

MIDF EQUITY STRATEGY | 22 JULY 2019 WEEK ENDED 19 JULY 2019

- Major equity markets worldwide ended the week mixed again as concerns over the U.S's monetary policy grew larger.
- Brent crude oil price ended 6.4% lower for the week at USD62.47pb, the biggest weekly loss in 30 weeks. This was despite the tensions in the Middle East rose after Iran seized two tankers in the Strait of Hormuz which pushed Brent crude oil price by 0.9% on Friday. A day before that, the U.S said that it destroyed an Iranian drone near the said area. However this was not enough to offset the declining trend throughout the week amidst fears of waning demand.
- International investors marked the fifth straight week of being net buyers in Asia. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" accumulated USD146.9m net last week, more than four times the amount bought in the preceding week.
- The four-week foreign net buying streak on Bursa was snapped last week. Based on data from Bursa, foreign funds sold RM6.9m net of local equities last week, the smallest weekly foreign net outflow thus far this year.
- The FBM KLCI declined by 0.7% for the week after closing at 1,658 points on Friday. Meanwhile, the Ringgit appreciated a little against the greenback as it settled at USD/MYR4.1128.

BURSA'S FOUR-WEEK BUYING STREAK SNAPPED

A. MARKET SNAPSHOT

- Major equity markets worldwide ended the week mixed again as concerns over the U.S's monetary policy grew larger.
- Wall Street was in the red with major benchmarks such as the Dow Jones and S&P 500 declined by more than 0.5% for the week. This was mainly attributable to the report that the Fed plans to slash interest rates by only a quarter-percentage point in the upcoming July meeting in contrast to market expectations of a half-point cut.
- On the economic front, U.S retail sales increased by more than expected in June 2019 by 3.9%yoy driven by sales in motor vehicles and parts while and food and beverage stores sales increased by 4.1%yoy and 2.9%yoy respectively. In addition, sales of non-store retailers expanded by 13.4%yoy compared to 12.1%yoy in the preceding month. In 2Q19, retail sales growth averaged higher at 3.4%yoy compared to 2.8%yoy in 1Q19.
- In Asia, Japan marked its seventh straight months of falling exports in June 2019 amidst global slowdown and trade tensions around the world. The latest number showed exports contracted by -6.7%yoy as exports of major products such as transport equipment, machinery and manufactured goods remained in the negative growth of -7.6%yoy, -8.0%yoy and -8.6%yoy respectively. By destination, sales to most of the Japan's trading partners grew negatively except to the US which rose by 5%yoy, higher than May 2019. Similarly imports contracted -5.2%yoy.
- The U.K headline inflation remained at 2.0% in June 2019, unchanged from the preceding month and in line with market consensus. Softer price increases in transport and housing & utilities had offset higher inflation of food & non-alcoholic beverages. Price for transport increased by 2.4%yoy compared to 2.8%yoy in May-19. Similarly, inflation of housing & utilities eased to 2.8%yoy from 3.4%yoy in the prior month. In contrast, prices for food & non-alcoholic beverages rose by 1.6%yoy, faster than 1.0%yoy increase recorded in the previous month. Meanwhile, core inflation edged up to 1.8%yoy from an over 2-year low of 1.7%yoy in May-19 but still within BOE's 2.0% target. BOE has pledged to raise interest rates several times over the forecast period despite the slowdown in global growth, ongoing Brexit uncertainties and the likelihood of falling interest rates in the US.
- Brent crude oil price ended 6.4% lower for the week at USD62.47pb, the biggest weekly loss in 30 weeks. This was despite the tensions in the Middle East rose after Iran seized two tankers in the Strait of Hormuz which pushed Brent crude oil price by 0.9% on Friday. A day before that, the U.S said that it destroyed an Iranian drone near the said area. However this was not enough to offset the declining trend throughout the week amidst fears of waning demand.

