

MIDF EQUITY STRATEGY | 4 MARCH 2019 WEEK ENDED 1 MARCH

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- After two straight weeks of gains, Brent crude oil price took a breather to end 3.1% lower for the week to settle at USD65.07pb. The main factor for the drop last was the weekly data showed that U.S crude output surged above the record of 12m barrels per day combined with weaker Chinese economic data outweighed the data of U.S crude supplies which unexpectedly dropped by 8.6m barrels according to the U.S Energy Information Administration.
- Offshore investors continued to make their way into Asian equity markets for the second week albeit at a slower pace. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” accumulated only USD534m net last week, compared to the USD3.62b mopped up in the preceding week.
- For the third week running, foreign funds remained net sellers on Bursa, marking the fourth weekly outflow so far this year. Based on data from Bursa, foreign funds disposed -RM447.7m net of local equities, the largest in 9 weeks.
- The FBM KLCI dipped 1.2% last week after closing at 1,701 points. Meanwhile the Ringgit appreciated 0.08% against the greenback to settle at USD/MYR4.0743.

HIGH LEVEL MEETINGS KEPT INVESTORS ON THEIR TENTERHOOKS

A. MARKET SNAPSHOT

- Global investors were on their tenterhooks as major developments regarding international relations which took place last week.
- Wall Street capped its longest streak of weekly gains since August 2018 last week as mixed economic data was offset by optimism of a trade deal between the U.S. and China. The S&P500 advanced for the fifth consecutive week was still 4.3% below last September's level indicating that the momentum behind the rally is tapering.
- The official manufacturing PMI for China remains on contractionary territory while non-manufacturing stays optimistic in Feb-19. The manufacturing PMI has been recording below 50 points for three-consecutive months. Declining business confidence particularly among Chinese manufacturers and exporters is mainly due to uncertainty over trade talks between the US and China. Trump-led administration has extended the negotiation despite saying the talks are progressive. Even if the US and China reach a deal, we expect continuous pessimism for a short term in the world's second largest economy.
- The euro zone's economic sentiment has reportedly moderated for the 8th month recording at 106.1 in Feb-19 (106.3 in Jan-19). The figure was slightly better than market consensus of 106. The lowest reading since Nov-16 was mainly due to a drastic fall in industrial confidence as the sub-index jumped to -0.4 in Feb-19 from a positive 0.6 in Jan-19. In addition, confidence declined for construction sector while improvements seen for service providers and retailers. Meanwhile, consumer confidence improved for the second month to -7.4 and matched preliminary estimates. Looking ahead, we foresee that the Europeans may be taking a more optimistic approach now as the sentiments turn better. Nevertheless, the future is still uncertain as the Brexit deal date loomed and higher tariffs in the automotive sector may impact consumers negatively.
- After two straight weeks of gains, Brent crude oil price took a breather to end 3.1% lower for the week to settle at USD65.07pb. The main factor for the drop last was the weekly data showed that U.S crude output surged above the record of 12m barrels per day combined with weaker Chinese economic data outweighed the data of U.S crude supplies which unexpectedly dropped by 8.6m barrels according to the U.S Energy Information Administration.

Table 1 Weekly performance of major indices		
Weekly % change	Week before	Last week
China CSI 300	5.43	6.52
DAX	1.40	1.26
CAC 40	1.22	0.95
Nikkei	2.51	0.83
Taiwan TAIEX	2.56	0.64
India SENSEX	0.17	0.54
S&P 500	0.62	0.39
Hang Seng	3.28	-0.01
Dow Jones	0.57	-0.02
Jakarta JCI	1.76	-0.02
FTSE 100	-0.80	-1.00
Thai SET	1.36	-1.07
KLCI	1.93	-1.20
FSSTI Index	0.93	-1.51
Korea KOSPI	1.57	-1.57
Phil PCOMP	0.67	-4.02

