

## MIDF EQUITY STRATEGY | 23 MARCH 2020 WEEK ENDED 20 MARCH 2020

- Major equity markets worldwide remained in the red last week amidst a series of unexpected interest rate cuts by central banks around the globe in light of the Covid-19 pandemic.
- Brent crude oil logged its fourth weekly drop after settling -20.3% lower at USD26.98pb. Texas oil regulator Ryan Sitton said he had discussed the global oil and supply situation with OPEC Secretary-General Mohammed Barkindo and been invited to the cartel's upcoming meeting in June. Nevertheless, this was insufficient to outweigh the weak sentiment caused by the Covid-19 pandemic and a production hikes-and-markets-share tussle between Saudi Arabia and Russia.
- The pace at which international investors were disposing Asian equities took a slight breather last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" sold -USD9.98b net last week compared to the -USD13.45b net disposed in the week before.
- Bursa saw its foreign net selling for the fifth week. Based on data from Bursa, international investors sold -RM1.79b net of local equities last week.
- The FBM KLCI dropped -3.1% for the least after settling at 1,303.3 points. Nevertheless, the local bourse's weekly decline was not as much as its Asian peers namely Hong Kong, Japan and China. Similarly, the Ringgit depreciated by 2.7% against the greenback to reach USD/MYR4.3947 during the week.

23 March 2020 | Strategy - Weekly Fund Flow

Adam M Rahim

## THE PANDEMIC CONTINUES TO SPOOK INVESTORS

### A. MARKET SNAPSHOT

- Major equity markets worldwide remained in the red last week amidst a series of unexpected interest rate cuts by central banks around the globe in light of the Covid-19 pandemic.
- Wall Street capped off its worst week since 2008 as investors digested global efforts to mitigate the Covid-19 pandemic which poses a threat the global economic growth. Both Dow Jones and the S&P 500 recorded weekly losses of more than 10.0%. Despite new stimulus measures from President Trump to combat the pandemic, this was overshadowed by a sharp uptick in the number of Covid-19 infections not just in the U.S but also abroad. In addition, the U.S and Mexico had agreed to ban all non-essential travel across their border to contain the outbreak.
- In Asia, Japan's trade surplus widened to JPY1.11 trillion in Feb-20 compared to JPY 0.33 trillion in Feb-19 and above market expectation of JPY 0.92 trillion. This marks the first trade surplus since Oct-19. Both exports and imports have fallen by -1%yoy and -14%yoy respectively compared to Jan-20 of -2.6%yoy and -3.6%yoy. By product, recovery in export was seen in chemicals by 3.4%yoy (Jan-20: -4.5%yoy), manufactured goods by 4.1%yoy (Jan-20: -1.9%yoy) and machinery transport equipment by -2.2%yoy (Jan-20: -4.2%yoy).
- Euro Area trade surplus widened to EUR1.3b in Jan-20 from EUR 0.6b in Jan-19 as exports grew marginally by 0.2%yoy while imports fell (-0.1%yoy). Exports were driven by higher sales of chemicals & related products and food & live animals, among others. By country, sales expanded to US and ASEAN but dropped to China. Meanwhile, imports from the US, China and ASEAN were still positive. Imports from Malaysia in particular advanced by 14.2%yoy (Dec-19: 31.8%yoy). Looking ahead however, Eurozone's external trade performance is expected to deteriorate at least in the 1H20 due to COVID-19. Import from China in Feb-20 particularly is expected to be significantly low following factories shutdown in the country as a result of the pandemic.
- Brent crude oil logged its fourth weekly drop after settling -20.3% lower at USD26.98pb. Texas oil regulator Ryan Sitton said he had discussed the global oil and supply situation with OPEC Secretary-General Mohammed Barkindo and been invited to the cartel's upcoming meeting in June. Nevertheless, this was insufficient to outweigh the weak sentiment caused by the Covid-19 pandemic and a production hikes-and-markets-share tussle between Saudi Arabia and Russia.

