

## MIDF EQUITY STRATEGY | 13 NOVEMBER 2017 WEEK ENDED 10 NOVEMBER 2017

- Equity markets worldwide had an uneven start for the month of November amid policy uncertainties in the U.S.
- U.S stocks took a downturn on Thursday following the release of the tax plan by the Senate which differed from the House of Representatives' version. The Dow Jones ended 0.5% lower for the week, snapping its eight-week winning streak higher than the combined losses of the S&P500 and the Nasdaq which both slipped 0.2%.
- Brent crude oil price remained upbeat, gaining 2.34% for the week to end at USD63.52pb. Earlier last week, Brent crude oil price in fact reached 64.17pb on Tuesday, the highest in 29-months in response to the Saudi Arabia's crackdown on corruption.
- The flow of foreign funds into Asian markets has extended to its fifth week despite exhibiting a flattish trend. The provisional aggregate data from the seven Asian exchanges that we track saw investors classified as "foreign" acquired USD508.4m net last week.
- Foreign investors chipped in RM22.7m net of Malaysian equities last week, the lowest weekly attrition recorded thus far this year, snapping the seven-week foreign selling streak.
- The FBM KLCI staged a flattish trend, posting a marginal weekly gain of 0.08%, tracking the mixed performance of regional benchmarks. As for the Ringgit, the local currency was the best performer among its South East Asian peers, appreciating by 1.07% for the week to settle at a highest level in more than a month at USD/MYR4.1918.

## SEVEN-WEEK FOREIGN SELLING STREAK ON BURSA SNAPS

### A. MARKET SNAPSHOT

- Equity markets worldwide had an uneven start for the month of November amid policy uncertainties in the U.S.
- The bellwether Wall Street was steady during the first half of the week as the Dow Jones, S&P500, and Nasdaq sealed a record close on Wednesday at 23,563, 2,594 and 6,789 points, respectively. The Wednesday rally was driven by video game makers such as Take-Two Interactive Software due to its outstanding sales achievement. Interestingly, this coincided with the one year anniversary of President Trump's victory in last year's U.S election which saw the tech sector leading other counters during that one year period.
- However, U.S stocks took a downturn on Thursday following the release of the tax plan by the Senate which differed from the House of Representatives' version. One of the key differences was postponing corporate tax cuts for a year, sparking doubts over President Trump's capability to carry out his reform agendas.
- The sombre mood following concerns of the tax cut carried on until Friday as all three major U.S benchmarks ended the week in the redzone. The Dow Jones ended 0.5% lower for the week, snapping its eight-week winning streak higher than the combined losses of the S&P500 and the Nasdaq which both slipped 0.2%.
- Markets were looking pretty good in Asia as the Hang Seng index hit a series of fresh 10-year closing highs during the week. The first one was on Tuesday at 28,994 points amid the shares of Tencent Holdings Ltd which jumped by 3.7% to a fresh record close. The Hang Seng index then climbed further to a new 10-year closing high at 29,137 points on Thursday, supported by the listing of China literature, the online bookstore unit of Tencent Holdings Ltd.
- In Europe, the Sterling rebounded by 0.91% on a weekly basis to settle at GBP/USD1.3196 on the possibility of an expedited Brexit negotiation. This follows the warning by EU's chief Brexit negotiator, Michel Barnier that trade talks will not happen if no concessions are made in less than a month. The FTSE 100 meanwhile moved in a opposite direction, hitting a six-month low on Friday at 7,433 points dragged by retail shares, namely Bunzl, Burberry and Marks and Spencer.
- Brent crude oil price remained upbeat, gaining 2.34% for the week to end at USD63.52pb. Earlier last week, Brent crude oil price in fact reached 64.17pb on Tuesday, the highest in 29-months in response to the Saudi Arabia's crackdown on corruption. However, oil prices are currently in a volatile phase in view of heightened tensions in the Middle East after Iran was accused by Saudi Arabia for "direct military aggression".

