

MIDF EQUITY STRATEGY | 13 MAY 2019

WEEK ENDED 10 MAY

- Major equity markets worldwide ended the week in a sea of red as chaos was struck with President Trump's tariff threats on Chinese goods.
- Brent crude oil price was slightly higher by 0.3% for the week at USD70.62pb, marking the third consecutive week of gains. Despite the increase in tariffs on Chinese goods by President Trump, rising tensions between Iran and Washington reflected by tanker data showing Iran's oil shipments have tumbled this month without a single ship seen leaving Iranian terminals for foreign destinations.
- There was an exodus of foreign funds from Asian markets last week, bringing the eight-week foreign net buying streak to an end. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" sold -USD1.77b net last week, an amount lower than the USD4.43b net inflow seen in the week before.
- Offshore investors upped their ante in net selling activity last week, extending the selling streak on Bursa to the seventh week. Based on data from Bursa, foreign funds sold -RM450.9m net of local equities last week, the largest weekly foreign net outflow in nine weeks.
- The FBM KLCI was 1.7% lower for the week after settling at 1,610 points on Friday, the smallest decliner in comparison with other major bourses worldwide. However on a year-to-date basis, the FBMKLCI is a laggard in ASEAN with a year-to-date loss of 3.2%. Likewise, the Ringgit, after the central bank cut the OPR by 25 bps last week, depreciated 0.4% against the greenback to settle at USD/MYR4.1585, a level not observed since late December 2018.

TARIFF HIKE REVERBERATES WORRIES

A. MARKET SNAPSHOT

- Major equity markets worldwide ended the week in a sea of red as chaos was struck with President Trump's tariff threats on Chinese goods.
- Despite the jitters caused by President Trump, Wall Street staged a massive reversal on Friday after he cited that talks with China will continue and have been constructive so far. The Dow Jones index finished the day 114 points higher at 25,942 points while the S&P500 snapped a four-day losing streak after gaining 0.4% for the day. As such, weekly losses for both indexes were capped below 2.5%.
- China trade surplus narrowed to USD13.8b in April 2019 (USD26.2b in April 2018) as exports unexpectedly dropped while imports improved. Exports contracted -2.7%yoy in April 2019 (13.8%yoy in Mar 2019) amid weakening global demand and US-China trade dispute. By country, outbound shipment to the U.S and Japan declined by -13.1%yoy and -16.3%yoy respectively (3.7%yoy and 9.6%yoy in March 2019). Meanwhile, imports rebounded 4.0%yoy in April 2019 after four straight months in negative territory. This was due to the increased of purchases particularly crude oil (11.0%yoy) and natural gas (12.0%yoy). Also, imports of soybeans rose by 10.7%yoy mainly influenced by the VAT reduction on agricultural products starting 1st April. A rebound in imports provide some brighter outlook to trading partners' exports figures moving forward, including Malaysia's.
- In the Eurozone, the EU has cut its economic growth forecast from 1.3% in February to 1.2% recently. The basis of the revision comes from the pact's darkening economic outlook due to the worsening trade tensions between the U.S and China and the upcoming Brexit in October 2019. In the meantime, Italy's debt problems are expected to result in a GDP growth of 2.5% this year and 3.5% in 2020, breaching the 3% budget deficit cap under EU rules. This would discontentment among EU members, forcing Italy's populist government to cut down on spending. Nevertheless, EU's economy is set for a seventh consecutive year of growth underpinned by domestic demand and rising wages which will drive down unemployment.
- Brent crude oil price was slightly higher by 0.3% for the week at USD70.62pb, marking the third consecutive week of gains. Despite the increase in tariffs on Chinese goods by President Trump, rising tensions between Iran and Washington reflected by tanker data showing Iran's oil shipments have tumbled this month without a single ship seen leaving Iranian terminals for foreign destinations. Aside from that, the likelihood of Venezuelan output to continue dropping kept the supply outlook tight.

