

MIDF EQUITY STRATEGY | 9 JULY 2018

WEEK ENDED 6 JULY

- Equity markets worldwide ended mixed last week as global trade tensions took the centre stage.
- As Friday came, traders were on their feet as tariffs by the U.S on USD34b worth of Chinese goods officially came into effect. Notwithstanding this, the nervousness on Wall Street was partly mitigated by solid job report in June as non-farm payrolls rose 213,000, beating estimates of 200,000. Overall, major U.S benchmarks ended the week higher with the Nasdaq taking the lead with a 2.4% weekly advance.
- Brent crude oil price was down by 2.93% at USD77.11pb for the week. As support still came from supply disruptions in Venezuela and a possible large decline in Iranian crude exports, the unexpected rise in U.S crude supplies by 1.25m barrels in the prior week weighed on the market sentiment.
- Foreign tide continued to leave Asia for the fourth week running. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” sold -USD1.45b net last week.
- Overseas investors continued to pare their holdings in stocks listed on Bursa for the 10th consecutive week. Based on preliminary data from Bursa which excluded off market deals, the amount sold by foreign funds last week retreated was little changed at -RM704.3m net.
- The FBM KLCI lost 1.63% to end the week at 1,664 points. The Ringgit depreciated by 0.04% during the week to USD/MYR4.04, slightly better than regional peers such as the Rupiah and Thai Baht which declined by more than 0.30% for the week.

INVESTORS GET MORE JITTERY AS U.S TARIFFS KICK IN

A. MARKET SNAPSHOT

- Equity markets worldwide ended mixed last week as global trade tensions took the centre stage.
- Wall Street kicked off 3Q18 with a rebound led by technology stocks, banking and healthcare companies. However, Monday's gains were reversed the next day as all three major benchmarks dropped, ending the three-day winning streak ahead of the Independence Day holiday on Wednesday. Risk-on mood in U.S markets day was adversely impacted by the decision of China to temporarily block the sales of Micron Technology Inc. chips into the U.S.
- U.S markets reopened on Thursday with a bang as gainers were led again by technology shares, which lifted the Nasdaq by more than 1%. Investors also digested the minutes of the latest Fed meeting which reiterated the necessity for gradual rate hikes in the wake of looming trade tensions.
- As Friday came, traders were on their feet as tariffs by the U.S on USD34b worth of Chinese goods officially came into effect. Notwithstanding this, the nervousness on Wall Street was partly mitigated by solid job report in June as non-farm payrolls rose 213,000, beating estimates of 200,000. Overall, major U.S benchmarks ended the week higher with the Nasdaq taking the lead with a 2.4% weekly advance.
- The Chinese government on Friday immediately responded with USD34b tariffs on U.S. goods going into effect, citing that this is the biggest trade war ever in history. Nonetheless, the Shanghai Composite Index and the posted daily gains of more than 0.40% the same day, rebounding from its lowest level since 2016 as Linlai Co Ltd was the biggest boost the gauge but still suffered a weekly loss. The Chinese Yuan meanwhile faced its fourth week of loses, settling 0.35% lower at USD/CNY6.6427.
- Earlier on Monday, the coalition of German Chancellor Angela Merkel remains intact after resolving an immigration policy issue with interior minister, Horst Seehofer. Following the deal, transit centers will be established close to the border of Austria where refugees registered in another European Union country will be processed before being deported to the country of registration. If that is not possible, refugees will be transferred back across the border to Austria.
- Brent crude oil price was down by 2.93% at USD77.11pb for the week. As support still came from supply disruptions in Venezuela and a possible large decline in Iranian crude exports, the unexpected rise in U.S crude supplies by 1.25m barrels in the prior week weighed on the market sentiment.

