

MIDF EQUITY STRATEGY | 15 JUNE 2020

WEEK ENDED 12 JUNE 2020

- Major equity markets worldwide swam in a sea of red last week following an outlook cited by the U.S Federal Reserve which expect a more prolonged recovery.
- Brent crude oil price saw an 8.4% weekly decline to settle at USD38.73pb last Friday, snapping six weeks of gains. Plunge on both benchmarks came amid fears of a second wave of coronavirus infections in the United States and indications from the Federal Reserve that the economy could struggle for at least another two years from the pandemic.
- The movement of international funds into Asian markets continued for the third-week running but at a weaker momentum. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” accumulated only USD847.5m net last week, which is around one fifth of what was bought in the preceding week.
- Offshore investors continued to reduce their exposure on stocks listed on Bursa for the 17th consecutive week. Based on data from Bursa, international investors sold -RM539.2m net of local equities last week, half of what was disposed in the week before.
- The FBM KLCI declined by 0.7% for the week after settling at 1,546.0 points. Meanwhile, the Ringgit appreciated by 0.1% against the greenback to reach USD/MYR4.2635 during the week.

15 June 2020 | Strategy - Weekly Fund Flow

Adam M Rahim

FOREIGN NET BUYING INTO ASIA DWINDLED AMIDST CAUTIOUS FED STANCE**A. MARKET SNAPSHOT**

- Major equity markets worldwide swam in a sea of red last week following an outlook cited by the U.S Federal Reserve which expect a more prolonged recovery.
- Weekly jobless-claims data released on last Thursday backed up Powell's gloomy sentiment. Roughly 1.5 million Americans filed for unemployment insurance last week, the Labor Department said. The reading brought the 12-week total to 44 million. Continuing claims, or the number of Americans receiving unemployment benefits, slid slightly from the previous week, to 20.9 million.
- In Asia, China's auto sales in May rose 14.5%yoy, the second uninterrupted month of increase as the world's biggest vehicle market recovers from lows hit during coronavirus lockdowns. The result followed a 4.4%yoy rise in April and a 43%yoy drop in March, when the pandemic hampered demand. Before April, sales had suffered an almost two-year slump. Government support policies and improving consumer confidence contributed the May growth. Automakers including Geely Automobile Holdings Ltd, Japan's Toyota Motor Corp and the United States' Ford Motor Co reported positive China sales in May.
- Over in Europe, Germany's trade surplus narrowed to EUD3.5 billion in Apr-20 from EUD17.8 billion in Mar-20. The surplus was the lowest since Dec-00 of EUD1.7 billion. Exports contracted by -31.2%yoy (Mar-20: -7.7%yoy), and imports declined by -21.7%yoy (Mar-20: -4.4%yoy). The drop in exports was driven by decrease in sales to the EU by -11%yoy and to third countries by -27%yoy. As of April, the cases of Covid-19 were still high and restrictions imposed were largely in place. Most businesses were also out of operation during that period in line with manufacturing PMI in Apr-20 at its record low of 34.5 due to declining new orders and output. Looking ahead, external trade performances are expected to slowly recover as lockdowns worldwide are being lifted hence businesses resuming operations. Nevertheless, the effect of the US-China dispute over Hong Kong and Huawei poses as a possible threat to the global trade performance.
- Brent crude oil price saw an 8.4% weekly decline to settle at USD38.73pb last Friday, snapping six weeks of gains. plunge on both benchmarks came amid fears of a second wave of coronavirus infections in the United States and indications from the Federal Reserve that the economy could struggle for at least another two years from the pandemic. Adding to the concerns of oil investors were U.S. commercial crude oil inventories which grew by 5.72 million barrels in the week before according to data from the Energy Information Administration.

Table 1 Weekly performance of major indices		
Weekly % change	Week before	Last week
Phil PCOMP	10.73	0.17
China CSI 300	3.47	0.05
Taiwan TAIEX	4.91	-0.43
KLCI	5.64	-0.66
Jakarta JCI	4.08	-1.36
India SENSEX	5.75	-1.48
Hang Seng	7.88	-1.89
Korea KOSPI	7.50	-2.27
FSSTI Index	9.59	-2.43
Nikkei	4.51	-2.44
Thai SET	6.91	-3.70
S&P 500	4.91	-4.78
Dow Jones	6.81	-5.55
FTSE 100	6.71	-5.85
CAC 40	10.70	-6.90
DAX	10.88	-6.99

