

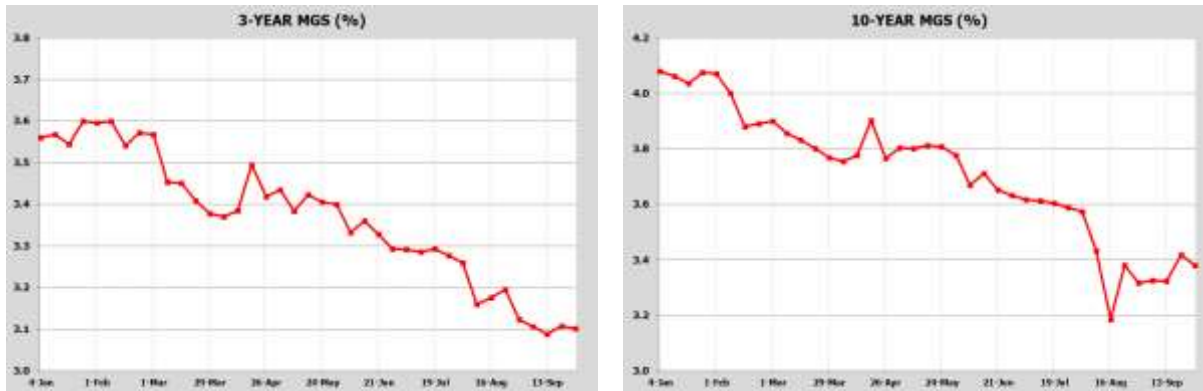
MIDF Strategy | 30 September 2019

Week Ended 27 September 2019

- UST rallied (prices up; yields down) for the second week in a row following a marginally subdued economic data, i.e. US consumer spending slowed last month, and reports suggesting heightened US-China trade spats, i.e. President Trump is contemplating to limit US portfolio investments in China. Nonetheless, the 10y-3y yield spread was unchanged on-week at +11bps.
- Likewise, the price of domestic MGS issues ended the review week higher. The benchmark 10y-3y yield spread slightly flattened as the short-end underperformed with the 3-year and 10-year yields shed -0.6bp and -3.7bps respectively to close at 3.10% and 3.38%.
- Total trading value for Government Bonds (MGS/MII) increased to RM25.2b in the review week compared to RM12.9b in the previous week (based on Bloomberg data). The total trading value of 10 most actively traded issues declined (higher trading breadth) to 63% of the overall Government Bonds trades in the week under review as compared to 65% in the week before. In addition, 8 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 RM3.93b in the review week compared to RM1.79b in earlier week (based on Bloomberg data). Moreover, the total trading value of 10 most actively traded issues increased (lower trading breadth) to 55% compared to 31% of the overall Corporate Bonds trades in the week before.

