

MIDF EQUITY STRATEGY | 12 MAY 2020

WEEK ENDED 8 MAY 2020

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- Brent crude oil price surged 17.1% during the week to settle at USD30.96pb last Friday. U.S. oil rigs, as measured by oil services firm Baker Hughes, fell by 33 last week to reach 292 as drillers cut back on activity after a plunge in demand for crude forced by the coronavirus pandemic. The number had previously never fallen beneath 300, since the 2008/09 financial crisis.
- In Asia, international funds turned net sellers. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” disposed -USD1.42b net last week, almost cancelling off the USD1.90b bought in the week before.
- Following from its regional peers, offshore investors became net sellers on Bursa last week. Based on data from Bursa, international investors sold -RM774.1m net of local equities last week, almost nine times more than what was sold in the preceding week.
- The FBM KLCI declined by -1.8% for the week after settling at 1,382.3 points. Likewise, the Ringgit depreciated by 0.7% against the greenback to reach USD/MYR4.334 during the week.

RENEWED TRADE TENSIONS SPOOK ASIAN MARKETS

A. MARKET SNAPSHOT

- Major equity markets worldwide ended mixed last week as the latest round of the U.S-China trade tensions added jitters to the current Covid-19 pandemic.
- The U.S. economy shed more than 20 million nonfarm jobs in April, the biggest monthly drop ever. Notwithstanding this, all three key benchmark indices were up at least 2.5% for the week as the market has already priced such outcome. Optimism for markets was also fed by news that U.S and Chinese trade representatives discussed their phase one trade deal, with China saying they agreed to improve the atmosphere for its implementation.
- In Asia, China trade surplus recorded at USD45.34 billion in Apr-20, far higher than market forecast of USD9.7 billion. Exports increased by 3.5%yoy, while imports decreased by -13.8%yoy. Decline in imports was due to the disruption in global supply chain as most of the key economic countries were still under a restricted movement order which caused a disruption in their exports performance. In fact, imports from ASEAN plunged by -3.7%yoy (Mar-20: 10.5%yoy), particularly Malaysia by -7%yoy (Mar-20: 3.9%yoy). This was due to the full month of MCO that halted the outgoing products from Malaysia in effort to flatten the Covid-19 curve domestically. This provide cues on what to expect from Malaysia's exports performance in Apr-20 as China is our largest trading partner.
- Over in Europe, British consumer confidence edged up in late April but remained close to its lowest levels on record as the country remained in coronavirus lockdown and on track for a deep recession. GfK, a polling firm, said its consumer confidence index which it is now published every two weeks rose to -33 in the April 20-26 period from -34 during the first half of the month. The lowest-ever GfK reading of -39 was recorded in July 2008 at the onset of the global financial crisis.
- Brent crude oil price surged 17.1% during the week to settle at USD30.96pb last Friday. U.S. oil rigs, as measured by oil services firm Baker Hughes, fell by 33 last week to reach 292 as drillers cut back on activity after a plunge in demand for crude forced by the coronavirus pandemic. The number had previously never fallen beneath 300, since the 2008/09 financial crisis. The record low for U.S. oil rigs was 98, seen in November 2002. Crude also got a boost from Saudi Arabia, the world's largest exporter, raising its official selling prices, alleviating pressure on global crude pricing.

Table 1 Weekly performance of major indices		
Weekly % change	Week before	Last week
S&P 500	-0.21	3.50
FTSE 100	0.19	3.00
Nikkei	1.86	2.85
Dow Jones	-0.22	2.56
China CSI 300	3.04	1.30
DAX	5.08	0.39
Korea KOSPI	3.10	-0.09
CAC 40	4.07	-0.49
Taiwan TAIEX	6.23	-0.83
FSSTI Index	4.21	-1.23
Phil PCOMP	4.31	-1.38
Hang Seng	3.41	-1.68
KLCI	2.77	-1.81
Jakarta JCI	4.90	-2.52
Thai SET	3.41	-2.74
India SENSEX	7.63	-6.15

