

MIDF EQUITY STRATEGY | 4 DECEMBER 2017 WEEK ENDED 1 DECEMBER 2017

- Benchmarks around the globe were mixed amid recent political developments from the United States.
- The situation on Wall Street was shook by a report that Michael Flynn is preparing to prove that President Trump instructed him to communicate with Russians during the 2016 presidential election. Nonetheless, U.S benchmarks stood strong as the political turmoil was weighed down by the anticipation of a tax overhaul bill following a comment by a key Republican Senator expressing his support for the tax legislation.
- Brent crude oil price took a 0.20% weekly dip but still remained above the USD60pb level at USD63.73pb. The oil market was buoyed by outcome of OPEC's November 30 meeting saw the pledge by OPEC and non-OPEC producers to continue reducing supply by 1.8m barrels per day for another 9 months beyond March 2018.
- The trend reversed abruptly as foreign funds fled Asian markets after seven uninterrupted weeks of buying. The provisional aggregate data from the seven Asian exchanges that we track saw investors classified as "foreign" disposing -USD3.13b net last week.
- Foreign funds continued to enter into Bursa last week at an intensified level during the holiday shortened week. Based on preliminary data from Bursa which excluded off market trades, international investors bought RM273.3m net of Malaysian equities last week, which is more than three times the amount acquired in the preceding week which was RM86.6m net.

A STRONG ENTRANCE BY FOREIGN INVESTORS ON BURSA

A. MARKET SNAPSHOT

- Benchmarks around the globe were mixed amid recent political developments from the United States.
- Wall Street finished the week on a firm note with the Dow Jones and S&P500 leading gainers worldwide. Both indexes posted gains above 1.5% on a weekly basis. The Dow Jones even breached 24,000 points for the first time ever on Thursday with the help of technology stocks. However, the situation on Wall Street was shook by a report that Michael Flynn is preparing to prove that President Trump instructed him to communicate with Russians during the 2016 presidential election.
- It was surprising to find that U.S benchmarks stood strong as the political turmoil was weighed down by the increased anticipation of a tax overhaul bill following a comment by a key Republican Senator expressing his support for the tax legislation. The dollar index meanwhile pared gains for the week to only end 0.11% higher at 92.855 points.
- As Saturday came, the Senate approved the tax bill which slashes the corporate tax rate from 35% to 20% coupled with commendable reductions for all income levels. Henceforth, the U.S. market is expected to retain its momentum for this week.
- In Asia, the Hang Seng index lost traction during the week, shedding 2.7% to close out its worst week since December 2015. One of the main laggards was Tencent Holdings which declined 7.4% for the week amidst a recent rally which was deemed excessive. Notwithstanding this, shares of Tencent is still a top performer this year so far with a 103% gain. We also note that Tencent's weighting on the Hang Seng has been reduced from 11.7% to 10% as a result of the quarterly rebalancing on Friday.
- Meanwhile in Europe, the Sterling rose to its strongest level in two months at GBP/USD1.3526 on last Thursday. The sentiment was bolstered by expectations that U.K Prime Minister, Theresa May and the European Union negotiators will reach a deal to proceed to the phase of trade talks for Brexit at a meeting on December 4.
- Brent crude oil price took a 0.20% weekly dip but still remained above the USD60pb level at USD63.73pb. The outcome of OPEC's November 30 meeting saw the pledge by OPEC and non-OPEC producers to continue reducing supply by 1.8m barrels per day for another 9 months beyond March 2018. The extension of output cuts helped to cushion the U.S oil production that hit a new record of 9.68m bpd in the week before.
- The FBM KLCI crept into the black with a weekly marginal gain of 0.04% to settle at 1,718 points on Thursday with the help of firmer oil prices moving

Table 1 Weekly performance of major indices

Weekly % change	Week before	Last week
Dow Jones	0.86	2.86
S&P 500	0.91	1.53
Nikkei	0.69	1.19
Thai SET	-0.79	0.22
FSSTI Index	1.77	0.21
KLCI	-0.26	0.04
CAC 40	1.34	-1.36
FTSE 100	0.39	-1.47
DAX	0.51	-1.52
Jakarta JCI	0.25	-1.90
Taiwan TAIEX	1.42	-2.34
India SENSEX	1.01	-2.51
China CSI 300	-0.40	-2.58
Phil PCOMP	0.65	-2.64
Hang Seng	2.29	-2.65
Korea KOSPI	0.41	-2.71

