

MIDF EQUITY STRATEGY | 13 JANUARY 2020 WEEK ENDED 10 JANUARY 2020

- Major global equity markets remained mixed last week despite developments indicating that Tehran and Washington are shying away from a conflict.
- Brent crude oil price snapped its five-week winning streak after declining by 5.3% to USD64.98pb last week. Monday was the highlight of the week as Brent crude oil price touched the USD70pb mark amidst the heightened tensions in the Middle East. Iran threatened the U.S with retaliation and pulling back from the international nuclear accord while the U.S warned on new massive economic sanctions and major retribution.
- International funds made their way back to Asian markets amidst easing geopolitical tensions in the Middle East. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” acquired USD590.6m net last week, compared to -USD741.9m net disposed in the preceding week.
- After three consecutive weeks of foreign net inflow, offshore investors turned net sellers but at a moderate level. Based on data from Bursa, international investors sold -RM10.9m net of local equities last week compared to RM28.6m net bought in the week before.
- The FBM KLCI suffered its biggest drop in six weeks after losing 1.2% at a close of 1,591.5 points. In contrast, the Ringgit appreciated by 0.7% against the greenback to reach USD/MYR4.076 during the week.

THREE WEEKS OF INFLOWS SNAPPED ON BURSA

A. MARKET SNAPSHOT

- Major global equity markets remained mixed last week despite developments indicating that Tehran and Washington are shying away from a conflict.
- In the U.S, the trade deficit declined 8.2% to a more than three-year low to USD43.1b in November 2019 as imports declined further. This was partly underscored by the pick up in activity in the services sector in shown by the ISM's non-manufacturing activity index rising to 53.9 in the same month. As for Wall Street, the S&P 500 and Dow Jones index were on an uptrend throughout the week before slipping on Friday amidst weaker U.S jobs report. In December 2019, the U.S created 145,000 jobs, below that expectations of 164,000 jobs.
- In Asia, Japan's consumer confidence index rose by 0.4 points to 39.1 in December 2019, the highest level since May 2019 and deviated from market forecast of 38. The confidence in three of four sub-indices (willingness to buy durable goods, overall livelihood and income growth) improved. Surprisingly, the confidence continued trending upward since October 2019 despite the consumption tax increase from 8% to 10% starting October 2019. The optimism could be partly propelled by the government's shopping reward point program for cashless purchases which had been widely used than initially expected.
- Over in Europe, services PMI in the U.K returned to optimistic point in Dec-19 as Brexit is more certain, thanks to Boris Johnson's election victory. U.K's domestic demand fundamentals remain strong among others due to 45-year low unemployment rate and 3-year low inflationary pressure. Nevertheless, we view the PMI figure would not improve significantly in the near term especially during the early stages of Brexit. Economic confidences namely CBI Business Optimism Indicator, Small Business Sentiment, Zew Economic Sentiment Index and GfK consumer confidence are still stuck in pessimism territories. Despite the departure from EU being very likely, the early stages of Brexit will cause U.K's economy to slow down due to structural changes in the economy.
- Brent crude oil price snapped its five-week winning streak after declining by 5.3% to USD64.98pb last week. Monday was the highlight of the week as Brent crude oil price touched the USD70pb mark amidst the heightened tensions in the Middle East. Iran threatened the U.S with retaliation and pulling back from the international nuclear accord while the U.S warned on new massive economic sanctions and major retribution. However, Brent crude oil retreated below USD70pb, as low as USD65pb as Tehran and Washington issued statements that appear to back away from war-footing.

