

MIDF EQUITY STRATEGY | 27 MAY 2020

WEEK ENDED 22 MAY 2020

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- Brent crude oil price had an 8.1% weekly advance to settle at USD35.13pb last Friday, posting its fourth consecutive week of gains. Sentiment towards the end of the week was dampened by tensions between the U.S and China centred on the former's imposition of a new national security law on Hong Kong.
- In Asia, foreign net selling activity took a breather last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" disposed -USD1.74b net last week, compared to the -USD5.03b sold in the week before.
- The momentum at which offshore investors reduced their exposure in Bursa slowed down slightly last week. Based on data from Bursa, international investors sold -RM714.7m net of local equities last week compared to the -RM843.2m disposed in the week before.
- The FBM KLCI gained by 2.4% for the week after settling at 1,436.8 points. In contrast, the Ringgit depreciated by 0.3% against the greenback to reach USD/MYR4.3625 during the week.

27 May 2020 | Strategy - Weekly Fund Flow

Adam M Rahim

RENEWED U.S-CHINA TENSIONS CAUSES RUSH TO SAFE HAVEN ASSETS**A. MARKET SNAPSHOT**

- Major equity markets worldwide ended mixed last week as the week featured not only optimism over the reopening of the economy but also a renewal of trade tensions.
- In spite of the easing of lockdown restrictions, another 2.4 million Americans filed for unemployment insurance in the week before. This brings the nine-week total to nearly 39 million, more than the roughly 37 million people who filed unemployment-insurance claims during the year and a half of the Great Recession. Nevertheless, the Dow Jones index saw a weekly gain of 3.3%, marking its best week since early April. Investors were encouraged throughout the week as all 50 states relaxed some of their coronavirus-induced lockdown restrictions ahead of the Memorial Day weekend.
- In Asia, Japan's final industrial production declined by -5.2%yoy in Mar-20 from -5.7%yoy in Feb-20, being the sixth month recording a negative growth. The Covid-19 crisis contributed to the decline as most businesses were out of operation with restrictive measures taking place alongside weakening trade activities with most major countries imposing lockdown in Mar-20. The decline was mostly due to a drop in mining by -4.6%yoy (Feb-20: -1.2%yoy), electricity, gas and heat supply by -1.3%yoy (Feb-20: -0.3%yoy), petroleum chemical products by -17.6%yoy (Feb-20: 0.1%yoy).
- Over in Europe, United Kingdom annual inflation rate in Apr-20 slowed to 0.8% from 1.5% in Mar-20. This was the lowest recorded since Aug-16. The moderation in inflation was due to the slowdown of prices in non-food items, particularly in clothing and footwear (-2.9%yoy from -1.2%yoy in Mar-20), transport by (-1%yoy from 1.3%yoy in Mar-20) and health by (2.2%yoy from 3.2%yoy in Mar-20). The fall was associated with the outbreak of COVID-19 due to the lockdown imposed that limited overall domestic demand and also declining oil prices. On a separate note, the number of people claiming unemployment related benefits in the UK accelerated by 856.5k to 2.1m in Apr-20, worse than market expectation and the highest monthly increase on record.
- Brent crude oil price had an 8.1% weekly advance to settle at USD35.13pb last Friday, posting its fourth consecutive week of gains. Sentiment towards the end of the week was dampened by tensions between the U.S and China centred on the former's imposition of a new national security law on Hong Kong. Nevertheless, last week's rally in oil price was fuelled by positive supply data and a positive outlook for demand now that countries have begun to ease coronavirus-related lockdown and restrictions. Major producers also continued to scale back production as U.S. explorers laid down another 21 oil rigs, bringing the total to the lowest since 2009.

