

## MIDF EQUITY STRATEGY | 30 JULY 2018 WEEK ENDED 27 JULY

- Global equity markets ended the week on a relatively strong note amidst positive developments from the global trade friction.
- The GDP growth of the U.S in 2Q18 hit 4.1%, the fastest in four years, boosted by consumer spending ahead of the implementation of the trade tariffs. All in, the Dow Jones was the largest gainer for the week among the 3 major U.S benchmarks with a 1.57% gain.
- Brent crude oil price snapped its three-week losing streak as it advanced 1.7% for the week to USD74.29pb, mainly supported by the disruption of Saudi Arabia which saw its shipments through the Bab el-Mandab strait being temporarily paused following an attack by the Houthi rebels.
- International investors staged a comeback into Asian markets last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” snapped up USD1.07b net last week.
- The momentum of foreign selling on Bursa ramped up last week. Based on preliminary data from Bursa which excluded off market deals, the amount sold by offshore funds last week reached -RM498.4m net, twice the amount disposed in the week before.
- The FBM KLCI maintained its ascent, gaining 0.82% for the week to settle at 1,769 points, the highest since 11 June 2018. In contrast, the Ringgit marginally depreciated by 0.01% to USD/MYR4.0625, marking its sixth straight week of losses.

## SOME REPRIEVE ON TRADE TENSIONS

### A. MARKET SNAPSHOT

- Global equity markets ended the week on a relatively strong note amidst positive developments from the global trade friction.
- On Monday, banking stocks rallied amidst the surge in U.S 10-year bond yields to a five-week high and technology stocks such as Alphabet posted higher-than-expected earnings. However, the overall sentiment was partially offset by President Trump's criticism on Amazon regarding the company's huge antitrust problem with the Washington Post.
- The situation remained mixed on Tuesday as the surge in the share price of Alphabet Inc. shares to a record high of USD1,275 following Google's commendable earnings was not enough to prevent the tech-heavy Nasdaq from falling 0.12%. Nevertheless, markets on the next day cheered the news on the deal between the U.S and European Union (EU) to solve their trade woes, boosting the Nasdaq to an all-time high of 7,932 points as technology companies led gainers.
- Technology companies made headlines on Thursday again but on a negative side as shares of Facebook plunged 19.0%, the worst in a day ever, wiping off almost USD120b of its market value. Facebook's massive loss that day dragged the Nasdaq down by 80.1 points. As Friday came, the GDP growth of the U.S in 2Q18 hit 4.1%, the fastest in four years, boosted by consumer spending ahead of the implementation of the trade tariffs. All in, the Dow Jones was the largest gainer for the week among the 3 major U.S benchmarks with a 1.57% gain.
- In Asia, China launched an anti-dumping probe into stainless steel imports worth USD1.3b from Indonesia, the European Union, Japan, South Korea and even Chinese companies with overseas plants. The action followed complaints from Shanxi Taigang Steel backed by four other state-owned mills stating that a flood of the product has damaged the local industry as Chinese companies with plants in Indonesia are suspected to be responsible for Indonesia's almost two thirds share of China's stainless steel imports in 2017
- Following the agreement between the U.S and EU to suspend tariffs, stocks of European automakers outperformed others on Thursday with Fiat, Porsche Automobile and Volkswagen gaining above 4.0%. Meanwhile the ECB President, Mario Draghi said that rates will be kept steady through summer of 2019 while slowly phasing out the EUR2.6t bond buying programme, reflecting a wider convergence between the ECB and the U.S Fed in terms of policy.
- Brent crude oil price snapped its three-week losing streak as it advanced 1.7% for the week to USD74.29pb, mainly supported by the disruption of Saudi Arabia which saw its shipments through the Bab el-Mandab strait being temporarily paused following an attack by the Houthi rebels.

