

MIDF EQUITY STRATEGY | 14 OCTOBER 2019 WEEK ENDED 11 OCTOBER 2019

- Majority of equity markets worldwide were in the black last week with much of the positive vibes stoked by the latest high-level trade talks between the U.S and China.
- Brent crude oil price inched 3.7% higher for the week after settling at USD60.51pb as tensions continued to flare up in the Middle East. An Iranian tanker near the Saudi Arabian coast was likely hit by missiles which damaged its tanks. On a broader scale, the International Energy Agency slashed forecasts for growth in global oil demand, citing that concerns of an economic slowdown are outweighing the loss of supply during the attack on Saudi Arabia's oil facilities.
- After a massive selloff observed in the week before, foreign investors made a moderate return to Asian markets last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" acquired USD92.9m net last week compared to the -USD1.15b net sold in the preceding week.
- Offshore investors continued to reduce their exposure on stocks listed on Bursa for the fourth consecutive week albeit at a slower pace. Based on data from Bursa, foreign investors sold a -RM276.6m net of local equities last week, compared to -RM770.8m net in the week before.
- The FBM KLCI hit a four-year low, before closing the week down -0.1% for the week after closing at 1,556.8 points on Friday, marking the sixth weekly loss. Likewise, the Ringgit depreciated slightly by less than 1.0% against the greenback as it settled at USD/MYR4.1865.

11 October 2019 | Strategy - Weekly Fund Flow

Adam M Rahim

INVESTORS CHEER PROGRESS OF U.S-CHINA TRADE TALKS

A. MARKET SNAPSHOT

- Majority of equity markets worldwide were in the black last week with much of the positive vibes stoked by the latest high-level trade talks between the U.S and China.
- Major U.S benchmark indexes logged weekly gains of above 0.5% last week. Investors cheered the progress made on trade discussions between the U.S and China, helping to break the S&P500's three-week losing streak. U.S. and China reached a partial deal on trade and said they would continue negotiating. President Donald Trump agreed to suspend an increase in tariffs on \$250 billion in Chinese goods due to kick in Oct. 15. In exchange, China agreed to boost purchases of U.S. farm products.
- In Australasia, The Melbourne Institute and Westpac Bank Consumer Sentiment Index for Australia stumbled to four-year low of 92.8 in October 2019, a 5.5%mom fall despite rate cuts by the RBA. The measure of economic outlook for the next 12 months and next 5 years dropped by -6% and -9.1% respectively. In addition, measure of family finances compared to a year ago and for the next 12 months declined by -4.9% and -3.7% respectively. Furthermore, willingness to buy major household item at the current period fell by 4.2% to 114.5. Rate cuts could have expected to boost consumers' confidence as there would be more money supply in the economy. However deteriorating sentiment reflects that people are more cautious about the sustainability of the economic growth
- In Europe, the total exports in Germany slumped by -3.9%yoy in August 2019 after a positive rebound from -8.0%yoy in June 2019 to 3.8%yoy in July 2019. Sales to Euro and non-Euro dropped further to -3.8%yoy and -2.5%yoy in Aug 2019 from -0.4%yoy and -0.9%yoy respectively in Jul-19. The seasonally and working day adjusted export also fell to -1.1%yoy, but less severe than the total export. Looking into total import, it fell by -3.1%yoy in August 2019, for a 3-month negative streak since June 2019. As imports dropped lesser than exports, the trade surplus narrowed. This may provide a cue on what to expect from the German's GDP growth in 3Q19. The seasonally-adjusted GDP fell -0.1%qoq in 2Q19. Expectations are building for another qoq fall in GDP growth for 3Q19 amid rising trade tensions, Brexit uncertainties and weak domestic demand, therefore falling into technical recession.
- Brent crude oil price inched 3.7% higher for the week after settling at USD60.51pb as tensions continued to flare up in the Middle East. An Iranian tanker near the Saudi Arabian coast was likely hit by missiles which damaged its tanks. On a broader scale, the International Energy Agency slashed forecasts for growth in global oil demand, citing that concerns of an economic slowdown are outweighing the loss of supply during the attack on Saudi Arabia's oil facilities.

