

MIDF EQUITY STRATEGY | 28 AUGUST 2017 WEEK ENDED 25 AUGUST 2017

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- Wall Street recovered after two weeks of lethargy despite President Trump's threat to shut the government down if no funding is provided for the Mexico border wall. Optimism was still buoyed amid headways for a tax reform plan made by President Trump on Tuesday.
- Brent crude oil price lost 0.59% for the week to settle at USD52.41pb. It started the week at USD51.66pb before news on Hurricane Harvey disrupting refinery activity in the Gulf of Mexico. Meanwhile U.S crude stockpiles fell for the eighth consecutive week during the week ended August 18.
- The size of foreign attrition from Asia continued to shrink for three weeks in a row. Based on provisional aggregate data from the seven Asian exchanges that we track, investors classified as "foreign" offloaded -USD184.5m, compared to the week before which was five times bigger in size.
- General foreign investor activity remained suppressed last week despite a tick up in trade aggressiveness. For the week, foreign funds withdrew -RM382.1m net based on transactions in the open market, excluding off market deals. This is the highest weekly attrition for the year.
- The FBM KLCI returned into the redzone, declining by 0.40% for the week to settle at 1,769 points, partly due concerns surrounding the cancellation of the RHB-AMMB merger deal. The Ringgit meanwhile gained 0.41% against the dollar to a two-month high at USD/MYR4.2723, the biggest weekly gain since end of May.

FOREIGN FUNDS SELL ACROSS THE BOARD IN ASIAN MARKETS

A. MARKET SNAPSHOT

- Majority of global markets moved in a narrow range as investors shifted their focus from the political turmoil in the U.S to the Jackson Hole meeting.
- Wall Street recovered after two weeks of lethargy despite President Trump's threat to shut the government down if no funding is provided for the Mexico border wall. Optimism was still buoyed amid headways for a tax reform plan made by President Trump on Tuesday. Evidently, Dow Jones and the S&P 500 posted their best one-day percentage gains since April at above 0.90% the same day.
- Fed Chair Yellen gave no hints on rate hikes during the annual meeting of central bankers in Wyoming. Instead, she emphasised on financial stability, denting expectations for a further rate hike this year.
- In Hong Kong, market was closed on Wednesday due to the Typhoon Hato which hit the No. 10 warning scale. Nonetheless, the Hang Seng index opened higher on Thursday at 27,642 points, contrary to the last six occasions of horrible storms when the benchmark index opened lower the day after the storm.
- Meanwhile, in the U.K, a job outlook survey by the Recruitment and Employment Confederation revealed that many U.K companies expect the economic condition to worsen on the back of Brexit concerns. Consequently, the pound settled at a fresh eight-year low at GBP/EUR 1.0833 on Wednesday despite Eurozone manufacturing PMI data rising to a 6-year high at 57.4 points in August, above market expectations of 56.3.
- Brent crude oil price lost 0.59% for the week to settle at USD52.41pb. It started the week at USD51.66pb before news on Hurricane Harvey disrupting refinery activity in the Gulf of Mexico. Meanwhile U.S crude stockpiles fell for the eighth consecutive week during the week ended August 18.
- The FBM KLCI returned into the redzone, declining by 0.40% for the week to settle at 1,769 points, partly due concerns surrounding the cancellation of the RHB-AMMB merger deal. The Ringgit meanwhile gained 0.41% against the dollar to a two-month high at USD/MYR4.2723, the biggest weekly gain since end of May.

Table 1 Weekly performance of major indices

Weekly % change	Week before	Last week
Hang Seng index	0.61	2.96
China CSI 300	2.12	1.91
Taiwan TAIEX	-0.08	1.88
FTSE 100	0.19	1.06
Korea KOSPI	1.67	0.85
S&P 500	-0.65	0.72
Dow Jones	-0.84	0.64
Thai SET	0.33	0.59
Jakarta JCI	2.21	0.37
FSSTI Index	-0.85	0.23
India SENSEX	1.00	0.23
DAX	1.26	0.02
Phil PCOMP	1.11	-0.02
Nikkei	-1.31	-0.09
CAC 40	1.05	-0.19
KLCI	0.52	-0.40

