

MIDF EQUITY STRATEGY | 3 FEBRUARY 2020 WEEK ENDED 31 JANUARY 2020

- Major global equity markets ended the week in a sea of red as growing fears of the novel coronavirus which began in Wuhan prompted investors to shift to safe haven assets.
- Brent crude oil dropped 6.7% for the week to settle at USD56.62pb, the biggest slump in 13 months. China's factory activity faltered in January, adding to fears about the fallout to the economy from the month-long coronavirus epidemic, which showed no signs yet of coming under control. Meanwhile, attempts by the OPEC and its allies to expedite a meeting to support the market barely gave any push.
- Havoc wreaked markets across Asia last week as the novel coronavirus (n-coronavirus) intensified, leading to World Health Organisation (WHO) declaring declared a global health emergency. All seven markets under our coverage recorded a weekly foreign net outflow. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" offloaded -USD3.65b net last week.
- Similar to other regional peers, Bursa saw an exodus of foreign funds. Based on data from Bursa, international investors dumped -RM659.7m net of local equities last week, the largest weekly foreign net outflow in eight weeks.
- The FBM KLCI declined by 2.7% last week after settling at 1,531.1 points, the largest drop in more than a year. Likewise, the Ringgit depreciated by 1.0% against the greenback to reach USD/MYR4.098 during the week.

HAVOC WREAKS MARKETS WORLDWIDE

A. MARKET SNAPSHOT

- Major global equity markets ended the week in a sea of red as growing fears of the novel coronavirus which began in Wuhan prompted investors to shift to safe haven assets.
- The US GDP growth edged up to 2.1%yoy in 4Q19, higher than 1.9%yoy recorded in the previous quarter. This was contributed by higher government spending and lower trade deficit. For full year 2019, the economy grew by 2.3%yoy, the slowest pace since Trump took office in 2017. The GDP growth was recorded at 2.4%yoy and 2.9%yoy in 2017 and 2018 respectively. The growth was dragged down by private investment which slowed sharply to 1.2%yoy from 5.1%yoy in 2018. In addition, private consumption also moderated to 2.7%yoy (2018: 3%yoy). Relief to the economy came mainly from the government as its consumption and investment expanded 2.3%yoy, the highest growth so far in the latest base year (2012) of GDP.
- Japan's consumer morale remains the same from Dec-19 as the consumer confidence index stays put at 39.1 (Jan-20), slightly lower than the expected value of 39.5. However, the confidence remained the highest since June-19. The consumer confidence index reflecting the households' willingness to buy durable consumer goods rose to 37.0, and the index for employment increased to 41.8. Meanwhile, the indicators measuring overall livelihood decreased to 37.8, and the income growth decreased to 39.9. Despite the hike in consumption tax from 8% to 10% in Oct-19, the consumer confidence had only been gradually increasing from 36.2 (Oct-19) to 39.1 (Jan-20), and this is due to the big-spending programs propped up by the government such as the introduction of a 5% rebate when in purchase products via electronic payment methods in order to maintain the social welfare of the people.
- Falling business confidence in Germany in Jan-20 deviated from market expectations, and also in contrast with the economic sentiment performance for the month. The business expectation sub-index fell to 92.9 from 93.9 in the prior month while the gauge of current conditions rose to 99.1 from 98.8. By sectors, sentiment deteriorated for service providers and constructors but improved for traders and manufacturers. Manufacturing sector showed signs of recovery amidst clarity in Brexit and phase one US-China trade deal.
- Brent crude oil dropped 6.7% for the week to settle at USD56.62pb, the biggest slump in 13 months. China's factory activity faltered in January, adding to fears about the fallout to the economy from the month-long coronavirus epidemic, which showed no signs yet of coming under control. Meanwhile, attempts by the OPEC and its allies to expedite a meeting to support the market barely gave any push.