Table 1 Weekly performance of major indices

Weekly % change	Week before	Last week
DAX	-4.03	5.82
CAC 40	-5.98	3.90
FTSE 100	-2.29	3.34
Dow Jones	-2.65	3.29
S&P 500	-2.26	3.20
KLCI	1.53	2.37
Korea KOSPI	-0.95	2.22
Thai SET	1.16	1.81
Nikkei	-0.70	1.75
Jakarta JCI	-1.95	0.85
Taiwan TAIEX	-0.79	-0.03
Phil PCOMP	-1.42	-0.05
FSSTI Index	-2.64	-0.94
India SENSEX	-1.72	-1.37
China CSI 300	-1.28	-2.27
Hang Seng	-1.79	-3.64

Source: Bloomberg

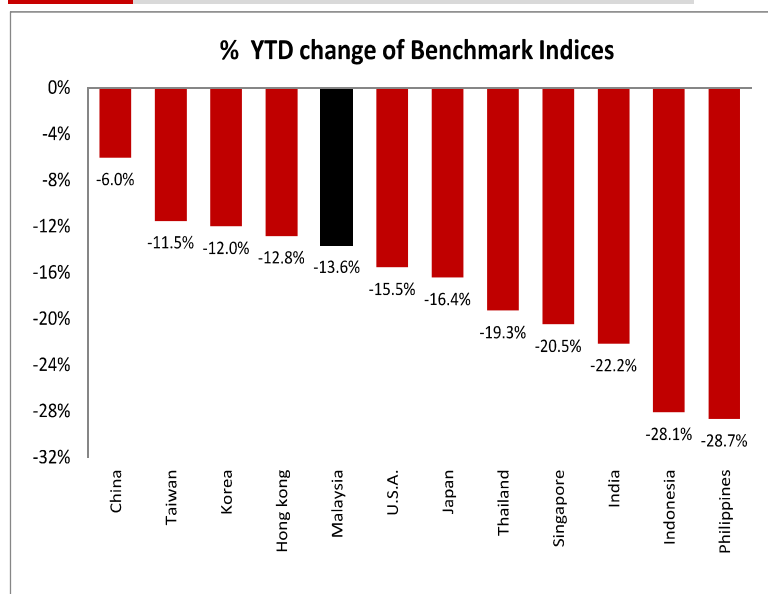
FUND FLOW REPORT

- The FBM KLCI gained by 2.4% for the week after settling at 1,436.8 points. In contrast, the Ringgit depreciated by 0.3% against the greenback to reach USD/MYR4.3625 during the week.

B. TRACKING MONEY FLOW - ASIA¹

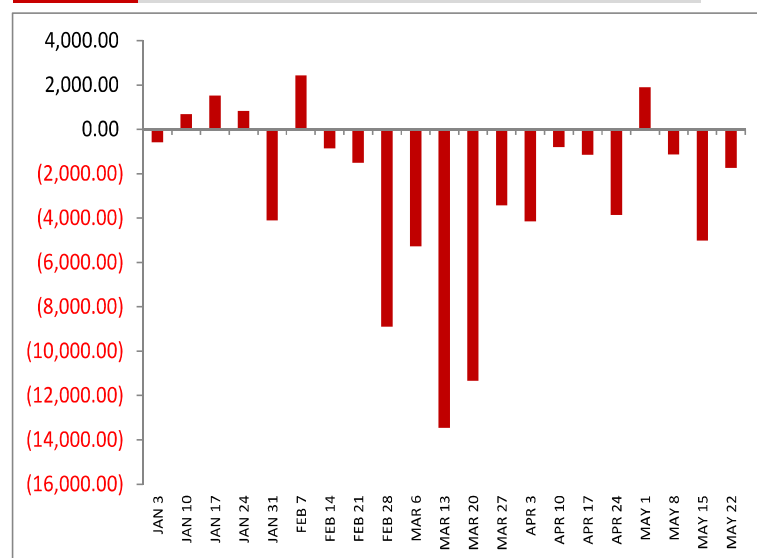
- In Asia, foreign net selling activity took a breather last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” disposed -USD1.74b net last week, compared to the -USD5.03b sold in the week before.
- The foreign net outflow seen in South Korea shrank to -USD61.5m last week from -USD1.67b in the preceding week. International funds were net sellers on Monday and Friday with Friday recording the highest foreign net outflow of -USD494.4m. On Friday, investors were jittered by an escalating dispute between the U.S and China that may undermine South Korea’s exports. For the period from 1-20 May, South Korea’s exports tumbled 20.3%, signalling that overall global demand and corporate activity remain depressed even as the world takes gradual steps toward reopening the economy. Meanwhile, foreign investors bought the most during the week on Tuesday at a tune of USD314.0m net after an overnight surge on Wall Street that followed a report from US drugmaker Moderna that a trial of a COVID-19 vaccine showed positive results. The KOSPI index followed suit to settle 2.3% higher at 1,980.6 points, the biggest daily gain since 17 April 2020.
- In Taiwan, the level of foreign net outflow declined to -USD1.31b from -USD1.62b in the week before. Foreign net selling occurred on Monday and Friday with Friday recording the highest foreign net outflow of -USD985.3m. Asian stocks took a beating on Friday amidst concerns that Hong Kong could see another wave of protests due to the Chinese security legislation. On the other hand, foreign net inflow was the highest during the week on Tuesday at USD152.0m. Taiwan’s local bourse closed 1.1% higher on Tuesday after a rally in U.S. stocks spurred by positive results for an experimental coronavirus vaccine developed by an American drugmaker.

