

MIDF EQUITY STRATEGY | 17 APRIL 2017

WEEK ENDED 14 APRIL 2017

- Equity prices around the globe retreated last week ahead of the long weekend in many markets. Most indices ended the week in the redzone.
- In the U.S, investors were agitated by geopolitical concerns over Russia, Syria and North Korea. Most Asian markets took the cue from Wall Street as they ended on a weaker note for the week. Investors were also anxious ahead of China's GDP data due on Monday.
- Crude oil price ended the week in the positive territory, gaining 4.6% to USD55.89pb for the week. Brent price soared to a peak of USD56.23pb, the highest since 21 February 2017 following IEA's statement noting that global demand is approaching a level that outstrips supply.
- The Ringgit gained grounds last week especially on Friday, partly attributable to Bank Negara's decision to allow all investors, not just banks, to fully hedge their foreign exchange exposure. The Ringgit rose to as high as USD/RM4.3985 intraday on Friday, the first time it broke the USD/RM4.40 threshold since August last year.
- The KLCI declined by -0.62% to its technical support level of 1,730 points.
- The flow of global funds into Asian equity was disrupted last week by market closures and rising uncertainty. However foreign buying momentum of Indonesian shares remained strong.
- The tapering of foreign purchases on Bursa continued at a measured pace last week.
- Foreigners took their foot off the pedal as the amount purchased in the open market (excluding off market deals) declined significantly to RM239.9m net, compared to RM645.3 the week before. Nevertheless, the surplus means that foreign investors have now been net buyers on Bursa for the 10th consecutive week.

HOLIDAY-DISRUPTED TIDE

A. MARKET SNAPSHOT

- Equity prices around the globe retreated last week ahead of the long weekend in many markets. Most indices ended the week in the redzone.
- In the U.S, investors were agitated by geopolitical concerns over Russia, Syria and North Korea. In addition, large U.S. banks reported sluggish loan growth which dampened prices despite better-than-expected earnings numbers. Meanwhile, the dollar experienced headwinds following President Trump's comment that the dollar is getting "too strong" and that he favours lower interest rates.
- Prior to Friday, the U.S. dropped the largest non-nuclear bomb in Afghanistan. It aggravated geopolitical concerns going into the break.
- Most Asian markets took the cue from Wall Street as they ended on weaker note for the week. The CSI 300 lost -0.95% as investors awaited China's GDP data due on Monday. On the bright side, China reported tremendous trade growth in March as exports rose at the fastest pace in more than two years, rising 16.4%yoy. The outlook of China's exports further improved as President Trump has softened his anti China rhetoric.
- In Europe, the French presidential election dominated news as Jean Luc Melenchon, a far left veteran perceived as a long shot has now clambered high into the top four candidates. The latest voter surveys indicate a possibility of a second round between Melenchon and far-right candidate Marine Le-Pen. The increase of political uncertainty was followed by CAC's weekly loss of -1.25% while the Euro was little moved at 0.94 per USD.
- Crude oil price ended the week in the positive territory by 4.6% to USD55.89pb for the week. During the week, Brent price soared to USD56.23pb, the highest since 21 February 2017 following IEA's statement noting that global demand is approaching a level that outstrips supply after 3 years of excess. Oil stockpiles across OECD countries fell by 16.2m barrels in March while Middle East countries such as Saudi and Kuwait have encouraged OPEC members and some rivals to prolong supply cuts beyond June 2017.
- The KLCI declined by -0.62% to its technical support level of the 1,730 level for the week, in line with other major global markets. Investors were prompted to swap equities for safe haven assets due to geopolitical concerns. The Ringgit gained grounds last week especially on Friday, partly attributable to Bank Negara's decision to allow all investors, not just banks, to fully hedge their

Table 1 Weekly performance of major indices

Weekly % change	Week before	Last week
Phil PCOMP	3.72	0.61
Thai SET	0.53	0.38
Hang Seng	0.65	-0.02
FSSTI Index	0.07	-0.25
FTSE 100	0.36	-0.30
KLCI	0.09	-0.62
Jakarta JCI	1.53	-0.65
Korea KOSPI	-0.39	-0.78
India SESNEX	0.29	-0.83
China CSI 300	1.78	-0.91
DAX	-0.71	-0.95
Dow Jones	-0.03	-0.98
S&P 500	-0.30	-1.13
CAC	0.25	-1.25
Taiwan TaieX	0.63	-1.42
Nikkei	-1.29	-1.76

Source: Bloomberg

foreign exchange exposure. The Ringgit rose to as high as USD/RM4.3985 intraday on Friday, the first time it broke the USD/RM4.40 threshold since August last year.

