

MIDF EQUITY STRATEGY | 31 DECEMBER 2018 WEEK ENDED 28 DECEMBER

- Equity markets worldwide ended mixed last week during the holiday-shortened week as political turbulence in Washington took the centre stage.
- Brent crude oil price settled at USD52.16pb, paring down its weekly losses to only 3.0% after losing 10.7% in the preceding week. Despite U.S crude inventories falling down by 46,000 barrels in the week ended December 21, Brent crude oil price were lifted by Friday's rally on Wall Street.
- After three consecutive weeks of selling activity, offshore funds entered into Asian markets albeit at a measurable pace. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" bought USD120.1m net last week, the second lowest weekly net inflow recorded in 2018. Collectively, foreign funds haven taken out -USD38.98b net worth of equities from the seven Asian markets from 1 January to 28 December 2018, cancelling off the USD21.72b net they mopped up in 2017.
- Overseas funds have been selling stocks listed on Bursa for the past eight consecutive weeks. Based on data from Bursa, foreign funds sold -RM127.6m net of local equities last week, the smallest in three weeks.
- The FBM KLCI locked in a 1.30% weekly gain settling at 1,692 points, the highest in eight weeks. The Ringgit followed suit, appreciating 0.6% against the greenback for the week to USD/MYR4.154, the biggest weekly advance in 39 weeks.

A TUMULTUOUS YEAR INDEED

A. MARKET SNAPSHOT

- Equity markets worldwide ended mixed last week during the holiday-shortened week as political turbulence in Washington took the centre stage.
- Wall Street plunged on Christmas eve as President Trump attacked the Fed while efforts by his Treasury Secretary to calm investors was not enough as major stock indexes slid more than 2% on Monday to the lowest since April 2017. Nonetheless, U.S markets snapped its four-day losing streak with the Dow Jones index adding over 1,000 points, its biggest ever one-day point gain in history. Sentiment was largely buoyed by the growth of U.S holiday sales reaching a six-year high.
- U.S stocks resumed their ascent on Thursday before turning flattish on Friday as tech stocks became a drag. Overall, the S&P 500 and Dow Jones eked out a weekly gain above 2.5%.
- Profits of industrial firms in China China's YTD profits weakened by 1.8%yoy amounting to CNY594.8b in November. This is the first weakening since December 2015; it was mainly due to a worsening in domestic & external demand. The result of trade war with US has added pressure on China's manufacturing sector, causing a weakening in growth of sales & producer prices & rising costs. China's factory price growth is reportedly at its lowest in 2 years as domestic demand weakened. Industrial firms' liabilities also reportedly rose to 5.8%yoy to CNY64.6t. Currently, YTD profits average to 11.8%yoy in 11 months. Looking ahead, we expect the world's second largest economy to continue losing economic momentum as firms remain pessimistic and plans to delay investment plans for the time being. Future earnings are expected to worsen as domestic demand slows and gains in industrial prices reduce.
- In Europe, Germany's annual inflation declined sharply in December 2018, going down below the European Central Bank's target level of close to 2%. This supports ECB's view that inflationary pressures are waning at the headline level amidst declining energy prices. As a balancing act, ECB's EUR2.6t bond buying scheme was ended but pledged to keep its stimulus intact. On another note, the ECB also promised to keep interest rates at record lows at least through summer 2019.
- Brent crude oil price settled at USD52.16pb, paring down its weekly losses to only 3.0% after losing 10.7% in the preceding week. Despite U.S crude inventories falling down by 46,000 barrels in the week ended December 21, Brent crude oil price were lifted by Friday's rally on Wall Street. Another catalyst for the Brent crude is the decline of Asia's Iran crude imports which hit the lowest in more than five years in November 2018 as sanctions took effect.

