

MIDF EQUITY STRATEGY | 6 JANUARY 2020 WEEK ENDED 3 JANUARY 2020

- Major global equity markets ended mixed last week during the holiday-shortened week amidst the fresh geopolitical turmoil coming from the Middle East.
- Brent crude oil price marked its fifth week of gains after increasing by 0.7% to USD68.60pb last week. The major catalyst for last week's positive movement in Brent crude oil price was the news that a powerful Iranian military leader had been killed in a strike authorized by the United States,
- It was a disappointing week as international funds turned net sellers after three consecutive weeks of acquiring equities in Asia. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" took out USD741.9m net last week, compared to USD824.5m net bought in the preceding week.
- Bursa has so far seen international investors entering for the past three weeks. Based on data from Bursa, international investors acquired RM28.6m net of local equities during the holiday-shortened week compared to RM69.9m net bought in the week before.
- The FBM KLCI ended the week in the black for the fifth week, gaining 0.05% to settle at 1,611.4 points. Likewise, the Ringgit appreciated by 0.6% against the greenback to reach USD/MYR4.1023 during the week.

MALAYSIA BUCKS THE REGIONAL TREND OF OUTFLOW

A. MARKET SNAPSHOT

- Major global equity markets ended mixed last week during the holiday-shortened week amidst the fresh geopolitical turmoil coming from the Middle East.
- The US goods trade deficit narrowed sharply to USD 63.2b in Nov-19 from USD 72.9b in the same month last year and USD 66.8 in the previous month. It was the smallest gap in almost three years, resulting from smaller fall in exports at -1.5%yoy (Oct-19: -3.6%yoy) compared to imports at -5.6%yoy (Oct-19: 6.7%yoy). Meanwhile on Wall Street, stocks logged on the best years as the S&P 500 index gained 29.0% in 2019. Along the way, the three U.S major indexes set more record highs than in 2018 and kept the longest bull market for stocks going.
- Vietnam's economy expanded by 7%yoy in 4Q19, moderated from 7.5%yoy recorded in the preceding quarter. For full year of 2019, the economy grew by 7%yoy, slightly lower than 7.1%yoy in 2018 but beat the National Assembly's target of 6.6%yoy-6.8%yoy, buoyed by upbeat activities in processing and manufacturing sector. Vietnam is quoted as the biggest beneficiary of the US-China trade disputes, supported by factors such low labour costs and pro-investment policies. Despite the impressive economic growth, Vietnam faces challenges to stay ahead. Besides benefiting from the ongoing trade war, the country is also exposed to illegal goods trafficking. In addition, the quality of foreign direct investment into Vietnam amid the trade spat is questionable as most of them are suspected to just set up a place to assemble and distribute parts they bought from China.
- In Europe, factories had a sluggish end to 2019 as manufacturing activity shrank for the 11th straight month as the IHS Markit's final manufacturing PMI has been below the 50 mark separating growth from contraction since February. The latest figure stood at 46.3 in December 2019, lower than 46.9 in the preceding month. Likewise, the index measuring new orders dipped to 46.6 from 46.7 in the same month as firms turned to completing backlogs of work to stay active.
- Brent crude oil price marked its fifth week of gains after increasing by 0.7% to USD68.60pb last week. The major catalyst for last week's positive movement in Brent crude oil price was the news that a powerful Iranian military leader had been killed in a strike authorized by the United States, ratcheting up geopolitical tensions in a region that supplies around 25 percent of the world's oil and threatening to disrupt global supply. While the attack did not target any oil production, it raised fears of a protracted conflict in the region that could involve strategic attacks on oil fields.

Table 1 Weekly performance of major indices

Weekly % change	Week before	Last week
China CSI 300	0.12	3.06
Thai SET	0.34	1.06
Hang Seng	1.27	0.80
FSSTI Index	0.44	0.38
Phil PCOMP	0.54	0.31
Taiwan TAIEX	1.11	0.16
CAC 40	0.26	0.11
KLCI	0.03	0.05
Dow Jones	0.67	-0.04
Jakarta JCI	0.72	-0.09
S&P 500	0.58	-0.16
India SENSEX	-0.26	-0.27
FTSE 100	0.82	-0.29
Nikkei	0.09	-0.76
DAX	0.14	-0.88
Korea KOSPI	0.00	-1.26

