

MIDF EQUITY STRATEGY | 25 FEBRUARY 2019 WEEK ENDED 22 FEBRUARY

- Major equity markets recovered from the week before despite softening of trade data from Asian markets such as South Korea and Singapore.
- Brent crude oil price jumped 1.3% for the week to settle at USD67.12pb, a fresh 2019 closing high. The main catalyst for the improvement was the optimism on the U.S-China trade talks which offset U.S crude oil production which hit 12m barrels per day combined with American crude exports hitting a new record.
- Global funds staged a return to Asian markets last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” accumulated USD1.98b net last week, the sixth weekly foreign net inflow recorded so far in 2019.
- Offshore funds remained as net sellers on Bursa for the second week, marking the third weekly inflow so far this year. Based on data from Bursa, foreign funds took out -RM319.0m net of local equities which was not much of a change from the -RM369.2m net outflow in the preceding week.
- The FBM KLCI logged a of 1.9% gain last week after closing at 1,721 points. Likewise, the Ringgit appreciated 0.21% against the greenback to settle at USD/MYR4.0775.

ASIAN BOURSES UP DESPITE SOME PROFIT TAKING ACTIVITIES

A. MARKET SNAPSHOT

- Major equity markets recovered from the week before despite softening of trade data from Asian markets such as South Korea and Singapore.
- Flash composite PMI of the US surged to an 8-month high at 55.8 points in Feb-19, mainly contributed by services PMI. Similarly, services PMI rose to 56.2 points, highest since Jun-18. As for manufacturing PMI, optimism among American manufacturers remained on a declining trend.
- Worries on trade talks between the US & China is the main downside factor. We expect the factory PMI will rebound in Mar-19 with optimism rising for an amicable conclusion over the U.S and China trade talks. Moving forward, we opine the US economy remains resilient and intact amid strong domestic demand. Moderate inflationary pressure, stable job market and optimistic consumer sentiment are among the factors supporting the economy.
- In Japan, the trade deficit widened to JPY1415B in Jan-19 (JPY948B in Jan-18), the widest gap in 5 years. As exports declined at a faster rate than imports. Exports contracted -8.4%yoy in Jan-19, the steepest since Oct-16 probably due to trade war between U.S and China. Exports to China, Japan's biggest trading partner dropped by -17.4%yoy in Jan-19 due to low sales of transport equipment, chemicals, manufactured goods and others. In contrast, exports to US increased by 6.8%yoy in Jan-19. Meanwhile, imports dropped by -0.6%yoy in Jan-19 influenced by the fall of purchases of mineral fuels, electrical machinery and raw materials. Imports from China and US rose by 5.6%yoy and 7.7%yoy respectively.
- Meanwhile in Europe, Germany's PPI dropped for the third consecutive month to 2.6%yoy in Jan-19 and exceeded market expectations at 2.2%yoy. It is the weakest PPI recorded since May-18 mainly due to moderation in prices of durable consumer goods at 1.6%yoy (1.9%yoy Dec-18) and intermediate goods to 1.2%yoy (1.9%yoy Dec-18). In addition, core PPI declined to 1.2%yoy in the first month of 2019. The moderation of PPI is indirectly influenced by the slowdown trend of Brent crude oil in Dec-18 and Jan-19. However, we foresee a slight pick-up in the Germany as well as EU inflationary pressure in 2Q19 as the oil price has returned to above USD60pb in a day by end of Jan-19. Moving forward, the low inflationary pressure would provide solid support for Germany's economy especially on household spending and business investment.
- Brent crude oil price jumped 1.3% for the week to settle at USD67.12pb, a fresh 2019 closing high. The main catalyst for the improvement was the optimism on the U.S-China trade talks which offset U.S crude oil production which hit 12m barrels per day combined with American crude exports hitting a new record.

