

MIDF EQUITY STRATEGY | 4 FEBRUARY 2019 WEEK ENDED 1 FEBRUARY

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- Investors cheered the increase in hiring by U.S employers despite the gloomy sales outlook highlighted by Amazon. As such, major U.S indexes eked out weekly gains of above 1.0%
- Brent crude oil price ended 1.8% higher for the week at USD62.75pb. Much of the support came from the Saudi Arabia's plan to cut output deeper than pledged
- International investors continued pumping liquidity into Asian markets last week, marking the fourth uninterrupted week of foreign net inflows. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" acquired USD2.96b net last week.
- Foreign funds resumed their entry into stocks listed on Bursa for the fourth consecutive week albeit at a slower pace compared to the preceding week. Based on data from Bursa, foreign funds snapped up RM146.8m net of local equities during the holiday-shortened week.
- The FBM KLCI lost 1.0% for the week after settling below 1,700 points at 1,684 points. In contrast, the Ringgit appreciated 0.7% against the greenback for the week to USD/MYR4.0953.

INVESTORS CONTINUE PUMPING LIQUIDITY INTO ASIA

A. MARKET SNAPSHOT

- Global equity markets faced a mixed week as investors minds were glued to the last Fed meeting and U.S-China trade negotiations.
- The US economy remains on upbeat momentum as reflected in job market and business confidences. In the first month of 2019, non-farm payrolls increase by 304K, highest in 11-month and above the average of previous year's 220,000. Jobless rate at 4%, still reflecting full employment condition. On the other hand, manufacturing PMI of ISM and Markit improved during the month at 56.6 and 54.9 points respectively. Moderate inflation pressure, progressing trade talks with China and steady domestic demand are among contributing factors to the continuous upbeat momentum.
- Investors cheered the increase in hiring by U.S employers despite the gloomy sales outlook highlighted by Amazon. As such, major U.S indexes eked out weekly gains of above 1.0%
- In ASEAN, Vietnam swung to a trade deficit of USD 800m in Jan-19 from a surplus of USD 180m in Jan-18 as exports fell while imports increased. Exports contracted by 1.3%yoy, the weakest in six years due to declining sales of phones & components and electronics, computers & components, among others. In addition, exports of some agriculture products such as coffee and rice also declined. Meanwhile, imports rose 3.1%yoy driven by higher purchases of machinery, equipment & spare parts and fabric, among others. Falling exports for the second consecutive month suggests that a downward trend is emerging. Trade tensions between the US and China were probably have started to bite the export-dependent manufacturers in Vietnam due to its heavy dependence on these markets.
- On Tuesday, Theresa May was instructed by U.K law makers to amend the Brexit deal to replace the controversial Irish border arrangement which was later rejected by the European Union (EU). The EU also rejected a proposal to give parliament a path to prevent a potentially chaotic 'no-deal' exit by making May ask Brussels for a delay if she cannot get a deal through parliament.
- Brent crude oil price ended 1.8% higher for the week at USD62.75pb. Much of the support came from the Saudi Arabia's cut output deeper than pledged while its neighbours such as the UAE and Kuwait also made sizable reductions. These output curbs were compounded by the involuntary output decline in Iran which is targeted by U.S sanctions. Moreover, the OPEC's output fell by 0.93m barrels per day in January, the most in two years as almost 80% of the new production cut deal was implemented.

Table 1 Weekly performance of major indices		
Weekly % change	Week before	Last week
Thai SET	-0.83	2.52
Korea KOSPI	2.35	2.52
Hang Seng	1.59	1.77
Taiwan TAIEX	0.79	1.36
CAC 40	1.98	1.02
DAX	2.92	0.68
Jakarta JCI	1.36	0.54
KLCI	0.53	0.52
Nikkei	1.50	0.52
China CSI 300	2.37	0.51
Dow Jones	2.96	0.12
Phil PCOMP	1.81	0.08
S&P 500	2.87	-0.22
FSSTI Index	0.80	-0.69
India SENSEX	1.05	-0.99
FTSE 100	0.72	-2.28

