

MIDF EQUITY STRATEGY | 7 OCTOBER 2019

WEEK ENDED 4 OCTOBER 2019

- Majority of equity markets worldwide were in the sea of red as amidst a batch of economic data from the U.S, Europe and also China.
- Brent crude oil price ended 5.7% lower for the week after settling at USD58.37pb, the biggest weekly decline since July 2019 as a streak of disappointing data compounded fears of a global slowdown. Meanwhile, OPEC is prepared to make deeper production cuts if required according to its own member, Nigeria. Nigeria itself is committed to comply fully with its new production quota of 1.7m barrels per day.
- Asian equities suffered a bloodbath as investors sought other safe havens due to a plethora of negative vibes in the air, snapping the three-week foreign buying streak. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” disposed -USD864.2m net last week.
- Foreign funds continued to exit Bursa for the third week at an intensified pace. Based on data from Bursa, foreign investors sold a whopping -RM770.8m net of local equities last week, more than four times compared to -RM150.9m in the week before. This is the biggest weekly foreign net outflow in eight weeks.
- The FBM KLCI declined by 1.7% for the week after closing at 1,557.7 points on Friday, marking the biggest weekly loss in almost a year. Meanwhile, the Ringgit appreciated slightly by less than 1.0% against the greenback as it settled at USD/MYR4.1850.

7 October 2019 | Strategy - Weekly Fund Flow

Adam M Rahim

NO REPRIEVE IN OUTFLOWS AS ECONOMIC DATA DISAPPOINTS

A. MARKET SNAPSHOT

- Majority of equity markets worldwide were in the sea of red as amidst a batch of economic data from the U.S, Europe and also China.
- The economic atmosphere in the U.S continues to worsen as the U.S factory gauge unexpectedly fell to a 10-year low of 47.8 in September according to the Institute for Supply Management's factory index. In fact, the factory index was below 50 for the second straight month, added to growing evidence of a global manufacturing slowdown, which many economists attribute to the escalating trade dispute between the U.S. and China.
- In Asia, the official manufacturing PMI in China remained in a contractionary mode in September 2019. Nevertheless, it edged up to 49.8 from 49.5 in the preceding month as export orders dropped at a slower rate and output expanded the most in six months. In addition, new orders increased for the first time since April 2019 and buying activities improved. In a similar mode, the Caixin Manufacturing PMI increased to 51.4 during the same month from 50.4 in August 2019 and unexpectedly beat market expectations of a decline to 50.2. With the two commendable indicators, we could expect some improvement in the industrial production particularly in manufacturing moving forward. This will be further supported by China's introduction a number of stimuli into its economy in attempts to support the country's slowing economy.
- German retail sales rose by 3.5%yoy in August 2019, but still lower than 5.2%yoy seen in the previous month, despite inflation rate declining from 1.7%yoy in July 2019 to 1.4%yoy in the same month. However, the falling retail sales was aligned with falling consumer confidence, and rising unemployment rate. In August 2019, consumer confidence fell to 9.7 from 9.8 in the previous month, whereas the unemployment rate rose from 5.0% to 5.1%. Consumer confidence had been constantly falling since February 2019, while unemployment rate which had been rising since June 2019, declining marginally to 4.9%. This might be due to the market uncertainties related to Brexit, and constant trade war between US and China, which had caused consumers to tighten their purse string on fears of future. Moving forward, the retail sales may increase as consumer confidence has broken the falling streak in October 2019 for the first time since February 2019.
- Brent crude oil price ended 5.7% lower for the week after settling at USD58.37pb, the biggest weekly decline since July 2019 as a streak of disappointing data compounded fears of a global slowdown. Meanwhile, OPEC is prepared to make deeper production cuts if required according to its own member, Nigeria. Nigeria itself is committed to comply fully with its new production quota of 1.7m barrels per day.

Table 1 Weekly performance of major indices

Weekly % change	Week before	Last week
Taiwan TAIEX	-0.92	0.60
S&P 500	-1.01	-0.33
Hang Seng	-1.82	-0.52
Dow Jones	-0.43	-0.92
China CSI 300	-2.11	-0.99
Korea KOSPI	-1.99	-1.43
Phil PCOMP	-0.66	-1.47
FSSTI Index	-1.08	-1.51
KLCI	-0.83	-1.67
Nikkei	-0.91	-2.14
Jakarta JCI	-0.55	-2.19
Thai SET	0.46	-2.30
CAC 40	-0.88	-2.70
India SENSEX	2.13	-2.96
DAX	-0.70	-2.97
FTSE 100	1.11	-3.65