Table 1 Weekly performance of major indices		
Weekly % change	Week before	Last week
China CSI 300	2.81	5.43
Hang Seng	-0.16	3.28
Taiwan TAIEX	1.33	2.56
Nikkei	2.79	2.51
KLCI	0.14	1.93
Jakarta JCI	-2.03	1.76
Korea KOSPI	0.87	1.57
DAX	3.60	1.40
Thai SET	-0.89	1.36
CAC 40	3.86	1.22
FSSTI Index	1.18	0.93
Phil PCOMP	-2.01	0.67
S&P 500	2.50	0.62
Dow Jones	3.09	0.57
India SENSEX	-2.02	0.17
FTSE 100	2.34	-0.80

Source: Bloomberg

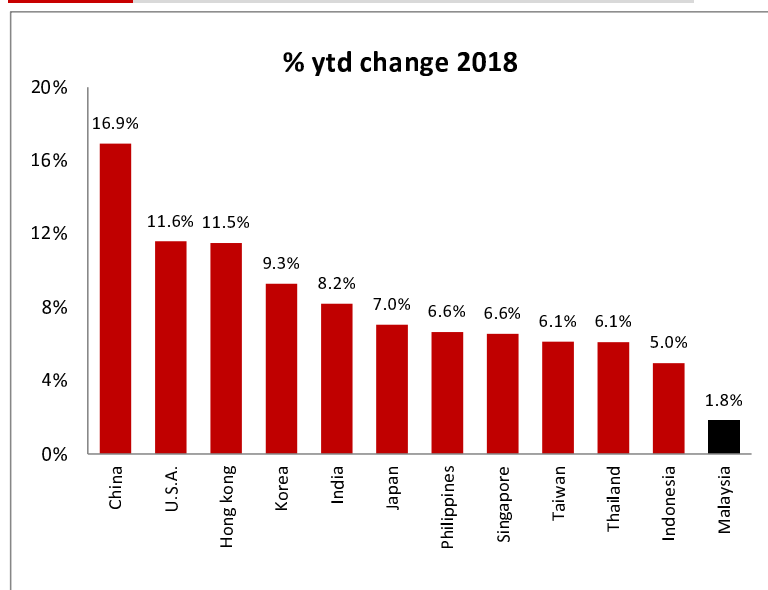
FUND FLOW REPORT

- The FBM KLCI logged a of 1.9% gain last week after closing at 1,721 points. Likewise, the Ringgit appreciated 0.21% against the greenback to settle at USD/MYR4.0775.

B. TRACKING MONEY FLOW - ASIA¹

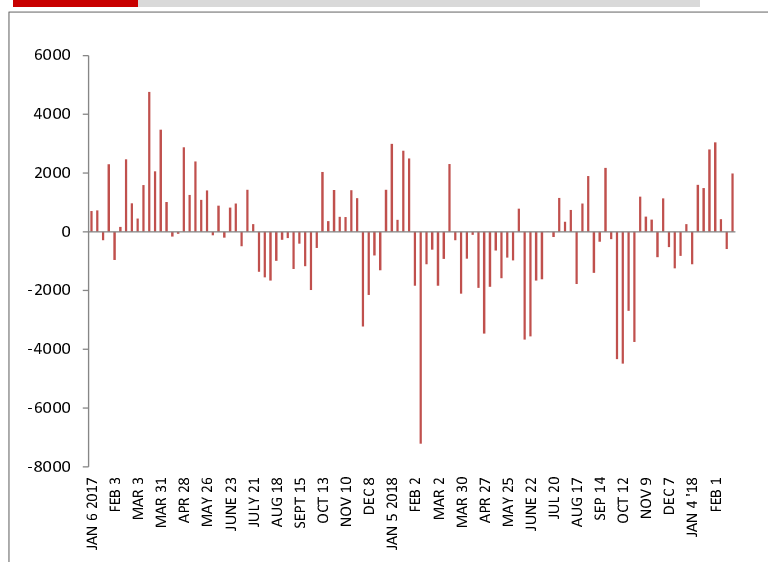
- Global funds staged a return to Asian markets last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” accumulated USD1.98b net last week, the sixth weekly foreign net inflow recorded so far in 2019.
- In Korea, international funds acquired USD683.4m net, cancelling off the -USD200.6m net outflow seen in the preceding week. Foreign net buying was recorded from Monday to Thursday with Wednesday recording the highest at USD390.4m. In fact this amount bought by foreign investors was the largest in almost a month as Samsung Electronics Co. unveiled its next generation of smartphone models. So far in 2019, foreign funds have been the biggest purchasers of Samsung Electronic Co.’s stock, already mopping up shares worth higher than USD2b, the highest among any stock listed on the KOSPI. As such, shares of Samsung Electronics Co. has soared by more than 15% thus far for the year, propelling the KOSPI index a more than 5.0% year-to-date gain. Meanwhile, foreign net attrition worth -USD23.4m net occurred on Friday as shares of Korea’s oldest conglomerate, Doosan, plunged as much as 9.9% after the company announced a new share sale to improve its financial position.
- Taiwan remained the darling of international funds for the second week as it recorded a staggering foreign net inflow of USD901.1m net, the second highest weekly net inflow for the year. International funds were net buyers on every single day of the week with Wednesday recording the highest at USD320.8m net. The influx of foreign funds into Taiwan lifted the local bourse by 1.2% to close at 10,272, the biggest gain since 9 January 2019 amidst optimism on the U.S- China trade negotiations. The biggest contributor for the Taiex’s gain on Wednesday was TSMC which had a 2.4% gain following its proposed dividend payout plan of TWD10 per share for 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)