Table 1 Weekly performance of major indices

Weekly % change	Week before	Last week
DAX	-2.18	1.55
S&P 500	-1.33	1.52
Thai SET	-2.41	1.20
CAC 40	-1.19	0.98
Dow Jones	-1.26	0.76
India SENSEX	-0.75	0.66
Phil PCOMP	1.85	-0.10
FTSE 100	-0.59	-0.25
KLCI	-0.16	-1.63
Jakarta JCI	-0.39	-1.80
Taiwan TAIEX	-0.57	-2.11
Hang Seng	-1.31	-2.21
Korea KOSPI	-1.32	-2.29
Nikkei	-0.94	-2.32
FSSTI Index	-0.57	-2.35
China CSI 300	-2.71	-4.15

Source: Bloomberg

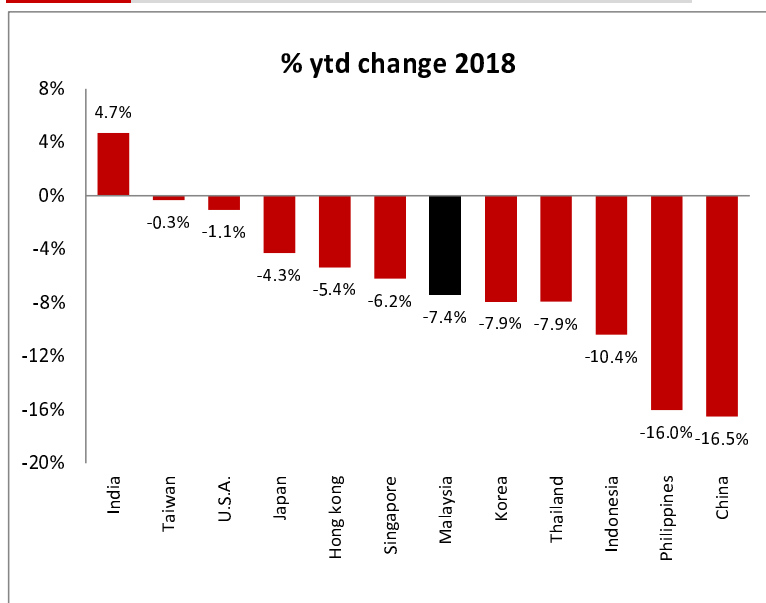
FUND FLOW REPORT

- The FBM KLCI lost 1.63% to end the week at 1,664 points. The Ringgit depreciated by 0.04% during the week to USD/MYR4.04, slightly better than regional peers such as the Rupiah and Thai Baht which declined by more than 0.30% for the week.

