

MIDF EQUITY STRATEGY | 11 DECEMBER 2017 WEEK ENDED 8 DECEMBER 2017

- Majority of global equity markets moved sideways last week with a shakeup in geopolitics as President Trump instructed the U.S embassy to be relocated to Jerusalem after endorsing the latter as the capital of Israel.
- The Dow Jones and the S&P 500 sealed fresh closing highs on Friday at 24,329 points and 2,651 points respectively while the dollar index advanced 1.09% for the week to settle at 93.901 points. Optimism in U.S markets were bolstered by the upbeat U.S jobs data.
- Brent crude oil price declined by 0.52% for the week but still hovered above USD60pb, buoyed by China's booming oil demand evidenced by its crude oil imports rising to 37.04m tonnes in November, the second highest ever.
- Foreign funds continued to leave Asia markets on a rather large scale for the second week running with the provisional aggregate data from the seven Asian exchanges suggesting that investors classified as "foreign" disposing -USD2.16b net last week, the second highest weekly attrition recorded this year.
- Global funds continued to make their way to Malaysian shores for the third consecutive week. Based on preliminary data from Bursa which excluded off market trades, the amount acquired by international investors soared above RM300m for the first time in 12 weeks.
- The FBM KLCI continued to pocket some gains as it settled 0.20% higher for the week at 1,721 points, in line with its South East Asian peers. The Ringgit also remained strong, appreciating 0.09% to finish at USD/MYR4.0875 supported by the ongoing reconciliation of U.S tax reforms.

FOREIGN INVESTORS CONTINUE TO POUR INTO BURSA

A. MARKET SNAPSHOT

- Majority of global equity markets moved sideways last week with a shakeup in geopolitics as President Trump instructed the U.S embassy to be relocated to Jerusalem after endorsing the latter as the capital of Israel.
- Wall Street endured a hectic but yet meaningful week. The S&P500 snapped its longest losing streak in nearly four months of four straight days on Thursday as technology stocks such as Facebook and Alphabet posted daily gains above 1.00%, leading gainers. Optimism on Wall Street was also bolstered the same day by the progress of the tax legislation and the passing of the bill in the House of Representatives to extend the current federal funding through December 22.
- The mood was even more upbeat on Friday with a 228,000 increase in jobs for U.S nonfarm payrolls in November, beating forecasts of 200,000, cementing anticipations for an interest rate hike in the U.S Fed this week. In addition, the temporary spending bill to fund the federal government for 2 weeks was endorsed by President Trump, preventing a government shutdown as congressional negotiators have more time to figure out budget priorities through 2018. The Dow Jones and the S&P 500 sealed fresh closing highs on Friday at 24,329 points and 2,651 points respectively while the dollar index advanced 1.09% for the week to settle at 93.901 points.
- In Asia, the Hang Seng index jumped 1.19% on Friday as sentiment was lifted from the Chinese trade data showing an eight-month high in November. Notwithstanding this, the Hang Seng index posted its first back-to-back weekly loss in seven months following a huge selloff on Wednesday where the index lost 2.14%, the biggest loss in a day since mid-November 2016.
- Meanwhile in Europe, the U.K had an unpleasant start for the week following the Theresa May's failure to strike a deal with the European Union during Monday's meeting. Nonetheless, sentiment was lifted on Friday when both reached an agreement to proceed to discuss on trade, with the U.K to contribute to EU budgets for 2019 and 2020 as if it is still a member of the EU. For the week, the pound was rather volatile while the FTSE 100 gained 1.28%.
- Brent crude oil price declined by 0.52% for the week but still hovered above USD60pb. Brent crude faced its largest daily drop in four months by 2.61% on Wednesday as inventory data indicated a possible weakness in demand after gasoline inventories rose more than expected. The outlook for the oil market was buoyed by China's booming oil demand evidenced by its crude oil imports rising to 37.04m tonnes in November, the second highest ever.
- The FBM KLCI continued to pocket some gains as it settled 0.20% higher for the week at 1,721 points, in line with its South East Asian peers. The Ringgit also remained strong, appreciating 0.09% to finish at USD/MYR4.0875.

