

MIDF EQUITY STRATEGY | 10 JUNE 2019 WEEK ENDED 7 JUNE

- Most equity markets worldwide ended the week mixed as a new batch of global trade tensions spread to Mexico.
- Brent crude oil price settled -1.9% lower for the week at USD63.29pb, marking the third straight week of losses. Nonetheless, last week's drop was the smallest in three weeks as Saudi Arabia and Russia reiterated their commitment to averting a global supply glut. Moreover, U.S. President Donald Trump declared progress in his standoff with Mexico, citing that there is a good chance that the U.S will reach an agreement to prevent new tariffs on Mexico. On a side note, Iran said it has no plans to leave the OPEC despite being side lined by some members.
- International funds entered Asian markets for the second week at a rather similar momentum. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" accumulated USD619.3m net last week compared to USD665.0m net bought in the week before.
- Despite the festive week in Malaysia, offshore funds continued scooping up stocks listed on Bursa for the second week at a stronger pace. Based on data from Bursa, foreign funds mopped up RM350.0m net of local equities last week, seven times more compared to the amount acquired in the week before.
- The FBM KLCI was marginally lower by 0.1% for the week after settling at 1,649 points on Friday. In contrast, the Ringgit gained for the first time in six weeks, appreciating by 0.8% against the greenback to settle at USD/MYR4.159.

AIDILFITRI BRINGS CHEER TO ASEAN MARKETS

A. MARKET SNAPSHOT

- Most equity markets worldwide ended the week mixed as a new batch of global trade tensions spread to Mexico.
- Major U.S benchmarks started the month of June by logging its best week since late November 2018 as U.S stocks advanced for the fourth uninterrupted day on Friday, capping a week of gains which cancelled off most losses suffered in May 2019. The catalyst for Friday's rally was the U.S jobs report which added fewer-than-expected jobs last month, increasing the possibility that the Fed will cut interest rates in the coming quarters. Aside from that, lower hiring could imply growing caution by businesses as economic growth slows as the U.S engages in multiple trade disputes.
- Chinese stocks especially the ones under the tech-heavy Chi Next index had a rough week as they entered into a bear market on Thursday amidst the pressure of an escalating trade war. The index dipped 2.4% Thursday, taking its decline from an April high to beyond 20%, which marks the start of a bear market. The ChiNext was the first major equity gauge in China to enter a bull market in late February, as investors wagered that liquidity conditions would be eased because the economy showed signs of slowing. It's now the first to enter a bear market, at the end of a shortened week as markets are closed Friday for a holiday.
- In Europe, major benchmarks notched a second weekly gain since April as investors speculated that looser monetary policy will be used to mitigate the effect of international tariffs. Meanwhile for the U.K, Brexit uncertainty has driven outflows from U.K stocks and deepened the market's discount to the other European benchmarks. The next prime minister is likely to be named in the coming weeks, while the final outcome of Brexit has become increasingly hard to anticipate. Overall, this poses an opportunity to scoop up cheap shares for contrarian traders.
- Brent crude oil price settled -1.9% lower for the week at USD63.29pb, marking the third straight week of losses. Nonetheless, last week's drop was the smallest in three weeks as Saudi Arabia and Russia reiterated their commitment to averting a global supply glut. Moreover, U.S. President Donald Trump declared progress in his standoff with Mexico, citing that there is a good chance that the U.S will reach an agreement to prevent new tariffs on Mexico. On a side note, Iran said it has no plans to leave the OPEC despite being side lined by some members.

Table 1 Weekly performance of major indices

Weekly % change	Week before	Last week
Dow Jones	-3.01	4.71
S&P 500	-2.62	4.41
CAC 40	-2.05	3.00
DAX	-2.37	2.72
FTSE 100	-1.59	2.38
Thai SET	0.38	2.05
FSSTI Index	-1.64	1.56
Korea KOSPI	-0.17	1.50
Nikkei	-2.44	1.38
Hang Seng	-1.66	0.24
Phil PCOMP	2.88	0.18
Jakarta JCI	2.51	0.00
KLCI	3.28	-0.09
India SENSEX	0.71	-0.25
Taiwan TAIEX	1.65	-0.85
China CSI 300	1.00	-1.79

