

MIDF EQUITY STRATEGY | 18 DECEMBER 2017 WEEK ENDED 15 DECEMBER 2017

- Equity markets worldwide ended the week mixed amidst a raft of central bank decisions by major economies.
- Despite a bout of uncertainty on the tax bill plans, all three major U.S benchmarks sealed fresh closing highs on Friday, each locking in weekly gains above 0.90% after Senator Marc Rubio expressed his support for the bill. The dollar index followed suit, advancing 0.47% the same day to settle at 93.932 points while marking its third straight week of gains.
- Brent crude oil price dropped slightly by 0.27% for the week, to settle at USD63.23pb, weighed down by U.S production which is reaching close to top producers such as Saudi Arabia and Russia.
- It is now the third uninterrupted week of foreign funds leaving Asia with the provisional aggregate data from the seven Asian exchanges suggesting that investors classified as “foreign” disposing -USD649m net last week.
- International investors continued to amp up their stakes on stocks listed on Bursa last week. In fact, it has been four consecutive weeks of gradual foreign net inflow into Malaysia. Based on preliminary data from Bursa which excluded off market trades, the amount acquired by international investors was RM495.3m net.
- The FBM KLCI took the market by surprise, leading other global benchmarks with a whopping 1.85% weekly gain. The local benchmark even closed above 1,750 points, a level not seen in more than a month. The Ringgit resumed its strengthening streak for the seventh week, appreciating 0.20% to finish at USD/MYR4.0795.

FOREIGN INFLOWS IN LINE WITH BURSA'S MOVEMENT

A. MARKET SNAPSHOT

- Equity markets worldwide ended the week mixed amidst a raft of central bank decisions by major economies.
- As anticipated, the Fed increased interest rates for the third time this year on last Wednesday, this time by 25 basis points to a range between 1.25-1.50% while projecting additional rate hikes in 2018. The Fed's decision was however overshadowed by a deal made by lawmakers in the House and Senate on a tax reform overhaul plan, paving the way for final votes this week to reduce tax rates starting next year. The eventful Wednesday saw the Dow Jones hit its third new record high on the week.
- The mood turned sombre on Thursday amid concerns that the Republicans were having trouble to secure enough votes for the tax reform plan to pass through the Senate. Nonetheless, optimism sparked on Friday after Senator Marc Rubio's office confirmed that the senator will be voting for the tax bill following the enhancement of child tax credit which meets his standards.
- As the tax bill plans stood firm, all three major U.S benchmarks sealed fresh closing highs on Friday, each locking in weekly gains above 0.90%. The dollar index followed suit, advancing 0.47% the same day to settle at 93.932 points while marking its third straight week of gains.
- In Asia, the Hang Seng index experienced a 1.49% gain on Wednesday, the largest daily gain in three weeks boosted by banking and gaming stocks which include China Construction Bank Corp and Galaxy Entertainment Group. However, the bourse retreated to close below 29,000 points on Friday as sentiment was affected by a bout of uncertainty in the U.S tax plans overnight which eventually eased. Overall, the Hang Seng was up by 0.73% for the week.
- It was a meaningful week for Britain, as EU leaders at a summit in Brussels gave their consent for the Brexit negotiations to proceed onto the next phase. This indicates that there has been sufficient progress on the three key divorce issues in the first phase of Brexit talks which are the citizens' rights, the Brexit bill and the Northern Irish border. Investors cheered the turning point for Britain as the FTSE 100 ended 1.31% higher for the week.
- Brent crude oil price dropped slightly by 0.27% for the week, to settle at USD63.23pb. Despite the shutdown of the Forties pipeline last week, the weekly movement of crude oil price was muted as production by the OPEC fell to a six-month low in November to 32.45m barrels per day but was weighed down by U.S production which is reaching close to top producers such as Saudi Arabia and Russia.

Table 1 Weekly performance of major indices

Weekly % change	Week before	Last week
KLCI	0.20	1.85
Jakarta JCI	1.32	1.47
Dow Jones	0.40	1.33
FTSE 100	1.28	1.31
S&P 500	0.35	0.92
Taiwan TAIEX	-1.90	0.89
Korea KOSPI	-0.46	0.73
Hang Seng	-1.49	0.73
Thai SET	0.40	0.65
India SENSEX	1.27	0.64
Phil PCOMP	1.97	0.39
FSSTI Index	-0.72	-0.22
DAX	2.27	-0.38
China CSI 300	0.13	-0.56
CAC 40	1.55	-0.92
Nikkei	-0.03	-1.13

