

## MIDF EQUITY STRATEGY | 11 MARCH 2019 WEEK ENDED 8 MARCH

- Major equity markets worldwide took a dip last week as downward revision in economic growth forecast by the European Central Bank (ECB) followed by weak economic data in China dampened sentiment. As such, the MSCI Asia Pacific Index faced its biggest daily drop so far this year.
- Brent crude oil price took inched 1.0% higher for the week to settle at USD65.74pb, Although data revealed a climb in U.S domestic crude stockpiles on Wednesday. Brent crude oil price remained resilient due to the ongoing output cuts by the OPEC members. In February, OPEC's crude production fell down by 60,000 barrels per day to 30.8m barrels per day, the lowest output level since March 2015.
- An exodus of foreign funds took place in Asian markets last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" dumped -USD1.72b net last week, wiping off the USD1.24b acquired in the week before.
- Offshore investors marked their fourth straight week of exiting Malaysia, at a relatively stronger pace. Foreign net selling occurred on every single day of the week, stretching the daily selling streak to 12 days, matching the period between 2 to 17 July 2018. Based on data from Bursa, foreign funds pulled out -RM903.2m net of local equities, the largest in 21 weeks.
- The FBM KLCI declined at the same rate in the preceding week at 1.2%, ending the week below the 1,700 mark. Likewise, the Ringgit depreciated 0.4% against the greenback to settle at USD/MYR4.0898.

## TAKEN ABACK BY A SLEW OF BAD NEWS

### A. MARKET SNAPSHOT

- Major equity markets worldwide took a dip last week as downward revision in economic growth forecast by the European Central Bank (ECB) followed by weak economic data in China dampened sentiment. As such, the MSCI Asia Pacific Index faced its biggest daily drop so far this year.
- The Dow Jones and S&P 500 index marked their fifth consecutive day of losses on Friday, the longest losing streak since December 2018. The bulk of the losses mainly came from technology stocks such as Amazon, Microsoft, Apple and Facebook and exacerbated by data showing that the U.S economy reported the creation of 20,000 jobs, falling short of the approximately 180,000 jobs estimated.
- China announced more stimulus measures in the first session of ITS 13th National People's Congress in a bid to halt economic slowdown. China lowered its growth target from last year's "about" 6.5%yoy to a range of 6-6.5%yoy for 2019 on the account of destabilizing factors and uncertainties affecting the economic performance. Latest economic data reflects the challenges faced by China. The economy advanced 6.4%yoy in the 4Q18, the lowest growth rate since the global financial crisis while for the whole of 2018, it grew by 6.6%yoy, the weakest pace since 1990. Among the measures announced to limit the slowdown from continuing at a larger pace in upcoming quarters, the value-added tax (VAT) for manufacturers will be reduced to 13% from 16% while those for transportation and construction industries to 9% from 10%.
- The ECB held interest rates steady at neutral level where it has been since Mar-2016, in its latest policy meeting. The move came in as most of major banks including Fed held their rates unchanged. Previously, ECB has stated that the rates would remain at current low levels at least through the summer. However, in the latest meeting, it signalled the rate will remain at there at least through the end of 2019. In addition, ECB also announced a new series of quarterly targeted longer-term refinancing operations (TLTRO) to be launched in Sep-19 and ends in Mar-21, offering banks cheap loans in an effort to assist the economic revival. The stimulus is introduced amid multiple uncertainties such as Brexit and Italy's debt concerns which spook EU's economic growth.
- Brent crude oil price took inched 1.0% higher for the week to settle at USD65.74pb, Although data revealed a climb in U.S domestic crude stockpiles on Wednesday. Brent crude oil price remained resilient due to the ongoing output cuts by the OPEC members. In February, OPEC's crude production fell down by 60,000 barrels per day to 30.8m barrels per day, the lowest output level since March 2015. Compliance stood at 79%, with Saudi Arabia slashing output to 10.15 million barrels a day in February, its lowest since May 2018.

