

MIDF EQUITY STRATEGY | 15 APRIL 2019

WEEK ENDED 12 APRIL

- Most equity markets worldwide remained mixed last week as some Asian markets prepared to head to the polls.
- Brent crude oil price remained strong as it remained above USD70pb throughout the whole of last week and marking its third straight week of gains. The support for Brent crude oil price mainly came from the falling OPEC production in addition to the supply disruptions in Libya and Venezuela
- Offshore funds continued to make their way into Asian markets for the fifth week running. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” bought USD1.72b net last week, the 12th time that the weekly foreign net inflow reached above USD1.0b this year.
- Foreign investors took a slight breather from selling off stocks listed on Bursa Malaysia Based on data from Bursa, foreign funds sold -RM289.3m net of local equities last week. So far in 2019, international funds have been net sellers on Bursa for nine out of fifteen weeks.
- The FBM KLCI declined by 0.7% fro the week after closing at 1,630 points on Friday, marking four straight week of losses. In comparison with other regional bourses, the FBMKLCI is the only laggard in ASEAN with a year-to-date loss of 3.6%. Likewise, the Ringgit depreciated 0.6% against the greenback to settle at USD/MYR4.1143.

15 April 2019 | Strategy - Weekly Fund Flow

Adam M Rahim

INVESTORS CONTINUE ENTERING ASIAN MARKETS

A. MARKET SNAPSHOT

- Most equity markets worldwide remained mixed last week as some Asian markets prepared to head to the polls.
- The US headline inflation rate increased to 1.9%yoy in Mar-19 from a two-and-a-half-year low of 1.5%yoy recorded in Feb-19 and beat market expectation of 1.8%yoy. Prices increased at a faster rate for food (2.1%yoy) and new vehicles (0.7%yoy). In contrast, energy prices fell 0.4%yoy however improved from a 5%yoy plunge in the preceding month. Breaking down energy, prices of gasoline and fuel oil dropped 0.7%yoy and 0.4%yoy respectively. Despite the four-month high inflation, the underlying pressure remains low as reflected in the core inflation rate.
- In Asia, China inflation rate accelerated to 2.3% in Mar-19 (1.5% in Feb-19), the highest rate since Oct-18 due to a surge in prices of food following an outbreak of African swine fever. The price of food jumped to 13-month high of 4.1% particularly due to increase in prices of fresh vegetables, fruits and pork. In addition, the cost of non-food grew slightly at 1.8% as the transportation and communication prices rebounded. Meanwhile, the core inflation rate maintained at 1.8% for two-consecutive months. Moving forward, we foresee the inflation rate to grow at a softer pace in upcoming months as the acceleration of food prices mainly pork is believed to be temporary. With inflationary pressure remains benign, we don't expect any changes in the policy interest rate. Nevertheless, China has announced several other measures including the bank reserve requirement and tax cuts to stimulate the economy.
- Germany's trade surplus widened to EUR17.9b in Feb-19 (EUR14.6b in Mar-19) as imports grew at a softer rate than exports. Exports expanded 4-month high of 3.9%yoy in Feb-19 (1.7%yoy in Jan-19). The outbound shipments to the EU rose by 3.8%yoy as exports to Euro area and non-Euro area increased. Meanwhile, imports grew slightly by 5.1%yoy in Feb-19 (4.9%yoy in Jan-19) as overseas purchases from the EU expanded by 6.7%yoy. Moving forward, we foresee the Germany's external trade to grow steadily in the 1Q19 as the growth of exports on the first two months of 2019 illustrate an increasing pattern amidst Brexit concerns.
- Brent crude oil price remained strong as it remained above USD70pb throughout the whole of last week and marking its third straight week of gains. The support for Brent crude oil price mainly came from the falling OPEC production in addition to the supply disruptions in Libya and Venezuela. This tempers the concern of a slowdown in global economic growth. On a year-to-date basis, Brent crude oil price have gained by more than 30%.

