

## MIDF EQUITY STRATEGY | 8 JANUARY 2018 WEEK ENDED 5 JANUARY

- Global equity markets were on a roll during the first week of 2018 amid a plethora of positive economic data.
- Wall Street started off 2018 by scaling new record highs. For instance, the Dow Jones closed 2.33% higher for the week after closing at 25,000 for the first time ever on Thursday as sentiment improved with data showing U.S private employers added 250,000 jobs in December.
- Brent crude oil price started 2018 on a solid note at USD66.79pb, the highest January opening since 2014. Further support came in on Thursday as geopolitical turbulence in Iran intensified after Iran's Revolutionary Guards deployed forces to three provinces to bring down the anti-government protesters, boosting the Brent crude oil price to USD68.06pb, a level not seen in three years.
- Foreign funds continue to pour into Asia for the second week running. Based on the provisional aggregate data from the seven Asian exchanges that we track, investors classified as "foreign" acquired USD2.91b net last week, the biggest weekly inflow since April 2017.
- Foreign funds pumped liquidity into Bursa in the first week of 2018. Based on preliminary data from Bursa which excluded off market deals, international investors mopped up RM915.1m net of local equities last week, the biggest weekly net inflow recorded since March 2017.
- The FBM KLCI ended the week at 1,818 points, the highest since May 2015. The Ringgit meanwhile strengthened by 1.23% against the greenback to settle at USD/MYR3.9975, above the psychological level of USDMYR4.00 for the first time since August 2016.

## BURSA STARTED 2018 WITH A BANG!

### A. MARKET SNAPSHOT

- Global equity markets were on a roll during the first week of 2018 amid a plethora of positive economic data.
- Wall Street started off 2018 by scaling new record highs. For instance, the Dow Jones closed 2.33% higher for the week after closing at 25,000 for the first time ever on Thursday as sentiment improved with data showing U.S private employers added 250,000 jobs in December. Other benchmarks such as the S&P500 and Nasdaq also breached a record high above 2,700 and 7,000 points during mid-week, respectively.
- On the economic front, the Fed released the minutes of their December meeting on Wednesday, signalling that the tax cuts would boost corporate spending albeit being uncertain of the impact of the new tax law. The slash in tax rates also led the FOMC members to revise their expectations upwards for the 2018 GDP growth from 2.1% to 2.5%.
- Markets in Asia tracked gains on Wall Street, with China's CSI300 and the Hong Kong's Hang Seng index wrapping the week up with a 2.68% and 2.99% gain, respectively. Gains in these markets were mainly aided by China's robust services activity in December which grew the quickest in three years as the Caixin-Markit services PMI reached 53.9 in December. However, the real deal was Japan's Nikkei index that led global benchmarks with a 4.17% weekly gain as it hit a 26-year high on Friday with the help of banking stocks such as Mitsubishi UFJ Financial Group. Shares of Toshiba also soared 2.2% on Friday following the update on the buyer for its Westinghouse Electric Unit.
- The situation in Europe was also rosy as December's economic growth in the eurozone reached the strongest in nearly seven years, demonstrated by the IHS Markit's composite purchasing manager's index which hit 58.1, well above the 50 point mark. It came to no surprise that markets in Europe such as the FTSE100, CAC 40 and the DAX index which all logged new record highs on the same day.
- Brent crude oil price started 2018 on a solid note at USD66.79pb, the highest January opening since 2014. Further support came in on Thursday as geopolitical turbulence in Iran intensified after Iran's Revolutionary Guards deployed forces to three provinces to bring down the anti-government protesters, boosting the Brent crude oil price to USD68.06pb, a level not seen in three years. Such events partially weighed down on resumption of production at the North Sea pipelines, pushing Brent crude oil price to settle 1.12% higher to USD67.62pb last week.

