

MIDF EQUITY STRATEGY | 14 JANUARY 2019 WEEK ENDED 11 JANUARY

- After a few weeks of swooning between losses and gains, major equity markets worldwide advanced into the black.
- The highlight of the week was none other than the trade talks between China and the U.S which was extended by a day. Matters discussed include forced tech transfers and protection of intellectual property rights. The outcome of the negotiations saw China pledging to purchase a substantial amount of products and services from Washington.
- Brent crude oil price marked its second week of gains, advancing 6.0% for the week to settle at USD60.48pb. The support mainly came from the statement of Saudi's energy minister on kingdom's move in slashing production by approximately 800,000 barrels per day from a record high of 10.2m barrels per day.
- International investors staged a proverbial bang last week as they heavily entered Asian markets. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" mopped up USD1.78b net last week, the largest in 16 weeks.
- The nine-weeks of foreign net selling came to an end as offshore investors increased their exposure on stocks listed on Bursa. Based on data from Bursa, foreign funds sold mopped up RM25.5m net of local equities last week.
- The FBM KLCI gained 0.8% for the week after settling at 1,683 points, the smallest gainer amongst major equity markets. The Ringgit marked its fourth consecutive week of gains, appreciating 1.0% against the greenback for the week to USD/MYR4.095, the strongest level since mid-August 2018.

14 January 2019 | Strategy - Weekly Fund Flow

Adam M Rahim

OPTIMISM BOLSTERED IN LATEST TRADE TALKS

A. MARKET SNAPSHOT

- After a few weeks of swooning between losses and gains, major equity markets worldwide advanced into the black.
- The highlight of the week was none other than the trade talks between China and the U.S which was extended by a day. Matters discussed include forced tech transfers and protection of intellectual property rights. The outcome of the negotiations saw China pledging to purchase a substantial amount of products and services from Washington.
- On the monetary policy front, the latest minutes of the Fed meeting confirmed that the Fed will likely become more flexible and patient on future rate hikes
- Japan's consumer morale weakened further to 2-year low of 42.7 in Dec-18 (42.9 in Nov-18). It is the third straight month of deteriorating confidence among consumers and the lowest reading since Nov-16. Households' perceptions on overall livelihood went down 0.2 points to 40.6. Similarly, employment and income growth declined to 45.8 and 41.7 respectively. In contrast, the index measuring consumers' willingness to buy improved by 0.4 points to 42.8. The slight improvement in willingness to buy might not be strong enough to provide significant boost to Japan's household spending. On top of that, planned tax hike set for Oct-19 in which consumption tax will be increased to 10% from the current 8% will likely to result in consumption cut in the immediate term.
- Economic sentiment in the world's largest economic region indicates further declining of optimism. Europe's economic sentiment index recorded the lowest reading since Jan-17 while Business Climate Indicator decreased to 0.22 points, the weakest since Mar-17. In addition, consumer confidence indicator reflects continuous pessimism as it hits -6.2 points in Dec-18, its 22-month low and registering 7-consecutive months of negative points. High possibility of no-deal Brexit, domestic political stress in major countries such as Italy & France and protectionist trade policies by the US as well as Fed's normalization plan are among key factors contributing towards the declining economic sentiment in Europe. Nevertheless, domestic demand in the region is expected to remain firm given that jobless rate is still at 10-year low. In addition, inflationary pressure is cooling off, thanks to the drop in global energy prices.
- Brent crude oil price marked its second week of gains, advancing 6.0% for the week to settle at USD60.48pb. The support mainly came from the statement of Saudi's energy minister on kingdom's move in slashing production by approximately 800,000 barrels per day from a record high of 10.2m barrels per day. Recall that U.S. crude production has also surged by more than 2 million barrel per day in 2018 to a record 11.7 million barrels per day.

