

MIDF EQUITY STRATEGY | 3 SEPTEMBER 2018 WEEK ENDED 31 AUGUST

- Most global equity markets sustained gains last week following positive development from the international trade front.
- Despite the threat from President Trump to impose tariffs on USD200b of Chinese goods, all three major U.S benchmarks gained above 0.5% for the week as trade negotiations between the U.S and Canada are set to resume this Wednesday after no deal was reached during Friday's meeting.
- Brent crude oil price advanced 2.1% for the week to USD77.42pb. Although OPEC oil output hit a 2018 high in August, the possible shortage of supply due to the decline in Iranian oil exports supported the Brent crude oil price which booked a 4.3% gain in August.
- International investors continued to increase their exposure in Asian markets on a higher pace last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" snapped up USD2.31b net last week.
- Overseas investors consolidated their position on Bursa last week ahead of the National Day holiday. Based on preliminary data from Bursa which excluded off market deals, international funds withdrew -RM15.3m net of local equities, last week.
- The FBM KLCI advanced by 0.61% for the week to settle at 1,820 points. On the other hand, the Ringgit pared down its weekly decline to 0.01% after settling at USD/MYR4.1090 but logged its 11th uninterrupted week of losses.

MONTHLY OUTFLOW FROM BURSA SHRINKS FURTHER

A. MARKET SNAPSHOT

- Most global equity markets sustained gains last week following some developments from the international trade front.
- Wall Street had a solid start to the week as the U.S government inked a preliminary trade deal with Mexico to replace the North America Free Trade Agreement (NAFTA), lifting the Nasdaq index above the 8,000 level for the first time ever on Monday.
- U.S stocks retained their momentum on Wednesday as the S&P 500 and Nasdaq hit a fresh record close of 2,914 points and 8,110 points respectively supported by gains in technology shares such as Amazon and Alphabet.
- President Trump's move to go ahead with the tariff on USD200b of Chinese goods jittered U.S markets on Thursday, snapping the S&P 500's four-day winning streak. Equity trading volumes were thin on Friday ahead of the long weekend with volumes in S&P 500 index being almost 14% below the average. Nonetheless, all three major U.S benchmarks gained above 0.5% for the week as trade negotiations between the U.S and Canada are set to resume this Wednesday after no deal was reached during Friday's meeting.
- In spite of President Trump's threat, factories in China remain resilient as the manufacturing purchasing managers index (PMI) unexpected rose to 51.3 in August from 51.2 in the month before. Even the non-manufacturing PMI consisting of construction and services rose by 0.2 points to 54.2 where levels above 50 indicates improvement. Meanwhile, the government of China announced the exemption for taxes on interest gains in the onshore bond market applicable to foreign institutions in efforts to support the economy. On the broad market level, China's clampdown on online games battered shares of Tencent Holdings Ltd, paring gains on the Hang Seng index to just 0.80% for the week.
- Economic outlook for Germany remains cloudy despite of upbeat business sentiment. The Ifo business climate index surged to 6-month high at 103.8 points in Aug-18. The business sentiment is in line with services PMI of Germany recorded 6-month high during the same month. On a flip side, manufacturing PMI in Aug-18 registered lower than Jul-18 and ZEW economic sentiment index remains on pessimistic territory for 5-consecutive months since Apr-18. Even if the US-EU trade war were to slightly cool-off, the possibility of Trump-led administration to impose tariff hike on European products is still conceivable.
- Brent crude oil price advanced 2.1% for the week to USD77.42pb. Although OPEC oil output hit a 2018 high in August, the possible shortage of supply due to the decline in Iranian oil exports supported the Brent crude oil price which booked a 4.3% gain in August. Note that in June, OPEC and its allies decided to increase supply as President Trump urged producers to limit losses caused by the fresh sanctions on Iran.

