

MIDF EQUITY STRATEGY | 1 JUNE 2020

WEEK ENDED 29 MAY 2020

- Major equity markets worldwide ended fairly well last week amidst optimism over the reopening of the economy which overshadowed the renewal of trade tensions.
- Brent crude oil price saw a 0.6% weekly gain to settle at USD35.33pb last Friday. The marginal gain in the oil market was due to worries over the slow pickup in demand as economies reopen and over the ability of major producers to maintain production discipline as the year continues. Data from the Energy Information Administration late Thursday showed that U.S. crude oil inventories rose sharply last week, raising fears that demand for fuel will not rise as sharply as expected even as the majority of states lift travel restrictions.
- In Asia, foreign net selling activity dwindled to a level not seen since in more than two years. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” disposed only -USD46.4m net last week, compared to the -USD1.88b sold in the preceding week.
- The intensity of foreign net selling activity on Bursa softened during the holiday-shortened week. Based on data from Bursa, international investors sold -RM663.8m net of local equities last week compared to the -RM714.7m disposed in the week before.
- The FBM KLCI gained by 2.5% for the week after settling at 1,473.2 points. Likewise, the Ringgit appreciated by 0.3% against the greenback to reach USD/MYR4.3465 during the week.

GEOPOLITICS DOMINATE MARKETS ONCE AGAIN

A. MARKET SNAPSHOT

- Major equity markets worldwide ended fairly well last week amidst optimism over the reopening of the economy which overshadowed the renewal of trade tensions.
- During 1QCY20, the U.S economy performed lower-than-expected, shrinking at an annual rate of 5% compared to a 4.8% drop estimated a month ago. This was the biggest quarterly decline since the 8.4% decline in 4QCY08 during the global financial crisis. Much of the decline was driven by a sharp drop-off in consumer spending, especially on elective health care procedures.
- In Asia, Taiwan's economy managed to record an expansion of 1.6%yoy in 1Q20 albeit slower rate from the 3.3%yoy growth in 4Q19. While it is better than the preliminary figure of 1.5%yoy, it is also the weakest growth rate since 1Q16. The downward trend in growth is parallel to the rest of the world as Covid-19 pandemic hit the economy. However, Taiwan's GDP growth in the 1Q20 is the highest among the Four Asian Tigers, beating 1.3%yoy expansion recorded in South Korea while remaining two economies (Hong Kong and Singapore) contracted. The government is said to have well prepared for the contagion, hence managed to reduce its impact on the economy. Breaking down the components, private consumption which hold the biggest share of the economy contracted by 1.6%yoy while government spending rose at a faster pace of 3.3%yoy.
- Over in Europe, Euro Area's business confidence dropped further to -2.4 in May-20 from -1.99 in Apr-20, but better than market forecast of -3. This is due to the loss of many business operation and drop in demand for products during the lockdown period. With most businesses resuming in Jun, business confidence may start to pick up in 2H20. On the other hand, economic sentiment has improved to 67.5 in the same month from record low of 64.9 in Apr-20 as sentiment improved among manufacturers, retailers and consumers. Similarly, EU consumer confidence has improved slightly to -18.8 in May-20 compared to -22 in Apr-20. A higher confidence is driven by the increase in a few sub-indexes. The households' expectations on financial condition and intentions to make major purchases and general economic situation improved.
- Brent crude oil price saw a 0.6% weekly gain to settle at USD35.33pb last Friday. The marginal gain in the oil market was due to worries over the slow pickup in demand as economies reopen and over the ability of major producers to maintain production discipline as the year continues. Data from the Energy Information Administration late Thursday showed that U.S. crude oil inventories rose sharply last week, raising fears that demand for fuel will not rise as sharply as expected even as the majority of states lift travel restrictions.

