

MIDF EQUITY STRATEGY | 8 JULY 2019

WEEK ENDED 5 JULY 2019

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- Brent crude oil price ended 3.5% lower for the week at USD64.23pb despite OPEC's oil output sinking to a new five-year low of 29.6 million barrels per day in June 2019. Although OPEC and its allies and prolonging supply curbs, such actions leave a door open for U.S shale producers to grab market share.
- The foreign buying activity in Asian markets came to halt last week as international funds took out some equities from the Asian markets albeit at a manageable pace. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" sold -USD86.7m net last week.
- International investors snapped up stocks listed on Bursa for the third week running. Based on data from Bursa, foreign funds acquired RM230.2m net of local equities last week.
- The FBM KLCI gained by 0.6% for the week after settling at 1,683 points on Friday. In contrast, the Ringgit depreciated by 0.1% against the greenback to settle at USD/MYR4.1355 for the week.

TRADE TRUCE EXTENDS FOREIGN BUYING ON BURSA

A. MARKET SNAPSHOT

- Majority equity markets worldwide ended the week in the green zone as the U.S's and China's move to head back to another round of trade talks stoked risk-on mood.
- The US seasonally adjusted trade deficit widened to a five-month high of USD 55.5b in May-19 (May-18: USD 44.4b) and exceeded market consensus of USD 54b. The country's trade deficit in Dec-18, the first month of 90-days truce was at USD 60.8b (10-year high). The following two months showed a sharp drop in deficit before increasing gradually until recently. The latest five-month high was due to a -1.3%yoy drop in exports (almost 3-year low) while imports expanded by 3.3%yoy (5-month high). Imports surged due to purchases of automotive vehicles, parts, and engines, up to USD 2.3b. Trade deficit with China which is the main concern of Trump has widened to USD 30.1b, the highest since Feb-19.
- In Asia, China Caixin services PMI hit the lowest point in four months at 52.0 amidst weak overseas demand. Meanwhile, the new export orders placed with Chinese services firms took a dip for the first time in nine months in June. In spite of this, the sub-index for new businesses rose to 53.4 in June, indicating a batch of government support measures for the economy over the last year which propped up domestic demand. While the U.S and China have restarted trade talks, earlier tariffs imposed by each nation remain in place. As such, China has been strongly relying on the services sector to ramp up as exports falter.
- Euro Area retail trade contracted further at -0.3%mom in May-19 from -0.1%mom in the previous month and totally deviating from market forecasts for a 0.3% growth. Among the components, food, drinks & tobacco and automotive trade fell more at -0.5%mom and -1.3%mom (Apr-19: -0.2%mom) respectively. On annual basis, retail sales growth also moderated to 1.3%yoy compared to 1.8%yoy in the preceding month and lower than market expectations of a 1.6%yoy gain. Retail sales have been on downward trend for the past few months which indicates that the domestic demand is weakening and that weigh on economic growth performance.
- Brent crude oil price ended 3.5% lower for the week at USD64.23pb despite OPEC's oil output sinking to a new five-year low of 29.6 million barrels per day in June 2019. Although OPEC and its allies and prolonging supply curbs, such actions leave a door open for U.S shale producers to grab market share. Anxiety over oil demand was also exacerbated by the sluggish manufacturing data from the U.S to China earlier last week also overshadowed the seizure of a tanker carrying Iranian crude to Syria by British special forces.

Table 1 Weekly performance of major indices

Weekly % change	Week before	Last week
Nikkei	0.08	2.21
China CSI 300	-0.22	1.77
FTSE 100	0.24	1.72
S&P 500	-0.29	1.65
Phil PCOMP	-0.69	1.48
DAX	0.48	1.37
FSSTI Index	0.01	1.36
Dow Jones	-0.45	1.21
CAC 40	0.19	0.99
Hang Seng	0.24	0.81
KLCI	-0.60	0.62
Taiwan TAIEX	-0.68	0.51
India SENSEX	0.51	0.30
Jakarta JCI	0.68	0.23
Thai SET	0.77	0.05
Korea KOSPI	0.24	-0.94