Table 1 Weekly performance of major indices		
Weekly % change	Week before	Last week
Phil PCOMP	0.29	1.58
Jakarta JCI	0.00	1.31
Hang Seng	-1.05	1.03
FSSTI Index	-0.28	0.61
Taiwan TAIEX	0.36	0.45
Korea KOSPI	-1.13	0.37
Thai SET	0.02	0.20
FTSE 100	-0.62	0.04
China CSI 300	-2.17	-0.02
CAC 40	-0.37	-0.37
DAX	-1.95	-0.51
Dow Jones	1.52	-0.65
KLCI	-0.78	-0.67
Nikkei	-0.28	-1.01
India SENSEX	-1.97	-1.03
S&P 500	0.78	-1.23

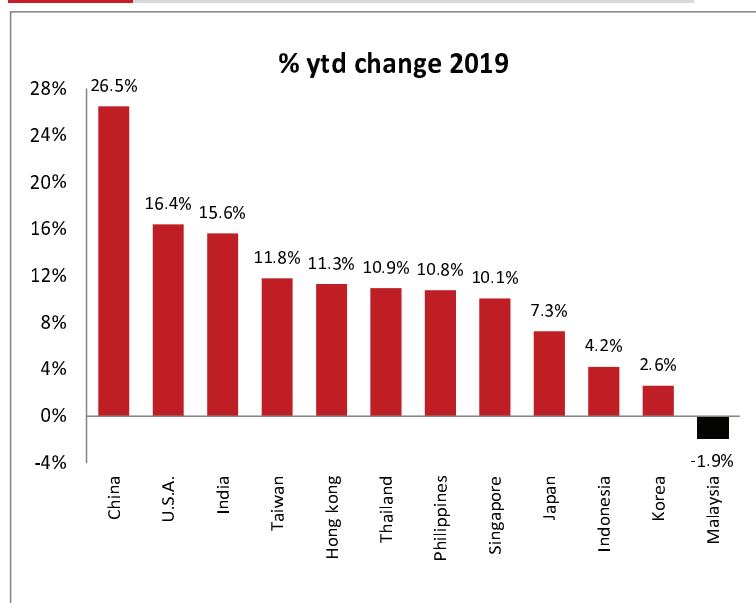
FUND FLOW REPORT

- The FBM KLCI declined by 0.7% for the week after closing at 1,658 points on Friday. Meanwhile, the Ringgit appreciated was little changed against the greenback as it settled at USD/MYR4.1128.

B. TRACKING MONEY FLOW - ASIA¹

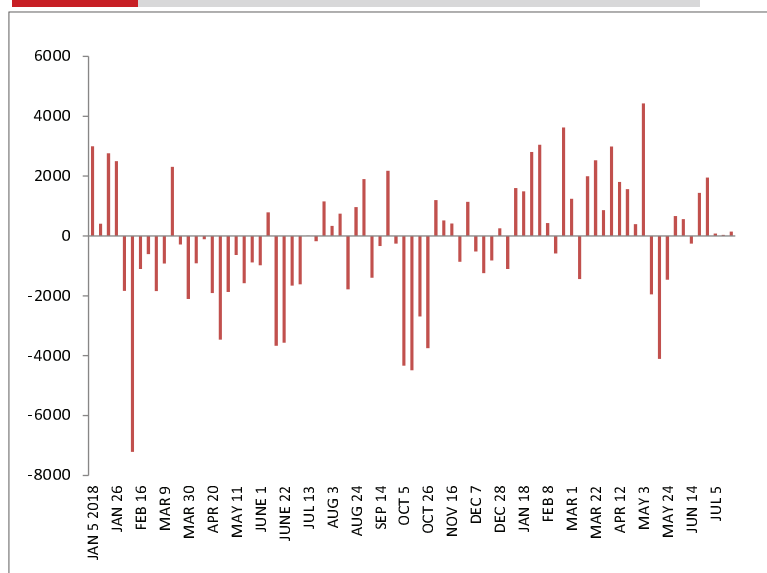
- International investors marked the fifth straight week of being net buyers in Asia. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” accumulated USD146.9m net last week, more than four times the amount bought in the preceding week.
- In Korea, the level of foreign net buying was almost halved, declining to USD273.8m last week. International funds were net buyers on three days last week with Tuesday recording the highest during the week at USD218.1m net, coinciding with the KOSPI’s 0.5% advance to 2,091 points. Tuesday’s boost came from the expectations that chip makers are willing to use locally made materials amidst the recent trade dispute with its neighbour, Japan. As such, South Korean suppliers of key materials for chipmakers such as Foomat Co. jumped by 10.0% backed by expectations that the company will receive new orders from the likes of Samsung Electronics Co. and SK Hynix. On the monetary policy front, the Bank of Korea (BOK) slashed interest rates for the first time in three years amidst worries from Japan’s curb on South Korea’s tech exports. The Bank of Korea meanwhile reduced its economic growth target in 2019 from 2.5% to 2.2%.
- In contrast, Taiwan posted its third straight week of foreign net selling albeit at a slower momentum of USD141.7m net. Foreign net selling activity was prevalent from Monday to Thursday with Monday seeing the highest foreign net outflow for the week at -USD191.6m while the Taix rose to the highest close in two weeks at 10,886 points. The foreign net selling spree however came to an end on Friday as international funds bought USD313.4m net of equities, a level not seen since 3 May 2019 following TSMC’s higher-than-expected guidance for its revenue in 3Q19 due to strong demand in smartphones and 5G chips. The local bourse followed suit to settle at 10,873 points on the same day, marking its third weekly consecutive gain.