Table 1 Weekly performance of major indices

Weekly % change	Week before	Last week
DAX	-2.97	4.15
CAC 40	-2.70	3.23
China CSI 300	-0.99	2.55
Hang Seng	-0.52	1.89
Phil PCOMP	-1.47	1.89
Nikkei	-2.14	1.82
FTSE 100	-3.65	1.28
Thai SET	-2.30	1.25
India SENSEX	-2.96	1.20
Korea KOSPI	-1.43	1.18
FSSTI Index	-1.51	1.16
Dow Jones	-0.92	0.91
Jakarta JCI	-2.19	0.73
S&P 500	-0.33	0.62
Taiwan TAIEX	0.60	-0.04
KLCI	-1.67	-0.05

Source: Bloomberg

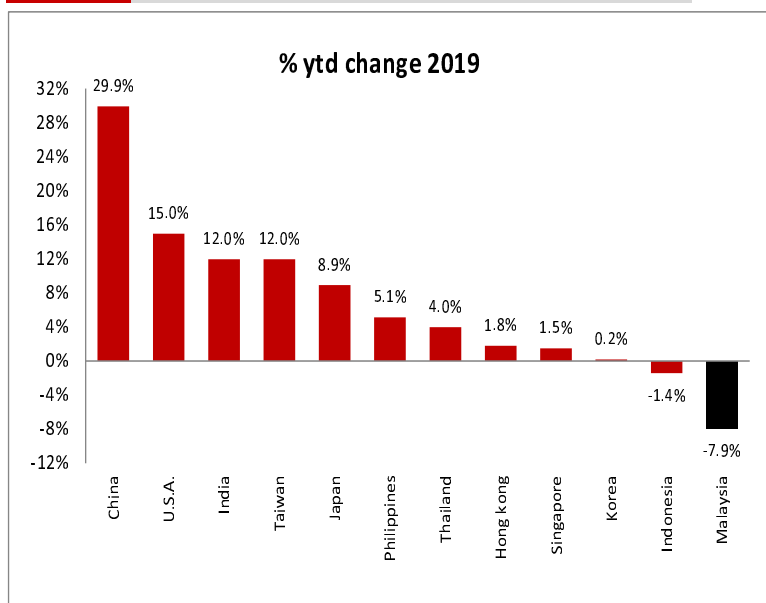
FUND FLOW REPORT

- The FBM KLCI hit a four-year low, before closing the week down -0.1% for the week after closing at 1,556.8 points on Friday, marking the sixth weekly loss. Likewise, the Ringgit depreciated slightly by less than 1.0% against the greenback as it settled at USD/MYR4.1865.

B. TRACKING MONEY FLOW - ASIA¹

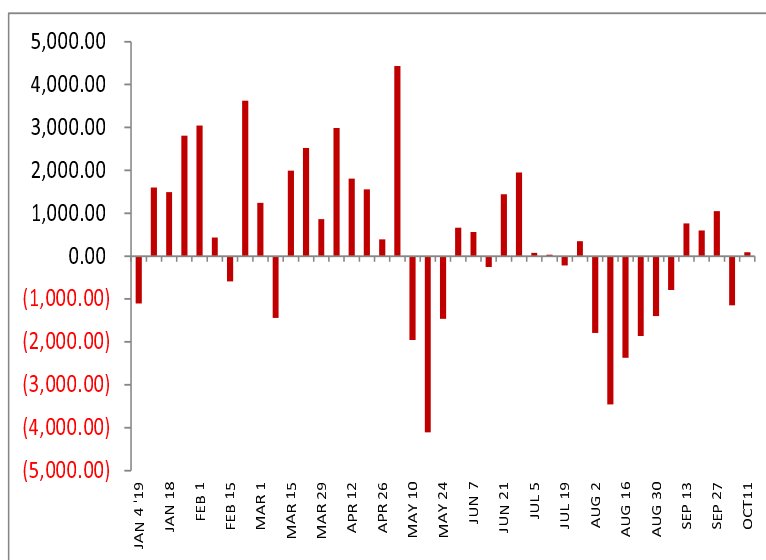
- After a massive selloff observed in the week before, foreign investors made a moderate return to Asian markets last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” acquired USD92.9m net last week compared to the -USD1.15b net sold in the preceding week.
- International funds made their way to Korea at a tune of USD58.1m net after two straight weeks of foreign net outflows. A massive selloff worth USD190.3m net was observed on Thursday as markets reopened from the Hangul Day holiday, pulling the KOSPI down by 0.9% to 2,028.2 points. Investors awaited the substantive news from the high level U.S-China trade talks which started on Thursday in Washington. Meanwhile, foreign investors bought the most during the week on Tuesday at USD154.9m net following a rally in South Korean suppliers of memory chip materials after President Moon cited that Japan’s export restrictions could become an opportunity to fundamentally change the nation’s industrial infrastructure. In addition President Moon urged the National Assembly to pass a special law to incentivise local chip material suppliers.
- Taiwan was the darling amongst international investors as it saw a foreign net inflow of -USD225.4m, the largest amongst the seven Asian markets we monitor. This brings Taiwan’s foreign net buying spree to the sixth week, the longest buying streak since early January to March this year. Similar to Korea, foreign net inflow was the highest on Tuesday but at a higher scale of -USD328.3m net as investors pondered mixed reports on the possibility of progress in resolving the trade war between the U.S and China, lifting the Taiex index above 11,000 points for the first time since. Tuesday’s huge net inflow was more than enough to offset the exodus of funds worth USD227.1m net as investors flocked to safe haven assets ahead of the 4-day long weekend.

