

MIDF EQUITY STRATEGY | 10 JULY 2017 WEEK ENDED 7 JULY 2017

- Performance of international equity markets were rather mixed amid anticipation of tighter monetary policies following the recent release of developed nations' central bank meeting minutes.
- Brent crude oil price lost ground as it declined 2.38% for the week to settle at USD46.78pb. Brent crude oil price flirted near the USD50pb level at the start of the week while recording a nine-day winning streak.
- The KLCI lost 0.21% for the week, settling at 1,759 points on Friday, the lowest level since 24 April 2017.
- The ringgit followed suit due to weakness in oil price, depreciating 0.19% against the greenback to USD/RM4.3008 for the week.
- International funds retreated from Asian last week. Investors classified as "foreign" offloaded an aggregated -USD524.2m net last week in the seven countries that we track, the second largest attrition this year.
- Foreign investors continued pulling out from Malaysia albeit at a slower momentum last week.
- Based on preliminary data by Bursa, The amount sold was -RM205.5m net, the second highest out of the only five weeks that net sale had been recorded this year.
- Foreign participation eased last week. Foreign average daily trade value (ADTV) declined by 36% for the week, from RM1.24b to RM792.2m.

SLOW AND MANAGEABLE ATTRITION

A. MARKET SNAPSHOT

- Performance of international equity markets were rather mixed amid anticipation of tighter monetary policies following the recent release of developed nations' central bank meeting minutes.
- Wall Street marched back into the positive territory despite a four day trading week. U.S. stocks started the week strongly led by banking stocks. The rally took the Dow Jones Industrial Average to a record intraday high of 21,652 points on Monday,
- U.S. equities returned stronger after the 4th of July break despite minutes of the Fed June meeting showing a divide between officials on the starting date of the balance sheet reduction. The dollar index meanwhile appeared flattish after the announcement, only gaining 0.08% on Wednesday.
- For Asia, Hong Kong shares retreated 1.5% on Tuesday, the most in eight months with Tencent Holdings Ltd seeing the steepest loss since Feb 2016 of 4.1%, was one of the largest decliners. The price fall was partly attributable to an article on overcoming online gaming addiction featured in the state-controlled People's Daily newspaper. On a weekly basis, the Hang Seng index led decliners with a 1.64% loss.
- In Europe, stocks plunged to an 11-week low following the rise in the yield of the region's benchmark debt to a level not seen in more than 17 months on Thursday. In contrast, the euro settled 0.60% higher against the dollar the same day at EUR/USD1.1419 as the minutes of the European Central Bank meeting signaled a removal of the bond buying program.
- Brent crude oil price lost ground as it declined 2.38% for the week to settle at USD46.78pb. Brent crude oil price flirted near the USD50pb level at the start of the week while recording a nine-day winning streak. However, Russia's stance against deeper production cuts outweighed the larger-than-expected draw in U.S crude stocks of 5.7m barrels, sending Brent crude oil price below USD47pb.
- The KLCI lost 0.21% for the week, settling at 1,759 points on Friday,

Table 1 Weekly performance of major indices

Weekly % change	Week before	Last week
India SENSEX	-0.70	1.42
Phil PCOMP	0.37	0.59
FTSE 100	-1.50	0.52
DAX	-3.21	0.52
CAC 40	-2.76	0.48
Dow Jones	-0.21	0.30
FSSTI Index	0.53	0.08
S&P 500	-0.61	0.07
KLCI	-0.89	-0.21
Jakarta JCI	0.00	-0.26
CSI 300	1.21	-0.30
Thai SET	-0.48	-0.34
Korea KOSPI	0.55	-0.50
Nikkei	-0.49	-0.52
Taiwan TAIEX	0.17	-0.94
Hang Seng	0.37	-1.64

Source: Bloomberg

the lowest level since 24 April 2017. The lacklustre performance of KLCI is partly attributable to the escalating tensions in North Korea and the weakening of oil price. The ringgit followed suit, depreciating 0.19% against the greenback to USD/RM4.3008 for the week.

B. TRACKING MONEY FLOW - ASIA¹

- International funds retreated from Asian last week. Investors classified as “foreign” offloaded an aggregated -USD524.2m net last week in the aggregate seven countries that we track, the second largest attrition this year.
- Global investors in Korea snapped up USD376.3m net last week. However, geopolitical tensions escalated as North Korea launched an Intercontinental Ballistic Missile (ICBM) on Tuesday. As a consequence, it then saw a large net foreign withdrawal of -USD148.9m, coinciding with Kospi’s 0.58% loss, the biggest daily loss since June 12. The Won also weakened 0.88% against the greenback to USD/KRW1154.32 on a weekly basis, marking six straight weeks of losses for the Won.
- Meanwhile in Taiwan, foreign investors offloaded -USD470.9m net, the fourth largest attrition this year. The foreign selling coincided with Taiex’s 0.94% loss for the week, the largest weekly lost since the week ended April 14. The growth in Taiwan’s export for the ninth consecutive month in June failed to improve market sentiment as geopolitical tensions took the centre stage. Similar to the Won, the Taiwan dollar also depreciated for six straight weeks on the back of heightened expectations of a stimulus removal by global central banks which has dampened risk sentiment.