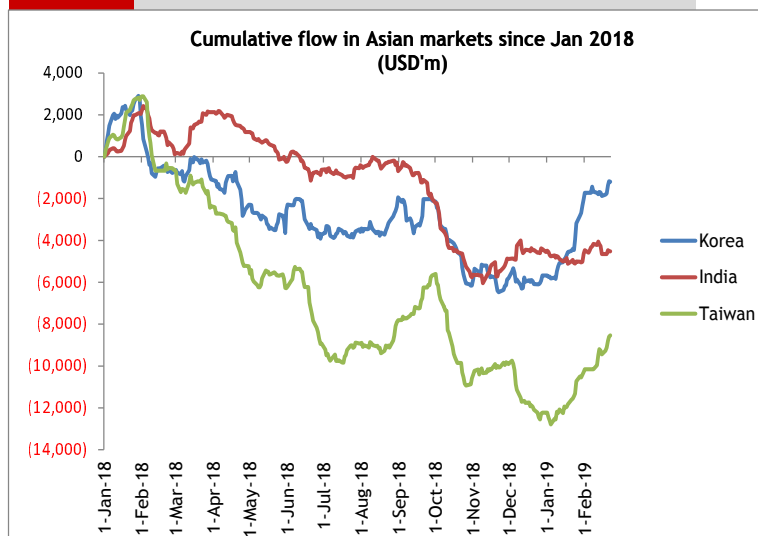


Source: Bloomberg, Bursa Malaysia, MIDFR

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.

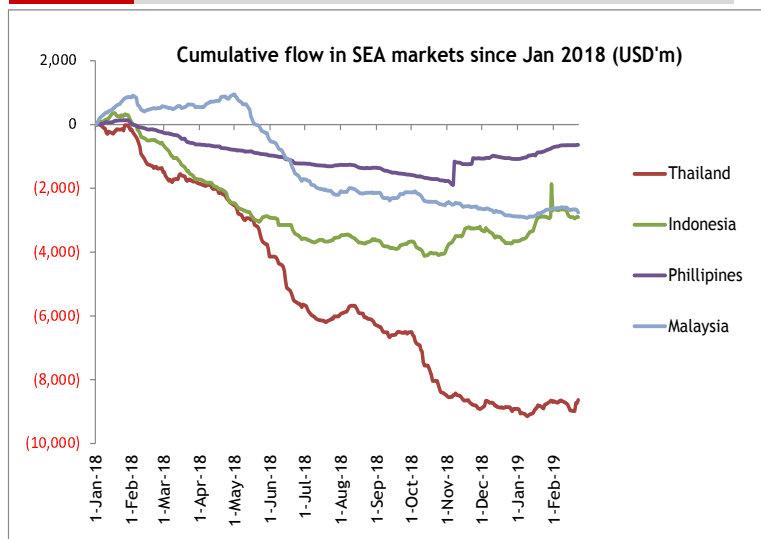
- In emerging South East Asian markets, half saw foreign net inflows while the other half saw foreign net selling.
- Bangkok's -USD294.0m net outflow recorded in the week before was reversed out by a foreign net inflow of USD332.5m, the largest weekly foreign net inflow seen thus far in 2019. Similar to Taiwan and South Korea, Wednesday recorded the highest foreign net inflow during the week. The USD257.1m net inflow on Wednesday with the Baht strengthening to USD/THB30.816 amid expectations that China will not succumb to any devaluation of its currency as part of the trade discussions with Washington. On the economic front, Thailand's GDP grew at a faster pace by 3.7%yoy in 4Q18 compared to 3.3%yoy in the previous quarter.
- In Manila, international funds turned net buyers to a tune of USD17.0m net last week. Foreign buying peaked on Monday at USD10.5m net while the local bourse remained flat with a marginal 0.02% gain as investors were in profit taking mode in light of 2018 corporate earnings release and optimism on the Sino-U.S trade talks. Tuesday then saw foreign funds taking out USD5.6m net, the only foreign selling seen during the week.
- The level of foreign net outflows from Jakarta dropped by more than USD100m to reach USD5.5m net last week, marking the third consecutive week of foreign selling. Nevertheless, it was notable that the eight-day foreign selling streak was snapped on Wednesday as international investors bought USD32.1m net. Sentiment on Wednesday was buoyed by expectations of its central bank to maintain the benchmark rate at 6.0%, bolstering gains in financial stocks such as Bank Central Asia and Bank Pan Indonesia which advanced by more than 2.0%.

