

## MIDF EQUITY STRATEGY | 1 JULY 2019 WEEK ENDED 28 JUNE 2019

- Majority equity markets worldwide ended the week mixed as investors awaited the outcome of the trade negotiations between the U.S and China at the G-20 Summit.
- Brent crude oil price gained 2.1% for the week after settling at USD66.55pb. The upward trend is expected to remain as the OPEC is moving towards extending their supply cuts for nine months into 1Q20 amidst the surging U.S shale output and weakening growth in demand.
- The pace at which international funds were entering Asian markets heightened last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” bought USD2.02b net last week. This is the largest weekly foreign net inflow in eight weeks.
- Offshore investors upped the ante in acquiring stocks listed on Bursa. Based on data from Bursa, foreign funds acquired RM171.7m net of local equities last week, six times more than the amount bought in the week before.
- The FBM KLCI was marginally lower by 0.6% for the week after settling at 1,672 points on Friday. In contrast, the Ringgit appreciated by 0.4% against the greenback to settle at USD/MYR4.132.

## BURSA MARKS FIRST MONTHLY FOREIGN NET INFLOW IN 5 MONTHS

### A. MARKET SNAPSHOT

- Majority equity markets worldwide ended the week mixed as investors awaited the outcome of the trade negotiations between the U.S and China at the G-20 Summit.
- U.S. consumer confidence tumbled to a 21-month low of 9.8 points in June as American consumers are less confident with the protectionist trade policies as the trickle down effects are potentially negative on the domestic economy particularly employment and inflationary pressure. Even though jobless rate remains at a 49-year low, non-farm payrolls recorded in May-19 stood at 75,000 which were surprisingly lower than market's estimate of 185,000. In addition, imposition of tariff on imported goods from China, Mexico, Canada and other trading partners would spur inflationary pressure and consequently affecting domestic demand.
- For this year, it is unlikely that China's retail sales would surpass the U.S amidst the ongoing trade dispute between the U.S and China which has impacted demand of China's largest sector; auto, contributing about 14% of retail sales. While other sectors such as manufacturing and construction still show strong growth, the aforementioned situations may pose headwinds to China's retail sales to achieve the national growth target of 6.0% and 6.5% for the year. According to eMarketer, China is now on track to grow retail sales by 3.5% in 2019 to USD5.29t. China currently holds 21.1% share of the world's retail market, while the U.S has a 21.9% share.
- In Europe, German business morale slid to its lowest level in more than four years to 97.4 in June, marking its third consecutive monthly decline. The Bundesbank now expects the economy to contract slightly in the second quarter after an expansion of 0.4% between January and March while halving its 2019 growth forecast to 0.5% after an expansion of 1.5% in 2018, the weakest rate in five years. Separately, Britain is requiring independent financial regulators after Brexit that can respond and adapt to changes in the economy. Financial regulations will be reviewed post-Brexit with an opportunity to formulate more flexible rules to maintain London's competitiveness as a global financial centre.
- Brent crude oil price gained 2.1% for the week after settling at USD66.55pb. The upward trend is expected to remain as the OPEC is moving towards extending their supply cuts for nine months into 1Q20 amidst the surging U.S shale output and weakening growth in demand. Such expectations came from the deal between Russia and Saudi Arabia to roll over the curbs by six to nine months during the G-20 Summit on Saturday. OPEC Secretary-General, Mohammad Barkindo cited that a longer horizon will provide a stringer certainty to the market.

<b>Table 1</b> Weekly performance of major indices		
Weekly % change	Week before	Last week
Thai SET	2.68	0.77
Jakarta JCI	1.04	0.68
India SENSEX	-0.65	0.51
DAX	2.01	0.48
FTSE 100	0.84	0.24
Hang Seng	5.00	0.24
Korea KOSPI	1.44	0.24
CAC 40	2.99	0.19
Nikkei	0.67	0.08
FSSTI Index	3.06	0.01
China CSI 300	4.90	-0.22
S&P 500	2.20	-0.29
Dow Jones	2.41	-0.45
KLCI	2.66	-0.60
Taiwan TAIEX	2.65	-0.68
Phil PCOMP	0.82	-0.69

