

## MIDF EQUITY STRATEGY | 16 APRIL 2018

### WEEK ENDED 13 APRIL

- Majority of equity markets worldwide were in the black last week as risk appetite returned among investors.
- Wall Street ended higher as major benchmarks advanced for the week by more than 1.5% as the earnings beat faced by U.S banks were offset by easing trade tensions between Beijing and Washington.
- Brent crude oil price soared by 8.15% for the week to settle at USD72.58pb, the highest in more than three years. The rise on crude oil price was sparked by heating tensions in the Middle East combined with IEA's comments that the global glut is almost coming to an end.
- The momentum foreign attrition in Asia experienced a huge slowdown last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" only disposed -USD94.4m net last week.
- International investors continued to make their way to accumulate stocks listed on Bursa last week albeit at a rather similar pace compared to the week before. Based on preliminary data from Bursa which excluded off market deals, the net amount acquired by foreign investors last week amounted to RM324.7m net.
- The FBM KLCI advanced by 1.71% last week to settle at 1,868 points, the largest weekly gain recorded so far this year. The Ringgit meanwhile depreciated by 0.21% for the week to USD/MYR3.8798, the weakest level in almost three weeks.

16 April 2018 | Strategy - Weekly Fund Flow

Adam M Rahim

## THE INFLOW CONTINUES ON BURSA

### A. MARKET SNAPSHOT

- Majority of equity markets worldwide were in the black last week as risk appetite returned among investors.
- Wall Street had a modest start to the week as U.S stocks ended marginally higher on Monday following the report of the FBI raiding President Trump's lawyer, Michael Cohen. The slight advance was buoyed by the softening rhetoric by President Trump through his tweet over the preceding weekend stating that Washington and China will always be friends no matter what happens to their dispute on trade.
- Market sentiment became more upbeat on Tuesday as President Xi pledged a new phase of opening up in the banking and auto manufacturing sector during the Boao Forum. In response to this, President Trump praised President Xi's kind words. Investors then cheered the conciliatory remarks between the two super powers with the Dow Jones storming ahead by more than 500 points in early trade, before closing up higher by 428 points which is about a 1.8% gain.
- On Wednesday, the mood turned sombre as investors digested the minutes of the Fed's meeting in March and grappled with President Trump's remarks on Russia and the U.S's threat to attack Syria. Nonetheless the U.S market was back on its feet the next day after President Trump is considering to join the Trans-Pacific Partnership which he withdrew from shortly after taking office. Overall Wall Street ended higher as major benchmarks advanced for the week by more than 1.5% despite the earnings beat faced by U.S banks.
- In Asia, China's trade data in March saw a 2.7%yoy slowdown in exports whereas imports expanded by 14.4%yoy, resulting in the first trade deficit since February 2017 which was worth USD4.98b. The decline in exports was mainly attributable to seasonal factors following the Lunar New Year holiday which fell in the middle of February this year. With regards to the trade surplus with U.S, it widened to USD15.4b, the highest in more than a year.
- The latest development in Italian politics is the second round of talks held by the Italian president on Thursday after the first round held last week failed to end the gridlock. Nonetheless, a sense of unity was shown by the politicians as the centre-right leaders saw the president together. League party leader, Salvini expressed that he and his allies are prepared to form a government together as a united front while urging the 5-Star party to demonstrate responsibility. If this impasse is not broken, a new election would have to be called for.
- Brent crude oil price soared by 8.15% for the week to settle at USD72.58pb, the highest in more than three years. The rise on crude oil price was sparked by heating tensions in the Middle East combined with IEA's comments that the global glut is almost coming to an end with oil supply predicted to reach the 5-year average levels later this year.

**Table 1** Weekly performance of major indices

Weekly % change	Week before	Last week
Hang Seng	-0.83	3.23
S&P 500	-1.38	2.29
Dow Jones	-0.71	1.79
KLCI	-1.42	1.71
FSSTI Index	0.42	1.71
India SENSEX	2.00	1.68
DAX	1.19	1.64
Thai SET	-2.05	1.57
Jakarta JCI	-0.23	1.54
Taiwan TAIEX	-0.78	1.33
FTSE 100	1.80	1.13
CAC 40	1.76	1.08
Korea KOSPI	-0.67	1.05
Nikkei	0.53	0.98
China CSI 300	-1.12	0.42
Phil PCOMP	-0.43	-0.57

