

MIDF EQUITY STRATEGY | 20 JANUARY 2020 WEEK ENDED 17 JANUARY 2020

- Major global equity markets ended in the black amidst the signing of the U.S-China trade deal which would further improve relations between the two super powers.
- Brent crude oil price was flat last week, declining by only 0.2% after settling at USD64.85pb. The sluggish movement in oil price tracked the weak China economic growth whereby the nation reported a GDP growth of 6.1% in 2019, the weakest in just under three decades.
- Foreign net buying activity picked up steam last week in Asian markets. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” acquired USD1.73b net last week, more than double of what was acquired in the preceding week.
- Offshore investors were back in buying mode on Bursa last week. Based on data from Bursa, international investors snapped up RM320.9m net of local equities last week compared to RM10.9m net disposed in the week before. This was the largest weekly foreign net inflow in 32 weeks.
- The FBM KLCI gained 0.3% last week after settling at 1,595.8 points. Likewise, the Ringgit appreciated by 0.5% against the greenback to reach USD/MYR4.0547 during the week, marking its fourth straight week of gains.

TRADE DEAL BRINGS BACK INVESTORS TO BURSA

A. MARKET SNAPSHOT

- Major global equity markets ended in the black amidst the signing of the U.S-China trade deal which would further improve relations between the two super powers.
- On annual basis, retail sales surged to 16-month high at 5.8%yoy while on monthly basis the sales momentum remains flat at 0.3%mom. Stable labor market, moderate inflationary pressure, effects of lower interest rate and strong optimism among consumers are among key driving factors on the US's domestic demand. Unemployment rate stays at 50-year low while The University of Michigan's consumer sentiment recorded at 7-month high in Dec-19.
- In Asia, China's export in Dec-19 expanded by +7.4%yoy, doubled market expectations and rebounded from previous month's fall of -2.7%yoy. This was the first positive growth after four consecutive months of decline. Meanwhile, import registered double digit growth of +16.2%yoy, compared to tepid +0.4%yoy gain in the prior month and the highest pace since Oct-18. Hence, trade surplus narrowed to USD 46.8b. For full year of 2019, export increased marginally by +0.5%yoy while import contracted -2.8%yoy, causing trade surplus to widen to USD 424.4b (2018: USD 350.9b). By country, China recorded trade surplus of USD 296b with the US in 2019, lower than USD 325b registered in 2018, fulfilling President Trump's vow to reduce its deficit with China. This should come in handy for him ahead of the presidential election scheduled in Nov-20.
- Over in Europe, Industrial activities in UK remain sluggish as overall IPI shrank by -4.1%yoy in Nov-19, the largest drop in almost 3 years. Mining output was down -3.3%yoy while manufacturing output declined by -5.3%yoy, the lowest since Apr-17. The continuous slowdown is in line with the pessimistic trends shown in economic confidences in the economy. Business and consumer confidences among others reflected by CBI Business Optimism Indicator and ZeW Economic Sentiment Index have been recording negative points.
- Brent crude oil price was flat last week, declining by only 0.2% after settling at USD64.85pb. The sluggish movement in oil price tracked the weak China economic growth whereby the nation reported a GDP growth of 6.1% in 2019, the weakest in just under three decades. In addition, A report citing the International Energy Agency showed that supply from the OPEC will exceed demand for its crude, even if members of the cartel comply fully with output cuts agreed with Russia and other producers in a grouping known as OPEC-plus.

Table 1 Weekly performance of major indices		
Weekly % change	Week before	Last week
Korea KOSPI	1.38	2.00
S&P 500	0.94	1.97
Dow Jones	0.66	1.82
Hang Seng	0.66	1.46
Thai SET	-0.90	1.26
FTSE 100	-0.45	1.14
CAC 40	-0.12	1.05
India SENSEX	0.33	0.83
Nikkei	0.82	0.80
FSSTI Index	0.53	0.77
Taiwan TAIEX	-0.71	0.55
DAX	2.00	0.32
KLCI	-1.24	0.27
Jakarta JCI	-0.77	0.27
China CSI 300	0.44	-0.20
Phil PCOMP	-0.80	-0.70

