

MIDF EQUITY STRATEGY | 25 MARCH 2019

WEEK ENDED 22 MARCH

- Major equity markets worldwide ended mixed last week amidst a slew of central bank policy meetings combined with jitters coming from the development of Brexit.
- After two weeks of gains, Brent crude oil price declined 0.2% for the week to settle at USD67.03pb. It was noteworthy that the Brent crude oil was gradually advancing from Monday to Wednesday supported by data from the U.S Energy Information Administration showing that dropped the most since July 2018 in the preceding week.
- International funds entered Asian markets at a rapid pace. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” accumulated USD2.32b net last week, the highest weekly foreign net inflow in four weeks.
- After five straight weeks of net selling, international funds finally made their way into stocks listed on Bursa. Based on data from Bursa, foreign funds acquired RM86.3m net of local equities, the second lowest weekly foreign net inflow recorded so far this year.
- The FBM KLCI was back in the red as it posted a weekly decline of 0.83% last week after settling at 1,667 points. In comparison with other regional bourses, the FBM KLCI is the only laggard in ASEAN with a year-to-date loss of 1.4%. In contrast, the Ringgit appreciated 0.6% against the greenback to settle at USD/MYR4.0645.

25 March 2019 | Strategy - Weekly Fund Flow

Adam M Rahim

INVESTORS INCREASE HOLDINGS IN ASIA AS FED MAINTAINS RATES

A. MARKET SNAPSHOT

- Major equity markets worldwide ended mixed last week amidst a slew of central bank policy meetings combined with jitters coming from the development of Brexit.
- The U.S Federal Reserve on Wednesday held interest rates steady while shifting towards a dovish stance by hinting a pause in rate hikes this year. In the past three years, the Federal Reserve has increased interest rates for nine times. The decision to halt rate hikes came from the economic deterioration in Europe and China in addition to the worrying signs of lower consumer spending.
- In Asia, Japan's trade surplus rebounded to JPY339b in February 2019 (-JPY1.4b in January 2019), after four months of deficit. Imports declined -6.7%yoy, lowest since November 16. Exports contracted -1.2%yoy, third consecutive months of contractions. Declining export sales of manufactured goods by -3.5%yoy (-2.8%yoy in Jan-19) particularly paper, iron & steel and nonferrous metal. Outbound shipment of machinery & transport equipment fell -0.1%yoy mainly from metalworking machinery, electrical machinery and motor vehicles. By country, exports to China improved 5.5%yoy (-17.4%yoy in January 2019) while exports to the US grew modestly by 2.1%yoy (6.8%yoy in January 2019). We expect to Japanese trade surplus to continue in 2Q19 underpinned by recovery in exports performance as trade war effects recede followed by a gradual pick-up in business optimism globally.
- Euro Area's ZEW Economic Sentiment improved to -2.5 in March 2019 (-16.6 in February 2019), better than market consensus of -18.7 points. The improving trend suggests positive outlook in the coming months even though at a tepid pace. Low jobless rate and moderating inflationary pressure are among key factors supporting the sentiment. Unemployment rate at a 10-year low of 7.8% while headline CPI at a 9-month low of 1.4% in Jan-19. On top of that, political tension in EU is tapering down and effects of trade war are receding. Moving forward, we expect the economic activities of EU as well as Euro Area to improve slightly in 2Q19 underpin by steady domestic demand and better external trade performance.
- After two weeks of gains, Brent crude oil price declined 0.2% for the week to settle at USD67.03pb. It was noteworthy that the Brent crude oil was gradually advancing from Monday to Wednesday supported by data from the U.S Energy Information Administration showing that dropped the most since July 2018 in the preceding week. However on Friday, Brent crude oil price dropped 1.2%, the biggest daily drop in three weeks as disappointing economic data from Germany and France reignited new fears of slowing global growth.