Source: Bloomberg

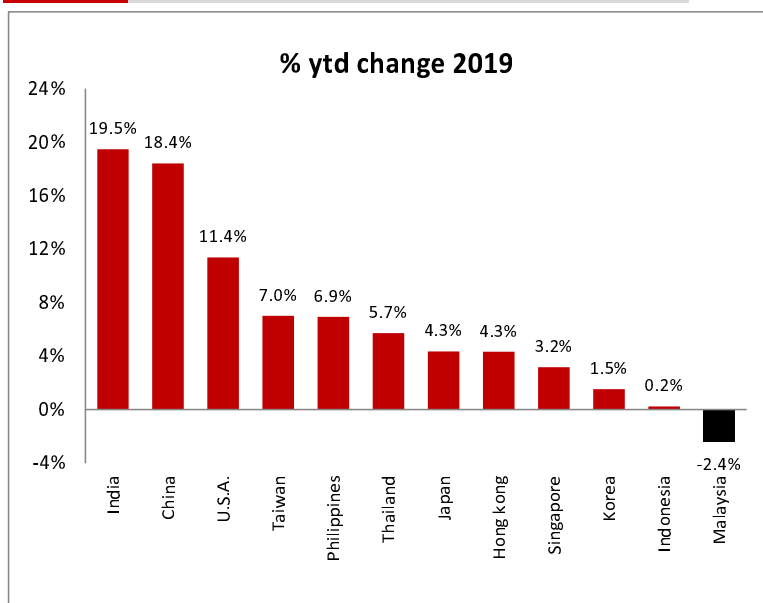
FUND FLOW REPORT

- The FBM KLCI was marginally lower by 0.1% for the week after settling at 1,649 points on Friday. In contrast, the Ringgit gained for the first time in six weeks, appreciating by 0.8% against the greenback to settle at USD/MYR4.159.

B. TRACKING MONEY FLOW - ASIA¹

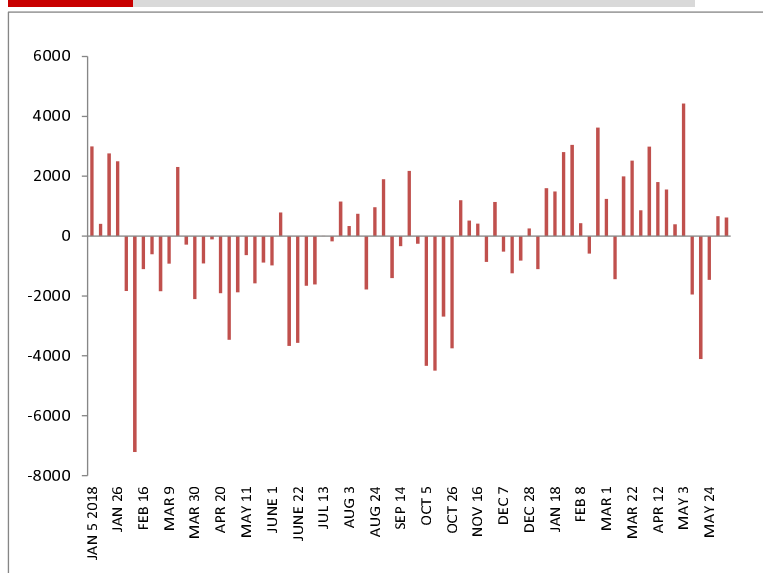
- International funds entered Asian markets for the second week at a rather similar momentum. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” accumulated USD619.3m net last week compared to USD665.0m net bought in the week before.
- In Korea, the momentum of foreign funds exiting the local bourse experienced a steep decline as -only -USD69.2m net were sold, more than one tenth of the amount offloaded in the preceding week. Foreign funds had a solid start to the week, mopping up USD225.1m net of local equities on Monday, the highest in a day since 12 April 2019. The KOSPI index followed suit on the same day to close 1.3% higher at 2,068 points, a level not seen since mid-May 2019. However, the tables were turned on the following days as foreign funds took out more than USD100m net on Tuesday and Wednesday in spite of Fed Chair Powell’s comments on the openness to a rate cut this year while acknowledging the uncertainty of the trade war.
- In contrast, Taiwan experienced its first weekly foreign net inflow of USD115.5m net after four consecutive weeks of foreign net selling. The bulk of the weekly foreign net inflow in Taiwan came from Monday’s foreign influx of USD411.6m net, the highest in 21 trading days which also lifted the Taiex index to 10,500 points. The positive sentiment came from the rise in the Taiwan Dollar to its highest point in seven months as a more dovish outlook for U.S rates weighed on the greenback. On the macro front, Taiwan’s manufacturing PMI in May 2019 reached 48.4 points, the eighth consecutive month of contraction.

