

MIDF EQUITY STRATEGY | 20 MARCH 2017

WEEK ENDED 17 MARCH 2017

- Global equity markets cheered as the Fed raised its benchmark lending rate by 25 basis points to 1.00% without accelerating the timetable for future hikes.
- U.S. stocks clambered higher for their largest gain in two weeks after the Fed increased interest rates for March but with a dovish tone.
- Global money returned strongly to Asian equity last week as “foreign” purchased equity in the seven Asian markets that we track amounted to USD4.3b, the highest for this year.
- It was a tidal wave on Bursa. Foreign liquidity dominated trading as optimism towards Malaysian market rose.
- Foreign investors purchased a whopping RM1.76b net last week, an amount not seen since May 2013, following the outcome of the 13th General Election (GE13).
- As of Friday, foreign net buying had extended for six trading days. Notably, the average amount mopped per day during the six days was RM305m.
- Foreign participation also surged to a level not seen since May 2013. The return of foreign investors have accorded a much needed breathing space for local investors to lighten their position and realise profits.
- The FBM KLCI gained for the sixth week in a row and stayed resilient above the 1,700-point mark throughout last week.

20 March 2017 | Strategy - Weekly Fund Flow

MIDF strategy team

IT IS A TIDAL WAVE

A. MARKET SNAPSHOT

- Global equity markets cheered as the Fed raised its benchmark lending rate by 25 basis points to 1.00% without accelerating the timetable for future hikes. Last week was also filled with a raft of central bank meetings across major markets.
- U.S. stocks clambered higher for their largest gain in two weeks after the Fed increased interest rates for March but with a dovish tone. The Dow posted triple digit intraday gains of 112.73 points while the S&P500 jumped 15.81 points after the rate hike announcement. The Fed reiterated the need for a gradual increase in interest rates while projecting two more hikes this year. Notwithstanding this, U.S. stocks edged lower on Thursday with losses weighing on healthcare stocks as President Donald Trump flagged higher regulatory costs for the sector.
- Shock waves of the Fed's decision spilled over to major Asian equity markets evident through the climb in Asian stocks. Hong Kong's Hang Seng led the Asian indices and gained 2.0% on an intraday basis after the rate hike. As for central banks, the People's Bank of China (PBOC) mirrored the Fed's decision by increasing short term interest rates to shore up the value of its currency and stanch an outflow of money. In contrast, the Bank of Japan (BOJ) stood pat by leaving its short term policy rate at -0.1% and left its target for 10-year government bond yields capped near zero. The BOJ restated that it is on a moderate recovery trend, with exports supported by global demand and business investment picking up.
- The Fed's stock rally also spread to European stocks which was evident through Germany's DAX which added 0.6% while French's CAC 40 rose 0.53% on Thursday after the rate hike. The gains were also supported by the relief among investors after Mark Rutte's Liberal Party defeated anti-EU Geert Wilder's populist Party for Freedom in the Dutch election. Meanwhile in the UK, the Bank of England diverged from the Fed's policy by leaving its monetary policy unchanged with the bank rate held at 0.25%.

Table 1 Weekly performance of major indices

Weekly % change	Week before	Last week
Korea KOSPI	0.89	3.21
Hang Seng	0.07	3.15
Taiwan Taiex	-0.21	2.92
Phil PCOMP	-1.39	2.78
Jakarta JCI	-0.01	2.78
India Sensex	0.39	2.43
KLCI	0.54	1.61
Thai SET	-1.68	1.37
FSSTI Index	0.35	1.15
FTSE 100	-0.42	1.12
DAX	-0.53	1.10
CAC	-0.04	0.72
China CSI300	0.00	0.52
S&P 500	-0.44	0.24
Dow Jones	-0.49	0.06
Nikkei	0.79	-0.42

Source: Bloomberg

FUND FLOW REPORT

- Oil price climbed 0.75% to USD51.76pb for the week. On Tuesday, the American Petroleum Institute (API) reported a surprise draw in U.S. crude stocks by 530,000 barrels at the end of last week. Further support came the next day when crude inventories decreased by 237,000 barrels versus analysts' expectations of 3.7m barrels for the week ended March 10 according to the EIA.
- The KLCI surged to 1,737.14 points last Thursday, the highest since August 2015 following the U.S. Fed rate hike. Strong buying activity spurred the KLCI gains with 28 out of 30 KLCI component stocks reporting an increase. The KLCI remained above 1,730 points thereafter closed higher at 1,745.20 points on Friday. The surge in the benchmark index coincided with the appreciation of the ringgit to RM4.43 for USD1.

