

MIDF EQUITY STRATEGY | 3 JUNE 2019 WEEK ENDED 31 MAY

- Most equity markets worldwide ended the week mixed as a new batch of global trade tensions spread to Mexico.
- Brent crude oil price settled -6.1% lower for the week at USD64.49pb amidst the release of bearish U.S inventory data. U.S crude oil inventories only decreased by just 0.28m barrels for the week ended 24 May 2019 in comparison with the stockpile draw of 0.86m barrels in the week before. This outweighed the fall in Venezuela’s oil supply by 50,000 barrels per day following the sanctions by the U.S on state oil company, PDVSA.
- After three straight weeks of heightened foreign net selling, international funds turned net buyers in Asian markets. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” accumulated USD522.7m net last week.
- Foreign investors made a decent return to Bursa after nine uninterrupted weeks of foreign net selling. Based on data from Bursa, foreign funds mopped up RM48.8m net of local equities last week, the second lowest foreign net inflow thus far for the year.
- The FBM KLCI was 3.28% higher for the week after settling at 1,640 points on Friday, marking its first weekly gain in five weeks. In contrast, the Ringgit continued to weaken for the fifth consecutive week, depreciating by 0.1% against the greenback to settle at USD/MYR4.190.

BURSA'S FIRST FOREIGN NET INFLOW IN 10 WEEKS

A. MARKET SNAPSHOT

- Most equity markets worldwide ended the week mixed as a new batch of global trade tensions spread to Mexico.
- Major U.S benchmarks such as the Dow Jones, Nasdaq and the S&P500 index emerged as the biggest losers for the week which led to the first monthly loss since December 2018. Nasdaq was hit the most following President Trump's move to target China's Huawei Technologies Co. Overall sentiment on Wall Street was heavily impacted by President Trump's move to threaten Mexico with tariffs of 5% on the nation's goods over the surge in Mexican migrants effective on June 10. The tariffs could be increased up to 25% until the illegal immigration problem is remedied at which time tariff will be removed.
- Besides China and Europe, Trump is also having trade issues with Japan particularly Japanese automakers, with President Trump repeatedly threatening to increase tariffs on approximately USD50b worth of Japanese cars and auto parts exported to the US annually. President Trump was in Japan for an official visit and trade negotiation is one of the main agenda. Amid escalating trade tension with China, US exports particularly on agricultural products are likely to be largely affected. Hence, Trump is eyeing to get greater access to Japanese market for American farmers. This could be a back-up plan by Trump to avoid losing votes in the US presidential election next year.
- Results of the European parliamentary elections were released on last Monday, revealing that right-wing parties in Italy, France, Belgium, Hungary and Poland performed well despite without a guarantee on majorities. For instance in Italy, the Five Star Movement was decimated by its own ally, the League. This diminished the balance of power held by the two parties which formed a coalition last year. Meanwhile, the EPP and the Progressive Alliance of Socialists and Democrats, the two largest political groups in the European Parliament, both lost more than 30 seats. Over in the U.K, the Brexit party surged to the top position in a national poll for the first time for the Westminster election.
- Brent crude oil price settled -6.1% lower for the week at USD64.49pb amidst the release of bearish U.S inventory data. U.S crude oil inventories only decreased by just 0.28m barrels for the week ended 24 May 2019 in comparison with the stockpile draw of 0.86m barrels in the week before. This outweighed the fall in Venezuela's oil supply by 50,000 barrels per day following the sanctions by the U.S on state oil company, PDVSA. On a broader scale, trade tensions between the U.S and China remain an ongoing pressure to the oil market as it points to a risk of slowing down global growth.

Table 1 Weekly performance of major indices

Weekly % change	Week before	Last week
KLCI	-0.44	3.28
Phil PCOMP	2.15	2.88
Jakarta JCI	3.96	2.51
Taiwan TAIEX	-0.54	1.65
China CSI 300	-1.50	1.00
India SENSEX	3.96	0.71
Thai SET	0.37	0.38
Korea KOSPI	-0.51	-0.17
FTSE 100	-0.96	-1.59
FSSTI Index	-1.11	-1.64
Hang Seng	-2.12	-1.66
CAC 40	-2.24	-2.05
DAX	-1.86	-2.37
Nikkei	-0.63	-2.44
S&P 500	-1.17	-2.62
Dow Jones	-0.69	-3.01

