

MIDF EQUITY STRATEGY | 15 JANUARY 2018 WEEK ENDED 12 JANUARY

- Most equity markets worldwide retained their upbeat momentum amidst new developments around the world especially Europe.
- As of last Friday, the S&P500 and Nasdaq sealed their eighth record closing high in the first nine trading days of 2018 at 2,786 and 7,261 points, respectively. The Dow meanwhile logged its sixth closing high so far this year at 25,803 points on the same day.
- Although Brent crude oil price pared gains to settle below the USD70pb level on Friday at USD69.87, it is still at a three high with a weekly advance of 3.33% amid tightening of inventory in the U.S.
- Foreign flows continued to enter Asian markets for the third week running albeit at a slower pace. Based on the provisional aggregate data from the seven Asian exchanges that we track, investors classified as “foreign” acquired USD410.6m net last week, one seventh of the amount bought in the preceding week.
- Global funds continue to increase their holdings in stocks listed on Bursa for the third uninterrupted week. Based on preliminary data from Bursa which excluded off market deals, international investors acquired RM772.2m net of local equities last week, lower than the RM915.5m net mopped up in the preceding week.
- The FBM KLCI pared gains from the preceding week, gaining below 0.5% as it ended the week at 1,823 points. The Ringgit meanwhile remained strong, advancing by 0.64% against the greenback to settle at USD/MYR3.972, the strongest since 15 July 2016.

15 January 2018 | Strategy - Weekly Fund Flow

Adam M Rahim

STEADY INFLOWS CONTINUE INTO BURSA

A. MARKET SNAPSHOT

- Most equity markets worldwide retained their upbeat momentum amidst new developments around the world especially Europe.
- Wall Street took a breather last Wednesday following China's plan to stop acquiring U.S government bonds and President Trump's suggestion to exit from the North American Free Trade Agreement if renegotiations are not held. Nonetheless, the mood turned brighter towards the end of the week after the announcements of commendable 4Q17 results of major banks such as JP Morgan and BlackRock topped analyst estimates.
- Overall on Friday, the S&P500 and Nasdaq sealed their eighth record closing high in the first nine trading days of 2018 at 2,786 and 7,261 points, respectively. The Dow meanwhile logged its sixth closing high so far this year at 25,803 points on the same day.
- From an economic perspective, the U.S core CPI posted its largest increase in 11 months, mainly driven by the cost of rental accomodation and healthcare, heightening expectations that inflation will pick up in 2018.
- In Asia, the Hang Seng index continued demonstrating its strength, gaining for the 14th consecutive trading day on Friday with the help of Tencent Holdings Ltd and energy stocks. This is the longest winning streak ever recorded since its establishment in 1969 and the last time the Hang Seng Index experienced an extended winning streak was in 1999 which was 11 days.
- Europe meanwhile experienced an eventful day on Friday as Angela Merkel's conservative bloc and the Social Democrats achieved a breakthrough in exploratory discussions to establish a new government. In order for formal talks to begin, an endorsement must be granted by Social Democrats at a special party conference in Bonn on January 21. Members of the Social Democrats will also have the right to vote for the formation of the coalition party. The news saw the Euro jump by 1.44% to a three-year high of EUR/USD1.2202.
- Brent crude oil price briefly broke the USD70pb mark on Thursday, a level not seen since December 2014 as OPEC and its allies could prolong the output cut beyond December 2018 according to the United Arab Emirates' oil minister, Suhail al-Mazrouei. Although Brent crude oil price pared gains to settle below the USD70pb level on Friday at USD69.87, it is still at a three high with a weekly advance of 3.33% amid tightening of inventory in the U.S. Based on the data released by the EIA, U.S crude inventory dropped to the lowest level since August 2015 in the week before while output was reduced by 290,000 barrels a day, the largest drop since October 2017, mainly attributable to the cold weather.

