

MIDF EQUITY STRATEGY | 22 JANUARY 2018 WEEK ENDED 19 JANUARY

- Performance of major global equity markets remained strong in the third week of 2018.
- Despite fears of a U.S government shutdown, all three major U.S benchmarks posted weekly gains of more than 0.80%. However, this week is expected to start on a bitter note as the U.S government did shut down over the weekend.
- After four weeks of gains, Brent crude oil price posted its first weekly loss of -1.80%, settling at USD68.61pb amid concerns that rising U.S production will weigh down on shrinking global supplies.
- Foreign investors upped their ante in Asia last week as they substantially increased their exposure in Asian equities. Based on the provisional aggregate data from the seven Asian exchanges that we track, investors classified as “foreign” acquired USD2.59b net last week, six times more than the amount bought in the preceding week.
- Foreign buying momentum continued for the fourth consecutive week on Bursa although the level seems to be gradually decreasing. Based on preliminary data from Bursa which excluded off market deals, international investors acquired RM702.2m net of local equities last week, lower than the RM772.2m net bought in the week before.
- The FBM KLCI advanced 0.34% to close at 1,829 points on Friday, logging its eighth uninterrupted week of gains. The Ringgit continued to gain for its fourth week, advancing by 0.84% against the greenback to settle at USD/MYR3.9388, the strongest since early May 2016. Its strength was supported by steady oil prices and a possible rate hike by Bank Negara Malaysia this coming week.

FOREIGN INVESTORS UP THEIR ANTE IN ASIA

A. MARKET SNAPSHOT

- Performance of major global equity markets remained strong in the third week of 2018.
- Wall Street started the week on a strong note as 4Q17 earnings of major US banks such as Morgan Stanley, Bank of America and US Bancorp topped estimates except for Goldman Sachs which reported its first quarterly loss in six years.
- With tech stocks such as IBM reporting its first quarterly revenue growth in 23 quarters, the Dow Jones and the S&P500 settled above 26,000 and 2,800 points, respectively for the first time ever on Wednesday. IBM's revenue growth is attributable to its foray into cloud, artificial intelligence and block chain technology which compensated losses from its traditional software division.
- Despite fears of a U.S government shutdown, all three major U.S benchmarks posted weekly gains of more than 0.80%. In fact, the Nasdaq and S&P500 sealed a second closing high during the week on Friday. In contrast, the dollar index was hovering near three-year lows at 90.572 points, ending 0.44% lower for the week. However, this week is expected to start on a bitter note due to the U.S government shutdown over the weekend.
- In Asia, the Hang Seng index marked its sixth consecutive week of gains, ending 2.68% higher and leading gainers amongst global benchmarks. During the week, the Hang Seng index closed above 32,000 points for the first time on Thursday as financial stocks continued to attract mainland money. On Thursday mainland investors acquired USD968.7m net of Hong Kong equities via trading links with Shanghai and Shenzhen, the largest net buying in a day since 30 December 2016. The local bourse even set a third closing high on Friday, boosted by better-than-expected China GDP growth for 2017.
- Meanwhile in Europe, Angela Merkel's coalition escaped a sticky situation on Sunday as 600 delegates from the Social Democrats voted in favour to move forward on another government with Merkel. This latest breakthrough in German politics raises hopes that a new government might be formed by Easter. Aside from that, Merkel's support is crucial to help French president, Macron to realise the ambitious plans to protect the Eurozone against further financial crises.
- After four weeks of gains, Brent crude oil price posted its first weekly loss of -1.80%, settling at USD68.61pb amid concerns that rising U.S production will weigh down on shrinking global supplies. According to Baker Hughes, the number of operating oil rigs in the U.S increased by 5 to 747. Meanwhile the U.S crude output rose by 258,000 barrels per day to 9.75m barrels last week compared to the U.S crude stockpiles which only fell by roughly 6.86 m barrels.

Table 1 Weekly performance of major indices

Weekly % change	Week before	Last week
Hang Seng	1.94	2.68
India SENSEX	1.28	2.66
Taiwan TAIEX	0.04	2.45
Jakarta JCI	0.26	1.90
DAX	-0.56	1.43
China CSI 300	2.08	1.43
Phil PCOMP	0.51	1.15
Dow Jones	2.01	1.04
Korea KOSPI	-0.04	0.95
S&P 500	1.57	0.86
FSSTI Index	0.89	0.85
Nikkei	-0.26	0.65
Thai SET	0.82	0.62
KLCI	0.26	0.34
CAC 40	0.85	0.17
FTSE 100	0.70	-0.62

