

## MIDF EQUITY STRATEGY | 11 SEPTEMBER 2017 WEEK ENDED 8 SEPTEMBER 2017

- Most markets ended trading last week in the redzone amid natural disasters and intensified geopolitical risks.
- Wall Street drifted lower as it reopened after the Labour Day holiday. The S&P500'S six day rally ended on Monday as it lost 0.76%, the biggest drop in a day since August 17.
- Brent crude oil price climbed 1.95% for the week to settle at a five-month high of USD53.78pb. The rise in crude oil price was driven by expectations of Hurricane Irma which may pose a threat to the supply as refineries had just restarted post Hurricane Harvey.
- Funds continued to withdraw from Asia for the seventh week in a row. Based on provisional aggregate data from the seven Asian exchanges that we track, investors classified as "foreign" offloaded -USD1.25b, almost six times more compared to the week before which amounted to -USD215.6m.
- Foreign tide-in to Bursa accelerated last week, marking the second consecutive week of inflow. For the week, foreign funds mopped up RM362.6m net, ten times more than the preceding week, based on transactions in the open market, excluding off market deals. The amount acquired by foreign funds last week was the highest in 17 weeks.
- The FBM KLCI advanced 0.38% for the week to 1,780 points, in line with its South East Asian peers. The Ringgit meanwhile advanced 1.80% against the greenback to USD/MYR4.1955, a level not seen in 10 months.

## MALAYSIA BUCKS THE TREND IN ASIA

### A. MARKET SNAPSHOT

- Most markets ended trading last week in the redzone amid natural disasters and intensified geopolitical risks.
- Wall Street drifted lower as it reopened after the Labour Day holiday. The S&P500'S six day rally ended on Monday as it lost 0.76%, the biggest drop in a day since August 17. The dollar index plunged to the lowest level since January 2015 to 91.352 points on Friday amid heated rhetoric between Washington and Pyongyang and economic impact of Hurricane Harvey and Irma.
- Meanwhile on Thursday, the U.S debt limit was extended and government funding would continue until early December following the 80-17 Senate vote which will aid hurricane relief efforts in Texas and the Gulf coast by topping up the depleted Disaster Relief Fund.
- In Asia, majority of the benchmarks also suffered losses, led by the Nikkei Index. The Nikkei index experienced its biggest weekly loss since February as the strengthening of the Yen to below USD/JPY108 for the first time in 10 months led investors to pour into safe havens and dispose Japanese equities following North Korea's nuclear test in the preceding week.
- In Europe, the European Central Bank(ECB) kept rates steady while planning to end its stimulus package in October. The outcome of ECB meeting saw the Euro closing near a 33-month high at EUR/USD1.2036 while yields of the 10-year Italian bonds, Spanish bonds and German Bund fell 11bps,8bps and 4 bps respectively.
- Brent crude oil price climbed 1.95% for the week to settle at a five-month high of USD53.78pb. The rise in crude oil price was driven by expectations of Hurricane Irma which may pose a threat to the supply as refineries had just restarted post Hurricane Harvey. Further support for Brent crude oil price came in as Saudi Arabia plans to cut crude oil allocations to its customers worldwide in October by a tune of 350,000bpd.
- The FBM KLCI advanced 0.38% for the week to 1,780 points, in line with its South East Asian peers. The Ringgit meanwhile advanced 1.80% against the greenback to USD/MYR4.1955, a level not seen in 10 months. The strong Ringgit is underpinned by Bank Negara's decision to maintain the 3% policy rate on the back of an improving economic outlook.

