

MIDF EQUITY STRATEGY | 13 MARCH 2017

WEEK ENDED 10 MARCH 2017

- Global equity markets remained in a state of low conviction. Investors were cautious last week ahead of the U.S. payroll statistics on Friday.
- The U.S economy added 235,000 jobs in February, which exceeded the estimates of economists, with unemployment rate down to 4.7%. This effectively set the stage for a possible rate hike by the Federal Reserve this week.
- Most equity indices were rangebound while U.S. indices took a breather last week from their 6-week rally.
- The biggest story last week was the retreat in oil prices. The WTI fell below the USD50pb level for the first time since December while Brent eased -8.8% to USD51.37pb. The retreat was on account of a surge in the crude supplies, reflected in a ninth straight weekly build in U.S. stockpile.
- The KLCI remained above the 1,700 mark and even made a surge to 1,734 points, the highest since April 2016. Blue chip counters were the darling of investors for that day. Meanwhile the ringgit appreciated after four weeks of weakening, increasing 0.03% against the greenback last week
- On Bursa, foreign buying momentum continued last week, for the 5th consecutive week as foreigners increased their exposure in Malaysian equity. Based on preliminary data from Bursa from Monday to Thursday which excluded off-market trades, foreigners bought RM269.2m net, more than double that the week before.
- Year-to-date, foreigners have mopped up RM1.7b worth of local equity. In 2015 and 2016, foreign investors yanked out -RM3.0b and -RM19.5b respectively from Bursa.

10 March 2017 | Strategy - Weekly Fund Flow

MIDF strategy team

THE TIDE STAYS HIGH ON BURSA

A. MARKET SNAPSHOT

- Global equity markets remained in a state of low conviction. Investors were cautious last week ahead of the U.S. payroll statistics on Friday.
- The U.S economy added 235,000 jobs in February, which exceeded the estimates of economists, with unemployment rate down to 4.7%. This effectively set the stage for a possible rate hike by the Federal Reserve. Traders have now priced in a 92% percent chance of a rate hike by the Federal Open Market Committee meeting on March 14 and 15, compared to only 85% before the U.S. jobs data were released.
- Notwithstanding this, U.S. indices took a breather last week from their 6-week rally. The Dow and S&P500 slipped -0.5% and -0.4% respectively.
- Meanwhile in Europe, the European Central Bank kept its record-low interest rates unchanged. Apart from that, the aggressive stimulus policy will be maintained at least until the end of the year to provide support for the economy following the rise of anti euro sentiment before elections in France and Netherlands. France's CAC 40 and Germany's DAX were both losers as they lost -0.04% and -0.53% during the week, respectively.
- In Asia, Japan was the second best gainer for the week after Korea. The surge in Japanese stocks was against the backdrop of the yen's further weakening against the dollar which led the Nikkei Index to its highest closing level in about 15 months. The yen's weakening can be attributed to the increased expectations of a rate hike by the Federal Reserve this week.
- Oil ended lower for the week with the WTI falling below the USD50pb level for the first time since December. Brent eased -8.8% to USD51.37pb. This followed the crude supplies which surged by 8.2m barrels last week to yet another all-time high of 528.4m according to the EIA. It was the ninth

Table 1 Weekly performance of major indices

Weekly % change	Week before	Last week
Korea KOSPI	-0.73	0.89
Nikkei	0.96	0.70
KLCI	0.59	0.54
India SENSEX	-0.21	0.39
FSSTI Index	0.17	0.35
Hang Seng	-1.72	0.07
China CSI 300	-1.32	0.00
Jakarta JCI	0.10	-0.01
CAC	3.09	-0.04
Taiwan TAIEX	-1.05	-0.21
FTSE	1.80	-0.42
S&P500	0.67	-0.44
Dow Jones	0.88	-0.49
DAX	1.89	-0.53
Phil PCOMP	-0.16	-1.39
Thai SET	0.10	-1.68

Source: Bloomberg

straight weekly build in U.S. stockpiles, feeding concerns about a global glut.

