

MIDF EQUITY STRATEGY | 26 DECEMBER 2017 WEEK ENDED 22 DECEMBER 2017

- Majority of global equity markets made an advance last week ahead of the long weekend.
- President Trump has finally signed the USD1.5t tax reform bill on Friday and approved a short-term spending bill to prevent a government shutdown. With the significant progress made in the U.S tax overhaul, U.S benchmarks did not gain as much as the week before as majority of investors were already in the holiday mood. The Dow Jones and the S&P 500 both had a weekly gain less than 0.50%.
- Brent crude oil price soared by 3.19% for the week to settle at USD65.25pb a level not seen in more than two years. The bullish trend in Brent crude oil price was driven by U.S stockpiles declined the most since the height of North America's summer driving season.
- Global funds have been exiting Asia for the past four straight weeks with the provisional aggregate data from the seven Asian exchanges suggesting that investors classified as "foreign" disposing RM904.2m net last week.
- The FBM KLCI gained 0.41% to close at 1,760 points, the highest since October 10. The Ringgit meanwhile marginally declined by 0.01% to USD/MYR4.0798, breaking its seven-week winning streak amidst a slowdown in inflation which eased pressure on Bank Negara Malaysia to increase the overnight policy rate.

22 December 2017 | Strategy - Weekly Fund Flow

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PRESIDENT TRUMP SIGNS TAX BILL

A. MARKET SNAPSHOT

- Majority of global equity markets made an advance last week ahead of the long weekend.
- Tax reform plans dominated the headlines last week in the U.S. The tax bill was initially approved on Tuesday but a second round of voting had to be done due to a procedural hiccup pointed out by the Senate law makers. On the very next day, the tax bill was passed by both the Senate and the House with a vote of 51 to 48 and 224 to 201, respectively.
- Most importantly, President Trump has finally signed the USD1.5t tax reform bill on Friday and approved a short-term spending bill to prevent a government shutdown. This is by far the biggest legislative victory of Trump's first year in office. In fact, this is the largest reform that ever took place since the 1980s with corporate taxes reduced from 35% to 21%.
- With the significant progress made in the U.S tax overhaul, U.S benchmarks did not gain as much as the week before as majority of investors were already in the holiday mood. The Dow Jones and the S&P 500 both had a weekly gain less than 0.50%.
- In Asia, the Hang Seng index led other major global benchmarks with a weekly gain of 2.53%, the biggest since the week ended October 6. The Hang Seng index on Friday also closed at its highest level since November 29 at 29,578 point, adding 0.7% points on that day. The main contributors to the bourse's gains on Friday were Chinese developers that rose at 1.5% that include Country Garden Holdings, China Resources Land Ltd, Henderson Land Development and Sino Land Co.
- Meanwhile in Spain, markets were shocked by the victory of Catalan separatists in the regional election. The three separatist parties won 70 out of 135 seats in the assembly which restored the majority they lost in October after the Article 155 was imposed by Spanish Prime Minister Rajoy in order to prevent Catalonia's declaration of independence. As a result, the Catalonia-based banks such as CaixaBank and Banco Sabadell were the biggest losers on Friday with a 3% daily loss each, dragging the IBEX 35 index 1.20% lower.
- Brent crude oil price soared by 3.19% for the week to settle at USD65.25pb a level not seen in more than two years. The bullish trend in Brent crude oil price was driven by U.S stockpiles declined the most since the height of North America's summer driving season. In addition, the key North Sea oil pipeline remains shut until January 2018.
- The FBM KLCI gained 0.41% to close at 1,760 points, the highest since October 10. The Ringgit meanwhile marginally declined by 0.01% to USD/MYR4.0798, breaking its seven-week winning streak amidst a slowdown in inflation which eased pressure on Bank Negara Malaysia to increase the overnight policy rate.

