

MIDF EQUITY STRATEGY | 17 DECEMBER 2018 WEEK ENDED 14 DECEMBER

- Equity markets worldwide ended mixed again last week as investors were on their tenterhooks, fearing a potential government shutdown in addition to development of trade trends and Brexit.
- Brent crude oil price slipped 2.3% last week to settle at USD60.28pb. Despite the drawdown of U.S. inventory pushed Brent crude oil price higher by 2.2% on Thursday, this was offset by signals of slowing growth in China, reducing hopes for demand with the nation's industrial output rising the least in nearly three years.
- International funds entered into higher gear of selling last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" offloaded -USD1.35b net last week, more than double of the amount sold in the week before.
- The pace of foreign investors selling shares on Bursa rose last week and marked the sixth uninterrupted week of foreign net selling. Based on data from Bursa, foreign funds sold -RM314.3m net of local equities last week. This was more than three times the amount withdrawn in the preceding week.
- The FBM KLCI declined 1.1% for the week, settling at 1,662 points, its largest weekly loss in six weeks. The Ringgit's three week gaining streak came to an end after weakening by 0.46% against the greenback for the week to USD/MYR4.1862.

UNCERTAINTIES ON BREXIT AND TRADE WAR TAKE A TOLL

A. MARKET SNAPSHOT

- Equity markets worldwide ended mixed again last week as investors were on their tenterhooks, fearing a potential government shutdown in addition to development of trade trends and Brexit.
- U.S stocks began the week on a positive note with the support of tech giants such as Facebook which rallied after announcing plans to buy back an additional USD9b of its shares on Friday of the previous week. The Dow Jones and S&P500 then slightly declined, as political news dominated headlines amidst President Trump's threats for the government shutdown down to demand for border wall funding.
- The rest of the week on Wall Street continued to be conquered by trade war jitters which later saw the S&P500 tumbling 1.9% on Friday, sinking to the lowest level since early April this year, and was one of the major decliners with a weekly loss of more than 1.0%.
- In Asia, Japan's GDP shrank to an annualised rate of 2.5% in 3Q18, the biggest contraction over four years. The slide in Japan's GDP was not only caused by the spending cut in Japanese companies but also partly due to a series of natural disasters which forced factories to shutdown. As such, the capital expenditure component of GDP fell sharply by 2.8% in 3Q18, the largest drop since 3Q09 which worries policy makers who are pinning on capex to boost growth and inflation. In relation to earnings growth, Japanese manufacturers such as Canon Inc and Yaskawa Electric Corp have been downgrading their profit forecasts to reflect the cooling demand.
- In Europe, Theresa May decided to delay a parliamentary Brexit vote, raising prospects of a no-deal departure. Theresa May now faces a leadership battle with Conservative MPs who are further pushing a vote of no-confidence. However, May won a vote of confidence in the Conservative party after securing 63% of Conservative Party MPs backed her, making her immune to any leadership obstacles for a year. The vote was a relief to the Brexit process as a vote of no-confidence would force May to step down as party leader and then as prime minister which would spark higher uncertainty in the Brexit process which already has businesses fretting on possible trade hiccups after the divorce deal.
- Brent crude oil price slipped 2.3% last week to settle at USD60.28pb. Despite the drawdown of U.S. inventory pushed Brent crude oil price higher by 2.2% on Thursday, this was offset by signals of slowing growth in China, reducing hopes for demand with the nation's industrial output rising the least in nearly three years. With two weeks left before 2018 ends, Brent crude oil price is down by about 10% for the year and nearly 32% lower from the four-year high of nearly USD87pb seen two months ago.

