

MIDF EQUITY STRATEGY | 26 MARCH 2018

WEEK ENDED 23 MARCH

- Most global equity markets retreated to the red zone last week amid escalated concerns of trade protectionism measures from the U.S and a batch of major central bank meetings.
- Sentiment was further dampened towards the end of the week after President Trump announced tariffs on USD60b worth of Chinese imports on Thursday, reigniting trade war concerns. This triggered a sell off in U.S which caused the Dow Jones to decline by more than 1,100 points between Thursday and Friday, ending the week in correction territory as it closed 10.4% below its late-January high.
- Brent crude oil price soared by 6.40% to end at USD70.45pb, the highest since early December 2014 as unexpected large declines in U.S inventory helped underpin the market.
- Global funds took their money off the table in Asian markets after a solid return in the previous week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” sold -USD687.7m net last week.
- International investors upped the ante in stocks listed on Bursa despite the nerve-wrecking developments coming from the U.S. Based on preliminary data from Bursa which excluded off market deals, the net amount acquired by foreign investors last week amounted to RM447.1m net.
- The FBM KLCI advanced 1.02% last week to settle at 1,865 points, the largest weekly gain in four weeks. In contrast, the Ringgit depreciated by 0.29% to USD/MYR3.9185 as traders weighted the possible impact of a trade war between Beijing and Washington.

MALAYSIA BUCKS THE REGIONAL TREND

A. MARKET SNAPSHOT

- Most global equity markets retreated to the red zone last week amid escalated concerns of trade protectionism measures from the U.S and a batch of major central bank meetings.
- Wall Street started the week on the back foot as Facebook's shares tumbled as much as 8% on Monday, wiping approximately USD37b off its market value. This followed the reports that Cambridge Analytica harvested data of over 50 million Facebook users without their consent. The sell-off spread to other technology stocks, Amazon, Netflix and Apple all were down by more than 1.5% on the same day. On the broad market, the tech heavy Nasdaq fell the most in six weeks by 1.8% to 7,344 points.
- As expected, the Fed raised interest rates by 25bps to 1.50%-1.75% on Wednesday and hinted that another two rate hikes for 2018 in tandem with its normalisation plan.
- Sentiment was further dampened towards the end of the week after President Trump announced tariffs on USD60b worth of Chinese imports on Thursday, reigniting trade war concerns. This triggered a sell off in U.S which caused the Dow Jones to decline by more than 1,100 points between Thursday and Friday, ending the week in correction territory as it closed 10.4% below its late-January high.
- Asian markets were also jolted by fears of a trade war reflected by the CSI300 index which shed 2.9% on Friday to end at 3,905 points, the lowest since February 9. As investors shifted to safer assets such as bonds, the price of Chinese 10-year government bonds rallied while the yield fell by 2bps to 3.76%. Apple suppliers were among the hardest hit on mainland China with Goertek Inc and Suzhou Anjie Technology Inc dropping as much as 10%.
- In Europe, Britain and the European Union agreed on Monday that Brexit will prevent a hard border for Northern Ireland to get the approval from the EU to retain most EU benefits for nearly two years after Brexit. Hence the UK would now get a transition deal which bodes well for trading firms on both sides of the English Channel as their businesses would not have to undergo much change in the short term. On the monetary policy front, the Bank of England (BOE) were divided on interest rates. Nonetheless, the policy makers noted that wage growth is picking up and inflation is expected to remain above 2% target, boosting possibility for rate hike in May, the second time since the 2008 global financial crisis.
- Brent crude oil price soared by 6.40% to end at USD70.45pb, the highest since early December 2014 as unexpected large declines in U.S inventory helped underpin the market. Another catalyst for the oil market was the news on that production cuts from OPEC and Russia could be extended into 2019 as commented by Saudi Arabian energy minister, Khalid Al Falih.

Table 1 Weekly performance of major indices		
Weekly % change	Week before	Last week
KLCI	0.13	1.02
Thai SET	2.05	-0.97
Jakarta JCI	-2.00	-1.49
India SENSEX	-0.39	-1.75
Taiwan TAIEX	1.50	-1.85
FSSTI Index	0.76	-2.58
Korea KOSPI	1.40	-3.10
Phil PCOMP	-1.60	-3.25
FTSE 100	-0.84	-3.38
CAC 40	0.16	-3.55
China CSI 300	-1.28	-3.73
Hang Seng	1.63	-3.79
DAX	0.35	-4.06
Nikkei	0.97	-4.88
Dow Jones	-1.54	-5.67
S&P 500	-1.24	-5.95

