

# FUND FLOW REPORT

## MIDF EQUITY STRATEGY | 18 SEPTEMBER 2018 WEEK ENDED 14 SEPTEMBER

- Global equity markets escaped from the red zone last week supported by some developments from the international trade front.
- U.S. stocks were little changed on Friday, though slight gains were enough to give the S&P 500 its fifth straight positive session, with all three major indexes posted solid weekly gains.
- Brent crude oil price jumped 1.6% for the week to USD78.09pb as expectations of tighter global supplies amid U.S sanctions on Iranian crude outweighed the signs of expanding U.S output shown by the rise in rig counts.
- The pace at which international funds were reducing their exposures in Asia substantially slowed down last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” only sold -USD338.4m net last week.
- Offshore investors slowly made a comeback to Bursa during the three-day trading week. Based on preliminary data from Bursa which excluded off market deals, international funds only snapped up RM2.6m net of local equities last week, the smallest weekly foreign net inflow recorded so far this year.
- The FBM KLCI inched 0.26% higher for the week to end at 1,804 points. Likewise, the Ringgit appreciated by 0.19% to USD/MYR4.1383, booking its first weekly gain after 12 consecutive weeks of losses.

## MALAYSIA BUCKS THE TREND IN ASEAN

### A. MARKET SNAPSHOT

- Global equity markets escaped from the red zone last week supported by some developments from the international trade front.
- Wall Street had a decent start to the week as the S&P500 index snapped its four-day losing streak on Monday as technology shares rebounded. Tesla shares led winners with a 8.5% daily gain on Monday following reports that its potential 'Gigafactory' could give a competitive long term advantage.
- Technology companies maintained their momentum on Tuesday as Apple shares advanced 2.5%, the most in five weeks ahead of its annual product launch. Aside from that, the proposed acquisition of Integrated Device Technology (IDT) by Renesas Electronics pushed the IDT's share price by 10.6% on the same day.
- Wednesday saw a possible easing of trade wars after President Trump called for another round of talks with Beijing. However, markets gyrated the next day as President Trump instructed aides to proceed with tariffs on around USD200b of Chinese imports but the announcement of the tariffs were delayed as Washington considers some revisions.
- U.S. stocks were little changed on Friday, though slight gains were enough to give the S&P 500 its fifth straight positive session, with all three major indexes posted solid weekly gains. Retail sales in the U.S posted their smallest gain in six months in August of 0.1%yoy while last month's annual wage growth increased at its fastest pace in more than nine years.
- During the week under review, the Chinese government has set plans to seek backing from the World Trade Organisation (WTO) to impose USD7b sanctions per year on U.S., in response to the non-compliance of the U.S towards duties on dumping. The WTO has so far scheduled a meeting with its dispute settlement body on September 21. China's actions spooked investors to the level that the blue-chip CSI300 index hit its lowest close in more than 2.5 years on Wednesday of 3,202 points.
- On yearly basis, industrial activity in Euro Area dropped by -0.1%yoy in July 2018, the weakest since Jan 2017. Amongst others, the contraction was pulled down by Italy which shrank by -1.3%yoy. France and Germany recorded steady expansion in IPI growth, at 1.8%yoy and 1.1%yoy respectively. Guided by the latest ZEW Economic Sentiment Index in September 2018, we foresee IPI performance in Euro Area to remain on tepid pace for the second half of 2018.
- Brent crude oil price jumped 1.6%% for the week to USD78.09pb as expectations of tighter global supplies amid U.S sanctions on Iranian crude outweighed the signs of expanding U.S output shown by the rise in rig counts. Further support also came from the crude stockpiles which fell to a three-and-a-half low.

<b>Table 1</b> Weekly performance of major indices		
Weekly % change	Week before	Last week
Nikkei	-2.44	3.53
Thai SET	-1.86	1.94
CAC 40	-2.86	1.91
Korea KOSPI	-1.78	1.61
DAX	-3.27	1.38
Jakarta JCI	-2.77	1.36
Hang Seng	-3.28	1.16
S&P 500	-1.03	1.16
Dow Jones	-0.19	0.92
FSSTI Index	-2.46	0.86
FTSE 100	-2.08	0.36
KLCI	-1.13	0.26
Taiwan TAIEX	-1.96	0.19
India SENSEX	-0.66	-0.78
China CSI 300	-1.71	-1.08
Phil PCOMP	-3.27	-2.44

