

MIDF EQUITY STRATEGY | 19 FEBRUARY 2018 WEEK ENDED 16 FEBRUARY

- It is notable that net money outflow amidst advancing share price may indicate a sell on strength (SOS) stance among some investors.
- Wall Street made a comeback last week as the volatility index (VIX) fell below 20 points as well as retail sales data recording a 3.6% yearly growth in January. This offset the concern over the indictment of Russians by U.S grand jury for intervening in the 2016 U.S presidential election.
- Brent crude oil price regained momentum, gaining 3.26% for the week to settle at USD64.84pb. Investors brushed aside data showing the number of US oil rigs rising for the fourth consecutive week.
- The level of foreign attrition from Asia abated last week amid the Lunar New Year holiday. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” offloaded -USD1.28b net last week.
- After a huge sell off in the preceding week, foreign investors increased their exposure in Malaysia. The net amount acquired by foreign investors during the 3.5 days of trading last week amounted to RM4.50m net ahead of the Chinese New Year break.
- The FBM KLCI ended 1.01% higher for the week at 1,838 points after trading ended at mid-day on Thursday. The Ringgit snapped its two week of losses, appreciating by 1.16% against the greenback to USD/MYR3.8942.

MALAYSIA BUCKS THE TREND IN SOUTH EAST ASIA

A. MARKET SNAPSHOT

- Global equity markets returned to the black, recovering from the major sell off in the preceding week.
- Wall Street made a comeback last week as the volatility index (VIX) fell below 20 points as well as retail sales data recording a 3.6% yearly growth in January. This helped offset the concern over the indictment of Russians by U.S grand jury for intervening in the 2016 U.S presidential election.
- U.S benchmarks pared gains after the news of the indictment but the Dow Jones and the S&P 500 both posted weekly gains above 4.0%. The last time these indexes capped such gains was two months ago for the Dow and five years ago for the S&P 500. U.S markets are closed this Monday in conjunction of the President's Day holiday.
- The U.S Commerce Department on Friday proposed a hefty import tariff on steel and aluminium imports from China and other countries ranging from global and country specific tariffs as well as import quotas. As a result, steel stocks such as U.S Steel ended 14.7% higher while Alcoa which has operations across the globe lost 0.44% on Friday.
- In Asia, the Hang Seng index led gainers among global markets with a 5.45% weekly gain. Meanwhile, the Year of the Rooster recorded a 33.0% annual gain, the best lunar year performance since the Year of the Ox in 2009. On Thursday's half day trading session, the turnover reached HKD76.9b on the main board, increasing by more than two fold from the session on 27 January 2017, the last trading day of the Monkey Year. On the day before, the Hang Seng index posted the largest daily gain since May 2016 following the sudden rise during the last half hour of trading of S&P 500 index futures ahead of U.S inflation data.
- In Europe, there was news that the European Union had removed a so-called punishment clause from a draft text of the arrangement for the Brexit transition period. Hopes of a softer Brexit rose as Theresa May meets Angela Merkel in Berlin to discuss the Brexit terms, boosting the Sterling up 0.32% against the euro to GBP/EUR1.1310 on Friday. On a broader level, the eurozone's GDP expanded by 2.7%yoy in 2017, the fastest growth in a decade which is a sharp contrast to the U.K economy that has been slowing over the past year in the wake of Brexit concern.
- Brent crude oil price regained momentum, gaining 3.26% for the week to settle at USD64.84pb. Investors brushed aside data showing the number of US oil rigs rising for the fourth consecutive week as a pinch of positivity was sparked by U.S crude supplies which rose less than expected in the preceding week.

Table 1 Weekly performance of major indices

Weekly % change	Week before	Last week
Hang Seng	-9.49	5.45
S&P 500	-5.16	4.30
Dow Jones	-5.21	4.25
CAC 40	-5.33	3.98
China CSI 300	-10.08	3.29
FTSE 100	-4.72	2.85
DAX	-5.30	2.85
Korea KOSPI	-6.40	2.46
FSSTI Index	-4.32	1.96
Nikkei	-8.13	1.58
Jakarta JCI	-1.86	1.32
Phil PCOMP	-3.49	1.28
Thai SET	-2.24	1.09
KLCI	-2.71	1.01
Taiwan TAIEX	-6.78	0.48
India SENSEX	-3.03	0.01

