

MIDF EQUITY STRATEGY | 25 JUNE 2018

WEEK ENDED 22 JUNE

- Major equity markets worldwide were mostly swimming in the red last week after a frenetic week dominated by intensified trade tensions.
- Overall, U.S markets nursed a weekly loss especially the Dow Jones which declined by 2.03% despite snapping an eight-session skid as trade fears remain to be the overarching concern.
- Brent crude oil price advanced by 2.87% to USD75.55pb last week, the biggest weekly increase in six weeks. It was on a downward trend from Tuesday to Thursday before surging 3.42% on Friday as traders welcomed the OPEC's decision to moderately increase output despite the absence of any clear target.
- The pace of foreign attrition from Asia remained elevated last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" sold -USD3.75b net last week.
- Stocks listed on Bursa have been subjected to foreign selling for the past eight uninterrupted weeks. Based on preliminary data from Bursa which excluded off market deals, the net amount offloaded by foreign investors last week stood above the RM1b level for the fifth time this year at -RM1.89b net.
- The FBM KLCI ended 3.84% lower at 1,694 points on Friday, the largest weekly decline since August 2015. The Ringgit depreciated by 0.43% for the week to USD/MYR4.0022, the biggest weekly drop in five weeks.

TRADE TENSIONS CONCERN ON INVESTORS' MINDS

A. MARKET SNAPSHOT

- Major equity markets worldwide were mostly swimming in the red last week after a frenetic week dominated by intensified trade tensions.
- Wall Street started the week on the wrong foot as a household goods companies suffered some of the worst losses on the S&P500 index which fell for the third time in four days. Later that Monday, President Trump ordered the U.S Trade Representative to identify USD200b in goods for a potential 10% tax for China and noted that another USD200b in tariffs will be imposed if China retaliated. On Tuesday, industrial powerhouse, General Electric was removed from the Dow Jones index after being a constituent of it for more than a century, replaced by Walgreens.
- The Dow pared its losses, shedding only 42 points while the S&P 500 rose by 0.2% on Monday supported by technology and media companies. Shares of 21st Century Fox surged by 8% as Disney raised its bid to buy Fox's entertainment business for USD71.3b, topping the USD65.0b offer from Comcast
- Thursday saw automaker and industrial companies fall on concerns of lower profitability due to rising trade tensions. Fears of a looming trade war even caused European carmaker, Daimler to slash its profit outlook on the grounds of lower SUV sales and higher costs of sales for Mercedes Benz following increased China tariffs on U.S made cars. Overall, U.S markets nursed a weekly loss especially the Dow Jones which declined by 2.03% despite snapping an eight-session skid as trade fears remain to be the overarching concern.
- Markets in mainland China and Hong Kong continued to be in a state of flux as the Hang Seng index and the CSI300 posted its biggest weekly decline in nearly five months, losing 3.20% and 3.85% respectively. They are not only facing pressure from trade measures from the U.S but also monetary tightening, with China's aggregate financing fell to the lowest level in two years in the month of May 2018 amid increasing scrutiny on leveraging activities.
- Meanwhile in Europe, U.K prime minister, Theresa May claimed victory for a crucial parliamentary vote on Tuesday, allowing her government to offer lawmakers a take-it-or-leave-it decision on any final Brexit deal. Two days later, the Bank of England kept interest rates at 0.5% but moved closer to a possible hike after Andy Haldane joined the pact favouring a hike, marking the biggest split vote in the monetary policy committee since June 2017.
- Brent crude oil price advanced by 2.87% to USD75.55pb last week, the biggest weekly increase in six weeks. It was on a downward trend from Tuesday to Thursday before surging 3.42% on Friday as traders welcomed the OPEC's decision to moderately increase output despite the absence of any clear target. Meanwhile, Iran demanded OPEC to ignore the U.S's call to increase oil supply.

