

MIDF EQUITY STRATEGY | 11 JUNE 2018

WEEK ENDED 8 JUNE

- The majority of global equity markets recovered from the slump in the preceding week ahead of the G7 summit and the U.S's President Trump and North Korea's Kim Jong Un meeting in Singapore.
- Overall, all three major U.S indexes posted a weekly gain of more than 1% with the Dow Jones posting its best week since March 2018.
- Brent crude oil price was back in the red, declining 0.43% for the week to USD76.46pb. The price weakness came after signs that OPEC member may face conflict over production deals during the meeting scheduled on 22 June.
- After 11 uninterrupted weeks of withdrawals, the tide has returned to Asian markets. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" acquired USD783.4m net last week, comparable to the -USD976.3m net sold in the week earlier.
- International investors continued to reduce their exposure in stocks listed on Bursa for the sixth consecutive week but at a tapered pace. Based on preliminary data from Bursa which excluded off market deals, the net amount offloaded by foreign investors last week went below the RM1b level to -RM903.1m net.
- The FBM KLCI posted a weekly advance of 1.25%, as it ended the week at 1,778 points. The Ringgit's gain was short-lived as it depreciated by 0.24% for the week to seven-day low of USD/MYR3.9885 as demand for emerging market assets tapered before the G7 summit.

GEARING UP FOR TRUMP-KIM SUMMIT AND FED MEETING

A. MARKET SNAPSHOT

- The majority of global equity markets recovered from the slump in the preceding week ahead of the G7 summit and the Washington and Pyongyang meeting in Singapore.
- U.S. stocks began the week with a bang as the FANG (Facebook, Amazon, Netflix and Google) block stormed to all-time highs despite fresh concerns over Facebook's policy on data privacy. The following day saw the Dow Jones closing lower while the Nasdaq and S&P500 continued to advance as investors continue snapping up technology stocks.
- On Wednesday, the risk-on mood propelled the S&P500 to its highest close since March 12 of 2,772 points while the Nasdaq index logged a fresh record high of 7,689 points. Tesla was the darling among investors, soaring 9% after Elon Musk announced upbeat targets. The volatility index even fell 6.1% to the lowest level since January 26.
- However, Wall Street ended mixed on Thursday as the Nasdaq and S&P500 declined by 0.7% and 0.1% respectively but the Dow Jones added 95 points. Investors on that day cashed in gains ahead of the G7 meeting whereby President Trump hinted to remain on his tough stance on trade. Overall, all three major U.S indexes posted a weekly gain of more than 1% with the Dow Jones posting its best week since March 2018.
- Hang Seng index slid the most in 12 trading days by 1.76% to close at 30,958 points on Friday, snapping a six-day rally. Tencent Holdings Ltd was the main contributor for the Hang Seng's large decline, dropping 3.3%. On a separate note, phone maker Xiaomi Corp has obtained the approval for its IPO from the Hong Kong stock exchange. This is by far the mostly anticipated Hong Kong IPO in years, expecting to raise USD10b.
- Meanwhile in Europe, Italy's new prime minister, Giuseppe Conte passed a vote of confidence in the Senate on Tuesday and revealed a raft of populist measures such as sweeping tax cuts and boosting spending on the poor. These measures would cost roughly EUR126b in its first year, adding to its existing EUR2.3t debt in the wake of weaker support from the ECB as it considering to end the quantitative easing program.
- Brent crude oil price was back in the red, declining 0.43% for the week to USD76.46pb. The price weakness came after signs that OPEC member may face conflict over production deals during the meeting scheduled on 22 June. Iran and Venezuela have urged OPEC members to unite against American sanctions. The U.S was also criticised by Iran for seeking higher output from Saudi Arabia to replace the shortage in Iranian oil exports.