Source: Bloomberg

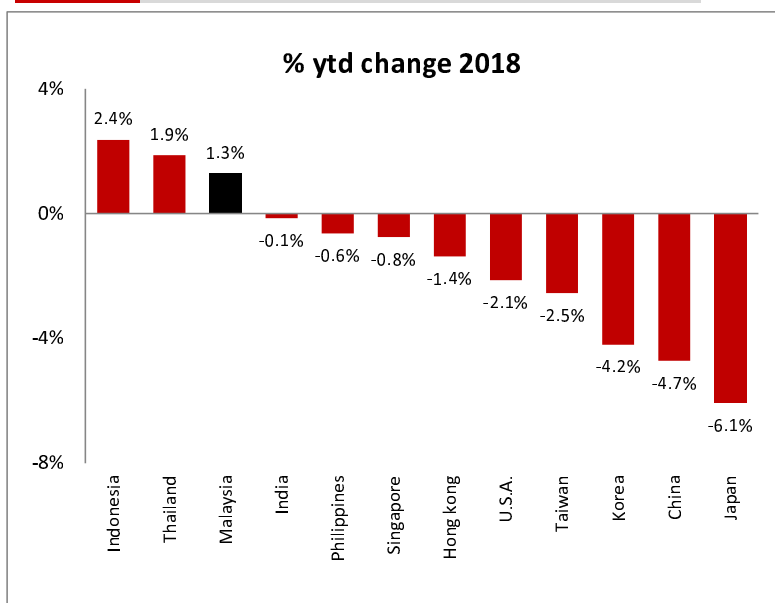
FUND FLOW REPORT

- The FBM KLCI ended 1.01% higher for the week at 1,838 points after trading ended at mid-day on Thursday in light of the Chinese New Year holidays. The magnitude of gains were comparable to the SEA peers namely Indonesia, Philippines and Thailand. The Ringgit snapped its two week of losses, appreciating by 1.16% against the greenback to USD/MYR3.8942 amid Malaysia's bullish GDP announcement.

B. TRACKING MONEY FLOW - ASIA¹

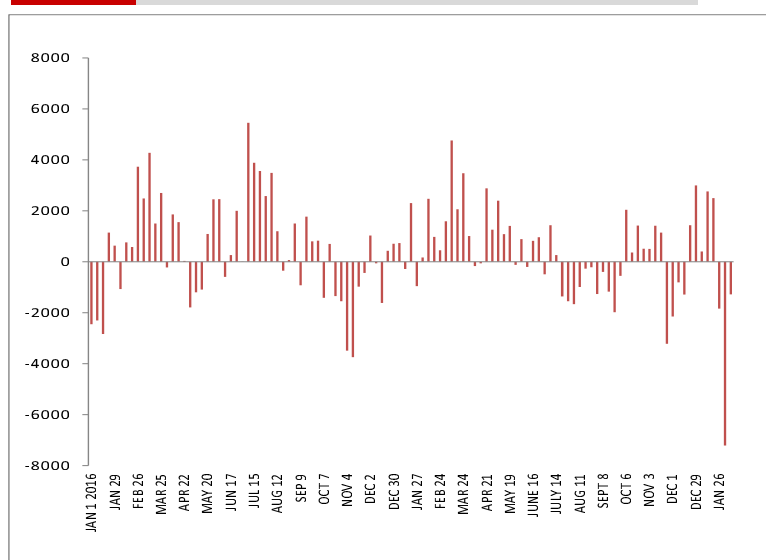
- The level of foreign attrition from Asia abated last week amid the Lunar New Year holiday. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" offloaded -USD1.28b net last week, almost one sixth of the amount disposed in the preceding week.
- In Taiwan, there were settlements but no trading in bond and stock markets on Tuesday and Wednesday, leaving only Monday which saw foreign investors offloading -USD748.0m net of local equities. Hence, Monday was also Taiex's last trading day where it closed at 10,421 points, rebounding 0.5% from the two-month low on the preceding week's Friday. As a whole, Taiwan's financial markets have been closed since February 15 and will resume operations on February 20. The Taiwan dollar meanwhile was up 0.28% at USD/TWD29.268 a day before the Lunar New Year holiday. It is noteworthy that Taiwan's GDP grew 2.86% in 2017 and expanded by 3.3%yoy in 4Q17, the fastest in 11 quarters. This may provide an impetus for the market once the local bourse reopens.
- In contrast, Korea attracted USD230.4m net of foreign inflows last week, snapping two weeks of major selloff. Similar to Taiwan, markets were officially closed on Thursday and Friday for the Lunar New Year. Foreign investors were net buyers on two out of three trading days with Tuesday recording the highest net inflow since 25 January 2018 at USD241.2m. We ascribe the foreign inflow ahead of the Lunar New Year to the improving relationship between South and North Korea following the start of the Winter Olympics in Pyeongchang, South Korea. In tandem with the weekly inflow, the Korean Won was strengthening for three trading days from Monday to Wednesday, settling at USD/KRW1077.2 as exporters sold dollars ahead of the Lunar New Year.

