

MIDF EQUITY STRATEGY | 25 NOVEMBER 2019 WEEK ENDED 22 NOVEMBER 2019

- Equity markets worldwide remained mixed last week due to uneven developments of trade negotiations between the U.S and China which remains as the market's central preoccupation.
- Brent crude oil price was marginally higher by 0.1% for the week after settling at USD63.4pb. The possibility that the OPEC will continue with production cuts until June 2020 during the upcoming December meeting pushed oil prices to to-month highs earlier during the week. This later outweighed the jitters from the additional U.S tariff on Chinese imports if a phase one agreement is not inked by 15 December 2019.
- After six consecutive weeks of entering Asian markets, foreign investors made an exit last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" disposed -USD699.2m net last week, compared to USD174.2m acquired in the preceding week.
- Offshore investors continued to reduce their holdings in stocks listed on Bursa for the third week running albeit at a slower pace. Based on data from Bursa, foreign investors took out -RM187.2m net of local equities last week compared to -RM408.5m net sold in the preceding week.
- The FBM KLCI ended the week in the green zone, gaining 0.1% after settling at 1,596.8 points. In contrast, the Ringgit depreciated by 0.4% against the greenback to reach USD/MYR4.171 during the week.

U.S'S SUPPORT FOR HONG KONG DRIVES INVESTORS OUT OF ASIA

A. MARKET SNAPSHOT

- Equity markets worldwide remained mixed last week due to uneven developments of trade negotiations between the U.S and China which remains as the market's central preoccupation.
- All key U.S stock indexes lost ground for the week despite President Trump's statement that the U.S was very close to a trade pact with China on Friday following remarks by President Xi Jinping for better cooperation with Washington to work out an initial agreement especially on tariff rollback. Meanwhile economic data showed that U.S business activity in November showed gains for the manufacturing output which accelerated to its fastest pace in seven months while services activity picked up more than expected. Overall, this lifted the IHS Markit flash composite output index to a 4-month high.
- Over in Asia, Singapore's trade woes continued in October, with exports falling for the eighth month in a row and imports also continuing to decline. Singapore's exports shrunk -9.3%yoy in October 2019, marking eight-straight months of contraction. The downfall was heavily contributed by crude materials (-17.4%yoy) and mineral fuels (-21.8%yoy), followed by chemical products (-17.7%yoy) and office & automatic data processing machines (-9.5%yoy). On positive side, the growth of sales of telecommunications & reproducing apparatus & equipment remained positive. By destination, outbound shipment to China, Indonesia, Malaysia, and Hong Kong declined, while exports to the U.S rebounded to positive growth.
- In Europe, the U.K's CBI industrial trends order improved to -26 in November 2019, higher than -37 in the previous month. It also marked the highest industrial trends order in a three-month period. Despite the improvement, it was still below the neutral point, signalling an expectation of lower manufacturing volumes. The improvement was partly contributed by the EU confirmation of the deadline of Brexit's deferment to January 2020. However, the manufacturing activities stayed weak, amid the global economy slowdown and the low-spirited domestic economy. Meanwhile, the PMI for October 2019 rose to 49.6 from 48.3 in the previous month however continued to point to a contraction in the manufacturing sector. Looking ahead, the sector performance remains gloomy as uncertainties persist.
- Brent crude oil price was marginally higher by 0.1% for the week after settling at USD63.4pb. The possibility that the OPEC will continue with production cuts until June 2020 during the upcoming December meeting pushed oil prices to to-month highs earlier during the week. This later outweighed the jitters from the additional U.S tariff on Chinese imports if a phase one agreement is not inked by 15 December 2019.

Table 1 Weekly performance of major indices		
Weekly % change	Week before	Last week
Hang Seng	-4.79	1.02
Taiwan TAIEX	-0.47	0.36
FTSE 100	-0.77	0.33
KLCI	-0.93	0.13
India SENSEX	0.08	0.01
Thai SET	-2.17	-0.28
S&P 500	0.89	-0.33
FSSTI Index	-0.78	-0.41
Jakarta JCI	-0.80	-0.46
Dow Jones	1.17	-0.46
DAX	0.10	-0.59
China CSI 300	-2.41	-0.70
CAC 40	0.84	-0.78
Nikkei	-0.38	-0.82
Phil PCOMP	-1.65	-1.37
Korea KOSPI	1.17	-2.79