**Table 1** Weekly performance of major indices

Weekly % change	Week before	Last week
Nikkei	-0.60	4.17
DAX	-1.19	3.11
Hang Seng	1.15	2.99
CAC 40	-0.97	2.98
China CSI 300	-0.59	2.68
S&P 500	-0.36	2.60
FSSTI Index	0.51	2.54
Phil PCOMP	1.50	2.47
Thai SET	0.67	2.38
Dow Jones	-0.14	2.33
Taiwan TAIEX	1.00	2.23
Korea KOSPI	1.10	1.22
KLCI	2.08	1.18
FTSE 100	1.25	0.47
India SENSEX	0.34	0.28
Jakarta JCI	2.16	-0.03

Source: Bloomberg

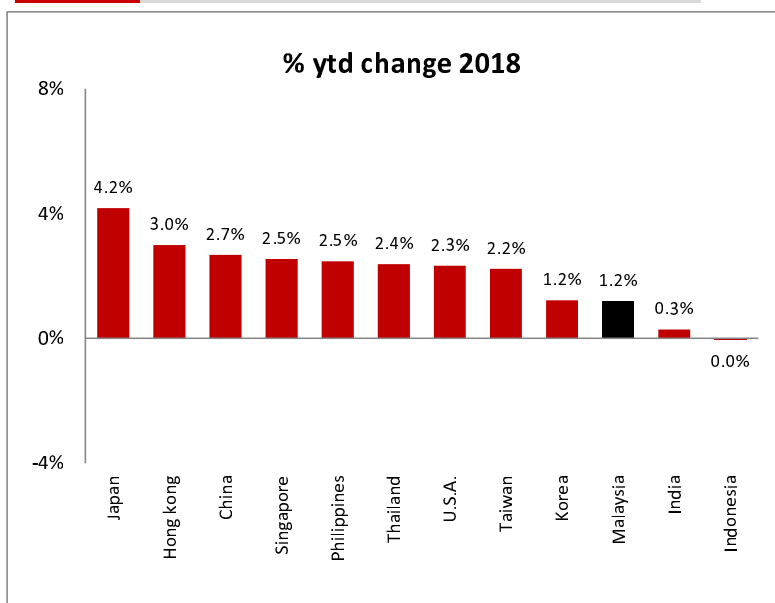
## FUND FLOW REPORT

- The FBM KLCI continued its strength, posting a 1.18% gain in the first week of the year, ending at 1,818 points, the highest since May 2015. The Ringgit meanwhile strengthened by 1.23% against the greenback to settle at USD/MYR3.9975, above the psychological level of USDMYR4.00 for the first time since August 2016.

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

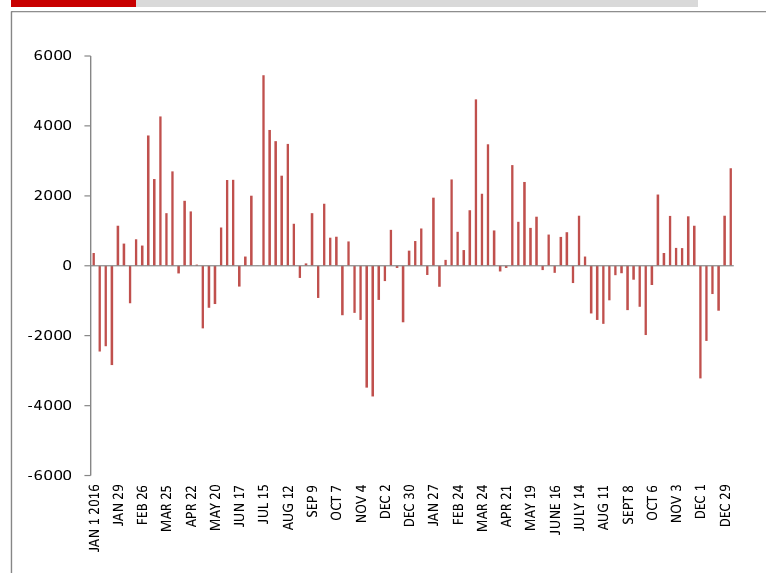
- Foreign funds continue to pour into Asia for the second week running. Based on the provisional aggregate data from the seven Asian exchanges that we track, investors classified as “foreign” acquired USD2.91b net last week, the biggest weekly inflow since April 2017.
- As usual most of the foreign buying occurred in North Asian markets which racked up USD2.37b net of inflows. In Korea, foreign investors mopped up USD1.48b net of local equities, which is almost five times more than the amount bought in the final week of 2017. Foreign investors were net buyers on every trading day of the week, averaging USD370m net daily as the risk-on mood was buoyed by Korea’s exports in 2017 which reached the highest in at least six decades. The heavy foreign buying was an impetus for the Korean Won, hitting its strongest level in more than three years on Thursday at USD/KRW1,062.05 despite a some pullbacks caused by a possible intervention by the government to curb the rally in the local currency. Meanwhile of the geopolitical front, Korea together with U.S have agreed to pause military drills during upcoming Winter Olympics in February to further ease tensions in the Korean Peninsula.
- The funds flowing into Taiwan was also commendable as global funds added local equities into their portfolio on every single day which led to a total of USD891.9m net weekly inflow. The local bourse took cue from the heavy inflows to hit 10,879 points on Friday, the highest since April 1990 with semiconductor players like TSMC providing the biggest boost. The 27-year closing high of the Taiex led to the biggest weekly gain since March 2017 of 2.23%. The Taiwan dollar was not left out from the excitement as the local currency reached USD/TWD29.495 on Friday, a level not seen since November 2013.
- In Emerging South East Asian markets, Thailand was the only one experiencing outflows.

