

MIDF EQUITY STRATEGY | 30 APRIL 2018**WEEK ENDED 27 APRIL**

- Stock markets worldwide ended mixed while investors shifted their attention to monetary policy meetings in Europe and Asia.
- The busiest week of Wall Street's earnings season ended weak with all three major benchmarks posting losses, mainly hampered by concerns on bond yields.
- Brent crude oil price gained 0.78% for the week to settle at USD74.64pb. Sentiment in the oil market was buoyed by expectations that the U.S may pull out from the Iranian nuclear deal.
- The pace of foreign funds exiting Asia shifted to a high gear last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" offloaded -USD3.33b net last week, the second highest so far in 2018.
- Foreign inflows into stocks listed on Bursa took a breather last week but marked its fourth week of inflows. Based on preliminary data from Bursa which excluded off market deals, the net amount acquired by foreign investors last week amounted to RM24.6m net, the second lowest weekly inflow so far this year.
- The FBM KLCI plummeted 1.29% for the week, settling at 1,864 points. The Ringgit extended its fourth week of losses, weakening by 0.56% to USD/MYR3.9195 but still outperformed ASEAN currencies namely the Indonesian Rupiah and the Thai Baht.

MALAYSIA BUCKS THE TREND

A. MARKET SNAPSHOT

- Stock markets worldwide ended mixed while investors shifted their attention to monetary policy meetings in Europe and Asia.
- Fear on Wall Street erupted on Tuesday as U.S. after the 10-year treasury yield punched through 3% for the first time since 2014. U.S. stocks were battered by prospects of higher-than-expected raw material cost of Caterpillar despite recording a rise in earnings. Similarly, Alphabet also posted an increase in earnings but concerns on rising costs weighed on investor's perception, sending the stock down by 4.8% on Tuesday. All three major U.S. benchmarks tumbled by more than 1.5% on that day.
- Sentiment appeared mixed on Wednesday amidst worries of rising bond yields and high materials cost which will impact earnings growth for corporations. Nonetheless, U.S. stocks regained some momentum on Thursday as Facebook led gainers with a 9.1% in the tech sector. The market viewed Facebook's earnings to be unperturbed by the data privacy scandal.
- The Dow Jones was relatively flat on Friday compared to a day before but the tech-heavy Nasdaq eked out a 0.02% gain after Amazon touched an all-time high of USD1,638.10 as earnings doubled in 1Q18. The busiest week of Wall Street's earnings season ended weak with all three major benchmarks posting losses, mainly hampered by concerns on bond yields
- In Asia, Hong Kong's Hang Seng index jumped 1.26% on Tuesday following China's pledge to hit its economic target this year by opening up the economy and extend the reform in state-owned firms and assets. However, the rally was shortlived on Thursday following the Federal Bureau of Investigation's (FBI) probe on Huawei for possible violations of sales ban to Iran which eventually spread to other technology stocks. The Hang Seng posted a 0.45% decline during the week.
- On Thursday, European Central Bank kept interest rates steady at 0%, 0.25% and -0.40% respectively, amid softening economic outlook in the euro zone while reiterating an ultra-easy monetary policy will remain necessary for the coming months. However, Draghi refrained from highlighting the end of their ECB's asset purchase plans as the central bank emphasised more on gauging the economic health of the European Union. This saw the Euro retreat by 0.5% to EUR/USD1.2104 while the German Bund yield fell 4bps to 0.59%.
- Brent crude oil price gained 0.78% for the week to settle at USD74.64pb. Sentiment in the oil market was buoyed by expectations that the U.S. may pull out from the Iranian nuclear deal. Further support came from the declining output in Venezuela, the biggest OPEC producer in Latin America.

Table 1 Weekly performance of major indices		
Weekly % change	Week before	Last week
FTSE 100	1.43	1.82
India SENSEX	0.65	1.61
Nikkei	1.76	1.38
CAC 40	1.84	1.30
Korea KOSPI	0.87	0.65
DAX	0.79	0.32
FSSTI Index	2.06	0.11
S&P 500	0.52	-0.01
Phil PCOMP	-2.19	-0.07
China CSI 300	-2.85	-0.11
Hang Seng	-1.27	-0.45
Dow Jones	0.42	-0.62
KLCI	1.03	-1.29
Thai SET	1.93	-1.29
Taiwan TAIEX	-1.70	-2.10
Jakarta JCI	1.07	-6.60

