

MIDF EQUITY STRATEGY | 18 NOVEMBER 2019 WEEK ENDED 15 NOVEMBER 2019

- Equity markets worldwide ended mixed last week following the political unrest in Hong Kong and also fresh concerns from the trade front in the earlier part of the week.
- Brent crude oil price ended 1.3% higher for the week after settling at USD63.30pb, a level not seen in seven weeks. Investors cheered the market following news that Beijing and Washington are close to locking down a partial trade deal even as Chinese media disputed Beijing's willingness to commit to the kind of U.S. agricultural purchases.
- International investors continue to make their way into Asian markets for the sixth uninterrupted week albeit at a substantially slower momentum. Nevertheless, this is still no match for the eight-week foreign net buying spree seen earlier this year from Middle of March to late April 2019. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" bought USD396.8m net last week, compared to USD2.22b in the preceding week.
- The momentum of selling activity by offshore investors on Bursa gained pace last week. Based on data from Bursa, foreign investors took out -RM408.5m net of local equities last week compared to -RM237.2m net sold in the preceding week.
- The FBM KLCI was in the red, losing -0.9% during the week after settling at 1,594.8 points. Likewise, the Ringgit depreciated by 0.4% against the greenback to reach USD/MYR4.1525 during the week.

FOREIGN NET SELLING ON BURSA GAINS MOMENTUM

A. MARKET SNAPSHOT

- Equity markets worldwide ended mixed last week following the political unrest in Hong Kong and also fresh concerns from the trade front in the earlier part of the week.
- All key U.S stock indexes reached all-time highs on Friday with the S&P 500 notching its sixth straight weekly gain, the longest streak in two years. Optimism was stoked by comments White House Economic Adviser Larry Kudlow said on late Thursday that the US and China are drawing closer to striking a trade deal. Economic data meanwhile showed that consumer inflation in the U.S edged up +1.8%yoy in October 2019, beating market expectations. It was mainly boosted by the increase in prices of food (2.1%yoy vs 1.8%yoy in September 2019) and medical care services (5.1%yoy vs 4.4%yoy).
- Over in Asia, India's overall industrial production shrank by -4.3%yoy in September 2019, the worst performance in eight years. All three major components recorded negative growth rates for mining, manufacturing and electricity. The poor performance in IPI was in tandem with India's external trade performance. Total trade has been on the declining trend for the four months since June 2019. In September 2019, exports were down by -7.7%yoy, the largest contraction in almost four-year while inbound shipments fell -14.9%yoy, its lowest rate since August 2016. Moving forward, we view the IPI and external trade performances to continue growing at a modest pace.
- In Europe, U.K economy grew by 1.0%yoy in 3Q19, the softest pace since 1Q10. The moderation was mainly due to weak government investment and consumption. General government investment contracted by -1.9%yoy, the weakest pace in 5 quarters while consumption grew at a marginally softer pace of 3.9%yoy. Nevertheless, household spending continued to lead the economy and expanded at a slightly higher pace of 1.2%yoy (2Q19: 1.1%yoy). In addition, private investment posted lesser negative growth of -0.6%yoy, continuing its gradual improvement since beginning of this year. Meanwhile, trade deficit narrowed as export registered a tepid growth of 0.2%yoy and imports fell -0.6%yoy.
- Brent crude oil price ended 1.3% higher for the week after settling at USD63.30pb, a level not seen in seven weeks. Investors cheered the market following news that Beijing and Washington are close to locking down a partial trade deal even as Chinese media disputed Beijing's willingness to commit to the kind of U.S. agricultural purchases. This outweighed U.S government data earlier last week which showed an expansion in crude stockpiles and oil production at record-high levels.

Table 1 Weekly performance of major indices

Weekly % change	Week before	Last week
Dow Jones	1.22	1.17
Korea KOSPI	1.76	1.17
S&P 500	0.85	0.89
FTSE 100	0.01	0.77
India SENSEX	0.39	0.08
DAX	2.17	-0.10
Nikkei	2.37	-0.38
Taiwan TAIEX	1.58	-0.47
FSSTI Index	1.08	-0.78
Jakarta JCI	-0.47	-0.80
CAC 40	3.08	-0.83
KLCI	1.03	-0.93
Phil PCOMP	1.11	-1.65
Thai SET	2.85	-2.17
China CSI 300	0.52	-2.41
Hang Seng	2.03	-4.79

