

## MIDF EQUITY STRATEGY | 16 JULY 2018 WEEK ENDED 13 JULY

- Major equity markets moved out from the red zone as the earnings season in Wall Street started to garner investors' attention.
- The situation towards the end of the week got better as the S&P500 closed at its highest level since February at 2,801 points on Friday with technology stocks emerging as winners. Overall, all major U.S benchmarks rose more than 1.50% during the week.
- Brent crude oil price retreated to red zone after losing 2.31% to settle at USD75.33pb for the week. The trigger for this week's weakness came from lesser expectations of; (i) a significant decline in Iranian crude oil exports and; (ii) the global supply shortage in the face of resuming crude flows from Libya.
- After four consecutive weeks of fleeing Asian markets, global funds made a comeback albeit at a measurable pace. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" bought USD11.72m net last week.
- Net outflow from Bursa continued to narrow down for the third straight week. Based on preliminary data from Bursa which excluded off market deals, the amount sold by global funds last week receded to -RM531.8m net.
- The FBM KLCI surged 3.49% to end the week at 1,722 points, its first weekly gain after four weeks and the largest since October 2015. The Ringgit meanwhile depreciated by 0.27% during the week to USD/MYR4.051, slightly better than regional peers such as the Philippine Peso and Thai Baht which declined by more than 0.30% for the week.

## TAPERING OUTFLOWS AMIDST EBBING TRADE WAR FEARS

### A. MARKET SNAPSHOT

- Major equity markets moved out from the red zone as the earnings season in Wall Street started to garner investors' attention.
- U.S stocks had a bright start last week as the S&P500 advanced the most since 1 June 2018 on Monday as higher bond yields lifted banking stocks such as JPMorgan Chase which gained 3.1%. The Dow Jones and S&P500 resumed its ascent on Tuesday, logging their fourth uninterrupted day of gains driven by strong 2Q18 results of PepsiCo as its beverage sales fell 0.9%, the smallest in four quarters.
- The situation on Wall Street got sticky on Wednesday pursuant to President Trump's plan to impose tariffs on USD200b worth of Chinese imports which include 6,031 product lines ranging from burglar alarms to electric lamps and fish sticks, upping the ante in the trade conflict between the world's two largest economies. As a consequence, all three major U.S indexes slid by more than 0.5%.
- Nonetheless, U.S stocks rebounded the following day as investors shifted their focus towards the release of 2Q18 earnings of major banks such as Citigroup and JPMorgan Chase. Market sentiment was further buoyed by prospects of resuming trade negotiations between the U.S and China after days of exchanging retaliatory threats. The U.S Treasury Secretary, Steven Mnuchin cited that China must put more effort in its economic reform plans. The situation on Friday got better as the S&P500 closed at its highest level since February at 2,801 points with technology stocks emerging as winners. Overall, all major U.S benchmarks rose more than 1.50% during the week.
- China's exports to the U.S grew by 5.7%yoy while imports rose 4%yoy, resulting in the biggest trade surplus on record worth USD28.97b despite the mounting trade tensions. China has yet to furnish details on what kind of measures will be implemented to respond to the latest round of trade tariffs by President Trump. Putting trade tensions aside, Xiaomi's debut on Hong Kong's stock market was underwhelming as it closed below the listing price of HKD17 on its first trading day.
- Markets in the U.K had a pretty volatile week with the resignation of UK's Foreign Secretary Boris Johnson which poses a leadership challenge for Prime Minister Theresa May. Late Thursday, Theresa May's soft Brexit plan was criticised by President Trump, deflating expectations of a possible trade deal between the two nations. However, President Trump later backtracked on Friday, citing his support for a post-Brexit deal with the U.K.
- Brent crude oil price retreated to red zone after losing 2.31% to settle at USD75.33pb for the week. The trigger for this week's weakness came from lesser expectations of; (i) a significant decline in Iranian crude oil exports and; (ii) the global supply shortage in the face of resuming crude flows from Libya.

