

MIDF EQUITY STRATEGY | 18 FEBRUARY 2019 WEEK ENDED 15 FEBRUARY

- Major equity markets took a breather, especially in Asia after reopening from the festive break, with a batch of data releases from retail to GDP growth which kept investors on their feet.
- Key U.S indexes such as the Dow Jones still ended 3.1% higher for the week, notching an eighth-straight week of gains. Investors took comfort of both the U.S and China noting that progress has been in the latest trade talks which will resume this week.
- Brent crude oil price rose by nearly 7.0% during the week to settle at USD66.25pb, the largest gain in six weeks. Major factors which steered the strength in oil markets include Saudi Arabia's pledge to deepen output cuts in addition to Saudi Aramco's shutdown of its more than 1m barrels per day Safaniyah offshore field due to a power cut by a vessel's anchor.
- After five consecutive weeks of foreign net inflows into Asian markets, international funds took a breather. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" sold -USD224.0m net last week.
- International funds turned net sellers on Bursa last week, snapping the five-week buying spree on Bursa. Based on data from Bursa, foreign funds took out -RM369.2m net of local equities, the largest weekly foreign net outflow in eight weeks.
- The FBM KLCI eked out gains of 0.14% last week after closing at 1,689 points. In contrast, the Ringgit saw its first weekly depreciation in three weeks as it weakened by 0.4% against the greenback for the week to USD/MYR4.0860.

OFFSHORE FUNDS TAKE A BREATH

A. MARKET SNAPSHOT

- Major equity markets took a breather, especially in Asia after reopening from the festive break, with a batch of data releases from retail to GDP growth which kept investors on their feet.
- Despite being range-bound at the start of the week, Wall Street soared by more than 1.0% on Tuesday amidst optimism on the upcoming Sino-U.S trade negotiations. Nonetheless, disappointing retail sales combined with President Trump's intention to sign a deal to avert another government shutdown while declaring a national emergency to fund the border wall dampened sentiment on Thursday.
- Nevertheless, key U.S indexes such as the Dow Jones still ended 3.1% higher for the week, notching an eighth-straight week of gains. Investors took comfort of both the U.S and China noting that progress has been in the latest trade talks which will resume this week.
- China's consumption over the Lunar New Year holiday week has reportedly reached its slowest growth since 2011. The momentum slowdown of China's spending leading up to its largest festive season could be a result of contraction in auto purchases for the first time in 3 decades & a record-low in retail sales growth since 2002. Tourist spending slowed to 8.2%yoy in 2019 (12.6%yoy 2018). On the contrary, domestic box office revenue improved by 1.0% from last year according to Alibaba Pictures. Looking ahead, we expect household consumption to slowdown in the near future given a buildup in household debt & dull outlook on income growth as we see the government depending on infrastructure investment to stabilize economic growth.
- On annual basis, Germany's exports shrank by -4.5%yoy while imports growth unchanged in Dec-18. For full-year 2018, exports and imports increase by 3% and 5.7% respectively. Trade outlook for 2019 is likely to see slight moderation for Germany. In spite of receding trade tension, geopolitical stress in European region is posing a threat to EU's intra-trade activities. Brexit, France-Italy crisis and growing Eurosceptic sentiment are among downside factors for EU especially for Germany. In 2018, GDP growth of Germany registered at 5-year low of 1.5%. The European Commission, in its latest projection, slashed down 2019's growth from 1.8% to 1.1% and maintaining 1.7% in 2020.
- Brent crude oil price rose by nearly 7.0% during the week to settle at USD66.25pb, the largest gain in six weeks. Major factors which steered the strength in oil markets include Saudi Arabia's pledge to deepen output cuts in addition to Saudi Aramco's shutdown of its more than 1m barrels per day Safaniyah offshore field due to a power cut by a vessel's anchor. Another development which gave support was the plan of Trafigura, a global commodities merchant to halt oil trading with Venezuela due to sanctions by the U.S.