Source: Bloomberg

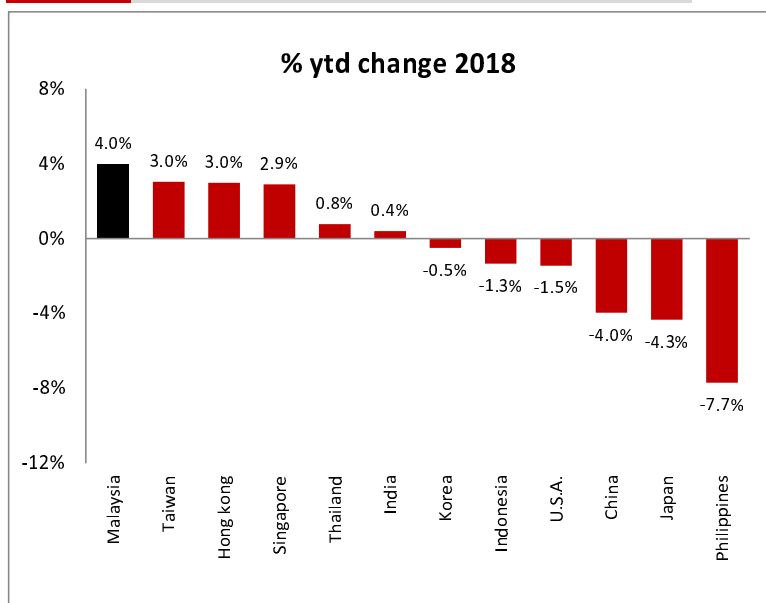
## FUND FLOW REPORT

- The FBM KLCI advanced by 1.71% last week to settle at 1,868 points, the largest weekly gain recorded so far this year. The Ringgit meanwhile depreciated by 0.21% for the week to USD/MYR3.8798, the weakest level in almost three weeks.

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

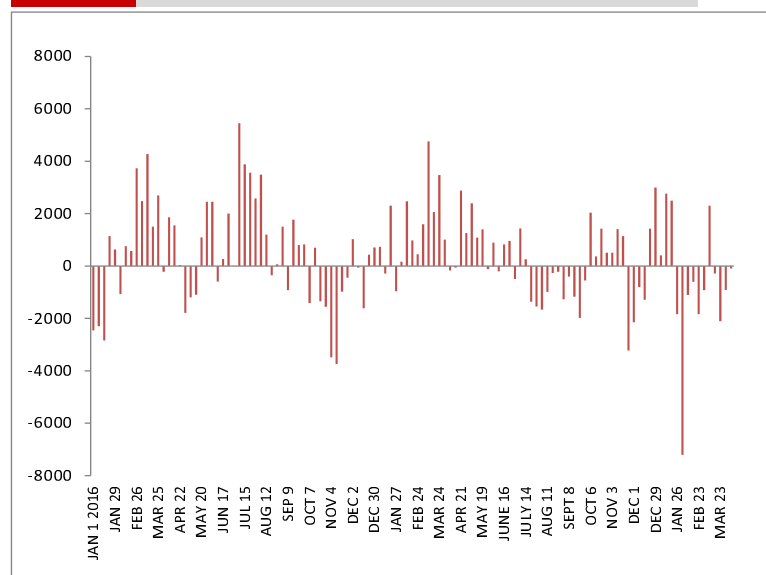
- The momentum foreign attrition in Asia experienced a huge slowdown last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” only disposed -USD94.4m net last week, which is almost one tenth of the -USD912.4m net sold in the previous week. In fact this was the first time that the weekly attrition in Asia reached below -USD100m since April 2017.
- Korea was the darling in North Asia as foreign investors snapped up USD618.9m net of local equities last week, totally offsetting the sell off in the preceding week. Foreign investors were net buyers on 3 out of 5 trading days last week with Wednesday recording the highest at USD481.5m net. Wednesday’s net inflow was also the highest since 13 March 2018 which coincided with the Korean Won’s strongest level during the week at USD/KRW1066.38 amid easing trade tensions between Washington and Beijing. Meanwhile, foreign selling peaked on Tuesday at -USD126.6m net as equities were hit by news of U.S sanctions on Russia. On the monetary policy front, the Bank of Korea decided to hold interest rates steady at 1.5% due to a cautious stance amid high household debt and weak inflation.
- The pace of foreign attrition in Taiwan was little changed last week as foreign investors sold off -USD381.0m net of local equities compared to -USD362.2m in the preceding the week. International investors were net sellers on every single day of the week with Thursday recording the highest at -USD220.8m net which coincided with Taiex’s only daily loss for the week of 0.17%. Thursday’s heavy foreign selling came about after Largan Precision’s 1Q18 net income was the lowest since 2Q16 and missed the lowest estimate. Nonetheless, Largan Precision was the biggest boost to gauge on Friday as it rose 4.9% following news that Apple is taking delivery of new components for the next iPhone earlier than expected.

