

MIDF EQUITY STRATEGY | 14 AUGUST 2017 WEEK ENDED 11 AUGUST 2017

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- President Trump rattled the stock market on Tuesday as he pledged “fire and fury” if North Korea continues to intimidate the U.S which put an end to Dow’s 10-day winning streak.
- Brent crude oil price settled at USD52.10pb on Friday, declining 0.61% for the week. OPEC’s increased output in July put a dent to the sentiment which overshadowed Saudi Arabia’s decision to reduce allocation to Asian buyers by as much as 10%.
- Global liquidity continued to flow out of Asia for the third week running last week. Based on provisional aggregate data from the seven Asian exchanges that we track, investors classified as “foreign” offloaded -USD1.38b, the third highest attrition so far this year.
- In Emerging South East Asian markets, the selling was not across the board, as investors targeted selected markets notably Thailand and the Philippines.
- After 4 weeks of meandering, foreign funds took a breather in Malaysia as ratcheting political tensions hurt their risk appetite.
- The KLCI declined by 0.43% for the week to settle at 1,767 points, ending its three-week winning streak. The ringgit followed suit, depreciating 0.40% against the dollar to USD/RM4.2952.

14 August 2017 | Strategy - Weekly Fund Flow

Adam M Rahim

RECEDING TIDE TO ASIA AMID GEOPOLITICAL TENSIONS

A. MARKET SNAPSHOT

- Equity markets worldwide marched into the redzone as geopolitical nerves took the centre stage last week.
- U.S equities started off strong for the week. Gains in technology stocks lifted the Dow and S&P500 to fresh record highs of 22,118 and 2,481 points, respectively on Monday. However, President Trump rattled the stock market on Tuesday as he pledged “fire and fury” if North Korea continues to intimidate the U.S which put an end to Dow’s 10-day winning streak. Growing concerns in the U.S market pushed the VIX up 44% to the highest closing since last year’s U.S presidential election at 16 points on Thursday. As a result, demand for safe havens such as gold and the yen grew coinciding with the 0.5% weekly decline in the dollar index to 93.01 points.
- In Asia, the Hang Seng index rose to 27,864 points on Tuesday, a level not seen in more than 2 years as automakers led gainers. Geely saw a 6% intraday gain, after reporting sales which rose 88%yoy. However, intensified geopolitical tensions between the U.S and North Korea impacted the Hong Kong benchmark, seeing off its biggest weekly loss in 35 weeks.
- Meanwhile in Europe, equities ended lower on Monday after a report showed June’s German industrial data unexpectedly fell for the first time this year, with output declining to 1.1% from 1.2% in May. Declines on the Europe Stoxx 600 index were led by travel and leisure shares such as Paddy Power Betfair PLC and PostNL NV which weighed down advances for ArcelorMittal and Anglo American Plc following the increase in iron ore and steel prices.
- Brent crude oil price settled at USD52.10pb on Friday, declining 0.61% for the week. Opec’s increased output in July put a dent to the sentiment which overshadowed Saudi Arabia’s decision to reduce allocation to Asian buyers by as much as 10%.
- The KLCI declined by 0.43% for the week to settle at 1,767 points, ending its three-week winning streak. The ringgit followed suit, depreciating 0.40% against the dollar to USD/RM4.2952.

Table 1 Weekly performance of major indices

Weekly % change	Week before	Last week
Phil PCOMP	-1.72	-0.06
Jakarta JCI	-0.92	-0.20
KLCI	0.42	-0.43
Dow Jones	1.20	-1.06
Thai SET	-0.18	-1.07
Nikkei	-0.04	-1.12
FSSTI Index	-0.13	-1.41
S&P 500	0.19	-1.43
China CSI 300	-0.38	-1.62
Taiwan TAIEX	0.80	-1.68
DAX	1.11	-2.31
Hang Seng	2.16	-2.46
FTSE 100	1.95	-2.69
CAC 40	1.40	-2.74
Korea KOSPI	-0.23	-3.16
India SENSEX	0.05	-3.44