**Table 1** Weekly performance of major indices

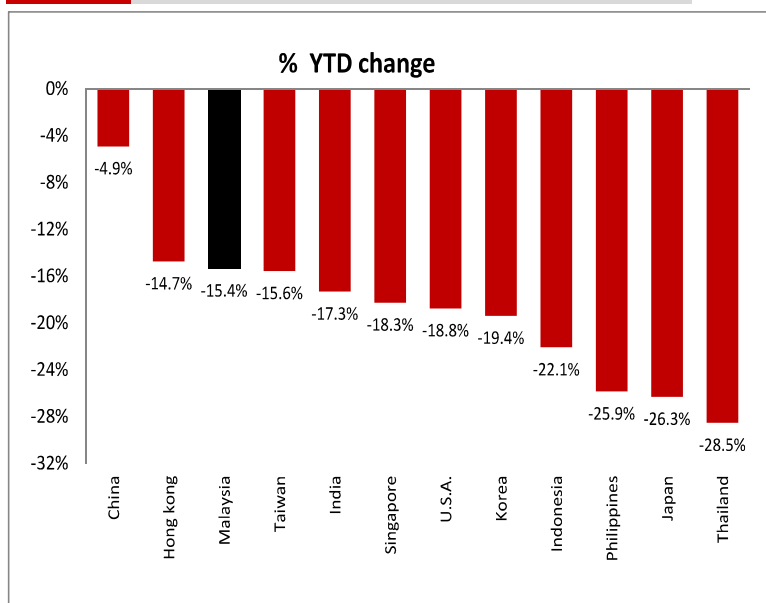
Weekly % change	Week before	Last week
Thai SET	-17.27	-0.15
CAC 40	-19.86	-1.69
KLCI	-9.33	-3.08
FTSE 100	-16.97	-3.27
DAX	-20.01	-3.28
Nikkei	-15.99	-5.04
Hang Seng	-8.08	-5.11
China CSI 300	-5.88	-6.21
FSSTI Index	-11.04	-8.48
Taiwan TAIEX	-10.54	-8.83
Korea KOSPI	-13.17	-11.59
India SENSEX	-9.24	-12.28
Jakarta JCI	-10.75	-14.52
S&P 500	-8.79	-14.98
Dow Jones	-10.36	-17.30
Phil PCOMP	-14.42	-17.52

Source: Bloomberg

## FUND FLOW REPORT

- The FBM KLCI dropped -3.1% for the least after settling at 1,303.3 points. Nevertheless, the local bourse's weekly decline was not as much as its Asian peers namely Hong Kong, Japan and China. Similarly, the Ringgit depreciated by 2.7% against the greenback to reach USD/MYR4.3947 during the week.

**Chart 1** Cumulative performance of major markets

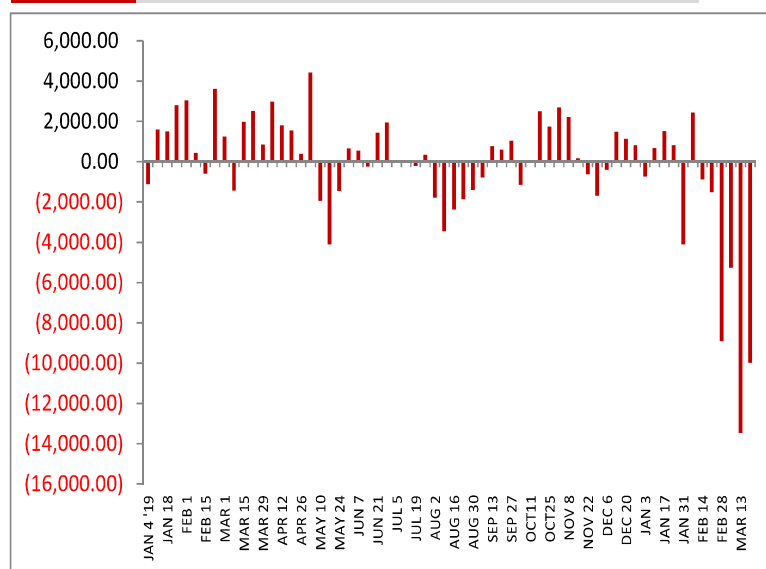


Source: Bloomberg

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

- The pace at which international investors were disposing Asian equities took a slight breather last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” sold -USD9.98b net last week compared to the -USD13.45b net disposed in the week before. North Asian markets remained casualties of last week's sell-off in Asia.
- South Korea continued to see international funds leaving the country for the sixth week running. Foreign investors sold -USD2.41b net of local equities last week compared to -USD4.23b in the week before. Foreign investors were net sellers on every day of the week, extending the daily selling spree to 12 days. Tuesday recorded the highest foreign net outflow during the week at -USD606.2m. Meanwhile, foreign net outflow was the lowest on Thursday at -USD352.9m as a USD39.0b financial aid package for small businesses was announced. Notwithstanding this, the KOSPI declined by 8.4% on Thursday to close at 1,457 points, a level not seen in 11 years as panic selling due to the pandemic continued. On the monetary policy front, the Bank of Korea made an emergency rate cut on Monday by half a percentage point to a fresh record low of 0.75%.
- The level of foreign net selling in Taiwan dropped by more than -USD1.0b to -USD4.56b last week. Foreign net selling occurred on every day of the week with Monday recording the highest at -USD1.19b. This coincided with the local bourse falling more than 400 points to end below the 10,000 points as concerns grow over the likely impact of Covid-19 on the global economy especially after the surprise rate cut by the U.S Fed. It was also notable that value of orders for exports from Taiwan in February fell by -18.8% from January amidst dampened global demand. Amongst the seven Asian markets we track, Taiwan has the largest foreign net outflow of -USD17.08b on a year-to-date basis.

