

MIDF EQUITY STRATEGY | 21 OCTOBER 2019**WEEK ENDED 18 OCTOBER 2019**

- Majority of equity markets worldwide were in the black last week despite weak economic data from China and U.S retail sales.
- Brent crude oil price ended 1.8% lower for the week after settling at USD59.42pb as the bullish factors surrounding China's refining sector were outweighed by concerns on the nation's economy. China's economy slowed down by -6.0%yoy in 3Q19, the weakest in 27.5 years while its refinery throughput rose 9.4%yoy in September 2019, signalling a robust demand from the world's biggest oil importer in spite of economic headwinds.
- International investors upped the ante in acquiring equities in Asian markets. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" mopped up USD2.51b net last week, more than 100 times compared to the USD13.3m net bought in the preceding week.
- Bursa last week after four straight weeks of selling. Based on data from Bursa, foreign investors snapped up RM184.6m net of local equities last week, compared to -RM276.6m net in the week before. Out of 42 weeks, Bursa has seen 14 weeks of foreign net buying in 2019.
- The FBM KLCI snapped a six-week losing streak after settling 0.9% higher on Friday at 1,571.8 points. Meanwhile, the Ringgit remained unchanged during the week at USD/MYR4.1865.

FOREIGN INVESTORS MADE THEIR WAY BACK TO MALAYSIA

A. MARKET SNAPSHOT

- Majority of equity markets worldwide were in the black last week despite weak economic data from China and U.S retail sales.
- U.S industrial production in August 2019 declined for the first time since November 2016 by -0.1%yoy as consumer goods declined further while equipment and material production growth eased. Falling consumer goods production during the month was mainly due to a fall from automotive products, dragged down by a strike at General Motors. Automotive product contracted -5.0%yoy, the worst fall since Global Financial Crisis. In addition, energy production growth under material moderated to a two-and-a-half-year low of 2.6%yoy.
- A slide in China's exports picked up pace in September to shrink -3.2%yoy, the lowest in seven months. This marks the second consecutive month of contraction after a surprisingly rebound of 3.3%yoy in July 2019. Meanwhile, the total imports dropped further than the exports at -8.5%yoy, fifth months of falling streak. Therefore, China was able to capture a greater trade surplus of USD39.65b in Sep-19, higher than the previous month at USD34.82b. By components, crude oil sales dropped the most by -70.5%yoy, followed by rice at -46.9%yoy and coke & semi-coke at -25.8%yoy, but on a flip side, coal export rose by 34.5%yoy. For the first 9 months, sales to the US dropped by -10.7%yoy compared to the same period last year. Moving forward, there seems to be a room for improvement for the external trade performance, at least for the short-term, ahead of the fruitful trade talks, where the US has decided to suspend an increment of tariff to 30% from 25% on at least USD250b of Chinese goods.
- In Europe, the European Union (EU) will now take its time rather than rushing the decision on British Prime Minister, Boris Johnson's request to delay Brexit after diplomats in the bloc had a meeting on Sunday. Boris Johnson's plan to push forward his Brexit deal to the U.K parliament was derailed after lawmakers voted to withhold the deal, forcing him to seek a third postponement of the U.K from the EU. The extension options for EU range from just an additional month from 31 October 2019 to half a year or longer.
- Brent crude oil price ended 1.8% lower for the week after settling at USD59.42pb as the bullish factors surrounding China's refining sector were outweighed by concerns on the nation's economy. China's economy slowed down by -6.0%yoy in 3Q19, the weakest in 27.5 years while its refinery throughput rose 9.4%yoy in September 2019, signalling a robust demand from the world's biggest oil importer in spite of economic headwinds.

Table 1 Weekly performance of major indices		
Weekly % change	Week before	Last week
Nikkei	1.82	3.18
India SENSEX	1.20	3.07
Taiwan TAIEX	-0.04	2.67
Hang Seng	1.89	1.56
Jakarta JCI	0.73	1.41
DAX	4.15	0.97
KLCI	-0.05	0.92
Korea KOSPI	1.18	0.79
S&P 500	0.62	0.54
Phil PCOMP	1.89	0.45
Thai SET	1.25	0.33
FSSTI Index	1.16	0.01
Dow Jones	0.91	-0.17
CAC 40	3.23	-0.52
China CSI 300	2.55	-1.08
FTSE 100	1.28	-1.33