Source: Bloomberg

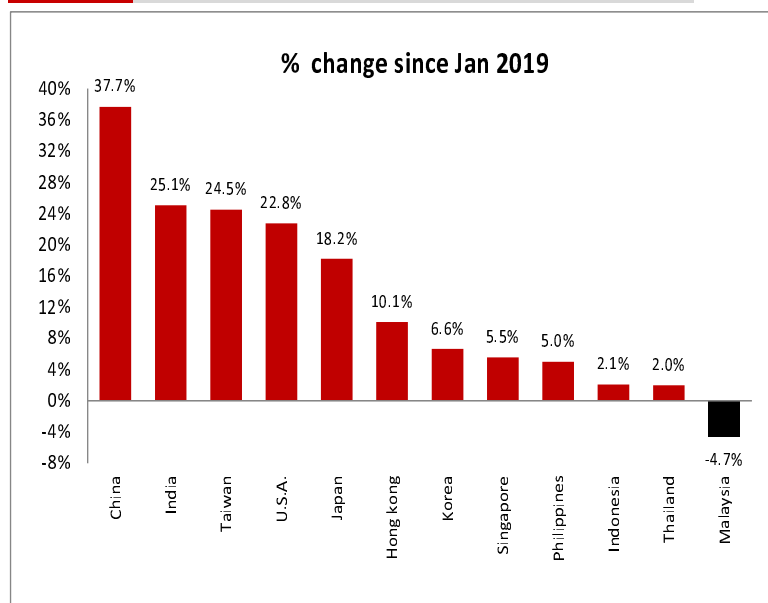
FUND FLOW REPORT

- The FBM KLCI ended the week in the black for the fifth week, gaining 0.05% to settle at 1,611.4 points. Likewise, the Ringgit appreciated by 0.6% against the greenback to reach USD/MYR4.1023 during the week.

B. TRACKING MONEY FLOW - ASIA¹

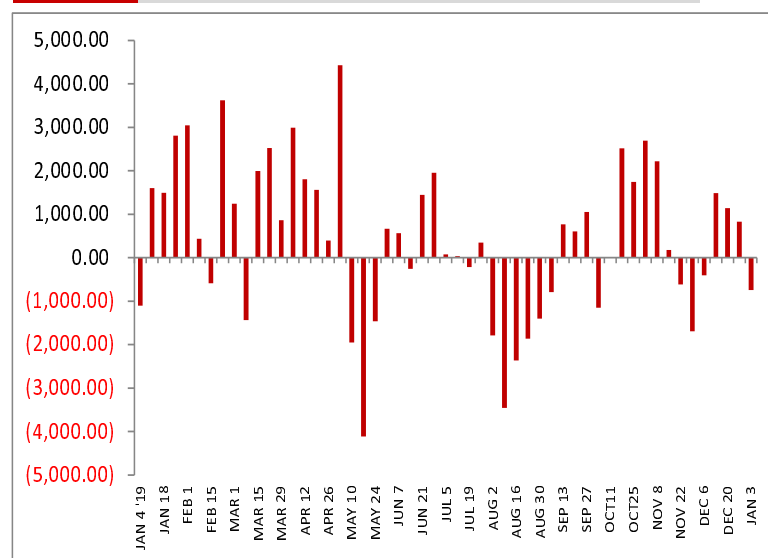
- It was a disappointing week as international funds turned net sellers after three consecutive weeks of acquiring equities in Asia. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” took out USD741.9m net last week, compared to USD824.5m net bought in the preceding week.
- Likewise, the three-week foreign net buying spree was snapped in South Korea as investors sold -USD200.6m net last week. International investors were net sellers on two out of three trading days last week with the last trading day on Monday recording a sizeable foreign net outflow of -USD253.0m net, a level not observed since in nearly a month. Nevertheless, foreign funds were back on their feet on the second trading day of the year, buying USD112.5m net of local equities on Friday but only marginally pushed the local bourse higher by less than 0.1%. On a side-note, South Korea’s exports experienced its smallest drop since April 2019 of -5.2%yoy. By product, outbound shipments of general machinery and automobile rebounded from negative rates to 4.2%yoy and 0.3%yoy respectively. Nevertheless, other major products like semiconductor, chemicals and refined petroleum remain in contraction. By destination, exports to China returned to positive rate at 3.3%yoy, highest gain since Oct-18.
- Taiwan lost its steam as foreign investors dumped -USD522.3m net last week. Foreign net selling occurred on every day of the week with New Year’s Eve recording the highest at USD328.0m, pushing the Taiex lower by 0.5% to settle at 11,997.1 points. Nevertheless, foreign net selling was the lowest during the week on Friday at only -USD25.2m net. The slowdown in foreign net attrition lent some support to the Taiex to close above 12,000 points.

