

MIDF EQUITY STRATEGY | 5 AUGUST 2019 WEEK ENDED 2 AUGUST 2019

- Major equity markets worldwide were in a sea of red last week as President Trump jolted markets with the latest tariff threats on China.
- Brent crude oil price ended 2.5% lower for the week at USD61.89pb. Oil markets were affected as the latest round of talks ended with no major progress. Meanwhile, output from the OPEC members slid in July to the lowest in five years as U.S. sanctions on Iran crimped exports from the Persian Gulf nation.
- An exodus occurred in Asian markets last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” dumped -USD2.06b net last week, the biggest weekly foreign net outflow in 11 weeks.
- The pace of foreign net selling on Bursa last week accelerated significantly during the holiday-shortened week. Based on data from Bursa, foreign funds sold -RM601.2m net of local equities last week, the largest weekly foreign net outflow in 11 weeks.
- The FBM KLCI declined by 1.3% for the week after closing at 1,626.76 points on Friday, marking the fourth week of losses. Likewise, the Ringgit depreciated by 0.9% against the greenback as it settled at USD/MYR4.158.

5 August 2019 | Strategy - Weekly Fund Flow

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THE TWEET THAT 'TRUMP-ED' THE MARKET

A. MARKET SNAPSHOT

- Major equity markets worldwide were in a sea of red last week as President Trump jolted markets with the latest tariff threats on China.
- The Fed reduces its key policy rate to 2.00-2.25% during the FOMC meeting in Jul-19. The central bank views the economy is expanding at moderate pace while global uncertainties remain as major downside risks. Cutting the interest rate is expected to impact economic activities in the US particularly in stimulating household spending and business investment. As guided by macro trends and indicators, we opine there is only one rate cut in 2019. The single cut on Wednesday is sufficient to support economic growth in the US. In fact, fundamentally the economy remains stable across all sectors except manufacturing and export-oriented due to trade war.
- In Asia, business confidence in China continues to hover below 50 points for three straight months since May 2019. Nevertheless, the data is indicating sign of modest recovery. The pessimistic mood is mainly due to President Trump's protectionist trade policies. Moving forward, we expect the business confidence to rebound in later 2H19 underpinned by better demand from developed and emerging markets. Expansionary monetary policy undertaken by the US and emerging economies are predicted to translate into higher global demand and better trade flows. Apart from the Fed, emerging economies such as Brazil, Saudi Arabia, UAE and Bahrain took the same stance to cut interest rate. Prior to that, Malaysia, Indonesia, South Korea and Australia are among economies loosening monetary policy.
- GDP growth in the Euro Zone halved in 2Q19 to 0.2%qoq while inflation plunged to 1.1%yoy in July 2019 the lowest reading in 17 months, strengthening views that the European Central Bank will further ease monetary policy in September. Core inflation, which strips out volatile unprocessed food and energy and which the ECB scrutinises in policy decisions, also fell to 1.1% in July from 1.3% in June. The even more narrow measure excluding also alcohol and tobacco prices that many market economists look at was down to 0.9% from 1.1%, strengthening the case for a package of ECB measures to support the economy
- Brent crude oil price ended 2.5% lower for the week at USD61.89pb. Oil markets were affected as the latest round of talks ended with no major progress. Meanwhile, output from the OPEC members slid in July to the lowest in five years as U.S. sanctions on Iran crimped exports from the Persian Gulf nation.

Weekly % change	Week before	Last week
Jakarta JCI	-2.03	0.24
Phil PCOMP	-1.04	-0.66
KLCI	-0.62	-1.29
FTSE 100	0.54	-1.88
Thai SET	-0.99	-1.94
India SENSEX	-1.18	-2.02
Dow Jones	0.14	-2.60
Nikkei	0.89	-2.64
China CSI 300	1.33	-2.88
FSSTI Index	-0.42	-3.05
S&P 500	1.65	-3.10
Taiwan TAIEX	0.17	-3.15
Korea KOSPI	-1.34	-3.30
DAX	1.30	-4.41
CAC 40	1.04	-4.48
Hang Seng	-1.28	-5.21

