

## MIDF EQUITY STRATEGY | 5 JUNE 2017

### WEEK ENDED 2 JUNE 2017

- Global equity markets stayed in the positive zone for the second consecutive week as investors followed the cue from Wall Street.
- U.S equity prices ended the week at record highs despite worse-than-expected non-farm payroll numbers.
- In Asia, Japan's Nikkei index surpassed 20,000 points on Friday for the first time since December 2015.
- Brent crude oil price declined by -4.2% for the week to USD49.95pb. Downward pressure on Brent crude mounted towards the end of the week as President Trump decided to back off from the Paris climate deal.
- The ringgit meanwhile suffered its biggest weekly drop since the week ended March 3 on the back of retreating crude oil prices. The currency declined by -0.27% for the week to settle at USD/RM4.2802.
- Despite concerns over the proposed RHB-AMMB merger, the KLCI closed 0.23% higher than the week before, in line with other global markets.
- After a promising wave the week before, the tide ebbed out of Asia last week. There was heavy selling of Indonesian stocks last week. The direction of money flow across countries last week reflected largely the changes in MSCI constituents and weightings which took effect on 1 June.
- Foreign funds remained net buyers of Malaysian stocks by virtue of the heavy purchases on Friday. For the week, foreign investors acquired RM215.8m net in the open market. The foreign buying streak has now stretched to 17 straight weeks.
- For the month of May, cumulative foreign net purchases

## TIDE CHANGES TO REFLECT MSCI REBALANCING

### A. MARKET SNAPSHOT

- Global equity markets stayed in the positive zone for the second consecutive week as investors followed the cue from Wall Street.
- U.S equity prices ended the week at record highs despite worse-than-expected non-farm payroll numbers. 138,000 jobs were created in May, below the forecast 185,000 jobs. Meanwhile, the unemployment rate plunged to a 16-year low of 4.3% from 4.4%.
- Notwithstanding the tepid jobs report, expectations remained heightened that the Fed would increase interest rates. Heavyweight Amazon's stock came into the spotlight during the week as its shares reached the USD1,000 mark for the first time ever. Investors' were buoyed by Amazon's stellar increase in profit of USD724m in 1Q2017.
- In Asia, Japan's Nikkei index surpassed 20,000 points on Friday for the first time since December 2015, leading gainers for the week, coinciding with the Yen's weakening.
- In the U.K., the pound hit its lowest intraday level since April 21 on Wednesday partly due to YouGov's poll which suggested that Prime Minister May could lose the majority of seats. The pound then regained momentum to close at a three-day high at GBP/USD 1.2890 on the same day as Panelbase poll showed that May has a 15 point lead over the Labour party.
- Brent crude oil price declined by -4.2% for the week to USD49.95pb. Downward pressure on Brent crude mounted towards the end of the week as President Trump decided to back off from the Paris climate deal. The withdrawal from the deal fuels speculation of increased activity in U.S. drilling, sparking concerns on efforts to rebalance the oil market.
- Despite concerns over the proposed RHB-AMMB merger, the KLCI closed 0.23% higher than the week before, in line with other global markets. The ringgit meanwhile suffered its biggest weekly drop since the week ended March 3 on the back of retreating crude oil prices. The currency declined by -0.27% for the week to settle at USD/RM4.2802.

**Table 1** Weekly performance of major indices

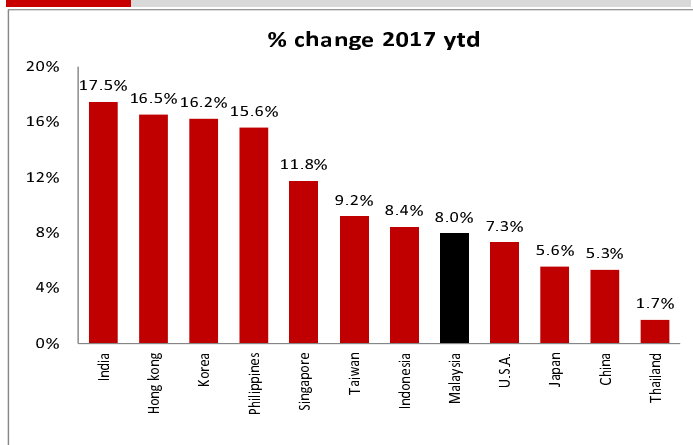
Weekly % change	Week before	Last week
Nikkei	0.49	2.49
DAX	-0.29	1.75
Hang Seng	1.84	1.11
S&P 500	1.43	0.96
India SENSEX	1.85	0.79
Korea KOSPI	2.92	0.70
FSSTI Index	0.08	0.64
Dow Jones	1.32	0.60
Phil PCOMP	1.29	0.51
Taiwan Taiex	1.55	0.50
Jakarta JCI	-1.30	0.45
KLCI	0.23	0.26
China CSI 300	2.25	0.17
CAC 40	0.23	0.13
FTSE 100 INDEX	1.03	0.00
Thai SET	1.27	-0.11

