

## MIDF EQUITY STRATEGY | 8 APRIL 2019

### WEEK ENDED 5 APRIL

- Most equity markets worldwide recovered last week as the U.S and China returned to the discussion table.
- It was another strong week for Brent crude oil price as it jumped by more than 2.0% for the week to settle above USD70pb. Additional catalysts for the oil price besides output cuts and sanctions include signs that the U.S and China are progressing well to reach a trade deal and geopolitical tensions in Libya, forcing further output cuts.
- International investors upped the ante in Asian markets last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” bought USD1.76b net last week, the ninth time that the weekly foreign net inflow reached above USD1.0b.
- International funds shifted their selling mode into a higher gear last week. Based on data from Bursa, foreign funds sold -RM416.7m net of local equities last week. This is the fourth time that the weekly foreign net selling reached above RM400m so far in 2019.
- The FBM KLCI narrowed down its weekly losses to 0.1% losses after closing at 1,642 points. In comparison with other regional bourses, the FBMKLCI is the only laggard in ASEAN with a year-to-date loss of 2.9%. Likewise, the Ringgit depreciated 0.2% against the greenback to settle at USD/MYR4.0885.

8 April 2019 | Strategy - Weekly Fund Flow

Adam M Rahim

## INVESTORS UPPED THEIR ANTE IN ASIAN MARKETS

### A. MARKET SNAPSHOT

- Most equity markets worldwide recovered last week as the U.S and China returned to the discussion table.
- The U.S economy remains in a solid shape despite the fading effects of USD1.5 trillion tax cut last year, ongoing trade negotiation with China and political uncertainties in the E.U. Leading indicators are suggesting a modest improvement in the economy with its PMI reaching 55.3 points in March 2019. Private consumption which covers about 70% of the economy indicates increasing optimism. In the same month, the University of Michigan's consumer sentiment hit a 5-month high while IBD/TIPP Economic Optimism Index touched a 4-month high. Key macro fundamental factors stayed solid given that job market remains at full-employment condition inflationary pressures remain at an accommodative level.
- In Asia, the Reserve Bank of India (RBI) has lowered the interest rate benchmark to 6.0%, its second reduction in 2019. The decision was widely expected as macroeconomic indicators were reflecting moderating signs. We observe that the external trade and industrial production are growing moderately in 1Q19. Also, the CPI in February 2019 rose by 2.6%, the highest rate in 4-month but remain low by standards. Moving forward, we do not rule out the possibility of more rate hikes as the country is facing multiple headwinds such as weakening currency, slowing domestic demand and sluggish investment. On a side note, India's general election which will be held in seven phases from 11 April to 19 May 2019 is a major concern domestically and externally as India is one of the largest economies in Asia. The rate cut is likely to assist Prime Minister Narendra Modi in his attempt to win a second term in office when polling begins next week.
- Eurozone's retail sales advanced 2.8%yoy in February 2019, higher than 2.2%yoy recorded in the previous month. On a monthly basis, retail trade increased 0.4% and exceeded market estimations of 0.2% growth. Non-food and food, drinks & tobacco sales rose 0.9%mom and 0.1%mom respectively. Meanwhile, fuel sales fell 0.7%mom. The second consecutive months of retail sales growth on top of rising consumer confidence suggests that household consumption likely to grow at faster rate in 1Q19. The consumer confidence in March 2019 improved to -7.2, slightly above preceding month's -7.4 as households are more positive on their past financial situation and general economic situation.
- It was another strong week for Brent crude oil price as it jumped by more than 2.0% for the week to settle above USD70pb. Additional catalysts for the oil price besides output cuts and sanctions include signs that the U.S and China are progressing well to reach a trade deal and geopolitical tensions in Libya, forcing further output cuts.

Table 1	Weekly performance of major indices	
China CSI 300	1.01	4.90
DAX	1.42	4.20
FSSTI Index	0.02	3.42
Korea KOSPI	-2.12	3.22
Hang Seng	-0.21	3.05
Nikkei	-1.95	2.84
CAC 40	1.53	2.35
FTSE 100	0.99	2.30
S&P 500	1.20	2.06
Dow Jones	1.67	1.91
Taiwan TAIEX	0.02	0.60
India SENSEX	1.33	0.49
Thai SET	-0.46	0.46
Jakarta JCI	-0.87	0.08
KLCI	-1.38	-0.11
Phil PCOMP	-1.15	-0.60