B. TRACKING MONEY FLOW - ASIA¹

- Global money returned strongly to Asian equity last week as "foreign" purchased equity in the seven Asian markets that we track amounted to USD4.3b, the highest for this year.
- The bulk of the flow was skewed to the North Asian markets. The most significant movement was in Taiwan with a net foreign inflow of USD1.38b, the highest since July 2016 after two weeks of hesitation. This huge net inflow coincided with Taiex's 0.7% rise to 9,908.69 points, the highest close since April 28 2015. Biggest boosts to look out for include Apple suppliers such as Taiwan Semiconductor Manufacturing, Largan, Catcher and Hon hai.
- Korea was equally hot as Taiwan, recording a net inflow of USD1.38b, which extended into its fifth week of net foreign buying. This coincided with the main bourse hitting a 23 month high of 2,164.58 points on Friday amid diffused concerns on US rate hikes and continued rallies by Samsung Electronics and other heavyweights. On Friday, a total of 420 companies listed on the Kосpi bourse

Chart 1 YTD performance of major markets

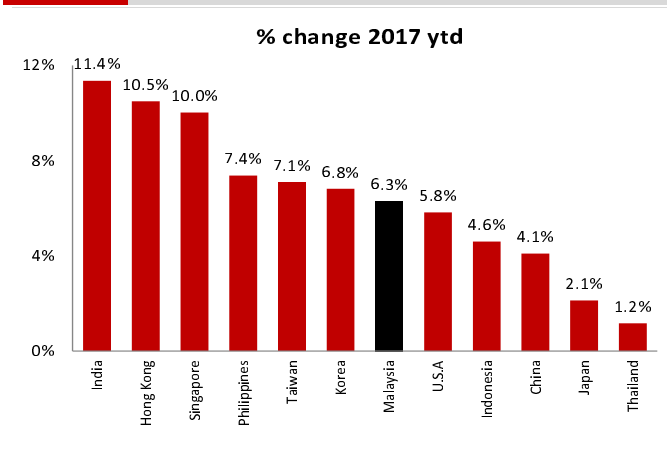
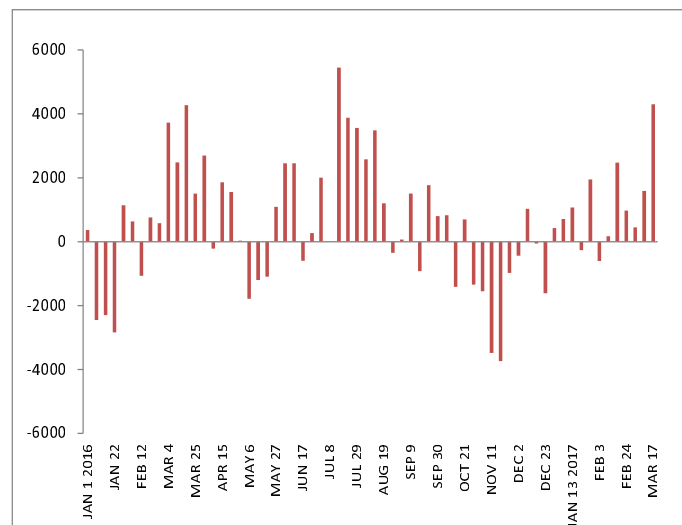


Chart 2 Weekly Net Flow of Foreign Funds into 7 Asian Markets since Jan 2016 (USD'b)



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.

saw gains, outnumbering 376 decliners. According to Moody's Investors Services, the upbeat sentiment in overseas investors can be attributed to the dismissal of South Korea's president which would form an impetus for reform of corporate structure in South Korea.

