

MIDF EQUITY STRATEGY | 4 MAY 2020 WEEK ENDED 30 APRIL 2020

- Major equity markets worldwide staged a rebound last week as risk appetite was boosted by signs of progress in treating the Covid-19 pandemic and the reopening of some economies.
- Brent crude oil price surged 23.3% to settle at USD26.44pb last Friday. Oil companies have announced major production closures with Chevron Corp saying it will shut as much as 400,000 barrels of daily output and Exxon Mobil Corp. reported that it will cut rigs in the Permian Basin by 75% by the end of the year. At the same time, OPEC+'s pledge to trim supply by 9.7 million barrels a day has gone into effect on 1 May 2020.
- In Asia, international investors staged a return last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" accumulated USD1.53b net last week, snapping the 11-week selling streak.
- The momentum of foreign net selling on Bursa substantially slowed down last week. Based on data from Bursa, international investors sold -RM87.9m net of local equities last week, the lowest in 11 weeks.
- The FBM KLCI advanced by 2.8% for the week after settling at 1,407.8 points. Likewise, the Ringgit appreciated by 1.4% against the greenback to reach USD/MYR4.3022 during the week.

4 May 2020 | Strategy - Weekly Fund Flow

Adam M Rahim

SELLING STREAK IN ASIA SNAPS

A. MARKET SNAPSHOT

- Major equity markets worldwide staged a rebound last week as risk appetite was boosted by signs of progress in treating the Covid-19 pandemic and the reopening of some economies.
- U.S. stocks ended their best month in three decades with the S&P 500 index posting a monthly gain of 13.0% in April. That being said, the month finished on a slightly sour note after reports showed another 3.8 million Americans applied for weekly unemployment benefits bringing the total to around 30 million in the past six weeks.
- In Asia, Japan's seasonally adjusted unemployment rate increased to 2.5% in Mar-20 (Feb-20: 2.4%), the highest in a year. Employment declined marginally by -0.2%mom while unemployment increased 3.6%mom, not significantly lower than level seen in the previous few months. On annual basis, employment just registered a tepid growth of 0.1%yoy, the slowest pace since May-15 while unemployment rose 0.6%yoy (Feb-20: 2.5%yoy). Nevertheless, unemployment rate in the country was maintained low, hovering below 2.5% level despite weakening performances in industrial production and exports. Growth of industrial production and exports had been negative for more than a year. However, the sustainability of low unemployment rate is currently at stake as number of unemployed persons are likely to increase in upcoming months resulting from the Covid-19 pandemic.
- Over in Europe, the euro zone economic sentiment slumped to 67 points in April, the largest fall since measurements started in 1985 from 94.2 points in March. The biggest drop was in the services sector, which generates two-thirds of euro zone GDP - the indicator fell to -35 points from -2.3 in March. Sentiment in industry tumbled to -30.4 from -11.2 and in retail trade to -28.3 from -8.6. Confidence among consumers dropped to 22.7 in April from 11.6 in March, in line with the earlier published flash estimate. The survey also showed unemployment expectations among consumers increased to 63 points in April from 22.8 in March, coming close to a record high of 70.7 reached at the peak of the euro zone's last deep recession in 2009.
- Brent crude oil price surged 23.3% to settle at USD26.44pb last Friday. Oil companies have announced major production closures with Chevron Corp saying it will shut as much as 400,000 barrels of daily output and Exxon Mobil Corp. reported that it will cut rigs in the Permian Basin by 75% by the end of the year. At the same time, OPEC+'s pledge to trim supply by 9.7 million barrels a day has gone into effect on 1 May 2020.

Table 1		
Weekly performance of major indices		
Weekly % change	Week before	Last week
India SENSEX	-0.83	7.63
Taiwan TAIEX	-2.36	6.23
DAX	-2.73	5.08
Jakarta JCI	-2.99	4.90
Phil PCOMP	-5.61	4.31
FSSTI Index	-3.69	4.21
CAC 40	-2.35	4.07
Hang Seng	-2.25	3.41
Thai SET	1.58	3.41
Korea KOSPI	-1.33	3.10
China CSI 300	-1.11	3.04
KLCI	-2.66	2.77
Nikkei	-3.19	1.86
FTSE 100	-0.60	0.19
S&P 500	-1.32	-0.21
Dow Jones	-1.93	-0.22