Source: Bloomberg

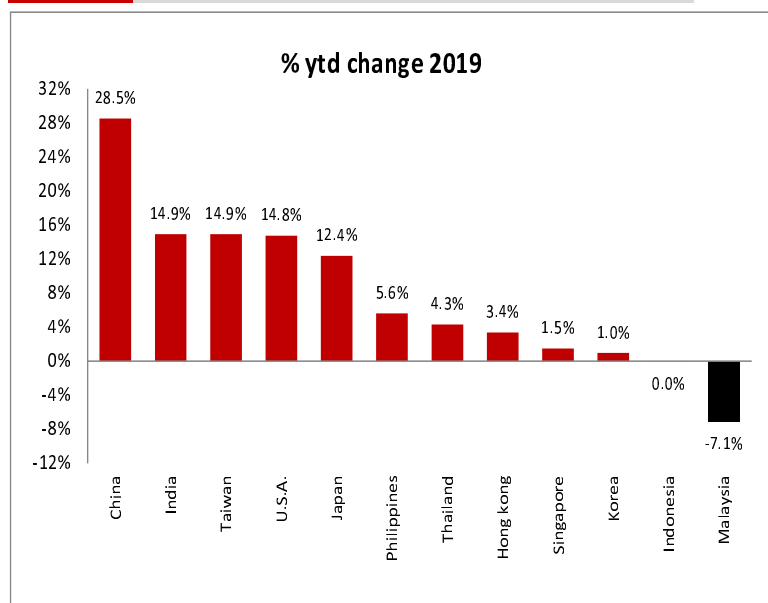
FUND FLOW REPORT

- The FBM KLCI snapped a six-week losing streak after settling 0.9% higher on Friday at 1,571.8 points. Meanwhile, the Ringgit remained unchanged during the week at USD/MYR4.1865.

B. TRACKING MONEY FLOW - ASIA¹

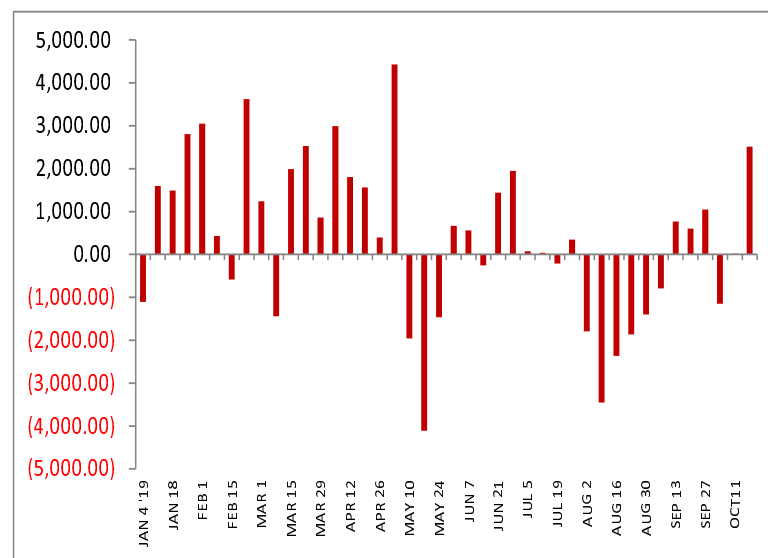
- International investors upped the ante in acquiring equities in Asian markets. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” mopped up USD2.51b net last week, more than 100 times compared to the USD13.3m net bought in the preceding week. This is also the highest weekly foreign net inflow for Asian markets in 24 weeks.
- International funds made their way out from Korea at a tune of -USD159.8m last week. Foreign investors were net sellers on three days during the week with Thursday recording the highest foreign net outflow of -USD148.5m, coinciding with the 0.2% drop in KOSPI to 2,078 points. The level of foreign net selling tapered slightly to -USD110.9m on Friday as U.S Treasury Secretary, Steven Mnuchin is considering South Korea’s request for auto tariff exemption. On the monetary policy front, South Korea cut the policy rate by 25 basis points to a record low of 1.25% on Wednesday, marking the second rate cut in a three month period this year. It was mainly to tackle economic slowdown and deflationary pressure. The deflation had worsened to -0.43%yoy in September 2019 compared to -0.04%yoy in the previous month.
- Taiwan remained the darling amongst international investors as it saw a foreign net inflow of USD1.31b, the largest weekly foreign net inflow so far this year. This also brings Taiwan’s foreign net buying spree to the seventh week, the longest buying streak since late January to March 2016. International funds bought local equities on every single day of the week and accumulated the most on Monday at USD541.9m net, coinciding with the Taiwan’s dollar largest gain since January 2018. Monday’s optimism came about after trade negotiations between the U.S and China showed some signs of progress in the preceding week, pushing local semiconductor companies higher such as TSMC which recorded better-than-expected 3Q19 sales. The local bourse also followed suit to jump 1.6% higher to close at 11,067 points, the highest since 3 May 2019.