Table 1 Weekly performance of major indices		
Weekly % change	Week before	Last week
CAC 40	-1.15	3.86
DAX	-2.45	3.60
Dow Jones	0.17	3.09
China CSI 300	0.00	2.81
Nikkei	-2.19	2.79
S&P 500	0.05	2.50
FTSE 100	0.73	2.34
Taiwan TAIEX	0.00	1.33
FSSTI Index	0.42	1.18
Korea KOSPI	-1.20	0.87
KLCI	0.18	0.14
Hang Seng	0.06	-0.16
Thai SET	0.02	-0.89
Phil PCOMP	-0.90	-2.01
India SENSEX	0.21	-2.02
Jakarta JCI	-0.26	-2.03

Source: Bloomberg

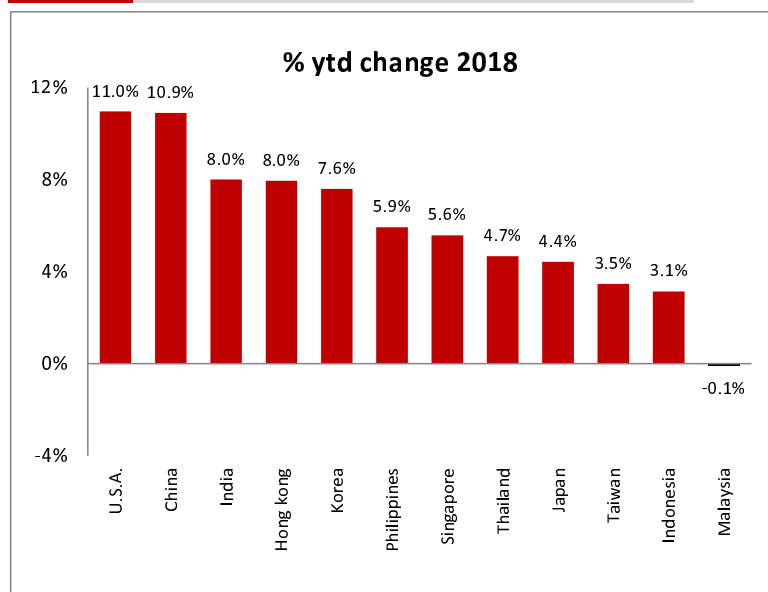
FUND FLOW REPORT

- The FBM KLCI eked out gains of 0.14% last week after closing at 1,689 points. In contrast, the Ringgit saw its first weekly depreciation in three weeks as it weakened by 0.4% against the greenback for the week to USD/MYR4.0860.

B. TRACKING MONEY FLOW - ASIA¹

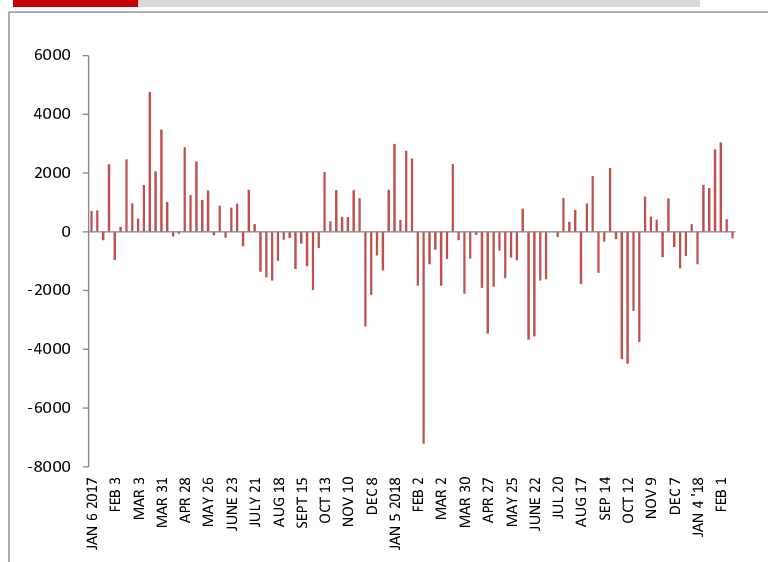
- After five consecutive weeks of foreign net inflows into Asian markets, international funds took a breather. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” sold -USD224.0m net last week, the second weekly foreign net outflow recorded so far in 2019.
- In Korea, tables were turned over as international investors sold -USD200.5m net, breaking the five-week buying streak. This was in fact the largest weekly foreign net outflow seen since the week ended 23 November 2018. Foreign funds were net buyers only on Wednesday, mopping up USD109.4m net as President Trump said he could be flexible on the March deadline with China provided that progress towards a trade deal is made. Meanwhile, foreign net selling peaked on Friday at -USD160.3m as investors digested Chinese factory inflation which decelerated for the seventh month. The KOSPI tracked Friday’s sizeable outflow to decline by 1.3% to retreat from a four-month closing high of 2,226 points logged on the previous day. On the economic front, the unemployment rate in South Korea hits a nine-year peak of 4.4% in January 2019 as the minimum wage hike urged many works to shy away from low-paying jobs.
- Taiwan was the darling of international funds as it recorded a staggering foreign net inflow of USD708.1m net. Risk appetite on Friday was disrupted by China’s weak factory inflation data on Friday which led to a foreign net attrition of USD186.0m, the first foreign net outflow after six straight days of foreign net inflow. Nonetheless, the foreign net buying on the first three days of the week with the highest being on Tuesday at USD481.9m was more than able to offset these net outflows as Donald Trump signalled flexibility on extending a deadline to raise tariffs on Chinese products. The local bourse was equally strong on the same day, advancing by 0.93% to close at 10,098 points, the biggest daily gain seen since 25 January 2019.