Source: Bloomberg

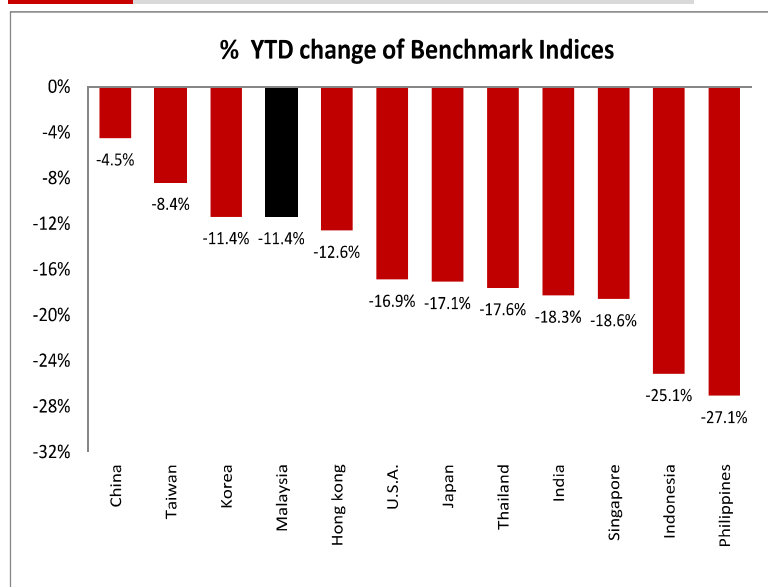
FUND FLOW REPORT

- The FBM KLCI advanced by 2.8% for the week after settling at 1,407.8 points. Likewise, the Ringgit appreciated by 1.4% against the greenback to reach USD/MYR4.3022 during the week.

B. TRACKING MONEY FLOW - ASIA¹

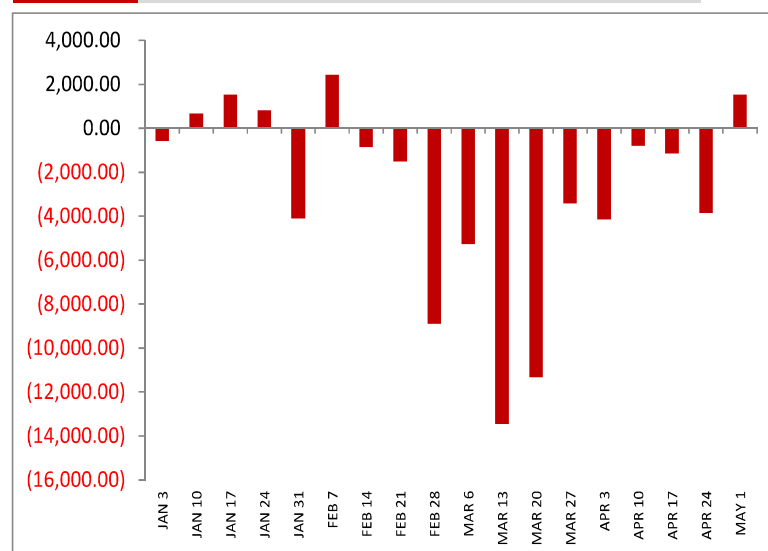
- In Asia, international investors staged a return last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” accumulated USD1.53b net last week, snapping the 11-week selling streak.
- Likewise, the 11 consecutive weeks of foreign net outflow in South Korea came to an end as international funds bought USD50.7m net of local equities. International investors bought the most during the week on Wednesday at USD176.7m net. Investor sentiment on Wednesday was buoyed by expectations about robust earnings by U.S technology firms in addition to the optimism that government easing of Covid-19 lockdowns in parts of the world will help economies repair. On the macroeconomic front, South Korea’s March factory output expanded at its sharpest pace in 11 years, helped by virus-related production disruptions in China and new product launches. Amongst the seven Asian markets we cover, South Korea has the largest foreign net outflow on a year-to-date basis worth -USD17.7b.
- In Taiwan, offshore funds flocked into its local equities at a tune of USD1.74b net last week, the largest weekly foreign net inflow for the year thus far. Foreign investors were net buyers on every day of the week except for Tuesday which had a foreign net outflow of -USD76.6m. Meanwhile, foreign net buying was the highest during the week on Thursday at USD664.2m as investors scrambled to pick up high tech stocks, which generally stayed in the doldrums a day earlier as many countries were beginning to remove lockdowns to reopen their businesses amid signs of an easing of the Covid-19 spread. In fact, Thursday’s foreign net buying was the highest in a day since late March 2017.