Source: Bloomberg

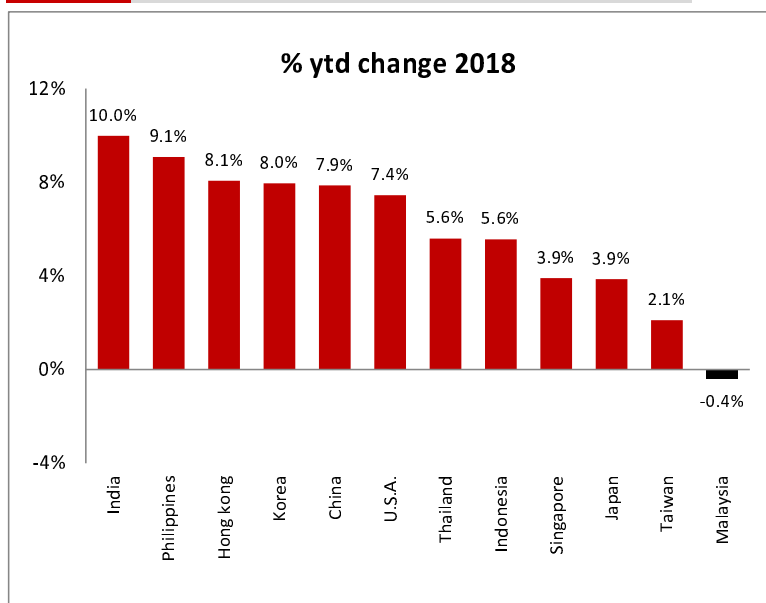
FUND FLOW REPORT

- The FBM KLCI lost 1.0% for the week after settling below 1,700 points at 1,684 points. In contrast, the Ringgit appreciated 0.7% against the greenback for the week to USD/MYR4.0953.

B. TRACKING MONEY FLOW - ASIA¹

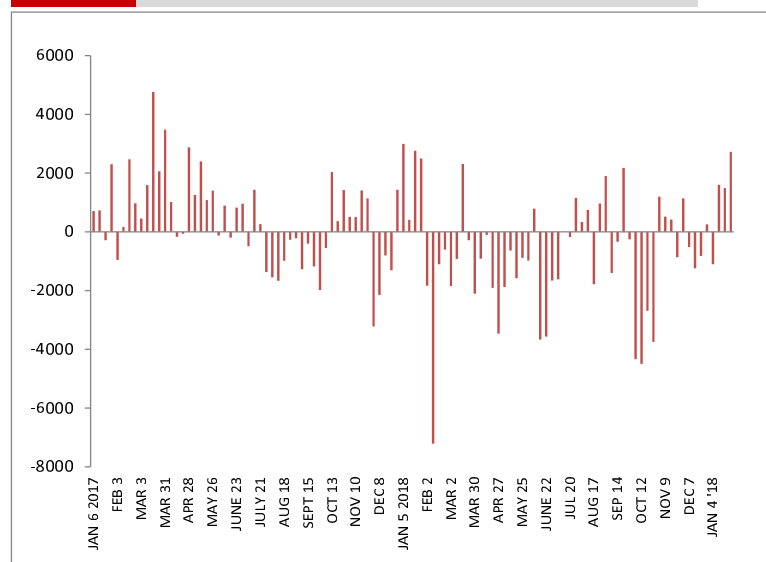
- International investors continued pumping liquidity into Asian markets last week, marking the fourth uninterrupted week of foreign net inflows. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” acquired USD2.96b net last week. The bulk of the foreign net inflows came from North Asian markets.
- South Korea was the darling as foreign investors entered for the fourth week running, acquiring USD1.46b net of local equities last week, an amount not seen in over a year. Foreign net buying occurred on every single day of the week, extending the daily buying streak to seven days, the longest since the 10-day streak seen earlier in January this year. Foreign investors bought the most on Monday to a tune of USD357.0m net ahead of the Fed’s policy meeting and the U.S -China trade talks. The Korean Won followed suit to appreciate 0.3% against the greenback to An 11-day trading high of USD/KRW1117.9. On the political front, the U.S demanded Seoul to pay 50% more for its military protection. If no compromise is reached between the two nations, South Korean civilian personnel will face furlough like what just ended in Washington.
- The amount of foreign net inflows into Taiwan was almost reduced by half to USD569.1m net last week but stretched its weekly buying streak to the fourth week, similar to Korea. International funds were net buyers on every single day except Tuesday which saw a foreign net outflow of -USD40.3m. The foreign net selling not only coincided with the Taiex’s 0.8% slide, its biggest daily drop in three weeks but also saw the Taiwan Dollar snapping its four-day winning run ahead of the highly anticipated trade talks. Meanwhile, foreign net inflows were the highest on Monday at USD227.7m net amidst a rally in chipmakers, lifting the Taiex to above 10,000 points for the first time since early December. It was also notable that the level of foreign net inflows from Wednesday to Friday hovered at USD127.0m with trading being relatively muted before the festive season this week.