Source: Bloomberg

B. TRACKING MONEY FLOW - ASIA¹

- Global liquidity continued to flow out of Asia for the third week running last week. Based on provisional aggregate data from the seven Asian exchanges that we track, investors classified as “foreign” offloaded -USD1.38b, the second highest attrition so far this year.
- Foreign attrition in Korea has now extended to three weeks as foreign investors offloaded -USD811.0m net last week. A huge selloff amounting to -USD520.6m net was recorded on Friday due to the unfolding conflict between the U.S and North Korea. Increased levels of volatility was evident through the nation’s five-year credit default swap premium which reached 0.66% on Thursday, a level not seen in 16 months after the Bank of Korea’s Governor noted that the current North Korea tensions will prolong. With foreign funds fleeing Korea, the KOSPI index also took a beating, dropping to 2,319 points on Friday, the lowest since May 24. Likewise, the Won depreciated 1.64% against the U.S dollar to a one month low at USD/KRW1,144 on Friday, marking the biggest weekly loss in 23 weeks.
- Taiwan also continued to undergo a heavy foreign selloff of -USD528.4m net, the largest in eight weeks. On the back of the U.S-North Korea geopolitical concerns, the Taiex mirrored KOSPI’s downward trend, ending 1.68% lower for the week, the biggest weekly decline since December last year. The Taiwan dollar meanwhile dropped to USD/TWD30.345, the lowest level in more than a month. The decline was in line with other emerging market currencies as international investors flocked to safe havens amid rising volatility in the market. On a positive note, Taiwan’s exports in July rose by a stunning 12.5%yoy on the back of strong demand for semiconductors and recovering commodity prices.
- In Emerging South East Asian markets, the selling was not across the board, as investors targeted selected markets notably Thailand and the Philippines.

Chart 1 YTD performance of major markets

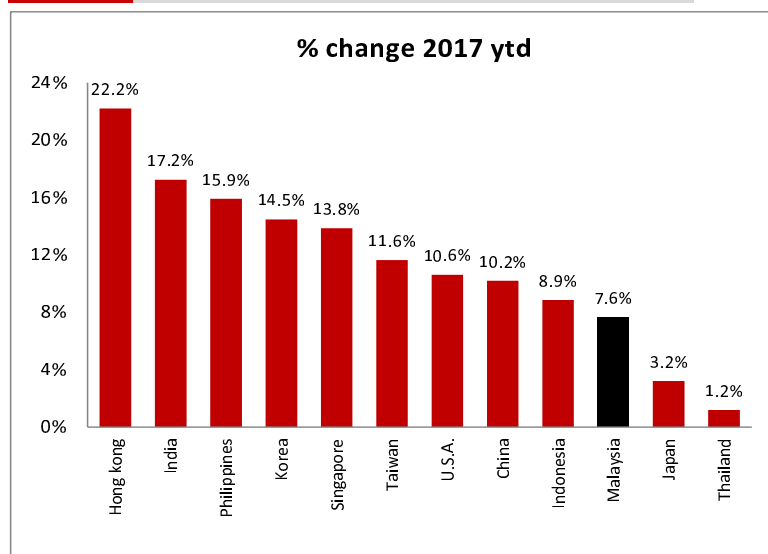
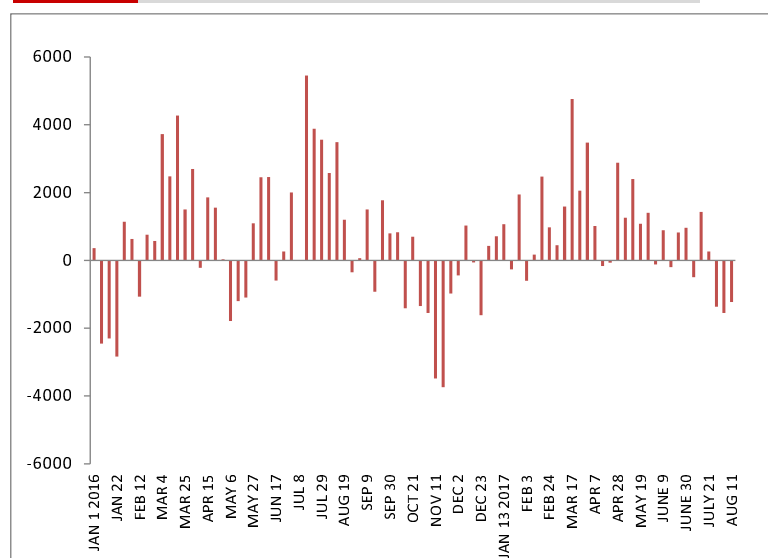


Chart 2 Weekly Net Flow of Foreign Funds into 7 Asian Markets since Jan 2016 (USD'b)



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.