**Chart 2** Weekly Net Flow of Foreign Funds into 7 Asian Markets since Jan 2019 (USD'm)

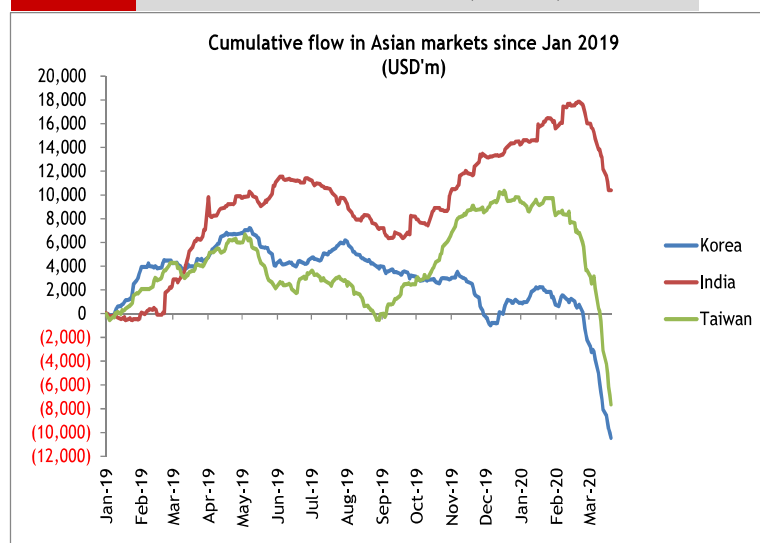


Source: Bloomberg, Bursa Malaysia, MIDFR

<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.

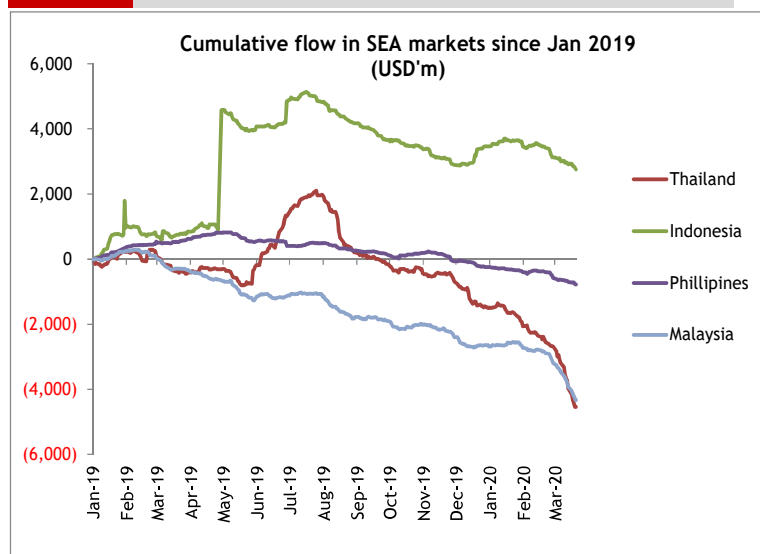
- In emerging South East Asian markets that we monitor, all markets experienced foreign net attrition.
- Thailand saw foreign investors selling -USD556.8m net of local equities last week, stretching the weekly foreign net outflow to its 10th week. Foreign net selling peaked on Monday at -USD169.4m while the local bourse plunged by 7.3% to 1,046.1 points. In light of the Covid-19 pandemic concerns, the Bank of Thailand made a surprise interest rate cut to a fresh record low of 0.75%. The rate decision was a unanimous one and is the second reduction in as many months, after the bank moved by 25 basis points in February.
- The momentum Manila's foreign net selling activity was little changed as foreign funds only took out -USD74.0m compared to -USD73.5m in the preceding week. The Philippines became the first country on Tuesday to close its financial markets due to the pandemic. Markets reopened on Thursday, triggering a -USD46.8m net sell-off, the largest in almost three weeks. The local stock barometer followed suit to crash -13.3% on Thursday, settling at 4,623.4 points, the lowest in more than eight years.
- In contrast with most Asian markets which experienced an decrease in foreign net selling, Jakarta saw the foreign net outflow almost doubling to -USD158.2m. Monday was an outlier, recording a foreign net outflow of -USD15.9m net while the rest of the days saw foreign net outflows. International investors sold the most on Tuesday at -USD66.7m as local stocks hit circuit breakers for the third time in the past week on Tuesday. The local bourse settled at the lowest point in five years of 4,456.7 points on the same day.