Source: Bloomberg

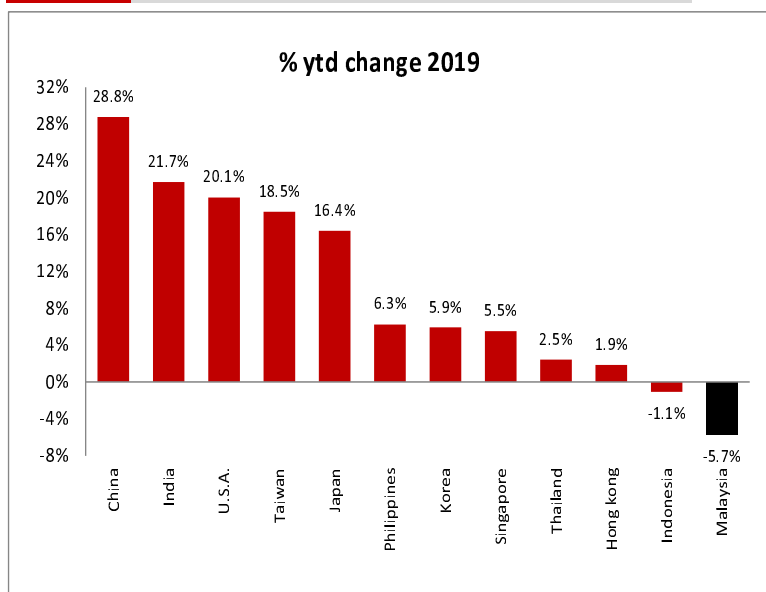
FUND FLOW REPORT

- The FBM KLCI was in the red, losing -0.9% during the week after settling at 1,594.8 points. Likewise, the Ringgit depreciated by 0.4% against the greenback to reach USD/MYR4.1525 during the week.

B. TRACKING MONEY FLOW - ASIA¹

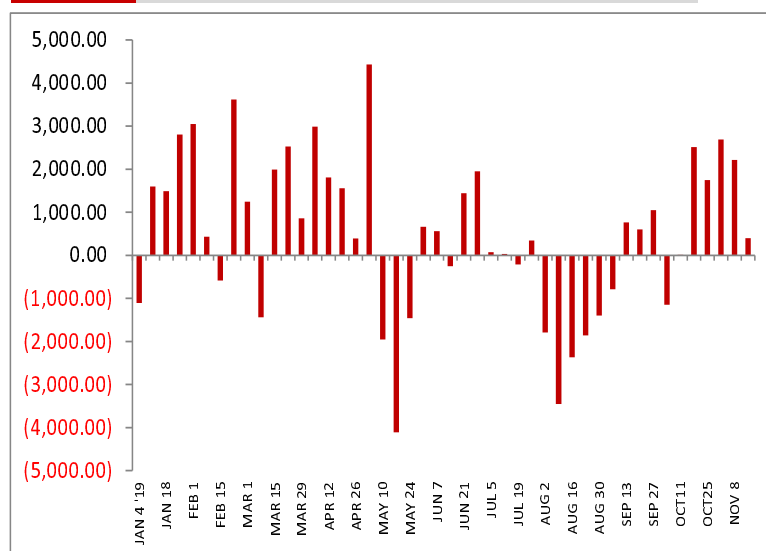
- International investors continue to make their way into Asian markets for the sixth uninterrupted week albeit at a substantially slower momentum. Nevertheless, this is still no match for the eight-week foreign net buying spree seen earlier this year from Middle of March to late April 2019. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” bought USD396.8m net last week, compared to USD2.22b in the preceding week.
- The three-week flow of international funds into South Korea came to an end as foreign investors disposed -USD503.1m net last week, the largest in 14 weeks. Offshore investors were net sellers on every single day of the week, extending the daily foreign net selling streak to seven days. This is the longest foreign net selling frenzy observed since late July to mid-August 2019 where foreign funds sold local equities for 13 consecutive days. Foreign net selling peaked on Thursday at -USD192.7m amidst jitters caused by China’s investment growth hitting a record low of 5.2% for the first ten months of 2019. Meanwhile foreign net outflow was the lowest during the week on Tuesday at -USD27.7m net as Korean Won led gains among Asian emerging-market currencies before a speech from President Trump that investors hope may give clues about the fate of the U.S.-China trade dispute.
- Taiwan remained to be the most likeable market in North Asia as international funds accumulated USD573.9m net of local equities, the lowest in five weeks. This brings Taiwan’s foreign net buying spree to the 11th week, just one day short of the 12-day buying streak observed in the middle of May to early August 2014. Wednesday was the only day which saw a foreign net outflow of -USD89.4m, snapping the 22-day foreign net buying streak. The selloff on Wednesday was caused by President Trump’s comment to increase tariffs on China in case the first step of a broader trade agreement is not achieved.