B. TRACKING MONEY FLOW - ASIA¹

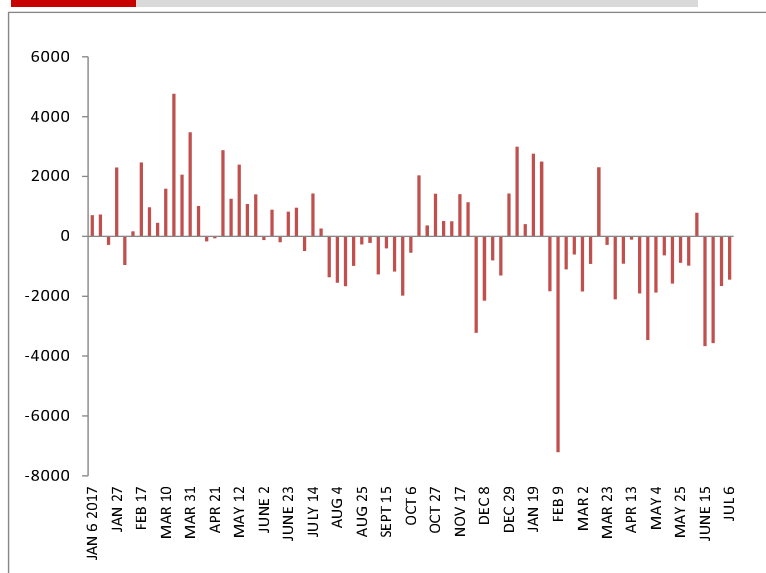
- Foreign tide continued to leave Asia for the fourth week running. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” sold -USD1.45b net last week, just around USD200m lower compared to the amount disposed in the preceding week.
- The pace of foreign attrition in Korea substantially tapered to be below USD100m at -USD75m net but the KOSPI resumed its descent, losing 2.3% for the week to end at 2,273 points, the largest weekly decline in 15 weeks. Offshore investors were net sellers on three out of five days last week with Friday recording the largest outflow in a day since 15 June 2018 as the U.S tariffs took effect on Chinese goods, stoking risk aversion in the market. The Korean Won followed suit, losing 0.11% on the same day. Nevertheless, we note that the foreign buying on the first two days especially on Tuesday was very high at USD352.2m net, lifting the local bourse by a small percentage of 0.05% with Samsung Electronics Co. contributing the most to the index’s gain as it increased by 1.0% for that day.
- After 4 weeks of being above RM1b, foreign net selling in Taiwan tapered down to reach -USD830.8m net while the local bourse lost 2.11% for the week, extending its weekly drop to the fourth consecutive week. Out of the 4 days of foreign attrition, Monday was the highest during the week at -USD292.3m net which is deemed to be at a normal level for the past few weeks. Nonetheless, there was a bout of foreign buying on Wednesday, coinciding with the Taiex’s marginal gain of 0.06%, the only daily advance recorded during the week boosted by TSMC. Meanwhile, sales of Taiwan phone manufacturer, HTC for the month of June fell by more than 60%yoy amidst intense global competition. On the economic front, Taiwan’s CPI remains stable in June with a 1.31%yoy rise amid the hike in tobacco tax and price of raw materials.

Chart 1 YTD performance of major markets



Source: Bloomberg

Chart 2 Weekly Net Flow of Foreign Funds into 7 Asian Markets since Jan 2017 (USD'm)

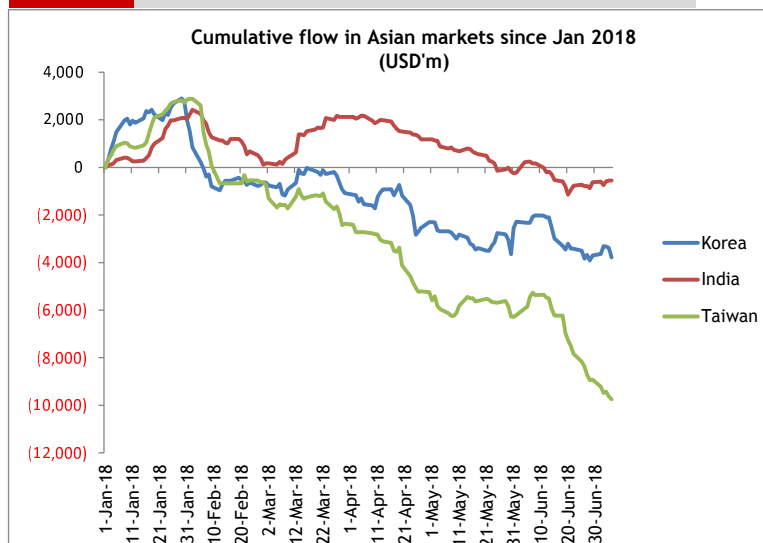


Source: Bloomberg, Bursa Malaysia, MIDFR

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.

