

MIDF EQUITY STRATEGY | 28 JANUARY 2019 WEEK ENDED 25 JANUARY

- Global equity markets especially in Asia ended the shaky week in the black as investors are shifting their attention towards the crucial trade talks between the U.S and China at the end of January 2019.
- In the U.S., two votes held by the Senate on Thursday to end the partial government shutdown but did not pass as both did not get at least 60 votes. Nevertheless, President Trump on Friday struck a deal with the Congress to fund the government until 15 February 2018, after he backed down from his border wall funding request.
- Brent crude oil price ended 1.7% lower for the week at USD61.64pb, the first decline in four weeks. Support partially came from the uncertainty over supplies tied to the political turmoil in Venezuela but was weighed down by worries over demand indicated by the U.S crude stockpiles
- Global funds upped the ante last week as they further increased their exposure in Asian markets, marking the third straight week of foreign net inflows. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” acquired USD2.72b net last week.
- Offshore investors continued to enter Bursa for the third uninterrupted week. Based on data from Bursa, foreign funds mopped up RM455.1m net of local equities last week, a slight increase from the preceding week.
- The FBM KLCI gained 0.5% for the week after settling at 1,701 points but posted the smallest year-to-date gain amongst its Asian peers. The Ringgit marked its second consecutive week of losses, depreciating 0.3% against the greenback for the week to USD/MYR4.1257.

THE RUSH INTO ASIAN MARKETS CONTINUES

A. MARKET SNAPSHOT

- Global equity markets especially in Asia ended the shaky week in the black as investors are shifting their attention towards the crucial trade talks between the U.S and China at the end of January 2019.
- Wall Street's four-day winning streak for U.S indexes came to an end as markets reopened on Tuesday from the Martin Luther King Jr. holiday. Global growth worries returned amidst reports on hurdles faced ahead of the trade negotiations between Washington and Beijing coupled with the dim outlook highlighted at the World Economic Forum in Davos.
- Another highlight of the week would be the two votes held by the Senate on Thursday to end the partial government shutdown but did not pass as both did not get at least 60 votes. Nevertheless, President Trump on Friday struck a deal with the Congress to fund the government until 15 February 2018, after he backed down from his border wall funding request.
- China's GDP growth hit 28-year low of 6.6%yoy in 2018, lower compared to the 6.8%yoy growth in 2017. Total trade grew 9.7%yoy (14.2%yoy in 2017) with exports rose 7.1%yoy (2017:10.8%yoy) while imports increased 12.9%yoy (2017:18.7%yoy). For 4Q18 alone, the Chinese economy advanced 6.4%yoy (6.5%yoy in 3Q18) and matched market consensus, amidst trade spat with the US, weakening domestic demand and worrying off-balance-sheet borrowings by local governments. Signs of further cooling in China with a series of weak data of 2018 underline a pressing need for more economic stimulus.
- The UK labour market continued to be strong towards the end of 2018 with UK employment hitting a record high and wages rose the most since 2008. UK Employment increased by 0.14m on the quarter to an all-time high of 32.5m in the three months to Nov-18 and exceeded market expectations of a 0.1m. Breaking down the figure, employed men increased by 0.12m to a record high of 17.3m and women rose 23K to 15.3m. Meantime, UK employees' total earnings including bonuses went up 3.4%yoy to GBP 527 per week in the three months to Nov-18, beat market expectations of a 3.3%yoy gain as labour market tightened. The fastest increase since the three months to Jul-2008 was mainly driven by a higher pay growth in finance & business services.
- Brent crude oil price ended 1.7% lower for the week at USD61.64pb, the first decline in four weeks. Support partially came from the uncertainty over supplies tied to the political turmoil in Venezuela which could increase risks of sanctions being imposed by the U.S. on Venezuela oil. This was weighed down by worries over demand indicated by the U.S crude stockpiles which climbed by 8 million barrels for the week ended 18 January 2019, a two-month high.

