

## MIDF EQUITY STRATEGY | 13 APRIL 2020 WEEK ENDED 10 APRIL 2020

- Major equity markets worldwide rebounded last week echoing a rally on Wall Street despite some markets having a holiday-shortened week.
- Brent crude oil was back in the red zone after settling 7.7% lower at USD31.5pb. The latest OPEC meeting saw the cartel agreeing to a 10m barrels per day output cut by June that would still cover only a third of the demand estimated lost to the coronavirus pandemic. Meanwhile Russia and OPEC said they wanted other producers including the United States and Canada to cut a further 5%.
- While the foreign net selling streak in Asian markets has reached its ninth week, the pace of selling activity has indeed reduced. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” sold -USD1.04b net last week
- Last week saw further deceleration in net selling on Bursa by offshore investors. This was for the eighth week running. Based on data from Bursa, international investors sold -RM326.0m net of local equities last week compared to the -RM486.0m net disposed in the preceding week.
- The FBM KLCI advanced 2.0% for the week after settling at 1,357.5 points. Similarly, the Ringgit appreciated by 1.1% against the greenback to reach USD/MYR4.3097 during the week.

## FOREIGN NET OUTFLOWS ABATE IN ASIA

### A. MARKET SNAPSHOT

- Major equity markets worldwide rebounded last week echoing a rally on Wall Street despite some markets having a holiday-shortened week.
- Wall Street endured a week full of twist and turns with the U.S unemployment rising by 6.6m in the week before, bringing the three-week tally to 16m of job losses. The astonishing pace of losses means more people have been put out of work in the last three weeks than in the two years of the last recession. Notwithstanding this, key U.S benchmarks had their best week in four decades with the Dow Jones and S&P 500 index recording weekly gains of more than 12.0%. Investors appeared to shrug off the unemployment data and focused on the Fed's announcement of its new Main Street Lending program.
- In Asia, Japan declared a state of emergency last Tuesday to combat the Covid-19 pandemic. The state of emergency enables authorities to exercise more power on people to remain at home and businesses to close until 6 May 2020 in Tokyo and six other prefectures. A USD1 trillion stimulus package was also announced by the Japanese government, exceeding 11% of the U.S output for the stimulus package laid out by President Trump and 5% of output for Germany's package. Japan will sell a record amount of extra bonds this financial year, worth more than US\$165 billion, straining the industrial world's heaviest debt burden, to comply with the stimulus package.
- Germany's trade surplus widened to EUR20.8 billion in Feb-20 from EUR13.8 billion in Jan-20. The surplus is the highest since Oct-19 of EUR21.3 billion. Exports grew by 0.4%yoy (Jan-20: -1.9%yoy), while imports declined by -2.9%yoy (Jan-20: -1.5%yoy). The increase in exports was driven by increase in sales to the EU by 0.8%yoy, meanwhile, a drop in exports was seen to third countries by -0.1%yoy. With China being the largest trading partner, the effect of the pandemic growth has affected the supply chain from China, resulting in lower trade performance (export:-8.9%yoy; import:-12%yoy). Nevertheless, overall export from Germany increased on a positive note as the COVID-19 outbreak was more benign in Germany at that time.
- Brent crude oil was back in the red zone after settling 7.7% lower at USD31.5pb. The latest OPEC meeting saw the cartel agreeing to a 10m barrels per day output cut by June that would still cover only a third of the demand estimated lost to the coronavirus pandemic. Meanwhile Russia and OPEC said they wanted other producers including the United States and Canada to cut a further 5%. But efforts to conclude the deal hit the buffers when Mexico said it would only cut output by a quarter of the amount demanded by OPEC+. Nevertheless, the U.S offered to make cuts of about 250,000 barrels per day on Mexico's behalf.

