

MIDF EQUITY STRATEGY | 2 OCTOBER 2017 WEEK ENDED 29 SEPTEMBER 2017

- Global equity markets ended the week mixed amidst a couple of market-defining events arising especially from the U.S.
- Wall Street gained strong momentum last week mainly due to two major catalysts; (i) Fed Yellen's hawkish remarks on rate hikes despite claiming that the Fed misjudged inflation and employment figures and (ii) Trump's latest proposed tax reform aiming to lower tax rates for corporates and small businesses and individuals within the high tax bracket.
- Brent crude oil price made a proverbial bang on Monday as it reached USD59.02pb, the highest since July 2015 as Turkish President Erdogan threatened to block oil exports of Iraqi Kurds following the referendum of Kurdistan's independence from Iraq.
- Global funds made an exodus from Asia, stretching the weekly withdrawal to its 10th consecutive week. The provisional aggregate data from the seven Asian exchanges that we track saw investors classified as "foreign" offloading -USD2.60b net last week, the largest weekly withdrawal so far this year.
- The net amount offloaded by global investors last week in Malaysia edged up to nearly -RM1b at -RM967.3m from -RM477.7m the week before, based on transactions in the open market which excluded off market deals. This is the highest weekly attrition recorded since the week ended November 18 last year.
- KLCI was on a gradual downtrend throughout the week, losing 0.87% to end the week at a five-month low of 1,756 points while the Ringgit registered an uninspiring week of a steeper 0.53% weekly decline compared to the week before.

2 October 2017 | Strategy - Weekly Fund Flow

Adam M Rahim

APPREHENSION AHEAD OF OCTOBER**A. MARKET SNAPSHOT**

- Global equity markets ended the week mixed amidst a couple of market-defining events arising, especially from the U.S.
- U.S equity markets had a rough start as North Korea's foreign minister described President Trump's Twitter post as a declaration to war. Nonetheless, Wall Street gained strong momentum later on Wednesday mainly due to two major catalysts; (i) Fed Yellen's hawkish remarks on rate hikes despite claiming that the Fed misjudged inflation and employment figures and (ii) Trump's latest proposed tax reform aiming to lower tax rates for corporates and small businesses and individuals within the high tax bracket.
- Subsequently, the 10-year Treasury bond yield peaked at a two-month high the same day at slightly above 2.3%. Likewise, the dollar index touched a one month high at 93.361 points the same day. As the optimism from the tax plans remained until Friday, all three major U.S benchmarks ended in the black for the week.
- Meanwhile in Hong Kong, shares of property developers tumbled on Monday as stricter conditions for home resale were imposed in eight mainland cities. The Hang Seng Property Index dropped 2.49% the same day, its largest single day loss in 10 months. The rebound in developer stocks on Wednesday was unfortunately not enough to push index into a weekly gain; it ended the week 1.17% lower.
- In Europe, German markets had a flattish start for the week following the smaller-than-expected Merkel victory. Alternative for Deutschland party (AfD) surprisingly came in third place after the Social Democrats. As a consequence, Merkel will now have to form a governing coalition with other parties through a series of negotiations that may heighten political risk. The euro meanwhile was badly hit, weakening to below the EUR/USD1.19 level on Monday, the lowest point since August 24.
- Brent crude oil price made a proverbial bang on Monday as it reached USD59.02pb, the highest since July 2015 as Turkish President Erdogan threatened to block oil exports of Iraqi Kurds following the referendum of Kurdistan's independence from Iraq. Oil price movements were also buoyed by news of the first draw of U.S crude stockpiles in 4 weeks, leading to a weekly gain of 1.20% for Brent crude oil price.
- The FBM KLCI was on a gradual downtrend throughout the week, losing 0.87% to end the week at a five-month low of 1,756 points. Meanwhile, Ringgit registered an uninspiring week of a steeper 0.53% weekly decline compared to the week before but managed to book its third quarterly advance of 1.9% as it settled at USD/MYR4.2205 last Friday.

