

MIDF EQUITY STRATEGY | 24 FEBRUARY 2020 WEEK ENDED 21 FEBRUARY 2020

- Majority of global markets ended the week in the red mixed amidst a spike in Covid-19 cases outside of China and a slew of fresh warnings from companies on the pathogen's impact.
- Brent crude oil advanced 2.1% for the week to settle at USD58.50pb. Throughout the week, Brent crude oil price marked gains from Monday to Thursday before giving up gains on Friday amidst the possible fallout between Saudi Arabia and Russia. Russia was not in a rush to declare its stance on OPEC's proposal to deepen output cuts.
- International investors continued to show interest in Asian markets as they bought Asian equities for the second week but at a smaller quantum. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" acquired USD363.1m net last week.
- An exodus of foreign funds was observed last week in Malaysia. Based on data from Bursa, international investors disposed -RM447.9m net of local equities last week, the second largest weekly foreign net outflow seen so far in 2020.
- The FBM KLCI remained in the red, declining 0.9% for the week to settle at 1,531.2 points. Similarly, the Ringgit depreciated by 1.3% against the greenback to reach USD/MYR4.1915 during the week.

SPIKE IN COVID-19 CASES OUTSIDE CHINA SPOOKS MARKETS IN ASIA

A. MARKET SNAPSHOT

- Majority of global markets ended the week in the red amidst a spike in Covid-19 cases outside of China and a slew of fresh warnings from companies on the pathogen's impact.
- In spite of the Covid-19 outbreak, the U.S. government still expects China to honour its commitments to buy more U.S. goods under the trade deal signed by the countries in January. Under the deal, which took effect this month, China pledged to increase U.S. goods purchases by \$77 billion in 2020 and by \$123 billion by 2021, compared with a baseline of U.S. imports from 2017, the year before the U.S.-China tariff war began. The minutes of the latest Fed meeting indicate that rates will likely remain where they are, expecting a moderate economic growth this year.
- The PBOC cut the 1-year loan prime rate (LPR) from 4.15% to 4.05% and the 5-year LPR from 4.8% to 4.75% in Feb-19. The reduction was the first since Oct-19 and followed a similar move by PBOC on the medium-term lending facility earlier this week which was reduced from 3.25% to 3.15%. The decision was a move to counter Covid-19 impact on economy. The outbreak is affecting production and taking toll on employment. In MIDF report on Covid-19, China and Malaysia, by assuming 10% drop in China's household expenditure resulting from the epidemic, ceteris paribus, its GDP could fall by -2.7%. This is a worst case scenario in which there would not be any countercyclical movements. Nevertheless, under current scenario, the estimate could be much lower.
- Germany ZEW economic sentiment went down to 8.7 in Feb-20, reversing the jump it made in the previous month at 26.7. In addition, the expectations on export-intensive sectors development and assessment of the economic situation also weakened. The falling sentiment was primarily due to the concerns of negative impacts caused by Covid-19 outbreak. This had outweighed optimism resulting from the phase one trade deal between the US and China. Germany's economy was not doing well in 2019 due to rising protectionism in the US and other headwinds such as political instability and Brexit. The economy grew 0.6%yoy last year, well below 1.5% in 2018 and the lowest since 2013.
- Brent crude oil advanced 2.1% for the week to settle at USD58.50pb. Throughout the week, Brent crude oil price marked gains from Monday to Thursday before giving up gains on Friday amidst the possible fallout between Saudi Arabia and Russia. Russia was not in a rush to declare its stance on OPEC's proposal to deepen output cuts. Plans for an earlier, mid-February meeting to mitigate a drop in oil prices caused by the coronavirus outbreak were formally cancelled as Russia, among other countries, was not convinced of the need to deepen production cuts as proposed by an OPEC+ advisory committee.

