

## MIDF EQUITY STRATEGY | 20 APRIL 2020 WEEK ENDED 17 APRIL 2020

- Major equity markets worldwide remained in the green zone over optimism of an encouraging Covid-19 drug test which overshadowed a slew of weak economic data from the U.S.
- Brent crude oil price plunged 10.8% lower to settle at USD28.08pb last Friday, the lowest since 2002 as a historic OPEC+ production cut failed to counter the wave of gloomy demand forecasts and concerns that traders are quickly running out of room to store crude. Russia and Saudi Arabia on the other hand may be ready to enact deeper oil production cuts to stabilize prices.
- The pace at which offshore funds were reducing their exposure in Asian equities quickened last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” sold -USD1.02b net last week.
- Despite the strong end to the week, foreign net selling accelerated on Bursa last week. This was for the ninth week running. Based on data from Bursa, international investors sold -RM638.6.0m net of local equities last week compared to the -RM326.0m net disposed in the preceding week.
- The FBM KLCI advanced 3.7% for the week after settling at 1,403.74 points. In contrast, the Ringgit depreciated by 1.4% against the greenback to reach USD/MYR4.3698 during the week.

## MARKETS INCH HIGHER AMIDST ENCOURAGING COVID-19 DRUG TEST

### A. MARKET SNAPSHOT

- Major equity markets worldwide remained in the green zone over optimism of an encouraging Covid-19 drug test which overshadowed a slew of weak economic data from the U.S.
- As expected, March proved to be a tough month as U.S retail sales dropped 8.7% in March 2020, the biggest decline since the U.S government started tracking the series since 1992 as mandatory business closures to control the spread of the novel coronavirus outbreak depressed demand for a range of goods. Factory output followed suit to drop 6.3% in the same month led by plunging production at auto factories that have entirely shut down. Factories were running at 70.2% of capacity last month, down from 75.1% in February and lowest since 2010 when the U.S. economy was still recovering from the 2007-2009 Great Recession. Overall, industrial production, which includes factories, utilities and mines, plummeted 5.4%. The decline was the biggest since 1946.
- In Asia, China's external trade figures in Mar-20 outperformed market estimates and on monthly basis, both imports and exports jumped at double digit growth rate, 10.3%mom and 26.6%mom respectively. According to Ministry of Commerce China, majority of exporters have resumed operation over 70% production in late Mar-20. The return to operation is reflected in PMI figures released in the final month of 1Q20. China's PMI figures for manufacturing, non-manufacturing and services rebounded. For instance, the Caixin Manufacturing PMI rose to 50.1 points from lowest point of 40.3 points registered in Feb-20.
- The British Retail Consortium reported that British retail spending slumped by more than 20% during the first two weeks of lockdown measures which began from 24 March 2020 to slow the spread of Covid-19. On a longer horizon of five weeks to 4 April 2020, British retail sales in March 2020 was down -4.3%yoy. The fall came despite a surge in supermarket spending in the early part of the month, when British shoppers stocked up - and in some cases engaged in panic-buying - ahead of the expected lockdown and quarantine concerns. Meanwhile, Britain's Office for Budget Responsibility said the economy could be on track for an unprecedented 35% decline in the April-June period due to the lockdown.
- Brent crude oil price plunged 10.8% lower to settle at USD28.08pb last Friday, the lowest since 2002 as a historic OPEC+ production cut failed to counter the wave of gloomy demand forecasts and concerns that traders are quickly running out of room to store crude. Russia and Saudi Arabia on the other hand may be ready to enact deeper oil production cuts to stabilize prices. In the week before, OPEC+ agreed to remove 9.7 million bpd of oil from the market, with the cuts beginning in May and remaining in effect until the end of June.