- The KLCI remained above the 1,700 mark and even made an intraday surge to 1,734 points on Tuesday, the highest since April 2016. Blue chip counters were the darling of investors for that day. Meanwhile the ringgit appreciated after four weeks of weakening, increasing 0.03% against the greenback last week

B. TRACKING MONEY FLOW - ASIA¹

- Global investors stayed put in Asian equity last week. Funds classified as “foreign” purchased equity in the seven Asian markets that we track amounted to USD628m.
- Korea remains to be the darling of investors by reporting a net foreign inflow of USD125m albeit lower than the week before. The main highlight of the week in Korea was the removal of the country’s president, Park Geun-hye by the court following her impeachment over accusations of bribery. All in all, the court’s approval brings a huge relief to the markets as it avoids a potentially disastrous scenario of President Park returning to power amid intense public discontent and enables Korea to focus on the economic retaliation from China over the deployment of Thaad-missile defense system.
- In Taiwan, foreigners continued selling for the second week running which recorded a net outflow of -USD474m. The bellwether electronics sector was hard hit by fears that foreign investors would continue to move funds out of the region due to a stronger U.S. dollar. The broader market was also affected by heavy selling in raw material stocks, particularly in the petrochemical sector.
- For the second consecutive week, there was foreign attrition in Emerging South

Chart 1 YTD performance of major markets

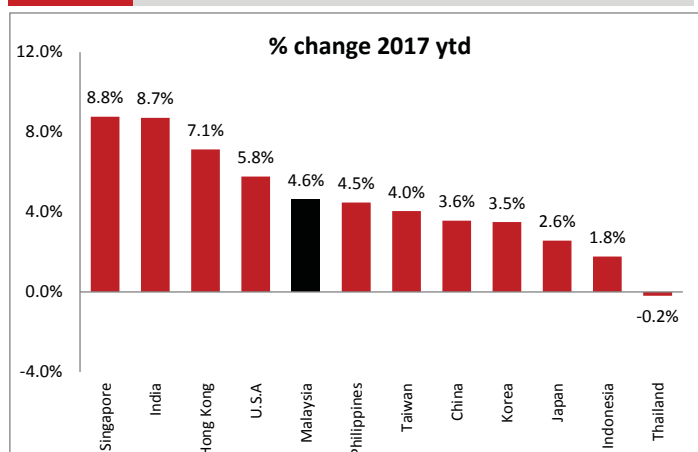
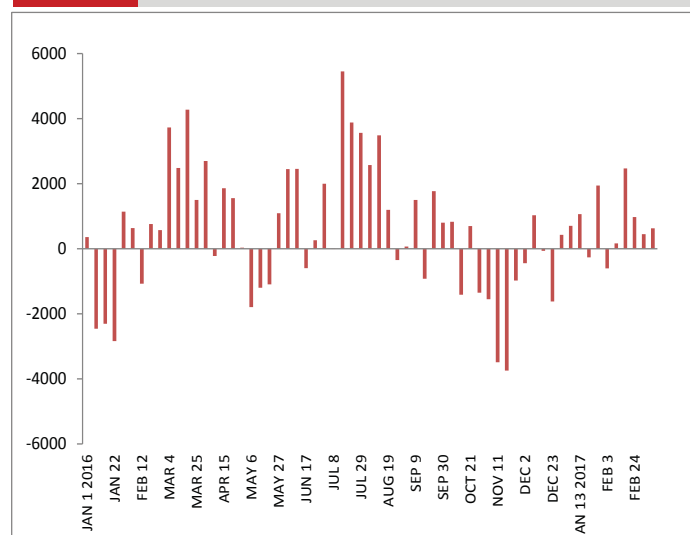


Chart 2 Weekly Net Flow of Foreign Funds into 7 Asian Markets since Jan 2016 (USD'b)



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.

East Asian markets, except for Malaysia and Indonesia. In Bangkok, net outflow of -US201m was the highest recorded year-to-date. Thailand's central bank perceives the outflow as a matter which is not serious. The reason being is that the outflow has tamed the rapid pace of the Baht's appreciation.

- In Indonesia, foreigners continued their acquisition for the second week. Indonesia has won pledges of USD1b in development finance and signed agreements to lift trade barriers with Saudi Arabia following King Salman's landmark visit to Southeast Asia which wended down last week. Given this opportunity, Indonesia is billing itself a natural home for Middle Astern Investment at a time when the U.S. is turning inward.
- For the eighth week running, foreign investors sold Philippine shares. Tensions rose as Duterte complicates Philippines' drug war by signing an executive order on 6 March 2017 to create a joint command to mobilize 21 state agencies under Inter-agency Committee on Anti-illegal Drugs (ICAD) to rehabilitate users and suppress dealers large and small behind his bloody war on drugs. United Nations is alarmed by Duterte's repeated threats to kill thousands of dealers, and by his refusal to acknowledge that human rights abuses have taken place.

