

MIDF EQUITY STRATEGY | 8 OCTOBER 2018

WEEK ENDED 5 OCTOBER

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- On Friday, the rise U.S Treasury yields combined with weak U.S payrolls report continued to be a drag on Wall Street, pulling the Dow Jones and S&P500 by not more than 1.0%. The 130,000 jobs added in September were below consensus' estimates.
- Brent crude oil price remained above USD80pb, gaining 1.74% for the week to end at USD84.16pb, supported by the anticipation of U.S sanctions on Iran that are set to take place in November. Prior to that, Brent crude oil price reached its highest level since late 2014 at USD86.74pb but were later capped by news of Saudi Arabia and Russia planning to increase output to partly compensate for the expected disruptions from Iran.
- There was an exodus of foreign funds from Asian markets last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" dumped -USD3.65b net last week.
- After three uninterrupted weeks of foreign net inflows into stocks listed on Bursa, international investors turned into selling mode albeit at a marginal pace. Based on preliminary data from Bursa which excluded off market deals, international funds withdrew -RM69.0m net of local equities last week.
- The FBM KLCI ended 0.89% lower for the week to end at 1,777 points. Likewise, the Ringgit depreciated by 0.27% to USD/MYR4.1497, a level not seen since November 2017.

FOREIGN INVESTORS TAKE A BREATH ON ASIAN MARKETS

A. MARKET SNAPSHOT

- Equity markets worldwide ended in the red zone last week despite positive developments from the international trade front.
- U.S markets began the week on a strong footing amidst the revised trade pact agreed between the U.S and Mexico which plans to remove tariffs for around USD1.2t worth of goods. On Tuesday, the Dow Jones notched an all-time high of 26,773.94 points boosted by Boeing, 3M and Caterpillar.
- Wall Street resumed its upward momentum on Wednesday, as the Dow Jones closed at a renewed high of 26,828 points, its 15th in 2018, bolstered by encouraging signs of hiring and growth in the service sector. However, the Dow suffered its first decline in six sessions on Thursday as US Treasury yields continued their ascent to multi-year highs on the latest round of strong economic data. U.S weekly jobless claims dropped to a near 49-year low of 207,000 for the week ended September 29.
- On Friday, the rise U.S Treasury yields combined with weak U.S payrolls report continued to be a drag on Wall Street, pulling the Dow Jones and S&P500 by not more than 1.0%. The 130,000 jobs added in September were below consensus' estimates.
- In Asia, Japan's Services Purchasing Managers Index (PMI) fell to a two-year low of 50.2 in September, signalling only a marginal rate of growth in business activity. The slowdown was mainly due to natural disasters which hit the nation in September. Notwithstanding this, business confidence remained intact supported by planned new store openings and sales promotion while the gradual increase in wages is likely to support the future consumer spending.
- In Europe, Italy intends to slash its budget deficit beginning in 2020, earlier than initially stated and reduce its debt over the next three years, easing the dispute with the European Union. Italian banking stocks such as Unicredit and Intesa Sanpaolo both jumped higher than 1.0% following the news on Wednesday. However, concerns may arise regarding the ruling coalition's ability to deliver its promises without significant increase in borrowings. Recall that in the week before, the ruling coalition tripled Italy's previous deficit target for the 2019-2021 period to pay for tax cuts, welfare for the poor and a revision of the pension reform.
- Brent crude oil price remained above USD80pb, gaining 1.74% for the week to end at USD84.16pb, supported by the anticipation of U.S sanctions on Iran that are set to take place in November. Prior to that, Brent crude oil price reached its highest level since late 2014 at USD86.74pb but were later capped by news of Saudi Arabia and Russia planning to increase output to partly compensate for the expected disruptions from Iran.

