

MIDF EQUITY STRATEGY | 23 APRIL 2018

WEEK ENDED 20 APRIL

- Global equity markets ended mixed amid an interplay of factors ranging from geopolitical tensions to sector specific issues lingering in the semiconductor space.
- The S&P 500 declined the most in nearly two weeks following TSMC's lower-than-expected sales forecast for 2Q18. Concerns were also directed to the jump in 10-year Treasury yields near a four-year high on Friday. For the week, major U.S benchmarks eked out a weekly gain above 0.40%.
- Brent crude oil price advanced 2.04% for the week to settle at USD74.06pb. Despite President Trump's criticising the OPEC for keeping oil prices artificially elevated.
- International investors hit the pedal on selling activity in Asia. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" offloaded almost -USD1.9b net last week.
- Global investors ramped up their buying activity last week, marking the third uninterrupted week of inflows to stocks listed on Bursa. Based on preliminary data from Bursa which excluded off market deals, the net amount acquired by foreign investors last week amounted to RM582.0m net, a level not seen in 12 weeks and the highest so far in 2018.
- The FBM KLCI was also 1.03% higher for the week, settling at 1,888 points the largest weekly gain recorded so far this year. The Ringgit extended its third week of losses, weakening by 0.46% to USD/MYR3.8977 but is still outperforming ASEAN currencies namely the Indonesian Rupiah and the Thai Baht.

BURSA BUCKS THE TREND

A. MARKET SNAPSHOT

- Global equity markets ended mixed amid an interplay of factors ranging from geopolitical tensions to sector specific issues lingering in the semiconductor space.
- Wall Street started the week on the right footing amid waning concerns in the Middle East followed by a fresh batch of commendable corporate earnings reported by the Bank of America. The Dow Jones and the S&P 500 both gained more than 0.80% that day with telecommunication stocks taking the lead. Technology stocks such as Netflix helped Wall Street to book its second day of gains on Tuesday after its video streaming service gained more subscribers than expected in 1Q18.
- On Wednesday, the S&P 500 and Nasdaq marginally gained but the Dow Jones fell 38.56 points, dragged by IBM. IBM's earnings topped estimates but the outlook guided the company appeared bleak, causing its share price to fall 7.5%, the worst drop since October 2014.
- The S&P 500 declined the most in nearly two weeks following TSMC's lower-than-expected sales forecast for 2Q18. U.S stocks resumed their decline on Friday mainly attributed to Apple's drop amid concerns of weak iPhone demand. Concerns were also directed to the jump in 10-year Treasury yields near a four-year high. For the week, major U.S benchmarks eked out a weekly gain above 0.40%.
- In Asia, China's CSI 300 index SAW its worst week in a month, declining 2.85% for the week. This came amidst the ongoing trade rhetorics between the U.S and China. On Friday, China's ZTE Corp said that the ban on its products by the U.S is unfair and vowed to safeguard its interest. Earlier on Monday, China's 1Q18 GDP showed a 6.8% yoy growth, ABOVE the government's own 6.5% estimate which gave little boost to Asian equities. The GDP growth in 1Q18 was mainly supported by new economy components. However, weaker data in March suggests that a slowdown may occur in the near term driven by deleveraging, cooling investment growth and rising trade protectionism.
- On Thursday, German Chancellor, Merkel met French President Macron in Berlin where both parties pledged to forge a joint effort on euro reform by June. The rationale of the reform is to portray that the European Union could still remain independent without the U.K and its ability to avoid another global financial crisis. Notwithstanding this, the Germans are hesitant to use its funds to underwrite the reform.
- Brent crude oil price advanced 2.04% for the week to settle at USD74.06pb. Despite President Trump's criticising the OPEC for keeping oil prices artificially elevated, markets ignored such comments after oil ministers from the Gulf nations noted that current market levels commensurate with rising geopolitical risks.