Source: Bloomberg

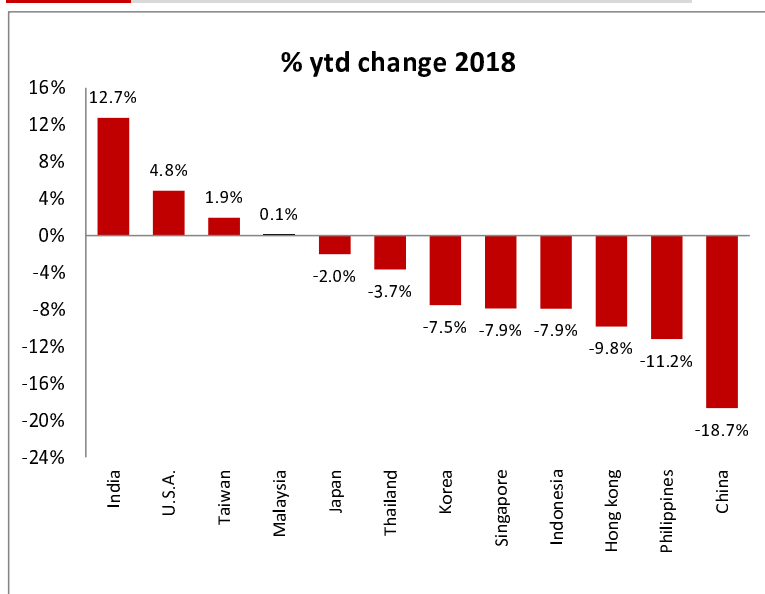
## FUND FLOW REPORT

- The FBM KLCI inched 0.26% higher for the week to end at 1,804 points. Likewise, the Ringgit appreciated by 0.19% to USD/MYR4.1383, booking its first weekly gain after 12 consecutive weeks of losses.

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

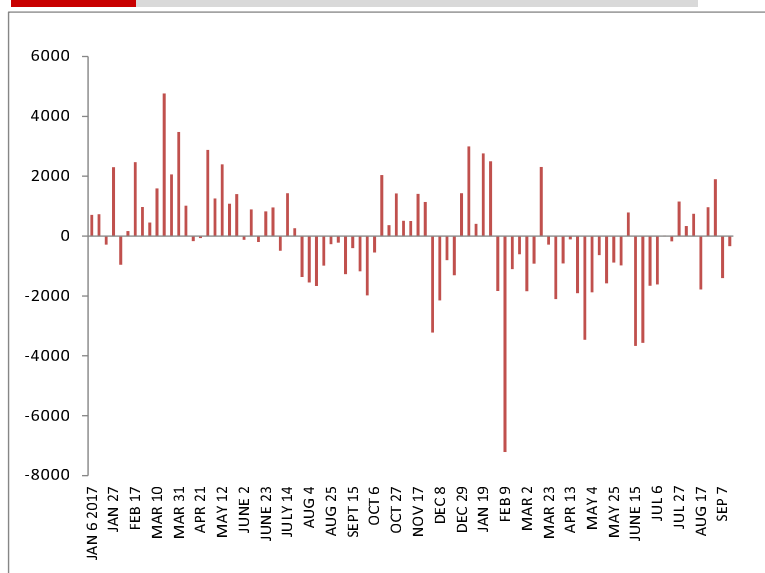
- The pace at which international funds were reducing their exposures in Asia substantially slowed down last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” only sold -USD338.4m net last week, slightly more than one-fifth of the amount disposed in the preceding week.
- In Korea, foreign investors shifted their selling mode into a lower gear, only disposing -USD309.2m net of local equities compared to the amount exceeding -USD1.0b in the preceding week. Foreign net attrition was the highest on Wednesday at -USD309.2m net as North Korea’s letter to the U.S seeking a second round of negotiations was clouded by the KRW7.7t increase in government debt to KRW679.4t in July 2018. The heavy sell-down dragged the KOSPI down by 0.01% to its lowest close during the week at 2,283 points. Nonetheless, foreign buying occurred at the start and the end of the week with Friday recording the highest at USD295.3m net, the highest in a day since 31 August 2018 amidst a rally in technology shares on Wall Street overnight. The Korean Won on the same day emerged as the major winners amongst Asian currencies with a 0.50% gain.
- Taiwan was the darling among offshore funds in Asia, being the beneficiary of foreign net inflow worth USD553.6m net, six times larger than the one recorded in the week prior. Foreign net attrition occurred only on Wednesday to a tune of -USD6.72m, coinciding with the Taiex’s 0.3% drop with Apple suppliers such as Largan Precision and Hon Hai were the biggest drags ahead of the release of Apple’s latest products. Nonetheless, foreign investors chipped in USD1.52m net on Thursday as news on possible talks between Beijing and the U.S soothed investors’ nerves. Friday then saw foreign buying activities surging to USD340.7m net, a level not seen since 29 August 2018, pushing the Taiex 1.31% higher to a six-day high of 10,868 points. The Taiwan Dollar took cue of Friday’s inflow to advance 0.22% to USD/TWD30.74.

