

## MIDF EQUITY STRATEGY | 18 MARCH 2019 WEEK ENDED 15 MARCH

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- Brent crude oil price inched 2.2% higher for the week to settle at USD67.16pb, It was noteworthy that the Brent crude oil priced reached as high as above USD68pb on Thursday, the highest level so far in 2019 on expectations that U.S sanctions on Iran and Venezuela would keep a lid on supply.
- Offshore investors returned to Asian markets last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” mopped up USD1.20b net last week.
- Offshore investors marked their fifth straight week of exiting Malaysia at a slower pace. Foreign net selling occurred from Monday to Thursday, stretching the daily selling spree to 16 days, the longest since the 37-day selling streak from early May to end of June 2018. Based on data from Bursa, foreign funds pulled out -RM421.0m net of local equities, less than half of the amount sold in the preceding week.
- The FBM KLCI posted a marginal weekly gain of 0.04% last week after settling at 1,681 points. In comparison with other regional bourses, the FBMKLCI is the only laggard in ASEAN with a year-to-date loss of 0.6%. The Ringgit depreciated 0.02% against the greenback to settle at USD/MYR4.0905.

## CHINA'S STIMULUS MEASURE POSER TO ASEAN MARKETS

### A. MARKET SNAPSHOT

- Major equity markets worldwide rebounded amidst hopes on the upcoming outcome of the Brexit vote by the U.K parliament this week coupled with progress on the Beijing-Washington trade negotiations despite the no date being set for the next round of summit between the two nations.
- U.S retails sales edged 0.2% higher in January 2019 buttressed by purchases of building materials and discretionary spending. This soothed investors' nerves following December's retail sale which saw the largest drop since September 2019 and the sharp moderation in the February's job growth.
- China's retail sales maintained at 8.2%yoy in January to February 2019, slightly exceeding market expectations of a 8.1%yoy growth. Sales of jewellery and cosmetics increased by 4.4% and 8.9% respectively (2.3% & 1.9% in December 2018). Meanwhile, sales of office supplies and telecoms recovered from negative territory to 8.8% and 8.2% respectively (-4.0% & -0.9% in December 2018). In contrast, sales of automobiles dropped by -2.8%. In overall, most business activities remain intact despite the long Lunar New Year holiday. Moving forward, we foresee the retail sales to grow at a steady pace, supported by stable job market and lower inflationary pressure.
- In Europe, the U.K trade deficit widened to GBP3.8B in Jan 2019 (January 2018: -GBP1.6B), more than GBP3.5B gap expected by market consensus as imports accelerated faster than exports. Exports grew 3.9%yoy in January 2019 while imports expanded 7.9%yoy. Sales of goods to the EU countries advanced 4.7%yoy while those to non-EU contracted 0.5%yoy. Meantime, purchases from the EU and non-EU grew 6.4%yoy and 7.6%yoy respectively. Currently, U.K is copiously benefiting from the EU's customs union and the single market. Over the past forty years, the EU has successfully secured 36 trade agreements for its member-states, spanning more than 60 countries. On top of that, there are many other trade agreements which are in the process of being ratified or under negotiation. As a result of Brexit, the UK is unlikely to continue participating in these deals.
- Brent crude oil price inched 2.2% higher for the week to settle at USD67.16pb, It was noteworthy that the Brent crude oil priced reached as high as above USD68pb on Thursday, the highest level so far in 2019 on expectations that U.S sanctions on Iran and Venezuela would keep a lid on supply. However, gains in Brent crude oil price were capped by the surge in U.S production 2018 and also worries on a possible economic slowdown which may dampen fuel demand. Nonetheless, crude oil demand from China has held up well so far with a 6.1%yoy rise to a record 12.68m barrels per day in the first two months of 2018.

