

## MIDF EQUITY STRATEGY | 9 JUNE 2020

### WEEK ENDED 5 JUNE 2020

- Major equity markets worldwide ended on a solid note last week as manufacturing gauges suggest that economies are stabilizing.
- Brent crude oil price saw a nearly 20% weekly gain to settle at USD42.30pb last Friday, the biggest advance in five weeks. Oil price was partly supported by a surprise rebound in US jobs numbers in May and also speculation that OPEC will extend production cuts at its Saturday meeting. The speculation then came into reality as the OPEC and its allies agreed to an extension of output cuts until the end of July 2020.
- International funds piled into Asian markets last week at a substantially strong pace. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” accumulated only USD4.4b net last week, which is nearly 40 times of what was bought in the preceding week.
- In contrast with other Asian markets which saw a weekly foreign net inflow, Bursa marked its 16th consecutive week of foreign net selling. Based on data from Bursa, international investors sold -RM1.15b net of local equities last week compared to the -RM663.8m disposed in the week before.
- The FBM KLCI gained by 5.6% for the week after settling at 1,556.3 points. Likewise, the Ringgit appreciated by 1.9% against the greenback to reach USD/MYR4.2668 during the week.

## BURSA BUCKS THE TREND WITH A WEEKLY FOREIGN NET OUTFLOW

### A. MARKET SNAPSHOT

- Major equity markets worldwide ended on a solid note last week as manufacturing gauges suggest that economies are stabilizing.
- For the month of May 2020, employment in the U.S rose by 2.5 million while the jobless rate dropped to 1.3%, better than what economists were expecting. The jump in employment almost perfectly mirrored the 2.7 million decrease in workers who reported being on temporary layoff. The gain in May was by far the biggest one-month jobs surge in U.S. history since at least 1939. The only previous month to register more than a million jobs was September 1983, at 1.1 million.
- In Asia, Indonesia's annual inflation rate moderated to 2.2%yoy in May-20 from 2.7%yoy in Apr-20, slightly below market expectation of 2.3%. This was the lowest inflation rate since Jun 2000, as prices increased at a softer pace for food, beverage and tobacco (3.4% vs 5.3%), household equipment and routine maintenance (2.3% vs 2.5%) and clothing and footwear (2% vs 2.3%). Meanwhile, transportation prices dropped at a slower rate of -1.4% from -1.8% in Apr-20 as global oil prices improve gradually. On the other hand, price growth were maintained for health at 4.1% and housing & utilities at 1.2% due to demand for these products following Covid-19 outbreak. The annual core inflation rate eased slightly to 2.6%.
- Over in Europe, seasonally-adjusted unemployment rate in the Eurozone went up to 7.3% in Apr-20 from 7.1% in the preceding month as the unemployed persons increased by 211k to 11.92m. Among the bloc's largest economies, Spain recorded the highest unemployment rate at 14.8% while the lowest rate was observed in Germany at 3.5%. The youth unemployment rate in particular inched up to 15.8% from 15.1% in Mar-20. Increasing jobless rate is mainly due to Covid-19 containment measures implemented in most of the countries in the bloc. Spain tops the rank of countries in Euro Area with the most cases of Covid-19. Surging unemployment is likely to be a global trend in Apr-20 as most of the countries had movement restrictions or lockdowns during the month to contain the spread of the pandemic.
- Brent crude oil price saw a nearly 20% weekly gain to settle at USD42.30pb last Friday, the biggest advance in five weeks. Oil price was partly supported by a surprise rebound in US jobs numbers in May and also speculation that OPEC will extend production cuts at its Saturday meeting. The speculation then came into reality as the OPEC and its allies agreed to an extension of output cuts until the end of July 2020. OPEC also demanded countries such Nigeria and Iraq which exceeded production quotas in May and June, to compensate with extra cuts in July to September.