Source: Bloomberg

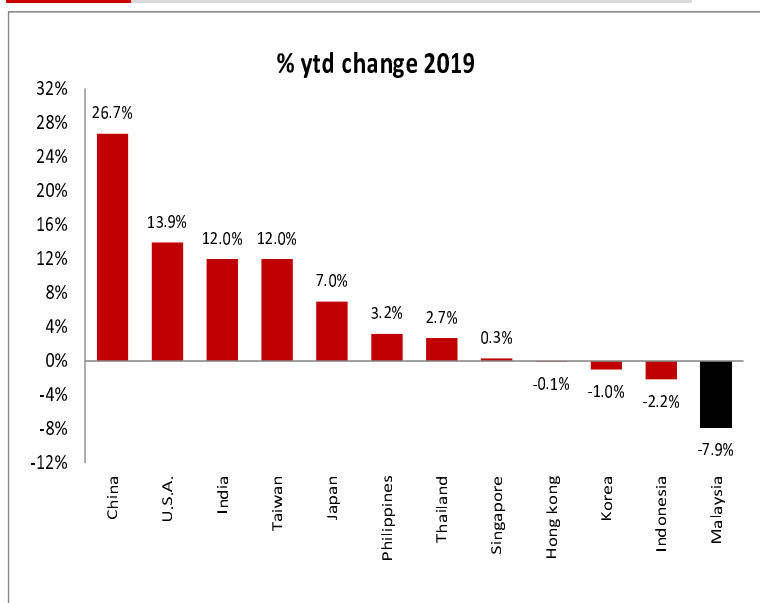
FUND FLOW REPORT

- The FBM KLCI declined by 1.7% for the week after closing at 1,557.7 points on Friday, marking the biggest weekly loss in almost a year. Meanwhile, the Ringgit appreciated slightly by less than 1.0% against the greenback as it settled at USD/MYR4.1850.

B. TRACKING MONEY FLOW - ASIA¹

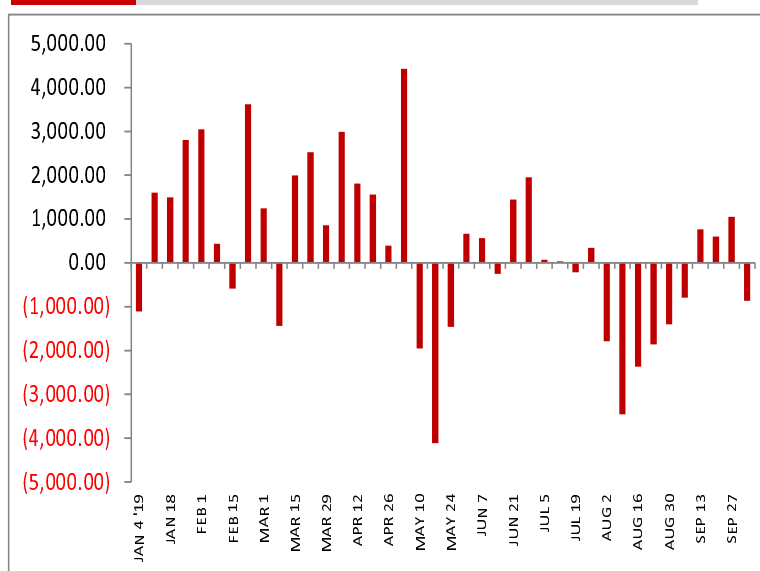
- Asian equities suffered a bloodbath as investors sought other safe havens due to a plethora of negative vibes in the air, snapping the three-week foreign buying streak. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” disposed -USD864.2m net last week.
- During the holiday-shortened week, the level foreign net buying observed in South Korea was little changed at -USD405.9m compared to -USD383.5m in the week before. International funds were net sellers on every single day of the week with Friday recording the highest at -USD143.8m as investors retreated to the side lines before the U.S. non-farm payrolls report were due on Friday and Chinese Vice Premier Liu He’s Washington trip this week. The slump on Friday was also partly influenced by the slump in the Hang Seng index following the move of Hong Kong’s government to ban mask wearing in efforts to prevent protests after months of violence in the island. On the macroeconomic front, South Korea’s in September 2019 inflation slid below zero as exports of the nation especially in the tech sector recorded another double-digit drop to fall for the 10th consecutive week.
- Taiwan on the other hand saw the fifth consecutive week of foreign net buying, the longest buying streak since early January to March this year. The pace of foreign net buying accelerated by more than 30 times to hit USD327.9m last week. A heavy foreign net outflow of -USD222.8m net was observed on Thursday which dragged the Taiex index down to 7,547 points, the lowest close since the middle of May 2019 amidst President Trump’s plan to widen the global trade war by raising tariffs on USD7.5b of European goods such as aircraft and agricultural products. Nevertheless, international funds earlier on Tuesday flocked in local equities, mopping up -USD508.2m net, the highest in nearly two weeks as markets reopened from a typhoon.

