

## MIDF EQUITY STRATEGY | 20 AUGUST 2018 WEEK ENDED 17 AUGUST

- Most equity markets worldwide retreated into the redzone as investors digested the latest developments regarding Turkey and also the trade feud between the U.S and China.
- Optimism on trade talks between the U.S and China remained intact on Friday, offsetting fears about Turkey's crisis. As a consequence, the Dow Jones index closed at its highest level since February of 25,669 points.
- Brent crude oil price stayed in the red zone for the third week, declining 1.35% to USD71.83pb. Fear in emerging markets such as Turkey's currency crisis could put further constrain on gasoline and diesel demand this year.
- The three-week foreign buying streak in Asian markets was snapped as international investors shifted back into selling mode. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" dumped -USD1.40b net last week, wiping out the net inflow recorded in the week before.
- Global portfolio money left Bursa last week after two weeks of foreign buying. Based on preliminary data from Bursa which excluded off market deals, international funds offloaded -RM631.4m net of local equities, wiping out the foreign net inflow of RM458.2m recorded in the week before.
- The FBM KLCI's six week winning streak came to an end after it ended 1.23% lower for the week at 1,783 points. In contrast, the Ringgit suffered its ninth consecutive week of losses after losing 0.47% to settle at USD/MYR4.1055, a level not seen since late November 2017.

## TURKEY WOES JOLT FINANCIAL MARKETS

### A. MARKET SNAPSHOT

- Most equity markets worldwide retreated into the redzone as investors digested the latest developments regarding Turkey and also the trade feud between the U.S and China.
- Wall Street marked its fourth straight day of losses on Monday with major U.S exporters being badly hit as the greenback strengthened against the Turkish Lira despite moves by Turkey's central bank to prevent the plunge in the currency. Nonetheless, U.S stocks were back on their feet the next day with the help of banking and retail stocks. The Turkish Lira was also stabilising following news of a talks being the U.S and Turkey to ease diplomatic tensions, halting a rally in bond price and lifted yields and interest rates higher.
- Disappointing corporate earnings conquered investors' mind on Wednesday. U.S retailers took a drubbing after Macy's weaker-than-expected sales which overshadowed the higher-than-expected U.S retails sales in July. Risk-on mood for technology stocks was also dampened by Tencent's surprise drop in its earnings.
- The sentiment on Wall Street recovered on Thursday as Beijing and Washington prepare to hold their first trade negotiations in months. Walmart posted its biggest gain in sales at stores open at least a year, and its online revenue grew 40%, a faster pace than it reported in the 1Q2018. Optimism on trade relations between the two super powers remained intact on Friday, offsetting fears about Turkey's crisis. As a consequence, the Dow Jones index closed at its highest level since February of 25,669 points.
- In Asia, Hong Kong's Hang Seng index experienced a weekly loss of 4.1%, the largest in 27 weeks. Sunny Optical was the worst performer amongst its 50 constituents during the week as it declined 30% following a less than 2% growth for 1HFY18 due to pressured margins.
- Europe's biggest economy, Germany recorded a 2.0% yoy growth in 2Q18 supported by higher private and government spending coupled with increased investment in equipment and construction. The growth in Germany's economy underscores the nation's high business confidence and low unemployment despite the disappointing factory data and a major trade dispute with the U.S. Following the commendable growth in Germany, the EU's statistics agency GDP growth was revised the GDP growth for the whole eurozone upwards to 0.4% in 2Q18.
- Brent crude oil price stayed in the red zone for the third week, declining 1.35% to USD71.83pb. Fear in emerging markets such as Turkey's currency crisis could put further constrain on gasoline and diesel demand this year. A big catalyst for the sector moving forward would be sanctions on Iran that will have its exports fall by more than 500,000 barrels per day by the end of 3Q2018.

Table 1 Weekly performance of major indices		
Weekly % change	Week before	Last week
Dow Jones	-0.59	1.41
S&P 500	-0.25	0.59
India SENSEX	0.83	0.21
Nikkei	-1.01	-0.12
Thai SET	-0.36	-0.93
KLCI	1.44	-1.23
CAC 40	-1.17	-1.29
FTSE 100	0.10	-1.41
Korea KOSPI	-0.21	-1.57
DAX	-1.52	-1.72
FSSTI Index	0.58	-2.29
Taiwan TAIEX	-0.26	-2.67
Phil PCOMP	-0.18	-2.84
Hang Seng	2.49	-4.07
Jakarta JCI	1.16	-4.83
China CSI 300	2.71	-5.15

