

MIDF EQUITY STRATEGY | 10 FEBRUARY 2020 WEEK ENDED 7 FEBRUARY 2020

- Global markets rebounded last week amidst developments from China's end to stay committed in de-escalating trade tensions with the U.S.
- Brent crude oil dropped -6.3% for the week to settle at USD54.47pb, marking the fifth consecutive week of decline. Chinese refiners are processing 15% less crude than before the outbreak as the infection crimps demand. Meanwhile, the OPEC convened three long days of meetings last week which produced a recommendation to cut output by 600,000 barrels, an almost 30% addition to curbs agreed upon in December.
- Fears from the novel coronavirus (n-coronavirus) subsided last week, enough to bring foreign funds back to Asia. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" mopped up USD1.02b net last week compared to the -USD4.11b offloaded in the week before.
- Offshore investors continued to sell equities listed on Bursa last week albeit at a slower pace. Based on data from Bursa, international investors disposed -RM327.4m net of local equities last week, the third weekly foreign net outflow so far in 2020.
- The FBM KLCI rebounded by 2.7% last week after settling at 1,554.5 points, snapping the previous two weeks of losses. On the other hand the Ringgit depreciated by 1.0% against the greenback to reach USD/MYR4.1395 during the week.

FOREIGN FUNDS RETURN TO ASIA AS MARKETS REBOUNDED

A. MARKET SNAPSHOT

- Global markets rebounded last week amidst developments from China's end to stay committed in de-escalating trade tensions with the U.S.
- In January 2020, the U.S added 225,000 jobs as workers rejoin the labour market. Some of the January job gains came in industries, such as construction and leisure and hospitality that benefited from mild winter weather. Meanwhile, Wall Street posted its best week since June 2019 as the Dow Jones and S&P 500 index recorded weekly gains of at least 3.0%. The underlying sentiment was cushioned by the PBOC's move to pumped extra cash into its financial system to help the economy combat the fallout from the virus.
- Hong Kong retail sales value and volume fell for the 11th consecutive month in Dec-19 by -19.4%yoy and -21.1%yoy respectively. All categories except fuel recorded continuous decline. For the full year of 2019, both value and volume of retail sales recorded decline of -11.4%yoy and -12.5%yoy respectively. The fall was attributable to the ongoing protests combined with US-China trade tension. It has also pushed the economy into technical recession with three consecutive quarters of contractions. Moving forward, the economy is likely to continue to suffer in 2020 as the protest is still ongoing and less significant impact foreseen from the US-China partial trade deal. Furthermore, the coronavirus is the new risk factor to the economy as China is its key trading partner.
- With the U.K no longer being a member of the European Union, Prime Minister Boris Johnson called for a Canada-style free trade deal, saying the UK would return to the Withdrawal Agreement if such a deal was not reached. Prime Minister Johnson also rejected the requirement for the UK to adopt Brussels-made rules on competition policy, subsidies, social protection, the environment, or anything similar. In response, the EU mentioned that it was ready to offer a highly ambitious trade deal as the central pillar of this partnership, which included zero tariffs and zero quotas. However, this was dependent on the U.K agreeing to specific and effective guarantees to ensure a level playing field so competition remains open and fair.
- Brent crude oil dropped -6.3% for the week to settle at USD54.47pb, marking the fifth consecutive week of decline. Chinese refiners are processing 15% less crude than before the outbreak as the infection crimps demand. Meanwhile, the OPEC convened three long days of meetings last week which produced a recommendation to cut output by 600,000 barrels, an almost 30% addition to curbs agreed upon in December. The inability to reach a quick consensus inevitably raised concerns about whether Saudi Arabia, the de facto leader of OPEC, and Russia were still able to work together to coordinate oil policy.

Table 1 Weekly performance of major indices		
Weekly % change	Week before	Last week
Korea KOSPI	-5.66	4.39
Phil PCOMP	-5.54	4.26
Hang Seng	-5.86	4.15
DAX	-4.38	4.10
CAC 40	-3.62	3.85
S&P 500	-2.12	3.17
Dow Jones	-2.53	3.00
Nikkei	-2.61	2.68
FTSE 100	-3.95	2.48
KLCI	-2.65	1.53
Thai SET	-3.53	1.39
India SENSEX	-2.14	1.03
Taiwan TAIEX	-5.15	1.02
Jakarta JCI	-4.87	1.00
FSSTI Index	-2.66	0.88
China CSI 300	0.00	-2.60

