

MIDF EQUITY STRATEGY | 26 FEBRUARY 2018 WEEK ENDED 23 FEBRUARY

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- U.S benchmarks tumbled to their lowest point during the week on Wednesday following the release of the minutes of Fed's January meeting which indicated gradual rate hikes later year
- Brent crude oil price continued to pick up steam, gaining 3.8% for the week to settle at a 14-day trading high of USD67.31pb. Sentiment in the oil market was mainly supported by comments from OPEC's secretary, Barkindo who signalled that the body would continue to reduce stockpiles
- Foreign outflow from Asia continued to decelerate for the third week running. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" offloaded -USD389.1m net last week
- Global investors entered Malaysia for the second week in a row but at a heightened pace. Based on preliminary data from Bursa which excluded off market deals, the net amount acquired by foreign investors last week amounted to RM190.9m net, a huge improvement from the RM4.5m bought in the week before prior to the long weekend.
- The FBM KLCI posted a 1.26% weekly gain after settling at a 14-day trading high of 1,862 points on Friday, outperforming other South East Asian (SEA) markets. The Ringgit returned to the red, depreciating by 0.28% against the greenback to USD/MYR3.9053 as higher U.S interest rates outweigh the advance in oil price.

26 February 2018 | Strategy - Weekly Fund Flow

Adam M Rahim

MALAYSIA CONTINUES TO ATTRACT FOREIGN FUNDS

A. MARKET SNAPSHOT

- Majority of global benchmarks stayed in the positive territory amidst a slew of positive economic data from Europe to Asia.
- U.S benchmarks tumbled to their lowest point during the week on Wednesday following the release of the minutes of Fed's January meeting which indicated gradual rate hikes later year and warned of upside risk to the economy growth and inflation. Bond yields reacted by rising to 2.95%, the highest level since 10 January 2014. Nonetheless, Wall Street stood strong to score a second weekly win, suggesting that the recent selloff was more of a correction.
- U.S economic data revealed that existing home sales which declined by 3.2% to a seasonally adjusted rate of 5.38m units in January. The second monthly drop was largely driven by a function of supply constraint rather than demand as supply has declined for 32 straight months on a year-on-year basis.
- Another highlight in the U.S last week was President Trump's controversial move to pay bonuses to teachers who carry guns in the classroom to curb shootings in school.
- In Asia, the Hang Seng index started the Year of the Dog on the wrong foot as banks led laggards. HSBC slid 3.1%, the biggest loss in two weeks after its 4Q17 pretax profit missed estimates while other major lenders such as China Construction Bank, Industrial Commercial Bank of China Ltd and Bank of China Ltd all declined by more than 1.5%. Nonetheless, the Hang Seng index was unperturbed, gaining 0.59% for the week, rebounding from a correction in early February. China's CSI300 index also continued to flex its muscles, booking a 2.62% weekly gain despite Beijing's seizure of Anbang Insurance Group which demonstrates the nation's effort to reduce dangers in the financial markets.
- The European Central bank also released minutes of its January meeting last week, guiding that it may revise its monetary stimulus as early as March this year, acknowledging stronger Eurozone economy which grew 2.7% in 2017, the fastest in 10 years. The Euro jumped by more than 0.5% to reach highs of EUR/USD1.2350 after the release of the minutes. Currently, the ECB has planned to acquire EUR30b worth of bonds every month until September but is rumoured to be gradually preparing to end the asset purchases.
- Brent crude oil price continued to pick up steam, gaining 3.8% for the week to settle at a 14-day trading high of USD67.31pb. Sentiment in the oil market was mainly supported by comments from OPEC's secretary, Barkindo who signalled that the body would continue to reduce stockpiles despite the data showing that drilling activity rose to the highest since April 2015. The outage of the Libyan El Feel oilfield which produces 70,000bpd of crude added to the optimism during the week.

Table 1 Weekly performance of major indices

Weekly % change	Week before	Last week
Taiwan TAIEX	0.48	3.58
China CSI 300	3.29	2.62
FSSTI Index	1.96	2.61
KLCI	1.01	1.26
Korea KOSPI	2.46	1.23
Nikkei	1.58	0.79
CAC 40	3.98	0.68
S&P 500	4.30	0.55
Hang Seng	5.45	0.49
Jakarta JCI	1.32	0.43
India SENSEX	0.01	0.39
Dow Jones	4.25	0.36
DAX	2.85	0.26
Thai SET	1.09	0.12
FTSE 100	2.85	-0.69
Phil PCOMP	1.28	-1.68

