

## MIDF EQUITY STRATEGY | 5 MARCH 2018

### WEEK ENDED 2 MARCH

- After a turbulent week filled with market-defining events especially from the U.S, most global equity markets retreated to the red zone as investors felt anxious.
- The S&P500 and Dow Jones were down by 2.0% and 3.0% for the week respectively, the biggest weekly loss since the global stock market rout in early February. The Dollar index meanwhile was flattish, gaining only 0.06% for the week to settle at 89.935 points.
- Brent crude oil price ended 4.37% lower for the week at USD64.37pb. It was noteworthy that Brent crude oil prices were up by 0.85% on Friday but sentiment remained negative as EIA released data showing that U.S crude stockpiles continued to build up for the second week running.
- Global funds withdrew from Asian markets for the fifth straight week but at a relatively heightened pace after three weeks of slowing down. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” offloaded -USD1.90b net last week.
- The foreign tide into Bursa continues for the third uninterrupted week, albeit at a slightly slower pace. Based on preliminary data from Bursa which excluded off market deals, the net amount acquired by foreign investors last week amounted to RM160.9m net.
- The FBM KLCI lost -0.29% last week after settling at a six-day trading low of 1,856 points on Friday, lagging other South East Asian (SEA) markets namely, the Philippines, and Thailand. The Ringgit was back in the black, appreciating by 0.38% against the greenback to USD/MYR3.9035.

## MALAYSIA CONTINUES TO BUCK THE TREND

### A. MARKET SNAPSHOT

- After a turbulent week filled with market-defining events especially from the U.S, most global equity markets retreated to the red zone as investors felt anxious.
- During the week, Fed Chair Jerome Powell in his first major appearance on Tuesday expressed his upbeat view of the U.S economy, hinting that the Fed will stick to its plan for gradual rate hikes this year, Following the comments, the CBOE Volatility index rose by 2.79 points to 18.59, the largest daily gain in nearly three weeks with U.S benchmarks declining by more than 1.0% the same day.
- Volatility in U.S markets rose further on Thursday after President Trump's plan to impose tariffs on steel and aluminium imports which immediately spurred risks of retaliation from China and other major U.S trading partners. U.S steel and aluminium stocks such as AK Steel Holding and US Steel Corp were both up by more than 2.0% on Thursday.
- The S&P500 and Dow Jones were down by 2.0% and 3.0% for the week respectively, the biggest weekly loss since the global stock market rout in early February. The Dollar index meanwhile was flattish, gaining only 0.06% for the week to settle at 89.935 points after dropping from its six-week high of 90.613 on Wednesday.
- Losses from Wall Street spilled over to Asian markets such as Hong Kong, mainland China and Japan. The Hang Seng Index, CSI 300 Index and the Nikkei all declined on Friday with Nikkei leading with a 2.50% daily loss after sliding to 21,181 points, the lowest level since October 2017. On weekly basis, all three Asian benchmarks marked their first loss in three weeks.
- In Europe, Italy held its general election on Sunday, March 4, the same day when Germany's Social Democrat Party voted to join Angela Merkel's conservative bloc, ending Germany's political impasse that lasted for more than 5 months. Latest exit polls at the time of writing indicate that the center-right coalition is set to win more seats than the anti-establishment Five Star Movement but no party or coalition is expected to gain enough seats for a majority, leading to a hung parliament .
- Brent crude oil price ended 4.37% lower for the week at USD64.37pb, snapping its two straight weeks of advance. It was noteworthy that Brent crude oil prices were up by 0.85% on Friday but overall sentiment remained negative as EIA released data showing that U.S crude stockpiles continued to build up for the second week running. US production meanwhile rose to 10.3m barrels per day as U.S shale producers took advantage of high oil prices, adding to fears that OPEC's efforts to stabilise the market will be undermined.

**Table 1** Weekly performance of major indices

Weekly % change	Week before	Last week
Thai SET	0.12	0.22
Phil PCOMP	-1.68	-0.11
India SENSEX	0.39	-0.28
KLCI	1.26	-0.29
Jakarta JCI	0.43	-0.57
Taiwan TAIEX	3.58	-0.89
China CSI 300	2.62	-1.34
FSSTI Index	2.61	-1.53
Korea KOSPI	1.23	-2.01
S&P 500	0.55	-2.04
Hang Seng	0.49	-2.19
FTSE 100	-0.69	-2.41
Dow Jones	0.36	-3.05
Nikkei	0.79	-3.25
CAC 40	0.68	-3.40
DAX	0.26	-4.57

