

MIDF EQUITY STRATEGY | 12 SEPTEMBER 2018 WEEK ENDED 7 SEPTEMBER

- Major global equity markets were swimming in the sea of red last week amidst the anticipation of a further escalation in the global trade war.
- The strong jobs data in August was insufficient to make Wall Street end the week in the positive territory as the strength in employment raises prospects of the Fed's raising rates two more times this year.
- Brent crude oil price lost 0.8%% for the week to USD76.83pb as U.S crude stockpiles dropped by 4.3 million barrels in the preceding week to a level not seen in three years according to the Energy Information Administration (EIA). Aside from that, further escalations of the trade war could dent Beijing's economic growth, forcing the world's largest commodity importer to restrain crude imports.
- After two weeks of accumulating equities in Asia, offshore funds were back in selling mode. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" offloaded -USD1.40b net last week.
- The pace of foreign selling on Bursa accelerated last week ahead of the long weekend. Based on preliminary data from Bursa which excluded off market deals, international funds dumped -RM663.4m net of local equities last week, the highest in 9 weeks and was 40 times more than the amount withdrawn in the preceding week.
- The FBM KLCI declined by 1.13% for the week to 1,799 points after two straight week of gains. Likewise, the Ringgit depreciated by 0.89% to USD/MYR4.146, extending its weekly losing streak to 12 weeks.

FOREIGN SELLING ON BURSA ACCELERATES

A. MARKET SNAPSHOT

- Major global equity markets were swimming in the sea of red last week amidst the anticipation of a further escalation in the global trade war.
- Wall Street dipped after it reopened from the long weekend as shares of Nike were badly hit, retreating 3.2%. The drop resulted from Nike's use of political issues in its advertisement. Technology companies on Wednesday led to S&P 500's largest daily drop in three weeks of 1.2% as top executives of Facebook and Twitter testified before the Congress.
- Technology companies resumed their drop on Thursday with stocks as such as Micron losing 9.9%, the biggest loss since 2015 amid concerns on weakening demand for the semiconductor industry.
- Despite strong jobs data in August, the S&P 500 dipped 0.2% on Friday as the strength in employment raises prospects of the Fed's raising rates two more times this year.
- During the week under review, the Hang Seng index suffered its largest daily drop since 19 June 2018 of 2.61% on Wednesday caused by a possible escalation in the global trade woes as investors waited to see if President Trump goes ahead with tariffs on another USD200b of Chinese goods. The main contributor to the big drop that day was Tencent Holdings, losing 4.1%. Equities in mainland china were also badly hit, closing 1.7% lower with foreign investors taking out RMB3.1b of local stocks via exchange links, the most since 25 June 2018. Overall, the Hang Seng index closed 3.3% lower, the worst in three weeks with casino operators and technology companies leading the decline.
- In Europe, Germany's trade surplus in July dropped by EUR3.2b to EUR15.8B, a level not seen in more than four years. The drop was mainly attributable to the 0.9% monthly decline in exports followed by a 2.8% monthly jump in imports in the wake of a global trade war that has seen US tariffs targeting EU goods. Industry wise. Germany's automotive sector was among the ones badly hit amidst bottle necks caused by new environmental standards which is the Worldwide Harmonised Light Vehicle Test Procedure (WLTP) for which some german car models have not yet gained regulatory clearance, fuelling more uncertainties for the 2HFY18.
- Brent crude oil price lost 0.8% for the week to USD76.83pb as U.S crude stockpiles dropped by 4.3 million barrels in the preceding week to a level not seen in three years according to the Energy Information Administration (EIA). Aside from that, further escalations of the trade war could dent Beijing's economic growth, forcing the world's largest commodity importer to restrain crude imports. Looking ahead, OPEC members will meet up this week discuss plans to increase output after deciding to ease supply curbs a few months back.

