

## MIDF EQUITY STRATEGY | 20 NOVEMBER 2017 WEEK ENDED 17 NOVEMBER 2017

- Most global equity markets retreated into the red zone with a number of major benchmarks nursing weekly losses of more than 1%.
- The situation on Wall Street was rather mixed. The Dow Jones and the S&P500 both declined for the week by 0.27% and 0.13%, respectively due to qualms over the uncertainty of the U.S tax reform plans.
- Brent crude oil price posted a weekly loss for the first time after five weeks of gains, losing 1.26% to settle at USD62.72pb due to worries of increasing U.S stockpiles which rose by 1.9m in the week before according to the EIA.
- International investors continued to enter Asian markets at a stronger pace last week, extending the buying streak to six uninterrupted weeks. The provisional aggregate data from the seven Asian exchanges that we track saw investors classified as “foreign” acquired USD1.19b net last week.
- Foreign selling returned to Bursa at a rather intensified level compared to the amount disposed in the past six weeks that did not exceed RM100m net. International investors dumped -RM297.1m net of Malaysian equities last week, the highest weekly attrition recorded in seven weeks.
- The FBM KLCI was badly hit last week, declining by 1.18% to end at 1,722 points. It is noteworthy that the FBM KLCI was up by 3.55 points on Friday, not just driven by the stronger GDP data, but also due to the overnight rally on Wall Street spurred by solid quarterly earnings of Wal Mart. The Ringgit meanwhile appreciated by 0.74% for the week to USD/MYR4.161, the highest level in more than a year.

## FOREIGN SELLING RETURNS TO BURSA

### A. MARKET SNAPSHOT

- Most global equity markets retreated into the red zone with a number of major benchmarks nursing weekly losses of more than 1%.
- The situation on Wall Street was rather mixed. The Dow Jones and the S&P500 both declined for the week by 0.27% and 0.13%, respectively. The House of Representatives passed a bill on Thursday for a U.S tax cut which was however different from the Senate's version. Having said that, investors shifted their attention to the Senate's debate over its own bill. The progress did push the Dow Jones by 187 points on Thursday but increasing doubts regarding President Trump's capability to pass tax reforms before year end dragged the index on the following day.
- Meanwhile, the tech-heavy Nasdaq index closed 0.47% higher for the week boosted by Cisco System's better-than-expected earnings underpinned by solid sales in software applications.
- In Asia, the Hong Kong's Hang Seng index resumed its upbeat momentum during the week, hitting another fresh 10-year closing high of 29,199 points on Friday. Sentiment in Hong Kong was lifted by index heavyweight, Tencent Holdings whose 3Q17 earnings topped estimates, rising 61%yoy. The announcement of Tencent's impressive results on Thursday saw its share price surge by 2.3% to an all-time high of HKD391.80. On the same day, gainers were led by insurer, Ping An amidst deregulation allowing foreign companies to have controlling stakes in domestic joint venture agreements.
- In Europe, the U.K's inflation remains steady at a 5-year high as the CPI rose 3% in the year to October versus estimates of 3.1%. The weakness of Sterling following the Brexit vote in June 2016 has led to the current inflation levels with increased import prices that is passed on to consumers in the form of higher prices. The release of U.K's inflation data on Tuesday saw the Sterling weakening to GBP/USD1.3091 but managed to book 0.37% worth of gains as it closed at GBP/USD1.3165. The Sterling's strength remained until the week ended, advancing above the GBP/USD 1.32 level supported by UK retail sale that grew 0.3% on a monthly basis in October.
- Brent crude oil price posted a weekly loss for the first time after five weeks of gains, losing 1.26% to settle at USD62.72pb. A gradual downward trend in Brent crude oil price took place from Monday to Thursday due to worries of increasing U.S stockpiles which rose by 1.9m in the week before according to the EIA. Nonetheless, Brent crude oil price rebounded by 2.22% on Friday as Saudi Arabia hinted willingness to extend output cuts during the OPEC meeting at the end of November, erasing concerns of Russia's reluctance to commit to the cut.

