

## MIDF EQUITY STRATEGY | 2 DECEMBER 2019 WEEK ENDED 29 NOVEMBER 2019

- Equity markets worldwide remained mixed last week due to uneven developments of trade negotiations between the U.S and China especially after the U.S signed a bill supporting Hong Kong protesters.
- Brent crude oil price snapped its three-week winning streak, ending 1.5% lower at USD62.43pb. The decline comes from fears of excess output with a speculation that Russia and other large oil producers will not cut output as much as expected while resilient U.S supply of both crude and natural gas has kept inventories plentiful.
- The level of foreign net attrition in Asian markets quadrupled last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” disposed -USD1.82b net last week, compared to -USD614.7m acquired in the preceding week.
- The magnitude at which foreign funds were disposing equities listed on Bursa intensified further last week. Based on data from Bursa, foreign investors sold -RM761.2m net of local equities last week, four times more compared to the preceding week.
- The FBM KLCI ended the week in the red zone, dropping -2.2% the biggest weekly decline since October 2018. Likewise, the Ringgit depreciated by 0.2% against the greenback to reach USD/MYR4.1778 during the week.

## ASIA SHAKEN BY THE U.S' SUPPORT FOR HONG KONG PROTESTERS

### A. MARKET SNAPSHOT

- Equity markets worldwide remained mixed last week due to uneven developments of trade negotiations between the U.S and China especially after the U.S signed a bill supporting Hong Kong protesters.
- During the four-day trading week, Wall Street's main indexes closed at record levels for a third straight day in a muted volume session on Wednesday ahead of the Thanksgiving holiday. Much of the sentiment on that day was supported by the encouraging growth in the U.S economy which reached 2.1% in the third quarter compared to just 1.9% in the preceding quarter. President Trump had also stoked hopes that negotiations may be advancing between the two countries by saying that the talks are emerging out from its throes.
- Over in Asia, Japan's retail sales collapsed by -7.1%yoy in October 2019, their fastest pace in more than 4.5 years. This was the first contraction in three months since the growth rebounded in August 2019 and the highest decline in sales since Apr 2015, as the sales in motor vehicles took the lead that fell by -17%yoy, followed by household machinery (-15%yoy) and general merchandise (-13.2%yoy), showing the sales were mostly dragged by the big ticket items. This was heavily caused by the sales tax hike. However, the huge annual growth of retail sales gap between Sep-19 and Oct-19 might be due to the big purchases by the consumers to stock up before the implementation of higher sales tax in October 2019.
- The Eurozone economic sentiment indicator increased by 0.5 points from previous month to 101.3 in November 2019 it was boosted by improved confidence amongst manufacturers and consumers. It was notable that the indicator had been on a declining trend for the past few months. The latest rebound provides some light on the economic outlook amid some stimulus by ECB particularly the resumption of asset-purchase programme. In addition, ECB maintained its key interest rates at low levels (main refinancing rate: 0; deposit rate: -0.5%). Nevertheless, the sustainability of the improving condition remains questionable given that many issues remain possessing risks to an extent including Brexit, Italy-France tensions, populism and climate change.
- Brent crude oil price snapped its three-week winning streak, ending 1.5% lower at USD62.43pb. The decline comes from fears of excess output with a speculation that Russia and other large oil producers will not cut output as much as expected while resilient U.S supply of both crude and natural gas has kept inventories plentiful. Besides that, markets are awaiting concrete developments on an agreement that could end the months long trade war between the U.S. and China. Officials on both sides remained confident they can sign a partial trade deal in the coming weeks.

**Table 1** Weekly performance of major indices

Weekly % change	Week before	Last week
India SENSEX	0.01	1.08
S&P 500	-0.33	0.99
Nikkei	-0.82	0.78
Dow Jones	-0.46	0.63
DAX	-0.59	0.55
FTSE 100	0.33	0.27
CAC 40	-0.78	0.20
Thai SET	-0.28	-0.45
China CSI 300	-0.70	-0.55
Korea KOSPI	-2.79	-0.67
Taiwan TAIEX	0.36	-0.67
Hang Seng	1.02	-0.93
FSSTI Index	-0.41	-0.98
Phil PCOMP	-1.37	-1.09
Jakarta JCI	-0.46	-1.45
KLCI	0.13	-2.20