**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)

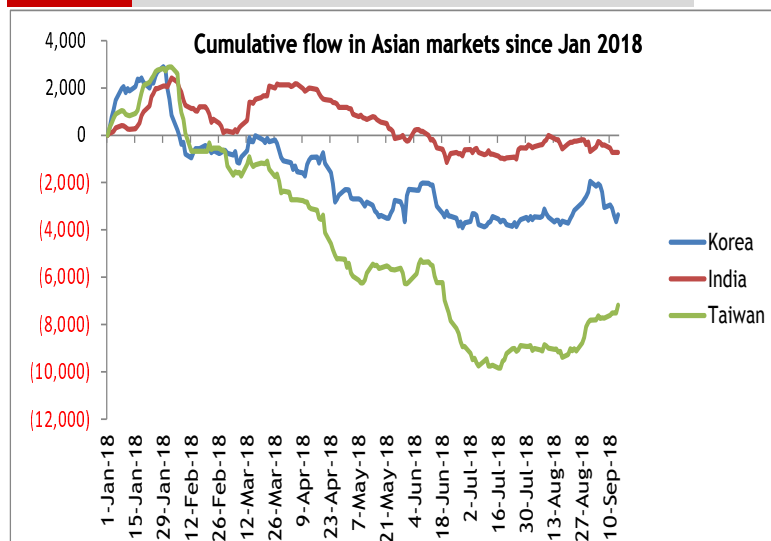


Source: Bloomberg, Bursa Malaysia, MIDFR

<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.

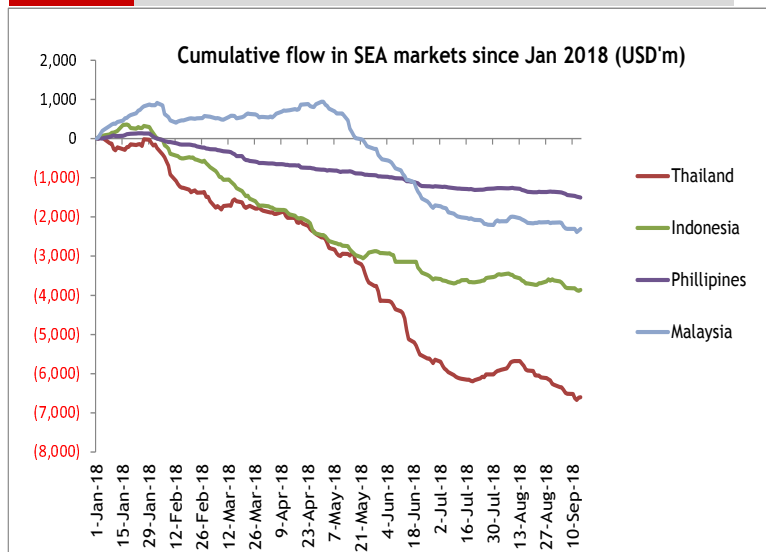
- In the emerging South East Asian markets that we monitor, the majority of markets experienced a weekly net outflow.
- In Bangkok, the level of foreign net selling declined from -USD231.6m net to -USD88.5m net last week, but was still the largest casualty amongst the 4 ASEAN markets we track. Foreign investors were selling local equity from Monday to Wednesday, extending the selling binge to 14 days with Tuesday recording the highest daily foreign net outflow in 15 trading days worth -USD103.6m net which pulled the SET index to 1,672 points, the lowest close since 27 July 2018. Nevertheless, the 14-day selling binge was broken on Thursday as foreign investors accumulated USD61.5m net off of local equities mainly due to election progress which aided market sentiment.
- The level of foreign net selling in Manila tapered slightly from -USD82.7m net to -USD65.4m net last week. The foreign selling binge has stretched to 12 days, as of last Friday, the longest since the period from 16th May-11th June 2018. Foreign selling peaked during the week on Wednesday at -USD16.5m net, coinciding with the PSEi's 0.92% fall below the 7,500 points support level. The Peso weakened to USD/PHP54 amidst the nation's burgeoning trade deficit and nine-year high inflation. Overall the Peso posted its fifth week of losses as this year's most powerful typhoon approaches the nation which is a threat to damage agricultural areas and push up food prices.
- In Jakarta, foreign net attrition went below -USD100m net during the holiday shortened week. It was notable that investors sold USD46.3m net on Wednesday, the most during the week as markets reopened from the Awal Muharram holiday with financial stocks being the major laggards after Indonesia increased the maximum amount of guaranteed Rupiah and forex deposit rates.