Source: Bloomberg

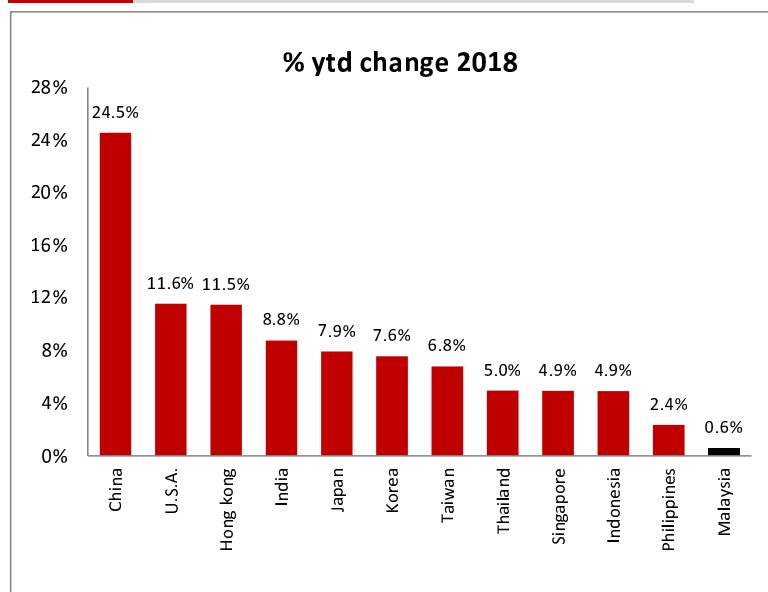
FUND FLOW REPORT

- The FBM KLCI dipped 1.2% last week after closing at 1,701 points. Meanwhile the Ringgit appreciated 0.08% against the greenback to settle at USD/MYR4.0743.

B. TRACKING MONEY FLOW - ASIA¹

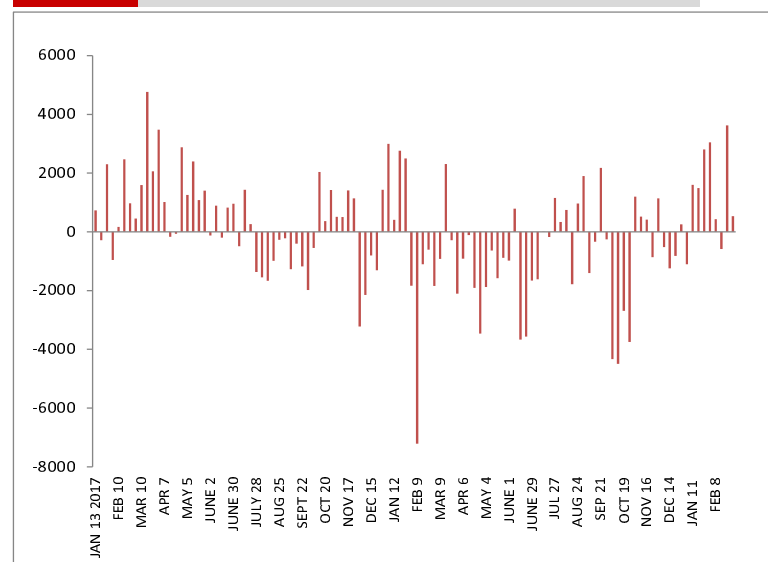
- Offshore investors continued to make their way into Asian equity markets for the second week albeit at a slower pace. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” accumulated only USD534m net last week, compared to the USD3.62b mopped up in the preceding week.
- In Korea, international funds disposed USD208.8m during the holiday-shortened week where Friday was the Independence Movement Day. Foreign net buying was recorded from Monday to Thursday, extending the daily foreign net selling streak to five days. Thursday did not only record the highest foreign net outflow during the week, but also the highest in 13 trading days of -USD198.5m net. Sentiment was badly affected on Thursday following the failure of the North Korea-U.S summit in Hanoi as President Trump walked out from the meeting as Kim Jong Un’s offer to dismantle the nation’s main nuclear facility at Yongbyon was insufficient. As such, the KOSPI index took a 1.8% plunge the same day, the biggest drop since 23 October 2018 while the Korean Won weakened 0.5% against the greenback to reach USD/KRW30.803.
- In contrast Taiwan remained the darling of international funds in North Asia for the third uninterrupted week as it recorded a foreign net inflow of USD658.9m net, lower than the USD836.4m net recorded in the preceding week. Markets were only opened from Monday to Wednesday as markets were closed for the Peace Memorial Day on Thursday and Friday. Nonetheless, international funds were net buyers on all three trading days, with Monday recording the highest at USD373.2m net. On Monday, investors cheered the news of President Trump extending the deadline to raise tariffs on Chinese goods, lifting the Taix by 0.7% to 10,391 points, the highest close since October 2018 with TSMC being the biggest contributor to the advance with a 0.6% gain.

