

MIDF EQUITY STRATEGY | 13 AUGUST 2019

WEEK ENDED 9 AUGUST 2019

- Major equity markets worldwide remained in a sea of red last week as the dispute between Beijing and Washington escalates further.
- Brent crude oil price ended 5.4% lower for the week at USD58.53pb, the largest drop in three weeks. There was a late-week rebound of 2.0% on Thursday and Friday amidst reports of a possible Saudi Arabia-led plan for OPEC to reduce output. However, this was offset by the strong US shale production and worries of a US-China trade dispute will decelerate worldwide demand for oil.
- Offshore funds fled Asian markets at a heightened pace. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” dumped -USD3.35b net last week, the biggest weekly foreign net outflow in 12 weeks.
- There was an exodus of foreign funds from Bursa last week, marking the fourth uninterrupted week of foreign net selling. Based on data from Bursa, foreign investors sold -RM1.04b net of local equities last week, the largest weekly foreign net outflow in 12 weeks.
- The FBM KLCI declined by 0.7% for the week after closing at 1,615 points on Friday, marking the fifth week of losses. Likewise, the Ringgit depreciated by 0.6% against the greenback as it settled at USD/MYR4.184.

TRUMP RATTLED THE MARKETS ONCE AGAIN!

A. MARKET SNAPSHOT

- Major equity markets worldwide remained in a sea of red last week as the dispute between Beijing and Washington escalates further.
- Major U.S benchmarks such as the Dow Jones and S&P 500 dropped by more than 2.50% for the week. Much of the sentiment was influenced by U.S's move to hold off a decision on licenses for U.S. companies to restart business with Huawei Technologies Co. after Beijing said it was halting purchases of U.S. farming goods. The U.S. decision rattled stocks, bonds, currencies and even soybean prices around the world. Huawei suppliers Micron Technology Inc. and Western Digital Corp. declined as much as 2.2% after news of the delay in license approvals, while Qualcomm Inc., Xilinx Inc. and NeoPhotonics Corp. all fell more than 1% in after-hours trading.
- China trade surplus widened sharply to USD 45.1b in Jul-19 from USD 27.5b in the same month last year as exports rose unexpectedly while imports fell less than estimated. Exports expanded by 3.3%yoy, a rebound from -1.3%yoy drop in the previous month and the highest growth since Mar-19. Outbound shipments to the US continued to fall for the fourth consecutive month, the latest at -6.5%yoy. Similarly, inbound shipments also continued declining at -19.1%yoy, registering double digit negative growth since Nov-18. For the first seven months of this year, trade surplus with the US recorded at USD 168.3b, higher than USD 162.1b for the same comparable period in 2018. However, the sustainability of the performance is a major concern moving forward as China will face another round of tariff hike by the US effective September 1.
- In Europe, Britain's purchasing managers' index unexpectedly grew faster to a nine-month high in July to 51.4 from 50.2 in June. This calms the worries on whether the U.K could be heading into a recession before Brexit. However it is notable July's PMI stands well below its long-run average of 54.9. Meanwhile, Prime Minister Boris Johnson plans to take Britain out from the European Union on 31 October 2019 regardless of whether a transition deal is made to keep trade activities intact.
- Brent crude oil price ended 5.4% lower for the week at USD58.53pb, the largest drop in three weeks. There was a late-week rebound of 2.0% on Thursday and Friday amidst reports of a possible Saudi Arabia-led plan for OPEC to reduce output. However, this was offset by the strong US shale production and worries of a US-China trade tension will decelerate worldwide demand for oil.

Table 1 Weekly performance of major indices		
Weekly % change	Week before	Last week
India SENSEX	-2.02	1.25
S&P 500	-3.10	-0.46
Taiwan TAIEX	-3.15	-0.52
CAC 40	-4.48	-0.58
KLCI	-1.29	-0.72
Dow Jones	-2.60	-0.75
Jakarta JCI	0.24	-0.92
DAX	-4.41	-1.50
Nikkei	-2.64	-1.91
Thai SET	-1.94	-2.02
FTSE 100	-1.88	-2.07
FSSTI Index	-3.05	-2.83
Korea KOSPI	-3.30	-3.02
China CSI 300	-2.88	-3.04
Phil PCOMP	-0.66	-3.39
Hang Seng	-5.21	-3.64