Table 1 Weekly performance of major indices		
Weekly % change	Week before	Last week
Phil PCOMP	0.02	2.76
China CSI 300	2.39	2.37
Taiwan TAIEX	1.93	1.91
Thai SET	-0.28	1.27
Jakarta JCI	1.22	0.99
Nikkei	2.02	0.82
Korea KOSPI	1.81	0.50
FSSTI Index	0.13	0.37
India SENSEX	3.69	0.37
Hang Seng	2.78	0.35
FTSE 100	1.74	-0.29
S&P 500	2.89	-0.77
KLCI	0.04	-0.83
Dow Jones	1.57	-1.34
CAC 40	3.33	-2.50
DAX	1.99	-2.75

Source: Bloomberg

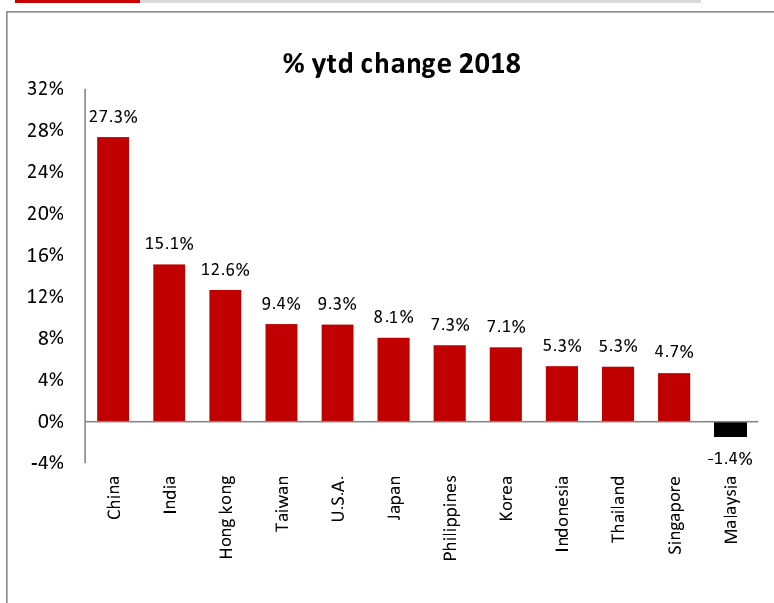
FUND FLOW REPORT

- The FBM KLCI was back in the red as it posted a weekly decline of 0.83% last week after settling at 1,667 points. In comparison with other regional bourses, the FBM KLCI is the only laggard in ASEAN with a year-to-date loss of 1.4%. In contrast, the Ringgit appreciated 0.6% against the greenback to settle at USD/MYR4.0645.

B. TRACKING MONEY FLOW - ASIA¹

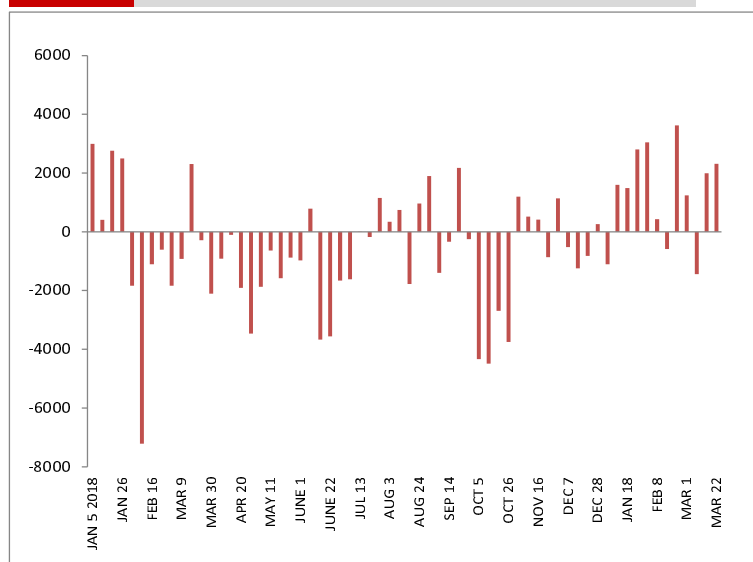
- International funds entered Asian markets at a rapid pace. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” accumulated USD2.32b net last week, the highest weekly foreign net inflow in four weeks.
- In Korea, foreign investors upped their ante in local stocks by acquiring USD681.2m net, nearly five times the amount bought in the preceding week. The week started off with a measureable foreign net inflow of USD6.3m on Monday as investors awaited signs of possible progress in trade talks between the U.S and China. Tuesday and Wednesday later recorded a sizeable foreign net outflow of -USD54.8m and -USD105.4m respectively as markets focused towards the upcoming Fed meeting in addition to the latest bout of Brexit uncertainty. Nonetheless, international funds made their way back to Korea on next two days at a commendable pace with Friday recording a foreign net inflow of USD403.0m, a level not seen since late January 2019. Much of the optimism was spurred by technology shares such as Samsung Electronics Co. which gained 1.5% on Friday, coinciding with the KOSPI’s highest close in 14 trading days of 2,187 points.
- Taiwan was equally as attractive as Korea, recording a weekly foreign net inflow of USD681.3m last week, the highest in four weeks. Tuesday was the only day that saw a foreign net outflow and even then it was very minimal at USD5.3m, the smallest outflow in a day so far this year. Thursday experienced a foreign net inflow of USD385.0m, the highest since 12 February 2019 as the Federal Reserve signalled a pause in rate hikes and a swift end to its balance-sheet contraction. We opine that Friday’s net inflow of USD47.7m net was supported by overnight 3.5% jump in the Philadelphia Semiconductor Index as it was close to reach the peak it hit a year ago of 1,446 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)