Table 1 Weekly performance of major indices		
Weekly % change	Week before	Last week
FTSE 100	-0.61	0.63
India SENSEX	0.50	0.19
S&P 500	0.02	-0.89
Nikkei	0.69	-1.47
Taiwan TAIEX	-0.62	-1.70
Korea KOSPI	-1.94	-1.95
Dow Jones	-0.89	-2.03
FSSTI Index	-2.32	-2.07
CAC 40	0.95	-2.08
Jakarta JCI	0.00	-2.87
Hang Seng	-2.10	-3.20
DAX	1.91	-3.31
KLCI	-0.93	-3.84
China CSI 300	-0.69	-3.85
Thai SET	-1.00	-4.10
Phil PCOMP	-2.73	-6.19

Source: Bloomberg

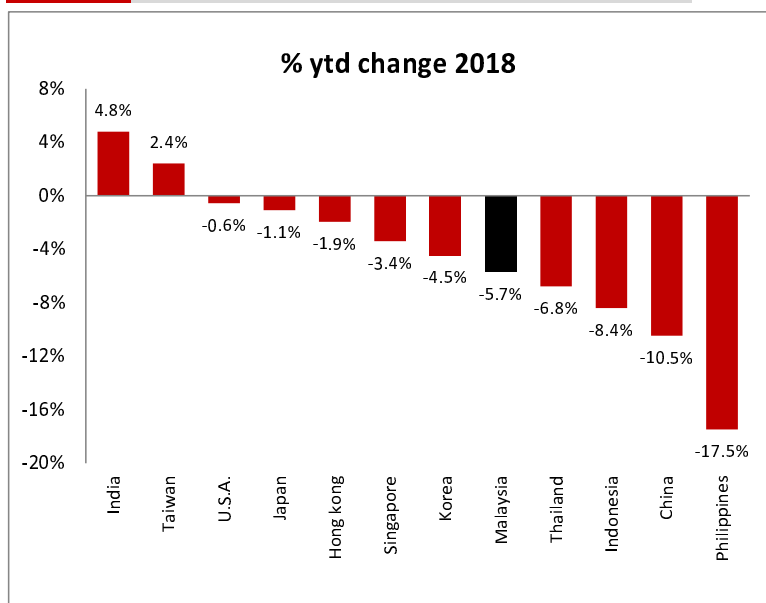
FUND FLOW REPORT

- The FBM KLCI ended 3.84% lower at 1,694 points on Friday, the largest weekly decline since August 2015. The Ringgit depreciated by 0.43% for the week to USD/MYR4.0022, the biggest weekly drop in five weeks.

B. TRACKING MONEY FLOW - ASIA¹

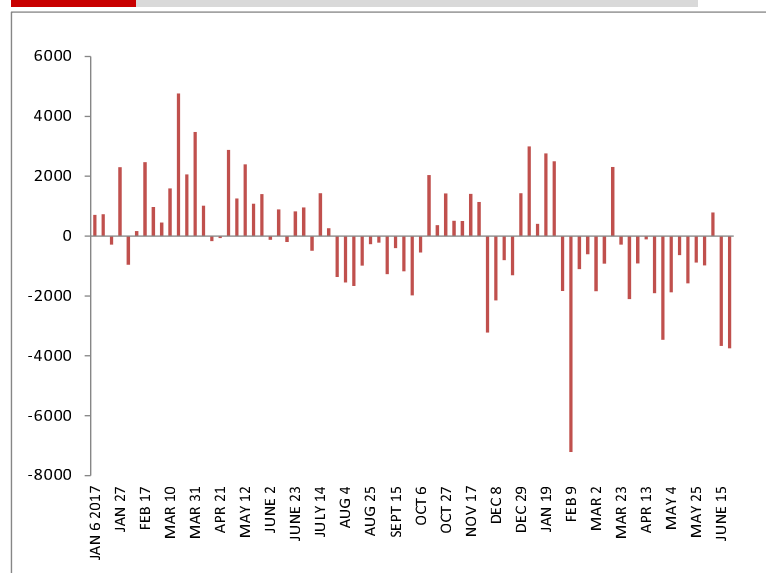
- The pace of foreign attrition from Asia remained elevated last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” sold -USD3.75b net last week, the fourth time this year that the weekly attrition from Asia reached above the USD3b level.
- Net outflows from Korea shrank by more than half to -USD427.0m net last week compared to the -USD971.0m net in the week earlier. International investors were net sellers in four out of five days, the highest on Monday at -USD309.4m net as risk-on mood was dampened by President Donald Trump’s announcement of a 25% tariff on USD50b worth on Chinese goods on the preceding Friday. As a consequence, the Korean Won declined by 1.16% to its weakest level since November of USD/KRW1104.9, being the worst performer amongst Asian emerging Asian currencies that day. Nonetheless, global investors staged a return on Wednesday after acquiring USD242.6m net, ending a six day selling streak which boosted the KOSPI by 1.02% to a close of 2,363 points as foreign investors began scooping large cap shares at a reduced price. On the geopolitical front, the U.S and North Korea delayed suspend a joint military drill planned for August.
- In contrast to Korea, the pace of net outflows from Taiwan accelerated by almost two folds to -USD1.61b, breaching above -USD1b for the first time in 8 weeks. As markets reopened on Tuesday after the Dragon Boat Festival break, global investors dumped -USD743.6m net of local equities, a level not seen since mid-February 2018. The Taiex was also badly hit, suffering its largest daily decline in 40 trading days of 1.65% as TSMC, Yageo and Hon Hai led losers following the escalating trade spat between Beijing and Washington, the islands’ two biggest export markets. The outflows that have lasted for eight days as of last Friday have dragged the Taiwan dollar 0.93% for the week to USD/TWD30.294.