Chart 1 Cumulative performance of major markets



Source: Bloomberg

Chart 2 Weekly Net Flow of Foreign Funds into 7 Asian Markets since Jan 2020 (USD'm)

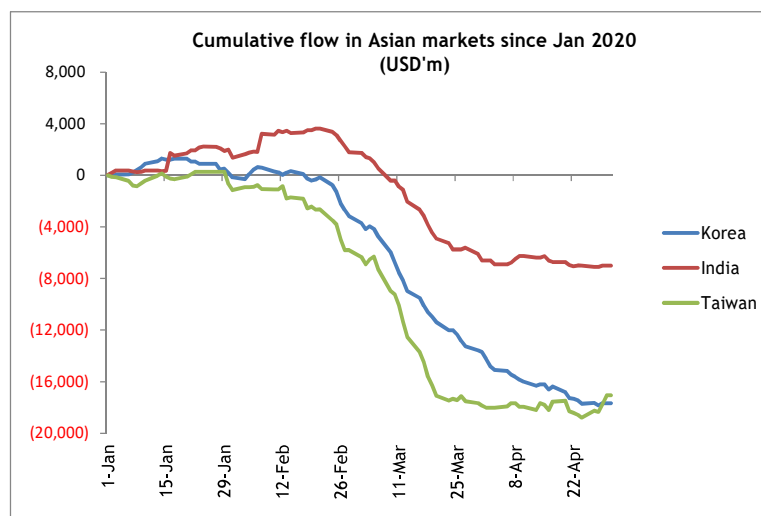


Source: Bloomberg, Bursa Malaysia, MIDFR

¹ 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.

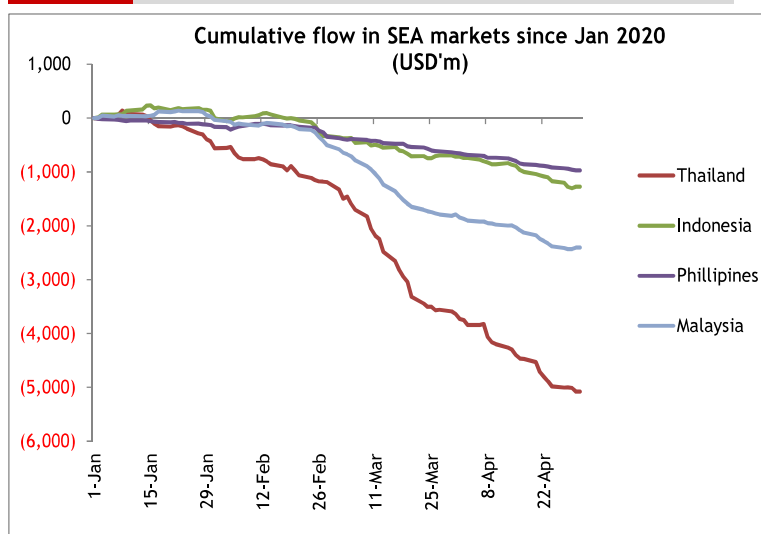
- In emerging South East Asian markets that we monitor, all markets continue to experience foreign net attrition.
- In Thailand, the level of foreign net selling shrank by five times to -USD95.3m last week, the smallest in 17 weeks. Foreign net selling occurred on every day of the week except on Tuesday which recorded a foreign net inflow of USD5.7m outlook for easing COVID-19 lockdowns globally, Meanwhile, foreign net selling peaked on Thursday at -USD66.5m despite the 1.5% daily gain in the local bourse propped up by hopes of a U.S economic recovery after pharmaceutical giant Gilead Sciences found Remdesivir to be effective against Covid-19. On a year-to-date basis, Thailand has a foreign net outflow of -USD5.08b, the largest amongst the four ASEAN markets we track.
- In Manila, foreign net selling activity was little changed as international funds only sold -USD53.0m net compared to -USD60.8m in the preceding week. Foreign funds were net sellers on every day of the week with Monday recording the highest foreign net outflow of -USD16.3m on the back of the extended enhanced community quarantine (ECQ) in some areas in the country beyond April 30. In the same vein, the local stock barometer skidded -0.3% to 5,450.5 points on Monday. It is also noteworthy that the Philippines has the smallest foreign net outflow amongst the seven Asian markets under our coverage.
- In Jakarta, foreign investors sold -USD102.8m net last week. Similar to Malaysia, foreign net selling peaked on Thursday at USD28.7m, putting the 12-day selling spree to an end. International investors piled into Indonesian stocks following a rally on Wall Street overnight supported by the 7.1% surge in Gilead's share price as the pharmaceutical company unfurls positive data on a Covid-19 drug.

