

MIDF EQUITY STRATEGY | 16 MARCH 2020 WEEK ENDED 13 MARCH 2020

- Major equity markets worldwide ended the week in red as governments throughout the world stepped up precautions against the spread of the new coronavirus and considered ways to cushion the blow to their economies.
- Brent crude oil logged its fourth weekly drop after settling -25.2% lower at USD33.85pb, the biggest weekly drop since the 2008 Global Financial Crisis. During the week, Brent crude oil price fell the most on Thursday by -7.2% to USD33.22pb following the travel restriction by the U.S on travellers from Europe. This compounded the threat from Saudi Arabia to increase oil production, chartering more than 30 crude supertankers to export oil in coming weeks, specifically targeting big refiners of Russian oil in Europe and Asia.
- Asian equities were hammered last week as the Covid-19 pandemic flared up in European countries, resulting in a massive foreign net outflow. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” dumped -USD12.4b net last week compared to the -USD5.27b net disposed in the week before.
- In tandem with other regional peers, Bursa endured another week of foreign funds outflow. Based on data from Bursa, international investors took out -RM1.91b net of local equities last week.
- The FBM KLCI fell the least when compared to its European peers. It declined -9.3% for the week to settle at 1,344.8 points. Similarly, the Ringgit depreciated by 2.5% against the greenback to reach USD/MYR4.2775 during the week.

THE CHAOS CONTINUES FOR GLOBAL MARKETS

A. MARKET SNAPSHOT

- Major equity markets worldwide ended the week in red as governments throughout the world stepped up precautions against the spread of the new coronavirus and considered ways to cushion the blow to their economies.
- Wall Street had a volatile week with the Dow Jones index experiencing its worst day since 1987 on Thursday, plunging 10.0% as the U.S Federal Reserve's USD1.5t injection plan fails to outweigh President Trump's strategy for Covid-19. Notwithstanding this, the Dow Jones index surged by 1,985 points on Friday after President Donald Trump declared a national emergency on Friday in addition to a series of decisive measures which include a close collaboration with companies such as Walmart, Target and Google.
- In Asia, the Gross Domestic Product (GDP) of Japan contracted by -0.7%yoy in 4Q19, from a 7-quarter high of 1.7%yoy in 3Q19. The GDP recorded is the lowest since 3Q14 of -0.9%yoy. Overall, the economy in Japan grew by 0.7%yoy in 2019, an increase from 0.3%yoy in 2018. For GDP 4Q19, the main downside factor was the private consumption, contracted by -2.5%yoy (3Q19: 2.1%yoy). Among others this was due to the sales tax hike from 8% to 10% in Oct-19. Meanwhile, total investment also declined to -2.3%yoy, the lowest recorded since 1Q10 (-4.3%yoy). Besides that, outlook from the external front remains weak as exports dropped by -2.2%yoy (4Q19) from -0.5%yoy (3Q19).
- Unlike the Federal Reserve and Bank of England, ECB has ran out of bullets in term of interest rate. Its key interest rate is already at zero percent since 2016. Plus, its deposit facility rate is at -0.5%. Monetary space is limited for Eurozone to revive its economy. Fiscal spending is probably the best tool for the European economy at this juncture. Fundamentally, the economy is capable to rebound especially with overall government debt to GDP ratio of Eurozone has been tapering from 93% in 2015 to 87.9% in 2018, according to Eurostat.
- Brent crude oil logged its fourth weekly drop after settling -25.2% lower at USD33.85pb, the biggest weekly drop since the 2008 Global Financial Crisis. During the week, Brent crude oil price fell the most on Thursday by -7.2% to USD33.22pb following the travel restriction by the U.S on travellers from Europe. This compounded the threat from Saudi Arabia to increase oil production, chartering more than 30 crude supertankers to export oil in coming weeks, specifically targeting big refiners of Russian oil in Europe and Asia. However, Brent crude oil price eked out a 1.9% gain on Friday amidst the declaration of a state of emergency by President Trump in response to the Covid-19 pandemic.

