

MIDF EQUITY STRATEGY | 21 AUGUST 2017 WEEK ENDED 18 AUGUST 2017

- Global equity markets ended the week mixed amid fresh concerns arising from the terrorist attack in Barcelona, Spain and Turku, Finland.
- Performance of Wall Street was still lacklustre, exacerbated by increasing doubts regarding President Trump's delivery of his reform agendas. As a consequence, the S&P 500 even dropped 1.54% on Thursday, its second biggest daily decline for the year.
- Brent crude oil price bounced from its three-week low to settle at USD52.72pb on Friday, advancing 1.19% for the week. Optimism in crude oil was sparked by the news of the biggest draw of crude oil in 11 months in the U.S for the week ended August 11.
- International funds continued their retreat from Asia for the fourth consecutive week but at a slower pace. Based on provisional aggregate data from the seven Asian exchanges that we track, investors classified as "foreign" offloaded -USD701.4m.
- In Malaysia, global investors continued their retreat albeit at a slower pace last week. For the week, the net amount sold off by foreign investors was -RM48.5m, based on transactions in the open market, excluding off market deals. This amount was lower than the week before figure of -RM63.1m.
- The KLCI advanced by 0.52% for the week to settle at 1,776, in line with other regional markets which also rose amid waning geopolitical risks. The ringgit took cue from the benchmark index, gaining 0.14% against the dollar to USD/RM4.2890.

FOREIGN FUNDS MOVE TO THE SIDELINE

A. MARKET SNAPSHOT

- Global equity markets ended the week mixed amid fresh concerns arising from the terrorist attack in Barcelona, Spain and Turku, Finland.
- Performance of Wall Street was still lacklustre, exacerbated by increasing doubts regarding President Trump's delivery of his reform agendas. President Trump disbanded two business advisory councils after a number of CEOs that served on them resigned due the president's equivocal response to the Charlottesville attack. As a consequence, the S&P 500 even dropped 1.54% on Thursday, its second biggest daily decline for the year.
- Meanwhile, the Fed released minutes of the July meeting on Wednesday, noting a debate among policymakers regarding the low inflation while being open to an announcement of the balance sheet reduction next month.
- In Asia, shares of Tencent surged by a staggering 64% to an all-time intraday high of HKD340.40 before closing 1.9% higher at HKD329.40 on Thursday. Although gains in Tencent were not enough to lift the Hang Seng index which shed 64.85 points on Thursday, the benchmark was back in the black with a weekly gain of 0.61%.
- On Thursday, minutes of the European Central Bank meeting in July pointed out that the strong Euro may pose a hurdle to enable higher inflation in the European Union. As a consequence, the Euro got knocked to its lowest closing point since July 11 at GBP/USD1.2867 the same day.
- Brent crude oil price bounced from its three-week low to settle at USD52.72pb on Friday, advancing 1.19% for the week. Optimism in crude oil was sparked by the news of the biggest draw of crude oil in 11 months in the U.S for the week ended August 11 which overshadowed the increase of total crude output which rose to 9.5m barrels in the same week.
- The KLCI advanced by 0.52% for the week to settle at 1,776 points, in line with other regional markets which also rose amid waning geopolitical risks. The benchmark was further supported by upbeat 2Q17 GDP that grew the quickest since 1Q15. The ringgit took cue from the benchmark index, gaining 0.14% against the dollar to USD/RM4.2890.

Table 1 Weekly performance of major indices

Weekly % change	Week before	Last week
Jakarta JCI	-0.20	2.21
China CSI 300	-1.62	2.12
Korea KOSPI	-3.16	1.67
DAX	-2.31	1.26
Phil PCOMP	-0.06	1.11
CAC 40 INDEX	-2.74	1.05
India SENSEX	-3.44	1.00
Hang Seng	-2.46	0.61
KLCI	-0.43	0.52
Thai SET	-1.07	0.33
FTSE 100	-2.69	0.19
Taiwan TAIEX	-1.68	-0.08
S&P 500	-1.43	-0.65
Dow Jones	-1.06	-0.84
FSSTI Index	-1.41	-0.85
Nikkei	-1.12	-1.31