Source: Bloomberg

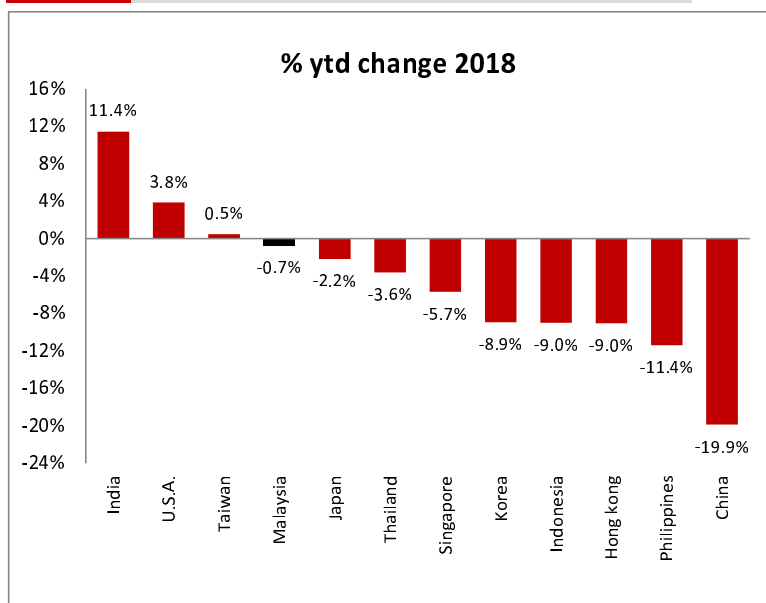
## FUND FLOW REPORT

- The FBM KLCI's six-week winning streak came to an end after it ended 1.23% lower for the week at 1,783 points. In contrast, the Ringgit suffered its ninth consecutive week of losses after losing 0.47% to settle at USD/MYR4.1055, a level not seen since late November 2017.

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

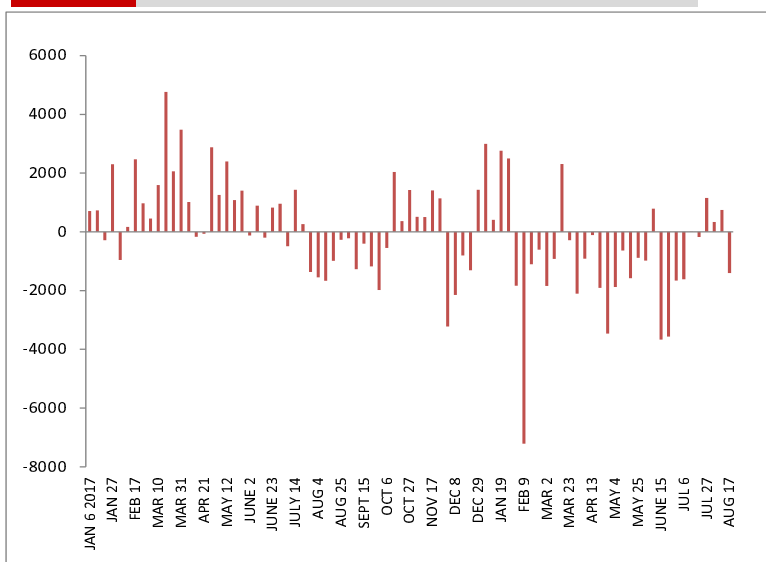
- The three-week foreign buying streak in Asian markets was snapped as international investors shifted back into selling mode. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" dumped -USD1.40b net last week, wiping out the net inflow recorded in the week before.
- In Korea, international investors raised their selling activity into high gear during the holiday shortened week as they offloaded -USD164.5m net, 16 times more than the amount sold in the preceding week. Foreign net selling was profoundly high on Monday at -USD204.0m, the highest in 26 trading days, extending the daily outflow to its third uninterrupted day. The KOSPI index took cue of the heavy foreign selling to end 1.5% lower at 2,248 points on the same day, a level not seen since May 2017 with Samsung Electronics Co. Ltd being the biggest contributor to the decline. The Korean Won was also adversely impacted by the heavy sell-down, depreciating by 0.44% to a three-week low of USD/KRW1,134.01. Meanwhile on Friday, global funds staged a comeback into the local bourse, mopping up USD152.0m net and the Korean Won led gainers amongst Asian currencies as China and the U.S will hold trade talks in late August. Apart from that, the two Koreas agreed to have a summit in Pyongyang in September.
- Taiwan's weekly foreign net outflows of -USD393.5m was the worse amongst the 7 Asian markets we track and was also the largest in six weeks. The island saw a modest foreign attrition on Monday worth -USD49.4m net which later swelled to -USD263.3m net on Friday, a level not seen since 11 July 2018 despite the planned talks between the China and the U.S. The Taiex index and the Taiwan Dollar followed suit, declining 2.7% and 0.2% respectively for the week. During the week, the Taiwan Dollar even plunged to a 17-month low of USD/TWD30.854 on Wednesday. On a year-to-date basis, Taiwan's foreign net outflow has reached -USD9.0b.