Table 1 Weekly performance of major indices

Weekly % change	Week before	Last week
China CSI 300	-3.63	0.00
S&P 500	-1.03	-2.12
India SENSEX	-0.79	-2.14
Dow Jones	-1.22	-2.53
Nikkei	-0.89	-2.61
KLCI	-1.44	-2.65
FSSTI Index	-1.25	-2.66
Thai SET	-1.93	-3.53
CAC 40	-1.25	-3.62
FTSE 100	-1.15	-3.95
DAX	0.37	-4.38
Jakarta JCI	-0.76	-4.87
Taiwan TAIEX	0.24	-5.15
Phil PCOMP	-1.28	-5.54
Korea KOSPI	-0.20	-5.66
Hang Seng	-3.81	-5.86

Source: Bloomberg

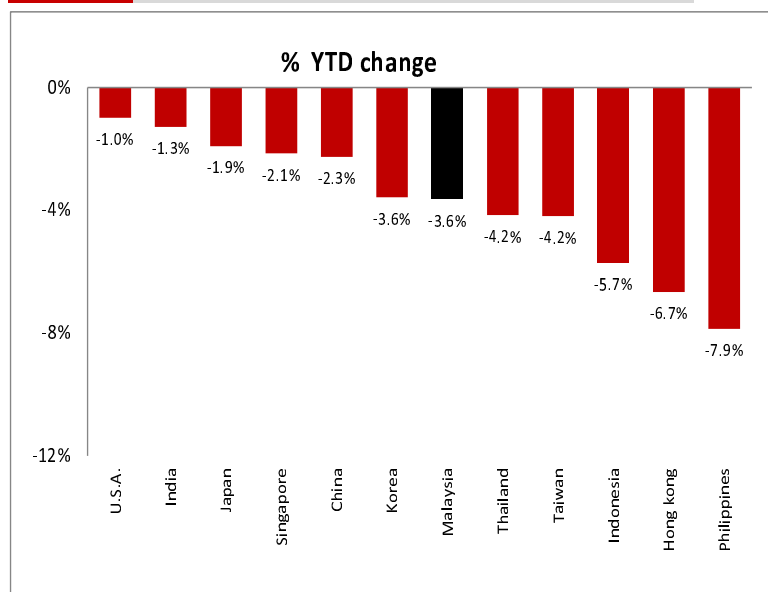
FUND FLOW REPORT

- The FBM KLCI declined by 2.7% last week after settling at 1,531.1 points, the largest drop in more than a year. Likewise, the Ringgit depreciated by 1.0% against the greenback to reach USD/MYR4.098 during the week.

B. TRACKING MONEY FLOW - ASIA¹

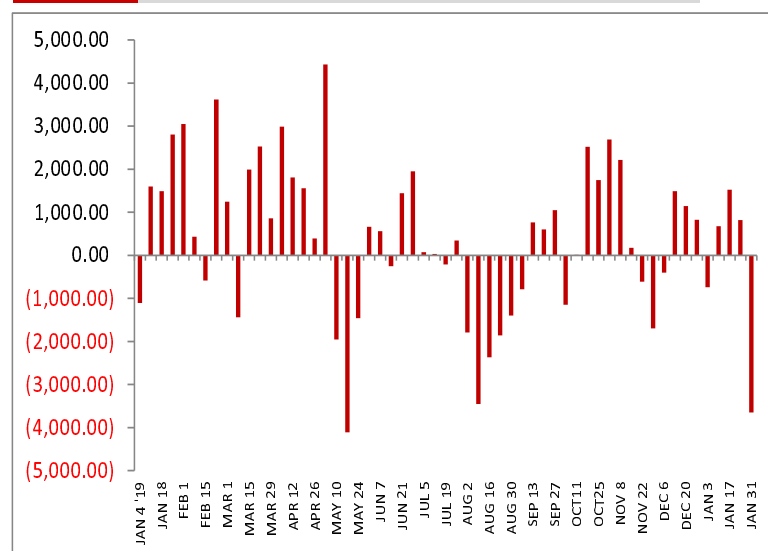
- Havoc wreaked markets across Asia last week as the novel coronavirus (n-coronavirus) intensified, leading to World Health Organisation (WHO) declaring a global health emergency. All seven markets under our coverage recorded a weekly foreign net outflow. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” offloaded -USD3.65b net last week, the largest weekly foreign net outflow in 37 weeks.
- The level of foreign net selling in South Korea gained momentum to reach -USD1.07b last week. Growing fears of the spread of the deadly Wuhan coronavirus jolted Asian stock markets on Tuesday including KOSPI which experienced the largest decline in more than a year of 3.0%. Offshore funds offloaded -USD448.2m net on the same day which was the highest foreign net outflow in a day since late November 2019. In order to mitigate the spread of the n-coronavirus, Finance Minister Hong Nam-ki proffered a plan to create a special budget of KRW20.8b while the Bank of Korea has established a special taskforce to closely monitor any potential impact of the virus towards the Korean economy. On a side note, South Korea consumer sentiment improved significantly to 104.2 in January 2020 from 100.4 in the preceding month and diverged from market pessimist expectations of 97.5 amid better domestic economic outlook and US-China phase one trade deal. It is the highest point reached since July 2018.
- Taiwan saw an exodus of foreign funds at a tune of -USD1.48b last week, cancelling off the total foreign net inflow of USD691.2m in the past two weeks. Taiwan shares plummeted almost 6.0%, the biggest plunge since October 2018 as the island’s stock market resumed trading on Thursday after the Lunar New Year break. More than USD9.0b worth of shares changed hands on Thursday, the highest turnover for the Taixex since July 2007. Meanwhile international investors took out -USD943.4m net on the same day, a level not seen since February 2018.