**Table 1** Weekly performance of major indices

Weekly % change	Week before	Last week
Thai SET	-0.72	1.19
Jakarta JCI	-0.29	0.50
Hang Seng	1.81	0.27
China CSI 300	2.99	0.22
India SENSEX	-1.10	0.08
S&P 500	-0.21	-0.13
Dow Jones	-0.50	-0.27
Taiwan TAIEX	-0.63	-0.29
Korea KOSPI	-0.59	-0.35
FTSE 100	-1.68	-0.70
DAX	-2.61	-1.02
FSSTI Index	1.12	-1.10
CAC 40	-2.49	-1.14
KLCI	0.08	-1.18
Nikkei	0.63	-1.25
Phil PCOMP	0.68	-1.45

Source: Bloomberg

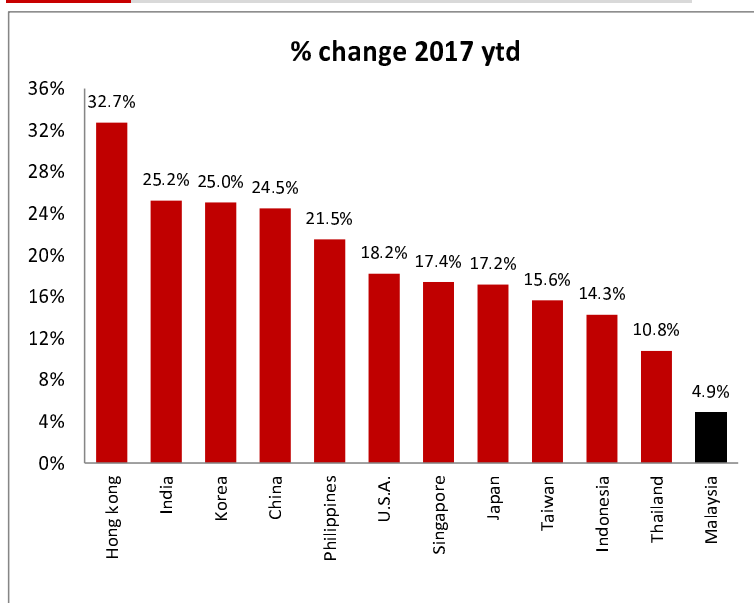
## FUND FLOW REPORT

- The FBM KLCI was badly hit last week, declining by 1.18% to end at 1,722 points. It is noteworthy that the FBM KLCI was up by 3.55 points on Friday, not just driven by the stronger GDP data, but also due to the overnight rally on Wall Street spurred by solid quarterly earnings of Wal Mart. The Ringgit meanwhile appreciated by 0.74% for the week to USD/MYR4.161, the highest level in more than a year.

