

## MIDF EQUITY STRATEGY | 12 FEBRUARY 2018 WEEK ENDED 9 FEBRUARY

- It was rather volatile week for global equity markets worldwide as they remained in the red zone for the second week running.
- U.S stocks finished the hectic week with a burst of buying, lifting the S&P500 and Dow Jones by 1.5% and 1.4%, respectively on Friday but still posted their worst week in two years. The rise in optimism on Friday could be partly attributable to the Senate's approval for the budget-deal on early Friday morning, preventing another U.S government shutdown.
- Brent crude oil price faced its biggest weekly drop since December 2015 of 8.4% after settling at USD62.79pb on Friday as fears about rising U.S oil output was reaffirmed by the number of oil rigs operating in the U.S rose by 26 to 791, the highest level since April 2015.
- The pace of foreign funds leaving Asia shifted to a high gear last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" offloaded -USD7.00b net last week, almost four times the amount disposed in the preceding week, marking the second week of net outflows.
- A reversal of trend occurred last week as there was an exodus of foreign funds from stocks listed on Bursa after six straight weeks of buying. Based on preliminary data from Bursa which excluded off market deals, international investors withdrew -RM1.75b net of local equities last week, wiping off around 92% of the net inflows worth RM1.92b accumulated in the previous three weeks.

12 February 2018 | Strategy - Weekly Fund Flow

Adam M Rahim

## MASSIVE WIPEOUT OF FOREIGN FUNDS FROM ASIA

### A. MARKET SNAPSHOT

- It was rather volatile week for global equity markets worldwide as they remained in the red zone for the second week running.
- Wall Street faced a disastrous start last week with the Dow Jones losing 1,175 points on Monday to settle below the 25,000 level coinciding with Jerome Powell's first day as the Fed's chair, the largest drop ever based on pure points in the history of Dow Jones. The original trigger for the ruction was the sharp rise in U.S bond yields in the preceding week, amidst concern over imminent rate hikes this year.
- U.S markets went into another tailspin on Thursday as the Dow surrendered 1,033 points, retreating to close at 23,860 points. The plunge represented a full market correction, defines as a 10% drop from its January 26 record high, an event not seen since 2016.
- Nevertheless, U.S stocks finished the hectic week with a burst of buying, lifting the S&P500 and Dow Jones by 1.5% and 1.4%, respectively on Friday but still posted their worst week in two years. The rise in optimism on Friday could be partly attributable to the Senate's approval for the budget-deal on early Friday morning, preventing another U.S government shutdown.
- In Asia, the Hang Seng index and CSI 300 were the worst performers among global indices during the week with a 9.5% and 10.1% drop for the week, respectively. This is the biggest weekly loss recorded for Hong Kong since the global financial crisis in 2008 while for China it was the largest drop since the nation's 2015 market collapse. These are seen to be a major correction, following big profits in 2017 coupled with weak market sentiment as investors prefer to lock in gains prior to the Lunar New Year holiday which takes place this week as well as lingering concern over high debt levels in China.
- In Europe, the Bank of England (BOE) stood pat on interest rates but hinted the need for an earlier-than-expected rate hike to curb the pace of inflation. It was not sufficient though to prevent the Sterling from depreciating by 2.1% to GBP/USD1.3827 for the week following the tough stance of Brexit negotiator, Michel Barnier who demanded the U.K to implement new EU rules during the transition period.
- Brent crude oil price faced its biggest weekly drop since December 2015 of 8.4% after settling at USD62.79pb on Friday. Fears about rising U.S oil output derailing efforts by major oil producers to curb supply was reaffirmed by the data from Baker Hughes. It revealed that the number of oil rigs operating in the U.S rose by 26 to 791, the highest since April 2015. The lower-than- expected buildup in U.S crude stockpiles which only rose 1.9m barrels in the preceding week was not enough to erase the fears lingering in the oil market.

