

## MIDF EQUITY STRATEGY | 22 OCTOBER 2018 WEEK ENDED 19 OCTOBER

- Equity markets worldwide ended mixed last week as concerns on global growth and new tensions surrounding the U.S and Saudi Arabia jittered investors.
- Performance of the Dow Jones index on Friday was buttressed by earnings of Procter and Gamble, leading to its first weekly gain in four weeks at 0.41%.
- Brent crude oil price settled slightly below USD80pb at USD79.78pb, posting its second week of losses following the EIA's report on the further rise in US domestic stockpiles by 6.5m barrels in the week before.
- Foreign investors in Asia withdrew equities for the fourth consecutive week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" sold -USD2.60b net last week.
- International funds continued to sell Malaysian equities for the third week running albeit at a slower pace. Based on preliminary data from Bursa which excluded off market deals, foreign funds disposed -RM128.7m net of local equities last week. This was approximately one eighth smaller than the amount withdrawn in the preceding week.
- The FBM KLCI closed marginally higher for the week, gaining 0.02% after settling at 1,732 points on Friday. Meanwhile, the Ringgit marked its fourth week of losses but pared down its weekly losses to 0.08%, settling at USD/MYR4.1575.

22 October 2018 | Strategy - Weekly Fund Flow

Adam M Rahim

## VOLUME TAPERS AMIDST GLOBAL UNCERTAINTIES

### A. MARKET SNAPSHOT

- Equity markets worldwide ended mixed last week as concerns on global growth and new tensions surrounding the U.S and Saudi Arabia jittered investors.
- Technology companies continued to be a drag on Monday exacerbated by the U.S government deficit which surged by 17% to USD779b for the 2018 fiscal year, the widest since 2012 amid increased spending cuts to serve a growing national debt.
- U.S stocks were on a roll on Tuesday, rallying the most since March as corporate earnings soothed investors' nerves from trade and geopolitical turbulence. However, the sentiment turned mixed the next day as positive quarterly results of banks were insufficient to counter concerns about the Fed's intention to have more rate hikes in the future according to its recent meeting minutes.
- Wall Street resumed its drop, dogged by worries on possible lacklustre global growth and overvalued U.S tech stocks and the Fed's hawkish stance. Dow Jones later advanced higher on Friday buttressed by earnings of Procter and Gamble, leading to its first weekly gain in four weeks at 0.41%.
- In Asia, China's GDP grew by 6.5%yoy, the slowest quarterly growth since the global financial crisis, missing estimates of 6.6%yoy. The slowdown in GDP puts pressure on China to extend its policy support as the year-long effort to crack down leveraging activities and the trade dispute with Washington began to bite. Factory output growth in September also dropped to 5.8%, the weakest since February 2016. Nonetheless, China is still on track to meet its official growth target of around 6.5% as the nation's economy grew by 6.7%yoy for the first nine months of 2018.
- In Europe, the European Union (EU) is prepared to extend the length of the post Brexit transition period if the UK agrees as both sides have yet to reach a deal. While UK Prime Minister Theresa May was not proposing the extension of the transition she noted that the option to do so could help resolve the issues over the Irish border. The UK has adhered to a principle of an Irish border backstop which is an insurance policy preventing the need for custom checks in the event that a gap exists between the transition period and the future permanent relationship coming into effect. The issue here is that two sides have yet to agree what form the backstop will take and how long will it last.
- Brent crude oil price settled slightly below USD80pb at USD79.78pb, posting its second week of losses following the EIA's report on the further rise in US domestic stockpiles by 6.5m barrels in the week before, the fourth straight weekly build. Other factors influencing the oil market is the potential political fallout after the disappearance of Saudi Arabian journalist Jamal Khashoggi.