Source: Bloomberg

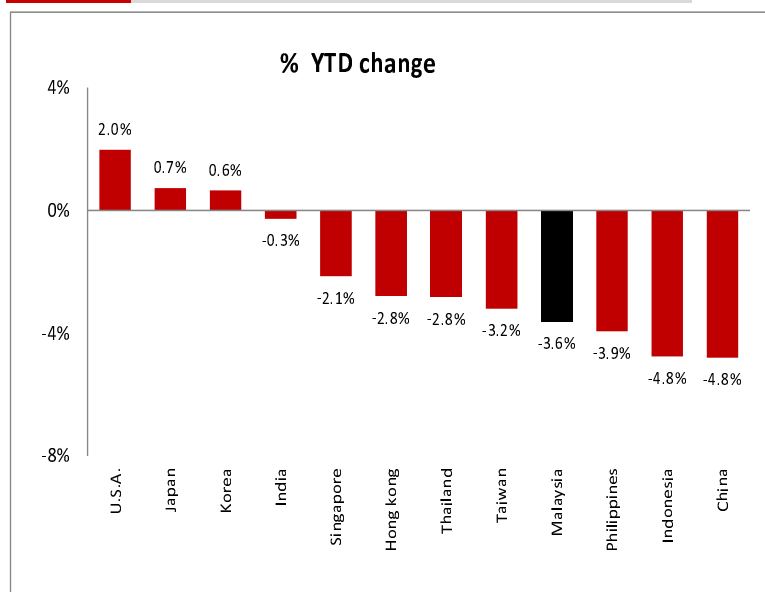
FUND FLOW REPORT

- The FBM KLCI rebounded by 2.7% last week after settling at 1,554.5 points, snapping the previous two weeks of losses. On the other hand the Ringgit depreciated by 1.0% against the greenback to reach USD/MYR4.1395 during the week.

B. TRACKING MONEY FLOW - ASIA¹

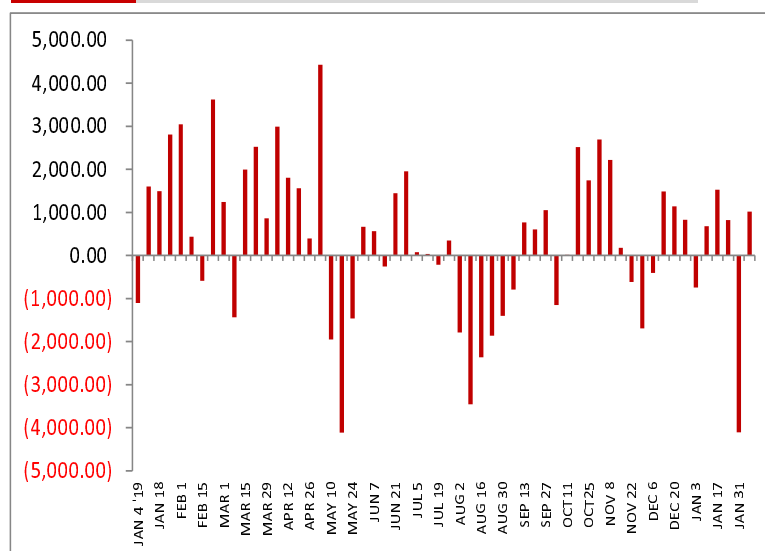
- Fears from the novel coronavirus (n-coronavirus) subsided last week, enough to bring foreign funds back to Asia. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” mopped up USD1.02b net last week compared to the -USD4.11b offloaded in the week before.
- South Korea saw a foreign net inflow of USD762.2m net last week despite having a rough start to the week amidst fears of the coronavirus. Monday experienced a foreign net outflow of -USD129.2m which left the KOSPI index little changed. Nevertheless, international investors were net buyers on three days of the week with Tuesday recording the highest at USD383.0. The local bourse followed suit to advance 1.9% higher on Tuesday, the biggest intraday gain since 9 January 2020 as foreign investors flocked to buy electronic related stocks such as Samsung Electronics and SK Hynix. On a side note, South Korean exports declined by -6.1%yoy in January 2020, marking the 14th consecutive month of decline amidst dampened sentiment added by the coronavirus outbreak.
- After a massive foreign net outflow of -USD1.42b seen in the preceding week, foreign funds made a modest return to Taiwan by acquiring USD59.6m net of local equities. We note that Monday saw the largest foreign net inflow during the week worth USD258.5m propelled by the rally of local panel makers due to a potential price increase as the Wuhan lockdown will likely limit supply. In contrast, international investors sold the most during the week on Friday at a tune of -USD320.8m net which pulled the Taiex index 1.2% lower to 11,612.8 points as investors booked profits after mid-week gains on receding concerns over the Wuhan coronavirus. On a year-to-date basis, Taiwan has so far seen a foreign net outflow of -USD1.08b in 2020.