Table 1 Weekly performance of major indices

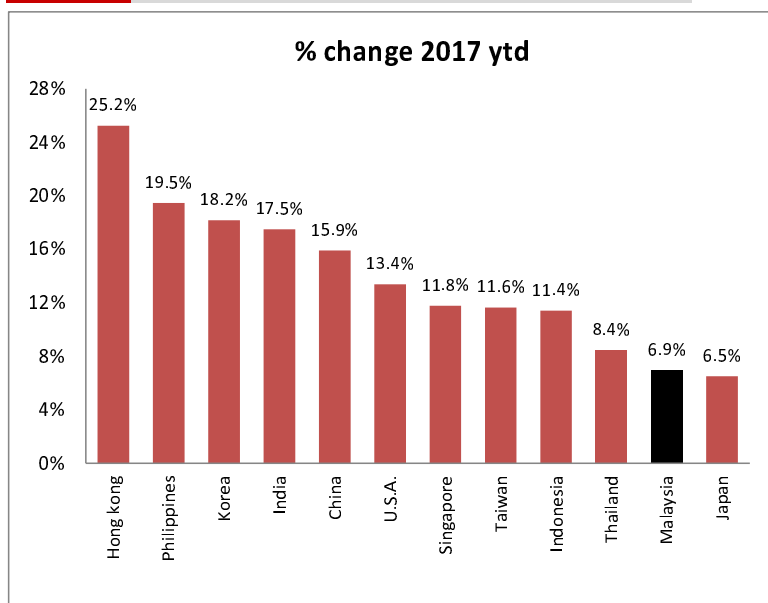
Weekly % change	Week before	Last week
DAX	0.59	1.88
CAC 40	1.29	0.92
Thai SET	-0.09	0.85
FTSE 100	1.32	0.85
S&P 500	0.08	0.68
Nikkei	1.94	0.29
Dow Jones	0.36	0.25
Korea KOSPI	0.11	0.24
FSSTI Index	0.33	-0.01
China CSI 300	0.17	-0.03
Jakarta JCI	0.67	-0.18
KLCI	-0.86	-0.87
Taiwan TAIEX	-1.24	-1.15
Hang Seng	0.26	-1.17
Phil PCOMP	1.23	-1.33
India SENSEX	-1.09	-2.00

Source: Bloomberg

B. TRACKING MONEY FLOW - ASIA¹

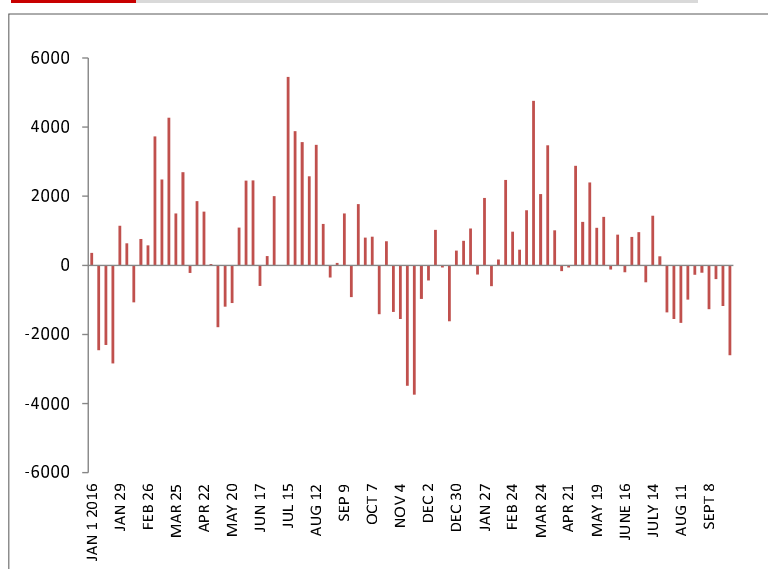
- Global funds made an exodus from Asia, stretching the weekly withdrawal to its 10th consecutive week. The provisional aggregate data from the seven Asian exchanges that we track saw investors classified as “foreign” offloading -USD2.60b net last week, the largest weekly withdrawal so far this year.
- NorthAsia suffered the brunt of foreign selling last week. In Korea, global investors were back in selling mode, disposing -USD587.5m net amid North Korea’s statement about taking down U.S fighter jets even if they were not within its airspace following President Trump’s twitter post stating that leaders of the rogue state “won’t be around much longer”. Although the KOSPI was on a downtrend during the first half of the week, it managed to eke out a marginal gain of 0.24% for the week as foreign investors mopped up USD65.8m net on Friday ahead of the long Chuseok holiday. Sentiment was also partly supported by South Korea’s good industrial production index result which grew by 2.7%yoy in August, the highest since March. The Korean Won meanwhile declined 0.77% to hit its lowest level in 12 weeks for the fourth week running to USD/KRW1,145 as the U.S-North Korea spat acted as a discounting factor.
- Foreign investors in Taiwan have been net sellers for the past five weeks, offloading -USD997.0m net last week. This is the longest selling frenzy recorded since the period from July to September 2015. Thursday saw the second highest daily net outflow during the week which amounted to -USD284.0m net, concurring with the weakening state of the Taiwan Dollar which fell to its lowest level since July 21 at USD/TWD30.386. It was also no surprise that shares of Apple suppliers took a beating following weaker than expected sales of the iPhone 8 coupled with production hurdles related to the facial recognition feature of the iPhone X. The biggest casualty among technology stocks for the week was Largan Precision which shed 35 points while Hon Hai Precision lost 10.6% in September which is its worst month since April 2012 . Having said that, the Taiex concluded the month of September on a sour note despite reaching its highest point in 27 years this month, suffering a monthly loss of 2.4% for the first time in 11 months.
- In Emerging South East Asian markets, Philippines was the odd one out being the only market experiencing net inflows.

