

MIDF EQUITY STRATEGY | 18 JUNE 2018

WEEK ENDED 15 JUNE

- Major equity markets worldwide swung between gains and losses last week amidst a slew of central bank policy meetings and reignited trade tensions between Washington and Beijing.
- Overall, the Dow Jones shed 0.89% for the week, the largest drop since late March while the S&P500 eked out a marginal gain of 0.01%.
- Brent crude oil price declined by 3.95% to USD73.44pb last week, the biggest weekly drop in 10 weeks. The sentiment in the oil market was mainly dominated by fears that OPEC members would loosen the tap on production during its meeting on 22 June which may consequently threaten the progress of rebalancing in oil supply.
- The foreign inflows seen in Asia in the preceding week was reversed out after an exodus of foreign funds. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” sold - USD3.43b net last week.
- Ahead of the Aidilfitri break, foreign investors sold stocks listed on Bursa at a stronger pace. Based on preliminary data from Bursa which excluded off market deals, the net amount offloaded by foreign investors last week breached above the RM1b level at -RM1.21b net.
- The FBM KLCI ended 0.93% lower at 1,762 points on Thursday before the long weekend. The Ringgit's staged a marginal gain as it appreciated by 0.09% for the week to USD/MYR3.9848 reflecting a muted reaction to the rate hike by the Fed.

MALAYSIA STILL HAS THE LOWEST OUTFLOW IN ASEAN

A. MARKET SNAPSHOT

- Major equity markets worldwide swung between gains and losses last week amidst a slew of central bank policy meetings and reignited trade tensions between Washington and Beijing.
- Wall Street had a relatively unexciting start to the week as investors were preparing for the highly anticipated U.S-North Korea summit. Following the conclusion of the summit on Tuesday, the U.S. market inched higher as the S&P500 and Nasdaq advanced by 0.17% and 0.60% respectively. North Korea leader, Kim Jong Un agreed to seek complete denuclearisation of the Korean Peninsula but however lacked further details with no deadline set.
- Key U.S. markets faced downward pressure on Wednesday with the Dow Jones and the S&P 500 sliding by more than 0.40% after the Fed struck a somewhat hawkish tone during its policy meeting. The Fed raised interest rates and signalled for another two more rate hikes by the end of this year as unemployment falls.
- Technology and big media companies rallied the next day, partly spurred by Comcast Corp. and Walt Disney Co. as bidding for the 21st Century Fox Inc.'s entertainment assets gained traction. However, this was offset by financial stocks which were the biggest laggards that day due to a flattening yield curve. U.S stocks continued to retreat further the next day following President Trump's announcement of tariffs on USD50b in Chinese imports, dragging big blue chips lower such as Boeing and Caterpillar. Overall, the Dow Jones shed 0.89% for the week, the largest drop since late March while the S&P500 eked out a marginal gain of 0.01%.
- It was a rather horrible week for Hong Kong and mainland China. The Hang Seng index posted a 2.10% weekly drop, the largest in 12 weeks while the Shanghai Composite Index fell to the lowest close in 20 months at 3,022 points in Friday. The main trigger for the weakness was the anxiousness prior to the release of the tariff list on China.
- Meanwhile in Europe, the European Central Bank (ECB) decided to stop its three-year bond purchasing programme by the end of this year during its meeting on Thursday. This plan would be balanced by keeping interest rates at record lows with no plans to raise it before September 2019. The ECB's action reflects a convergence towards the position of the U.S Fed and Bank of England who have raised rates and stopped quantitative easing.
- Brent crude oil price declined by 3.95% to USD73.44pb last week, the biggest weekly drop in 10 weeks. The sentiment in the oil market was mainly dominated by fears that OPEC members would loosen the tap on production during its meeting on 22 June which may consequently threaten the progress of rebalancing in oil supply. So far Saudi Arabia and Russia have agreed to gradually increasing production while noting that it will be done reasonably.

Table 1 Weekly performance of major indices		
Weekly % change	Week before	Last week
DAX	0.33	1.91
CAC 40	-0.28	0.95
Nikkei	2.36	0.69
India SENSEX	0.61	0.50
S&P 500	1.62	0.02
Jakarta JCI	0.17	0.00
FTSE 100	-0.27	-0.61
Taiwan TAIEX	1.89	-0.62
China CSI 300	0.24	-0.69
Dow Jones	2.77	-0.89
KLCI	1.25	-0.93
Thai SET	0.13	-1.00
Korea KOSPI	0.52	-1.94
Hang Seng	1.53	-2.10
FSSTI Index	0.26	-2.32
Phil PCOMP	1.45	-2.73

Source: Bloomberg

FUND FLOW REPORT

- The FBM KLCI ended 0.93% lower at 1,762 points on Thursday before the long weekend. The Ringgit's staged a marginal gain as it appreciated by 0.09% for the week to USD/MYR3.9848 reflecting a muted reaction to the rate hike by the Fed.