Table 1 Weekly performance of major indices		
Weekly % change	Week before	Last week
Jakarta JCI	-1.80	4.38
China CSI 300	-4.15	3.79
Nikkei	-2.32	3.71
KLCI	-1.63	3.49
Phil PCOMP	-0.10	2.96
India SENSEX	0.66	2.48
Taiwan TAIEX	-2.11	2.41
Dow Jones	0.76	2.30
FSSTI Index	-2.35	2.15
Thai SET	1.20	1.78
Korea KOSPI	-2.29	1.67
S&P 500	1.52	1.50
CAC 40	0.98	0.99
Hang Seng	-2.21	0.74
FTSE 100	-0.25	0.58
DAX	1.55	0.36

Source: Bloomberg

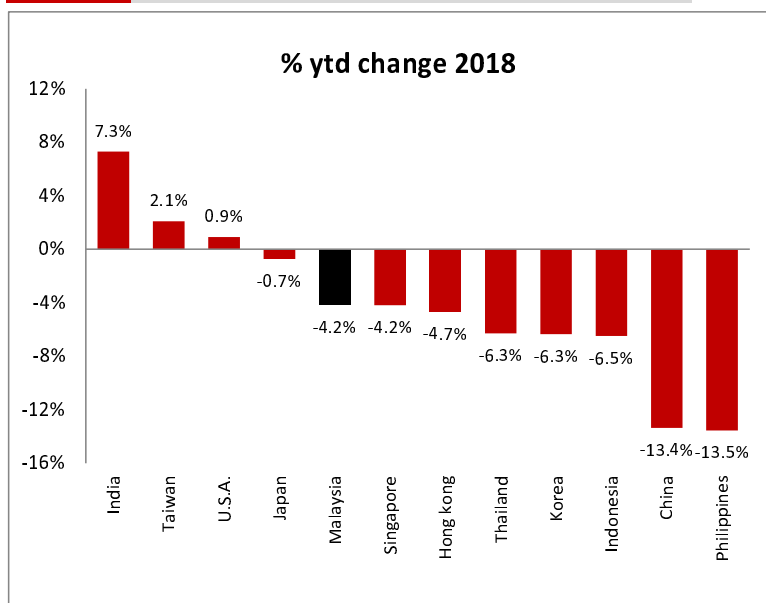
## FUND FLOW REPORT

- The FBM KLCI surged 3.49% to end the week at 1,722 points, its first weekly gain after four weeks and the largest since October 2015. The Ringgit meanwhile depreciated by 0.27% during the week to USD/MYR4.051, slightly better than regional peers such as the Philippine Peso and Thai Baht which declined by more than 0.30% for the week.

