

MIDF EQUITY STRATEGY | 13 JUNE 2017 WEEK ENDED 9 JUNE 2017

- Global equity investors were on edge last week amidst a couple of events the outcome of which were seen as market-defining.
- Wall Street ended the week mixed. The Dow Jones eked out a marginal 0.3% gain last week to stay in the greenzone for the third week running, but the broader S&P500 and technology Nasdaq slipped into the red.
- Brent crude oil price declined by -3.60% to USD48.15pb for the week, extending losses for three weeks. Downward pressure on Brent crude mounted towards the end of the week as Libya's Sharara oilfield resumed operations.
- The ringgit meanwhile strengthened by 0.35% for the week to settle at USD/RM4.2653, offsetting losses in the week before.
- The KLCI gained 0.67% for the week while touching a one-year high of 1,791 points on Tuesday, shrugging off concerns on the Middle East tensions.
- Global investors returned to Asia after taking a breather the week before. Investors classified as "foreign" purchased an aggregate of USD578.4m net last week in the seven countries that we track.
- Foreigners purchased RM249.8m net in the open market (excluding off market deals), maintaining the amount of foreign buying just above RM200m for the third week running.
- Foreign buying streak has now stretched to 18 straight weeks. In fact, the cumulative foreign net purchases in 2017 has reached RM10.39b, offsetting approximately 35% of the total cumulative net outflow recorded in 2014-2016.

LOW PARTICIPATION AMID UNCERTAINTY IN THE UK & US

A. MARKET SNAPSHOT

- Global equity investors were on edge last week amidst a couple of events the outcome of which were seen as market-defining.
- Wall Street ended the week mixed. The Dow Jones eked out a marginal 0.3% gain last week to stay in the greenzone for the third week running, but the broader S&P500 and technology Nasdaq slipped into the red.
- U.S stocks retreated from record highs with banking companies taking a hit as the 10-year Treasury yield plunged to a seven-year low on Tuesday. The dollar followed suit by declining to an 8-month low amid concerns from the diplomatic feud in the Gulf. However, nevertheless, sentiment brightened on Thursday, as the public testimony of former FBI Director turned out to be a non-factor. Relief among investors weighed down the lesser-than-expected fall in initial jobless claims data, pushing Dow Jones up to a new record high as the week ended.
- In Asia, China's trade surplus increased to a six-month high of USD40.8b despite imports growing at a faster rate than imports in May. The robust import growth of 14.8%yoy reflects the high local demand for commodities especially iron ore to accommodate China's construction sector. Such trade data also provides some hope for President Trump to narrow down the trade deficit between the U.S and China.
- In the U.K, the pound dropped to its lowest level since April 18 to GBP/USD1.2635 while the FTSE 100 led European markets following Theresa May's failure to secure an overall majority in the snap election. This gave rise to a hung parliament whereby a coalition government would need to be formed. As a result, the Brexit process may take longer, giving more room for political uncertainty in the U.K.
- Brent crude oil price declined by -3.60% to USD48.15pb for the week, extending losses for three weeks. Oil markets were jolted when Saudi Arabia, Bahrain, United Arab Emirates, Egypt and Yemen severed ties with Qatar. The diplomatic rift was initially perceived to disrupt crude

Table 1 Weekly performance of major indices		
Weekly % change	Week before	Last week
China CSI 300	0.17	2.57
Phil PCOMP	0.51	1.04
KLCI	0.26	0.67
Taiwan TAIEX	0.50	0.46
FSSTI Index	0.64	0.44
Korea KOSPI	0.70	0.42
Hang Seng	1.11	0.41
Dow Jones	0.60	0.31
India SENSEX	0.79	-0.04
DAX	1.75	-0.06
Thai SET	-0.11	-0.06
FTSE 100	0.00	-0.27
S&P 500	0.96	-0.30
Nikkei	2.49	-0.81
CAC 40	0.13	-0.82
Jakarta JCI	0.45	-1.17

Source: Bloomberg

oil production, causing Brent crude oil price to spike briefly. However, investors then realised that the feud could pose a threat to the supply cut led by OPEC. Furthermore, Libya's Sharara oilfield resumed operations, putting downward pressure on Brent crude oil price to fall below the USD50pb mark.

- The KLCI gained 0.67% for the week while touching a one-year high of 1,791 points on Tuesday, shrugging off concerns on the Middle East tensions. The ringgit meanwhile strengthened by 0.35% for the week to settle at USD/RM4.2653, offsetting losses in the week before.