Table 1 Weekly performance of major indices		
Weekly % change	Week before	Last week
Taiwan TAIEX	1.11	2.36
Korea KOSPI	2.05	1.29
Nikkei	1.49	1.17
Phil PCOMP	2.41	1.15
Thai SET	0.82	1.04
India SENSEX	0.80	1.03
S&P 500	0.86	0.93
Jakarta JCI	3.20	0.83
Hang Seng	1.68	0.78
Dow Jones	0.47	0.68
KLCI	1.41	0.61
China CSI 300	2.96	0.28
FSSTI Index	0.11	0.01
DAX	1.51	-0.25
CAC 40	1.64	-0.47
FTSE 100	0.25	-1.91

Source: Bloomberg

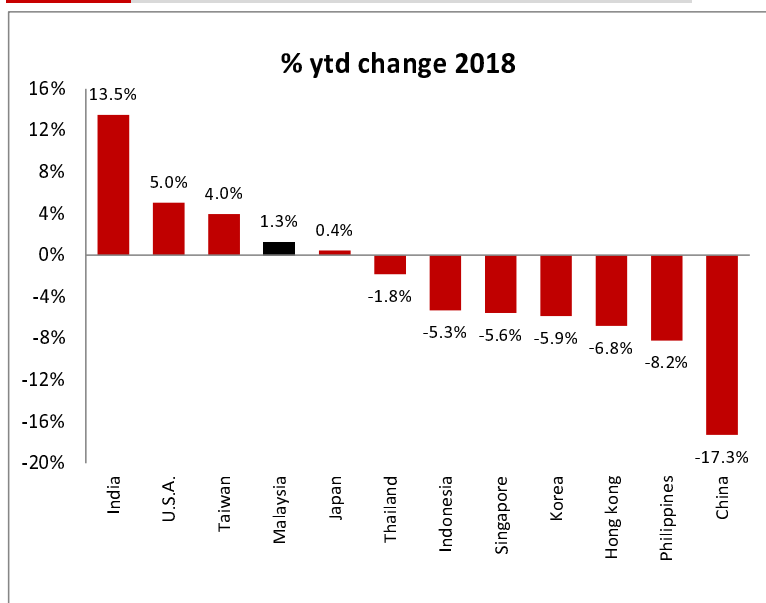
FUND FLOW REPORT

- The FBM KLCI advanced by 0.61% for the week to settle at 1,820 points. On the other hand, the Ringgit pared down its weekly decline to 0.01% after settling at USD/MYR4.1090 but logged its 11th uninterrupted week of losses.

B. TRACKING MONEY FLOW - ASIA¹

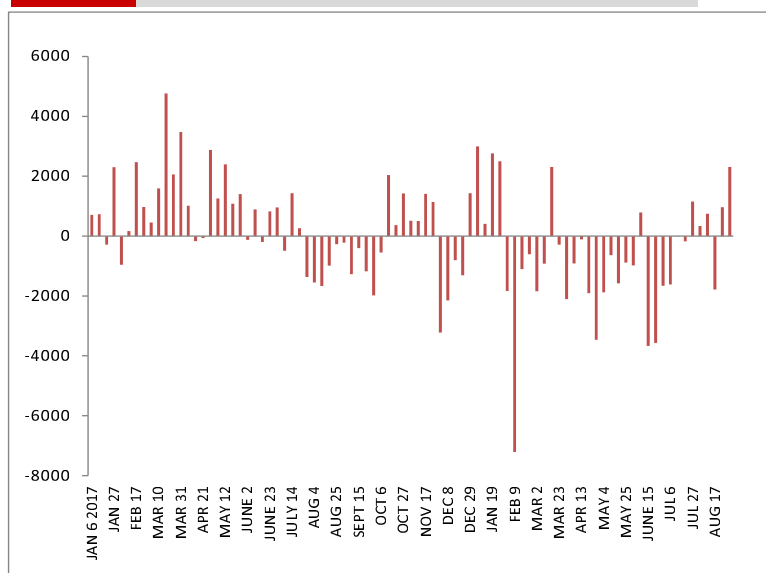
- International investors continued to increase their exposure in Asian markets on a higher pace last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” snapped up USD2.31b net last week, more than double of the amount accumulated in the preceding week.
- North Asia was the darling among the international funds, attracting more than USD2b worth of foreign net inflows in South Korea and Taiwan. South Korea itself saw offshore investors doubling their buying activity from the previous week to mop up USD1.15b of local equities, the largest weekly foreign net inflow in 34 weeks. Indeed foreign investors were net buyers on every single day of the week, extending the daily buying spree to nine days as of last Friday. Foreign investors started the week strong by buying USD249m net of equities on Monday. The level of inflows later remained below USD200m net from Tuesday to Wednesday. Nonetheless, international investors heavily entered into Korea on Friday to a tune of USD452.5m net, the highest daily inflow recorded since 31 May 2018. On the monetary front, the Bank of Korea kept its interest rates unchanged at 1.5% as expected, citing ongoing trade woes and recent downbeat economic data such export numbers in August which were below estimates despite showing a 8.7%yoy growth fuelled by stronger demand for memory chips.
- Likewise, Taiwan attracted large foreign inflows worth USD1.30b, a level not seen since early this year and nearly five times more than the week before. Foreign buying occurred from Monday to Friday with Wednesday recording the highest amount during the week at USD457.1m net, coinciding with the Taiex jumping 1.0% to settle at a 2-month high of 11,099.57 points. TSMC was the biggest contributor to the advance on Wednesday with a 3.81% gain as its competitor, Globalfoundries Inc announced the cessation to develop an advanced chip production technology.