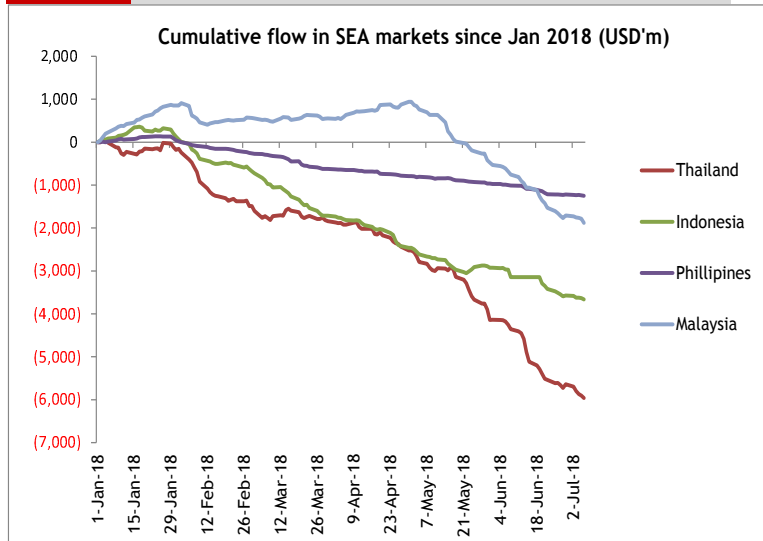
- In the emerging South East Asian markets that we monitor, foreign selling was across the board for the sixth week running.
- The amount sold by foreign funds in Bangkok ramped up by three folds to -USD317.3m net with the bulk of it contributed by Tuesday's selloff worth USD99.2m net during the five day selling binge. Meanwhile, the Baht recovered from its lowest points since October 2017 to reach USD/THB33.158 on Friday as the Public Bank of China's move to keep the yuan stable restored a sense of calm in regional markets. On the monetary policy front, Thai finance minister said that the nation can afford to keep its policy interest rate steady as the Thai Baht's rate of depreciation is slower pace than its peers. The currency's gradual retreat could repel speculative short term investors.
- The level of attrition in Manila accelerated four times to -USD29.87m net, posting a record of 23 weeks of outflows. Similar to Taiwan, foreign inflows occurred for only a day during the week on Wednesday which amounted to -USD8.42m net, as foreigners entered the local market ahead of the release of June's inflation data on the same day. This coincided with the PSEi's 1.12% daily gain. The rally was later shortlived as inflation hit a five-year high of 5.2% in June, spurring outflows on Thursday and Friday.
- Offshore investors in Jakarta sold -USD92.3m net last week, extending the gradual decline of foreign attrition for the third straight week. The largest selldown happened on Tuesday to a tune of -USD37.5m net, coinciding with the Rupiah's weakest point since May 2015 of USD/IDR 14,397. So far in 2018, -USD3.66b net worth of funds have been dumped by foreign investors exceeding the total net outflow of -USD2.96b recorded in the year before.

Chart 3 Net Flow of Foreign Funds into Taiwan, Korea and India since Jan 2018(USD'm)



Source: Bloomberg, MIDFR

Chart 4 Net Flow of Foreign Funds into South East Asia Emerging Markets since Jan 2018 (USD'm)



Source: Bloomberg, Bursa Malaysia, MIDFR

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

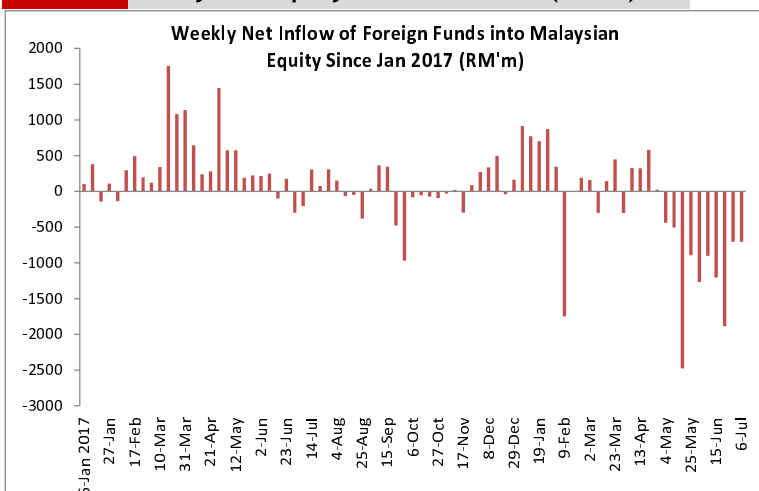
WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
MAY 18	-567.4	-203.2	-242.4	-42.6	-112.8	212.2	-625.3	-1,581.4
MAY 25	633.2	-531.3	61.5	-42.8	-698.2	-79.7	-224.3	-881.5
JUN 1	471.1	-467.8	-12.1	-43.9	-86.5	-518.6	-318.4	-976.3
JUN 8	262.9	-217.4	-223.3	-39.7	394.9	835.5	-226.9	786.0
JUN 15	-971.0	-760.4	0.0	-75.6	-699.8	-858.1	-302.3	-3,667.1
JUN 22	-427.0	-420.7	-272.8	-123.8	-240.7	-1,607.4	-471.2	-3,563.6
JUN 29	-287.8	-104.6	-150.5	-7.7	150.1	-1,081.7	-175.3	-1,657.6
JUL 6	-74.9	-317.4	-92.3	-29.9	72.6	-830.8	-174.2	-1,446.9

