

MIDF EQUITY STRATEGY | 5 NOVEMBER 2018 WEEK ENDED 2 NOVEMBER

- Equity markets worldwide were on a roll last week as they marched back into the black.
- Although Wall Street had a sluggish start to the week, the Dow Jones index and S&P 500 index logged weekly gains above 2% following solid earnings reports from several big companies and hopes of a trade deal to be reached at the G20 summit.
- Brent crude oil price marked suffered its biggest loss in 38 weeks of 6.2% after ending the week at USD72.83pb. Waivers were approved for eight countries which included Japan, India and South Korea to continue importing Iranian Oil once the sanctions against Iran starts.
- After five weeks of foreign net outflows, international investors made a comeback to Asian markets. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” accumulated USD1.22b net last week.
- International funds staged a solid comeback to Bursa as they turned net buyers after four straight weeks of selling. Based on preliminary data from Bursa which excluded off market deals, foreign funds accumulated RM322.7m net of local equities last week.
- The FBM KLCI closed 1.8% higher for the week at 1,714 points on Friday, its biggest advance in 15 weeks. Meanwhile, the Ringgit marked its first gain in six weeks, appreciating by 0.4% to USD/MYR4.1587.

5 November 2018 | Strategy - Weekly Fund Flow

Adam M Rahim

A GOOD START FOR NOVEMBER AFTER A SPOOKY OCTOBER

A. MARKET SNAPSHOT

- Equity markets worldwide were on a roll last week as they marched back into the black.
- Wall Street had a sluggish start to the week as U.S stocks ended sharply lower on Monday as investors were concerned on reports that President Trump is planning to announce by early December, tariffs on all remaining Chinese imports if talks between Washington and Beijing fail to ease the trade spat.
- Both the Dow Jones index and S&P 500 index rebounded the next day and continued their ascent until Thursday following solid earnings reports from several big companies. The 2 benchmark indexes took a dip on Friday but still booked in a weekly gain of more than 2%.
- China industrial profits rose 4.1%yoy to CNY 545.5b in September 2018, declining from a downwardly revised 5.1%yoy in the previous month. The profit growth slowed for the fifth month as sales of raw materials and manufactured goods further receded. The slowdown was in tandem with China's industrial output performance in Sep-18 which saw the output growth fell below 6% for the first time in 27 months. For the first nine months, profits earned by China's industrial companies increased 14.7%yoy to CNY 4.9 trillion. Profits of state-owned industrial enterprises surged 23.3%yoy and those of the private sector increased 9.3%yoy. Among the 41 industries surveyed, 34 including companies producing steel, building materials, oil and petrochemicals recorded an annual profit. In contrast, industries such as automotive manufacturing recorded a decline.
- Meanwhile, the Eurozone economy expanded by 0.2%qoq, weakest in four years. On a yearly basis, the economic growth is 1.7%yoy, slowest in 2 years. The slowdown is widely expected as most of economic sentiments indicate moderating and decelerating signals. We foresee continuous moderation in the final quarter of 2018 given that economic sentiment and business climate index recorded at 109.8 and 1.01 respectively, lowest since May-17. In addition, consumer confidence remains in negative territory for 5-consecutive months since June 2018 are among downside pressures on the economic growth.
- Brent crude oil price marked suffered its biggest loss in 38 weeks of 6.2% after ending the week at USD72.83pb. Waivers were approved for eight countries which included Japan, India and South Korea to continue importing Iranian Oil once the sanctions against Iran starts. Such news outweighed the first weekly drop in four weeks in U.S oil rigs which saw a drop of only one rig. Since the cancellation of the deal in 2015 allowing Iran to continue exporting to the world in exchange for curbs on its nuclear program, President Trump is determined to bring Iran's crude exports to zero.