Source: Bloomberg

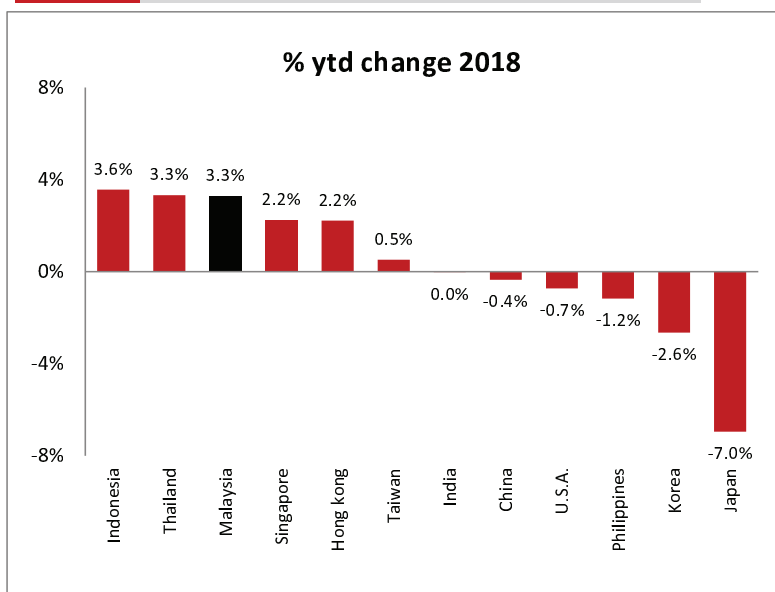
## FUND FLOW REPORT

- The FBM KLCI lost -0.29% last week after settling at a six-day trading low of 1,856 points on Friday, lagging other South East Asian (SEA) markets namely, the Philippines, and Thailand. The Ringgit was back in the black, appreciating by 0.38% against the greenback to USD/MYR3.9035 as President Trump's tariff announcement sparked sales of the greenback.

### B. TRACKING MONEY FLOW - ASIA<sup>1</sup>

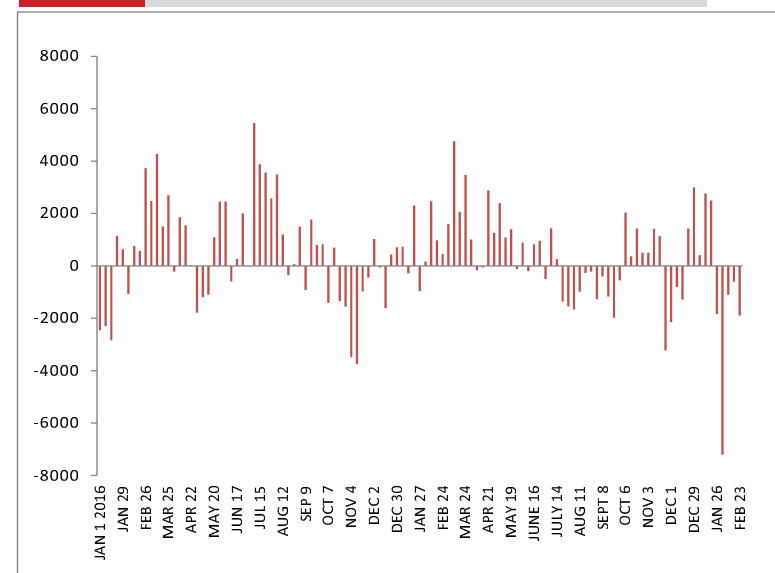
- Global funds withdrew from Asian markets for the fifth straight week but at a relatively heightened pace after three weeks of slowing down. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" offloaded -USD1.90b net last week, three times the amount sold in the week before.
- The net inflow recorded in Taiwan in the preceding week was short lived as the island bore the brunt of last week's selloff in Asia. Foreign investors dumped -USD762.3m net of local equities in Taiwan during the four-day trading week with markets closed for the Peace Memorial Day on Wednesday. Foreign selling was prevalent on every trading day of the week with Friday recording the highest at -USD583.0m net, coinciding with the Taiex's biggest daily loss in three weeks of -0.81%. Friday's major sell off could be partly due to President Trump's announcement of substantial tariffs on metal and aluminium imports. For February 2018, foreign investors have sold -USD3.48b net of equities in Taiwan, a stark contrast from the USD872.0m net accumulated in the same period last year. In spite of the sell off, stocks such as Largan Precision gained by 5.54% on Thursday on prospects of upgrades in new phone cameras.
- Global investors in Korea sold -USD128.0m net last week, almost twice the amount in the week before. Out of four trading days, global funds were net buyers on two days with Wednesday recording the highest inflow during the week a USD94.83m net. Risk-on mood was probably rekindled that day by the 4% yoy rise in South Korea's exports in February, marking its 16th consecutive month of advance. However on Friday, foreign funds took a turn to dump -USD127.8m net as Korean steel exports are expected to take a hit on the proposed U.S tariffs. Even now, Korean steel mills are struggling with rising import barriers and competition from China.