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)

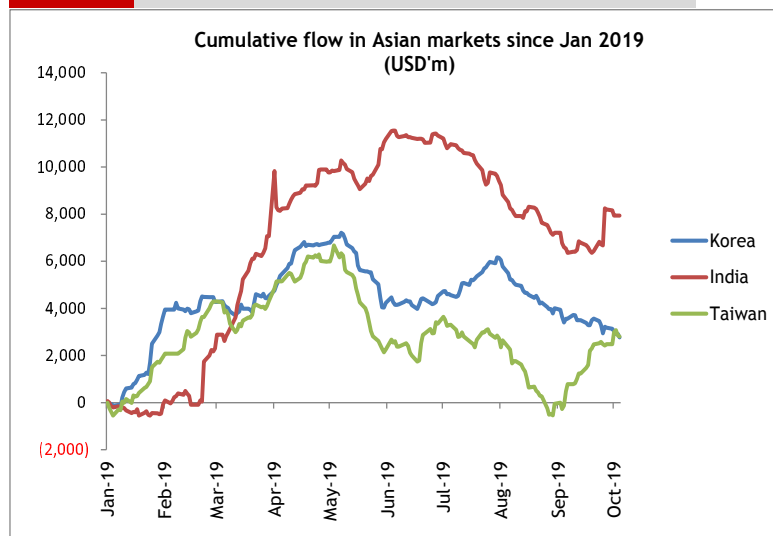


Source: Bloomberg, Bursa Malaysia, MIDFR

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.

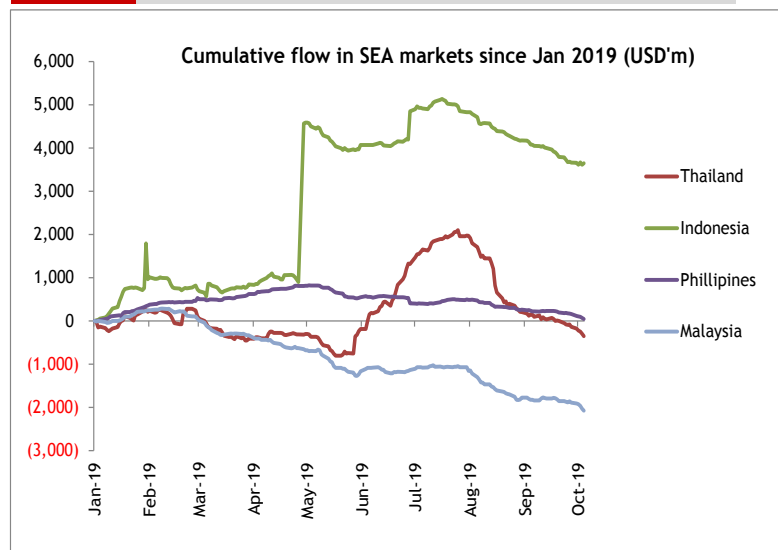
- In emerging South East Asian markets that we monitor, half saw foreign net inflows while the other half experienced foreign net outflows
- The foreign net buying in Bangkok was short-lived as foreign investors took out -USD92.4m net of local equities during the four-day trading week. International funds sold the most during the week on Friday at -USD54.7m net as investors assessed China's quarterly economic slowdown and the likelihood of U.K lawmakers approving a Brexit deal.
- In Manila, foreign investors remained net buyers for the second week after buying USD27.2m of local equities last week. Foreign net buying peaked during the week on Thursday at USD21.1m, pushing the PSEi 0.2% higher to close at 7,930.6 points, a level not observed in a month. The positive mood came from the start of the 3Q19 earnings season with the Bank of Philippine Islands being the first to release its results which showed a 38.6%yoy increase in net income.
- Jakarta marked its 14th consecutive weekly foreign net outflow as foreign investors took out -USD95.5m last week. This is the longest selling spree recorded since the 16-week selling streak seen from early February to middle of May 2018. Foreign net selling was the highest during the week on Tuesday at -USD45.4m following the worsening of China's deflation in September 2019. Nevertheless, Thursday saw a bout of foreign net inflows worth USD14.7m. Meanwhile, it is notable that Indonesia has the largest foreign net inflow on a year-to-date basis amongst the four ASEAN markets we track worth USD3.47b. On the macroeconomic front, Indonesia posted a surprise trade deficit in September 2019 as total exports shrunk -5.7%yoy, marking the 11th month of contraction.

