

## MIDF EQUITY STRATEGY | 24 JULY 2017

### WEEK ENDED 21 JULY 2017

- Global equity markets lost traction after a promising week amid a raft of inflation data by developed nations.
- Wall Street ended the week mixed as political jitters took the centre stage in the U.S. Nasdaq and S&P 500 reached new highs of 6,390 and 2,474 points respectively while the Dow loss 0.27% for the week.
- Brent crude oil price dipped 1.74% for the week to settle at USD48.06pb. Prospects for brent crude oil was positive at the start of the week but turned bleak due to OPEC's July supply is higher than in June.
- Global funds turned slightly cautious towards Asian equity last week. Investors classified as "foreign" acquired an aggregate USD276.9m net last week in the seven countries that we track, the second lowest this year.
- International investors continued to pump liquidity into stocks listed on Bursa albeit a challenging week for emerging markets as political uncertainty builds up in the U.S.
- Foreign investors purchased RM76.30m net, a quarter of the inflow in the week before based on preliminary data by Bursa in the open market and excluded off-market deals.
- The KLCI gained 0.24% points for the week despite the lack of fresh catalysts, after 5 weeks being in the redzone. The ringgit gained for the second week, strengthening 0.19% against the dollar to USD/RM4.284.

## FOREIGN FUNDS CONTINUE TO PUMP LIQUIDITY

### A. MARKET SNAPSHOT

- Global equity markets lost traction after a promising week amid a raft of inflation data by developed nations.
- Wall Street ended the week mixed as political jitters took the centre stage in the U.S. Nasdaq and S&P 500 reached new highs of 6,390 and 2,474 points respectively while the Dow loss 0.27% for the week.
- On Monday night, U.S's healthcare bill repeal once again collapsed, casting doubts on President Trump's pro-growth agendas. Sentiment further dampened on Thursday when U.S. special counsel Robert Mueller extended investigations into transactions related to President Trump. As a consequence, the dollar index took a beating, plunging to an 11-month low of 94.31 points on Thursday.
- In Asia, China's inflation in 2Q17 was up 6.9% yoy slightly above estimates of 6.8% yoy growth, pushing Asian stocks to a two-year high last Monday. Strength of Asian stocks remained during the week as the Bank of Japan maintained its monetary stimulus while downgrading inflation prospects for FY17/18 and FY18/19. However, gains were then pared down partly due to political uncertainty in the States.
- In the U.K, the sterling tumbled 0.11% against the dollar to GBP/USD1.3040 on Tuesday as U.K. inflation unpredictably eased to 2.6%yoy in June. The sterling was also under pressure as Brexit talks began in Brussels on Monday.
- Brent crude oil price dipped 1.74% for the week to settle at USD48.06pb. Prospects for Brent crude oil was positive at the start of the week with Saudi Arabia planning to slash crude exports by 1m bpd to offset production gains in Libya and Nigeria. However, sentiment turned sour as OPEC's July supply is higher than in June.
- The KLCI gained 0.24% points for the week despite the lack of fresh catalysts, after 4 weeks being in the redzone. The ringgit gained for the second week, strengthening 0.19% against the dollar to USD/RM4.284.

**Table 1** Weekly performance of major indices

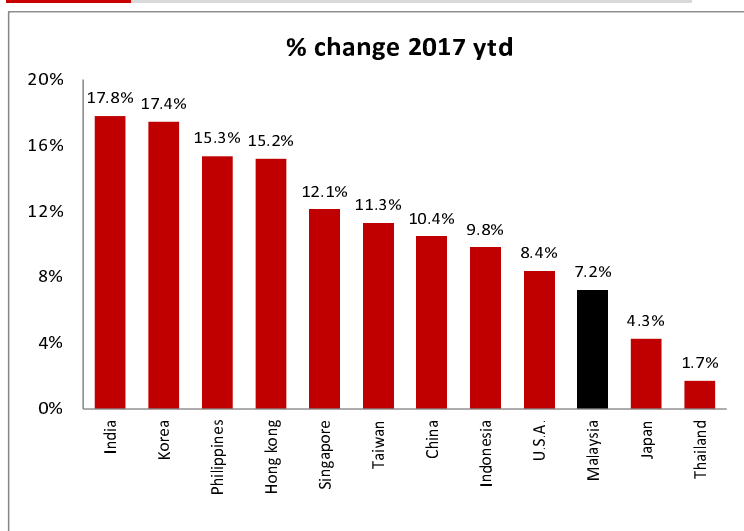
Weekly % change	Week before	Last week
Korea KOSPI	1.46	1.47
Phil PCOMP	-0.04	1.32
Hang Seng	4.14	1.20
FTSE 100	0.37	1.01
FSSTI Index	1.81	0.81
China CSI 300	1.29	0.69
S&P 500	1.41	0.54
KLCI	-0.28	0.24
India SENSEX	2.10	0.03
Taiwan TaieX	1.42	-0.07
Nikkei	0.95	-0.09
Dow Jones	1.04	-0.27
Thai SET	0.53	-0.27
Jakarta JCI	0.29	-1.14
CAC 40	1.75	-2.25
DAX	1.96	-3.10