<b>Table 1</b> Weekly performance of major indices		
Weekly % change	Week before	Last week
Phil PCOMP	-4.02	2.03
India SENSEX	0.54	1.68
FTSE 100	-1.00	-0.03
CAC 40	0.95	-0.65
Thai SET	-1.07	-0.69
FSSTI Index	-1.51	-0.76
KLCI	-1.20	-1.23
DAX	1.26	-1.24
Taiwan TAIEX	0.64	-1.42
Jakarta JCI	-0.02	-1.80
Hang Seng	-0.01	-2.03
S&P 500	0.39	-2.16
Dow Jones	-0.02	-2.21
China CSI 300	6.52	-2.46
Korea KOSPI	-1.57	-2.64
Nikkei	0.83	-2.67

Source: Bloomberg

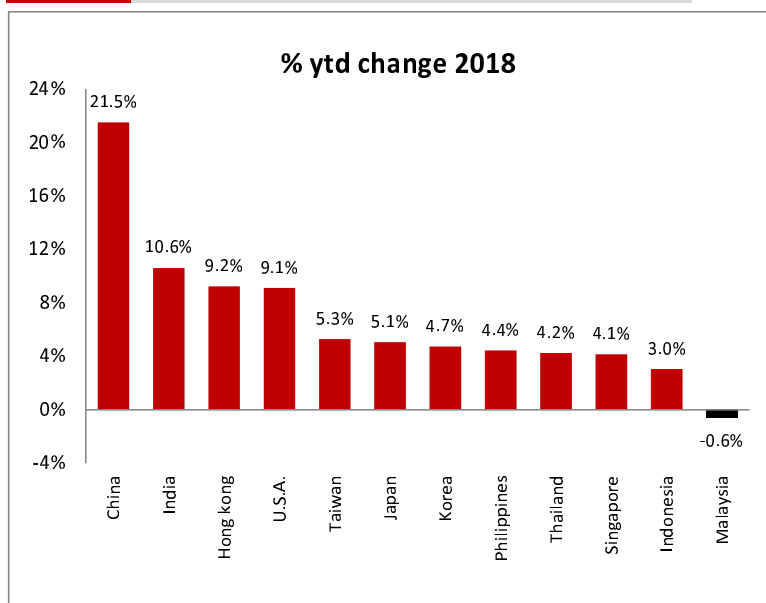
## FUND FLOW REPORT

- The FBM KLCI declined at the same rate in the preceding week at 1.2%, ending the week below the 1,700 mark. Likewise, the Ringgit depreciated 0.4% against the greenback to settle at USD/MYR4.0898.

