

MIDF EQUITY STRATEGY | 10 DECEMBER 2018 WEEK ENDED 7 DECEMBER

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- Brent crude oil price posted its first weekly gain of 5.0% after suffering eight weeks of losses, reaching above USD60pb on Friday. Initially, the OPEC's latest meeting on last Thursday did not result in any production cuts. However, the OPEC and Russia later collectively agreed to slash oil production, removing 1.2m barrels per day from world markets.
- Offshore investors staged a sizeable exit last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" offloaded -USD1.19b net last week, offsetting the foreign net inflow of USD1.14b seen in the preceding week.
- International funds continued to withdraw shares listed on Bursa for the fifth uninterrupted week albeit at a slower pace. Based on data from Bursa, foreign funds sold -RM80.3m net of local equities last week. This was one third of the amount disposed in the preceding week.
- The FBM KLCI recorded a marginal weekly gain of 0.04% last week after ending at 1,681 points on Friday. This was the first gain in five weeks. The Ringgit marked its third week of advance, appreciating by 0.41% against the greenback to reach USD/MYR4.167.

TRADE TRUCE DID LITTLE TO LIFT SENTIMENT

A. MARKET SNAPSHOT

- Equity markets worldwide ended mixed last week as investors digested a slew of events that outweighed the positive outcome of the G-20 meeting in the week before.
- U.S stocks had a strong start to the week with the three key benchmarks advancing by more than 1.0% on Monday as investors cheered the 90-day truce in the trade friction between the U.S and China. However, Monday's rally was cut short as the three major indexes plunged by more than 3.0% on Tuesday as investors started to realise that the trade truce was not a meaningful progress. As such, bond prices soared the same day sending yields of the 10-year Treasury yields to 2.92%.
- Wall Street was closed on Wednesday in conjunction with the National Day of Mourning for the late George H.W. Bush. U.S stocks on Thursday posted marginal losses of less than 1.0% as reports of the Fed moving slower in hiking rates helped offset the early losses triggered by the arrest of a senior Chinese technology executive.
- Overall, the Dow Jones and S&P500 Index were amongst the major decliners for the week, losing more than 4.0% the biggest weekly loss since March this year.
- Despite the uncertainty in global trade, China's trade surplus with the U.S from January to November 2018 stood at USD293.5b, after the trade surplus for November jumped to a record of USD35.6b as exports rose 9.8% while imports narrowed 25%yoy. Meanwhile, China's factory inflation took a breather as the producer price climbed 2.7%yoy in the same month, the slowest increase in more than two years. Weaker factory prices indicate that the demand remains sluggish in spite of the stimulus measures introduced by the Chinese government that include the reduction in personal income taxes and enhanced support in private sector financing.
- In Europe, reports have cited that Theresa May has thoughts of postponing the vote on the Brexit deal to avoid a landslide defeat that will lead to a political crisis on the U.K. Allies of Theresa May urged her to do so amidst predictions that she would lose the vote badly which will likely lead to a 'no-deal Brexit' which could trigger attempts to bring down May's administration and prevent a general election. All this while May has been buying both sides of the political divide the time to calm down which has worked out in the past but now may be difficult as the real Brexit date approaches nearer.
- Brent crude oil price posted its first weekly gain of 5.0% after suffering eight weeks of losses, reaching above USD60pb on Friday. Initially, the OPEC's latest meeting on last Thursday did not result in any production cuts. However, the OPEC and Russia later collectively agreed to slash oil production, removing 1.2m barrels per day from world markets.

Table 1 Weekly performance of major indices

Weekly % change	Week before	Last week
Phil PCOMP	0.38	1.27
Jakarta JCI	0.83	1.16
Thai SET	1.21	0.50
China CSI 300	0.93	0.28
KLCI	-0.94	0.04
FSSTI Index	2.13	-0.21
Korea KOSPI	1.91	-1.01
Taiwan TAIEX	2.28	-1.29
India SENSEX	3.47	-1.44
Hang Seng	2.23	-1.67
FTSE 100	0.39	-2.90
Nikkei	3.25	-3.01
CAC 40	1.15	-3.81
DAX	0.58	-4.17
Dow Jones	5.16	-4.50
S&P 500	4.85	-4.60