B. TRACKING MONEY FLOW - ASIA¹

- The flow of global funds into Asian equity was disrupted last week by market closures and rising uncertainty. In the aggregate, global funds were net sellers in the seven Asian markets that we track. However, the amount was small at only -USD117.4m net, and the bulk of the selling was contained to a few markets.
- North Asian markets were the casualties last week. Foreigners offloaded -USD237.2m net of Korean shares, the third highest in a week this year. Geopolitical tensions spiked after a group of U.S. aircraft carriers diverted to the Korean Peninsula, following concerns over a missile test by North Korea. Korean defense-related stocks such as Hanwha Techwin, LIG Nex1 and Korean Airspace Industries moved significantly pursuant to the news. The KOSPI and the Won were down -0.78% and -0.48% respectively for the week.
- Meanwhile, foreign purchases of Taiwanese stocks dried up as the amount shrunk to only USD66.5m, compared with USD248.1m the week before. The Taiwanese Dollar dipped on Friday coinciding with Taiex's 1.05% fall to a one-month low at 9,732 points. On a related development, lawmakers in Taiwan have approved the tax cut on same-day stock trading with the aim of boosting trading volumes. Under this new law, securities transaction tax on same-day trading is halved to 0.15%, effective for one year.
- The flow of foreign funds into Emerging South East Asian markets was not as badly affected as that flowing into their North Asian counterparts.
- Foreign buying momentum of Indonesian stocks remained strong and the inflow has stretched for seven straight week. President Jokowi restated the Government's

Chart 1 YTD performance of major markets

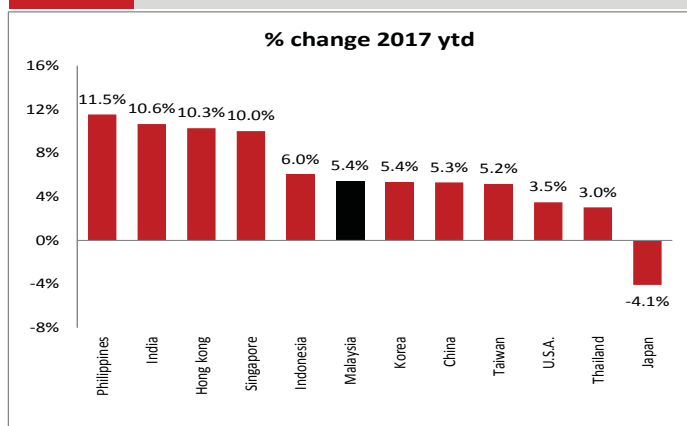
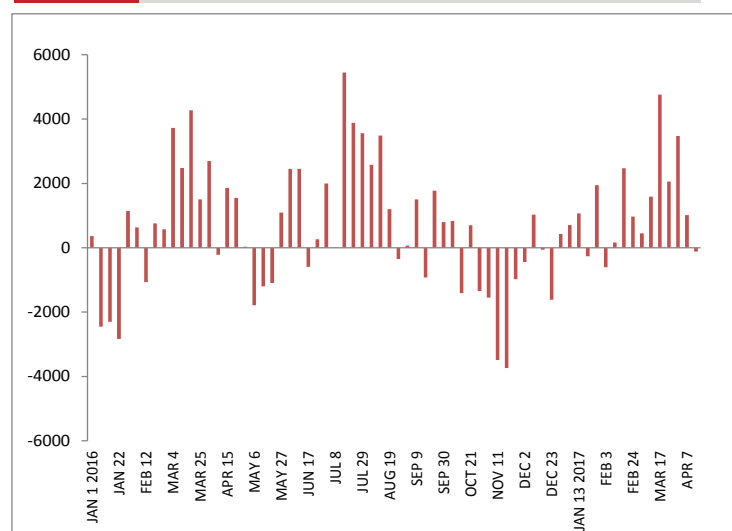


Chart 2 Weekly Net Flow of Foreign Funds into 7 Asian Markets since Jan 2016 (USD'b)



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.

commitment in infrastructure development during a cabinet meeting. The completion of major infrastructure projects shall be expedited to avoid higher costs in the future. Investors' confidence in the construction sector were boosted by the President's statement. Ministers were also encouraged to provide platforms for the private sector to contribute in the building of toll roads, sea roads and airports.

