

## MIDF EQUITY STRATEGY | 19 AUGUST 2019 WEEK ENDED 16 AUGUST 2019

- Major equity markets worldwide remained in a sea of red last week as concerns from Argentina and Hong Kong sparked fears.
- Brent crude oil price recorded a marginal gain of 0.2% of the week after settling at USD58.64pb. The slight weekly advance was mainly attributable to the relief rally in U.S equities spurred by improved U.S bond yields, outweighing the OPEC's report where forecasts for oil demand growth in 2019 were slashed by 40,000 barrels due to expected pressure from a possible slowdown in economic growth.
- The level at which international funds were leaving Asian markets was still high last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" offloaded -USD2.55b net last week.
- Offshore investors continued to reduce their exposure in stocks listed on Bursa for the fifth week running albeit at a slower pace. Based on data from Bursa, foreign investors sold -RM598.1m net of local equities last week.
- The FBM KLCI declined by 1.0% for the week after closing at 1,599 points on Friday, marking the sixth week of losses, while matching the six-week losing streak seen in May to June 2015. In contrast, the Ringgit appreciated by 0.1% against the greenback as it settled at USD/MYR4.1782.

## YIELD CURVE INVERSION SPOOKS GLOBAL MARKETS

### A. MARKET SNAPSHOT

- Major equity markets worldwide remained in a sea of red last week as concerns from Argentina and Hong Kong sparked fears.
- The U.S retail sales growth edged up to a 3-month high of 3.4%yoy in July 2019 boosted by higher sales in food services & drinking places and non-store retailers. In addition, gas stations sales recovered to neutral from negative territory of -1%yoy in the previous month. In contrast, sales grew at a softer pace of 2.3%yoy (June 2019: 3.3%yoy) for motor vehicles & parts dealers. On monthly basis, retail sales advanced by 0.7% (June-19: 0.3%), beating market expectation of a 0.3% gain. The July performance is a good start for 2H19 and indicates that consumer spending (primary driver of the U.S economy) is still in a good shape despite all the chaos.
- China's industrial output growth moderated to 4.8%yoy in July 2019, the slowest since February 2002 and came in below market expectations of a 5.8%yoy growth. This was mainly due to slowing production of both manufacturing and mining sectors, which recorded lower growths of 4.5%yoy and 6.6%yoy (June-19: 6.2%yoy and 7.3%yoy) respectively. The performance however was not in line with exports performance of the month as exports expanded by 3.3%yoy, a rebound from -1.3%yoy drop in the previous month and the highest growth since Mar 2019. The worst industrial production growth since 2002 was not a good start for 2H19 as it signaled further slowdown in Chinese economy. On top of that, retail sales growth also eased to 7.6%yoy, the weakest gain since April 2019. For 1H19, the economy grew 6.3%yoy.
- In Europe, the GDP growth of the Euro zone slowed down in 2Q19 to 0.2%with Germany being the main contributor for the lacklustre performance. Germany's GDP fell 0.1% quarter-on-quarter while annual growth rate in Europe's largest economy slowed to 0.4% in the second quarter from 0.9% in the first. Nevertheless, the unemployment rate in Germany in 2Q19 is just above the Euro zone's record low of 4.9%, bucking the downward trend of employment growth in other regional countries. Meanwhile, industrial production in the Euro zone fell by 2.6%yoy in June 2019.
- Brent crude oil price recorded a marginal gain of 0.2% of the week after settling at USD58.64pb. The slight weekly advance was mainly attributable to the relief rally in U.S equities spurred by improved U.S bond yields, outweighing the OPEC's report where forecasts for oil demand growth in 2019 were slashed by 40,000 barrels due to expected pressure from a possible slowdown in economic growth. OPEC also cited that there would likely be an excess of supply in 2020 as rivals continue to increase production.