Source: Bloomberg

B. TRACKING MONEY FLOW - ASIA¹

- International funds continued their retreat from Asia for the fourth consecutive week but at a slower pace. Based on provisional aggregate data from the seven Asian exchanges that we track, investors classified as “foreign” offloaded -USD701.4m, compared to the week before which was more than double of that.
- Global funds continued to sell in Korea albeit at a measurable scale of -USD19.5m net, compared to the preceding week which amounted to -USD811.0m net. As a result, foreign selling stretched to its fourth week, the longest stretch for the year. Although KOSPI’s four day winning streak came to an end on Friday with a 0.14% intraday loss following the Barcelona attack, the KOSPI advanced 1.67% for the week. The Won meanwhile emerged as the best weekly currency performer in Asia, gaining 0.2% against the greenback to close at USD/KRW1,141 after three weeks in the redzone. It was no surprise that subsiding tensions between North Korea and the U.S propelled the Won to a one-week high on Tuesday at USD/KRW1,135. The Won’s strength was also buoyed by the Fed’s cautious minutes which saw the dollar index dipping to 93.41 points on Friday from its three week high of 93.85 points recorded on Tuesday.
- Likewise, Taiwan also experienced smaller attrition as foreigners sold -USD151.9m net compared to -USD528.4m net in the preceding week. The tapered outflow coincided with the Taiex’s marginal weekly decline of 0.08%. Despite the power outage in Taiwan which partially affected production of Apple suppliers, the impact on overall operation and logistics were immaterial. In relation to the power outage, local solar stocks such as MoTech Industries surged as much as 9.8% on Tuesday due to the speculation on the increase in demand of green energy products. On the economic front, Taiwan’s 2Q17 GDP growth of 2.13% yoy beat estimates of 2.10% yoy growth on the back of strong exports performance which will continue due to the release of the new iPhone.

Chart 1 YTD performance of major markets

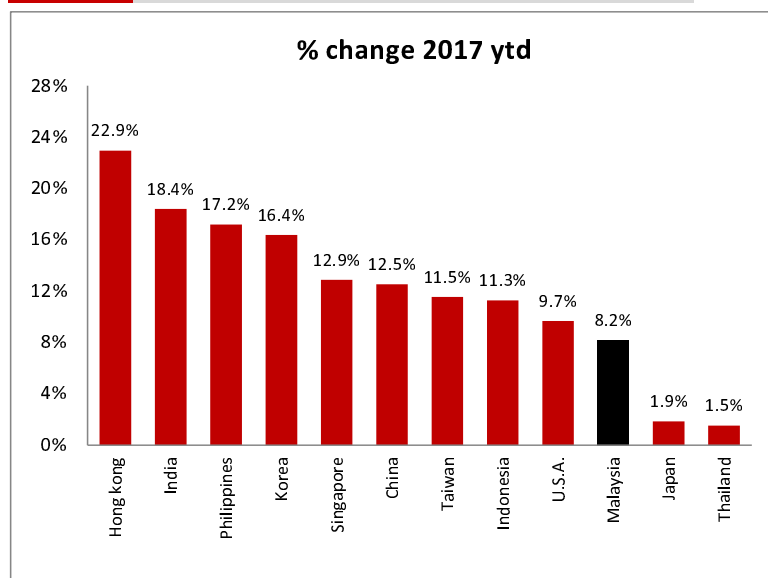
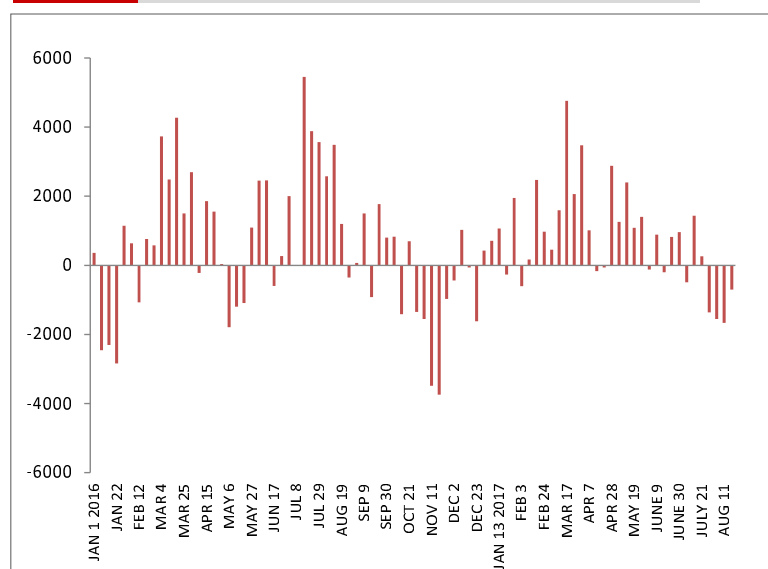