Source: Bloomberg

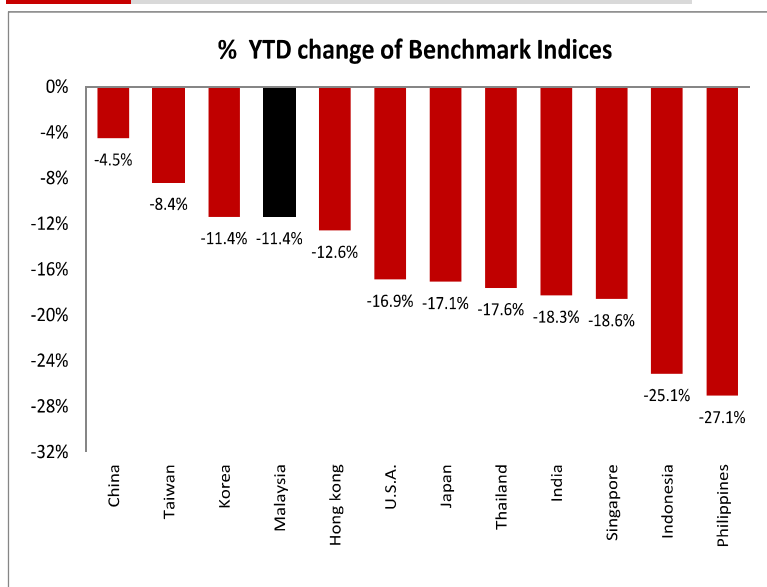
FUND FLOW REPORT

- The FBM KLCI declined by -1.8% for the week after settling at 1,382.3 points. Likewise, the Ringgit depreciated by 0.7% against the greenback to reach USD/MYR4.334 during the week.

B. TRACKING MONEY FLOW - ASIA¹

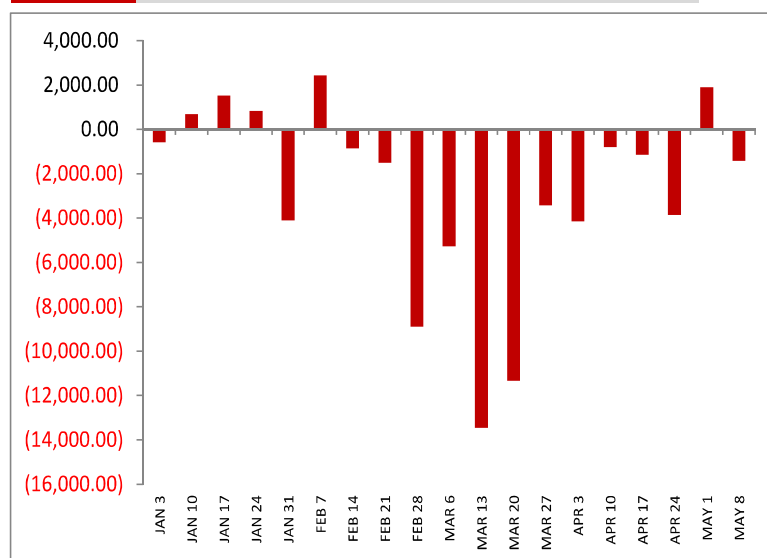
- In Asia, international funds turned net sellers. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” disposed -USD1.42b net last week, almost cancelling off the USD1.90b bought in the week before.
- The foreign net inflow seen in South Korea in the week before was short-lived as international funds dumped -USD1.11b net of local equities. Monday recorded the highest foreign net outflow during the week of -USD762.8m, snapping the KOSPI’s three-day rally to drop more than 2.0% on renewed tensions between the U.S and China amid the Covid-19 pandemic. Friction between the two nations were sparked when President Trump indicated he may consider imposing new tariffs on China over its handling of the Covid-19 pandemic. Meanwhile, Friday was the only day which saw foreign net buying of USD101.2m of local equities. The KOSPI index also turned higher on Friday, advancing as much as 0.5 %, after investor sentiment got a boost from less-than-pessimistic economic indicators from the United States and China. The better-than-expected exports data from China, the top trading partner of South Korea, also helped boost investor sentiment on Friday. China reported that its exports in U.S. dollar terms rose 3.5% in April.
- In Taiwan, offshore funds took out -USD1.79b net of local equities last week, wiping out the USD1.74b bought in the week before. International funds were net sellers on every day of the week except on Thursday which saw a foreign net inflow of USD95.0m. Foreign net selling meanwhile peaked on Monday at a whopping -USD1.25b. Risk-on sentiment was dampened by renewed trade tensions between the U.S and China. Contract chipmaker Taiwan Semiconductor Manufacturing Co. (TSMC), the most heavily weighted stock in the local market, fell below the technical support of TWD300 to close at TWD295.00, down 1.88%.

