

MIDF EQUITY STRATEGY | 29 JANUARY 2018 WEEK ENDED 26 JANUARY

- Global equity markets continued its positive momentum in the fourth week of 2018.
- President Trump imposed steeper tariffs on imported solar panels, an industry that attracted in USD161b of investment globally in 2017 with the rationale to protect local industries. In the future, U.S is expected to even impose tariff hikes on steel and aluminum industries.
- Brent crude oil price climbed above the USD70pb mark on Wednesday despite the smaller-than-expected decline of 1.1m barrels of U.S crude stockpiles in the week before as the drop extended to a record of 10 straight weeks. The steady drawdown in crude inventories prompted record buying by speculators, pushing oil benchmarks to three-year highs. On a weekly basis, the Brent crude oil price was 2.8% higher at USD70.52.
- Foreign funds continued to pour into Asia for the fifth week running. Based on the provisional aggregate data for the seven Asean exchanges that we track, investors classified as “foreign” acquired USD2.29b net last week.
- Foreign buying momentum continued for the fifth consecutive week on Bursa, acquiring MYR872.7m net of local equities last week.
- FBMKLCI continued its ascent to end the week at 1,853.92 points, attributable to steady oil prices and improved confidence in the economy following BNM’s rate hike. The ringgit meanwhile strengthened by 1.75% against the greenback to settle at MYR3.871.

STEADY FOREIGN INFLOWS INTO ASIA

A. MARKET SNAPSHOT

- Global equity markets continued its positive momentum in the fourth week of 2018.
- Wall Street started the week on a solid footing as a bill to reopen the U.S government was passed on Monday followed by two deals announced by pharmaceutical players amounting to USD20b. It is noteworthy that all three major U.S benchmarks closed at record highs on Monday. The S&P 500 stood strong with 70% of S&P500 index companies reporting earnings which beat estimates.
- As of last week, 80% of S&P500 index components beat estimates. Netflix, an internet subscription service company appeared on top of the list, posting earnings and revenue above consensus coupled with higher than expected subscription growth.
- President Trump imposed steeper tariffs on imported solar panels, an industry that attracted in USD161b of investment globally in 2017 with the rationale to protect local industries.
- The optimism from the deal to end the US. government shutdown spread to Asian markets especially Japan's Nikkei index which soared to close above 24,000 points while the Topix ended at 1,911 points, levels unseen since 1991. The Bank of Japan maintained its short term policy rate unchanged at -0.1% which was highly expected. BOJ's governor, Kuroda said that the central bank is not considering a removal of monetary easing policies due to inflation remaining below the target.
- In Europe, the FTSE 100 declined to settle at 7,643 points on Wednesday, the lowest closing level in 2018. Pound Sterling on the other hand soared past EUR/USD1.24 on the same day causing index constituents who earn their revenue in foreign currency to take a hit such as Sage, the accounting software provider which led losers with a 8.1% decline on Wednesday. Pound Sterling's strength was bolstered by President Trump's rhetoric on doubling down on its trade talk negotiations which weakened the greenback.
- During the week, Brent crude oil price climbed above the USD70pb mark on Wednesday despite the smaller-than-expected decline of 1.1m barrels of U.S crude stockpiles in the week before as the drop extended to a record of 10 straight weeks. The steady drawdown in crude inventories prompted record buying by speculators, pushing oil benchmarks to three-year highs. On a weekly basis, the Brent crude oil price was 2.8% higher at USD70.52.

Table 1 Weekly performance of major indices

Weekly % change	Week before	Last week
Hang Seng Index	2.68	2.79
Jakarta Comp Index	1.90	2.61
Csi 300 Index	1.43	2.24
S&P 500 Index	0.86	2.23
Kospi Index	0.95	2.16
Dow Jones Indus. Avg	1.04	2.09
S&P Bse Sensex Index	2.66	1.52
Psei - Philippine Se Idx	1.15	1.41
KLCI	0.34	1.37
Straits Times Index STI	0.85	0.47
Thai SET	0.62	0.41
Cac 40 Index	0.17	0.05
Taiwan Taiex Index	2.45	-0.03
Dax Index	1.43	-0.70
Nikkei 225	0.65	-0.74
Ftse 100 Index	-0.62	-0.84