Table 1 Weekly performance of major indices

Weekly % change	Week before	Last week
FSSTI Index	0.19	4.56
Nikkei	-2.26	4.08
Hang Seng	0.48	4.06
Taiwan TAIEX	-3.55	4.02
Korea KOSPI	-1.51	3.25
S&P 500	1.86	2.54
Dow Jones	1.61	2.40
China CSI 300	0.84	1.94
Phil PCOMP	3.95	1.84
Thai SET	0.72	1.39
Jakarta JCI	1.29	1.39
FTSE 100	1.54	1.18
DAX	1.98	1.11
CAC 40	1.25	0.93
India SENSEX	-1.06	0.88
KLCI	-1.32	0.80

Source: Bloomberg

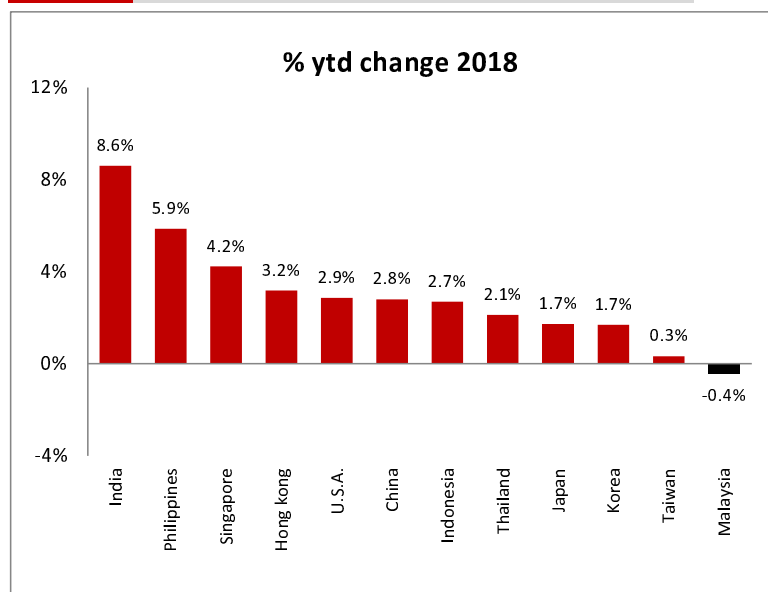
FUND FLOW REPORT

- The FBM KLCI gained 0.8% for the week after settling at 1,683 points, the smallest gainer amongst major equity markets. The Ringgit marked its fourth consecutive week of gains, appreciating 1.0% against the greenback for the week to USD/MYR4.095, the strongest level since mid-August 2018.

