

MIDF EQUITY STRATEGY | 17 JUNE 2019

WEEK ENDED 14 JUNE

- Majority equity markets worldwide ended the week in the green zone with China's CSI300 leading gainers despite the slowdown in industrial output.
- Brent crude oil price marked its fourth consecutive week of losses after ending -2.0% lower for the week at USD62.01pb. The movement of Brent crude oil price was on a downtrend on the first three days of the week, hitting a five-month low of USD59.97pb on Wednesday. A recovery was then observed on the next two days where the Brent crude oil price jumped 3.4% during that period following an attack on two oil tankers in the Gulf of Oman which stoked fears of a new series of geopolitical tensions between the U.S and Iran.
- After two weeks of buying activity, international funds took out some equities from the Asian markets albeit at a manageable pace. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" sold -USD245.3m net last week compared to USD563.7m net bought in the week before.
- Offshore investors were back in selling mode on Bursa last week. Based on data from Bursa, foreign funds dumped -RM415.3m net of local equities last week, cancelling off the RM350.0m net acquired in the preceding week.
- The FBM KLCI was marginally lower by 0.7% for the week after settling at 1,639 points on Friday, the lowest close since 30 May 2019. Likewise, the Ringgit depreciated by 0.2% against the greenback to settle at USD/MYR4.1658.

GEOPOLITICAL TENSIONS RETURN TO INVESTORS' MINDS

A. MARKET SNAPSHOT

- Majority equity markets worldwide ended the week in the green zone with China's CSI300 leading gainers despite the slowdown in industrial output.
- All three major U.S benchmarks gained marginally for the week by just less than 1.0% amidst President Trump's threat to impose levies on USD300b worth of additional Chinese products if President Xi Jinping does not attend the G-20 Summit later this month. Moreover, President Trump declared progress in his standoff with Mexico, noting that there is a good chance that the U.S will reach a new agreement to prevent new tariffs on Mexico.
- China's headline inflation went up to its 15-month high of 2.7%yoy in May-19 following 2.5%yoy seen in the preceding month and was in line with market expectation. The main upward pressure came from food inflation which accelerated to a near 7-1/2-year high of 7.7%yoy due to a surge in pork prices by 18.2%yoy following an epidemic of African swine fever. Furthermore, prices also increased rapidly for both fresh fruit and eggs. Meanwhile, non-food inflation edged down to 1.6%yoy from 1.7%yoy recorded in the previous month. We believe the recent hikes in inflation are temporary and will calm once the outbreak is controlled.
- In Europe, Germany's inflation tumbled to 1.4%yoy in May-19 from five-month high of 2%yoy in the preceding month attributable to slower increase in prices of energy and services. Energy prices advanced 4.2%yoy however slower than 4.6%yoy rise in Apr-19. Similarly, services inflation fell to 1.2%yoy from 2.1%yoy previously. In contrast, food inflation inched up to 0.9%yoy from 0.8%yoy in the prior month. The May reading was the lowest since Feb-18 and returned below ECB target of close to but below 2%. Moving forward, we foresee inflation to hover at current low level as the economy is slowing down owing to ambiguity over both trade disputes and Brexit which weigh on, especially on the export-dependent manufacturers.
- Brent crude oil price marked its fourth consecutive week of losses after ending -2.0% lower for the week at USD62.01pb. The movement of Brent crude oil price was on a downtrend on the first three days of the week, hitting a five-month low of USD59.97pb on Wednesday. A recovery was then observed on the next two days where the Brent crude oil price jumped 3.4% during that period following an attack on two oil tankers in the Gulf of Oman which stoked fears of a new series of geopolitical tensions between the U.S and Iran. However, overall gains were pared by the report of the IEA downgrading its 2019 forecast for global oil demand for the second straight month, attributing to a global economic slowdown.

Table 1 Weekly performance of major indices

Weekly % change	Week before	Last week
China CSI 300	-1.79	2.53
FSSTI Index	1.56	1.78
Thai SET	2.05	1.14
Korea KOSPI	1.50	1.11
Nikkei	1.38	1.11
Taiwan TAIEX	-0.85	1.11
Jakarta JCI	0.00	0.66
Hang Seng	0.24	0.57
S&P 500	4.41	0.47
DAX	2.72	0.42
Dow Jones	4.71	0.41
FTSE 100	2.38	0.19
Phil PCOMP	0.18	0.08
CAC 40	3.00	0.07
India SENSEX	-0.25	-0.41
KLCI	-0.09	-0.65

