

MIDF EQUITY STRATEGY | 23 JULY 2018 WEEK ENDED 20 JULY

- Most equity markets worldwide ended a little mixed last week as market sentiments were mainly driven by updates on monetary policy and corporate earnings.
- Trade tensions were later reignited on Friday as President Trump is prepared to slap tariffs of USD500b worth of Chinese imports if China does not reform its trade policies. As a consequence, the Dow Jones and S&P500 marginally gained for the week.
- Brent crude oil price remained in the red for the second week running, declining 3.0% to settle at USD73.07pb for the week. Traders continue to factor in a possible supply shortage amidst signs of tightening U.S output despite Saudi Arabia pledging to refrain from flooding the market with supply.
- The modest entrance of global investors into Asian markets in the week before was short-lived as they took some money of the table albeit on a moderate level. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” sold -USD226.3m net last week.
- The pace of foreign net selling in Malaysia has been slowing down for the past four consecutive weeks. Based on preliminary data from Bursa which excluded off market deals, the amount sold by global funds last week was reduced by more than half from -RM531.8m net to -RM247.1m net.
- The FBM KLCI rose the most amongst the major equity markets for the week by 1.90% to 1,755 points. The Ringgit meanwhile depreciated by 0.27% during the week to USD/MYR4.062, marking its fifth week of decline.

23 July 2018 | Strategy - Weekly Fund Flow

Adam M Rahim

FOREIGN OUTFLOWS REMAIN CONTAINED

A. MARKET SNAPSHOT

- Most equity markets worldwide ended a little mixed last week as market sentiments were mainly driven by updates on monetary policy and corporate earnings.
- Wall Street had a mixed start to the week as Bank of America surged 4.3% following its better-than-expected 2Q18 earnings but was offset by weakness in technology shares. Shares of Netflix tanked the same day as only 5.2 million subscribers were added from April through June 2018, short of 1 million from the forecasted number. Nonetheless, technology shares moved out from the red zone on Tuesday, lifting the Nasdaq to a record close of 7,855 points. Meanwhile, Fed Chair Powell reaffirmed his positive view on the economy and the gradual journey of increasing interest rates.
- The Dow Jones logged its fifth straight day of gains on Wednesday as commendable earnings of transportation companies and financials helped offset the marginal loss in the Nasdaq index. Amongst others, United Continental, an aviation company and CSX, a railroad operator rose 8.8% and 7.1% respectively.
- Trade concerns conquered Thursday's headlines as representatives of the auto industry expressed their discontentment on the tariffs on imported cars and parts suggested by President Trump. They cited that such tariffs could dwarf the taxes on imported metals as the U.S had imported USD335b in cars and parts in 2017. Trade tensions were later reignited on Friday as President Trump is prepared to slap tariffs of USD500b worth of Chinese imports if China does not reform its trade policies. As a consequence, the Dow Jones and S&P500 marginally gained for the week.
- China's 2Q18 GDP grew by 6.7%yoy, the slowest pace since 2016 and lower than the 6.8%yoy growth posted in 1Q18 amidst the nation's deleveraging efforts combined and trade disputes with the U.S. As risks looming from the trade tensions is expected to dampen overall growth in the next few years if China's trade surplus against the U.S tapers down substantially, Beijing will likely to resume easing its monetary policy forward.
- The political scene in the U.K was intense last week as Prime Minister Theresa May prevented a defeat in parliament that could have led to an amendment on trade laws requiring the government to negotiate a customs union arrangement with the European Union if it failed to negotiate a soft Brexit by 21 January 2019. Nonetheless, Tory backbenchers made a call for unity in the ensuring the success of Brexit, indicating their support for the U.K Prime Minister.
- Brent crude oil price remained in the red for the second week running, declining 3.0% to settle at USD73.07pb for the week. Traders continue to factor in a possible supply shortage amidst signs of tightening U.S output despite Saudi Arabia pledging to refrain from flooding the market with supply.

