

## MIDF EQUITY STRATEGY | 29 APRIL 2019

### WEEK ENDED 26 APRIL

- Major equity markets worldwide ended the week mixed amidst a slew of surprises especially from Wall Street.
- Brent crude oil price posted its fifth week of gains after settling at USD72.15pb on Friday. Nonetheless, it was notable that Brent crude oil price almost touched USD75pb during the week following President Trump's plan to eliminate all waivers granted to eight nations to purchase Iranian oil without facing U.S sanctions. However, sentiment was dampened on Friday when President Trump pressed OPEC to lower oil prices.
- International investors were still net buyers in Asian markets for the seventh consecutive week albeit at a measureable pace. Nonetheless this was the longest weekly buying streak since February to April 2017. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" bought USD370.5m net last week, the lowest weekly foreign net inflow so far this year.
- Offshore investors remained as net sellers for the fifth week running albeit at a measurable pace. Based on data from Bursa, foreign funds sold -RM72.0m net of local equities last week. This is the lowest weekly foreign net outflow in 16 weeks.
- The FBM KLCI gained 1.0% for the week after closing at 1,638 points on Friday, marking the first weekly advance in six weeks. In comparison with other regional bourses, the FBMKLCI is the only laggard in ASEAN with a year-to-date loss of 3.1%. Likewise, the Ringgit appreciated 0.04% against the greenback to settle at USD/MYR4.1318, the first weekly gain in five weeks.

## BURSA'S FOREIGN NET SELLING HITS THE LOWEST IN 16 WEEKS

### A. MARKET SNAPSHOT

- Major equity markets worldwide ended the week mixed amidst a slew of surprises especially from Wall Street.
- In 1Q19, the GDP of the U.S unexpectedly accelerated by 3.2%, beating expectations of a 2.0% increase. The main factors for the strong economic expansion were the boost by inventories and net trade which outweighed the slowdown in consumer spending. Prior to Friday's publication, growth had been steadily slowing in the U.S. economy since a peak of 4.2% in the second quarter of 2018. Coupled with a gloomier outlook for the global economy and muted inflation stateside, the Federal Reserve opted to take a pause from policy tightening in January. Policymakers are set to meet next week and markets are not expecting any changes to official interest rates.
- In Oceania, Australia's headline inflation went down to 1.3%yoy in 1Q19 (1.8%yoy in 4Q18), the lowest rate since 3Q16. Among others, the cost of housing decreased by 0.8%yoy while cost of household contents & services remained in negative territory for seven consecutive months at -0.8%yoy. Also, transportation cost was flat compared to prior quarter of 2.8%yoy due to declining oil price. Meanwhile, food inflation recorded a four and a half year high of 2.3%yoy. The core inflation which is the averaged of weighted median and trimmed mean recorded at two-year low of 1.4%yoy in 1Q19, below RBA's target of 1.8%. Moving forward, we foresee the inflation rate to increase gradually in the upcoming quarter underpinned by the gradual pick-up of commodity prices.
- A preliminary estimate showed that Euro Area's consumer sentiment decreased further to -7.9% in Apr-19 from -7.2 in the preceding month and worse than market estimations of -7. However, it remains above long-term average of -11.3. Deteriorating confidence signals modest household consumption going into 2Q19 which could weigh on economic growth. Nevertheless, inflationary pressure remains stable and unemployment rate is edging down. Based on the latest data, headline inflation rate moderated to 1.4%yoy in Mar-19 (Feb-19: 1.5%yoy) and unemployment rate remained the lowest since Oct-08 at 7.8%. Moving forward, these indicators are expected to support household consumption in the Euro zone.
- Brent crude oil price posted its fifth week of gains after settling 0.25% higher at USD72.15pb on Friday. Nonetheless, it was notable that Brent crude oil price almost touched USD75pb during the week following President Trump's plan to eliminate all waivers granted to eight nations to purchase Iranian oil without facing U.S sanctions. However, sentiment was dampened on Friday when President Trump pressed OPEC to lower oil prices.

