

MIDF EQUITY STRATEGY | 3 DECEMBER 2018 WEEK ENDED 30 NOVEMBER

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- Brent crude oil price marked its eighth week of losses after declining marginally by -0.2% for the week to USD58.71pb. The looming weakness in Brent crude oil price stems from concerns on a global supply glut that has been exacerbated by waivers given by the U.S to continue purchasing oil from Iran.
- International funds made a proverbial bang last week by accumulating a substantial amount of Asian equities last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” offloaded -USD1.16b net last week, offsetting the foreign net outflow seen in the preceding week.
- Offshore investors marked their fourth straight week of selling shares on Bursa. Based on data from Bursa, foreign funds sold -RM244.8m net of local equities last week, the highest in 5 weeks. This was roughly four times the amount withdrawn in the preceding week.
- The FBM KLCI recorded its fourth consecutive week of losses, ending 0.94% lower at 1,680 points. Meanwhile, the Ringgit appreciated by 0.15% against the greenback to reach USD/MYR4.1842.

THE AWAITED TRUMP-XI TALKS ENDED ON A POSITIVE NOTE

A. MARKET SNAPSHOT

- Most equity markets worldwide ended in the black last week as investors took cue of monetary policy developments from the U.S while waiting for the meeting between the U.S. and Chinese leaders.
- U.S stocks roared on Monday boosted from a record Black Friday spending weekend which saw consumers spend nearly USD10b over the first two days of the four-day period, signalling a robust demand ahead of the holiday season.
- Wall Street continued to inch higher the next day as traders assessed a possible trade truce between Washington and Beijing after U.S officials cited that President Trump is open to a trade deal. U.S benchmarks rocketed to their largest gain in eight months, at above 2.0% the next day after Fed Chair Powell signalled that the Fed might raise rates much further. However, the Fed-led rally faded on Thursday as investors looked for any signs that President Trump would ease tensions with China.
- U.S. stocks waffled between gains and losses throughout Friday but ultimately closed higher, with the Dow Industrials gaining more than 190 points. The S&P 500 had its biggest weekly gain since December 2011.
- In Asia, China's purchasing manager's index (PMI) slipped to 50 in November from 50.2 in October, its lowest level in more than two years. The slowdown fuels concerns that global activity might be taking a breather with Washington and Beijing raising tariffs on billions of dollars of each other's goods since July. Interestingly, Chinese exports to the U.S. have held up as exporters rush to fill orders before the anticipated tariff hike. Nonetheless, latest reports indicated that both nations decided to suspend tariffs supposed to take effect from January 2019 for 90-days which may ease concerns for the global supply chain.
- In Europe, the Bank of England said that a 'disorderly' Brexit could be worse for U.K. than the 2008 global financial crisis. According to its claim, unemployment will rise to 7.5% with house prices falling 30% and the economy declining by around 8% over the course of a year exceeding the 6.25% contraction seen during the 2008 crisis. In relation to trade, U.K.'s border infrastructure may face some pressure in order to cope with the customs requirements. Meanwhile, the BOE noted that all banks had assessed the stress tests and none expected to curb lending in the event of a disorderly Brexit.
- Brent crude oil price marked its eighth week of losses after declining marginally by -0.2% for the week to USD58.71pb. The looming weakness in Brent crude oil price stems from concerns on a global supply glut that has been exacerbated by waivers given by the U.S to continue purchasing oil from Iran. An important event to watch would be the upcoming OPEC meeting in Vienna later this week with Russia has expressing its interest to join Saudi Arabia in curbing output.

Table 1 Weekly performance of major indices

Weekly % change	Week before	Last week
Dow Jones	-4.44	5.16
S&P 500	-3.79	4.85
India SENSEX	-1.34	3.47
Nikkei	-0.16	3.25
Taiwan TAIEX	-1.32	2.28
Hang Seng	-0.98	2.23
FSSTI Index	-1.01	2.13
Korea KOSPI	-1.67	1.91
Thai SET	-0.79	1.21
CAC 40	-1.56	1.15
China CSI 300	-3.51	0.93
Jakarta JCI	-0.10	0.83
DAX	-1.31	0.58
FTSE 100	-0.87	0.39
Phil PCOMP	3.63	0.38
KLCI	-0.62	-0.94