Source: Bloomberg

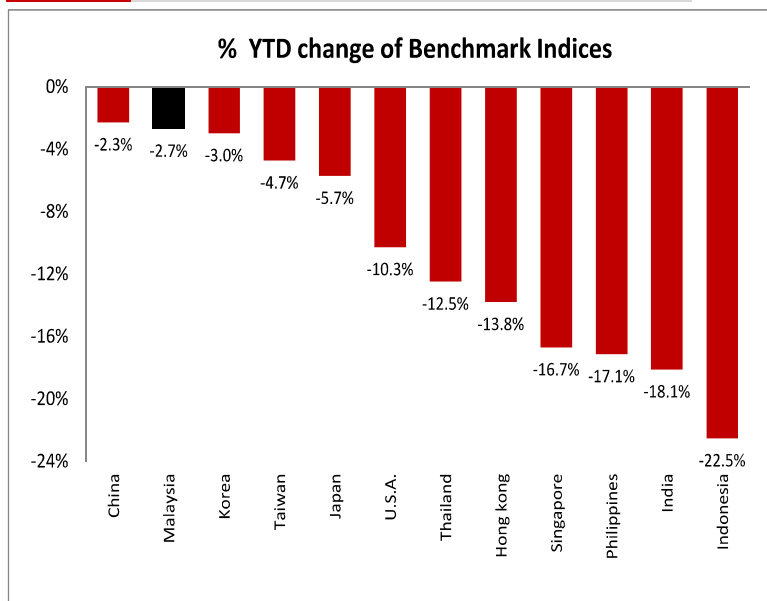
FUND FLOW REPORT

- The FBM KLCI declined by 0.7% for the week after settling at 1,546.0 points. Meanwhile, the Ringgit appreciated by 0.1% against the greenback to reach USD/MYR4.2635 during the week.

B. TRACKING MONEY FLOW - ASIA¹

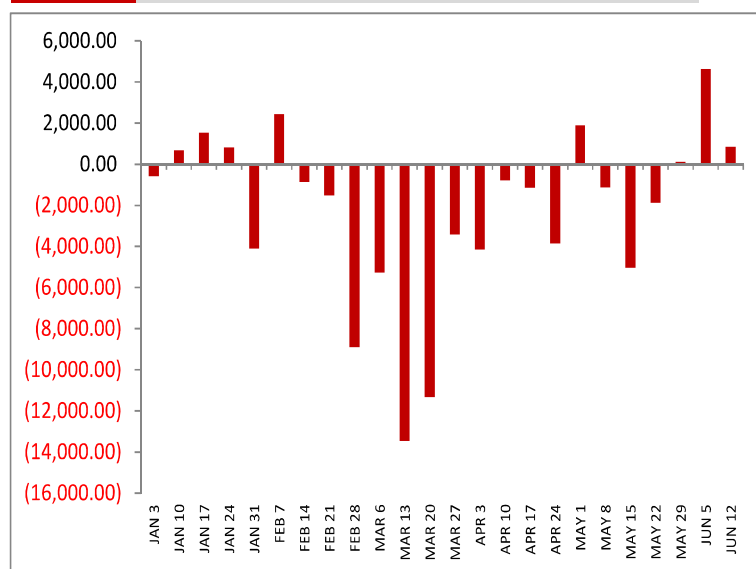
- The movement of international funds into Asian markets continued for the third-week running but at a weaker momentum. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” accumulated only USD847.5m net last week, which is around one fifth of what was bought in the preceding week.
- The foreign net buying seen in South Korea during the week before was short-lived as international funds sold -USD153.5m last week. Foreign investors were net buyers from Monday to Wednesday with Tuesday recording the highest foreign net inflow at USD60.8m. This was despite news on North Korea cutting off all communication channels with South Korea, upsetting a two-year détente following a series of summit meetings in 2018 over the spread of anti-North Korean fliers along the border. Nevertheless, the six-day foreign net buying streak came to an end on Thursday as international investors disposed -USD141.4m, the highest in two weeks. The local bourse followed suit to settle 0.9% lower at 2,176.8 points on the same day after nine days of gains.
- In contrast, international investors continued to make their way to Taiwan by acquiring USD1.16b net of local equities last week. Foreign net buying occurred on every day of the week, stretching the foreign net buying frenzy to 10 straight days. This is the longest stretch of buying activity seen since the 22-day buying spree observed from mid-October to mid-November 2019. Foreign net buying peaked on Wednesday at USD359.3m net, lifting the TaieX index 0.7% higher to close at 11,720.2 points, a level not seen since in more than three months. Meanwhile, offshore investors bought the least on Friday at USD113.0m net as investors took cues from a dive on the U.S. markets overnight in reflection of renewed fears over a second wave of Covid-19.

