

MIDF EQUITY STRATEGY | 11 FEBRUARY 2019 WEEK ENDED 8 FEBRUARY

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- Worries amongst investors became larger as President Trump said that no trade deal with China will be signed before the March deadline. However sentiment recovered slightly on Friday as U.S officials will be visiting Beijing this week for principal-level meetings, easing concerns that the deadline would be missed.
- Brent crude oil price ended 1.0% lower for the week at USD62.10pb. The drop was mainly attributable to the fears of a slowdown in energy demand and possible increase in production by Libya following the take over of the nation's largest oil field, Sharara.
- Despite the holiday-shortened week, international funds continued to enter Asian markets for the fifth week in a row, albeit at a slower pace. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" acquired USD263.2m net last week compared to the USD3.05b acquired in the preceding week.
- The momentum of foreign funds entering into Bursa inched higher last week despite the festive period. Based on data from Bursa, foreign funds acquired RM163.2m net of local equities compared to RM146.8m net in the week before.
- The FBM KLCI inched 0.2 higher % for the week after closing at 1,687 points. The Ringgit retained its positive momentum as it appreciated 0.7% against the greenback for the week to USD/MYR4.0688.

FOREIGN FUNDS ADDED FESTIVE CHEER TO ASIA

A. MARKET SNAPSHOT

- It was a mixed ending again for global equity markets with most Asian emerging markets having a shortened trading week due to the Lunar New Year holiday.
- Wall Street had a pretty solid start to the week with the S&P500 index posting a five-day rally which ended on Wednesday amidst thin trading and President Trump's speech which failed to quash trade and government shutdown concerns.
- Worries amongst investors became larger as President Trump said that no trade deal with China will be signed before the March deadline. However sentiment recovered slightly on Friday as U.S officials will be visiting Beijing this week for principal-level meetings, easing concerns that the deadline would be missed.
- China's Caixin manufacturing PMI fell to 48.3 points in January 2019, the lowest in 3-years, extending the previous month's contraction. Among key elements of the survey, new orders which is an indicator of future activity contracted to 47.3, the lowest reading since September 2015. The declining trend is partly due to trade talks with the US. The trade deal, if sealed, may see China's businesses to face greater competition with foreign companies. Even though the Chinese government has fast-tracked infrastructure projects and cut import tariffs, domestic business activities did not rebound immediately. We expect economic sentiment in China will improve in 2Q19 particularly on expectation of the sealing of the trade deal with the U.S and launching of stimulus packages by the Chinese government as early as March 2019.
- In the U.K., the central bank revises down its GDP forecast for 2019 from 1.7% to 1.2%, largest cut since 2016. Inflation rate is expected to hover at 2% amid stable low jobless rate. In its latest meeting, BOE holds its rate at 0.75% and indicating fewer increase in the rate this year. We expect one rate cut by middle of this year as part of stimulus strategy for the UK economy. Similar policy action was in place after the Brexit referendum in 2016.
- Brent crude oil price ended 1.0% lower for the week at USD62.10pb. The drop was mainly attributable to the fears of a slowdown in energy demand and possible increase in production by Libya following the take over of the nation's largest oil field, Sharara. Meanwhile U.S lawmakers proposed a bill known as the No Oil Producing and Exporting Cartels Act (NOPEC) in the U.S House of Representatives which targets OPEC producers for anti-trust behaviour.

Table 1 Weekly performance of major indices

Weekly % change	Week before	Last week
FTSE 100	3.10	0.73
FSSTI Index	-0.42	0.42
India SENSEX	1.23	0.21
KLCI	-1.03	0.18
Dow Jones	1.32	0.17
Hang Seng	1.31	0.06
S&P 500	1.57	0.05
Thai SET	1.71	0.02
Taiwan TAIEX	-0.37	0.00
China CSI 300	1.98	0.00
Jakarta JCI	0.86	-0.26
Phil PCOMP	1.13	-0.90
CAC 40	1.90	-1.15
Korea KOSPI	1.18	-1.20
Nikkei	0.07	-2.19
DAX	-0.90	-2.45