**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
JAN 31	-1,065.2	-368.7	-171.1	-59.7	-861.5	-1,421.6	-161.3	-4,109.1
FEB 7	762.5	-199.1	10.8	14.5	1,844.2	76.4	-79.6	2,429.7
FEB 14	-273.3	-97.1	52.9	15.9	72.1	415.7	17.1	203.3
FEB 21	-486.6	-199.0	-106.4	-24.5	322.8	-918.2	-107.4	-1,519.3
FEB 28	-3,002.9	-131.7	-297.1	-184.9	-1,824.8	-3,159.9	-299.5	-8,900.9
MAR 6	-1,580.2	-512.9	-123.6	-49.4	-1,246.4	-1,469.8	-283.9	-5,266.1
MAR 13	-4,233.6	-782.3	-89.7	-73.5	-2,573.2	-5,252.4	-450.2	-13,454.8
MAR 20	-2,412.4	-556.8	-158.2	-74.0	-1,807.7	-4,560.7	-411.6	-9,981.3

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

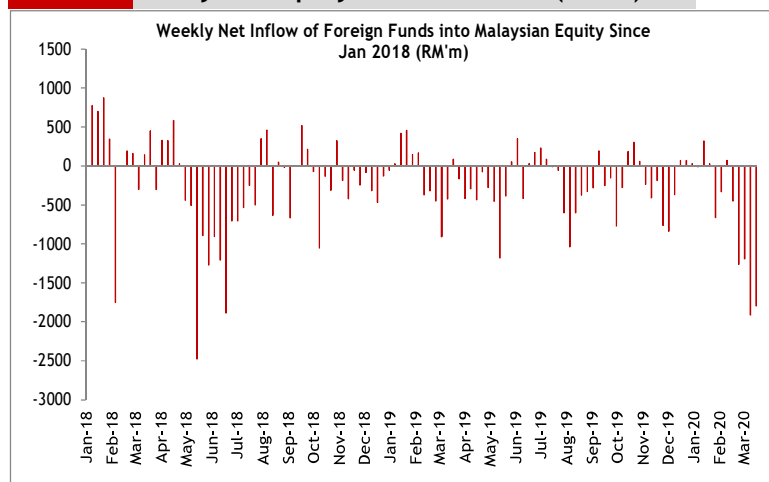
## FUND FLOW REPORT

### C. TRACKING MONEY FLOW - MALAYSIA

- Bursa saw its foreign net selling for the fifth week. Based on data from Bursa, international investors sold -RM1.79b net of local equities last week.
- In comparison to its other six Asian peers that we monitor, Malaysia has the third least foreign net outflow when compared on a year-to-date basis. The year-to-date foreign outflow from Malaysia came to -RM7.0b.
- Monday recorded a massive foreign net outflow of -RM520.4m, the largest in a day since June 2018. This coincided with local bourse's -4.8% drop as concerns over the global economic fallout from the coronavirus pandemic outweighed the Federal Reserve's emergency interest-rate cut by a percentage point.
- Foreign net selling activity remained high at -RM383.5m net on Tuesday with the Restricted Movement Order announced by the Government of Malaysia the night before. The local market also took cue of the 12.0% plunge in U.S stocks overnight, the largest drop since 1987 following President Trump's statement that disruption from the Covid-19 may last into summer.
- Earlier optimism over a U.S. stimulus plan to combat impact of the coronavirus faded, prompting a -RM321.6m net sell-off on Wednesday.
- The momentum of foreign net selling slowed down to -RM308.6m net on Thursday while the local bourse declined to 1,219 points, a level not seen since as regional peers namely Indonesia and the Philippines have slashed rates in light of the global pandemic.
- Friday marked the 22nd consecutive day of foreign net selling but saw foreign net attrition reaching below -RM300.0m to -RM260.2m, coinciding with the Bursa's 6.9% advance. Also on the same day, Bank Negara Malaysia's 100bps reduction in the statutory reserve requirement came into effect.
- In terms of participation, the average daily traded value (ADTV) of foreign investors jumped 20.7% to reach RM2.07b. Meanwhile, retail and local institutional investors recorded a drop in ADTV of not more than 8.0% during the week.

