

## MIDF EQUITY STRATEGY | 30 DECEMBER 2019 WEEK ENDED 27 DECEMBER 2019

- Major global equity markets ended in the green zone last week during the holiday-shortened week which had positive developments in regard to international trade relations between the U.S and China.
- •Brent crude oil price marked its third week of gains after increasing by 3.1% to USD68.12pb last week, a level not seen since mid-September 2019. Thus far for 2019, the international benchmark for crude oil has climbed nearly 27.0% since the end of 2018. The main catalyst for the gains in the oil market came from the drop of 5.5m barrels of U.S crude stocks in the week ended 27 December 2019 according to the Energy Information Administration.
- International funds marked their third consecutive week of being net buyers in Asia. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” accumulated USD699.7m net last week, compared to USD1.14b net bought in the preceding week.
- Offshore investors continued to enter Malaysia for the second week. Based on data from Bursa, international investors acquired RM69.9m net of local equities during the holiday-shortened week compared to RM68.7m net in the week before. In 2019, international funds were net buyers for a total of 18 weeks.
- The FBM KLCI ended the week in the black for the fourth week, gaining 0.03% to settle at 1,610.6 points. Likewise, the Ringgit appreciated by 0.2% against the greenback to reach USD/MYR4.1272 during the week, the strongest point since late July 2019.

## FESTIVE CHEER BRINGS FOREIGN FUNDS INTO ASIA

### A. MARKET SNAPSHOT

- Major global equity markets ended in the green zone last week during the holiday-shortened week which had positive developments in regard to international trade relations between the U.S and China.
- Domestic demand in the US economy to remain strong in 2020 amid stable job market, low interest rate and optimistic consumer confidences. In Nov-19, jobless rate returned to 50-year low of 3.5% and non-farm payrolls increased by 266,000, highest since Jan-19. After three rate cuts this year, we expect there would another two rate cuts by the Fed as to further support domestic spending especially business investment.
- Over in China, the nation's industrial profits rose 5.4%yoy in November 2019 to reach USD84.93b, snapping three month of decline. The improvement was due to the quickened pace in production and sales while factory-gate prices dropped at a slower pace against the weakness in demand at home and abroad. On the other hand, state-owned industrial firms recorded a 0.6%yoy increase in profits especially chemical, petroleum processing and steel industries, reversing the downward trend seen since 2HCY19. Notwithstanding this, the CSI300 index was marginally up by 0.1% for the week as sentiment was partially dampened by losses in technology firms while its Hong Kong counterpart, the Hang Seng index took cue of the upbeat data to end at a five-month high of 28,225.4 points on Friday.
- During the festive week, markets in Europe eked out fresh record gains a day before Christmas amidst optimistic global growth heading into 2020 amidst progress in U.S-China trade talks. Even after Christmas, European markets held strong to finish the week in the green zone. While Britain is set to leave the European Union on 31 January 2020 following the landslide election victory for Prime Minister Boris Johnson, concerns remain the outcome of the post-Brexit negotiations to the establish the U.K's future trade relationship with the block.
- Brent crude oil price marked its third week of gains after increasing by 3.1% to USD68.12pb last week, a level not seen since mid-September 2019. Thus far for 2019, the international benchmark for crude oil has climbed nearly 27.0% since the end of 2018. The main catalyst for the gains in the oil market came from the drop of 5.5m barrels of U.S crude stocks in the week ended 27 December 2019 according to the Energy Information Administration. In addition, sentiment was underpinned by the rise in China's industrial profit to its fastest pace in eight months for November 2019.

<b>Table 1</b> Weekly performance of major indices		
Weekly % change	Week before	Last week
Hang Seng	0.66	1.27
Taiwan TAIEX	0.26	1.11
FTSE 100	3.11	0.82
Jakarta JCI	1.40	0.72
Dow Jones	1.14	0.67
S&P 500	1.65	0.58
Phil PCOMP	-1.33	0.54
FSSTI Index	-0.05	0.44
DAX	0.27	0.44
Thai SET	-0.06	0.34
CAC 40	1.73	0.26
China CSI 300	1.24	0.12
Nikkei	-0.86	0.09
KLCI	2.48	0.03
Korea KOSPI	1.56	0.00
India SENSEX	1.64	-0.26

