

MIDF EQUITY STRATEGY | 27 APRIL 2020

WEEK ENDED 24 APRIL 2020

- Major equity markets worldwide retreated last week amidst a confluence of negative factors especially from the commodities front.
- Brent crude oil price plunged 10.8% lower to settle at USD21.44pb last Friday, Over in the U.S, the price of West Texas Intermediate (WTI) has turned negative for the first time in history, falling as low as -USD37.6 per barrel on Monday. Demand for oil has all but dried up due to the lockdowns across the world. As a result, oil firms have resorted to renting tankers to store the surplus supply and that has forced the price of US oil into negative territory.
- In Asia, the momentum at which offshore investors were reducing exposure in equities accelerated substantially last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” sold -USD3.85b net last week.
- International investors upped the ante in selling activity on Bursa last week. Based on data from Bursa, international investors sold -RM1.13b net of local equities last week, the highest in five weeks.
- The FBM KLCI declined -2.7% for the week after settling at 1,369.9 points. In contrast, the Ringgit appreciated by 0.2% against the greenback to reach USD/MYR4.3625 during the week.

27 April 2020 | Strategy - Weekly Fund Flow

Adam M Rahim

MOMENTUM OF OUTFLOWS FROM ASIA ACCELERATE**A. MARKET SNAPSHOT**

- Major equity markets worldwide retreated last week amidst a confluence of negative factors especially from the commodities front.
- U.S stock indexes closed higher on Friday but logged weekly losses as investors digested mixed corporate results, and the latest economic aid package from the Congress to combat the COVID-19 pandemic. In addition, the number of Americans who have filed for unemployment over the previous five weeks came in 26.5m exceeding the 22.4m added to non-farm payrolls since November 2009.
- In Asia, Japan's trade surplus dropped 99%yoy in March 2020 to reach USD45.5b. Overall, exports fell 11.7%, the lowest since July 2016 with U.S.-bound shipments tumbling 16.5% and shipments to China falling 8.7%. Meanwhile, imports staged a recovery by only declining -5%yoy in March compared to -13.9%yoy in February due to demand for recovery in imports for food and live animals and beverages and tobacco by 0.5%yoy (Feb-20: -9.7%yoy) and machinery transport equipment by -3.2%yoy (Feb-20: -20.8%yoy). This was due to the spread of pandemic that caused a disruption in global trade performance as more countries imposed a lockdown in Mar-20.
- United Kingdom inflation rate in Mar-20 dropped to 1.5%, lowest recorded since Dec-19. On a quarterly basis, 1Q20 has recorded an average inflation rate of 1.7%, much lower compared to 1Q19 of 1.9%. The fall in inflation was due to the slowdown of prices in non-food items, particularly in clothing and footwear (-1.2%yoy from 0.2%yoy in Feb-20). The inflation rate was influenced by the outbreak of COVID-19 as the lockdown imposed limited overall domestic demand. In contrary to that, alcoholic beverages and tobacco rose by (1.4%yoy from 0.7%yoy in Feb-20) and health by (3.2%yoy from 3%yoy in Feb-20). Food inflation had also increased by (1.3%yoy from 1.2%yoy in Feb-20), mainly due to increase in cost of bread and cereals by (2.7%yoy from -0.1%yoy in Feb-20) and oils and fats by (1.4%yoy from -4%yoy in Feb-20).
- Brent crude oil price plunged 10.8% lower to settle at USD21.44pb last Friday, Over in the U.S, the price of West Texas Intermediate (WTI) has turned negative for the first time in history, falling as low as -USD37.6 per barrel on Monday. Demand for oil has all but dried up due to the lockdowns across the world. As a result, oil firms have resorted to renting tankers to store the surplus supply and that has forced the price of US oil into negative territory. The one-day plunge is the largest on record going back to 1983, and also the lowest level for a contract on record.

Table 1 Weekly performance of major indices		
Weekly % change	Week before	Last week
Thai SET	0.91	1.58
FTSE 100	-0.95	-0.60
India SENSEX	1.38	-0.83
China CSI 300	1.87	-1.11
S&P 500	3.04	-1.32
Korea KOSPI	2.89	-1.33
Dow Jones	2.21	-1.93
Hang Seng	0.33	-2.25
CAC 40	-0.17	-2.35
Taiwan TAIEX	4.33	-2.36
KLCI	3.67	-2.66
DAX	0.58	-2.73
Jakarta JCI	-0.31	-2.99
Nikkei	2.05	-3.19
FSSTI Index	1.68	-3.69
Phil PCOMP	5.07	-5.61