Source: Bloomberg

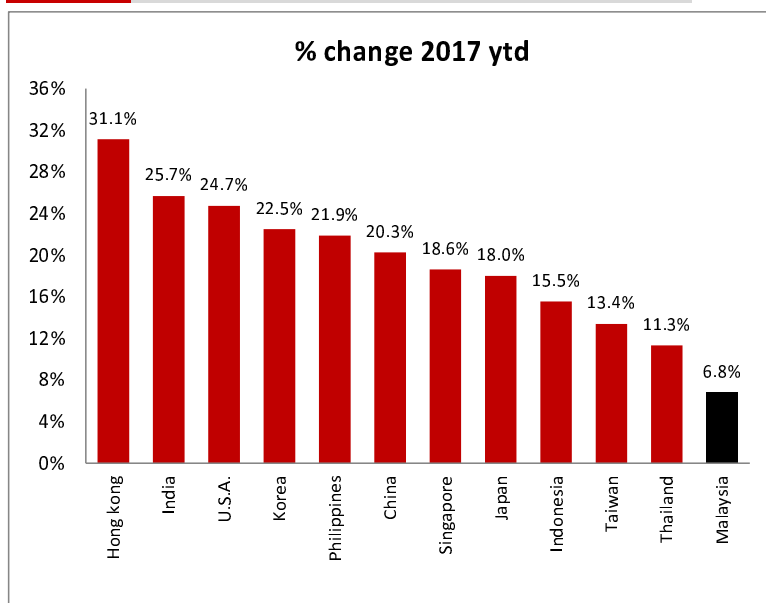
FUND FLOW REPORT

- The FBM KLCI took the market by surprise, leading other global benchmarks with a whopping 1.85% weekly gain. The local benchmark even closed above 1,750 points, a level not seen in more than a month. The Ringgit resumed its strengthening streak for the seventh week, appreciating 0.20% to finish at USD/MYR4.0795.

B. TRACKING MONEY FLOW - ASIA¹

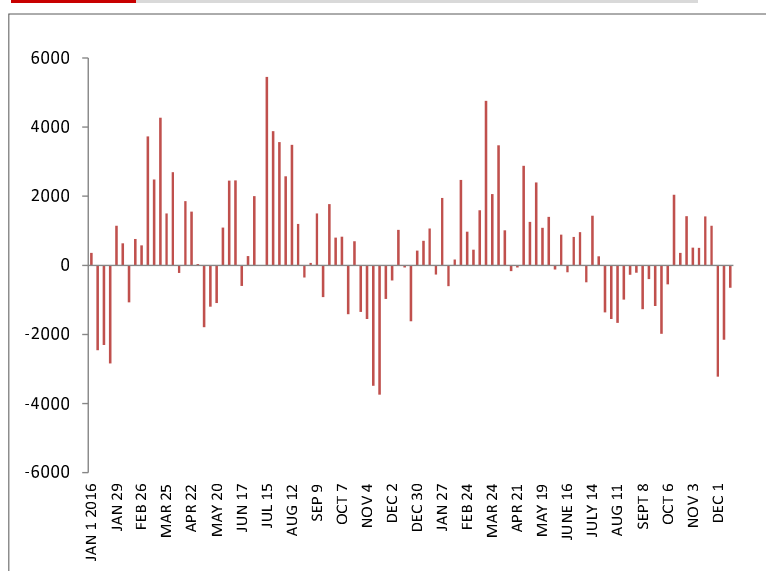
- It is now the third uninterrupted week of foreign funds leaving Asia with the provisional aggregate data from the seven Asian exchanges suggesting that investors classified as “foreign” disposing -USD649.0m net last week.
- North Asian markets succumbed to the bulk of selling pressure but a gradual weakening pace for the past three weeks. -USD363.0m net of local equities were sold by foreign investors, slightly more than the -USD635.3m net disposed in the preceding week. Foreign selling occurred on every single day of the week except on Thursday which recorded a foreign net inflow of USD312.1m net, the highest since 22 November 2017. We reckon that the inflow on Thursday is partly attributable to the overnight rally on Wall Street after a sweeping tax reform package was agreed by the House and the Senate. The slowdown in foreign selling coincided with the KOSPI's 0.73% weekly advance.
- Foreign investors in Taiwan sold -USD429.3m net last week, making it the biggest victim of foreign attrition among the seven Asian markets we track. Similar to Korea, foreign buying occurred on Thursday as foreign investors snapped up USD37.8m net. As a result, Taiwan's 14-day selling streak came to an end on the same day and the Taiex rose to a seven-day high of 10,538 points. However, the foreign buying only lasted a day as they sold -USD142.0m net on Friday following technology selloff spurred by Largan Precision Co.'s 2.8% drop to its lowest close since January this year at TWD4,180 per share. As the peak of the new iPhone X cycle is coming to an end, foreign investors view that it may be the suitable to time to lock in gains. In addition, the U.S tax reform plans are expected to benefit financial players rather than technology stocks. The Taiwan dollar was little changed, only gaining 0.04% for the week to settle at USD/TWD29.994 after 11 days hovering above the USD/TWD30 level.