Table 1 Weekly performance of major indices

Weekly % change	Week before	Last week
DAX	-0.88	2.00
Korea KOSPI	-1.26	1.38
S&P 500	-0.16	0.94
Nikkei	-0.76	0.82
Dow Jones	-0.04	0.66
Hang Seng	0.80	0.66
FSSTI Index	0.38	0.53
China CSI 300	3.06	0.44
India SENSEX	-0.27	0.33
CAC 40	0.11	-0.12
FTSE 100	-0.29	-0.45
Taiwan TAIEX	0.16	-0.71
Jakarta JCI	-0.09	-0.77
Phil PCOMP	0.31	-0.80
Thai SET	1.06	-0.90
KLCI	0.05	-1.24

Source: Bloomberg

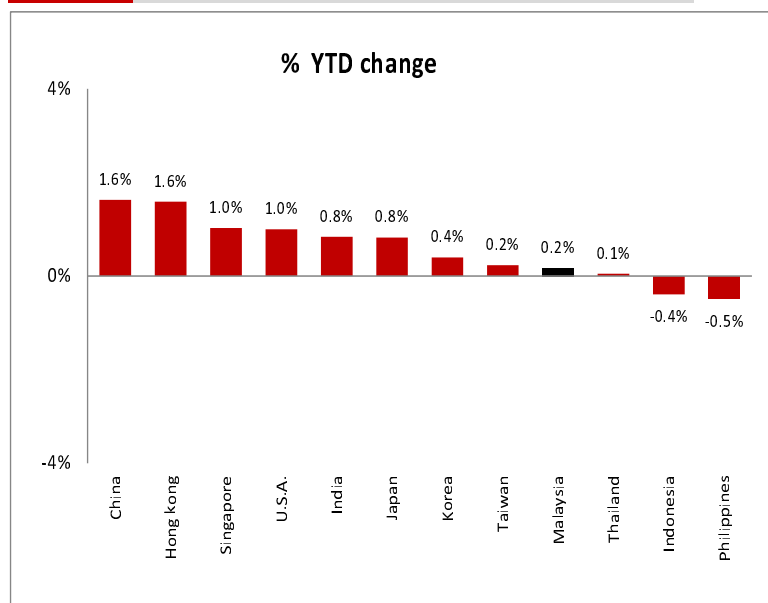
FUND FLOW REPORT

- The FBM KLCI suffered its biggest drop in six weeks after losing 1.2% at a close of 1,591.5 points. In contrast, the Ringgit appreciated by 0.7% against the greenback to reach USD/MYR4.076 during the week.

B. TRACKING MONEY FLOW - ASIA¹

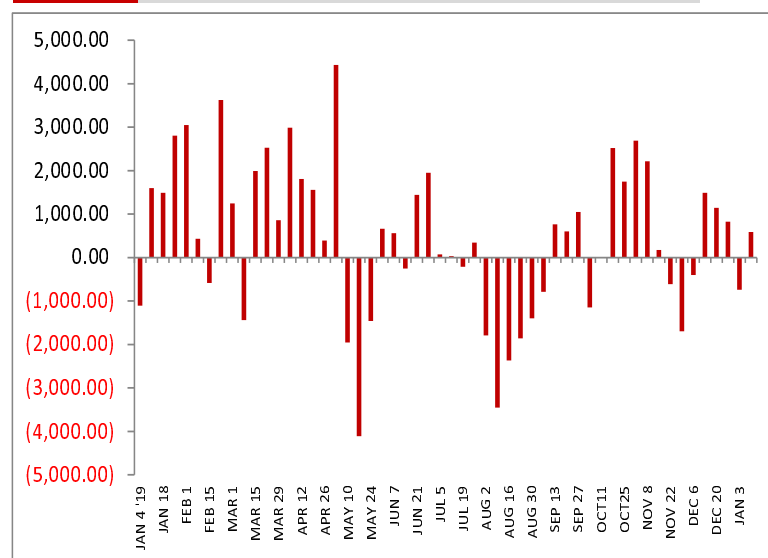
- International funds made their way back to Asian markets amidst easing geopolitical tensions in the Middle East. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” acquired USD590.6m net last week, compared to -USD741.9m net disposed in the preceding week.
- International funds in South Korea were back in buying mode last week after accumulating USD854.4m net of local equities, wiping off the foreign net outflow of -USD200.6m in the preceding week. Foreign net buying occurred on every day of the week, extending the daily foreign net buying spree to six days. Offshore investors bought the most during the week on Friday at USD278.4m net, marking gradual four days of increases in foreign net inflow since Tuesday. Likewise, the local stock barometer, KOSPI index gained 0.9% on the same day to settle above 2,200 points for the first time since the eve of Christmas last year. The positivity on Friday came from the outlook that the United States and Iran may avoid an all-out war despite persisting tensions between them. South Korea has recorded a foreign net inflow of USD906.2m net since the start of this year, making it the largest beneficiary of foreign buying activity amongst the seven Asian markets we monitor.
- In contrast, international investors in Taiwan continued to dispose local equities for the second week but at a slower pace of -USD264.4m net. Foreign investors were net sellers on the first three days of the week with Tuesday recording the highest at USD365.04m net. Meanwhile, foreign net buying occurred on Thursday and Friday at levels above USD200m net on both days. Friday recorded a higher level of foreign net inflow of USD223.2m net, pushing the TaieX by 0.5% to the highest close in a week as the Biotechnology and Medical Care Industry index were amongst the top performers as investors expect that pharmaceutical companies will benefit from President Tsai Ing-Wen’s efforts.