Table 1 Weekly performance of major indices		
Weekly % change	Week before	Last week
Hang Seng	-1.20	1.61
Taiwan TAIEX	-0.15	1.31
Phil PCOMP	0.42	1.27
FSSTI Index	0.28	1.05
DAX	0.76	0.79
Korea KOSPI	-1.66	0.78
Thai SET	-0.42	0.71
China CSI 300	-5.61	0.62
S&P 500	1.20	0.20
Nikkei	0.26	0.00
KLCI	1.01	-0.07
Dow Jones	-0.06	-0.14
India SENSEX	-0.19	-0.27
CAC 40	-0.20	-0.37
FTSE 100	-0.42	-0.64
Jakarta JCI	-1.63	-1.28

Source: Bloomberg

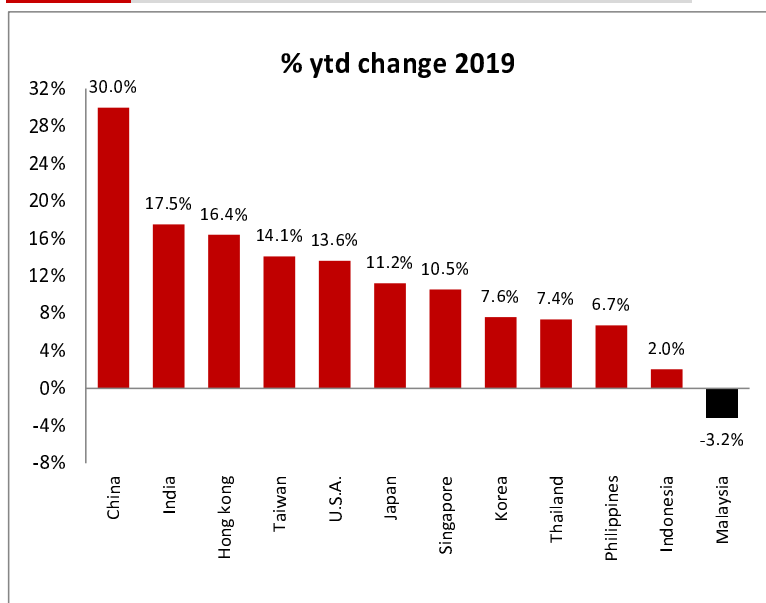
FUND FLOW REPORT

- The FBM KLCI was 1.7% lower for the week after settling at 1,610 points on Friday, the smallest decliner in comparison with other major bourses worldwide. However on a year-to-date basis, the FBMKLCI is a laggard in ASEAN with a year-to-date loss of 3.2%. Likewise, the Ringgit, after the central bank cut the OPR by 25 bps last week, depreciated 0.4% against the greenback to settle at USD/MYR4.1585, a level not observed since late December 2018.