Chart 1 YTD performance of major markets



Source: Bloomberg

Chart 2 Weekly Net Flow of Foreign Funds into 7 Asian Markets since Jan 2018 (USD'm)

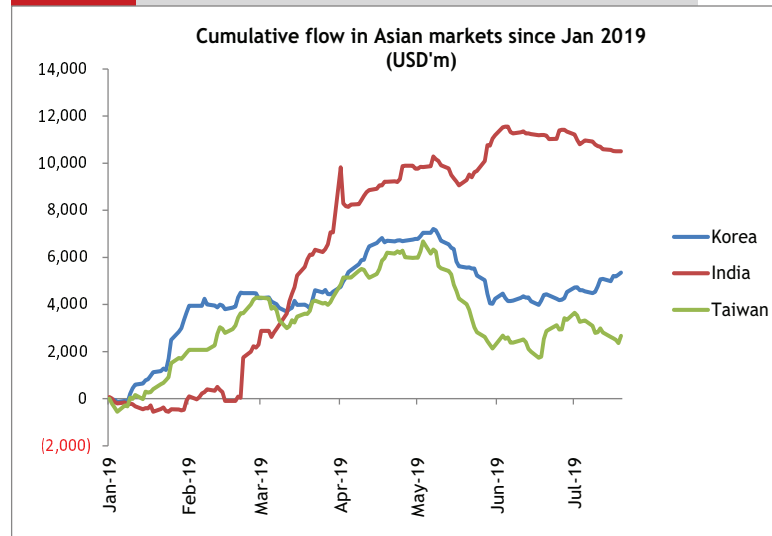


Source: Bloomberg, Bursa Malaysia, MIDFR

¹ Based on 7 Asian markets, for which fund flow data is publicly available. These are our proxy for Asia: TIPS (Thailand, Indonesia, Philippines), Korea, Taiwan, India and Malaysia.