Table 1 Weekly performance of major indices		
Weekly % change	Week before	Last week
China CSI 300	5.04	-5.88
Hang Seng	0.06	-8.08
India SENSEX	-1.88	-9.24
KLCI	0.03	-9.33
Dow Jones	1.79	-10.36
Taiwan TAIEX	0.26	-10.54
Jakarta JCI	0.84	-10.75
FSSTI Index	-1.66	-11.04
Korea KOSPI	2.68	-13.17
Phil PCOMP	-0.26	-14.42
Nikkei	-1.86	-15.99
S&P 500	0.61	-16.54
FTSE 100	-1.79	-16.97
Thai SET	1.79	-17.27
CAC 40	-3.22	-19.86
DAX	-2.93	-20.01

Source: Bloomberg

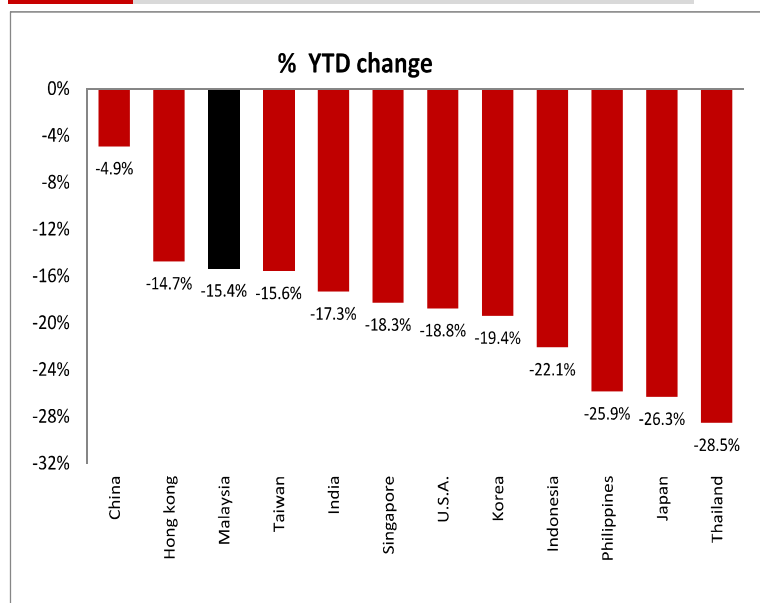
FUND FLOW REPORT

- The FBM KLCI fell the least when compared to its European peers. It declined -9.3% for the week to settle at 1,344.8 points. Similarly, the Ringgit depreciated by 2.5% against the greenback to reach USD/MYR4.2775 during the week.

B. TRACKING MONEY FLOW - ASIA¹

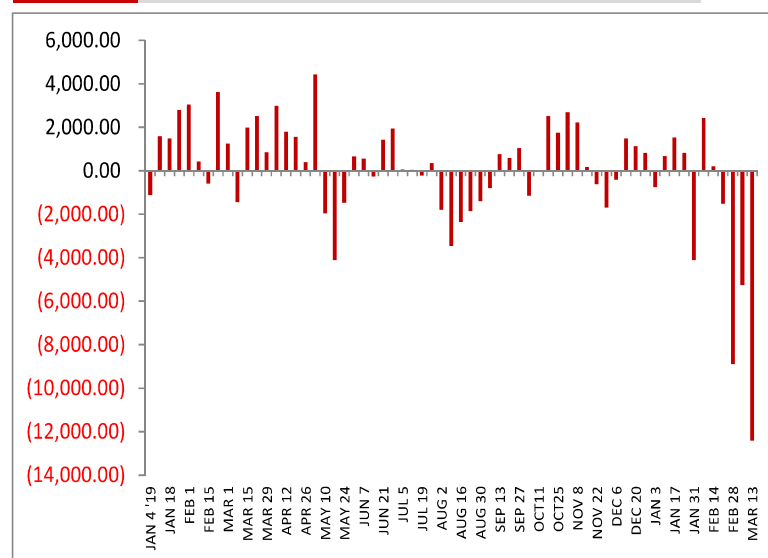
- Asian equities were hammered last week as the Covid-19 pandemic flared up in European countries, resulting in a massive foreign net outflow. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” dumped -USD12.4b net last week compared to the -USD5.27b net disposed in the week before. This was by far the largest weekly foreign net outflow from Asia based on the historical data from 2012. North Asian markets were the main casualties of last week’s sell-off in Asia.
- South Korea continued to see international funds leaving the country for the fifth week running. International investors sold -USD4.24b net of local equities last week compared to -USD1.58b in the preceding week. Foreign investors were net sellers on every day of the week with Monday recording the highest at -USD1.21b. Monday’s massive foreign net outflow came after a fight among major crude-producing nations jolted investors who already were on edge about the surging cost of the Covid-19 outbreak. Meanwhile, international funds sold the least on Thursday at -USD625.0m net despite the main local bourse activating a sidecar for five minutes after the KOSPI index fell by more than 5.0%. In fact, this was the first time in eight years that the South Korean stock exchange halted trading after the World Health Organisation declared the Covid-19 as a pandemic.
- Likewise, the level of foreign net selling in Taiwan almost quadrupled last week, reaching -USD5.1b last week. Foreign net selling occurred on every day of the week with Monday recording the highest at -USD1.82b. Monday’s foreign net outflow was the largest single-day outflow seen since 2008. Amongst the seven Asian markets we track, Taiwan has the largest year-to-date foreign net outflow of -USD11.3b. Despite gloomy global economic outlook, Taiwanese total outbound shipments rose by 21.8%yoy, almost reaching a 10-year high.