Table 1 Weekly performance of major indices		
Weekly % change	Week before	Last week
FTSE 100	-2.90	0.99
Phil PCOMP	1.27	0.85
CAC 40	-3.81	0.84
India SENSEX	-1.44	0.81
DAX	-4.17	0.72
Jakarta JCI	1.16	0.71
Taiwan TAIEX	-1.29	0.14
Hang Seng	-1.67	0.12
Korea KOSPI	-1.01	-0.31
China CSI 300	0.28	-0.49
FSSTI Index	-0.21	-1.09
KLCI	0.04	-1.11
Dow Jones	-4.50	-1.18
S&P 500	-4.60	-1.26
Nikkei	-3.01	-1.40
Thai SET	0.50	-2.46

Source: Bloomberg

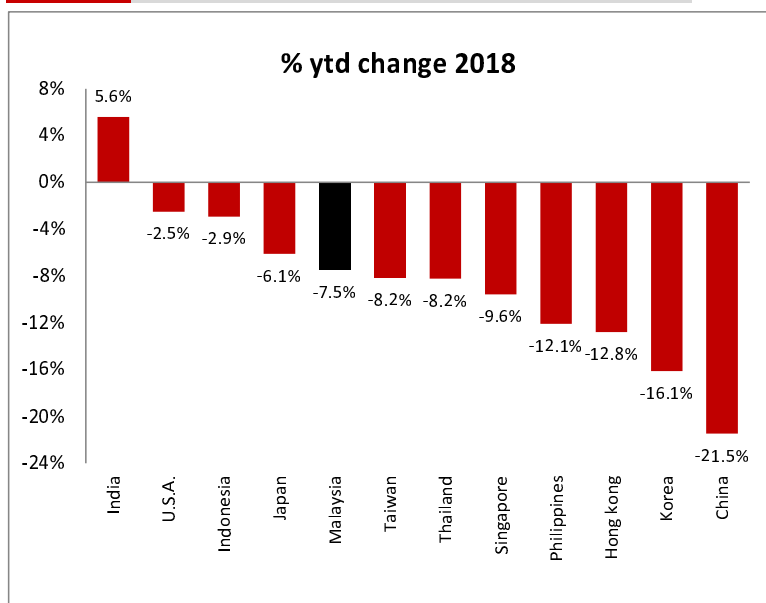
FUND FLOW REPORT

- The FBM KLCI declined 1.1% for the week, settling at 1,662 points, its largest weekly loss in six weeks. The Ringgit's three week gaining streak came to an end after weakening by 0.46% against the greenback for the week to USD/MYR4.1862.

B. TRACKING MONEY FLOW - ASIA¹

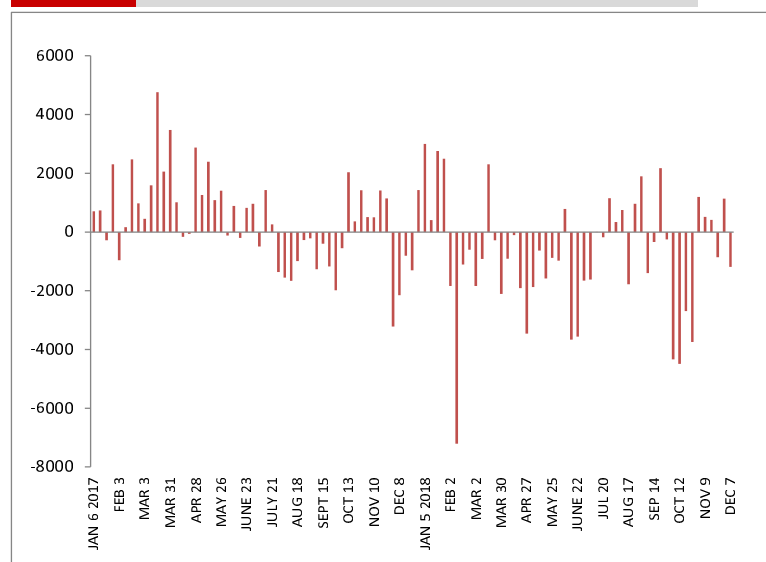
- International funds entered into higher gear of selling last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" offloaded -USD1.35b net last week, more than double of the amount sold in the week before.
- In Korea, international investors ramped up their selling activity, withdrawing -USD90.5m net of equities last week compared to -USD62.4m in the preceding week. Foreign investors were net sellers on three days of the week with Monday recording the highest during the week worth -USD266.6m, coinciding with the KOSPI's 1.1% drop as trade and inflation data released by China signalled further weakening in both domestic and international demand in November. The level of foreign net attrition declined on Tuesday to -USD164.7m net before seeing a net inflow of USD41.1m. Thursday turned out to be even better as foreign investors mopped up USD492.7m net, the largest inflow in a day since 2 November 2018 amidst signs of abating trade strife between Washington and Beijing. The KOSPI followed suit to end 0.62% higher at 2,096 points on the same day. Nonetheless, international funds returned back to selling mode on Friday, disposing off -USD193.3m net of equities with the Korean Won leading a drop in Asian currencies as China's data on industrial production and retail sales missed expectations, denting investor sentiment.
- Taiwan meanwhile experienced a slowdown in foreign net selling to -USD630.0m net but was still the biggest casualty of foreign net outflows amongst the seven Asian markets we track. Similar to Korea, foreign net selling was the highest on Monday to a tune of -USD381.4m net as China protested the arrest of Huawei's CFO who is suspected of trying to evade U.S trade curbs on Iran. A bout of inflows were later seen on Wednesday and Thursday amidst positive trade developments as China proposed a tariff cut on U.S made cars to 15% from 40%.

