

MIDF EQUITY STRATEGY | 5 FEBRUARY 2018 WEEK ENDED 2 FEBRUARY

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- Wall Street marched into the red last week, down to its worst level in two years, due to fears of inflation and disappointing quarterly results from technology and energy giants. Meanwhile, the rise of bond yields also contributed to the stock market swoon following government's announcement on monthly wage growth which staged at the fastest pace since eight years.
- During the week, Brent crude oil price declined below the USD70pb mark on Friday due to U.S output which rose above USD10m, a level not seen in nearly half a decade while U.S supplies increased after 10 consecutive weeks in declines.
- Foreign funds made an exit in most Asian markets after five straight weeks of inflows. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" disposed -USD2.03b net last week.
- Global funds have been entering Bursa for the sixth uninterrupted week albeit at a slower pace following the holiday shortened week. Based on preliminary data from Bursa which excluded off market deals, international investors acquired RM344.6m net of local equities last week, less than half of the RM872.6m net acquired in the preceding week.
- Despite declining patterns of majority global indexes, The FBM KLCI retained its upbeat momentum, advancing 0.89% to close at 1,870 points on Friday, logging its tenth uninterrupted week of gains. On the other hand, the Ringgit staged its first weekly drop to USD/MYR3.8855 after five weeks of gains, attributable to the strengthening dollar.

5 February 2018 | Strategy - Weekly Fund Flow

Danial Razak
Adam M Rahim**MALAYSIA BUCKS THE TREND IN ASEAN****A. MARKET SNAPSHOT**

- Global equity markets were seen turning its back in the fifth week of 2018.
- Wall Street marched into the red last week, down to its worst level in two years, due to fears of inflation and disappointing quarterly results from technology and energy giants. Meanwhile, the rise of bond yields also contributed to the stock market swoon following government's announcement on monthly wage growth which staged at the fastest pace since eight years.
- Overall on Friday, The Dow had its worst decline of -4.12% since June 2016 to 25520.96 points. The S&P followed suit staging its worst dip since August 2016 to 2762.13 points. During the week, several major companies, including Exxon Mobil and Google's parent company, Alphabet share price dropped after reporting dented quarterly earnings. At the same time, Apple's share price sank as concerns over iPhone sales surfaced.
- On the US economic front, gradual rate hikes are expected to persist as said by John Williams, the San Francisco Fed Chief. Despite his positive outlook on the growth forecast, he did not see the economy to fundamentally shift gears.
- In Asia, the Hang Seng index declined by -1.67% after 7 weeks of gains. The benchmark Hong Kong index dipped to 32,601.78 points, extending Thursday's -0.75% decline, posting its biggest weekly loss in two months, following the trend of rising bond yields which triggered volatility in global equities.
- In Europe, the FTSE 100 declined to settle at 7,443 points on Friday, its largest weekly drop since April 2017. On the other hand, the Pound Sterling fell sharply on Friday by 1.02% relative to its international peers, after the latest instalment of the IHS Markit construction PMI showed an already-troubled industry experiencing another blow in January. The PMI index fell to 50.2 from 52.2 in December, which was higher than market expectations.
- During the week, Brent crude oil price declined below the USD70pb mark on Friday due to U.S output which rose above USD10m, a level not seen in nearly half a decade while U.S supplies increased after 10 consecutive weeks in declines. The downside momentum in crude oil prices was aggravated by the surge in Dollar following strong US job numbers. The US job growth saw a jump in January coupled with rising wages, recording its largest annual gain in more than eight years. During the week under review, the Brent declined by -2.75% to USD68.58pb.

Table 1 Weekly performance of major indices

Weekly % change	Week before	Last week
KLCI	1.37	0.89
Thai SET	0.41	-0.08
Taiwan TAIEX	-0.03	-0.19
Jakarta JCI	2.61	-0.48
FSSTI Index	0.47	-1.05
Nikkei	-0.74	-1.51
Hang Seng	2.79	-1.67
Korea KOSPI	2.16	-1.92
China CSI 300	2.24	-2.51
Phil PCOMP	1.41	-2.55
India SENSEX	1.52	-2.73
FTSE 100	-0.84	-2.90
CAC 40	0.05	-2.97
S&P 500	2.23	-3.85
Dow Jones	2.09	-4.12
DAX	-0.70	-4.16

