

MIDF EQUITY STRATEGY | 30 SEPTEMBER 2019 WEEK ENDED 27 SEPTEMBER 2019

- Majority of equity markets worldwide remained mixed last week following political jitters from the White House.
- Brent crude oil price ended 3.7% lower for the week after settling at USD61.91pb as supply fears wane. Saudi Arabia is recovering faster than expected from the biggest attacks ever on its oil industry by boosting total production capacity to more than 11m barrels per day.
- After two straight weeks of net buying, International funds took a breather from snapping up equities in Asian markets. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” disposed -USD478.1m net last week.
- International investors continued to sell equities listed on Bursa for the second week albeit at a slower pace. Based on data from Bursa, foreign investors sold -RM150.9m net of local equities last week compared to -RM249.3m in the week before.
- The FBM KLCI declined by 0.8% for the week after closing at 1,584.1 points on Friday, marking the fourth consecutive week of losses. Meanwhile, the Ringgit depreciated by 0.4% against the greenback as it settled at USD/MYR4.1858.

30 September 2019 | Strategy - Weekly Fund Flow

Adam M Rahim

TRUMP IMPEACHMENT AND CHINA SLOWDOWN RATTLE MARKETS

A. MARKET SNAPSHOT

- Majority of equity markets worldwide remained mixed last week following political jitters from the White House.
- September appears to be a sombre month for U.S consumer confidence which slipped to 125.1 from 134.2 in the previous month, the biggest drop in nine months. Such levels of consumer confidence underscores the dangers of a conflict that has harmed key business sectors such as manufacturing and farming and poses a threat to a record U.S. economic expansion. Risk-on sentiment was hit again on Friday following President Trump's consideration of limiting Chinese access to the U.S's capital markets, dragging the S&P 500 to the lowest close in more than three weeks.
- In Asia, China's industrial profits contracted by 2.0%yoy to USD72.6b in August 2019, almost cancelling off the 2.6%yoy gain seen in the preceding month amidst weak domestic demand and ongoing trade tensions with Washington. The decline in profits was in line with grim manufacturing readings in August with industrial production growth falling to its weakest in 17.5 years while exports also tumbled. Meanwhile, industrial firms earned profits of RMB4.02t from January to August 2019, 1.7%yoy lower. Therefore, policymakers are widely expected to unveil more support measures to boost a slowing economy amid sluggish consumption, rising export pressure and faltering domestic demand.
- The Germany GfK Consumer Climate surprisingly soars to 9.90 in October 2019 from 9.70 in the current month. This is the first improvement after 4 months of decrement since Jun-19. The increment is mainly due to the decision of European Central Bank in September 2019 to decrease the interest rate on the deposit facility by 10 basis points to -0.50%, which is the lowest level ever, and restarting its quantitative-easing scheme by purchasing EUR20b of bonds per monthly basis. In 2Q19 Germany's real GDP growth had reached an astonishingly low, 0%yoy, which was the lowest since 1Q13. However, looking forward, an increment in consumer confidence may be able to lever the economic growth hence hit the inflation target of 2.0%, which was quite sceptical when 1.4%yoy in August 2019 was reported.
- Brent crude oil price ended 3.7% lower for the week after settling at USD61.91pb as supply fears wane. Saudi Arabia is recovering faster than expected from the biggest attacks ever on its oil industry by boosting total production capacity to more than 11m barrels per day. Meanwhile Saudi Arabia's actual crude output had recovered to more than 8m barrels per day last week. On a separate note, the International Energy Agency (IEA) would probably slash its estimates for global oil demand for 2019 and 2020 should the global economy weaken further.

Table 1 Weekly performance of major indices

Weekly % change	Week before	Last week
India SENSEX	1.68	2.13
FTSE 100	-0.31	1.11
Thai SET	-1.55	0.46
Dow Jones	-1.05	-0.43
Jakarta JCI	-1.63	-0.55
Phil PCOMP	-1.52	-0.66
DAX	0.00	-0.70
KLCI	-0.24	-0.83
CAC 40	0.62	-0.88
Nikkei	0.41	-0.91
Taiwan TAIEX	0.94	-0.92
S&P 500	-0.51	-1.01
FSSTI Index	-1.61	-1.08
Hang Seng	-3.35	-1.82
Korea KOSPI	2.07	-1.99
China CSI 300	-0.92	-2.11