Table 1 Weekly performance of major indices		
Weekly % change	Week before	Last week
Thai SET	-0.83	2.52
Korea KOSPI	2.35	2.52
Hang Seng	1.59	1.77
Taiwan TAIEX	0.79	1.36
CAC 40	1.98	1.02
DAX	2.92	0.68
Jakarta JCI	1.36	0.54
KLCI	0.53	0.52
Nikkei	1.50	0.52
China CSI 300	2.37	0.51
Dow Jones	2.96	0.12
Phil PCOMP	1.81	0.08
S&P 500	2.87	-0.22
FSSTI Index	0.80	-0.69
India SENSEX	1.05	-0.99
FTSE 100	0.72	-2.28

Source: Bloomberg

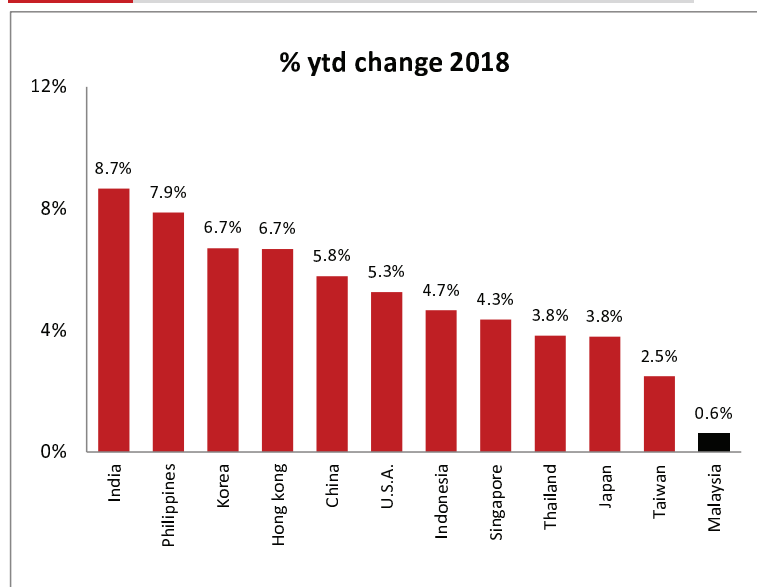
FUND FLOW REPORT

- The FBM KLCI gained 0.5% for the week after settling at 1,701 points but posted the smallest year-to-date gain amongst its Asian peers. The Ringgit marked its second consecutive week of losses, depreciating 0.3% against the greenback for the week to USD/MYR4.1257.