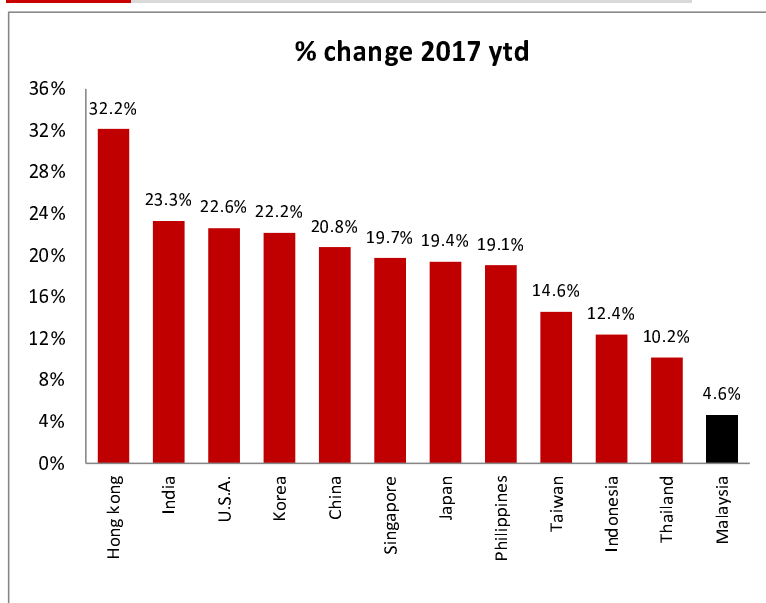
Source: Bloomberg

forward. The Ringgit also moved in a positive direction, appreciating 0.62% for the week to USD/MYR4.091 amid broad greenback weakness attributable to Michael Flynn’s attempt to testify against President Trump.

B. TRACKING MONEY FLOW - ASIA¹

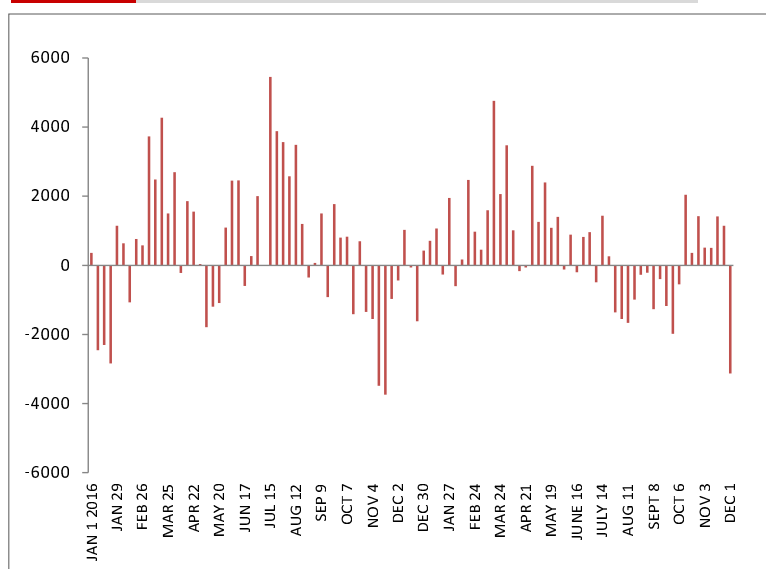
- The trend reversed abruptly as foreign funds fled Asian markets after seven uninterrupted weeks of buying. The provisional aggregate data from the seven Asian exchanges that we track saw investors classified as “foreign” disposing -USD3.13b net last week, the highest weekly attrition recorded in Asia thus far this year.
- North Asian markets were the main casualties of last week’s sell off as more than USD1b left Korea and Taiwan each. Global investors offloaded -USD1.38b net of Korean equities which was the second highest weekly attrition recorded in 2017. It was indeed a horrible week for Korea as foreign selling occurred on every single day during last week while extending the selling binge to seven days in a row, the longest since May 2016. Foreign attrition peaked on Thursday at -USD514.7m net which coincided with KOSPI’s biggest daily drop since January 2016 of 1.45%. We ascribe the persistent foreign selling in Korea to North Korea’s launch of the Hwasong-15 missile which is deemed as the “most powerful” Intercontinental Ballistic Missile (ICBM) by the rogue state on Wednesday. The Korean Won followed suit, depreciating by 0.11% for the week to end at USD/KRW1,086.38.
- Likewise, international investors exited Taiwan at a rather similar pace to Korea, selling -USD1.48b net last week, the highest amount ever offloaded in 2017. As a matter of fact, global funds were also net sellers on every single day of the week with Thursday posting the largest selloff of -USD474.5m net. Thursday’s heavy foreign selling was in tandem with the Taiex’s 1.43% drop to its lowest level in almost in two months at 10,560 points amid a tech selloff in Asia which saw semiconductor players such as TSMC hitting its lowest close since October 6 at TWD231. The Taiwan dollar tracked the ongoing foreign selling to shed 0.14% for the week to end at USD/TWD30.008 on Friday.