Source: Bloomberg

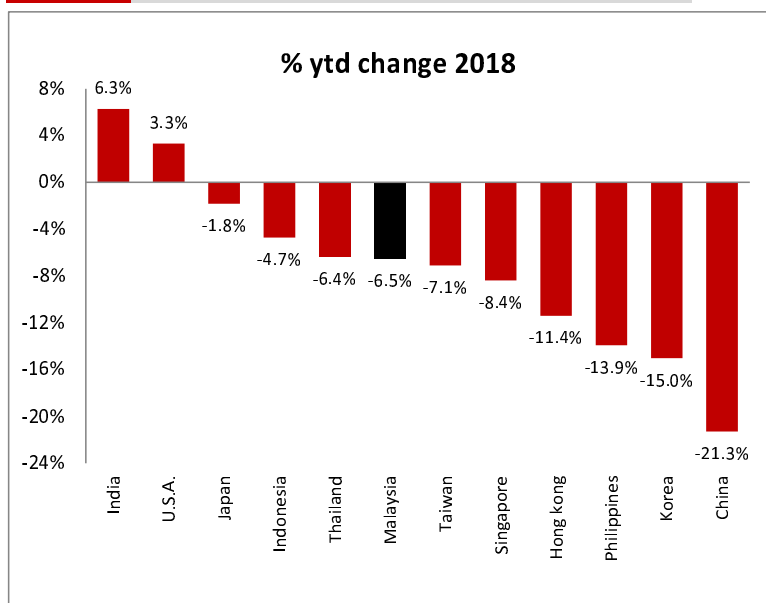
FUND FLOW REPORT

- The FBM KLCI recorded its fourth consecutive week of losses, ending 0.94% lower at 1,680 points. Meanwhile, the Ringgit appreciated by 0.15% against the greenback to reach USD/MYR4.1842.

B. TRACKING MONEY FLOW - ASIA¹

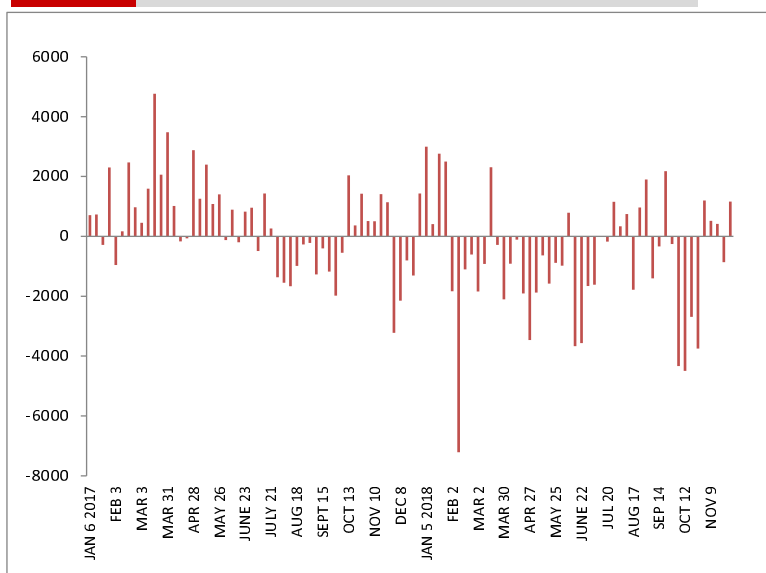
- International funds made a proverbial bang last week by accumulating a substantial amount of Asian equities last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” offloaded -USD1.16b net last week, offsetting the foreign net outflow seen in the preceding week.
- In Korea, offshore funds mopped up equities worth USD632.8m net last week, the largest amongst the 7 Asian markets we monitor. Foreign investors were net buyers on every single day of the week with the highest net inflow seen on Thursday at USD280.7m, coinciding with the KOSPI’s 0.35% advance to close at a 28-day trading high of 2,114 points, a level not seen late October this year amidst the Fed’s dovish tone spurred risk appetite in the nation. On the monetary policy front, the Bank of Korea (BOK) joined its regional peers such as the Philippines and Indonesia by raising its policy interest rate on Friday for the first time in a year by 25bps to 1.75%. The move was widely within expectations, focusing on managing the country’s record household debt and widening gap between Korean and U.S rates with the current rate estimated to be maintained at least throughout the next year with the domestic property market is expected to cool. Taking cue of these two monetary policy related events, the Korean Won and the KOSPI index gained 0.9% and 1.9% for the week to reach USD/KRW1,120.75 and close at 2,097 points, the biggest weekly gain in four weeks.
- Taiwan recorded its third straight week of foreign net inflows but at a stronger pace of USD148.9m. International funds were seen buying local equities on three days last week with Monday recording the highest at USD212.2m net. The main reason for the surge in Monday’s inflow was the big win of the China-friendly Kuomintang party during the local elections held on Saturday of the preceding week which could translate into better relations with the mainland which bodes well for cross strait business.

