

MIDF EQUITY STRATEGY | 30 OCTOBER 2017

WEEK ENDED 27 OCTOBER 2017

- Most equity markets worldwide staged an astounding rebound last week amid a slew of impressive corporate earnings spanning from the U.S to Europe and Japan.
- The three major U.S benchmarks ended the week with gains as the S&P500 and the Nasdaq surged to fresh record highs of 2,581 points and 6,701 points, respectively on Friday. Optimism on Wall Street was rekindled with Amazon's 3Q17 earnings topping analysts' estimates, sending its share price to USD1,100 per share for the first time ever.
- Brent crude oil surged 4.66% to settle at USD60.44pb for the week, a level not seen in more than two years. Confidence in the oil market was mainly supported by a higher possibility that OPEC will extend output cuts beyond March 2018 following comments by Saudi Arabia Crown Prince, Mohammed Salman.
- The flow of global money into Asian markets continued for the third week at a stronger pace. The provisional aggregate data from the seven Asian exchanges that we track saw investors classified as "foreign" acquired USD1.39b net last week.
- Malaysian equity has been subjected to foreign selling for the past six uninterrupted weeks. The net amount sold by foreign investors on Bursa last week was -RM92.1m, the highest in October.
- The FBM KLCI stepped out of the red zone, gaining 0.31% for the week to close at 1,746 points amid the announcement of the "mother" of all budgets by Prime Minister Datuk Seri Najib Razak on Friday. The Ringgit meanwhile depreciated by 0.40% for the week to a seven-week low at USD/MYR4.242.

HALLOWEEN SPOOKS INVESTORS ON BURSA

A. MARKET SNAPSHOT

- Most equity markets worldwide staged an astounding rebound last week amid a slew of impressive corporate earnings spanning from the U.S to Europe and Japan.
- U.S benchmark indexes had a bad start for the week with the S&P 500 facing its biggest lose in a day in almost seven weeks at 0.40% on Monday dragged by technology related stocks. The Dow Jones followed suit, losing 0.23% the same day, the biggest in four weeks. Market sentiment was further dampened on Wednesday after President Trump's tax reform plans turned bleak following the critics from Republican senators Jeff Flake and Bob Corker. The uncertainty in tax reforms also saw the increase in the yield of 10 year US Treasury bonds to a seven-month high at 2.43%.
- Nonetheless, the three major U.S benchmarks ended the week with gains as the S&P500 and the Nasdaq surged to fresh record highs of 2,581 points and 6,701 points, respectively on Friday. Optimism on Wall Street was rekindled with Amazon's 3Q17 earnings topping analysts' estimates, sending its share price to USD1,100 per share for the first time ever. Moreover, the budget blueprint was also cleared by the White House, paving way for a tax overhaul.
- Japan was in the spotlight in Asia following President Abe's victory in the snap election which bolstered confidence in the Nikkei index. It extended its winning streak to 16 days until Tuesday, the longest in history. Even on Friday, the Nikkei soared to a fresh 21-year high of 22,008 points with banks providing the biggest boost, despite the Yen weakening to its lowest level in seven months at USD/JPY114.08.
- In Europe, the European Central Bank (ECB) announced on Thursday to reduce its bond purchase program to EUR30b per month for a period of nine months starting from January 2018. As a consequence, investors fled the Euro, sending the currency to a two month low at USD/EUR0.8614, while facing its biggest weekly loss of the year so far at 1.49%.
- Brent crude oil surged 4.66% to settle at USD60.44pb for the week, a level not seen in more than two years. Confidence in the oil market was mainly supported by a higher possibility that OPEC will extend output cuts beyond March 2018 following comments by Saudi Arabia Crown Prince, Mohammed Salman which expressed the kingdom's support for an extension in order to overcome the oil supply glut.
- The FBM KLCI stepped out of the red zone, gaining 0.31% for the week to close at 1,746 points amid the announcement of the "mother" of all budgets by Prime Minister Datuk Seri Najib Razak on Friday. The 2018 Budget was indeed a positive catalyst for the local market as it outperformed other regional benchmarks including Korea, Hong Kong and the Philippines. The Ringgit meanwhile depreciated by 0.40% for the week to a seven-week low at USD/MYR4.242.

