

MIDF EQUITY STRATEGY | 25 SEPTEMBER 2017 WEEK ENDED 22 SEPTEMBER 2017

- Equity markets worldwide were trading in a narrow range last week amid resurfaced tensions from the Korean Peninsula which diverted investors' attention from the raft of major monetary policy decisions.
- Wall Street started the week on a strong footing as the Dow Jones and the S&P 500 indices continued climbing to new record highs until Wednesday to reach 22,349 points and 2,508 points, respectively. The peak of the two indices on Wednesday coincided with higher bond yields that lifted banking related stocks after the Fed decided to maintain interest rates between 1-1.25% .
- Brent crude oil price marked its fourth week of gains, advancing 2.23% for the week to settle above the USD56pb level for the first time since February as the OPEC showed that compliance of OPEC and non-OPEC with the output cut deal reached record levels of 116% in August.
- Foreign tide continued to leave Asia for the ninth consecutive week. Based on provisional aggregate data from the seven Asian exchanges that we track, investors classified as "foreign" offloaded -USD1.3b net.
- After three consecutive weeks of foreign inflows, global investors took a breather as they cleared positions ahead of the long weekend. Based on preliminary data from Bursa which excluded off-market trades, foreign investors offloaded -RM477.7m net last week.
- The FBM KLCI entered the redzone as it declined by 0.86% for the week after 3 straight weeks of gains. The Ringgit followed suit, depreciating by 0.20% to USD/MYR4.198, ending its 5-week winning streak.

25 September 2017 | Strategy - Weekly Fund Flow

Adam M Rahim

OUTFLOW CONTINUES IN ASIA AMID RENEWED GEOPOLITICAL THREATS

A. MARKET SNAPSHOT

- Equity markets worldwide were trading in a narrow range last week amid resurfaced tensions from the Korean Peninsula which diverted investors' attention from the raft of major monetary policy decisions.
- Wall Street started the week on a strong footing as the Dow Jones and the S&P 500 indices continued climbing to new record highs until Wednesday to reach 22,349 points and 2,508 points, respectively. The peak of the two indices on Wednesday coincided with higher bond yields that lifted banking related stocks after the Fed decided to maintain interest rates between 1-1.25% with intentions for one more rate hike this year. In addition, the Fed reiterated its plan to unwind its USD4.5t balance sheet starting from October.
- However, market sentiment turned sour on Friday as North Korea will consider the "highest level action" in response to President Trump's latest threat. President Trump pledged during the United Nations meeting to "totally destroy" North Korea if it continues intimidating the U.S and its allies during and also ordered stiffer sanctions on the hermit kingdom. The heated rhetoric between the two nations saw the Dollar index dropping from a one-week high of 92.508 to end at 92.171 that was still higher by 0.13% for the week.
- Meanwhile in Asia, China's sovereign credit rating was downgraded by Standard & Poors (S&P) due to China's struggle to mitigate risks from the piling debt coupled with the speed of credit growth.
- In Britain, the pound was 0.4% lower for the day at GBP/USD1.3527 after British Prime Minister Theresa May proposed that a two-year transition period after March 2019 to ensure a smooth Brexit. May also noted that she is willing to pull Britain out of the European Union without any deals, a step seen to be detrimental to the nation.
- Brent crude oil price marked its fourth week of gains, advancing 2.23% for the week to settle above the USD56pb level for the first time since February. Although oil producers failed to reach a consensus to extend output cuts beyond March 2018, outlook for oil market was revived after the OPEC showed that compliance of OPEC and non-OPEC with the output cut deal reached record levels of 116% in August.
- The FBM KLCI entered the redzone as it declined by 0.86% for the week after 3 straight weeks of gains. The Ringgit followed suit, depreciating by 0.20% to USD/MYR4.198, ending its 5-week winning streak.