<b>Table 1</b> Weekly performance of major indices		
Weekly % change	Week before	Last week
India SENSEX	-7.46	12.93
Dow Jones	-2.70	12.67
S&P 500	-2.08	12.10
DAX	-1.11	10.91
Nikkei	-8.09	9.42
CAC 40	-4.53	8.48
FTSE 100	-1.72	7.89
Korea KOSPI	0.45	7.84
Thai SET	3.55	7.83
FSSTI Index	-5.52	7.62
Taiwan TAIEX	-0.36	5.11
Hang Seng	-1.06	4.58
Phil PCOMP	1.53	3.06
KLCI	-0.93	2.02
China CSI 300	0.09	1.51
Jakarta JCI	1.71	0.55

Source: Bloomberg

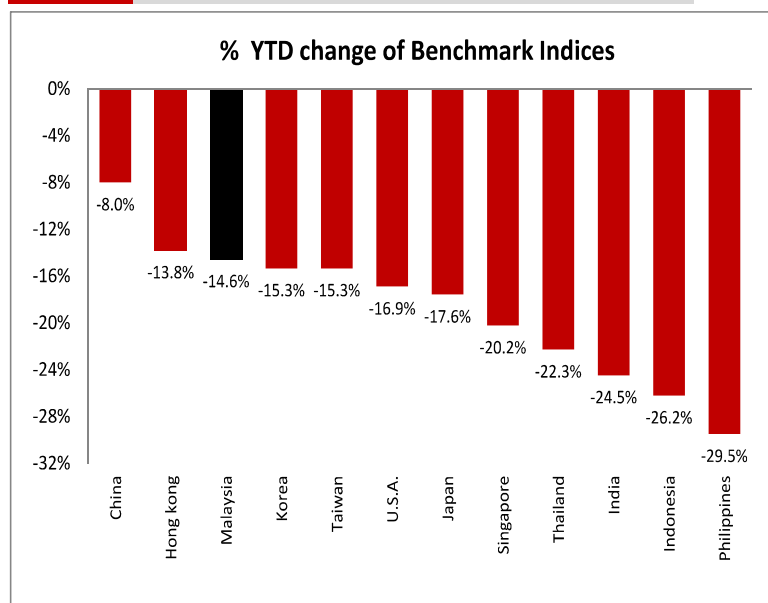
## FUND FLOW REPORT

- The FBM KLCI advanced 2.0% for the week after settling at 1,357.5 points. Similarly, the Ringgit appreciated by 1.1% against the greenback to reach USD/MYR4.3097 during the week.3097 during the week.

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

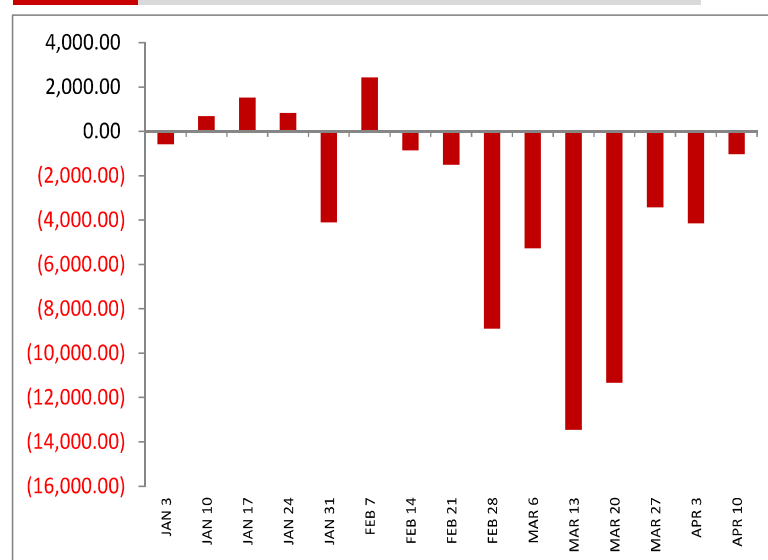
- While the foreign net selling streak in Asian markets has reached its ninth week, the pace of selling activity has indeed reduced. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” sold -USD1.04b net last week compared to the -USD4.15b disposed in the week before. This is the lowest weekly foreign net outflow in eight weeks.
- The weekly foreign net outflow in South Korea was halved to -USD919.5m last week. Foreign investors were net sellers on every day of the week, extending the daily selling spree to 27 days, possibly the longest in history. Monday saw a moderate foreign net outflow of -RM76.1m, the smallest during the week as the Eurozone epicentre cases declined, signalling the possibility of some stability in the spread of the disease. Aside from that optimism came from Samsung Electronic Co.’s guidance that its 1QCY20 revenue was approximately USD44.9b or +5.5%yoy higher. Meanwhile, international funds sold the most during the week on Tuesday at -USD278.3m net despite the KOSPI’s 1.8% advance to close above 1,800 points for the first time in nearly a month.
- Taiwan bucked the regional trend, recording a foreign inflow of USD71.7m net last week after eight consecutive weeks of foreign net selling. Foreign net buying peaked on Tuesday at -USD248.8m net amidst the rally in Taiwan chip makers after Samsung Electronics Co. highlights stronger demand for memory products as people working from home need more personal computers and notebooks. In contrast, foreign net selling was the highest on Thursday at -USD285.8m net despite improving investor sentiment over the Covid-19 pandemic. On the macroeconomic front, Taiwan’s trade surplus narrowed to USD2.8b in Mar-20 from USD3.1b in the same month last year as exports contracted marginally although sales of telecommunication gear will benefit from more people working remotely.