Table 1 Weekly performance of major indices

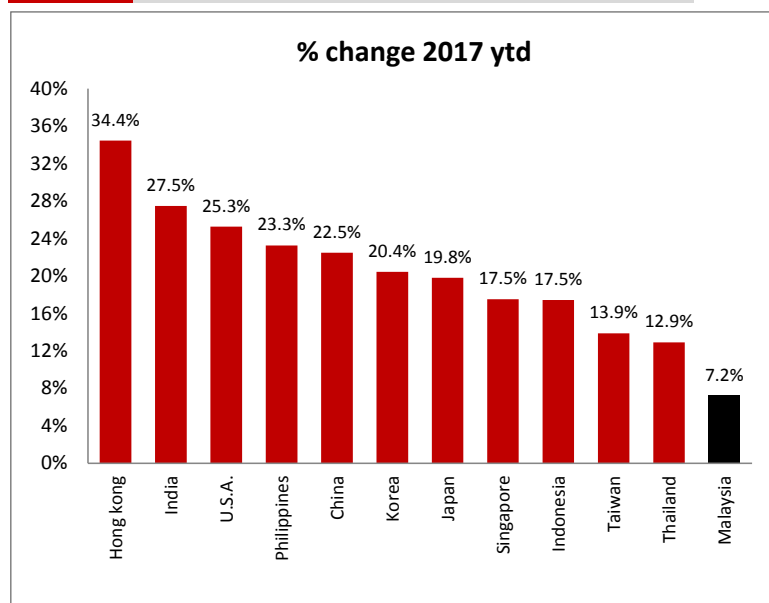
Weekly % change	Week before	Last week
Hang Seng	0.73	2.53
China CSI 300	-0.56	1.85
Jakarta JCI	1.47	1.66
Nikkei	-1.13	1.55
India SENSEX	0.64	1.43
Thai SET	0.65	1.42
FTSE 100	1.31	1.36
Phil PCOMP	0.39	1.14
Taiwan TAIEX	0.89	0.44
Dow Jones	1.33	0.42
KLCI	1.85	0.41
CAC 40	-0.92	0.29
S&P 500	0.92	0.28
DAX	-0.38	-0.23
FSSTI Index	-0.22	-0.91
Korea KOSPI	0.73	-1.67

Source: Bloomberg

B. TRACKING MONEY FLOW - ASIA¹

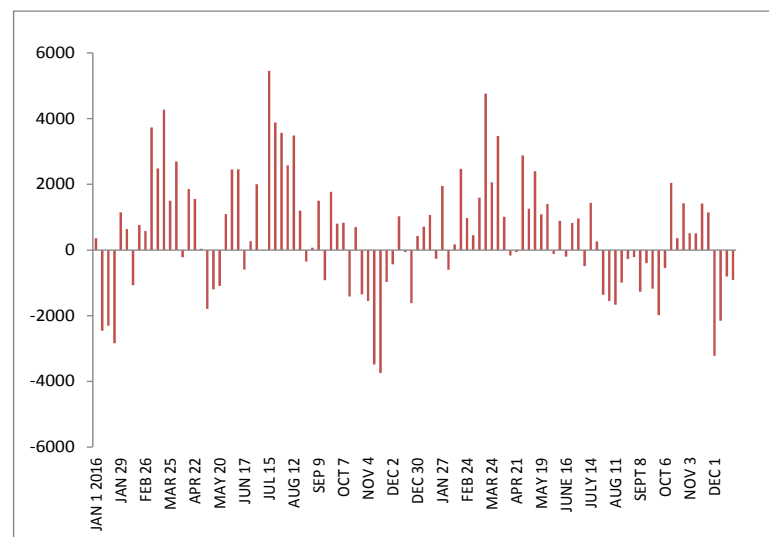
- Global funds have been exiting Asia for the past four straight weeks with the provisional aggregate data from the seven Asian exchanges suggesting that investors classified as “foreign” disposing -RM904.2m net last week.
- North Asian bore the brunt of selling pressure albeit at a slower pace. Foreign investors sold -USD283.7m net of local equities in Korea, marking the fourth consecutive week of a gradual slowdown in foreign attrition. Foreign selling peaked on Wednesday at -USD350.1m net, the highest in almost three weeks partly attributable to the stir up caused by Chinese authorities which rejected the request from a group of Chinese nationals to visit Korea. Earlier this year, the Chinese government imposed a ban on local travel agencies from selling travel packages to Korea in response to Seoul’s decision to implement a U.S anti-missile system. There was a round of intense foreign buying on Friday that amounted to USD327.3m as risk-on mood picked up as Wall Street cheered the approval of the U.S tax overhaul plan by the Congress. Currency wise, the Korean Won emerged as the best performer in Asia with a weekly gain of 0.89% , the biggest in four weeks as bullish oil prices buy demand for higher-yielding assets.
- Foreign investors in Taiwan sold -USD235.8m net last week, which is almost similar to the pace seen in Korea. Tuesday experienced the biggest foreign net outflow for the week at -USD166.8m net. This outflow coincided with the Taiex’s daily drop of 0.37% to a one-week low at 10,467 points with Apple suppliers being the main laggards which include TSMC, Hon Hai Precision and Largan Precision Co. On a overall weekly basis, the tapering of outflows has pushed the Taiex 0.44% higher to 10,537 points and strengthened the Taiwan dollar by 0.24% to USD/TWD29.923. On the economic front, Taiwan Central Bank maintains the benchmark interest rate unchanged at 1.375% for the sixth quarter in a row amid a mild inflation outlook which eases the pressure to join rate hike bandwagon led by the U.S.
- In Emerging South East Asian markets, the ratio of markets facing attrition to the ones experiencing inflows remains at 50:50, with Thailand and Malaysia experiencing outflows while the Philippines and Indonesia were beneficiaries of 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)

