

MIDF EQUITY STRATEGY | 26 NOVEMBER 2018 WEEK ENDED 23 NOVEMBER

- Equity markets worldwide ended mixed last week as Investors remained on the sidelines with most Asian currencies were range-bound as investors waited for a meeting between the U.S. and Chinese leaders for clues on where the trade war is headed.
- Brent crude oil price marked its biggest weekly loss since January 2016 after settling 11.9% lower at USD58.80pb as OPEC's efforts to cut supply has not done enough to push oil price upwards.
- After three straight weeks of foreign buying, foreign investors took a breather as they sold equities in Asian markets. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" offloaded -USD1.10b net last week,
- International investors resumed their selling activity on Bursa for the third uninterrupted week. Based on preliminary data from Bursa which excluded off market deals, foreign funds sold -RM52.3m net of local equities last week which is less than half the amount withdrawn in the preceding week.
- The FBM KLCI recorded its third consecutive week of losses, ending 0.62% lower at 1,696 points. Meanwhile, the Ringgit appreciated by 0.01% against the greenback to reach USD/MYR4.1905.

HEIGHTENED ANXIETY AHEAD OF G20 SUMMIT

A. MARKET SNAPSHOT

- Equity markets worldwide ended mixed last week as Investors remained on the sidelines with most Asian currencies were range-bound as investors waited for a meeting between the U.S. and Chinese leaders for clues on where the trade war is headed.
- A rout in U.S technology stocks prevailed on Monday with Apple Inc contributing the most as it declined 4.0%, causing the key benchmark indexes to lose more than 1.5% that day. Apple emerged as the worst performer again the next day Wall Street with sour market sentiment compounded by the plunge in oil prices to depths last seen a year ago.
- Nonetheless, U.S stocks rebounded on Wednesday ahead of the Thanksgiving holiday, trimming sharp losses in Tuesday's session. Much of the support came from FANG stocks and surging oil prices with WTI recovering from a one-year low to leap back above USD54pb, Meanwhile, the dollar index fell amidst speculation that the Fed may loosen its stance on raising interest rates.
- Markets were opened for half-day trading on Friday. The Dow Jones and S&P500 lost 178.7 points and 0.65% respectively, recording their worst Black Friday performance since 2010. On a weekly basis, all three key U.S benchmarks declined by more than 3%, the biggest loss for a Thanksgiving week since 2011.
- In Asia, retail sales in China fell to 8.6% in October which could have an effect through the nations's economy which is already under pressure. Chinese regulators have even taken the step to boost confidence in the equity market by announcing stimulus and stock purchase plans. A near-term catalyst for spending in China would be the increase in annual quota on cross-border e-commerce sales for individual buyers from RMB20,000 to RMB26,000 with the tax free-limit in single transactions will increase by 150% to RMB5,000. With such measures in place, Chinese consumers will soon be able to spend 30% more on tariff free goods from outside mainland.
- In Europe, the U.K and European Union have reached a draft text declaration, indicating closer ties post-Brexit by envisioning a free-trade area and deep regulatory cooperation between the two. The FTSE 100 slid 1.5% while the Pound rose nearly 1% following the news. Moving forward, the main hurdle for Theresa May would be convincing the British Parliament to back it in a vote probably held in December. The latest draft deal offers some points to hold her stance for Brexit as the deal : (i) offers a solution to the Irish back stop and (ii) points the way for easier trade of goods.
- Brent crude oil price marked its biggest weekly loss since January 2016 after settling 11.9% lower at USD58.80pb as OPEC's efforts to cut supply has not done enough to push oil price upwards.

Table 1 Weekly performance of major indices		
Weekly % change	Week before	Last week
Phil PCOMP	1.64	3.63
Jakarta JCI	2.35	-0.10
Nikkei	-2.56	-0.16
KLCI	-0.10	-0.62
Thai SET	-2.01	-0.79
FTSE 100	-1.29	-0.87
Hang Seng	2.27	-0.98
FSSTI Index	0.18	-1.01
DAX	-1.63	-1.31
Taiwan TAIEX	-0.33	-1.32
India SENSEX	0.85	-1.34
CAC 40	-1.60	-1.56
Korea KOSPI	0.30	-1.67
China CSI 300	2.85	-3.51
S&P 500	-1.61	-3.79
Dow Jones	-2.22	-4.44