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

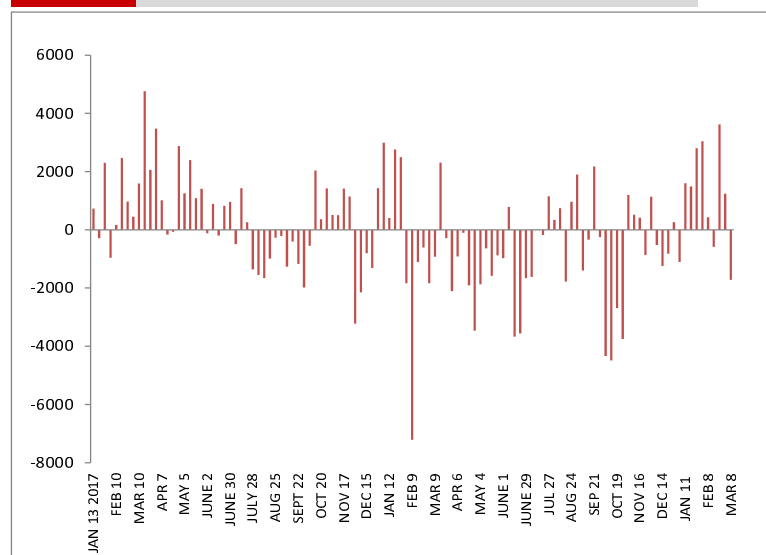
- An exodus of foreign funds took place in Asian markets last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” dumped -USD1.72b net last week, wiping off the USD1.24b acquired in the week before.
- In Korea, the rate of foreign attrition grew by almost double the amount in the preceding week to reach -USD414.6m, the largest weekly foreign net outflow in 15 weeks. Monday was the only day that recorded a foreign net inflow of USD28.6m despite the 0.22% drop in the KOSPI Index. Foreign net selling then peaked on Tuesday at -USD173.4m net as investors were jittered by nation’s manufacturing PMI which fell to 47.2 points in February, the worst level in nearly four years, marking the fourth straight month of shrinkage in the factory gauge. The weak PMI data was also reflected in the nation’s February export figures which decreased by 11.1%yoy, the steepest drop since April 2016 as demand from China contracted by 17.4%yoy. On the geopolitical front, North Korea has started rebuilding a missile launching facility at Sohae following the collapse of the Trump-Kim summit held in the preceding week.
- Likewise, Taiwan also faced a foreign net outflow last week but on a larger scale of -USD916.0m. As such, Taiwan’s foreign net buying spree of seven weeks, the longest since 2016 finally came to an end. Tuesday experienced a foreign net outflow of -USD428.4m, the largest in a day since 6 December 2018 which dragged the TAIEX index 0.4% lower to close at a nine-day low of 10,305 points. The sombre mood on Tuesday was mainly caused by the lack of progress of U.S-China trade talks. Nonetheless, there was a bout of foreign net inflow worth USD72.2m net on Wednesday following the introduction of the stimulus measures by the Chinese government in the attempt to combat a slowdown in economic growth. The Taiex index followed suit to rise 0.5% to settle at 10,357 points, the highest close during the week under review.

**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)

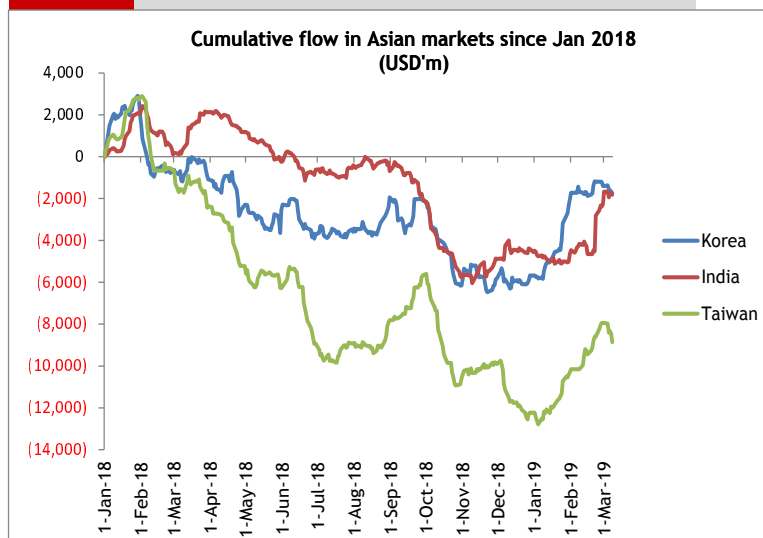


Source: Bloomberg, Bursa Malaysia, MIDFR

<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.