Source: Bloomberg

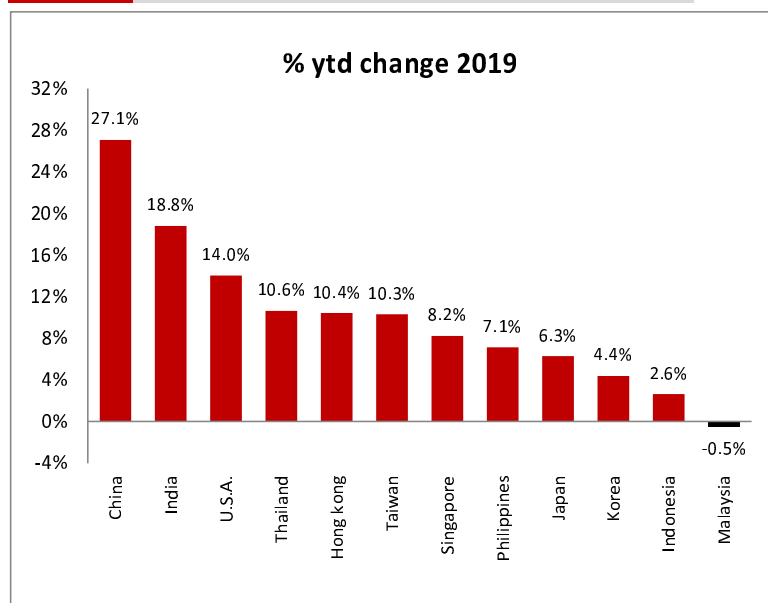
## FUND FLOW REPORT

- The FBM KLCI was marginally lower by 0.6% for the week after settling at 1,672 points on Friday. In contrast, the Ringgit appreciated by 0.4% against the greenback to settle at USD/MYR4.132.

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

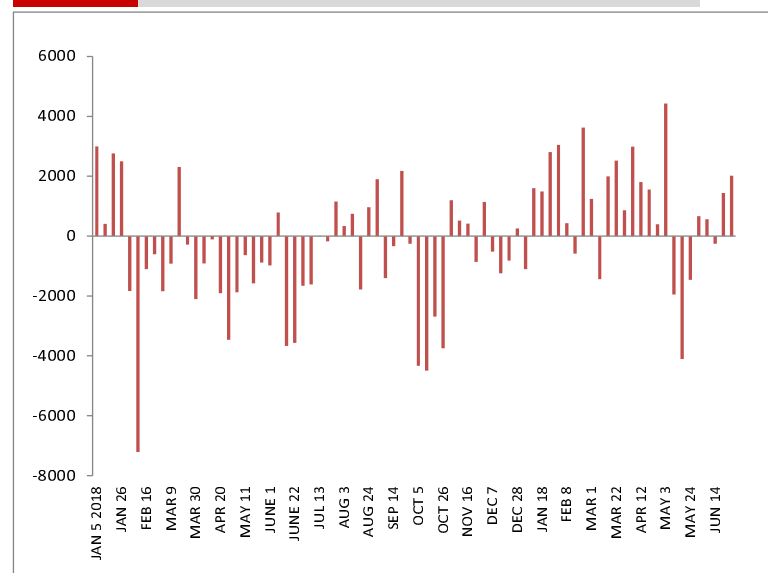
- The pace at which international funds were entering Asian markets heightened last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” bought USD2.02b net last week. This is the largest weekly foreign net inflow in eight weeks. On a monthly basis, the seven Asian markets we monitor saw a foreign net inflow of USD3.78b compared to the -USD7.80b foreign net outflow in June last year.
- In Korea, the level of foreign net buying tapered by almost half to reach USD142.5m. Foreign investors were net buyers on three out of five days from Wednesday to Friday. Friday recorded the highest foreign net inflow during the week of USD258.9m, underpinned by the commencement of the G20 meeting. On the first day of the summit before the U.S and China were set to meet to discuss trade matters, China mentioned that it will further open its agriculture, mining, manufacturing and services sectors by vowing to further lower tariffs, remove tariff barriers and boost protection of intellectual property rights. Another matter which stoked investors’ risk appetite in Korea was the reaffirmation of the U.S’s readiness for constructive discussions with North Korea especially with regards to denuclearisation.
- Likewise, Taiwan’s foreign net inflows were halved to USD419.m. The highest foreign net inflow during the week was observed on Thursday at USD466.1m net following better-than-expected results of Micron which caused the Philadelphia Stock Exchange Semiconductor Index to reach the highest close in more than a month. It was no doubt that flickers of optimism for U.S-China trade talks at the G-20 summit caused a heavy foreign net inflow on the same day. For the month of June 2019, Taiwan saw a foreign net inflow worth USD1.09b, the second highest amongst the seven Asian markets we monitor.