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)

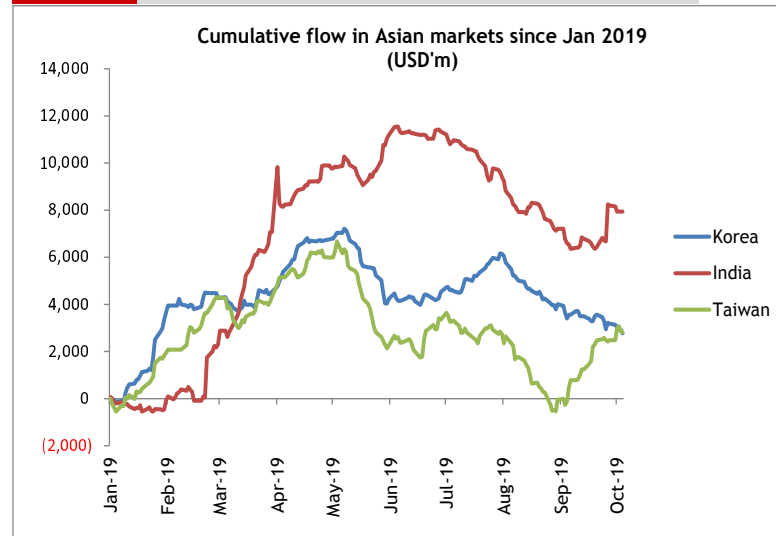


Source: Bloomberg, Bursa Malaysia, MIDFR

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.

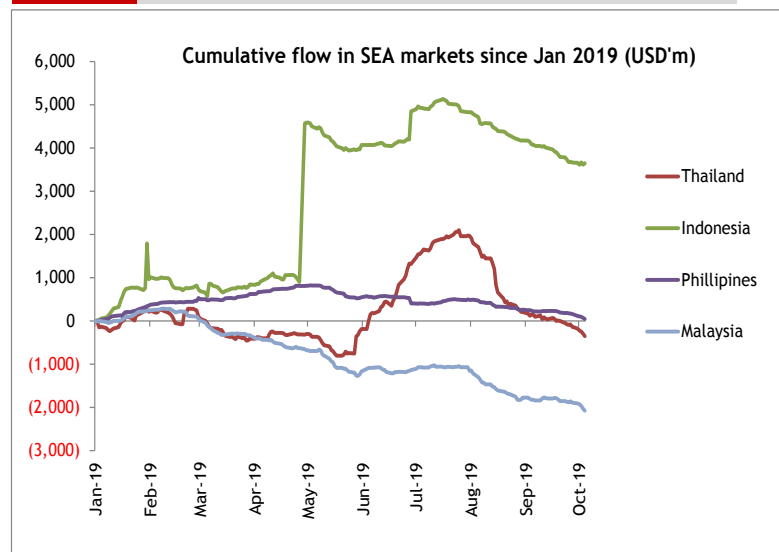
- In emerging South East Asian markets that we monitor, foreign net outflows was observed across the board.
- Foreign net selling activity in Bangkok reached -USD216.1m last week, marking the 10th uninterrupted week of foreign net attrition. International funds sold local equities on every single day of the week with Friday recording the highest foreign net outflow during the week at -USD56.8m net in line with other Asian stock markets as the rebound on Wall Street overnight was outweighed by the U.S job reports due later on the same day.
- In Manila, the level of foreign net selling tripled to reach -USD112.8m last week. Foreign net outflow was the highest during the week on Monday at -USD41.8m net as President Trump was considering delisting Chinese companies from U.S stock exchanges but was later downplayed by the president himself. In terms of volume, trading volume picked up slightly on Monday as investors repositioned themselves during the last day of 3Q19. On the other hand, international funds sold the least on Wednesday at -USD9.6m net although the US factory data tumbled more than a decade.
- Jakarta marked its 12th consecutive weekly foreign net outflow as foreign investors took out -USD14.5m last week. This is the longest selling spree recorded since the 16-week selling streak seen from early February to middle of May 2018. Foreign net selling peaked during the week on Thursday at USD56.0m amidst weak U.S data. On the macroeconomic front, Indonesia's inflation rate slowed down to 3.4%yoy in September 2019, mainly contributed but remained well within the nation's central bank target range of 2.5% to 4.5%. On a monthly basis, Indonesia recorded a foreign net outflow of -USD519.1m net, the largest foreign net outflow amongst the 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
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	-428.8	-321.7	-77.2	-1,400.4
SEP 6	-439.4	-113.0	-126.3	-38.6	-845.4	838.5	-66.3	-790.3
SEP 13	-67.4	-57.6	-47.2	8.0	432.1	452.3	46.0	766.1
SEP 20	63.7	-37.2	-206.7	-33.7	-357.4	1,232.8	-59.7	601.7
SEP 27	-383.5	-136.4	-133.8	-37.4	1,767.6	8.6	-36.1	1,049.0
OCT 4	-405.9	-216.1	-14.5	-112.8	-259.0	327.9	-184.0	-864.2