Chart 1 YTD performance of major markets



Source: Bloomberg

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

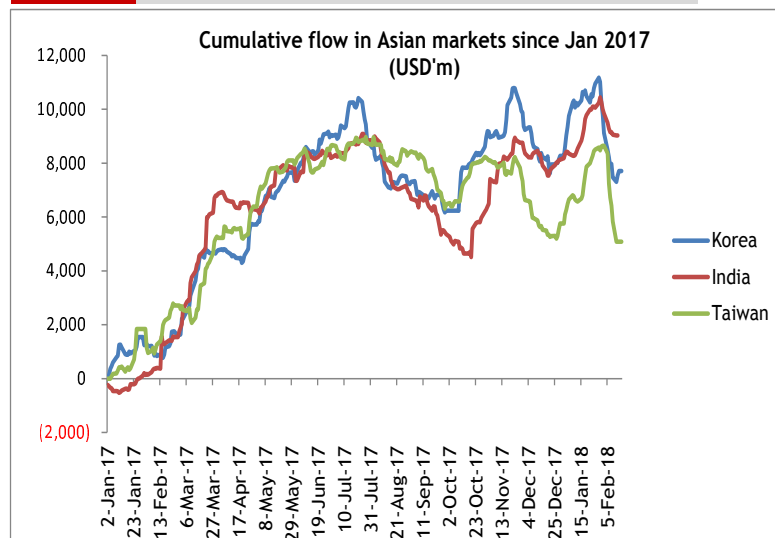


Source: Bloomberg, Bursa Malaysia

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.

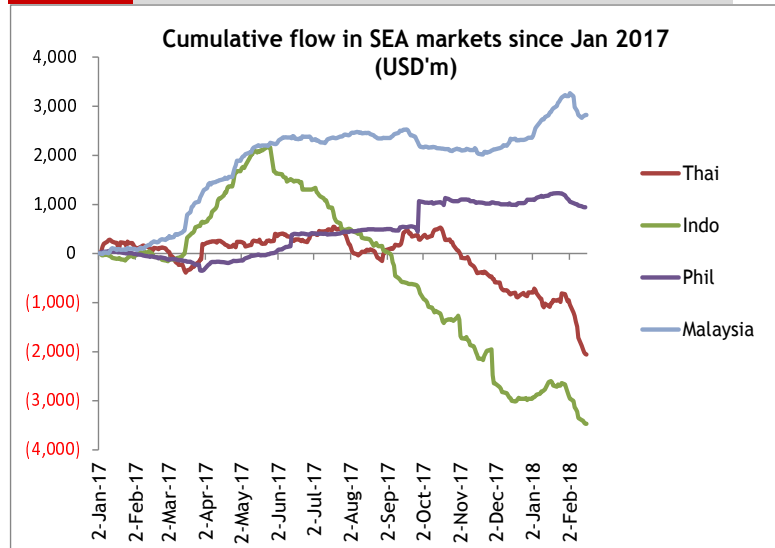
- In Emerging South East Asian markets, Thailand experienced the biggest net outflow,
- In Bangkok, foreign net selling decreased by half from -USD676.8m to -USD331.6m net. Foreign Foreign selling was the highest on Monday at -USD162.6m net but gradually declined to as low as -USD7.57m on Friday, coinciding with the SET's 1.1% weekly advance. As outflows decelerated, the Thai Baht was up by 1.26% after settling at USD/TWD31.309 but prior to that it rose to its strongest level in nearly 4 years on Thursday as global funds turned net buyers of Thai bonds for the first time since late January.
- Foreign funds were net sellers for the third week in Manila but at a decelerating pace, from -USD131.6m net during the week ended February 2, to -USD61.6m net last week. Again, the trend of foreign selling in Manila showed a gradual decline from Monday at -USD24.5m to -USD7.16m on Thursday before closing on Friday for the Lunar New Year. The PSEi took cue from the decline in foreign selling by gradually advancing from 8,488 points on Monday to 8,612 points on Thursday, translating to a weekly gain of 1.28%.
- In Indonesia, foreign investors disposed -USD116.4m net of equities last week. As global markets recovered from the ruction in the week before, the JCI advanced the most among the South East Asian markets namely, the Philippines, Thailand and Malaysia with a 1.32% weekly gain. The central bank of Indonesia kept the benchmark interest rate steady at 4.25% on Thursday to amid increasing currency volatility spurred from the preceding week's global turmoil. On a month-date basis as of last Thursday, the Rupiah is the worst performer after the Philippines with a 1.0% loss.

