

MIDF EQUITY STRATEGY | 8 MAY 2017

WEEK ENDED 5 MAY 2017

- Global equity markets ended the first week of May on a generally positive note ahead of the French presidential election.
- Wall Street continued its rebound despite disappointing earnings performance of tech stocks. The Fed decided to leave interest rates unchanged, signalling softness in the economy.
- European stocks surged to the highest since August 2015 after a string of upbeat earnings, indicating that the European economy is rebounding.
- Brent crude oil price was rather choppy and extended losses for the fourth week running with a decline of 4.79% to USD49.25pb. On Thursday, the price plunged to USD48.39pb, hitting a five-week low.
- The KLCI failed in its attempt to break the 1,780 level on Tuesday and fell -0.30% last week as sentiment was partly weighed down by the fallout of the Bandar Malaysia equity deal. The rally in the ringgit took a pause as it closed the week only slightly higher at USD/RM4.3387, its fourth straight weekly gain.
- The momentum of global money flow into Asian equity continued last week, albeit at a slower pace. North Asia was favoured over Emerging SEA last week.
- Foreign investors maintained their conviction in Malaysian equities despite a challenging week for emerging market currencies and uncertainty ahead of the French election.
- After an influx of foreign liquidity the week before, foreign buying on Bursa eased to RM576.5m last week, extending the purchase to 13 consecutive weeks.

THE “MAY EFFECT” IS STILL MUTE

A. MARKET SNAPSHOT

- Global equity markets ended the first week of May on a generally positive note ahead of the French presidential election.
- Wall Street continued its rebound despite disappointing earnings performance of tech stocks particularly Apple that knocked Nasdaq off from its all-time high. Sales of iPhones during 1Q17 were lower than expected as customers anticipate the release of the iPhone's 10th anniversary edition in September.
- As expected, the Fed decided to leave interest rates unchanged, signalling softness in the economy amid a strong labour market. As a consequence, U.S. stocks were little changed with the exception of banking stocks and also bond yields that rose on the anticipation that rates hike will take place soon especially in June. The dollar also rose by as much as 0.7% against the yen, the highest level in six weeks.
- Sentiment in China was badly affected by April's Caixin Manufacturing PMI which fell to a five-year low of 50.3 points, indicating that manufacturing activity is edging nearer towards contraction. The decline in the PMI, largely on slower heavy-industry output growth, was against the backdrop of lower commodity prices.
- European stocks surged to the highest since August 2015 after a string of upbeat earnings, indicating that the European economy is rebounding. In London, HSBC topped the FTSE100 leaderboard on its better-than-expected 1Q17 earnings. As for other major European markets, the CAC 40 index rose 0.64% to 5,327 points, the highest level post-financial crisis after a strong final presidential debate which saw Macron to be more convincing in the eye of the electorates.
- Brent crude oil price was rather choppy and extended losses for the fourth week running with a decline of 4.79% to USD49.25pb. On Thursday, the price plunged below the USD50pb to USD48.39pb, hitting a five-week low on the back of a supply glut. Crude oil inventories of approximately 527.8m barrels are still 3% from a year ago despite steadily declining for the last four weeks, putting pressure on OPEC's effort to rebalance the market.

Table 1 Weekly performance of major indices

Weekly % change	Week before	Last week
CAC 40	4.11	3.13
PHIL PCOMP	1.09	2.36
DAX	3.23	2.24
FSSTI Index	1.13	1.71
Korea KOSPI	1.87	1.62
FTSE 100	1.26	1.30
Nikkei	3.09	1.30
S&P 500	1.51	0.63
Dow Jones	1.91	0.32
Taiwan Taiex	1.59	0.28
Thai SET	-0.24	0.17
Jakarta JCI	0.37	-0.03
India SENSEX	1.88	-0.20
KLCI	0.68	-0.30
Hang Seng	2.38	-0.56
China CSI 300	-0.78	-1.66

Source: Bloomberg

FUND FLOW REPORT

- The KLCI attempted to surpass the 1,780 level on Tuesday but instead slid downhill until the week ended. The index fell -0.30% last week as sentiment was weighed down by the fallout of the Bandar Malaysia equity deal. The ringgit led the decline in most Asian emerging currencies after commodity prices suffered their steepest decline on Thursday since November. Nevertheless, the ringgit managed to book its fourth weekly gain by closing at USD/RM4.3387, 0.05% higher for the week.

