

MIDF EQUITY STRATEGY | 29 JULY 2019 WEEK ENDED 26 JULY 2019

- Major equity markets worldwide remained mixed last week amidst monetary policy developments from the European Union.
- Brent crude oil price was back in the black as it ended 1.6% higher for the week at USD63.46pb. The main factors for the weekly advance was: i) better-than-expected U.S GDP data in 2Q19 and the concerns over the safety of tankers around the Strait of Hormuz which poses a risk to supply.
- Foreign funds marked the second week of being net sellers in Asia albeit at a slower pace. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” disposed USD91.1m net last week, the smallest weekly foreign net outflow so far in 2019.
- Offshore investors upped the ante in selling activity last week. Based on data from Bursa, foreign funds sold -RM53.4m net of local equities last week, the largest weekly foreign net outflow in six weeks.
- The FBM KLCI declined by 0.6% for the week after closing at 1,648 points on Friday, marking the third week of losses. Meanwhile, the Ringgit depreciated by 0.2% against the greenback as it settled at USD/MYR4.1195.

JULY IS SET TO BE ANOTHER MONTH OF INFLOWS

A. MARKET SNAPSHOT

- Major equity markets worldwide remained mixed last week amidst monetary policy developments from the European Union.
- It was indeed an amazing week for Wall Street with the S&P500 and Nasdaq nudging to record highs on Friday amidst better-than-expected U.S economic growth data. Although the U.S's GDP slowed down to 2.1% in 2Q19, it was higher than Wall Street's expectations of 2.0%. The economic growth was underpinned by personal consumption which rose 4.3%, the best since 4Q17 and also the government consumption expenditures which rose 5.0%, the fastest in 7 years when the economy was coming out from the global financial crisis. In addition, a rally in technology stocks contributed to Friday's optimism with Alphabet leading gainers with a 10.5% jump as it revealed a strong rebound in advertising growth and a USD25b stock buyback programme.
- In Asia, Hong Kong's exports in June suffered its eighth consecutive month of decline in addition to facing its biggest fall since February 2016 at -9.0%yoy amidst the slowdown in China and U.S-China trade tussle. The fall was mainly due to lower sales of electrical machinery, apparatus & appliances & electrical parts and office machines & telecommunications & sound recording & reproducing apparatus & equipment by -8.9%yoy and -13.2%yoy respectively. By destination, shipments to the US, China and Malaysia dropped by -6.6%yoy, -10.6%yoy and -7.8%yoy respectively. Meanwhile, imports contracted further by -7.5%yoy from -4.3%yoy in May-19 however softer than the fall in exports. Hence, trade deficit widened to HKD 55.2b from HKD 54.1b in the same month last year.
- The FTSE100 posted a 0.6% daily gain on Tuesday, the highest in five days after Boris Johnson wins the contest to succeed Theresa May as British Prime Minister, securing 92,153 votes compared to Jeremy Hunt's 46,656. The incoming prime minister has just 100 days to negotiate a new divorce deal with the European Union before the U.K. is due to leave the bloc at the end of October. Meanwhile the Pound slid for the third day as Johnson's victory revived Brexit anxiety. The currency has already slid more than 2.0% since the Conservative Party leadership contest began in May.
- Brent crude oil price was back in the black as it ended 1.6% higher for the week at USD63.46pb. The main factors for the weekly advance was: i) better-than-expected U.S GDP data in 2Q19 and the concerns over the safety of tankers around the Strait of Hormuz which poses a risk to supply. The latest mission by OPEC and its partners to contain an oil glut is entering its most crucial phase. Saudi Arabia, Russia and other major crude exporters struggled to keep a surplus in check over the past six months despite cutting their production, and oil prices remain stuck below levels most need to fund their economies.