Source: Bloomberg

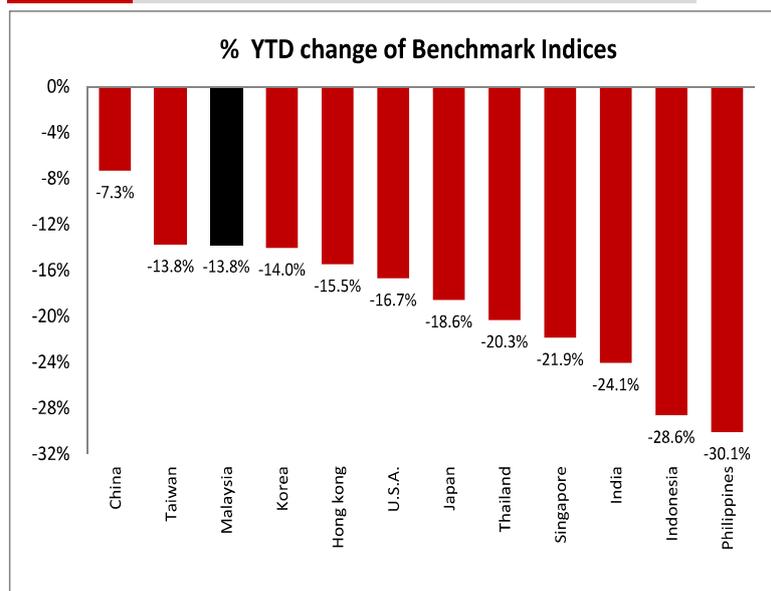
FUND FLOW REPORT

- The FBM KLCI declined -2.7% for the week after settling at 1,369.9 points. In contrast, the Ringgit appreciated by 0.2% against the greenback to reach USD/MYR4.3625 during the week.

B. TRACKING MONEY FLOW - ASIA¹

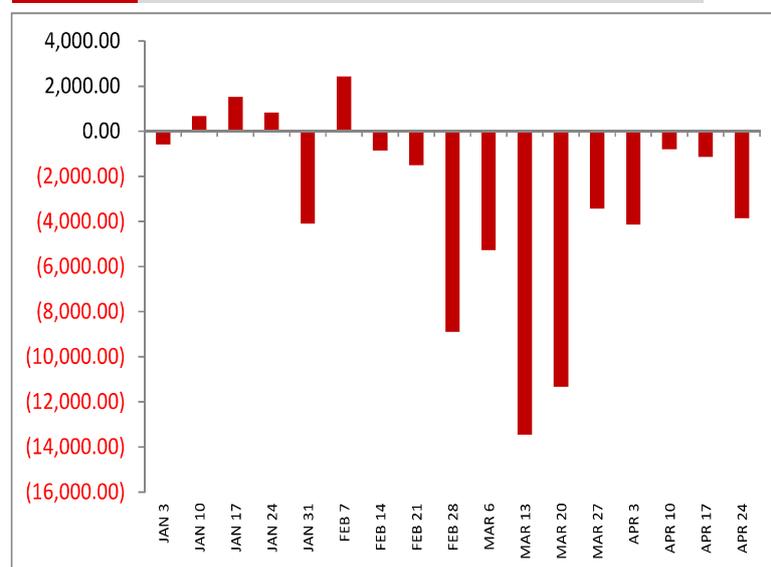
- In Asia, the momentum at which offshore investors were reducing exposure in equities accelerated substantially last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” sold -USD3.85b net last week, more than double of what was disposed in the preceding week. This brings the foreign net selling in Asia to 11 weeks.
- The weekly foreign net outflow in South Korea almost quadrupled to -USD1.34b last week from USD369.2m in the preceding week. International investors were net sellers on every day of the week with Tuesday recording the highest foreign net outflow of -USD477.7m. The selloff on Tuesday was mainly attributable to two factors; (i) the geopolitical uncertainties triggered by the health condition of North Korean leader Kim Jong Un; and (ii) the historic U.S oil price plunge. The KOSPI index followed suit to drop 1.0% on the same day to settle at 1,879 points. On the other hand, international investors sold the least on Wednesday at a tune of only -USD48.2m net as oil prices began to recover. On the macroeconomic front, South Korea’s GDP in 1QCY20 shrank 1.4% from the prior quarter, the worst contraction since the global financial crisis as the spread of the Covid-19 pandemic adversely impacted consumer spending and business activity.
- After two weeks of foreign net inflows, Taiwan saw international funds dumping -USD1.24b of local equities last week. Monday was the only day which saw a foreign net inflow of USD76.8m before the chaos on Tuesday whereby foreign funds took out -USD822.5m. The local bourse fell almost 3% on Tuesday to end below 10,300 points, spooked by heavy losses on U.S. markets in the wake of diving crude oil prices. Meanwhile, the jobless rate in Taiwan inched up to a 10-month high in March 2020 with the unemployment rate of support services hitting an almost two-year high of 7.1%

