

## MIDF EQUITY STRATEGY | 24 JUNE 2019

### WEEK ENDED 21 JUNE

- Majority equity markets worldwide ended the week in the green zone as investors cheered the easing stance of major central banks.
- Brent crude oil price posted its biggest gain in 18 weeks of 5.1% after settling at USD65.20pb. Much of the upside in oil price came from the tensions between Washington and Tehran which escalated after a U.S military drone was shot by Iran near the Mobarak Mountain region.
- Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” bought USD1.59b net last week. This is the largest weekly foreign net inflow in seven weeks.
- International funds slowly entered Bursa last week. Based on data from Bursa, foreign funds acquired RM28.3m net of local equities last week, the second lowest weekly foreign net inflow recorded so far this year.
- The FBM KLCI was marginally gained by 2.7% for the week after settling at 1,682 points on Friday, the lowest close since 20 March 2019. Likewise, the Ringgit appreciated by 0.4% against the greenback to settle at USD/MYR4.1490.

## POTENTIAL RATE CUT IN THE U.S BRINGS BACK INVESTORS TO ASIA

### A. MARKET SNAPSHOT

- Majority equity markets worldwide ended the week in the green zone as investors cheered the easing stance of major central banks.
- The Fed maintains its key policy rate at 2.25-2.50% during the FOMC meeting in Jun-19. The central bank views the economy is expanding at moderate pace and global uncertainties remain as one of the major downside risks. Based on the FOMC latest projection, the Fed signals of possible rate cut by at least one this year. The Central Tendency's projection changed from 2.4-2.6% in Mar-19 to 1.9-2.4% in Jun-19. The S&P500 surged to an intraday record high of 2.956 points on Thursday.
- Singapore's non-oil domestic exports (NODX) dropped to a more than 3-year low at -15.9%yoy in May-19. The exports growth has been in contractionary path 3-consecutive months. The slowdown in exports among others were due to trade war effects, weakening regional demand and poor oversea sales of electronic products. Outbound shipments to China which constituted about 12% of total exports contracted by -10%yoy in May-19. In addition, exports to Indonesia, Thailand and Japan dropped by -26.5%yoy, -8.5%yoy and -9.7%yoy respectively. Consequently, both electronic and non-electronic exports were plunged sharply by -31.4% and -10.8% respectively. Moving forward, we expect Singapore's external trade performance to remain in contractionary path amid the revival of trade war particularly between the US and China.
- The Euro Area trade surplus decreased to EUR 15.7b in Apr-19 from EUR17.1b in the same month last year. However, the figure still exceeded market estimations of a EUR 8.8b surplus. The narrowing surplus was due to imports (6.6%yoy) growing more than exports (5.2%yoy). Exports to both the US and China expanded by a double digit growth of 17.9%yoy and 14.2%yoy, highest in six months. Meanwhile, trade deficit with China widened further to -EUR 7.6b while trade surplus with the US increased further to EUR 11.9b, compared to the same month in the previous year. Moving forward, we foresee trade performance to remain fragile as trade tensions particularly between the US and China has escalated which could disrupt the whole supply chain. In addition, the region is also exposed to some other downside risks including Brexit uncertainty and debt troubles in Italy.
- Brent crude oil price posted its biggest gain in 18 weeks of 5.1% after settling at USD65.20pb. Much of the upside in oil price came from the tensions between Washington and Tehran which escalated after a U.S military drone was shot by Iran near the Mobarak Mountain region. Heightened US-Iran tensions ignited fears of an armed conflict in the Middle East, which would potentially disrupt oil supplies.

<b>Table 1</b> Weekly performance of major indices		
Weekly % change	Week before	Last week
Hang Seng	0.57	5.00
China CSI 300	2.53	4.90
FSSTI Index	1.78	3.06
CAC 40	0.07	2.99
Thai SET	1.14	2.68
KLCI	-0.65	2.66
Taiwan TAIEX	1.11	2.65
Dow Jones	0.41	2.41
S&P 500	0.47	2.20
DAX	0.42	2.01
Korea KOSPI	1.11	1.44
Jakarta JCI	0.66	1.04
FTSE 100	0.19	0.84
Phil PCOMP	0.08	0.82
Nikkei	1.11	0.67
India SENSEX	-0.41	-0.65

