

## MIDF EQUITY STRATEGY | 11 NOVEMBER 2019 WEEK ENDED 8 NOVEMBER 2019

- Majority of equity markets worldwide were in the black last week despite whipsawed trade talks between Beijing and Washington.
- Brent crude oil price ended 1.3% higher for the week after settling at USD62.51pb as investors shrugged off a comment by President Donald Trump that the U.S. hasn't agreed to fully roll back tariffs with China, dimming hopes of a preliminary trade deal next month. Rolling back tariffs would pave the way for a de-escalation of the trade war that casted a shadow over the world economy.
- The influx of foreign investors into Asian markets continues for the fifth consecutive week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" bought USD1.34b net last week, compared to USD2.69b in the preceding week.
- It was a rather hectic week as international funds reduced their stakes in Malaysian equities, putting an end to the three-week foreign net buying on Bursa. Based on data from Bursa, foreign investors took out -RM237.2m net of local equities last week.
- The FBM KLCI remained in the green zone for the second week, posting a 1.0% weekly gain after ending the week above 1,600 points. Likewise, the Ringgit appreciated by 0.7% against the greenback to reach USD/MYR4.1355 during the week.

## BURSA'S BUYING STREAK SNAPPED AMIDST WHIPSAWED TRADE TALKS

### A. MARKET SNAPSHOT

- Majority of equity markets worldwide were in the black last week despite whipsawed trade talks between Beijing and Washington.
- Wall Street's major indexes advanced for the week. The S&P 500 index even reached a new record high on Friday to mark its fifth consecutive week of gains despite President Trump not agreeing to roll back tariffs on China, just a day after a Chinese official said the two sides had agreed to do just that if talks progress. The rally was also supported by the surge in Walt Disney shares after its quarterly results showed less expenditure than what had been projected on: (i) its online streaming service, Disney +, (ii) Disney's popular theme parks and (iii) the remake of 'The Lion King'.
- The latest news on the trade dispute came as import and export trade data from China was better than expected, but reflected ongoing struggles for the world's second-largest economy. Chinese trade data for October 2019 showed that imports fell lesser than expected by 6.4%, while exports, which had been expected to fall 3.9%, only slipped by 0.9%. Looking ahead if the 'phase one' trade deal were to proceed, the trade headwind for China is unlikely to be fully offset due to the recent appreciation of the Renminbi.
- In Europe, Europe's manufacturing PMI unexpectedly rebounded to 45.9 points (above market expectation of 45.7 points) in October 2019, a little higher than the previous month's 45.7 points which was the lowest reading since 2012. However, the latest figure was still below 50 (since February 2019), signalling contraction. Political uncertainty in the region, and the US-China trade war are among factors pulling down the global demand on manufacturing goods. In addition, Germany manufacturing PMI recorded at 42.1 points in October 2019, marked the 10-month streak below the neutral PMI of 50. Despite easing monetary policy taken by ECB, it is still insufficient to lever the industry's optimism since the factory output fell due to global demand slowdown.
- Brent crude oil price ended 1.3% higher for the week after settling at USD62.51pb as investors shrugged off a comment by President Donald Trump that the U.S. hasn't agreed to fully roll back tariffs with China, dimming hopes of a preliminary trade deal next month. Rolling back tariffs would pave the way for a de-escalation of the trade war that casted a shadow over the world economy. China's key demand since the start of negotiations has been the removal of punitive tariffs, which by now apply to majority of its exports to the U.S. Also of significance, U.S. energy firms had reduced the number of operating oilrigs for a third week in a row. There are 684 oil rigs now, the lowest since April 2017, after drillers cut seven rigs last week.

