

MIDF EQUITY STRATEGY | 10 SEPTEMBER 2019 WEEK ENDED 6 SEPTEMBER 2019

- Major equity markets worldwide remained in the black last week following positive political developments in the U.S and Hong Kong.
- Brent crude oil price inched 1.8% higher for the week after settling at USD61.54pb, marking its fourth straight week of gains. The movement in Brent crude oil price was supported by the second weekly drop in U.S crude stockpiles and a promised restart of trade talks also faced off with an impending seasonal decline in oil demand.
- International funds continued to leave Asian markets but at a slower momentum. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” sold -USD790.3m net last week, marking the lowest foreign net outflow in six weeks.
- Bursa saw its eighth straight week of foreign net outflows but it was noteworthy that the foreign net selling pace has been gradually declining for the past 4 weeks. Based on data from Bursa, foreign investors sold -RM278.7m net of local equities last week.
- The FBM KLCI snapped two weeks of gains as it declined by 0.5% for the week after closing at 1,604.5 points on Friday. In contrast, the Ringgit appreciated by 0.6% against the greenback as it settled at USD/MYR4.179.

A POSITIVE MELTING POT OF FACTORS EASES SELLING ACTIVITY

A. MARKET SNAPSHOT

- Major equity markets worldwide remained in the black last week following positive political developments in the U.S and Hong Kong.
- In August 2019, U.S private payrolls only rose to a three-month low of 96,000 while total nonfarm payrolls climbed to a below-than-expected 130,000 workers. The gain in nonfarm payrolls was however boosted by 25,000 temporary government workers in preparation for the 2020 Census count. While average monthly job gains of 158,000 this year are down sharply from 223,000 in 2018, the pace is still sufficient to keep pace with population growth.
- Hong Kong's Hang Seng index surged by 4.0% on Wednesday, outperforming the 1.6% gain in MSCI's index of Asia-Pacific shares excluding Japan as the government was slated to formally withdraw the proposed extradition bill that sparked three months of protests therein. The move would meet one of five key demands made by protesters. On a sectoral basis, share of property companies jumped by more than 7.0% while the financial sector sub-index gained 3.7%. Specifically, shares of Hong Kong's carrier, Cathay Pacific which has been caught in a dispute between Chinese authorities and local protesters rallied by more than 7.0% on the same day, before losing by nearly 4.0% on the next day following the resignation of its chairman. Hong Kong's stock market has been battered since protests began earlier this year, with the Hang Seng Index falling about 15 percent since its year-to-date peak in April.
- In the Euro zone, industrial orders in Germany fell more than expected in July 2019 due to weak demand from abroad, underscoring that struggling manufacturers could tip as economy into a recession in 3Q19. Contracts for 'Made in Germany' goods were down by 2.7% from the previous month fuelled by a big decline in bookings from non-euro-zone countries while domestic bookings rose slightly. With overseas sales impacted by a worsening trade climate and an increasingly chaotic run up to Brexit, bulk of Germany's growth momentum is driven domestically, making the nation vulnerable to any weakening in the job market, after the seasonally adjusted labour market data rose in August 2019.
- Brent crude oil price inched 1.8% higher for the week after settling at USD61.54pb, marking its fourth straight week of gains. The movement in Brent crude oil price was supported by the second weekly drop in U.S crude stockpiles and a promised restart of trade talks also faced off with an impending seasonal decline in oil demand. This helped outweigh overproduction from nations such as Iraq which pumped a new record-high average of 4.88 million barrels per day in August, well above its agreed ceiling under the OPEC deal.

Table 1 Weekly performance of major indices		
Weekly % change	Week before	Last week
China CSI 300	-0.56	3.92
Hang Seng	-1.74	3.76
Nikkei	-0.03	2.39
CAC 40	2.88	2.25
DAX	2.82	2.11
Korea KOSPI	1.00	2.10
S&P 500	2.79	1.79
Taiwan TAIEX	0.76	1.53
Dow Jones	3.02	1.49
FSSTI Index	-0.12	1.22
FTSE 100	1.58	1.04
Thai SET	0.50	0.91
Jakarta JCI	1.16	-0.31
KLCI	0.17	-0.48
Phil PCOMP	1.14	-0.58
India SENSEX	1.72	-0.94