Source: Bloomberg

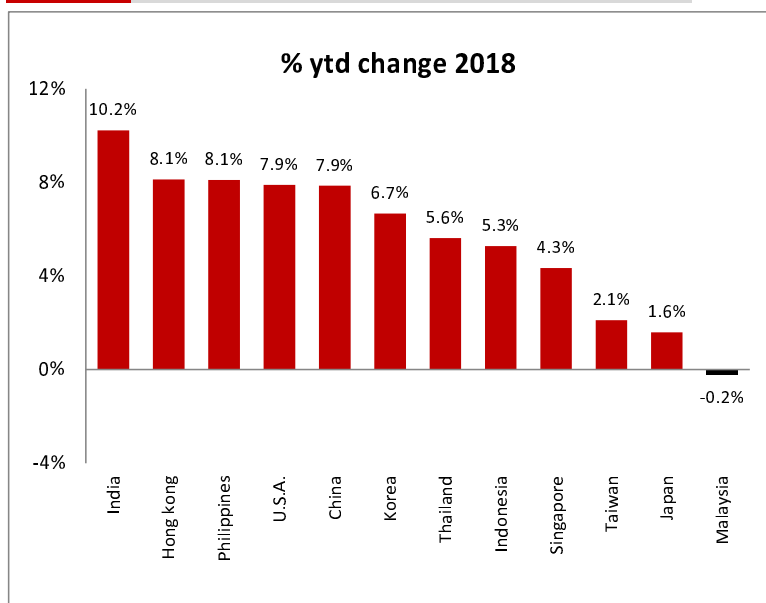
FUND FLOW REPORT

- The FBM KLCI inched 0.2 higher % for the week after closing at 1,687 points. The Ringgit retained its positive momentum as it appreciated 0.7% against the greenback for the week to USD/MYR4.0688.

B. TRACKING MONEY FLOW - ASIA¹

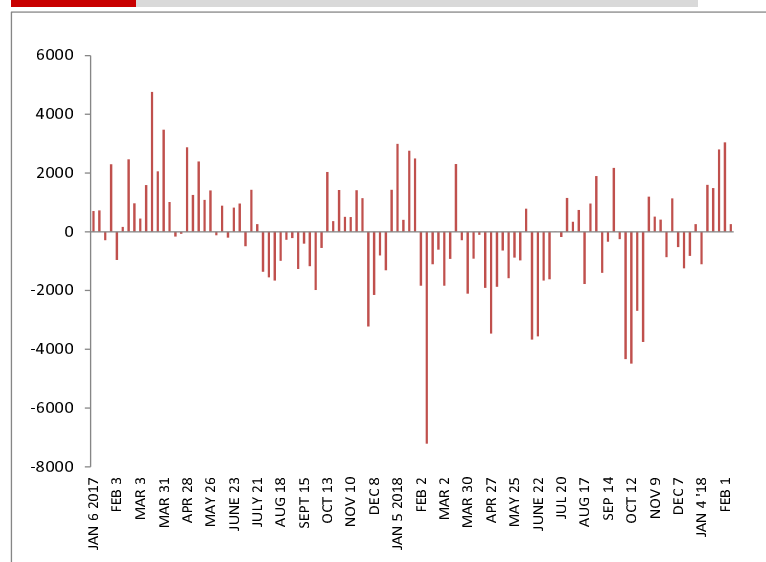
- Despite the holiday-shortened week, international funds continued to enter Asian markets for the fifth week in a row, albeit at a slower pace. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” acquired USD263.2m net last week compared to the USD3.05b acquired in the preceding week.
- In Korea, level of foreign net inflow shrank to USD49.9m net last week, the smallest weekly foreign net inflow since July 2015. Local financial markets were shut from Monday to Wednesday for the Lunar New Year or Seollul festival. KOSPI reopened on Thursday with a bang as foreign investors mopped up USD289.8m net of local equities, sparked by political developments, especially on Vietnam’s commitment to coordinate with the U.S and North Korea to ensure that the second summit on February 26-27 goes well. However, tables were turned on Friday as foreign investors dumped -USD239.9m net of equities following news that President Trump may not meet President Xi Jinping before the deadline of the trade war ceasefire. The two leaders were expected to meet before the end of this month. U.S. tariffs on Chinese goods are supposed to increase to 25 percent after the March 1 deadline from the current 10 percent. The KOSPI followed suit to drop 1.20% to close at 2,177 points, the largest drop since 2 January 2019. On a separate note, South Korea and U.S. signed a preliminary deal Sunday on splitting the costs of their military alliance.
- Financial markets in Taiwan were closed for the whole week in conjunction with the Lunar New Year celebration
- In emerging South East Asian markets, more than half experienced foreign net buying for the week.

