

MIDF EQUITY STRATEGY | 2 MAY 2017

WEEK ENDED 28 APRIL 2017

- Global equity markets staged a relief rebound after Macron's victory in the first round of the French presidential election.
- U.S. markets responded mutedly to President Trump's tax plan which lacked details. Moreover, the GDP grew at its slowest pace in three years in 1Q2017 at a 0.7% annual rate.
- Crude oil extended losses for three-straight weeks with a decline of 0.30% to USD51.73pb for the week. The weekly loss may be due to the sentiment being hit on Tuesday due to the surprise buildup of U.S. oil inventories which increased by 900,000 barrels to a fresh record high of 532.5m barrels at the end of the week before according to the API
- The Ringgit maintained its upward momentum by closing at USD/RM4.3410, 1.32% higher than the week before, extending its third week of gains.
- The KLCI recorded its second week of gains by closing at 1,768 points on Friday, the highest in almost two years
- Global funds made a strong comeback to Asia after two weeks of hesitation. In aggregate, there was foreign net buying across the seven Asian markets that we track.
- There was an influx of foreign liquidity into Bursa last week despite it being a 4-day trading week. Foreign purchase of equity listed in the open market (excluding off market deals) surged to RM1.45b net, the second highest in a week this year and five times more than that the week before.
- Foreign buying on Bursa has now stretched for 12 consecutive weeks, the longest since the 24-week buying streak which ended in May 2013, the month of the last General Election.
- For the month of April, the cumulative foreign net purchases amounted to RM2.62b.

HIGH TIDE IS BACK!

A. MARKET SNAPSHOT

- Global equity markets staged a relief rebound after Macron's victory in the first round of the French presidential election.
- Wall Street hopped on the French vote relief bandwagon as U.S. stock benchmarks rallied together with European Equities. The rally in U.S. equities continued as Nasdaq stormed to a new record high of above 6,000 points on Tuesday boosted by a strong batch of first quarter corporate earnings and gains in tech stocks such as Biogen and Apple.
- Later on Thursday, U.S. markets responded mutedly to President Trump's tax plan which lacked details. Moreover, the GDP grew at its slowest pace in three years in 1Q2017 at a 0.7% annual rate. Nevertheless, major U.S. benchmarks rose for the week.
- Despite the positive global risk sentiment driven by the French-vote-relief, China remained in the red for the week which saw its stocks dipping the most in three months. The dip in Chinese stocks may have been caused by growing concerns on Chinese authorities tightening financial regulation to crack down on leveraged trading. Nevertheless, bad loans in China have started to stabilize with the 4Q2016 non-performing loans ratio declining for the first time since 2012.
- It was not a surprise that Macron's first-round win sparked a sharp rally in the European currency and benchmark indices. For benchmark indices, French's CAC 40 surged 4.5% to a nine-year high and London's FTSE 100 added 2.1%, the biggest one day rally since September last year while the euro jumped to a 5 month-high to USD1.09395. However, gains in the euro were erased and European stocks pared their declines when ECB President, Mario Draghi, signaled to maintain the stimulus program and left interest rates unchanged despite a solid economy in the Eurozone .
- Crude oil extended losses for the third straight weeks with a decline of 0.30% to USD51.73pb. The weekly loss may be due to the weak sentiment on Tuesday due to the surprise buildup of U.S. oil inventories which increased by 900,000 barrels to a fresh record high of 532.5m barrels at the end of the week before according to the API. As a result, crude prices plunged to its one month low

Table 1 Weekly performance of major indices

Weekly % change	Week before	Last week
CAC 40	-0.23	4.11
DAX	-0.50	3.23
Nikkei	1.56	3.09
Hang Seng	-0.91	2.38
Dow Jones	0.46	1.91
India SENSEX	-0.33	1.88
Korea KOSPI	1.41	1.87
Taiwan TAIEX	-0.16	1.59
S&P 500	0.85	1.51
FTSE 100	-2.91	1.26
FSSTI Index	-0.93	1.13
Phil PCOMP	-0.67	1.09
KLCI	1.45	0.68
Jakarta JCI	0.85	0.37
Thai SET	-1.23	-0.24
China CSI 300	-0.57	-0.78

Source: Bloomberg

USD51.44pb on Thursday, the deepest trough since 28 March.

- The KLCI recorded its second week of gains by closing at 1,768 points on Friday, the highest in almost two years. For the month, KLCI booked 1.72% worth of gains, driven by banking stocks. The ringgit was equally hot by closing at USD/RM4.3410, 1.32% higher than the week before, extending its third week of gains. The ringgit's strength is partially attributable to the sentiment that shifted to the ringgit after Bank Negara Malaysia's (BNM) timely move to increase liberalisation in the foreign exchange markets.