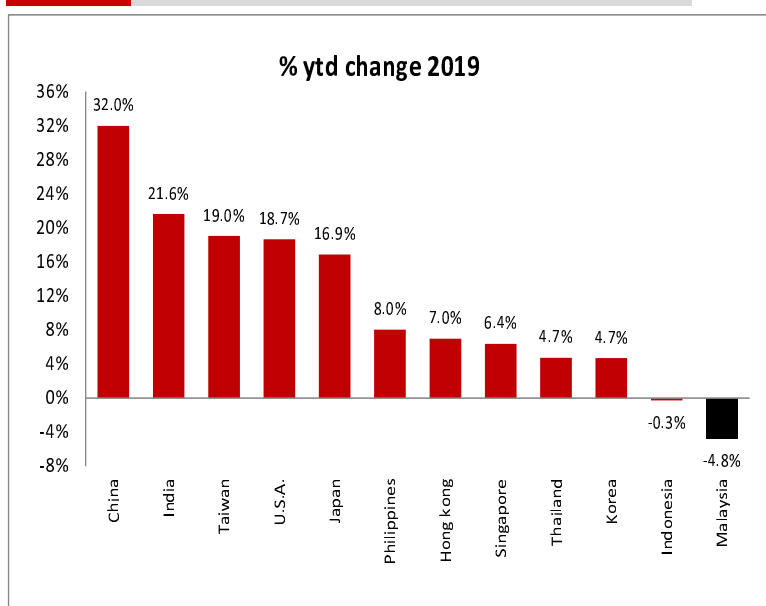
<b>Table 1</b> Weekly performance of major indices		
Weekly % change	Week before	Last week
Thai SET	-0.05	2.85
Nikkei	0.22	2.37
CAC 40	0.69	2.22
DAX	0.52	2.06
Hang Seng	1.63	2.03
Korea KOSPI	0.59	1.76
Taiwan TAIEX	0.92	1.58
Dow Jones	1.44	1.22
Phil PCOMP	0.69	1.11
FSSTI Index	1.38	1.08
KLCI	1.49	1.03
S&P 500	1.47	0.85
FTSE 100	-0.30	0.78
China CSI 300	1.43	0.52
India SENSEX	2.83	0.39
Jakarta JCI	-0.72	-0.47

Source: Bloomberg

## FUND FLOW REPORT

- The FBM KLCI remained in the green zone for the second week, posting a 1.0% weekly gain after ending the week above 1,600 points. Likewise, the Ringgit appreciated by 0.7% against the greenback to reach USD/MYR4.1355 during the week.

**Chart 1** YTD performance of major markets

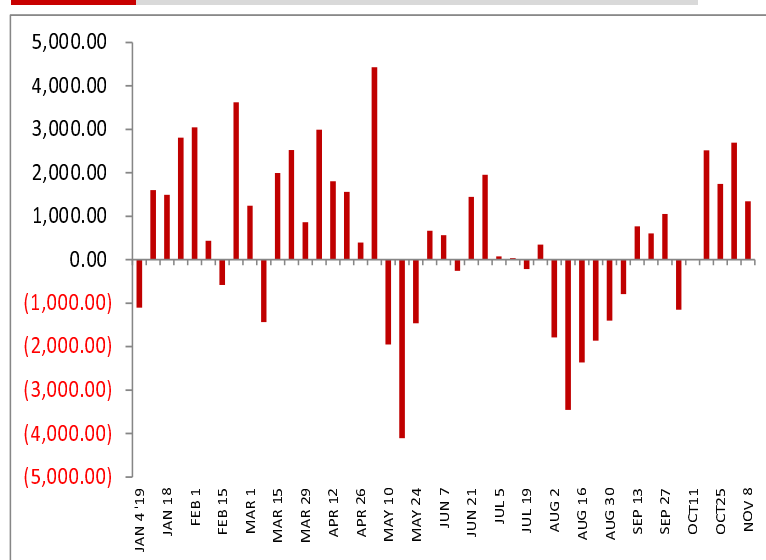


Source: Bloomberg

### B. TRACKING MONEY FLOW - ASIA<sup>1</sup>

- The influx of foreign investors into Asian markets continues for the fifth consecutive week. Nevertheless, this is still no match for the eight-week foreign net buying spree seen earlier this year from the middle of March to late April. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” bought USD1.34b net last week, compared to USD2.69b in the preceding week.
- The flow of international funds into South Korea almost quadrupled to USD150.9m net from USD38.5m net in the preceding week. Offshore investors were net buyers on the first three days of the week, extending the daily foreign net buying streak to five straight days. Foreign net buying peaked on Tuesday at USD300.8m net after a gauge for global developed markets rose to a fresh record amidst signs of progress toward an initial U.S-China trade deal despite news that China and the U.S agreeing to a roll back of tariffs in phases. The buying spree was then snapped on Thursday as international funds sold more than -USD100m net.
- Taiwan retained its position as the most favourable market in North Asia as international funds bought USD1.25b net of local equities. This brought Taiwan’s foreign net buying spree to the tenth week, the longest since the 12-day buying streak observed in the middle of May to early August 2014. International funds bought local equities on every single day of the week, stretching the daily buying spree to 20 days, the longest so far in 2019. Foreign funds accumulated the most on Tuesday at USD467.7m net, coinciding with the Taix’s 0.8% advance to reach 11,644.0 points, a level not observed in more than 25 years. On the same day, the Taiwan dollar gained by 0.2% to close at its strongest since June 2018 amidst optimism on the China and the U.S. trade dispute.