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)

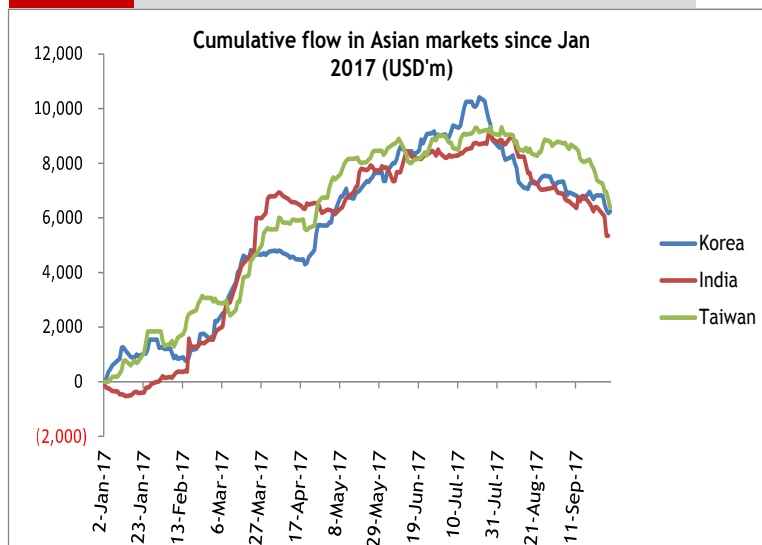


Source: Bloomberg, Bursa Malaysia

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.

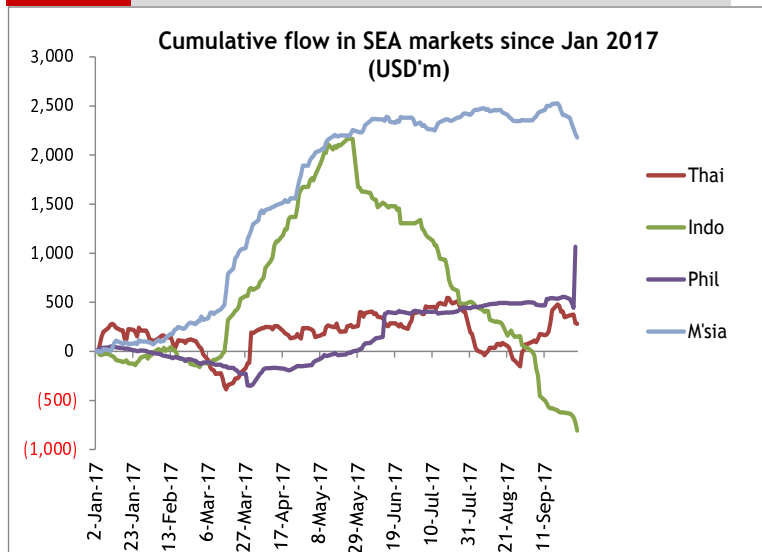
- Global funds remained net sellers in Bangkok at the similar pace to last week's as they sold off -USD68.6m net. Nonetheless, after 3 months of attrition, USD211.1m net of foreign funds entered Thailand in September, reversing almost half of last month's inflow. The entrance of international funds into Thailand's stock market has lifted the SET to be the best performing index in Southeast Asia for September, leading with a 3.52% gain. Meanwhile, the Thai Baht declined by 0.72% to USD/THB33.326 on Friday, its biggest weekly loss since in early April in line with the weekly outflow and broadening strength of the greenback following President Trump's renewed tax plans.
- International funds increased their stake in the Philippines stock market by a substantial level. Foreign investors loaded up USD511.4m net, the largest weekly inflow in four years by virtue of Friday's biggest daily inflow since June 2012 which amounted to USD622.5m net mainly due to quarter-end window dressing. Prior to that, the Philippines experienced a net outflow of -USD50.56m on Thursday, the largest in a day in six months as Robinsons Retail Holdings effectively replaced Energy Development Corporation on the PSEi via a tender offer exercise. In fact, the Philippines recorded the highest monthly net inflow in September among its South East Asian peers notably Thailand, Indonesia and Malaysia.
- Foreign investors continued leaving Indonesia for the 13th week running concurring with the largest quarterly outflow of -USD2.11b among other South East Asian peers. The last time withdrawal levels were this high was back in 2Q13 which amounted to -USD1.99b. A few factors which may have spurred the big selloff in 3Q17 could be the delay in implementation of infrastructure plans and the Indonesian tax amnesty program which have yet to improve property sales.

