

MIDF EQUITY STRATEGY | 31 JULY 2017

WEEK ENDED 28 JULY 2017

- Global equity markets continued its sideways movement for the second consecutive week.
- Major U.S benchmarks reached fresh record during the week following a horde of impressive corporate earnings. However, U.S indices slid from highs as investors went into profit taking mode, following lacklustre earnings from Amazon and flat user growth from Twitter.
- Brent crude oil price settled at USD52.52pb on Friday, gaining 9.28% for the week, the biggest weekly gain in 35 weeks. The rally was mainly driven by Saudi Arabia's plan to slash crude exports to 6.6m bpd in August while U.S crude stockpiles fell more than expected according to the EIA.
- Global funds pulled out significantly from Asian equity last week. Based on provisional aggregate data from the seven Asian exchanges that we track, investors classified as "foreign" offloaded -USD1.77b, the highest attrition in 36 weeks.
- Despite the quagmire in Korea and some attrition from regional peers, foreign investors maintained their conviction in stocks listed on Bursa.
- The KLCI gained 0.45% for the week to settle at 1,767 points amid the rally in oil prices. The ringgit followed suit, as it extended gains for the third week, strengthening 0.06% against the dollar to USD/RM4.2813 .

LEAVING SEOUL, BUT FUNDS KEEPING FAITH IN MALAYSIA

A. MARKET SNAPSHOT

- Global equity markets continued its sideways movement for the second consecutive week.
- Major U.S benchmarks reached fresh record during the week following a horde of impressive corporate earnings. However, U.S indices slid from highs as investors went into profit taking mode, following lacklustre earnings from Amazon and flat user growth from Twitter.
- The Fed also concluded its 2-day meeting on Wednesday, leaving rates unchanged amid subdued inflation and plans to unwind its balance sheet some time in September. The restatement of its dovish tone saw the dollar index settle at a 13-month low of 93.672 points on Wednesday while US 10-year treasury yields fell to 2.29% from 2.33%. The dollar resumed its slide to settle 0.5% lower on a weekly basis after the employment cost index rose 0.5% versus estimates of 0.6%
- Meanwhile on Thursday, the MSCI Asian Pacific Index rose to the highest level in almost 10 years at 160 points underpinned by earnings from some of the region's heavyweights. Gainers on the benchmark were led by China Evergrande Group which gained 14% for that day.
- In Europe, the euro touched an intraday level of 1.1712 on Tuesday, the highest in 2 years following better-than-expected German business confidence in July which rose to 116.0 from 115.2 in June. As optimism grew, Germany's DAX Index advanced 0.6% the same day, the biggest daily gain in almost two weeks.
- Brent crude oil price settled at USD52.52pb on Friday, gaining 9.28% for the week, the biggest weekly gain in 35 weeks. The rally was mainly driven by Saudi Arabia's plan to slash crude exports to 6.6m bpd in August while U.S crude stockpiles fell more than expected according to the EIA.
- The KLCI gained 0.45% for the week to settle at 1,767 points amid the rally in oil prices. The ringgit followed suit, as it extended gains for the

Table 1 Weekly performance of major indices

Weekly % change	Week before	Last week
Dow Jones	-0.27	1.16
Jakarta JCI	-1.14	1.14
Hang Seng	1.20	1.02
Phil PCOMP	1.32	1.02
India SENSEX	0.03	0.88
FSSTI	0.81	0.50
Thai SET	-0.27	0.48
KLCI	0.24	0.45
CAC 40	-2.25	0.27
S&P 500	0.54	-0.02
Taiwan TAIEX	-0.07	-0.13
China CSI 300	0.69	-0.18
DAX	-3.10	-0.63
Nikkei	-0.09	-0.70
FTSE 100	1.01	-1.13
Korea KOSPI	1.47	-2.00

Source: Bloomberg

third week, strengthening 0.06% against the dollar to USD/RM4.2813 .