Table 1 Weekly performance of major indices		
Weekly % change	Week before	Last week
Nikkei	1.75	7.31
India SENSEX	-1.37	5.71
CAC 40	3.90	5.64
Phil PCOMP	-0.05	5.41
DAX	5.82	4.63
Jakarta JCI	0.85	4.57
Dow Jones	3.29	3.75
Korea KOSPI	2.22	3.02
S&P 500	3.20	3.01
Thai SET	1.81	2.98
KLCI	2.37	2.54
FTSE 100	3.34	1.39
Taiwan TAIEX	-0.03	1.21
China CSI 300	-2.27	1.12
FSSTI Index	-0.94	0.44
Hang Seng	-3.64	0.14

Source: Bloomberg

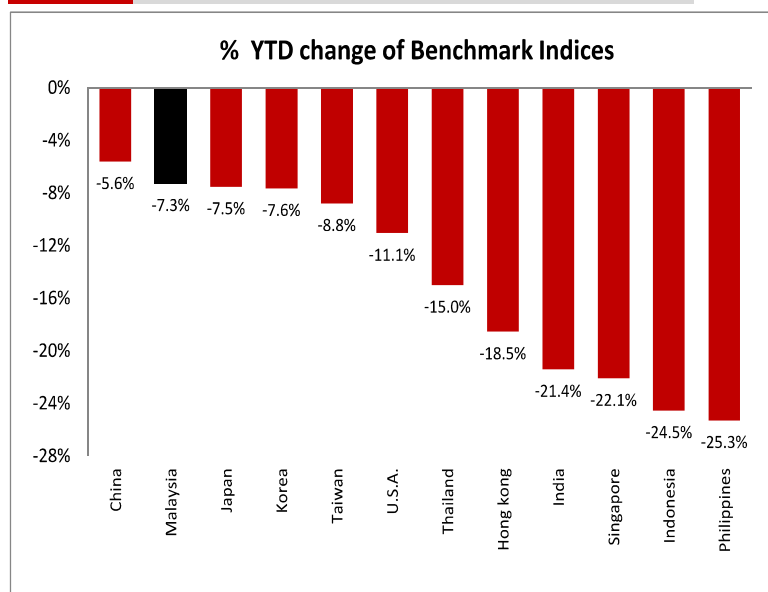
FUND FLOW REPORT

- The FBM KLCI gained by 2.5% for the week after settling at 1,473.2 points. Likewise, the Ringgit appreciated by 0.3% against the greenback to reach USD/MYR4.3465 during the week.

B. TRACKING MONEY FLOW - ASIA¹

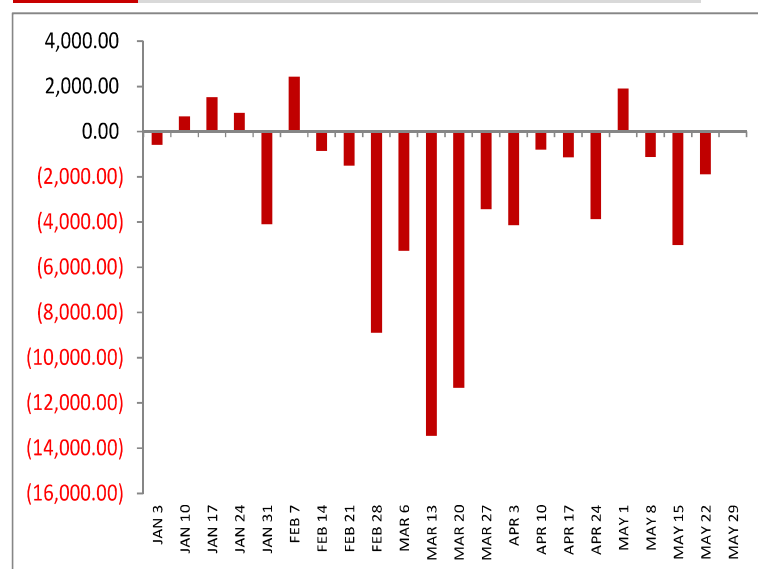
- In Asia, foreign net selling activity dwindled to a level not seen since in more than two years. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” disposed only -USD46.4m net last week, compared to the -USD1.88b sold in the preceding week.
- The foreign net outflow seen in South Korea increased by eight times to -USD467.7m last week from -USD57.6m in the preceding week. International funds were net sellers on every day of the week except on Thursday which saw a measurable foreign net inflow of USD18.0m. The foreign net inflow on Thursday coincided with the Bank of Korea’s move to cut interest rates to a new low of 0.5%. Meanwhile, the foreign net outflow was the highest on Wednesday at -USD417.0m as the geopolitical scene around Hong Kong whereby Beijing has proposed new security laws which effectively shifts enforcement to China from local officials. Notwithstanding this, the broader market ignored the geopolitical turbulence to focus on hopes of an economic recovery amidst easing lockdown restrictions. On the macroeconomic front, South Korea’s factory output shrank at its sharpest pace in more than 11 years in April
- In Taiwan, the level of foreign net outflow decreased to USD330.7m. This was the first time in four weeks that the foreign net selling activity dropped below USD1b. International funds sold the most during the week on Friday at -USD350.0m as investors awaited the Trump administration’s reaction to new Hong Kong security laws in Beijing on Thursday. In contrast, foreign net inflow was the highest on Tuesday at USD422.7m. Taiwan shares on Tuesday moved higher by more than 100 points to close near the 11,000 points mark amidst news that US-based vaccine developer Novavax Inc. has started the first phase of a clinical trial of a COVID-19 vaccine with preliminary results due in July.