Table 1 Weekly performance of major indices		
Weekly % change	Week before	Last week
Dow Jones	0.68	-0.19
India SENSEX	1.03	-0.66
S&P 500	0.93	-1.03
KLCI	0.61	-1.13
China CSI 300	0.28	-1.71
Korea KOSPI	1.29	-1.78
Thai SET	1.04	-1.86
Taiwan TAIEX	2.36	-1.96
FTSE 100	-1.91	-2.08
Nikkei	1.17	-2.44
FSSTI Index	0.01	-2.46
Jakarta JCI	0.83	-2.77
CAC 40	-0.47	-2.86
DAX	-0.25	-3.27
Phil PCOMP	1.15	-3.27
Hang Seng	0.78	-3.28

Source: Bloomberg

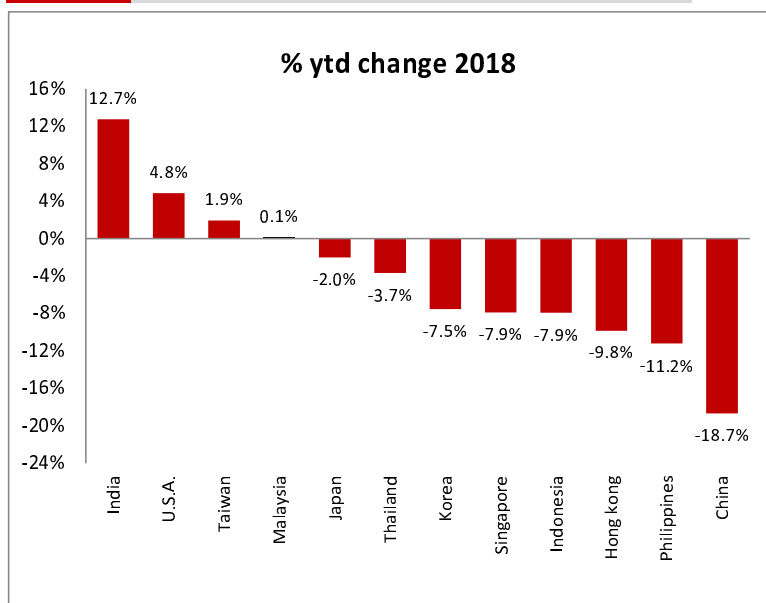
FUND FLOW REPORT

- The FBM KLCI declined by 1.13% for the week to 1,799 points after two straight week of gains. Likewise, the Ringgit depreciated by 0.89% to USD/MYR4.146, extending its weekly losing streak to 12 weeks was the worst performer amongst the 4 ASEAN markets we track.

B. TRACKING MONEY FLOW - ASIA¹

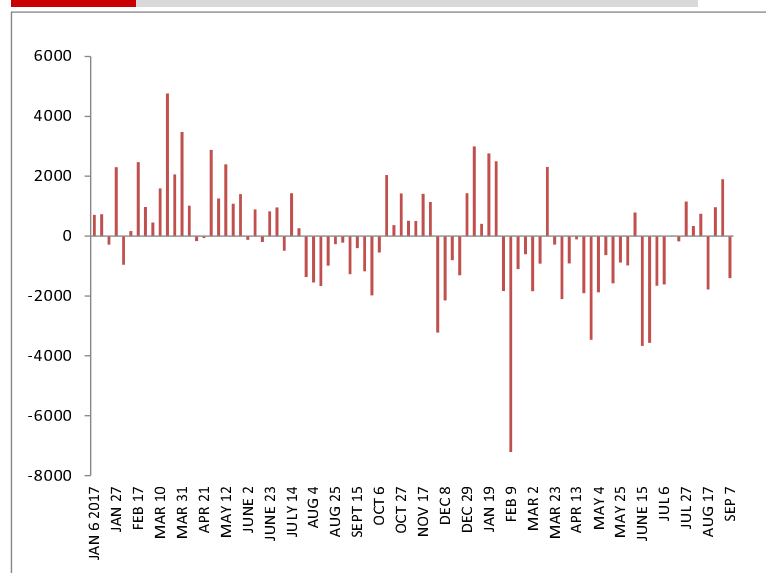
- After two weeks of accumulating equities in Asia, offshore funds were back in selling mode. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” offloaded -USD1.40b net last week, cancelling off approximately 70% of the amount bought in the week before.
- An abrupt reversal occurred in Korea as international funds dumped -USD1.11b net of equities last week, cancelling off 97% of the net inflow recorded in the week prior worth USD1.15b. This was also the largest weekly net attrition in 19 weeks. Offshore funds were net sellers on four out of five days with Friday posting the highest daily weekly inflow since late April 2018 worth -USD660.5m net as investors looked ahead of the U.S Labour Department jobs data in August to get more clarity on the Fed’s rate hike. Foreign buying meanwhile occurred on Tuesday to a tune of USD99.9m net, coinciding with the only daily gain recorded by KOSPI during the week of 0.38%, settling at 2,315 points. The Korean Won depreciated by 0.87% to USD/KRW1,122.81, the biggest weekly decline since the middle of July 2018. On the political front, President Moon’s approval ratings fell to an all-time low of 52.9% last week spurred by the 0.47% increase in housing prices.
- In contrast, Taiwan attracted foreign net inflows worth USD89.1m last week albeit showing a massive drop by more than USD1b from the inflow in the preceding week. International investors bought USD164.6m net on Tuesday, the highest daily amount during the week, coinciding with the Taiex’s first daily gain in four days of 0.52%. Main beneficiaries of the foreign net inflows were Apple suppliers such as Largan amidst prospects from the new and upgraded Apple products. However, the Taiwan Dollar moved in an opposite direction on the same day, falling by 0.16% to USD/TWD30.763 in tandem with Asian peers. However, foreign investors cashed in gains on Wednesday, selling off -USD98.3m net as trade war concerns continue to linger.

