

MIDF EQUITY STRATEGY | 21 MAY 2019 WEEK ENDED 17 MAY

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- Brent crude oil price ended two weeks of decline by gaining 2.3% for the week at USD72.21pb, the largest in six weeks. The optimism comes ahead of the OPEC meeting with its allies over the weekend. During the meeting, Saudi Arabia suggested the OPEC to sticks to its production plan while Saudi Arabia itself would remain accommodative to the needs of the oil market.
- Foreign investors continued pouring out equities from Asian markets. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” sold -USD4.11b net last week, a level not seen since October last year.
- An exodus of foreign funds from Bursa was observed last week, extending the foreign net selling streak to the eighth week. Based on data from Bursa, foreign funds sold -RM1.18b net of local equities last week.
- The FBM KLCI was 0.3% lower for the week after settling at 1,605 points on Friday, the smallest decliner in comparison with other major bourses worldwide.

ASIA CONTINUES TO SEE NET OUTFLOWS

A. MARKET SNAPSHOT

- Most equity markets worldwide remained in the red last week as the trade rift between the U.S and China escalated further.
- U.S industrial production plunged 0.5%mom in April 2019 from 0.2%mom gain in the preceding month. This was the biggest decline in 11 months due to 0.5%mom drop in manufacturing output as production of durable goods declined about 1%mom. On an annual basis, industrial output growth slowed sharply to 0.9%, the smallest gain since February 2017. The latest reading provided cues on expectation of a decline in the U.S exports for April 2019.
- In Asia, China posted a weaker growth in retail sales and industrial output for the month of April, pressuring Beijing to consider more stimulus measures amidst the escalation of the trade dispute with the U.S. Overall, retail sales fell to a 16-year low of 7.2% in April 2019, partially attributable to the deterioration of employment and declining income of the middle and low income groups. Specifically, clothing sales experienced a drop for the first time in seven years, pointing out to higher concerns amongst Chinese consumers on the economy even before the U.S tariff hike took effect on the Friday in the preceding week. As such, China might need to roll out targeted tax cuts or subsidies for the middle and low income groups to keep consumption as the stabiliser of the economy.
- Meanwhile, leading indicators in European Union (EU) are suggesting further moderation in the economy amid global trade uncertainties, volatile commodity prices and political uncertainty ahead of the upcoming European Parliament election. The ZEW Indicator of Economic Sentiment for Euro Area returns to negative points -1.6 in May 2019. The sentiment has been on recovery trajectory since Nov-18. Similarly, EU's largest economy Germany fell to -2.1 points. 28 member states of European Union are expected to go to polls between 23rd and 26th May 2019 to elect new European parliament.
- Brent crude oil price ended two weeks of decline by gaining 2.3% for the week at USD72.21pb, the largest in six weeks. The optimism comes ahead of the OPEC meeting with its allies over the weekend. During the meeting, Saudi Arabia suggested the OPEC to stick to its production plan while Saudi Arabia itself would remain accommodative to the needs of the oil market. Moving forward in 2H19, maintaining production to keep inventories on gradual decline will be OPEC's agenda.

Table 1 Weekly performance of major indices		
Weekly % change	Week before	Last week
CAC 40	-3.99	2.08
FTSE 100	-2.40	2.02
DAX	-2.84	1.49
India SENSEX	-3.85	1.25
KLCI	-1.65	-0.30
Nikkei	-4.11	-0.44
Dow Jones	-2.12	-0.69
S&P 500	-2.18	-0.76
Phil PCOMP	-2.83	-2.05
FSSTI Index	-3.50	-2.08
Hang Seng	-5.09	-2.11
China CSI 300	-4.67	-2.19
Thai SET	-1.81	-2.46
Korea KOSPI	-4.02	-2.48
Taiwan TAIEX	-3.45	-3.07
Jakarta JCI	-1.75	-6.16