Chart 1 Cumulative performance of major markets



Source: Bloomberg

Chart 2 Weekly Net Flow of Foreign Funds into 7 Asian Markets since Jan 2019 (USD'm)

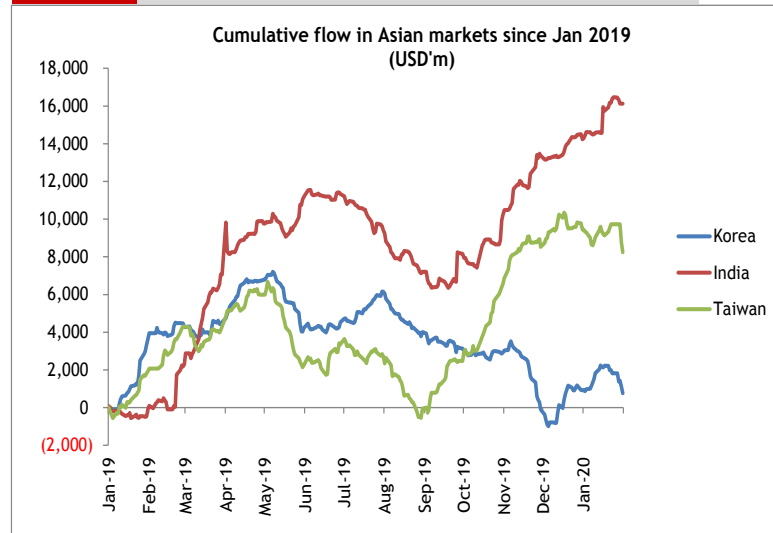


Source: Bloomberg, Bursa Malaysia, MIDFR

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.

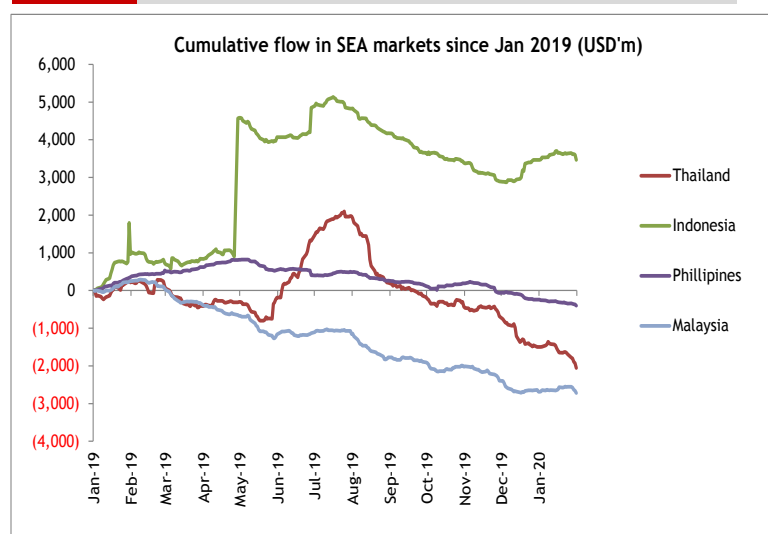
- In emerging South East Asian markets that we monitor, half recorded a foreign net outflow while the other half saw foreign net buying last week.
- A slowdown in foreign net selling was observed in Thailand as offshore investors only sold -USD199.3m compared to USD368.7m in the week before. However, this marks the fourth straight week of foreign net selling in Thailand. Foreign net selling occurred on three days of the week with Wednesday seeing the highest foreign net outflow during the week at USD117.1m net. This came after the Bank of Thailand slashed its policy rate by 25bps to a fresh record low of 1.0% at this year's first meeting on Wednesday in an effort to shore up an economy battered by the months-long delay in the fiscal 2020 budget bill.
- It was an auspicious week for Manila as international funds bought USD14.5m net of local equities, snapping the eight-week foreign net selling streak. Foreign funds sold the most on Tuesday at -USD44.0m net, plunging into the red for the sixth uninterrupted trading day due to jitters from the coronavirus. Nevertheless, foreign net buying peaked during the week on Wednesday amidst news that a vaccine against the coronavirus may be ready sooner or later.
- In Jakarta, offshore investors bought USD10.8m net of local equities last week. Foreign net inflow was the highest on Wednesday at USD40.8m on optimism that China's latest actions may help curtail some of the expected economic damage from the virus outbreak. On the macroeconomic front, Indonesia's inflation rate went down to 2.68%yoy in Jan-20 from 2.72%yoy in Dec-19, below the market expectation of 2.86%. This was the lowest inflation rate since Apr-19, as prices increased at a slower rate for housing & utilities.

