

## MIDF EQUITY STRATEGY | 7 JANUARY 2019 WEEK ENDED 4 JANUARY

- Equity markets worldwide ended mixed last week as investors began the new year with a few yet impactful corporate developments especially in the technology sector.
- U.S stocks had a sluggish start to the new year but still managed to eke out gains on Wednesday. Apple then stole the attention of investors after markets closed as the company slashed its outlook for the December quarter, attributing it to weak demand in China. Overall for the week, the Dow Jones and S&P500 index gained more than 1.5% amidst better-than-expected jobs data.
- It was a good week for Brent crude oil price, soaring 9.3% for the week to settle at USD57.06pb, the best weekly gain since December 2016. Much of the positivity came from Saudi Arabia's move to trim production before the OPEC's production cut deal.
- Asian markets saw an exodus of international funds last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" offloaded -USD1.00b net last week, wiping off the USD258.6m net accumulated in the preceding week.
- The momentum of foreign net outflows from Bursa tapered last week but extended the weekly foreign selling streak to nine weeks. Based on data from Bursa, foreign funds sold -RM54.4m net of local equities last week, less than half of the amount disposed in the previous week.
- The FBM KLCI declined 1.3% for the week after settling at 1,670 points, the biggest loss in 10 weeks. The Ringgit meanwhile moved in an opposite direction, appreciating 0.4% against the greenback for the week to USD/MYR4.136.

## LOWER IPHONE SALES RATTLE MARKETS

### A. MARKET SNAPSHOT

- Equity markets worldwide ended mixed last week as investors began the new year with a few yet impactful corporate developments especially in the technology sector.
- On new year's eve, key U.S benchmarks modestly rose by at least 0.7% with sentiment buoyed by President Trump's statement on the potential resolution of the U.S-China trade war which had made progress. Overall, 2018 marked the worst year for U.S stocks since 2008 plagued with tariff concerns and rising interest rates.
- U.S stocks had a sluggish start to the new year but still managed to eke out gains on Wednesday. Apple then stole the attention of investors after markets closed as the company slashed its outlook for the December quarter, attributing it to weak demand in China. Overall for the week, the Dow Jones and S&P500 index gained more than 1.5% amidst better-than-expected jobs data.
- In Asia, China's factory slowed down for the first time in over two years indicated by the official Purchasing Managers' Index (PMI) which fell to 49.4 in December 2018, below the 50-point threshold that segregates growth from contraction. In fact, this is the weakest PMI reading for China since February 2016. Likewise, a sub-index of new export orders which is a gauge for future activity, contracted for the seventh uninterrupted month, declining from 47.0 to 46.6 in the same month. In spite of the sluggish data, China's official non-manufacturing PMI (services sector) rose from 53.4 to 53.8. On a broader scale, the World Bank predicts China's economic growth to slow down to 6.2% in 2019, still robust by global standards but the weakest expansion in nearly 30 years.
- In Europe, Northern Irish political party still had principled objections to Theresa May's Brexit deal which will be resubmitted around this week. To recap, a parliamentary vote was deferred last month on the terms negotiated with Brussels and has been postponed to the week of 14 January 2018. Theresa May was also in talks with the Northern Ireland's Democratic Unionist Party to reach a solution especially for the so-called Northern Ireland backstop where the U.K border with Ireland will remain open even if a trade deal is not reached between the EU and Britain by the end of 2020. Opponents of the backstop argued that the backstop will lead U.K to fall in EU's customs unions indefinitely.
- It was a good week for Brent crude oil price, soaring 9.3% for the week to settle at USD57.06pb, the best weekly gain since December 2016. Much of the positivity came from Saudi Arabia's move to trim production before the OPEC's production cut deal, bringing the overall output in OPEC down 530,000 barrels per day to 32.6m a day. This is the sharpest pullback since January 2017 when OPEC began its market rebalancing initiatives.