Table 1 Weekly performance of major indices

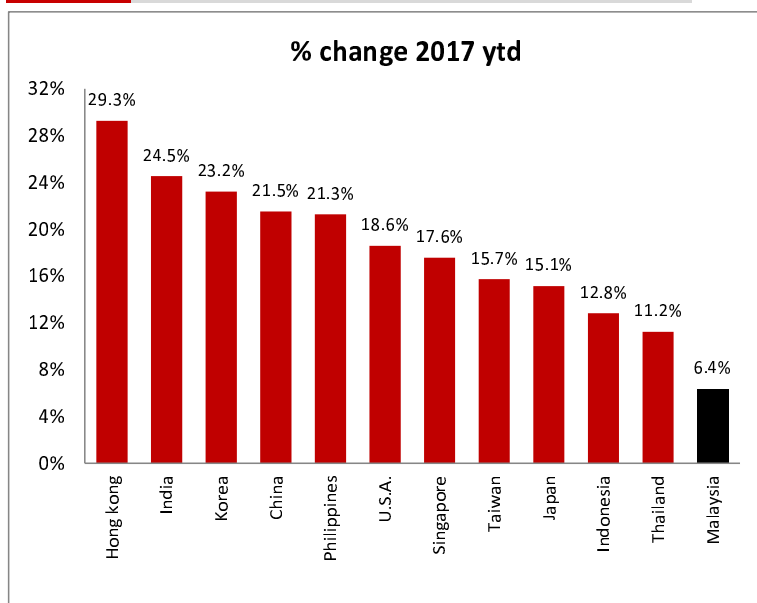
Weekly % change	Week before	Last week
Nikkei	1.43	2.57
China CSI 300	0.15	2.42
India SENSEX	-0.13	2.37
CAC 40	0.39	2.27
DAX	0.00	1.74
Thai SET	-1.16	1.39
FSSTI Index	0.65	1.37
Jakarta JCI	0.09	0.77
Dow Jones	2.00	0.45
KLCI	-0.84	0.31
Korea KOSPI	0.64	0.28
S&P 500	0.86	0.23
Hang Seng	0.04	-0.17
Taiwan TAIEX	0.04	-0.18
FTSE 100	-0.16	-0.24
Phil PCOMP	-0.32	-1.48

Source: Bloomberg

B. TRACKING MONEY FLOW - ASIA¹

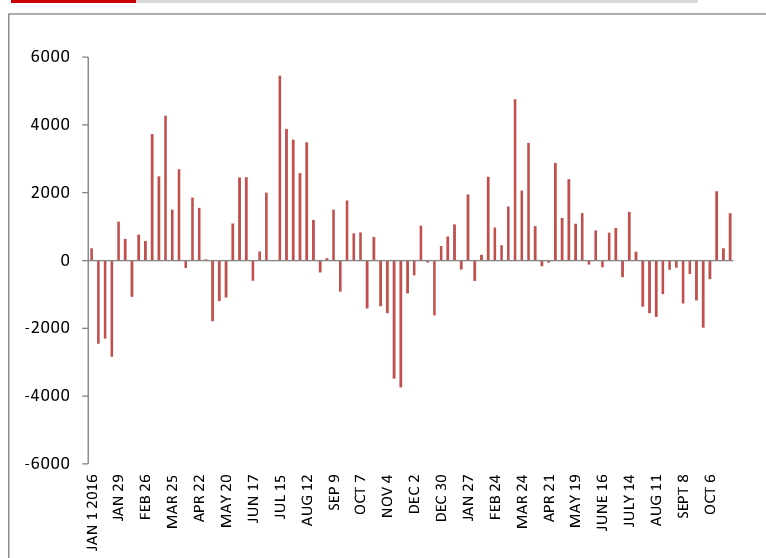
- The flow of global money into Asian markets continued for the third week at a stronger pace. The provisional aggregate data from the seven Asian exchanges that we track saw investors classified as “foreign” acquired USD1.39b net last week, almost four times the acquisition in the preceding week which amounted to USD362.9m.
- Foreign investors entered Korea at a rather similar pace, acquiring USD235.7m net compared to the USD300.4m snapped up in the week before. Heavy foreign buying occurred on Monday as foreign investors bought USD250.1m net, the highest in almost two weeks as optimism spilled over from neighbouring Japan’s Nikkei rally spurred by President Abe’s victory in the recent snap election. The KOSPI was also positively affected, staging a record run from Monday to Wednesday, before taking a breather on Thursday. Nevertheless, the KOSPI jumped 0.64% to another all-time high of 2,496 points on Friday. The overall improvement of risk-on mood in Korea could be partly attributable to the rebound in Korea’s consumer confidence in October which increased by 1.5% to 109.2 points amid easing tensions between Washington and Pyongyang. Aside from that, Korea’s 3Q17 GDP grew 1.4% qoq, the fastest since 2Q10 on the back by exports recovery due to the global demand for the nation’s memory chips weighing down on the decline of inbound tourists from China.
- For the fourth consecutive week, international investors have been buying Taiwan equities. In spite of that, the foreign buying level in Taiwan has tapered, as foreign investors only chipped in USD79.8m net, almost one tenth of the amount acquired in the week before which was USD713.1m net. The ease in foreign buying coincided with the 0.18% weekly drop in the Taiex, the first decline in three weeks. Decliners were led by Apple suppliers such as Largan Precision and Genius Electronic Optical but stocks in this category may react positively this week as pre-orders for Apple’s iPhone X began last Friday. Currency wise, the Taiwan Dollar was slightly unchanged for the week, only declining 0.06% to settle at USD/TWD30.269 as brightened prospects on the U.S tax reform aided the greenback. The Taiwan Dollar has retreated 0.88% since hitting its strongest level for the year on September 8 at USD/TWD30.