Source: Bloomberg

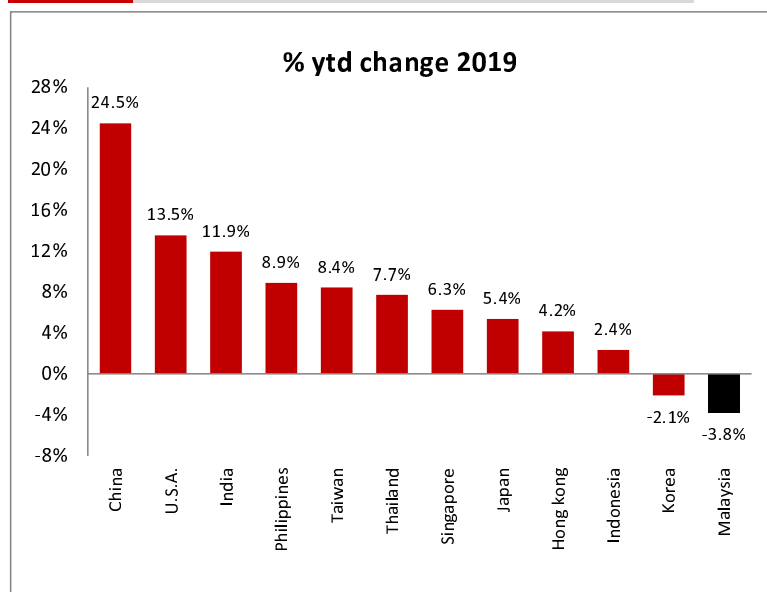
FUND FLOW REPORT

- The FBM KLCI declined by 1.3% for the week after closing at 1,626.76 points on Friday, marking the fourth week of losses. Likewise, the Ringgit depreciated by 0.9% against the greenback as it settled at USD/MYR4.158.

B. TRACKING MONEY FLOW - ASIA¹

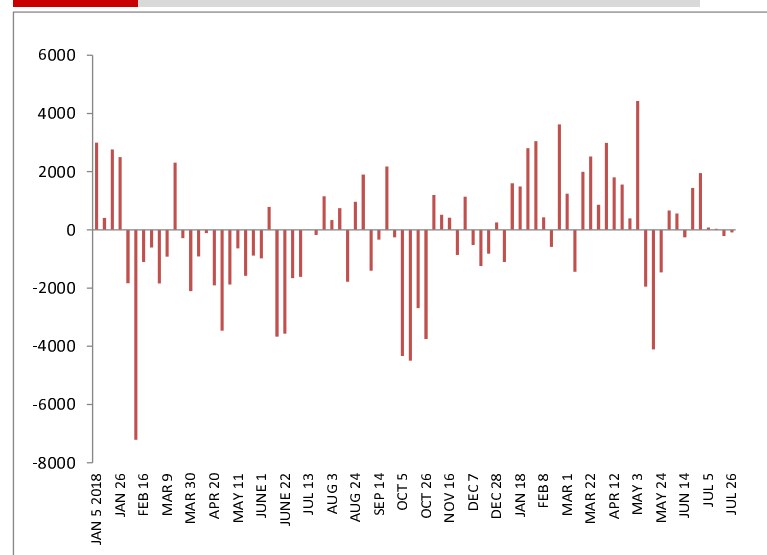
- An exodus occurred in Asian markets last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” dumped -USD2.06b net last week, the biggest weekly foreign net outflow in 11 weeks.
- Korea’s six-week foreign net buying streak came to an end last week as foreign investors took out -USD195.5m net. International funds were only net buyers on Tuesday to a tune of USD246.3m net, the highest in a day in more than two weeks as investors awaited the U.S-China trade developments as negotiations between the two nations resumed in Shanghai and also anticipated the Federal Reserve’s monetary policy review. This coincided with the 0.5% gain for the KOSPI. Meanwhile, Friday recorded the largest foreign net inflow since 29 May 2019 worth -USD276.0m net following the jitters caused President Trump’s latest tariff threat on China’s imports. In addition, the Japanese Cabinet officially approved the removal of Korea from its whitelist of countries with minimum trade restrictions which will take effect on August 28. The local bourse was badly impacted On Friday, plunging 1.0% to lowest point in seven months below the 2,000 points.
- International funds in Taiwan upped their ante in selling activity last week with -USD962.5 net of local equities sold, the largest in 10 weeks. Similar to Korea, international investors were only net buyers on Tuesday, at a level of USD88.7m as. The level of foreign net selling was elevated on Thursday and Friday, almost reaching -USD400m on both days. Thursday’s sell off was caused by the Fed’s 25 basis point cut, half of the market expectation while Friday’s sentiment was mostly influenced by President Trump’s tariff threat on Chinese imports. The Taiex declined 1.7% on Friday to close at 10,549 points, the biggest drop since 9 May 2019.
- In emerging South East Asian markets that we monitor, majority were experiencing outflows for the week.