Chart 2 Weekly Net Flow of Foreign Funds into 7 Asian Markets since Jan 2016 (USD'm)



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, Thailand and the Philippines remained as targeted buying markets.
- Foreign investors continued entering Thailand for the second week as they acquired USD49.5m net. The weekly inflow was in line with the SET's 0.33% weekly gain. Meanwhile, the Baht was slightly unchanged, up only 0.03% for the week as international funds turned net sellers of Thai debt securities for the first time since July 21 on Thursday.
- In Manila, foreign buying has stretched to a fifth consecutive week with foreign investors being net buyers for nine straight days. Despite the Barcelona attack coupled with investors locking in gains ahead of Ninoy Aquino Day holiday which snapped the PSEi's four-day gain, the PSEi settled at above 8,000 points on Friday, gaining 0.04% for the week. In contrast, the Peso resumed its decline to a fresh 11-year low at USD/PHP51.45 on Friday after the economic planning secretary noted that a USD/PHP52 level is reasonable.
- Global funds in Indonesia have been net sellers for seven straight weeks. Interestingly, the JCI rose every single day of the week until it reached an all-time high of 5,894 points on Friday. In fact, it was the best performer for the week amongst its Asian peers with a 2.21% gain. The JCI was mainly propelled by tobacco companies such as Gudang Garam and Sampoerna following Indonesia's 2018 budget proposal which aims to fund the growth from higher tax revenue but exempted cigarette makers.

Chart 3 Net Flow of Foreign Funds into Taiwan, Korea and India since Jan 2017(USD'm)

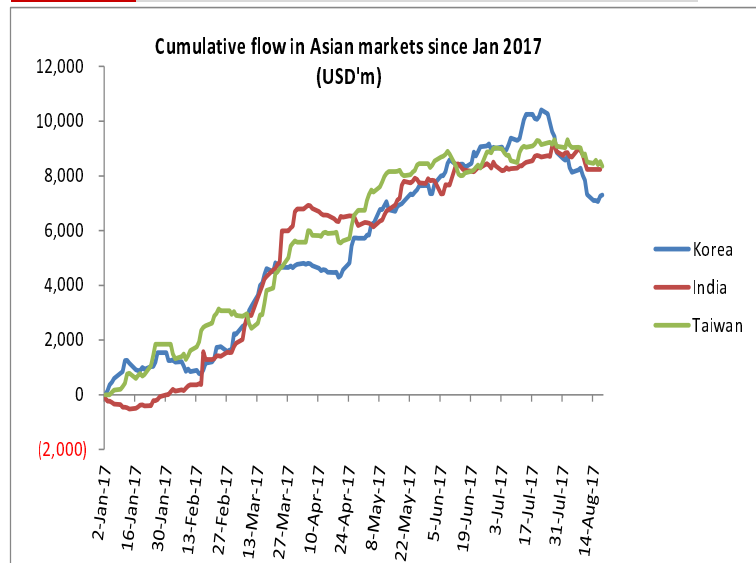
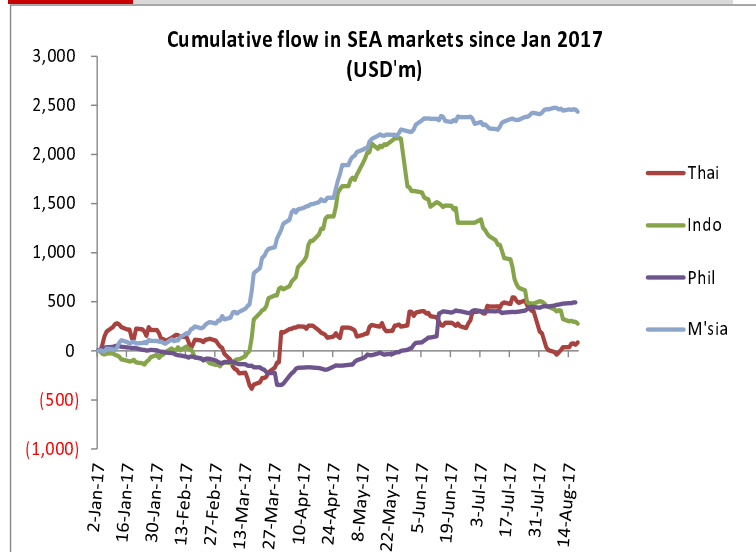


