

## MIDF EQUITY STRATEGY | 22 MAY 2017

WEEK ENDED 19 MAY 2017

- Global equity markets were mixed as President Trump's woes hung over the markets along with Brazil's president being pushed for resignation amid allegations of corruption.
- The bellwether Wall Street had a rollercoaster week, hitting record highs on Monday but succumbed to political developments thereafter.
- In the U.K., the FTSE 100 smashed 7,500 points for the first time on Tuesday as the country edged closer to its election day on 8 June.
- Brent crude oil price snapped its four-week losing streak by gaining 3.5% to close at USD53.61pb on Friday, the highest since 18 April. The rally could be due to Saudi Arabia and Russia favouring the current production cut to be extended until 1Q2018.
- The ringgit rose 0.56% against the greenback for the week amid gains in crude oil price and the faster-than-expected growth in Malaysia's GDP of 5.6% in 1Q17.
- The KLCI was on a gradual downtrend during the week, losing 0.43% to close Friday at 1768 points.
- The momentum of global money flow into Asian equity was slightly compromised last week by the rising political risks. Nevertheless, investors classified as "foreign" remained aggregate net buyers in the seven Asian markets that we track.
- Foreigners continued to pump liquidity into stocks listed on Bursa albeit at a tapered rate. Excluding off market transactions, the amount purchased last week dropped to RM192.4m. The buying streak by foreign investors have now stretched for 15 straight weeks.

## EBBING TIDE TO EMERGING MARKETS ON BRAZIL

### A. MARKET SNAPSHOT

- Global equity markets were mixed as President Trump's woes hung over the markets along with Brazil's president being pushed for resignation amid allegations of corruption.
- Wall Street remained in the red for the week despite a strong start. Wall Street did clamber high to record closing levels on Monday driven by optimism led by the crude oil price rally followed the global cyber attack that drove the demand for technology stocks on the following day.
- However, the U.S. market suffered the worst trading day on Wednesday when President Trump suggested former FBI director, James Comey to back off from the investigation on national security adviser, Michael Flynn. The suggestion spurred fears that President Trump's reform pro-growth agenda could be derailed. As a consequence, the CBOE Volatility Index spiked by 37%, the biggest intraday increase since 9 September while the U.S. dollar wallowed near six month-lows against a basket of major currencies.
- China experienced its second week of gains as it was 0.55% higher than the week before. The CSI 300 gained despite the slowdown in the nation's industrial production that was offset by its sweeping plan to boost global infrastructure laid out during the One Belt One Road forum.
- In the U.K., the FTSE 100 smashed 7,500 points for the first time on Tuesday as British inflation in April reached its highest level since September 2013. The FTSE's new high was also fuelled by growing confidence towards Britain's outlook under Theresa May's Conservative Party. As the FTSE 100 stormed to new heights, the pound dropped by 0.6% to a one-month lows against euro to 1.2904 per euro.
- Brent crude oil price snapped its four-week losing streak by gaining 3.5% to close at USD53.61pb on Friday, the highest since 18 April. The rally could be due to Saudi Arabia and Russia favouring the current production cut to be extended until 1Q2018 to provide support for the oil market. Moreover, investors cheered EIA's report which showed that U.S. crude inventories fell

**Table 1** Weekly performance of major indices

Weekly % change	Week before	Last week
Jakarta JCI	-0.14	2.06
India SENSEX	1.10	0.92
China CSI 300	0.08	0.55
Thai SET	-1.60	0.37
FTSE 100	1.89	0.36
Korea KOSPI	2.00	0.11
Hang Seng	2.78	0.07
Taiwan TAIEX	0.88	-0.39
KLCI	0.74	-0.43
Phil PCOMP	-0.34	-0.61
S&P 500	-0.35	-1.05
Dow Jones	-0.53	-1.12
FSSTI Index	0.79	-1.18
DAX	0.42	-1.28
Nikkei	2.25	-1.47
CAC 40	-0.50	-1.69

Source: Bloomberg

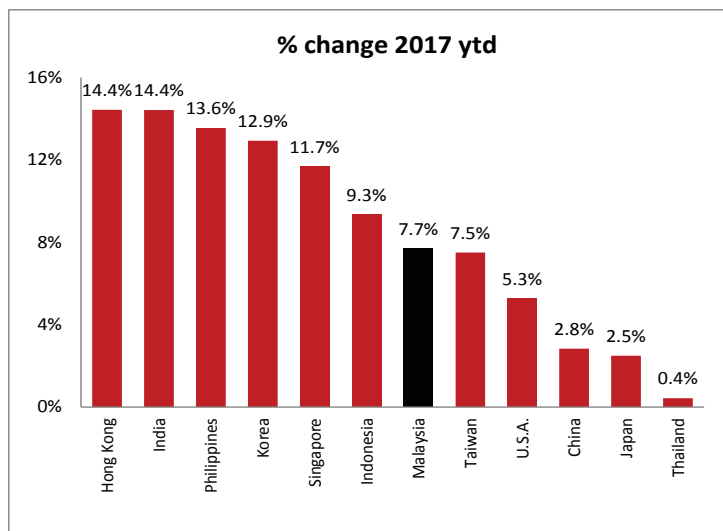
for a sixth-straight week.