Table 1 Weekly performance of major indices

Weekly % change	Week before	Last week
S&P 500	-7.05	2.86
Dow Jones	-6.87	2.75
KLCI	0.50	1.30
India SENSEX	-0.61	0.94
Taiwan TAIEX	-1.00	0.52
Jakarta JCI	-0.10	0.50
FSSTI Index	-1.01	0.24
FTSE 100	-1.81	0.19
Phil PCOMP	-0.59	-0.18
CAC 40	-3.28	-0.33
China CSI 300	-4.31	-0.62
DAX	-2.13	-0.70
Nikkei	-5.65	-0.75
Hang Seng	-1.31	-0.97
Korea KOSPI	-0.38	-0.99
Thai SET	-0.88	-1.97

Source: Bloomberg

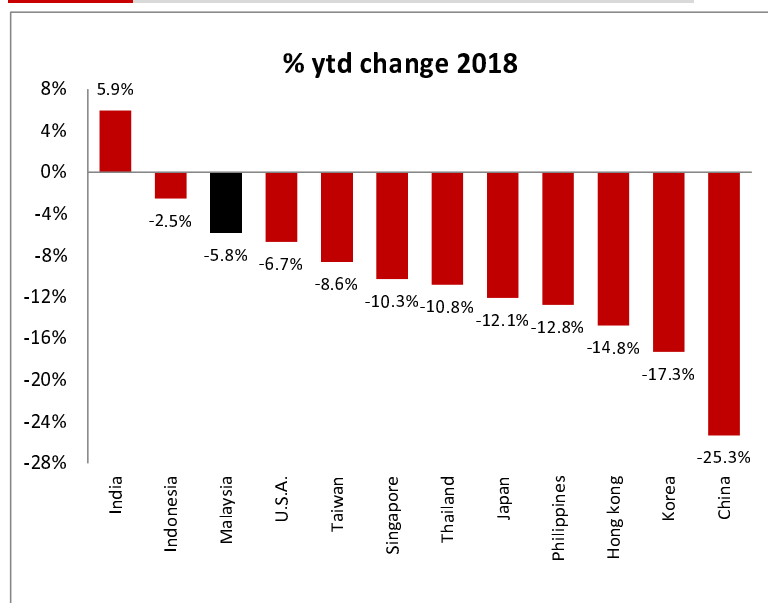
FUND FLOW REPORT

- The FBM KLCI locked in a 1.30% weekly gain settling at 1,692 points, the highest in eight weeks. The Ringgit followed suit, appreciating 0.6% against the greenback for the week to USD/MYR4.154, the biggest weekly advance in 39 weeks.

