

## MIDF EQUITY STRATEGY | 1 APRIL 2019

### WEEK ENDED 29 MARCH

- Major equity markets worldwide remained mixed last week as investors shifted their attention to the resumption of the U.S-China trade talks in Beijing.
- Brent crude oil price jumped 2.0% for the week and marked its best quarterly gain in 10 years, settling at USD68.39pb. In addition to aggressive production cuts by OPEC especially Saudi Arabia and U.S sanctions against Iran and Venezuela, the Energy Information Administration revealed that U.S oil production in January slipped for the first time in nearly six months as output averaging at 11.87m barrels per day for that month.
- The momentum of offshore funds entering Asian markets experienced a slowdown last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” only bought USD342.3m net last week, the smallest weekly foreign net inflow so far this year.
- The foreign net inflow seen on Bursa was shortlived as international funds were back in selling mode. Based on data from Bursa, foreign funds sold -RM162.1m net of local equities last week, the second lowest weekly foreign net outflow recorded so far this year.
- The FBM KLCI recorded bigger losses than the week before of 1.4% after closing at 1,644 points. In comparison with other regional bourses, the FBMKLCI is the only laggard in ASEAN with a year-to-date loss of 2.8%. Likewise, the Ringgit depreciated 0.4% against the greenback to settle at USD/MYR4.082.

## INVESTORS RETREAT TO THE SIDELINES DESPITE TRADE TALKS

### A. MARKET SNAPSHOT

- Major equity markets worldwide remained mixed last week as investors shifted their attention to the resumption of the U.S-China trade talks in Beijing.
- US trade deficit narrowed to USD51.1b in January 2019 (USD59.9b) as imports declined, the lowest since June 2018 while exports rose. Exports expanded 3.0%yoy in January 2019 due to high sales of food & beverages abroad, mainly soybean and outbound shipment of motor vehicles part rose especially passenger cars. By country, exports to China remained in the negative territory since August 2018 amidst the ongoing trade tension. Meanwhile, imports grew gradually by 1.6%yoy in January 2019 as oversea purchases of capital goods went down particularly semiconductors and civilian aircraft. Imports from Canada remain in negative territory for 3-consecutive month of -11.0%yoy.
- In Asia, Japanese labour market stayed in full-employment condition with the latest jobless rate at a 5-month low. The healthy labour market together with low inflationary pressure would support domestic spending. As global commodity prices decreased in 4Q18, headline CPI registered at a 15-month low of 0.2% in February 2019. Similarly, PPI rose marginally by 0.8%yoy. Nevertheless, uncertainties in global trade activities due to ongoing talks between the US and China continue affecting Japan's economic activities. Business confidence as reflected by the Nikkei manufacturing PMI shows pessimistic trend in 1Q19. Guided by the latest statement by Larry Kudlow, the trade negotiation may prolong and hence create greater uncertainties to global economic activities.
- Meanwhile Europe's largest economy, Germany saw its consumer morale facing an unexpected decline from 10.7 to 10.4 heading into April, implying weak household spending in 2Q18. Factors to uphold consumer spending are Germany's solid job market coupled with rising employment especially in the wake of low interest rate environment.
- Brent crude oil price jumped 2.0% for the week and marked its best quarterly gain in 10 years, settling at USD68.39pb. In addition to aggressive production cuts by OPEC especially Saudi Arabia and U.S sanctions against Iran and Venezuela, the Energy Information Administration revealed that U.S oil production in January slipped for the first time in nearly six months as output averaging at 11.87m barrels per day for that month. The rebound of oil price in the first quarter could extend in the following months as the sector gets its traditional boost during the final stages of the global economic cycle.

<b>Table 1</b> Weekly performance of major indices		
Weekly % change	Week before	Last week
Dow Jones	-1.34	1.67
CAC 40	-2.50	1.53
DAX	-2.75	1.42
India SENSEX	0.37	1.33
S&P 500	-0.77	1.20
China CSI 300	2.37	1.01
FTSE 100	-0.29	0.99
FSSTI Index	0.37	0.02
Taiwan TAIEX	1.91	0.02
Hang Seng	0.35	-0.21
Thai SET	1.27	-0.46
Jakarta JCI	0.99	-0.87
Phil PCOMP	2.76	-1.15
KLCI	-0.83	-1.38
Nikkei	0.82	-1.95
Korea KOSPI	0.50	-2.12