B. TRACKING MONEY FLOW - ASIA¹

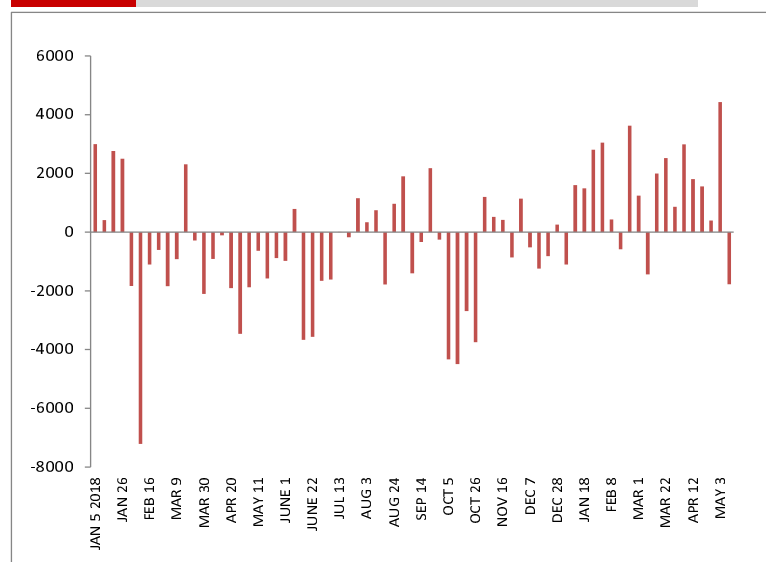
- There was an exodus of foreign funds from Asian markets last week, bringing the eight-week foreign net buying streak to an end. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” sold -USD1.77b net last week, an amount lower than the USD4.43b net inflow seen in the week before.
- In Korea, the five-week foreign net buying spree was snapped during the holiday-shortened week as foreign investors took out -USD330.1m net, almost offsetting the USD333.9m net acquired in the preceding week. Foreign net selling occurred on every single day of the week except on Tuesday which saw a foreign net inflow of USD166.9m. Foreign funds still entered on Tuesday despite reports citing that Kim Jong Un witnessing a live-fire military exercise, North Korea’s first ballistic missile launch since 2017. Meanwhile, the pace of foreign net selling activity gradually increased from -USD54.9m on Wednesday to -USD234.4m on Friday, a level not seen since 8 February 2019 amidst the heightening trade tensions between the U.S and China. The local bourse was also severely impacted, losing more than fifty points in three days to close at 2,108 points on Friday.
- Taiwan was the casualty of the biggest foreign net outflow last week as foreign investors offloaded -USD1.13b. This is the biggest weekly foreign net outflow seen in 22 weeks with the bulk of it contributed by Tuesday’s and Thursday’s net outflow above -USD500m each. Thursday’s foreign net attrition of -USD606.6m was the largest in a day since early December last year as investors were jittered ahead of the hike in tariffs on Chinese good by the U.S on Friday. Worries in Taiwan were further exacerbated by the new long term forecasts of Intel, indicating that growth will remain stalled in the coming quarters.

Chart 1 YTD performance of major markets



Source: Bloomberg

Chart 2 Weekly Net Flow of Foreign Funds into 7 Asian Markets since Jan 2018 (USD'm)

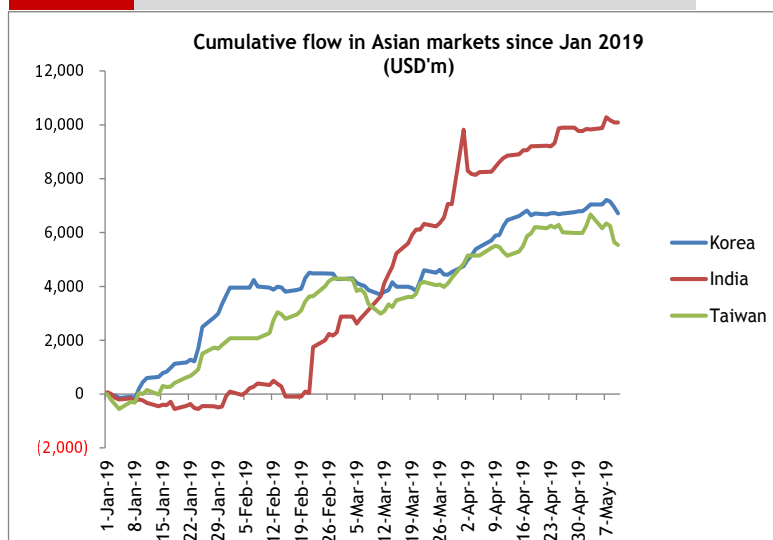


Source: Bloomberg, Bursa Malaysia, MIDFR

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.