B. TRACKING MONEY FLOW - ASIA¹

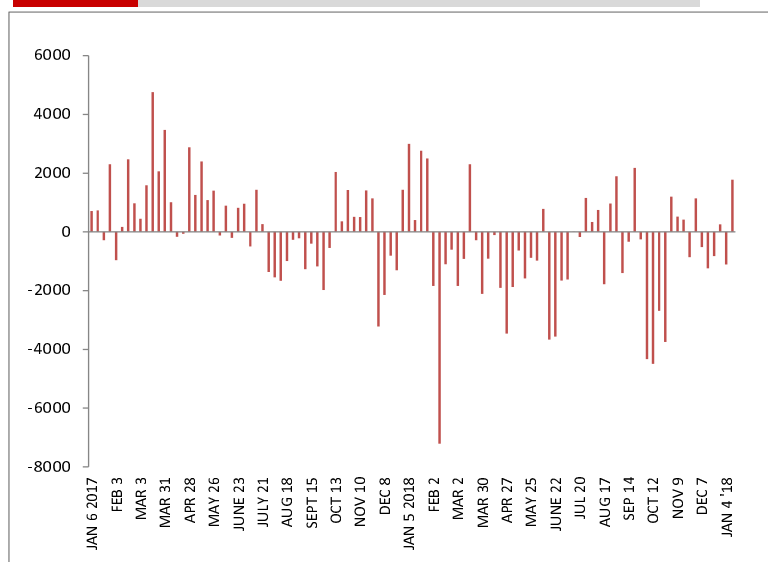
- International investors staged a proverbial bang last week as they heavily entered Asian markets. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” mopped up USD1.78b net last week, the largest in 16 weeks. Bulk of the foreign net inflows came from North Asian markets.
- In Korea, foreign investors accumulated USD739.6m net last week, the biggest foreign net inflow in 16 weeks. International funds were only net sellers for a day on Tuesday to a tune of -USD67.2m as markets turned anxious ahead of the outcome of the trade talks between Beijing and Washington. Meanwhile, foreign net selling was the highest on Wednesday at USD366.1m, a level not seen in three weeks, coinciding with the KOSPI’s biggest intra-day gain since November 2018 of 1.95% to end at 2,065 points, Wednesday’s sentiment was sparked by higher hopes on possible trade progress as the negotiations between the two super powers ended. On the economic front, South Korea’s unemployment rose slightly to 3.4% from a year earlier despite strong efforts to create more jobs leading to an average of 3.8% in 2018 compared to 3.7% in 2017.
- Taiwan was equally attractive as Korea, when international funds bought USD754.1m net, snapping the five-week selling streak. Although reports earlier in the week indicated that Taiwan’s exports fell for the second month in December due to lower demand for technology related products, investors’ mood were uplifted by the optimism over trade ties between China and the U.S. As such, offshore investors were net buyers on three days of the week with Wednesday recording the highest net inflow at USD367.1m net, a level not seen since late September 2018. The local bourse took cue of fell-good factor to advance 4.0% for the week to close at 9,759 points, the highest since 18 December 2018.

Chart 1 YTD performance of major markets



Source: Bloomberg

Chart 2 Weekly Net Flow of Foreign Funds into 7 Asian Markets since Jan 2017 (USD'm)

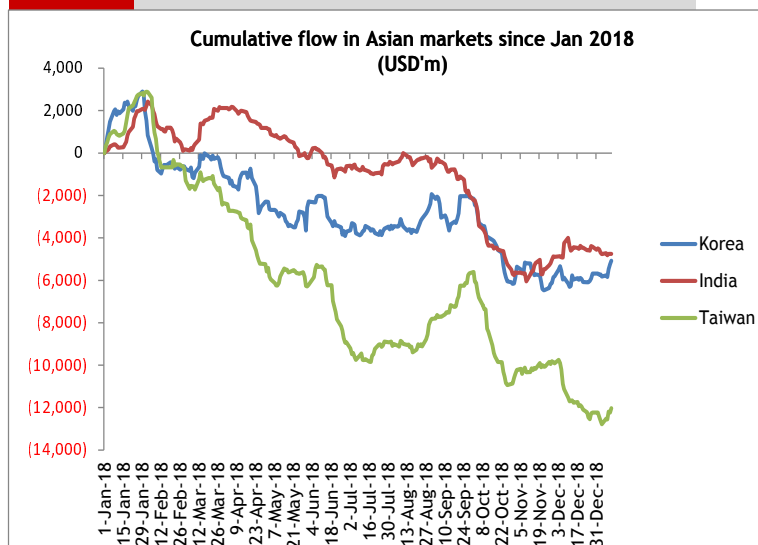


Source: Bloomberg, Bursa Malaysia, MIDFR

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.