B. TRACKING MONEY FLOW - ASIA¹

- The momentum of global money flow into Asian equity continued last week. Aggregate foreign buying in the seven Asian markets that we track amounted to USD1.32b net, still significant albeit lower than the USD3.1b the week before.
- North Asia was favoured over Emerging SEA last week. Foreigners bought USD664.2m net of Taiwan equities last week, lower than USD1.11b net the week before. Foreign buying helped to buoy the tech-rich Taiex which remained resilient with a 0.28% weekly gain despite the fall in Apple's shares. The Taiwan dollar also gained 0.10% on a weekly basis as geopolitical tensions ease after Trump said he's willing to meet with North Korean leader Kim Jong Un.
- Korea was equally hot as Taiwan as it recorded USD520.3m net of foreign buying lower than USD1.12b net the week before. As foreigners continued to snap up Korean equities, Korea's KOSPI Index surged to close at an all-time high of 2,241 points on Thursday while the Won continued its four-day loss by depreciating further to USD/KRW1140.07 on Friday. The surge in the index was led by heavyweights particularly Samsung Electronics boosted by the demand for its chips Korea exports was also responsible for KOSPI's stellar performance, showing a 24.2% increase, contributing to the biggest trade surplus of USD13.3b based

Chart 1 YTD performance of major markets

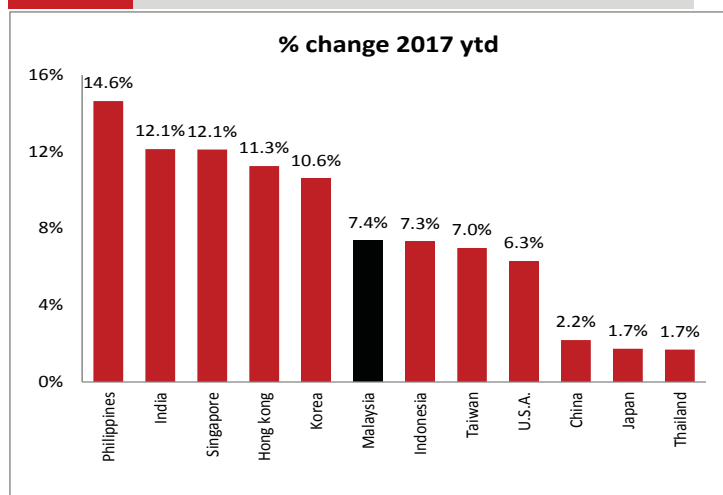
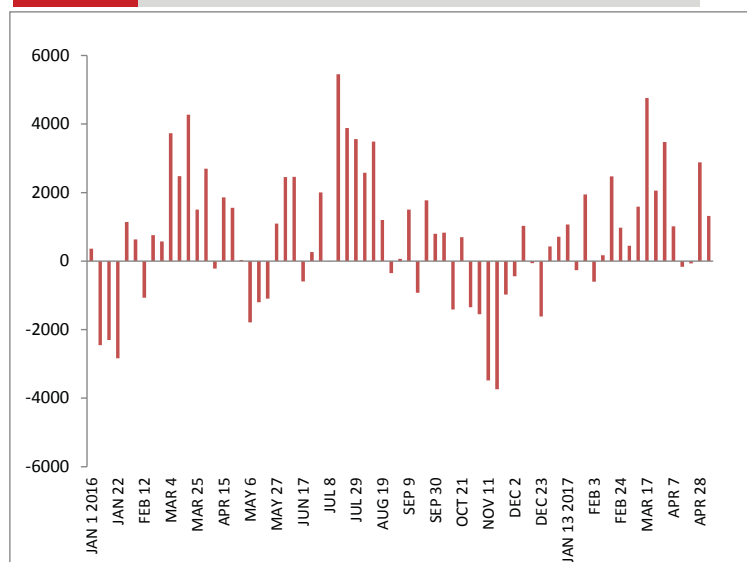


Chart 2 Weekly Net Flow of Foreign Funds into 7 Asian Markets since Jan 2016 (USD'b)



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.

on data stretching from 1969.

- Foreign funds made way into all Emerging South East Asian markets except for Thailand.
- The foreign buying momentum continued in Indonesia as the buying streak reached 10 weeks. The buying was partly driven by Indonesia's 1Q17 GDP growth of 5.0%. Indonesia's economic growth was supported by improved trade with its major partners and increased commodities prices that pushed up exports.
- Foreign investors in the Philippines snapped up local equities to the extent that the PSEi breached 7,800 points on Friday, the highest this year. Optimism in the Philippines market was driven by the approval of President Duterte's tax plan at the first stage which is the House committee level. Besides that, mining shares were in the spotlight on Thursday as they rallied to the highest level since 2015 following the rejection of Gina Lopez as Environment Secretary.
- Foreign investors offloaded USD90.36m net worth of Thailand equities last week. The foreign net selling may be linked to Thailand's CPI that slowed down for a third straight month and Thailand's Business Sentiment Index that fell to 49.6 points. Nevertheless, the SET Index rose to 1,573 points on Thursday, the highest since 16 March 2016 with the biggest contribution from Kasikornbank PCL which rose 1.3%.