Chart 1 Cumulative performance of major markets



Source: Bloomberg

Chart 2 Weekly Net Flow of Foreign Funds into 7 Asian Markets since Jan 2019 (USD'm)

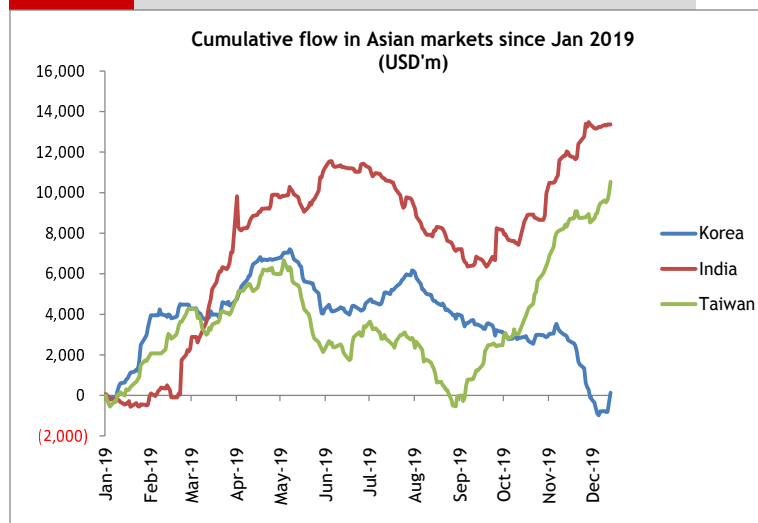


Source: Bloomberg, Bursa Malaysia, MIDFR

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.

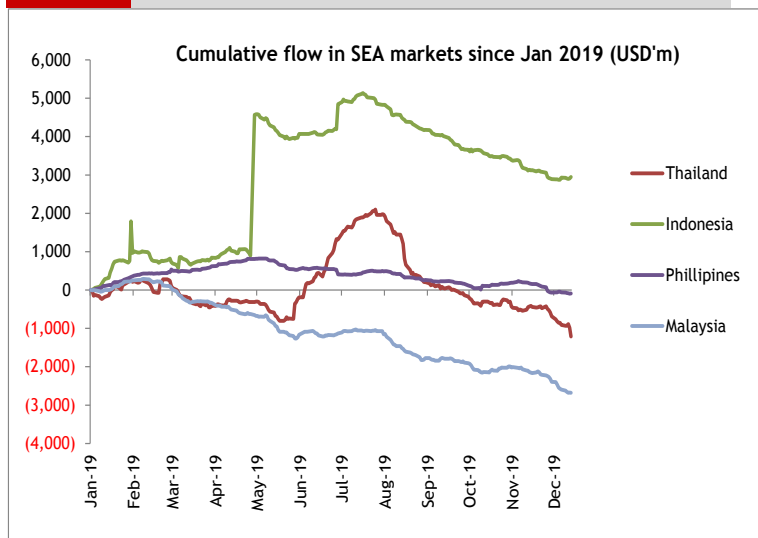
- In emerging South East Asian markets that we monitor, half recorded a foreign net outflow while another half experienced foreign net buying during the week.
- In Bangkok, the pace at which foreign investors were disposing local equities was little changed at -USD39.3m net last week. International funds sold the most during the week on Monday, the last trading day of the year at USD44.2m net while the foreign net inflow occurred on Friday at USD5.8m net. For 2019, Thailand saw a total foreign net outflow of -USD1.50b, substantially lower than the year before which reached -USD8.9b.
- In Manila, offshore funds were net sellers for the fourth week running but foreign investors only sold -USD19.9m net, marking a gradual decline in the amount sold for two weeks. It was notable that markets were opened only on two days of the week; Thursday and Friday. Thursday which was the first trading day of 2020 recorded a moderate foreign net outflow of USD16.8m net. Amongst the four ASEAN markets we monitor, the Philippines has the smallest foreign net outflow in 2019 of just -USD0.24b.
- In Jakarta, offshore funds bought USD68.1m net of local equities last week, extending the foreign net buying to the fifth uninterrupted week. This is the longest foreign net buying spree since the 11-day buying frenzy seen from March to May 2017. Foreign net buying occurred on every day during the three-day trading week and peaked on Friday at USD55.7m net. Amongst the four ASEAN markets we monitor, Indonesia has the highest year-to-date foreign net outflow of USD3.47b.