Source: Bloomberg

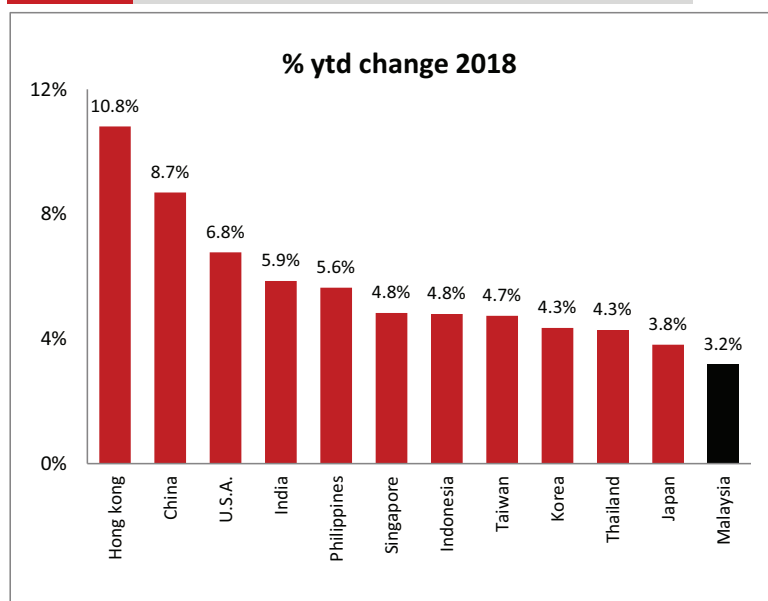
FUND FLOW REPORT

- The FBM KLCI advanced 1.37% to close at 1,853 points on Friday, logging its ninth uninterrupted week of gains. The Ringgit continued to gain for its fifth week, advancing by 1.72% against the greenback to settle at MYR3.8710, the strongest since late April 2016 due to the weakening dollar and improving confidence of the local economy, following BNM's rate hike of 25 basis points. Recall that the key rate was raised for the first time in three years.

B. TRACKING MONEY FLOW - ASIA¹

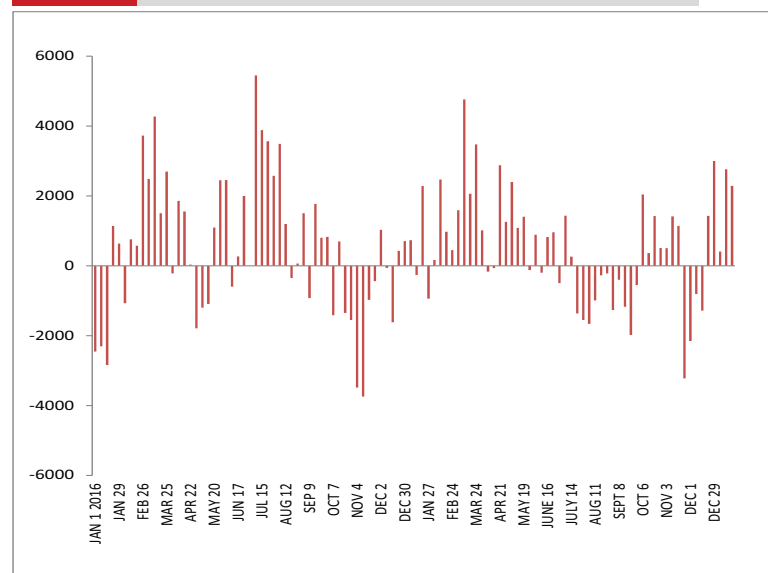
- Foreign funds continue to pour into Asia for the fifth week running. Based on the provisional aggregate data for the seven Asean exchanges that we track, investors classified as "foreign" acquired USD2.29b net last week.
- In Korea, foreign investors intensified their fund inflow, bought USD459.0m net, the largest amount acquired since 5 January 2018. Foreign investors were net buyers in Korea on three out of five trading days, with Thursday recording the highest at USD302.35. Despite positive net inflow for the week, it is noteworthy that Korea experienced considerable attrition of -USD233.63on Monday which was believed due to the recent tax revisions that would levy heavier capital gains taxes on foreign stock investors. Following the new tax code, Korean government is to collect capital gains tax from foreign investors who own more than 5 percent stakes in locally listed companies.
- Meanwhile, foreign investors in Taiwan bought USD641.01m net last week, which is almost similar to the pace seen in Korea. Foreign investors were net buyers for every single day of the week ranging from USD60m-USD140m, with the highest recorded on Tuesday. On daily basis, Friday marked ten days of consecutive inflows with the highest recorded on 17 January 2018, at USD388.25m. On the other hand, Taiex finished the week relatively flat, inching down by -0.03% to 11,147.10.