Source: Bloomberg

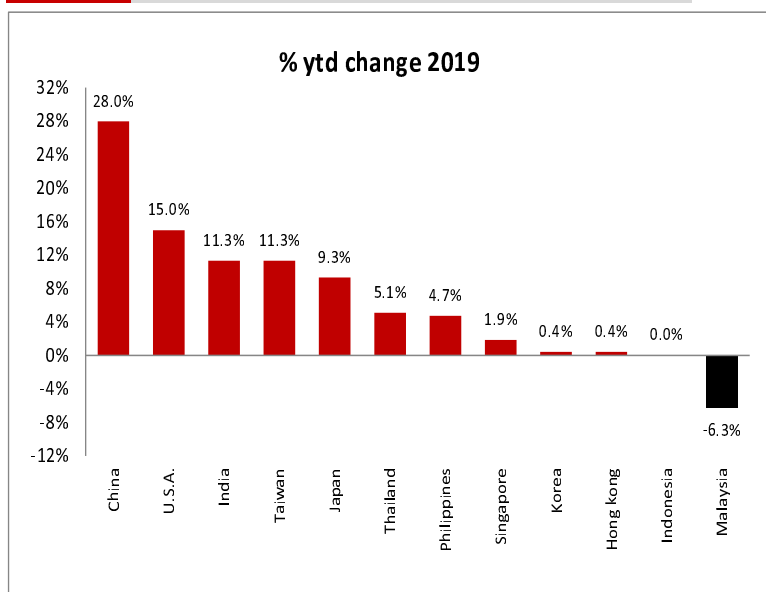
FUND FLOW REPORT

- The FBM KLCI declined by 0.8% for the week after closing at 1,584.1 points on Friday, marking the fourth consecutive week of losses. Meanwhile, the Ringgit depreciated by 0.4% against the greenback as it settled at USD/MYR4.1858.

B. TRACKING MONEY FLOW - ASIA¹

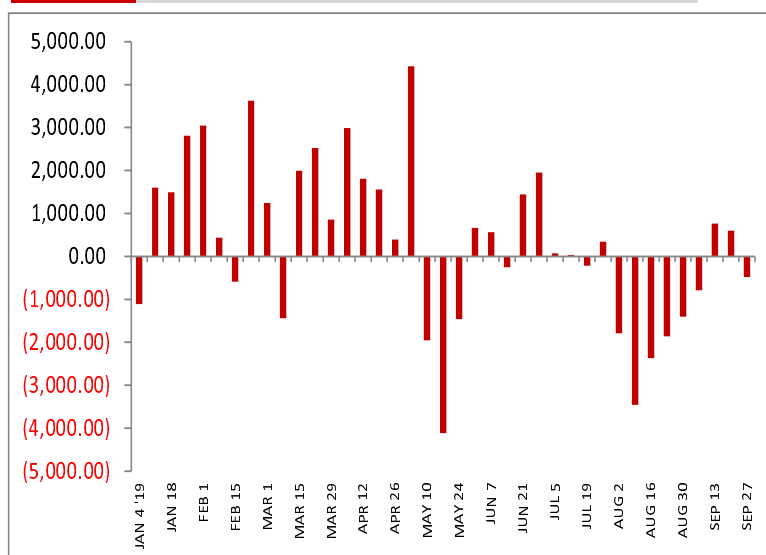
- After two straight weeks of net buying, International funds took a breather from snapping up equities in Asian markets. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” disposed -USD478.1m net last week.
- The foreign net buying observed in South Korea was short-lived as international funds heavily reduced their exposure in local stocks at a tune of -USD383.5m net. Foreign net selling reached -USD350.5m net on Wednesday, not just the highest during the week but also the highest since 29 May 2019 and coincided with the 1.3% drop in the KOSPI which closed at 2,073.4 points, its lowest level in eight trading days. The South Korea Won also led losers amongst Asian currencies with a 0.3% depreciation against the greenback amidst concerns of an impeachment inquiry of President Donald Trump which may side track attention from the U.S.-China trade talks. On the other hand, Thursday was the only day during the week which saw a foreign net inflow of USD274.9m net, supported by the increase in September’s consumer confidence to 96.9 from 92.5 in the month before and rose for the first time in five months.
- Taiwan managed to record the fourth consecutive week of foreign net buying albeit at an extremely lower level of only USD8.0m compared to the RM1.0b acquired in preceding week. This is the longest foreign net buying streak observed since January to February 2019 which saw foreign funds being net buyers for seven straight weeks. Foreign investors were net buyers on three days of the week with Tuesday recording the highest at USD57.9m. Sentiment on that day was mainly underpinned by China’s draft rules requiring banks to distribute excess bad-loan provisions to investors, spurring a rally in Chinese financial stocks. President Donald Trump’s latest comment on trade talks with China which showed signs of easing tensions also prevented the local bourse from falling more than 0.1% 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)