Table 1 Weekly performance of major indices

Weekly % change	Week before	Last week
Hang Seng	-3.30	7.16
Nikkei	-5.98	5.00
India SENSEX	-2.82	4.98
FSSTI Index	-2.95	4.86
Taiwan TAIEX	-4.34	4.40
China CSI 300	1.23	3.67
Korea KOSPI	-5.99	3.40
Thai SET	-2.34	3.25
DAX	-3.06	2.84
CAC 40	-2.31	2.71
S&P 500	-3.94	2.42
Dow Jones	-2.97	2.36
FTSE 100	-1.56	2.23
Jakarta JCI	-0.90	2.10
KLCI	-2.83	1.83
Phil PCOMP	-1.22	1.08

Source: Bloomberg

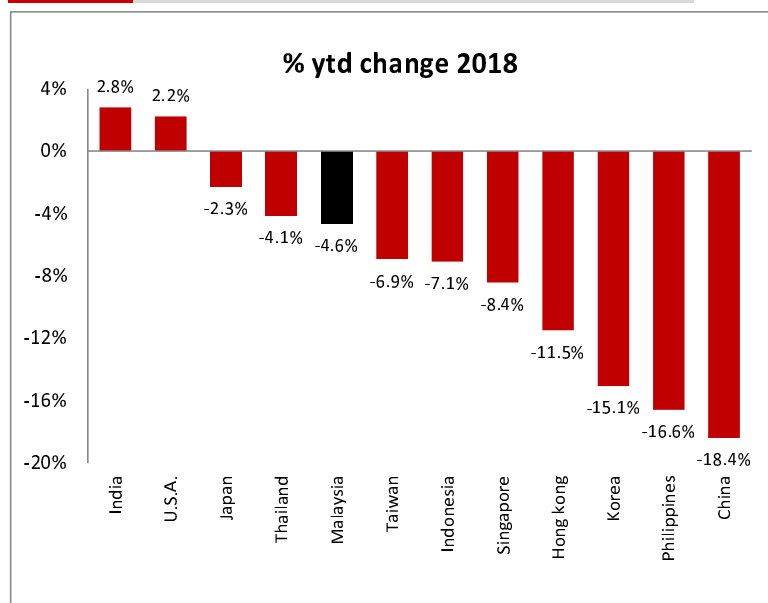
FUND FLOW REPORT

- The FBM KLCI closed 1.8% higher for the week at 1,714 points on Friday, its biggest advance in 15 weeks. Meanwhile, the Ringgit marked its first gain in six weeks, appreciating by 0.4% to USD/MYR4.1587.

B. TRACKING MONEY FLOW - ASIA¹

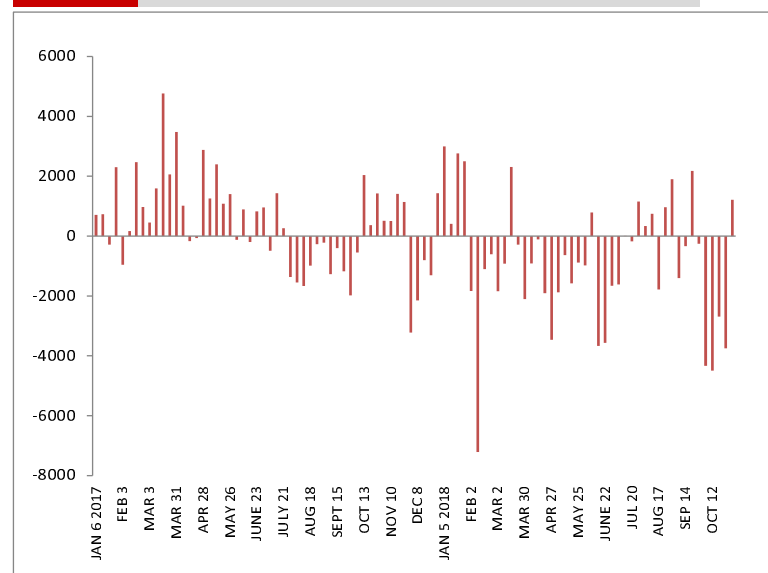
- After five weeks of foreign net outflows, international investors made a comeback to Asian markets. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” accumulated USD1.22b net last week, offsetting approximately 32% of the net outflow seen in the preceding week.
- Bulk of the net inflow came from North Asia. In Korea, foreign net buying totalled to USD693.8m, the first inflow in six weeks. Foreign net selling was seen on the first two days of the week which added up to -USD117.8m. The risk-off mode on these two days was mainly spurred by fresh trade angst caused by President Trump to impose more tariffs on China if both parties do not reach a deal in the next trade talks. The 12-day foreign net selling spree was then broken on Wednesday as international investors bought USD18.8m net. The level of foreign net inflow swelled thereafter to a tune of USD282.2m on Thursday and rose further to reach USD511.5m on Friday, the highest in a day since 21 September 2018. On the political front, North Korean leader, Kim Jong Un is preparing to meet several world leaders in the attempt to ease sanctions which could spur much more growth in the Korean Peninsula moving forward. Meanwhile, Korea’s industrial output tumbled 8.4%yoy in September 2018 mainly due to fewer working days in conjunction with Chuseok holidays.
- Taiwan was equally attractive as Korea as international investors mopped up USD703.9m of local equities. Foreign funds were net buyers on every single day of the week with Wednesday or the last day of October recording the highest inflow in a day since 27 September 2018 of USD275.2m. Wednesday’s heavy buying coincided with the Taiex’s 2.9% jump to close at 9,802 points. The level of foreign inflows on the next two remaining days of the week stood above USD150.0m net and pushed the Taiex higher to reach 9,906 points on Friday, the highest close in nine trading days. The Taiwan Dollar strengthened BY 1.1% to USD/TWD30.66.