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)

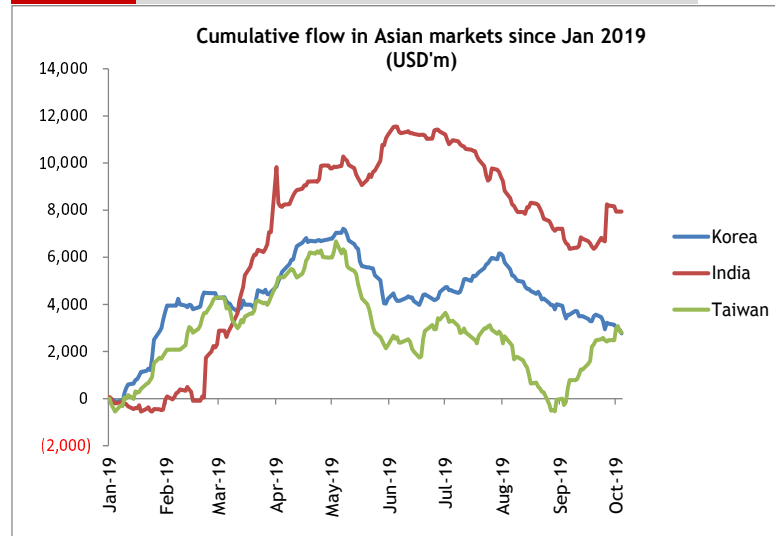


Source: Bloomberg, Bursa Malaysia, MIDFR

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.

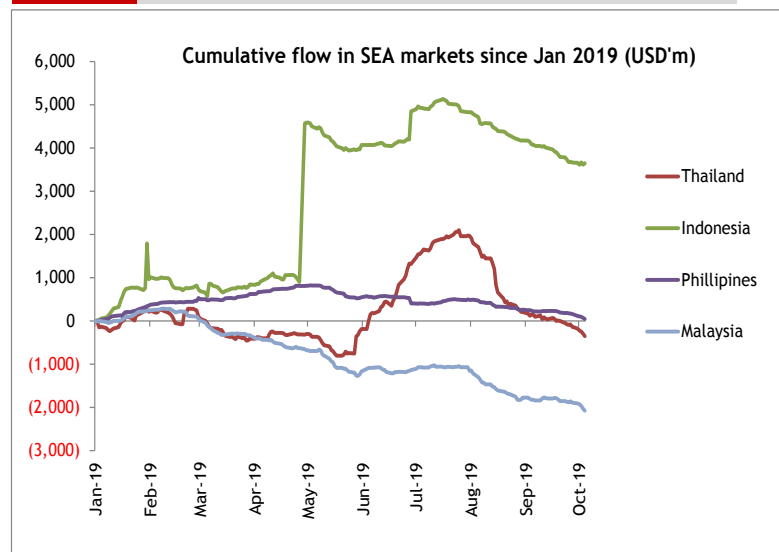
- In emerging South East Asian markets that we monitor, half saw foreign net inflows while the other half experienced foreign net outflows
- After 10 straight weeks of foreign net selling, international funds entered moderately by acquiring USD53.2m net last week. International investors were net buyers on three days during the week with Thursday recording the highest at USD105.6m. Optimism was stoked by news that President Trump may grant licenses to U.S companies to sell certain supplies to China-based Huawei Technologies.
- In Manila, foreign investors snapped the three-week foreign net selling streak as they mopped up USD60.2m of local equities last week. Similar to Thailand, foreign net buying peaked on Thursday but at a lower level of USD98.2m net. In addition to the high hopes for the U.S-China trade talks, the local market was supported by Allhome Corp's strong market debut with its shares gaining +5% at the end of the first trading day. On the macroeconomic front, the Philippines' import volume in August 2019 dipped for the fifth straight month amidst slower government spending on public investment and infrastructure.
- Jakarta marked its 13th consecutive weekly foreign net outflow as foreign investors took out -USD14.5m last week. This is the longest selling spree recorded since the 16-week selling streak seen from early February to middle of May 2018. Foreign net selling peaked during the week on Thursday at -USD40.0m. The heavy foreign net outflow observed on Thursday was in contrast with other regional peers namely, Thailand and the Philippines which saw foreign net inflows amidst the possibility of the U.S and China reaching a partial trade deal. Meanwhile, it is notable that Indonesia has the largest foreign net inflow on a year-to-date basis amongst the seven Asian markets we track worth USD3.57b.