Source: Bloomberg

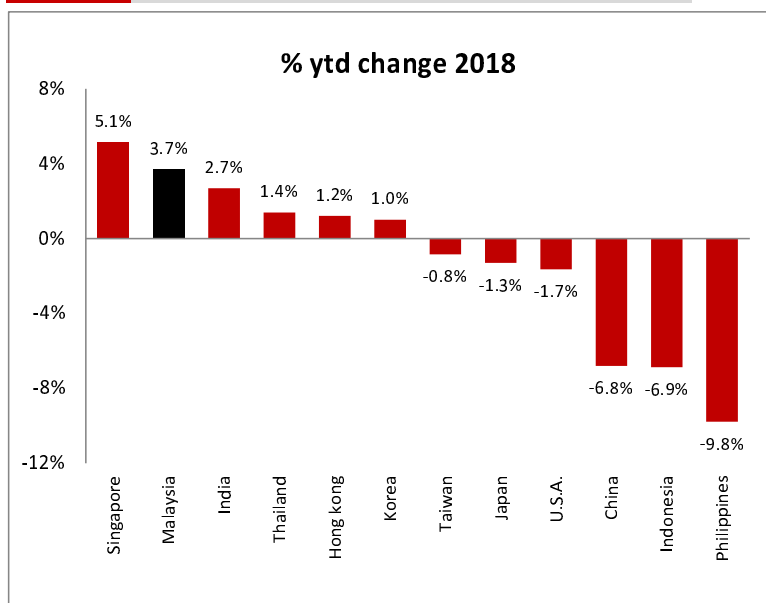
FUND FLOW REPORT

- The FBM KLCI plummeted 1.29% for the week, settling at 1,864 points. The Ringgit extended its fourth week of losses, weakening by 0.56% to USD/MYR3.9195 but still outperformed ASEAN currencies namely the Indonesian Rupiah and the Thai Baht.

B. TRACKING MONEY FLOW - ASIA¹

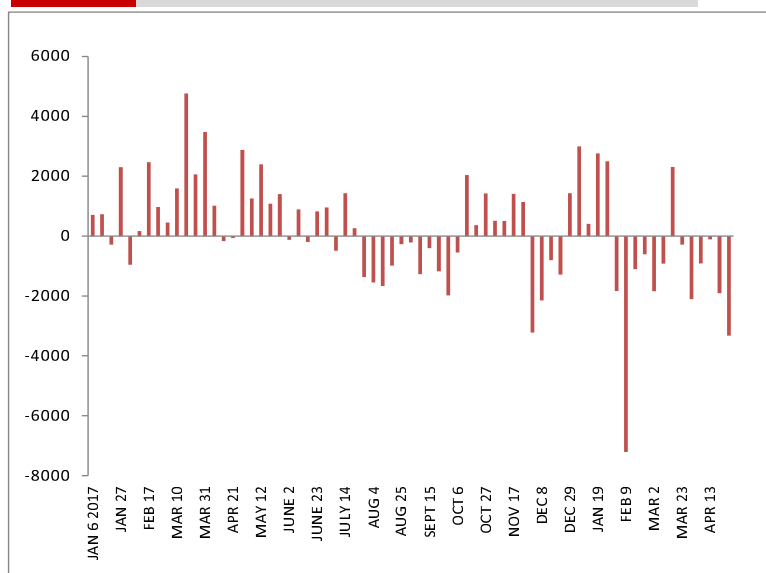
- The pace of foreign funds exiting Asia shifted to a high gear last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” offloaded -USD3.33b net last week, the second highest so far in 2018.
- International investors in Korea dumped USD1.35b net of local stocks last week, five times more than a week earlier. They sold the most on Wednesday at -USD788.2m amid concerns of U.S treasury yields that topped 3% with the KOSPI down by -0.62%. Foreign funds then turned net buyers to a tune of USD124.7m net on Thursday as risk-on mode was rekindled by Samsung Electronics’ strong 1Q18 earnings which grew 52% yoy, boosted by booming exports of memory chips. This lifted the KOSPI 1.10% higher to 2,476 points. Friday was the highlight of the week as the two Koreas signed the end of the Korean War and agreed to achieve a complete denuclearisation in the Korean Peninsula during the first inter-Korean summit held in more than a decade. The goal encompasses pledges to reduce phased military arms, cessation of hostile acts and seeking multilateral discussions with other nations including the U.S. Investors took cue of the positive vibes to snap up USD169.3m net worth of stocks on Friday while the KOSPI ended 0.7% higher at 2,492 points.
- Taiwan was also badly hit by a weekly attrition of -USD1.11b net. The bulk of it came from Monday’s sell off which amounted to -USD464.3, coinciding with the Taiex’s 0.8% decline to the lowest close since 5 March 2018 of 10,697 points. Thereafter, outflows from Taiwan began to gradually decrease below the -USD200m level on Thursday. Nonetheless, Taiex rebounded from its 47-trading day low on Friday to settle 0.62% higher at 10,553 points supported by a marginal inflow of USD5.6m. Optimism was spurred in technology stocks particularly Apple suppliers such as Hon Hai Precision which rose 1.1% after Intel increased its full year forecast following solid earnings from U.S companies.