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)

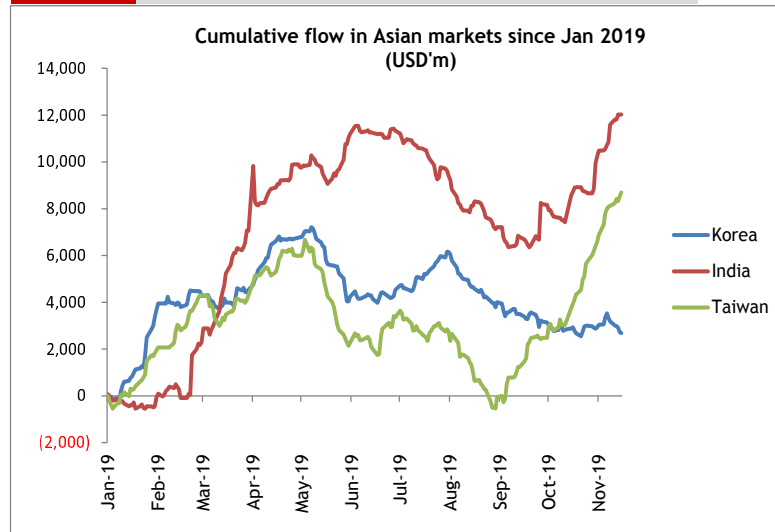


Source: Bloomberg, Bursa Malaysia, MIDFR

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.

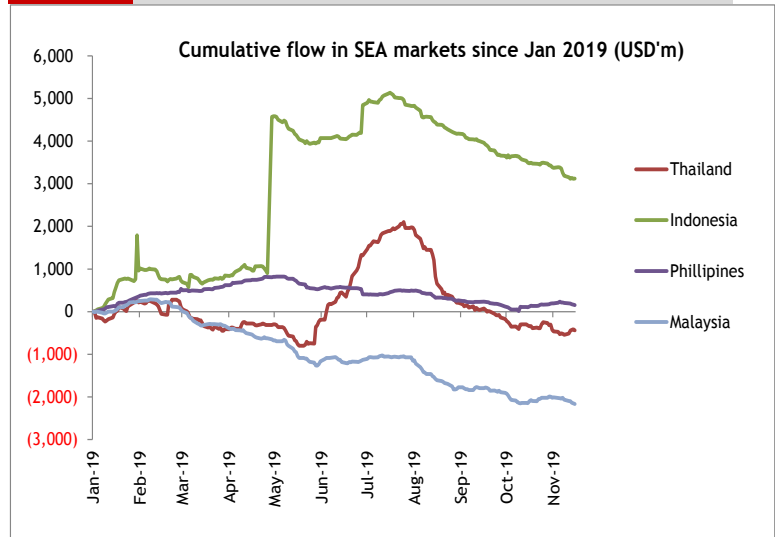
- In emerging South East Asian markets that we monitor, more than half experienced foreign net selling.
- In Bangkok, foreign investors were back in buying after two weeks of selling after acquiring USD103.9m net of local equities last week. Foreign net buying occurred from Monday to Thursday where it peaked on Tuesday at USD67.1m, coinciding with the 0.3% advance of the SET index to the highest close during the week. Much of the positive vibes came from the rebound seen in Hong Kong's Hang Seng index after a selloff occurred on Monday due to the onset of violent protests. Friday then saw a foreign net outflow of due to investors were alarmed on seemingly dwindling trade negotiations between United States and China.
- In Manila, the five-week buying spree was snapped as international funds sold -USD47.90m net last week. Foreign investors were net sellers on every single day of the week, extending the foreign net selling streak to eight days. Offshore investors sold the most on Wednesday at -USD14.2m net amidst President Trump's latest threat of increasing tariffs on Chinese products substantially if the trade talks don't lead to an agreement soon.
- Foreign investors remained net sellers for the third week running albeit at a slower pace of -USD64.6m. Monday and Tuesday were days which saw heavy foreign net outflow above -USD30m on each day before investors entered at a tune of USD19.9m On the macro front, Indonesia posted a surprise trade surplus in October even as exports fell 6.1%yoy to USD14.9b, marking a contraction for a 12th straight month.