Source: Bloomberg

B. TRACKING MONEY FLOW - ASIA¹

- The size of foreign attrition from Asia continued to shrink for three weeks in a row. Based on provisional aggregate data from the seven Asian exchanges that we track, investors classified as “foreign” offloaded -USD184.5m, compared to the week before which was five times bigger in size.
- The bulk of the inflow was skewed towards North Asia. International funds loaded up USD512.3m net in Taiwan, putting an end to the four-week selling streak. As foreign funds made a comeback, the Taiex index rose by 1.88% for the week, the highest in five months. Stock wise, Largan precision surged 5.6% to an all-time high of 6,000 points on Thursday following the release of Samsung’s Note 8 which is expected to raise demand for its camera lens products. Interestingly, the surge in Largan Precision’s share price on Thursday coincided with the highest foreign buying in 16 days which amounted to USD273m net. The Taiwan Dollar clambered to a two-week high at USD/TWD30.212 on Friday, marking its fifth day of uninterrupted gains on the back of dollar’s weakness. The Dollar Index fell to 92.6 points on Friday, the lowest level in more than two years.
- Likewise after four weeks of withdrawal, global funds mopped up USD239.7m net of Korean equities. The modest return of foreign funds into Korea saw the KOSPI index gaining four-days straight to a 12-week high of 2,379 points on Friday despite the jailing of Samsung heir, Lee Jae Yung on the same day. Samsung Electronics shares inched 0.26% higher for the week as the conglomerate has been modestly performing without Lee for the past six months. Likewise, the Won was also on a four-day winning streak before the streak snapped on Friday as it declined by 0.05% to USD/KRW1,128 ahead of the Jackson Hole meeting. Nevertheless, the Won appreciated by 1.15% against the greenback for the week as investors shrugged of North Korea’s over the joint military drills by the U.S and South Korea.

Chart 1 YTD performance of major markets

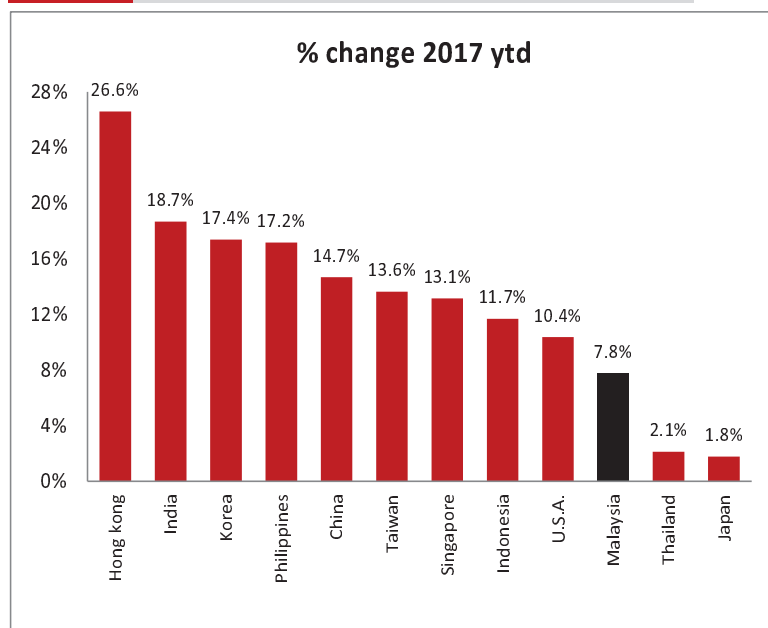
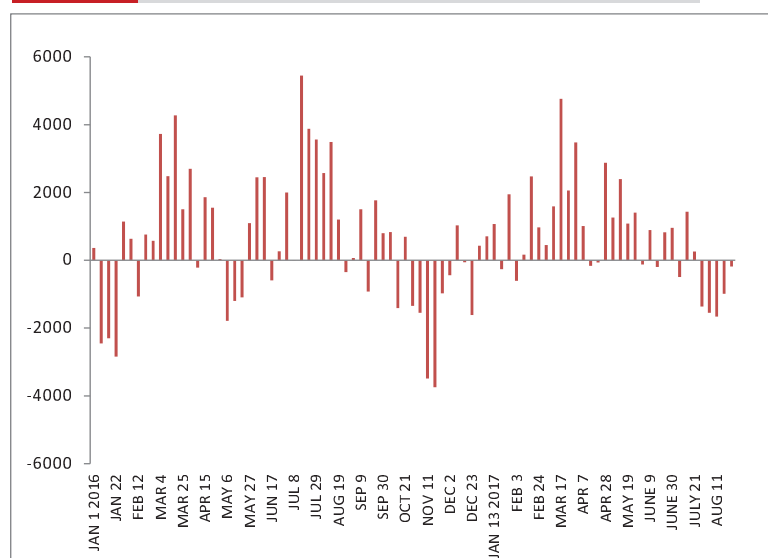