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)

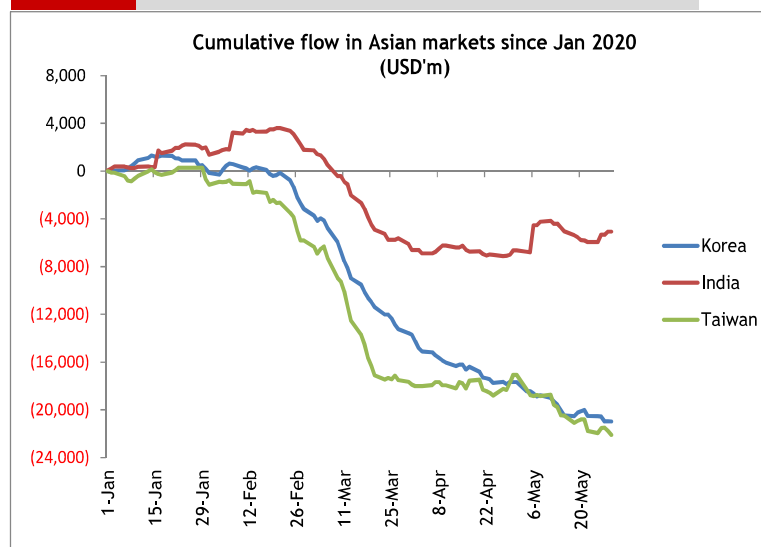


Source: Bloomberg, Bursa Malaysia, MIDFR

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.

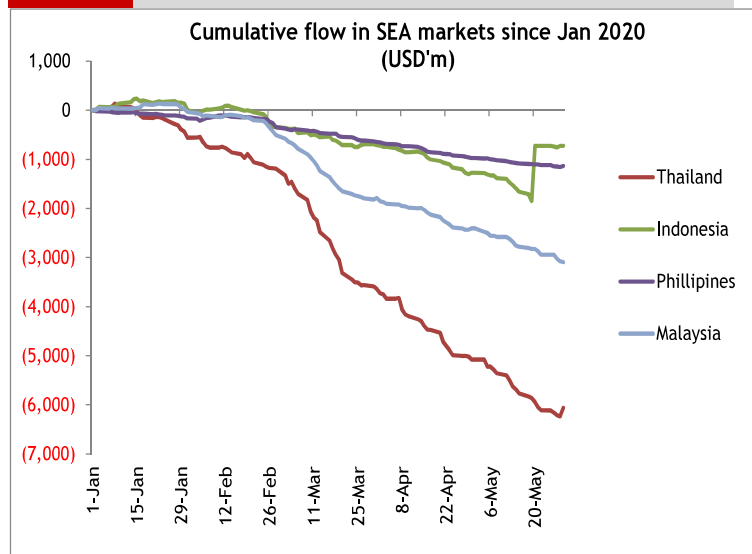
- In emerging South East Asian markets that we monitor, majority of markets continue to experience foreign net attrition.
- In Thailand, foreign investors made a modest return by acquiring USD47.1m net last week, snapping the 19-week selling spree. Offshore funds sold from Monday to Thursday with Wednesday recording the highest at -USD57.1m. Nevertheless, international investors bought USD172.8m net on Friday after 19 straight days of selling. The market was upbeat on Friday ahead of the third-phase relaxation of lockdown measures from 1 June 2020 which will allow venues such as gyms and cinemas to reopen. On the macroeconomic front, Thailand's industrial production collapsed further by -17.2%yoy in Apr-20 from -11.2%yoy in the Mar-20, far higher than market forecast of -6.5%.
- In Manila, international funds sold -USD18.0m net last week, extending the foreign selling streak to 15 weeks. Foreign net selling peaked on Tuesday at -USD23.3m as moves to ease restrictions in Manila and nearby cities stoked fears that Covid-19 infections will rise. Optimism was seen on Friday with a foreign net inflow of USD19.8m amidst month's end window rebalancing.
- Foreign investors in Jakarta retained their position as net buyers after mopping up USD2.0m of local equities last week. Foreign net inflow peaked on Thursday at USD29.6m as investors weighed continued signs of economies reopening against the increase in Sino-American tensions over Hong Kong. Nevertheless, foreign funds sold on Tuesday and Wednesday after markets reopened from the Hari Raya Aidilfitri holiday. Jitters on these days came from the U.S's consideration of a range of sanction to punish China for cracking down on Hong Kong.

