

## MIDF EQUITY STRATEGY | 13 AUGUST 2018 WEEK ENDED 10 AUGUST

- Equity markets worldwide ended the week mixed last week after fresh tensions emerged between Turkey and Washington.
- The sentiment on Wall Street remained subdued on Friday amidst the deepening economic crisis in Turkey prompted a heavy selloff local equities and pushed U.S Treasury yields near three-week lows. Nonetheless, the green back reached an all-time high against the Turkish Lira of USD/TRY 6.6170.
- Brent crude oil price stayed in the red zone, declining 0.55% for the week to USD72.81pb. China's import data highlighted a continuing drop in demand, raising questions about the oil's ability to gain further traction amidst U.S sanctions imposed on Iranian oil.
- The flow of global money into Asian markets continued for the third uninterrupted week at an accelerated pace. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" bought USD553.3 net last week, slightly less than double of the USD339.1m.
- Foreign tide into stocks listed on Bursa accelerated last week, marking the second consecutive week of inflows. Based on preliminary data from Bursa which excluded off market deals, overseas funds mopped up RM458.2m net of local equities.
- The FBM KLCI marked its sixth straight week of gains, advancing 1.44% for the week to settle at 1,805.75 points. In contrast, the Ringgit suffered its eighth consecutive week of losses after losing 0.12% to settle at USD/MYR4.086, a level not seen since December 2017.

## FOREIGN INVESTORS CONTINUE ENTERING BURSA

### A. MARKET SNAPSHOT

- Equity markets worldwide ended the week mixed last week after fresh tensions emerged between Turkey and Washington.
- Wall Street started the week on a positive note as U.S stocks marked their third straight day of gains on Monday supported by strong results from Berkshire Hathaway Inc. Momentum of U.S stocks remained strong on Tuesday as the S&P 500 index surged to its highest close since 26 January 2018 of 2,858 points led by financial and industrial shares while the volatility index hit as low as 10.52 points, the lowest in more than six months. Shares of Tesla also surged 7.4% following the proposal to privatise the company by Elon Musk himself.
- The mood on Wednesday turned sombre as Wall Street's four-day winning streak came to an end, dragged by energy companies which fell in tandem with the crude oil price. The situation of the Dow Jones and S&P 500 remained stock-still the next day as losses in the financial sector outweighed the gains of retailers. Meanwhile Nasdaq index logged its longest winning spree in 10 months.
- The sentiment on Wall Street remained subdued on Friday amidst the deepening economic crisis in Turkey prompted a heavy selloff local equities and pushed U.S Treasury yields near three-week lows. Nonetheless, the green back reached an all-time high against the Turkish Lira of USD/TRY 6.6170. On the economic front, U.S consumer price index in July rose 0.2% mainly due to the increase in the cost of shelter and rents.
- China's exports grew by 12.2%yoy, beating market estimates of 10%yoy and better than the previous month of 11.2%yoy. For imports, the inbound shipments increase strongly by 27.7%yoy, fastest since Jan-18. By destination, despite of escalating trade war, exports to the US remains on double digit growth rate for 3-consecutive months since May-18. Exports to the US, EU and ASEAN rose by 11.2%yoy, 9.5%yoy and 15.4%yoy respectively in Jul-18.
- Major European indices such as the CAC index and the DAX index led decliners for the week, losing more than 1.0% as investors exiting from Europe especially within the banking sector amidst a potential spillover effect from the economic meltdown in Turkey. European banks with some exposure to Turkey include Spain's BBVA, Italy's UniCredit SpA and France's BNP Paribas SA all lost more than 3% during the week, being the biggest laggards in the region.
- Brent crude oil price stayed in the red zone, declining 0.55% for the week to USD72.81pb. China's import data highlighted a continuing drop in demand, raising questions about the oil's ability to gain further traction amidst U.S sanctions imposed on Iranian oil.

