

MIDF EQUITY STRATEGY | 26 AUGUST 2019

WEEK ENDED 23 AUGUST 2019

- Most equity markets worldwide rebounded last week following positive developments from the international trade front despite some havoc caused by the U.S and China rhetoric at the end of the week.
- Brent crude oil price inched 1.2% higher for the week after settling at USD59.34pb. Oil prices remained strong above USD59pb from Monday to Thursday before dropping below that level on Friday. China on Friday said it would impose tariffs on \$75 billion worth of additional U.S. products including crude imports.
- Foreign investors continued reducing their exposure at a high level above USD1.0b for the fourth week running. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” dumped -USD1.61b net last week.
- Although foreign investors have sold stocks listed on Bursa for sixth straight week, there has been a gradual decline in foreign net selling activity for the past three weeks. Based on data from Bursa, foreign investors sold -RM372.8m net of local equities last week.
- The FBM KLCI advanced by 0.6% for the week after closing at 1,609 points on Friday, marking its first weekly gain after the six consecutive weeks of losses. In contrast, the Ringgit depreciated by 0.3% against the greenback as it settled at USD/MYR4.1912.

ALL EARS ON THE JACKSON HOLE SYMPOSIUM and G7 MEETING

A. MARKET SNAPSHOT

- Most equity markets worldwide rebounded last week following positive developments from the international trade front despite some havoc caused by the U.S and China rhetoric at the end of the week.
- Minutes of the Fed's meeting held in July was released on Wednesday, citing that the rate cut was viewed as an insurance against headwinds from the trade war and low inflation which may grow stronger heading into September. U.S stocks rose for the fourth day in five on the same day due to better-than-expected earnings from retailers such as Target and Lowe's, underscoring the robust American consumption at a time when recession fears are running high.
- Japan manufacturing PMI inched up to 49.5 in Aug-19 from a 49.4 in July-19. Although there was a slight increase, it still at contractionary level since the reading stayed below 50. Both output and new order dropped at softer pace while the overseas sales plunged significantly amid the escalating external tensions. The contraction however was offset by the employment which expanded at steady growth whereas the backlog of work index improved to an eight-month high. Moving forward, the Japanese economy is expected to remain at a weak pace especially for IPI and external trade performances in 2H19. So far, the IPI and exports growths have been in negative territory for the past five and nine months respectively.
- In the Euro zone, the IHS Markit purchasing managers' index saw a slight uptick from 51.5 in July to 51.8 in August 2019, beating market expectations of 51.2. Although it was just a small gain, it indicates that the Euro zone economy is unlikely to have slipped into negative growth halfway through the third quarter. Meanwhile, the Euro zone manufacturing sector activity continued to contract albeit at a softer pace from 46.9 in July to 47.8 in August this year. In terms of specific countries, France's economy was in a bright spot in the same month with its manufacturing sector returning to growth in contrast to Germany's disappointing figures.
- Brent crude oil price inched 1.2% higher for the week after settling at USD59.34pb. Oil prices remained strong above USD59pb from Monday to Thursday before dropping below that level on Friday. China on Friday said it would impose tariffs on \$75 billion worth of additional U.S. products including crude imports, the latest protectionist trade policy that could crimp fuel consumption. The latest dust-up between China and the Trump administration came as leaders from the Group of Seven nations prepared to meet in France and central bankers gathered in Jackson Hole, Wyoming, to discuss issues including fears of a global economic slowdown.

Table 1 Weekly performance of major indices		
Weekly % change	Week before	Last week
China CSI 300	2.12	2.97
Hang Seng	-0.79	1.73
CAC 40	-0.51	1.54
DAX	-1.12	1.51
Nikkei	-1.29	1.43
Phil PCOMP	-0.74	1.20
Taiwan TAIEX	-0.70	1.12
Korea KOSPI	-0.55	1.10
Thai SET	-1.17	0.94
Dow Jones	-1.53	0.83
S&P 500	-1.03	0.71
KLCI	-0.98	0.63
FTSE 100	-1.88	0.38
FSSTI Index	-1.70	-0.15
Jakarta JCI	0.07	-0.49
India SENSEX	-0.62	-1.74