Chart 1 YTD performance of major markets



Source: Bloomberg

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, foreign selling occurred across the board with the exception of Malaysia and the Philippines.
- The pace foreign attrition in Thailand increased by more than ten times as global investors disposed -USD178.3m net last week. Despite the ongoing foreign selling in Thailand, the SET index rebounded by 0.22% for the week to close at 1,670 points. Optimism in Bangkok was buoyed by the rise in November's business sentiment which rose to 51.3 points from 50.6 points in October. Currency wise, the Thai Baht remained steady as it finished 0.19% higher for the week at USD/THB32.618, extending its gains for the fifth week running amid the 0.99%yoy rise in November's CPI.
- Global investors slowly entered Manila after three weeks of hesitation as they snapped up USD18.8m net during the holiday shortened week. Foreign buying only occurred on Wednesday but was rather high at USD24.26m net before the Bonifacio Day as the approval of the tax bill by the Philippine's Senate offset the concerns from North Korea's missile launch. However on the broad market level, the PSEi declined by 2.64% for the week to a level not seen in almost three months at 8,144 points.
- Foreign buying in Jakarta in the preceding week was shortlived as global funds sold -USD661.5m net last week, the largest in 2017. In line with the heavy foreign selloff, the nation's benchmark equity index shed 115 points to settle at 5,952 points which was the biggest weekly decline in 49 weeks. The Rupiah was also affected by the foreign selling, as it depreciated by 0.14% for the week but posted a monthly gain 0.29%, the largest since January.

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

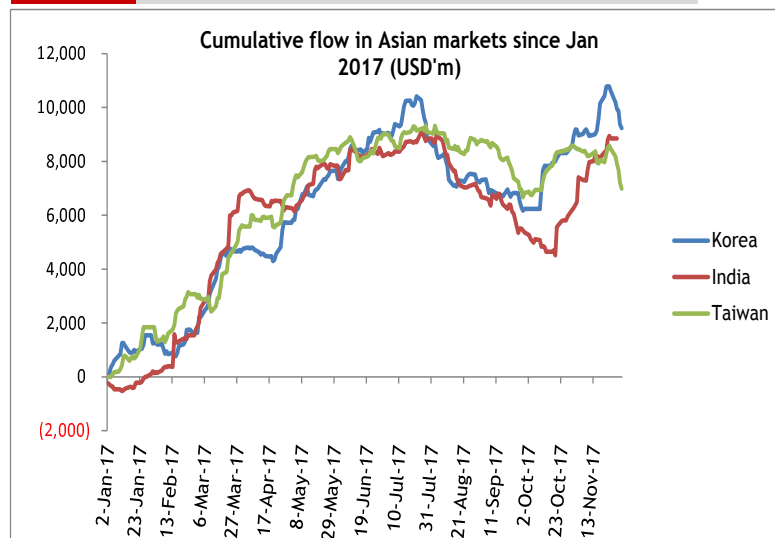


Chart 4 Net Flow of Foreign Funds into South East Asia Emerging Markets since Jan 2017 (USD'm)

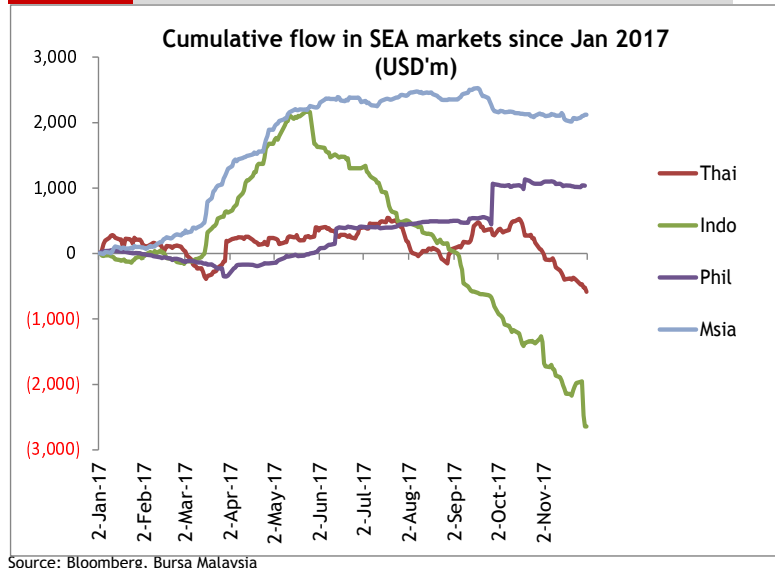


Table 2 Weekly Net Flow Of Foreign Fund Into Equity By Market (USD'm)