B. TRACKING MONEY FLOW - ASIA¹

- The foreign inflows seen in Asia in the preceding week was reversed out after an exodus of foreign funds. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" sold -USD3.43b net last week, compared to the USD786.0m net acquired in the week earlier.
- Korea's three-week foreign buying streak came to an end last week as global investors dumped -USD971.0m net, the highest in seven weeks. Foreign selling occurred on every single day during the four-day trading week as the local bourse was closed on Wednesday for local elections. On the first two days before Wednesday's election, the level of foreign attrition was measurable; not exceeding -USD100m net. The local elections saw the South Korea ruling Democratic Party winning a landslide victory, sparking concerns among some investors regarding the impact of President Moon Jae-In's regulation on the nation's conglomerates. After markets reopened from the break, foreign selling activity accelerated above -USD400m net on Thursday and Friday. Investors were particularly disappointed that the U.S-North Korea summit did not result in a declaration of an end to the Korean War but instead a statement by North Korea to completely denuclearise the Korean Peninsula which lacked details.
- Taiwan was equally bad as the foreign inflow of USD835.5m in the week before was reversed out by the foreign outflow worth -USD858.1m net. Global investors were net sellers on four out of five days last week with Thursday recording the largest outflow in 38 trading days of -USD444.03m net. The huge outflow on Thursday coincided with the Taiex's largest drop in a day since 23 April 2018 at 1.43% following the Fed's decision to increase interest rates by a quarter-point for the second time this year. Currency wise, the Taiwan Dollar fell for the fourth straight day on Friday, settling 0.67% lower for the week at USD/TWD30.011, the biggest weekly decline since late April.

Chart 1 YTD performance of major markets

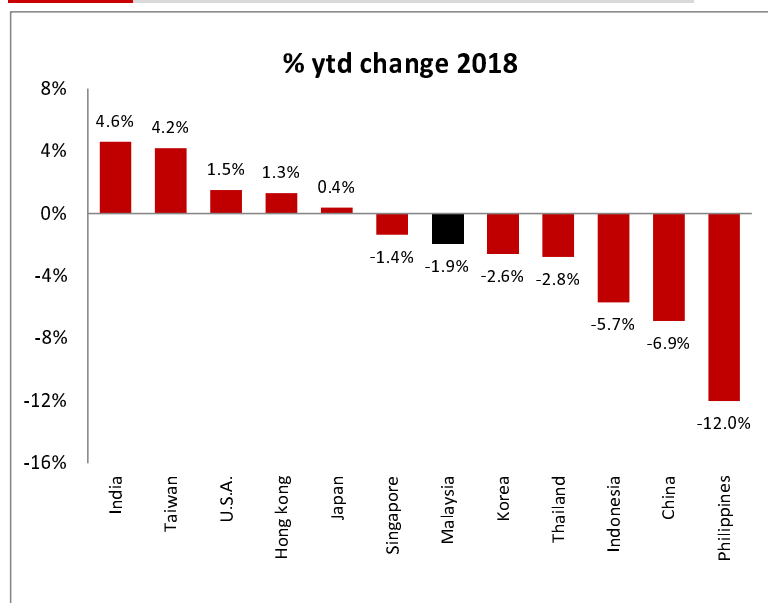
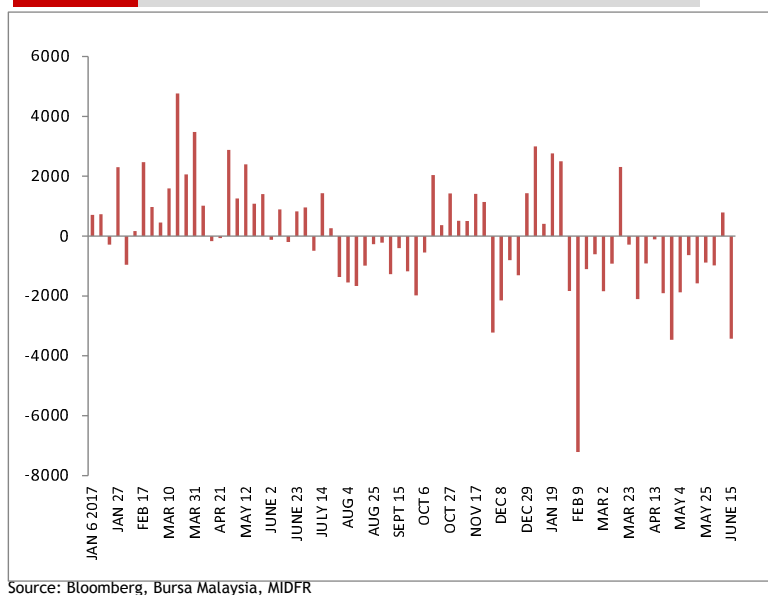


