

## MIDF EQUITY STRATEGY | 7 AUGUST 2017 WEEK ENDED 4 AUGUST 2017

- Majority of global equity markets remained range-bound for the third week running.
- The bolstered optimism from Apple's impressive earnings pushed the Dow to extend gains for nine-days straight. Despite some profit taking activity after the rally in technology stocks, the Dow and S&P500 still gained 1.20% and 0.19% on a weekly basis, respectively.
- Brent crude oil price settled at USD52.42pb on Friday, declining 0.19% for the week. The price of Brent crude oil lost momentum as Opec exports rose to a 2017 high of 33 million bpd in July. This weighed down on the bullish data showing U.S crude stockpiles dropping for the fifth week running.
- Global funds continued to retreat from Asian equity last week. Based on provisional aggregate data from the seven Asian exchanges that we track, investors classified as "foreign" offloaded -USD1.41b, the highest attrition so far this year.
- International investors continued entering Malaysia despite the selloff in some regional peers notably Korea and Thailand.
- The KLCI advanced 0.42% for the week to settle at 1,774 points, extending gains for the fourth consecutive week. The ringgit followed suit as gains were stretched for the fourth week, strengthening 0.07% against the dollar to USD/RM4.2782 .

## STEADY TIDE BODES WELL FOR LOCAL MARKET

### A. MARKET SNAPSHOT

- Majority of global equity markets remained range-bound for the third week running.
- Wall Street kicked off August on rather positive note. The Dow Jones topped 22,000 points for the first time on Wednesday as Apple gained 5% the same day. Apple's biggest gain in 6 months followed its better than expected results coupled with solid sales guidance for 3Q17 hinting the launch of the new the iPhone in that quarter. Furthermore, the bolstered optimism pushed the Dow to extend gains for nine-days straight. Despite some profit taking activity after the rally in technology stocks, the Dow and S&P500 still gained 1.20% and 0.19% on a weekly basis, respectively.
- Earlier on Monday, President Trump fired the White House's director of communications, Andy Scaramucci, just 10 days after being appointed, The removal saw the dollar index plunging to 92.863 points, a level not seen in more than 2.5 years.
- In Asia, equities in Hong Kong ended July with a bang as they locked in 6.1% gain, the best monthly gains in six months. Gainers were led by HSBC Holdings Plc which surged to a two-year high after its quarterly earnings increase and buyback plan were announced.
- Meanwhile In Europe, the Bank of England downgraded its 2017 GDP growth from 1.9% to 1.7% and left interest rates unchanged at 0.25% on Thursday which saw sterling slid 0.64% to settle at GBP/USD1.3138. In contrast, the FTSE 100 advanced to a 10-day closing high of 7,474 points on the same day.
- Brent crude oil price settled at USD52.42pb on Friday, declining 0.19% for the week. The price of Brent crude oil lost momentum as Opec exports rose to a 2017 high of 33 million bpd in July. This weighed down on the bullish data showing U.S crude stockpiles dropping for the fifth week running.
- The KLCI advanced 0.42% for the week to settle at 1,774 points, extending

**Table 1** Weekly performance of major indices

Weekly % change	Week before	Last week
Hang Seng Index	1.02	2.16
FTSE 100	-1.13	1.95
CAC 40	0.27	1.40
Dow Jones	1.16	1.20
Taiwan TAIEX	-0.13	0.80
KLCI	0.45	0.42
S&P 500	-0.02	0.19
DAX	-0.63	0.13
India SENSEX	0.88	0.05
Nikkei	-0.70	-0.04
FSSTI Index	0.50	-0.13
Thai SET	0.48	-0.18
Korea KOSPI	-2.00	-0.23
China CSI 300	-0.18	-0.38
Jakarta JCI	1.14	-0.92
Phil PCOMP	1.02	-1.72