<b>Table 1</b> Weekly performance of major indices		
Weekly % change	Week before	Last week
Phil PCOMP	3.06	5.07
Taiwan TAIEX	5.11	4.33
KLCI	2.02	3.67
S&P 500	12.10	3.04
Korea KOSPI	7.84	2.89
Dow Jones	12.67	2.21
Nikkei	9.42	2.05
China CSI 300	1.51	1.87
FSSTI Index	7.62	1.68
India SENSEX	12.93	1.38
Thai SET	7.83	0.91
DAX	10.91	0.58
Hang Seng	4.58	0.33
CAC 40	8.48	-0.17
Jakarta JCI	0.55	-0.31
FTSE 100	7.89	-0.95

Source: Bloomberg

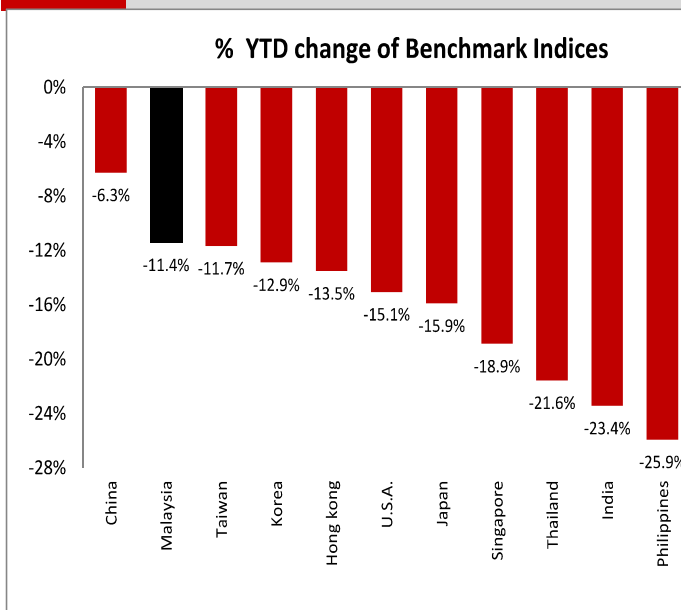
## FUND FLOW REPORT

- The FBM KLCI advanced 3.7% for the week after settling at 1,403.74 points. In contrast, the Ringgit depreciated by 1.4% against the greenback to reach USD/MYR4.3698 during the week.

### B. TRACKING MONEY FLOW - ASIA<sup>1</sup>

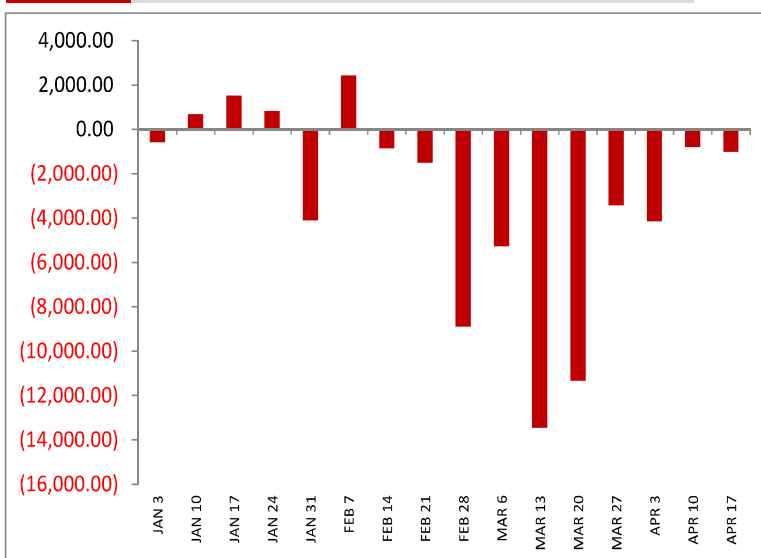
- The pace at which offshore funds were reducing their exposure in Asian equities quickened last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” sold -USD1.02b net last week compared to the -USD790.1m disposed in the week before. This brings the foreign net selling in Asia to 10 weeks.
- The weekly foreign net outflow in South Korea declined substantially to -USD369.2m during the four-day trading week from USD919 in the preceding week. The 28-day foreign net selling spree came to an end after international funds mopped up USD121.2m of local equities on Tuesday ahead of the parliamentary elections the next day. South Korea’s parliamentary elections saw its left-leaning governing party winning by a landslide, boosted by President Moon Jae-in’s successes in containing the Covid-19 pandemic. As local markets reopened on Thursday, international funds nevertheless dumped -USD404.3m net of local equities, the largest since 2 April 2020. Notwithstanding this, international investors made a modest return to South Korea on Friday, buying USD230.8m net of local equities, lifting the local bourse beyond 1,900 points for the first time since in a month
- Taiwan again bucked the regional trend, recording a foreign net inflow of USD392.7m net last week, five times larger than the week before. Strong foreign net buying activity was observed on Tuesday and Friday with Friday recording the highest at USD651.2m. In fact, the foreign net inflow seen on Friday was also the largest in a day since 2015 as there was a brighter sign in China which recorded a smaller-than expected contraction in March industrial production of 1.1% as factories returned to work amidst easing lockdowns. The Taiex index followed suit to gain 2.1% on Friday to settle at 10,597 points, a level not seen in more than a month.

