

## MIDF EQUITY STRATEGY | 27 MAY 2019

### WEEK ENDED 24 MAY

- Most equity markets worldwide remained in the red last week as the trade rift between the U.S and China kept investors on their tenterhooks.
- Brent crude oil price suffered a 4.9% weekly drop after settling at USD68.69pb, the biggest weekly decline so far for the year. The downward pressure on Brent crude oil price came from the rise in U.S crude inventories to its highest level since mid-2017 in the preceding week and concerns of possible reduction in demand for oil triggered by the U.S -China trade feud.
- Offshore funds have been net sellers of equities in Asian markets for the third consecutive week albeit at a slower pace. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” only sold -USD1.52b net last week.
- Offshore investors continued to make their way out of Bursa albeit at a slower pace, bringing the foreign net selling spree to the ninth week. Based on data from Bursa, foreign funds sold -RM382.6m net of local equities during the holiday-shortened week.
- The FBM KLCI was 0.4% lower for the week after settling at 1,598 points on Friday, the smallest decliner in comparison with other major bourses worldwide. The Ringgit depreciated 0.3% against the greenback to settle at USD/MYR4.1880, marking its fourth uninterrupted week of decline.

## A SLOWDOWN IN OUTFLOWS DESPITE ONGOING TRADE TENSIONS

### A. MARKET SNAPSHOT

- Most equity markets worldwide remained in the red last week as the trade rift between the U.S and China kept investors on their tenterhooks.
- U.S stocks had a rough start to the week following President Trump's action to ban technology sales to Huawei. Technology stocks such as Qualcomm and Broadcom which obtains more than half of their revenue from China took a beating. Wall Street later rebounded on Tuesday as a relief was granted to consumers and carriers that deal with Huawei. The mood turned sombre mid-week as the White House was reported to prepare a blacklist for more Chinese technology companies. Overall, both the Dow Jones and S&P500 recorded weekly losses of more than 0.5% despite inching higher on Friday.
- In Asia, Hong Kong's jobless rate remains unchanged at 2.8% in Apr-19. The rate recorded was the lowest since Jan-98. The labour market reflected full-employment condition in the economy, supported by high employment in services sector namely retail, accommodation and food services. Moving forward, we expect a slight pick-up in Hong Kong's unemployment rate particularly in the export-oriented industries, which contributed approximately 190% of the economic activities. Hence, effects of trade war between the US and China will significantly drag down Hong Kong's external trade flows. On a flip side, employment in domestic-oriented industries is predicted to stay on steady path.
- UK's headline CPI rose to 2.1% in Apr-19, well above Bank of England target rate of 2%. The rate recorded was the highest in four months. Overall prices of housing, water, electricity, gas & other fuels increased to 3.4% and transport inflation surged to 4.7%, contributing towards the slight rise in inflationary pressure in UK. On a flip side, food inflation moderated to a 4-month low of 0.7% while core CPI was maintained at 1.8% for 3-consecutive months. The rise of headline CPI was mainly due to the gradual pick-up in global energy prices. Moving forward, we foresee the inflationary pressure to increase modestly due to progressive energy prices and stable labour market. Nevertheless, Brexit factor remains as downside risk towards the economy in which may affect employment and weaken domestic demand.
- Brent crude oil price suffered a 4.9% weekly drop after settling at USD68.69pb, the biggest weekly decline so far for the year. The downward pressure on Brent crude oil price came from the rise in U.S crude inventories to its highest level since mid-2017 in the preceding week and concerns of possible reduction in demand for oil triggered by the U.S -China trade feud. Such worries have taken precedence over a supply disruption due to tensions in the Middle East and Venezuela. Weakness in oil prices may prompt the OPEC to extend output cuts.

**Table 1** Weekly performance of major indices

Weekly % change	Week before	Last week
India SENSEX	1.25	3.96
Jakarta JCI	-6.16	3.96
Phil PCOMP	-2.05	2.15
Thai SET	-2.46	0.37
KLCI	-0.30	-0.44
Korea KOSPI	-2.48	-0.51
Taiwan TAIEX	-3.07	-0.54
Nikkei	-0.44	-0.63
Dow Jones	-0.69	-0.69
FTSE 100	2.02	-0.96
FSSTI Index	-2.08	-1.11
S&P 500	-0.76	-1.17
China CSI 300	-2.19	-1.50
DAX	1.49	-1.86
Hang Seng	-2.11	-2.12
CAC 40	2.08	-2.24

