

MIDF EQUITY STRATEGY | 9 DECEMBER 2019 WEEK ENDED 6 DECEMBER 2019

- Equity markets worldwide remained mixed last week due to uneven developments of trade negotiations between the U.S and China especially after the U.S signed a bill supporting Hong Kong protesters.
- Brent crude oil price ended 3.1% higher for the week at USD64.39pb, the largest gain in six weeks. On Friday, OPEC+, which includes ally Russia, agreed to reduce its output limit by another 500,000 barrels a day through to March 2020, adding to the previous 1.2 million bpd pact that will remove 1.7% from world supply altogether. In addition, OPEC's de facto leader Saudi Arabia, pledged to cut another 400,000 bpd of its own if the rest of OPEC keep to their deal.
- International funds continued to flee Asian markets for the third week running but at a substantially slower momentum. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" disposed only -USD251.9m net last week, compared to -USD1.70b dumped in the preceding week.
- International funds ramped up their selling activity last, marking the fifth consecutive week of foreign net outflows. Based on data from Bursa, international investors sold -RM834.6m net of local equities last week, the highest weekly foreign net outflow in 17 weeks.
- The FBM KLCI ended the week in the black, gaining 0.4% to settle at 1,568.4 points. Likewise, the Ringgit appreciated by 0.5% against the greenback to reach USD/MYR4.159 during the week.

NO SLOWDOWN IN OUTFLOWS DESPITE U.S-CHINA TRADE DEAL PROGRESS

A. MARKET SNAPSHOT

- Major global equity markets remained mixed last week due to a possibility that the U.S-China trade war could drag on until the U.S presidential election is done next year.
- Major U.S stock indexes rallied on Friday after the government reported that hiring in the U.S. jumped last month to the highest level in 10 months. Nonfarm payrolls rose by 266,000 in November, and October's print was revised to 156,000 from 128,000 previously, according to the Bureau of Labor Statistics. The unemployment rate edged down to 3.5% from 3.6% in October. Adding to the upbeat tempo in markets was a report from the University of Michigan that showed consumer sentiment exceeded forecasts in December, hitting its highest level in seven months.
- China's PMI surprisingly inched up to a near three-year high of 51.8 in Nov-19 from 51.7 in the preceding month and deviated from market forecast of 51.4. The PMI has been on an increasing trend since Jul-19. Most of the components including buying activity grew solidly. Despite the upward trend in PMI figures, the industrial production performance was relatively low compared to early 2019. IPI growths were below 5%yoy since Jul-19 except in Sep-19, at 5.8%yoy before returning to below 5% in the following month. Despite further increases in output and new orders, sentiment towards the 12-month production outlook slipped to a five-month low due to stricter environmental policies and market uncertainties. The US-China trade deal remains uncertain as western intervention especially Trump-led administration in Hong Kong may affect the trade agreement process.
- Euro Area's retail sales fell -0.6%mom in Oct-19, the sharpest fall since Dec-18 and doubled market forecast of -0.3%mom. Sales declined for non-food products by -1.1%mom (Sep-19: 0.1%mom) particularly textiles, clothing & footwear, electrical goods & furniture and pharmaceutical & medical goods. In contrast, sales rebounded for food, drinks & tobacco and automotive fuel. One rule of thumb for recession is three consecutive months of declining retail sales and the latest performance marked second straight month of contraction of it. Meanwhile, on annual basis, retail sales expanded but at a moderating pace of 1.4%, the softest pace in five months and far below market expectation of 2.2%.
- Brent crude oil price ended 3.1% higher for the week at USD64.39pb, the largest gain in six weeks. On Friday, OPEC+, which includes ally Russia, agreed to reduce its output limit by another 500,000 barrels a day through to March 2020, adding to the previous 1.2 million bpd pact that will remove 1.7% from world supply altogether. In addition, OPEC's de facto leader Saudi Arabia, pledged to cut another 400,000 bpd of its own if the rest of OPEC keep to their deal.