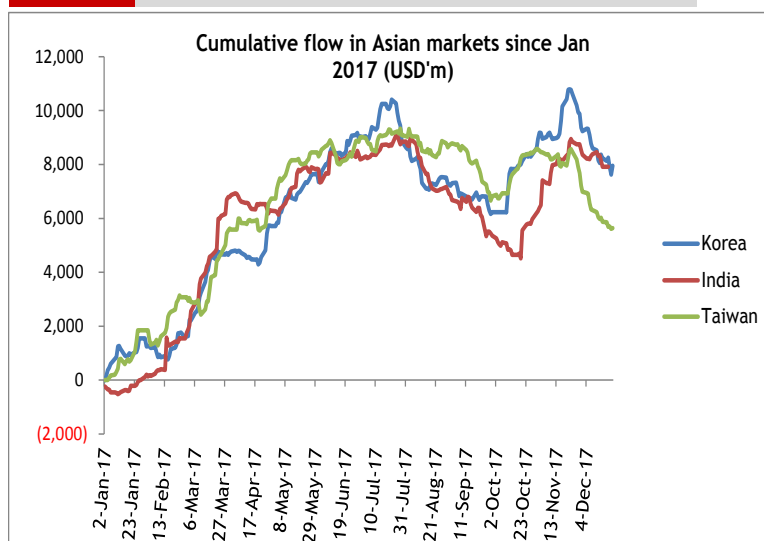


Source: Bloomberg, Bursa Malaysia

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.

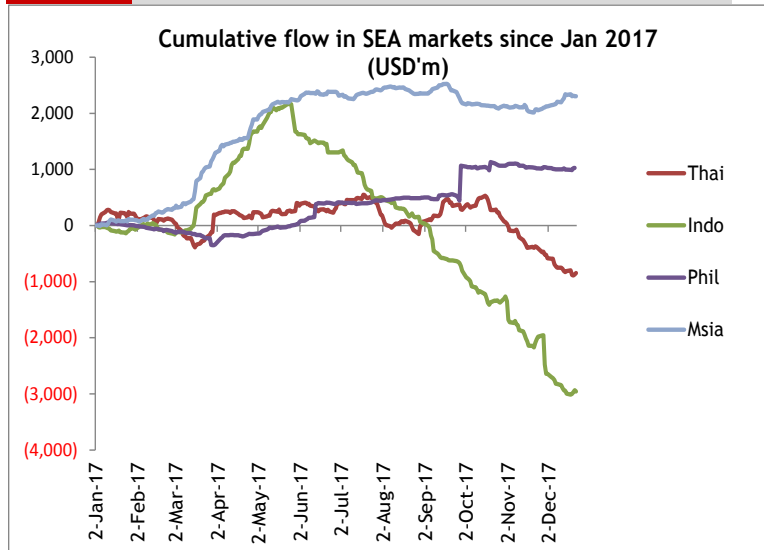
- Thailand too was not left out from the gradual slowdown in foreign attrition for the past four weeks which was in tandem with the SET's fourth uninterrupted week of gains. Foreign investors only sold -USD37.3m net compared to the -USD60.1m net in the week before. in line with the SET's third consecutive week of gains. The Thai Baht meanwhile settled in the redzone at USD/THB32.761, suffering a weekly loss of 0.77%, the largest since March this year. Similar to Taiwan, the central bank of Thailand also kept interest rates unchanged near a record low of 1.5% in the face of subdued inflation.
- Manila managed to attract a decent amount of foreign inflows worth USD28.6m net last week, the largest since the week ended October 27. Foreign buying on Thursday worth USD37.0m net, the biggest inflow since October 23 snapped the four-day selling binge, with a block of 142m Phoenix Petroleum shares changed hands. Although foreign buying declined to USD3.69m, the PSEi inched 0.64% higher to close at 8,432 points on Friday as the holiday mood lifted investor sentiment. The Peso marked its second week of gains as it strengthened by 0.64% to USD/PHP50.13 as President Duterte prepares to sign the new tax reform bill.
- International investors were back in buying mode as they acquired USD39.7m net of equities in Jakarta after three weeks of hesitation. The mood in Indonesia was mainly bolstered by the the nation's credit rating which was upgraded to BBB by Fitch rating, the highest rating attained since 1995. As a consequence, the JCI climbed to a record high of 6,221 points on Friday while the Rupiah snapped its three-week losing streak. Following the upgrade by Fitch, Bank Indonesia pledged to continue in upholding Indonesia's macro-economic and financial system stability.