Weekly Money Review

A. FIXED INCOME



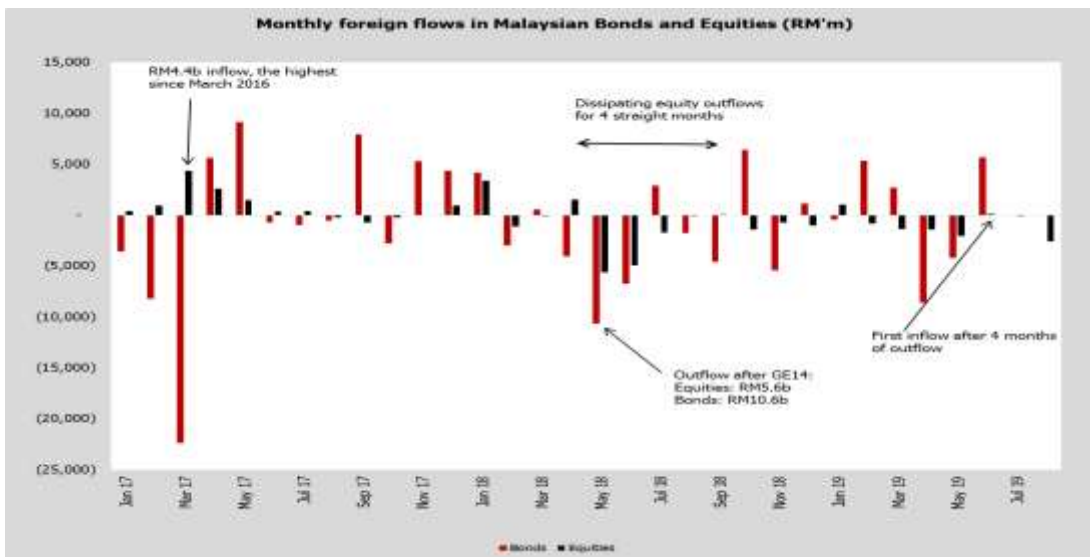
Source: Bloomberg, MIDFR

- UST rallied (prices up; yields down) for the second week in a row following a marginally subdued economic data, i.e. US consumer spending slowed last month, and reports suggesting heightened US-China trade spats, i.e. President Trump is contemplating to limit US portfolio investments in China. Nonetheless, the 10y-3y yield spread was unchanged on-week at +11bps.
- Likewise, the price of domestic MGS issues ended the review week higher. The benchmark 10y-3y yield spread slightly flattened as the short-end underperformed with the 3-year and 10-year yields shed -0.6bp and -3.7bps respectively to close at 3.10% and 3.38%.
- Total trading value for Government Bonds (MGS/MII) increased to RM25.2b in the review week compared to RM12.9b in the previous week (based on Bloomberg data). The total trading value of 10 most actively traded issues declined (higher trading breadth) to 63% of the overall Government Bonds trades in the week under review as compared to 65% in the week before. In addition, 8 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 short and mid residual tenors. The top 3 most actively traded were MGS 3.659% 10/15/20 at RM4.35b, MGS 3.906% 7/15/26 at RM2.40b, and MGS 3.654% 10/31/19 at RM2.40b.
- Likewise, the total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM3.93b in the review week compared to RM1.79b in earlier week (based on Bloomberg data). Moreover, the total trading value of 10 most actively traded issues increased (lower trading breadth) to 55% 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 short residual tenors. The biggest trading values were seen in WCTH 4.4% 4/9/20 at RM900m, WCTH 4.6% 8/28/20 at RM633m, and Sunway Treasury 4.9% 6/6/22 at RM200m.
- 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 appreciated firmly. Politics in the US turns sour last week particularly due to impeachment inquiry by the Speaker of the U.S. House of Representatives Nancy Pelosi on President Donald Trump regarding Ukraine's interference on 2020 Presidential Election for his benefits. On a flip side, US-China trade talk is still ongoing and China hints of willingness to buy more products from the US.
- EURUSD declines further. Despite Germany's Gfk consumer sentiment improves to 4-month high in Oct-19, political uncertainties and risks of recession in the region are putting pressure on EUR to appreciate. In addition, volatility of commodity prices and easing monetary policy by the Fed indirectly affect the economic and capital flows performance of EU. ECB has taken easing monetary policy by reducing deposit facility rate in order to provide additional boost in the economy.
- Ringgit – Continue depreciate due to watch-list concerns. FTSE Russel maintains Malaysia in a watch-list from being dropped from the World Government Bond Index. Most market analysts estimate \$5billion outflow if Malaysia excluded from the index. Nevertheless, Malaysian economy remains in positive position amid solid macro fundamentals. We maintain our call MYR to average at 4.12 and register year-end target at 4.10 in 2019.

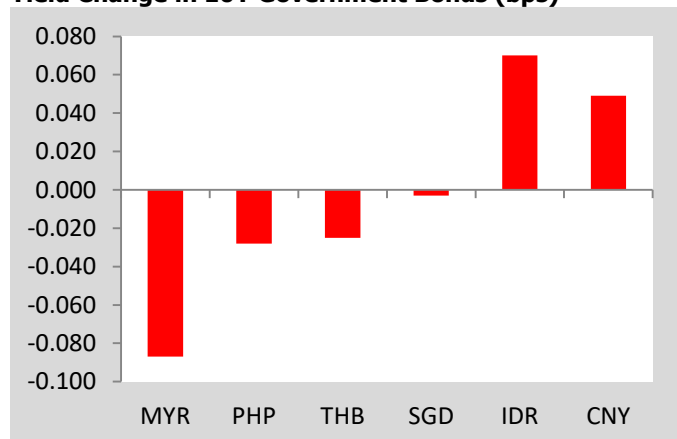
Currencies Changes (Week Ended 27/09) and Quarterly Forecasts