Chart 2 Weekly Net Flow of Foreign Funds into 7 Asian Markets since Jan 2017 (USD'm)



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, international investors pulled out a total of -USD1.14b net worth of equities.
- Bangkok's foreign selling almost quadrupled from -USD217.0m net to -USD760.4m net last week, the largest weekly outflow recorded so far this year. Foreign attrition occurred on every single day of the week, extending the selling streak to 10 days, the longest since the 13-day selling frenzy in February this year. International investors sold local equities heavily on Thursday to a tune of -USD299.6m net, a level not seen since October 2012. The Baht meanwhile weakened for the seventh straight day on Friday, the longest losing streak since October 2016, taking cue from the persistent outflows from Thai stocks and bonds.
- The amount sold by foreign investors in Manila accelerated by almost twice from -USD39.7m net to -USD75.6m net, marking the 20th week of outflows. During the three-day trading week, foreign attrition peaked on Thursday at -USD41.8m net, the highest in a day since mid-April, pulling the PSEi down to 7,529 points as investors digested the Fed's decision to raise interest rates. The Peso followed suit to fall to a fresh 12-year low of USD/PHP53.338 on Thursday, posting 0.94% weekly loss.
- Markets in Indonesia are closed from 11 June to 19 June in conjunction with the Aidilfitri holidays.

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

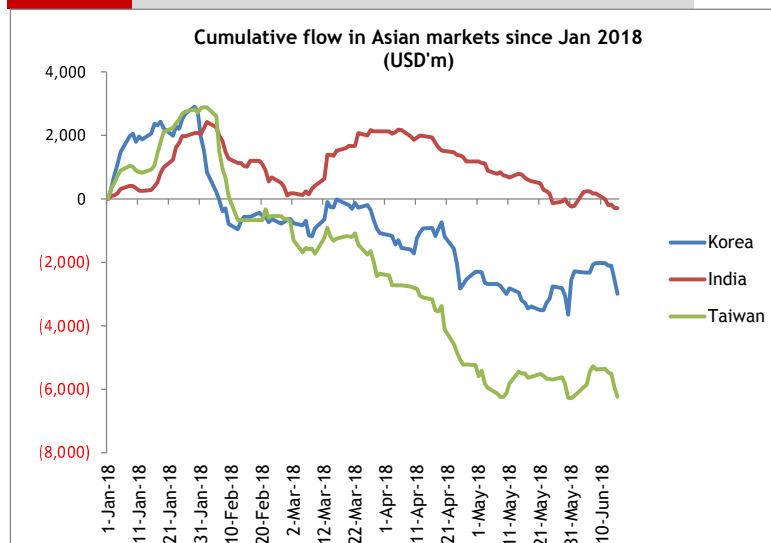


Chart 4 Net Flow of Foreign Funds into South East Asia Emerging Markets since Jan 2018 (USD'm)

