

MIDF EQUITY STRATEGY | 17 SEPTEMBER 2019 WEEK ENDED 13 SEPTEMBER 2019

- Majority of equity markets worldwide remained in the black last week following further positive political developments in regard to the trade dispute between the U.S and China.
- Brent crude oil price inched 1.8% higher for the week after settling at USD61.54pb, marking its fourth straight week of gains. The movement in Brent crude oil price was supported by the second weekly drop in U.S crude stockpiles and a promised restart of trade talks also faced off with an impending seasonal decline in oil demand.
- The six-week foreign net selling streak in Asian markets came to an end as international funds marked a modest return. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” accumulated USD822.1m net last week.
- After eight straight weeks of foreign net selling on Bursa, international funds finally made their way back to Malaysia at a commendable pace. Based on data from Bursa, foreign investors mopped up RM192.1m net of local equities last week. So far in 2019, there has been 13 weeks of foreign net buying.
- The FBM KLCI declined by 0.2% for the week after closing at 1,601.3 points on Friday. In contrast, the Ringgit appreciated by 0.3% against the greenback as it settled at USD/MYR4.1652.

17 September 2019 | Strategy - Weekly Fund Flow

Adam M Rahim

FOREIGN INVESTORS MAKE A COMEBACK TO ASIA

A. MARKET SNAPSHOT

- Majority of equity markets worldwide remained in the black last week following further positive political developments in regard to the trade dispute between the U.S and China.
- Inflationary pressure in the U.S remains at stable condition as headline CPI at 1.7% while core CPI hit a 1-year high of 2.4% in August 2019. Core PCE inflation which mostly referred by the Fed remains below the 2% target since December 2018. The steady pick-up in core CPI does not deter the Fed to consider for another rate cut given that other key macro indicators are hinting economic slowdown.
- In Asia, China's credit growth had a faster-than-expected recovery in August 2019 following a decline in July 2019. This indicates more traction in policy efforts to channel funds to companies. Aggregate financing was RMB1.98t last month, compared to about RMB1.01t yuan in the month before according to the People's Bank of China. In terms of offerings by financial institutions, there were RMB1.20t worth of new loans given. August's credit growth is usually faster than in July, with the increase in 2019 outpacing the average expansion in the past few years. Meanwhile, entrusted loans, organized by a bank between borrowers and lenders, fell by RMB51.3b and trust loans, made by trust companies to finance infrastructure and real estate, decreased by RMB65.8b.
- The inflation rate in Germany eased to 1.4%yoy in Aug 2019 from 1.7%yoy in July 2019, the lowest since May 2019, whereas the core inflation rate has also slowed to a three-month low of 1.4%yoy in August 2019 from 1.6%yoy in Jul 2019. Most of the goods' inflation rate has been softening, but one of the highest weightage contributor in the CPI, which is foods and non-alcoholic Beverages (F&B) have been increasing consistently. Since Germany is the biggest contributor to the EU economy, this may give some cues on what to expect on European Union inflation rate which will be reported this week. Nevertheless, the inflation rate remained far from 2% target set by ECB. Due to the softening inflation and weak economic growth, ECB decided to cut the deposit interest rate by 10bps to -0.5% while leaving the refinancing operations rate unchanged.
- Brent crude oil price snapped its four-week winning streak as it ended 2.1% lower for the week after settling at USD60.22pb, marking the biggest weekly drop since July. The weakness in Brent crude oil price came from supply concerns as the International Energy Agency highlighted the challenge facing OPEC and its allies in balancing the market as production surges from their competitors. Over the weekend, an oilfield operated by Saudi Aramco in Saudi Arabia was attacked by a swarm of explosive drones, cutting the kingdom's oil production in half.

Table 1 Weekly performance of major indices		
Weekly % change	Week before	Last week
Nikkei	2.39	3.72
Hang Seng	3.76	2.48
DAX	2.11	2.27
FSSTI Index	1.22	2.13
Korea KOSPI	2.10	1.99
Dow Jones	1.49	1.58
FTSE 100	1.04	1.17
India SENSEX	-0.94	1.09
S&P 500	1.79	0.96
CAC 40	2.25	0.92
Phil PCOMP	-0.58	0.74
China CSI 300	3.92	0.60
Taiwan TAIEX	1.53	0.44
Jakarta JCI	-0.31	0.41
KLCI	-0.48	-0.20
Thai SET	0.91	-0.49