**Table 1** Weekly performance of major indices

Weekly % change	Week before	Last week
China CSI 300	-5.85	2.71
Hang Seng	-3.92	2.49
KLCI	0.62	1.44
Jakarta JCI	0.31	1.16
India SENSEX	0.59	0.83
FSSTI Index	-1.78	0.58
FTSE 100	-0.55	0.10
Phil PCOMP	1.53	-0.18
Korea KOSPI	-0.32	-0.21
S&P 500	0.76	-0.25
Taiwan TAIEX	-0.57	-0.26
Thai SET	0.60	-0.36
Dow Jones	0.05	-0.59
Nikkei	-0.83	-1.01
CAC 40	-0.59	-1.17
DAX	-1.90	-1.52

Source: Bloomberg

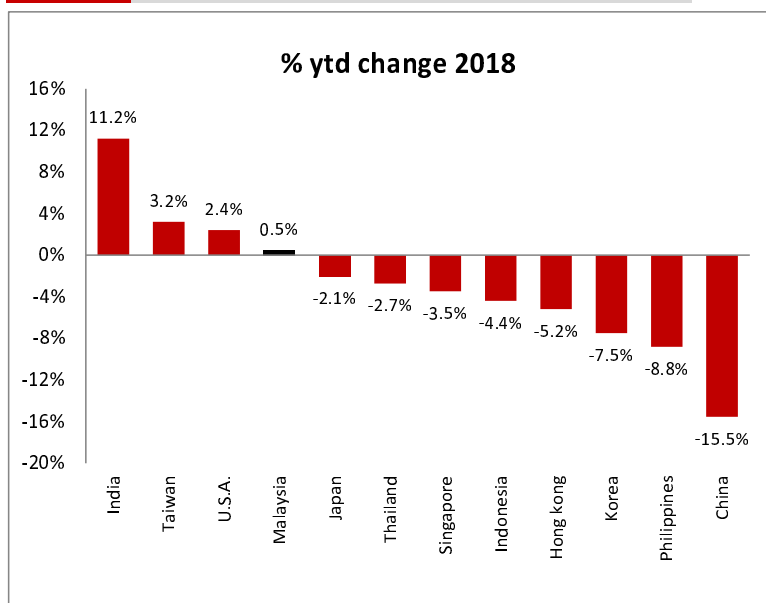
## FUND FLOW REPORT

- The FBM KLCI marked its sixth straight week of gains, advancing 1.44% for the week to settle above 1,800 points. In contrast, the Ringgit suffered its eighth consecutive week of losses after losing 0.12% to settle at USD/MYR4.086, a level not seen since December 2017.

### B. TRACKING MONEY FLOW - ASIA<sup>1</sup>

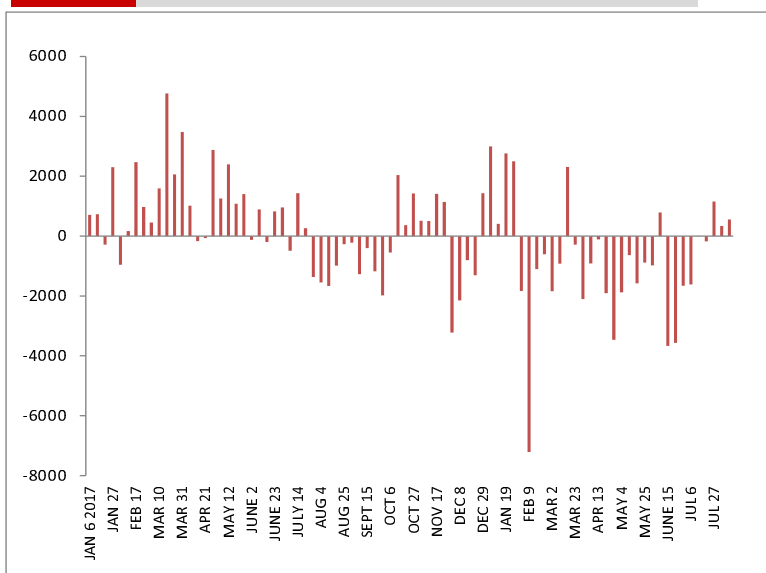
- The flow of global money into Asian markets continued for the third uninterrupted week at an accelerated pace. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” bought USD553.3 net last week, slightly less than double of the USD339.1m net acquired in the preceding week.
- International investors moderately retreated from Korea, disposing -USD10.9m net last week which is the lowest weekly outflow recorded since 2015. This coincided with the KOSPI’s weekly decline of 0.21% to 2,283 points. Foreign funds were net sellers on three out of five trading days with Thursday recording the highest net outflow since 6 July 2018 worth -USD195.7m net following China’s confirmation that it will impose 25% tariff on an additional USD16b worth of imports from the U.S effective from August 23. Meanwhile, the Won closed 0.23% higher at a 22-trading day high of USD/KRW1,116.93, indicating some form of immunity of markets towards the trade war rhetoric between the two super powers. On a positive note, global funds heavily bought Korean equities on Wednesday at USD309.9m net, the biggest in a day since 31 May 2018 with the Korean Won jumping 0.34% after reports cited that the PBOC was calling lender to stay away from herd behaviour in efforts to support the yuan.
- In contrast, global funds in Taiwan bought USD7.0m net. Mirroring Korea, foreign net buying in Taiwan peaked during the week on Wednesday at USD267.2m net which was also the biggest in a day since mid-July this year, pushing the Taiex index higher by 0.84% to the highest close during the week of 11,075 points. TSMC was the biggest boost that day, advancing 2.5% as the company survived a computer virus infection almost unscathed. The heavy inflows on Wednesday was sufficient to offset the outflows on the other four days of the amounting to -USD260.3m net. The Taiwan Dollar was little changed for the week, ending 0.02% lower.

