

MIDF EQUITY STRATEGY | 4 NOVEMBER 2019 WEEK ENDED 1 NOVEMBER 2019

- Majority of equity markets worldwide were in the black last week following monetary policy developments from the U.S Federal Reserve.
- Brent crude oil price ended 0.5% lower for the week after settling at USD61.69pb. Notwithstanding this, Brent crude oil price jumped nearly 4.0% on Friday on signs of U.S-China trade hopes whereby the U.S aims to sign an initial deal in November 2019. Aside from that, commendable economic data from both nations; U.S employment and Chinese manufacturing activity numbers buoyed sentiment on Friday. The source of drag during the week was increase of U.S crude inventories which rose by 5.7m barrels last week versus expectations of just 0.5m barrels.
- Asian markets continued to see investors entering for the fourth week running. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” bought USD2.15b net last week, compared to USD1.75b in the preceding week.
- International funds marked their entrance into Malaysian equities for the third consecutive week albeit at a slower pace last week. Based on data from Bursa, foreign investors acquired RM55.2m net of local equities last week, compared to RM302.4m net in the preceding week.
- The FBM KLCI was back in the black, posting a 1.5% weekly gain after ending the week at 1,593.3 points. Likewise, the Ringgit appreciated by 0.5% against the greenback to reach USD/MYR4.1653 during the week.

FED RATE CUT CHEER FOR ASIAN MARKETS

A. MARKET SNAPSHOT

- Majority of equity markets worldwide were in the black last week following monetary policy developments from the U.S Federal Reserve.
- The U.S's annualized economic growth moderated to 1.9% in 3Q19 from 2% in the previous quarter but unexpectedly higher than market expectations of 1.6%yoy. The growth is the lowest so far this year. Private consumption, the largest contributor to the economy grew by 2.9%, lower compared to 4.6% in 2Q19. Similarly, both government consumption and expenditure growth slowed to 2% and 1.9% respectively. Meanwhile, private domestic investment contracted at a softer pace of -1.5% (2Q19: -6.3%). In contrast, exports and imports rebounded to positive growth of 0.7% and 1.2% respectively.
- In Asia, Japan's household consumer confidence index rebounded to 36.2 in October 2019 compared to 35.8 in the previous month, which was the lowest in 8 years period. The seasonally adjusted consumer confidence index increased at a similar magnitude to reach 36.2 in the same month where the sub-indexes such as employment, income growth, overall livelihood and willingness to buy durable goods stood at 40.6, 38.8, 34.5 and 31.1 respectively. This may provide a cue on the retail sales in October 2019. Despite the hike in sales tax from 8% to 10% in October 2019 to reduce the country's deficit and providing a boost for social spending, the expectation of interest-rate cut and a fruitful U.S-Japan trade deal could be the reasons of lifting the consumer confidence. Moving forward, we expect the consumer confidence index to fall next month amid the global economy slowdown and the Bank of Japan's decision to keep the rate unchanged.
- In Europe, the United Kingdom is going to hold a December general election for the first time since 1923 in a bid to break the Brexit impasse. On Tuesday evening, lawmakers from parties across the U.K. Parliament voted by 438 to 20 to hold a nationwide poll on December 12. Meanwhile, the decline in U.K manufacturing took a breather amidst new Brexit stockpiling rush shown by the IHS Markit U.K manufacturing PMI rising to 49.6 in October from 48.3 in September, a level not seen since April.
- Brent crude oil price ended 0.5% lower for the week after settling at USD61.69pb. Notwithstanding this, Brent crude oil price jumped nearly 4.0% on Friday on signs of U.S-China trade hopes whereby the U.S aims to sign an initial deal in November 2019. Aside from that, commendable economic data from both nations; U.S employment and Chinese manufacturing activity numbers buoyed sentiment on Friday. The source of drag during the week was increase of U.S crude inventories which rose by 5.7m barrels last week versus expectations of just 0.5m barrels.

