

MIDF EQUITY STRATEGY | 17 JULY 2017

WEEK ENDED 14 JULY 2017

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- Brent crude oil price recovered as it increased 4.71% for the week to settle at USD48.91pb. Indeed, Brent crude oil price was on a gradual uptrend during the whole week as China's demand for oil increased with imports to the nation increasing 13.8%yoy during 1H17.
- Global funds headed back into Asian equity last week. Investors classified as "foreign" acquired an aggregate USD1.36b net last week in the seven countries that we track, the highest in nine weeks.
- After two weeks of withdrawal, foreign investors started to mop up stocks listed on Bursa again. The fact that there has not been a prolonged period of foreign selling bodes well for the local market.
- Based on preliminary data by Bursa, foreign investors acquired RM305.1m net, the highest since the week ended May 12. This was the higher than that reported by the exchanges in Thailand, Indonesia and Philippines. The estimate is based on transactions in the open market and excluded off market deals.
- The KLCI shed 4.93 points for the week, extending its fifth week of losses despite the rebound in oil price. In contrast the ringgit strengthened by 0.20% against the greenback to USD/RM4.2922 for the week.

THE RETURN OF THE TIDE

A. MARKET SNAPSHOT

- After two weeks of lethargy, global equity markets advanced with most markets ending the week in the greenzone.
- Wall Street edged higher for the week with the Dow Jones and S&P 500 breaching new record highs. The solid performance of U.S equity markets were underpinned by better-than-expected 2Q17 earnings of three major U.S banks namely, JPMorgan Chase & Co, Citigroup Inc and Wells Fargo & Company.
- During the two-day Congress on Wednesday and Thursday, Fed Chair Yellen reiterated gradual rate hikes amid subdued inflation. Signals from the Fed did not provide impetus for the dollar to move. However, the 0.2% dip in June's retails sales sent the dollar index to a 10-month low of 95.15 points on Friday.
- For Asia, the Hong Kong's Hang Seng index capped their best weekly gain since April 2016, pushing through the 26,000 level. The solid performance of Hang Seng was mainly driven by Chinese banks as concerns of tightening policies in China waned after the CNY70b injection into the banking system by the People's Bank of China.
- In the U.K, the sterling appreciated against the dollar for four-days straight until the week ended amid U.S's CPI being lower at 1.6%yoy. The FTSE 100 was equally strong as it advanced 1.19% on Wednesday, the largest gain in a day since April following Fed Chair Yellen's dovish stance on U.S's monetary policy.
- Brent crude oil price recovered as it increased 4.71% for the week to settle at USD48.91pb. Indeed, Brent crude oil price was on a gradual uptrend during the whole week as China's demand for oil increased with imports to the nation increasing 13.8%yoy during 1H17.
- The KLCI shed 4.93 points for the week, extending its fifth week of losses despite the rebound in oil price. In contrast the ringgit strengthened by 0.20% against the greenback to USD/RM4.2922 for the week.

Table 1 Weekly performance of major indices

Weekly % change	Week before	Last week
Hang Seng	-1.64	4.14
India SENSEX	1.42	2.10
DAX	0.52	1.96
FSSTI Index	0.08	1.81
CAC 40	0.48	1.76
Korea KOSPI	-0.50	1.46
Taiwan TAIEX	-0.94	1.42
S&P 500	0.07	1.41
CSI 300	-0.30	1.29
Dow Jones	0.30	1.04
Nikkei	-0.52	0.95
Thai SET	-0.34	0.53
FTSE 100	0.52	0.37
Jakarta JCI	-0.26	0.29
Phil PCOMP	0.59	-0.04
KLCI	-0.21	-0.28

Source: Bloomberg

B. TRACKING MONEY FLOW - ASIA¹

- Global funds headed back into Asian equity last week. Investors classified as “foreign” acquired an aggregate USD1.36b net last week in the seven countries that we track, the highest in nine weeks.
- The bulk of the inflow was skewed towards North Asian markets. Global investors in Korea loaded up USD859.2m net last week, the fifth highest for the year. On Thursday, the Yellen effect drove foreign buying to its highest in 17 days and pushed the KOSPI to a record high above the 2,400 level. The Won also rebounded with the proverbial bang, appreciating 1.85% against the greenback on a weekly basis, the biggest weekly gain among its regional peers. The strength of the Won was partly driven by the rekindled optimism on Korea’s economy after the 2017 GDP growth forecast was revised from 2.6% to 2.8% by the Bank of Korea on the back of improved exports.
- In Taiwan, foreign investors snapped up USD492.9m net, offsetting the outflow of -USD468.2m in the week before. The Taiex gained 1.22% on Tuesday, the biggest gain in 11 days, which coincided with the highest amount of foreign buying during the week which amounted to USD379.2m net. On the same day, solid sales growth in June boosted the shares Powertech Technology Inc by as much as 5.2% to its highest intraday level since June 2011. The Taiwan dollar meanwhile experienced its largest weekly gain in four months, appreciating 0.58% against the greenback to USD/TWD30.409 as the Fed’s signaled to not hasten rate hikes.
- In Emerging South East Asian markets, the Philippines and Indonesia emerged as main selling targets during the week.