Source: Bloomberg

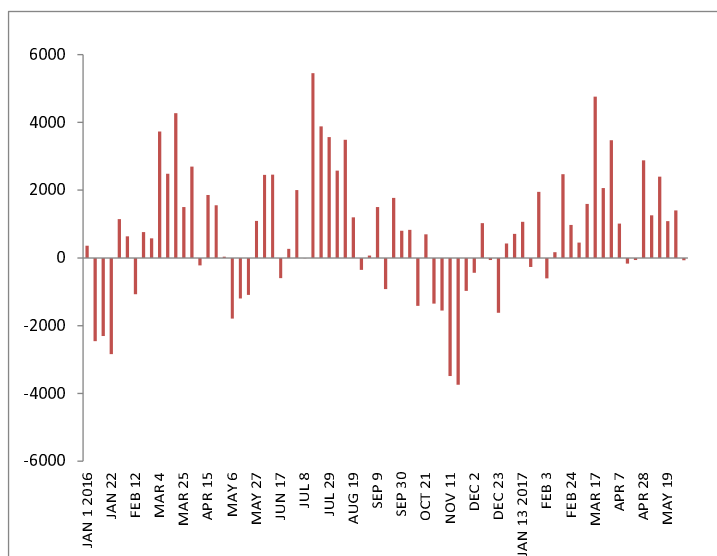
**B. TRACKING MONEY FLOW - ASIA <sup>1</sup>**

- After a promising wave the week before, the tide ebbed out of Asia last week. Investors classified as “foreign” sold an aggregate of USD67.7m net last week in the seven countries that we track, the first outflow in six weeks.
- Money inflow into Korea receded to USD78.5m, its lowest level in seven weeks. However, there was a promising turnaround on Friday as the KOSPI rallied to a new record of 2,371 points as foreign investors returned to aggressively load up USD369m, one of the highest in a day this year. It is likely that foreigners were prompted to diversify away from the U.S. market following the record-high rally on Wall Street. Foreign buying was prevalent in heavyweights including Samsung Electronics that climbed 2.86%. As a consequence, the Won slightly appreciated by 0.01% against the USD to close at USD/KRW1,121.80 on Friday.
- Foreigners remained net buyers in Taiwan albeit at a measured level of USD201.1m compared to USD443.2m the week before. The Taiex reached a 17-year high of 10,152 points on Friday, gaining 0.50% for the week. The uptick in the Taiex was led by Taiwan Semiconductor Manufacturing Company which had its shares advancing to record levels that lifted its market cap to TWD5.41t. With resilient foreign net buying in May, the Taiwan dollar gained for a fifth month in a row against the greenback, the longest winning streak since February 2005.
- Global funds retained their conviction in Emerging South East Asian markets although there was a seemingly large exodus from Indonesia.
- In a surprising reversal from trend in

**Chart 1** YTD performance of major markets



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



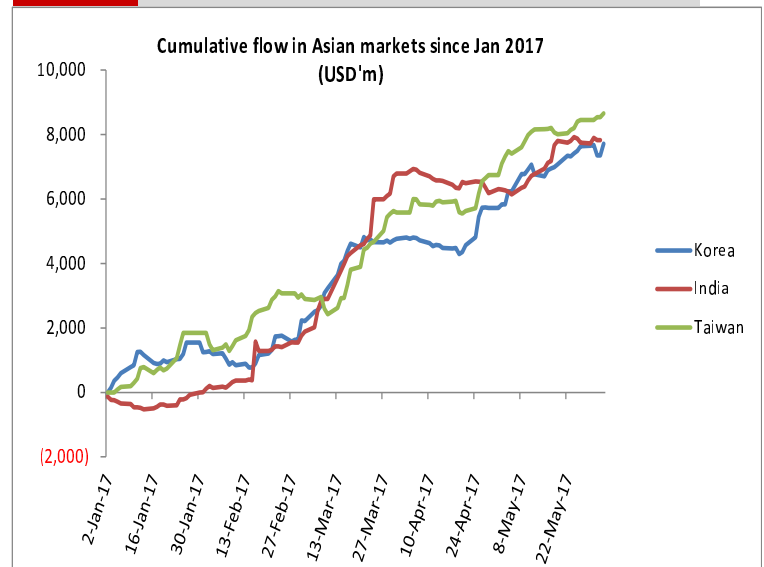
Source: Bloomberg, Bursa Malaysia

<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.