Source: Bloomberg

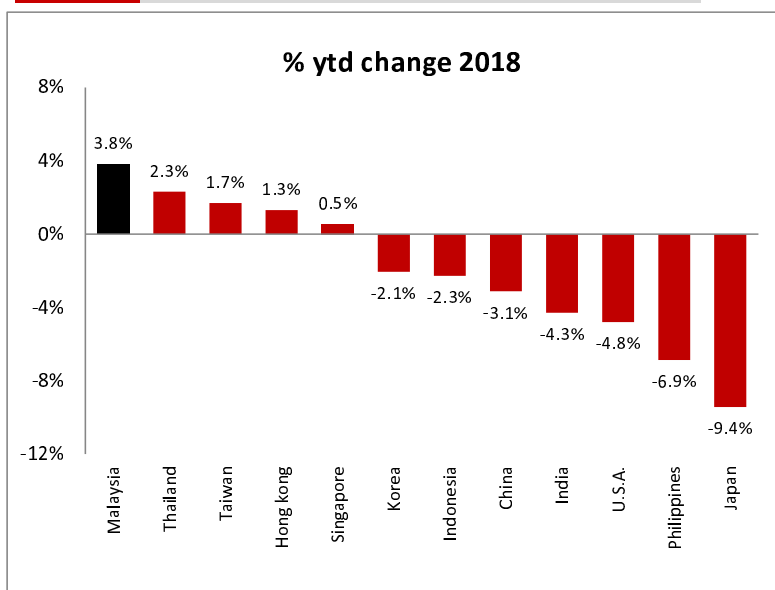
FUND FLOW REPORT

- The FBM KLCI advanced 1.02% last week to settle at 1,865 points, the largest weekly gain in four weeks. In contrast, the Ringgit depreciated by 0.29% to USD/MYR3.9185 as traders weighted the possible impact of a trade war between Beijing and Washington.

B. TRACKING MONEY FLOW - ASIA¹

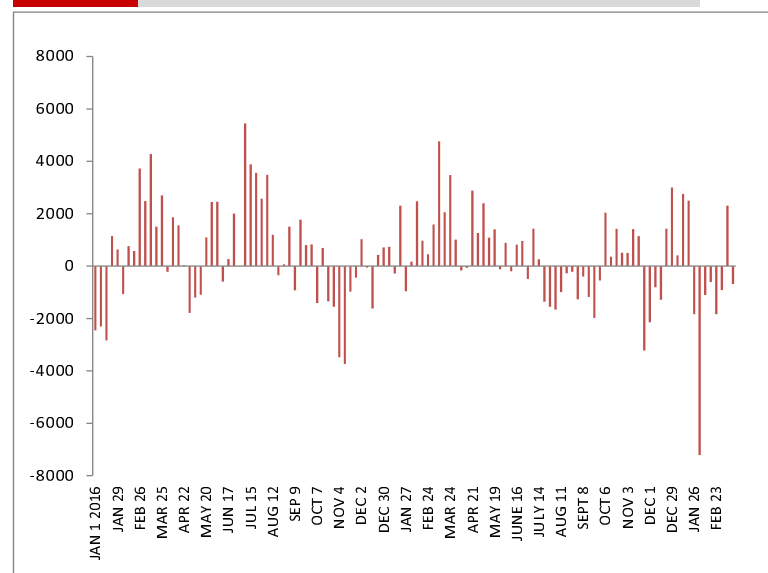
- Global funds took their money off the table in Asian markets after a solid return in the previous week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” sold -USD687.7m net last week, which is the second lowest weekly attrition so far in 2018
- Global investors in Korea pulled out -USD255.6m net of local equities last week, the highest in six weeks. Foreign selling occurred on every single day except on Thursday which recorded a net inflow of USD185.6m net amid risk-on sentiment after the Fed kept its projections for three rate hikes in 2018, lifting the KOSPI to its highest close in 34 trading days of 2,496 points. On the other hand, foreign attrition peaked on Friday at -USD151.4m net driven by fear over a looming trade war between the U.S and China, hitting the KOSPI badly as it tumbled by 3.18% to close at a 12-day low of 2,416 points. The Korean Won depreciated by 1.5% for the week to settle at its lowest level in two weeks at USD/KRW1,082.35 after China hits back on US tariffs. Regarding relations with North Korea, the South Korean art troupe including K-pop singers are set to hold two performances in Pyongyang ahead of the South-North Korean summit planned in late April.
- International funds in Taiwan disposed -USD184.8m net of local equities last week. The trend appeared to be similar to Korea whereby commendable inflows worth USD111.7m net were recorded on Thursday but was followed by an exodus of funds totaling to -USD349.7m net on Friday, the highest since 5 March 2018. It was no doubt that the trigger for Friday’s sell off was President Trump’s tariff plans, dragging the Taiex by 1.66% to close below 11,000 points. On a weekly basis, the Taiex declined by 1.85% with TSMC being the biggest drag on the gauge, losing 87 points. In contrast to the Fed, Taiwan kept its benchmark interest rate steady at 1.375% for the 7th consecutive quarter amidst moderate inflation and stronger currency.
- In emerging South East Asian markets, Indonesia