- Foreign investors slowly returned to Thailand as they purchased USD27.8m net after three weeks of hesitation. The weekly inflow occurred despite the SET's biggest weekly loss in 13 weeks. The local equities market in general are still being overshadowed by the Baht which ended the week at the highest level in two years at USD/THB33.24. Meanwhile, foreign funds continued pouring into Thailand's treasury bills amid speculation of a rate cut by its central bank.
- In Manila, foreign investors continued snapping up local stocks for the fourth consecutive week. In line with other South East Asian peers, the PSEi also declined but at the smallest pace at only 0.06%. On the other hand, the Peso dropped to its lowest level in 11 years at USD/PHP51.01. In response to the Peso's weakness, the governor of the Philippines' central bank, Nestor Espenilla stated that a flexible exchange rate policy will allow the Peso to trade within a manageable level.
- With risk appetites curbed by the North Korea drama, foreign selling in Indonesia has stretched for six consecutive weeks. This is the longest selling streak since the week ended September 2 to December 23. Aside from geopolitical tensions, the smaller-than-expected growth in Indonesia's 2Q17 GDP of 5%yoy on the back of weak consumer spending may have triggered the outflow. As a result, retailers urged the Indonesian government to expedite infrastructure plans that enhance the purchasing power of consumers.

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

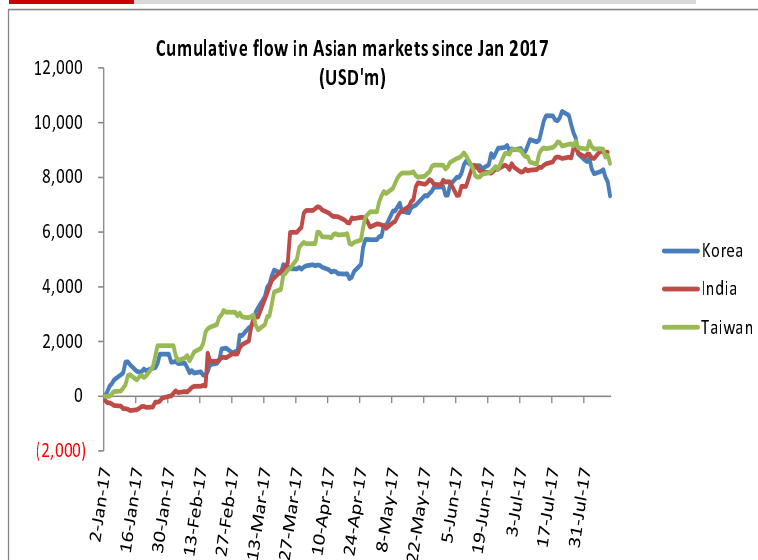
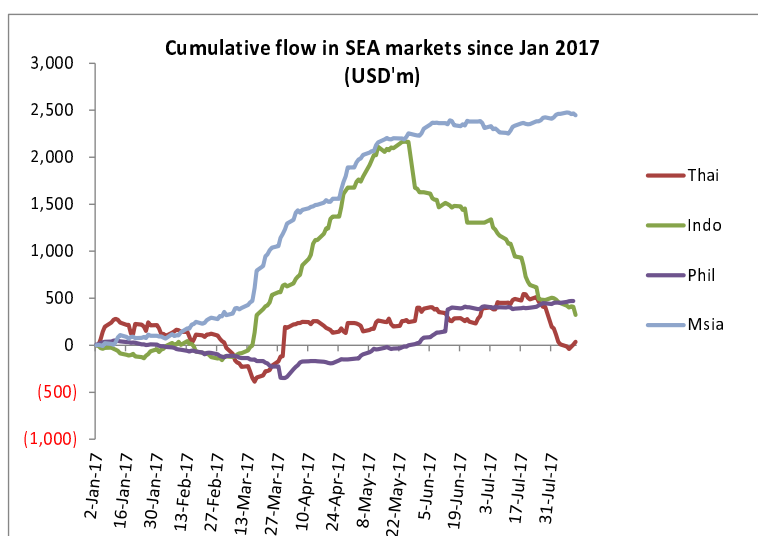