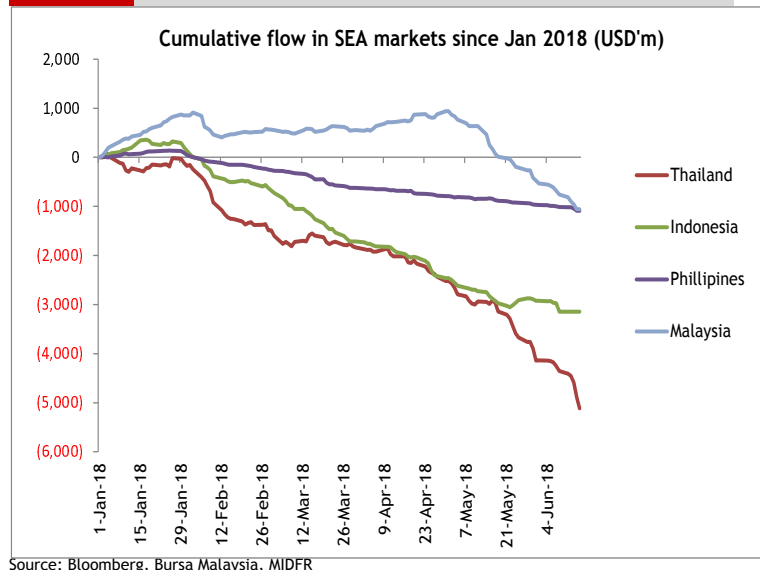


Table 2 Weekly Net Flow Of Foreign Fund Into Equity By Market (USD'm)

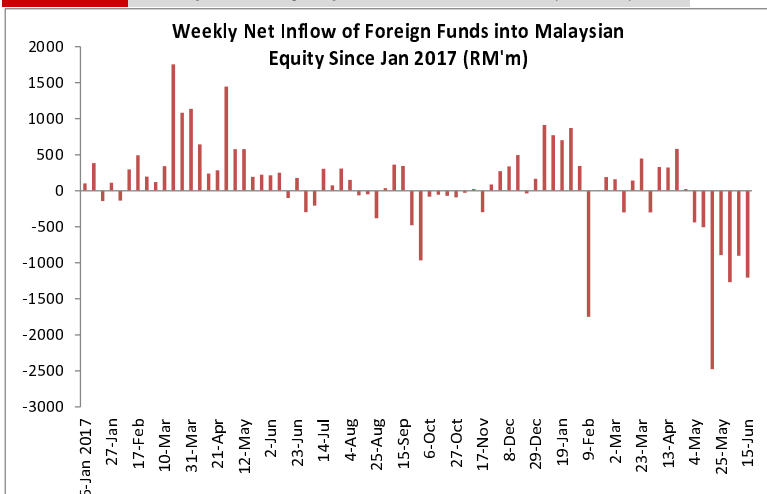
WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
APR 27	-1,350.3	-266.7	-381.6	-40.1	-324.7	-1,105.8	6.1	-3,463.1
MAY 4	-148.9	-355.3	-192.9	-26.6	-301.9	-738.2	-111.2	-1,874.9
MAY 11	-136.5	-144.9	-114.8	-36.1	-208.8	133.9	-127.9	-635.0
MAY 18	-567.4	-203.2	-242.4	-42.6	-112.8	212.2	-625.3	-1,581.4
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	-457.9	-858.1	-302.3	-3,425.2