Weekly % change	Week before	Last week
DAX	4.63	10.88
Phil PCOMP	5.41	10.73
CAC 40	5.64	10.70
FSSTI Index	0.44	9.59
Hang Seng	0.14	7.88
Korea KOSPI	3.02	7.50
Thai SET	2.98	6.91
Dow Jones	3.75	6.81
FTSE 100	1.39	6.71
India SENSEX	5.71	5.75
KLCI	2.54	5.64
S&P 500	3.01	4.91
Taiwan TAIEX	1.21	4.91
Nikkei	7.31	4.51
Jakarta JCI	4.57	4.08
China CSI 300	1.12	3.47

Source: Bloomberg

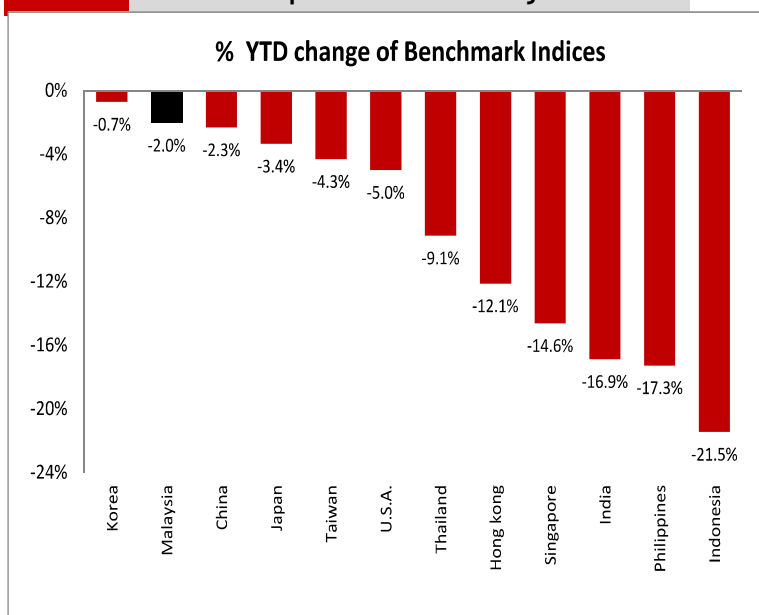
## FUND FLOW REPORT

- The FBM KLCI gained by 5.6% for the week after settling at 1,556.3 points. Likewise, the Ringgit appreciated by 1.9% against the greenback to reach USD/MYR4.2668 during the week.

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

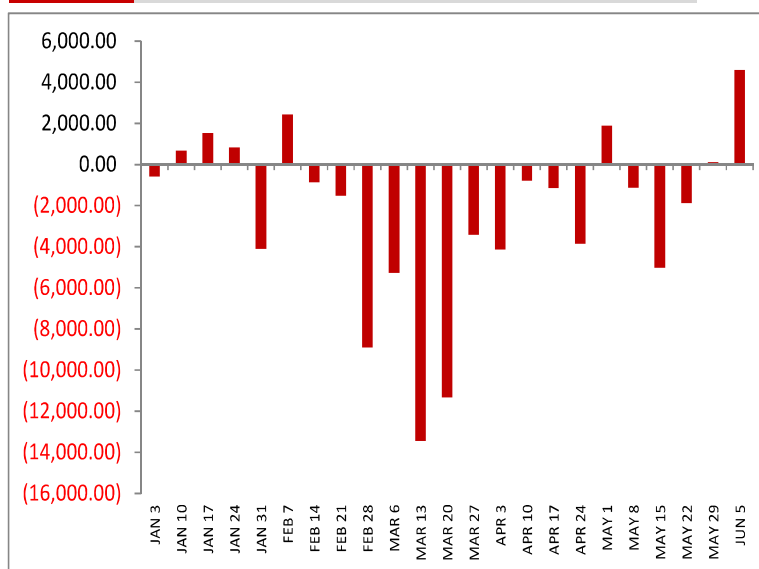
- International funds piled into Asian markets last week at a substantially strong pace. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” accumulated only USD4.4b net last week, which is nearly 40 times of what was bought in the preceding week.
- Tides were turned in South Korea as foreign investors mopped up USD348.1m last week, putting an end to the four-week selling spree. International investors were net buyers on every day of the week except on Tuesday which saw a foreign net outflow of -USD45.5m. Sentiment was weak on Tuesday as South Korea’s exports dropped by -23.7%yoy in May 2020, marking the third monthly consecutive drop. This was despite the country’s efforts to well contain the spread of the virus which was offset by the disruption in global supply chains amidst the practice of restrictive measures by other countries. Meanwhile, foreign investors bought the most during the week on Thursday at USD148.5m net following the rally in U.S markets overnight as optimism remained in the market amidst the reopening of economies. On a year-to-date basis, South Korea recorded a foreign net outflow of -USD20.6b, the second largest amongst the seven Asian markets we monitor.
- Likewise, international investors made a modest return to Taiwan by acquiring USD1.5bm of local equities last week. Foreign investors were net buyers on every day of the week with Wednesday recording the highest at USD569.5m. In fact, Wednesday’s foreign net inflow was the highest in more than a month, coinciding with the local stock barometer soaring almost 200 points as investors were encouraged by the positive vibe seen on Wall Street as lockdown restrictions were eased. Foreign net inflow meanwhile was the lowest on Tuesday at only USD30.6m which pushed the Taiex index higher by 0.4%.