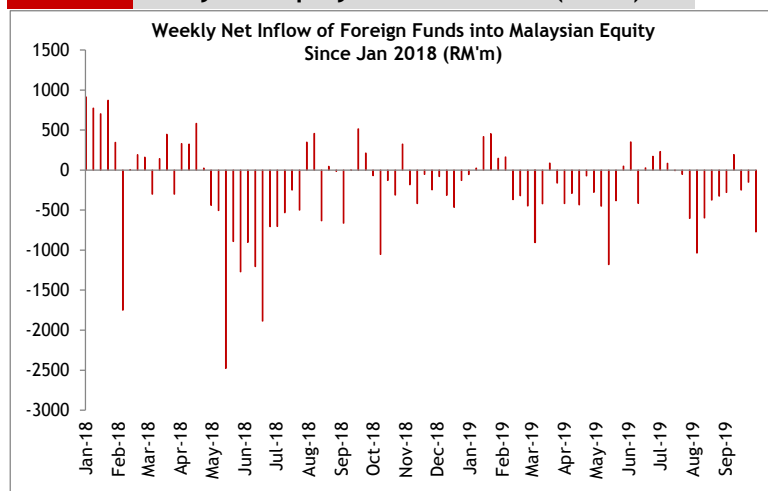
FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

- Foreign funds continued to exit Bursa for the third week at an intensified pace. Based on data from Bursa, foreign investors sold a whopping -RM770.8m net of local equities last week, more than four times compared to -RM150.9m in the week before. This is the biggest weekly foreign net outflow in eight weeks.
- Bursa ended 3Q19 on a weak note as foreign investors sold -RM72.3m net of local equities on Monday. Jitters came from news on President Trump's talk of delisting Chinese firms from the U.S markets in the preceding week. Meanwhile, September saw a total foreign net outflow of -RM559.0m, the second lowest monthly foreign net outflow so far in 2019.
- Nevertheless, the local bourse started 4Q19 on the right foot with a slight gain of 0.4% on Tuesday, snapping two days of losses. However, the FBM KLCI was still the smallest gainer amongst regional peers due to the foreign net outflow of -RM74.2m.
- Momentum of foreign net selling accelerated further on Wednesday, reaching -RM168.0m. Sentiment on Thursday was influenced by the U.S factory gauge hitting the weakest point since the end of the last recession. The U.S is also set to slap USD7.5b worth of tariffs on European imports. As such, offshore investors dumped -RM266.5m net on Thursday, the highest daily foreign net outflow in more than a month.
- Foreign investors then disposed -RM189.7m net on Friday, extending the foreign net selling spree to the sixth day as Malaysia's import in September reached the lowest level since 2009. The local bourse followed suit to close at 1,557.7 points on the same day, a level not seen in four years.
- On a year-to-date basis, international funds have taken out -RM8.60b worth of local equities from Bursa, making up 74.0% of last year's foreign outflow of -RM11.69m.
- In terms of participation, foreign investors experienced the largest weekly drop in the average daily traded value (ADTV) of 12.5% to go remain below the RM1.0b mark at RM772.3m.