**Table 1** Weekly performance of major indices

Weekly % change	Week before	Last week
S&P 500	-0.08	1.20
KLCI	-0.50	1.01
DAX	1.85	0.76
Phil PCOMP	-0.58	0.42
FSSTI Index	0.47	0.28
Nikkei	1.51	0.26
Dow Jones	0.56	-0.06
Taiwan TAIEX	1.51	-0.15
India SENSEX	0.96	-0.19
CAC 40	1.41	-0.20
Thai SET	0.82	-0.42
FTSE 100	0.31	-0.42
Hang Seng	0.18	-1.20
Jakarta JCI	1.58	-1.63
Korea KOSPI	-0.77	-1.66
China CSI 300	3.31	-5.61

Source: Bloomberg

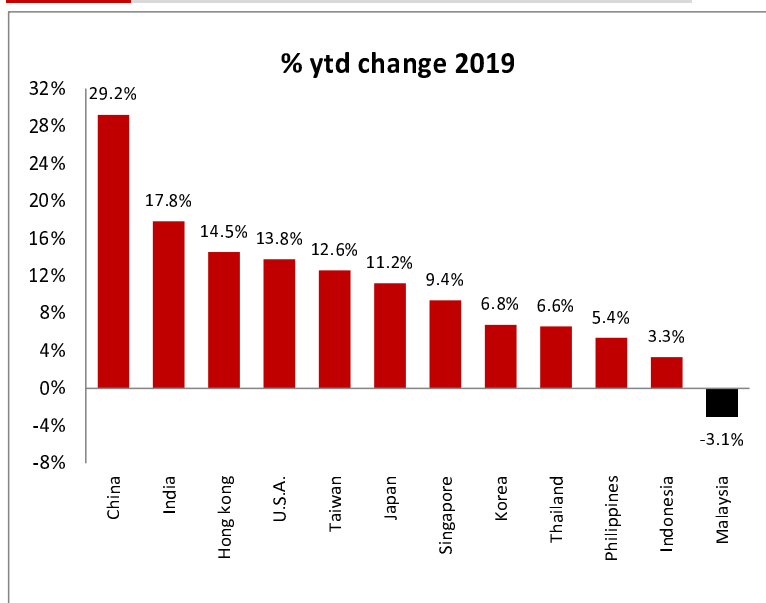
## FUND FLOW REPORT

- The FBM KLCI gained 1.0% for the week after closing at 1,638 points on Friday, marking the first weekly advance in six weeks. In comparison with other regional bourses, the FBMKLCI is the only laggard in ASEAN with a year-to-date loss of 3.1%. Likewise, the Ringgit appreciated 0.04% against the greenback to settle at USD/MYR4.1318, the first weekly gain in five weeks.

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

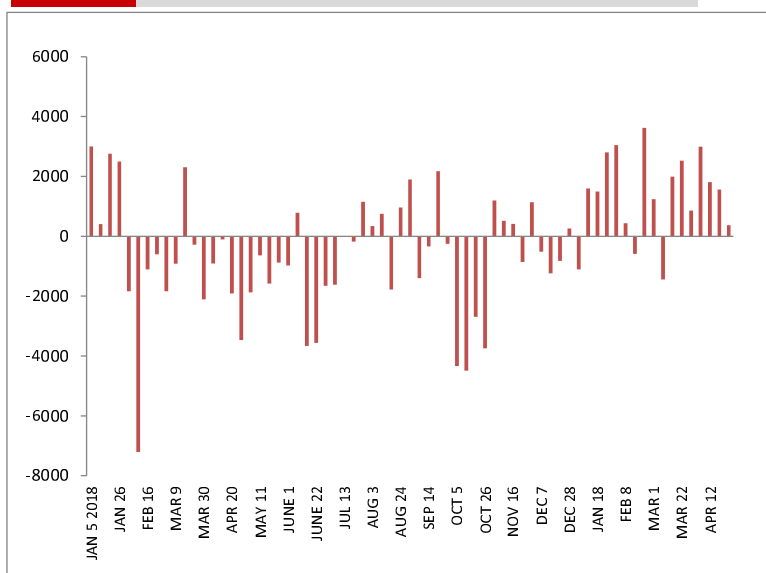
- International investors were still net buyers in Asian markets for the seventh consecutive week albeit at a measureable pace. Nonetheless this was the longest weekly buying streak since February to April 2017. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” bought USD370.5m net last week, the lowest weekly foreign net inflow so far this year.
- In Korea, the pace at which international funds entered the local bourse substantially slowed down to just USD2.7m net last week, the smallest so far this year. Foreign net buying occurred on three days of the week with Tuesday recording the highest at USD38.4m. Meanwhile, Thursday recorded the highest foreign net outflow during the week at -USD41.3m net following South Korea’s economy unexpected shrank in 1Q19, only growing by 1.8%yoy which is the lowest in over nine years, dragging the local bourse 0.5% lower to settle below 2,200 points for the first time since early April 2019. Likewise the local currency depreciated by 0.9% against the greenback, extending its fourth day of declines as the latest economic growth confirms that a technology downturn is taking a toll on South Korea’s export-driven economy.
- In contrast, foreign investors sold -USD193.6m net in Taiwan last week, a level which is deemed manageable given the massive net inflow of USD1.07b in the preceding week. Foreign net selling peaked on Friday at -USD279.7m net, a level not seen since 11 March 2019, coinciding with the 0.8% drop in the Taiex index. The sentiment on Friday was mainly impacted as the shares of semiconductor players dropped after Intel slashed its revenue and earnings forecast for the rest of 2019, countering earlier hopes for a recovery from the downturn in the electronics sector. Nevertheless, international funds have mopped up USD1.70b of equities so far for the month of April.