Table 1 Weekly performance of major indices

Weekly % change	Week before	Last week
Korea KOSPI	3.22	1.08
Taiwan TAIEX	0.60	0.94
Thai SET	0.46	0.87
S&P 500	2.06	0.51
CAC 40	2.35	0.48
Nikkei	2.84	0.29
FSSTI Index	3.42	0.28
Phil PCOMP	-0.60	0.10
Dow Jones	1.91	-0.05
DAX	4.20	-0.08
Hang Seng	3.05	-0.09
FTSE 100	2.30	-0.13
India SENSEX	0.49	-0.24
KLCI	-0.11	-0.71
Jakarta JCI	0.08	-1.05
China CSI 300	4.90	-1.81

Source: Bloomberg

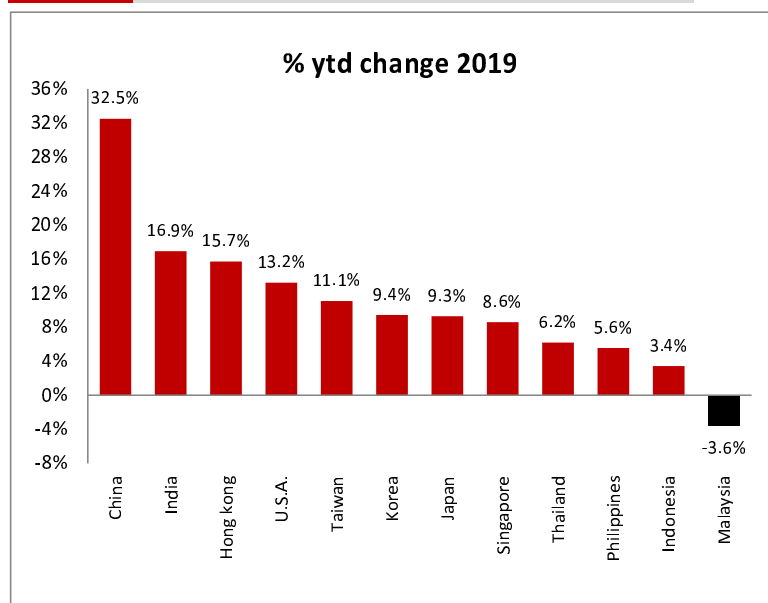
FUND FLOW REPORT

- The FBM KLCI declined by 0.7% from the week after closing at 1,630 points on Friday, marking four straight week of losses. In comparison with other regional bourses, the FBMKLCI is the only laggard in ASEAN with a year-to-date loss of 3.6%. Likewise, the Ringgit depreciated 0.6% against the greenback to settle at USD/MYR4.1143.

B. TRACKING MONEY FLOW - ASIA¹

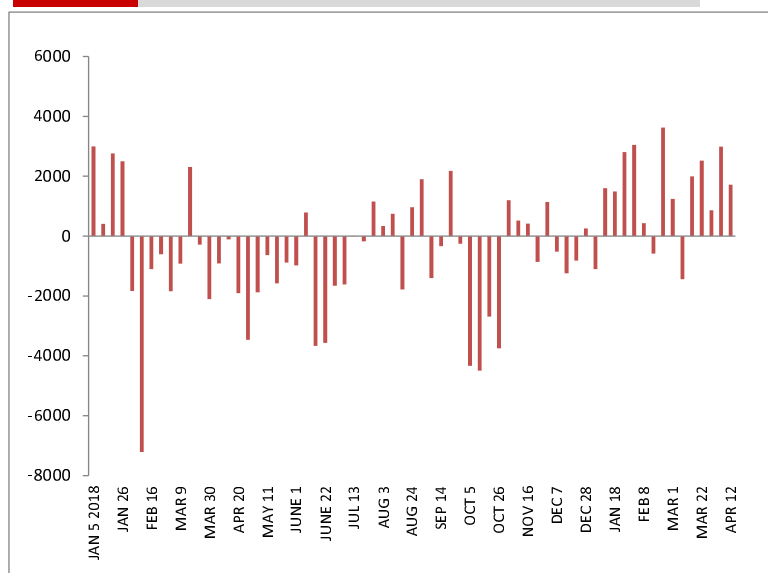
- Offshore funds continued to make their way into Asian markets for the fifth week running. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” bought USD1.72b net last week, the 12th time that the weekly foreign net inflow reached above USD1.0b this year.
- In Korea, foreign net inflows remained strong as international funds acquired USD1.0b net, a level not seen in 10 weeks. Foreign net buying occurred on every single day of the week, extending the daily buying streak to 11 days. This was the longest daily buying streak observed since the 12-day buying spree in mid-December 2016. Thursday recorded the highest foreign net inflow during the week at USD326.1m net, tracking gains from U.S stocks overnight. The S&P500 rebounded from its first loss in nine days as unexpectedly soft inflation potentially boosted the Fed’s new wait-and-see approach to increase interest rates. The local bourse meanwhile was little changed at a close of 2,224 points. Prior to Thursday, foreign net buying only reached USD18.9m, the lowest in a day since 18 March 2019 as debris from a Japanese F-35A stealth fighter were found at sea. This was the jet’s second crash in less than a year, causing Korean defense stocks to slip on the same day.
- In contrast, Taiwan experienced a measurable foreign net outflow of -USD11.2m last week, snapping the four-week buying spree. Nevertheless, this is the third weekly foreign net attrition recorded so far in Taiwan this year. The local market reopened from the long break with a bang as foreign investors mopped up USD279.8m net. The level of foreign net inflow declined to below -USD100m at -USD75.5m before recording a foreign net outflow from Wednesday until the week ended. Foreign net selling peaked on Thursday at -USD190.2m net, dragging the Taiex down for the first time in eight trading days to settle at 10,809 points.