B. TRACKING MONEY FLOW - ASIA¹

- Global funds pulled out significantly from Asian equity last week. Based on provisional aggregate data from the seven Asian exchanges that we track, investors classified as “foreign” offloaded -USD1.77b, the highest attrition in 36 weeks.
- Korea was the biggest casualty for the week as foreign investors went on a selling spree dumping -USD1.55b of local stocks, the largest weekly pullout since August 2016. The heavy sell off coincided with KOSPI’s biggest weekly loss since June last year of -2.0%. Foreign selling peaked on Friday as global funds sold -USD581m net, the highest in a day in almost 2 years. Bulk of the sell off consisted of technology companies as investors took cue from the downbeat performance of U.S technology stocks on Thursday. Likewise, the Won was also in the redzone as it lost -0.34% last week to settle at USD/KRW1,122.18. The Won’s weakness could be partly attributable to Korea’s slowdown in economic growth which saw its GDP expanding only 0.6% in 2Q17 compared with 1.1% in 1Q17 as investment construction and export volumes fell.
- In Taiwan, foreign investors also turned net sellers albeit on a measurable scale as they sold -USD80.7m net last week. The slight weekly attrition was accompanied by Taiex’s -0.13% weekly decline. Sentiment in Taiwan was dampened as consumer stocks led losers with President Chain Store dropping as much as -9.5% on Thursday after it agreed to sell China Coffee venture stake to Starbucks. In contrast, the Taiwan dollar appreciated 0.60% against the greenback for the week to USD/TWD30.24 partly due to the dollar’s weakness as the Fed is in no hurry to raise borrowing costs.
- In Emerging South East Asian markets, the selling was not across the board, as investors

Chart 1 YTD performance of major markets

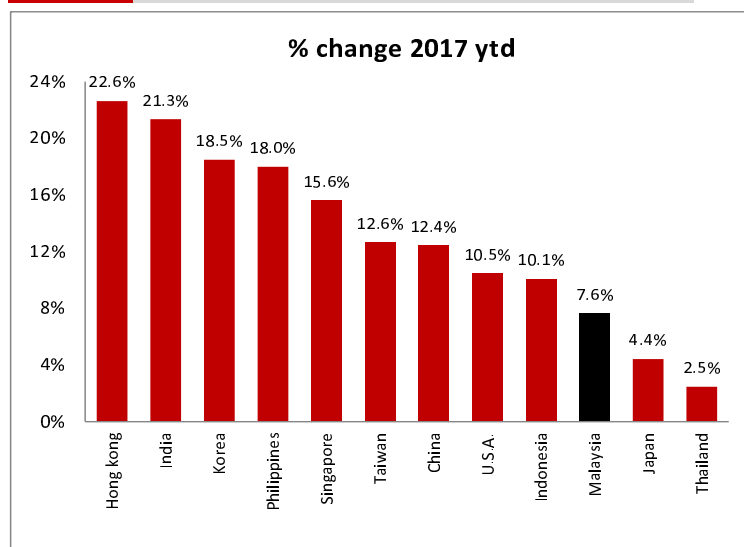
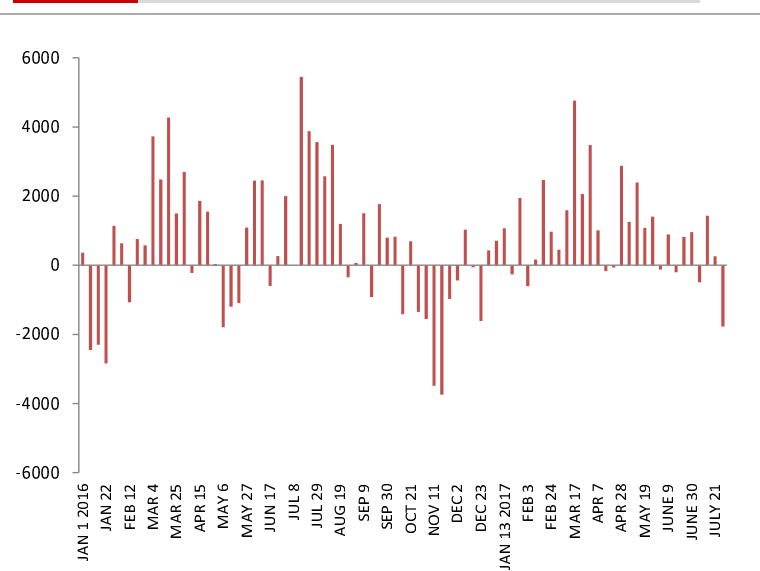


Chart 2 Weekly Net Flow of Foreign Funds into 7 Asian Markets since Jan 2016 (USD’b)



Source: Bloomberg, Bursa Malaysia

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.

targeted selected markets.