<b>Table 1</b> Weekly performance of major indices		
Weekly % change	Week before	Last week
Phil PCOMP	0.01	4.08
DAX	0.16	2.38
India SENSEX	-0.12	2.30
CAC 40	-0.57	2.10
Hang Seng	-1.06	2.05
Jakarta JCI	-1.20	1.98
Thai SET	1.68	1.84
Dow Jones	0.15	1.57
Taiwan TAIEX	0.62	1.31
KLCI	1.90	0.82
FSSTI Index	1.15	0.82
China CSI 300	0.01	0.81
S&P 500	0.02	0.61
FTSE 100	0.22	0.29
Korea KOSPI	-0.94	0.25
Nikkei	0.44	0.07

Source: Bloomberg

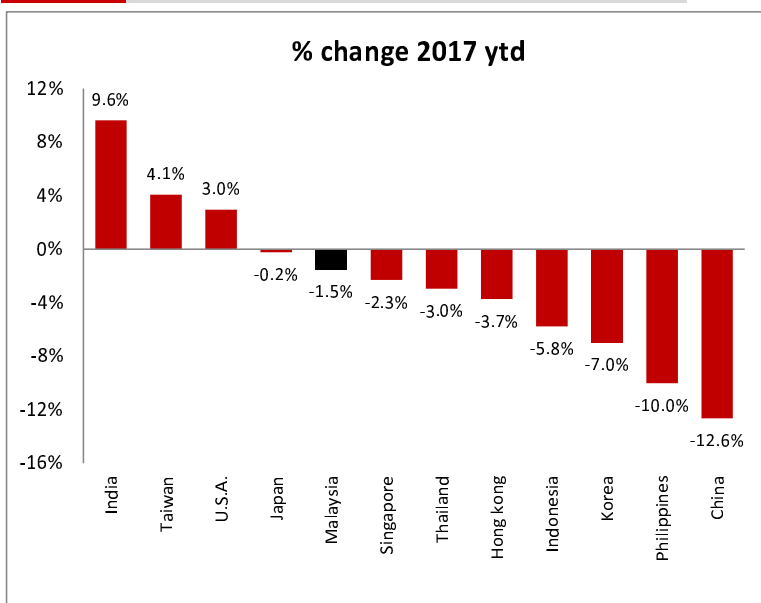
## FUND FLOW REPORT

- The FBM KLCI maintained its ascent, gaining 0.82% for the week to settle at 1,769 points, the highest since 11 June 2018. In contrast, the Ringgit marginally depreciated by 0.01% to USD/MYR4.0625, marking its sixth straight week of losses.

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

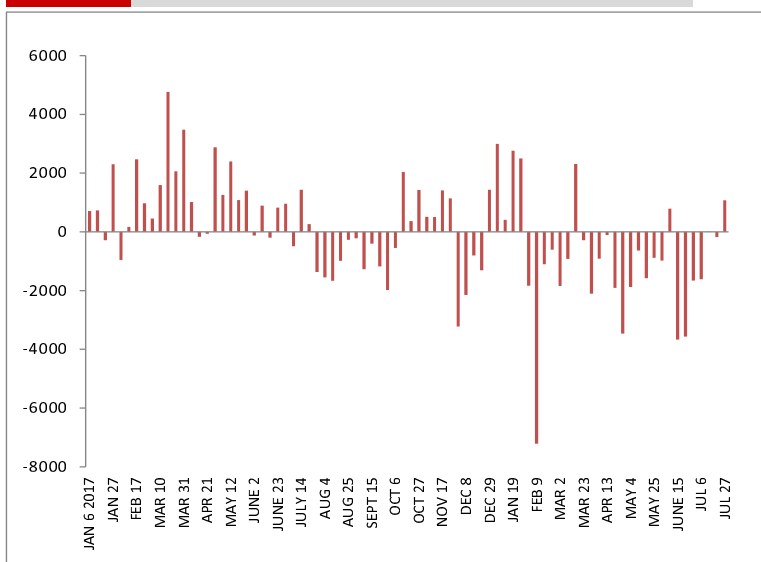
- International investors staged a comeback into Asian markets last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” snapped up USD1.07b net last week, wiping off the -USD177.6m net sold in the preceding week.
- Taiwan was the darling among foreign investors as they mopped up USD352.3m net last week, marking the third consecutive week of inflows. The Taiwan Dollar tracked the weekly inflow to post the best weekly gain since March 2018 of 0.37%, settling at USD/TWD30.596. Foreign almost hit the USD200m mark on Friday at a level of USD191.9m net, coinciding with the Taiex’s 0.59% increase to the highest close in 29 trading days at 11,075 points. Meanwhile, Wednesday saw the five-day buying spree snap due to the -USD119.4m net outflow in spite of the Taiwan Dollar’s largest one-day gain in 12 trading days of 0.31%. On a separate note, U.S airlines have planned to adhere to the Chinese government’s demand to reflect China’s claim on Taiwan in their website.
- Korea was equally hot as Taiwan, attracting USD205.2m net of foreign inflows last week. Overseas investors were buyers on three out of five days last week. Tuesday recorded the highest inflow in seven trading days worth USD166.1m net as gains in Korean companies with business ties to North Korea bolstered risk appetite following a report that the rogue nation has began dismantling its missile launching station. The companies included Hyundai Rotem, Hyundai Elevator, HDC Holdings and Hyundai Engineering which all gained above 7.0%. On the other hand, foreign selling only occurred on Wednesday which totalled to USD177.9m net, the largest in 13 trading days prompted by the drop in Korean consumer stocks after the Bank of Korea’s July consumer sentiment index declined to 101 points, the biggest fall in 20 months. Nevertheless on a broader scale, Korean export volumes increased 0.8%qoq in 2Q18 despite the global trade tensions.

