

## MIDF EQUITY STRATEGY | 30 MARCH 2020 WEEK ENDED 27 MARCH 2020

- Major equity markets worldwide rebounded amidst a slew of stimulus packages were announced by many central banks to combat the impact of the Covid-19 pandemic.
- Brent crude oil logged its fifth weekly decline after settling -7.6% lower at USD24.93pb. Stimulus packages were announced by policymakers around the world but the optimism was shadowed by the surge of infections in the U.S which eclipsed China and Italy, fuelling more fears of oil demand destruction.
- Offshore investors took their foot of the pedal in selling Asian equities activity last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” sold -USD3.58b net last week, the smallest in six weeks. North Asian markets remained casualties of last week’s sell-off in Asia.
- Slower momentum of foreign net selling for Bursa last week. Based on data from Bursa, international investors sold -RM631.9m net of local equities last week. This is the first time in five weeks that international funds disposed local equities below the RM1.0b mark.
- The FBM KLCI gained 3.1% for the least after settling at 1,343.1 points. The weekly gain was higher than regional peers namely Thailand, China and India. Similarly, the Ringgit appreciated by 1.3% against the greenback to reach USD/MYR4.337 during the week.

## STIMULUS PACKAGES SLOWS DOWN FOREIGN NET OUTFLOW

### A. MARKET SNAPSHOT

- Major equity markets worldwide rebounded amidst a slew of stimulus packages were announced by many central banks to combat the impact of the Covid-19 pandemic.
- Wall Street had an eventful week as the U.S House of Representatives approved a USD2 trillion Covid-19 stimulus package, the largest in history to help cope with the downturn caused by the pandemic. The passage of the bill comes as the number U.S infections topped 90,000, surpassing China and Italy. While the surge in Covid-19 infections pushed the Dow Jones index lower by 4.1%, the benchmark logged a 12.8% weekly gain, the largest since 1938.
- In Asia, Hong Kong's exports rose unexpectedly in February after plunging the most in more than a decade the previous month. The unexpected jump in Hong Kong's exports figures were mainly due to low-base effect factor. Lunar New Year celebration was in January this year while for last year it was the second month of 2019. Based on trade results, average growth for the first two months recorded almost double digit contraction rate. Total trade fell by -8.8%yoy and exports declined by -9.2%yoy. Trade with China shrank by -10.2%yoy during the period. We expect external trade of Hong Kong to continue registering negative figures for the next 4 months in 1H20.
- Business morale in Germany logged its steepest fall in March 2020 since the country's reunification in 1990. The German Ifo business climate index fell to 86.1 in March from 96.0 in February. Germany is expected to experience technical recession in 1H20 following the fear effects of Covid-19. Disruption in supply chain and tepid domestic demand are among the consequences. Nevertheless, we view the economy of Germany and EU are expected to return to recovery path in 2H20 as the virus effects are forecasted to taper. Proven by China and South Korea, the virus lingers about 2-3 months with serious protection measures including lockdown.
- Brent crude oil logged its fifth weekly decline after settling -7.6% lower at USD24.93pb. Stimulus packages were announced by policymakers around the world but the optimism was shadowed by the surge of infections in the U.S which eclipsed China and Italy, fuelling more fears of oil demand destruction. The International Energy Agency even warned that global demand for crude could drop by a whopping 20m barrels per day. Meanwhile, Saudi Arabia said that it was not in talks with Russia to balance the oil market despite rising pressure from the U.S to halt a price rout from the Covid-19 pandemic.

Table 1 Weekly performance of major indices		
Weekly % change	Week before	Last week
Nikkei	-5.04	17.14
Dow Jones	-17.30	12.84
S&P 500	-14.98	10.26
Phil PCOMP	-17.52	10.21
Korea KOSPI	-11.59	9.68
Jakarta JCI	-14.52	8.36
DAX	-3.28	7.88
CAC 40	-1.69	7.48
FTSE 100	-3.27	6.16
Taiwan TAIEX	-8.83	5.03
FSSTI Index	-8.48	4.90
KLCI	-3.08	3.05
Hang Seng	-5.11	2.98
China CSI 300	-6.21	1.56
India SENSEX	-12.28	-0.34
Thai SET	-0.15	-2.44