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)

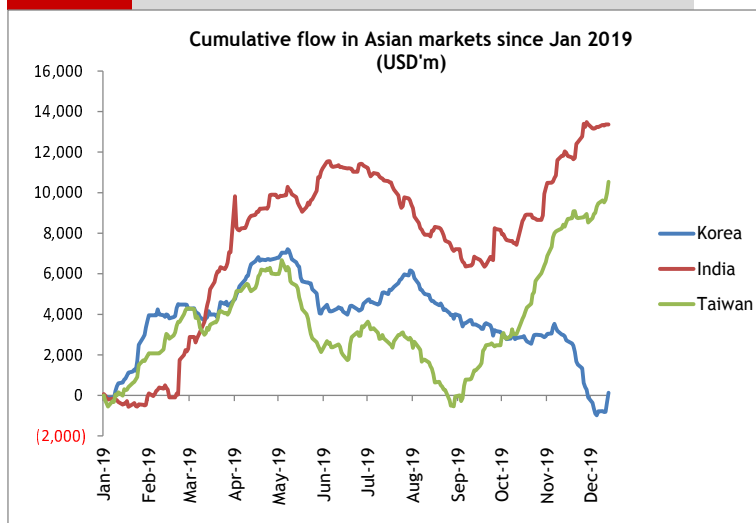


Source: Bloomberg, Bursa Malaysia, MIDFR

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.

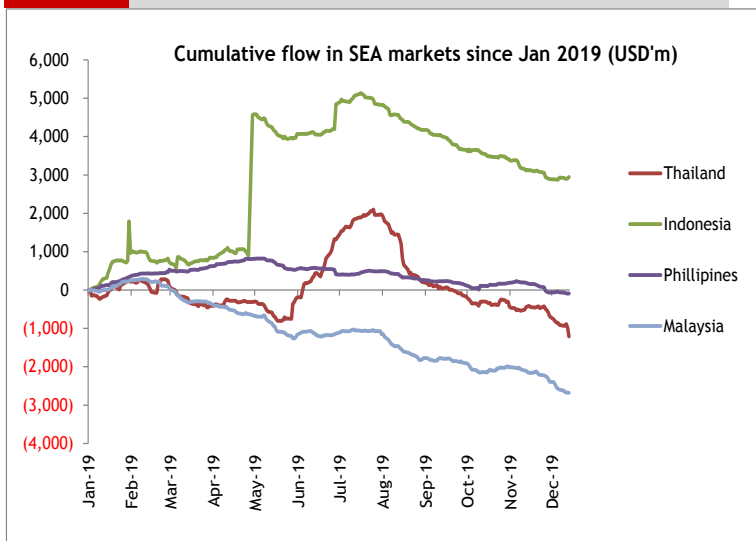
- In emerging South East Asian markets that we monitor, half recorded a foreign net outflow while another half experienced foreign net buying during the week.
- After seven uninterrupted weeks of foreign net selling, offshore investors finally made their way back to Bangkok after snapping up USD69.0m net of local equities last week. International investors were net sellers on two days of the week with Thursday recording the highest at USD46.7m net. In the 12 months through November 2019, Thailand's trade surplus with the U.S exceeded USD20b, raising chances that it will be added to the U.S treasury's watchlist of currency manipulators.
- In Manila, offshore funds were net sellers for the fifth week running after foreign investors sold -USD24.6m net of local equities. Foreign funds left the Philippines from Monday to Thursday extending the selling frenzy to six straight days. Nevertheless, this came to an end on Friday as international investors bought USD9.2m net of local equities ahead of the signing of the first phase of the U.S-China trade deal on 15 January 2020. Amongst the four ASEAN markets we cover, the Philippines is the only market with a year-to-date foreign net outflow.
- In Jakarta, offshore funds bought USD72.7m net of local equities last week, extending the foreign net buying to the sixth uninterrupted week. This is the longest foreign net buying spree since the 11-day buying frenzy seen from March to May 2017. Indonesia's consumer confidence continued trending upward to 126.4 in Dec-19 from 124.2 in the preceding month and the strongest since June 2019. Prior to that, the confidence was trending downward since August 2019 before reaching the trough of 2019 in October at 118.4.

