

MIDF EQUITY STRATEGY | 6 AUGUST 2018 WEEK ENDED 3 AUGUST

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- The situation towards the end of the week on Wall Street was gloomy as U.S stocks ended flat as the lesser than expected increase in nonfarm payrolls of 157,000 jobs in July offset the gains in consumer staples bolstered by Kraft Heinz's commendable earnings.
- Brent crude oil price retreated to the red zone after declining by 1.45% for the week to USD73.21pb. The weakness is partly attributable to the higher supplies from the OPEC and Russia in addition to the calming news over the U.S-China trade dispute.
- Offshore investors continued to pour into Asian markets albeit at a slower pace. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" bought USD279.9m net last week, slightly more than 1/4 of the USD1.15b acquired in the preceding week.
- After 13 uninterrupted weeks of foreign net selling of stocks listed on Bursa, global investors finally made their way to Malaysian shores. Based on preliminary data from Bursa which excluded off market deals, global funds accumulated RM348.9m net of local stocks.
- The FBM KLCI continued to advance, gaining 0.62% for the week to settle at 1,780 points, In contrast, the Ringgit suffered its seventh consecutive week of losses after losing 0.46% to settle at USD/MYR4.0813, the lowest level since December 2017.

FIRST WEEKLY INFLOW INTO BURSA AFTER 13 WEEKS

A. MARKET SNAPSHOT

- Equity markets worldwide ended the week mixed last week after enduring a series of central bank meetings in the U.S, U.K, and Asia.
- Wall Street started the week on a sluggish pace as technology stocks continued to decline for the third straight day on Monday, dragging the major U.S indexes lower led by Nasdaq index which gave up 144.23 points or 1.4%. Nevertheless, major U.S indexes were back on their feet the next day to end the day 0.4% higher aided by the speculation that trade negotiations between Washington and China will resume. As a result, Boeing Co., Caterpillar Inc., and 3M Co. surged more than 1.0%, lifting the S&P500 by 3.29% for the month of July, the biggest since January.
- As expected, the Fed decided to keep its rates steady between 1.75%-2.00% on Wednesday while remaining hawkish on its monetary stance with two more possible rate hikes in 2018. On the broader market, Apple climbed 5.9% to USD201.50, a new record high at that point of time amidst its better-than-expected sales forecast
- Technology companies made positive headlines on Thursday again as Apple's market capitalisation hit the USD1 trillion mark, the first company to do so in the history of Wall Street. The situation on Friday was however gloomy as U.S stocks ended flat as the lesser than expected increase in nonfarm payrolls of 157,000 jobs in July offset the gains in consumer staples bolstered by Kraft Heinz's commendable earnings.
- In Asia, the Bank of Japan (BOJ) on Tuesday stood firm on its monetary policy while exercising some flexibility in achieving yield targets by purchasing Japanese government bonds to maintain the 10-year yield near zero. As a result, leading Japanese banks such as MUFG and Mizuho Financial declined by more than 1.5% that day. On a positive note, Japan's Sony Corp reported a first quarter operating profit of USD1.75b underpinned by strong sales of gaming software.
- The Bank of England voted unanimously to raise the Bank Rate by 25bps at 0.75% on Thursday, citing recent data appeared to confirm that the dip in output in the first quarter was temporary and that the labour market has continued to tighten and wage growth has firmed. The decision was delivered despite high levels of uncertainty about the way of which U.K will leave EU next year. The central bank signalled that further moves will follow over coming years if the economy continues to grow at around its current pace.
- Brent crude oil price retreated to the red zone after declining by 1.45% for the week to USD73.21pb. The weakness is partly attributable to the higher supplies from the OPEC and Russia in addition to the calming news over the U.S-China trade dispute.