Table 1	Weekly performance of major indices	
China CSI 300	-3.04	2.12
Jakarta JCI	-0.92	0.07
CAC 40	-0.58	-0.51
Korea KOSPI	-3.02	-0.55
India SENSEX	1.25	-0.62
Taiwan TAIEX	-0.52	-0.70
Phil PCOMP	-3.39	-0.74
Hang Seng	-3.64	-0.79
KLCI	-0.72	-0.98
S&P 500	-0.46	-1.03
DAX	-1.50	-1.12
Thai SET	-2.02	-1.17
Nikkei	-1.91	-1.29
Dow Jones	-0.75	-1.53
FSSTI Index	-2.83	-1.70
FTSE 100	-2.07	-1.88

Source: Bloomberg

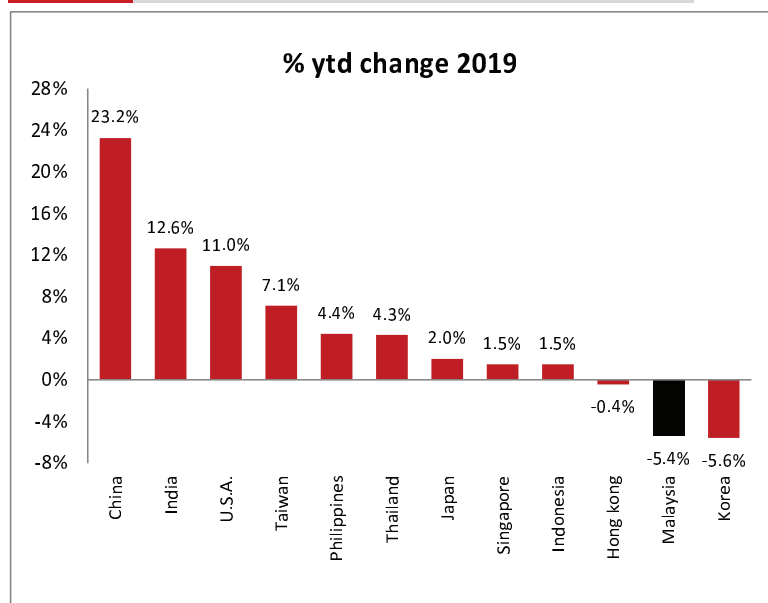
## FUND FLOW REPORT

- The FBM KLCI declined by 1.0% for the week after closing at 1,599 points on Friday, marking the sixth week of losses while matching the six-week losing streak seen in May to June 2015. In contrast, the Ringgit appreciated by 0.1% against the greenback as it settled at USD/MYR4.1782.