Table 1 Weekly performance of major indices		
Weekly % change	Week before	Last week
India SENSEX	-0.61	2.83
Hang Seng	-0.20	1.63
KLCI	-0.07	1.49
S&P 500	1.22	1.47
Dow Jones	0.70	1.44
China CSI 300	0.71	1.43
FSSTI Index	2.29	1.38
Taiwan TAIEX	1.04	0.92
CAC 40	1.52	0.69
Phil PCOMP	0.47	0.69
Korea KOSPI	1.32	0.59
DAX	2.07	0.52
Nikkei	1.37	0.22
Thai SET	-2.34	-0.05
FTSE 100	2.43	-0.30
Jakarta JCI	0.98	-0.72

Source: Bloomberg

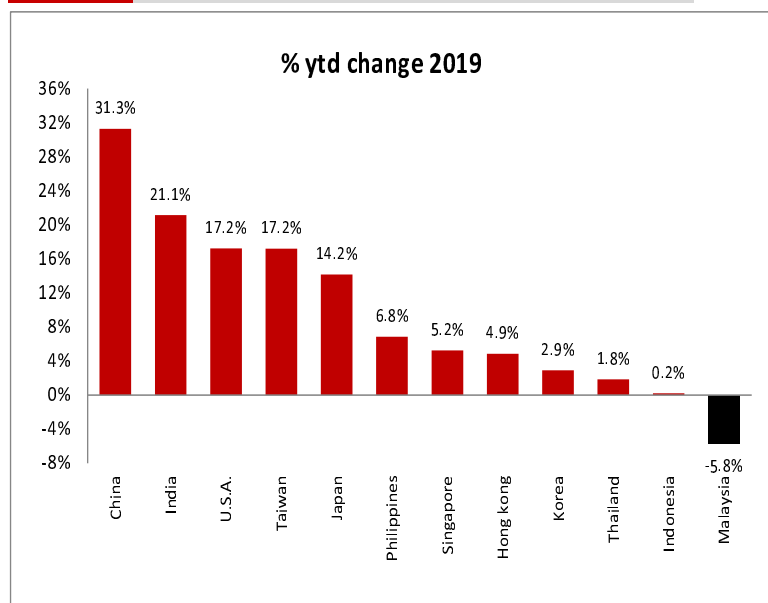
FUND FLOW REPORT

- The FBM KLCI was back in the black, posting a 1.5% weekly gain after ending the week at 1,593.3 points. Likewise, the Ringgit appreciated by 0.5% against the greenback to reach USD/MYR4.1653 during the week.

B. TRACKING MONEY FLOW - ASIA¹

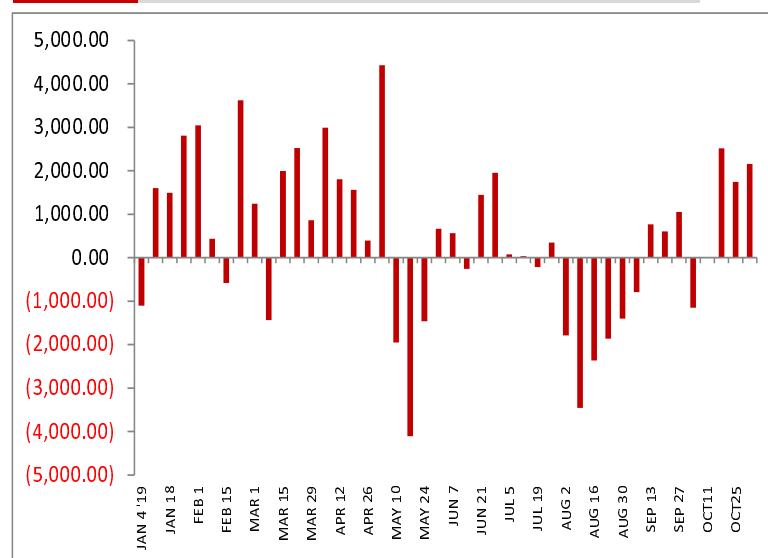
- Asian markets continued to see investors entering for the fourth week running. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” bought USD2.15b net last week, compared to USD1.75b in the preceding week.
- International funds entered South Korea at a slower momentum of USD38.1m net last week, compared to USD324.8m net in the preceding week. The first three days of the week saw foreign funds selling with Tuesday recording the highest foreign outflow during the week at -USD54.4m net after Hong Kong’s leader warned that months of political protests are taking a harsh toll on the economy. Nevertheless, the South Korean market on Thursday was buoyed by the U.S Federal Reserve’s third rate cut, attracting USD54.6m net of foreign net inflow. Another positive factor supporting the market on Thursday was the strong performance seen in local companies such as Samsung Electronics which recorded a 17.9% growth in operating profit. Foreign net buying increased further on Friday to reach -USD108.1m net boosted by the improvement in China’s purchasing manager index (PMI) which rose to 51.7 in October 2019.
- Taiwan remained the most favourable market in North Asia as international funds bought USD1.13b net of local equities. This brings Taiwan’s foreign net buying spree to the ninth week, matching buying streak since late January to March 2016. International funds bought local equities on every single day of the week, stretching the daily buying spree to 15 days, the longest so far in 2019. Foreign funds accumulated the most on Friday at USD301.4m net, coinciding with the Taiex’s 0.4% advance to reach 11,399.5 points, a level not observed in more than 25 years. On a year-to-date basis, foreign investors have bought USD6.87b net of local equities in Taiwan compared to the total of -USD12.2b sold in 2018.