Source: Bloomberg

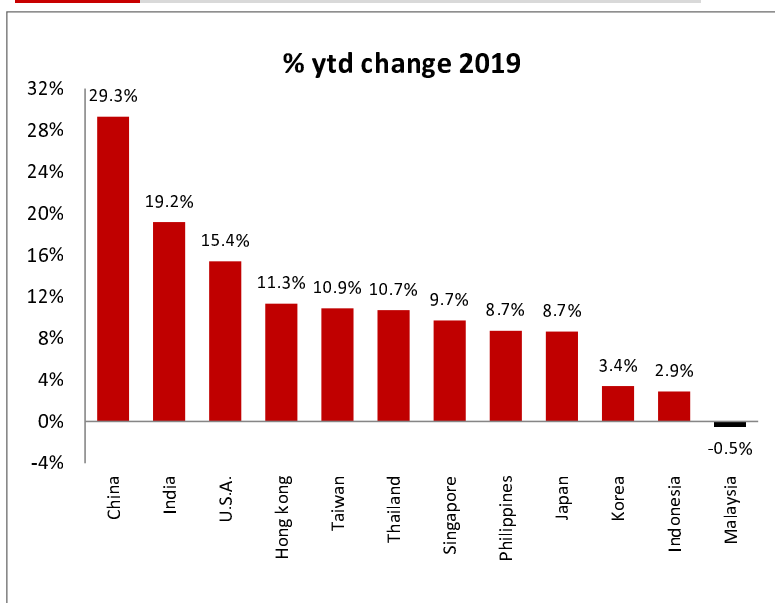
FUND FLOW REPORT

- The FBM KLCI gained by 0.6% for the week after settling at 1,683 points on Friday. In contrast, the Ringgit depreciated by 0.1% against the greenback to settle at USD/MYR4.1355 for the week.

B. TRACKING MONEY FLOW - ASIA¹

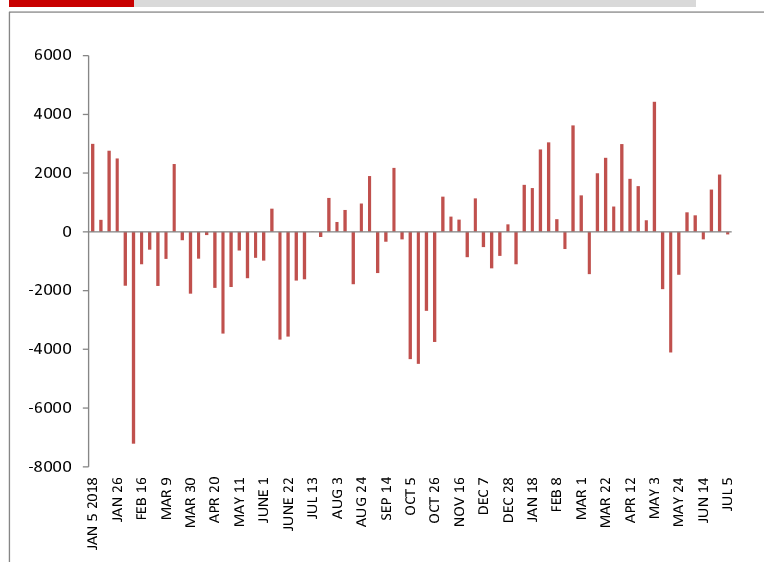
- The foreign buying activity in Asian markets came to halt last week as international funds took out some equities from the Asian markets albeit at a manageable pace. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” sold -USD86.7m net last week compared to USD1.95b net bought in the week before. This is the lowest weekly foreign net outflow recorded so far in 2019.
- In Korea, foreign net buying shrunk by one fourth to USD35.0m net, the smallest weekly foreign net inflow in 10 weeks. Bulk of the last week’s foreign net inflow was attributable to Monday’s foreign net buying of USD194.5m net as share prices of listed companies related to inter-Korean economic cooperation such as Hyundai Elevator and Rotem enjoyed a sharp rally Monday following an unexpected summit between the U.S. and North Korea at the border village of Panmunjom in the Demilitarized Zone. Meanwhile, the total weekly foreign net inflow was capped by Wednesday’s huge foreign net outflow of -USD131.6m net amidst concerns over trade measures linked to the rift between Japan and South Korea over forced labour during World War 2.
- In contrast, international funds turned net sellers after selling off -USD36.4m net of local equities last week, but not enough to offset the USDUSD419.4m net bought in the week before. Similar to South Korea, a commendable amount of foreign net inflows were seen on Monday at nearly USD300m as investors’ optimism was spurred from the trade truce between the U.S and China. Technology stocks won the biggest reprieve as President Trump allowed U.S companies to resume sales to Huawei in addition to not impose USD300b worth of tariffs. Nevertheless, Tuesday and Wednesday saw huge selloffs by foreign investors amounting to more than -USD100m on each day as trade truce optimism wanes following the U.S’s proposed tariffs on USD4b worth of goods from the EU.