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

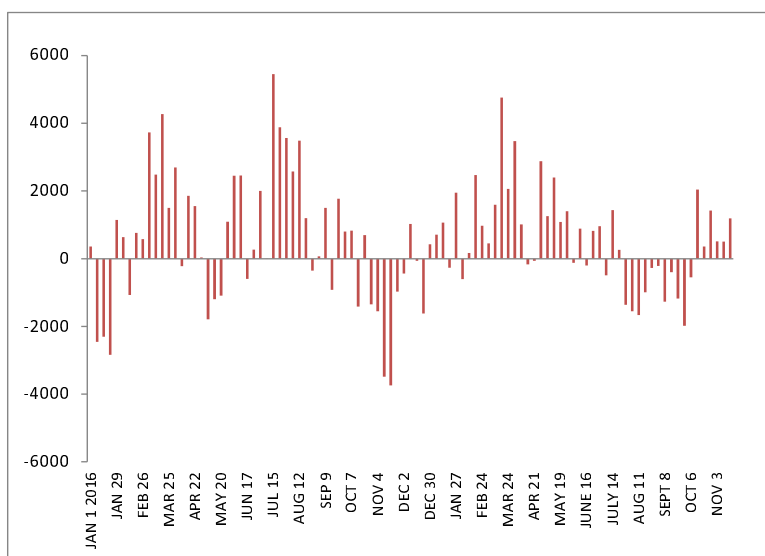
- International investors continued to enter Asian markets at a stronger pace last week, extending the buying streak to six uninterrupted weeks. The provisional aggregate data from the seven Asian exchanges that we track saw investors classified as “foreign” acquired USD1.19b net last week, which is more than twice the amount acquired in the preceding week which was USD504.1m net.
- International funds returned to Korea with a proverbial bang as they loaded up USD1.21b net, the highest in five weeks. In fact, foreign investors were net buyers in Korea on every single day of the week with Friday recording the highest at USD554.0m net, the largest amount acquired in a day since 11 October 2017 as U.S tax reform made some progress overnight. The continuous foreign buying however was not in-sync with the KOSPI’s movement as it declined by 0.35% for the week as institutional and retail investors dumped local stocks. Institutional investors turned net sellers due to the strong Korean Won which may hurt major exporters. The Korean Won advanced 1.77% for the week to a 26-month high of USD/KRW1,097.55, ignoring the government’s effort to slow down its appreciation.
- In contrast, international investors continued their selling frenzy in Taiwan for the second week as they offloaded -USD142.3m net. Foreign selling peaked on Wednesday at -USD414.9m net which coincided with the 0.53% fall in the Taiex as TSMC became the main contributor to the decline. Nonetheless, we note that the Taiex rebounded by 0.72% on Friday, boosted by Win Semiconductor Corp which surged by 7.9% to a record high backed by expectations that the company will benefit from the sales of the iPhone X. The boost was unfortunately insufficient for the Taiex to post a weekly gain.
- In Emerging South East Asian markets, foreign selling occurred across the board.

**Chart 1** YTD performance of major markets



Source: Bloomberg

**Chart 2** Weekly Net Flow of Foreign Funds into 7 Asian Markets since Jan 2016 (USD'm)



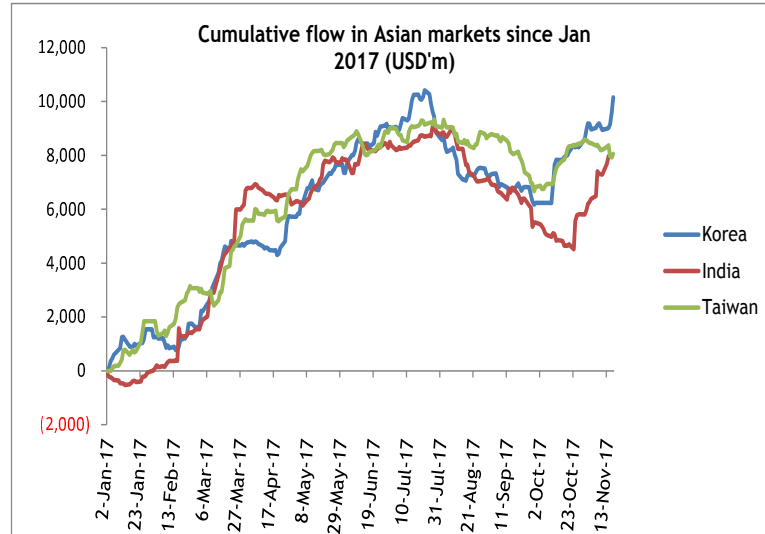
Source: Bloomberg, Bursa Malaysia

<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.