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)

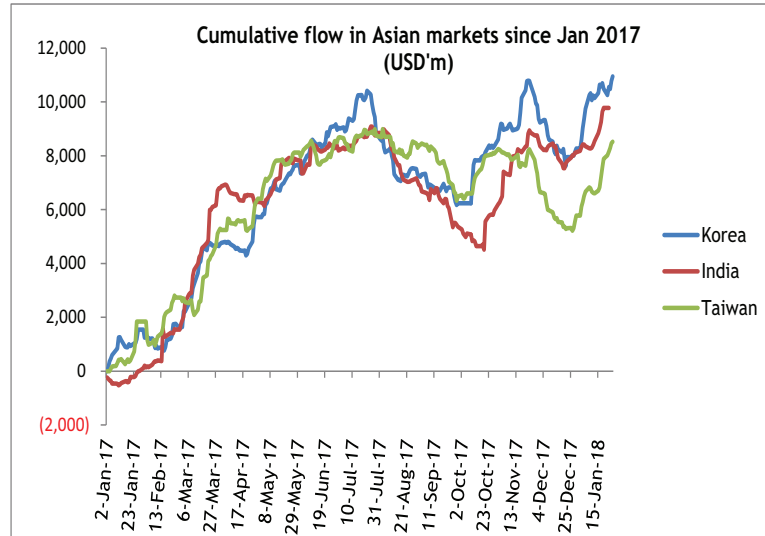


Source: Bloomberg, Bursa Malaysia

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.

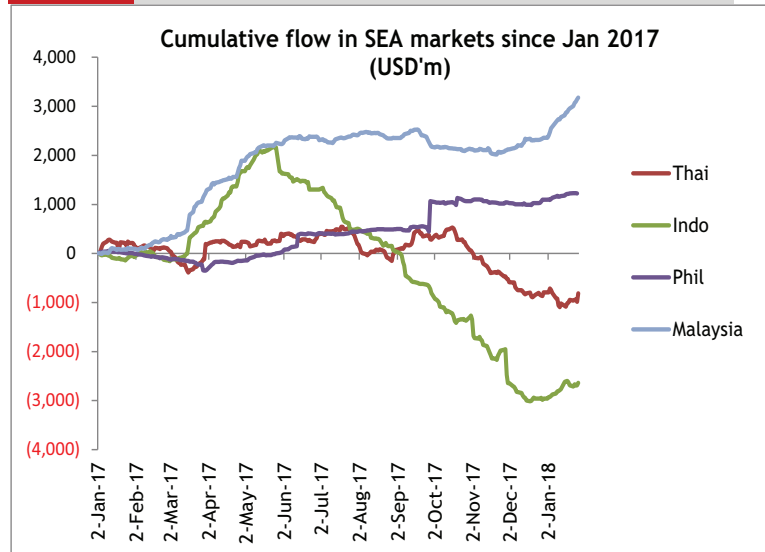
- In Emerging South East Asian markets, foreign buying was seen across the board.
- In Bangkok, foreign investors continued buying USD130.83m net of equities the biggest weekly inflow since mid-October last year. Meanwhile, SET finished the week higher, inching up by 0.41% to settle at 1,828.88 in light of positive outlook on Thai exports, possibly be boosted by shipments of electronics and automotive products. Thailand exports of goods and services are equivalent to 70% of the economy. On the local currency, Baht gained +1.64% for the week to USDTHB31.342. According to Bank of Thailand, further strengthening in its currency will hurt local economy.
- Foreign buying of Indonesian stock slowed down last week to USD52.11m from USD75.25m in the week before. Foreign investors bought heavily on Tuesday, ploughing in USD43.01m worth of funds but later turned net sellers on Wednesday. The stream of inflows coincided with the JCI's weekly advance of +2.61%. The JCI hit a record high at 6,660 points on Friday as the mood turned rosy on stable macro-economic outlook by Bank Indonesia, despite pressure on the inflation rate due to rising food prices in January. Currency wise, the Rupiah strengthened by +0.08% for the week to USD /IDR13,306.