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)

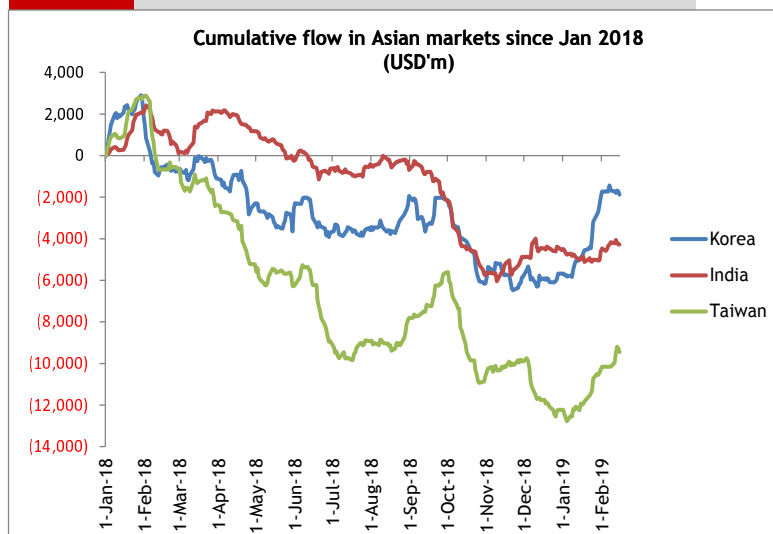


Source: Bloomberg, Bursa Malaysia, MIDFR

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.

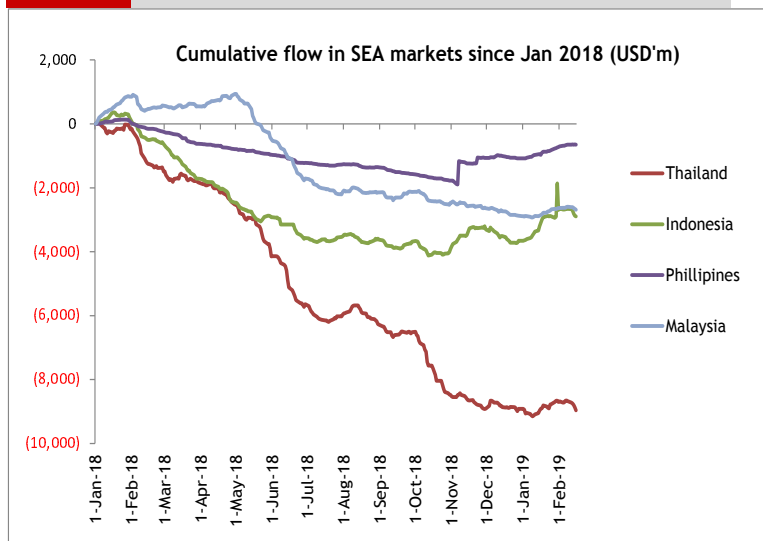
- In emerging South East Asian markets, foreign net selling was across the board.
- After four consecutive weeks of foreign net buying, foreign investors offloaded -USD293.8m net of local equities last week. International funds were net sellers on every single day of the week with a gradual increasing trend observed from -USD25.8m on Tuesday to reach a three week high of -USD95.6m net on Friday. Aside from the broad market weakness emanating from China's weak data, local political factors continue playing a crucial role in Thailand's stock market environment especially after the King of Thailand prevented his sister Princess Ubolratana from becoming a candidate for the prime minister's office after parliamentary elections were scheduled for March 24.
- In Manila, international funds were net sellers for the first time in seven weeks albeit at a measurable pace of only -USD2.86m. On a daily basis, Wednesday's foreign net outflow of -USD4.7m net brought an end to the 19-day foreign net buying streak. Foreign net selling was not only the largest on Friday similar to other markets but was the biggest in 21 days as local markets as traders adjusted portfolios ahead of the main index's rebalancing on Monday.
- The level of foreign net outflows from Jakarta increased by more than 10 times to reach -USD236.0m last week. In contrast to most peers, the foreign selling peaked on Wednesday instead of Friday at -USD98.0m. Wednesday's large attrition was attributed fall in Indonesian toll road stocks such as PT Waskita Karya and PT Jasa Marga as the nation's anti graft agency raided the house of the companies' top executive as part of an investigation into a corruption case. However, sentiment was cushioned by a 4.0% gain in Garuda Indonesia as the government is looking into ways to lower down the jet fuel price.