Source: Bloomberg

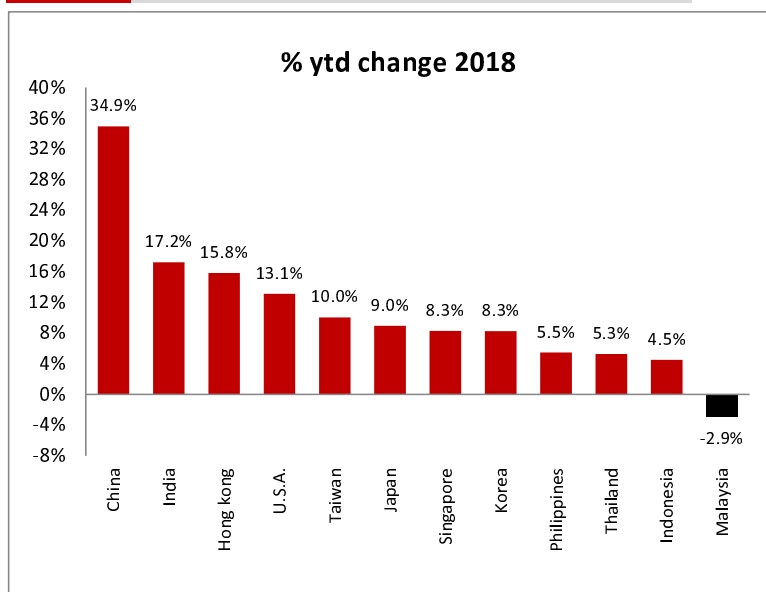
## FUND FLOW REPORT

- The FBM KLCI narrowed down its weekly losses to 0.1% losses after closing at 1,642 points. In comparison with other regional bourses, the FBMKLCI is the only laggard in ASEAN with a year-to-date loss of 2.9%. Likewise, the Ringgit depreciated 0.2% against the greenback to settle at USD/MYR4.0885.

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

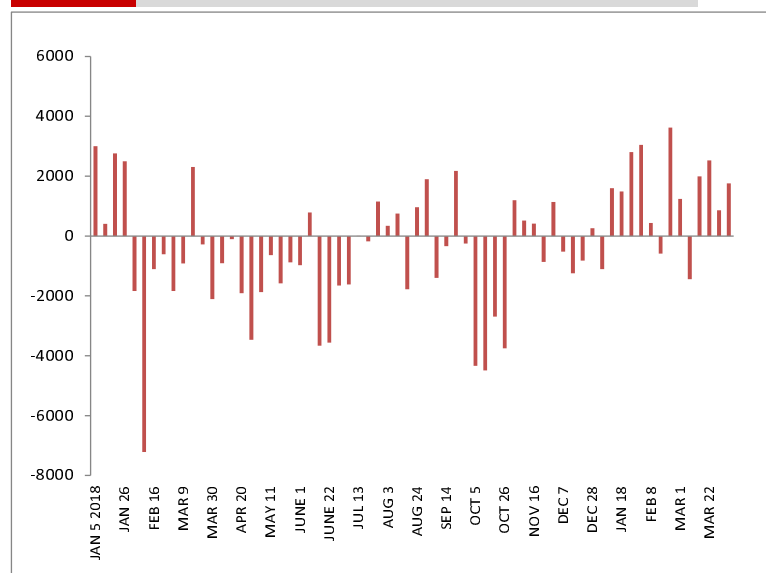
- International investors upped the ante in Asian markets last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” bought USD1.76b net last week, the ninth time that the weekly foreign net inflow reached above USD1.0b.
- In Korea, international funds made a proverbial bang as they mopped up USD927.3m net of local stocks, a level not seen since early February this year. Foreign net buying occurred on every single day of the week. Thursday recorded the highest at USD233.8m net, tracking the overnight gains on U.S stocks which settled near a six-month high as optimism over global growth revived risk appetite. Friday was the only day on which foreign net buying declined to reach below USD100m as Samsung Electronics earnings fell the most in four years due to the slump in chip prices. On the macro front, South Korea’s exports in March 2019 remained in the negative territory for the fourth consecutive month at -8.2%yoy due to low outbound shipment of memory chips and petrochemicals while exports to the U.S grew gradually by 4.1%yoy in the same month.
- During the holiday-shortened week, Taiwan also attracted a staggering weekly foreign net inflow of USD835.8m net, the highest in six weeks. The first two days of the week saw foreign net inflows reach above USD200m on each day with Monday reaching the highest at USD533.5m net. Monday’s rally was attributable to the unexpected rebound in China manufacturing data in March which came in at 50.8, the fastest pace in eight months. The impact on the local bourse was rather muted as it was little changed, gaining less than 0.5% on the same day. While Wednesday saw the daily foreign buying streak extend to the fifth day, the pace was measurable at only USD6.9m net of local equities ahead of the four-day long weekend.