Table 1 Weekly performance of major indices

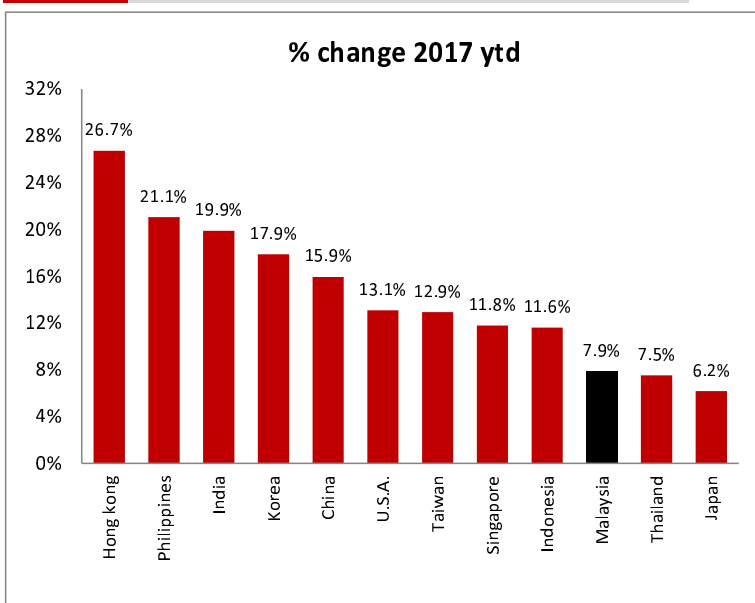
Weekly % change	Week before	Last week
Nikkei	3.29	1.94
FTSE 100	-2.34	1.47
CAC 40	2.00	1.26
Phil PCOMP	1.97	1.23
Jakarta JCI	0.26	0.67
Dow Jones	1.86	0.66
DAX	1.78	0.55
FSSTI Index	-0.59	0.33
S&P 500	1.39	0.26
Hang Seng	0.50	0.26
China CSI 300	0.14	0.17
Korea KOSPI	1.81	0.11
Thai SET	1.52	-0.09
KLCI	0.36	-0.86
India SENSEX	1.85	-1.09
Taiwan TAIEX	-0.28	-1.24

Source: Bloomberg

B. TRACKING MONEY FLOW - ASIA¹

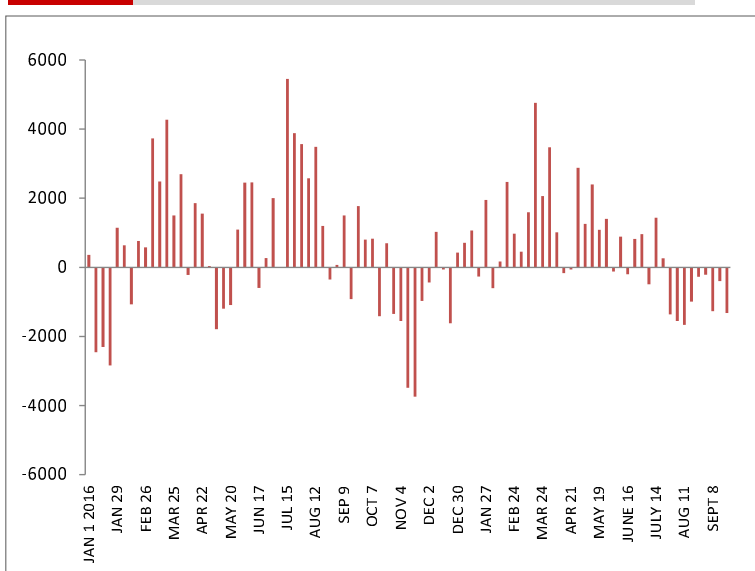
- Foreign tide continued to leave Asia for the ninth consecutive week. Based on provisional aggregate data from the seven Asian exchanges that we track, investors classified as “foreign” offloaded -USD1.3b net, more than triple the amount recorded in the week before which was -USD400.2m net.
- Despite the renewed flare-up between the U.S and North Korea, foreign funds still snapped up USD127.9m net in Korea after three straight weeks of hesitation. Investors in Korea seem to be focusing more on their own president’s plan to uphold the domestic economy. However, the spillover effect of the brawl between the communist regime and the world super power saw daily foreign purchases tapering to USD27.7m net on Friday, coinciding with the KOSPI index hitting the lowest point of the week the same day at 2,388 points but was marginally up by 0.11% for the week. Meanwhile, the Korean Won was also affected by reports of North Korea to consider a hydrogen bomb test in the Pacific, hitting a 24-day low at USD/KRW1,136 on Friday.
- Taiwan was the casualty of the week with foreign investors offloading -USD677.1m net, stretching foreign attrition to the fourth week. Global funds were only net buyers on Monday which concurred with Taiex’s highest close since April 1990 at 10,631 points as memory chipmaker, Nanya Technology was one of the main contributors after DRAM prices increased the week before. Notwithstanding this, the Taiex declined by 1.24% for the week due to meager iPhone 8 sales amid the iPhone X anticipation in November causing investors to refrain from picking up stocks of iPhone assemblers until the sales figures are released. Likewise the Taiwan Dollar weakened by 0.39% for the week to USD/TWD30.171 being mainly dragged by the Fed’s projection for another four rate hikes by the end of 2018. This is the biggest weekly loss recorded in six weeks. On the economic front, the central bank of Taiwan kept rates steady for a fifth quarter in a row at 1.375% following dampened investment sentiment and sluggish retail sales growth.
- In Emerging South East Asian markets, Philippines was the only market which