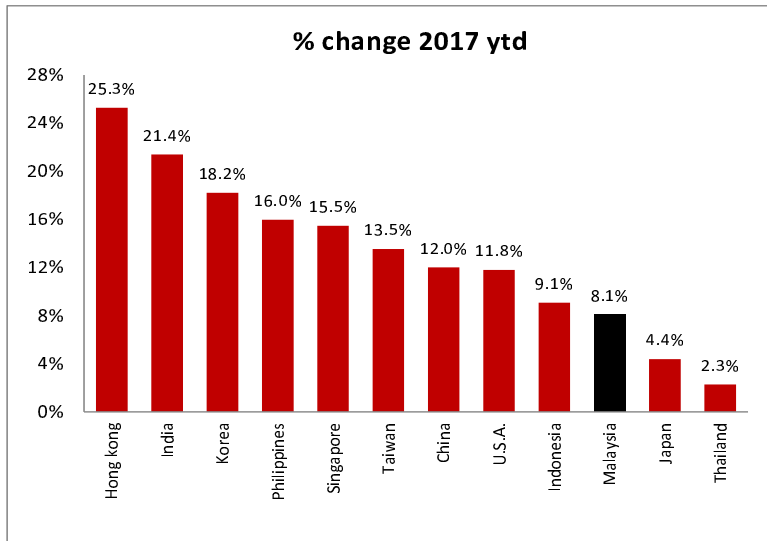
Source: Bloomberg

gains for the fourth consecutive week. The ringgit followed suit, as gains were stretched for the fourth week, strengthening 0.07% against the dollar to USD/RM4.2782 .

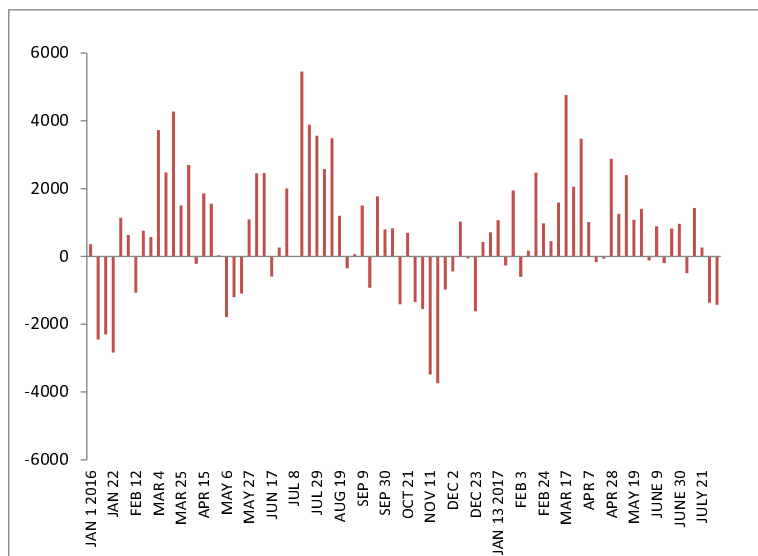
**B. TRACKING MONEY FLOW - ASIA<sup>1</sup>**

- Global funds continued to retreat from Asian equity last week. Based on provisional aggregate data from the seven Asian exchanges that we track, investors classified as “foreign” offloaded -USD1.41b, the highest attrition so far this year.
- In Korea, foreigners offloaded -USD733.1m net, the second largest attrition for the year. Thursday recorded the biggest daily foreign selling for the week following the tax reforms proposed by President Moon on Wednesday whereby capital gains tax will be increased by 5% on KOSPI investors effective April 2021. The announcement of the tax revision hampered investors’ sentiment which saw the KOSPI shedding 5.54 points for the week. Likewise, the Won was stuck in the redzone, losing 0.25% last week to settle at USD/KRW1,124.95. The weak performance of the Won weakness could be partly attributable to the heightened geopolitical risks after President Trump signed a sanction bill which not only targets North Korea, but also Russia and Iran.
- In Taiwan, foreign investors continued disposing local equities worth -USD50.6m net, slightly less compared to the amount sold in the preceding week. Despite the weekly attrition, the Taiex rebounded 0.80% for the week, the largest gain in six weeks. In fact on Wednesday, the Taiex closed at a 27-year high of 10,519 points coupled with the highest daily foreign inflow since July 11 following Apple’s positive earnings. Henceforth, it was no surprise that TSMC an Hon Hai Precision led gainers that day. The Taiwan dollar followed suit, ending 0.19% higher for the week as Taiwan’s central bank released minutes of its meeting for the first time which implied that a rate hike will not take place any time soon.