- Meanwhile, there was marginal foreign attrition in Emerging South East Asian markets, with the exception of Malaysia and Indonesia. In Bangkok, foreigners continued selling for the third week in a row, resulting in a foreign net outflow of -USD112.3m. On Thursday, Thailand's SET index had already rose by 1.40% compared to Monday's closing which may have led to profit-taking activity on Friday.
- Foreigners bought USD406.3m net in Indonesia for the third week in a row. This coincided with the total market capitalization of Indonesian stocks that touched IDR6 quadrillion or USD450b for the first time last Thursday. Apart from that, the central bank of Indonesia decided to keep its seven-day reverse repurchase rate at 4.75% on Thursday as policy makers remain vigilant against inflation and the threat of outflows amid higher U.S. rates.
- For the ninth week running, foreign investors sold Philippine shares. Political turmoil heats up as foes of Philippine President, Rodrigo Duterte have started a campaign to indict him for alleged corruption and misuse of power. A few see a similar outcome to the impeachment of South Korea's president as Duterte's supporters dominate the parliament and has scored high public-approval ratings in opinion polls.

Chart 3 Net Flow of Foreign Funds into Taiwan, Korea and India since Jan 2016 (USD'b)

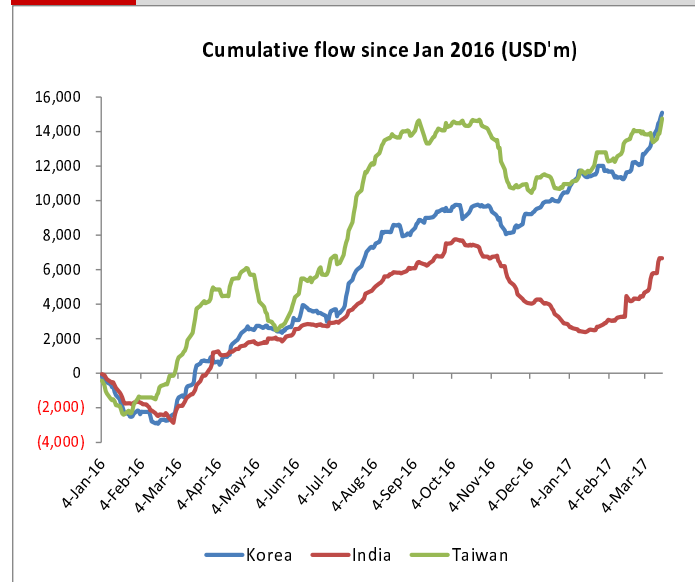
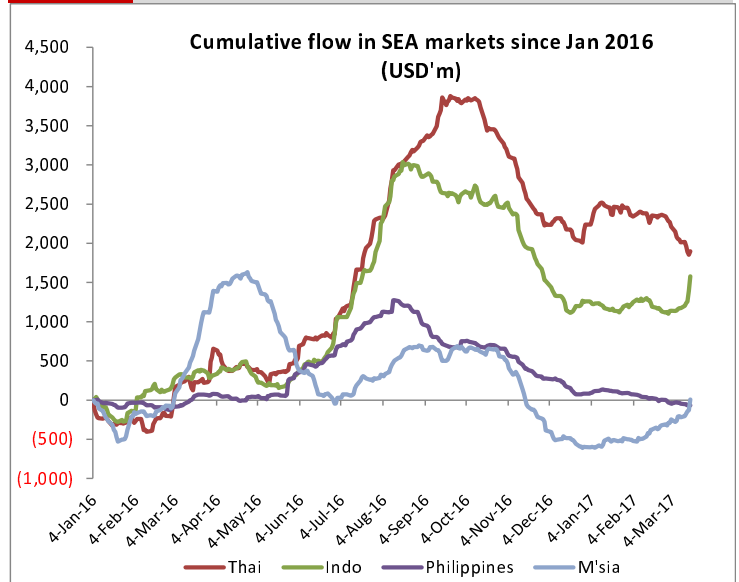


Chart 4 Net Flow of Foreign Funds into South East Asia Emerging Markets since Jan 2016 (USD'b)