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)

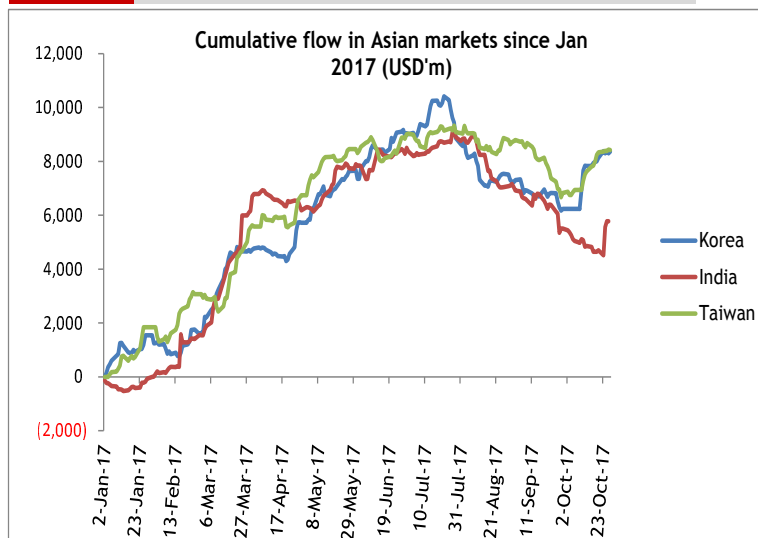


Source: Bloomberg, Bursa Malaysia

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.

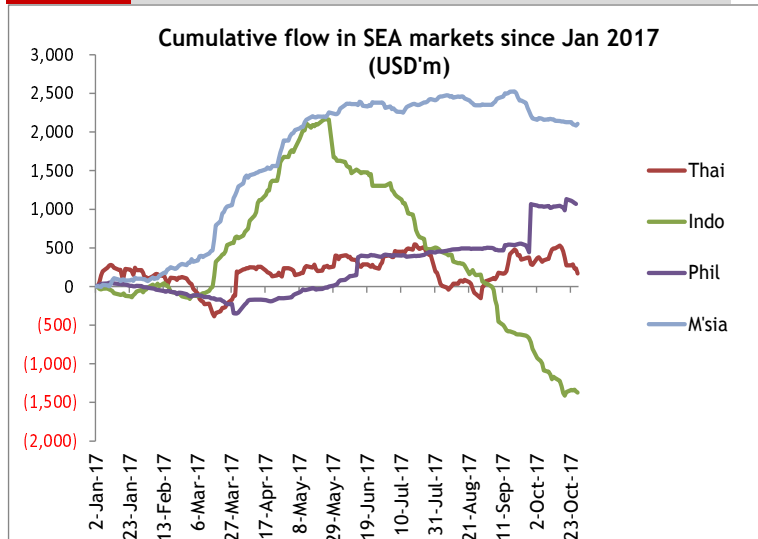
- In Emerging South East Asian markets, foreign net selling was across the board except for the Philippines.
- Foreign funds dumped -USD107.0m net in Bangkok during the four day trading week as five out of 11 banks listed in Thailand saw their gross bad loan ratios increased for 3Q17. Markets were closed on Thursday in conjunction with King Bhumibol's cremation. The Thai Baht took cue from the net outflow to drop by 0.42% on a weekly basis to USD/THB33.328, the largest weekly fall in four weeks. However, the SET moved in an opposite direction, gaining 1.39% for the week.
- Global investors turned net buyers in Manila after three weeks of hesitation as they snapped up USD85.2m net last week. It is noteworthy that foreign buying only occurred on Monday which amounted to USD147.0m net, the highest in October so far following the disposal of a part of Mermac's stake in Ayala Corp which boosted the public float. In contrast, the PSEi shed 125 points for the week to close below 8,300 points amid the contained but persistent foreign selling from Tuesday until Friday which only ranged from -USD10m to -USD23m net.
- Foreign disposal persists in Jakarta for its 17th straight week. The JCI marked its fourth week of gains, advancing 0.77% for the week. In fact, the JCI nudged higher to a new record level of 6,025 points on Wednesday, boosted by banking stocks such as PT Bank Mandiri which rallied 2.6% amid declining yields of local bonds. It was rather a bad week for the Rupiah as it declined 0.66% to USD/IDR13,609, its weakest level in 16 months following high U.S treasury yield which reduced the attractiveness of assets in emerging markets.