Chart 3 Net Flow of Foreign Funds into Taiwan, Korea and India since Jan 2020 (USD'm)



Source: Bloomberg, MIDFR

Chart 4 Net Flow of Foreign Funds into South East Asia Emerging Markets since Jan 2020 (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 13	-4,233.6	-782.3	-89.6	-73.5	-2,573.2	-5,252.4	-450.2	-13,454.8
MAR 20	-2,414.7	-829.1	-157.3	-74.0	-2,878.5	-4,565.9	-411.6	-11,331.1
MAR 27	-1,856.7	-244.5	18.2	-75.9	-706.4	-420.8	-143.5	-3,429.7
APR 3	-1,845.0	-280.7	-50.6	-69.2	-1,281.9	-508.9	-111.4	-4,147.8
APR 10	-919.5	-356.4	-115.6	-49.6	654.5	71.7	-75.2	-790.1
APR 17	-369.2	-276.5	-142.1	-122.1	-483.9	392.7	-146.5	-1,147.4
APR 24	-1,339.9	-512.1	-171.2	-60.8	-282.7	-1,242.6	-258.5	-3,867.9
MAY 1	50.7	-95.3	-102.8	-53.0	9.0	1,737.4	-19.7	1,526.2

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

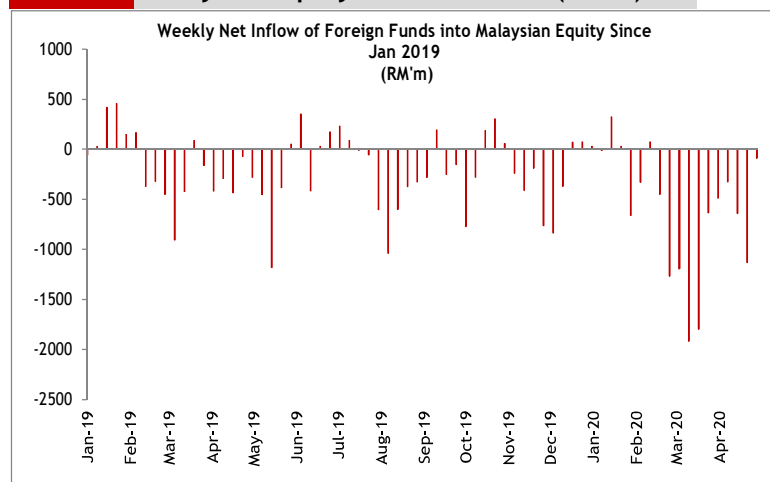
FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

- The momentum of foreign net selling on Bursa substantially slowed down last week. Based on data from Bursa, international investors sold -RM87.9m net of local equities last week, the lowest in 11 weeks.
- For the month of April 2020, offshore investors took out -RM2.67b net of local equities, more than half of what was sold in the preceding month. In comparison to its other six Asian peers that we monitor, Malaysia remains as the nation with the third smallest foreign net outflow on a year-to-date basis after Indonesia and the Philippines. The year-to-date foreign outflow from Malaysia came to -RM10.30b.
- Bursa began the week on a gloomy note as foreign investors pulled out -RM115.8m net of local equities. This was despite the announcement of more stimulus measures by the Bank of Japan which includes the additional purchase of commercial papers and corporate bonds.
- Foreign net selling activity dipped on Tuesday to -RM95.4m as investors acknowledged progress in the global fight against the coronavirus but remained cautious amidst a painful earnings period.
- Wednesday then saw a massive drop in foreign net outflow to -RM0.8m. Most Asia-Pacific stocks gained Wednesday on cautiously positive sentiment that steps by governments around the globe to ease lockdowns will not set off a new deadly round of the respiratory illness.
- Tables were turned on Thursday, the last trading day of April as foreign investors scooped up RM124.5m net of local equities. The local bourse followed suit to gain 2.0% higher, settling above 1,400 points. As such, the 11-day selling streak on Bursa was snapped. Risk-on sentiment was sparked by the effectiveness of a drug by Gilead Sciences against the Covid-19 pandemic.
- In terms of participation, foreign investors saw a 9.4% weekly decline in its average daily traded value (ADTV), the largest amongst other investor groups. Nevertheless, the absolute ADTV of foreign investors remained healthy above the RM1b mark.