Source: Bloomberg

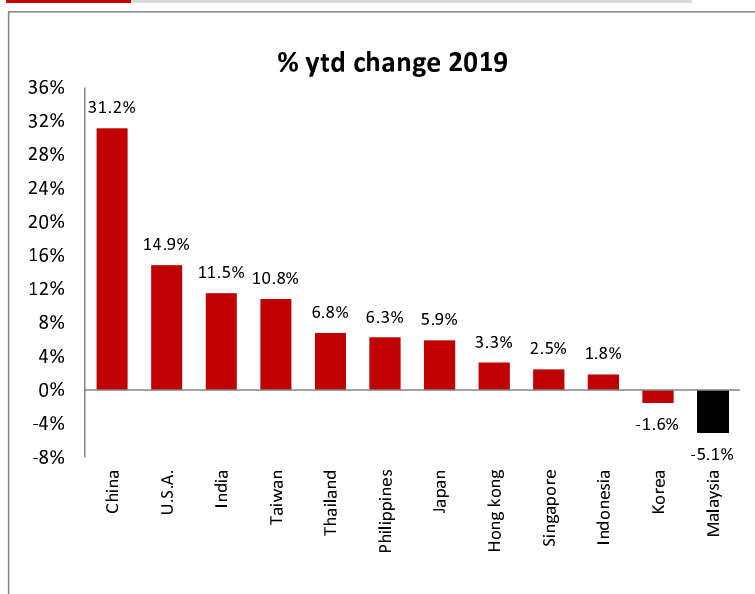
FUND FLOW REPORT

- The FBM KLCI snapped two weeks of gains as it declined by 0.5% for the week after closing at 1,604.5 points on Friday. In contrast, the Ringgit appreciated by 0.6% against the greenback as it settled at USD/MYR4.179.

B. TRACKING MONEY FLOW - ASIA¹

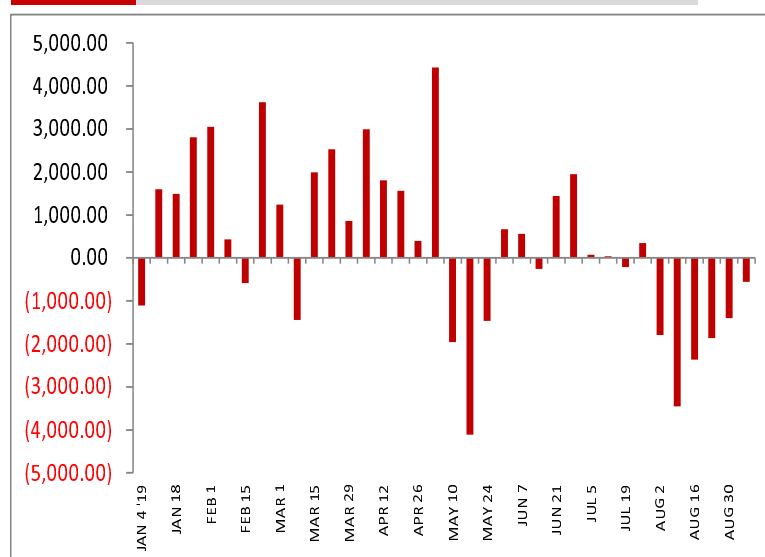
- International funds continued to leave Asian markets but at a slower momentum. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” sold -USD790.3m net last week, marking the lowest foreign net outflow in six weeks.
- The trend in the decline of foreign net selling activity in South Korea came to an end as international funds sold -USD439.9m. Foreign investors were net sellers on three days during the week with Tuesday recording the highest at -USD290.5m as Chinese and U.S officials were struggling to agree on a planned meeting in September on trade talks. The weak sentiment dragged the KOSPI index down by 0.2% to reach 1,965.7 points, the lowest close during the week. In contrast, local defense stocks such as Hanwha Aerospace and LIG Nex1 were up by more than 3.0% on the same day as these companies were expected win new orders from India. Notwithstanding this offshore investors flooded the local bourse on Thursday, buying USD158.2m net of local equities. The heavy buying led to a rebound in the KOSPI to close above 2,000 points on the same day due to easing political uncertainties after Hong Kong decided to pullback the extradition bill.
- Taiwan was the darling amongst foreign investors in Asia as it was the only market with a foreign weekly net inflow. International funds accumulated USD838.5m last week, snapping the five-week foreign net selling spree. Foreign net buying occurred on every single day of the week except on Tuesday which saw a foreign net outflow of USD278.0m net following a slump in semiconductor stocks, coinciding with the Taiex index ending 0.7% lower at below 10,600 points. Meanwhile, international funds bought the most on Thursday at a tune of USD605m net, the largest in a day since November 2015, pushing the Taiwan dollar to the highest close against the greenback since August 1.