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)

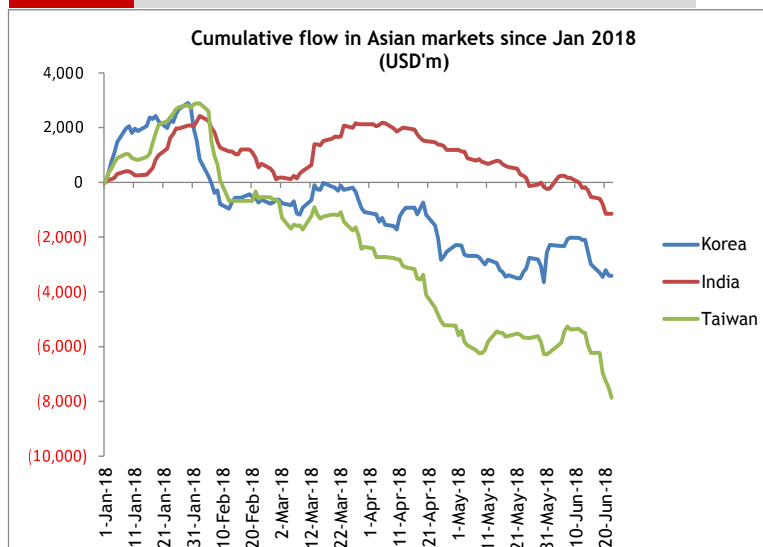


Source: Bloomberg, Bursa Malaysia, MIDFR

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.