**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)

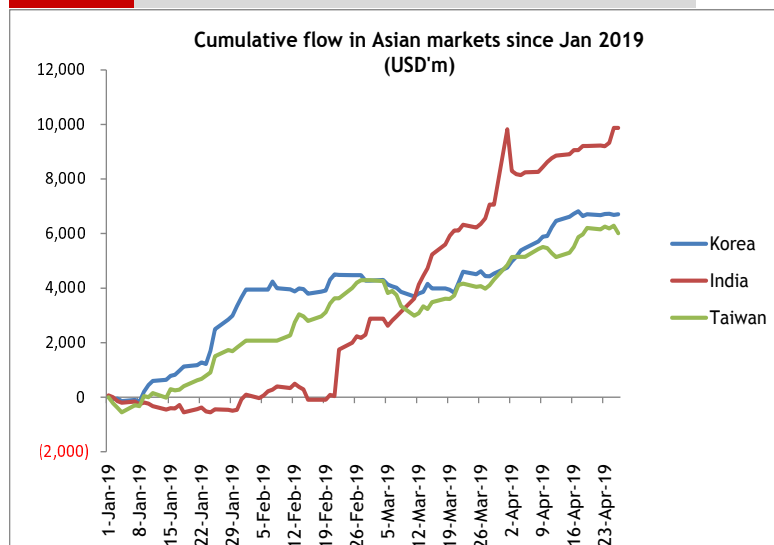


Source: Bloomberg, Bursa Malaysia, MIDFR

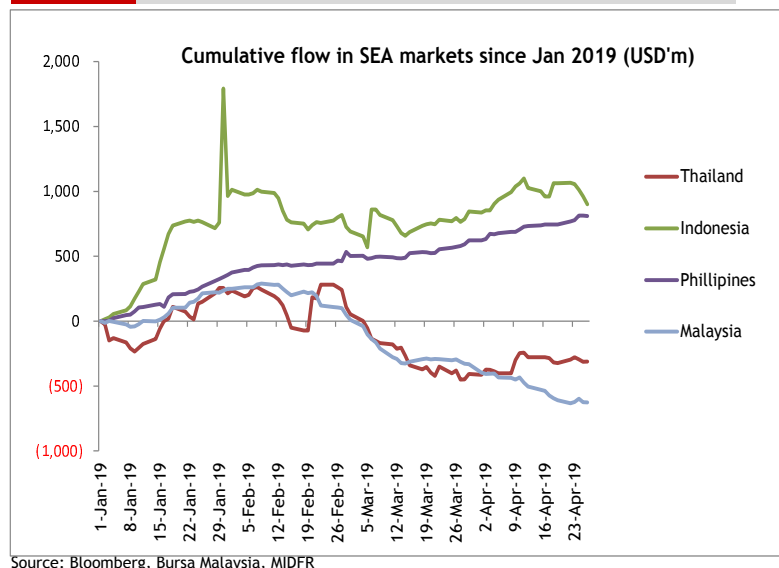
<sup>1</sup> Based on 7 Asian markets, for which fund flow data is publicly available. These are our proxy for Asia: TIPS (Thailand, Indonesia, Philippines), Korea, Taiwan, India and Malaysia.

- In emerging South East Asian markets that we monitor, half experienced foreign net buying while the other half faced foreign net attrition for the week.
- International funds slowly entered into Bangkok as they snapped up USD12.5m net last week. Monday recorded the largest foreign net outflow during the week of USD27.0m net with the SET index marginally declining by less than 1.0% as lingering concerns on political stability affected risk appetite. Meanwhile, Thailand's stock exchange is expecting at least three new large initial public offerings this year lagging behind previous years after equity trading dropped and new share sales took a breather amidst the ongoing political deadlock.
- Manila marked its seventh week of foreign net inflows at a stronger pace of USD65.1m. International investors were net buyers from Monday to Thursday with Wednesday recording the highest foreign net inflow during the week at USD35.4m net. Wednesday's influx of foreign funds was partly attributable to the overnight record highs posted on Wall Street which lifted the PSEi 0.4% higher to 7,847 points. Friday then saw a foreign net outflow of -USD4.8m net due to profit taking activity from the recent rally while waiting for the trade negotiations between the U.S and China held this week.
- After five straight weeks of foreign net inflows, foreign funds disposed -USD161.6m net of equities in Jakarta last week. Monday saw a measurable foreign net inflow of USD4.0m net. However, international investors were net sellers thereafter at a gradual pace from just USD9.8m net on Tuesday to USD61.1m net on Friday. On the monetary policy front, Bank Indonesia has maintained the interest rate benchmark of 6.0% as widely expected. The economy is on improving trend and political situation is stabilizing after President Jokowi remains in power.