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)

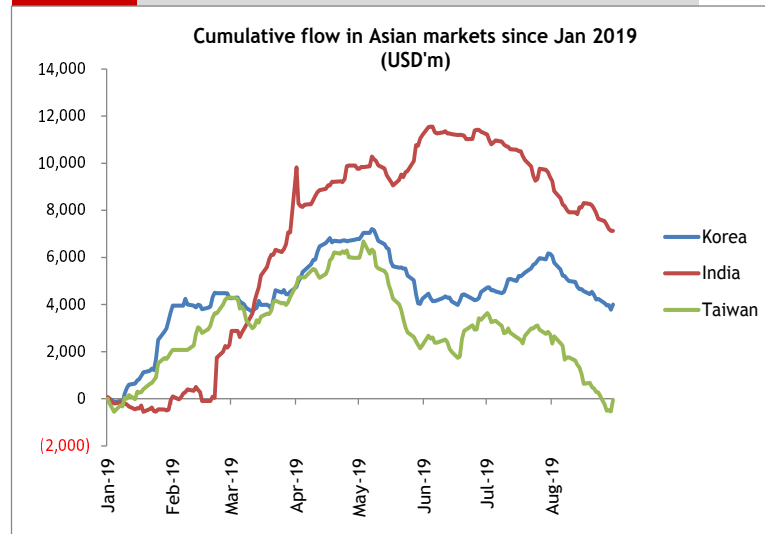


Source: Bloomberg, Bursa Malaysia, MIDFR

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.

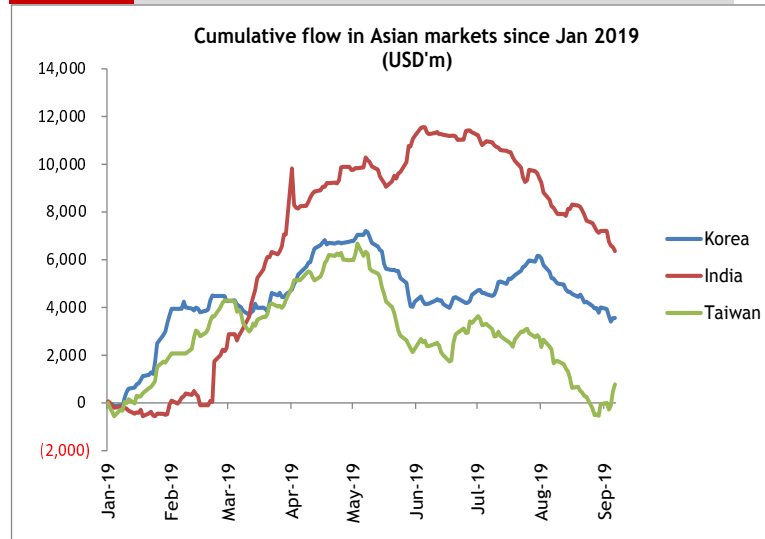
- In emerging South East Asian markets that we monitor, all markets were experiencing outflows for the week.
- Foreign net selling activity declined for the second week running to USD113.0m net last week. International investors were net sellers on every day except on Wednesday which saw a foreign net inflow of USD28.8m following the rally in Hong Kong shares on hopes that political unrest would ease. Foreign net selling meanwhile peaked on Tuesday at -USD50.3m as no meeting date was scheduled for trade negotiations between Beijing and Washington, pulling down the SET index 0.7% lower to hit the lowest close in three trading days at 1,642.3 points.
- The pace of foreign net outflows in Manila was little changed last week at -USD38.6m net compared to -USD41.1m in the week before. When other markets saw a massive foreign net outflow on Tuesday, Manila bucked the trend with a foreign net inflow of USD2.0m net despite the escalation of the trade dispute between the U.S and China. Nevertheless, foreign investors dumped 14.3m net, the highest foreign net outflow during the week ahead of the August 2019 inflation data. The nation's inflation slowed down to 1.7% on August from 2.4% in July, a level not seen since September 2016.
- International funds in Jakarta extended their foreign net selling activity for the eighth consecutive week after selling off -USD126.3m net of local equities. This is the longest stretch of foreign net selling since. Foreign net selling occurred from Monday to Friday and peaked on Wednesday at USD59.8m following the unexpected contraction of the key U.S factory gauge for the first time since 2016. However, there was a sharp drop in foreign net selling on next day to fall to USD6.23m net amidst improving regional sentiment stemming from Brexit to Hong Kong.