Table 1 Weekly performance of major indices

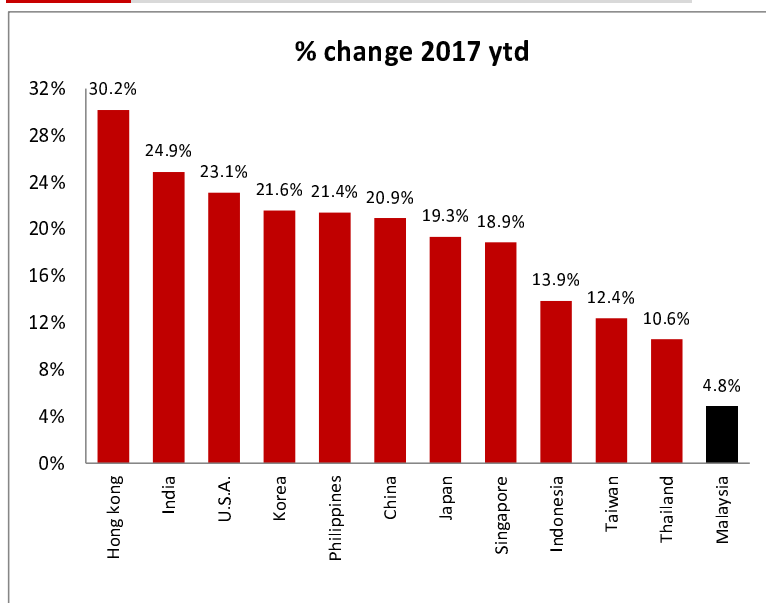
| Weekly % change | Week before | Last week |
|-----------------|-------------|-----------|
| DAX | -1.52 | 2.27 |
| Phil PCOMP | -2.64 | 1.97 |
| CAC 40 | -1.36 | 1.55 |
| Jakarta JCI | -1.90 | 1.32 |
| FTSE 100 | -1.47 | 1.28 |
| India SENSEX | -2.51 | 1.27 |
| Thai SET | 0.22 | 0.40 |
| Dow Jones | 2.86 | 0.40 |
| S&P 500 | 1.53 | 0.35 |
| KLCI | 0.04 | 0.20 |
| China CSI 300 | -2.58 | 0.13 |
| Nikkei | 1.19 | -0.03 |
| Korea KOSPI | -2.71 | -0.46 |
| FSSTI Index | 0.21 | -0.72 |
| Hang Seng | -2.65 | -1.49 |
| Taiwan TAIEX | -2.34 | -1.90 |

Source: Bloomberg

B. TRACKING MONEY FLOW - ASIA¹

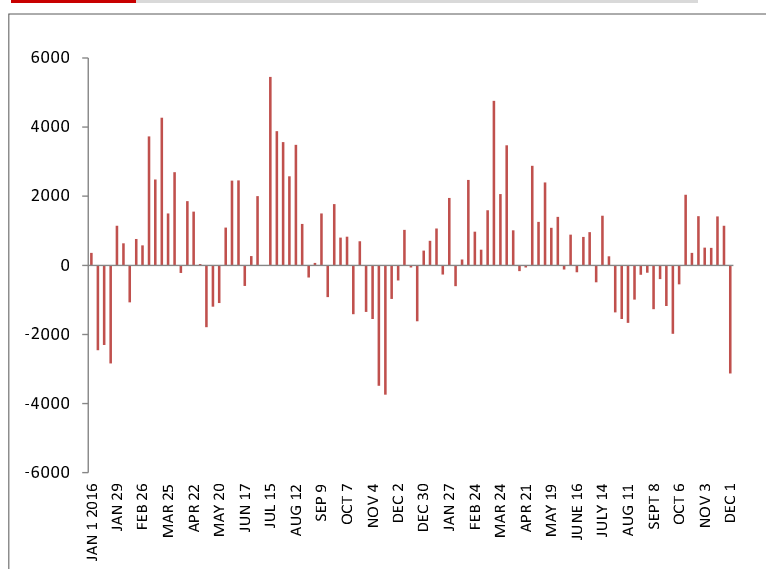
- Foreign funds continued to leave Asia markets on a rather large scale for the second week running with the provisional aggregate data from the seven Asian exchanges suggesting that investors classified as “foreign” disposing -USD2.16b net last week, the second highest weekly attrition recorded this year.
- Again, North Asian markets were the main casualties of last week’s selloff, amid at a slower pace with less than USD1b leaving Korea and Taiwan each. Global investors offloaded -USD635.3m net of Korean equities which was the second highest weekly attrition recorded in 2017. Thursday recorded the biggest daily selloff during the week at -USD333.2m net, following heightened geopolitical tensions from President Trump’s decision to relocate the U.S embassy in Israel from Tel Aviv to Jerusalem. The big selloff on Thursday coincided with the KOSPI closing at its lowest level since October 11 at 2,462 points. The Korean Won also weakened by 0.56% for the week to USD/KRW1,092 due to the strength in the greenback underpinned by progress in U.S tax reforms.
- International investors fled Taiwan at a similar tune to Korea, disposing -USD679.7m net last week, less than half of the attrition in the preceding week. As of last Friday, it has been 11 uninterrupted days of foreign attrition in Taiwan, the longest selling streak since May 2016. Taiwan experienced the largest daily net outflow during the week on Wednesday which amounted to -USD348.5m net. This coincided with Taiex’s biggest daily drop for the week at 1.64% which was driven by a global selloff in technology stocks with Largan Precision being one of the biggest laggards with a 9.8% drop, the most in 15 months. Stocks of local technology players, namely TSMC and Hon Hai Precision remained weak thereafter, contributing for nearly half of the Taiex’s 1.90% weekly drop. The Taiwan dollar meanwhile was little changed with 0.01% advance to USD/TWD30.006.
- In Emerging South East Asian markets, Malaysia was the odd one out as other markets experienced a foreign selloff.

