

## MIDF EQUITY STRATEGY | 12 NOVEMBER 2018 WEEK ENDED 9 NOVEMBER

- Equity markets worldwide ended mixed last week as investors digested a slew of important events from the political and trade front.
- Wall Street's 4-day rally was shortlived as the Fed decided to keep rates unchanged on Thursday. Friday's mood remained sombre as producer prices jumped 0.6% in October, the biggest in 5 years. Nonetheless, the Dow Jones and S&P500 still raked in weekly gains above 2.0%
- Brent crude oil price marked its fifth weekly decline after ending -3.6% lower at USD70.18pb as concerns on rising supply and weakening economic growth dented investor sentiment. High output levels from key producers such as Saudi Arabia, Russia and the U.S intensified worries about a potential glut in global supplies.
- Offshore funds continued to make their way into Asian markets for the second week running albeit at a slower pace. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" bought USD926.3m net last week.
- Foreign investors shifted back into selling mode last week amidst political developments overseas. Based on preliminary data from Bursa which excluded off market deals, foreign funds withdrew -RM182.9m net of local equities last week.
- The FBM KLCI closed 0.34%% lower for the week at 1,708 points on Friday. Likewise, the Ringgit was back in the redzone after depreciating -0.49% to USD/MYR4.1790.

## BEARISH OIL PRICE DAMPENS SENTIMENT POST-U.S MIDTERM ELECTION

### A. MARKET SNAPSHOT

- Equity markets worldwide ended mixed last week as investors digested a slew of important events from the political and trade fronts.
- U.S stocks had a good start to the week as financial and healthcare companies outweighed the losses in technology stocks. Wall Street rose further after the U.S midterm election with the Democrat gaining control of the House of Representatives while Republicans kept the majority in the Senate.
- However, the rally was shortlived as the Fed decided to keep rates unchanged on Thursday. Friday's mood remained sombre as producer prices jumped 0.6% in October, the biggest in 5 years. Nonetheless, the Dow Jones and S&P500 still raked in weekly gains above 2.0%
- In Asia, exports and imports of China grew more than expected in October 2018, rising by 15.6%yoy and 21.4%yoy as traders and retailers rush to beat tariff deadlines in January in addition to the sharp drop in the Chinese yuan, making Chinese products more attractive. Henceforth, frontloading activities are expected to persist until the end of 2018. China's trade surplus with the U.S meanwhile stood at USD31.8b for the same month, lower than September's USD34.1b. An important to watch out will be the G-20 meeting in Argentina which is expected to result in a trade negotiation between the President Trump and Xi Jinping.
- Germany's industrial production advanced for a second consecutive month in September 2018, gaining 0.8%yoy. Notwithstanding this, the overall IPI growth for 3Q18 was -0.9%yoy lower. while the PMI figure for October 2018 stood at 52.2 points, the lowest since May 2016. As such, GDP growth for 3Q18 is expected to dip below 2%. Moving forward, the business sentiment in the Germany will be affected by political turbulence after Angela Merkel announced that she will not contest for another term, serving her tenure only until 2021. Recently, a poll conducted by Insa institute for Bild newspaper, shows that 62.2% of around 4,000 respondents believe Merkel should resign at the beginning of 2019. Change in leadership in Germany would have significant impacts particularly on EU's political unity as well as its economic direction.
- Brent crude oil price marked its fifth weekly decline after ending -3.6% lower at USD70.18pb as concerns on rising supply and weakening economic growth dented investor sentiment. High output levels from key producers such as Saudi Arabia, Russia and the U.S intensified worries about a potential glut in global supplies. Moreover, U.S drillers added oil rigs for the fourth time in the last five weeks, bringing the rig count to 886, its highest over three years. Meanwhile during the weekend, Iraq and Saudi Arabia agreed to work together to stabilize oil markets. Prior to that, Iraq was granted a 45-day exemption from sanctions reimposed by U.S on Iran, allowing Iraq to continue purchasing gas from Iran.

