

MIDF EQUITY STRATEGY | 2 JULY 2018

WEEK ENDED 29 JUNE

- Performance major equity markets worldwide remained subdued as global trade woes continue to dominate headlines.
- U.S indexes resumed their ascent on Friday, marking its biggest daily gain in nearly four years. After enduring a frenetic quarter, all three major U.S indexes; Nasdaq, S&P500 and Dow Jones booked gains in 2Q18 of 6.3%, 2.9% and 0.7%, respectively.
- Brent crude oil price jumped the most in 11 weeks, up 5.15% to USD79.44pb on Friday after a four-day rally underpinned by unexpected supply disruptions in Canada, Libya and Venezuela.
- The level of foreign funds exiting Asia ebbed last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” sold -USD1.91b net last week, almost half of the amount dumped in the preceding week.
- Mirroring markets elsewhere in Asia, Bursa continued to experience its ninth week of foreign attrition albeit at a slower pace. Based on preliminary data from Bursa which excluded off market deals, the amount disposed by foreign investors last week retreated below RM1b to -RM705.4m net.
- The FBM KLCI pared losses to end 0.16% lower for the week at 1,692 points, marking its third week of losses. The Ringgit ended the week at USD/MYR4.0385 translating to its first quarterly loss in six quarters of 4.37% .

FOREIGN INVESTORS TURNED NET BUYERS ON BURSA LAST FRIDAY

A. MARKET SNAPSHOT

- Performance major equity markets worldwide remained subdued as global trade woes continue to dominate headlines.
- Wall Street had a disappointing start to the week as the Dow Jones and S&P500 both slid by more than 1.0% on Monday amidst further trade barriers by President Trump on Chinese investment in U.S technology. Treasury Secretary Steven Mnuchin later noted that the fresh threats on China are fake news and would instead apply to all countries attempting to steal U.S technology. U.S stocks marginally rebounded on Tuesday, supported by the jump in energy companies as the U.S urged its allies to cancel oil imports from Iran.
- Larry Kudlow, economic adviser to the U.S President reiterated the White House's hard line on trade, resulting in the U.S market to head back into the redzone on Wednesday. The S&P500 settled at the lowest level in nearly a month at 2,699 points. Wall Street was back on its feet the next day boosted by technology stocks with Amazon rising 2.5% as it announced its acquisition of online pharmacy, Pillpack.
- U.S indexes resumed their ascent on Friday with the help of Nike's shares which advanced by 11.1% to USD79.68, marking its biggest daily gain in nearly four years. After enduring a frenetic quarter, all three major U.S indexes; Nasdaq, S&P500 and Dow Jones booked gains in 2Q18 of 6.3%, 2.9% and 0.7%, respectively.
- China's CSI300 on Tuesday entered a bearish territory intraday after declining more than 20% from its January peak amidst an extension of restrictions on Chinese investment in U.S technology and also deleveraging concerns. As a consequence, the index suffered a monthly loss of 8% in June, the worst since January 2016. Nonetheless, it is notable that the CSI300 soared 2.55% on Friday, the largest gain in a day since August 2016 following speculations of the loosening of liquidity conditions by China's central bank.
- The looming trade tensions between the Beijing and Washington has also dented Germany's business confidence in June which fell to 101.8 points, the lowest in more than a year. On a broader level, EU leaders on Friday reached a deal on policies to stem the flow of migrants. The move was a positive for the Euro currency which climbed the most in three weeks against the dollar as a failure to agree on a unified migration policy into the EU poses a risk of a major split amongst its members.
- Brent crude oil price jumped the most in 11 weeks, up 5.15% to USD79.44pb on Friday after a four-day rally underpinned by unexpected supply disruptions in Canada, Libya and Venezuela. Another supporting factor for oil prices was the report by the EIA which showed a 9.9m drop in barrels in the preceding week.

| Table 1 Weekly performance of major indices | | |
|--|-------------|-----------|
| Weekly % change | Week before | Last week |
| Phil PCOMP | -6.19 | 1.85 |
| KLCI | -3.84 | -0.16 |
| Jakarta JCI | -2.87 | -0.39 |
| FSSTI Index | -2.07 | -0.57 |
| Taiwan TAIEX | -1.70 | -0.57 |
| FTSE 100 | 0.63 | -0.59 |
| India SENSEX | 0.19 | -0.75 |
| Nikkei | -1.47 | -0.94 |
| CAC 40 | -2.08 | -1.19 |
| Dow Jones | -2.03 | -1.26 |
| Hang Seng | -3.20 | -1.31 |
| Korea KOSPI | -1.95 | -1.32 |
| S&P 500 | -0.89 | -1.33 |
| DAX | -3.31 | -2.18 |
| Thai SET | -4.10 | -2.41 |
| China CSI 300 | -3.85 | -2.71 |