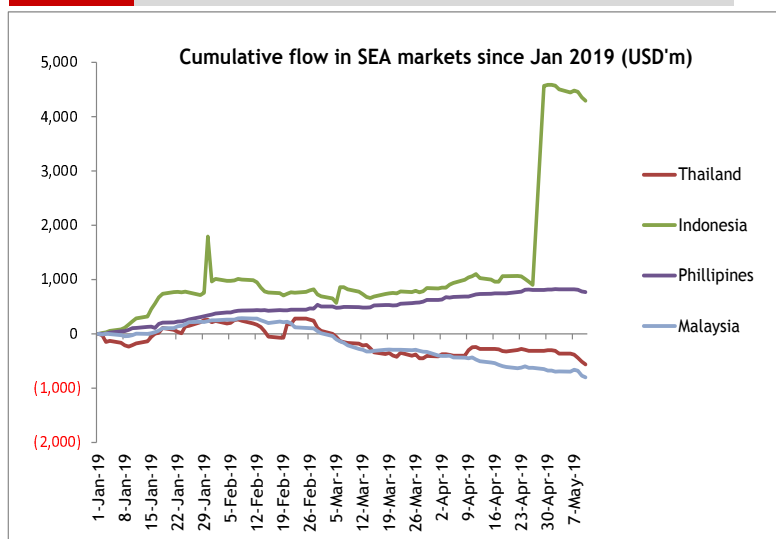
- In emerging South East Asian markets that we monitor, all markets were experiencing foreign net outflows.
- The pace at which international funds disposed local equities in Bangkok accelerated by more than 3 folds to -USD199.0m net last week, the largest in nine weeks. International investors were net sellers on every single day of the week with Thursday recording the highest at -USD69.4m amidst the escalation of the U.S-China trade dispute while the pro-military Palang Pracharath party was still in talks with 11 parties to form a coalition government. This coincided with the 0.4% decline of the SET Index to 1,647 points on the same day before dropping tariff hikes by the U.S on Chinese goods kicked in on Friday.
- After eight straight weeks of foreign net inflows, offshore investors sold -USD51.8m net in Manila. Similar to Thailand, foreign net selling occurred every day with Thursday recording the highest net outflow of -USD31.1m. In addition to the increased tensions between the U.S and China, the Philippines economy grew at its weakest pace in four years in 1Q19 at 5.6%yoy, which led to a rate cut by the nation's central bank on the same day.
- Indonesia saw a foreign net outflow of -USD211.6m, insignificant to the USD3.61b net inflow in the preceding week. Foreign net selling peaked on Thursday at USD103.3m as the effects of the U.S-China trade war spilled over to the ASEAN region led to a more dampened sentiment after the nation's 1Q19 current account deficit came in lower than expected at USD7b. The local bourse went lower by 1.1% to a level not seen since early this year on the same day. Nevertheless, shares of Indonesian cigarette producers such as Sampoerna rallied after its President Director is expecting no excise duty hike this year.

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)

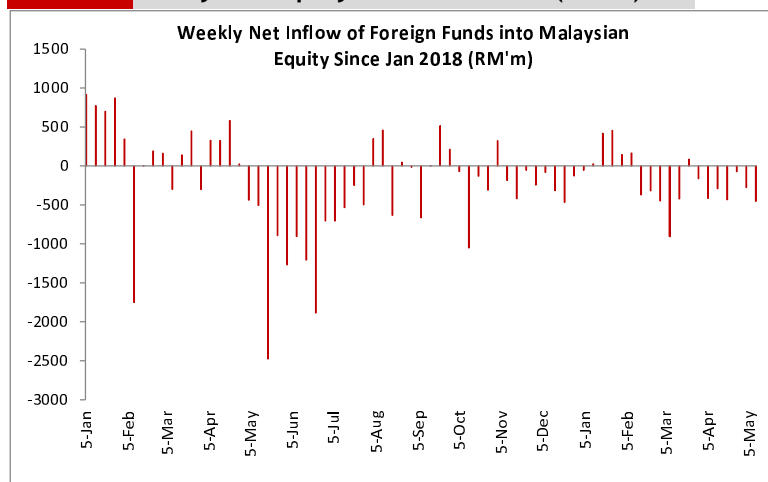
WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
MAR 8	-414.6	-222.5	127.2	-5.6	246.4	-948.8	-221.2	-1,439.2
MAR 15	126.7	-170.5	-131.2	26.6	2,102.7	141.5	-103.0	1,992.7
MAR 22	618.2	-9.2	94.1	29.7	1,089.3	681.3	21.2	2,524.6
MAR 29	-68.0	-57.8	63.5	69.2	742.6	149.6	-39.8	859.3
APR 5	927.3	5.7	90.8	55.0	1,177.0	835.8	-102.1	2,989.5
APR 12	1,004.4	123.9	90.2	55.0	614.5	-11.2	-70.4	1,806.3
APR 19	238.4	-46.6	37.3	11.8	357.4	1,066.4	-105.0	1,559.7
APR 26	2.7	12.5	-161.6	65.1	685.9	-193.6	-17.4	393.0
MAY 3	333.8	-51.7	3,601.9	11.5	-65.2	665.7	-66.7	4,429.2
MAY 10	-330.1	-199.0	-211.6	-51.8	261.1	-1,134.9	-108.5	-1,774.8