**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)

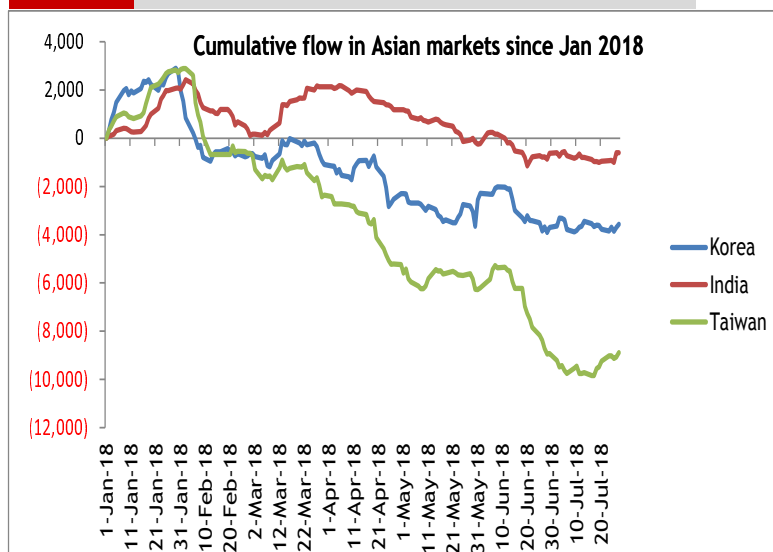


Source: Bloomberg, Bursa Malaysia, MIDFR

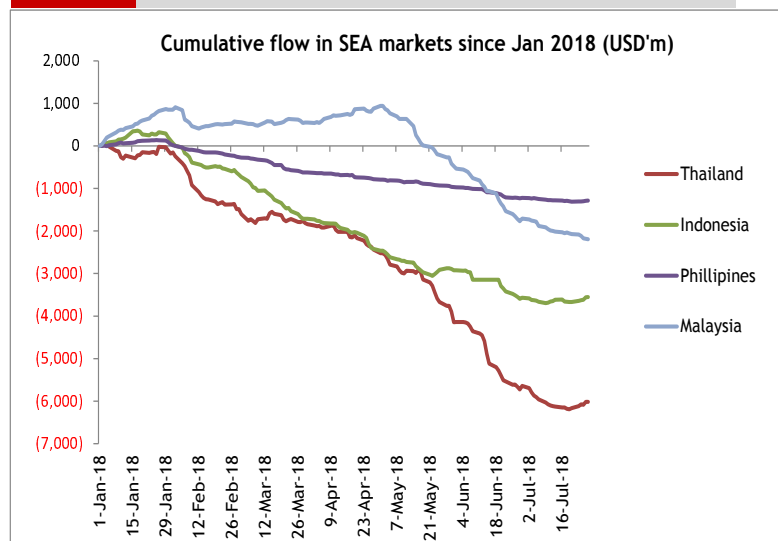
<sup>1</sup> Based on 7 Asian markets, for which fund flow data is publicly available. These are our proxy for Asia: TIPS (Thailand, Indonesia, Philippines), Korea, Taiwan, India and Malaysia.