- Foreign investors in Thailand remained net sellers for the 2nd week. The attrition was partly due to new rules on consumer loans by the Bank of Thailand which saw banking stocks like Krungthai Bank sliding 1.1% for the week. Notwithstanding this attrition, the SET advanced 0.48% on a weekly basis as investment applications are poised to reach the FY17 aim of USD18b.
- In Manila, foreign investors continued snapping up local stocks on every day of the week which totalled to USD51.5m. The foreign buying lifted the PSEi above 8,000 points to close at 8,038 points on Wednesday, a level not seen since 10 August 2016. The PSEi remained above 8,000 points until the week ended, capping 1.02% worth of gains for the week. Sentiment was buoyed as Fed's cautious reiteration on rates gives Philippines some leeway to hold the current monetary policy and keep support for stable prices and economic growth.
- Global investors have now been net sellers in Indonesia for four-straight weeks. Investors turned more cautious when the approved revision of the 2017 budget lawmakers is expected to see a widening deficit near the constitutional ceiling. As a consequence of foreign attrition, the rupiah experienced its first weekly decline in three weeks. Nonetheless, the JCI gained 1.14% on a weekly basis amid improving oil price.

Chart 3

Net Flow of Foreign Funds into Taiwan, Korea and India since Jan 2017(USD'b)

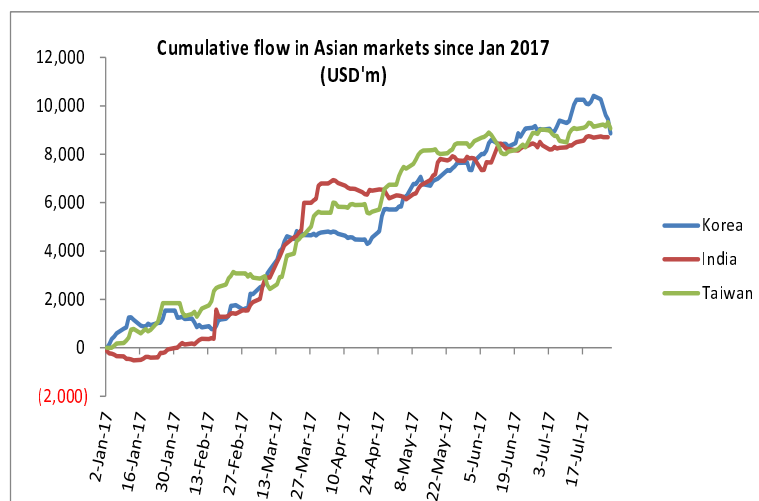
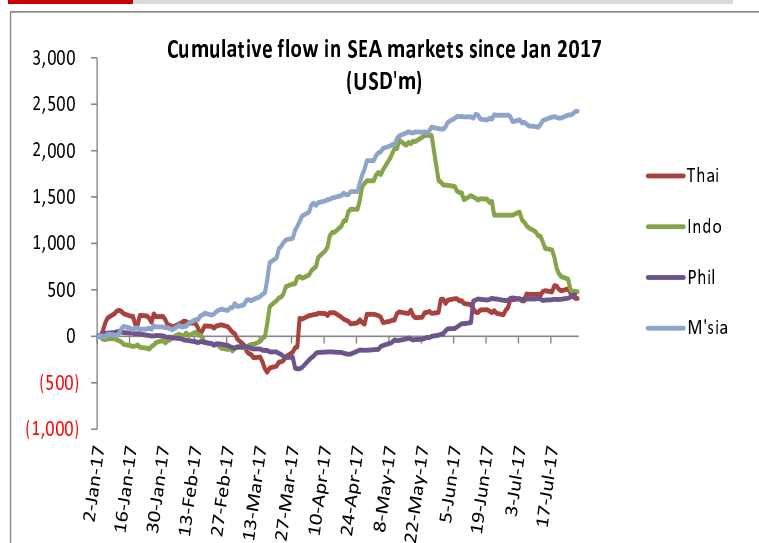


Chart 4

Net Flow of Foreign Funds into South East Asia Emerging Markets since Jan 2017 (USD'b)