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)

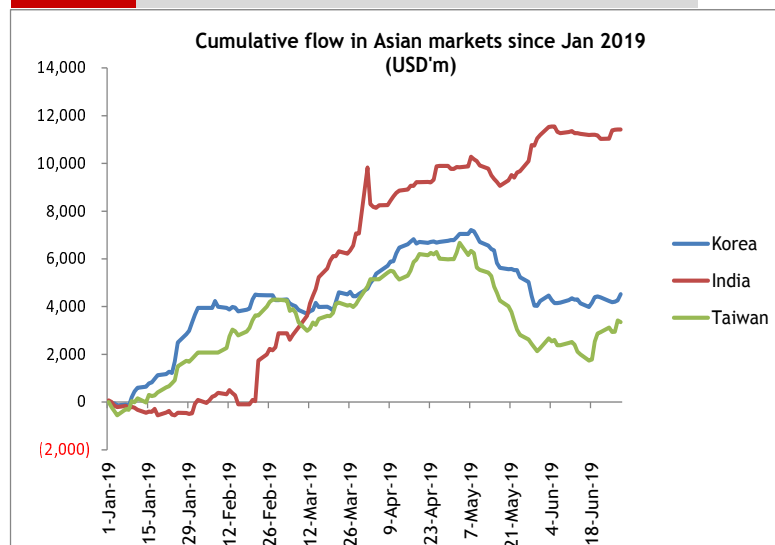


Source: Bloomberg, Bursa Malaysia, MIDFR

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.

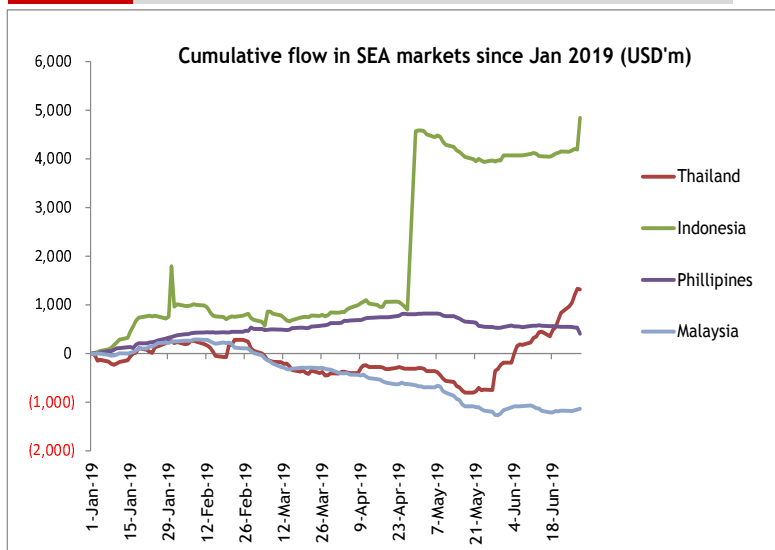
- In emerging South East Asian markets that we monitor, more than half were experiencing foreign net inflows.
- Bangkok saw a foreign net inflow of USD333.1m, marking its seventh week of foreign net buying. Foreign net buying occurred on every single day of the week with Monday recording the highest at USD153.3m net attributable to the trade truce between Beijing and Washington which lifted the SET index by 0.6% to close at 1,741 points, a level not observed since October last year. Meanwhile, Wednesday recorded the lowest foreign net inflow during the week at USD4.4m net. On the macro front, the Bank of Thailand is not ruling out any interest cuts as the nation's economy and currency faces downside risks.
- Although Manila recorded its third week of foreign net selling, the amount sold declined substantially to just -USD7.0m net, compared to -USD141.4m net in the preceding week. The foreign net buying worth USD5.4m net on Wednesday pared down the level of foreign net selling for the week. It was notable that the local bourse tested the 8,100 mark in intraday trading on Wednesday but failed to stay higher due to the lack of confidence from local investors coming from the latest global trade jitters surrounding Europe. Nevertheless, markets on Friday cheered the nation's slowest pace of inflation since September 2017.
- The momentum of foreign net buying in Jakarta slowed down to USD69.3m net compared to USD694.1m net in the week before despite having three straight days of foreign net attrition. International funds in Jakarta bought local equities on Monday and Tuesday at an intense pace of more than USD50m each. Optimism on both days was underpinned by the move of China and the U.S to resume trade negotiations.