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

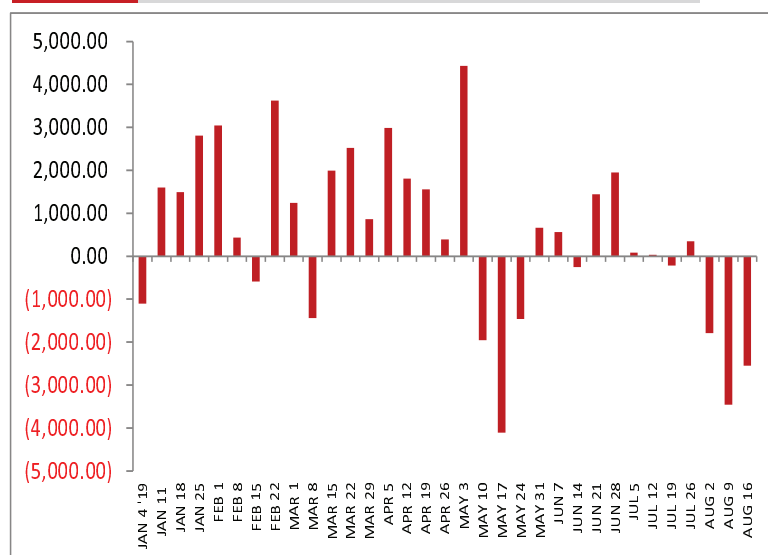
- The level at which international funds were leaving Asian markets was still high last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” offloaded -USD2.55b net last week.
- In Korea, international funds continued to sell local equities for the third week running albeit at a slower pace of -USD428.3m net during the four-day trading week. Foreign investors were net sellers on every single day of the week, extending the daily foreign net selling streak to 12 days, the longest since the 29-day selling spree seen from August to September 2015. Tuesday recorded the highest foreign net outflow during the week at -USD205.0m, coinciding with 0.9% decline in the KOSPI to close at 1,925 points. Sentiment on Tuesday was plagued by the escalating political unrest in Hong Kong as demonstrators congregated again at the airport on Tuesday, although a decision to reduce train services to the terminals would make it harder for them to match Monday’s numbers. Shares of Cathay Pacific extended their slide after falling to a 10-year low Monday. The carrier’s stock fell as much as 5.4% Tuesday in Hong Kong, testing lows not seen since mid-2009.
- International funds in Taiwan sold USD1.12b of local equities last week, marking the third week of gradual increases in foreign net selling activity. The amount dumped last week was also the highest weekly foreign net outflow since the week ended 24 May 2019. Foreign net selling occurred from Monday to Friday with Friday recording the largest during the week at USD406.9m. Meanwhile, the local bourse gained 0.9% to reach 10,430.89 points on the same day, supported by the jump in shares of Taiwan panel makers after their South Korean peers planned to cut production, leading to an expectation of smaller losses.

**Chart 1** YTD performance of major markets



Source: Bloomberg

**Chart 2** Weekly Net Flow of Foreign Funds into 7 Asian Markets since Jan 2019 (USD'm)

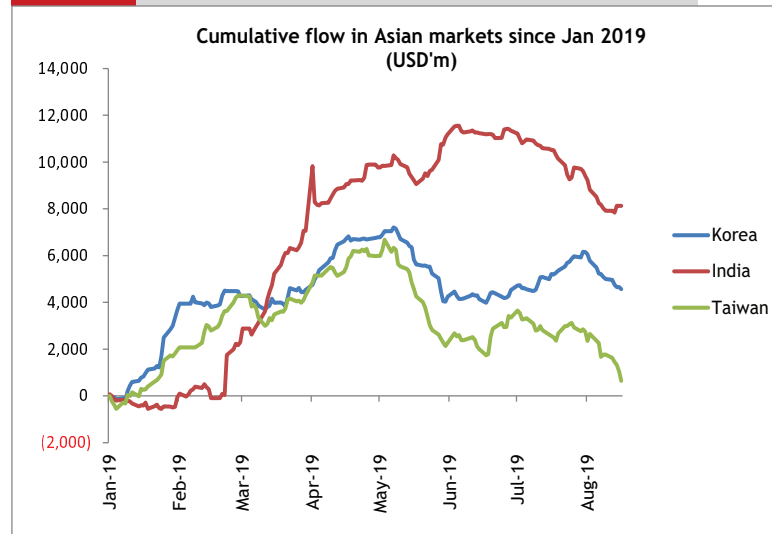


Source: Bloomberg, Bursa Malaysia, MIDFR

<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.

