

MIDF EQUITY STRATEGY | 18 SEPTEMBER 2017 WEEK ENDED 15 SEPTEMBER 2017

- Majority of global equity markets advanced for the week despite exacerbated tensions from the Korean Peninsula.
- Wall Street was back on its feet with Dow Jones gaining for six straight days to a fresh record level of 22,268 points on Friday as Hurricane Irma's impact was less severe than expected.
- Brent crude oil price jumped 3.42% for the week to settle at USD55.62pb, the best weekly gain since July. Sentiment in oil prices were lifted by IEA's report noting that global oil demand in 2017 will grow by 1.7% the highest in two years.
- Global liquidity continued to flow out of Asia from Asia for the eighth week running albeit at a slower pace. Based on provisional aggregate data from the seven Asian exchanges that we track, investors classified as "foreign" offloaded -USD440.3m, almost one third of the amount recorded in the week before.
- On Bursa, foreign investors remained in the buying mode for the third week running. Based on preliminary data from Bursa which excluded off-market trades, foreign investors bought RM345.1m net, compared to RM362.6m in the week before.
- The FBM KLCI advanced 0.36% for the week to 1,786 points, marking its third week of gains. The Ringgit meanwhile advanced 0.14% against the greenback to USD/MYR4.1895, being the best weekly performer in Asia on the back of improving crude oil prices which outweighed concerns on the Korean Peninsula tensions.

CRUDE PRICE BUOYS SOUTH EAST ASIAN MARKETS

A. MARKET SNAPSHOT

- Majority of global equity markets advanced for the week despite exacerbated tensions from the Korean Peninsula.
- Wall Street was back on its feet with Dow Jones gaining for six straight days to a fresh record level of 22,268 points on Friday as Hurricane Irma's impact was less severe than expected. Investors also cheered when Steve Mnuchin said that the tax reform will be rolled out by the end of this year.
- The mood turned sombre at the end of the week when North Korea threatened to turn the U.S into "ashes" and "darkness" amidst U.S's support on UN sanctions over North Korea. The latter then fired another missile over the northern tip of Japan.
- On the economic front, the U.S CPI rose the largest in seven months, rekindling prospects of another rate hike later this year. As a result, the dollar index held ground, gaining 0.56% on a weekly basis, climbing out of the multi-year low seen in the previous week.
- Weaker-than-expected Chinese data casted a shadow on Asia, with Shanghai shares falling from its 20-month high to settle 0.38% lower at 3,371.43 points on Thursday. China's fixed asset investment grew at 7.8% for the first eight months of the year, the slowest pace in almost 18 years. Factory output growth in August followed suit, slowing down to a nine-month low at 6%yoy.
- In Britain, the Sterling rallied to one-year high close at GBP/USD1.3403 on Thursday as the Bank of England (BoE) kept rates steady despite expressing a hawkish tone. Majority of BoE's policy makers opined that a reduction in the monetary stimulus in the coming months would counter the rising inflation which was at a five-year high at 2.9% in August.
- Brent crude oil price jumped 3.42% for the week to settle at USD55.62pb, the best weekly gain since July. Sentiment in oil prices were lifted by IEA's report noting that global oil demand in 2017 will grow by 1.7% the highest in two years. Support grew stronger when production in August fell by 79,000bpd to 32.8m barrels according to the OPEC.
- The FBM KLCI advanced 0.36% for the week to 1,786 points, marking its third week of gains. The Ringgit meanwhile advanced 0.14% against the greenback to USD/MYR4.1895, being the best weekly performer in Asia on the back of improving crude oil prices which outweighed concerns on the Korean Peninsula tensions.