**Table 1** Weekly performance of major indices

Weekly % change	Week before	Last week
China CSI 300	-0.73	2.99
Hang Seng	0.58	1.81
FSSTI Index	-0.12	1.12
Phil PCOMP	0.97	0.68
Nikkei	2.41	0.63
KLCI	-0.30	0.08
S&P 500	0.26	-0.21
Jakarta JCI	1.08	-0.29
Dow Jones	0.45	-0.50
Korea KOSPI	2.46	-0.59
Taiwan TAIEX	0.86	-0.63
Thai SET	-0.85	-0.72
India SENSEX	1.59	-1.10
FTSE 100	0.74	-1.68
CAC 40	0.43	-2.49
DAX	1.98	-2.61

Source: Bloomberg

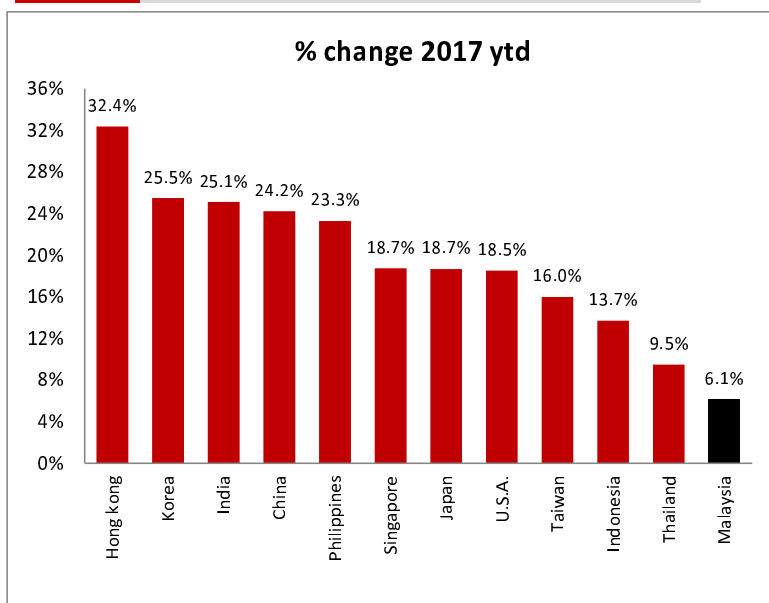
## FUND FLOW REPORT

- The FBM KLCI staged a flattish trend, posting a marginal weekly gain of 0.08%, ending the week at 1,742 points tracking the mixed performance of regional benchmarks. As for the Ringgit, the local currency was the best performer among its South East Asian peers, appreciating by 1.07% for the week to settle at USD/MYR4.1918 after Bank Negara Malaysia's decision to maintain interest rates at 3% were in line with expectations.