Table 1 Weekly performance of major indices		
Weekly % change	Week before	Last week
Dow Jones	2.36	2.84
S&P 500	2.42	2.13
India SENSEX	4.98	0.42
FTSE 100	2.23	0.16
CAC 40	2.71	0.09
DAX	2.84	0.09
Nikkei	5.00	0.03
KLCI	1.83	-0.34
Korea KOSPI	3.40	-0.47
Jakarta JCI	2.10	-0.54
Taiwan TAIEX	4.40	-0.77
Thai SET	3.25	-0.79
FSSTI Index	4.86	-1.23
Phil PCOMP	1.08	-2.40
Hang Seng	7.16	-3.34
China CSI 300	3.67	-3.73

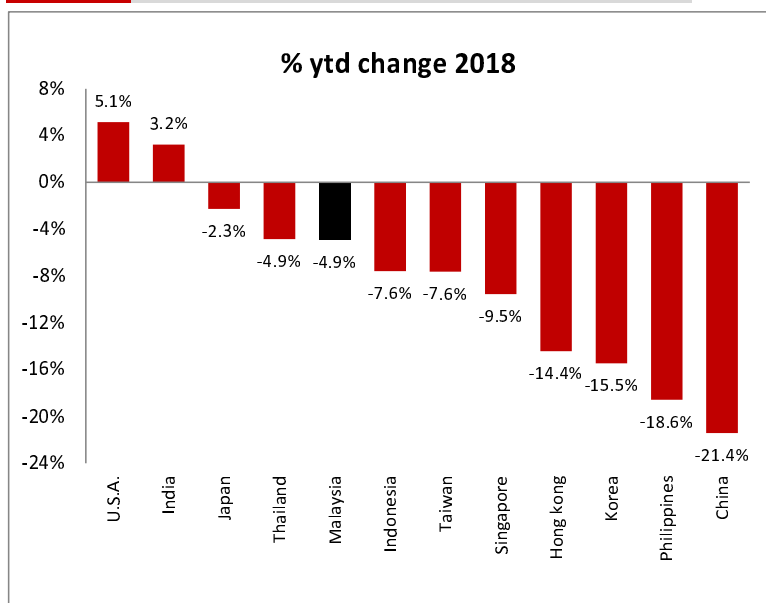
Source: Bloomberg

- The FBM KLCI closed 0.34% lower for the week at 1,708 points on Friday. Likewise, the Ringgit was back in the redzone after depreciating -0.49% to USD/MYR4.1790.

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

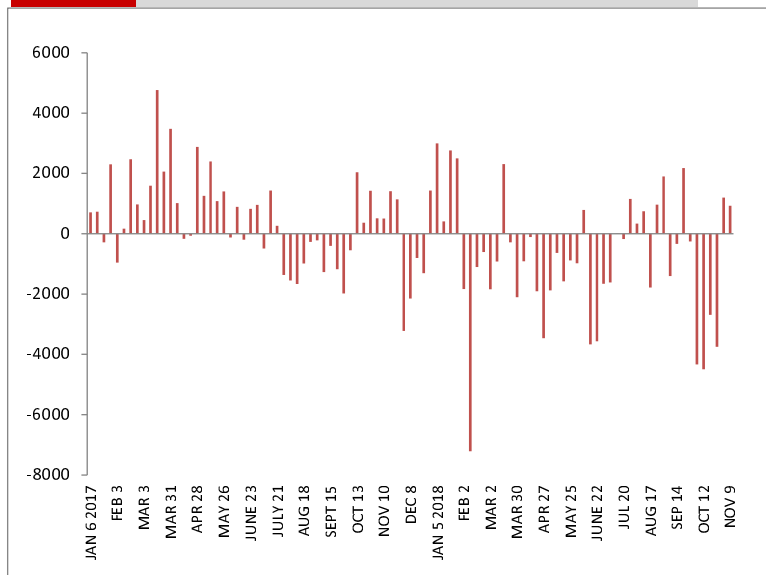
- Offshore funds continued to make their way into Asian markets for the second week running albeit at a slower pace. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” bought USD926.3m net last week, 23% lower than the amount accumulated in the week before.
- In Korea, the level foreign net buying activities tapered to USD157.8m last week compared to the USD693.8m bought in the preceding week. International investors were however net sellers on four days during the week with Monday recording the highest at -USD128.7m net as traders were spooked by the possibility that President Trump only reported progress in trade talks with China to only score brownie points ahead of the U.S midterm election. On the political front, meeting between U.S Secretary of State, Michael Pompeo and North Korean officials planned for the week was postponed on Wednesday. Certain “peace” stocks were badly affected such as Hyundai Elevator, a major shareholder of Hyundai Asan which has exclusive rights of operating businesses in the regime, dropping as much as 11% on the same day. Nevertheless, foreign investors ploughed into Korean equities on Thursday to a tune of -USD459.4m net tracking gains on Wall Street in response to the Democrat’s victory in the midterm elections.
- In contrast, Taiwan saw a weekly foreign net outflow of -USD106.4m net. Foreign funds were net buyers on three days during the week but were wiped off by the net outflows on Tuesday and Friday which were higher than USD200m each. Tuesday’s selloff was the first in more than a week, sparked by the worries on sales of Apple products, not just dragging Apple suppliers such as Largan Precision which dropped by 6.3%, but also the local bourse which fell 0.66% to close at 9,824 points. On the economic front, Taiwan’s headline inflation eased to a nine-month low to 1.2%yoy in October 2018 as prices of most items came down after the Mid-Autumn Festival in September.