	Close (27/09)	Prev Close (20/09)	Change	% Change	1Q19	2Q19	3Q19	4Q19F
DXY Index	99.27	98.51	0.759	0.8%	96.46	97.26	98.00	100.03
EURUSD	1.09	1.10	-0.010	-0.9%	1.13	1.12	1.11	1.09
GBPUSD	1.23	1.25	-0.020	-1.6%	1.30	1.28	1.23	1.21
USDJPY	107.80	107.56	0.240	-0.2%	110.15	109.82	107.19	110.31
USDMYR	4.19	4.17	0.023	-0.5%	4.09	4.15	4.16	4.10
GBPMYR	5.15	5.23	-0.085	1.6%	5.32	5.33	5.13	5.20
JPYMYR	3.89	3.88	0.012	-0.3%	3.72	3.78	3.88	3.91

Quarterly figures are forecast by MIDFR

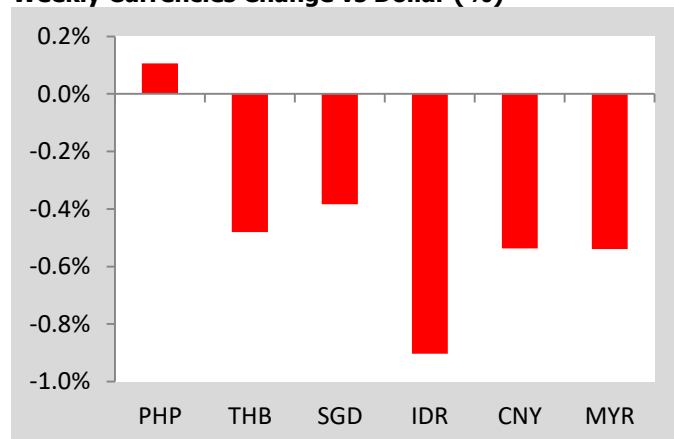
Source: Bloomberg, MIDFR

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

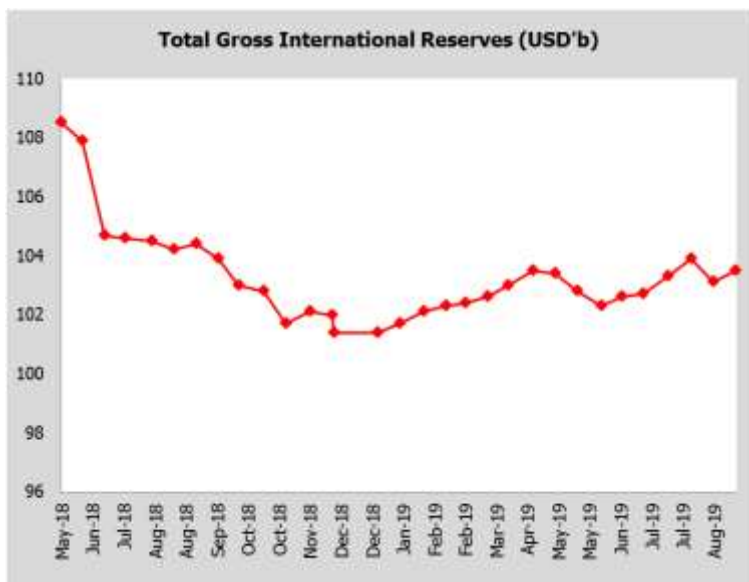
Source: CEIC, MIDFR

- 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 is easing monetary policy by developed and emerging economies, stable domestic demand and recovery of commodity-based sectors.
- Inflationary pressure continues on the rise but at slow pace. In Aug-19, headline CPI at 1.5% while core CPI at 2%, highest since Jan-18.
- Accommodative in global crude oil prices to support mining sector to improve in 3Q19 and 2H19.
- Current monetary policy remains accommodative at present to support growth in the domestic economy.
- We expect no further changes in monetary policy with OPR remains at 3.00% in 2019.

C. BNM FOREIGN RESERVES

- As at 13 September 2019, compared to previous fortnight, Bank Negara Malaysia's international reserves was unchanged at USD103.5b.