**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)

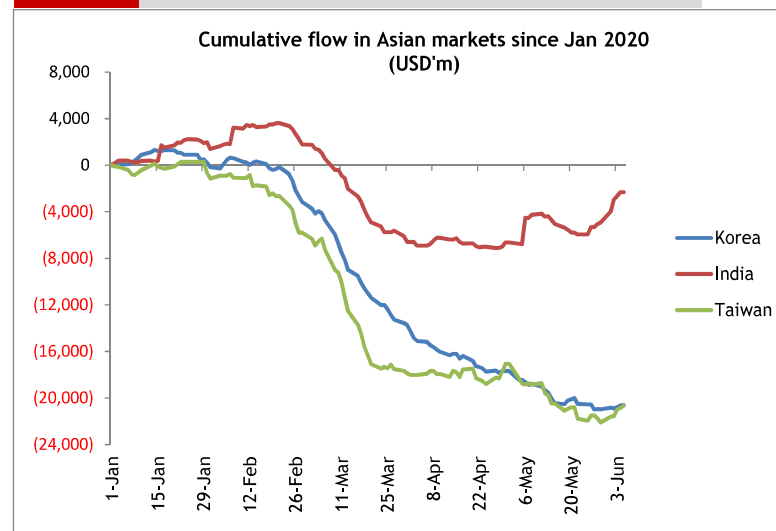


Source: Bloomberg, Bursa Malaysia, MIDFR

<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.

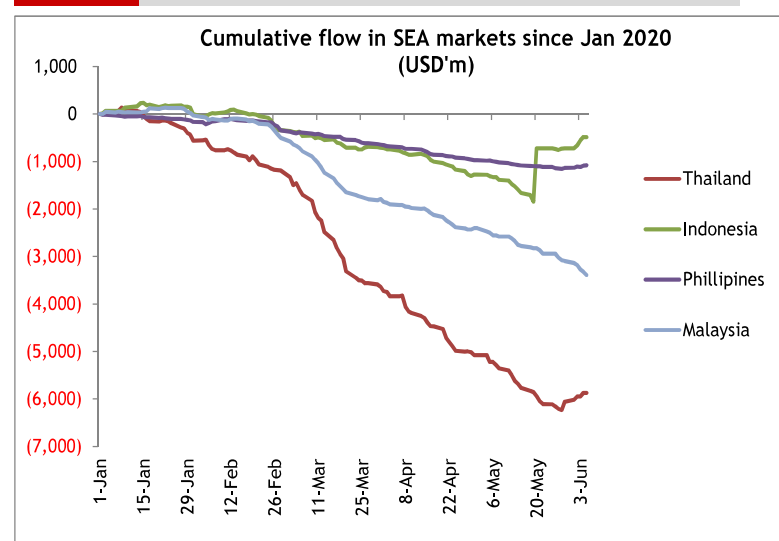
- In emerging South East Asian markets that we monitor, majority of markets continue to experience foreign net inflow.
- In Thailand, the level of foreign net buying quadrupled to USD190.2m last week from USD47.3m in the week before. Foreign net buying occurred on every day of the week with Thursday recording the highest at USD78.3m. The risk-on mood was spurred by the revival of economic activities with many countries lifting lockdowns as shown by the purchasing managers index (PMI) of China's service sector which rose to 55 points in May. The local bourse followed suit to close 2.7% higher at 1,411 points on Thursday, the highest close since late February 2020.
- After 15 uninterrupted weeks of foreign net selling, international funds made a comeback to Manila by snapping up USD58.3m of local equities last week. Thursday saw the highest foreign net inflow during the week at USD27.4m, lifting the PSEi 4.4% higher to close above 6,500 points for the first time early March 2020. The upbeat sentiment on Thursday was attributable to the as economic data especially from China pointed to less severe damage from the COVID-19 pandemic. Notwithstanding this, foreign funds did sell -USD6.6m net on the day before.
- Foreign investors in Jakarta retained their position as net buyers for the third week running, acquiring USD233.4m during the four-day trading week. Foreign net inflow peaked on Wednesday at USD106.8m as traders weighed a global economy emerging from Covid-19 lockdowns. Likewise, the Indonesian Rupiah climbed over 2.0%, leading a risk-on rally in Asian currencies.