B. TRACKING MONEY FLOW - ASIA¹

- Global funds made a strong comeback to Asia after two weeks of hesitation. In aggregate, there was foreign net buying across the seven Asian markets that we track amounted to USD3.05b net.
- Foreigners bought USD1.15b net of Korean equities last week, substantially higher than USD83.9m net the week before. The heavy foreign buying during last week led the KOSPI to reach 2,200 points, a level not seen since 3 May 2011 with the Korean Won booking weekly gains of 1.87%. The rise in Korea's consumer confidence to the highest level since 2013 combined with the 0.9% expansion in GDP in 1Q2017 may have provided an impetus for foreign buying. Apart from that, sentiment also improved as Samsung posted its biggest quarterly profit since 2013, driven by strong demand for its memory chips .
- Taiwan was equally hot as Korea recorded USD1.11b net of foreign buying amid increased global risk appetite following the French election, reversing last week's outflow of USD268.8m net. As foreigners aggressively upped their ante in Taiwanese stocks, the Taiex advanced the most in three weeks to 9,872 points on Friday, pushed by gains in suppliers for Apple such

Chart 1 YTD performance of major markets

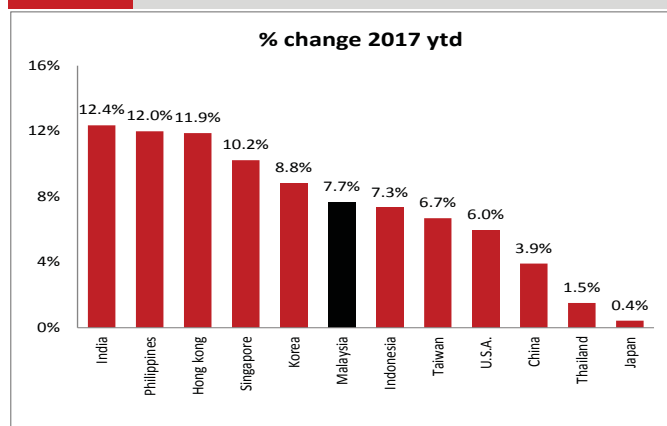
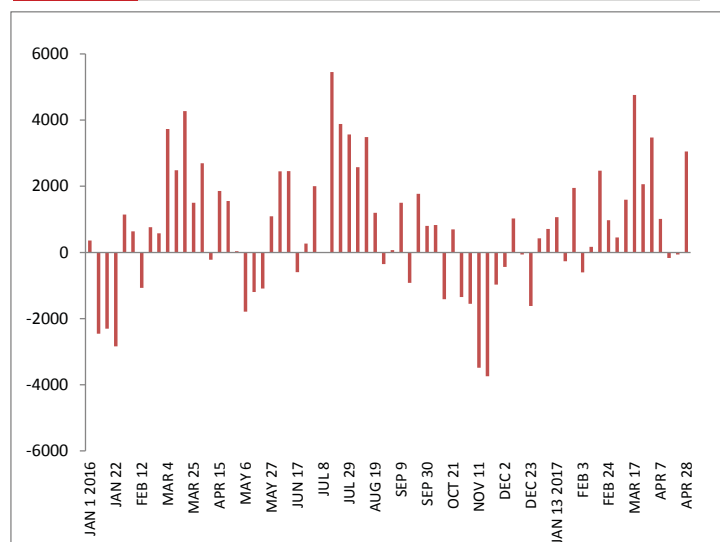


Chart 2 Weekly Net Flow of Foreign Funds into 7 Asian Markets since Jan 2016 (USD'b)



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.

as Taiwan Semiconductor and Wistron. The Taiwan dollar also felt the heat by closing at USD/TWD30.05 on Tuesday, strongest level since 2014.

- The flow of foreign funds into Emerging South East Asian markets was also commendable.
- The foreign buying momentum remained strong in Indonesia as it recorded a nine-week buying streak, the longest from 27 May to 26 August 2016. The acquisition by foreigners also pushed the JCI to hit an all time high of 5,726 points on Wednesday. Net foreign inflow was boosted by Indonesia's plan to streamline the existing income law by implementing new calculation method for taxes especially for real estate and construction.
- Foreign buying in the Philippines amounted to USD198m net for the month of April, the biggest monthly foreign inflow since June 2016. Meanwhile, the PSEi soared to a six-month high of 7,700 points on Tuesday as local 1Q2017 corporate earnings were expected to be robust. However, the PSEi retreated from 7,700 points on Thursday due to profit-taking activity from the recent rally and Trump's disappointing tax plan.
- Foreign net inflow in Thailand that amounted to USD103.1m was spurred by the nation's high current account surplus in March that amounted to USD2.58b. The main contributor to March's surplus was the tourism sector that is expected to generate THB4.6t in 2017.