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)

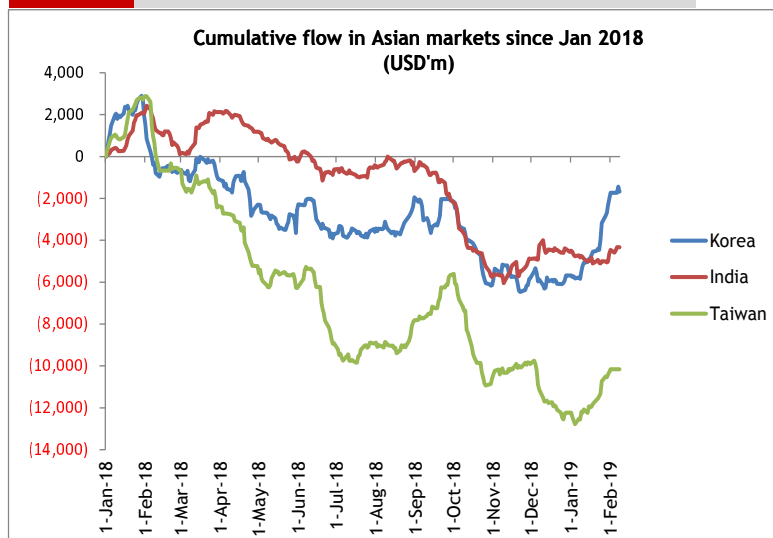


Source: Bloomberg, Bursa Malaysia, MIDFR

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.

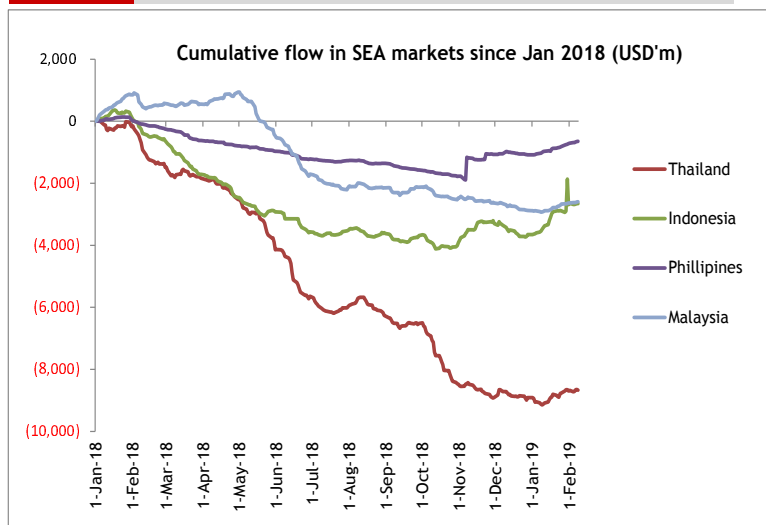
- The level of foreign net buying in Bangkok drastically dropped to USD6.7m net from USD87.9m net in the preceding week. Wednesday saw a foreign net inflow of USD52.1m net, the highest in seven trading days, coinciding with the SET's biggest daily advance during the week of 0.34%. On the same day, the central bank of Thailand kept its policy rate unchanged at 1.75% which was within expectations.
- In Manila, international funds logged their sixth straight week of foreign net buying after acquiring USD54.3m net last week. Foreign funds were net buyers on every single trading day of the week, extending the foreign buying spree to 16 days. Foreign buying peaked during the week on Monday at USD19.3m net while the PSEi declined 0.9% to close at 8,069 points ahead of the Lunar New Year break. As markets reopened from the break on Wednesday, foreign funds bought USD18.1m net on optimism that the central bank will reverse last year's tightening. Foreign net inflows later gradually tapered until Friday to reach only USD5.23m amidst profit taking activity after investors digested the slower-than-expected January inflation of 4.4%.
- After 6 consecutive weeks of foreign net inflows into Jakarta, offshore funds turned net sellers last week, pulling out -USD15.1m net of local equities. It was noteworthy that the local bourse soared by more than 1% on Wednesday to settle at an 11-month high of 6,548 points which attracted foreign net inflows of USD10.0m. This comes after investors cheered the nation's stronger-than-expected 4Q18 GDP growth of 5.8%yoy. On an annual basis, Indonesia's economy grew by 5.17%, the best in five years. Sentiment remained strong the next day as foreign investors bought USD26.7m net. However, foreigners sold USD14.7m net on Friday as the nation's 2018 current account deficit widened to 2.98% of GDP.