Chart 1 Cumulative performance of major markets



Source: Bloomberg

Chart 2 Weekly Net Flow of Foreign Funds into 7 Asian Markets since Jan 2020 (USD'm)

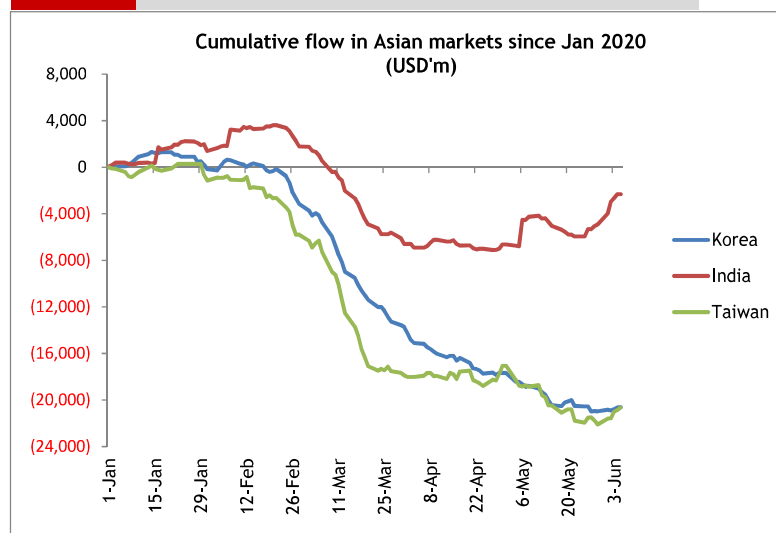


Source: Bloomberg, Bursa Malaysia, MIDFR

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.

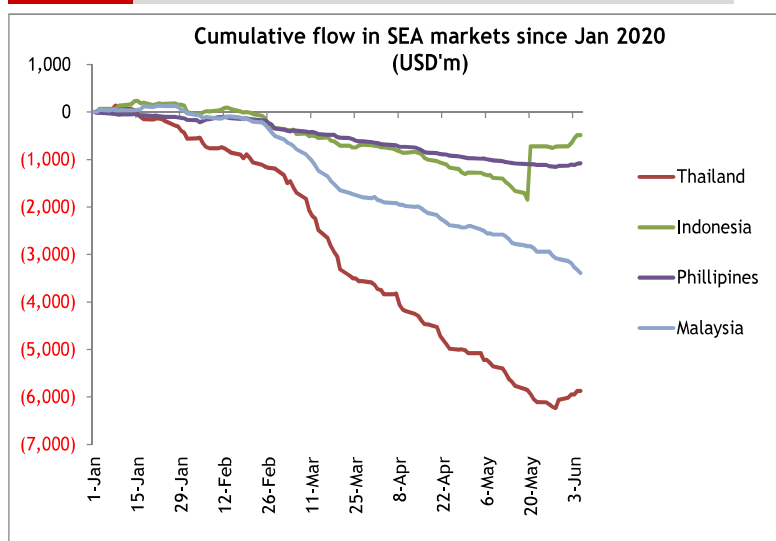
- In emerging South East Asian markets that we monitor, majority of markets experienced a foreign net outflow.
- After two weeks of foreign net inflow, foreign investors sold -USD70.8m last week in Thailand. Foreign funds were net sellers on three days of the week with Friday recording the highest at -USD64.6m. Jitters resurfaced on Friday due to uncertainty caused by a second wave of Covid-19 infections after several countries eased lockdown measures. Investors are also worried about the economy after the U.S Federal Reserve forecast that the country's gross domestic product this year would contract by 6.5% and the unemployment rate would be 9.3. On the other hand, foreign net buying was strong on Wednesday at USD27.6m.
- Foreign investors in Manila retained their position as net buyers for the third week running albeit at a much slower pace of USD3.4m net last week compared to USD58.3m in the preceding week. Wednesday saw the highest foreign net inflow during the week at USD6.4m. The local stock barometer meanwhile moved in the opposite direction to decline by 2.2% to 6,439.4 points on Wednesday.
- Offshore funds in Jakarta turned net sellers after three uninterrupted weeks of foreign net buying. Foreign net selling activity occurred on every day of the week except on Tuesday which saw a foreign net inflow of USD19.5m net. Similar to most regional peers, Jakarta witnessed the heaviest foreign net outflow on Friday at a tune of -USD84.7m net. Investor sentiment was dented by Indonesia's consumer confidence index dropping to 77.8 in May 2020, its lowest level in nearly 15 years.