Source: Bloomberg, Bursa Malaysia

Table 2

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

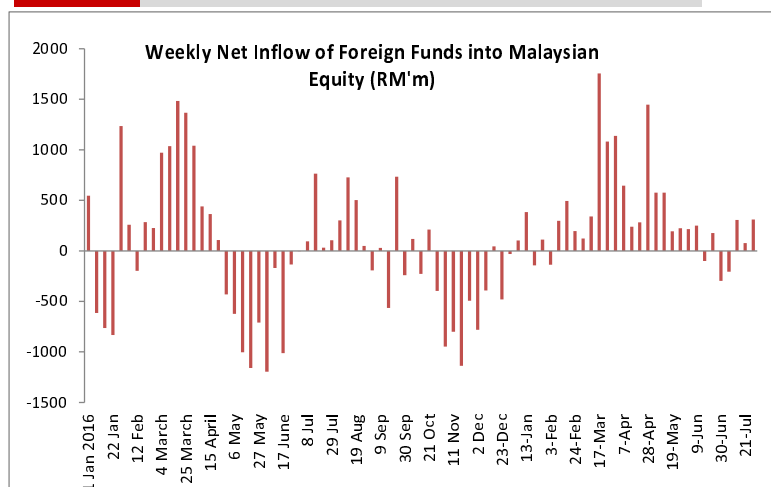
WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
JUN 9	881.4	-37.6	-158.2	73.9	-179.1	250.7	58.6	889.6
JUN 16	-279.2	-67.5	12.9	265.9	572.1	-680.9	-23.2	-199.9
JUN 23	749.7	-34.7	-177.1	1.8	-68.4	173.5	41.3	822.9
JUN 30	-56.1	143.0	0.0	4.6	201.0	736.5	-69.4	959.6
JUL 7	376.3	58.0	-136.7	-5.3	-269.1	-468.1	-47.8	-492.9
JUL 14	860.1	41.8	-221.8	-17.1	205.0	492.8	71.2	1,431.9
JUL 21	163.9	-4.7	-303.9	11.2	286.2	91.1	17.8	261.7
JUL 28	-1,550.5	-79.8	-160.9	51.5	-21.9	-80.7	72.3	-1,770.0

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

C. TRACKING MONEY FLOW - MALAYSIA

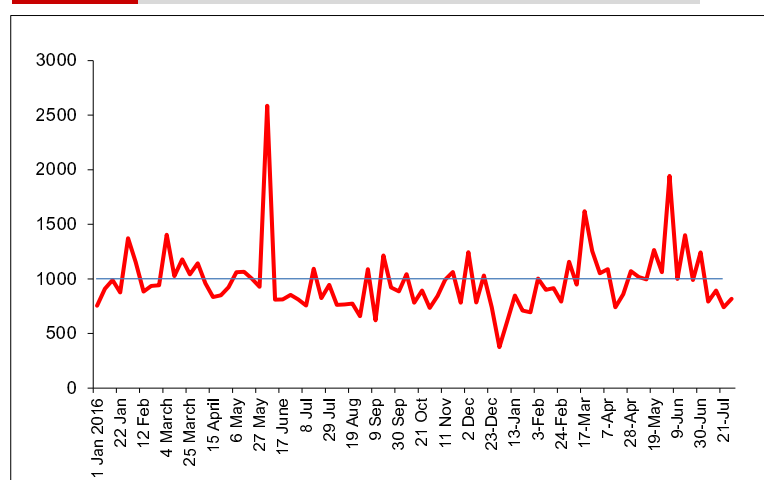
- Despite the quagmire in Korea and some attrition from regional peers, foreign investors maintained their conviction in stocks listed on Bursa.
- The net amount purchased by foreign investors rose to RM309.4m net, four times higher than that in the preceding week. The estimates are based on transactions in the open market which excluded off market deals.
- Indeed, net foreign purchases were recorded every day throughout the week. Quietly, foreign investors have been net buyers for six straight days, the longest streak since April 20-May 16. We note that the foreign buying peaked on Monday at RM125.3m which saw the KLCI closing above 1,760 points for the first time in two weeks.
- With one more trading day left, July looks set to be the seventh consecutive month of foreign buying. As of July 28, cumulative foreign inflow had amounted to RM485.3m net for the month, which was already higher than June's figures.
- Foreign participation rate was fairly healthy. Foreign average daily trade value (ADTV) rose 11% from RM739m in the prior week to RM818m, hovering under RM1b level for the fourth week running.
- Retail participation was still tepid. Retail ADTV decreased by 17%, retreating to a level below RM700m at RM648.5m.