Chart 2 Weekly Net Flow of Foreign Funds into 7 Asian Markets since Jan 2016 (USD'm)



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, selling was across the board.
- Foreign investors went into a selling spree in Thailand on every single day, disposing a total of -USD180.3m net for the week. The outflow was in line with the Baht's 0.26% weekly depreciation against the dollar following the delayed court verdict on former Prime Minister, Yingluck. On the contrary, the SET increased 0.59% for the week, supported by Thailand's highest GDP in four years, which rose 3.7% in 2Q17.
- In Manila, foreign investors took their foot of the pedal as they dumped -USD4.9m net after a five-week buying spree. Risk aversion fuelled by the start of the 'ghost month' gripped the PSEi which had a flattish week, losing marginally by 0.02%. Meanwhile on Friday, the Peso depreciated for the first time in four days to USD/PHP51.071 ahead of Fed Chair Yellen's speech at Jackson Hole. Notwithstanding this, the Peso recovered by gaining 0.74% on a weekly basis.
- Global funds also continued to dump Indonesian stocks for the eighth successive week. Nonetheless, the JCI jumped to 5,814 points on Wednesday after Bank Indonesia unexpectedly slashed the key rate by 25 bps to 4.5% in efforts to spur economic growth. Expectations of increased consumer spending from the rate cut buoyed optimism in the nation. Hence, it was no surprise that the JCI reached a new record high at 5,915 points on Friday, bringing its year-to-date gain to almost 12%. The Rupiah followed suit, appreciating 0.13% against the greenback to settle at USD/IDR13,344 for the week.

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

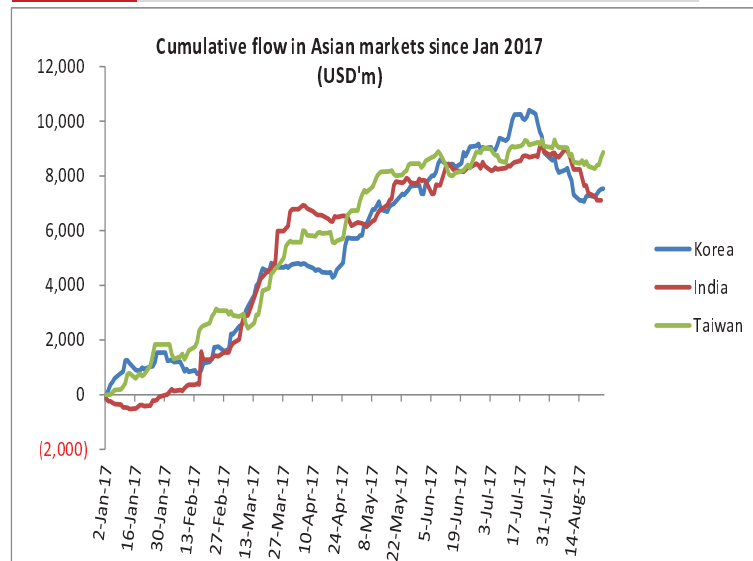
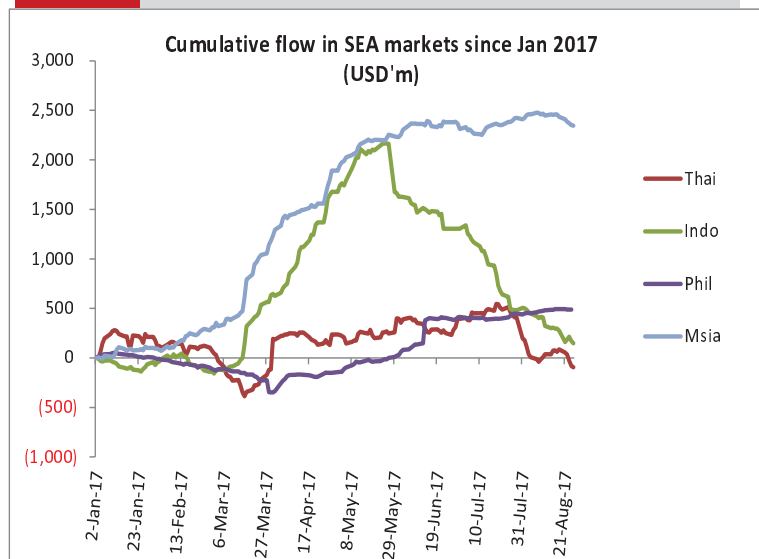


