

MIDF EQUITY STRATEGY | 5 SEPTEMBER 2017 WEEK ENDED 1 SEPTEMBER 2017

- Majority equity markets worldwide were rangebound amid renewed tensions coming from North Korea's missile which flew over Japan.
- Wall Street kicked off September on a positive note. All three major U.S benchmarks advanced for the week with Nasdaq taking the lead with a 2.70% gain, marking its best week for the year.
- Brent crude oil price climbed 0.65% for the week to settle at USD52.75pb as optimism crept in following the ninth straight weekly decline in U.S crude stockpiles which fell by 5.4m barrels in the week before, according to the EIA.
- Foreign attrition from Asia continued for its sixth consecutive week, the longest streak so far this year. Based on provisional aggregate data from the seven Asian exchanges that we track, investors classified as "foreign" offloaded -USD215.6m, slightly unchanged compared to the week before which amounted to -RM271.4m.
- Foreigners turned net buyers last week despite the short trading week. Bursa was closed on Thursday and Friday for the National Day and Eidul Adha festival. For the week, foreign funds acquired RM36.2m net based on transactions in the open market, excluding off market deals. This is the lowest weekly foreign acquisition for the year.
- The FBM KLCI advanced 0.23% for the week to settle at 1,773 points, as investors were still eyeing for good corporate results season which was still ongoing. The Ringgit meanwhile gained 0.03% against the dollar for the third successive week to settle at USD/MYR4.2710.

ATTRITION CONTINUES IN ASIA

A. MARKET SNAPSHOT

- Majority equity markets worldwide were range-bound amid renewed tensions coming from North Korea's missile which flew over Japan.
- Wall Street kicked off September on a positive note. All three major U.S benchmarks advanced for the week with Nasdaq taking the lead with a 2.70% gain, marking its best week for the year. The positive sentiment within the U.S market was mainly driven by lukewarm job data which may hamper the chances of another rate hike this year. Based on U.S government data, 156,000 jobs were added into the nation's economy in August which was below the expectation of 180,000 jobs.
- Chinese manufacturing activities remained strong, demonstrated by the Caixin PMI which increased to 51.6 the fastest pace in six months. Aside from that, China Communist Party's 19th Congress, opening on 18th October will likely confirm President Xi Jinping's second five-year term as China's President. As a consequence, market sentiment in China and also Hong Kong was lifted, gaining 0.92% and 0.38% for the week, respectively.
- In Europe, the Euro rose above EUR/USD1.20 for the first time in more than two years last Tuesday. The single currency's momentum was supported by Mario Draghi's silence on the currency's strength spoken at the Jackson Hole meeting in the preceding week. Such strong levels of the Euro that may cause it to be viewed as a safe-haven may hurt the European Central Bank's plans to tighten its belt later this year.
- Brent crude oil price climbed 0.65% for the week to settle at USD52.75pb. During the middle of the week, Brent crude oil price dipped below the USD51pb level amid Hurricane Harvey hitting through Louisiana and Texas causing the U.S government to utilise its strategic oil reserves for the first time in five years. Nevertheless, optimism crept in following the ninth straight weekly decline in U.S crude stockpiles which fell by 5.4m barrels in the week before, according to the EIA.
- The FBM KLCI advanced 0.23% for the week to settle at 1,773 points, as investors were still eyeing for good corporate results season which was still ongoing. The Ringgit meanwhile gained 0.03% against the dollar for the third successive week to settle at USD/MYR4.2710.

Table 1 Weekly performance of major indices

Weekly % change	Week before	Last week
Thai SET	0.59	2.70
S&P 500	0.72	1.37
Nikkei	-0.09	1.23
India SENSEX	0.23	0.94
China CSI 300	1.91	0.92
Dow Jones	0.64	0.80
Taiwan TAIEX	1.88	0.75
FSSTI Index	0.23	0.54
FTSE 100	1.06	0.50
Hang Seng Index	2.96	0.38
CAC 40	-0.19	0.37
KLCI	-0.40	0.23
DAX	0.02	-0.21
Phil PCOMP	-0.02	-0.71
Jakarta JCI	0.37	-0.87
Korea KOSPI	0.85	-0.88