B. TRACKING MONEY FLOW - ASIA¹

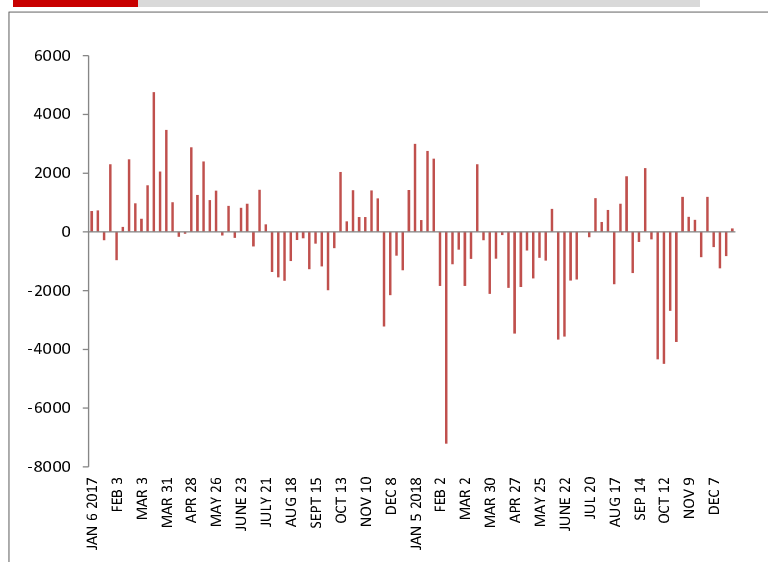
- After three consecutive weeks of selling activity, offshore funds entered into Asian markets albeit at a measurable pace. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” bought USD120.1m net last week, the second lowest weekly net inflow recorded in 2018. Collectively, foreign funds haven taken out -USD38.98b net worth of equities from the seven Asian markets from 1 January to 28 December 2018, cancelling off the USD21.72b net they mopped up in 2017.
- In Korea, three weeks of uninterrupted foreign net selling came to an end as international funds bought USD405.7m net last week. Foreign net attrition was seen on Monday at a tune of -USD10.5m net, the lowest in 30 trading days. As markets reopened after Christmas break, international funds gradually increased their exposure in local equities until the week ended; from USD62.3m on Wednesday to USD243.6m net on Friday. While Friday’s foreign net inflow was the largest in two weeks, pushing the KOSPI 0.62% higher to a close of 2,041 points. The KOSPI was still down 17.3% from end 2017. This is the biggest annual drop since the 2008 global financial crisis which saw the KOSPI plunging 40.7% and also the first time in four years that the KOSPI logged a negative growth. Meanwhile, KOSPI’s market capitalisation, dropped 16.3% to USD1.2t as of 28 December 2018 dragged by blue chips such as Samsung Electronics Co.
- Foreign net selling in Taiwan meanwhile experienced a slowdown as foreign investors sold -USD85.6m, bringing its year-to-date outflow to -USD12.17b, the largest amongst the 7 Asian markets in our coverage. Net buying occurred on the last two trading days. Thursday recorded the highest net inflow since late October 2018 worth USD270.2m, coinciding with the Taiex’s biggest daily gain in three weeks. However, this was not enough to offset the foreign net outflow seen on the first three days of the week, with Tuesday posting the highest foreign net selling during the week at -USD229.4m.

Chart 1 YTD performance of major markets



Source: Bloomberg

Chart 2 Weekly Net Flow of Foreign Funds into 7 Asian Markets since Jan 2017 (USD'm)

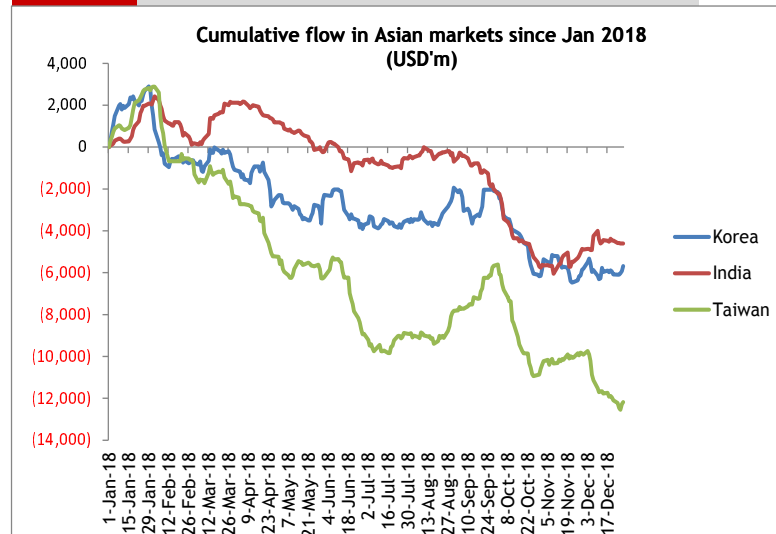


Source: Bloomberg, Bursa Malaysia, MIDFR

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.