Table 1 Weekly performance of major indices

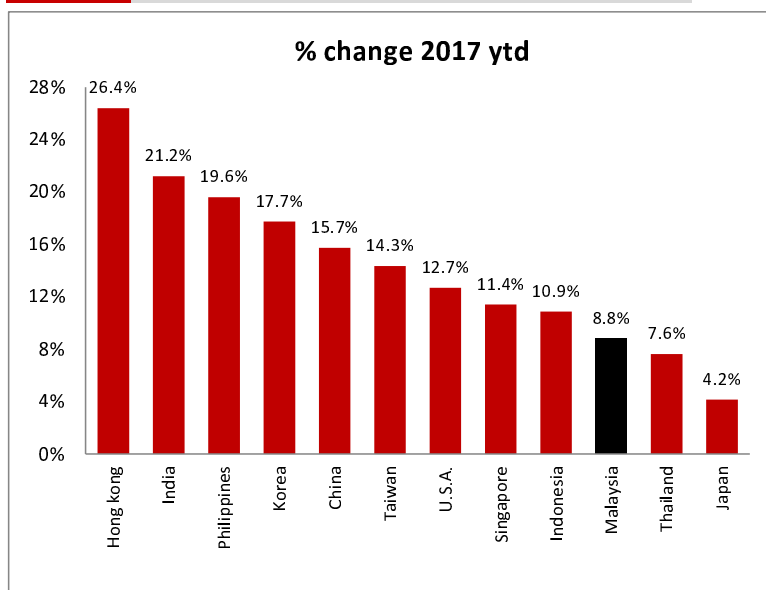
Weekly % change	Week before	Last week
Nikkei	-2.12	3.29
CAC 40	-0.19	2.00
Phil PCOMP	0.81	1.97
Dow Jones	-0.86	1.86
India SENSEX	-0.64	1.85
Korea KOSPI	-0.59	1.81
DAX	1.33	1.78
Thai SET	1.06	1.52
S&P 500	-0.61	1.39
Hang Seng	-1.02	0.50
KLCI	0.38	0.36
Jakarta JCI	-0.12	0.26
China CSI 300	-0.12	0.14
Taiwan TAIEX	0.14	-0.28
FSSTI Index	-1.49	-0.59
FTSE 100	-0.82	-2.34

Source: Bloomberg

B. TRACKING MONEY FLOW - ASIA¹

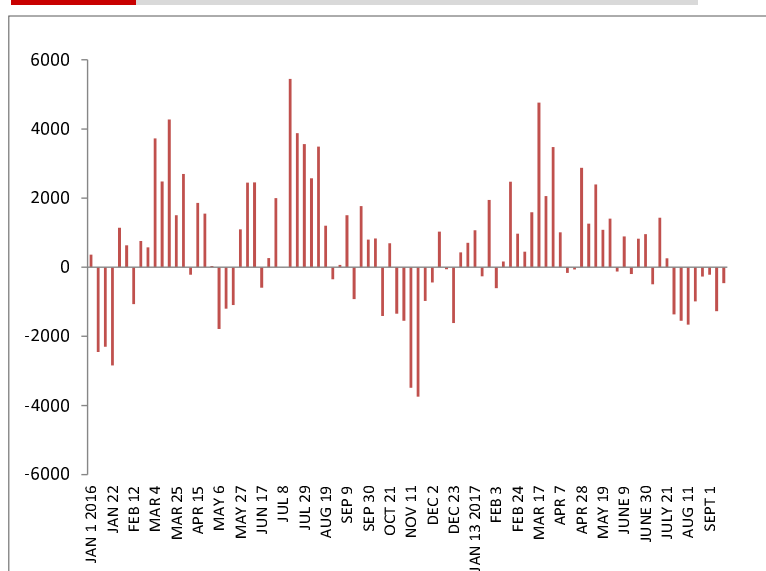
- Global liquidity continued to flow out of Asia from Asia for the eighth week running albeit at a slower pace. Based on provisional aggregate data from the seven Asian exchanges that we track, investors classified as “foreign” offloaded -USD440.3m, almost one third of the amount recorded in the week before.
- North Korea’s second ballistic missile launch over Japan in less than three weeks sparked fears of investors in Korea on Friday morning. In response, South Korea fired two ballistic missiles near the inter-Korean border on the same day. Henceforth, it was no surprise that foreign funds were net sellers for the third week running, disposing -USD214.6m net of Korean equities. Nonetheless, the KOSPI index demonstrated its resilience by adding 8.41 points to a 5-week high at 2,386 points on Friday. The Korean Won meanwhile moved in an opposite direction, weakening to its lowest level since September 6 on Friday at USD/KRW1,133 points. The weakness was not only due to the escalating geopolitical tensions, but also due to the strengthening greenback.
- Foreign funds took cue from Korea, offloading -USD639.4m net in Taiwan, the biggest outflow in 13 weeks. Indeed, global investors were net sellers on every single day of the week. Wednesday experienced the biggest daily withdrawal since August 11 which amounted to -USD285.4m net which coincided with the Taiex’s fall from its five-day high of 10,610 points recorded on the day before. On a weekly basis, the Taiex ended -0.28% lower for the week, snapping its three-week winning streak. In contrast, the Taiwan Dollar’s four-day slide which was the longest since early July came to an end on Friday as it appreciated by 0.19% to USD/TWD30.052 partly due to the uptick in crude prices to a 5-month high. However, the Taiwan dollar was still 0.17% lower for the week.
- In Emerging South East Asian markets, Indonesia was the only casualty of foreign selling during the week.
- Global investors remained net buyers in Bangkok for the third week in a row, snapping up USD242.6m net. As the foreign buying was slightly heavier compared to last week,

