

MIDF EQUITY STRATEGY | 16 OCTOBER 2017 WEEK ENDED 13 OCTOBER 2017

- Most global equity markets remained strong for the week as investors digested a slew of economic data and corporate earnings.
- U.S markets were on a roll, as the Dow Jones climbed to fresh record highs for two days straight on Tuesday and Wednesday. The rally on Tuesday was powered mainly by Walmart positive earnings guidance and a USD20b share buyback programme which pushed its shares 4.59% higher. Meanwhile on Wednesday, markets staged a positive move due to the release of the Fed's dovish September meeting minutes.
- Brent crude oil edged 2.79% higher for the week, settling at a two-week high of USD57.17pb, mainly driven by the 18.7% increase in China imports last month.
- International funds made a roaring comeback into Asia after 11 consecutive weeks of attritions. The provisional aggregate data from the seven Asian exchanges that we track saw investors classified as "foreign" bought USD2.28b net last week.
- Selling levels dropped from this year's highest level recorded in the preceding week at -RM967.3m, to -RM82.9m net last week in the open market which excluded off market deals.
- The FBM KLCI was back in the red, losing 0.49% for the week at 1,755 points, in contrast with other regional benchmark peers which gained. The Ringgit moved in an opposite direction as it snapped its three weeks of consecutive losses, gaining 0.36% for the week to USD/MYR4.222.

TAPERING OF ATTRITION ON BURSA CONTINUES

A. MARKET SNAPSHOT

- Most global equity markets remained strong for the week as investors digested a slew of economic data and corporate earnings.
- U.S markets were on a roll, as the Dow Jones climbed to fresh record highs for two days straight on Tuesday and Wednesday. The rally on Tuesday was powered mainly by Walmart positive earnings guidance and a USD20b share buyback programme which pushed its shares 4.59% higher. Meanwhile on Wednesday, markets staged a positive move due to the release of the Fed's dovish September meeting minutes. The minutes revealed that policy makers were divided on the decision to increase rates this year with a few fed officials being cautious, stating that their decision to hike the rate would hinge on whether the economic data in coming months would show price gains.
- The dollar index on the other hand slid to a two-week low of 93.015 following the release of the minutes. Despite the biggest monthly increase in U.S retail sales in 2.5 years for September, gains on the greenback were capped by U.S inflation which rose lesser than expected by only 0.5% in September. Having said that, the dollar index shed 0.71 points on a weekly basis.
- In Asia, the Hang Seng index climbed to its highest in point in almost a decade at 28,490 points on Tuesday boosted by shares of developers which advanced on the back of expectations that the transformation of farmland into residential projects will be facilitated by government plans. However, Hong Kong property stocks declined the next day due to the proposal to increase affordable housing as stated by Hong Kong Chief Executive Officer, Carrie Lam. Although the proposal dented sentiment on the Hong Kong benchmark, the benchmark still ended the week slightly higher by 0.06%.
- In Europe, the sterling closed at its strongest point in 2 weeks at GBP/USD1.3285 on Friday following news that about a possibility that the U.K will remain in the European Union for the next two years as reported by German newspaper, Handelsblatt. A day prior to that, the pound dipped to as low as GBP/USD1.3122, reacting to Brexit Negotiator, Michel Barnier said that the progress of Brexit talks have come to an 'impasse'. Overall, the pound staged a 1.09% weekly gain.
- Brent crude oil edged 2.79% higher for the week, settling at a two-week high of USD57.17pb. Momentum of crude oil prices were mainly driven by the 18.7% increase in China imports last month. Sentiment was further buoyed by the third weekly decline in U.S crude inventories which fell by 2.75m barrels in the preceding week coupled with signals of a rebalancing market amid global demand in oil that is forecasted to increase by approximately 30,000 barrels in 2017 and 2018 according to OPEC.
- The FBM KLCI was back in the red, losing 0.49% for the week at 1,755 points,

Table 1 Weekly performance of major indices

Weekly % change	Week before	Last week
Korea KOSPI	0.00	3.31
Nikkei	1.64	2.24
China CSI 300	0.00	2.20
India SENSEX	1.70	1.94
Taiwan TAIEX	1.96	1.82
Phil PCOMP	1.71	1.65
Thai SET	1.36	0.97
FSSTI Index	2.22	0.85
Dow Jones	1.65	0.43
Jakarta JCI	0.08	0.32
DAX	0.99	0.28
FTSE 100	2.04	0.17
S&P 500	1.19	0.15
Hang Seng	3.28	0.06
CAC 40	0.56	-0.15
KLCI	0.48	-0.49