Chart 1 YTD performance of major markets



Source: Bloomberg

Chart 2 Weekly Net Flow of Foreign Funds into 7 Asian Markets since Jan 2017 (USD'm)

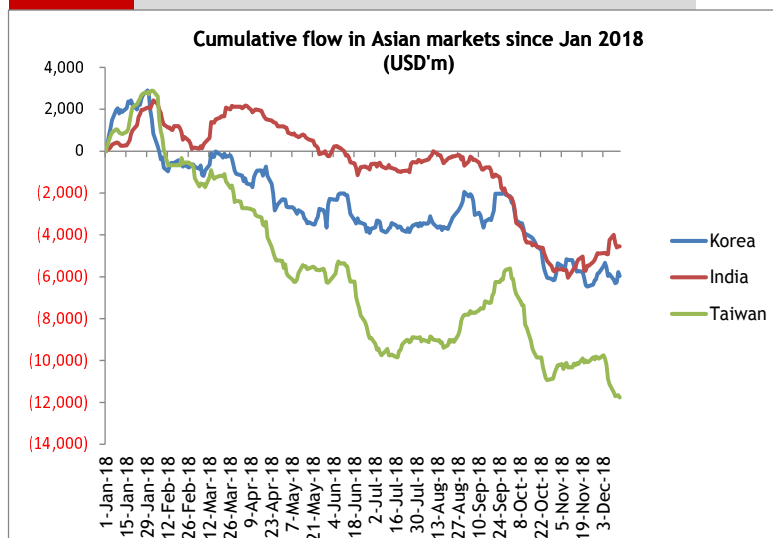


Source: Bloomberg, Bursa Malaysia, MIDFR

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.