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)



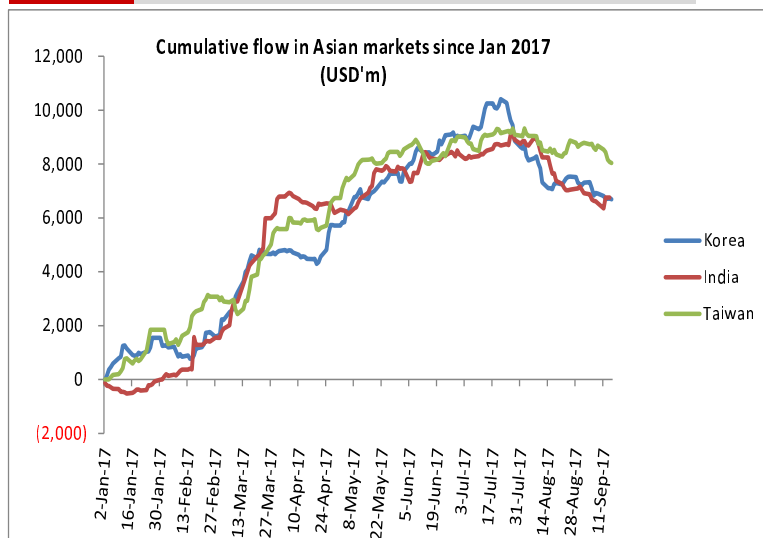
Source: Bloomberg, Bursa Malaysia

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.

the SET index reached its highest close in more than two decades at 1,661 points on Friday. The recent rally of SET index could be partly attributable to the ease of political concerns following the no-show of former Prime Minister, Yingluck for a court's verdict in a negligence case filed against her. The continuing foreign buying into Thai equities and bonds saw the Baht a reaching a two year high at USD/THB33.074 on Thursday. On a weekly basis, the Thai Baht made its third week of gains amid speculation that the central bank of Thailand will intervene to curb the strength of the local currency.

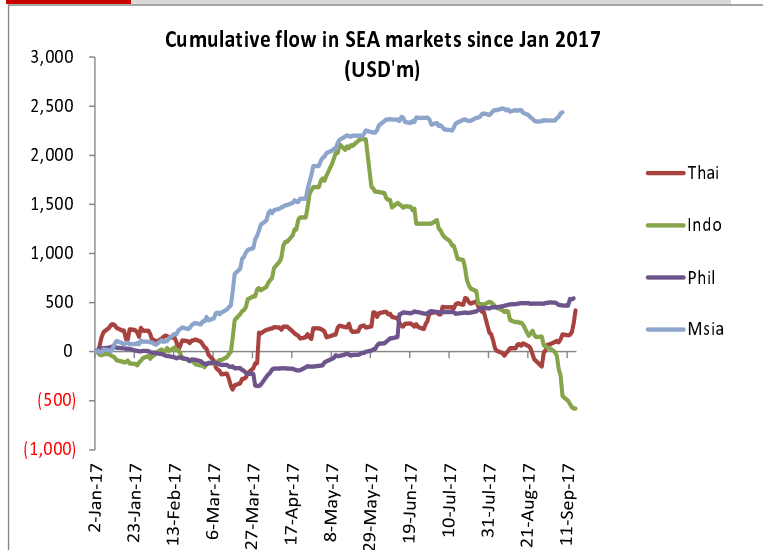
- Despite the closure of markets in Philippines on Tuesday due to the storms which had caused heavy flooding in the capital and nearby provinces, foreign investors acquired USD68.1m net. This was the largest weekly inflow since the week ended June 16. In fact, the PSEi rose to an all-time high at 8,181 points on Friday booking a 1.97% weekly gain, the biggest since May, riding on the Wall Street rally. Internally, the property index led gainers on Friday due to the government's plan to raise taxes on low-cost homes.
- Foreign funds fled Indonesia for the 11th week in a row but on a measurable scale. Decreased foreign selling saw the JCI edge 0.26% higher for the week due to improved sentiment in Indonesia following the August's trade surplus of USD1.7b, the largest since 2011 that beat estimates of USD548m. As a consequence, the Rupiah advanced marginally by 0.08% to USD/IDR13,240 after three days of decline. Yet, the Rupiah was still 0.42% lower for the week as Indonesia's bond-yield premium over the U.S. narrowed down to a four-year low, making the nation's assets less attractive.