Chart 3

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

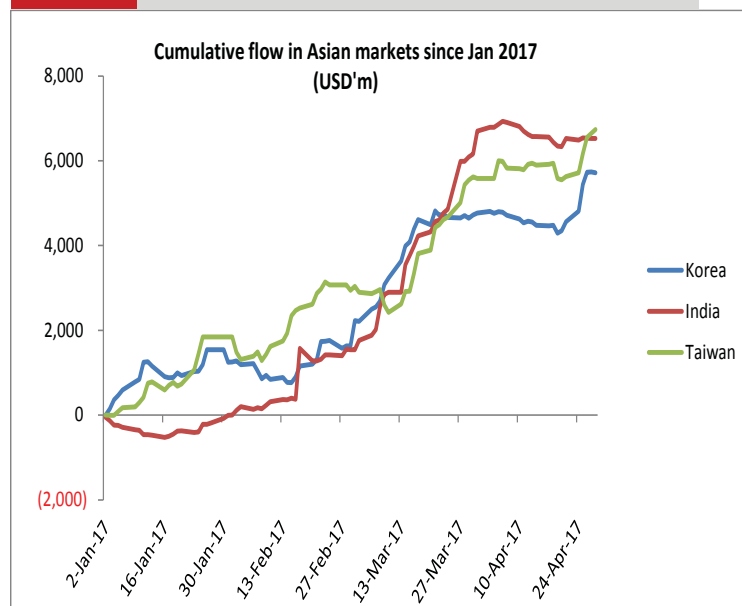
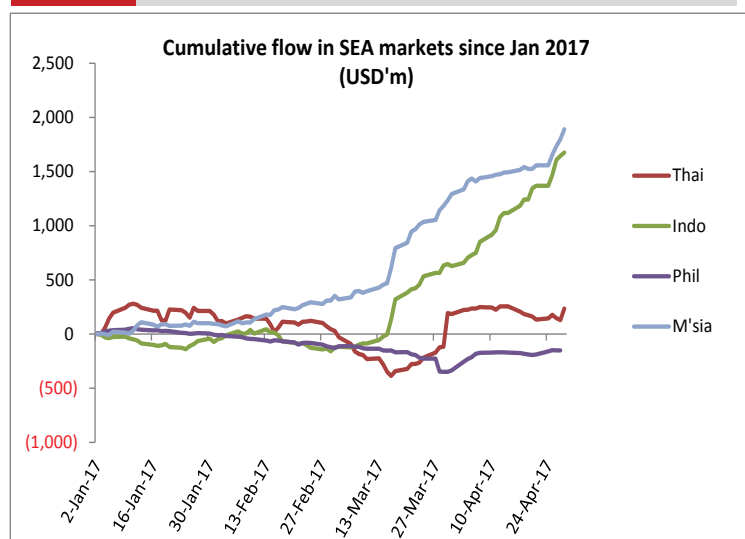


Chart 4

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)

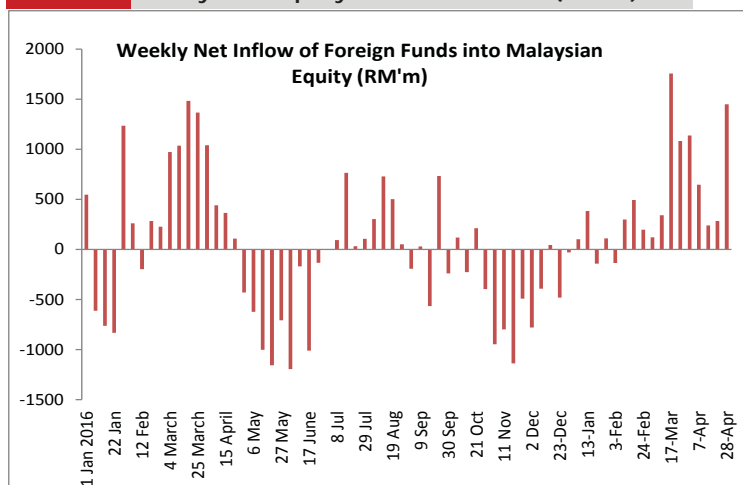
WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
MAR 10	1,020.2	-201.2	32.6	-1.1	1,137.2	-473.8	76.7	1,590.6
MAR 17	1,379.4	-112.3	406.3	-19.9	1,329.6	1,383.0	395.6	4,761.8
MAR 24	50.1	123.7	213.7	-66.6	631.3	862.1	244.4	2,058.8
MAR 31	104.7	403.4	91.2	-132.5	1,234.2	889.0	257.6	2,847.0
APR 7	-48.4	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	-47.0	-268.8	64.2	-241.0
APR 28	1,153.9	103.1	307.5	41.8	1.9	1,112.2	332.6	3,052.9