**Table 1** Weekly performance of major indices

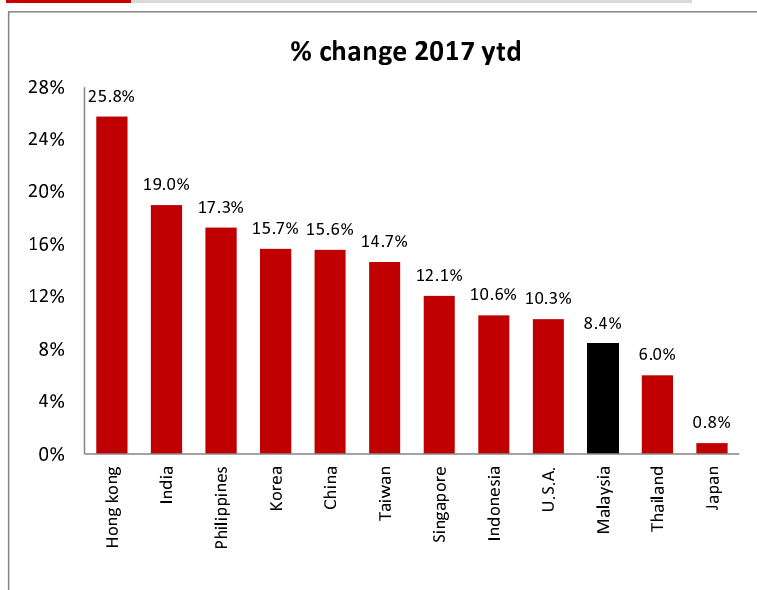
Weekly % change	Week before	Last week
DAX	-0.21	1.33
Thai SET	2.70	1.06
Phil PCOMP	-0.71	0.81
KLCI	0.23	0.38
Taiwan TAIEX	0.75	0.14
Jakarta JCI	-0.87	-0.12
China CSI 300	0.92	-0.12
CAC 40	0.37	-0.19
Korea KOSPI	-0.88	-0.59
S&P 500	1.37	-0.61
India SENSEX	0.94	-0.64
FTSE 100	0.50	-0.82
Dow Jones	0.80	-0.86
Hang Seng	0.38	-1.02
FSSTI Index	0.54	-1.49
Nikkei	1.23	-2.12

Source: Bloomberg

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

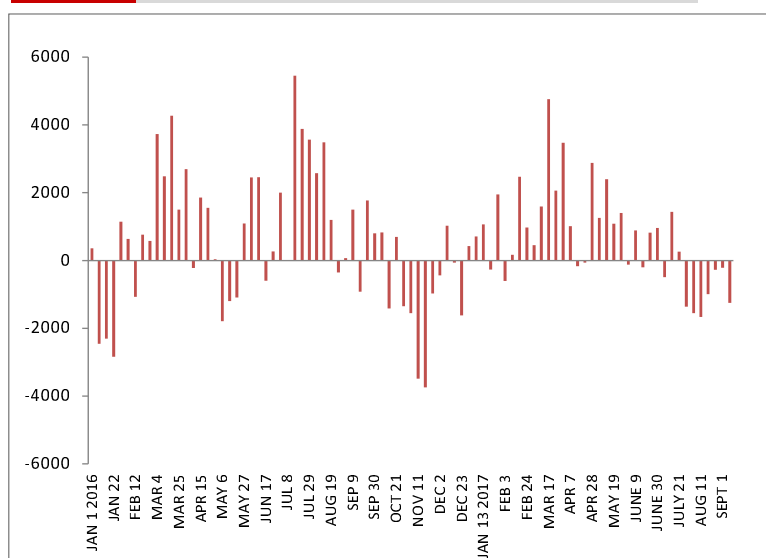
- Funds continued to withdraw from Asia for the seventh week in a row. Based on provisional aggregate data from the seven Asian exchanges that we track, investors classified as “foreign” offloaded -USD1.25b, almost six times more compared to the week before which amounted to -USD215.6m.
- Korea was still subjected to foreign attrition of USD399.3m net. The Korean market was jittery throughout the week following reports that North Korea has a more advanced hydrogen bomb that can be mounted on the intercontinental ballistic missile, that raises fear of regional stability. As a consequence, the KOSPI shed 0.59% for the week. The Won meanwhile hit a one-week high at USD/KRW1127 on Friday due to the dollar’s weakness following the silence of ECB President, Mario Draghi regarding any efforts to curb the Euro’s strength. However for the week, Won took cue from the KOSPI by depreciating 0.40% against the greenback for the first time in three weeks. On the economic front, interest rate was kept unchanged at 1.25% by the Bank of Korea as it monitors the effects of the tightening of property market rules along with geopolitical risks towards the economy.
- A spillover effect from North Korea was seen in Taiwan as foreign funds sold -USD110.2m net, higher than -USD76.8m disposed in the week before. Another factor for the outflow could be due to the proposed tax reduction for domestic investors and vice versa for overseas investors in efforts to provide a levelled playing field between the two group of investors. Nonetheless, the TAIEX index soared to the highest closing since 1990 at 10,617 points on Tuesday before ending at 10,610 points on Friday, gaining 0.14% for the week. Likewise, the Taiwan Dollar inched towards the USD/TWD30 level on Friday, the strongest level since September 2014 amid the dollar index’s 5-day losing streak, the longest since May.