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



Source: Bloomberg

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)

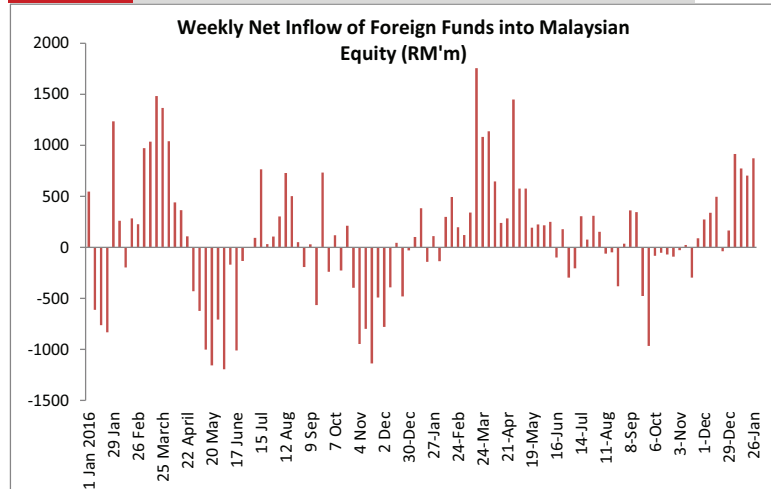
WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
DEC 8	-635.3	-166.4	-183.5	-33.3	-534.2	-679.7	82.8	-2,149.6
DEC 15	-363.0	-60.1	-172.8	-4.0	101.4	-429.3	121.3	-806.6
DEC 22	-283.5	-37.2	39.7	28.6	-787.9	-235.8	-9.4	-1,285.6
DEC 29	317.1	52.7	-2.1	68.0	481.6	472.6	40.6	1,430.3
JAN 5	1,479.7	-12.9	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
JAN 26	459.0	130.8	52.1	10.64	768.65	641.0	223.3	2,285.6

