

## MIDF EQUITY STRATEGY | 2 MARCH 2020

### WEEK ENDED 28 FEBRUARY 2020

- A blood bath extended throughout major global equity markets last week amidst the widening spread of the Covid-19 outbreak outside China.
- Brent crude oil recorded a drastic weekly drop of 13.6% after settling at USD50.52pb, the biggest weekly drop since 2008 which pushed oil prices to under USD50pb. The recent drop in oil price gives rise to a possibility that OPEC and its allies could be nearing an agreement to mitigate further price drops before the scheduled meeting on 5th March 2020.
- Havoc wreaked Asian equity markets last week as fears from the Covid-19 sparked a massive sell-off in the region. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” dumped -USD8.44b net last week compared to the -USD1.52b net disposed in the week before.
- Offshore investors upped the ante in selling activity last week. Based on data from Bursa, international investors took out a whopping -RM1.26b net of local equities last week, the largest weekly foreign net outflow in 88 weeks.
- The FBM KLCI remained in the red, declining 3.2% for the week to settle at 1,482.6 points. This is the largest weekly drop since June 2018. Similarly, the Ringgit depreciated by 0.6% against the greenback to reach USD/MYR4.215 during the week.

## STOCKS ACROSS THE GLOBE SWAM IN THE SEA OF RED

### A. MARKET SNAPSHOT

- A blood bath extended throughout major global equity markets last week amidst the widening spread of the Covid-19 outbreak outside China.
- Wall Street was dragged to the worst week since the global financial crisis as panic over the Covid-19 outbreak escalated further. All three major U.S. indexes finished in correction, which signals a 10% reversal from recent highs and heightened investor worries of a runaway slide. Following the massive drop last week, calls have grown from prominent investors for the Federal Reserve to cut interest rates, a move that usually calms markets. Wall Street traders are now betting on at least three rate cuts this year, including one rate reduction when the Fed meets next on March 18. Interest rates are currently just below 1.7%, a low level by historical standards, but higher than the rates in many other parts of the world.
- Over in Asia, Hong Kong exports fell -22.7%yoy in Jan-20, the hardest fall in more than 10 years due to the difference in timing of the Lunar New Year and the impact of the Covid-19. Sales were dragged by lower sales of electrical machinery, apparatus & appliances, & electrical parts thereof, among others. Similarly, imports dropped -16.4%yoy, the lowest performance since Feb-13. Hence, trade deficit widened to HKD 30.6b (Jan-19: HKD 10.3b). Among major trading partners, total trade declined to almost all countries but South Korea. For instance, total trade to China, the US and Malaysia contracted by -23.2%yoy, -27%yoy and -16.6%yoy respectively. Looking ahead, Covid-19 is expected to continue influencing the global trade pattern in the 1Q20 including those of Hong Kong due to significant trade relationship with China.
- The Euro Area economic sentiment increased 0.9 points to 103.5 in Feb-20, the highest since May-19 and better than market forecast of 102.8. Among others, confidence improved for the manufacturers. In line, industry confidence and business climate improved further to six-month high of -6.1 and -0.04 (Jan-20: -7 and -0.19) respectively. Besides that, consumer confidence stood at five-month high of -6.6. Improving confidence in both consumer and business signals better performance for the upcoming retail sales and industrial production which eventually contribute to a better GDP growth for the bloc.
- Brent crude oil recorded a drastic weekly drop of 13.6% after settling at USD50.52pb, the biggest weekly drop since 2008 which pushed oil prices to under USD50pb. The recent drop in oil price gives rise to a possibility that OPEC and its allies could be nearing an agreement to mitigate further price drops before the scheduled meeting on 5th March 2020. So far, Saudi Arabia has been pushing for deeper production cuts over the last few weeks, but Russia has so far taken a more cautious stance.

**Table 1** Weekly performance of major indices

Weekly % change	Week before	Last week
KLCI	-0.86	-3.17
Taiwan TAIEX	-1.09	-3.37
Hang Seng	-1.82	-4.32
China CSI 300	4.06	-5.05
FSSTI Index	-1.21	-5.34
India SENSEX	-0.21	-6.98
Jakarta JCI	0.26	-7.30
Phil PCOMP	1.21	-7.90
Korea KOSPI	-3.60	-8.13
Nikkei	-1.27	-9.59
Thai SET	-2.04	-10.34
FTSE 100	-0.07	-11.12
S&P 500	-1.25	-11.49
CAC 40	-0.65	-11.94
Dow Jones	-1.38	-12.36
DAX	-1.20	-12.44