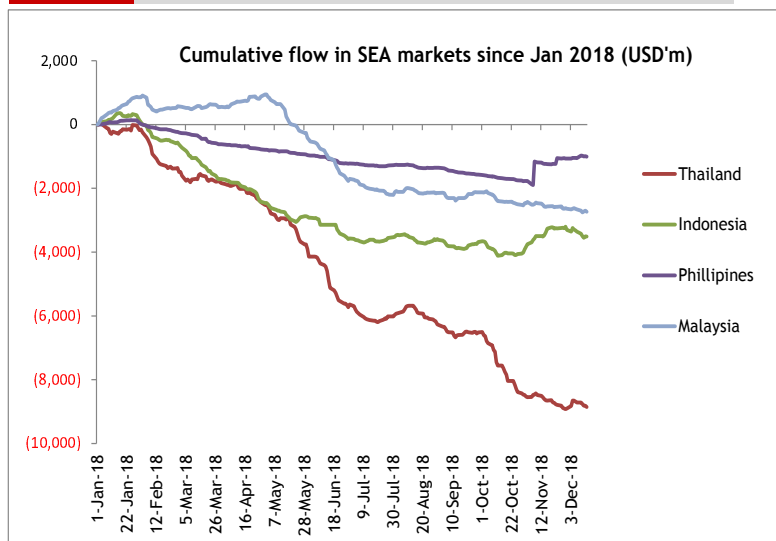
- In emerging South East Asian markets, more than half of them experienced foreign net selling.
- In Bangkok, the foreign net inflow seen in the previous week was short-lived as foreign investors sold off -USD139.2m net last week. Markets in Thailand were closed on Monday in conjunction of the Constitution Day. As markets reopened from the long weekend, international funds dumped -USD43.7m net coinciding with the lifting of the ban on political activity ahead of the general election set to take place on 24 February 2019. Within the next few months, the general election will be a key catalyst for the local bourse as investor sentiment has improved with clarity.
- International funds in Manila bought equities for the second week, amounting to USD43.1m net. Foreign inflow peaked on Monday at USD74.9m net, a level not seen in 10 trading days while the PSEi moved in an opposite direction, declining 1.5% to 7,348 points. The next two days experienced a series of outflows with Wednesday recording the heaviest net outflow in a month worth -USD18.7m despite some positive international trade developments. Investors were back in buying mode on Thursday as Cemex Philippines surged as much as 17% after the company cancelled its plan to layoff workers.
- The pace of foreign net selling in Jakarta rose by almost three times as foreign funds sold off -USD158.0m of local equities, the largest weekly net outflow in nine weeks. Foreign funds were net sellers for the first three days of the week, extending the foreign selling streak to six days. Monday saw the highest foreign net outflow during the week worth -USD71.9m net as ongoing trade tribulations sapped investor optimism. In conformity with other regional Asian markets, investors staged a comeback on Thursday, snapping up USD47.3m net of equities amidst waning global trade tensions.

Chart 3 Net Flow of Foreign Funds into Taiwan, Korea and India since Jan 2018(USD'm)



Source: Bloomberg, MIDFR

Chart 4 Net Flow of Foreign Funds into South East Asia Emerging Markets since Jan 2018 (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
OCT 19	-594.0	-479.2	79.7	-36.4	-193.6	-1,434.9	-31.0	-2,689.5
OCT 26	-1,480.7	-348.3	-21.5	-44.7	-696.9	-1,081.5	-74.4	-3,747.8
NOV 2	693.8	-161.4	304.3	-20.6	-400.0	703.9	77.4	1,197.3
NOV 9	157.9	65.2	256.5	585.7	-397.6	-106.3	-43.6	517.8
NOV 16	-523.6	-173.9	231.7	-54.2	865.5	169.5	-99.5	415.5
NOV 23	-724.9	-132.0	6.4	188.5	-295.2	108.1	-12.5	-861.5
NOV 30	632.8	-116.8	-41.5	-14.0	586.9	148.9	-58.4	1,137.8
DEC 7	-62.4	186.0	-52.8	15.1	640.8	-1,225.6	-19.1	-518.0
DEC 14	-90.5	-139.3	-158.0	43.0	-297.8	-630.0	-75.2	-1,347.6