Table 1 Weekly performance of major indices		
Weekly % change	Week before	Last week
FSSTI Index	1.71	2.06
Thai SET	1.57	1.93
CAC 40	1.08	1.84
Nikkei	0.98	1.76
FTSE 100	1.13	1.43
Jakarta JCI	1.54	1.07
KLCI	1.71	1.03
Korea KOSPI	1.05	0.87
DAX	1.64	0.79
India SENSEX	1.68	0.65
S&P 500	1.99	0.52
Dow Jones	1.79	0.42
Hang Seng	3.23	-1.27
Taiwan TAIEX	1.33	-1.70
Phil PCOMP	-0.57	-2.19
China CSI 300	0.42	-2.85

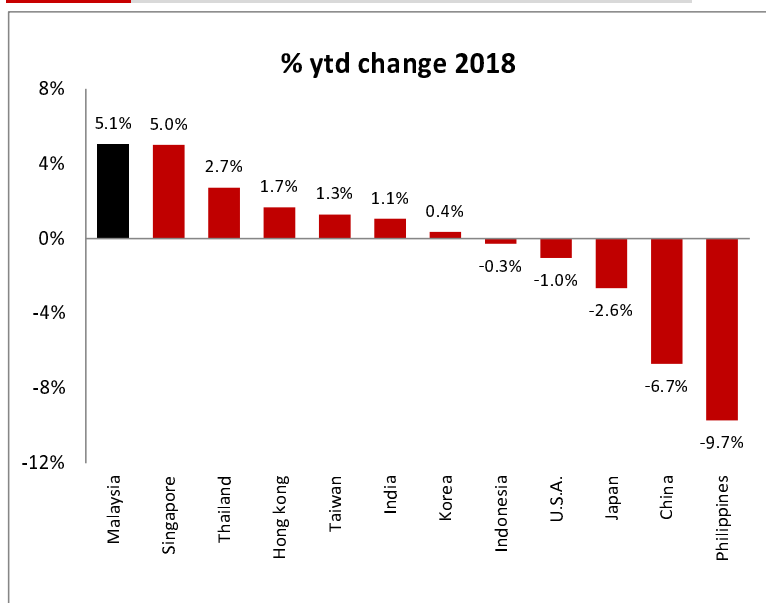
Source: Bloomberg

- The FBM KLCI was also 1.03% higher for the week, settling at 1,888 points the largest weekly gain recorded so far this year. The Ringgit extended its third week of losses, weakening by 0.46% to USD/MYR3.8977 but is still outperforming ASEAN currencies namely the Indonesian Rupiah and the Thai Baht.

B. TRACKING MONEY FLOW - ASIA¹

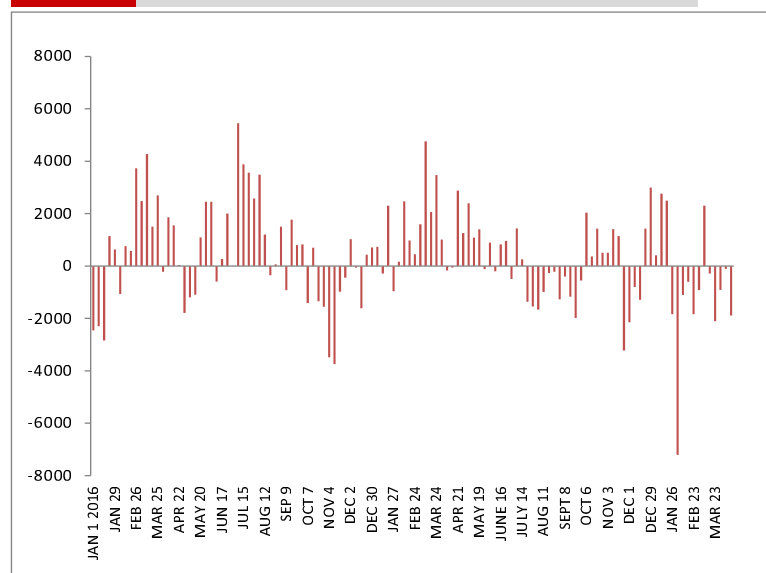
- International investors hit the pedal on selling activity in Asia. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” offloaded almost -USD1.9b net last week, 17 times more than the amount sold in the [revious week.
- Taiwan was the biggest casualty in Asia with foreign investors dumping a staggering -USD1.01b last week. Foreign funds were net sellers on four out five trading days last week. Peaking on Friday with -USD735.5m net worth of equities sold, this is the highest since 12 February 2018. The Taiex followed suit, tumbling 1.75% to 10779 points the same day, the lowest since 8 March 2018. The main trigger for Friday’s sell off was the drag in technology companies led by TSMC spurred by concerns of waning demand for mobile phones causing its sales forecast to miss estimates. It is worthwhile to note that foreign investors bought USD174.5m net of local shares on Thursday, ending the six-day selling spree amid easing worries over Taiwan’s relations with China and Sino-U.S trade, coinciding with the Taiex’s 1.1% daily gain to 10,971 points, the largest in three weeks.
- Foreign investors also fled Korea, selling -USD258.1m net. Foreign attrition occurred on 2 out of 5 trading days last week. Similar to Taiwan, Friday recorded the largest outflow since 8 March 2018 worth -USD449.8m net, coinciding with the KOSPI’s 0.39% decline, its largest in 12 days. Risk-on mood on Friday dissipated following the cut in TSMC’s full year revenue target which spread over to Korean chipmakers such as Apple Supplier, LG Innotek and SK Hynix which fell 2.9% and 4.0% respectively. Other corporate developments include General Motors being offered USD470b or KRW500b to remain the country after hitting the deadline to decide whether to wind down its Korean operations ahead of the local election in June.