Weekly % change	Week before	Last week
Phil PCOMP	-0.18	3.95
DAX	-0.70	1.98
S&P 500	2.86	1.86
Dow Jones	2.75	1.61
FTSE 100	0.19	1.54
Jakarta JCI	0.50	1.29
CAC 40	-0.33	1.25
China CSI 300	-0.62	0.84
Thai SET	-1.97	0.72
Hang Seng	-0.97	0.48
FSSTI Index	0.24	0.19
India SENSEX	0.94	-1.06
KLCI	1.30	-1.32
Korea KOSPI	-0.99	-1.51
Nikkei	-0.75	-2.26
Taiwan TAIEX	0.52	-3.55

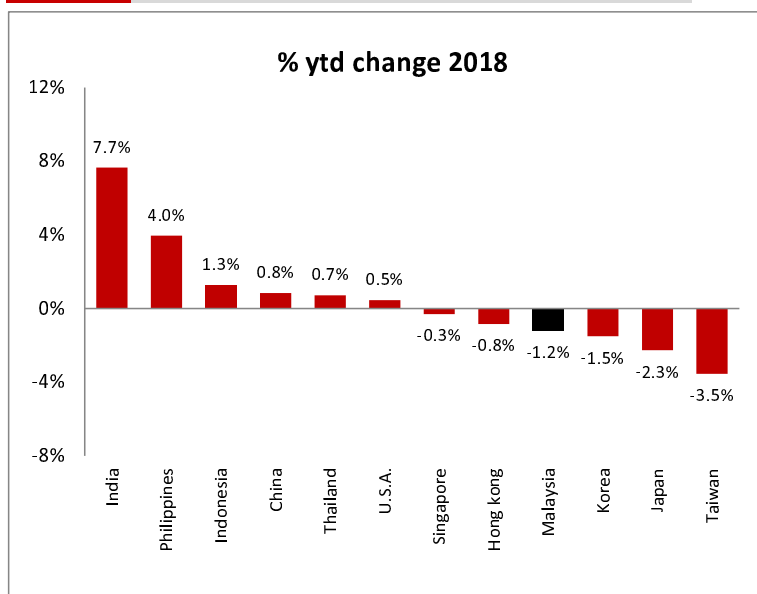
Source: Bloomberg

- The FBM KLCI declined 1.3% for the week after settling at 1,670 points, the biggest loss in 10 weeks. The Ringgit meanwhile moved in an opposite direction, appreciating 0.4% against the greenback for the week to USD/MYR4.136.