**Table 1** Weekly performance of major indices

Weekly % change	Week before	Last week
Phil PCOMP	-1.04	2.10
Jakarta JCI	0.43	1.40
FTSE 100	-4.41	0.77
Dow Jones	-4.19	0.41
DAX	-4.86	0.26
KLCI	-2.61	0.08
S&P 500	-4.10	0.02
FSSTI Index	-4.38	-0.22
CAC 40	-4.91	-0.22
Korea KOSPI	-4.66	-0.26
Nikkei	-4.58	-0.72
Hang Seng	-2.90	-0.93
China CSI 300	-7.80	-1.13
India SENSEX	1.04	-1.20
Taiwan TAIEX	-4.48	-1.26
Thai SET	-1.42	-1.67

Source: Bloomberg

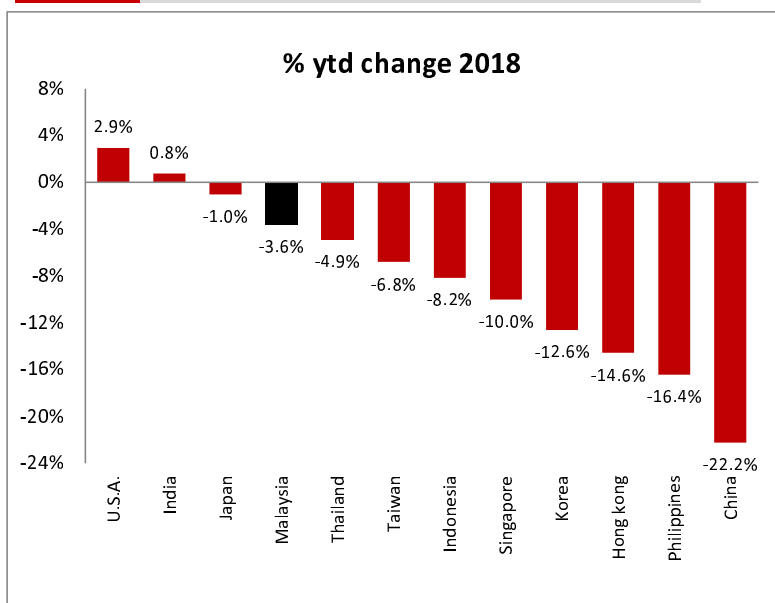
## FUND FLOW REPORT

- The FBM KLCI closed marginally higher for the week, gaining 0.08% after settling at 1,732 points on Friday. Meanwhile, the Ringgit marked its fourth week of losses but pared down its weekly losses to 0.08%, settling at USD/MYR4.1575.

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

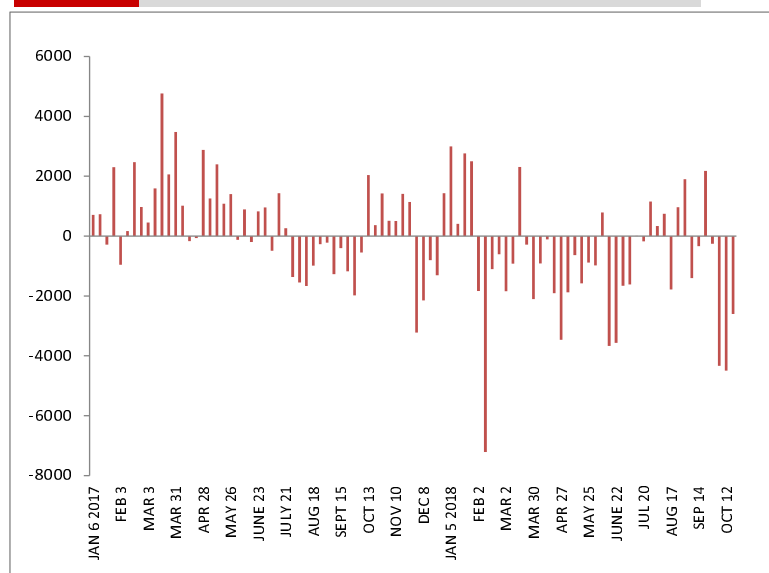
- Foreign investors in Asia withdrew equities for the fourth consecutive week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” sold -USD2.60b net last week, approximately 40% lower than the week before.
- Taiwan remained as the victim of the largest weekly foreign net outflows in Asia, albeit at a slower pace of -USD1.43b last week. International funds were net sellers on every single day, extending the selling streak to 7 uninterrupted days as of last Friday. Foreign net selling was the highest on Monday at -USD646.3m net, causing the 1.44% drop in Taix to settle below 10,000 points. Monday’s mayhem coincided with the Taiwan dollar’s 10-day historical volatility staying near the highest level in eight months at 5.22% ahead of the U.S Treasury’s semi-annual exchange report. Nonetheless, it was notable that the level of foreign net selling gradually declined thereafter until the end of week to reach -USD126.0m while the Taix and the Taiwan dollar moved in an opposite direction, suffering their third weekly loss of 1.26% and 0.24% respectively. So far for the month of October, Taiwan has seen a total net outflow of -USD4.19b, wiping off last month’s USD2.14b net inflow.
- In Korea, the amount attrition was reduced by USD80m to -USD594.0m net last week almost half of -USD673.4m in the week before. Monday saw a foreign net attrition worth -USD117.5m President Trump threatened to impose another batch of tariffs, wanting to push China’s economy into a state of depression. Nevertheless, foreign net attrition declined to -USD55.9m on Tuesday with the Korean being one of the best performers in Asia, gaining 0.57% to settle at USD/KRW1,127.99, the strongest level in nearly two weeks. The drop in foreign attrition was short-lived as international investors continued to sell at a gradually increasing pace until it reached -USD180.9m net as minutes of the latest Fed meeting indicated that its tightening cycle will continue as planned.

