

MIDF EQUITY STRATEGY | 27 AUGUST 2018

WEEK ENDED 24 AUGUST

- Global equity markets marched back into the black last week.
- U.S stocks ended the week with a bang as the Nasdaq and S&P 500 index both settled at record highs on Friday as shares of Netflix surged 5.8%, confirming that the bull run remains intact.
- After three-straight weeks of decline, Brent crude oil price advanced 5.6% for the week to USD75.82pb, the highest gain in 19 weeks.
- After the heavy disposal in the preceding week, international funds made a decent comeback into Asian markets last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” accumulated USD971.4m net last week.
- Foreign tide returned to stocks listed on Bursa last week despite the holiday-shortened week. Based on preliminary data from Bursa which excluded off market deals, international funds bought RM46.5m net of local equities, last week. This is the third lowest weekly foreign net inflow recorded so far in 2018.
- The FBM KLCI advanced by 1.41% for the week to settle at 1,808 points. On the other hand, the Ringgit narrowed down its weekly decline to 0.07% after settling at USD/MYR4.1085 but logged its 10th uninterrupted week of losses.

FOREIGN INVESTORS MODERATELY RETURN TO BURSA

A. MARKET SNAPSHOT

- Global equity markets marched back into the black last week.
- U.S stocks had a modest start to the week with all three benchmarks ending with gains on Monday amidst dealmaking news which saw PepsiCo's agreement to acquire SodaStream International for USD3.2b in efforts to push for a more environmentally friendly agenda. Wall Street's momentum remained intact on Tuesday as the S&P500 hit an all-time intraday record of 2,873.23 points as investors anticipate signals of the trade talks between the U.S and China held on Wednesday may lead to some ease in rhetoric.
- On Wednesday, the minutes of the latest Fed meeting indicated to stay put in the pace of its rate hike. Apart from that, Wall Street notched a new milestone, setting a new record for the longest-running upswing in its history of almost 9.5 years, beating the dot-com boom which offset a listless day of trading.
- The sentiment on Thursday was sombre as Beijing showed no signs of easing, denting trade-sensitive stocks which were later cushioned by a rally in technology stocks. In spite of the trade talks being held, tariffs on USD16b worth of each country's goods came into effect. Nonetheless, U.S stocks ended the week with a bang as the Nasdaq and S&P 500 index both settled at record highs on Friday as shares of Netflix surged 5.8%, confirming that the bull run remains intact.
- In Xiaomi's maiden corporate results announcement, the company returned to the black after recording a net profit of RMB14.6b in 2Q18 compared to a RMB7.0b loss in 1Q2018. Its share price even advanced as much as 7.2% to the highest intraday level since July 27 following the release of results. The commendable performance in earnings was however not just attributed to growth in its internet services and rise in average selling price of handsets, but also contributed by the RMB22.5b one-off gain from the revaluation of its preferred stocks after its IPO.
- In Europe, the U.K has laid out plans and potential consequences for companies and its citizens in the event of a 'no deal' Brexit. The main highlights from the 25 technical notes released included the loss of access to European payment infrastructure such as TARGET 2 and the Single Euro Payments Area which will weigh on the financial services sector and costs of using credit cards for consumers.
- After three-straight weeks of decline, Brent crude oil price advanced 5.6% for the week to USD75.82pb, the highest gain in 19 weeks. Wednesday saw the biggest daily gain during the week of 2.96% following the report from the American Petroleum Institute showing that U.S crude stocks declined by 5.2m barrels in the week before, higher than three times of the amount forecasted.

Table 1 Weekly performance of major indices		
Weekly % change	Week before	Last week
Jakarta JCI	-4.83	3.20
China CSI 300	-5.15	2.96
Phil PCOMP	-2.84	2.41
Korea KOSPI	-1.57	2.05
Hang Seng	-4.07	1.68
CAC 40	-1.29	1.64
DAX	-1.72	1.51
Nikkei	-0.12	1.49
KLCI	-1.23	1.41
Taiwan TAIEX	-2.67	1.11
S&P 500	0.59	0.86
Thai SET	-0.93	0.82
India SENSEX	0.21	0.80
Dow Jones	1.41	0.47
FTSE 100	-1.41	0.25
FSSTI Index	-2.29	0.11

