

## MIDF EQUITY STRATEGY | 6 MAY 2019

### WEEK ENDED 3 MAY

- Major equity markets worldwide ended the week mixed as most Asian markets had a holiday-shortened week.
- Brent crude oil price took a breather as it ended 1.8% lower for the week at USD70.85pb. While sanctions on Iranian oil exports took effect on 2 May 2019, investors are speculating that Russia and Saudi Arabia will fill the shortfall in supply. Further pressure on Brent crude oil price came from data showing that American crude inventories hit the highest level in two years while Russian missed a target to slash output in April.
- Offshore funds rushed into Asian markets last week at a heightened pace and marked its eighth consecutive week of foreign net buying. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” bought USD4.15b net last week, a level not seen since March 2017.
- The momentum of foreign net selling activity on Bursa picked up last week, extending the selling streak to the sixth week. Based on data from Bursa, foreign funds sold -RM275.7m net of local equities last week, almost four times more than what was seen in the week before.
- The FBM KLCI was back in the red after declining by 0.1% for the week to settle at 1,637 points on Friday. In comparison with other regional bourses, the FBMKLCI is the only laggard in ASEAN with a year-to-date loss of 3.2%. Likewise, the Ringgit depreciated 0.28% against the greenback to settle at USD/MYR4.1433.

6 May 2019 | Strategy - Weekly Fund Flow

Adam M Rahim

**MASSIVE INFLUX INTO ASIAN MARKETS LED BY INDONESIA****A. MARKET SNAPSHOT**

- Major equity markets worldwide ended the week mixed as most Asian markets had a holiday-shortened week.
- The core PCE inflation in the US inched down to 1.6%yoy in Mar-19 from 1.7% increase in the previous month. For the 1Q19, core PCE inflation averaged at 1.7%yoy, below Fed's 2% target. Despite Trump's pressure for a rate cut and the softening inflation which somehow supports his take, we still don't think that Fed will opt for a rate cut this year. Low inflationary pressure should not be the only consideration for a rate cut as other indicators remain stable. The recent stronger-than-expected GDP growth figures should provide support, as the annualized of 3.2% in the 1Q19, was way faster than 2.2% growth in the previous quarter and exceeded market estimations of 2%.
- Vietnam posted a trade deficit of USD0.7B in Apr-19 compared to trade surplus of USD1.6B in the previous month as imports increased more than exports. Exports edged up 7.5%yoy (7.2%yoy in Mar-19), from high outbound shipments of wood & wood products and electronics, computers & components. Meanwhile, imports expanded 17.6%yoy (11.3%yoy in Mar-19) influenced by high overseas purchases of cars and electronic, computers & components.
- In the U.K., the British Pound ended its best week in two months with a rally on Friday, following a battering in local elections for the two main political parties that could steer them toward away from a compromise on Brexit. At the moment, no progress has been made in cross-party talks but by the middle of this week, the market is expecting that the government will create a 'take-it-or-leave-it' situation for both sides to try and find a way through. Meanwhile, the outlook for the Bank of England's interest-rate path also hinges on Brexit. The market barely reacted on Thursday to comments from BOE Governor Mark Carney that policy makers would raise rates by more than investors are pricing if Brexit goes smoothly.
- Brent crude oil price took a breather as it ended 1.8% lower for the week at USD70.85pb. While sanctions on Iranian oil exports took effect on 2 May 2019, investors are speculating that Russia and Saudi Arabia will fill in the supply shortfall. Further pressure on Brent crude oil price came from data showing that American crude inventories hit the highest level in two years while Russian missed a target to slash output in April.

**Table 1** Weekly performance of major indices

Weekly % change	Week before	Last week
Hang Seng	-1.20	1.61
Taiwan TAIEX	-0.15	1.31
Phil PCOMP	0.42	1.27
FSSTI Index	0.28	1.05
DAX	0.76	0.79
Korea KOSPI	-1.66	0.78
Thai SET	-0.42	0.71
China CSI 300	-5.61	0.62
S&P 500	1.20	0.20
Nikkei	0.26	0.00
KLCI	1.01	-0.07
Dow Jones	-0.06	-0.14
India SENSEX	-0.19	-0.27
CAC 40	-0.20	-0.37
FTSE 100	-0.42	-0.64
Jakarta JCI	-1.63	-1.28