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)

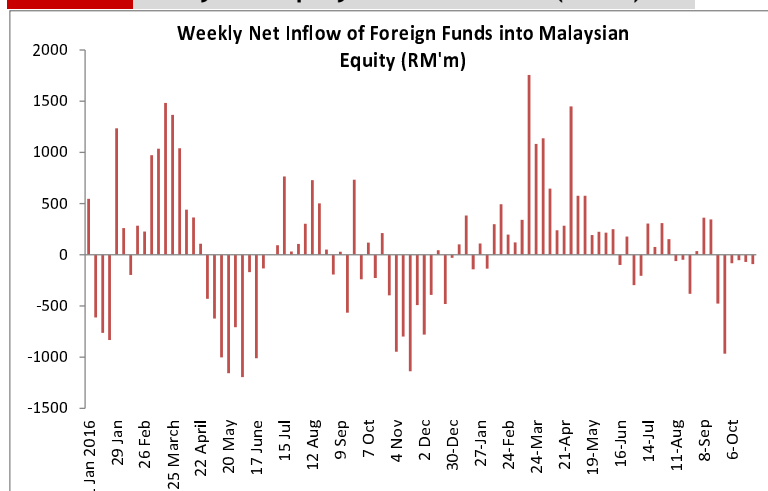
WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
SEP 8	-399.3	103.7	-491.6	-21.7	-435.2	-110.2	85.8	-1,268.5
SEP 15	-214.6	242.6	-125.6	68.1	185.9	-638.9	82.1	-400.2
SEP 22	127.9	-71.1	-43.6	12.0	-407.4	-677.1	-114.0	-1,173.3
SEP 29	-587.5	-68.6	-183.4	511.4	-883.3	-541.5	-229.4	-1,982.3
OCT 6	0.00	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	-281.0	685.22	-12.9	2,038.6
OCT 20	300.4	-217.0	-183.0	-49.7	-12.0	713.1	-16.9	362.9
OCT 27	235.8	-107.0	-5.22	85.2	1,126.7	79.8	-21.8	1,393.4

