

## MIDF EQUITY STRATEGY | 19 NOVEMBER 2018 WEEK ENDED 16 NOVEMBER

- Equity markets worldwide ended mixed last week as Investors remained cautious due to global risk events including the Brexit-led political turmoil in the U.K., continued declined in oil prices and a planned meeting between U.S. President Donald Trump and China's Xi Jinping later this month.
- Brent crude oil price marked its sixth week of losses after ending -4.9% lower at USD66.76pb. During the week, it was notable that Brent crude oil price plunged by -6.6% on Tuesday to settle at USD65.47pb, the biggest drop in a day since 11th July 2018. Nevertheless, oil price recovered thereafter until the week ended following reports that Saudi Arabia plans to reduce global supplies by as much as 1.4m barrels per day.
- While international investors continued to acquire equities in Asian markets for the third week, the amount has been gradually tapering for the past three weeks. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" bought USD30.6m net last week, substantially lower than the amount accumulated in the week before.
- Offshore funds went into a higher gear of selling on Bursa last week. Based on preliminary data from Bursa which excluded off market deals, foreign funds sold -RM417.3m net of local equities last week which is more than twice the amount withdrawn in the preceding week.
- The FBM KLCI pared its weekly losses to -0.1% from -0.3% in the preceding week, settling at 1,706 points on Friday. The Ringgit continued to inch lower, depreciating by 0.29% against the greenback to reach USD/MYR4.1910.

## GEOPOLITICAL CONCERNS TAKE CENTRE STAGE

### A. MARKET SNAPSHOT

- Equity markets worldwide ended mixed last week as Investors remained cautious due to global risk events including the Brexit-led political turmoil in the U.K., continued decline in oil prices and a planned meeting between U.S. President Donald Trump and China's Xi Jinping later this month.
- Wall Street suffered a sharp drop on Monday with the three key benchmark indexes losing at least 2.0%, dragged by technology stocks amidst Apple's plan to significantly cut back orders from a parts supplier. U.S stocks resumed their downward trend until Wednesday before rebounding on Thursday as China delivered a response to the US regarding trade reform while the technology sector led overall gains.
- The Dow Jones index saw marginal gains on Friday as it retreated from its session high after White House officials cited that a trade deal will not be coming too soon.
- In Asia, China's industrial production expanded by 5.9%yoy in October 2018 following a 5.8%yoy gain in September, beating market expectations of 5.7%yoy despite seeing through the Golden Week holiday. The strong industrial production data was in line with the exports performance during the month. Outbound shipments from China surged 15.6%yoy to USD 217.3b in Oct-18, following a 14.5%yoy gain in the previous month and exceeded market estimates of 11%yoy rise. Firms rushed shipments in a fear of a stiffer US tariffs anticipated hitting China in Jan-19. Looking ahead, we expect industrial production and exports of China to remain solid in upcoming months as global demand for the country's goods remain strong partly attributable to a lower yuan besides tax rebates given starting November 2018.
- EU's largest economy, Germany experienced its first contraction by -0.2%qoq since 2015. On a yearly basis, the economy expanded by 2%yoy during the quarter, slowest in six quarters. The slowdown is widely predicted amid escalating trade war, political instability in the region and rising inflationary pressure. Furthermore, the ZEW economic sentiment for Germany has been in negative territory for 8-consecutive months since April 2018. Meanwhile, the economic sentiment for Germany registered at -24.1 points while for Eurozone; the economic sentiment recorded at six-year low of -22 points in November 2018.
- Brent crude oil price marked its sixth week of losses after ending -4.9% lower at USD66.76pb. During the week, it was notable that Brent crude oil price plunged by -6.6% on Tuesday to settle at USD65.47pb, the biggest drop in a day since 11th July 2018. Nevertheless, oil price recovered thereafter until the week ended following reports that Saudi Arabia plans to reduce global supplies by as much as 1.4m barrels per day (initially at 1m barrels per day).