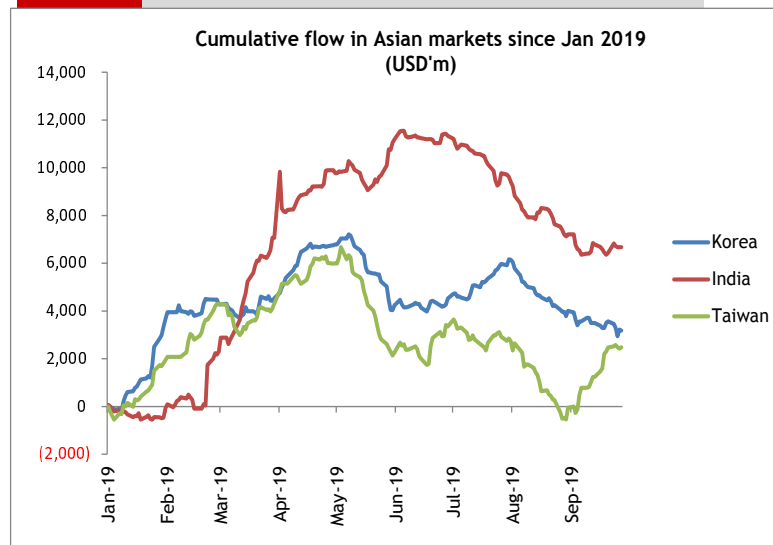


Source: Bloomberg, Bursa Malaysia, MIDFR

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.

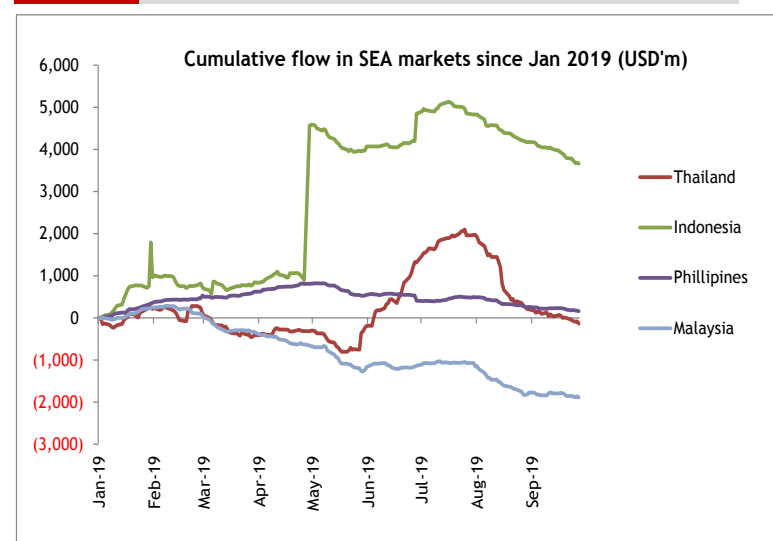
- In emerging South East Asian markets that we monitor, foreign net outflows was observed across the board.
- Foreign net selling activity in Bangkok more than tripled from the week before to reach -USD136.7m last week. International funds sold the most on Friday at -USD58.2m following newly revealed complaint by an intelligence community whistle-blower alleging that multiple government officials were surprised and alarmed about President Donald Trump's conversation with Ukraine's leader, resulting in efforts at the White House to lock down records of the call. On the monetary policy front, Thailand held its benchmark interest rate at 1.5% in its September 2019 meeting in a widely expected move as global slowdown continue to weigh on its economic outlook.
- In Manila, the level of foreign net selling inched higher to -USD37.3m from -USD33.7m in the preceding week. Foreign net outflow was the highest during the week on Monday at -USD15.6m net, dragging the local bourse further away from the 7,900 level as investor sentiment turned mixed due to by news that Chinese officials cut their trip to the United states short leaving earlier than expected. In contrast to Thailand, the central bank of the Philippines reduced its key interest rate by 25bps to 4.0%, the third cut so far this year in an attempt to boost the weakening economy
- Jakarta marked its 11th consecutive weekly foreign net outflow as foreign investors took out -USD133.8m last week. Foreign net selling occurred on every single day of the week except on Thursday amidst signs of easing tensions in the U.S-China trade dispute. On a year-to-date basis, Indonesia has seen a total foreign net inflow of USD3.67b, the highest amongst the ASEAN markets we track.