**Chart 1** Cumulative performance of major markets



Source: Bloomberg

**Chart 2** Weekly Net Flow of Foreign Funds into 7 Asian Markets since Jan 2020 (USD'm)

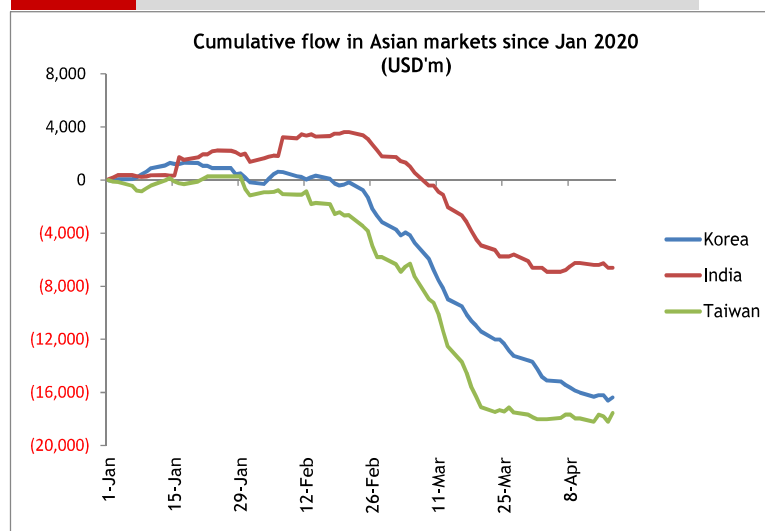


Source: Bloomberg, Bursa Malaysia, MIDFR

<sup>1</sup> 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.