**Chart 1** Cumulative performance of major markets



Source: Bloomberg

**Chart 2** Weekly Net Flow of Foreign Funds into 7 Asian Markets since Jan 2020 (USD'm)

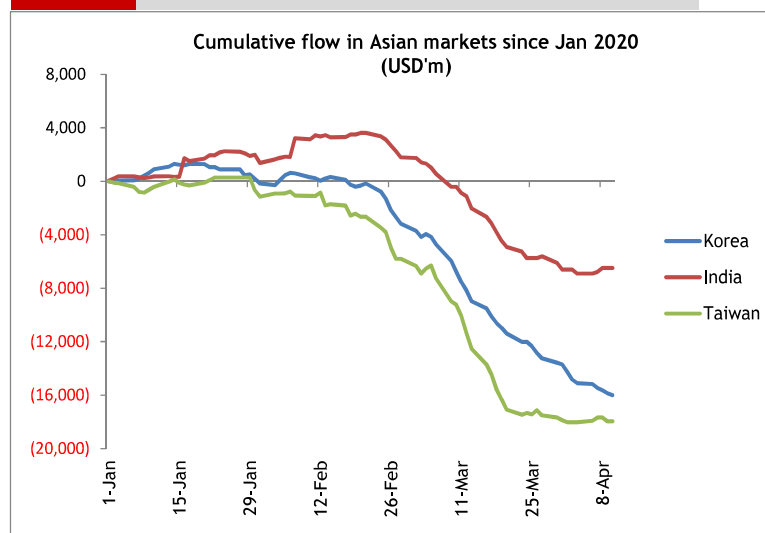


Source: Bloomberg, Bursa Malaysia, MIDFR

<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.