Source: Bloomberg

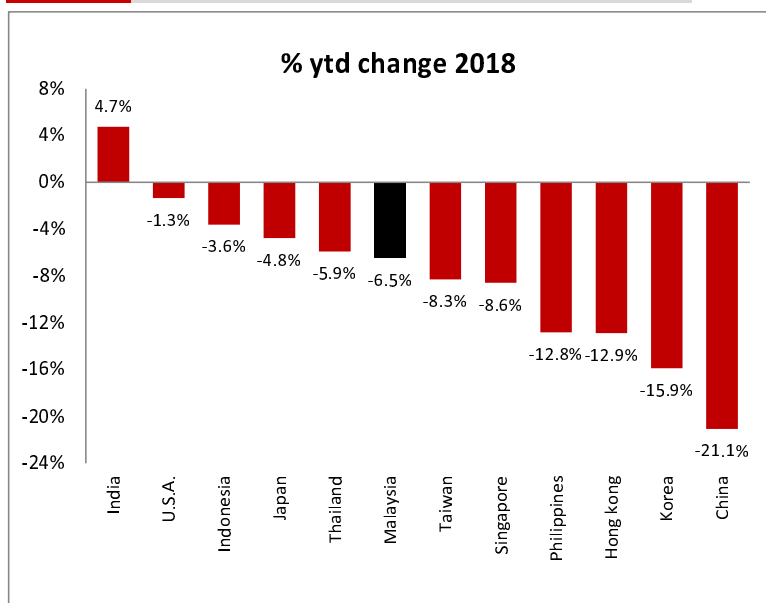
FUND FLOW REPORT

- The FBM KLCI recorded a marginal weekly gain of 0.04% last week after ending at 1,681 points on Friday. This was the first gain in five weeks. The Ringgit marked its third week of advance, appreciating by 0.41% against the greenback to reach USD/MYR4.167.

B. TRACKING MONEY FLOW - ASIA¹

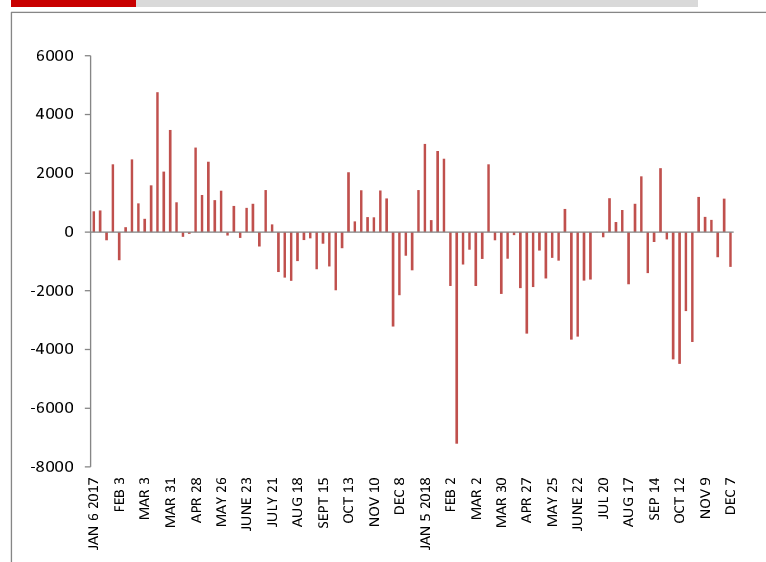
- Offshore investors staged a sizeable exit last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” offloaded -USD1.19b net last week, offsetting the foreign net inflow of USD1.14b seen in the preceding week.
- In Korea, offshore funds were back in selling mode, albeit on a small scale, disposing only -USD62.4m net last week, the third smallest weekly outflow so far in 2018. Foreign investors bought USD316.6m net of local equities on Monday, the highest in 17 trading days, coinciding with KOSPI’s 1.7% advance to close at 2,132 points, a level not seen in six weeks. Much of the risk-on mood was sparked by the agreement between the U.S and China on a truce over their trade dispute, easing jitters over Korea’s prospects that hinge highly on shipments to these nations. In addition, South Korean infrastructure stocks such as LS Corp and Hyundai Engineering also got a boost from a report citing that President Trump expects to hold a second summit with North Korean leader, Kim Jong Un as soon as January 2019. However, Thursday suffered a huge selloff worth -USD417.2m net, the biggest outflow in a day since 23 October 2018 following the arrest a senior official at Chinese telecoms equipment maker Huawei that could derail progress in China-U.S. trade talks.
- Taiwan meanwhile recorded its largest weekly foreign net outflow in seven weeks worth -USD1.23b. The island nation saw a commendable inflow of USD163.4m net but was later followed by foreign net outflows until the week ended. Similar to Korea, foreign net attrition spiked on Thursday at a level of -USD677.6m, the largest since 20 April 2018. The TAIEX took cue of the heavy selling to slide 2.34% to settle at 9,685 points, a nine-day trading low. Besides the arrest of a senior official from a Chinese company, the warnings of a sales decline in December led to Largan biggest fall in a month of more than 5% on Thursday.