Source: Bloomberg

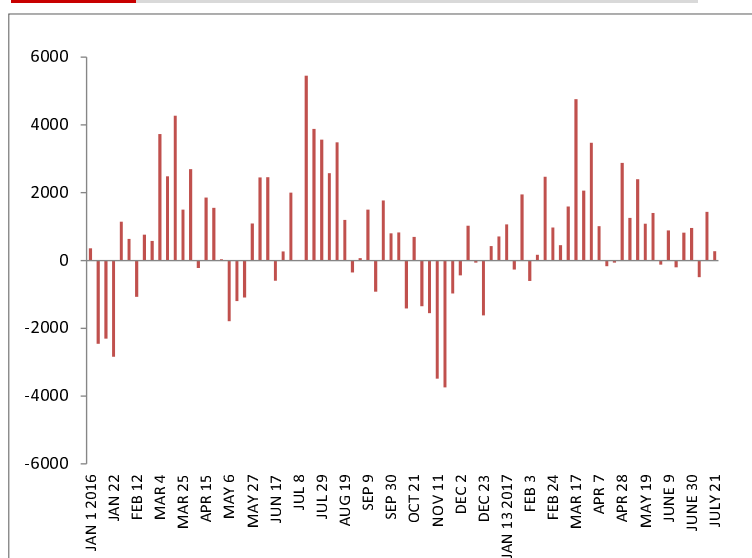
## B. TRACKING MONEY FLOW - ASIA<sup>1</sup>

- Global funds turned slightly cautious towards Asian equity last week. Investors classified as “foreign” acquired an aggregate USD276.9m net last week in the seven countries that we track, the second lowest this year.
- Money inflow into Korea receded to USD163.9m net last week. However, it is worthy to note that there was a promising turnaround on Friday as the KOSPI rallied to a new high of 2,450 points as foreign investors made a roaring comeback by loading up USD242.2m net, the highest for the week. Stock wise, Korean banks gained on the back of better-than-expected earnings. For example, KB financial gained as much as 3.8% to a level not seen since February 2011 on Thursday from better growth in net interest margins coupled with a conservative policy for bad debts. The Won also reached its strongest level since June 6 at USD/KRW1,118 on Friday, advancing 1.34% on a weekly basis following Mueller’s investigation into President Trump’s business transactions.
- In Taiwan, foreign investors only acquired USD90.5m net last week, the lowest inflow this year despite June’s better-than-expected export orders. Foreign funds offloaded the most on Friday, coinciding with the Taiex’s biggest daily loss in 2 weeks of 0.60%. Prior to the loss, the Taiex rose to its highest level since June 27 on Wednesday partly attributable to the Nasdaq surging to a new high overnight. In contrast, the Taiwan dollar lost marginally by 0.04% for the week as some global funds converted dividend payouts by TSMC into the U.S dollar.
- In Emerging South East Asian markets,

**Chart 1** YTD performance of major markets



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



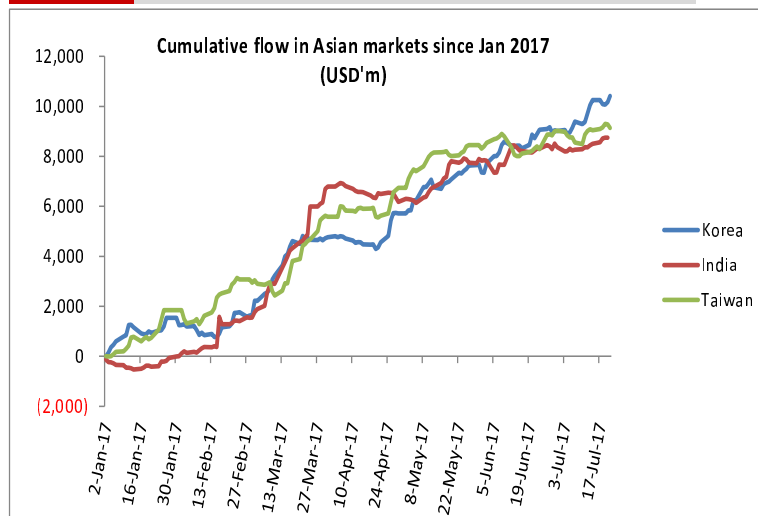
Source: Bloomberg, Bursa Malaysia

<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.