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)

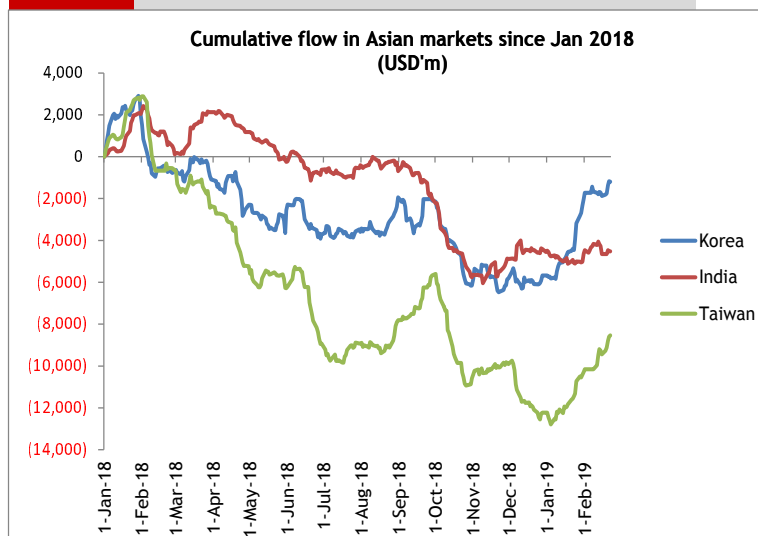


Source: Bloomberg, Bursa Malaysia, MIDFR

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.

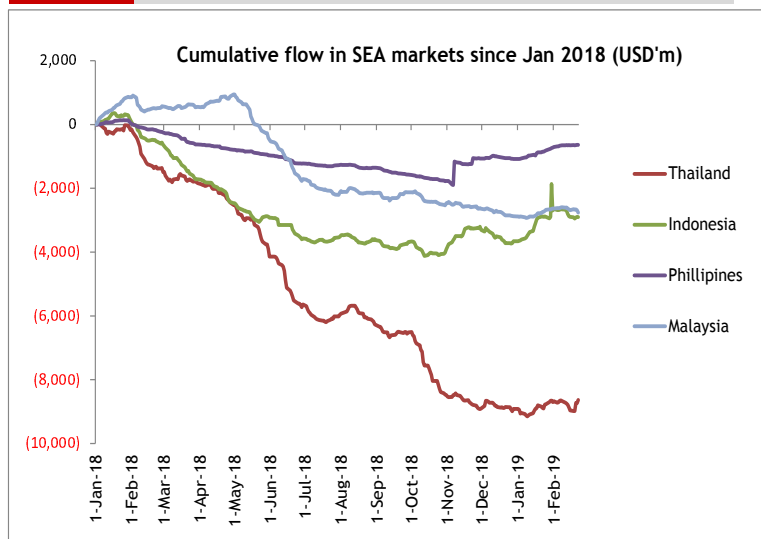
- In emerging South East Asian markets, more than half experienced foreign net outflows.
- In Bangkok, foreign investors were back in selling mode, disposing -USD228.7m net last week. Similar to South Korea, foreign funds were net sellers on every single day of the week with Thursday recording the highest at -USD132.0m net, coinciding with the SET's 0.7% drop to 1,655 points. A major factor for Thursday's lacklustre performance was the spillover effects from the Trump-Kim summit which did not yield favourable results.
- In Manila, international funds remained net buyers for the second week to a higher level of USD58.7m net last week. Foreign buying peaked on Thursday at USD71.9m net while the local bourse was -2.3% lower at 7,706 points as the ongoing Congressional hearings in the U.S sparked some jitters in the market, leading to heavy local selling which was unable to be offset. Friday however saw the largest foreign net outflow so far this year worth -USD31.7m as the adjustments in the MSCI kicks in, causing the PSEi to be the biggest decliner in Asia with a 0.8% drop.
- The level of foreign net outflows from Jakarta swelled to reach -USD64.9m last week, marking the fourth consecutive week of foreign selling. Foreign net selling peaked during the week on Thursday at -USD91.3m as the Trump-Kim summit did not lead to any major breakthrough. Nonetheless, Indonesia's local bourse gained 0.9% the next day boosted by the consumer goods sector after February's inflation data came in slower than expected, reigniting hopes that the central bank could begin its easing monetary policy. As such, the level of foreign net selling was reduced to -USD36.1m.