Table 1 Weekly performance of major indices		
Weekly % change	Week before	Last week
India SENSEX	1.68	3.69
CAC 40	-0.65	3.33
S&P 500	-2.16	2.89
Hang Seng	-2.03	2.78
China CSI 300	-2.46	2.39
Nikkei	-2.67	2.02
DAX	-1.24	1.99
Taiwan TAIEX	-1.42	1.93
Korea KOSPI	-2.64	1.81
FTSE 100	-0.03	1.74
Dow Jones	-2.21	1.57
Jakarta JCI	-1.80	1.22
FSSTI Index	-0.76	0.13
KLCI	-1.23	0.04
Phil PCOMP	2.03	0.02
Thai SET	-0.69	-0.28

Source: Bloomberg

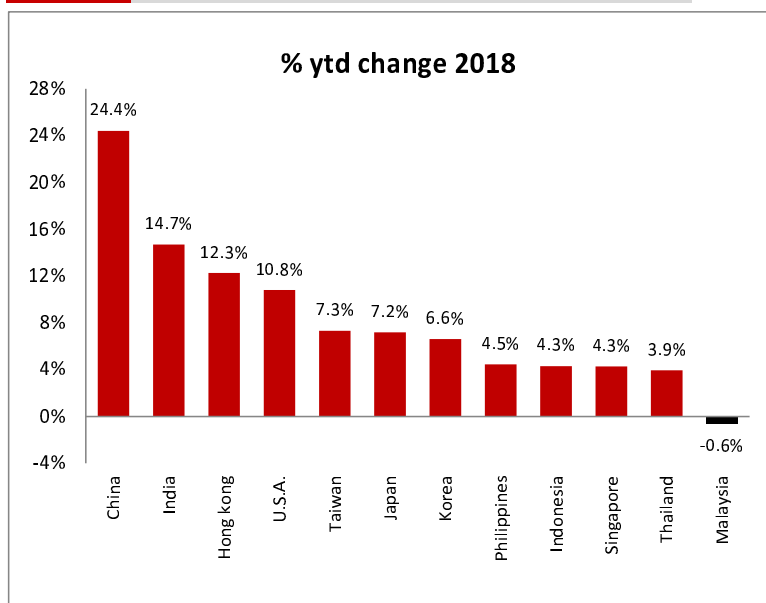
## FUND FLOW REPORT

- The FBM KLCI posted a marginal weekly gain of 0.04% last week after settling at 1,681 points. In comparison with other regional bourses, the FBMKLCI is the only laggard in ASEAN with a year-to-date loss of 0.6%. The Ringgit depreciated 0.02% against the greenback to settle at USD/MYR4.0905.

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

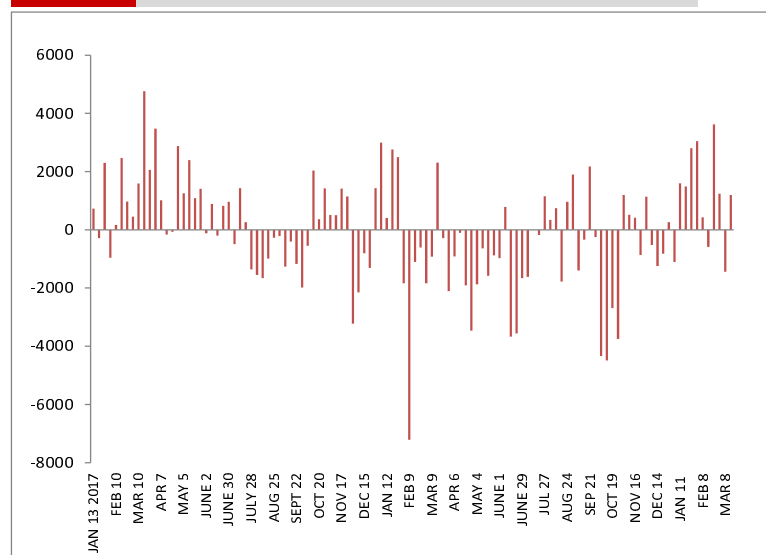
- Offshore investors returned to Asian markets last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” mopped up USD1.20b net last week.
- Korea recorded a decent weekly net inflow of USD126.8m after two weeks of selling. South Korea started the week with a massive foreign net outflow of -USD163.3m while the local bourse remained little changed with a gain of less than 1% as investors waited on further developments in trade negotiations between Washington and Beijing. Nonetheless, offshore investors made their way back into South Korea on the next three days with Thursday recording the highest daily foreign net inflow in 15 trading days worth -USD298.6m. Much of the optimism was reflected in the rise of local ‘peace’ stocks such as Hyundai Rotem, Hyundai Elevator and Hyundai Engineering which jumped after U.S investor Jim Rogers acquired 2,000 shares in Ananti Inc., a resort operator. However on Friday, the said stocks took a deep of more than 3.0% after reports on North Korea’s plan to halt denuclearisation talks with the U.S which led to another spike in outflows worth -USD172.8m net.
- Almost similar to South Korea, foreign investors bought USD125.1m net in Taiwan but experienced a sizeable foreign net outflow of -USD349.0m on Monday. The Taiex index was meanwhile flattish compared to regional peers such as the Shanghai Composite Index and the Hang Seng Index which both gained more than 0.5% on the Monday as the nation’s central bank governor cited that the nation still has room to reduce the amount of money banks held in reserve. Nonetheless, this huge outflow was more than offset by Wednesday’s and Friday’s net inflow of above USD200m, tracking the gains from Chinese markets following the nation’s stance to remain with its targeted economic support strategy with tax reductions beginning in April this year.

