

MIDF EQUITY STRATEGY | 4 JUNE 2018

WEEK ENDED 1 JUNE

- Major equity markets across the globe were mostly in the sea of red after enduring a frenetic week filled with geopolitical developments in the U.S and Europe.
- On Friday, investors cheered the stronger-than-expected U.S jobs report in May which noted an addition of 223,000 jobs while the unemployment rate dropped to an 18-year low of 3.8%. The Dow Jones advanced by 0.9% on Friday but was insufficient to book a weekly gain while the Nasdaq and S&P500 was 1.6% and 0.5% higher for the week, respectively.
- Brent crude oil price eked out a small weekly gain of 0.46% after settling at USD76.79pb as an unexpected fall by 3.6m barrels of U.S crude supplies during the week before overshadowed concerns of a reduction in production cuts.
- The exit of foreign funds from Asian markets has extended to its 11th uninterrupted week while attrition levels were little changed. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” sold -USD994.9m net last week.
- Malaysian equities experienced the fifth week of foreign selling, the longest selling binge recorded so far this year. Based on preliminary data from Bursa which excluded off market deals, the net amount sold by foreign investors last week amounted to -RM1.27b net, compared to the -RM892.4m net disposed in the week before.
- The FBM KLCI posted a weekly decline of 2.28%, as it ended the week at 1,756 points. The Ringgit meanwhile advanced for the first time after 8 weeks of decline, appreciating by 0.06% to USD/MYR3.979 on Friday.

ANOTHER RECORD ON BURSA DURING MSCI REBALANCING DAY

A. MARKET SNAPSHOT

- Major equity markets across the globe were mostly in the sea of red after enduring a frenetic week filled with geopolitical developments in the U.S and Europe.
- Wall Street started the four-day trading week on Tuesday on a sour note as the Dow Jones plunged by 1.58% to 24,361 points, more than 2,200 points below its all-time close of 26,617 points in late-January. The panic in U.S markets came from the political crisis in Italy which stoked fears of an instability in the euro bloc. The CBOE's Volatility Index even rose by 33% to 17.64 points and touched an intraday peak of 18.78, the highest since April 25.
- Major U.S benchmarks were back on their feet on Wednesday as hopes rose for a possible avoidance of a new round of elections in Italy. However, the rally was shortlived the next day following announcement of imposing tariffs on steel and aluminium from Europe, Canada and Mexico after the exemption period ended.
- On Friday, investors cheered the stronger-than-expected U.S jobs report in May which noted an addition of 223,000 jobs while the unemployment rate dropped to an 18-year low of 3.8%. The Dow Jones advanced by 0.9% on Friday but was insufficient to book a weekly gain while the Nasdaq and S&P500 was 1.6% and 0.5% higher for the week, respectively.
- In spite of the inclusion of more than 200 China A shares in the MSCI index, China stocks still declined for the week as global trade tensions and deleveraging concerns weighed on investor sentiment. The Hang Seng suffered its third consecutive week of losses with meat producer WH Group and China Merchants Port Holdings ending 6.7% and 2.2% lower for the week ahead of another round of bilateral talks between the U.S and China scheduled last Saturday.
- Meanwhile in Europe, geopolitical turmoil was not just fuelled by Italy, but also Spain following the ouster of its Prime Minister, Mariano Rajoy after a no-confidence vote in the Parliament on Friday . The defeat comes after Catalan separatist groups and the anti-establishment group, Podemos supported Socialist leader, Pedro Sanchez who will be replacing Rajoy as Spain's premier. Spain's IBEX reacted positively to the news, gaining by 1.7%, the biggest advance since April 5 which saw a 2.4% jump.
- Brent crude oil price eked out a small weekly gain of 0.46% after settling at USD76.79pb as an unexpected fall by 3.6m barrels of U.S crude supplies during the week before overshadowed concerns of a reduction in production cuts. On the other hand, U.S crude fell 3% for the week, marking its second straight week of decline as American oil output inches closer the level of Russia's output.