**Chart 1** YTD performance of major markets



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

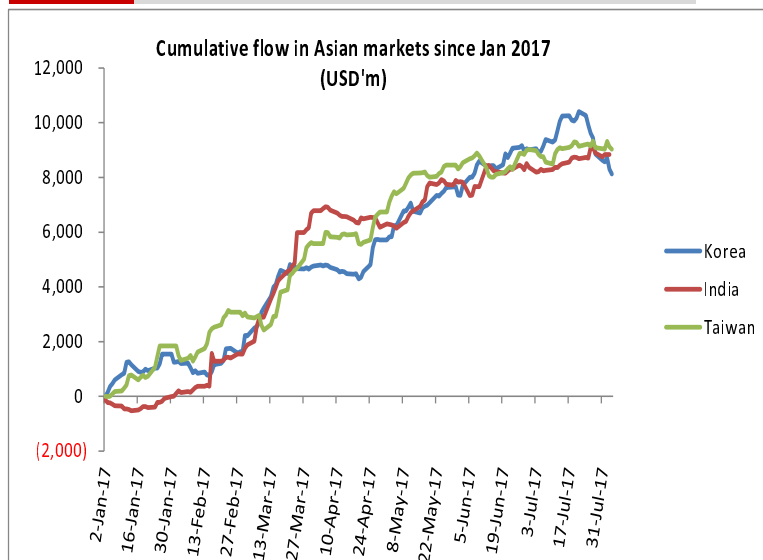


Source: Bloomberg, Bursa Malaysia

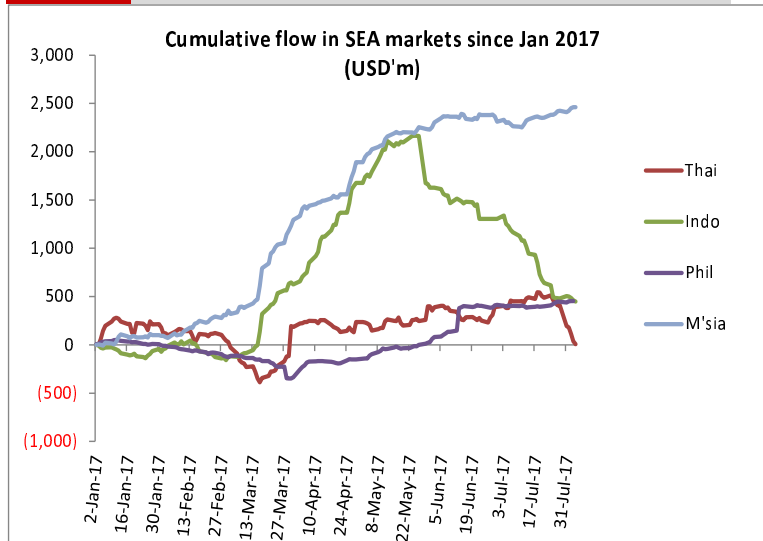
<sup>1</sup> Based on 7 Asian markets, for which fund flow data is publicly available. These are our proxy for Asia: TIPS (Thailand, Indonesia, Philippines), Korea, Taiwan, India and Malaysia.

- In Emerging South East Asian markets, the selling was not across the board, as investors targeted selected markets.
- Foreign investors in Thailand remained net sellers for the third week. The quantum of the attrition gradually increased week by week as foreign funds continue to invest largely in short term debt securities as they bet on the Baht's further appreciation. As a consequence of the considerable foreign inflow into Thailand's debt market, the Baht posted its fourth weekly advance while the SET retreated into the negative territory with a weekly loss of 0.18%
- In Manila, foreign investors continued purchasing local stocks for the third consecutive week but at a minimal amount of USD4.6m net. The PSEi dipped below the 8,000 level to face a 0.92% weekly decline amid a 7.39% yoy drop in the bourse's 1H17 earnings and receding foreign inflow into the Philippines. Meanwhile, the Peso ended 0.60% higher for the week, the largest gain in 16 weeks. The catalyst for the Peso's advance was the news of potential merger and acquisition deals of local companies that may attract foreign funds which is able to support the Peso.
- Global investors have now been net sellers in Indonesia for five-straight weeks, the longest selling streak this year. Investors were on their tenterhooks as they awaited the release of Indonesia's 2Q17 GDP data on Monday. Aside from that, earnings of consumer companies have slid by 30%yoy in 2Q17. Such events hampered Indonesia's short term outlook, coinciding with the JCI's weekly decline of 0.92%.