Table 1 Weekly performance of major indices		
Weekly % change	Week before	Last week
Jakarta JCI	-1.45	2.91
China CSI 300	-0.55	1.93
Taiwan TAIEX	-0.67	1.05
Phil PCOMP	-1.09	0.81
Hang Seng	-0.93	0.58
KLCI	-2.20	0.43
Nikkei	0.78	0.26
S&P 500	0.99	0.16
FSSTI Index	-0.98	0.02
Dow Jones	0.63	-0.13
Korea KOSPI	-0.67	-0.29
DAX	0.55	-0.53
CAC 40	0.20	-0.56
India SENSEX	1.08	-0.85
FTSE 100	0.27	-1.45
Thai SET	-0.45	-1.99

Source: Bloomberg

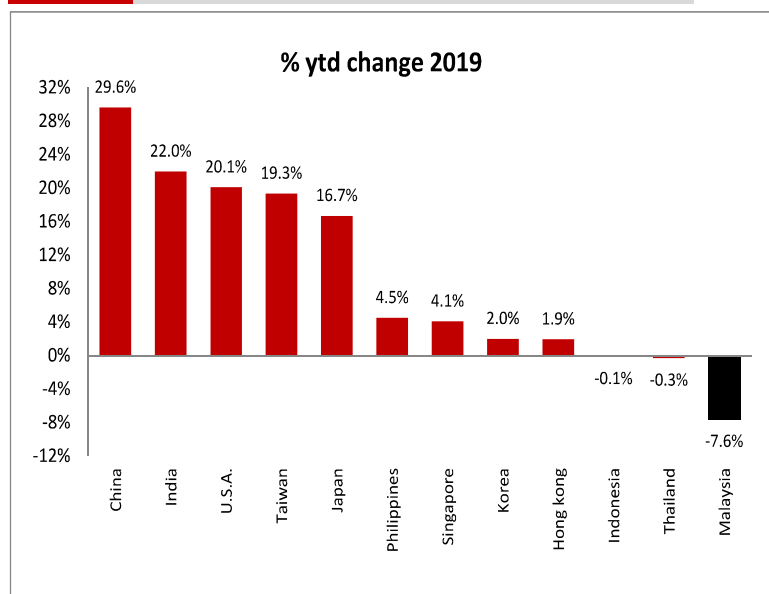
FUND FLOW REPORT

- The FBM KLCI ended the week in the black, gaining 0.4% to settle at 1,568.4 points. Likewise, the Ringgit appreciated by 0.5% against the greenback to reach USD/MYR4.159 during the week.

B. TRACKING MONEY FLOW - ASIA¹

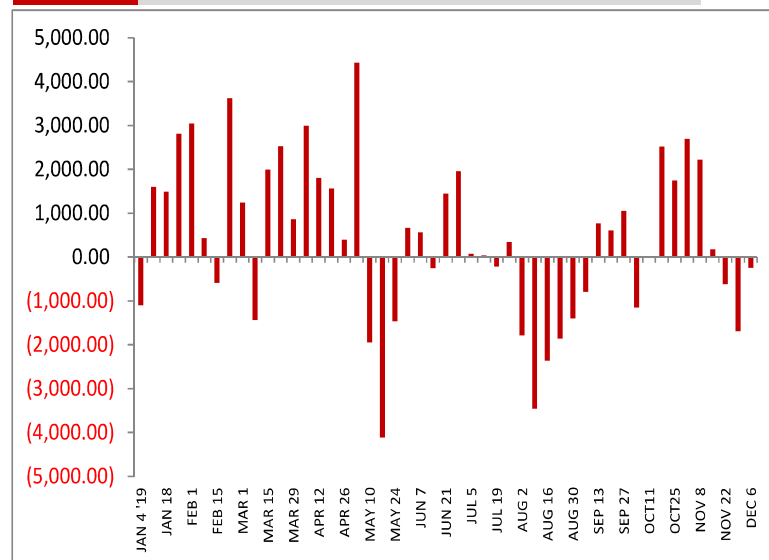
- International funds continued to flee Asian markets for the third week running but at a substantially slower momentum. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” disposed only -USD251.9m net last week, compared to -USD1.70b dumped in the preceding week.
- Foreign investors in South Korea continued to dump local equities for the second week albeit at a lower level of just -USD681.5m compared to amount higher than RM1.0b in the preceding week. The level of foreign net selling was intense on the first three days of the week, exceeding -USD250m on each day. During that three-day period, Tuesday saw the highest foreign net outflow of -USD269.8m as the U.S proposed tariffs on USD2.4b of French goods over the country’s digital services tax. Meanwhile on Friday, offshore investors made a comeback to South Korea for the first time after 21-straight days of foreign net outflows. The positive vibes came from hints that a broader trade agreement between the U.S and China is drawing closer as China is working toward waiving tariffs on imports of U.S pork and soy. The KOSPI index followed suit to advance 1.0% on the same day to close at 2081.9 points, the largest daily gain in two weeks.
- Foreign investors entered Taiwan at a tune of USD934.3m net after a pausing net buying activity for a week. This is the largest weekly foreign net inflow observed in four weeks. It was notable that international funds were net buyers on every day of the week with Thursday recording the highest at USD303.2m net, coinciding with the 0.7% jump in the Taiex to settle at 11,594.7 points, the largest daily gain seen in more than three weeks. The heavy foreign inflow came about amidst renewed hopes that a U.S. trade deal with China may be near despite recent tough talk from President Donald Trump. Sentiment was hurt on Friday as investors digested China’s possible retaliation against the U.S bill supporting Hong Kong protesters.