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)

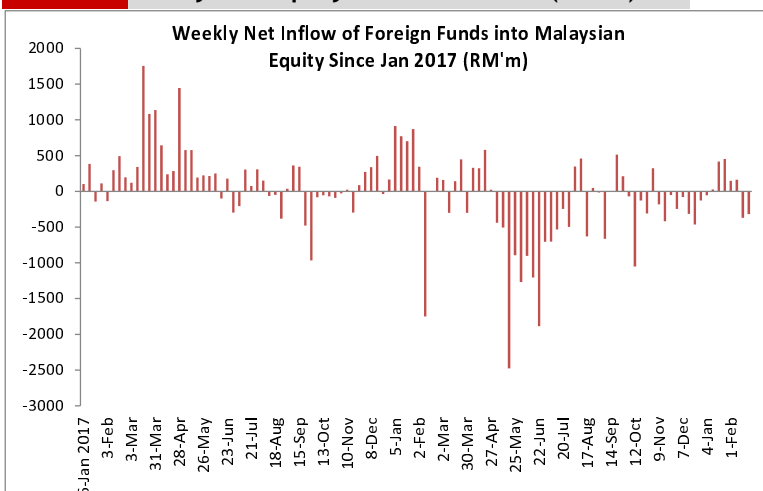
WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
DEC 28	407.0	-60.9	61.4	-24.5	46.5	-140.2	-30.6	258.6
JAN 4	-141.9	-130.3	55.2	23.1	-347.4	-551.9	-13.2	-1,106.4
JAN 11	739.5	-45.4	230.8	85.7	-123.1	705.3	6.4	1,599.3
JAN 18	529.0	285.2	451.2	98.9	-227.7	253.7	101.5	1,491.8
JAN 25	1,369.5	38.6	26.0	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	432.9
FEB 15	-200.6	-294.0	-236.4	-2.7	-482.8	721.6	-90.6	-585.5
FEB 22	683.4	332.5	-5.5	17.0	132.8	901.1	-78.3	1,983.0