Chart 4 Net Flow of Foreign Funds into South East Asia Emerging Markets since Jan 2017 (USD'm)



Source: Bloomberg, Bursa Malaysia

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

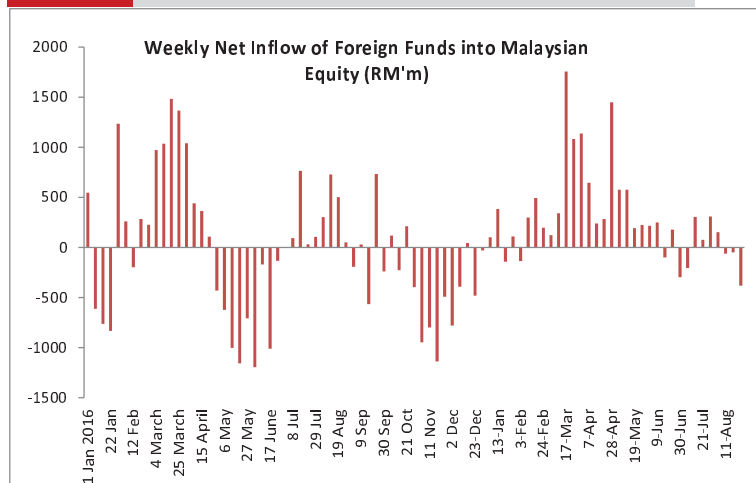
WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
JUL 7	376.3	58.0	-136.7	-5.3	-269.1	-468.1	-47.8	-492.9
JUL 14	860.1	41.8	-221.8	-17.1	205.0	492.8	71.2	1,431.9
JUL 21	163.9	-4.7	-303.9	11.2	286.2	91.1	17.8	261.7
JUL 28	-1,550.5	-79.8	-160.9	51.5	356.7	-53.2	72.3	-1,363.9
AUG 4	-733.1	-400.4	-32.4	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	-19.6	49.5	-48.0	17.8	-826.5	-151.9	-11.3	-989.9
AUG 25	239.7	-180.3	-126.5	-4.9	-535.7	512.3	-89.2	-184.5