Chart 4 Net Flow of Foreign Funds into South East Asia Emerging Markets since Jan 2017 (USD'm)



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
JUN 23	749.7	-34.7	-177.1	1.8	-68.4	173.5	41.3	822.9
JUN 30	-56.1	143.0	0.0	4.6	201.0	736.5	-69.4	959.6
JUL 7	376.3	58.0	-136.7	-5.3	-269.1	-468.1	-47.8	-492.9
JUL 14	860.1	41.8	-221.8	-17.1	205.0	492.8	71.2	1,431.9
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	18.4	50.6	-528.4	-14.7	-1,382.8

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

C. TRACKING MONEY FLOW - MALAYSIA

- After 4 weeks of meandering, foreign funds took a breather as ratcheting political tensions hurt their risk appetite.
- For the week, the net amount sold off by foreign investors was -RM63.1m, based on transactions in the open market which excluded off market deals,
- Foreign funds were net sellers in three out of five trading days. Foreign selling peaked on Friday as foreigners disposed -RM93.5m net, the highest in a day since July 5. The attrition on Friday coincided with the KLCI dropping below the 1,770 points at close and the Ringgit hitting a one-month low. The weekly outflow was in line with those seen by regional peers notably, Korea, Indonesia and Taiwan.
- So far, foreign investors have only been net sellers for 6 weeks this year compared to last year's 27 weeks. Despite last week's foreign withdrawal, the cumulative year-to-date inflow was slightly unchanged at RM10.7b net compared to RM10.8b net in the preceding week.
- Foreign participation rate turned sluggish as the foreign average daily trade value (ADTV) declined 31% from RM895m in the prior week to RM615m, the lowest since the first week of 2017.
- Retail participation remained vibrant. Retail ADTV remained above the RM800m mark as it only decreased by -0.5% from RM887m to above RM882m last week.

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

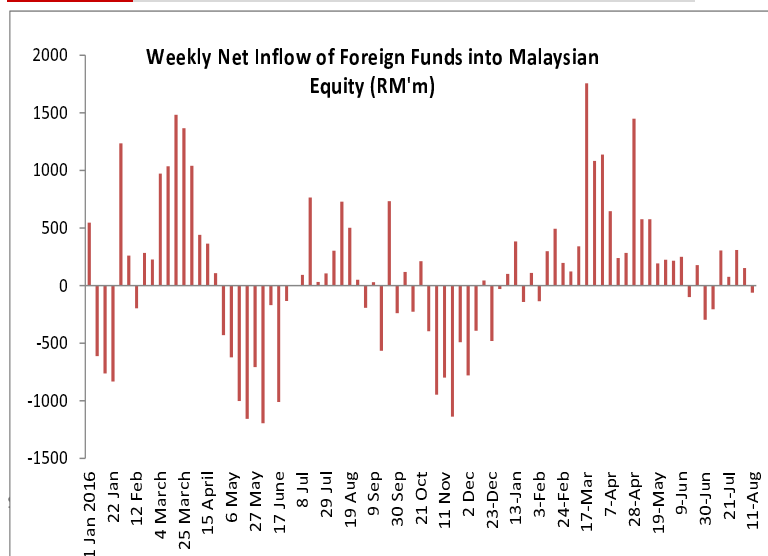
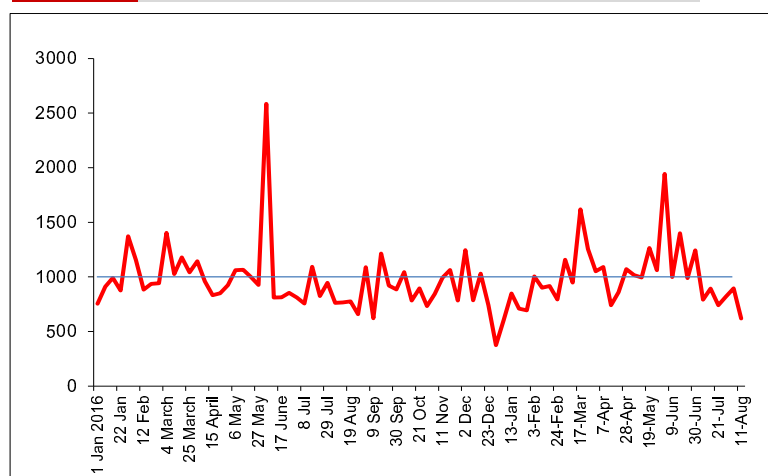