Source: Bloomberg

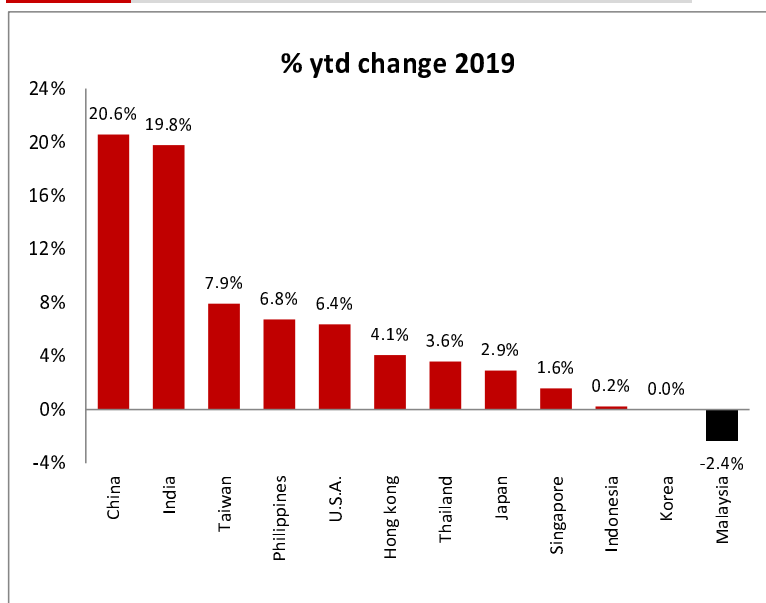
FUND FLOW REPORT

- The FBM KLCI was 3.28% higher for the week after settling at 1,651 points on Friday, marking its first weekly gain in five weeks. In contrast, the Ringgit continued to weaken for the fifth consecutive week, depreciating by 0.1% against the greenback to settle at USD/MYR4.190.

B. TRACKING MONEY FLOW - ASIA¹

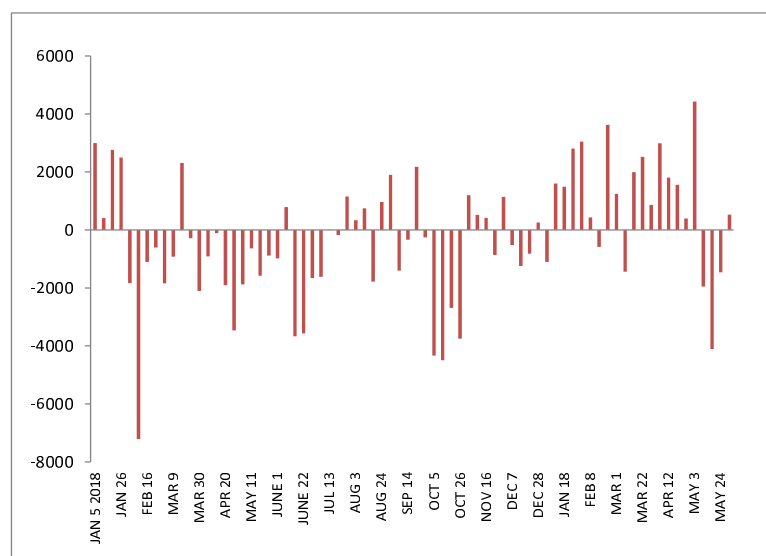
- After three straight weeks of heightened foreign net selling, international funds turned net buyers in Asian markets. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” accumulated USD522.7m net last week compared to -USD1.46b foreign net outflow in the week before.
- In Korea, the momentum of foreign funds exiting the local bourse ramped up by almost three times to USD993.8m net from preceding week. International investors were net sellers from Monday to Thursday with Tuesday recording the highest foreign net attrition for the week at -USD571.8m net with the Korean Won falling for the first time in five days. Negative sentiment was sparked by the nation’s consumer confidence which fell from 3.7 to 97.9 points in May, the largest drop since July 2018. The amount of foreign net outflows remained high on Wednesday at -USD407.8m net as Samsung Electronics slipped by 1.8% as the slowdown demand for DRAM chips for smartphones and other electronic devices could accelerate with the trade war. Nevertheless, the level of foreign net selling gradually tapered thereafter to reach -USD13.3m net on Thursday before foreign investors made a return by mopping up USD205.1m net of local equities on Friday.
- Offshore funds in Taiwan took a slight breather last week as they only disposed -USD556.4m net of local equities last week, the smallest in four weeks. Similar to Korea, foreign funds were net sellers from Monday to Thursday, extending the foreign net selling streak to 19 days. Foreign investors then snapped up local equities to a tune of USD126.9m net on Friday, lifting the Taiex by 1.1% to 10,498.49 points, the highest close since 15 May 2019. Much of the gains came from Apple suppliers following China’s statement that it will protect the rights of foreign companies doing business in the mainland. However, on a monthly basis, the Taiex logged the biggest monthly loss since October last year of 4.3% in May.