**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)

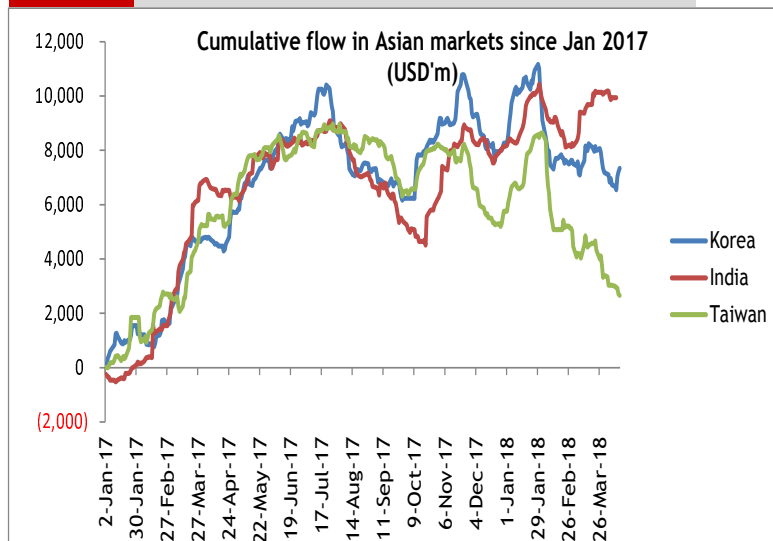


Source: Bloomberg, Bursa Malaysia

<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.

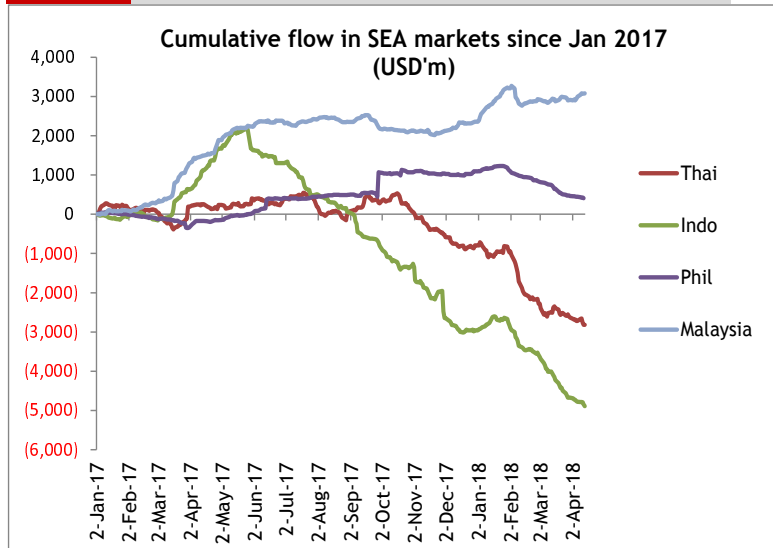
- In emerging South East Asian markets, Indonesia remained as the biggest victim of foreign attrition for the sixth week running.
- Attrition levels in Thailand almost hit the -USD100m mark last week, extending foreign selling activity to its fourth consecutive week. The local bourse was shut on Friday until Monday for the Songkran festival. Hence, it came to no surprise that foreign attrition occurred on the last two trading days of the week with foreign selling being the highest on Wednesday during the week at -USD113.1m net which coincided with the SET's 0.13% advance, the smallest daily gain in 11 days. Despite the weekly foreign selling, the SET booked a weekly gain of 1.57% while the Thai Baht snapped its three day winning streak on Thursday to settle lower at USD/THB31.223.
- Global funds in Manila disposed -USD34.1m net of local equities last week, slightly higher than the week before. Foreign attrition reached its peak on Friday at -USD16.0m net, in tandem with the PSEi's retreat to settle below the 8,000 points mark at 7,900 points, the lowest since July 2017. As a result, the PSEi was the worst performer among its Asian peers with a 0.57% weekly decline. Profit taking activity was prevalent on Friday after the PSEi closed at 8000 points for the first time in five days on the day before combined with political dissonance in the Middle East.
- Similar to the Philippines, Indonesia marked its 11th week of foreign selling after foreign investors sold off -USD115.8m net of local equities. The highest foreign selling was also recorded on Thursday at -USD54.6m net as former military general, Sutianto is challenging the incumbent Joko Widodo in next year's presidential election. Although Indonesia's sovereign credit rating was upgraded by Moody's investors services, it did little help to only reduce the attrition to -USD45.1m on Friday.

