

MIDF EQUITY STRATEGY | 15 MAY 2017

WEEK ENDED 12 MAY 2017

- Global equity markets consolidated in the aftermath of the French presidential election.
- Wall Street was mixed as Dow Jones and S&P 500 were down while Nasdaq was up for the week. The lacklustre performance of Dow Jones and S&P 500 occurred on the back of April's retail sales.
- U.S. markets got a shock on Wednesday after President Trump fired FBI Director, James Comey. Investors were concerned if the dismissal could pose more challenges towards the implementation of President Trump's reform plans.
- Foreign buying in Asia was seen across the board with the aggregate amount bought in the seven Asian markets that we track increased to USD2.04b net, higher than the USD1.32b the week before.
- For the third straight week, trading on Bursa was constricted to four days.
- Foreign investors maintained their faith in local equity, buying for the 14th consecutive week. Excluding off market transactions, the amount purchased last week was RM576.6m, almost identical to that the week prior.
- The KLCI was on a gradual uptrend for the week, booking 0.74% worth of gains which was in contrast with the majority of regional peers.
- The ringgit ended the week on a strong note as the dollar took a dip against other major currencies amid gains in crude oil price. However, the ringgit was still weak as it declined by -0.17% on a weekly basis.

STRONG TIDE TO SOUTH EAST ASIA

A. MARKET SNAPSHOT

- Global equity markets consolidated in the aftermath of the French presidential election.
- Wall Street was mixed as Dow Jones and S&P 500 were down while Nasdaq was up for the week. The lacklustre performance of Dow Jones and S&P 500 occurred on the back of April's retail sales that rebounded by 0.4%, lesser than expectations of 0.6%. The U.S. Inflation also slowed down in April as consumer prices inched by only 0.2% after a 0.3% decline in March, the biggest drop in more than two years.
- U.S. markets got a shock on Wednesday after President Trump fired FBI Director, James Comey. Investors were concerned if the dismissal could pose more challenges towards the implementation of President Trump's reform plans. As a result, these events weighed on the market sentiment, causing the dollar to fall against a basket of major currencies as the week ended.
- China on the other hand was facing a recovery as the CSI 300 Index ended its longest losing streak since 29 May - 7 June 2013. A catalyst for the recovery could be inflation that edged up in April with CPI rising 1.2%yoy, reinforcing views about economic stabilization in China. Nonetheless, it should be noted that steady inflation may give more leeway for policymakers to tighten regulation which may spur concerns among investors.
- In Europe, benchmark indices were flattish while the euro's four-week winning streak against the dollar came to a halt on Friday due to profit taking activity after Macron's victory was confirmed. European markets are now shifting their focus towards the French parliamentary elections in June.
- Brent crude oil price snapped its four-week losing streak by gaining 3.5% to close at USD50.84pb. The price initially plunged to USD48.73 on Tuesday before gradually rising until the week ended as the EIA reported that crude stockpiles fell by 5.25m barrels, exceeding estimates of a 1.79m barrels. Further support came after Iraq and Algeria announced their support for extension for the production cut, raising possibilities for extension to take place.

Table 1 Weekly performance of major indices

Weekly % change	Week before	Last week
Hang Seng	-0.56	2.78
Nikkei	1.30	2.25
Korea KOSPI	1.62	2.00
FTSE 100	1.30	1.89
India SENSEX	-0.20	1.10
Taiwan TAIEX	0.28	0.88
FSSTI Index	1.71	0.79
KLCI	-0.30	0.74
DAX Index	2.24	0.42
China CSI 300	-1.66	0.08
Jakarta JCI	-0.03	-0.14
Phil PCOMP	2.36	-0.34
S&P 500	0.63	-0.35
CAC 40 Index	3.13	-0.50
Dow Jones	0.32	-0.53
Thai SET	0.17	-1.60

Source: Bloomberg

FUND FLOW REPORT

- The KLCI was on a gradual uptrend for the week, booking 0.74% worth of gains which was in contrast with the majority of regional peers. The ringgit ended the week on a strong note as the dollar took a dip against other major currencies amid gains in crude oil price. The ringgit gained by 0.06% on Friday from the day before but however, was still weak as it declined by -0.17% on a weekly basis.