**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)

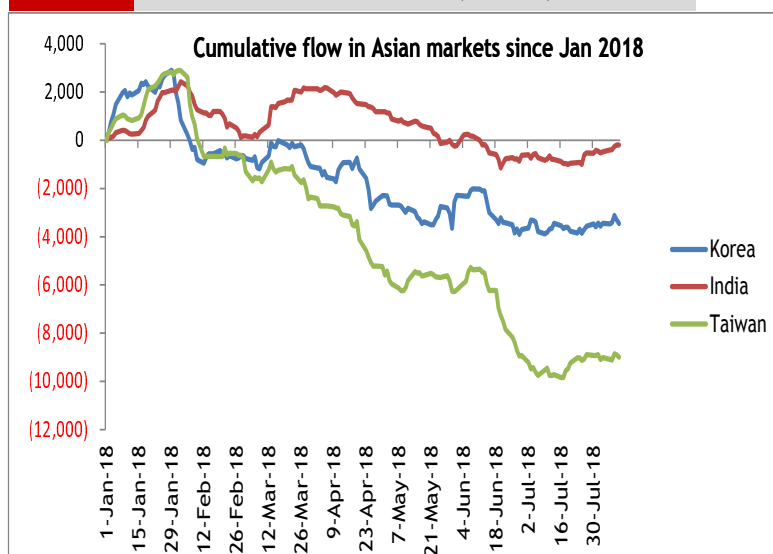


Source: Bloomberg, Bursa Malaysia, MIDFR

<sup>1</sup> 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.

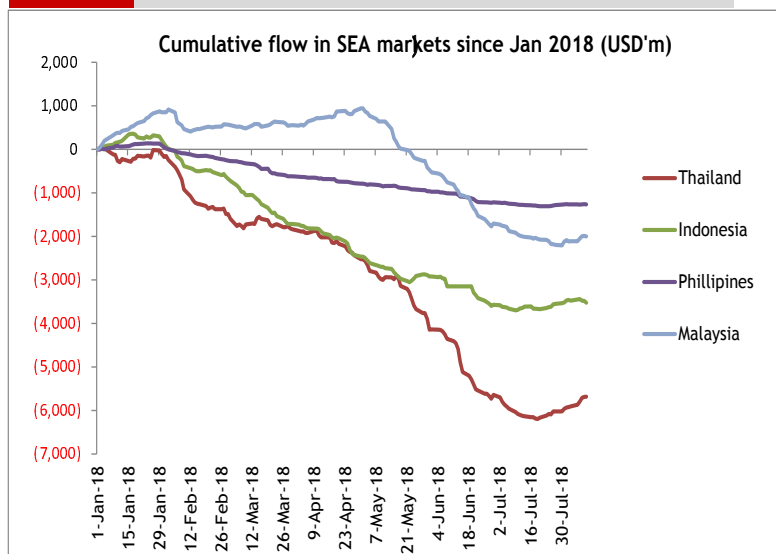
- In the emerging South East Asian markets that we monitor, half saw net inflows and the other half saw net outflows.
- In Bangkok, international funds snapped up USD221.7m net last week, higher than the USD116.9m net acquired in the week before. In fact, this is the biggest weekly inflow recorded since September 2017. Foreign investors were net buyers on every single day of the week, extending the daily buying frenzy to 10 days as of last Friday. Foreign net inflow was the highest during the week on Wednesday at USD87.3m net, coinciding with the Bank of Thailand's decision to keep its policy rate unchanged near record lows at 1.5%, citing the little inflationary pressure the nation continues to face.
- After two straight weeks of inflows, foreign investors in Manila were back in selling mode, disposing -USD1.2m net. Foreign net selling peaked on Friday at -USD9.70m net as investors digested the nation's 2Q18 GDP growth of 6%yoy in 2Q18, the lowest in three years. Meanwhile, the news was not strong enough to halt rising interest rates as the central bank made the largest rate hike in a decade by 50bps to 4% on Thursday to anchor inflation expectations as inflation rate for 1H18 surpassed the target set for 2018.
- Similar to Manila, offshore funds turned net sellers to a tune of -USD50.4m net last week. Global investors sold the most during the week on Friday at USD44.7m net, despite the rally in construction stocks on the outlook for higher infrastructure spending in President Joko's second term was dampened by the escalating global trade disputes. Nevertheless, it was notable at the beginning of the week that foreign investors mopped up USD24.9m net on Monday as Indonesia posted its best growth in four years with its GDP rising 5.3%yoy in 2Q18, better than the 5.1%yoy median estimate.