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

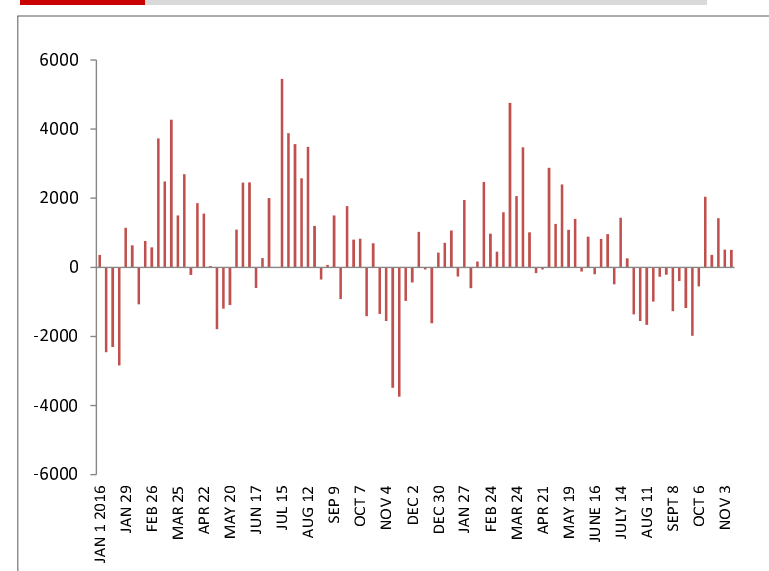
- The flow of foreign funds into Asian markets has extended to its fifth week despite exhibiting a flattish trend. The provisional aggregate data from the seven Asian exchanges that we track saw investors classified as "foreign" acquired USD508.4m net last week, only USD1.2m less than the amount bought in the preceding week.
- A reversal of trend prevailed in Korea as foreign investors turned net sellers after four straight weeks of buying. Nonetheless, the amount sold by foreign investors was negligible at only -USD17.32m net, the lowest weekly attrition recorded so far in 2017. Foreign buying from Monday to Wednesday was reasonable within the range of USD50m-USD115m. Positivity flourished during those three days as President Trump softened his tone towards North Korea during his visit to Seoul, urging the rogue nation to strike a deal on its nuclear program. Notwithstanding this, foreign investors disposed -USD128.0m net on Friday, the largest attrition during the week as uncertainties of U.S tax reform sipped into Asian markets overnight. The KOSPI took cue from Friday's selloff, declining by 0.30% to close at a seven-day low of 2,543 points. Currency wise, the Korean Won reached a 13-month high on Tuesday at USD/KRW 1,112 underpinned by improved relations between South Korea and China which could bode well for the tourism and cosmetics sector.
- Similar to Korea, international investors offloaded -USD255.2m net in Taiwan after a five week buying streak. In line with the foreign net outflow, the Taiex's 0.63% loss for the week is attributable to two factors: (i) the slowdown in Taiwan's export growth to 3%yoy, the slowest in almost 14 months and (ii) the weekly drop in technology stocks led by Apple supplier, Largan Precision Ltd due to profit taking activity on sector heavyweights. On the flipside, Taiwan's semiconductor sales for the month of October rose 3.8%yoy.