**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)

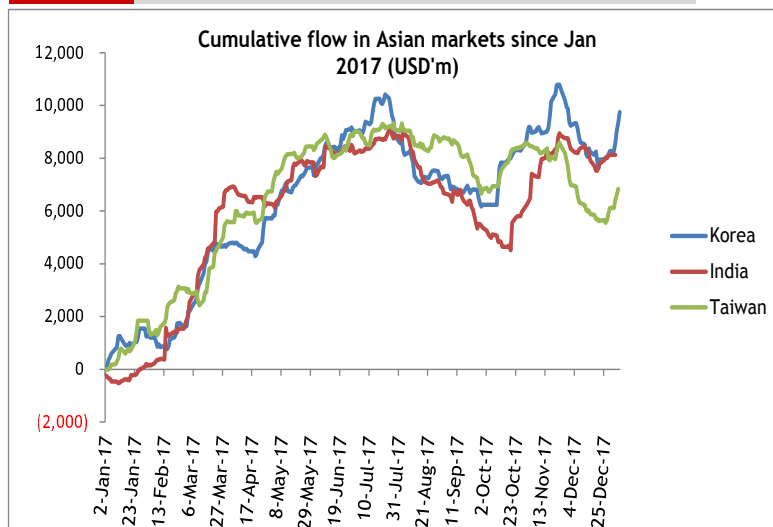


Source: Bloomberg, Bursa Malaysia

<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.

