

## MIDF EQUITY STRATEGY | 3 SEPTEMBER 2019 WEEK ENDED 30 AUGUST 2019

- Major equity markets worldwide remained in the black last week amidst signs of easing trade tensions between the U.S and China.
- Brent crude oil price inched 1.8% higher for the week after settling at USD60.43pb. During the week, Brent crude oil price hit a two-week high of USD61.08pb supported by government data showing inventories at Cushing declining to the lowest level in eight months. Nevertheless, Brent crude oil price extended its biggest monthly decline since May 2019 as the ongoing U.S-China trade tensions outweighed signs that OPEC's supply cuts are trimming stockpiles.
- There were no signs of slowing down for the pace at which foreign investors fled Asian markets. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" offloaded -USD1.48b net last week.
- Offshore investors continued to reduce their exposure on stocks listed on Bursa for the seventh straight week albeit at a slower pace. Based on data from Bursa, foreign investors sold -RM324.5m net of local equities last week.
- The FBM KLCI advanced by 0.2% for the week after closing at 1,612 points on Friday, the highest close in more than two weeks. In contrast, the Ringgit depreciated by 0.3% against the greenback as it settled at USD/MYR4.2055.

3 September 2019 | Strategy - Weekly Fund Flow

Adam M Rahim

## TRUMP'S SOFT TONE TOWARDS CHINA EASES OUTFLOWS

### A. MARKET SNAPSHOT

- Major equity markets worldwide remained in the black last week amidst signs of easing trade tensions between the U.S and China.
- Economic growth in the U.S decelerated in 2Q19 as the inflation-adjusted gross domestic product grew at a 2.0% annualized rate compared to market expectations of 2.1%. On the other hand, consumer spending grew 4.7%, exceeding all forecasts in five years but was offset by weaker readings in other categories such as exports, inventories, residential investment and local government spending.
- Japan's consumer sentiment worsened in August 2019 for the eleventh consecutive month. The confidence fell further by 0.7 points to 37.1, the lowest since Apr 2014 as three out of four sub-indices weakened. Demand for durable goods, overall livelihood and employment went down to 31.7, 34.8 and 42.2 respectively. In contrast, income growth sub-index remained at 39.5. The upcoming consumption tax hike from 8% currently to 10% in October 2019 could have deteriorated the sentiment and likely to continue doing so. In addition, external headwinds including trade disputes of US-China and Japan-South Korea are also weighing on the sentiment as consumers tighten their purse strings to brace of any future impact. Japan has all the elements already in play to boost consumption. For instance, ultra-low interest rate, stable labour market and low inflation which remain far from Bank of Japan's 2% target.
- In the Euro zone, German consumer sentiment is stabilizing after three months of decline, according to a regular poll published in last Wednesday, despite fears of a looming recession. Gfk consumer sentiment of Germany stood at 9.7 in Sep-19, unchanged from the preceding month's two-year low and beat market forecast of 9.6. The confidence has been deteriorating since March 2019 hence the latest stable performance signalled brighter outlook for private consumption. The indicator measuring consumer's willingness to buy increased 2.5 points to 48.8. However, the gauge measuring economic and income expectations fell to -12 (lowest level since January 2013) and 50.1 respectively, creating a mixed picture of the sentiment.
- Brent crude oil price inched 1.8% higher for the week after settling at USD60.43pb. During the week, Brent crude oil price hit a two-week high of USD61.08pb supported by government data showing inventories at Cushing declining to the lowest level in eight months. Nevertheless, Brent crude oil price extended its biggest monthly decline since May 2019 as the ongoing U.S-China trade tensions outweighed signs that OPEC's supply cuts are trimming stockpiles.

Table 1 Weekly performance of major indices		
Weekly % change	Week before	Last week
Dow Jones	-0.99	3.02
CAC 40	0.49	2.88
DAX	0.42	2.82
S&P 500	-1.44	2.79
India SENSEX	-1.74	1.72
FTSE 100	-0.31	1.58
Jakarta JCI	-0.49	1.16
Phil PCOMP	1.20	1.14
Korea KOSPI	1.10	1.00
Taiwan TAIEX	1.12	0.76
Thai SET	0.94	0.50
KLCI	0.63	0.17
Nikkei	1.43	-0.03
FSSTI Index	-0.15	-0.12
China CSI 300	2.97	-0.56
Hang Seng	1.73	-1.74

