

## MIDF EQUITY STRATEGY | 25 APRIL 2017

WEEK ENDED 21 APRIL 2017

- Global equity markets remained in a state of flux last week. Investors remained cautious ahead of the first round of the French presidential election..
- Wall Street recovered from its two-week losing streak despite a few setbacks on heavyweights such as Goldman Sachs which reported lower-than-expected earnings.
- Crude oil price cancelled out gains recorded the week before by sliding 7.0% to USD51.89pb for the week. The fall may be attributed to due to the concerns on the pickup in U.S. shale production that is expected to rise to 5.19m barrels per day in May.
- The Ringgit maintained its upward momentum by closing at USD/RM4.3993, 0.17% higher than the week before. The reason behind this would be the investor's shift towards emerging market currencies following Trump's concern on the dollar that is too strong.
- The KLCI reversed last week's retracement by hitting 1,754 points on Friday, the highest in almost two years.
- Global funds left Asian equity for the second week running, but still at a very low pace. Indonesia was the favoured South East Asia market last week, while foreigners exited Thailand for the first time in five weeks.
- The amount may have tapered but foreign buying on Bursa continued for the 11th consecutive week, the longest since the 24-week buying streak which ended in May 2013, the month of the last General Election.

## THE TIDE IS LOW, BUT NOT SEASONAL

### A. MARKET SNAPSHOT

- Global equity markets remained in a state of flux last week. Investors remained cautious ahead of the first round of the French presidential election.
- Wall Street recovered from its two-week losing streak despite a few setbacks on heavyweights such as Goldman Sachs which reported lower-than-expected earnings. Overall, 75% of the 95 S&P 500 companies that reported earnings on Friday morning topped expectations according to Thomson Reuters.
- On Thursday, Steven Mnuchin announced that President Trump is expected to reveal his tax reform proposal 'very soon'. This bode well for S&P 500 which experienced its second-best day in April. The situation became more promising the day after when President Trump said that the tax plan will be unveiled this week. The tax reform will include a massive tax cut for individuals and businesses.
- Asian markets such as Japan followed suit as the Nikkei recorded the largest weekly gain. Japan reported its first trade surplus in six years during the fiscal year of 2016 at JPY4.01t. The trade surplus was driven by cheap fossil fuel imports amid low oil prices since Japan was prompted to import more fossil fuel following the March 2011 Fukushima nuclear disaster.
- In the U.K., Theresa May unexpectedly called for a snap election to be scheduled on 8 June in the attempt to strengthen her parliamentary mandate to smoothen the Brexit process. Following the announcement, the British Pound settled at a six-month high of 0.7788 per USD. In contrast, stocks were jittery as FTSE 100 marked its biggest intra-day loss of 3.1% since the day British people voted for Brexit. Regionally, European stocks were mixed while the euro came off its three week high ahead of the first round in French Presidential election after a terrorist attack in central Paris on Thursday night.
- Crude oil took a 7.0% dip for the week by closing at USD51.89pb after rallying the week before. OPEC members such as Saudi Arabia gave bullish comments regarding a possible extension beyond June for the OPEC-led deal to cut global supply. However, the mood turned somber due to the concerns on the pickup in U.S. shale production that is expected to rise to 5.19m barrels per day in May. Pressure on crude price was further exacerbated by the lesser-

**Table 1** Weekly performance of major indices

Weekly % change	Week before	Last week
Nikkei	-1.76	1.56
KLCI	-0.62	1.45
Korea KOSPI	-0.78	1.41
Jakarta JCI	-0.65	0.85
S&P 500	-1.13	0.85
Dow Jones	-0.98	0.46
Taiwan Taiex	-1.42	-0.16
CAC 40	-1.25	-0.23
India SENSEX	-0.83	-0.33
DAX	-0.95	-0.50
China CSI 300	-0.91	-0.55
Phil PCOMP	0.61	-0.67
Hang Seng	-0.02	-0.91
FSSTI Index	-0.25	-0.93
Thai SET	0.38	-1.23
FTSE 100	-0.30	-2.91