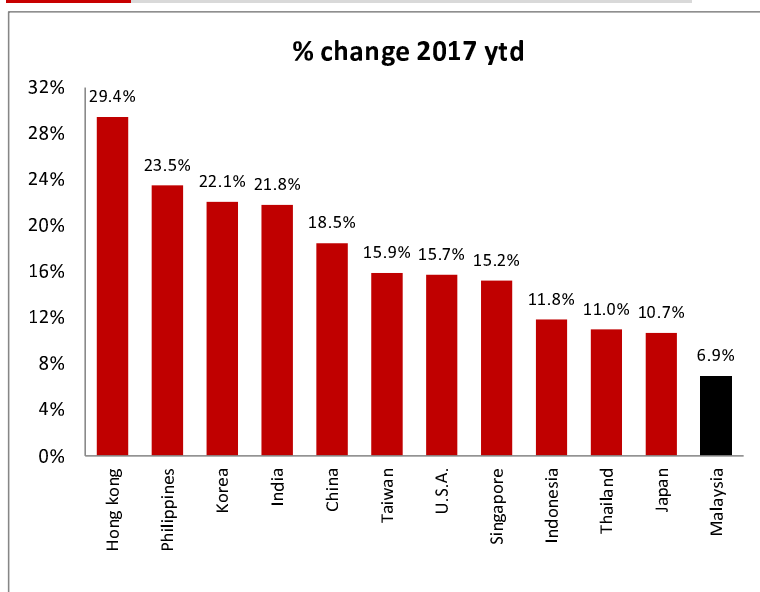
Source: Bloomberg

in contrast with other regional benchmark peers which gained. The Ringgit moved in an opposite direction as it snapped its three weeks of consecutive losses, gaining 0.36% for the week to USD/MYR4.222.

B. TRACKING MONEY FLOW - ASIA¹

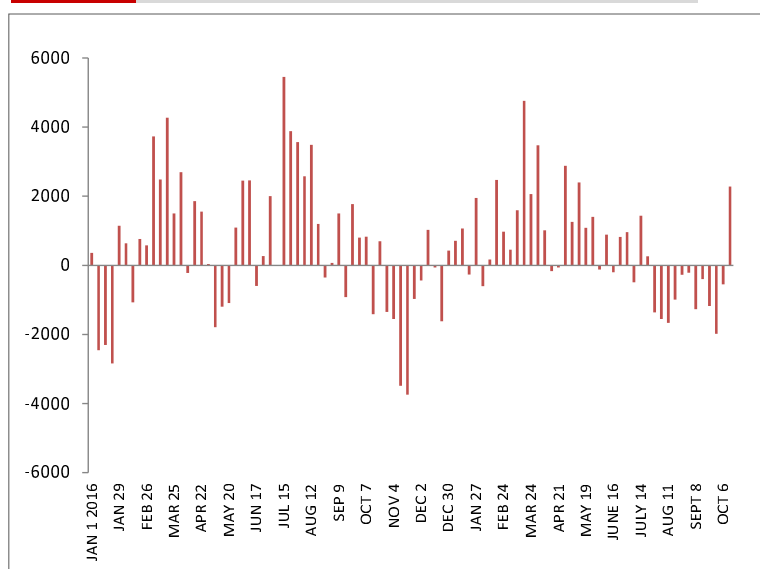
- International funds made a roaring comeback into Asia after 11 consecutive weeks of attritions. The provisional aggregate data from the seven Asian exchanges that we track saw investors classified as “foreign” bought USD2.28b net last week, offsetting approximately 90% of the total net outflow in past two weeks.
- The bulk of the inflow was skewed towards North Asia, with 94% of the total inflow contributed by Korea and Taiwan. Global investors poured into Korean equities as Korean markets reopened with a proverbial bang after the 10-day holiday. International investors bought a whopping USD1.60b net of Korean equities, the biggest weekly inflow since July 2016. The KOSPI indeed had a strong start to the week as foreigners mopped up USD721.5m net on Tuesday, the largest inflow in a day so far for the year amid the DRAM prices which rallied 7% during the holiday on the back of declining supply in DRAM since mid August. On the same day, the Korean Won took cue from the surge on inflows, appreciating 0.59% to USD/KRW1,135.55, the most since August 28. All in all, the KOSPI and the Korean Won both gained 3.31% and 1.15%, for the week despite some profit taking activity on Friday.
- In Taiwan, foreign investors loaded up USD685.3m net of local stocks, the highest in 15 weeks despite the three day trading week due to the National Day holiday. Foreign buying which occurred on three straight days from Wednesday to Friday with Wednesday registering the highest at USD335.5m net, coinciding with TSMC’s stock experiencing the largest daily gain for the year at 3.8% as concerns over succession eased as a roadmap for the next 5 years has been laid out by the outgoing chairman Morris Chang. Sentiment in Taiwan was also supported by its September exports reaching a record high of USD28.9b underpinned by strong demand for electronic components. With help of equity inflows and better than expected export figures, The Taiex was lifted above the 10,700 level on Friday, posting a weekly gain of 1.82% while the Taiwan Dollar snapped its four week losing streak, advancing 0.82% to USD/TWD30.141.