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)

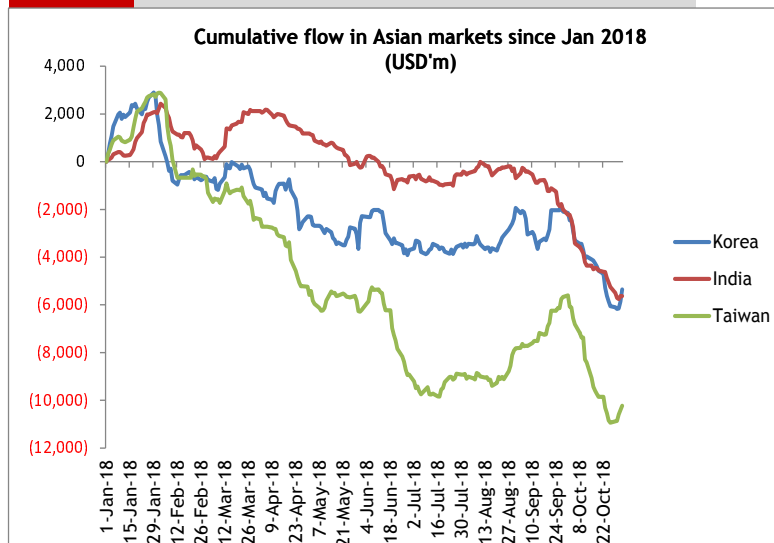


Source: Bloomberg, Bursa Malaysia, MIDFR

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.

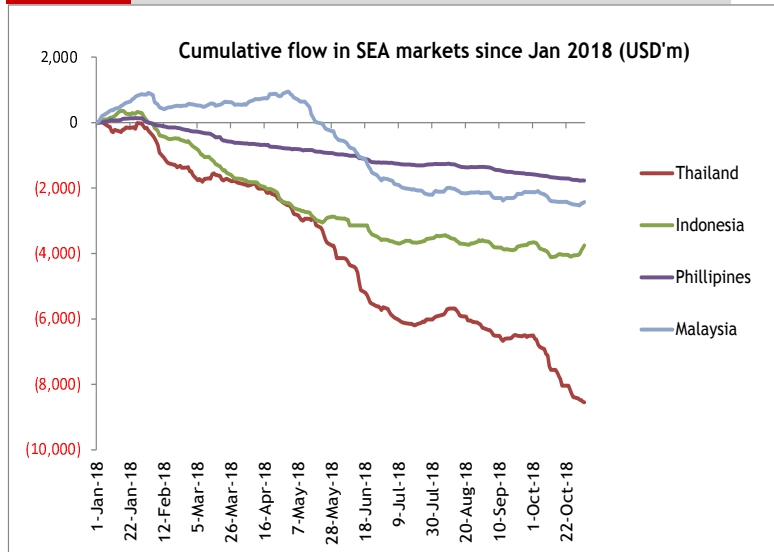
- In emerging South East Asian markets, half of them experienced foreign selling while the other half saw foreign buying.
- In Bangkok, the level of foreign net selling extended for its sixth week but declined by more than half to -USD161.4m from USD348.3m in the week before. International funds were net sellers on every single day of the week, stretching the daily foreign selling spree to 22 days, the longest so far in 2018. The highest selling spree during the week was recorded on Thursday at -USD48.0m net, coinciding with 0.1% drop in the SET. This is the only day that the SET dropped during the week. On a year-to-date basis as of last Friday, Thailand has seen USD8.55b of equities leaving, biggest foreign net outflow amongst the four ASEAN countries we monitor.
- Manila marked its ninth week of foreign net attrition after foreigners sold off -USD20.6m. However, the 44-day foreign net selling streak came to an end on Wednesday as foreign funds slowly returned to Manila, buying USD4.3m net of equities, coinciding with the 1.8% jump in the PSEi to 7,140 points on the back of window dressing activities and the U.S's consumer confidence data which came at a record high despite ongoing trade frictions. Local markets were then closed on Thursday and Friday.
- In Jakarta, international funds made a roaring comeback as they bought USD304.3m net of local equities, the highest weekly foreign net inflow seen thus far in 2018. Foreign net buying activity was prevalent throughout the week, extending the foreign buying spree to seven days. Foreign net buying peaked on Wednesday to a tune of USD100.3m which was also the highest in a day since the middle of January this year. For the month of October 2018, Jakarta saw a total foreign net outflow of -USD223.6m, the second lowest amongst the four ASEAN markets we track.