Chart 1 YTD performance of major markets

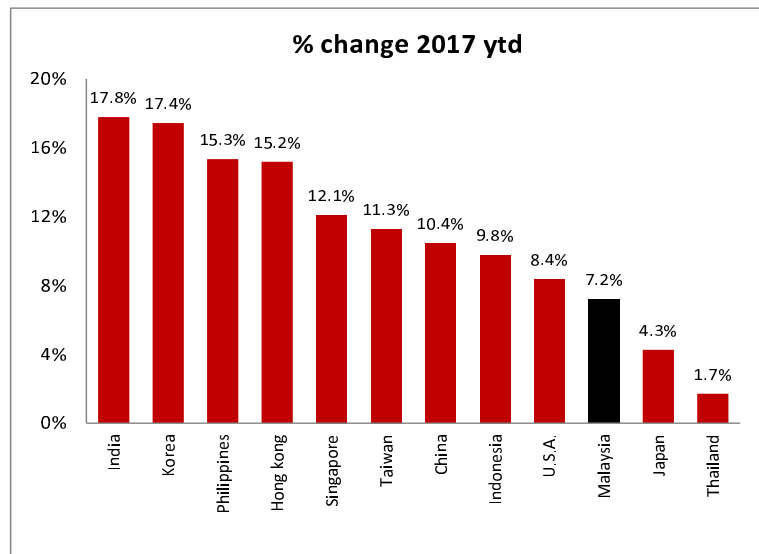
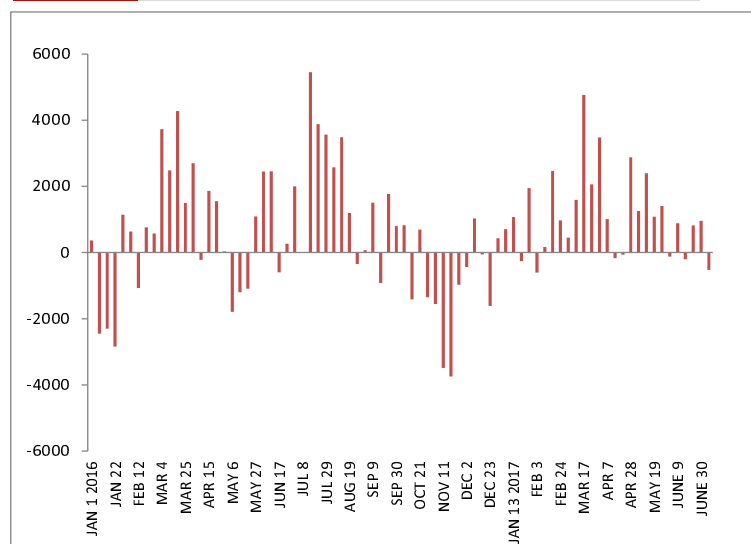


Chart 2 Weekly Net Flow of Foreign Funds into 7 Asian Markets since Jan 2016 (USD'b)



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.

- In Emerging South East Asian markets, foreign investors were net sellers except in Thailand.
- Foreign investors continued buying in Thailand albeit at only a net measurable level of USD58.0m. The tapering of foreign buying coincided with the SET's weekly decline of 0.34%, with MFC Industrial REIT the leading laggard. The Baht also saw its largest weekly loss since late April amid bond outflows.
- In Manila, the 10-week buying streak ended as foreigners disposed -USD5.3m net as minutes of the Fed June meeting provided no clear path of future rate hikes. Nonetheless, the PSEi added 46.17 points for the week, bucking the regional down trend as optimism grew amid May's infrastructure spending which recorded the fastest growth in six months.
- As the Indonesian bourse resumed operations after the Aidilfitri break, foreigners disappointingly sold -USD136.7m net. Meanwhile, the JCI index hit an all-time high of 5,910 points on Monday as the CPI rose 4.37% in June. However, sentiment turned sour as the rise in U.S treasury yields made Indonesia assets less attractive. As a result, both the JCI and Rupiah declined for the week by 0.26% and 0.38%, respectively.