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 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	1,369.5	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	432.8
FEB 15	-200.5	-293.8	-236.4	-2.7	-108.1	708.1	-90.6	-224.0

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

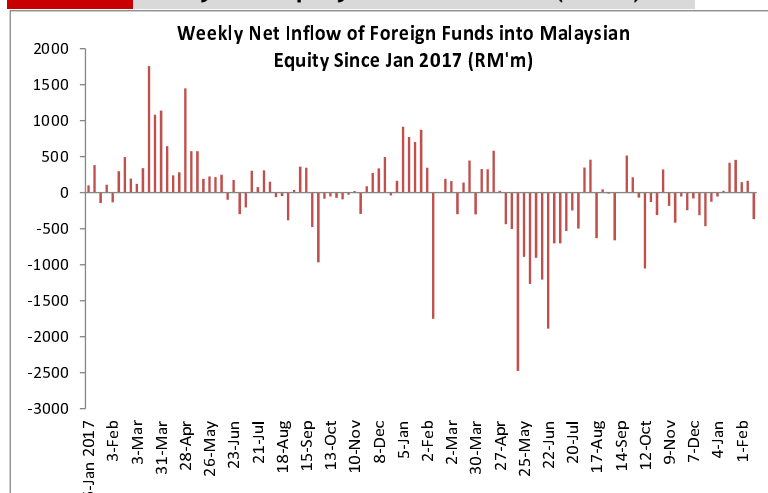
FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

- International funds turned net sellers on Bursa last week, snapping the five-week buying spree on Bursa. Based on data from Bursa, foreign funds took out -RM369.2m net of local equities, the largest weekly foreign net outflow in eight weeks.
- On a daily basis, the five-day foreign net buying streak came to an end on Monday as global funds sold -RM41.6m net of local equities. However, foreign investors slowly returned to Bursa on Tuesday at a tune of RM6.6m net, the lowest level in a day since early November last year.
- However, -RM122.1m net of equities were taken out by foreign funds on Wednesday as investors ignored President Trump's flexibility on the deadline for trade negotiations with Beijing. Likewise, the local bourse shed 2.11 points or 0.1% to end at 1,685 points, the lowest close during the week. Meanwhile, other Asian peers namely South Korea and Taiwan recorded sizeable foreign net inflows.
- While foreign net selling still occurred on Thursday and Friday, the pace slowed down to -RM106.4m and -RM105.7m, respectively. Malaysia's 4Q18 GDP growth of +4.7%yoy which was above market expectations of +4.5%yoy estimates helped to ease the jitters coming from the deceleration in China's factory inflation in January 2019 which slowed down for the seventh uninterrupted month.
- For the first half of February 2019, offshore investors have so far disposed -RM206.0m net, lowering the year-to-date foreign net inflow into Malaysia to RM820.1m. On the regional front, Malaysia is now the nation with the lowest foreign net inflow amongst the four ASEAN markets we monitor with Indonesia taking the lead with a year-to-date net inflow above RM3.0b while Thailand is the only one with a net outflow.
- Participation amongst all investor groups increased during the week. Foreign investors recorded the smallest weekly advance in average daily traded value (ADTV), increasing by 15.3% to breach above the healthy level of RM1b.

