mostly lower with the 3-year and 10-year yields added 0.7bp and 0.2bp respectively to close at 3.13% and 3.42%. Moreover, the benchmark 10y-3y yield spread slightly flattened as the short-end underperformed.
- Total trading value for Government Bonds (MGS/MII) increased to RM17.8b in the review week compared to RM13.6b in the previous week (based on Bloomberg data). The total trading value of 10 most actively traded issues declined (higher trading breadth) to 57% of the overall Government Bonds trades in the week under review as compared to 62% 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.
- 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 4.378% 11/12/19 at RM1.82b, MGS 3.885% 8/15/29 at RM1.59b, and MGS 3.659% 10/15/20 at RM1.44b.
- Likewise, the total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM1.89b in the review week compared to RM1.70b in earlier week (based on Bloomberg data). Moreover, the total trading value of 10 most actively traded issues increased (lower trading breadth) to 44% compared to 31% 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 CGN Power 4.5% 11/11/19 at RM128m, MKD Kencana 4.85% 10/1/32 at RM120m, and PTPTN 4.67% 3/28/24 at RM120m.
- 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 depreciates on easing global risk. UK and EU reached an exit deal on Brexit that awaited a Parliamentary vote on last Saturday. Besides that, poor data releases for the week also caused a quite bearish sentiment. US retail sales fell 0.3%mom in Sep-19, in contrast to 0.3%mom increase expected by the market. In addition, the Philly Fed Manufacturing Index fell from 12 points to 5.6 in Oct-19, beyond a forecasted decline to 8 points. Furthermore, US industrial output dropped 0.4%mom in Sep-19, more than 0.1%mom fall forecasted by market.
- EURUSD appreciates further on the back of Brexit's progress. There are hopes that soft Brexit deal would prevent an economic recession in the Euro Area. Earlier last week, the ZEW Economic Sentiment fell by 1.1 points to -23.5 in Oct-19 but still better than market consensus of -33 points.
- Ringgit – maintains due to absence of catalyst from macro data. Meanwhile, post-Budget 2020 clarifications continue to somehow influence the sentiment for the week. Besides that, concerns increased over India-Malaysia

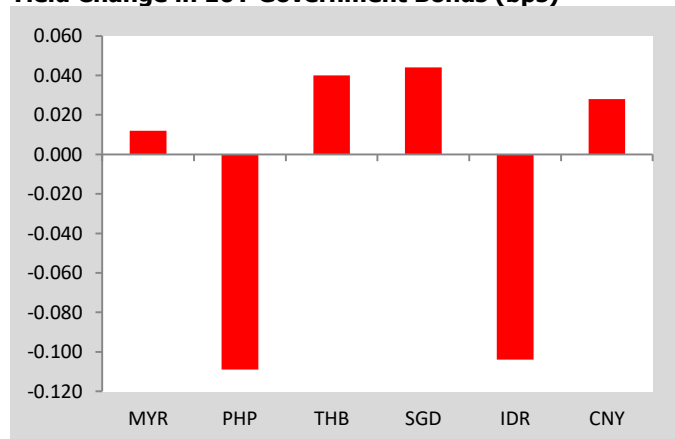
relationship on the possible imports curb on Malaysian products including palm oil following Malaysia's remark for India's actions in Kashmir. We maintain our call MYR to average and register year-end target at 4.15 in 2019.

Currencies Changes (Week Ended 18/10) and Quarterly Forecasts

	Close (18/10)	Prev Close (11/10)	Change	% Change	1Q19	2Q19	3Q19F	4Q19F
DXY Index	97.28	98.30	-1.019	-1.0%	96.46	97.26	97.98	99.88
EURUSD	1.12	1.10	0.012	1.1%	1.13	1.12	1.11	1.09
GBPUSD	1.30	1.27	0.032	2.5%	1.30	1.28	1.23	1.21
USDJPY	108.45	108.29	0.160	-0.1%	110.16	109.84	107.20	109.81
USDMYR	4.19	4.19	0.000	0.0%	4.09	4.15	4.16	4.00
GBPMYR	5.40	5.23	0.166	-3.1%	5.32	5.33	5.13	5.19
JPYMYR	3.86	3.87	-0.004	0.1%	3.72	3.78	3.88	3.91

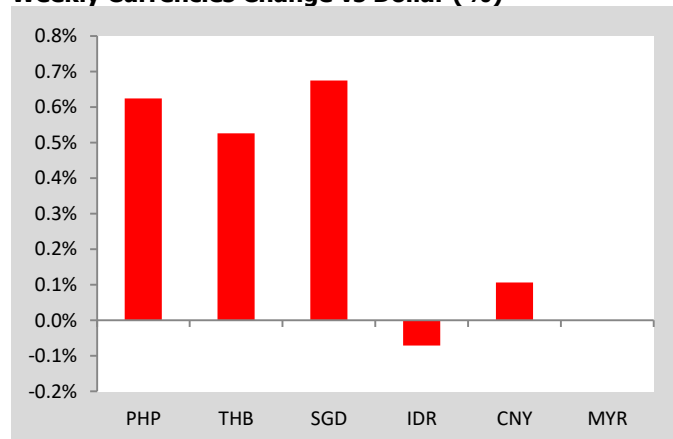
Quarterly figures are forecast by MIDFR
Source: Bloomberg, MIDFR

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	4.50	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	6.00
Korea	1.75	1.75	1.75	1.75	1.75	1.75	1.50	1.50	1.25
China	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.25	4.20
Japan	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10
United Kingdom	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
United States	2.50	2.50	2.50	2.50	2.50	2.50	2.25	2.25	2.25

Source: CEIC, MIDFR

- Trade tension, geopolitical instability, policy and political uncertainties, tightening monetary policy, volatility in commodities prices remain as key factors affecting growth trajectory.