**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)

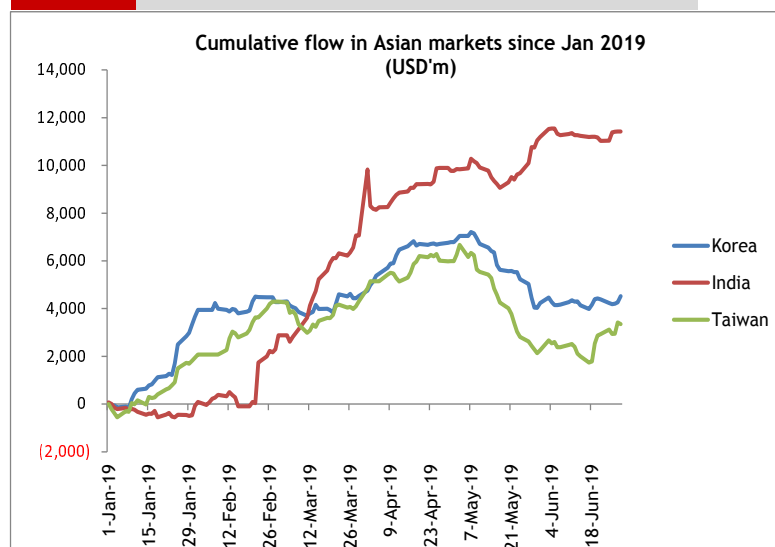


Source: Bloomberg, Bursa Malaysia, MIDFR

<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.

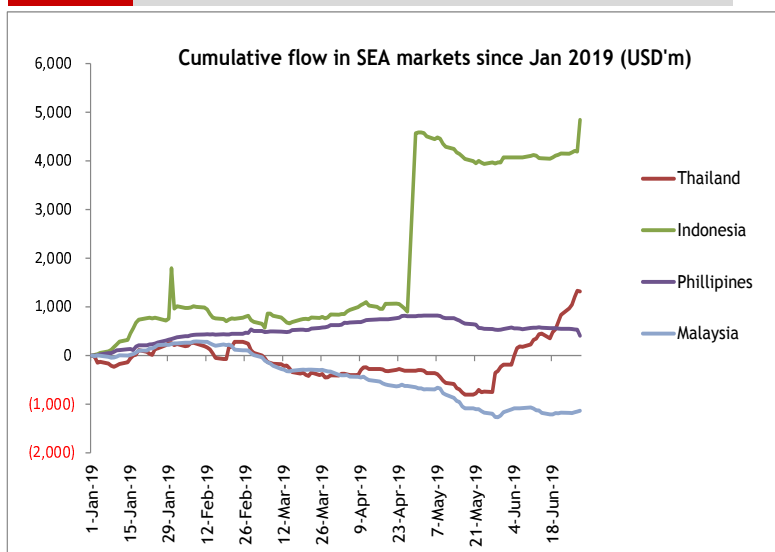
- In emerging South East Asian markets that we monitor, more than half were experiencing foreign net inflows.
- Bangkok experienced its fifth sixth week of foreign net buying, the longest streak since May to September 2016. The bulk of the foreign net inflow was attributable to Wednesday which saw a foreign inflow of USD163.1m following the Bank of Thailand's decision to keep interest rates unchanged at 1.75%, concerned by high household debt and financial stability risks. The last time a rate hike took place in Thailand was in December 2011. Moving forward, we opine BOT may consider a rate cut in 2H19 if global outlook stays bleak and dragging down Thailand's economic growth.
- Manila was the odd one out in ASEAN as it recorded a weekly foreign net outflow of -USD141.7m net. International funds were only net buyers on Monday to a tune of USD0.4m net while foreign net selling peaked during the week on Friday at -USD124.7m net, a level not seen since September 2015. The local bourse followed suit to close below 8,000 points the same amidst profit taking activity ahead of the anticipated meeting between President Trump and President Xi Jinping.
- Indonesia was the darling of foreign investors last week as it saw a foreign net inflow of USD693.5m last week, the largest in eight weeks. Confidence in the Jakarta was spurred by President Joko Widodo's re-election and the upgrade of the nation's debt rating by Standard and Poor's. The JCI logged its fifth straight week of gains, the longest winning streak since January this year.