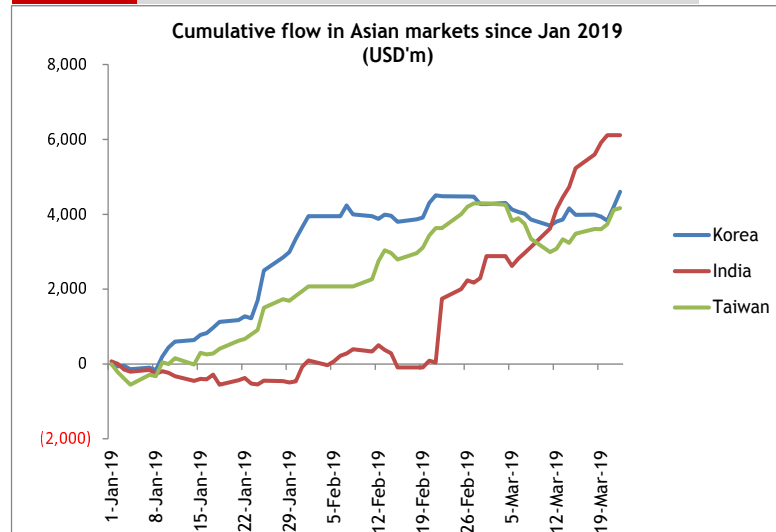


Source: Bloomberg, Bursa Malaysia, MIDFR

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.

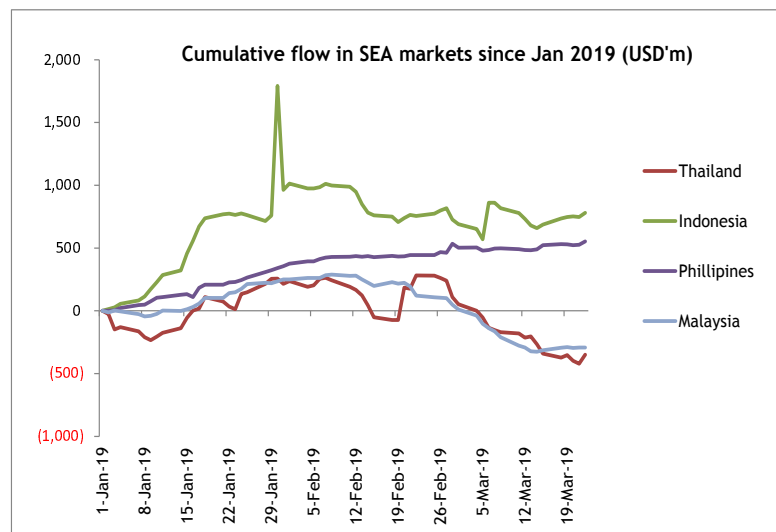
- In emerging South East Asian markets that we monitor, more than half experienced foreign net selling.
- Bangkok was the only market in ASEAN which recorded a weekly foreign net outflow last week. Nonetheless, the level of foreign net selling narrowed down significantly to -USD9.2m from -USD170.4m in the preceding week. Foreign net selling reached its peak during the week on Wednesday at -USD44.4m, coinciding with the Bank of Thailand's decision to keep interest rates unchanged to provide stability for investors in the wake of the nation's general election. Nevertheless, offshore funds staged a decent comeback by snapping up USD72.2m net of local equities on Friday ahead of the election on Sunday.
- In Manila, international funds remained net buyers at a similar pace to the week before to a tune of USD29.7m. Foreign net selling occurred on the three days during the week with Friday recording the highest at USD27.6m, lifting the PSEi to a close of 8,013 points to log the biggest weekly gain since January this year of 2.8%. The rally on Friday was partly attributable to the nation's central bank decision to retain interest rates while gauging the suitable time to resume cutting lenders' reserve requirement.
- International funds mopped up USD94.1m net in Jakarta last week. Foreign investors strongly entered into Jakarta on Monday to a tune of USD48.4m net, lifting the JCI by 0.8% as investors were still tracking the hype of the nation's unexpected trade surplus in February 2019. Thursday was the only day which saw a minimal foreign net outflow of -USD6.4m despite Indonesia's central bank maintaining interest rates at 6%. This was the fourth month of rates being unchanged as the shift in U.S Fed to a prolonged halt in rate hikes enables policy makers some room to support growth.