Source: Bloomberg

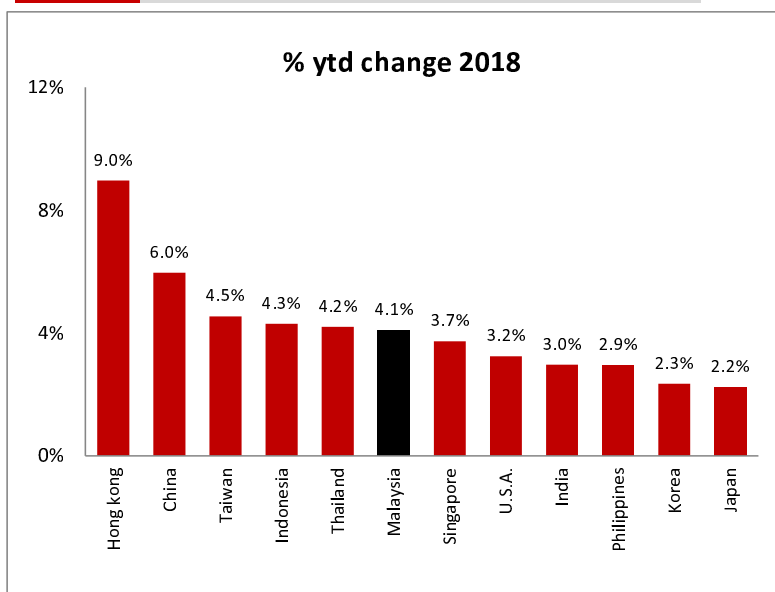
FUND FLOW REPORT

- Despite declining patterns of majority global indexes, The FBM KLCI retained its upbeat momentum, advancing 0.89% to close at 1,870 points on Friday, logging its tenth uninterrupted week of gains. On the other hand, the Ringgit staged its first weekly drop to USD/MYR3.8855 after five weeks of gains, attributable to the strengthening dollar.

B. TRACKING MONEY FLOW - ASIA¹

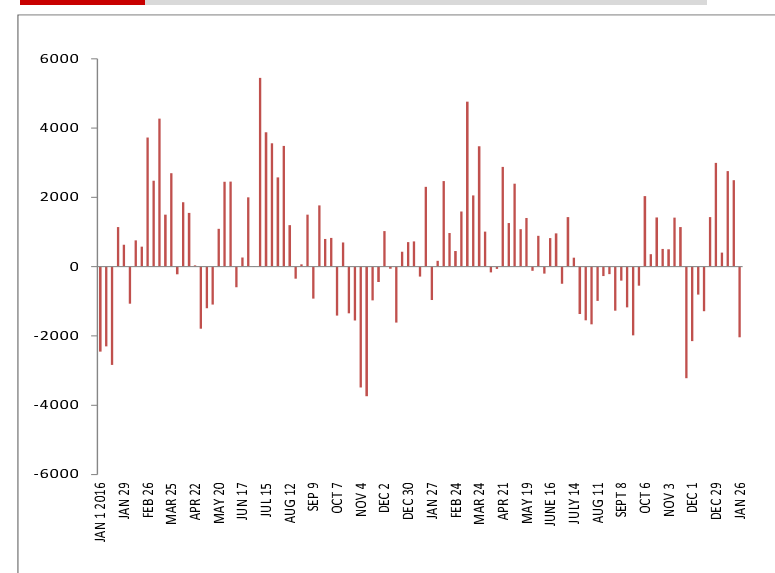
- Foreign funds made an exit in most Asian markets after five straight weeks of inflows. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” disposed -USD2.03b net last week, almost offsetting the preceding week’s inflow of USD2.50b.
- In Korea, foreign investors bagged -USD1.84b net out of the stock market, the largest amount disposed since August 2015. Foreign investors were net sellers in Korea on four out of five trading days, with Wednesday recording the highest at -USD786.5m despite the announcement of Samsung’s 4Q17 profit which reached a record which rose 64.3% yoy. Hence, it was no surprise that the KOSPI was hammered by the foreign attrition, declining by 1.92% for the week. Investors also shrugged off Korea’s exports which soared by 22.2% yoy in January underpinned by brisk sales of memory chips and petrochemical products. The heavy foreign selling was an impetus to the Korean Won’s weakness, staging its biggest drop since August last year to USD/KRW1079.94.
- Meanwhile, foreign investors in Taiwan remained in buying mode for three consecutive weeks ploughing in USD135.7m net last week, despite at a declining rate. Foreign investors were net buyers for three days of the week ranging from USD30m-USD140m, with the highest recorded on Wednesday. On a daily basis, Tuesday marked the first day of foreign selling after eleven days of consecutive inflows. It is noteworthy that the foreign inflow was partly sustained by Taiwan’s real GDP which expanded faster than expected by 3.3% yoy in 4Q17 mainly due to the launch of the iPhone X. In contrast, Taiex finished the week lower, inching down by -0.19% to 11,126.23 points.
- In Emerging South East Asian markets, foreign selling was seen in three out of four SEA markets with Malaysia bucking the trend.