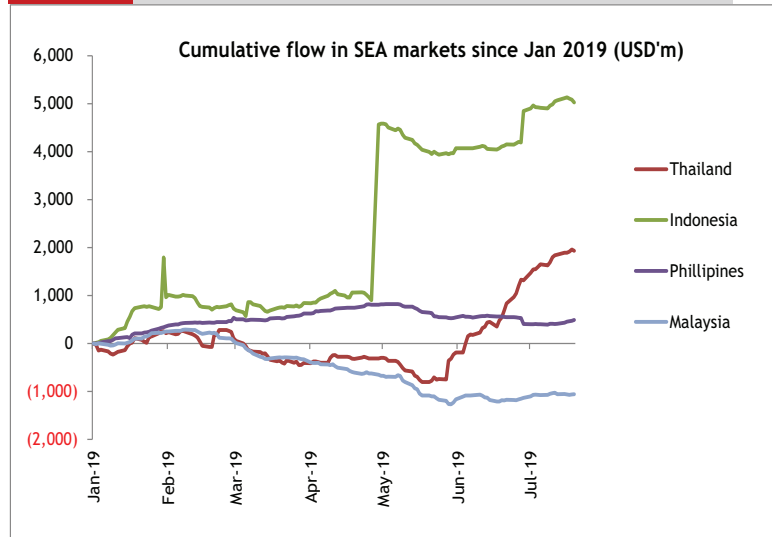
- In emerging South East Asian markets that we monitor, half experienced foreign net buying while the other half saw foreign net outflows.
- Bangkok logged its ninth straight week of foreign net buying as foreign investors bought USD79.0m net during the holiday-shortened week. Foreign funds were only net sellers on Friday at a tune of -USD28.2m while foreign net buying peaked on Thursday at USD43.9m during. Currency wise, the Thai baht remains the best performer in Asia on a year-to-date basis with a 5.0% appreciation against the dollar. Thailand's tourism minister has blamed the surge in the Baht for impacting tourist arrivals into the country since tourism is one of the nation's main revenue drivers. The concern of the Baht's trajectory comes amid a transition with the military-led administration that's been in power for five years to a civilian government.
- In Manila, the level of foreign net buying surged by almost seven times to reach USD76.6m net, the highest in 11 weeks. Foreign investors were net buyers on every single day of the week with Tuesday recording the highest at USD23.2m net. In contrast, the bulls of the local stock barometer were unfazed despite its sharpest drop in six weeks of 1.2% to hit 8,263 points on the same day amidst tailwinds of stronger corporate earnings, cooling inflation and continued monetary stimulus.
- The four-week buying spree in Jakarta ended as international funds took out -USD46.7m net of local equities. Foreign net selling was the highest on Friday at USD60.9m as Indonesia pledges more rate cuts as it moves to stimulate economic growth. On Thursday, the nation's central bank cut its benchmark rate for the first time in almost two years, a similar move made by the Bank of Korea during the week following hints that the Fed will cut rates in July.

Chart 3 Net Flow of Foreign Funds into Taiwan, Korea and India since Jan 2019 (USD'm)



Source: Bloomberg, MIDFR

Chart 4 Net Flow of Foreign Funds into South East Asia Emerging Markets since Jan 2019 (USD'm)



Source: Bloomberg, Bursa Malaysia, MIDFR

Table 2 Weekly Net Flow Of Foreign Fund Into Equity By Market (USD'm)

WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
MAY 31	-993.8	554.8	134.2	-3.8	1,518.3	-556.4	11.6	665.0
JUN 7	-69.2	362.8	0.0	-5.9	76.8	115.5	83.8	563.7
JUN 14	-33.8	273.3	-15.7	31.2	-28.3	-380.5	-99.8	-253.5
JUN 21	248.0	384.9	97.5	-22.6	-209.6	936.4	6.9	1,441.4
JUN 28	142.4	484.1	694.1	-141.4	310.1	419.4	41.5	1,950.1
JUL 5	35.3	332.9	69.3	-7.0	-368.3	-36.4	55.6	81.3
JUL 12	522.8	200.7	157.1	11.7	-373.9	-503.8	20.4	34.9
JUL 19	273.8	79.0	-46.7	76.6	-92.5	-141.7	-1.7	146.9

Source: Respective exchange statistics reported on Bloomberg. Bursa Malaysia. These figures are subject to revisions.

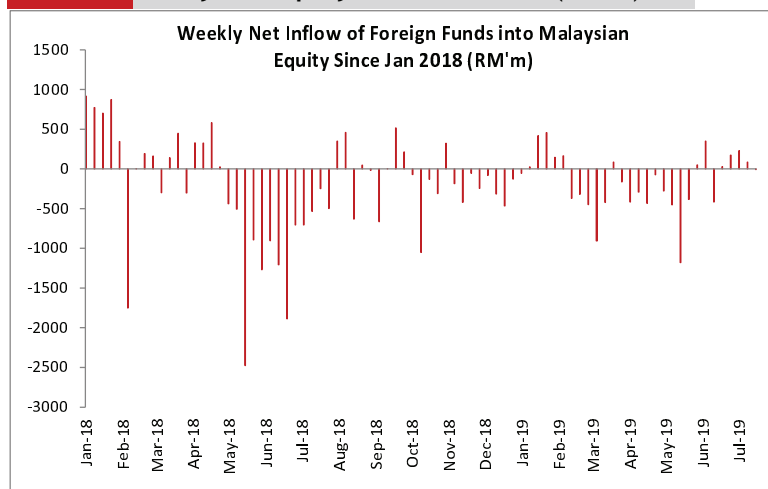
FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