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
JUL 19	274.0	79.0	-46.8	76.6	-453.4	-141.6	-1.7	-213.9
JUL 26	613.6	29.5	-171.7	-0.4	-373.3	260.4	-13.0	-345.2
AUG 2	-191.5	-163.2	-65.7	5.7	-950.7	-278.8	-145.2	-1,789.4
AUG 9	-782.0	-349.7	-214.1	-75.6	-900.5	-884.3	-247.6	-3,453.9
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

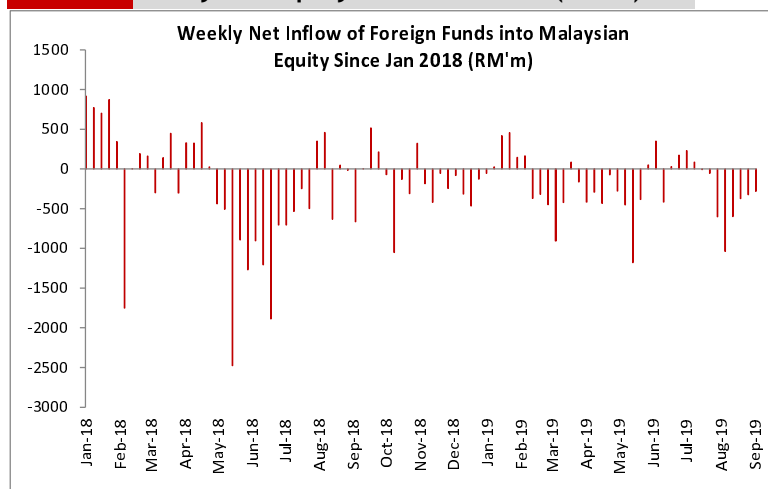
FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

- Bursa saw its eighth straight week of foreign net outflows but it was noteworthy that the foreign net selling pace has been gradually declining for the past 4 weeks. Based on data from Bursa, foreign investors sold -RM278.7m net of local equities last week.
- Bursa reopened from the long weekend on a sluggish note as international funds dumped -RM122.8m net on Tuesday. General sentiment remained cautious after the US increased tariffs on Chinese goods by 15% on Sunday, 1 September 2019. Moreover, the risk-off mood was exacerbated by the struggle between Beijing and Washington to set a date to continue trade talks, dragging the local bourse 1.3% lower to close at 1,591 points on the same day. It was notable that the heavy foreign net outflow was in conformity with other markets we monitor namely, South Korea, Thailand and Taiwan.
- The momentum of foreign net selling activity took a breather on Wednesday to go below the RM100m mark to reach -RM78.0m. The moderation in foreign net outflows was sparked by (i) Hong Kong's plans to formally withdraw the extradition law; and (ii) the likelihood of a hard Brexit being avoided. The FBMKLCI followed suit to advance the most during the week by 0.5% on the same day to settle at 1,599.9 points.
- International funds made a decent return to Bursa on Thursday by snapping up RM2.75m net of local stocks. Overall sentiment was revived by the news that China said U.S. trade talks will resume in early October.
- The foreign net inflow was however shortlived as foreign funds disposed -RM80.6m net on Friday despite strong U.S jobs data.
- On a year-to-date basis, international funds have taken out -RM7.62b net worth of local equities from Bursa. This makes up 65% of last year's total foreign net outflow of -RM11.69b.
- In terms of participation, foreign investors experienced the largest weekly drop of 27.2% in the average daily traded value (ADTV) to reach below the RM1.0b mark at RM996.0m.