**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)

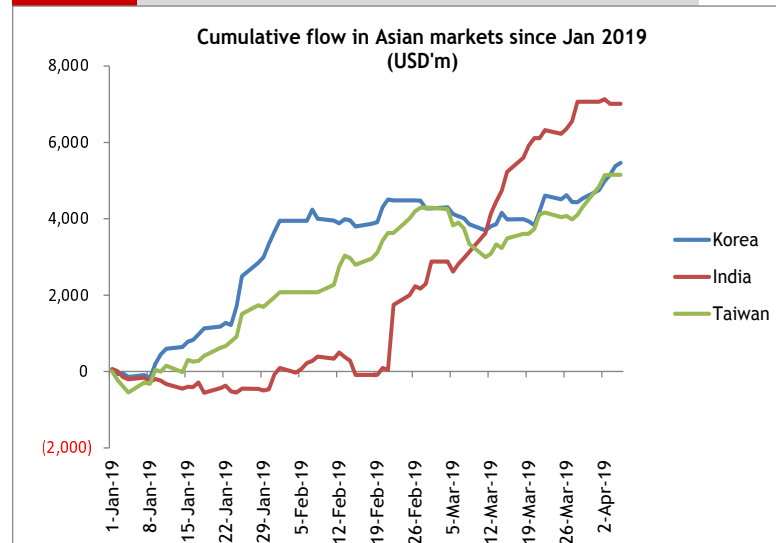


Source: Bloomberg, Bursa Malaysia, MIDFR

<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.

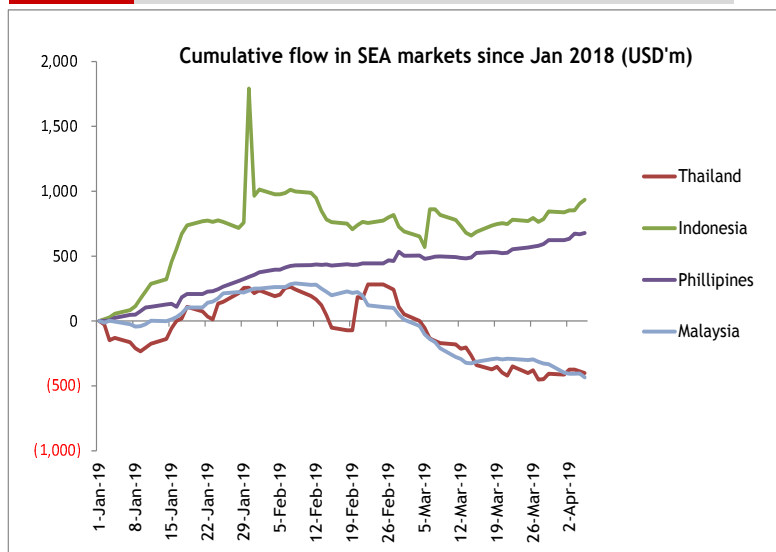
- In emerging South East Asian markets that we monitor, majority experienced foreign net buying for the week.
- After five straight weeks of foreign net selling, foreign investors made a modest comeback to Bangkok by acquiring USD5.7m net of local equities. Although foreign investors were net sellers on four days during the week, this was offset by Tuesday's foreign net inflow of USD39.1m, coinciding with the rally in Asian equities as investors prepared for the resumption of the U.S-China trade negotiations. In the near term, sentiment will still to be dominated by uncertainties from the upcoming results in the latest general election .
- Manila logged its third straight week of inflows as foreign investors snapped up USD55.0m net last week. The pace at which foreign investors entered Manila grew gradually from USD0.55m on Monday to reach USD40.8m on Wednesday, stretching the foreign buying spree to 10 days following the solid manufacturing data from the world's two largest economies; the U.S and China. This helped to allay fears of a global economic slowdown. However, the 10-day buying streak was snapped on Thursday with a minimal outflow of -USD4.7m as investors turned cautious ahead of the nation's inflation data, dragging the PSEi 0.5% lower to reach 7,854 points.
- International funds bought USD90.8m net in Jakarta during the four-day trading week. Jakarta began the quarter with a foreign net outflow of -USD7.5m but was offset by a USD15.9m net inflow on the following day as plantation stocks led gainers amidst the decline in palm oil reserves. As markets on Thursday reopened from a public holiday, investors accumulated USD51.7m net supported by U.S-China trade optimism. On the political front, incumbent President Joko Widodo is leading his opponent ahead of April 17 elections.