- The KLCI was on a gradual downtrend for the week, nursing a 0.43% loss which was in contrast with the majority of regional peers. The ringgit on the other hand ended the week on a strong note as it rose 0.56% against the greenback for the week amid gains in crude oil price and the faster-than-expected growth in Malaysia's GDP.

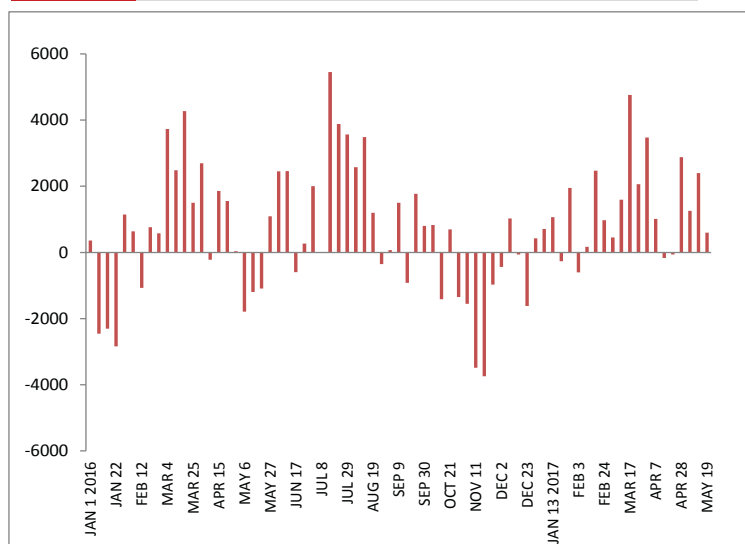
**B. TRACKING MONEY FLOW - ASIA<sup>1</sup>**

- The momentum of global money flow into Asian equity was slightly compromised last week by rising political risks in the U.S and Brazil. Nevertheless, investors classified as "foreign" remained aggregate net buyers in the seven Asian markets that we track, as the amount dropped to USD595.4m net, substantially lower than the USD2.40b recorded the week before.
- Foreigners bought USD312.0m net of Korean equities last week, albeit lower than USD524.7m net the week before. The KOSPI Index reached 2,295 points on Tuesday, the highest point for the week as the Won led emerging Asian currencies after closing up 0.68% against the dollar at a six-week high. However, gains for the KOSPI Index and Won were reversed on Thursday as downward pressure stemmed from President Trump's political turmoil. Notwithstanding this, foreigners still bought USD20.3m net of Korean stocks that day with Kia Motors Corp leading gainers.
- Foreigners pulled back from Taiwan as they sold -USD147.0m net last week. The Taiex started the week strong by hitting a 17-year high above 10,000 points for the second time accompanied by Taiwan's dollar 0.23% gain against the dollar, the strongest close since May 2. However, the outlook turned bleak as the Taiex gradually retraced until Friday to reach below the 10,000 mark following U.S. political uncertainty that casted doubts on Trump's pro growth agenda. The Taiwan dollar followed suit as it declined -0.05% for

**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.

the week to 30.19 per USD.

- The pace of foreign funds into Emerging South East Asian markets have eased with Thailand leading laggards.
- The 13-week foreign buying streak in Indonesia snapped as the nation was not shielded from the U.S. political turmoil. This caused the rupiah to dip to its lowest level since May 10 at 13,356 per USD on Thursday. Nonetheless, the JCI was up by 2.06% for the week, the most since December 29 after the nation's investment grade was upgraded to one level higher by S&P, paving way for more future foreign flows.
- Although the PSEi sank to the lowest level since May 4 on Thursday due to the GDP slowdown in the Philippines foreign investors continued acquiring local equities for the fourth-week running. The reason being is that foreigners have seen a bigger picture whereby Philippines economy is still growing at a fast pace relative to its peers.
- Foreign investors turned buyers in Thailand last week. Thai health care stocks declined as Middle Eastern countries reduced insurance benefits causing people to seek treatment within their country. As a result, medical-tourism units for Thai hospitals such as Bumrungrad Hospital Pcl and Bangkok Dusit Medial Service Pcl are facing a squeeze in their margins. Notwithstanding this, the baht booked its 0.77% gain for the week, the largest weekly gain since the week ended 17 March 2017.