**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)

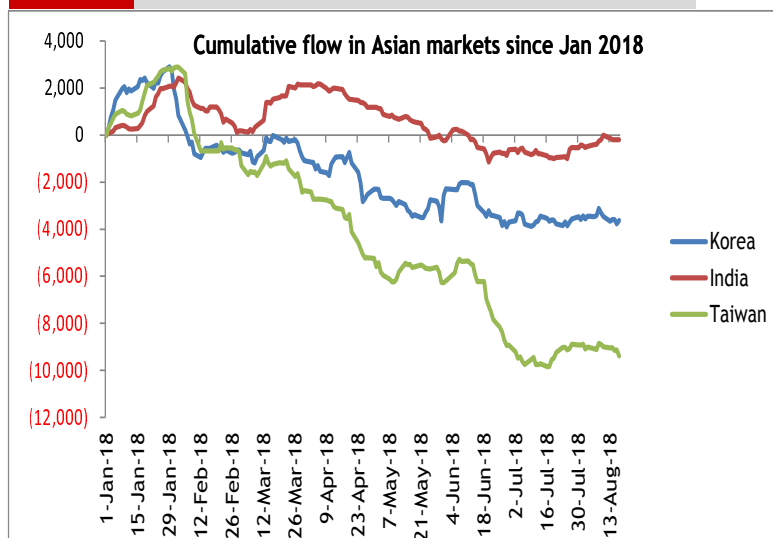


Source: Bloomberg, Bursa Malaysia, MIDFR

<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.

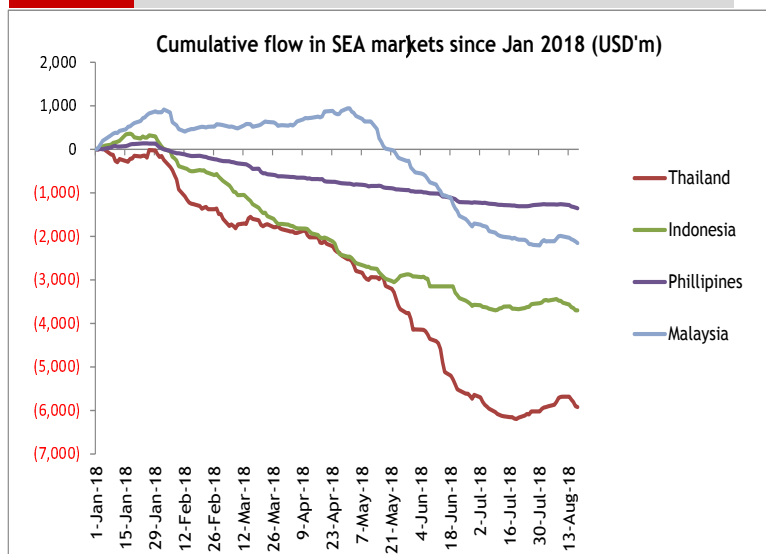
- In the emerging South East Asian markets that we monitor, foreign selling was across the board.
- In Bangkok, international funds sold -USD238.9m net last week, making it the casualty of the largest foreign attrition amongst the ASEAN markets we monitor during the four-day trading week. Offshore investors were net sellers on every single day with Thursday recording the highest net outflow since early July this year worth -USD93.4m net. Nevertheless, the level of foreign net outflows shrank on Friday to -USD22.4m net while the Baht ended 0.24% lower the same day but appreciated by 0.21% for the week amid inflows into the nation's bonds. The Taiex's 0.93% weekly drop was not as bad as its regional peers given its low exposure with Turkey in terms of trade and investment.
- Foreign net attrition in Manila ramped up by 80 times from -USD1.24m to -USD88.4m last week but was still the lowest among the 4 ASEAN markets we cover. Foreign net selling reached the highest in seven weeks on Tuesday at -USD27.5m as Turkey woes spilled over to local stocks, extending the PSEi's losing streak to its fourth day. The Philippine Peso was also not left out from the anxiousness regarding Turkey as it depreciated by 0.35% on the same day, the most during the week.
- In Jakarta, international funds disposed -USD173.9m net last week, more than three times more than in the preceding week. The level of foreign net outflows reached above -USD50m net on Tuesday and Thursday. It came to no surprise that Tuesday's elevated outflow was caused by the geopolitical turbulence in Turkey. Meanwhile, the nation's central bank unexpected rate hike on Wednesday which led to a total increase in the benchmark rate to 125bps since mid-May was not sufficient to erase the jitters in the local bourse before the Independence Day holiday on Friday.