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

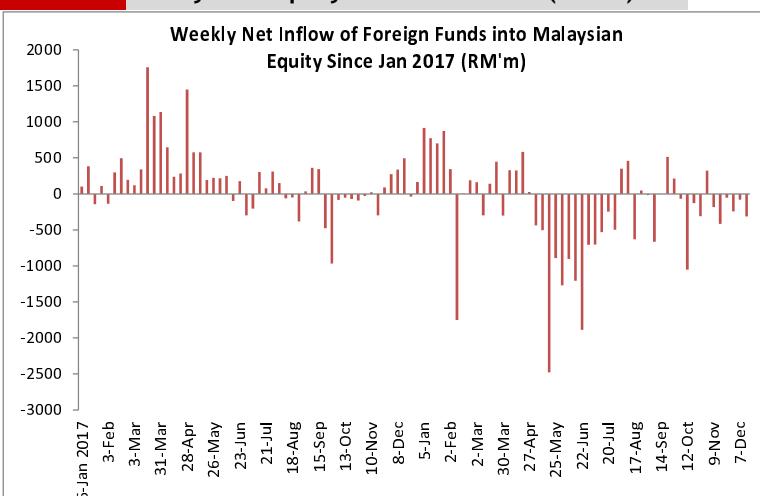
FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

- The pace of foreign investors selling shares on Bursa rose last week and marked the sixth uninterrupted week of foreign net selling.
- Based on data from Bursa, foreign funds sold -RM314.3m net of local equities last week. This was more than three times the amount withdrawn in the preceding week.
- Monday saw foreign funds withdrawing -RM171.8m net on Monday as disappointing China inflation and trade data sapped investor sentiment. Offshore investors continued selling on Tuesday to a tune of -RM219.2m net, the largest in 10 trading days, stretching the daily selling streak on Bursa to four days. The sell-off was mainly triggered by Theresa May's postponement of a parliamentary Brexit vote in addition Japan's GDP contracting the most over 4 years which offset Wall Street's overnight rally.
- Nonetheless, international funds were net buyers on the next two days with Thursday recording the highest foreign net inflow since early November this year worth RM123.3m. Optimism on these ways were sparked by the U.S-China trade war thaw as China planned to cut tariffs on U.S-made to 15% from 40%. The local bourse followed suit to record gains above 0.5% on both days.
- The mood turned sombre on Friday as China's retail sales grew at its slowest pace since 2003 while its industrial output rose the least in three years. As such, foreign funds pulled out -RM133.1m net of equities from Bursa on the same day.
- With two more weeks before 2018 ends, the year-to-date net outflow from Malaysia has reached -RM11.1b or -USD2.73b. Although this amount offsets last year's net inflow, Malaysia is still the nation with the second lowest year-to-date outflow amongst the seven Asian markets we monitor.
- The participation rate amongst the various group of investors saw a decline across the board. The average daily traded value of foreign investors registered the smallest weekly drop of 10.7% after declining below RM1b to RM991m.

Chart 5

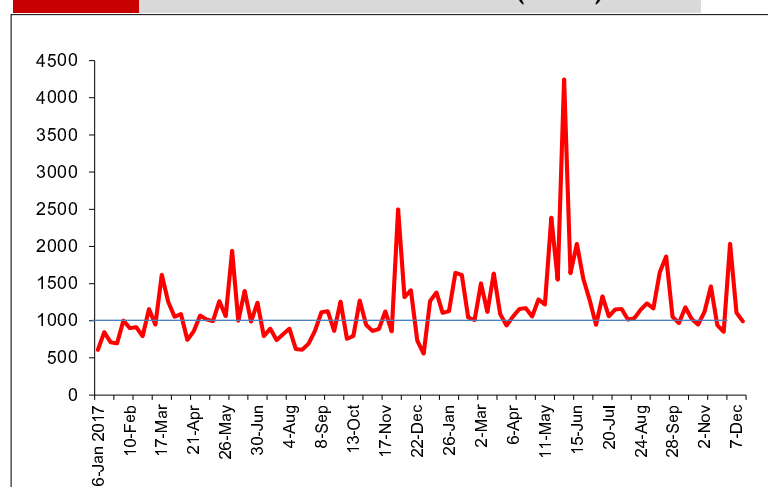
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2017 (RM'm)