Table 1 Weekly performance of major indices		
Weekly % change	Week before	Last week
China CSI 300	0.83	0.00
Dow Jones	-1.07	-0.04
KLCI	-0.97	-0.89
S&P 500	-0.54	-0.97
DAX	-1.48	-1.10
Nikkei	1.05	-1.39
FSSTI Index	1.22	-1.45
Thai SET	0.02	-2.04
CAC 40	-0.01	-2.44
FTSE 100	0.27	-2.55
Phil PCOMP	-1.44	-2.73
Korea KOSPI	0.17	-3.22
Jakarta JCI	0.32	-4.09
Hang Seng	-0.59	-4.38
Taiwan TAIEX	0.31	-4.44
India SENSEX	-1.67	-5.11

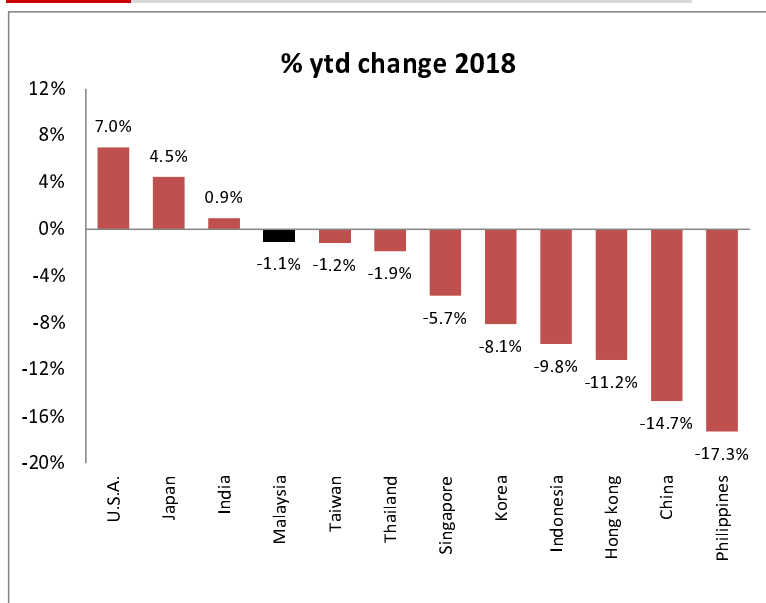
Source: Bloomberg

- The FBM KLCI ended 0.89% lower for the week to end at 1,777 points. Likewise, the Ringgit depreciated by 0.27% to USD/MYR4.1497, a level not seen since November 2017.