Source: Bloomberg

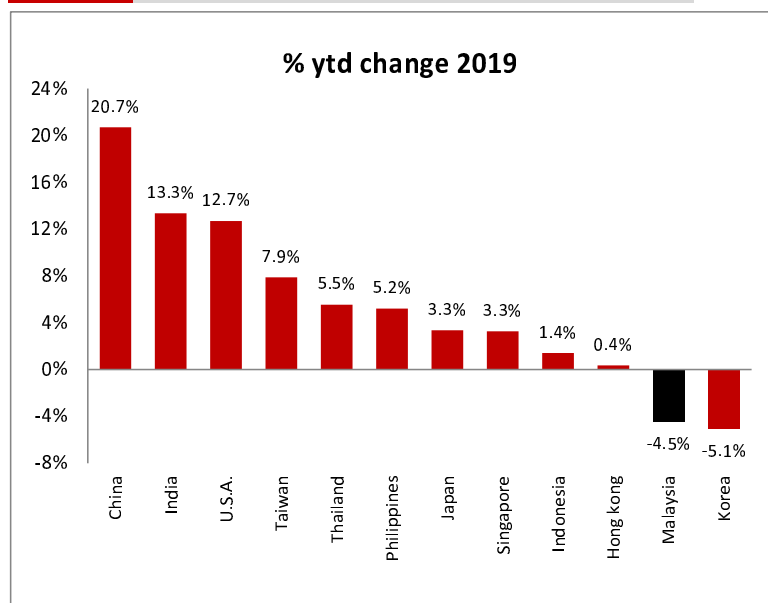
FUND FLOW REPORT

- The FBM KLCI declined by 0.7% for the week after closing at 1,615 points on Friday, marking the fifth week of losses. Likewise, the Ringgit depreciated by 0.6% against the greenback as it settled at USD/MYR4.184.

B. TRACKING MONEY FLOW - ASIA¹

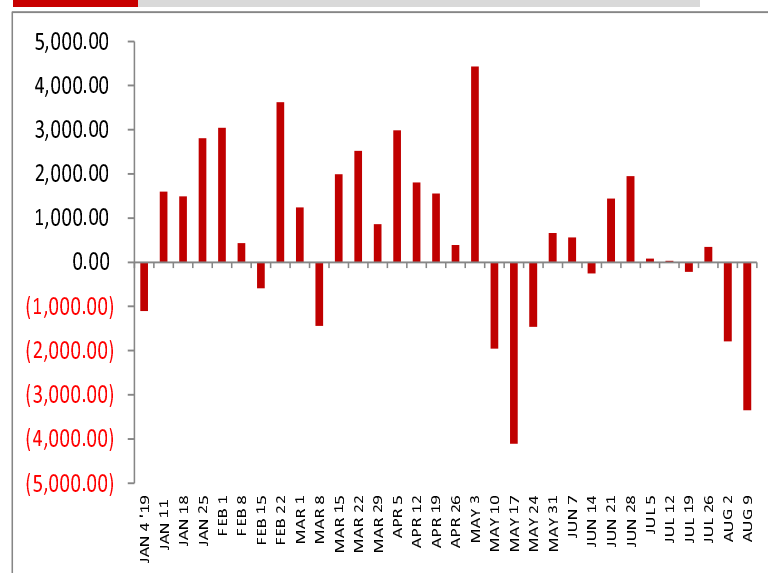
- Offshore funds fled Asian markets at a heightened pace. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” dumped -USD3.35b net last week, the biggest weekly foreign net outflow in 12 weeks.
- In Korea, the level of foreign net selling more than double compared to the previous week to reach -US\$782.0m, the largest weekly foreign net outflow in 10 weeks. International funds were net sellers on every single day of the week, extending the foreign net selling streak to 8 straight days, the longest since the nine-day selling spree seen from 9 to 20 May 2019. Foreign net outflow during the week was the highest on Monday at USD289.9m amidst heightened tensions from the trade rift between the U.S and China in addition to the nation’s dispute with Japan, Korean markets experienced a Black Monday with the KOSPI falling 2.6% to 1,947 points, the biggest drop in two months while the KOSDAQ index dropped 7.5% to 570 points, going below the 600 point mark for the first time in nearly three years, leading to a halt in trading. Japan’s financial market also went wild on the same day with its benchmark Nikkei 225 losing 1.74% to 20,720.29 points, indicating that Japan’s export restriction measures could pose a serious risk to itself.
- International funds in Taiwan continued to aggressively reduce their exposure in local stocks, offloading -USD884.3m net last week, a level not observed since the week ended 24th May 2019. It was notable that Taiwan’s local bourse was closed down on Friday due to the Typhoon Lekima making it a four-day trading week. International investors sold the most during the week on Wednesday at -USD589.5m net, the highest in a day since 9 May 2019. The Taiex market followed suit to drop 0.1% to 10,386 points, marking the ninth day of consecutive losses, the longest losing streak since May 2010 as traders remained cautious in the wake of trade tensions.