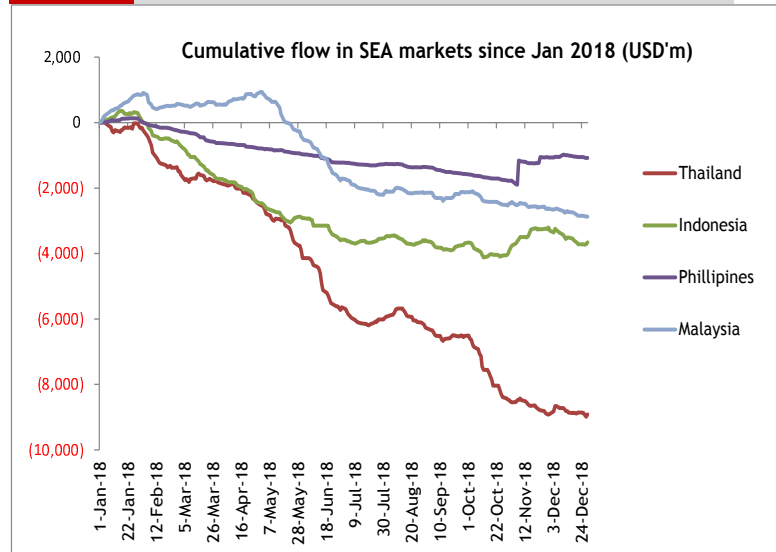
- In emerging South East Asian markets, more than half of them experienced foreign net selling.
- In Bangkok, the foreign net inflow seen in the previous week was short-lived as foreign investors sold off -USD60.9m net last week. International funds were net sellers on four days of the week with the highest attrition seen on Wednesday at -USD70.3m, dragging the SET index by 2.2% to 1,557 points, the sharpest drop in 11 trading days. Towards the end of the week, international investors snapped up USD77.6m net of equities on Friday, breaking the four-day selling binge. As of last Friday, foreign funds have offloaded USD8.91b of local equities in 2018, more than ten times the amount sold in the preceding year. This makes Thailand to be the casualty of the largest outflow amongst the four ASEAN markets we monitor.
- In Manila, the amount of equities sold by foreign investors was almost halved to -USD24.5m net during the three-day trading week. The local bourse returns from Christmas break on a soft note as foreigners dumped -USD14.5m net as investors were spooked by the latest developments in Washington. It is notable that the pace of foreign net selling gradually slowed down thereafter until Friday where offshore funds only took out -USD3.8 net as sentiment was partially buoyed by the overnight rally on Wall Street.
- Jakarta saw its first weekly foreign net inflow in five week worth USD61.0m. The post-Christmas trading session on Wednesday saw foreign investors selling -USD14.6m net of equities, extending the foreign selling frenzy to seven straight days. This however came to an end as international funds bought USD16.9m and USD58.7m net on Thursday and Friday respectively. Indonesia's local bourse has dropped 2.5% as of last Friday to settle at 6,194 points while experiencing an cumulative outflow of USD3.66b, the most since at least 1998.

Chart 3 Net Flow of Foreign Funds into Taiwan, Korea and India since Jan 2018(USD'm)



Source: Bloomberg, MIDFR

Chart 4 Net Flow of Foreign Funds into South East Asia Emerging Markets since Jan 2018 (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 2	693.8	-161.4	304.3	-20.6	-400.0	703.9	77.4	1,197.3
NOV 9	157.9	65.2	256.5	585.7	-397.6	-106.3	-43.6	517.8
NOV 16	-523.6	-173.9	231.7	-54.2	865.5	169.5	-99.5	415.5
NOV 23	-724.9	-132.0	6.4	188.5	-295.2	108.1	-12.5	-861.5
NOV 30	632.8	-116.8	-41.5	-14.0	586.9	148.9	-58.4	1,137.8
DEC 7	-62.4	186.0	-52.8	15.1	640.8	-1,225.6	-19.1	-518.0
DEC 14	-90.5	-139.2	-158.0	43.0	-191.5	-630.0	-75.2	-1,241.3
DEC 21	-117.7	5.3	-205.3	-47.5	-19.8	-325.9	-111.1	-822.0
DEC 28	405.7	-60.9	61.0	-24.5	-145.0	-85.6	-30.6	120.1