Source: Bloomberg

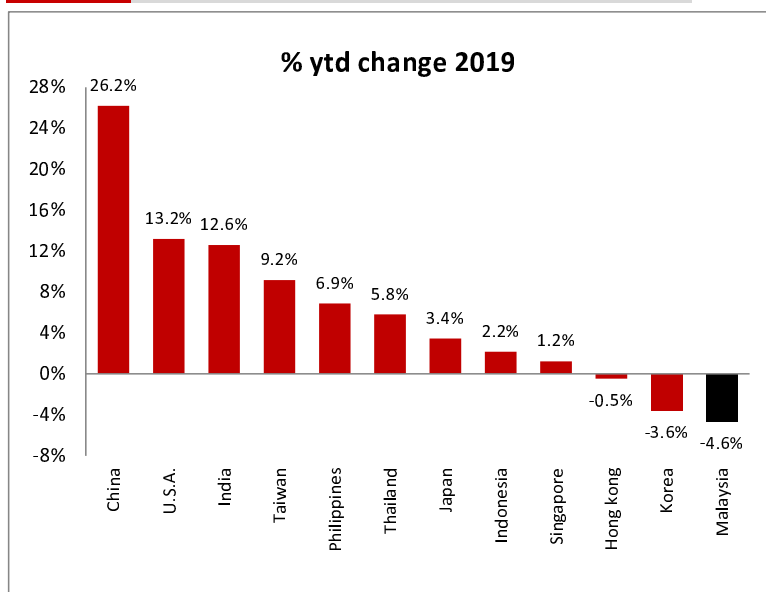
## FUND FLOW REPORT

- The FBM KLCI advanced by 0.2% for the week after closing at 1,612 points on Friday, the highest close in more than two weeks. In contrast, the Ringgit depreciated by 0.3% against the greenback as it settled at USD/MYR4.2055.

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

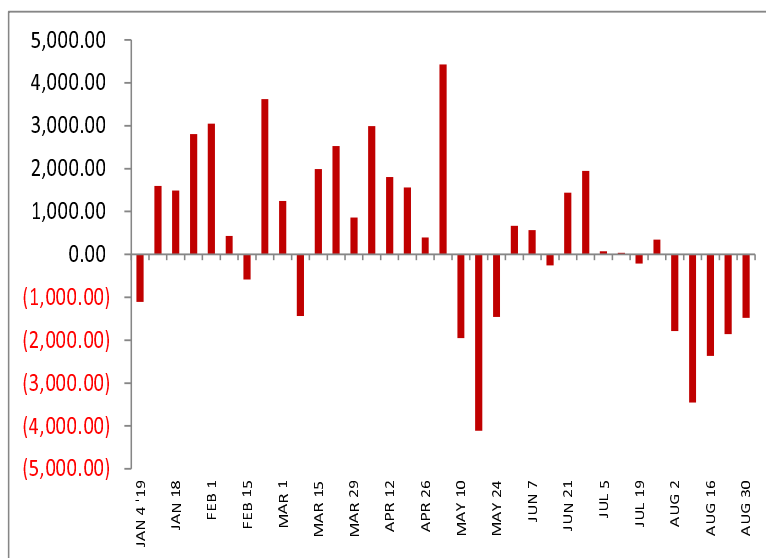
- There were no signs of slowing down for the pace at which foreign investors fled Asian markets. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” offloaded -USD1.48b net last week, marking the fifth straight week of foreign net outflows.
- South Korea continued to see a gradual decline in foreign net selling activity which reached -USD239.9m net last week. International funds were net sellers on three days during the week with Monday and Thursday recording high levels of foreign net outflows above -USD180.0m. On Monday, the KOSPI was seen heading towards 1,900 points but ended at 1,916.3 points, -1.6% lower for the day amidst President Trump’s recent remarks hinting Washington will impose additional tariffs on USD250b worth of Chinese products to 30% from 25%. South Korea’s stock market is vulnerable to external trade tensions considering its reliance on the two countries. Meanwhile jitters on Thursday was caused by the order of South Korea’s Supreme Court for the retrial of Samsung Electronics’ Vice Chairman over bribery charges which pulled down its share price by as much as 2.5% on the same day.
- The level of foreign net outflow in Taiwan was little changed as foreign investors sold -USD321.7m, net compared to -USD371.6m sold in the preceding week. Similar to South Korea, foreign investors sold the most on Monday but at a higher pace of -USD505.6m net, a level not seen as Taiwan’s stock benchmark retreated the most since May 9 as the U.S.-China trade dispute took some fresh twists. Nonetheless, international funds dived in local equities on Friday at a tune of USD483m net, lifting the Taiex index by 1.5%, the biggest gain since July 1 as President Trump said that the US and China are scheduled to have a conversation about trade without furnishing further details. Meanwhile, the Taiex was still down 1.9% in August, its first monthly drop since May.