Chart 1 YTD performance of major markets



Source: Bloomberg

Chart 2 Weekly Net Flow of Foreign Funds into 7 Asian Markets since Jan 2018 (USD'm)

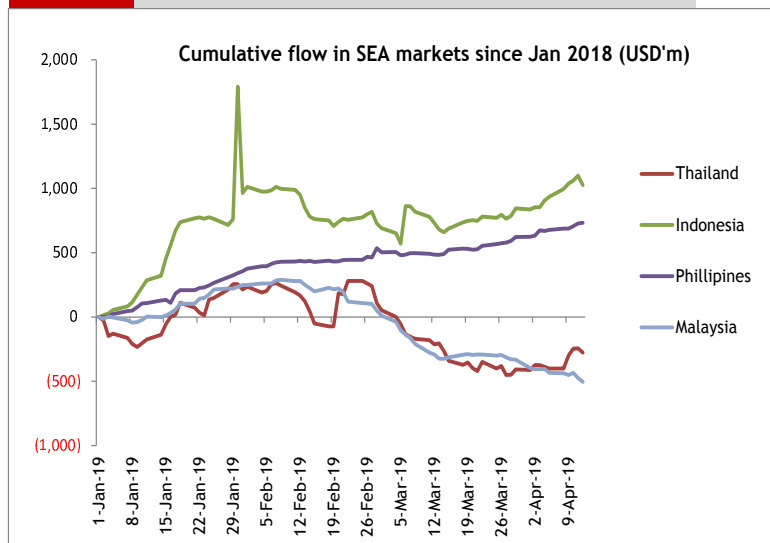


Source: Bloomberg, Bursa Malaysia, MIDFR

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.

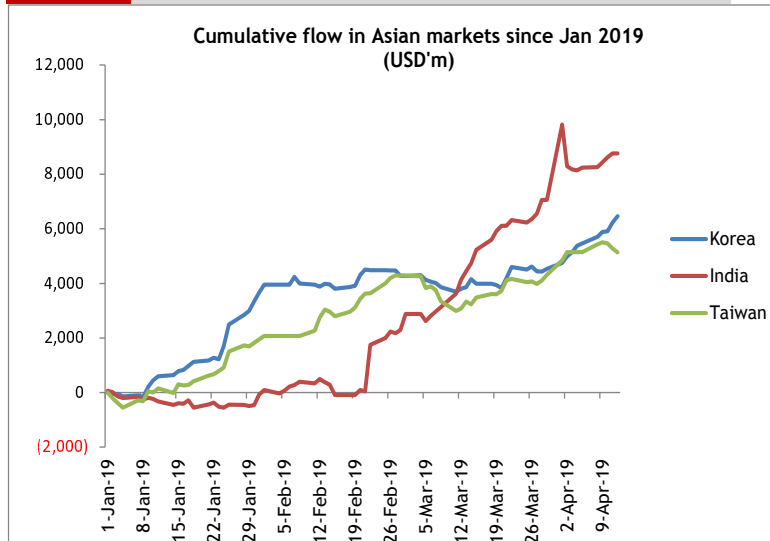
- In emerging South East Asian markets that we monitor, majority experienced foreign net buying for the week.
- The level of foreign net buying in Bangkok accelerated by more than 20 times during the holiday-shortened week to reach USD123.9m net, the highest in seven weeks. Tuesday saw a foreign net inflow of USD100.9m net, the highest in a day since 22 February 2019. The local bourse followed suit to advance 0.7% on the same day to close at 1,658 points, the biggest daily advance in 14 trading days.
- Manila logged its fourth straight week of net inflows as foreign investors snapped up USD55.0m net during the four-day trading week. Foreign funds were net buyers on every single day of the week with Thursday recording the highest at USD21.6m net. The catalyst for Thursday's strong foreign net buying was the nation's trade deficit which narrowed more than expected in the month of February. In contrast, the PSEi declined by 0.7% on the same day amidst profit taking activity after the local bourse soared to settle above 8,000 points on the previous day.
- The pace at which international funds entered Jakarta was little changed as they bought USD90.2m net (versus USD90.8m net in the week before), marking the fourth consecutive week of foreign net inflows. Foreign investors bought local equities from Monday to Thursday, extending the foreign net buying spree to seven days. However, this came to an end on Friday as international funds sold -USD74.2m net ahead of the polling date on Wednesday, 17 April 2019. So far in 2019, Indonesia has recorded a foreign net inflow of USD1.03b, the largest amongst the four ASEAN markets we monitor.