Table 1 Weekly performance of major indices

Weekly % change	Week before	Last week
S&P 500	-1.23	1.65
China CSI 300	-0.02	1.33
DAX	-0.51	1.30
CAC 40	-0.37	1.04
Nikkei	-1.01	0.89
FTSE 100	0.04	0.54
Taiwan TAIEX	0.45	0.17
Dow Jones	-0.65	0.14
FSSTI Index	0.61	-0.42
KLCI	-0.67	-0.62
Thai SET	0.20	-0.99
Phil PCOMP	1.58	-1.04
India SENSEX	-1.03	-1.18
Hang Seng	1.03	-1.28
Korea KOSPI	0.37	-1.34
Jakarta JCI	1.31	-2.03

Source: Bloomberg

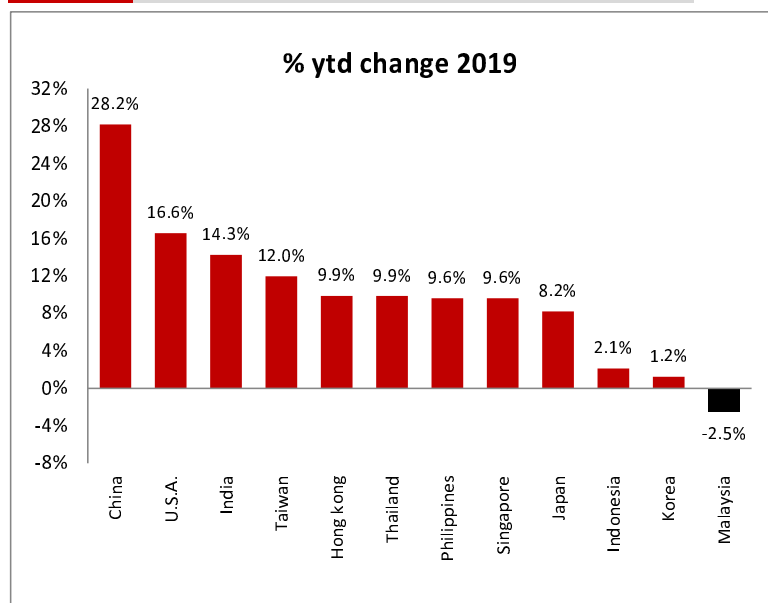
FUND FLOW REPORT

- The FBM KLCI declined by 0.6% for the week after closing at 1,648 points on Friday, marking the third week of losses. Meanwhile, the Ringgit depreciated by 0.2% against the greenback as it settled at USD/MYR4.1195.

B. TRACKING MONEY FLOW - ASIA¹

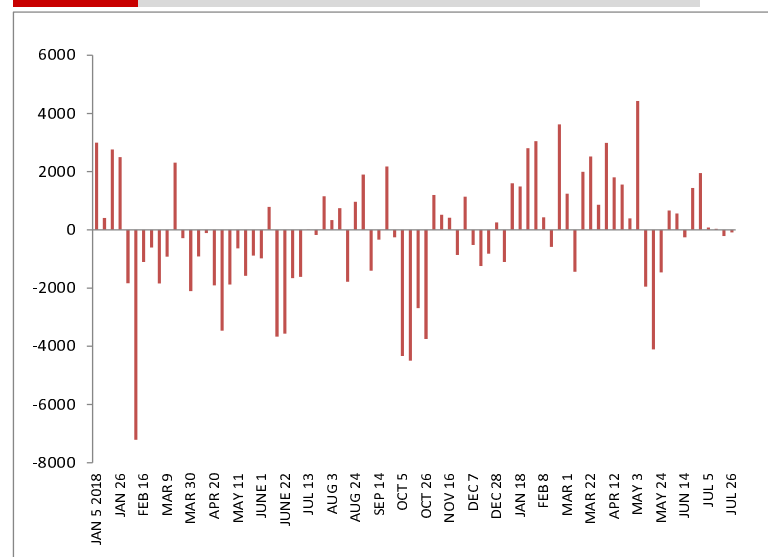
- Foreign funds marked the second week of being net sellers in Asia albeit at a slower pace. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” disposed USD91.1m net last week, the smallest weekly foreign net outflow so far in 2019.
- In Korea, the level of foreign net buying was increased by more than twice, reaching USD613.6m last week, the largest in 15 weeks. International funds were net buyers on every single day last week, stretching the daily buying streak to seven days, the longest since the 14 day streak from 29 May 2019 to 17 April 2019. Monday recorded the highest foreign net inflow during the week at USD178.8m net amidst progress made between Washington and Beijing in their trade discussions. In contrast, the Won slipped along with other Asian currencies on the same day as the Bank of Korea says it will maintain an accommodative monetary policy. On the economic front, South Korea’s economy rebounded by 2.1%yoy in 2Q19 which beat market expectations of a 1.0% expansion led by government spending. Geopolitical turbulence was also reignited in the Korean peninsula as North Korea’s missile launch was deemed as a warning to South Korea.
- International investors entered Taiwan for the first time after three straight weeks of selling. Foreign net buying activity was the highest on Monday at USD318.0m net coinciding with the 0.7% gain on the local bourse with TSMC being the biggest boost to gauge, reaching its highest close in more than two months. Monday’s optimism came as the U.S and China moved closer to their face to face meeting trade negotiation. The meeting was between tech executives and President Donald Trump who later agreed on making timely decisions on Huawei Technologies.
- In emerging South East Asian markets that we monitor, majority were experiencing outflows for the week.