Source: Bloomberg

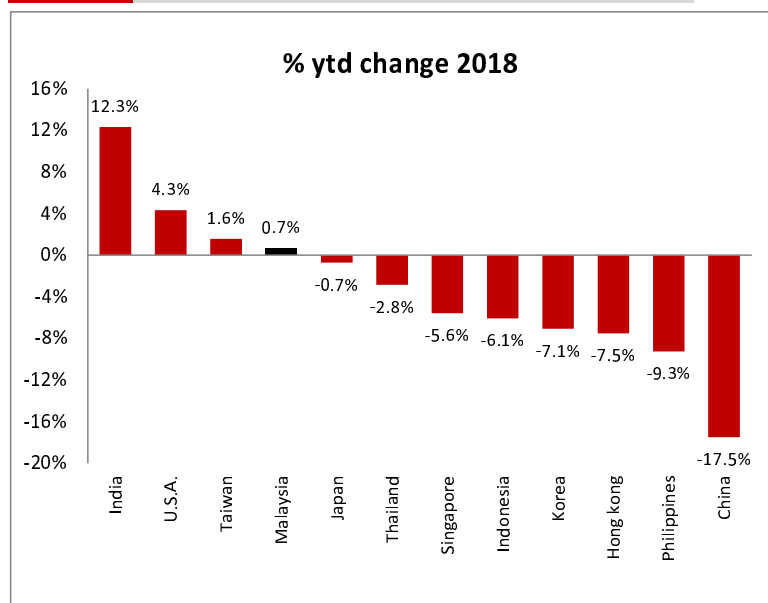
FUND FLOW REPORT

- The FBM KLCI advanced by 1.41% for the week to settle at 1,808 points. On the other hand, the Ringgit narrowed down its weekly decline to 0.07% after settling at USD/MYR4.1085 but logged its 10th uninterrupted week of losses.

B. TRACKING MONEY FLOW - ASIA¹

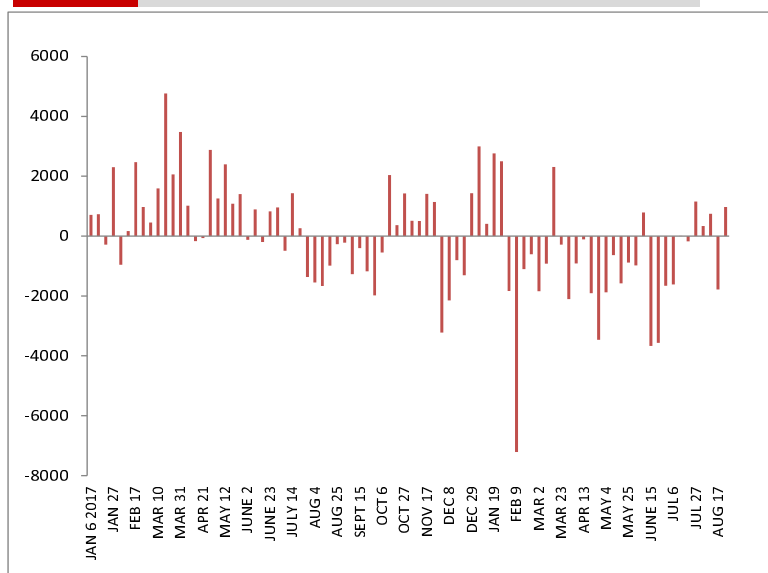
- After the heavy disposal in the preceding week, international funds made a decent comeback into Asian markets last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” accumulated USD971.4m net last week, offsetting approximately half of the net outflow recorded in the week before.
- In Korea, global investors piled into local equities as they snapped up USD530.3m net, totally wiping out the foreign net attrition recorded in the past two weeks and was in fact the largest weekly inflow amongst the 7 Asian markets we cover. International funds were net sellers on Monday, selling off -USD94.9m net. Nonetheless, foreign investors became net buyers thereafter until the end of week with Tuesday recording the highest daily foreign net inflow in eight trading days worth USD194.9m net as news of talks between Beijing and Washington provided investors some relief. The KOSPI index even jumped 0.99% to 2,270 points on the same day, the biggest daily advance since the middle of July 2018 while the Korean Won appreciated by 0.41% to its strongest level during the week of USD/KRW1,118.65. Despite the trade talks between the two super powers which did not result in any major progress, international investors still bought USD88.8m net on Friday albeit being relatively lower than the other days of the week which exceeded USD100m net.
- Taiwan also experienced a decent level of foreign net inflows last week worth USD276.8m net which cancelled off approximately 70% of the selloff in the week before. Similar to Korea, foreign net buying peaked on Tuesday in Taiwan which amounted to USD250.8m net, a level not seen since 20th July 2018, coinciding with the Taiex index gaining the most during the week by 0.87%. The Taiwan Dollar followed suit on the same day to cap its four day winning streak, longest in two months. On the economic front, Taiwan’s unemployment rate for July increased slightly to 3.81%, up 0.11ppts from a month earlier amidst the current graduation season.