Chart 3 Net Flow of Foreign Funds into Taiwan, Korea and India since Jan 2017(USD'm)



Source: Bloomberg

Chart 4 Net Flow of Foreign Funds into South East Asia Emerging Markets since Jan 2017 (USD'm)



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
DEC 29	317.1	52.7	-2.1	68.0	481.6	472.6	40.6	1,430.3
JAN 5	1,479.7	-12.9	84.6	14.7	311.6	891.9	228.2	2,997.7
JAN 12	394.1	-212.3	111.3	49.9	-57.0	-73.2	193.3	406.1
JAN 19	349.2	76.0	75.3	56.3	738.6	1,287.6	177.6	2,760.6
JAN 26	459.0	130.8	52.1	10.6	980.7	641.0	223.3	2,497.5
FEB 2	-1,839.0	-224.3	-316.4	-131.6	449.4	135.7	88.8	-1,837.4
FEB 9	-1,638.6	-676.8	-396.4	-91.1	-1,156.1	-2,805.8	-446.8	-7,211.5
FEB 16	230.9	-331.6	-116.4	-61.6	-251.3	-748.0	1.39	-1,276.6

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

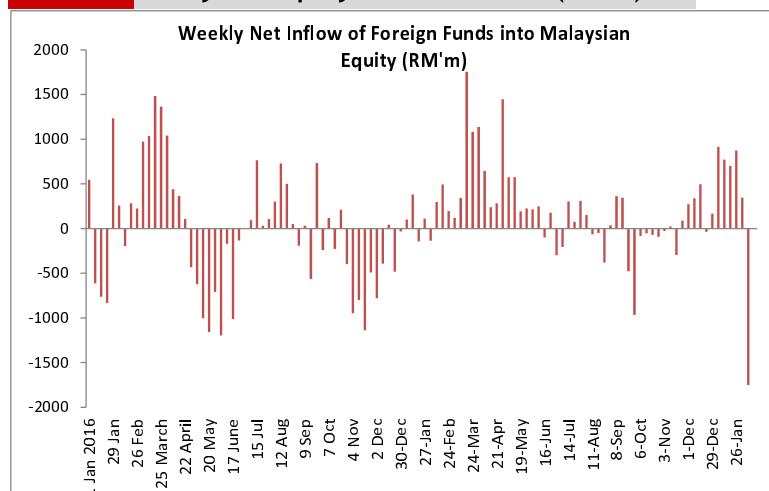
FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

- After a huge sell off in the preceding week, foreign investors increased their exposure in stocks listed on Bursa ahead of the Chinese New Year break.
- Based on preliminary data from Bursa which excluded off market deals, the net amount acquired by foreign investors during the 3.5 days of trading last week amounted to RM4.50m net, the smallest amount bought in a week thus far this year.
- Foreign funds were net buyers on all trading days except Monday which saw an attrition of -RM230.3m net. Meanwhile, foreign buying was the highest on Tuesday at RM112.7m net with trading value exceeding RM1.5b, the highest in four trading days.
- On Wednesday, the announcement of Malaysia's GDP expanding by 5.9%yoy in 2017 compared with a 4.2% expansion in 2016 saw the FBM KLCI close at a four-day trading high of 1,835 points. Nonetheless, foreign buying only stood at RM62.4m net, the second lowest during the week as foreigners remained anxious ahead of the U.S inflation data.
- The FBM KLCI inched higher to 1,838 points on Thursday as investors shrugged off strong U.S inflation data but foreign buying declined further to RM59.7m net as foreign investors entered risk-off mode right before the Chinese New Year holiday. Overall, Malaysia bucked the trend with an inflow, as the Philippines, Thailand and Indonesia all experienced attrition.
- Foreigners have so far acquired RM1.86b net in the first seven weeks of 2018, higher than the RM1.11b recorded during the same period in 2017.
- Although the foreign average daily trading value (ADTV) declined by 35% from RM1.61b in the week before to RM1.04b last week, we deem the foreign participation to be still healthy given that last week was a short trading week and Thursday was a half trading day.