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)

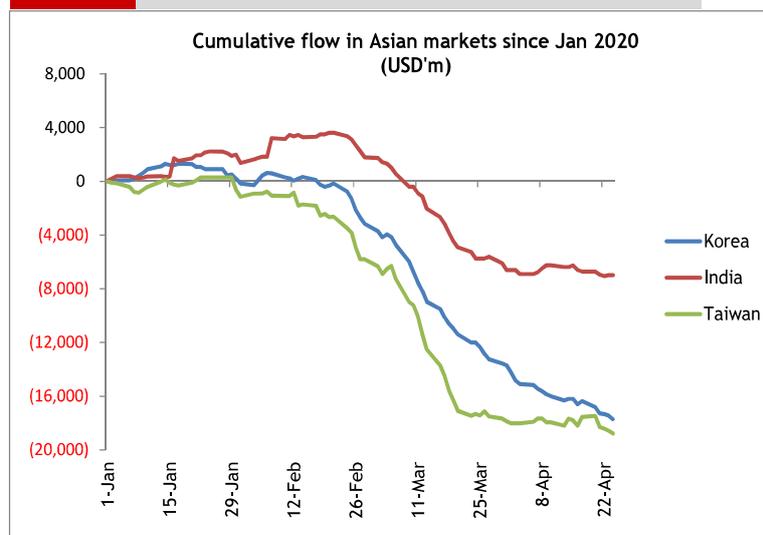


Source: Bloomberg, Bursa Malaysia, MIDFR

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.

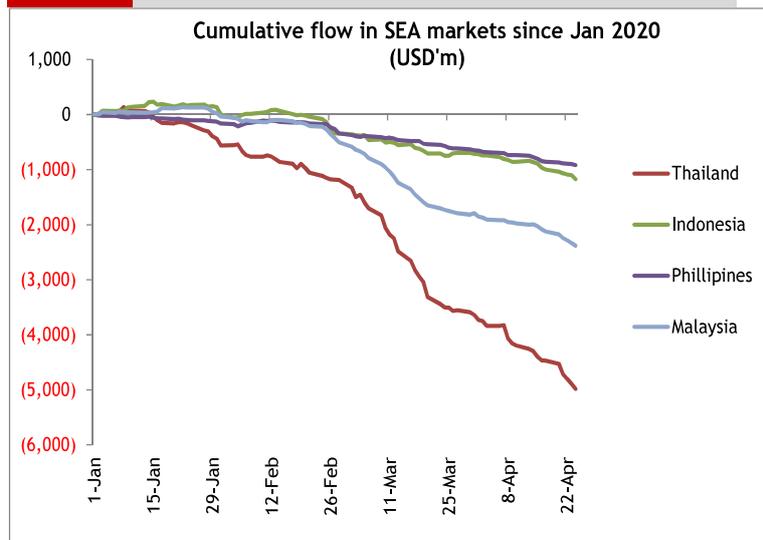
- In emerging South East Asian markets that we monitor, all markets continue to experience foreign net attrition.
- In Thailand, foreign investors sold -USD512.4m net, almost double than what was sold in the week before. Foreign net selling occurred on every day of the week, stretching the selling spree to 13 days. In line with other Asian markets, foreign net outflow peaked on Tuesday at -USD187.7m amidst jitters from the fall in U.S oil price. Thailand's exports meanwhile entered the positive territory in March to expand by 4.2%yoy after contracting 4.5% in February 2020.
- Manila bucked the regional trend by experiencing a decline in foreign net selling by half to -USD60.8m last week, the smallest amongst the seven Asian markets we track. This brings the weekly foreign net selling streak to 10 weeks. International investors were selling on every day of the week with Friday recording the highest foreign net outflow of -USD20.1m. Friday, dragging the local stock barometer 2.4% lower to 5,465 points. Investors on Friday weighed on the further economic impact of the extension of the enhanced community quarantine in the National Capital Region (NCR) and other major provinces in the Luzon Island until 15 May 2020.
- In Jakarta, foreign investors sold -USD171.7m net last week. Similar to the Philippines, foreign net selling also peaked on Friday but at a higher level of -USD70.5m net. Sentiment on Friday was dampened as a trial in China for Gilead Sciences' (GILD) remdesivir to treat the respiratory disease did not improve the condition of patients nor reduced the virus in the bloodstream. Locally, the Indonesian government has temporarily banned domestic and international air and sea travel beginning on 24 April to 1 June 2020.