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)



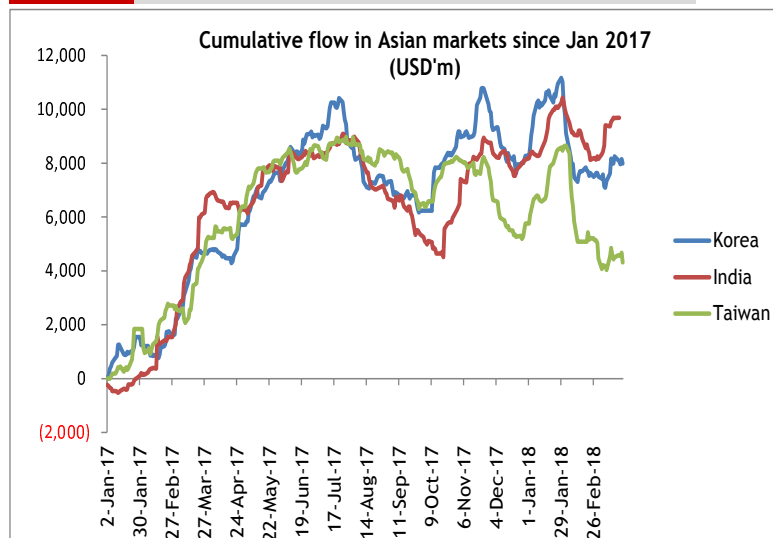
Source: Bloomberg, Bursa Malaysia

¹ 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.

remains as the biggest victim of foreign attrition for the third uninterrupted week.

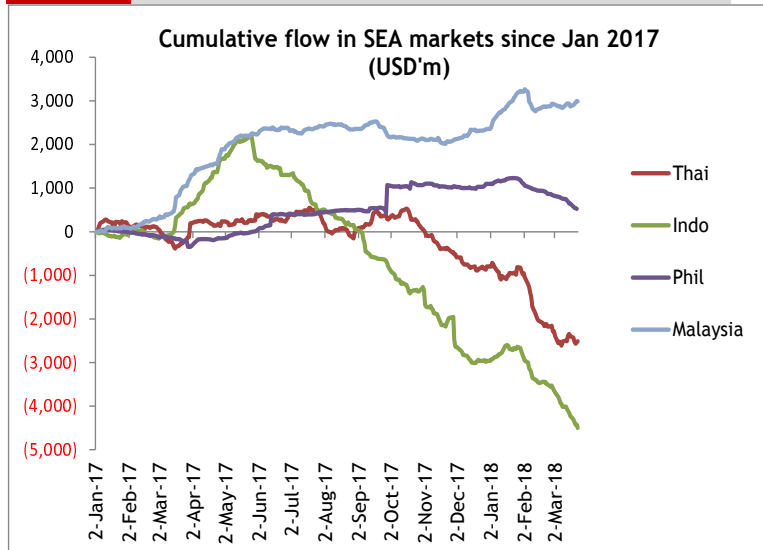
- Bangkok experienced a weekly outflow of -USD120.6m net. While other Asian markets such as Korea, Taiwan, Indonesia, Malaysia and the Philippines were facing selling pressure on Friday amid Trump's tariff plans on China, foreigners entered into Thailand to a tune of USD20.8m net, partly supported by data showing Thai exports increased for the 12th straight month in February while foreign tourist arrivals climbed 18.3%yoy in the same month with Chinese tourists surging to a record of 1.2 million. The Baht took cue of the inflows to strengthen by 0.33% to USD/THB31.203 on Friday. The inflows were not enough to sustain the SET index within the positive territory but still outperformed other major global markets in the U.S and Europe.
- Foreign selling pace remained the same last week, foreigners sold -USD123.0m net which is comparable to the -USD126.3m sold in the week before. It is noteworthy that Tuesday's foreign outflow was the biggest since 29 March 2017 which saw an attrition of -USD119.6m net. The major sell-off on Tuesday made PSEi the worst index in Asia amid the disposal of 8.5m shares of Ayala Corp by Mitsubshi Corp which caused Ayala Corp's shares to drop by 7.23%, the biggest decline since September 2017.
- Global funds in Indonesia sold -USD272.7m net of local equities last week, extending selling activity to its eighth week, similar to the Philippines. Monday saw the highest foreign disposal during the week at -USD80.6m net as markets were approaching for another U.S rate hike which came into place on Wednesday. Selling momentum declined thereafter but spiked again on Friday to -USD76.9m net amid the U.S-China trade spat coinciding with the 0.69% drop in the JCI.