Source: Bloomberg

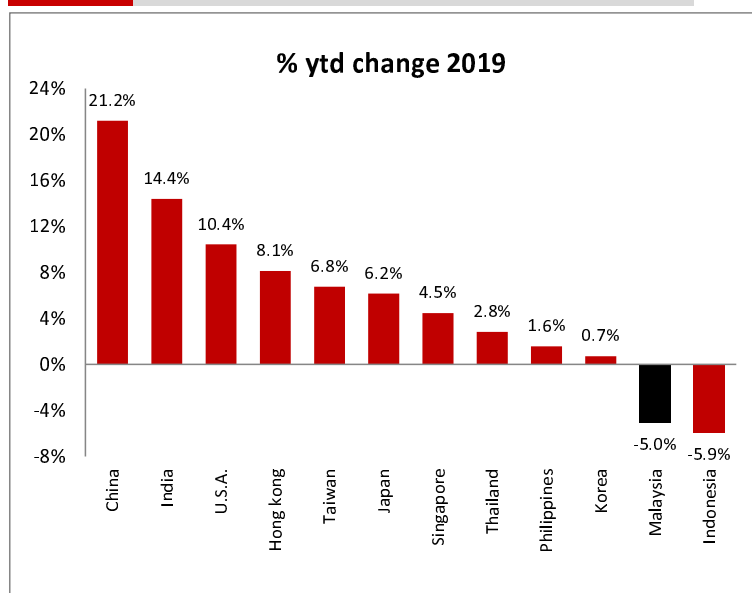
FUND FLOW REPORT

- The FBM KLCI was 0.3% lower for the week after settling at 1,605 points on Friday, the smallest decliner in comparison with other major bourses worldwide. On a year-to-date basis, the FBM KLCI is no longer the only laggard in ASEAN as Indonesia's Jakarta Composite Index recorded loss of -5.9%, far worse than FBM KLCI. The Ringgit depreciated 0.4% against the greenback to settle at USD/MYR4.1765, a level not observed since late December 2018.

B. TRACKING MONEY FLOW - ASIA¹

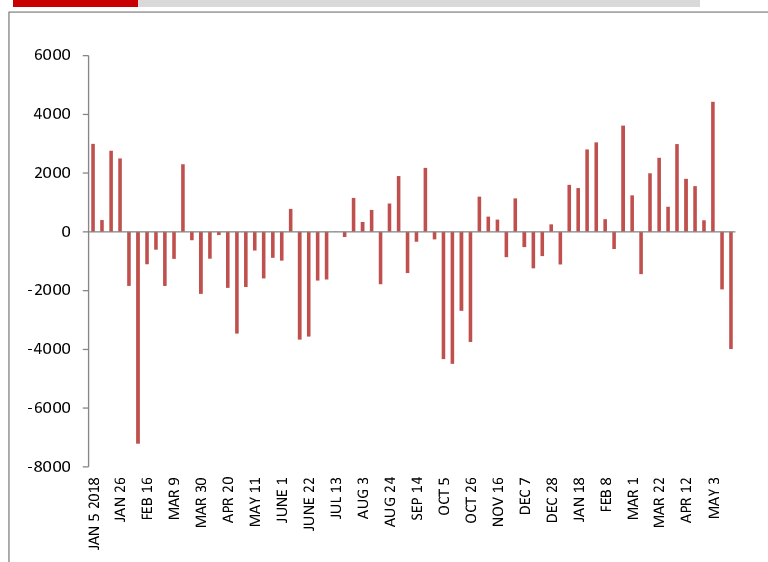
- Foreign investors continued pouring out equities from Asian markets. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" sold -USD4.11b net last week, a level not seen since October last year.
- In Korea, the momentum of foreign funds exiting the local bourse increased by three times to USD1.08b from the week before. This is the largest weekly foreign net outflow recorded in 29 weeks. International investors were net sellers on every single day of the week, extending the foreign net selling streak to eight days. Foreign net selling peaked on Thursday at USD530.6m, a level not observed since 23 October 2018 as foreign investors mainly unloaded KRW145.5b net of Samsung Electronics shares. Sentiment on Samsung Electronics shares were hampered by the news of prosecutors raiding its office on suspicion of accounting fraud and destruction of evidence related to Samsung Biologics. The KOSPI Index followed suit to decline 1.2%, settling at the lowest level in four months. Meanwhile on the political front, President Trump will be visiting South Korea for the G-20 summit in June following the nuclear talks with North Korea which did not yield any breakthrough.
- Taiwan remained the casualty of the biggest foreign net outflow for the second week as foreign investors dumped -USD1.29b. International funds sold the most on Wednesday at a tune of USD439.6m net. Nonetheless, the Taiex index moved in an opposite direction, closing higher for the first time in six days on Wednesday as disappointing retail sales growth in China spurred speculation of an economic stimulus. In relation to the U.S-China tensions, Taiwan is helping its companies to reach out to government elsewhere in Asia about tax, subsidies and development of industrial zones.

