

MIDF EQUITY STRATEGY | 15 JULY 2019 WEEK ENDED 12 JULY 2019

- Major equity markets worldwide ended the week mixed as concerns grew on the Federal Reserve's pace of monetary easing.
- Brent crude oil price ended 3.9% higher for the week at USD66.72pb as ongoing tensions lingering between Iran and the U.S continued to impact the supply of oil in the Middle East. The upward trajectory of Brent crude oil price was further boosted by U.S crude inventories dropping to the lowest level in almost three months combined with the concern over Tropical Storm Barry affecting oil supply.
- The pace foreign buying activity in Asian markets picked up steam last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" accumulated USD140.0m net last week compared to USD81.3m net in the preceding week.
- Foreign investors were net buyers of stocks listed on Bursa for the fourth consecutive week albeit at a slower pace. Based on data from Bursa, foreign funds acquired RM84.9m net of local equities last week.
- The FBM KLCI declined by 0.8% for the week after settling at 1,669 points on Friday. In contrast, the Ringgit appreciated by 0.6% against the greenback to settle at USD/MYR4.113 for the week, the strongest in nearly two months.

FOREIGN NET BUYING SEEN ACROSS THE BOARD IN ASEAN

A. MARKET SNAPSHOT

- Major equity markets worldwide ended the week mixed as concerns grew on the Federal Reserve's pace of monetary easing.
- Key U.S benchmarks such as the Dow Jones and S&P500 index led gainers amongst other regional markets after rallying to an all-time high on Friday. Optimism was fuelled by the increasing anticipation of a rate cut during the Federal Reserve's policy meeting at the end of this month, following hints by Jerome Powell for the past several weeks.
- On the economic front, the U.S headline inflation rate moderated further to 1.6%yoy in June 2019 from 1.8%yoy in the prior month, matching market expectations. Energy prices contracted 3.4%yoy while food prices increased but at a moderating pace of 1.9%yoy. Similarly, transportation services inflation also eased to 0.9%yoy compared to 1.1%yoy in the previous month. In contrast to headline figure, core inflation edged up to 2.1%yoy from 2.0%yoy in the preceding month and exceeded market expectations of 2%yoy.
- In Asia, China export growth for June 2019 declined by 1.3%yoy while in imports dropped 7.3%, confirming that high tariffs adversely impact a domestic economy. With regards to trade with the U.S, the trade surplus with the U.S amounted to USD29.9b, the biggest so far this year. Top officials from the U.S and China discussed over the phone last Tuesday for the first time since presidents of both nations agreed to a trade truce during the G20 Summit last month.
- Meanwhile in Europe, the European Central Bank (ECB) may pursue easing monetary policy via strengthening forward guidance on rates, continue net asset purchases and cut rates. The economic outlook of the region is cloudy as hinted by leading indicators. Amongst others, IHS Markit Manufacturing PMI has been recording below 50 points since February 2019 and Business Climate Indicator (BCI) registered at a five-year low of 0.17 points in June 2019. The consumer side stays pessimistic as economic sentiment remains at a three-year low of 103.3 points in the same month. In addition, political condition in the region is less stable amid rising voices of Eurosceptic parties.
- Brent crude oil price ended 3.9% higher for the week at USD66.72pb as ongoing tensions lingering between Iran and the U.S continued to impact the supply of oil in the Middle East. The upward trajectory of Brent crude oil price was further boosted by U.S crude inventories dropping to the lowest level in almost three months combined with the concern over Tropical Storm Barry affecting oil supply.

Table 1 Weekly performance of major indices

Weekly % change	Week before	Last week
Dow Jones	1.21	1.52
S&P 500	1.65	0.78
Taiwan TAIEX	0.51	0.36
Phil PCOMP	1.48	0.29
Thai SET	0.05	0.02
Jakarta JCI	0.23	0.00
Nikkei	2.21	-0.28
FSSTI Index	1.36	-0.28
CAC 40	0.99	-0.37
FTSE 100	1.72	-0.62
KLCI	0.62	-0.78
Hang Seng	0.81	-1.05
Korea KOSPI	-0.94	-1.13
DAX	1.37	-1.95
India SENSEX	0.30	-1.97
China CSI 300	1.77	-2.17