Source: Bloomberg

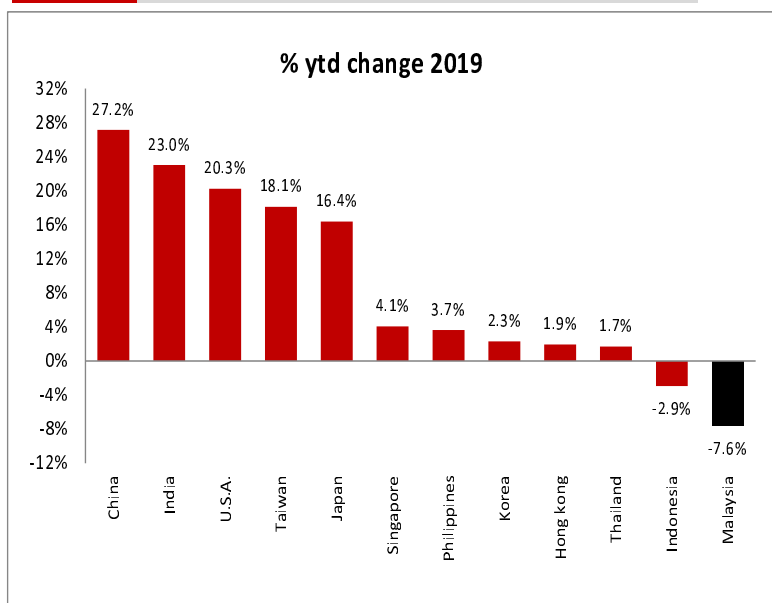
## FUND FLOW REPORT

- The FBM KLCI ended the week in the red zone, dropping -2.2% the biggest weekly decline since October 2018. Likewise, the Ringgit depreciated by 0.2% against the greenback to reach USD/MYR4.1778 during the week.

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

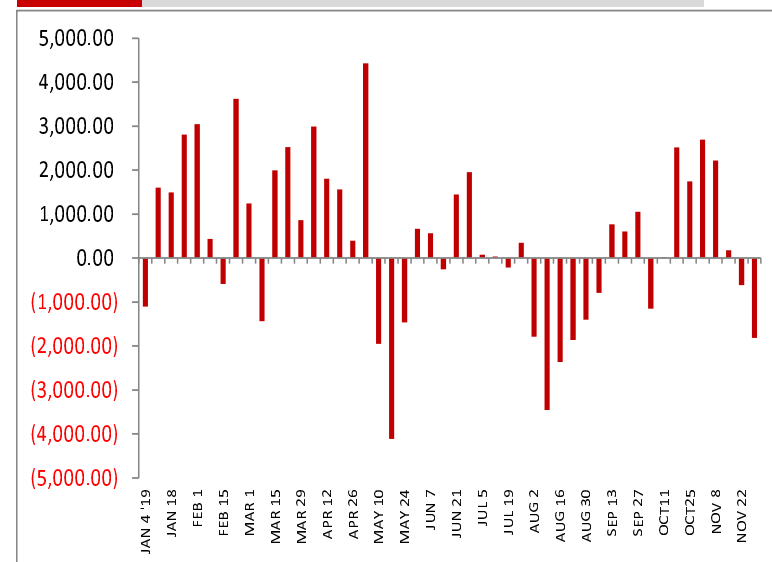
- The level of foreign net attrition in Asian markets quadrupled last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” disposed -USD1.82b net last week, compared to -USD614.7m acquired in the preceding week.
- International investors in South Korea continued to dump local equities at a heightened level of more than -USD1.0b net for the second week. Foreign funds were net sellers every day last week, extending the daily selling spree to 17 days, the longest since the 29-day foreign net selling frenzy observed in August to September 2015. Foreign net selling peaked on Tuesday at -USD729.9m which was also the highest foreign net outflow observed in a day so far in 2019. Markets on that day slipped on concerns about Hong Kong’s political outlook and U.S-China trade talks. In particular, property issues in Hong Kong suffered, hurt by worries about further street protests after the city’s leader, Carrie Lam, on Tuesday made no concessions following Sunday’s landslide win of anti-government candidates in the city’s election.
- After 12 consecutive weeks of foreign net buying in Taiwan, international funds finally took a breather to sell -USD210.0m net last week. It was notable that international funds were net buyers on the first four days of the week with Wednesday recording the highest at USD86.4m net, coinciding with the 0.6% jump in the Taiex to settle at 11,647.5 points, a level not seen in a week. The positive vibes were spurred by a rally in technology firm after President Trump said talks with China on the phase-one trade deal was in the final throes. Notwithstanding this, an exodus of foreign funds from Taiwan was seen on Friday at a tune of -USD415.9m net, dragging the local bourse 1.1% lower to a two-week low of 11,489.6 points. Sentiment was hurt on Friday as investors digested China’s possible retaliation against the U.S bill supporting Hong Kong protesters.