B. TRACKING MONEY FLOW - ASIA¹

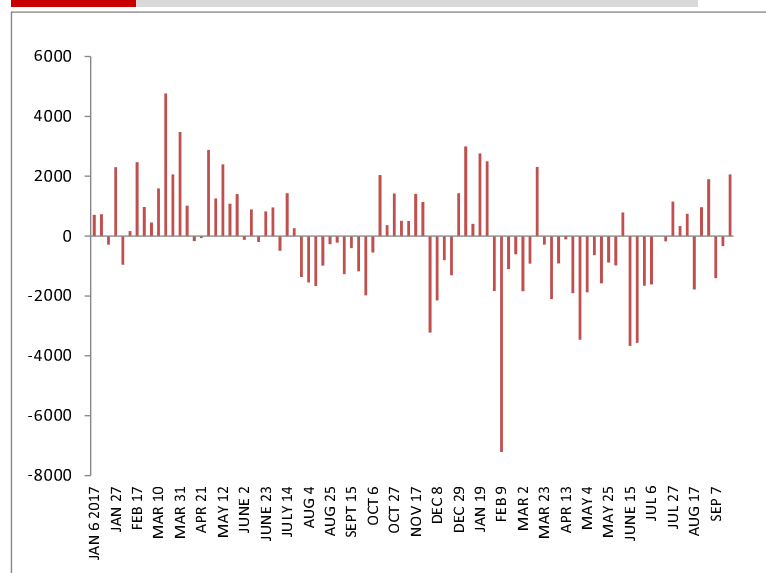
- There was an exodus of foreign funds from Asian markets last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” dumped -USD3.65b net last week, the highest weekly foreign net outflow in 16 weeks.
- The bulk of the outflow was skewed towards North Asia. In Korea, foreign investors shifted their selling mode into a higher gear, disposing over 20 times more than the week before at -USD1.21b net, the highest in 23 weeks. During the holiday-shortened week, foreign investors were net sellers on every single day. While the foreign net attrition on Monday only stood at -USD62.9m net, it later swelled above -USD300m net on Tuesday, Thursday and Friday. Thursday saw the highest daily outflow during the week at -USD473.1m net as shares of South Korean cosmetic players were battered following the decline in tourists from China at the start of October. Also on their radar was the increasing interest rates in October rather than November following the nation’s headline inflation in September beating market expectations of 1.55%yoy after accelerating to 1.9%yoy, the highest in a year.
- Similar to Korea, Taiwan also experienced a weekly foreign net attrition above -USD1b at -USD1.15b, snapping the six-week buying streak. The level of foreign net selling was rather high on Tuesday and Thursday; above -USD400m as investors aggressively offloaded shares of semiconductor players such as TSMC which dropped more than 2% on both days. The Taiwan Dollar took cue of the heavy attrition to drop by 0.42% USD/TWD30.795 on Thursday, the most in three months. On a weekly basis, the Taiwan dollar suffered its biggest weekly decline since March 2017 after ending 1.03% lower at USD/TWD30.847 as the U.S pushed firmer against Beijing following allegations laid out by U.S Vice President Mike Pence regarding Chinese election interference in a harshly worded speech on Thursday.

Chart 1 YTD performance of major markets



Source: Bloomberg

Chart 2 Weekly Net Flow of Foreign Funds into 7 Asian Markets since Jan 2017 (USD'm)

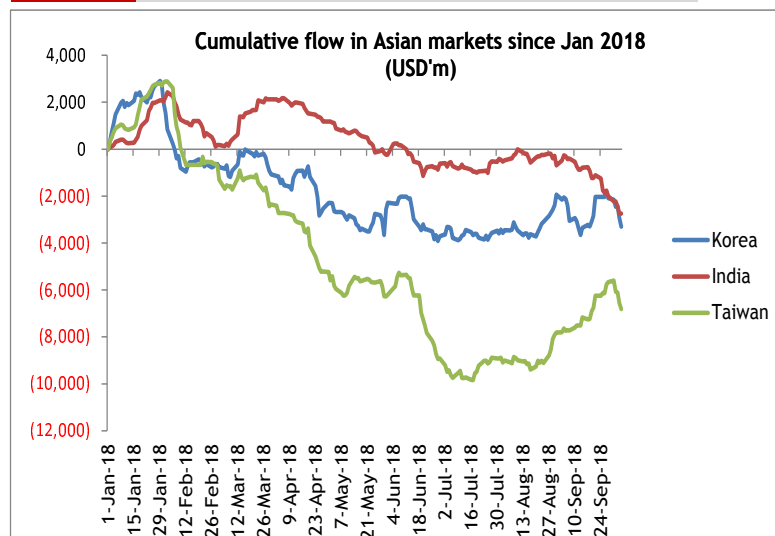


Source: Bloomberg, Bursa Malaysia, MIDFR

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.