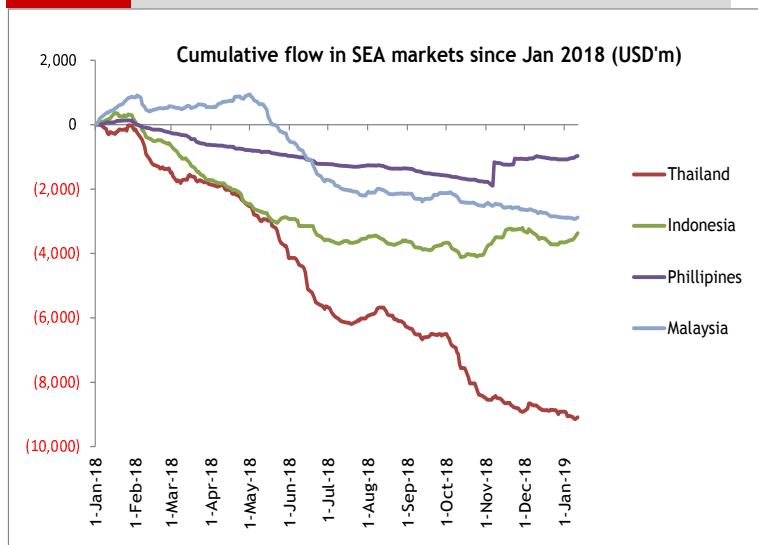
- In emerging South East Asian markets, three out of four experienced foreign net buying.
- While the level of foreign net selling declined below USD100m to USD45.4m, Bangkok was the only market with foreign attrition amongst the seven Asian markets we monitor. The first three days of the week recorded outflows not exceeding USD50m partially attributable to the plan of the nation's government to include medical services under its control list. Sentiment towards hospital operators were badly hit with Bangkok Dusit Medical Services PCL leading the slide with a 8.1% loss on Wednesday.
- In Manila, international funds acquired USD85.7m net last week. Foreign funds were net buyers on every single day of the week, extending the foreign buying spree to seven days. Thursday recorded a foreign net inflow of USD28.8m, the largest in a day since 10 December 2018 which lifted the local bourse by 0.83% to end near 8,000 points. The three-day rally on PSEi was snapped on Friday following reports that Hanjin Philippines filed for a voluntary rehabilitation amidst increasing financial obligations to the five of the Philippines biggest banks. Nonetheless, overall sentiment was still buoyed by trade optimism which led to a measurable pace of inflows worth USD4.4m net on Friday.
- Jakarta saw its third consecutive week of foreign net buying as international funds bought USD230.9m, four times the amount accumulated in the preceding week. Similar to the Philippines, foreign net buying occurred on every single day of the week and stretched the buying streak to 10 days, the longest since the 11-day streak in late October to early November last year. Foreign net inflows were rather huge from Wednesday to Friday, exceeding USD50m on each day. The JCI index also rallied during the same period to end at its highest close since April 2018 at 6,361 points on last Friday.

Chart 3 Net Flow of Foreign Funds into Taiwan, Korea and India since Jan 2018(USD'm)



Source: Bloomberg, MIDFR

Chart 4 Net Flow of Foreign Funds into South East Asia Emerging Markets since Jan 2018 (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 16	-523.6	-173.9	231.7	-54.2	865.5	169.5	-99.5	415.5
NOV 23	-724.9	-132.0	6.4	188.5	-295.2	108.1	-12.5	-861.5
NOV 30	632.8	-116.8	-41.5	-14.0	586.9	148.9	-58.4	1,137.8
DEC 7	-62.4	186.0	-52.8	15.1	640.8	-1,225.6	-19.1	-518.0
DEC 14	-90.5	-139.2	-158.0	43.0	-191.5	-630.0	-75.2	-1,241.3
DEC 21	-117.7	5.3	-205.3	-47.5	-19.8	-325.9	-111.1	-822.0
DEC 28	407.0	-60.9	61.4	-24.5	46.5	-140.2	-30.6	258.6
JAN 4	-141.9	-130.3	55.2	23.1	-347.4	-551.9	-13.2	-1,106.4
JAN 11	739.6	-45.4	230.9	85.7	9.3	754.1	6.4	1,780.6

