

## MIDF EQUITY STRATEGY | 29 OCTOBER 2018 WEEK ENDED 26 OCTOBER

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- Key U.S benchmarks soared by more than 3.0% on Thursday as FAANG stocks were the main driver. However, worries returned to the market after closing as earnings of Amazon and Alphabet missed estimates. However, U.S stocks were back in the red on Friday driven the plunge in Amazon.
- Brent crude oil price marked its third week of losses, ending 2.7% lower at USD77.62pb. Sentiment appeared mixed as Saudi OPEC governor indicated on Thursday that production cuts will take place by the end of the year but prior to that Saudi Energy Minister noted that the Kingdom will pump as much crude as necessary to moderate the impact of U.S sanctions on Iran
- Offshore investors have been continuously dumping Asian equities for the past five uninterrupted week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” sold -USD3.56b net last week
- Offshore investors reduced their exposure in stocks listed on Bursa for the fourth uninterrupted week. Based on preliminary data from Bursa which excluded off market deals, foreign funds disposed -RM310.1m net of local equities last week.
- The FBM KLCI closed -2.83% lower for the week at 1,732 points on Friday. Meanwhile, the Ringgit marked its fifth week of losses worth 0.46% settling at USD/MYR4.1768.

## A SPOOKY MONTH INDEED

### A. MARKET SNAPSHOT

- Equity markets worldwide swam in the red last week amidst spilled over worries from U.S markets which were experiencing a rout.
- The S&P 500 extended its fourth day of losses on Monday as gains in technology shares were cancelled off by a slump in financial shares. Wall Street did not capture the hype from Chinese equities following the Chinese government's pledge on tax and liquidity.
- U.S stocks resumed their decline the next day dragged by industrial stocks namely Caterpillar which cautioned its dealers worldwide that prices will be raised due to higher cost of steel amidst U.S tariffs. Wednesday remained gloomy as Wall Street continued to tumble with the year-to-date gains of Dow Jones and S&P 500 index being totally wiped off while the Nasdaq index faced its worst day in seven years.
- Key U.S benchmarks soared by more than 3.0% on Thursday as FAANG stocks were the main driver. However, worries returned to the market after closing as earnings of Amazon and Alphabet missed estimates. However, U.S stocks were back in the red on Friday driven the plunge in Amazon.
- China industrial production expanded 5.8%yoy in September compared to 6.1%yoy in the August and below market expectations of a 6% growth. It is the first time in 27 months that the factory output growth fell below 6% as manufacturing output slowed to 5.7% in September from 6.1% in August. In addition, growth also moderated for food processing industry, automobile and computer, communications. The weaker-than-expected gain was in contrast to China's export performance during the month which increased 14.5%yoy to USD 226.7b in September 2018, exceeding market estimations of 8.9%yoy.
- The European Central Bank's (ECB) decision to maintain the rate was widely expected. As guided by the central bank, the soonest rate hike would be in the second half of 2019. Ending QE is in time with steady economic recovery in EU. Despite of trivial slowdown, the economic fundamentals remain firm and optimistic. Unemployment rate is at 10-year low and inflationary pressure is within manageable territory, 1%-2%. Government debt to GDP ratio fell to 6-year low at 86.7% in 2017. Nevertheless, Brexit and populist Italian fiscal policy are among key contributors to market uncertainties in the region.
- Brent crude oil price marked its third week of losses, ending 2.7% lower at USD77.62pb. Sentiment appeared mixed as Saudi OPEC governor indicated on Thursday that production cuts will take place by the end of the year but prior to that Saudi Energy Minister noted that the Kingdom will pump as much crude as necessary to moderate the impact of U.S sanctions on Iran to global supplies beginning in November.