Table 1 Weekly performance of major indices		
Weekly % change	Week before	Last week
Dow Jones	-0.48	2.77
Nikkei	-1.24	2.36
Taiwan TAIEX	0.06	1.89
S&P 500	0.49	1.62
Hang Seng	-0.31	1.53
Phil PCOMP	-0.23	1.45
KLCI	-2.28	1.25
India SENSEX	0.87	0.61
Korea KOSPI	-0.89	0.52
DAX	-1.65	0.33
FSSTI Index	-2.44	0.26
China CSI 300	-1.20	0.24
Jakarta JCI	0.13	0.17
Thai SET	-1.23	0.13
FTSE 100	-0.37	-0.27
CAC 40	-1.39	-0.28

Source: Bloomberg

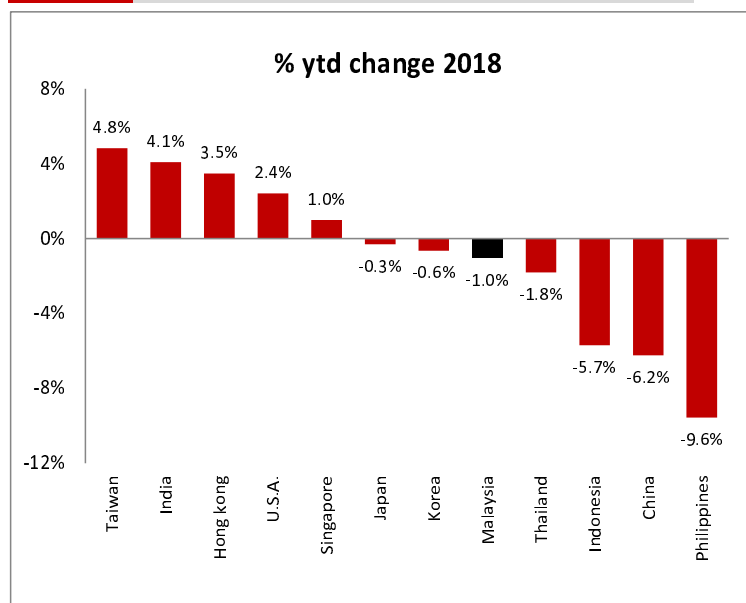
FUND FLOW REPORT

- The FBM KLCI posted a weekly advance of 1.25%, as it ended the week at 1,778 points. The Ringgit's gain was short-lived as it depreciated by 0.24% for the week to seven-day low of USD/MYR3.9885 as demand for emerging market assets tapered before the G7 summit.

B. TRACKING MONEY FLOW - ASIA¹

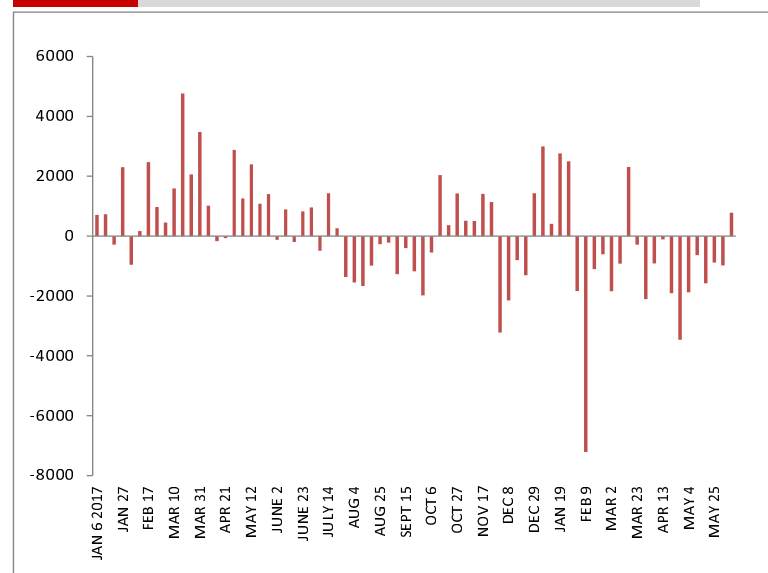
- After 11 uninterrupted weeks of withdrawals, the tide has returned to Asian markets. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" acquired USD783.4m net last week, comparable to the -USD976.3m net sold in the week earlier.
- The pace at which foreign investors entered Korea has been gradually slowing down for the past three weeks from USD633.24m net to USD262.9m net. Foreign buying occurred on 2 out of 4 trading days as markets were closed on Wednesday for the memorial day holiday. The first two trading days saw an attrition totalling -USD40.6m net but foreign investors made a comeback on Thursday after markets reopened, accumulating USD251.9m net of shares, with the KOSPI seeing its largest daily gain in eight trading days at 0.69%. KOSPI's Thursday rally was spurred by gains on U.S. indexes following the release of strong economic data in the U.S. The Korean Won meanwhile snapped its five-day winning streak the same day, weakening 0.22% to USD/KRW1068.95 as risk aversion sets in ahead of the planned meeting between President Trump and North Korean leader Kim Jong Un on June 12 in Singapore.
- Global investors made a proverbial bang in Taiwan after mopping up USD835.5m net of shares, the highest weekly inflow since the week ended 19 January 2018. Foreign buying peaked on Wednesday at USD404.02m net, the largest in a day since 12 March 2018. Inflows stood at above the USD200m the next day, supported by news that Chinese phone maker ZTE agreed to pay a USD1b fine to lift the ban on doing business with U.S suppliers. However, the five-day buying spree in Taiwan came to an end on Friday as foreigners sold off -USD110.0m net, pulling down the Taiex by 0.85% to 11,156 points. Hon Hai Precision was the second biggest drag on Taiex that day, falling 3.2% as Foxconn's Industrial Internet listing is seen to dilute its earnings.