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

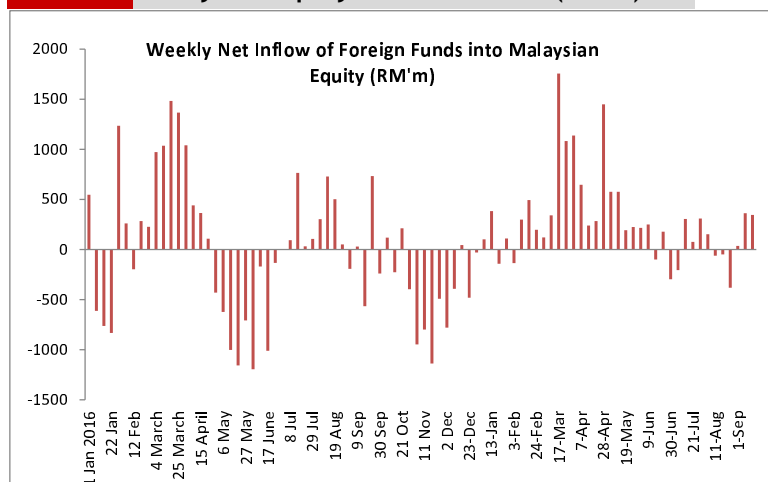
Table 2 Weekly Net Flow Of Foreign Fund Into Equity By Market (USD'm)

WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
JUL 28	-1,550.5	-79.8	-160.9	51.5	356.7	-53.2	72.3	-1,363.9
AUG 4	-733.1	-400.4	-32.4	4.6	-372.6	-50.6	35.3	-1,549.2
AUG 11	-811.0	27.8	-125.5	23.3	-234.5	-528.4	-14.7	-1,662.9
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	146.4	-639.4	82.1	-440.3

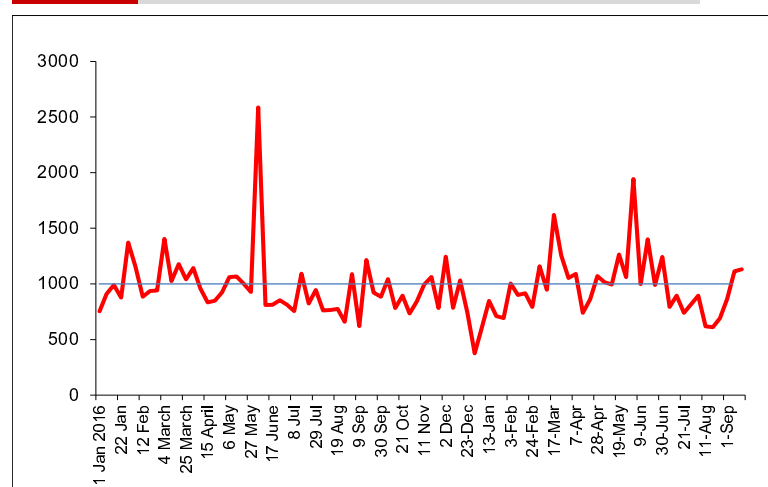
Source: Respective exchange statistics reported on Bloomberg. Bursa Malaysia. These figures are subject to revisions.