B. TRACKING MONEY FLOW - ASIA¹

- Global investors returned to Asia after taking a breather the week before. Investors classified as "foreign" purchased an aggregate of USD578.4m net last week in the seven countries that we track.
- Foreign investors upped the ante in Korea despite a four-day trading week as they purchased USD881.5m net, the fourth highest this year. The KOSPI extended its upward momentum to reach a record high of 2,381 points on Friday partly due to reduced uncertainties after markets were rather unperturbed towards last week's major risk events. In contrast, the Won weakened due to heightened political risks after North Korea carried out a missile test.
- Foreigners remained net buyers in Taiwan for the third week. The Taiex gained 0.65% to hover near a 27-year high of 10,226 points on Monday amid heavy foreign buying. The positive sentiment on Monday was partly supported by exports that grew for eight consecutive months in May. The solid exports growth was undoubtedly underpinned by strong demand for semiconductors and flat

Chart 1 YTD performance of major markets

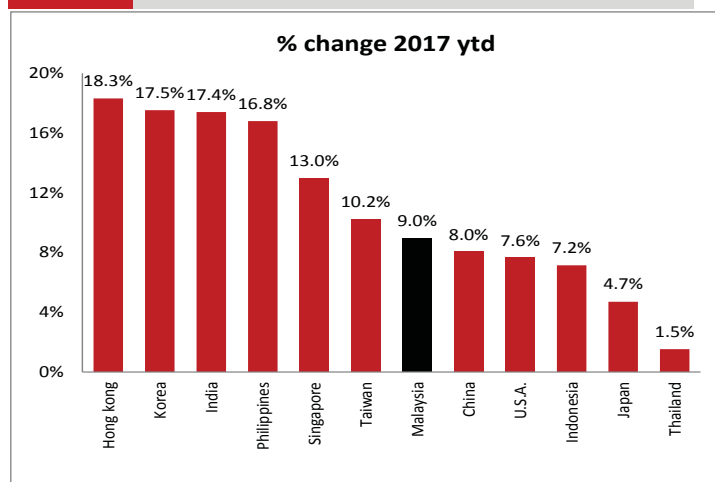
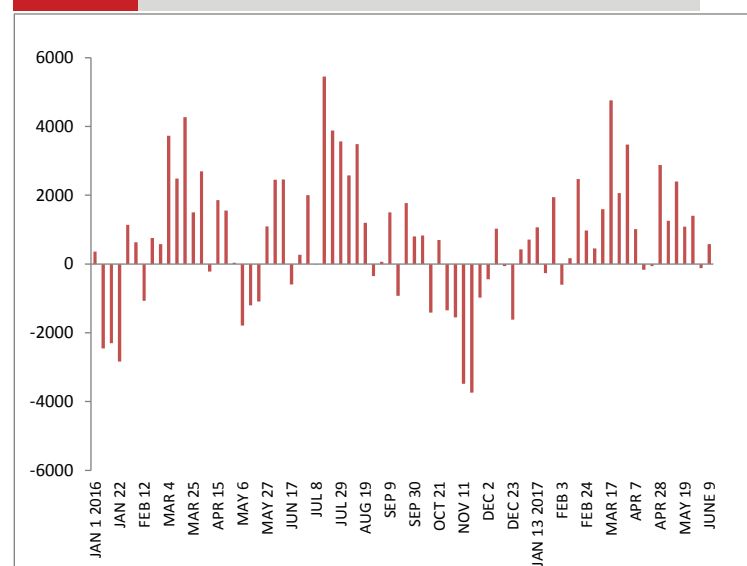


Chart 2 Weekly Net Flow of Foreign Funds into 7 Asian Markets since Jan 2016 (USD'b)



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.

panels.

- In Emerging South East Asian markets, global investors took a mixed view, selling Thailand and Indonesia while buying up the rest.
- Foreign investors sold Indonesian stocks for the second week, manifested by the JCI's weekly loss of -1.17%. There is concern that consumer spending may have taken a toll amid aggressive tax policies and the socio-political turmoil. According to Indonesian Retailers Association, retail sales growth plunged to only 3.9%yoy in 1Q17, compared with 10.5% in 1Q16 and 7.7% in 2016.
- It has now been seven straight weeks of foreign buying in the Philippines. Foreigners have also been net buyers for the past 10 days, the longest stretch since 25 May- 9 June 2016. The PSEi demonstrated resilience amid the Middle East woes by closing above 8,000 points twice during the week. The last time PSEi pierced 8,000 points was in July 2016. Optimism in the nation was still largely driven by tax reform approval.
- Foreigners turned net sellers in Thailand as sentiment was dampened due to the consumer confidence that fell for the first time in six months on the back of sluggish economic growth. The SET extended losses for the second week with PTT Public Company Limited led laggards.

