

MIDF EQUITY STRATEGY | 3 JULY 2017

WEEK ENDED 30 JUNE 2017

- Global equity markets closed the week on a mixed note, with central banks influencing individual country indices.
- Wall Street retreated as volatility spiked amid a global cyber attack. The technology sector worsened as Google was fined USD2.7b by the European Union over violation of antitrust rules. Nonetheless, Nasdaq managed to record its best first half performance in seven years.
- Crude oil price gained 5.23% for the week to settle at USD47.92 pb, snapping its five-week losing streak. Optimism in the oil market rekindled as weekly production declined 100,000 bpd to 9.3m bpd the largest weekly decline since July 2016.
- The ringgit extended its losses for the third week as it depreciated by 0.08% against the greenback. Notwithstanding this, it was the best performer in Asia in 2Q2017, gaining 3.09% for the quarter.
- The flow of global funds into Asian equity remained moderate last week. Investors classified as “foreign” acquired USD815.9m net last week in the aggregate seven countries that we track, almost at a similar pace compared with that the week before.
- Foreign investors consolidated their position on Bursa last week following the 4-day weekend break due to Eid. The lack of local participation was noticeable.
- Based on preliminary data by Bursa, foreign investors disposed RM298.0m last week, the largest weekly outflow this year. Nonetheless, foreigners had built a solid position on Bursa in 1H17, buying six months in a row. Cumulative foreign buying on Bursa surged substantially to RM10.2b or an estimated USD2.3b in the first half, the highest among South East Asian (SEA) peers.

STRONG TIDE IN FIRST HALF, PROMISING SECOND HALF BECKONS

A. MARKET SNAPSHOT

- Global equity markets closed the week on a mixed note, with central banks influencing individual country indices.
- Wall Street retreated as volatility spiked amid a global cyber attack. The technology sector worsened as Google was fined USD2.7b by the European Union over violation of antitrust rules. Nonetheless, Nasdaq managed to record its best first half performance in seven years.
- The second delay of the Republican's Healthcare Bill vote on Tuesday saw the S&P 500 plunge to its lowest close since May 31 at 2,419 points. The decision to delay the vote spurs more doubts on President Trump's reform agenda. The dollar index meanwhile dropped 1.06%, the largest since January 5 after Chair Yellen commented that asset valuations were rich while affirming that the path for another rate hike is clear.
- On the same day, USD6.1b of market capitalisation was wiped out in Hong Kong as 17 small cap stocks declined by more than 40% at the close. Some of the companies affected were umbrella maker, China Jicheng Holdings Ltd and Greater China Professional Services Ltd. Nonetheless, the broader Hong Kong market advanced 0.37% on a weekly basis.
- In Europe, Draghi's bullish remark on EU's economy pushed the Euro to a 10-month high, above the EUR/USD1.13 level on Tuesday. In contrast, European stocks tumbled, evident by the 0.8% drop in the Stoxx Europe 600 Index as travel stocks led losers. Meanwhile in the U.K, sterling surpassed the GBP/USD1.30 level on Wednesday after Mark Carney, the Bank of England governor noted that the current accommodative policy may need to be removed.
- Crude oil price gained 5.23% for the week to settle at USD47.92 pb, snapping its five-week losing streak. Optimism in the oil market rekindled as weekly production declined 100,000 bpd to 9.3m bpd the largest weekly decline since July 2016.
- Last week, the KLCI shed 0.89%, the largest weekly loss since the week

Table 1 Weekly performance of major indices

Weekly % change	Week before	Last week
China CSI 300	2.96	1.21
Korea KOSPI	0.71	0.55
FSSTI Index	-0.68	0.53
Phil PCOMP	-0.86	0.37
Hang Seng	0.17	0.37
Taiwan Taix	2.18	0.17
Jakarta JCI	1.85	0.00
Dow Jones	0.05	-0.21
Thai SET	0.37	-0.48
Nikkei	0.95	-0.49
S&P 500	0.21	-0.62
India SENSEX	0.26	-0.70
KLCI	-0.66	-0.89
FTSE 100	-0.53	-1.50
CAC 40	0.05	-2.76
DAX	-0.15	-3.21

Source: Bloomberg

ended 4 November 2016 partly due to lacklustre trading during the festive period. The ringgit extended its losses for the third week as it depreciated by 0.08% against the greenback. Notwithstanding this, it was the best performer in Asia in 2Q17, gaining 3.09% for that quarter.