**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)

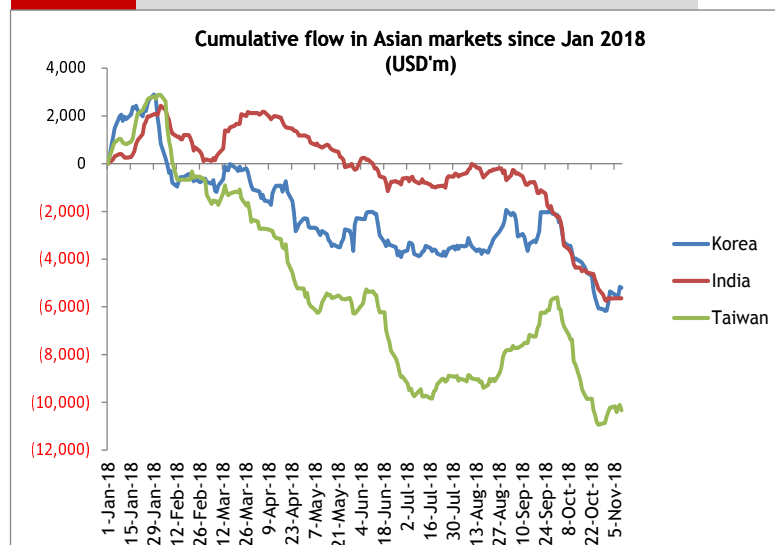


Source: Bloomberg, Bursa Malaysia, MIDFR

<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.

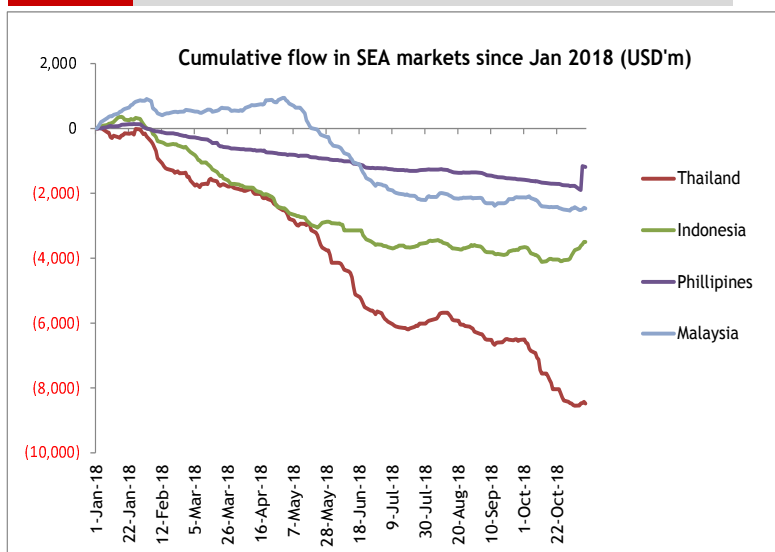
- In emerging South East Asian markets, more than half of them experienced foreign net buying.
- In Bangkok, the six-week foreign net selling binge came to an end as international investors chipped in USD65.1m net of local equities last week. Foreign net buying occurred from Monday to Thursday with Tuesday recording the highest at USD65.8m, paring losses of the SET index despite the second consecutive fall in Thailand's consumer confidence index to 81.3 points in October. On a year-to-date basis as of last Friday, Thailand has seen USD8.48b of funds leaving, biggest foreign net outflow amongst the four ASEAN countries we monitor.
- Manila saw its nine-week foreign selling spree snapped as foreign investors mopped up USD585.7m net, a level not seen since late September last year. Monday saw a pretty huge net outflow of -USD108.2m before declining to just only -USD15.0m the next day. International funds later made a roaring comeback to Manila, acquiring a record USD732.8m of local shares on Wednesday supported by the offering of 400.9m shares of San Miguel Food and Beverage Inc. The local bourse however did not follow suit, declining 2.0% to 7,033 points the same day. Investors were back in selling mode for the remainder of the week as they digested the slower-than-expected GDP.
- Foreign funds continued to buy equities for the second week in Jakarta but at a slightly slower pace of -USD256.4m net. Foreign investors were net buyers for the first four days, extending the buying streak to 11 days, the longest since January this year which lasted for 12 days. Notwithstanding this, the buying frenzy came to an end on Friday following a marginal attrition of -USD2.9m but in the long term investors should continue to return to Jakarta on the back of its robust growth indicated by its GDP remaining above 5% for the 7th straight quarter.