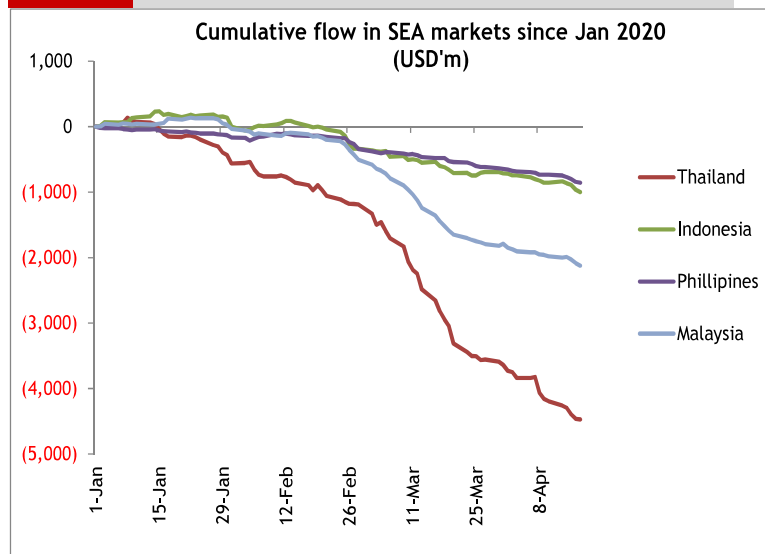
- In emerging South East Asian markets that we monitor, all markets continue to experience foreign net attrition.
- In Thailand, foreign investors sold -USD276.4m net during the holiday-shortened week compared to -USD280.7m in the preceding week and marked the 14th consecutive week of foreign net selling. Foreign net selling occurred on every day of the week with Wednesday recording the highest at -USD101.9m. This corresponded with the Civil Aviation Authority of Thailand decision to further extend the ban on passenger flights to the country from April 19 to April 30 to stem the Covid-19 contagion.
- The level of Manila's foreign net selling activity spiked to -USD122.1m last week. International funds were net sellers on every day of the week with Thursday recording the highest foreign net outflow during the week at -USD42.0m, dragging the local bourse -7.7% down to 5,525.6 points leading losses in Asia amidst weak U.S data on retail spending which fell 8.7% from February 2020, the worst on record due to the closure of businesses. This also coincided with the nation's central bank move to cut the key interest rate by 50 basis points. Net outflow was the lowest on Monday on optimism over the monetary and fiscal stimulus program to stem the economic impact of the coronavirus pandemic.
- In Jakarta, the momentum of foreign net selling activity increased to -USD141.7m last week. Foreign net outflow was the highest on Thursday at -USD32.7m as U.S industrial production in March declined by 5.4%, the largest drop since 1946. Monday on the other hand was the only day which saw a foreign net inflow. Foreign funds bought USD20.5m net of equities on Monday the only day with foreign net inflow, in tandem with the Rupiahs rising to a three week high.

**Chart 3** Net Flow of Foreign Funds into Taiwan, Korea and India since Jan 2020 (USD'm)



Source: Bloomberg, MIDFR

**Chart 4** Net Flow of Foreign Funds into South East Asia Emerging Markets since Jan 2020 (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
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	-1,246.4	-1,469.8	-283.9	-5,266.1
MAR 13	-4,233.6	-782.3	-89.6	-73.5	-2,573.2	-5,252.4	-450.2	-13,454.8
MAR 20	-2,414.7	-829.1	-157.3	-74.0	-2,878.5	-4,565.9	-411.6	-11,331.1
MAR 27	-1,856.7	-244.5	18.2	-75.9	-706.4	-420.8	-143.5	-3,429.7
APR 3	-1,845.0	-280.7	-50.6	-69.2	-1,281.9	-508.9	-111.4	-4,147.8
APR 10	-919.5	-356.4	-115.6	-49.6	654.5	71.7	-75.2	-790.1
APR 17	-369.2	-276.4	-141.7	-122.1	-357.6	392.7	-146.4	-1,020.7

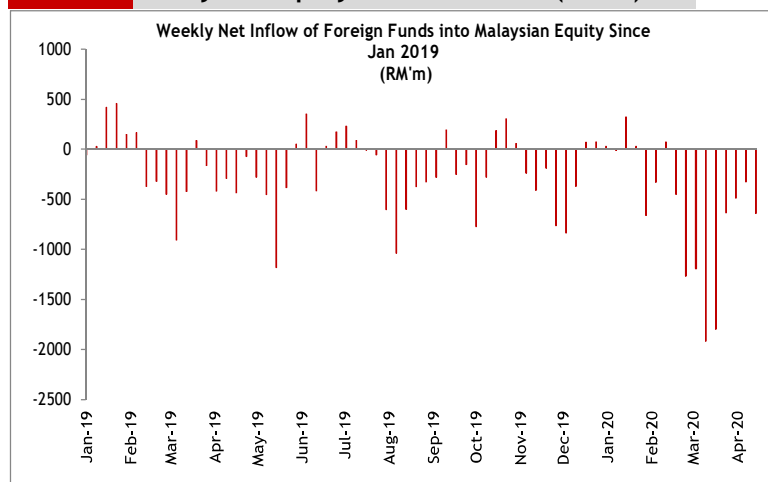
Source: Respective exchange statistics reported on Bloomberg. Bursa Malaysia. These figures are subject to revisions.