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)

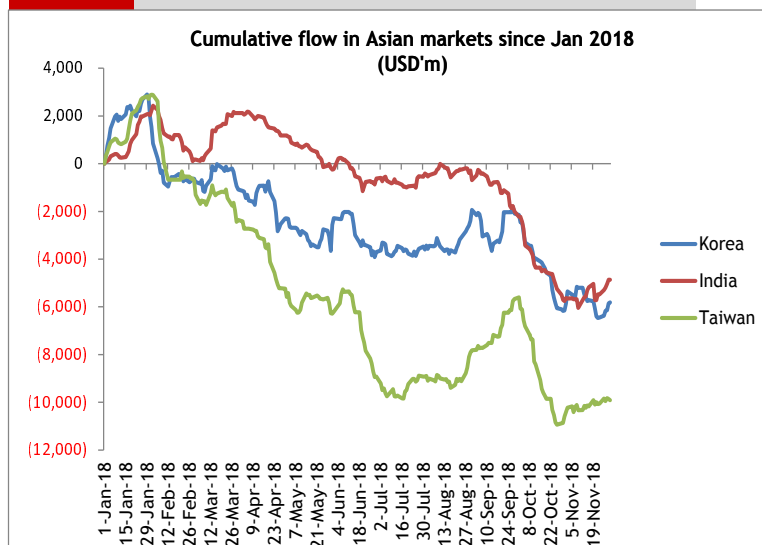


Source: Bloomberg, Bursa Malaysia, MIDFR

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.

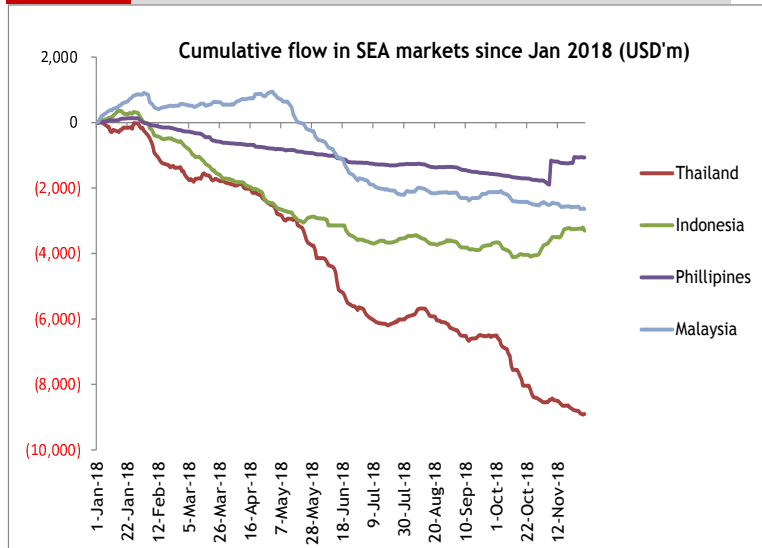
- In emerging South East Asian markets, foreign net selling was across the board.
- In Bangkok, the level of foreign selling slowed down a little to -USD116.8m net compared to USD31.9m net in the week before. Foreign net selling occurred from Monday to Thursday with Tuesday recording the highest at USD67.2m, a level not seen since 26 October 2018. The strong outflows that day were caused by the likelihood of President Trump slapping more duties on Chinese goods if no deal is reached during the G-20 talks. Friday saw a bout of inflows to a tune of USD19.1m net Thailand's industrial output rebounded by 4.1%yoy in Oct-18 from a marginally revised 2.7%yoy contraction in the preceding month and surpassed market expectations of a 2.8% gain. The highest growth since Jul-18 was mainly driven by higher production of cars & car engines, petroleum and air conditioners.
- Offshore funds in Manila returned to selling mode, disposing -USD14.0m net of equities last week. Foreign net selling peaked on Thursday at -USD13.0m, the largest in 11 days as investors were in profit taking mode ahead of the Bonifacio holiday and also the highly anticipated talks between Beijing and Washington. In spite of the this, the local bourse closed November on a positive note, gaining nearly 4.0%.
- After four uninterrupted weeks of foreign net inflows, foreign funds in Jakarta took a breather to sell -USD41.5m, the largest in seven weeks. Friday saw a huge net outflow of USD97.9m amidst a drag contributed the most by financial stocks such as Bank Mandiri which fell 3.3%. Notwithstanding this, international funds have returned to Indonesia in November as they acquired USD608.9m net of local equities, the biggest monthly foreign net inflows since April 2017 while the JCI gained 3.9% for the month, the best monthly rally since January 2018.