Source: Bloomberg

B. TRACKING MONEY FLOW - ASIA¹

- Foreign attrition from Asia continued for its sixth consecutive week, the longest streak so far this year. Based on provisional aggregate data from the seven Asian exchanges that we track, investors classified as “foreign” offloaded -USD215.6m, slightly unchanged compared to the week before which amounted to -RM271.4m.
- Global funds turned into net sellers in Korea, disposing -RM229.2m net last week. The foreign selling coincided with KOSPI’s weekly loss of 0.88% after two straight weeks of being in the black. Investor sentiment was badly impacted by North Korea’s unidentified ballistic missile launch over Japan on Tuesday. Due to rising geopolitical risks, investors sold the Won for safer assets. The Won fell by 0.54% on Tuesday, the biggest slump in two weeks. Nonetheless, the Won still ended 0.49% higher against the greenback for the week at USD/KRW1,123 amid better-than-expected inflation which rose 2.6%yoy in August, the quickest in five years.
- Taiwan took cue from the heightened geopolitical tensions in North Korea as foreign funds disposed -USD76.8m net. Despite the attrition, the Taiex ended the week with a proverbial bang, reaching a 27-year high of 10,570 points on Friday. Taiex’s upward momentum could be partly attributable to the anticipation of the latest Apple iPhone 8 which is scheduled to be launched later this month. The Taiwan Dollar also followed suit, closing at the highest level in almost 2 years on Friday at USD/TWD30.046 while posting gains for the second month in a row.
- In Emerging South East Asian markets, buying was seen across the board except in Indonesia.

Chart 1 YTD performance of major markets

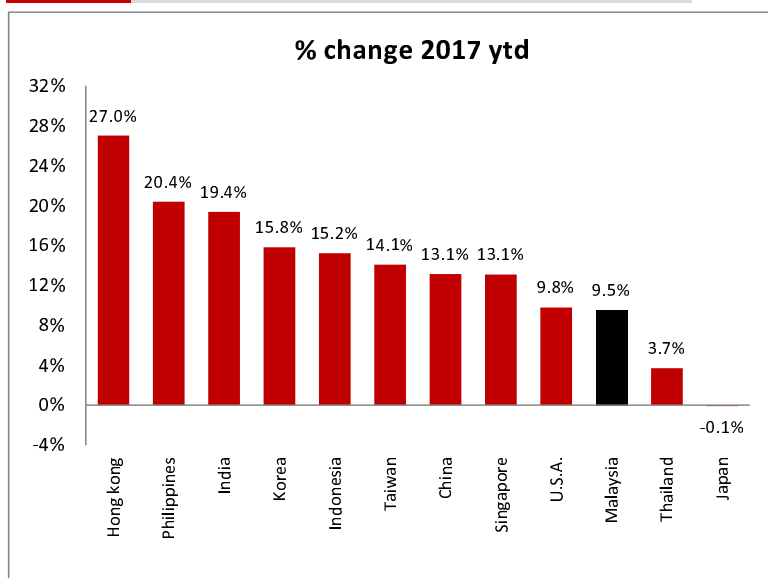
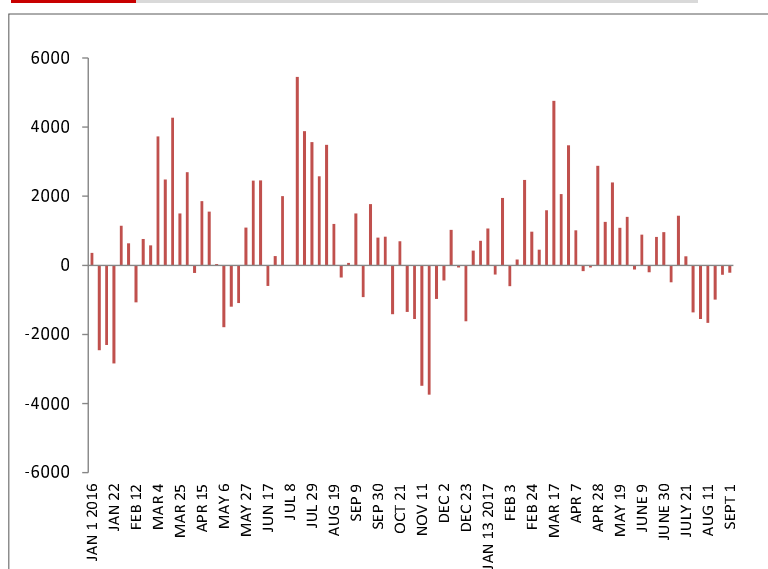


Chart 2 Weekly Net Flow of Foreign Funds into 7 Asian Markets since Jan 2016 (USD'm)