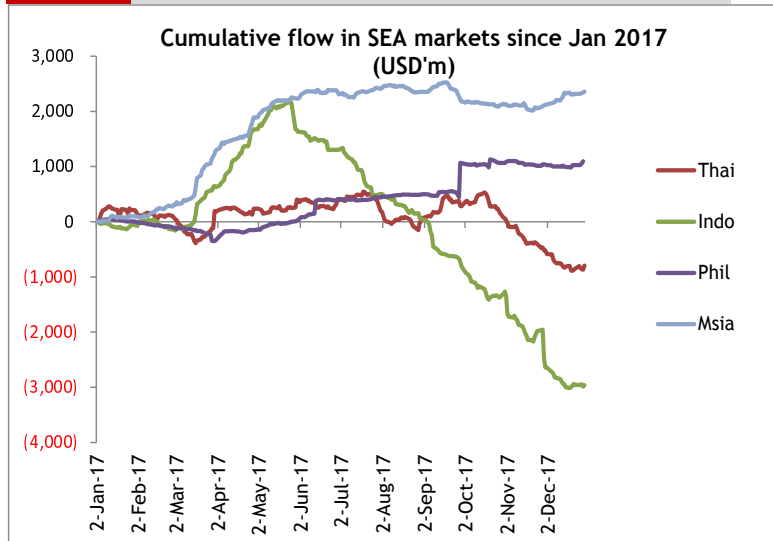
- In Bangkok, foreign investors were back in selling mode as they disposed -USD12.89m net last week. Notwithstanding this, the SET index remained resilient as it broke its 24-year old closing record on the first trading day of 2018 at 1,778 points and continued to climb to end the week at 1,796 points on Friday which translated into a weekly gain of 2.38%, buoyed by strong consumer confidence in December which rose for the fifth consecutive month to the highest in 3 years at 79.2. Meanwhile, foreigners acquired approximately USD515m of Thailand debt instruments on Friday, the biggest daily purchase since September 2017.
- In Manila, there was a slowdown in foreign buying as global funds bought USD14.6m net which was almost one fifth of the amount acquired in the week before. Nonetheless, the PSEi extended its gaining streak to eight uninterrupted trading days until Friday, recording a third record high of 8,770 points. The PSEi's rally could be partly ascribed to the continued optimism in the newly implemented tax package. The Peso tracked gains on the PSEi as it reached a six-month high on Wednesday of USD/PHP49.785.
- Jakarta meanwhile welcomed a stream of inflows worth USD84.6m net in the first week of 2018. However, the JCI's record close at the end of 2017 could have prompted investors to lock in gains, leading the local bourse to retreat to below 6,356 points, snapping the local bourse's four-week gaining streak. Currency wise, the Rupiah had its strongest weekly performance in more than a year of 1.04% as bond investors placed IDR86.2t of bids at an auction on Wednesday, exceeding the previous 56.8t rupiah record set in August.

**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
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	-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	228.2	891.9	228.2	2,914.4

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

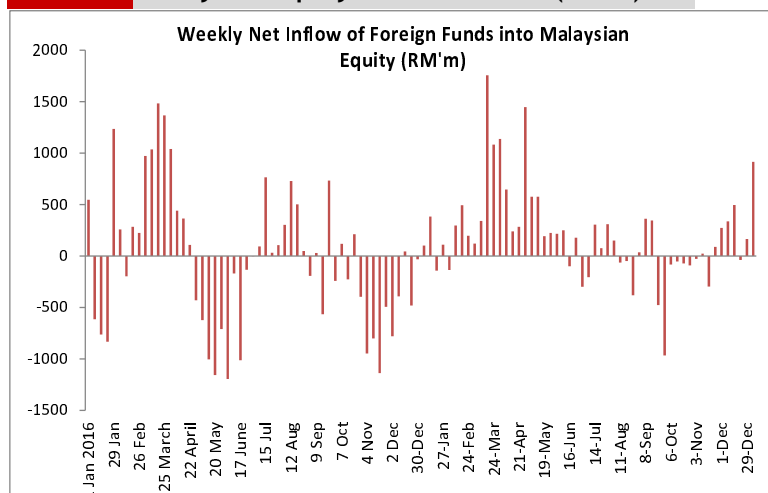
## FUND FLOW REPORT

### C. TRACKING MONEY FLOW - MALAYSIA

- Foreign funds pumped liquidity into Bursa in the first week of 2018.
- Based on preliminary data from Bursa which excluded off market deals, international investors mopped up RM915.1m net of local equities last week, the biggest weekly net inflow recorded since March 2017.
- Last week, foreign investors were net buyers on all four trading days, extending the buying binge to nine trading days from 22 December 2017 to 5 January 2018. The last time the daily buying streak was longer than this was during the period from 20 April 2017 to 15 May 2017 which was 16 days.
- Foreign buying peaked on Thursday as foreign investors snapped up RM316.1m net, a level not reached since 28 April 2017. The heavy foreign buying on Thursday coincided with Bursa closing above the 1,800 level for the first time in more than 2.5 years which was led by gains in Sime Darby Berhad that surged 11.2%. Bullish Brent crude oil price also played a part in sustaining the optimism on Bursa's Thursday rally.
- On Friday, the FBMKLCI continued its ascent to end the week at 1,818 points despite some tapering in foreign funds inflow to RM130.1m net as risk-on sentiment was boosted by Malaysia's exports which grew by 14.4%yoy in November 2017, highest export value ever recorded for a particular month.
- As we look at the foreign participation, foreign investors appear really active as they have returned back from the year-end holiday. The foreign average daily trade value (ADTV) was up by a staggering 127% at RM1.26b compared to RM556m recorded in the final week of 2018.
- The retail market was also vibrant as the retail ADTV increased by 62% from RM1.2b in the preceding week to RM1.9b last week.