Source: Bloomberg

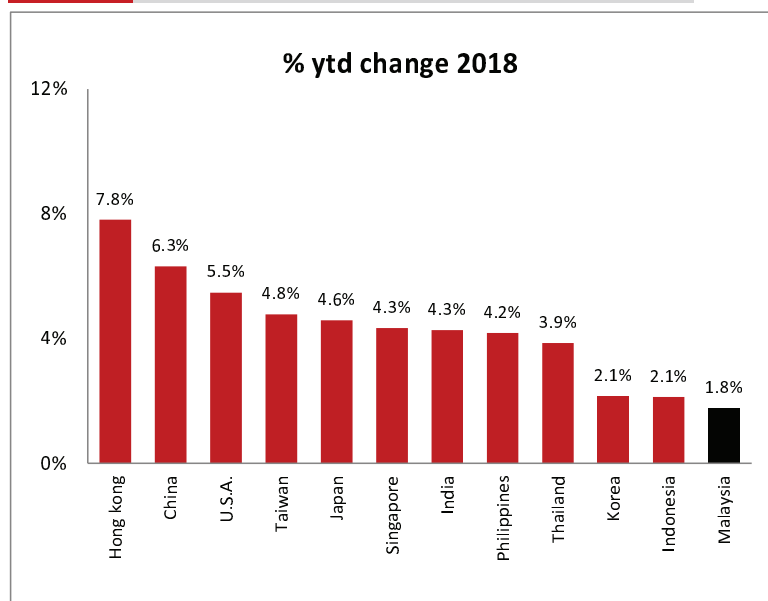
FUND FLOW REPORT

- The FBM KLCI advanced 0.34% to close at 1,829 points on Friday, logging its eighth uninterrupted week of gains. The Ringgit continued to gain for its fourth week, advancing by 0.84% against the greenback to settle at USD/MYR3.9388, the strongest since early May 2016. Its strength was supported by steady oil prices and a possible rate hike by Bank Negara Malaysia this coming week.

B. TRACKING MONEY FLOW - ASIA¹

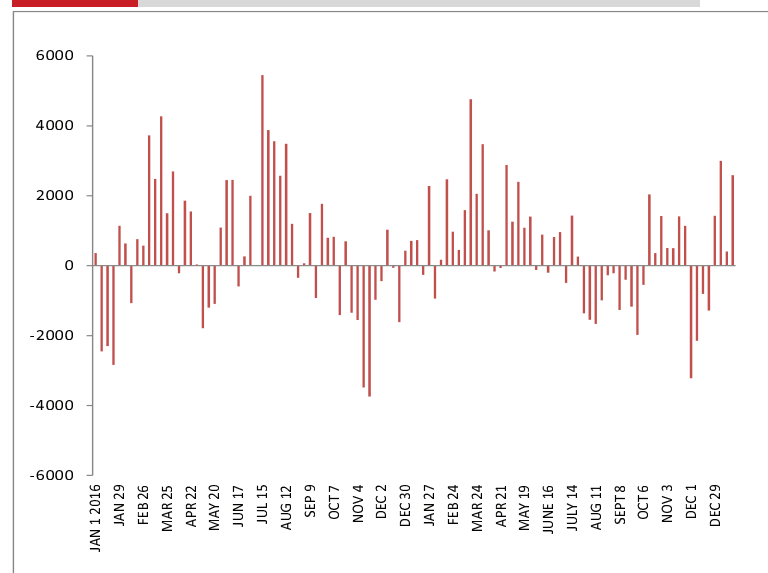
- Foreign investors upped their ante in Asia last week as they substantially increased their exposure in Asian equities. Based on the provisional aggregate data from the seven Asian exchanges that we track, investors classified as “foreign” acquired USD2.59b net last week, six times more than the amount bought in the preceding week.
- The total weekly net inflow into Korea was little changed at USD349.2m compared to USD394.1 in the week before. Foreign investors were net buyers on three out of five trading days last week with Tuesday recording the highest at USD307.4m net. So far in the first 14 trading days of 2018, foreign funds have bought USD2.22b net of equities on KOSPI, higher than last year’s amount during the same period which totalled up to USD995.0m net. Meanwhile on the economic front, the Bank of Korea kept interest rates steady at 1.50% on Thursday, coinciding with a net inflow of USD109.5m net. Despite the weakness of the greenback following fears of a possible U.S government shutdown which saw the Korean Won gain for the first time in three days on Friday to settle at USD/KRW1,066. The Won posted a weekly loss of -0.10%.
- Taiwan was the darling among foreign investors as it attracted USD1.29b net last week, the highest among the seven Asian exchanges we track. This is also the largest weekly inflow into Taiwan in 44 weeks. The main catalyst for Taiwan’s massive inflow was the better-than-expected quarterly results of TSMC bolstered by global demand for powerful semiconductors used in cryptocurrency mining. TSMC’s share price jumped by 2.82% to a record high of TWD255.50 on Friday with the optimism that the cryptocurrency mining boom will bode well for the company. All in, the Taiex finished the week 2.45% higher at 11,151 points, the highest close since April 1990.