**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)

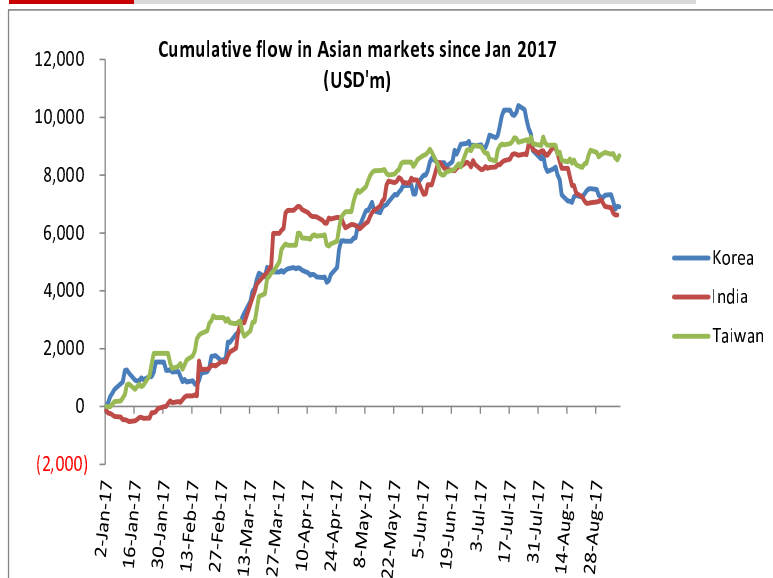


Source: Bloomberg, Bursa Malaysia

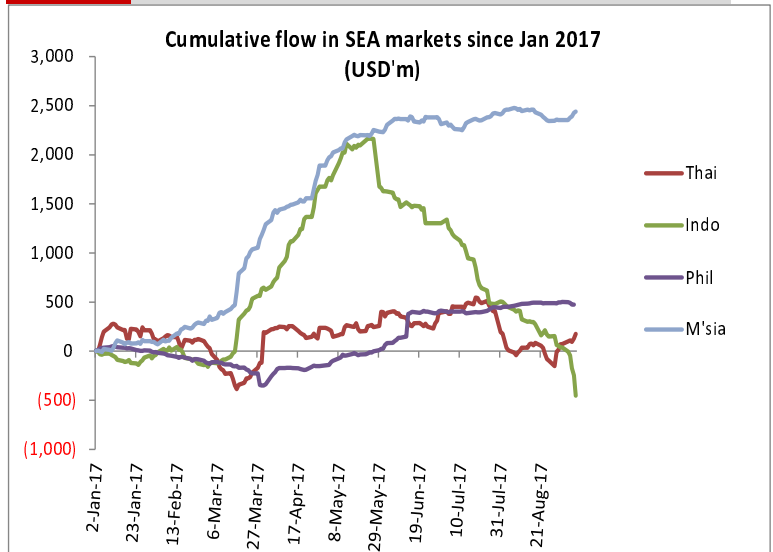
<sup>1</sup> Based on 7 Asian markets, for which fund flow data is publicly available. These are our proxy for Asia: TIPS (Thailand, Indonesia, Philippines), Korea, Taiwan, India and Malaysia.