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

C. TRACKING MONEY FLOW - MALAYSIA

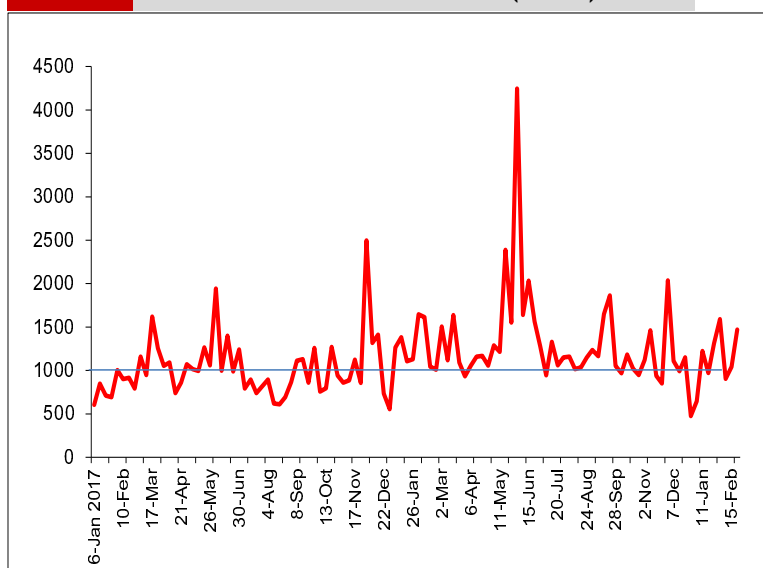
- Offshore funds remained as net sellers on Bursa for the second week, marking the third weekly inflow so far this year. Based on data from Bursa, foreign funds took out -RM319.0m net of local equities which was not much of a change from the -RM369.2m net outflow in the preceding week.
- Monday recorded a foreign net inflow of RM118.1m net, the highest inflow recorded during the week amidst signs of progress from the U.S-China trade negotiations.
- Global investors later disposed -RM47.7m net of local equities on Tuesday while the local bourse inched 0.8% to close above 1,700 points for the first time since 25 January 2019.
- Foreign funds made a modest return, snapping up RM27.0m net on Wednesday, coinciding with the FBM KLCI's biggest daily gain since late December 2018 of 1.15%. The rally was partly attributable to Wall Street's modest start to the week as well as rising Brent crude oil price which climbed above USD66pb.
- However, foreign net selling was back on Bursa on Thursday to a tune of -RM116.2m which then swelled to -RM300.2m on Friday. Much of the sentiment was affected by the Malaysia's consumer prices declining by 0.7%yoy in January, the first contraction since 2009.
- With 4 trading days left in the month of February 2019, foreign investors have so far disposed -RM525.1m net, bringing the year-to-date foreign net inflow into Malaysia to RM501.4m or USD120.4m. On the regional front, Malaysia remains as 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 of USD755.8m or approximately RM3.0b.
- Participation amongst all investor groups increased during the week. Foreign investors recorded the largest weekly advance in average daily traded value (ADTV), increasing by 41% to remain 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 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	-90.6
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

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 22 FEBRUARY
TOP 10 NET MONEY INFLOWS

- UMW Holdings Berhad registered the highest net money inflow of RM17.16m last week. Its share price advanced 0.51% for the week, underperforming the local bourse which had a 1.93% weekly gain.
- Malayan Banking Berhad recorded the second highest net money inflow of RM15.00m. Its share price ended 0.74% higher for the week, underperforming the benchmark which was 1.93% higher.
- Top Glove Corporation Berhad saw the third highest net money inflow of RM9.88m. Its share price ended 2.03% lower during the week under review, underperforming the local bourse which was 1.93% 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		
UMW HOLDINGS	17.16	-0.06	0.51	-
MAYBANK	15.00	-3.72	0.74	-
TOP GLOVE	9.88	4.91	-2.03	BOW
MAHB	5.15	-0.44	3.27	-
KLCCP	4.17	-0.08	0.39	-
PADINI	4.14	-0.52	2.98	-
NESTLE	3.37	0.13	0.61	-
SIME DARBY	2.74	0.89	3.17	-
KPJ	2.45	0.49	0.94	-
CARLSBERG	2.40	0.48	13.96	-

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 -RM36.07m last week. Its stock price gained 0.24% for the week underperforming vis-à-vis the FBM KLCI which advanced 1.93% 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.
- CIMB Group Holdings Berhad recorded the second largest net money outflow -RM26.16m during the week under review. Its share price was 2.46% higher during the week meanwhile outperforming the market benchmark which had a 1.93% weekly gain.
- Tenaga Nasional Berhad registered the third largest net money outflow of -RM21.07m in the review week. Its share price ended 3.07% higher during the week, outperforming the benchmark which had a 1.93% weekly gain. 

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
PUBLIC BANK	-36.07	-34.39	0.24	SOS
CIMB GROUP	-26.16	-8.94	2.46	SOS
TNB	-21.07	1.07	3.07	SOS
PPB GROUP	-12.20	-1.78	3.30	SOS
RHB BANK	-10.01	2.67	0.18	SOS
TIME DOTCOM	-7.32	-0.45	0.12	SOS
DIGI.COM	-7.32	-1.85	1.30	SOS
BURSA	-7.27	1.62	1.27	SOS
IHH	-6.98	-2.20	3.39	SOS
HLBK	-6.63	5.16	1.14	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

DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (23878-X). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein

This document may not be reproduced, distributed or published in any form or for any purpose.



MIDF RESEARCH is part of
MIDF Amanah Investment Bank Berhad (23878 - X)
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Business Address:
11 & 12th Floor, Menara MIDF,
82, Jalan Raja Chulan, 50200
Kuala Lumpur.
Tel: 2173 8888
Fax: 2173 8380