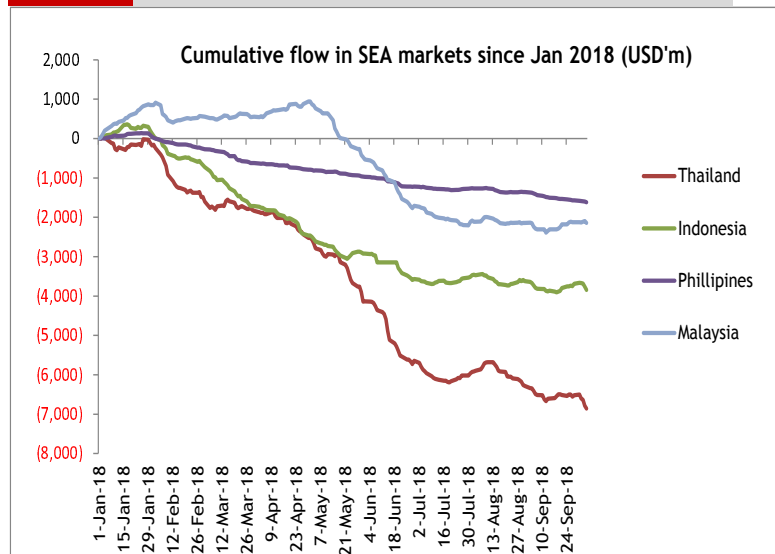
- In the four emerging South East Asian markets, foreign net selling was seen across the board.
- In Bangkok, offshore funds ramped up their selling activity by more than 50 times at -USD338.8m net, the largest foreign net attrition seen amongst the 4 ASEAN markets we track last week. International investors sold the most during the week on Thursday to a tune of -USD151.5m net following the announcement of Bank of Thailand to intervene in the forex market in the event of irregular trends of the currency. Nonetheless Monday saw a decent foreign net inflow of USD14.7m, with Thai Airways being one of the major gainers after advancing as much as 7% the highest intraday price since May 21 as new leadership and state support are seen to bolster the airlines effort to attain profitability.
- Foreign net selling in Manila extended to its fifth consecutive week after offshore funds sold -USD49.2m net. The foreign selling binge as of last Friday has stretched to 27 days. Foreign selling peaked during the week on Friday at -USD16.3m net, coinciding with the PSEi's 0.21% drop to 7,078 points, the lowest level since late June 2018 as September's inflation data which revealed a new nine-year high of 6.7% turned out to be insignificant as investors are now in wait-and-see mode, needing another cue to really make sure that CPI has peaked.
- Jakarta saw its first weekly net outflow in 3 weeks as investors unloaded -USD156.6m net last week. The week started with an inflow of USD25.3m net but later saw a gradual pace of net outflows starting from -USD6.0m on Tuesday right up to -USD83.0m on Friday. The Rupiah posted a 1.84% weekly loss, the worst since May 2016, as the central bank will remain in the market to guard the currency amid a sell-down of emerging-market assets.

Chart 3 Net Flow of Foreign Funds into Taiwan, Korea and India since Jan 2018(USD'm)



Source: Bloomberg, MIDFR

Chart 4 Net Flow of Foreign Funds into South East Asia Emerging Markets since Jan 2018 (USD'm)



Source: Bloomberg, Bursa Malaysia, MIDFR

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

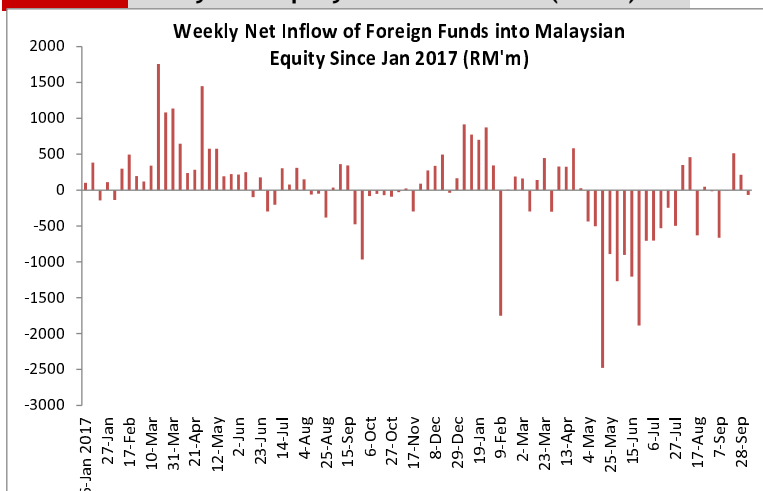
WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
AUG 10	-10.9	221.7	-50.4	-1.2	468.6	7.0	112.5	747.1
AUG 17	-164.5	-238.9	-173.9	-88.5	-566.9	-393.5	-154.0	-1,780.1
AUG 24	530.3	-174.1	6.6	-9.3	321.9	276.8	11.3	963.6
AUG 31	1,152.1	-189.8	69.8	7.8	-439.8	1,301.0	-3.7	1,897.4
SEP 7	-1,109.3	-231.5	-191.6	-82.6	285.9	89.1	-160.0	-1,399.9
SEP 14	-309.2	-88.5	-50.6	-65.4	-378.9	553.6	0.7	-338.4
SEP 21	1,328.0	89.4	68.5	-31.5	-325.2	922.7	124.5	2,176.6
SEP 28	-57.3	-4.9	108.1	-33.1	-896.0	578.8	51.3	-253.0
OCT 5	-1,211.9	-338.8	-156.6	-49.2	-736.5	-1,145.1	-16.6	-3,654.6