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



Source: Bloomberg, MIDFR

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



Source: Bloomberg, Bursa Malaysia, MIDFR

**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 29	-287.8	-104.6	-150.5	-7.7	150.1	-1,081.7	-175.3	-1,657.6
JUL 6	-74.9	-317.4	-92.3	-29.9	-98.4	-830.8	-174.2	-1,617.8
JUL 13	341.6	-169.5	47.0	-30.4	-80.0	29.0	-131.9	5.8
JUL 20	-331.4	-36.1	-54.5	-29.6	-151.3	486.1	-60.9	-177.6
JUL 27	205.2	146.8	118.9	26.4	426.9	352.3	-122.8	1,153.4
AUG 3	118.0	116.9	77.2	16.2	48.8	-123.8	85.9	339.1
AUG 10	-10.9	221.7	-50.4	-1.2	468.6	7.0	112.5	747.1
AUG 17	-164.5	-238.9	-173.9	-88.5	-186.5	-393.5	-154.0	-1,399.8

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

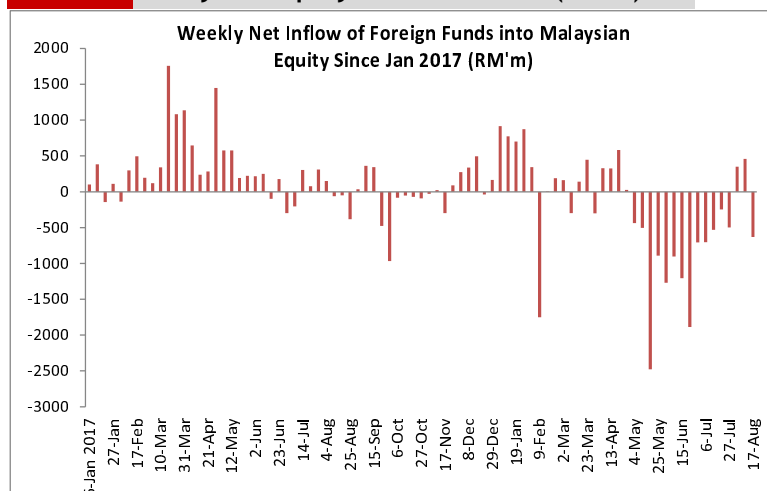
## FUND FLOW REPORT

### C. TRACKING MONEY FLOW - MALAYSIA

- Global portfolio money left Bursa last week after two weeks of foreign buying.
- Based on preliminary data from Bursa which excluded off market deals, international funds offloaded -RM631.4m net of local equities, wiping out the foreign net inflow of RM458.2m recorded in the week before.
- Offshore investors were already selling a lot on Monday to a tune of -RM142.3m net as the crisis in Turkey rippled across emerging markets including Malaysia. It came to no surprise that local stocks with exposure to Turkey such as Malaysia Airports Holdings and IHH Healthcare were the major decliners that day with losses of more than 5.0%
- The level of foreign net attrition later slowly tapered on Tuesday and Wednesday to -RM127.1m and -RM85.4m, respectively as the Turkish lira rebounded from Monday's massive drop. The FBM KLCI even followed suit to advance on these two days while other regional markets such as Thailand and Hong Kong were in the redzone during the same period.
- However, foreign net selling activity gradually accelerated on Thursday and Friday to -RM127.9m and -RM148.7m respectively as news of China and the U.S holding trade discussions in late August was not sufficient to spur risk-on mood following the announcement of Malaysia's lower-than-expected 2Q18 GDP growth of 4.5%yoy against market expectations of 5.2%yoy.
- August has so far seen a foreign net outflow worth -RM128.6m. The year-to-date outflow from Malaysia stands at -RM8.6b as of last Friday but is still the nation with the second lowest outflow amongst the 4 ASEAN markets we monitor.
- Participation amongst foreign investors have been active so far this year as their weekly average daily traded value (ADTV) reached above RM1b for 31 out of 33 weeks. The weekly ADTV of the retail market and local institutional funds also remained healthy above RM800m and RM2b respectively despite the drop last week.