**Table 1** Weekly performance of major indices

Weekly % change	Week before	Last week
Jakarta JCI	-0.48	-1.86
Thai SET	-0.08	-2.24
KLCI	0.89	-2.71
India SENSEX	-2.73	-3.03
Phil PCOMP	-2.55	-3.49
FSSTI Index	-1.05	-4.32
FTSE 100	-2.90	-4.72
S&P 500	-3.85	-5.16
Dow Jones	-4.12	-5.21
DAX	-4.16	-5.30
CAC 40	-2.97	-5.33
Korea KOSPI	-1.92	-6.40
Taiwan TAIEX	-0.19	-6.78
Nikkei	-1.51	-8.13
Hang Seng	-1.67	-9.49
China CSI 300	-2.51	-10.08

Source: Bloomberg

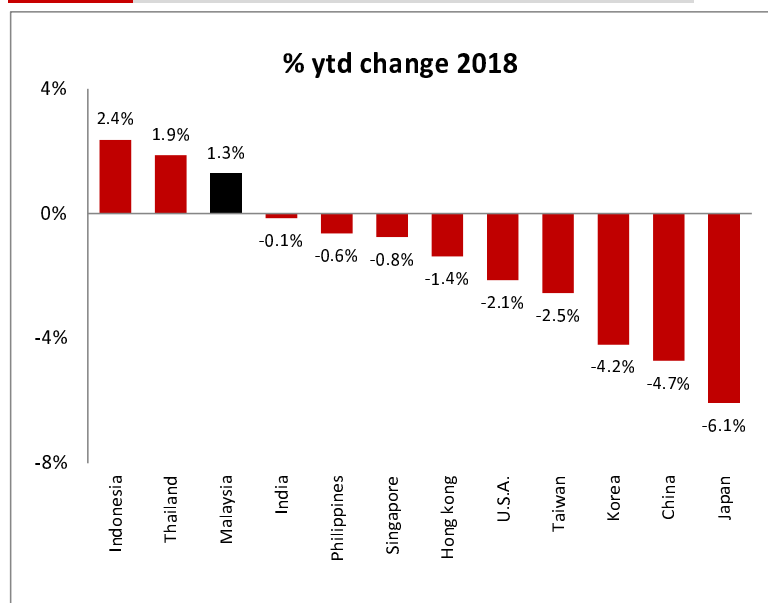
## FUND FLOW REPORT

- Although the gains of the FBM KLCI in the preceding week have been wiped out, the FBM KLCI was the market with the third smallest loss of -2.71%, behind Jakarta and Thailand given that all indexes were facing huge weekly losses. The Ringgit also took a hit, depreciating by -1.37% to USD/MYR3.9395 for the week as the risk-on mood fades on the stock market rout.

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

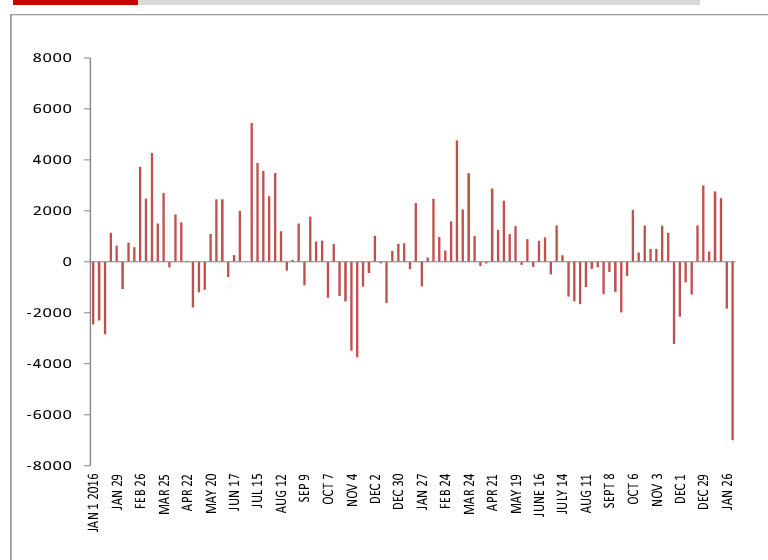
- The pace of foreign funds leaving Asia shifted to a high gear last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” offloaded -USD7.00b net last week, almost four times the amount disposed in the preceding week, marking the second week of net outflows.
- North Asia was the casualty of last week’s major selloff in Asia. Taiwan experienced the largest net outflow among the seven Asian markets we track, amounting to -USD2.81b, the highest since August 2011 with the bulk of the outflow contributed by Tuesday’s selling activity totalling up to -USD1.13b. The Wall Street plunged overnight, coincided with the Taiex’s 4.95% decline on the same day, its biggest decline in more than six years. As outflows intensified, Taiwan’s local bourse portrayed a downward trend during the week to end 6.78% lower at a 46-trading day low of 10,372 points. The Taiwan dollar was also badly affected by the selloff, weakening by 0.29% for the week to settle at USD/TWD29.311.
- Global funds also fled Korea seeing an outflow of -USD1.64b net of local equities, marking the second week of heightened selling activity. The month-to-date outflow in February 2018 as of last Friday stood at -USD2.76b, effectively cancelling off the net inflow of USD1.96b recorded last month. Interestingly, foreigners were net buyers on Thursday as USD92.1m were acquired compared to the other seven Asian markets which experienced five straight days of foreign selling. On the same day, the KOSPI index staged a slight rebound 0.46% to close at 2,407 points. However on a weekly basis, the KOSPI’s loss was as bad as the Taiex’s at 6.40%. Other corporate developments in Korea include the suspension of Lee Jae Yong’s (heir of Samsung) jail sentence after a year of detention amid a corruption scandal.