**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)

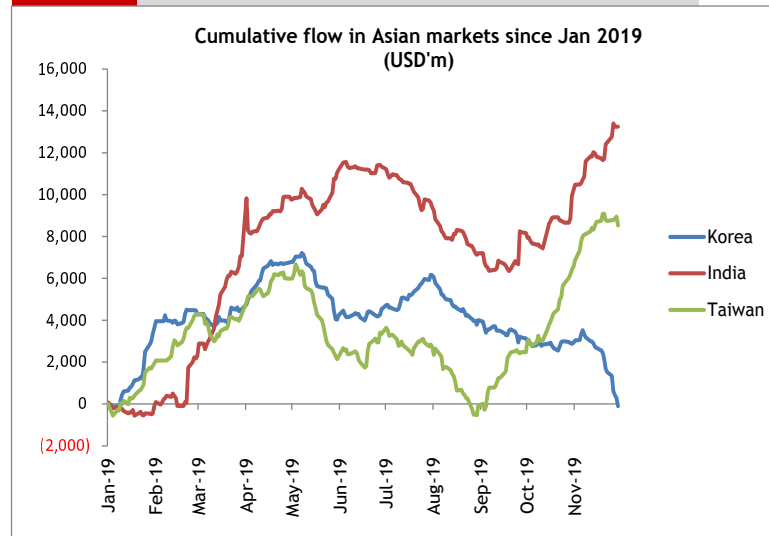


Source: Bloomberg, Bursa Malaysia, MIDFR

<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.

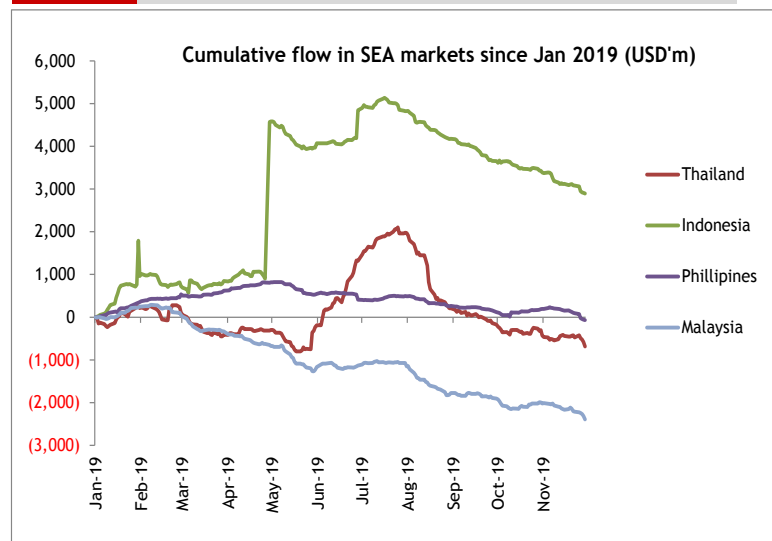
- In emerging South East Asian markets that we monitor, all of them experienced net foreign selling.
- In Bangkok, foreign investors upped the ante in selling activity, disposing -USD212.0m net of local equities compared to just -USD34.6m net in the week before. Offshore funds were net sellers on every day of the week except on Monday which had a foreign net inflow of USD50.3m. The foreign net selling on the other hand was the highest on Friday at USD103.4m net. On the macroeconomic front, Thailand's industrial output in October 2019 fell -8.5%yoy, marking the sixth straight month of contraction. This was dragged by lower production of cars, petroleum and steel.
- In Manila, offshore funds sold local equities for the third week at a stronger momentum of -USD159.3m net compared to USD63.3m net in the preceding week. Similar to Korea, foreign investors were net sellers every day, extending the daily foreign selling streak to nine days, the longest since the 18-day selling spree in May this year. Foreign net outflow was the highest on Tuesday at USD94.4m net amidst the MSCI rebalancing which took effect at the close of trading on the same day.
- Foreign investors remained net sellers for the fifth uninterrupted week at a higher magnitude of -USD189.4m. Tuesday saw the largest foreign net outflow during the week at -USD111.7m due to the MSCI rebalancing. In contrast, foreign investors sold the least on Thursday at -USD11.0m. For the month of November, Indonesia recorded a foreign net outflow of -USD492.7m net, the highest amongst the four ASEAN markets we monitor.