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)

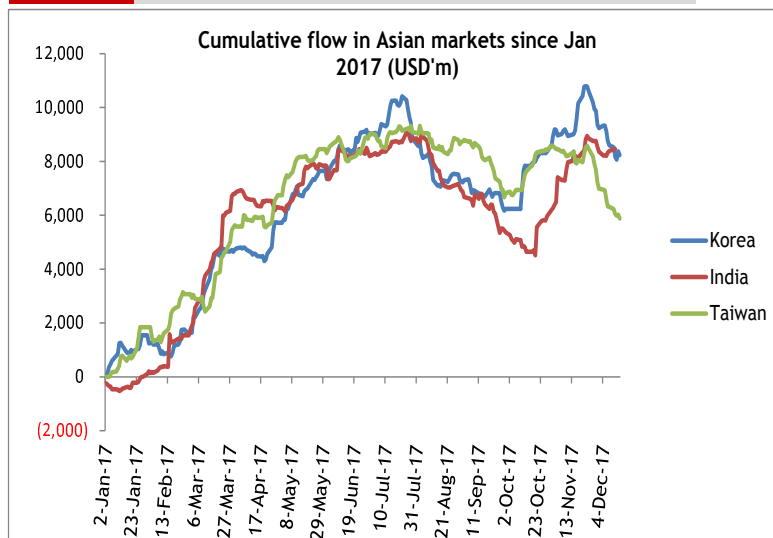


Source: Bloomberg, Bursa Malaysia

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.

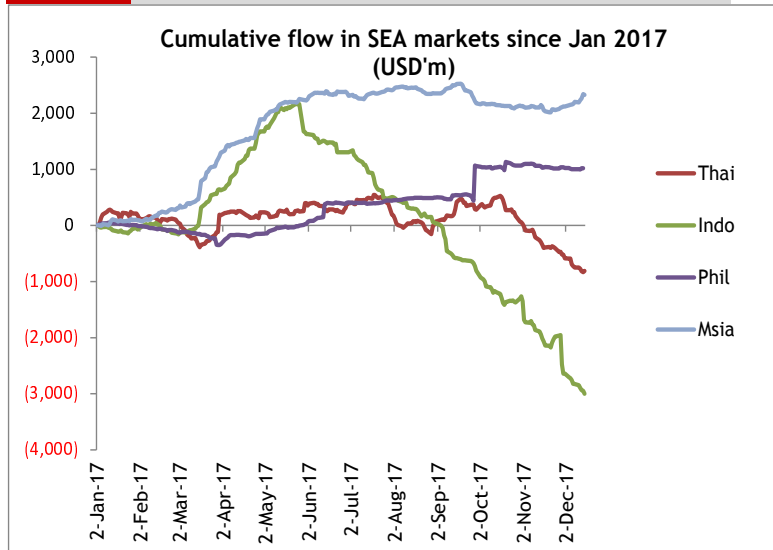
- In Emerging South East Asian markets, the ratio of markets facing attrition to the ones experiencing inflows was 50:50, with Thailand and Indonesia experiencing outflows while the Philippines and Malaysia were beneficiaries of inflows.
- The level of foreign selling dropped significantly by almost one third in Thailand as foreign investors sold -USD60.1m net last week, in line with the SET's third consecutive week of gains. In addition, the Airports of Thailand PCL provided the biggest boost to gauge for the week following the agreement between Thai Airways and Airbus to assess business opportunities. The Thai Baht recovered from losses in the previous week, ending 0.36% higher to settle at USD/THB32.507, the strongest level since April 2015 as foreign funds continued to pour into Thai bonds.
- Manila managed to attract a decent amount of foreign inflows worth USD17.8m net last week. Foreign buying on Thursday worth USD21.1m net snapped the nine-day selling binge, boosting the PSEi to a 25-day closing high of 8,461 points. Sentiment on Thursday was buoyed by ratification of the final version of the proposed Tax Reform for Acceleration and Inclusion (TRAIN) which is expected to generate PHP130b in revenue for the nation.
- Foreign attrition in Jakarta remained steady as foreigners sold -USD172.7m net last week. Meanwhile, the JCI logged a new record high on Friday at 6,119 points amid optimism for government infrastructure projects with Waskita Karya Tbk PT being one of the best performing construction players for the week as it gained 5.6%. The Rupiah on the other hand was little changed for the week, declining by 0.15% to USD/IDR13,570 after rates were kept unchanged by the central bank of Indonesia.