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 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
JAN 10	854.4	69.0	72.7	-24.6	-114.0	-264.4	-2.6	590.6

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

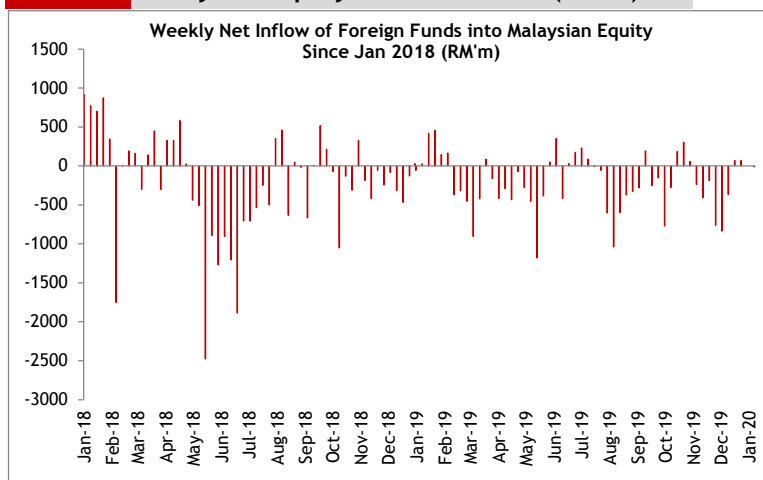
FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

- After three consecutive weeks of foreign net inflow, offshore investors turned net sellers but at a moderate level. Based on data from Bursa, international investors sold -RM10.9m net of local equities last week compared to RM28.6m net bought in the week before.
- Bursa began the week on a sluggish note as foreign investors took out -RM57.4m net of local equities on Monday amidst the latest conflict in the Middle East between Iran and the U.S.
- Offshore investors later returned to Malaysia on Tuesday at a tune of RM81.8m net, lifting the local stock barometer 0.8% higher to close above 1,600 points. Investors viewed that there will unlikely be additional armed clashes while uncertainties over global oil prices have been somewhat eased by a U.S. decision to boost its oil production.
- Fears of an armed conflict spinning out of control came back to haunt markets on Wednesday after Iran fired rockets at U.S. military bases in Iraq. As such, foreign investors disposed -RM35.2m net of local equities.
- The pace at which foreign investors were selling of local equities slowed down on Thursday to -RM17.5m net as both Iran and Washington have appeared to shy away from an outright war.
- Nevertheless, foreign investors snapped up RM17.4m net of local equities on Friday in anticipation of the signing of the U.S-China phase-one trade deal on 15 January 2020. This was in conformity with regional peers, namely South Korea, Taiwan, the Philippines and Indonesia which saw a foreign net inflow on the same day.
- The month January 2020 have so far seen a foreign net inflow of RM171.0m. In comparison to the other three ASEAN markets we track, Malaysia has the smallest foreign net inflow on a year-to-date basis.
- In terms of participation, foreign investors had the smallest decline in average daily traded value (ADTV) amongst the other investor groups, decreasing by only 0.3% and was still below the RM1.0b mark.

