

MIDF EQUITY STRATEGY | 17 FEBRUARY 2020 WEEK ENDED 14 FEBRUARY 2020

- Global markets ended the week mixed amidst the latest surge in Covid-19 cases following the revision in China after the method for counting infections was revised.
- Brent crude oil advanced 5.2% for the week to settle at USD57.32pb, snapping the five-week losing streak. The support came from amid reports that China's smaller, independent refineries were buying some crude amid the perceived crash in Chinese energy consumption from the Covid-19 outbreak.
- International investors continued to show interest in Asian markets as they bought Asian equities for the second week but at a smaller quantum. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" acquired USD363.1m net last week compared to the USD2.43b net accumulated in the week before.
- International funds entered Bursa at a moderate pace last week. Based on data from Bursa, international investors mopped up RM70.3m net of local equities last week, snapping the foreign net selling seen in the previous two weeks.
- The FBM KLCI was back in the red after declining 0.7% for the week to settle at 1,544.5 points. On the other hand the Ringgit appreciated by less than 1% against the greenback to reach USD/MYR4.1380 during the week.

FOREIGN FUNDS ENTERED ASIA BUT AT A SLOWER PACE

A. MARKET SNAPSHOT

- Global markets ended the week mixed amidst the latest surge in Covid-19 cases following the revision in in China after the method for counting infections was revised.
- Trump administration's budget proposal of USD4.8t for the upcoming fiscal year is mainly about big domestic cuts. Among others, State Department's budget would be slashed by 22%, subsidy cuts for the farmers amounted to USD36.0b, food stamp cuts, reduction in medical aids and elimination of student loan help. This is contradicting with Trump's democratic rivals for this upcoming election who proposed expansion in most of these areas. Trump's focuses are more on immigration issues as reflected by proposal of additional fund for border wall and developing state-of-the-art weapons.
- China's annual inflation rate in Jan-20 hits more than an 8-year high of 5.4%, from 4.5% in Dec-19, also higher than the forecast of 4.9%. The rise in inflation rate was due to the increase in the cost of food (18.4%yoy from 14.5%yoy in Dec-19), fresh vegetables (12.8%yoy from 6.3%yoy), fresh fruits (-10.3%yoy from -15.9%yoy), meat and poultry (76.3%yoy from 65.1%yoy) and communication (2.2%yoy from 0%yoy). The food inflation was the highest since April-08 caused by the surge in the price of pork due to the spread of swine fever which eventually increased the cost of alternative foodstuff. In the near term, risks to the inflation outlook are tilted to the upside induced by the current outbreak of Covid-19. However, inflation rate is expected to stabilize by the end of 2020 alongside the expectation on slowing down of the risks affecting the Chinese economy.
- Euro area industrial production plunged -4.1%yoy in Dec-19, the hardest fall in a year which matches the drop in Dec-18, the biggest since the GFC. Manufacturing production contracted by -4.5%yoy, the lowest since Dec-09. In addition, output of mining & quarrying and utilities declined by -8.4%yoy and -0.3%yoy respectively. Intermediate and capital goods production contracted by -5.5%yoy (the lowest since Nov-12) and -6.7%yoy (the lowest since Dec-12) respectively. On a monthly basis, industrial output declined by -2.1%mom, the biggest fall since Feb-16. For full year 2019, production plummeted -to 7-year low of -1.7%yoy.
- Brent crude oil advanced 5.2% for the week to settle at USD57.32pb, snapping the five-week losing streak. The support came from amid reports that China's smaller, independent refineries were buying some crude amid the perceived crash in Chinese energy consumption from the Covid-19 outbreak. Also propping the market was speculation that Russia will agree in the end to contribute to OPEC's proposed cut of 600,000 barrels per day or more to lift prices.