Table 1 Weekly performance of major indices

Weekly % change	Week before	Last week
China CSI 300	2.68	2.08
Dow Jones	2.33	2.01
Hang Seng	2.99	1.94
S&P 500	2.60	1.57
India SENSEX	0.28	1.28
FSSTI Index	2.54	0.89
Thai SET	2.38	0.82
FTSE 100	0.47	0.70
Phil PCOMP	2.47	0.51
KLCI	1.18	0.26
Jakarta JCI	-0.03	0.26
Taiwan TAIEX	2.23	0.04
Korea KOSPI	1.22	-0.04
Nikkei	4.17	-0.26
CAC 40	3.85	-0.29
DAX	3.11	-0.56

Source: Bloomberg

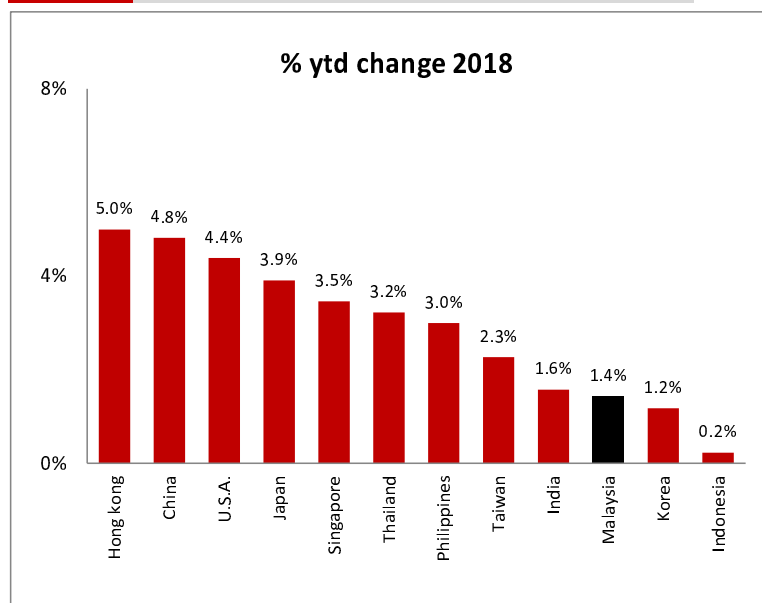
FUND FLOW REPORT

- The FBM KLCI pared gains from the preceding week, gaining below 0.5% as it ended the week at 1,823 points. The Ringgit meanwhile remained strong, advancing by 0.64% against the greenback to settle at USD/MYR3.972, the strongest since 15 July 2016. Its strength was supported by better-than-expected manufacturing data and string crude oil prices.