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)

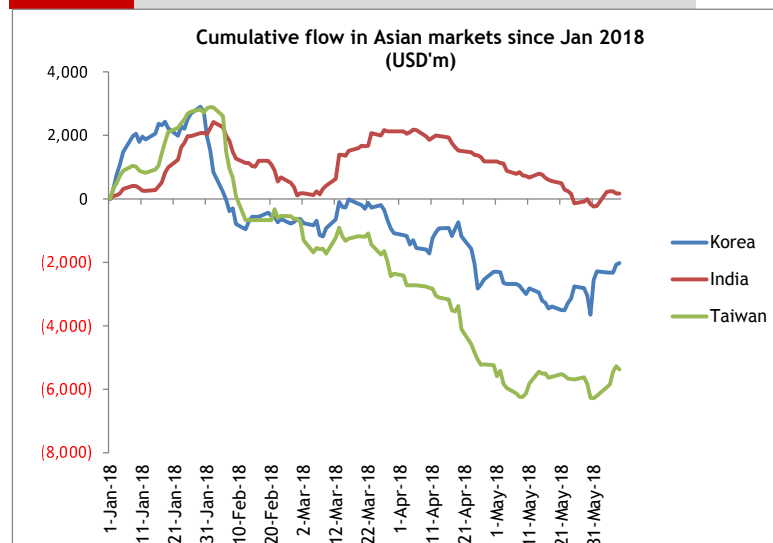


Source: Bloomberg, Bursa Malaysia, MIDFR

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.

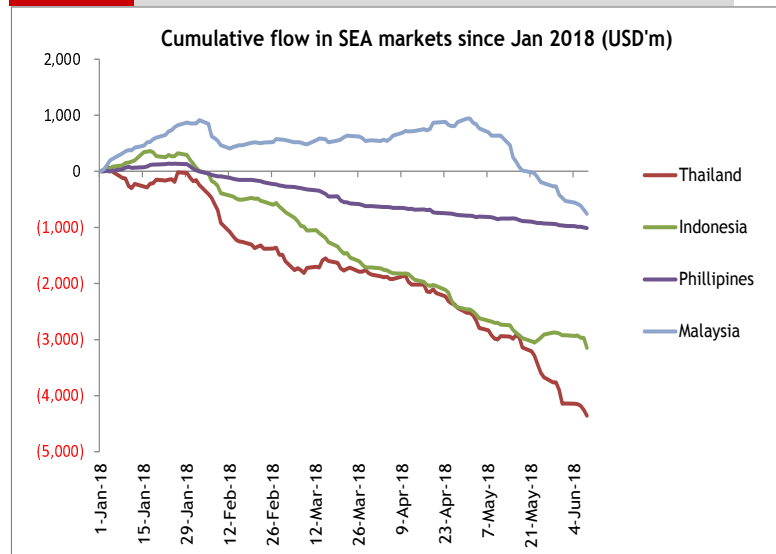
- In the emerging South East Asian markets that we monitor, foreign selling was cross the board with international investors pulling out a total of -USD707.3m net worth of equities.
- Bangkok’s foreign withdrawal shrank from -USD467.8m net to -USD217.4m net last week, marking its 12th consecutive week of outflows. Foreign attrition happened on every single of the week, rising on a gradual basis, starting from -USD3.2m net on Monday to -USD102.2m net on Friday. The heaviest outflow for the week on Friday saw the SET index fall by 0.64% to 1,722 points amidst persisting inflows to the nation’s bond market. Despite the equity outflows, the Baht trimmed its weekly losses from 0.34% in the week before to 0.05% after settling at USD/THB32.066. On the conomic front, Fitch affirms Thailand BBB+ rating buttressed by solid external and public finances.
- The amount sold by foreign investors in Manila marginally declined from -USD43.9m net to -USD39.7m net, its 19th week of outflows. Foreign attrition peaked during the week on Tuesday at -USD12.9m net despite the PSEi rallying by 1.40% after the release of lesser-than-expected inflation in May of 4.6%. While outflows were lower than -USD10m net on Wednesday and Thursday, the amount disposed on Friday accelerated to -USD12.7m net after the nation’s exports in April fell the most in 2 years.
- Foreign attrition in Jakarta swelled to -USD223.3m net compared to just below -USD15m net in the preceding week. Friday posted the highest outflow in 27 trading days at -USD175.4m net with banks leading the drop in the local bourse which fell 1.9%, the steepest drop since early May. It is noteworthy that there was a marginal inflow of USD6.42m net on Tuesday as a rally in telecommunication stocks was led by XL Axiata which gained as much as 8.9%, the highest since April 18.