Table 1 Weekly performance of major indices		
Weekly % change	Week before	Last week
China CSI 300	-2.60	2.25
Taiwan TAIEX	1.02	1.75
DAX	4.10	1.70
S&P 500	3.17	1.58
Hang Seng	4.15	1.50
Korea KOSPI	4.39	1.43
FSSTI Index	0.88	1.21
Dow Jones	3.00	1.02
CAC 40	3.85	0.66
India SENSEX	1.03	0.28
Thai SET	1.39	-0.58
Nikkei	2.68	-0.59
KLCI	1.53	-0.65
FTSE 100	2.48	-0.77
Jakarta JCI	1.00	-2.21
Phil PCOMP	4.26	-3.00

Source: Bloomberg

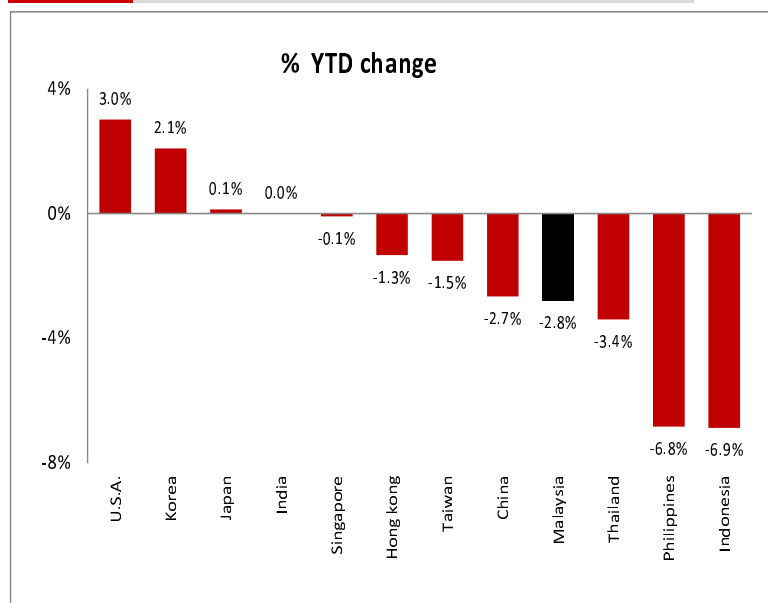
FUND FLOW REPORT

- The FBM KLCI was back in the red after declining 0.7% for the week to settle at 1,544.5 points. On the other hand the Ringgit appreciated by less than 1% against the greenback to reach USD/MYR4.1380 during the week.

B. TRACKING MONEY FLOW - ASIA¹

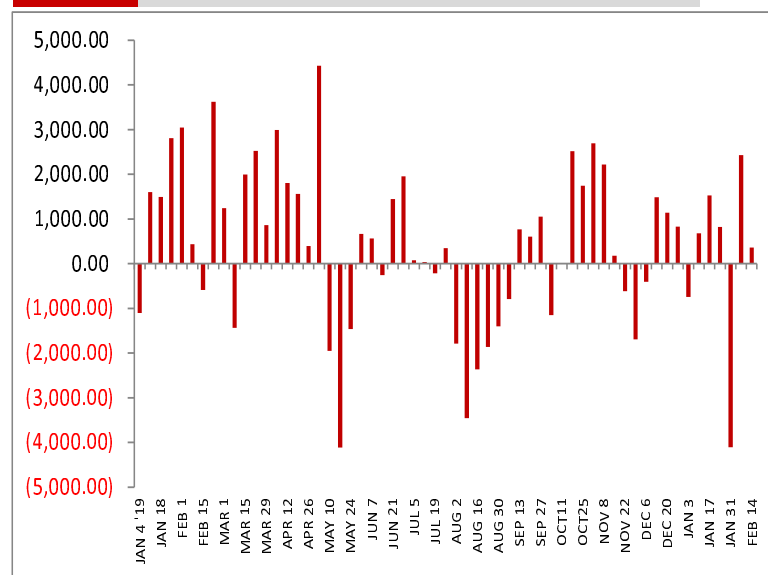
- International investors continued to show interest in Asian markets as they bought Asian equities for the second week but at a smaller quantum. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” acquired USD363.1m net last week compared to the USD2.43b net accumulated in the week before.
- South Korea recorded a foreign net outflow of -USD273.3m net last week. The local bourse had a rough start to the week as international funds offloaded -USD301.2m net on Monday, the largest foreign net outflow during the week. This coincided with the KOSPI's -0.5% drop to settle at a three-day low of 2,201.1 points on the same day. Investors retreated to the sidelines as they weighed the reopening of a number of factories in China against the rising death toll from the Covid-19 outbreak which has reached almost 1,000 at that point of time. Meanwhile, international funds bought the most during the week on Thursday at USD180.5m net despite the surge in Covid-19 cases in China in focus, after a recent trend showing the rate of infection was stabilizing.
- In Taiwan, the level of foreign net buying surged by more than five times to USD415.7m net last week. International investors were net buyers on every day of the week except on Monday which saw a foreign net outflow of -USD36.8m net. Foreign net buying meanwhile peaked on Wednesday at USD250.8m net, which was also the highest since 13 January 2020. The optimism on Wednesday came from President Xi Jinping's vow that China would meet its economic goals while winning the battle against the deadly Covid-19. In addition, there was news that the rate of new infection of the coronavirus had been declining. On a year-to-date basis, Taiwan has recorded a foreign net outflow of -USD651.1m net in 2020, the second largest foreign net attrition amongst the seven Asian markets we monitor.