**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)

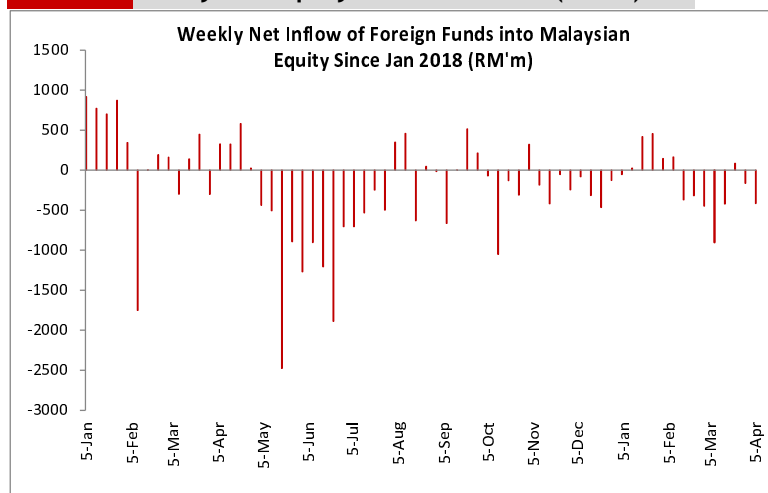
WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
FEB 8	49.6	6.9	-15.1	54.3	297.1	0.0	40.0	432.9
FEB 15	-200.6	-294.0	-236.4	-2.7	-482.8	721.6	-90.6	-585.5
FEB 22	683.4	332.3	-5.6	17.0	1,836.3	836.4	-78.3	3,621.5
MAR 1	-208.8	-228.3	-64.9	58.7	1,137.4	658.9	-110.0	1,242.9
MAR 8	-414.6	-222.5	127.2	-5.6	246.4	-948.8	-221.2	-1,439.2
MAR 15	126.7	-170.5	-131.2	26.6	2,102.7	141.5	-103.0	1,992.7
MAR 22	618.2	-9.2	94.1	29.7	1,089.3	681.3	21.2	2,524.6
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	-52.9	835.8	-102.1	1,759.6

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

## C. TRACKING MONEY FLOW - MALAYSIA

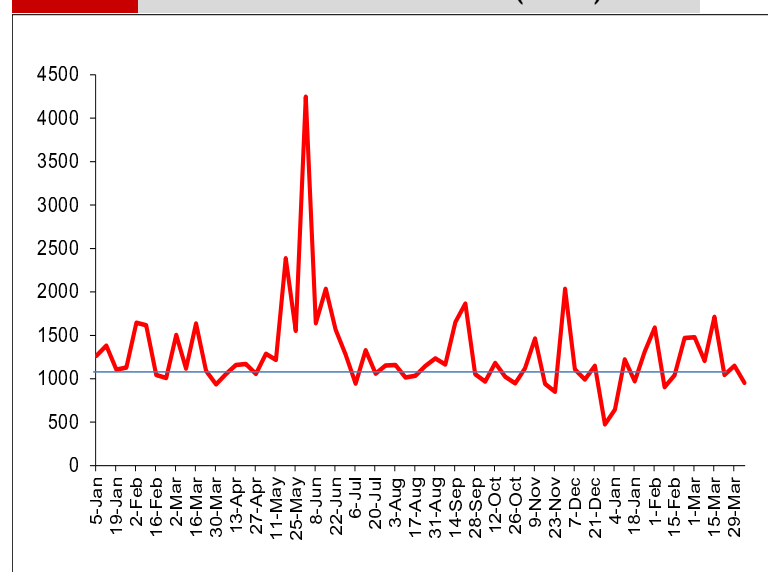
- International funds shifted their selling mode into a higher gear last week. Based on data from Bursa, foreign funds sold -RM416.7m net of local equities last week. This is the fourth time that the weekly foreign net selling reached above RM400m so far in 2019.
- Bursa began the quarter with an exodus of foreign funds on Monday worth -RM265.1m net, the highest in 15 trading days. The slump in banking stocks outweighed the signs of stabilisation shown by manufacturing activity in China in March 2019, hampering sentiment. The local bourse followed suit to decline by 0.9% to settle at 1,628.7 points, a level not seen since late December 2016.
- The level of foreign net selling dropped substantially to -RM37.0m on the next day as optimism was underpinned by the higher-than-expected jump in U.S's manufacturing PMI data of 1.1ppt to 55.3% from the month before. However, Malaysia was the only market with a foreign net outflow amongst the seven Asian markets we monitor.
- Offshore investors made a modest return on Wednesday and Thursday by snapping up RM1.4m net and RM8.8m net respectively, following a report that the U.S and China have resolved most of the issues in the trade talks. On the local front, gains in Genting was spurred by its plan to acquire the Equanimity superyacht also partially supported the FBM KLCI which rose 12 points over these two days.
- The mood turned sombre on Friday as foreign investors took out -RM124.8m net, bucking the regional trend due to the absence of catalysts from the local front.
- On a year-to-date basis, foreign funds have sold -RM1.76b net of local equities. Amongst the four ASEAN markets we monitor, Malaysia has now taken over Thailand's place as the nation with the largest foreign net outflow. Nevertheless, the cumulative foreign net outflows from January 2018 in Malaysia is substantially lower by more than USD5.0b compared to Thailand.