Table 1 Weekly performance of major indices

Weekly % change	Week before	Last week
Phil PCOMP	4.08	1.53
S&P 500	0.61	0.76
KLCI	0.82	0.62
Thai SET	1.84	0.60
India SENSEX	2.30	0.59
Jakarta JCI	1.98	0.31
Dow Jones	1.57	0.05
Korea KOSPI	0.25	-0.32
FTSE 100	0.29	-0.55
Taiwan TAIEX	1.31	-0.57
CAC 40	2.10	-0.59
Nikkei	0.07	-0.83
FSSTI Index	0.82	-1.78
DAX	2.38	-1.90
Hang Seng	2.05	-3.92
China CSI 300	0.81	-5.85

Source: Bloomberg

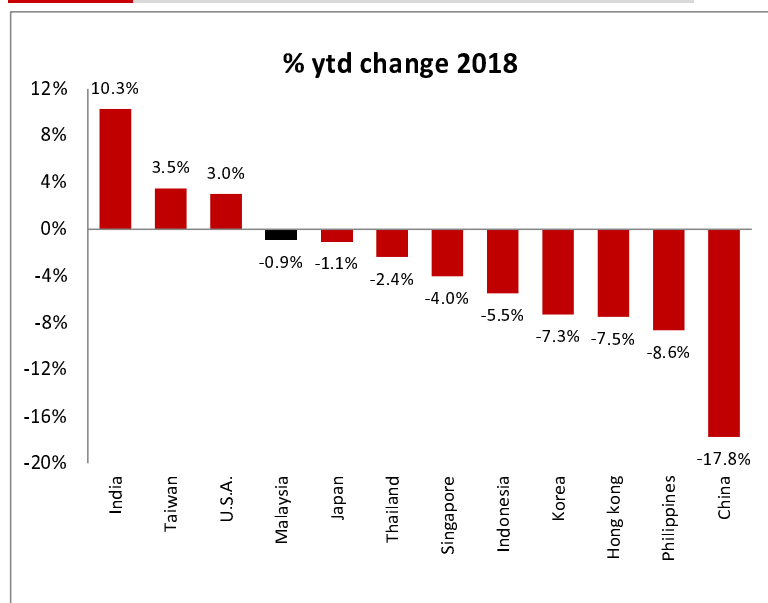
FUND FLOW REPORT

- The FBM KLCI continued to advance, gaining 0.62% for the week to settle at 1,780 points. In contrast, the Ringgit suffered its seventh consecutive week of losses after losing 0.46% to settle at USD/MYR4.0813, the lowest level since December 2017.

B. TRACKING MONEY FLOW - ASIA¹

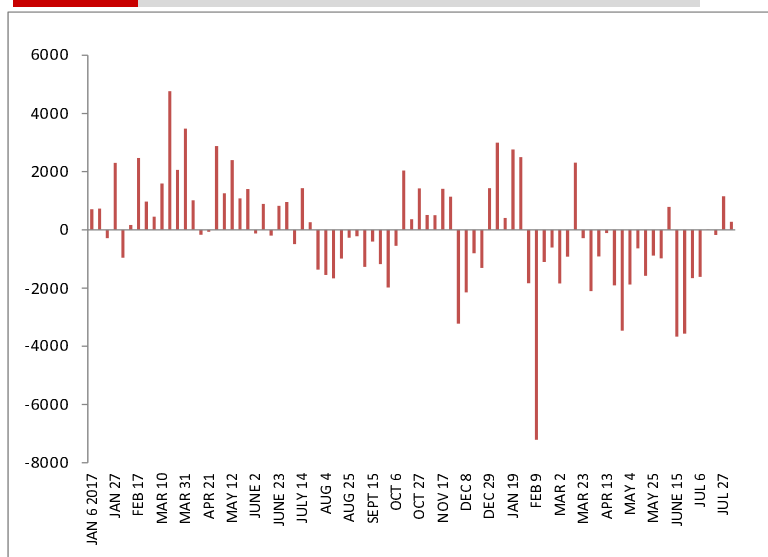
- Offshore investors continued to pour into Asian markets albeit at a slower pace. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” bought USD279.9m net last week, slightly more than 1/4 of the USD1.15b acquired in the preceding week.
- Korea managed to attract international investors for the second week but at a measurable pace of USD117.9m net compared to USD205.2m net in the week before. The weekly slowdown in foreign net buying in Korea coincided with the KOSPI’s weekly decline of 0.32%. Foreign funds were net buyers on three out of five trading days with Wednesday recording the highest net inflow during the week at USD162.6m. The KOSPI followed suit to close at 23-trading day high of 2,307 points supported by rise in Korean cosmetics and tourism stocks tied to the consumption of Chinese tourists as Chinese foreign minister, Wang Yi discussed a possible relaxation of Chinese retaliatory measures in response to Korea’s deployment of the Thaad missile shield. On a separate note, Samsung Electronics Co. Ltd recorded a 5.7%yoy growth in operating profit, its slowest quarterly profit growth since 1Q2017 affected by weak sales in its Galaxy S9 smartphones.
- In contrast, Taiwan’s three-week foreign buying spree came to an end after international funds disposed -USD123.8m net last week. Similar to Korea, foreign net selling in Taiwan peaked during the week on Thursday at -USD200.4m which was also the biggest in a day since 11 July 2018, pushing the Taiwan Dollar lower by 0.21% to USD/TWD30.677. Weakness in the Taiex was also observed on Thursday as it slipped 1.5% to close at 10,929 points, the biggest daily decline since mid-June this year with TSMC being the biggest laggard as President Trump threatened higher tariffs on Chinese imports. On the monthly basis, it was surprising to note that foreign investors only took out -USD3.90m from Taiwan in July compared to the -USD2.65b attrition in June.