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)

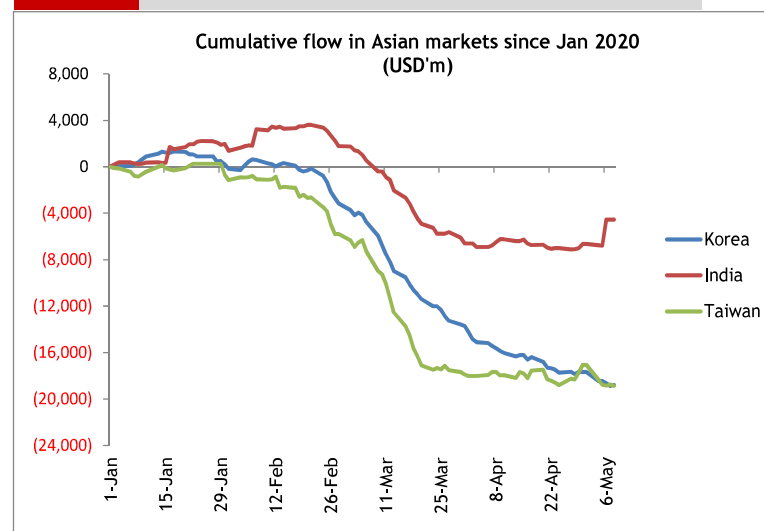


Source: Bloomberg, Bursa Malaysia, MIDFR

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.

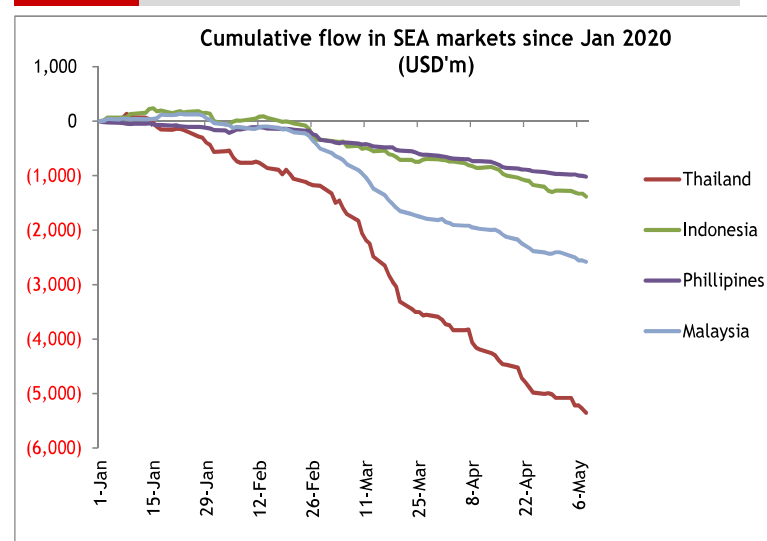
- In emerging South East Asian markets that we monitor, all markets continue to experience foreign net attrition.
- In Thailand, the level of foreign net selling to -USD276.4m during the three-day trading week. Foreign net selling occurred on every day of the week with Tuesday recording the highest foreign net outflow during the week of -USD142.2m. Offshore investors flocked to safe haven assets on Tuesday pressured by the U.S's intention to punish China for the spread of Covid-19 through the imposition of new tariffs on imported goods. On the other hand, international investors sold the least during the week on Thursday at -USD63.2m net.
- In Manila, foreign net selling activity was little changed as international funds only sold -USD48.7m net compared to -USD53.0m in the preceding week. Manila bucked the trend amongst regional peers to record a foreign net inflow of USD1.71m net on Tuesday after 33 straight days of foreign net selling. The catalyst for Tuesday's foreign net inflow was the peace offering made by President Duterte to tycoons he threatened months ago. The Philippines' gross domestic product (GDP) fell 0.2% in the 1Q20 as the start of the year was marked with Taal Volcano's eruption and the coronavirus disease 2019 (COVID-19) pandemic.
- In Jakarta, foreign investors sold -USD110.0m net last week. Foreign net selling peaked on Friday at -USD54.5m. The local market was dominated by negative news throughout the week. Firstly, Indonesia's GDP growth slowed to 3%yoy in 1Q20 from 5%yoy in the previous quarter, the lowest expansion since 4Q01. The consumer confidence index for April falls to 84.8, below optimistic territory of 100, on concerns over the economy during the Covid-19 pandemic.