**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)

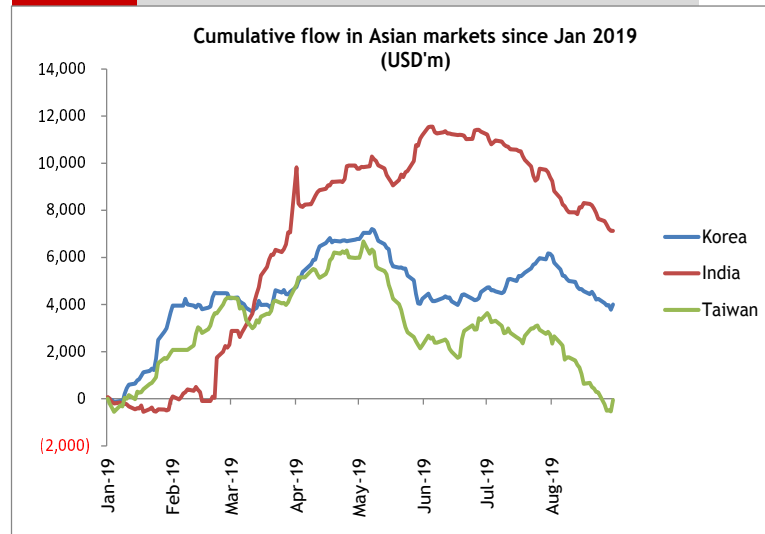


Source: Bloomberg, Bursa Malaysia, MIDFR

<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.

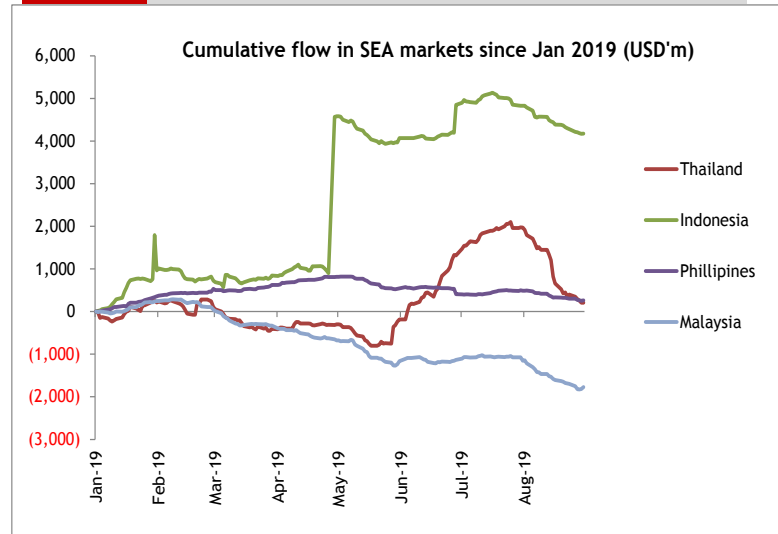
- In emerging South East Asian markets that we monitor, all markets were experiencing outflows for the week.
- A decline in foreign selling activity was also observed in Thailand as international funds only disposed -USD187.3m net compared to -USD261.0m net in the week before. International funds were net sellers on every single day of the week with Tuesday recording the highest foreign net outflow during the week at USD55.0m net despite President Donald Trump taking a softer tone toward China, just days after spooking financial markets with another escalation in their trade war.
- Manila saw a foreign net outflow of -USD41.1m during the four-day trading week, extending the foreign net selling streak to four weeks. International funds were net sellers from Tuesday to Thursday with Tuesday recording the highest during the week at -USD30.2m. Local shares dropped 1.9% on Tuesday as investors were more cautious after the US and China slapped new tariffs on each other's goods. Moreover on the same day, foreign funds liquidated positions on the back of rebalancing in the Morgan Stanley Capital International (MSCI) Philippines index. The Philippines saw the lowest foreign net outflow amongst the markets we track worth -USD226.2m in August 2019.
- International funds in Jakarta extended their foreign net selling activity for the seventh consecutive week after selling off -USD104.4m net of local equities. Foreign net selling occurred from Monday to Thursday and peaked on Monday at -USD63.4m following the escalation of the U.S.-China trade war. On a monthly basis, Indonesia saw a total foreign net outflow of -USD651.2m, the third lowest amongst the seven markets we monitor. The Rupiah meanwhile recorded its worst-monthly performance since October 2018 after declining 1.2% for the month of August.