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)

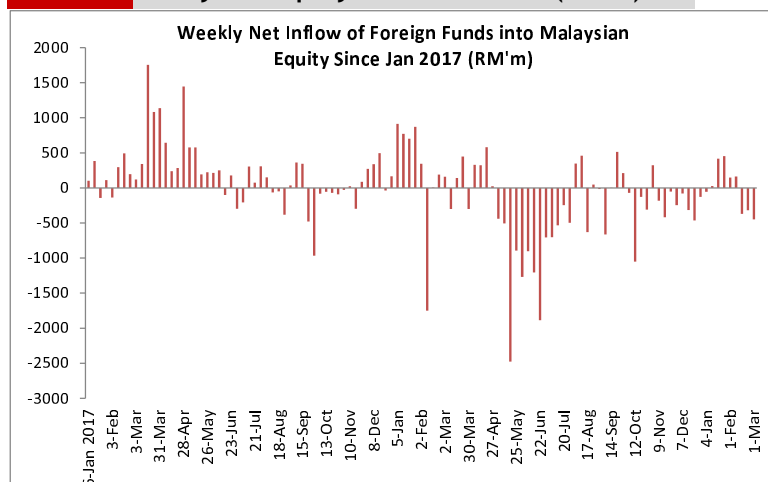
WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
JAN 4	-141.9	-130.3	55.2	23.1	-347.4	-551.9	-13.2	-1,106.4
JAN 11	739.5	-45.4	230.8	85.7	-123.1	705.3	6.4	1,599.3
JAN 18	529.0	285.2	451.2	98.9	-227.7	253.7	101.5	1,491.8
JAN 25	1,369.5	38.6	26.0	58.0	108.2	1,096.3	110.1	2,806.6
FEB 1	1,453.7	88.0	249.7	109.7	540.7	569.1	35.8	3,046.5
FEB 8	49.6	6.9	-15.1	54.3	297.1	0.0	40.0	432.9
FEB 15	-200.6	-294.0	-236.4	-2.7	-482.8	721.6	-90.6	-585.5
FEB 22	683.4	332.3	-5.6	17.0	1,836.3	836.4	-78.3	3,621.5
MAR 1	-208.8	-228.7	-64.9	58.7	429.1	658.9	-110.0	534.1

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

C. TRACKING MONEY FLOW - MALAYSIA

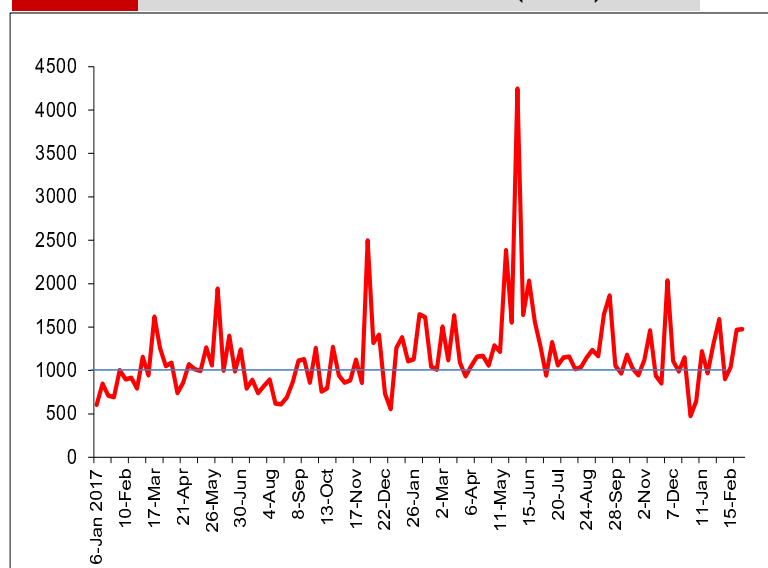
- For the third week running, foreign funds remained net sellers on Bursa, marking the fourth weekly outflow so far this year. Based on data from Bursa, foreign funds disposed -RM447.7m net of local equities, the largest in 9 weeks.
- The local bourse gained 0.2% on Monday to settle at 1,725 points as President Trump said that he will extend the deadline to raise tariffs on Chinese goods beyond last week as progress was made between the two nations. Nonetheless, foreign investors sold -RM49.6m net on Monday as the decline in consumer prices in January for the first time in a decade remained in investors' minds.
- On both Tuesday and Wednesday, the level of foreign net selling tapered to below -RM20m at -RM14.7m. The reduction of foreign net selling occurred despite the geopolitical tension between India and Pakistan.
- Foreign net selling then peaked on Thursday at -RM211.6m, the highest in a day so far in 2019 following the failure of the Trump-Kim summit in Hanoi. Friday's foreign net selling was still high at -RM157.2m net as the changes for the MSCI index came into effect, causing foreign funds to rebalance their portfolios in anticipation of the increased weighting of China.
- For the month of February 2019, international investors dumped -RM815.6m net. This brings the year-to-date foreign net inflow into Malaysia to RM53.3m or USD10.4m. In comparison to regional peers, On the regional front, Malaysia remains as the nation with the lowest foreign net inflow amongst the four ASEAN markets we monitor with Indonesia taking the lead with a year-to-date net inflow of USD690.9m or approximately RM2.8b.
- We note that participation amongst the three investor groups remained healthy. However, only foreign investors saw a 0.6% increase in terms of average daily traded value (ADTV) last week while local institutions and retail investors experienced a drop more than 4.0% in their ADTV.