Source: Bloomberg

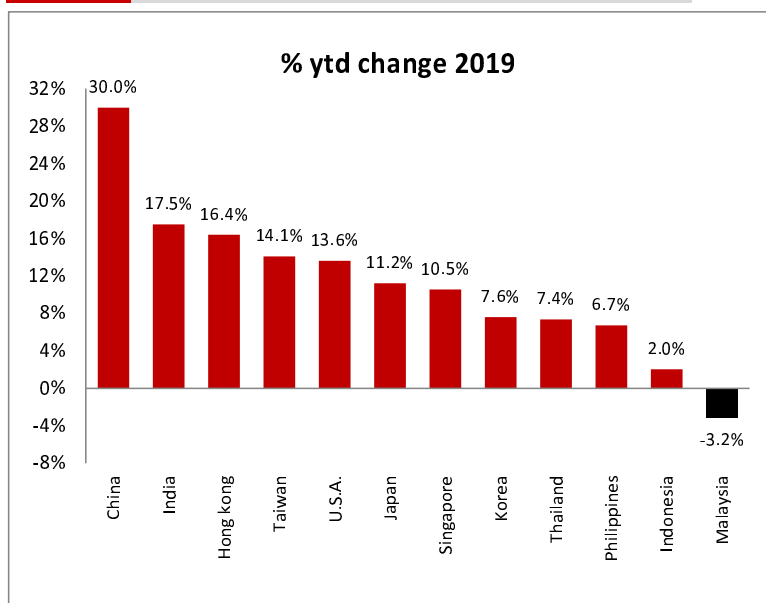
## FUND FLOW REPORT

- The FBM KLCI was back in the red after declining by 0.1% for the week to settle at 1,637 points on Friday. In comparison with other regional bourses, the FBMKLCI is the only laggard in ASEAN with a year-to-date loss of 3.2%. Likewise, the Ringgit depreciated 0.28% against the greenback to settle at USD/MYR4.1433.

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

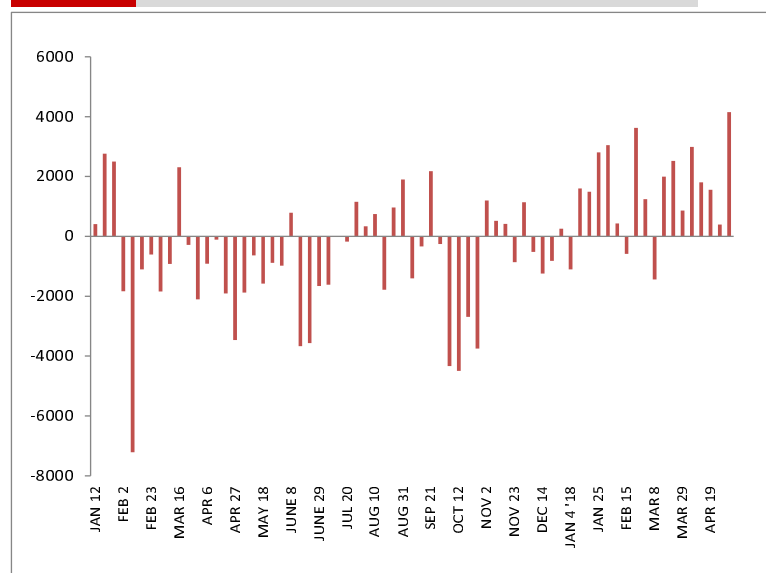
- Offshore funds rushed into Asian markets last week at a heightened pace and marked the eighth consecutive week of foreign net buying. International investors were still net buyers in based on the provisional aggregate data for the seven Asian exchanges that we track. Investors classified as “foreign” bought USD4.15b net last week, the largest weekly foreign net inflow so far this year.
- In Korea, the pace at which international funds entered the local bourse substantially increased to USD333.8m net last week, compared to the USD2.7m net inflow seen in the preceding week. Foreign net buying occurred on every single day of the week with Friday was the highest at USD137.9m, after a report cited that the U.S and China could announce a trade deal as soon as next Friday. Meanwhile, the local bourse slipped 0.7% on the same day to settle below 2,200 points with Samsung Electronics Co. and Kia Motors Corp being the biggest drag ahead of the monthly U.S payrolls report. The smallest foreign net inflow was recorded on Tuesday at a pace of USD29.6m net as risk appetite was affected by the nation’s exports which continued to shrink for a fifth straight month. On a monthly basis, South Korea recorded a USD2.25b foreign net inflow in April, bringing the year-to-date foreign net inflow to USD7.04b.
- Taiwan was equally attractive as South Korea, attracting USD372.9m net of foreign funds last week. International investors were net buyers on every single day except Monday which saw a foreign net outflow of -USD28.9m net. Sentiment on Monday was dampened by Unimicron Technology which dropped as much as the 10% daily limit following a report that China’s Shennan Circuits may benefit from Apple’s plan to diversify suppliers to reduce costs. In contrast, foreign net buying was the highest on Thursday at USD266.2m.