- IMF lowered global growth forecast of 2019 further to 3%, the slowest pace since the global financial crisis as growth continues to be weakened by rising trade barriers and growing geopolitical tensions.
- China's economic growth slowed to 6%yoy, worse than market forecasts of 6.1%yoy and the weakest growth since 1Q92 amid persistent trade disputes with the US, weakening global demand and worrying off-balance-sheet borrowings by local governments.
- UK and EU reached a deal on Brexit but parliament voted to withhold approval of it.
- Malaysia's economic prospect remains resilient amid firming domestic demand, stable job market, low inflationary pressure and recovery in commodity-based sectors.
- 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	11-Oct Fri	14-Oct Mon	15-Oct Tue	16-Oct Wed	17-Oct Thu	18-Oct Fri	Change (WoW bp)
MGS							
3-Y	3.12	3.097	3.114	3.108	3.112	3.127	0.7
5-Y	3.203	3.224	3.228	3.227	3.235	3.225	2.2
7-Y	3.363	3.374	3.379	3.366	3.364	3.362	-0.1
10-Y	3.414	3.418	3.411	3.409	3.406	3.416	0.2
20-Y	3.701	3.718	3.731	3.757	3.757	3.765	6.4
RINGGIT IRS							
1-Y	3.22	3.2375	3.238	3.233	3.23	3.24	2
3-Y	3.2095	3.2275	3.232	3.23	3.255	3.265	5.55
5-Y	3.26	3.295	3.275	3.285	3.3	3.305	4.5
7-Y	3.3	3.325	3.31	3.315	3.345	3.36	6
10-Y	3.37	3.4	3.41	3.39	3.42	3.42	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	1.565	1.565	1.5974	1.5626	1.5763	1.5552	-0.98
5-Y	1.5542	1.5542	1.5971	1.5608	1.5757	1.5675	1.33
7-Y	1.6417	1.6417	1.6823	1.6464	1.6632	1.656	1.43
10-Y	1.729	1.729	1.771	1.7395	1.7518	1.7536	2.46
30-Y	2.1941	2.1941	2.2348	2.2248	2.2341	2.2492	5.51
USD LIBOR							
1-M	1.9135	1.89075	1.88913	1.8775	1.84638	1.85025	-6.325
2-M	1.97463	1.9655	1.96738	1.96463	1.93488	1.9275	-4.713
3-M	2.00088	2.00088	2.00213	2.00325	1.96588	1.95325	-4.763

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	11-Oct Yield	18-Oct Yield	Change (WoW bp)	Weekly Volume (RM bn)
MALAYSIA GOVERNMENT	4.378	11/29/19	3.031	3.033	0.2	1,822.3
MALAYSIA GOVERNMENT	3.885	08/15/29	3.414	3.416	0.2	1,589.1
MALAYSIA GOVERNMENT	3.659	10/15/20	3.076	3.075	-0.1	1,436.2
MALAYSIA GOVERNMENT	3.906	07/15/26	3.363	3.362	-0.1	1,313.7
MALAYSIA INVESTMNT ISS	3.743	08/26/21	3.127	3.123	-0.4	810.7
MALAYSIA GOVERNMENT	3.654	10/31/19	3.050	3.049	-0.1	783.4
MALAYSIA GOVERNMENT	3.418	08/15/22	3.111	3.118	0.7	652.0
MALAYSIA INVESTMNT ISS	4.258	07/26/27	3.411	3.472	6.1	650.0
MALAYSIA INVESTMNT ISS	4.467	09/15/39	3.757	3.851	9.4	538.4
MALAYSIA GOVERNMENT	4.498	04/15/30	3.577	3.521	-5.6	498.5
TOTAL VOLUME (TOP 10)						10,094.3
TOTAL VOLUME (Overall)						17,810.4

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	11-Oct Yield	18-Oct Yield	Change (WoW bp)	Weekly Volume (RM bn)
CGN POWER CO LTD	4.5	11/11/17	#N/A N/A	#N/A N/A	#VALUE!	127.8
MKD KENCANA SDN BHD	4.85	10/01/32	#N/A N/A	3.738	#VALUE!	120.0
PERBADANAN TABUNG PEN	4.67	03/28/24	3.317	3.336	1.9	120.0
MALAYAN BANKING BHD	4.71	01/31/31	3.878	3.948	7.0	80.3
DRB-HICOM BHD	6.1	02/14/22	5.034	4.371	-66.3	80.0
YTL POWER INTERNATION	5.05	05/03/27	4.025	4.026	0.1	70.0
PRASARANA MALAYSIA BH	4.15	08/04/21	#N/A N/A	3.236	#VALUE!	65.0
EDRA ENERGY SDN BHD	6.09	01/04/30	#N/A N/A	4.376	#VALUE!	65.0
TURUS PESAWAT SDN BHD	4.22	03/10/28	#N/A N/A	3.729	#VALUE!	50.0
FIRST RESOURCES LTD	4.35	06/05/20	3.557	3.549	-0.8	50.0
TOTAL VOLUME (TOP 10)						828.1
TOTAL VOLUME (Overall)						1,888.4

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.