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
AUG 23	-326.0	-261.0	-109.4	-28.8	-675.0	-371.6	-89.2	-1,860.9
AUG 30	-239.9	-187.3	-104.4	-41.1	-428.8	-321.7	-77.2	-1,400.4
SEP 6	-439.4	-113.0	-126.3	-38.6	-845.4	838.5	-66.3	-790.3
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	58.1	53.2	-79.0	60.2	-159.1	225.4	-65.9	92.9

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

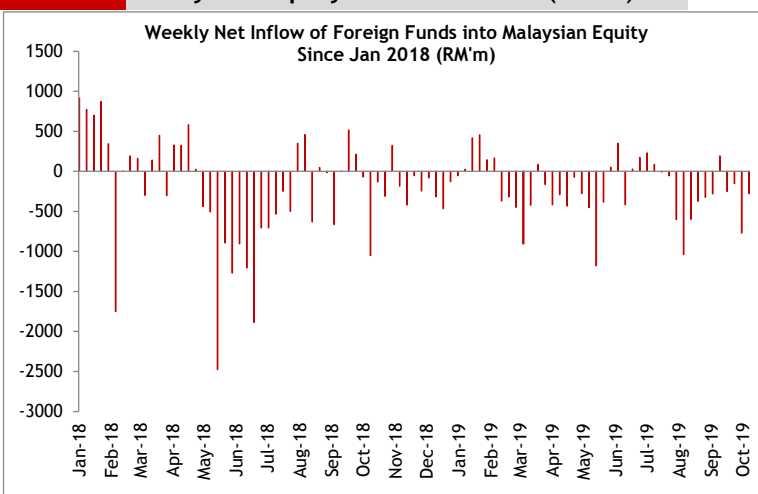
FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

- Offshore investors continued to reduce their exposure on stocks listed on Bursa for the fourth consecutive week albeit at a slower pace. Based on data from Bursa, foreign investors sold a -RM276.6m net of local equities last week, compared to -RM770.8m net in the week before.
- Bursa had a slightly rough start to the week as foreign investors disposed -RM65.5m net on Monday. Sentiment was dampened as Chinese officials appeared to be reluctant to agree to a broad trade deal with the U.S ahead of negotiations on Thursday.
- The level of foreign net selling on Tuesday and Wednesday almost doubled to reach -RM113.5m net and -RM112.7m net. The tensions between the U.S and China grew further as President Trump blacklisted eight Chinese technology giants, citing the companies' involvement in China's crackdown on Muslim minorities in Xinjiang.
- Nevertheless, the momentum of foreign net outflows slowed down on Thursday as international funds only sold -RM40.6m net of local equities. The decline in the level of foreign net selling was fuelled by the possibility that the U.S and China may reach a partial trade deal.
- Foreign investors then took a breather from selling activities as they snapped up RM55.6m net of local equities, lifting the local bourse up by 0.3% to settle at 1,556.8 points. This is the first foreign net inflow in 11 trading days. Besides President Trump's comments that the first day of high-level trade negotiations went very well, optimism stemmed from the tabling of Malaysia's Budget 2020 in parliament.
- On a year-to-date basis, international funds have taken out -RM8.88b worth of local equities from Bursa, making up 76.0% of last year's foreign outflow of -RM11.69m.
- In terms of participation, foreign investors was the only group that experienced a weekly drop in the average daily traded value (ADTV) of -6.0% to go remain below the RM1.0b mark for the third week running.