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)

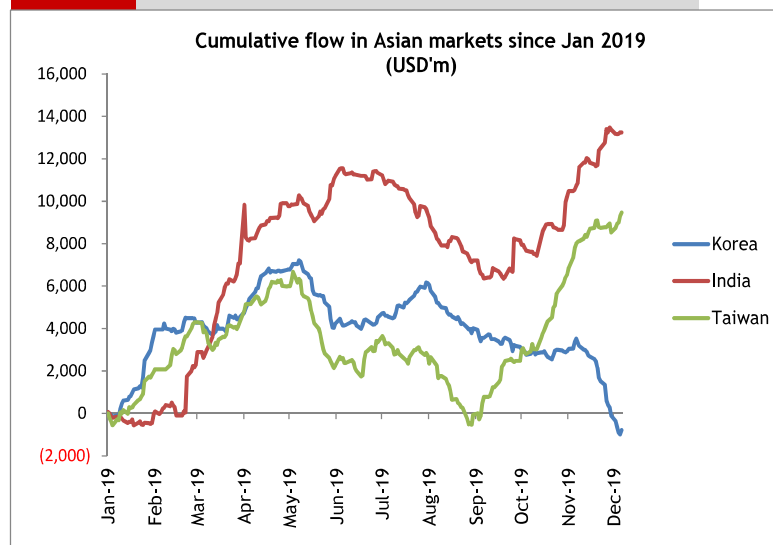


Source: Bloomberg, Bursa Malaysia, MIDFR

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.

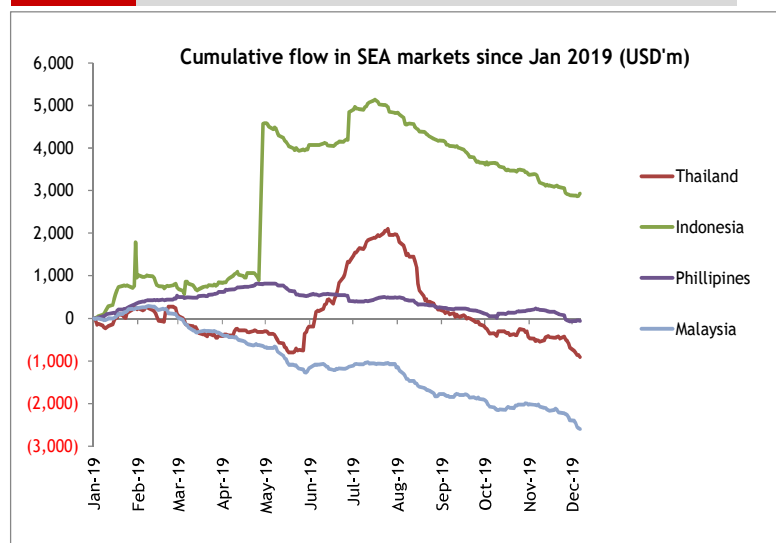
- In emerging South East Asian markets that we monitor, half saw foreign net inflow while the other half experienced foreign net selling.
- In Bangkok, the pace at which foreign investors were disposing local equities was little changed during the holiday-shortened week. International funds sold -USD222.4m net of local equities compared to -USD212.0m net in the week before. Foreign investors were net sellers on every day of the week, extending the selling streak in Thailand eight days, just one day short of the nine-day selling spree observed in May this year. The highest foreign net outflow during the week was seen on Monday at -USD77.7m net as concerns over the lack of progress toward a U.S.-China trade deal outweighed an unexpected improvement in Chinese manufacturing data.
- In Manila, offshore funds bought USD8.7m local equities after three weeks of foreign net attrition. Foreign net buying occurred on three days of the week with Wednesday recording the highest foreign net inflow of USD18.1m net. On the other hand, international funds sold the most on Friday at -USD14.2m net as President Duterte has threatened to scrap the contracts of the two water concessionaires in Metro Manila serviced by Manila Water and Maynilad Water. On a separate note, a unit under Ayala Corporation announced that it has acquired 100% of Healthway Philippines, in line with the group's effort in expanding across the healthcare industry.
- The five-week foreign net selling frenzy came to an end in Jakarta as foreign investors bought USD37.0m net of local equities last week. Similar to the Philippines, foreign net buying occurred on three days of the week. The highest foreign net inflow in Jakarta was seen on Friday at USD55.2m net when President Trump suggested trade talks were progressing ahead of December 15 date line for the imposition of the next round of tariffs on Chinese products.