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
OCT 27	235.8	-107.0	-5.22	85.2	1,156.3	79.8	-21.8	1,423.0
NOV 3	593.5	-257.9	-351.6	24.0	469.1	39.3	-6.8	509.6
NOV 10	-17.3	-118.5	-141.3	-0.75	1,032.0	-255.2	5.2	504.1
NOV 17	1,210.9	-183.0	-276.1	-58.8	934.4	-142.3	-71.4	1,413.7
NOV 24	460.9	-14.7	161.1	-18.0	120.3	411.2	21.7	1,142.5
DEC 1	-1,381.5	-178.3	-661.5	18.8	395.9	-1,481.9	66.6	-3,221.8
DEC 8	-635.3	-166.4	-183.5	-33.3	-534.2	-679.7	82.8	-2,149.6
DEC 15	-363.0	-60.1	-172.8	17.8	237.2	-429.3	121.3	-649.0

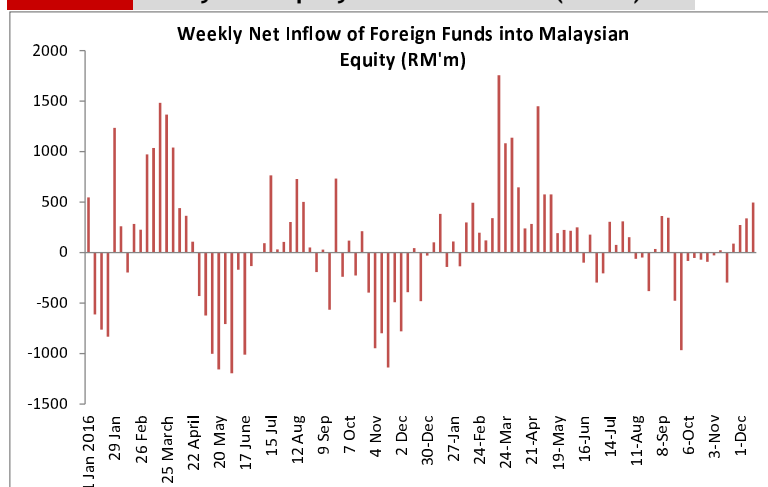
Source: Respective exchange statistics reported on Bloomberg. Bursa Malaysia. These figures are subject to revisions.

C. TRACKING MONEY FLOW - MALAYSIA

- International investors continued to amp up their stakes on stocks listed on Bursa last week. In fact, it has been four consecutive weeks of gradual foreign net inflow into Malaysia.
- Based on preliminary data from Bursa which excluded off market trades, the amount acquired by international investors inched nearer to RM500m. To be exact, RM495.3m net of Malaysian equities were acquired last week, a level not reached for the past seven months.
- The week started and ended with a bout of attrition. Nonetheless, the foreign buying from Tuesday to Thursday which totalled to RM591.8m net cancelled off the -RM96.5m net sold on Monday and Friday. Foreign buying peaked on Thursday at RM310.4m net, the largest daily inflow since April 28 this year. The heavy foreign buying coincided with the FBM KLCI reaching the highest close since October 10 at 1,759 points. It is noteworthy that the foreign inflow was in line with other regional peers, notably South Korea, Taiwan and the Philippines amid positive developments in the U.S tax overhaul plan.
- However, Friday turned out to be a gloomy day as foreign investors disposed -RM60.7m net. Investor sentiment was hampered by the lacklustre performance of Wall Street overnight amid sudden uncertainties on the U.S tax reform. Henceforth, it was no surprise that the local bourse took cue to retreat by 0.34%, closing below the 1,750 level on the same day.
- The fourth week of inflows has brought the year-to-date foreign purchase above the RM10b mark at RM10.2b. The last time it breached above the RM10b level was during the third week of September this year.
- Foreign participation stood strong last week as the foreign average daily trade value (ADTV) stayed above RM1b for the third week running. The retail ADTV meanwhile staged a recovery, increasing by 12.3% to RM904m.