Table 1 Weekly performance of major indices		
Weekly % change	Week before	Last week
KLCI	3.49	1.90
Thai SET	1.78	1.68
FSSTI Index	2.15	1.15
Taiwan TAIEX	2.41	0.62
Nikkei	3.71	0.44
FTSE 100	0.58	0.22
DAX	0.36	0.16
Dow Jones	2.30	0.15
S&P 500	1.50	0.02
Phil PCOMP	2.96	0.01
China CSI 300	3.79	0.01
India SENSEX	2.48	-0.12
CAC 40	0.99	-0.57
Korea KOSPI	1.67	-0.94
Hang Seng	0.74	-1.06
Jakarta JCI	4.38	-1.20

Source: Bloomberg

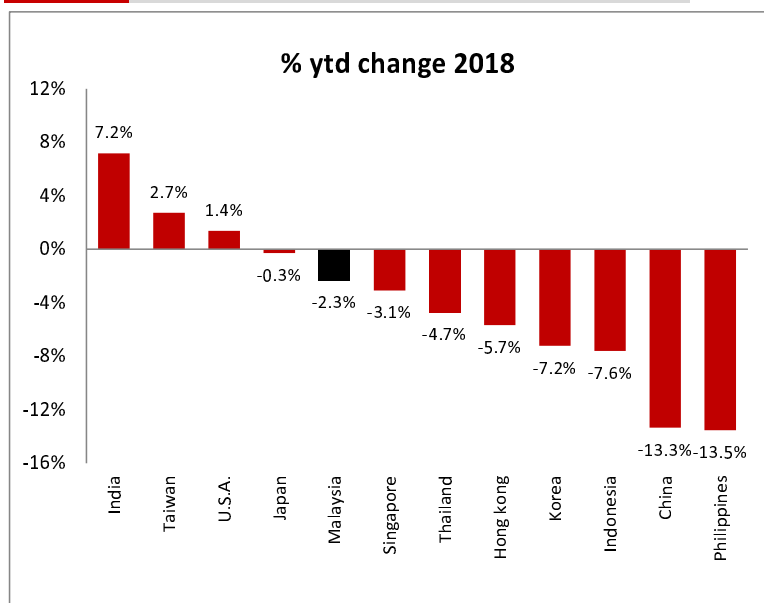
FUND FLOW REPORT

- The FBM KLCI rose the most amongst the major equity markets for the week by 1.90% to 1,755 points. The Ringgit meanwhile depreciated by 0.27% during the week to USD/MYR4.062, marking its fifth week of decline.

B. TRACKING MONEY FLOW - ASIA¹

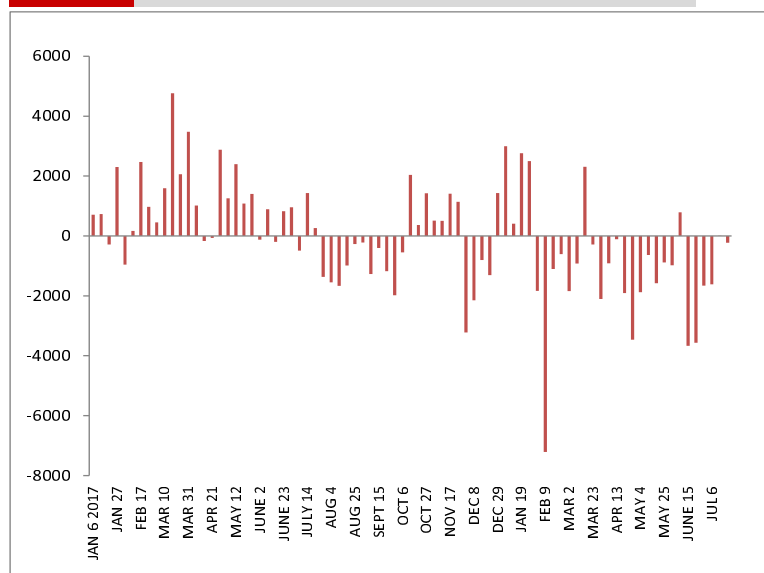
- The modest entrance of global investors into Asian markets in the week before was short-lived as they took some money of the table albeit on a moderate level. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” sold -USD226.3m net last week, compared to the USD5.75m net bought in the week earlier.
- Korea almost saw a reversal as offshore investors disposed -USD331.4m net last week compared to the USD341.6m net inflow in the preceding week. The level of foreign attrition reached above -USD100m net on the first two days of the week. Korean cosmetic stocks declined on Tuesday following a report that Chinese tourists prefer to visit Japan over Korea to buy cosmetics amidst the ban for Chinese nationals to visit Korea. Meanwhile, foreign investors slowly entered the Korean market on Wednesday, buying USD68.9m net despite the KOSPI declining 0.34% and the Won being the worst Asian currency as it depreciated by 0.73% due to the greenback gaining strength after Jerome Powell noted his positive stance on the U.S economy. Fear returned to the local bourse on Friday as foreign attrition peaked at -USD155.3m net. The Korean Won took cue of the weekly attrition to depreciate by 0.92%, posting its seventh straight week of losses.
- In contrast to Korea, Taiwan saw a staggering net inflow worth USD486.1m net, the highest in 6 weeks. Wednesday’s foreign buying amounted to USD299.9m net, the highest in a day since 6 June 2018. Offshore investors then accumulated local stocks at a slower pace of only USD53.8m net on Thursday following the conversion of TSMC’s annual dividend payout into U.S dollars. Nonetheless, foreign buying surged to USD253.7m net on Friday and the Taiex jumped 8.9% to a 21-day high of 10,932 points with TSMC’s share price soaring as much as 4.9% on Friday as its management expects an improvement in smartphone sales in 2H18. On the economic front, Taiwan’s June export orders fell by 0.1% to USD40.31b amidst the trade war, the first drop recorded since February.