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)

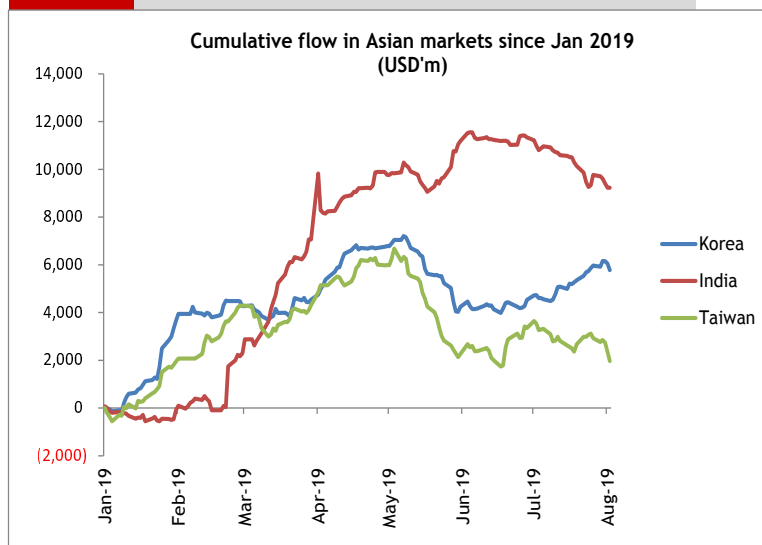


Source: Bloomberg, Bursa Malaysia, MIDFR

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.

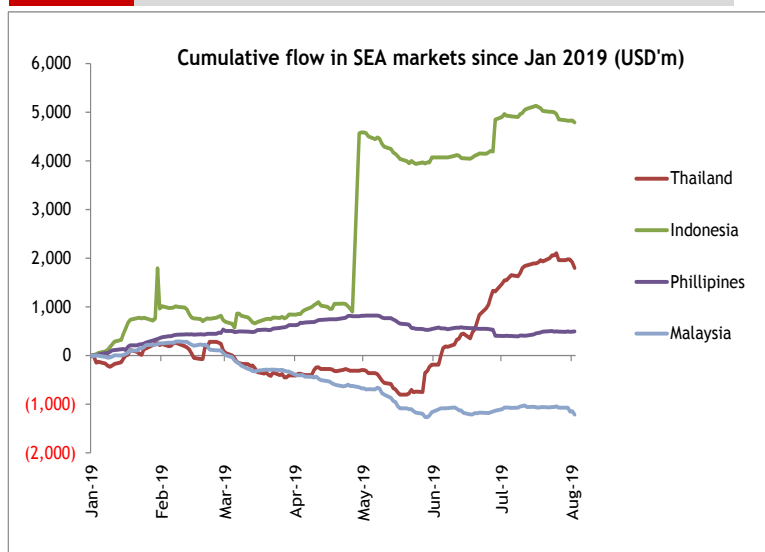
- Foreign investors turned net sellers after disposing USD162.9m of local stocks, snapping the 10-week buying spree during the four-day trading week. International funds bought USD16.5m net on Tuesday. Foreign net selling then occurred on Wednesday from just -USD5.8m net and reached -USD117.8m net on Friday. The huge sell off was not just due to external factors coming from the imposition of additional tariffs by the U.S on USD300b worth of Chinese goods but also the series of small blasts that hit Bangkok on Friday morning which injured at least four people, coinciding with the ASEAN Summit.
- Manila experienced a foreign net inflow of USD5.8m net, bucking the regional trend as it was the only one that saw a foreign net inflow amongst the exchanges we cover. Foreign net inflow was the highest on Tuesday at USD12.4m net which helped the local bourses from declining more than 0.5% for the day. Foreign net selling peaked on Friday at USD41.0m net as from the threat of another round of tariffs from President Trump. Philippine stocks closed with a 0.6% gain for July, their fifth straight monthly advance and a match of the longest stretch of rally since mid-2017. The uptrend was fuelled by foreign buying, mild inflation and a strong local currency.
- Offshore investors in Jakarta extended their foreign net selling activity for the third week running after selling off USD66.6m worth of local equities. Foreign net selling occurred on every single day of the week except on Thursday which saw a foreign net buying worth USD3.1m net. In line with the regional trend, foreign net selling was the highest on Friday at USD41.0m net amidst President Trump's latest series of tariffs on Chinese imports, causing the local bourse to fall as much as 1.0%.