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

C. TRACKING MONEY FLOW - MALAYSIA

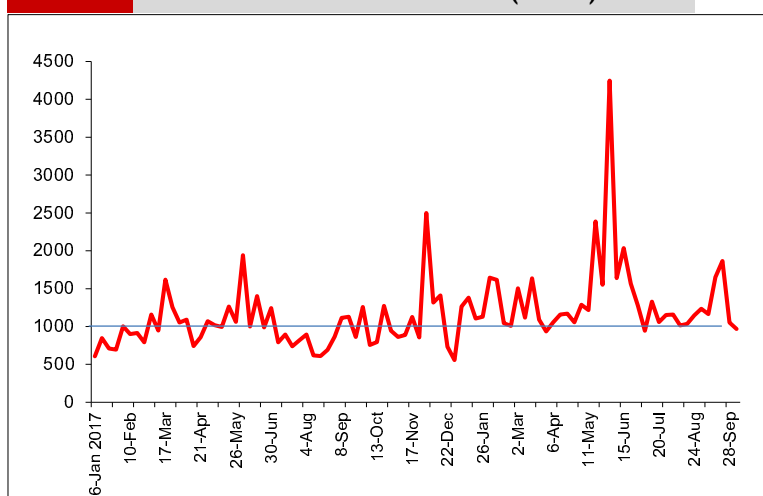
- After three uninterrupted weeks of foreign net inflows into stocks listed on Bursa, international investors turned into selling mode albeit at a marginal pace.
- Based on preliminary data from Bursa which excluded off market deals, international funds sold -RM69.0m net of local equities last week, the second smallest weekly foreign net outflow recorded so far in 2018. Nevertheless, Malaysia saw the lowest level of foreign attrition last week amongst the 4 ASEAN markets we monitor.
- Bursa saw a decent foreign net inflow of RM19.7m on Monday but was later cancelled off by a small net outflow worth -RM36.2m on Tuesday despite the revised trade pact between the U.S and Canada. Foreign funds were on a roll on Wednesday and Thursday as they mopped up local stocks worth more than RM70m on both days. Interestingly, foreign investors in other regional peers namely the Philippines, Thailand, and Indonesia were reducing their exposure during the same period.
- However, offshore funds were back in selling mode on Friday but at a heightened level of -RM209.3m net, the highest in 16 trading days. The local bourse followed suit to decline by 0.72% to 1,777 points on the same day, the lowest close since late July 2018. Risk aversion was spurred by the rise in U.S 10-year treasury yields overnight which breached above 3.2%, a level not seen in 7 years.
- So far in 2018, the total foreign net outflow from Malaysia as of last Friday stood at -RM8.6b, offsetting approximately 86% of last year's RM10.3b foreign net inflow. Meanwhile, Malaysia still retains its position as the nation with the second lowest year-to-date foreign net outflow amongst the four ASEAN markets we track.
- Participation of foreign investors dipped as its weekly average daily traded value (ADTV) ended 8.2% below the RM1b mark for the first time in 13 weeks. Meanwhile, participation in the retail market and local institutional funds remained healthy above RM800m and RM2b respectively.