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)



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)	
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
JAN 31	1,384.1	1,376.0	8.14	3,493.7	3,648.7	-154.9	3,253.2	3,106.4	146.8	35.8
FEB 8	818.0	820.4	-2.4	1,552.5	1,713.2	-160.7	1,435.4	1,272.2	163.2	40.0
FEB 15	2,537.1	2,482.2	54.9	4,826.1	4,511.8	314.3	2,417.4	2,786.6	-369.2	-90.6
FEB 22	2,890.1	3,018.1	-128.0	6,215.4	5,768.4	447.0	3,513.8	3,832.8	-319.0	-78.3
MAR 1	2,914.0	2,703.1	210.8	5,359.9	5,123.0	236.9	3,471.1	3,981.9	-447.7	-110.0

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 1 MARCH
TOP 10 NET MONEY INFLOWS

- Petronas Dagangan Berhad registered the highest net money inflow of RM16.94m last week. Its share price dropped -0.37% for the week, outperforming the local bourse which had a -1.20% weekly drop.
- CIMB Group Holdings Berhad recorded the second highest net money inflow of RM19.01m. Its share price ended -2.74% lower for the week, underperforming the benchmark which was -1.20% lower.
- Dialog Group Berhad saw the third highest net money inflow of RM3.97m. Its share price ended -2.15% lower during the week under review, underperforming the local bourse which was -1.20% 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)	Remark
	Last Week	Prev Week	Last Week	
PETDAG	16.94	0.92	-0.37	BOW
CIMB GROUP	19.01	-26.16	-2.74	BOW
DIALOG GROUP	3.97	-1.30	-2.15	BOW
ASTRO	3.81	-0.47	-0.61	BOW
IHH	3.55	-6.98	-0.17	BOW
KL KEPONG	3.01	0.40	-0.96	BOW
IOI CORP BHD	4.35	-1.96	-1.09	BOW
GENT MSIA	1.17	-3.94	-1.71	BOW
HAP SENG	2.83	0.14	-0.71	BOW
MY EG SERVICES	2.48	1.91	0.00	-

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- Petronas Gas Berhad saw the largest net money outflow of -RM26.84m last week. Its stock price dropped -1.11% for the week outperforming vis-à-vis the FBM KLCI which declined -1.20% during the review week.
- Malayan Banking Berhad recorded the second largest net money outflow -RM26.35m during the week under review. Its share price was -0.10% lower during the week outperforming the market benchmark which had a -1.20% weekly drop.
- Public Bank Berhad registered the third largest net money outflow of -RM23.91m in the review week. Its share price ended 0.16% higher during the week, outperforming the benchmark which had a -1.20% weekly drop. It is notable that the net money outflow amidst advancing share price may indicate a sell on strength (SOS) stance among some investors.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
PETGAS	-26.84	2.29	-1.11	-
MAYBANK	-26.35	15.00	-0.10	-
PUBLIC BANK	-23.91	-36.07	0.16	SOS
PETCHEM	-7.13	-6.17	2.66	SOS
TNB	-7.02	-21.07	-2.68	-
HLBK	-8.92	-6.63	0.28	SOS
PPB GROUP	-5.42	-12.20	-1.60	-
GAMUDA	-3.70	-1.02	-3.95	-
SAPURA	-2.07	-4.09	0.00	-
AIRASIA	-1.95	-2.94	-12.46	-

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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