**Chart 1** YTD performance of major markets



Source: Bloomberg

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

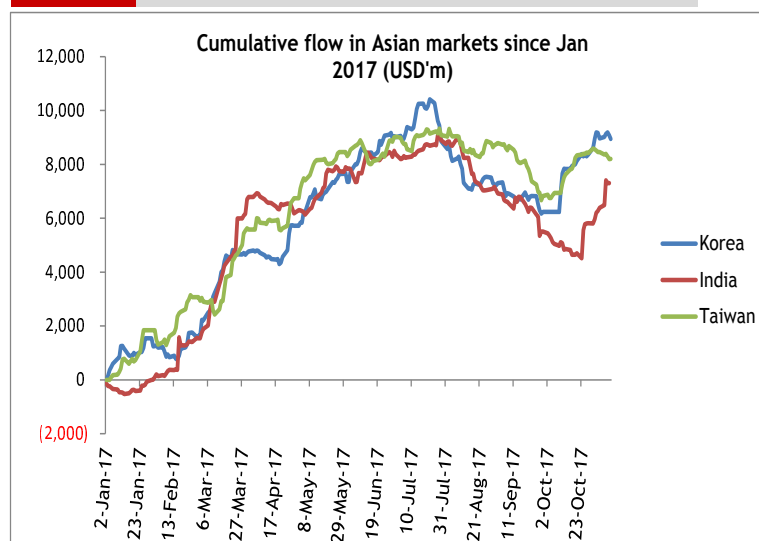


Source: Bloomberg, Bursa Malaysia

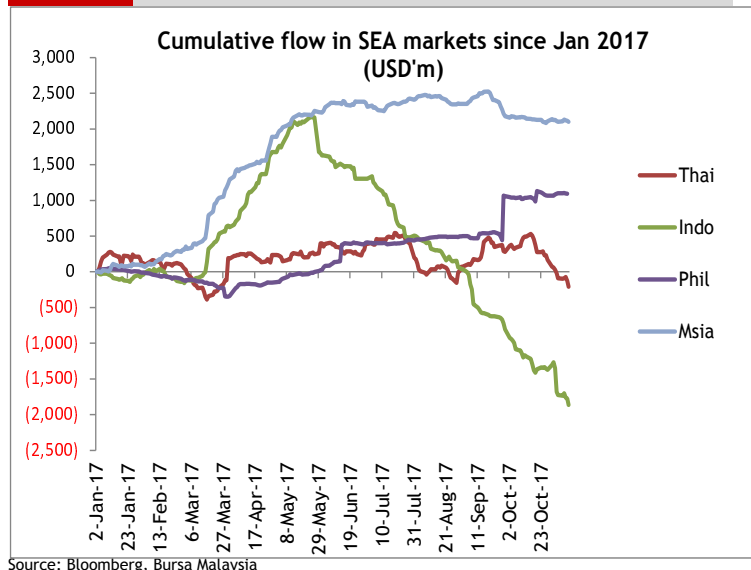
<sup>1</sup> Based on 7 Asian markets, for which fund flow data is publicly available. These are our proxy for Asia: TIPS (Thailand, Indonesia, Philippines), Korea, Taiwan, India and Malaysia.

- In Emerging South East Asian markets, foreign selling was across the board with the exception of Malaysia.
- Foreign funds made an exit from Bangkok for the fourth week in a row as they sold off -USD118.5m net last week. Out of the last 17 trading days, foreign investors have in fact been net sellers for 14 days. The ongoing attrition in Thailand, the SET marked its second week of losses as it shed 0.72% to finish the week below the 1,700 level. In contrast, the Baht was little changed, only advancing 0.15% to end at USD/THB 33.124 as optimism on the currency was sparked by the comment of Thailand's commerce minister which noted that the local currency's strength will not be a hurdle to the nation's exports.
- Global investors slowly reduced their holdings in the Philippines, as the amount sold did not even reach -USD1m net. Foreign buying peaked during the week on Monday which amounted to USD5.23m which was in line with solid earnings which pushed the PSEi to a new closing high of 8,523 points the same day. However investors thereafter took the opportunity to lock in gains ahead of the 31st ASEAN summit, pulling down the PSEi below the 8,500 levels but was still up by 0.68% on a weekly basis. On the economic front, the decision to leave interest rates unchanged, citing that inflation risks is within control.
- So far, foreign funds have fled Indonesia for the 19th week running which could be the longest selling binge ever recorded. Indonesia's 3Q17 GDP came in lower than expectations, only rising by 5.06%yoy. In response to the subdued GDP growth, the Indonesian government vows to keep the positive momentum in the coming quarters. However, such statements was not an impetus for the local bourse as the JCI's five-week winning stretch came to an end as it lost 0.29% for the week.

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



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



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

WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
SEP 22	127.9	-71.1	-43.6	12.0	-407.4	-677.1	-114.0	-1,173.3
SEP 29	-587.5	-68.6	-183.4	511.4	-883.3	-541.5	-229.4	-1,982.3
OCT 6	0.00	58.3	-278.5	-27.8	-395.5	113.4	-19.6	-549.6
OCT 13	1,595.8	153.5	-99.0	-2.9	-281.0	685.22	-12.9	2,038.6
OCT 20	300.4	-217.0	-183.0	-49.7	-184.1	713.1	-16.9	362.9
OCT 27	235.8	-107.0	-5.22	85.2	1,156.3	79.8	-21.8	1,423.0
NOV 3	593.5	-257.9	-351.6	24.0	469.1	39.3	-6.8	509.6
NOV 10	-17.3	-118.5	-141.3	-0.75	1,036.3	-255.2	5.2	508.4