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
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	1,518.3	-556.4	11.6	665.0
JUN 7	-69.2	362.8	0.0	-5.9	76.8	115.5	83.8	563.7
JUN 14	-33.8	273.3	-15.7	31.2	-28.3	-380.5	-99.8	-253.5
JUN 21	248.0	384.9	97.5	-22.6	-209.6	936.4	6.9	1,441.4
JUN 28	142.4	484.1	694.1	-141.4	310.1	419.4	41.5	1,950.1
JUL 5	35.0	333.1	69.3	-7.0	-536.3	-36.4	55.6	-86.7

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

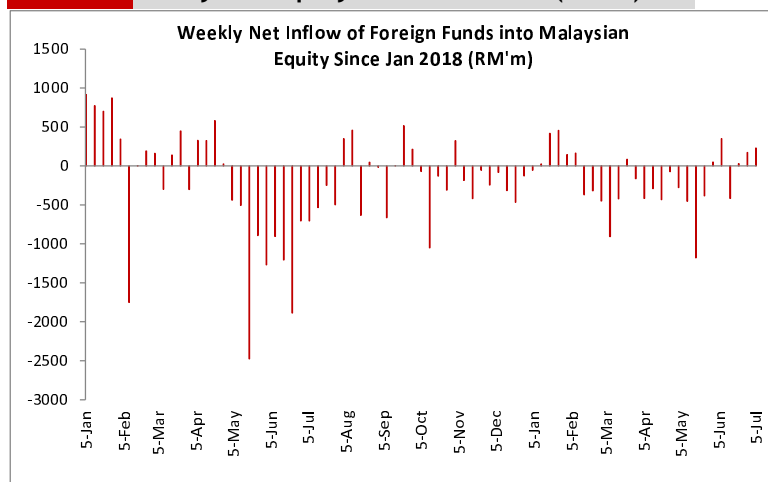
FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

- International investors snapped up stocks listed on Bursa for the third week running. Based on data from Bursa, foreign funds acquired RM230.2m net of local equities last week.
- The week started off on the right foot as international funds acquired RM114.38m net of local equities on Monday. Risk appetite on Monday was bolstered by the agreement between the U.S and China to resume trade negotiations during the G20 summit in the preceding week.
- Despite more tariffs being proposed by the U.S on USD4.0b worth of goods from European Union, foreign net buying activity intensified on Tuesday to reach RM143.8m net, a level not seen since 3 June 2019. This was in conformity with other regional peers namely, Thailand and Indonesia. The local bourse followed suit to rise 0.4%, cancelling off its year-to-date loss for the first time since 18 March 2019.
- On Wednesday, the level of foreign net buying activity slowed down substantially to RM12.6m net but marked the sixth straight day of buying spree. Trade optimism waned as investors were concerned on a trade dispute, this time between Korea and Japan.
- Tables were turned on Thursday and Friday as foreign funds took out -RM17.4m net and -RM23.3m net of local equities respectively as investors locked in gains while economic data showed that Malaysia's exports growth doubled to 2.5%yoy in May 2019 from 1.1%yoy April 2019.
- Last week's foreign net inflow brings the year-to-date foreign net outflow from Malaysia to -RM4.43b. Meanwhile, the other six Asian markets we monitor (Korea, Thailand, Indonesia, India, Taiwan and the Philippines) have seen a foreign net inflow so far for the year.
- In terms of participation, the average daily traded value (ADTV) of foreign investors experienced a decline of 13.7% to RM891.6m for the week, below the healthy threshold of RM1.0b. Meanwhile, both retail investors and local institutional funds recorded an increased in their ADTV by more than 20% for the week.

