

MIDF EQUITY STRATEGY | 9 OCTOBER 2017 WEEK ENDED 6 OCTOBER 2017

- Major equity markets around the world marched back into the positive zone despite political tensions building up in Europe.
- Wall Street kicked off 4Q17 on a strong note with record highs for Dow Jones and S&P500 at 22,558 points and 2,592 points, respectively on Monday boosted by strong U.S manufacturing activities in September. Despite disappointing U.S job data, Dow Jones and S&P500 still posted gains of above 1.0% on a weekly basis.
- Brent crude oil settled 3.34% lower for the week at USD55.62pb, marking its first decline in 5 weeks as sentiment was hurt as Tropical Storm Nate is expected to hit the Gulf of Mexico.
- Foreign attrition in Asia has substantially slowed down last week. The provisional aggregate data from the seven Asian exchanges that we track saw investors classified as “foreign” offloading -USD403.4m net last week, one fifth of the attrition in the preceding week which amounted to -USD1.98b net.
- Selling levels dropped from this year’s highest level recorded in the preceding week at -RM967.3m, to -RM82.9m net last week in the open market which excluded off market deals.
- The FBM KLCI escaped from losses this week, finishing 0.48% higher at 1,764 points amid strong trade data. Exports expanded by 21.5%yoy in August, its ninth consecutive months of double digit expansion since December 2016. On the other hand, the Ringgit extended losses to its third week, depreciating 0.39% to USD/MYR4.237, near the psychological level of USD/MYR4.25.

9 October 2017 | Strategy - Weekly Fund Flow

Adam M Rahim

FOREIGN SELLING ON BURSA EASES

A. MARKET SNAPSHOT

- Major equity markets around the world marched back into the positive zone despite political tensions building up in Europe.
- Wall Street kicked off 4Q17 on a strong note with record highs for Dow Jones and S&P500 at 22,558 points and 2,592 points, respectively on Monday boosted by strong U.S manufacturing activities in September. It expanded at the fastest pace in 13 years which coincided with a rebound in construction spending. Demand for manufactured goods were boosted by supplies disruption caused by the hurricanes. Further support came in later on Thursday when a 2018 budget resolution was approved by the White House with U.S benchmarks edging to another record high. The passing of the 2018 budget resolution is an important milestone for President Trump's administration as the next step for the tax reform now only needed to pass the Senate by a simple majority.
- However, the mood turned sombre on Friday following disappointing monthly U.S nonfarm payrolls in September which declined by 33,000, the first drop in seven years due to hurricanes Irma and Harvey. Having said that, the record setting streak of Dow Jones and S&P500 which lasted more than 5 days came to an end but still posted gains of above 1.0% on a weekly basis.
- Some key markets in Asia which include China were closed for the week in conjunction with the Golden Week holidays, while Hong Kong markets were closed on Monday and Thursday. Despite the short trading week, the Hang Seng index rocketed to a closing high of 28,458 points on Friday, the highest close in 10 years, posting its biggest weekly gain since mid July at 3.28% . The Hang Seng's commendable performance was mainly driven by automaker Geely whose shares soared 24% for the week, helping to weigh down losses of casino operators such as Sands China Ltd and Galaxy Entertainment Group, affected by the 1.1% yoy drop in mainland Chinese tourists for the first five days of October
- In Europe, the euro suffered a 0.69% loss to settle at EUR/USD1.1732 on Friday as geopolitical uncertainty heightened following Catalonia's referendum to declare independence from Spain on October 2. In response, the Spanish government passed a law to enable easier relocation of corporations around Spain, threatening Catalonia's business activities. Caixa Bank, Spain's third largest bank and Gas Natural, a Catalanian based utility company were among the companies that decided to shift their offices outside Catalonia. As a consequence, Spain's IBEX 35 index lost 2.0% for the week, while Caixa Bank and Sabadell Bank declined 3.8% and 6.2%, respectively for the week. Henceforth, it was no surprise that the Catalan crisis resulted in the biggest exodus from Spanish stocks in three years.