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 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	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	-512.4	-171.7	-60.8	-266.3	-1,242.6	-258.5	-3,852.2

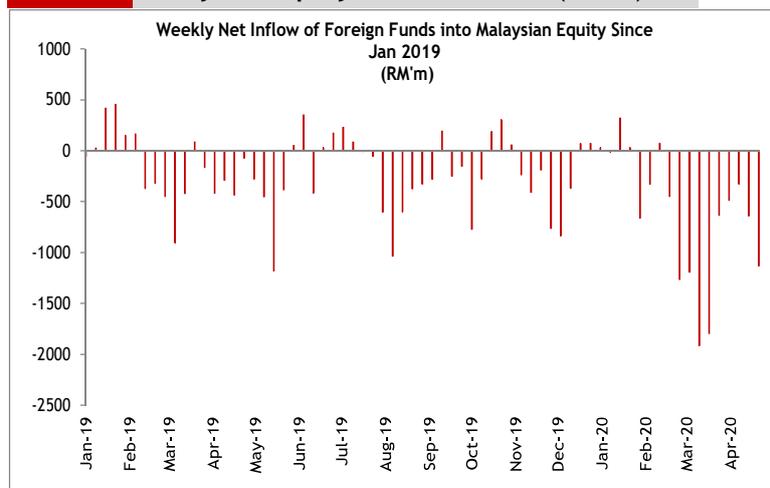
Source: Respective exchange statistics reported on Bloomberg. Bursa Malaysia. These figures are subject to revisions.

FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

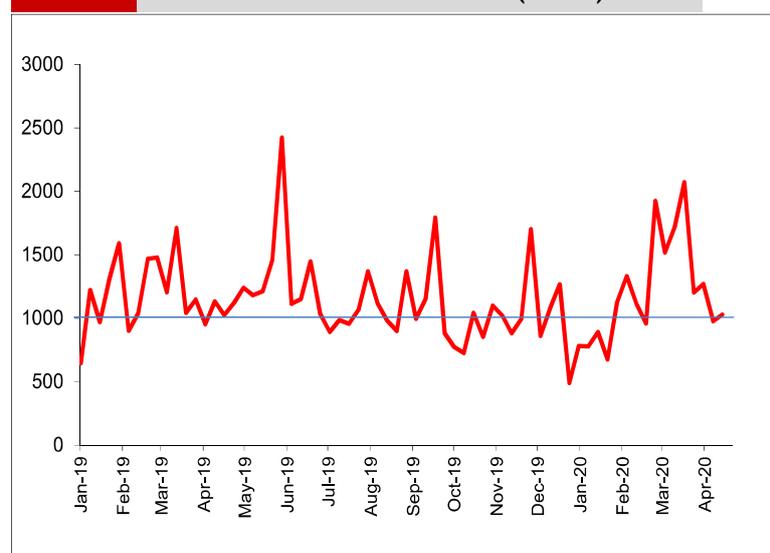
- International investors upped the ante in selling activity on Bursa last week. Based on data from Bursa, international investors sold -RM1.13b net of local equities last week, the highest in five weeks.
- In comparison to its other six Asian peers that we monitor, Malaysia remains as the nation with the third smallest foreign net outflow on a year-to-date basis. The year-to-date foreign outflow from Malaysia came to -RM10.21b.
- Bursa started the week on a sombre note as foreign investors pulled out -RM215.4m net of local equities. This was despite news that China slashed its benchmark lending rate for the second time this year to boost the nation's economy.
- Foreign net selling activity intensified on Tuesday, reaching -RM287.9m, a level not seen in more than a month. Risk-off sentiment grew following the crash in U.S oil prices overnight. This was in conformity with other Asian markets under our coverage namely, South Korea, Taiwan, India and Thailand.
- Wednesday then saw a slight slowdown in foreign net outflow to a tune of -RM186.6m as interest in rubber glove manufacturer stocks helped outweighed the overall selling activity amongst offshore investors. Consequently the Bursa Malaysia Healthcare index added 31.8 points on the same day.
- The momentum of foreign net selling was little changed at -RM198.0m on Thursday. The anticipation on U.S law makers moving closer to vote for the USD484b bill for small businesses and hospitals helped put a lid on foreign net outflows.
- Foreign net outflow then jumped to -RM240.6m on Friday amidst reports that Gilead Sciences Inc.'s potential antiviral drug for the Covid-19 had failed in its first randomized clinical trial.
- In terms of participation, foreign investors saw an 8.0% weekly increase in its average daily traded value (ADTV), the smallest amongst other investor groups. Nevertheless, the absolute ADTV of foreign investors remained healthy above the 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)	
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	4,622.9	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	3,970.0	-30.6	5,809.5	5,140.2	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

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

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