Source: Bloomberg

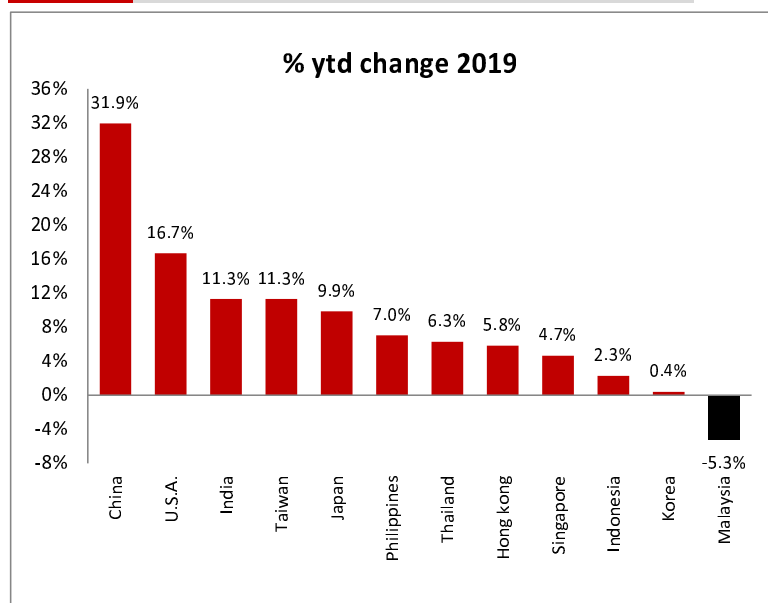
FUND FLOW REPORT

- The FBM KLCI declined by 0.2% for the week after closing at 1,601.3 points on Friday. In contrast, the Ringgit appreciated by 0.3% against the greenback as it settled at USD/MYR4.1652.

B. TRACKING MONEY FLOW - ASIA¹

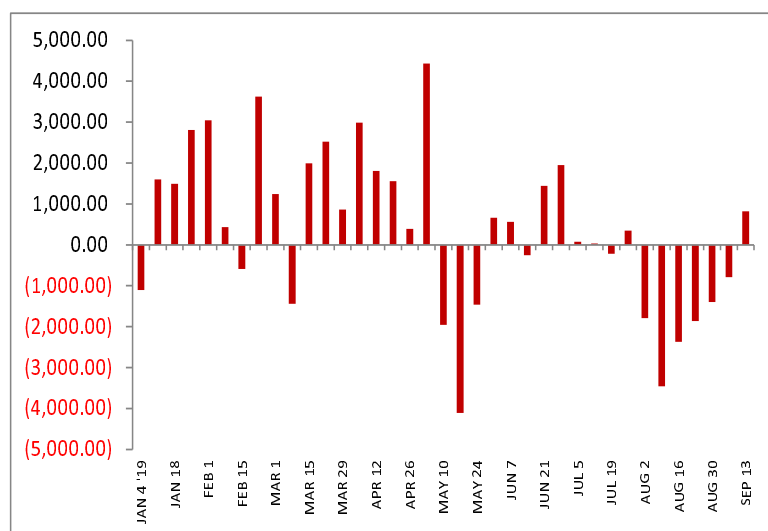
- The six-week foreign net selling streak in Asian markets came to an end as international funds marked a modest return. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” accumulated USD822.1m net last week.
- In South Korea, a huge drop was observed in terms of foreign net selling activity during the three-day trading week. International funds only sold USD67.4m net of local equities compared to the USD439.4m net offloaded in the previous week. Foreign net selling was the highest during the week on Friday at -USD212.7m net, a day before the Chuseok festival begins. The heightened foreign net outflow was attributable to the World Trade Organisation’s ruling for the second time that the nation’s anti-dumping duties on Japanese pneumatic valves violated international trade rules. Nevertheless, this was partially mitigated by the high foreign net inflow of USD151.0m net seen on Monday
- On the other hand, Taiwan recorded one of the highest weekly foreign net inflow amounting to USD452.3m net. International funds were net buyers on every single day of the week, extending the daily foreign net buying spree to seven days, the longest since February 2019. It was notable that the pace of foreign investors entering the local market gradually increased from USD3.6m net on Monday to USD219.3m net on Thursday before markets were closed on Friday for the mid-autumn festival. The heavy foreign net buying on Friday was partially due to President Trump’s statement on delaying tariffs on Chinese goods. The local bourse followed suit to close 0.3% higher to settle at 10,827.6 points, a level not seen since late July 2019. On the macroeconomic front, Taiwan’s trade surplus widened to USD5.98b in August 2019 as exports grew at 10-month high at +2.6%yoy while imports continued to be in a negative territory contracting by -2.7%yoy.