Source: Bloomberg

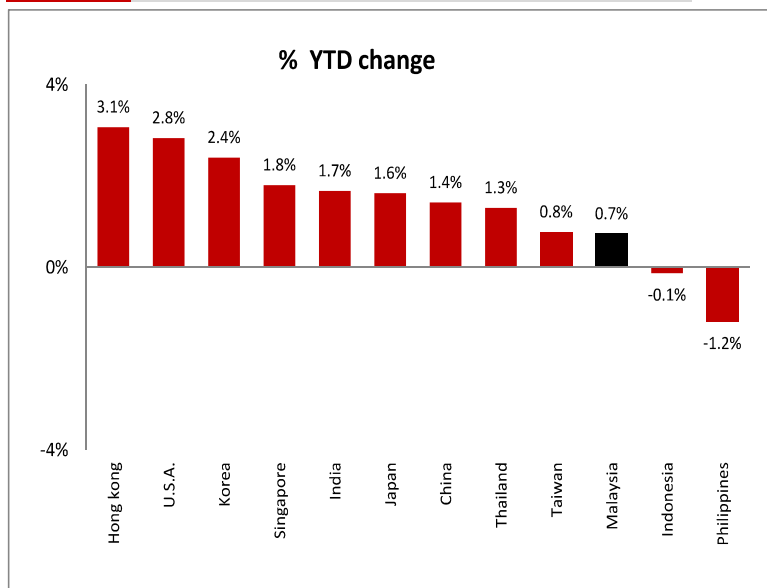
FUND FLOW REPORT

- The FBM KLCI gained 0.3% last week after settling at 1,595.8 points. Likewise, the Ringgit appreciated by 0.5% against the greenback to reach USD/MYR4.0547 during the week, marking its fourth straight week of gains.

B. TRACKING MONEY FLOW - ASIA¹

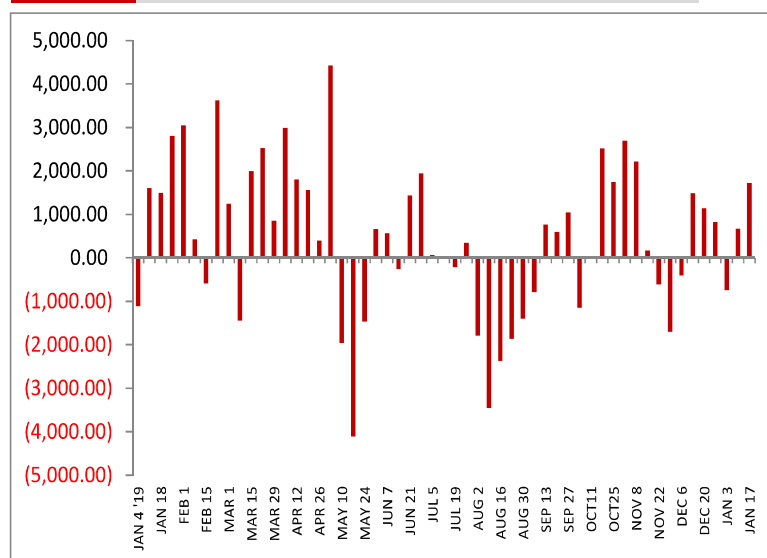
- Foreign net buying activity picked up steam last week in Asian markets. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” acquired USD1.73b net last week, more than double of what was acquired in the preceding week.
- International funds in South Korea continued purchasing local equities for the second week but at a slower pace of USD390.2m net. The first two days of the week saw a huge foreign net inflow of USD201.0m on each day mainly due to the optimism on the signing of a U.S.-China trade deal which will be followed by a further improvement in relations between the two nations. The KOSPI index followed suit to settle higher at above 2,200 points on both days. Meanwhile, foreign investors took a breather on Wednesday and Thursday to sell -USD82.4m net and -USD21.1m net of local equities respectively. Investors parsed reports that U.S. tariffs on Chinese goods will remain in place even after signing a preliminary trade deal. As such, the four-day winning streak on KOSPI was snapped as the bourse declined 0.4% on Wednesday.
- In contrast, international investors in Taiwan acquired USD102.5m net of local equities after two weeks of selling. Foreign net buying occurred on two days last week with Monday recording the highest at USD389.4m net. This was also in fact the largest daily foreign net inflow in nearly a month following the landslide election victory for President Tsai Ing-wen. The positivity comes from Tsai’s Democratic Progressive Party which advocates for Taiwan’s formal independence. In addition, the Taiex index closed at its highest level in more than three weeks at 12,113.4 points with a 0.7% gain. On a month-to-date basis, Taiwan has seen a foreign net outflow of -USD310.2m in January 2020, the largest amongst the seven Asian markets we cover.