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
OCT 18	-159.7	-92.4	-95.6	27.2	1,489.6	1,303.8	44.1	2,517.0
OCT 25	324.8	143.2	23.1	28.9	-257.3	1,410.7	72.2	1,745.6
NOV 1	38.5	-216.1	-123.4	27.6	1,820.6	1,130.9	13.2	2,691.3
NOV 8	151.5	-78.5	-183.1	12.0	1,120.6	1,252.3	-57.2	2,217.5
NOV 15	-503.4	104.0	-64.6	-47.9	210.4	574.2	-98.4	174.2
NOV 22	-1,155.6	-34.6	-40.2	63.4	680.5	43.4	-44.8	-614.7
NOV 29	-1,625.9	-212.0	-189.4	-159.3	883.2	-210.2	-182.3	-1,695.8
DEC 6	-681.5	-222.4	37.0	8.7	-127.9	934.3	-200.0	-251.9

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

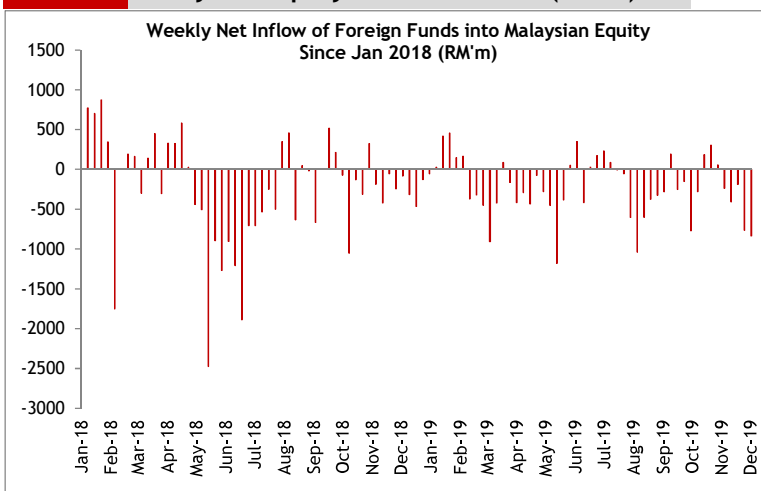
FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

- International funds ramped up their selling activity last, marking the fifth consecutive week of foreign net outflows. Based on data from Bursa, international investors sold -RM834.6m net of local equities last week, the highest weekly foreign net outflow in 17 weeks.
- The week started on a subtle note with foreign investors disposing only -RM23.4m net on Monday following the stronger-than-expected manufacturing data from China. Monday's foreign net outflow was also the smallest in a day since late October 2019.
- International investors later poured out -RM260.6m net of local equities on Tuesday. Fears emerged from U.S's intention to propose tariff on roughly USD2.4b in French products in response to a digital services tax impacting U.S tech companies.
- Foreign net selling then peaked during the week on Wednesday at -RM346.7m net as President Trump downplayed China's urgency in reaching a deal by stating that he is comfortable to use tariffs as a source of international economic leverage for the presidential election in 2020.
- Offshore investors continued to reduce exposure albeit at a slower pace tune of -RM88.3m. Risk-on mood improved as the U.S and China were moving closer to agree on the amount of tariffs which will be rolled back in a phase-one trade deal despite harsh rhetoric over Hong Kong and Xinjiang.
- Momentum of foreign net selling momentum slowed down further to a tune of -RM80.4m on Friday. Investors cheered the news on China planning to waive retaliatory tariffs on imports of U.S pork and soy by domestic companies.
- The year-to-date foreign net outflow from Malaysia as of last Friday breached the RM10.0b mark to hit RM10.76b net. This constitutes 92.0% of last year's total foreign outflow of -RM11.69b.
- In terms of participation, foreign investors saw a huge drop in average daily traded value (ADTV) by 49.4% to reach below RM861.0m, the lowest in six weeks.