Source: Bloomberg

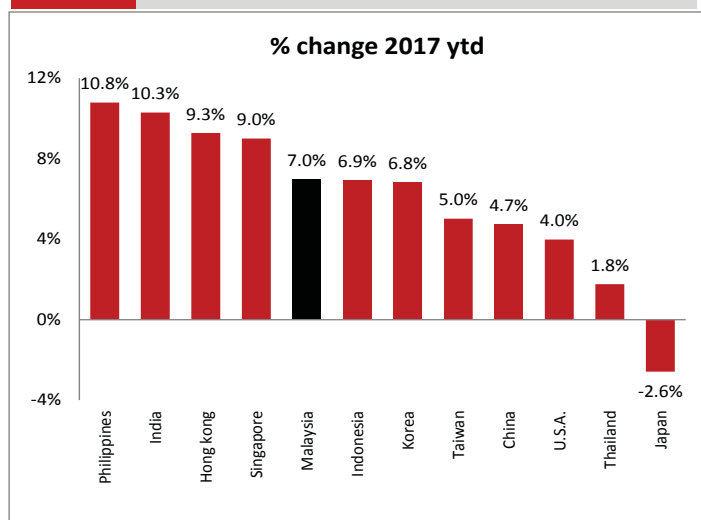
than-expected fall in U.S. Crude stockpiles that fell by 1.00m barrels the week before according to the EIA.

- The KLCI reversed last week's retracement by hitting 1,754 points on Friday, the highest in almost two years. KLCI's performance was in line with improved regional sentiment that gave a boost to banking stocks. The ringgit was equally hot by closing at USD/RM4.3993, 0.17% higher than the week before. The ringgit's strength may be attributable to investor's shift towards emergency market currencies following Trump's concern on the dollar that is too strong.

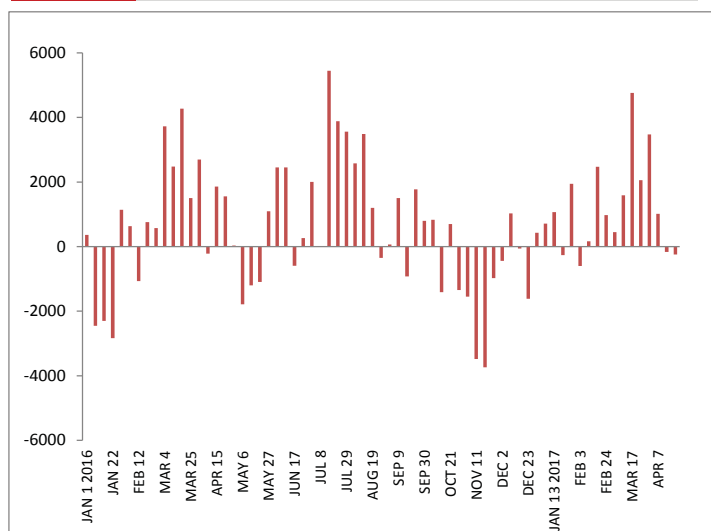
**B. TRACKING MONEY FLOW - ASIA<sup>1</sup>**

- Global funds left Asian equity for the second-week running, but still at a very low pace. In aggregate, global funds were net sellers in the seven Asian markets that we track. The amount sold was -USD241.1m net, slightly higher than the week before.
- In North Asia, foreigners returned to Korea while Taiwan experienced the opposite. Foreigners purchased USD83.5m net of Korean shares, compared with last week's net outflow of -USD237.5m. Foreigners returned as tensions on the Korea Peninsula eased when China signaled to the U.S. that it will pressure North Korea to discontinue its nuclear program. The improved sentiment fuelled weekly gains for KOSPI Index and the Won of 1.41% and 0.48%, respectively.
- In contrast, foreigners retreated from Taiwan as -USD268.8m net were offloaded, compared with USD66.5m acquired the week before. The Taiex dipped to 9,632 points on Thursday, the lowest level in five months amid protest by locals against pension reforms. The rallies sparked as the parliament began reviewing controversial bills to enhance the existing pension system.
- The flow of foreign funds into Emerging South East Asian markets was not as badly affected as that flowing into their North

**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

<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.

Asian counterparts.

- Indonesia was the favoured South East Asia market last week, with net foreign buying extending to eight straight weeks. It was a tense week for Jakarta due to the second gubernatorial run-off elections that unofficially saw Ahok concede the poll to former education minister, Anies Baswedan who secured 58% of the votes. The peaceful election rekindled investors' confidence to continue buying Indonesian equities. As a consequence, the Jakarta Composite Index inched higher by 0.85% to 5,664 points on a weekly basis.
- Meanwhile, foreigners pulled out from Manila after two straight weeks of buying. Profit-taking activity saw the Philippine Composite Index retreating to below the current support level of 7,600 level during the start of the week. The sell-down of Philippines equities was also in response to legal qualms over telecommunication provider, PLDT Inc that dragged the telco sector. The Phil Peso took the cue from the sell-down by weakening 0.49% against the greenback for the week.
- Foreigners turned sellers in Thailand for the first time in five weeks, offloading -USD122.4m. The sell-down caused the -1.23% weekly drop of the SET index. A reason for this could be the shift towards the fixed income market, especially long term bonds, after the Bank of Thailand scaled back its short term bond issuances to keep a lid on the Baht's strength.