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)

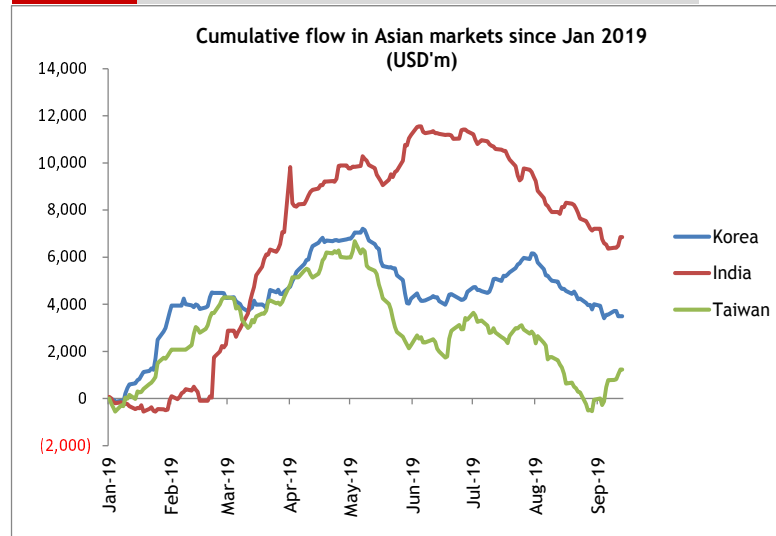


Source: Bloomberg, Bursa Malaysia, MIDFR

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.

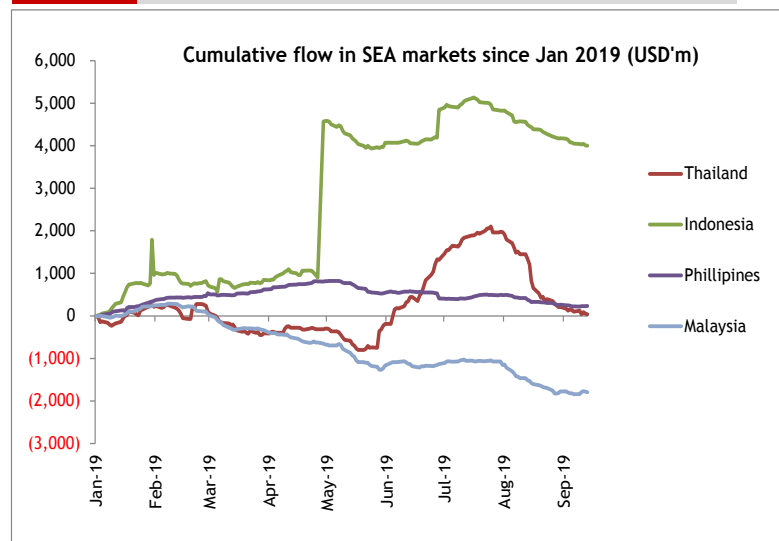
- In emerging South East Asian markets that we monitor, half were experiencing outflows while the other half recorded inflows for the week.
- Foreign net selling activity declined for the third week running to be below USD100m at USD57.7m net last week. This is the lowest weekly foreign net outflow in 19 weeks. Foreign net selling occurred on two days of the week with Tuesday recording the highest at USD86.1m net as investors retreated to the sidelines. Nevertheless it gradually declined until the week ended.
- In Manila, the five-week foreign net selling streak was snapped as international funds bought USD8.0m net of local equities last week. Foreign investors bought the most on Tuesday at USD11.7m net. In fact, this was the highest daily foreign net inflow observed in more than seven weeks as Steven Mnuchin cited that a lot of progress had been made for the trade talks with Beijing. In addition, the risk of a hard remained limited with U.K. Prime Minister Boris Johnson promising to work for a deal with the European Union.
- Jakarta marked its ninth straight week of foreign net outflow, the longest since the 16-day foreign net selling streak observed from February to May 2018. Foreign net selling peaked on Thursday at USD35.5m net. Risk-on mood was spurred by Beijing's and the United States' goodwill gestures of removing items from tariff list and postponing extra tariffs on Chinese goods respectively. On a separate note, despite signs of a potential economic slowdown, retail sales in Indonesia grew 2.4% in July after a 1.8% decline a month earlier, a central bank survey showed on Tuesday. Retail sales were mainly backed by the sales of automotive spare parts and accessories as well as food, beverages, and tobacco.