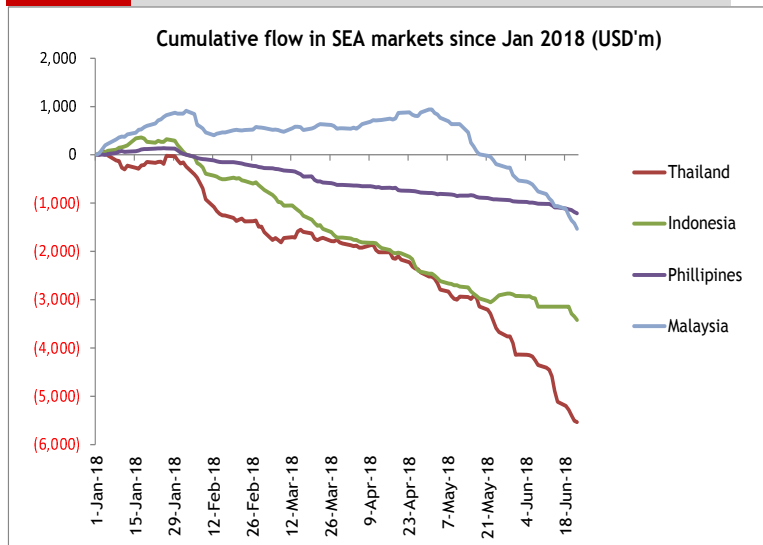
- In the emerging South East Asian markets that we monitor, foreign selling was across the board.
- After increasing by almost four times in the prior week, Bangkok's foreign net selling almost halved to -USD420.7m net but the SET index experienced the largest weekly decline since early September 2016 of 4.10%. As foreign funds disposed local equities on every single day of the week, the selling spree in Bangkok has been stretched to 15 days, the longest since the 25-day selling activity recorded from 21 October to 25 November 2016.
- The amount sold by foreign investors in Manila went above the USD100m mark for the first time after 12 weeks as investors disposed -USD123.8m. As a result, the net outflow trend has now hit a record of 25 straight days while the PSEi has been dropping for the seventh day as of Friday, holding near a 18-month low close of 7,063 points. Similar to Thailand, foreign selling was the highest on Thursday at USD42.5m net the most in 2 months, coinciding with the Peso's retreat to the weakest level in nearly 12 years at USD/PHP53.473 following the nation's central bank decision to increase the overnight of reverse repurchase rate by 25bps to 3.5% while signalling to prepare for more hikes.
- Offshore investors in Jakarta sold -USD272.8m net last the week, the highest since the week ended 27 April 2018. The bulk of the heavy attrition came from Wednesday's selloff which amounted to -USD144.8m net, pulling the JCI down by 1.83% as the local market reopened post Aidilfitri break which lasted for seven trading days. Usually the Indonesian bourse typically gets lifted on the first trading day after the Aidilfitri break but this time it is different as investors factored in the trade dispute between U.S and China and the Fed's rate hike. The Rupiah followed suit to drop by 1.09% for the week to USD/IDR14,086.

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
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	-699.8	-858.1	-302.3	-3,667.1
JUN 22	-427.0	-420.7	-272.8	-123.8	-423.8	-1,607.4	-471.2	-3,746.7

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

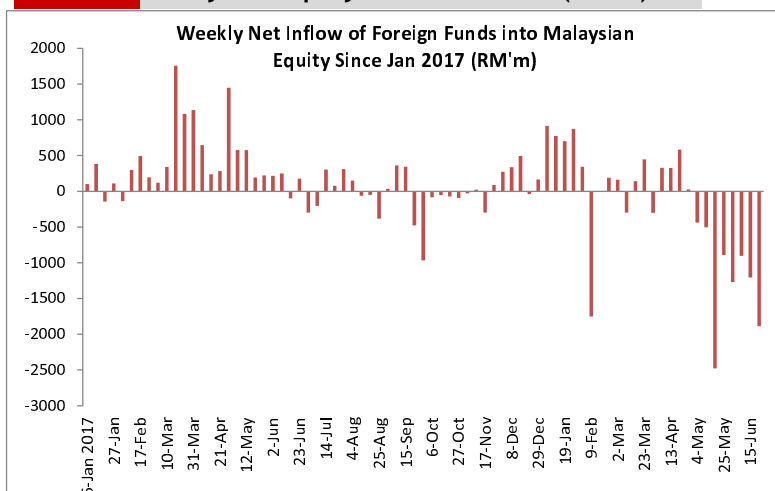
FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

- Stocks listed on Bursa have been subjected to foreign selling for the past eight uninterrupted weeks.
- Based on preliminary data from Bursa which excluded off market deals, the net amount offloaded by foreign investors last week stood above the RM1b level for the fifth time this year at -RM1.89b net.
- As of 22 June 2018, offshore investors have been withdrawing Malaysian equities for 33 consecutive days since 2 May 2018, surpassing the 29-day selling streak recorded in early January to mid-February 2014.
- Global funds sold the most on Tuesday at -RM555.0m net, coinciding with the FBM KLCI's largest drop in 13 trading days at 1.61% as the U.S China trade friction intensified. Selling activity thereafter tapered below the RM400m level on Wednesday and Thursday at -RM384.0m and -RM264.9m net respectively. In spite of the gradual decline in attrition, the FBM KLCI moved in an opposite direction to slide further to the lowest close since February 2017 at 1,692 points on Thursday and marked its 9th straight day of losses as Telekom Malaysia Berhad led decliners, dropping as much as 12% amid worries over a slash in broadband prices.
- The FBM KLCI inched higher by 0.11% on Friday amidst window dressing activities before 2Q18 ends. However, foreign selling was seen at -RM444.0m on the same day as the trade friction between Beijing and Washington continued to be the biggest worry amongst investors. We reckon that these external developments would continue to affect the pace of flows into and out of Malaysia.
- Foreign participation remained active despite the 23% decline in foreign average daily trade value (ADTV) as the value stood above RM1b for the 12th week running. Although the retail ADTV was below RM1b for the second week at RM865m, retailers have been entering the market for the past six consecutive weeks.