Source: Bloomberg

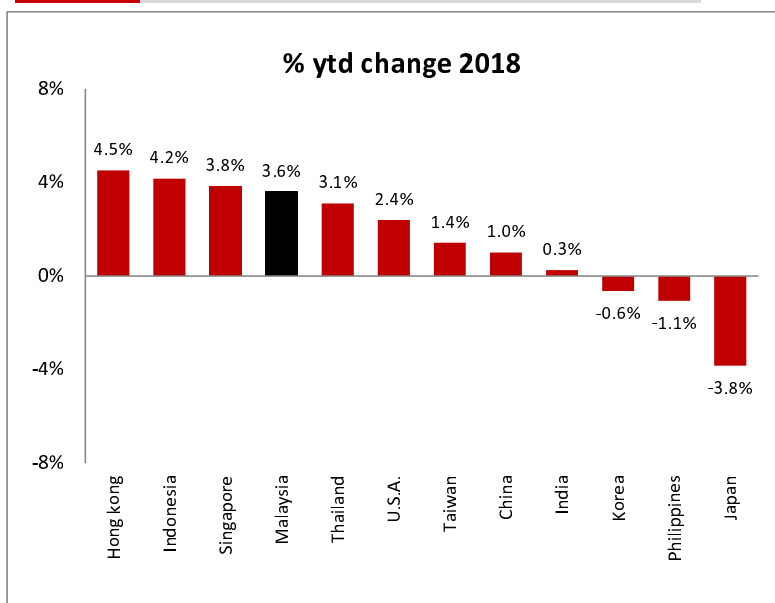
FUND FLOW REPORT

- The FBM KLCI posted a 1.26% weekly gain after settling at a 14-day trading high of 1,862 points on Friday, outperforming other South East Asian (SEA) markets namely, the Philippines, Indonesia and Thailand. The Ringgit returned to the red, depreciating by 0.28% against the greenback to USD/MYR3.9053 as higher U.S interest rates outweigh the advance in oil price.

B. TRACKING MONEY FLOW - ASIA¹

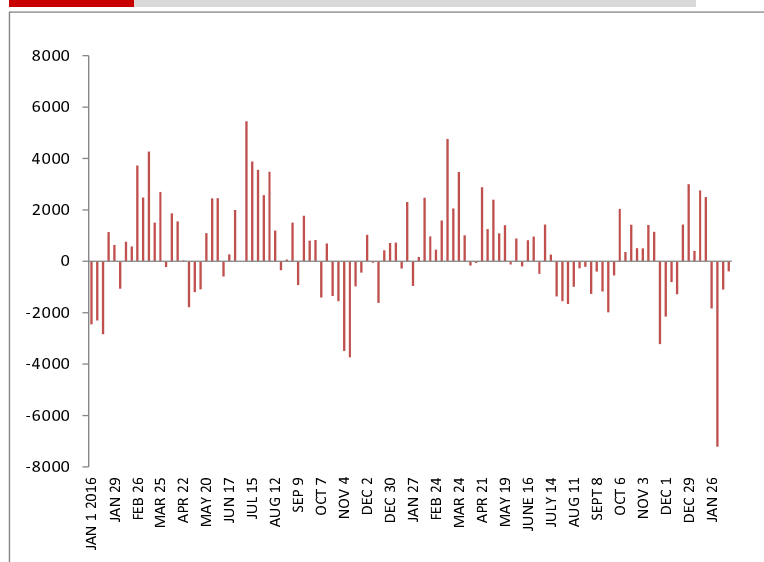
- Foreign outflow from Asia continued to decelerate for the third week running. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” offloaded -USD389.1m net last week, almost one third of the amount sold in the week before.
- After two straight weeks of heavy selling, foreign investors slowly entered into Taiwan by acquiring USD132.7m net of local equities last week. In fact, financial markets in the island reopened after the Lunar New Year holidays on Wednesday with a proverbial bang as foreign investors loaded up USD344.4m net, the highest daily buying since 18 January 2018, a stark contrast to the final trading days before the Lunar New Year when foreigners sold off equities to shield from any possible market turmoil during the break. The Taiex even capped its largest daily gain in more than two years with a 2.8% gain on the first trading day of the Dog Year, boosted by big caps such as TSMC and Largan Precision. The Taiwan dollar meanwhile weakened by 0.97% for the week to USD/TWD29.265 amid expectations of a rate hike in the U.S later this year.
- In contrast, global funds in Korea turned net sellers for the week, disposing -USD70.3m net of local equities. Global funds were net sellers on three consecutive days, from Tuesday to Thursday which amounted to -USD306.0m net, exceeding the total USD235.7m net acquired on Monday and Friday. Foreign selling in Korea peaked on Thursday at -USD170.0m net, similar to Taiwan which saw an attrition of -USD271.4m net, its highest on the same day. The minutes of Fed’s January meeting released on Wednesday might have sparked the sizeable attrition in North Asia. On separate note, General Motors has requested for financial assistance from the Korean government amid ballooning losses in its Korean operations.