B. TRACKING MONEY FLOW - ASIA¹

- The momentum of global money flow into Asian equity remained intact last week. Investors classified as “foreign” bought across the board, with the aggregate amount in the seven Asian markets that we track rising to USD2.04b net, higher than the USD1.32b the week before.
- North Asia was once again the darling of foreign investors. Foreigners bought USD750.0m net of Taiwan equities last week, slightly higher than USD665.2m net the week before. Equity inflows have lifted the Taiex to hit a 17-year high, above the 10,000 mark on Thursday. The surge was paced by Apple suppliers especially Taiwan Semiconductor Manufacturing company which traded at its record price stemming from the anticipation over the demand for the new iPhone. Along with the rise in index, the Taiwan dollar rose 0.22% to 30.22 per USD, the most since May 2 on the same day.
- Foreign investors snapped up USD524.7m net worth of Korean shares, slightly higher than USD520.3m net the week before. South Korea’s new president, Moon Jae-In was greeted by KOSPI’s largest decline since March of 1.00% and the Won’s 0.40% depreciation to 1,135.68 per USD on Wednesday. The reason for this could be President Moon’s victory that has been largely priced in the market. Nonetheless, the KOSPI rebounded to a new high of 2,296 points the following day while the Won led

Chart 1 YTD performance of major markets

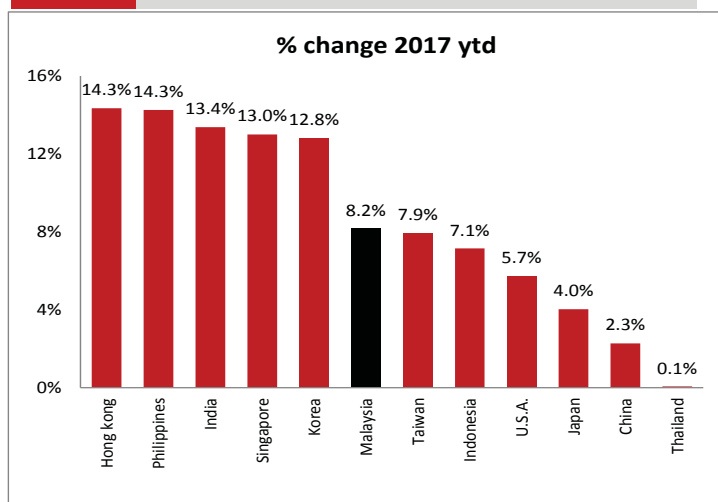
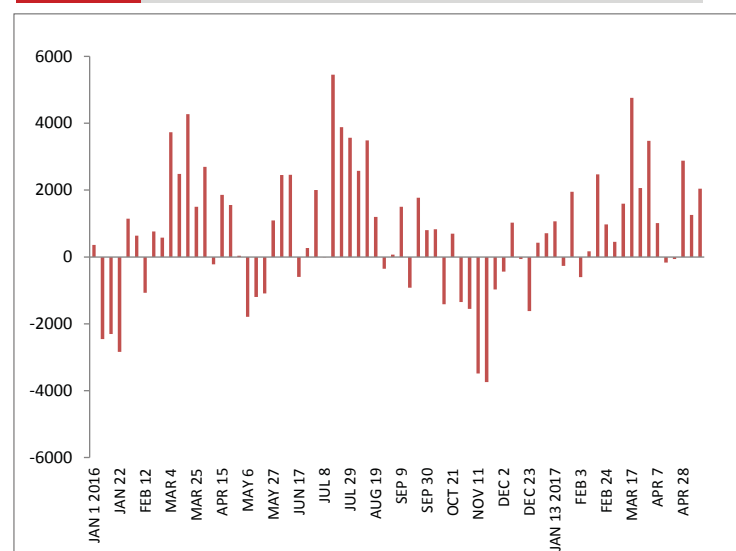


Chart 2 Weekly Net Flow of Foreign Funds into 7 Asian Markets since Jan 2016 (USD'b)



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.

emerging market currencies with a 0.70% gain driven by optimism of President Moon's calibre to solve the nation's problems ranging from the rise in household debt and reforming the chaebol.

- The pace of foreign funds into Emerging South East Asian markets were still resilient with Indonesia taking the lead last week.
- The foreign buying in Indonesia extended its buying streak to 11 weeks despite the verdict of Ahok on blasphemy charges. The rupiah extended its decline after the verdict, falling 0.2% to 13,338 against the greenback while the JCI dropped 0.1%. Nevertheless, The negative sentiment was offset by accelerated car production which rose by 11.97% yoy in 1Q17 with local manufacturers banking on low cost green vehicles to strengthen competition on the automotive industry.
- Foreign investors in the Philippines continued acquiring local equities despite PSEi's plunge to the lowest level since March 10 on Wednesday. Local equities returned to the green territory the next day following the decision of Philippine's central bank to keep its rates unchanged at record lows to serve as a buffer on the back of inflation pressure.
- Foreign investors turned buyers in Thailand last week. Investors' enthusiasm was reignited as solid exports, consumption and tourism numbers propelled Thailand's 1Q17 GDP to grow the fastest in 4 years.