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 7	-1,109.3	-231.5	-191.6	-82.6	285.9	89.1	-160.0	-1,399.9
SEP 14	-309.2	-88.5	-50.6	-65.4	-378.9	553.6	0.7	-338.4
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	-381.4	703.9	77.4	1,215.9

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

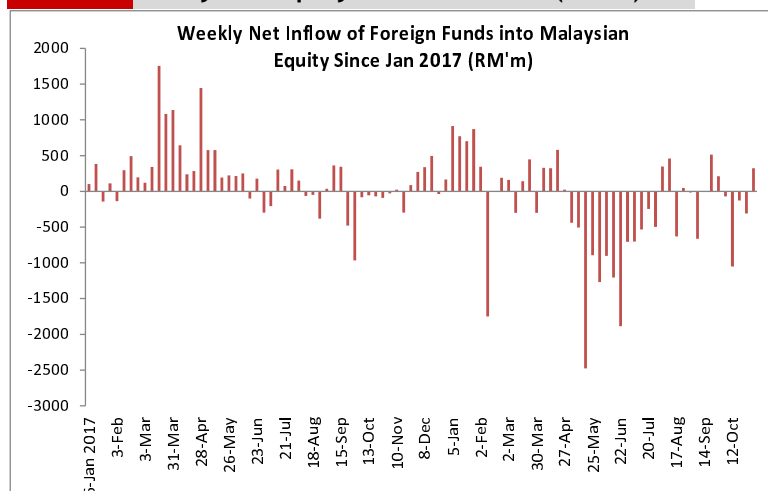
FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

- International funds staged a solid comeback to Bursa as they turned net buyers after four straight weeks of selling.
- Based on preliminary data from Bursa which excluded off market deals, foreign funds accumulated RM322.7m net of local equities last week. This offsets the -RM310.1m net withdrawn in the preceding week.
- The first two days of the week recorded a total foreign outflow of -RM124.3m net with each day not exceeding RM100m. Risk aversion was spurred by President Trump's plan to impose more tariffs on China if the talks between Washington and Beijing do not result in any favourable deal.
- Nevertheless, foreign investors mopped up RM268.7m net on Wednesday, the largest inflow in a day since 21 September 2018, lifting the local bourse 1.4% higher to 1,709 points. The heavy inflows were in conformity with other Asian peers namely Taiwan and Indonesia as China's securities regulator pledged to enhance market liquidity.
- Foreign net buying then shrank to RM6.7m on Thursday ahead of Malaysia's Budget 2019 budget before surging to RM172.2m on Friday. Aside from the budget optimism, investors on Friday were comforted by the news that President Trump wants to reach a trade deal with China during the G20 summit this month.
- The month of October 2018 recorded a total foreign net outflow of -USD1.41b, compared to the RM66.3m inflow seen in September 2018. The year-to-date outflow now stands at -RM9.77b, offsetting approximately 95% of last year's net inflow. Notwithstanding this, Malaysia still has the second lowest outflow amongst the 4 ASEAN markets we monitor.
- Participation amongst foreign investors was robust as the weekly average daily traded value (ADTV) was 18.4% higher compared to the ADTV in the retail market which advanced by only 0.3% during the week. Meanwhile, the weekly ADTV of local institutional funds continued to drop for the second week running, staying below RM2b.