Chart 3

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

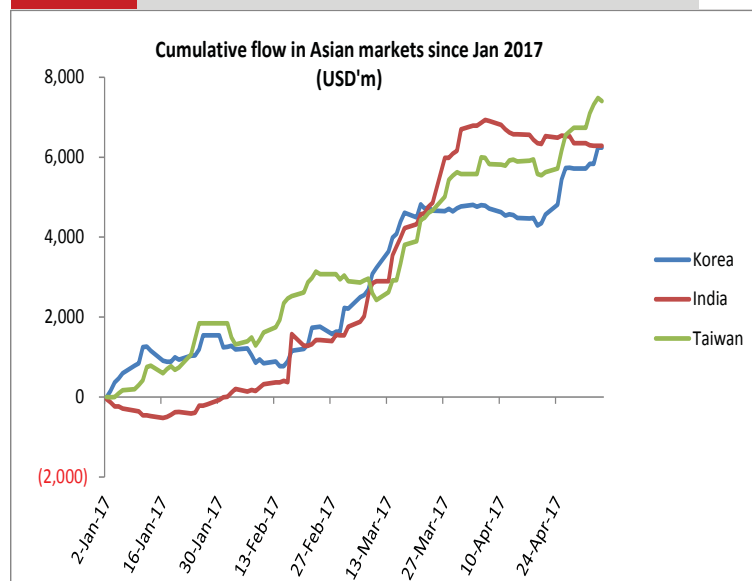
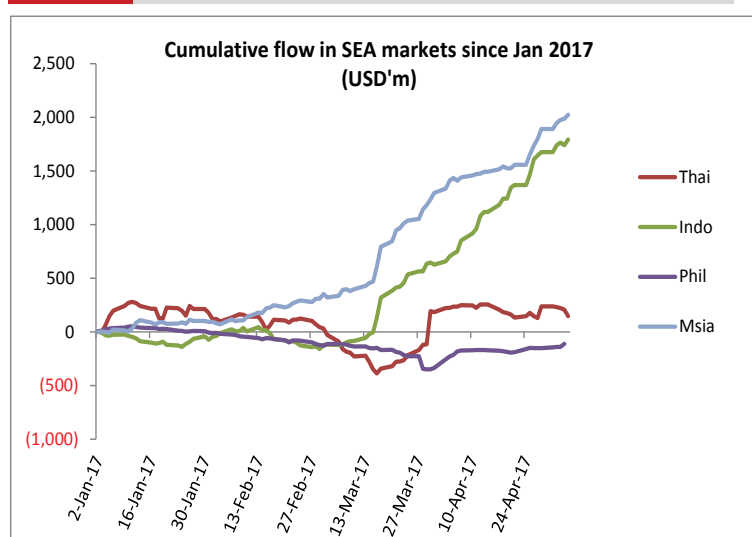


Chart 4

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)

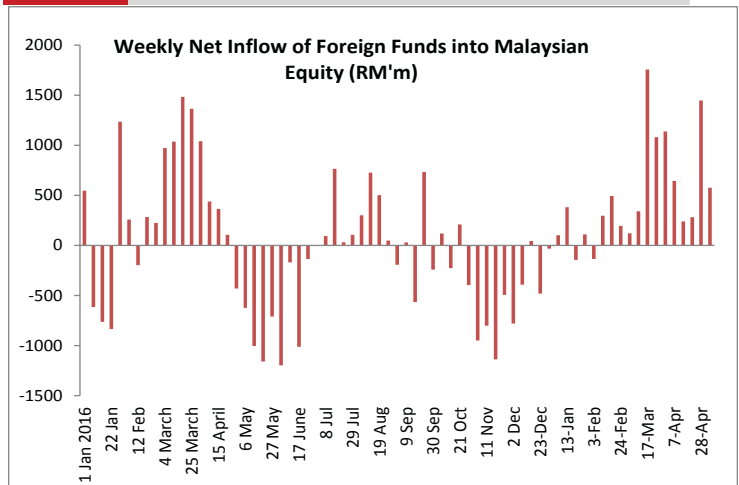
WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
MAR 17	1,379.4	-112.3	406.3	-19.9	1,329.6	1,383.0	395.6	4,761.8
MAR 24	50.1	123.7	213.7	-66.6	631.3	862.1	244.4	2,058.8
MAR 31	104.7	403.4	91.2	-132.5	1,234.2	889.0	257.6	2,847.0
APR 7	-48.4	64.5	225.3	166.9	209.8	248.4	145.7	1,012.3
APR 14	-237.5	6.6	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	1.9	1,112.2	332.6	3,052.9
MAY 5	520.3	-90.4	116.5	39.7	-66.5	664.2	133.2	1,317.0