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

C. TRACKING MONEY FLOW - MALAYSIA

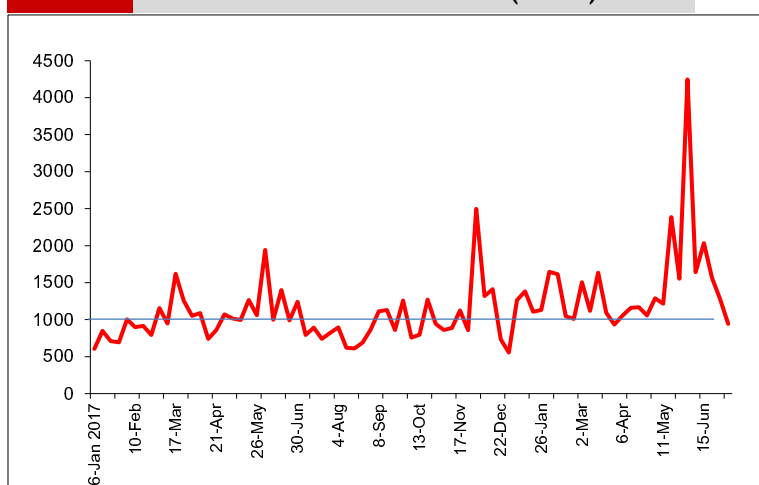
- Overseas investors continued to pare their holdings in stocks listed on Bursa for the 10th consecutive week. This is the longest weekly selling streak recorded since the 20-week selling spree from May to September 2015.
- Based on preliminary data from Bursa which excluded off market deals, the amount sold by foreign funds last week retreated was little changed at -RM704.3m net compared to the -RM705.4m net seen last week.
- Foreign investors were net sellers on every single day of the week. It was notable that the magnitude of foreign net selling from Monday to Thursday was rather contained, only ranging from RM45m to RM100m. During this period of modest selling activity, the highest daily outflow of -RM100.4m occurred on Tuesday, coinciding with the FBM KLCI's lowest closing point of 1,680 points within the same period.
- Foreign attrition later surged on Friday to a tune of -RM393.6m net, the highest in a day since 21 June 2018. The huge attrition was in conformity with other regional peers namely South Korea and the Philippines. It was no doubt that the main cause for Friday's major selloff was due to the U.S-China trade dispute whereby the U.S officially activated a 25% tariff on USD34b of Chinese goods followed by an immediate tit-for-tat measure by the Chinese government .
- The cumulative year-to-date outflow from Malaysia as of last Friday stands at -RM7.53b net, offsetting approximately 75% of last year's total foreign inflow of RM10.33b net. Nevertheless, Malaysia still has the second lowest outflow amongst the 4 ASEAN markets we monitor after the Philippines on a year-to-date basis.
- Foreign participation took a breather last week as foreigners retreated to the sidelines amidst the intensified trade tensions. Foreign average daily traded value (ADTV) substantially declined by 26% to hit below RM1b. The retail market meanwhile remained healthy although its ADTV was little changed at RM807.7m.