- The four-week foreign net buying streak on Bursa was snapped last week. Based on data from Bursa, foreign funds sold -RM6.9m net of local equities last week, the smallest weekly foreign net outflow thus far this year.
- A bout of foreign funds entered Bursa at a tune of RM17.8m on Monday as the -1.3%yoy drop in China's exports for June 2019 was lesser than market expectations. The local bourse took cue as it advanced marginally by 0.2% to settle at 1,672 points on the same day.
- Meanwhile, foreign investors disposed -RM42.6m net of equities on Tuesday ahead of the release of U.S retail sales data. Foreign net selling remained on Wednesday albeit at a slightly slower pace of -RM39.8m. Sentiment was dampened mainly by the possibility of President Trump to impose additional tariffs on China despite promising to hold off more duties in a trade-war truce reached with China's Xi Jinping last month.
- Positive vibes returned to the market on Thursday with international funds accumulating RM40.2m net of local equities. Risk-on mood was reignited by the rally in Taiwanese chip makers following better forward guidance by TSMC underpinned by stronger chip demand.
- Friday then saw a foreign net inflow of RM17.5m, coinciding with the FBM KLCI's first advance in four days to close 0.6% higher at 1,658 points. The mood on Friday was supported by the latest phone talks between senior U.S and China officials regarding trade.
- The month of July has so far seen a foreign net inflow of RM308.2m. Meanwhile the year-to-date foreign net outflow from Malaysia stands at -RM4.36b. In contrast, the other six Asian markets we monitor (Korea, Thailand, Indonesia, India, Taiwan and the Philippines) have seen a foreign net inflow so far for the year with India having the largest.
- Overall investor participation weakened last week as the average daily traded values (ADTV) dropped. The biggest weekly decline in ADTV was observed for local institutional funds at 12.4%.

Chart 5

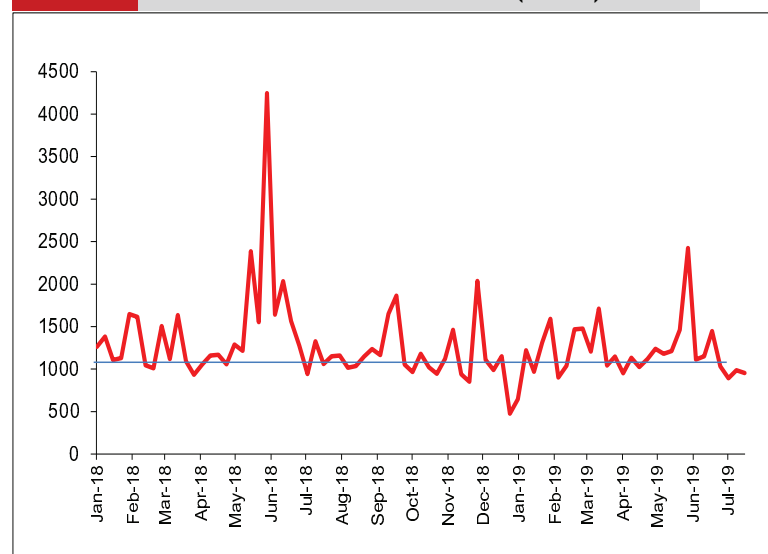
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2018 (RM'm)



Source: Bursa Malaysia statistics, MIDFR

Chart 6

Foreign Participation on Bursa: Daily Average for the Week since Jan 2018 (RM'm)



Source: Bursa Malaysia statistics, MIDFR

Table 3 BURSA MALAYSIA: WEEKLY MARKET PARTICIPATION (RM'm)