Source: Bloomberg

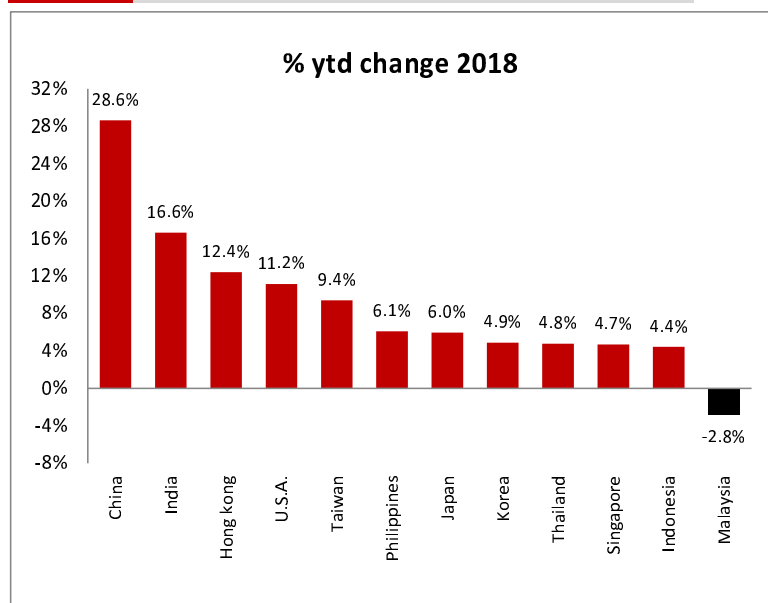
## FUND FLOW REPORT

- The FBM KLCI recorded bigger losses than the week before of 1.4% after closing at 1,644 points. In comparison with other regional bourses, the FBMKLCI is the only laggard in ASEAN with a year-to-date loss of 2.8%. Likewise, the Ringgit depreciated 0.4% against the greenback to settle at USD/MYR4.082.

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

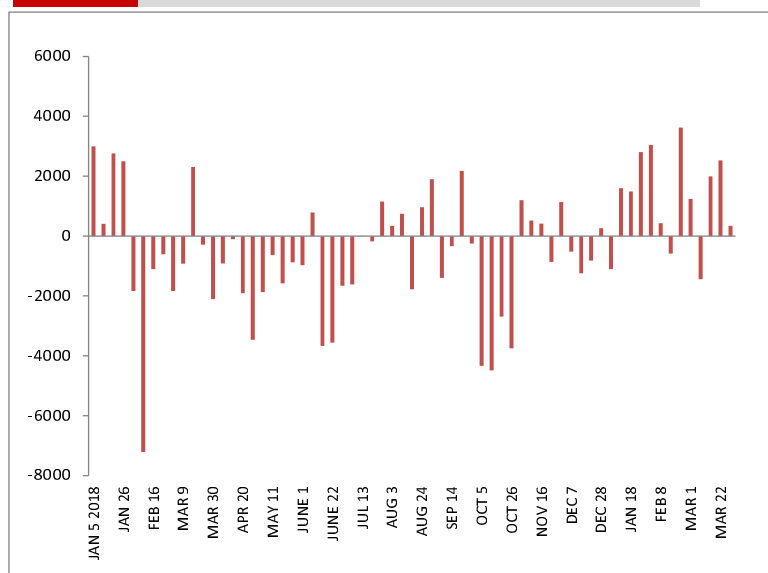
- The momentum of offshore funds entering Asian markets experienced a slowdown last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” only bought USD342.3m net last week, the smallest weekly foreign net inflow so far this year.
- After two weeks of decent foreign net buying in Korea, foreign investors took out -USD67.9m net of local stocks. Nonetheless, this was the smallest weekly foreign net outflow recorded so far this year in Korea. International funds were net sellers on three days during the week with Wednesday recording a foreign net outflow of -USD178.0m, the highest since late February 2019. Despite the rally on Wall Street overnight, sentiment was dampened by the 14.0%yoy drop in profits of China’s major industrial firms in January and February this year. While foreign outflows still offset foreign net inflows during the week, it was notable that Tuesday and Friday recorded a foreign net buying above USD100m. Tuesday’s positivity came from the possibility of major central banks easing their monetary policy to mitigate an economic slowdown while Friday’s mood was supported by the latest round of U.S-China trade negotiations.
- Taiwan attracted a weekly foreign net inflow of USD143.0m net, almost one-fifth of what was seen in the preceding week. Foreign net buying occurred on three days last week with Friday recording the highest at USD205.1m, a spill over effect from the USD1.7b foreign inflow into mainland-listed equities via exchange links with Hong Kong on the same day. This was also the biggest single-day purchase of China stocks in nearly 4 months. The surge of foreign net inflows on Friday lifted the Taiex by 1.0% to 10,641 points. On a quarterly basis, the Taiex posted a 9.4% gain in 1QCY18, the largest quarterly gain since 1QCY12. For the month of March 2019, Taiwan saw a foreign net inflow of USD17.0m, the smallest amongst the seven Asian markets we track.