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)

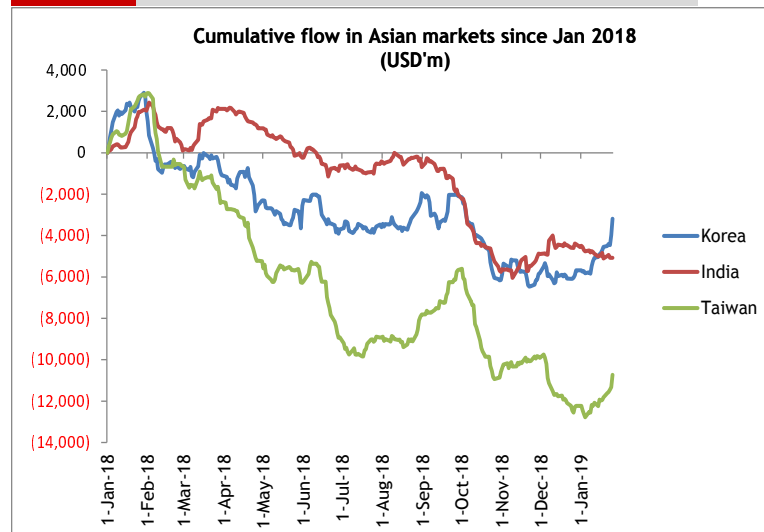


Source: Bloomberg, Bursa Malaysia, MIDFR

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.

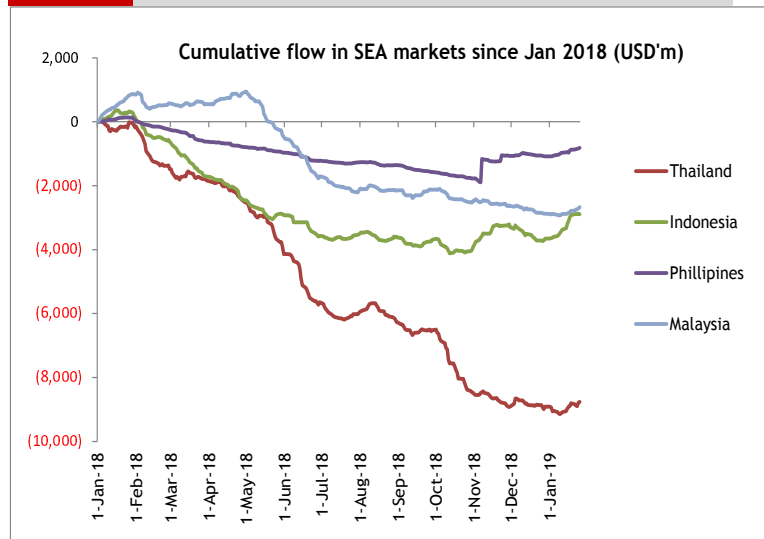
- In emerging South East Asian markets, foreign net buying was across the board.
- The level of foreign net buying in Bangkok increased by more than half compared to the week before to reach USD88.0m last week. Foreign investors entered strong on Monday, buying USD66.3m net of local equities. Nonetheless, foreign funds sold -USD41.8m net on Thursday, putting the five-day buying spree to an end. For the month of January 2019, foreign investors mopped up USD214.2m net, a level not seen since September 2016. On a broader scale, Thailand's stock exchange is planning to boost its market value by roughly 75% to THB30t (USD960b) by 2023 from the current THB17t.
- In Manila, international funds acquired USD109.8m net last week, higher by almost 50% compared to the preceding week. Foreign funds were net buyers on every single day of the week, extending the foreign buying spree to 12 days. Foreign buying peaked during the week on Monday at USD43.3m net as markets breathed a sigh of relief the US government re-opening. However, the local bourse was little changed, gaining less than 1% on the same day amidst the lack of positive developments from the local front. It was also notable that the level of foreign net inflows tapered to stay within the range of USD15.0m to USD20.0m net until the week ended
- Jakarta experienced a huge jump in foreign net buying by almost 10 times from USD26.1m to USD249.6m last week. Wednesday recorded a staggering foreign net inflow of USD1.03b, the biggest inflow in a day since April 2015. Nevertheless, foreign investors then took out -USD828.7m net on the next day the biggest sell off recorded since 2005 as Semen Indonesia concluded the transaction to acquire the majority stake of 80.6% in Holcim Indonesia. As such, the year-to-date outflows as of last Friday stands at USD964m net.