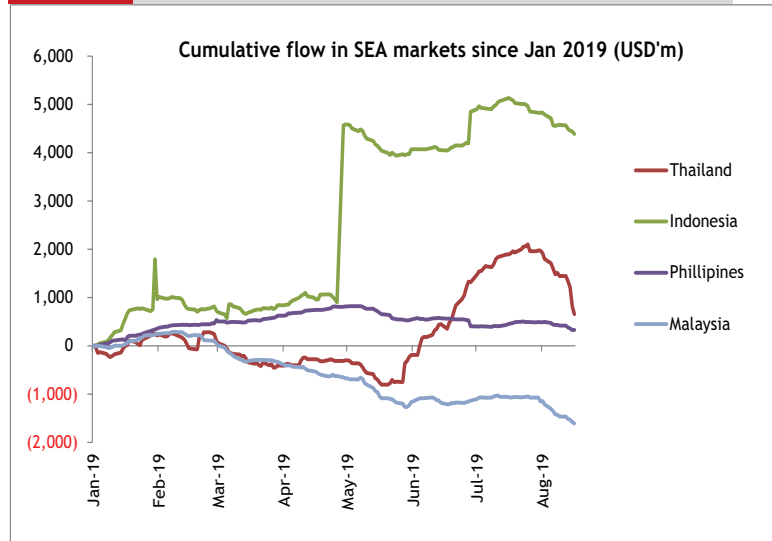
- In emerging South East Asian markets that we monitor, all markets were experiencing outflows for the week.
- Foreign investors in Bangkok upped their ante in selling activity to dispose -USD790.4m net, more than two times higher compared to the week before. Foreign net selling was the highest during the week on Thursday at -USD387.5m net as after an inverted Treasury yield curve spurred worries over a possible recession, pulling the SET index down by 1.0% to the 1,604 points, the lowest close in seven months. On the political front, the Thai civilised party has exited the 19-party ruling coalition led by Prime Minister Prayut Chan-o-Cha, citing dissatisfaction with government's policies.
- Manila experienced a foreign net outflow of -USD86.6m net with Tuesday recording the highest foreign net outflow during the week at -USD40.7m. Local stocks declined the most in Asia on the same day as the PSEi touched the lowest level in 11 weeks as markets reopened from the Aidil Adha holiday. Megaworld was one of the largest decliners on Tuesday, dropping more than 7.5% as the developer said it will sell its shares to certain creditors. Separately, the Peso led decliners amongst emerging market currencies as fears of a potential default by Argentina fuelled risk-off sentiment.
- Offshore investors in Jakarta extended their foreign net selling activity for the fifth week running after selling off -USD185.6m worth of local equities. Similar to South Korea, the Philippines, Taiwan and Malaysia, foreign net selling in Jakarta peaked on Tuesday at -USD72.9m amidst the possibility of a default in Argentina in the wake of President Mauricio Macri's stunning rout in primary elections in the preceding week.

**Chart 3** Net Flow of Foreign Funds into Taiwan, Korea and India since Jan 2019 (USD'm)



Source: Bloomberg, MIDFR

**Chart 4** Net Flow of Foreign Funds into South East Asia Emerging Markets since Jan 2019 (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
JUN 28	142.4	484.1	694.1	-141.4	310.1	419.4	41.5	1,950.1
JUL 5	35.3	332.9	69.3	-7.0	-368.3	-36.4	55.6	81.3
JUL 12	522.8	200.7	157.1	11.7	-373.9	-503.8	20.4	34.9
JUL 19	274.0	79.0	-46.8	76.6	-453.4	-141.6	-1.7	-213.9
JUL 26	613.6	29.5	-171.7	-0.4	-373.3	260.4	-13.0	-345.2
AUG 2	-191.5	-163.2	-65.7	5.7	-950.7	-278.8	-145.2	-1,789.4
AUG 9	-782.0	-349.7	-214.1	-75.6	-900.5	-884.3	-247.6	-3,453.9
AUG 16	-428.3	-790.4	-185.6	-86.6	206.2	-1,124.0	-142.7	-2,551.5