Source: Bloomberg

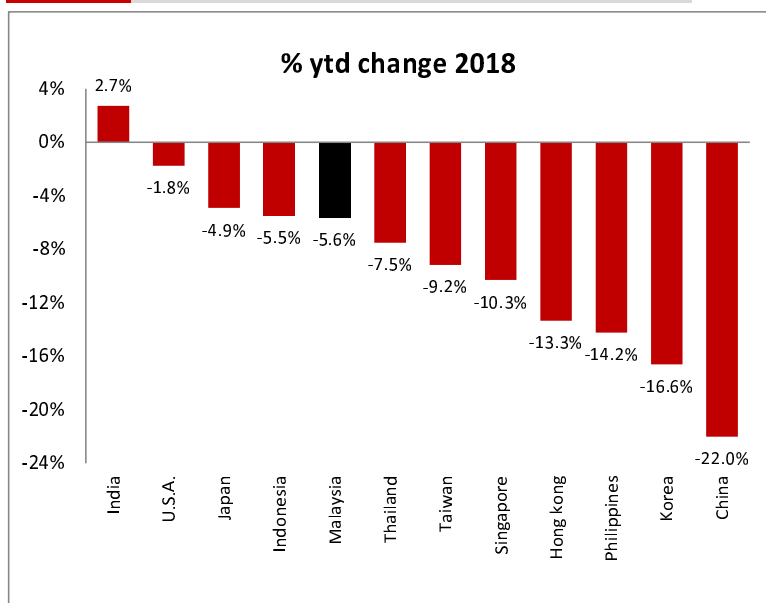
FUND FLOW REPORT

- The FBM KLCI recorded its third consecutive week of losses, ending 0.62% lower at 1,696 points. Meanwhile, the Ringgit appreciated by 0.01% against the greenback to reach USD/MYR4.1905.

B. TRACKING MONEY FLOW - ASIA¹

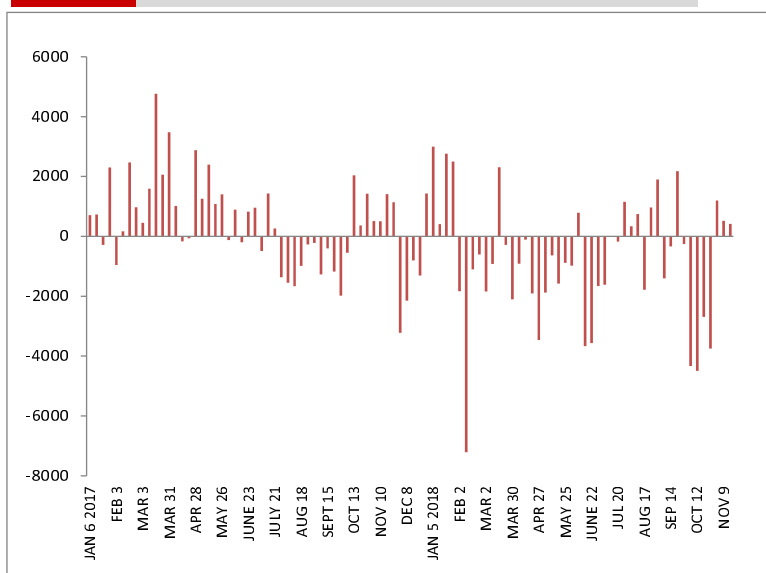
- After three straight weeks of foreign buying, foreign investors took a breather as they sold equities in Asian markets. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” offloaded -USD1.10b net last week, offsetting the foreign inflows seen in the previous two weeks.
- Offshore investors withdrew equities from the Korea for the second week at a higher pace of -USD724.9m net compared to -USD523.6m net in the preceding week. International funds were net sellers from Monday to Thursday with Tuesday and Wednesday recording the highest attrition above -USD300m net, a level not seen since, coinciding with the KOSPI’s drop below 2,100 points. Meanwhile, Korean bond yields were up that day despite the weakness in U.S stocks as investors are speculating the hike by the Bank of Korea and the Fed. Data released on the same day revealed that Korean export growth to China showed a 4.3% drop in the first 20 days of November 2018, the first fall outside the holiday affected months since late 2016. A slowdown in the expansion of chip exports to 3.5 percent compares with gains of at least 35 percent in each of the first nine months of 2018, suggesting a rapid softening of the global tech sector, for which Korea is a key supplier.
- In contrast, Taiwan saw a weekly foreign net inflow for the second week running worth USD106.7m, slightly lower than the USD169.5m acquired in the preceding week. Foreign net buying was the highest on Monday at USD261.4m as TSMC is poised to secure an order from IBM for premium server chips, making it a serious challenger to Intel. Nonetheless, the amount of foreign buying gradually waned out until the end of the week, ahead of Taiwan’s election on Saturday, 24 November 2018. Historically, the Taiex will stage a jump before municipal elections but this time around, local equities have been hurt by disappointing iPhones sales and mounting trade tensions between China and the U.S.