Source: Bloomberg

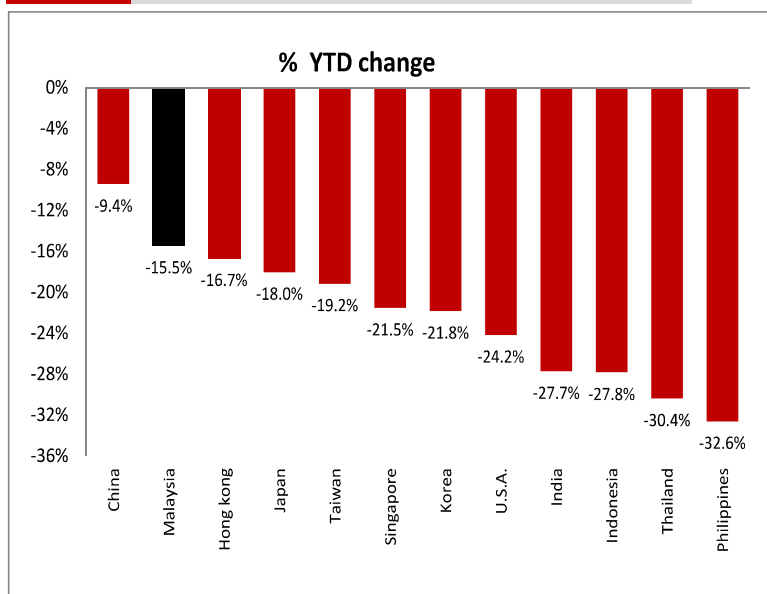
## FUND FLOW REPORT

- The FBM KLCI gained 3.1% for the least after settling at 1,343.1 points. The weekly gain was higher than regional peers namely Thailand, China and India. Similarly, the Ringgit appreciated by 1.3% against the greenback to reach USD/MYR4.337 during the week.

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

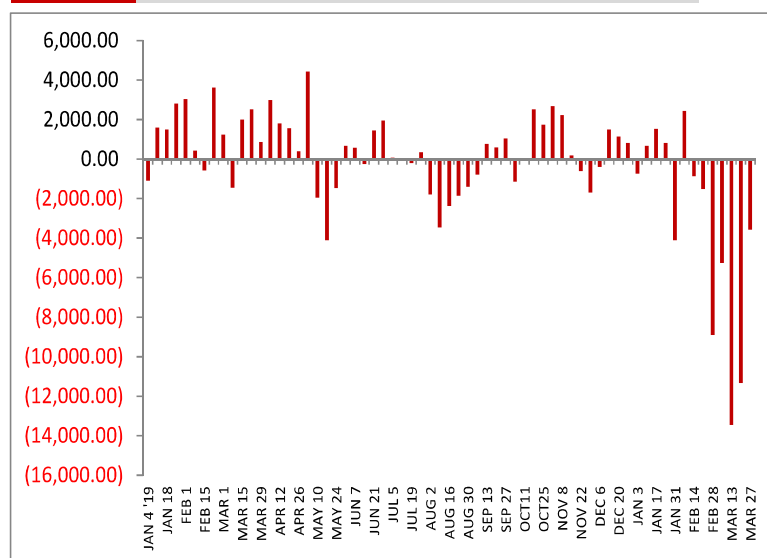
- Offshore investors took their foot of the pedal in selling Asian equities activity last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” sold -USD3.58b net last week, the smallest in six weeks. North Asian markets remained casualties of last week’s sell-off in Asia.
- South Korea continued to see international funds leaving the country for the seventh week running. Foreign investors sold -USD1.86b net of local equities last week compared to -USD2.41b in the week before. Foreign investors were net sellers on every day of the week, extending the daily selling spree to 17 days. Monday recorded the highest foreign net outflow during the week at -USD611.5m. U.S House of Representatives on Friday approved a USD2 trillion Covid-19 stimulus package, the largest in history. Meanwhile, foreign net outflow was the lowest on Tuesday at just -USD2.3m, coinciding with the KOSPI’s 8.6% jump to close at 1,610.0 points. Tuesday’s rally tracked Asian peers after the U.S Federal Reserve rolled support measures to ease a global cash crunch by purchasing back corporate bonds and backstop direct loans to companies to stabilise financial markets. On the monetary policy front, the Bank of Korea will supply an unlimited amount of liquidity over the next three months to financial institutions.
- International investors only disposed -RM416.4m net of local equities in Taiwan last week, one tenth of the amount sold in the preceding week. Similar to South Korea, foreign net outflow was the highest on Monday but at a smaller quantum of -USD381.2m. Meanwhile, foreign funds bought the most on Thursday at USD302.7m net, lifting the Taiex index by 1.05 to 9,736.4 points, the highest close in nine trading days. Increased demand in working from home due to the pandemic led to the outperformance of related equipment makers such as Simplo Co. and Dynapack Technology Corp.

