

MIDF EQUITY STRATEGY | 9 MARCH 2020

WEEK ENDED 6 MARCH 2020

- Major equity markets worldwide ended the week mixed with some recovering from the heavy selloff seen in the preceding week following measures of central banks to combat the Covid-19 outbreak.
- Brent crude oil suffered its third weekly drop after settling -10.4% lower at USD45.27pb, the lowest level since July 2018. The weakness in oil price came about as Russia, the biggest non-OPEC producer in the alliance, resisted a call by the cartel for extra production cuts through the end of this year. In response to this, Saudi Arabia slashed pricing for its crude oil in an effort to retain market share.
- The pace at which international funds reduced their exposure in Asian equities almost halved last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” dumped -US4.79b net last week compared to the -USD8.90b net disposed in the week before.
- International funds reduced their exposure in stocks listed on Bursa for the third week running. Based on data from Bursa, international investors took out a whopping -RM1.19b net of local equities last week which was slightly lower than the -RM1.26b offloaded in the preceding week.
- The FBM KLCI marginally gained by 0.03% for the week to settle at 1,483.1 points. Similarly, the Ringgit depreciated by 1.0% against the greenback to reach USD/MYR4.1727 during the week.

MARKETS CONTINUE TO SHY AWAY FROM EQUITIES

A. MARKET SNAPSHOT

- Major equity markets worldwide ended the week mixed with some recovering from the heavy selloff seen in the preceding week following measures of central banks to combat the Covid-19 outbreak.
- The U.S. Markit manufacturing PMI was revised marginally down to a six-month low of 50.7 in Feb-20 from a preliminary of 50.8 but remain on expansionary mode. The slowdown in factory activities was mainly due to weak gains in output and new orders amidst the outbreak of Covid-19. Nonetheless, business optimism increased to a ten-month high.
- Over in Asia, automakers and department store operators reported sharp sales declines in February as the spread of the new coronavirus dented consumer sentiment and drove away foreign tourists. Japan consumer confidence deteriorated to 38.4 in Feb-20 from a seven-month high of 39.1 in the preceding month. It is the lowest confidence recorded since Oct-19 and missing market expectations of 40.6. Decline was observed in all sub-indices: overall livelihood, income growth assessment, employment perceptions and willingness to buy durable goods. This signals continuous weakness in consumer spending in upcoming months.
- Euro Area retail trade volume rebounded 0.6%mom in Jan-20 as both F&B and non F&B recorded positive growths, a decent start for the year. F&B bounced back 0.7%mom (Dec-19: -1.1%mom) so does automotive fuel (1.9%mom vs -0.1%mom in Dec-19). Among non F&B products, electrical goods & furniture and pharmaceutical & medical goods rallied 0.4%mom and 0.7%mom (Dec-19: -1.4%mom and -1.1%mom) respectively. On annual basis, retail trade grew 1.8%yoy. The performance was somehow in line with the uptrend of Eurozone consumer confidence. The outlook looks to be stable still, at least for Feb-20 as reflected in the Economic Sentiment which increased 0.9 points to 103.5 in Feb-20, the highest since May-19 in which consumer confidence stood at five-month high of -6.6. However, moving forward, we expect the performance to be disrupted by ongoing Covid-19 which has spread to Europe rapidly.
- Brent crude oil suffered its third weekly drop after settling -10.4% lower at USD45.27pb, the lowest level since July 2018. The weakness in oil price came about as Russia, the biggest non-OPEC producer in the alliance, resisted a call by the cartel for extra production cuts through the end of this year. In response to this, Saudi Arabia slashed pricing for its crude oil in an effort to retain market share. In February 2020, Saudi Arabia produced 9.7m barrels per day but with the deal to cut output will be expiring at the end of March 2020. It could increase this, potentially reaching as much as 12.5m barrels per day.