Chart 1 Cumulative performance of major markets



Source: Bloomberg

Chart 2 Weekly Net Flow of Foreign Funds into 7 Asian Markets since Jan 2019 (USD'm)

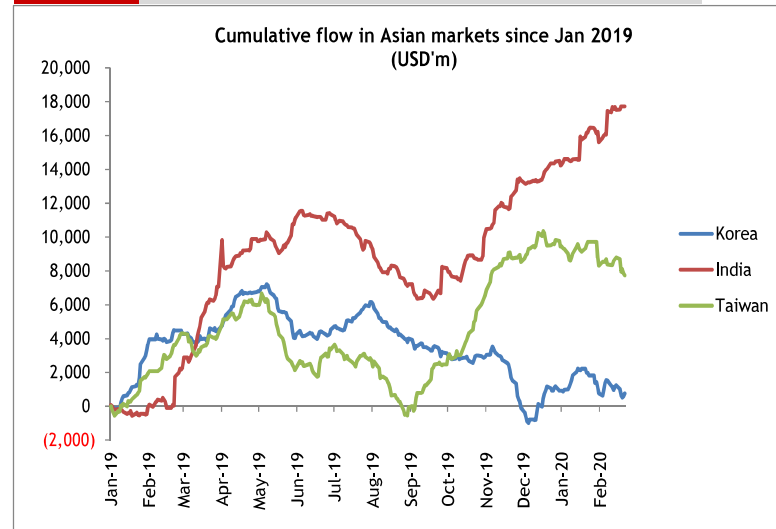


Source: Bloomberg, Bursa Malaysia, MIDFR

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.

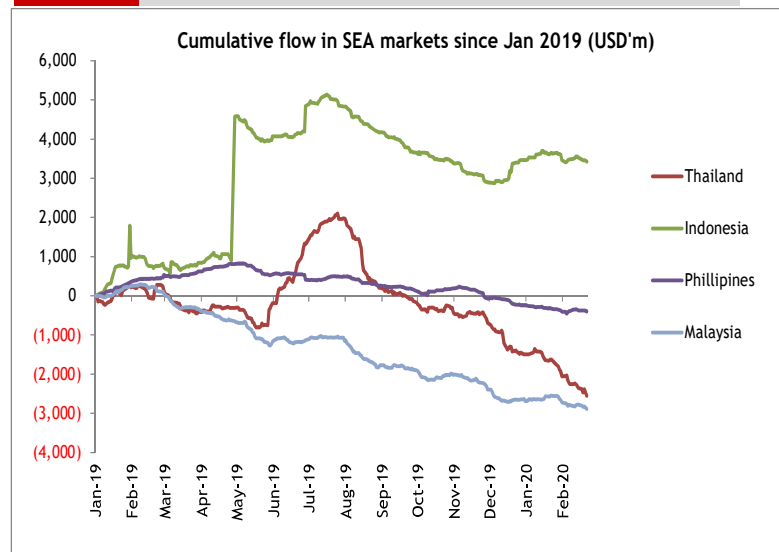
- In emerging South East Asian markets that we monitor, all markets experienced foreign net attrition.
- Thailand saw foreign investors selling -USD783.7m net of local equities last week, the largest weekly foreign net outflow in 30 weeks. Foreign net selling peaked on Friday at -USD240.6m while the local bourse rebounded by 1.3% to 1,128.9 points. In light of the Covid-19 pandemic concerns, Thailand has planned to set up a stock-market stabilization funds in addition to the THB400b stimulus package.
- Manila's foreign net selling activity picked up momentum to reach -USD73.4m last week from -USD49.4m in the week before. Friday saw the highest foreign net selling during the week at -USD32.1m. The foreign net outflow on Friday came despite the 1.0% rebound in the local bourse. The PSEi dipped below the 5,100 mark during the day which triggered the second circuit breaker during the week amidst the Covid-19 pandemic fears. On a year-to-date basis, the Philippines has seen a foreign net outflow of -USD466.0m, the lowest amongst the four ASEAN markets we monitor.
- In contrast with other Asian markets which experienced an increase in foreign net selling, Jakarta saw foreign investors selling local equities at a slower pace of -USD89.7m last week. Foreign net selling peaked on Tuesday at -USD59.9m while Wednesday was the only day which saw a foreign net inflow of USD6.9m as the nation's stock exchange has started suspending trading for 30 minutes if the local bourse falls more than 5.0%. The government of Indonesia has also announced the second stimulus package worth USD1.55b which includes a raft of tax breaks.

