

MIDF EQUITY STRATEGY | 19 JUNE 2017

WEEK ENDED 16 JUNE 2017

- For the third week in a row, the performance of equity markets around the globe was flattish. Investors were anxious as they focused on the Fed's June meeting that preceded a pack of central banks' meetings.
- Still, the Dow Jones stretched gains for the fourth week running led by a recovery in energy stocks. Meanwhile, Nasdaq slipped for the second week as tech stocks faced selling pressure. Shares of Alphabet, Apple and Netflix closed lower on a weekly basis.
- Brent crude oil price declined by -1.62% for the week to settle at a six-month low of USD47.37pb, extending losses for the fourth week. Despite peaking on Tuesday at USD48.72pb, concerns heightened as increased production in the U.S, Libya and Nigeria may continue to undermine OPEC's efforts in overcoming issues of global supply.
- The KLCI peaked at 1,792 points on Wednesday, in line with other global markets ahead of the Fed meeting. The ringgit meanwhile weakened by -0.25% for the week to USD/RM4.2762 due to the strong dollar which followed increase in U.S treasury yields.
- After 18 relentless weeks of buying, foreign investors succumbed to negative global sentiment and lifted their foot off the pedal on Bursa.
- However, the outflow was contained as the selling by international fund managers amounted to only -RM99.6m in four days of trading. This is based on preliminary data from Bursa which excluded off-market trades.

THE TIDE REVERSES BUT PARTICIPATION REMAINS STRONG

A. MARKET SNAPSHOT

- For the third week in a row, the performance of equity markets around the globe was flattish. Investors were anxious as they focused on the Fed's June meeting that preceded a pack of central banks' meetings.
- Still, the Dow Jones stretched gains for the fourth week running led by a recovery in energy stocks. Meanwhile, Nasdaq slipped for the second week as tech stocks faced selling pressure. Shares of Alphabet, Apple and Netflix closed lower on a weekly basis.
- The Fed raised rates by a quarter-point on Wednesday while outlining plans for its balance sheet trimming program that will take place "relatively soon". Nevertheless, the 0.1% fall of consumer prices in May raised concerns on the Fed's ability to withstand another rate hike later this year. The dollar bounced back from an eight month low after the Fed announcement while Wall Street's reaction was mixed.
- In Asia, Chinese stocks linked to Anbang Insurance Group such as Gemdale Corp and China Merchant Bank dipped 3.4% and 1.3%, respectively on Wednesday following the detainment of Anbang's chairman over alleged financial misconduct. The detainment brings about concerns that further curbs on insurers could be announced, causing investors to feel uneasy with their holdings in Anbang-linked stocks.
- In the U.K, the Bank of England maintained its policy rate on Thursday but 3 out of 8 policy makers voted for a rate hike on the grounds of higher inflation. Pursuant to that, the pound bounced off GBP/USD 1.268, the lowest intraday level since Tuesday to settle at GBP/USD 1.2758. In contrast, FTSE 100 declined by -0.74% to a 24-day low as investors anticipated a rate hike soon.
- Brent crude oil price declined by -1.62% for the week to settle at a six-month low of USD47.37pb, extending losses for the fourth week. Despite peaking on Tuesday at USD48.72pb, concerns heightened as increased production in the U.S, Libya and Nigeria may continue to undermine

Table 1 Weekly performance of major indices

Weekly % change	Week before	Last week
Jakarta JCI	-1.17	0.85
Thai SET	-0.06	0.63
Dow Jones	0.31	0.53
KLCI	0.67	0.14
S&P 500	-0.30	0.06
Nikkei	-0.81	-0.35
Taiwan TAIEX	0.46	-0.42
DAX	-0.06	-0.49
India SENSEX	-0.04	-0.66
CAC 40	-0.82	-0.69
FSSTI Index	0.44	-0.70
Korea KOSPI	0.42	-0.83
FTSE 100	-0.27	-0.85
Phil PCOMP	1.04	-1.35
Hang Seng	0.41	-1.55
China CSI 300	2.57	-1.61

Source: Bloomberg

OPEC's efforts in overcoming issues of global supply. Sentiment was further dampened when the EIA noted that oil supply growth non-OPEC members will exceed the global demand in 2018.