**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 14	-309.2	-88.5	-50.6	-65.4	-378.9	553.6	0.7	-338.4
SEP 21	1,328.0	89.4	68.5	-31.5	-325.2	922.7	124.5	2,176.6
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	-381.4	703.9	77.4	1,215.9
NOV 9	157.8	65.1	256.4	585.7	11.2	-106.4	-43.6	926.3

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

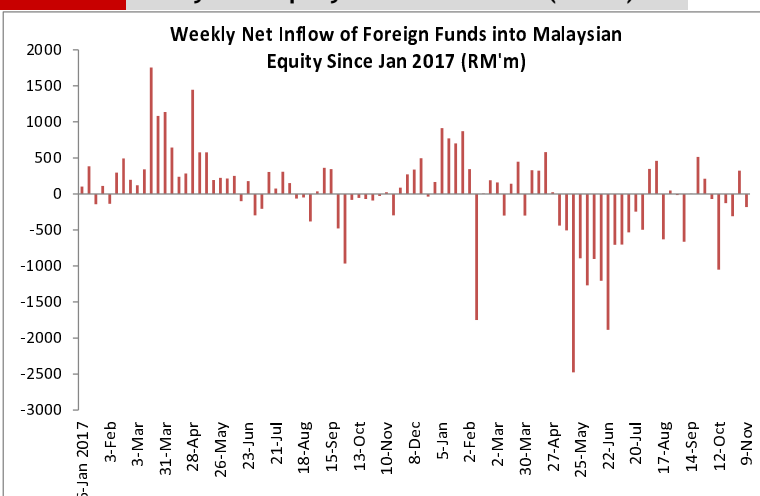
## FUND FLOW REPORT

### C. TRACKING MONEY FLOW - MALAYSIA

- Foreign investors shifted back into selling mode last week amidst political developments overseas.
- Based on preliminary data from Bursa which excluded off market deals, foreign funds withdrew -RM182.9m net of local equities last week which is more than half the amount accumulated in the preceding week.
- Monday saw a staggering outflow of -RM378.6m net, the highest in a day since 6 July 2018 as investors cashed in gains ahead of the Deepavali Holiday on Tuesday. Moreover, markets remained wary of the U.S employment data released in the preceding Friday which supported the case for further rate hikes by the Fed.
- Nevertheless, foreign investors entered into the local bourse as they snapped up RM95.4m net of local equities as markets reopened on Wednesday. It was noteworthy that the FBM KLCI gained 0.36% the same day outperforming regional peers such as Indonesia, the Philippines and South Korea which reacted towards the U.S midterm elections.
- Foreign net buying continued to grow to a tune of RM179.8m on Thursday, as the local bourse tracked overnight gains on Wall Street as risky assets were in favour after the Democrats won control of the House of Representatives while Republicans held on to the Senate. On the same day, Bank Negara's kept the benchmark interest rate unchanged for the fifth time in attempt to support the economy.
- The week ended with a foreign net outflow of -RM79.50m on Friday as investors reacted to the underperformance of the technology sector on Wall Street amidst lacklustre earnings from Square and Roku overnight in addition to the Brent crude oil price which went below USD72pb.
- So far, the month of November has seen a foreign net outflow of -RM4.6m. Meanwhile on a year-to-date basis, foreign investors have sold -RM9.9b stocks on Bursa. Nevertheless, Malaysia still has the second lowest foreign net outflow amongst the 4 ASEAN markets we monitor.