Table 1 Weekly performance of major indices		
Weekly % change	Week before	Last week
China CSI 300	-5.05	5.04
Korea KOSPI	-8.13	2.68
Thai SET	-10.34	1.79
Dow Jones	-12.36	1.79
Jakarta JCI	-7.30	0.84
S&P 500	-11.49	0.61
Taiwan TAIEX	-3.37	0.26
Hang Seng	-4.32	0.06
KLCI	-3.17	0.03
Phil PCOMP	-7.90	-0.26
FSSTI Index	-5.34	-1.66
FTSE 100	-11.12	-1.79
Nikkei	-9.59	-1.86
India SENSEX	-6.98	-1.88
DAX	-12.44	-2.93
CAC 40	-11.94	-3.22

Source: Bloomberg

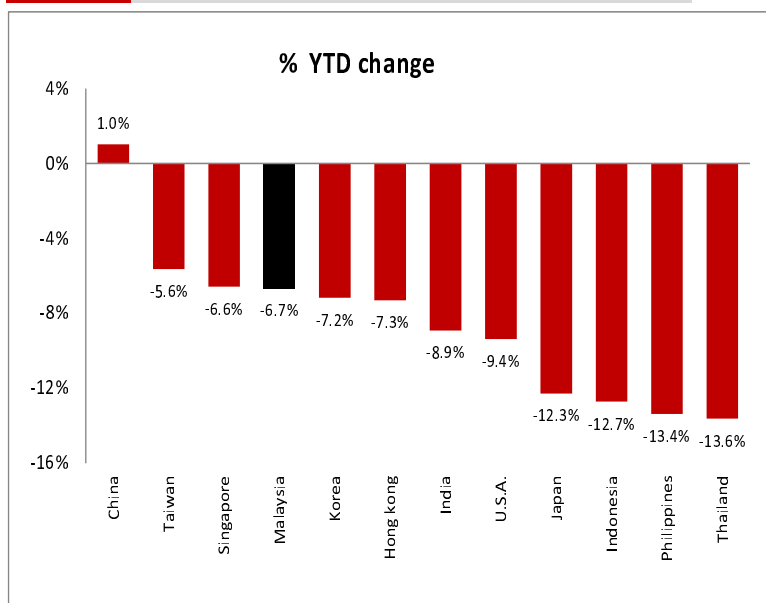
FUND FLOW REPORT

- The FBM KLCI marginally gained by 0.03% for the week to settle at 1,483.1 points. Similarly, the Ringgit depreciated by 1.0% against the greenback to reach USD/MYR4.1727 during the week.

B. TRACKING MONEY FLOW - ASIA¹

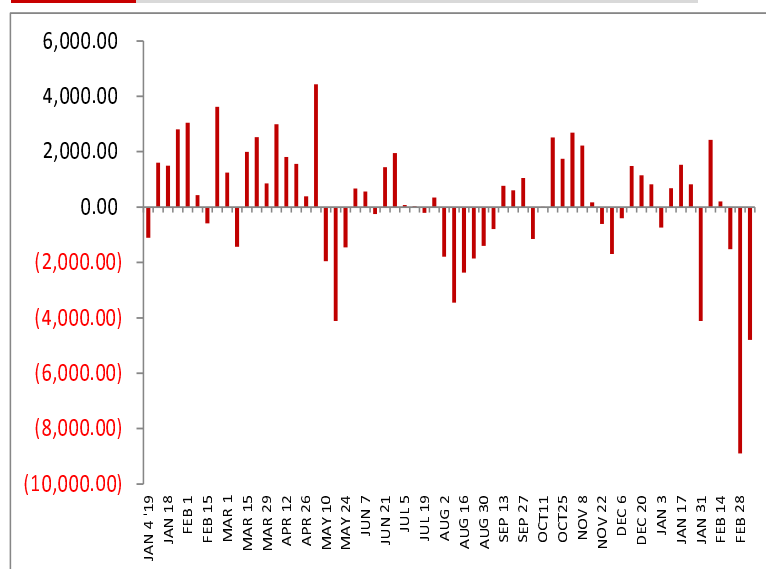
- The pace at which international funds reduced their exposure in Asian equities almost halved last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” dumped -USD4.79b net last week compared to the -USD8.90b net disposed in the week before.
- South Korea continued to see international funds leaving the country for the fourth week running albeit at a slower momentum. International investors sold -USD1.58b net of local equities last week compared to -USD3.0b in the preceding week. Foreign investors were net sellers on every day of the week except on Wednesday which recorded a foreign net inflow of -USD210.9m net, the largest since 5 February 2020. The KOSPI index followed close at 2,059.3 points on the same day, representing a 2.2% increase, the largest gain in almost a month. Wednesday’s rally in South Korea was sparked by expectations that the nation’s central bank may cut interest rates to combat the fallout from the Covid-19 outbreak. Meanwhile, foreign net selling was the highest on Friday at -USD594.0m with the local bourse snapping its four-day winning streak following overnight losses on Wall Street sparked by increasing concerns over spread of Covid-19 in the United States. The death toll from the virus climbed to 12 in the U.S. with about 100 confirmed cases.
- Likewise, the level of foreign net selling in Taiwan was down by more than half, reaching -USD1.47b last week from -USD3.16b in the week before. Foreign net selling occurred on three days during the week with Friday recording the highest at -USD964.8m. Notwithstanding this, the Taiwan Dollar, appreciated by almost 1.0% against the greenback during the week, the largest weekly gain since October 2019 in the wake of the Fed’s surprise emergency interest rate cut. On a year-to-date basis, Taiwan has seen a foreign net outflow of -USD6.20b, the largest amongst the seven Asian markets under our coverage.