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)

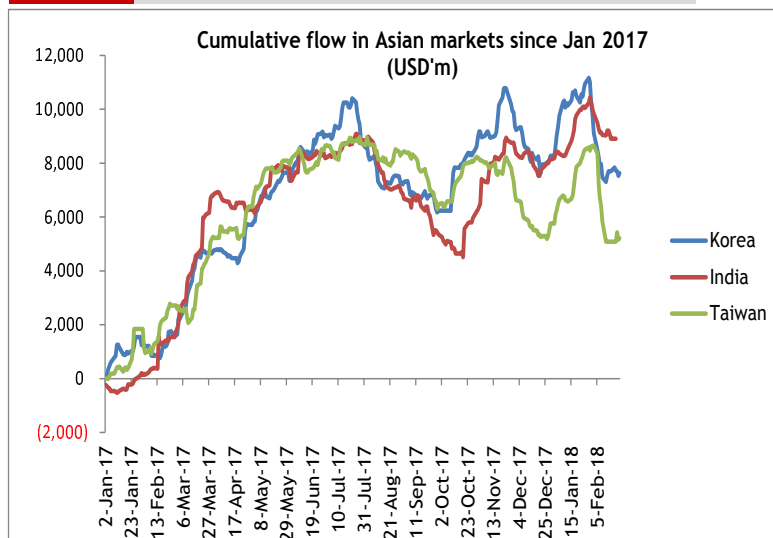


Source: Bloomberg, Bursa Malaysia

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.

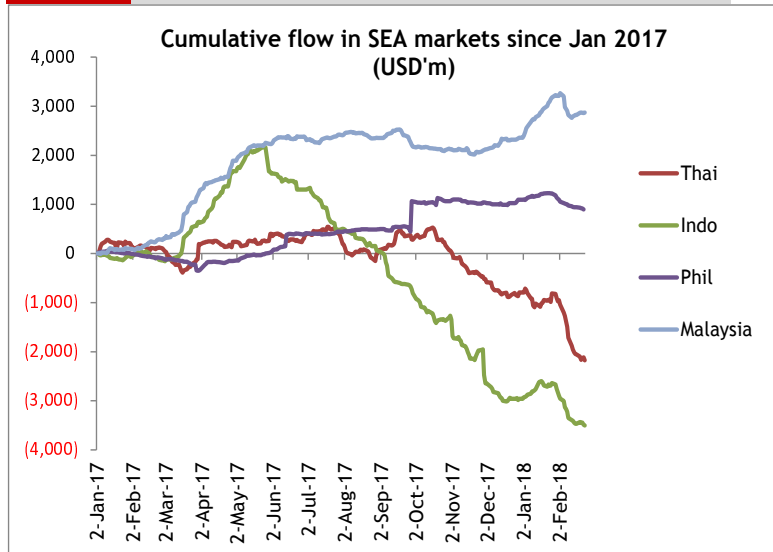
- In Emerging South East Asian markets, Thailand continues to be the biggest casualty of outflows for the third uninterrupted week.
- In Bangkok, foreign net selling decreased by almost one third from -USD339.2m to -USD120.1m net. Foreign selling topped on Tuesday at -USD63.4m net, coinciding with the SET's largest loss in a day since early February at -2.8%. We ascribe the abating outflows in Thailand to its soaring exports at 17.6%yoy in January, the biggest jump in more than five years. The Thai Baht on the other hand dropped by 0.52% to USD/THB31.472 during the week due to unexpected trade deficit of USD119m recorded in January. Notwithstanding this, the weakness of the Baht may be a relief to policy makers as it may help improve the nation's trade competitiveness.
- Foreign funds have been lowering the gear for selling in the past four weeks with the latest weekly attrition falling down to -USD44.8m net. Friday marked the highest foreign selling during the week at -USD20.1m net, coinciding with the PSEi's lowest closing in 43 days of 8,468 points amid concerns of increasing interest rates in the U.S, prompting the shift of funds from emerging markets to U.S markets. The Peso in contrast advanced the most in a day in two weeks by 0.43% on Friday to USD/PHP51.903 bringing the weekly gain to 0.62% after U.S Treasury yields edged lower on Thursday.
- A trend of dissipating outflows is also observed in Indonesia as global investors only sold -USD34.5m net last week compared to levels above -USD300m recorded in the preceding three weeks. The JCI gained for the second week and even reached a new milestone of 6,689 points last Monday which translated into a daily gain of 1.48%. Stock wise, Bank Mandiri rallied to a record high on Tuesday as its rising loan-to-deposit ratio could help reduce costs.