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
JAN 24	-396.1	-41.5	-24.1	-32.5	719.3	588.7	7.2	820.9
JAN 31	-1,065.2	-368.7	-171.1	-59.7	-861.5	-1,421.6	-161.3	-4,109.1
FEB 7	762.5	-199.1	10.8	14.5	1,844.2	76.4	-79.6	2,429.7
FEB 14	-273.3	-97.1	52.9	15.9	72.1	415.7	17.1	203.3
FEB 21	-486.6	-199.0	-106.4	-24.5	322.8	-918.2	-107.4	-1,519.3
FEB 28	-3,002.9	-131.7	-297.1	-184.9	-1,824.8	-3,159.9	-299.5	-8,900.9
MAR 6	-1,580.2	-512.9	-123.6	-49.4	-1,469.8	-1,472.6	-283.9	-5,266.1
MAR 13	-4,238.1	-783.7	-89.7	-73.4	-1,663.1	-5,123.0	-450.1	-12,421.1

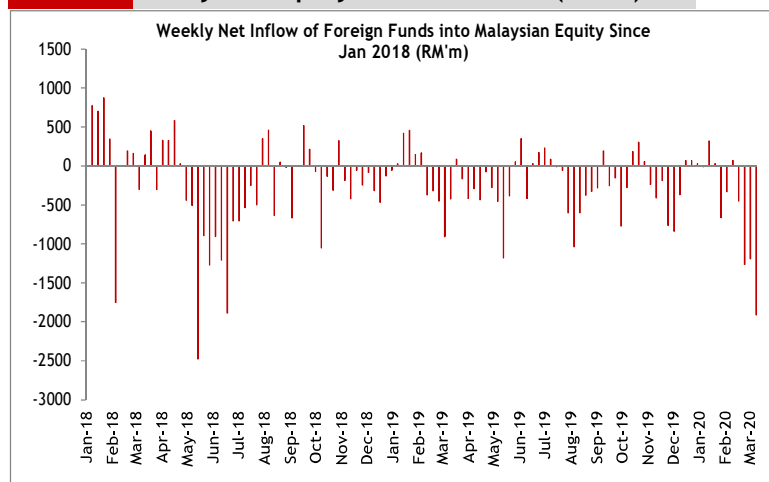
Source: Respective exchange statistics reported on Bloomberg. Bursa Malaysia. These figures are subject to revisions.

FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

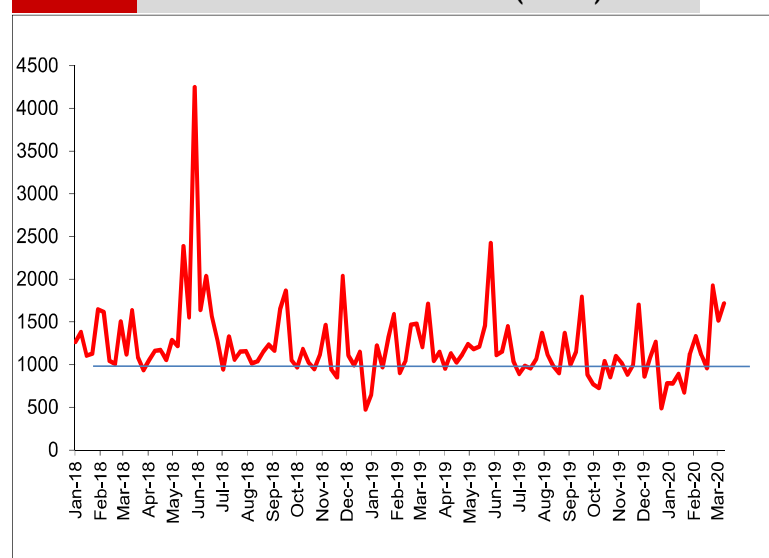
- In tandem with other regional peers, Bursa endured another week of foreign funds outflow. Based on data from Bursa, international investors took out -RM1.91b net of local equities last week.
- Nevertheless, in comparison to its other six Asian peers that we monitor, Malaysia has the second least foreign net outflow when compared on a year-to-date basis. Last week's foreign net selling brings the year-to-date foreign net outflow from Malaysia to -RM5.21b.
- The week started with Bursa seeing a -RM459.9m of foreign net selling on Monday. Monday's sell-off was triggered by the slump in oil price due to Saudi Arabia, Russia and other oil producers failing to agree on cutting output.
- The pace at which foreign investors were selling local equities decelerated to -RM257.0m net on Tuesday. Bargain hunting activity offered some relief to the local bourse which eked out a 0.4% gain on the same day but not enough to lift it beyond the 1,450 territory.
- Foreign net selling gained momentum on Wednesday to reach -RM320.3m despite gains on Wall Street on hopes that the Trump administration will act to cushion the economic pain of the virus outbreak.
- The foreign net outflow continued to increase to -RM375.4m after the World Health Organization declared the coronavirus a "global pandemic" on Thursday.
- Friday the 13th brought wild swings for Bursa as the local stock barometer faced its worst day since 2008, declining by 5.3% to settle at 1,344.8 points. As such, international funds dumped equities listed on Bursa at a tune of -RM482.7m net.
- In terms of participation, the average daily traded value (ADTV) of foreign investors recorded the smallest gain of 13.1% for the week and remained at a healthy level of RM1.72b.