**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
OCT 11	58.6	53.2	-79.1	60.2	-239.1	225.4	-65.9	13.3
OCT 18	-159.7	-92.4	-95.6	27.2	1,489.6	1,303.8	44.1	2,517.0
OCT 25	324.8	143.2	23.1	28.9	-257.3	1,410.7	72.2	1,745.6
NOV 1	38.5	-216.1	-123.4	27.6	1,820.6	1,130.9	13.2	2,691.3
NOV 8	151.5	-78.5	-183.1	12.0	1,120.6	1,252.3	-57.2	2,217.5
NOV 15	-503.4	104.0	-64.6	-47.9	210.4	574.2	-98.4	174.2
NOV 22	-1,155.6	-34.6	-40.2	63.4	680.5	43.4	-44.8	-614.7
NOV 29	-1,626.4	-212.0	-189.4	-159.3	760.3	-210.0	-182.3	-1,819.0

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

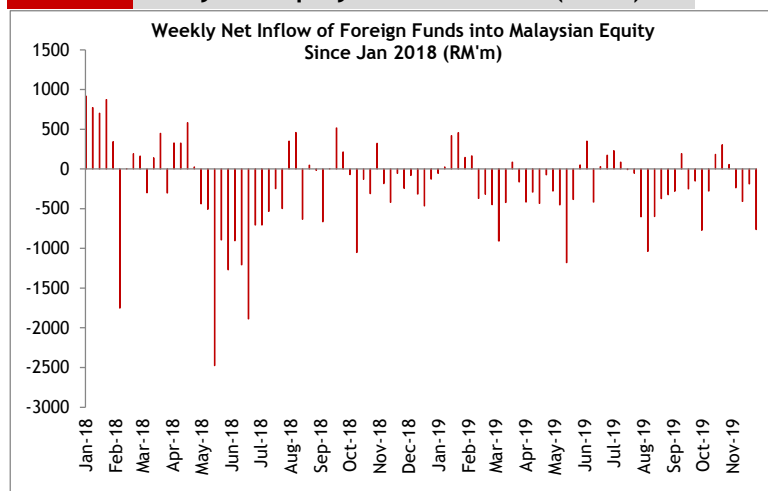
## FUND FLOW REPORT

### C. TRACKING MONEY FLOW - MALAYSIA

- The magnitude at which foreign funds were disposing equities listed on Bursa intensified further last week. Based on data from Bursa, foreign investors sold -RM761.2m net of local equities last week, four times more compared to the preceding week. Foreign funds were net sellers on every day of the week, stretching the daily foreign selling spree to eight days.
- The local stock barometer saw -RM64.8m net of local equities disposed on Monday as investors assessed Hong Kong's record election turnout and China's pledge to step up protection of intellectual property rights.
- The level of foreign net outflow inched higher to -RM76.1m net on Tuesday as foreign investors repositioned themselves in alignment with the MSCI rebalancing. As such the average daily traded value amongst foreign investors surged to RM2.5b, the highest since the last round of MSCI rebalancing in late May 2019.
- Foreign investors continued to reduce exposure at a tune of -RM88.3m even as President Trump declared that the first phase of the trade deal were near completion.
- There was no reprieve in risk-off appetite as the foreign net selling later reached -RM193.0m on Thursday after U.S. President Donald Trump signed a bill supporting Hong Kong protesters.
- Foreign net selling then peaked on Friday at -RM339.0m, as the possible retaliation from China towards the U.S's support for Hong Kong protesters could put a strain on the current trade negotiations.
- November recorded a foreign net outflow of -RM1.5b, the fifth month of which selling levels exceeded RM1.0b. Nevertheless, November's foreign net outflow was not as high as Indonesia and South Korea. Meanwhile on a year-to-date basis, foreign funds have taken out -RM9.93b of local equities from Malaysia, making up 85.0% of last year's total foreign outflow of -RM11.69b.
- In terms of participation, foreign investors saw a spike in average daily traded value (ADTV) of 71.0% to hit RM1.7b, the largest in 10 weeks.