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

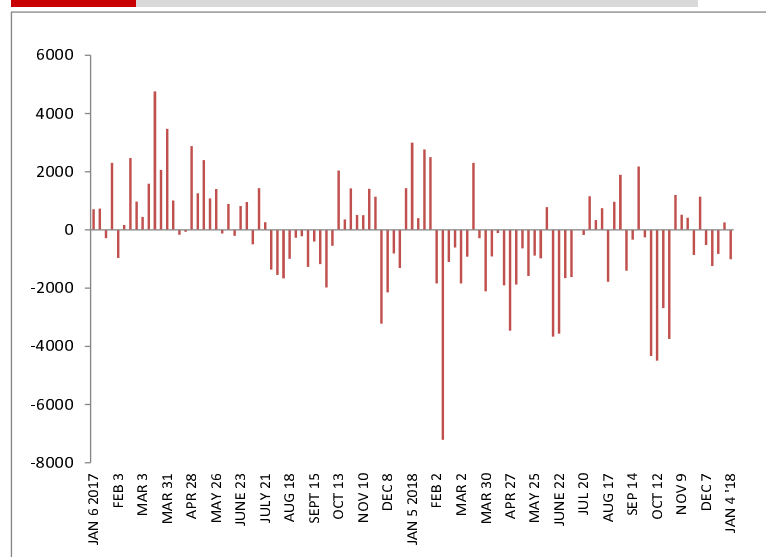
- Asian markets saw an exodus of international funds last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” offloaded -USD1.00b net last week, wiping off the USD258.6m net accumulated in the preceding week. Three out of the seven Asian markets we monitor experienced a foreign net outflow above -USD100m for the week.
- In Korea, foreign investors were back in selling mode, disposing -USD141.3m net, the largest in six weeks during the holiday-shortened week. Korean markets began the new year on a dismal note as the KOSPI lost 1.5% after settling at 2,010 points. The first trading day of 2018 was plagued by foreign net selling worth -USD63.2m net, the first foreign net outflow after three straight days of foreign net inflows. The top 50 stocks on the local bourse based on market capitalisation fell except for seven with AmorePacific Corporation leading losers with a 7.6% decline. On Thursday, news about President Trump expecting to meet North Korean leader, Kim Jong Un as soon as February attracted some foreign funds to return to South Korea to a tune of USD14.2m. However, this was short-lived on Friday as international funds dumped -USD92.3m net amidst Apple’s downward revision in its sales guidance.
- Taiwan saw a weekly foreign net outflow worth -USD658.8m, the largest amongst the seven Asian markets we cover. Foreign net selling occurred on every trading day of the week. The bulk of the negative sentiment in Taiwan was driven by the dim outlook casted on Apple’s revenue, compounding the woes of the Taix which declined 3.6% in the first three days of 2019. As such, share prices of local Apple suppliers such as Largan Precision and TSMC dropped by more than 5.0% in a week as investors became more concerned on whether these companies could still deliver better sales in 1Q19. A possible catalyst for Taiwan’s tech sector would be the upcoming trade talks between the U.S and China.

**Chart 1** YTD performance of major markets



Source: Bloomberg

**Chart 2** Weekly Net Flow of Foreign Funds into 7 Asian Markets since Jan 2017 (USD'm)

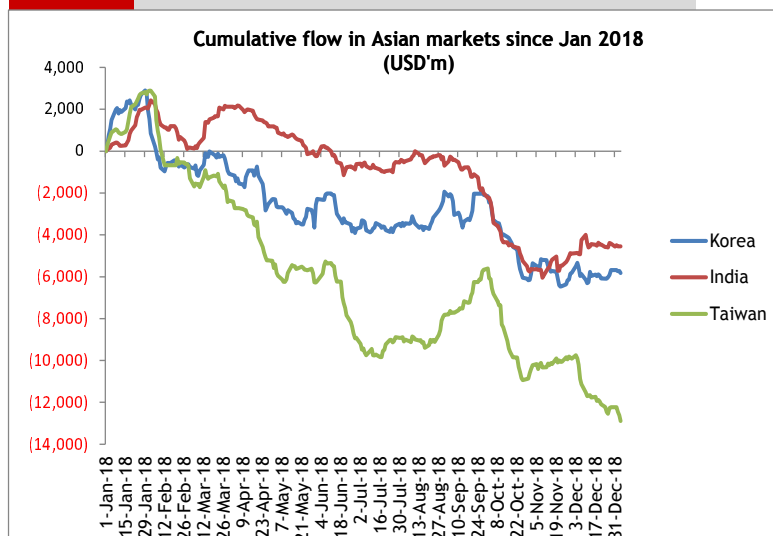


Source: Bloomberg, Bursa Malaysia, MIDFR

<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.