Chart 1 YTD performance of major markets

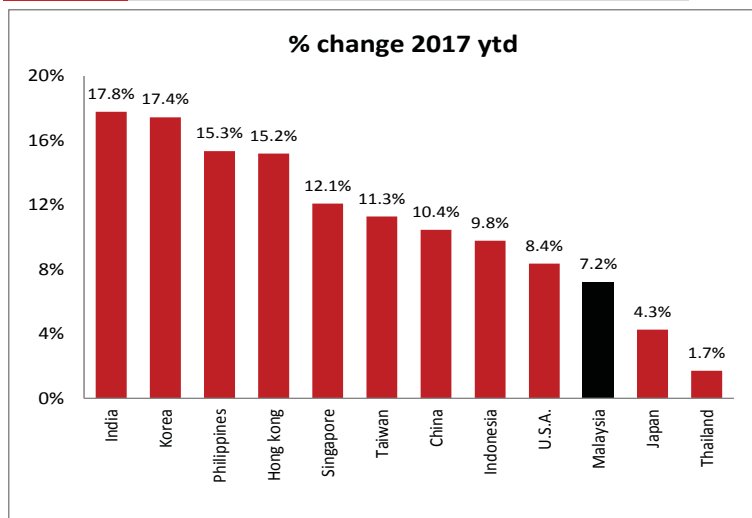


Chart 2 Weekly Net Flow of Foreign Funds into 7 Asian Markets since Jan 2016 (USD'b)



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.

- Foreign investors continued buying in Thailand at a pace similar to the week before. Nonetheless, the SET returned to the black after two weeks of decline, gaining 0.53% for the week. Investors' sentiment was bolstered as the government of Thailand approved the high speed rail project worth THB179.0b.
- In Manila, foreign investors cashed in gains for the second week with Friday recording the largest daily outflow in 3 months. PSEi was rather flattish, only falling 0.04% for the week as Fed Chair Yellen's testimony failed to act as a driver for local stocks. Nevertheless, Peso's five-week losing streak was snapped as Yellen's cautious tone strengthened the local currency amid a decline in U.S treasury yields.
- Global investors in Indonesia offloaded -USD221.7m net, the second largest weekly attrition this year. Sentiment was hurt as Bank Indonesia's consumer index fell to 122.4 points in June from its historical high of 125.9 points in May. Nonetheless, the JCI managed to gain by 0.29% for the week. The rupiah meanwhile recorded its first weekly gain in four weeks as Indonesian 10-year bonds rallied the most since May.

Chart 3 Net Flow of Foreign Funds into Taiwan, Korea and India since Jan 2017(USD'b)

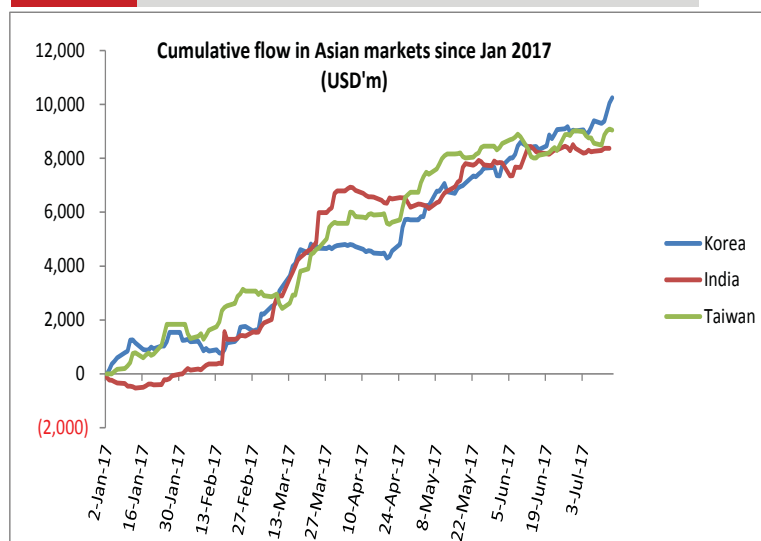
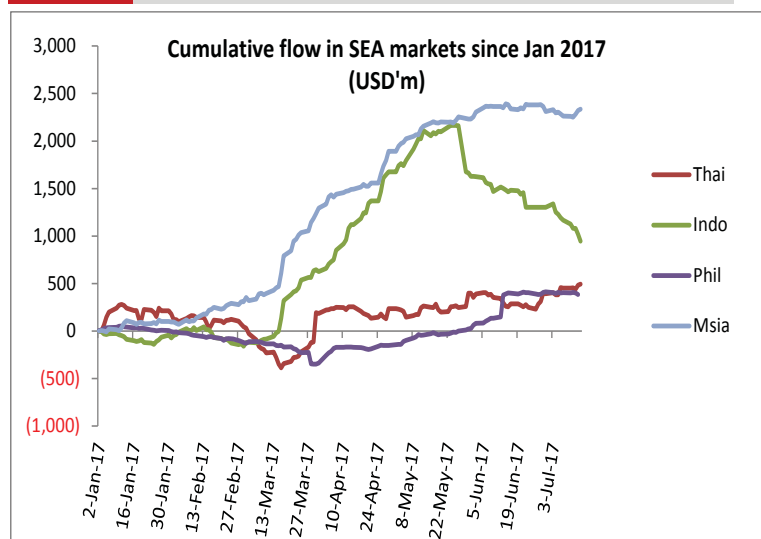