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

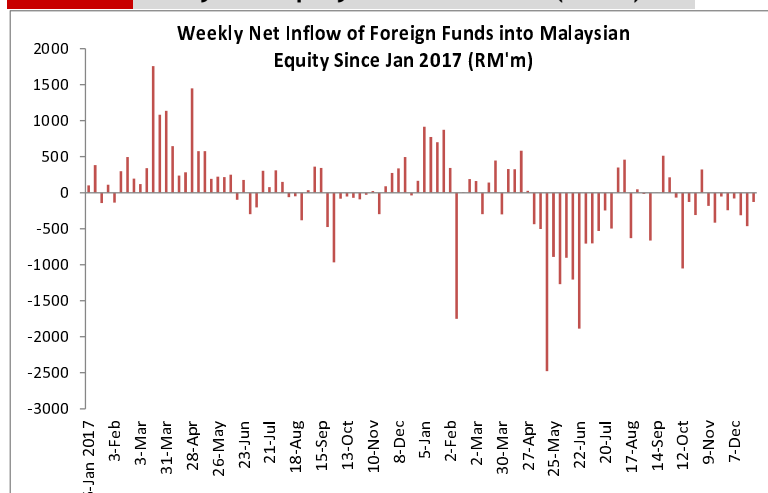
FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

- Overseas funds have been selling stocks listed on Bursa for the past eight consecutive weeks.
- Based on data from Bursa, foreign funds sold -RM127.6m net of local equities last week, the smallest in three weeks.
- Monday's foreign net selling declined to -RM13.0m on the eve of Christmas compared to the previous three trading days which saw foreign net outflow standing above RM100m. The slowdown in foreign net selling was partly attributable Beijing's pledge to support the economy in the wake of the global trade tribulation by slashing taxes and ensuring liquidity is maintained..
- Foreign funds later pulled out -RM60.6m on Boxing Day, taking cue of the unnerving political turmoil in the U.S where President Trump became hostile towards the Fed's chairman. This is in conformity with the three other ASEAN peers we monitor. Nonetheless, the level of foreign net selling on Thursday retreated to a lower amount of -RM28.1m amidst the overnight jump in Wall Street following a report that U.S. holiday sales hit a six-year high.
- Friday's pace of foreign net selling was little changed at -RM26.0m net as the euphoria on the U.S's consumer strength evaporated with no catalyst in sight.
- With one more trading day left before 2018 ends, Malaysia has seen a total foreign net outflow of -RM11.65b or -USD2.88b. As such, Malaysia is set to record its largest yearly foreign net outflow since 2015 which saw -RM19.49b of equities being pulled out. While this amount offsets last year's foreign net inflow of RM10.33b, Malaysia is still the nation with the second lowest year-to-date outflow amongst the four ASEAN markets we monitor.
- The participation rate amongst the various group of investors saw a decline across the board. The average daily traded value (ADTV) of foreign investors registered the largest weekly drop of 58.7% after declining below RM1b to RM475m. We note that the weekly ADTV for foreigners was also the lowest in the last week of 2017.

Chart 5

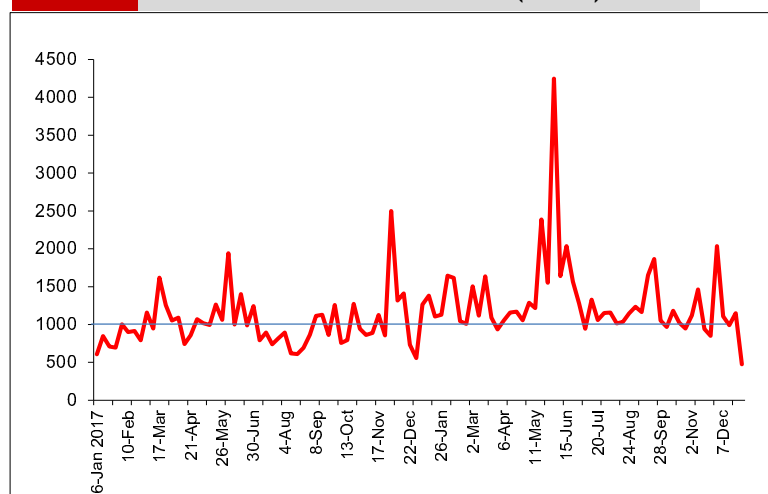
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2017 (RM'm)



