

MIDF EQUITY STRATEGY | 10 APRIL 2017

WEEK ENDED 7 APRIL 2017

- Equity markets around the world came to a standstill as investors turned nervy in anticipation of a tense meeting between President Trump and President Xi Jinping.
- At the presidential meeting, both sides agreed to a 100-day plan for trade talks aimed at boosting U.S. exports and narrowing the bilateral trade deficit. However, focus on the summit was eclipsed as the U.S. fired missiles into Syria as a response to a deadly chemical attack in the country.
- Global money continued flow into Asian equity last week, for the estimated ninth successive week. However, the amount fell to its lowest level in 5 weeks. Foreign investors bought equity in the seven Asian markets that we track amounted to USD1.03b, down from USD2.85b the week before.
- Foreign investors continued to pump liquidity into stocks listed on Bursa albeit at a tapered rate last week. Foreigners purchased RM645.3m net in the open market, dipping below the RM1b mark after three weeks during which the net amount purchased averaged RM1.33b.
- It has now been 9 straight weeks of foreign buying on Bursa during which RM6.1b made its way into Malaysian shores. The cumulative inflow this year of RM6.39b has already offset the estimated net outflow of RM3.01b in 2016.
- Despite the tapering of purchases, foreign participation in Bursa in general remained high. Retail market remained vibrant as the retail ADTV soared to RM1.33b, 31% higher than the week before, the fifth week it exceeded RM1b.
- The KLCI held ground last week but temporarily dipped below the 1,740 level on Thursday, mirroring movements of regional peers. The ringgit depreciated 0.22% against the greenback after three weeks of gains.

THE TIDE RECEDES BUT THE BUYING CONTINUES

A. MARKET SNAPSHOT

- Equity markets around the world came to a standstill as investors turned nervy in anticipation of a tense meeting between President Trump and President Xi Jinping.
- The market on Wall Street was flat. U.S. stocks started 2Q17 with a thud on Monday after a decline in March's construction spending. Support came in as trade deficit in February narrowed by 9.6%, more than expected. However, the momentum was lost after the Fed signalled it would start unwinding its USD4.5t balance sheet later this year.
- At the presidential meeting, both sides agreed to a 100-day plan for trade talks aimed at boosting U.S. exports and narrowing the bilateral trade deficit. However, focus on the summit was eclipsed as the U.S. fired missiles into Syria as a response to a deadly chemical attack in the country.
- In Asia, Chinese stocks rose to a 4-month high with gains mainly contributed by materials and industrial stocks as optimism rose over a plan for a new economic zone near Beijing called the Xiongan special zone. Stocks related to the economic zone, such as Hesteel Co. and Beijing Orient Landscape & Environment Co. hit limit-up.
- Meanwhile, European markets were roiled by the double terrorist attack at St Petersburg train tunnel and Stockholm centre. Nevertheless the damage was contained. Indeed, the FTSE and CAC managed to eke out marginal gains.
- The price of crude oil soared by 4.6% to USD55.24pb for the week. Price catalysts include the unplanned production outage in the North Sea Crude and larger-than-expected draw in U.S. crude inventories as reported by the API. Crude oil continued to settle higher later throughout the week despite EIA reporting that crude oil inventories rose by 1.57m barrels last week to yet another all-time high of 535.5m. Increased crude oil prices have fuelled optimism that OPEC's supply curbs are beginning to rebalance the market.
- The KLCI held ground last week but temporarily dipped below the 1,740 level on Thursday, mirroring movements of regional peers. Losers were led by CIMB Group Bhd and Genting Bhd shares. Sentiment turned skittish over the Fed's plan to trim its balance sheet later this year. The ringgit depreciated 0.22% against the greenback after three weeks of gains. Nonetheless, Malaysia's

