

## MIDF EQUITY STRATEGY | 31 JAN 2017

WEEK ENDED 27 JANUARY 2017

- Equity prices around the world in general rebounded last week after being in the redzone during the presidential inauguration week in the U.S. However, there was restrain as many markets in Asia will be closed due to the Chinese New Year.
- During his first week in office, President Trump started to fulfill his election campaign promises. Wall Street welcomed the anticipated economic stimulus, and combined with stronger-than-expected earnings from Wall Street, pushed the Dow Jones above the 20,000 mark for the first time ever during the week.
- Global investors returned strongly to Asian equity last week, despite the looming break. The aggregate net inflow of funds to seven Asian markets that we track surged to its highest since August last year.
- Not surprisingly, the bulk of the flow was skewed towards North Asian markets. Sentiment towards SEA emerging markets remained tempered.
- The Taiwan exchange reported a whopping USD1.11b of foreign purchases, the highest since July last year. Foreign investors returned strongly in Korea, being net buyers for the ninth out of 10 weeks.
- Ahead of the Chinese New Year break, foreign investors increased their exposure to Malaysian equity, albeit moderately. Of significance for the local market is that foreign participation rate held up pretty well.
- The FBM KLCI was up 1.29% last week and has now risen 1.41%ytd.

## STRONG TIDE IN NORTH ASIA AHEAD OF BREAK

### A. MARKET SNAPSHOT

- Equity prices around the world in general rebounded last week after being in the redzone during the presidential inauguration week in the U.S. However, there was restraint as many markets in Asia will be closed due to the Chinese New Year.
- During his first week in office, President Trump started to fulfill his election campaign promises. Notably, President Trump ordered the exit of the U.S from the TPPA and instructed the building of a wall at the Mexican border. Wall Street welcomed the anticipated economic stimulus, and combined with stronger-than-expected earnings from Wall Street, pushed equity prices to new highs. The Dow Jones exceeded the 20,000 mark for the first time ever during the week by closed Friday at 19,763 points.
- In China, the central bank increased both the 6 month and 1 year medium-term lending facility by 10 basis points to 2.95% and 3.1% respectively to try restrain the high debt levels in the country. Ahead of the Chinese New Year break, the PBOC pumped 1.13t yuan into the domestic money market to provide liquidity. The stockmarket in China closed for trading from last Thursday and would resume this Friday.
- In the UK, the Supreme Court ruled that the Prime Minister could not trigger Article 50 of the Lisbon Treaty without the assent of the Parliament. The FTSE was down -0.2%.
- Positive sentiment from the United States spilled into stocks and currencies in emerging markets in Asia and further extended when U.S. Treasury Secretary, Steven Mnuchin, commented that an excessively strong dollar would be negative for the U.S. economy in the short term. President Trump has also expressed his view that the dollar is currently "too strong".
- Meanwhile, crude oil inventory remained high in the United States but a report by Bernstein Energy claimed that global inventories have fallen

**Table 1** Weekly performance of major indices

Weekly % change	Week before	Last week
India Sensex	-0.75	3.14
Hang Seng	-0.22	2.07
Straits Times	-0.46	1.79
Thai SET	-0.78	1.78
Nikkei 225	-0.77	1.72
DAX	0.01	1.58
Phil Comp	-0.08	1.40
Dow Jones	-0.29	1.34
KLCI	-0.46	1.29
Taiwan Taiex	-0.51	1.25
Jakarta JCI	-0.35	1.11
S&P500	-0.15	1.03
China CSI300	1.05	0.99
Korea KOSPI	-0.54	0.87
FTSE	-1.90	-0.19
CAC	-1.46	-0.22