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)

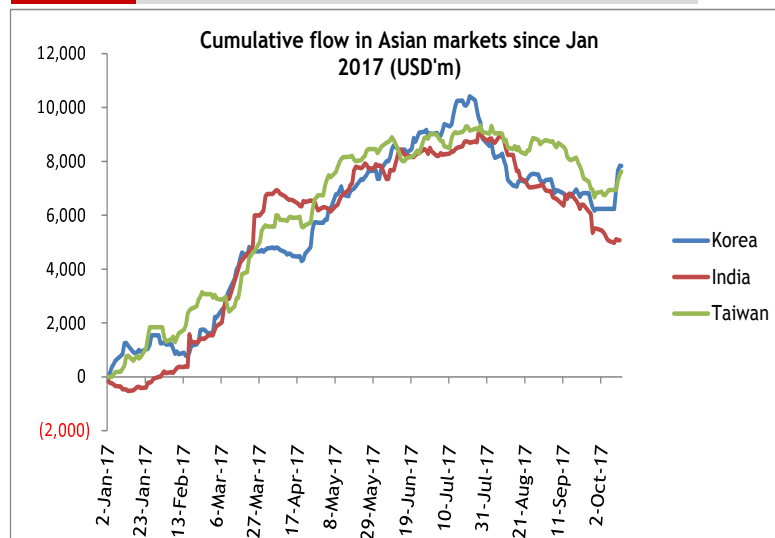


Source: Bloomberg, Bursa Malaysia

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.

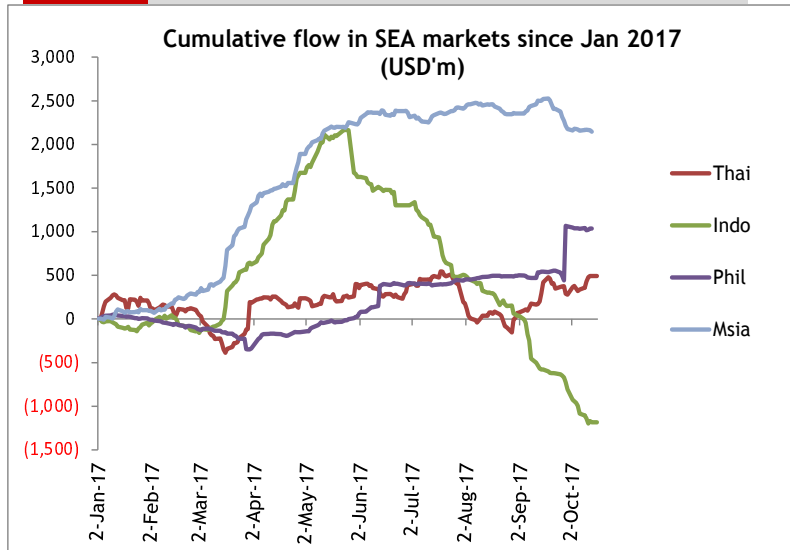
- In Emerging South East Asian markets, Thailand was the only market experiencing foreign net buying for the second week running.
- International investors in Bangkok acquired USD153.5m net last week, almost 3 times more than in the week before. The increase of inflows into Thailand was in line with the SET breaking above the 1,700 on Tuesday after the announcement that elections would be held in November 2018. The SET remained above that level thereafter until the week ended. The key level of 1,700 was last observed back in 1994. As political uncertainties surrounding the next general election have eased, the Baht appreciated 0.95% for the week to USD/THB33.125, ending two weeks of losses.
- Global investors in Manila remained net sellers for the second week but at a measurable level, disposing only -USD2.96m net. This was in contrast with the PSEi's trend which was on a record setting mode, as it hit record highs on four days, ending at 8,448 points on Friday. The rally in Friday was catalysed by the minutes of the Fed meeting showing comments by some policymakers about the stability of the U.S economy to undergo another rate hike this year. However the Peso fell for the third week, declining 0.46% to finish at USD/PHP51.41 amid a widening deficit the nation's economy.
- It has been 15 straight weeks of foreign attrition in Jakarta. Foreign selling has even stretched for 32 trading days from August 29 to October 11, the longest selling binge since 1998. Nonetheless, the levels of foreign attrition reduced last week to -USD98.99m net from -USD278.5m net in the preceding week, coinciding with the 0.32% gain in the JCI. The Rupiah was meanwhile range bound, only appreciating by 0.16% for the week to USD/IDR13,498 as the equity selloff was offset by the demand for Indonesian bonds.