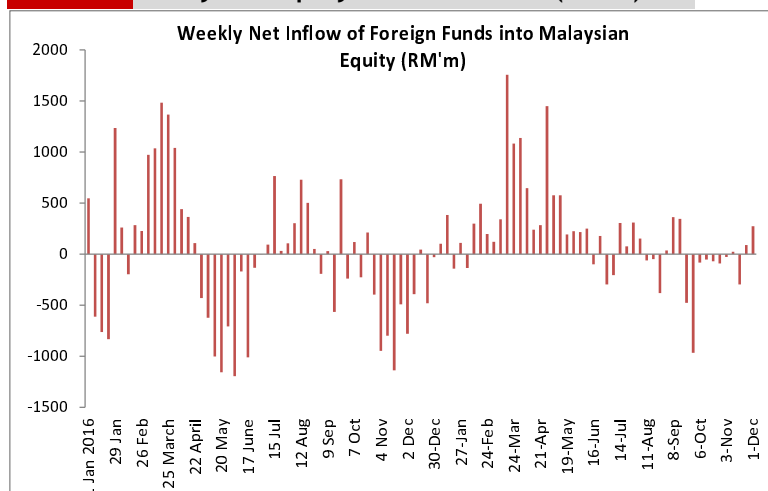
WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
OCT 13	1,595.8	153.5	-99.0	-2.9	-281.0	685.22	-12.9	2,038.6
OCT 20	300.4	-217.0	-183.0	-49.7	-184.1	713.1	-16.9	362.9
OCT 27	235.8	-107.0	-5.22	85.2	1,156.3	79.8	-21.8	1,423.0
NOV 3	593.5	-257.9	-351.6	24.0	469.1	39.3	-6.8	509.6
NOV 10	-17.3	-118.5	-141.3	-0.75	1,032.0	-255.2	5.2	504.1
NOV 17	1,210.9	-183.0	-276.1	-58.8	934.4	-142.3	-71.4	1,413.7
NOV 24	460.9	-14.7	161.1	-18.0	120.3	411.2	21.7	1,142.5
DEC 1	-1,381.5	-178.3	-661.5	18.8	489.4	-1,481.9	66.6	-3,128.2

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

C. TRACKING MONEY FLOW - MALAYSIA

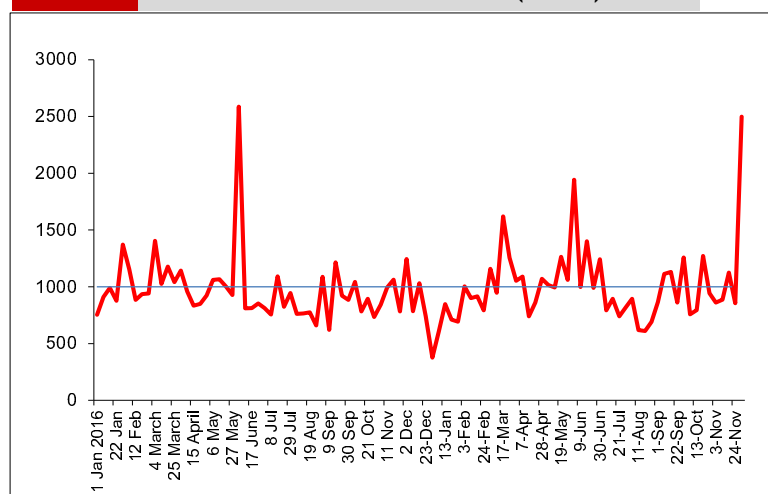
- Foreign funds continued to enter into Bursa last week at an intensified level during the holiday shortened week.
- Based on preliminary data from Bursa which excluded off market trades, international investors bought RM273.3m net of Malaysian equities last week, which is more than three times the amount acquired in the preceding week which was RM86.6m net.
- Last week, foreign investors were net buyers on all four trading days, the longest buying binge since September. Monday recorded the highest amount of foreign buying at RM92.2m net amid the rally in crude oil prices in the week before. Foreign buying then went down to RM31.3m net on Wednesday as investors stayed on the sidelines as they waited for Sime Darby's trading to resume after a three-day suspension and the debut of Sime Darby Plantations and Sime Darby Property on Thursday. Another possible explanation for Wednesday's reduced foreign buying could be North Korea's missile launch.
- Nonetheless, foreign investors upped their ante on Thursday as they acquired RM62.80m net as positive quarterly earnings buffered the fall of Sime Darby's spin-off entities on the first day of trading. We note that the trend of foreign inflow into Bursa bucked the majority of its Asian peers.
- Last week's inflow has brought the year-to-date foreign purchase to RM9.37b from RM9.10b in the week before. November is the fourth month of foreign selling this year but it is noteworthy that the level of attrition has shrunk to -RM15.4m net compared to the previous months which ranged from RM200m-RM700m.
- Foreign participation spiked last week as the foreign average daily trade value (ADTV) soared by 192% to RM2.5b due to the rebalancing of the MSCI index. In contrast, the retail market was rather subdued as the retail ADTV remained below RM850m for the second week running.