B. TRACKING MONEY FLOW - ASIA¹

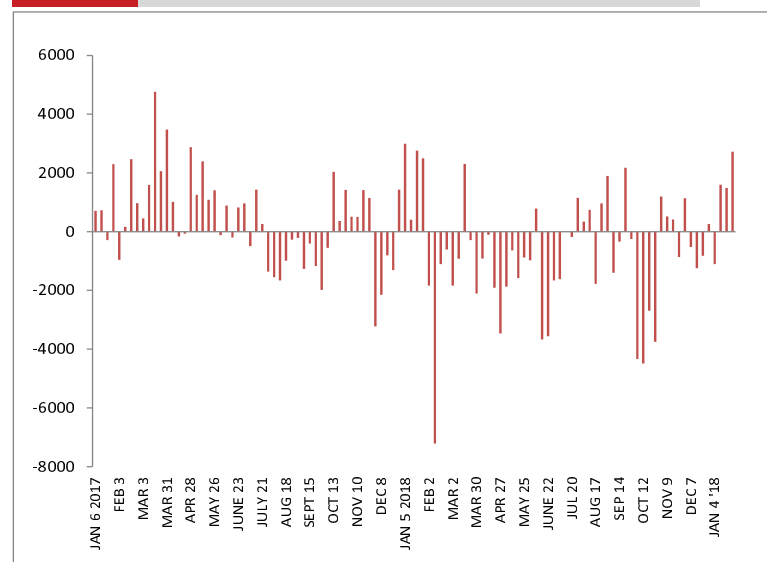
- Global funds upped the ante last week as they further increased their exposure in Asian markets, marking the third straight week of foreign net inflows. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” acquired USD2.72b net last week, the largest foreign net inflow seen since the first week of 2018.
- In Korea, level of foreign net inflow increased by more than half as global investors acquired USD1.36b net last week, the biggest weekly foreign net inflow in over a year. International funds were only net sellers for a day on Wednesday to a tune of -USD56.2m as markets turned anxious from Japan’s weak exports data which saw its first trade deficit in three years coupled potential obstacles underlying the trade negotiations between the U.S and China. Foreign buying peaked on Friday at USD784.9m net, which pushed the KOSPI 1.5% higher to settle at 2,177 points. The rush into Korean equities was triggered by expectations that capacity adjustment from major Korean companies would bolster demand and prices. Local semiconductor stocks such as Samsung Electronics soared 3.95% on Friday. Meanwhile on the monetary policy front, the Bank of Korea’s (BOK) decision to maintain its policy rate at 1.75%.
- Taiwan was equally attractive as Korea, with international funds buying USD1.1b net, a level not reached in 21 weeks. International investors were net buyers on every single day of the week, stretching the foreign net buying streak to seven days, the longest since the 11-day streak observed from middle to late January 2018. The week started off strong with a USD212.8m foreign net inflow before shrinking to just USD48.9m net on Tuesday. However, foreign net inflows gradually increased until the week ended, reaching USD592.8m net, the most in over 20 months and coincided with the TAIEX’s 0.94% jump to 9,969 points. This was boosted by the rally in U.S chip makers overnight.

Chart 1 YTD performance of major markets



Source: Bloomberg

Chart 2 Weekly Net Flow of Foreign Funds into 7 Asian Markets since Jan 2017 (USD'm)

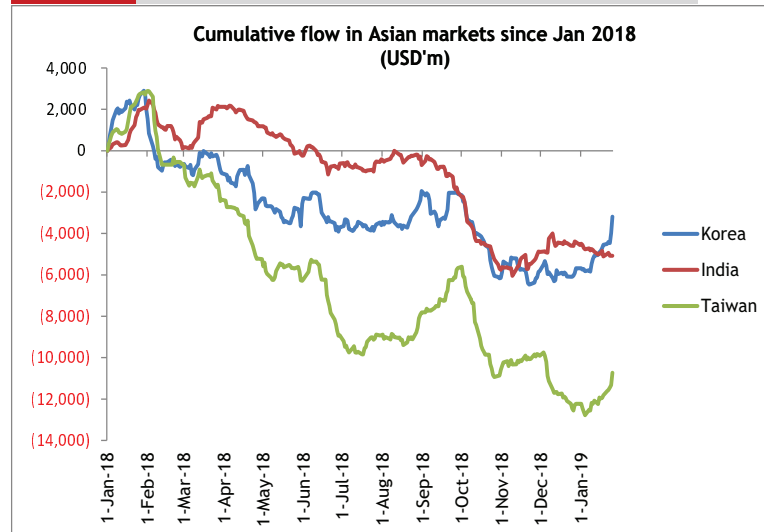


Source: Bloomberg, Bursa Malaysia, MIDFR

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.