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



Source: Bloomberg

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



Source: Bloomberg, Bursa Malaysia

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

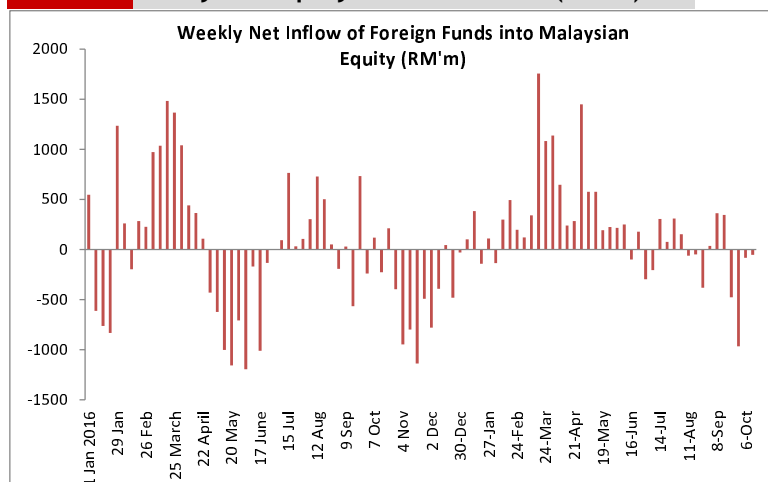
WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
AUG 25	239.7	-180.3	-126.5	-4.9	-622.6	512.3	-89.2	-271.4
SEP 1	-229.2	168.3	-110.7	6.9	17.4	-76.8	8.5	-215.6
SEP 8	-399.3	103.7	-491.6	-21.7	-435.2	-110.2	85.8	-1,268.5
SEP 15	-214.6	242.6	-125.6	68.1	185.9	-638.9	82.1	-400.2
SEP 22	127.9	-71.1	-43.6	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	-41.5	685.22	-12.9	2,278.1