- The emerging South East Asian markets that we monitor saw its weekly foreign net inflow for the first time in 26 weeks amounting to USD169.1m.
- Although it was a four-day trading week, Bangkok's 18-week foreign selling binge came to an end as global funds accumulated USD146.8m net last week, the highest weekly figure so far this year. Thursday recorded the highest foreign buying worth USD69.3m net a ahead of the long weekend. Moreover, the SET climbed 0.7% the same day to end above 1,700 points, a level not seen since 15 June 2018 and stretching its weekly gains for the fourth week running. An internal factor that may have supported the local bourse is the revision of the nation's GDP forecast from 4.2% in April to 4.5% by the finance ministry.
- Manila's 25-week selling frenzy was also snapped last week after seeing a foreign inflow of USD26.4m net, coinciding with the PSEi's largest weekly gain since early January 2017 of 4.1%. International investors bought the most in six months on Thursday to a tune of USD12.1m net which lifted the PSEi by 2.0% to 7,666 points, tracking gains from the Wall Street rally overnight and also the U.S-EU trade truce. The Philippine Peso appreciated by 0.2% for the week amidst strong expectations of a further rate hike by the nation's central bank in August.
- International investors in Jakarta were buying local equities on every single day, leading to a weekly foreign inflow of USD118.7m net, the highest thus far this year. Similar to Thailand and the Philippines, foreign buying peaked during the week on Thursday at USD59.6m net. In order to bring foreign funds back into Indonesia, a collaboration will be done between Bank Indonesia and the government to expedite the licensing process for tourism-related investment while increasing the availability of cheap flights. The Rupiah was also upbeat after ending its 6-week losing streak.

**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
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	-151.3	486.1	-60.9	-177.6
JUL 27	205.2	146.8	118.9	26.4	345.3	352.3	-122.8	1,071.9

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



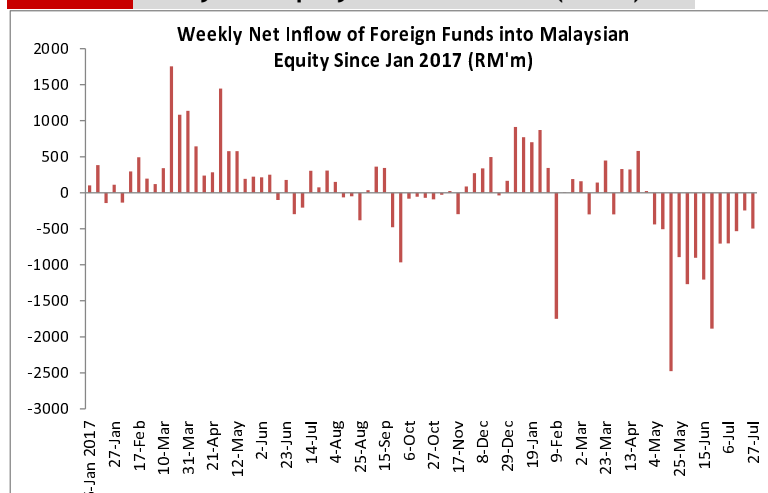
## FUND FLOW REPORT

### C. TRACKING MONEY FLOW - MALAYSIA

- The momentum of foreign selling on Bursa ramped up last week.
- Based on preliminary data from Bursa which excluded off market deals, the amount sold by offshore funds last week reached -RM498.4m net, twice the amount disposed in the week before.
- Global investors were net sellers on every single day of the week, extending the daily selling streak to seven days. Foreign selling was the lowest on Monday at only -RM28.1m net, the smallest in a day since 26 April 2018 as risk appetite was strong following the statement by Malaysian Investment Development Authority (MIDA) regarding 402 projects in the pipeline with a proposed investment of RM75b as at May 2018.
- The pace of foreign attrition later swelled on Tuesday and Wednesday to -RM129.1m net and -RM244.2m net, respectively in spite of China's move to expand fiscal stimulus. Nevertheless, levels of foreign selling returned to a contained level of -RM35.7m net on Thursday. Sentiment was rekindled as the agreement between the U.S and EU to suspend trade tariffs while negotiating lower barriers to transatlantic commerce. International investors sold slightly more on Friday to a tune of -RM61.3m net as attention has now turned back to China after the U.S plans to go ahead on trade talks with Mexico and Canada.
- July is set to be the month with the third lowest outflow so far this year with a month-to-date attrition worth -RM1.98b net as of last Friday. On the regional front, Malaysia still has the second lowest outflow amongst the four ASEAN markets we track despite the cumulative year-to-date outflow approaching the RM9b mark.
- Market participation amongst foreign investors, retailers and local institutional funds stood strong. The average daily traded value (ADTV) of foreign investors advanced the most for the week by 8.7% to RM1.15b.