Source: Bloomberg

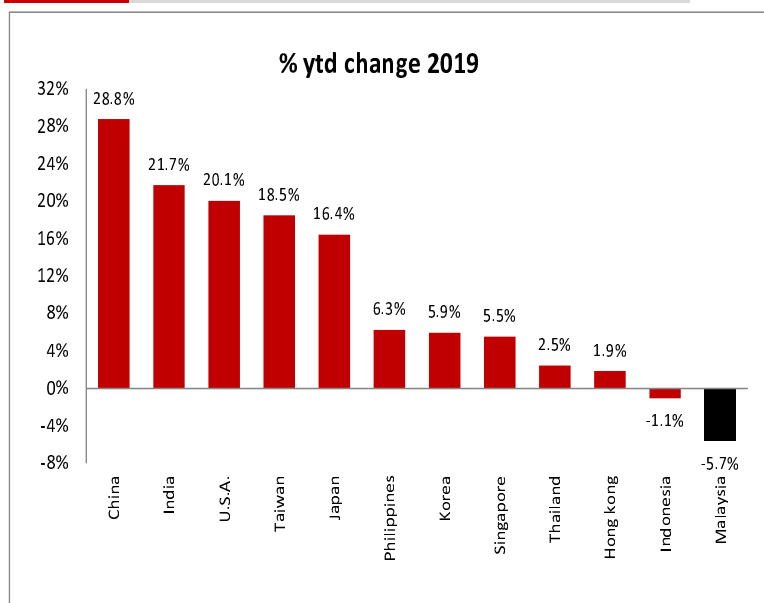
FUND FLOW REPORT

- The FBM KLCI ended the week in the green zone, gaining 0.1% after settling at 1,596.8 points. In contrast, the Ringgit depreciated by 0.4% against the greenback to reach USD/MYR4.171 during the week.

B. TRACKING MONEY FLOW - ASIA¹

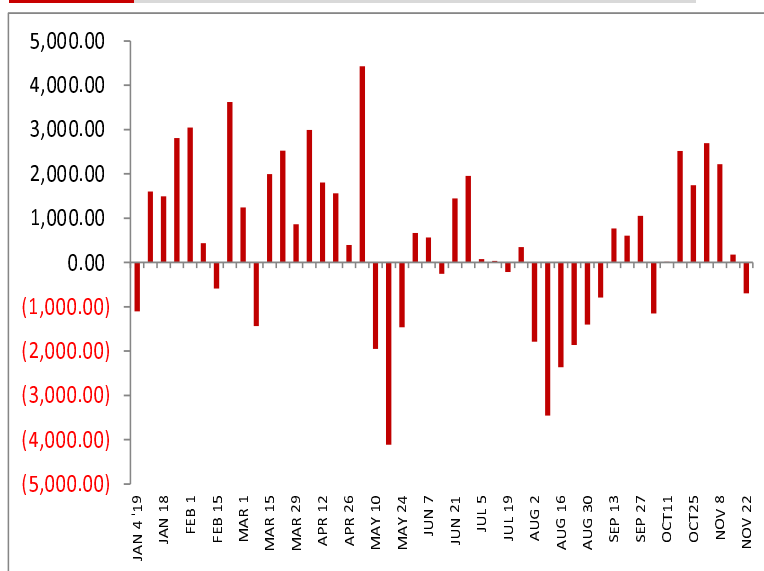
- After six consecutive weeks of entering Asian markets, foreign investors made an exit last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” disposed -USD699.2m net last week, compared to USD174.2m acquired in the preceding week.
- The pace at which foreign investors were exiting South Korea grew faster last week as the foreign net outflow almost tripled to reach -USD1.16b, the highest weekly foreign net selling seen so far this year. International funds were net sellers everyday last week, extending the daily selling spree to 12 days, just one day short of 13-day foreign net selling frenzy observed since late July to mid-August 2019. Foreign net selling peaked on Thursday at -USD481.0m, bucking the regional trend which saw other Asian markets with net inflows as investors digested the likelihood of an initial U.S-China trade deal. The KOSPI followed suit to settle 1.4% lower at 2,096.6 points on the same day, the lowest close in more than two weeks. Meanwhile, the foreign net outflow was the lowest during the week on Tuesday at -USD104.1m net, tracking gains from U.S stocks which rose slightly to extend their record highs as the U.S Commerce Department on Monday announced it would allow Huawei Technologies to do business with American companies for another 90 days.
- Taiwan meanwhile saw a massive reduction in the foreign net buying activity last week. Foreign investors only bought USD43.4m net, the second lowest weekly foreign net inflow seen thus far in 2019. Net buying activity was observed on the first three days of the week with Tuesday recording the highest at USD332.0m which lifted the Taiex 0.5% higher to close at 11,656.4 points, a level not seen since 1990. Meanwhile, the market capitalisation of TSMC hit a new high of TWD8.12t amidst optimism at the company’s fundamentals. Nevertheless, Thursday saw a level of foreign net selling of -USD309.1m which almost offset the inflow seen on Tuesday.