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

C. TRACKING MONEY FLOW - MALAYSIA

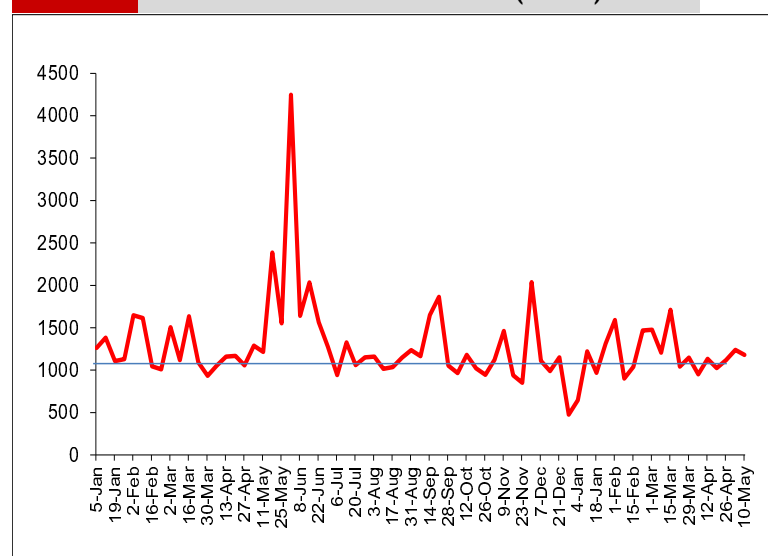
- Offshore investors upped their ante in net selling activity last week, extending the selling streak on Bursa to the seventh week. Based on data from Bursa, foreign funds sold -RM450.9m net of local equities last week, the largest weekly foreign net outflow in nine weeks.
- A measurable pace of foreign net selling was observed on Monday at a tune of -RM12.6m before international funds made a return on Tuesday after acquiring RM149.8m net. We opine that the influx of foreign funds into Bursa on Tuesday was mainly attributable to the OPR cut from 3.25% to 3.00% by Bank Negara Malaysia to stimulate investment and domestic spending activities. The local bourse followed suit to close 0.4% higher 1,639 points on the Tuesday, the only day during the week which had a gain.
- Foreign investors were back in selling mode on Wednesday, selling off -RM75.1m net as concerns of the U.S-China trade tensions linger.
- The level of foreign net selling swelled to -RM382.5m net on Thursday, the highest in a day so far this year. Worries escalated ahead of Friday's deadline when the U.S will increase tariffs on USD200b worth of Chinese goods from 10% to 25%. The huge foreign net outflow was in conformity with other regional peers namely Thailand, Indonesia, the Philippines and Taiwan.
- International funds still sold local equities on Friday but at a lower pace of -RM130.5m net with the first day trade talks between the U.S and China making no significant progress.
- On a month-to-date basis, Malaysia has recorded a foreign net outflow of -RM527.4m in May 2019. This brings the year-to-date foreign net outflow from Malaysia to -RM3.28b.
- Participation amongst foreign investors experienced a slowdown last week. Foreign investors recorded a 4.7% weekly decline in average daily traded value (ADTV) last week but still remained at healthy levels of above RM1.00b at RM1.18b.