Chart 5

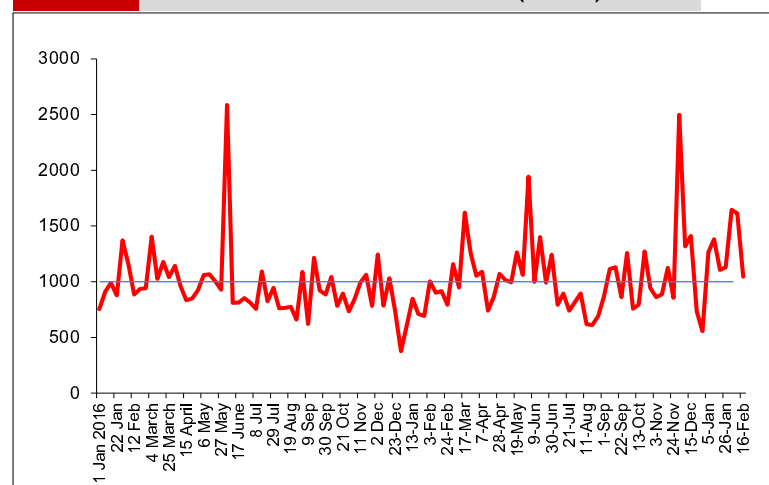
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2016 (RM'm)



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)	
JAN 5	3,802.0	3,876.0	-74.0	6,231.5	7,072.6	-841.1	2,984.8	2,069.7	915.1	228.2
JAN 12	5,413.0	5,246.8	166.2	9,859.1	10,797.5	-938.4	3,841.1	3,068.9	772.2	193.3
JAN 19	4,414.9	4,382.7	32.2	8,439.5	9,173.9	-734.4	3,117.3	2,415.1	702.2	177.6
JAN 26	3,465.9	3,525.7	-59.8	6,887.2	7,699.9	-812.7	3,259.4	2,386.8	872.6	223.3
FEB 2	1,902.8	1,923.8	-21.0	4,092.3	4,416.0	-323.7	2,641.5	2,296.8	344.7	88.8
FEB 9	3,343.9	3,392.0	-48.1	9,931.7	8,132.9	1,798.8	3,161.7	4,912.4	-1,750.7	-446.8
FEB 16	1,291.6	1,362.9	-71.3	4,380.0	4,313.2	66.8	2,091.9	2,087.4	4.5	1.4

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 16 FEBRUARY
TOP 10 NET MONEY INFLOWS

- Tenaga Nasional Berhad registered the highest net money inflow of RM46.05m last week. Its share price underperformed with a -0.13% loss against the FBM KLCI which advanced by 1.01% during the week under review. Nonetheless, it is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.
- Malaysia Airports Holdings Berhad recorded the second highest net money inflow of RM27.34m. Its share price significantly underperformed against the market benchmark with a -4.63% loss during the review week.
- CIMB Group saw the third highest net money inflow of RM21.41m. Its share price outperformed the FBM KLCI with a 2.19% gain 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		
TNB	46.05	-3.84	-0.13	BOW
MAHB	27.34	7.66	-4.63	BOW
CIMB	21.41	0.07	2.19	-
UNITED PLNTN	13.35	-0.30	0.78	-
DIALOG	7.30	3.32	3.42	-
PETCHEM	6.71	9.31	1.25	-
PRESS METAL	5.18	0.56	0.53	-
SIME DARBY	5.16	0.31	-1.84	BOW
GENTING BHD	4.98	2.92	2.62	-
MISC	3.76	3.23	-1.26	BOW

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- Public Bank Berhad saw the largest net money outflow of -RM9.74m last week. Its stock price ended 0.18% higher, underperforming vis-à-vis the FBM KLCI which gained 1.01% during the review week. It is notable that net money outflow amidst advancing share price may indicate a sell on strength (SOS) stance among some investors.
- PPB Group recorded the second largest net money outflow -RM9.15m during the week under review. Its share price meanwhile underperformed the market benchmark with a 0.57% weekly gain.
- SP Setia registered the third largest net money outflow at -RM4.14m in the review week. Its share price meanwhile underperformed the benchmark with a -1.54% weekly loss.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
PUBLIC BANK	-9.74	-25.58	0.18	SOS
PPB	-9.15	-1.95	0.57	SOS
SP SETIA	-4.14	-0.39	-1.54	-
KL KEPONG	-4.12	4.15	0.16	SOS
AIRASIA	-4.01	-3.53	4.60	SOS
SAPURA	-3.15	-3.97	0.00	-
BAT	-3.01	1.24	-6.73	-
INARI	-2.33	-8.08	2.40	SOS
UMW	-2.13	0.65	0.00	-
PETDAG	-1.96	0.46	0.88	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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(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