Source: Bloomberg

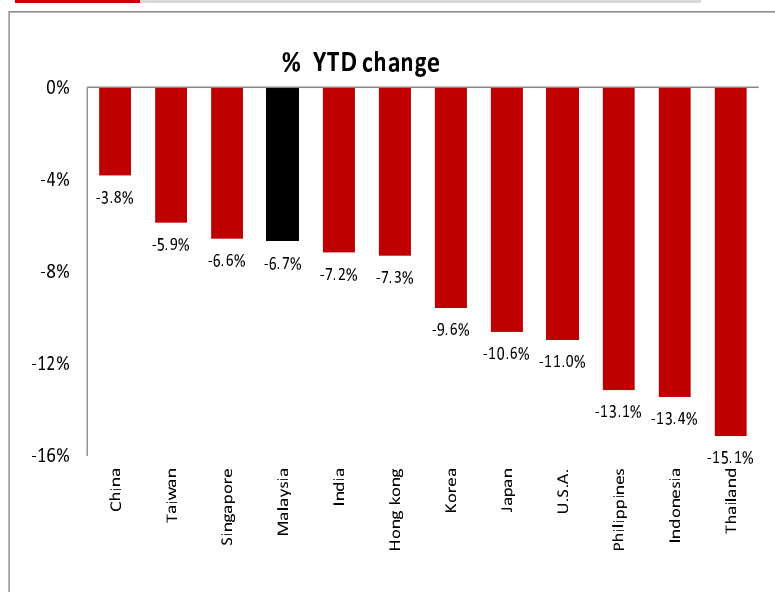
## FUND FLOW REPORT

- The FBM KLCI remained in the red, declining 3.2% for the week to settle at 1,482.6 points. This is the largest weekly drop since June 2018. Similarly, the Ringgit depreciated by 0.6% against the greenback to reach USD/MYR4.215 during the week.

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

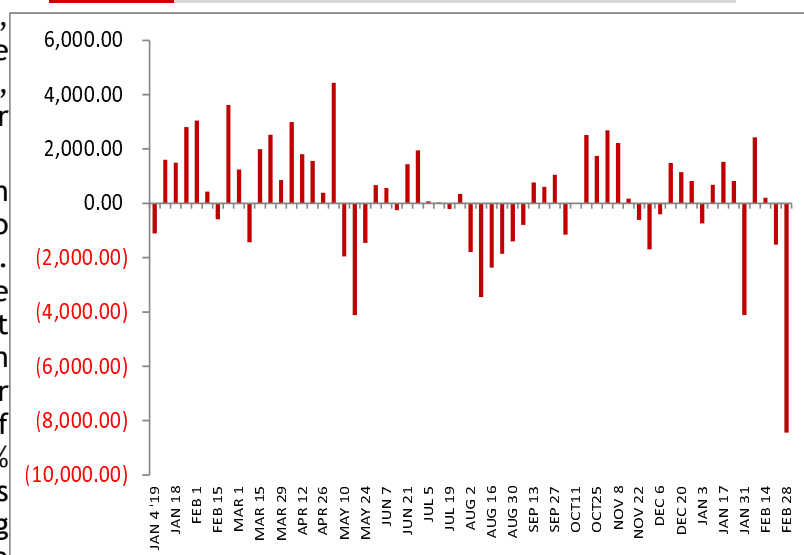
- Havoc wreaked Asian equity markets last week as fears from the Covid-19 sparked a massive sell-off in the region. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” dumped -USD8.44b net last week compared to the -USD1.52b net disposed in the week before.
- South Korea continued to see international funds leaving the country for the third week running. The pace of foreign net selling accelerated by six times to reach -USD3.00b, a level not observed since August 2011. Foreign investors were net sellers on every day of the week with Wednesday recording the highest at -USD869.5m net, coinciding with the 1.3% drop in the KOSPI index to settle at a 12-week low of 2,076.8 points. Jitters on Wednesday came from reports that the number of Covid-19 virus cases in the country has reached over 1,000 after 169 new cases were confirmed. Meanwhile, the South Korean manufacturers’ confidence for March slumped to 69 points from 57 points, the biggest drop since July 2015 when another coronavirus affected the nation.
- Likewise, the level of foreign net selling in Taiwan surged by three times to hit -USD3.16b last week during the four-day trading week. Foreign net selling occurred on every day of the week with Wednesday recording the highest at -USD1.14b. This was in fact the highest foreign net selling in a day in six years. On the other hand, the Taiwan Dollar bucked the trend of weakening regional peers by appreciating 0.4% against the greenback for the week as investors were confident in the government’s handling of the Covid-19 outbreak in the country. On a broader scale, Consumer confidence in Taiwan has dropped to 4-month low in Feb-20. Among the sub-indices, the consumer confidence has decreased in all household-based components including family conditions (from 97.5 to 96.3). On a year-to-date basis, foreign investors have taken out -USD4.73b of local equities, the largest amongst the 7 Asian markets we track.