Source: Bloomberg

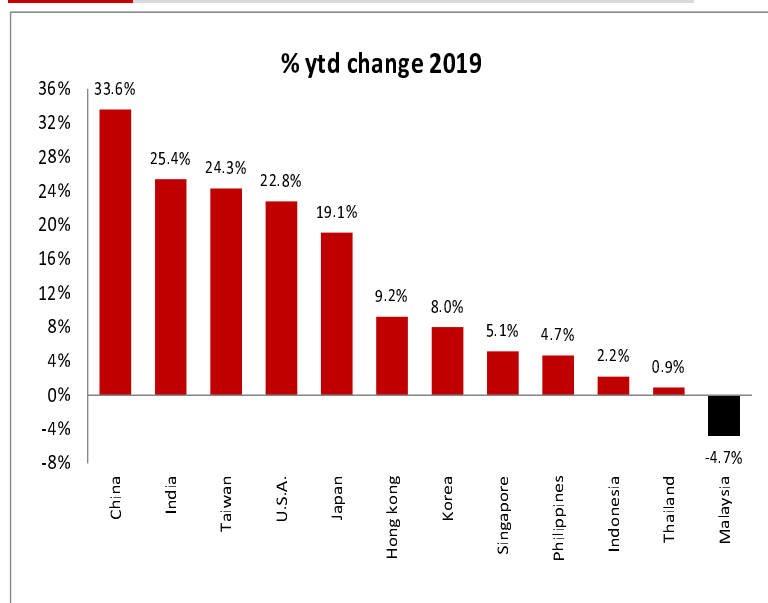
## FUND FLOW REPORT

- The FBM KLCI ended the week in the black for the fourth week, gaining 0.03% to settle at 1,610.6 points. Likewise, the Ringgit appreciated by 0.2% against the greenback to reach USD/MYR4.1272 during the week, the strongest point since late July 2019.

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

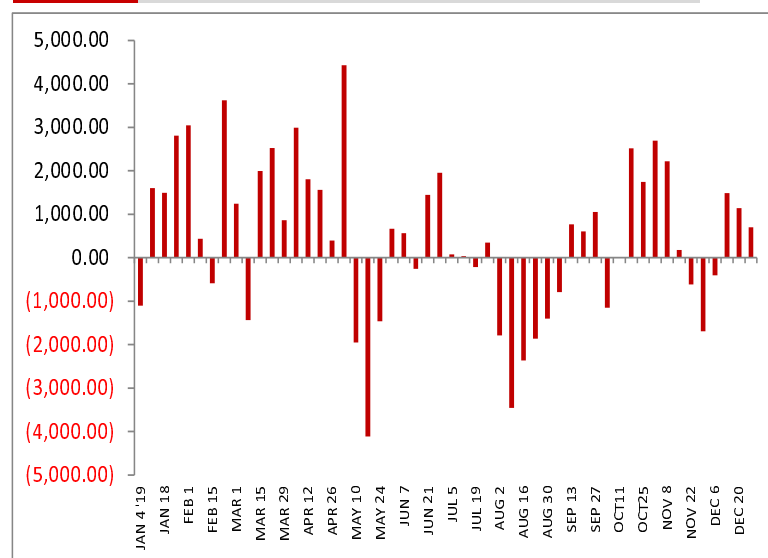
- International funds marked their third consecutive week of being net buyers in Asia. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” accumulated USD699.7m net last week, compared to USD1.14b net bought in the preceding week. Overall in 2019, foreign funds in Asia have been net buyers for a total of 34 weeks.
- South Korea experienced its third weekly foreign net inflow but at a substantially lower level of USD14.5m. The first two trading days of the week before Christmas saw international funds disposing more than USD90m net on each day. Meanwhile, the level of foreign net buying reached as high as USD165.0m on Boxing Day, coinciding with the 0.4% gain in the KOSPI index. On a side-note, South Korea’s consumer confidence edged down to 100.4 in Dec-19 from 100.9 in the preceding month but beat market expectations of 99.4 points. The index remained above 100.0 for the second consecutive months which indicated optimism. Earlier, central bank of Korea revised downward its 2019 economic growth outlook to 2% from 2.2% initially estimated on the concern over weaker exports and investment besides slower private consumption.
- Foreign investors entered Taiwan returned to buying mode as they bought USD323.9m net of local equities compared to the -USD741.2m net which was offloaded in the preceding week. In contrast to most markets, Taiwan had a five-day trading week with only a day of foreign net outflow seen on Thursday at a tune of -USD7.2m net. The foreign net inflow on the other hand was the highest during the week on Friday at USD245.0m net, pushing the Taiex index higher by 0.8% to settle at 12,091.6 points, the highest close in more than a week led by large cap tech stocks as investors responded positively to gains in U.S. markets overnight.