- The KLCI peaked at 1,792 points on Wednesday, in line with other global markets ahead of the Fed meeting. The ringgit meanwhile weakened by -0.25% for the week to USD/RM4.2762 due to the strong dollar which followed increase in U.S treasury yields.

B. TRACKING MONEY FLOW - ASIA¹

- In Asia, global investors moved into a period of relative lull. Investors classified as "foreign" moved to the sideline, disposing a marginal -USD92.4m net last week in the aggregate seven countries that we track.
- Reflecting weakening sentiment towards technology stocks, Taiwan reported -USD680.9m net of foreign selling, the highest outflow in a week this year. The technology rout on Wall Street spilled over to Taiwan semiconductor players, dragging the Taiex down by -0.42% for the week. Hence, it was no surprise that semiconductor players such as Largan Precision, TSMC and Advanced Semiconductor Engineering were major losers during the week.
- Meanwhile, the eight-week foreign buying spree in Korea was snapped last week as foreign investors pulled out -USD279.2m net. The foreign selling coincided with the lacklustre performance of the KOSPI and the Won, partly attributable to Fed's rate hike which supported the greenback. KOSPI's eight-week winning streak also came to a halt, losing 0.83% for the week, while the Won weakened to its lowest level since May 10 at KRW/USD1,134.8.

Chart 1 YTD performance of major markets

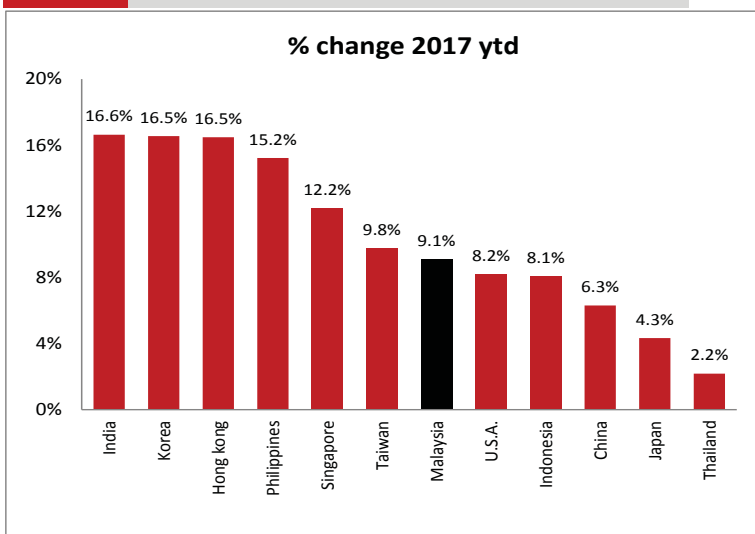
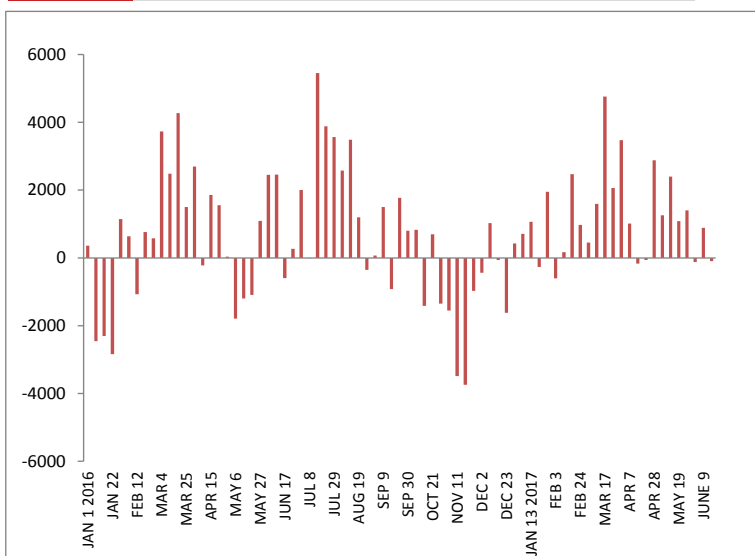


Chart 2 Weekly Net Flow of Foreign Funds into 7 Asian Markets since Jan 2016 (USD'b)



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.