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)

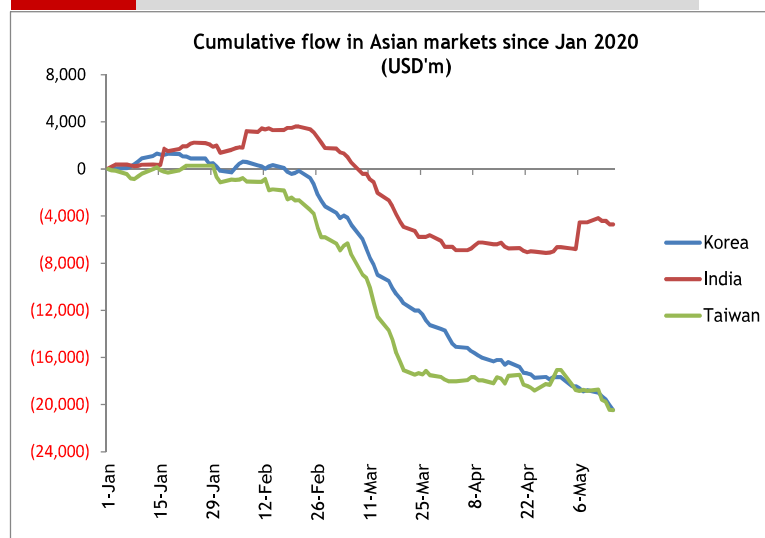


Source: Bloomberg, Bursa Malaysia, MIDFR

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.

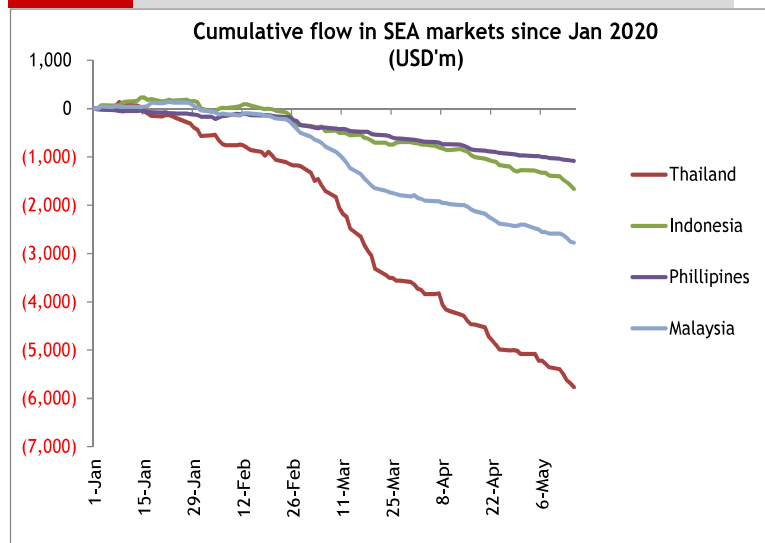
- In emerging South East Asian markets that we monitor, majority of markets continue to experience foreign net attrition.
- In Thailand, the momentum of foreign net selling slowed down slightly to -USD344.0m from -USD411.2m from the week before. Foreign net outflow peaked on Friday at -USD105.2m owing to the announcement that Thailand Cabinet had decided that Thai Airways must undergo a rehabilitation process via the bankruptcy courts. On the macroeconomic front, Thailand's gross domestic product declined by -1.8%yoy in 1Q20 following a 1.5%yoy increase in 4Q19 but better than market forecast of -3.6%yoy. The GDP shows a contraction for the first time since 4Q11 of -4%yoy.
- In Manila, foreign net selling activity was almost halved from -USD64.6m to -USD34.2m last week. International investors were net sellers on every day, extending the selling streak to 13 days. Similar to the majority of other markets, Friday saw international funds selling the most at a tune of -USD14.6m net as renewed U.S-China trade tensions dragged the local bourse by -1.3%.
- Jakarta bucked the regional trend as foreign investors mopped up USD938.0m of local equities last week, snapping the seven-week selling spree. It was notable that the market was operating for only three days during the week as markets were closed on Thursday and Friday for the Eid holiday. On Tuesday, foreign investors sold -USD140.6m net before staging a solid return to the market with a USD1.12b net foreign net inflow. Friday's foreign net inflow was the highest in a year despite being a day before the long weekend began.