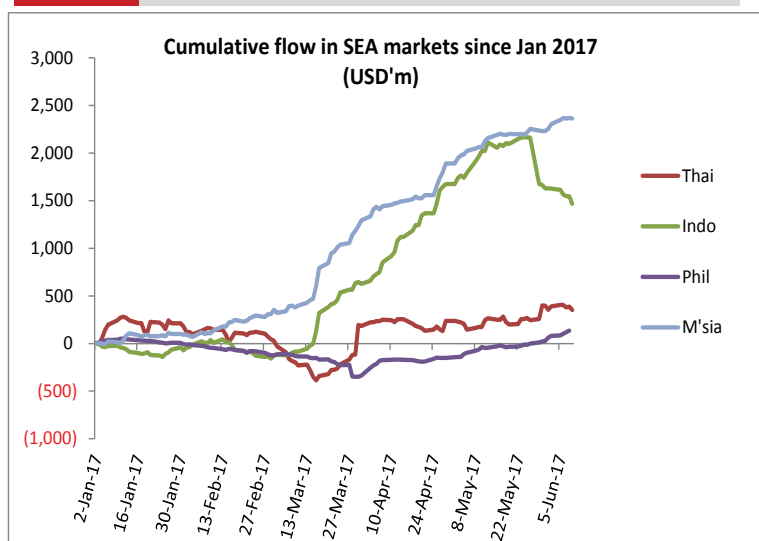
Chart 3

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
APR 21	83.9	-122.4	249.8	-23.7	-47.0	-268.8	64.2	-63.9
APR 28	1,153.9	103.1	307.5	41.8	-171.9	1,112.2	332.6	2,879.5
MAY 5	520.3	-90.4	116.5	39.7	-126.9	665.2	133.2	1,257.7
MAY 12	524.7	118.0	319.5	65.4	486.2	750.1	132.7	2,396.6
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	881.5	-37.6	-158.2	73.9	-490.5	250.7	58.6	578.4

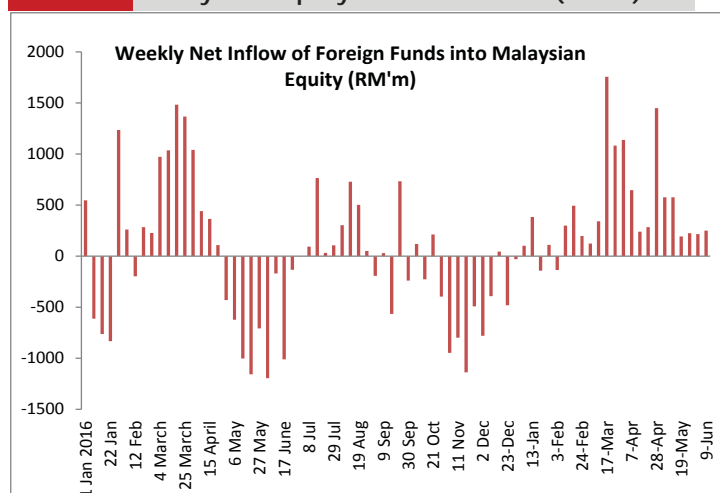
Source: Respective exchange statistics reported on Bloomberg. Bursa Malaysia. These figures are subject to revisions.

FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

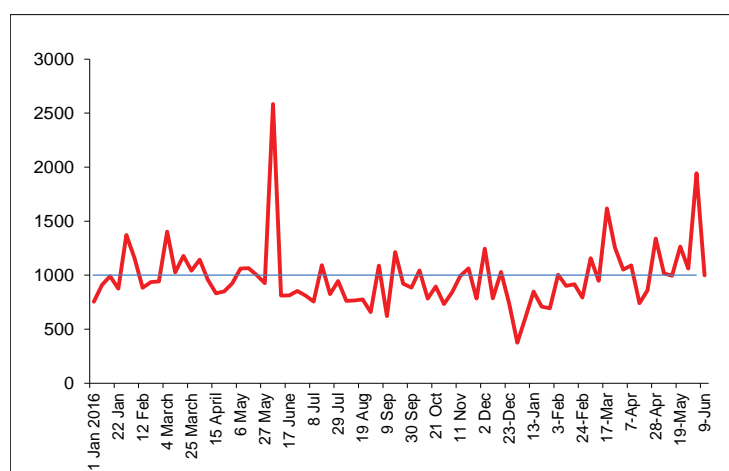
- Foreign investors remained faithful as they continued to pump liquidity at a sustained rate into stocks listed on Bursa.
- Foreigners purchased RM249.8m net in the open market (excluding off market deals), maintaining the amount of foreign buying just above RM200m for the third week running.
- There was relatively heavy foreign buying on Monday amid optimism from Wall Street's record high rally on Friday the week before. This more than offset the marginal selling on Wednesday and Friday
- Foreign buying streak has now stretched to 18 straight weeks. In fact, the cumulative foreign net purchases in 2017 has reached RM10.39b, offsetting approximately 35% of the total cumulative net outflow recorded in 2014-2016.
- Foreign participation took a beating last week. Foreign average daily trade value (ADTV) declined by almost half to RM999.0m from RM1.94b the week before, the largest weekly drop this year. Meanwhile, the daily foreign trade value only exceeded RM1b once during last week.
- The retail market remained slow. The retail ADTV increased marginally by 0.9%, staying below the RM900m level. This is the sixth week this year that retailers became net buyers.

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)	
APR 28	2,114.0	2,301.1	-187.1	6,393.2	7,653.9	-1,260.7	3,402.6	1,954.8	1,447.8	332.6
MAY 5	2,580.3	2,560.2	20.1	7,007.1	7,603.6	-596.5	2,321.5	1,745.0	576.5	133.2
MAY 12	2,365.4	2,368.1	-2.89	6,177.4	6,751.1	-573.7	2,278.2	1,701.5	576.6	132.7
MAY 19	3,503.3	3,464.8	38.5	8,834.2	9,065.1	-230.9	3,258.6	3,066.2	192.4	44.5
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

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 9 JUNE
TOP 10 NET MONEY INFLOWS

- Tenaga Nasional stocks were again the beneficiary of the highest net money inflow of RM28.31m last week. Its share price substantially outperformed the benchmark index with a 4.35% gain during the review week.
- The second highest net money inflow was into Sime Darby which amounted to RM11.51m. Its share price underperformed the benchmark index with a -0.10% loss during the review week. The net inflow amidst declining share price indicates a buy-on-weakness (BOW) stance among some investors.
- Petronas Chemicals saw the third highest net money inflow of RM7.78m. Its share price underperformed the benchmark index with a -0.28% loss during the review week. The net inflow amidst declining share price indicates a buy-on-weakness (BOW) stance among some investors.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
TNB	28.31	47.76	4.35	-
SIME DARBY	11.51	-1.16	-0.10	BOW
PETCHEM	7.78	2.78	-0.28	BOW
SP SETIA	7.14	-3.72	0.26	-
MY EG	6.87	5.34	-1.80	BOW
WESTPORTS	3.71	3.82	-0.26	BOW
AMMB	3.55	0.26	-1.77	BOW
BAT	3.48	0.23	2.93	-
KL KEPONG	2.47	16.11	0.08	-
LAFARGE	1.80	-0.65	-3.09	BOW

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- Maybank saw the largest net money outflow of -RM17.87m last week. Its stock price underperformed 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.
- Public Bank recorded the second largest net money outflow -RM12.22m during the week under review. Its share price outperformed the benchmark index with a 1.29% gain.
- CIMB Group registered the third largest net money outflow at -RM10.37m. Its share price underperformed the benchmark index with a 0.30% gain. The company announced that it will sell 50% of its international brokerage unit to China Galaxy Securities

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
MAYBANK	-17.87	23.53	0.42	SOS
PUBLIC BANK	-12.22	28.22	1.29	SOS
CIMB	-10.37	-7.22	0.30	SOS
HEINEKEN	-5.66	-0.10	-0.95	-
GENTING BHD	-4.89	-0.13	-2.30	-
GENTING PLTN	-3.41	-1.69	1.09	SOS
RHB BANK	-3.02	-0.09	-1.16	-
MAHB	-2.92	6.13	2.86	SOS
DIGI	-2.86	-8.05	0.40	SOS
MISC	-2.55	-0.91	-1.72	-

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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