Table 1 Weekly performance of major indices

Weekly % change	Week before	Last week
China CSI 300	2.25	4.06
Phil PCOMP	-3.00	1.21
Jakarta JCI	-2.21	0.26
FTSE 100	-0.77	-0.07
India SENSEX	0.28	-0.21
CAC 40	0.66	-0.65
KLCI	-0.65	-0.86
Taiwan TAIEX	1.75	-1.09
DAX	1.70	-1.20
FSSTI Index	1.21	-1.21
S&P 500	1.58	-1.25
Nikkei	-0.59	-1.27
Dow Jones	1.02	-1.38
Hang Seng	1.50	-1.82
Thai SET	-0.58	-2.04
Korea KOSPI	1.43	-3.60

Source: Bloomberg

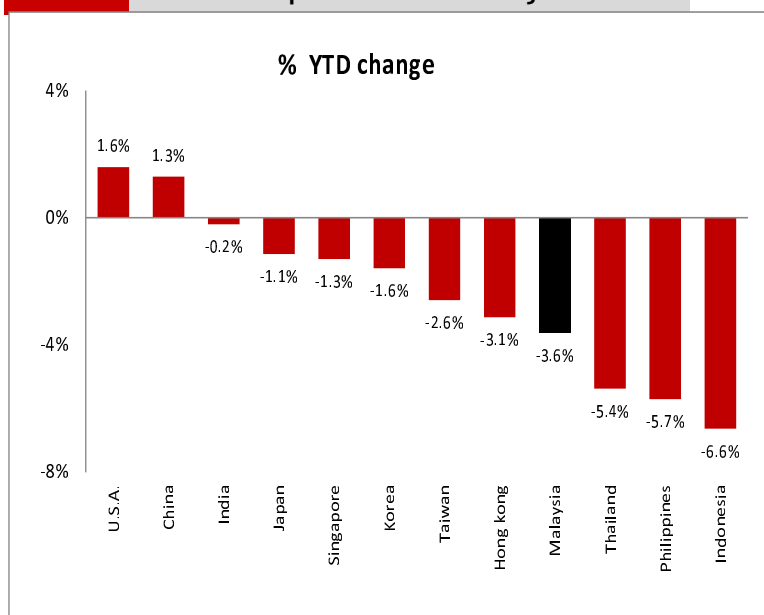
FUND FLOW REPORT

- The FBM KLCI remained in the red, declining 0.9% for the week to settle at 1,531.2 points. Similarly, the Ringgit depreciated by 1.3% against the greenback to reach USD/MYR4.1915 during the week.

B. TRACKING MONEY FLOW - ASIA¹

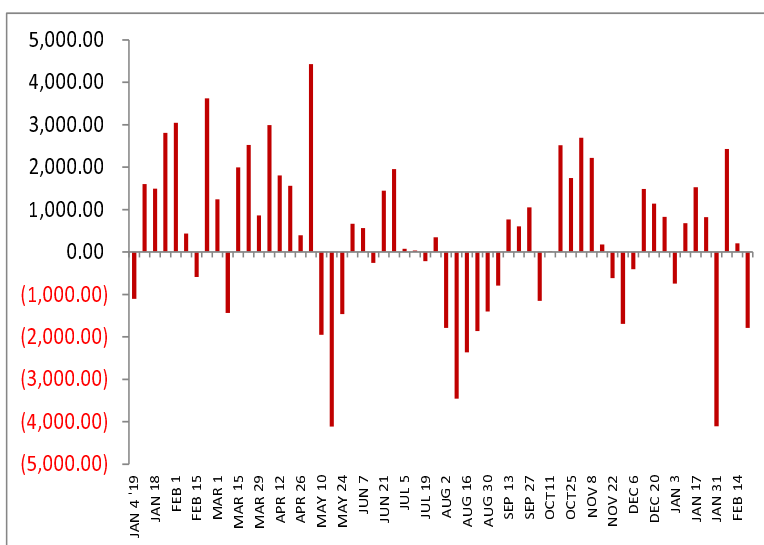
- International investors continued to show interest in Asian markets as they bought Asian equities for the second week but at a smaller quantum. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” acquired USD363.1m net last week compared to the USD2.43b net accumulated in the week before.
- South Korea continued to see international funds leaving the country at a faster pace of -USD486.6m net last week. Foreign investors were net sellers on three days during the week with Tuesday recording the highest at -USD361.4m net, coinciding with the 1.5% drop in the KOSPI index to settle at a six-day low of 2,208.8 points. Jitters on Tuesday came from reports that President Trump may restrict the use of U.S chip-making equipment to further pressure China’s Huawei Technologies Co. which is already on the U.S’s blacklist. Meanwhile, foreign net inflow was the highest on Friday at USD163.6m net despite the sharp rise in Covid-19 cases in the country. As for the Korean Won, it was the worst performing Asian currency last week with a 2.2% loss amidst concern of a wider spread of the Covid-19 around the region.
- In Taiwan, international investors dumped -USD1.07b net of local equities last week, wiping off the foreign net buying seen in the previous two weeks. Foreign net selling peaked during the week on Tuesday at -USD748.7m net which was also the largest in a day since in nearly three weeks. Global sentiment was sour on Tuesday as Apple Inc. announced that it will not meet its sales target for 1QCY20 due to work slowdowns and lower demand in China amidst the Covid-19 outbreak. Nevertheless, Taiwan saw international funds entering the local market on Wednesday at a tune of -USD149.3m net as traders assessed the prospects for moderation in the Wuhan coronavirus outbreak.