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.

- In emerging South East Asian markets, Thailand overtook Indonesia as the biggest victim of foreign attrition after six straight weeks.
- In Thailand, foreign investors disposed -USD150.0m, the highest in seven weeks. International funds sold the most in more than a month on Tuesday at -USD122.3m net after markets reopened post the Songkran festival break, dragging the SET index down by 0.66% to a four-day trading low of 1,755 points. On the other hand the baht marginally gained by 0.01% to USD/THBB31.211m on the same day. Sector wise, Thailand's top banks, Kasikorn Bank and Bangkok Bank posted quarterly profit growth in 1Q18 supported by expanding economy, boosted by demand for loans and services. Nonetheless these banks still stiffer competition from non-bank players that may pressure their earnings.
- Foreign outflows from the Philippines gained momentum as global funds sold -USD55.9m net last week, the highest in four weeks. The bulk of the outflow was contributed by Thursday's sell off which amounted to USD51.1m net, a level not seen since 20 March 2018. The PSEi took cue to settle below the 7,700 level for the first time since May 2017 the same day which drew attention of local funds to enter the market.
- The pace foreign selling in Indonesia was little changed as global funds only disposed -USD110.3m net, only USD5.5m lesser than the week before. Selling activity spiked on Tuesday at USD53.7m, the highest during the week, pulling the JCI down to close at 6,286 points, the lowest level during the week amid the U.S ban on ZTE Corp. On the monetary policy front, Indonesia's central bank left its benchmark interest rate unchanged as expected, as a subdued inflation environment gives policy makers space to focus on currency stability and supporting economic growth.

Chart 3 Net Flow of Foreign Funds into Taiwan, Korea and India since Jan 2017(USD'm)

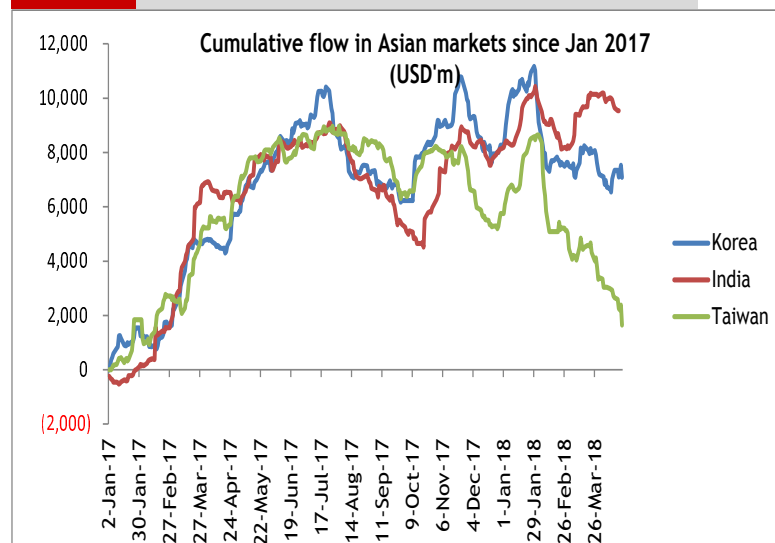


Chart 4 Net Flow of Foreign Funds into South East Asia Emerging Markets since Jan 2017 (USD'm)