**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)

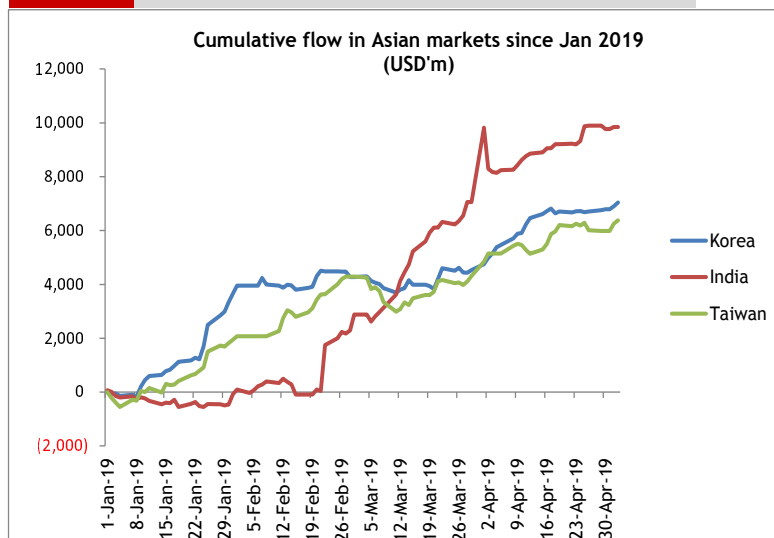


Source: Bloomberg, Bursa Malaysia, MIDFR

<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.

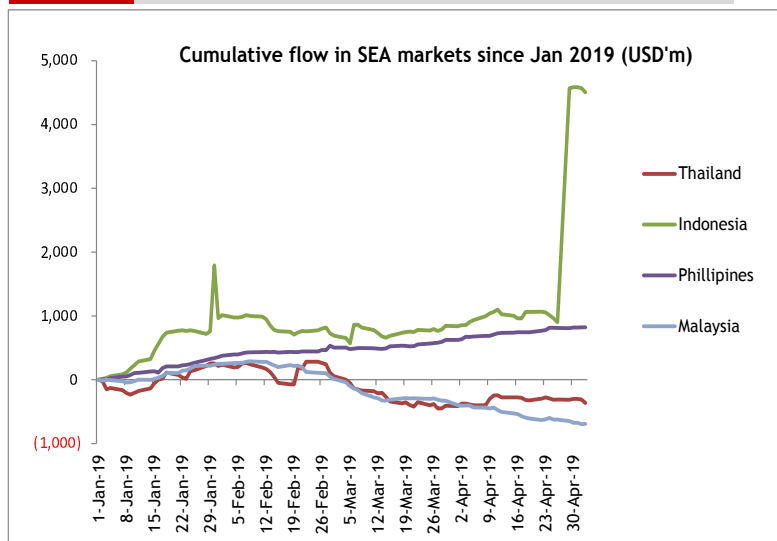
- In emerging South East Asian markets that we monitor, half experienced foreign net buying while the other half faced foreign net attrition for the week.
- International funds disposed -USD51.6m net of local stocks in Bangkok last week, the highest in five weeks. Foreign net selling occurred on every single day of the week except on Tuesday which recorded a USD12.9m net foreign net inflow, in conformity with other regional peers. Foreign net outflow was the highest on Friday as investors anticipate the results of the nation's election which is due to be announced this week.
- Manila marked its eighth week of foreign net inflows but at a slower pace of USD11.5m. International investors bought the most during the week on Tuesday at USD8.0m net, bringing the local bourse back to the 7,900 level ahead of the trading break on Wednesday in conjunction of Labour Day. Aside from that, Tuesday's rally was partly attributable to the month-end window dressing and speculation that inflation would likely ease further. On the other hand, foreign net outflow peaked on Friday at -USD1.3m net amidst profit taking activity from the previous session which was bolstered by the nation's recent credit rating upgrade.
- Indonesia emerged as an outlier during the week under review as foreign investors mopped up USD3.6b net of equities, the highest weekly amount seen so far for the year. It was notable that foreign net buying surged on Monday to hit USD3.67b, lifting the local bourse by 0.4%. Nonetheless, foreign net selling was prevalent on Friday albeit at a moderate level of USD67.9m following a signal from the Fed that a rate cut is not imminent. Sentiment was later dampened as local investors betted that Bank Indonesia would have room to start lowering its own benchmark rate.