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
DEC 20	1,032.9	-209.9	421.3	-116.4	738.2	-741.2	16.6	1,141.6
DEC 27	14.6	-29.5	97.7	-37.2	438.3	323.7	16.9	824.5
JAN 3	-200.6	-39.3	68.1	-19.9	-34.8	-522.3	6.9	-741.9
JAN 10	854.6	69.0	72.8	-24.5	-21.4	-271.2	-2.6	676.7
JAN 17	390.1	-225.6	55.7	-27.6	1,151.8	102.5	79.1	1,526.0
JAN 24	-396.1	-41.5	-24.1	-32.5	719.3	588.7	7.2	820.9
JAN 31	-1,065.2	-368.7	-171.1	-59.7	-861.5	-1,421.6	-161.3	-4,109.1
FEB 7	762.2	-199.3	10.8	14.5	448.5	59.6	-79.6	1,016.8

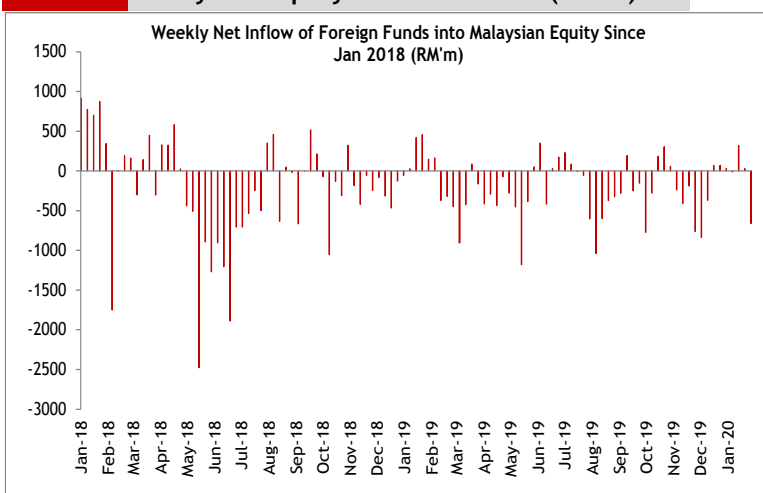
Source: Respective exchange statistics reported on Bloomberg. Bursa Malaysia. These figures are subject to revisions.

FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

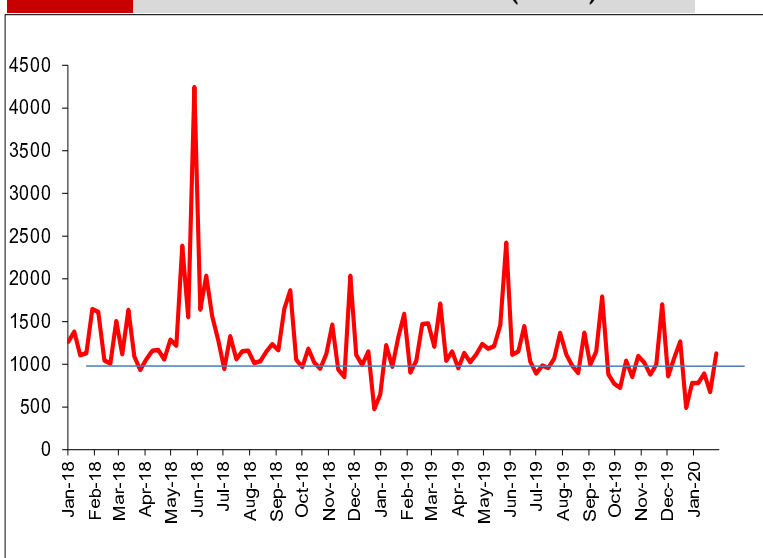
- Offshore investors continued to sell equities listed on Bursa last week albeit at a slower pace. Based on data from Bursa, international investors disposed -RM327.4m net of local equities last week, the third weekly foreign net outflow so far in 2020.
- Investors again mulled the uncertain Wuhan coronavirus outlook and how hard the ailment will strike Asian economies. This led to a foreign net outflow of -RM107.2m on Monday, in conformity with regional peers such as South Korea, Indonesia and the Philippines.
- The level of foreign net selling later slowed down to USD57.0m on Tuesday, marking the local bourse's first gain after 10 days of losses.
- Foreign net selling activity however gathered momentum on Wednesday to peak during the week at -RM205.4m net. This was despite China's central bank move to inject USD57 billion into its markets to soften the financial blow of the recent virus outbreak.
- The sentiment on Thursday nevertheless improved following China's plan to halve tariffs on USD75b of imports from the U.S. As such, Malaysia saw a foreign net inflow of RM84.5m net on Thursday which snapped the seven-day foreign net selling streak.
- The foreign net inflow was however short-lived as Friday saw foreign funds disposing -RM42.5m net, booking profits after the rally on Thursday and also due to receding concerns over the Wuhan coronavirus.
- Thus far in 2020, Malaysia has seen a foreign net outflow of -RM465.7m. In comparison to the other three ASEAN markets we track, Malaysia has the smallest foreign net outflow on a year-to-date basis after Thailand and the Philippines.
- In terms of participation, the average daily traded value (ADTV) of foreign investors increased by 18.0% during the week to remain at a healthy level of above RM1.0b. Meanwhile, other investor groups such as retailers and local institutional funds experienced a drop in their weekly ADTV.