**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 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	-467.6	47.3	2.0	-18.0	1,032.8	-330.2	-152.6	113.6
JUN 5	348.1	190.2	233.4	58.3	2,596.8	1,469.2	-299.1	4,596.9

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

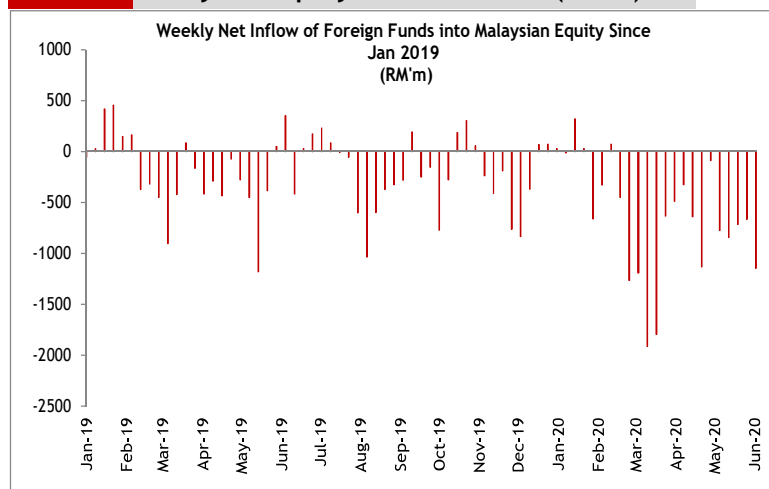


## FUND FLOW REPORT

### C. TRACKING MONEY FLOW - MALAYSIA

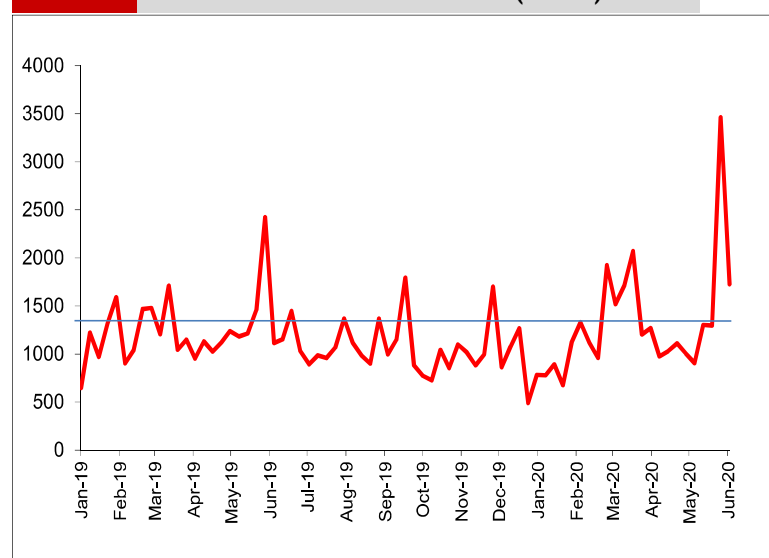
- In contrast with other Asian markets which saw a weekly foreign net inflow, Bursa marked its 16<sup>th</sup> consecutive week of foreign net selling. Based on data from Bursa, international investors sold -RM1.15b net of local equities last week compared to the -RM663.8m disposed in the week before.
- Foreign investors have so far taken out -RM14.4b net of local equities from Malaysia. In comparison to its other six Asian peers that we monitor, Malaysia is now the nation with the fourth smallest foreign net outflow on a year-to-date basis.
- Bursa began the week on a sluggish note as foreign investors sold -RM179.4m on Monday. Foreign investors reacted to Trump's plan to begin the process of eliminating special treatment for Hong Kong.
- The level of foreign net inflow inched higher to -RM191.4m on Tuesday. Investors were balancing cautious optimism about the reopening of businesses against worries that widespread protests in the U.S. which could disrupt the economic recovery and widen the outbreak.
- Foreign net selling peaked on Wednesday at -RM387.6m net, bucking the trend of foreign net inflows seen in peers namely, South Korea and Taiwan. Nevertheless, the local bourse was up by 2.1% to settle at 1,538.5 points supported by local institutions which bought RM545.8m on the same day.
- Thursday saw a slightly lower foreign net outflow of RM237.8m net before shrinking further to -RM150.2m on Friday. The slowdown in foreign net outflow was partly attributable to the announcement of Malaysia's short term recovery plan on Friday which put the automobile sector in the spotlight due to the sales tax exemption on car purchases.
- In terms of participation, only foreign investors saw a substantial weekly decline in their average daily traded value (ADTV) of 50% to reach RM1.7b. Nevertheless, the ADTV is still healthy above the RM1.0b 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)	
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
JUN 5	12,394.9	12,430.4	-35.5	16,140.4	14,958.5	1,181.9	3,740.3	4,886.7	-1,146.4	-299.1