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)

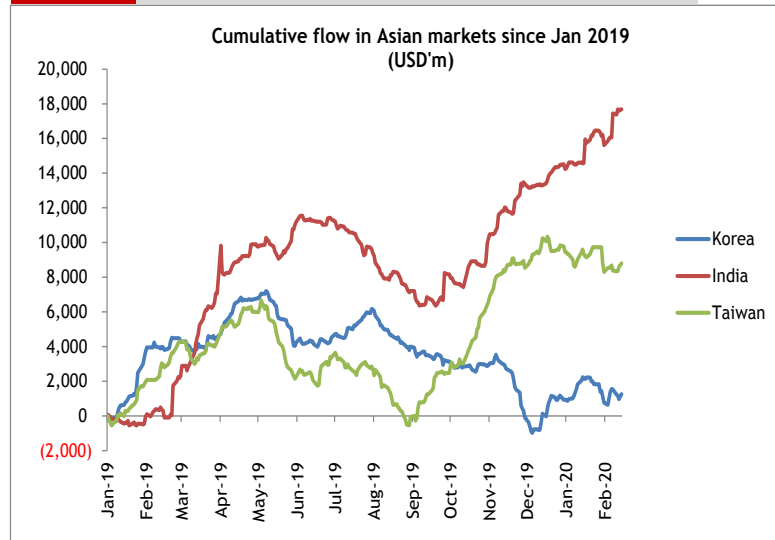


Source: Bloomberg, Bursa Malaysia, MIDFR

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.

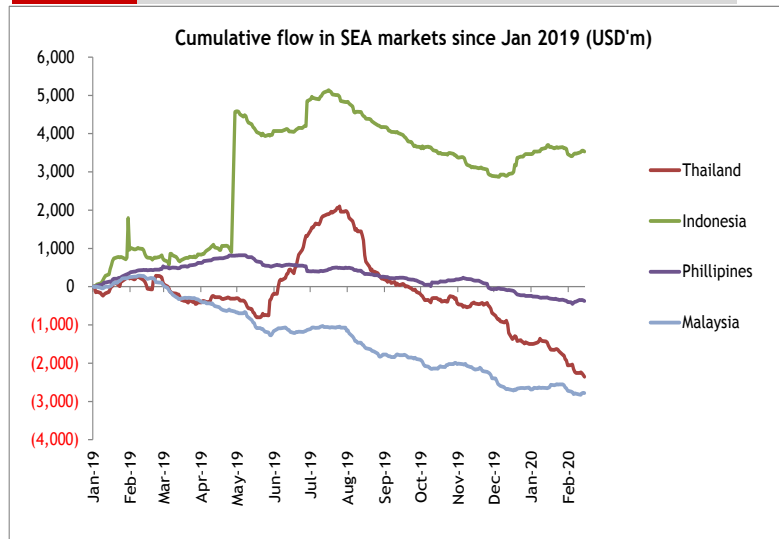
- In emerging South East Asian markets that we monitor, more than half recorded a foreign net inflow during the week.
- The pace at which foreign investors were selling local equities in Thailand continued to slowdown to reach -USD97.2m net during the holiday-shortened week but marked the fifth straight week of foreign net outflows. Foreign net selling occurred from Wednesday to Thursday with Friday recording the highest at -USD50.7m net, tracking the 86.6% fall in Chinese tourists from February 1-9. In contrast, Tuesday recorded a foreign net inflow of USD17.5m as investors appeared to shrug off concern over the Covid-19 after U.S. stocks hit a record high.
- Manila saw foreign investors entering for the second week at a rather unchanged pace of USD15.9m net. The week started well for Manila as foreign investors mopped up USD40.3m net on Monday, bucking the regional trend which saw a sizeable foreign net selling. International funds on the other hand sold -USD17.1m net of local equities on Friday, the highest foreign net outflow during the week. On the macro front, the Philippines' trade deficit in December 2019 decreased by -4.1%yoy due to the +21.4%yoy growth in exports while imports decreased by -7.6%yoy.
- In Jakarta, foreign net buying accelerated by nearly five times to reach USD52.9m net last week, the highest in five weeks. International investors were buying local equities from Monday to Thursday. Similar to the Philippines, foreign net buying peaked during the week on Monday but at a lower level of USD24.1m net. Foreign net outflow was only observed on Friday at a tune of -USD26.2m net as amidst the surge in Covid-19 cases after a adopting a new diagnosis methodology.