Chart 5

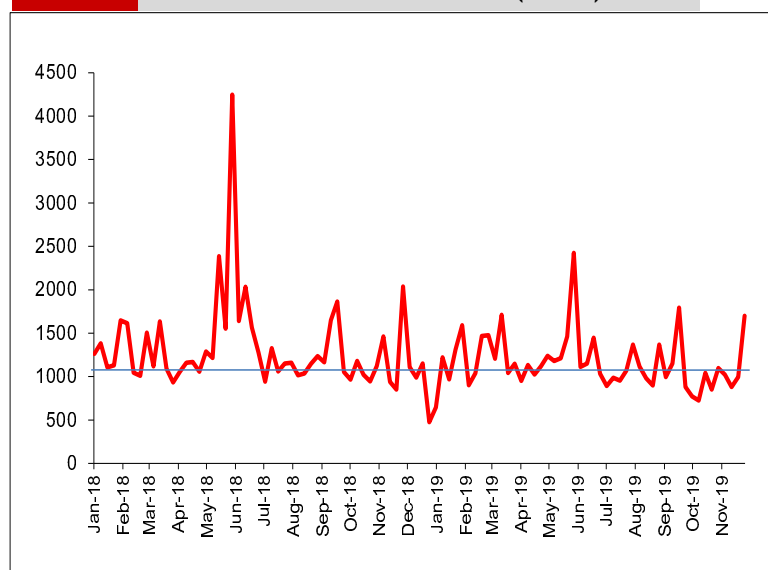
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2018 (RM'm)



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)	
OCT 25	2,282.9	2,264.4	18.5	3,786.4	4,107.2	-320.9	2,281.5	1,979.1	302.4	72.2
NOV 1	1,814.1	1,780.6	33.6	3,912.4	4,001.2	-88.8	2,224.4	2,169.3	55.2	13.2
NOV 8	2,351.3	2,312.5	38.7	5,092.3	4,893.8	198.5	2,432.8	2,670.0	-237.2	-57.3
NOV 15	2,144.0	2,055.4	88.6	4,420.3	4,100.3	320.0	1,999.4	2,408.0	-408.5	-98.4
NOV 22	2,502.7	2,454.3	48.4	4,285.2	4,146.4	138.8	2,394.2	2,581.3	-187.2	-44.8
NOV 29	2,542.1	2,399.9	142.2	4,788.1	4,169.2	619.0	3,871.5	4,632.7	-761.2	-182.3

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 NOVEMBER**
**TOP 10 NET MONEY INFLOWS**

- Kuala Lumpur Kepong Berhad registered the highest net money inflow of RM3.97m last week. Its share price declined -1.93% for the week, outperforming the local bourse which had a -2.20% 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.
- IGB REIT recorded the second highest net money inflow of RM2.58. Its share price was relatively unchanged during the week under review.
- Petronas Chemicals Group Berhad saw the third highest net money inflow of RM1.93m. Its share price was -0.70% lower during the week, outperforming the local bourse which was -2.20% lower.


**Table 4** Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
KLK	3.97	-1.12	-1.93	BOW
IGB REIT	2.58	-1.39	0.00	-
PETCHEM	1.93	-0.70	-0.70	BOW
TNB	1.82	5.30	-3.09	BOW
GENTING MSIA	1.72	0.01	-2.18	BOW
SIME DARBY	1.50	-2.07	-4.26	BOW
NESTLE	1.40	-0.03	-0.56	BOW
PPB GROUP	1.07	0.22	-0.33	BOW
HAP SENG	1.04	-0.27	-0.30	BOW
GENTING BHD	0.91	-0.14	-3.64	BOW

Source: Bloomberg, MIDFR;

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

**TOP 10 NET MONEY OUTFLOWS**

- Malayan Banking Berhad saw the largest net money outflow of -RM10.49m last week. Its stock price was -1.27% lower for the week, outperforming vis-à-vis the FBM KLCI which declined -2.20% during the review week.
- CIMB Group Holdings Berhad recorded the second largest net money outflow -RM2.76m during the week under review. Its share price 3.54% lower during the week, underperforming the market benchmark which had a -2.20% weekly loss.
- Velesto Energy Berhad registered the third largest net money outflow of -RM1.98m 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)	Remark
	Last Week	Prev Week	Last Week	
MAYBANK	-10.49	1.71	-1.27	-
CIMB GROUP	-2.76	-0.37	-3.54	-
VELESTO	-1.98	-1.73	0.00	-
KLCCP	-1.95	-1.07	1.24	SOS
SAPURA	-1.76	-0.82	-3.51	-
BUMI ARMADA	-1.63	-1.70	0.00	-
DIALOG	-1.54	-0.31	-1.67	-
SD PROP	-1.28	-0.95	-1.26	-
AXIATA	-1.15	-0.14	-5.28	-

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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