Chart 5

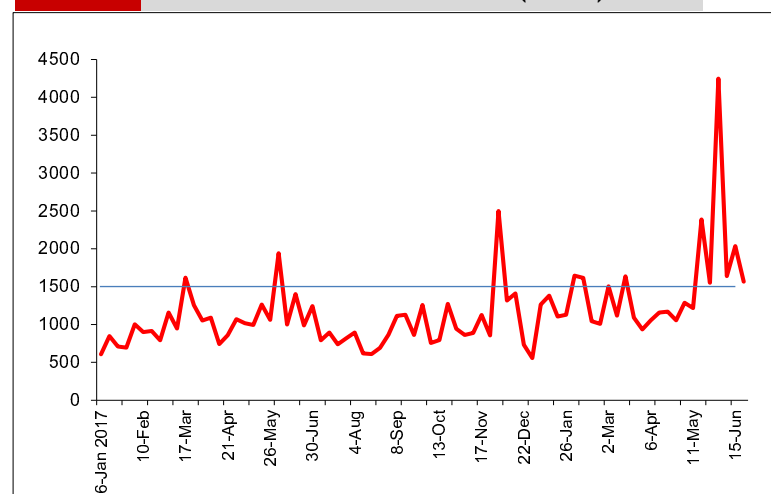
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2017 (RM'm)



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 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
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

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 22 JUNE
TOP 10 NET MONEY INFLOWS

- Sime Darby Plantation Berhad registered the highest net money inflow of RM17.89m last week. Its share price underperformed with a 4.17% decrease against the FBM KLCI which declined by 3.84% during the week under review.
- Public Bank Berhad recorded the second highest net money inflow of RM16.84m. Its share price was 4.66% lower for the week, underperforming against the market benchmark which was only 3.84% lower. Nonetheless, it is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.
- Petronas Chemicals Berhad saw the third highest net money inflow of RM13.78m. Its share price outperformed the FBM KLCI with a 0.72% 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	
SD PLNTN	17.89	0.52	-4.17	BOW
PUBLIC BANK	16.84	-13.62	-4.66	BOW
PETCHEM	13.78	-8.98	0.72	-
DIALOG GROUP	6.68	-2.63	-5.99	BOW
GENTING BHD	4.34	-2.62	-0.12	BOW
DIGI.COM	4.09	-0.74	-2.46	BOW
TNB	3.76	-12.66	-4.83	BOW
YTL CORP	3.41	-0.40	7.55	-
PPB GROUP	3.18	2.14	-2.32	BOW
GAMUDA	3.01	-0.33	-6.86	BOW

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS


- British American Tobacco Malaysia Berhad saw the largest net money outflow of -RM11.95m last week. Its stock price was little changed, only gaining by 0.06%, outperforming vis-à-vis the FBM KLCI which lost 3.84% 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.
- MY EG Services Berhad recorded the second largest net money outflow -RM11.29m during the week under review. Its share price meanwhile advanced by 3.63% for the week, substantially outperforming the market benchmark with a -3.84% weekly loss.
- IOI Corporation Berhad registered the third largest net money outflow at -RM2.90m in the review week. Its share price meanwhile outperformed the benchmark with a 2.34% weekly loss. 

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
BAT	-11.95	5.69	0.06	SOS
MY EG	-11.29	-3.86	3.63	SOS
IOI CORP	-2.90	0.59	-2.34	-
IHH	-2.55	-1.45	-1.64	-
MAXIS	-2.37	-1.22	-4.84	-
MAYBANK	-2.35	5.32	-4.27	-
HEINEKEN	-2.05	0.04	-1.00	-
SIME DARBY	-1.69	-1.36	-6.92	-
MBSB	-1.58	-0.84	-2.52	-
PADINI	-1.47	0.51	-2.29	-

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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