**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
JUN 22	-427.0	-420.7	-272.8	-123.8	-240.7	-1,607.4	-471.2	-3,563.6
JUN 29	-287.8	-104.6	-150.5	-7.7	150.1	-1,081.7	-175.3	-1,657.6
JUL 6	-74.9	-317.4	-92.3	-29.9	-98.4	-830.8	-174.2	-1,617.8
JUL 13	341.6	-169.5	47.0	-30.4	-80.0	29.0	-131.9	5.8
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	275.4	7.0	112.5	553.3

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

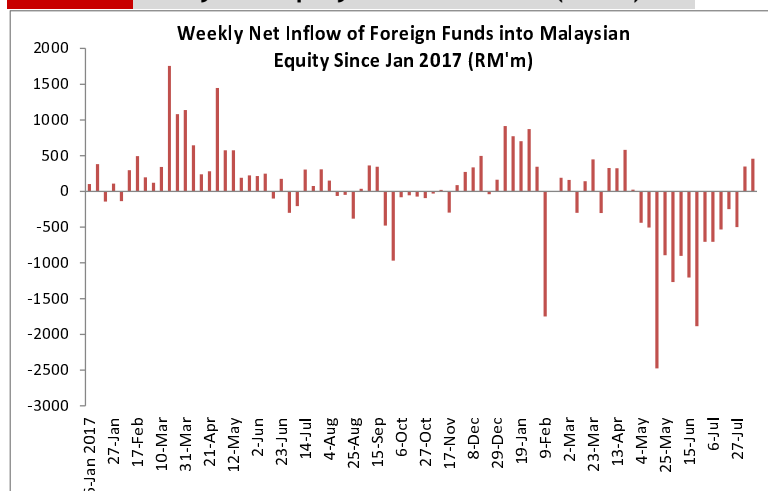
## FUND FLOW REPORT

### C. TRACKING MONEY FLOW - MALAYSIA

- Foreign tide into stocks listed on Bursa accelerated last week, marking the second consecutive week of inflows.
- Based on preliminary data from Bursa which excluded off market deals, overseas funds mopped up RM458.2m net of local equities, higher than the RM348.9m bought in the week before.
- The week started off slow as foreign investors chipped in RM3.9m net on Monday, the lowest daily inflow so far in 2018. Nonetheless on Tuesday and Wednesday, foreign net buying surged to RM233.4m and RM229.6m, respectively as the FBM KLCI posted gains above 0.50% on both days. Wednesday itself was rather a remarkable day as it was the first time that the local bourse closed above 1,800 points since late of May this year. The upbeat mood on these two days were driven by the strong corporate earnings in the U.S. especially within the financial sectors which lifted the S&P500 to the highest close since late January this year on Tuesday.
- Foreign net buying on Thursday declined to just only RM18.2m net as investors were more cautious following China's move to slap 25% duties on an additional USD16b of U.S goods effective 23 August 2018, which mirrored levies by the U.S. The Turkish Lira's plunge to an all-time low on Friday amidst possibilities of Turkey's economic crisis spreading to other regional markets led to a foreign net attrition on Bursa worth -RM26.9m net, snapping its five-day buying streak.
- As global investors made a comeback, the year-to-date outflow from Malaysia has been reduced from -RM8.45b to -RM8.00b as of last Friday. Malaysia is still the nation with the lowest second outflow amongst the 4 ASEAN markets we monitor.
- Despite the 12.4% decline in average daily traded value (ADTV) amongst foreign investors, they are still considered active as the ADTV has been above RM1b for five straight weeks. ADTVs among retailers and local institutions also remain solid above RM1b and RM2b, respectively.