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

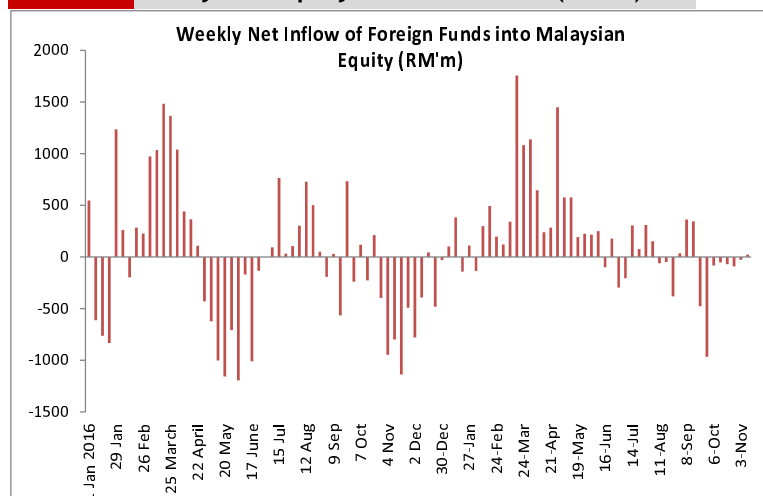
## FUND FLOW REPORT

### C. TRACKING MONEY FLOW - MALAYSIA

- The seven-week foreign selling streak was snapped last week as foreign funds entered the Malaysian market albeit at a measurable pace.
- Foreign investors chipped in RM22.7m net of Malaysian equities last week, the lowest weekly attrition recorded thus far this year. The estimates made are based on transactions in the open market which excluded off market deals.
- Foreign buying occurred on the first two days of the week with Tuesday recording the highest amount of RM90m net. Steady foreign buying on Tuesday coupled with the upbeat Brent crude oil price on the day before lifted the FBM KLCI to 1,751 points, the highest level in 15 trading days. It is noteworthy that the foreign acquisition on Tuesday was in conformity with other Asian markets namely, Korea, Taiwan, Indonesia and Thailand.
- However, foreign investors started to sell off Malaysian stocks thereafter until the week ended on a gradual basis, peaking at -RM58.3m on Friday. We reckon that the amped up selling mode on Friday was partly triggered by the concerns over a possible delay in the U.S tax reforms which dampened risk-on mood. Having said that, the local bourse slipped to finish the week at the same level it closed on Monday at 1,742 points.
- Due to light foreign buying last week, the cumulative year-to-date inflow slightly increased to RM9.31b from RM9.28b in the preceding week. So far out of 45 weeks, there has been only 15 weeks of foreign selling, a figure which is still better compared to 2016 which was over 20 weeks.
- Foreign participation was subdued as the foreign average daily trade value (ADTV) only increased by 3% to remain below RM900m.
- The retail market on the other hand had a 8% decline in retail ADTV but still remains healthy above the RM1b mark at RM1.04b.