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
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	407.0	-60.9	61.4	-24.5	46.5	-140.2	-30.6	258.6
JAN 4	-141.9	-130.3	55.2	23.1	-347.4	-551.9	-13.2	-1,106.4
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	1,362.2	38.5	26.1	57.9	32.0	1,096.3	110.1	2,723.1
FEB 1	1,461.0	88.0	249.6	109.8	447.2	569.1	35.8	2,960.5

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

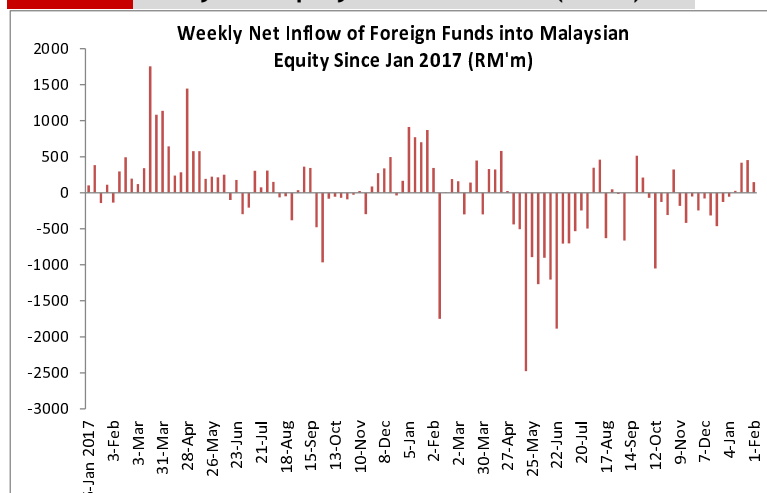
FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

- Foreign funds resumed their entry into stocks listed on Bursa for the fourth consecutive week albeit at a slower pace compared to the preceding week. Based on data from Bursa, foreign funds snapped up RM146.8m net of local equities during the holiday-shortened week.
- Monday saw a moderate net inflow of foreign funds worth RM37.3m, extending the daily buying streak to nine days. However, this foreign buying spree came to an end on the next day as international funds sold -RM12.8m net, coinciding with the local bourse's 0.4% slide to settle at 1,690 points. Risk appetite was weak on Tuesday following the overnight 2.8% slump in Brent crude oil price combined with the anticipation ahead of the Sino-U.S trade negotiations.
- Notwithstanding this, offshore investors returned to Bursa on Wednesday at a tune of RM65.1m net, the highest foreign net inflow during the week. The catalyst responsible for the boost of foreign net inflows on that day was 0.4% increase in Brent crude oil price as President Trump's administration slaps sanctions on Venezuela's state-owned oil company while Saudi Arabia had a deeper output cuts in January than initially pledged.
- The momentum of foreign net inflows continued on the last trading day of the week as foreign investors bought RM57.2m net. We opine that the sentiment was partially supported by the Malaysia's exports in 2018 which grew by 6.7% to reach almost RM1 trillion. Meanwhile, the FBM KLCI was little changed, declining by less than 1% on Thursday ahead of the long weekend and festive season.
- The month of January 2019 saw a foreign net inflow of RM1.03b or USD249.3m, the first monthly net inflow since September last year. In comparison with the three other ASEAN markets we monitor, Malaysia has the second lowest foreign net inflow while Indonesia leads.
- Foreign investors were the only group which saw a weekly increase in average daily traded value, jumping by 21.0% to remain above RM1b for the second week running.