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

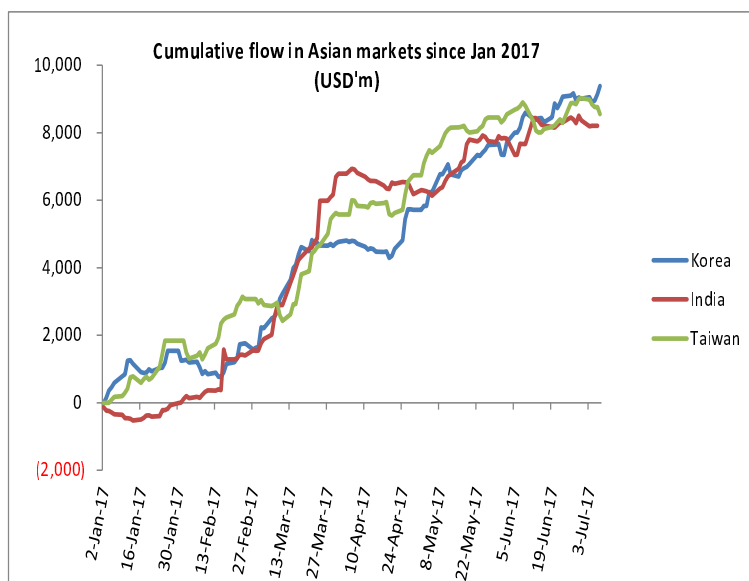
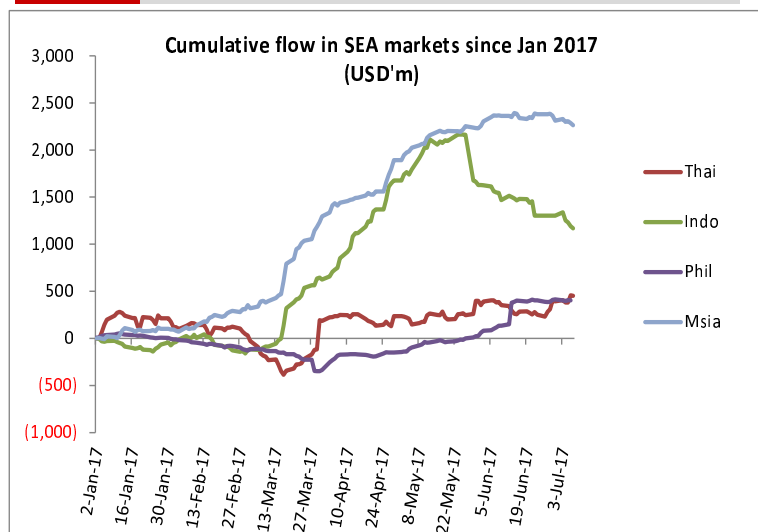


Chart 4 Net Flow of Foreign Funds into South East Asia Emerging Markets since Jan 2017 (USD'b)



Source: Bloomberg, Bursa Malaysia

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

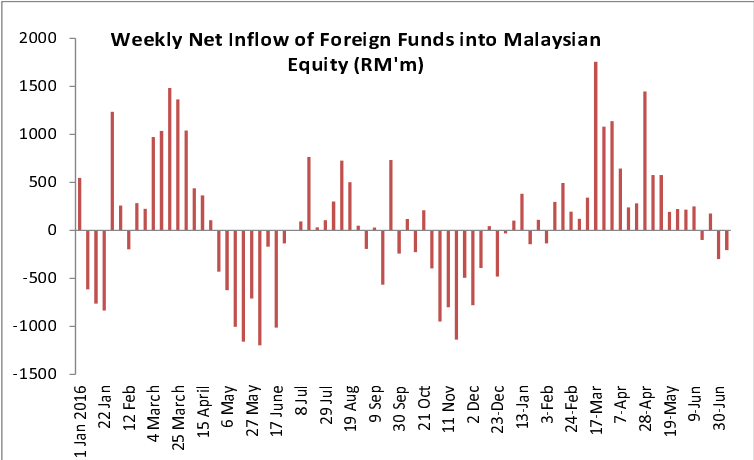
WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
MAY 19	312.0	-64.0	-16.1	5.6	948.7	-147.0	44.5	1,083.6
MAY 26	561.2	45.5	66.4	25.7	210.8	443.2	52.4	1,405.2
JUN 2	79.1	144.3	-535.9	76.1	-28.7	93.0	50.4	-121.6
JUN 9	881.4	-37.6	-158.2	73.9	-179.1	250.7	58.6	889.6
JUN 16	-279.2	-67.5	12.9	265.9	572.1	-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	-297.8	-470.9	-47.8	-524.2