Week ended	LOCAL RETAIL			LOCAL INSTITUTION			FOREIGN			NET (USD)*
	BOUGHT	SOLD	NET (RM)	BOUGHT	SOLD	NET (RM)	BOUGHT	SOLD	NET (RM)	
JUN 14	2,081.0	1,985.9	95.1	4,318.7	3,998.5	320.2	2,670.8	3,086.1	-415.3	-99.8
JUN 21	2,073.1	2,140.8	-67.7	5,103.3	5,063.8	39.5	3,633.6	3,605.3	28.3	6.9
JUN 28	1,649.6	1,645.8	3.9	4,407.2	4,582.7	-175.5	2,669.9	2,498.2	171.7	41.5
JUL 5	2,546.9	2,568.5	-21.6	5,332.9	5,541.4	-208.5	2,344.1	2,114.0	230.2	55.6
JUL 12	2,590.0	2,504.7	85.3	4,822.5	4,992.7	-170.3	2,507.3	2,422.3	84.9	20.4
JUL 19	2,493.5	2,435.1	58.3	4,275.6	4,327.0	-51.4	2,386.4	2,393.3	-6.9	-1.7

Source: Bursa's data * Estimate by MIDF Research based on prevailing exchange rate.

D. MONEY FLOW² AMONG BURSA'S TOP 100 CAPITALIZED STOCKS: WEEK ENDED 19 JULY
TOP 10 NET MONEY INFLOWS

- Digi.com Berhad registered the highest net money inflow of RM18.21m last week. Its share price dipped 1.78% for the week, underperforming the local bourse which had a 0.67% weekly loss. Nonetheless, it is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.
- Gamuda Berhad recorded the second highest net money inflow of RM13.40m. Its share price ended 1.81% higher for the week, outperforming the benchmark which was 0.67% lower during the week under review.
- Carlsberg Brewery Malaysia Berhad saw the third highest net money inflow of RM8.57m. Its share price ended 1.21% higher during the week under review, outperforming the local bourse which was 0.67% lower.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
DIGI.COM BHD	18.21	5.99	-1.78	BOW
GAMUDA BHD	13.40	4.58	1.81	-
CARLSBERG	8.57	-0.04	1.21	-
TNB	8.47	1.83	-0.29	BOW
YINSON	6.90	3.44	-2.65	BOW
GENTING MSIA	6.63	0.14	2.13	-
CIMB GROUP	5.39	18.59	0.77	-
TOP GLOVE	5.38	0.14	-1.48	BOW
TIME DOTCOM	4.04	0.07	0.77	-
DIALOG GROUP	3.34	-5.76	3.85	-

Source: Bloomberg, MIDFR;

Note: BOW – Buy on weakness, SOS – Sell on strength (Bloomberg defined)

TOP 10 NET MONEY OUTFLOWS


- Malaysia Airports Holdings Berhad saw the largest net money outflow of -RM11.00m last week. Its stock price was -1.83% lower for the week, underperforming vis-à-vis the FBM KLCI which declined -0.67% during the review week.
- QL Resources Berhad recorded the second largest net money outflow -RM6.55m during the week under review. Its share price was 0.88% higher during the week, outperforming the market benchmark which had a 0.67% weekly loss. It is notable that the net money outflow amidst advancing share price may indicate a sell on strength (SOS) stance among some investors.
- British American Tobacco Berhad registered the third largest net money outflow of -RM6.55m in the review week. Its share price was 3.26% higher for the week, outperforming the local benchmark which was 0.67% lower for the week. 

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
MAHB	-11.00	1.51	-1.83	-
QL	-6.55	-0.26	0.88	SOS
BAT	-6.55	5.20	3.26	SOS
PETDAG	-3.99	1.17	-1.78	-
GENTING	-3.41	-1.33	0.15	SOS
MAXIS	-2.12	0.67	1.24	SOS
MISC	-1.96	-5.64	0.69	SOS
MALAKOFF	-1.83	0.10	2.84	SOS
BURSA	-1.79	-0.31	0.29	SOS
PETCHEM	-1.69	4.39	-7.24	-

Source: Bloomberg, MIDFR;

Note: BOW – Buy on weakness, SOS – Sell on strength (Bloomberg defined)

² Money flow indicates whether a particular stock is being more heavily purchased or sold. Money flow generally confirms price trend. As price rises, money flow is usually positive, vice versa. A divergence may portend a reversal in price trend. A rising stock price with a negative money flow can indicate a future price correction, vice versa.

How is money flow calculated? When a trade is performed, its price is compared to the price of the previous trade (the first trade of the day is compared to the previous day's close). If the prices differ, either upticks or downticks, the value of the trade (price multiplied by number of shares) is added to or subtracted from the money flow respectively.

Source: Bloomberg, MIDFR

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