Source: Bursa Malaysia preliminary statistics, MIDFR

Chart 6

Foreign Participation on Bursa: Daily Average for the Week since Jan 2017 (RM'm)



Source: Bursa Malaysia preliminary 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)	
NOV 9	2,480.5	2,108.5	372.0	4,560.5	4,749.6	-189.0	2,833.9	3,016.8	-182.9	-43.6
NOV 16	2,153.1	2,093.0	60.1	4,651.2	4,294.0	357.2	2,141.1	2,558.4	-417.3	-99.5
NOV 23	1,544.8	1,522.2	22.6	2,819.3	2,789.6	29.7	1,676.1	1,728.4	-52.3	-12.5
NOV 30	2,826.0	2,249.9	576.1	5,340.3	5,671.6	-331.3	4,969.8	5,214.6	-244.8	-58.4
DEC 7	2,002.0	1,974.4	27.5	4,523.0	4,470.3	52.8	2,733.7	2,813.9	-80.3	-19.2
DEC 14	1,565.4	1,437.5	127.9	3,965.4	3,779.1	186.3	2,320.5	2,634.8	-314.3	-75.2

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 14 DECEMBER
TOP 10 NET MONEY INFLOWS

- CIMB Group Holdings Berhad registered the highest net money inflow of RM5.66m last week. Its share price gained 0.35% for the week, outperforming the local bourse which had a 1.11% weekly loss.
- Sime Darby Berhad recorded the second highest net money inflow of RM3.91m. Its share price ended -0.85% lower for the week, outperforming the benchmark which was 1.11% lower. Nonetheless, it is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.
- Kossan Rubber Industries Berhad saw the third highest net money inflow of RM3.40m. Its share price ended 1.15% higher during the week under review, outperforming the local bourse which was 1.11% lower.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
CIMB GROUP	5.66	0.41	0.35	-
SIME DARBY	3.91	0.93	-0.85	BOW
KOSSAN RUBBER	3.40	1.36	1.15	-
MAHB	2.30	-0.76	0.77	-
KLCCP STAPLED	2.09	0.10	-1.66	BOW
SERBA DINAMIK	1.80	1.99	2.09	-
FGV HOLDINGS	1.52	0.55	-19.62	BOW
RHB BANK	1.14	-1.49	0.56	-
F&N	1.13	-1.02	1.53	-
HAP SENG	0.87	0.49	1.65	-

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 -RM51.1m last week. Its stock price was -0.87% lower but still outperformed the local bourse which declined -1.11% for the week.
- Dialog Group Berhad recorded the second largest net money outflow -RM16.63m during the week under review. Its share price meanwhile slid -1.89% for the week, underperforming the market benchmark which had a -1.11% weekly loss.
- Kuala Lumpur Kepong Berhad registered the third largest net money outflow of -RM15.52m in the review week. Its share price ended -0.58% lower during the week, outperforming the benchmark which had a 1.11% weekly loss.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
PETCEHM	-51.09	-43.77	-0.87	-
DIALOG	-16.63	-1.87	-1.89	-
KL KEPONG	-15.52	-0.11	-0.58	-
MAYBANK	-10.45	-2.16	-0.53	-
AXIATA	-6.36	-1.13	-0.52	-
DUTCH LADY	-6.24	-2.61	0.19	SOS
TOP GLOVE	-5.09	-4.93	-2.37	-
GENTING BHD	-4.74	0.70	-3.04	-
MY EG	-4.24	-3.49	-20.18	-
MISC	-3.48	2.57	0.00	-

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

DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (23878-X). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein

This document may not be reproduced, distributed or published in any form or for any purpose.



MIDF RESEARCH is part of
MIDF Amanah Investment Bank Berhad (23878 - X)
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Business Address:
11 & 12th Floor, Menara MIDF,
82, Jalan Raja Chulan, 50200
Kuala Lumpur.
Tel: 2173 8888
Fax: 2173 8380