Table 1 Weekly performance of major indices		
Weekly % change	Week before	Last week
China CSI 300	-3.73	2.85
Jakarta JCI	-0.54	2.35
Hang Seng	-3.34	2.27
Phil PCOMP	-2.40	1.64
India SENSEX	0.42	0.85
Korea KOSPI	-0.47	0.30
FSSTI Index	-1.23	0.18
KLCI	-0.34	-0.10
Taiwan TAIEX	-0.77	-0.33
FTSE 100	0.16	-1.29
CAC 40	0.09	-1.60
S&P 500	2.13	-1.61
DAX	0.09	-1.63
Thai SET	-0.79	-2.01
Dow Jones	2.84	-2.22
Nikkei	0.03	-2.56

Source: Bloomberg

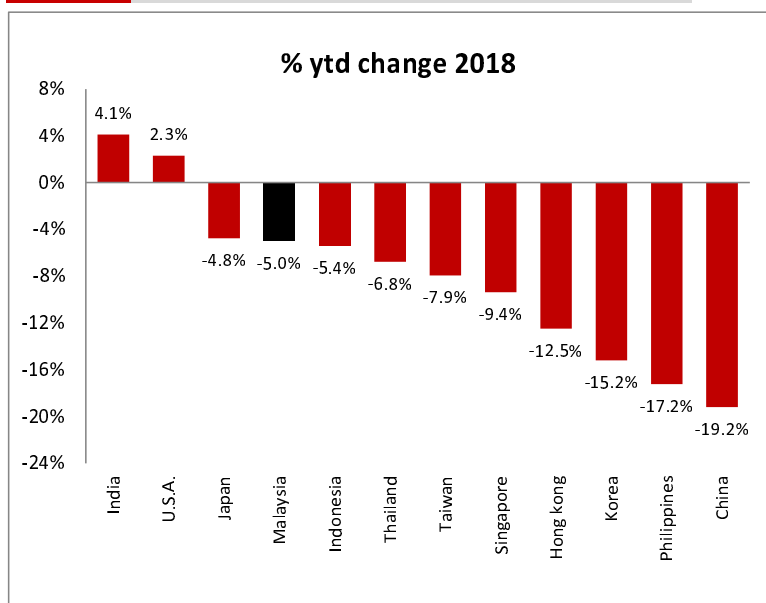
## FUND FLOW REPORT

- The FBM KLCI pared its weekly losses to -0.1% from -0.3% in the preceding week, settling at 1,706 points on Friday. The Ringgit continued to inch lower, depreciating by 0.29% against the greenback to reach USD/MYR4.1910.

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

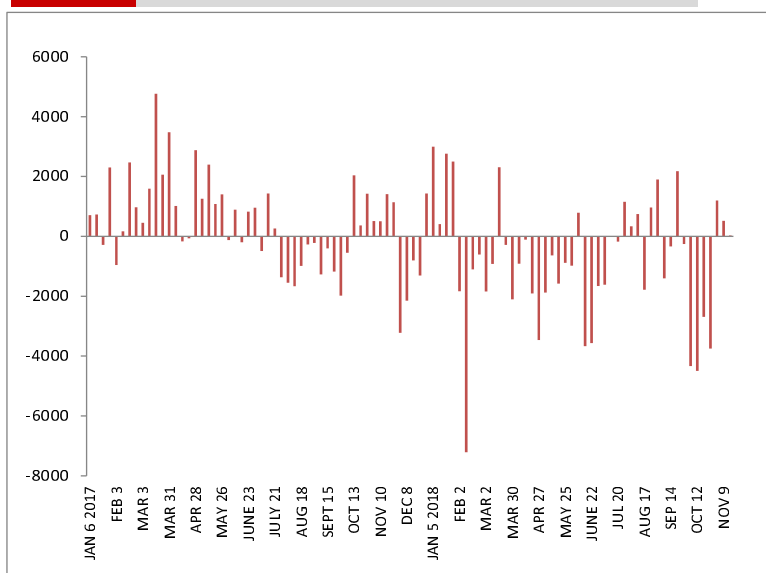
- While international investors continued to acquire equities in Asian markets for the third week, the amount has been gradually tapering for the past three weeks. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” bought USD30.6m net last week, substantially lower than the amount accumulated in the week before.
- The two weeks of foreign inflows into Korea was short-lived as foreign funds dumped -USD523.9m net. Foreign net selling occurred from Monday to Thursday with Tuesday recording the highest during the week at -USD279.4m net, coinciding with the KOSPI’s 0.56% fall to a close of 9,775 points, a level not seen in 10 trading days. Tuesday’s weakness stemmed from the data released on Tuesday which indicated a +10.7%yoy jump in import price for October 2018 while export prices grew only +1.3%yoy, leaving the gap at the widest level since 2010-2011. Nevertheless, foreign investors slowly entered Korean market on Friday to a tune of USD36.7m net in spite of Kim Jong-Un on ordering the test of newly developed advanced tactical weapon. Earlier during the week, 13 undeclared North Korean missile operating bases were identified, undermining claims of Trump administration that its outreach to Pyongyang is making progress in getting the regime to give up its nuclear weapons program.
- In contrast, international funds in Taiwan mopped up USD169.7m net last week, wiping off the -USD106.3m outflow in the week before. Foreign investors were net buyers for three days, peaking on Tuesday at USD167.3m despite earnings of Hon Hai missing expectations, joining the string of Apple suppliers that will face a weak prospect as iPhone sales volume plateau alongside a lethargic smartphone market. In addition, Apple has decided to stop disclosing its unit sales for its main gadgets including iPhone, fueling more concerns for component makers that depend on sales volume. Despite the inflow, the Taiwan dollar depreciated 0.39% for the week to USD/TWD30.887.