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)

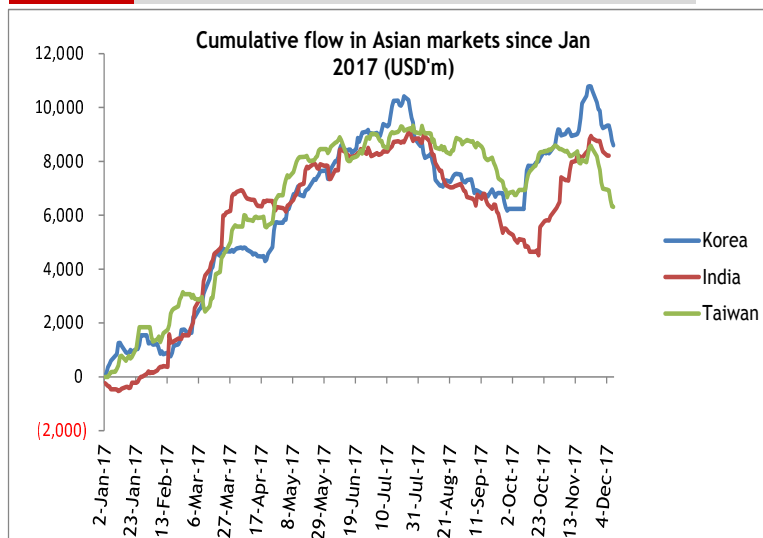


Source: Bloomberg, Bursa Malaysia

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.

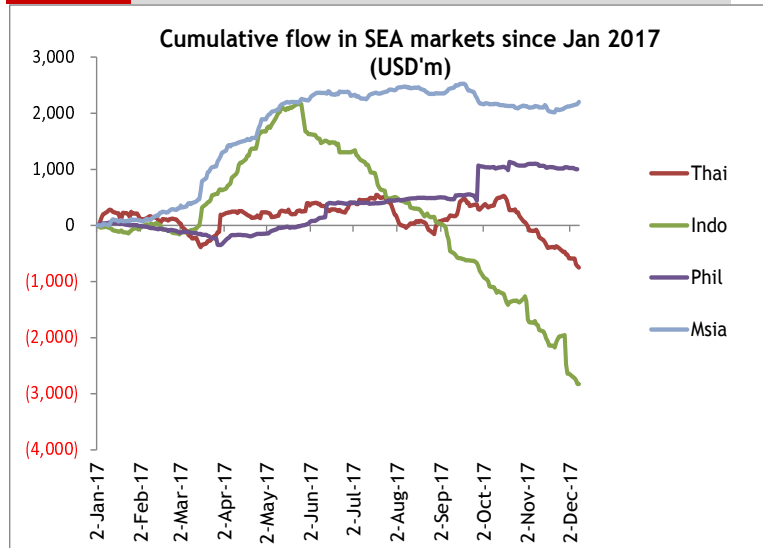
- The pace of foreign attrition remained steady in Thailand at -USD166.4m net, a slight decline from last week's -USD178.3m net attrition. With eight continuous weeks of foreign selling, the longest selling binge recorded so far this year, the SET index remains resilient as it advanced 0.40% for the week and has closed above 1,700 points four times in the past eight weeks. We reckon the upbeat sentiment in Thailand was supported by the consumer confidence rising to the highest level in 33 months at 78 points in November. However, the Thai Baht took cue from the selloff to depreciate by 0.16% for the week to USD/THB32.671.
- Foreign selling in Manila accelerated as foreign investors dumped -USD33.3m net of local stocks last week. This has stretched the daily selling streak to six days as of last Friday, the longest since February this year. Last week's attrition is partly attributable to the Philippine's 4Q17 consumer confidence which was weighed down by the Marawi crisis, natural disasters and higher medical expenses. Nonetheless, the PSEi locked in a weekly gain of 1.97% closing at a nine-day high on Friday at 8,305 points.
- Meanwhile, foreign outflows from Indonesia slowed down last week as global funds only sold -USD183.5m net which was almost one fourth of the amount disposed in the week before. As the pace of foreign selling lost momentum and consumer confidence in November improved, the JCI gained 1.3% over the past week to close above 6,000 points, the biggest weekly advance since August. The Rupiah meanwhile nursed its second week of losses, ending 0.20% lower for the week at USD/IDR13,550 amid the strength in the greenback boosted by tax reform prospects.