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

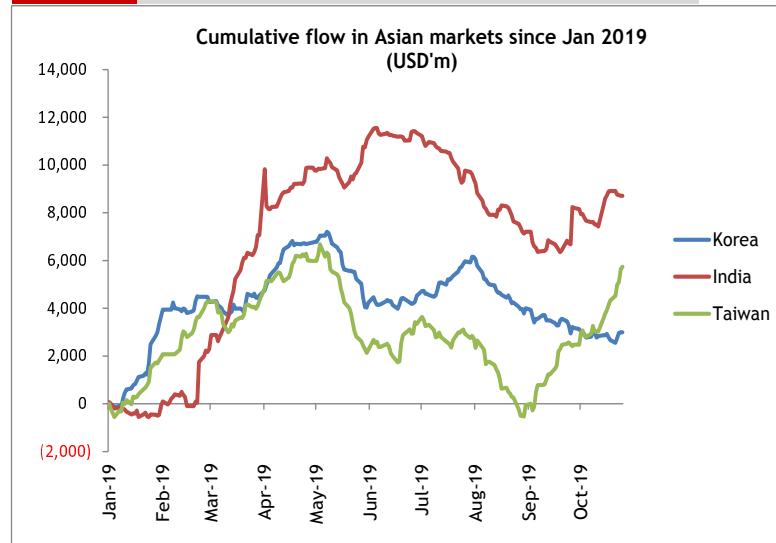


Source: Bloomberg, Bursa Malaysia, MIDFR

<sup>1</sup> 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.

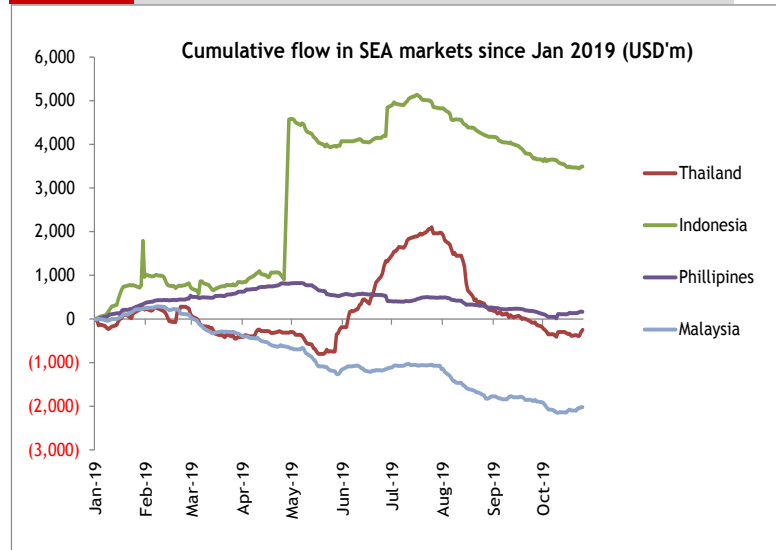
- In emerging South East Asian markets that we monitor, more than half experienced foreign net selling.
- In Bangkok, foreign investors offloaded - USD78.5m net of local equities last week, one third of the amount dumped in the week before. Foreign net selling occurred on every single day of the week except on Wednesday which saw a foreign net inflow of USD21.8m net. This coincided with the cut in the benchmark interest rate by the Bank of Thailand for the second time in three months to boost the economy and curb a rampant Baht which hit a six-year high on 25th October 2019. Meanwhile, foreign net selling peaked on Tuesday at -USD54.8m net.
- In Manila, foreign investors remained net buyers for the fifth straight week after buying USD12.0m of local equities. International funds sold continuously from Wednesday to Friday with Wednesday recording the highest foreign net outflow during the week at -USD19.3m. Nevertheless, this was offset by the foreign net inflows of more than USD10m net seen on the first two days of the week. Tuesday saw the highest foreign net inflow of USD24.2m bucking the trend of other ASEAN peers which were experiencing a foreign net outflow. On the macroeconomic front, the Philippines' economic growth grew faster than expected in 3Q19, rebounding to 6.2%yoy from 5.5%yoy in 2Q19, marking the highest annual growth thus far in 2019.
- Foreign investors in Indonesia remained net sellers for the second week running albeit at a faster pace of -USD183.2m. The week started on a positive note as foreign funds bought USD17.2m net of local equities. However, foreign investors turned net sellers on the next day until the week ended. Thursday saw the highest at USD97.1m net, pushing the local bourse to a three-week low of 6,165.6 points.

