

13 March 2017 | Strategy

Weekly Money Review

Yields upticks in anticipation of US Fed hike

KLCI: 1,717.58 points

2017 Year-end Target: 1,830 points

MONEY MARKET

- The key market moving news of the past week was none other than the expectation of the US Fed delivering on its earlier promise to hike.
- According to the futures market, the US Fed is almost certain to raise the overnight policy rate in the upcoming meeting scheduled for this week.

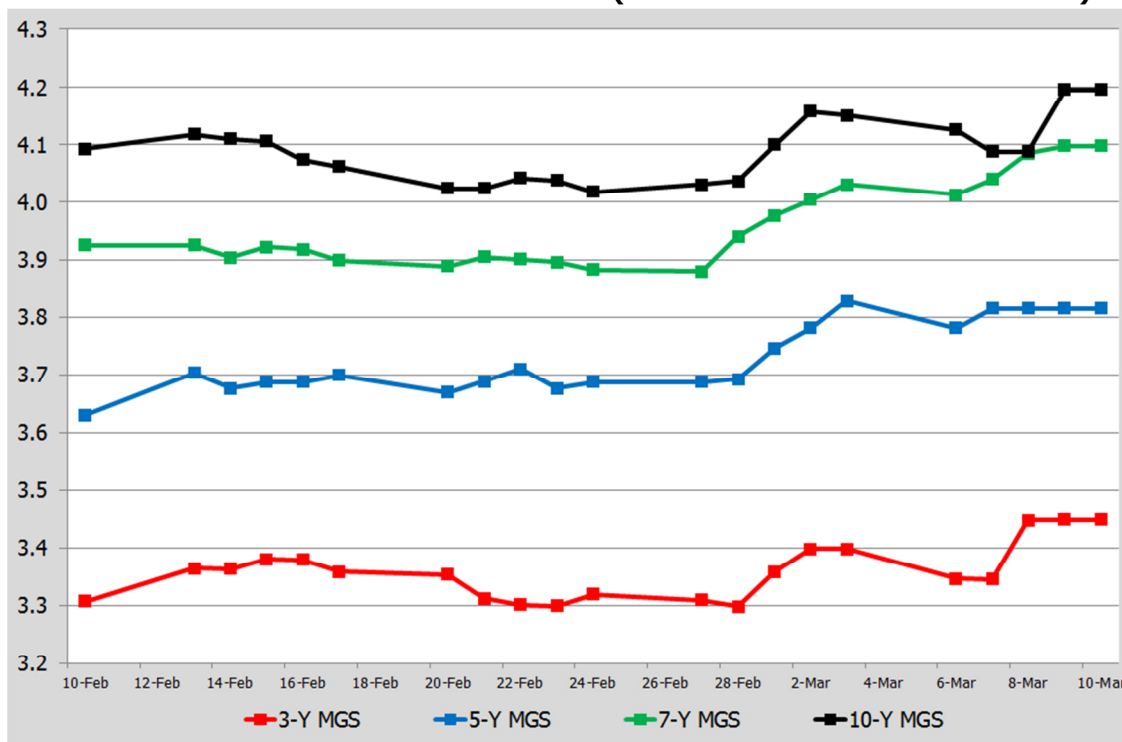
MONEY MARKET RATES

Tenor	3-Mar Fri	6-Mar Mon	7-Mar Tue	8-Mar Wed	9-Mar Thu	10-Mar Fri	Change (WoW bp)
MALAYSIA GOVERNMENT SECURITIES							
3-Y	3.398	3.346	3.345	3.448	3.449	3.498	10
5-Y	3.829	3.782	3.816	3.816	3.816	3.886	5.7
7-Y	4.031	4.013	4.04	4.085	4.098	4.067	3.6
10-Y	4.151	4.126	4.088	4.088	4.196	4.152	0.1
20-Y	4.698	4.655	4.702	4.622	4.622	4.732	3.4
RINGGIT IRS							
1-Y	3.525	3.535	3.53	3.53	3.545	3.55	2.5
3-Y	3.68	3.665	3.67	3.685	3.6925	3.712	3.2
5-Y	3.84	3.81	3.815	3.85	3.87	3.87	3
7-Y	3.935	3.92	3.93	3.965	3.965	3.9725	3.75
10-Y	4.095	4.075	4.08	4.11	4.13	4.12	2.5
KLIBOR							
1-M	3.18	3.18	3.18	3.18	3.18	3.18	0
2-M	3.4	3.4	3.4	3.4	3.4	3.4	0
3-M	3.43	3.43	3.43	3.43	3.43	3.43	0
US TREASURIES							
3-Y	1.5791	1.5821	1.6096	1.6625	1.692	1.6598	8.07
5-Y	2.009	2.0191	2.0491	2.0926	2.1362	2.1014	9.24
7-Y	2.3052	2.3175	2.3421	2.3866	2.4336	2.3943	8.91
10-Y	2.478	2.4997	2.5179	2.5597	2.6053	2.5745	9.65
30-Y	3.0713	3.1046	3.121	3.1489	3.1888	3.1647	9.34
USD LIBOR							
1-M	0.83444	0.84667	0.85444	0.85778	0.88139	0.89056	5.612
2-M	0.91333	0.92556	0.92889	0.93222	0.94833	0.95833	4.5
3-M	1.10167	1.10622	1.10622	1.109	1.11956	1.12122	1.955