Source: BNM

- 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	20-Sep Fri	23-Sep Mon	24-Sep Tue	25-Sep Wed	26-Sep Thu	27-Sep Fri	Change (WoW bp)
MGS							
3-Y	3.108	3.128	3.167	3.16	3.143	3.102	-0.6
5-Y	3.281	3.343	3.277	3.297	3.281	3.226	-5.5
7-Y	3.457	3.473	3.456	3.407	3.378	3.325	-13.2
10-Y	3.418	3.475	3.501	3.429	3.404	3.381	-3.7
20-Y	3.752	3.871	3.837	3.802	3.669	3.669	-8.3
RINGGIT IRS							
1-Y	3.285	3.285	3.29	3.275	3.265	3.27	-1.5
3-Y	3.29	3.2825	3.285	3.275	3.27	3.265	-2.5
5-Y	3.315	3.3	3.31	3.295	3.295	3.295	-2
7-Y	3.355	3.335	3.34	3.325	3.325	3.345	-1
10-Y	3.44	3.4	3.395	3.4	3.38	3.37	-7
KLIBOR							
1-M	3.19	3.19	3.19	3.19	3.19	3.19	0
2-M	3.35	3.35	3.34	3.34	3.34	3.34	-1
3-M	3.39	3.39	3.39	3.38	3.38	3.38	-1
UST							
3-Y	1.616	1.6161	1.5485	1.6163	1.5919	1.5732	-4.28
5-Y	1.6002	1.6021	1.5273	1.6074	1.5799	1.562	-3.82
7-Y	1.6695	1.6648	1.5876	1.6723	1.6336	1.6226	-4.69
10-Y	1.7215	1.7267	1.6456	1.7372	1.6921	1.6801	-4.14
30-Y	2.1616	2.1729	2.1036	2.1863	2.1419	2.1286	-3.3
USD LIBOR							
1-M	2.0365	2.01838	2.04588	2.05363	2.0435	2.0315	-0.5
2-M	2.11988	2.09288	2.09225	2.0895	2.0865	2.07088	-4.9
3-M	2.13463	2.10625	2.113	2.09963	2.10438	2.09863	-3.6

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	20-Sep Yield	27-Sep Yield	Change (WoW bp)	Weekly Volume (RM bn)
MALAYSIA GOVERNMENT	3.659	10/15/20	3.134	3.122	-1.2	4,345.7
MALAYSIA GOVERNMENT	3.906	07/15/26	3.457	3.325	-13.2	2,398.8
MALAYSIA GOVERNMENT	3.654	10/31/19	3.037	3.018	-1.9	2,389.1
MALAYSIA GOVERNMENT	3.899	11/16/27	3.584	3.517	-6.7	1,330.7
MALAYSIA GOVERNMENT	3.882	03/10/22	3.108	3.102	-0.6	1,165.8
MALAYSIA INVESTMNT ISS	3.726	03/31/26	3.467	3.357	-11.0	930.6
MALAYSIA INVESTMNT ISS	3.655	10/15/24	3.319	3.228	-9.1	868.7
MALAYSIA GOVERNMENT	3.478	06/14/24	3.281	3.226	-5.5	840.7
MALAYSIA INVESTMNT ISS	4.13	07/09/29	3.539	3.410	-12.9	830.1
MALAYSIA INVESTMNT ISS	3.799	08/27/20	3.122	3.130	0.8	801.0
TOTAL VOLUME (TOP 10)						15,901.1
TOTAL VOLUME (Overall)						25,190.5

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	20-Sep Yield	27-Sep Yield	Change (WoW bp)	Weekly Volume (RM bn)
WCT HOLDINGS BHD	4.4	04/09/20	#N/A N/A	3.784	#VALUE!	900.0
WCT HOLDINGS BHD	4.6	08/28/20	#N/A N/A	3.844	#VALUE!	633.5
SUNWAY TREASURY SUKU	4.9	06/06/22	#N/A N/A	3.932	#VALUE!	200.0
SIME DARBY PLANTATIONS	5.65	PERP	#N/A N/A	3.909	#VALUE!	80.0
FIRST RESOURCES LTD	4.35	06/05/20	3.556	3.537	-1.9	70.0
DANUM CAPITAL BHD	3.96	05/09/23	#N/A N/A	3.503	#VALUE!	65.0
HONG LEONG FINL GROUP	4.93	06/23/28	#N/A N/A	3.845	#VALUE!	50.0
CAGAMAS BERHAD	4.1	03/16/20	#N/A N/A	3.222	#VALUE!	50.0
BGSM MANAGEMENT SDN	4.92	08/29/25	3.898	3.945	4.7	50.0
AMAN SUKUK BHD	4.1	03/08/23	3.364	3.499	13.5	50.0
TOTAL VOLUME (TOP 10)						2,148.5
TOTAL VOLUME (Overall)						3,928.3

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.