

## MIDF EQUITY STRATEGY | 22 APRIL 2019 WEEK ENDED 19 APRIL

- There was a trend of recovery in terms of market movement with most major equity markets worldwide having a holiday-shortened week.
- Brent crude oil price remained strong as it remained above USD70pb throughout the whole of last week and marking its fourth straight week of gains. The underpinning factor for the Brent crude oil price was the drop in Saudi Arabia's oil exports to just under 7 million barrels per day in February.
- International investors were net buyers in Asian markets for the sixth consecutive week, the longest streak since October to November 2017. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" bought USD1.36b net last week, the 11th time that the weekly foreign net inflow reached above USD1.0b this year.
- Foreign funds shifted their selling mode into a higher gear last week. Based on data from Bursa, foreign funds sold -RM433.4m net of local equities last week. This is the largest weekly foreign net outflow in six weeks.
- The FBM KLCI declined by 0.5% for the week after closing at 1,622 points on Friday, marking five straight week of losses. In comparison with other regional bourses, the FBMKLCI is the only laggard in ASEAN with a year-to-date loss of 4.1%. Likewise, the Ringgit depreciated 0.5% against the greenback to settle at USD/MYR4.1333.

22 April 2019 | Strategy - Weekly Fund Flow

Adam M Rahim

## INFLOW CONTINUES INTO ASIA DESPITE A HOLIDAY-SHORTENED WEEK

### A. MARKET SNAPSHOT

- There was a trend of recovery in terms of market movement with most major equity markets worldwide having a holiday-shortened week.
- February posted an unexpected 3.4% drop in the U.S trade deficit to USD49.4b, the lowest in eight months due to a surge in civilian aircraft exports which may be pressured following the grounding of Boeing's 737 Max planes. This is in addition to the decline in imports from China, temporarily supporting President Trump's "America First Agenda". As such, the politically sensitive goods trade deficit with China declined by 28.2% to USD24.8b in the same month due to the 20.2% drop in imports from China. Even if trade talks were to pass through in a way to reduce the bilateral trade deficit of the U.S with China, trade flows would likely divert to other countries and have little impact on the top-line U.S trade deficit.
- In Asia, China's economy expanded 6.4%yoy in 1Q19, the same pace as in the preceding quarter but slightly exceeded market estimations of a 6.3%yoy growth. The better-than-expected growth came in despite trade tension with the US as industrial output growth increased significantly and consumer demand strengthened. Both components beat market expectations. Industrial production accelerated 8.5%yoy in Mar-19, the fastest growth since Jul-14. Similarly, retail sales advanced 8.7%yoy, the strongest growth since Sep-18. For the 1Q19, industrial output and retail sales grew 6.5%yoy and 8.3%yoy respectively. In addition, fixed-asset investment increased 6.3%yoy, faster than 6.1%yoy in the previous quarter and matched forecast. We believe that the growth momentum will sustain throughout the year as the results of new pro-growth stimulus will emerge.
- UK's unemployment rate recorded at 3.9% in Feb-19, the lowest rate since Nov-74. Wage growth which reflected by the average weekly earnings growth rose by 3.5%yoy for three-consecutive months and it is the highest since Jul-08. Despite of stable labor market, the domestic economic outlook is pessimistic given that both consumer and business sentiments are in negative territory. Brexit uncertainty is the major factor for the falling economic confidences. Moving forward, we expect jobless rate to pick-up modestly and wage growth to decline slowly due to political uncertainties.
- Brent crude oil price remained strong as it remained above USD70pb throughout the whole of last week and marking its fourth straight week of gains. The underpinning factor for the Brent crude oil price was the drop in Saudi Arabia's oil exports to just under 7 million barrels per day in February. In addition, U.S. energy companies this week cut the number of oil rigs for the first time in three weeks as production growth forecasts from shale continue to shrink.