B. TRACKING MONEY FLOW - ASIA¹

- The flow of global funds into Asian equity remained *moderate* last week. Investors classified as “foreign” acquired USD815.9m net last week in the aggregate seven countries that we track, almost at a similar pace compared with that the week before.
- Taiwan was the focus market in Asia as international funds mopped up USD703.9m, the highest in seven weeks. Foreign investors acquired USD587.0m net of Taiwan equities on Monday, an amount not seen since 23 January 2015. Heavy foreign buying pushed the Taiex to settle at 10,531 points on the same day, the highest close in 27 years whereby Hon Hai was the largest contributor, accounting 36% of the day’s gain. However, the weekly equity inflows were not strong enough to support the Taiwan dollar as it depreciated by 0.22% against the greenback.
- On the other hand, global investors sold Korean equities albeit by a small -USD56.1m net. Notably, on Wednesday, foreigners offloaded -USD207.0m net, the largest daily attrition in a month. The Won followed suit as it depreciated against the U.S dollar for the fifth consecutive week amid speculation that central banks around the globe are planning to trim monetary stimulus. Despite the foreign selling, the KOSPI breached the historic 2,400 mark before settling at a renewed high of 2,395 points on Thursday. In fact, the KOSPI has risen for the seventh

Chart 1 YTD performance of major markets

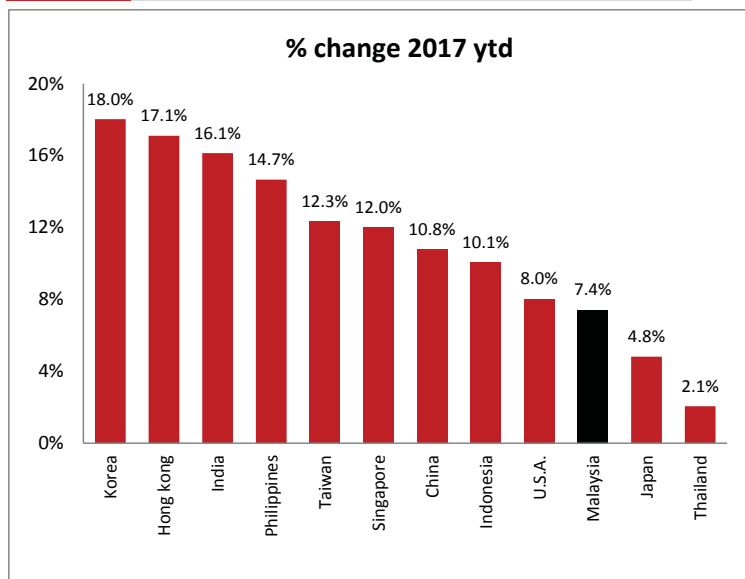
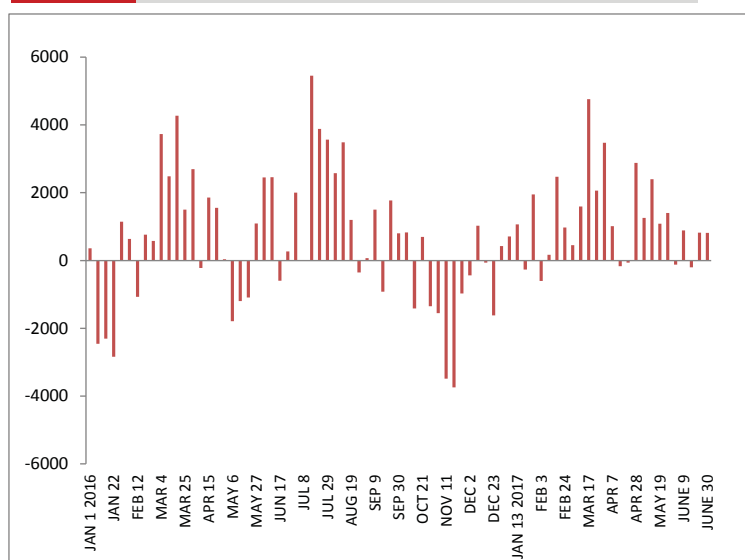


Chart 2 Weekly Net Flow of Foreign Funds into 7 Asian Markets since Jan 2016 (USD’b)



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.

successive month amid June's consumer confidence that surged to the highest level since January 2011 as exports grew.

- In Emerging South East Asian markets, foreign fund flow was interrupted as the Indonesian bourse was closed for the whole week.
- Foreign investors returned to Thailand, acquiring USD143.0m net, offsetting the outflow in the last three weeks. As a consequence, the baht emerged as the best performer in South East Asia, gaining 5.54% for the first half of 2017. Although investors returned, the SET index shed 0.48% on a weekly basis, the biggest weekly decline since the week ended May 12. Stock-wise, Asset Bright PCL lagged the most, falling 25.0% during the week.
- In Manila, foreign buying has continued for the 10th consecutive week. Indeed, the buying spree has bolstered Philippine's net surplus position in 2Q17 to USD756.9m, the largest quarterly amount recorded since 1Q15. Philippine's solid foreign inflow in 2Q17 pushed the PSEI back into the black as it advanced 0.37% for the week. In contrast the peso depreciated for the fourth consecutive week following the rise in global yields as Draghi hinted a removal of an accommodative policy.