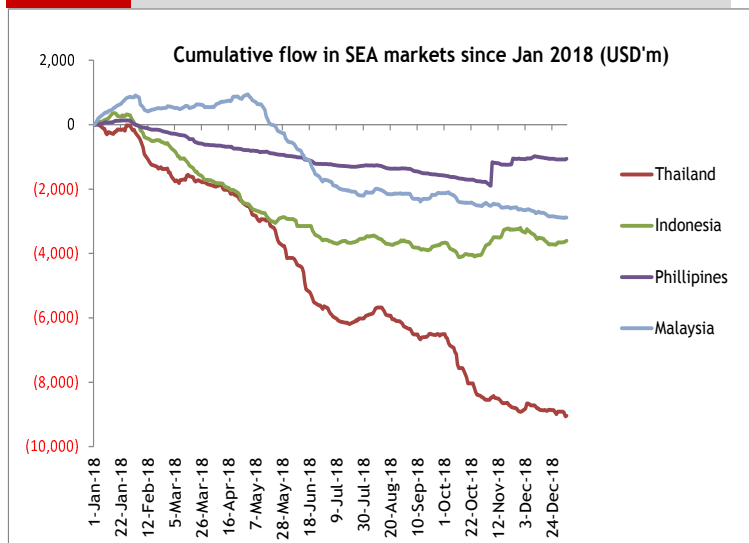
- In emerging South East Asian markets, half of them experienced foreign net selling while the other half saw foreign net inflows.
- In Bangkok, the level of foreign net selling increased by more than half from -USD60.9m to -USD130.4m last week. Foreign investors started the new year in Thailand by slowly selling off -USD25.8m net on Wednesday. Selling activity later surged by almost five times to -USD123.0m net on the next day amidst Apple's downward revision in its sales forecast which triggered a broad market weakness in Asian markets. The first two days of outflows in 2019 came to an end on Friday as foreign investors snapped up USD18.4m net following positive services sector data in China.
- In Manila, international funds acquired USD23.1m net last week. The first trading day of 2019 saw thin trading as foreign investors only sold -USD0.1m net of local equities but this was not a hurdle for the local bourse to gain 0.3% due to the expectation of a slower inflation in December 2018. International funds turned net buyers on the next two days with Friday posting a foreign net inflow of USD19.4m, the highest in 15 trading days as investors took comfort of the nation's December inflation which fell to 5.1%(below consensus' estimates). The local bourse followed suit to end 1.05% higher above 7,700 points, a level not reached since September 2018.
- Jakarta saw its second week foreign net buying worth USD54.9m. International investors were net buyers on every single day of the week, stretching the daily foreign net buying to five trading days. Friday saw the largest foreign net inflow during the week worth USD27.4m buoyed by the finance sector which lifted the JCI 0.9% higher to 6,275 points. On a separate note, Indonesia's oil and gas sector is expected to be active this year as the government seeks USD15b worth of upstream investments.

**Chart 3** Net Flow of Foreign Funds into Taiwan, Korea and India since Jan 2018(USD'm)



Source: Bloomberg, MIDFR

**Chart 4** Net Flow of Foreign Funds into South East Asia Emerging Markets since Jan 2018 (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
NOV 9	157.9	65.2	256.5	585.7	-397.6	-106.3	-43.6	517.8
NOV 16	-523.6	-173.9	231.7	-54.2	865.5	169.5	-99.5	415.5
NOV 23	-724.9	-132.0	6.4	188.5	-295.2	108.1	-12.5	-861.5
NOV 30	632.8	-116.8	-41.5	-14.0	586.9	148.9	-58.4	1,137.8
DEC 7	-62.4	186.0	-52.8	15.1	640.8	-1,225.6	-19.1	-518.0
DEC 14	-90.5	-139.2	-158.0	43.0	-191.5	-630.0	-75.2	-1,241.3
DEC 21	-117.7	5.3	-205.3	-47.5	-19.8	-325.9	-111.1	-822.0
DEC 28	407.0	-60.9	61.4	-24.5	46.5	-140.2	-30.6	258.6
JAN 4	-141.3	-130.4	54.9	23.1	-138.4	-658.8	-13.2	-1,004.1