Table 1 Weekly performance of major indices

Weekly % change	Week before	Last week
Phil PCOMP	0.58%	3.72%
China CSI 300	-0.96%	1.78%
Jakarta JCI	0.02%	1.53%
Hang Seng	-1.01%	0.65%
Taiwan Taiex	-0.92%	0.63%
Thai SET	0.10%	0.53%
FTSE 100	-0.19%	0.36%
India SENSEX	0.68%	0.29%
CAC 40	2.02%	0.25%
KLCI	-0.32%	0.09%
FSSTI Index	1.02%	0.07%
Dow Jones	0.32%	-0.03%
S&P 500	0.80%	-0.30%
Korea KOSPI	-0.40%	-0.39%
DAX	2.06%	-0.71%
Nikkei	-1.83%	-1.29%

Source: Bloomberg

finance minister stated that there is no need to impose further steps to reduce movements in the ringgit and the gap between prices quoted offshore and in domestic markets is now quite stable.

B. TRACKING MONEY FLOW - ASIA¹

- Global money continued flow into Asian equity last week, for the estimated ninth successive week. However, the amount fell to its lowest level in 5 weeks.
- Investors classified as “foreign” bought equity in the seven Asian markets that we track amounted to USD1.03b, down from USD2.85b the week before.
- Buying was almost across the board, with the exception of Korea. Most of the flow went to Taiwan, but the USD248.4m recorded was 72% lower compared with that the week before, mainly due to the closure of the market on 3-4 April. The Taiex slid by -0.52% to 9,897.80 points at close on Thursday, the most since 9 March. The dip in Taiex coincided with the TWD’s depreciation of 0.59% to 30.54 per USD, its biggest loss in a month after the Fed minutes supported the shrinking of its balance sheet. On the economic front, Taiwan’s manufacturing exhibited an improvement as the Purchasing Manufacturing Index (PMI) rose 65.2% in March from 55.8% in February, extending growth for 13 months.
- Foreigners retreated from Korea after seven weeks of acquisition. The KOSPI index slid for five straight days to hit 2151 points on Friday, the lowest since 16 March. Samsung came under profit-taking selling pressure on Friday despite expecting a strong set of 1Q17 results backed by a boom in its chipmaking business. KOSPI’s losing streak was accompanied by the KRW’s 1.43% weekly loss against the USD.
- Meanwhile, foreign inflows into South East Asian markets remained resilient. In Bangkok, foreigners purchased USD64.5m after a huge inflow the week before. The Bank of Thailand said it is mulling more measures against short term inflows, following its comments to cut the supply

Chart 1 YTD performance of major markets

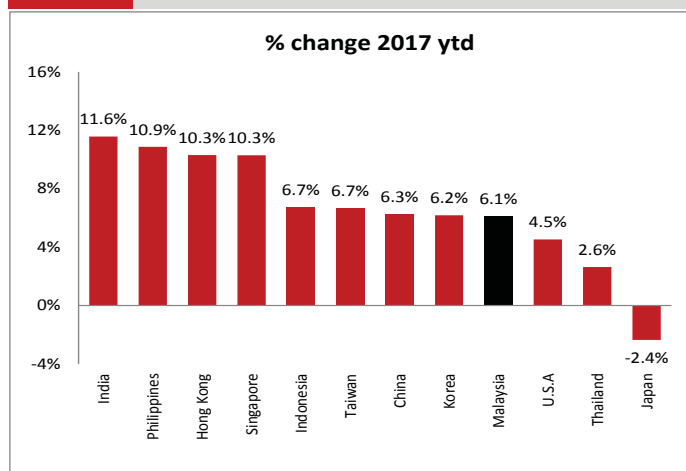
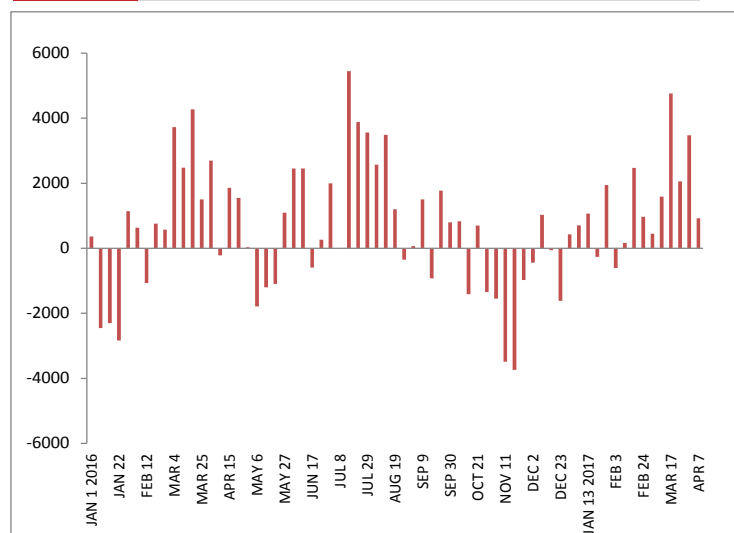