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
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	2,381.5	-1,792.6	-179.2	-1,130.4
MAY 15	-1,671.5	-411.2	-277.8	-64.6	-785.7	-1,619.8	-194.5	-5,025.1
MAY 22	-61.5	-344.0	938.0	-34.2	-760.4	-1,310.2	-164.2	-1,736.4

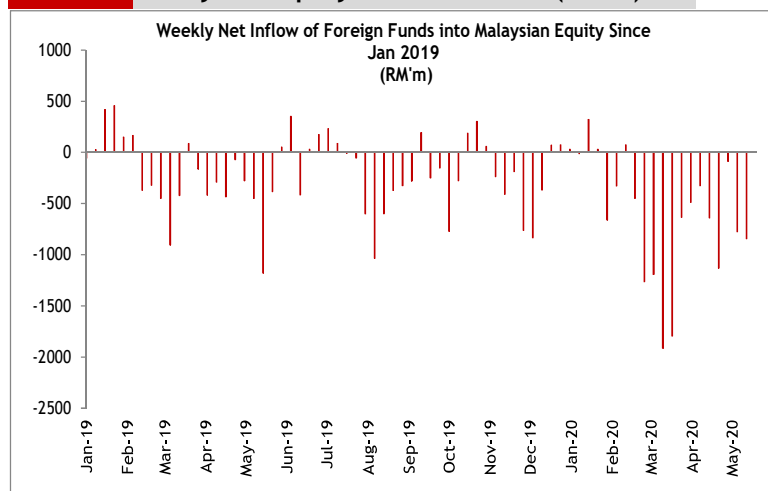
Source: Respective exchange statistics reported on Bloomberg. Bursa Malaysia. These figures are subject to revisions.

FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

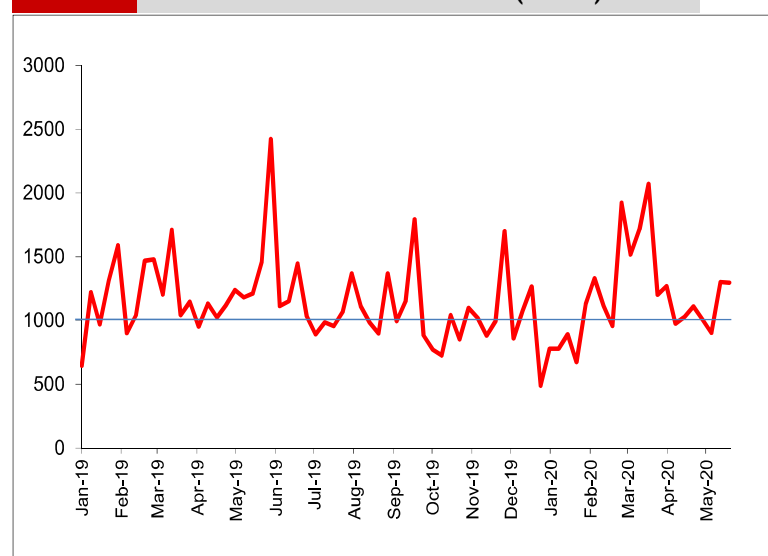
- The momentum at which offshore investors reduced their exposure in Bursa slowed down slightly last week. Based on data from Bursa, international investors sold -RM714.7m net of local equities last week compared to the -RM843.2m disposed in the week before.
- In comparison to its other six Asian peers 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 -RM12.6b net of local equities from Malaysia.
- Bursa began the week with a foreign net outflow of -RM122.3m on Monday. Meanwhile, trading volume on Bursa reached another record high of 11.2b shares on the same day supported by trading in oil and gas and infrastructure-related stocks on the back of strong energy prices and the prospects of a restart of mega-projects.
- The level of foreign net selling declined slightly to -RM93.8m on Tuesday sparked positive Covid-19 vaccine trial results by drugmaker, Moderna.
- The 10-day foreign net selling spree was snapped on Wednesday as foreign funds snapped up RM0.7m net of local equities. The entrance of offshore investors into Bursa was driven by the prospects for an additional government stimulus from Beijing.
- Nevertheless, the foreign net inflow was short-lived as foreign investors were back in selling mode at a tune of -RM178.9m on Thursday. Risk-off sentiment prevailed as the U.S Senate passed a bill that could bar Chinese companies from listing on American exchanges.
- Foreign net selling surged to -RM320.3m, the highest during the week as investors anticipated an escalation of U.S-China tensions after Beijing effectively proposed that China security laws be applied inside Hong Kong.
- In terms of participation, only foreign investors saw a weekly drop in their average daily traded value (ADTV). Foreign investors recorded a weekly decline in ADTV of 0.4% to remain 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 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
MAY 22	8,312.6	8,178.2	134.3	10,343.7	9,763.1	580.6	2,883.9	3,598.5	-714.7	-164.2

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 22 MAY
TOP 10 NET MONEY INFLOWS

- CIMB Group Holdings Berhad registered the highest net money inflow of RM12.02m last week. Its share price gained 0.29% for the week, underperforming the local bourse which had a 2.37% weekly gain.
- Tenaga Nasional Berhad recorded the second highest net money inflow of RM6.61m. Its share price was unchanged, underperforming the local bourse which had a 2.37% weekly gain.
- KLCCP Stapled Group saw the third highest net money inflow of RM5.52m. Its share price was 0.56% higher during the week, underperforming the local bourse which was 2.37% higher

TOP 10 NET MONEY OUTFLOWS


- Public Bank Berhad saw the largest net money outflow of -40.32m last week. Its stock price was -0.52% lower for the week, underperforming vis-à-vis the FBM KLCI which gained 2.37% during the review week.
- Top Glove Corporation Berhad recorded the second largest net money outflow -RM18.02m during the week under review. Its share price was 13.87% higher during the week, outperforming the market benchmark which had a 2.37% 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 Gas Berhad registered the third largest net money outflow of -RM7.60m in the review week. Its share price was 11.52% higher during the week under review, outperforming the local benchmark which was 2.37% higher for the week. 

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
CIMB GROUP	12.02	-6.57	0.29	-
TNB	6.61	1.54	0.00	-
KLCCP STAPLED	5.52	0.24	0.56	-
HARTALEGA	5.03	14.18	9.77	-
SERBA DINAMIK	4.99	0.78	12.58	-
GENTING PLTN	4.55	0.05	7.20	-
BURSA	4.35	1.49	17.65	-
TELEKOM	3.07	0.11	-1.17	BOW
SUNWAY BHD	2.33	-0.18	-1.92	BOW
KOSSAN RUBBER	2.28	1.95	10.16	-

Source: Bloomberg, MIDFR;

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

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
PUBLIC BANK	-40.32	-2.46	-0.52	-
TOP GLOVE	-18.02	27.09	13.87	SOS
PETGAS	-7.60	0.02	11.52	SOS
VELESTO	-5.22	-0.79	14.29	SOS
BUMI ARMADA	-4.03	-0.16	10.26	SOS
MMC CORP	-2.51	-1.02	20.57	SOS
MRCB	-2.03	0.08	11.58	SOS
BAT	-1.94	0.65	-10.94	-
SAPURA	-1.76	-0.51	11.11	SOS
NESTLE	-1.58	3.39	-1.86	-

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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