## FUND FLOW REPORT

### C. TRACKING MONEY FLOW - MALAYSIA

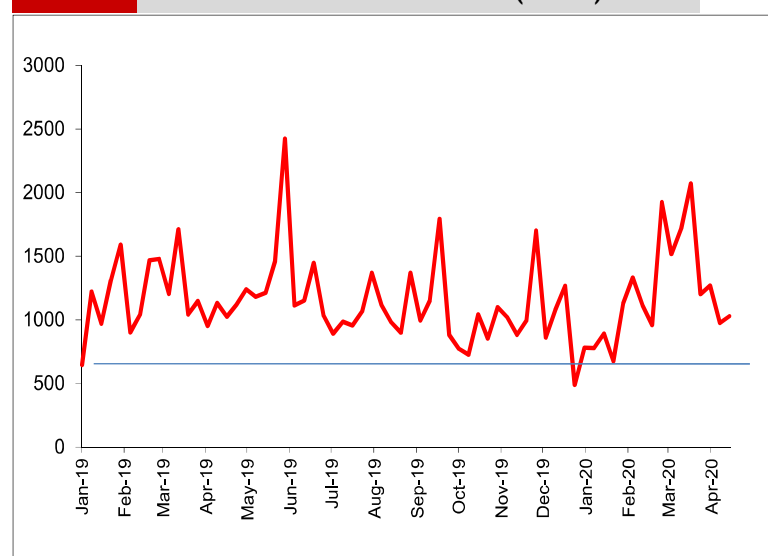
- Despite the strong end to the week, foreign net selling accelerated on Bursa last week. This was for the ninth week running. Based on data from Bursa, international investors sold -RM638.6m net of local equities last week compared to the -RM326.0m net disposed in the preceding week.
- In comparison to its other six Asian peers that we monitor, Malaysia remains as the nation with the third smallest foreign net outflow on a year-to-date basis. The year-to-date foreign outflow from Malaysia came to -RM9.1b.
- The pace of foreign net selling on Monday remained steady below RM100m as foreign investors only sold -RM76.8m of local equities.
- Foreign investors took the opportunity to accumulate some local equities on Tuesday at a tune of RM20.3m amidst reports that China's exports posted a lesser-than-expected decline in March 2020, falling by only 6.6%yoy compared to the consensus of a 14.0%yoy drop.
- Wednesday saw the local bourse inch higher to settle at 1,387.8 points, the highest close in more than a month following the IMF's latest World Economic Report that Malaysia's economic growth will be the fastest amongst ASEAN-5 countries in 2021. Notwithstanding this, foreign investors dumped -RM159.5m of local equities. The local market was instead supported by the purchase of RM241.8m of local equities by local institutions on Wednesday.
- The momentum of foreign net selling accelerated further to -RM240.1m on Thursday amidst lacklustre trading on Wall Street spurred by the U.S industrial output which experienced the biggest drop in more than 70 years last month.
- The level of foreign net selling remained high on Friday at -RM182.5m despite the positive reports of a Covid-19 drug test done by Gilead Sciences Inc and a plan to reopen the U.S economy.
- In terms of participation, foreign investors were the only investor group which saw its average daily traded value (ADTV) increase for the week by 5.6% to RM1.03b while retail and institutional investors saw a weekly decline in ADTV by 11.7% and 3.2% respectively.