Chart 5

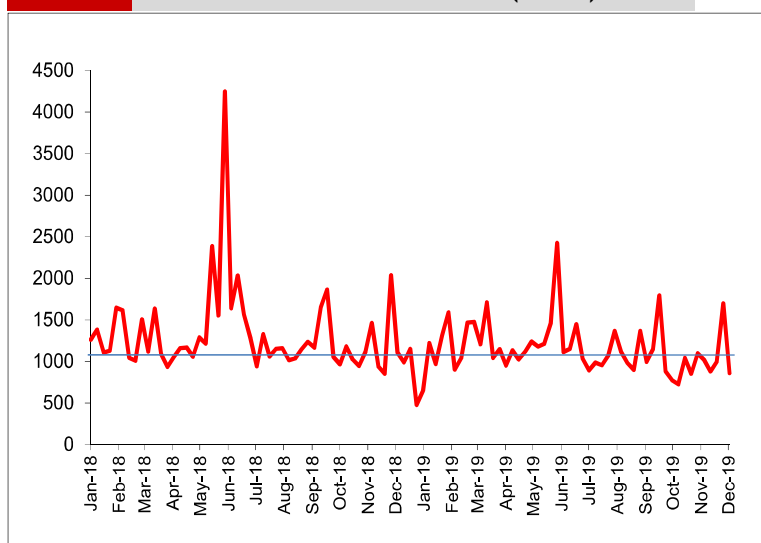
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2018 (RM'm)



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)	
NOV 1	1,814.1	1,780.6	33.6	3,912.4	4,001.2	-88.8	2,224.4	2,169.3	55.2	13.2
NOV 8	2,351.3	2,312.5	38.7	5,092.3	4,893.8	198.5	2,432.8	2,670.0	-237.2	-57.3
NOV 15	2,144.0	2,055.4	88.6	4,420.3	4,100.3	320.0	1,999.4	2,408.0	-408.5	-98.4
NOV 22	2,502.7	2,454.3	48.4	4,285.2	4,146.4	138.8	2,394.2	2,581.3	-187.2	-44.8
NOV 29	2,544.5	2,401.8	142.7	4,785.8	4,167.3	618.5	3,871.5	4,632.7	-761.2	-182.3
DEC 6	2,220.4	2,144.2	76.2	4,139.7	3,381.4	758.4	1,735.1	2,569.8	-834.6	-200.0

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 6 DECEMBER
TOP 10 NET MONEY INFLOWS

- CIMB Group Goldings Berhad registered the highest net money inflow of RM7.22m last week. Its share price advanced 0.39% for the week, underperforming the local bourse which had a 0.43% weekly gain.
- Malaysia Airports Holdings Berhad recorded the second highest net money inflow of RM7.06m. Its share price was -1.81% lower, underperforming the local bourse which has a 0.43% weekly gain. Nonetheless, it is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.
- Tenaga Nasional Berhad saw the third highest net money inflow of RM3.18m. Its share price was 1.98% higher during the week, outperforming the local bourse which was 0.43% higher.

TOP 10 NET MONEY OUTFLOWS


- United Plantations Berhad saw the largest net money outflow of -RM16.82m last week. Its stock price was 0.38% higher for the week, underperforming vis-à-vis the FBM KLCI which advanced 0.43% 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.
- Kuala Lumpur Kepong Berhad recorded the second largest net money outflow -RM12.67m during the week under review. Its share price was 3.51% higher during the week, outperforming the market benchmark which had a 0.43% weekly gain.
- Public Bank Berhad registered the third largest net money outflow of -RM8.83m in the review week. Its share price was -2.34% lower during the week under review, underperforming the local benchmark which was 0.43% higher for the week. 

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
CIMB GROUP	7.22	-2.76	0.39	-
MAHB	7.06	0.69	-1.81	BOW
TNB	3.18	1.82	1.98	-
TELEKOM	2.58	-0.85	1.33	-
WESTPORTS	1.90	-0.28	0.96	-
HARTALEGA	1.79	-0.21	-0.61	BOW
F&N	1.64	-0.91	-2.13	BOW
INARI	1.59	1.38	2.20	-
ALLIANCE BANK	1.25	0.97	-0.74	BOW
DIALOG GROUP	1.25	-5.05	2.99	-

Source: Bloomberg, MIDFR;

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

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
UNITED PLTN	-16.82	-0.05	0.38	SOS
KL KEPONG	-12.67	3.97	3.51	SOS
PUBLIC BANK	-8.83	-1.09	-2.34	-
GENTING BHD	-4.38	0.91	-0.86	-
BAT	-3.26	0.20	-3.93	-
AXIATA	-2.93	-1.15	1.94	SOS
MAYBANK	-2.86	-10.49	-0.35	-
VITROX CORP	-2.44	-0.09	0.13	SOS
FGV	-2.19	-1.58	-0.75	-

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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