Source: Bloomberg, Bursa Malaysia

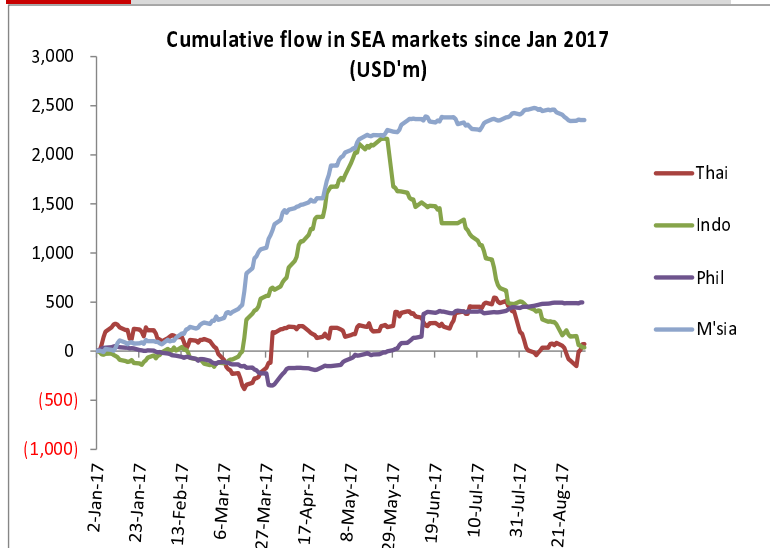
¹ Based on 7 Asian markets, for which fund flow data is publicly available. These are our proxy for Asia: TIPs (Thailand, Indonesia, Philippines), Korea, Taiwan, India and Malaysia.

- Foreign investors snapped up USD168.3m net in Thailand, almost cancelling off the -USD180.3m net outflow in the preceding week. The net inflow was accompanied by the SET's advance to 1,618 points on Friday, the highest since May 2013 while booking its largest weekly gain of 2.70% since October 2015. Currency wise, the Baht remained steady as it gained 0.27% for the week as international investors also increased their exposure in debt securities. This is evident by the largest daily net inflow into Thai bonds since August 8 on last Thursday which amounted to USD425m.
- In Manila, foreign investors made a modest return by acquiring USD6.86m net last week. However, the PSEi ended the week 0.71% lower to settle below 8,000 points on Friday ahead of the three-day weekend. Investors used the recent political turmoil in North Korea as grounds to cash in gains. Likewise, the Peso also weakened by 0.12% against the greenback to USD/PHP51.133.
- Foreign attrition has been ongoing for the past nine weeks in Indonesia. Hence, it was no surprise that the JCI slid 0.87% for the week amid uncertainties in the Korean peninsula. The Rupiah meanwhile dropped by 0.20% against the dollar to USD/IDR13,318 amid increased one-month implied volatility for the local currency which rose to 4.13 points after facing its longest losing streak since July 2014 of 11 days.

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)



Source: Bloomberg, Bursa Malaysia

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

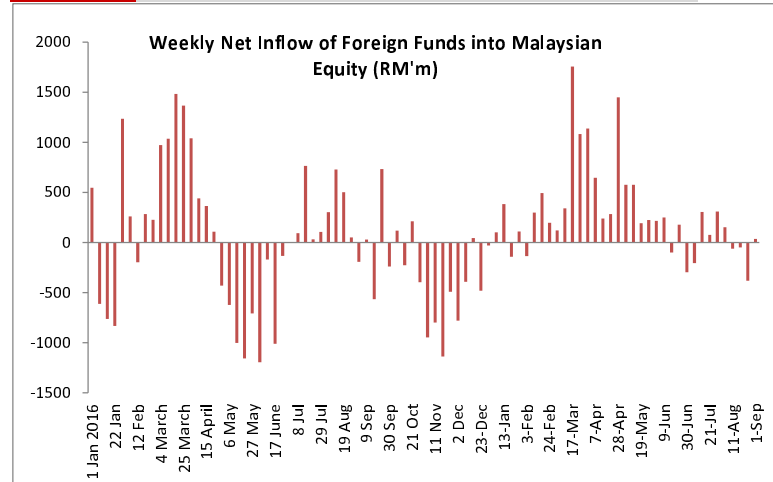
WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
JUL 14	860.1	41.8	-221.8	-17.1	205.0	492.8	71.2	1,431.9
JUL 21	163.9	-4.7	-303.9	11.2	286.2	91.1	17.8	261.7
JUL 28	-1,550.5	-79.8	-160.9	51.5	356.7	-53.2	72.3	-1,363.9
AUG 4	-733.1	-400.4	-32.4	4.6	-372.6	-50.6	35.3	-1,549.2
AUG 11	-811.0	27.8	-125.5	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	-215.8