**Table 1** Weekly performance of major indices

Weekly % change	Week before	Last week
China CSI 300	-1.81	3.31
DAX	-0.08	1.85
Jakarta JCI	-1.05	1.58
Taiwan TAIEX	0.94	1.51
Nikkei	0.29	1.51
CAC 40	0.48	1.41
India SENSEX	-0.24	0.96
Thai SET	0.87	0.82
Dow Jones	-0.05	0.56
FSSTI Index	0.28	0.47
FTSE 100	-0.13	0.31
Hang Seng	-0.09	0.18
S&P 500	0.51	-0.08
KLCI	-0.71	-0.50
Phil PCOMP	0.10	-0.58
Korea KOSPI	1.08	-0.77

Source: Bloomberg

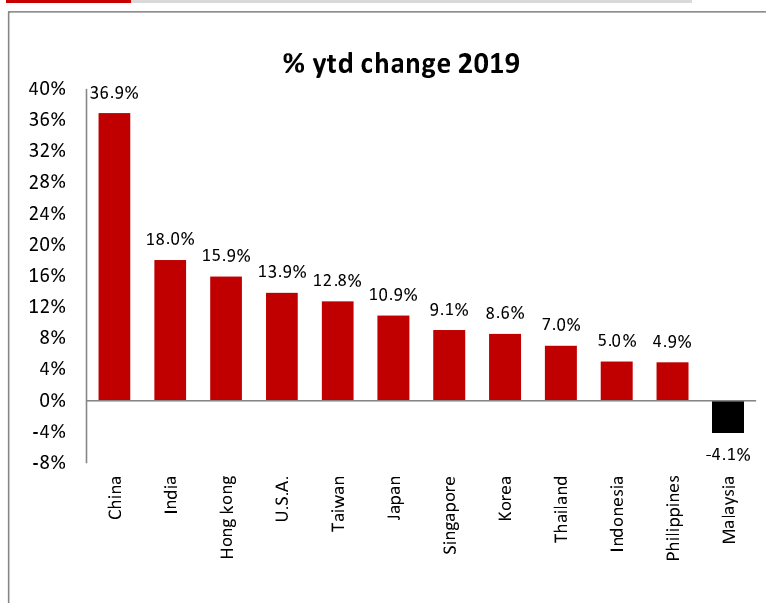
## FUND FLOW REPORT

- The FBM KLCI declined by 0.5% for the week after closing at 1,622 points on Friday, marking five straight week of losses. In comparison with other regional bourses, the FBMKLCI is the only laggard in ASEAN with a year-to-date loss of 4.1%. Likewise, the Ringgit depreciated 0.5% against the greenback to settle at USD/MYR4.1333.

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

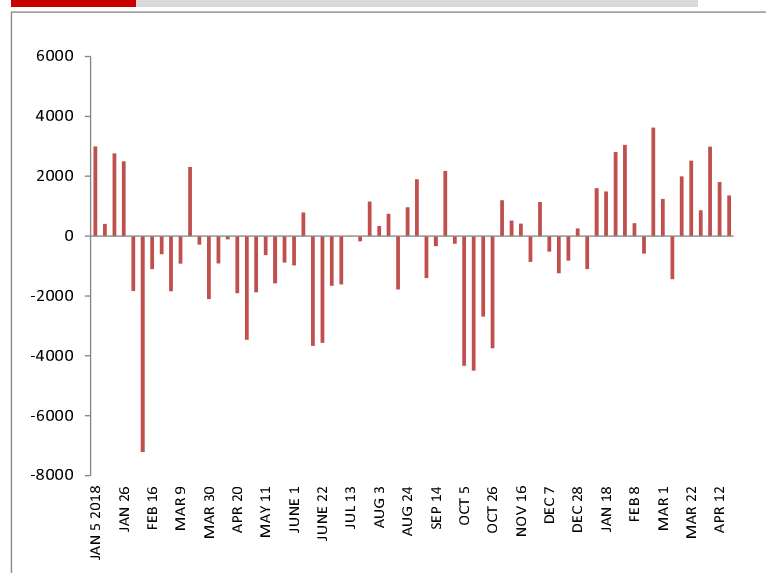
- International investors were net buyers in Asian markets for the sixth consecutive week, the longest streak since October to November 2017. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” bought USD1.36b net last week, the 11th time that the weekly foreign net inflow reached above USD1.0b this year.
- In Korea, the pace at which international funds entered the local bourse slowed down to USD238.3m net last week. Foreign net buying occurred on four days of the week with Monday recording the highest at USD145.03m, coinciding with the 0.4% jump in the KOSPI to settle at 2,242 points, a level not seen since early October last year. Monday’s optimism was spurred by gains in Asian stocks as recent data from China ebbed concerns on a slowdown in economic growth. In contrast, Thursday saw the only foreign net outflow during the week at a tune of -USD181.7m net, snapping the 14-day foreign net buying spree. This coincided with KOSPI’s largest drop in 18 trading days of 1.4% following the nation’s central move to cut its GDP growth from 2.6% to 2.5% for 2019 while keeping interest rates unchanged. In addition, Samsung Electronic Co.’s latest foldable phone revealed some defects as reviewers faced flickering and failed screens after only days of use, causing its share price to drop by 3.0%.
- Taiwan had a tremendous week as foreign funds mopped up USD1.17b worth of local equities last week, This the highest weekly foreign net inflow so far for the year which lifted the TWD by 0.1% to reach USD/TWD30.84, the best weekly performance in a month. International investors were net buyers on every single day of the week. Foreign net inflow peaked on Wednesday at USD357.4m net as China’s 1Q19 GDP expanded by 6.4%yoy as stimulus measures took effect and helped support the sentiment jittered by the trade dispute between China and the U.S.