Chart 6 Foreign Participation on Bursa: Daily Average for the Week since Jan 2016 (RM'm)



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)	
JUN 30	942.0	940.4	1.6	3,064.0	2,767.6	296.4	1,714.8	2,012.8	-298.0	-69.4
JUL 7	1,611.8	1,613.8	-2.0	5,035.7	4,828.2	207.5	1,877.7	2,083.2	-205.5	-47.8
JUL 14	1,647.2	1,679.7	-32.5	5,256.7	5,529.3	-272.6	2,386.5	2,081.4	305.1	71.0
JUL 21	1,972.9	1,919.1	53.8	6,151.4	6,281.5	-130.1	1,887.6	1,811.3	76.3	17.8
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

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 11 AUGUST
TOP 10 NET MONEY INFLOWS

- British American Tobacco stocks were the beneficiary of the highest net money inflow of RM27.91m. Its share price substantially underperformed the benchmark index with a 2.74% loss for the week. The net inflow amidst declining share price indicates a buy-on-weakness (BOW) stance among some investors.
- The second highest net money inflow beneficiary was F&N, amounting to RM5.84m. Its share price underperformed the benchmark index with a 1.21% loss during the review week.
- MY EG Services saw the third highest net money inflow of RM4.13m. Its share price substantially underperformed the benchmark index with a 7.51% loss 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	
BAT	27.91	-14.56	-2.74	BOW
F&N	5.84	-7.24	-1.21	BOW
MY EG	4.13	0.43	-7.51	BOW
AXIATA	3.37	2.10	0.21	-
LITRAK	3.18	-0.10	-0.17	BOW
HLBK	3.05	-10.20	-2.50	BOW
IJM CORP	2.47	-2.47	-0.88	BOW
IHH	2.10	-3.64	-1.50	BOW
DUTCH LADY	1.86	0.22	-0.34	BOW
GENTING MSIA	1.70	1.24	-3.97	BOW

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- Tenaga Nasional Berhad saw the largest net money outflow of -RM38.09m last week. Its stock price outperformed the FBM KLCI with a 0.28% gain for the week.
- Maybank recorded the second largest net money outflow -RM15.89m during the week under review. Its share price outperformed the benchmark index with a 0.41% gain for the week. It is notable that the net money outflow amidst advancing share price indicates a sell on strength (SOS) stance among investors.
- Sime Darby meanwhile registered the third largest net money outflow at -RM12.96m, with its share price outperforming the benchmark index with a 0.11% gain. Its subsidiary, Weifang Sime Darby Port Co Ltd launched its liquid terminal in the province of Shandong to expand its storage and terminal facilities.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
TNB	-38.09	2.58	0.28	SOS
MAYBANK	-15.89	1.55	0.41	SOS
SIME DARBY	-12.96	2.16	0.11	SOS
PUBLIC BANK	-11.19	4.06	0.44	SOS
PETCHEM	-10.15	-1.31	0.14	SOS
KL KEPONG	-7.65	-2.31	-0.08	-
GAMUDA	-6.56	-1.57	-0.18	-
MAXIS	-5.15	4.90	-1.04	-
QL	-4.90	-0.16	-1.00	-
CIMB	-4.69	9.27	2.72	SOS

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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