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)

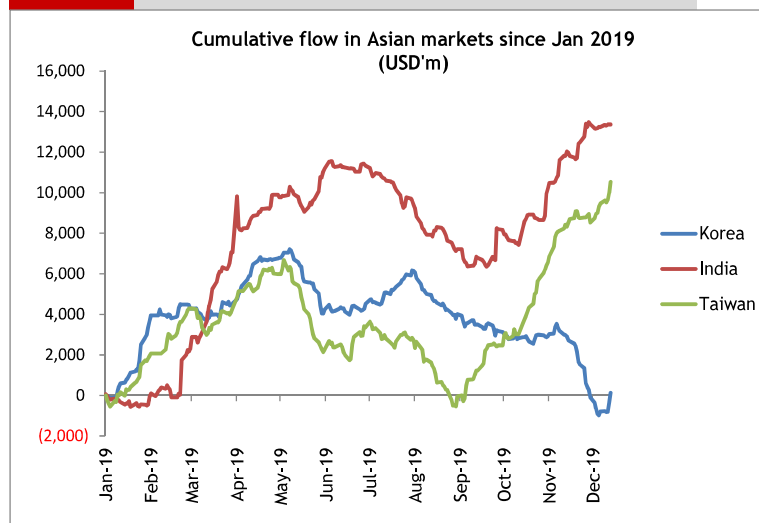


Source: Bloomberg, Bursa Malaysia, MIDFR

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.

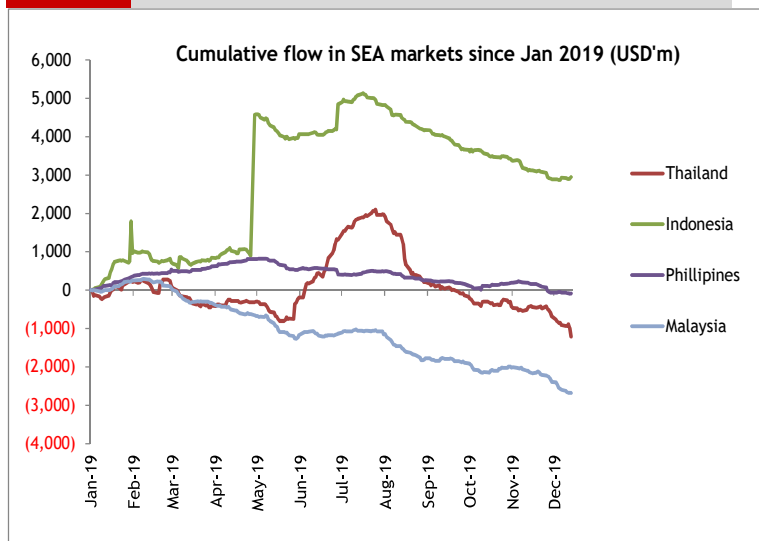
- In emerging South East Asian markets that we monitor, half recorded a foreign net outflow while another half experienced foreign net buying during the week.
- The foreign net buying activity seen in Bangkok in the week before was short-lived as -USD225.6m net were sold last week. International funds were net sellers on every day of the week, extending the selling spree to seven days, the longest since the nine-day stretch in early May 2019. Foreign investors sold the most on Wednesday at -USD76.9m net as jitters resurfaced ahead of the U.S-China trade deal later that day, dragging the SET index lower by 0.4%. In terms of cumulative foreign net outflow for the year so far, Thailand has the largest amongst the four ASEAN markets we monitor.
- In Manila, offshore funds were net sellers for the sixth week running after foreign investors sold -USD27.6m net of local equities. Trading activity was suspended on Monday due to the Taal volcanic eruption. Nevertheless, markets reopened on Tuesday with a positive note as foreign investors acquired USD3.1m net of local equities while the local bourse ended 0.2% higher. However, foreign net selling occurred thereafter until the week ended with Wednesday recording the highest foreign net outflow of -USD17.4m net.
- In Jakarta, offshore funds bought USD55.7m net of local equities last week, extending the foreign net buying into the seventh uninterrupted week. Monday and Tuesday saw foreign investors entering Indonesia at a tune of USD18.4m net and USD70.6m net respectively amidst optimism on the pledge by the United Arab Emirates to make a large investment of USD22.8b in the nation's sovereign wealth fund. The investment includes building Indonesia's new capital and developing properties in Aceh.