- Foreign funds continued to flee from Bangkok for the fifth week running as they sold off -USD183.0m net last week. Foreign attrition occurred on every single day except Friday. Notwithstanding this, the Taiex ended 1.19% higher for the week. On the flip side, foreign investors were net buyers of the nation's bonds after four weeks of hesitation. Currency wise, the Thai Baht settled at a 30-month high of USD/THB32.82 on Friday which is in line with regional peers caused by the weakness of the USD as the Dollar index slipped by 0.77% on a weekly basis.
- The pace of foreign selling in Manila picked up last week as foreign investors sold -USD58.8m net compared to -USD0.75m net in the week before. The increased attrition saw the PSEi finish 1.45% lower for the week at 8,311 points. Foreign funds shrugged off the nation's 6.9%yoy GDP growth in 3Q17 as the mood was disturbed by weaker remittances by overseas Filipino workers which decreased by 8.3% to USD2.19b in September. The Peso meanwhile benefited from the solid GDP growth, appreciating by 0.59% for the week to USD/PHP50.953.
- In Jakarta, foreign attrition has hit the 20-week mark where approximately -USD3.44b worth of foreign funds has exited the country. Despite the persistent foreign selling, the JCI touched a record high of 6,085 points on Friday with the help of banking stocks like Bank Mandiri and Bank Negara Indonesia which rallied after the central bank of Indonesia decided to maintain the key interest rate at 4.25%. The central bank of Indonesia decided to do so to maintain financial stability while anticipating a U.S rate hike in December. The Rupiah was little changed, only gaining 0.09% against the greenback to settle at a one-week high of USD/IDR13,531.

Chart 3

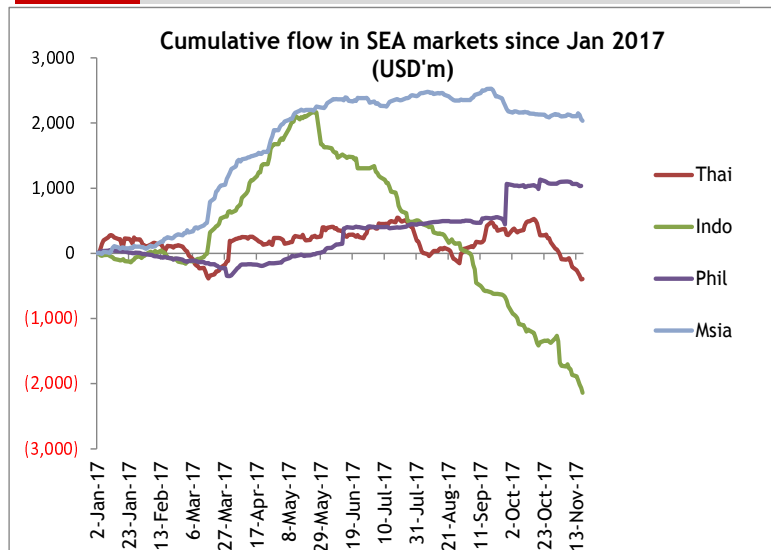
Net Flow of Foreign Funds into Taiwan, Korea and India since Jan 2017(USD'm)



Source: Bloomberg

Chart 4

Net Flow of Foreign Funds into South East Asia Emerging Markets since Jan 2017 (USD'm)



Source: Bloomberg, Bursa Malaysia

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 29	-587.5	-68.6	-183.4	511.4	-883.3	-541.5	-229.4	-1,982.3
OCT 6	0.00	58.3	-278.5	-27.8	-395.5	113.4	-19.6	-549.6
OCT 13	1,595.8	153.5	-99.0	-2.9	-281.0	685.22	-12.9	2,038.6
OCT 20	300.4	-217.0	-183.0	-49.7	-184.1	713.1	-16.9	362.9
OCT 27	235.8	-107.0	-5.22	85.2	1,156.3	79.8	-21.8	1,423.0
NOV 3	593.5	-257.9	-351.6	24.0	469.1	39.3	-6.8	509.6
NOV 10	-17.3	-118.5	-141.3	-0.75	1,032.0	-255.2	5.2	504.1
NOV 17	1,210.9	-183.0	-276.1	-58.8	712.9	-142.3	-71.4	1,192.2