Source: Bloomberg

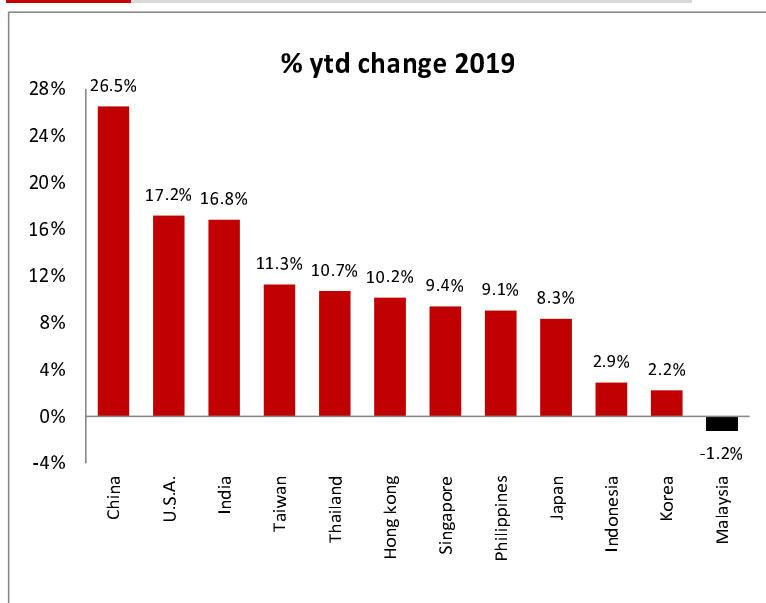
FUND FLOW REPORT

- The FBM KLCI declined by 0.8% for the week after settling at 1,669 points on Friday. In contrast, the Ringgit appreciated by 0.6% against the greenback to settle at USD/MYR4.113 for the week, the strongest in nearly two months.

B. TRACKING MONEY FLOW - ASIA¹

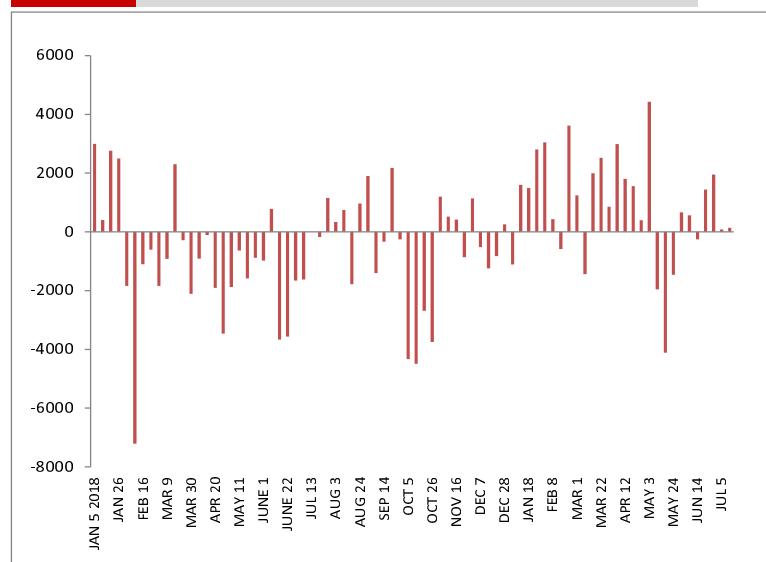
- The pace foreign buying activity in Asian markets picked up steam last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” accumulated USD140.0m net last week compared to USD81.3m net in the preceding week.
- In Korea, foreign net buying accelerated by more than 10 times to hit USD522.8m net last week, the highest in 13 weeks. Although the week started off with a foreign net selling of USD80.9m. The Korean Won led decliners amongst emerging-market currencies and the KOSPI dropped 2.2% the biggest in nearly a month on the same day as investors were contemplating on the Fed’s appetite for a rate cut in addition to the polls in Japan which voted for tighter controls on exports to South Korea. Nevertheless, foreign investors bought local equities for the next four days with Thursday recording the highest foreign net inflow for the week at USD294.7m net, boosting the local bourse to be the largest gainer amongst Asian markets with a 1.1% advance. The main catalyst for Thursday’s euphoria was the production slowdown caused by Japan’s curb in the selling of vital tech material to South Korea which actually boosted prices of South Korean-made chips.
- In contrast, international funds fled Taiwan as they took out -USD504.1m net, 10 times more than what was sold in the week before. Foreign net selling peaked on Tuesday at USD300m net, the largest since 23 May 2019 as tensions between South Korea and Japan impacted the global supply chain by smothering the production of memory chips. The Taiex index took cue of the heavy sell-down, closing 0.5% lower on the same day to settle at 10,703 points, the lowest close in nine trading days. Aside from that, hopes dwindled for a hefty interest rate cut by the U.S. Federal Reserve at the end of the month, while technology companies were pulled lower by Apple Inc’s overnight slump.