**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)

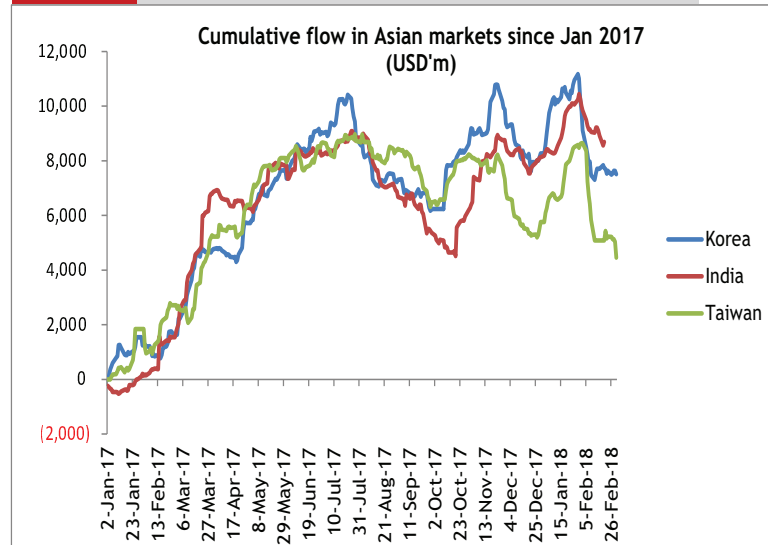


Source: Bloomberg, Bursa Malaysia

<sup>1</sup> 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.

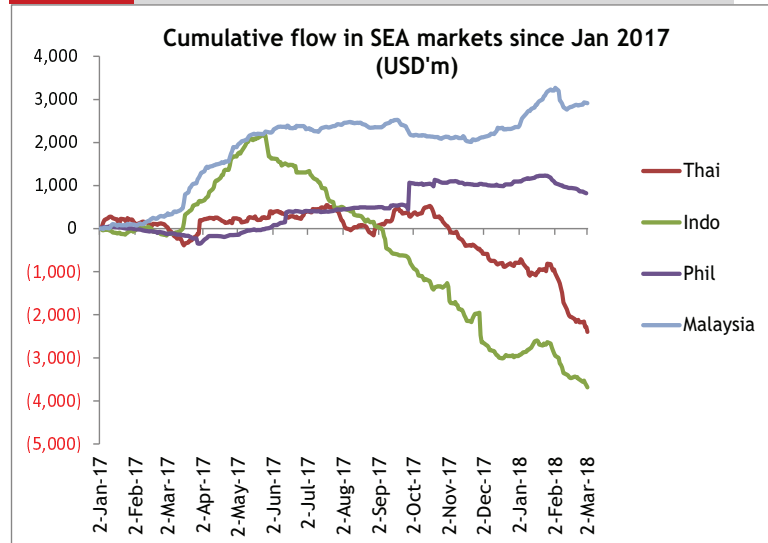
- In Emerging South East Asian markets, Thailand continues to be the biggest casualty of outflows for the fourth uninterrupted week.
- In Bangkok, foreign net selling increased by almost twofold to -USD221.9m net last week. The foreign selling spiked above the USD100m level on Wednesday and Friday to -USD125.2m net and -USD113.9m net respectively. Wednesday's attrition was due to the comments of Fed Chair Powell while Friday's sell off was linked to President Trump's protectionism measures. Nonetheless, the SET index led its South East Asian regional peers with a 0.22% weekly advance, extending its winning streak for the third week running. The Thai Baht jumped to a four-year high in Friday before the release of February inflation data but was still down for the week by -0.14% at USD/THB31.444.
- Foreign selling in Manila stretched to its fifth week as global funds sold -USD75.5m net last week. Monday experienced a net outflow of -USD29.5m amid concerns of the health of nation's central bank governor, Espenilla. Interestingly, the attrition only amounted to -USD18.0m and -USD11.9m on Wednesday and Friday respectively following the havoc caused by the Fed Chair and President Trump. Overall, the PSEi index lost -0.11% for the week but still outperformed its Asian peers namely Korea and Taiwan.
- Foreign outflows accelerated by almost six times to -USD186.3m net last week, coinciding with the JCI's first drop in two weeks. Bulk of the outflow was seen on Wednesday as foreigners pulled out -USD61.5m as expectations of rate hikes in the U.S grew stronger. The Rupiah meanwhile depreciated by 0.5% to USD/IDR13,757 for the week amid the nation's bond sell-down of IDR21.6t Rupiah in February.