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

C. TRACKING MONEY FLOW - MALAYSIA

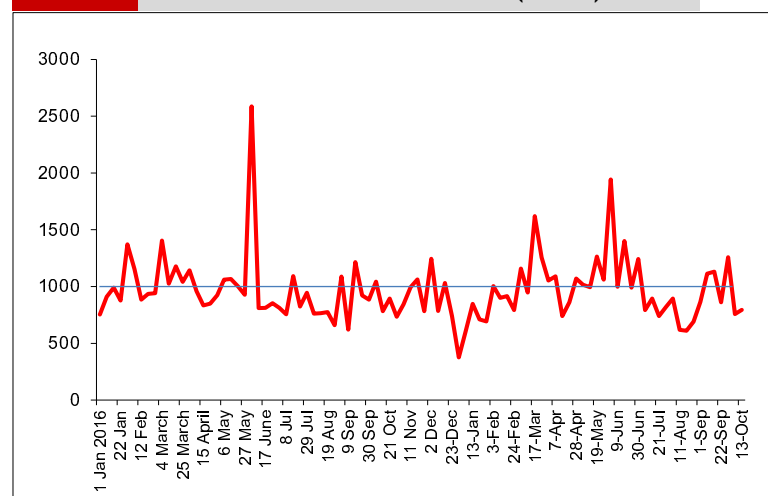
- International investors continued to dispose stocks listed on Bursa the fourth straight week.
- Nonetheless, it has been the second week in a row whereby foreign selling levels have eased, declining from -RM82.9m net in the previous week to -RM54.2m net last week. It was the second lowest attrition experienced this year after the one recorded not so long ago in August which amounted to -RM48.5m net. The estimates made are based on transactions in the open market which excluded off market deals.
- Except on Monday and Friday when there was marginal foreign buying that was below -RM30m on each day, selling dominated the rest of the trading week.
- There was a notable peak in foreign selling on Friday at -RM73.0m net, as the positive Malaysian data released this week which included distributive trade and industrial production, did not act as a strong catalyst to attract foreign buying. However on the same day, the FBM KLCI slightly gained by 0.08% to settle at 1,755 points. We note that last week's foreign selloff was in conformity with what was seen in South East Asian peers, notably Indonesia and the Philippines.
- Last week's attrition reduced the cumulative net foreign inflow into shares listed on Bursa to RM9.47b net slightly lower than the peak of RM11.08b in September. The cumulative amount is still impressive compared to the -RM3.01b and -RM19.5b recorded in 2016 and 2015, respectively.
- Foreign participation was muted with the foreign average daily trade value (ADTV) remaining slightly unchanged, only increasing by 5% to RM795m from RM757m, staying below the RM800m level for the second week
- In contrast, the retail market rebounded as the retail ADTV increased by 15.2% to be near 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)	
SEP 1	1,211.3	1,200.2	11.1	3,163.3	3,210.6	-47.3	1,315.7	1,279.5	36.2	8.5
SEP 8	1,727.3	1,709.5	-63.2	4,529.1	4,774.5	-245.4	2,407.9	2,045.3	362.6	85.8
SEP 15	2,359.7	2,338.5	21.2	5,408.3	5,774.6	-366.3	2,998.5	2,653.4	345.1	82.1
SEP 22	2,035.0	1,976.2	58.8	4,810.4	4,391.5	418.9	1,483.1	1,960.8	-477.7	-114.0
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

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 13 OCTOBER
TOP 10 NET MONEY INFLOWS

- MAHB registered the highest net money inflow of RM5.24m last week. However, its share price outperformed against the FBM KLCI which loss 0.49% for the week. It is notable that the net money inflow amidst declining share price indicates a buy on weakness (BOW) stance among investors.
- Time Dotcom recorded the second highest net money inflow of RM4.13m. Nevertheless, its share price slightly outperformed against the market benchmark with a 0.43% loss during the review week.
- Genting Malaysia saw the third highest net money inflow of RM3.04m. Its share price declined by 2.23% compared to the FBM KLCI which only decreased by 0.49% during the week under review. It is notable that the net money inflow amidst declining share price indicates a buy on weakness (BOW) stance among investors.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
MAHB	5.24	-1.85	-0.12	BOW
TIME DOTCOM	4.13	-1.13	-0.43	BOW
GENTING MSIA	3.04	-3.16	-2.23	BOW
IOI PROP	1.89	1.16	-1.50	BOW
LITRAK	1.04	0.32	0.87	-
RHB BANK BHD	0.77	-0.23	0.00	-
MY EG	0.68	5.70	-0.49	BOW
BURSA	0.58	-0.27	-1.49	BOW
BAT	0.57	-0.99	-1.24	BOW
IHH	0.52	0.62	2.28	-

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- KL Kepong saw the largest net money outflow of -RM29.59m last week. Its share price also slightly outperformed the market benchmark with a 0.32% weekly loss.
- Sime Darby recorded the second largest net money outflow of -RM27.82m during the week under review. Its share price underperformed the benchmark index with a 0.77% loss for the week.
- CIMB meanwhile registered the third largest net money outflow at -RM17.77m. Its share price substantially outperformed the market benchmark with a 0.64% weekly gain. It is notable that the net money outflow amidst advancing share price indicates a sell on strength (SOS) stance among investors.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
KL KEPONG	-29.59	-14.02	-0.32	-
SIME DARBY	-27.82	6.97	-0.77	-
CIMB GROUP	-17.77	14.79	0.64	SOS
MAYBANK	-13.76	4.58	-0.31	-
GAMUDA	-12.47	-9.66	-1.89	-
PETGAS	-8.86	-9.53	2.76	SOS
HLBK	-8.60	-1.63	0.88	SOS
PUBLIC BANK	-7.89	-19.51	-0.29	-
INARI	-6.62	-4.14	1.15	SOS
F&N	-3.61	-0.46	0.16	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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