Chart 5

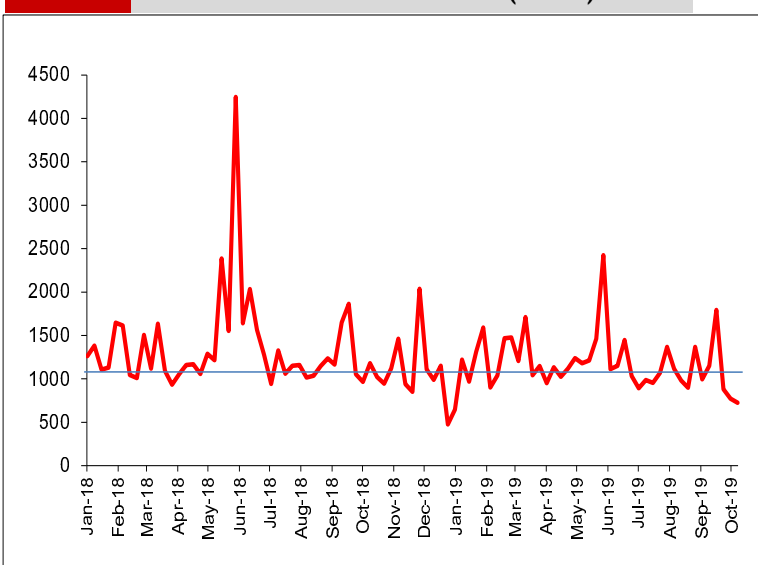
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2018 (RM'm)



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 6	1,445.2	1,457.1	-11.9	3,040.8	2,750.3	290.5	1,852.5	2,131.2	-278.7	-66.3
SEP 13	1,420.1	1,381.6	38.6	3,131.2	3,361.8	-230.7	2,398.4	2,206.3	192.1	46.0
SEP 20	1,588.4	1,486.2	102.1	3,515.4	3,368.2	147.2	3,462.6	3,711.9	-249.3	-59.7
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	2,066.3	2,003.8	62.5	4,104.3	3,890.3	214.1	1,676.0	1,952.5	-276.6	-66.0

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 OCTOBER
TOP 10 NET MONEY INFLOWS

- Hong Leong Bank Berhad registered the highest net money inflow of RM17.78m last week. Its share price advanced 1.25% for the week, outperforming the local bourse which had a -0.05% weekly loss.
- Axiata Group Berhad recorded the second highest net money inflow of RM6.82m. Its share price ended 0.47% higher for the week, outperforming the benchmark which was -0.05% lower during the week under review.
- Genting Malaysia Berhad saw the third highest net money inflow of RM6.70m. Its share price ended -0.65% lower during the week under review, underperforming the local bourse which was -0.05% lower. Nonetheless, it is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
HONG LEONG	17.78	0.79	1.25	-
AXIATA	6.82	1.10	0.47	-
GENTING MSIA	6.70	8.68	-0.65	BOW
TNB	6.62	-1.42	2.66	-
IGB REIT	4.82	-1.11	0.00	-
NESTLE	4.03	9.12	-0.14	BOW
GENTING BHD	3.55	3.47	-1.58	BOW
MAYBANK	3.52	3.62	0.00	-
AMMB	3.52	0.83	-3.02	BOW
PETCHEM	3.34	0.67	-1.09	BOW

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- Serba Dinamik Holdings Berhad saw the largest net money outflow of -RM6.14m last week. Its stock price was unchanged for the week.
- RHB Bank Berhad recorded the second largest net money outflow -RM3.11m during the week under review. Its share price was 0.90% higher during the week, outperforming the market benchmark which had a -0.05% weekly loss. It is notable that the net money outflow amidst advancing share price may indicate a sell on strength (SOS) stance among some investors.
- FGV Holdings Berhad registered the third largest net money outflow of -RM2.80m in the review week. Its share price was 16.28% higher for the week, outperforming the local benchmark which was -0.05% 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		
SERBA DINMK	-6.14	1.81	0.00	-
RHB BANK	-3.11	11.88	0.90	SOS
FGV	-2.80	-0.15	16.28	SOS
MISC BHD	-2.30	-0.92	6.15	SOS
GAMUDA BHD	-1.38	7.29	4.17	SOS
BJY SPT TOTO	-1.24	-0.12	-0.78	-
TIME DOTCOM	-1.12	-0.02	0.45	SOS
KPJ	-1.01	0.75	2.27	SOS
SD PROP	-0.94	0.27	-3.55	-
HLFG	-0.84	9.38	-0.62	-

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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