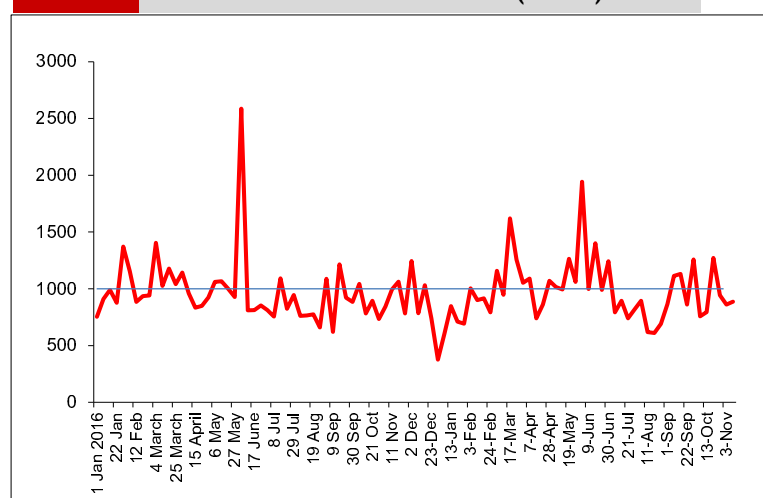
**Chart 5**

**Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2016 (RM'm)**



**Chart 6**

**Foreign Participation on Bursa: Daily Average for the Week since Jan 2016 (RM'm)**



**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)	
SEP 29	2,348.7	2,257.8	90.9	6,563.3	5,686.9	876.4	2,662.8	3,630.1	-967.3	-229.4
OCT 6	2,117.1	2,203.7	-86.6	5,692.3	5,522.8	169.5	1,850.4	1,933.3	-82.9	-19.6
OCT 13	2,469.3	2,509.3	-40.0	5,620.5	5,526.3	94.2	1,961.6	2,015.6	-54.2	-12.9
OCT 20	2,002.7	1,978.5	24.2	4,796.4	4,749.2	47.2	2,507.7	2,579.1	-71.4	-16.9
OCT 27	2,381.9	2,368.6	13.2	6,065.5	5,986.7	78.8	2,312.2	2,404.3	-92.1	-21.8
NOV 3	2,856.5	2,760.9	95.6	6,307.7	6,374.7	-67.0	2,138.6	2,167.2	-28.6	-6.8
NOV 10	2,580.9	2,600.1	-19.2	6,551.5	6,555.0	-3.5	2,230.4	2,207.7	22.7	5.2

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 10 NOVEMBER**
**TOP 10 NET MONEY INFLOWS**

- Petronas Gas registered the highest net money inflow of RM18.01m last week. Its share price however outperformed as it advanced with a 0.56% gain against the FBM KLCI which only gained by 0.08% during the week under review. The company announced its 3Q17 earnings of RM417.4m compared to RM422.1m in the previous quarter on the back of higher depreciation from completion of capital projects .
- Sime Darby recorded the second highest net money inflow of RM4.56m. Its share price underperformed against the market benchmark with a 0.11% loss during the review week. Nonetheless, it is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.
- Genting Malaysia saw the third highest net money inflow of RM4.12m. Its share price outperformed the FBM KLCI with a rather sizable 1.20% 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	
PETGAS	18.01	4.86	0.56	-
SIME DARBY	4.56	5.66	-0.11	BOW
GENTING MSIA	4.12	-2.64	1.20	-
MAHB	3.58	3.87	-0.24	BOW
WESTPORTS	3.08	0.13	-0.54	BOW
TOP GLOVE	2.94	0.77	7.82	-
UNITED PLTN	2.21	-0.18	1.82	-
SAPURA	2.09	0.20	-0.68	BOW
IOI PROP	2.08	2.42	0.00	-
HARTALEGA	1.93	-0.07	12.40	-

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 -RM20.98m last week. Its share price however remain unchanged for the week and underperformed the market benchmark which gained 0.08% for the week.
- Tenaga Nasional Berhad recorded the second largest net money outflow -RM18.56m during the week under review. Its stock price however ended unchanged and marginally underperformed vis-à-vis the FBM KLCI which gained by 0.08% during the review week.
- CIMB registered the third largest net money outflow at -RM13.35m in the review and its share price underperformed the market benchmark with a -0.48% drop.

**Table 5** Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
PUBLIC BANK	-20.98	-19.50	0.00	-
TNB	-18.56	-29.00	0.00	-
CIMB	-13.35	8.71	-0.48	-
MAYBANK	-12.47	10.96	-0.65	-
DIALOG	-10.97	-11.50	6.88	SOS
EKOVEST	-10.46	-1.32	0.51	SOS
AXIATA	-9.06	8.01	-1.66	-
TELEKOM	-5.55	-6.78	-0.32	-
NESTLE	-5.36	-0.61	0.89	SOS
PETCHEM	-4.47	8.80	2.06	SOS

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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