B. TRACKING MONEY FLOW - ASIA¹

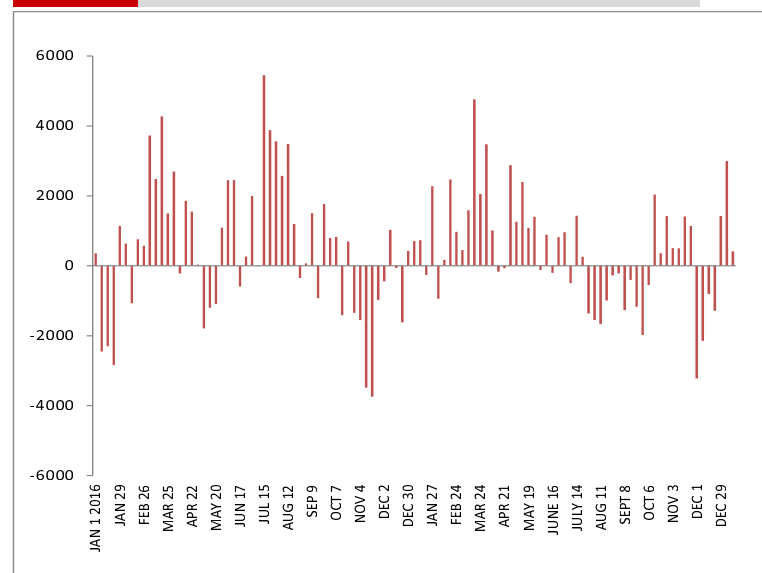
- Foreign flows continued to enter Asian markets for the third week running albeit at a slower pace. Based on the provisional aggregate data from the seven Asian exchanges that we track, investors classified as “foreign” acquired USD410.6m net last week, one seventh of the amount bought in the preceding week.
- Although the net inflow of foreign funds into Korea shrunk by almost a quarter from USD1.48b in the week before to USD394.1m, it remains the largest beneficiary of foreign funds among the seven Asian exchanges. As foreign purchases dried up, the KOSPI too declined marginally by -0.04% for the week. Foreign investors were net buyers in three out of five days, with Monday recording the highest foreign buying of USD496.7m net, the highest in a day since 17 November 2017 followed by the KOSPI’s largest daily gain in 46 trading days of 1.26%. The rosy mood on Monday could be partly attributable to South Korea’s plans to widen the scope of talks with North Korea to ease tensions and reunite separated families during the Korean War. Currency wise, the Won snapped its five-day losing streak on Friday as it settled at USD/KRW1,064 as the European Central Bank signalled an earlier than expected tightening.
- In Taiwan, foreign funds disposed -USD73.2m net of local equities. Foreign attrition started on Tuesday, putting an end to the eight-day foreign buying and resumed until Friday. Wednesday recorded the highest foreign selling at -USD126.0m net, dragging the TAIEX lower by -0.77% to 10,813 points as chipmakers such as TSMC slipped as much as 2.5% after U.S chipmakers took a beating amid ongoing fallout over security flaws in its microprocessors. Nonetheless, the TAIEX ended marginally higher by 0.04% for the week at 10,884 points boosted by Largan Precision shares which soared 9.9% on Friday due to better-than-expected margins in 4Q17.

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 was the only one experiencing outflows for the second straight week.
- In Bangkok, foreign investors continued selling, loading off -USD212.3m net of equities, the biggest weekly outflow since early November last year. One cause for the attrition could be the due to the Baht which reached USD/THB31.957 on Friday, its strongest level since September 2014 as foreign investors flock into Thai bonds. Notwithstanding this, the SET index resumed its ascent to close above 1,800 points for the first time in history. Some investors are confident that the SET may hit 1,900 points in 2018 as Thailand's economy is projected to grow by 4% underpinned by exports and recovery in domestic consumption,
- In Manila, global funds bought USD49.9m net of equities, more than three times of the amount acquired in the week before. The PSEi followed suit to finish the week 0.51% higher. It is noteworthy that the PSEi nudged higher to a new record close of 8,924 points on Tuesday, driven by optimism from the implementation of the tax reform law to fund the government's infrastructure projects. However, the Peso declined by almost 1% for the week to USD/PHP50.363 as the nation's trade deficit widens to a record of USD3.8b in November 2017.
- Foreign buying of Indonesian stocks accelerated last week as foreign investors bought USD111.3m net. The stream of inflows coincided with the JCI's weekly advance of 0.26%. In fact, the JCI hit another record high at 6,386 points on Thursday following gains from financial counters. The Rupiah also staged a positive move, strengthening by 0.47% on a weekly basis to USD/IDR13,353, the strongest level in more than three months as Indonesia's bond yields continue to lure international funds.

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)