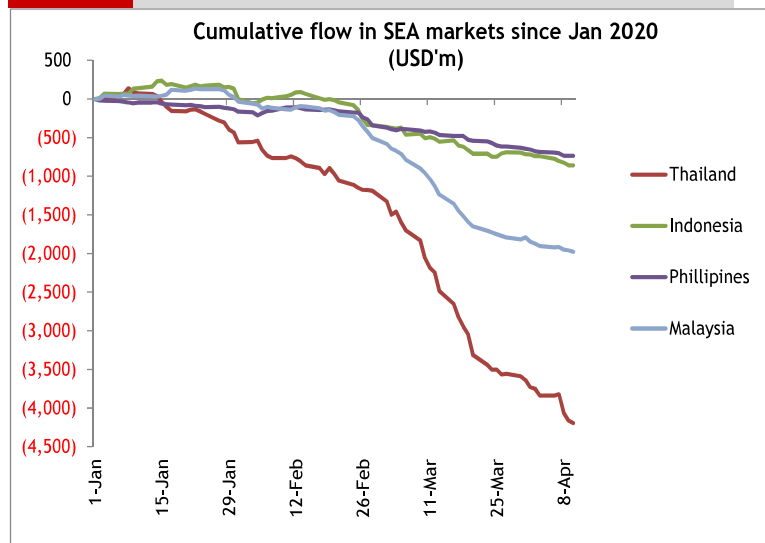
- In emerging South East Asian markets that we monitor, all markets continue to experience foreign net attrition.
- In Thailand, foreign investors sold -USD356.4m net during the holiday-shortened week compared to -USD280.7m in the preceding week and marked the 13th consecutive week of foreign net selling. Foreign net selling occurred on every day of the week except Tuesday which saw a foreign net inflow of USD15.5m as the SET Index rose 6.7% to close at 1,215.0, the highest level since March 11, boosted by the Thai government's plan on borrowing THB1billion for its latest stimulus package to counter the economic impact from the Covid-19 pandemic.
- The level of Manila's foreign net selling activity declined slightly to -USD49.6m last week. International funds were net sellers on every day of the week with Wednesday recording the highest foreign net outflow during the week at -USD33.2m, dragging the local bourse -2.5% down before markets were closed on Thursday and Friday in conjunction with Good Friday. Investors took profit ahead of the long weekend as news of an additional USD1 trillion stimulus by the U.S government was already priced in the day before while Covid-19 cases remained fluid as more Eurozone countries are imposing movement restrictions.
- In Jakarta, the momentum of foreign net selling activity more than doubled to reach -USD115.6m last week. Foreign net outflow was the highest on Tuesday at -USD32.7m. Notwithstanding the exodus of foreign funds from Indonesia, its local bourse is one of the first in Asia Pacific to enter into a technical bull market, rising over 20% from lows reached just weeks ago as investor sentiment was buoyed by a slowing death toll in some of the world's Covid-19 hotspots.

**Chart 3** Net Flow of Foreign Funds into Taiwan, Korea and India since Jan 2020 (USD'm)



Source: Bloomberg, MIDFR

**Chart 4** Net Flow of Foreign Funds into South East Asia Emerging Markets since Jan 2020 (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
FEB 21	-486.6	-199.0	-106.4	-24.5	322.8	-918.2	-107.4	-1,519.3
FEB 28	-3,002.9	-131.7	-297.1	-184.9	-1,824.8	-3,159.9	-299.5	-8,900.9
MAR 6	-1,580.2	-512.9	-123.6	-49.4	-1,246.4	-1,469.8	-283.9	-5,266.1
MAR 13	-4,233.6	-782.3	-89.6	-73.5	-2,573.2	-5,252.4	-450.2	-13,454.8
MAR 20	-2,414.7	-829.1	-157.3	-74.0	-2,878.5	-4,565.9	-411.6	-11,331.1
MAR 27	-1,856.7	-244.5	18.2	-75.9	-706.4	-420.8	-143.5	-3,429.7
APR 3	-1,845.0	-280.7	-50.6	-69.2	-1,281.9	-508.9	-111.4	-4,147.8
APR 10	-919.5	-356.4	-115.6	-49.6	407.7	71.7	-75.2	-1,036.9