Table 1 Weekly performance of major indices

Weekly % change	Week before	Last week
Hang Seng	-1.17	3.28
FSSTI Index	-0.01	2.22
FTSE 100	0.85	2.04
Taiwan TAIEX	-1.15	1.96
Phil PCOMP	-1.33	1.71
India SENSEX	-2.00	1.70
Dow Jones	0.25	1.64
Nikkei	0.29	1.64
Thai SET	0.85	1.36
S&P 500	0.68	1.19
DAX	1.88	0.99
CAC 40	0.92	0.56
KLCI	-0.87	0.48
Jakarta JCI	-0.18	0.08
Korea KOSPI	0.24	0.00
China CSI 300	-0.03	0.00

Source: Bloomberg

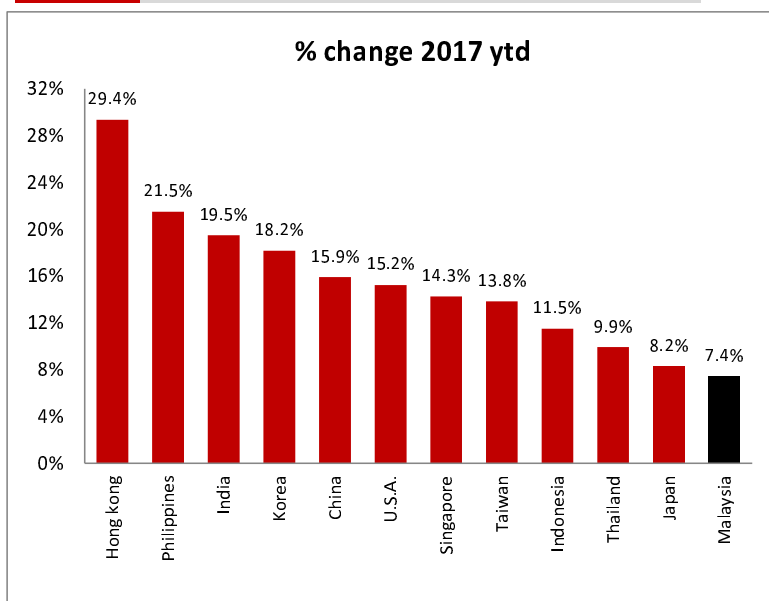
FUND FLOW REPORT

- Brent crude oil settled 3.34% lower for the week at USD55.62pb, marking its first decline in 5 weeks. Although the oil market was upbeat following the talks between Saudi Arabia and Russia regarding extension of output cuts, sentiment was hurt as Tropical Storm Nate is expected to hit the Gulf of Mexico. U.S producers will probably ramp up production as a number of oil facilities in the Gulf of Mexico will be closed down due to the storm, further fuelling oversupply concerns.
- The FBM KLCI escaped from losses this week, finishing 0.48% higher at 1,764 points amid strong trade data. On the other hand, the Ringgit extended losses to its third week, depreciating 0.39% to USD/MYR4.237, near the psychological level of USD/MYR4.25.