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)

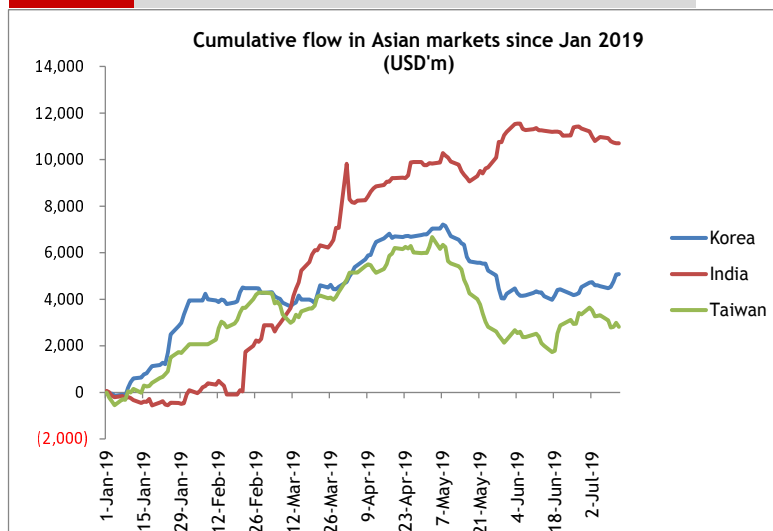


Source: Bloomberg, Bursa Malaysia, MIDFR

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.

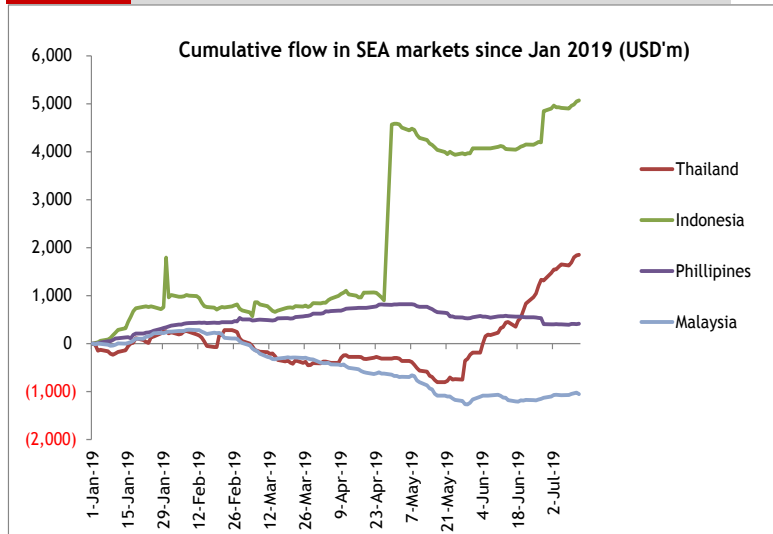
- In emerging South East Asian markets that we monitor, foreign net buying was seen across the board.
- Bangkok saw a foreign net inflow of USD200.7m, marking its eighth week of foreign net buying. Foreign net buying occurred on every single day of the week except on Monday which saw a foreign net outflow of -USD21.1m as the World Bank cited the possible delays in implementation of infrastructure projects due to the lingering doubt of a new 19-party coalition affecting investor confidence. Meanwhile, Wednesday recorded the highest foreign net inflow for the week at USD106.0m with the SET index jumping as much as 1.2%, the most since June 19 June 2019 amidst speculation that the government will speed up new stimulus package.
- International funds entered Manila at a tune of USD11.7m net last week, snapping the three-week foreign net selling streak. This was mainly attributable to Tuesday's foreign net buying of USD14.3m net while the local bourse finished slightly lower by 0.1% due to lack of catalyst amidst tempered rate-cut hopes from the Fed. Overall, the Philippines recorded the smallest foreign net buying amongst the four ASEAN markets we track.
- The momentum of foreign net buying in Jakarta accelerated by more than half to USD157.0m net compared to USD69.1m net in the week before. International funds bought the most local equities on Thursday at USD61.6m net, lifting the local bourse to 6,417 points, the highest close since early May 2019. On a year-to-date basis, Indonesia is the beneficiary of the largest foreign net inflow of USD5.07b net amongst the ASEAN markets under our coverage.