Chart 5

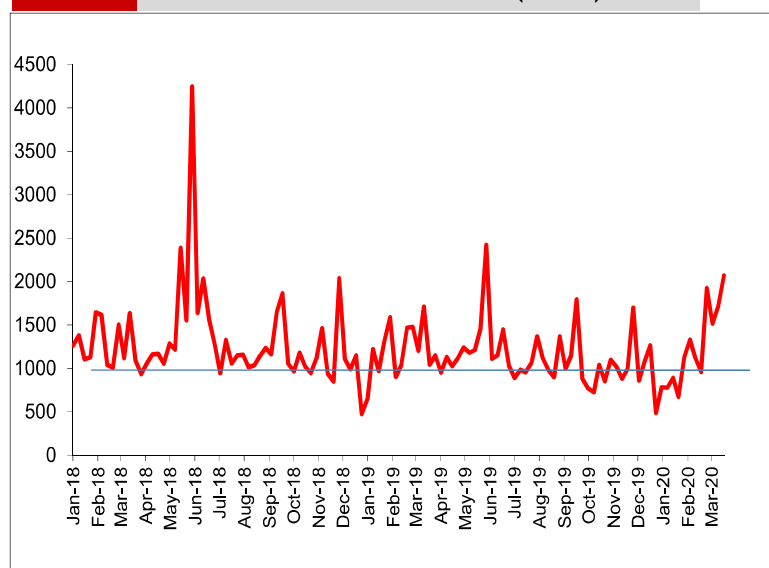
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2018 (RM'm)



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)	
FEB 14	3,148.0	3,057.1	90.8	5,547.8	5,707.1	-161.3	2,822.8	2,752.3	70.5	17.1
FEB 21	3,049.2	2,876.4	172.9	5,094.8	4,819.8	275.1	2,172.1	2,620.0	-447.9	-107.4
FEB 28	4,747.5	4,035.0	712.5	8,222.1	7,670.6	551.5	4,181.1	5,445.1	-1,264.0	-299.5
MAR 6	3,306.6	3,044.6	262.0	6,003.1	5,076.3	926.9	3,199.3	4,388.2	-1,188.9	-283.9
MAR 13	4,941.3	4,118.3	823.0	9,398.2	8,309.3	1,088.9	3,335.2	5,247.0	-1,911.9	-450.2
MAR 20	4,227.7	4,332.2	-104.5	8,927.6	7,377.8	1,549.8	4,281.1	6,075.4	-1,794.4	-411.6

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 20 MARCH**
**TOP 10 NET MONEY INFLOWS**

- Hartalega Holdings Berhad registered the highest net money inflow of RM8.68m last week. Its share price gained 9.24% for the week, outperforming the local bourse which had a -3.08% weekly drop.
- Top Glove Corp Berhad recorded the second highest net money inflow of RM7.09m. Its share price was 0.48% higher, outperforming the local bourse which had a -3.08% weekly loss.
- QL Resources Berhad saw the third highest net money inflow of RM5.87m. Its share price was 8.14% lower during the week, underperforming the local bourse which was -3.08% 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		
HARTELEGA	8.68	-3.47	9.24	BOW
TOP GLOVE	7.09	4.68	0.48	BOW
QL RESOURCES	5.87	-0.46	-8.14	-
HAP SENG	3.90	-0.86	-2.60	BOW
RHB BANK	3.73	-0.10	-4.24	-
PETGAS	2.57	1.62	7.54	BOW
HONG LEONG	2.51	0.94	-6.02	BOW
PPB	2.11	2.98	0.25	BOW
BUMI ARMADA	1.98	-0.74	-15.63	BOW
IOI CORP	1.91	6.15	0.27	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 second largest net money outflow of -33.12m last week. Its stock price was -8.24% lower for the week, underperforming vis-à-vis the FBM KLCI which declined -3.08% during the review week.
- Malayan Banking Berhad recorded the third largest net money outflow -RM8.07m during the week under review. Its share price was -4.70% lower during the week, underperforming the market benchmark which had a -3.08% weekly drop.
- Tenaga Nasional Berhad registered the third largest net money outflow of -RM7.4m in the review week. Its share price was 1.69% higher during the week under review, outperforming the local benchmark which was -3.08% 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	-33.12	3.57	-8.24	-
MAYBANK	-8.07	15.61	-4.70	-
TNB	-7.40	-3.00	1.69	-
YINSON	-6.11	-2.47	-19.12	-
IHH	-6.11	2.14	-3.90	-
CIMB	-4.10	-0.87	-6.43	-
TELEKOM	-3.13	0.33	4.76	-
CARLSBERG	-2.92	-1.03	-7.98	-
MMC	-2.75	-2.70	-24.03	-
MYEG	-2.72	-1.38	-18.93	-

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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