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)

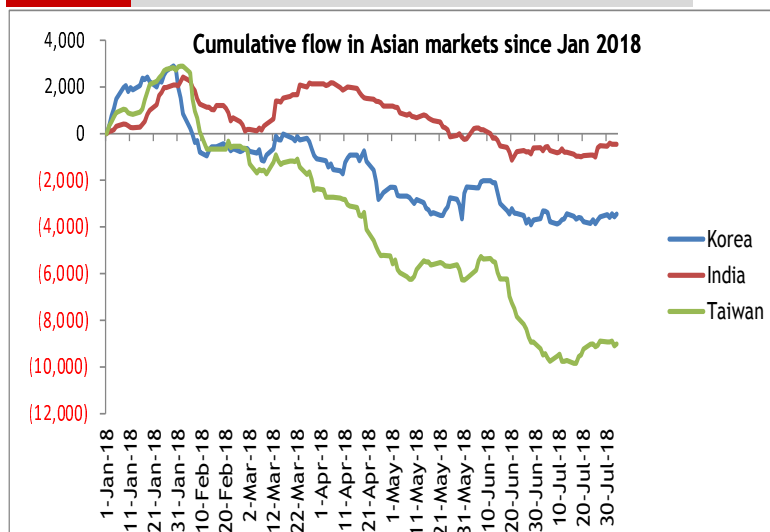


Source: Bloomberg, Bursa Malaysia, MIDFR

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.

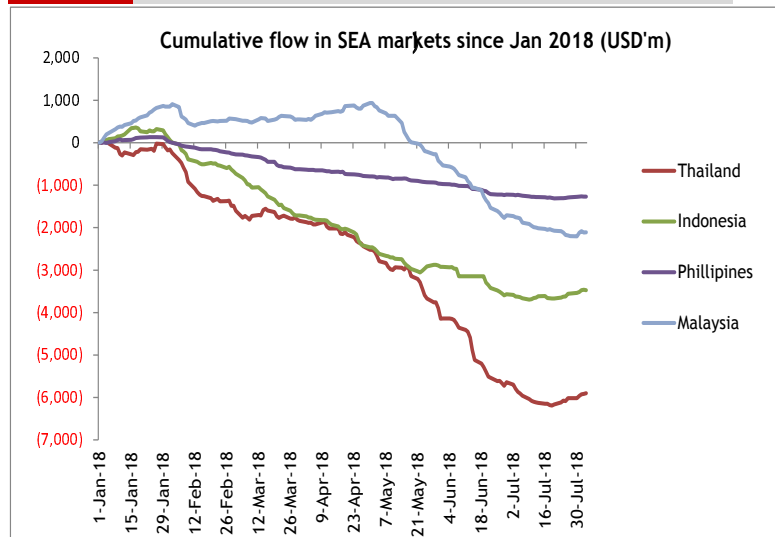
- It was an extraordinary week for the emerging South East Asian markets that we monitor as all four of them were beneficiaries of foreign net buying with Thailand having the highest inflow.
- In Bangkok, international funds bought USD116.9m net last week during the holiday-shortened week, lower than the USD146.8m net acquired in the week before. The bourse of Thailand reopened on a mixed note on Tuesday, only marginally declining by 0.01% while global funds mopped up local stocks to a tune of USD55.0m net, the largest during the week. The Thai Baht meanwhile appreciated 0.35% for the week to USD/THB33.241, the first weekly gain after seven straight week of declines. In relation to Chinese tourist arrivals in Thailand, the number in July was little changed following the boat tragedy in Phuket and is expected to fall to 5.15m tourists in 2H18.
- Manila saw an inflow worth USD16.2m net last week with the Monday's foreign buying being the largest contributor at a level of USD9.64m net underpinned by expectations that the nation's central bank will tighten monetary policy as early as August. The Philippine Peso on Monday tracked the heavy inflows to hit a six-week high at USD/PHP53.193. Foreign net selling meanwhile only occurred on Thursday to a tune of -USD4.54m amidst escalated tensions in the Sino-U.S trade dispute.
- Similar to Manila and Bangkok, the pace of foreign net buying slowed down in Jakarta to USD77.2m last week from USD118.7m in the week before. Global investors bought the most during the week on Wednesday at USD43.6m net, coinciding with the JCI's 1.6% daily advance, the biggest since 9 July 2018. Friday's attrition worth -USD12.2m net broke the 9-day buying frenzy. However, it is important to note that Indonesia was the only market among the 4 ASEAN markets we track to record a foreign net inflow amounting to USD54.0m net.