Chart 5

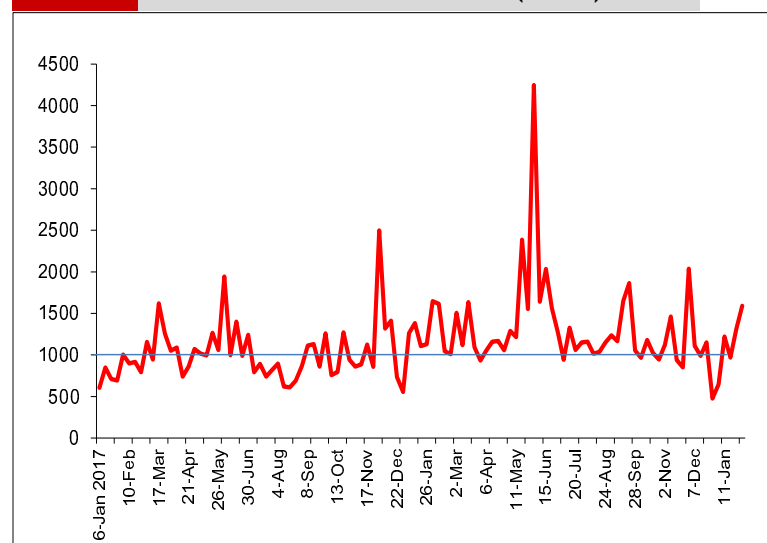
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2017 (RM'm)



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)	
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
JAN 4	1,272.3	1,264.6	7.7	2,248.0	2,201.3	46.7	1,265.5	1,319.9	-54.4	-13.2
JAN 11	2,714.1	2,644.1	70.0	5,515.0	5,610.4	-95.4	3,069.5	3,044.0	25.5	6.4
JAN 18	2,318.2	2,243.6	74.6	4,369.3	4,861.1	-491.8	2,634.2	2,217.0	417.2	101.5
JAN 25	1,799.1	1,837.0	-37.8	3,566.6	3,983.9	-417.3	2,853.7	2,398.6	455.1	110.1
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

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 1 FEBRUARY
TOP 10 NET MONEY INFLOWS

- Petronas Dagangan Berhad registered the highest net money inflow of RM24.45m last week. Its share price gained 1.07% for the week, outperforming the local bourse which had a 1.03% weekly loss.
- CIMB Group Holdings Berhad recorded the second highest net money inflow of RM21.44m. Its share price ended 1.06% lower for the week, slightly underperforming the benchmark which was 1.03% lower. Nonetheless, it is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.
- Malayan Banking Berhad saw the third highest net money inflow of RM8.24m. Its share price ended 1.24% lower during the week under review, underperforming the local bourse which was 1.03% lower.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
PETDAG	24.45	0.19	1.07	-
CIMB GROUP	21.44	16.55	-1.06	BOW
MAYBANK	8.24	-15.84	-1.24	BOW
MISC BHD	6.04	8.52	1.50	-
PADINI	6.03	0.10	-3.64	BOW
AXIATA GROUP	4.66	-1.21	-1.72	BOW
MY EG	2.75	4.50	-1.96	BOW
KL KEPONG	1.95	1.50	-0.08	BOW
SC PLTN	1.79	2.69	-0.19	BOW
PETGAS	1.39	-3.77	1.92	-

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 -RM31.84m last week. Its stock price lost 0.08%, outperforming vis-à-vis the FBM KLCI which declined 1.03% during the review week.
- British American Tobacco Berhad recorded the second largest net money outflow -RM20.56m during the week under review. Its share price meanwhile lost 0.21% for the week, outperforming the market benchmark which had a 1.03% weekly loss.
- IHH Healthcare Berhad registered the third largest net money outflow of -RM16.86m in the review week. Its share price ended 0.54% higher during the week, outperforming the benchmark which had a 1.03% weekly loss. It is notable that net money outflow amidst advancing share price may indicate a sell on strength (SOS) stance among some investors.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
PUBLIC BANK	-31.84	9.73	-0.08	-
BAT	-20.56	-7.33	-0.21	-
IHH	-16.86	1.05	0.54	SOS
AIRASIA	-5.59	-1.88	-1.62	-
GENTING BHD	-5.43	-1.35	0.87	SOS
GENTI MSIA	-5.11	-11.98	3.46	SOS
NESTLE	-4.81	-0.47	-0.20	-
SUNWAY REIT	-3.74	-3.02	0.00	-
TOP GLOVE	-3.61	-3.86	-3.21	-
MAHB	-3.47	-0.11	-1.95	-

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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