**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

<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 Emerging South East Asian markets, foreign selling was across the board, and was led by Thailand.
- In Bangkok, foreign net selling increased by almost threefold from -USD224.3m to -USD676.8m, the biggest weekly attrition since June 2013. Foreign selling peaked on Friday at -USD226.4m net amid the havoc on Wall Street overnight. The huge weekly selloff affected the movement of the SET which was 2.24% lower, the biggest weekly decline since September 2016. The Thai Baht faced its biggest weekly decline in more than a year of 1.10%, settling at USD/THB31.805 amid the foreign equity outflows.
- Foreign funds were net sellers for the second week in Manila albeit at a slower pace, disposing -USD91.1m net compared to the -USD131.6 in the preceding week. The trend of foreign selling in Manila was rather unique in the sense that it showed a gradual decline from Monday at -USD37.94m to -USD2.64m on Friday despite the highly volatile situation in global markets. The Peso meanwhile depreciated by 0.31% to settle at USD/PHP51.5 despite the nation posting its largest annual trade deficit on record in 2017. The Philippines' central bank held interest rates steady on Thursday and decreased expectations of any hike this year, insisting that a sharp spike in inflation will prove temporary and economic growth would remain solid.
- In Indonesia, foreign investors pulled out -USD396.6m net of equities last week. Despite the global market hurricane, the JCI suffered the least among its Asian peers, only losing 1.9% during the week compared to the MSCI Asia Pacific index which declined 6.6%. The sentiment in the Indonesian market was partly buoyed by the 4QFY17 GDP which grew by 5.2%, the fastest pace in four years, beating market estimates of 5.1% underpinned by strong investments.