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)

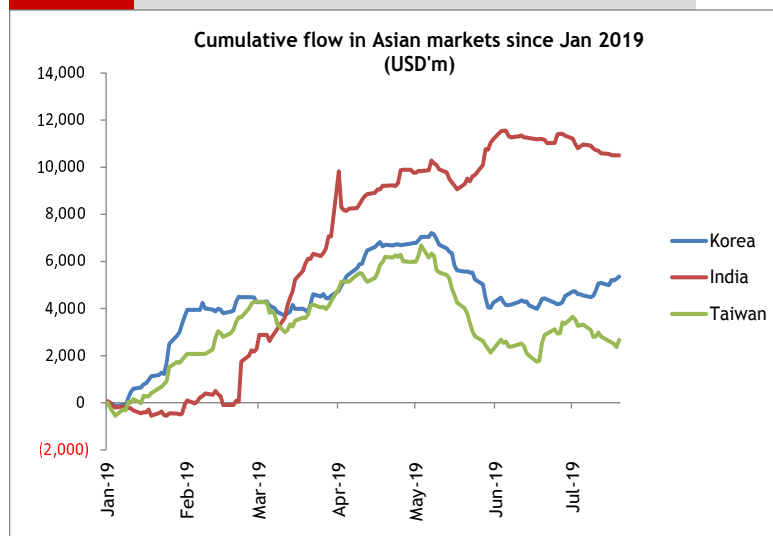


Source: Bloomberg, Bursa Malaysia, MIDFR

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.

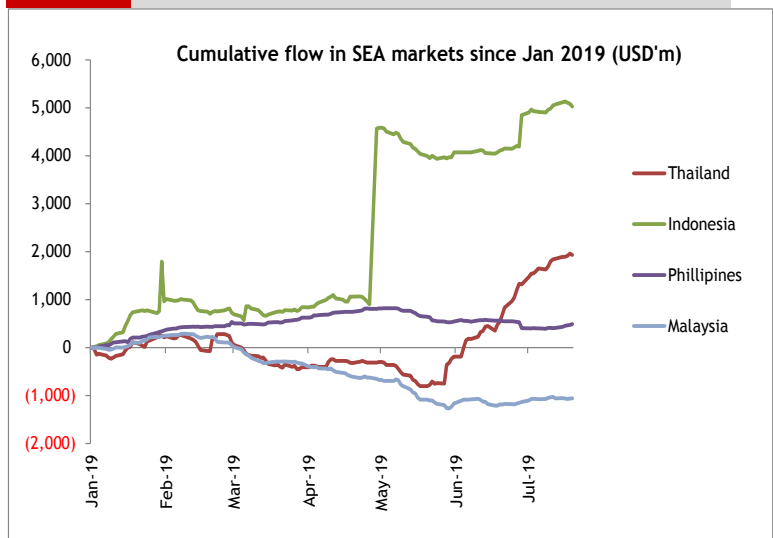
- Bangkok logged its tenth straight week of foreign net buying as foreign investors bought USD29.5m net last week. Foreign funds were only net sellers on Friday at a tune of -USD140.8m after the European Central Bank hinted to slash interest rates for the first time since 2016, a sign that the global-easing cycle is gaining momentum. Nevertheless, the other days of the week saw foreign investors buying local stocks with Monday being the highest amidst progress from the international trade front.
- In Manila, international funds sold -USD0.4m net after being net buyers in the past two weeks. Similar to other markets, Manila's foreign net buying peaked on Monday at USD12.4m net amidst positive developments from the U.S-China trade negotiations. Meanwhile, Wednesday recorded the largest foreign net outflow in 18 trading days worth -USD10.6m as investors dropped their Jollibee Food Corp shares after the fast food company announced that it had acquired California-based The Coffee Bean and Tea Leaf. The local bourse followed suit to retreat back to the 8,100 level at 8,162 points, the lowest close since 12 July 2019.
- The pace of foreign net selling in Jakarta intensified last week as foreign funds sold -USD171.7m net, almost four times more than the amount in the preceding week. Foreign net selling was prevalent from Monday to Friday, extending the daily selling streak to eight days, the longest since 10-day selling streak seen in May 2019. Friday saw the largest daily foreign net outflow for the year so far worth -USD109.8m. This coincided with the local stock barometer's 1.3% fall, the biggest drop since 16 May 2019 as local companies are expected to post lower earnings for 2Q19.