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

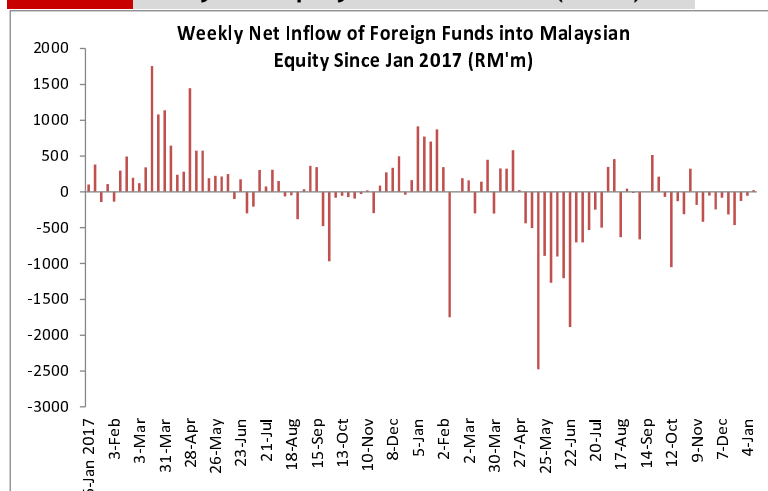
FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

- The nine-weeks of foreign net selling came to an end as offshore investors increased their exposure on stocks listed on Bursa.
- Based on data from Bursa, foreign funds mopped up RM25.5m net of local equities last week.
- Monday recorded a foreign net outflow of -RM86.3m, the highest in nine trading days while the local bourse gained 0.56% to close at 1,679 points. The level of foreign net selling slightly eased on the next day to -USD75.9m
- Wednesday was the turning point for the week as foreign investors bought RM16.4m net, snapping three days of foreign selling. This was in conformity with other Asian peers that we track such as Taiwan, South Korea, Indonesia and the Philippines. The return of foreign investors to Malaysia was inevitable amidst the regional upbeat sentiment from the three-day discussion between the U.S. and China.
- Foreign investors gradually increased their holdings on stocks listed on Bursa thereafter until the foreign net buying level reached RM106.7m on Friday itself. This is the highest daily foreign net inflow in nearly a month with much of the support not just coming from the progress in U.S.-China trade relations, but also the advance in Brent crude oil prices amidst growing optimism over OPEC production cuts.
- So far in 2019, foreign funds bought RM7.2m net or USD1.9m net of local equities. In comparison to the other two ASEAN peers we monitor, namely the Philippines and Indonesia, Malaysia has the lowest foreign net inflow on a year-to-date basis. Meanwhile, Thailand is the only ASEAN peer with a foreign net outflow amounting to -USD175.7m.
- The participation rate amongst the various group of investors saw a stark improvement across the board to reach a healthy level. For instance, the average daily traded value (ADTV) for foreign investors jumped by more than 80% for the week to reach RM1.2b, the highest in six weeks.

Chart 5

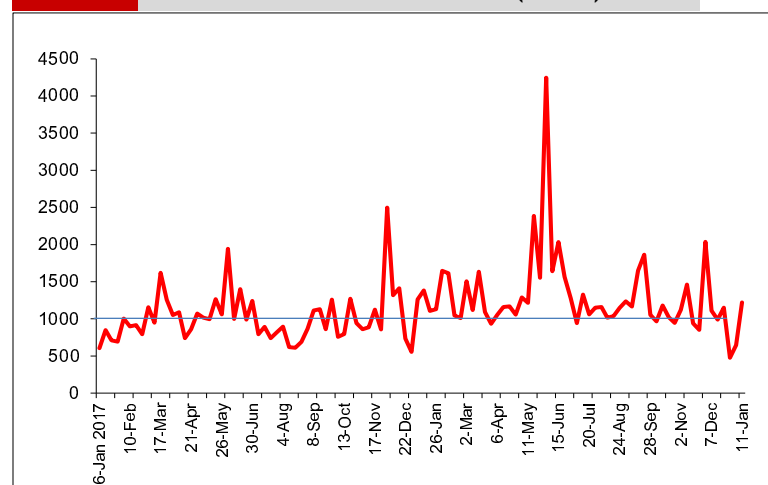
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2017 (RM'm)