Chart 5

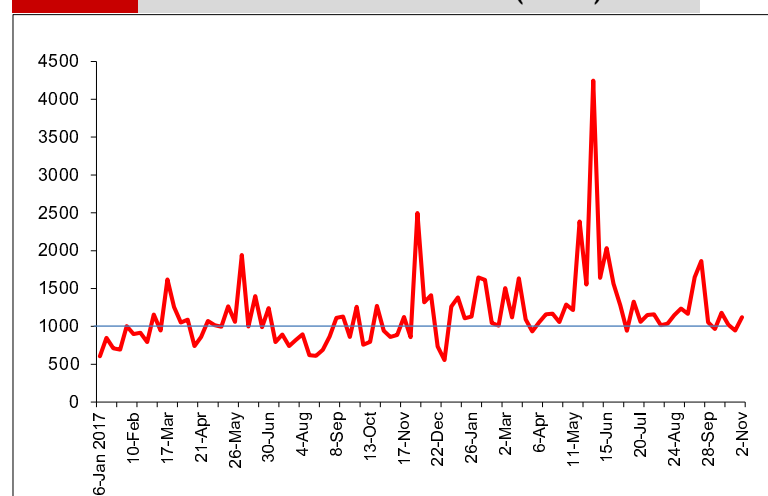
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2017 (RM'm)



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)	
SEP 28	2,269.6	2,319.4	-49.8	5,339.2	5,501.7	-162.5	2,739.6	2,527.3	212.3	51.3
OCT 5	2,567.3	2,514.6	52.7	5,169.4	5,153.1	16.3	2,383.6	2,452.6	-69.0	-16.6
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

Source: Bursa's preliminary data

* Estimate by MIDF Research based on prevailing exchange rate.

D. MONEY FLOW² AMONG BURSA'S TOP 100 CAPITALIZED STOCKS: WEEK ENDED 2 NOVEMBER
TOP 10 NET MONEY INFLOWS

- CIMB Group Holdings Berhad registered the highest net money inflow of RM11.70m last week. Its share price was 1.43% higher for the week, underperforming the local bourse which had a 1.83% weekly gain.
- Public Bank Berhad recorded the second highest net money inflow of RM11.35m. Its share price was however unchanged for the week.
- Hong Leong Bank Berhad saw the third highest net money inflow of RM10.16m. Its share price ended 1.08% higher during the week under review, underperforming the local bourse which was 1.83% 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	11.70	-0.94	1.43	-
PUBLIC BANK	11.35	-11.35	0.00	-
HLBK	10.16	-18.55	1.08	-
MAYBANK	9.70	-4.86	-0.42	BOW
KLCCP STAPLED	8.90	0.56	0.39	-
HARTALEGA	5.13	0.88	1.62	-
GENT MSIA	2.19	5.28	2.95	-
DIGI.COM	1.51	-0.87	4.15	-
BURSA	1.50	0.69	-3.27	BOW
V.S. INDUSTRY	1.32	-1.10	2.53	-

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- Nestle (Malaysia) Berhad saw the largest net money outflow of -RM15.79m last week. Its stock price lost -0.14%, underperforming vis-à-vis the FBM KLCI which gained 1.83% during the review week.
- Dialog Group Berhad recorded the second largest net money outflow -RM10.48m during the week under review. Its share price meanwhile advanced 3.06% for the week, outperforming the market benchmark which had a 1.83% weekly gain. It is notable that the net money outflow amidst advancing share price may indicate a sell on strength (SOS) stance among some investors
- Petronas Chemicals Berhad registered the third largest net money outflow of -RM8.07m in the review week. Its share price meanwhile ended 2.05% higher during the week, outperforming the benchmark which had a 1.83% weekly gain.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
NESTLE	-15.79	1.13	-0.14	-
DIALOG	-10.48	5.52	3.06	SOS
PETCHEM	-8.07	-17.62	2.05	SOS
TNB	-8.03	-8.34	4.70	SOS
MISC	-6.17	0.72	12.42	SOS
TELEKOM	-6.06	-0.40	10.70	SOS
IHH	-4.98	0.56	3.33	SOS
KL KEPONG	-4.49	-0.53	-0.24	-
MY EG	-4.41	-12.17	10.66	SOS
SIME DARBY	-2.19	0.08	14.29	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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