Source: Bloomberg

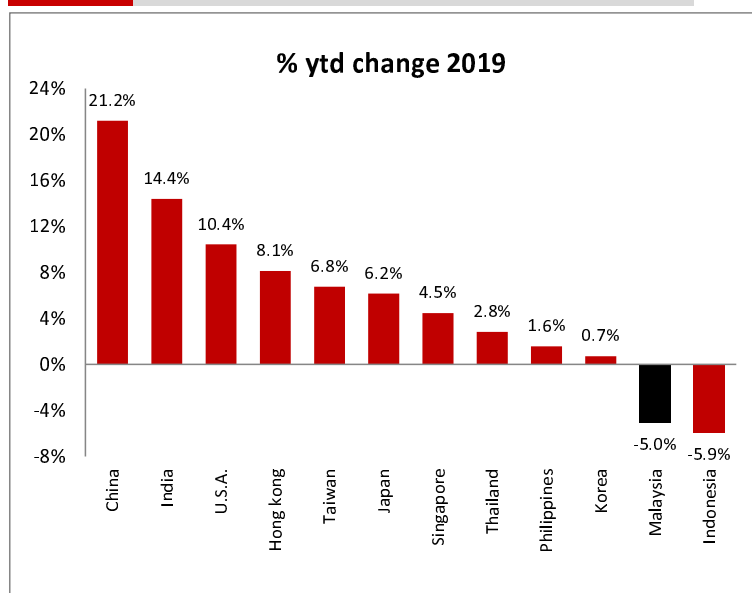
## FUND FLOW REPORT

- The FBM KLCI was 0.4% lower for the week after settling at 1,598 points on Friday, the smallest decliner in comparison with other major bourses worldwide. The Ringgit depreciated 0.3% against the greenback to settle at USD/MYR4.1880, marking its fourth uninterrupted week of decline.

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

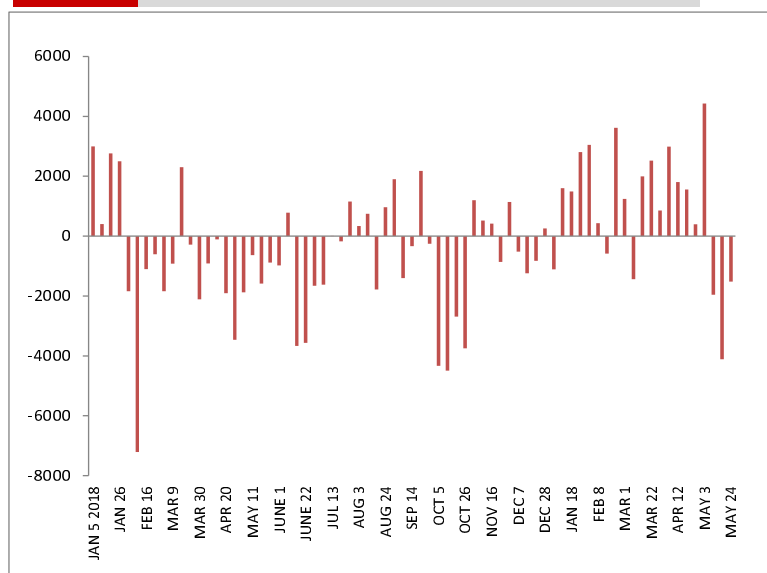
- Offshore funds have been net sellers of equities in Asian markets for the third consecutive week albeit at a slower pace. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” only sold -USD1.52b net last week compared to -USD4.11b in the week before.
- In Korea, the momentum of foreign funds exiting the local bourse slowed down by almost three times to -USD393.5m net from preceding week. International investors were net sellers on every single day of the week except on Tuesday which recorded a marginal foreign net inflow of USD7.4m net, ending the nine-day foreign net selling spree. The slight optimism on Tuesday was sparked by the President Trump’s ban on Huawei technologies Inc. which buoyed shares of smartphone rival Samsung Electronics Co. which rose as much as 4.6% , the most since 21 March 2019. If half of Huawei users were to make a shift to Samsung after Google cuts services on Huawei smartphones, the operating profit of Samsung could increase by approximately by USD1.1b annually. Meanwhile, foreign net selling was the highest on Friday at -USD296.7m net amidst the threat from the U.S to impose anti-subsidy duties on nations which undervalue their currencies against the greenback, dragging the KOSPI index 0.69% lower to a close of 2,045 points, the lowest since January 2019.
- Taiwan remained the victim of the biggest foreign net outflow for the third week as foreign investors dumped -USD1.44b, the biggest weekly foreign outflow in 32 weeks. International funds sold local equities on every single day of the week, stretching the dumping streak to 13 days, the longest since the 18-day selling spree seen in October 2018. Foreign net selling peaked on Wednesday at -USD385.0m net amidst the friction between Huawei and the U.S with Hon Hai Precision Industry Co. contributing the most to the Taiex’s decline.