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

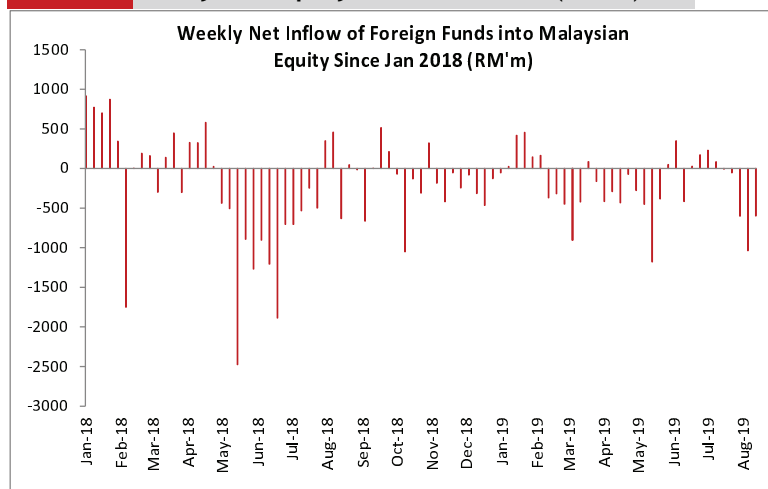
## FUND FLOW REPORT

### C. TRACKING MONEY FLOW - MALAYSIA

- Offshore investors continued to reduce their exposure in stocks listed on Bursa for the fifth week running albeit at a slower pace. Based on data from Bursa, foreign investors sold -RM598.1m net of local equities last week.
- As the local market reopened on Tuesday from the Hari Raya Aidil Adha holiday, foreign investors took out -RM209.6m net of local equities amidst geopolitical turbulence from Argentina and Hong Kong. This was the highest foreign net outflow seen during the week, pulling the local bourse below 1,600 points to settle at 1,592.88 points on the same day, the lowest close since late August 2015.
- Levels of foreign net selling receded later on Wednesday to -RM73.7m as President Trump delayed some tariffs on Chinese goods, spurring a relief rally around the world. Chinese officials also planned to proceed with plans to have a face-to-face trade meeting with Washington in September, signalling that trade talks remain despite the last escalation of tariff threats by the U.S.
- The pace of foreign net selling however swelled to -RM196.8m net on Thursday due to concerns that the U.S. economy may slip into a recession following the inversion of the U.S treasury yield curve. Foreign net selling activity later slowed down to -RM118.1m on Friday amidst Malaysia's 2Q19 GDP growth of 4.9%yoy, beating market expectations.
- On a month-to-date basis, August has seen a foreign net outflow of -RM1.90b. This brings the year-to-date the foreign net outflow from Malaysia to stand at -RM6.64b, making up around 57.0% of last year's total foreign net outflow.
- In terms of participation, foreign investors experienced a weekly drop of 11.9% in the average daily traded value (ADTV) to reach RM982.2m. Nevertheless, this was the smallest drop amongst other investor groups; the retail market and local institutional funds which saw a weekly drop in their ADTV of more than 15.0%.

Chart 5

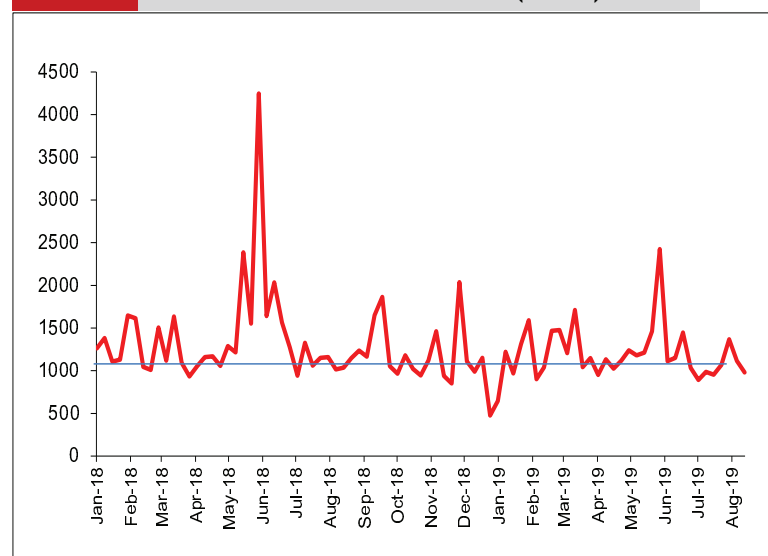
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2018 (RM'm)