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
SEP 27	-383.5	-136.4	-133.8	-37.4	1,767.6	8.6	-36.1	1,049.0
OCT 4	-406.9	-216.3	-14.5	-112.8	-539.1	325.0	-184.0	-1,148.6
OCT 11	58.6	53.2	-79.1	60.2	-239.1	225.4	-65.9	13.3
OCT 18	-159.7	-92.4	-95.6	27.2	1,489.6	1,303.8	44.1	2,517.0
OCT 25	324.8	143.2	23.1	28.9	-257.3	1,410.7	72.2	1,745.6
NOV 1	38.5	-216.1	-123.4	27.6	1,820.6	1,130.9	13.2	2,691.3
NOV 8	151.5	-78.5	-183.1	12.0	1,120.6	1,252.3	-57.2	2,217.5
NOV 15	-503.1	103.9	-64.6	-47.9	433.0	573.9	-98.4	396.8

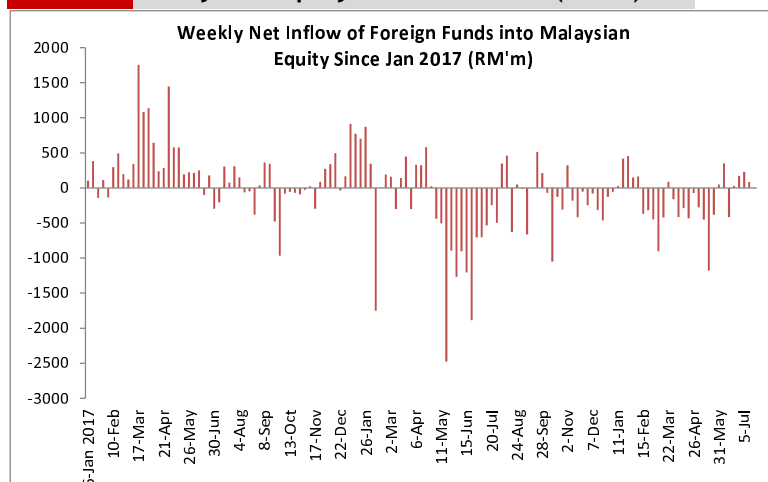
Source: Respective exchange statistics reported on Bloomberg. Bursa Malaysia. These figures are subject to revisions.

FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

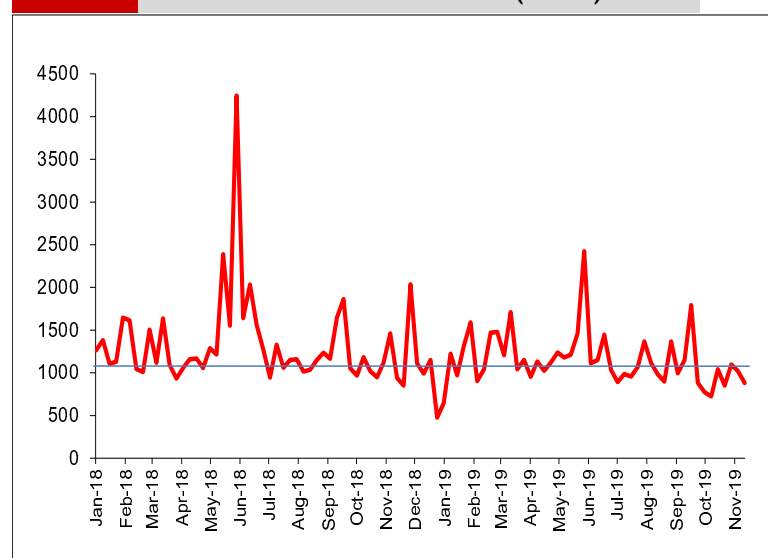
- The momentum of selling activity by offshore investors on Bursa gained pace last week. Based on data from Bursa, foreign investors took out -RM408.5m net of local equities last week compared to -RM237.2m net sold in the preceding week.
- The week started off on a sluggish tone as international funds offloaded -RM129.3m of local equities on Monday. Selling activity was triggered by violent protests in Hong Kong which caused the Hang Seng index to face its fourth biggest drop of the year.
- The foreign net outflow slowed down to -RM12.9m on Tuesday as investors awaited a speech by President Donald Trump on U.S trade policy and news he will likely delay a decision on whether to slap tariffs on European autos.
- International funds were then back on their feet to dump -RM141.2m net on Wednesday, causing the local stock barometer to face its largest decline since early September 2019. Shock waves were sent throughout the market as President Trump hinted that existing tariffs on China will be raised if no deal is made.
- Foreign investors later sold -RM68.2m net as weak Chinese economic data showed the need for a phase one trade deal with the U.S to restore business confidence. China's industrial output rose by 4.7%yoy which were below estimates of 5.4% while fixed asset investment grew at the slowest pace in data dating back to 1998.
- Offshore investors marked their sixth straight day of selling after -RM57.0m net of local equities were sold. Risk-on mood was tempered by Malaysia's 3Q19 GDP growth of 4.4%yoy which was the weakest in a year.
- The month of November has so far seen a foreign net outflow of -RM594.0m. Meanwhile on a year-to-date basis, foreign funds have taken out -RM8.98b of local equities from Malaysia, making up 76.8% of last year's total foreign outflow of -RM11.69b.
- In terms of participation, foreign investors saw a decline in average daily traded value (ADTV) of -13.6% to reach below RM1b at RM881.5m.