Source: Bursa Malaysia preliminary statistics, MIDFR

Chart 6

Foreign Participation on Bursa: Daily Average for the Week since Jan 2017 (RM'm)



Source: Bursa Malaysia preliminary 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 23	1,544.8	1,522.2	22.6	2,819.3	2,789.6	29.7	1,676.1	1,728.4	-52.3	-12.5
NOV 30	2,826.0	2,249.9	576.1	5,340.3	5,671.6	-331.3	4,969.8	5,214.6	-244.8	-58.4
DEC 7	2,002.0	1,974.4	27.5	4,523.0	4,470.3	52.8	2,733.7	2,813.9	-80.3	-19.2
DEC 14	1,565.4	1,437.5	127.9	3,965.4	3,779.1	186.4	2,320.5	2,634.8	-314.3	-75.2
DEC 21	1,813.5	1,717.1	96.4	3,999.5	3,631.7	367.7	2,644.6	3,108.7	-464.2	-111.1
DEC 28	1,132.6	1,205.2	-72.7	2,134.3	1,934.1	200.2	887.0	1,014.6	-127.6	-30.6

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 28 DECEMBER
TOP 10 NET MONEY INFLOWS

- CIMB Group Holdings Berhad registered the highest net money inflow of RM4.01m last week. Its share price added 2.30% for the week, outperforming the local bourse which had a 1.30% weekly gain.
- IHH Healthcare Berhad recorded the second highest net money inflow of RM2.80m. Its share price ended 1.12% lower for the week, underperforming the benchmark which was only 1.30% higher.
- RHB Bank Berhad saw the third highest net money inflow of RM2.54m. Its share price ended -0.19% lower during the week under review, underperforming the local bourse which was 1.30% higher. 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		
CIMB GROUP	4.01	13.38	2.30	-
IHH	2.80	-0.09	1.12	-
RHB BANK	2.54	1.02	-0.19	BOW
KL KEPONG	2.53	-3.13	1.82	-
IGB REIT	1.90	0.94	0.00	-
DIALOG GROUP	1.41	-8.11	2.67	-
FGV	1.30	1.03	-4.03	BOW
HONG LEONG	1.21	2.04	2.09	-
BAT	1.03	1.50	1.98	-
F&N	0.97	6.51	6.57	-

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- Hap Seng Consolidated Berhad saw the largest net money outflow of -RM3.17m last week. Its stock price lost -0.30%, underperforming vis-à-vis the FBM KLCI which advanced 1.30% during the review week.
- Hartalega Holdings Berhad recorded the second largest net money outflow -RM2.26m during the week under review. Its share price meanwhile declined -0.64% for the week, underperforming the market benchmark which had a 1.30% weekly gain.
- Sapura Energy Berhad registered the third largest net money outflow of -RM2.11m in the review week. Its share price ended -5.00% lower during the week, underperforming the benchmark which had a 1.30% weekly gain.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
HAP SENG	-3.17	0.33	-0.30	-
HARTALEGA	-2.26	-1.11	-0.64	-
SAPURA	-2.11	-1.81	-5.00	-
NESTLE	-2.01	-6.78	-0.14	-
AIRASIA	-1.91	-4.40	10.00	SOS
TOP GLOVE	-1.59	-0.41	3.47	SOS
TNB	-1.52	-8.05	0.59	SOS
HLFG	-0.91	-0.94	0.00	-
GENT MSIA	-0.86	-8.35	-0.66	-
PUBLIC BANK	-0.80	3.83	0.81	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

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