Source: Bloomberg

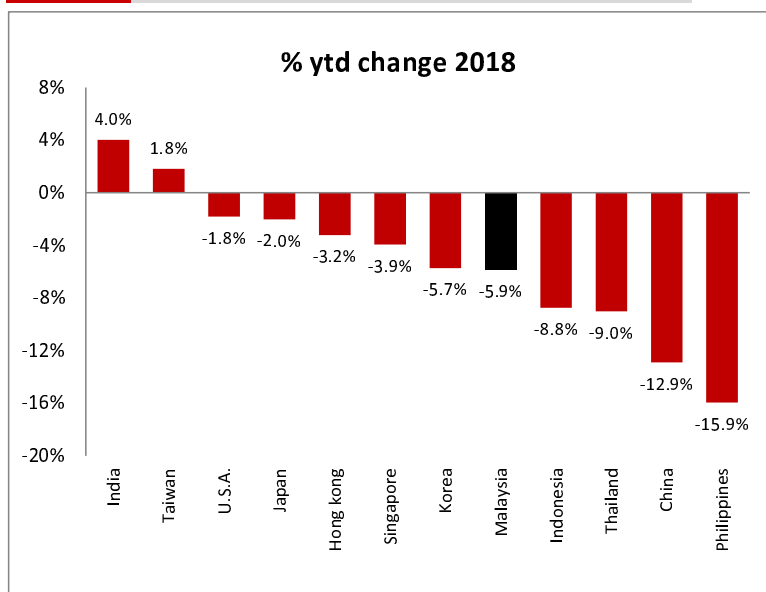
FUND FLOW REPORT

- The FBM KLCI pared losses to end 0.16% lower for the week at 1,692 points, marking its third week of losses. The Ringgit ended the week at USD/MYR4.0385 translating to its first quarterly loss in six quarters of 4.37% .

B. TRACKING MONEY FLOW - ASIA¹

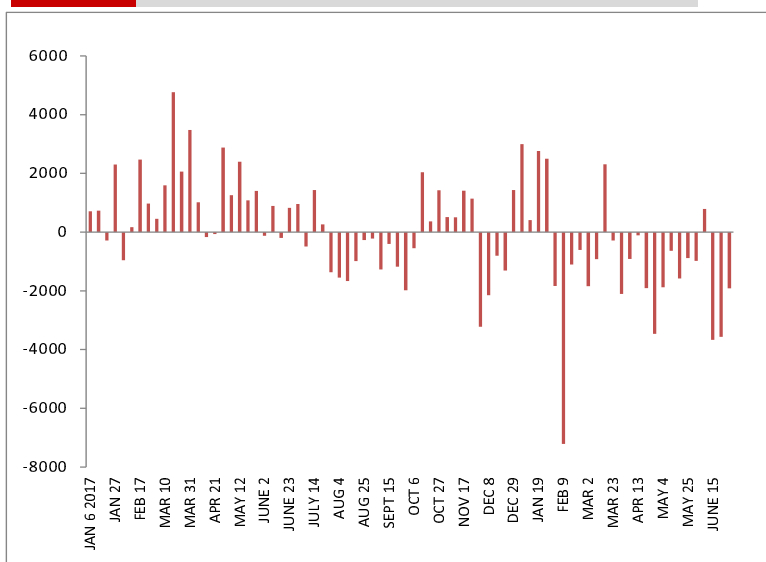
- The level of foreign funds exiting Asia ebbed last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” sold - USD1.91b net last week, almost half of the amount dumped in the preceding week.
- Foreign net selling activity in Korea slowed down gradually for the third uninterrupted week as global investors sold -USD287.8m net last week. Global investors were net sellers on three out of five days, with Tuesday recording the highest attrition during the week at -USD338.4m net. Nonetheless, the overall foreign outflows were capped by a bout of inflows on Wednesday and Friday, amounting to -USD170.0m net and -USD206.6m net, respectively. Friday’s heavy inflow pushed the KOSPI higher by 0.51% to 2,326 points, rebounding from its lowest close since May 2017. The Korean Won meanwhile was 0.90% lower for the fourth week running at USD/KRW4.0385, logging its biggest quarterly drop since 4Q16 of 5.2% as the trade dispute between the U.S and China continues to impact export-driven Asian nations with the the Bank of Korea’s Business Survey Index declining by one point to 80 in June. As a consequence, Korean bonds have been offering refuge to overseas money, registering an influx worth USD7.1b net last month through June 28.
- The pace of net outflows from Taiwan abated but still remained above -USD1b at -USD1.08b net. The first 4 days of the week saw foreign selling ranging from -USD200m to -USD340m, net, coinciding with the Taiex’s 5th consecutive day of gradual losses since the previous Friday to settle below 10,700 points on Thursday. Nonetheless, foreign investors slowly returned to Taiwan on Friday to a tune of USD22.8m net, the first inflow in a day since 11 June 2018 which saw the Taiex climb the most since late February by 1.7% to 10,836 points, as Hon Hai precision surged 3.4% the same day after Foxconn’s ground breaking ceremony in the U.S. Friday’s inflow did not just cap the Taiex’s 2Q18 losses to 0.8%, but also snapped the Taiwan’s Dollar four-day losing streak.