**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
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	738.6	1,287.6	177.6	2,760.6
JAN 26	459.0	130.8	52.1	10.6	980.7	641.0	223.3	2,497.5
FEB 2	-1,839.0	-224.3	-316.4	-131.6	449.4	135.7	88.8	-1,837.4
FEB 9	-1,638.6	-676.8	-396.4	-91.1	-1,156.1	-2,805.8	-446.8	-7,211.5
FEB 16	230.9	-339.2	-116.4	-61.6	-70.2	-748.0	1.39	-1,103.1
FEB 23	-70.3	-120.2	-34.5	-44.8	-517.8	132.8	49.1	-605.7
MAR 2	-128.0	-221.9	-186.3	-75.5	-571.3	-762.3	41.2	-1,904.2

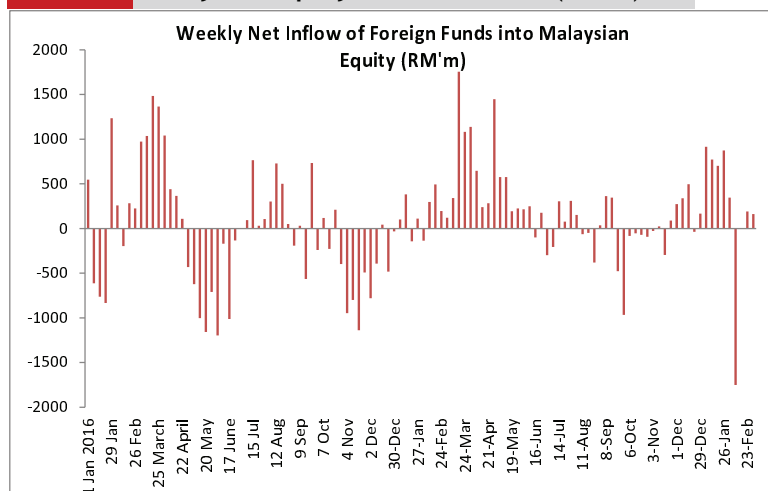
Source: Respective exchange statistics reported on Bloomberg. Bursa Malaysia. These figures are subject to revisions.

## FUND FLOW REPORT

### C. TRACKING MONEY FLOW - MALAYSIA

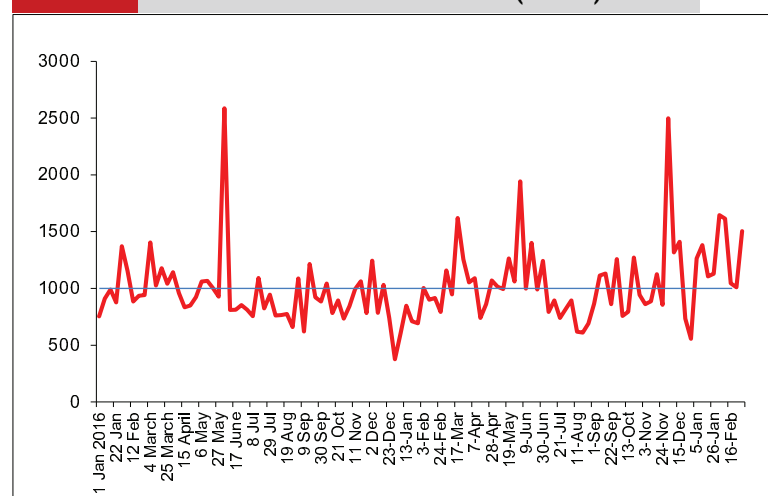
- The foreign tide into Bursa continues for the third uninterrupted week, albeit at a slightly slower pace.
- Based on preliminary data from Bursa which excluded off market deals, the net amount acquired by foreign investors last week amounted to RM160.9m net, lower than the RM190.9m bought in the preceding week.
- Foreign investors were net buyers on Monday and Tuesday. The net inflow on Monday was marginal at only RM29.9m but foreign buying later spiked to RM206.6m net on Tuesday. The heavy foreign buying was in tandem with the rally of banking stocks which pushed the FBM KLCI to settle at 1,871 points, the highest closing since 2014.
- However, foreigners reduced their exposure in local stocks on Wednesday, disposing -RM26.1m net after Fed Chair Powell's testimony revived fears on more rate hikes in 2018. The spike in foreign selling on Tuesday was in conformity with other South East Asian peers namely Thailand, Indonesia and the Philippines.
- The situation of global markets did not turn any better on Friday amid President Trump's protectionism woes which compounded concerns over a more hawkish Fed and the timing of the ending for Japan's monetary stimulus. Hence, foreign investors continued to sell stocks on Bursa on Friday to a tune of -USD25.3m net. Nonetheless, we note that Malaysia is the only beneficiary of foreign inflows among the seven Asian exchanges we track last week.
- The month of February recorded an outflow of -RM1.12b net, the first monthly outflow since November 2017. Meanwhile on a year-to-date basis, Malaysia has attracted RM2.21b worth of foreign funds compared to RM1.57b recorded in the same period last year.
- The foreign average daily trade value (ADTV) stood above the RM1b mark for the ninth straight week at RM1.51b, resembling active foreign participation. The retail market too remained vibrant with an weekly ADTV of RM1.18b.