**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
FEB 23	-70.3	-120.2	-34.5	-44.8	-517.8	132.8	49.0	-605.7
MAR 2	-128.0	-221.9	-186.3	-75.5	-506.3	-762.3	41.2	-1,839.1
MAR 9	-160.0	-122.4	-328.0	-50.2	-241.1	-423.7	-76.5	-919.4
MAR 16	904.2	125.9	-207.6	-126.3	1,101.8	471.5	36.3	2,305.8
MAR 23	-255.6	-120.6	-272.7	-123.0	558.9	-184.8	114.1	-283.8
MAR 30	-809.6	-120.7	-178.1	-48.5	50.5	-923.8	-77.8	-2,108.1
APR 6	-461.7	-82.9	-101.8	-28.8	40.2	-362.3	84.8	-912.4
APR 13	618.7	-97.8	-115.8	-34.1	-168.3	-381.0	83.9	-94.4

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

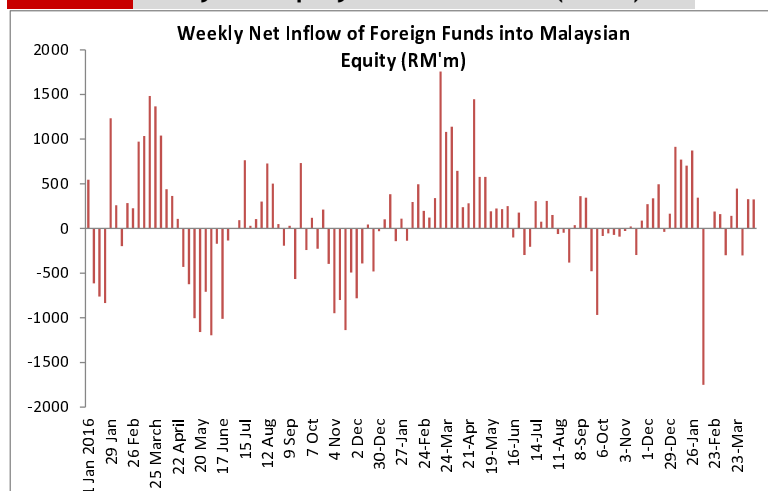
## FUND FLOW REPORT

### C. TRACKING MONEY FLOW - MALAYSIA

- International investors continued to make their way to accumulate stocks listed on Bursa last week albeit at a rather similar pace compared to the week before.
- Based on preliminary data from Bursa which excluded off market deals, the net amount acquired by foreign investors last week amounted to RM324.7m net. This is the eighth time in 2018 that weekly foreign buying levels exceeded RM300m.
- Foreign buying activity occurred on four out of five trading days last week. Global investors made a strong start to the week as they mopped up RM188.3m net of local equities on Monday. This was also the largest daily amount acquired during the week, coinciding with the KLCI adding 12.7 points as President Trump's tweet expressed optimism on U.S-China relations which softened fears of a trade war. Foreign inflows slightly slowed down the next day to a tune of RM131.0m net.
- Wednesday then saw a decent net outflow of -RM27.4m amid escalated tensions over Syria which overshadowed the news of volume across Bursa exceeding 4 billion shares amid the timing of the 14th General Election which was made public on the day before.
- Nonetheless, foreign investors returned to Bursa on Thursday and Friday but at a marginal level of RM17.5m and RM15.3m net, respectively. It was noteworthy that Malaysia and Korea were the only markets among the seven Asian exchanges that we track to experience foreign inflows on Thursday and Friday.
- On a year-to-date basis, foreigners have so far accumulated RM2.85b net of local equities. Meanwhile, foreign investors have been net buyers in 12 out of the 15 weeks in 2018 compared to 13 weeks during the same period in 2017.
- Both foreign and retail participation remained robust as both of their average daily trade value (ADTV) stood above the RM1b level last week.