Chart 3

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

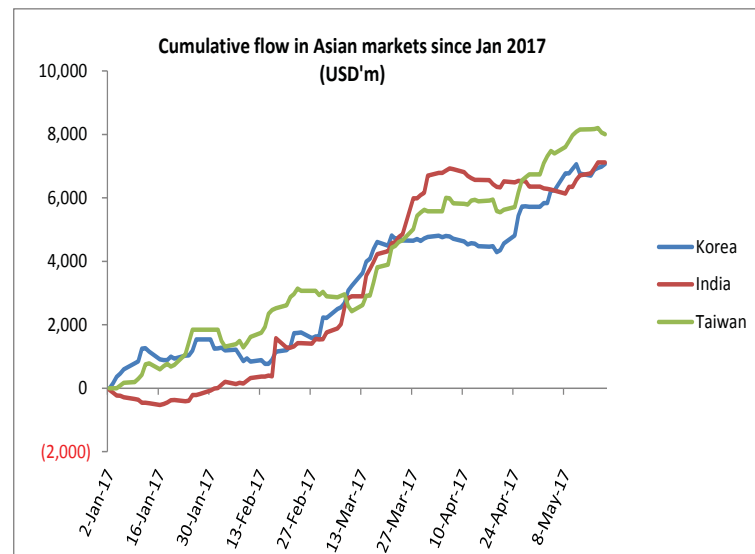
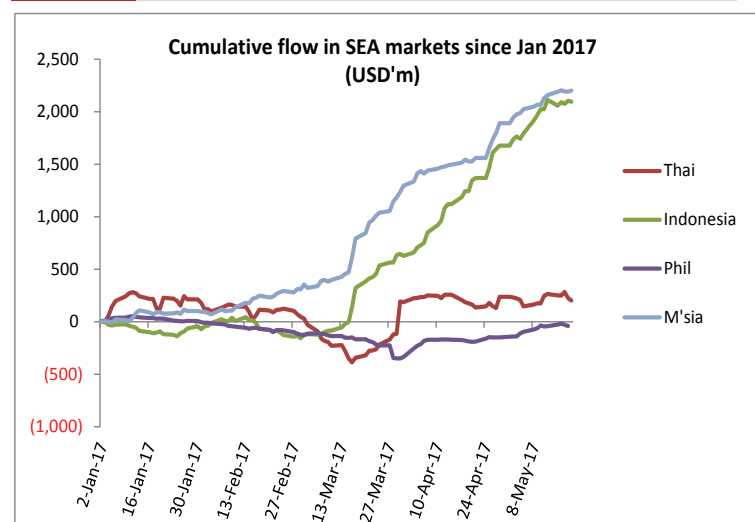


Chart 4

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)

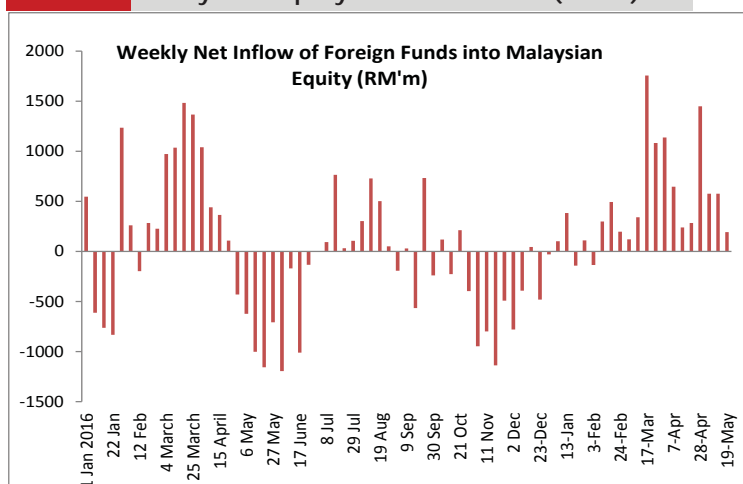
WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
MAR 31	104.7	403.4	91.2	-132.5	1,234.2	889.0	257.6	2,847.0
APR 7	-48.4	64.5	225.3	166.9	209.8	248.4	145.7	1,012.3
APR 14	-237.5	6.6	267.4	13.2	-336.1	66.5	54.0	-117.4
APR 21	83.5	-122.4	249.8	-23.7	-47.0	-268.8	64.2	-241.0
APR 28	1,153.9	103.1	307.5	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	486.2	750.1	132.7	2,396.6
MAY 19	312.0	-64.0	-16.1	5.6	460.5	-147.0	44.5	595.4