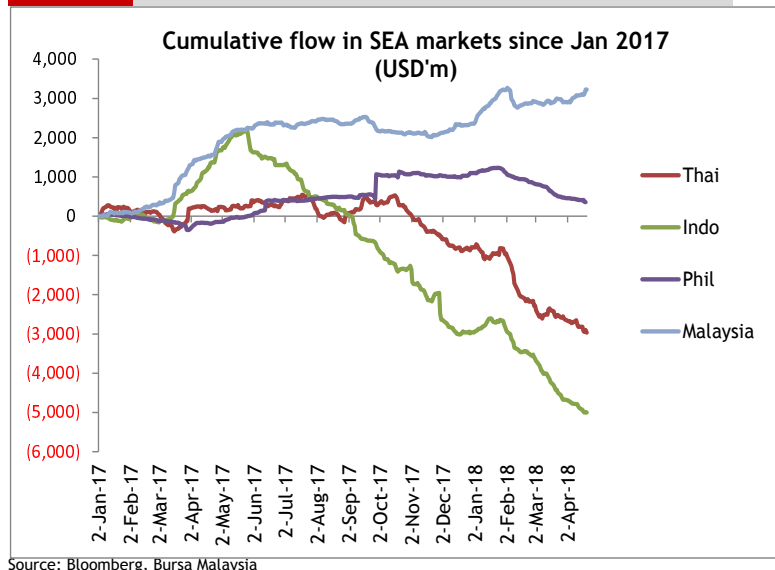


Table 2 Weekly Net Flow Of Foreign Fund Into Equity By Market (USD'm)

WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
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	-181.1	-381	83.9	-107.3
APR 20	-257.3	-150.0	-110.3	-55.9	-458.9	-1,006.5	149.6	-1,889.4

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

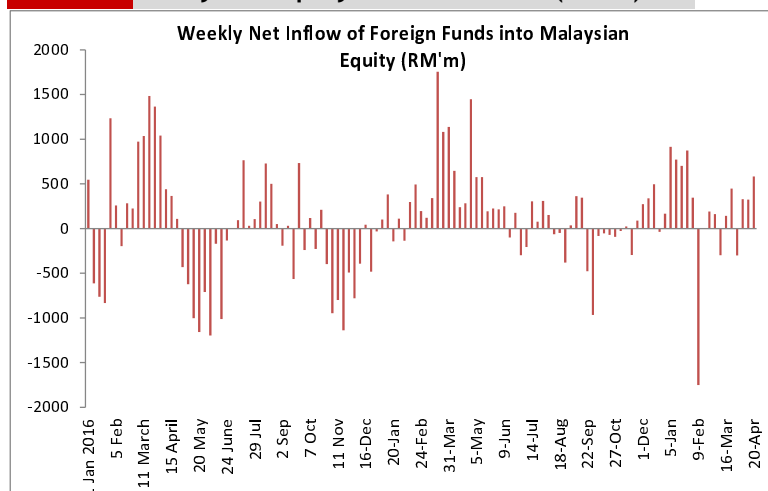
FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

- Global investors ramped up their buying activity last week, marking the third uninterrupted week of inflows to stocks listed on Bursa.
- Based on preliminary data from Bursa which excluded off market deals, the net amount acquired by foreign investors last week amounted to RM582.0m net, a level not seen in 12 weeks. In fact, this is the fifth time in 2018 that weekly foreign buying levels exceeded RM500m.
- Foreign investors exhibited a commendable start on Monday, buying RM111.6m net of local equities. The mood turned slightly sombre on Tuesday as investors turned cautious on China's economic, selling -RM68.1m net (or -USD17.5m) of local stocks. Nonetheless, Malaysia had the second lowest attrition on Tuesday after the Philippines which experienced a net outflow of -USD8.70m that day.
- Global investors slowly returned to Bursa on Wednesday, acquiring RM87.9m net following the rally on Wall Street overnight. The highlight of the week was on Thursday when foreign investors pumped in RM430m net worth of funds into Bursa, the highest level since March 2017. Heavy inflows were also seen in Asian peers amid increasing Brent crude oil prices. The FBM KLCI followed suit from the influx of foreign funds to end the day at a record high of 1,895 points
- Meanwhile on Friday, foreign inflows to Bursa tapered to RM20.6m net as investors cashed in gain from Thursday's rally. More importantly, Malaysia bucked the trend in Asia as other regional peers especially in North Asia saw outflows spurred by TSMC's murky outlook.
- On a year-to-date basis, foreigners have so far accumulated RM3.44b net of local equities. Meanwhile, foreign investors have been net buyers in 13 out of the 16 weeks this year compared to 14 during the same period in 2017.
- Both foreign and retail participation remained healthy as both of their average daily trade value (ADTV) stood above the RM1b level for the 15th and 12th week so far in 2018, respectively.