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)

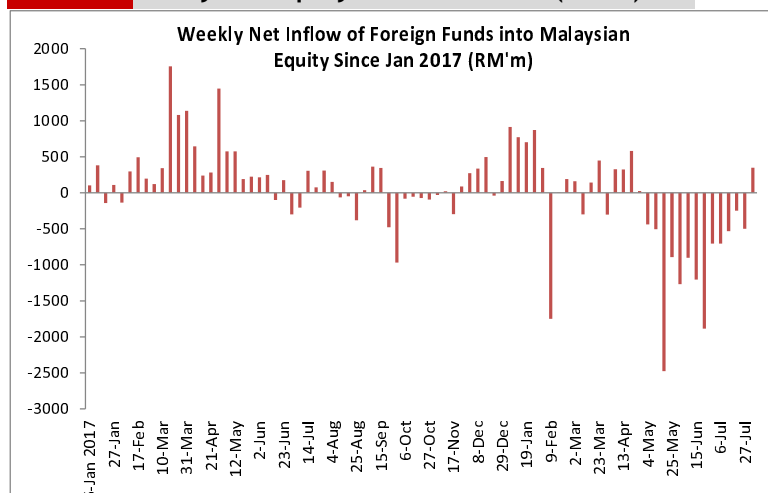
WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
JUN 15	-971.0	-760.4	0.0	-75.6	-699.8	-858.1	-302.3	-3,667.1
JUN 22	-427.0	-420.7	-272.8	-123.8	-240.7	-1,607.4	-471.2	-3,563.6
JUN 29	-287.8	-104.6	-150.5	-7.7	150.1	-1,081.7	-175.3	-1,657.6
JUL 6	-74.9	-317.4	-92.3	-29.9	-98.4	-830.8	-174.2	-1,617.8
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	117.9	116.9	77.2	16.2	-10.4	-123.9	85.9	279.9