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)

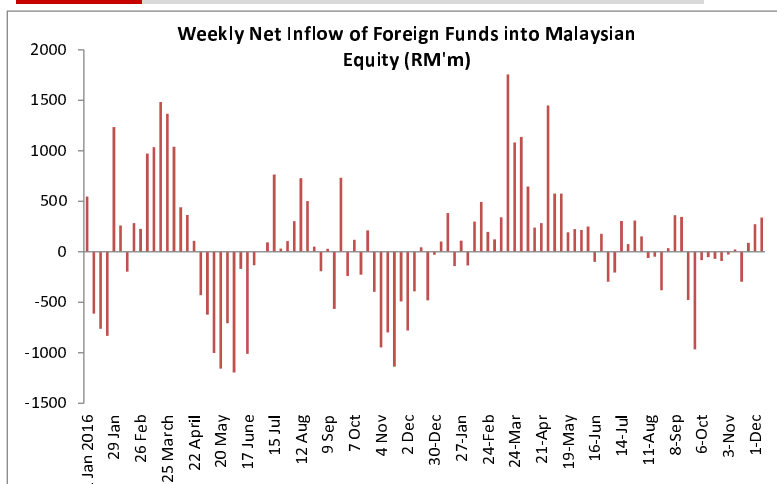
| WEEK | KOREA | THAI | INDON | PHIL | INDIA | TAIWAN | M'SIA | TOTAL |
|--------|----------|--------|--------|-------|---------|----------|-------|----------|
| OCT 20 | 300.4 | -217.0 | -183.0 | -49.7 | -184.1 | 713.1 | -16.9 | 362.9 |
| OCT 27 | 235.8 | -107.0 | -5.22 | 85.2 | 1,156.3 | 79.8 | -21.8 | 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 | -540.9 | -679.7 | 82.8 | -2,156.4 |

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

C. TRACKING MONEY FLOW - MALAYSIA

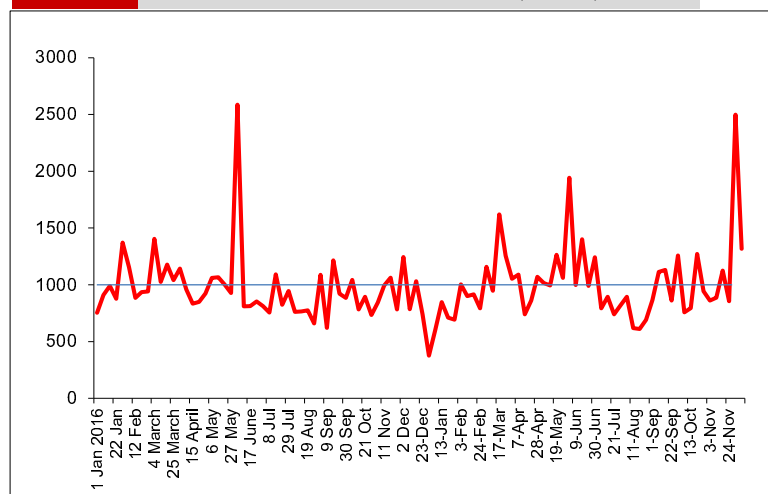
- Global funds continued to make their way to Malaysian shores for the third consecutive week.
- Based on preliminary data from Bursa which excluded off market trades, the amount acquired by international investors soared above RM300m for the first time in 12 weeks. To be exact, RM337.7m net of Malaysian equities were bought last week, higher than the RM272.3m net seen in the preceding week.
- Last week, foreign investors were net buyers on every single day, extending the daily buying binge to nine-straight days as of last Friday, and also the longest in nearly seven months. Global investors started the week strong by mopping up RM89.5m as risk-on mood improved following the passage of a Senate tax bill in the preceding weekend. However, foreign buying took a hit on Tuesday as it went down to RM20.8m net despite the FBM KLCI reaching a two-week high of 1,724 points amid the improvement in 3Q17 corporate earnings.
- It is noteworthy that foreign funds gradually increased their exposure in Malaysian stocks thereafter. Most importantly, Foreign buying peaked on Friday at RM159.5m net, the largest acquisition in a day since November 23. It was of no surprise as the mood on the local bourse was rekindled by outstanding Chinese trade data coupled with a rally staged by Malaysian banking stocks. We notice that the foreign inflow into Bursa continues to buck the trend of its Asian peers.
- The second week of inflow has brought the year-to-date foreign purchase nearer to the RM10b level at RM9.71b. In the past 49 weeks, Malaysia has experienced 33 weeks of foreign inflows compared to 26 weeks in 2016.
- Foreign participation remained elevated last week as the foreign average daily trade value (ADTV) stayed above RM1b at RM1.32b while retail ADTV was still subdued at RM805m.