**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)

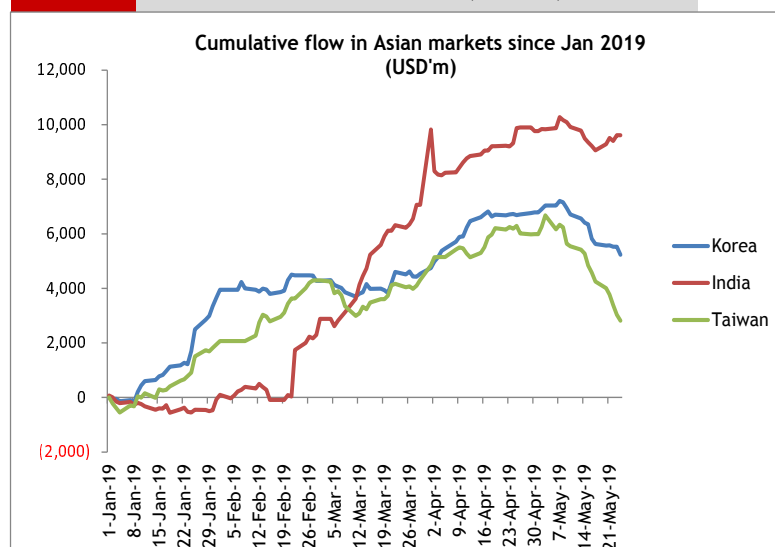


Source: Bloomberg, Bursa Malaysia, MIDFR

<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.

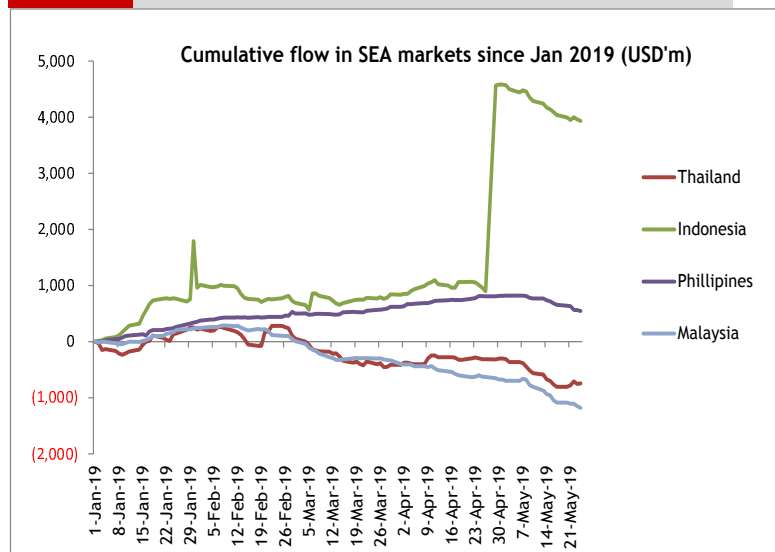
- In emerging South East Asian markets that we monitor, majority of markets were experiencing foreign net outflows.
- Bangkok recorded a foreign net inflow of USD61.2m net after three straight weeks of foreign net attrition during the four-day trading week. The first two trading days of the week saw foreign net inflows of USD26.2m and USD71.0m respectively. International funds then took out USD47.4m net of local equities on Thursday, the only day which recorded foreign net selling amidst speculation of dividend outflows in addition to the fall in exports for the second straight month in April.
- The pace at which international funds exited Manila was little changed as they only sold -USD107.6m net compared to -USD111.6m net in the preceding week. International funds remained net sellers throughout the whole week with Wednesday recording the highest foreign net outflow of -USD67.2m due to the temporary relief of Washington's ban on Huawei Technologies. The local bourse followed suit to jump 1.2% higher to close at 1,630 points, the largest gain in a day since 8 March 2019.
- Similar to the majority of markets under our coverage, Jakarta recorded its third week of foreign net outflows but at a declined pace of below -USD200m at -USD103.8m. The Jakarta Composite Index gained by 0.8% on Tuesday following the announcement of Joko Widodo's victory in the April 17 presidential election with 55.5% of the national vote. However, international funds only started to snap up local equities on the day after at a tune of USD48.5m net. Foreign investors went back to selling mode on Thursday and Friday due to rising security concerns after supporters of Prabowo Subianto clashed with police in Jakarta.