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

C. TRACKING MONEY FLOW - MALAYSIA

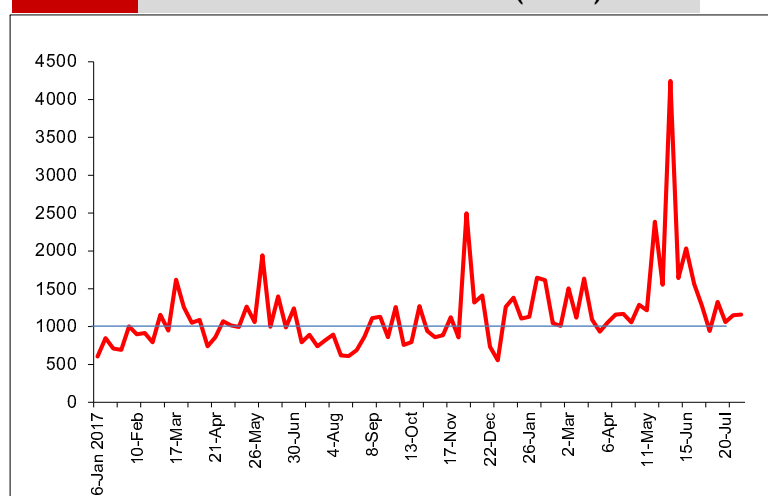
- After 13 uninterrupted weeks of foreign net selling of stocks listed on Bursa, global investors finally made their way to Malaysian shores.
- Based on preliminary data from Bursa which excluded off market deals, global funds accumulated RM348.9m net of local stocks. So far in 2018, global funds have been net buyers of Malaysian stocks for 15 out of 31 weeks.
- Offshore funds started week with a marginal level of attrition of only -RM39.2m net. Meanwhile on Tuesday which was the last trading day of July, foreign investors mopped up RM343.5m net, the largest inflow in a day since 19 April 2018 as the visit of China's foreign minister, Wang Yi to Malaysia increased prospects of better bilateral ties between the two nations.
- Foreign net buying resumed on Wednesday but at a slower pace of -RM151.3m following news that the U.S and China may revive trade negotiations to diffuse tensions. The FBM KLCI took cue of the news to jump 0.23% to the highest close in 48 trading days at 1,788 points.
- Overseas investors returned to selling mode on Thursday to a tune of -RM123.7m as the U.S proposed a higher tariff of 25% on USD200b worth of Chinese imports. Nonetheless, global funds chipped in RM17.0m worth of local stocks on Friday, tracking gains from the technology rally on Wall Street overnight. Pengurusan Air Selangor also announced a proposed takeover of water firm, SPLASH for RM2.6b on the same day.
- For the past 3 months, foreign net outflows have been gradually receding. May saw global funds taking out -RM5.6b followed by -RM4.9b in June while July only saw foreign net selling worth -RM1.7b. Amongst the 4 ASEAN markets we track, Malaysia has the second lowest outflow worth -USD2.11b or -RM8.45b after the Philippines as of last Friday on a year-to-date basis.
- The average daily traded value (ADTV) in the retail market dipped below the RM1b mark last week. Nonetheless, the ADTV of foreign investors remain solid above RM1b at RM1.16b.

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)	
JUN 29	2,055.6	1,964.2	91.4	5,628.8	5,014.8	614.0	2,840.9	3,546.3	-705.4	-175.3
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

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 3 AUGUST
TOP 10 NET MONEY INFLOWS

- IOI Corporation Berhad registered the highest net money inflow of RM7.68m last week. Its share price underperformed with a 0.44% increase against the FBM KLCI which advanced by 0.62% during the week under review.
- Malaysia Airports Holdings Berhad recorded the second highest net money inflow of RM5.12m. Its share price was higher by 7.69% for the week, substantially outperforming against the market benchmark which was only 0.62% higher.
- Kuala Lumpur Kepong Berhad saw the third highest net money inflow of RM4.90m. Its share price underperformed the FBM KLCI with a 0.41% 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		
IOI CORP	7.68	5.82	0.44	-
MAHB	5.12	-8.56	7.69	-
KL KEPONG	4.90	5.27	0.41	-
IHH	4.58	-1.13	-2.48	BOW
CIMB	4.03	2.90	-1.70	BOW
MAYBANK	3.63	-13.23	-0.51	BOW
HEINEKEN	2.72	0.48	-2.78	BOW
GENTING MSIA	2.66	-5.41	0.20	-
WESTPORTS	2.61	0.43	0.54	-
PPB GROUP	2.42	2.91	-0.48	BOW

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- Tenaga Nasional Berhad saw the largest net money outflow of -RM34.20m last week. Its stock price gained 2.12%, outperforming vis-à-vis the FBM KLCI which gained 0.62% 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.
- Public Bank Berhad recorded the second largest net money outflow -RM19.07m during the week under review. Its share price meanwhile gained 0.50% for the week, underperforming the market benchmark which had a 0.62% weekly gain.
- Dialog Group Berhad registered the third largest net money outflow of -RM8.89m in the review week. Its share price meanwhile advanced 7.64% during the week, substantially outperforming the benchmark which had a 0.62% gain.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
TNB	-34.20	7.53	2.12	SOS
PUBLIC BANK	-19.07	-1.67	0.50	SOS
DIALOG	-8.89	0.77	7.64	SOS
MY EG	-6.67	-6.62	-4.10	-
AIRASIA	-5.05	2.74	-0.29	-
TELEKOM	-3.50	-5.68	-6.84	-
CARLSBERG	-3.37	-0.29	1.79	SOS
SIME DARBY	-3.36	4.32	2.00	SOS
DRB-HICOM B	-2.91	-2.39	4.48	SOS
HARTALEGA	-2.86	-2.78	1.15	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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