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 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	-57.6	-343.9	938.0	-34.2	-909.6	-1,308.0	-164.2	-1,879.4
MAY 29	-467.7	47.1	2.0	-18.0	873.5	-330.7	-152.6	-46.4

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

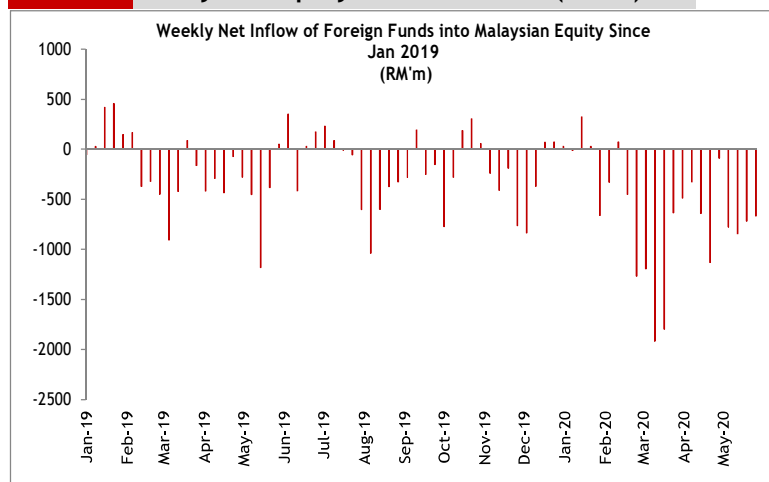
FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

- The intensity of foreign net selling activity on Bursa softened during the holiday-shortened week. Based on data from Bursa, international investors sold -RM663.8m net of local equities last week compared to the -RM714.7m disposed in the week before.
- For the month of May 2020, foreign investors disposed -RM3.0b net, the second highest monthly foreign net outflow so far this year after March. This brings the year-to-date foreign net outflow from Malaysia to -RM13.3b which is still the third smallest foreign net outflow amongst the seven Asian markets we monitor.
- As Bursa reopened from a long weekend, international investors dumped -RM362.5m net of local equities on Wednesday. This was highest foreign net outflow in a day since the middle of March 2020. Nevertheless, retail and local institutional investors mopped up local equities at a tune of more than RM100m net with strong interest in rubber glove counters, pushing the local bourse 1.0% higher on the same day.
- Offshore investors continued to sell on Thursday but at a slower pace of -RM227.1m net. Risk-on sentiment on that day was boosted by Wall Street's overnight rally which saw the Dow Jones soar 553 points on mounting optimism that global authorities were taking measures to enhance economies. For instance, the European Commission proposed an USD826b stimulus package to aid recovery from the economic slowdown induced by the Covid-19 pandemic.
- Foreign net selling on Friday reduced to a level below RM100m at -RM74.2m as positivity grew for economies in Asia will gradually reopen from pandemic lockdowns. The local stock barometer followed suit to settle 1.0% higher at 1,473.3 points, the highest close in more than a month.
- In terms of participation, only foreign investors saw a substantial weekly increase in their average daily traded value (ADTV) to reach RM3.5b. This is the largest weekly ADTV since the week ended 1 June 2018.