**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)	
MAR 1	2,914.0	2,703.1	210.8	5,359.9	5,123.0	236.9	3,471.1	3,981.9	-447.7	-110.0
MAR 8	3,198.8	3,146.2	52.6	5,669.1	4,818.5	850.6	2,562.6	3,465.8	-903.2	-221.2
MAR 15	3,693.4	3,645.9	47.5	5,455.1	5,081.7	373.5	4,069.0	4,489.9	-421.0	-103.0
MAR 22	2,746.4	2,756.3	-9.9	4,391.8	4,468.2	-76.4	2,649.8	2,563.5	86.3	21.2
MAR 29	2,284.3	2,229.3	55.0	4,052.8	3,945.7	107.2	2,791.2	2,953.4	-162.1	-39.8
APR 5	2,470.5	2,499.3	-28.8	4,932.5	4,487.0	445.5	2,174.2	2,590.9	-416.7	-102.1

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 5 APRIL**
**TOP 10 NET MONEY INFLOWS**

- MY EG Services Berhad registered the highest net money inflow of RM12.86m last week. Its share price advanced 8.51% for the week, substantially outperforming the local bourse which had a -0.11% weekly loss.
- Tenaga Nasional Berhad recorded the second highest net money inflow of RM7.31m. Its share price ended -0.32% lower for the week, underperforming the benchmark which was -0.11% lower. It is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.
- Time Dotcom Berhad saw the third highest net money inflow of RM5.96m. Its share price was unchanged during the week.


**Table 4** Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
MY EG SERVICES	12.86	6.82	8.51	-
TNB	7.31	-0.08	-0.32	BOW
TIME DOTCOM	5.96	0.40	0.00	-
SD PLANTATION	5.44	-0.85	2.59	-
CMSB	5.13	-0.28	8.38	-
FGV	4.09	0.54	0.85	-
TOP GLOVE	3.80	-1.00	-0.43	BOW
AXIATA	3.58	-4.22	0.72	-
CIMB GROUP	3.02	-1.28	-0.78	BOW
PADINI	2.40	-0.01	3.34	-

Source: Bloomberg, MIDFR;

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

**TOP 10 NET MONEY OUTFLOWS**

- Public Bank Berhad saw the largest net money outflow of -RM18.39m last week. Its stock price dropped -1.21% for the week underperforming vis-à-vis the FBM KLCI which declined -0.11% during the review week.
- Petronas Chemicals Group Berhad recorded the second largest net money outflow -RM14.21m during the week under review. Its share price was -0.66% lower during the week, underperforming the market benchmark which had a -0.11% weekly loss.
- Malayan Banking Berhad registered the third largest net money outflow of -RM14.10m in the review week. Its share price was -0.11% lower for the week, matching the change of the local benchmark. 

**Table 5** Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
PUBLIC BANK	-18.39	-6.04	-1.21	-
PETCHEM	-14.21	-23.01	-0.66	-
MAYBANK	-14.10	6.97	-0.11	-
RHB BANK	-10.55	-4.60	0.53	SOS
MAHB	-8.30	0.91	-1.80	-
YINSON	-6.07	0.84	-0.65	-
GENTING BHD	-3.44	0.49	2.11	SOS
BUMI ARMADA	-1.79	-0.81	2.63	SOS
INARI	-1.76	-0.95	6.37	SOS
AEON CREDIT	-1.13	-0.79	0.36	SOS

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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