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
APR 20	-257.3	-150.0	-110.3	-55.9	-477.7	-1,006.5	149.6	-1,908.2
APR 27	-1,350.3	-266.7	-381.6	-40.1	-324.7	-1,105.8	6.1	-3,463.1
MAY 4	-148.9	-355.3	-192.9	-26.6	-301.9	-738.2	-111.2	-1,874.9
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	392.3	835.5	-226.9	783.4

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

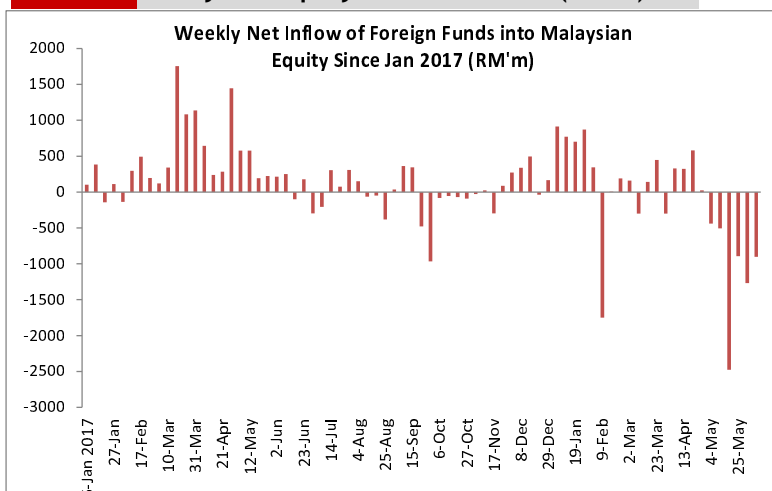
FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

- International investors continued to reduce their exposure in stocks listed on Bursa for the sixth consecutive week but at a tapered pace.
- Based on preliminary data from Bursa which excluded off market deals, the net amount offloaded by foreign investors last week went below the RM1b level to -RM903.1m net.
- As of last Friday, the selling streak has extended to 24 days, the longest since the 29-day binge in early January to mid-February 2014.
- A total of -RM104.2m net of shares were sold by foreigners on Monday which was below the average amount of -RM300m net sold in the week before. Foreign attrition on Tuesday narrowed down further to -RM87.6m net following the technology rally on Wall Street overnight. Wednesday then saw the FBM KLCI surging by 1.25% to 1,777 points spurred by the Nasdaq index booking a third record high during the week. However, foreign selling inched higher to -RM134.2m net on the same day amidst the announcement of populist policies by Italy's new government in the wake of the ECB's plan to end its quantitative easing program.
- The level of attrition thereafter swelled to be near the -RM300m net level on Thursday and Friday as investors geared up for the G7 meeting where a risk of trade war was renewed with France and Canada threatening retaliatory duties in response to U.S levies.
- Last week's abating outflows brought the year-to-date outflow from Malaysia to -USD757.6m net or -RM3.02b net. This is still the lowest among its ASEAN peers that we monitor namely Thailand, the Philippines and Indonesia
- Foreign participation remained healthy as the foreign average daily trade value (ADTV) remained above the RM1b mark at RM1.64b despite retreating from its all-time high achieved in the week before. The retail market and local funds saw buying activity extending to its fourth and sixth week respectively.