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
NOV 15	-503.4	104.0	-64.6	-47.9	210.4	574.2	-98.4	174.2
NOV 22	-1,155.6	-34.6	-40.2	63.4	680.5	43.4	-44.8	-614.7
NOV 29	-1,625.9	-212.0	-189.4	-159.3	883.2	-210.2	-182.3	-1,695.8
DEC 6	-681.5	-222.4	37.0	8.7	-138.2	792.1	-200.0	-404.4
DEC 13	911.0	-304.7	14.9	-28.0	61.3	921.8	-88.3	1,488.0
DEC 20	1,032.9	-209.9	421.3	-116.4	738.2	-741.2	16.6	1,141.6
DEC 27	14.6	-29.5	97.7	-37.2	438.3	323.7	16.9	824.5
JAN 3	-200.6	-39.3	68.1	-19.9	-34.8	-522.3	6.9	-741.9

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

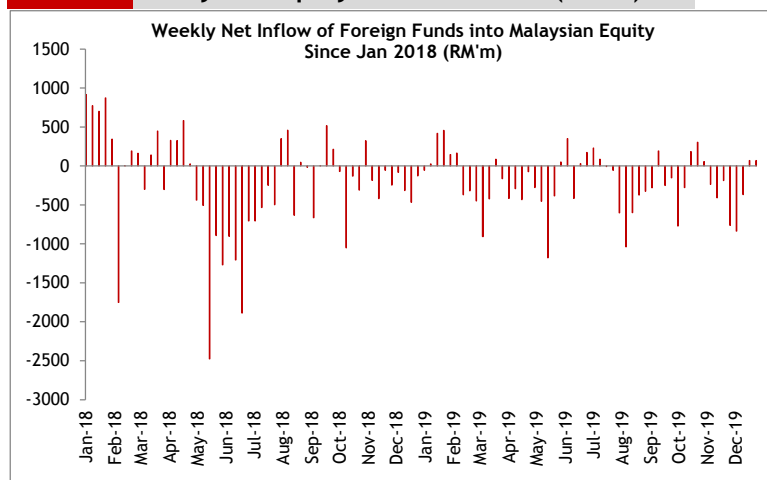
FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

- Bursa has so far seen international investors entering for the past three weeks. Based on data from Bursa, international investors acquired RM28.6m net of local equities during the holiday-shortened week compared to RM69.9m net bought in the week before.
- It was a good start of the week for Bursa as foreign funds snapped up RM42.9m net of local equities on Monday. The local stock barometer even rose 0.3% higher to close at 1,615.7 points on the same day, a level not seen in nearly five months.
- The last trading day of 2019 then saw an exodus of foreign funds amounting to -RM196.2m net, dragging the local bourse by 1.7% to settle below the 1,600 mark at 1,588.8 points despite Trump agreeing to sign a trade deal on 15 January 2019.
- As markets reopened on Thursday after the New Year break, international funds made a decent return to Bursa, acquiring RM14.9m net of local equities. Offshore investors may have taken cue of Malaysia's manufacturing Purchasing Manager's Index (PMI) which edged up to 50 in December 2019, the first expansion since September 2018.
- International funds later upped the ante in buying activity to purchase RM167.0m net of local equities on Friday, the largest daily foreign net inflow in more than two months. The local bourse followed suit to gain 0.6% higher to close at 1,611.4 points on the same day.
- In 2019, foreign investors sold -RM11.14b of local equities from Malaysia, lower compared to -RM11.69b seen in the previous year. While the total foreign net outflow from Malaysia was little changed in 2019 and remained the largest amongst the ASEAN markets we monitor, this was no match for the massive foreign net selling of -RM19.49b seen in 2015.
- In terms of participation during the holiday-shortened week, it was no surprise that foreign investors experienced largest gain in average daily traded value (ADTV) amongst the other investor groups, increasing 59.6% but was still below the RM1.0b mark.