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 5 JUNE**
**TOP 10 NET MONEY INFLOWS**

- RHB Bank Berhad registered the highest net money inflow of RM9.93m last week. Its share price gained 13.42% for the week, outperforming the local bourse which had a 5.60% weekly gain.
- Public Bank Berhad recorded the second highest net money inflow of RM8.78m. Its share price was 18.14% higher, outperforming the local bourse which had a 5.60% weekly gain.
- AirAsia Group Berhad saw the third highest net money inflow of RM4.88m. Its share price was 24.36% higher during the week, outperforming the local bourse which was 5.60% higher.

**TOP 10 NET MONEY OUTFLOWS**

- Top Glove Corporation Berhad saw the largest net money outflow of -21.66m last week. Its stock price was 23.16% higher for the week, outperforming vis-à-vis the FBM KLCI which gained 5.60% during the review week. It is notable that the net money outflow amidst advancing share price may indicate a sell on strength (SOS) stance among some investors.
- Genting Malaysia Berhad recorded the second largest net money outflow -RM10.16m during the week under review. Its share price was 12.07% higher during the week, outperforming the market benchmark which had a 5.60% weekly gain.
- Tenaga Nasional Berhad registered the third largest net money outflow of -RM10.07m in the review week. Its share price was 6.22% higher during the week under review, outperforming the local benchmark which was 5.60% higher for the week. 

**Table 4** Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
RHB BANK	9.93	1.34	13.42	-
PUBLIC BANK	8.78	1.64	18.14	-
AIRASIA GROUP	4.88	-0.95	25.36	-
KOSSAN RUBBER	3.27	5.40	3.58	-
FGV HOLDINGS	3.16	-2.04	8.82	-
MAHB	3.14	3.63	10.00	-
GENTING BHD	2.70	0.84	9.75	-
PETRONAS GAS	2.48	1.01	-5.79	BOW
UMW HOLDINGS	1.42	-0.04	38.28	-
TELEKOM	1.11	3.37	1.18	-

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)	Remark
	Last Week	Prev Week	Last Week	
TOP GLOVE	-21.66	-5.62	23.16	SOS
GENT MSIA	-10.16	-2.12	12.07	SOS
TNB	-10.07	-0.85	6.22	SOS
DIGI.COM	-7.35	0.12	-3.52	-
MISC	-6.48	-1.50	0.00	-
MY EG	-6.33	-3.10	-8.15	-
HARTALEGA	-5.46	3.81	-2.71	-
UNITED PLTN	-4.64	-0.13	0.15	SOS
SD PLANTATION	-4.13	-1.15	0.00	-
SERBA DINMK	-3.94	0.03	8.70	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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