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

C. TRACKING MONEY FLOW - MALAYSIA

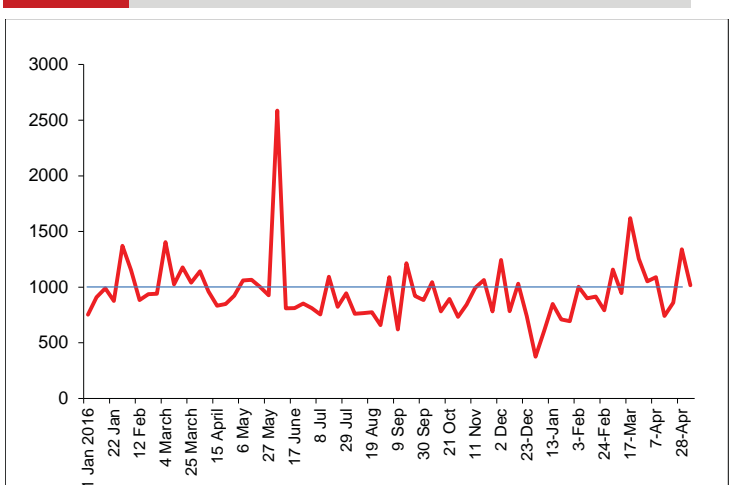
- Foreign investors maintained their conviction in local equities despite a challenging week for emerging market currencies and uncertainty ahead of the French election.
- After an influx of foreign liquidity the week before, the flow of funds from abroad into stocks listed on Bursa eased to RM576.5m (excluding off market transactions) last week. Net foreign buying has now extended to 13 consecutive weeks. It is longer than the 10-week inflow into Indonesia which the only other Asian emerging market currently attracting sustained foreign interest.
- It was again another four-day trading week. Buying intensity was generally low to moderate and did not exceed RM300m. We note that foreign investors remained net buyers on Thursday although KLCI declined by 0.78% the second biggest daily drop this year.
- Foreign participation on Bursa remained at an elevated level. Foreign average daily trade value (ADTV) remained above RM1b at RM1.02b, albeit lower than that the week before.
- The retail market remained healthy. Retail participation recovered further as the ADTV increased by 16% to RM1.29b, the second highest this year. Moreover, the 10-week selling streak by retailers came to a halt after retailers purchased RM20.1m worth of local equities. On Tuesday, the traded value hit RM1.44b, the highest this year.

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 24	3,149.9	3,169.1	-19.2	8,417.8	9,480.6	-1,062.8	3,680.0	2,598.1	1,081.9	244.4
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

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 5 MAY
TOP 10 NET MONEY INFLOWS

- Genting Malaysia stocks were the beneficiary of the highest net money inflow of RM16.51m last week. Its share price decreased by -1.84%, underperforming against the FBM KLCI which increased by 0.68% 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 UMW Holdings amounted to RM10.62m. Its share price however lagged as it ended unchanged against the FBM KLCI which gained by 0.68% for the week.
- Bintulu Port saw the third highest net money inflow of RM6.09m. Its share price underperformed the benchmark index with a -4.92% 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	
GENTING MSIA	16.51	-10.17	-1.84	BOW
UMW HLDGS	10.62	4.06	0.00	-
BINTULU PORT	6.09	-2.42	-4.92	BOW
KL KEPONG	4.39	10.32	0.82	-
GENTING BHD	4.21	-1.32	1.03	-
AMMB HLDGS	3.27	-0.84	6.00	-
IHH	3.19	-4.31	1.64	-
GAMUDA	1.95	2.31	2.73	-
FGV	1.93	-1.02	5.45	-
IOI PROPERTIES	1.86	-0.05	1.97	-

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 -RM28.68m last week. Its stock price outperformed the benchmark index with a 1.91% 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.
- Air Asia recorded the second largest net money outflow -RM20.11m during the week under review. Its share price outperformed the benchmark index with a 3.40% gain. The net outflow amidst declining share price indicates a sell-on-strength (SOS) stance among some investors.
- Petronas Chemicals registered the third largest net money outflow at -RM13.87m. Its share price underperformed the benchmark index with a -3.31% 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	
MAYBANK	-28.68	-6.42	1.91	SOS
AIR ASIA	-20.11	-6.64	3.40	SOS
PETCHEM	-13.87	-11.09	-3.31	-
MAXIS	-11.63	-0.95	-0.93	-
PUBLIC BANK	-11.46	-9.26	0.00	
DIALOG	-6.98	-3.65	8.33	SOS
MAHB	-6.02	-4.55	4.11	SOS
SIME DARBY	-5.04	-1.48	0.65	SOS
TNB	-4.89	-37.22	1.46	SOS
TELEKOM MSIA	-4.42	-4.69	-0.31	-

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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