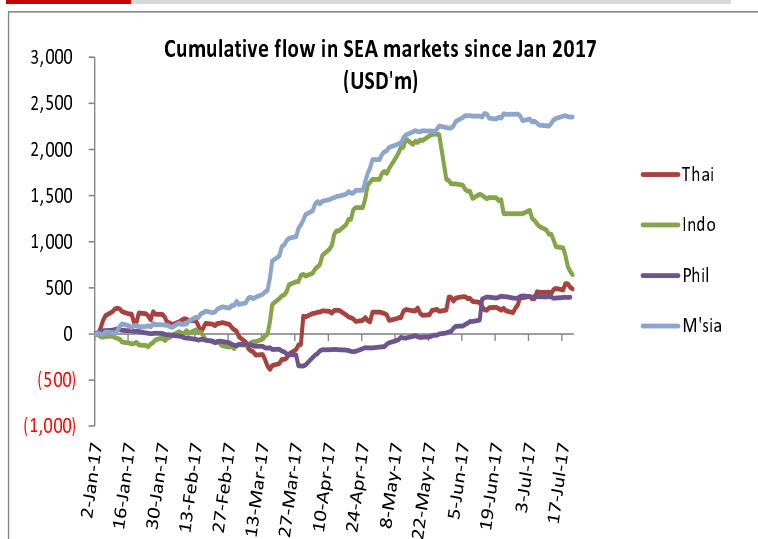
Thailand and Indonesia emerged as main selling targets during the week.

- Foreign investors in Thailand turned net sellers albeit marginally after 3 weeks of buying. Likewise, the SET shed 4.28 points as Bangkok Post PCL led losers for the week. Although the Baht strengthened to a 26-month high on Friday to USD/THB33.46, exports are still expected to rise this year according to the Bank of Thailand.
- In Manila, foreign investors nibbled on local stocks accompanied by the PSEi's biggest weekly gain of 1.32% in 10 weeks. In fact the PSEi almost hit 8,000 points on Friday but was dragged by foreign investors locking in profits ahead of the State of Nation Address by President Duterte on Monday. In contrast, the Peso dropped to its lowest level since 2006 on Wednesday to USD/PHP50.864 after June's balance of payment deficit widened the most in 9 months.
- Foreign investors in Indonesia disposed -USD303.9m, the second largest weekly attrition this year. Investors turned anxious as Bank Indonesia delayed its interest rate announcement on Thursday night but in the end, rates were kept at 4.75%. Overall for the week, the JCI lost 1.14%, the biggest in 6 weeks while the rupiah gained 0.20% against the greenback.

**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)

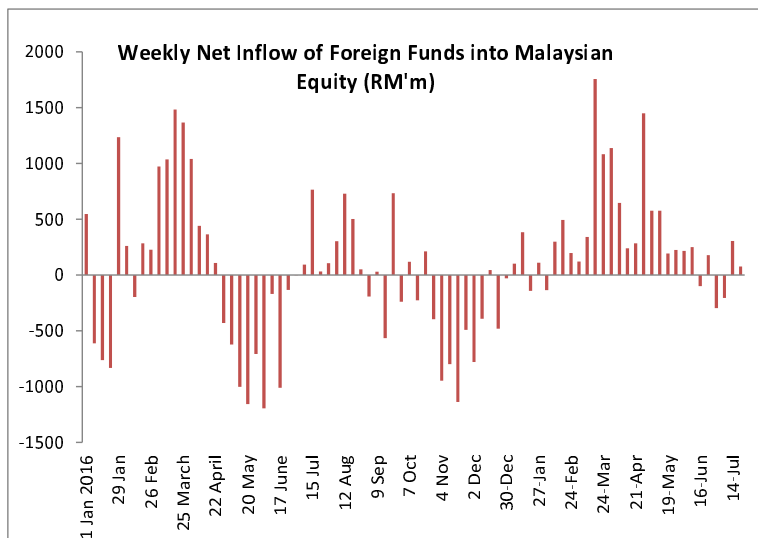
WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
JUN 2	79.1	144.3	-535.9	76.1	-28.7	93.0	50.4	-121.6
JUN 9	881.4	-37.6	-158.2	73.9	-179.1	250.7	58.6	889.6
JUN 16	-279.2	-67.5	12.9	265.9	572.1	-680.9	-23.2	-199.9
JUN 23	749.7	-34.7	-177.1	1.8	-68.4	173.5	41.3	822.9
JUN 30	-56.1	143.0	0.0	4.6	201.0	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	860.1	41.8	-221.8	-17.1	205.0	492.8	71.2	1,431.9
JUL 21	163.9	-4.7	-303.9	11.2	301.1	90.5	17.8	276.9