- Foreign funds' return to Manila extended for the second week running although the amount purchased dwindled expectedly ahead of the 4-day weekend. The Composite index hit a six-month high of 7629 points on Wednesday, while the Peso was stronger after settling at USD/Php49.48, marking gains for six consecutive days. The Peso rally was amplified by the high number of overseas Filipino workers remitting dollars back to their homeland before the long weekend.
- In Thailand, foreign purchases of equity also continued but at a slower pace. Net foreign buying in Thailand eased to USD6.6m, compared to USD64.5m the week before. Disruption of foreign net inflow may be due to the Songkran festival where the market was closed for three days. Meanwhile, the Baht halted its seven-day trading losing streak on Tuesday after a World Bank Official stated that the Baht's stability will remain in the near term supported by strong forex reserves. The strengthening of the Baht was accompanied by the SET index edging 0.42% higher during the two-day trading week.

Chart 3 Net Flow of Foreign Funds into Taiwan, Korea and India since Jan 2017(USD'b)

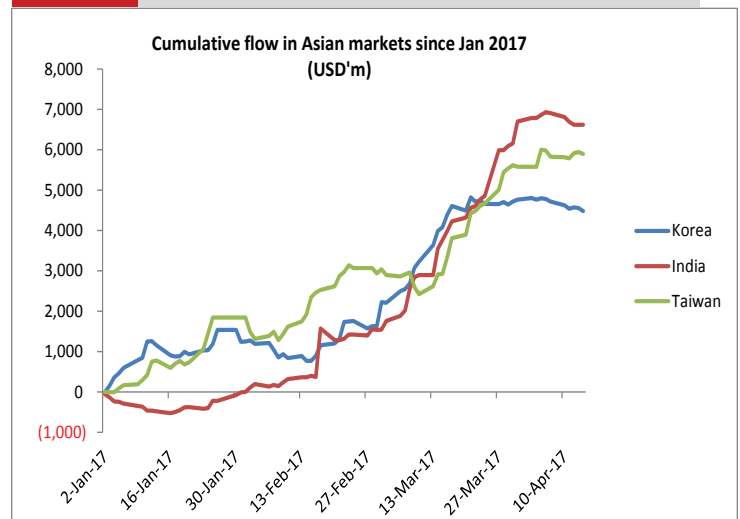
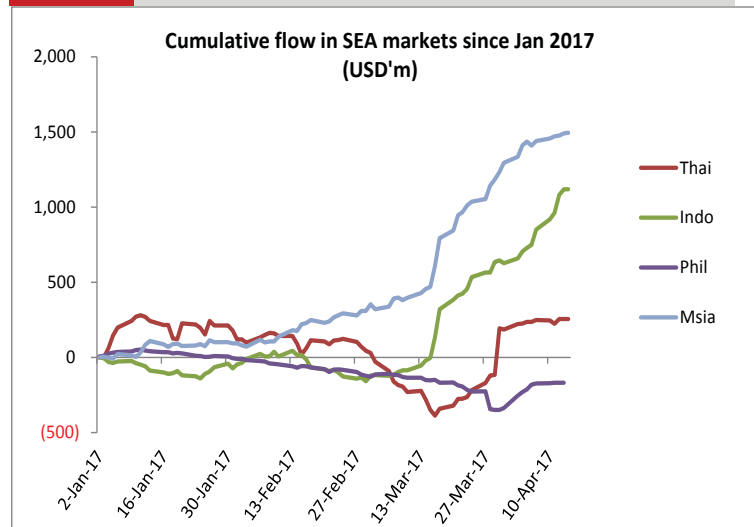


Chart 4 Net Flow of Foreign Funds into South East Asia Emerging Markets since Jan 2017 (USD'b)