- In Emerging South East Asian markets, buying was seen across the board except in Indonesia and the Philippines.
- Foreign investors were net buyers in Thailand for the second week. The foreign buying coincided with the SET reaching an all-time high of 1,635 points on Friday. Positive sentiment was underpinned by the increase in August's consumer confidence from 74.5 from 73.9 in July supported by 2Q17 GDP which grew the fastest in 4 years. Currency wise, the Baht touched a two-year high at USD/THB33.09 supported by the highest weekly inflows to Thai bonds in more than 12 months,
- In Manila, global funds offloaded -USD21.7m net, the biggest weekly withdrawal since April 21. On a daily basis, Wednesday experienced the biggest pullout since end of March which amounted to -USD17.7m net. In contrast, the PSEi rebounded from last week's loss, gaining 0.81% to above the 8,000 level following the successful vote to extend the debt ceiling in the U.S. which reduced the possibility of a government shutdown.
- Foreign attrition has stretched to 10 straight weeks in Indonesia with last week's withdrawal being the largest in three months. Hence, the JCI moved sideways, losing 0.12% for the week. On the other hand, the Rupiah hit a 10-month high at USD/IDR 11,185 on Friday. The catalyst for the Rupiah's performance is the enhanced currency risk mitigation coupled with ample foreign exchange reserves.

**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)

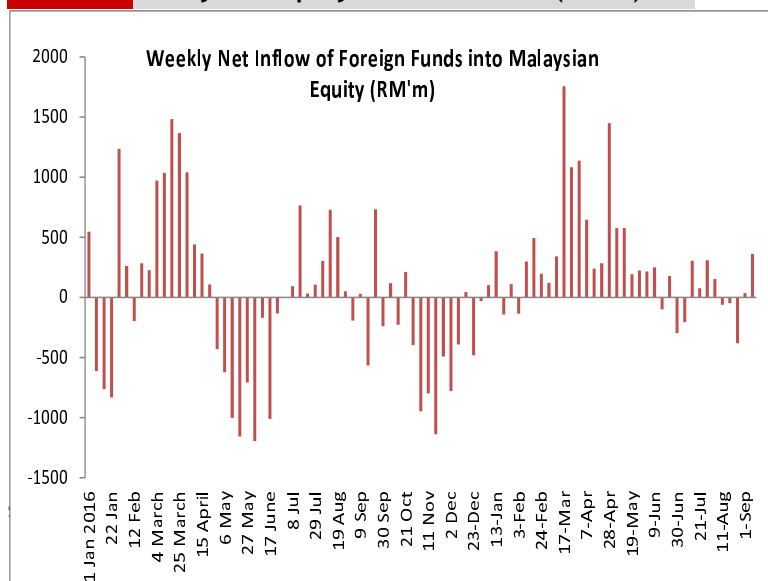
WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
JUL 21	163.9	-4.7	-303.9	11.2	286.2	91.1	17.8	261.7
JUL 28	-1,550.5	-79.8	-160.9	51.5	356.7	-53.2	72.3	-1,363.9
AUG 4	-733.1	-400.4	-32.4	4.6	-372.6	-50.6	35.3	-1,549.2
AUG 11	-811.0	27.8	-125.5	23.3	-234.5	-528.4	-14.7	-1,662.9
AUG 18	-19.6	49.5	-48.0	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	-215.6
SEP 8	-399.3	103.7	-491.6	-21.7	-415.3	-110.2	85.8	-1,248.7