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

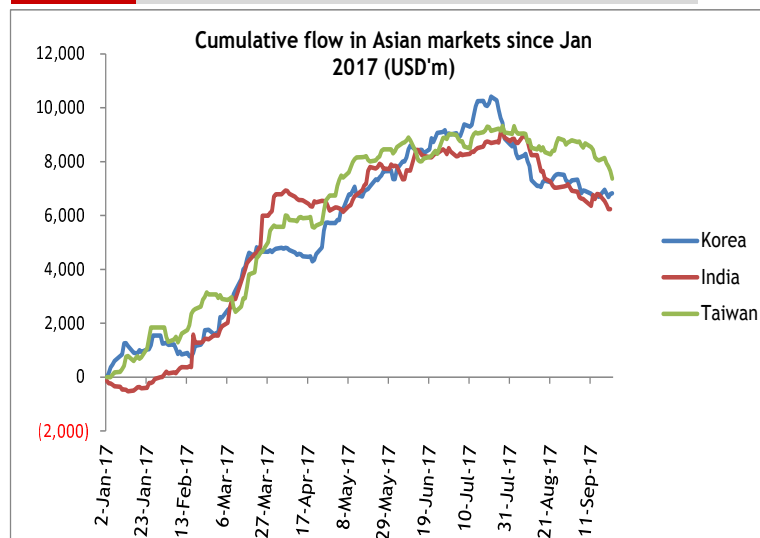
¹ Based on 7 Asian markets, for which fund flow data is publicly available. These are our proxy for Asia: TIPS (Thailand, Indonesia, Philippines), Korea, Taiwan, India and Malaysia.

attracted inflows.

- Global investors slowly evolved into net sellers in Bangkok after three weeks of acquisition, selling off -USD71.1m net. The measured pace of foreign selling in Thailand was in line with the SET's marginal weekly decline of 0.09%. In contrast, the Thai Baht continued its advance for fourth week running, ending 0.05% higher for the week at USD/THB33.086. It is noteworthy that the strength of Thai Baht which has gained by 8% against the greenback has not put a dent of Thailand's exports which grew 13.2% yoy in August, the fastest pace since January 2013.
- Global funds continued to chip in the Philippine equities as the ghost month came to an end. A positive trend was also seen in the PSEi as it rocketed to another fresh high on Monday at 8,294 points amid optimism on President Duterte's plan for tax reforms, and infrastructure push. Currency wise, the Peso booked its biggest weekly gain since October 2015 to end 1.14% higher at USD/PHP50.668 as investors pocketed gains from the strong dollar after factoring in North Korea's latest threat.
- Foreign withdrawal has extended to its 12th week in Indonesia. Nonetheless, the JCI touched an intraday record high at 5,917 points on Friday before closing at 5,911 points, leading to a 0.67% weekly gain. It was no surprise that banks were the biggest boost to gauge on Friday amid Bank of Indonesia's policy meeting. The Indonesian central bank took a different approach from its Southeast Asian peers by slashing rates to 0.25% which was the second month in a row in which a rate cut took place. The rationale of doing so was to lift the sluggish lending and consumption which has been a hurdle in the nation's economic growth.