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

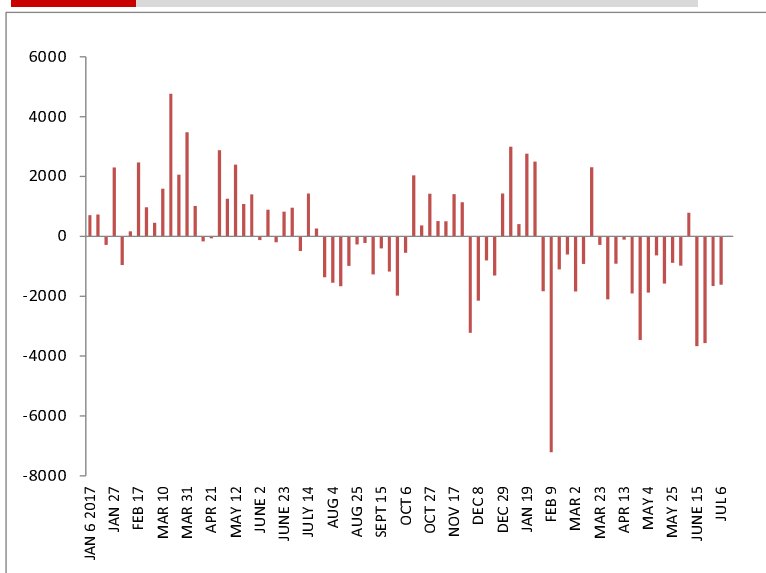
- After four consecutive weeks of fleeing Asian markets, global funds made a comeback albeit at a measurable pace. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” bought USD11.72m net last week, compared to the -USD1.62b net sold in the week earlier.
- The bulk of last week’s foreign net inflow into Asian came went to Korea as global investors mopped up USD341.6m net of local shares, the highest in five weeks, coinciding with the KOSPI’s largest weekly advance since the week ended 9 March 2018 of 1.67%. On Monday, Korea’s equity market experienced a foreign attrition worth -USD97.6m net in the wake of the U.S-China trade row. Nevertheless, foreign investors turned net buyers thereafter until the week ended despite a possible flare-up in geopolitical tensions after North Korea did not turn up for the meeting with U.S officials to discuss on the repatriating of the remains of the US soldiers during the Korean War. Friday recorded the highest net inflow in eight trading days which amounted to USD211.2m net as optimism was spurred by a possibility that Washington and Beijing are open for resuming trade negotiations that have been stalled since June.
- Taiwan was also another beneficiary of inflows but on a lower magnitude as foreign investors chipped in USD29.0m net, a level not seen since early November last year. Taiwan equities started the week with a bang as foreign investors bought a staggering USD219.4m net, the highest since early June this year. However, the mood turned sombre on Wednesday after global funds pulled out -USD301.1m net amidst President Trump plans to impose further tariffs on Chinese imports. As Friday came, optimism returned to the markets after Largan Precision posted better than expected quarterly results, putting the Taiex’s four-week slump to an end as it ended up 2.41%, its highest in 10 weeks.

