

MIDF EQUITY STRATEGY | 18 MAY 2020

WEEK ENDED 15 MAY 2020

- Major equity markets worldwide ended in the red last week as investors contemplating on the benefits of reopening the economy against worries that such a move will lead to fresh waves of Covid-19 infections.
- Brent crude oil price had a 4.9% weekly gain to settle at USD32.50pb last Friday which was also the highest during the week. The boost in oil price was helped by signs consumption is recovering just as the major producers cut back on output, eating into the massive glut that caused a dramatic drop in prices. U.S. oil rigs, as measured by oil services firm Baker Hughes, fell by 34 last week to reach 258.
- In Asia, the pace at which international investors were reducing their exposure in equities quickened by three times. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” disposed -USD4.32b net last week, compared to the -USD1.42b bought in the week before.
- Selling activity amongst foreign investors increased last week. Based on data from Bursa, international investors sold -RM843.2m net of local equities last week compared to the -RM774.1m disposed in the week before.
- The FBM KLCI gained by 1.5% for the week after settling at 1,403.4 points. Likewise, the Ringgit appreciated by 0.4% against the greenback to reach USD/MYR4.351 during the week.

WORRIES OF COVID-19 RESURGENCE INCREASES OUTFLOWS

A. MARKET SNAPSHOT

- Major equity markets worldwide ended in the red last week as investors contemplating on the benefits of reopening the economy against worries that such a move will lead to fresh waves of Covid-19 infections.
- US equities edged higher on Friday as a continued oil-price rally outweighed jarring retail-sales data and intensifying US-China trade tensions. Aside from that, U.S. consumer sentiment inched higher in the early part of May after massive stimulus measures undertaken by the government to sustain the economy amid the Covid-19 pandemic. This was despite the drop in U.S retail sales by a record of 16.4% from March to April 2020. The University of Michigan's consumer sentiment index came in at 73.7 for May. That's up from 71.8 in April.
- In Asia, China's industrial output surged in April for the first time since the coronavirus outbreak. This was supported by the government's push for work resumption although investment and consumption continued to fall from a year earlier amidst sluggish domestic demand. Industrial output rose 3.9% from a year earlier, reversing a drop of 1.1% in March, data showed Friday. Fixed-asset investment decreased 10.3% in the first four months, a smaller decline than the 16.1% drop in the January-March period. Retail sales slid 7.5%, more than the projected 6% drop. The surveyed urban jobless rate, which doesn't include all of the workforce, rose to 6.0%, from March's 5.9%.
- Over in Europe, German consumer price inflation eased less-than-estimated to 0.9% in April from 1.4% in March due to lower energy prices amid coronavirus pandemic. It was also the lowest since Nov-16 as inflation for both goods and services eased. Goods inflation slowed to 0.3% from 1.3% in Mar-20 mainly due to further decline in energy prices at -5.8%yoy (Mar-20: -0.9%yoy). Meanwhile, food inflation surged to 4.8%yoy (Mar-20: 3.7%yoy). The performance was in line with lower oil prices due to oil price war and storage capacity. Lockdowns and restrictive movements in an effort to contain the Covid-19 pandemic has disrupted demand for a wide array of goods and services but necessity items such as food.
- Brent crude oil price had a 4.9% weekly gain to settle at USD32.50pb last Friday which was also the highest during the week. The boost in oil price was helped by signs consumption is recovering just as the major producers cut back on output, eating into the massive glut that caused a dramatic drop in prices. U.S. oil rigs, as measured by oil services firm Baker Hughes, fell by 34 last week to reach 258, marking the ninth week of decline in the U.S oil-rig count. The total active U.S. rig count, meanwhile, also fell by 35 to 339.

Table 1 Weekly performance of major indices		
Weekly % change	Week before	Last week
KLCI	-1.81	1.53
Thai SET	-2.74	1.16
Nikkei	2.85	-0.70
Taiwan TAIEX	-0.83	-0.79
Korea KOSPI	-0.09	-0.95
China CSI 300	1.30	-1.28
Phil PCOMP	-1.38	-1.42
India SENSEX	-6.15	-1.72
Hang Seng	-1.68	-1.79
Jakarta JCI	-2.52	-1.95
S&P 500	3.50	-2.26
FTSE 100	3.00	-2.29
FSSTI Index	-1.23	-2.64
Dow Jones	2.56	-2.65
DAX	0.39	-4.03
CAC 40	-0.49	-5.98