Chart 3

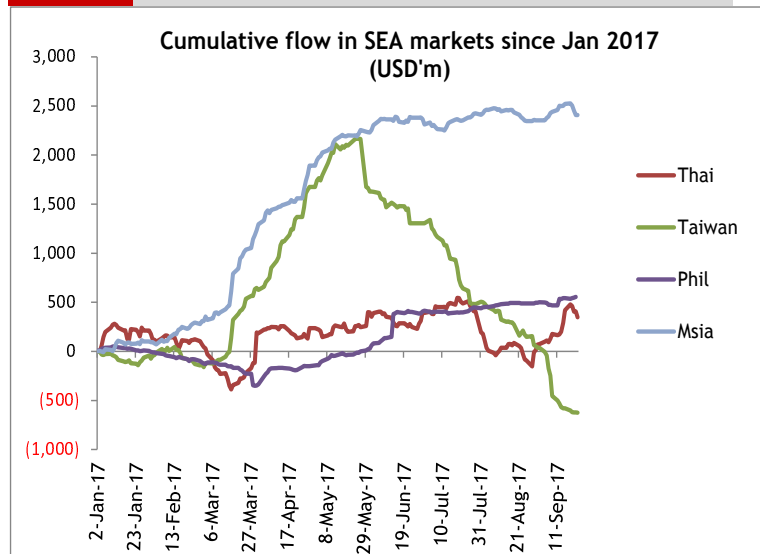
Net Flow of Foreign Funds into Taiwan, Korea and India since Jan 2017(USD'm)



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)

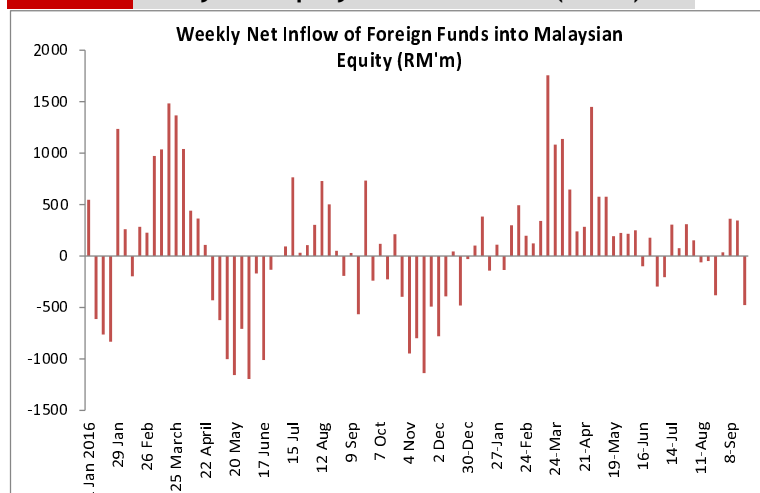
WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
AUG 4	-733.1	-400.4	-32.4	4.6	-372.6	-50.6	35.3	-1,549.2
AUG 11	-811.0	27.8	-125.5	23.3	-234.5	-528.4	-14.7	-1,662.9
AUG 18	-19.6	49.5	-48.0	17.8	-826.5	-151.9	-11.3	-989.9
AUG 25	239.7	-180.3	-126.5	-4.9	-622.6	512.3	-89.2	-271.4
SEP 1	-229.2	168.3	-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	-558.5	-677.1	-114.0	-1,324.3

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

C. TRACKING MONEY FLOW - MALAYSIA

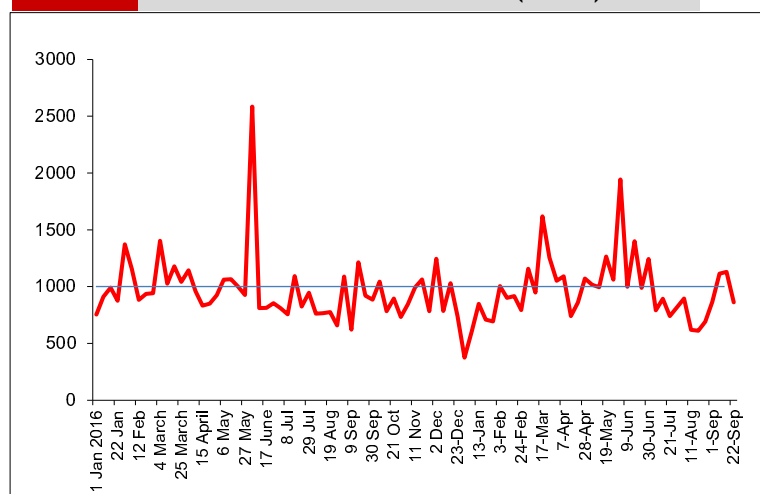
- After three consecutive weeks of foreign inflows, global investors took a breather as they cleared positions ahead of the long weekend.
- Based on preliminary data from Bursa which excluded off-market trades, foreign investors offloaded -RM477.7m net last week, wiping off last week's inflow of RM345.1m net. It was the first time foreign investors sold >RM400m for this year, making it the largest withdrawal so far. The last time foreign selling reached such levels was back in end of December 2016.
- International investors were net sellers on three out of four trading days last week. Wednesday recorded the highest outflow in a day since June 30 which amounted to -RM221m net. On the same day, the FBM KLCI slid 0.17% to close at 1,773 points, mainly dragged by CIMB which had its Japanese shareholder, Mitsubishi UFJ Financial Group selling its entire stake through an overnight block trade. The weekly outflow was in conformity with those seen by South East Asian peers notably, Thailand and Indonesia.
- Due to last week's massive outflow, the cumulative net inflow thus far this year into shares listed on Bursa went below RM11b to RM10.6b. Nonetheless, outflows have only been recorded in 9 out of 38 weeks this which is a safe level.
- Foreign participation rate dipped last week amid the surge in outflows. The foreign average daily trade value (ADTV) declined by a staggering 24% to retreat below the RM1b mark to settle at RM861m.
- In contrast, retail participation remained healthy for the week. The retail ADTV increased by 7% from RM940m to breach the RM1b mark for the first time in 17 weeks.