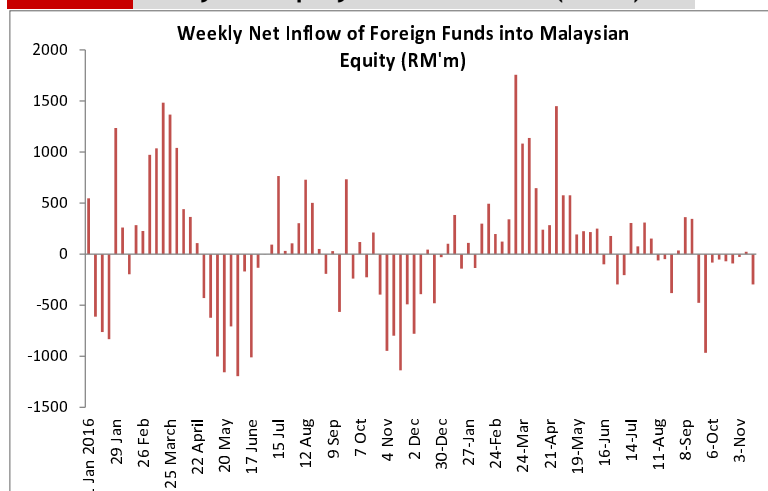
Source: Respective exchange statistics reported on Bloomberg. Bursa Malaysia. These figures are subject to revisions.



## C. TRACKING MONEY FLOW - MALAYSIA

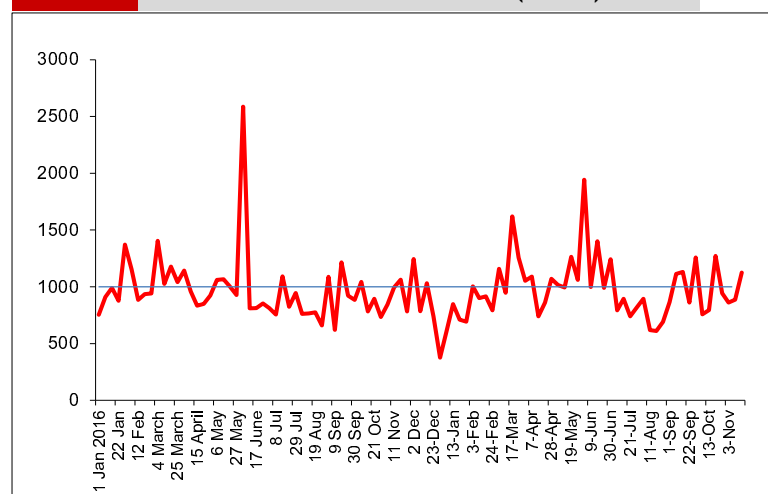
- Foreign selling returned to Bursa at a rather intensified level compared to the amount disposed in the past six weeks that did not exceed RM100m net.
- International investors dumped -RM297.1m net of Malaysian equities last week, the highest weekly attrition recorded in seven weeks. The estimates made are based on transactions in the open market which excluded off market deals.
- Foreign buyers exactly matched foreign sellers on Monday. A bout of acquisition then took place on Tuesday where foreign investors bought RM181.3m net, the highest net inflow in a day in almost 5 months despite the weak China industrial output data that coincided with the 0.22% dip in the FBM KLCI.
- However, foreign investors were back in selling mode thereafter until the week ended with Thursday recording the highest amount sold at -USD282.1m net. The heavy foreign buying on Thursday saw the FBM KLCI close at an 8-month low of 1,718 points ahead of the House of Representatives' vote for a tax cut bill.
- Market sentiment improved later on Friday following the strong 3Q17 GDP which climbed 6.2% that saw a 0.21% rebound in the FBM KLCI. Foreign selling still occurred on the same day but on a reduced level below RM100m net.
- By virtue of the intense foreign selling last week, the cumulative year-to-date inflow has substantially decreased to RM9.00b from RM9.31b in the week before. Nonetheless, the year-to-date inflow still offsets approximately 31% of the total net outflow from 2014 to 2016.
- Foreign participation was back on its feet as the foreign average daily trade value (ADTV) surged by 27% to RM1.13b after three weeks of staying below the RM1b mark.
- In contrast, the retail ADTV decreased by 8% to settle below the RM1b level at RM957m.