Chart 1 Cumulative 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

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.

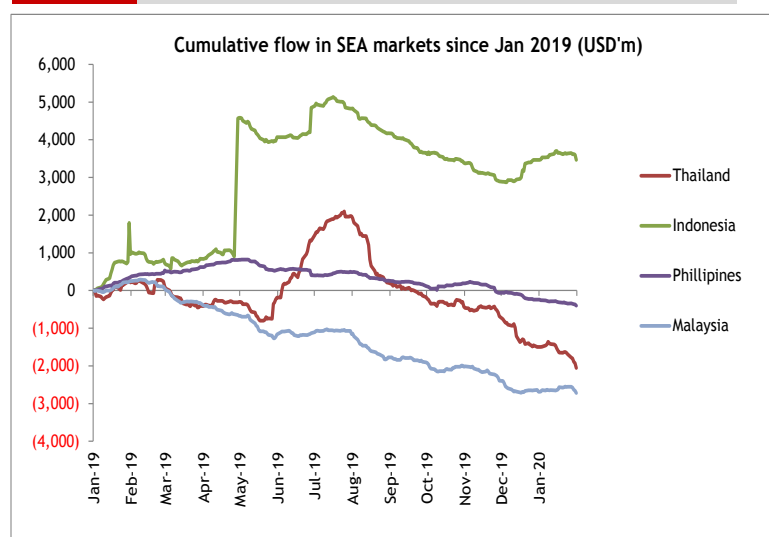
- In emerging South East Asian markets that we monitor, all recorded a foreign net outflow last week.
- Offshore investors in Thailand upped the ante in selling activity by nearly nine times more compared to the week before to reach a net of USD368.8m. Foreign net selling occurred on every day of the week, extending the selling streak to seven days. Friday saw the highest foreign net outflow during the week at USD128.7m net, after the WHO global health emergency declaration. Meanwhile, the nation's finance ministry slashed its 2020 economic growth forecast to 2.8% from the initial 3.3% projected three months ago amidst sluggish exports and the concerns over the n-coronavirus.
- In Manila, offshore funds were net sellers for the eighth week running after foreign investors sold -USD59.7m net of local equities. Foreign investors were net sellers on every day of the week except on Monday which saw a foreign net inflow of RM1.3m. In contrast, foreign investors sold the most during the week on Friday at -USD33.3m net as they fled to safe haven assets.
- In Jakarta, foreign net selling last week accelerated to -USD171.8m net compared to -USD24.1m net in the preceding week. Just like other markets, foreign net selling was the heaviest on Friday. International funds sold -USD135.2m net on Friday triggered by the jitters of the n-coronavirus. The local bourse took cue of the selling activity to settle 1.9% lower to 5,940.0 points on the same day, the biggest daily drop since August 2019. On a year-to-date basis, Indonesia has so far seen a foreign net inflow of only USD0.4m, the lowest 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
DEC 13	911.0	-304.7	14.9	-28.0	61.3	921.8	-88.3	1,488.0
DEC 20	1,032.9	-209.9	421.3	-116.4	738.2	-741.2	16.6	1,141.6
DEC 27	14.6	-29.5	97.7	-37.2	438.3	323.7	16.9	824.5
JAN 3	-200.6	-39.3	68.1	-19.9	-34.8	-522.3	6.9	-741.9
JAN 10	854.6	69.0	72.8	-24.5	-21.4	-271.2	-2.6	676.7
JAN 17	390.1	-225.6	55.7	-27.6	1,151.8	102.5	79.1	1,526.0
JAN 24	-396.1	-41.5	-24.1	-32.5	719.3	588.7	7.2	820.9
JAN 31	-1,066.6	-368.8	-171.8	-59.7	-337.2	-1,480.3	-161.3	-3,645.7