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
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	274.0	79.0	-46.8	76.6	-453.4	-141.6	-1.7	-213.9
JUL 27	613.6	29.5	-171.7	-0.4	-809.6	260.4	-13.0	-91.1

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

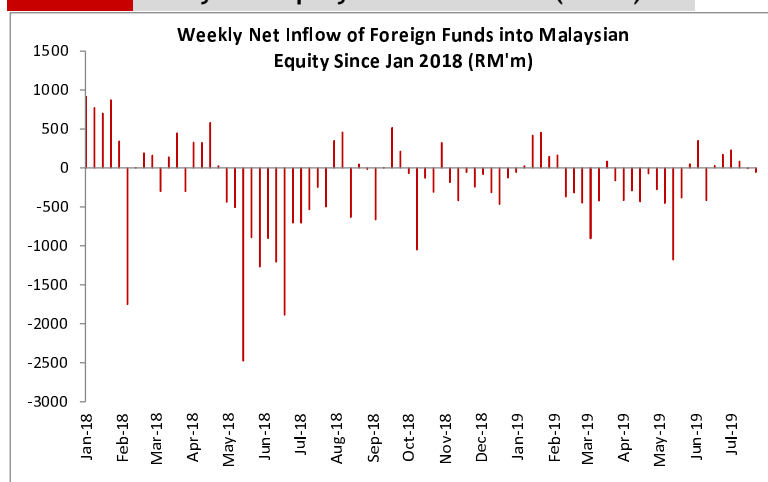
FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

- Offshore investors upped the ante in selling activity last week. Based on data from Bursa, foreign funds sold -RM53.4m net of local equities last week, the largest weekly foreign net outflow in six weeks.
- Bursa had a rough start to the week as of foreign funds sold -RM45.8m net on Monday, coinciding with the 0.2% drop in the local bourse despite positive developments from the international trade front. President Trump on Monday met with chief executives of tech companies and agreed on making timely decisions on Huawei Technologies.
- Nevertheless, international investors made a return the next day, acquiring RM50.0m net of local equities.
- Foreign funds however moved to the sidelines on Wednesday, selling -RM5.6m net ahead of the European Central Bank's (ECB) meeting which would likely signal further easing.
- Thursday then saw the highest level of foreign net buying for the week at RM58.3m, lifting the local bourse by 0.3% to close at 1,657 points. The foreign net inflow was in conformity with other regional peers namely, South Korea, Taiwan, Thailand and the Philippines after U.S equities climbed to record highs overnight.
- Friday turned out be hectic as foreign net selling surged above RM100.0m to -RM110.3m, a level not seen in 10 trading days. Much of the scepticism on Friday was stoked by the dovish signal hinted by the ECB as it is preparing to cut short-term interest rates and possibly restart its giant bond-buying program to buffer the eurozone economy.
- With two more trading days left, July is set to be a month of foreign net inflow as international investors have so far bought RM254.8m net of local equities. On a year-to-date basis, the foreign net outflow from Malaysia stands at -RM4.41b. 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.