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)

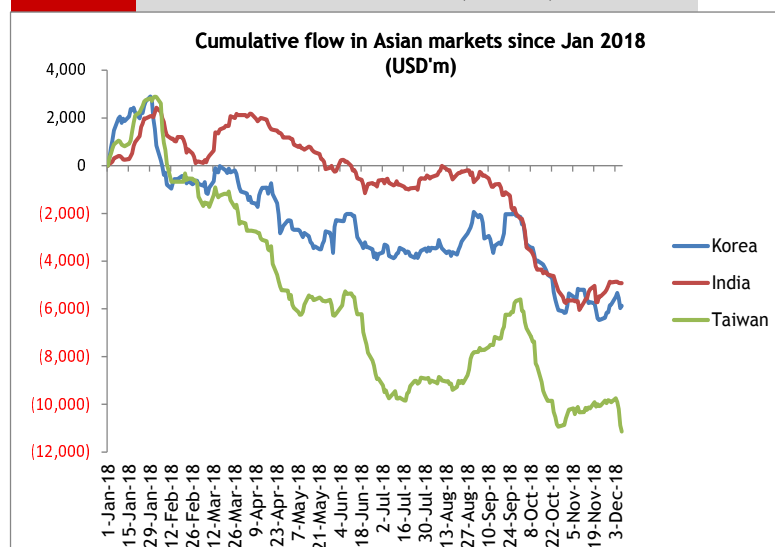


Source: Bloomberg, Bursa Malaysia, MIDFR

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.

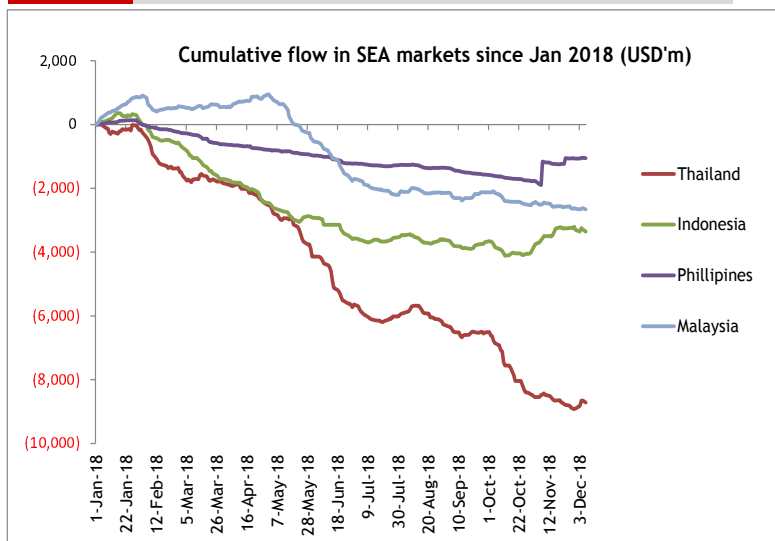
- In emerging South East Asian markets, half of them experienced net buying while the other half saw net selling.
- In Bangkok, foreign investors became net buyers for the first time in three weeks as they accumulated USD186.0m net of local equities last week. International investors bought the most on Tuesday to a tune of USD164.4m net, the largest daily inflow since 26 January 2018. This was more than enough to offset the foreign net outflows seen on Thursday and Friday worth -USD24.8m and -USD35.3m after markets reopened from the Constitution Day holiday on Wednesday. On the economic front, Thailand's headline inflation which fell to 0.9%yoy in November is now below the Bank of Thailand's 1-4% target range, casting doubts whether a rate hike will take place during the policy meeting in 19 December 2018.
- International funds in Manila returned to buying mode, acquiring USD15.1m net of equities last week despite experiencing three days of attrition. Foreign net buying peaked on Tuesday at USD20.5m together with the PSEi's jump to a two-month high of 7,704 points fuelled by optimism of lower inflation expectations. Actual data had indeed showed signs of easing in November, cooling down for the first time in 2018 to 6.0%.
- Foreign funds in Jakarta continued to sell for the second week at a higher pace of -USD52.8m, the largest in eight weeks. Foreign net selling occurred on four days of the week with Monday recording the largest at -USD54.3m net. Nonetheless, Tuesday saw foreign investors mopping up USD114.9m net of local equities, a level not seen since January 2018 which lifted the JCI to the highest closing level since April 24 of 6,152 points. International funds were then back to net sellers until the week ended amidst the arrest of a top Chinese executive in Vancouver, Canada.