Chart 5 Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2017 (RM'm)



Source: Bursa Malaysia preliminary statistics, MIDFR

Chart 6 Foreign Participation on Bursa: Daily Average for the Week since Jan 2017 (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)	
AUG 31	2,280.2	2,259.1	21.1	5,159.7	5,165.5	-5.8	2,462.7	2,478.0	-15.3	-3.7
SEP 7	2,142.7	2,108.3	34.4	5,423.6	4,794.6	629.0	2,580.3	3,243.7	-663.4	-160.0
SEP 14	1,489.4	1,512.8	-23.4	3,900.5	3,879.7	20.8	2,476.1	2,473.5	2.6	0.7
SEP 21	1,712.5	1,763.3	-50.8	3,810.4	4,274.4	-464.0	3,986.6	3,471.8	514.8	124.5
SEP 28	2,269.6	2,319.4	-49.8	5,339.2	5,501.7	-162.5	2,739.6	2,527.3	212.3	51.3
OCT 5	2,567.3	2,514.6	52.7	5,169.4	5,153.1	16.3	2,383.6	2,452.6	-69.0	-16.6

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 OCTOBER
TOP 10 NET MONEY INFLOWS

- Public Bank Berhad registered the highest net money inflow of RM40.29m last week. Its share price outperformed with a -0.08% loss against the FBM KLCI which declined -0.89% during the week under review.
- UMW Holdings Berhad recorded the second highest net money inflow of RM6.77m. Its share price was -4.18% lower for the week, underperforming against the market benchmark which was only -0.89% lower. Nonetheless, it is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.
- British American Tobacco Berhad saw the third highest net money inflow of RM5.63m. Its share price ended unchanged during the week under review.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
PUBLIC BANK	40.29	84.20	-0.08	BOW
UMW HOLDINGS	6.77	1.43	-4.18	BOW
BAT	5.63	-1.18	5.61	-
SAPURA ENERGY	3.77	-0.92	-4.88	BOW
MAYBANK	3.46	14.88	-1.33	BOW
CIMB GROUP	2.31	-42.53	0.50	-
MAHB	2.07	13.95	-3.60	BOW
AIRASIA GROUP	1.96	1.16	-4.43	BOW
IOI CORP	1.77	1.06	-1.10	BOW
HEINEKEN	1.43	0.36	1.69	-

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS


- Petronas Chemicals Berhad saw the largest net money outflow of -RM47.52m last week. Its stock price gained 0.32%, outperforming vis-à-vis the FBM KLCI which lost -0.89% during the review week. It is notable that the net money outflow amidst advancing share price may indicate a sell on strength (SOS) stance among some investors.
- Tenaga Nasional Berhad recorded the second largest net money outflow -RM18.48m during the week under review. Its share price meanwhile declined -0.13% for the week, outperforming the market benchmark which had a -0.89% weekly decline.
- Petronas Gas Berhad registered the third largest net money outflow of -RM8.30m in the review week. Its share price meanwhile dropped -0.63% during the week, outperforming the benchmark which had a -0.89% weekly decline. 

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
PETCHEM	-47.52	-33.11	0.32	SOS
TNB	-18.48	4.89	-0.13	-
PETGAS	-8.30	2.86	-0.63	-
GAMUDA	-6.61	-1.47	-4.46	-
F&N	-6.51	-0.09	-0.11	-
SIME DARBY	-4.10	-0.38	0.77	SOS
DIALOG	-3.89	-1.36	-1.43	-
YINSON	-3.08	6.15	5.43	SOS
AXIATA	-2.49	1.17	-5.70	-
DRB-HICOM	-1.97	1.12	-2.30	-

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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