**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)

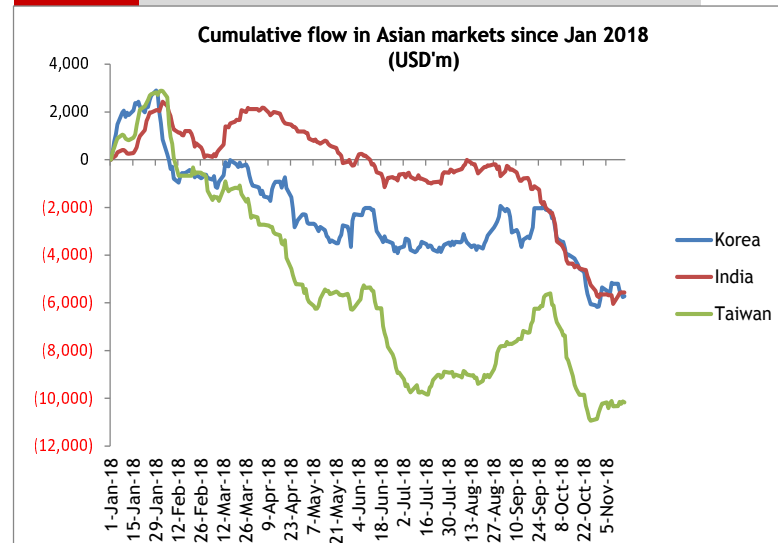


Source: Bloomberg, Bursa Malaysia, MIDFR

<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.

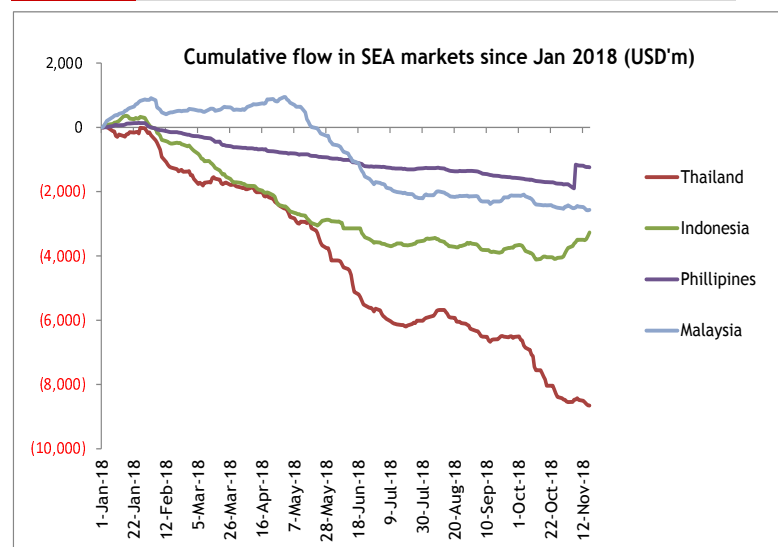
- In emerging South East Asian markets, more than half of them experienced foreign net buying.
- In Bangkok, overseas investors sold -USD173.9m net last week with foreign net selling occurring on every single day of the week. Wednesday recorded the highest foreign net outflow during the week at -USD53.2m, coinciding with the nation's central bank keeping its benchmark rate unchanged at a record low. Meanwhile, the policy meeting hinted that a rate hike is coming soon as three out of seven committee members voted for an increase in the rate to 1.75%. Looking ahead, Thailand's 2019 election would enable some foreign funds to return to the nation. So far, USD8.66b of local equities have been sold this year, which is set to hit an annual record.
- Manila's massive foreign net inflow seen last week was short-lived as international investors withdrew -USD54.2m net. Foreign funds were selling local equities on all five days, extending the selling streak to seven days since 8th November 2018. International investors sold the most on Tuesday to a tune of -USD23.8m. Meanwhile, foreign net attrition shrank to just -USD0.4m on Thursday as the central bank of Philippines delivered its fifth rate hike to handle inflation, raising the reverse repurchase rate by 25bps to 4.75%, the highest since 2009.
- Foreign funds continued to buy equities for the third week running in Jakarta but at a slightly slower pace of USD231.0m net. Foreign investors were net sellers on a minimal level on the first two days of the week, selling less than -USD12m on both days. International funds then began to gradually accumulate local equities; from just USD36.0m net on Wednesday right up to USD113.0m net on Friday. There were two main catalysts which attracted foreigners to Jakarta: (i) unexpected rate hike by Indonesia's central bank bringing the total rate hikes to six in 2018 and; (ii) the widening of tax holiday coverage.