Source: Bloomberg

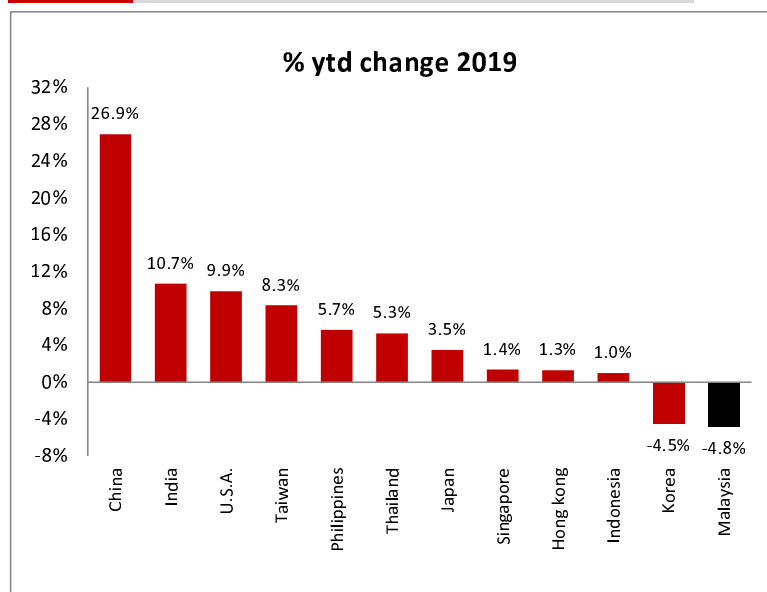
FUND FLOW REPORT

- The FBM KLCI advanced by 0.6% for the week after closing at 1,609 points on Friday, marking its first weekly gain after the six consecutive weeks of losses. In contrast, the Ringgit depreciated by 0.3% against the greenback as it settled at USD/MYR4.1912.

B. TRACKING MONEY FLOW - ASIA¹

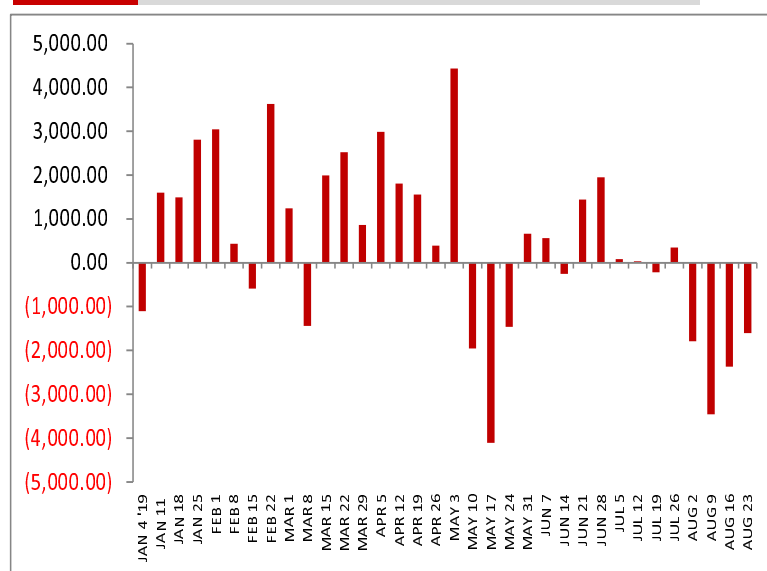
- Foreign investors continued reducing their exposure at a high level above USD1.0b for the fourth week running. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” dumped -USD1.61b net last week.
- South Korea saw the third week of gradual decline in foreign net selling activity which reached -USD325.9m net last week. International funds were net sellers on three days during the week with Thursday recording the highest at -USD199.1m net, pushing the KOSPI 0.7% lower to close at 1,951 points, the largest daily drop in seven trading days. The Korean Won led decliners amongst Asian currencies on the same day, dropping from a three week-high reached on Wednesday as markets awaited Jerome Powell’s speech at the Jackson Hole symposium. Meanwhile, foreign net inflow was the highest during the week on Tuesday at USD94.1m amidst signs of easing tensions between the U.S. and China, coinciding with the 1.1% jump in the KOSPI, the largest gain in more than a month. On the geopolitical front, South Korea will be withdrawing from an intelligence sharing agreement with Japan following the feud over trade measures between the two nations.
- The momentum of foreign net outflow in Taiwan slowed down to -USD371.6m from -USD1.10b in the preceding week. Foreign funds were only net buyers on Monday only during the week to a tune of USD38.9m net. International funds turned net sellers on the following day until the week ended. Foreign net selling peaked on Tuesday at -USD175.2m net despite the U.S’s decision to ease sanctions related to Huawei for 90 more days. The TAIEX index took cue of the positive development to close 0.3% higher at 10,523 points, the highest in three weeks. Local semiconductor players who are also Huawei suppliers such as TSMC, Delta Electronics and Largan Precision were all up by at least 1.0% on the same day.