Chart 3

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

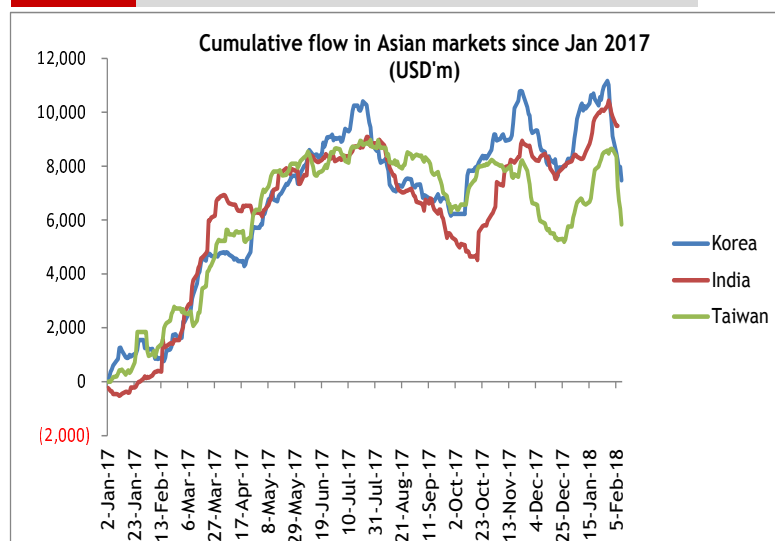


Chart 4

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

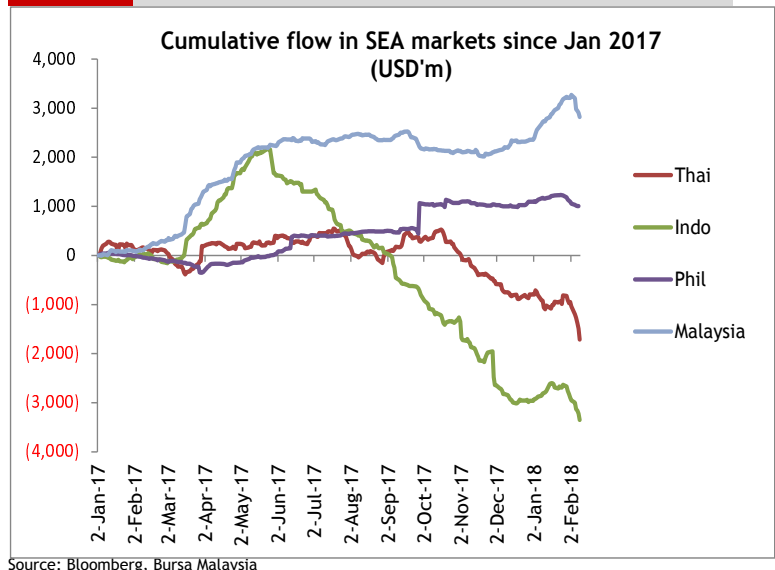


Table 2 Weekly Net Flow Of Foreign Fund Into Equity By Market (USD'm)

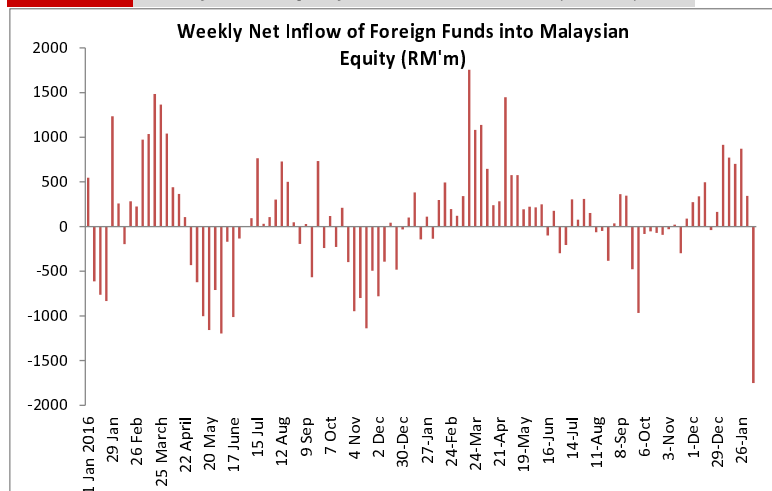
WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
DEC 22	-283.5	-37.2	39.7	28.6	-787.9	-235.8	-9.4	-1,285.6
DEC 29	317.1	52.7	-2.1	68.0	481.6	472.6	40.6	1,430.3
JAN 5	1,479.7	-12.9	84.6	14.7	311.6	891.9	228.2	2,997.7
JAN 12	394.1	-212.3	111.3	49.9	-57.0	-73.2	193.3	406.1
JAN 19	349.2	76.0	75.3	56.3	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	-1,639.5	-676.8	-396.6	-91.1	-939.5	-2,806.5	-446.8	-6,996.8

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

**C. TRACKING MONEY FLOW - MALAYSIA**

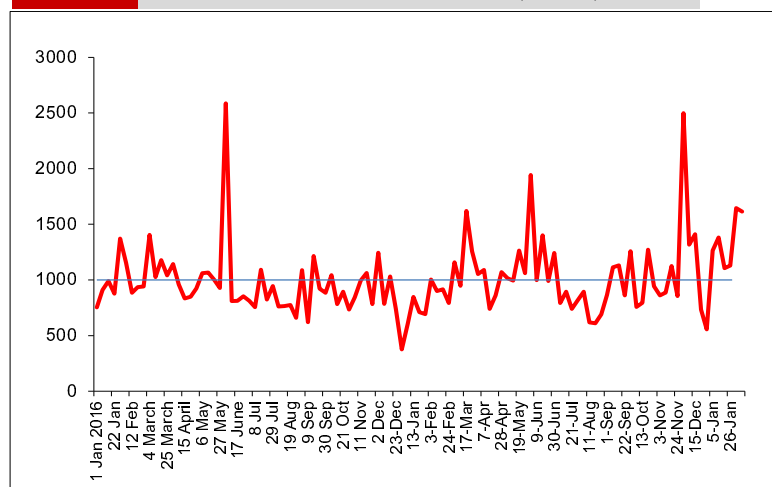
- A reversal of trend occurred last week as there was an exodus of foreign funds from stocks listed on Bursa after six straight weeks of buying.
- Based on preliminary data from Bursa which excluded off market deals, international investors withdrew -RM1.75b net of local equities last week, wiping off around 92% of the net inflows worth RM1.92b accumulated in the previous three weeks. In fact, this was the first weekly attrition in seven weeks and the highest since the August 2013, the year of the 13th General Election.
- Foreign funds were net sellers on all five trading days last week. Tuesday saw a net outflow of -RM868.6m net, the largest attrition in more than four years, coinciding with FBM KLCI's biggest single day drop since December 2014 of 2.19% to a 23-trading day low at 1,812 points. This came to no surprise as investors fled from equities spooked by the rise in U.S bond yields in the week before and following Wall Street's turmoil on Monday.
- Thereafter, foreign selling levels normalised to levels ranging from RM130m-RM160m net on Wednesday and Thursday as investors shrugged off data which showed Malaysia's exports rose at a much slower pace for the second straight month following overnight gains on Wall Street. However, foreign selling rose back to a high level of -RM323.3m net on Friday as Dow Jones declined by more than 1,000 points for the second time in a week.
- Despite the accelerated momentum of selling activity, foreigners have mopped up RM1.86b net during the first 6 weeks of 2018 compared to RM612.8m net during the same period in 2017.
- Foreign participation remained vibrant as the foreign average daily trade value (ADTV) stood at RM1.6b marking its sixth week of being above the RM1b threshold. Meanwhile, the strong foreign selling momentum paved the way for local fund managers to acquire RM1.8b net, a level not seen since November 2016.