**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)

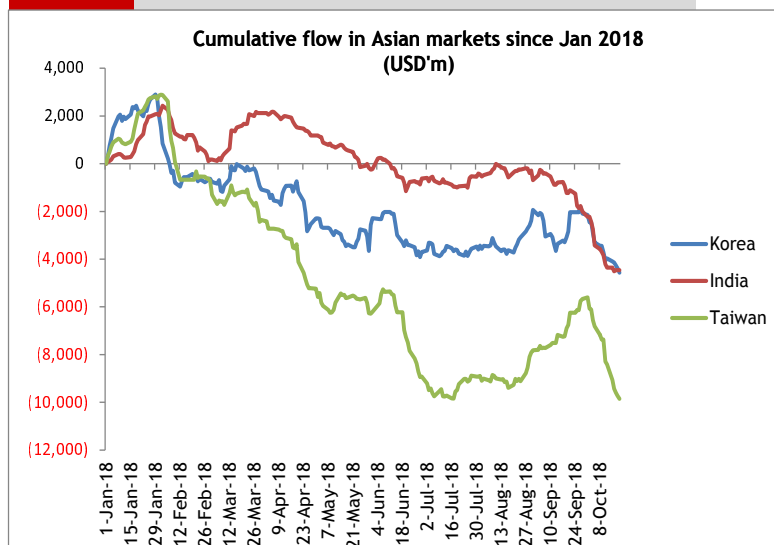


Source: Bloomberg, Bursa Malaysia, MIDFR

<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.

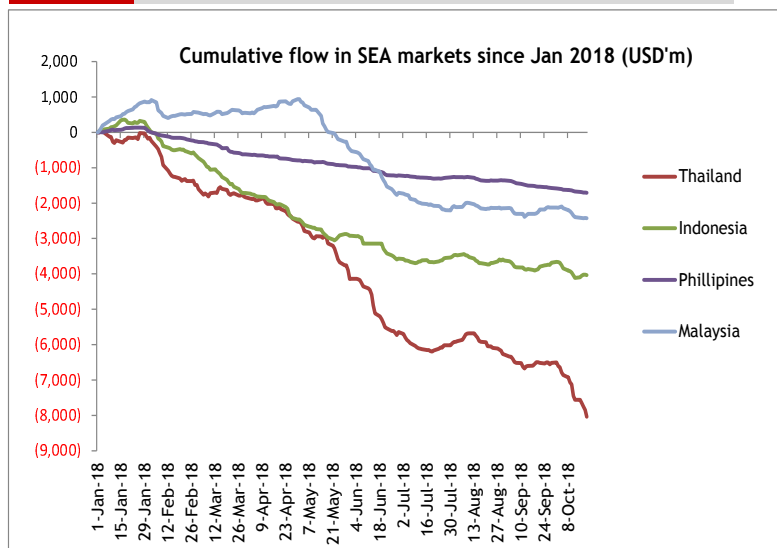
- In emerging South East Asian markets, three fourths experienced foreign net selling last week.
- In Bangkok, foreign net selling shrank to -USD479.2m from -USD701.7m in the preceding week, marking the third straight week of being the casualty of the largest foreign net attrition amongst the 4 ASEAN markets we track last week. Similar to Korea, international investors sold the most during the week on Friday at -USD189.7m net, due to the aftermath of hawkish Fed minutes and a rush to safe havens. On the broader market, the Thailand stock market is taking on its two largest IPOs of the year, one of them being 127 year old energy drink maker Osoetspa which could be its biggest public equity float on record; defying the global pessimism gripping emerging markets.
- Foreign net selling in Manila extended to its seventh consecutive week as offshore funds sold -USD36.4m net while stretching the foreign selling binge as of last Friday to 32 days. Foreign selling peaked during the week on Monday at -USD13.7m net, coinciding with the PSEi's 1.1% dive to 6,926 points amidst U.S-Saudi tensions. Meanwhile, outflows were the lowest on Thursday at -USD2.8m net as the local bourse tracked gains on Wall Street's solid corporate earnings overnight.
- In Jakarta, international investors turned net buyers for the first time in three weeks after a net inflow of USD79.7m net. Foreign buying occurred from Monday to Wednesday with Tuesday recording the highest at USD40.0m net, pushing the JCI 1.3% higher to 5,801 points, the largest gain since 2 October 2018. Foreign investors sold a total of -USD17.4m net on Thursday and Friday; lower than the total inflow of USD97.0m recorded in the previous three days. Indonesia's finance ministry is studying the possibility of waiving taxes to lure more capital inflows into the country.