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)

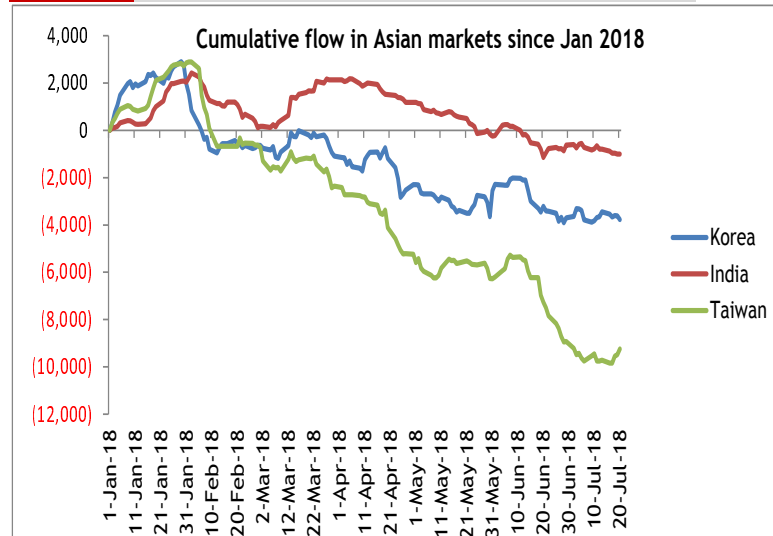


Source: Bloomberg, Bursa Malaysia, MIDFR

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.

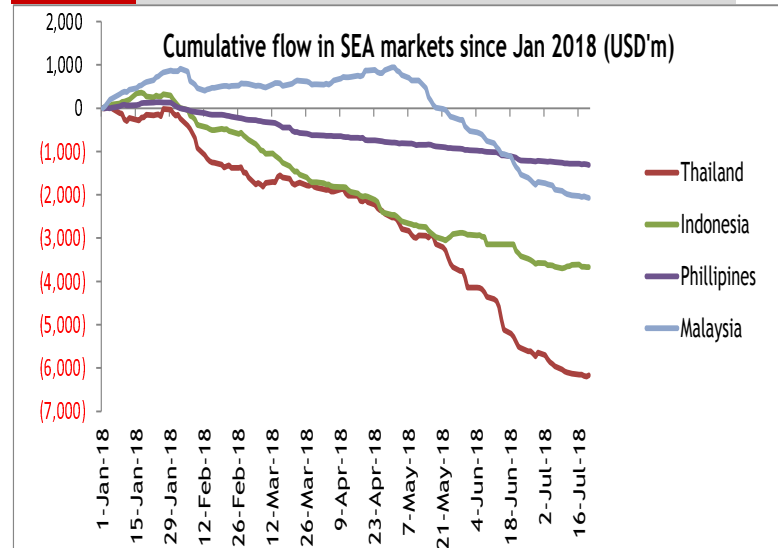
- In the emerging South East Asian markets that we monitor, foreign net selling was across the board.
- The level of foreign net selling in Bangkok was reduced by almost one fifth from -USD169.5m net to -USD36.1m net last week with the SET index marking its third week of gains above 1.0%. Offshore investors sold the most on Wednesday to a tune of -USD30.4m net while the Baht appreciated slightly by 0.04% to USD/THB33.303. The Baht later nosedived to settle at a one-year low of USD/THB33.468 the next day despite attrition levels decreasing to -USD12.9m net. Foreigners then snapped up USD29.4m net on Friday, the highest in a day since 29 June 2018, boosting the SET by 1.47% to 1,671 points, the highest in 24 trading days.
- The pace of foreign attrition in Manila has been rather stagnant for the past three weeks, hovering at the -USD30m net level, logging a record of 25 consecutive weeks of foreign net selling. Wednesday was the only day with a foreign inflow worth USD3.81m net which coincided with the PSEi's ascent to a one-month high of 7,451 points. The rally in the PSEi spurred profit taking activity on Thursday which saw an outflow of -USD10.82m net, the highest during the week. Nonetheless, foreign attrition tapered to -USD8.34m net on Friday as the PSEi rebounded by 0.16% ahead of the third State of the Nation Address (SONA) of President Duterte.
- Jakarta's net inflow of USD47.04m was wiped off last week as overseas investors pulled out -USD54.5m net. On a year-to-date basis as of last Friday, foreign investors have sold -USD3.67b net of local stocks, an amount almost similar to South Korea. Meanwhile the Rupiah suffered its sixth week of losses, ending 0.81% lower for the week as the Bank of Indonesia kept its key rate on hold at 5.25% after three hikes in a row. The nation's central bank noted that it will stabilize the rupiah via dual market intervention.