Chart 3 Net Flow of Foreign Funds into Taiwan, Korea and India since Jan 2020 (USD'm)



Source: Bloomberg, MIDFR

Chart 4 Net Flow of Foreign Funds into South East Asia Emerging Markets since Jan 2020 (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
APR 24	-1,339.9	-512.1	-171.2	-60.8	-282.7	-1,242.6	-258.5	-3,867.9
MAY 1	50.7	-95.3	-102.8	-53.0	378.1	1,737.4	-19.7	1,895.3
MAY 8	-1,105.1	-276.4	-110.0	-48.7	2,381.5	-1,792.6	-179.2	-1,130.4
MAY 15	-1,671.5	-411.2	-277.8	-64.6	-785.7	-1,619.8	-194.5	-5,025.1
MAY 22	-57.6	-343.9	938.0	-34.2	-909.6	-1,308.0	-164.2	-1,879.4
MAY 29	-467.6	47.3	2.0	-18.0	1,032.8	-330.2	-152.6	113.6
JUN 5	348.4	190.2	233.4	58.3	2,598.1	1,470.2	-268.04	4,630.6
JUN 12	-153.5	-70.8	-122.2	3.4	153.3	1,163.9	-126.6	847.5

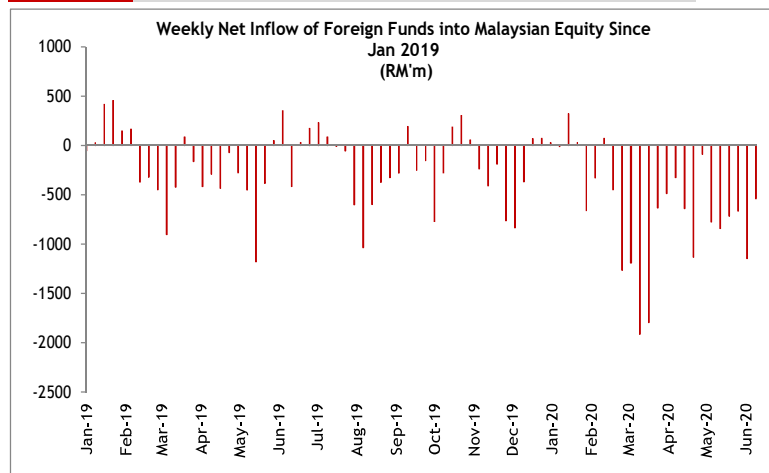
Source: Respective exchange statistics reported on Bloomberg. Bursa Malaysia. These figures are subject to revisions.

FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

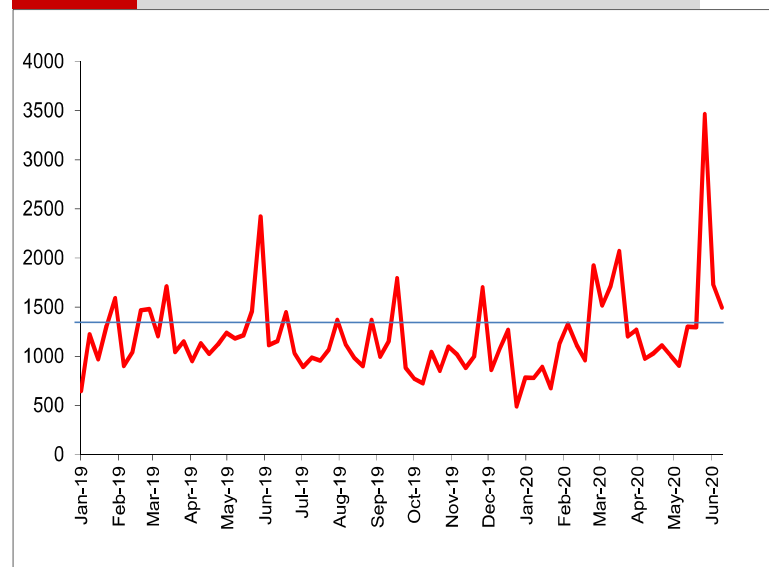
- Offshore investors continued to reduce their exposure on stocks listed on Bursa for the 17th consecutive week. Based on data from Bursa, international investors sold -RM539.2m net of local equities last week, half of what was disposed in the week before.
- So far in 2020, foreign investors have sold -RM15.0b net on Bursa. In comparison with the other six Asian markets we track, Malaysia still has the fourth smallest foreign net outflow on a year-to-date basis.
- As markets reopened from the long weekend, international investors took out -RM250.6m net of local equities.
- Nevertheless, foreign funds came into the local market at a tune of RM1.4m net on Wednesday, snapping the 11-day selling spree on Bursa. The modest entry of foreign funds into Malaysia on Wednesday coincided with the local bourse settling at 1,575.3 points, the highest close since late January 2020. Risk-on sentiment was spurred on Wednesday amidst the recovery movement control order taking effect.
- However, the foreign net buying in the local market was short-lived on Thursday as international funds sold -RM274.6m net. Investors' appetite was adversely affected by the Federal Reserve's indication on keeping interest rates unchanged until 2022 while warning on a long economic recovery from the economic recession.
- The level of foreign net selling dropped substantially to just -RM15.5m on Friday. Meanwhile, the overall mood in the market was sombre as investors grew warier of a second wave of covid-19 infections. Moreover, the U.S weekly jobless-claims data which showed 1.5m Americans filing for unemployment insurance in the week before strengthened the Federal Reserve's cautious commentary earlier on Wednesday.
- In terms of participation, all investor groups recorded a weekly decline in their average daily traded value (ADTV). Foreign investors was the group that experienced the smallest weekly decline in their average daily traded value ADTV of 13.2% to reach RM1.50b. Despite the drop, the ADTV is still healthy above the RM1.0b mark.