**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)

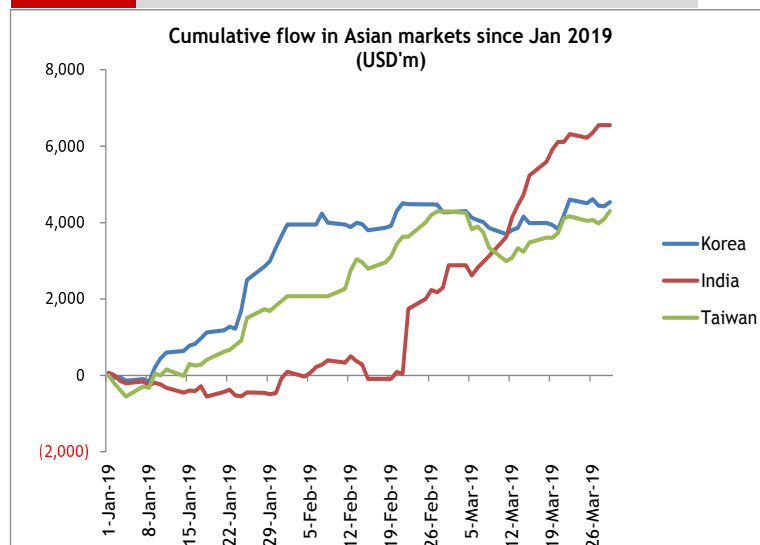


Source: Bloomberg, Bursa Malaysia, MIDFR

<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.

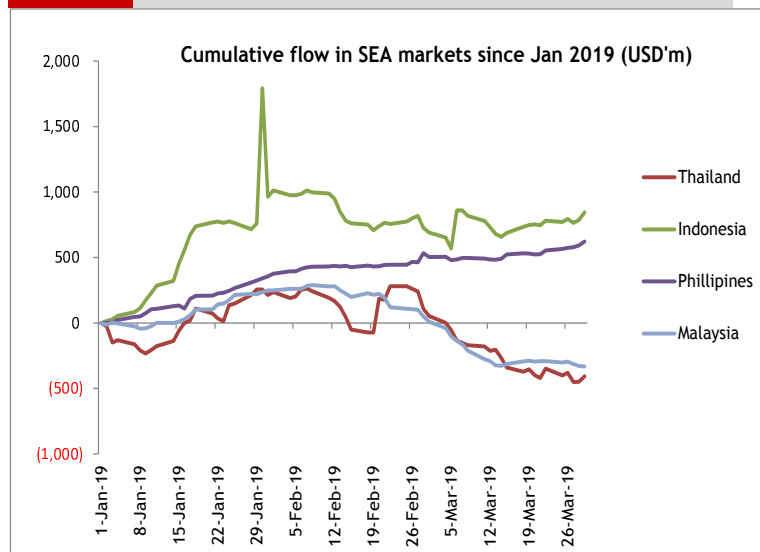
- In emerging South East Asian markets that we monitor, half experienced net outflows while the other half experienced foreign net buying.
- The weekly foreign net attrition in Bangkok swelled by more than six times to -USD57.9m, extending the selling spree to five weeks. Monday saw a sizeable foreign net outflow of -USD52.1m net following the general election which took place on the day before. Thailand's local bourse was also severely impacted, falling by 1.2%, the biggest daily drop recorded so far in 2018 but was not as bad compared to other Asian peers namely Indonesia, China, South Korea and Taiwan. Meanwhile, stocks in Thailand may remain range-bound until 9 May 2019 when the official results of the general election are confirmed. As such, foreign investors may be hesitant to enter Thailand from now until the said date.
- Manila logged its third straight week of inflows as foreign investors snapped up USD69.2m net last week. International funds were net buyers on every single day of the week, stretching the daily foreign net buying spree to seven days. Foreign net buying peaked on Friday at USD30.1m supported by window dressing activities and the resumption of U.S-China trade negotiations, boosting the PSEi by 0.6% to settle at 7,920 points.
- International funds bought USD63.5m net in Jakarta last week. Similar to Manila, Jakarta saw the highest foreign net inflow on Friday during the week but at a higher level of USD58.4m. Meanwhile the Rupiah marked its first weekly loss after two weeks of gains after depreciating against the greenback by 0.6% to USD/IDR14,243 following the rally in the global bond market and spill over risks from Turkey which dampened demand for risky assets.