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)

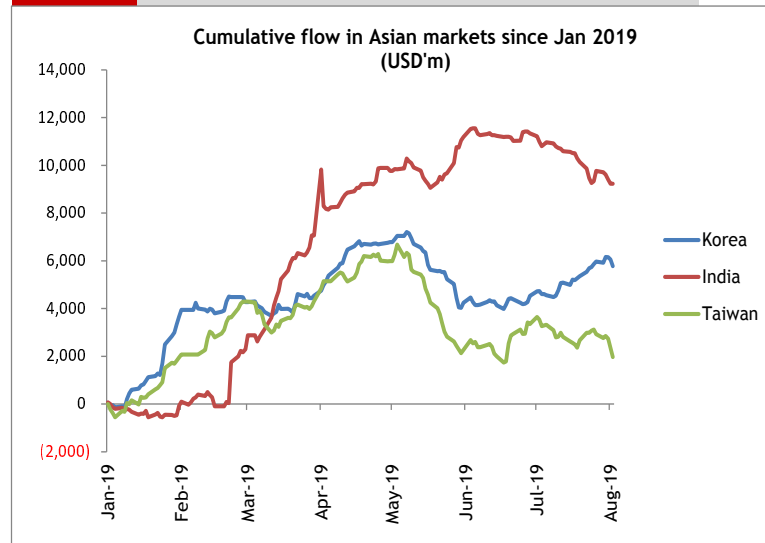


Source: Bloomberg, Bursa Malaysia, MIDFR

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.

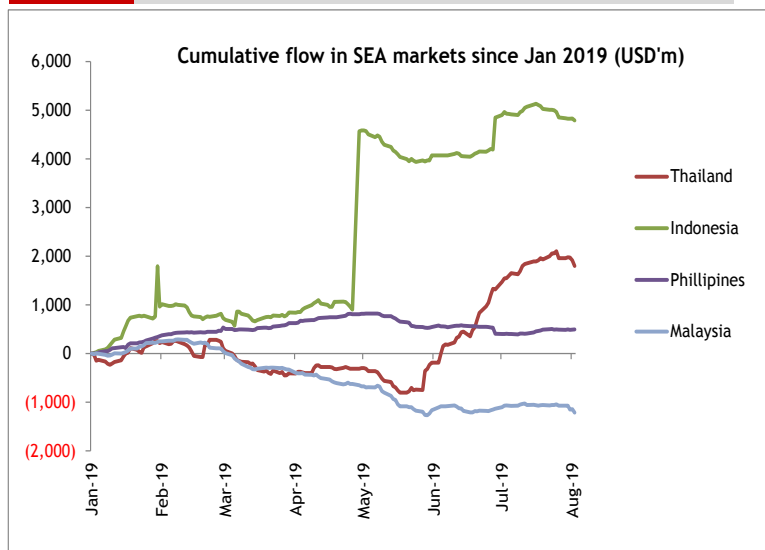
- In emerging South East Asian markets that we monitor, all markets were experiencing outflows for the week.
- Foreign investors in Bangkok upped their ante in selling activity to dispose USD349.8m net, more than two times higher compared to the week before. Foreign net selling was the highest during the week on Wednesday at -USD117.0m net as the Bank of Thailand unexpectedly slashed interest rates for the first time in more than four years to boost economy. The Monetary Policy Committee voted five to two to cut its key rate by a quarter-percentage point to 1.5%. Thailand's economic outlook has deteriorated sharply in recent months amid escalating U.S.-China trade tensions, a worsening drought and a surging currency, which is hurting exports and tourism. The baht has gained about 8% against the dollar in the past year, the best performer in Asia.
- Manila experienced a foreign net outflow of USD75.6m net, a level not seen in six weeks. Foreign investors sold local equities from Monday to Friday with Tuesday recording the highest during the week at USD32.2m net as trade war tensions escalated after the United States called out China for allegedly manipulating its currency as China allowed the Yuan to fall to a more-than-10-year low versus the USD.
- Offshore investors in Jakarta extended their foreign net selling activity for the fourth week running after selling off -USD214.1m worth of local equities. An intense level of foreign net selling was observed on Tuesday at a tune of -USD145.01m net as the Trump administration formally labelled China a currency manipulator, further escalating its trade war with Beijing. Some fund managers are staying bullish on Indonesian stocks, betting that growth will stay relatively strong despite the market's correction and outflow of ETFs.