Chart 1 YTD performance of major markets



Source: Bloomberg

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

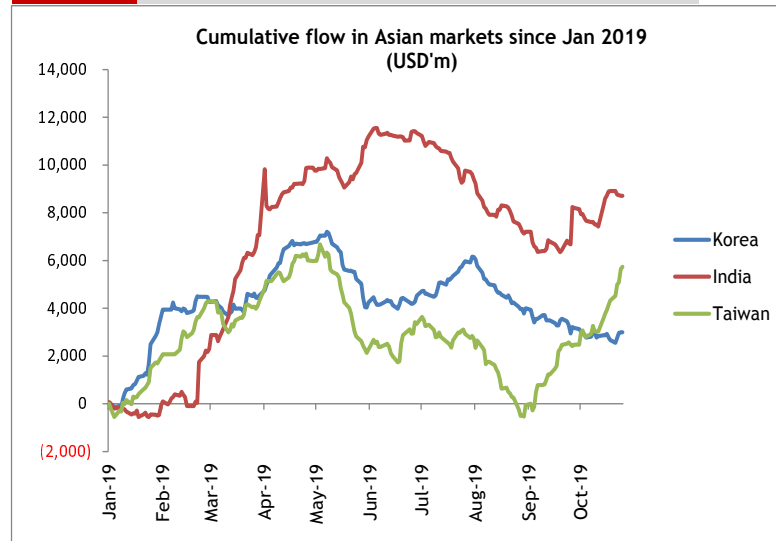


Source: Bloomberg, Bursa Malaysia, MIDFR

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.

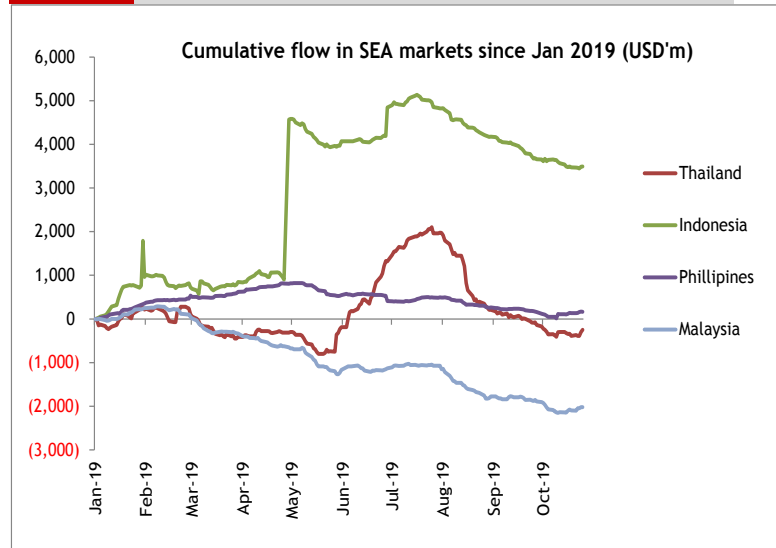
- In emerging South East Asian markets that we monitor, half experienced foreign net buying while the other half saw foreign net selling.
- In Bangkok, foreign investors offloaded -USD216.1m net of local equities last week, cancelling off the USD143.2m net acquired in the preceding week. International funds were only net buyers on Wednesday at a tune of USD15.5m while selling the most on Thursday at -USD128.1m net following the U.S Federal Reserve's third rate cut this year. In comparison with other ASEAN peers, Thailand has the lowest foreign net outflow on a year-to-date basis worth -USD463.9m.
- In Manila, foreign investors remained net buyers for the fourth straight week after buying USD27.6m of local equities during the four-day trading week. Foreign net buying occurred on every single day of the week and peaked on Wednesday at USD12.2m, coinciding with the PSEi's advance to reach above 8,000 points for the first time in more than two months. The rally in the local bourse was mainly driven by 3Q19 earnings anticipation.
- The foreign net buying in Jakarta was short-lived as international funds sold -USD123.3m net of local equities last week. Offshore investors were net sellers on every single day of the week with Thursday recording the highest foreign net outflow of -USD42.3m. Jakarta's local stock barometer followed suit to decline 1.1% lower on the same day as investors cashed on gains following news that the U.S Federal Reserve is unlikely to cut rates for the rest of the year. Nevertheless, it is notable that Indonesia has so far seen a foreign net inflow of -USD3.37b in 2019, the third highest amongst the seven Asian markets we monitor.