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)

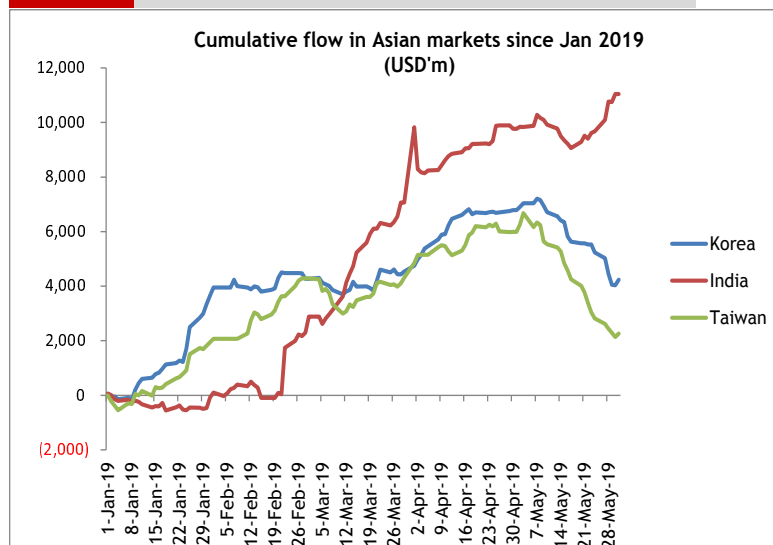


Source: Bloomberg, Bursa Malaysia, MIDFR

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.

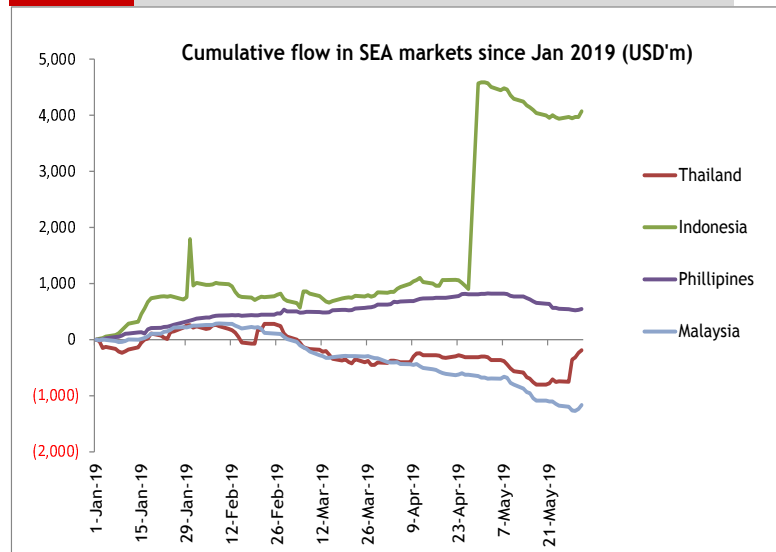
- In emerging South East Asian markets that we monitor, majority of markets were experiencing foreign net inflows.
- Bangkok recorded a surge of weekly foreign net inflows by nine times last to hit USD554.8m net last week, a level not observed since late 2016. Monday saw a foreign net outflow of USD10.1m net but was followed by the streak of foreign net inflows from Tuesday until the week ended. Foreign net buying was the highest during the week on Tuesday at USD398.8m net following better-than-expected factory data in April. Thailand's manufacturing production index rose 2.0%yoy in April led by higher production of cars and air conditioners which boosted the SET index by 0.4% to close at 1,632 points, the highest in nine trading days.
- International funds continued to sell local equities for the fourth week running but at a relatively slower pace of only -USD3.8m net in comparison to the previous three weeks which exceeded -USD50.0m net. Foreign net selling peaked on Tuesday at USD12.1m net as investors repositioned portfolios following a rebalancing of the MSCI Index. Foreign net buying worth USD7.5m net was seen on Thursday, snapping the 18-day foreign net selling spree, propping up the local bourse by 0.5% to settle at 7,837 points as investors started window dressing positions ahead of the month end.
- Foreign investors in Jakarta snapped the three-week selling streak after acquiring USD134.2m net of local equities during the holiday-shortened week. Foreign net buying occurred on every single day of the week except on Tuesday which recorded a foreign net outflow worth -USD21.1m net following news of a revealed plot to kill top officials during the two-day protest in Jakarta. Meanwhile, foreign net buying peaked during the week on Friday at USD100.2m net coupled with the JCI Index rallying to a three-week high of 6,209 points.