**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)

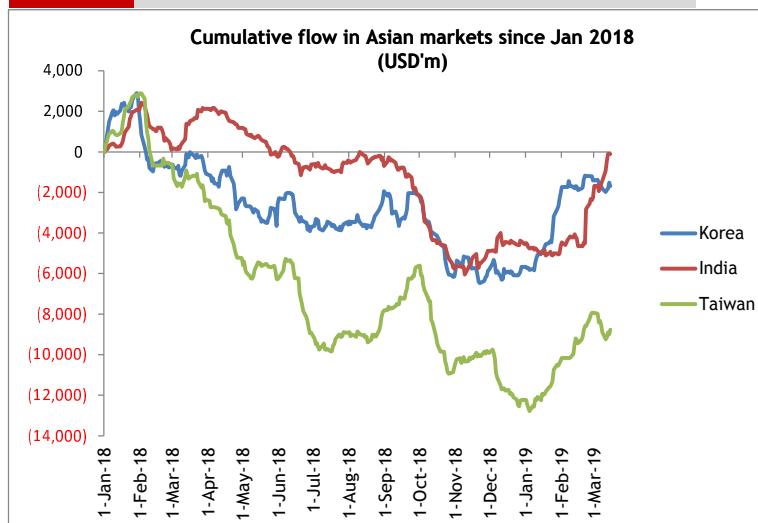


Source: Bloomberg, Bursa Malaysia, MIDFR

<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.

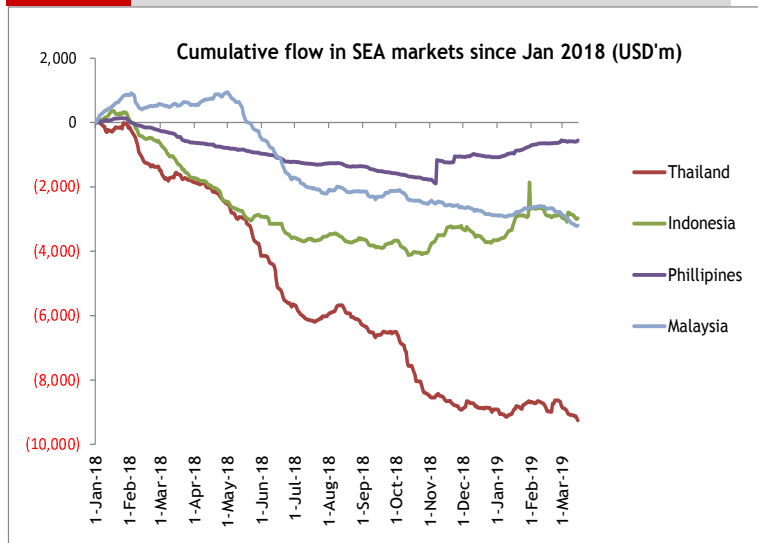
- In emerging South East Asian markets that we monitor, more than half experienced foreign net selling.
- In Bangkok, -USD170.4m of local equities were sold by global investors, extending the foreign net outflow for the third uninterrupted week. Foreign net selling peaked on Friday at -USD73.9m. On a separate note, the first foreign net buying in 13 trading days was seen on Wednesday which coincided with the 0.7% jump in the SET index to close at 1,640 points, the highest in eight trading days.
- In Manila, international funds turned net buyers to a tune of USD26.6m. Foreign net selling occurred on the first three days of the week at a measurable pace below -USD10m. International funds then slowly entered into Manila on Thursday, purchasing USD6.1m net before substantially increasing their exposure by five times to reach USD34.4m net, the largest in a day since the last day of February this year. Friday's boost in buying activity came as investors focused more towards local equities in the wake of the FTSE rebalancing
- International funds pulled out -USD131.2m net from Jakarta last week, cancelling off the USD127.1m net acquired in the week before. International funds consistently sold local equities from Monday to Thursday with the highest amount recorded on Wednesday at -USD51.3m net. The five-day selling streak in Jakarta snapped on Friday following a foreign net inflow of USD28.7m, coinciding with local bourse's 0.8% advance to its highest close since 4 March 2019. Friday's rally was led by banking stocks such as Bank Rakyat Indonesia and Bank Mandiri which gained by more than 1% boosted by the unexpected February trade surplus, fuelling speculation for a cut in interest rates.