B. TRACKING MONEY FLOW - ASIA¹

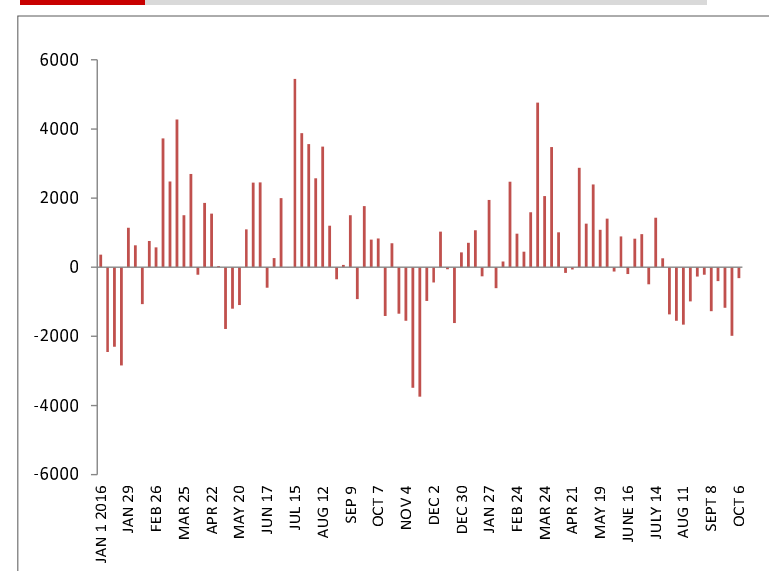
- Foreign attrition in Asia has substantially slowed down last week partly due to KOSPI's closure for the week in conjunction with the Chuseok and Hangeul Proclamation Day. Korean markets will be reopened on Tuesday, October 10. The provisional aggregate data from the seven Asian exchanges that we track saw investors classified as "foreign" offloading -USD403.4m net last week, almost one fifth of the attrition in the preceding week which amounted to -USD1.98b net.
- Taiwan markets were only closed on Wednesday for the Mid Autumn Festival. Despite the holiday shortened week, international investors in Taiwan snapped up USD113.8m net after five weeks of hesitation. Amid the entrance of foreign funds into Taiwan, the TAEIX was on an upward trend during the week, adding 1.96%, the largest gain in 17 weeks which put an end to its four week losing streak. Foreign buying reached the highest for the week on Thursday at USD104.0m net, coinciding with the Taiwan's Dollar strongest level during the week at USD/TWD30.346 after slightly appreciating by 0.09% against the greenback. However, the Taiwan Dollar declined by 0.21% to end the week at USD/TWD30.389 due Fed's restatement on another hike this year following U.S upbeat data.
- In Emerging South East Asian markets, Thailand was the odd only market experiencing net inflows.
- International investors in Bangkok acquired USD58.3m net last week. The movement of foreign funds into Thailand was in tandem with SET that ended at a 23-year high of

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)



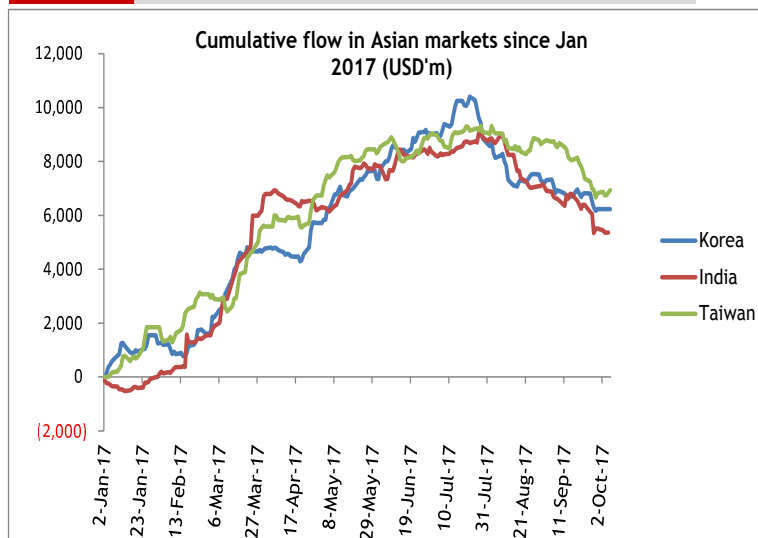
Source: Bloomberg, Bursa Malaysia

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.

1,695 points on Friday, posting a weekly gain of 1.36% and tracked overnight gains from Wall Street. Risk-on mood in Thailand was buoyed by consumer confidence in September which edged to a 4-month high at 75 points on the back of increasing exports and a benchmark interest rate which was kept at near record low. The Baht meanwhile moved in an opposite direction, declining 0.44% for the week to end at USD/THB33.46, its weakest point since July 20 amid a foreign selloff in Thai Bonds for the second week in a row.