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) | |
| OCT 27 | 2,381.9 | 2,368.6 | 13.2 | 6,065.5 | 5,986.7 | 78.8 | 2,312.2 | 2,404.3 | -92.1 | -21.8 |
| 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 |

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 8 DECEMBER
TOP 10 NET MONEY INFLOWS

- Tenaga Nasional Berhad registered the highest net money inflow of RM29.80m last week. Its share price however marginally underperformed with a 0.39% gain against the FBM KLCI which gained by 0.40% during the week under review.
- Petronas Chemicals recorded the second highest net money inflow of RM28.94m. However, its share price underperformed against the market benchmark with a 0.27% advance during the review week.
- British American Tobacco saw the third highest net money inflow of RM4.82m. Its share price too outperformed the FBM KLCI with a 1.87% gain during the week under review.

Table 4 Top 10 Net Money INFLOW

| Name | Net Money Flow (RM mn) | | Price (% Chg) Last Week | Remark |
|--------------|------------------------|-----------|-------------------------|--------|
| | Last Week | Prev Week | | |
| TNB | 29.80 | 113.34 | 0.39 | - |
| PETCHEM | 28.94 | -3.54 | 0.27 | - |
| BAT | 4.82 | -2.39 | 1.87 | - |
| GENTING MSIA | 4.29 | -1.85 | 3.14 | - |
| GENTING BHD | 3.31 | -1.82 | -0.11 | BOW |
| BURSA | 3.15 | 1.20 | -1.03 | BOW |
| DIALOG | 2.88 | 0.35 | -0.41 | BOW |
| TIME DOTCOM | 2.78 | 3.53 | -0.55 | BOW |
| HAP SENG | 2.64 | -0.08 | 0.32 | - |
| SUNWAY BHD | 1.88 | 0.22 | -0.61 | BOW |

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 -RM38.43m last week. Its stock price ended 0.86% higher and outperformed vis-à-vis the FBM KLCI which advanced by 0.40% 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.
- CIMB recorded the second largest net money outflow -RM34.89m during the week under review. Its share price however substantially underperformed the market benchmark with a 1.49% weekly loss.
- IGB Corporation registered the third largest net money outflow at -RM7.37m in the review week. Its share price underperformed the benchmark with a 0.34% weekly loss.

Table 5 Top 10 Net Money OUTFLOW

| Name | Net Money Flow (RM mn) | | Price (% Chg) Last Week | Remark |
|-------------|------------------------|-----------|-------------------------|--------|
| | Last Week | Prev Week | | |
| F&N | -38.43 | -19.09 | 0.86 | SOS |
| CIMB | -34.89 | 1.81 | -1.49 | - |
| IGB CORP | -7.37 | 0.46 | -0.34 | - |
| PUBLIC BANK | -5.94 | -9.09 | 0.60 | SOS |
| MAXIS | -5.74 | -1.22 | 0.17 | SOS |
| BIMB | -5.27 | 1.19 | -0.47 | - |
| PETDAG | -5.17 | -4.27 | 1.24 | SOS |
| DIGI.COM | -5.15 | -7.38 | 0.65 | SOS |
| NESTLE | -4.81 | -16.94 | 2.22 | SOS |
| MAYBANK | -4.72 | 17.24 | 0.22 | 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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