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 buying was across the board.
- In Bangkok, foreign investors turned net buyers after two weeks of hesitation as they bought USD76.0m net, the highest since the week ended 13 October 2017. Foreign buying peaked on Wednesday at USD69.8m, the same day the SET reached the highest point during the week at 1,829 points as the mood turned rosy with tourist arrivals in December reaching a record of 3.5 million people. The Baht also followed suit, gaining 0.15% for the week to USD/THB31.897 after the Bank of Thailand pointed out a lesser need to ease monetary policy due to the nation's GDP growth.
- In Manila, global funds bought USD56.3m net of equities, extending the buying streak to the fifth week. The local bourse tracked the continuing inflows to post a weekly gain of 1.15% after rebounding from a two-day losing streak on Friday to hit a seven-day trading high of 8,915 points partly due to bargain hunting. On the other hand, the Peso suffered a weekly loss of 0.72% as it declined to USD/PHP50.73 as the central bank governor's cautious stance on raising interest rates weighed down on the news that the authorities will stick to a flexible forex rate policy.
- Foreign buying of Indonesian stocks slowed down last week to USD75.3m from USD111.3m in the week before. Foreign investors bought heavily on Monday, ploughing in USD147.6m worth funds but later turned net sellers on Thursday, snapping the 13-day streak of inflows. Nonetheless, the JCI stood strong by ending the week 1.90% higher at a new record high of 6,491 points despite Monday's tragedy where mezzanine floor at the local bourse collapsed. Currency wise, the Rupiah strengthened by 0.28% for the week to USD/IDR13,316 as the central bank hints the end of easing policies.

Chart 3

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

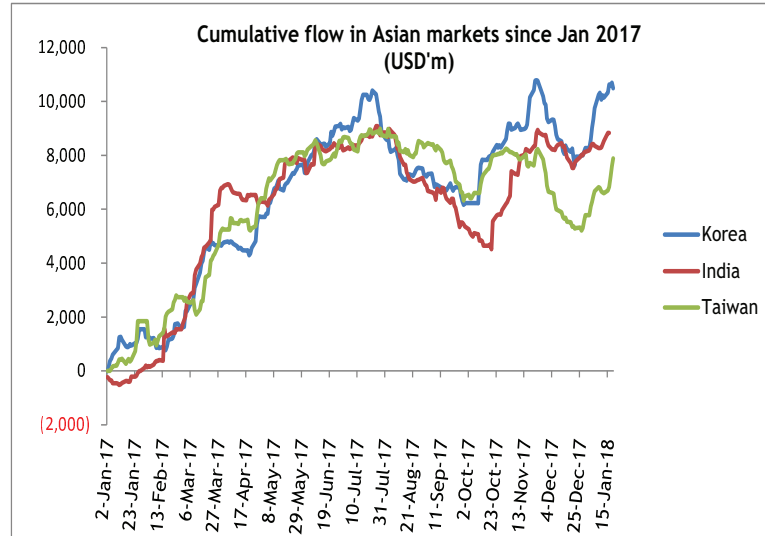


Chart 4

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

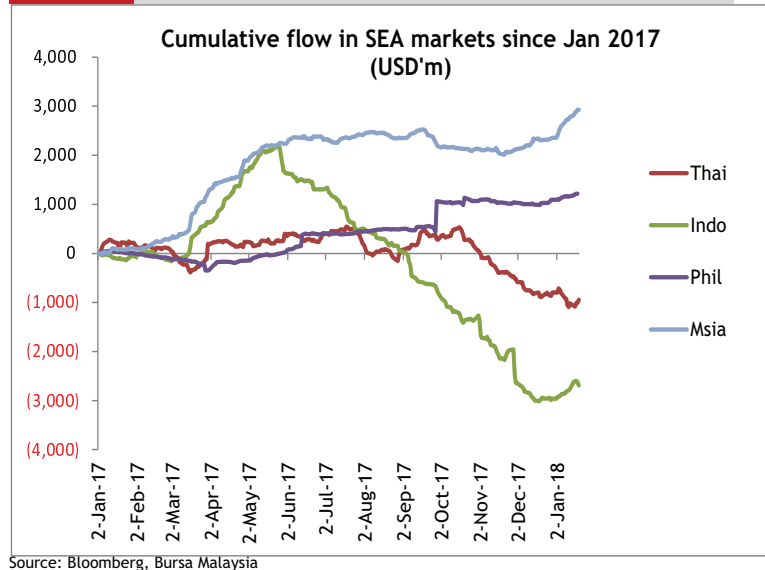


Table 2 Weekly Net Flow Of Foreign Fund Into Equity By Market (USD'm)