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 shrank to -USD174.1m net from -USD238.9m net in the previous week, making it the casualty of the largest foreign attrition amongst the ASEAN markets we track. While Tuesday was the day with heavy foreign buying in North Asia, it was the opposite for Thailand as the day recorded the highest foreign net outflow since late June 2018 worth -USD110.4m net. The local bourse was also bad hit, declining by 0.40% to the lowest point during the week of 1,695 points. Meanwhile, the Bank of Thailand is keeping its 2018 GDP growth forecast at 4.2-4.7% although the nation's economy expanded by only 4.6% in 2Q18, slower than the 4.9% growth in 1Q18 amidst decreased public spending and decelerated tourism.
- Likewise, foreign net attrition in Manila decelerated from -USD88.5m to -USD9.3m last week and reached the highest during the week on Monday at -USD12.6m before market were closed on Tuesday for Eid Adha. After the break ended, foreign investors returned to the markets as net buyers on Wednesday and Thursday which saw the local bourse closing above 7,800 points on the second day of inflows. Friday then saw a foreign net outflow worth -USD7.5m net as the global trade friction kept markets under pressure.
- In Jakarta, foreign funds slowly entered to a tune of USD6.6m net after two weeks of selling. Foreign net attrition on Monday and Tuesday stood at -USD22.8m and -USD10.1m respectively. Nevertheless, foreign investors mopped up USD37.5m net on Thursday after the Eidul Adha break. Despite trade jitters on Friday, the rally in Indonesian banks amidst expected sustainability of loan growths prompted foreign net inflows worth USD2.0m net.

Chart 3 Net Flow of Foreign Funds into Taiwan, Korea and India since Jan 2018(USD'm)

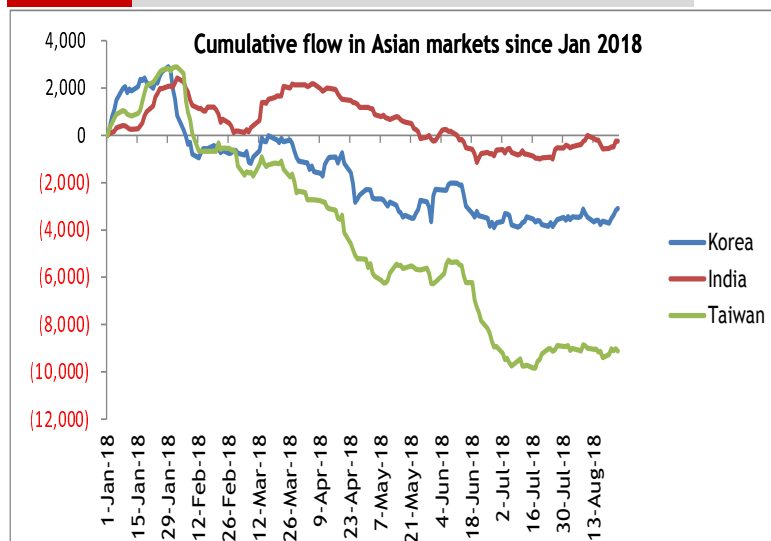


Chart 4 Net Flow of Foreign Funds into South East Asia Emerging Markets since Jan 2018 (USD'm)