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
NOV 29	-1,625.9	-212.0	-189.4	-159.3	883.2	-210.2	-182.3	-1,695.8
DEC 6	-681.5	-222.4	37.0	8.7	-138.2	792.1	-200.0	-404.4
DEC 13	911.0	-304.7	14.9	-28.0	61.3	921.8	-88.3	1,488.0
DEC 20	1,032.9	-209.9	421.3	-116.4	738.2	-741.2	16.6	1,141.6
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	390.2	-225.6	55.7	-27.6	1,351.8	102.5	79.1	1,726.0

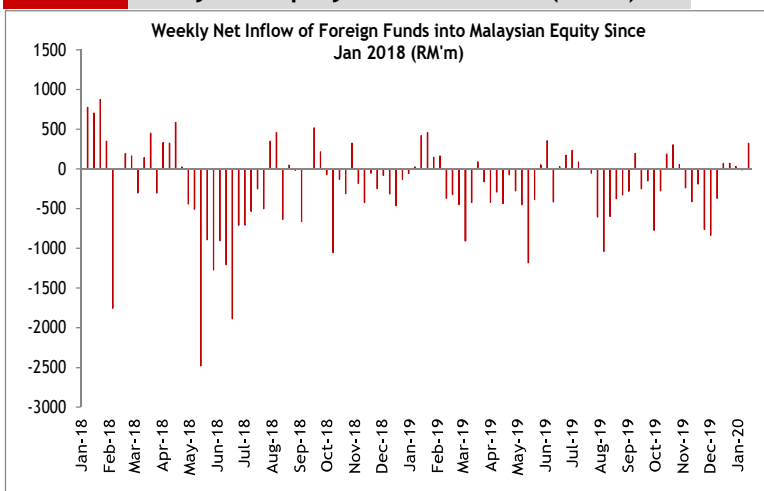
Source: Respective exchange statistics reported on Bloomberg. Bursa Malaysia. These figures are subject to revisions.

FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

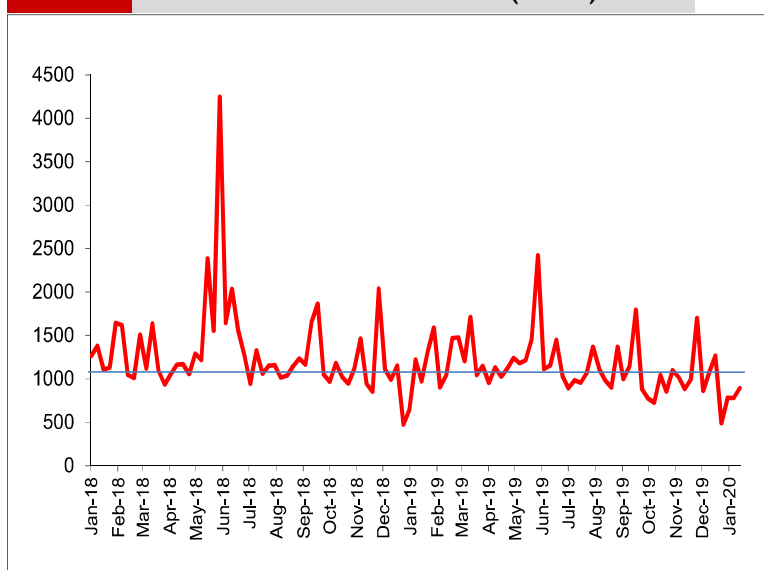
- Offshore investors were back in buying mode on Bursa last week. Based on data from Bursa, international investors snapped up RM320.9m net of local equities last week compared to RM10.9m net disposed in the week before. This was the largest weekly foreign net inflow in 32 weeks.
- The mood was sombre on Monday as foreign investors disposed -RM27.3m net of local equities. Offshore investors continued to take out local equities on Tuesday albeit at a slower pace of -RM8.3m net. Monday's rally on Wall Street driven by waning tensions in the Middle East put a lid on selling activity that day.
- The vibes turned positive on Wednesday as international funds flocked into Bursa at a tune of RM41.4m net ahead of the signing of the "phase one" U.S-China trade deal. This was despite the fact that there will be no roll back on existing tariffs on China.
- Foreign net buying activity picked up further on Thursday to reach RM57.7m net after the trade deal was sealed. The deal commits China to do more to crack down on the theft of American technology and corporate secrets by its companies and state entities, while outlining a USD200b spending spree to close its trade imbalance with the U.S.
- Friday was the highlight of the week as foreign net buying activity surged to RM257.2m, the largest in a day since late May 2019. Positivity came from China's GDP growth which reassured investors over the relative health of the country.
- On a month-to-date basis, January 2020 has seen a foreign net inflow of RM491.1m. In comparison to the other three ASEAN markets we track, Malaysia has the smallest foreign net inflow on a year-to-date basis after Indonesia while Thailand and the Philippines have been recording foreign net outflows.
- In terms of participation, the average daily traded value (ADTV) of foreign investors increased by 14.5%yoy during the week. However, the ADTV was still below the healthy level of RM1.0b at RM892.1m.