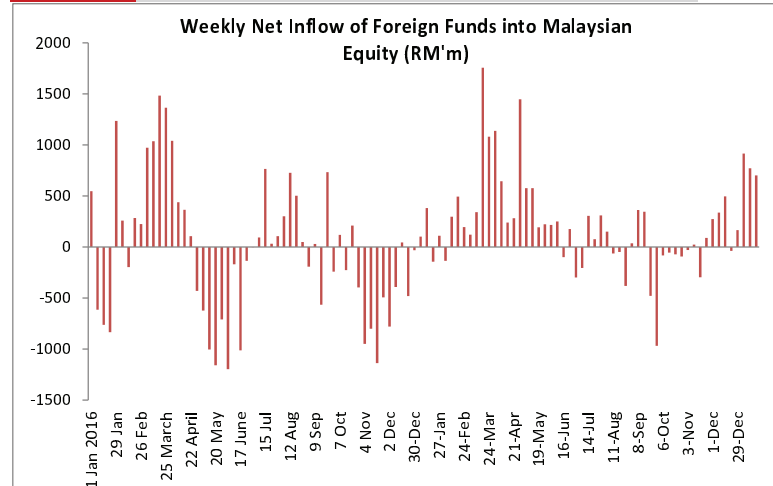
WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
DEC 1	-1,381.5	-178.3	-661.5	18.8	395.9	-1,481.9	66.6	-3,221.8
DEC 8	-635.3	-166.4	-183.5	-33.3	-534.2	-679.7	82.8	-2,149.6
DEC 15	-363.0	-60.1	-172.8	-4.0	101.4	-429.3	121.3	-806.6
DEC 22	-283.5	-37.2	39.7	28.6	-787.9	-235.8	-9.4	-1,285.6
DEC 29	317.1	52.7	-2.1	68.0	481.6	472.6	40.6	1,430.3
JAN 5	1,479.7	-12.9	84.6	14.7	311.6	891.9	228.2	2,997.7
JAN 12	394.1	-212.3	111.3	49.9	-57.0	-73.2	193.3	406.1
JAN 19	349.2	76.0	75.3	56.3	567.9	1,287.6	177.6	2,589.8

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

C. TRACKING MONEY FLOW - MALAYSIA

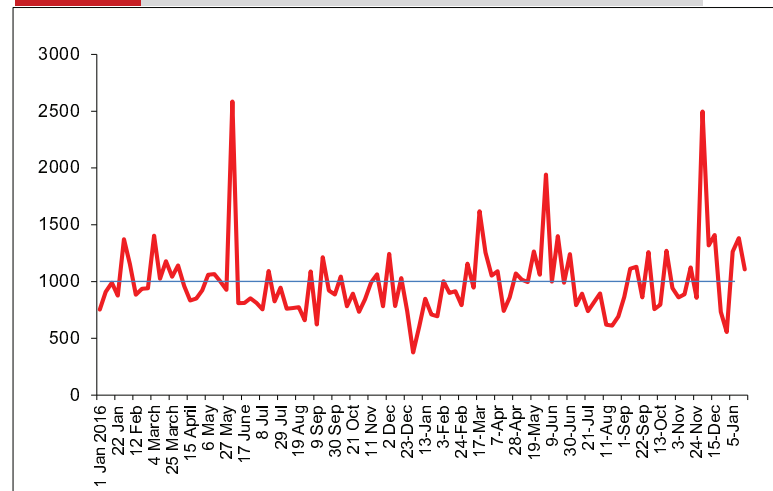
- Foreign buying momentum continued for the fourth consecutive week on Bursa although the level seems to be gradually decreasing.
- Based on preliminary data from Bursa which excluded off market deals, international investors acquired RM702.2m net of local equities last week, lower than the RM772.2m net bought in the week before.
- Last week, foreign investors were net buyers on all five trading days. Foreign buying peaked on Tuesday as foreign investors pumped in RM227.2m net of funds, tracking gains from Asian markets such as the KOSPI which gained 0.72% and attracted the highest amount of funds during the week at USD307.4m net. Moreover, oil prices stood firm at USD69.15pb despite retreating from its December 2014 high of USD70.26pb.
- However on Wednesday, there was a big dip in buying activity as the net inflow retreated to RM37.50m net, the lowest in a day since 26 December 2017. We note that on this day, Malaysia bucked the trend as other regional peers, namely Taiwan, Thailand and the Philippines experienced an increase in foreign inflows.
- Nonetheless, foreign buying regained its momentum on the next two days, hovering above the RM100m mark. The highlight was on Friday, when fears of a U.S government shutdown were looming, but foreign investors still bought RM111.3m net on that day which coincided with the Bursa’s highest daily gain in nine days of 0.40% combined with the Ringgit hitting the strongest since May 2016 as markets priced in a probability of a rate hike by the Monetary Policy Committee this week.
- Foreign participation remained active as the foreign average daily trade value (ADTV) stood above the RM1b mark for the third week running despite a 20% weekly decline. The retail ADTV also remained elevated at RM1.76b, marking the fourth week above the RM1b level.