Source: Bloomberg

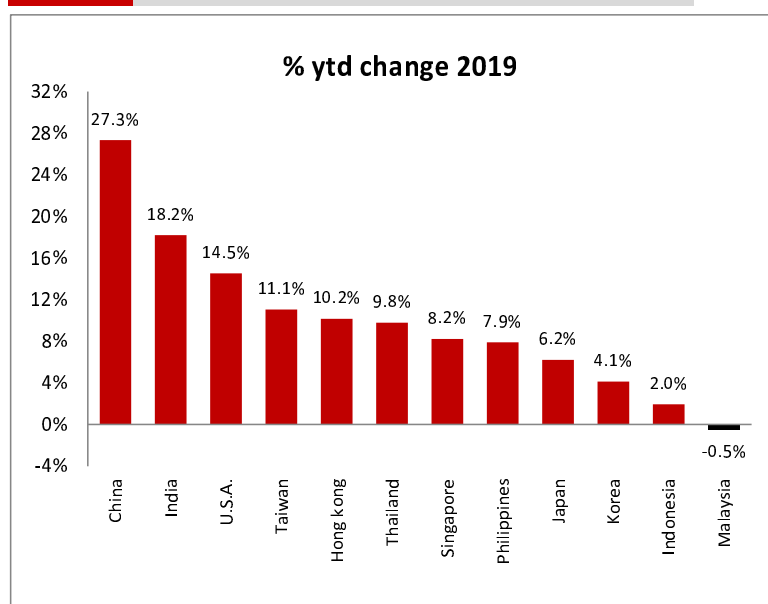
## FUND FLOW REPORT

- The FBM KLCI was marginally gained by 2.7% for the week after settling at 1,682 points on Friday, the lowest close since 20 March 2019. Likewise, the Ringgit appreciated by 0.4% against the greenback to settle at USD/MYR4.1490.

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

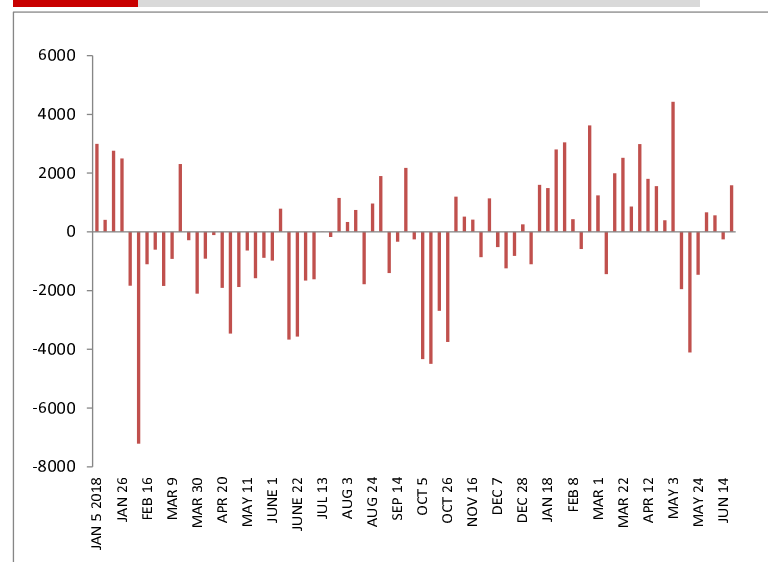
- Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” bought USD1.59b net last week. This is the largest weekly foreign net inflow in seven weeks.
- In Korea, there was an influx of funds worth USD247.9 m net, snapping the six week foreign net selling streak. Foreign investors were net buyers on three out of five days, from Tuesday to Thursday. Wednesday recorded the highest foreign net inflow during the week of USD235.5m net, coinciding with the 1.2% jump in the KOSPI to 2124 points, the biggest gain in seven trading days. The strong foreign net inflow was spurred by the optimism about trade after President Donald Trump said he will talk with the Chinese leader later this month in Japan. Markets also got a boost after the head of the European Central Bank said it was ready to cut interest rates and provide additional economic stimulus if necessary.
- Likewise, Taiwan experienced a surge of foreign net inflows worth USD936.4m net, the largest in nine weeks. International funds were only net sellers on Monday to a tune of -USD260.4m net following Broadcom Inc.’s downward revision of its full-year revenue forecast, causing the decline the chipmakers. Meanwhile, Wednesday saw a foreign net inflow of USD741.3m net, a level not observed since November 2015 following reports that the presidents of the U.S and China will meet in Japan this week to relaunch their trade negotiations. The Taiex followed suit to end 2.0% higher at 10,775 points and the Taiwan Dollar appreciated 0.6% against the greenback to USD/TWD30.964 on the same day. In terms of stocks, TSMC and Largan were the major contributors of Thursday’s jump in the local bourse.