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)	
DEC 13	2,582.2	2,514.3	67.9	4,373.4	4,074.2	299.2	2,510.8	2,877.9	-367.1	-88.3
DEC 20	2,544.3	2,545.5	-1.2	4,133.0	4,200.5	-67.5	3,200.6	3,131.9	68.7	16.6
DEC 27	1,622.7	1,669.1	-46.4	2,416.0	2,439.5	-23.5	1,013.9	944.0	69.9	16.9
JAN 3	2,352.9	2,395.6	-42.7	3,680.0	3,665.9	14.0	1,576.7	1,548.0	28.6	6.9
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	3,797.8	3,927.4	-129.6	4,299.3	4,708.9	-409.6	2,390.7	2,069.8	320.9	79.1

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 17 JANUARY
TOP 10 NET MONEY INFLOWS

- Public Bank Berhad registered the highest net money inflow of RM17.09m last week. Its share price gained 0.31% for the week, outperforming the local bourse which had a 0.27% weekly gain. It is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.
- Petronas Chemicals Berhad recorded the second highest net money inflow of RM15.62m. Its share price was -0.62% lower, underperforming the local bourse which had a 0.27% weekly gain.
- Kuala Lumpur Kepong Berhad saw the third highest net money inflow of RM6.95m. Its share price was -1.05% lower during the week, underperforming the local bourse which was 0.27% higher.

TOP 10 NET MONEY OUTFLOWS

- Genting Plantations Berhad saw the largest net money outflow of -RM6.45m last week. Its stock price was unchanged for the week.
- Axiata Group Berhad recorded the second largest net money outflow -RM4.50m during the week under review. Its share price was 10.31% higher during the week, outperforming the market benchmark which had a 0.27% weekly gain. It is notable that the net money outflow amidst advancing share price may indicate a sell on strength (SOS) stance among some investors.
- Malayan Banking Berhad registered the third largest net money outflow of -RM3.50m in the review week. Its share price was -0.35% lower during the week under review, underperforming the local benchmark which was -0.27% lower 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		
PUBLIC BANK	17.09	5.99	0.31	-
TNB	15.62	1.73	-0.62	BOW
KL KEPONG	6.95	1.19	-1.05	BOW
GENTING BHD	5.50	3.07	0.32	-
PRESS METAL	5.45	3.74	4.66	-
GAMUDA	3.80	0.63	2.50	-
BAT	3.71	-0.52	-9.63	BOW
MAXIS	3.38	0.86	3.64	-
DIALOG	2.81	-0.88	-1.45	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		
GENTING PLTN	-6.45	0.29	0.00	-
AXIATA GROUP B	-4.50	1.99	10.31	SOS
MAYBANK	-3.50	-4.43	-0.35	-
V.S. INDUSTRY	-3.50	0.10	6.32	SOS
CIMB GROUP	-3.20	3.59	-0.77	-
F&N	-3.12	4.45	-1.36	-
SIME DARBY	-2.88	3.91	1.80	SOS
AEON CREDIT	-2.54	-0.51	-3.62	-
INARI	-2.46	1.53	-0.58	-
IOI CORP	-2.04	-1.81	-1.49	-

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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