Chart 5 Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2019 (RM'm)



Source: Bursa Malaysia statistics, MIDFR

Chart 6 Foreign Participation on Bursa: Daily Average for the Week since Jan 2019 (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)	
MAY 8	4,181.1	3,874.8	306.4	5,112.7	4,645.0	467.7	1,420.2	2,194.3	-774.1	-179.2
MAY 15	6,655.9	6,479.2	176.6	7,903.7	7,237.2	666.5	2,182.3	3,025.5	-843.2	-194.5
MAY 22	8,312.6	8,178.2	134.3	10,343.7	9,763.1	580.6	2,883.9	3,598.5	-714.7	-164.2
MAY 29	6,155.8	5,686.3	469.4	8,514.5	8,320.1	194.4	4,862.0	5,525.8	-663.8	-152.6
JUN 5	12,394.9	12,430.4	-35.5	16,140.4	14,958.5	1,181.9	3,740.3	4,886.7	-1,146.4	-268.0
JUN 12	8,424.5	8,044.8	379.5	10,445.4	10,285.6	159.8	2,725.8	3,265.0	-539.2	-126.6

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 12 JUNE
TOP 10 NET MONEY INFLOWS

- Hong Leong Bank Berhad registered the highest net money inflow of RM11.42m last week. Its share price gained 1.19% for the week, outperforming the local bourse which had a -0.66% weekly decline.
- CIMB Group Holdings Berhad recorded the second highest net money inflow of RM10.33m. Its share price was -3.80% lower, underperforming the local bourse which had a -0.66% weekly decline.
- Public Bank Berhad saw the third highest net money inflow of RM10.13m. Its share price was -3.00% higher during the week, underperforming the local bourse which was -0.66% lower.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
HONG LEONG	11.42	-1.64	1.19	-
CIMB GROUP	10.33	0.37	-3.79	BOW
PUBLIC BANK	10.13	8.78	-3.00	BOW
BAT	6.59	0.78	-0.90	BOW
RHB BANK BHD	4.69	9.93	-4.29	BOW
SIME DARBY	4.57	-0.91	2.28	-
MAXIS BHD	4.56	-1.63	0.95	-
MAYBANK	3.53	-0.67	-2.10	BOW
PETCHEM	3.50	-0.28	2.54	-
SUNWAY BHD	2.99	0.28	-0.70	BOW

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS


- Top Glove Corporation Berhad saw the largest net money outflow of -11.62m last week. Its stock price was 3.17% higher for the week, outperforming vis-à-vis the FBM KLCI which gained -0.66% 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.
- Time Dotcom Berhad recorded the second largest net money outflow -RM4.35m during the week under review. Its share price was 5.56% higher during the week, outperforming the market benchmark which had a -0.66% weekly loss.
- AMMB Holdings Berhad registered the third largest net money outflow of -RM3.53m in the review week. Its share price was -0.31% lower during the week under review, outperforming the local benchmark which was -0.66% 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		
TOP GLOVE	-11.62	-21.66	3.17	SOS
TIME DOTCOM	-4.35	-2.63	5.56	SOS
AMMB	-3.53	0.41	-0.31	-
AIRASIA	-2.99	4.88	12.14	SOS
DRB-HICOM	-2.66	-0.93	-3.26	-
MAH SING	-2.58	-1.86	-3.60	-
YINSON	-2.14	-2.15	6.95	SOS
GENTING BHD	-1.70	2.70	0.46	SOS
BUMI ARMADA	-1.35	-3.72	-9.80	-
HARTALEGA	-1.33	-5.46	2.79	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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