Source: Bursa Malaysia preliminary statistics, MIDFR

Chart 6

Foreign Participation on Bursa: Daily Average for the Week since Jan 2017 (RM'm)



Source: Bursa Malaysia preliminary 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 7	2,002.0	1,974.4	27.5	4,523.0	4,470.3	52.8	2,733.7	2,813.9	-80.3	-19.2
DEC 14	1,565.4	1,437.5	127.9	3,965.4	3,779.1	186.4	2,320.5	2,634.8	-314.3	-75.2
DEC 21	1,813.5	1,717.1	96.4	3,999.5	3,631.7	367.7	2,644.6	3,108.7	-464.2	-111.1
DEC 28	1,132.6	1,205.2	-72.7	2,134.3	1,934.1	200.2	887.0	1,014.6	-127.6	-30.6
JAN 4	1,272.3	1,264.6	7.7	2,248.0	2,201.3	46.7	1,265.5	1,319.9	-54.4	-13.2
JAN 11	2,714.1	2,644.1	70.0	5,515.0	5,610.4	-95.4	3,069.5	3,044.0	25.5	6.4

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 11 JANUARY
TOP 10 NET MONEY INFLOWS

- Kuala Lumpur Kepong Berhad registered the highest net money inflow of RM27.88m last week. Its share price lost 0.41% for the week, underperforming the local bourse which had a 0.80% weekly gain. Nonetheless, it is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.
- CIMB Group Holdings Berhad recorded the second highest net money inflow of RM26.72m. Its share price ended 0.36% higher for the week, underperforming the benchmark which was 0.80% higher.
- Hong Leong Financial Group Berhad saw the third highest net money inflow of RM9.99m. Its share price ended 0.83% higher during the week under review, slightly outperforming the local bourse which was 0.80% higher.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
KL KEPONG	27.88	0.41	-0.41	BOW
CIMB GROUP	26.72	5.59	0.36	-
HLFG	9.99	0.33	0.83	-
PETCHEM	6.78	2.19	-6.05	BOW
YINSON	4.27	0.13	-0.71	BOW
TOP GLOVE	3.30	-0.29	-12.49	BOW
FGV HOLDINGS	2.86	0.48	17.81	-
CAHYA MATA	2.49	0.27	14.84	-
BAT	2.40	-0.61	1.11	-
HEINEKEN	2.36	-1.09	-1.10	BOW

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- Hong Leong Bank Berhad saw the largest net money outflow of -RM16.51m last week. Its stock price gained 0.78%, slightly underperforming vis-à-vis the FBM KLCI which advanced 0.80% 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.
- Nestle (Malaysia) Berhad recorded the second largest net money outflow -RM12.65m during the week under review. Its share price meanwhile slightly declined 0.21% for the week, underperforming the market benchmark which had a 0.80% weekly gain.
- Public Bank Berhad registered the third largest net money outflow of -RM11.11m in the review week. Its share price ended 0.41% higher during the week, underperforming the benchmark which had a 0.80% weekly gain.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
HLBK	-16.51	12.17	0.78	SOS
NESTLE	-12.65	-15.71	-0.21	-
PUBLIC BANK	-11.11	-8.54	0.41	SOS
V.S. INDUS	-8.24	-0.44	15.62	SOS
GENT MSIA	-7.86	-0.79	7.57	SOS
HARTALEGA	-7.76	-0.25	-17.46	-
TNB	-6.14	0.82	2.97	SOS
DIALOG	-5.21	1.96	-1.03	-
SAPURA	-5.04	-0.89	6.90	SOS
MAYBANK	-4.25	-5.57	1.07	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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Business Address:
11 & 12th Floor, Menara MIDF,
82, Jalan Raja Chulan, 50200
Kuala Lumpur.
Tel: 2173 8888
Fax: 2173 8380