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)

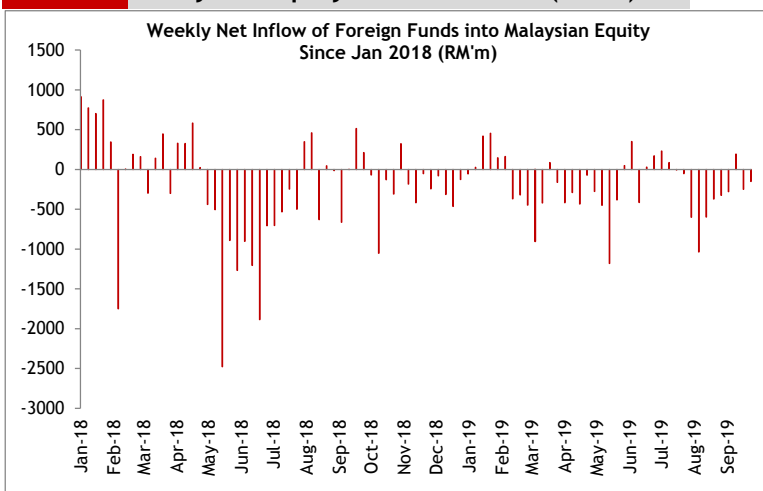
WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
AUG 9	-782.0	-349.7	-214.1	-75.6	-900.5	-884.3	-247.6	-3,453.9
AUG 16	-428.3	-790.4	-185.6	-86.6	391.1	-1,124.0	-142.7	-2,366.5
AUG 23	-326.0	-261.0	-109.4	-28.8	-675.0	-371.6	-89.2	-1,860.9
AUG 30	-239.9	-187.3	-104.4	-41.1	-428.8	-321.7	-77.2	-1,400.4
SEP 6	-439.4	-113.0	-126.3	-38.6	-845.4	838.5	-66.3	-790.3
SEP 13	-67.4	-57.6	-47.2	8.0	432.1	452.3	46.0	766.1
SEP 20	63.7	-37.2	-206.7	-33.7	-357.4	1,232.8	-59.7	601.7
SEP 27	-383.5	-136.4	-133.8	-37.3	240.4	8.6	-36.1	-478.1

FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

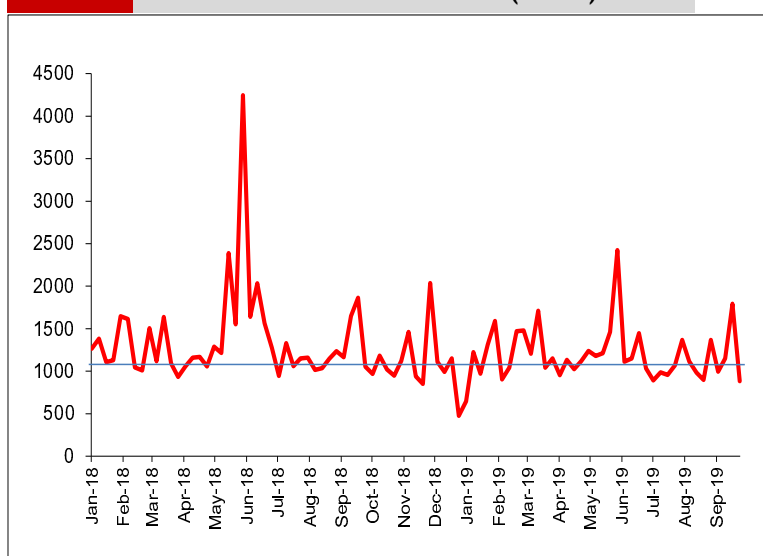
- International investors continued to sell equities listed on Bursa for the second week albeit at a slower pace. Based on data from Bursa, foreign investors sold -RM150.9m net of local equities last week compared to -RM249.3m in the week before. So far in 2019, there has been 26 weeks of foreign net selling.
- A sense of calm descended on Monday as foreign investors shrugged off China's cancellation of a planned visit to farms in the U.S which was unrelated to the trade matters between the two nations. As such, international funds accumulated RM11.5m net of local equities on the same day.
- Foreign funds turned net sellers to a tune of -RM62.2m on Tuesday despite the new waivers granted to domestic state and private companies to buy U.S soybeans without being subjected to retaliatory tariffs.
- The pace of foreign net selling activity was little changed at -RM62.9m on Wednesday as investors weighed the rising possibility of impeachment proceedings being brought against President Trump.
- Positivity returned to the market on Thursday as foreign investors snapped up RM100.1m net of local equities. This followed the draft rules in China of requiring banks to distribute excess provisions for bad loans to investors to curb accounting malpractice.
- Foreign net selling peaked during the week on Friday at -RM137.3m as Malaysia was retained on the watchlist for exclusion from the FTSE Russell World Government Bond Index.
- With one day trading left, September has seen a foreign net outflow of international investors have thus far sold -RM486.7m net, one of the lowest amongst the four ASEAN markets we monitor. On a year-to-date basis, international funds have taken out -RM7.83b worth of local equities from Bursa.
- In terms of participation, foreign investors experienced the largest weekly drop in the average daily traded value (ADTV) of 50.8% to go below the RM1.0b mark at RM882.4m.