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
JAN 5	1,479.7	-12.9	84.6	14.7	311.6	891.9	228.2	2,997.7
JAN 12	394.1	-212.3	111.3	49.9	-57.0	-73.2	193.3	406.1
JAN 19	349.2	76.0	75.3	56.3	738.6	1,287.6	177.6	2,760.6
JAN 26	459.0	130.8	52.1	10.6	980.7	641.0	223.3	2,497.5
FEB 2	-1,839.0	-224.3	-316.4	-131.6	449.4	135.7	88.8	-1,837.4
FEB 9	-1,638.6	-676.8	-396.4	-91.1	-1,156.1	-2,805.8	-446.8	-7,211.5
FEB 16	230.9	-339.2	-116.4	-61.6	-70.2	-748.0	1.39	-1,103.1
FEB 23	-70.3	-120.1	-34.5	-44.8	-301.2	132.7	49.1	-389.1

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

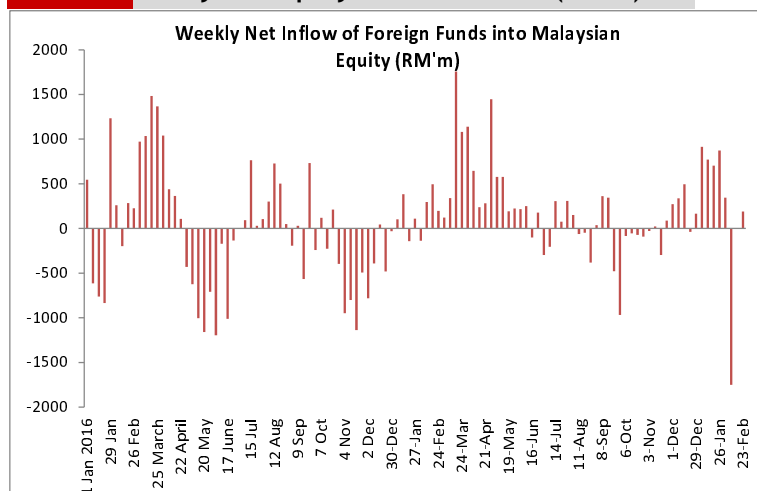
FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

- Global investors entered Malaysia for the second week in a row but at a heightened pace.
- Based on preliminary data from Bursa which excluded off market deals, the net amount acquired by foreign investors last week amounted to RM190.9m net, a huge improvement from the RM4.5m bought in the week before prior to the long weekend.
- Foreign buying occurred on 3 out of 5 trading days last week. Monday recorded the highest daily inflow in 10 trading days, amounting to RM164.3m net, pushing the FBM KLCI by 1.04% to 1,857 points. We reckon that foreign investors were pumped up to start the first day of trading for the Year of the Dog as there were ready to track gains from Wall Street in the preceding week. Foreigners continued buying on Tuesday but at a measurable pace of RM31.8m net amid a lack of fresh catalysts as U.S markets were closed overnight on Monday.
- However, Wall Street's slump on Wednesday spurred by minutes of the Fed's January meeting indicating the need to raise rates caused a pullback in Asian markets including Malaysia on Thursday. Hence, it was no surprise that foreign investors sold -USD30.8m net that day. Interestingly, the FBM KLCI's -0.17% decline on Thursday was not as bad as other SEA peers.
- The FBM KLCI rebounded to end the week at 1,862 points supported by foreign buying totalling to RM48.5m net. We note that sentiment was uplifted on Friday after Public Bank's shares hit a record high of RM22.90 following its positive FY17 results released the day before.
- So far in 2018, foreign investors have accumulated RM2.1b net of local equities, a stark contrast from the RM1.3b bought in the same period of 2017.
- It is noteworthy that foreigners remain active as the foreign average daily trading value (ADTV) has been above the RM1b for 8 straight weeks. The retail ADTV meanwhile recovered, increasing by 53% for the week to RM1.0b from RM663m.