**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)	
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	-59.8	6,887.2	7,699.9	-812.7	3,259.4	2,386.8	872.6	223.3
FEB 2	1,902.8	1,923.8	-21.0	4,092.3	4,416.0	-323.7	2,641.5	2,296.8	344.7	88.8
FEB 9	3,343.9	3,392.0	-48.1	9,931.7	8,132.9	1,798.8	3,161.7	4,912.4	-1,750.7	-446.8
FEB 16	1,291.6	1,362.9	-71.3	4,380.0	4,313.2	66.8	2,091.9	2,087.4	4.5	1.4
FEB 23	2,542.8	2,548.0	-5.2	6,097.6	6,283.3	-185.7	2,618.1	2,427.2	190.9	49.1
MAR 2	3,001.0	2,895.6	105.4	7,352.7	7,619.0	-266.3	3,844.3	3,683.4	160.9	41.2

Source: Bursa's preliminary data

\* Estimate by MIDF Research based on prevailing exchange rate.

**D. MONEY FLOW<sup>2</sup> AMONG BURSA'S TOP 100 CAPITALIZED STOCKS: WEEK ENDED 2 MARCH**
**TOP 10 NET MONEY INFLOWS**

- Genting registered the highest net money inflow of RM15.15m last week. Its share price underperformed with a -1.10% loss against the FBM KLCI which declined by -0.29% during the week under review. It is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.
- Sime Darby Berhad recorded the second highest net money inflow of RM11.11m. Its share price significantly underperformed against the market benchmark with a -3.93% gain during the review week.
- Malaysia Airports Holdings Berhad saw the third highest net money inflow of RM7.81m. Its share price underperformed the FBM KLCI with a -1.48% loss during the week under review.

**Table 4** Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
GENTING BHD	15.15	-28.91	-1.10	BOW
SIME DARBY	11.11	6.86	-3.93	BOW
MAHB	7.81	6.51	-1.48	BOW
IHH	5.86	1.44	0.66	-
HARTALEGA	5.17	0.97	-3.59	BOW
BURSA	4.53	0.30	1.82	-
SD PLNTN	3.88	3.23	-0.18	BOW
NESTLE	3.65	-0.66	2.36	-
CARLSBERG	3.62	0.28	3.87	-
HONG LEONG	3.04	1.79	7.03	-

Source: Bloomberg, MIDFR;

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

**TOP 10 NET MONEY OUTFLOWS**

- Maybank saw the largest net money outflow of -RM18.18m last week. Its stock price ended 1.95% higher, outperforming vis-à-vis the FBM KLCI which declined by -0.29% 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.
- KL Kepong recorded the second largest net money outflow -RM15.40m during the week under review. Its share price meanwhile underperformed the market benchmark with a -0.71% weekly gain.
- Top Glove registered the third largest net money outflow at -RM13.54m in the review week. Its share price meanwhile underperformed the benchmark with a -1.01% weekly loss.

**Table 5** Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
MAYBANK	-18.18	9.93	1.95	SOS
KL KEPONG	-15.40	-24.01	-0.71	-
TOP GLOVE	-13.54	1.00	-1.01	-
TNB	-10.00	0.99	0.38	SOS
BAT	-7.62	-0.71	-9.25	-
GENM	-4.93	0.46	-1.52	-
HENGYUAN	-3.32	-4.57	-19.23	-
SAPURA	-2.91	-5.30	-11.35	-
PRESS METAL	-2.82	1.47	-4.87	-
PPB GROUP	-2.68	-4.56	2.15	SOS

Source: Bloomberg, MIDFR;

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

<sup>2</sup> 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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