Chart 1 YTD performance of major markets



Source: Bloomberg

Chart 2 Weekly Net Flow of Foreign Funds into 7 Asian Markets since Jan 2017 (USD'm)

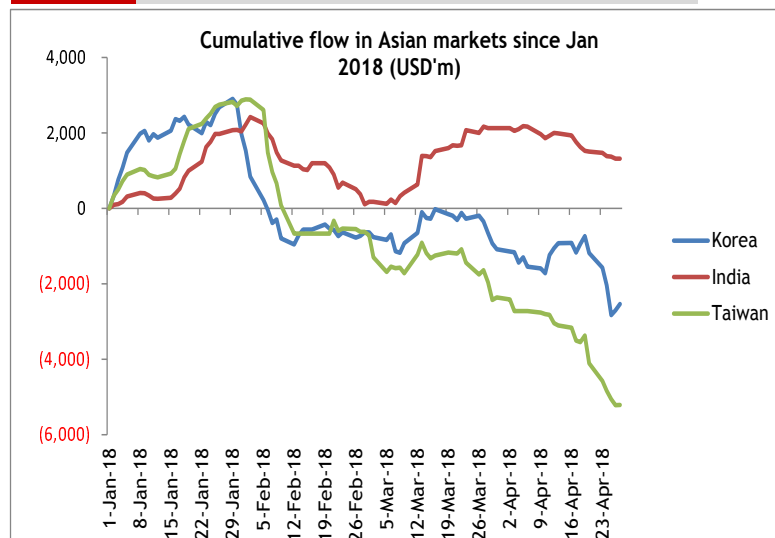


Source: Bloomberg, Bursa Malaysia

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.

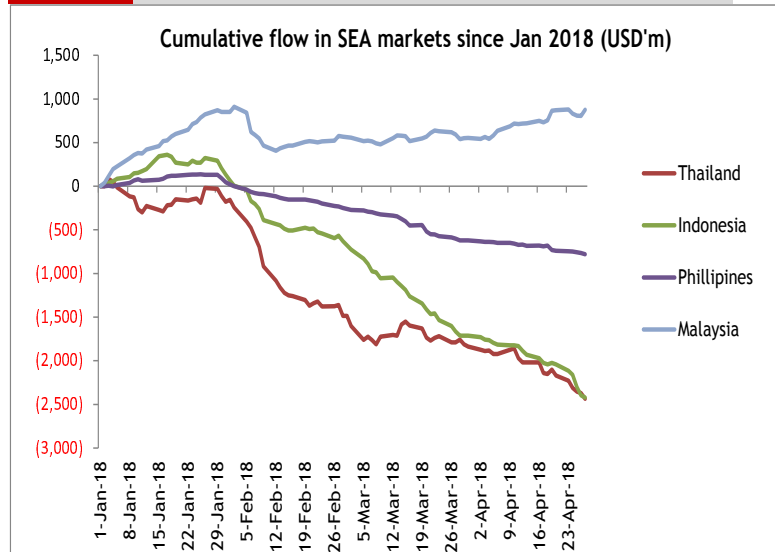
- In emerging South East Asian markets, majority of markets experienced attrition with Indonesia taking the lead.
- Attrition levels in Thailand reached above -USD200m net level for the first time in seven weeks. Foreign investors were net sellers on every day during the week with Tuesday highest at -USD85.03m, fuelled by the speculation that non-resident investors are repatriating dividends paid out by local companies, dragging the SET lower by -0.40%. Around THB43b in dividends are paid to non-resident investors according to Kasikornbank. The Thai Baht weakened by 0.74% for the week to USD/THB31.579 amid persisting foreign outflows which have lasted for the past 6 consecutive weeks. Vibes from easing tensions in Korean peninsula were not enough to lift the sentiment as investors sold -USD66.5m net on Friday.
- Weekly attrition in Manila declined to -USD40.1m net which may be attributable to the upgrade of the Philippines' outlook from stable to positive by Standard and Poor's. The Peso extended its gains for the third day and advancing 0.39% as it ended at USD/PHP51.09 on Friday. However selling activity was also high on the same day at -USD14.4m net despite window dressing activity which lifted the PSEi index to the 7,700 level for the first time in three trading days.
- In Jakarta, the increased momentum of selling to -USD381.6m in Jakarta dragged the JCI down by 6.6% for the week, the largest weekly drop since August 2013. Foreign attrition in Jakarta peaked on Wednesday at -USD140.8m, following the slump in banking stocks amid the possibility of a rate hike to cap losses in the Rupiah. Attrition later slowed down to a level below -USD30m on Friday following the 0.17% recovery in the JCI as geopolitical tensions substantially waned in the Korean Peninsula.