Chart 5

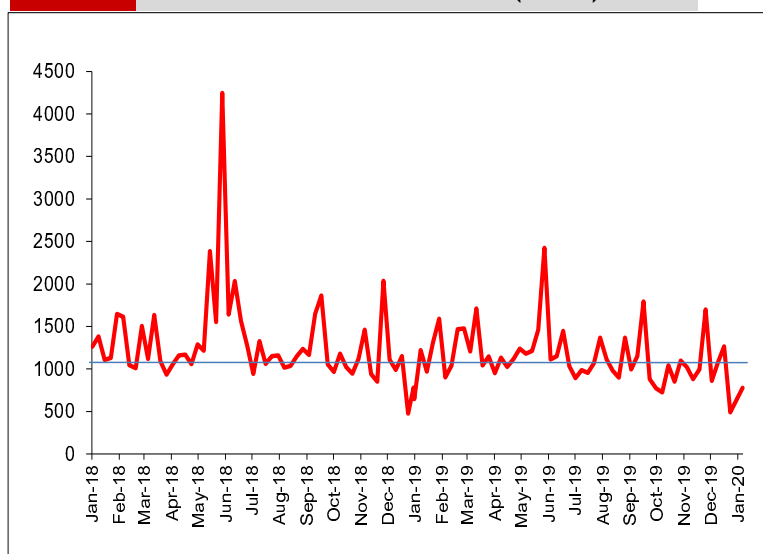
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2018 (RM'm)



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)	
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	2,352.9	2,395.6	-42.7	3,680.0	3,665.9	14.0	1,576.7	1,548.0	28.6	6.9
JAN 10	2,831.0	2,847.7	-16.7	4,375.1	4,347.5	27.6	1,942.5	1,953.4	-10.9	-2.6

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 10 JANUARY
TOP 10 NET MONEY INFLOWS

- IHH Healthcare Berhad registered the highest net money inflow of RM7.55m last week. Its share price dropped 0.36% for the week, outperforming the local bourse which had a 1.24% weekly loss.
- Petronas Chemicals Berhad recorded the second highest net money inflow of RM6.44m. Its share price was 2.95% lower, underperforming the local bourse which had a 1.24% weekly loss.
- Sime Darby Plantation Berhad saw the third highest net money inflow of RM6.02m. Its share price was 0.91% lower during the week, outperforming the local bourse which was 1.24% lower.

TOP 10 NET MONEY OUTFLOWS

- Telekom Malaysia Berhad saw the largest net money outflow of -RM7.73m last week. Its stock price was 1.55% higher for the week, outperforming vis-à-vis the FBM KLCI which declined 1.24% 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.
- Malayan Banking Berhad recorded the second largest net money outflow -RM4.43m during the week under review. Its share price was 1.14% lower during the week, outperforming the market benchmark which had a 1.24% weekly loss.
- Malaysia Airports Holdings Berhad registered the third largest net money outflow of -RM3.90m in the review week. Its share price was 6.75% lower during the week under review, underperforming the local benchmark which was 1.24% lower 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		
IHH	7.55	3.37	-0.36	BOW
PETCHEM	6.44	-0.10	-2.95	BOW
SD PLANTATION	6.02	1.40	-0.91	BOW
PUBLIC BANK	5.99	2.60	-2.10	BOW
F&N	4.45	2.53	-2.31	BOW
SIME DARBY	3.91	-0.43	-0.89	BOW
PRESS METAL	3.74	-0.59	1.65	-
CIMB GROUP	3.59	-3.17	-0.38	BOW
HONG LEONG	3.55	0.29	0.69	-
GENTING BHD	3.07	0.16	0.65	-

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		
TELEKOM	-7.73	0.73	1.55	SOS
MAYBANK	-4.43	1.94	-1.14	-
MAHB	-3.90	2.10	-6.75	-
VELESTO	-3.20	-5.35	2.60	SOS
CARLSBERG	-2.77	0.14	-0.98	-
BUMI ARMADA	-2.73	-0.25	-6.54	-
TOP GLOVE	-2.31	0.81	-1.07	-
IOI CORP BHD	-1.81	1.81	-0.84	-
MISC BHD	-1.72	-0.98	-2.00	-

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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