**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)

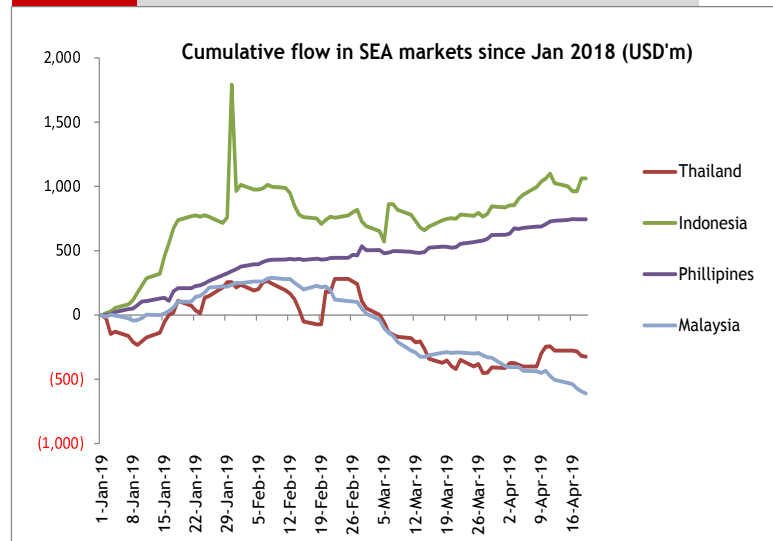


Source: Bloomberg, Bursa Malaysia, MIDFR

<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.

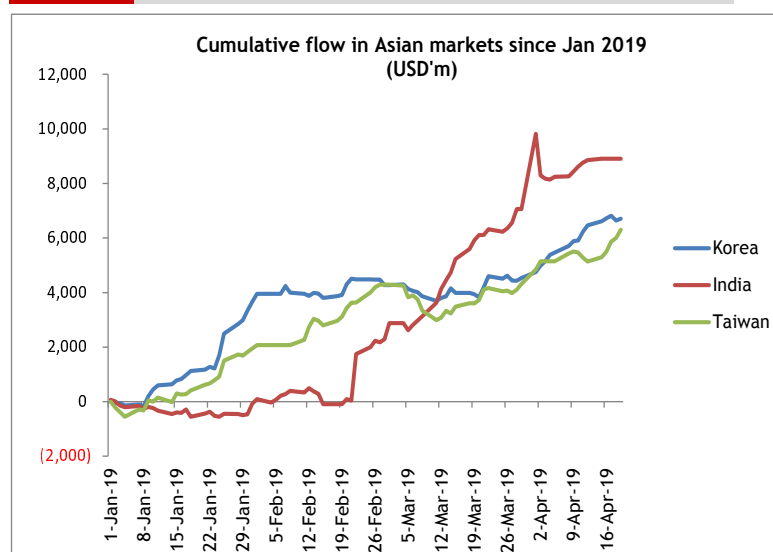
- In emerging South East Asian markets that we monitor, majority experienced foreign net buying for the week.
- After two straight weeks of foreign net buying, foreign investors shifted back into selling mode, disposing -USD46.6m last week. The local bourse was closed on Monday and Tuesday in conjunction with the Songkran festival. As markets reopened on Wednesday, foreign funds slowly sold off USD6.9m net before offloading USD34.2 on the next day. Nevertheless, the level of foreign net selling retreated below USD10m on Friday. From the monetary policy front, the Thai government has considered a set of measures to prevent an economic slowdown during the transition to a new government which include tax incentives to boost tourism and spending in education related products.
- Manila marked its sixth week of foreign net inflows albeit at a slower pace of USD11.8m. International investors snapped up USD5.9m and USD7.1m net on the first two days of the week as sentiment was not only buttressed by waning worries on the U.S-China trade dispute, but also the approval of the delayed 2019 national government budget. Later on Wednesday, foreign funds sold off USD1.22m net, putting an end to the seven-day foreign net buying streak. Investors avoided Philippine shares on Wednesday as the Holy Week begins and instead focused on other regions.
- International funds only bought USD37.3m net in Jakarta during the three-day trading week. International funds were selling local equities on Monday and Tuesday at a level which did not exceed USD40m net ahead of Indonesia's presidential elections on Wednesday. The local bourse experienced a post-election rally on Thursday and the highest foreign net inflow since 6 March 2019 after unofficial results showed that Joko Widodo secured his second term after defeating Prabowo Subianto.