Source: Bloomberg

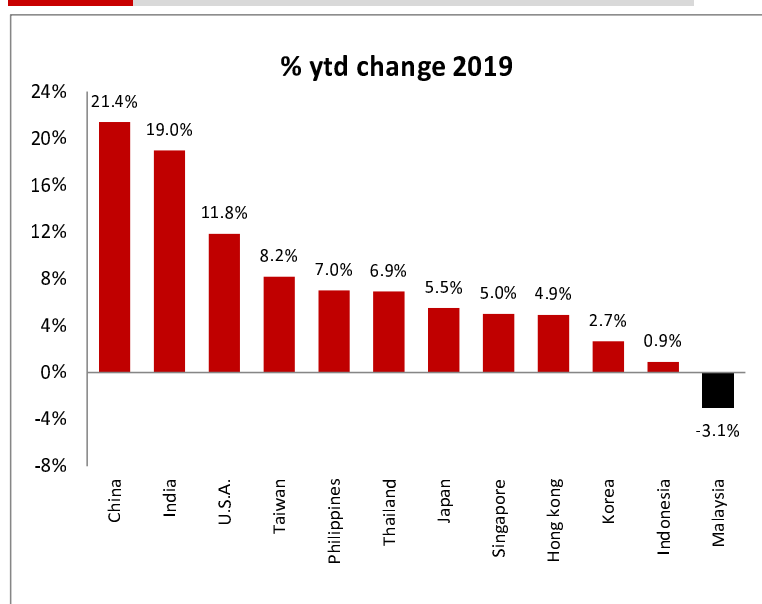
FUND FLOW REPORT

- The FBM KLCI was marginally lower by 0.7% for the week after settling at 1,639 points on Friday, the lowest close since 30 May 2019. Likewise, the Ringgit depreciated by 0.2% against the greenback to settle at USD/MYR4.1658.

B. TRACKING MONEY FLOW - ASIA¹

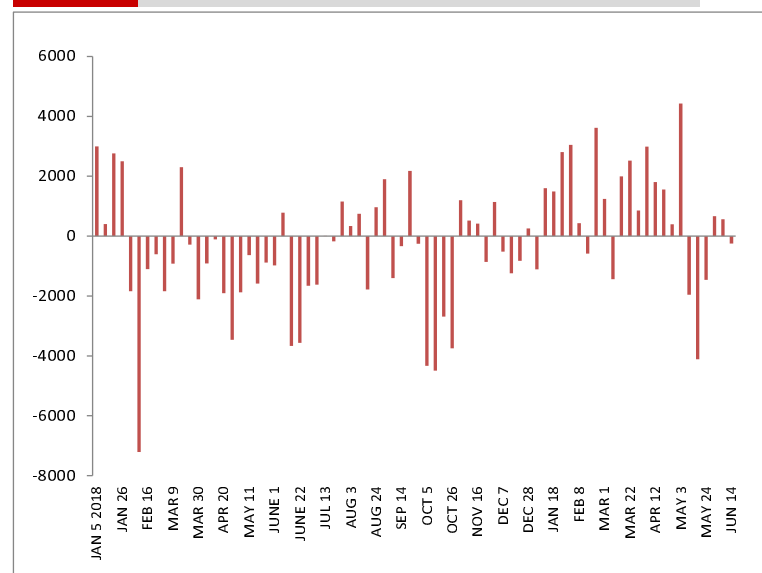
- After two weeks of buying activity, international funds took out some equities from the Asian markets albeit at a manageable pace. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” sold -USD245.3m net last week compared to USD563.7m net bought in the week before. This is the lowest weekly foreign net outflow recorded so far in 2019.
- In Korea, foreign net selling extended to its sixth straight week but tapered by half to -USD34.3m net, the lowest thus far in 2019. International funds were net sellers on two out of five days during the week with Friday recording the highest foreign net outflow of -USD161.0m. This coincided with the largest daily drop of the KOSPI since the end of May 2019 to 2,095 points. Sentiment on Friday was partially dampened by China’s industrial output growth which slowed to 5%yoy, the weakest since 2002, reflecting the issues faced in the wake of the trade war with the U.S. The Korean Won followed suit to record a weekly drop 0.3% to settle at USD/KRW1,185 as traders build bets for a rate cut by the Bank of Korea after governor hinted the move on Wednesday. The BOK’s shift to a dovish stance followed Fed Chair Powell’s comments on the Fed’s preparedness to facilitate the U.S economic expansion if the trade tussle continues.
- In contrast, international funds turned net sellers after offloading -USD398.0m net of local equities last week, which more than offset the USD115.5m bought in the week before. Similar to South Korea, a commendable amount of foreign net inflows were seen on Monday at the USD100m level as investors optimism was spurred following President Trump’s suspension plans for punitive tariffs on goods from Mexico. Meanwhile, foreign net selling peaked on Thursday at -USD282.8m net, the highest since 29 May 2019 while the Taiex resisted the huge sell off, advancing 0.1% to end at a one-month high of 10,617 points.