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 fifth week running.
- The amount sold by foreign funds in Bangkok was reduced by a one fourth to -USD104.6m net, the smallest weekly attrition in 11 weeks. In spite of the slowdown in attrition, the SET index continued to decline below 1,600 points on Thursday, a level not seen since August last year as trade competitions weighed on risk-on sentiment. Notwithstanding this, foreign investors staged a solid comeback, accumulating the highest amount of local equities in a day since mid-March this year worth USD85.28m net. The Thai Baht declined to its weakest level since November 2016 of USD/THB31.22, marking its first quarterly loss since 2016.
- The level of attrition substantially tapered by more than USD100m to -USD7.73m net last week. Manila saw its first inflow in 27 days on Wednesday of USD1.07m net and later picked up to USD9.85m net on Friday on the back of window dressing activity alongside gains in major global markets. The PSEi followed suit to close at a seven-trading high of 7,194 points, posting the steepest weekly gain in seven weeks of 1.9%. On the other hand, the Peso dropped for the second quarter after weakening by 0.16% for the week as two interest-rate increases since May fail to stem capital outflows amid an emerging market rout.
- Offshore investors in Jakarta sold -USD150.5m net last the week, almost half of last week's amount. Indonesia's 10th straight day of attrition, the longest selling binge since late January to mid-February 2018 came to an end on Friday as foreign investors mopped up USD25.2m net. The return of foreign investors into Indonesia's bourse on Friday lifted the JCI by as much as 1.5% following Bank of Indonesia's decision to raise benchmark rates for the third time in six weeks.

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

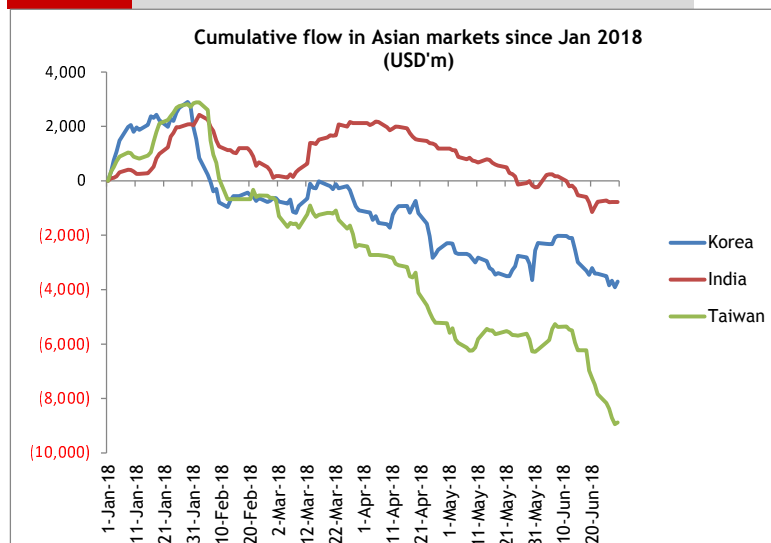


Chart 4 Net Flow of Foreign Funds into South East Asia Emerging Markets since Jan 2018 (USD'm)