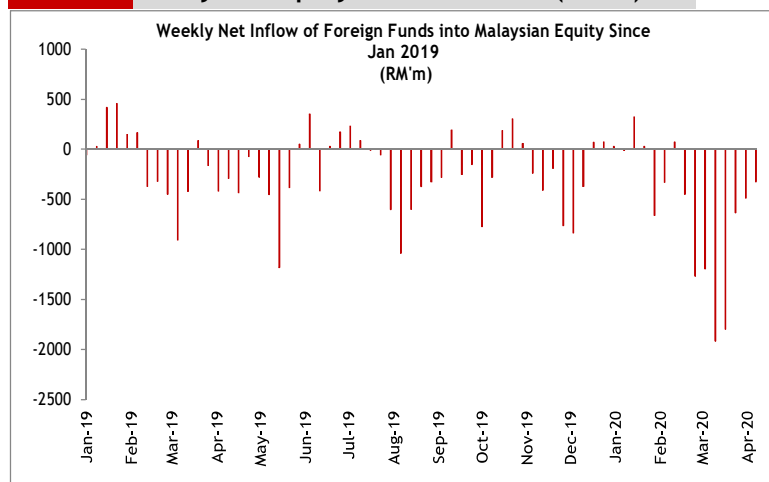
Source: Respective exchange statistics reported on Bloomberg. Bursa Malaysia. These figures are subject to revisions.

## FUND FLOW REPORT

### C. TRACKING MONEY FLOW - MALAYSIA

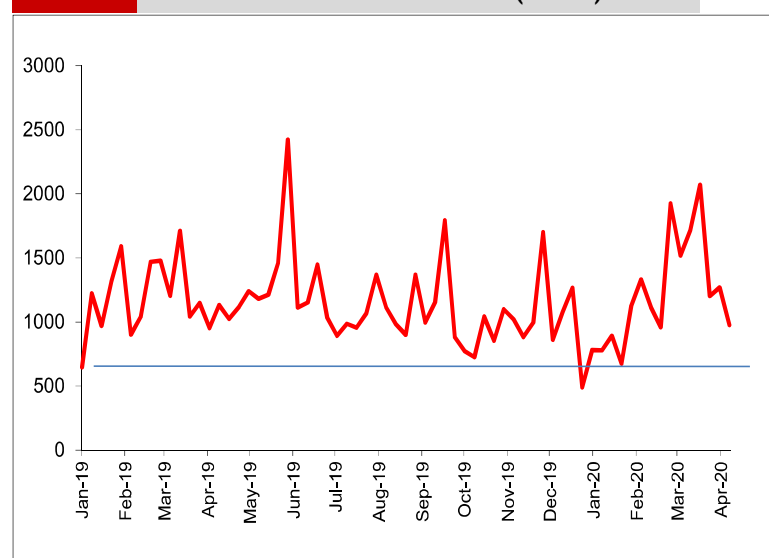
- Last week saw further deceleration in net selling on Bursa by offshore investors. This was for the eighth week running. Based on data from Bursa, international investors sold -RM326.0m net of local equities last week compared to the -RM486.0m net disposed in the preceding week.
- In comparison to its other six Asian peers that we monitor, Malaysia remains as the nation with the third smallest foreign net outflow on a year-to-date basis. The year-to-date foreign outflow from Malaysia came to -RM8.45b.
- International funds sold -RM66.5m net on Monday, a level deemed contained as new cases of Covid-19 appeared to slow in the U.S and Europe including France and Italy.
- Foreign investors made a modest return to Bursa on Tuesday by snapping up RM2.40m net of local equities as investors digested the additional RM10b assistance package targeted at SMEs. The foreign net buying on Tuesday lifted the local bourse by 2.1% to a three-week high of 1,369.9 points.
- However, the foreign net selling peaked during the week on Wednesday at -RM136.9m as cautiousness drove sentiment after the daily coronavirus death tolls in the US and UK reached their highest levels.
- The level of foreign net selling nevertheless shrank to -RM36.3m on Thursday, the lowest in a day since mid-February this year. Thursday's optimism was driven by hopes that the outcome of the meeting between OPEC members and its allies will help support crude oil prices.
- Friday then saw a foreign net outflow of -RM88.7m, coinciding with the announcement of the movement control order being extended to 28 April 2020. The risk-off sentiment was also sparked by the smaller-than-expected quantum of oil output cuts agreed by the OPEC and its allies.
- In terms of participation, the average daily traded value (ADTV) of foreign investors declined 23% to RM975m while retail and institutional investors saw a weekly increase in ADTV by 15% and 5% respectively.