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)

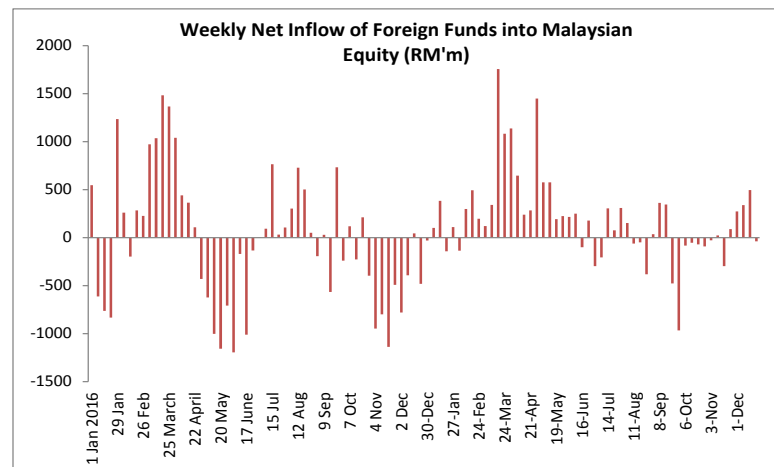
WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
NOV 3	593.5	-257.9	-351.6	24.0	469.1	39.3	-6.8	509.6
NOV 10	-17.3	-118.5	-141.3	-0.75	1,032.0	-255.2	5.2	504.1
NOV 17	1,210.9	-183.0	-276.1	-58.8	934.4	-142.3	-71.4	1,413.7
NOV 24	460.9	-14.7	161.1	-18.0	120.3	411.2	21.7	1,142.5
DEC 1	-1,381.5	-178.3	-661.5	18.8	395.9	-1,481.9	66.6	-3,221.8
DEC 8	-635.3	-166.4	-183.5	-33.3	-534.2	-679.7	82.8	-2,149.6
DEC 15	-363.0	-60.1	-172.8	17.8	237.2	-429.3	121.3	-649.0
DEC 22	-283.7	-37.3	39.7	28.6	-406.4	-235.8	-9.4	-904.2

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

C. TRACKING MONEY FLOW - MALAYSIA

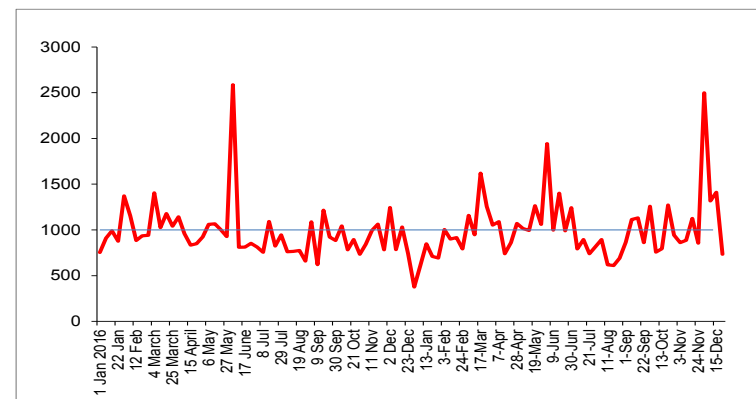
- Bursa saw the first foreign outflow after four successive weeks of inflow.
- Based on preliminary data from Bursa which excluded off market trades, the net amount sold by foreign investors on Bursa last week was recorded at -RM38.2m. This latest weekly net attrition was substantially lower in comparison to the net amount sold in the week ended 17 November, recorded at -RM297.1m.
- International investors were net sellers in 2 out of 5 trading days with Tuesday recording the greatest amount of -RM143.9m since 16 November. It is noteworthy that that the foreign net selling on Tuesday was in confirmity with other Asian markets namely Thailand, Philipines, India and Taiwan. On the next day, the global market saw an improvement with net buying by foreign investors following the passing of the new US tax bill. However, the mild recovery was short-lived as net selling occurred on Thursday but on a reduced level far below RM100m net.
- Due to light foreign net selling last week, the cumulative year-to-date inflow slightly decreased to RM10.16b from RM10.20b. So far out of 51 weeks, there has been only 17 weeks of foreign selling, a figure which is still better compared to 2016 which was over 20 weeks.
- Foreign participation dipped substantially last week as the foreign average daily trade (ADTV) eased by -48.0% to RM733.5m. Meanwhile, the retail ADTV staged a slight recovery, increasing by 3.4% to RM934.6m.