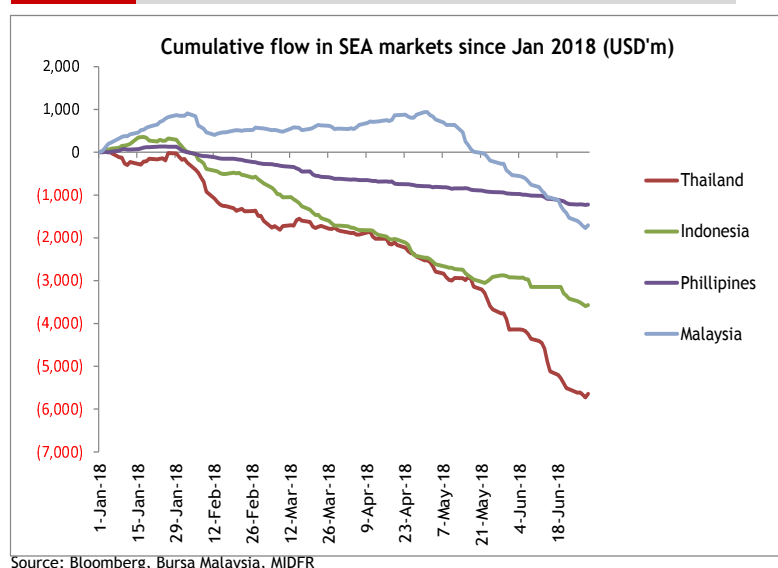


Table 2 Weekly Net Flow Of Foreign Fund Into Equity By Market (USD'm)

| WEEK | KOREA | THAI | INDON | PHIL | INDIA | TAIWAN | M'SIA | TOTAL |
|--------|--------|--------|--------|--------|--------|----------|--------|----------|
| MAY 11 | -136.5 | -144.9 | -114.8 | -36.1 | -208.8 | 133.9 | -127.9 | -635.0 |
| 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 | -103.4 | -1,081.7 | -175.3 | -1,911.1 |

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

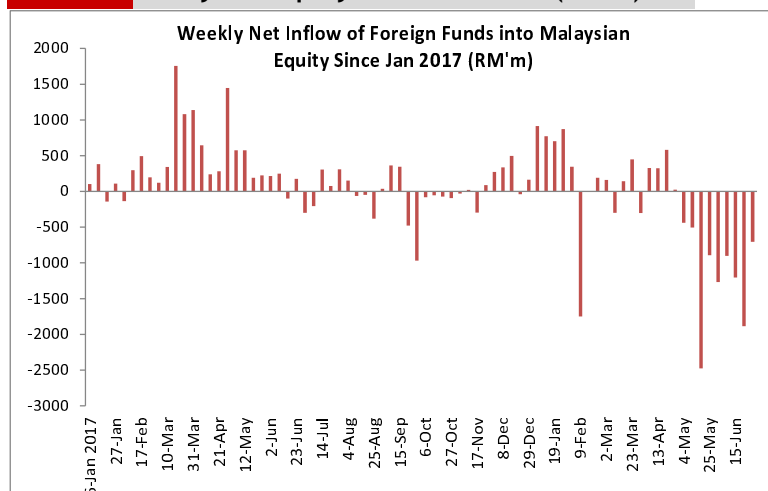
FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

- Mirroring markets elsewhere in Asia, Bursa continued to experience its ninth week of foreign attrition albeit at a slower pace..
- Based on preliminary data from Bursa which excluded off market deals, the amount disposed by foreign investors last week retreated below RM1b to -RM705.4m net.
- Offshore investors were net sellers from Monday to Thursday with none of the days recording attrition above -RM300m net. Monday had the highest net outflow during the week of -RM291.4m as the escalating trade dispute between the U.S and China stoked risk aversion. Despite foreign selling activity slowing down to a tune of RM206.1m net later on Thursday, the FBM KLCI dropped further to 1,665.68 points, the lowest close since January 2017 following the slump in Wall Street overnight spurred by the comments by President Trump's economic adviser, Larry Kudlow on the U.S's hard line on trade in spite of President Trump's softer stance.
- The tide turned in Friday when foreign investors mopped up RM259.4m net, snapping a 37-day long episode of foreign attrition amidst window dressing activities. The FBM KLCI followed suit to snap its four-day losing streak by closing 1.55% higher that day, the biggest daily gain so far in 2018. We note that Friday's foreign net inflow is in conformity with other regional peers we track namely the Philippines, Thailand and Indonesia.
- For the month of June, the amount of net outflows from Malaysia reached -RM4.93b. This brings the 1H18 cumulative outflow in 2018 to -RM6.82b net, offsetting more than half of last year's total net inflow of RM10.33b. Nonetheless, Malaysia still has the second lowest outflow amongst the 4 ASEAN markets we monitor after the Philippines on a year-to-date basis.
- Participation levels of foreigners, retailers and local institutions experienced a weekly dip. Nonetheless, activity levels are still deemed healthy as the average daily trade value (ADTV) is still above RM800m for retailers, RM2b for local institutions and RM1b for foreign investors.