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)	
DEC 8	2,078.0	1,945.3	132.7	6,514.5	6,984.9	-470.4	3,462.6	3,124.9	337.7	82.8
DEC 15	2,238.2	2,280.2	-42.0	7,635.1	8,088.4	-453.3	3,774.8	3,279.5	495.3	121.3
DEC 22	2,312.5	2,360.4	-47.9	6,815.6	6,729.5	86.1	1,814.6	1,852.8	-38.2	-9.4
DEC 29	2,303.5	2,445.4	-141.9	4,966.0	4,989.2	-23.2	1,193.9	1,028.8	165.1	40.6
JAN 5	3,802.0	3,876.0	-74.0	6,231.5	7,072.6	-841.1	2,984.8	2,069.7	915.1	228.2
JAN 12	5,413.0	5,246.8	166.2	9,859.1	10,797.5	-938.4	3,841.1	3,068.9	772.2	193.3
JAN 19	4,414.9	4,382.7	32.2	8,439.5	9,173.9	-734.4	3,117.3	2,415.1	702.2	177.6

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 19 JANUARY
TOP 10 NET MONEY INFLOWS

- Tenaga Nasional Berhad again registered the highest net money inflow of RM13.35m last week. Its share price underperformed with a 0.25% gain against the FBM KLCI which gained by 0.34% during the week under review.
- Felda Global Ventures Berhad recorded the second highest net money inflow of RM5.39m. However, its share price significantly underperformed against the market benchmark with a -9.30% loss during the review week. Nonetheless, it is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.
- Alliance Bank Malaysia Berhad saw the third highest net money inflow of RM4.96m. Its share price outperformed the FBM KLCI with a 1.69% 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		
TNB	13.35	23.42	0.25	-
FGV	5.39	-1.32	-9.30	BOW
ALLIANCE BANK	4.96	0.06	1.69	-
GENTING BHD	4.66	3.02	3.42	-
KOSSAN	3.95	-0.60	-0.94	BOW
HEINEKEN	3.74	0.55	0.00	-
AIRASIA BHD	3.39	1.04	2.09	-
MAXIS BHD	2.89	-10.50	0.50	-
UNITED PLNTN	2.71	0.11	-0.77	BOW
DIALOG	2.02	-4.77	-0.75	BOW

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- Petronas Chemicals saw the largest net money outflow of -RM28.57m last week. Its stock price ended 0.25% higher but underperformed vis-à-vis the FBM KLCI which advanced by 0.34% 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.
- Petronas Dagangan recorded the second largest net money outflow -RM23.34m during the week under review. Its share price also underperformed the market benchmark with a -1.36% weekly loss.
- Nestle (Malaysia) Berhad registered the third largest net money outflow at -RM10.09m in the review week. Its share price meanwhile outperformed the benchmark with a 1.83% weekly gain.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
PETCHEM	-28.57	-20.72	0.25	SOS
PETDAG	-23.34	-10.02	-1.36	-
NESTLE	-10.09	5.29	1.83	SOS
CIMB	-9.96	-0.84	0.74	SOS
SAPURA	-9.79	-7.77	-6.67	-
PUBLIC BANK	-8.69	-28.83	0.10	SOS
HENGYUAN	-7.25	-3.13	-15.28	-
HARTALEGA	-6.42	-0.69	-1.07	-
UMW O&G	-5.75	-0.41	-13.10	-
VS INDUSTRY	-5.16	0.03	-1.63	-

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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