Chart 1 Cumulative 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, all markets experienced foreign net attrition.
- The pace at which foreign investors were selling local equities in Thailand were faster to reach -USD199.1m net last week but marked the sixth straight week of foreign net outflows. Foreign net selling occurred on four days during the week with Friday reaching the highest at -USD88.2m net after the court ordered the dissolution of Future Forward, a pro-democracy opposition party. On the macro front, Thailand recorded a 2.4%yoy GDP growth in 2019, the lowest in five years mainly due to weak external trade performances resulting from the rising strength of the Thai Baht and also the US-China trade war.
- Manila saw foreign investors turning into net sellers as they disposed -USD24.6m net last week. Offshore investors sold the most during the week on Friday at -USD12.4m net as the growing number of Covid-19 infections outside of China increases. The local bourse followed suit drop by -0.6% to settle below 7,400 points on the same day. The Philippine Peso meanwhile posted its biggest weekly drop in over a month as the nation's balance of payment swung into a deficit of USD1.36b in January 2020.
- In Jakarta, international funds reversed two weeks foreign net inflow by selling off -USD106.3m net of local equities last week. Monday saw the largest foreign net outflow during the week at -USD55.2m despite China cutting rates and added medium term funding to banks to mitigate the impact of the Covid-19 outbreak. On the monetary policy front, Indonesia's central bank cut its benchmark interest rate after a three-month pause as the spread of the coronavirus threatens growth in Southeast Asia's biggest economy.

Chart 3

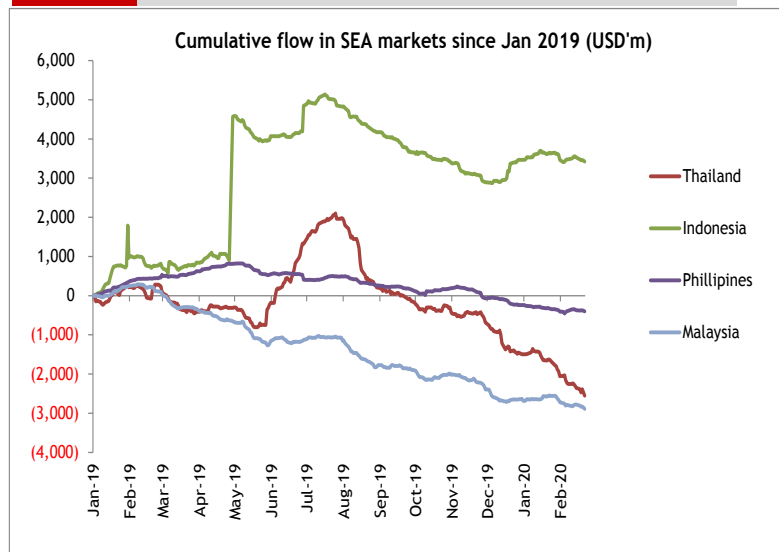
Net Flow of Foreign Funds into Taiwan, Korea and India since Jan 2019 (USD'm)