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)

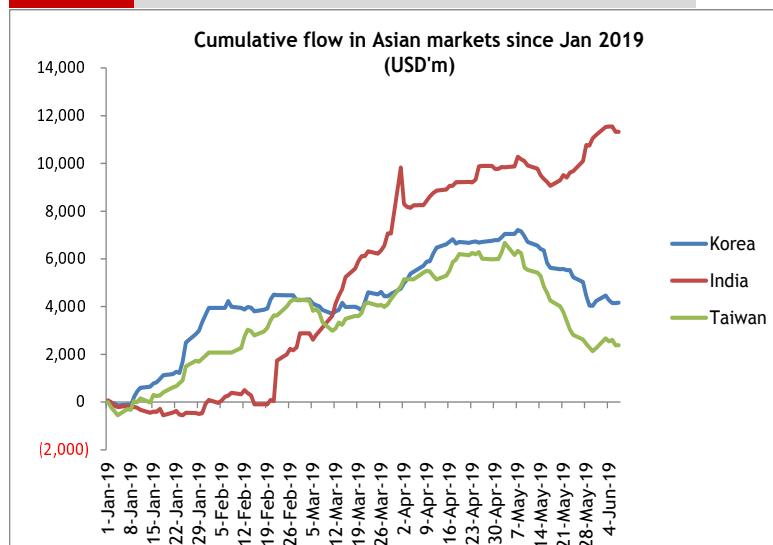


Source: Bloomberg, Bursa Malaysia, MIDFR

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.

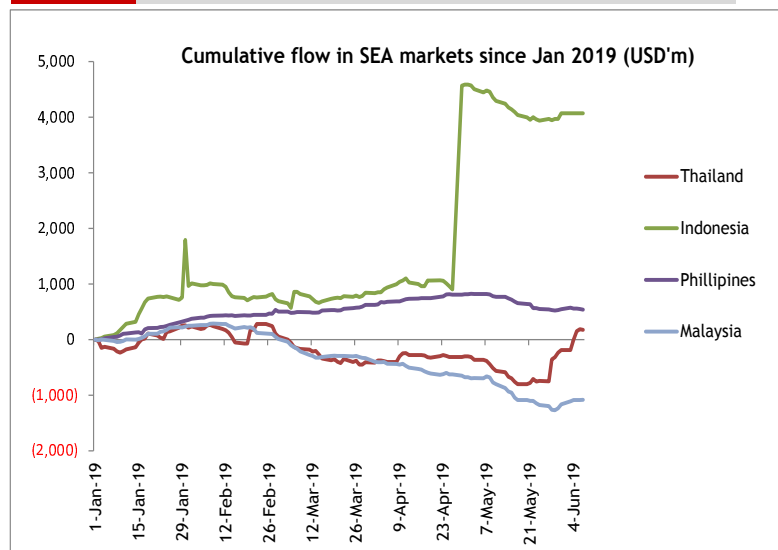
- In emerging South East Asian markets that we monitor, majority of markets were experiencing foreign net inflows.
- Bangkok recorded its third uninterrupted week of foreign net inflows of USD362.8m net. The local bourse was closed on Monday in conjunction with Queen Suthida's birthday. As markets reopened on Tuesday, foreign investors were net buyers from that day until Thursday. Tuesday saw the highest foreign inflow on Tuesday of USD185.9m net with the Thai Baht leading gains while other Asia currencies remained mixed, as U.S. Treasuries came off their highs after yields dived on growing conviction the Federal Reserve will cut interest rates.
- International funds disposed -USD5.9m net, marking the fifth straight week of foreign net outflows. Foreign net selling peaked on Tuesday at -USD14.2m as investors booked in gains, dragging the PSEi by 1.7%. The sentiment on the local bourse was mainly influenced by the tech sell-off on Nasdaw overnight. In terms of specific stocks, shares of Philippines' leading telco provider, PLDT dropped as much as 8.7%, the most in three years after a private placement was held. More than 2.64m shares of PLDT were traded in blocks at a price of PHP1,238 per share for a total of PHP3.28b.
- No flows of foreign funds were observed in Jakarta as the local bourse was closed for the entire week in conjunction with the Aidilfitri holidays.