**Chart 3** Net Flow of Foreign Funds into Taiwan, Korea and India since Jan 2019 (USD'm)



**Chart 4** Net Flow of Foreign Funds into South East Asia Emerging Markets since Jan 2019 (USD'm)



**Table 2** Weekly Net Flow Of Foreign Fund Into Equity By Market (USD'm)

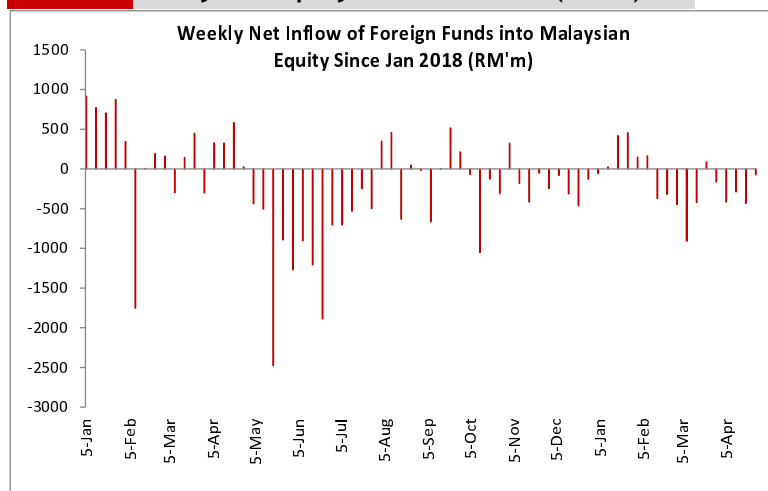
WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
MAR 1	-208.8	-228.3	-64.9	58.7	1,137.4	658.9	-110.0	1,242.9
MAR 8	-414.6	-222.5	127.2	-5.6	246.4	-948.8	-221.2	-1,439.2
MAR 15	126.7	-170.5	-131.2	26.6	2,102.7	141.5	-103.0	1,992.7
MAR 22	618.2	-9.2	94.1	29.7	1,089.3	681.3	21.2	2,524.6
MAR 29	-68.0	-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	662.8	-193.6	-17.4	370.5

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

## C. TRACKING MONEY FLOW - MALAYSIA

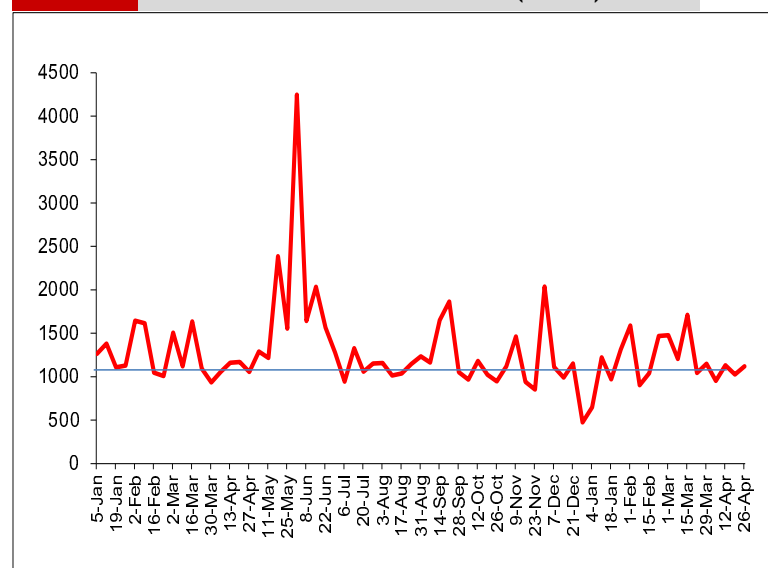
- Offshore investors remained as net sellers for the fifth week running albeit at a measurable pace. Based on data from Bursa, foreign funds sold -RM72.0m net of local equities last week. This is the lowest weekly foreign net outflow in 16 weeks.
- Bursa started the week with a foreign net outflow of -RM95.2m on Monday while the local bourse was little changed at 1,622 points. The foreign net outflow occurred despite gains seen in the KL Construction Index following the reinstatement of the Bandar Malaysia project announced on Friday in the preceding week.
- On Tuesday, international investors turned net buyers on for the first time in nine trading days after purchasing RM38.6m net before advancing to RM105.9m net on Wednesday. The surge of foreign funds into Bursa on Wednesday was partly attributable to the overnight record highs posted on Wall Street. As such the FBM KLCI followed suit to close 0.7% higher at 1,638 points.
- The two-day buying streak came to an end on Thursday as foreign investors sold -RM113.7m net as U.S equities slip from their record high.
- Friday still saw foreign funds selling off equities on Bursa but at a minimal level of -RM7.6m net. Sentiment on Friday was partially buoyed by the agreement of China to purchase more palm oil from Malaysia.
- With two more trading days left, April is set to be a month of foreign net outflow. International investors have so far disposed -RM1.21b this month bringing the year-to-date foreign net outflow to -RM2.56b.
- Among the four ASEAN markets we monitor, Malaysia retains its position as the nation with the largest foreign net outflow amongst the four ASEAN markets we monitor. Meanwhile, amongst the seven Asian markets we track, India is the nation with the largest foreign net inflow worth more than USD9.5b or RM35.0b as the general election is still ongoing until May 2019.