Source: Bloomberg, MIDFR

- This anticipation is also duly reflected in the government bond yields which have generally risen across the board during the week under review.

YIELDS OF MALAYSIA GOVERNMENT BONDS (From 10 Feb 2017 to 10 Mar 2017)



Source: Bloomberg, MIDFR

- Total volume trade for MGS/GII totaled RM33.1b in the review week. The 10 most actively traded issues represent more than 83% of the overall MGS/GII trades.
- The top 3 volumes were seen in issues with short (less than 1 year) remaining tenor namely MGS 3.394% 03/14/17 at RM13.9b, MGS 3.314% 10/31/17 at RM3.4b and MGS 3.260% 03/01/18 at RM2.7b.
- As stated earlier, yields have mostly gone up during the past week which implies selling pressure and lower prices.

10 MOST ACTIVELY TRADED GOVERNMENT BONDS (Week Ended 10 Mar 2017)

Name	Coupon	Maturity	3-Mar Yield	10-Mar Yield	Change (WoW bp)	Weekly Volume (RM bn)
MALAYSIA GOVERNMENT	3.394	03/15/17	3.162	3.338	17.6	13,945.0
MALAYSIA GOVERNMENT	3.314	10/31/17	3.200	3.310	11.0	3,426.9
MALAYSIA GOVERNMENT	3.26	03/01/18	3.301	3.333	3.2	2,692.2
MALAYSIA GOVERNMENT	4.012	09/15/17	3.329	3.284	-4.5	2,110.8
MALAYSIA GOVERNMENT	4.24	02/07/18	3.284	3.331	4.7	1,996.1
MALAYSIA INV ISSUE	3.226	04/15/20	3.710	3.727	1.7	1,130.0
MALAYSIA GOVERNMENT	3.58	09/28/18	3.347	3.378	3.1	650.4
MALAYSIA GOVERNMENT	3.882	03/10/22	N/A	3.886	N/A	604.9
MALAYSIA GOVERNMENT	4.232	06/30/31	4.577	4.567	-1.0	515.1
MALAYSIA GOVERNMENT	3.8	08/17/23	4.031	4.067	3.6	512.8
TOTAL VOLUME (TOP 10)						27,584.1
TOTAL VOLUME (Overall)						33,111.8

Source: Bloomberg, MIDFR

- Total volume trade for Corporate Bonds totaled RM2.7b in the review week. The 10 most actively traded issues represent circa 44% of the overall Corporate Bonds trades.
- The top 3 actively traded issues among the Corporate Bonds were quite varied in terms of their remaining tenor. Moreover, some actively traded corporate issues registered lower yields hence higher prices despite the yield upticks in most government bond issues.
- The biggest volumes were seen in CIMB 4.15% 11/30/22 at RM450m, Cagamas 3.30% 08/09/17 at RM151m and Turus Pesawat 4.36% 11/19/32 at RM90m.

10 MOST ACTIVELY TRADED CORPORATE BONDS (Week Ended 10 Mar 2017)

Name	Coupon	Maturity	3-Mar Yield	10-Mar Yield	Change (WoW bp)	Weekly Volume (RM bn)
CIMB BANK BHD	4.15	11/30/22	4.287	4.072	-21.5	450.0
CAGAMAS BHD	3.3	08/09/17	N/A	3.670	N/A	151.0
TURUS PESAWAT SDN BHD	4.36	11/19/32	N/A	4.857	N/A	90.0
PUTRAJAYA HOLDINGS BHD	5.2	01/25/18	3.927	3.956	2.9	90.0
PROJEK LEBUHRAYA USAHA	4.86	01/12/38	N/A	4.904	N/A	80.0
CAGAMAS MBS BHD	5.01	08/08/17	N/A	3.730	N/A	80.0
PENGURUSAN AIR SPV BHD	4.04	06/17/21	N/A	4.101	N/A	75.0
BGSM MANAGEMENT SDN	4.9	12/27/18	4.504	4.500	-0.4	70.0
LEBUHRAYA DUKE FASA 3	6.04	08/23/35	5.289	5.311	2.2	60.0
PROJEK LEBUHRAYA USAHA	5.07	01/10/31	4.871	4.861	-1.0	50.0
TOTAL VOLUME (TOP 10)						1,196.0
TOTAL VOLUME (Overall)						2,712.3