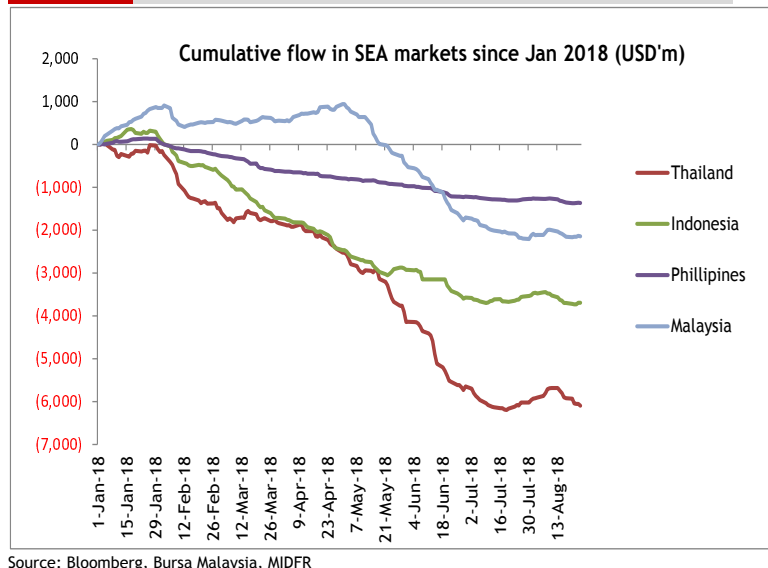


Table 2 Weekly Net Flow Of Foreign Fund Into Equity By Market (USD'm)

WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
JUL 6	-74.9	-317.4	-92.3	-29.9	-98.4	-830.8	-174.2	-1,617.8
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	329.8	276.8	11.3	971.4

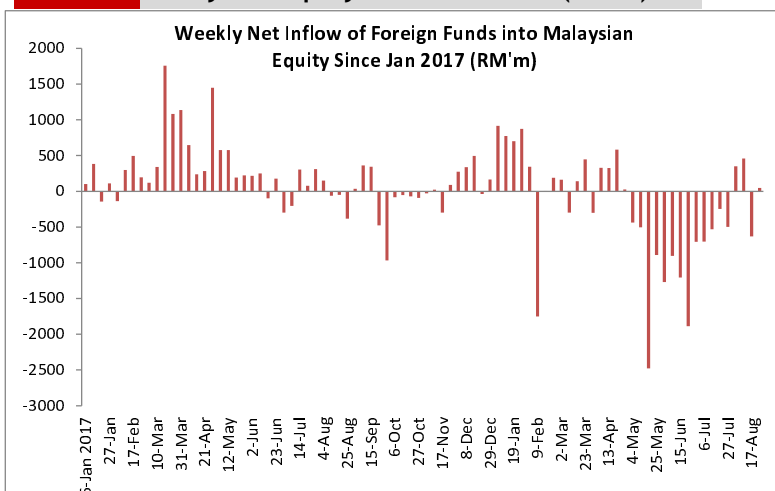
Source: Respective exchange statistics reported on Bloomberg. Bursa Malaysia. These figures are subject to revisions.

C. TRACKING MONEY FLOW - MALAYSIA

- Foreign tide returned to stocks listed on Bursa last week despite the holiday-shortened week.
- Based on preliminary data from Bursa which excluded off market deals, international funds bought RM46.5m net of local equities, last week. This is the third lowest weekly foreign net inflow recorded so far in 2018.
- International funds were net sellers on Monday to a tune of -RM55.0m net, extending the foreign selling spree to seven days. Nonetheless, the seven-day selling streak was snapped on Tuesday as foreign investors snapped up RM48.2m net of local equities ahead of the Eidul Adha break and the trade negotiations between Beijing and Washington which stoked risk-on mood.
- As the local bourse reopened on Thursday, offshore investors accumulated RM77.9m net which lifted the FBM KLCI by 0.71% to 1,810.87 points, the highest close since late May this year. The foreign net inflow into Bursa on Thursday was in conformity with the other regional peers we monitor namely South Korea, Taiwan, Thailand Indonesia and the Philippines.
- However, foreign investors were back in selling mode on Friday, disposing -RM24.6m net of local equities as Chinese and U.S officials ended the two days of talks with no major breakthrough, renewing concerns that trade woes may escalate further into the future.
- With 4 trading days left before August ends, the month has so far seen a marginal level of outflow worth -RM82.1m net. The year-to-date outflow from Malaysia still stands at -RM8.6b as of last Friday, the second lowest outflow amongst the 4 ASEAN markets we monitor. Foreign investors have also been net buyers in 17 out 34 weeks so far in 2018.
- Participation amongst foreign investors remained strong as their weekly average daily traded value (ADTV) stood above RM1b for the 7th week running. The scene in the retail market and local institutional funds was equally healthy as their ADTVs rose more than 4% for the week.