Chart 4 Net Flow of Foreign Funds into South East Asia Emerging Markets since Jan 2017 (USD'm)



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
JUN 30	-56.1	143.0	0.0	4.6	201.0	736.5	-69.4	959.6
JUL 7	376.3	58.0	-136.7	-5.3	-269.1	-468.1	-47.8	-492.9
JUL 14	860.1	41.8	-221.8	-17.1	205.0	492.8	71.2	1,431.9
JUL 21	163.9	-4.7	-303.9	11.2	286.2	91.1	17.8	261.7
JUL 28	-1,550.5	-79.8	-160.9	51.5	356.7	-53.2	72.3	-1,363.9
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	-19.5	49.5	-48.0	17.8	-538.0	-151.9	-11.3	-701.4

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

C. TRACKING MONEY FLOW - MALAYSIA

- Global investors continued their retreat from Malaysia albeit at a slower pace last week.
- For the week, the net amount sold off by foreign investors was -RM48.5m, based on transactions in the open market, excluding off market deals. This amount was lower than the week before figure of -RM63.1m.
- Foreign funds were net sellers in two out of five trading days. Foreign selling peaked on Friday, reaching a six-week high as foreigners disposed -RM110.4m net. The attrition on Friday happened amid dampened sentiment following the terrorist attack in Barcelona and the resignation of White House strategist, Steven Bannon. The weekly attrition was in line with those seen by regional peers notably, Korea, Indonesia and Taiwan.
- Last week's foreign attrition brings the total attrition this year to seven. The cumulative year-to-date inflow still stands at RM10.7b net despite two consecutive weeks of attrition.
- Foreign participation rate continued to decline for the week. The foreign average daily trade value (ADTV) remained slightly above RM600m but the decline was very small, only dipping by 1%.
- Retail participation was resilient as the retail ADTV only decreased by 6% from RM882m to above RM830m last week, marking its third consecutive week of being above RM800m.

Chart 5 Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2016 (RM'm)

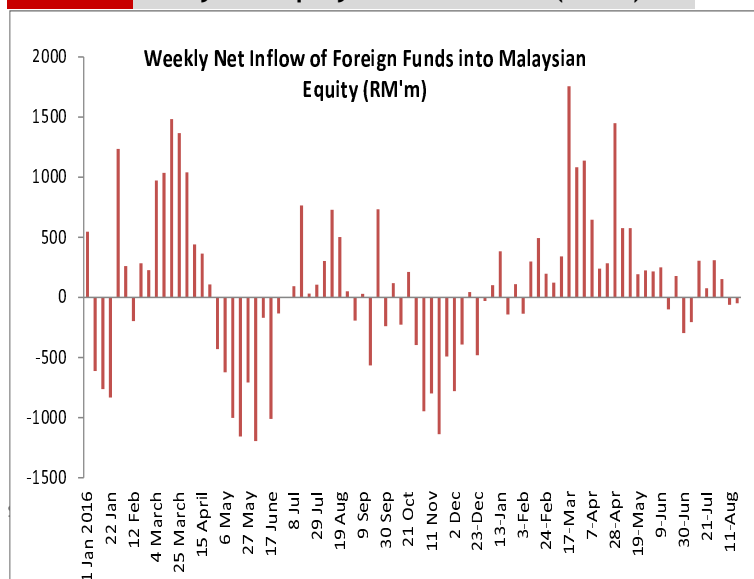
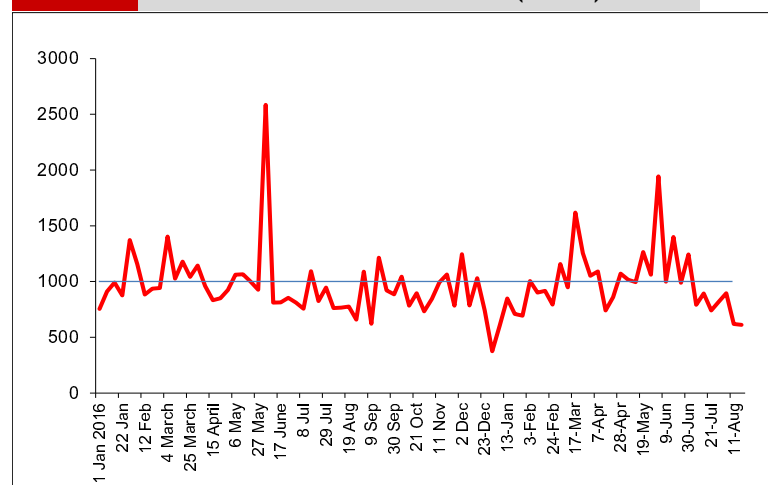