Source: Bloomberg

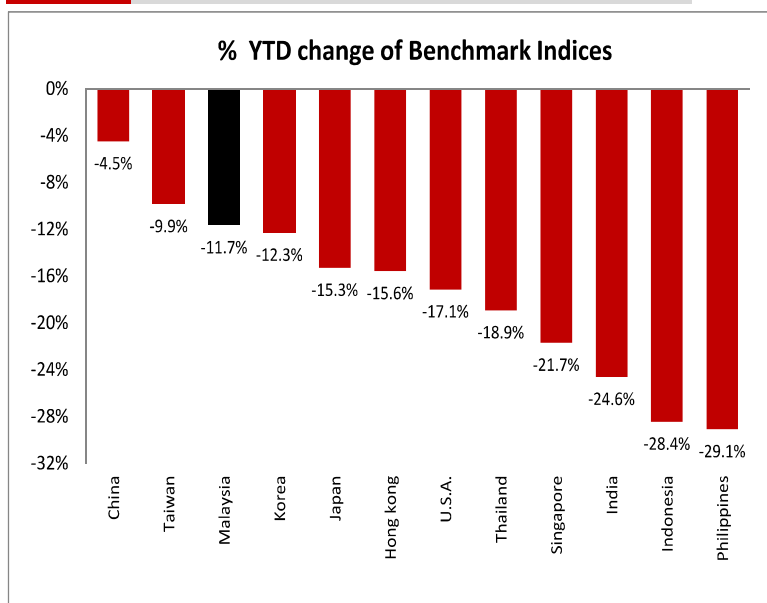
FUND FLOW REPORT

- The FBM KLCI gained by 1.5% for the week after settling at 1,403.4 points. Likewise, the Ringgit appreciated by 0.4% against the greenback to reach USD/MYR4.351 during the week.

B. TRACKING MONEY FLOW - ASIA¹

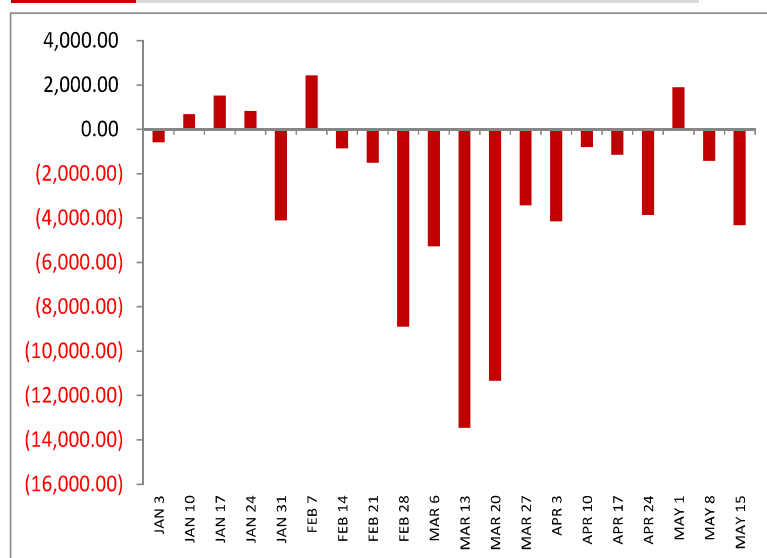
- In Asia, the pace at which international investors were reducing their exposure in equities quickened by three times. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” disposed -USD4.32b net last week, compared to the -USD1.42b bought in the week before.
- The foreign net outflow seen in South Korea accelerated to -USD1.67b last week. International funds were net sellers on every day of the week with Thursday recording the highest at -USD467.5m, coinciding with the KOSPI’s -0.8% decline to settle at 1,925 points. Investors focused on the bleak outlook from U.S. Federal Reserve Chair Jerome Powell, who delivered an assessment for a slow economic recovery from the novel coronavirus fallout. Moreover, growing concerns over renewed trade tensions between the United States and China also weighed down the local market. On the other hand, foreign investors sold the least on Monday at a tune of -USD226.9m net as Asian markets generally gained, as traders mulled the global COVID-19 pandemic against a backdrop of regions and nations implementing economy re-start programs.
- In Taiwan, the level of foreign net outflow did not change much as foreign investors only sold -USD1.62b compared to -USD1.79b in the preceding week. Foreign net selling occurred on every single day of the week except on Monday which saw a foreign net inflow of USD118.4m as investors digested the move of several countries to reopen the economy. Tuesday then saw foreign net selling peak at -USD849.6m. Taiwan’s local bourse fell more than 130 points to close below the 10,900 point mark on Tuesday as sentiment was spooked by concerns over a possible second wave of Covid-19 infections after South Korea and China reported new cases following the easing of lockdowns.