Chart 5

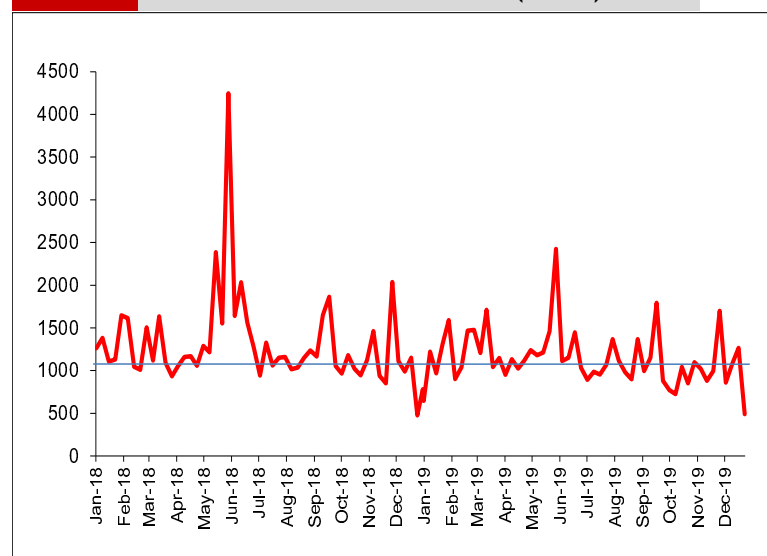
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2018 (RM'm)



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)	
NOV 29	2,544.5	2,401.8	142.7	4,785.8	4,167.3	618.5	3,871.5	4,632.7	-761.2	-182.3
DEC 6	2,222.6	2,146.4	76.2	4,137.6	3,379.1	758.5	1,735.1	2,569.8	-834.6	-200.0
DEC 13	2,582.2	2,514.3	67.9	4,373.4	4,074.2	299.2	2,510.8	2,877.9	-367.1	-88.3
DEC 20	2,544.3	2,545.5	-1.2	4,133.0	4,200.5	-67.5	3,200.6	3,131.9	68.7	16.6
DEC 27	1,622.7	1,669.1	-46.4	2,416.0	2,439.5	-23.5	1,013.9	944.0	69.9	16.9
JAN 3	2,351.5	2,394.2	-42.7	3,681.4	3,667.3	14.1	1,576.7	1,548.0	28.6	6.9

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 3 JANUARY
TOP 10 NET MONEY INFLOWS

- Public Bank Berhad registered the highest net money inflow of RM2.60m last week. Its share price advanced 0.40% for the week, outperforming the local bourse which had a 0.05% weekly gain.
- Batu Kawan Berhad recorded the second highest net money inflow of RM3.08m. Its share price was 1.15% higher, outperforming the local bourse which had a 0.05% weekly gain.
- Genting Malaysia Berhad saw the third highest net money inflow of RM2.55m. Its share price was 1.53% higher during the week, outperforming the local bourse which was 0.05% higher.

TOP 10 NET MONEY OUTFLOWS

- Kuala Lumpur Kepong Berhad saw the largest net money outflow of -RM7.48m last week. Its stock price was 0.81% higher for the week, outperforming vis-à-vis the FBM KLCI which advanced 0.05% 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.
- Velesto Energy Berhad recorded the second largest net money outflow -RM5.35m during the week under review. Its share price was 1.32% higher during the week, outperforming the market benchmark which had a 0.05% weekly gain.
- Digi.com Berhad registered the third largest net money outflow of -RM4.92m in the review week. Its share price was 2.00% higher during the week under review, outperforming the local benchmark which was 0.05% higher for the week.


Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
PUBLIC BANK	2.60	6.76	0.40	-
BATU KAWAN	3.08	0.24	1.15	-
GENTING MSIA	2.55	-1.28	1.53	-
F&N	2.53	-0.11	0.00	-
IOI CORP	1.81	1.04	0.42	-
AXIATA	1.69	-1.04	-0.47	BOW
TNB	1.66	0.10	0.00	-
YTL POWER	1.33	0.80	9.09	-
SD PROP	1.33	0.85	-2.70	BOW
SP SETIA	1.09	-1.22	-3.85	BOW

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)	Remark
	Last Week	Prev Week	Last Week	
KL KEPONG	-7.48	-3.33	0.81	SOS
VELESTO	-5.35	-0.99	1.32	SOS
DIGI.COM	-4.92	0.34	2.00	SOS
CIMB GROUP	-3.17	-1.04	-1.51	-
SCIENTEX	-1.67	-0.78	1.69	SOS
HLFG	-1.57	0.00	2.10	SOS
SUNWAY BHD	-1.52	-0.68	1.10	SOS
UMW	-0.91	-0.08	1.80	SOS
SERBA DINMK	-0.73	1.37	14.69	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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