**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
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	-393.4	61.3	-104.1	-107.6	611.5	-1,435.7	-91.3	-1,460.3
MAY 31	-993.8	554.8	134.2	-3.8	1,518.3	-556.4	11.6	665.0
JUN 7	-69.2	362.8	0.0	-5.9	76.8	115.5	83.8	563.7
JUN 14	-33.8	273.3	-15.7	31.2	-28.3	-380.5	-99.8	-253.5
JUN 21	248.0	384.9	97.5	-22.6	-209.6	936.4	6.9	1,441.4
JUN 28	142.5	484.1	693.5	-141.7	392.6	419.5	28.9	2,019.4

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

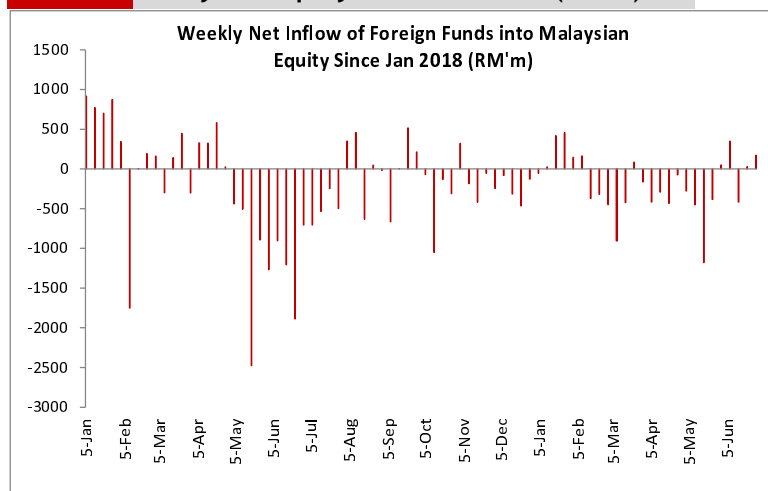
## FUND FLOW REPORT

### C. TRACKING MONEY FLOW - MALAYSIA

- Offshore investors upped the ante in acquiring stocks listed on Bursa. Based on data from Bursa, foreign funds acquired RM171.7m net of local equities last week, six times more than the amount bought in the week before.
- The first two days of the week saw international funds selling equity on Bursa but at a moderate level below -RM25.0m net. Risk aversion was stoked by Iran's comments that there is no more room for a diplomatic solution with the U.S following the imposition of new sanctions.
- International investors on Wednesday made a commendable return as they bought RM73.1m net of local equities despite comments of Federal Reserve Bank of St. Louis which downplayed the need for aggressive U.S monetary easing.
- On Thursday, the level of foreign net buying tapered slightly to RM53.8m. The dampened sentiment came from the news that substantial additional tariffs would be placed on goods on China by the U.S if no progress is made on a trade deal when both sides meet at the G20 meeting.
- Bursa saw the highest foreign net inflow during the week of RM83.7m on Friday ahead of the highly anticipated U.S-China presidential meeting on Saturday. This was in contrast to other regional peers namely, Thailand, the Philippines and Taiwan which experienced foreign net outflows exceeding -RM40.0m.
- For the month of June 2019, foreign investors have acquired RM134.6m net, the first foreign net inflow in five months. On a half yearly basis, the foreign net outflow from Malaysia stands at RM4.66b which is lower than the RM6.8b foreign net outflow seen during the same period last year.
- While foreign investors continued entering Bursa, foreign investors emerged as the investor group with the largest decline in terms of average daily traded value (ADTV) of 28.6% to RM1.03b. Nevertheless, level of participation in three weeks is still deemed healthy as it exceeds RM1.0b