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)	
JAN 3	2,352.9	2,395.6	-42.7	3,680.0	3,665.9	14.0	1,576.7	1,548.0	28.6	6.9
JAN 10	2,832.9	2,849.6	-16.7	4,373.2	4,345.6	27.6	1,942.5	1,953.4	-10.9	-2.6
JAN 17	2,582.7	2,494.0	88.7	4,296.5	4,706.1	-409.6	2,390.7	2,069.8	320.9	79.1
JAN 24	2,635.7	2,579.4	56.2	4,972.3	5,058.0	-85.7	1,701.3	1,671.9	29.4	7.2
JAN 31	3,019.6	2,738.4	281.3	6,107.4	5,729.0	378.3	1,925.4	2,585.1	-659.6	-161.3
FEB 7	3,406.6	3,285.1	121.5	6,178.2	5,972.3	205.9	3,163.9	3,491.3	-327.4	-79.6

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 7 FEBRUARY
TOP 10 NET MONEY INFLOWS

- Kuala Lumpur Kepong Berhad registered the highest net money inflow of RM7.57m last week. Its share price advanced 3.51% for the week, outperforming the local bourse which had a 1.53% weekly gain.
- MISC Berhad recorded the second highest net money inflow of RM6.30m. Its share price was 6.24% higher, outperforming the local bourse which had a 1.53% weekly gain.
- Genting Malaysia Berhad saw the third highest net money inflow of RM6.07m. Its share price was 0.33% higher during the week, underperforming the local bourse which was 1.53% higher.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
KL KEPONG	7.57	1.02	3.51	-
MISC BHD	6.30	2.52	6.24	-
GENTING MSIA	6.07	10.15	0.33	-
PRESS METAL	4.18	1.04	3.48	-
MY EG SERVICES	3.74	1.97	10.58	-
DIALOG GROUP	2.58	0.34	4.59	-
SP SETIA	2.17	1.76	0.00	-
TOP GLOVE	2.10	-11.37	-3.25	BOW
VELESTO	1.68	-0.07	1.45	-
PETCHEM	1.19	4.65	4.20	-

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS


- Hong Leong Bank Berhad saw the largest net money outflow of -RM23.79m last week. Its stock price was 0.63% higher for the week, underperforming vis-à-vis the FBM KLCI which gained 1.53% 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.
- Public Bank Berhad recorded the second largest net money outflow -RM19.95m during the week under review. Its share price was 1.40% lower during the week, underperforming the market benchmark which had a 1.53% weekly gain.
- CIMB Group Holdings Berhad registered the third largest net money outflow of -RM9.92m in the review week. Its share price was 4.46% higher during the week under review, outperforming the local benchmark which was 1.53% 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	
HONG LEONG	-23.79	-0.29	0.63	SOS
PUBLIC BANK	-19.95	-1.08	-1.40	-
CIMB GROUP	-9.92	9.42	4.46	SOS
HARTALEGA	-8.38	-2.49	-2.03	-
KOSSAN	-7.62	-2.55	-5.10	-
MAYBANK	-5.22	10.36	0.95	SOS
AIRASIA	-4.93	1.75	-8.39	-
GENT PLTN	-4.40	1.69	-0.19	-
DIGI.COM	-3.77	-0.30	4.26	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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