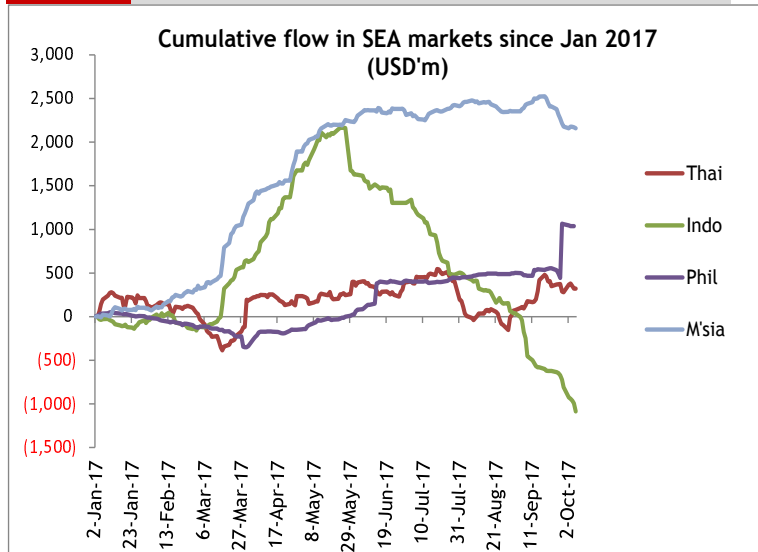
- Global investors reduced their exposure in Manila as they disposed -USD27.8m net last week, the largest withdrawal since the week ended March 31. Foreign investors were net sellers every day except on Friday with Tuesday recording the highest net disposal during the week at -USD13.5m. Despite the weekly withdrawal from the Philippines, the PSEi demonstrated its resilience by advancing 1.71% on a weekly basis where it saw a two-day record breaking streak from Tuesday to Wednesday, closing above 8,300 points on both days. Currency wise, the Peso was more in line with the withdrawal, depreciating 0.60% for the week to USD/PHP51.172 .
- In Jakarta, international funds offloaded -USD278.5m net, stretching the foreign withdrawal to the 14th uninterrupted week. Indeed foreigners were net sellers on every single day of the week, Nevertheless, the JCI surged to record levels for three days in a row from Monday to Wednesday, closing at 5,951 points on the third day. The JCI's resilience may have been driven by the increase in consumer's optimism as shown by the increase in Bank Indonesia's consumer index which rose by 1.9 points to 123.8 in September underpinned by improved job availability. With investors perceiving the selloff in Indonesia to be excessive, the rupiah suffered its fourth weekly loss, declining 0.35% to settle at USD/IDR13,519.

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
AUG 18	-19.6	49.5	-48.0	17.8	-826.5	-151.9	-11.3	-989.9
AUG 25	239.7	-180.3	-126.5	-4.9	-622.6	512.3	-89.2	-271.4
SEP 1	-229.2	168.3	-110.7	6.9	17.4	-76.8	8.5	-215.6
SEP 8	-399.3	103.7	-491.6	-21.7	-435.2	-110.2	85.8	-1,268.5
SEP 15	-214.6	242.6	-125.6	68.1	185.9	-638.9	82.1	-400.2
SEP 22	127.9	-71.1	-43.6	12.0	-407.4	-677.1	-114.0	-1,173.3
SEP 29	-587.5	-68.6	-183.4	511.4	-883.3	-541.5	-229.4	-1,982.3
OCT 6	0.00	58.3	-278.5	-27.8	-249.3	113.4	-19.6	-403.4