- In Emerging South East Asian markets, global investors avoided the bigger markets and went after Philippines stocks.
- Foreign investors ceased offloading Indonesian stocks last week but the sentiment is still weak for a meaningful comeback. Foreigners purchased a marginal USD12.9m net, which helped the JCI to gain 0.85%. JCI surged to a record high of 5,792 points on Wednesday, boosted mainly by banking stocks i.e. Bank Rakyat Indonesia and Bank Mandiri. The rupiah followed suit on the same day as it strengthened to USD/IDR13,277 the strongest level since April 14.
- In Manila, foreign buying extended to eight straight weeks. Foreigners have also been net buyers for the past 14 days, the longest stretch since May 2014. Notwithstanding the heavy foreign buying, the PSEi faced its sharpest decline since the week ended March 10.
- Foreigners continued selling in Thailand for the second week as the strengthening baht threatens Thailand's international tourist arrivals which increased 4.5% yoy in May. The baht emerged as last week's best performer among its regional peers with a gain of 0.32%. However, local support helped SET to register a weekly gain as G Steel PCL led gainers.

Chart 3 Net Flow of Foreign Funds into Taiwan, Korea and India since Jan 2017(USD'b)

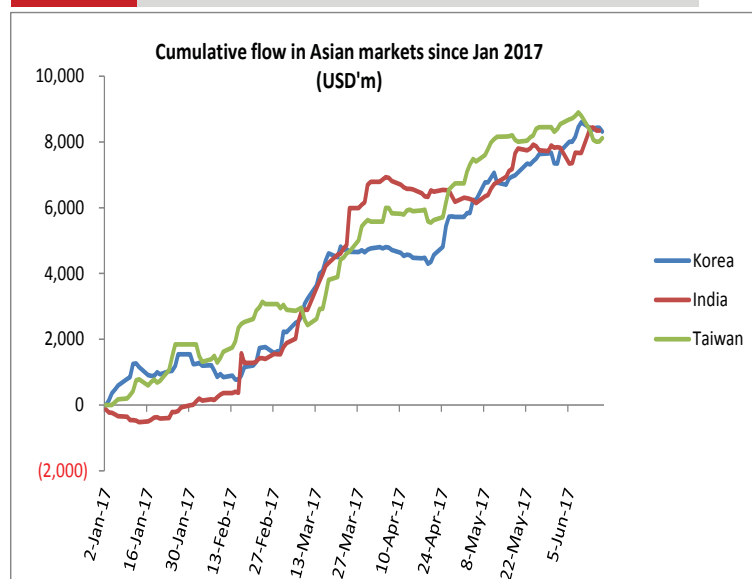
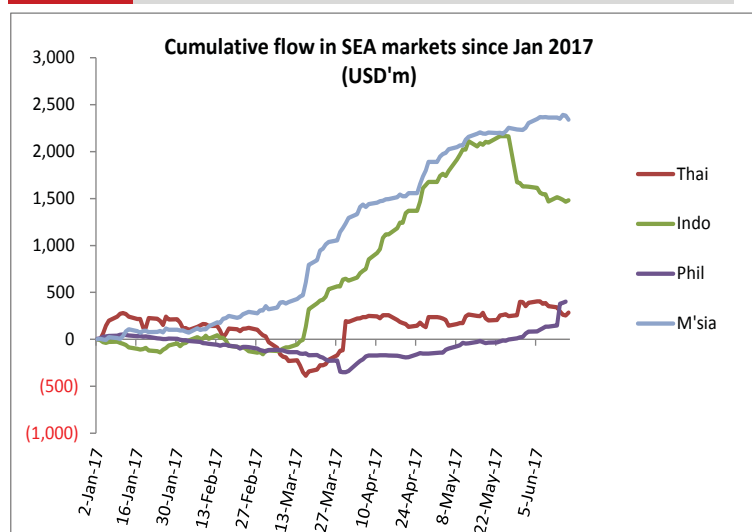