Chart 5

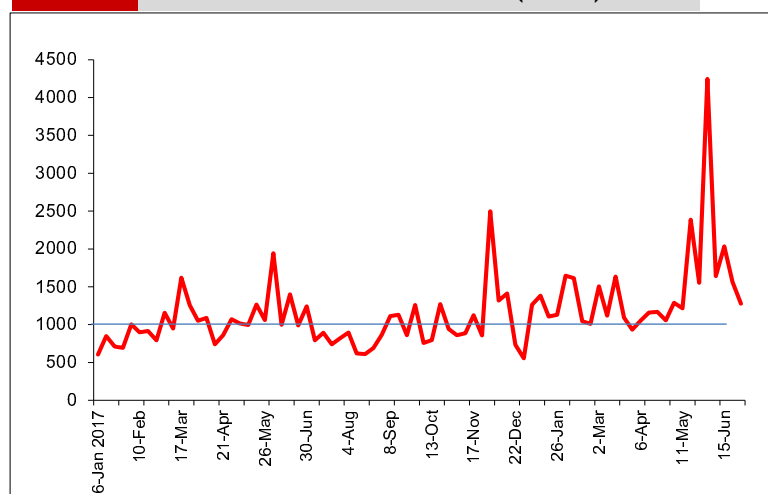
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2017 (RM'm)



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 18 | 5,118.2 | 4,126.3 | 991.9 | 11,766.2 | 10,281.9 | 1,484.3 | 4,730.5 | 7,206.7 | -2,476.2 | -625.3 |
| MAY 25 | 3,312.1 | 2,889.9 | 422.2 | 9,201.8 | 8,731.6 | 470.2 | 3,436.1 | 4,238.5 | -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 |

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 29 JUNE
TOP 10 NET MONEY INFLOWS

- British American Tobacco (Malaysia) Berhad registered the highest net money inflow of RM10.69m last week. Its share price underperformed with a 0.97% decrease against the FBM KLCI which declined by 0.16% during the week under review.
- ViTrox Corporation Berhad recorded the second highest net money inflow of RM10.43m. Its share price was 2.43% lower for the week, underperforming against the market benchmark which was only 0.16% lower. Nonetheless, it is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.
- Dialog Group Berhad saw the third highest net money inflow of RM6.87m. Its share price underperformed the FBM KLCI with a 1.59% loss during the week under review.

Table 4 Top 10 Net Money INFLOW

| Name | Net Money Flow (RM mn) | | Price (% Chg) | Remark |
|----------------|------------------------|-----------|---------------|--------|
| | Last Week | Prev Week | Last Week | |
| BAT | 10.69 | -11.95 | -0.97 | BOW |
| VITROX | 10.43 | -0.34 | -2.43 | BOW |
| DIALOG | 6.87 | 6.68 | -1.59 | BOW |
| TIME DOTCOM | 5.96 | -0.63 | -3.90 | BOW |
| BOUSTEAD HLDG | 3.77 | -0.04 | -0.81 | BOW |
| GENTING PLNTN | 2.89 | 0.31 | -0.94 | BOW |
| BERJAYA SPORTS | 2.84 | 0.09 | -0.81 | BOW |
| GENTING MSIA | 2.70 | 1.27 | -1.01 | BOW |
| IOI CORP BHD | 2.58 | -2.90 | -1.09 | BOW |
| PPB GROUP | 2.56 | 3.18 | 1.65 | - |

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS


- Public Bank Berhad saw the largest net money outflow of -RM17.29m last week. Its stock price was 1.92% higher for the week, outperforming vis-à-vis the FBM KLCI which lost 0.16% during the review week. It is notable that the net money outflow amidst advancing share price may indicate a sell on strength (SOS) stance among some investors.
- MY EG Services Berhad recorded the second largest net money outflow -RM10.43m during the week under review. Its share price meanwhile declined by 3.50% for the week, substantially underperforming the market benchmark with a 0.16% weekly loss.
- Petronas Chemicals Berhad registered the third largest net money outflow at -RM8.13m in the review week. Its share price meanwhile outperformed the benchmark with a 0.12% weekly 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 | -17.29 | 16.84 | 1.92 | SOS |
| MY EG | -10.43 | -11.29 | -3.50 | - |
| PETCHEM | -8.13 | 13.78 | 0.12 | SOS |
| TOP GLOVE | -6.29 | 2.23 | 5.02 | SOS |
| MAHB | -4.34 | 0.65 | 0.57 | SOS |
| TNB | -4.23 | 3.76 | 6.09 | SOS |
| MAYBANK | -4.20 | -2.35 | -2.07 | - |
| HLBK | -3.75 | -0.14 | 0.44 | SOS |
| RHB BANK | -3.42 | 0.73 | -3.36 | - |
| PETGAS | -2.57 | -0.03 | -0.35 | - |

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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