**Chart 1** Cumulative performance of major markets



Source: Bloomberg

**Chart 2** Weekly Net Flow of Foreign Funds into 7 Asian Markets since Jan 2019 (USD'm)

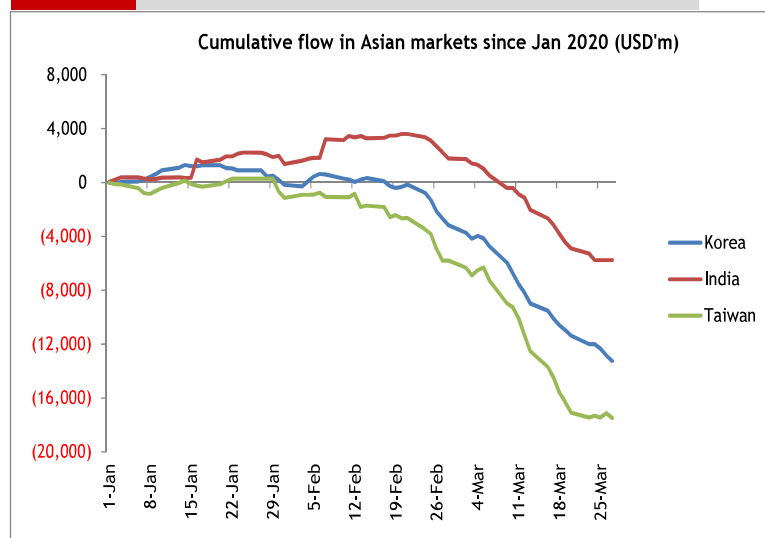


Source: Bloomberg, Bursa Malaysia, MIDFR

<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.

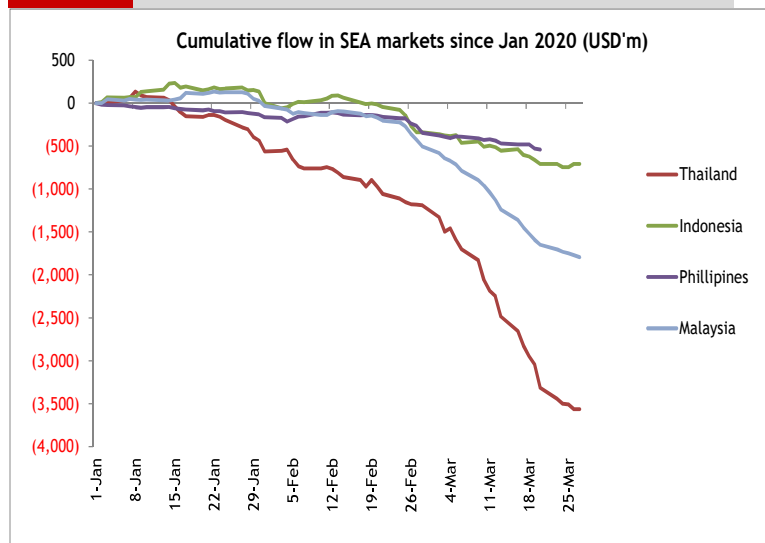
- In emerging South East Asian markets that we monitor, majority of markets experienced foreign net attrition.
- In Thailand, the pace at which foreign funds were reducing exposure in local stocks slowed down by more than half to -USD251.6m net last week. Foreign net selling peaked on Monday at -USD129.2m while investors sold the least on Wednesday at -USD3.3m after the US Federal Reserve launched an unlimited quantitative easing bond purchase programme. On the macroeconomic front, Thailand's manufacturing production index (MPI) contracted for the tenth straight month in February, down 5.19% from a year earlier, hit by lower production of cars, tires and sugar.
- The momentum Manila's foreign net selling activity was little changed as foreign funds only took out -USD75.9m compared to -USD74.0m in the preceding week. Wednesday recorded the highest foreign net outflow during the week at -USD32.7m while the local bourse rallied more than 5.0% as the market cheered the signing into law of a measure allowing President Rodrigo Duterte to exercise additional powers to address the COVID-19 threat.
- Jakarta bucked the regional trend as it saw a weekly foreign net inflow of USD4.6m, snapping the five-week selling streak during the holiday-shortened week. Foreign net buying was the highest during the week on Thursday at USD41.5m as markets reopened from the Balinese Hindu New Year holiday. Sentiment on Thursday was buoyed by the approval of the USD2 trillion rescue plan by the U.S Senate in response to the Covid-19 pandemic. On a year-to-date basis, Indonesia has seen a foreign net outflow of -USD704.6m, the second smallest amongst the seven Asian markets we track.