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 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	-512.1	-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	2,096.1	-1,792.6	-179.2	-1,415.9

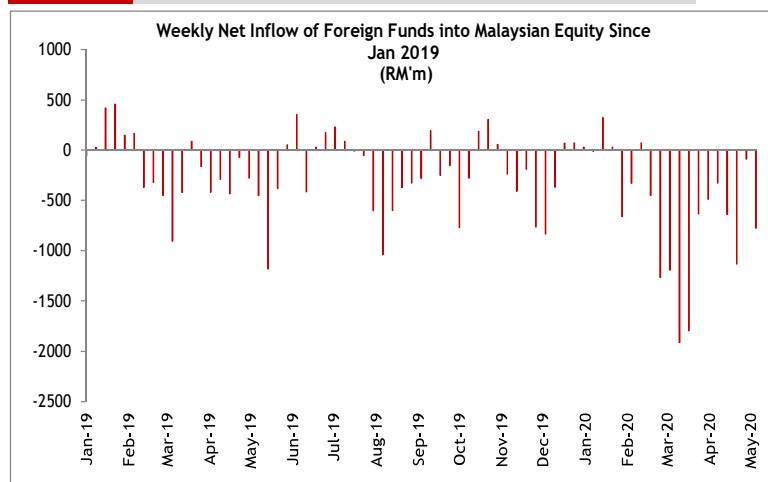
Source: Respective exchange statistics reported on Bloomberg, Bursa Malaysia. These figures are subject to revisions.

FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

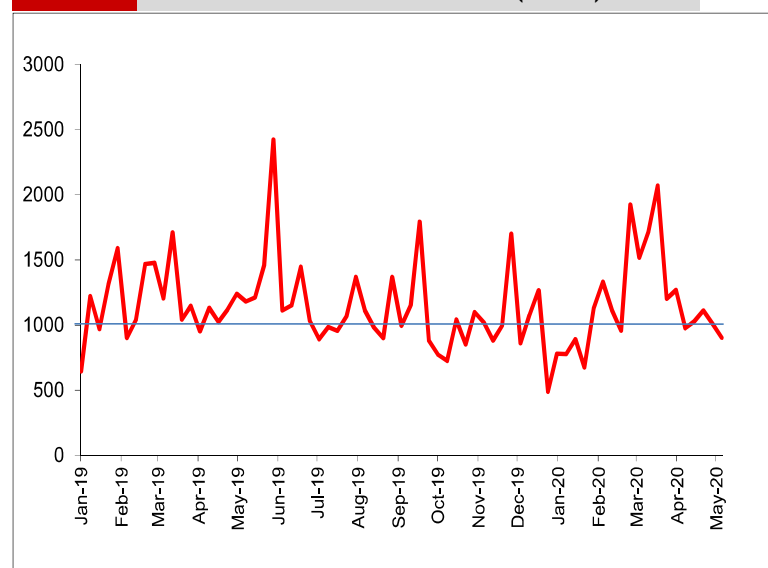
- Following from its regional peers, offshore investors became net sellers on Bursa last week. Based on data from Bursa, international investors sold -RM774.1m net of local equities last week, almost nine times more than what was sold in the preceding week.
- Foreign investors have so far taken out -RM11.08b net of local equities from Malaysia. 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.
- Monday saw the highest net outflow as international funds offloaded -RM319.9m net of local equities, the largest in a day since mid-March this year. Market sentiment was hurt by rising tensions between Washington and Beijing after U.S. President Donald Trump hinted over the weekend that he could impose new tariffs on Chinese goods because of the claim that China lacked transparency on the coronavirus.
- Foreign net selling activity dipped on Tuesday to -RM96.5m, coinciding with Bank Negara Malaysia's 50bp cut in its key interest rate to a 10-year low of 2.0%. The local bourse reacted positively by closing 0.9% at 1,376.9 points on the same day.
- The momentum of foreign net outflow accelerated on Wednesday to -RM247.9m as investors booked profits ahead of Thursday's public holiday.
- As markets reopened from the public holiday, foreign funds on Friday continued to sell local equities but at a slower pace of -RM109.8m net. Investors cheered a call between Washington and Beijing that eased tensions and wagered that moves to open up economies after coronavirus lockdowns will succeed.
- In terms of participation, foreign investors were the only investor group which recorded a weekly decline in its average daily traded value (ADTV). The ADTV of foreign investors decreased by 10.3% for the week to reach below RM1b at RM903m, the lowest in 16 weeks.

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 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	3,969.9	-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

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 8 MAY
TOP 10 NET MONEY INFLOWS

- Top Glove Corporation Berhad registered the highest net money inflow of RM9.62m last week. Its share price gained 0.69% for the week, outperforming the local bourse which had a -1.81% weekly loss.
- Hong Leong Bank Berhad recorded the second highest net money inflow of RM4.85m. Its share price was 0.75% higher, outperforming the local bourse which had a -1.81% weekly loss.
- KL Kepong Berhad saw the third highest net money inflow of RM4.73m. Its share price was -1.90% higher during the week, underperforming the local bourse which was -1.81% lower. Nonetheless, it is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
TOP GLOVE	9.62	-6.24	0.69	-
HONG LEONG	4.85	4.39	0.75	-
KL KEPONG	4.73	1.82	-1.90	BOW
SERBA DINAMIK	3.81	0.12	1.26	-
CIMB GROUP	2.68	1.48	-0.29	BOW
BAT	2.67	4.10	4.74	-
MAHB	2.40	-0.67	-4.78	BOW
TNB	1.69	-8.44	0.82	-
POS MALAYSIA	1.60	-1.08	16.09	-
GENTING BHD	1.55	1.23	-0.48	BOW

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- Malayan Berhad saw the largest net money outflow of -4.11m last week. Its stock price was -2.11% lower for the week, underperforming vis-à-vis the FBM KLCI which declined -1.81% during the review week.
- Public Bank Berhad recorded the second largest net money outflow of -RM2.51m during the week under review. Its share price was -3.91% lower during the week, underperforming the market benchmark which had a -1.81% weekly loss.
- Maxis Berhad registered the third largest net money outflow of -RM1.97m in the review week. Its share price was 3.83% lower during the week under review, underperforming the local benchmark which was -1.81% lower 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	-4.11	1.10	-2.11	-
PUBLIC BANK	-2.51	0.87	-3.91	-
MAXIS BHD	-1.97	-0.06	-3.83	-
WESTPORTS	-1.83	0.21	-1.08	-
TELEKOM	-1.65	0.95	5.46	SOS
DIGI.COM BHD	-1.26	-0.33	-3.45	-
PETGAS	-0.93	0.10	-3.51	-
PETDAG	-0.91	-0.36	0.79	SOS
SUNWAY REIT	-0.81	0.00	3.82	SOS
VS INDUSTRY	-0.76	0.65	-0.54	-

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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