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

C. TRACKING MONEY FLOW - MALAYSIA

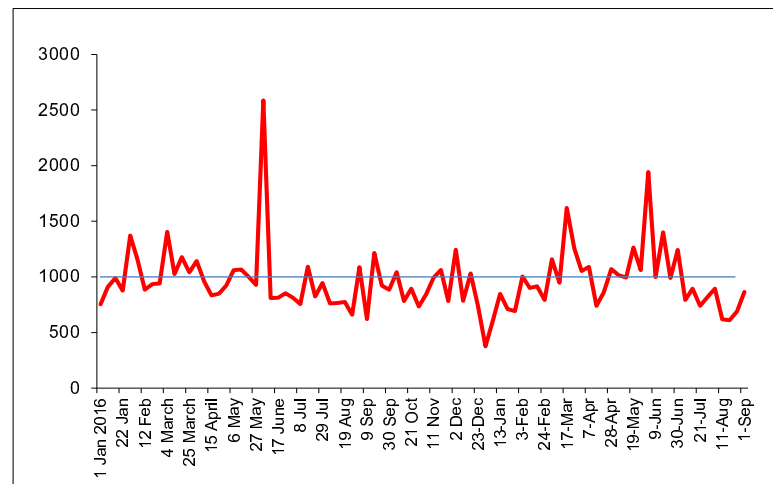
- Foreign tide finally returned to Bursa after three successive weeks of attrition, albeit only marginally.
- Foreigners turned net buyers last week despite the short trading week. Bursa was closed on Thursday and Friday for the National Day and Eidul Adha festival.
- For the week, foreign funds acquired RM36.2m net based on transactions in the open market, excluding off market deals. This is the lowest weekly foreign acquisition for the year.
- We note that the six-day selling streak was snapped on Monday as global funds acquired RM7.10m net on that day. Foreign buying momentum increased the next day by seven times to RM52.2m net. However on Wednesday, international fund managers cleared their positions ahead of the long weekend, disposing -RM23.1m net.
- The month of August turns out to be the first month of net outflows this year which amounted to -RM241.9m net. Nonetheless, cumulative year-to-date net inflow still stands above the RM10b mark.
- Foreign participation rate was resilient for the week as foreign average daily trade value (ADTV) remains above RM800m for the fifth week in a row.
- Retail participation meanwhile edged higher for the week. The retail ADTV increased by 25% to RM865m after three straight weeks being below RM700m.

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)	
JUL 21	1,972.9	1,919.1	53.8	6,151.4	6,281.5	-130.1	1,887.6	1,811.3	76.3	17.8
JUL 28	1,628.2	1,614.4	13.8	5,200.2	5,523.4	-323.3	2,201.9	1,892.5	309.4	72.3
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

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 1 SEPTEMBER
TOP 10 NET MONEY INFLOWS

- Kuala Lumpur Kepong stocks were the beneficiary of the highest net money inflow of RM6.46m. Its share price outperformed the benchmark index with a 0.41% gain for the week.
- The second highest net money inflow beneficiary was PPB Group, amounting to RM4.24m. Its share price underperformed the benchmark index with a 0.12% loss during the review week. The net inflow amidst declining share price indicates a buy-on-weakness (BOW) stance among some investors.
- Air Asia saw the third highest net money inflow of RM4.09m. Its share price outperformed the benchmark index with a 0.61% gain during the review week.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
KL KEPONG	6.46	-12.29	0.41	-
PPB GROUP	4.24	1.68	-0.12	BOW
AIRASIA	4.09	4.25	0.61	-
LAFARGE	3.78	2.90	-1.81	BOW
PETCHEM	3.05	-3.24	-0.28	BOW
SIME DARBY	2.54	-2.69	-1.42	BOW
IHH	2.29	1.74	1.35	-
YTL CORP	1.45	1.21	2.14	-
MY EG	1.19	3.97	5.47	-
BAT	0.89	-2.24	0.45	-

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- Gamuda saw the largest net money outflow of -RM22.06m last week. Its share price underperformed the benchmark index with a 1.11% loss for the week.
- Tenaga Nasional Berhad recorded the second largest net money outflow of -RM18.89m during the week under review. Its share price underperformed the benchmark index with a 0.14% loss for the week.
- Maybank meanwhile registered the third largest net money outflow at -RM17.95m, with its share price underperforming the benchmark index with a 1.05% loss.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
GAMUDA	-22.06	-2.94	-1.11	-
TNB	-18.89	-10.98	-0.14	-
MAYBANK	-17.95	-6.22	-1.05	-
GENTING	-11.13	-3.69	-0.41	-
PUBLIC BANK	-10.51	-2.67	0.10	SOS
NESTLE	-8.73	0.97	-0.21	-
HLBK	-8.10	-12.11	-0.13	-
MAXIS	-6.84	-4.25	0.35	SOS
GENTING PLTN	-5.30	0.78	0.95	SOS
IOI CORP	-4.61	1.12	-0.22	-

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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