**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)

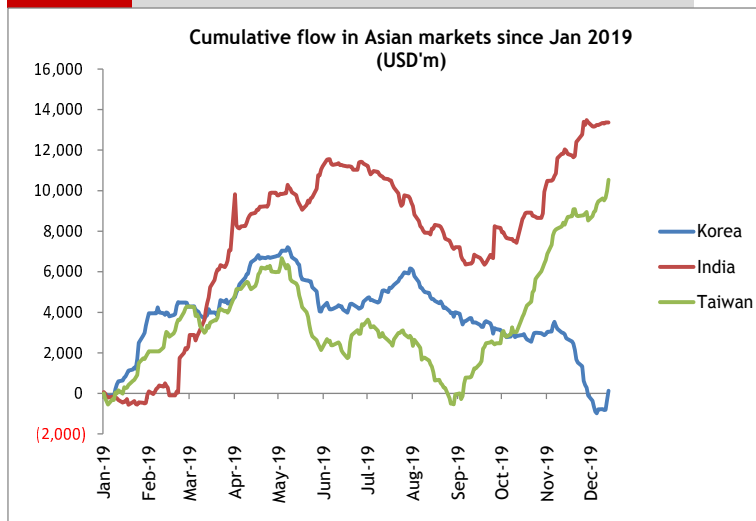


Source: Bloomberg, Bursa Malaysia, MIDFR

<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.

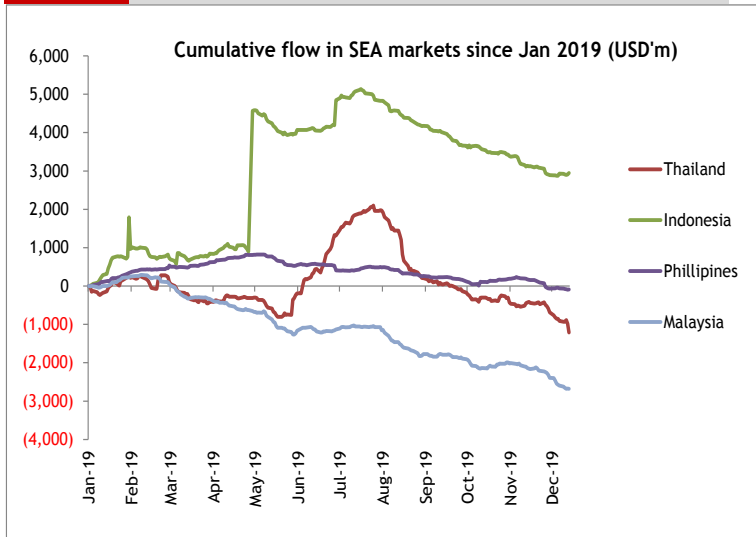
- In emerging South East Asian markets that we monitor, half recorded a foreign net outflow while another half experienced foreign net buying during the week.
- In Bangkok, the pace at which foreign investors were disposing local equities slowed down to -USD29.5m net last week compared to the previous four weeks which have been recording a foreign net outflow of more than -USD200m in each week. International funds sold the most during the week on Tuesday at USD38.4m net ahead of Christmas while the foreign net inflow peaked on Friday at USD32.5m net. On the macroeconomic front, Thailand recorded trade surplus of USD0.5b in Nov-19, swinging from a trade deficit of USD0.9b in the same month a year earlier as imports fell harder than exports.
- In Manila, offshore funds sold -USD37.3m net of local equities during the three-day trading week, a massive decline from the -USD116.4m net sold in the week before. Foreign net buying only occurred on Boxing Day at USD2.8m net while foreign net outflow was the highest on Monday before the Christmas break on Tuesday and Wednesday. It was notable that last Friday was the last trading day for 2019 in the Philippines and the local bourse slipped due to profit taking activity.
- In Jakarta, offshore funds bought USD97.7m net of local equities last week, extending the foreign net buying to the fourth uninterrupted week. Foreign net buying occurred on every day during the three-day trading week and peaked on Thursday at USD46.10m net. Amongst the four ASEAN markets we monitor, Indonesia has the highest year-to-date foreign net outflow of USD3.47b.