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 3	-200.6	-39.3	68.1	-19.9	-34.8	-522.3	6.9	-741.9
JAN 10	854.6	69.0	72.8	-24.5	-21.4	-271.2	-2.6	676.7
JAN 17	390.1	-225.6	55.7	-27.6	1,151.8	102.5	79.1	1,526.0
JAN 24	-396.1	-41.5	-24.1	-32.5	719.3	588.7	7.2	820.9
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	-199.1	-106.3	-24.6	205.4	-1,067.7	-107.4	-1,786.2

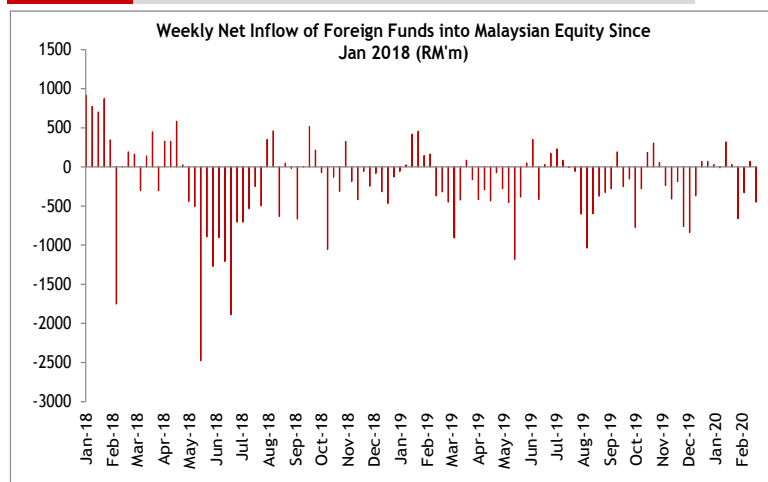
Source: Respective exchange statistics reported on Bloomberg, Bursa Malaysia. These figures are subject to revisions.

FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

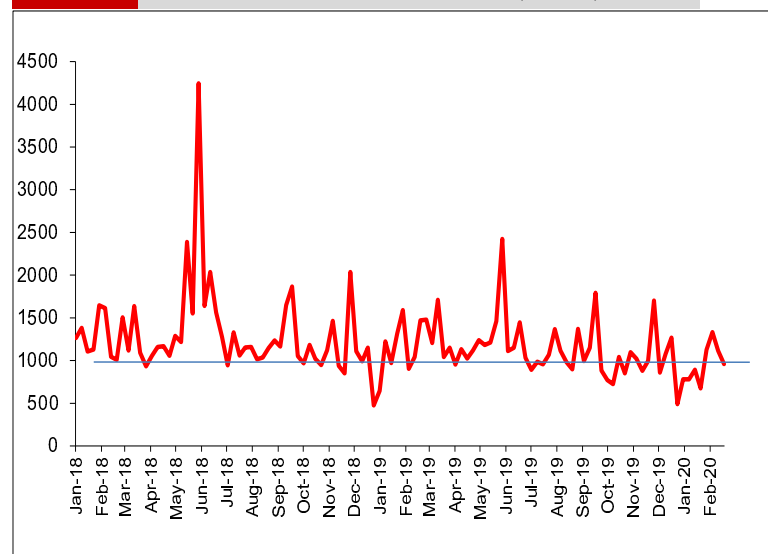
- An exodus of foreign funds was observed last week in Malaysia. Based on data from Bursa, international investors disposed -RM447.9m net of local equities last week, the second largest weekly foreign net outflow seen so far in 2020.
- It was a tough start for Bursa last week as foreign investors took out -RM102.7m net of local equities on Monday. Sentiment was clouded by the slash in 2020 GDP growth estimate by Singapore amidst potential impact of Covid-19 on trade and tourism while Thailand posted its slowest economic growth expansion in five years for 2019.
- Foreign net selling activity accelerated to -RM123.6m net on Tuesday. The selloff was in sync with other regional peers namely South Korea and Taiwan after Apple Inc. warned that it is unlikely to meet its revenue guidance for the first quarter of 2020.
- International funds later took a breather on selling activity on Wednesday as they snapped up RM25.4m net of local equities. Risk-on mood on improved on news that new Covid-19 cases continued to fall with 1,749 new infections and 136 new deaths announced on the same day.
- Worries resurfaced on Thursday with South Korea reporting its first death from the Covid-19 while Japan confirmed two deaths from a quarantined cruise ship. As such, offshore investors sold -RM103.8m net on Thursday.
- Jitters remained in markets as Friday saw the largest foreign net outflow in two weeks of -RM143.3m net, dragging the local stock barometer down by -0.3% to 1,531.2 points, the lowest close since early February this year.
- With a week left before February ends, the month has seen a foreign net outflow of -RM704.8m. Meanwhile, the foreign net outflow from Malaysia on a year-to-date basis stands at -RM843.1m, the third largest amongst the seven Asian markets under our coverage.
- In terms of participation, the average daily traded value (ADTV) of foreign investors declined the most by -14.1% for the week to go below the healthy level of RM1b.