Chart 5

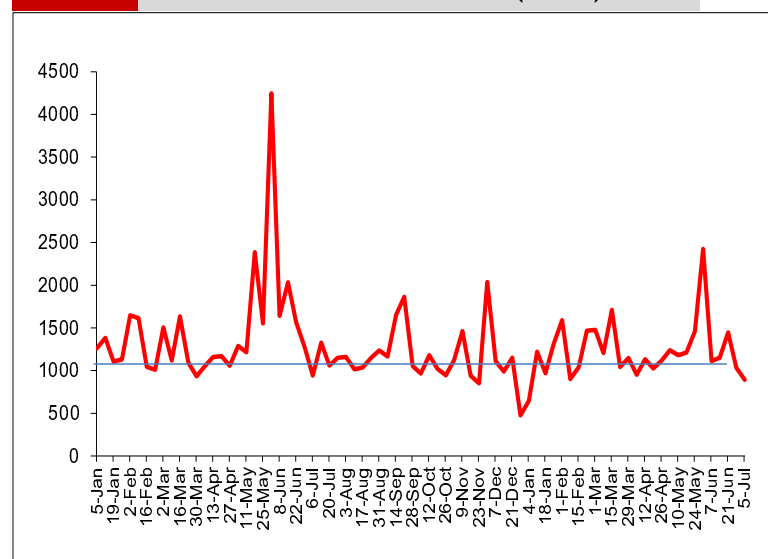
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2018 (RM'm)



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)	
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
JUN 7	701.1	727.8	-26.7	1,536.2	1,859.4	-323.3	1,843.8	1,493.8	350.0	83.8
JUN 14	2,081.0	1,985.9	95.1	4,318.7	3,998.5	320.2	2,670.8	3,086.1	-415.3	-99.8
JUN 21	2,073.1	2,140.8	-67.7	5,103.3	5,063.8	39.5	3,633.6	3,605.3	28.3	6.9
JUN 28	1,649.6	1,645.8	3.9	4,407.2	4,582.7	-175.5	2,669.9	2,498.2	171.7	41.5
JUL 5	2,543.9	2,565.4	-21.5	5,335.9	5,544.5	-208.6	2,344.1	2,114.0	230.2	55.6

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 5 JULY
TOP 10 NET MONEY INFLOWS

- Malayan Banking Berhad registered the highest net money inflow of RM7.69m last week. Its share price advanced 1.01% for the week, outperforming the local bourse which had a 0.62% weekly gain.
- CIMB Group Holdings Berhad recorded the second highest net money inflow of RM6.75m. Its share price ended -0.19% lower for the week, underperforming the benchmark which was 0.62% higher during the week under review. Nonetheless, it is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.
- Petronas Chemicals Group Berhad saw the third highest net money inflow of RM6.53m. Its share price ended 2.74% higher during the week under review, substantially outperforming the local bourse which was 0.62% higher.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
MAYBANK	7.69	11.20	1.01	-
CIMB GROUP	6.75	11.68	-0.19	BOW
PETCHEM	6.53	-10.08	2.74	-
GAMUDA BHD	5.04	0.24	3.19	-
DIGI.COM BHD	3.65	-0.05	0.40	-
MAHB	3.45	25.61	1.99	-
QL RESOURCES	3.16	4.15	0.29	-
AXIATA GROUP	2.70	2.84	4.42	-
MAXIS BHD	2.28	1.14	2.15	-
HONG LEONG	2.10	0.66	0.11	-

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 -RM9.95m last week. Its stock price was unchanged for the week.
- Sime Darby Berhad recorded the second largest net money outflow -RM7.93m during the week under review. Its share price was 3.10% higher during the week, outperforming the market benchmark which had a 0.62% weekly gain. It is notable that the net money outflow amidst advancing share price may indicate a sell on strength (SOS) stance among some investors.
- Petronas Dagangan Berhad registered the third largest net money outflow of -RM6.46m in the review week. Its share price was 0.79% higher for the week, outperforming the local benchmark which was 0.62% higher 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	
PUBLIC BANK	-9.95	-2.72	0.00	-
SIME DARBY	-7.93	-1.03	3.10	SOS
PETDAG	-6.46	-3.39	0.79	SOS
RHB BANK	-4.08	3.74	3.04	SOS
AIRASIA	-3.08	1.24	8.79	SOS
BUMI ARMADA	-2.91	-0.55	0.00	-
IOI CORP	-2.38	-2.31	0.94	SOS
NESTLE	-2.18	-1.26	-0.20	-
HARTALEGA	-2.05	-1.03	-0.38	-
BURSA	-1.98	-0.48	1.00	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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