**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
MAR 22	618.2	-9.2	94.1	29.7	1,089.3	681.3	21.2	2,524.6
MAR 29	-68.0	-57.8	63.5	69.2	742.6	149.6	-39.8	859.3
APR 5	927.3	5.7	90.8	55.0	1,177.0	835.8	-102.1	2,989.5
APR 12	1,004.4	123.9	90.2	55.0	614.5	-11.2	-70.4	1,806.3
APR 19	238.4	-46.6	37.3	11.8	357.4	1,066.4	-105.0	1,559.7
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	-393.5	61.2	-103.8	-107.6	555.2	-1,435.6	-91.3	-1,515.5

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



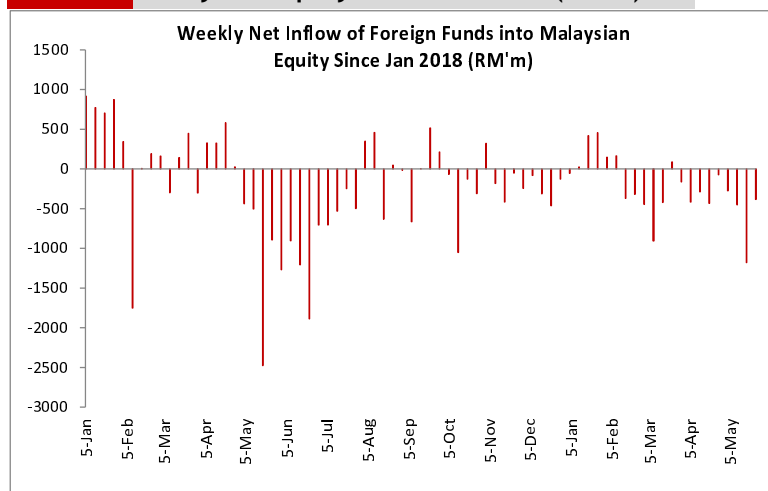
## FUND FLOW REPORT

### C. TRACKING MONEY FLOW - MALAYSIA

- Offshore investors continued to make their way out of Bursa albeit at a slower pace, bringing the foreign net selling spree to the ninth week. Based on data from Bursa, foreign funds sold -RM382.6m net of local equities during the holiday-shortened week.
- Tuesday which was the first trading day of the week recorded a moderate foreign net outflow of -RM74.2m net, the lowest in 10 trading days. In comparison with other regional peers, the level of foreign net selling on Tuesday on Bursa was lower than Indonesia and Taiwan amidst jitters caused by President Trump's crackdown on Huawei Technologies Inc.
- The level of foreign net outflows later swelled to -RM178.7m net on Thursday while the local stock barometer slipped 0.1% to close at 1,602 points as the latest US Federal Reserve minutes indicated that the rate cut which markets are expecting by year end may not necessarily materialise. In addition, sentiment on that day was weighed down by reports of the U.S government considering more bans on several Chinese technology companies.
- Nevertheless, the pace of foreign investors exiting Bursa took a slight breather on Friday as only -RM129.6m net of local equities were disposed. Threats from the U.S to impose duties on nations which undervalue their currencies against the greenback kept the foreign net selling activity from going down below -RM100m.
- With a week left before the month of May ends, Malaysia has recorded a foreign net outflow of -RM2.09b for the month. This brings the year-to-date foreign net outflow from Malaysia to -RM4.85b. Thailand is also another market with a year-to-date foreign net outflow of -USD741.7m or approximately -RM3.10b.
- Foreign investors were the only investor group which saw an increase in participation during the week. The average daily traded value (ADTV) of foreign investors surged by 20.5% to RM1.46b, a level not observed in 10 weeks.