Chart 2 Weekly Net Flow of Foreign Funds into 7 Asian Markets since Jan 2016 (USD'b)



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.

of short-term bills in April. The Baht lost 0.75% against the USD amid concerns the central bank will take steps to stem gains in the currency after it hit USD/Bht34.35, the strongest since July 2015.

- Meanwhile, buying momentum picked up in Indonesia as foreigners bought USD225.4m net, more than double the week before. The surge on foreign net inflows coincided with Indonesia's March foreign reserves rising to USD121.8b, the highest level since August 2011. The nation's capital markets have recovered from a sell-off that came after Donald Trump's surprise victory in the U.S. election, with more than USD3b flowing into bonds and local stocks in March alone
- The 11-week foreign selling streak in the Philippines came to a halt last week as foreigners mopped up USD166.9m net worth of shares. The Philippines Composite Index rose to 7,584 points on Wednesday, the highest level since 24 October 2016. The Philippine Peso also closed at 49.88 per USD on Friday, the highest level since 8 February 2017. Optimism was driven by positive growth shown in the manufacturing sector reflected by Philippines Purchasing Manufacturing Index (PMI) which rose to 53.8 in March, an improvement from February's reading of 53.6 stemming from buoyant consumers and public infrastructure spending. Moving forward, an impetus for Philippines' growth would be President Duterte's tax reform plans to raise levies on fuel and cars while cutting income taxes.

Chart 3

Net Flow of Foreign Funds into Taiwan, Korea and India since Jan 2016 (USD'b)

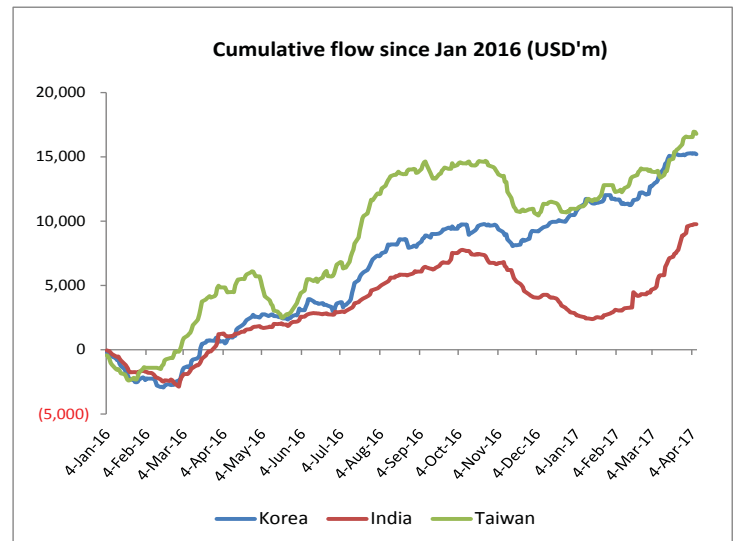
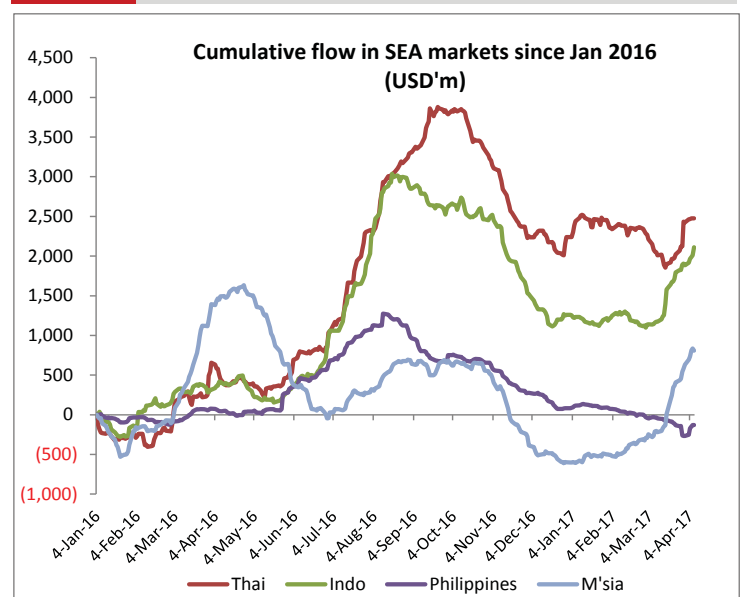