Chart 5

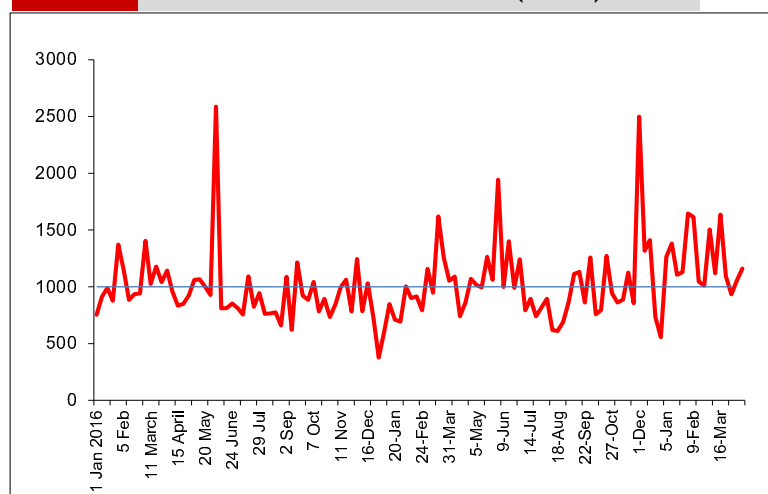
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2016 (RM'm)



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)	
MAR 2	3,001.0	2,895.6	105.4	7,352.7	7,619.0	-266.3	3,844.3	3,683.4	160.9	41.2
MAR 9	2,921.3	2,716.5	204.8	6,863.2	6,768.9	94.3	2,647.3	2,946.4	-299.1	-76.5
MAR 16	2,433.1	2,569.8	-136.7	6,675.1	6,679.6	-4.5	4,160.9	4,019.7	141.2	36.3
MAR 23	2,066.6	2,132.2	-65.6	5,398.1	5,779.6	-381.5	2,953.3	2,506.2	447.1	114.1
MAR 30	2,078.9	2,128.7	-49.8	5,278.8	4,927.7	351.1	2,184.2	2,484.5	-301.3	-77.8
APR 6	2,341.2	2,425.5	-84.3	5,537.9	5,781.6	-243.7	2,802.6	2,474.6	328.0	84.8
APR 13	2,952.2	3,165.7	-213.5	6,541.1	6,652.3	-111.2	3,061.7	2,737.0	324.7	83.9

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 13 APRIL**
**TOP 10 NET MONEY INFLOWS**

- Tenaga Nasional Berhad registered the highest net money inflow of RM15.66m last week. Its share price underperformed with a 0.89% gain against the FBM KLCI which advanced by 1.71% during the week under review.
- Public Bank Berhad recorded the second highest net money inflow of RM12.05m. Its share price significantly underperformed against the market benchmark with a 0.17% gain during the review week.
- CIMB Group Berhad saw the third highest net money inflow of RM10.44m. Its share price outperformed the FBM KLCI with a 2.12% 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	15.66	-1.97	0.89	-
PUBLIC BANK	12.05	-30.75	0.17	-
CIMB GROUP	10.44	-11.15	2.12	-
PETCHEM	8.14	-9.73	2.44	-
QL RESOURCES	7.50	-1.10	3.19	-
MAHB	6.22	-6.98	2.47	-
TOP GLOVE	5.28	-7.52	2.01	-
KLCCP STAPLED	4.44	0.79	3.00	-
GENTING BHD	4.42	11.13	2.63	-
UNITED PLNTN	4.20	0.04	0.35	-

Source: Bloomberg, MIDFR;

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

**TOP 10 NET MONEY OUTFLOWS**

- Nestle Malaysia Berhad saw the largest net money outflow of -RM11.47m last week. Its stock price was unchanged, underperforming vis-à-vis the FBM KLCI which advanced by 1.71% during the review week.
- Digi.com Berhad recorded the second largest net money outflow -RM6.77m during the week under review. Its share price meanwhile underperformed the market benchmark with a 0.22% weekly loss.
- PPB Group Berhad registered the third largest net money outflow at -RM5.69m in the review week. Its share price meanwhile underperformed the benchmark with a 1.39% weekly loss.

**Table 5** Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
NESTLE	-11.47	-1.29	0.00	-
DIGI.COM	-6.77	-2.00	-0.22	-
PPB GROUP	-5.69	0.38	-1.39	-
SIME DARBY	-4.66	-6.69	7.69	SOS
HENGYUAN	-4.37	-1.66	11.14	SOS
MY EG	-4.30	-7.67	-2.51	-
HARTALEGA	-2.95	-1.03	4.67	SOS
UMW O&G	-2.38	-1.61	27.66	SOS
IHH	-2.12	-0.51	1.16	SOS
SD PLNTN	-1.83	-2.42	1.64	SOS

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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