Chart 5

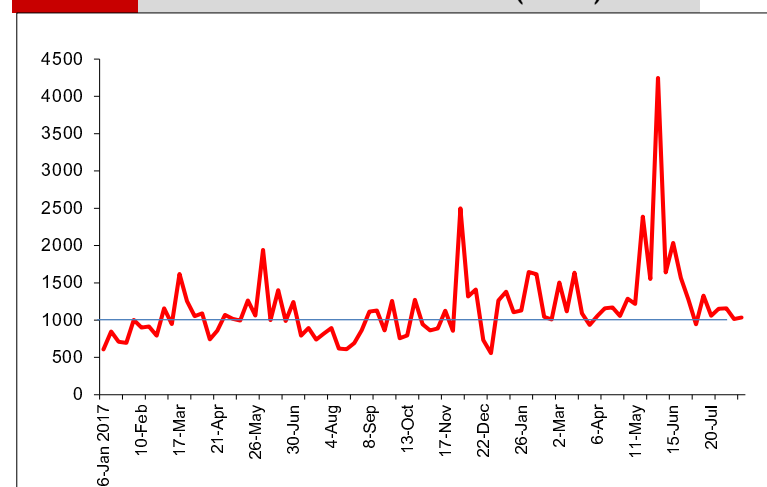
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2017 (RM'm)



Source: Bursa Malaysia preliminary statistics, MIDFR

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)	
JUL 13	2,745.7	2,663.1	82.6	5,855.5	5,406.3	449.2	3,054.4	3,586.2	-531.8	-131.9
JUL 20	3,044.8	3,037.8	7.5	6,297.9	6,058.3	239.6	2,524.5	2,771.6	-247.1	-60.9
JUL 27	3,274.9	3,263.4	11.5	6,429.5	5,942.6	486.9	2,629.9	3,128.3	-498.4	-122.8
AUG 3	2,296.1	2,289.6	6.5	5,334.8	5,690.2	-355.4	3,071.8	2,722.9	348.9	85.9
AUG 10	2,757.6	2,862.2	-104.6	5,552.4	5,906.0	-353.6	2,766.4	2308.2	458.2	112.5
AUG 17	2,624.4	2,477.9	146.5	5,773.7	5,288.8	484.9	2,275.6	2,907.0	-631.4	-154.0

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 17 AUGUST**
**TOP 10 NET MONEY INFLOWS**

- United Plantations Berhad registered the highest net money inflow of RM10.90m last week. Its share price outperformed with a 0.94% decline against the FBM KLCI which decreased by 1.23% during the week under review.
- CIMB Group Holdings Berhad recorded the second highest net money inflow of RM9.64m. Its share price was 0.67% lower for the week, outperforming against the market benchmark which was 1.23% lower.
- Top Glove Corporation Berhad saw the third highest net money inflow of RM7.99m. Its share price outperformed the FBM KLCI with a 0.95% drop during the week under review. It is notable that the net money inflow amidst declining 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		
UNITED PLNTN	10.90	-0.50	-0.94	BOW
CIMB GROUP	9.64	14.44	-0.67	BOW
TOP GLOVE	7.99	2.37	-0.95	BOW
DIALOG	6.44	-3.48	1.47	-
KL KEPONG	3.09	-1.11	-0.08	BOW
DUTCH LADY	2.44	-0.16	0.30	-
GAS MALAYSIA	2.29	-0.09	0.00	-
AIRASIA	2.04	-1.64	1.16	-
HEINEKEN	1.91	-1.93	-2.71	BOW
YTL POWER	1.56	3.00	2.50	-

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 -RM22.09m last week. Its stock price lost 1.11%, outperforming vis-à-vis the FBM KLCI which dropped 1.23% during the review week.
- Malaysia Airports Holdings Berhad recorded the second largest net money outflow -RM21.88m during the week under review. Its share price meanwhile declined 4.97% for the week, substantially underperforming the market benchmark which had a 1.23% weekly loss.
- Genting Berhad registered the third largest net money outflow of -RM15.18m in the review week. Its share price meanwhile declined 1.60% during the week, underperforming the benchmark which had a 1.23% weekly drop.

**Table 5** Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
MAYBANK	-22.09	-6.10	-1.11	-
MAHB	-21.88	-1.86	-4.97	-
GENTING BHD	-15.18	-1.19	-1.60	-
PETDAG	-14.27	-2.51	0.37	SOS
TNB	-9.77	-3.30	-0.51	-
PUBLIC BANK	-7.96	6.31	0.41	SOS
IHH	-5.34	-2.72	-4.70	-
SER DINAMIK	-4.34	-0.28	-1.28	-
BAT	-4.16	0.24	3.16	SOS
PETGAS	-3.93	1.03	-3.89	-

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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