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
AUG 30	-239.9	-187.3	-104.4	-41.1	-428.8	-321.7	-77.2	-1,400.4
SEP 6	-439.4	-113.0	-126.3	-38.6	-845.4	838.5	-66.3	-790.3
SEP 13	-67.4	-57.6	-47.2	8.0	432.1	452.3	46.0	766.1
SEP 20	63.7	-37.2	-206.7	-33.7	-357.4	1,232.8	-59.7	601.7
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	-159.8	-92.4	-95.5	27.2	1,474.5	1,312.3	44.1	2,510.3

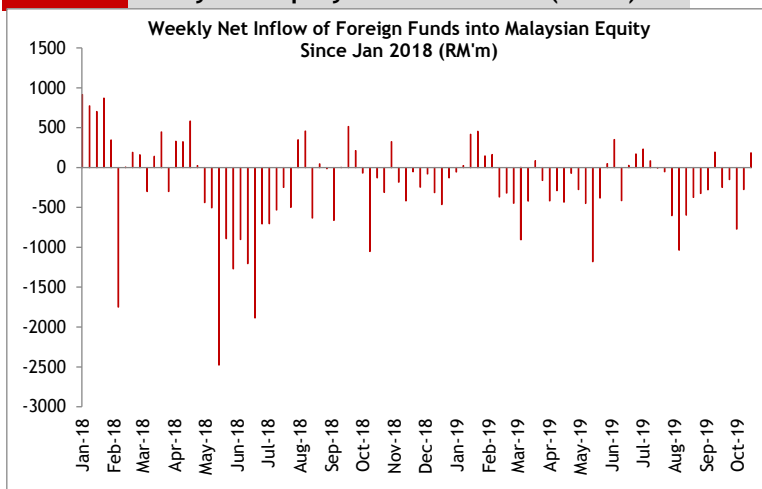
2,510.3Source: Respective exchange statistics reported on Bloomberg, Bursa Malaysia. These figures are subject to revisions.

FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

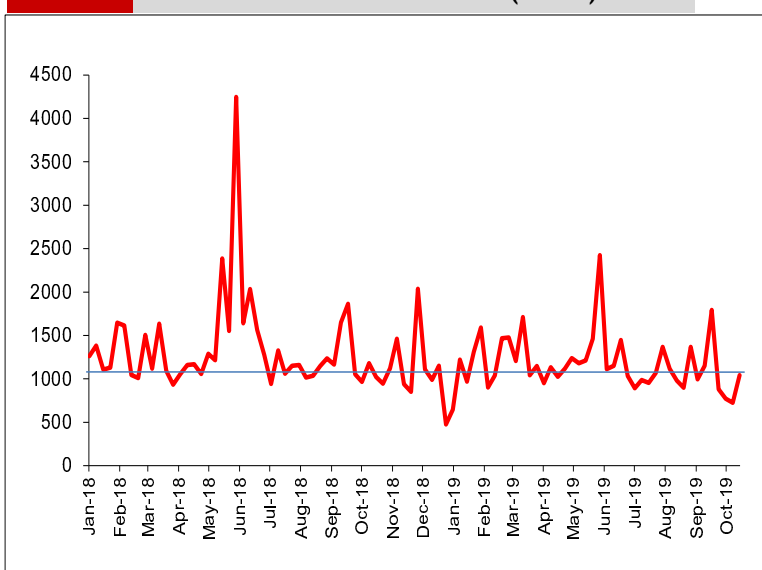
- Offshore investors made a modest return to Bursa last week after four straight weeks of selling. Based on data from Bursa, foreign investors snapped up RM184.6m net of local equities last week, compared to -RM276.6m net in the week before. Out of 42 weeks, Bursa has seen 14 weeks of foreign net buying in 2019.
- Bursa saw a moderate foreign net outflow of -RM10.7m on Monday supported by the positive sentiments from the agreement between Washington and Beijing on the outlines of a partial trade accord and also the recently tabled Malaysian Budget 2020 in the preceding week.
- The level of foreign net selling inched higher to -RM21.3m on Tuesday as investors searched for further signs of a concrete trade deal to sustain their optimism.
- Nevertheless, foreign funds bought RM187.1m net of local equities on Wednesday, the highest during the week. The local bourse followed suit to close 0.6% higher at a two-week high of 1,574.9 points. Investors cheered China's USD28b cash injection into its financial system while Hong Kong unveiled measures to bolster growth.
- Offshore funds continued to enter Bursa on Thursday at a pace of RM107.9m net despite the weak U.S retail sales that added to expectations of interest rate cuts by the U.S Federal Reserve.
- The mood turned sombre on Friday as foreign investors sold -RM78.3m net following the China's slowest economic expansion in nearly three decades on weaker investments and factory output.
- So far in October 2019, foreign funds taken out -RM790.4m net of local equities from Bursa. Meanwhile, on a year-to-date basis, international investors have taken out -RM8.69b worth of local equities from Bursa, making up 74.3% of last year's foreign net outflow of -RM11.69m.
- In terms of participation, foreign investors saw the largest increase in average daily traded value (ADTV) of 43.6% to reach above the RM1b mark for the first time in four weeks.