**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
NOV 8	151.5	-78.5	-183.1	12.0	1,120.6	1,252.3	-57.2	2,217.5
NOV 15	-503.4	104.0	-64.6	-47.9	210.4	574.2	-98.4	174.2
NOV 22	-1,155.6	-34.6	-40.2	63.4	680.5	43.4	-44.8	-614.7
NOV 29	-1,625.9	-212.0	-189.4	-159.3	883.2	-210.2	-182.3	-1,695.8
DEC 6	-681.5	-222.4	37.0	8.7	-138.2	792.1	-200.0	-404.4
DEC 13	911.0	-304.7	14.9	-28.0	61.3	921.8	-88.3	1,488.0
DEC 20	1,032.9	-209.9	421.3	-116.4	738.2	-741.2	16.6	1,141.6
DEC 27	14.5	-29.5	97.7	-37.3	313.5	323.9	16.9	699.6

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

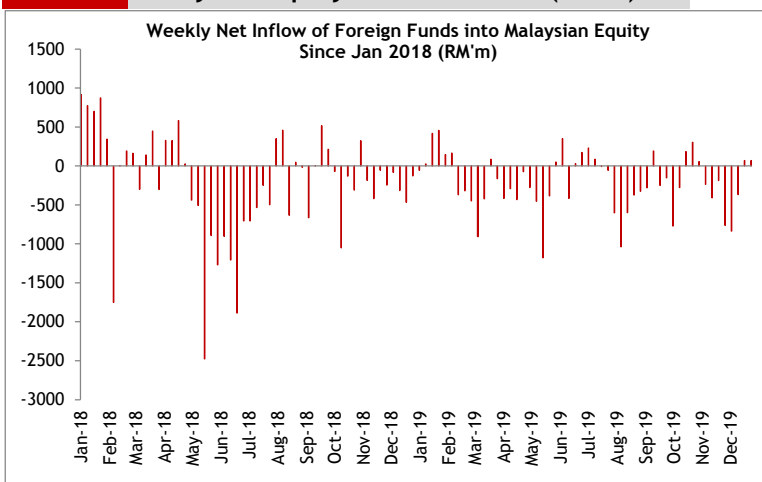


## FUND FLOW REPORT

### C. TRACKING MONEY FLOW - MALAYSIA

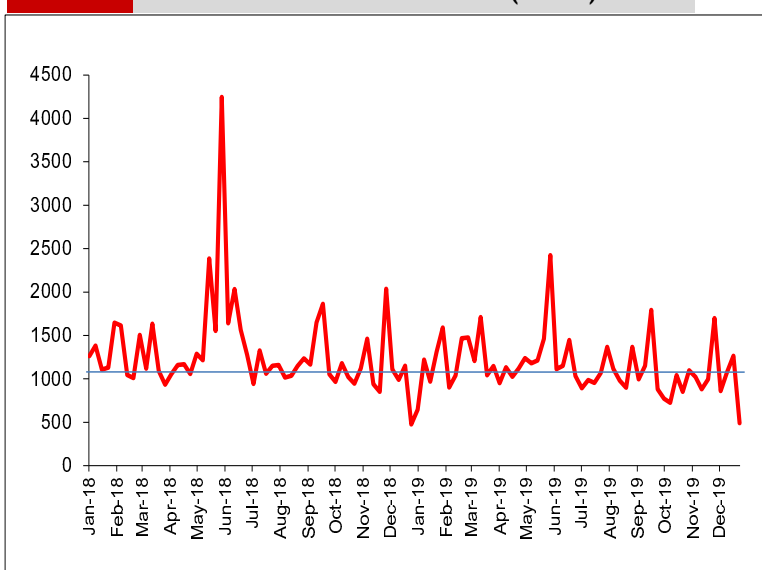
- Offshore investors continued to enter Malaysia for the second week. Based on data from Bursa, international investors acquired RM69.9m net of local equities during the holiday-shortened week compared to RM68.7m net bought in the week before. In 2019, international funds were net buyers for a total of 18 weeks.
- Bursa began the week on the right foot as international funds mopped up RM74.7m net of local equities on Monday. As such, the local stock barometer was lifted higher by 0.3% to close at 1,614.2 points, a level not observed since August 2019.
- The eve of Christmas then saw foreign investors retreating to the sidelines as they disposed local equities at a tune of -RM19.6m net, dragging the local bourse by 0.6% to settle at 1,604.2 points.
- As markets reopened on Thursday, international funds continued to reduce exposure in local equities but at a very slow pace of only -RM1.8m net. The reduction in foreign net selling was mainly attributable to the news that the U.S and China will have a signing ceremony to commemorate the first phase of the U.S-China trade deal agreed this month.
- International funds later turned net buyers on Friday, snapping up RM16.6m net of local equities following the rally in local plantation stocks in line with the rise in crude palm oil price.
- With two more trading days before the month of December ends, the month has so far seen a foreign net outflow of -RM1.06b. As such, 2019 is set to be another year of foreign net outflow for Malaysia with the year-to-date foreign net outflow as of last Friday standing at -RM10.99b, lower than last year's total foreign net outflow of -RM11.69b.
- In terms of participation during the festive week, it was no surprise that foreign investors experienced sharpest decline in average daily traded value (ADTV) amongst the other investor groups, dropping 61.4% to reach below the RM1b mark at RM489.5m.