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)

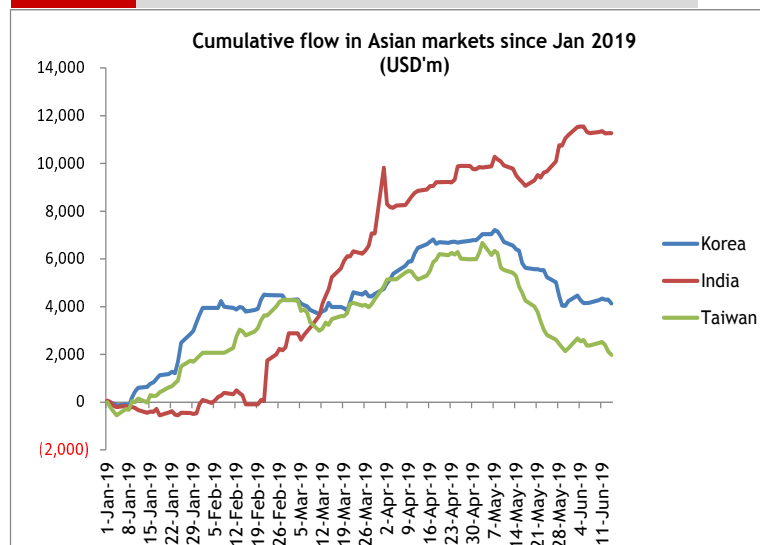


Source: Bloomberg, Bursa Malaysia, MIDFR

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.

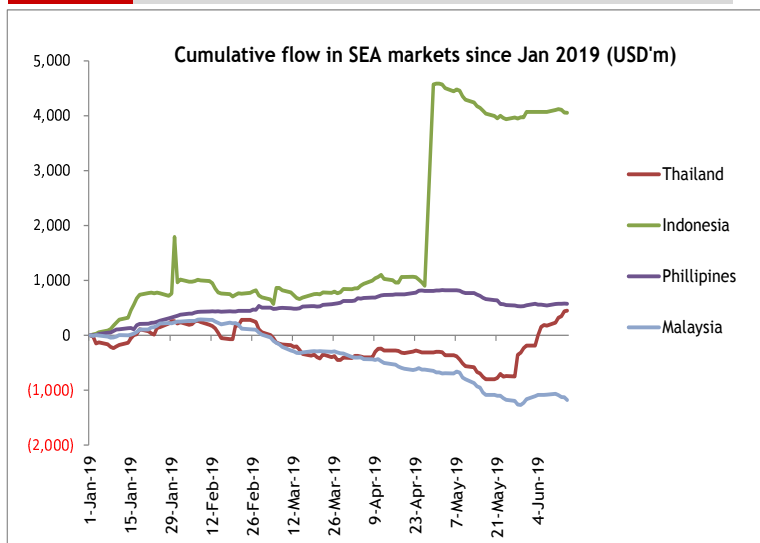
- In emerging South East Asian markets that we monitor, half were experiencing foreign net inflows while the other half were recorded foreign net outflows.
- Bangkok experienced its fourth week of foreign net buying, the longest streak since. In absolute terms, the amount acquired by foreign investors was still commendable at USD273.3m net. Bangkok was the only market where foreign investors were net sellers on every single day of the week. Tuesday recorded the highest foreign net inflow during the week at USD93.1m net as Thailand's Prime Minister, Prayuth obtained a royal endorsement to continue as the premier of Thailand, lifting the SET index to close above 1,670 points for the first time in 24 trading days.
- After five straight weeks of foreign net outflows, offshore investors made a return to Manila as they scooped up USD31.2m net. Foreign net selling only occurred on Friday to a tune of -USD7.5m net, amid geopolitical tensions surrounding the Middle East after the explosion of oil tankers in the Gulf of Oman. Meanwhile, foreign net inflows peaked on Monday at USD27.0m net, a level not seen since following the suspension of tariffs on goods from Mexico entering the U.S coupled with increased probability of monetary easing in the U.S. This led to PSEi's largest daily gain during the week of 0.8%.
- Indonesia saw a foreign net outflow of -USD15.7m after a one whole week of Hari Raya Aidilfitri holidays. Nevertheless, it was notable that the first two trading days of the week saw foreign net inflows which coincided with the JCI rising to a five-week high on Tuesday with Bank Rakyat Indonesia and Bank Mandiri providing the biggest boost to gauge. On a sectoral basis, Jakarta Construction, Property, and Real Estate Index rose as much as 3%, the most since November, on the possibility of Fed rate cut and prospect of stabilized domestic political situation.