Chart 3 Net Flow of Foreign Funds into Taiwan, Korea and India since Jan 2018(USD'm)



Source: Bloomberg, MIDFR

Chart 4 Net Flow of Foreign Funds into South East Asia Emerging Markets since Jan 2018 (USD'm)



Source: Bloomberg, Bursa Malaysia, MIDFR

Table 2 Weekly Net Flow Of Foreign Fund Into Equity By Market (USD'm)

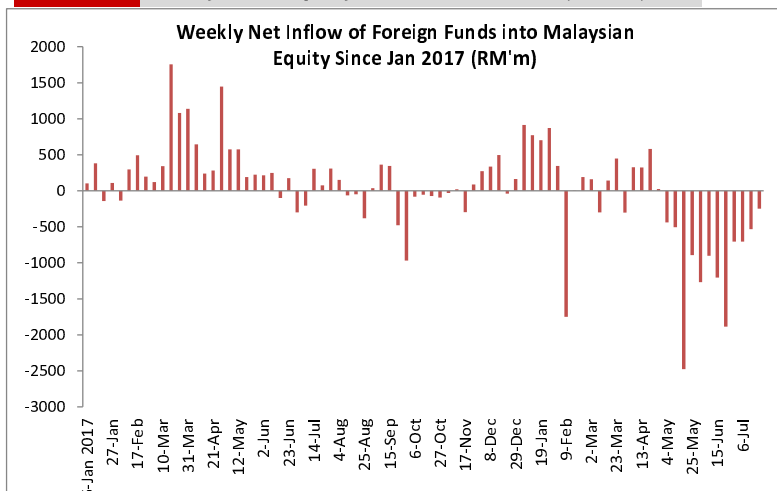
WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
JUN 1	471.1	-467.8	-12.1	-43.9	-86.5	-518.6	-318.4	-976.3
JUN 8	262.9	-217.4	-223.3	-39.7	394.9	835.5	-226.9	786.0
JUN 15	-971.0	-760.4	0.0	-75.6	-699.8	-858.1	-302.3	-3,667.1
JUN 22	-427.0	-420.7	-272.8	-123.8	-240.7	-1,607.4	-471.2	-3,563.6
JUN 29	-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	-80.0	29.0	-131.9	5.8
JUL 20	-331.4	-36.1	-54.5	-29.6	-199.9	486.1	-60.9	-226.3