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)

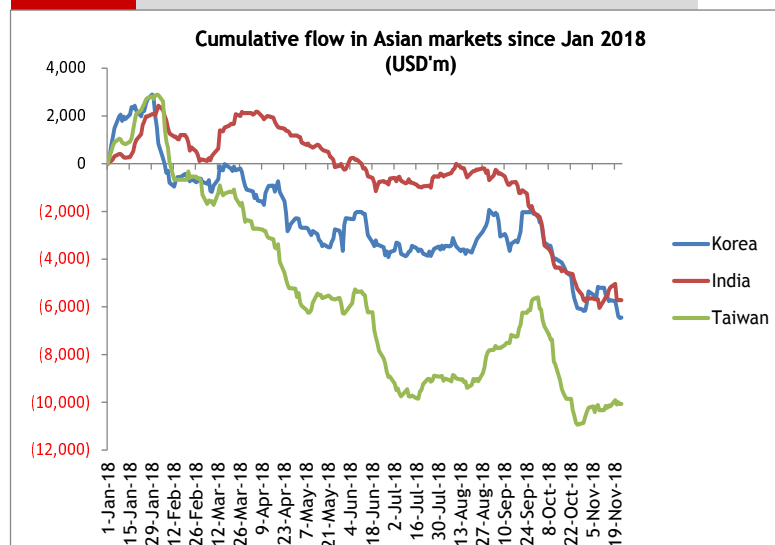


Source: Bloomberg, Bursa Malaysia, MIDFR

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.

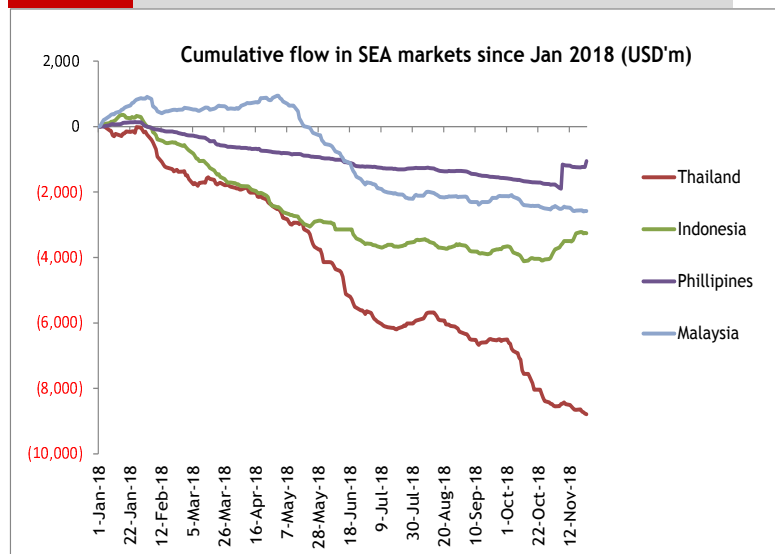
- In emerging South East Asian markets, more than half of them experienced foreign net buying.
- In Bangkok, overseas investors sold -USD132.0m net last week with foreign net selling occurring on every single day of the week except Monday. Tuesday recorded the highest foreign net outflow during the week at -USD66.2m following data which revealed that Thailand's economy grew at the slowest pace since 4Q16 caused by the moderation in tourist arrivals, public expenditure and agriculture sector prices. So far, USD8.79b of local equities have been sold in Thailand this year, the most since data starting in the late 1990s. Turbulence in the nation's market is not far away as the outcome from the scheduled general election in February 2019 appears to be uncertain with the popularity of the new pro-military Phalang Pracharat Party declining to 20.6% in September from 25.1% in May.
- Offshore funds in Manila returned to buying mode, snapping up USD188.8m net of equities last week. Foreign funds were acquiring local equities on three days, with Friday recording a surge of inflows worth USD181.3m net, a level not seen since late September 2017. The main contributor for Friday's massive inflow was the completion of the purchase of Rustan Supercenters Inc. by Robinsons Retail Holdings Inc.
- Foreign funds bought equities for the fourth week running in Jakarta but at a substantially slower pace of just USD6.4m net during the holiday-shortened week. Foreign investors bought the most on Monday to a tune of USD41.2m net, a day before markets were closed for the Maulidur Rasul holiday. However, the JCI fell the most on Wednesday as markets reopened as rail projects were delayed, coinciding with a foreign net outflow of -USD40.3m. Nonetheless, the JCI rebounded 0.72% on Thursday lifted by foreign inflows worth USD15.0m.