**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)

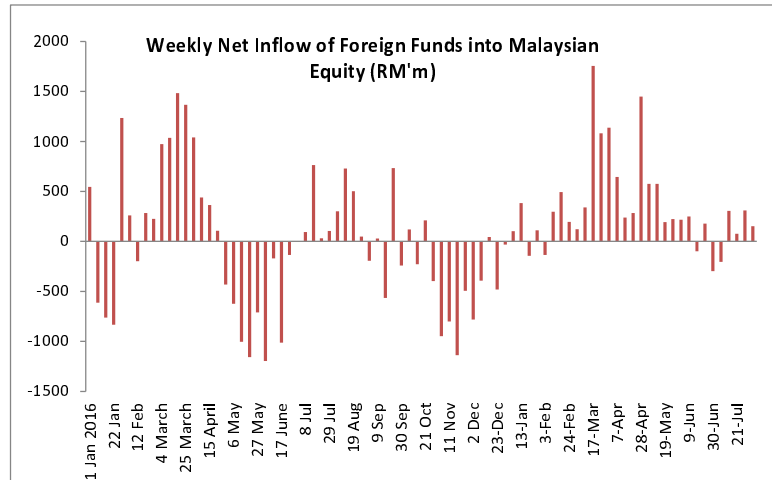
WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
JUN 16	-279.2	-67.5	12.9	265.9	572.1	-680.9	-23.2	-199.9
JUN 23	749.7	-34.7	-177.1	1.8	-68.4	173.5	41.3	822.9
JUN 30	-56.1	143.0	0.0	4.6	201.0	736.5	-69.4	959.6
JUL 7	376.3	58.0	-136.7	-5.3	-269.1	-468.1	-47.8	-492.9
JUL 14	860.1	41.8	-221.8	-17.1	205.0	492.8	71.2	1,431.9
JUL 21	163.9	-4.7	-303.9	11.2	286.2	91.1	17.8	261.7
JUL 28	-1,550.5	-79.8	-160.9	51.5	356.7	-53.2	72.3	-1,363.9
AUG 4	-733.1	-400.4	-32.4	4.6	-236.3	-50.6	35.3	-1,412.8

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

**C. TRACKING MONEY FLOW - MALAYSIA**

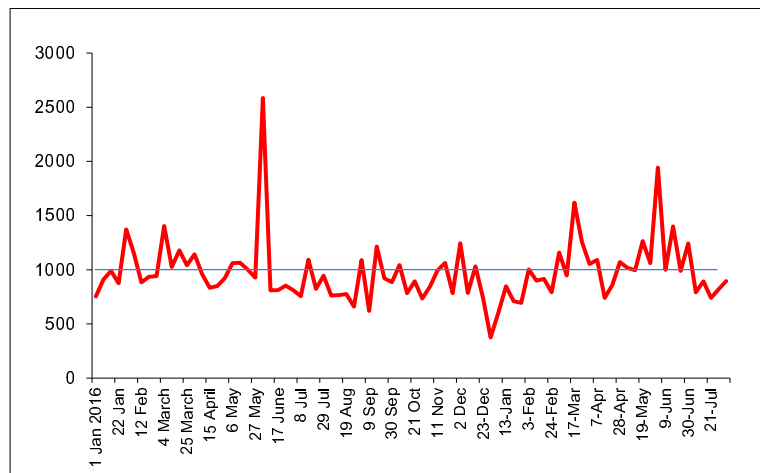
- International investors continued entering Malaysia despite the selloff in some regional peers notably Korea and Thailand.
- For the week, foreign investors acquired RM151.2m net in the open market (excluding off market deals, half of the amount in the week before.
- There was a bit of unease as international investors were selling at the start of the week. Nonetheless, the outflow was reversed by purchases from Tuesday to Thursday. We note that the foreign buying peaked on Wednesday following optimism on Wall Street boosted by Apple’s impressive 3Q17 earnings.
- For the month of July, cumulative foreign net purchases amounted to RM420.9m net, the second lowest monthly inflow for the year. With seven consecutive months of foreign buying, the cumulative year-to-date inflow is nearing the RM11b mark at RM10.8b net. This has offset approximately one third of the cumulative outflow from 2014-2016.
- Foreign participation rate was vibrant. Foreign average daily trade value (ADTV) rose 11% from RM819m in the prior week to RM895m, hovering under RM1b level for the fifth week running.
- Retail participation was pretty active. Retail ADTV increased by a substantial 37% from just RM648m to above RM800m for the first time in six weeks.