**Chart 5**

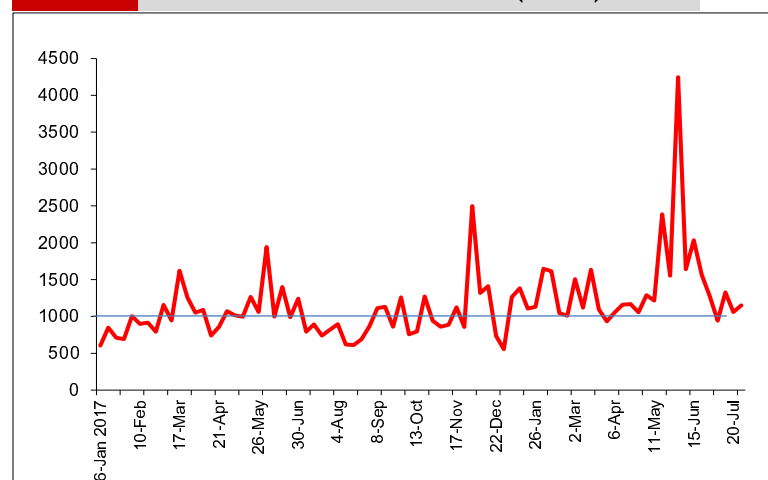
**Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2017 (RM'm)**



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 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
JUL 27	3,274.9	3,263.4	11.5	6,429.5	5,942.6	486.9	2,629.9	3,128.3	-498.4	-122.8

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 27 JULY**
**TOP 10 NET MONEY INFLOWS**

- Petronas Chemicals Berhad registered the highest net money inflow of RM9.47m last week. Its share price outperformed with a 1.14% increase against the FBM KLCI which advanced by 0.82% during the week under review.
- Tenaga Nasional Berhad recorded the second highest net money inflow of RM7.53m. Its share price was 1.89% higher for the week, substantially outperforming against the market benchmark which was only 0.82% higher.
- IOI Corporation Berhad saw the third highest net money inflow of RM5.82m. Its share price outperformed the FBM KLCI with a 0.88% 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	
PETCHEM	9.47	-3.61	1.14	-
TNB	7.53	-7.53	1.89	-
IOI CORP	5.82	0.55	0.88	-
KL KEPONG	5.27	3.94	0.74	-
SIME DARBY	4.32	-2.18	2.46	-
YTL POWER	4.05	6.80	0.00	-
ASTRO	2.99	-1.32	-2.21	BOW
PETGAS	2.93	2.25	3.49	-
PPB GROUP	2.91	-0.98	0.73	-
CIMB GROUP	2.90	6.72	1.38	-

Source: Bloomberg, MIDFR;

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

**TOP 10 NET MONEY OUTFLOWS**

- Malayan Banking Berhad saw the largest net money outflow of -RM13.23m last week. Its stock price gained 0.92%, outperforming vis-à-vis the FBM KLCI which gained 0.82% 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.
- Malaysia Airports Holdings Berhad recorded the second largest net money outflow - RM8.56m during the week under review. Its share price meanwhile gained 0.66% for the week, underperforming the market benchmark which had a 0.82% weekly gain.
- KLCCP Stapled Group Berhad registered the third largest net money outflow of -RM7.09m in the review week. Its share price meanwhile advanced 0.79% during the week, underperforming the benchmark which had a 0.82% gain.

**Table 5** Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
MAYBANK	-13.23	-1.53	0.92	SOS
MAHB	-8.56	-26.27	0.66	SOS
KLCCS	-7.09	-0.01	0.79	SOS
MY EG	-6.62	-2.56	-1.61	-
TELEKOM	-5.68	-4.02	3.67	SOS
GENM	-5.41	0.31	-0.78	-
HARTALEGA	-2.78	0.53	0.00	-
DRB-HICOM	-2.39	-3.53	0.90	SOS
AXIATA	-2.21	-1.20	-0.23	-
F&N	-1.85	-4.64	0.70	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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