**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
SEP 21	1,328.0	89.4	68.5	-31.5	-325.2	922.7	124.5	2,176.6
SEP 28	-57.3	-4.9	108.1	-33.1	-896.0	578.8	51.3	-253.0
OCT 5	-1,211.9	-338.8	-156.6	-49.2	-1,417.3	-1,145.1	-16.6	-4,335.4
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	-523.9	-173.9	231.0	-54.2	481.4	169.7	-99.5	30.6

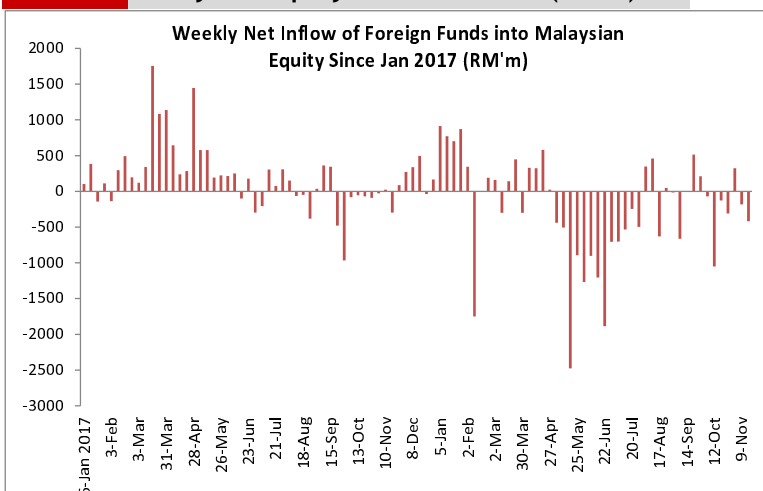
Source: Respective exchange statistics reported on Bloomberg, Bursa Malaysia. These figures are subject to revisions.