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.

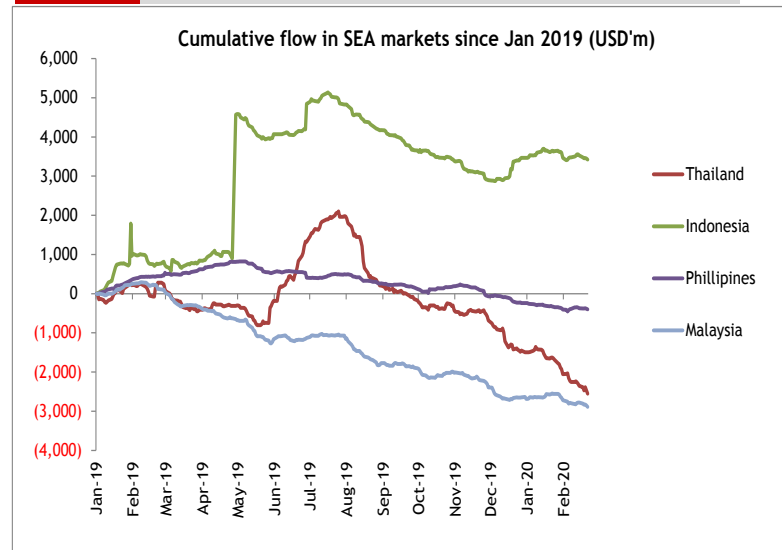
- In emerging South East Asian markets that we monitor, all markets experienced foreign net attrition.
- In contrast with other Asian markets which experienced a decrease in foreign net selling, Thailand saw foreign investors selling local equities at a faster pace of -USD512.7m net compared to -USD131.7m in the preceding week. Foreign net selling peaked on Tuesday at -USD169.8m while the local bourse rebounded by 2.9% to 1,375.0 points expectation that the US Federal Reserve and central banks worldwide would cooperate with financial organisations such as the International Monetary Fund (IMF) and World Bank to issue measures to relieve the impacts of the Covid-19 virus.
- Manila's foreign net selling activity lost momentum to reach -USD49.3m last week from -USD184.9m in the week before. Monday saw the highest foreign net selling during the week at -USD30.2m. While strong earnings lifted some local stocks, bears came at the last minute as concerns over the impact of Covid-19 dominated the sentiment. In contrast, international investors mopped up USD18.5m net on Thursday, coinciding with the PSEi's third consecutive day of gains. In addition of the Fed's rate cut, investor cheered the Philippine's inflation which decelerated to a two-month low of 2.6% in February 2020.
- In Jakarta, international funds sold -USD123.3m net of local equities last week. Foreign investors sold the most on Monday at -USD20.6m. Bank Indonesia's announcement to buy IDR2 trillion of government bonds on Monday did little to subdue the sell-off in the nation's bond market as traders remained uneasy over the government's confirmation of the nation's first two Covid-19 cases. Meanwhile, Thursday saw a bout of foreign net buying of -USD10.1m, a similar trend seen in other regional peers.