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)

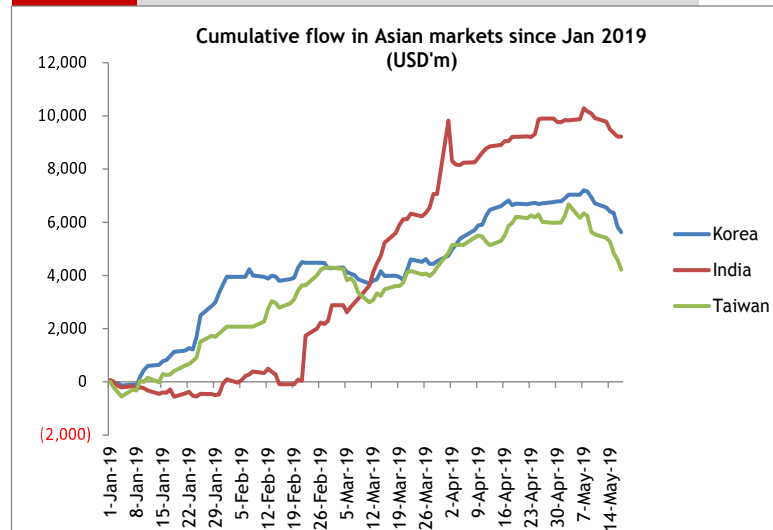


Source: Bloomberg, Bursa Malaysia, MIDFR

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.

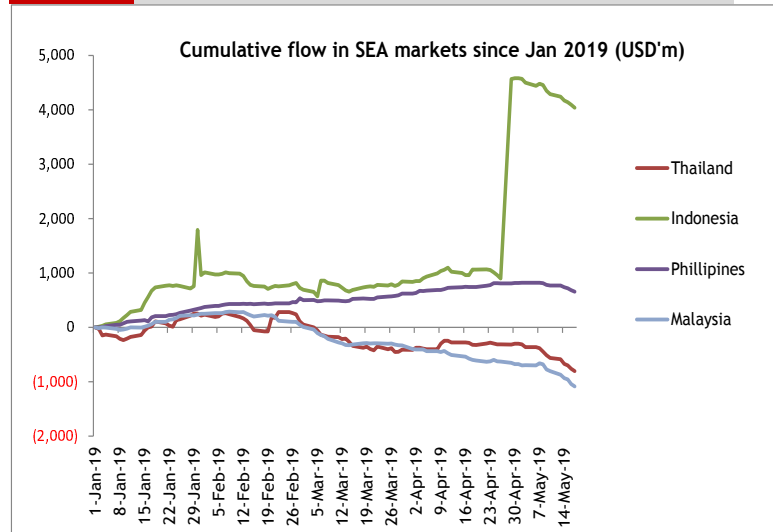
- In emerging South East Asian markets that we monitor, all markets were experiencing foreign net outflows.
- Bangkok recorded the third consecutive week of foreign net selling with foreign funds disposing -USD240.1m net of local equities last week. International investors were continuously selling on every day of the week, stretching the foreign net selling spree to nine days. Foreign net outflow was the highest on Tuesday at USD85.0m net as the U.S. was prepared to impose new tariffs on China despite the scheduled the two countries meeting each other at the G-20 summit. Meanwhile, the domestic political landscape in Thailand is not totally clear yet as the future forward party is seeking to lead a new parliamentary coalition with mid-sized parties.
- Offshore investors in Manila upped the ante in selling activity, selling off -USD111.6m net. International funds remained net sellers throughout the whole week with Thursday recording the highest during foreign net outflow of -USD35.3m amidst political risk associated with President Duterte's firmer control of the Congress. Other factors which came into play were the escalating trade rift between the U.S and China and the rebalancing of the MSCI index which will take effect 28 May 2019.
- The level of foreign net outflow in Indonesia was little changed at -USD251.0m net, only USD40m net higher than the preceding week. The performance of equities tracked the accelerated outflows to mark a fourth week of decline, the longest losing streak in more than a year. Foreign net selling activity was the most intense on Tuesday as investors offloaded USD69m net. With almost every other Asian market still in the green, it is now the first in Asia to lose the rally it posted earlier this year.