**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
JUL 12	522.8	200.7	157.1	11.7	-373.9	-503.8	20.4	34.9
JUL 19	274.0	79.0	-46.8	76.6	-453.4	-141.6	-1.7	-213.9
JUL 26	613.6	29.5	-171.7	-0.4	-373.3	260.4	-13.0	-345.2
AUG 2	-191.5	-163.2	-65.7	5.7	-950.7	-278.8	-145.2	-1,789.4
AUG 9	-782.0	-349.7	-214.1	-75.6	-900.5	-884.3	-247.6	-3,453.9
AUG 16	-428.3	-790.4	-185.6	-86.6	391.1	-1,124.0	-142.7	-2,366.5
AUG 23	-326.0	-261.0	-109.4	-28.8	-675.0	-371.6	-89.2	-1,860.9
AUG 30	-239.9	-187.3	-104.4	-41.1	-508.9	-321.7	-77.2	-1,480.5

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

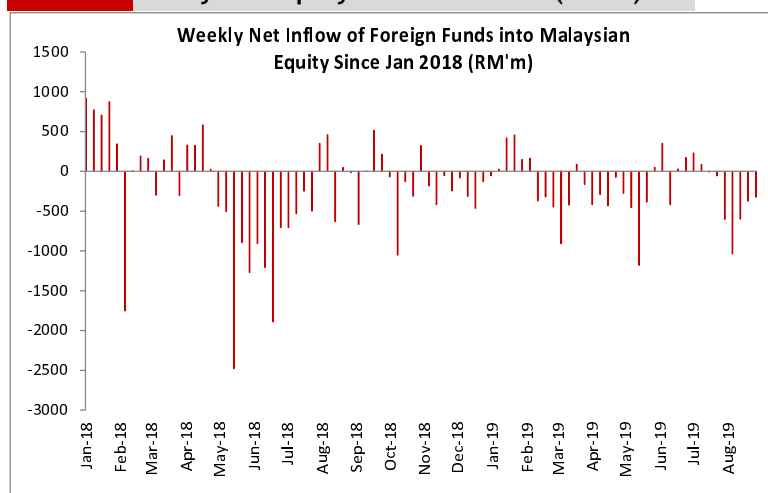
## FUND FLOW REPORT

### C. TRACKING MONEY FLOW - MALAYSIA

- Offshore investors continued to reduce their exposure on stocks listed on Bursa for the seventh straight week albeit at a slower pace. Based on data from Bursa, foreign investors sold -RM324.5m net of local equities last week and was the lowest in comparison to the other six markets we cover (South Korea, Taiwan, Thailand, the Philippines, India and Indonesia).
- Bursa started the week on the wrong foot as foreign funds sold -RM243.3m on Monday. Risk sentiment was affected by the U.S-China trade tensions reaching a fresh peak as both nations slapped new tariffs on each other's goods.
- The level of foreign net selling activity inched higher to reach -RM293.6m, the highest in three weeks. This was despite President Trump said that the U.S still wants a deal after praising comments by China's chief negotiator on trade.
- A reprieve was seen in foreign net outflows on Wednesday as foreign investors sold at a substantially lower level of -RM13.2m. However, the local bourse continued to drop 0.1% to close at 1,589.8 points on the same day, the lowest close since September 2015.
- Nevertheless, foreign investors returned to Malaysia on Thursday and Friday at a tune of RM48.5m net and RM177.1m net respectively. As such, the 18-day foreign net selling spree was snapped and the local stock barometer jumped 1.1% to 1,612.1 points. Optimism was sparked by China's plan to not immediately respond to the latest round of tariffs announced by the U.S effective on 1 September 2019.
- The month of August recorded a total foreign net outflow of -RM2.60b, the largest since June 2018 which saw foreign investors selling -RM4.93b worth of local equities. Nevertheless, this was the second lowest monthly foreign net outflow amongst the seven markets we monitor. On a year-to-date basis, the foreign net outflow from Malaysia stands at RM7.34b.
- In terms of participation, foreign investors experienced the largest weekly increase of 52.3% in the average daily traded value (ADTV) to reach above the RM1.0b mark at RM1.37b.