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

C. TRACKING MONEY FLOW - MALAYSIA

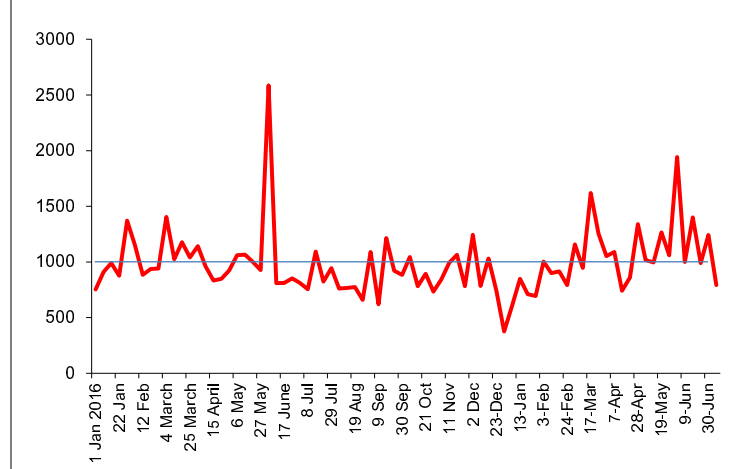
- Foreign investors continued pulling out from Malaysia albeit at a slower momentum last week.
- Based on preliminary data by Bursa, The amount sold was -RM205.5m net, the second highest out of the only five weeks that net sale had been recorded this year. This is estimated based on transactions in the open market and excluded off market deals. The heaviest foreign selling during the week was recorded on Tuesday with net disposals reaching -RM139.2m net as geopolitical tensions heightened on the back of the ICBM test by North Korea.
- We note that the markets in Indonesia, Thailand and the Philippines were also the casualties of foreign attrition on Tuesday.
- Last week’s foreign withdrawal reduced the cumulative year-to-date net inflow to below the RM10b mark, at RM9.96b. Notwithstanding this, the year-to-date inflow into Malaysia still offsets approximately 30% of the total outflows in 2014-2016.
- Foreign participation eased last week, as its average daily trade value (ADTV) declined by 36% for the week, from RM1.24b to RM792.2m. Indeed, foreign daily trade value during the week only ranged from RM710m to RM820m compared to above RM1b before.
- In contrast, the retail market continued to slow down with its ADTV slightly unchanged at RM627.5m, below RM800m level for the third consecutive 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)	
MAY 26	3,197.9	3,160.5	37.4	8,471.2	8,732.3	-261.1	2,762.8	2,539.1	223.7	52.4
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

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 7 JULY
TOP 10 NET MONEY INFLOWS

- Maybank stocks were the beneficiary of the highest net money inflow of RM39.59m. Its share price however ended unchanged during the week under review.
- The second highest net money inflow beneficiary was KL Kepong, amounting to RM13.95m. Its share price underperformed the benchmark index with a -0.80% loss during the review week.
- Maxis saw the third highest net money inflow of RM10.49m. Its share price underperformed the benchmark index with a -1.08% loss during the review week. The net inflow amidst declining share price indicates a buy-on-weakness (BOW) stance among some investors. The company announced that its 3G radio access network sharing and alliance agreement (NSA) with U Mobile was terminated as it contributed less than 3% of revenue in 2016.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
MAYBANK	39.59	2.87	0.00	-
KL KEPONG	13.95	32.08	-0.80	BOW
MAXIS	10.49	2.85	-1.08	BOW
TNB	5.25	6.84	-0.14	BOW
HLBK	5.02	-8.42	2.17	-
SAPURA	2.50	-0.71	3.77	-
GAMUDA	2.28	-21.80	-1.27	BOW
AXIATA	2.11	3.98	-2.69	BOW
SUNWAY	2.10	-1.36	-0.51	BOW
FGV	1.21	0.81	-1.75	BOW

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 -RM16.41m last week. Its stock price slightly outperformed the benchmark index with a -0.20% loss.
- CIMB recorded the second largest net money outflow -RM11.86m during the week under review. Its share price underperformed the benchmark index with a -0.46% loss.
- While Sime Darby registered the third largest net money outflow at -RM10.50m, its share price outperformed the benchmark index with a 0.42% gain. The net outflow amidst advancing share price indicates a sell-on-strength (SOS) stance among some investors.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
PUBLIC BANK	-16.41	-22.32	-0.20	-
CIMB	-11.86	4.94	-0.46	-
SIME DARBY	-10.50	-0.45	0.42	SOS
TELEKOM	-6.40	-3.38	-1.35	-
MAHB	-5.29	8.37	-1.29	-
RHB BANK	-4.73	-1.63	0.20	SOS
F&N	-3.97	-1.17	0.40	SOS
DIALOG	-3.96	-5.98	-0.52	-
LITRAK	-2.87	0.20	-0.34	-
DRB-HICOM	-2.56	-1.06	-2.25	-

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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