**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)

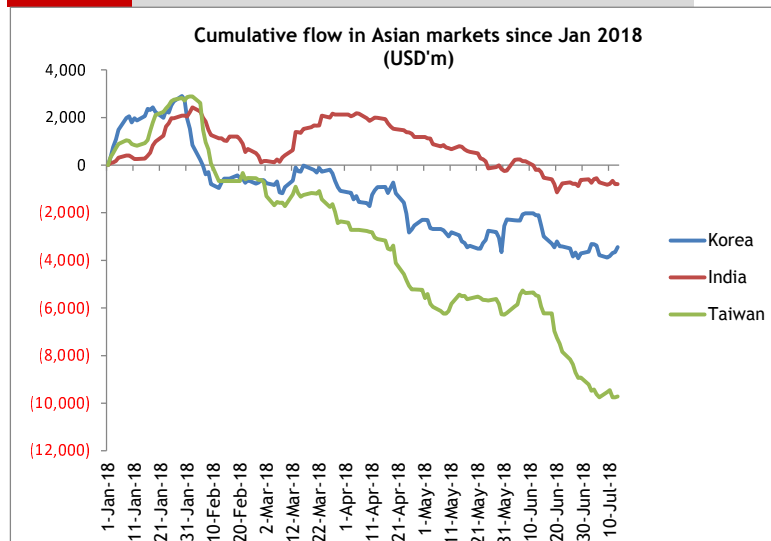


Source: Bloomberg, Bursa Malaysia, MIDFR

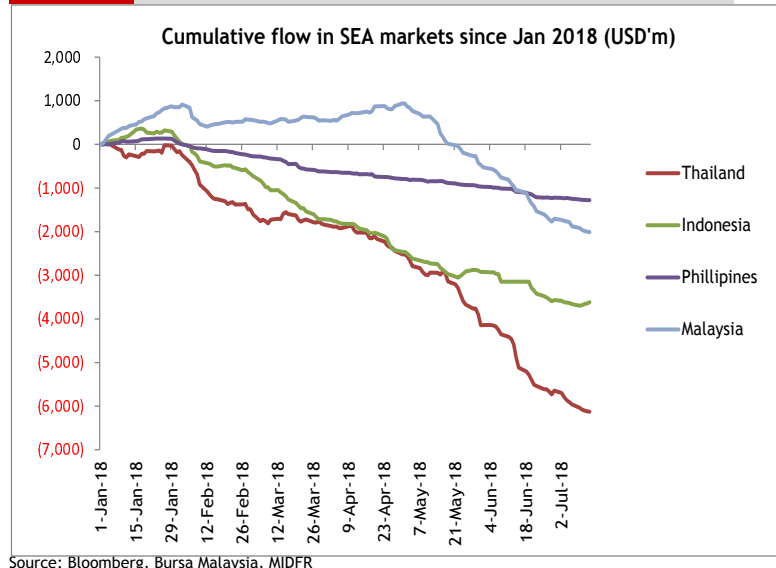
<sup>1</sup> Based on 7 Asian markets, for which fund flow data is publicly available. These are our proxy for Asia: TIPS (Thailand, Indonesia, Philippines), Korea, Taiwan, India and Malaysia.

- In the emerging South East Asian markets that we monitor, foreign net selling only amounted to -USD284.8m net, the lowest in 12 weeks.
- Bangkok's foreign net selling was almost halved from -USD317.0m net to -USD169.5m net last week with the SET index gaining 1.78%, its largest weekly gain in 12 weeks. International investors sold the most on Monday to a tune of -USD76.9m net but it is notable that the level of foreign net selling gradually tapered from thereon until Friday to reach - USD10.7m net, the lowest attrition since early June this year. The Thai Baht meanwhile jumped 0.38% to USD/THB33.208 on Thursday as the Bank of Thailand reaffirms its intervention to mitigate the Baht's recent weakness before returning into the red on Friday, settling at a nine-month low of USD/THB33.353.
- The pace of foreign attrition in Manila was little changed as foreign investors only sold off -USD30.44m net compared to -USD29.9m net in the week before. Similar to Thailand, foreign net selling was the highest on Monday at -USD13.7m net while the PSEi ended flat as the prospect of a 50bps rate hike in August dragged down investor sentiment. Foreign investors meanwhile sold the lowest on Friday at only -USD0.71m net, coinciding with the PSEi's third day of gains which resulted in a 2.96% weekly gain
- Indonesia was the only beneficiary of inflows amongst the ASEAN markets we monitor as global investors acquired USD47.0m net last week, the first weekly net inflow since the week ended May 25. It was also notable that the comeback of foreign funds boosted the JCI by a whopping 4.38%, the largest weekly advance since December 2016. The Rupiah did not gain for the week but nevertheless narrowed down its losses, depreciating only by 0.02% to USD/IDR14,378.

**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
MAY 25	633.2	-531.3	61.5	-42.8	-698.2	-79.7	-224.3	-881.5
JUN 1	471.1	-467.8	-12.1	-43.9	-86.5	-518.6	-318.4	-976.3
JUN 8	262.9	-217.4	-223.3	-39.7	394.9	835.5	-226.9	786.0
JUN 15	-971.0	-760.4	0.0	-75.6	-699.8	-858.1	-302.3	-3,667.1
JUN 22	-427.0	-420.7	-272.8	-123.8	-240.7	-1,607.4	-471.2	-3,563.6
JUN 29	-287.8	-104.6	-150.5	-7.7	150.1	-1,081.7	-175.3	-1,657.6
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	-74.1	29.0	-131.9	11.7