Chart 5

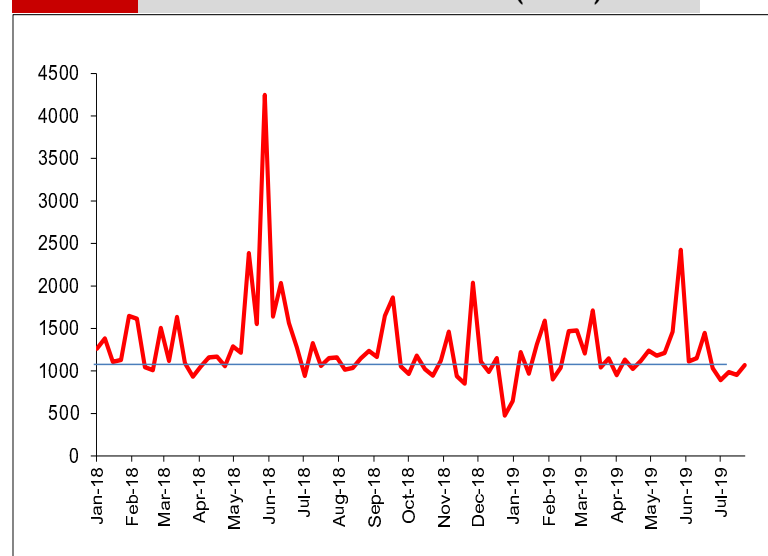
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2018 (RM'm)



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 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
JUL 26	2,639.7	2,620.3	19.4	4,618.5	4,584.5	34.0	2,642.9	2,696.3	-53.5	-13.0

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 26 JULY
TOP 10 NET MONEY INFLOWS

- QL Resources Berhad registered the highest net money inflow of RM11.88m last week. Its share price advanced 0.58% for the week, outperforming the local bourse which had a 0.62% weekly loss.
- Digi.com Berhad recorded the second highest net money inflow of RM8.55m. Its share price was unchanged for the week.
- Tenaga Nasional Berhad saw the third highest net money inflow of RM6.73m. Its share price ended 0.15% lower during the week under review, outperforming the local bourse which was 0.67% lower. Nonetheless, it is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
QL RESOURCES	11.88	-6.55	0.58	-
DIGI.COM BHD	8.55	18.21	0.00	-
TNB	6.73	8.47	-0.15	BOW
DIALOG	5.87	3.34	-1.14	BOW
GENTING MSIA	3.44	6.63	16.07	-
IJM CORP	3.19	0.15	-2.07	BOW
PADINI	3.05	0.62	-2.47	BOW
WESTPORTS	3.02	0.64	-2.02	BOW
AXIATA GROUP	2.91	-0.80	-0.20	BOW
MAXIS BHD	2.33	-2.12	-1.23	BOW

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- Fraser & Neave Holdings Berhad saw the largest net money outflow of -RM14.50m last week. Its stock price was 0.29% lower for the week, outperforming vis-à-vis the FBM KLCI which declined -0.62% during the review week.
- MISC Berhad recorded the second largest net money outflow -RM13.14m during the week under review. Its share price was 1.36% lower during the week, underperforming the market benchmark which had a 0.62% weekly loss.
- Petronas Group Chemicals Berhad registered the third largest net money outflow of -RM11.07m in the review week. Its share price was 2.69% lower for the week, underperforming the local benchmark which was 0.62% 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		
F&N	-14.50	1.87	-0.29	-
MISC BHD	-13.14	-1.96	-1.36	-
PETCHEM	-11.07	-1.69	-2.69	-
BAT	-7.82	-6.55	-13.93	-
MAHB	-5.74	-11.00	-1.51	-
INARI	-5.22	0.95	3.73	SOS
YINSON	-4.14	6.90	-0.72	-
BIMB	-2.80	-0.77	-4.02	-
PUBLIC BANK	-2.72	-1.10	-2.01	-
TIME DOTCOM	-2.64	4.04	0.44	SOS

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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