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
SEP 13	-67.4	-57.6	-47.2	8.0	432.1	452.3	46.0	766.1
SEP 20	63.7	-37.2	-206.7	-33.7	-357.4	1,232.8	-59.7	601.7
SEP 27	-383.5	-136.4	-133.8	-37.4	1,767.6	8.6	-36.1	1,049.0
OCT 4	-406.9	-216.3	-14.5	-112.8	-539.1	325.0	-184.0	-1,148.6
OCT 11	58.6	53.2	-79.1	60.2	-239.1	225.4	-65.9	13.3
OCT 18	-159.7	-92.4	-95.6	27.2	1,489.6	1,303.8	44.1	2,517.0
OCT 25	324.8	143.2	23.1	28.9	-257.3	1,410.7	72.2	1,745.6
NOV 1	38.1	-216.1	-123.3	27.6	1,284.6	1,130.4	13.2	2,154.5

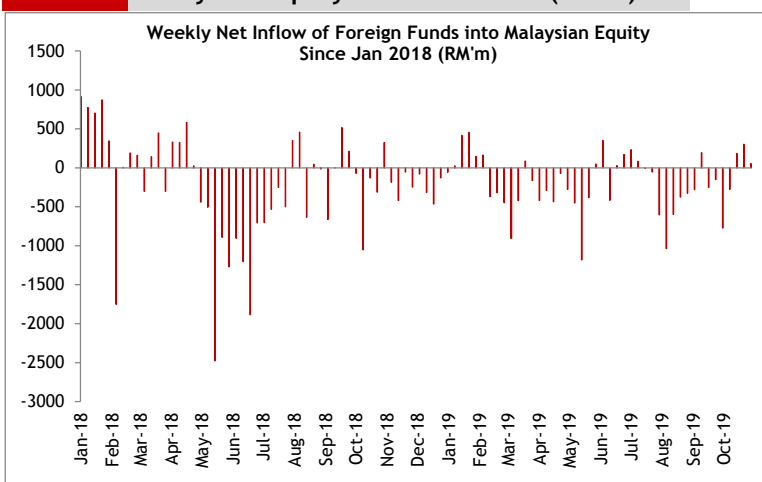
2,510.3Source: Respective exchange statistics reported on Bloomberg, Bursa Malaysia. These figures are subject to revisions.

FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

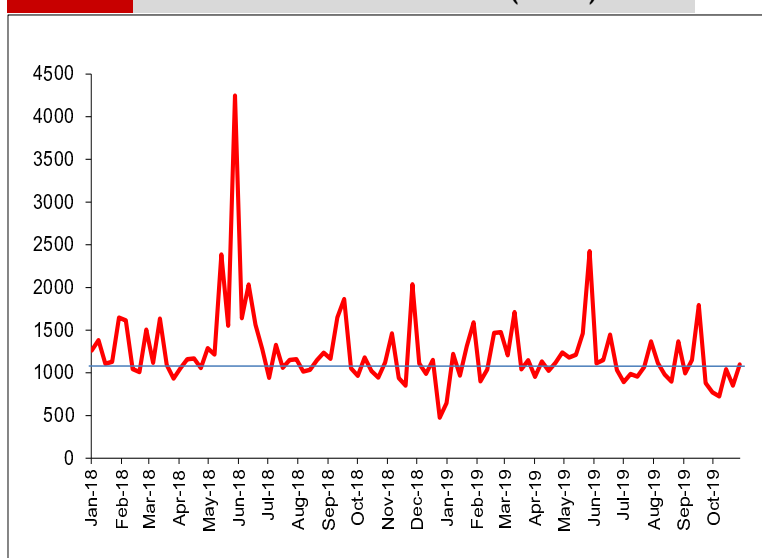
- International funds marked their entrance into Malaysian equities for the third consecutive week albeit at a slower pace last week. Based on data from Bursa, foreign investors acquired RM55.2m net of local equities last week, compared to RM302.4m net in the preceding week.
- Bursa reopened from the long weekend on the right foot as offshore investors mopped up RM139.4m net of local equities on Tuesday. Support came from the rally on Wall Street overnight with the S&P 500 index hitting a record high amidst positive signs of trade talks and better-than-expected corporate earnings.
- Foreign net buying activity took a breather on Wednesday as international funds disposed -RM18.2m net ahead of the U.S Federal Reserve's policy decision. Risk-on sentiment was also dampened by fresh concerns on the "phase one" trade deal between the U.S and China which may not be ready for signing in mid-November 2019.
- The level of foreign net selling then accelerated substantially to hit -RM117.7m on Thursday following the third rate cut by the U.S Federal Reserve. Regional peers such as Thailand and Indonesia also a foreign net outflow on the same day but at a stronger momentum.
- Nevertheless, foreign investors made a comeback on Friday, accumulating RM51.7m net of local equities. Investors cheered the better-than-expected China manufacturing data in October 2019 which was the highest in almost three years with new orders rising at the quickest pace since January 2013.
- The month of October 2019 saw a total foreign net outflow of -RM484.6m, the second lowest monthly foreign net outflow so far for the year. Meanwhile on a year-to-date basis, foreign funds have taken out -RM8.38b of local equities from Malaysia, making up 72.0% of last year's total foreign outflow of -RM11.69b.
- In terms of participation, foreign investors saw the largest increase in average daily traded value (ADTV) of 28.9% to reach the RM1b 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)	
SEP 27	1,667.2	1,643.1	24.1	3,722.7	3,596.0	126.7	2,130.6	2,281.4	-150.9	-36.1
OCT 4	1,747.4	1,640.9	106.5	3,974.6	3,310.4	664.2	1,545.3	2,316.1	-770.8	-184.0
OCT 11	2,067.2	2,004.7	62.5	4,103.4	3,889.3	214.1	1,676.0	1,952.5	-276.6	-66.0
OCT 18	2,592.6	2,523.1	69.5	4,624.8	4,879.0	-254.1	2,697.7	2,513.1	184.6	44.1
OCT 25	2,282.9	2,264.4	18.5	3,786.4	4,107.2	-320.9	2,281.5	1,979.1	302.4	72.2
NOV 1	1,813.0	1,779.5	33.5	3,913.5	4,002.2	-88.7	2,224.4	2,169.3	55.2	13.2

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 NOVEMBER
TOP 10 NET MONEY INFLOWS

- Public Bank Berhad registered the highest net money inflow of RM17.57m last week. Its share price advanced 2.80% for the week, outperforming the local bourse which had a 1.49% weekly gain.
- CIMB Group Holdings Berhad recorded the second highest net money inflow of RM8.90m. Its share price ended 6.26% higher for the week, outperforming the benchmark which was 1.49% higher during the week under review.
- Malayan Banking Berhad saw the third highest net money inflow of RM6.03m. Its share price 1.78% higher during the week, outperforming the local bourse which was only 1.49% higher.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
PUBLIC BANK	17.57	-1.79	2.80	-
CIMB GROUP	8.90	2.76	6.26	-
MAYBANK	6.03	4.13	1.78	-
GENTING BHD	5.20	5.06	4.36	-
DIALOG GROUP	4.67	4.53	0.58	-
DIGI.COM BHD	3.65	2.14	-0.85	BOW
KOSSAN RUBBER	2.88	-0.48	-0.71	BOW
PETCHEM	2.85	9.34	0.54	-
TNB	2.79	2.85	0.29	-
RHB BANK BHD	2.30	1.40	3.40	-

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- Kuala Lumpur Kepong Berhad saw the largest net money outflow of -RM12.54m last week. Its stock price was 0.46% higher for the week, underperforming vis-à-vis the FBM KLCI which advanced 1.49% 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.
- MY EG Services Berhad recorded the second largest net money outflow -RM4.65m during the week under review. Its share price was -3.36% lower during the week, underperforming the market benchmark which had a 1.49% weekly gain.
- MISC Berhad registered the third largest net money outflow of -RM4.33m in the review week. Its share price was -0.48% lower for the week, underperforming the local benchmark which was 1.49% higher for the week.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
KL KEPONG	-12.54	1.31	0.46	SOS
MY EG	-4.65	4.22	-3.36	-
MISC BHD	-4.33	-2.33	-0.48	-
HONG LEONG	-4.23	3.49	5.68	SOS
HARTALEGA	-3.23	1.53	2.48	SOS
IHH	-2.59	-1.69	-1.75	-
BIMB	-2.39	1.97	1.68	SOS
MAHB	-2.33	0.72	-0.25	-
BURSA	-1.88	-2.13	-0.50	-

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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