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
JUN 21	248.0	384.9	97.5	-22.6	-209.6	936.4	6.9	1,441.4
JUN 28	142.4	484.1	694.1	-141.4	310.1	419.4	41.5	1,950.1
JUL 5	35.3	332.9	69.3	-7.0	-368.3	-36.4	55.6	81.3
JUL 12	522.8	200.7	157.1	11.7	-373.9	-503.8	20.4	34.9
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	-794.7	-884.3	-247.6	-3,348.0

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

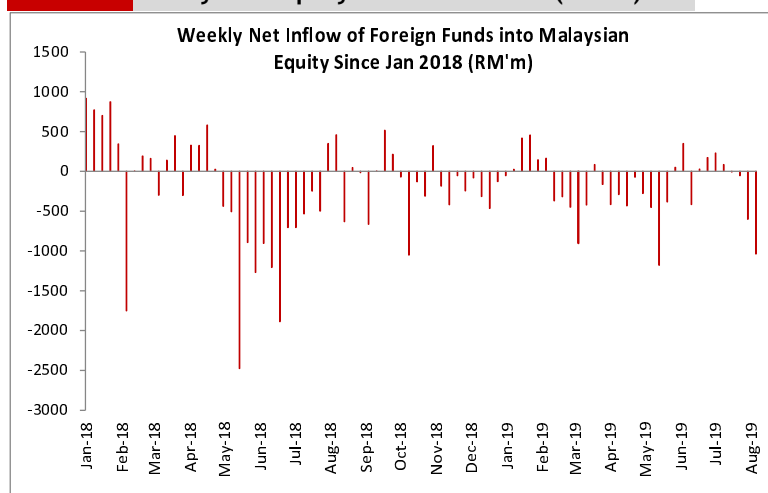
FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

- There was an exodus of foreign funds from Bursa last week, marking the fourth uninterrupted week of foreign net selling. Based on data from Bursa, foreign investors sold -RM1.04b net of local equities last week, the largest weekly foreign net outflow in 12 weeks.
- Foreign net selling intensified on Monday as foreign investors offloaded -RM357.0m, the largest in a day since early May this year. Sentiment was partially dampened by China's retaliation towards President Trump's latest tariff threat by letting the Yuan tumble to the weakest level in more than a decade. It is notable that the heavy foreign net outflow on Monday was in conformity with other regional peers under our coverage.
- The pace of foreign net selling slowed down a little to -RM219.9m net on Tuesday. China's move to limit the depreciation of the Yuan restored calm in investors' nerves.
- The level of foreign net outflow heightened to -RM269.5m following a batch of surprise interest rate cuts by central banks across the Asia Pacific (New Zealand, Thailand and India) to counter the risks in the global economy.
- Optimism returned to the markets in Thursday as foreign net selling substantially dropped to -RM30.7m amidst the green light granted by Japan to allow exports of semiconductor manufacturing material to South Korea. Nevertheless, such positive vibes diminished the next day as foreign funds dumped -RM158.1m as the U.S puts the decision for U.S companies to restart business with Huawei Technologies Co. on hold as China halts crop buying from the U.S.
- Last week's massive net outflow brings the year-to-date the foreign net outflow from Malaysia to stand at -RM6.01b. This makes up around 51.0% of last year's total foreign net outflow.
- In terms of participation, foreign investors experienced a 18.5% weekly drop in the average daily traded value (ADTV) but still remained healthy at above the RM1b level. Meanwhile, the retail market and institutional funds recorded a weekly increase in ADTV of above 5.0%.