**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
JUL 27	205.2	146.8	118.9	26.4	426.9	352.3	-122.8	1,153.4
AUG 3	118.0	116.9	77.2	16.2	48.8	-123.8	85.9	339.1
AUG 10	-10.9	221.7	-50.4	-1.2	468.6	7.0	112.5	747.1
AUG 17	-164.5	-238.9	-173.9	-88.5	566.9	-393.5	-154.0	-1,780.1
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

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



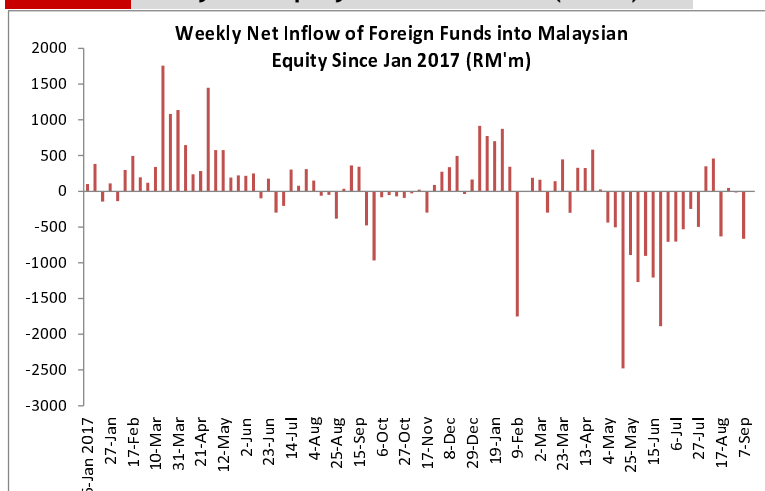
## FUND FLOW REPORT

### C. TRACKING MONEY FLOW - MALAYSIA

- Offshore investors slowly made a comeback to Bursa during the three-day trading week.
- Based on preliminary data from Bursa which excluded off market deals, international funds only snapped up RM2.6m net of local equities last week, the smallest weekly foreign net inflow recorded so far this year. On the regional front, Malaysia bucked the trend, being the only country to attract inflows last week amongst the 4 ASEAN markets we monitor.
- Foreign funds heavily withdrew from Bursa on Wednesday at -RM349.8m net as markets reopened after the long weekend, dragging the local bourse to 1,785 points, the lowest close in 18 trading days. We note that Wednesday's selloff was in conformity with other peers as investors were jittered by China seeking permission from the WTO to impose trade sanctions on the U.S.
- Nonetheless, the five-day selling streak on Bursa was snapped on Thursday as offshore funds bought RM174.4m net of local equities, the highest in 22 trading days amidst Washington's plans to reignite trade negotiations with China. Foreign net buying then inched higher to RM177.7m net on Friday as investors tracked gains from Wall Street's tech rally overnight which pushed the S&P500 index to its fourth consecutive day of gains amidst the release of Apple's new products. The Ringgit also appreciated by 0.15% to its strongest level since 3rd September 2018, which led to its first weekly gain in 12 weeks.
- As of last Friday, the year-to-date outflow from Bursa stood at -RM9.25b, approximately offsetting slightly more than 90% of the total foreign net inflow seen in 2017. Notwithstanding this, Malaysia still retains its position as the nation with the second lowest foreign outflow amongst the four ASEAN markets we monitor.
- Despite the short week, the weekly average daily traded value (ADTV) amongst retail investors, local institutions and foreign investors increased. The ADTV of foreign investors rose the most during the week by 41.6% to RM1.6b, marking its 10th consecutive week of being above RM1b.