Source: Bloomberg

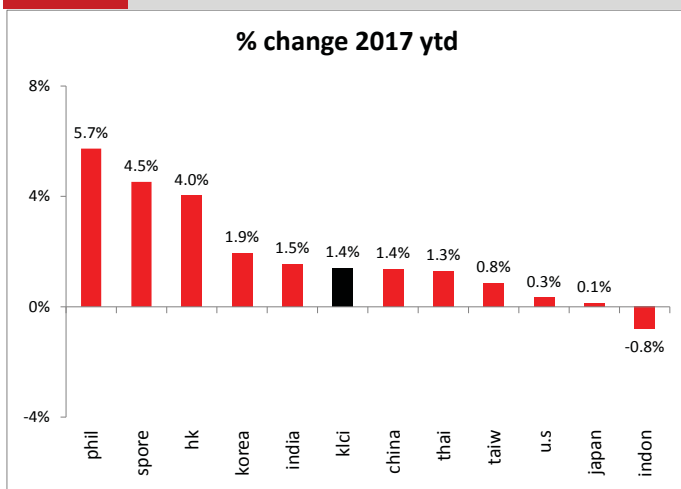
by 24 million barrels to 5.7 billion barrels in the last quarter of 2016. Positive market sentiment also helped Brent crude to remain above the USD55 mark at USD55.52pb.

- The FBM KLCI was up 1.29% last week and has now risen 1.41%ytd. The ringgit continued its progress, rising 0.38% against the dollar last week.

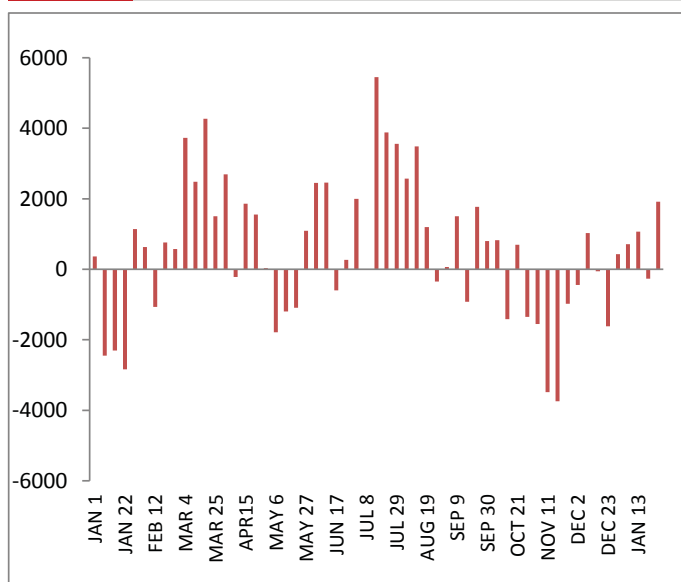
**B. TRACKING MONEY FLOW - ASIA<sup>1</sup>**

- Global investors returned strongly to Asian equity last week, despite the looming break. The aggregate net inflow of funds classified as “foreign” to seven Asian markets that we track surged to USD1.91b, the highest since August last year.
- Not surprisingly, the bulk of the flow was skewed towards North Asian markets. Sentiment towards SEA emerging markets remained tempered, as investors take a “wait and see” approach to the current global economic and political climate, dominated by the policies of Mr Trump. There was a spike in foreign buying in SEA on Thursday following the Dow’s 20,000-point feat, but in general the mood remained cautious.
- Thailand reported foreign outflow for the second consecutive week but the amount remained marginal. Thailand export growth, dropped from 10.2% to 6.2% year-over-year in December. Philippines also reported foreign attrition for the second week running. GDP growth for 2016 was slightly lower than expected but still strong at 6.8%. • It was a relatively good week for Indonesia which reported the first foreign buying in four weeks albeit moderate at USD54.7m.
- The money flow story last week unmistakably belonged to Taiwan and Korea. Taiwan’s stock