Chart 5

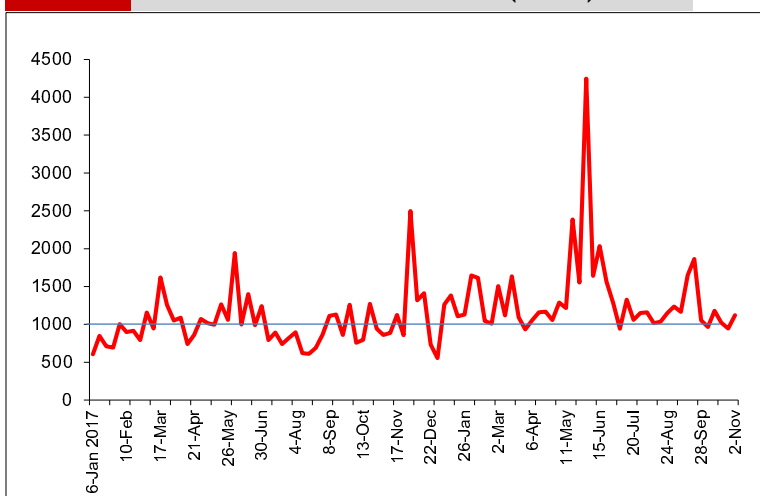
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2017 (RM'm)



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 5	2,567.3	2,514.6	52.7	5,169.4	5,153.1	16.3	2,383.6	2,452.6	-69.0	-16.6
OCT 12	3,325.2	2,876.9	448.3	6,749.8	6,146.7	603.1	2,428.7	3,480.1	-1,051.4	-253.0
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

Source: Bursa's preliminary 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 9 NOVEMBER**
**TOP 10 NET MONEY INFLOWS**

- CIMB Group Holdings Berhad registered the highest net money inflow of RM13.15m last week. Its share price matched was -1.94% lower for the week, underperforming the local bourse which had a -0.34% weekly loss.
- Malayan Banking Berhad recorded the second highest net money inflow of RM7.74m. Its share price ended -1.17% lower for the week, underperforming the benchmark which was only -0.34% lower.
- Malaysia Airports Holdings Berhad Berhad saw the third highest net money inflow of RM6.24m. Its share price ended -2.67% lower during the week under review, substantially underperforming the local bourse which was -0.34% lower. 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		
CIMB	13.15	11.70	-1.94	BOW
MAYBANK	7.74	9.70	-1.17	BOW
MAHB	6.24	1.06	-2.67	BOW
UNITED PLTN	6.13	-0.07	-0.82	BOW
BAT	6.00	0.34	11.47	-
IOI CORP	5.30	0.22	0.44	-
PUBLIC BANK	5.05	11.35	0.32	-
WESTPORTS	4.56	0.72	6.20	-
BURSA	3.53	1.50	0.00	-
IHH	3.35	-4.98	-2.22	BOW

Source: Bloomberg, MIDFR;

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

**TOP 10 NET MONEY OUTFLOWS**

- Genting Malaysia Berhad saw the largest net money outflow of -RM39.14m last week. Its stock price lost -21.15%, underperforming vis-à-vis the FBM KLCI which declined -0.34% during the review week.
- Nestle (Malaysia) Berhad recorded the second largest net money outflow -RM30.43m during the week under review. Its share price meanwhile slightly advanced 0.07% for the week, outperforming the market benchmark which had a -0.34% 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.
- Petronas Chemicals Berhad registered the third largest net money outflow of -RM25.86m in the review week. Its share price meanwhile ended 1.16% higher during the week, outperforming the benchmark which had a -0.34% weekly loss.

**Table 5** Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
GENT MSIA	-39.14	2.19	-21.15	-
NESTLE	-30.43	-15.79	0.07	SOS
PETCHEM	-25.86	-8.07	1.16	SOS
DIALOG	-14.14	-10.48	-0.89	-
TOP GLOVE	-9.41	-1.87	-0.34	-
GENTING BHD	-7.54	0.51	-5.83	-
HARTALEGA	-6.18	5.13	0.32	SOS
GENT PLTN	-4.88	-0.13	2.09	SOS
QL	-4.14	-0.89	5.60	SOS
PADINI	-4.01	0.19	3.62	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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