**Chart 1** Cumulative performance of major markets



Source: Bloomberg

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

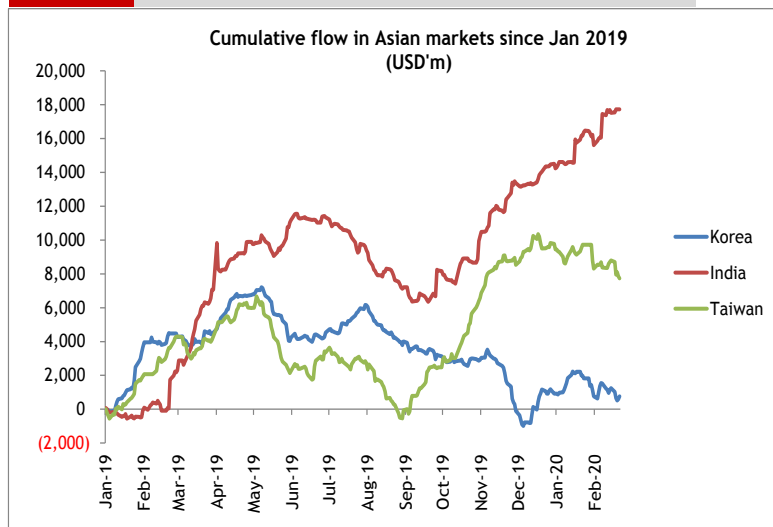


Source: Bloomberg, Bursa Malaysia, MIDFR

<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.

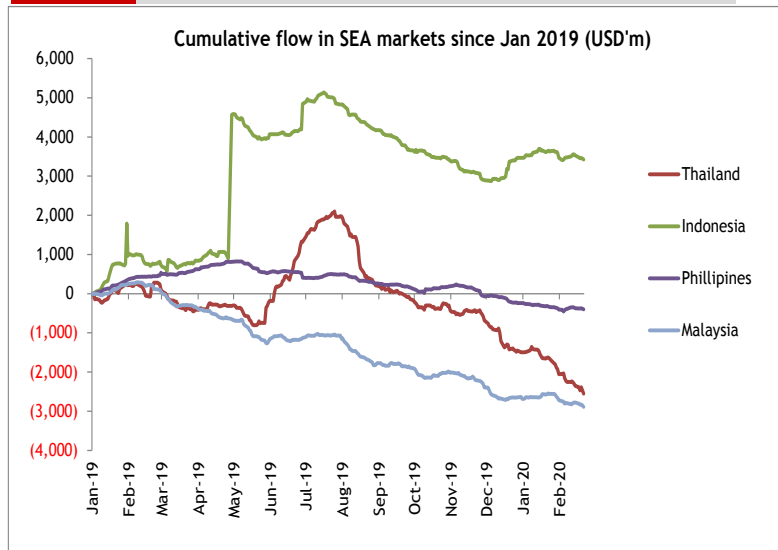
- In emerging South East Asian markets that we monitor, all markets experienced foreign net attrition.
- In contrast with other Asian markets which experienced an increase in foreign net selling, Thailand saw foreign investors selling local equities at a slower pace of -USD131.7m net compared to -USD199.0m in the preceding week. However, it was notable that foreign investors sold from Monday to Friday, extending the foreign net selling streak to seven days. Monday recorded the highest foreign net outflow during the week at -USD52.9m, coinciding with the -4.0% drop in the SET index to 1,435.6 points. On the macro front, Thailand's customs-cleared exports in January unexpectedly rose for the first time in six months, increasing 3.35% from a year earlier, boosted by higher shipments of gold and oil-related products.
- Manila's foreign net selling activity gained momentum to reach -USD185.0m last week from just -USD24.5m in the week before. Foreign net outflow peaked on Friday at -USD79.8m, causing the local bourse to plunge -2.6% to 6,787.9 points, the lowest close in more than three years. For the week, the PSEi gave up a total of 581.87 points or 7.9% from last week's closing of 7,369.78. The market has now fallen deeper into bear territory, having lost 25 percent from its record high of 9,058.
- In Jakarta, international funds sold -USD297.1m net of local equities last week, the highest in 96 weeks. Foreign investors sold the most on Wednesday at -USD 125.0m net amidst the contagion effect of the Covid-19 beyond China. The Indonesian government is now planning to announce a stimulus package to excite tourism activities especially for Bali, Riau Islands and North Sulawesi Islands. Thus far, the country has cut airline fees to support tourism activities in the country.