Chart 3 Net Flow of Foreign Funds into Taiwan, Korea and India since Jan 2019 (USD'm)



Source: Bloomberg, MIDFR

Chart 4 Net Flow of Foreign Funds into South East Asia Emerging Markets since Jan 2019 (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
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	-222.5	127.2	-5.6	246.4	-948.8	-221.2	-1,439.2
MAR 15	126.7	-170.5	-131.2	26.6	2,102.7	141.5	-103.0	1,992.7
MAR 22	618.2	-9.2	94.1	29.7	1,089.3	681.3	21.2	2,524.6
MAR 29	-68.0	-57.8	63.5	69.2	742.6	149.6	-39.8	859.3
APR 5	927.3	5.7	90.8	55.0	1,177.0	835.8	-102.1	2,989.5
APR 12	1,004.4	123.9	90.2	55.0	527.1	-11.2	-70.4	1,719.0

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

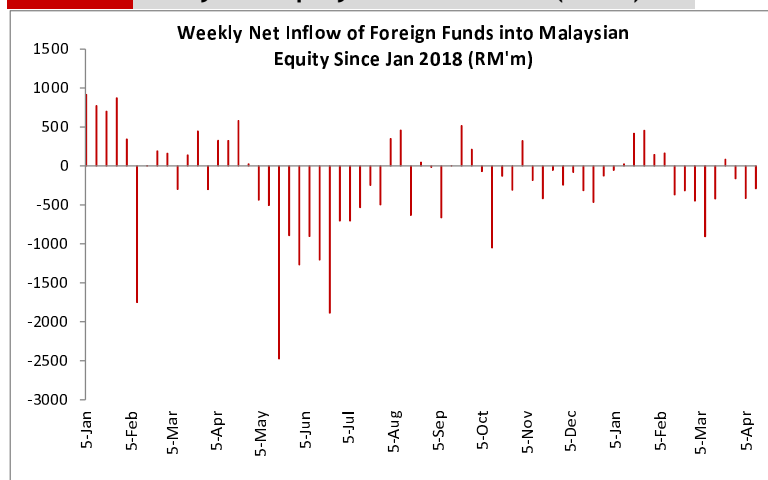
FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

- Foreign investors took a slight breather from selling off stocks listed on Bursa Malaysia. Based on data from Bursa, foreign funds sold -RM289.3m net of local equities last week. So far in 2019, international funds have been net sellers on Bursa for nine out of fifteen weeks.
- International funds started the week with a decent foreign net outflow of -RM12.0m on Monday, the lowest in 11 trading days. The level of foreign net selling jumped by more than four times on Tuesday to reach -RM53.1m as Bursa's telecommunication index led decliners amongst the sectoral indices.
- Investors shrugged off the cut in the International Monetary Fund's economic growth outlook for 2019 from 3.5% to 3.3%. As such, offshore investors made their way back to Malaysian shores on Wednesday to a tune of RM67.6m net, a level not seen in 17 trading days.
- The next two days saw the resumption of foreign net selling on Bursa but at a higher pace of above RM100m. Thursday recorded the highest foreign net outflow during the week at -RM165.4m due to the report of Khazanah Nasional Berhad offering the sale of Tenaga Nasional Berhad (TNB) shares under a share placement to raise RM1.05b, causing the share price of TNB to drop by 4.1%. The FBM KLCI closed at the 1,624 points, the lowest close since late December 2016.
- The announcement of the continuation of the ECRL project at a lower cost on Friday helped to reduce foreign net selling level to -RM126.4m. The local bourse reacted positively to the announcement by gaining for the first time in three days to settle at 1,630 points on Friday.
- On a year-to-date basis, foreign funds have sold -RM2.05b net of local equities. Amongst the four ASEAN markets we monitor, Malaysia retains its position as the nation with the largest foreign net outflow amongst the four ASEAN markets we monitor. Meanwhile, amongst the seven Asian markets we track, India is the nation with the largest foreign net inflow worth more than USD8.5b or RM30b as the general election held in phases had began in the republic.