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)

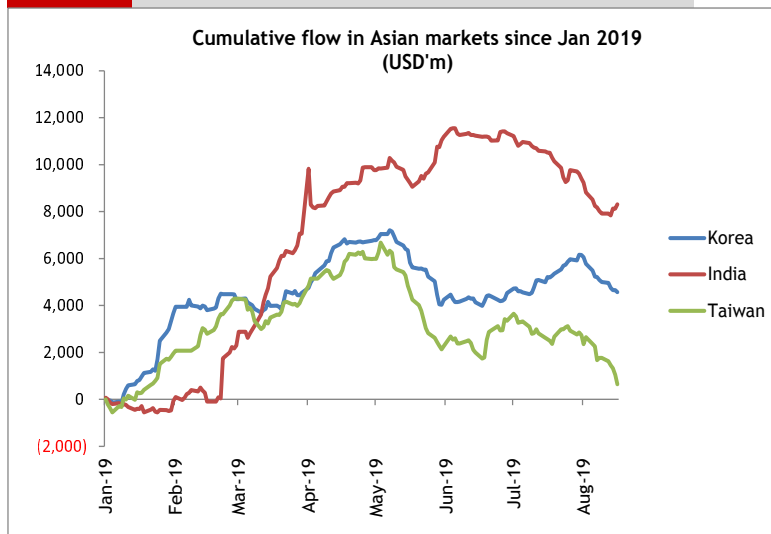


Source: Bloomberg, Bursa Malaysia, MIDFR

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.

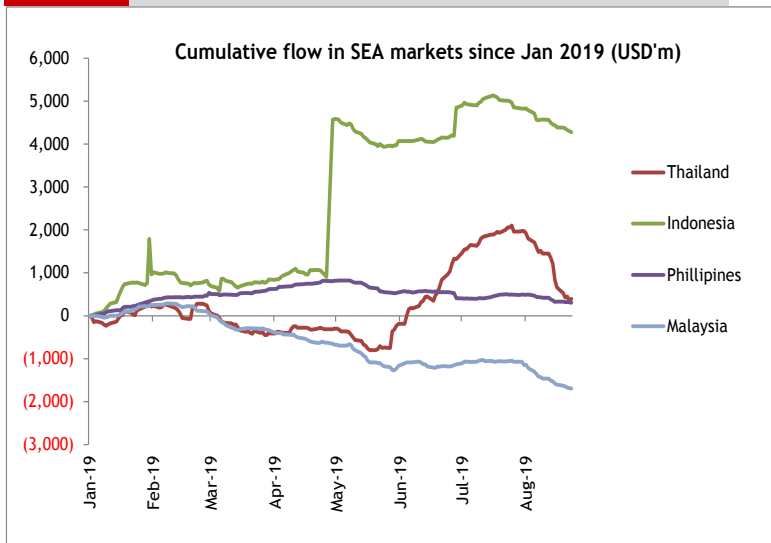
- In emerging South East Asian markets that we monitor, all markets were experiencing outflows for the week.
- Foreign investors in Bangkok sold -USD261.2m net of local equities last week. International investors sold the most during the week on Monday at USD133.3m net following remarks by President Trump that the U.S is discussing with China but was not ready for a deal yet. On the macroeconomic front, Thailand's custom cleared exports jumped 4.28%yoy in July, marking the first gain in five months. This was supported by the surge in gold shipments by 407%yoy. Having said that, Thailand's economic growth slowed to 2.3%yoy in 2Q19 from 2.8%yoy in 1Q19, lowest in almost five years due to the external headwinds and slowdown in tourism sector.
- Manila recorded the smallest foreign net outflow in three weeks of -USD28.8m net. It was notable that the foreign net selling activity increased gradually from -USD3.5m net on Monday to hit -USD10.3m net on Friday. On a month-to-date basis, the Philippines appears to be the nation with the lowest foreign net outflow of -USD185.1m.
- International funds in Jakarta extended their foreign net selling activity for the sixth consecutive week after selling off -USD109.5m net of local equities. Wednesday saw the highest foreign net outflow during the week worth -USD43.0m before the nation's central bank policy meeting took place. Indonesia's central bank unexpectedly slashed interest rates by 25 bps on Thursday, marking the second straight month of rate cuts to stimulate the 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
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	-191.5	-163.2	-65.7	5.7	-950.7	-278.8	-145.2	-1,789.4
AUG 9	-782.0	-349.7	-214.1	-75.6	-900.5	-884.3	-247.6	-3,453.9
AUG 16	-428.3	-790.4	-185.6	-86.6	206.2	-1,124.0	-142.7	-2,551.5
AUG 23	-325.9	-261.2	-109.5	-28.8	-420.0	-371.6	-89.2	-1,606.2