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)

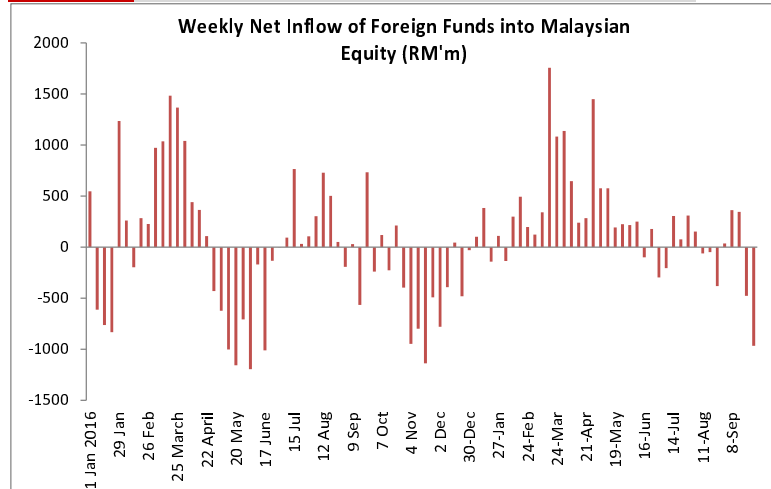
WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
AUG 11	-811.0	27.8	-125.5	23.3	-234.5	-528.4	-14.7	-1,662.9
AUG 18	-19.6	49.5	-48.0	17.8	-826.5	-151.9	-11.3	-989.9
AUG 25	239.7	-180.3	-126.5	-4.9	-622.6	512.3	-89.2	-271.4
SEP 1	-229.2	168.3	-110.7	6.9	17.4	-76.8	8.5	-215.6
SEP 8	-399.3	103.7	-491.6	-21.7	-435.2	-110.2	85.8	-1,268.5
SEP 15	-214.6	242.6	-125.6	68.1	185.9	-638.9	82.1	-400.2
SEP 22	127.9	-71.1	-43.6	12.0	-407.4	-677.1	-114.0	-1,173.2
SEP 29	-587.5	-68.6	-183.5	511.4	-1,048.2	-997.0	-229.4	-2,602.6