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)	
AUG 23	2,059.8	2,019.3	40.5	4,323.7	3,991.4	332.3	2,061.0	2,433.8	-372.8	-89.2
AUG 30	2,163.8	2,097.8	66.0	4,223.8	3,965.3	258.5	3,259.7	3,584.2	-324.5	-77.2
SEP 6	1,445.2	1,457.1	-11.9	3,040.8	2,750.3	290.5	1,852.5	2,131.2	-278.7	-66.3
SEP 13	1,420.1	1,381.6	38.6	3,131.2	3,361.8	-230.7	2,398.4	2,206.3	192.1	46.0
SEP 20	1,588.4	1,486.2	102.1	3,515.4	3,368.2	147.2	3,462.6	3,711.9	-249.3	-59.7
SEP 27	1,666.0	1,641.5	25.4	3,724.0	3,597.6	126.4	2,130.6	2,281.4	-150.9	-36.1

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 27 SEPTEMBER
TOP 10 NET MONEY INFLOWS

- Public Bank Berhad registered the highest net money inflow of RM47.34m last week. Its share price declined -0.60% for the week, outperforming the local bourse which had a -0.83% weekly loss. Nonetheless, it is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.
- Hong Leong Financial Group Berhad recorded the second highest net money inflow of RM12.18m. Its share price ended -0.25% lower for the week, outperforming the benchmark which was -0.83% lower during the week under review.
- Tenaga Nasional Berhad saw the third highest net money inflow of RM10.54m. Its share price ended 1.49% higher during the week under review, substantially outperforming the local bourse which was -0.83% lower.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
PUBLIC BANK	47.34	-13.10	-0.60	BOW
HLFG	12.18	0.18	-0.25	BOW
TNB	10.54	-0.07	1.49	-
PETCHEM	7.32	14.77	-2.08	BOW
NESTLE	6.41	-0.80	0.07	-
PPB GROUP	6.16	0.26	-0.44	BOW
F&N	4.41	2.54	-1.19	BOW
RHB BANK	3.51	1.25	-0.71	BOW
GENT MSIA	2.83	-0.73	0.00	-
AMMB	1.24	0.25	-2.38	BOW

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS


- Kuala Lumpur Kepong Berhad saw the largest net money outflow of -RM12.40m last week. Its stock price was -0.35% lower for the week, outperforming vis-à-vis the FBM KLCI which declined -0.83% during the review week.
- Malayan Banking Berhad recorded the second largest net money outflow -RM10.12m during the week under review. Its share price was -1.49% lower during the week, underperforming the market benchmark which had a -0.83% weekly loss.
- Sunway REIT registered the third largest net money outflow of -RM6.71m in the review week. Its share price was 1.59% higher for the week, outperforming the local benchmark which was -0.83% 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	
KL KEPONG	-12.40	17.36	-0.35	-
MAYBANK	-10.12	0.45	-1.49	-
SUNWAY REIT	-6.71	-0.07	1.59	SOS
IHH	-5.15	-0.13	0.00	-
HONG LEONG	-4.45	1.35	-0.73	-
CIMB	-2.96	7.88	-0.20	-
WESTPORTS	-2.68	0.19	1.71	SOS
TOP GLOVE	-2.34	-0.66	-3.79	-
MISC	-1.71	-0.62	-0.26	-
KOSSAN	-1.65	0.94	0.24	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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