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)

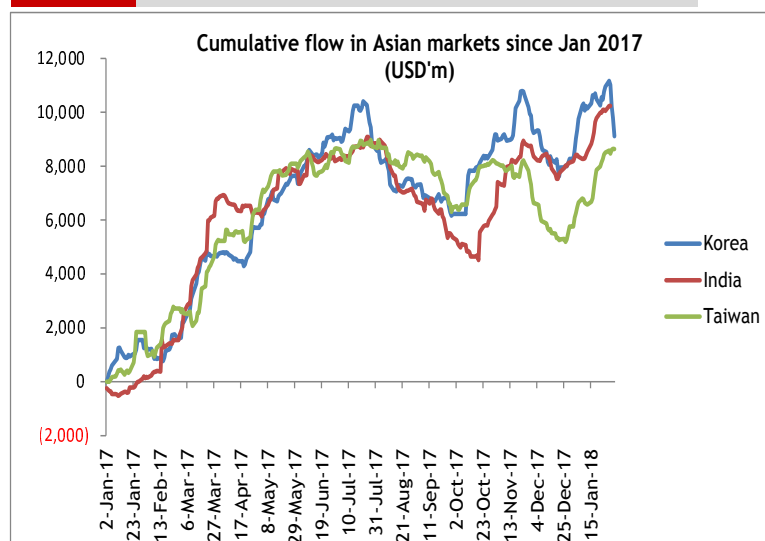


Source: Bloomberg, Bursa Malaysia

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.

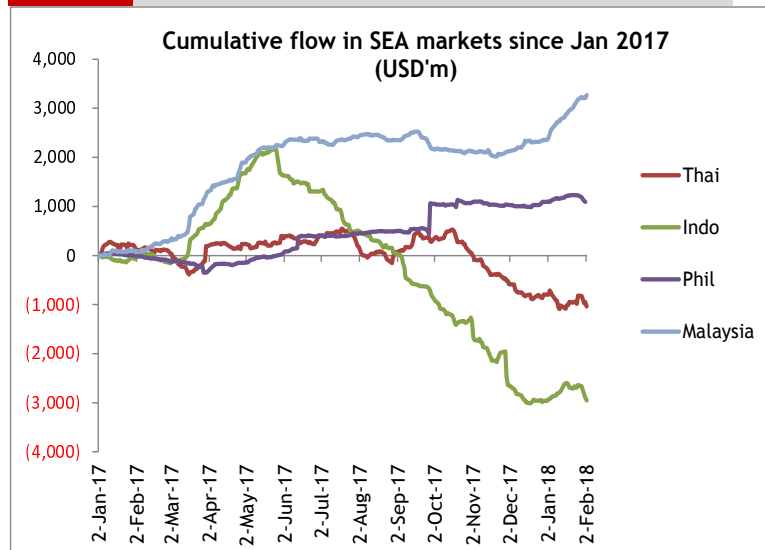
- In Bangkok, foreign investors turned net sellers after two weeks of acquisition, unloading -USD224.3m net of equities, the biggest weekly outflow since November last year. We opine such outflows is due to the relaxation of rules by the Bank of Thailand to enable more capital outflows to rein in the Baht's strength. Meanwhile, the SET finished the week marginally lower, moving by a meagre -0.08% to settle at 1,828 points. Nonetheless, for the month of January, the SET marked its best month since July 2016 as it gained 4.2%.
- The six-week buying binge in Manila came to a halt last week as foreign investors dumped -USD131.6m net, the highest since March 2017. Global investors were net sellers throughout the whole week, with Wednesday recording the highest attrition of -USD45.4m net, coinciding with the PSEi's retreat to close below 8,800 points for the first time in 17 trading days. The local stock barometer continued to decline further by 0.30% on Thursday, extending the bourse's losing streak to three days but staged a rebound on Friday to firm up above the 8,800 level. Despite the slight recovery,, the PSEi lost -2.55% for the week, marking its first losing week in nine.
- In Indonesia, foreign investors sold -USD316.4m net of equities last week. The amount offloaded came in at higher magnitude, in comparison to previous buying activities in the last four weeks which amounted to USD323.3m. On daily basis, the net outflow was the highest on Tuesday recorded at -USD89.2m. This coincided with weekly drop of JCI Index by -0.48% to settle at 6,628.82 pints. Meanwhile for Rupiah, it declined -1.09% to USD/IDR13,418.