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)	
JUN 16	1,607.2	1,643.5	-36.3	5,894.2	5,758.3	135.9	2,751.3	2,850.9	-99.6	-23.2
JUN 23	1,643.3	1,570.6	72.7	5,623.8	5,873.5	-249.7	2,562.5	2,385.5	177.0	41.3
JUN 30	942.0	940.4	1.6	3,064.0	2,767.6	296.4	1,714.8	2,012.8	-298.0	-69.4
JUL 7	1,611.8	1,613.8	-2.0	5,035.7	4,828.2	207.5	1,877.7	2,083.2	-205.5	-47.8
JUL 14	1,647.2	1,679.7	-32.5	5,256.7	5,529.3	-272.6	2,386.5	2,081.4	305.1	71.0
JUL 21	1,972.9	1,919.1	53.8	6,151.4	6,281.5	-130.1	1,887.6	1,811.3	76.3	17.8
JUL 28	1,628.2	1,614.4	13.8	5,200.2	5,523.4	-323.3	2,201.9	1,892.5	309.4	72.3

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 28 JULY
TOP 10 NET MONEY INFLOWS

- Petronas Gas stocks were the beneficiary of the highest net money inflow of RM17.55m. Its share price outperformed the benchmark index with a 0.74% gain for the week.
- The second highest net money inflow beneficiary was KL Kepong, amounting to RM5.28m. Its share price underperformed the benchmark index with a 0.16% loss during the review week. The net inflow amidst declining share price indicates a buy-on-weakness (BOW) stance among some investors.
- MAHB saw the third highest net money inflow of RM4.70m. Its share price underperformed the benchmark index with a 1.13% loss during the review week.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
PETGAS	17.55	-1.77	0.74	-
KLK	5.28	6.83	-0.16	BOW
MAHB	4.70	2.04	-1.13	BOW
AXIATA	4.20	-3.90	-1.91	BOW
EKOVEST	3.84	1.33	-1.77	BOW
AMMB	3.64	-2.01	-1.59	BOW
PUBLIC BANK	3.56	-25.18	0.88	-
IHH	2.43	-1.25	-1.00	BOW
BERJAYA TOTO	2.17	0.88	3.06	-
TNB	2.11	14.31	0.28	-

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- CIMB saw the largest net money outflow of -RM21.71m last week. Its stock price substantially outperformed the FBM KLCI with a 4.57% gain or the week.
- Maybank recorded the second largest net money outflow -RM15.87m during the week under review. Its share price underperformed the benchmark index with a 0.10% gain for the week. It is notable that the net money outflow amidst advancing share price indicates a sell on strength (SOS) stance among investors. Maybank's Indonesian unit announced a 16.3% increase in its PATAMI for 1H17.
- Fraser and Neave Holdings meanwhile registered the third largest net money outflow at -RM12.87m, with its share price underperforming the benchmark index with a -0.32% loss.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
CIMB	-21.71	-21.70	4.57	SOS
MAYBANK	-15.87	-15.75	0.10	SOS
F&N	-12.87	-1.63	-0.32	-
DIALOG	-6.97	-3.40	0.00	-
BAT	-5.58	1.95	0.05	SOS
KLCCS	-4.55	-0.68	0.00	-
UMW	-3.97	-0.55	1.22	SOS
SUNWAY	-2.56	-0.50	3.40	SOS
PETCHEM	-2.45	4.03	-0.29	-
TIME DOTCOM	-2.40	-2.51	-0.63	-

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

DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (23878-X). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein

This document may not be reproduced, distributed or published in any form or for any purpose.



MIDF RESEARCH is part of
MIDF Amanah Investment Bank Berhad (23878 - X)
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Business Address:
11 & 12 th Floor, Menara MIDF,
82, Jalan Raja Chulan, 50200
Kuala Lumpur.
Tel: 2173 8888
Fax: 2173 8380