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

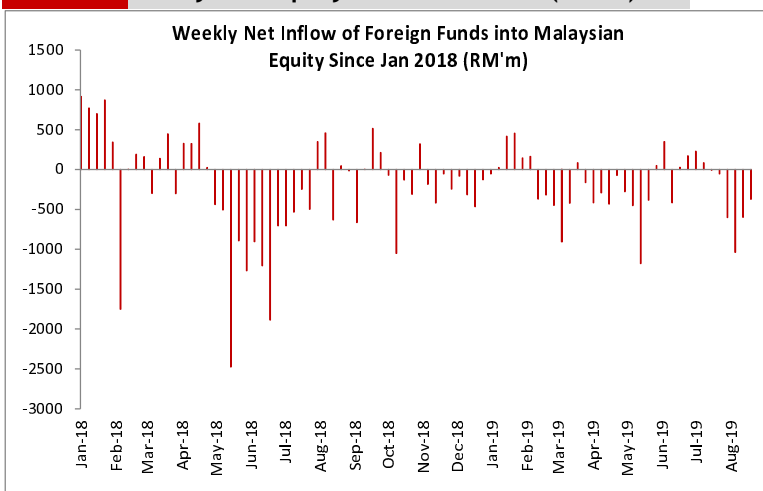
FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

- Although foreign investors have sold stocks listed on Bursa for sixth straight week, there has been a gradual decline in foreign net selling activity for the past three weeks. Based on data from Bursa, foreign investors sold -RM372.8m net of local equities last week.
- Bursa had a rough start to the week as foreign investors sold -RM99.7m net on Monday despite Fitch Ratings revising Malaysia's 2019 growth forecast to 4.6% from 4.2%. From the external front, President Trump said that the U.S is negotiating with China but not prepared for a deal.
- Foreign net selling activity slowed down the next day to -RM54.6m as tables were turned after the U.S plans to extend for another 90 days a limited set of exemptions that had protected U.S businesses from a restriction to deal with Huawei Technologies Co.
- Nevertheless, foreign net outflow gained momentum on Wednesday to reach -RM126.9m as foreign investors returned to the sidelines ahead of the Fed's July meeting minutes.
- Optimism returned on Thursday with foreign net selling receding to -RM49.1m net after the minutes of the Fed's July meeting highlighted that the rate cut was viewed as an insurance against headwinds from the trade war.
- Friday continued to see a decline in foreign net selling activity to a lower level of -RM42.6m, coinciding with the 0.4% gain in the local bourse. This was in conformity with other regional peers, namely Indonesia and Taiwan ahead of the Jackson Hole address by Jerome Powell.
- With a week left before August ends, Malaysia has seen a foreign net outflow of -RM2.27b. On a year-to-date basis, the foreign net outflow from Malaysia stands at -RM7.02b, making up around 60.0% of last year's total foreign net outflow.
- In terms of participation, only foreign investors experienced a weekly drop of 8.5% in the average daily traded value (ADTV) to reach below the RM1.0b mark of RM899.0m. This is the lowest ADTV in seven weeks.