**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)

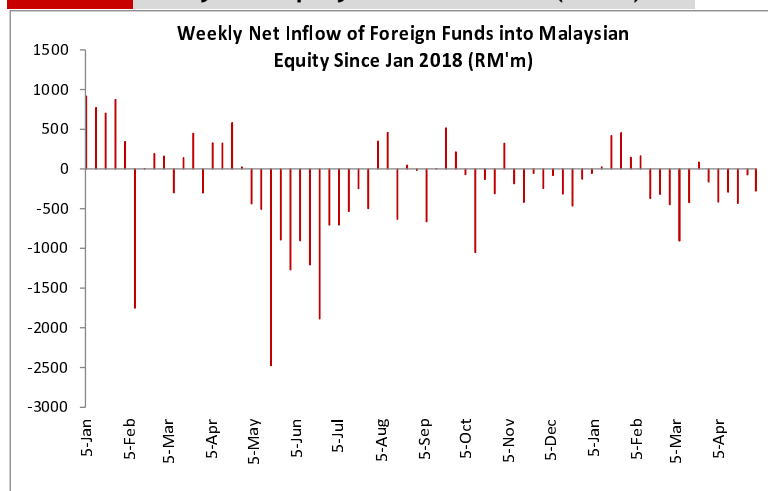
WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
MAR 1	-208.8	-228.3	-64.9	58.7	1,137.4	658.9	-110.0	1,242.9
MAR 8	-414.6	-222.5	127.2	-5.6	246.4	-948.8	-221.2	-1,439.2
MAR 15	126.7	-170.5	-131.2	26.6	2,102.7	141.5	-103.0	1,992.7
MAR 22	618.2	-9.2	94.1	29.7	1,089.3	681.3	21.2	2,524.6
MAR 29	-68.0	-57.8	63.5	69.2	742.6	149.6	-39.8	859.3
APR 5	927.3	5.7	90.8	55.0	1,177.0	835.8	-102.1	2,989.5
APR 12	1,004.4	123.9	90.2	55.0	614.5	-11.2	-70.4	1,806.3
APR 19	238.4	-46.6	37.3	11.8	357.4	1,066.4	-105.0	1,559.7
APR 26	2.7	12.5	-161.6	65.1	685.9	-193.6	-17.4	393.0
MAY 3	333.8	-51.6	3,601.9	11.5	-52.3	372.9	-66.7	4,149.5

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

## C. TRACKING MONEY FLOW - MALAYSIA

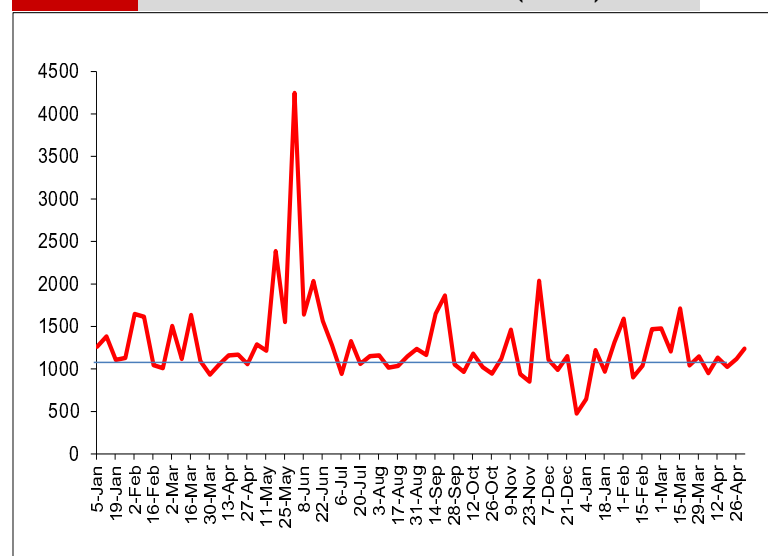
- The momentum of foreign net selling activity picked up last week, extending the selling streak to the sixth week. Based on data from Bursa, foreign funds sold -RM275.7m net of local equities last week, almost four times more than what was seen in the week before.
- Monday recorded a foreign net outflow of -RM96.3m net as investors waited for a slew of data from the U.S, Europe and China which may shed some light on the prospects of global economic growth.
- Foreign net selling peaked during the week on Tuesday at -RM102.9m net as Malaysia and other regional markets were closed on Wednesday. Sentiment was also partially affected by the lower-than-expected PMI in China.
- As markets reopened on Thursday, foreign investors continued to take out local equities at a tune of -RM88.8m net. The trend of foreign net outflow was in conformity with other regional peers namely, Thailand and Indonesia.
- International funds made their way back to Bursa on Friday as they snapped up RM12.2m net of local equities, bringing the five-day selling streak to an end. Performance of the local bourse on that day was partly influenced by Malaysia's April trade surplus of RM14.4b, the largest gain since October 2018.
- For the month of April, Malaysia recorded a foreign net outflow of -RM1.49b, marking the third consecutive month of foreign net selling. This brings the foreign outflow from Malaysia for the first four months to -RM2.76b compared to a foreign net inflow of RM3.71b recorded during the same period last year.
- Among the four ASEAN markets we monitor, Malaysia retains its position as the nation with the largest foreign net outflow amongst the four ASEAN markets we monitor. Meanwhile, amongst the seven Asian markets we track, India is the nation with the largest foreign net inflow nearing USD10.0b as the general election is still ongoing until 23 May 2019.