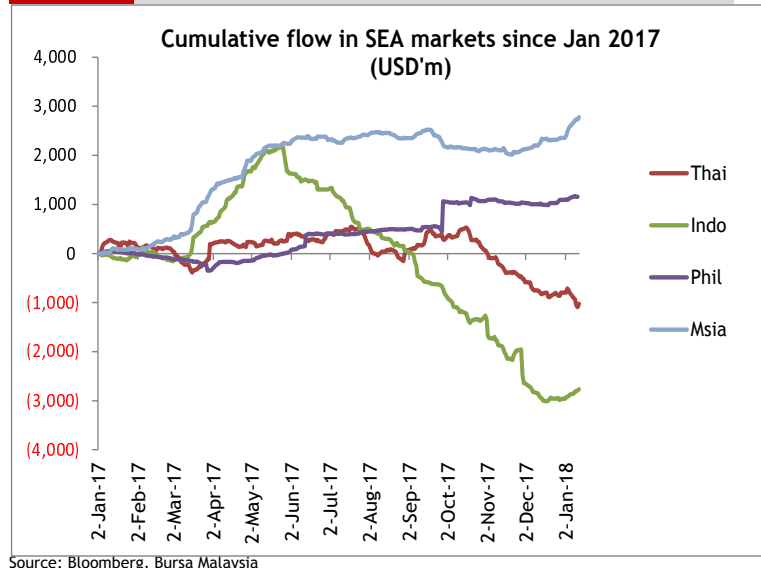


Table 2 Weekly Net Flow Of Foreign Fund Into Equity By Market (USD'm)

WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
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	-4.0	101.4	-429.3	121.3	-806.6
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	-52.4	-73.2	193.3	410.6

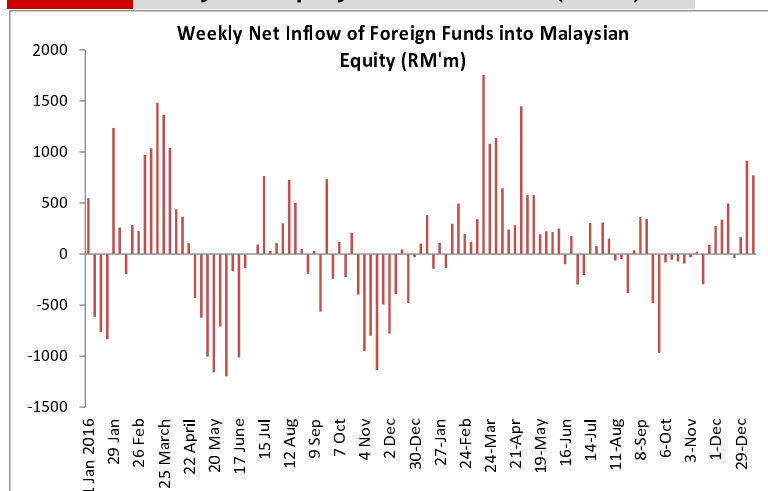
Source: Respective exchange statistics reported on Bloomberg, Bursa Malaysia. These figures are subject to revisions.

FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

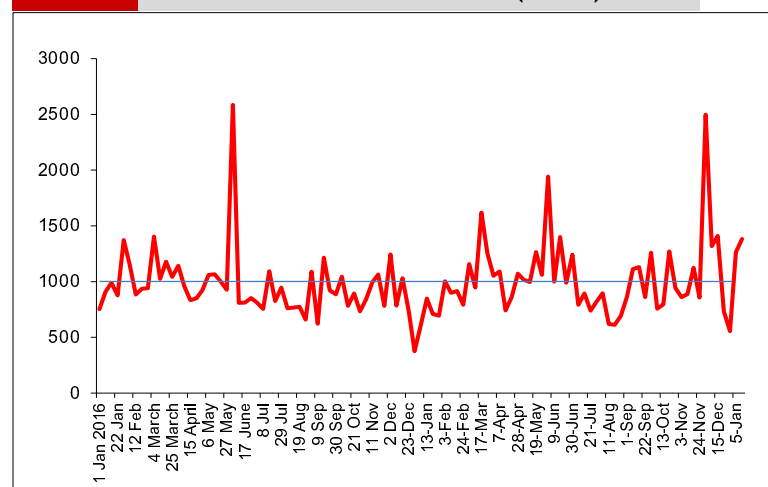
- Global funds continue to increase their holdings in stocks listed on Bursa for the third uninterrupted week.
- Based on preliminary data from Bursa which excluded off market deals, international investors acquired RM772.2m net of local equities last week, lower than the RM915.5m net mopped up in the preceding week.
- Last week, foreign investors were net buyers on four out of five trading days. Foreign investors heavily entered into Bursa on Monday with a net buying totalling RM369.2m, the highest acquisition in a day since 28 April 2017. We ascribe the intense foreign buying on Monday to the strengthening of the Ringgit to a 16-month high of USD/MYR3.9975 and firmer oil prices.
- Thereafter, the foreign inflows began to gradually taper until Wednesday where it went below RM100m net, in tandem with the decline of the FBM KLCI from 1,832 points on Monday to 1,823 points on Wednesday. Foreign investors then turned net sellers on a marginal scale on Thursday as they sold off -RM16.8m net, snapping the buying streak of 12 trading days. Risk on mood was hampered on Thursday following the losses suffered by Wall Street on Wednesday due to concerns over the rapid rise in U.S treasury yields.
- Nonetheless, foreign buying regained its momentum on Friday with a net inflow of RM182.3m which coincided with the 0.32% gain in the FBM KLCI. Sentiment on Bursa improved as Malaysia's IPI grew by 5% yoy in November 2017. Looking at stocks, shares of Kuchai Development Bhd soared by 30% to an 11-year high of RM2.28 per share after news reporting that the company may be the biggest beneficiary from the listing of Great Eastern's insurance arm in Malaysia.
- Foreign participation remained vibrant as the foreign average daily trade value (ADTV) stood above the RM1b mark at RM1.38b. The retail ADTV was also impressive, reaching RM2.13b last week, a level not seen since February 2012.

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 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
DEC 22	2,312.5	2,360.4	-47.9	6,815.6	6,729.5	86.1	1,814.6	1,852.8	-38.2	-9.4
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

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 12 JANUARY
TOP 10 NET MONEY INFLOWS

- Tenaga Nasional Berhad registered the highest net money inflow of RM23.42m last week. Its share price outperformed with a 2.33% gain against the FBM KLCI which gained by 0.26% during the week under review.
- Sime Darby Berhad recorded the second highest net money inflow of RM10.64m. However, its share price also underperformed against the market benchmark with a -2.53% loss during the review week. Nonetheless, it is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.
- Nestle (Malaysia) Berhad saw the third highest net money inflow of RM5.29m. Its share price however outperformed the FBM KLCI with a 0.58% 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	23.42	-2.30	2.33	-
SIME DARBY	10.64	5.67	-2.53	BOW
NESTLE	5.29	0.52	0.58	-
DIGI.COM	4.82	-1.41	-3.89	BOW
GENTING BHD	3.02	-1.57	-2.70	BOW
HLBK	2.80	3.33	1.98	-
SUNWAY BHD	2.11	2.22	-2.82	BOW
SUNWAY CON	1.37	0.67	3.97	-
ASTRO	1.13	-0.25	-1.47	BOW
IHH	1.10	3.29	1.37	-

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 -RM28.83m last week. Its stock price ended 0.48% higher and outperformed vis-à-vis the FBM KLCI which advanced by 0.26% 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.
- Maybank again recorded the second largest net money outflow -RM25.73m during the week under review. Its share price however outperformed the market benchmark with a 0.51% weekly gain.
- Petronas Chemicals registered the third largest net money outflow at -RM20.72m in the review week. Its share price underperformed the benchmark with a -0.86% weekly loss.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
PUBLIC BANK	-28.83	-0.09	0.48	SOS
MAYBANK	-25.73	-9.94	0.51	SOS
PETCHEM	-20.72	-6.12	-0.86	-
MAXIS BHD	-10.50	-0.32	-0.66	-
PETDAG	-10.02	-23.07	0.97	SOS
SAPURA	-7.77	-3.03	11.11	SOS
SD PLTN	-7.52	3.37	-1.43	-
KL KEPONG	-6.32	-2.54	1.21	SOS
MY EG	-6.02	-1.08	6.50	SOS
GENM	-6.00	-0.15	-5.86	-

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