**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
JAN 10	854.6	69.0	72.8	-24.5	-21.4	-271.2	-2.6	676.7
JAN 17	390.1	-225.6	55.7	-27.6	1,151.8	102.5	79.1	1,526.0
JAN 24	-396.1	-41.5	-24.1	-32.5	719.3	588.7	7.2	820.9
JAN 31	-1,065.2	-368.7	-171.1	-59.7	-861.5	-1,421.6	-161.3	-4,109.1
FEB 7	762.5	-199.1	10.8	14.5	1,844.2	76.4	-79.6	2,429.7
FEB 14	-273.3	-97.1	52.9	15.9	72.1	415.7	17.1	203.3
FEB 21	-486.6	-199.0	-106.4	-24.5	322.8	-98.2	-107.4	-1,519.3
FEB 28	-3,002.9	-131.7	-297.1	-184.9	-1,362.0	-3,159.9	-299.5	-8,438.0

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

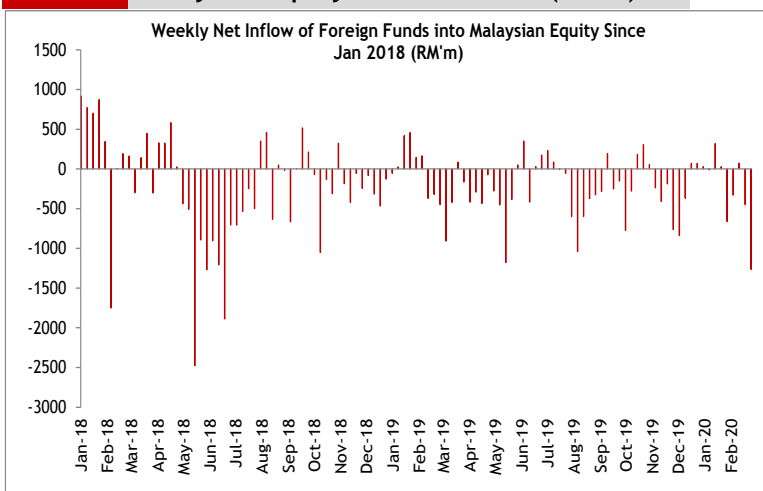


## FUND FLOW REPORT

### C. TRACKING MONEY FLOW - MALAYSIA

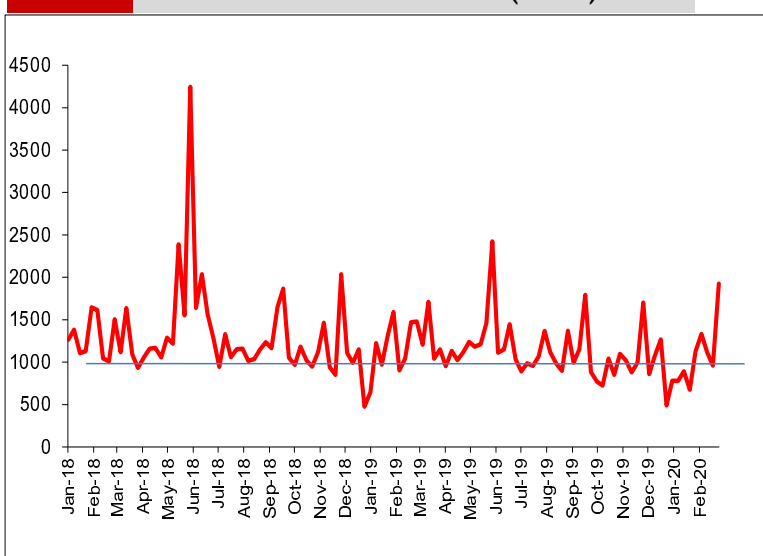
- Offshore investors upped the ante in selling activity last week. Based on data from Bursa, international investors took out a whopping -RM1.26b net of local equities last week, the largest weekly foreign net outflow in 88 weeks.
- Bursa had a sluggish start to the week as foreign investors only sold -RM74.3m net of local equities on Monday.
- The level of foreign net selling activity then accelerated to -RM202.8m net on Tuesday, taking cue of the Dow Jones index which lost more than 1,000 points overnight.
- Foreign net selling peaked during the week on Wednesday at -RM362.0m following the increase in number of Covid-19 cases in South Korea which exceeded 1,000. The spike of cases in South Korea reinforces that the spread of the virus outside China is accelerating. Wednesday's heavy sell-off was in conformity with regional peers.
- Worries intensified on Thursday as South Korea reported 505 new coronavirus infections on Thursday, marking the first time a country posted more new infections than mainland China. As such, foreign funds sold -RM291.5m net on Bursa.
- International funds continued to sell on Friday at a heightened level of -RM333.4m net, extending the foreign net selling streak on Bursa to seven days. The local stock barometer followed suit, declining by -1.5%, closing at 1,482.6 points on Friday, a level not seen since 2011 amidst Malaysia's political situation.
- The month of February saw a foreign net outflow of -RM1.97b. This is the largest monthly foreign net outflow since August 2019 which saw international funds taking out -RM2.60b. Meanwhile, the foreign net outflow from Malaysia on a year-to-date basis stands at -RM2.11b, the third smallest amongst the seven Asian markets under our coverage.
- In terms of participation, the average daily traded value (ADTV) of foreign investors surged the most by 100% for the week to reach a healthy level of RM1.93b.