**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)	
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
APR 5	2,470.5	2,499.3	-28.8	4,932.5	4,487.0	445.5	2,174.2	2,590.9	-416.7	-102.1
APR 12	3,458.4	3,286.7	171.8	5,328.2	5,210.8	117.5	2,686.8	2,976.1	-289.3	-70.4
APR 19	2,512.9	2,518.9	-6.0	4,392.5	3,953.2	439.4	2,346.2	2,779.6	-433.4	-105.0
APR 26	3,992.9	4,021.0	-28.1	6,354.9	6,254.9	100.1	2,761.9	2,833.9	-72.0	17.4
MAY 3	2,097.2	2,076.8	20.4	3,505.1	3,249.8	255.3	2,341.3	2,617.0	-275.7	-66.7

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 3 MAY**
**TOP 10 NET MONEY INFLOWS**

- Gamuda Berhad registered the highest net money inflow of RM10.43m last week. Its share price declined -5.07% for the week, substantially underperforming the local bourse which had a -0.07% weekly loss. It is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.
- Fraser & Neave Holdings Berhad recorded the second highest net money inflow of RM9.46m. Its share price ended 0.29% higher for the week, outperforming the benchmark which was -0.07% lower.
- Malaysia Airports Holdings Berhad saw the third highest net money inflow of RM4.87m. Its share price ended 1.47% higher during the week under review, outperforming the local bourse which was -0.07% lower.

**Table 4** Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
GAMUDA BHD	10.43	-2.52	-5.07	BOW
F&N	9.46	0.47	0.29	-
MAHB	4.87	13.36	1.47	-
DIGI.COM	4.28	1.15	-0.66	BOW
HARTALEGA	3.78	2.06	-0.20	BOW
IHH	3.70	-4.77	-1.60	BOW
MAYBANK	3.29	0.04	1.31	-
PETDAG	2.94	-0.36	-0.50	BOW
TOP GLOVE	2.88	-0.87	1.26	-
KL KEPONG	2.28	-1.00	-0.40	BOW

Source: Bloomberg, MIDFR;

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

**TOP 10 NET MONEY OUTFLOWS**

- Tenaga Nasional Berhad saw the largest net money outflow of -RM7.94m last week. Its stock price increased 1.32% for the week outperforming vis-à-vis the FBM KLCI which declined -0.07% 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
- Dutch Lady Milk Industry Berhad recorded the second largest net money outflow -RM6.82m during the week under review. Its share price was -0.12% lower during the week, outperforming the market benchmark which had a -0.07% weekly loss.
- Lafarge Malaysia Berhad registered the third largest net money outflow of -RM5.92m in the review week. Its share price was 15.53% higher for the week, outperforming the benchmark.

**Table 5** Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
TNB	-7.94	-1.60	1.32	SOS
DUTCH LADY	-6.82	-0.03	-0.12	-
LAFARGE	-5.92	1.33	15.53	SOS
HONG LEONG	-4.28	0.49	0.20	SOS
IJM CORP	-2.74	-0.95	-3.00	-
LOTTE	-2.10	0.21	-12.03	-
PETCHEM	-1.82	-15.60	-1.65	-
SCIENEX	-1.67	0.36	-1.14	-
WESTPORTS	-1.52	1.03	1.32	SOS
PETGAS	-1.44	-0.01	0.23	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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