Source: Bloomberg, MIDFR

FOREIGN EXCHANGE

- The dollar rose to a six-week high against most currencies on Friday, as anticipating towards a good non-farm payroll data reinforced investors' confidence in Fed March Rate hike.
- Currently, traders are pricing in 100% probability of a rate hike in the next Fed meeting which will convene on 14-15 March. The dollar index closed at 101.79 during the day, a gain of 0.2% from the previous Friday. Non-farm payroll figure came in solid as expected at 235,000, higher than the 190,000 consensus expectation.

Table 1: Currencies Changes (Weekly Ended on 10/3) and Quarterly Forecast

	Close (10/3)	Prev Close (3/7)	Change	% Change	1Q17F	2Q17F	3Q17F	4Q17F
DXY Index	101.79	101.54	0.250	0.2	101.12	102.50	103.0	103.5
EURUSD	1.061	1.062	-0.001	-0.1	1.055	1.045	1.020	1.030
GBPUSD	1.216	1.229	-0.013	-1.0	1.230	1.150	1.180	1.210
USDJPY	115.4	114.0	1.340	1.2	114.0	118.0	120.0	119.0
USDMYR	4.453	4.454	-0.001	0.0	4.45	4.20	4.43	4.30
GBPMYR	5.415	5.459	-0.044	-0.8	5.48	5.25	5.15	5.20
JPYMYR	3.859	3.906	-0.047	-1.2	3.92	3.75	3.85	3.85

Quarterly data are forecast by MIDFR

Source: CEIC, Bloomberg, MIDF Research


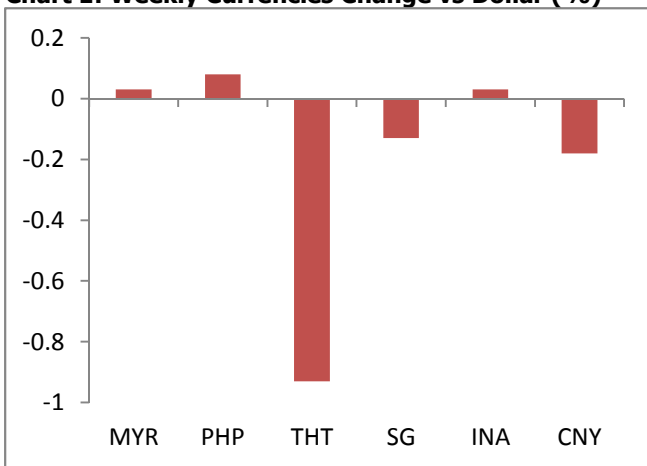
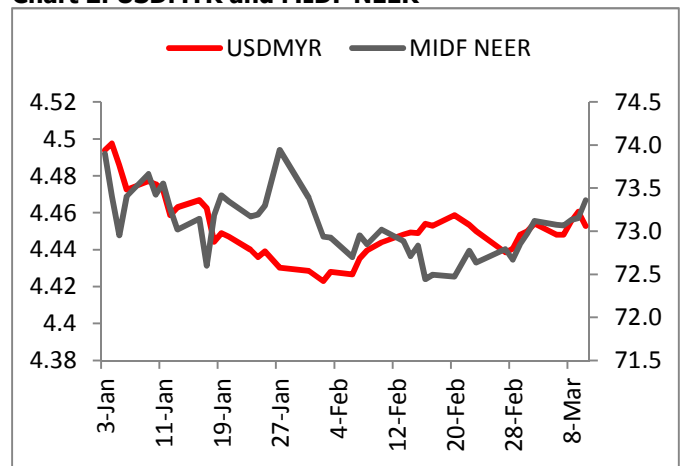
- As investors were factoring the rate hike, the benchmark US-10YR treasury yield reached 2.60% on Thursday before slightly moderating the next day to 2.58%. This was the highest reading since mid-December last year. Consequently, the Malaysia's 10-YR government bond yield reached 4.18%, the highest since 20 January this year.
- The ECB president, Draghi, had removed a reference to the phrase of "using all measures to induce growth and inflation", citing the non-urgency to do so moving ahead. Indeed, it lifted up the Euro slightly against the dollar but in longer term the Euro is still in a downtrend against USD. 

Chart 1: Weekly Currencies Change vs Dollar (%)



Source: Bloomberg, MIDFR

Chart 2: USDMYR and MIDF NEER



Source: CEIC, MIDFR

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected to be <-15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% 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.