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)	
JAN 17	2,582.7	2,494.0	88.7	4,296.5	4,706.1	-409.6	2,390.7	2,069.8	320.9	79.1
JAN 24	2,635.7	2,579.4	56.2	4,972.3	5,058.0	-85.7	1,701.3	1,671.9	29.4	7.2
JAN 31	3,019.6	2,738.4	281.3	6,107.4	5,729.0	378.3	1,925.4	2,585.1	-659.6	-161.3
FEB 7	3,407.8	3,286.2	121.5	6,177.1	5,971.2	205.9	3,163.9	3,491.3	-327.5	-79.6
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	3,047.5	2,874.7	172.7	5,096.6	4,821.4	275.2	2,172.1	2,620.0	-447.9	-107.4

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 21 FEBRUARY
TOP 10 NET MONEY INFLOWS

- KLCCP Stapled Group saw the highest net money inflow of RM5.05m. Its share price was 0.25% lower during the week, outperforming the local bourse which was -0.86% lower.
- Carlsberg Brewery Malaysia Berhad registered the second highest net money inflow of RM5.03m last week. Its share price surged 8.17% for the week, outperforming the local bourse which had a -0.86% weekly drop.
- Sime Darby Berhad recorded the second highest net money inflow of RM3.22m. Its share price was -4.55% lower, underperforming the local bourse which had a -0.89% weekly loss. Nonetheless, it is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.

TOP 10 NET MONEY OUTFLOWS

- Public Bank Berhad registered the third largest net money outflow of -RM6.78m in the review week. Its share price was 2.95% higher during the week under review, outperforming the local benchmark which was -0.86% lower for the week. It is notable that the net money outflow amidst advancing share price may indicate a sell on strength (SOS) stance among some investors.
- Hartalega Holdings Berhad saw the second largest net money outflow of -6.78m last week. Its stock price was -4.70% lower for the week, underperforming vis-à-vis the FBM KLCI which loss -0.86% during the review week.
- Top Glove Corporation Berhad recorded the third largest net money outflow -RM6.73m during the week under review. Its share price was -9.57% lower during the week, underperforming the market benchmark which had a -0.89% weekly decline.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
KLCCP	5.05	4.61	0.25	-
CARLSBERG	5.03	4.73	8.17	-
SIME DARBY	3.22	-1.42	-4.55	BOW
TIME DOTCOM	2.80	-0.47	1.18	-
BURSA	2.11	1.04	-0.30	BOW
SUNWAY REIT	1.91	1.78	0.00	-
MISC BHD	1.51	8.56	-4.71	BOW
HEINEKEN	1.46	-0.83	5.29	-
GENTING MSIA	1.38	1.79	0.33	-
BAT	1.35	-0.35	21.53	-

Source: Bloomberg, MIDFR;

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

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
PUBLIC BANK	-9.23	6.08	2.95	SOS
HARTALEGA	-6.78	-8.46	-4.70	-
TOP GLOVE	-6.73	-6.68	-9.57	-
DIALOG	-6.30	0.78	-2.03	-
MAYBANK	-2.94	7.56	-0.71	-
MY EG	-2.91	6.37	-5.11	-
WESTPORTS	-2.71	-0.58	-2.27	-
RHB BANK	-2.44	-1.56	0.00	-
KL KEPONG	-2.06	1.61	-1.44	-

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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