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 14	-90.5	-139.2	-158.0	43.0	-191.5	-630.0	-75.2	-1,241.3
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	49.9	6.7	-15.1	54.3	127.4	0.0	40.0	263.2

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

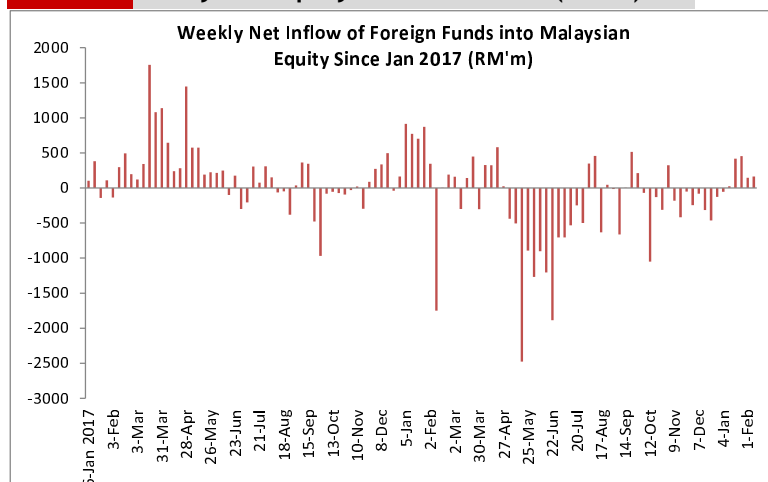
FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

- The momentum of foreign funds entering into Bursa inched higher last week despite the festive period. Based on data from Bursa, foreign funds acquired RM163.2m net of local equities compared to RM146.8m net in the week before.
- The eve of Chinese New Year recorded a decent foreign net inflow of RM49.1m net despite the half-day trading session. Meanwhile, the FBM KLCI index was little changed, only adding 0.08 points for the day following last Friday's mixed performance on Wall Street with the decline in Amazon paring gains from a better-than-expected U.S jobs report.
- The momentum of foreign net inflows picked up to a tune of RM89.4m as markets reopened from the Chinese New Year break on Thursday. The increase in foreign buying was partially due to the 0.53% appreciation of the Ringgit against the greenback on Thursday, bucking the weakness in emerging Asian currencies, as it continues to track a recovery in crude oil and palm oil prices this year.
- Offshore funds continued to make their way into Malaysian equities for the fifth straight day on Friday at a slower pace of RM24.6m net. It was noteworthy that other Asian peers such as South Korea, Thailand and Indonesia experienced a sizeable foreign net outflow on the same day amidst renewed trade concerns after President Trump said he will not meet Xi Jinping before the March 1 deadline.
- On a year-to-date basis as of last Friday, Malaysia has seen a foreign net inflow of RM1.19b, more than half of what was seen during the same period last year. In comparison with the 4 ASEAN markets we track, Malaysia currently has the second lowest foreign net inflow with Indonesia remaining the leader with a foreign net inflow of USD997.7m.
- Participation amongst all investor groups decline during the week. Foreign investors recorded the biggest weekly drop in average daily traded value, declining by 43.2% to drop below the RM1b mark.