**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)

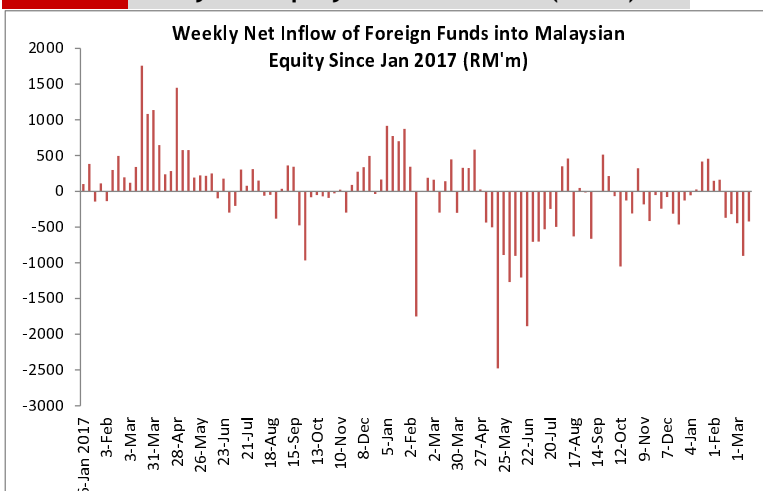
WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
JAN 18	529.0	285.2	451.2	98.9	-227.7	253.7	101.5	1,491.8
JAN 25	1,369.5	38.6	26.0	58.0	108.2	1,096.3	110.1	2,806.6
FEB 1	1,453.7	88.0	249.7	109.7	540.7	569.1	35.8	3,046.5
FEB 8	49.6	6.9	-15.1	54.3	297.1	0.0	40.0	432.9
FEB 15	-200.6	-294.0	-236.4	-2.7	-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	-222.5	127.2	-5.6	246.4	-948.8	-221.2	-1,439.2
MAR 15	126.8	-170.4	-131.2	26.6	1,322.7	125.1	-103.0	1,196.6