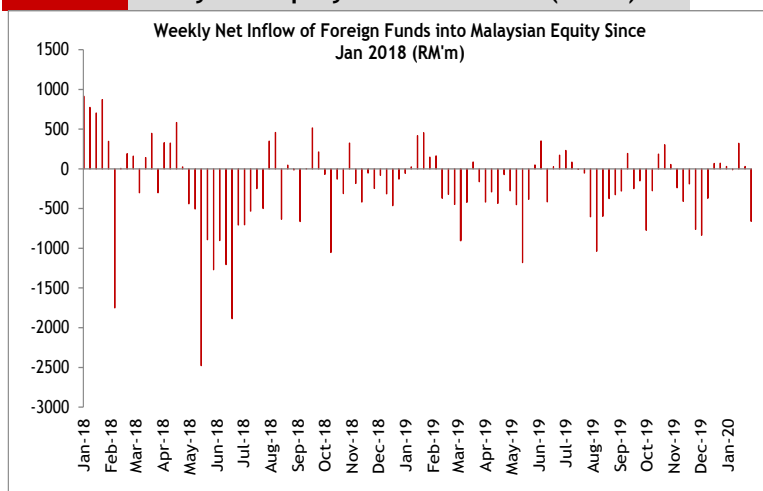
Source: Respective exchange statistics reported on Bloomberg. Bursa Malaysia. These figures are subject to revisions.

FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

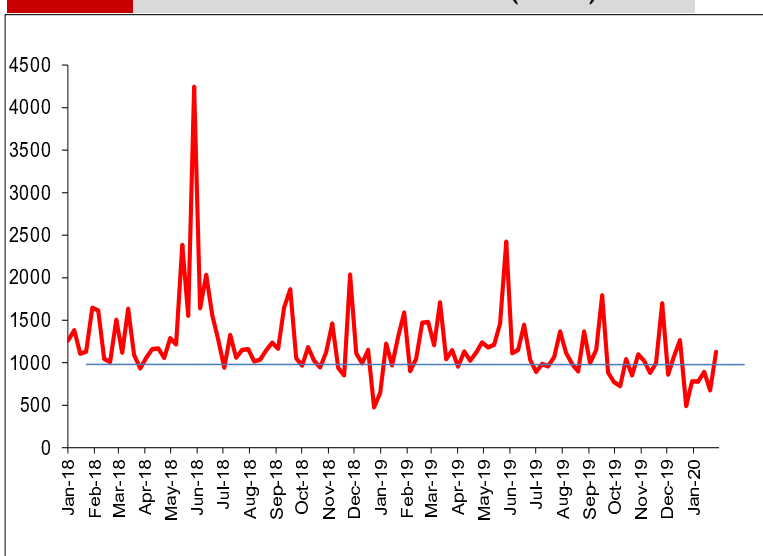
- Similar to other regional peers, Bursa saw an exodus of foreign funds. Based on data from Bursa, international investors dumped -RM659.7m net of local equities last week, the largest weekly foreign net outflow in eight weeks.
- The local stock barometer began the week on a sombre note as offshore investors sold -RM70.9m net on Tuesday. The Ringgit also followed suit to lead decliners in Asia with a -0.7% depreciation against the greenback due to growing concerns over the spread of the n-coronavirus. Travel related counters such as Malaysia Airports Holdings Berhad and AirAsia Group Berhad lost ground to decline by 6.7% and 3.8% on the same day.
- Foreign net selling activity picked up steam to reach -RM234.1m net on Wednesday as the number of people infected with the coronavirus reached around 6,000. The heavy foreign net selling on Wednesday was also observed in other peers namely Thailand and India.
- International investors continued selling for the third consecutive day on Thursday at a tune of -RM104.2m. Although the Fed's move to leave interest rates unchanged was expected, sentiment waned after Fed Chair Jerome Powell cited uncertainties on trade policy and the pandemic outbreak.
- Friday experienced another bloodbath as offshore funds offloaded -RM250.5m net following the WHO's declaration. The FBMKLCI followed suit to decline 0.9% to 1,531.1 points, the lowest close in more than five years.
- For the month of January 2020, international funds have sold -RM138.3m net. In comparison to the other three ASEAN markets we track, Malaysia has the smallest foreign net outflow on a year-to-date basis after Thailand and the Philippines.
- In terms of participation, the average daily traded value (ADTV) of foreign investors surged by 67.2%yoy during the week despite the holiday-shortened week. In addition, the ADTV breached above the healthy level of RM1.0b at RM1.13b.