**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
FEB 1	1,453.7	88.0	249.7	109.7	540.7	569.1	35.8	3,046.5
FEB 8	49.6	6.9	-15.1	54.3	297.1	0.0	40.0	432.9
FEB 15	-200.6	-294.0	-236.4	-2.7	-482.8	721.6	-90.6	-585.5
FEB 22	683.4	332.3	-5.6	17.0	1,836.3	836.4	-78.3	3,621.5
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	-67.9	-57.9	63.5	69.2	232.3	143.0	-39.8	342.3

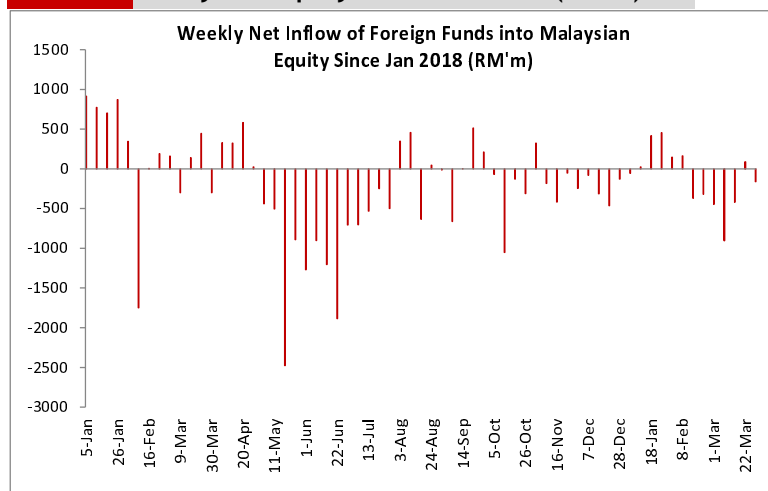
Source: Respective exchange statistics reported on Bloomberg. Bursa Malaysia. These figures are subject to revisions.

## C. TRACKING MONEY FLOW - MALAYSIA

- The foreign net inflow seen on Bursa was shortlived as international funds were back in selling mode. Based on data from Bursa, foreign funds sold -RM162.1m net of local equities last week, the second lowest weekly foreign net outflow recorded so far this year.
- Offshore investors sold -RM34.8m net on Monday, coinciding with the 1.1% decline in the FBM KLCI as investors shifted to safer assets amidst concerns of a U.S recession. Nonetheless, it was notable that other Asian peers such as Taiwan and South Korea recorded larger foreign net outflows of more than USD90m and steeper declines in their respective bourses.
- International funds slowly entered into Bursa to a tune of RM23.9m on Tuesday, the highest in six trading days, lifting the local bourse slightly by 0.1% to close at 1,650 points. Foreign net buying was also prevalent in the other six Asian markets we monitor following the possibility of major central banks easing to mitigate the impact of a slowdown in global economic growth.
- Wednesday and Thursday saw foreign investors returning to selling mode, disposing more than -RM60m net on both days. Sentiment was rather muted on those days mainly due to the 14%yoy drop in profits of China's major industrial firm in January and February this year, signalling a softening economic growth of the nation.
- The level of foreign net selling declined to -RM15.6m on Friday as the latest round of U.S-China trade discussions resumed. As such, there was an influx of foreign funds into China stocks which reached the largest in a day in almost four months.
- For the month of March, foreign investors took out -RM1.56b from Bursa, bringing the foreign net outflow for 1QCY19 to -RM1.35b. In contrast, 1QCY18 recorded a foreign net inflow of RM2.2b ahead of Malaysia's 14th general election last year. Amongst the four ASEAN markets we monitor, Malaysia is still the nation with the second largest foreign net outflow after Thailand which recorded a foreign net outflow of -USD407.3m or higher than -RM1.6b in 1QCY19.