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)

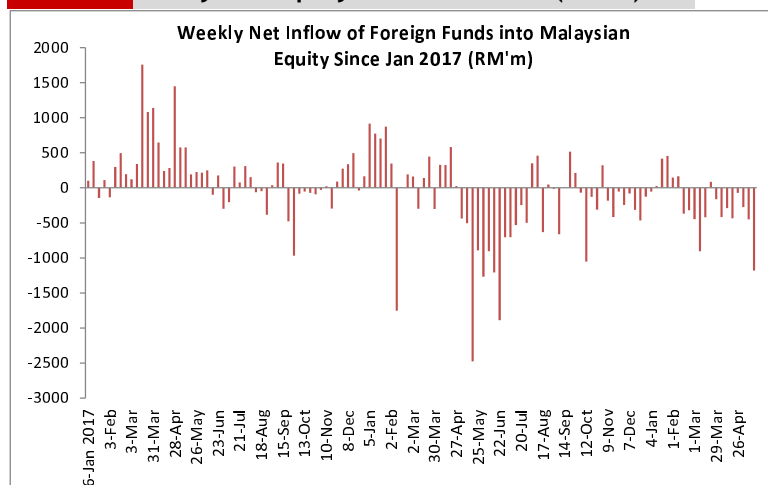
WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
MAR 15	126.7	-170.5	-131.2	26.6	2,102.7	141.5	-103.0	1,992.7
MAR 22	618.2	-9.2	94.1	29.7	1,089.3	681.3	21.2	2,524.6
MAR 29	-68.0	-57.8	63.5	69.2	742.6	149.6	-39.8	859.3
APR 5	927.3	5.7	90.8	55.0	1,177.0	835.8	-102.1	2,989.5
APR 12	1,004.4	123.9	90.2	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	-1,084.7	-240.1	-251.0	-111.6	-855.1	-1,285.9	-282.9	-4,110.3

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

C. TRACKING MONEY FLOW - MALAYSIA

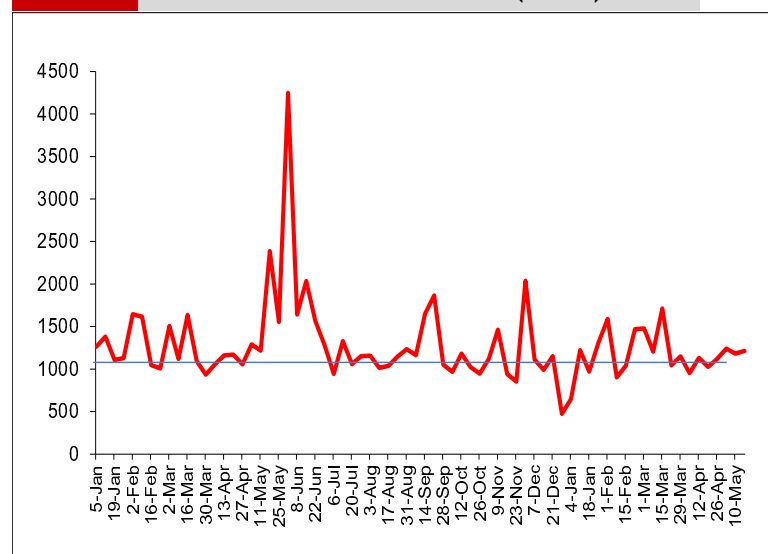
- An exodus of foreign funds from Bursa was observed last week, extending the foreign net selling streak to the eighth week. Based on data from Bursa, foreign funds sold -RM1.18b net of local equities last week, a level not seen since October last year.
- Bursa Malaysia had a rough start to the week as global investors sold -RM288.6m net on Monday.
- Tuesday then saw a rather similar tune of foreign net outflow worth -RM253.1m net as China announced retaliatory tariffs on about USD60b of U.S goods effective June 1. The escalation of the trade rift occurred even as President Trump will be meeting Xi Jinping at the G-20 summit in June. The local bourse was also adversely impacted, closing below 1,600 points for the first time since September 2015.
- The level of foreign net outflow tapered to -RM91.6m net on Wednesday, the lowest during the week, coinciding with a 0.8% gain for the local bourse. Much of the market hype was spurred by the disappointing growth in China's industrial output and retail sales for April 2019, increasing the likelihood of an economic stimulus for the nation.
- Thursday experienced a spike in foreign net selling to hit -RM371.7m. The trade war angst between the U.S and China outweighed the positive vibes from the local front which saw the nation's 1Q19 GDP which exceeded expectations.
- A slowdown in foreign net outflow occurred on Friday as the amount sold went below -RM200m. Sentiment was revived partly due to the rise in U.S equities overnight after solid corporate earnings of companies such as Walmart and better-than-expected April housing data.
- On a month-to-date basis, Malaysia has recorded a foreign net outflow of -RM1.71b in May 2019. This brings the year-to-date foreign net outflow from Malaysia to -RM4.46b.
- Participation amongst foreign investors gained momentum last week as the average daily traded value (ADTV) rose 2.7% to RM1.21b which is a healthy level.