Chart 5

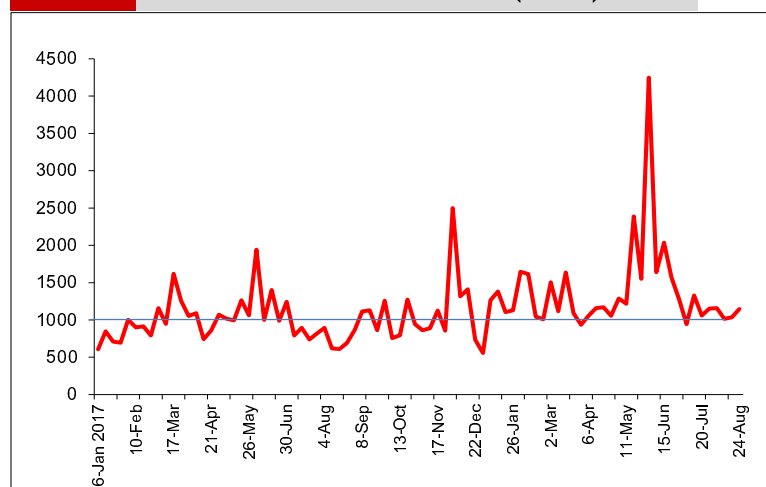
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2017 (RM'm)



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 20	3,044.8	3,037.8	7.5	6,297.9	6,058.3	239.6	2,524.5	2,771.6	-247.1	-60.9
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

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 24 AUGUST
TOP 10 NET MONEY INFLOWS

- Fraser & Neave Holdings Berhad registered the highest net money inflow of RM17.87m last week. Its share price slightly underperformed with a 1.38% increase against the FBM KLCI which advanced by 1.41% during the week under review.
- Petronas Dagangan Berhad recorded the second highest net money inflow of RM17.70m. Its share price was 0.82% lower for the week, underperforming against the market benchmark which was 1.41% higher. Nonetheless, it is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.
- Tenaga Nasional Berhad saw the third highest net money inflow of RM9.20m. Its share price was unchanged 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		
F&N	17.87	-0.19	1.38	-
PETDAG	17.70	-14.27	-0.82	BOW
TNB	9.20	-9.77	0.00	-
CIMB	6.84	9.64	1.53	-
PUBLIC BANK	5.59	-7.96	1.63	-
PETCHEM	3.62	0.92	2.52	-
PADINI	3.05	0.50	-1.17	BOW
KPJ	3.01	0.02	-2.65	BOW
BURSA	2.91	0.47	0.26	-
MAXIS	2.52	0.05	1.22	-

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- Top Glove Corporation Berhad saw the largest net money outflow of -RM12.42m last week. Its stock price gained 3.85%, outperforming vis-à-vis the FBM KLCI which gained 1.41% 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.
- IHH Healthcare Berhad recorded the second largest net money outflow -RM7.75m during the week under review. Its share price meanwhile gained 2.55% for the week, outperforming the market benchmark which had a 1.41% weekly gain.
- Petronas Gas Berhad registered the third largest net money outflow of -RM7.26m in the review week. Its share price meanwhile advanced 1.31% during the week, underperforming the benchmark which had a 1.41% weekly gain.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
TOP GLOVE	-12.42	7.99	3.85	SOS
IHH	-7.75	-5.34	2.55	SOS
PETGAS	-7.26	-3.93	1.31	SOS
NESTLE	-4.89	-0.72	0.75	SOS
DIALOG	-3.50	6.44	-1.16	-
AXIATA	-2.83	-1.50	8.51	SOS
HARTALEGA	-2.81	-0.80	2.77	SOS
TELEKOM	-2.72	-2.06	-0.83	-
MY EG	-2.66	0.12	12.50	SOS
CARLSBERG	-2.43	-0.37	5.55	SOS

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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