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
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	126.7	-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	880.1	681.3	21.2	2,315.4

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

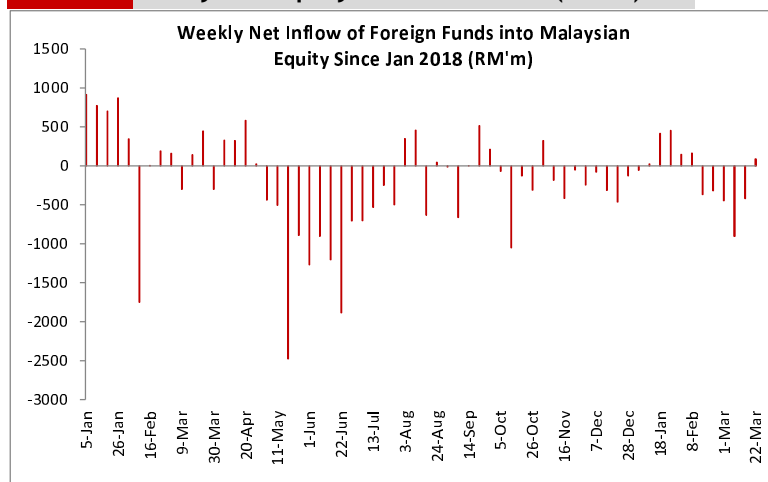
FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

- After five straight weeks of net selling, international funds finally made their way into stocks listed on Bursa. Based on data from Bursa, foreign funds acquired RM86.3m net of local equities, the second lowest weekly foreign net inflow recorded so far this year.
- Bursa started the week on a strong note as foreign investors bought RM81.5m net, the largest in a day since 18 February 2019. The influx of foreign funds on Monday lifted the FBMKLCI by 0.6% to its highest close in 10 trading days at 1,691 points. International funds continued entering the Malaysian market to a tune of RM20.6m net on Tuesday coinciding with Brent crude oil price consistently remaining near the USD67pb level following OPEC's commitment to resume output cuts 2019.
- However, global funds shifted to the sidelines on Wednesday ahead of the U.S Federal Reserve meeting, resulting in a foreign net outflow of -RM26.6m. Another concern which surrounded markets on Wednesday was the possible pushback of China against U.S's demands even as President Trump cited that talks are going well.
- Notwithstanding this, Malaysia attracted a bout of foreign net inflows worth RM14.6m on Thursday as the Federal Reserve implied that it would halt interest-rate increases this year and pivot away from policy tightening. The Ringgit followed suit to appreciate by 0.12 to an eight-month high of USD/MYR4.061, the strongest since late July last year.
- A measurable pace of foreign net selling was seen on Friday worth RM3.9m following Malaysia's consumer price index which contracted by 0.4%yoy for the second month in February 2019, continuing a deflationary trend.
- The weekly foreign net buying last week has pared the month-to-date foreign net outflow in March to -RM1.40b. Malaysia's year-to-date foreign net outflow of -RM1.19b or -USD292.7m is no longer the highest amongst the four ASEAN markets we monitor as Thailand took the spot with a year-to-date foreign net outflow of -USD349.4m or above -RM1.40b.