**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
AUG 24	530.3	-174.1	6.6	-9.3	321.9	276.8	11.3	963.6
AUG 31	1,152.1	-189.8	69.8	7.8	-439.8	1,301.0	-3.7	1,897.4
SEP 7	-1,109.3	-231.5	-191.6	-82.6	285.9	89.1	-160.0	-1,399.9
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	-103.7	-1,434.9	-31.0	-2,599.6

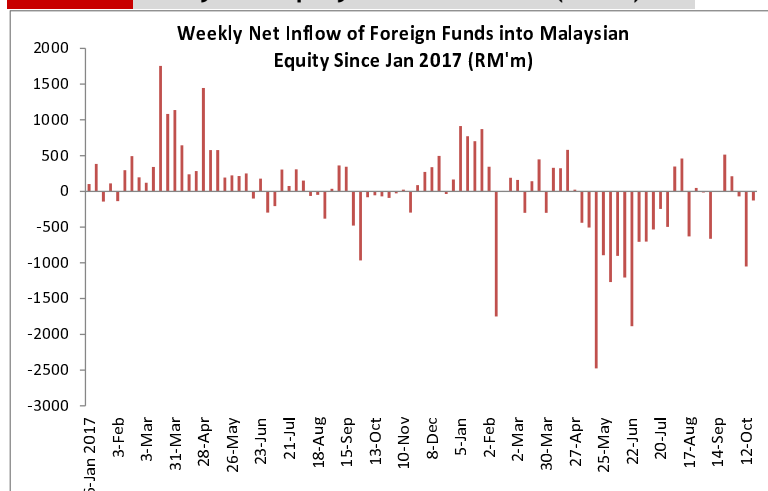
Source: Respective exchange statistics reported on Bloomberg, Bursa Malaysia. These figures are subject to revisions.