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)

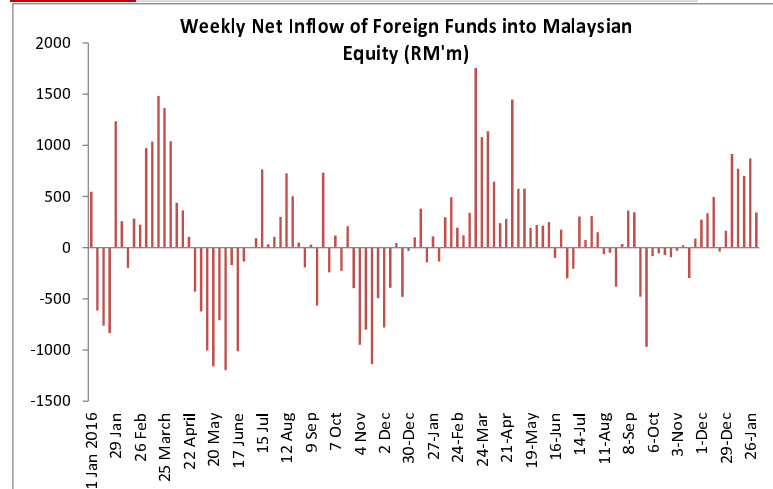
WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
DEC 15	-363.0	-60.1	-172.8	-4.0	101.4	-429.3	121.3	-806.6
DEC 22	-283.5	-37.2	39.7	28.6	-787.9	-235.8	-9.4	-1,285.6
DEC 29	317.1	52.7	-2.1	68.0	481.6	472.6	40.6	1,430.3
JAN 5	1,479.7	-12.9	84.6	14.7	311.6	891.9	228.2	2,997.7
JAN 12	394.1	-212.3	111.3	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	248.1	135.7	88.8	-2,038.7