Table 1 Weekly performance of major indices		
Weekly % change	Week before	Last week
China CSI 300	-1.13	1.23
Jakarta JCI	1.40	-0.90
Phil PCOMP	2.10	-1.22
FTSE 100	0.77	-1.56
CAC 40	-0.22	-2.31
Thai SET	-1.67	-2.34
India SENSEX	-1.20	-2.82
KLCI	0.08	-2.83
FSSTI Index	-0.22	-2.95
Dow Jones	0.41	-2.97
DAX	0.26	-3.06
Hang Seng	-0.93	-3.30
S&P 500	0.02	-3.94
Taiwan TAIEX	-1.26	-4.34
Nikkei	-0.72	-5.98
Korea KOSPI	-0.26	-5.99

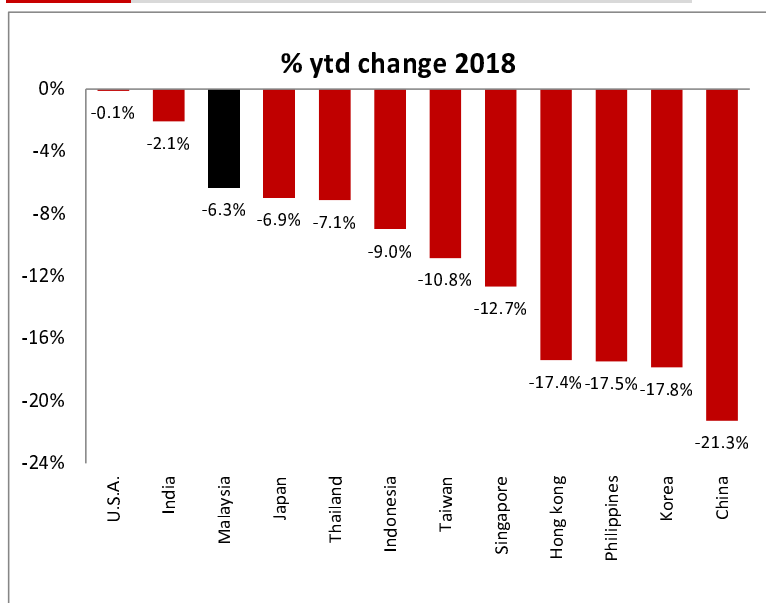
Source: Bloomberg

- The FBM KLCI closed -2.83% lower for the week at 1,732 points on Friday. Meanwhile, the Ringgit marked its fifth week of losses worth 0.46% settling at USD/MYR4.1768.

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

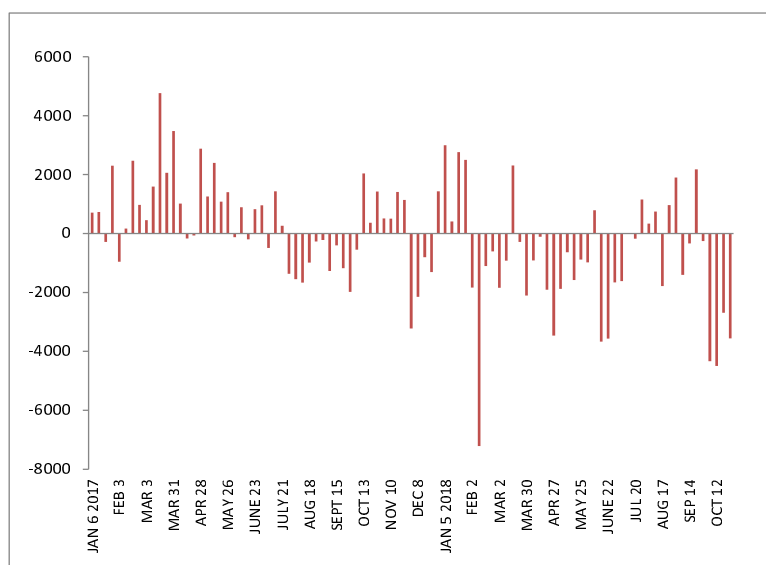
- Offshore investors have been continuously dumping Asian equities for the past five uninterrupted week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” sold -USD3.56b net last week, approximately 32% more than the week before.
- Bulk of the outflow still came from North Asia. In Korea, foreign net selling ramped up by more than half to -RM1.48b, the highest in 37 weeks, coinciding with KOSPI’s steepest weekly drop thus far in 2018 of 6.0% after ending at a 34-month low of 2,027 points. International investors were net sellers on every single day of the week, extending the selling streak to 10 days as of last Friday, the longest since the 11 day streak observed from 2 Dec 15 to 16 Dec 15. Offshore funds sold the most on Tuesday at -USD587.5m net, a level not seen since early September this year. The Korean Won followed suit the same day to lead a decline in Asian currencies with a 0.77% drop as a slump in Chinese stocks pulled down regional equities markets including Korea. Despite foreign net selling slowing down thereafter to reach -USD192.8m on Friday, the KOSPI index entered a bear market, falling by more than 20% from its January peak above 2,500 points. From the economic front, Korea’s economic growth rate declined to 2.0%yoy in 3Q18 compared to 2.8%yoy in 2Q18 due to the weakness in the construction sector.
- International investors in Taiwan took a breather in selling local equities but the amount disposed remained slightly above -USD1.0b. Similar to Korea, foreign net selling was the highest on but lower than Korea’s at only -USD453.4m as data released on the day before revealed a 4.3%yoy slowdown in the nation’s export orders in September which missed estimates. The Taiex was also badly hit the same day, ending 2% lower at 9,775 points, a level not seen since April 2017 with TSMC being the biggest drag. Prior to that, the foreign net attrition on Monday was very marginal at -USD3.0m.