**Chart 5**

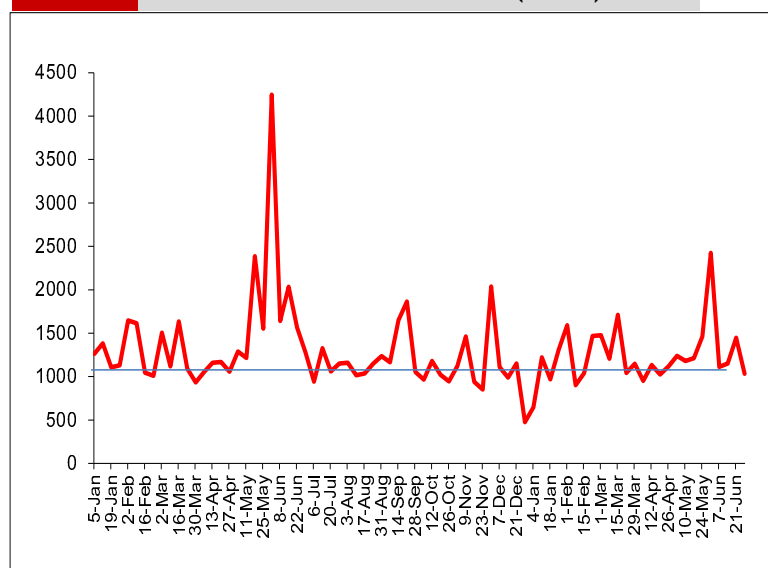
**Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2018 (RM'm)**



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)	
MAY 31	1,878.7	1,983.7	-105.0	4,910.0	4,853.8	56.2	6,082.5	6,033.7	48.8	11.6
JUN 7	701.1	727.8	-26.7	1,536.2	1,859.4	-323.3	1,843.8	1,493.8	350.0	83.8
JUN 14	2,081.0	1,985.9	95.1	4,318.7	3,998.5	320.2	2,670.8	3,086.1	-415.3	-99.8
JUN 21	2,073.1	2,140.8	-67.7	5,103.3	5,063.8	39.5	3,633.6	3,605.3	28.3	6.9
JUN 28	1,647.6	1,643.9	3.7	4,409.2	4,584.6	-175.4	2,669.9	2,498.2	171.7	28.9

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 JUNE**
**TOP 10 NET MONEY INFLOWS**

- Malaysia Airports Holdings Berhad registered the highest net money inflow of RM25.61m last week. Its share price declined -0.23% for the week, outperforming the local bourse which had a -0.60% weekly decline. Nonetheless, it is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.
- CIMB Group Holdings Berhad recorded the second highest net money inflow of RM11.68m. Its share price ended 2.87% higher for the week, outperforming the benchmark which was 0.60% lower during the week under review.
- Malayn Banking Berhad saw the third highest net money inflow of RM11.20m. Its share price ended -0.67% lower during the week under review, underperforming the local bourse which was 0.60% lower.


**Table 4** Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
MAHB	25.61	14.26	-0.23	BOW
CIMB	11.68	-3.08	2.87	-
MAYBANK	11.20	10.98	-0.67	BOW
IHH	5.02	7.04	0.69	-
YINSON	4.39	-0.82	0.50	-
QL RESOURCES	4.15	0.87	-0.15	BOW
RHB BANK	3.74	3.50	-0.53	BOW
AXIATA	2.84	6.57	-1.39	BOW
PPB GROUP	2.78	0.71	0.00	-
SERBA DINAMIK	1.81	-0.61	-1.23	BOW

Source: Bloomberg, MIDFR;

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

**TOP 10 NET MONEY OUTFLOWS**

- Telekom Malaysia Berhad saw the largest net money outflow of -RM10.50m last week. Its stock price advanced 1.27% for the week, outperforming vis-à-vis the FBM KLCI which lost 0.60% 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.
- Petronas Chemicals Group Berhad recorded the second largest net money outflow -RM10.08m during the week under review. Its share price was -1.87% lower during the week, underperforming the market benchmark which had a -0.60% weekly loss.
- Dialog Group Berhad registered the third largest net money outflow of -RM7.02m in the review week. Its share price was 0.62% higher for the week, outperforming the local benchmark which was 0.60% lower for the week. 

**Table 5** Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
TELEKOM	-10.50	-6.32	1.27	SOS
PETCHEM	-10.08	5.16	-1.87	-
DIALOG	-7.02	6.51	0.62	SOS
HLFG	-4.99	-4.77	-0.11	-
PETDAG	-3.39	-1.65	-0.24	-
KOSSAN	-2.97	-0.25	0.76	SOS
MY EG	-2.91	-3.84	1.37	SOS
PUBLIC BANK	-2.72	-9.62	-0.26	-
MISC	-2.47	0.46	-0.69	-
IOI CORP	-2.31	0.90	0.00	-

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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