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

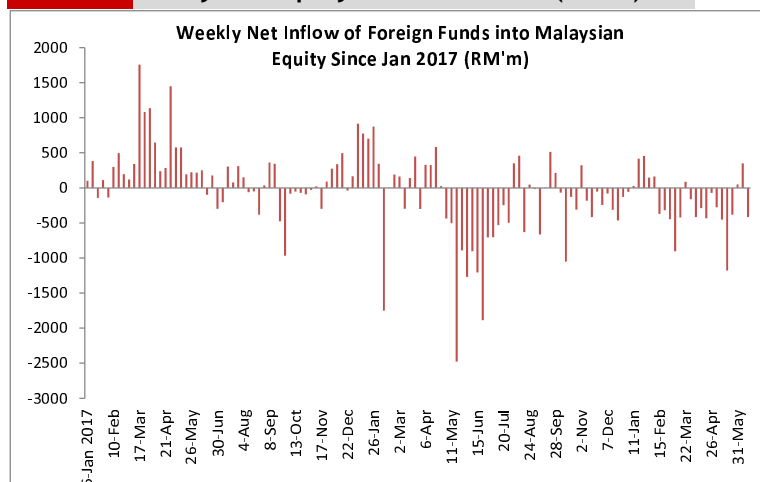
Table 2 Weekly Net Flow Of Foreign Fund Into Equity By Market (USD'm)

WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
APR 12	1,004.4	123.9	90.2	55.0	614.5	-11.2	-70.4	1,806.3
APR 19	238.4	-46.6	37.3	11.8	357.4	1,066.4	-105.0	1,559.7
APR 26	2.7	12.5	-161.6	65.1	685.9	-193.6	-17.4	393.0
MAY 3	333.9	-51.7	3,601.9	11.5	-65.2	665.7	-66.7	4,429.2
MAY 10	-330.7	-199.3	-211.7	-51.8	82.5	-1,135.0	-108.5	-1,954.6
MAY 17	-1,083.7	-240.1	-251.0	-111.6	-855.1	-1,285.9	-282.9	-4,110.3
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	-34.3	273.3	-15.7	31.2	-1.9	-398.1	-99.8	-245.3

C. TRACKING MONEY FLOW - MALAYSIA

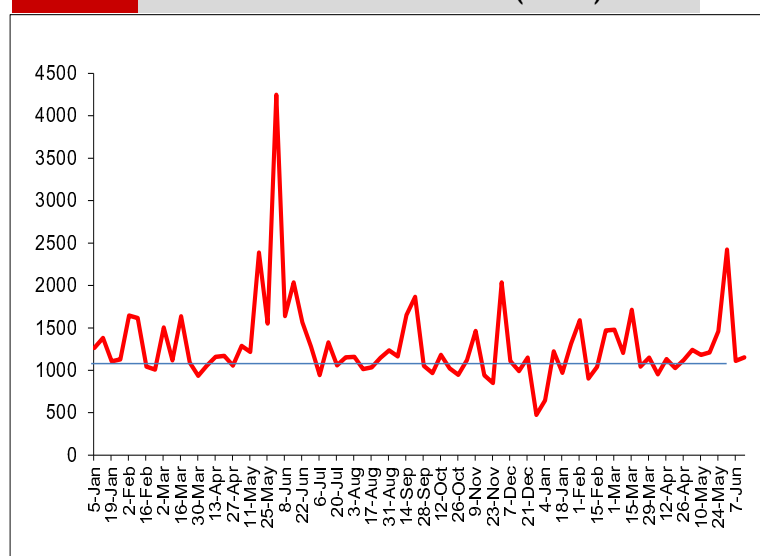
- Offshore investors were back in selling mode on Bursa last week. Based on data from Bursa, foreign funds dumped -RM415.3m net of local equities last week, cancelling off the RM350.0m net acquired in the preceding week.
- President Trump's suspension plans on punitive tariffs on goods from Mexico mainly spurred risk-on mood on Bursa, attracting RM59.0m net of foreign inflows on Monday. Apart from that, the anticipation of economic stimulus from the U.S Fed also lent support to investors' appetite. As such, the foreign net buying streak was stretched to six days, the longest since nine-day selling spree observed from the middle to the end of January 2019. The local bourse followed suit to advance 0.4% higher to settle at 1,655 points on the same day, the highest since 22 March 2019.
- Nevertheless, it was a chaotic Tuesday as international funds offloaded -RM101.5m net of local equities, dragging the FBM KLCI by 0.3% to reach 1,651.2 points. The mood turned sombre as President Trump threatened to raise tariffs on China again if President Xi Jinping does not attend the G-20 summit at the end of this month.
- The foreign net outflow continued on Wednesday to reach -RM143.2m net partially caused by the protests in Hong Kong against the proposed law allowing its citizens to be extradited in China.
- There were signs of relief on Thursday as foreign net selling receded below RM100m to -RM23.3m. However, this was shortlived as foreign investors dumped -RM206.2m net on Friday amidst jitters caused by; (i) the industrial output of China which slowed down to the weakest in 17 years; and (ii) the attack on two oil tankers in the Middle East in the gulf of Oman.
- With two more weeks of trading left in June 2019, foreign investors have so far disposed -RM65.3m net. On a year-to-date basis, the foreign net outflow from Malaysia stands at RM4.86b.
- Average daily traded value (ADTV) of all investor groups (retail, institution and foreign) increased for the week as the majority returned back from the festive holidays.