Chart 4

Net Flow of Foreign Funds into South East Asia Emerging Markets since Jan 2016 (USD'b)



Source: Bloomberg, Bursa Malaysia

Table 2

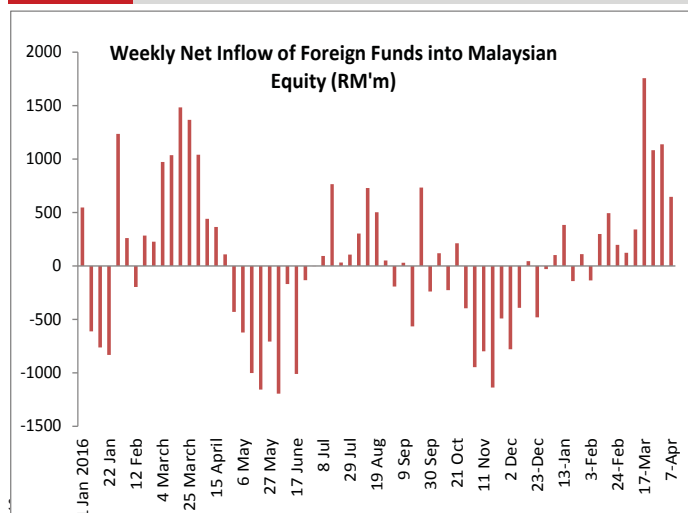
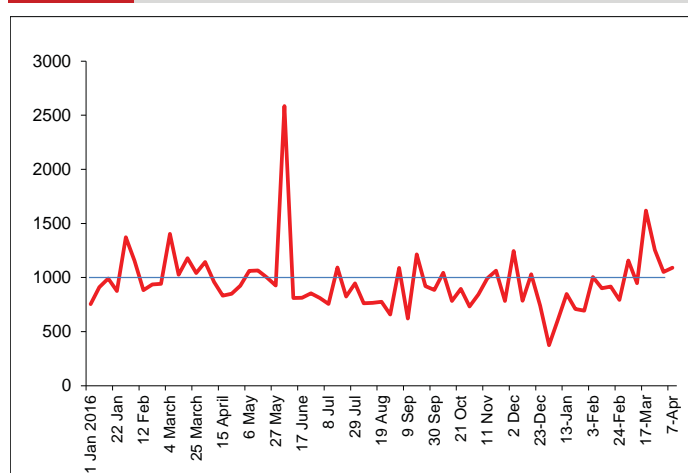
Weekly Net Flow Of Foreign Fund Into Equity By Market (USD'm)

WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
FEB 17	314.0	-28.8	-18.5	-14.3	82.0	907.6	111.0	1212.6
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	231.8	248.4	145.7	1,034.3