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

C. TRACKING MONEY FLOW - MALAYSIA

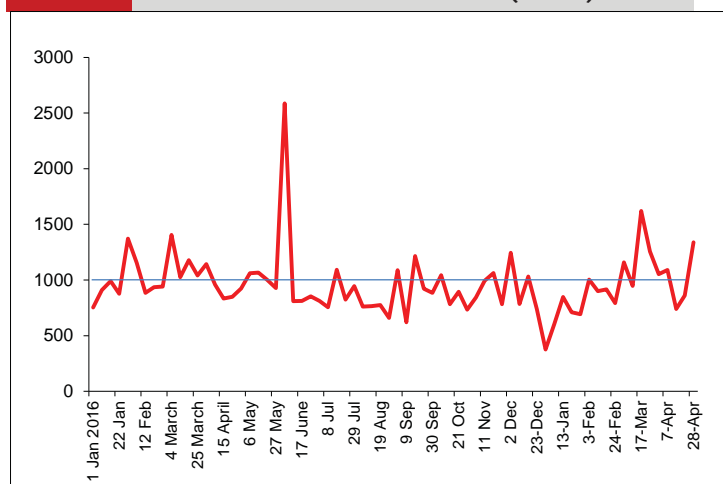
- There was an influx of foreign liquidity into Bursa last week despite it being a 4-day trading week. Foreign purchase of equity listed in the open market (excluding off market deals) surged to RM1.45b net, the second highest in a week this year and five times more than that the week before.
- Foreign buying on Bursa has now stretched for 12 consecutive weeks, the longest since the 24-week buying streak which ended in May 2013, the month of the last General Election.
- Most foreign buying occurred on Tuesday and Friday when the amount reached RM415.2m and RM405.8m net respectively. In the first four months of 2017, the inflow has exceeded RM400m on 5 different days. In comparison, the day-count was 8 in 2013, 2 in 2014, 1 in 2015 and 5 in 2016.
- For the month of April, the cumulative foreign net purchases amounted to RM2.62b. That was slightly more than half the cumulative inflow in March 2017 which amounted to RM4.70b.
- Foreign participation on Bursa bounced strongly last week to an elevated level. Foreign average daily trade value (ADTV) was up by 56% to RM1.34b. Indeed, the foreign daily trade value was above RM1b for every single day of the week.
- Retail participation has started to recover as the ADTV increased by 25% to RM1.10b. However, retailers are still on “take-profit” mode, selling for 10 weeks in a row.

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 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
APR 28	2,114.0	2,301.1	-187.1	6,393.2	7,653.9	-1,260.7	3,402.6	1,954.8	1,447.8	332.6

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 28 APR
TOP 10 NET MONEY INFLOWS

- Genting Malaysia stocks were the beneficiary of the highest net money inflow of RM16.51m last week. Its share price decreased by -1.84%, underperforming against the FBM KLCI which increased by 0.68% 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.
- The second highest net money inflow was into UMW Holdings amounted to RM10.62m. Its share price however lagged as it ended unchanged against the FBM KLCI which gained by 0.68% for the week.
- Bintulu Port saw the third highest net money inflow of RM6.09m. Its share price underperformed the benchmark index with a -4.92% loss during the review week. The net inflow amidst declining share price indicates 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	
GENTING MSIA	16.51	-10.17	-1.84	BOW
UMW HLDGS	10.62	4.06	0.00	-
BINTULU PORT	6.09	-2.42	-4.92	BOW
KL KEPONG	4.39	10.32	0.82	-
GENTING BHD	4.21	-1.32	1.03	-
AMMB HLDGS	3.27	-0.84	6.00	-
IHH	3.19	-4.31	1.64	-
GAMUDA	1.95	2.31	2.73	-
FGV	1.93	-1.02	5.45	-
IOI PROPERTIES	1.86	-0.05	1.97	-

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- Maybank saw the largest net money outflow of -RM28.68m last week. Its stock price outperformed the benchmark index with a 1.91% 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.
- Air Asia recorded the second largest net money outflow -RM20.11m during the week under review. Its share price outperformed the benchmark index with a 3.40% gain. The net outflow amidst declining share price indicates a sell-on-strength (SOS) stance among some investors.
- Petronas Chemicals registered the third largest net money outflow at -RM13.87m. Its share price underperformed the benchmark index with a -3.31% loss for the week.


Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
MAYBANK	-28.68	-6.42	1.91	SOS
AIR ASIA	-20.11	-6.64	3.40	SOS
PETCHEM	-13.87	-11.09	-3.31	-
MAXIS	-11.63	-0.95	-0.93	-
PUBLIC BANK	-11.46	-9.26	0.00	
DIALOG	-6.98	-3.65	8.33	SOS
MAHB	-6.02	-4.55	4.11	SOS
SIME DARBY	-5.04	-1.48	0.65	SOS
TNB	-4.89	-37.22	1.46	SOS
TELEKOM MSIA	-4.42	-4.69	-0.31	-

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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