**Chart 1** YTD performance of major markets



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



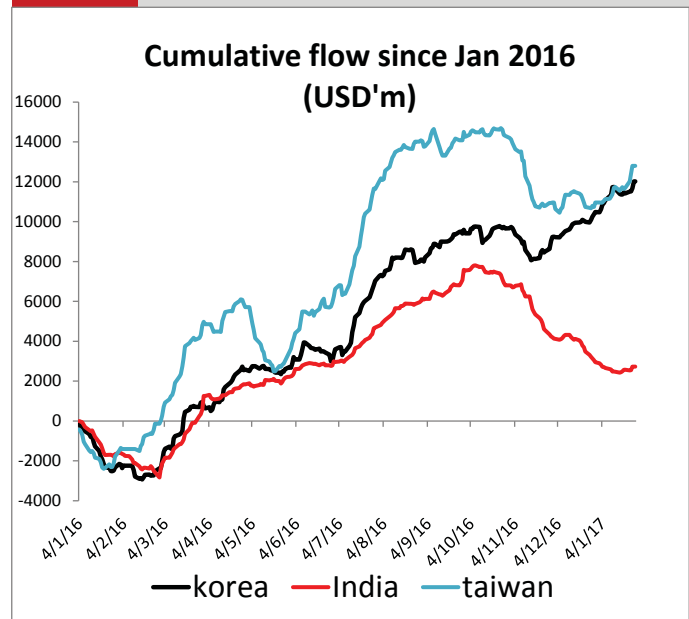
Source: Bloomberg, Bursa Malaysia

<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.

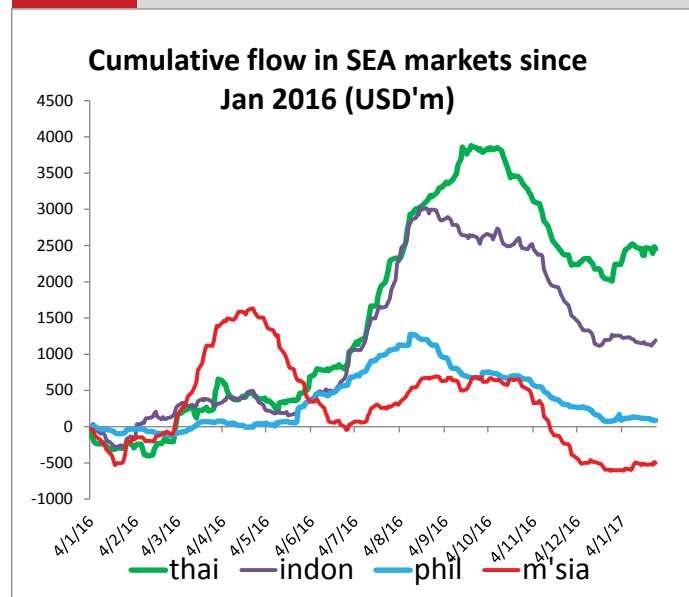
market was closed since last Wednesday for a week and will reopen on Thursday this week. Despite that, the exchange reported a whopping USD1.11b of foreign purchases, the highest since July last year. It pushed the cumulative foreign fund inflow for the year to USD1.84b.

- Foreign investors appeared to take position ahead of Apple's Q1 earnings result, which would be announced during the one week break. Stock prices of specialized semiconductor manufacturers like Genius Electronics and Casatek, which have Apple as one of their main customers, shot up. Taiwan also posted stronger economic numbers with unemployment slightly better at 3.82% and GDP growing better than expected at 2.58%.
- Meanwhile, Korea, which was also closed on Friday, reported a strong foreign fund inflow amounted to USD608m last week, the highest in eight weeks. Foreign confidence improved after prosecutors failed to arrest the heir to the largest company in Korea. Although Korea posted slightly slower than expected GDP growth at 2.3%, foreign investors are still banking on a political reform to materialize.

**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)

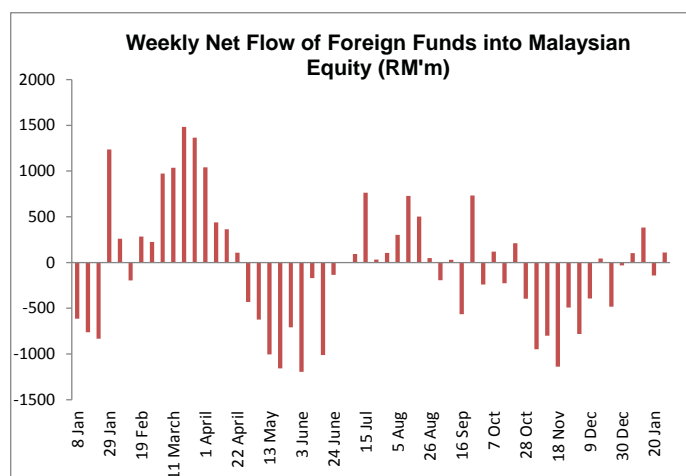
WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
DEC 9	305.8	83.0	-169.7	-14.2	201.3	710.2	-88.3	1028.1
DEC 16	417.2	-145.5	-182.1	-87.4	-201.3	129.3	10.0	-59.7
DEC 23	49.0	-131.7	52.6	-96.5	-636.1	-745.5	-107.6	-1615.9
DEC 30	485.8	197.1	60.1	9.0	-536.8	221.2	-7.0	429.4
JAN 6	595.4	198.0	-27.1	32.2	-285.6	172.8	22.7	708.5
JAN 13	560.7	44.4	-59.7	13.6	-189.0	612.5	85.7	1083.4
JAN 20	-221.6	-15.3	-32.8	-15.8	101.4	-48.3	-32.0	-264.4
JAN 27	608.0	-14.3	54.7	-25.8	158.8	1106.9	24.9	1913.1