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)

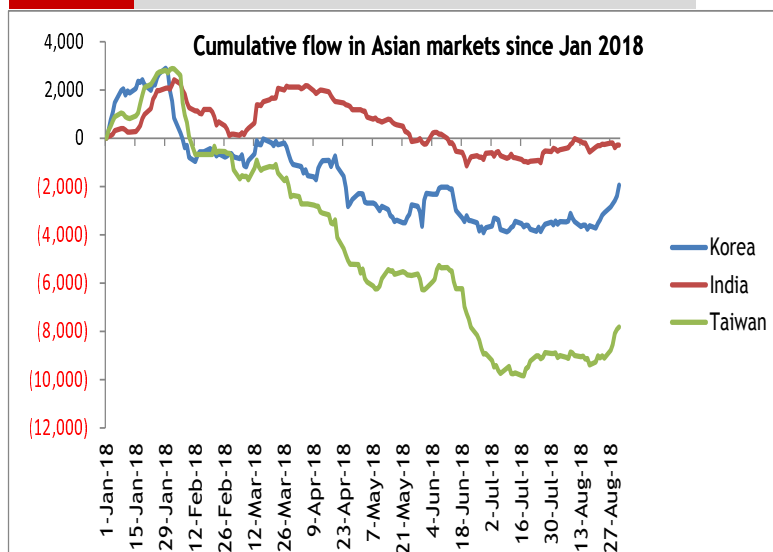


Source: Bloomberg, Bursa Malaysia, MIDFR

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.

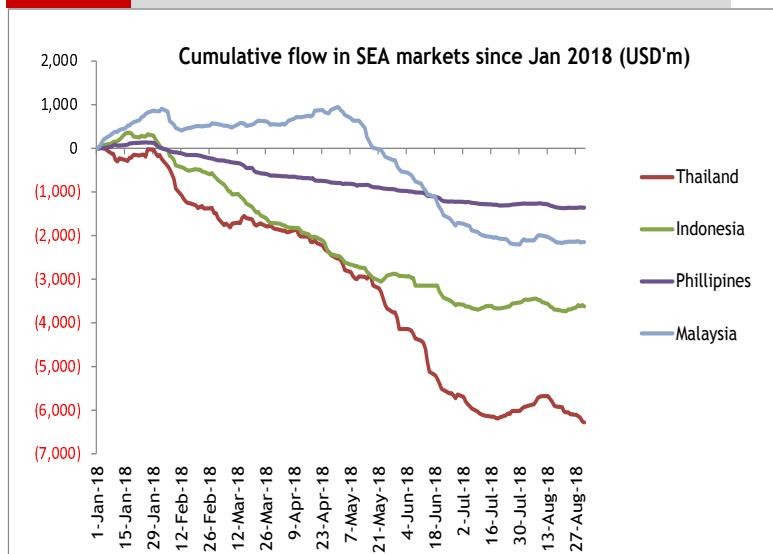
- In the emerging South East Asian markets that we monitor, half saw foreign net inflows and the other half saw foreign net outflows.
- In Bangkok, the level of foreign net selling was little changed last week at -USD189.9m net compared to -USD174.1m net in the previous week. Nonetheless, it was still the casualty of the largest foreign attrition amongst the ASEAN markets we track. Thursday saw the highest foreign net attrition during the week at -USD88.1 while other ASEAN peers such as Malaysia and Indonesia recorded inflows. Comments by the Bank of Thailand's governor stating that there is no urgency in lifting rates such as other merging market peers dragged the SET index by 0.11%, its first loss 4 days while the Baht extended its decline for the third day. So far, international investors have sold more than USD6b worth of Thai equities this year but nonetheless, the local bourse has surged almost 8% this quarter.
- During the holiday-shortened week, Manila experienced its first week of foreign net inflows worth USD7.8m after three-straight weeks of foreign disposal. Foreign investors fled Manila on Thursday and Friday as President Trump plans to move ahead to impose tariffs on China. Notwithstanding this, the commendable inflow in Tuesday worth USD8.9b bolstered by news of a trade agreement between Washington and Mexico was more than enough to offset outflows on those two days
- In Jakarta, foreign buying accelerated by more than 10 times to USD69.7m net last week, the highest amount in four weeks. Foreign buying peaked on Tuesday at USD54.8m net, a level not seen in a month amidst positive trade developments. The Rupiah on Friday settled 0.2% lower at USD/IDR14,710 after hitting a 20-year low earlier at USD/IDR14,750 amid concerns from Argentina. As a result, the nation's central bank intensified its intervention in the forex markets to contain the impact on the Rupiah.