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)

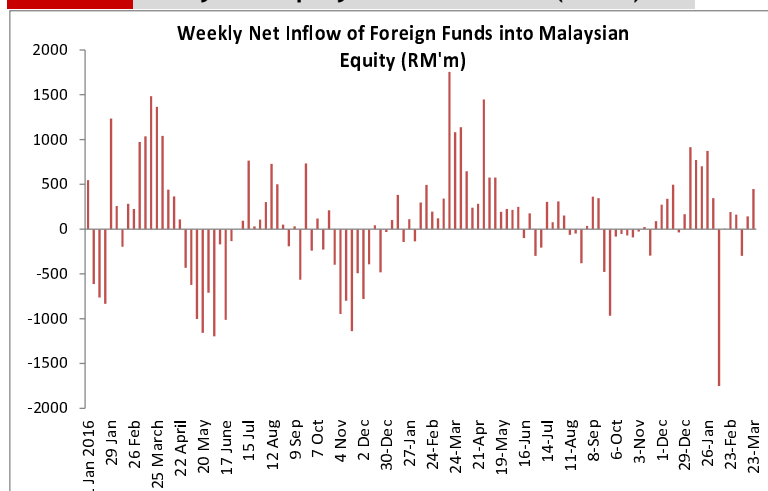
WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
FEB 2	-1,839.0	-224.3	-316.4	-131.6	449.4	135.7	88.8	-1,837.4
FEB 9	-1,638.6	-676.8	-396.4	-91.1	-1,156.1	-2,805.8	-446.8	-7,211.5
FEB 16	230.9	-339.2	-116.4	-61.6	-70.2	-748.0	1.39	-1,103.1
FEB 23	-70.3	-120.2	-34.5	-44.8	-517.8	132.8	49.0	-605.7
MAR 2	-128.0	-221.9	-186.3	-75.5	-506.4	-762.3	41.2	-1,839.2
MAR 9	-160.0	-122.4	-328.0	-50.2	-241.1	-423.7	-76.5	-919.4
MAR 16	904.2	125.9	-207.6	-126.3	1,101.8	471.5	36.3	2,305.8
MAR 23	-255.6	-120.6	-272.7	-123.0	154.9	-184.8	114.1	-687.7

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

C. TRACKING MONEY FLOW - MALAYSIA

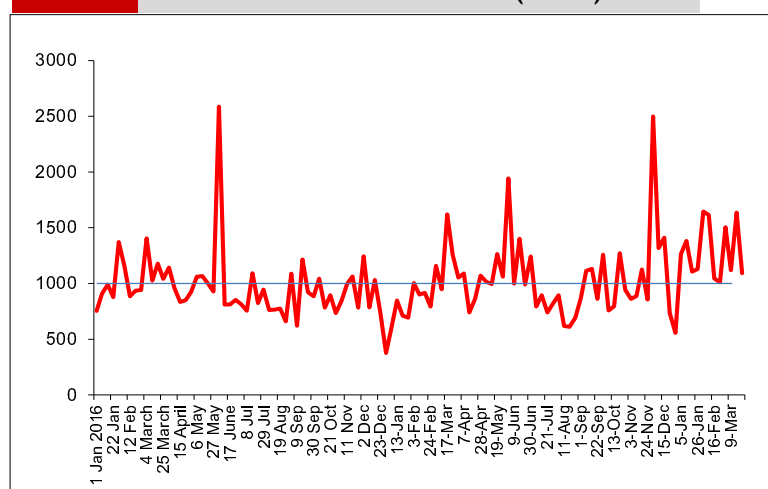
- International investors upped the ante in stocks listed on Bursa despite the nerve-wrecking developments coming from the U.S.
- Based on preliminary data from Bursa which excluded off market deals, the net amount acquired by foreign investors last week amounted to RM447.1m net, larger than three times the RM141.2m net bought in the preceding week. In fact this is the largest weekly inflow in eight weeks.
- Foreign buying occurred on 4 out of 5 trading days last week and peaked on Wednesday at RM159.2m net ahead of the expected rate hike during Fed's first meeting since Jerome Powell's appointment. The buying momentum slightly eased to RM112.2m net on Thursday after the Fed maintained its outlook for a total of three rate hikes in 2018, less hawkish than expected. Nonetheless, the local bourse remained steady as it closed at 1,877 points on Thursday, the highest so far this year.
- However, the local bourse was jolted on Friday due to the U.S-China trade spat, pulling the FBM KLCI down by 0.62% to 1,865 points. Foreign investors were net sellers to a tune of -RM30.9m. It is noteworthy that the pace of foreign selling in Malaysia and its Southeast Asian peers namely Indonesia and the Philippines was very slow ranging from RM7.9m to RM77.0m net compared to North Asian markets which saw attrition levels reaching as high as RM349.7m net. Overall for the week, only Malaysia and Thailand attracted net inflows in the Southeast Asian markets that we track.
- On a year-to-date basis, foreigners have accumulated RM2.50b worth of local equities compared to the RM4.49b mopped up during the same period last year.
- Foreign participation slightly eased last week as the average daily trade value (ADTV) retreated 33% to RM1.09b but marked its 12th week of staying above RM1b. The retail market also took a breather as the retail ADTV declined to settle below RM1b for the first time in 4 weeks.