Chart 3 Net Flow of Foreign Funds into Taiwan, Korea and India since Jan 2018(USD'm)



Source: Bloomberg

Chart 4 Net Flow of Foreign Funds into South East Asia Emerging Markets since Jan 2018 (USD'm)



Source: Bloomberg, Bursa Malaysia

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

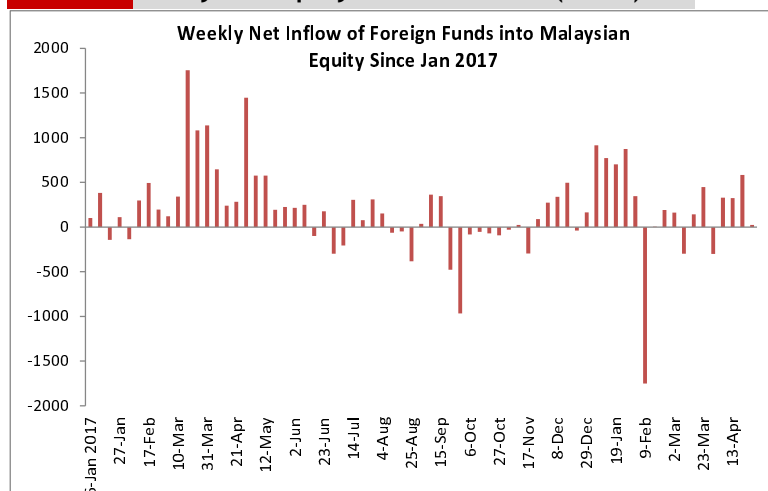
WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
MAR 9	-160.0	-122.4	-328.0	-50.2	-241.1	-423.7	-76.5	-919.4
MAR 16	904.2	125.9	-207.6	-126.3	1,101.8	471.5	36.3	2,305.8
MAR 23	-255.6	-120.6	-272.7	-123.0	558.9	-184.8	114.1	-283.8
MAR 30	-809.6	-120.7	-178.1	-48.5	50.5	-923.8	-77.8	-2,108.1
APR 6	-461.7	-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	-477.7	-1,006.5	149.6	-1,908.2
APR 27	-1,350.3	-266.7	-381.6	-40.1	-187.6	-1,105.8	6.1	-3,325.9