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
DEC 27	14.6	-29.5	97.7	-37.2	438.3	323.7	16.9	824.5
JAN 3	-200.6	-39.3	68.1	-19.9	-34.8	-522.3	6.9	-741.9
JAN 10	854.6	69.0	72.8	-24.5	-21.4	-271.2	-2.6	676.7
JAN 17	390.1	-225.6	55.7	-27.6	1,151.8	102.5	79.1	1,526.0
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	-97.2	52.9	15.9	232.1	415.7	17.1	363.1

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

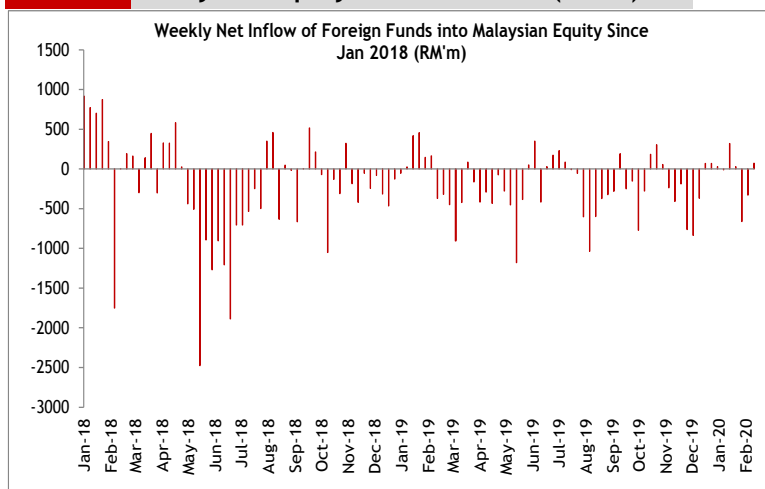
FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

- International funds entered Bursa at a moderate pace last week. Based on data from Bursa, international investors mopped up RM70.3m net of local equities last week, snapping the foreign net selling seen in the previous two weeks.
- In the beginning of last week, Bursa saw a foreign net outflow of -RM93.0m net on Monday which pulled the local bourse down by -0.8%. Offshore investors weighed on how fast China can resume factory operations in light of the rising death toll from the Covid-19 outbreak.
- The level of foreign net selling later dropped to just -RM15.0m on Tuesday after the S&P500 and Nasdaq Composite index climbed to a record high as stronger-than-expected corporate earnings and employment data.
- Tables were turned on Wednesday as offshore investors snapped up RM144.3m net of local equities, the largest in a day since in more than a month. The foreign net inflow came amidst speculation that the spread of the Covid-19 will slow, offsetting the news of Malaysia's 2019 GDP growth being the lowest since the global financial crisis.
- Foreign net buying continued on Thursday but at a slower momentum of RM44.2m. The smaller foreign net inflow was partly attributable to the surge in new Covid-19 cases in China after the method for counting infections was revised.
- Nevertheless, the foreign net buying was short-lived as foreign investors sold -RM10.2m net on Friday amidst jitters from the increasing number of Covid-19 cases which may derail global economic growth.
- The month of February has so far seen a foreign net outflow of -RM256.9m. Meanwhile the foreign net outflow from Malaysia on a year-to-date basis stands at -RM395.2m, the smallest amongst the seven Asian markets under our coverage.
- In terms of participation, the average daily traded value (ADTV) of foreign investors declined the most by -16.2% for the week but still remained at a healthy level of above RM1b.