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)

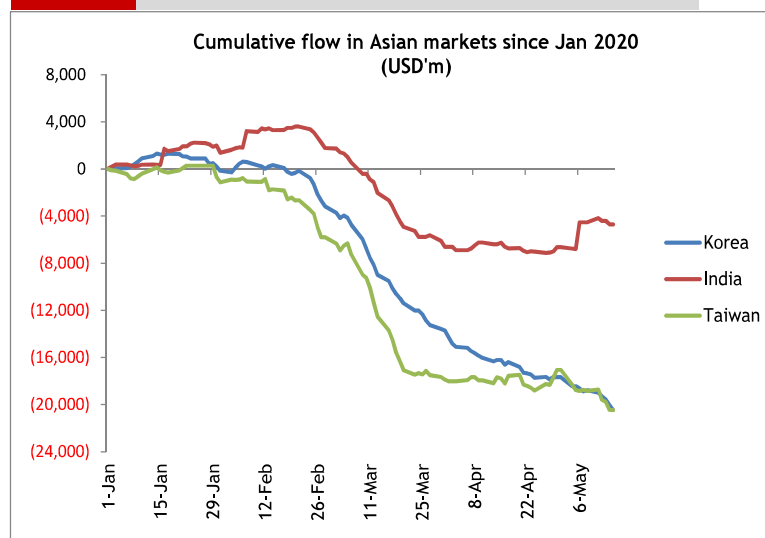


Source: Bloomberg, Bursa Malaysia, MIDFR

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.

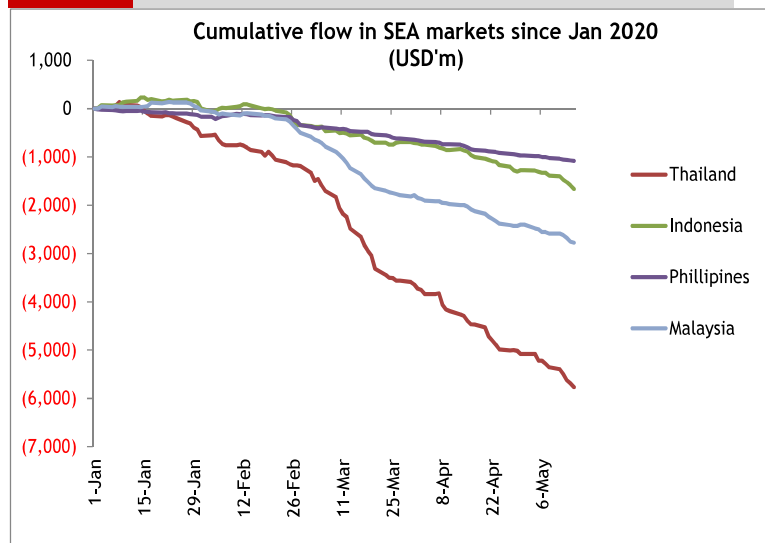
- In emerging South East Asian markets that we monitor, all markets continue to experience foreign net attrition.
- In Thailand, the momentum of foreign net selling accelerated to -USD411.1m from -USD276.4m from the week before. Foreign net outflow was the highest on Wednesday at -USD125.6m owing to negative sentiments related to worries of a second wave of Covid-19 infections and weak financial reports from many corporations. Meanwhile, foreign net selling was the lowest on Monday as international investors only sold while the local bourse closed 1.7% higher at 1,287 points following the agreement between the U.S and China to move forward on the first phase of their trade deal.
- In Manila, foreign net selling activity slightly increased from -USD48.7m to -USD64.4m last week. International investors were net sellers on every day, extending the selling streak to eight days. Tuesday saw the highest foreign net outflow during the week at -USD19.3m amid a number of areas being placed under the modified enhanced community quarantine (MECQ) until May 31, including Metro Manila. In contrast, foreign funds sold the least on Thursday at -USD7.3m as the overall selling activity was cushioned by last-minute bargain hunting, lifting the PSEi by 0.5%.
- In Jakarta, the level of foreign net selling increased to -USD277.5m last week. Foreign net selling peaked on Friday at -USD73.3m as Bank Mandiri and Bank Rakyat Indonesia led declines among Indonesian banks as investors remain cautious on bank earnings amidst loan provision concerns. This was exacerbated by news in Europe that Germany has fallen into a technical recession with a -2.2% quarter-on-quarter decline in GDP in 1Q20.