Chart 1 YTD performance of major markets



Source: Bloomberg

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

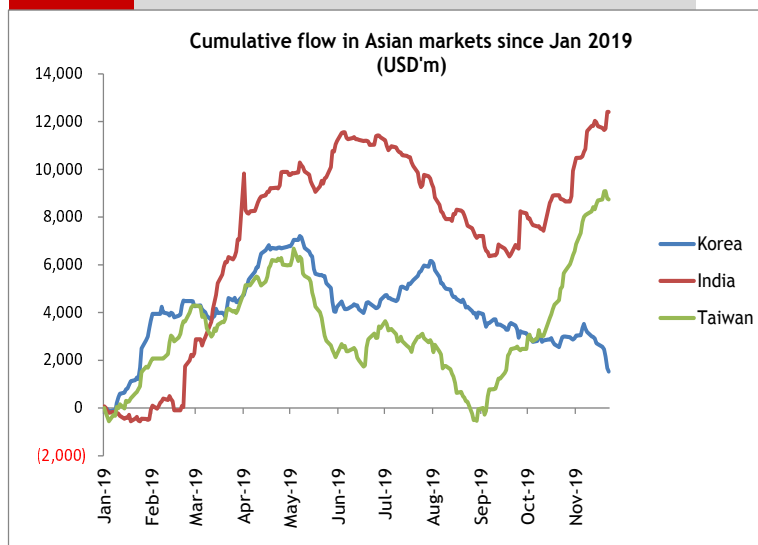


Source: Bloomberg, Bursa Malaysia, MIDFR

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.

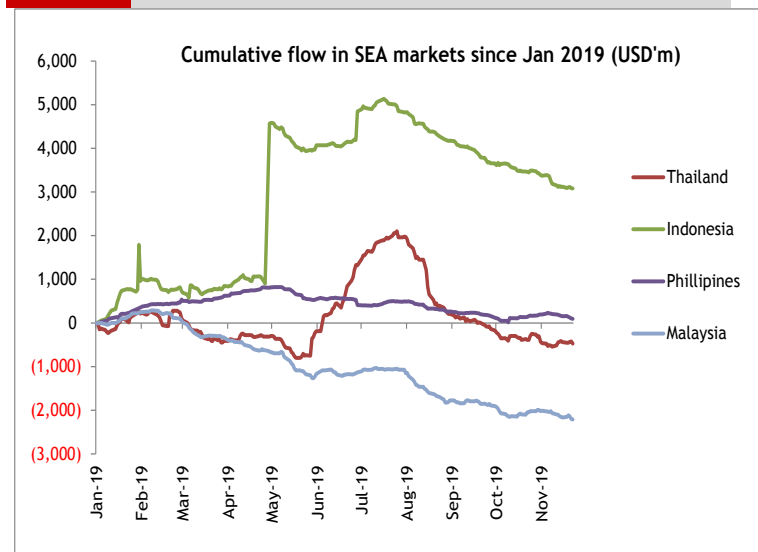
- In emerging South East Asian markets that we monitor, all of them experienced net foreign selling.
- In Bangkok, foreign investors were back in selling mode after disposing -USD34.6m net of local equities last week. International funds were only net sellers on Monday and Friday. Friday's massive foreign net outflow of -USD48.5m net due to a potential wave of protests in Hong Kong as Chief Executive Carrie Lam threatened to postpone local elections on the coming Sunday offset the foreign net buying from Tuesday to Wednesday which totalled to only USD31.0m. On the macroeconomic front, Thailand's total export fell by -4.5%yoy in October 2019, worse than the market forecast of -3.7%yoy. This marked the 3-straight month of contraction and the largest declining rate in five-month period.
- In Manila, offshore funds sold local equities for the second week at a slightly faster pace of -USD63.4m net. Monday was the only day which had foreign investors being net buyers to a tune of USD2.0m while the local stock barometer declined -0.7% in cautious trading amidst U.S-China trade talks. From Tuesday onwards, foreign funds were net sellers until the week ended with Tuesday seeing the highest foreign net outflow of -USD20.1m due to profit taking activity.
- Foreign investors remained net sellers for the fourth week running albeit at a slower momentum of -USD40.2m. Tuesday and Wednesday were days which saw foreign net inflows of USD14.5m and USD7.2m respectively. Notwithstanding this, foreign net selling was the highest during the week on Monday of -USD30.5 which was more than enough to cancel off the inflows on the said days.