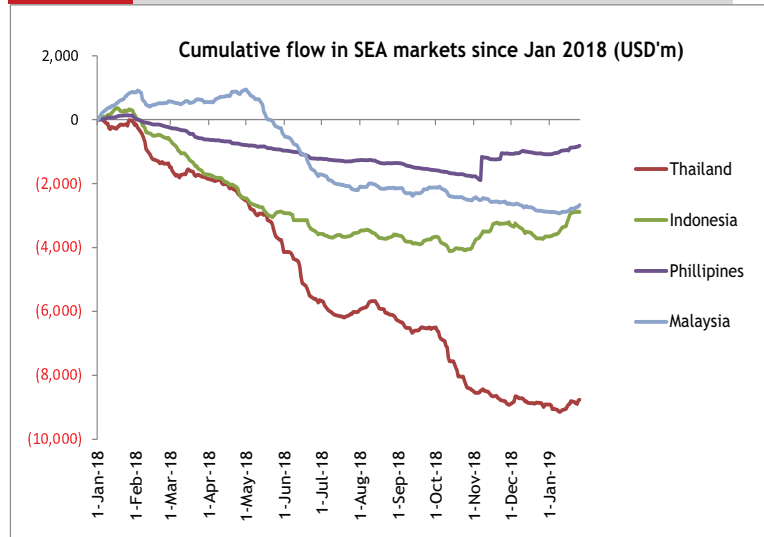
- In emerging South East Asian markets, foreign net buying was across the board.
- The level of foreign net buying in Bangkok declined below USD100m to USD38.5m last week. The first three days of the week saw offshore investors selling off local equities at a level below -USD40m net. Tuesday recorded the highest net outflow during the week at USD39.2m. On the political front, the Thai royal decree calling for a national elections on March 24 this year sparked a rally in Thai stocks on Wednesday, with the benchmark SET index rising as much as 1.2% to the highest level since mid-December 2018 before ending the day 1.0% higher. The announcement was a boost to market sentiment after a long wait for some clarity on the election.
- In Manila, international funds acquired USD57.8m net last week. Foreign funds were net buyers on every single day of the week, extending the foreign buying spree to seven days. Foreign buying peaked during the week on Friday at USD20.6m net while the local bourse slightly declined by 0.15% but was still above 8,000 points and marked its fourth week of gains. Some investors took profit amidst the lack of positive leads especially from the nation's GDP which only grew 6.2% in 2018, the weakest in three years.
- Jakarta saw a huge drop in foreign net buying from USD451.2m to just USD26.1m last week. Wednesday recorded a foreign net outflow of -USD10.1m, snapping the 17-day foreign net buying spree, and dragged the JCI 0.3% lower to settle at 6,451 points with Bank Mandiri being the main contributor to the decline. The dent in market sentiment was caused by reports on the cancellation of preparatory talks between the U.S and China which was later diffused by U.S officials. On a year-to-date basis, Jakarta has seen foreign net inflows of USD763.2m, the largest amongst the 4 ASEAN markets we track.

Chart 3 Net Flow of Foreign Funds into Taiwan, Korea and India since Jan 2018(USD'm)



Source: Bloomberg, MIDFR

Chart 4 Net Flow of Foreign Funds into South East Asia Emerging Markets since Jan 2018 (USD'm)



Source: Bloomberg, Bursa Malaysia, MIDFR

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

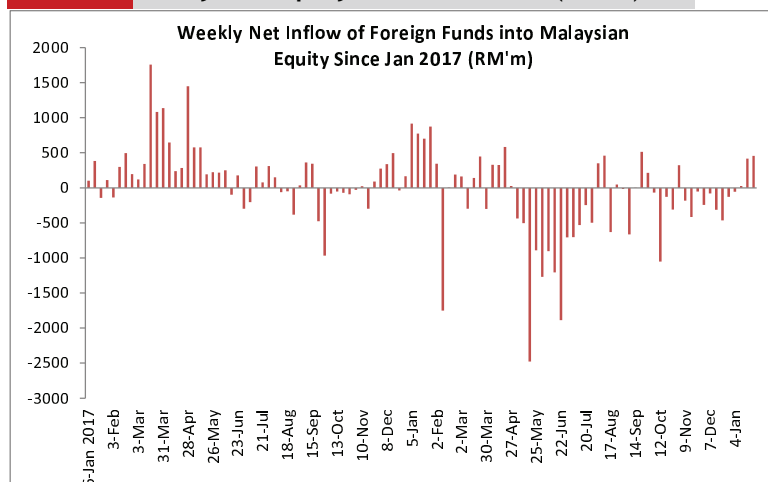
WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
NOV 30	632.8	-116.8	-41.5	-14.0	586.9	148.9	-58.4	1,137.8
DEC 7	-62.4	186.0	-52.8	15.1	640.8	-1,225.6	-19.1	-518.0
DEC 14	-90.5	-139.2	-158.0	43.0	-191.5	-630.0	-75.2	-1,241.3
DEC 21	-117.7	5.3	-205.3	-47.5	-19.8	-325.9	-111.1	-822.0
DEC 28	407.0	-60.9	61.4	-24.5	46.5	-140.2	-30.6	258.6
JAN 4	-141.9	-130.3	55.2	23.1	-347.4	-551.9	-13.2	-1,106.4
JAN 11	739.5	-45.4	230.8	85.7	-123.1	705.3	6.4	1,599.3
JAN 18	529.0	285.2	451.2	98.9	-227.7	253.7	101.5	1,491.8
JAN 25	1,362.2	38.5	26.1	57.9	32.0	1,096.3	110.1	2,723.1