C. TRACKING MONEY FLOW - MALAYSIA

- On Bursa, foreign investors remained in the buying mode for the third week running.
- Based on preliminary data from Bursa which excluded off-market trades, foreign investors bought RM345.1m net, compared to RM362.6m in the week before. Global funds were net buyers during the rest of the week except on Wednesday but the one-day attrition was minimal, at only -RM7.90m net.
- Meanwhile, foreign investors snatched RM172.6m net on Tuesday, the highest inflow in a day since June 14. The heavy foreign buying coincided with the FBM KLCI's 62-day high of 1,789 points ahead of our Prime Minister's meeting the U.S President, Donald Trump. The advance in the FBM KLCI was also spurred from the positive spillover effect from Wall Street which saw S&P500 reaching a new record level overnight amid the weakening effect of Hurricane Irma. The weekly inflow was in conformity with those seen by South East Asian peers notably, Thailand and the Philippines.
- With 29 weeks of foreign buying recorded so far this year, the cumulative year-to-date net inflow has reached above RM11b, offsetting approximately 37% of net outflows in the past three years.
- Foreign participation rate remained strong last week. Gross trade on Friday increased above RM2b, a level not seen since March 17, boosting the foreign average daily trade value (ADTV) 2% higher to RM1.13b.
- In contrast, retail participation remained healthy for the week. The retail ADTV increased by 6% to hit RM939m. The last time the retail ADTV went above RM900m was during the week ended May 26.

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 4	2,247.2	2,189.7	57.5	5,227.3	5,436.0	-208.7	2,313.4	2,162.2	151.2	35.3
AUG 11	2,161.3	2,252.8	-91.5	5,381.3	5,226.7	154.6	1,517.0	1,580.1	-63.1	-14.7
AUG 18	2,010.4	2,137.2	-126.8	5,234.2	5,058.9	175.3	1,503.3	1,551.8	-48.5	-11.3
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

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 15 SEPTEMBER
TOP 10 NET MONEY INFLOWS

- Malayan Banking registered the highest net money inflow of RM46.22m last week. Its share price outperformed with a +1.04% gain against the FBM KLCI which increased by a smaller +0.36% during the week under review.
- Tenaga Nasional recorded the second highest net money inflow of RM9.16m. Nevertheless, its share price underperformed against the market benchmark with a -0.14% drop during the review week. It is notable that net money inflow amidst retreating share price may attract a buy on weakness (BOW) stance among some investors.
- AMMB Holdings saw the third highest net money inflow of RM6.08m. Its share price massively outperformed with a rather sizeable +5.59% gain during the review week.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
MAYBANK	46.22	-9.76	1.04	-
TNB	9.16	5.40	-0.14	BOW
AMMB	6.08	3.72	5.59	-
LAFARGE	5.51	3.47	9.24	-
PETCHEM	4.90	3.41	-1.61	BOW
MY EG	3.96	-0.58	3.90	-
IOI PROP	3.79	-0.04	-1.47	BOW
SIME DARBY	3.16	-6.29	1.43	-
YINSON	2.85	-0.02	-1.37	BOW
GENTING MSIA	2.52	-8.75	0.00	-

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 -RM45.26m last week. Its share price underperformed the FBM KLCI Index with a -0.29% loss
- Nestle recorded the second largest net money outflow of -RM12.71m during the week under review. Its share price outperformed the benchmark index with a +0.69% gain for the week. It is notable that the net money out-flow amidst advancing share price indicates a sell on strength (SOS) stance among investors.
- Axiata meanwhile registered the third largest net money outflow at -RM10.93m. Its share price however lagged as it ended unchanged against the FBM KLCI which rose 0.36% during the week under review.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
PUBLIC BANK	-45.26	-43.33	-0.29	-
NESTLE	-12.71	-6.46	0.69	SOS
AXIATA	-10.93	1.99	0.00	-
CIMB	-7.74	-0.69	-0.15	-
AIRASIA	-7.67	-3.01	0.06	SOS
GENTING	-6.04	1.70	-0.25	-
KL KEPONG	-5.30	-0.13	-0.57	-
DIGI.COM	-3.58	-1.66	-0.20	-
PAVILION REIT	-2.14	-0.34	1.72	SOS
ECO WORLD DEV	-1.73	-0.42	1.92	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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