**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)

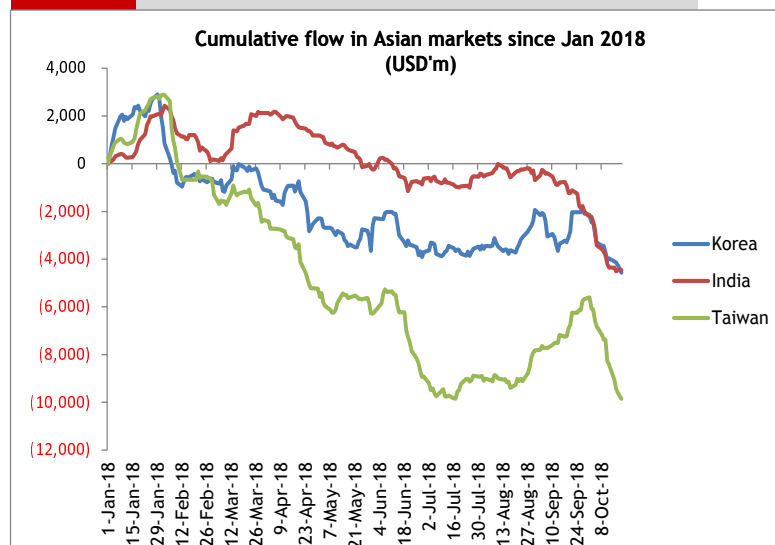


Source: Bloomberg, Bursa Malaysia, MIDFR

<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.

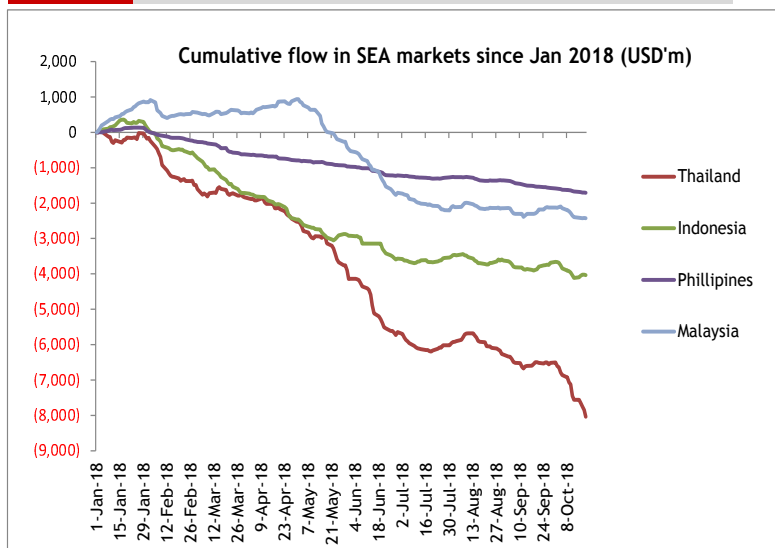
- In emerging South East Asian markets, foreign net selling was across the board.
- In Bangkok, foreign net selling declined for the second week to -USD348.3m. Minimum foreign disposal was seen on Monday at -USD1.87m net but later swelled to -USD120.6m net after markets reopened from the Chulalongkorn Day holiday. International investors continued to withdraw local equities at a level above -USD100.0m net thereafter until the week ended, leading to the SET's biggest loss in 16 weeks of -2.3%. Meanwhile, Thailand's Deputy Prime Minister urged investors to not panic over the fall in the SET index as the government plans to launch a second infrastructure fund.
- International investors have been fleeing Manila for the eighth uninterrupted week as -USD44.7m net of local equities were sold. On a daily basis, the foreign selling spree has extended to 42 days as of last Friday. Foreign net outflows were not that big until Thursday which saw the biggest attrition in a day in nearly seven weeks worth -USD20.8m net, coinciding with the PSEi's 2.3% drop to settle below 7,000 points on heels of a bearish Wall Street.
- In Jakarta, the buying activity seen in the week before was short-lived as foreign investors sold -USD21.5m net, the second lowest weekly attrition seen so far in 2018. Foreign net selling occurred on three out of five days with Wednesday recording the highest outflow during the week at -USD45.2m net. Telecommunication stocks such as Telekomunikasi Indonesia faced intense selling pressure, making it the biggest contributor of the JCI's 1.53% drop to close at a nine-day low of 5,709 points. Nonetheless, international funds slowly entered Jakarta on Thursday and Wednesday as the government pledged to improve investment climate via a selective way to maintain investors' confidence.