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)

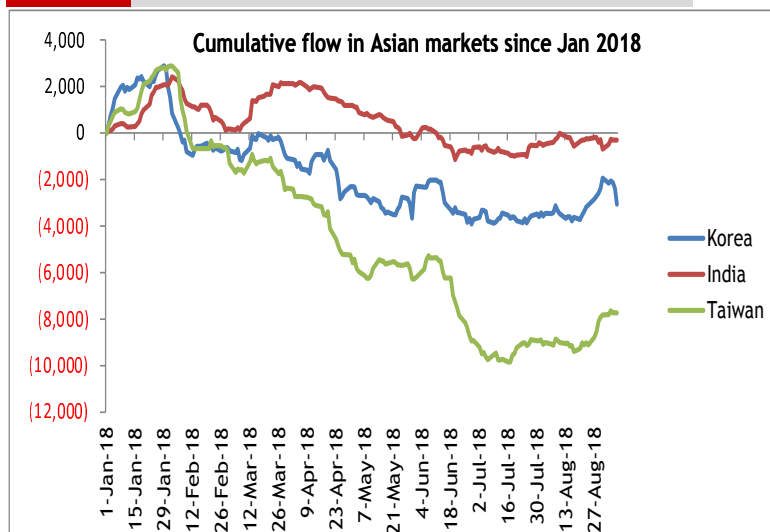


Source: Bloomberg, Bursa Malaysia, MIDFR

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.

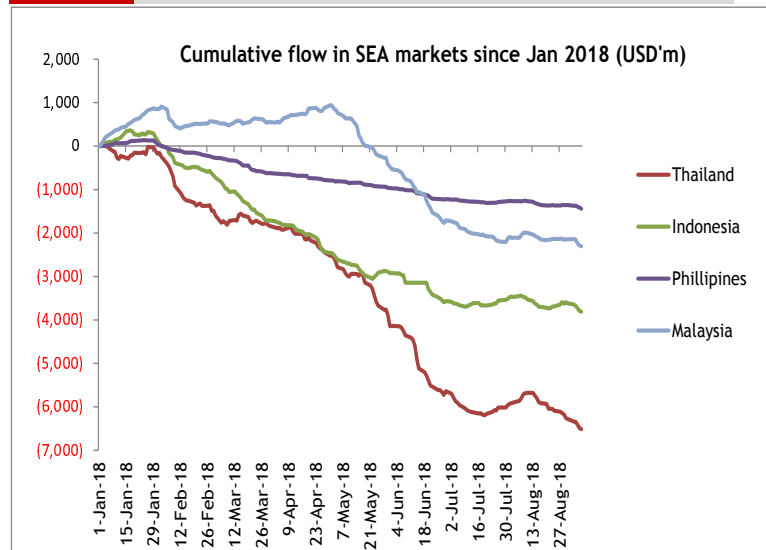
- In the emerging South East Asian markets that we monitor, foreign net selling was across the board.
- In Bangkok, the level of foreign net selling slightly rose to -USD231.6m net last week, making it the casualty of the largest foreign attrition amongst ASEAN markets we track. Foreign investors were selling local equity on every single day of the week, extending the daily selling streak to 11 days. Thursday saw the highest foreign net attrition during the week worth -USD77.9m net. We also note that Tuesday saw the lowest daily outflow during the week worth -USD5.6m net as data showed that Thailand's consumer confidence in August reached the highest since 2013 at 83.2. On the macro side, shippers in Thailand are maintaining their full year export growth estimates of 9.0% despite lingering concerns of the Baht's advance in 2HFY18.
- The level of foreign net selling in Manila hit -USD82.6m net last week. The foreign selling binge as of last Friday has stretched to 7 days, the longest since the period from 5th-7th July 2018. The PSEI followed suit the same day to drop 0.52% to a 13-day low of 7,598 points. Similar to Thailand, foreign net attrition was the lowest on Tuesday during 5-day period as investors speculated ahead of the nation's inflation. However, international funds sold -USD26.5m net on Friday, the most in 55 days as amidst the nation's 6.4% inflation in August, the fastest since March 2009.
- In Jakarta, international funds were back in selling mode after two weeks of accumulating as they disposed -USD191.6m net last week, the largest weekly outflow in 11 weeks or nearly three months. The scale of foreign net attrition remained above -USD20m from the Friday in the week before until last Thursday but suddenly went below to -USD18m net on Friday, snapping the JCI's five-day slump.