Chart 5

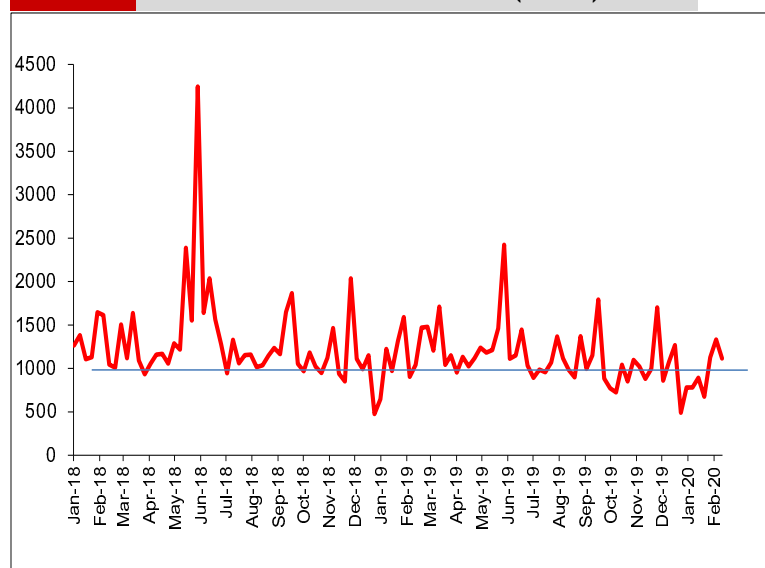
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2018 (RM'm)



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)	
JAN 10	2,832.9	2,849.6	-16.7	4,373.2	4,345.6	27.6	1,942.5	1,953.4	-10.9	-2.6
JAN 17	2,582.7	2,494.0	88.7	4,296.5	4,706.1	-409.6	2,390.7	2,069.8	320.9	79.1
JAN 24	2,635.7	2,579.4	56.2	4,972.3	5,058.0	-85.7	1,701.3	1,671.9	29.4	7.2
JAN 31	3,019.6	2,738.4	281.3	6,107.4	5,729.0	378.3	1,925.4	2,585.1	-659.6	-161.3
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	3,146.3	3,055.4	90.9	5,547.4	5,708.9	-161.5	2,822.8	2,752.3	70.5	17.1

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 14 FEBRUARY
TOP 10 NET MONEY INFLOWS

- Tenaga Nasional Berhad saw the highest net money inflow of RM9.45m. Its share price was -0.47% lower during the week, outperforming the local bourse which was -0.65% lower.
- MISC Berhad registered the second highest net money inflow of RM8.56m last week. Its share price declined -1.22% for the week, underperforming the local bourse which had a -0.65% weekly drop.
- Malayan Banking Berhad recorded the second highest net money inflow of RM7.56m. Its share price was -0.47% lower, outperforming the local bourse which had a -0.65% 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.

TOP 10 NET MONEY OUTFLOWS

- Hartalega Holdings Berhad registered the third largest net money outflow of -RM8.46m in the review week. Its share price was 6.38% higher during the week under review, outperforming the local benchmark which was -0.65% lower for the week.
- Top Glove Corporation Berhad saw the second largest net money outflow of -6.68m last week. Its stock price was 3.36% higher for the week, outperforming vis-à-vis the FBM KLCI which loss -0.65% 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.
- AirAsia Group Berhad recorded the third largest net money outflow -RM4.01m during the week under review. Its share price was -8.40% lower during the week, underperforming the market benchmark which had a -0.65% weekly decline.


Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
TNB	9.45	-2.17	-0.47	BOW
MISC	8.56	6.30	-1.22	BOW
MAYBANK	7.56	-5.22	-0.47	BOW
MY EG SERVICES	6.37	3.74	19.13	-
PUBLIC BANK	6.08	-19.95	-3.93	BOW
CARLSBERG	4.73	0.87	8.04	-
KLCCP STAPLED	4.61	-1.10	3.32	-
IGB REIT	2.93	-0.73	3.65	-
GENTING	2.77	-1.65	1.11	-
VITROX CORP	2.02	0.18	-3.35	BOW

Source: Bloomberg, MIDFR;

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

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
HARTALEGA	-8.46	-8.38	6.38	SOS
TOP GLOVE	-6.68	2.10	3.36	SOS
AIRASIA	-4.01	-4.93	-8.40	-
YINSON	-2.65	-0.44	10.24	SOS
SERBA DINMK	-2.54	-0.62	4.74	SOS
KOSSAN	-2.11	-7.62	4.95	SOS
GAMUDA	-1.95	0.82	2.76	SOS
HONG LEONG	-1.77	-23.79	-6.34	-
RHB BANK	-1.56	1.13	-0.70	-

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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