Chart 5

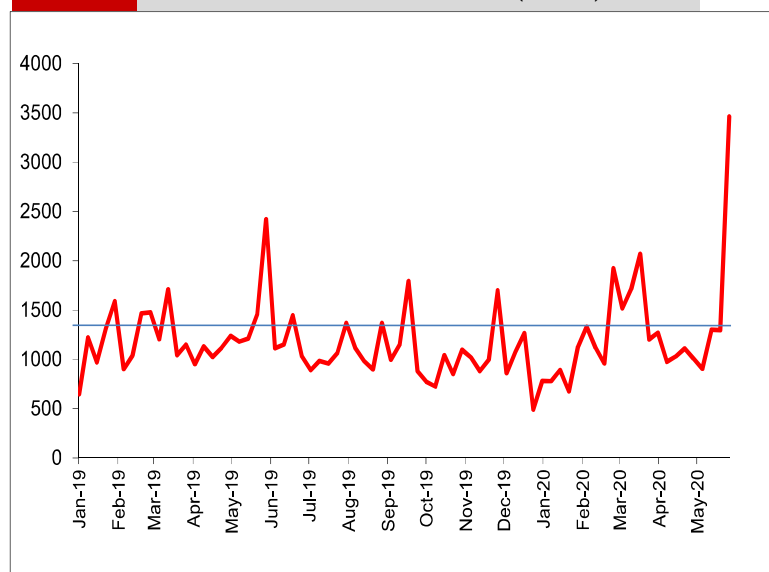
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2019 (RM'm)



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 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
MAY 29	6,155.8	5,686.3	469.4	8,514.5	8,320.1	194.4	4,862.0	5,525.8	-663.8	-152.6

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 29 MAY

TOP 10 NET MONEY INFLOWS

- Kuala Lumpur Kepong Berhad registered the highest net money inflow of RM10.31m last week. Its share price gained 1.66% for the week, underperforming the local bourse which had a 2.54% weekly gain.
- Kossan Rubber Industries Berhad recorded the second highest net money inflow of RM5.40m. Its share price was 2.84% higher, outperforming the local bourse which had a 2.54% weekly gain.
- Bursa Malaysia Berhad saw the third highest net money inflow of RM4.82m. Its share price was -1.92% lower during the week, underperforming the local bourse which was 2.54% higher.

TOP 10 NET MONEY OUTFLOWS

- Top Glove Corporation Berhad saw the largest net money outflow of -5.62m last week. Its stock price was 12.52 higher for the week, outperforming vis-à-vis the FBM KLCI. It is notable that the net money outflow amidst advancing share price may indicate a sell on strength (SOS) stance among some investors.
- MMC Corporation Berhad recorded the second largest net money outflow -RM4.13m during the week under review. Its share price was 2.35% higher during the week, underperforming the market benchmark which had a 2.54% weekly gain.
- Malayan Banking Berhad registered the third largest net money outflow of -RM3.24m in the review week. Its share price was 0.94% higher during the week under review, underperforming the local benchmark which was 2.54% 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		
KL KEPONG	10.31	0.01	1.66	-
KOSSAN RUBBER	5.40	2.28	2.84	-
BURSA	4.82	4.35	-1.92	BOW
HONG LEONG	4.19	0.14	1.49	-
HARTALEGA	3.81	5.03	25.40	-
MAHB	3.63	-1.36	1.21	-
TELEKOM	3.37	3.07	0.00	-
QL RESOURCES	3.26	1.23	19.48	-
IHH	2.35	-1.26	0.00	-
CIMB GROUP	2.28	12.02	8.65	-

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		
TOP GLOVE	-5.62	-18.02	12.52	SOS
MMC CORP	-4.13	-2.51	2.35	SOS
MAYBANK	-3.24	-0.27	0.94	SOS
MY EG	-3.10	0.16	-8.78	-
MAXIS BHD	-2.81	0.69	-2.38	-
IOI CORP BHD	-2.28	0.85	3.41	SOS
GENTING	-2.12	1.34	1.31	SOS
FGV	-2.04	-0.77	-14.29	-
GD EXPRESS	-1.96	-1.00	2.70	SOS
ECO WORLD	-1.63	-0.16	22.50	SOS

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

DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878-X)). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein

This document may not be reproduced, distributed or published in any form or for any purpose.



MIDF RESEARCH is part of
MIDF Amanah Investment Bank Berhad (197501002077 (23878-X))
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Business Address:
11th Floor, Menara MIDF,
82, Jalan Raja Chulan, 50200
Kuala Lumpur.
Tel: 2173 8888
Fax: 2173 8380