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



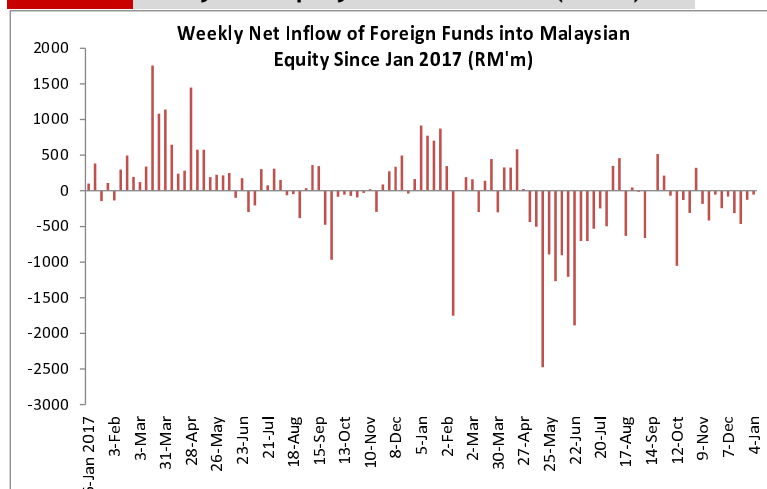
## FUND FLOW REPORT

### C. TRACKING MONEY FLOW - MALAYSIA

- The momentum of foreign net outflows from Bursa tapered last week but extended the weekly foreign selling streak to nine weeks.
- Based on data from Bursa, foreign funds sold -RM54.4m net of local equities last week, less than half of the amount disposed in the previous week.
- On new year's eve, international investors sold -RM36.1m net on Bursa following the drop in China's factory activity for the first time since 2016. The local bourse remained flat, only ending 0.1% lower at 1,691 points on Monday. It was also notable that the FBM KLCI gained 56 points since it hit its lowest level in 2018 of 1,635 points on 18 December 2018.
- Bursa kicked off 2019 on a sombre note as foreign funds sold -RM55.4m on Wednesday, bringing the foreign net selling streak to 12 days, the longest since the 37-day selling spree recorded from early May to late June 2018.
- Despite Apple's slash in revenue guidance, foreign investors disregarded the news and took the opportunity to buy RM64.6m net on Thursday, the largest daily inflow in more than 2 weeks.
- Foreign funds reverted to selling mode on Friday albeit at a moderate pace of -RM27.5m net. Optimism sparked by the China's services gauge was outweighed by disappointing U.S manufacturing data as the ISM manufacturing index fell to 54.1 last month, the lowest level since November 2016.
- For the first three trading days of 2019, foreign funds pulled out -RM18.3m net or -USD4.5m net of equities from Bursa. This is substantially lower than Thailand's outflow of -USD130.4m net while Indonesia and the Philippines saw a net inflow of USD54.9m and USD23.1m, respectively.
- The participation rate amongst the various group of investors saw an increase across the board. The average daily traded value (ADTV) of foreign investors registered the largest weekly advance of 36.0% but was still below the healthy level of RM1b.

**Chart 5**

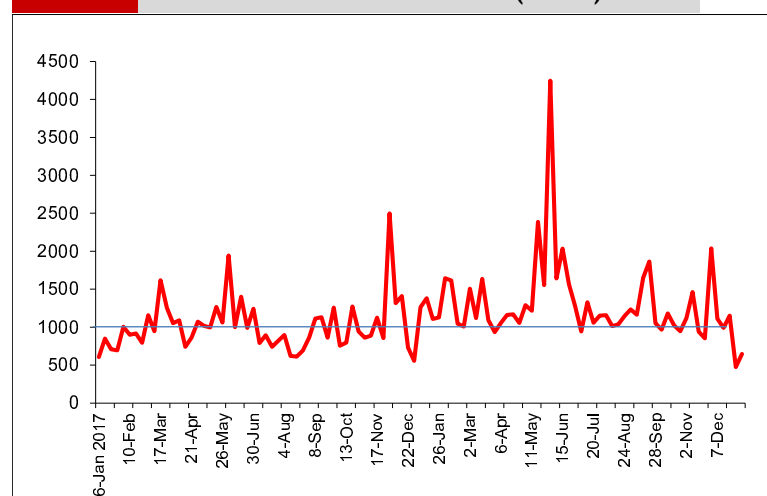
**Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2017 (RM'm)**