**Chart 5** Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2019 (RM'm)



Source: Bursa Malaysia statistics, MIDFR

**Chart 6** Foreign Participation on Bursa: Daily Average for the Week since Jan 2019 (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)	
MAR 13	4,941.3	4,118.3	823.0	9,398.2	8,309.3	1,088.9	3,335.2	5,247.0	-1,911.9	-450.2
MAR 20	4,223.8	4,338.4	-104.7	8,921.6	7,371.6	1,549.9	4,281.1	6,075.4	-1,794.4	-411.6
MAR 27	3,699.8	3,738.7	-38.9	5,947.9	5,277.1	670.8	2,692.0	3,323.9	-631.9	-143.5
APR 3	4,055.2	3,686.4	368.6	5,447.4	5,330.1	117.4	2,930.1	3,416.1	-486.0	-111.4
APR 10	4,622.9	4,324.7	298.1	5,670.0	5,642.1	27.9	2,275.2	2,601.2	-326.0	-75.2
APR 17	3,937.5	3,968.1	-30.6	5,811.2	5,142.0	669.2	2,254.3	2,892.9	-638.6	-146.4

Source: Bursa's data \* Estimate by MIDF Research based on prevailing exchange rate.

D. MONEY FLOW<sup>2</sup> AMONG BURSA'S TOP 100 CAPITALIZED STOCKS: WEEK ENDED 17 APRIL

## TOP 10 NET MONEY INFLOWS

- IHH Healthcare Berhad registered the highest net money inflow of RM6.17m last week. Its share price gained 2.55% for the week, underperforming the local bourse which had a 3.67% weekly gain.
- MISC Berhad recorded the second highest net money inflow of RM4.17m. Its share price was 4.22% higher, outperforming the local bourse which had a 3.67% weekly gain.
- Gamuda Berhad saw the third highest net money inflow of RM2.24m. Its share price was 2.53% higher during the week, underperforming the local bourse which was 3.67% higher.

## TOP 10 NET MONEY OUTFLOWS

- Malaysia Airports Holdings Berhad saw the largest net money outflow of -5.27m last week. Its stock price was 15.91% higher for the week, outperforming vis-à-vis the FBM KLCI which gained 3.67% 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.
- British American Tobacco Berhad recorded the second largest net money outflow -RM4.30m during the week under review. Its share price was 9.42% higher during the week, outperforming the market benchmark which had a 3.67% weekly gain..
- Scientex Berhad registered the third largest net money outflow of -RM3.94m in the review week. Its share price was 6.46% higher during the week under review, outperforming the local benchmark which was 3.67% higher for the week. 

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
IHH	6.17	0.20	2.55	-
MISC	4.17	1.67	4.22	-
GAMUDA	2.24	0.18	2.53	-
MMC CORP	2.01	1.34	11.48	-
MAYBANK	1.88	0.97	2.67	-
WESTPORTS	1.85	0.05	7.10	-
AEON CREDIT	1.61	-0.47	0.00	-
PETCHEM	1.53	2.73	17.22	-
AXIATA	1.44	-0.71	7.02	-
CARLSBERG	1.40	-0.64	14.17	-

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		
MAHB	-5.27	6.73	15.91	SOS
BAT	-4.30	-0.41	9.42	SOS
SCIENTEX	-3.94	0.04	6.46	SOS
TNB	-3.24	-7.09	5.48	SOS
LOTTE CHEM	-3.11	-1.54	27.42	SOS
PUBLIC BANK	-2.88	0.96	1.01	SOS
INARI	-2.16	-0.89	8.15	SOS
AIRASIA	-2.09	-1.12	8.28	SOS
GENTING	-1.91	-0.33	6.76	SOS
CMSB	-1.65	0.88	11.86	SOS

Source: Bloomberg, MIDFR;

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

<sup>2</sup> 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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