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

C. TRACKING MONEY FLOW - MALAYSIA

- Foreign investors continued to pump liquidity into stocks listed on Bursa albeit at a tapered rate last week.
- Foreigners purchased RM645.3m net in the open market (excluding off market deals), dipping below the RM1b mark after three weeks during which the net amount purchased averaged RM1.33b.
- Net foreign purchases were recorded in four out of five trading days. The buying peaked on Tuesday at RM337.2m, the fourth highest in a day this year, coinciding with the recovery in crude oil price which closed above the USD54pb level for the first time since 7 March 2017.
- On Thursday, the 19-day buying streak was snapped as foreigners offloaded RM116.7m net. Nevertheless, the deficit was more than offset the following day as foreign buying resumed on Friday.
- It has now been nine straight weeks of foreign buying on Bursa during which RM6.1b made its way into Malaysian shores. Year-to-date, the cumulative amount is slightly higher at RM6.39b. The inflow this year has already offset the estimated net outflow of RM3.01b in 2016.
- Despite the tapering of purchases, foreign participation in Bursa in general remained high last week as it increased by 3.6%. Foreign average daily trade value (ADTV) was marginally higher at RM1.05b. Indeed, foreign trade exceeded RM1b per day from Wednesday to Friday.
- Retail market remained vibrant as the retail ADTV soared to RM1.33b, 31% higher than the week before, marking the fifth week it exceeded RM1b. In fact it was the highest recorded since the week ended 22 August 2014.

Chart 5 Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2016 (RM'm)

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 24	2,347.5	2,453.5	-16.0	8,070.3	8,250.3	-180.0	2,079.3	1,883.3	196.0	44.1
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

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 7 APR
TOP 10 NET MONEY INFLOWS

- Sime Darby registered the highest net money inflow of RM25.37m last week. Its share price advanced by 0.43%, outperforming against the FBM KLCI which increased by 0.09% during the week under review.
- CIMB Group recorded the second highest net money inflow of RM23.78m. Its share price however underperformed against the FBM KLCI with a -1.97% 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
- Nestle saw the third highest net money inflow of RM20.98m. Its share price outperformed against the benchmark index with a 0.63% gain during the review week.

TOP 10 NET MONEY OUTFLOWS

- KL Kepong saw the largest net money outflow of -RM22.30m last week. Its stock price outperformed the benchmark index with a 0.92% gain. It is notable that the net money outflow amidst advancing share price indicates a sell on strength (SOS) stance among some investors.
- KL Kepong recorded the second largest net money outflow -RM10.41m during the week under review. Its share price lagged as it remained unchanged against the benchmark index which rose 0.09% during the week under review.
- Telekom Malaysia registered the third largest net money outflow at -RM8.35m in the week under review and its share price underperformed the FBM KLCI with a -0.62% loss.


Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
SIME DARBY	25.37	29.07	0.43	-
CIMB	23.78	17.85	-1.97	BOW
NESTLE	20.98	0.13	0.63	-
GAMUDA	13.41	19.55	-0.58	BOW
TNB	11.28	20.51	-0.29	BOW
BURSA	5.24	8.39	-0.83	BOW
DIALOG	3.33	4.75	3.39	-
UNITED PLANT'N	3.28	-0.16	-0.70	BOW
MMC	1.83	0.11	-0.40	BOW
PPB	1.78	-5.91	-0.60	BOW

Source: Bloomberg, MIDFR;

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

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
GENTING M'SIA	-22.30	10.11	0.92	SOS
KL KEPONG	-10.41	-30.74	0.00	-
TELEKOM	-8.35	-11.14	-0.62	-
MAHB	-7.75	-7.32	3.60	SOS
PETCHEM	-6.93	0.23	1.04	SOS
AXIATA	-5.88	8.05	-0.40	-
PETDAG	-5.60	-5.30	0.42	SOS
MAYBANK	-3.03	-7.58	0.90	SOS
MALAKOFF	-3.03	-2.21	5.79	SOS
INARI	-2.89	-1.74	0.00	-

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

DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (23878-X). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein

This document may not be reproduced, distributed or published in any form or for any purpose.



MIDF RESEARCH is part of
MIDF Amanah Investment Bank Berhad (23878 - X)
(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