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
MAY 24	-393.4	61.3	-104.1	-107.6	611.5	-1,435.7	-91.3	-1,460.3
MAY 31	-993.8	554.8	134.2	-3.8	1,518.3	-556.4	11.6	665.0
JUN 7	-69.2	362.8	0.0	-5.9	76.8	115.5	83.8	563.7
JUN 14	-33.8	273.3	-15.7	31.2	-28.3	-380.5	-99.8	-253.5
JUN 21	248.0	384.9	97.5	-22.6	-209.6	936.4	6.9	1,441.4
JUN 28	142.4	484.1	694.1	-141.4	310.1	419.4	41.5	1,950.1
JUL 5	35.3	332.9	69.3	-7.0	-368.3	-36.4	55.6	81.3
JUL 12	522.8	200.7	157.0	11.7	-268.6	-504.1	20.4	140.0

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

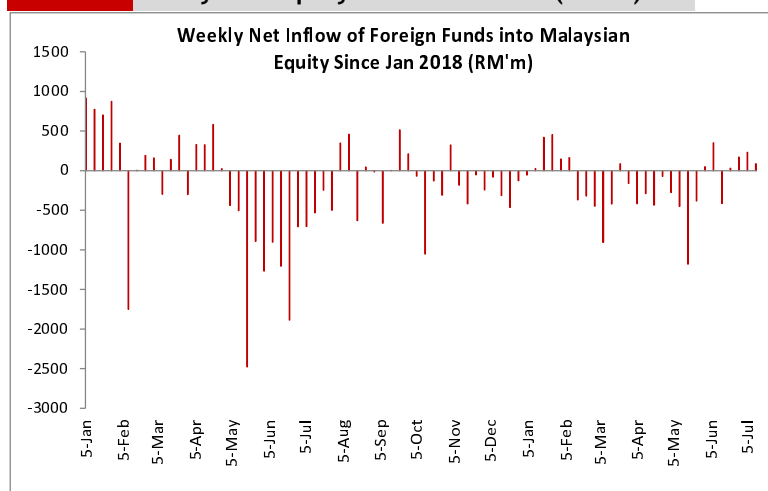
FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

- Foreign investors were net buyers of stocks listed on Bursa for the fourth consecutive week albeit at a slower pace. Based on data from Bursa, foreign funds acquired RM84.9m net of local equities last week.
- It was a slow start to the week as offshore funds only snapped up RM15.9m net of local equities on Monday. Sentiment on Monday was moderated by increasing uncertainty over the outcome of the upcoming Federal Reserve policy meeting as latest U.S payroll report signalled that the American economy remains on track. Despite the drag on Monday, Malaysia bucked the trend as other regional peers namely South Korea, Taiwan, Thailand, India, the Philippines and Indonesia experienced foreign net outflows.
- Tuesday then saw a spike of foreign net buying which reached RM104.6m net, the highest during the week, coinciding with Bank Negara Malaysia's decision to keep the benchmark interest rate unchanged.
- The level of foreign net inflows tapered by more than half on Wednesday and Thursday to RM42.5m and RM51.2m as international funds moved to the sidelines, awaiting clues about interest rate direction from Federal Reserve Chairman Jerome Powell's congressional testimony.
- The four-day buying streak was snapped on Friday as foreign funds offloaded -RM129.3m net. Much of the selling activity was spurred by the potential earnings dilution of CIMB Group Holdings Berhad following the proposed issuance of exchangeable bonds by Khazanah Nasional.
- Last week's foreign net inflow brings the year-to-date foreign net outflow from Malaysia to -RM4.35b. In contrast, the other six Asian markets we monitor (Korea, Thailand, Indonesia, India, Taiwan and the Philippines) have seen a foreign net inflow so far for the year with India being the largest.
- Strong participation was only seen amongst foreign investors which recorded a 10.6% increase in average daily traded value (ADTV) to RM985.9m, nearing the healthy level of RM1b.