Chart 5

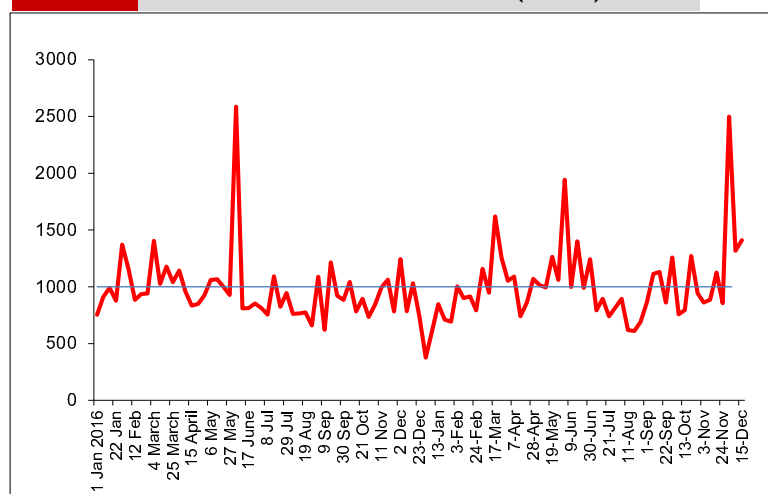
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2016 (RM'm)



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)	
NOV 3	2,856.5	2,760.9	95.6	6,307.7	6,374.7	-67.0	2,138.6	2,167.2	-28.6	-6.8
NOV 10	2,580.9	2,600.1	-19.2	6,551.5	6,555.0	-3.5	2,230.4	2,207.7	22.7	5.2
NOV 17	2,467.0	2,318.3	148.7	6,697.6	6,549.2	148.4	2,664.6	2,961.7	-297.1	-71.4
NOV 24	2,099.6	2,123.5	-23.9	7,232.5	7,297.2	-64.7	2,184.8	2,096.2	88.6	21.7
DEC 1	1,667.9	1,655.5	12.4	5,904.2	6,189.9	-285.7	5,132.8	4,859.5	273.3	66.6
DEC 8	2,078.0	1,945.3	132.7	6,514.5	6,984.9	-470.4	3,462.6	3,124.9	337.7	82.8
DEC 15	2,238.2	2,280.2	-42.0	7,635.1	8,088.4	-453.3	3,774.8	3,279.5	495.3	121.3

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 15 DECEMBER
TOP 10 NET MONEY INFLOWS

- IOI Corp registered the highest net money inflow of RM20.23m last week. Its share price however underperformed with a 1.78% loss against the FBM KLCI which gained by 1.85% 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.
- Tenaga Nasional recorded the second highest net money inflow of RM8.25m. However, its share price underperformed against the market benchmark with a rather 0.52% decline during the review week.
- United Plantations saw the third highest net money inflow of RM6.62m. Its share price too underperformed the FBM KLCI with a 0.56% 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	
IOI CORP	20.23	-1.74	-1.78	BOW
TNB	8.25	29.80	-0.52	BOW
UNITED PLTN	6.62	0.81	-0.56	BOW
HARTALEGA	5.26	-0.42	6.09	-
PETCHEM	5.26	28.94	0.40	-
GENTING BHD	2.56	3.31	2.28	-
HLBK	2.53	-1.88	4.13	-
TOP GLOVE	1.69	-1.63	8.12	-
AXIATA	1.68	-3.05	-0.75	BOW
DIALOG	1.63	2.88	2.92	-

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- F&N Holdings again saw the largest net money outflow of -RM19.87m last week. Its stock price ended 1.08% higher but underperformed vis-à-vis the FBM KLCI which advanced by 1.85% during the review week. It is notable that net money outflow amidst advancing share price may indicate a sell on strength (SOS) stance among some investors.
- Maybank recorded the second largest net money outflow -RM16.80m during the week under review. Its share price however substantially outperformed the market benchmark with a 2.91% weekly gain.
- Nestle registered the third largest net money outflow at -RM7.63m in the review week. Its share price underperformed the benchmark with a 0.54% weekly gain.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
F&N	-19.87	-38.43	1.08	SOS
MAYBANK	-16.80	-4.72	2.91	SOS
NESTLE	-7.63	-4.81	0.54	SOS
CIMB	-6.30	-34.89	5.87	SOS
BURSA	-5.53	3.15	3.86	SOS
SAPURA	-4.99	-1.54	-5.42	-
PUBLIC BANK	-3.58	-5.94	3.70	SOS
GENT PLTN	-3.40	-0.21	0.58	SOS
AIRASIA	-2.95	-3.08	4.04	SOS
SP SETIA	-2.95	-1.27	-0.29	-

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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