Chart 5

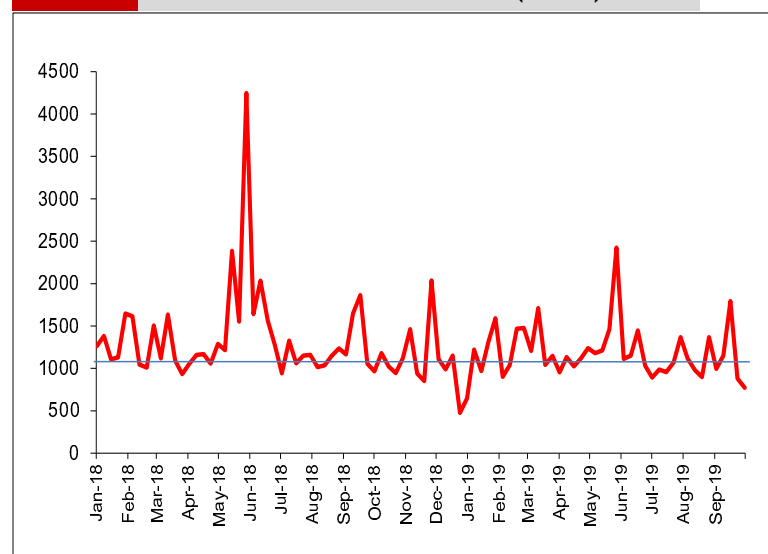
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2018 (RM'm)



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)	
AUG 30	2,163.8	2,097.8	66.0	4,223.8	3,965.3	258.5	3,259.7	3,584.2	-324.5	-77.2
SEP 6	1,445.2	1,457.1	-11.9	3,040.8	2,750.3	290.5	1,852.5	2,131.2	-278.7	-66.3
SEP 13	1,420.1	1,381.6	38.6	3,131.2	3,361.8	-230.7	2,398.4	2,206.3	192.1	46.0
SEP 20	1,588.4	1,486.2	102.1	3,515.4	3,368.2	147.2	3,462.6	3,711.9	-249.3	-59.7
SEP 27	1,667.2	1,643.1	24.1	3,722.7	3,596.0	126.7	2,130.6	2,281.4	-150.9	-36.1
OCT 4	1,745.7	1,639.3	106.4	3,976.3	3,311.9	664.4	1,545.3	2,316.1	-770.8	-184.0

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 4 OCTOBER
TOP 10 NET MONEY INFLOWS

- Kuala Lumpur Kepong Berhad registered the highest net money inflow of RM16.20m last week. Its share price declined -7.57% for the week, underperforming the local bourse which had a -1.67% 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.
- Dialog Group Berhad recorded the second highest net money inflow of RM14.34m. Its share price ended -0.88% lower for the week, outperforming the benchmark which was -1.67% lower during the week under review.
- RHB Bank Berhad saw the third highest net money inflow of RM11.88m. Its share price ended -0.54% lower during the week under review, outperforming the local bourse which was -1.67% lower.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
KL KEPONG	16.20	-12.40	-7.57	BOW
DIALOG GROUP	14.34	-1.08	-0.88	BOW
RHB BANK BHD	11.88	3.51	-0.54	BOW
HLFG	9.38	12.18	0.25	-
NESTLE	9.12	6.41	-0.83	BOW
GENTING MSIA	8.68	2.83	0.66	-
GAMUDA	7.29	-0.19	1.12	-
CIMB	3.68	-2.96	-0.21	BOW
MAYBANK	3.62	-10.12	-1.86	BOW
GENTING BHD	3.47	-0.10	-0.70	BOW

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- Kossan Rubber Industries Berhad saw the largest net money outflow of -RM8.72m last week. Its stock price was -0.71% lower for the week, outperforming vis-à-vis the FBM KLCI which declined -1.67% during the review week.
- Genting Plantations Berhad recorded the second largest net money outflow -RM6.97m during the week under review. Its share price was 1.63% higher during the week, outperforming the market benchmark which had a -1.67% weekly loss. It is notable that the net money outflow amidst advancing share price may indicate a sell on strength (SOS) stance among some investors.
- Westports Holdings Berhad registered the third largest net money outflow of -RM5.86m in the review week. Its share price was 0.72% higher for the week, outperforming the local benchmark which was -1.67% lower for the week.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
KOSSAN	-8.72	-1.65	-0.71	-
GENT PLTN	-6.97	0.83	1.63	SOS
WESTPORTS	-5.86	-2.68	0.72	SOS
VS INDUSTRY	-5.47	-0.96	-2.94	-
SUNWAY REIT	-2.65	-6.71	1.56	SOS
MAHB	-1.91	0.38	0.35	SOS
TNB	-1.42	10.54	-0.59	-
SUNWAY BHD	-1.13	-0.10	1.62	SOS
IGB REIT	-1.11	-0.58	-1.48	-
MISC BHD	-0.92	-1.71	0.91	SOS

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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Business Address:
11th Floor, Menara MIDF,
82, Jalan Raja Chulan, 50200
Kuala Lumpur.
Tel: 2173 8888
Fax: 2173 8380