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

**C. TRACKING MONEY FLOW - MALAYSIA**

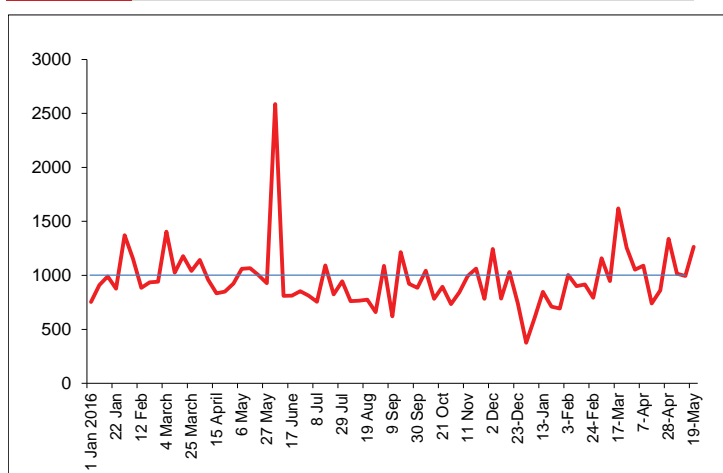
- Foreigners continued to pump liquidity into stocks listed on Bursa albeit at a tapered rate last week amid the political turmoil in the U.S. and Brazil.
- Excluding off market transactions, the amount purchased last week was RM192.4m, the lowest in 11 weeks of buying. Still, the buying streak by foreign investors have now stretched for 15 straight weeks, edging closer towards the 24-week buying spree which started in December 2012 and ended in May 2013.
- Nevertheless, the foreign liquidity flow turned erratic, as foreign investors turned net sellers in two out of the five trading days. On Wednesday, the 26-day buying streak was snapped as foreigners offloaded RM51.1m net. Foreigners continued to reduce their position on Thursday, but returned promisingly on Friday.
- Despite lower foreign net add, participation remained elevated. Foreign average daily trade value (ADTV) jumped 27% to RM1.26b, the third highest this year.
- Retailers took advantage of the market consolidation as they turned net buyers, albeit modestly at RM38.5m. The retail market remained healthy as participation rate stayed above RM1b at RM1.39b, 17.8% higher than that the week before. This is the tenth 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)	
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
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

Source: Bursa's preliminary data

\* Estimate by MIDF Research based on prevailing exchange rate.

**D. MONEY FLOW<sup>2</sup> AMONG BURSA'S TOP 100 CAPITALIZED STOCKS: WEEK ENDED 19 MAY**
**TOP 10 NET MONEY INFLOWS**

- Maybank stocks were the beneficiary of the highest net money inflow of RM9.29m last week. Its share price decreased by -0.32%, outperforming against the FBM KLCI which declined by -0.43% 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 MY EG Services which amounted to RM9.20m. Its share price underperformed the benchmark index with a -6.55% loss during the review week.
- KL Kepong saw the third highest net money inflow of RM7.88m. Its share price outperformed the benchmark index with a -0.24% 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	
MAYBANK	9.29	-22.83	-0.32	BOW
MYEG	9.20	2.87	-6.55	BOW
KL KEPONG	7.88	-1.59	-0.24	BOW
IJM CORP	6.37	-0.36	-2.26	BOW
CMS	4.39	2.07	-3.17	BOW
GENTING BHD	4.00	-4.38	0.61	-
WESTPORTS	3.07	0.82	0.78	-
PETGAS	2.88	0.22	2.15	-
HEINEKEN	1.69	0.40	0.00	-
PPB	1.44	-1.47	-0.47	BOW

Source: Bloomberg, MIDFR;

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

**TOP 10 NET MONEY OUTFLOWS**

- Sime Darby saw the largest net money outflow of -RM22.83m last week. Its stock price outperformed the benchmark index with a -0.21% loss. The company announced that it plans to dispose subsidiaries that import and distribute Peugeot, Citroen and DS brands in Australia and New Zealand.
- TNB recorded the second largest net money outflow -RM20.13m during the week under review. Its share price outperformed the benchmark index with a 0.36% gain. The net outflow amidst declining share price indicates a sell-on-strength (SOS) stance among some investors.
- United Plantations registered the third largest net money outflow at -RM8.41m. Its share price underperformed the benchmark index with a -1.06% loss 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	
SIME DARBY	-26.73	-2.46	-0.21	-
TNB	-20.13	9.08	0.36	SOS
UNITED PLNTN	-8.41	0.19	-1.06	-
DIGI	-8.13	-3.40	-1.76	-
GAMUDA	-6.88	-5.00	0.00	-
DIALOG	-6.65	-1.01	-0.52	-
KPJ HEALTHCARE	-4.59	1.52	-0.24	-
KLCCP STAPLED	-4.50	-0.16	-0.26	-
PUBLIC BANK	-4.42	19.14	0.10	SOS
AXIATA	-4.13	4.15	-1.69	-

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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