Table 1 Weekly performance of major indices		
Weekly % change	Week before	Last week
India SENSEX	0.22	0.87
S&P 500	0.31	0.49
Jakarta JCI	3.33	0.13
Taiwan TAIEX	1.03	0.06
Phil PCOMP	-0.32	-0.23
Hang Seng	-1.48	-0.31
FTSE 100	-0.62	-0.37
Dow Jones	0.15	-0.48
Korea KOSPI	0.01	-0.89
China CSI 300	-2.22	-1.20
Thai SET	-0.74	-1.23
Nikkei	-2.09	-1.24
CAC 40	-1.28	-1.39
DAX	-1.07	-1.65
KLCI	-3.08	-2.28
FSSTI Index	-0.45	-2.44

Source: Bloomberg

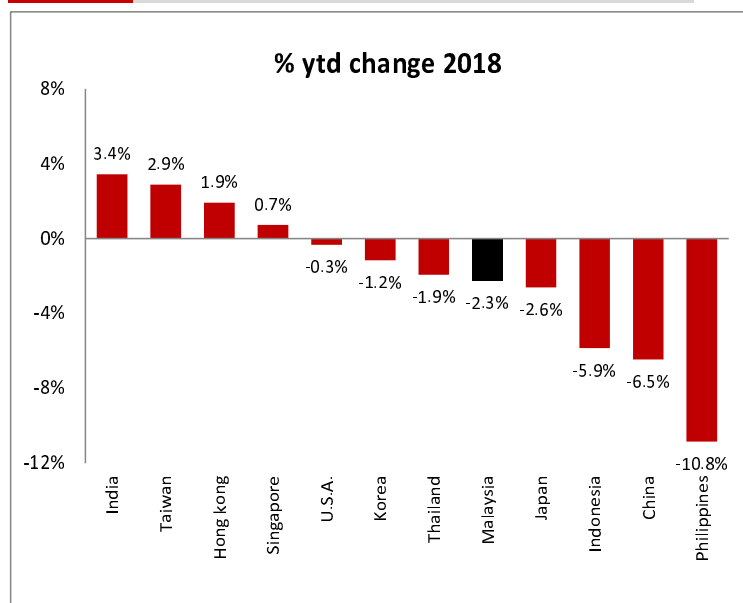
FUND FLOW REPORT

- The FBM KLCI posted a weekly decline of 2.28%, as it ended the week at 1,756 points. The Ringgit meanwhile advanced for the first time after 8 weeks of decline, appreciating by 0.06% to USD/MYR3.979 on Friday.

B. TRACKING MONEY FLOW - ASIA¹

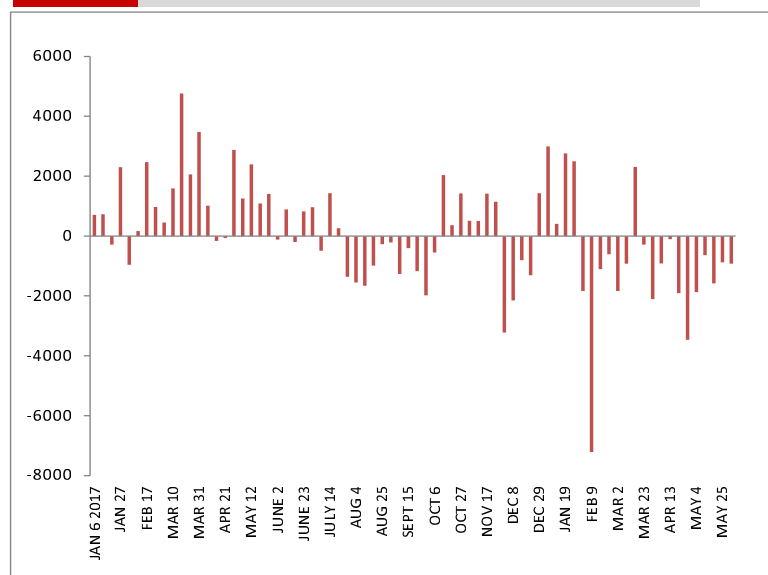
- The exit of foreign funds from Asian markets has extended to its 11th uninterrupted week while attrition levels were little changed. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” sold -USD994.9m net last week, comparable to the -USD881.5m net sold in the week earlier.
- Global investors continued to enter Korea for the second week after acquiring USD471.1m net. Foreign attrition occurred on 3 out of 5 days with Wednesday recording the biggest outflow in 22 trading days of -USD605.3m net which dragged the KOSPI by -1.96% amidst political turbulence in Italy. Nonetheless, as tensions in Europe start to fade, foreign investors heavily entered Korea the next day, accumulating USD1.1b net, the largest in a day since September 2013, coinciding with the KOSPI's 0.58% rebound. Samsung Electronics Co. was the darling among investors that day as two of its affiliates disposed about USD1.2b of its stock at a discounted price. On the economic front, South Korea's exports advanced by 13.5%yoy in May with the outbound shipments topping the USD50b mark for the third uninterrupted month. The Won was equally strong as it appreciated by 0.21% for the week to USD/KRW1074.95 amid positive geopolitical developments in the Korean Peninsula.
- Foreign investors made a huge exit from Taiwan last week after pulling out -USD518.6m net, almost seven times more than the amount sold in the preceding week. Similar to Korea, the bulk of the outflow was caused by the heavy selloff on Wednesday which amounted to -USD435.6m net due to the same reason; Italy's political instability. The Taiex later climbed 0.7% to 10,949 points on Friday to eke out a second weekly gain of 0.06% with Largan Precision being the biggest boost to gauge with a 3.5% advance after being lifted by a reasonable inflow of USD73.4m net. The Taiwan Dollar took cue from the inflows on Friday and rose by 0.4% to USD/TWD29.86 to mark its first weekly gain in 2 months of 0.3%.