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)	
NOV 10	2,580.9	2,600.1	-19.2	6,551.5	6,555.0	-3.5	2,230.4	2,207.7	22.7	5.2
NOV 17	2,467.0	2,318.3	148.7	6,697.6	6,549.2	148.4	2,664.6	2,961.7	-297.1	-71.4
NOV 24	2,099.6	2,123.5	-23.9	7,232.5	7,297.2	-64.7	2,184.8	2,096.2	88.6	21.7
DEC 1	1,667.9	1,655.5	12.4	5,904.2	6,189.9	-285.7	5,132.8	4,859.5	273.3	66.6
DEC 8	2,078.0	1,945.3	132.7	6,514.5	6,984.9	-470.4	3,462.6	3,124.9	337.7	82.8
DEC 15	2,238.2	2,280.2	-42.0	7,635.1	8,088.4	-453.3	3,774.8	3,279.5	495.3	121.3
DEC 22	2,312.5	2,360.4	-47.9	6,815.6	6,729.5	86.1	1,814.6	1,852.8	-38.2	-9.4

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 22 DECEMBER
TOP 10 NET MONEY INFLOWS

- TNB Berhad registered the highest net money inflow of RM28.69m last week. Its share price however underperformed with a -0.12% loss against the FBM KLCI which gained by 0.41% during the week under review. Nonetheless, it is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.
- IOI Corp Berhad recorded the second highest net money inflow of RM26.10m. Its share price substantially outperformed against the market benchmark with a rather sizable 3.17% advance during the review week.
- Nestle (Malaysia) Berhad saw the third highest net money inflow of RM22.10m. Its share price too outperformed the FBM KLCI with a 2.00% gain 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	
TNB BHD	28.69	8.25	-0.12	BOW
IOI CORP BHD	26.10	20.23	3.17	-
NESTLE (MSIA)	22.10	-7.63	2.00	-
IOI PROP GROUP	21.10	1.43	-6.19	BOW
MALAYAN BNKG	18.91	-16.80	-0.63	BOW
PETDAG BHD	8.19	-2.89	-0.25	BOW
MAXIS BHD	5.68	-1.74	1.18	-
PETRONAS GAS	2.91	-0.83	5.30	-
PUBLIC BANK	1.73	-3.58	-0.29	BOW
KOSSAN RUBBER	1.71	1.20	4.40	-

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- United Plantation saw the largest net money outflow of -RM12.73m last week. Its stock price ended -1.42% lower for the week and underperformed vis-à-vis the FBM KLCI which advanced by 0.41% during the review week.
- Petronas Chemical recorded the second largest net money outflow -RM9.12m during the week under review. Its share price however outperformed the market benchmark with a 2.01% weekly gain. It is notable that the net money outflow amidst advancing share price may indicate a sell on strength (SOS) stance among some investors.
- F&N Holdings registered the third largest net money outflow at -RM7.96m in the review week. Its share price however outperformed the benchmark with a 0.84% weekly gain.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
UNITED PLTN	-12.73	6.62	-1.42	-
PETCHEM	-9.12	5.26	2.01	SOS
F&N HOLDINGS	-7.96	-19.87	0.84	SOS
SIME DARBY BHD	-5.72	-0.17	-0.94	-
GNTG PLTN BHD	-5.05	-3.40	3.67	SOS
SAPURA ENERGY	-3.61	-4.99	-9.55	-
BAT BERHAD	-3.54	1.33	-4.41	-
HARTALEGA	-3.44	5.26	10.15	SOS
AXIATA GROUP	-2.87	1.68	1.32	SOS
AIRASIA BHD	-2.82	-2.95	-1.19	-

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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