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

C. TRACKING MONEY FLOW - MALAYSIA

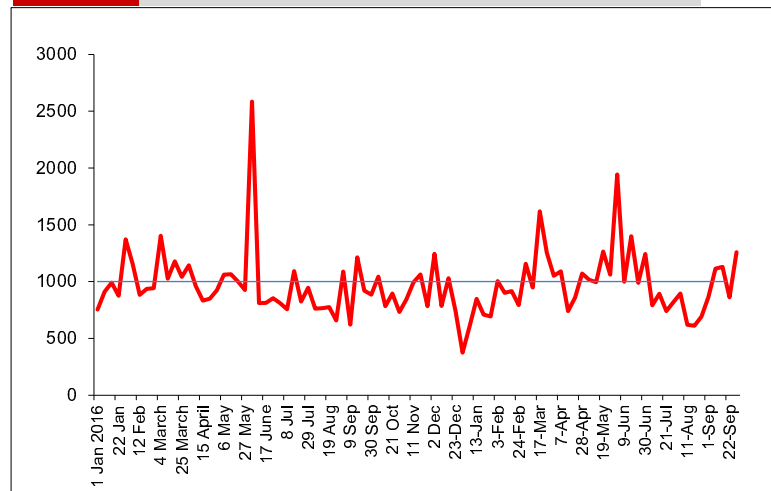
- Foreign investors stood firm to their selling positions for the second week, surpassing the preceding week's year-to-date high.
- The net amount offloaded by global investors last week edged up to nearly -RM1b at -RM967.3m from -RM477.7m in the week before, based on transactions in the open market which excluded off market deals. This is the highest weekly attrition recorded since the week ended November 18 last year.
- International investors were net sellers on every single trading day last week. As of last Friday, foreign investors had been selling for eight days straight, the longest selling spree since December last year. Foreign attrition peaked on Tuesday as foreigners disposed -USD254.8m, the largest outflow recorded in a day this year so far. The heavy selloff on Tuesday coincided with the 0.20% dip in the FBM KLCI following the North Korea's perception of President Trump's Twitter comments as a proclamation of war.
- For the month of September, cumulative foreign net outflow amounted to -RM737.3m, a second consecutive month of attrition. As a result, the cumulative net inflow thus far this year into shares listed on Bursa was dragged down to RM9.61b, below the RM10b level. Henceforth, the number of weekly attritions has reached a double digit of 10.
- On a quarterly basis, funds into Malaysia experienced a reversal of trend as 3Q17 had a foreign outflow of -RM558.3m net, which is a stark contrast from 2Q17's foreign net inflow RM4.43b.
- Foreign participation rate gained momentum last week as the foreign average daily trade value (ADTV) surged by a staggering 46% to reach above the RM1b mark to settle at RM1.26b. Gross trade of foreigners were above RM1b on four out of five trading days.
- It was the other way around for the retail market as the retail ADTV decreased by 8% to drop below the RM1b mark.

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 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
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

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 29 SEPTEMBER
TOP 10 NET MONEY INFLOWS

- Nestle registered the highest net money inflow of RM19.70m last week. Its share price however outperformed the FBM KLCI with a 0.14% weekly loss. Nonetheless, it is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.
- KL Kepong recorded the second highest net money inflow of RM13.82m. Nevertheless, its share price outperformed against the market benchmark with a 0.08% gain during the review week.
- Maybank saw the third highest net money inflow of RM7.26m. Its share price however lagged with a 0.93% loss against the FBM KLCI which declined by 0.87% 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	
NESTLE	19.70	-1.58	-0.14	BOW
KL KEPONG	13.82	-1.96	0.08	-
MAYBANK	7.26	7.99	-0.93	BOW
MAHB	5.82	3.02	-1.62	BOW
AXIATA	4.95	-2.18	3.15	-
PUBLIC BANK	4.39	-1.74	-0.68	BOW
SIME DARBY	4.26	4.81	-1.20	BOW
BAT	3.20	3.66	-0.59	BOW
IHH	3.17	1.11	-0.86	BOW
YTL CORP	2.31	0.41	-2.16	BOW

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- CIMB saw the largest net money outflow of -RM21.48m last week. Its share price also slightly outperformed the market benchmark with a 0.79% weekly loss.
- Genting Berhad recorded the second largest net money outflow of -RM5.14m during the week under review. Its share price underperformed the benchmark index with a 2.05% loss for the week.
- AirAsia meanwhile registered the third largest net money outflow at -RM4.89m. Its share price however outperformed the market benchmark with a 1.17% 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	
CIMB	-21.48	13.01	-0.79	-
GENTING BHD	-5.14	-14.54	-2.05	-
AIRASIA	-4.89	-7.17	1.17	SOS
MAXIS	-2.98	1.14	0.69	SOS
TOP GLOVE	-2.88	2.10	0.91	SOS
DIALOG	-2.56	1.28	0.00	-
INARI	-2.13	0.20	1.60	SOS
GENTING MSIA	-2.08	12.58	-3.93	-
DIGI.COM	-1.80	-2.27	0.62	SOS
KPJ	-1.62	-0.55	-3.70	-

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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