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)

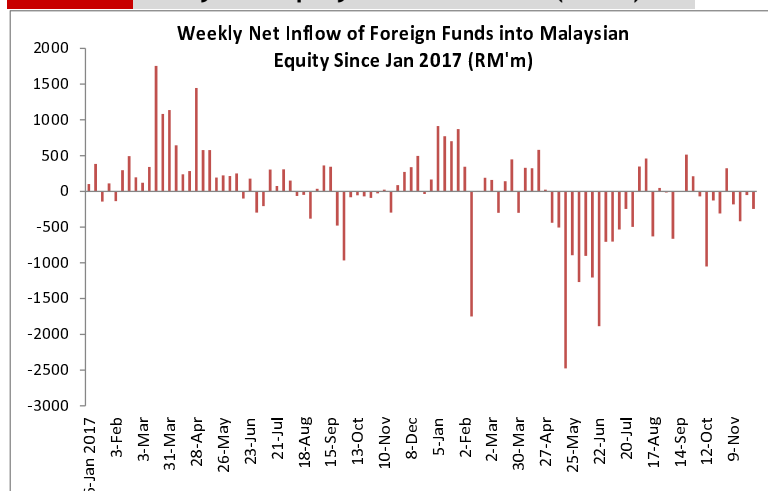
WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
OCT 5	-1,211.9	-338.8	-156.6	-49.2	-1,417.3	-1,145.1	-16.6	-4,335.4
OCT 12	-673.5	-701.7	-273.5	-51.3	-935.9	-1,601.6	-253.0	-4,490.5
OCT 19	-594.0	-479.2	79.7	-36.4	-193.6	-1,434.9	-31.0	-2,689.5
OCT 26	-1,480.7	-348.3	-21.5	-44.7	-696.9	-1,081.5	-74.4	-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	-523.6	-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	609.6	148.9	-58.4	1,160.6