Chart 5

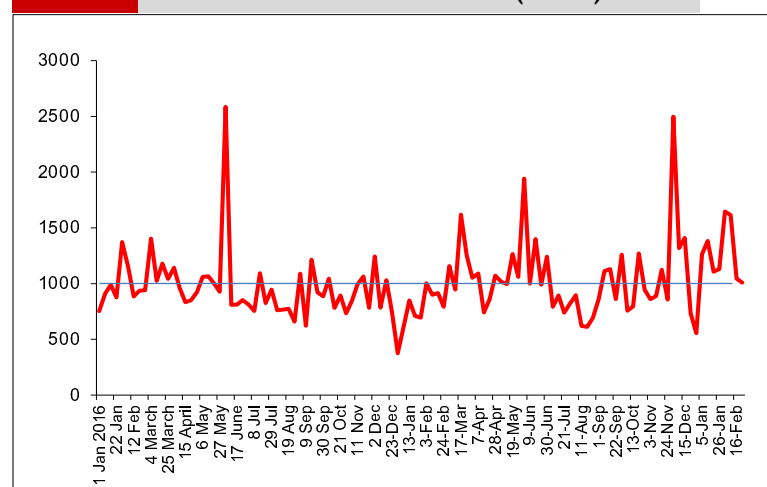
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2016 (RM'm)



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)	
JAN 12	5,413.0	5,246.8	166.2	9,859.1	10,797.5	-938.4	3,841.1	3,068.9	772.2	193.3
JAN 19	4,414.9	4,382.7	32.2	8,439.5	9,173.9	-734.4	3,117.3	2,415.1	702.2	177.6
JAN 26	3,465.9	3,525.7	-59.8	6,887.2	7,699.9	-812.7	3,259.4	2,386.8	872.6	223.3
FEB 2	1,902.8	1,923.8	-21.0	4,092.3	4,416.0	-323.7	2,641.5	2,296.8	344.7	88.8
FEB 9	3,343.9	3,392.0	-48.1	9,931.7	8,132.9	1,798.8	3,161.7	4,912.4	-1,750.7	-446.8
FEB 16	1,291.6	1,362.9	-71.3	4,380.0	4,313.2	66.8	2,091.9	2,087.4	4.5	1.4
FEB 23	2,542.8	2,548.0	-5.2	6,097.6	6,283.3	-185.7	2,618.1	2,427.2	190.9	49.1

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 23 FEBRUARY
TOP 10 NET MONEY INFLOWS

- Maybank registered the highest net money inflow of RM9.93m last week. Its share price outperformed with a 1.58% gain against the FBM KLCI which advanced by 1.26% during the week under review.
- Sime Darby Berhad recorded the second highest net money inflow of RM6.86m. Its share price significantly outperformed against the market benchmark with a 4.87% gain during the review week.
- Malaysia Airports Holdings Berhad saw the third highest net money inflow of RM6.51m. Its share price outperformed the FBM KLCI with a 1.73% gain 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	
MAYBANK	9.93	-1.00	1.58	-
SIME DARBY	6.86	5.16	4.87	-
MAHB	6.51	27.34	1.73	-
AIRASIA BHD	3.96	-4.01	2.55	-
SD PLANTATION	3.23	0.72	0.55	-
LOTTE	2.58	-0.41	1.36	-
AXIATA	1.88	-1.31	0.89	-
IOI CORP	1.82	-1.74	1.70	-
HLBK	1.79	2.61	0.00	-
PRESS METAL	1.47	5.18	1.05	-

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- Genting Berhad saw the largest net money outflow of -RM28.91m last week. Its stock price ended 1.00% higher, underperforming vis-à-vis the FBM KLCI which gained 1.26% 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.
- KL Kepong recorded the second largest net money outflow -RM24.01m during the week under review. Its share price meanwhile outperformed the market benchmark with a 2.37% weekly gain.
- MY EG Services registered the third largest net money outflow at -RM9.12m in the review week. Its share price meanwhile outperformed the benchmark with a 5.47% weekly gain.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
GENTING BHD	-28.91	4.98	1.00	SOS
KL KEPONG	-24.01	-4.12	2.37	SOS
MY EG	-9.12	1.00	5.47	SOS
SAPURA	-5.30	-3.15	2.92	SOS
HENGYUAN	-4.57	-0.59	15.64	SOS
PPB GROUP	-4.56	-9.15	1.03	SOS
PUBLIC BANK	-4.53	-9.74	4.40	SOS
GAMUDA	-4.43	-0.22	1.61	SOS
CIMB GROUP	-4.20	21.41	2.57	SOS
PETDAG	-3.10	-1.96	1.67	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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