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)	
FEB 9	3,343.9	3,392.0	-48.1	9,931.7	8,132.9	1,798.8	3,161.7	4,912.4	-1,750.7	-446.8
FEB 16	1,291.6	1,362.9	-71.3	4,380.0	4,313.2	66.8	2,091.9	2,087.4	4.5	1.4
FEB 23	2,542.8	2,548.0	-5.2	6,097.6	6,283.3	-185.7	2,618.1	2,427.2	190.9	49.0
MAR 2	3,001.0	2,895.6	105.4	7,352.7	7,619.0	-266.3	3,844.3	3,683.4	160.9	41.2
MAR 9	2,921.3	2,716.5	204.8	6,863.2	6,768.9	94.3	2,647.3	2,946.4	-299.1	-76.5
MAR 16	2,433.1	2,569.8	-136.7	6,675.1	6,679.6	-4.5	4,160.9	4,019.7	141.2	36.3
MAR 23	2,066.6	2,132.2	-65.6	5,398.1	5,779.6	-381.5	2,953.3	2,506.2	447.1	114.1

Source: Bursa's preliminary data

* Estimate by MIDF Research based on prevailing exchange rate.

D. MONEY FLOW² AMONG BURSA'S TOP 100 CAPITALIZED STOCKS: WEEK ENDED 23 MARCH
TOP 10 NET MONEY INFLOWS

- Public Bank Berhad registered the highest net money inflow of RM22.45m last week. Its share price outperformed with a 4.26% gain against the FBM KLCI which gained by 1.02% during the week under review.
- F&N Holdings Berhad recorded the second highest net money inflow of RM9.27m. Its share price significantly outperformed against the market benchmark with a 4.97% gain during the review week.
- IHH Healthcare Berhad saw the third highest net money inflow of RM6.72m. Its share price underperformed the FBM KLCI with a -0.99% loss 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.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
PUBLIC BANK	22.45	-39.65	4.26	-
F&N	9.27	-3.43	4.97	-
IHH	6.72	-1.56	-0.99	BOW
PETCHEM	4.69	-7.64	0.37	-
PETGAS	2.93	2.27	-0.67	BOW
GENTING BHD	2.38	-9.22	-0.56	BOW
IOI PROPERTIES	2.33	0.90	-2.33	BOW
MAHB	2.31	5.36	0.11	-
AXIATA	2.12	2.35	2.07	-
UMW HOLDINGS	2.11	-1.06	2.31	-

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 -RM43.33m last week. Its stock price ended 0.51% higher, underperforming vis-à-vis the FBM KLCI which advanced by 1.02% during the review week.
- CIMB Group recorded the second largest net money outflow -RM17.67m during the week under review. Its share price meanwhile underperformed the market benchmark with a 0.14% weekly loss.
- Kuala Lumpur Kepong registered the third largest net money outflow at -RM11.73m in the review week. Its share price meanwhile underperformed the benchmark with a 0.71% 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	-43.33	10.41	0.51	SOS
CIMB GROUP	-17.67	-24.06	-0.14	-
KL KEPONG	-11.73	-8.43	0.71	SOS
SDPL	-8.47	-3.53	2.92	SOS
MAYBANK	-6.81	-39.36	1.74	SOS
SIME DARBY	-6.72	2.99	-5.56	-
PPB GROUP	-6.66	-2.43	2.05	SOS
SAPURA	-6.14	-4.50	14.58	SOS
GENM	-4.74	-4.56	-2.67	-
DIALOG	-4.41	4.58	2.52	SOS

Source: Bloomberg, MIDFR;

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

² 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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