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
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	654.5	71.7	-75.2	-790.1
APR 17	-369.2	-276.5	-142.1	-122.1	-483.9	392.7	-146.5	-1,147.4
APR 24	-1,339.9	-512.1	-171.2	-60.8	-282.7	-1,242.6	-258.5	-3,867.9
MAY 1	50.7	-95.3	-102.8	-53.0	378.1	1,737.4	-19.7	1,895.3
MAY 8	-1,105.1	-276.4	-110.0	-48.7	2,096.1	-1,792.6	-179.2	-1,415.9
MAY 15	-1,672.0	-411.1	-277.5	-64.6	-168.0	-1,619.8	-194.5	-4,407.5

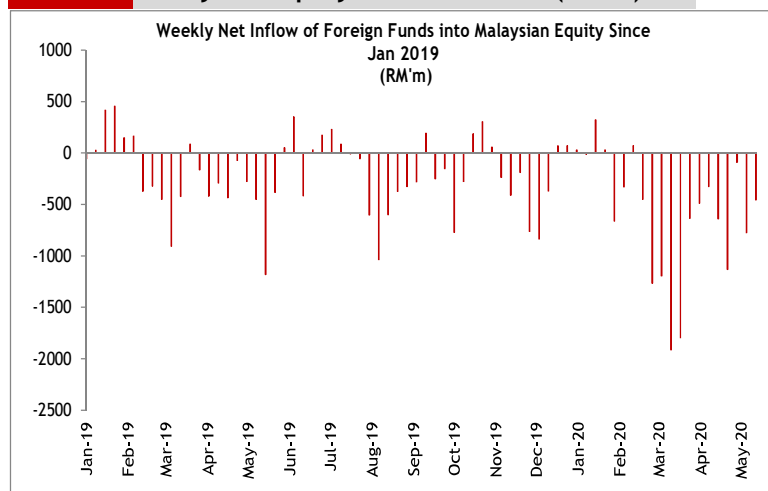
Source: Respective exchange statistics reported on Bloomberg. Bursa Malaysia. These figures are subject to revisions.

FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

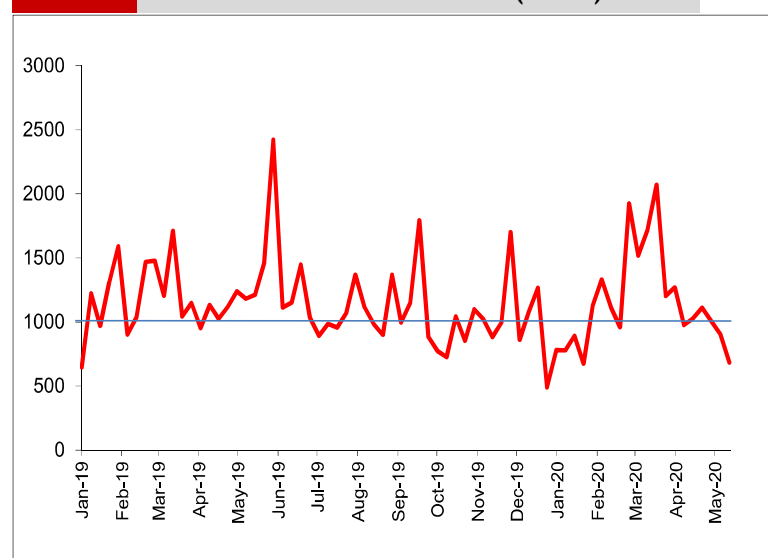
- Selling activity amongst foreign investors increased last week. Based on data from Bursa, international investors sold -RM843.2m net of local equities last week compared to the -RM774.1m disposed in the week before.
- In comparison to its other six Asian peers that we monitor, Malaysia remains as the nation with the third smallest foreign net outflow on a year-to-date basis after Indonesia and the Philippines. Foreign investors have so far taken out -RM11.9b net of local equities from Malaysia.
- As markets reopened from the public holiday, foreign investors on Tuesday sold -RM159.9m on growing worries about a second wave of Covid-19 infections after the city of Wuhan lifted its lockdown.
- Trading volume on Bursa skyrocketed to a record of 9.6b shares on Wednesday amidst interest in healthcare related counters sparked by a possible second wave of Covid-19 infections. The local stock barometer closed 1.3% higher on the same day, supported by the RM275.0m purchase of equities by local institutions. Meanwhile, foreign net selling activity inched higher on to -RM239.6m.
- The momentum of foreign net outflow accelerated on Thursday to -RM334.6m, after overnight Wall Street declines and generally headed south as investors weighed economies wracked by the tenacious COVID-19 pandemic and cautious commentary Wednesday by US Federal Reserve Board Chairman Jerome Powell
- Friday witnessed a slowdown in foreign net selling to -RM109.0m amidst the rise in China's industrial output for the first time since the Covid-19 outbreak. Industrial output rose 3.9% from a year earlier, reversing a drop of 1.1% in March.
- In terms of participation, all investor groups saw a weekly increase in their average daily traded value (ADTV). Foreign investors recorded the smallest weekly gain in ADTV of 44.1% to return above the healthy RM1b mark.