**Chart 5** Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2016 (RM'm)



Source: Bursa Malaysia preliminary statistics

**Chart 6** Foreign Participation on Bursa: Daily Average for the Week since Jan 2016 (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 6	2,117.1	2,203.7	-86.6	5,692.3	5,522.8	169.5	1,850.4	1,933.3	-82.9	-19.6
OCT 13	2,469.3	2,509.3	-40.0	5,620.5	5,526.3	94.2	1,961.6	2,015.6	-54.2	-12.9
OCT 20	2,002.7	1,978.5	24.2	4,796.4	4,749.2	47.2	2,507.7	2,579.1	-71.4	-16.9
OCT 27	2,381.9	2,368.6	13.2	6,065.5	5,986.7	78.8	2,312.2	2,404.3	-92.1	-21.8
NOV 3	2,856.5	2,760.9	95.6	6,307.7	6,374.7	-67.0	2,138.6	2,167.2	-28.6	-6.8
NOV 10	2,580.9	2,600.1	-19.2	6,551.5	6,555.0	-3.5	2,230.4	2,207.7	22.7	5.2
NOV 17	2,467.0	2,318.3	148.7	6,697.6	6,549.2	148.4	2,664.6	2,961.7	-297.1	-71.4

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 17 NOVEMBER**
**TOP 10 NET MONEY INFLOWS**

- CIMB registered the highest net money inflow of RM12.11m last week. Its share price however lagged with a -2.91% loss against the FBM KLCI which declined by -1.18% during the week under review. Nonetheless, it is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.
- Genting Plantations recorded the second highest net money inflow of RM5.91m. Nevertheless, its share price underperformed against the market benchmark with a rather sizable -3.17% drop during the review week which may attract a BOW stance among some investors.
- Heineken Malaysia saw the third highest net money inflow of RM4.07m. Its share price too underperformed with a -2.04% loss during the review week which may nonetheless attract a 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	12.11	-13.35	-2.91	BOW
GENTING PLNTN	5.91	-1.93	-3.17	BOW
HEINEKEN	4.07	-1.29	-2.04	BOW
IOI CORP	3.96	0.09	-1.33	BOW
WESTPORTS	3.91	3.08	-0.82	BOW
KLCCS	3.37	0.05	0.00	-
PETDAG	2.79	-1.97	8.43	-
GENTING BHD	2.70	0.82	-2.23	BOW
MAHB	2.32	3.58	-2.04	BOW
SIME DARBY	2.27	4.56	-1.10	BOW

Source: Bloomberg, MIDFR;

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

**TOP 10 NET MONEY OUTFLOWS**

- Public Bank saw the largest net money outflow of -RM25.62m last week. Its stock price ended -0.39% lower but nevertheless marginally outperformed vis-à-vis the FBM KLCI which declined by -1.18% during the review week.
- Petronas Chemicals recorded the second largest net money outflow -RM24.16m during the week under review. Its share price however underperformed the market benchmark with a -2.02% weekly loss.
- Tenaga Nasional Berhad registered the third largest net money outflow at -RM16.89m in the review and its share price outperformed with a -0.40% drop.

**Table 5** Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
PUBLIC BANK	-25.62	-20.98	-0.39	-
PETCHEM	-24.16	-4.47	-2.02	-
TNB	-16.89	-18.56	-0.40	-
MAYBANK	-13.77	-12.47	0.44	SOS
BAT	-11.80	0.41	0.30	SOS
PETGAS	-9.38	18.01	-6.52	-
F&N	-8.81	-3.52	0.00	-
DIALOG	-8.80	-10.97	-0.86	-
TOP GLOVE	-7.18	2.94	-2.18	-
AXIATA	-5.87	-9.06	-1.12	-

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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