**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 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	-193.6	-1,434.9	-31.0	-2,689.5
OCT 26	-1,480.7	-348.3	-21.5	-44.7	-506.9	-1,081.5	-74.4	-3,557.9

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

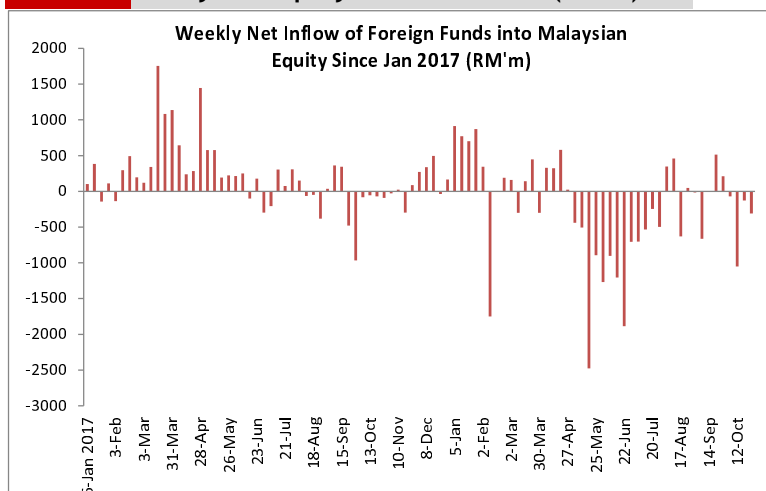
## FUND FLOW REPORT

### C. TRACKING MONEY FLOW - MALAYSIA

- Offshore investors reduced their exposure in stocks listed on Bursa for the fourth uninterrupted week.
- Based on preliminary data from Bursa which excluded off market deals, foreign funds disposed -RM310.1m net of local equities last week. This was more than double the amount withdrawn in the preceding week.
- The week started off with a foreign net inflow on Monday worth RM34.0m as China announced steps to ease funding strains of private companies to restore confidence within the economy. Monday's inflow was then reversed by the highest foreign net outflow during the week worth -RM138.7m on Tuesday. This was in conformity with other regional peers, namely Korea and Taiwan which both experienced a heavy selloff of more than -USD400m net each.
- The remaining days appeared mixed. The foreign net attrition tapered to -RM52.4m on Wednesday before reaching higher to -RM101.0m on Thursday. There was an exodus of funds from global markets following a rout in U.S technology stocks overnight that inflicted the largest decline in a day on Wall Street in 7 years, erasing all year-to-date gains. Friday's atmosphere was calm back again as foreign selling declined to RM52.0m in the wake of Wall Street's recover overnight.
- With just 3 trading days left in October, the month has seen a total outflow worth -RM1.56b, bringing the year-to-date outflow to reach -RM10.1b. This offsets approximately 98% of last year's net inflow but nevertheless, Malaysia still remains as the country with the second lowest outflow amongst the 4 ASEAN markets we monitor.
- Participation amongst investors in the retail market remained resilient as the weekly average daily traded value was 5.4% higher and remained above RM800m. Meanwhile the weekly ADTV for local institutional funds and foreign investors took a dip below their healthy levels of RM2b and RM1b respectively.