Chart 5 Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2017 (RM'm)



Source: Bursa Malaysia preliminary statistics, MIDFR

Chart 6 Foreign Participation on Bursa: Daily Average for the Week since Jan 2017 (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)	
MAY 25	3,312.1	2,889.9	422.2	9,201.8	8,731.6	470.2	3,436.1	4,328.5	-892.4	-224.3
JUN 1	3,076.2	2,623.9	452.3	7,861.1	7,044.6	816.5	7,859.1	9,127.9	-1,268.8	-318.4
JUN 8	3,193.8	3,074.9	118.9	7,352.7	6,568.5	784.2	3,649.4	4,552.5	-903.1	-226.9
JUN 15	1,776.5	1,685.9	90.6	4,590.9	3,475.8	1,115.1	3,466.5	4,672.2	-1,205.7	-302.3
JUN 22	2,367.5	1,959.7	407.8	6,475.7	4,996.8	1,478.9	2,969.2	4,855.9	-1,886.7	-471.2
JUN 29	2,055.6	1,964.2	91.4	5,628.8	5,014.8	614.0	2,840.9	3,546.3	-705.4	-175.3
JUL 6	2,076.8	1,961.7	115.1	4,276.3	3,687.1	589.2	2,006.9	2,711.2	-704.3	-174.3

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 6 JULY
TOP 10 NET MONEY INFLOWS

- Tenaga Nasional Berhad registered the highest net money inflow of RM10.24m last week. Its share price underperformed with a 2.60% decrease against the FBM KLCI which declined by 1.63% during the week under review.
- Public Bank Berhad recorded the second highest net money inflow of RM9.70m. Its share price was 3.60% lower for the week, underperforming against the market benchmark which was only 1.63% lower. Nonetheless, it is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.
- Genting Malaysia Berhad saw the third highest net money inflow of RM7.97m. Its share price slightly underperformed the FBM KLCI with a 1.64% 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		
TNB	10.24	-4.23	-2.60	BOW
PUBLIC BANK	9.70	-17.29	-3.60	BOW
GENTING MSIA	7.97	2.70	-1.64	BOW
PETDAG	4.97	2.03	0.00	-
GENTING BHD	4.43	0.82	-1.31	BOW
NESTLE	4.28	-0.34	0.07	-
BAT	4.26	10.69	-2.24	BOW
IOI CORP	3.85	2.58	-3.52	BOW
IHH	3.23	-0.76	-1.80	BOW
KPJ	2.82	0.39	0.98	-

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- Malayan Banking Berhad saw the largest net money outflow of -RM17.19m last week. Its stock price lost 0.33%, outperforming vis-à-vis the FBM KLCI which lost 1.63% for the week
- MY EG Services recorded the second largest net money outflow -RM5.85m during the week under review. Its share price meanwhile largely dropped by 9.33% for the week, substantially underperforming the market benchmark which faced a 1.63% weekly loss. It is notable that the net money outflow amidst advancing share price may indicate a sell on strength (SOS) stance among some investors.
- Top Glove Corporation Berhad registered the third largest net money outflow at -RM5.23m in the review week. Its share price meanwhile outperformed the benchmark with a 0.25% weekly gain.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
MAYBANK	-17.19	-4.20	-0.33	-
MY EG	-5.85	-10.43	-9.33	-
TOP GLOVE	-5.23	-6.29	0.25	SOS
KL KEPONG	-4.30	1.21	0.33	SOS
SIME DARBY	-3.44	1.37	-4.08	-
SAPURA	-2.97	-0.41	-5.47	-
GAMUDA	-2.87	-1.34	2.45	SOS
INARI	-2.61	-1.32	-2.65	-
TELEKOM	-2.25	2.25	9.32	SOS
HLBK	-2.17	-3.75	0.00	-

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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