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)	
OCT 11	2,067.2	2,004.7	62.5	4,103.4	3,889.3	214.1	1,676.0	1,952.5	-276.6	-66.0
OCT 18	2,592.6	2,523.1	69.5	4,624.8	4,879.0	-254.1	2,697.7	2,513.1	184.6	44.1
OCT 25	2,282.9	2,264.4	18.5	3,786.4	4,107.2	-320.9	2,281.5	1,979.1	302.4	72.2
NOV 1	1,814.1	1,780.6	33.6	3,912.4	4,001.2	-88.8	2,224.4	2,169.3	55.2	13.2
NOV 8	2,351.3	2,312.5	38.7	5,092.3	4,893.8	198.5	2,432.8	2,670.0	-237.2	-57.3
NOV 15	2,142.0	2,053.3	88.7	4,422.2	4,102.4	319.8	1,999.4	2,408.0	-408.5	-98.4

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 15 NOVEMBER
TOP 10 NET MONEY INFLOWS

- Petronas Dagangan Berhad registered the highest net money inflow of RM15.16m last week. Its share price advanced 0.17% for the week, outperforming the local bourse which had a -0.93% weekly loss.
- Tenaga Nasional Berhad recorded the second highest net money inflow of RM6.63m. Its share price ended -1.16% lower for the week, underperforming the benchmark which was -0.93% lower during the week under review. Nonetheless, it is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.
- Sunway REIT saw the third highest net money inflow of RM4.36m. Its share price was -2.75% lower during the week, underperforming the local bourse which was only -0.93% lower..

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
PETDAG	15.16	0.72	0.17	-
TNB	6.63	5.42	-1.16	BOW
PETCHEM	4.36	2.06	-2.75	BOW
SUNWAY REIT	2.22	-0.58	2.15	-
BIMB HOLDINGS	1.96	-1.05	1.64	-
KL KEPONG	1.75	-12.75	-0.53	BOW
IOI CORP	1.37	0.60	1.38	-
INARI	1.16	-0.65	-5.39	BOW
CIMB GROUP	1.10	1.17	-3.33	BOW
SAPURA ENERGY	0.76	0.98	1.69	-

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- Hong Leong Bank Berhad saw the largest net money outflow of -RM10.60m last week. Its stock price was -0.35% lower for the week, outperforming vis-à-vis the FBM KLCI which declined -0.93% during the review week.
- Dialog Group Berhad recorded the second largest net money outflow -RM9.54m during the week under review. Its share price was unchanged for the week.
- IHH Healthcare Berhad registered the third largest net money outflow of -RM5.82m in the review week. Its share price was -2.90% lower for the week, underperforming the local benchmark which was -0.93% 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		
HONG LEONG	-10.60	5.11	-0.35	-
DIALOG	-9.54	-0.75	0.00	-
IHH	-5.82	-7.53	-2.90	-
MAYBANK	-4.63	-8.44	-1.93	-
MISC BHD	-4.51	-21.98	-0.48	-
SERBA DINMK	-3.40	-3.65	-0.23	-
PUBLIC BANK	-3.09	17.86	-0.20	-
F&N	-2.76	-0.21	0.64	SOS
HARTALEGA	-2.37	0.21	-0.37	-

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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