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



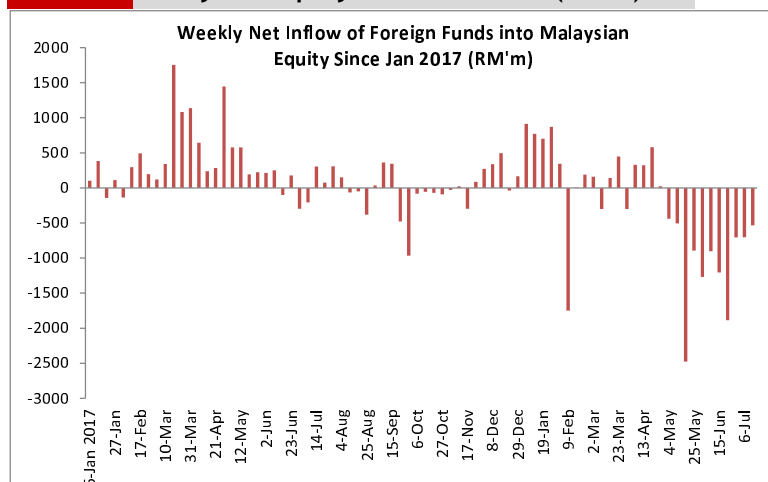
## FUND FLOW REPORT

### C. TRACKING MONEY FLOW - MALAYSIA

- Net outflows from Bursa continued to narrow down for the third straight week.
- Based on preliminary data from Bursa which excluded off market deals, the amount sold by global funds last week receded to -RM531.8m net. This is the lowest weekly foreign attrition recorded since the week ended 11 May 2018.
- Foreign net selling levels remained above RM100m for the first 3 days with Tuesday recording the highest during the week at -RM177.4m net. Despite the threats of the U.S to impose tariffs on an additional USD200b worth of Chinese imports, the market sentiment in Asia improved on Wednesday, buoyed by overnight gains on Wall Street following PepsiCo's solid quarterly results. This then capped the amount of foreign outflows that day which totalled RM112.9m net.
- It was notable that foreign net outflows declined below RM100m on Thursday and Friday to a tune of -RM52.0m and -RM57.0m, respectively. The slowdown in foreign net selling was mainly due to; (i) the greenlight given by the government for smaller scale LRT 3 projects and (ii) the possibility for a trade negotiation to resume between Washington and Beijing. The FBM KLCI followed suit to close above 1,700 points for the first time since 20th June 2018 on Thursday and settled above that level for the week.
- Amongst the 4 ASEAN markets we monitor, Malaysia's weekly foreign attrition of -USD131.9m net last week was the second largest after Thailand which saw a -USD169.5m net outflow. Nevertheless, Malaysia still has the second lowest foreign net outflow in ASEAN worth -RM8.06b or -USD2.01b after the Philippines on a year-to-date basis.
- Foreign participation recovered last week as the foreign average daily traded value (ADTV) increased by 41% to hit RM1.33b which is a healthy level. The participation in the retail market and local institutional funds also picked up steam as their ADTVs advanced above RM1b and RM2b, respectively.

Chart 5

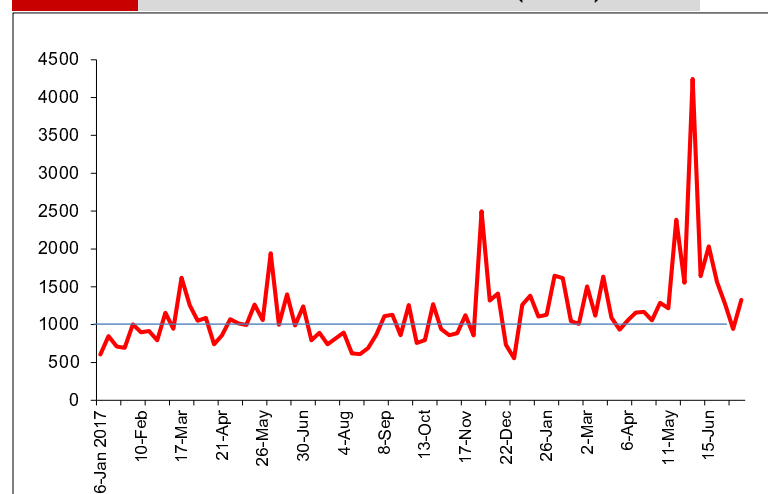
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2017 (RM'm)