Chart 5

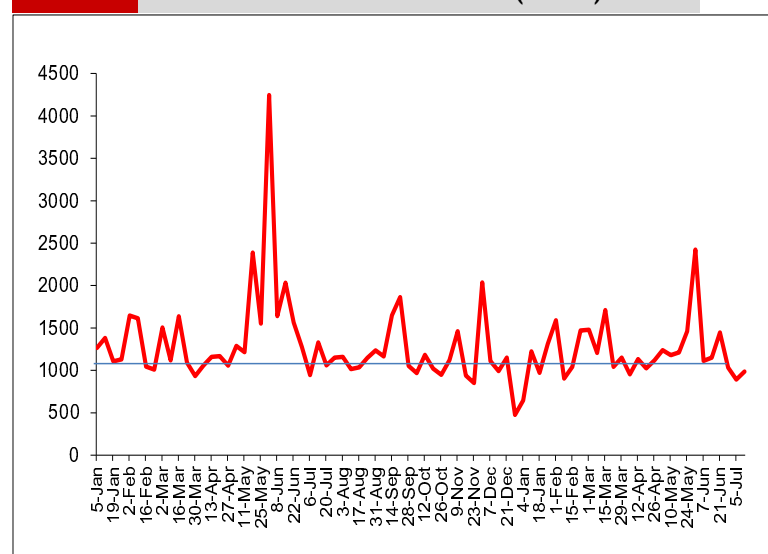
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2018 (RM'm)



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)	
JUN 7	701.1	727.8	-26.7	1,536.2	1,859.4	-323.3	1,843.8	1,493.8	350.0	83.8
JUN 14	2,081.0	1,985.9	95.1	4,318.7	3,998.5	320.2	2,670.8	3,086.1	-415.3	-99.8
JUN 21	2,073.1	2,140.8	-67.7	5,103.3	5,063.8	39.5	3,633.6	3,605.3	28.3	6.9
JUN 28	1,649.6	1,645.8	3.9	4,407.2	4,582.7	-175.5	2,669.9	2,498.2	171.7	41.5
JUL 5	2,546.9	2,568.5	-21.6	5,332.9	5,541.4	-208.5	2,344.1	2,114.0	230.2	55.6
JUL 12	2,587.9	2,503.1	84.8	4,824.5	4,994.3	-169.8	2,507.3	2,422.3	84.9	20.4

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 12 JULY
TOP 10 NET MONEY INFLOWS

- Public Bank Berhad registered the highest net money inflow of RM22.89m last week. Its share price dipped 0.17% for the week, outperforming the local bourse which had a 0.78% weekly loss. 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 RM18.59m. Its share price ended 3.17% lower for the week, underperforming the benchmark which was 0.78% lower during the week under review.
- Hong Leong Financial Group Berhad saw the third highest net money inflow of RM8.64m. Its share price ended 0.11% lower during the week under review, outperforming the local bourse which was 0.78% lower.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
PUBLIC BANK	22.89	-9.95	-0.17	BOW
CIMB	18.59	6.75	-3.17	BOW
HLFG	8.64	-0.90	-0.11	BOW
DIGI.COM	5.99	3.65	-0.39	BOW
HONG LEONG	5.99	2.10	-2.21	BOW
BAT	5.20	-0.78	1.38	-
GAMUDA	4.58	5.04	0.00	-
RHB BANK	4.53	-4.08	-0.52	BOW
PETCHEM	4.39	6.53	-2.43	BOW
PPB GROUP	4.24	-0.14	0.86	-

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS


- Malayan Banking Berhad saw the largest net money outflow of -RM8.37m last week. Its stock price was -0.56% lower for the week, outperforming vis-à-vis the FBM KLCI which declined -0.78% during the review week.
- Dialog Group Berhad recorded the second largest net money outflow -RM5.76m during the week under review. Its share price was 0.90% higher during the week, outperforming the market benchmark which had a 0.78% 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.
- MISC Berhad registered the third largest net money outflow of -RM5.64m in the review week. Its share price was 0.41% higher for the week, outperforming the local benchmark which was 0.78% 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		
MAYBANK	-8.37	7.69	-0.56	-
DIALOG	-5.76	-0.01	0.90	SOS
MISC	-5.64	0.00	0.41	SOS
VS INDUSTRY	-3.71	-1.22	4.38	SOS
MY EG	-3.32	-1.86	2.68	SOS
UMW	-2.60	0.11	0.56	SOS
KLCCP	-1.69	-0.79	0.13	SOS
HEINEKEN	-1.42	0.30	-1.13	-
GENTING BHD	-1.33	-0.40	-2.65	-
NESTLE	-1.30	-2.18	-0.81	-

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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