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)	
FEB 7	3,407.8	3,286.2	121.5	6,177.1	5,971.2	205.9	3,163.9	3,491.3	-327.5	-79.6
FEB 14	3,148.0	3,057.1	90.8	5,547.8	5,707.1	-161.3	2,822.8	2,752.3	70.5	17.1
FEB 21	3,049.2	2,876.4	172.9	5,094.8	4,819.8	275.1	2,172.1	2,620.0	-447.9	-107.4
FEB 28	4,747.5	4,035.0	712.5	8,222.1	7,670.6	551.5	4,181.1	5,445.1	-1,264.0	-299.5
MAR 6	3,306.6	3,044.6	262.0	6,003.1	5,076.3	926.9	3,199.3	4,388.2	-1,188.9	-283.9
MAR 13	4,934.7	4,117.8	822.9	9,404.8	8,315.9	1,088.9	3,335.2	5,247.0	-1,911.8	-450.1

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 13 MARCH
TOP 10 NET MONEY INFLOWS

- Malayan Banking Berhad registered the highest net money inflow of RM15.61m last week. Its share price declined -7.29% for the week, outperforming the local bourse which had a -9.33% weekly drop. Nonetheless, it is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.
- IOI Corp Berhad recorded the second highest net money inflow of RM6.15m. Its share price was -11.78% higher, underperforming the local bourse which had a -9.33% weekly loss.
- Top Glove Corporation Berhad saw the third highest net money inflow of RM4.68m. Its share price was 4.00% higher during the week, outperforming the local bourse which was 9.33% lower.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
MAYBANK	15.61	1.46	-7.29	BOW
IOI CORP	6.15	-0.31	-11.78	BOW
TOP GLOVE	4.68	0.60	4.00	-
PUBLIC BANK	3.57	10.23	-11.31	BOW
MISC BHD	3.26	1.71	0.00	-
PPB GROUP	2.98	-0.42	-9.24	BOW
GENTING MSIA	2.85	12.83	-7.46	BOW
AMMB HOLDINGS	2.31	-0.47	-14.36	BOW
AXIATA GROUP	2.28	-1.62	-2.50	BOW
IHH	2.14	3.81	-6.43	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 second largest net money outflow of -5.06m last week. Its stock price was -23.66% lower for the week, underperforming vis-à-vis the FBM KLCI which declined -9.33% during the review week.
- Hartalega Holdings Berhad recorded the third largest net money outflow -RM3.47m during the week under review. Its share price was -5.31% lower during the week, outperforming the market benchmark which had a -9.33% weekly drop.
- Tenaga Nasional Berhad registered the third largest net money outflow of -RM3.00m in the review week. Its share price was -6.19% lower during the week under review, outperforming the local benchmark which was -9.33% 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	-5.06	-0.22	-23.66	-
HARTALEGA	-3.47	1.46	-5.31	-
TNB	-3.00	-3.15	-6.19	-
MMC CORP	-2.70	0.07	-22.75	-
IGB REIT	-2.51	-0.68	-5.13	-
YINSON	-2.47	-3.82	-18.69	-
BURSA	-2.19	-0.19	-4.99	-
ALLIANCE	-1.61	0.14	-15.77	-
SCIENTEX	-1.43	-0.30	-5.56	-

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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