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 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	333.9	-51.7	3,601.9	11.5	-65.2	665.7	-66.7	4,429.2
MAY 10	-330.7	-199.3	-211.7	-51.8	82.5	-1,135.0	-108.5	-1,954.6
MAY 17	-1,083.7	-240.1	-251.0	-111.6	-855.1	-1,285.9	-282.9	-4,110.3
MAY 24	-393.4	61.3	-104.1	-107.6	611.5	-1,435.7	-91.3	-1,460.3
MAY 31	-993.8	554.8	134.2	-3.8	1,376.0	-556.4	11.6	522.7

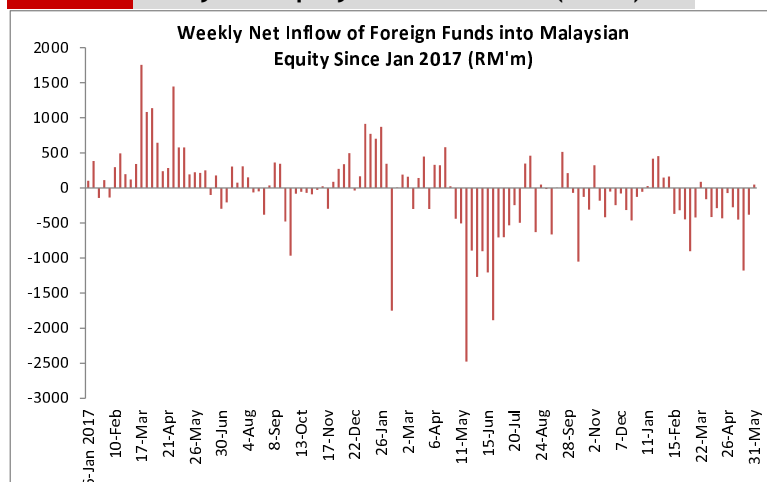
FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

- Foreign investors made a decent return to Bursa after nine uninterrupted weeks of foreign net selling. Based on data from Bursa, foreign funds mopped up RM48.8m net of local equities last week, the second lowest foreign net inflow thus far for the year.
- Bursa started the week off on a rather sombre mood as offshore investors sold -RM85.7m net of local equities. The pace at which foreign investors were selling local equities increased substantially on Tuesday to -RM275.6m net, the highest in five trading days, mainly attributable to the statement of President Trump regarding the U.S's position which is not ready to strike a trade deal with China during a state visit to Japan.
- Nevertheless, there was a sharp drop in foreign net selling levels on Wednesday as international funds only disposed -RM25.7m net of local equities. The decline in foreign net outflows occurred despite the inclusion of Malaysia together with Singapore and Vietnam into the U.S watchlist for currency manipulators, putting the foreign exchange policies of each nation under scrutiny.
- Foreign funds later staged a commendable return to Bursa on Thursday, accumulating RM150.8m net of local equities, snapping the 14-day foreign net selling streak. Much of the optimism on Thursday was sparked by surprises in corporate earnings such as Telekom Malaysia which boosted its share price by 27.2% combined with some window dressing activity ahead of the month end.
- Foreign investors acquired another RM284.9m net of local equities on Friday despite escalated trade tensions between the US and Mexico. The FBM KLCI followed suit to rise 0.9% to 1,651 points, a level not seen since late March 2019.
- For the month of May 2019, international investors have sold -RM2.04b net compared to -RM5.6b net during the same period last year. This brings the year-to-date foreign net outflow from Malaysia to -RM4.80b.