Chart 5

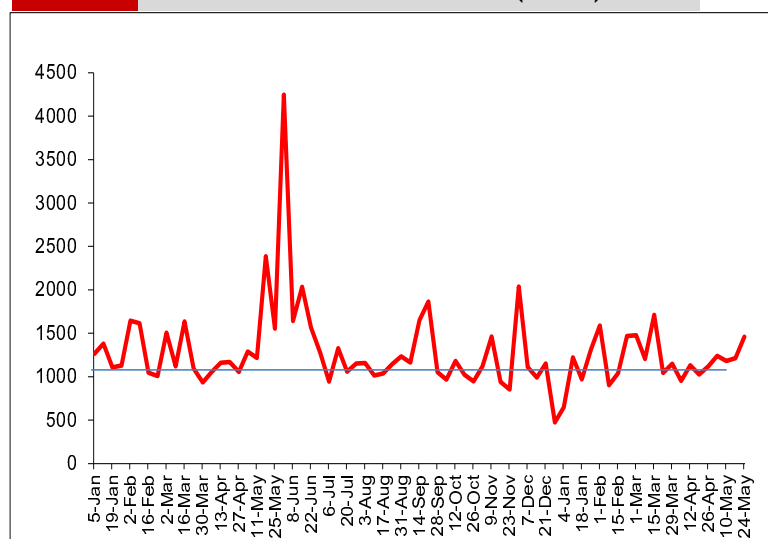
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2018 (RM'm)



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)	
APR 19	2,512.9	2,518.9	-6.0	4,392.5	3,953.2	439.4	2,346.2	2,779.6	-433.4	-105.0
APR 26	3,992.9	4,021.0	-28.1	6,354.9	6,254.9	100.1	2,761.9	2,833.9	-72.0	17.4
MAY 3	2,097.2	2,076.8	20.4	3,505.1	3,249.8	255.3	2,341.3	2,617.0	-275.7	-66.7
MAY 10	2,306.4	2,140.7	165.7	4,831.3	4,546.1	285.2	2,726.8	3,177.7	-450.9	-108.5
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

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 24 MAY**
**TOP 10 NET MONEY INFLOWS**

- Tenaga Nasional Berhad registered the highest net money inflow of RM9.80m last week. Its share price declined -0.35% for the week, outperforming the local bourse which had a -0.44% weekly loss.
- British American Tobacco Berhad recorded the second highest net money inflow of RM5.66m. Its share price ended -3.17% lower for the week, underperforming the benchmark which was -0.44% lower during the week under review.
- Top Glove Corp Berhad saw the third highest net money inflow of RM4.12m. Its share price ended 1.21% higher during the week under review, outperforming the local bourse which was -0.44% 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		
TNB	9.38	6.44	-0.35	BOW
BAT	5.66	0.37	-3.17	BOW
TOP GLOVE	4.12	2.67	1.21	-
RHB BANK	2.86	2.93	-1.57	BOW
NESTLE	2.09	1.30	0.41	-
PETCHEM	1.88	5.03	-0.57	BOW
IHH	1.81	5.38	-2.75	BOW
MAHB	1.75	-0.36	-3.18	BOW
QL RESOURCES	1.59	-0.65	0.30	-
PETDAG	1.50	0.95	0.24	-

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 -RM27.29m last week. Its stock price advanced 0.45% for the week, outperforming vis-à-vis the FBM KLCI which declined -0.44% 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.
- Genting Berhad recorded the second largest net money outflow -RM13.24m during the week under review. Its share price was -3.38% lower during the week, underperforming the market benchmark which had a -0.44% weekly loss.
- Hong Leong Bank Berhad registered the third largest net money outflow of -RM9.82m in the review week. Its share price was -0.52% lower for the week, underperforming the local benchmark which was -0.44% 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	-27.29	-8.04	0.45	SOS
GENTING BHD	-13.24	-1.96	-3.38	-
HONG LEONG	-9.82	-0.23	-0.52	-
PPB GROUP	-4.78	-0.12	0.54	SOS
CIMB GROUP	-4.60	-0.76	-0.19	-
MAXIS	-1.61	-2.45	0.19	SOS
SD PLNTN	-1.39	-0.22	-3.21	-
AIRASIA	-1.37	2.50	-2.39	-
DIGI.COM	-1.24	1.35	-1.08	-
SUNWAY REIT	-1.09	-1.10	1.06	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

## DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (23878-X). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein

This document may not be reproduced, distributed or published in any form or for any purpose.



**MIDF RESEARCH** is part of  
MIDF Amanah Investment Bank Berhad (23878 - X)  
(Bank Pelaburan)  
(A Participating Organisation of Bursa Malaysia Securities Berhad)

**Business Address:**  
11 & 12th Floor, Menara MIDF,  
82, Jalan Raja Chulan, 50200  
Kuala Lumpur.  
Tel: 2173 8888  
Fax: 2173 8380