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

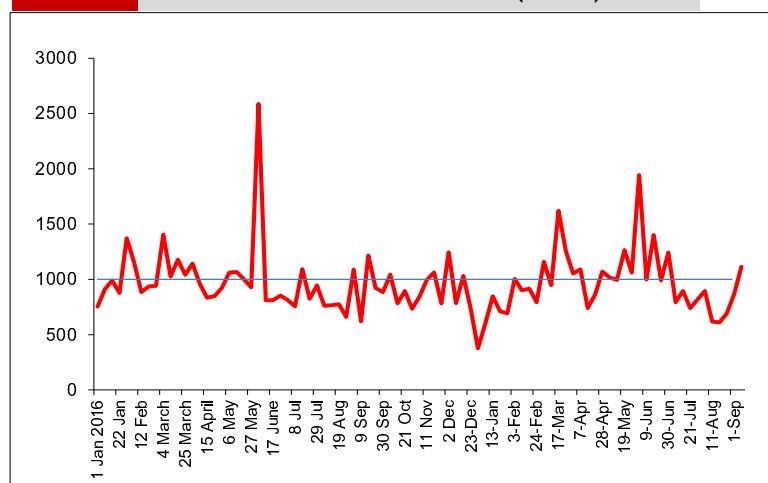
**C. TRACKING MONEY FLOW - MALAYSIA**

- Foreign tide-in to Bursa accelerated last week, marking the second consecutive week of inflows.
- Foreigners were net buyers during the four-day trading week. Bursa was closed on Monday in conjunction with Malaysia's outstanding achievements in the SEA Games.
- For the week, foreign funds mopped up RM362.6m net, ten times more than the preceding week, based on transactions in the open market, excluding off market deals. The amount acquired by foreign funds last week was the highest in 17 weeks.
- We note that foreign funds were net buyers on every single day of the week. Thursday recorded the highest inflow of RM153.1m net, the highest in a day since July 13, coinciding with the strengthening Ringgit and increasing Brent crude oil price. We also note that Malaysia's inflow was in line with Thailand, bucking the trend in Asia which experienced an outflow.
- Last week's foreign buying has brought the cumulative year-to-date net inflow to RM10.7b.
- Foreign participation rate was strong last week. The foreign average daily trade value (ADTV) surged by 29% to reach above the RM1b mark for the first time in 10 weeks. Gross trade for the week ranged from RM936m to RM1.5b.
- Likewise, retail participation edged higher for the week. The retail ADTV increased by 9% to RM880m, staying above RM800m for six weeks in a row.

**Chart 5** Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2016 (RM'm)



**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 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
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	85.78

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 8 SEPTEMBER**
**TOP 10 NET MONEY INFLOWS**

- PPB Group stocks were the beneficiary of the highest net money inflow of RM5.68m. Its share price substantially outperformed the benchmark index with a 1.33% gain for the week.
- The second highest net money inflow beneficiary was Tenaga Nasional Berhad, amounting to RM5.40m. Its share price also substantially outperformed the benchmark index with a 2.10% gain during the review week.
- AMMB Holdings saw the third highest net money inflow of RM3.72m. Its share price underperformed the benchmark index with a 0.23% 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	
PPB GROUP	5.68	4.24	1.33	-
TNB	5.40	-18.89	2.10	-
AMMB	3.72	0.02	0.23	-
LAFARGE	3.47	3.78	9.58	-
PETCHEM	3.41	3.05	4.05	-
PETGAS	3.04	-3.00	-1.20	BOW
IJM CORP	2.24	-3.51	1.20	-
AXIATA	1.99	-0.23	3.25	-
GENTING BHD	1.70	-11.13	2.58	-
SUNWAY BHD	1.19	-0.50	2.53	-

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 -RM43.33m last week. Its share price however lagged as it ended unchanged against the FBM KLCI which rose 0.38% during the week under review.
- Maybank recorded the second largest net money outflow of -RM9.76m during the week under review. Its share price outperformed the benchmark index with a 1.48% 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.
- Genting Malaysia meanwhile registered the third largest net money outflow at -RM8.75m, with its share price underperforming the benchmark index with a 0.17% loss.

**Table 5** Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
PUBLIC BANK	-43.33	-10.51	0.00	-
MAYBANK	-9.76	-17.95	1.48	SOS
GENTING MSIA	-8.75	-3.10	-0.17	-
F&N	-7.36	0.24	0.90	SOS
NESTLE	-6.46	-8.73	1.34	SOS
SIME DARBY	-6.29	2.54	0.78	SOS
AIRASIA	-3.01	4.09	6.33	SOS
KPJ	-2.70	-0.14	1.68	SOS
MAHB	-2.24	-1.92	-0.11	-
GAMUDA	-2.19	-22.06	-0.19	-

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