**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

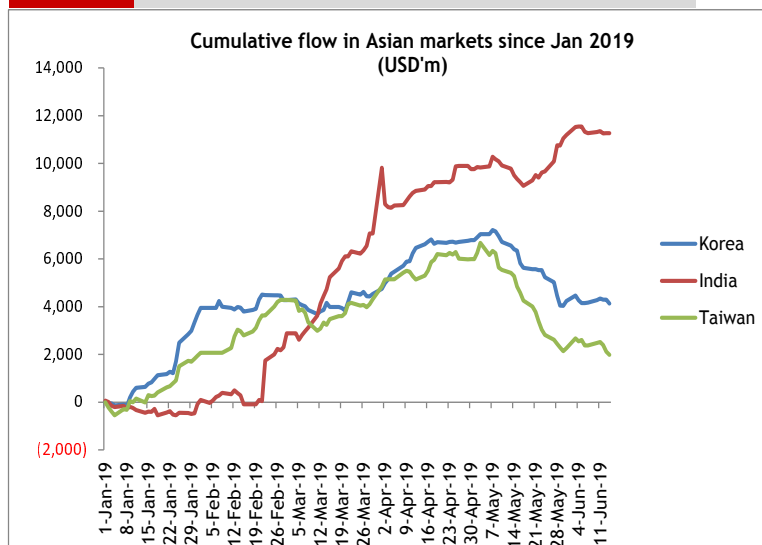
- In emerging South East Asian markets that we

<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.

monitor, more than half were experiencing foreign net inflows

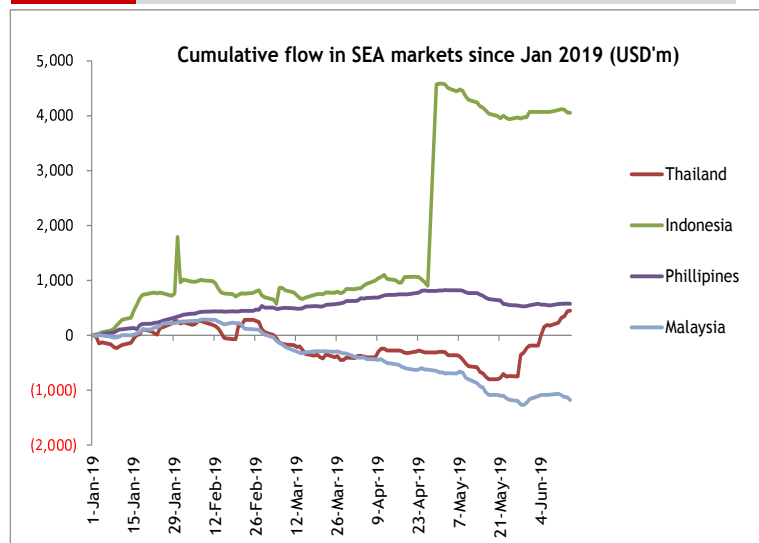
- Bangkok experienced its fifth straight week of foreign net buying, the longest streak since May to September 2016. The bulk of the foreign net inflow was attributable to Thursday and Friday which saw foreign investors acquiring more than USD140m net on both days. Sentiment was uplifted on these two days as Federal Reserve chief Jerome Powell opened the door to a rate cut as early as next month.
- Manila was the odd one out in ASEAN as it recorded a weekly foreign net outflow of -USD22.6m net. International funds were only net buyers on Tuesday to a tune of USD3.4m net while foreign net selling peaked during the week on Thursday at -USD11.4m net. Trading was flat on Thursday in anticipation of the nation's central bank meeting. Nevertheless, foreign net selling tapered to -USD2.8m net on Friday as the nation's central bank surprised markets by leaving interest rates unchanged at 4.5% on Thursday evening. The PSEi soared 0.4% the same day to close at 8,056 points, the highest since 3 June 2019.
- Indonesia saw a foreign net inflow of USD97.5m last week. Foreign net buying was the highest on Wednesday at USD34.9m net as the government raised the tax limit on luxury houses to spur growth causing property stocks to rally as sales are expected to gain on levy changes. The luxury levy of 20% on bungalows or high-rise condos will now apply only to properties valued at 30 billion rupiah (USD2.1m) or more, according to a Finance Ministry notification. The levy previously applied to town houses with land title valued at 20 billion rupiah or more, as well as apartments, town houses and condos without land title and priced at 10 billion rupiah and above.