## FUND FLOW REPORT

### C. TRACKING MONEY FLOW - MALAYSIA

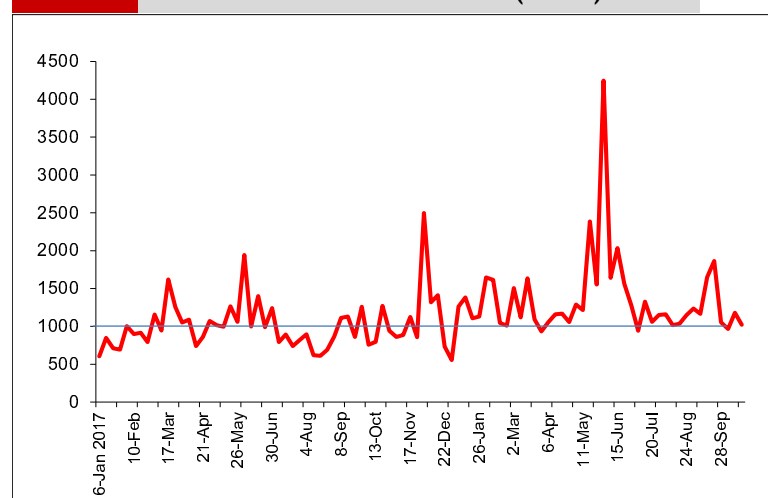
- International funds continued to sell Malaysian equities for the third week running albeit at a slower pace.
- Based on preliminary data from Bursa which excluded off market deals, foreign funds disposed -RM128.7m net of local equities last week. This was approximately one eighth smaller than the amount withdrawn in the preceding week.
- International investors were net sellers on four days. Offshore funds first sold -RM77.9m net on Monday, pulling the local bourse 0.12% lower to end at 1,729 points. Risk-off tone was sparked by intensified U.S-Saudi tensions over the disappearance of Jamal Khashoggi, a Saudi columnist. Foreign net selling then shrank to just -RM17.3m on Tuesday before spiking up to -RM31.8m on Wednesday while the FBM KLCI advanced 0.22% to 1,740 points, the highest closing during the week.
- Nonetheless, Bursa's nine-day foreign selling streak came to an end on Thursday as offshore funds acquired RM33.3m net. Amongst the four ASEAN markets we track, Malaysia was the only country experiencing inflows that day as sentiment was hampered by the Fed's hawkish stance highlighted in its latest minutes of meeting. However, foreign investors were back in selling mode on Friday, withdrawing -RM35.0m net after technology stocks slumped gain on Thursday in addition to several industrial companies reporting weak quarterly earnings.
- So far, Bursa has seen a net outflow of -RM1.2b for the month of October, bringing the year-to-date outflow to -RM9.8b. Nevertheless, Malaysia still remains as the country with the second lowest outflow amongst the 4 ASEAN markets we monitor.
- Participation amongst foreign investors, local institutional funds and investors in the retail market took a slight breather last week as their weekly average daily traded value went lower by more than 10% compared to the preceding week. Nonetheless, participation of each respective investor group remained at its healthy level.

**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)	
SEP 14	1,489.4	1,512.8	-23.4	3,900.5	3,879.7	20.8	2,476.1	2,473.5	2.6	0.7
SEP 21	1,712.5	1,763.3	-50.8	3,810.4	4,274.4	-464.0	3,986.6	3,471.8	514.8	124.5
SEP 28	2,269.6	2,319.4	-49.8	5,339.2	5,501.7	-162.5	2,739.6	2,527.3	212.3	51.3
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

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 19 OCTOBER**
**TOP 10 NET MONEY INFLOWS**

- Public Bank Berhad registered the highest net money inflow of RM65.78m last week. Its share price matched the FBM KLCI's 0.08% weekly gain.
- Genting Plantation Berhad recorded the second highest net money inflow of RM18.92m. Its share price was 1.05% higher for the week, outperforming against the market benchmark which was 0.08% higher.
- Petronas Dagangan Berhad saw the third highest net money inflow of RM5.71m. Its share price ended 1.15% during the week under review, outperforming the local bourse which was only 0.08% higher.


**Table 4** Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
PUBLIC BANK	65.78	6.95	0.08	-
GENT PLTN	18.92	1.40	1.05	-
PETDAG	5.71	4.30	1.15	-
LAFARGE	3.40	-0.31	-12.85	BOW
YTL POWER	1.48	-0.02	1.98	-
IOI CORP	1.21	1.05	0.67	-
MISC	1.14	-0.06	2.87	-
SD PROPERTY	1.10	-0.69	-4.76	BOW
KL KEPONG	0.90	4.66	0.48	-
DUTCH LADY	0.85	0.54	-1.67	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 -RM19.22m last week. Its stock price lost -0.27%, underperforming vis-à-vis the FBM KLCI which added 0.08% during the review week.
- Fraser and Neave Holdings Berhad recorded the second largest net money outflow -RM11.25m during the week under review. Its share price meanwhile declined -2.33% for the week, underperforming the market benchmark which had a 0.08% weekly advance.
- Malayan Banking Berhad registered the third largest net money outflow of -RM9.38m in the review week. Its share price meanwhile ended 0.21% higher during the week, outperforming the benchmark which had a 0.08% weekly gain. 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	
TNB	-19.22	11.02	-0.27	-
F&N	-11.25	-3.31	-2.33	-
MAYBANK	-9.38	-2.96	0.21	SOS
IHH	-9.05	1.00	-4.25	-
PRESS METAL	-7.40	1.21	1.87	SOS
CIMB	-7.22	3.01	1.18	SOS
HLBK	-6.94	2.93	1.07	SOS
PETCHEM	-6.58	-5.31	1.19	SOS
UNITED PLTN	-6.19	-0.07	0.74	SOS
TELEKOM	-5.27	-3.17	-7.31	-

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

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