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

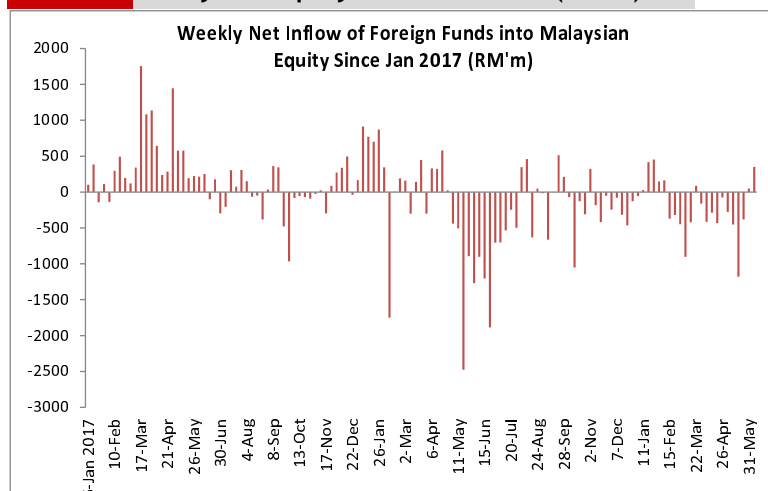
Table 2 Weekly Net Flow Of Foreign Fund Into Equity By Market (USD'm)

WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
APR 5	927.3	5.7	90.8	55.0	1,177.0	835.8	-102.1	2,989.5
APR 12	1,004.4	123.9	90.2	55.0	614.5	-11.2	-70.4	1,806.3
APR 19	238.4	-46.6	37.3	11.8	357.4	1,066.4	-105.0	1,559.7
APR 26	2.7	12.5	-161.6	65.1	685.9	-193.6	-17.4	393.0
MAY 3	333.9	-51.7	3,601.9	11.5	-65.2	665.7	-66.7	4,429.2
MAY 10	-330.7	-199.3	-211.7	-51.8	82.5	-1,135.0	-108.5	-1,954.6
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	132.4	115.5	83.8	619.3

C. TRACKING MONEY FLOW - MALAYSIA

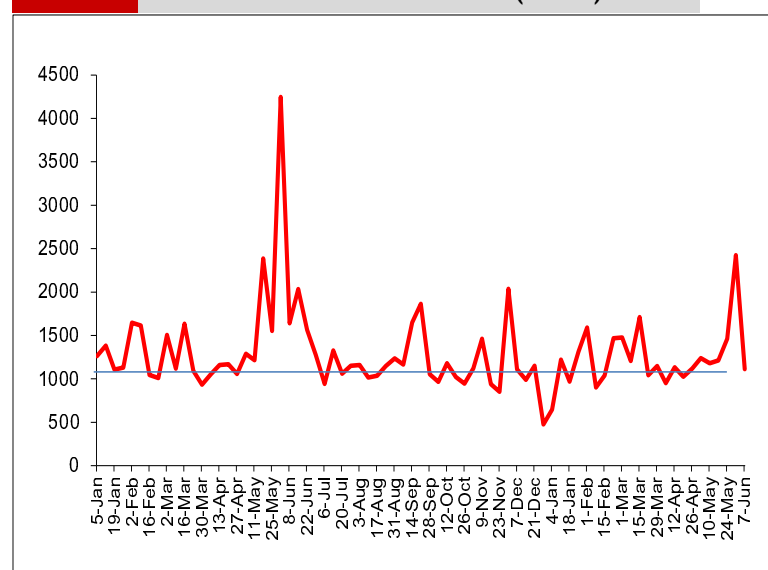
- Despite the festive week in Malaysia, offshore funds continued scooping up stocks listed on Bursa for the second week at a stronger pace. Based on data from Bursa, foreign funds mopped up RM350.0m net of local equities last week, seven times more compared to the amount acquired in the week before. The weekly foreign inflow seen in Malaysia was in conformity with the majority of the other six Asian markets we monitor with the exception of South Korea and the Philippines.
- Bursa started the week off on the right foot as international investors acquired RM231.5m net of local equities on Monday, marking the second day of foreign net inflows above RM200m. The strong momentum of foreign net buying lifted the FBM KLCI by 0.2% to settle at 1,655 points on the same day, the highest close seen since 22 March 2019. Much of the optimism on Monday was mainly attributable to the recently concluded corporate earnings season which had a lot of positive surprises.
- Foreign funds still made their way to Bursa on Tuesday, a day before the two-day Hari Raya Aidilfitri holidays, snapping up RM96.8m net of local stocks.
- As the local bourse reopened from the two-day break on Friday, international funds still acquired local equities albeit at a slower pace of RM21.8m net.
- Last week's commendable foreign net inflow of RM350.0m net has decreased the year-to-date foreign net outflow from Malaysia to RM4.45b from RM4.80b in the preceding week.
- The drop in investor participation for the retail market, foreign investors and local institutional funds during the holiday-shortened week was inevitable. Nevertheless, the average daily trading value (ADTV) for foreign investors remained healthy at above RM1b despite the 54% weekly decline in the ADTV. Only the retail market had a substantially low weekly ADTV of below RM500m, the lowest so far for the year.