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)

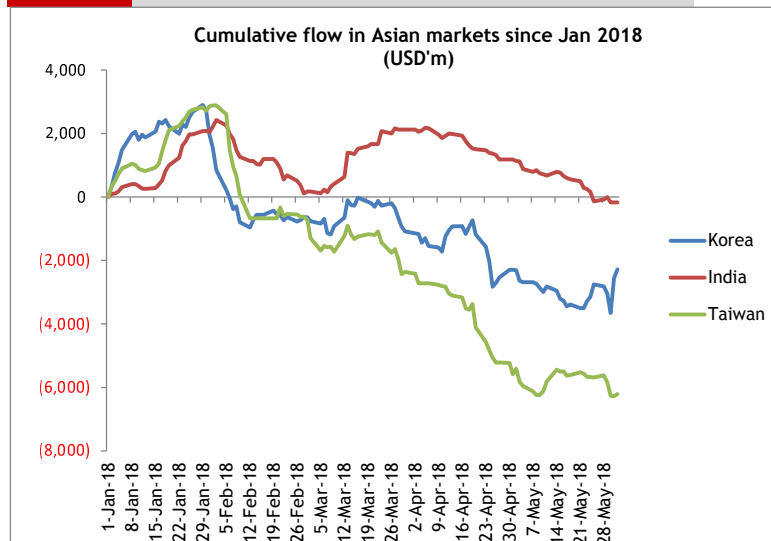


Source: Bloomberg, Bursa Malaysia

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.

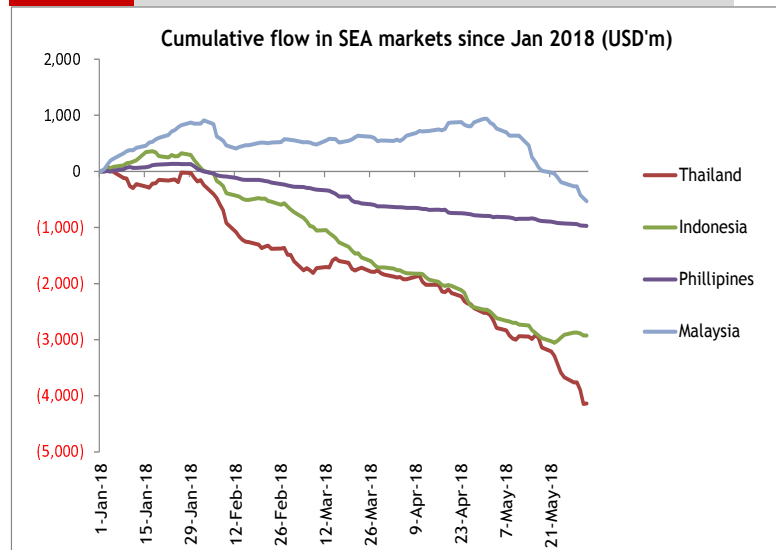
- In the emerging South East Asian markets that we monitor, international investors pulled out a total -USD842.3m net worth of equities.
- Bangkok experienced the biggest outflow in ASEAN for the second week as global funds sold -USD467.8m net during the holiday shortened week. On a monthly basis, foreign investors pulled out approximately -USD1.6b of Thailand equities in May, the largest outflow among the 7 Asian exchanges we monitor. A heavy selloff occurred on Thursday worth -USD245.2m net, the largest in a day since December 2014. Nonetheless, global investors became net buyers for the first time in 11 days as the Bank of Thailand eases foreign exchange rules for SMEs in 2H18 to promote ease of doing business.
- The pace of foreign selling in Manila was rather flattish at USD43.9m net, extending the selling spree to 13 days, the longest since the 19-day stretch in mid-March. The PSEi on Wednesday, tumbled -1.74% to the lowest level in a year of 7,470 points, dragged by an outflow of -USD23.2m net, the biggest in nine days. Notwithstanding this, the PSEi recovered thereafter on Thursday and Friday to breach above resistance level of 7,600 points as bargain hunting narrowed down the net amount of local equities sold to below -USD6m.
- Global funds slowly retreated from Indonesia at a pace of -USD12.1m net, the smallest weekly attrition this year during the three-day trading week. Foreigners had a solid start to the week as they bought USD36.6m net on Monday but saw an outflow of -USD15.2m net on Wednesday, snapping the JCI's five-day winning streak following the interest rate hike by the nation's central bank. Selling activity further accelerated to -USD33.5m net on Friday before the long weekend. Generally, investors are cutting down their exposure prior to the Eid holidays from June 11-19 as the Fed meeting will take place during that period.