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

C. TRACKING MONEY FLOW - MALAYSIA

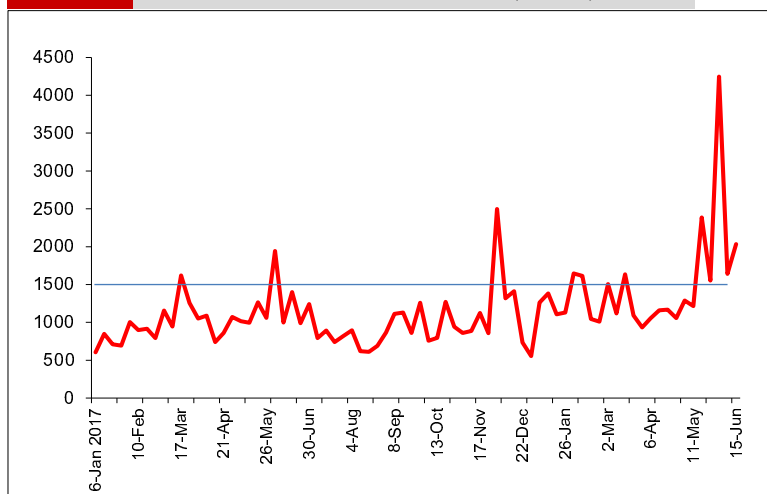
- Ahead of the Aidilfitri break, foreign investors sold stocks listed on Bursa at a stronger pace. This also marks the 7th week of foreign attrition, matching the longest uninterrupted period of selling seen in 2017 from the week ended 22nd September to 3rd November 2017.
- Based on preliminary data from Bursa which excluded off market deals, the net amount disposed by foreign investors last week breached above the RM1b level at -RM1.21b net.
- As of last Friday, the selling streak has been extended to 28 days, just one day shy of the 29-day selling spree in early January to mid-February 2014.
- Monday's attrition hovered above the RM200m level at -RM216.5m before rising to -RM359.0m net on Tuesday. Investors were nervous on Tuesday amid the historic summit between the U.S and North Korea which also dragged the FBM KLCI down by 0.66% to 1,764 points. Selling activity on Wednesday returned to Monday's level as global investors only sold -RM230.4m net amid dampened risk-on mood as investors awaited the Fed's decision on interest rates.
- Foreign selling peaked during the week on Thursday at -RM402.2m net before the local bourse was closed for the Aidilfitri break on Friday. It is noteworthy that other Asian counterparts such as Korea, Taiwan, the Philippines and Thailand also experienced huge outflows that day spurred by the Fed's rate hike.
- Malaysia had the second largest weekly outflow among the 4 ASEAN markets we monitor, after Thailand. Nonetheless, the year-to-date outflow from Malaysia of -RM4.23b net or -USD1.06b net is still the lowest among its ASEAN peers namely Thailand, the Philippines and Indonesia.
- Foreign participation was strong as the foreign average daily trade value (ADTV) increased by 24% to RM2.03b, logging its 11th straight week above the RM1b mark. The retail market and local funds meanwhile saw buying activity for its fifth and seventh straight week, 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)	
MAY 4	1,273.5	1,440.5	-167.0	4,944.9	4,339.5	605.4	2,357.3	2,795.7	-438.4	-111.2
MAY 11	764.4	879.0	-114.6	3,167.8	2,548.4	619.4	963.9	1,468.7	-504.8	-127.9
MAY 18	5,118.2	4,126.3	991.9	11,766.2	10,281.9	1,484.3	4,730.5	7,206.7	-2,476.2	-625.3
MAY 25	3,312.1	2,889.9	422.2	9,201.8	8,731.6	470.2	3,436.1	4,238.5	-892.4	-224.3
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

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 15 JUNE
TOP 10 NET MONEY INFLOWS

- Kuala Lumpur Kepong Berhad Berhad registered the highest net money inflow of RM16.16m last week. Its share price outperformed with a marginal gain of 0.08% against the FBM KLCI which declined by 0.93% during the week under review.
- Bursa Malaysia Berhad recorded the second highest net money inflow of RM7.91m. Its share price was 0.51% higher for the week, outperforming against the market benchmark which was only 0.93% lower for the week.
- British American Tobacco Malaysia Berhad saw the third highest net money inflow of RM5.69m. Its share price underperformed the FBM KLCI with a -2.55% loss during the week under review. It is notable that the net money inflow amidst declining share price may indicate a buy on weakness (BOW) stance among some investors.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
KL KEPONG	16.16	1.99	0.08	-
BURSA	7.91	0.88	0.51	-
BAT	5.69	2.19	-2.55	BOW
MAYBANK	5.32	-12.60	-2.04	BOW
CIMB	3.50	3.42	-5.54	BOW
UOA DVLPMT	2.73	-0.09	1.59	-
AXIATA	2.45	-1.91	3.02	-
PPB GROUP	2.14	0.08	-0.10	BOW
PETDAG	1.81	-1.82	2.79	-
AIRASIA GROUP	1.59	4.67	3.80	-

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- Public Bank Berhad saw the largest net money outflow of -RM13.62m last week. Its stock price declined by 2.28%, underperforming vis-à-vis the FBM KLCI which declined by 0.93% during the review week.
- Tenaga Nasional Berhad recorded the second largest net money outflow -RM12.66m during the week under review. Its share price declined by 0.82% during the week, outperforming the FBM KLCI which decreased by 0.93%.
- Petronas Chemicals Berhad registered the third largest net money outflow of -RM8.98m in the review week. Its share price meanwhile outperformed the benchmark with a 0.60% weekly loss.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
PUBLIC BANK	-13.62	-15.32	-2.28	-
TNB	-12.66	-28.41	-0.82	-
PETCHEM	-8.98	-1.00	-0.60	-
BOUSTEAD	-6.16	0.25	0.60	SOS
MY EG	-3.86	-4.22	12.87	SOS
SAPURA	-3.35	-8.51	2.36	SOS
RHB BANK	-3.09	-6.03	1.40	SOS
GENT PLNTN	-2.81	-0.66	-0.31	-
HLBK	-2.65	-0.56	-0.31	-
DIALOG	-2.63	-3.76	-1.36	-

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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