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

C. TRACKING MONEY FLOW - MALAYSIA

- Offshore investors continued to enter Bursa for the third uninterrupted week, the longest weekly foreign net buying streak seen since April 2018. Based on data from Bursa, foreign funds mopped up RM455.1m net of local equities last week, a slight increase from the preceding week.
- As the local bourse reopened after the Thaipusam holiday, global investors rushed to buy local equities at a tune of RM158.0m net, marking the third straight day of net inflows standing above RM100m. It was also notable that the FBM KLCI closed above 1,700 points for the first time since late November 2018, bucking the trend of other major Asian markets which dipped such as South Korea, Hong Kong and Japan.
- The momentum of foreign net inflows on Wednesday slowed down to RM29.5m as global growth worries were revived at the World Economic Forum in Davos, Switzerland. Risk sentiment was dampened further by the rumour on the cancellation of the meeting between President Trump's administration and Chinese trade officials due to the lack of progress on forced technology transfers but was refuted by U.S presidential adviser, Larry Kudlow.
- Nonetheless, the level of foreign net buying reached above the RM100m mark at RM105.6m on Thursday. as positive corporate results from the U.S soothed investors' nerves that the U.S economic recovery was still on track.
- Foreign net inflows gained momentum to hit RM162.1m on Friday as the overnight rally in U.S chipmakers outweighed comments from U.S Commerce Secretary stating that the U.S and China are still far away from achieving a resolution on trade.
- So far in 2019, Malaysia has seen a foreign net inflow of USD213.5m or RM879.5m, the second lowest amongst the 4 ASEAN markets we monitor.
- The participation rate of foreign investors was stronger last week, indicated by the average daily traded value(ADTV) which jumped by more than 30% for the week to reach RM1.3b, the highest in eight weeks.

Chart 5 Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2017 (RM'm)



Source: Bursa Malaysia statistics, MIDFR

Chart 6 Foreign Participation on Bursa: Daily Average for the Week since Jan 2017 (RM'm)

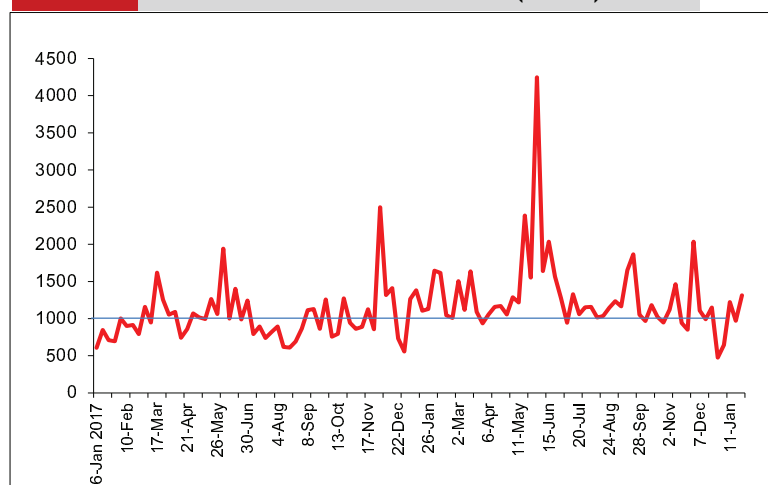


Table 3 BURSA MALAYSIA: WEEKLY MARKET PARTICIPATION (RM'm)