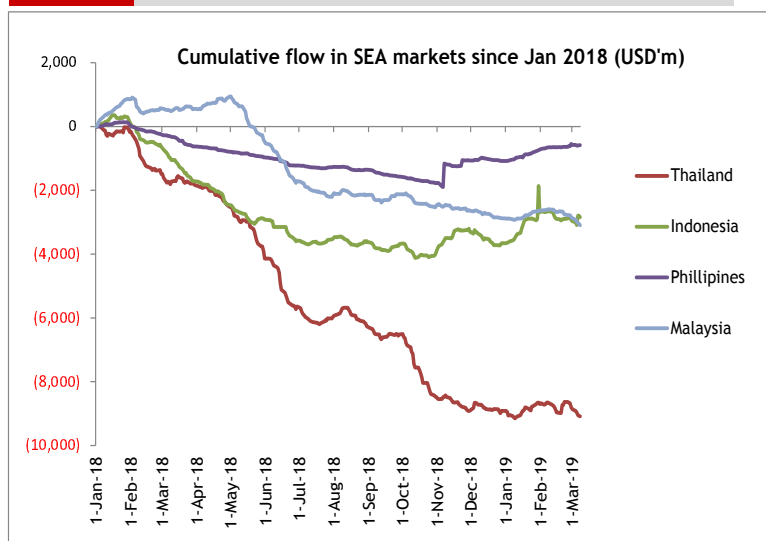
- In emerging South East Asian markets that we monitor, more than half experienced foreign net selling.
- In Bangkok, -USD222.4m of local equities were sold by global investors which did not differ much from the week before. Foreign funds were net sellers on every single day of the week, extending the selling streak to 10 days as of last Friday, the longest since the 14-day selling spree seen in August last year. Foreign net outflow reached the highest during the week on Wednesday to a tune of -USD81.7m net which led to a 0.82% drop in the SET index to close at 1,626 points, the lowest since late January this year. The political situation in Thailand became more volatile as the Thai Raksa Chart party was dissolved by the Thai court over nominating the king's sister as a prime minister candidate.
- In Manila, international funds turned net sellers albeit on a very slow pace of -USD5.6m. Foreign net buying occurred on four days last week with Thursday recording the highest foreign net inflow during the week worth USD10.8m, bucking regional peers which faced outflows amidst concerns of a possible slowdown in global growth. However, Tuesday's foreign net outflow of -USD24.4m was more than enough to offset the inflows seen on the other remaining days. The lacklustre market performance on Tuesday was spurred by the unexpected fall of U.S construction spending in December 2018.
- Indonesia was the odd one out as it recorded a weekly foreign net inflow of USD126.9m during the holiday-shortened week, bringing an end to the five-week selling streak. It was notable that the foreign net buying soared to USD291.1m net on Wednesday, a level not seen since 30 January 2019 led by gains in Chinese markets as officials promised to enact measures to boost the economy and cool trade tensions.

**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)

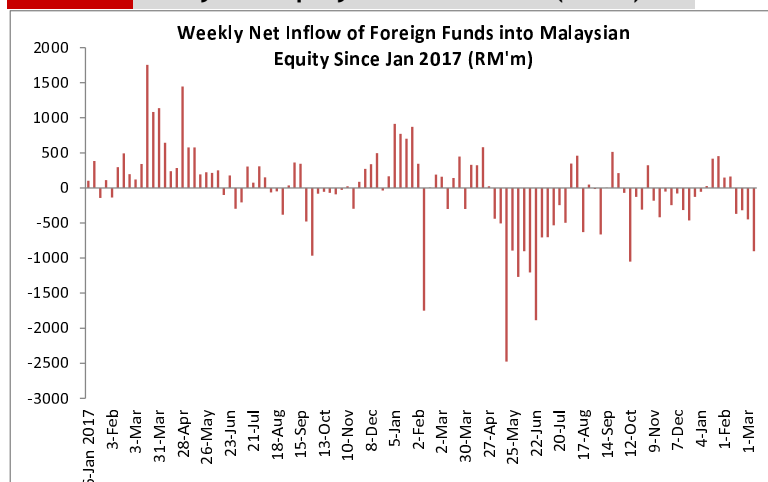
WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
JAN 11	739.5	-45.4	230.8	85.7	-123.1	705.3	6.4	1,599.3
JAN 18	529.0	285.2	451.2	98.9	-227.7	253.7	101.5	1,491.8
JAN 25	1,369.5	38.6	26.0	58.0	108.2	1,096.3	110.1	2,806.6
FEB 1	1,453.7	88.0	249.7	109.7	540.7	569.1	35.8	3,046.5
FEB 8	49.6	6.9	-15.1	54.3	297.1	0.0	40.0	432.9
FEB 15	-200.6	-294.0	-236.4	-2.7	-482.8	721.6	-90.6	-585.5
FEB 22	683.4	332.3	-5.6	17.0	1,836.3	836.4	-78.3	3,621.5
MAR 1	-208.8	-228.3	-64.9	58.7	1,137.4	658.9	-110.0	1,242.9
MAR 8	-414.6	-222.4	126.9	-5.6	-67.7	-916.0	-221.2	-1,720.6