Chart 4 Net Flow of Foreign Funds into South East Asia Emerging Markets since Jan 2017 (USD'b)



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
APR 28	1,153.9	103.1	307.5	41.8	-171.9	1,112.2	332.6	2,879.5
MAY 5	520.3	-90.4	116.5	39.7	-126.9	665.2	133.2	1,257.7
MAY 12	524.7	118.0	319.5	65.4	486.2	750.1	132.7	2,396.6
MAY 19	312.0	-64.0	-16.1	5.6	948.7	-147.0	44.5	1,083.6
MAY 26	561.2	45.5	66.4	25.7	210.8	443.2	52.4	1,405.2
JUN 2	79.1	144.3	-535.9	76.1	-28.7	93.0	50.4	-121.6
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	679.5	-680.9	-23.2	-92.4

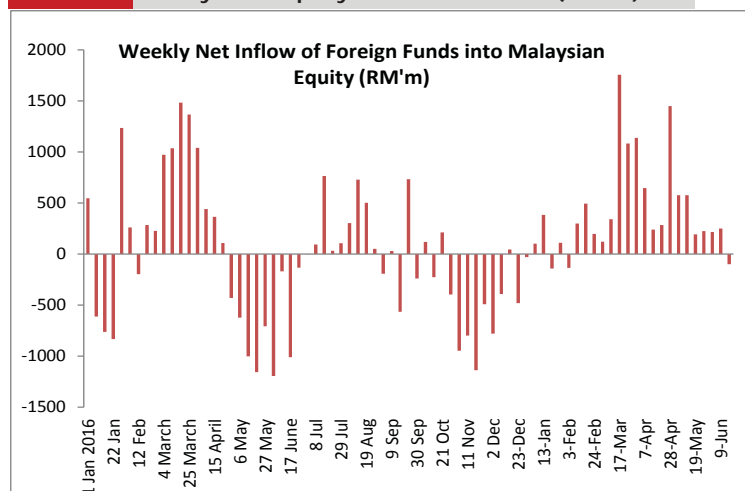
Source: Respective exchange statistics reported on Bloomberg. Bursa Malaysia. These figures are subject to revisions.

FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

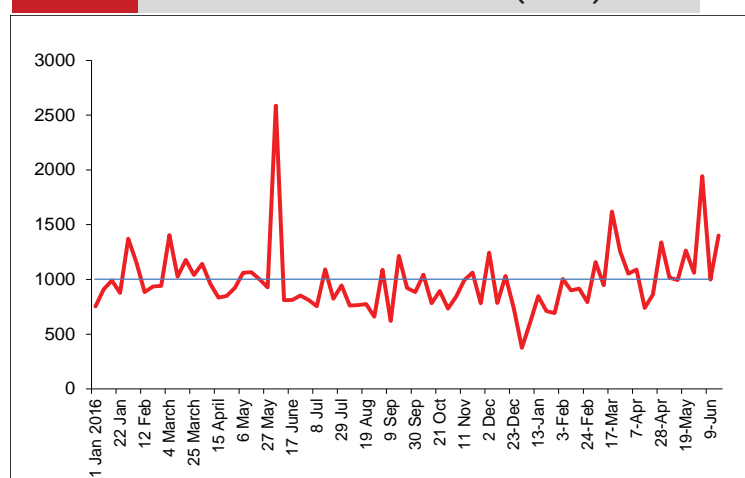
- After 18 relentless weeks of buying, foreign investors succumbed to negative global sentiment and lifted their foot off the pedal on Bursa.
- However, the outflow was contained as the selling by international fund managers amounted to only -RM99.6m in four days of trading. This is based on preliminary data from Bursa which excluded off-market trades.
- There was relatively heavy foreign selling on Friday of RM189.3m, the highest in a day this year, after the Fed rate hike on Thursday and gains in U.S. treasury yields which boosted the U.S dollar.
- Despite the deficit last week, cumulative year-to-date purchases by foreign investors still amounted to RM10.3b net. In fact, foreigners have been net sellers in only 3 out of 24 weeks in 2017.
- On a positive note, foreigners were actively trading Malaysian equity last week. Foreign participation was vibrant as foreign average daily trade value (ADTV) rose above the RM1b mark, increasing by 40% for the week, from RM999.0m to RM1.4b. Indeed foreign participation exceeded RM1b in three out of four trading days last week.
- In contrast, the retail market was rather sluggish. Retail ADTV declined by -9.3% for the week to RM812.7m from RM896.2 the week before.