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

C. TRACKING MONEY FLOW - MALAYSIA

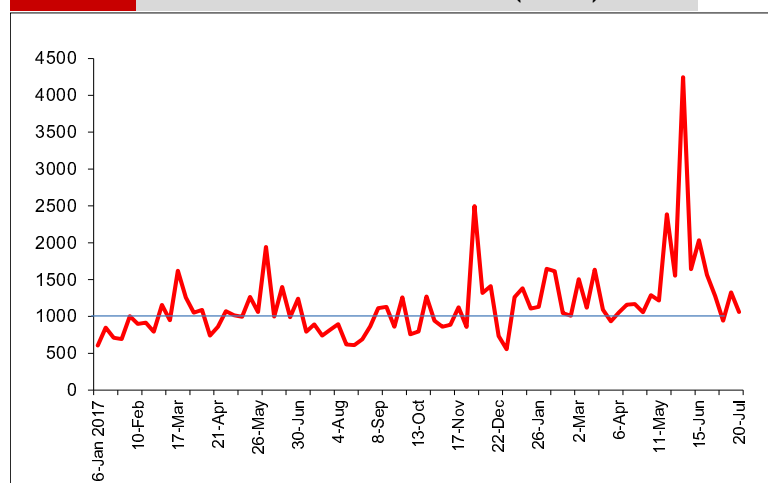
- The pace at which international investors are disposing stock listed on Bursa has been slowing down for the past four consecutive weeks.
- Based on preliminary data from Bursa which excluded off market deals, the amount sold by global funds last week was reduced by more than half from -RM531.8m net to -RM247.1m net. This is the smallest weekly attrition recorded so far in 2018.
- Global investors were net sellers on every single day except on Wednesday which saw a foreign inflow worth RM71.7m net, the first since 29 June 2018. The local bourse followed suit to end 0.91% higher at 1,753 points amidst Jerome Powell’s reaffirmation of his upbeat assessment on the U.S economy. Other Asian peers namely South Korea, Taiwan and the Philippines also experienced a surge of inflows on the same day.
- On the other hand, foreign net selling that occurred on other days remained well below RM100m, a level deemed moderate. Thursday recorded the highest foreign net selling during the week at -USD95.6m net. Notwithstanding this, the FBM KLCI marked its nine-day winning streak on the same day supported by the rise in construction stocks following the announcement that the KL-Singapore HSR project will be deferred instead of being unilaterally cancelled. However, the reduction of outflows to -RM64.6m net on Friday coincided with the 0.26% decline in the FBM KLCI amidst profit taking activity in telecommunication stocks as they led decliners.
- Malaysia’s year-to-date foreign net outflow has reached -RM8.31b or -USD2.07b, offsetting approximately 80% of last year’s RM10.33b inflow. Nevertheless, this figure is still the second lowest outflow amongst the 4 ASEAN markets we track, standing below the Philippines which has a year-to-date outflow of -USD1.31b net.
- We note that participation amongst foreign investors, retailers and local institutional funds remained upbeat as each of their average daily traded values (ADTV) stood above RM1b, RM800m 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 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
JUL 20	3,044.8	3,037.8	7.5	6,297.9	6,058.3	239.6	2,524.5	2,771.6	-247.1	-60.9

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 20 JULY
TOP 10 NET MONEY INFLOWS

- Genting Berhad registered the highest net money inflow of RM8.98m last week. Its share price outperformed with a 2.67% increase against the FBM KLCI which advanced by 1.90% during the week under review.
- YTL Power International Berhad recorded the second highest net money inflow of RM6.80m. Its share price was 5.13% higher for the week, substantially outperforming against the market benchmark which was only 1.90% higher.
- CIMB Group Holdings Berhad saw the third highest net money inflow of RM6.72m. Its share price underperformed the FBM KLCI with a 1.57% 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		
GENTING BHD	8.98	8.29	2.67	-
YTL POWER	6.80	2.53	5.13	-
CIMB	6.72	8.70	1.57	-
KL KEPONG	3.94	-23.08	0.49	-
HLFG	3.30	0.25	-1.09	BOW
RHB BANK BHD	2.84	-0.54	1.50	-
DIALOG GROUP	2.78	-2.77	-0.60	BOW
TOP GLOVE	2.71	-10.60	3.94	-
PETRONAS GAS	2.25	0.79	0.88	-
AMMB	2.10	1.06	0.50	-

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS


- Malaysia Airports Holdings Berhad saw the largest net money outflow of -RM26.27m last week. Its stock price gained 1.80%, underperforming vis-à-vis the FBM KLCI which gained 1.90% 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 -RM8.00m during the week under review. Its share price meanwhile gained 4.09% for the week, outperforming the market benchmark which had a 1.90% weekly gain.
- Tenaga Nasional Berhad registered the third largest net money outflow of -RM7.53m in the review week. Its share price meanwhile advanced 1.23% during the week, underperforming the benchmark which had a 1.90% weekly gain. 

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
MAHB	-26.27	-3.54	1.80	SOS
PUBLIC BANK	-8.00	-12.56	4.09	SOS
TNB	-7.53	22.07	1.23	SOS
F&N	-4.64	-1.08	-1.53	-
IHH	-4.46	0.93	0.00	-
TELEKOM	-4.02	-2.45	5.25	SOS
PETCHEM	-3.61	-0.96	1.39	SOS
DRB-HICOM	-3.53	-2.45	2.79	SOS
DUTCH LADY	-2.94	-3.89	0.18	SOS
MY EG	-2.56	0.23	37.02	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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