**Chart 5**

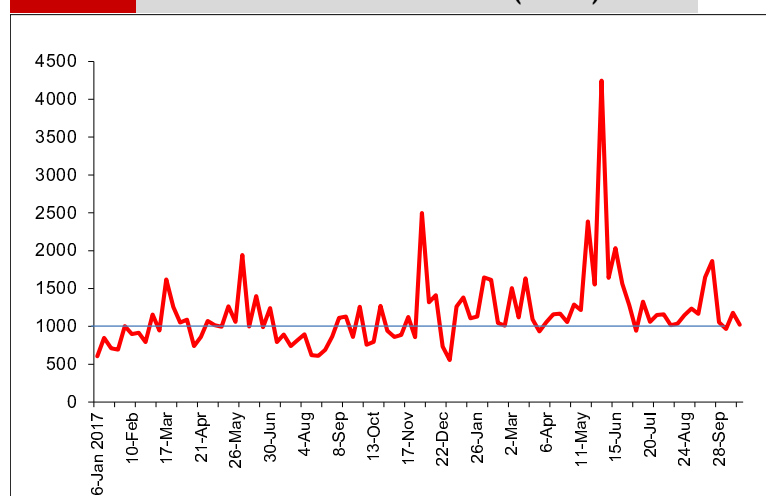
**Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2017 (RM'm)**



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 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
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

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 26 OCTOBER**
**TOP 10 NET MONEY INFLOWS**

- Dialog Group Berhad registered the highest net money inflow of RM5.52m last week. Its share price matched was -3.82% lower for the week, underperforming the local bourse which had a -2.83% weekly loss.
- Genting Malaysia Berhad recorded the second highest net money inflow of RM5.28m. Its share price was -1.78% lower for the week, outperforming against the market benchmark which was -2.83% lower. 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 saw the third highest net money inflow of RM4.73m. Its share price ended -1.19% lower during the week under review, outperforming the local bourse which was -2.83% lower.


**Table 4** Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
DIALOG GROUP	5.52	-3.42	-3.82	BOW
GENTING MSIA	5.28	-2.78	-1.78	BOW
BAT	4.73	-0.90	-1.19	BOW
IOI CORP	4.48	1.21	-0.88	BOW
INARI	4.27	0.49	-14.80	BOW
MAHB	3.55	0.33	-3.14	BOW
AXIATA	2.46	-3.97	-6.74	BOW
GENTING PLTN	2.18	18.92	-1.04	BOW
PETDAG	2.09	5.71	-1.07	BOW
UMW HOLDINGS	1.87	-1.20	3.53	-

Source: Bloomberg, MIDFR;

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

**TOP 10 NET MONEY OUTFLOWS**

- Hong Leong Bank Berhad saw the largest net money outflow of -RM18.55m last week. Its stock price lost -0.19%, outperforming vis-à-vis the FBM KLCI which lost -2.83% during the review week.
- Petronas Chemicals Group Berhad recorded the second largest net money outflow -RM17.62m during the week under review. Its share price meanwhile declined -1.06% for the week, outperforming the market benchmark which had a -2.83% weekly loss.
- MY EG Services Berhad registered the third largest net money outflow of -RM12.17m in the review week. Its share price meanwhile ended 7.96% higher during the week, substantially outperforming the benchmark which had a -2.83% weekly loss. 

**Table 5** Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
HLBK	-18.55	-6.94	-0.19	-
PETCHEM	-17.62	-6.58	-1.06	-
MY EG	-12.17	-0.25	7.96	SOS
PUBLIC BANK	-11.35	65.78	-1.52	-
TNB	-8.34	-19.22	-3.57	-
MAYBANK	-4.86	-9.38	-1.67	-
SERB DINAMIK	-4.41	0.45	-6.73	-
GAMUDA	-4.05	-0.85	3.35	SOS
QL	-3.77	-2.10	0.00	-
SP SETIA	-3.21	-1.07	-3.70	-

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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