Source: Bloomberg, Bursa Malaysia

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

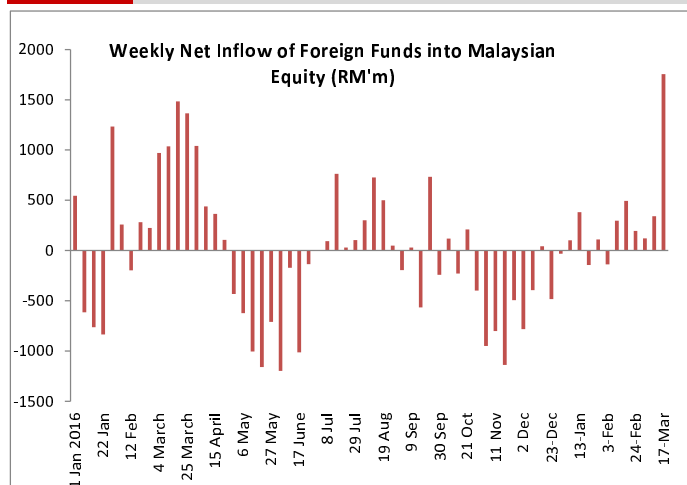
WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
JAN 27	608.0	-14.3	54.7	-25.8	192.1	1106.9	24.9	1946.4
FEB 3	-349.6	-113.9	53.5	-13.5	382.0	-531.4	-30.8	-603.7
FEB 10	-350.2	44.1	16.8	-34.3	118.7	305.5	67.0	167.7
FEB 17	314.0	-28.8	-18.5	-14.3	82.0	907.6	111.0	1212.6
FEB 24	604.0	9.42	-59.5	-20.8	-151.2	546.6	44.1	972.6
MAR 3	451.2	-152.3	9.11	-49.1	335.9	-172.7	27.5	449.7
MAR 10	1,020.2	-201.2	32.6	-1.1	1,137.2	-473.8	76.7	1,590.6
MAR 17	1,379.4	-112.3	406.3	-19.9	867.6	1,381.9	395.6	4,298.6

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

C. TRACKING MONEY FLOW - MALAYSIA

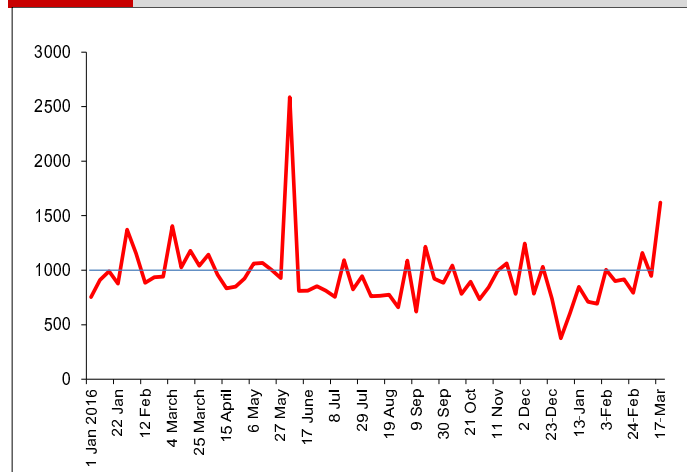
- It was a tidal wave on Bursa. Foreign liquidity dominated trading as optimism towards Malaysian market rose.
- Foreign investors purchased a whopping RM1.76b net last week, an amount not seen since May 2013, following the outcome of the 13th General Election (GE13). Indeed the last time the amount exceeded RM1b was in March last year.
- Foreign investors have now been net buyers on Bursa for six consecutive weeks. As of Friday, foreign net buying had extended for six trading days. Notably, the average amount mopped per day during the six days was RM305m. In March 2016, when trading on Bursa was this intense, the average amount mopped up was only RM264m.
- On Friday, the buying turned into a frenzy. Foreigners acquired a massive RM816m, the highest since 7 May 2013, two days after the GE13.
- Foreign participation also surged to a level not seen since May 2013. The average daily trade value (ADTV) surged to RM1.69b, a 71% increase compared with that in the preceding week.
- The return of foreign investors have accorded a much needed breathing space for local investors to lighten their position and realise profits. Local institutions offloaded RM1.58b net last week. Since beginning of the year, local fund managers have disposed RM2.80b net.
- The retail market remained vibrant as retailers took advantage of the foreign liquidity avalanche to offload RM180m. Retail ADTV surged to RM1.2b, second week in a row it exceeded RM1b.