**Chart 5**

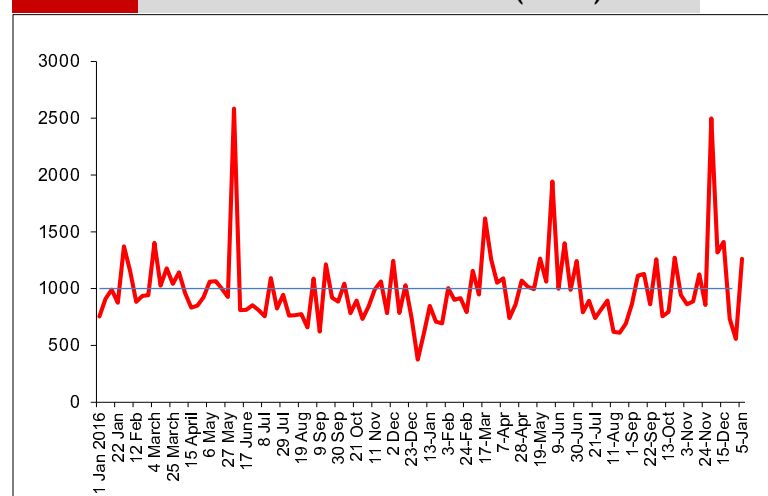
**Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2016 (RM'm)**



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 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
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

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 5 JANUARY**
**TOP 10 NET MONEY INFLOWS**

- Sime Darby Berhad registered the highest net money inflow of RM5.67m last week. Its share price outperformed with a tremendous 25.34% gain against the FBM KLCI which gained by 1.18% during the week under review.
- CIMB Group recorded the second highest net money inflow of RM4.90m. However, its share price also outperformed against the market benchmark with a 2.45% gain during the review week.
- Sime Darby Plantation Berhad saw the third highest net money inflow of RM3.37m. Its share price however underperformed the FBM KLCI with a -6.50% 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)	Remark
	Last Week	Prev Week	Last Week	
SIME DARBY BHD	5.67	-2.24	25.34	-
CIMB GROUP	4.90	-6.94	2.45	-
SD PLANTATION	3.37	5.89	-6.50	BOW
KLCCP STAPLED	3.34	1.34	-9.49	BOW
HLBK	3.33	-0.61	1.18	-
IHH	3.29	0.97	-0.68	BOW
LOTTE CHEM	2.80	0.09	7.87	-
SUNWAY BHD	2.22	0.61	8.59	-
MAHB	1.63	1.18	0.11	-
SD PROPERTY	1.61	-1.30	-6.74	BOW

Source: Bloomberg, MIDFR;

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

**TOP 10 NET MONEY OUTFLOWS**

- Petronas Dagangan saw the largest net money outflow of -RM23.07m last week. Its stock price ended 1.81% higher but outperformed vis-à-vis the FBM KLCI which advanced by 1.18% 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 -RM9.94m during the week under review. Its share price however remained unchanged during the week under review.
- Bursa registered the third largest net money outflow at -RM6.34m in the review week. Its share price outperformed the benchmark with a 5.14% weekly gain.

**Table 5** Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
PETDAG	-23.07	-18.07	1.81	SOS
MAYBANK	-9.94	-8.46	0.00	-
BURSA	-6.34	-5.48	5.14	SOS
PETCHEM	-6.12	-2.63	5.84	SOS
F&N	-5.35	3.66	3.04	SOS
BIMB	-4.29	-1.59	-1.14	-
SAPURA	-3.03	-3.24	14.08	SOS
PRESS METAL	-2.92	-4.95	2.04	SOS
KL KEPONG	-2.54	-0.14	-0.48	-
AXIATA	-2.39	6.15	3.64	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

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