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)

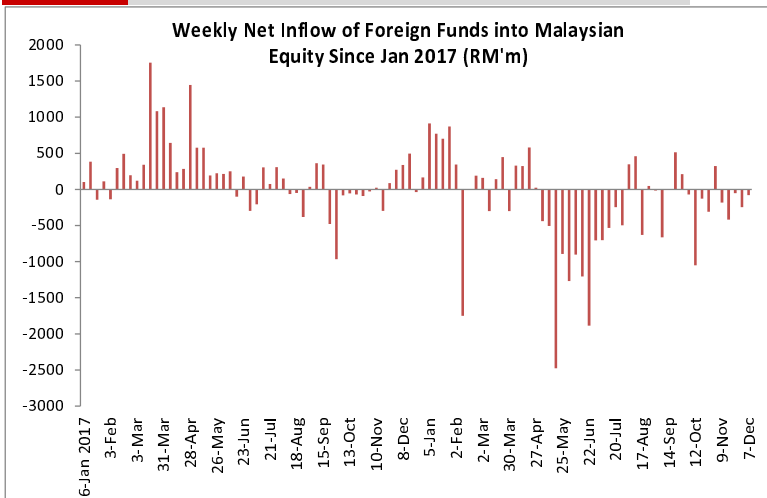
WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
OCT 12	-673.5	-701.7	-273.5	-51.3	-935.9	-1,601.6	-253.0	-4,490.5
OCT 19	-594.0	-479.2	79.7	-36.4	-193.6	-1,434.9	-31.0	-2,689.5
OCT 26	-1,480.7	-348.3	-21.5	-44.7	-696.9	-1,081.5	-74.4	-3,747.8
NOV 2	693.8	-161.4	304.3	-20.6	-400.0	703.9	77.4	1,197.3
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	-31.7	-1,225.6	-19.1	-1,190.5