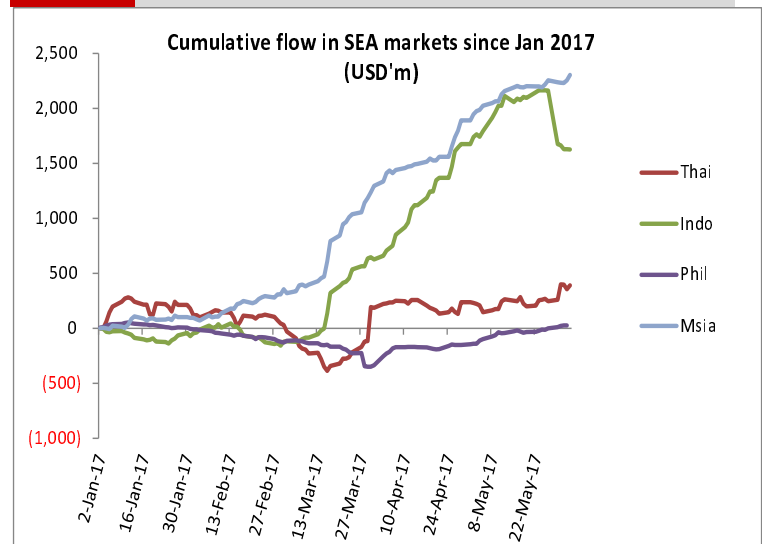
Indonesia, foreign investors offloaded USD535.9m net last week. The bulk of the outflow was on Monday when USD486.9m net of stocks were sold, the largest since March 2011. This is probably due to portfolio rebalancing to reflect changes in MSCI weightings. The large net outflow also coincided with Rupiah's -0.2% depreciation on the day to USD/IDR 13,320, as global demand for bonds wane.

- Foreigners have been buying equities in Philippines for the past six weeks. The PSEi gained 1.15% on Thursday, the largest daily gain since May 8 as the first tax reform package was approved. Optimism on the tax reform approval outweighed the fears of the Manila casino attack, attracting more foreign funds into the Philippines. As a result, the Peso strengthened 0.52% for the week, the most since the week ended April 14.
- Foreigners continued chipping in Thailand stocks with the Baht strengthening to USD/THB34.04, the strongest level since 13 July 2015. Due to the Baht's high strengthening potential, Thailand's central bank will closely monitor offshore inflows especially short term funds. In contrast, the SET Index entered into the redzone for the week with PTT Global Chemical leading laggards with a -3.42% weekly loss.

**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 14	-237.5	6.6	267.4	13.2	-336.1	66.5	54.0	-117.4
APR 21	83.5	-122.4	249.8	-23.7	-47.0	-268.8	64.2	-241.0
APR 28	1,153.9	103.1	307.5	41.8	-171.9	1,112.2	332.6	3,052.9
MAY 5	520.3	-90.4	116.5	39.7	-126.9	665.2	133.2	1,317.0
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	948.69	-147.0	44.5	1,083.6
MAY 26	561.2	45.5	66.4	26.7	210.8	443.2	52.4	1,405.2
JUN 2	78.46	144.2	-535.9	40.4	-46.3	201.1	50.4	-67.7

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

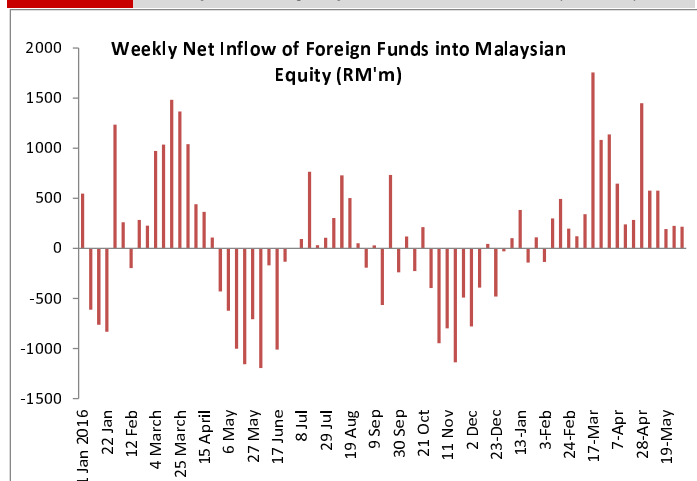
## FUND FLOW REPORT

### C. TRACKING MONEY FLOW - MALAYSIA

- Foreign funds remained net buyers of Malaysian stocks by virtue of the heavy purchases on Friday.
- There was some outflow in the first three days of the week as the month of May came to a close. However the amount was small, not exceeding RM100m per day, reflecting incremental changes in the MSCI weightings affecting Malaysia. The selling reversed on Thursday and by Friday, foreign investors returned in full force.
- For the week, foreign investors acquired RM215.8m net in the open market (excluding off market deals), compared with RM223.7m accumulated the week before. Although the amount was still relatively modest, the foreign buying streak has now stretched to 17 straight weeks.
- For the month of May, cumulative foreign net purchases amounted to RM1.47b lifting the cumulative year-to-date number to breach the RM10b mark at RM10.14b.
- Foreign participation remained vibrant. Foreign average daily trade value (ADTV) surged to RM1.95b, the highest since a year ago. The surge was mostly driven by the staggering RM5.78b daily traded value on Wednesday. This was a common trading pattern due to the implementation of the new MSCI weighting the day after.
- In contrast, the retail market remained had a blip. The retail ADTV declined by 30.2%, going below RM1b to RM887.9m.