**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
FEB 7	762.5	-199.1	10.8	14.5	1,844.2	76.4	-79.6	2,429.7
FEB 14	-273.3	-97.1	52.9	15.9	72.1	415.7	17.1	203.3
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	-2,412.7	-829.1	-157.3	-74.0	-2,878.5	-4,565.9	-411.6	-11,331.1
MAR 27	-1,856.3	-251.6	4.6	-75.9	-845.4	-416.4	-143.5	-3,584.7

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

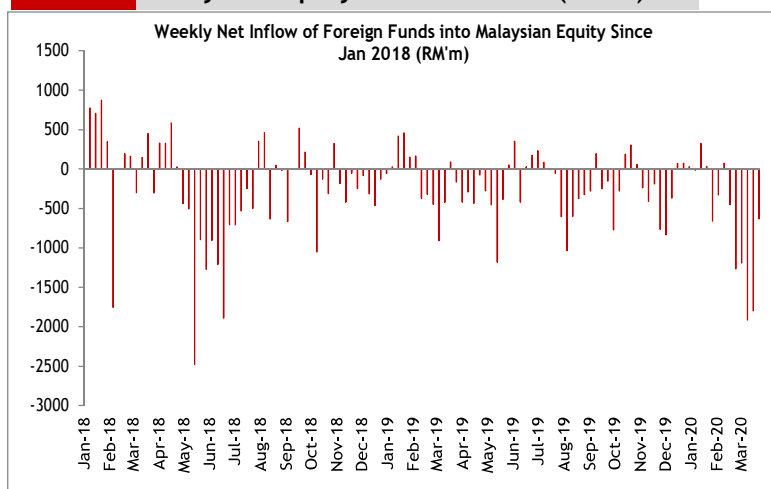
## FUND FLOW REPORT

### C. TRACKING MONEY FLOW - MALAYSIA

- Slower momentum of foreign net selling for Bursa last week. Based on data from Bursa, international investors sold -RM631.9m net of local equities last week. This is the first time in five weeks that international funds disposed local equities below the RM1.0b mark.
- In comparison to its other six Asian peers that we monitor, Malaysia remains as the nation with the third least foreign net outflow on a year-to-date basis. The year-to-date foreign outflow from Malaysia came to -RM7.63b.
- Monday recorded a foreign net outflow of -RM244.2m, dragging the local bourse -3.3% lower to 1,259.9 points. Sentiment was dampened as the discussions of a U.S stimulus package faced hurdles from the U.S Senate Democrats.
- Foreign net selling activity was lower by half at -RM116.5m net on Tuesday. Risk appetite returned to Asia following the Federal Reserve's plan to buy unlimited amounts of Treasury bonds to keep borrowing costs low.
- The level of foreign net selling fell for the third consecutive day on Wednesday after offshore investors only sold -RM81.6m net. President Trump's deal with the Senate Democrats and Republics on a historic rescue package outweighed the extension of the movement control order by the Government of Malaysia.
- The momentum of foreign net selling inched higher to -RM91.3m net on Thursday as Malaysian's number of Covid-19 infections reached 2,031 cases.
- Friday then saw a foreign net outflow of -RM98.35m as U.S unemployment surged to a record 3.3m, amplifying economic concerns from the Covid-19 pandemic.
- Nevertheless, the local bourse was up by 1.1% to close at a two-week high of 1,343.1 points, as investors digested the latest RM250b stimulus package announced by the Government of Malaysia.
- In terms of participation, the average daily traded value (ADTV) of foreign investors dropped the most by -41.9% to RM1.20b, which is still at a healthy level.