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)

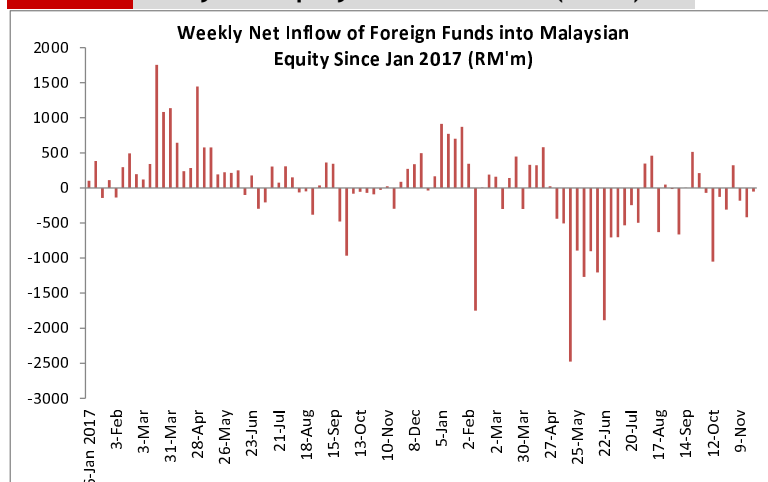
WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
SEP 28	-57.3	-4.9	108.1	-33.1	-896.0	578.8	51.3	-253.0
OCT 5	-1,211.9	-338.8	-156.6	-49.2	-1,417.3	-1,145.1	-16.6	-4,335.4
OCT 12	-673.5	-701.7	-273.5	-51.3	-935.9	-1,601.6	-253.0	-4,490.5
OCT 19	-594.0	-479.2	79.7	-36.4	-193.6	-1,434.9	-31.0	-2,689.5
OCT 26	-1,480.7	-348.3	-21.5	-44.7	-696.9	-1,081.5	-74.4	-3,747.8
NOV 2	693.8	-161.4	304.3	-20.6	-400.0	703.9	77.4	1,197.3
NOV 9	157.9	65.2	256.5	585.7	-397.6	-106.3	-43.6	517.8
NOV 16	-523.6	-173.9	231.7	-54.2	865.5	169.7	-99.5	415.5
NOV 23	-724.9	-132.0	6.4	188.8	-533.0	106.7	-12.5	-1,100.4

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

C. TRACKING MONEY FLOW - MALAYSIA

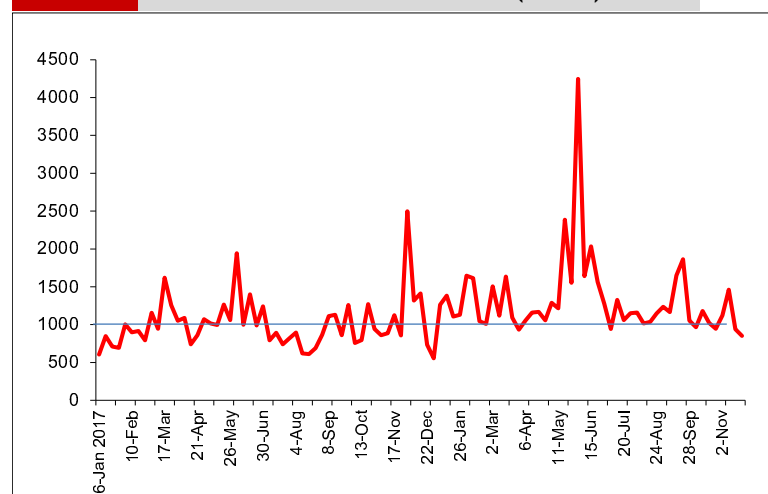
- International investors resumed their selling activity on Bursa for the third uninterrupted week.
- Based on preliminary data from Bursa which excluded off market deals, foreign funds sold -RM52.3m net of local equities last week which is less than half the amount withdrawn in the preceding week.
- Monday saw a decent amount of foreign net inflow worth RM34.0m, coinciding with the FBM KLCI's largest daily gain during the week of 0.25%. Support on Monday came from stalwarts in the banking sector such as CIMB Group, Malayan Banking and Public Bank in addition to plantation stocks. Markets were closed on Tuesday in conjunction with the Maulidur Rasul holiday.
- As markets reopened on Wednesday, international funds withdrew -RM151.7m net of local equities, the biggest foreign attrition during the week. This follows the sharp 6.4% drop in Brent crude oil price overnight as concerns of a global oversupply continue looming. The massive outflow was in conformity with other regional peers, namely South Korea and Thailand.
- Nevertheless, foreign investors shifted back into buying mode on Thursday, accumulating RM51.5m net while the local bourse was little changed, only gaining 0.25 points. Interestingly, Malaysia fared better than the regional peers mentioned above as they still experienced outflows. Foreign inflows were seen again on Friday but at a measurable level of RM14.0m net as uncertainty in global trade continues to haunt the Asian region.
- November is poised to be another month of outflows with the month-to-date outflow as of last Friday amounting to RM474.1m net. While foreign investors have sold -RM10.42b of local equities on a year-to-date basis which offsets last year's inflow of RM10.33b, Malaysia still has the second lowest foreign net outflow amongst the four ASEAN markets we monitor.