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)	
MAY 5	2,580.3	2,560.2	20.1	7,007.1	7,603.6	-596.5	2,321.5	1,745.0	576.5	133.2
MAY 12	2,365.4	2,368.1	-2.89	6,177.4	6,751.1	-573.7	2,278.2	1,701.5	576.6	132.7
MAY 19	3,503.3	3,464.8	38.5	8,834.2	9,065.1	-230.9	3,258.6	3,066.2	192.4	44.5
MAY 26	3,197.9	3,160.5	37.4	8,471.2	8,732.3	-261.1	2,762.8	2,539.1	223.7	52.4
JUN 2	2,183.1	2,256.4	-73.3	6,865.2	7,007.7	-142.5	4,964.5	4,748.7	215.8	50.4
JUN 9	2,241.9	2,239.3	2.60	7,142.6	7,395.6	-252.4	2,622.5	2,372.7	249.8	58.6
JUN 16	1607.2	1,643.5	-36.3	5,894.2	5,758.3	135.9	2,751.3	2,850.9	-99.6	-23.2

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 16 JUNE
TOP 10 NET MONEY INFLOWS

- Tenaga Nasional stocks were the beneficiary of the highest net money inflow of RM20.34m for the third week running. Its share price outperformed the benchmark index with a 0.28% gain during the review week.
- The second highest net money inflow was into KLCC Stapled Group which amounted to RM10.06m. Its share price outperformed the benchmark index with a -0.04% loss during the review week.
- Gamuda saw the third highest net money inflow of RM6.53m. Its share price underperformed the benchmark index with a -0.56% loss during the review week. The net inflow amidst declining share price indicates 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	
TNB	20.34	28.31	0.28	-
KLCCS	10.06	-0.04	0.51	-
GAMUDA	6.53	-1.43	-0.56	BOW
IHH	6.26	1.48	-1.81	BOW
SP SETIA	5.95	7.14	-0.79	BOW
KL KEPONG	4.18	2.47	2.02	-
CMSB	3.75	0.92	-0.49	BOW
MAHB	3.05	-2.92	-5.28	BOW
GENTING MSIA	2.90	0.88	-0.88	BOW
MY EG	2.54	6.87	-0.92	BOW

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- CIMB Group saw the largest net money outflow of -RM7.63m last week. Its stock price substantially outperformed the benchmark index with a 1.51% gain. The net outflow amidst advancing share price indicates a sell-on-strength (SOS) stance among some investors.
- Lingkaran Trans Kota recorded the second largest net money outflow -RM7.05m during the week under review. Its share price outperformed the benchmark index with a 2.24% gain.
- CIMB Group registered the third largest net money outflow at -RM4.55m. Its share price outperformed the benchmark index with a 0.31% gain. The company announced that it hired Credit Suisse's Jefferi Hashim as Investment Bank Deputy CEO to boost presence in the region.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
CIMB	-7.63	-10.37	1.51	SOS
LITRAK	-7.05	-0.55	2.24	SOS
SIME DARBY	-4.55	11.51	0.31	SOS
HLBK	-3.68	-0.37	2.76	SOS
BAT	-3.41	3.48	-0.18	-
FGV	-2.95	-0.55	6.02	SOS
GENTING	-2.14	-4.89	-0.41	-
PETGAS	-2.11	-0.13	-1.56	-
MRCB	-1.92	-0.48	-2.78	-
DIALOG	-1.85	-1.43	-1.54	-

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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(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