Chart 5

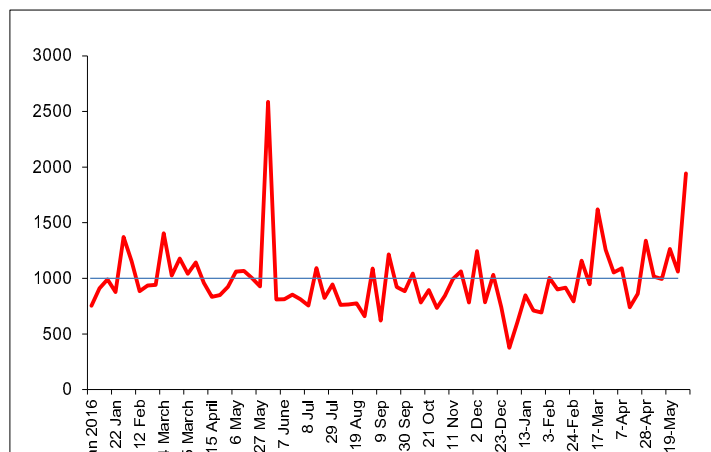
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2016 (RM'm)



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)	
APR 21	2,109.6	2,297.2	-187.6	6,906.5	7,001.9	-95.4	2,292.6	2,009.6	283.0	64.2
APR 28	2,114.0	2,301.1	-187.1	6,393.2	7,653.9	-1,260.7	3,402.6	1,954.8	1,447.8	332.6
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

**D. MONEY FLOW<sup>2</sup> AMONG BURSA'S TOP 100 CAPITALIZED STOCKS: WEEK ENDED 2 JUNE**
**TOP 10 NET MONEY INFLOWS**

- Tenaga Nasional stocks were the beneficiary of the highest net money inflow of RM47.76m last week. Its share price remained unchanged for the week.
- The second highest net money inflow was into Public Bank which amounted to RM28.22m. Its share price slightly underperformed the benchmark index with a 0.20% gain during the review week.
- Maybank saw the third highest net money inflow of RM23.53m. Its share price significantly outperformed the benchmark index with a 1.38% gain during the review week. Maybank's fixed rate notes for HKD200m and HKD909m were given an A3 rating by Moody's Investors Service on the back of a stable outlook.


**Table 4** Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
TNB	47.76	7.62	0.00	-
PUBLIC BANK	28.22	5.91	0.20	-
MAYBANK	23.53	79.39	1.38	-
KL KEPONG	14.87	-6.95	0.00	-
F&N	13.03	-0.19	-2.56	BOW
NESTLE	9.22	-1.75	0.15	-
GENTING MSIA	6.49	10.19	-4.28	BOW
MAHB	6.13	-15.51	6.82	-
MY EG	5.34	5.14	-0.45	BOW
WESTPORTS	3.82	4.05	4.04	-

Source: Bloomberg, MIDFR;

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

**TOP 10 NET MONEY OUTFLOWS**

- Gamuda saw the largest net money outflow of -RM8.55m last week. Its stock price outperformed the benchmark index with a 0.56% gain. The net outflow amidst declining share price indicates a sell-on-strength (SOS) stance among some investors.
- Digi recorded the second largest net money outflow -RM8.05m during the week under review. Its share price underperformed the benchmark index with a -0.86% loss.
- Dialog Group registered the third largest net money outflow at -RM7.74m. Its share price outperformed the benchmark index with a 2.09% gain. The net outflow amidst declining share price indicates a sell-on-strength (SOS) stance among some investors. 

**Table 5** Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
GAMUDA	-8.55	-6.39	0.56	SOS
DIGI	-8.05	0.21	-0.86	-
DIALOG	-7.74	-6.76	2.09	SOS
CIMB	-7.22	0.07	4.09	SOS
HAP SENG	-4.51	-0.05	0.11	SOS
SP SETIA	-3.72	-3.10	1.06	SOS
HLBK	-3.28	-1.89	5.16	SOS
DRB-HICOM	-2.57	-2.27	4.24	SOS
MBSB	-2.22	0.20	5.47	SOS
AXIATA	-2.14	-1.76	-1.59	-

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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