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
JUN 14	-33.8	273.3	-15.7	31.2	-28.3	-380.5	-99.8	-253.5
JUN 21	248.0	384.9	97.5	-22.6	-209.6	936.4	6.9	1,441.4
JUN 28	142.4	484.1	694.1	-141.4	310.1	419.4	41.5	1,950.1
JUL 5	35.3	332.9	69.3	-7.0	-368.3	-36.4	55.6	81.3
JUL 12	522.8	200.7	157.1	11.7	-373.9	-503.8	20.4	34.9
JUL 19	274.0	79.0	-46.8	76.6	-453.4	-141.6	-1.7	-213.9
JUL 26	613.6	29.5	-171.7	-0.4	-373.3	260.4	-13.0	-345.2
AUG 2	-195.5	-162.9	-66.1	5.8	-534.3	-962.5	-145.2	-2,060.7

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

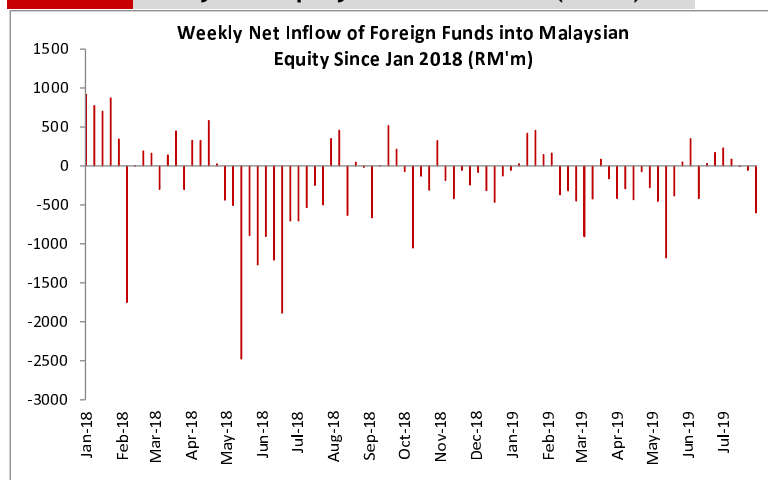
FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

- The pace of foreign net selling on Bursa last week accelerated significantly during the holiday-shortened week. Based on data from Bursa, foreign funds sold -RM601.2m net of local equities last week, the largest weekly foreign net outflow in 11 weeks.
- A marginal level of foreign net buying was observed on Monday at only RM0.25m before markets were closed on Tuesday in conjunction with the coronation of the Yang Di-Pertuan Agong.
- As markets reopened on Wednesday foreign net selling swelled to -RM334.3m net, the highest in a day since 16 May 2019 net ahead of the Federal Reserve's policy meeting in addition to the U.S-China trade talks which saw no major breakthrough.
- Nevertheless, August started on a positive note as foreign investors mopped up RM40.6m on Thursday driven by the share price of Press Metal Aluminium Holdings Berhad which surged 6.8% as it signed a power purchase agreement with Syarikat SESCO Berhad, a unit of Sarawak Energy Berhad to secure power for its capacity expansion in Sarawak. This outweighed the disappointment from the Fed's signal that the easing cycle will not being aggressive ahead.
- Havoc wreaked on Friday as foreign net selling returned to levels above RM300m at RM307.8m, pulling the local bourse down by 0.8% to the lowest close in more than a month at 1,626.8 points. The high amount of foreign net outflows was in conformity with other regional peer namely Korea, Thailand, Indonesia and Taiwan following President Trump's plan to impose a 10% tariff on a further USD300b worth of Chinese imports.
- The month of July recorded a foreign net outflow of RM79.2m, marking the fifth month of foreign net outflow for the year (highest or lowest). On a year-to-date basis, the foreign net outflow from Malaysia stands at -RM5.01b. In contrast, the other six Asian markets we monitor (Korea, Thailand, Indonesia, India, Taiwan and the Philippines) have seen a foreign net inflow so far for the year with India being the largest.