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 13	341.6	-169.5	47.0	-30.4	-80.0	29.0	-131.9	5.8
JUL 20	-331.4	-36.1	-54.5	-29.6	-151.3	486.1	-60.9	-177.6
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	1,153.8	-189.8	69.7	7.8	-30.8	1,300.9	-3.7	2,307.8

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

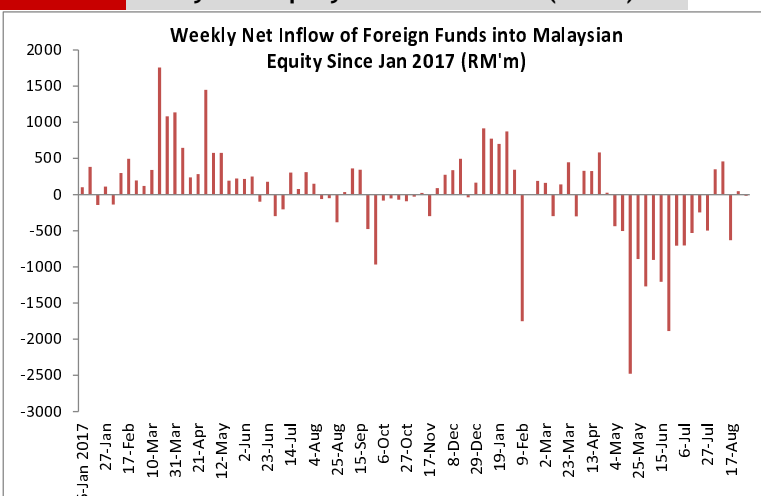
FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

- Overseas investors consolidated their position on Bursa last week ahead of the National Day holiday.
- Based on preliminary data from Bursa which excluded off market deals, international funds withdrew -RM15.3m net of local equities, last week. This is the lowest weekly foreign net outflow recorded so far in 2018.
- Offshore investors accumulated a decent amount of local equities to a tune of RM23.2m net and RM34.8m net on Monday and Tuesday respectively. The mood on Monday was upheld by comments from the Federal Reserve citing the ongoing plans to increase interest rates. Risk-on appetite was further bolstered the next day following the preliminary agreement reached between the U.S and Mexico on replacing NAFTA. The local bourse tracked the gains on Wall Street to jump 0.84% to 1,826.9 points on Tuesday, a level not seen since late May this year.
- However, investors fled Bursa on a large scale of -RM121.6m net on Wednesday, the highest daily outflow in six trading days as investors booked in profits and took cue from muted trading overnight on Wall Street. Foreign funds nevertheless snapped up RM48.3m net in conformity with Asian peers namely South Korea, Taiwan and Indonesia, tracking the rally in technology shares in U.S markets.
- The total foreign net outflow in August 2018 shrank to just -RM97.4m, compared to -RM1.60b in July 2018. This marks the fourth consecutive month of gradual decline in foreign selling since May 2018. The year-to-date outflow from Malaysia still stands at -RM8.60b as of last Friday, the second lowest outflow amongst the 4 ASEAN markets we monitor.
- In spite of the holiday-shortened week, foreign investors remained active as their weekly average daily traded value (ADTV) was 7.7% higher at RM1.24b stood above RM1b for the 7th week running. The scene in the retail market and local institutional funds was equally positive as their ADTVs rose by 2.6% and 11.2% respectively.