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
JUL 20	-331.4	-36.1	-54.5	-29.6	-151.3	486.1	-60.9	-177.6
JUL 27	205.2	146.8	118.9	26.4	426.9	352.3	-122.8	1,153.4
AUG 3	118.0	116.9	77.2	16.2	48.8	-123.8	85.9	339.1
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

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

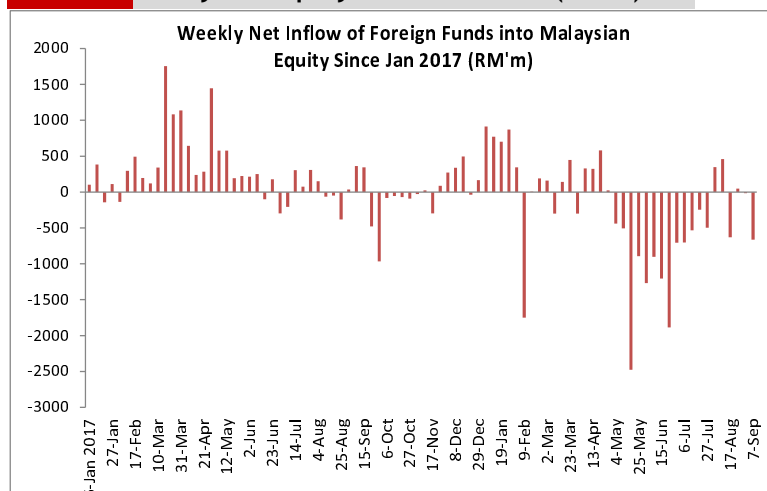
FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

- The pace of foreign selling on Bursa accelerated last week ahead of the long weekend.
- Based on preliminary data from Bursa which excluded off market deals, international funds dumped -RM663.4m net of local equities last week, the highest in 9 weeks and was 40 times more than the amount withdrawn in the preceding week.
- International funds snapped up a modest amount of local equities on Monday to a tune of RM18.3m net. However, foreigners slowly sold off -RM41.0m net on Tuesday. Later on Wednesday, the level of foreign net outflows swelled to -RM369.9m net, a level not seen since 6th July 2018 amidst fears of President Trump imposing tariffs on an additional USD200b worth of Chinese imports. Other regional peers that we track namely South Korea, Taiwan, India, Thailand, Indonesia and the Philippines also experienced a sell-down that day which dragged the Ringgit by 6.11% to USD/MYR4.1477, the lowest level in 9 months.
- Nevertheless, foreign selling on Bursa eased a little to -RM209.7m net on Thursday which helped lift the local bourse by 0.17% after 5 consecutive days of losses. Foreign net attrition shrank further to -RM61.1m net on Friday while the FBM KLCI marginally gained by 0.03% due to last minute bargain hunting ahead of the 4-day weekend.
- The year-to-date outflow from Bursa breached above the -RM9b mark, approximately offsetting 90% of the total foreign net inflow seen in 2017. Notwithstanding this, Malaysia still retains its position as the nation with the second lowest foreign outflow amongst the four ASEAN markets we monitor.
- We note that the average daily traded value (ADTV) amongst all 3 investor groups (retail, local institutions and foreigners) experienced a weekly drop. The weekly ADTV of the retail market dropped the most during the week by 25.1% to RM850m while the ADTV of foreign investors only dropped by 5.7% but still remained above RM1b for its ninth consecutive week.