Chart 5

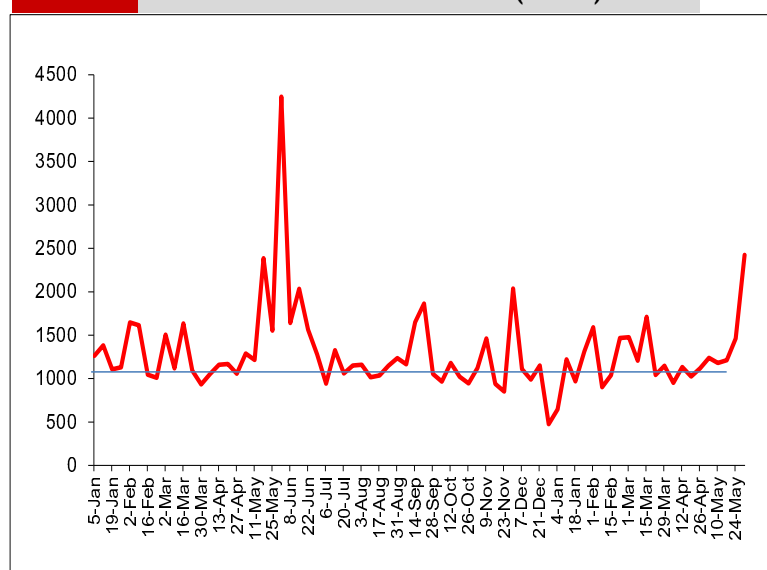
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2018 (RM'm)



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)	
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
MAY 10	2,306.4	2,140.7	165.7	4,831.3	4,546.1	285.2	2,726.8	3,177.7	-450.9	-108.5
MAY 17	2,074.9	2,018.9	56.0	4,890.7	3,767.4	1,123.4	2,440.7	3,620.1	-1,179.4	-282.9
MAY 24	1,064.5	1,011.6	52.9	2,063.1	1,733.4	329.7	1,999.7	2,382.3	-382.6	-91.3
MAY 31	1,878.7	1,983.7	-105.0	4,910.0	4,853.8	56.2	6,082.5	6,033.7	48.8	11.6

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 MAY
TOP 10 NET MONEY INFLOWS

- Tenaga Nasional Berhad registered the highest net money inflow of RM39.95m last week. Its share price jumped 10.05% for the week, outperforming the local bourse which had a 3.28% weekly gain.
- Public Bank Berhad recorded the second highest net money inflow of RM10.04m. Its share price ended 4.80% higher for the week, outperforming the benchmark which was 3.28% higher during the week under review.
- Petronas Chemicals Group Berhad saw the third highest net money inflow of RM7.74m. Its share price ended -4.91% lower during the week under review, underperforming the local bourse which was 3.28% higher. Nonetheless, it is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
TNB	39.95	9.38	10.05	-
PUBLIC BANK	10.04	-27.29	4.80	-
PETCHEM	7.74	1.88	-4.91	BOW
TELEKOM	7.17	0.63	33.70	-
CIMB	6.15	-4.60	2.33	-
GENTING PLNTN	5.18	-0.95	1.57	-
SIME DARBY	3.32	0.77	5.45	-
YINSON	2.86	0.54	4.67	-
MAYBANK	2.80	-0.40	0.33	-
GENTING MSIA	2.79	-1.01	1.62	-

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS


- PPB Group Berhad saw the largest net money outflow of -RM9.37m last week. Its stock price advanced 1.73% for the week, underperforming vis-à-vis the FBM KLCI which gained 3.28% 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.
- Bursa Malaysia Berhad recorded the second largest net money outflow -RM4.92m during the week under review. Its share price was 6.91% higher during the week, outperforming the market benchmark which had a 3.28% weekly gain.
- Hartalega Holdings Berhad registered the third largest net money outflow of -RM4.16m in the review week. Its share price was 0.97% higher for the week, underperforming the local benchmark which was 3.28% higher for the week. 

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
PPB GROUP	-9.37	-4.78	1.73	SOS
BURSA	-4.92	-0.65	6.91	SOS
HARTALEGA	-4.16	0.37	0.97	SOS
AXIATA	-4.13	-0.60	5.39	SOS
AIRASIA	-3.32	-1.37	17.96	SOS
DRB-HICOM	-2.62	0.33	8.33	SOS
MY EG	-2.30	-0.23	-1.42	-
IHH	-1.93	1.81	3.58	SOS
F&N	-1.89	0.46	1.79	SOS
HONG LEONG	-1.77	-9.82	-1.04	-

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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