**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
SEP 20	63.7	-37.2	-206.7	-33.7	-357.4	1,232.8	-59.7	601.7
SEP 27	-383.5	-136.4	-133.8	-37.4	1,767.6	8.6	-36.1	1,049.0
OCT 4	-406.9	-216.3	-14.5	-112.8	-539.1	325.0	-184.0	-1,148.6
OCT 11	58.6	53.2	-79.1	60.2	-239.1	225.4	-65.9	13.3
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	150.9	-78.5	-183.2	12.0	245.9	1,251.8	-57.2	1,341.7

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

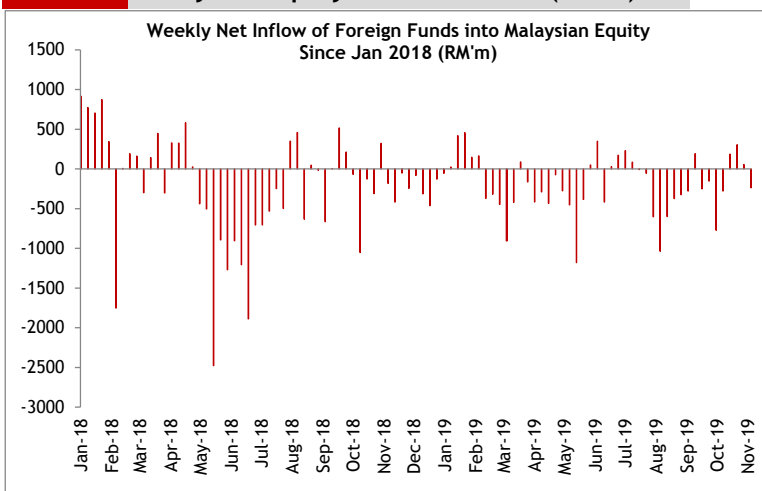


## FUND FLOW REPORT

### C. TRACKING MONEY FLOW - MALAYSIA

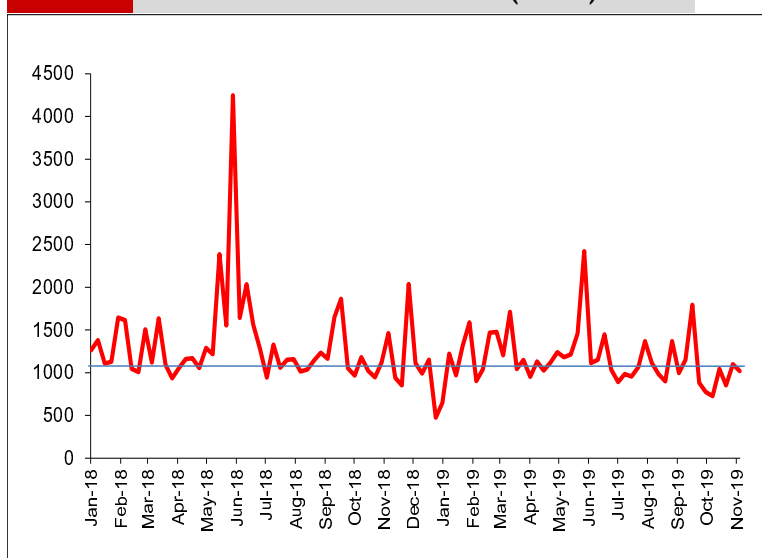
- It was a rather hectic week as international funds reduced their stakes in Malaysian equities, putting an end to the three-week foreign net buying on Bursa. Based on data from Bursa, foreign investors took out -RM237.2m net of local equities last week.
- Bursa had a rough start to the week as foreign investors disposed -RM65.0m net of local equities on Monday. In contrast, the local bourse closed 0.6% higher above 1,600 points amidst better-than-expected U.S jobs data released in the preceding week.
- Foreign net selling activity slowed down to -RM22.0m on Tuesday following reports that China is reviewing locations where President Xi Jinping would be willing to meet President Trump to sign the first phase of a trade deal.
- Foreign net outflows regained momentum on Wednesday to reach -RM42.6m as Beijing insisted on removing some tariffs before agreeing to sign an interim trade deal with Washington.
- Optimism returned to the Bursa on Thursday with a foreign net inflow of RM85.4m as Beijing and Washington decided to roll back tariffs on each other's goods in stages as negotiations continue to resolve the more than year-long trade war. The local stock barometer followed suit to end 0.4% higher at 1,609.3 points, the highest close since late August 2019.
- However, the excitement was short-lived as foreign investors fled Bursa on Friday at a tune of -RM193.1m, the largest foreign net outflow in more than a month. Sentiment was dragged by a report that some White House officials opposed the lowering of tariffs to gain a partial trade deal.
- The month of November has so far seen a foreign net outflow of -RM185.5m. Meanwhile on a year-to-date basis, foreign funds have taken out -RM8.57b of local equities from Malaysia, making up 73.3% of last year's total foreign outflow of -RM11.69b.
- In terms of participation, foreign investors saw the largest decline in average daily traded value (ADTV) of 7.0% but remained well above RM1b.