Chart 5

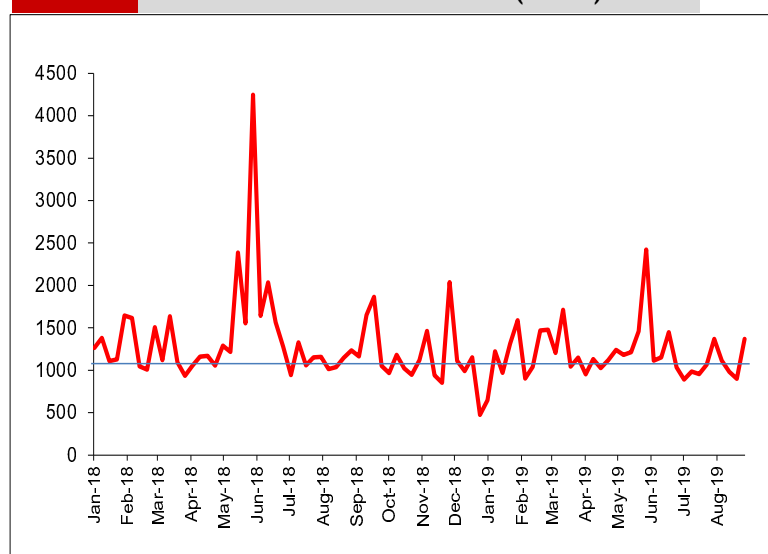
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2018 (RM'm)



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)	
JUL 26	2,639.7	2,620.3	19.4	4,618.5	4,584.5	34.0	2,642.9	2,696.3	-53.5	-13.0
AUG 2	1,942.3	1,759.0	186.3	3,875.5	3,460.5	414.9	2,436.1	3,037.3	-601.2	-145.2
AUG 9	2,614.7	2,297.0	317.8	5,219.9	4,501.6	718.4	2,269.5	3,305.6	-1,036.2	-247.6
AUG 16	1,555.8	1,383.3	172.6	3,416.4	2,990.8	425.6	1,665.3	2,263.5	-598.1	-142.7
AUG 23	2,059.8	2,019.3	40.5	4,323.7	3,991.4	332.3	2,061.0	2,433.8	-372.8	-89.2
AUG 30	2,161.7	2,095.6	66.1	4,225.9	3,967.4	258.4	3,259.7	3,584.2	-324.5	-77.2

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 30 AUGUST**
**TOP 10 NET MONEY INFLOWS**

- Petronas Chemicals Berhad registered the highest net money inflow of RM5.45m last week. Its share price dropped -2.46% for the week, underperforming the local bourse which had a 0.17% weekly gain.
- DRB-Hicom Berhad recorded the second highest net money inflow of RM4.36m. Its share price ended -14.58% lower for the week, substantially underperforming the benchmark which was 0.17% higher during the week under review. Nonetheless, it is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.
- Dialog Group Berhad saw the third highest net money inflow of RM3.91m. Its share price was unchanged during the week under review.

**Table 4** Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
PETCHEM	5.45	1.43	-2.46	BOW
DRB-HICOM BHD	4.36	-4.61	-14.58	BOW
DIALOG GROUP BHD	3.91	3.95	0.00	-
QL RESOURCES	2.88	-0.38	-0.86	BOW
BAT	1.14	0.24	-6.54	BOW
KL KEPONG	2.73	-0.23	0.76	-
SD PROPERTY	2.71	0.88	2.92	-
IOI CORP BHD	2.52	0.55	0.68	-
PETRONAS GAS	2.26	-0.31	0.50	-
SUNWAY REIT	2.02	0.36	2.63	-

Source: Bloomberg, MIDFR;

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

**TOP 10 NET MONEY OUTFLOWS**

- Alliance Bank Malaysia Berhad saw the largest net money outflow of -RM4.59m last week. Its stock price was -10.18% lower for the week, underperforming vis-à-vis the FBM KLCI which increased 0.17% during the review week.
- Genting Malaysia Berhad recorded the second largest net money outflow -RM3.43m during the week under review. Its share price was 1.29% higher for the week, outperforming the local bourse which gained 0.17%.
- Tenaga Nasional Berhad registered the third largest net money outflow of -RM2.63m in the review week. Its share price was 1.45% higher for the week, outperforming the local benchmark which was 0.17% lower for the week. It is notable that the net money outflow amidst advancing share price may indicate a sell on strength (SOS) stance among some investors.

**Table 5** Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
ABMB	-4.59	-0.49	-10.18	-
GENT MSIA	-3.43	-3.73	1.29	SOS
TNB	-2.63	-2.82	1.45	SOS
MAHB	-1.94	3.39	-4.63	-
HARTALEGA	-1.91	-0.16	1.38	SOS
AIRASIA	-1.17	0.53	-0.56	-
AXIATA	-1.14	-2.78	1.00	SOS
CIMB GROUP	-1.11	0.59	-0.20	-
HEINEKEN	-1.06	0.34	0.00	-
RHB BANK	3.07	-0.98	2.33	-

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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