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

C. TRACKING MONEY FLOW - MALAYSIA

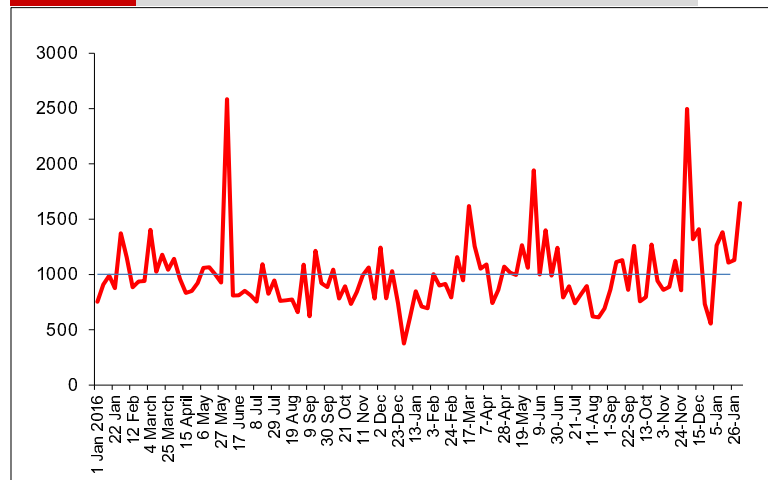
- Global funds have been entering Bursa for the sixth uninterrupted week albeit at a slower pace following the holiday shortened week.
- Based on preliminary data from Bursa which excluded off market deals, international investors acquired RM344.6m net of local equities last week, less than half of the RM872.6m net acquired in the preceding week.
- During the three-day trading week, foreign investors were net buyers on 2 days. Foreign investors bought RM186.8m net worth of Malaysian equities on Monday amid the rally in banking stocks due to the expectations that banks will benefit in terms of interest margins following the OPR hike announced on 26 January 2018. The FBM KLCI benchmark followed suit to settle at its highest level in more than 3 years at 1,870 points on the same day.
- However on Tuesday, profit-taking activity emerged as foreign investors sold -RM70.6m net of local equities. Another triggering factor for Tuesday's foreign selling was the overnight pullback in Wall Street amid concerns of higher interest rates following the jump in U.S treasury yields.
- Nonetheless, foreign buying reclaimed its ground on Friday after the two-day break with a net inflow of RM228.5m net, the highest in six trading days.
- For the month of January, foreign investors have mopped up RM3.38b net which is eight times more than the RM418.8m net acquired in the same period last year.
- Foreign participation remained active as the foreign average daily trade value (ADTV) has been standing above the RM1b level for past five weeks. On a weekly basis, the foreign ADTV increased by 46% from RM1.1b in the week before to RM1.6b last week, the highest since June last years. The retail market was equally attractive as the retail ADTV remained above RM1b despite a weekly drop of 9% to RM1.3b.

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)	
DEC 22	2,312.5	2,360.4	-47.9	6,815.6	6,729.5	86.1	1,814.6	1,852.8	-38.2	-9.4
DEC 29	2,303.5	2,445.4	-141.9	4,966.0	4,989.2	-23.2	1,193.9	1,028.8	165.1	40.6
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

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 2 FEBRUARY
TOP 10 NET MONEY INFLOWS

- Petronas Chemicals Berhad registered the highest net money inflow of RM14.41m last week. Its share price underperformed with a 0.50% gain against the FBM KLCI which gained by 0.89% during the week under review.
- Public Bank Berhad recorded the second highest net money inflow of RM10.81m. Its share price significantly outperformed against the market benchmark with a 3.29% gain during the review week.
- Top Glove Corporation Berhad saw the third highest net money inflow of RM3.19m. Its share price underperformed the FBM KLCI with a 1.58% loss 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.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
PETCHEM	14.41	2.08	0.50	-
PUBLIC BANK	10.81	1.55	3.29	-
TOP GLOVE	3.19	-0.11	-1.58	BOW
MISC	3.04	-0.89	0.40	-
PRESS METAL	2.80	0.95	1.22	-
HENGYUAN	1.99	-2.38	-0.44	BOW
TELEKOM	1.65	-1.54	3.50	-
V.S. INDUSTRY	1.59	3.95	-1.62	BOW
AEON CREDIT	1.41	-0.33	1.18	-
BURSA	1.21	6.49	2.64	-

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- Tenaga Nasional Berhad saw the largest net money outflow of -RM26.57m last week. Its stock price ended 0.25% lower, underperforming vis-à-vis the FBM KLCI which advanced by 0.89% during the review week.
- CIMB Group recorded the second largest net money outflow -RM21.37m during the week under review. Its share price meanwhile outperformed the market benchmark with a 2.69% weekly gain. It is notable that net money outflow amidst advancing share price may indicate a sell on strength (SOS) stance among some investors.
- Petronas Dagangan Berhad registered the third largest net money outflow at -RM15.67m in the review week. Its share price meanwhile outperformed the benchmark with a 2.91% weekly gain.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
TNB	-26.57	-25.35	-0.25	-
CIMB	-21.37	-1.04	2.69	SOS
PETDAG	-15.67	1.54	2.91	SOS
PPB GROUP	-12.11	0.20	-0.11	-
SD PLNTN	-9.88	-4.73	0.91	SOS
GAMUDA	-8.62	-0.29	-1.72	-
SAPURA	-8.52	-5.24	-8.13	-
GENM	-8.24	3.69	-0.18	-
AXIATA	-7.59	-10.50	1.42	SOS
DUTCH LADY	-6.34	-30.08	0.48	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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