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)

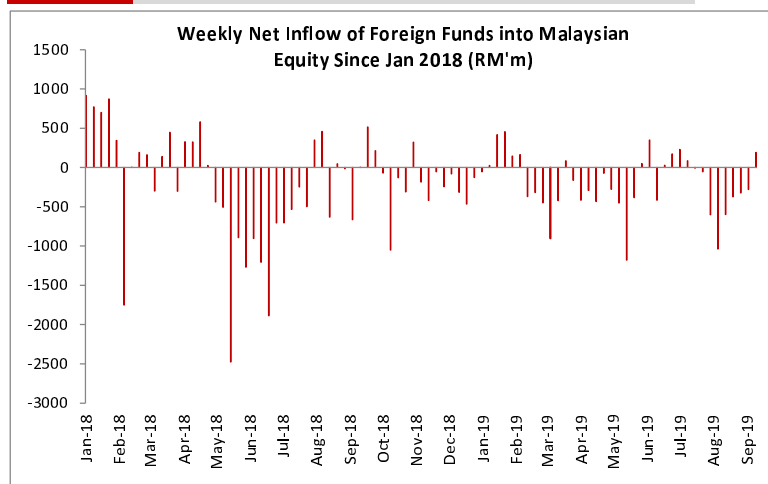
WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
JUL 26	613.6	29.5	-171.7	-0.4	-373.3	260.4	-13.0	-345.2
AUG 2	-191.5	-163.2	-65.7	5.7	-950.7	-278.8	-145.2	-1,789.4
AUG 9	-782.0	-349.7	-214.1	-75.6	-900.5	-884.3	-247.6	-3,453.9
AUG 16	-428.3	-790.4	-185.6	-86.6	391.1	-1,124.0	-142.7	-2,366.5
AUG 23	-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	-57.7	-47.3	8.0	488.1	452.3	46.0	822.1

FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

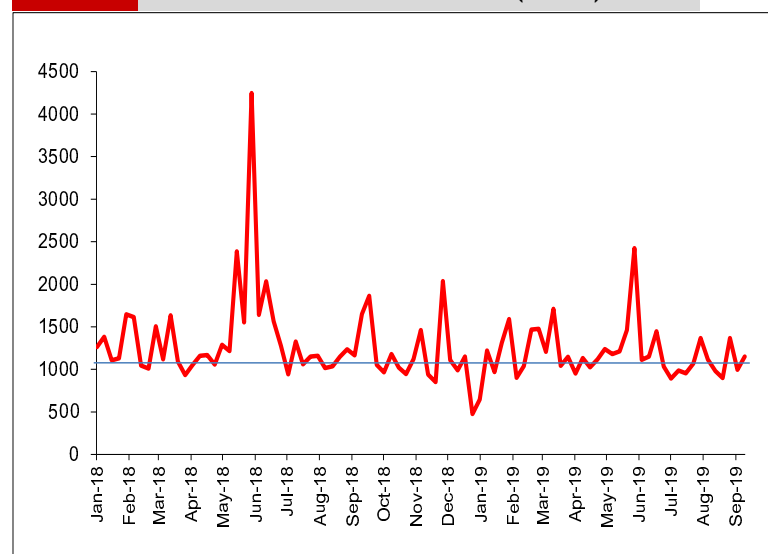
- After eight straight weeks of foreign net selling on Bursa, international funds finally made their way back to Malaysia at a commendable pace. Based on data from Bursa, foreign investors mopped up RM192.1m net of local equities last week. So far in 2019, there has been 13 weeks of foreign net buying.
- Bursa had a solid start to the week after a three-day weekend as international funds flocked into the Malaysian market, buying RM197.3m net on Tuesday. This is the highest foreign net inflow seen in a day since early June 2019, cheered by a rally on Wall Street amidst signs of progress in relation to trade talks between the U.S and China.
- Foreign investors continued to snap up local equities on Wednesday but at a slower pace of RM99.7m net. This was in conformity with other markets under our coverage such as Thailand, Indonesia, the Philippines, India and Taiwan. Optimism was stoked by China's move to exempt 16 types of products originating from the U.S from additional retaliatory tariffs effective on September 17 with a one year validity period.
- Nevertheless, offshore investors took a breather on Thursday, disposing RM49.9m net of local equities. President Trump's postponement of the 5% of extra tariffs on Chinese goods by two weeks was overshadowed by Bank Negara Malaysia's decision to keep the overnight policy rate (OPR) unchanged at 3.0%.
- Foreign net selling activity continued on Friday at a slightly faster pace of RM55.0m despite the aggressive move by the European Central Bank to cut interest rates further below zero.
- For the month of September, international investors have thus far sold -RM86.5m net, the lowest amongst the seven Asian markets we monitor. On a year-to-date basis, international funds have taken out -RM7.43b worth of local equities from Bursa.
- In terms of participation, foreign investors experienced the largest weekly gain of 15.6% in the average daily traded value (ADTV) to breach the RM1.0b mark at RM1.15b.