Chart 5

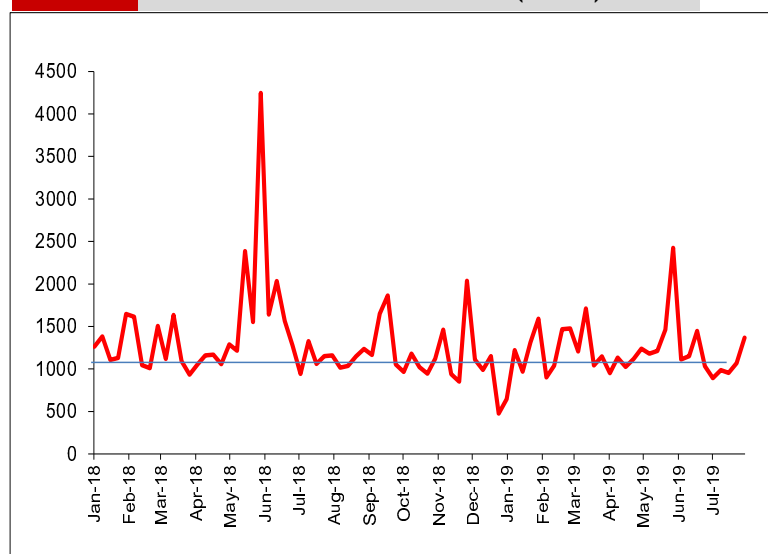
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2018 (RM'm)



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)	
JUN 28	1,649.6	1,645.8	3.9	4,407.2	4,582.7	-175.5	2,669.9	2,498.2	171.7	41.5
JUL 5	2,546.9	2,568.5	-21.6	5,332.9	5,541.4	-208.5	2,344.1	2,114.0	230.2	55.6
JUL 12	2,590.0	2,504.7	85.3	4,822.5	4,992.7	-170.3	2,507.3	2,422.3	84.9	20.4
JUL 19	2,493.5	2,435.1	58.3	4,275.6	4,327.0	-51.4	2,386.4	2,393.3	-6.9	-1.7
JUL 26	2,639.7	2,620.3	19.4	4,618.5	4,584.5	34.0	2,642.9	2,696.3	-53.5	-13.0
AUG 2	1,942.2	1,756.0	186.2	3,878.6	3,463.5	415.1	2,436.1	3,037.3	-601.2	-145.2

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 2 AUGUST
TOP 10 NET MONEY INFLOWS

- Tenaga Nasional Berhad registered the highest net money inflow of RM12.59m last week. Its share price advanced 1.76% for the week, outperforming the local bourse which had a -1.29% weekly loss.
- Hong Leong Financial Group recorded the second highest net money inflow of RM12.148m. Its share price ended -4.97% lower for the week, underperforming the benchmark which was -1.29% lower during the week under review.
- British American Tobacco Berhad saw the third highest net money inflow of RM5.52m. Its share price ended -13.51% lower during the week under review, substantially underperforming the local bourse which was -1.29% lower. Nonetheless, it is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
TNB	12.59	6.73	1.76	-
HLFG	12.48	-0.69	-4.97	BOW
BAT	5.52	-7.82	-13.51	BOW
QL RESOURCES	5.38	11.88	-0.73	BOW
GENTING MSIA	5.06	3.44	-3.85	BOW
AIRASIA GROUP	4.20	-1.28	-2.05	BOW
CIMB GROUP	3.62	-0.19	-1.17	BOW
HARTALEGA	3.32	0.64	-5.45	BOW
TOP GLOVE	3.06	-0.76	-1.52	BOW
PETCHEM	3.06	-11.07	-2.24	BOW

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- United Plantations Berhad saw the largest net money outflow of -RM6.76m last week. Its stock price was -0.23% lower for the week, outperforming vis-à-vis the FBM KLCI which declined -1.29% during the review week.
- Malaysia Airports Holdings Berhad recorded the second largest net money outflow -RM4.57m during the week under review. Its share price was -1.65% lower during the week, underperforming the market benchmark which had a -1.29% weekly loss.
- Public Bank Berhad registered the third largest net money outflow of -RM2.36m in the review week. Its share price was -2.85% lower for the week, underperforming the local benchmark which was -1.29% 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		
UNITED PLTN	-6.76	-0.32	-0.23	-
MAHB	-4.57	-5.74	-1.65	-
PUBLIC BANK	-2.36	-2.72	-2.85	-
DIALOG	-1.76	5.87	-1.73	-
MISC BHD	-1.75	-13.14	-0.41	-
RHB BANK	-2.78	0.43	-2.65	-
SERBA DINMK	-1.04	-1.28	0.24	SOS
SAPURA	-0.94	-1.18	-3.33	-
YINSON	-0.48	-4.14	0.86	SOS
DIGI.COM	-0.20	8.55	0.81	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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