Chart 3

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

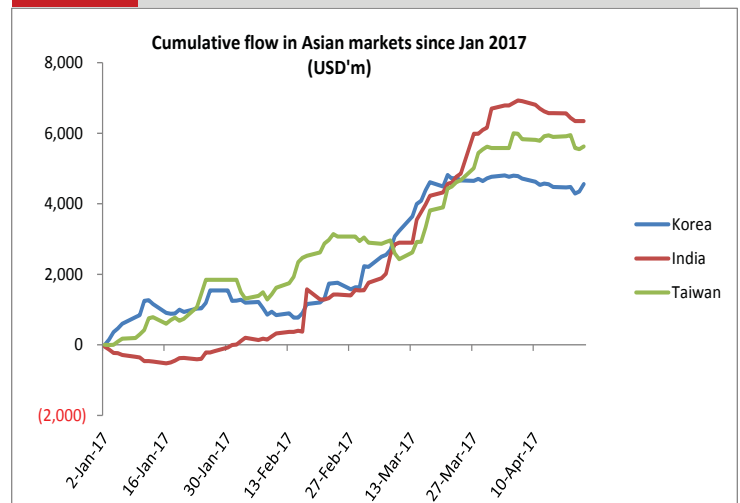
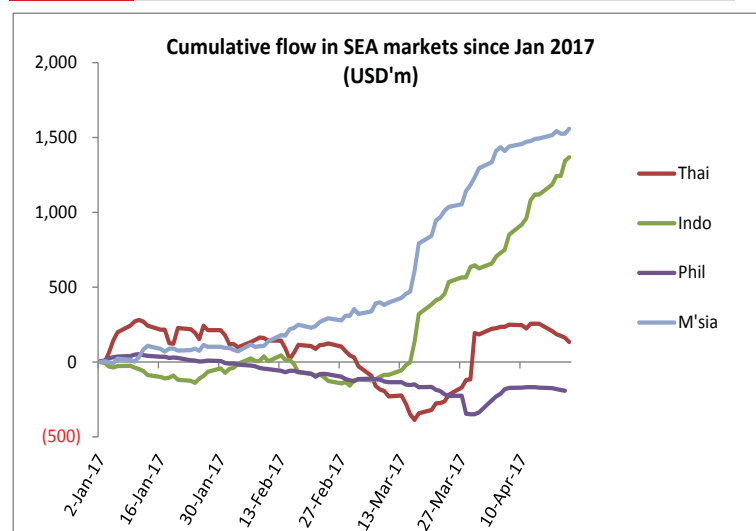


Chart 4

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)

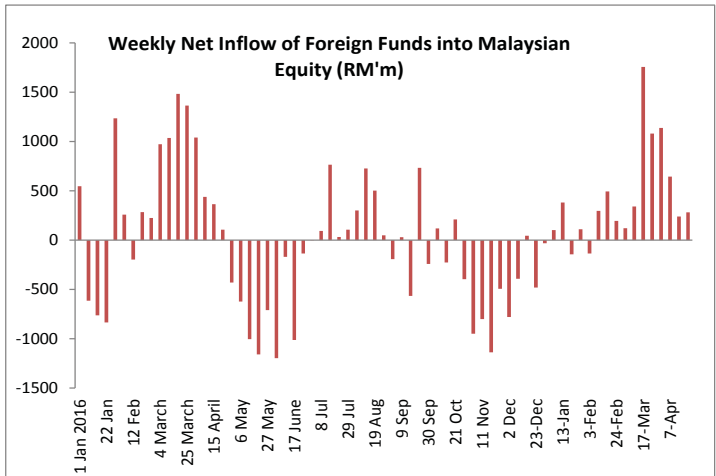
WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
MAR 3	451.2	-152.3	9.11	-49.1	335.9	-172.7	27.5	449.7
MAR 10	1,020.2	-201.2	32.6	-1.1	1,137.2	-473.8	76.7	1,590.6
MAR 17	1,379.4	-112.3	406.3	-19.9	1,329.6	1,383.0	395.6	4,761.8
MAR 24	50.1	123.7	213.7	-66.6	631.3	862.1	244.4	2,058.8
MAR 31	104.7	403.4	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	-336.1	66.5	54.0	-117.4
APR 21	83.5	-122.4	249.8	-23.7	-223.7	-268.8	64.2	-241.0