Chart 5

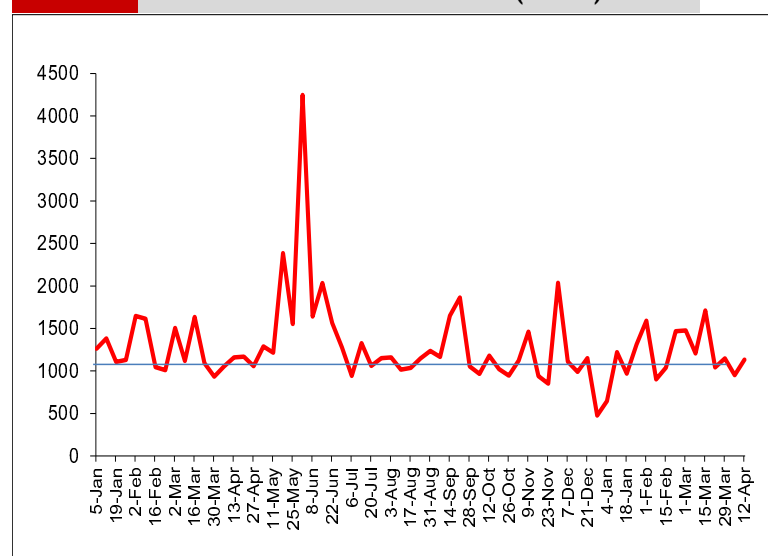
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2018 (RM'm)



Source: Bursa Malaysia statistics, MIDFR

Chart 6

Foreign Participation on Bursa: Daily Average for the Week since Jan 2018 (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)	
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
MAR 15	3,693.4	3,645.9	47.5	5,455.1	5,081.7	373.5	4,069.0	4,489.9	-421.0	-103.0
MAR 22	2,746.4	2,756.3	-9.9	4,391.8	4,468.2	-76.4	2,649.8	2,563.5	86.3	21.2
MAR 29	2,284.3	2,229.3	55.0	4,052.8	3,945.7	107.2	2,791.2	2,953.4	-162.1	-39.8
APR 5	2,470.5	2,499.3	-28.8	4,932.5	4,487.0	445.5	2,174.2	2,590.9	-416.7	-102.1
APR 12	3,458.4	3,286.7	171.8	5,328.2	5,210.8	117.5	2,686.8	2,976.1	-289.3	-70.4

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 12 APRIL
TOP 10 NET MONEY INFLOWS

- CIMB Group Holdings Berhad recorded the highest net money inflow of RM9.99m. Its share price dropped -0.98% for the week under review, underperforming the local bourse which has a weekly decline of -0.71%. It is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.
- Petronas Chemicals Group Berhad recorded the second highest net money inflow of RM6.29m. Its share price ended -2.86% lower for the week, underperforming the benchmark which was -0.71% lower.
- Top Glove Corporation Berhad saw the third highest net money inflow of RM4.90m. Its share price dropped -1.09% for the week, underperforming the benchmark which was -0.71% lower.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
CIMB	9.99	3.02	-0.98	BOW
PETCHEM	6.29	-14.21	-2.86	BOW
TOP GLOVE	4.90	3.80	-1.09	BOW
GENTING BHD	4.44	-3.44	-1.18	BOW
MAXIS	3.50	0.22	0.36	-
UMW	3.47	1.05	-3.67	BOW
KL KEPONG	3.14	0.27	0.57	-
MY EG SERVICES	2.67	12.86	2.61	-
HARTALEGA	2.63	0.28	-1.26	BOW
KLCCP STAPLED	2.52	-0.02	-0.64	BOW

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- British American Tobacco Berhad saw the largest net money outflow of -RM31.14m last week. Its stock price advanced 1.94% for the week outperforming vis-à-vis the FBM KLCI which declined -0.71% 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.
- Malayan Banking Berhad recorded the second largest net money outflow -RM15.05m during the week under review. Its share price was 0.11% higher during the week, outperforming the market benchmark which had a -0.71% weekly loss.
- Public Bank Berhad registered the third largest net money outflow of -RM10.64m in the review week. Its share price was -1.22% lower for the week, underperforming the local benchmark.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
BAT	-31.14	0.70	1.94	SOS
MAYBANK	-15.05	-14.10	0.11	SOS
PUBLIC BANK	-10.64	-18.39	-1.22	-
HONG LEONG	-8.24	0.76	-0.79	-
AXIATA	-7.34	3.58	-0.72	-
TIME DOTCOM	-5.50	5.96	2.30	SOS
YINSON	-4.96	-6.07	0.44	SOS
DIALOG	-4.68	1.54	-0.31	-
TNB	-4.65	7.31	-2.69	-
SUNWAY REIT	-4.02	-0.10	2.73	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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