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)	
MAY 10	2,306.4	2,140.7	165.7	4,831.3	4,546.1	285.2	2,726.8	3,177.7	-450.9	-108.5
MAY 17	2,074.9	2,018.9	56.0	4,890.7	3,767.4	1,123.4	2,440.7	3,620.1	-1,179.4	-282.9
MAY 24	1,064.5	1,011.6	52.9	2,063.1	1,733.4	329.7	1,999.7	2,382.3	-382.6	-91.3
MAY 31	1,878.7	1,983.7	-105.0	4,910.0	4,853.8	56.2	6,082.5	6,033.7	48.8	11.6
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	1,985.9	95.1	4,318.7	3,998.5	320.2	2,670.8	3,086.1	-415.3	-99.8

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 JUNE
TOP 10 NET MONEY INFLOWS

- Hong Leong Bank Berhad registered the highest net money inflow of RM13.35m last week. Its share price declined -1.05% for the week, underperforming the local bourse which had a -0.65% weekly loss.
- Petronas Chemicals Group Berhad recorded the second highest net money inflow of RM12.54m. Its share price ended -0.71% lower for the week, underperforming the benchmark which was -0.65% lower during the week under review.
- Tenaga Nasional Berhad saw the third highest net money inflow of RM12.35m. Its share price ended -4.69% lower during the week under review, substantially underperforming the local bourse which was -0.65% lower. Nonetheless, it is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
HONG LEONG	13.35	-1.30	-1.05	BOW
PETCHEM	12.54	0.07	-0.71	BOW
TNB	12.35	4.69	-4.69	BOW
RHB BANK BHD	10.58	0.35	-0.87	BOW
SD PLANTATION	8.20	1.20	1.97	-
MAHB	7.63	-0.43	7.22	-
DIALOG GROUP	5.68	-4.39	-0.76	BOW
KL KEPONG	5.53	0.35	0.00	-
IHH	5.29	-5.34	2.18	-
BURSA	4.35	0.47	0.00	-

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS


- Petronas Dagangan Berhad saw the largest net money outflow of -RM7.04m last week. Its stock price advanced 0.59% for the week, outperforming vis-à-vis the FBM KLCI which declined -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.
- Telekom Malaysia Berhad recorded the second largest net money outflow -RM5.30m during the week under review. Its share price was 7.95% higher during the week, outperforming the market benchmark which had a -0.65% weekly loss.
- Top Glove Corporation Berhad registered the third largest net money outflow of -RM4.51m in the review week. Its share price was -0.99% lower for the week, underperforming the local benchmark which was -0.65% lower for the week. 

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
PETDAG	-7.04	2.15	0.59	SOS
TELEKOM	-5.30	-2.45	7.95	SOS
TOP GLOVE	-4.51	-0.98	-0.99	-
TIME DOTCOM	-3.78	-1.08	-0.79	-
SERBA DINMK	-3.28	-0.39	1.58	SOS
DRB-HICOM	-2.61	-0.20	2.87	SOS
HENGYUAN	-2.09	0.03	-0.56	-
MAXIS BHD	-1.87	-0.47	0.36	SOS
HAP SENG	-1.73	-0.06	0.00	-
SUNWAY BHD	-1.57	-0.40	0.00	-

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:
11 & 12th Floor, Menara MIDF,
82, Jalan Raja Chulan, 50200
Kuala Lumpur.
Tel: 2173 8888
Fax: 2173 8380