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

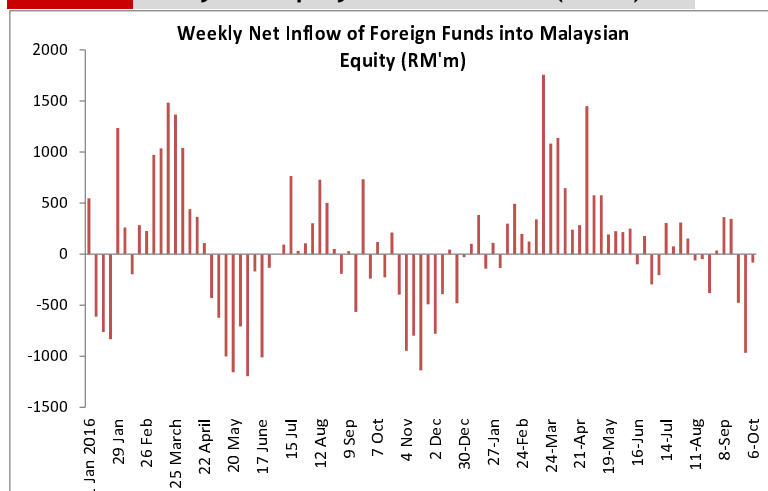
FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

- For the third week in a row, global funds have remained net sellers albeit at a relatively smaller pace.
- Selling levels dropped from its highest level recorded so far this year at -RM967.3m in the preceding week to -RM82.9m net last week in the open market which excluded off market deals.
- Foreign investors were net sellers on every single day of the week except on Tuesday as foreigners bought RM82.2m net which coincided with the FBM KLCI's 0.28% advance to 1,761 points after four days of staying below the 1,760 level. Interestingly, local institutions cashed in gains the same day, selling off -RM60m net, ending their 11-day buying binge. Meanwhile, foreign selling was the highest on Monday with a net outflow of -RM79.2m, which was half of the amount sold in the preceding week's Friday. The tapered outflows on Monday snapped FBM KLCI's 10-straight days of losses.
- Overall, the slowdown in foreign sales of Malaysian stocks last week could be attributable to the spillover effect from record gains in Wall Street as President Trump's tax plan makes progress.
- The cumulative net inflow thus far this year into shares listed on Bursa was slightly pulled down to RM9.53b from RM9.61b in the week before. Although the number of weekly attritions has reached 11, the year-to-date inflow still offsets approximately 30% of the net outflows recorded in the past three years.
- Foreign participation took a beating last week as other key Asian markets were shut for the week. The foreign average daily trade value (ADTV) took a huge 40% plunge from RM1.26b down to RM757m, the lowest in 6 weeks.
- The retail market also tracked the decline in foreign participation as the retail ADTV dropped by 6.2% from RM921m to RM864m.

Chart 5

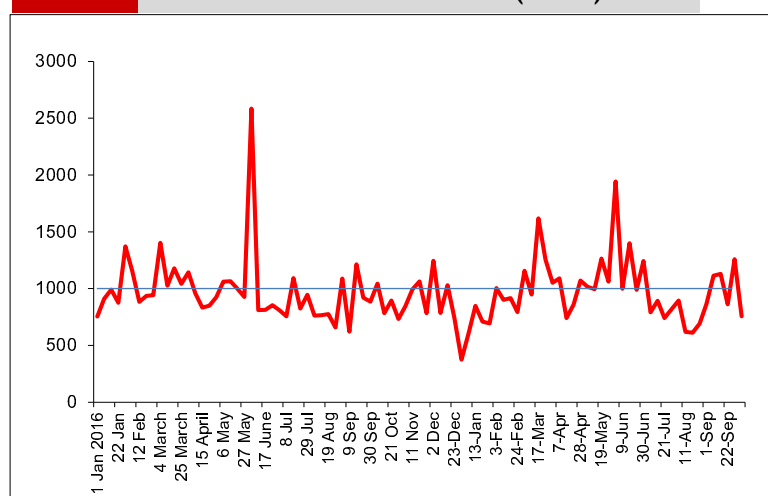
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2016 (RM'm)