**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)

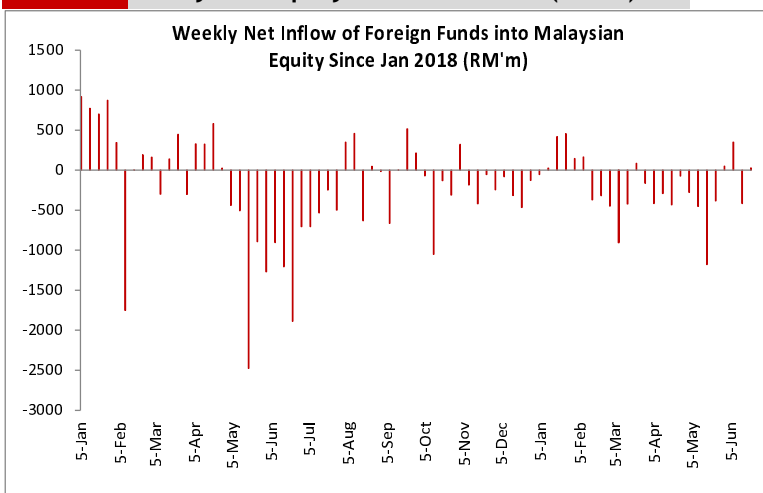
WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
APR 26	2.7	12.5	-161.6	65.1	685.9	-193.6	-17.4	393.0
MAY 3	333.9	-51.7	3,601.9	11.5	-65.2	665.7	-66.7	4,429.2
MAY 10	-330.7	-199.3	-211.7	-51.8	82.5	-1,135.0	-108.5	-1,954.6
MAY 17	-1,083.7	-240.1	-251.0	-111.6	-855.1	-1,285.9	-282.9	-4,110.3
MAY 24	-393.4	61.3	-104.1	-107.6	611.5	-1,435.7	-91.3	-1,460.3
MAY 31	-993.8	554.8	134.2	-3.8	1,518.3	-556.4	11.6	665.0
JUN 7	-69.2	362.8	0.0	-5.9	76.8	115.5	83.8	563.7
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	-65.8	936.4	6.9	1,585.2

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

## C. TRACKING MONEY FLOW - MALAYSIA

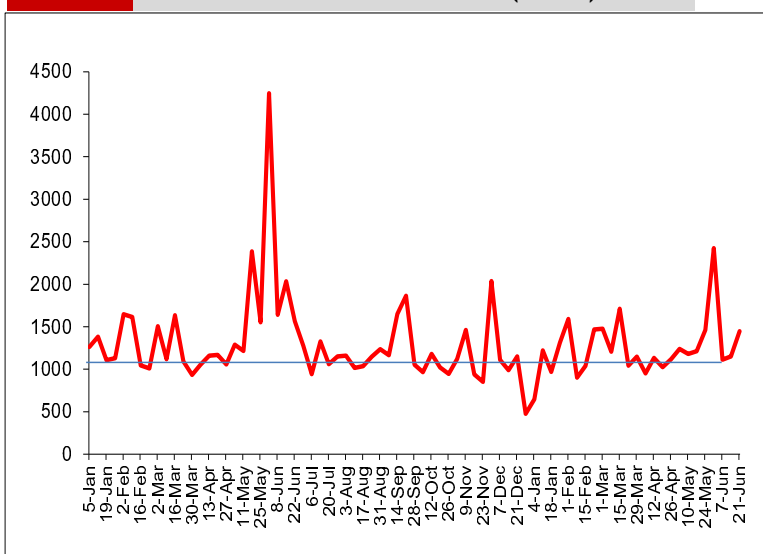
- International funds slowly entered Bursa last week. Based on data from Bursa, foreign funds acquired RM28.3m net of local equities last week, the second lowest weekly foreign net inflow recorded so far this year.
- Bursa started the week on a rough note as foreign investors disposed -RM115.0m net on Monday, as investors anticipated a slew of interest rate decisions, especially from the Federal Reserve after stronger-than-expected U.S. data fuelled bets that the central bank may have less cause to ease monetary policy.
- Nevertheless, the level of foreign net selling tapered significantly to -RM14.6m net on Tuesday. This was partly attributable to the slight gains on Wall Street on Monday despite choppy trading amidst the ongoing trade dispute and the possible effect on economic growth.
- International funds made a decent comeback on Wednesday, acquiring RM125.2m worth of local equities on Bursa. Much of the risk-on mood was spurred by the prospect of an extended meeting between President Trump and President Xi Jinping meeting in Japan this week at the G-20 Summit to relaunch trade talks after a month-long impasse.
- Offshore investors were back in selling mode albeit at a measurable pace of -RM20.9m net on Thursday. Friday was the highlight of the week as a moderate foreign net inflow of RM28.3m partially contributed to the 0.4% gain in the FBM KLCI to reach the highest close since 20 March 2019, following the Federal Reserve's signal that it was ready to lower interest rates for the first time since 2008.
- With one more week of trading left in June 2019, foreign investors have so far disposed -RM37.1m net. On a year-to-date basis, the foreign net outflow from Malaysia stands at RM4.84b.
- Foreign investors emerged as the investor group with the largest increase in terms of average daily traded value (ADTV) of 25.7% to RM1.45b. This is the strongest level of participation in three 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)	
MAY 17	2,074.9	2,018.9	56.0	4,890.7	3,767.4	1,123.4	2,440.7	3,620.1	-1,179.4	-282.9
MAY 24	1,064.5	1,011.6	52.9	2,063.1	1,733.4	329.7	1,999.7	2,382.3	-382.6	-91.3
MAY 31	1,878.7	1,983.7	-105.0	4,910.0	4,853.8	56.2	6,082.5	6,033.7	48.8	11.6
JUN 7	701.1	727.8	-26.7	1,536.2	1,859.4	-323.3	1,843.8	1,493.8	350.0	83.8
JUN 14	2,081.0	1,985.9	95.1	4,318.7	3,998.5	320.2	2,670.8	3,086.1	-415.3	-99.8
JUN 21	2,068.6	2,136.2	-67.6	5,107.7	5,068.4	39.3	3,633.6	3,605.3	28.3	6.9