Week ended	LOCAL RETAIL			LOCAL INSTITUTION			FOREIGN			NET (USD)*
	BOUGHT	SOLD	NET (RM)	BOUGHT	SOLD	NET (RM)	BOUGHT	SOLD	NET (RM)	
DEC 21	1,813.5	1,717.1	96.4	3,999.5	3,631.7	367.7	2,644.6	3,108.7	-464.2	-111.1
DEC 28	1,132.6	1,205.2	-72.7	2,134.3	1,934.1	200.2	887.0	1,014.6	-127.6	-30.6
JAN 4	1,272.3	1,264.6	7.7	2,248.0	2,201.3	46.7	1,265.5	1,319.9	-54.4	-13.2
JAN 11	2,714.1	2,644.1	70.0	5,515.0	5,610.4	-95.4	3,069.5	3,044.0	25.5	6.4
JAN 18	2,318.2	2,243.6	74.6	4,369.3	4,861.1	-491.8	2,634.2	2,217.0	417.2	101.5
JAN 25	1,799.1	1,837.0	-37.8	3,566.6	3,983.9	-417.3	2,853.7	2,398.6	455.1	110.1

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 25 JANUARY
TOP 10 NET MONEY INFLOWS

- CIMB Group Holdings Berhad registered the highest net money inflow of RM16.55m last week. Its share price gained 0.18% for the week, underperforming the local bourse which had a 0.52% weekly gain.
- Tenaga Nasional Berhad recorded the second highest net money inflow of RM11.08m. Its share price ended 0.29% lower for the week, underperforming the benchmark which was 0.52% higher. Nonetheless, it is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.
- Public Bank Berhad saw the third highest net money inflow of RM9.73m. Its share price meanwhile was unchanged during the week under review.

TOP 10 NET MONEY OUTFLOWS

- Malayan Banking Berhad saw the largest net money outflow of -RM15.84m last week. Its stock price gained 1.15%, outperforming vis-à-vis the FBM KLCI which advanced 0.52% during the review week. It is notable that the net money outflow amidst advancing share price may indicate a sell on strength (SOS) stance among some investors.
- Fraser & Neave Holdings Berhad recorded the second largest net money outflow -RM13.97m during the week under review. Its share price meanwhile gained 2.93% for the week, outperforming the market benchmark which had a 0.52% weekly gain.
- Genting Malaysia Berhad registered the third largest net money outflow of -RM11.98m in the review week. Its share price ended 3.64% lower during the week, underperforming the benchmark which had a 0.52% weekly gain. 

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
CIMB GROUP	16.55	16.04	0.18	-
TNB	11.08	6.96	-0.29	BOW
PUBLIC BANK	9.73	18.04	0.00	-
MISC	8.52	2.41	0.75	-
HLBK	4.85	-2.73	0.29	-
MY EG SERVICES	4.50	-0.47	0.99	-
HLFG	3.69	0.14	1.96	-
GENTING PLTN	3.32	0.19	0.60	-
VITROX	2.73	0.14	6.20	-
KPJ HEALTHCARE	2.17	1.65	2.88	-

Source: Bloomberg, MIDFR;

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

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
MAYBANK	-15.84	-8.94	1.15	SOS
F&N	-13.97	2.36	2.93	SOS
GENT MSIA	-11.98	-2.93	-3.64	-
BAT	-7.33	0.68	1.21	SOS
AMMB	-6.22	-0.07	-0.22	-
TOP GLOVE	-3.86	-5.23	2.47	SOS
PETCHEM	-3.86	-3.76	1.05	SOS
PETGAS	-3.77	0.99	-0.22	-
VS INDUSTRY	-3.74	-2.11	-3.59	-
SUNWAY REIT	-3.02	0.11	1.16	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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