Chart 5

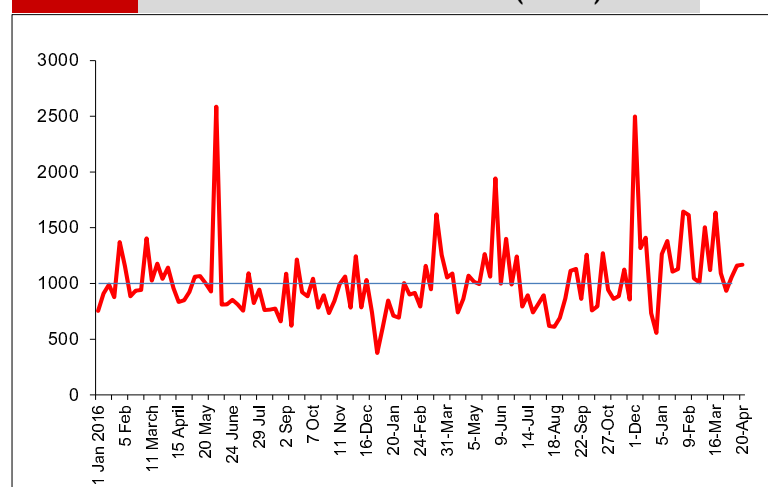
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2016 (RM'm)



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 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
APR 20	2,530.7	2,608.1	-77.4	5,929.1	6,433.7	-504.6	3,213.6	2,631.6	582.0	149.6

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 20 APRIL
TOP 10 NET MONEY INFLOWS

- Malayan Banking Berhad registered the highest net money inflow of RM18.79m last week. Its share price outperformed with a 1.71% gain against the FBM KLCI which advanced by 1.03% during the week under review.
- IHH Healthcare Berhad recorded the second highest net money inflow of RM5.97m. Its share price was unchanged for the week, underperforming against the market benchmark which was 1.03% higher.
- Malaysia Airports Holdings Berhad saw the third highest net money inflow of RM4.47m. Its share price underperformed the FBM KLCI with a -1.32% loss 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.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
MAYBANK	18.79	3.10	1.71	-
IHH	5.97	-2.12	0.00	-
MAHB	4.47	6.22	-1.32	BOW
SIME DARBY	3.31	-4.66	0.72	-
PRESS METAL	2.46	-0.29	7.58	-
PETGAS	2.36	-0.22	3.22	-
GENTING BHD	2.31	4.42	-1.12	BOW
IOI CORP BHD	2.25	-1.24	-0.21	BOW
INARI	2.23	2.48	-14.49	BOW
GAMUDA BHD	1.90	-0.08	-0.20	BOW

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- Public Bank Berhad saw the largest net money outflow of -RM27.32m last week. Its stock price gained 0.92%, underperforming vis-à-vis the FBM KLCI which advanced by 1.03% during the review week.
- Petronas Chemicals Berhad recorded the second largest net money outflow -RM15.04m during the week under review. Its share price meanwhile underperformed the market benchmark with a 0.95% 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.
- CIMB Group Berhad registered the third largest net money outflow at -RM13.10m in the review week. Its share price meanwhile outperformed the benchmark with a 1.25% weekly gain.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
PUBLIC BANK	-27.32	12.05	0.92	SOS
PETCHEM	-15.04	8.14	0.95	SOS
CIMB GROUP	-13.10	10.44	1.25	SOS
GENT MSIA	-10.48	3.17	1.77	SOS
SAPURA	-10.06	-1.38	2.03	SOS
DIGI.COM	-9.08	-6.77	1.12	SOS
PETDAG	-6.54	0.42	8.32	SOS
HENGYUAN	-4.43	-4.37	-10.34	-
BAT	-3.35	-1.30	7.16	SOS
MY EG	-2.74	-4.30	-1.47	-

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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