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)	
AUG 11	2,161.3	2,252.8	-91.5	5,381.3	5,226.7	154.6	1,517.0	1,580.1	-63.1	-14.7
AUG 18	2,010.4	2,137.2	-126.8	5,234.2	5,058.9	175.3	1,503.3	1,551.8	-48.5	-11.3
AUG 25	2,163.6	2,184.6	-21.0	5,844.9	5,441.6	403.3	1,537.4	1,919.5	-382.1	-89.2
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

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 22 SEPTEMBER
TOP 10 NET MONEY INFLOWS

- CIMB registered the highest net money inflow of RM13.01m last week. Its share price however lagged with a 5.93% loss against the FBM KLCI which declined by 0.86% during the week under review. Nonetheless, it is notable that net money inflow amidst re-treating share price may indicate a buy on weakness (BOW) stance among some investors.
- Genting Malaysia recorded the second highest net money inflow of RM12.58m. Nevertheless, its share price underperformed against the market benchmark with a 3.78% drop during the review week which may attract a BOW stance among some investors.
- Maybank saw the third highest net money inflow of RM7.99m. Its share price outperformed the market benchmark with a 1.55% 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	
CIMB	13.01	-7.86	-5.93	BOW
GENTING MSIA	12.58	2.78	-3.78	BOW
MAYBANK	7.99	45.00	1.55	-
SIME DARBY	4.81	3.26	-0.76	BOW
BAT	3.66	-1.04	-0.23	BOW
LAFARGE	3.30	5.85	2.31	-
MAHB	3.02	2.56	-2.15	BOW
MY EG	2.99	4.49	-2.35	BOW
IOI PROP	2.32	3.80	1.49	-
TOP GLOVE	2.10	-0.27	-0.54	BOW

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- Genting Berhad saw the largest net money outflow of -RM14.54m last week. Its share price also underperformed the market benchmark with a 1.02% weekly loss.
- IOI Corp recorded the second largest net money outflow of -RM11.19m during the week under review. Its share price underperformed the benchmark index with a 1.29% loss for the week.
- Tenaga Nasional meanwhile registered the third largest net money outflow at -RM10.91m. Its share price however slightly outperformed the market benchmark with a 0.82% weekly loss.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
GENTING BHD	-14.54	-7.03	-1.02	-
IOI CORP	-11.19	0.71	-1.29	-
TNB	-10.91	6.64	-0.82	-
AIRASIA	-7.17	-7.99	0.00	-
F&N	-2.80	0.10	-0.81	-
DIGI.COM	-2.27	-3.63	0.00	-
AXIATA	-2.18	-11.55	-0.20	-
KL KEPONG	-1.96	-4.94	-0.24	-
PUBLIC BANK	-1.74	-46.83	0.19	SOS
NESTLE	-1.58	-12.31	-0.09	-

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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Business Address:
11 & 12 th Floor, Menara MIDF,
82, Jalan Raja Chulan, 50200
Kuala Lumpur.
Tel: 2173 8888
Fax: 2173 8380