**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)	
JAN 24	2,635.7	2,579.4	56.2	4,972.3	5,058.0	-85.7	1,701.3	1,671.9	29.4	7.2
JAN 31	3,019.6	2,738.4	281.3	6,107.4	5,729.0	378.3	1,925.4	2,585.1	-659.6	-161.3
FEB 7	3,407.8	3,286.2	121.5	6,177.1	5,971.2	205.9	3,163.9	3,491.3	-327.5	-79.6
FEB 14	3,148.0	3,057.1	90.8	5,547.8	5,707.1	-161.3	2,822.8	2,752.3	70.5	17.1
FEB 21	3,049.2	2,876.4	172.9	5,094.8	4,819.8	275.1	2,172.1	2,620.0	-447.9	-107.4
FEB 28	4,742.8	4,030.7	712.1	8,226.8	7,674.9	551.9	4,181.1	5,445.1	-1,264.0	-299.5

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 28 FEBRUARY**
**TOP 10 NET MONEY INFLOWS**

- Top Glove Corporation Berhad saw the highest net money inflow of RM9.82m. Its share price was 6.62% higher during the week, outperforming the local bourse which was -3.17% lower.
- Sime Darby Berhad registered the second highest net money inflow of RM5.26m last week. Its share price dropped -4.76% for the week, underperforming the local bourse which had a -3.17% weekly drop.
- IHH Healthcare Berhad recorded the second highest net money inflow of RM4.38m. Its share price was -0.70% lower, outperforming the local bourse which had a -3.17% 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.

**TOP 10 NET MONEY OUTFLOWS**

- Public Bank Berhad registered the third largest net money outflow of -RM20.64m in the review week. Its share price was -5.73% higher during the week under review, underperforming the local benchmark which was -3.17% lower for the week.
- Malaysia Airports Holdings Berhad saw the second largest net money outflow of -15.15m last week. Its stock price was -2.37% lower for the week, outperforming vis-à-vis the FBM KLCI which loss -3.17% during the review week.
- Yinson Holdings Berhad recorded the third largest net money outflow -RM-10.71m during the week under review. Its share price was 0.56% higher during the week, outperforming the market benchmark which had a -3.17% weekly decline. It is notable that the net money outflow amidst advancing share price may indicate a sell on strength (SOS) 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		
TOP GLOVE	9.82	-6.73	6.62	-
SIME DARBY	5.26	3.22	-4.76	BOW
IHH	4.38	-0.92	-0.70	BOW
TNB	4.33	-0.09	-5.32	BOW
AIRASIA GROUP	4.03	0.22	-13.79	BOW
WESTPORTS	3.72	-2.71	-8.02	BOW
RHB BANK	3.30	-2.44	-2.80	BOW
BUMI ARMADA	2.35	0.90	-21.25	BOW
VELESTO	2.34	0.03	-13.04	BOW
TELEKOM MSIA	2.28	-0.48	-3.14	BOW

Source: Bloomberg, MIDFR;

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

**Table 5** Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
PUBLIC BANK	-20.64	-9.23	-5.73	-
MAHB	-15.15	-1.07	-2.37	-
YINSON	-10.71	-0.74	0.56	SOS
MY EG	-9.13	-2.91	-13.85	-
MAYBANK	-5.94	-2.94	0.12	SOS
PETCHEM	-3.98	-1.80	-16.28	-
UMW	-3.57	-0.39	-17.49	-
KLCCP	-3.14	5.05	0.37	SOS
HONG LEONG	-2.25	-0.63	-0.13	-

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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