Chart 5 Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2017 (RM'm)



Source: Bursa Malaysia preliminary statistics, MIDFR

Chart 6 Foreign Participation on Bursa: Daily Average for the Week since Jan 2017 (RM'm)



Source: Bursa Malaysia preliminary 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)	
OCT 19	2,252.8	2,244.0	8.8	5,312.6	5,192.7	119.9	2,490.7	2,619.4	-128.7	-31.0
OCT 26	2,491.1	2,246.5	244.6	4,926.2	4,860.7	65.5	2,211.6	2,521.7	-310.1	-74.4
NOV 2	2,344.2	2,412.0	-67.8	4,274.8	4,529.7	-254.9	2,963.4	2,640.7	322.7	77.4
NOV 9	2,480.5	2,108.5	372.0	4,560.5	4,749.6	-189.0	2,833.9	3,016.8	-182.9	-43.6
NOV 16	2,153.1	2,093.0	60.1	4,651.2	4,294.0	357.2	2,141.1	2,558.4	-417.3	-99.5
NOV 23	1,544.8	1,522.2	22.6	2,819.3	2,789.6	29.7	1,676.1	1,728.4	-52.3	-12.5

Source: Bursa's preliminary data * Estimate by MIDF Research based on prevailing exchange rate.

D. MONEY FLOW² AMONG BURSA'S TOP 100 CAPITALIZED STOCKS: WEEK ENDED 23 NOVEMBER
TOP 10 NET MONEY INFLOWS

- Sime Darby Plantations Berhad registered the highest net money inflow of RM3.90m last week. Its share price lost -1.52% for the week, underperforming the local bourse which had a -0.62% 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.
- Genting Berhad recorded the second highest net money inflow of RM3.78m. Its share price ended -1.43% lower for the week, underperforming the benchmark which was only -0.62% lower.
- British American Tobacco Berhad saw the third highest net money inflow of RM2.88m. Its share price ended -0.37% lower during the week under review, outperforming the local bourse which was -0.62% lower.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
SD PLTN	3.90	-0.78	-1.52	BOW
GENTING BHD	3.78	4.48	-1.43	BOW
BAT	2.88	-0.46	-0.37	BOW
CAHYA MATA	2.78	0.58	3.35	-
GENTING MSIA	2.62	-1.40	-1.10	BOW
PUBLIC BANK	2.30	-8.45	0.73	-
AXIATA GROUP	1.63	-0.95	-2.57	BOW
INARI	1.61	-2.04	-6.70	BOW
UMW HOLDINGS	1.58	-2.64	8.28	-
DIGI.COM	1.34	0.61	-1.41	BOW

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- Tenaga Nasional Berhad saw the largest net money outflow of -RM16.06m last week. Its stock price lost -0.67%, underperforming vis-à-vis the FBM KLCI which declined -0.62% during the review week.
- Top Glove Corporation Berhad recorded the second largest net money outflow -RM10.59m during the week under review. Its share price meanwhile slightly advanced 0.17% for the week, outperforming the market benchmark which had a -0.62% weekly loss. It is notable that the net money outflow amidst advancing share price may indicate a sell on strength (SOS) stance among some investors.
- Hong Leong Financial Group Berhad registered the third largest net money outflow of -RM8.54m in the review week. Its share price ended -0.93% lower during the week, underperforming the benchmark which had a -0.62% weekly loss.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
TNB	-16.06	-20.45	-0.67	-
TOP GLOVE	-10.59	-2.32	0.17	SOS
HLFG	-8.54	-2.21	-0.93	-
GENT PLNTN	-7.79	-5.64	-1.73	-
IHH	-5.51	0.34	1.27	SOS
DUTCH LADY	-3.18	-0.03	-0.47	-
SAPURA	-2.31	-4.21	-1.39	-
MAYBANK	-2.25	-4.09	-0.32	-
PPB GROUP	-1.88	-0.10	0.24	SOS
PETCHEM	-1.69	1.29	-1.91	-

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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