**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)	
OCT 4	1,747.4	1,640.9	106.5	3,974.6	3,310.4	664.2	1,545.3	2,316.1	-770.8	-184.0
OCT 11	2,067.2	2,004.7	62.5	4,103.4	3,889.3	214.1	1,676.0	1,952.5	-276.6	-66.0
OCT 18	2,592.6	2,523.1	69.5	4,624.8	4,879.0	-254.1	2,697.7	2,513.1	184.6	44.1
OCT 25	2,282.9	2,264.4	18.5	3,786.4	4,107.2	-320.9	2,281.5	1,979.1	302.4	72.2
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	2,347.3	2,308.9	38.4	5,096.2	4,897.4	198.8	2,432.8	2,670.0	-237.2	-57.2

Source: Bursa's data \* Estimate by MIDF Research based on prevailing exchange rate.

**D. MONEY FLOW<sup>2</sup> AMONG BURSA'S TOP 100 CAPITALIZED STOCKS: WEEK ENDED 8 NOVEMBER**
**TOP 10 NET MONEY INFLOWS**

- Public Bank Berhad registered the highest net money inflow of RM17.86m last week. Its share price advanced 0.71% for the week, underperforming the local bourse which had a 1.03% weekly gain.
- Nestle (Malaysia) Berhad recorded the second highest net money inflow of RM11.12m. Its share price ended 0.62% higher for the week, underperforming the benchmark which was 1.03% higher during the week under review.
- Tenaga Nasional Berhad saw the third highest net money inflow of RM5.42m. Its share price was -0.29% lower during the week, underperforming the local bourse which was only 1.03% higher. 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		
PUBLIC BANK	17.86	17.57	0.71	-
NESTLE	11.12	-0.11	0.62	-
TNB	5.42	2.79	-0.29	BOW
HONG LEONG	5.11	-4.23	-1.39	BOW
GENTING PLTN	4.80	-0.21	1.00	-
TELEKOM	2.76	-0.05	-0.79	BOW
TIME DOTCOM	2.55	0.24	0.66	-
PETCHEM	2.06	2.85	2.27	-
RHB BANK BHD	1.65	2.30	-0.17	BOW
PPB GROUP	1.35	0.72	0.88	-

Source: Bloomberg, MIDFR;

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

**TOP 10 NET MONEY OUTFLOWS**

- MISC Berhad saw the largest net money outflow of -RM21.98m last week. Its stock price was 0.49% higher for the week, underperforming vis-à-vis the FBM KLCI which advanced 1.03% 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.
- KL Kepong Berhad recorded the second largest net money outflow -RM12.75m during the week under review. Its share price was 3.78% higher during the week, outperforming the market benchmark which had a 1.03% weekly gain.
- Malayan Banking Berhad registered the third largest net money outflow of -RM8.44m in the review week. Its share price was 2.67% higher for the week, outperforming the local benchmark which was 1.03% higher 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		
MISC BHD	-21.98	-4.33	0.49	SOS
KL KEPONG	-12.75	-12.54	3.78	SOS
MAYBANK	-8.44	6.03	2.67	SOS
IHH	-7.53	-2.59	-1.96	-
MAHB	-5.21	-2.33	5.86	SOS
GENT MSIA	-3.85	-0.75	0.62	SOS
WESTPORTS	-3.85	2.15	-0.47	-
SERBA DINMK	-3.65	0.25	2.40	SOS
VELESTO	-3.37	-0.94	12.86	SOS

Source: Bloomberg, MIDFR;

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

<sup>2</sup> 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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**Business Address:**  
11th Floor, Menara MIDF,  
82, Jalan Raja Chulan, 50200  
Kuala Lumpur.  
Tel: 2173 8888  
Fax: 2173 8380