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)	
AUG 9	2,614.7	2,297.0	317.8	5,219.9	4,501.6	718.4	2,269.5	3,305.6	-1,036.2	-247.6
AUG 16	1,555.8	1,383.3	172.6	3,416.4	2,990.8	425.6	1,665.3	2,263.5	-598.1	-142.7
AUG 23	2,059.8	2,019.3	40.5	4,323.7	3,991.4	332.3	2,061.0	2,433.8	-372.8	-89.2
AUG 30	2,163.8	2,097.8	66.0	4,223.8	3,965.3	258.5	3,259.7	3,584.2	-324.5	-77.2
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	1,416.7	1,378.2	38.5	3,134.6	3,365.2	-230.7	2,398.4	2,206.3	192.1	46.0

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 13 SEPTEMBER
TOP 10 NET MONEY INFLOWS

- Malayan Banking Berhad registered the highest net money inflow of RM5.01m last week. Its share price advanced 1.71% for the week, outperforming the local bourse which had a -0.20% weekly loss.
- Petronas Chemicals Group Berhad recorded the second highest net money inflow of RM4.57m. Its share price ended 5.86% higher for the week, outperforming the benchmark which was -0.20% lower during the week under review.
- Nestle (Malaysia) Berhad saw the third highest net money inflow of RM3.75m. Its share price ended 0.48% higher during the week under review, outperforming the local bourse which was -0.20% lower.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
MAYBANK	5.01	6.30	1.71	-
PETCHEM	4.57	-8.96	5.86	-
NESTLE	3.75	0.47	0.48	-
QL RESOURCES	3.69	-7.53	1.68	-
TNB	3.53	-4.28	-0.29	BOW
GENTING BHD	3.19	6.02	-0.51	BOW
MAHB	3.02	-0.06	0.12	-
IHH	2.95	3.74	-2.41	BOW
YINSON	2.86	0.66	-0.88	BOW
CIMB GROUP	2.85	-1.63	-0.20	BOW

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- AirAsia Group Berhad saw the largest net money outflow of -RM5.89m last week. Its stock price was -0.55% lower for the week, underperforming vis-à-vis the FBM KLCI which declined -0.20% during the review week.
- Axiata Group Berhad recorded the second largest net money outflow -RM5.43m during the week under review. Its share price was -12.50% lower during the week, substantially underperforming the market benchmark which had a -0.20% weekly loss.
- KLCCP Stapled Group registered the third largest net money outflow of -RM4.76m in the review week. Its share price was 1.74% higher for the week, substantially outperforming the local benchmark which was -0.20% lower for the week. It is notable that the net money outflow amidst advancing share price may indicate a sell on strength (SOS) stance among some investors.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
AAGB	-5.89	2.21	-0.55	-
AXIATA	-5.43	-2.04	-12.50	-
SIME DARBY	-4.76	-2.63	1.74	SOS
INARI	-2.79	0.69	3.57	SOS
PPB GROUP	-1.54	0.72	0.76	SOS
MISC	-1.33	-1.10	-0.13	-
MY EG	-1.10	-0.24	2.82	SOS
BUMI ARMADA	-1.03	-0.66	19.61	SOS
DRB-HICOM	-0.99	-1.01	1.22	SOS
CARLSBERG	-0.97	0.05	-2.00	-

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

DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (23878-X). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein

This document may not be reproduced, distributed or published in any form or for any purpose.



MIDF RESEARCH is part of
MIDF Amanah Investment Bank Berhad (23878 - X)
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Business Address:
11th Floor, Menara MIDF,
82, Jalan Raja Chulan, 50200
Kuala Lumpur.
Tel: 2173 8888
Fax: 2173 8380