Chart 5

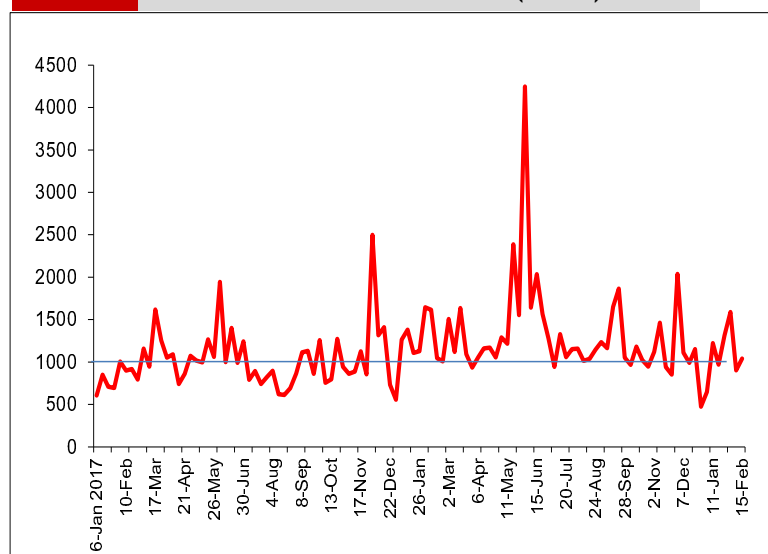
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2017 (RM'm)



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 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
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	-90.7

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 15 FEBRUARY
TOP 10 NET MONEY INFLOWS

- Kuala Lumpur Kepong Berhad registered the highest net money inflow of RM22.11m last week. Its share price advanced 1.14% for the week, outperforming the local bourse which had a 0.14% weekly gain.
- Petronas Chemicals Group Berhad recorded the second highest net money inflow of RM12.17m. Its share price ended 0.71% higher for the week, outperforming the benchmark which was 0.14% higher.
- Hartalega Holdings Berhad saw the third highest net money inflow of RM5.73m. Its share price ended 1.27% lower during the week under review, underperforming the local bourse which was 0.14% 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		
KL KEPONG	22.11	-0.72	1.14	-
PETCHEM	12.17	-12.20	0.71	-
HARTALEGA	5.73	-0.73	-1.27	BOW
HONG LEONG	5.16	-1.80	0.38	-
TOP GLOVE	4.91	1.10	0.82	-
BAT	3.87	2.51	-2.10	BOW
MISC	2.39	4.89	0.00	-
BURSA	1.62	-0.12	-1.31	BOW
TNB	1.07	-5.09	-1.21	BOW
KPJ	0.49	-0.45	-1.85	BOW

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 -RM34.39m last week. Its stock price remained unchanged for the week.
- Genting Berhad recorded the second largest net money outflow -RM17.06m during the week under review. Its share price was 0.14% lower during the week, underperforming the local bourse which was 0.14% higher.
- CIMB Group Holdings Berhad registered the third largest net money outflow of -RM8.94m in the review week. Its share price ended 0.53% higher during the week, outperforming the benchmark which had a 0.14% weekly gain. 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	-34.39	-1.98	0.00	-
GENTING BHD	-17.06	-2.84	-0.14	-
CIMB GROUP	-8.94	-7.45	0.53	SOS
HEINEKEN	-6.03	-2.43	3.73	SOS
LOTTE CHEM	-5.68	0.12	3.15	SOS
AIRASIA	-4.60	-2.56	-2.24	-
MY EG	-4.30	2.56	4.04	SOS
MAYBANK	-3.72	-23.85	-1.15	-
PRESS METAL	-4.66	-0.01	-3.30	-
SERBA DINMK	-3.19	0.22	2.67	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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