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

## C. TRACKING MONEY FLOW - MALAYSIA

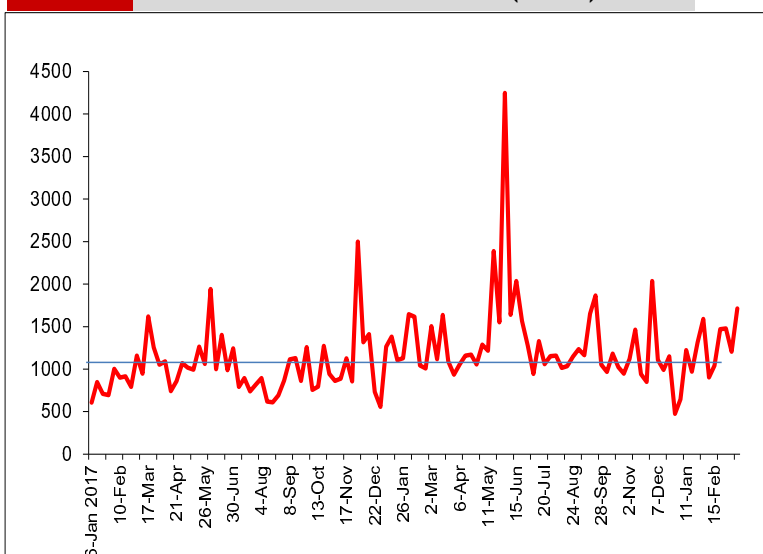
- Offshore investors marked their fifth straight week of exiting Malaysia but at a slower pace. Foreign net selling occurred from Monday to Thursday, stretching the daily selling spree to 16 days, the longest since the 37-day selling streak from early May to end of June 2018. Based on data from Bursa, foreign funds pulled out -RM421.0m net of local equities, less than half of the amount sold in the preceding week.
- Malaysia recorded a sizeable foreign net outflow on Monday of -RM272.3m, a level not seen since late November last year. Nonetheless, the magnitude of foreign attrition was not as high compared to North Asian peers such as South Korea and Taiwan which saw foreign net selling levels above RM400m. The local bourse followed suit to dip by 0.9% on the same day to close at 1,664 points, the lowest close so far in 2019.
- The level of foreign net selling dipped below -RM100m to -RM60.9m on Tuesday following the unexpected rise in January's U.S retail sales overnight. However, the amount withdrawn by offshore investors more than doubled to -RM125.6m the next day.
- Another series of tapering outflows happened again on Thursday as only -RM13.4m net was sold. The rebound in U.S business equipment orders to reach the highest in six months helped outweigh the fall the China's industrial output to a 17-year low in the first two months of the year. Nevertheless, global funds bought RM51.3m net on Friday, snapping the 16-day selling streak on Bursa as China pledges to stick to its targeted stimulus with tax cuts beginning in April 2019.
- In the first two weeks of March 2019, foreign funds have sold -RM1.48b net. As such, foreign funds have withdrawn -RM1.27b net from Malaysia on a year-to-date basis.
- On the regional front, Malaysia is still the nation with the only foreign net outflow amongst the four ASEAN markets we track. Indonesia still retains the lead with a foreign net inflow of USD686.9m or above RM2.5b ahead of its presidential and general election in April 2019.

**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)	
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
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

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 15 MARCH**
**TOP 10 NET MONEY INFLOWS**

- Nestle (Malaysia) Berhad registered the highest net money inflow of RM8.39m last week. Its share price gained 0.61% for the week, outperforming the local bourse which had a 0.04% weekly gain.
- MY EG Services Berhad recorded the second highest net money inflow of RM8.20m. Its share price ended 8.40% higher for the week, substantially outperforming the benchmark which was 0.04% higher.
- Petronas Gas Berhad saw the third highest net money inflow of RM7.71m. Its share price ended 0.23% lower during the week under review, underperforming the local bourse which was 0.04% 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		
NESTLE	8.39	-1.26	0.61	-
MY EG	8.20	4.13	8.40	-
PETRONAS GAS	7.71	-1.62	-0.23	BOW
PETCHEM	5.64	-5.34	0.00	-
TOP GLOVE	5.33	-3.07	-0.65	BOW
HONG LEONG	4.51	-0.09	0.95	-
SIME DARBY	3.43	0.76	-1.38	BOW
KPJ HEALTHCARE	2.40	1.86	0.00	-
HARTALEGA	2.23	-0.59	-4.61	BOW
ASTRO	1.37	0.30	-3.73	BOW

Source: Bloomberg, MIDFR;

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

**TOP 10 NET MONEY OUTFLOWS**

- IHH Healthcare Berhad saw the largest net money outflow of -RM14.72m last week. Its stock price lost -1.70% for the week underperforming vis-à-vis the FBM KLCI which advanced 0.04% during the review week.
- KLCCP Stapled Group recorded the second largest net money outflow -RM8.58m during the week under review. Its share price was -0.13% lower during the week, underperforming the market benchmark which had a 0.04% weekly gain.
- CIMB Group Holdings Berhad registered the third largest net money outflow of -RM7.11m in the review week. Its share price ended 1.67% higher during the week, outperforming the benchmark which had a 0.04% 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		
IHH	-14.72	1.43	-1.70	-
KLCCP	-8.58	2.72	-0.13	-
CIMB	-7.11	19.13	1.67	SOS
TNB	-5.75	9.17	-0.16	-
ALLIANCE BNK	-5.47	-0.15	0.24	SOS
V.S. IND	-4.81	-3.55	-4.37	-
YINSON	-3.32	0.48	1.57	SOS
SERBA DINMK	-3.14	-2.25	1.11	SOS
AMMB	-3.00	0.17	2.22	SOS
SAPURA	-2.56	-4.34	17.74	SOS

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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