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

C. TRACKING MONEY FLOW - MALAYSIA

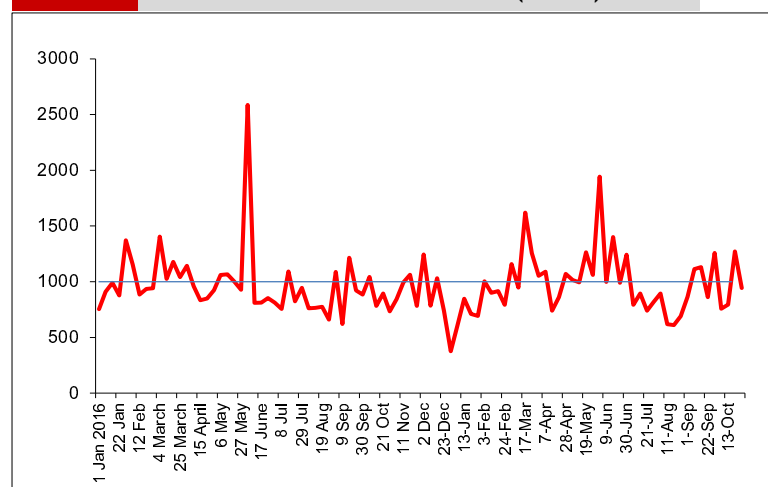
- Malaysian equity has been subjected to foreign selling for the past six uninterrupted weeks. The pace is still within a measurable level as foreign attrition has remained below -RM100m net for the past four weeks.
- The net amount sold by foreign investors on Bursa last week was -RM92.1m, the highest in October. The amount sold was also higher than the -RM71.4m net recorded in the week before, marking the third week of increased foreign selling. The estimates made are based on transactions in the open market which excluded off market deals.
- Foreign investors reduced their holdings in Malaysian equity throughout the whole week except on Friday. Foreign selling peaked on Tuesday at -USD120m net, the highest in 17 days, coinciding with FBM KLCI's 0.31% drop to 1,736 points, the lowest since April 17 after taking cue from technology and industrial stocks which dragged Wall Street the day before.
- On a positive note, the 11-day selling spree on Bursa came to a halt on Friday as the tabling of the 2018 Budget along with Tenaga Nasional Berhad's huge dividend payout provided impetus for foreign buying worth RM90.8m net. However, the triggered foreign buying was not enough to offset the persistent outflow from Monday to Thursday which totalled up to -RM182.9m net. It is also notable that the tide out of Malaysia was equally prevalent in other South East Asian markets, namely Thailand and Indonesia.
- With two more trading days left, October is set to be the third month of foreign selling this year. The cumulative month-to-date net foreign outflow into shares listed on Bursa currently stands at -RM300.6m.
- Foreign participation eased after surging the week before as the foreign average daily trade value (ADTV) retreated 26.0% to settle below RM1b at RM943.3m.
- The retail market remained subdued as the retail ADTV declined by 4.5% from RM995.3m to RM950.1m.

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 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
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

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 27 OCTOBER
TOP 10 NET MONEY INFLOWS

- Malaysia Airports Holding Berhad registered the highest net money inflow of RM32.87m last week. Its share price gained 0.48% for the week, outperforming the FBM KLCI which only gained 0.31% on a weekly basis.
- Kuala Lumpur Kepong Berhad recorded the second highest net money inflow of RM22.23m. Its share price underperformed against the market benchmark with a 0.08% gain during the review week.
- Public Bank saw the third highest net money inflow of RM9.19m. Its share price advanced by 0.10% compared to the FBM KLCI which increased by 0.10% during the week under review. The company announced a 13.5% increase in its 3Q17 net profit

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
MAHB	32.87	13.31	0.48	-
KL KEPONG	22.23	-2.00	0.08	-
PUBLIC BANK	9.19	-7.41	0.10	-
IOI PROP	3.04	0.29	1.02	-
F&N	2.96	-1.27	1.20	-
GAMUDA	2.71	-10.47	1.36	-
IOI CORP	1.89	10.51	0.67	-
KLCCP	1.73	-0.29	0.13	-
IHH	1.56	-6.87	-3.10	BOW
HLBK	1.49	-13.61	1.64	-

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- Tenaga Nasional Berhad saw the largest net money outflow of -RM42.22m last week. Its share price also substantially outperformed the market benchmark with a staggering 4.47% weekly gain. The company proposed a final dividend of RM0.44 per share amounting to RM2.49b, raising the annual dividend payout to a record high of RM3.50b. It is notable that the net money outflow amidst advancing share price indicates sell on strength (SOS) stance among investors.
- Nestle recorded the second largest net money outflow of -RM39.55m during the week under review. Its share price outperformed the benchmark index with a 1.52% gain for the week.
- Petronas Chemicals meanwhile registered the third largest net money outflow at -RM10.15m. Its share price underperformed the market benchmark with a 2.12% weekly loss.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
TNB	-42.22	-11.99	4.47	SOS
NESTLE	-39.55	2.53	1.52	SOS
PETCHEM	-10.15	-23.03	-2.12	-
GENTING BHD	-8.49	-1.03	-1.70	-
DIALOG	-8.38	-0.34	0.89	SOS
SIME DARBY	-6.63	-1.28	1.21	SOS
HARTALEGA	-5.57	16.25	-0.65	-
MY EG	-4.21	1.55	0.99	SOS
CIMB	-3.92	-11.05	-1.94	-
FGV	-2.73	-4.26	0.55	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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