Chart 5

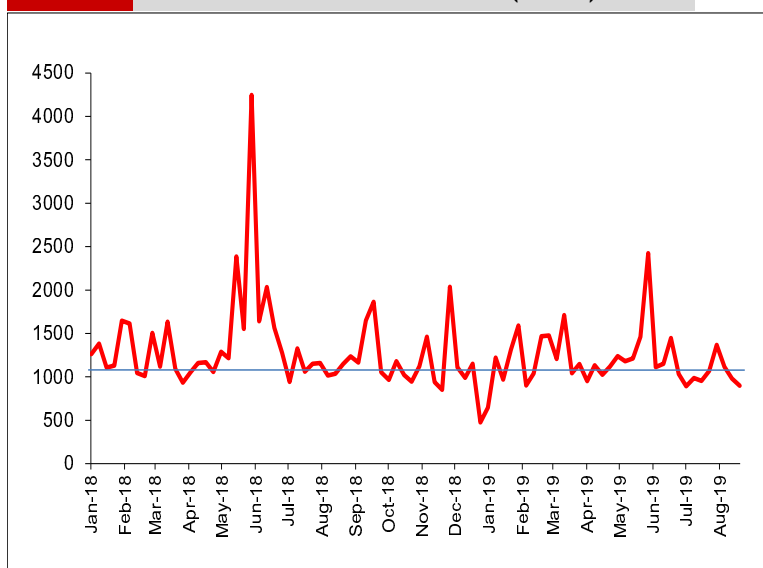
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2018 (RM'm)



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)	
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	1,942.3	1,759.0	186.3	3,875.5	3,460.5	414.9	2,436.1	3,037.3	-601.2	-145.2
AUG 9	2,614.7	2,297.0	317.8	5,219.9	4,501.6	718.4	2,269.5	3,305.6	-1,036.2	-247.6
AUG 16	1,552.0	1,379.4	172.6	3,420.2	2,994.7	425.5	1,665.3	2,263.5	-598.1	-142.7
AUG 23	2,056.3	2,015.5	40.8	4,327.2	3,995.2	332.0	2,061.0	-372.8	-372.8	-89.2

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 23 AUGUST
TOP 10 NET MONEY INFLOWS

- Genting Berhad registered the highest net money inflow of RM6.80m last week. Its share price advanced 0.17% for the week, underperforming the local bourse which had a 0.63% weekly gain, which advanced 0.11% during the week under review.
- Sime Darby Plantation Berhad recorded the second highest net money inflow of RM5.45m. Its share price ended 2.55% higher for the week, outperforming the benchmark which was 0.73% higher during the week under review.
- Malayan Banking Berhad saw the third highest net money inflow of RM4.81m. Its share price ended 1.53% higher during the week under review, outperforming the local bourse which was 0.63% higher.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
GENTING BHD	6.80	-5.00	0.17	-
SD PLTN	5.45	0.67	2.55	-
MAYBANK	4.81	-3.97	1.53	-
PUBLIC BANK	4.36	-18.67	0.10	-
DIALOG GROUP	3.95	-5.44	-1.42	BOW
MAHB	3.39	-0.93	2.74	-
MY EG SERVICES	1.68	0.35	-1.36	BOW
SUNWAY BHD	1.59	1.30	2.50	-
PETCHEM	1.43	-6.40	0.98	-
MISC BHD	1.25	0.66	0.00	-

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- IHH Healthcare Berhad saw the largest net money outflow of -RM20.04m last week. Its stock price was -0.18% lower for the week, underperforming vis-à-vis the FBM KLCI which increased 0.63% during the review week.
- Nestle (Malaysia) Berhad recorded the second largest net money outflow -RM5.38m during the week under review. Its share price was unchanged for the week.
- DRB-Hicom Berhad registered the third largest net money outflow of -RM4.61m in the review week. Its share price was 8.46% higher for the week, substantially outperforming the local benchmark which was 0.63% 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.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
IHH	-20.04	0.61	-0.18	-
NESTLE	-5.38	-0.01	0.00	-
DRB-HICOM	-4.61	-0.56	8.46	SOS
GENT MSIA	-3.73	0.92	0.65	SOS
TNB	-2.82	-5.34	0.58	SOS
AXIATA	-2.78	-3.88	-0.40	-
GAMUDA BHD	-2.34	0.56	0.54	SOS
SERBA DINMK	-2.29	-3.43	0.70	SOS
SIME DARBY	-2.08	0.55	-0.93	-
KOSSAN	-1.51	-0.04	0.72	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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