**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)	
DEC 29	2,303.5	2,445.4	-141.9	4,966.0	4,989.2	-23.2	1,193.9	1,028.8	165.1	40.6
JAN 5	3,802.0	3,876.0	-74.0	6,231.5	7,072.6	-841.1	2,984.8	2,069.7	915.1	228.2
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

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 9 FEBRUARY**
**TOP 10 NET MONEY INFLOWS**

- Hong Leong Financial Group registered the highest net money inflow of RM11.62m last week. Its share price outperformed with a 2.21% loss against the FBM KLCI which declined by 2.71% during the week under review.
- Petronas Chemicals Berhad recorded the second highest net money inflow of RM9.31m. Its share price significantly outperformed against the market benchmark with a 0.25% loss during the review week.
- IHH Healthcare saw the third highest net money inflow of RM8.84m. Its share price outperformed the FBM KLCI with a 1.49% loss 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.

**Table 4** Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
HLFG	11.62	1.06	-2.21	BOW
PETCHEM	9.31	14.41	-0.25	BOW
IHH	8.84	-5.49	-1.49	BOW
MAHB	7.66	-0.61	-1.20	BOW
IJM CORP	4.82	1.07	-9.97	BOW
KL KEPONG	4.15	1.13	-0.16	BOW
TELEKOM	3.72	1.65	-4.83	BOW
GAMUDA	3.35	-8.62	-5.64	BOW
DIALOG	3.32	-2.47	0.38	-
MISC	3.23	3.04	-5.81	BOW

Source: Bloomberg, MIDFR;

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

**TOP 10 NET MONEY OUTFLOWS**

- Public Bank Berhad saw the largest net money outflow of -RM25.58m last week. Its stock price ended 0.91% lower, outperforming vis-à-vis the FBM KLCI which declined by 2.71% during the review week.
- Dutch Lady recorded the second largest net money outflow -RM17.66m during the week under review. Its share price meanwhile outperformed the market benchmark with a 0.16% weekly loss.
- Inari Amertron registered the third largest net money outflow at -RM8.08m in the review week. Its share price meanwhile outperformed the benchmark with a 5.36% weekly gain. It is notable that net money outflow amidst advancing share price may indicate a sell on strength (SOS) stance among some investors.

**Table 5** Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
PUBLIC BANK	-25.58	10.81	-0.91	-
DUTCH LADY	-17.66	-6.34	-0.16	-
INARI	-8.08	-3.31	5.36	SOS
SAPURA	-3.97	-8.52	-6.80	-
TNB	-3.84	-26.57	-0.51	-
AIRASIA	-3.53	-4.23	-3.95	-
YTL CORP	-2.73	-0.46	-7.79	-
NESTLE	-2.71	1.01	0.17	SOS
BUMI ARMADA	-2.66	-4.16	-6.40	-
MY EG	-2.39	-0.84	0.41	SOS

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

## DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (23878-X). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein

This document may not be reproduced, distributed or published in any form or for any purpose.



**MIDF RESEARCH** is part of  
MIDF Amanah Investment Bank Berhad (23878 - X)  
(Bank Pelaburan)  
(A Participating Organisation of Bursa Malaysia Securities Berhad)

**Business Address:**  
11 & 12 th Floor, Menara MIDF,  
82, Jalan Raja Chulan, 50200  
Kuala Lumpur.  
Tel: 2173 8888  
Fax: 2173 8380