Source: Bloomberg, Bursa Malaysia

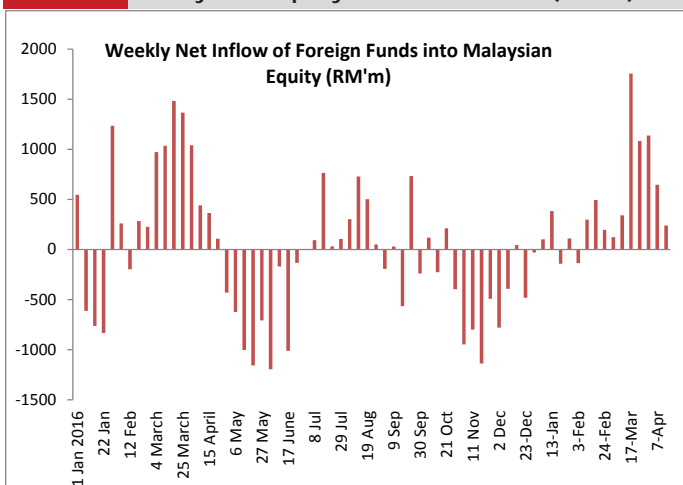
Table 2 Weekly Net Flow Of Foreign Fund Into Equity By Market (USD'm)

WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
FEB 24	604.0	9.42	-59.5	-20.8	-151.2	546.6	44.1	972.6
MAR 3	451.2	-152.3	9.11	-49.1	335.9	-172.7	27.5	449.7
MAR 10	1,020.2	-201.2	32.6	-1.1	1,137.2	-473.8	76.7	1,590.6
MAR 17	1,379.4	-112.3	406.3	-19.9	1,329.6	1,383.0	395.6	4,761.8
MAR 24	50.1	123.7	213.7	-66.6	631.3	862.1	244.4	2,058.8
MAR 31	104.7	403.4	91.2	-132.5	1,234.2	889.0	257.6	2,847.0
APR 7	-48.4	64.5	225.3	166.9	209.8	248.4	145.7	1,012.3
APR 14	-237.5	6.6	267.4	13.2	-287.6	66.5	54.0	-117.4

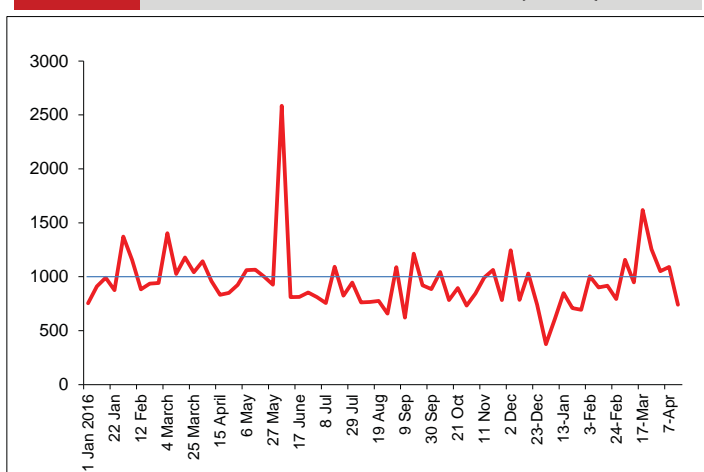
Source: Respective exchange statistics reported on Bloomberg. Bursa Malaysia. These figures are subject to revisions.

C. TRACKING MONEY FLOW - MALAYSIA

- The tapering of foreign purchases on Bursa continued at a measured pace last week.
- Foreigners took their foot off the pedal as the amount purchased in the open market (excluding off market deals) declined significantly to RM239.9m net, compared to RM645.3 the week before. Nevertheless, the surplus means that foreign investors have now been net buyers on Bursa for the 10th consecutive week.
- On a positive note, foreign investors were net buyers every single day last week. The buying was nevertheless lacklustre, reflecting non-committal fervour among the investors. It is to be expected as the global equity market is currently in a consolidation mode, and trading had been disrupted by closures in a few markets.
- The silver lining is that the local market has been spared of an abrupt and destabilising withdrawal.
- Year-to-date, the cumulative foreign purchases amounted to RM6.63b. While this is sizeable, it is still only about half compared to the same trading period in 2013, which was the last General Election year.
- Foreign participation on Bursa in general eased last week. Foreign average daily trade value (ADTV) was lower by 32% at RM740.6m, the first time it declined below the RM1b level in four weeks. On Friday foreign participation plunged to only RM235.4m.
- Retail market remained vibrant despite the ADTV declining by 20.4% to RM1.11b. It was the sixth straight week that the ADTV exceeded RM1b. Indeed the daily participation for the retail market exceeded RM1b every day of the week.