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

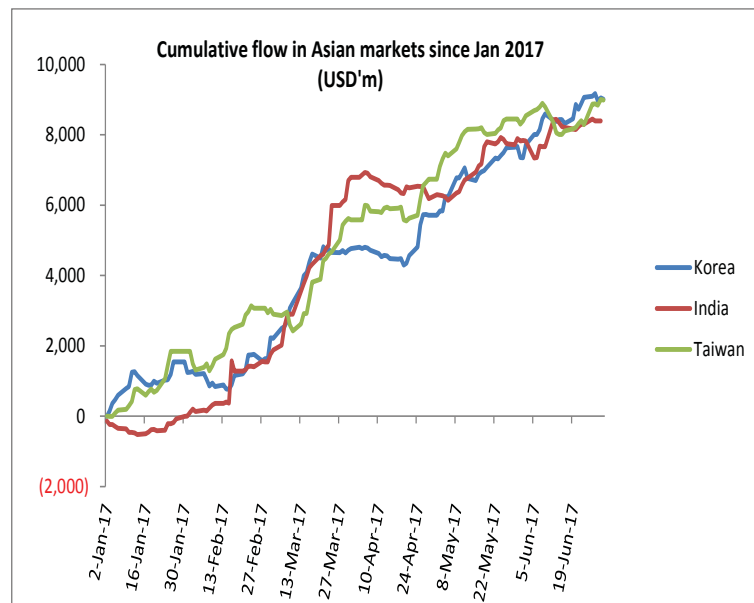
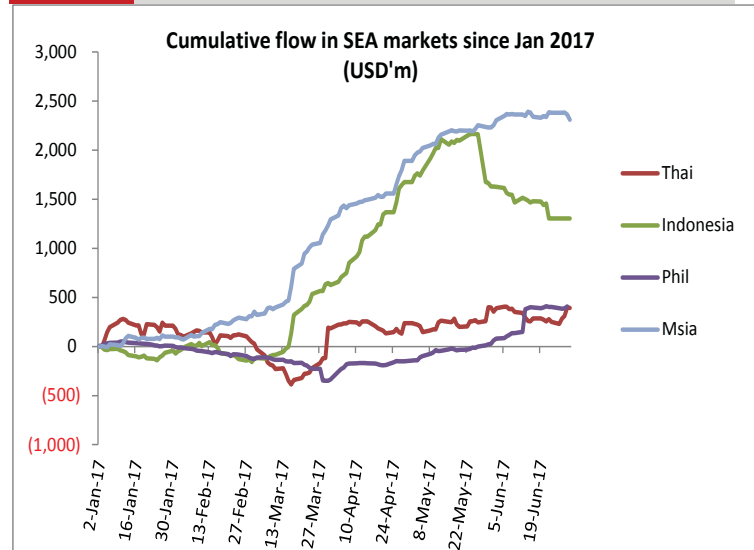


Chart 4 Net Flow of Foreign Funds into South East Asia Emerging Markets since Jan 2017 (USD'b)



Source: Bloomberg, Bursa Malaysia

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

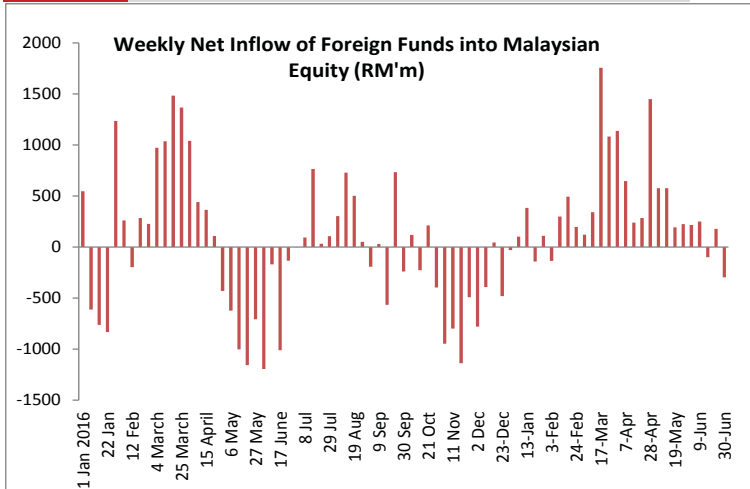
WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
MAY 12	524.7	118.0	319.5	65.4	486.2	750.1	132.7	2,396.6
MAY 19	312.0	-64.0	-16.1	5.6	948.7	-147.0	44.5	1,083.6
MAY 26	561.2	45.5	66.4	25.7	210.8	443.2	52.4	1,405.2
JUN 2	79.1	144.3	-535.9	76.1	-28.7	93.0	50.4	-121.6
JUN 9	881.4	-37.6	-158.2	73.9	-179.1	250.7	58.6	889.6
JUN 16	-279.2	-67.5	12.9	265.9	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	89.8	703.9	-69.4	815.9