**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
FEB 22	683.4	332.3	-5.6	17.0	1,836.3	836.4	-78.3	3,621.5
MAR 1	-208.8	-228.3	-64.9	58.7	1,137.4	658.9	-110.0	1,242.9
MAR 8	-414.6	-222.5	127.2	-5.6	246.4	-948.8	-221.2	-1,439.2
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	238.3	-46.6	37.3	11.8	55.7	1,167.9	-105.0	1,359.5

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

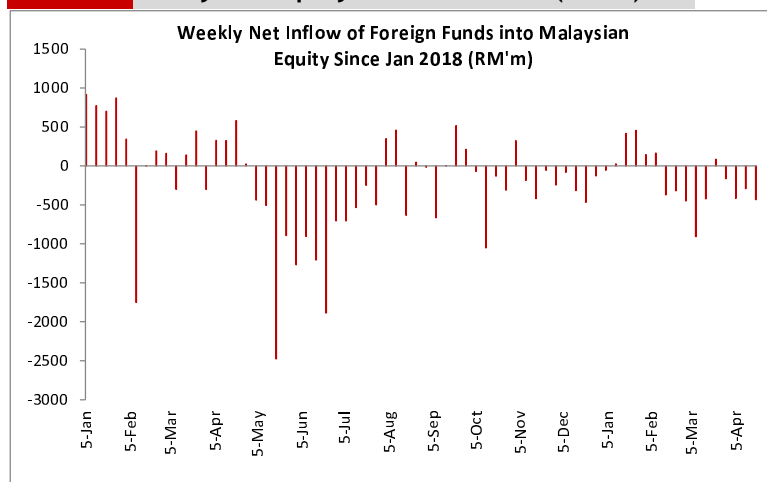
## FUND FLOW REPORT

### C. TRACKING MONEY FLOW - MALAYSIA

- Foreign funds shifted their selling mode into a higher gear last week. Based on data from Bursa, foreign funds sold -RM433.4m net of local equities last week. This is the largest weekly foreign net outflow in six weeks.
- International investors were net sellers throughout the week, extending the daily foreign net selling streak to seven days as of last Friday. Bursa began the quarter with a rather sour note as foreign funds took out almost -RM100m on Monday despite waning concerns of the U.S-China trade war following the strong recovery in China's exports which grew 14.2%yoy in March 2019.
- The level of foreign net selling dropped to -RM38.2m on the next day ahead of the release of China's 1Q19 GDP. It was notable that the majority of North Asian peers namely, Taiwan and Korea saw foreign net inflows of above USD100m.
- There was an exodus of foreign funds on Wednesday to a tune of -RM140.6m as the optimism spurred by China's 1Q19 GDP was weighed down by the possible exclusion of Malaysian debt from the FTSE World Government Bond Index which may lead to a USD8.0b drain in Malaysia's bond market.
- Thursday saw a foreign net outflow of -RM96.4m net before declining further to -RM59.8m on Friday. On Friday, the government of Malaysia reinstated the Bandar Malaysia project, lifting the local bourse slightly by 0.1% to close at 1,622 points.
- The month of April has so far seen a foreign net outflow of -RM1.14b. This has brought the year-to-date foreign net outflow to -RM2.50b. Amongst the four ASEAN markets we monitor, Malaysia retains its position as the nation with the largest foreign net outflow amongst the four ASEAN markets we monitor. Meanwhile, amongst the seven Asian markets we track, India is the nation with the largest foreign net inflow worth more than USD8.5b or RM30b as the general election is still ongoing until May 2019.