**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)	
JUN 23	1,643.3	1,570.6	72.7	5,623.8	5,873.5	-249.7	2,562.5	2,385.5	177.0	41.3
JUN 30	942.0	940.4	1.6	3,064.0	2,767.6	296.4	1,714.8	2,012.8	-298.0	-69.4
JUL 7	1,611.8	1,613.8	-2.0	5,035.7	4,828.2	207.5	1,877.7	2,083.2	-205.5	-47.8
JUL 14	1,647.2	1,679.7	-32.5	5,256.7	5,529.3	-272.6	2,386.5	2,081.4	305.1	71.0
JUL 21	1,972.9	1,919.1	53.8	6,151.4	6,281.5	-130.1	1,887.6	1,811.3	76.3	17.8
JUL 28	1,628.2	1,614.4	13.8	5,200.2	5,523.4	-323.3	2,201.9	1,892.5	309.4	72.3
AUG 4	2,247.2	2,189.7	57.5	5,227.3	5,436.0	-208.7	2,313.4	2,162.2	151.2	35.3

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 4 AUGUST**
**TOP 10 NET MONEY INFLOWS**

- CIMB stocks were the beneficiary of the highest net money inflow of RM9.27m. Its share price underperformed the benchmark index with a 0.30% loss for the week. The net inflow amidst declining share price indicates a buy-on-weakness (BOW) stance among some investors.
- The second highest net money inflow beneficiary was Genting, amounting to RM5.79m. Its share price outperformed the benchmark index with a 1.14% gain during the review week. The company announced Genting Singapore's 2Q17 net profit which grew to SGD143.3m from SGD10.5m in 2Q16.
- Maxis saw the third highest net money inflow of RM4.90m. Its share price substantially outperformed the benchmark index with a 2.49% 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	
CIMB	9.27	-21.71	-0.30	BOW
GENTING	5.79	1.98	1.14	-
MAXIS	4.90	1.50	2.49	-
PUBLIC BANK	4.06	3.56	1.07	-
TNB	2.58	2.11	0.00	-
TELEKOM	2.57	-0.94	1.11	-
KPJ	2.50	0.07	1.44	-
GENTING PLTN	2.25	-0.43	0.56	-
EKOVEST	2.21	3.84	0.00	-
KOSSAN	2.16	-0.55	0.28	-

Source: Bloomberg, MIDFR;

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

**TOP 10 NET MONEY OUTFLOWS**

- British American Tobacco saw the largest net money outflow of -RM14.56m last week. Its stock price outperformed the FBM KLCI with a 1.09% gain or the week.
- Hong Leong Bank recorded the second largest net money outflow -RM10.20m during the week under review. Its share price outperformed the benchmark index with a 1.27% gain for the week. It is notable that the net money outflow amidst advancing share price indicates a sell on strength (SOS) stance among investors.
- Dialog Group meanwhile registered the third largest net money outflow at -RM7.57m, with its share price outperforming the benchmark index with a 0.52% gain.


**Table 5** Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
BAT	-14.56	-5.58	1.09	SOS
HLBK	-10.20	-1.36	1.27	SOS
DIALOG	-7.57	-6.97	0.52	SOS
F&N	-7.24	-12.87	-0.64	-
AIRASIA	-4.68	-1.02	0.30	SOS
MAHB	-3.99	4.70	-0.11	-
IHH	-3.64	2.43	0.84	SOS
PPB	-2.67	0.32	0.48	SOS
IJM CORP	-2.47	0.06	-1.72	-
IOI CORP	-2.44	1.07	-0.22	-

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