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

C. TRACKING MONEY FLOW - MALAYSIA

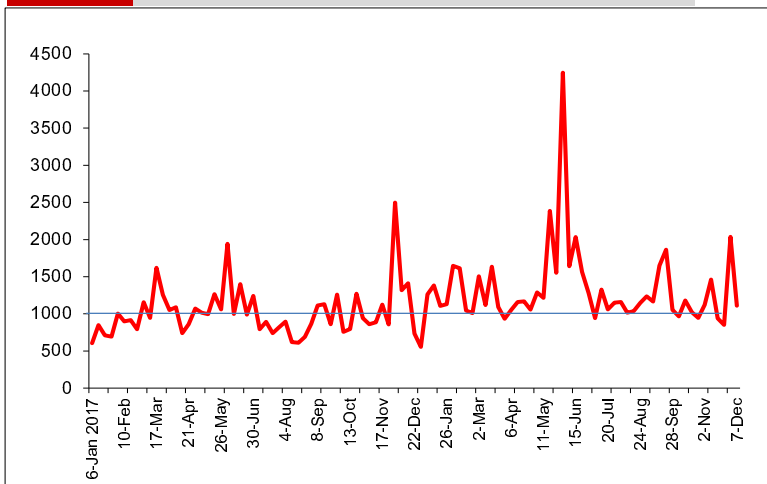
- International funds continued to withdraw shares listed on Bursa for the fifth uninterrupted week albeit at a slower pace.
- Based on data from Bursa, foreign funds sold -RM80.3m net of local equities last week. This was one third of the amount disposed in the preceding week.
- Foreign funds started the week by selling off -RM83.1m net on Monday despite the 90-day ceasefire over the trade war between Beijing and Washington. This bucked the trend of other regional markets such as South Korea and Taiwan which experienced massive inflows following the latest international trade development.
- However, offshore investors turned net buyers as they bought RM76.1m and RM69.9m on Tuesday and Wednesday respectively amidst the advance in Brent crude oil price to USD62pb ahead of the OPEC meeting on Thursday. This coincided with the Ringgit's 0.45% appreciation to its highest level in more than a month of USD/MYR4.1465.
- Following the arrest of Huawei's Chief Financial Officer, Asian markets including Malaysia skidded and prompted investors to retreat to the sidelines. As such, Malaysia saw a foreign net outflow of -RM59.9m on Thursday. Sentiment on Friday remained sour with foreign investors selling -RM83.1m net on Bursa as the OPEC meeting did not result in any production cuts. Nonetheless, OPEC and Russia later agreed to reduce oil production by removing 1.2m barrels per day.
- Last week's foreign net outflow brings the year-to-date outflow from Malaysia to -RM10.74b or -USD2.66b. Although this amount offsets last year's net inflow, it is not as high compared to the other two ASEAN peers we track namely, Thailand and Indonesia which have seen year-to-date outflows larger than USD3b.
- 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 largest weekly drop of 45.5% after declining to RM1.11b but is still deemed healthy.

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 2	2,344.2	2,412.0	-67.8	4,274.8	4,529.7	-254.9	2,963.4	2,640.7	322.7	77.4
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

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 DECEMBER
TOP 10 NET MONEY INFLOWS

- Genting Malaysia Berhad registered the highest net money inflow of RM19.71m last week. Its share price gained 0.35% for the week, outperforming the local bourse which had a 0.04% weekly gain.
- Tenaga Nasional Berhad recorded the second highest net money inflow of RM9.74m. Its share price ended -3.79% lower for the week, underperforming the benchmark which was only 0.04% higher. Nonetheless, it is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.
- Hong Leong Financial Group Berhad saw the third highest net money inflow of RM9.66m. Its share price ended 0.41% higher during the week under review, outperforming the local bourse which was 0.04% higher.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
GENT MSIA	19.71	-17.25	0.35	-
TNB	9.74	4.26	-3.79	BOW
HLFG	9.66	-0.46	0.41	-
AIRASIA GROUP	4.36	-4.45	1.30	-
PETDAG	3.33	-0.04	-1.94	BOW
PADINI	2.61	4.40	-20.83	BOW
MISC	2.57	1.27	-0.81	BOW
QL RESOURCES	2.36	3.44	-4.53	BOW
PETGAS	2.33	-0.43	0.84	-
SERBA DINAMIK	1.99	2.48	2.78	-

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 -RM43.77m last week. Its stock price remained unchanged during the week.
- Public Bank Berhad recorded the second largest net money outflow -RM6.38m during the week under review. Its share price meanwhile slid -0.48% for the week, underperforming the market benchmark which had a 0.04% weekly gain.
- Top Glove Corporation Berhad registered the third largest net money outflow of -RM4.93m in the review week. Its share price ended 1.17% lower during the week, underperforming the benchmark which had a 0.04% weekly gain.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
PETCHEM	-43.77	-0.26	0.00	-
PUBLIC BANK	-6.38	-0.69	-0.48	-
TOP GLOVE	-4.93	-10.58	-1.17	-
SCIENEX	-3.65	1.10	3.17	SOS
MY EG	-3.49	-6.16	2.70	SOS
HARTALEGA	-2.98	-1.29	-2.01	-
BUMI ARMADA	-2.63	-0.86	3.13	SOS
UMW	-2.63	2.03	10.69	SOS
DUTCH LADY	-2.61	-0.10	-0.25	-
MAYBANK	-2.16	5.35	0.32	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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