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

C. TRACKING MONEY FLOW - MALAYSIA

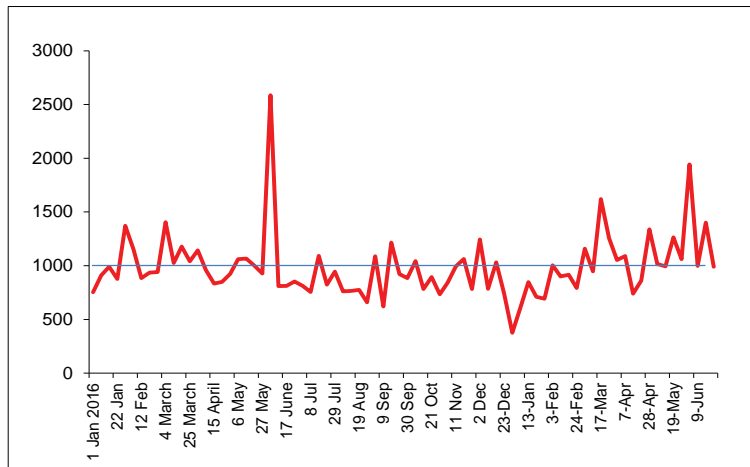
- Foreign investors consolidated their position on Bursa last week following the 4-day weekend break due to Eid. The lack of local participation was noticeable.
- Based on preliminary data by Bursa, foreign investors disposed RM298.0m last week, the largest weekly outflow this year. The heaviest foreign selling was recorded on Friday with net disposals surging to -RM228.4m as fund managers rationalized position as the second quarter came to a close.
- We note that in June, foreign investors acquired RM344.4 net of local equity, the lowest in a month this year.
- Nonetheless, foreigners had built a solid position on Bursa in 1H17, buying six months in a row. Cumulative foreign buying on Bursa surged substantially to RM10.2b or an estimated USD2.3b in the first half, the highest among South East Asian (SEA) peers. The next biggest recipient in SEA was the Jakarta bourse, recording a surplus of USD1.3b.
- Foreign participation was healthy last week despite the short trading week. Foreign average daily trade value (ADTV) increased by 26% for the week, from RM989.6m to RM1.24b. Indeed, foreign trading was active on Wednesday and Friday as the trading value exceeded RM1b for both days.
- In contrast, the retail market resumed its sluggish pace. Retail ADTV was slightly unchanged at RM627.5m, being under the RM1b mark for the fifth week running.

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 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	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

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 30 JUNE
TOP 10 NET MONEY INFLOWS

- British American Tobacco stocks were the beneficiary of the highest net money inflow of RM55.68m. Its share price underperformed the benchmark index with a -1.32% loss during the review week.
- The second highest net money inflow was into KL Kepong which amounted to RM32.08m. Its share price outperformed the benchmark index with a 0.32% gain during the review week.
- MAHB saw the third highest net money inflow of RM8.37m. Its share price underperformed the benchmark index with a -1.61% 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	
BAT	55.68	-12.39	-1.32	BOW
KL KEPONG	32.08	3.62	0.32	-
MAHB	8.37	3.58	-1.61	BOW
PETGAS	7.45	1.94	-1.90	BOW
TNB	6.84	-5.39	-0.14	BOW
CIMB	4.94	-23.36	-1.50	BOW
KPJ	4.23	0.22	0.91	-
AXIATA	3.98	-3.82	-2.23	BOW
UNITED PLTN	3.96	0.00	-0.36	BOW
IHH	3.60	2.83	-3.36	BOW

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- Public Bank saw the largest net money outflow of -RM23.32m last week. Its stock price outperformed the benchmark index with a -0.29% loss.
- Gamuda recorded the second largest net money outflow -RM21.80m during the week under review. Its share price outperformed the benchmark index with a 0.92% gain. The net outflow amidst advancing share price indicates a sell-on-strength (SOS) stance among some investors.
- Dialog registered the third largest net money outflow at -RM8.42m. Its share price sub-outperformed the benchmark index with a 0.77% gain. The net outflow amidst advancing 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	
PUBLIC BANK	-22.32	-14.41	-0.29	-
GAMUDA	-21.80	-13.58	0.92	SOS
HLBK	-8.42	1.08	0.77	SOS
DIALOG	-5.98	-5.76	-0.52	-
TIME DOTCOM	-5.24	2.01	0.21	SOS
GENTING MSIA	-4.92	1.61	-5.66	-
CARLSBERG	-4.45	0.00	1.76	SOS
TELEKOM	-3.38	-3.61	0.45	SOS
IJM CORP	-3.02	1.36	2.82	SOS
MBSB	-2.99	-2.10	-0.75	-

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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