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
JAN 17	390.1	-225.6	55.7	-27.6	1,151.8	102.5	79.1	1,526.0
JAN 24	-396.1	-41.5	-24.1	-32.5	719.3	588.7	7.2	820.9
JAN 31	-1,065.2	-368.7	-171.1	-59.7	-861.5	-1,421.6	-161.3	-4,109.1
FEB 7	762.5	-199.1	10.8	14.5	1,844.2	76.4	-79.6	2,429.7
FEB 14	-273.3	-97.1	52.9	15.9	72.1	415.7	17.1	203.3
FEB 21	-486.6	-199.0	-106.4	-24.5	322.8	-918.2	-107.4	-1,519.3
FEB 28	-3,002.9	-131.7	-297.1	-184.9	-1,824.8	-3,159.9	-299.5	-8,900.9
MAR 6	-1,579.5	-512.7	-123.3	-49.3	-773.9	-1,472.6	-283.9	-4,795.0

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

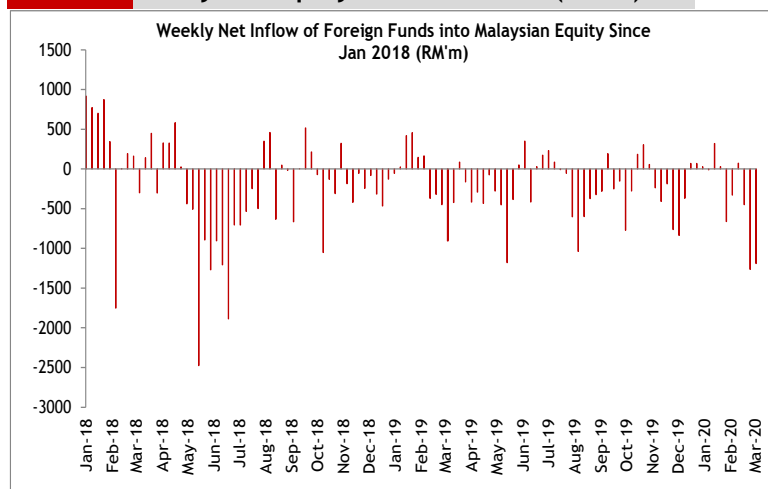
FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

- International funds reduced their exposure in stocks listed on Bursa for the third week running. Based on data from Bursa, international investors took out a whopping -RM1.19b net of local equities last week which was slightly lower than the -RM1.26b offloaded in the preceding week.
- Bursa welcomed March in the red, declining -1.1% to settle at 1,466.9 points on Monday with the largest foreign net outflow during the week of -RM329.0m. Investors continued to fear the negative impact of the Covid-19 as the global death toll reached 3,057 while confirmed cases totalled 89,083 as of last Monday.
- The level of foreign net selling activity then decelerated to -RM257.0m net on Tuesday, coinciding with the 0.8% rebound in the local stock barometer. Much of the positivity was attributable to the overnight policy rate (OPR) cut of another 25 basis points to 2.5% by Bank Negara Malaysia to mitigate effects of the Covid-19 outbreak.
- Foreign net selling continued to slow down to -RM119.4m on Wednesday following the emergency rate cut by the U.S Fed by 50 basis points.
- However, foreign net outflow increased to -RM174.2m on Thursday in contrast to its peers namely Taiwan, the Philippines and Indonesia which had foreign funds entering their markets.
- International funds continued to sell on Friday at a higher level of -RM309.3m as Covid-19 fears linger. Italy reported 41 new deaths from the Covid-19 on the day before, the highest single day fatalities to date.
- Last week's foreign net selling brings the year-to-date foreign net outflow from Malaysia to -RM3.30b. In comparison to its other six Asian peers that we monitor, Malaysia has the third smallest foreign net outflow.
- In terms of participation, the average daily traded value (ADTV) of foreign investors recorded the smallest drop of -21.2% for the week but was still at a healthy level of RM1.52b.