Source: Bursa Malaysia statistics, MIDFR

Chart 6

Foreign Participation on Bursa: Daily Average for the Week since Jan 2018 (RM'm)



Source: Bursa Malaysia 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)	
JUL 12	2,590.0	2,504.7	85.3	4,822.5	4,992.7	-170.3	2,507.3	2,422.3	84.9	20.4
JUL 19	2,493.5	2,435.1	58.3	4,275.6	4,327.0	-51.4	2,386.4	2,393.3	-6.9	-1.7
JUL 26	2,639.7	2,620.3	19.4	4,618.5	4,584.5	34.0	2,642.9	2,696.3	-53.5	-13.0
AUG 2	1,942.3	1,759.0	186.3	3,875.5	3,460.5	414.9	2,436.1	3,037.3	-601.2	-145.2
AUG 9	2,614.7	2,297.0	317.8	5,219.9	4,501.6	718.4	2,269.5	3,305.6	-1,036.2	-247.6
AUG 16	1,552.0	1,379.4	172.6	3,420.2	2,994.7	425.5	1,665.3	2,263.5	-598.1	-142.7

Source: Bursa's 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 AUGUST**
**TOP 10 NET MONEY INFLOWS**

- RHB Bank Berhad registered the highest net money inflow of RM2.32m last week. Its share price declined -2.14% for the week, underperforming the local bourse which had a -0.98% 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.
- British American Tobacco Berhad recorded the second highest net money inflow of RM2.23m. Its share price ended -3.22% lower for the week, underperforming the benchmark which was -0.98% lower during the week under review.
- IGB REIT saw the third highest net money inflow of RM2.20m. Its share price ended 1.49% higher during the week under review, substantially outperforming the local bourse which was -0.98% lower.

**Table 4** Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
RHB BANK	2.32	6.91	-2.14	BOW
BAT	2.23	1.47	-3.22	BOW
IGB REIT	2.20	4.76	1.49	-
KL KEPONG	1.83	-0.47	1.78	-
AIRASIA GROUP	1.39	-2.08	-1.60	BOW
SUNWAY BHD	1.30	0.97	0.00	-
HONG LEONG	1.19	0.02	-2.28	BOW
PPB GROUP	1.11	0.06	0.11	-
SCIENEX	1.10	0.14	-2.36	BOW
QL RESOURCES	1.05	-0.99	-0.87	BOW

Source: Bloomberg, MIDFR;

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

**TOP 10 NET MONEY OUTFLOWS**

- Public Bank Berhad saw the largest net money outflow of -RM18.67m last week. Its stock price was -3.35% lower for the week, underperforming vis-à-vis the FBM KLCI which declined -0.98% during the review week.
- Petronas Chemicals Group Berhad recorded the second largest net money outflow -RM6.40m during the week under review. Its share price was -3.25% lower during the week, underperforming the market benchmark which had a -0.98% weekly loss.
- CIMB Group Holdings Berhad registered the third largest net money outflow of -RM6.34m in the review week. Its share price was 0.60% higher for the week, outperforming the local benchmark which was -0.98% lower 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		
PUBLIC BANK	-18.67	-5.61	-3.35	-
PETCHEM	-6.40	-0.04	-3.25	-
CIMB GROUP	-6.34	7.33	0.60	SOS
DIALOG	-5.44	4.29	3.52	SOS
TNB	-5.34	-16.64	-1.01	-
GENTING BHD	-5.00	4.82	-3.07	-
MAYBANK	-3.97	-11.84	-1.05	-
AXIATA	-3.88	-2.69	0.40	SOS
SERBA DINMK	-3.43	1.39	4.93	SOS
DIGI.COM	-1.85	-0.98	0.40	SOS

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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