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

C. TRACKING MONEY FLOW - MALAYSIA

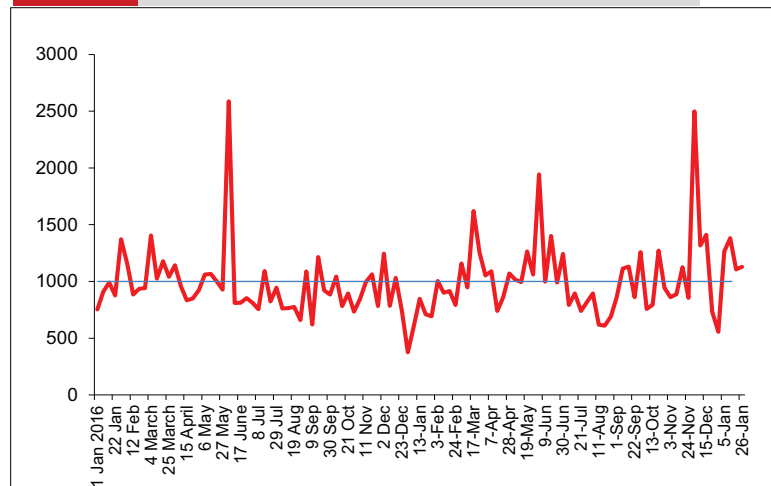
- Foreign buying momentum continued for the fifth consecutive week on Bursa. Based on preliminary data from Bursa which excluded off market deals, international investors acquired MYR872.7m net of local equities last week, higher than MYR702.2m net bought in the week before.
- Last week, foreign investors were net buyers on all five trading days. Foreign buying peaked on Tuesday, as foreign investors pumped in MYR254.4m net of funds, the highest acquisition in a day since 8 January 2018. We ascribe the intense buying on Tuesday to the strengthening of the Ringgit to a 64-week high of MYR3.927 and firmer oil prices.
- However on Wednesday, there was a big dip in buying activity as the net inflow retreated to MYR93.7m, the lowest in a day since 17 January 2017. On this day, a similar trend was seen in the other Emerging South East Asian market such as Thailand. While similar pattern was seen in Indonesia and Philippine as well, the streams of inflows into both markets were snapped on Wednesday, with Indonesia experiencing the biggest outflow of USD23.64m.
- On Friday, the FBMKLCI continued its ascent to end the week at 1,853.92 points, attributable to steady oil prices and improved confidence in the economy following BNM's rate hike. The ringgit meanwhile strengthened by 1.75% against the greenback to settle at MYR3.871.
- Foreign participation remained vibrant as the foreign average daily trade value (ADTV) stood above the MYR1b mark at MYR1.13b.
- The retail market on the other hand had a -20.5% decline in ADTV, but still remained healthy above the MYR1b mark at MYR1.40b.

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 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
JAN 26	3,465.9	3,525.7	-59.80	6,887.2	7,699.9	-812.7	3,259.5	2,386.8	872.70	223.3

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 26 JANUARY
TOP 10 NET MONEY INFLOWS

- United Plantation Berhad registered the highest net money inflow of MYR21.29m last week. Its share price underperformed with a +0.5% gain against the FBM KLCI which gained by +1.37% during the week under review.
- Dialog Group Berhad recorded the second highest net money inflow of MYR5.94m. Its share price outperformed against the market benchmark with a +1.51% gain during the review week.
- Bursa Malaysia Berhad saw the third highest net money inflow of MYR5.39m. Its share price underperformed the FBMKLCI with a 0.0% change 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		
UNITED PLNTN	21.29	2.71	0.50	-
DIALOG	5.94	2.02	1.51	-
BURSA MSIA	5.39	-2.87	0.00	-
V.S. INDS BHD	4.80	-5.16	1.99	-
BAT BHD	3.19	-0.34	3.64	-
GENTING BHD	3.17	4.66	-0.83	BOW
GENTING MSIA	2.95	-0.35	2.21	-
ALLIANCE BANK	2.19	4.96	2.84	-
BIMB HLDGS	1.87	-4.95	2.50	-
PETDAG BHD	1.70	-23.34	0.65	-

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS


- Dutch Lady Milk Berhad saw the largest net money outflow of -MYR30.26m last week. Its share price ended +1.48% higher, outperforming the FBMKLCI which advanced by +1.37% 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.
- Tenaga Nasional Berhad recorded the second largest net money outflow of -MYR25.83m during the week under review. Its share price ended higher +0.13% but underperformed the market benchmark. Similar to Dutch Lady Berhad, the net money outflow amidst advancing share price may indicate a sell on strength (SOS) stance among some investors.
- Malayan Banking Berhad registered the third largest net money outflow at -MYR12.88m in the review week. Its share price meanwhile outperformed the benchmark with a +2.13% weekly gain. 

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
DUTCH LADY	-30.26	0.13	1.48	SOS
TENAGA	-25.83	13.35	0.13	SOS
MALAYAN BNKG	-12.88	-0.51	2.13	SOS
AXIATA GROUP	-10.31	-1.54	1.26	SOS
IOI CORP	-8.31	-2.82	0.86	SOS
NESTLE(MSIA)	-7.05	-10.09	5.29	SOS
RHB BANK	-6.05	-0.08	3.77	SOS
KI KEPONG	-4.86	-3.19	0.48	SOS
SAPURA ENGY	-4.68	-9.79	-4.76	-
DIGI.COM BHD	-4.57	-1.74	3.31	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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