**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)	
MAR 22	2,746.4	2,756.3	-9.9	4,391.8	4,468.2	-76.4	2,649.8	2,563.5	86.3	21.2
MAR 29	2,284.3	2,229.3	55.0	4,052.8	3,945.7	107.2	2,791.2	2,953.4	-162.1	-39.8
APR 5	2,470.5	2,499.3	-28.8	4,932.5	4,487.0	445.5	2,174.2	2,590.9	-416.7	-102.1
APR 12	3,458.4	3,286.7	171.8	5,328.2	5,210.8	117.5	2,686.8	2,976.1	-289.3	-70.4
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

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 26 APRIL**
**TOP 10 NET MONEY INFLOWS**

- Public Bank Berhad recorded the highest net money inflow of RM23.33m. Its share price gained 0.53% for the week under review, underperforming the local bourse which has a weekly gain of 1.01%.
- Malaysia Airports Holdings Berhad recorded the second highest net money inflow of RM13.36m. Its share price ended 10.64% higher for the week, outperforming the benchmark which was 1.01% higher.
- Genting Malaysia Berhad saw the third highest net money inflow of RM8.23m. Its share price dropped -0.62% for the week, underperforming the benchmark which was 1.01% higher. 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		
PUBLIC BANK	23.33	-5.13	0.53	-
MAHB	13.36	4.17	10.64	-
GENTING MSIA	8.23	0.97	-0.62	BOW
CIMB GROUP	5.33	4.01	2.37	-
KOSSAN RUBBER	4.35	-1.23	4.80	-
MISC BHD	3.96	0.03	3.16	-
V.S. INDUSTRY	3.18	0.87	4.55	-
HARTALEGA	2.06	4.25	5.93	-
AXIATA GROUP	2.01	-4.09	-1.24	BOW
BURSA	1.37	0.33	1.17	-

Source: Bloomberg, MIDFR;

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

**TOP 10 NET MONEY OUTFLOWS**

- Petronas Chemicals Group Berhad saw the largest net money outflow of -RM15.60m last week. Its stock price gained 1.68% for the week outperforming vis-à-vis the FBM KLCI which advanced 1.01% during the review week.
- IHH Healthcare Berhad recorded the second largest net money outflow -RM4.77m during the week under review. Its share price was 0.90% higher during the week, underperforming the market benchmark which had a 1.01% 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.
- Sime Darby Berhad registered the third largest net money outflow of -RM4.25m in the review week. Its share price was 4.93% higher for the week, outperforming the local benchmark. 

**Table 5** Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
PETCHEM	-15.60	-6.73	1.68	SOS
IHH	-4.77	-1.55	0.90	SOS
SIME DARBY	-4.25	-2.68	4.93	SOS
BUMI ARMADA	-3.36	-1.72	21.05	SOS
BAT	-2.87	-2.02	-1.98	-
GAMUDA	-2.52	1.63	15.26	SOS
YINSON	-2.39	-5.96	5.43	SOS
PADINI	-2.27	1.59	-4.94	-
CARLSBERG	-2.20	-1.33	-4.62	-
GENTING	-2.10	-5.11	3.24	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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