Chart 3

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

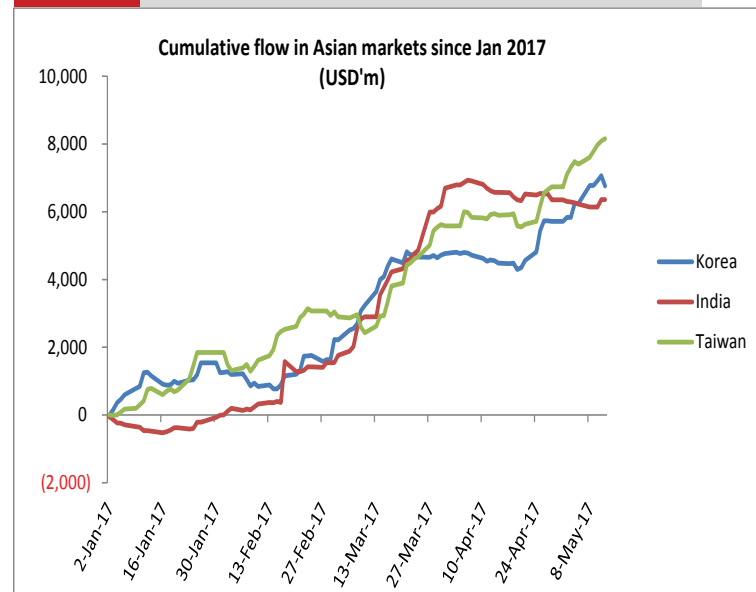
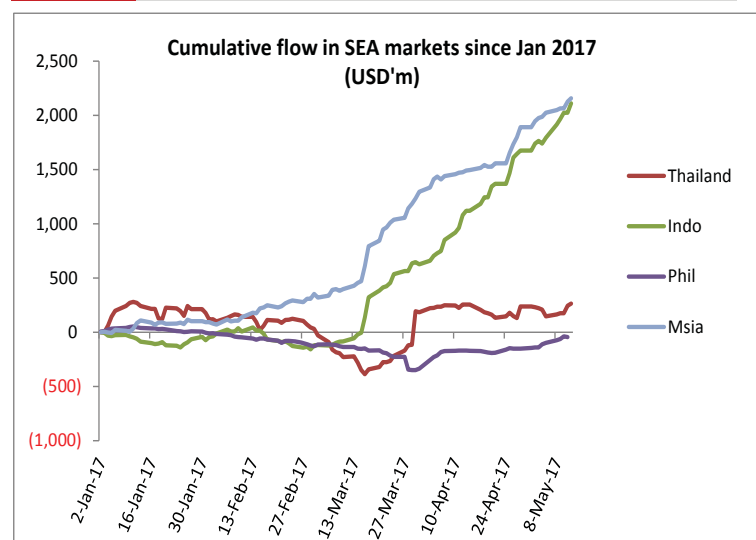


Chart 4

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
MAR 24	50.1	123.7	213.7	-66.6	631.3	862.1	244.4	2,058.8
MAR 31	104.7	403.4	91.2	-132.5	1,234.2	889.0	257.6	2,847.0
APR 7	-48.4	64.5	225.3	166.9	209.8	248.4	145.7	1,012.3
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	132.2	750.0	132.7	2,042.1

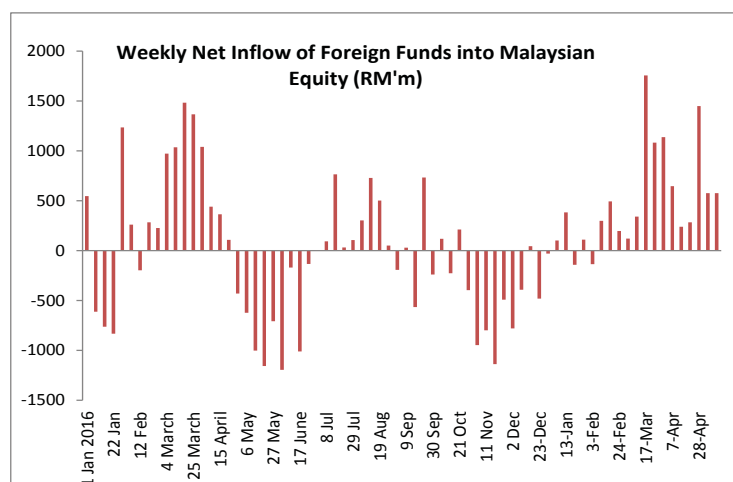
Source: Respective exchange statistics reported on Bloomberg. Bursa Malaysia. These figures are subject to revisions.

FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

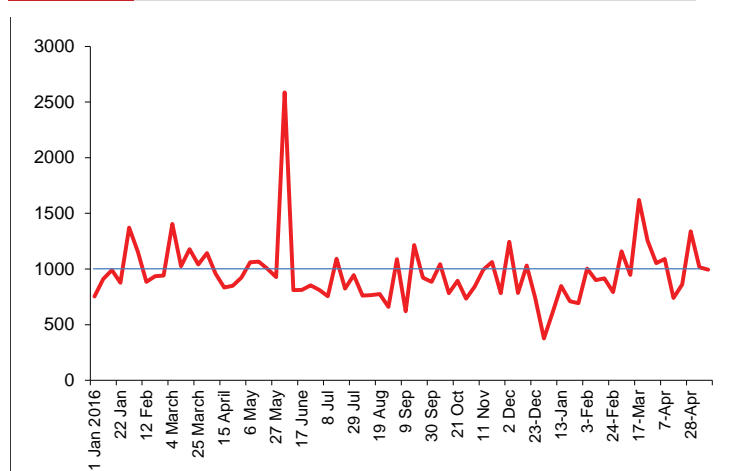
- Daily net buying of local equities by foreigners has undeniably become a new normal on Bursa. It had not been proven otherwise last week.
- Foreign investors maintained their faith in local equity, buying for the 14th consecutive week. Excluding off market transactions, the amount purchased last week was RM576.6m, almost identical to that the week prior.
- Bursa benefited from the sizeable flow to South East Asian emerging markets last week, especially to Jakarta.
- For the third straight week, trading on Bursa was constricted to four days. Foreign buying was the highest on Thursday as global markets were buoyed by higher crude oil prices. The strong foreign buying momentum coincided with the rise in the KLCI by 8.83 points the same day.
- Foreign participation remained high on Bursa, although it was slightly affected by market closure on Wednesday. Foreign average daily trade value (ADTV) declined by 2.0% to RM994.9m, which is still a healthy level.
- Retailers were marginal net sellers last week but the overall retail market remained vibrant. Retail participation stayed above RM1b at RM1.18b, albeit 7.9% lower than that the week before. This is the ninth week this year that retail participation has exceeded the RM1b mark.

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)	
MAR 31	2,620.8	2,670.6	-49.9	6,967.6	8,055.8	-1,088.3	3,199.6	2,061.5	1,138.1	257.6
APR 7	3,441.0	3,500.9	-59.9	8,803.2	9,388.6	-585.4	3,048.4	2,403.0	645.3	145.7
APR 14	2,747.5	2,777.6	-30.1	6,823.1	7,032	-208.9	1,970.9	1,731.9	239.0	54.0
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

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 12 MAY

TOP 10 NET MONEY INFLOWS

- Public Bank stocks were the beneficiary of the highest net money inflow of RM19.14m last week. Its share price decreased by -0.10%, underperforming against the FBM KLCI which increased by 0.74% during the week under review. On this score, it is notable that the net inflow amidst declining share price indicates a buy on weakness (BOW) stance among some investors.
- The second highest net money inflow was into MAHB which amounted to RM14.06m. The company announced that the number of passengers increased by 14.7% yoy to 10.7m in April 2017.
- IHH Healthcare saw the third highest net money inflow of RM9.09m. Its share price underperformed the benchmark index with a 0.16% gain 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	
PUBLIC BANK	19.14	2.94	-0.10	BOW
MAHB	14.06	-7.74	-0.86	BOW
IHH	9.09	-8.26	0.16	-
TNB	9.08	10.09	0.00	-
AXIATA	4.15	-5.65	2.50	-
HLFG	2.87	0.19	0.93	-
MYEG	2.87	2.61	5.05	-
SUNWAY BHD	2.28	0.01	1.71	-
CMSB	2.07	2.25	-2.37	BOW
AMMB	1.69	-4.25	0.18	-

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- Maybank saw the largest net money outflow of -RM22.83m last week. Its stock price outperformed the benchmark index with a 0.86% gain. On this score, it is notable that the net outflow amidst declining share price indicates a sell-on-strength (SOS) stance among some investors.
- Nestle recorded the second largest net money outflow -RM10.59m during the week under review. Its share price outperformed the benchmark index with a 1.34% gain. The net outflow amidst declining share price indicates a sell-on-strength (SOS) stance among some investors.
- Hong Leong Bank registered the third largest net money outflow at -RM8.11m. Its share price outperformed the benchmark index with a 1.45% gain for the week.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
MAYBANK	-22.83	15.66	0.86	SOS
NESTLE	-10.59	-4.80	1.34	SOS
HONG LEONG	-8.11	-3.83	1.45	SOS
PETCHEM	-7.95	-11.43	1.12	SOS
CIMB GROUP	-6.93	-16.94	2.41	SOS
TELEKOM	-6.07	-4.46	-0.15	-
GENTING MSIA	-5.51	1.38	0.35	SOS
EKOVEST	-5.49	-2.43	2.52	SOS
GAMUDA	-5.00	2.36	2.47	SOS
GENTING BHD	-4.38	-2.20	0.92	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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