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

## C. TRACKING MONEY FLOW - MALAYSIA

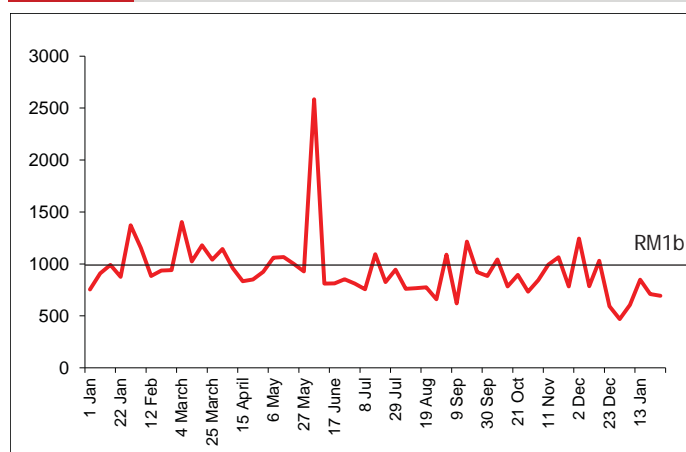
- Ahead of the Chinese New Year break, foreign investors increased their exposure to Malaysian equity, albeit moderately. Based on preliminary data from Bursa, the net amount of equity bought by foreigners during the 4½ days of trading last week amounted to RM110.3m, offsetting a significant portion of the -RM143.0m outflow recorded the week prior.
- Foreign trading was active on Tuesday, as trading value exceeded RM1b for the first time this year, but the momentum was lost as expected as the market edged towards Friday. The heaviest foreign buying was recorded on Thursday, as net purchases surged to RM173m, the second highest this year. It coincided with heavy buying in some markets in the region, notably Korea and Thailand.
- Of significance for the local market is that foreign participation rate held up pretty well. Average daily trade value (ADTV) declined by only -2.3%, which is commendable as Bursa was open for trading only in the first half of Friday.
- As expected, retailers retreated significantly from the market, yanking out -RM142.5m net, the highest weekly attrition since September last year. Participation rate, based on the ADTV fell 26% to RM412m.

**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)	
16 Dec	764.0	749.9	14.10	3822.4	3880.5	-58.1	2083.7	2039.7	44.0	10.0
23 Dec	1023.9	939.0	84.90	4366.0	3969.2	396.8	1239.0	1720.7	-481.7	-107.6
30 Dec	824.8	893.6	-68.80	3890.0	3790.0	100.0	923.1	954.3	-31.2	-7.0
6 Jan	1130.5	1253.8	-123.30	4130.9	4109.4	21.5	1262.0	1160.2	101.8	22.7
13 Jan	1734.4	1774.4	-40.0	5646.7	5989.5	-342.8	2312.2	1929.5	382.8	85.7
20 Jan	1365.8	1411.5	-45.7	5186.2	4997.5	188.7	1702.7	1845.7	-143.0	-32.0
27 Jan	957.8	1100.3	-142.5	5854.6	5822.4	32.2	1789.4	1679.1	110.3	24.9

Source: Bursa's preliminary data

\* Estimate by MIDF Research based on prevailing exchange rate.



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