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

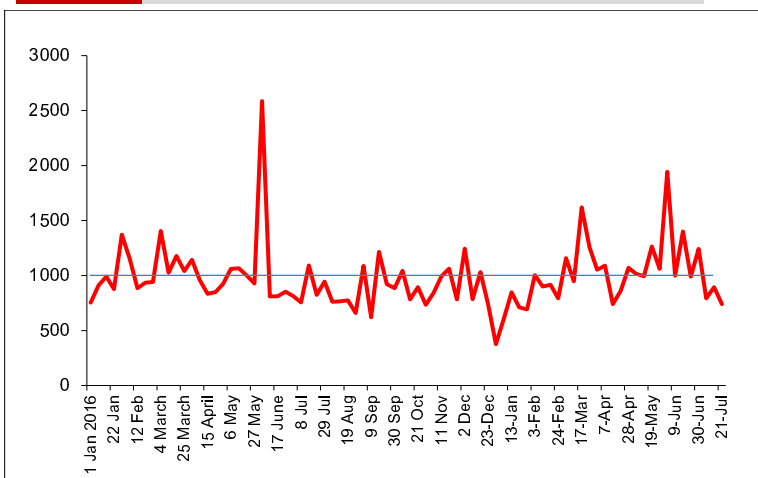
**C. TRACKING MONEY FLOW - MALAYSIA**

- International investors continued to pump liquidity into stocks listed on Bursa albeit a challenging week for emerging markets as political uncertainty builds up in the U.S.
- Foreign investors purchased RM76.30m net, a quarter of the inflow in the week before based on preliminary data by Bursa in the open market and excluded off-market deals. This was the first time the weekly inflow went below the RM100m level for the first time in 2017 and the lowest recorded for the year.
- Net foreign purchases were recorded in 3 out of 5 trading days. Net buying intensity was generally low and did not exceed RM150m. We note that foreign buying peaked on Monday at RM110.0m net amid bolstering optimism in Asia coming from China's positive GDP data.
- Despite the tapering of foreign purchases last week, the cumulative year-to-date inflow remains above the RM10b mark at RM10.35b (approximately USD2.35b), the highest among its South East Asian peers.
- Foreign participation rate was rather sluggish. The average daily trade value (ADTV) declined by 17% for the week, from RM893m to RM739m, being under RM1b level for the third week.
- After four lacklustre weeks, retail inched higher to a moderate level. Retail ADTV increased by 17%, above the RM700m level to RM778.4m from RM665.4m.

**Chart 5** Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2016 (RM'm)



**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 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
JUL 21	1,972.9	1,919.1	53.8	6,151.4	6,281.5	-130.1	1,887.6	1,811.3	76.3	17.8

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 21 JULY**
**TOP 10 NET MONEY INFLOWS**

- Tenaga Nasional stocks were the beneficiary of the highest net money inflow of RM14.31m. Its share price underperformed the benchmark index with a 0.56% loss for the week. The net inflow amidst declining share price indicates a buy-on-weakness (BOW) stance among some investors.
- The second highest net money inflow beneficiary was KL Kepong, amounting to RM6.83m. Its share price outperformed the benchmark index with a 0.32% gain during the review week.
- United Plantation saw the third highest net money inflow of RM4.79m. Its share price outperformed the benchmark index with a 0.44% gain during the review week.


**Table 4** Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
TNB	14.31	-5.49	-0.56	BOW
KL KEPONG	6.83	6.37	0.32	-
UNITED PLNTN	4.79	-0.02	0.44	-
PETCHEM	4.03	9.66	1.75	-
IJM CORP	2.22	-0.73	0.57	-
MAHB	2.04	-1.59	2.91	-
HLBK	1.96	6.54	-1.13	BOW
BAT	1.95	0.12	2.84	-
FGV	1.83	0.05	5.52	-
AIRASIA	1.63	2.23	7.17	-

Source: Bloomberg, MIDFR;

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

**TOP 10 NET MONEY OUTFLOWS**

- Public Bank saw the largest net money outflow of -RM25.18m last week. Its stock price however lagged as it ended unchanged against the FBM KLCI which rose 0.24%.
- CIMB recorded the second largest net money outflow -RM21.70m during the week under review. Its share price underperformed the benchmark index with a 0.16% gain for the week. It is notable that the net money outflow amidst advancing share price indicates a sell on strength (SOS) stance among investors.
- Maybank meanwhile registered the third largest net money outflow at -RM15.75m, with its share price underperforming the benchmark index with a 0.10% gain. 

**Table 5** Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
PUBLIC BANK	-25.18	-13.20	0.00	-
CIMB	-21.70	-11.07	0.16	SOS
MAYBANK	-15.75	-9.25	0.10	SOS
SIME DARBY	-8.22	-14.64	-0.10	-
BURSA	-6.69	-4.93	-1.56	-
LAFARGE	-6.61	0.17	0.52	SOS
GAMUDA	-4.92	-2.63	-2.41	-
LITRAK	-3.97	-2.93	1.70	SOS
AXIATA	-3.90	-1.23	2.61	SOS
DIGI.COM	-3.82	3.13	1.07	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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