Chart 5

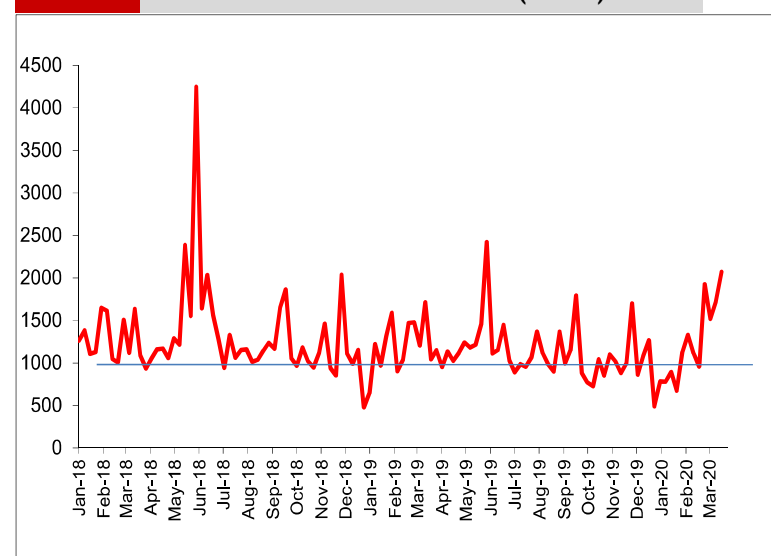
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2018 (RM'm)



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)	
FEB 21	3,049.2	2,876.4	172.9	5,094.8	4,819.8	275.1	2,172.1	2,620.0	-447.9	-107.4
FEB 28	4,747.5	4,035.0	712.5	8,222.1	7,670.6	551.5	4,181.1	5,445.1	-1,264.0	-299.5
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	3,697.6	3,736.4	-38.8	5,950.1	5,279.4	670.7	2,692.0	3,323.9	-631.9	-143.5

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 MARCH**
**TOP 10 NET MONEY INFLOWS**

- Axiata Group Berhad registered the highest net money inflow of RM6.85m last week. Its share price gained 5.62% for the week, outperforming the local bourse which had a 3.05% weekly gain.
- Public Bank Berhad recorded the second highest net money inflow of RM2.74m. Its share price was 13.25% higher, outperforming the local bourse which had a 3.05% weekly gain.
- IOI Corporation Berhad saw the third highest net money inflow of RM2.47m. Its share price was 5.98% higher during the week, outperforming the local bourse which was 3.05% higher.


**Table 4** Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
AXIATA GROUP	6.85	-0.81	5.62	-
PUBLIC BANK	2.74	-33.12	13.25	-
IOI CORP	2.47	1.91	5.98	-
TNB	2.47	-7.40	3.17	-
HAP SENG	1.92	3.90	4.00	-
QL RESOURCES	1.81	5.87	1.43	-
SD PROPERTY	1.60	1.52	16.96	-
TIME DOTCOM	1.59	-1.01	2.13	-
KOSSAN RUBBER	1.35	-2.12	4.42	-
DIGI.COM	1.34	-0.11	5.28	-

Source: Bloomberg, MIDFR;

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

**TOP 10 NET MONEY OUTFLOWS**

- Malayan Banking Berhad saw the second largest net money outflow of -15.59m last week. Its stock price was -1.86% lower for the week, underperforming vis-à-vis the FBM KLCI which was 3.05% higher during the review week.
- Malaysia Airports Holdings Berhad recorded the third largest net money outflow -RM12.11m during the week under review. Its share price was -7.76% lower during the week, underperforming the market benchmark which had a 3.05% weekly gain.
- CIMB Group Holdings Berhad registered the third largest net money outflow of -RM8.47m in the review week. Its share price was -1.92% lower during the week under review, underperforming the local benchmark which was 3.05% 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		
MAYBANK	-15.59	-8.07	-1.86	-
MAHB	-12.11	0.82	-7.76	-
CIMB GROUP	-8.47	-4.10	-1.92	-
MY EG	-7.24	-2.72	13.17	SOS
TOP GLOVE	-7.16	7.09	0.80	SOS
GENTING	-4.52	-0.74	7.14	SOS
HARTALEGA	-4.39	8.68	5.59	SOS
KL KEPONG	-3.36	-1.31	10.41	SOS
CAHYA MATA	-3.06	-0.42	0.89	SOS
BURSA	-2.64	-1.17	5.32	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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