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



Source: Bloomberg

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



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
APR 13	618.7	-97.8	-115.8	-34.1	-181.1	-381	83.9	-107.3
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	-105.2	-518.6	-318.4	-994.9

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

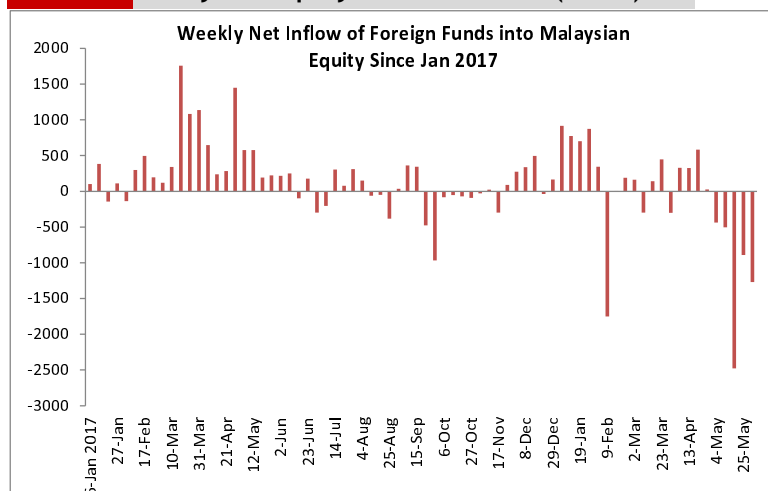
FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

- Malaysian equities experienced the fifth week of foreign selling, the longest selling binge recorded so far this year.
- Based on preliminary data from Bursa which excluded off market deals, the net amount sold by foreign investors last week amounted to -RM1.27b net, compared to the -RM892.4m net disposed in the week before.
- With foreign selling on every single day of the week, the selling streak has extended to 19 days, the longest since the 21-day binge in May to June 2015.
- Monday's attrition stood at -RM216.5m, a level which is normal at this juncture. However, foreign funds pulled out -RM609.2m net on Wednesday, the highest in a day since 15 May 2018 after Tuesday's break following the cancellation of the MRT3 project. The heavy selloff was also in conformity with other Asian peers namely, Korea, the Philippines and Taiwan amid the political upheaval in Italy and Spain. The FBM KLCI settled at 1,719 points on the same day after plunging by 3.18%, the biggest daily drop since 2008.
- The attrition on Thursday later shrank to -RM217.9m net following efforts to form a coalition government in Italy, coinciding with the FBM KLCI's 1.24% gain. Attrition levels were little changed on Friday at -RM225.2m net as investors waited for the next round of trade talks between the U.S and China over the weekend.
- For the month of May, foreigners withdrew -RM5.60b net, the highest monthly outflow in 2018 thus far. Meanwhile, the year-to-date outflow from Malaysia is -RM2.12b or -USD530.7m net, which is still the lowest among the four ASEAN markets that we track.
- Foreign participation spiked as the foreign average daily trade value (ADTV) surged by 174% to an all-time high of RM4.25b. This was mainly attributable to the MSCI rebalancing on Thursday which boosted the total trading value on Bursa to a record high of RM9.0b.