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

C. TRACKING MONEY FLOW - MALAYSIA

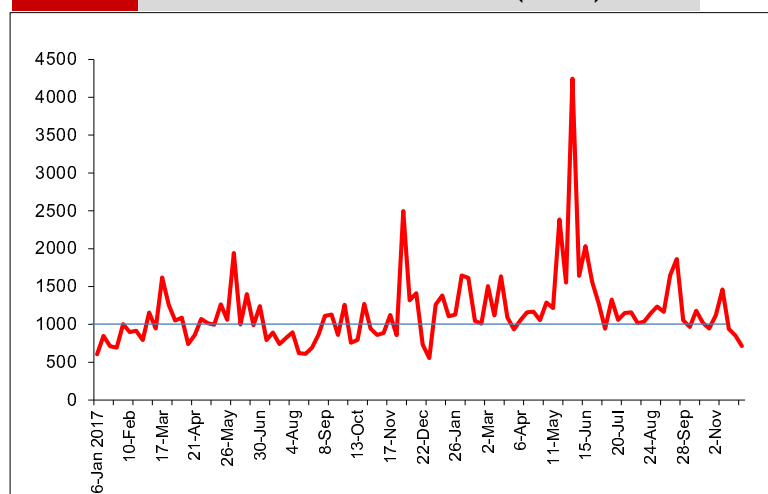
- Offshore investors marked their fourth straight week of selling shares on Bursa.
- Based on data from Bursa, foreign funds sold -RM244.8m net of local equities last week, the highest in 5 weeks. This was nearly 5 times of the amount withdrawn in the preceding week.
- International investors entered into Bursa on Monday at a tune of RM65.2m net, extending the foreign net buying streak from last week to three days with much of the optimism coming from Wall Street's Black Friday spending which surged to a record in addition to the stabilisation of Brent crude oil price reaching USD60pb.
- However, there was an exodus of foreign funds of Tuesday as international investors offloaded -RM277.1m, the largest in a day since early November this year, coinciding with the FBM KLCI's biggest daily drop since 23 October 2018. Investor sentiment was tempered on Tuesday as President Trump intends expand trade tariffs on all remaining imports from China and the Genting Malaysia Bhd's legal dispute with Walt Disney and and Twenty-First Century Fox Inc.
- The level of foreign net selling shrank to -RM32.7m on Wednesday before seeing a measurable net inflow of USD84.5m following the speech by Fed Chair Powell. Nevertheless, Thursday's foreign buying was wiped off by Friday's selloff worth -RM84.8m as investors retreated to the sidelines ahead of the highly anticipated meeting between Beijing and Washington in Buenos Aires. The day was also marked by the rebalancing of the MSCI Indices which took place at the end of Friday.
- The month of November recorded a total foreign net outflow of -RM718.9m, almost half of the -RM1.42b offloaded in October. This brings the year-to-date foreign outflow to -RM10.67b or -USD2.64b, an amount which 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 average daily traded value (ADTV) for foreign investors surged to RM2.04b after two week straight staying below RM1b.

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 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
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

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 30 NOVEMBER
TOP 10 NET MONEY INFLOWS

- Malayan Banking Berhad registered the highest net money inflow of RM5.35m last week. Its share price lost -0.32% for the week, outperforming the local bourse which had a -0.94% weekly loss. Nonetheless, it is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.
- Genting Berhad recorded the second highest net money inflow of RM5.20m. Its share price ended -8.85% lower for the week, substantially underperforming the benchmark which was only -0.94% lower.
- Bursa Malaysia Berhad saw the third highest net money inflow of RM4.51m. Its share price ended -2.65% lower during the week under review, underperforming the local bourse which was -0.94% lower.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
MAYBANK	5.35	-2.25	-0.32	BOW
GENTING BHD	5.20	3.78	-8.85	BOW
BURSA	4.51	-0.20	-2.65	BOW
PADINI	4.40	0.35	-14.59	BOW
TNB	4.26	-16.06	-3.78	BOW
QL RESOURCES	3.44	0.52	-1.26	BOW
HAP SENG	2.73	-0.30	-0.51	BOW
MAHB	2.69	-0.03	-1.29	BOW
SERBA DINAMIK	2.48	-0.34	-6.74	BOW
PPB GROUP	2.14	-1.88	3.29	-

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS


- Genting Malaysia Berhad saw the largest net money outflow of -RM17.25m last week. Its stock price lost -20.33%, underperforming vis-à-vis the FBM KLCI which declined -0.94% during the review week.
- Top Glove Corporation Berhad recorded the second largest net money outflow -RM10.58m during the week under review. Its share price meanwhile slightly advanced 2.05% for the week, outperforming the market benchmark which had a -0.94% weekly loss. It is notable that the net money outflow amidst advancing share price may indicate a sell on strength (SOS) stance among some investors.
- Nestle (Malaysia) Berhad registered the third largest net money outflow of -RM7.55m in the review week. Its share price ended 1.29% higher during the week, underperforming the benchmark which had a -0.94% weekly loss. 

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
GENT MSIA	-17.25	2.62	-20.33	-
TOP GLOVE	-10.58	-10.59	2.05	SOS
NESTLE	-7.55	0.77	1.29	SOS
DIALOG	-7.49	-0.12	-0.38	-
MY EG	-6.16	-1.15	-0.89	-
AXIATA	-5.89	1.63	6.45	SOS
IHH	-5.56	-5.51	11.88	SOS
AIRASIA	-4.45	-1.34	6.57	SOS
CIMB GROUP	-3.83	0.61	2.31	SOS
DIGI.COM	-2.51	1.34	0.71	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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Business Address:
11 & 12th Floor, Menara MIDF,
82, Jalan Raja Chulan, 50200
Kuala Lumpur.
Tel: 2173 8888
Fax: 2173 8380