Chart 5

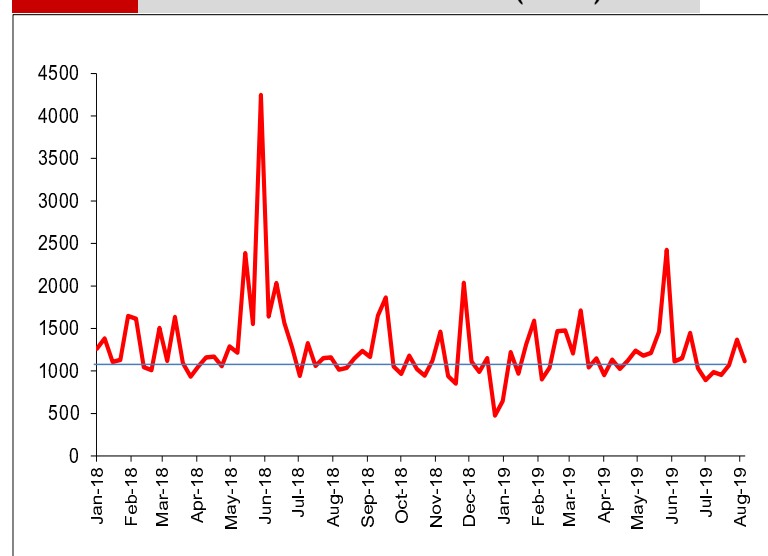
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2018 (RM'm)



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)	
JUL 5	2,546.9	2,568.5	-21.6	5,332.9	5,541.4	-208.5	2,344.1	2,114.0	230.2	55.6
JUL 12	2,590.0	2,504.7	85.3	4,822.5	4,992.7	-170.3	2,507.3	2,422.3	84.9	20.4
JUL 19	2,493.5	2,435.1	58.3	4,275.6	4,327.0	-51.4	2,386.4	2,393.3	-6.9	-1.7
JUL 26	2,639.7	2,620.3	19.4	4,618.5	4,584.5	34.0	2,642.9	2,696.3	-53.5	-13.0
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	2,612.5	2,295.0	317.6	5,222.1	4,503.5	718.6	2,269.5	3,305.6	-1,036.2	-247.6

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 9 AUGUST
TOP 10 NET MONEY INFLOWS

- CIMB Group Holdings Berhad registered the highest net money inflow of RM7.33m last week. Its share price declined -0.79% for the week, underperforming the local bourse which had a -0.72% weekly loss
- RHB Bank Berhad recorded the second highest net money inflow of RM6.91m. Its share price ended 1.82% higher for the week, outperforming the benchmark which was -0.72% lower during the week under review.
- MY EG Services Berhad saw the third highest net money inflow of RM6.34m. Its share price ended -3.77% lower during the week under review, substantially underperforming the local bourse which was -0.72% 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		
CIMB GROUP	7.33	3.62	-0.79	BOW
RHB BANK BHD	6.91	-2.78	1.82	-
MY EG SERVICES	6.34	0.62	-3.77	BOW
GENTING MSIA	6.31	5.06	-14.13	BOW
GAMUDA BHD	5.98	2.01	0.54	-
GENTING BHD	4.82	2.25	-8.43	BOW
IGB REIT	4.76	1.61	2.18	-
DIALOG GROUP	4.29	-1.76	0.00	-
TOP GLOVE	3.30	3.06	-0.66	BOW
WESTPORTS	3.02	2.66	-1.51	BOW

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- Tenaga Nasional Berhad saw the largest net money outflow of -RM16.64m last week. Its stock price was -0.29% lower for the week, outperforming vis-à-vis the FBM KLCI which declined -0.72% during the review week.
- Malayan Banking Berhad recorded the second largest net money outflow -RM11.84m during the week under review. Its share price was -0.58% lower during the week, outperforming the market benchmark which had a -0.72% weekly loss.
- Public Bank Berhad registered the third largest net money outflow of -RM5.61m in the review week. Its share price was -1.19% lower for the week, underperforming the local benchmark which was -0.72% 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		
TNB	-16.64	12.59	-0.29	-
MAYBANK	-11.84	1.71	-0.58	-
PUBLIC BANK	-5.61	-2.36	-1.19	-
UNITED PLTN	-5.05	-6.76	-0.77	-
AXIATA	-2.69	2.49	0.00	-
TIME DOTCOM	-2.59	0.01	-1.10	-
IHH	-2.14	0.22	0.00	-
AIRASIA	-2.08	4.20	-1.57	-
KOSSAN	-1.88	1.76	2.72	SOS
PETDAG	-1.10	0.14	-1.61	-

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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