Chart 5

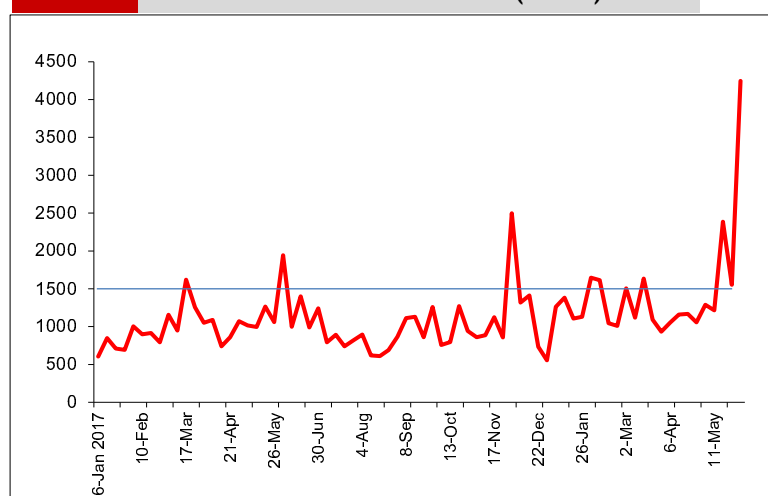
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2017 (RM'm)



Source: Bursa Malaysia preliminary statistics

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 20	2,530.7	2,608.1	-77.4	5,929.1	6,433.7	-504.6	3,213.6	2,631.6	582.0	149.6
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

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 1 JUNE
TOP 10 NET MONEY INFLOWS

- Top Glove Corporation Berhad registered the highest net money inflow of RM15.93m last week. Its share price outperformed with a 1.36% increase against the FBM KLCI which declined by 2.28% during the week under review.
- British American Tobacco Berhad recorded the second highest net money inflow of RM8.96m. Its share price was 4.10% higher for the week, substantially outperforming against the market benchmark which was 2.28% lower.
- Tenaga Nasional Berhad saw the third highest net money inflow of RM8.09m. Its share price underperformed the FBM KLCI with a 3.59% loss during the week under review. Nonetheless, it is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
TOP GLOVE	15.93	1.50	1.36	-
BAT	8.96	-6.54	4.10	-
TNB	8.09	-19.07	-3.59	BOW
CIMB	5.15	-9.19	-0.33	BOW
AEON CREDIT	4.76	-6.62	0.96	-
MAHB	4.69	0.33	3.01	-
YTL POWER	3.94	3.80	0.62	-
AIRASIA	3.77	10.61	-2.80	BOW
GAMUDA	3.70	4.95	-18.05	BOW
ALLIANCE BANK	2.94	0.46	-1.83	BOW

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- Genting Berhad saw the largest net money outflow of -RM12.46m last week. Its stock price advanced by 2.30%, outperforming vis-à-vis the FBM KLCI which lost 2.28% 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.
- Hong Leong Bank Berhad recorded the second largest net money outflow -RM11.24m during the week under review. Its share price however lagged as it ended unchanged against the FBM KLCI which declined by 2.28%.
- Public Bank Berhad registered the third largest net money outflow at -RM6.37m in the review week. Its share price meanwhile underperformed the benchmark with a 3.69% weekly loss.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
GENTING BHD	-12.46	-1.45	2.30	SOS
HLBK	-11.24	-2.40	0.00	-
PUBLIC BANK	-6.37	12.76	-3.69	-
SAPURA	-5.41	-1.51	-15.83	-
BURSA	-5.39	-1.42	1.02	SOS
PETCHEM	-4.84	-20.34	-2.28	-
IHH	-4.15	-10.21	-4.15	-
MY EG	-4.08	-6.77	12.42	SOS
SD PLNTN	-3.70	-2.43	-2.73	-
BOUSTEAD	-2.47	0.20	0.00	-

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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