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)	
DEC 27	1,622.7	1,669.1	-46.4	2,416.0	2,439.5	-23.5	1,013.9	944.0	69.9	16.9
JAN 3	2,352.9	2,395.6	-42.7	3,680.0	3,665.9	14.0	1,576.7	1,548.0	28.6	6.9
JAN 10	2,832.9	2,849.6	-16.7	4,373.2	4,345.6	27.6	1,942.5	1,953.4	-10.9	-2.6
JAN 17	2,582.7	2,494.0	88.7	4,296.5	4,706.1	-409.6	2,390.7	2,069.8	320.9	79.1
JAN 24	2,635.7	2,579.4	56.2	4,972.3	5,058.0	-85.7	1,701.3	1,671.9	29.4	7.2
JAN 31	3,018.5	2,737.2	281.3	6,107.4	5,729.0	378.3	1,925.4	2,585.1	-659.7	-161.3

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 31 JANUARY
TOP 10 NET MONEY INFLOWS

- Malayan Banking Berhad registered the highest net money inflow of RM10.36m last week. Its share price dropped 1.17% for the week, outperforming the local bourse which had a 2.65% weekly loss.
- Genting Malaysia Berhad recorded the second highest net money inflow of RM10.15m. Its share price was 4.13% lower, underperforming the local bourse which had a 2.65% 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.
- CIMB Group Holdings Berhad saw the third highest net money inflow of RM9.42m. Its share price was 2.57% lower during the week, outperforming the local bourse which was 2.65% lower.

TOP 10 NET MONEY OUTFLOWS


- Top Glove Corporation Berhad saw the largest net money outflow of -RM11.37m last week. Its stock price was 5.60% higher for the week, substantially outperforming vis-à-vis the FBM KLCI which declined 2.65% 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.
- Tenaga Nasional Berhad recorded the second largest net money outflow -RM9.64m during the week under review. Its share price was 3.26% lower during the week, underperforming the market benchmark which had a 2.65% weekly loss.
- Sime Darby Plantation Berhad registered the third largest net money outflow of -RM9.62m in the review week. Its share price was 3.98% lower during the week under review, underperforming the local benchmark which was 2.65% lower 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		
MAYBANK	10.36	-3.84	-1.17	BOW
GENTING MSIA	10.15	1.45	-4.13	BOW
CIMB GROUP	9.42	-2.64	-2.57	BOW
PETCHEM	4.65	4.62	-10.55	BOW
KLCCP STAPLED	4.16	9.33	-1.88	BOW
MISC BHD	2.52	6.12	-5.30	BOW
CARLSBERG	2.31	0.37	2.19	-
MAXIS	2.28	-0.36	-3.45	BOW
RHB BANK	2.01	-3.23	-2.74	BOW
MY EG SERVICES	1.97	1.92	-7.96	BOW

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		
TOP GLOVE	-11.37	-9.74	5.60	SOS
TNB	-9.64	2.61	-3.26	-
SD PLTN	-9.62	0.62	-3.98	-
IHH	-6.06	1.26	-1.55	-
MAHB	-4.10	-0.42	-1.32	-
HEINEKEN	-3.57	-0.86	1.38	SOS
KOSSAN	-2.55	-2.92	3.16	SOS
HARTALEGA	-2.49	-3.04	-1.82	-
BUMI ARMADA	-2.05	0.31	-23.66	-

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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