Chart 5

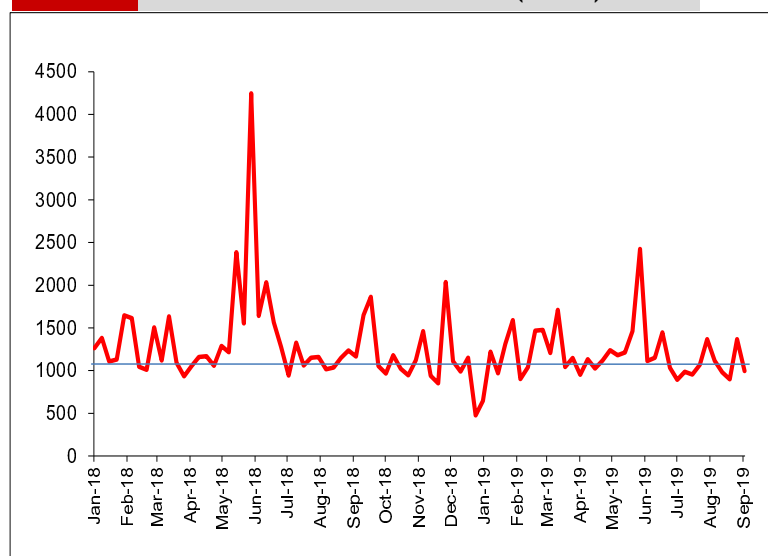
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2018 (RM'm)



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 2	1,942.3	1,759.0	186.3	3,875.5	3,460.5	414.9	2,436.1	3,037.3	-601.2	-145.2
AUG 9	2,614.7	2,297.0	317.8	5,219.9	4,501.6	718.4	2,269.5	3,305.6	-1,036.2	-247.6
AUG 16	1,555.8	1,383.3	172.6	3,416.4	2,990.8	425.6	1,665.3	2,263.5	-598.1	-142.7
AUG 23	2,059.8	2,019.3	40.5	4,323.7	3,991.4	332.3	2,061.0	2,433.8	-372.8	-89.2
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	1,443.7	1,455.3	-11.6	3,042.3	2,752.1	290.3	1,852.5	2,131.2	-278.7	-66.3

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 SEPTEMBER
TOP 10 NET MONEY INFLOWS

- Malayan Banking Berhad registered the highest net money inflow of RM6.30m last week. Its share price advanced 0.69% for the week, outperforming the local bourse which had a 0.48% weekly loss.
- Genting Berhad recorded the second highest net money inflow of RM6.02m. Its share price ended -2.17% lower for the week, underperforming the benchmark which was 0.48% lower 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.
- Public Bank Berhad saw the third highest net money inflow of RM4.68m. Its share price ended -0.59% lower during the week under review, substantially underperforming the local bourse which was -0.48% lower.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
MAYBANK	6.30	1.37	0.69	-
GENTING BHD	6.02	0.46	-2.17	BOW
PUBLIC BANK	4.68	0.03	-0.59	BOW
IHH	3.74	0.72	0.17	-
F&N	2.96	-0.82	0.23	-
SERBA DINAMIK	2.87	1.33	-1.14	BOW
IOI CORP	2.51	2.52	-0.23	BOW
AIRASIA GROUP	2.21	-1.17	1.68	-
IOI PROPERTIES	1.56	1.16	-5.88	BOW
BAT	1.55	1.14	-3.14	BOW

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- Petronas Chemicals Group Berhad saw the largest net money outflow of -RM8.96m last week. Its stock price was 1.01% higher for the week, outperforming vis-à-vis the FBM KLCI which declined -0.48% 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.
- QL Resources Berhad recorded the second largest net money outflow -RM7.53m during the week under review. Its share price was -0.58% lower during the week, underperforming the market benchmark which had a -0.48% weekly loss.
- KLCCP Stapled Group registered the third largest net money outflow of -RM7.25m in the review week. Its share price was 1.57% higher for the week, substantially outperforming the local benchmark which was -0.48% lower for the week.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
PETCHEM	-8.96	5.45	1.01	SOS
QL	-7.53	2.88	-0.58	-
KLCCP	-7.25	0.48	1.57	SOS
TNB	-4.28	-2.63	-1.00	-
SIME DARBY	-2.63	-0.27	0.44	SOS
AXIATA	-2.04	-1.14	-3.37	-
TOP GLOVE	-1.86	0.43	-0.84	-
CIMB GROUP	-1.63	-1.11	-0.59	-
DIALOG	-1.22	3.91	1.15	SOS
MISC	-1.10	0.17	6.75	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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