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
OCT 4	-406.9	-216.3	-14.5	-112.8	-539.1	325.0	-184.0	-1,148.6
OCT 11	58.6	53.2	-79.1	60.2	-239.1	225.4	-65.9	13.3
OCT 18	-159.7	-92.4	-95.6	27.2	1,489.6	1,303.8	44.1	2,517.0
OCT 25	324.8	143.2	23.1	28.9	-257.3	1,410.7	72.2	1,745.6
NOV 1	38.5	-216.1	-123.4	27.6	1,820.6	1,130.9	13.2	2,691.3
NOV 8	151.5	-78.5	-183.1	12.0	1,120.6	1,252.3	-57.2	2,217.5
NOV 15	-503.4	104.0	-64.6	-47.9	210.4	574.2	-98.4	174.2
NOV 22	-1,155.6	-34.6	-40.2	63.4	596.0	43.4	-44.8	-699.2

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

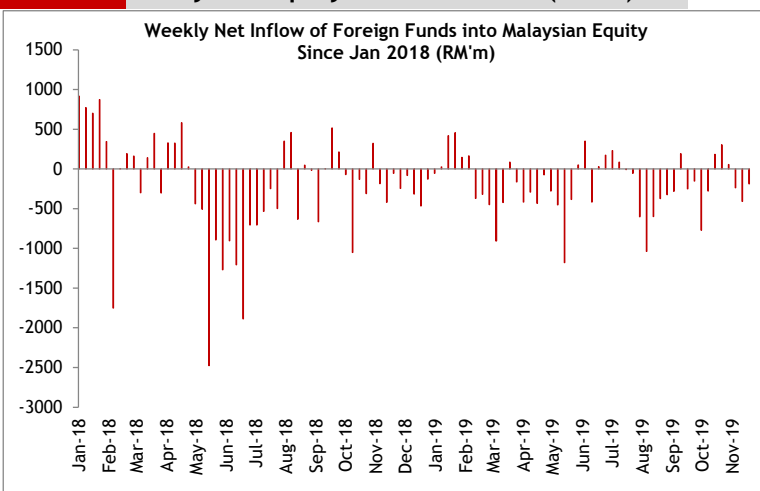
FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

- Offshore investors continued to reduce their holdings in stocks listed on Bursa for the third week running albeit at a slower pace. Based on data from Bursa, foreign investors took out -RM187.2m net of local equities last week compared to -RM408.5m net sold in the preceding week.
- Bursa began the week on the right foot as international funds acquired RM61.4m of local equities on Monday, lifting the local bourse by 0.6% to close at 1,604.4 points.
- The foreign net inflow later surged to RM136.6m net on Tuesday, the highest in more than two weeks. Sentiment was better following a meeting between President Trump and Fed Chair Jerome Powell which was deemed good and cordial in addition to Huawei Technologies given the green light by the U.S to continue exporting with U.S companies for another 90 days.
- Nevertheless, the two-day buying streak ended on Wednesday when foreign investors disposed -RM106.4m net of local equities. Foreign net selling momentum then gained on Thursday to reach -RM237.3m net, the highest since early October 2019. Investors' nerves were frayed after U.S lawmakers passed a bill supporting the rights of Hong Kong residents and potentially derail trade negotiations between the U.S and China.
- The pace at which foreign investor sold local equities slowed down on Friday to a level below RM100m net at -RM41.5m. This follows President Xi Jinping's remarks that China insisted to hammer out a deal with the U.S but was not afraid to fight back if necessary.
- With a week left before November ends, the month has so far seen a foreign net outflow of -RM781.2m. Meanwhile on a year-to-date basis, foreign funds have taken out -RM9.17b of local equities from Malaysia, making up 78.4% of last year's total foreign outflow of -RM11.69b.
- In terms of participation, foreign investors saw an increase in average daily traded value (ADTV) of 12.9% but was still below the RM1b mark at RM995.1m.