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)	
MAR 3	2,387.2	2,541.6	-154.4	7,725.6	7,692.3	33.3	2,955.5	2,834.4	121.1	27.5
MAR 10	2,642.9	2,749.0	-106.1	7,913.7	8,148.7	-235.0	2,538.4	2,197.3	341.1	76.7
MAR 17	3,028.9	3,208.9	-180.0	9,265.8	10,841.8	-1,576.0	4,926.6	3,170.6	1,756.0	395.6
MAR 24	3,149.9	3,169.1	-19.2	8,417.8	9,480.6	-1,062.8	3,680.0	2,598.1	1,081.9	244.4
MAR 31	2,620.8	2,670.6	-49.9	6,967.6	8,055.8	-1,088.3	3,199.6	2,061.5	1,138.1	257.6
APR 7	3,441.0	3,500.9	-59.9	8,803.2	9,388.6	-585.4	3,048.4	2,403.0	645.32	145.7
APR 14	2,747.5	2,777.6	-30.1	6,823.1	7,032	-208.9	1,970.9	1,731.9	239.0	54.0

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 14 APR
TOP 10 NET MONEY INFLOWS

- KL Kepong registered the highest net money inflow of RM14.32m last week. Its share price declined by -3.48%, underperforming against the FBM KLCI which decreased by -0.62% during the week under review. On this score, it is notable that the net inflow amidst declining share price indicates a buy on weakness (BOW) stance among some investors.
- Nestle Malaysia recorded the second highest net money inflow of RM7.26m. Its share price however outperformed against the FBM KLCI with a 0.58% gain. The company announced that it has invested over RM1m on its 'Wellness Together-Gather' e-commerce campaign.
- UMW Holdings saw the third highest net money inflow of RM5.18m. Its share price underperformed the benchmark index with a -0.83% loss during the review week.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
KL KEPONG	14.32	-10.41	-3.48	BOW
NESTLE	7.26	20.98	0.58	-
UMW	5.18	0.16	-0.83	BOW
WESTPORTS	5.14	0.54	0.25	-
HARTELEGA	4.75	0.25	-0.61	BOW
IOI CORP	4.48	1.08	-4.97	BOW
SUNWAY BHD	2.51	-0.23	0.40	-
PETGAS	2.18	1.65	-1.12	BOW
DIGI	2.07	1.60	0.20	-
AMMB	2.01	-1.12	0.00	-

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- MAHB saw the largest net money outflow of -RM22.56m last week. Its stock price underperformed the benchmark index with a -1.39% loss.
- Tenaga Nasional recorded the second largest net money outflow -RM15.11m during the week under review. Its share price outperformed the benchmark index with a 0.15% gain. The company announced that the sale of 1Malaysia Development Bhd (1MDB) energy assets for RM10.2b cash to China General Nuclear Power Corp (CGN) and its subsidiaries included development rights, that broke away from industrial practice.
- British American Tobacco registered the third largest net money outflow at -RM11.99m in the week under review and its share price outperformed the FBM KLCI with a 1.74% gain. On this score, it is notable that the net outflow amidst declining share price indicates 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	
MAHB	-22.56	-7.75	-1.39	-
TNB	-15.11	3.48	0.15	SOS
BAT	-11.99	-1.96	1.74	SOS
PETCHEM	-10.98	-6.93	-2.31	-
IHH	-9.43	-1.48	0.33	SOS
CIMB	-8.84	23.78	-1.47	-
DIALOG	-8.79	2.03	-2.73	-
PUBLIC BANK	-6.91	0.08	-0.50	-
SIME DARBY	-6.00	25.37	-0.54	-
MYEG	-4.63	-0.47	-3.30	-

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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(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Business Address:
11 & 12 th Floor, Menara MIDF,
82, Jalan Raja Chulan, 50200
Kuala Lumpur.
Tel: 2173 8888
Fax: 2173 8380