Chart 5

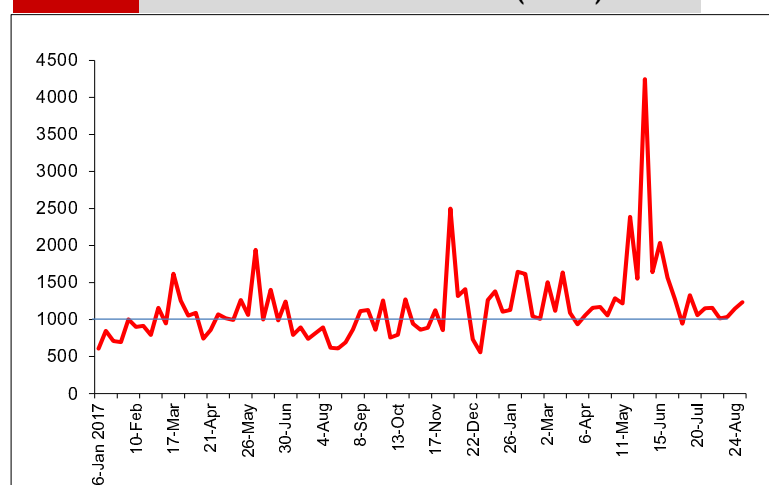
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2017 (RM'm)



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)	
JUL 27	3,274.9	3,263.4	11.5	6,429.5	5,942.6	486.9	2,629.9	3,128.3	-498.4	-122.8
AUG 3	2,296.1	2,289.6	6.5	5,334.8	5,690.2	-355.4	3,071.8	2,722.9	348.9	85.9
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

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 31 AUGUST
TOP 10 NET MONEY INFLOWS

- Public Bank Berhad registered the highest net money inflow of RM24.00m last week. Its share price outperformed with a 0.88% increase against the FBM KLCI which advanced by 0.61% during the week under review.
- Genting Plantation Berhad recorded the second highest net money inflow of RM7.13m. Its share price was 0.21% lower for the week, underperforming against the market benchmark which was 0.61% higher. Nonetheless, it is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.
- IHH Healthcare Berhad saw the third highest net money inflow of RM6.85m. Its share price was 0.71% lower during the week under review.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
PUBLIC BANK	24.00	17.41	0.88	-
GENT PLNTN	7.13	2.16	-0.21	BOW
IHH	6.85	-5.54	-0.71	BOW
TNB	6.04	30.38	-0.13	BOW
MAYBANK	5.70	-7.74	1.53	-
PRESS METAL	3.48	0.12	4.51	-
TOP GLOVE	2.74	-6.59	3.15	-
MAHB	2.05	-3.82	2.75	-
KPJ	1.88	1.44	0.00	-
YTL POWER	1.87	1.27	-2.56	BOW

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- Petronas Chemicals Berhad saw the largest net money outflow of -RM31.92m last week. Its stock price gained 2.44%, outperforming vis-à-vis the FBM KLCI which gained 0.61% during the review week. It is notable that the net money outflow amidst advancing share price may indicate a sell on strength (SOS) stance among some investors.
- MY EG Services Berhad recorded the second largest net money outflow -RM5.76m during the week under review. Its share price meanwhile gained 10.37% for the week, outperforming the market benchmark which had a 0.61% weekly gain.
- Axiata Group Berhad registered the third largest net money outflow of -RM5.06m in the review week. Its share price meanwhile advanced 1.69% during the week, outperforming the benchmark which had a 0.61% weekly gain.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
PETCHEM	-31.92	-1.80	2.44	SOS
MY EG	-5.76	-2.12	10.37	SOS
AXIATA	-5.06	-5.82	1.69	SOS
SIME DARBY	-4.36	0.41	-0.78	-
AMMB	-3.85	0.87	-0.97	-
CIMB GROUP	-3.77	7.06	1.84	SOS
RHB BANK	-3.25	-16.39	2.86	SOS
SD PLNTN	-2.42	-1.68	0.37	SOS
GENTING BHD	-2.23	0.27	-1.37	-
DRB-HICOM	-2.02	-0.79	-5.42	-

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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