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

## C. TRACKING MONEY FLOW - MALAYSIA

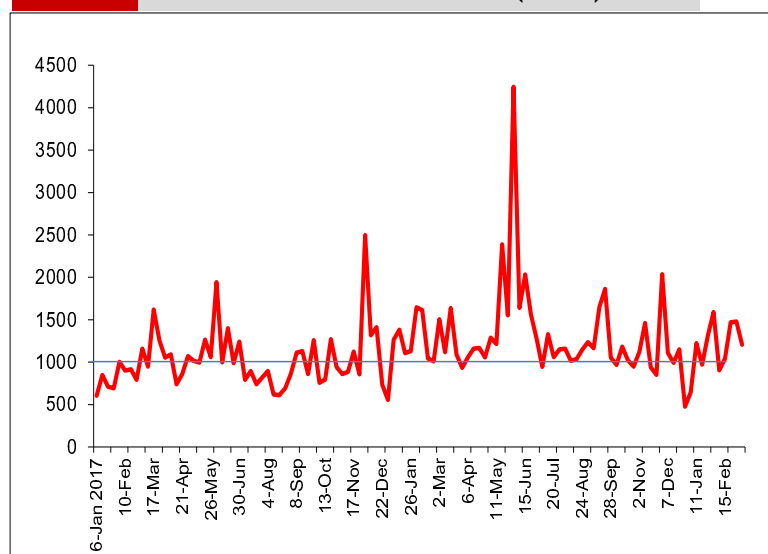
- Offshore investors marked their fourth straight week of exiting Malaysia, at a relatively stronger pace. Foreign net selling occurred on every single day of the week, stretching the daily selling streak to 12 days, matching the period between 2 to 17 July 2018. Based on data from Bursa, foreign funds pulled out -RM903.2m net of local equities, the largest in 21 weeks.
- Foreign net outflow reached -RM198.6m on Monday before swelling further to -RM263.3m on Tuesday, the largest in a day so far this year. Nonetheless, we observed that the massive sell down was in sync with other Asian peers namely South Korea, Indonesia and Taiwan after an overnight sell-off on Wall Street amidst an unexpected 0.6% fall in U.S construction spending for December 2018.
- The level of foreign net selling gradually tapered on the next two days to reach -RM105.2m on Thursday. The shrinkage of foreign selling mainly came from the news of the Chinese government pledging to enact stimulus measures to boost the economy. The local bourse followed suit to marginally gain on those two days.
- However, a heavy selloff occurred again on Friday at a tune of -RM193.3m net. Losses across Asian markets including Malaysia accelerated following the 20.7%yoy slump China's exports in February 2019.
- For the first six trading days of March 2019, international investors have sold -RM1.06b net. As such, foreign funds have so far disposed -RM849.9m net on a year-to-date basis. On the regional front, Malaysia is now the nation with the highest foreign net outflow amongst the four ASEAN markets we monitor while Indonesia continues to lead with a year-to-date foreign net inflow of USD817.9m or above RM3b amidst the pre-election hype taking place in the nation.
- We note that participation amongst the three investor groups remained healthy. However, only foreign investors saw an 18.4% decrease in terms of average daily traded value (ADTV) last week while local institutions and retail investors experienced an increase.