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)	
SEP 13	1,420.1	1,381.6	38.6	3,131.2	3,361.8	-230.7	2,398.4	2,206.3	192.1	46.0
SEP 20	1,588.4	1,486.2	102.1	3,515.4	3,368.2	147.2	3,462.6	3,711.9	-249.3	-59.7
SEP 27	1,667.2	1,643.1	24.1	3,722.7	3,596.0	126.7	2,130.6	2,281.4	-150.9	-36.1
OCT 4	1,747.4	1,640.9	106.5	3,974.6	3,310.4	664.2	1,545.3	2,316.1	-770.8	-184.0
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	2,591.3	2,521.3	69.9	4,626.2	4,880.7	-254.6	2,697.7	2,513.1	184.6	44.1

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 18 OCTOBER
TOP 10 NET MONEY INFLOWS

- Tenaga Nasional Berhad registered the highest net money inflow of RM4.40m last week. Its share price declined -0.58% for the week, underperforming the local bourse which had a 0.92% 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 Group Berhad recorded the second highest net money inflow of RM4.03m. Its share price ended 2.07% higher for the week, outperforming the benchmark which was 0.92% higher during the week under review.
- Digi.com Berhad saw the third highest net money inflow of RM3.91m. Its share price was unchanged during the week.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
TNB	4.40	6.62	-0.58	BOW
PETCHEM	4.03	3.34	2.07	-
DIGI.COM	3.91	-0.46	0.00	-
PUBLIC BANK	2.71	1.04	1.05	-
TELEKOM	2.16	1.37	10.64	-
IOI CORP	1.61	0.78	0.95	-
MAYBANK	1.56	3.52	0.71	-
MAXIS	1.35	0.54	0.93	-
PPB GROUP	1.16	2.21	0.22	-
GENTING MSIA	0.89	6.70	0.00	-

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS


- MISC Berhad saw the largest net money outflow of -RM16.68m last week. Its stock price was 0.24% higher for the week, underperforming vis-à-vis the FBM KLCI which advanced 0.92% 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.
- Kuala Lumpur Kepong Berhad recorded the second largest net money outflow -RM4.40m during the week under review. Its share price was 0.47% higher during the week, underperforming the market benchmark which had a 0.92% weekly gain.
- Hartalega Holdings Berhad registered the third largest net money outflow of -RM2.69m in the review week. Its share price was 0.96% higher for the week, outperforming the local benchmark which was 0.92% higher 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		
MISC BHD	-16.68	-2.30	0.24	SOS
KL KEPONG	-4.40	3.27	0.47	SOS
HARTALEGA	-2.69	0.19	0.96	SOS
AXIATA	-2.20	6.82	-0.47	-
HONG LEONG	-1.66	17.78	4.81	SOS
IHH	-1.11	0.47	0.35	SOS
CIMB GROUP	-1.06	2.82	2.88	SOS
RHB BANK	-1.04	-3.11	0.71	SOS
SIME DARBY	-0.76	0.78	1.33	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:
11th Floor, Menara MIDF,
82, Jalan Raja Chulan, 50200
Kuala Lumpur.
Tel: 2173 8888
Fax: 2173 8380