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

C. TRACKING MONEY FLOW - MALAYSIA

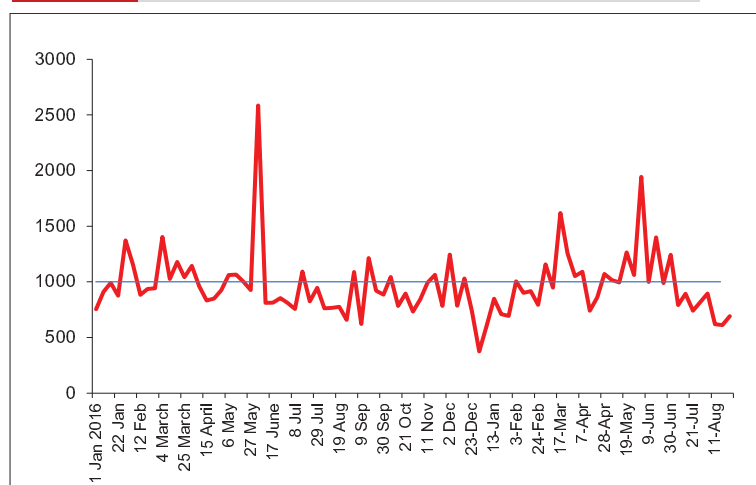
- General foreign investor activity remained suppressed last week despite a tick up in trade aggressiveness.
- For the week, foreign funds withdrew -RM382.1m net based on transactions in the open market, excluding off market deals. This is the highest weekly attrition for the year.
- Foreign funds were selling for the past six trading days, the longest daily selling streak since December. Outflows gradually tapered during the six-day stretch as ringgit gained traction amid dollar weakness before the Jackson Hole meeting took place. The weekly attrition was in conformity with those seen by South East Asian peers notably, Thailand, Indonesia and the Philippines.
- So far, foreign investors have been selling for 8 weeks this year but the longest weekly selling stretch is only 3 weeks in a row. Therefore, a sustained period of selling has not yet been observed. Despite the largest weekly disposal, the cumulative year-to-date net inflow still stands above RM10b.
- Foreign participation rate picked up for the week. The foreign average daily trade value (ADTV) increased by 13% from RM611m to almost RM700m.
- Retail participation took cue from the foreign side as the retail ADTV increased by 5% from RM830m to RM870m last week, marking its fourth back-to-back week of being above RM800m.

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)	
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
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

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 25 AUGUST
TOP 10 NET MONEY INFLOWS

- Genting Malaysia stocks were the beneficiary of the highest net money inflow of RM7.26m. Its share price underperformed the benchmark index with a 5.21% loss for the week. The net inflow amidst declining share price indicates a buy-on-weakness (BOW) stance among some investors.
- The second highest net money inflow beneficiary was Petronas Gas, amounting to RM5.05m. Its share price outperformed the benchmark index with a 0.42% gain during the review week.
- Air Asia saw the third highest net money inflow of RM4.25m. Its share price outperformed the benchmark index with a 1.54% gain during the review week. The company announced the disposal of its 50% stake in the Asian Aviation Centre of Excellence to joint venture partner, CAE International Holding for USD100m.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
GENTING MSIA	7.26	3.78	-5.21	BOW
PETGAS	5.05	-6.79	0.42	-
AIRASIA	4.25	-0.60	1.54	-
MY EG	3.97	3.04	-4.74	BOW
LAFARGE	2.90	0.49	0.55	-
CIMB	1.97	-3.81	-0.74	BOW
IHH	1.74	4.28	-1.66	BOW
SAPURA	1.68	1.06	-2.67	BOW
PPB GROUP	1.68	2.06	1.83	-
YTL CORP	1.21	-0.05	-1.41	BOW

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- KL Kepong saw the largest net money outflow of -RM12.29m last week. Its share price outperformed the benchmark index with a 0.58% gain for the week. It is notable that the net money outflow amidst advancing share price indicates a sell on strength (SOS) stance among investors.
- Hong Leong Bank Berhad recorded the second largest net money outflow of -RM12.11m during the week under review. Its share price underperformed the benchmark index with a 0.51% loss for the week.
- Tenaga Nasional Berhad meanwhile registered the third largest net money outflow at -RM10.98m, with its share price substantially outperforming the benchmark index with a 0.42% gain.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
KL KEPONG	-12.29	-9.19	0.58	SOS
HLBK	-12.11	-1.66	-0.51	-
TNB	-10.98	-8.13	0.42	SOS
AXIATA	-6.27	-1.96	1.24	SOS
MAYBANK	-6.22	12.57	-1.04	-
MAXIS	-4.25	0.42	0.88	SOS
GENTING	-3.69	1.02	0.10	SOS
PETCHEM	-3.24	-3.82	1.70	SOS
DIALOG	-3.22	3.79	2.58	SOS
GAMUDA	-2.94	-10.44	-0.55	-

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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