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)	
AUG 25	2,163.6	2,184.6	-21.0	5,844.9	5,441.6	403.3	1,537.4	1,919.5	-382.1	-89.2
SEP 1	1,211.3	1,200.2	11.1	3,163.3	3,210.6	-47.3	1,315.7	1,279.5	36.2	8.5
SEP 8	1,727.3	1,709.5	-63.2	4,529.1	4,774.5	-245.4	2,407.9	2,045.3	362.6	85.8
SEP 15	2,359.7	2,338.5	21.2	5,408.3	5,774.6	-366.3	2,998.5	2,653.4	345.1	82.1
SEP 22	2,035.0	1,976.2	58.8	4,810.4	4,391.5	418.9	1,483.1	1,960.8	-477.7	-114.0
SEP 29	2,348.7	2,257.8	90.9	6,563.3	5,686.9	876.4	2,662.8	3,630.1	-967.3	-229.4
OCT 6	2,117.1	2,203.7	-86.6	5,692.3	5,522.8	169.5	1,850.4	1,933.3	-82.9	-19.6

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 6 OCTOBER
TOP 10 NET MONEY INFLOWS

- IOI Corp registered the highest net money inflow of RM18.72m last week. Its share price however lagged as it ended unchanged against the FBM KLCI which gained 0.48%.
- CIMB Group recorded the second highest net money inflow of RM14.79m. Nevertheless, its share price outperformed against the market benchmark with a 1.75% gain during the review week.
- Genting Berhad saw the third highest net money inflow of RM9.47m. Its share price advanced with a 1.36% gain against the FBM KLCI which only increased by 0.48% 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	
IOI CORP	18.72	2.00	0.00	-
CIMB	14.79	-21.48	1.75	-
GENTING BHD	9.47	-5.14	1.36	-
SIME DARBY	6.97	4.26	1.11	-
MY EG	5.70	1.63	0.49	-
MAYBANK	4.58	7.26	0.10	-
HARTALEGA	3.39	1.74	0.14	-
KOSSAN	2.79	0.23	0.00	-
AIRASIA	2.35	-4.89	0.00	-
YTL CORP	1.75	2.31	1.47	-

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- Public Bank saw the largest net money outflow of -RM19.51m last week. Its share price also slightly outperformed the market benchmark with a 0.59% weekly gain. It is notable that the net money outflow amidst advancing share price indicates a sell on strength (SOS) stance among investors.
- Tenaga Nasional Berhad recorded the second largest net money outflow of -RM15.21m during the week under review. Its share price underperformed the benchmark index with a 0.42% loss for the week.
- KL Kepong meanwhile registered the third largest net money outflow at -RM14.02m. Its share price outperformed the market benchmark with a 0.98% weekly gain. It is notable that the net money outflow amidst advancing share price indicates a sell on strength (SOS) stance among investors.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
PUBLIC BANK	-19.51	4.39	0.59	SOS
TNB	-15.21	-1.31	-0.42	-
KLKEPONG	-14.02	13.82	0.98	SOS
DIALOG	-11.25	-2.56	6.00	SOS
GAMUDA	-9.66	0.52	0.00	-
PETGAS	-9.53	1.29	1.12	SOS
PETCHEM	-7.03	-0.62	0.82	SOS
NESTLE	-4.79	19.70	0.35	SOS
CARLSBERG	-4.74	-0.71	0.54	SOS
INARI	-4.14	-2.13	3.15	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

DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (23878-X). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein

This document may not be reproduced, distributed or published in any form or for any purpose.



MIDF RESEARCH is part of
MIDF Amanah Investment Bank Berhad (23878 - X)
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Business Address:
11 & 12 th Floor, Menara MIDF,
82, Jalan Raja Chulan, 50200
Kuala Lumpur.
Tel: 2173 8888
Fax: 2173 8380