Chart 5

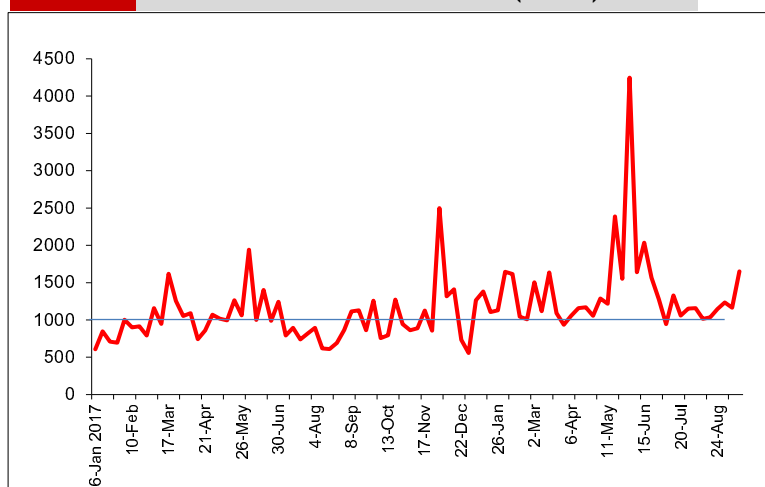
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2017 (RM'm)



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)	
AUG 10	2,757.6	2,862.2	-104.6	5,552.4	5,906.0	-353.6	2,766.4	2308.2	458.2	112.5
AUG 17	2,624.4	2,477.9	146.5	5,773.7	5,288.8	484.9	2,275.6	2,907.0	-631.4	-154.0
AUG 24	2,201.2	2,225.0	-23.8	4,630.3	4,653.0	-22.7	2,317.0	2,270.5	46.5	11.3
AUG 31	2,280.2	2,259.1	21.1	5,159.7	5,165.5	-5.8	2,462.7	2,478.0	-15.3	-3.7
SEP 7	2,142.7	2,108.3	34.4	5,423.6	4,794.6	629.0	2,580.3	3,243.7	-663.4	-160.0
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

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 14 SEPTEMBER**
**TOP 10 NET MONEY INFLOWS**

- Top Glove Corporation Berhad registered the highest net money inflow of RM9.30m last week. Its share price underperformed with a -3.14% decline against the FBM KLCI which advanced 0.26% during the week under review.
- Hartalega Holdings Berhad recorded the second highest net money inflow of RM6.11m. Its share price was -4.13% lower for the week, underperforming against the market benchmark which was 0.26% higher. Nonetheless, it is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.
- Dialog Group Berhad saw the third highest net money inflow of RM5.52m. Its share price ended 2.94% higher during the week under review, outperforming the FBM KLCI that was 0.26% higher for the week.

**Table 4** Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
TOP GLOVE	9.30	-7.96	-3.14	BOW
HARTALEGA	6.11	-4.79	-4.13	BOW
DIALOG GROUP	5.52	0.33	2.94	-
QL RESOURCES	4.72	0.96	3.50	-
MAYBANK	4.63	1.04	0.10	-
SIME DARBY	4.36	2.25	-3.72	BOW
AXIATA GROUP	2.98	-0.76	1.77	-
BURSA	2.98	0.20	-1.30	BOW
MAHB	2.39	-6.63	-0.89	BOW
PRESS METAL	2.03	1.92	-2.65	BOW

Source: Bloomberg, MIDFR;

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

**TOP 10 NET MONEY OUTFLOWS**

- Genting Berhad saw the largest net money outflow of -RM12.89m last week. Its stock price lost 1.27%, underperforming vis-à-vis the FBM KLCI which gained 0.26% during the review week.
- Nestle (Malaysia) Berhad recorded the second largest net money outflow -RM12.71m during the week under review. Its share price meanwhile declined 0.14% for the week, underperforming the market benchmark which had a 0.26% weekly gain.
- Sapura Energy Berhad registered the third largest net money outflow of -RM9.57m in the review week. Its share price meanwhile surged 35.82% during the week, outperforming the benchmark which had a 0.26% weekly gain. It is notable that the 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) Last Week	Remark
	Last Week	Prev Week		
GENTING BHD	-12.89	8.32	-1.27	-
NESTLE	-12.71	0.85	-0.14	-
SAPURA	-9.57	-1.34	35.82	SOS
PETCHEM	-8.59	4.21	0.32	SOS
HLBK	-7.07	-7.44	-0.98	-
BAT	-5.60	-0.98	1.69	SOS
CIMB GROUP	-5.52	-6.50	5.24	SOS
TNB	-4.51	-18.39	0.00	-
MAXIS	-4.47	0.92	1.39	SOS
UNITED PLTN	-3.12	-2.83	4.12	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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