## FUND FLOW REPORT

### C. TRACKING MONEY FLOW - MALAYSIA

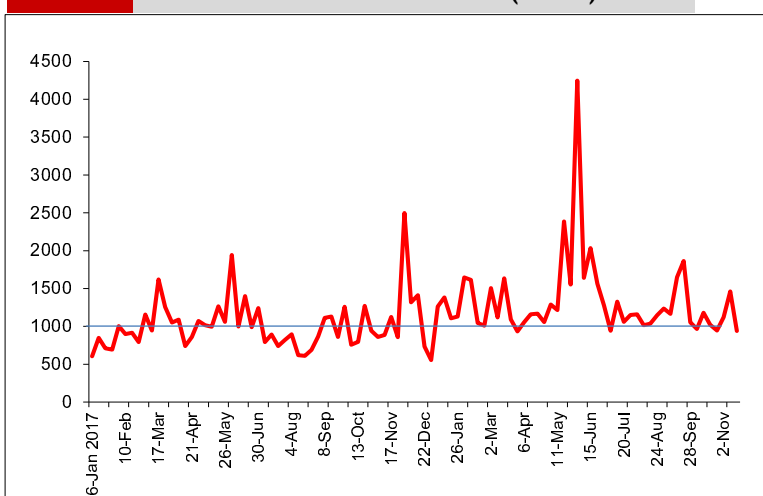
- Offshore funds went into a higher gear of selling on Bursa last week.
- Based on preliminary data from Bursa which excluded off market deals, foreign funds sold -RM417.3m net of local equities last week which is more than twice the amount withdrawn in the preceding week.
- The first three days of the week saw a gradual increase in the amount withdrawn by international funds. The amount sold on Monday was -RM49.5m net which is deemed to be moderate. However, the level of foreign net selling swelled to -RM177.8m net on Tuesday, dragging the FBM KLCI to its lowest close in nine trading days at 1,687.57 points. Investor sentiment that day was hampered by the weakness of Brent crude oil price that marked its losing streak of six days coupled with Monday's slump in technology stocks on Wall Street as one of Apple's supplier, Lumentum Holdings Inc. issued a profit warning which triggered a 5% drop for Apple's share price.
- Wednesday registered a foreign net selling of -RM200.4m, coinciding with the Ringgit's 0.1% drop to USD/MYR4.1958, a level not seen in a year. Meanwhile, the local bourse rebounded 0.1% to close at 1,688.41 points on the same day. Wednesday's heavy selldown was in conformity with regional peers namely, Taiwan and Thailand.
- Foreign net attrition shrank to just -RM30.3m net on Thursday as fears of the trade friction waned after China sent a response to the U.S.'s demand regarding trade reform. Bursa's five-day foreign net selling streak was then snapped on Friday as foreign investors bought RM40.6m net of local equities as optimism on the trade developments outweighed news of the resignation of Brexit Secretary, Dominic Raab.
- November has so far seen a foreign net outflow of -RM421.8m. While foreign investors have sold -RM10.37b of local equities on a year-to-date basis, Malaysia still has the second lowest foreign net outflow amongst the 4 ASEAN markets we monitor.

**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)	
OCT 12	3,325.2	2,876.9	448.3	6,749.8	6,146.7	603.1	2,428.7	3,480.1	-1,051.4	-253.0
OCT 19	2,252.8	2,244.0	8.8	5,312.6	5,192.7	119.9	2,490.7	2,619.4	-128.7	-31.0
OCT 26	2,491.1	2,246.5	244.6	4,926.2	4,860.7	65.5	2,211.6	2,521.7	-310.1	-74.4
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

Source: Bursa's preliminary 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 16 NOVEMBER**
**TOP 10 NET MONEY INFLOWS**

- Malaysia Airports Holdings Berhad registered the highest net money inflow of RM6.09m last week. Its share price gained 1.62% for the week, outperforming the local bourse which had a -0.10% weekly loss.
- Genting Berhad recorded the second highest net money inflow of RM4.48m. Its share price ended 3.10% higher for the week, outperforming the benchmark which was only -0.10% lower.
- MISC Berhad saw the third highest net money inflow of RM3.53m. Its share price ended 2.17% higher during the week under review, substantially outperforming the local bourse which was -0.10% lower.

**Table 4** Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
MAHB	6.09	6.24	1.62	-
GENTING BHD	4.48	-7.54	3.10	-
MISC BHD	3.53	-2.28	2.17	-
BURSA	1.68	3.53	-1.89	BOW
ASTRO	1.63	2.32	-2.40	BOW
QL RESOURCES	1.31	-4.14	-0.27	BOW
PETCHEM	1.29	-25.86	-1.98	BOW
KPJ HEALTHCARE	0.69	1.88	0.00	-
IGB REIT	0.66	-0.97	3.01	-
DIGI.COM	0.61	-0.70	-2.92	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 -RM20.45m last week. Its stock price lost -0.67%, underperforming vis-à-vis the FBM KLCI which declined -0.10% during the review week
- Dialog Group Berhad recorded the second largest net money outflow -RM10.37m during the week under review. Its share price meanwhile slightly dropped -1.50% for the week, underperforming the market benchmark which had a -0.10% weekly loss.
- Hartalega Holdings Berhad registered the third largest net money outflow of -RM9.16m in the review week. Its share price meanwhile remained unchanged 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	-20.45	1.69	-0.67	-
DIALOG	-10.37	-14.14	-1.50	-
HARTALEGA	-9.16	-6.18	0.00	-
MY EG	-8.57	-0.97	-10.32	-
PUBLIC BANK	-8.45	5.05	-0.32	-
KL KEPONG	-6.69	0.21	-0.08	-
AMMB	-5.67	-2.59	0.74	SOS
GENT PLANT	-5.64	-4.88	0.41	SOS
SRB DINAMIK	-5.11	-0.66	0.78	SOS
SAPURA	-4.21	-1.64	-4.00	-

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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