Chart 5

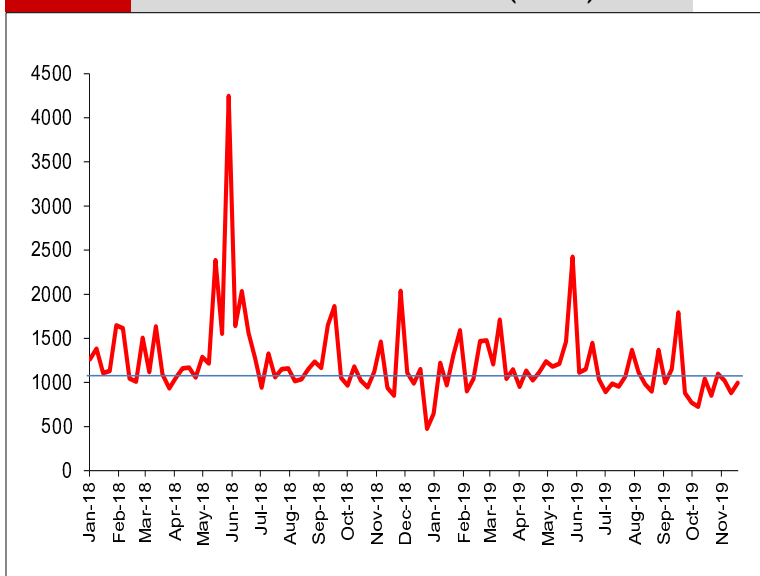
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2018 (RM'm)



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)	
OCT 18	2,592.6	2,523.1	69.5	4,624.8	4,879.0	-254.1	2,697.7	2,513.1	184.6	44.1
OCT 25	2,282.9	2,264.4	18.5	3,786.4	4,107.2	-320.9	2,281.5	1,979.1	302.4	72.2
NOV 1	1,814.1	1,780.6	33.6	3,912.4	4,001.2	-88.8	2,224.4	2,169.3	55.2	13.2
NOV 8	2,351.3	2,312.5	38.7	5,092.3	4,893.8	198.5	2,432.8	2,670.0	-237.2	-57.3
NOV 15	2,144.0	2,055.4	88.6	4,420.3	4,100.3	320.0	1,999.4	2,408.0	-408.5	-98.4
NOV 22	2,499.1	2,450.9	48.2	4,288.8	4,149.8	138.9	2,394.2	2,581.3	-187.2	44.8

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 22 NOVEMBER
TOP 10 NET MONEY INFLOWS

- United Plantations Berhad registered the highest net money inflow of RM13.11m last week. Its share price advanced 1.65% for the week, outperforming the local bourse which had a 0.13% weekly gain.
- Tenaga Nasional Berhad recorded the second highest net money inflow of RM5.30m. Its share price ended -0.73% lower for the week, underperforming the benchmark which was 0.13% 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.
- Time Dotcom Berhad saw the third highest net money inflow of RM2.63m. Its share price was -0.87% lower during the week, underperforming the local bourse which was only 0.13% higher.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
UNITED PLTN	13.11	-0.04	1.65	-
TNB	5.30	6.63	-0.73	BOW
TIME DOTCOM	2.63	-1.57	-0.87	BOW
YINSON	2.61	-0.03	-1.82	BOW
WESTPORTS	2.26	-0.76	-2.74	BOW
MAYBANK	1.71	-4.63	-0.23	BOW
PUBLIC BANK	1.58	-3.09	-0.20	BOW
SUNWAY REIT	1.16	2.22	-0.80	BOW
TELEKOM	1.16	-0.52	1.90	-
IHH	0.97	-5.82	1.68	-

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- MISC Berhad saw the largest net money outflow of -RM5.59m last week. Its stock price was 0.85% higher for the week, outperforming vis-à-vis the FBM KLCI which advanced 0.13% during the review week. It is notable that the net money outflow amidst advancing share price may indicate a sell on strength (SOS) stance among some investors.
- MYEG Services Berhad recorded the second largest net money outflow -RM5.24m during the week under review. Its share price was 5.17% higher during the week under review, outperforming the local bourse which only gained by 0.13%.
- Inari Amertron Berhad registered the third largest net money outflow of -RM3.32m in the review week. Its share price was 1.55% higher for the week, outperforming the local benchmark which was 0.13% 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		
MISC BHD	-5.59	-4.51	0.85	SOS
MY EG	-5.24	-0.80	5.17	SOS
INARI	-3.32	1.16	1.55	SOS
SD PLTN	-2.62	-1.15	0.59	SOS
QL	-2.55	0.24	0.14	SOS
IOI CORP	-2.20	1.37	2.05	SOS
SIME DARBY	-2.07	-2.16	-0.42	-
ABMB	-1.76	-2.27	-6.53	-
VELESTO	-1.73	-2.31	1.32	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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