Chart 4 Net Flow of Foreign Funds into South East Asia Emerging Markets since Jan 2017 (USD'b)



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
MAY 26	561.2	45.5	66.4	25.7	210.8	443.2	52.4	1,405.2
JUN 2	79.1	144.3	-535.9	76.1	-28.7	93.0	50.4	-121.6
JUN 9	881.4	-37.6	-158.2	73.9	-179.1	250.7	58.6	889.6
JUN 16	-279.2	-67.5	12.9	265.9	572.1	-680.9	-23.2	-199.9
JUN 23	749.7	-34.7	-177.1	1.8	-68.4	173.5	41.3	822.9
JUN 30	-56.1	143.0	0.0	4.6	201.0	736.5	-69.4	959.6
JUL 7	376.3	58.0	-136.7	-5.3	-269.1	-468.1	-47.8	-492.9
JUL 14	859.2	41.8	-221.7	-17.0	134.8	492.9	71.0	1,361.1

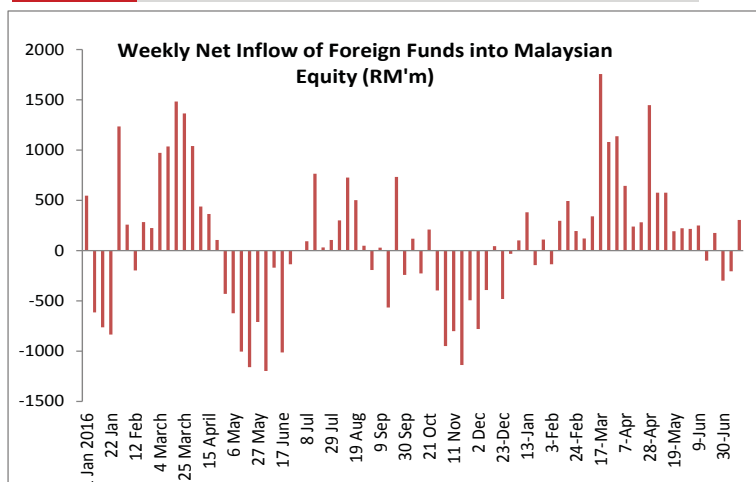
Source: Respective exchange statistics reported on Bloomberg. Bursa Malaysia. These figures are subject to revisions.

FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

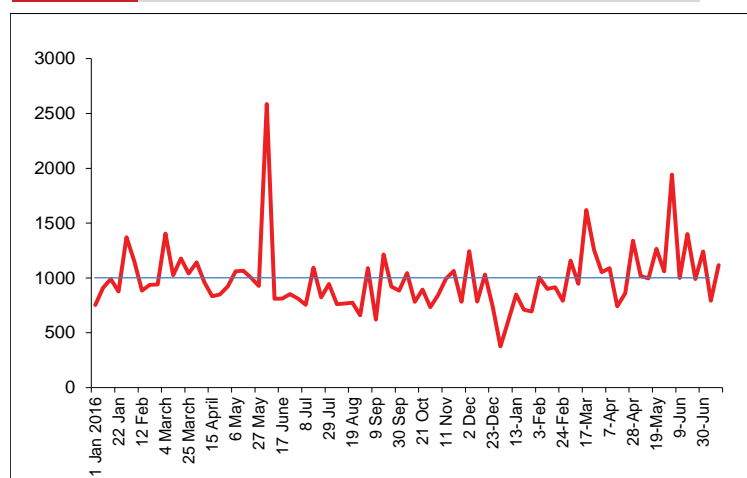
- After two weeks of withdrawal, foreign investors started to mop up stocks listed on Bursa again. The fact that there has not been a prolonged period of foreign selling bodes well for the local market.
- Based on preliminary data by Bursa, foreign investors acquired RM305.1m net, the highest since the week ended May 12. This was the higher than that reported by the exchanges in Thailand, Indonesia and Philippines. The estimate is based on transactions in the open market and excluded off market deals.
- Foreign investors were net buyers in 3 out of 5 trading days. The heaviest foreign buying during the week was recorded on Thursday with net acquisitions reaching RM166.9m net, the highest in a day since June 23. The catalyst for foreign buying on Thursday was the overnight gains on Wall Street following Fed Chair Yellen's cautious tone on the U.S monetary policy.
- Last week's foreign buying lifted the cumulative year-to-date inflow to above the RM10b mark, to RM10.27b.
- Foreign participation rate rebounded to an elevated level last week. The average daily trade value (ADTV) increased by 41% for the week, from RM792.2m to RM1.12b.
- After three lacklustre weeks, retail participation rebounded to a healthy level. Retail ADTV surged 29% to RM831.7m after three consecutive weeks of being under RM650m.

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)	
JUN 2	2,183.1	2,256.4	-73.3	6,865.2	7,007.7	-142.5	4,964.5	4,748.7	215.8	50.4
JUN 9	2,241.9	2,239.3	2.60	7,142.6	7,395.6	-252.4	2,622.5	2,372.7	249.8	58.6
JUN 16	1,607.2	1,643.5	-36.3	5,894.2	5,758.3	135.9	2,751.3	2,850.9	-99.6	-23.2
JUN 23	1,643.3	1,570.6	72.7	5,623.8	5,873.5	-249.7	2,562.5	2,385.5	177.0	41.3
JUN 30	942.0	940.4	1.6	3,064.0	2,767.6	296.4	1,714.8	2,012.8	-298.0	-69.4
JUL 7	1,611.8	1,613.8	-2.0	5,035.7	4,828.2	207.5	1,877.7	2,083.2	-205.5	-47.8
JUL 14	1,647.2	1,679.7	-32.5	5,256.7	5,529.3	-272.6	2,386.5	2,081.4	305.1	71.0

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 14 JULY
TOP 10 NET MONEY INFLOWS

- Maybank stocks were the beneficiary of the highest net money inflow of RM10.80m. Its share price outperformed the benchmark index with a 0.18% gain for the week.
- The second highest net money inflow beneficiary was Petronas Chemicals, amounting to RM9.66m. Its share price underperformed the benchmark index with a -3.39% loss during the review week.
- PPB Group saw the third highest net money inflow of RM8.22m. Its share price underperformed the benchmark index with a -0.36% loss during the review week. The net inflow amidst declining share price indicates 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	
MAXIS	10.80	10.49	0.18	-
PETCHEM	9.66	-0.35	-3.39	BOW
PPB	8.22	-1.49	-0.36	BOW
HLBK	6.54	5.02	-0.88	BOW
KL KEPONG	6.37	13.95	0.53	-
GENTING	4.71	-1.89	3.92	-
DIGI.COM	3.13	-1.81	-6.80	BOW
MY EG	2.89	0.24	0.00	-
IOI CORP	2.40	0.58	0.45	-
AIRASIA	2.23	0.25	-2.54	BOW

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- Sime Darby saw the largest net money outflow of -RM14.64m last week. Its stock price outperformed the benchmark index with a 0.10% weekly gain. The net outflow amidst advancing share price indicates a sell-on-strength (SOS) stance among some investors.
- Public Bank recorded the second largest net money outflow -RM13.20m during the week under review. Its share price outperformed the benchmark index with a 0.39% gain for the week.
- CIMB meanwhile registered the third largest net money outflow at -RM11.07m, with its share price underperforming the benchmark index with a -3.21% gain.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
SIME DARBY	-14.64	-10.50	0.10	SOS
PUBLIC BANK	-13.20	-16.41	0.39	SOS
CIMB	-11.07	-11.86	-3.21	-
DIALOG	-10.33	-3.96	-2.09	-
MAYBANK	-9.25	39.59	-0.10	-
BIMB	-5.79	0.19	-1.56	-
TNB	-5.49	5.25	0.57	SOS
BURSA	-4.93	-0.12	-2.10	-
KLCCS	-4.26	0.20	2.07	SOS
LITRAK	-2.93	-2.87	0.17	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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