**Chart 5**

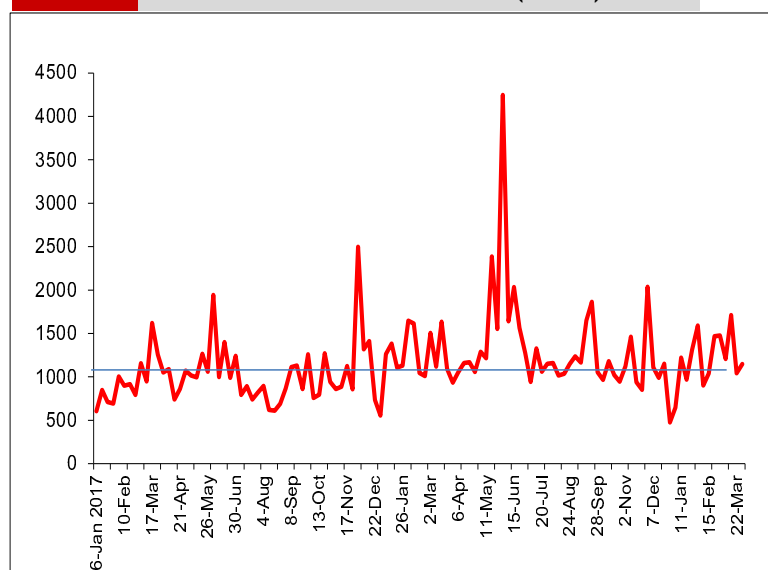
**Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2018 (RM'm)**



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)	
FEB 22	2,890.1	3,018.1	-128.0	6,215.4	5,768.4	447.0	3,513.8	3,832.8	-319.0	-78.3
MAR 1	2,914.0	2,703.1	210.8	5,359.9	5,123.0	236.9	3,471.1	3,981.9	-447.7	-110.0
MAR 8	3,198.8	3,146.2	52.6	5,669.1	4,818.5	850.6	2,562.6	3,465.8	-903.2	-221.2
MAR 15	3,693.4	3,645.9	47.5	5,455.1	5,081.7	373.5	4,069.0	4,489.9	-421.0	-103.0
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

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 29 MARCH**
**TOP 10 NET MONEY INFLOWS**

- Malayan Banking Berhad registered the highest net money inflow of RM6.97m last week. Its share price dropped -0.22% for the week, outperforming the local bourse which had a -1.38% 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 Bank Berhad recorded the second highest net money inflow of RM6.92m. Its share price ended -0.49% lower for the week, outperforming the benchmark which was -1.38% lower.
- MY EG Services Berhad saw the third highest net money inflow of RM6.82m. Its share price ended 1.44% higher during the week under review, outperforming the local bourse which was -1.38% lower.

**Table 4** Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
MAYBANK	6.97	32.24	-0.22	BOW
HONG LEONG BK	6.92	11.44	-0.49	BOW
MY EG SERVICES	6.82	-0.12	1.44	-
KLCCP STAPLED	3.84	0.30	-0.26	BOW
HARTALEGA	3.21	1.37	0.22	-
GENTING MSIA	2.52	0.57	-5.33	BOW
HLFG	2.32	1.04	-1.44	BOW
IHH	1.67	0.11	-0.86	BOW
MAXIS BHD	1.64	-0.64	-3.60	BOW
HEINEKEN	0.95	-0.03	4.44	-

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 -RM23.01m last week. Its stock price gained 1.44% for the week outperforming vis-à-vis the FBM KLCI which declined -1.38% 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.
- Public Bank Berhad recorded the second largest net money outflow -RM6.04m during the week under review. Its share price was -2.93% lower during the week, underperforming the market benchmark which had a -1.38% weekly loss.
- RHB Bank Berhad registered the third largest net money outflow of -RM4.60m in the review week. Its share price was unchanged during the week under review.

**Table 5** Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
PETCHEM	-23.01	1.08	1.44	SOS
PUBLIC BANK	-6.04	6.24	-2.93	-
RHB BANK	-4.60	1.29	0.00	-
AXIATA	-4.22	-1.61	-2.81	-
BURSA	-3.67	0.01	-0.43	-
GAMUDA BHD	-3.62	1.04	-0.35	-
SAPURA	-3.08	0.39	-2.90	-
GENT PLTN	-2.72	-0.04	1.92	SOS
SRBA DINAMIK	-2.24	0.37	-2.58	-
IJM CORP BHD	-1.85	-0.28	5.71	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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