Chart 5

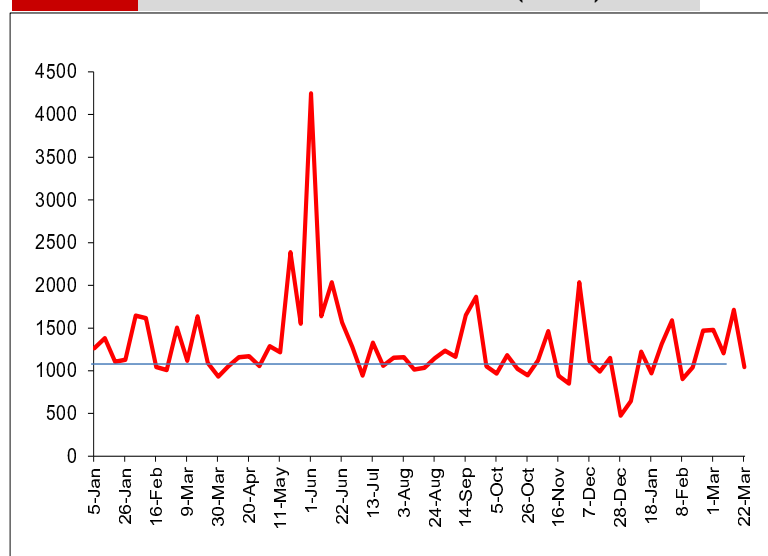
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2018 (RM'm)



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)	
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
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

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 MARCH
TOP 10 NET MONEY INFLOWS

- Malayan Banking Berhad registered the highest net money inflow of RM32.24m last week. Its share price declined -1.90% for the week, underperforming the local bourse which had a -0.83% weekly loss. Nonetheless, it is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.
- Nestle (Malaysia) Berhad recorded the second highest net money inflow of RM28.84m. Its share price ended -1.68% lower for the week, substantially underperforming the benchmark which was -0.83% lower.
- Fraser & Neaves Holdings Berhad saw the third highest net money inflow of RM16.64m. Its share price ended -0.11% lower during the week under review, outperforming the local bourse which was -0.83% lower.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
MAYBANK	32.24	-1.68	-1.90	BOW
NESTLE	28.84	8.39	-1.68	BOW
F&N	16.64	0.43	-0.11	BOW
HONG LEONG	11.44	4.51	-4.14	BOW
DUTCH LADY	6.50	-0.05	0.16	-
PUBLIC BANK	6.24	-2.11	-2.53	BOW
UMW HOLDINGS	4.89	-0.30	0.17	-
PETDAG	4.34	0.50	0.16	-
TIME DOTCOM	3.85	-1.69	-0.91	BOW
IOI CORP	3.23	0.22	-1.10	BOW

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS


- KL Kepong Berhad saw the largest net money outflow of -RM12.53m last week. Its stock price lost -2.64% for the week, underperforming vis-à-vis the FBM KLCI which dropped -0.83% during the review week.
- Top Glove Corp Berhad recorded the second largest net money outflow -RM4.58m during the week under review. Its share price was -2.85% lower during the week, underperforming the market benchmark which had a -0.83% weekly loss.
- Tenaga Nasional Berhad registered the third largest net money outflow of -RM4.57m in the review week. Its share price ended 1.58% higher during the week, outperforming the benchmark which had a -0.83% 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)	Remark
	Last Week	Prev Week	Last Week	
KL KEPONG	-12.53	-0.31	-2.64	-
TOP GLOVE	-4.58	5.33	-2.85	-
TNB	-4.57	-5.75	1.58	SOS
CARLSBERG	-4.37	1.06	2.95	SOS
GENTING BHD	-4.12	1.30	-0.43	-
AMMB	-3.67	-3.00	-1.74	-
V.S. INDUS	-2.43	-4.81	4.57	SOS
AXIATA	-1.61	-0.09	1.67	SOS
PAVI REIT	-1.46	-0.07	4.62	SOS
BAT	-1.30	-2.21	2.66	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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