**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)	
NOV 22	2,502.7	2,454.3	48.4	4,285.2	4,146.4	138.8	2,394.2	2,581.3	-187.2	-44.8
NOV 29	2,544.5	2,401.8	142.7	4,785.8	4,167.3	618.5	3,871.5	4,632.7	-761.2	-182.3
DEC 6	2,222.6	2,146.4	76.2	4,137.6	3,379.1	758.5	1,735.1	2,569.8	-834.6	-200.0
DEC 13	2,582.2	2,514.3	67.9	4,373.4	4,074.2	299.2	2,510.8	2,877.9	-367.1	-88.3
DEC 20	2,544.3	2,545.5	-1.2	4,133.0	4,200.5	-67.5	3,200.6	3,131.9	68.7	16.6
DEC 27	1,622.6	1,668.8	-46.2	2,416.1	2,439.7	-23.7	1,013.9	944.0	69.9	16.9

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 27 DECEMBER**
**TOP 10 NET MONEY INFLOWS**

- Public Bank Berhad registered the highest net money inflow of RM6.76m last week. Its share price advanced 0.30% for the week, outperforming the local bourse which had a 0.03% weekly gain.
- KLCCP Stapled Group recorded the second highest net money inflow of RM2.36m. Its share price was -0.12% lower, underperforming the local bourse which had a 0.03% weekly gain. Nonetheless, it is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.
- Serba Dinamik Holdings Berhad saw the third highest net money inflow of RM1.37m. Its share price was 3.94% higher during the week, outperforming the local bourse which was 0.03% higher

**TOP 10 NET MONEY OUTFLOWS**

- Malayan Banking Berhad saw the largest net money outflow of -RM7.40m last week. Its stock price was -0.12% lower for the week, underperforming vis-à-vis the FBM KLCI which advanced 0.03% during the review week.
- Kuala Lumpur Kepong Berhad recorded the second largest net money outflow -RM3.33m during the week under review. Its share price was 0.81% higher during the week, outperforming the market benchmark which had a 0.03% 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.
- Inari Amertron Berhad registered the third largest net money outflow of -RM2.70m in the review week. Its share price was 2.44% higher during the week under review, outperforming the local benchmark which was 0.03% higher.

**Table 4** Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
PUBLIC BANK	6.76	30.81	0.30	-
KLCCP	2.36	-0.19	-0.12	BOW
SERBA DINAMIK	1.37	0.42	3.94	-
IOI CORP	1.04	-3.86	-2.07	BOW
PETRONAS GAS	0.92	2.66	-2.27	BOW
SD PROPERTY	0.85	2.47	2.21	-
YTL POWER	0.80	0.22	5.48	-
HAP SENG	0.73	1.95	0.40	-
MMC CORP	0.69	0.79	5.21	-
TOP GLOVE	0.64	8.23	-1.04	BOW

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		
MAYBANK	-7.40	7.31	-0.12	-
KL KEPONG	-3.33	1.84	0.81	SOS
INARI	-2.70	-10.56	2.44	SOS
MISC BHD	-2.33	-2.05	0.60	SOS
GENT MSIA	-1.28	-0.56	1.87	SOS
FGV	-1.25	-2.72	-1.38	-
BUMI ARMADA	-1.23	1.24	10.20	SOS
SP SETIA	-1.22	1.70	4.70	SOS
AXIATA	-1.04	-0.13	0.00	-

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