Chart 5

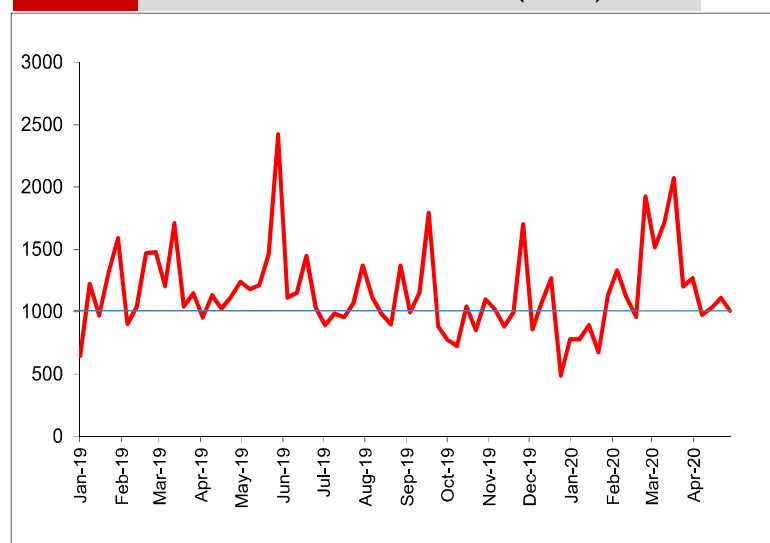
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2019 (RM'm)



Source: Bursa Malaysia statistics, MIDFR

Chart 6

Foreign Participation on Bursa: Daily Average for the Week since Jan 2019 (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 27	3,699.8	3,738.7	-38.9	5,947.9	5,277.1	670.8	2,692.0	3,323.9	-631.9	-143.5
APR 3	4,055.2	3,686.4	368.6	5,447.4	5,330.1	117.4	2,930.1	3,416.1	-486.0	-111.4
APR 10	4,622.9	4,324.7	298.1	5,670.0	5,642.1	27.9	2,275.2	2,601.2	-326.0	-75.2
APR 17	3,939.2	3,969.9	-30.7	5,809.5	5,142.2	669.3	2,254.3	2,892.9	-638.6	-146.5
APR 24	5,269.9	4,703.3	566.6	6,589.3	6,025.6	563.7	2,214.7	3,344.9	-1,130.3	-258.5
MAY 1	3,882.8	3,808.3	74.5	4,689.6	4,676.5	13.1	1,971.9	2,059.5	-87.6	-19.7

Source: Bursa's data * Estimate by MIDF Research based on prevailing exchange rate.

D. MONEY FLOW² AMONG BURSA'S TOP 100 CAPITALIZED STOCKS: WEEK ENDED 1 MAY
TOP 10 NET MONEY INFLOWS

- MISC Berhad registered the highest net money inflow of RM12.76m last week. Its share price gained 1.15% for the week, underperforming the local bourse which had a 2.77% weekly gain.
- Hong Leong Bank Berhad recorded the second highest net money inflow of RM4.39m. Its share price was 0.45% higher, underperforming the local bourse which had a 2.77% weekly gain.
- British American Tobacco Berhad saw the third highest net money inflow of RM4.10m. Its share price was 8.39% higher during the week, outperforming the local bourse which was 2.77% higher.

TOP 10 NET MONEY OUTFLOWS


- Tenaga Nasional Berhad saw the largest net money outflow of -8.44m last week. Its stock price was 0.66% higher for the week, outperforming vis-à-vis the FBM KLCI which gained 2.77% 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.
- Top Glove Corporation Berhad recorded the second largest net money outflow -RM6.24m during the week under review. Its share price was 1.26% higher during the week, underperforming the market benchmark which had a 2.77% weekly gain..
- IHH Healthcare Berhad registered the third largest net money outflow of -RM4.94m in the review week. Its share price was 2.74% higher during the week under review, slightly underperforming the local benchmark which was 2.77% higher for the week. 

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
MISC BHD	12.76	7.05	1.15	-
HONG LEONG	4.39	1.07	0.45	-
BAT	4.10	1.46	8.39	-
HEINEKEN	2.66	0.23	0.67	-
LOTTE CHEM	2.09	-0.18	11.84	-
KL KEPONG	1.82	5.02	3.45	-
UMW HOLDINGS	1.81	-0.26	0.00	-
VITROX CORP	1.78	-0.78	3.11	-
CIMB GROUP	1.48	14.70	-1.43	BOW
NESTLE	1.30	0.69	1.23	-

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		
TNB	-8.44	-3.15	0.66	SOS
TOP GLOVE	-6.24	-1.82	1.26	SOS
IHH	-4.94	3.04	2.74	SOS
MY EG	-2.64	-4.43	6.72	SOS
PPB GROUP	-2.17	-0.71	2.11	SOS
DIALOG	-1.51	-0.40	3.42	SOS
KOSSAN	-1.23	-2.93	0.00	-
GAMUDA BHD	-1.20	-0.14	0.63	SOS
POS MALAYSIA	-1.08	-0.08	0.00	-
HARTALEGA	-1.06	-1.71	0.00	-

Source: Bloomberg, MIDFR;

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

² 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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