Chart 5

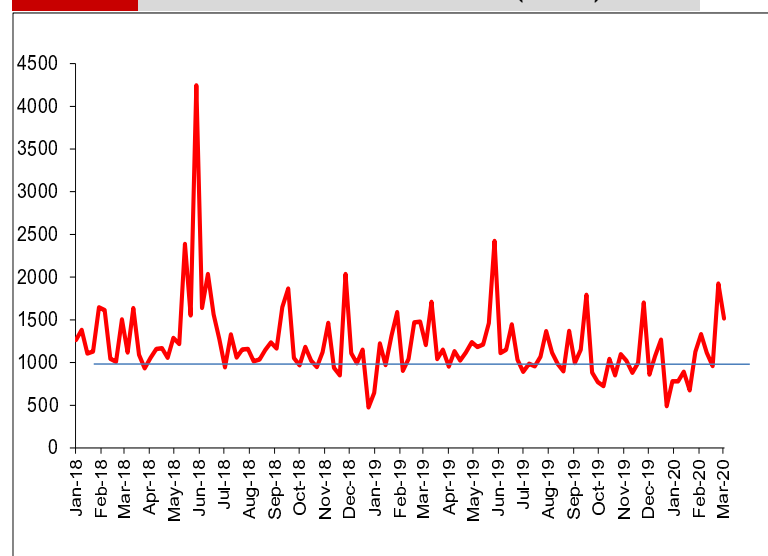
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2018 (RM'm)



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)	
JAN 31	3,019.6	2,738.4	281.3	6,107.4	5,729.0	378.3	1,925.4	2,585.1	-659.6	-161.3
FEB 7	3,407.8	3,286.2	121.5	6,177.1	5,971.2	205.9	3,163.9	3,491.3	-327.5	-79.6
FEB 14	3,148.0	3,057.1	90.8	5,547.8	5,707.1	-161.3	2,822.8	2,752.3	70.5	17.1
FEB 21	3,049.2	2,876.4	172.9	5,094.8	4,819.8	275.1	2,172.1	2,620.0	-447.9	-107.4
FEB 28	4,747.5	4,035.0	712.5	8,222.1	7,670.6	551.5	4,181.1	5,445.1	-1,264.0	-299.5
MAR 6	3,305.0	3,042.9	262.1	6,004.6	5,077.9	926.8	3,199.3	4,388.2	-1,188.9	-283.9

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 6 MARCH
TOP 10 NET MONEY INFLOWS

- Genting Malaysia Berhad registered the highest net money inflow of RM12.83m last week. Its share price declined -5.88% for the week, underperforming the local bourse which had a 0.03% weekly advance. 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 recorded the second highest net money inflow of RM10.23m. Its share price was 3.27% higher, outperforming the local bourse which had a 0.03% weekly gain.
- IHH Healthcare Berhad saw the highest net money inflow of RM3.81m. Its share price was 0.88% higher during the week, outperforming the local bourse which was 0.03% higher.

TOP 10 NET MONEY OUTFLOWS

- MY EG Services Berhad saw the second largest net money outflow of -6.49m last week. Its stock price was 1.79% higher for the week, outperforming vis-à-vis the FBM KLCI which gained 0.03% 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.
- CIMB Group Holdings Berhad recorded the third largest net money outflow -RM5.54m during the week under review. Its share price was -7.88% lower during the week, underperforming the market benchmark which had a 0.03% weekly advance.
- Yinson Holdings Berhad registered the third largest net money outflow of -RM3.82m in the review week. Its share price was -1.96% lower during the week under review, underperforming the local benchmark which was 0.03% higher for the week.


Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
GENTING MSIA	12.83	1.69	-5.88	BOW
PUBLIC BANK	10.23	-20.64	3.27	-
IHH	3.81	4.38	0.88	-
HEINEKEN	3.46	1.95	-3.53	BOW
CARLSBERG	2.45	-0.06	-8.04	BOW
MISC	1.71	0.87	-0.92	BOW
WESTPORTS	1.63	3.72	1.74	-
TELEKOM	1.49	2.28	0.25	-
MAYBANK	1.46	-5.94	0.95	-
HARTALEGA	1.46	0.22	3.53	-

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		
MY EG	-6.49	-9.13	1.79	SOS
CIMB GROUP	-5.54	-1.61	-7.88	-
YINSON	-3.82	-10.71	-1.96	-
TNB	-3.15	4.33	4.13	SOS
PETDAG	-2.81	0.05	-3.33	-
SAPURA	-2.19	-0.20	-13.51	-
DIALOG	-2.12	1.52	-1.50	-
KOSSAN	-2.04	-1.51	4.79	SOS
RHB BANK	-1.75	3.30	2.70	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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