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)	
JUN 1	3,076.2	2,623.9	452.3	7,861.1	7,044.6	816.5	7,859.1	9,127.9	-1,268.8	-318.4
JUN 8	3,193.8	3,074.9	118.9	7,352.7	6,568.5	784.2	3,649.4	4,552.5	-903.1	-226.9
JUN 15	1,776.5	1,685.9	90.6	4,590.9	3,475.8	1,115.1	3,466.5	4,672.2	-1,205.7	-302.3
JUN 22	2,367.5	1,959.7	407.8	6,475.7	4,996.8	1,478.9	2,969.2	4,855.9	-1,886.7	-471.2
JUN 29	2,055.6	1,964.2	91.4	5,628.8	5,014.8	614.0	2,840.9	3,546.3	-705.4	-175.3
JUL 6	2,076.8	1,961.7	115.1	4,276.3	3,687.1	589.2	2,006.9	2,711.2	-704.3	-174.3
JUL 13	2,745.7	2,663.1	82.6	5,855.5	5,406.3	449.2	3,054.4	3,586.2	-531.8	-131.9

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 13 JULY**
**TOP 10 NET MONEY INFLOWS**

- Tenaga Nasional Berhad registered the highest net money inflow of RM22.07m last week. Its share price underperformed with a 2.66% increase against the FBM KLCI which advanced by 3.49% during the week under review.
- CIMB Group Holdings Berhad recorded the second highest net money inflow of RM8.70m. Its share price was 7.72% higher for the week, substantially outperforming against the market benchmark which was only 3.49% higher.
- Genting Berhad saw the third highest net money inflow of RM8.29m. Its share price outperformed the FBM KLCI with a 3.86% gain during the week under review.

**Table 4** Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
TNB	22.07	10.24	2.66	-
CIMB	8.70	1.99	7.72	-
GENTING BHD	8.29	4.43	3.86	-
SIME DARBY	3.81	-3.44	1.70	-
ASTRO	3.10	0.92	9.20	-
IOI CORP	2.96	3.85	3.65	-
YTL POWER	2.53	0.21	10.38	-
WESTPORTS	2.03	-0.51	0.59	-
GENTING MSIA	2.00	7.97	3.13	-
BERJAYA SPORTS	1.83	1.63	1.65	-

Source: Bloomberg, MIDFR;

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

**TOP 10 NET MONEY OUTFLOWS**

- Kuala Lumpur Kepong Berhad saw the largest net money outflow of -RM23.08m last week. Its stock price gained 0.79%, underperforming vis-à-vis the FBM KLCI which gained 3.49% 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.
- Public Bank Berhad recorded the second largest net money outflow -RM12.56m during the week under review. Its share price meanwhile gained 2.13% for the week, underperforming the market benchmark which had a 3.49% weekly gain.
- Top Glove Corporation Berhad registered the third largest net money outflow at -RM10.60m in the review week. Its share price meanwhile nosedived to lose 18.10% during the week, underperforming the benchmark which had a 3.49% weekly gain.

**Table 5** Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
KL KEPONG	-23.08	-4.30	0.79	SOS
PUBLIC BANK	-12.56	9.70	2.13	SOS
TOP GLOVE	-10.60	-5.23	-18.10	-
KLCCS	-7.33	0.35	0.39	SOS
DUTCH LADY	-3.89	0.04	-0.71	-
MAHB	-3.54	0.18	1.25	SOS
DIALOG	-2.77	1.51	5.71	SOS
DIGI.COM	-2.75	-0.33	-0.48	-
DRB-HICOM	-2.45	-1.55	5.39	SOS
TELEKOM	-2.45	-2.25	6.47	SOS

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