**Chart 5** Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2019 (RM'm)



Source: Bursa Malaysia statistics, MIDFR

**Chart 6** Foreign Participation on Bursa: Daily Average for the Week since Jan 2019 (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)	
MAR 6	3,306.6	3,044.6	262.0	6,003.1	5,076.3	926.9	3,199.3	4,388.2	-1,188.9	-283.9
MAR 13	4,941.3	4,118.3	823.0	9,398.2	8,309.3	1,088.9	3,335.2	5,247.0	-1,911.9	-450.2
MAR 20	4,223.8	4,338.4	-104.7	8,921.6	7,371.6	1,549.9	4,281.1	6,075.4	-1,794.4	-411.6
MAR 27	3,699.8	3,738.7	-38.9	5,947.9	5,277.1	670.8	2,692.0	3,323.9	-631.9	-143.5
APR 3	4,055.2	3,686.4	368.6	5,447.4	5,330.1	117.4	2,930.1	3,416.1	-486.0	-111.4
APR 10	4,621.5	4,323.4	298.1	5,671.4	5,643.4	28.0	2,275.2	2,601.2	-326.0	-75.2

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 10 APRIL**
**TOP 10 NET MONEY INFLOWS**

- CIMB Group Holdings Berhad registered the highest net money inflow of RM12.38m last week. Its share price gained 0.57% for the week, underperforming the local bourse which had a 2.02% weekly gain.
- Malaysia Airports Holdings Berhad recorded the second highest net money inflow of RM6.73m. Its share price was 2.09% higher, outperforming the local bourse which had a 2.02% weekly gain.
- Hartalega Holdings Berhad saw the third highest net money inflow of RM4.69m. Its share price was 8.26% higher during the week, outperforming the local bourse which was 2.02% higher.

**Table 4** Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
CIMB GROUP	12.38	5.74	0.57	-
MAHB	6.73	-3.17	2.09	-
HARTALEGA	4.69	-1.78	8.26	-
RHB BANK	3.84	0.43	2.85	-
PETCHEM	2.73	-1.35	0.42	-
GENT MSIA	2.14	2.93	1.97	-
TIME DOTCOM	1.92	0.30	0.65	-
SUNWAY REIT	1.69	0.09	-1.89	BOW
MISC BHD	1.67	-2.66	0.80	-

Source: Bloomberg, MIDFR;

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

**TOP 10 NET MONEY OUTFLOWS**

- MY EG Services Berhad saw the largest net money outflow of -RM9.79m last week. Its stock price was 1.04% higher for the week, underperforming vis-à-vis the FBM KLCI which was 2.02% higher during the review week.
- Tenaga Nasional Berhad recorded the third largest net money outflow -RM7.09m during the week under review. Its share price was 1.01% higher during the week, underperforming the market benchmark which had a 2.02% 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.
- Lotte Chemical Titan Holdings Berhad registered the third largest net money outflow of -RM1.54m in the review week. Its share price was 5.08% higher during the week under review, outperforming the local benchmark which was 2.02% higher 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		
MY EG	-9.79	-4.23	1.04	SOS
TNB	-7.09	-1.04	1.01	SOS
LOTTE CHEM	-1.54	-1.04	5.08	SOS
TOP GLOVE	-1.42	4.63	1.56	SOS
GENTING PLTN	-1.35	1.29	0.53	SOS
FGV	-1.30	0.51	1.76	SOS
VELESTO	-1.24	-1.53	0.00	-
AIRASIA GROUP	-1.12	0.39	-12.65	-
SAPURA ENERGY	-1.05	-1.06	5.26	SOS
V.S. INDUSTRY	-0.99	0.04	25.33	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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**Business Address:**  
11th Floor, Menara MIDF,  
82, Jalan Raja Chulan, 50200  
Kuala Lumpur.  
Tel: 2173 8888  
Fax: 2173 8380