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 21 JUNE**
**TOP 10 NET MONEY INFLOWS**

- Malaysia Airports Holdings Berhad registered the highest net money inflow of RM14.26m last week. Its share price advanced 4.65% for the week, outperforming the local bourse which had a 2.66% weekly gain.
- Malayan Banking Berhad recorded the second highest net money inflow of RM10.98m. Its share price ended -0.22% lower for the week, underperforming the benchmark which was 2.66% higher during the week under review. Nonetheless, it is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.
- IHH Healthcare Berhad saw the third highest net money inflow of RM7.04m. Its share price ended 2.84% higher during the week under review, outperforming the local bourse which was 2.66% higher.

**Table 4** Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
MAHB	14.26	7.63	4.65	-
MAYBANK	10.98	2.41	-0.22	BOW
IHH	7.04	5.29	2.84	-
AMMB	6.94	0.38	0.00	-
AXIATA	6.57	4.21	6.77	-
DIALOG	6.51	5.68	-0.31	BOW
DIGI.COM	5.67	-1.47	1.64	-
PETCHEM	5.16	12.54	2.64	-
TNB	4.61	12.35	14.12	-
LOTTE CHEM	4.23	2.75	-0.33	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 largest net money outflow of -RM9.62m last week. Its stock price declined -0.26% for the week, underperforming vis-à-vis the FBM KLCI which gained 2.66% during the review week.
- Time Dotcom Berhad recorded the second largest net money outflow -RM6.33m during the week under review. Its share price was 5.89% higher during the week, outperforming the market benchmark which had a 2.66% weekly gain. It is notable that the net money outflow amidst advancing share price may indicate a sell on strength (SOS) stance among some investors.
- Telekom Malaysia Berhad registered the third largest net money outflow of -RM6.32m in the review week. Its share price was 3.95% higher for the week, outperforming the local benchmark which was 2.66% 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		
PUBLIC BANK	-9.62	0.40	-0.26	-
TIME DOTCOM	-6.33	-3.78	5.89	SOS
TELEKOM	-6.32	-5.30	3.95	SOS
HLFG	-4.77	1.98	-0.11	-
MY EG	-3.84	-1.03	1.39	SOS
CIMB GROUP	-3.08	2.79	-0.95	-
SUNWAY REIT	-1.82	0.00	5.98	SOS
AEON CREDIT	-1.71	0.27	0.72	SOS
PETDAG	-1.65	-7.04	-0.55	-
HONG LEONG	-1.56	13.35	3.72	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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