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)	
APR 10	4,622.9	4,324.7	298.1	5,670.0	5,642.1	27.9	2,275.2	2,601.2	-326.0	-75.2
APR 17	3,939.2	3,969.9	-30.7	5,809.5	5,142.2	669.3	2,254.3	2,892.9	-638.6	-146.5
APR 24	5,269.9	4,703.3	566.6	6,589.3	6,025.6	563.7	2,214.7	3,344.9	-1,130.3	-258.5
MAY 1	3,882.8	3,808.3	74.5	4,689.6	4,676.5	13.1	1,971.9	2,059.5	-87.6	-19.7
MAY 8	4,181.1	3,874.8	306.4	5,112.7	4,645.0	467.7	1,420.2	2,194.3	-774.1	-179.2
MAY 15	6,655.9	6,479.2	176.6	7,903.7	7,237.2	666.5	2,182.3	3,025.5	-843.2	-194.5

Source: Bursa's data * Estimate by MIDF Research based on prevailing exchange rate.

D. MONEY FLOW² AMONG BURSA'S TOP 100 CAPITALIZED STOCKS: WEEK ENDED 15 MAY
TOP 10 NET MONEY INFLOWS

- Top Glove Corporation Berhad registered the highest net money inflow of RM27.09m last week. Its share price gained 42.0% for the week, substantially outperforming the local bourse which had a 1.5% weekly gain.
- Hartalega Holdings Berhad recorded the second highest net money inflow of RM14.18m. Its share price was 23.6% higher, outperforming the local bourse which had a 1.5% weekly gain.
- MISC Berhad saw the third highest net money inflow of RM6.18m. Its share price was 1.27% higher during the week, underperforming the local bourse which was 1.5% HIGHER.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
TOP GLOVE	27.09	9.62	42.00	-
HARTALEGA	14.18	-0.07	23.61	-
MISC BHD	6.18	0.89	1.27	-
NESTLE	3.39	0.75	1.16	-
RHB BANK	2.60	0.51	0.86	-
HONG LEONG	2.57	4.85	0.75	-
LOTTE CHEM	2.50	-0.20	0.55	-
SIME DARBY	2.47	-0.53	-1.02	BOW
MAYBANK	2.27	-4.11	-0.13	BOW
KOSSAN RUBBER	1.95	-0.01	31.28	-

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- CIMB Group Holdings Berhad saw the largest net money outflow of -RM6.57m last week. Its stock price was 0.6% higher for the week, underperforming vis-à-vis the FBM KLCI which advanced 1.5% during the review week.
- IHH Healthcare Berhad recorded the second largest net money outflow of -RM2.91m during the week under review. Its share price was 6.4% higher during the week, outperforming the market benchmark which had a 1.5% weekly gain.
- Public Bank Berhad registered the third largest net money outflow of -RM2.46m in the review week. Its share price was -2.5% lower during the week under review, underperforming the local benchmark which was 1.5% higher for the week. It is notable that the net money outflow amidst advancing share price may indicate a sell on strength (SOS) stance among some investors.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
CIMB GROUP	-6.57	2.68	0.58	SOS
IHH	-2.91	0.33	6.40	SOS
PUBLIC BANK	-2.46	-2.51	-2.54	-
DIALOG	-1.66	-0.54	4.88	SOS
HEINEKEN	-1.58	-0.05	-2.17	-
MMC CORP	-1.02	0.41	0.71	SOS
IOI CORP	-0.94	0.73	2.84	SOS
VELESTO	-0.79	-0.54	-6.67	-
PPB GROUP	-0.61	0.10	3.30	SOS
V.S INDUSTRY	-0.59	-0.76	-2.17	-

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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