Chart 5

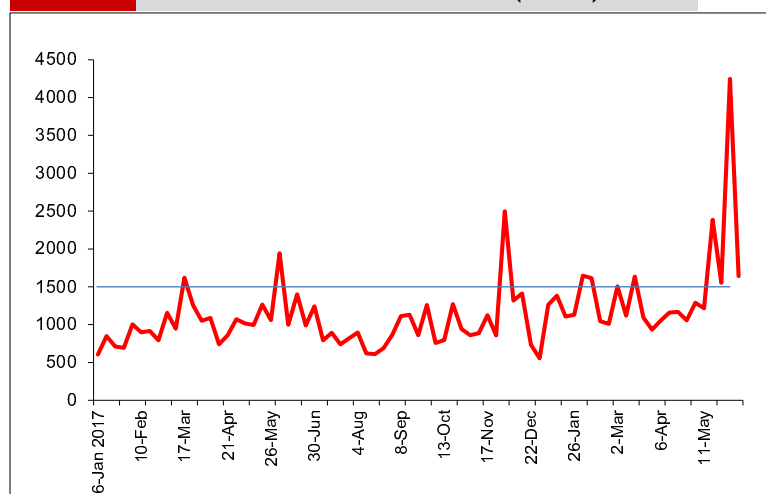
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2017 (RM'm)



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)	
APR 27	1,832.6	1,781.4	51.2	5,477.8	5,553.6	-75.8	2,653.1	2,628.5	24.6	6.1
MAY 4	1,273.5	1,440.5	-167.0	4,944.9	4,339.5	605.4	2,357.3	2,795.7	-438.4	-111.2
MAY 11	764.4	879.0	-114.6	3,167.8	2,548.4	619.4	963.9	1,468.7	-504.8	-127.9
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

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 8 JUNE
TOP 10 NET MONEY INFLOWS

- Top Glove Corporation Berhad registered the highest net money inflow again of RM15.81m last week. Its share price outperformed with a 4.41% increase against the FBM KLCI which gained by 1.25% during the week under review.
- Air Asia Group Berhad recorded the second highest net money inflow of RM4.67m. Its share price was 2.24% higher for the week, outperforming against the market benchmark which was only 1.25% higher for the week.
- CIMB Group Holdings Berhad saw the third highest net money inflow of RM3.42m. Its share price outperformed the FBM KLCI with a 3.61% gain 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	
TOP GLOVE	15.81	15.93	4.41	-
AIRASIA GROUP	4.67	3.77	2.24	-
CIMB	3.42	5.15	3.61	-
TIME DOTCOM	3.38	-0.01	2.01	-
BAT	2.19	8.96	10.56	-
MAHB	2.13	4.69	3.51	-
KL KEPONG	1.99	-2.33	0.24	-
YINSON	1.87	-1.32	5.96	-
PRESS METAL	1.38	0.05	-2.19	BOW
LOTTE CHEM	1.12	1.55	1.92	-

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- Tenaga Nasional Berhad saw the largest net money outflow of -RM28.41m last week. Its stock price advanced by 0.83%, underperforming vis-à-vis the FBM KLCI which advanced 1.25% 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.
- Public Bank Berhad recorded the second largest net money outflow -RM15.32m during the week under review. Its share price advanced 2.50% during the week, outperforming the FBM KLCI which increased by 1.25%.
- Maybank Berhad registered the third largest net money outflow at -RM12.60m in the review week. Its share price meanwhile underperformed the benchmark with a 0.84% weekly gain.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
TNB	-28.41	8.09	0.83	SOS
PUBLIC BANK	-15.32	-6.37	2.50	SOS
MAYBANK	-12.60	1.27	0.84	SOS
SAPURA	-8.51	-5.41	8.55	SOS
RHB BANK	-6.03	-2.41	8.73	SOS
MISC	-5.16	2.08	-1.13	-
GENT MSIA	-4.61	-2.05	3.00	SOS
MY EG	-4.22	-4.08	-0.58	-
SIME DARBY	-3.78	-2.22	1.63	SOS
DIALOG	-3.76	1.51	4.94	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

DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (23878-X). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein

This document may not be reproduced, distributed or published in any form or for any purpose.



MIDF RESEARCH is part of
MIDF Amanah Investment Bank Berhad (23878 - X)
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Business Address:
11 & 12 th Floor, Menara MIDF,
82, Jalan Raja Chulan, 50200
Kuala Lumpur.
Tel: 2173 8888
Fax: 2173 8380