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

C. TRACKING MONEY FLOW - MALAYSIA

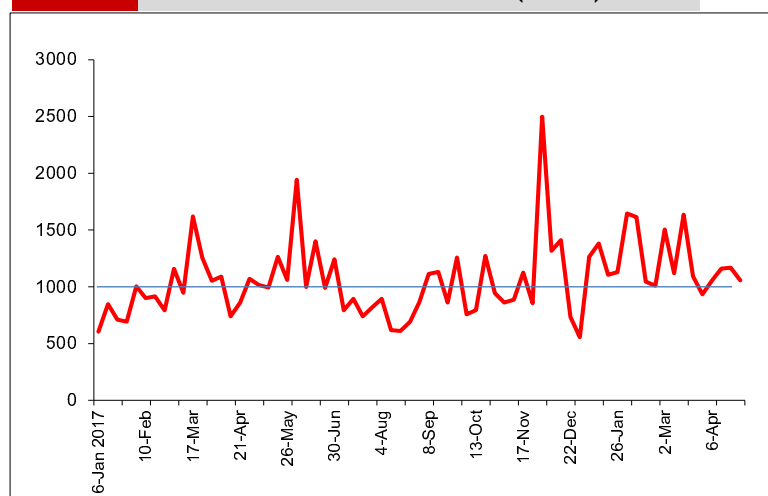
- Foreign inflows into stocks listed on Bursa took a breather last week but marked its fourth week of inflows, the longest streak since the week ended 29 December 2017 to 2 February 2018.
- Based on preliminary data from Bursa which excluded off market deals, the net amount acquired by foreign investors last week amounted to RM24.6m net, the second lowest weekly inflow so far this year.
- It was a modest start to the week as foreign investors bought RM35.9m net of local equities on Monday. However, panic conquered markets on Tuesday fueled by worries of increasing U.S Treasury yields could prompt more outflows from emerging markets. As a consequence, global funds withdrew -RM191.4m net of equities on Tuesday, the highest since March 28. The FBM KLCI followed suit to decline the most in two weeks by 0.80% on the same day.
- Although concerns on rising U.S Treasury yields continue to linger, attrition on Bursa gradually receded thereafter until -RM9.20m net on Thursday, buoyed by stable crude oil prices.
- Global investors returned strongly to Malaysia on Friday, snapping up RM277.3m net while the FBM KLCI was back above 1,860 points after two days remaining below that level. Among the 4 ASEAN exchanges we track, Malaysia was the only beneficiary of inflows that day. We opine that investors took cue from the positive vibes of the meeting between the two Koreas which also attracted the comeback of foreign funds into North Asia, namely South Korea and Taiwan.
- With only one trading day left, April is set to be the first month of inflows since January 2018 as the month-to-date figure shows an inflow of RM1.26b net. This brings the year-to-date inflow RM3.46m net.
- Foreign participation remained robust as the average daily trade value (ADTV) stood above the RM1b level for the 16th week this year. The retail market meanwhile took a hit as its ADTV reached the lowest in 10 weeks at RM772.8m.

Chart 5 Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2017 (RM'm)



Source: Bursa Malaysia preliminary statistics

Chart 6 Foreign Participation on Bursa: Daily Average for the Week since Jan 2017 (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 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
APR 27	1,832.6	1,781.4	51.2	5,477.8	5,553.6	-75.8	2,653.1	2,628.5	24.6	6.1

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 27 APRIL
TOP 10 NET MONEY INFLOWS

- Genting Malaysia Berhad registered the highest net money inflow of RM27.42m last week. Its share price underperformed with a 2.71% decrease against the FBM KLCI which declined by 1.29% during the week under review.
- Tenaga Nasional Berhad recorded the second highest net money inflow of RM9.55m. Its share price was 0.38% lower for the week, outperforming against the market benchmark which was 1.29% lower. Nonetheless, it is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.
- British American Tobacco Berhad saw the third highest net money inflow of RM9.48m. Its share price underperformed the FBM KLCI with a 2.17% loss 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	
GENM	27.42	-10.48	-2.71	BOW
TNB	9.55	-0.74	-0.38	BOW
BAT	9.48	-3.35	-2.17	BOW
PETDAG	4.62	-6.54	-2.32	BOW
KL KEPONG	4.44	1.65	0.08	-
PRESS METAL	1.77	2.46	-6.07	BOW
AXIATA GROUP	1.68	1.26	-2.75	BOW
NESTLE	1.43	-1.58	-6.49	BOW
UMW HOLDINGS	1.02	-0.19	0.00	-
IJM CORP	0.98	-0.34	-0.36	BOW

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- Malayan Banking Berhad saw the largest net money outflow of -RM32.91m last week. Its stock price gained 0.37%, outperforming vis-à-vis the FBM KLCI which declined by 1.29% during the review week.
- Petronas Chemicals Berhad recorded the second largest net money outflow -RM17.03m during the week under review. Its share price meanwhile outperformed the market benchmark with a 0.12% weekly loss.
- Fraser & Neave Holdings Berhad registered the third largest net money outflow at -RM13.78m in the review week. Its share price meanwhile substantially outperformed the benchmark with a 2.98% 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.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
MAYBANK	-32.91	18.79	0.37	SOS
PETCHEM	-17.03	-15.04	-0.12	-
F&N	-13.78	1.65	2.98	SOS
DIGI.COM	-7.59	-9.08	2.21	SOS
SAPURA	-6.02	-10.06	-10.60	-
CIMB GROUP	-5.58	-13.10	-0.68	-
IHH	-4.71	5.97	-0.82	-
DIALOG	-4.39	-1.06	-1.59	-
BURSA	-3.53	0.28	-3.20	-
TOP GLOVE	-3.42	-1.76	-6.10	-

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

DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (23878-X). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein

This document may not be reproduced, distributed or published in any form or for any purpose.



MIDF RESEARCH is part of
MIDF Amanah Investment Bank Berhad (23878 - X)
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

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