**Chart 5** Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2017 (RM'm)



Source: Bursa Malaysia statistics, MIDFR

**Chart 6** Foreign Participation on Bursa: Daily Average for the Week since Jan 2017 (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)	
JAN 31	1,384.1	1,376.0	8.14	3,493.7	3,648.7	-154.9	3,253.2	3,106.4	146.8	35.8
FEB 8	818.0	820.4	-2.4	1,552.5	1,713.2	-160.7	1,435.4	1,272.2	163.2	40.0
FEB 15	2,537.1	2,482.2	54.9	4,826.1	4,511.8	314.3	2,417.4	2,786.6	-369.2	-90.6
FEB 22	2,890.1	3,018.1	-128.0	6,215.4	5,768.4	447.0	3,513.8	3,832.8	-319.0	-78.3
MAR 1	2,914.0	2,703.1	210.8	5,359.9	5,123.0	236.9	3,471.1	3,981.9	-447.7	-110.0
MAR 8	3,198.8	3,146.2	52.6	5,669.1	4,818.5	850.6	2,562.6	3,465.8	-903.2	-221.2

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

- CIMB Group Holdings Berhad registered the highest net money inflow of RM19.13m last week. Its share price dipped -5.11% for the week, underperforming the local bourse which had a -1.23% weekly loss.
- Tenaga Nasional Berhad recorded the second highest net money inflow of RM9.17m. Its share price ended -2.91% lower for the week, underperforming the benchmark which was -1.23% lower. Nonetheless, it is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.
- MY EG Services Berhad saw the third highest net money inflow of RM4.13m. Its share price ended 16.67% higher during the week under review, substantially outperforming the local bourse which was -1.23% lower.


**Table 4** Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
CIMB GROUP	19.13	19.01	-5.11	BOW
TNB	9.17	-7.02	-2.91	BOW
MY EG	4.13	2.48	16.67	-
KLCCP	2.72	0.36	0.52	-
CARLSBERG	2.43	2.42	1.41	-
BAT	4.15	-3.20	2.02	-
RHB BANK	1.86	2.98	-2.28	BOW
DIGI.COM	0.43	-1.27	0.00	-
PADINI	2.35	1.99	-0.53	BOW
GAMUDA	2.33	-3.70	2.05	-

Source: Bloomberg, MIDFR;

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

**TOP 10 NET MONEY OUTFLOWS**

- Public Bank Berhad saw the largest net money outflow of -RM14.06m last week. Its stock price lost -0.61% for the week outperforming vis-à-vis the FBM KLCI which slid -1.23% during the review week.
- Petronas Chemicals Group Berhad recorded the second largest net money outflow -RM5.34m during the week under review. Its share price was 1.74% higher during the week, outperforming the market benchmark which had a -1.23% weekly loss. It is notable that the net money outflow amidst advancing share price may indicate a sell on strength (SOS) stance among some investors.
- Sapura Energy Berhad registered the third largest net money outflow of -RM4.34m in the review week. Its share price ended -1.59% lower during the week, underperforming the benchmark which had a -1.23% weekly loss. 

**Table 5** Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
PUBLIC BANK	-14.06	-23.91	-0.61	-
PETCHEM	-5.34	-7.13	1.74	SOS
SAPURA	-4.34	-2.07	-1.59	-
QL	-3.71	0.20	-0.59	-
MAYBANK	-3.11	-26.35	0.00	-
TOP GLOVE	-3.07	2.22	-1.08	-
V.S INDUSTRY	-3.55	-0.11	-5.50	-
SERBA DINMK	-2.25	0.98	-1.02	-
GENT MSIA	-1.50	1.17	0.00	-
SUNWAY REIT	-1.59	-0.12	0.00	-

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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