Chart 5

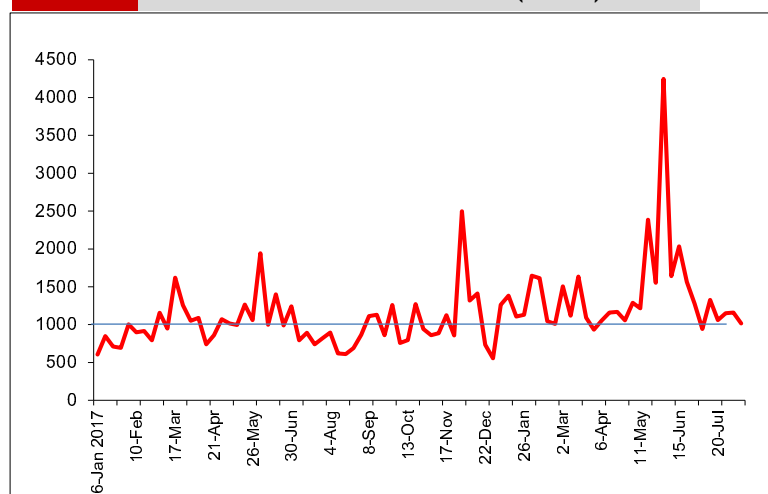
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2017 (RM'm)



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)	
JUL 6	2,076.8	1,961.7	115.1	4,276.3	3,687.1	589.2	2,006.9	2,711.2	-704.3	-174.3
JUL 13	2,745.7	2,663.1	82.6	5,855.5	5,406.3	449.2	3,054.4	3,586.2	-531.8	-131.9
JUL 20	3,044.8	3,037.8	7.5	6,297.9	6,058.3	239.6	2,524.5	2,771.6	-247.1	-60.9
JUL 27	3,274.9	3,263.4	11.5	6,429.5	5,942.6	486.9	2,629.9	3,128.3	-498.4	-122.8
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	2308.2	458.2	112.5

Source: Bursa's preliminary data

\* Estimate by MIDF Research based on prevailing exchange rate.

**D. MONEY FLOW<sup>2</sup> AMONG BURSA'S TOP 100 CAPITALIZED STOCKS: WEEK ENDED 10 AUGUST**
**TOP 10 NET MONEY INFLOWS**

- Nestle (Malaysia) Berhad registered the highest net money inflow of RM25.56m last week. Its share price underperformed with a 0.34% increase against the FBM KLCI which advanced by 1.44% during the week under review.
- CIMB Group Holdings Berhad recorded the second highest net money inflow of RM14.44m. Its share price was 2.42% higher for the week, outperforming against the market benchmark which was only 1.44% higher.
- Public Bank Berhad saw the third highest net money inflow of RM6.31m. Its share price underperformed the FBM KLCI with a 0.99% gain 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		
NESTLE	25.56	1.18	0.34	-
CIMB GROUP	14.44	4.03	2.42	-
PUBLIC BANK	6.31	-19.07	0.99	-
BURSA	3.21	2.01	0.00	-
YTL POWER	3.00	1.23	-3.23	BOW
IOI CORP	2.91	7.68	1.31	-
INARI	2.73	-0.48	2.90	-
TOP GLOVE	2.37	-2.53	5.00	-
HLBK	1.94	-1.43	0.63	-
UMW HOLDINGS	1.39	0.67	1.17	-

Source: Bloomberg, MIDFR;

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

**TOP 10 NET MONEY OUTFLOWS**

- Malayan Banking Berhad saw the largest net money outflow of -RM6.10m last week. Its stock price gained 0.61%, underperforming vis-à-vis the FBM KLCI which gained 1.44% 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.
- PPB Group Berhad recorded the second largest net money outflow -RM4.33m during the week under review. Its share price meanwhile gained 1.45% for the week, slightly outperforming the market benchmark which had a 1.44% weekly gain.
- Gamuda Berhad registered the third largest net money outflow of -RM4.09m in the review week. Its share price meanwhile declined 4.90% during the week, underperforming the benchmark which had a 1.44% weekly gain.

**Table 5** Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
MAYBANK	-6.10	3.63	0.61	SOS
PPB GROUP	-4.33	2.42	1.45	SOS
GAMUDA	-4.09	1.69	-4.90	-
FGV	-3.65	-2.58	0.00	-
DIALOG	-3.48	-8.89	0.30	SOS
TNB	-3.30	-34.20	2.33	SOS
SIME DARBY	-3.24	-3.36	3.14	SOS
PETCHEM	-3.03	1.25	1.99	SOS
DRB-HICOM	-2.96	-2.91	2.15	SOS
IHH	-2.72	4.58	-2.54	-

Source: Bloomberg, MIDFR;

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

<sup>2</sup> 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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