Chart 5

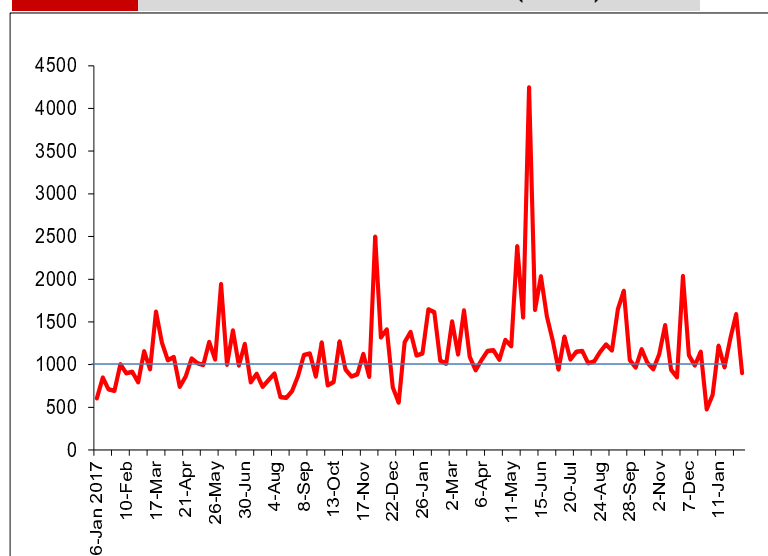
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2017 (RM'm)



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 4	1,272.3	1,264.6	7.7	2,248.0	2,201.3	46.7	1,265.5	1,319.9	-54.4	-13.2
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

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 8 FEBRUARY

TOP 10 NET MONEY INFLOWS

- MY EG Services Berhad registered the highest net money inflow of RM2.56m last week. Its share price lost 1.00% for the week, underperforming the local bourse which had a 0.18% weekly gain. Nonetheless, it is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.
- British American Tobacco Berhad recorded the second highest net money inflow of RM2.51m. Its share price ended 2.92% lower for the week, underperforming the benchmark which was 0.18% higher.
- Lafarge Malaysia Berhad saw the third highest net money inflow of RM2.07m. Its share price ended 2.14% higher during the week under review, outperforming the local bourse which was 0.18% higher.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
MY EG	2.56	2.75	-1.00	BOW
BAT	2.51	-20.56	-2.92	BOW
LAFARGE	2.07	0.69	2.14	-
SIME DARBY	1.25	-0.32	-1.34	BOW
TOP GLOVE	1.10	-3.61	1.45	-
AXIATA GROUP	0.72	4.66	-6.98	BOW
MISC BHD	4.89	6.04	1.03	-
ASTRO	0.48	1.19	0.00	-
HAP SENG	0.41	-0.19	0.41	-
KLCCP STAPLED	0.41	0.31	1.29	-

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS


- Malayan Banking Berhad saw the largest net money outflow of -RM23.85m last week. Its stock price gained 0.42%, outperforming vis-à-vis the FBM KLCI which advanced 0.18% 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.
- Petronas Chemicals Group Berhad recorded the second largest net money outflow -RM12.20m during the week under review. Its share price was unchanged during the week
- Petronas Gas Berhad registered the third largest net money outflow of -RM9.19m in the review week. Its share price ended 0.11% lower during the week, underperforming the benchmark which had a 0.18% weekly gain. 

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
MAYBANK	-23.85	8.24	0.42	SOS
PETCHEM	-12.20	-2.19	0.00	-
PETGAS	-9.19	1.39	-0.11	-
CIMB	-7.45	21.44	0.89	SOS
TNB	-5.09	-0.75	2.33	SOS
GENTING BHD	-2.84	-5.43	2.45	SOS
AIRASIA	-2.56	-5.59	2.63	SOS
GENT MSIA	-2.82	-5.11	0.91	SOS
PUBLIC BANK	-1.98	-31.84	0.56	SOS
VITROX	-1.85	0.21	-1.79	-

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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