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

**C. TRACKING MONEY FLOW - MALAYSIA**

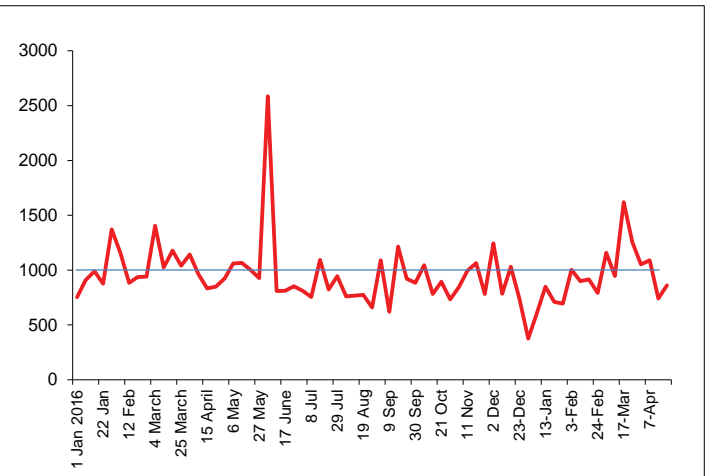
- The amount may have tapered but foreign buying on Bursa continued for the 11th consecutive week, the longest since the 24-week buying streak which ended in May 2013, the month of the last General Election.
- Foreign purchase of equity listed in the open market (excluding off market deals) amounted to RM283.0m net, compared to RM239.0m the week before.
- Most foreign buying occurred on Friday when the amount reached RM144.9m net. The influx of foreign buying coincided with the KLCI reaching a 22-month high as sentiment was boosted by a possible tax reform by Trump, to be announced this Wednesday.
- Year-to-date, the cumulative foreign net purchases amounted to RM6.91b, the highest among regional peers namely Thailand, Indonesia and the Philippines.
- Foreign participation on Bursa bounced last week but it remained at a moderate level last week. Foreign average daily trade value (ADTV) was up by 16% to RM860.4m.
- Retail participation has started to taper as the ADTV declined by 20.2% to RM881.4m, the first time it declined below the RM1b level in six weeks. There was heavy profit taking by retail investors last week. The amount offloaded of -RM187.6m was the highest in a week this year.

**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 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	645.3	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
APR 21	2,109.6	2,297.2	-187.6	6,906.5	7,001.9	-95.4	2,292.6	2,009.6	283.0	64.2

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 21 APR**
**TOP 10 NET MONEY INFLOWS**

- KL Kepong registered the highest net money inflow of RM10.32m last week. Its share price increased by 2.10%, outperforming against the FBM KLCI which increased by 1.45% during the week under review.
- British American Tobacco recorded the second highest net money inflow of RM5.82m. Its share price however underperformed against the FBM KLCI with a -0.60% loss. On this score, it is notable that the net inflow amidst declining share price indicates a buy on weakness (BOW) stance among some investors. The company announced its financial results for 1QFY17 that shrank further due to lower cigarette sales.
- Heineken Malaysia saw the third highest net money inflow of RM5.00m. Its share price underperformed the benchmark index with a 0.34% gain 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	10.32	14.32	2.10	-
BAT	5.82	-11.99	-0.60	BOW
HEINEKEN	5.00	0.32	0.34	-
UMW HLDGS	4.06	5.18	3.16	-
PPB	3.84	-0.13	1.81	-
GAMUDA	2.31	-0.59	0.59	-
UOA DEV	1.34	-0.02	-0.76	BOW
TOP GLOVE	1.31	1.47	-1.64	BOW
MALAKOFF	1.12	-2.39	-0.81	BOW
YTL CORP	1.12	0.27	-2.67	BOW

Source: Bloomberg, MIDFR;

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

**TOP 10 NET MONEY OUTFLOWS**

- Tenaga Nasional saw the largest net money outflow of -RM37.22m last week. Its stock price underperformed the benchmark index with a 0.29% 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.
- Petronas Chemicals recorded the second largest net money outflow -RM11.09m during the week under review. Its share price underperformed the benchmark index with a -0.66% loss. The company has approved the investment worth USD442m for an Isononanol plant within the Pengerang Integrated Complex in Johor.
- Genting Malaysia registered the third largest net money outflow at -RM10.17m. Its share price outperformed the benchmark index with a 6.22% gain. 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	
TNB	-37.22	-15.11	0.29	SOS
PETCHEM	-11.09	-10.98	-0.66	-
GENTING MSIA	-10.17	-2.06	6.22	SOS
PUBLIC BANK	-9.26	-6.91	0.30	SOS
PETDAG	-7.46	-0.60	0.00	-
CIMB	-7.01	-8.84	4.28	SOS
AIRASIA	-6.64	-0.24	6.23	SOS
MAYBANK	-6.42	-3.40	5.03	SOS
TELEKOM	-4.69	1.86	1.25	SOS
MAHB	-4.55	-22.56	2.82	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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