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 3	2,097.2	2,076.8	20.4	3,505.1	3,249.8	255.3	2,341.3	2,617.0	-275.7	-66.7
MAY 10	2,306.4	2,140.7	165.7	4,831.3	4,546.1	285.2	2,726.8	3,177.7	-450.9	-108.5
MAY 17	2,074.9	2,018.9	56.0	4,890.7	3,767.4	1,123.4	2,440.7	3,620.1	-1,179.4	-282.9
MAY 24	1,064.5	1,011.6	52.9	2,063.1	1,733.4	329.7	1,999.7	2,382.3	-382.6	-91.3
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

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 JUNE
TOP 10 NET MONEY INFLOWS

- Tenaga Nasional Berhad registered the highest net money inflow of RM4.69m last week. Its share price jumped 0.63% for the week, outperforming the local bourse which had a 0.09% weekly loss. which advanced 0.11% during the week under review.
- KLCCP Stapled Group Berhad recorded the second highest net money inflow of RM3.68m. Its share price ended 1.30% higher for the week, outperforming the benchmark which was 0.09% lower during the week under review.
- Malayan Banking Berhad saw the third highest net money inflow of RM3.01m. Its share price ended -0.33% lower during the week under review, underperforming the local bourse which was 0.09% lower. Nonetheless, it is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
TNB	4.69	39.95	0.63	-
KLCCP	3.68	0.01	1.30	-
MAYBANK	3.01	2.80	-0.33	BOW
IOI PROPERTIES	2.99	0.74	1.49	-
PETDAG	2.15	0.24	-0.62	BOW
AMMB	2.15	0.34	0.45	-
PUBLIC BANK	1.86	10.04	-0.76	BOW
HARTELEGA	1.74	-4.16	1.35	-
MY EG SERVICES	1.70	-2.30	2.88	-
SD PLANTATION	1.20	-0.15	-1.72	BOW

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- CIMB Group Holdings Berhad saw the largest net money outflow of -RM16.33m last week. Its stock price advanced 0.19% for the week, outperforming vis-à-vis the FBM KLCI which declined 0.09% 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.
- Petronas Gas Berhad recorded the second largest net money outflow -RM5.60m during the week under review. Its share price was 3.51% higher during the week, outperforming the benchmark
- IHH Healthcare Berhad registered the third largest net money outflow of -RM5.34m in the review week. Its share price was 0.18% higher for the week, outperforming the local benchmark which was 0.09% 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		
CIMB GROUP	-16.33	6.15	0.19	SOS
PETGAS	-5.60	-0.11	3.51	SOS
IHH	-5.34	-1.93	0.18	SOS
DIALOG	-4.39	0.96	-0.90	-
LAFARGE	-3.36	0.72	0.00	-
TELEKOM	-2.45	7.17	-2.49	-
SP SETIA	-2.03	0.18	-4.57	-
ALLIANCE	-1.45	-1.23	-0.26	-
HONG LEONG	-1.30	-1.77	0.00	-
TIME DOTCOM	-1.08	0.08	0.23	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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