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)	
APR 12	3,458.4	3,286.7	171.8	5,328.2	5,210.8	117.5	2,686.8	2,976.1	-289.3	-70.4
APR 19	2,512.9	2,518.9	-6.0	4,392.5	3,953.2	439.4	2,346.2	2,779.6	-433.4	-105.0
APR 26	3,992.9	4,021.0	-28.1	6,354.9	6,254.9	100.1	2,761.9	2,833.9	-72.0	17.4
MAY 3	2,097.2	2,076.8	20.4	3,505.1	3,249.8	255.3	2,341.3	2,617.0	-275.7	-66.7
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

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 MAY
TOP 10 NET MONEY INFLOWS

- Tenaga Nasional Berhad registered the highest net money inflow of RM6.44m last week. Its share price declined -1.86% for the week, underperforming the local bourse which had a -0.30% weekly loss. It is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.
- IHH Healthcare Berhad recorded the second highest net money inflow of RM5.38m. Its share price ended -0.18% lower for the week, outperforming the benchmark which was -0.30% lower.
- Petronas Chemicals Group Berhad saw the third highest net money inflow of RM5.03m. Its share price ended -1.01% lower during the week under review, underperforming the local bourse which was -0.30% lower.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
TNB	6.44	-4.73	-1.86	BOW
IHH	5.38	1.41	-0.18	BOW
PETCHEM	5.03	-5.75	-1.01	BOW
HLFG	3.61	-0.77	-0.53	BOW
GAMUDA BHD	3.03	1.40	0.92	-
RHB BANK BHD	2.93	0.68	0.00	-
PETGAS	2.81	-0.39	-2.24	BOW
DIALOG	2.73	0.38	5.10	-
TOP GLOVE	2.67	-0.47	4.00	-
AIRASIA GROUP	2.50	0.13	-3.46	BOW

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- Public Bank Berhad saw the largest net money outflow of -RM8.04m last week. Its stock price advanced 0.72% for the week outperforming vis-à-vis the FBM KLCI which declined -0.30% 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.
- Axiata Group Berhad recorded the second largest net money outflow -RM6.14m during the week under review. Its share price was 1.14% higher during the week, outperforming the market benchmark which had a -0.30% weekly loss.
- Malayan Banking Berhad registered the third largest net money outflow of -RM5.96m in the review week. Its share price was 0.33% higher for the week, outperforming the local benchmark which was -0.30% 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		
PUBLIC BANK	-8.04	-4.62	0.72	SOS
AXIATA	-6.14	3.83	1.14	SOS
MAYBANK	-5.96	0.25	0.33	SOS
HEINEKEN	-2.67	0.25	-1.72	-
MAXIS	-2.45	-2.01	0.00	-
GENTING	-1.96	-1.16	-3.85	-
INARI	-1.84	-0.31	-3.23	-
SUNWAY REIT	-1.10	0.18	-1.25	-
IOI PROP	-1.00	0.02	-7.03	-
F&N	-0.96	-3.56	0.36	SOS

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