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)	
FEB 3	876.9	825.8	51.1	3643.9	3558.8	85.1	1437.5	1573.7	-136.2	-30.8
FEB 10	1675.2	1107.1	-11.1	5647.9	5934.0	-286.1	1948.9	1651.7	297.2	67.0
FEB 17	2056.0	2010.6	45.4	7596.4	8135.7	-539.3	2536.0	2042.1	493.9	111.0
FEB 24	2,347.5	2,453.5	-16.0	8,070.3	8,250.3	-180.0	2,079.3	1,883.3	196.0	44.1
MAR 3	2,387.2	2,541.6	-154.4	7,725.6	7,692.3	33.3	2,955.5	2,834.4	121.1	27.5
MAR 10	2,642.9	2,749.0	-106.1	7,913.7	8,148.7	-235.0	2,538.4	2,197.3	341.1	76.7
MAR 17	3,028.9	3,208.9	-180.0	9,265.8	10,841.8	-1,576.0	4,926.6	3,170.6	1,756.0	395.6

D. MONEY FLOW² AMONG BURSA'S TOP 100 CAPITALIZED STOCKS: WEEK ENDED 17 MAR
TOP 10 NET MONEY INFLOWS

- Tenaga Nasional registered the highest net money inflow of RM6.73m last week. Its share price however lagged as it ended unchanged against the FBM KLCI which rose by 1.61% during the week under review.
- Air Asia recorded the second highest net money inflow of RM6.16m. Accordingly, its share price outperformed against the market benchmark with a 2.47% weekly gain. The company announced that it had entered into a sale and purchase agreement with Caterhamjet Global Ltd to acquire the Bombardier BD-700-1A10 Global Express for USD10 million cash with a plan to operate charter and private unscheduled business jet operations.
- UOA Development saw the third highest net money inflow of RM5.81m. However, its share price underperformed with a -1.17% loss during the review week.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
TNB	6.73	-13.09	0.00	
AIR ASIA	6.16	-2.29	2.47	
UOA	5.81	1.85	-1.17	BOW
F&N	4.94	-0.85	-1.24	BOW
YTL CORP	2.89	3.72	-1.34	BOW
BAT	2.81	2.64	-0.21	BOW
SAPURA KENCANA	2.80	0.27	4.37	-
KL KEPONG	2.17	-0.97	1.56	-
IGB REIT	2.13	0.65	-2.34	BOW
MAXIS	2.11	-6.44	-1.40	BOW

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS


- Malayan Banking saw the largest net money outflow of -RM28.48m last week. Its stock price underperformed despite a 1.48% gain vis-à-vis the FBM KLCI which advanced by a larger 1.61% during the review week. On this score, it is notable that net money outflow amidst advancing share price indicates a sell on strength (SOS) stance among some investors.
- Public Bank recorded the second largest net money outflow -RM27.42m during the week under review. Its share price however outperformed the market benchmark with a 1.92% weekly gain which may attract a SOS stance among some investors.
- Hong Leong Bank registered the third largest net money outflow at -RM12.60m in the week under review and its share price underperformed the FBM KLCI with a 1.49% gain. 

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
MAYBANK	-28.48	-65.68	1.48	SOS
PUBLIC BANK	-27.42	44.46	1.92	SOS
HONG LEONG	-12.60	-18.27	1.49	SOS
GENTING M'SIA	-8.13	-1.77	3.80	SOS
IOI CORP	-7.65	-4.34	0.64	SOS
CIMB	-6.41	0.43	5.21	SOS
WESTPORTS	-6.38	-4.90	1.80	SOS
MAHB	-4.39	0.49	1.31	SOS
TOP GLOVE	-4.30	-0.66	0.58	SOS
GENTING PLANT	-4.13	-0.77	0.52	SOS

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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