Chart 5

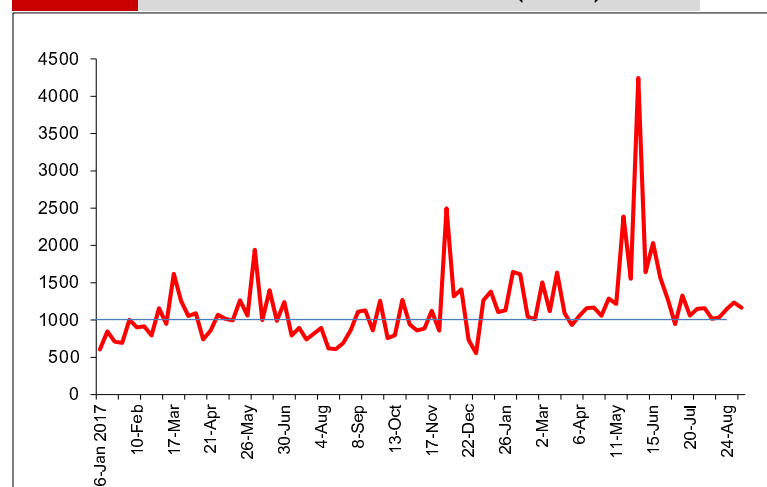
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2017 (RM'm)



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 3	2,296.1	2,289.6	6.5	5,334.8	5,690.2	-355.4	3,071.8	2,722.9	348.9	85.9
AUG 10	2,757.6	2,862.2	-104.6	5,552.4	5,906.0	-353.6	2,766.4	2,308.2	458.2	112.5
AUG 17	2,624.4	2,477.9	146.5	5,773.7	5,288.8	484.9	2,275.6	2,907.0	-631.4	-154.0
AUG 24	2,201.2	2,225.0	-23.8	4,630.3	4,653.0	-22.7	2,317.0	2,270.5	46.5	11.3
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

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 7 SEPTEMBER
TOP 10 NET MONEY INFLOWS

- Genting Berhad registered the highest net money inflow of RM8.32m last week. Its share price underperformed with a -4.87% decline against the FBM KLCI which lost -1.13% during the week under review.
- Petronas Chemicals Berhad recorded the second highest net money inflow of RM4.21m. Its share price was -0.32% lower for the week, outperforming against the market benchmark which was -1.13% lower. Nonetheless, it is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.
- Inari Amertron Berhad saw the third highest net money inflow of RM3.48m. Its share price ended 0.45% higher during the week under review, outperforming the FBM KLCI that was -1.13% lower for the week.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
GENTING BHD	8.32	-2.23	-4.87	BOW
PETCHEM	4.21	-31.92	-0.32	BOW
INARI	3.48	0.11	0.45	-
PPB GROUP	3.19	0.43	0.48	-
DIGI.COM	3.01	0.32	-2.12	BOW
SIME DARBY	2.25	-4.36	5.49	-
PRESS METAL	1.92	3.48	-1.61	BOW
IOI CORP	1.55	-0.51	-1.01	BOW
HAP SENG	1.52	-0.56	0.20	-
AMMB	1.30	-3.85	-0.73	BOW

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- Public Bank Berhad saw the largest net money outflow of -RM22.35m last week. Its stock price gained 0.80%, outperforming vis-à-vis the FBM KLCI which lost -1.13% 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 -RM18.39m during the week under review. Its share price meanwhile gained 0.77% for the week, outperforming the market benchmark which had a -1.13% weekly loss.
- Petronas Gas Berhad registered the third largest net money outflow of -RM9.00m in the review week. Its share price meanwhile declined -0.75% during the week, outperforming the benchmark which had a -1.13% weekly loss.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
PUBLIC BANK	-22.35	24.00	0.80	SOS
TNB	-18.39	6.04	0.77	SOS
PETGAS	-9.00	-1.54	-0.75	-
TOP GLOVE	-7.96	2.74	-2.69	-
HLBK	-7.44	0.39	-0.49	-
MAHB	-6.63	2.05	-2.35	-
CIMB GROUP	-6.50	-3.77	-2.79	-
HARTALEGA	-4.79	-1.38	-1.55	-
MY EG	-3.84	-5.76	9.40	SOS
IHH	-3.73	6.85	-1.25	-

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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