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)	
OCT 20	2,002.7	1,978.5	24.2	4,796.4	4,749.2	47.2	2,507.7	2,579.1	-71.4	-16.9
OCT 27	2,381.9	2,368.6	13.2	6,065.5	5,986.7	78.8	2,312.2	2,404.3	-92.1	-21.8
NOV 3	2,856.5	2,760.9	95.6	6,307.7	6,374.7	-67.0	2,138.6	2,167.2	-28.6	-6.8
NOV 10	2,580.9	2,600.1	-19.2	6,551.5	6,555.0	-3.5	2,230.4	2,207.7	22.7	5.2
NOV 17	2,467.0	2,318.3	148.7	6,697.6	6,549.2	148.4	2,664.6	2,961.7	-297.1	-71.4
NOV 24	2,099.6	2,123.5	-23.9	7,232.5	7,297.2	-64.7	2,184.8	2,096.2	88.6	21.7
DEC 1	1,667.9	1,655.5	12.4	5,904.2	6,189.9	-285.7	5,132.8	4,859.5	273.3	66.6

Source: Bursa's preliminary data

* Estimate by MIDF Research based on prevailing exchange rate.

D. MONEY FLOW² AMONG BURSA'S TOP 10 CAPITALIZED STOCKS: WEEK ENDED 1 DECEMBER
TOP 10 NET MONEY INFLOWS

- Tenaga Nasional Berhad again registered the highest net money inflow of RM113.34m last week. Its share price substantially outperformed with a 4.32% gain against the FBM KLCI which advanced by 0.04% during the week under review.
- Malayan Banking recorded the second highest net money inflow of RM17.24m. Its share price outperformed against the market benchmark with a rather sizable 1.09% advance during the review week.
- Petronas Gas saw the third highest net money inflow of RM7.20m. However its share price lagged the FBM KLCI with a 5.25% loss during the week under review. It is notable that net money inflow amidst declining share price may indicate a buy on weakness (BOW) stance among some investors.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
TNB	113.34	17.09	4.32	-
MAYBANK	17.24	-3.09	1.09	-
PETGAS	7.20	10.45	-5.25	BOW
TIME DOTCOM	3.53	0.50	1.33	-
SP SETIA	3.22	-4.51	6.63	-
GAMUDA	2.57	-0.45	4.49	-
CIMB	1.81	-1.46	1.17	-
BURSA	1.20	5.16	1.04	-
MISC	1.20	-0.47	-0.14	BOW
BIMB	1.19	0.46	2.38	-

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS


- Sime Darby saw the largest net money outflow of -RM33.59m last week. Its stock price ended 15.20% higher and strongly outperformed vis-à-vis the FBM KLCI which gained by 0.04% during the review week. It is notable that net money outflow amidst advancing share price may indicate a sell on strength (SOS) stance among some investors.
- F&N Holdings recorded the second largest net money outflow -RM19.09m during the week under review. Its share price however marginally outperformed the market benchmark with a 0.31% weekly gain.
- Nestle Malaysia registered the third largest net money outflow at -RM16.94m in the review week. Its share price outperformed the benchmark with a 5.81% weekly gain. It is notable that net money outflow amidst advancing share price may indicate a sell on strength (SOS) stance among some investors. 

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
SIME DARBY	-33.59	-2.88	15.20	SOS
F&N	-19.09	-58.59	0.31	SOS
NESTLE	-16.94	-5.87	5.81	SOS
TOP GLOVE	-13.20	-8.34	-0.30	-
PUBLIC BANK	-9.09	-45.94	-2.07	-
AXIATA	-7.98	6.37	0.38	SOS
DIGI.COM	-7.38	5.45	5.22	SOS
HEINEKEN	-4.57	1.30	-0.79	-
PETDAG	-4.27	-0.23	2.54	SOS
AEON	-3.87	-0.09	-3.72	-

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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