Chart 6 Foreign Participation on Bursa: Daily Average for the Week since Jan 2016 (RM'm)



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)	
JUL 7	1,611.8	1,613.8	-2.0	5,035.7	4,828.2	207.5	1,877.7	2,083.2	-205.5	-47.8
JUL 14	1,647.2	1,679.7	-32.5	5,256.7	5,529.3	-272.6	2,386.5	2,081.4	305.1	71.0
JUL 21	1,972.9	1,919.1	53.8	6,151.4	6,281.5	-130.1	1,887.6	1,811.3	76.3	17.8
JUL 28	1,628.2	1,614.4	13.8	5,200.2	5,523.4	-323.3	2,201.9	1,892.5	309.4	72.3
AUG 4	2,247.2	2,189.7	57.5	5,227.3	5,436.0	-208.7	2,313.4	2,162.2	151.2	35.3
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

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 18 AUGUST
TOP 10 NET MONEY INFLOWS

- Syarikat Malaysia Takaful stocks were the beneficiary of the highest net money inflow of RM1.87m. Its share price outperformed the benchmark index with a 1.01% gain for the week.
- The second highest net money inflow beneficiary was Maybank, amounting to RM1.57m. Its share price underperformed the benchmark index with a 0.31% loss during the review week. The net inflow amidst declining share price indicates a buy-on-weakness (BOW) stance among some investors.
- Berjaya Sports Toto saw the third highest net money inflow of RM1.20m. Its share price underperformed the benchmark index with a 0.43% loss during the review week.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
STMB	1.87	-0.07	1.01	-
MAYBANK	1.57	0.71	-0.31	BOW
BST	1.20	1.64	-0.43	BOW
BURSA	0.75	-0.73	-0.20	BOW
PETGAS	0.71	0.09	0.11	-
BOUSTD PLNT	0.63	-0.23	1.21	-
IHH	0.56	0.71	1.69	-
SUNWAY	0.47	-0.22	0.97	-
DIGI.COM	0.43	0.77	3.42	-
SIME DARBY	0.40	-3.11	-1.38	BOW

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- Public Bank saw the largest net money outflow of -RM6.52m last week. Its stock price however lagged as it ended unchanged against the FBM KLCI which rose 0.52% during the week under review.
- Tenaga Nasional Berhad recorded the second largest net money outflow -RM3.02m during the week under review. Its share price underperformed the benchmark index with a 0.28% gain for the week.
- DRB-Hicom meanwhile registered the third largest net money outflow at -RM2.39m, with its share price substantially outperforming the benchmark index with a 6.41% gain. It is notable that the net money outflow amidst advancing share price indicates a sell on strength (SOS) stance among investors.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
PUBLIC BANK	-6.52	0.08	0.00	-
TNB	-3.02	0.36	0.28	SOS
DRB-HICOM	-2.39	0.09	6.41	SOS
MAGNUM	-1.46	-0.11	1.18	SOS
PETDAG	-1.37	-1.34	0.42	SOS
GAS MALAYSIA	-1.37	0.09	2.03	SOS
AIRASIA	-1.24	-0.99	0.31	SOS
IOI CORP	-1.08	0.29	2.70	SOS
CMMT	-1.03	-0.42	0.00	-
INARI	-0.94	-2.10	5.96	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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