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)	
APR 5	2,470.5	2,499.3	-28.8	4,932.5	4,487.0	445.5	2,174.2	2,590.9	-416.7	-102.1
APR 12	3,458.4	3,286.7	171.8	5,328.2	5,210.8	117.5	2,686.8	2,976.1	-289.3	-70.4
APR 19	2,512.9	2,518.9	-6.0	4,392.5	3,953.2	439.4	2,346.2	2,779.6	-433.4	-105.0
APR 26	3,992.9	4,021.0	-28.1	6,354.9	6,254.9	100.1	2,761.9	2,833.9	-72.0	17.4
MAY 3	2,097.2	2,076.8	20.4	3,505.1	3,249.8	255.3	2,341.3	2,617.0	-275.7	-66.7
MAY 10	2,306.4	2,140.7	165.7	4,831.3	4,546.1	285.2	2,726.8	3,177.7	-450.9	-108.5

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 MAY
TOP 10 NET MONEY INFLOWS

- CIMB Group Holdings Berhad registered the highest net money inflow of RM9.30m last week. Its share price declined -2.29% for the week, underperforming the local bourse which had a -1.65% weekly loss. It is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.
- British American Tobacco Berhad recorded the second highest net money inflow of RM6.54m. Its share price ended -2.69% lower for the week, underperforming the benchmark which was -1.65% lower.
- Malaysia Airports Holdings Berhad saw the third highest net money inflow of RM5.67m. Its share price ended -5.92% lower during the week under review, underperforming the local bourse which was -1.65% lower.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
CIMB	9.30	-1.10	-2.29	BOW
BAT	6.54	-0.75	-2.69	BOW
MAHB	5.67	4.87	-5.92	BOW
AXIATA	3.83	1.85	8.66	-
HARTALEGA	3.21	3.78	-2.00	BOW
SIME DARBY	3.00	2.14	-6.38	BOW
DIGI.COM	2.93	4.28	3.76	-
SERBA DINAMIK	2.90	0.59	-3.61	BOW
UMW	1.66	0.10	-0.73	BOW
KOSSAN	1.42	-0.21	0.00	-

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- Petronas Chemicals Group Berhad saw the largest net money outflow of -RM5.75m last week. Its stock price declined -0.67% for the week outperforming vis-à-vis the FBM KLCI which declined -1.65% during the review week.
- Tenaga Nasional Berhad recorded the second largest net money outflow -RM4.73m during the week under review. Its share price was -4.07% lower during the week, underperforming the market benchmark which had a -1.65% weekly loss.
- Public Bank Berhad registered the third largest net money outflow of -RM4.62m in the review week. Its share price was -1.24% lower for the week, outperforming the local benchmark which was -1.65% lower for the week.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
PETCHEM	-5.75	-1.82	-0.67	-
TNB	-4.73	-7.94	-4.07	-
PUBLIC BANK	-4.62	-1.09	-1.24	-
F&N	-3.56	9.46	-4.19	-
BUMI ARMADA	-3.51	0.30	-9.09	-
MY EG	-3.20	2.15	1.00	SOS
PPB GROUP	-2.88	1.61	-1.06	-
SAPURA	-2.48	0.23	-5.97	-
MAXIS	-2.01	0.67	0.75	SOS
MRCB	-1.58	-0.70	-3.85	-

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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Business Address:
11 & 12th Floor, Menara MIDF,
82, Jalan Raja Chulan, 50200
Kuala Lumpur.
Tel: 2173 8888
Fax: 2173 8380