Source: Bursa Malaysia preliminary statistics, MIDFR

**Chart 6**

**Foreign Participation on Bursa: Daily Average for the Week since Jan 2017 (RM'm)**



Source: Bursa Malaysia preliminary 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)	
NOV 30	2,826.0	2,249.9	576.1	5,340.3	5,671.6	-331.3	4,969.8	5,214.6	-244.8	-58.4
DEC 7	2,002.0	1,974.4	27.5	4,523.0	4,470.3	52.8	2,733.7	2,813.9	-80.3	-19.2
DEC 14	1,565.4	1,437.5	127.9	3,965.4	3,779.1	186.4	2,320.5	2,634.8	-314.3	-75.2
DEC 21	1,813.5	1,717.1	96.4	3,999.5	3,631.7	367.7	2,644.6	3,108.7	-464.2	-111.1
DEC 28	1,132.6	1,205.2	-72.7	2,134.3	1,934.1	200.2	887.0	1,014.6	-127.6	-30.6
JAN 4	1,272.3	1,264.6	7.7	2,248.0	2,201.3	46.7	1,265.5	1,319.9	-54.4	-13.2

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 4 JANUARY

## TOP 10 NET MONEY INFLOWS

- Hong Leong Bank Berhad registered the highest net money inflow of RM12.17m last week. Its share price lost 0.10% for the week, outperforming the local bourse which had a 1.32% weekly loss.
- CIMB Group Holdings Berhad recorded the second highest net money inflow of RM5.59m. Its share price ended 2.60% lower for the week, underperforming the benchmark which was 1.32% lower.
- Malaysia Airports Holdings Berhad saw the third highest net money inflow of RM4.47m. Its share price ended 3.37% lower during the week under review, underperforming the local bourse which was 1.32% lower. 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		
HLBK	12.17	1.21	-0.10	BOW
CIMB	5.59	4.01	-2.60	BOW
MAHB	4.47	0.77	-3.37	BOW
MY EG	4.43	0.82	-3.08	BOW
PETCHEM	2.19	-0.07	-0.64	BOW
DIALOG	1.96	1.41	-5.52	BOW
PETGAS	1.93	-0.27	-3.05	BOW
KPJ	0.95	0.40	-3.40	BOW
SUNWAY REIT	0.90	0.12	0.57	-
TNB	0.82	-1.52	-0.74	BOW

Source: Bloomberg, MIDFR;

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

## TOP 10 NET MONEY OUTFLOWS

- Nestle (Malaysia) Berhad saw the largest net money outflow of -RM15.71m last week. Its stock price lost 1.42%, underperforming vis-à-vis the FBM KLCI which declined 1.32% during the review week.
- Public Bank Berhad recorded the second largest net money outflow -RM8.54m during the week under review. Its share price meanwhile slightly advanced declined 0.88% for the week, outperforming the market benchmark which had a 1.32% weekly loss.
- Genting Berhad registered the third largest net money outflow of -RM5.67m in the review week. Its share price ended -2.15% lower during the week, underperforming the benchmark which had a 1.32% weekly loss. 

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
NESTLE	-15.71	-2.01	-1.42	-
PUBLIC BANK	-8.54	-0.80	-0.88	-
GENTING BHD	-5.67	-0.46	-2.15	-
MAYBANK	-5.57	0.57	-0.85	-
INARI	-4.97	0.31	-16.89	-
IHH	-2.45	2.80	0.55	SOS
DIGI.COM	-2.23	-0.39	-0.67	-
PRESS METAL	-1.98	-0.07	-5.60	-
HAP SENG	-1.94	-3.17	-1.02	-
AIRASIA	-1.49	-1.91	-2.02	-

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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