Chart 5

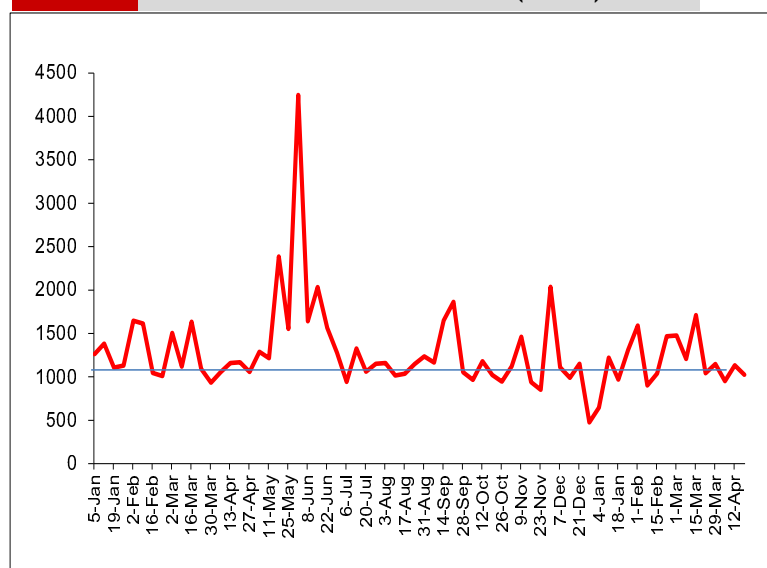
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2018 (RM'm)



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)	
MAR 15	3,693.4	3,645.9	47.5	5,455.1	5,081.7	373.5	4,069.0	4,489.9	-421.0	-103.0
MAR 22	2,746.4	2,756.3	-9.9	4,391.8	4,468.2	-76.4	2,649.8	2,563.5	86.3	21.2
MAR 29	2,284.3	2,229.3	55.0	4,052.8	3,945.7	107.2	2,791.2	2,953.4	-162.1	-39.8
APR 5	2,470.5	2,499.3	-28.8	4,932.5	4,487.0	445.5	2,174.2	2,590.9	-416.7	-102.1
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

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 19 APRIL**
**TOP 10 NET MONEY INFLOWS**

- Tenaga Nasional Berhad recorded the highest net money inflow of RM4.83m. Its share price dropped -1.14% for the week under review, underperforming the local bourse which has a weekly decline of -0.50%. It is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.
- Hartalega Holdings Berhad recorded the second highest net money inflow of RM4.25m. Its share price ended 0.21% higher for the week, outperforming the benchmark which was -0.50% lower.
- Malaysia Airports Holdings Berhad saw the third highest net money inflow of RM4.17m. Its share price dropped -0.73% for the week, underperforming the benchmark which was -0.50% lower.

**Table 4** Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
TNB	4.83	-4.65	-1.14	BOW
HARTALEGA	4.25	2.63	0.21	-
MAHB	4.17	-1.49	-0.73	BOW
PPB GROUP	4.15	0.72	-0.53	BOW
CIMB GROUP	4.01	9.99	0.20	-
AMMB	3.14	0.86	0.45	-
IOI CORP	2.41	0.75	-1.11	BOW
HONG LEONG	2.27	-8.24	0.20	-
PETRONAS GAS	1.71	0.61	-0.23	BOW
GAMUDA	1.63	0.67	-3.45	BOW

Source: Bloomberg, MIDFR;

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

**TOP 10 NET MONEY OUTFLOWS**

- Digi.com Berhad saw the largest net money outflow of -RM10.46m last week. Its stock price declined -1.48% for the week underperforming vis-à-vis the FBM KLCI which declined -0.50% during the review week.
- Nestle (Malaysia) Berhad recorded the second largest net money outflow -RM9.27m during the week under review. Its share price was 0.14% higher during the week, outperforming the market benchmark which had a -0.50% weekly loss. It is notable that the net money outflow amidst advancing share price may indicate a sell on strength (SOS) stance among some investors.
- Petronas Chemicals Group Berhad registered the third largest net money outflow of -RM6.73m in the review week. Its share price was 1.24% higher for the week, outperforming the local benchmark.

**Table 5** Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
DIGI.COM BHD	-10.46	-3.66	-1.48	-
NESTLE	-9.27	0.86	0.14	SOS
PETCHEM	-6.73	6.29	1.24	SOS
YINSON	-5.96	-4.96	0.22	SOS
PUBLIC BANK	-5.13	-10.64	-0.35	-
GENTING BHD	-5.11	4.44	1.19	SOS
AXIATA	-4.09	-7.34	-1.58	-
TIME DOTCOM	-2.92	-5.50	1.69	SOS
SIME DARBY	-2.68	0.73	2.72	SOS
QL	-2.06	-0.05	0.44	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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