Chart 3 Net Flow of Foreign Funds into Taiwan, Korea and India since Jan 2016 (USD'b)

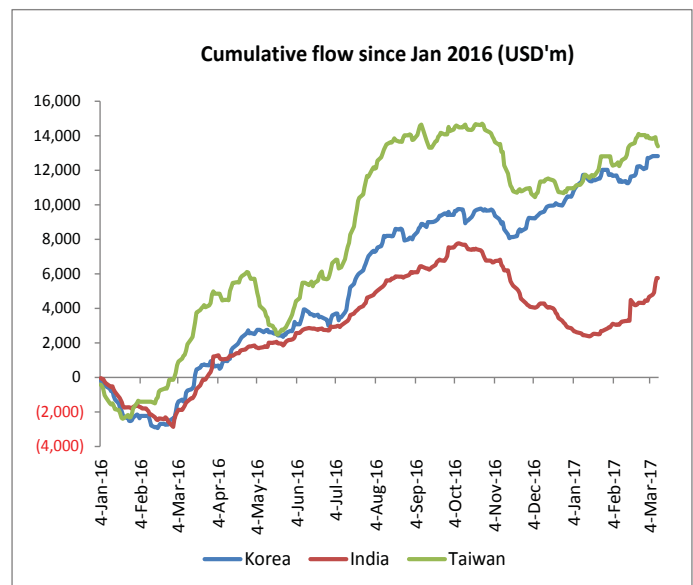
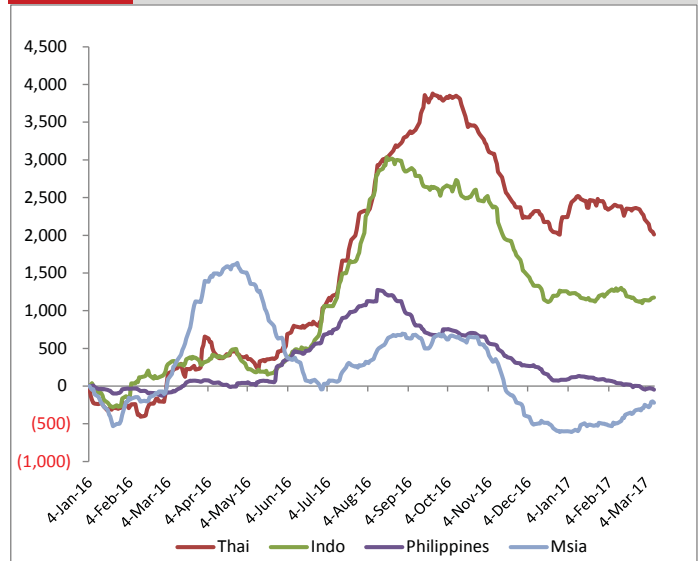


Chart 4 Net Flow of Foreign Funds into South East Asia Emerging Markets since Jan 2016 (USD'b)



Source: Bloomberg, Bursa Malaysia

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

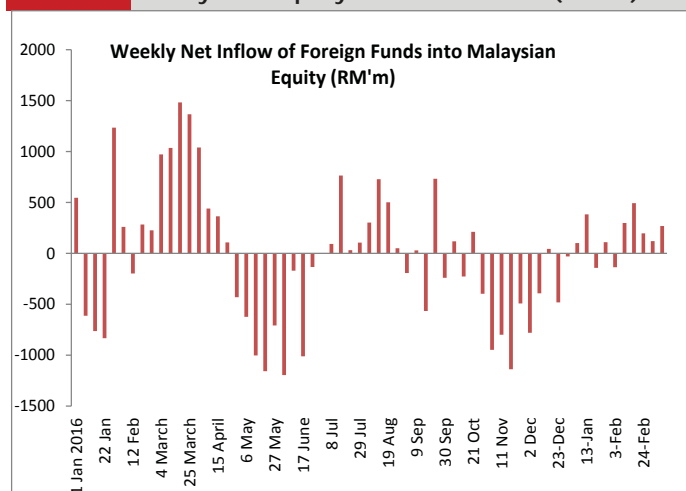
WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
JAN 20	-221.6	-15.3	-32.8	-15.8	101.4	-48.3	-32.0	-264.4
JAN 27	608.0	-14.3	54.7	-25.8	192.1	1106.9	24.9	1946.4
FEB 3	-349.6	-113.9	53.5	-13.5	382.0	-531.4	-30.8	-603.7
FEB 10	-350.2	44.1	16.8	-34.3	118.7	305.5	67.0	167.7
FEB 17	314.0	-28.8	-18.5	-14.3	82.0	907.6	111.0	1212.6
FEB 24	604.0	9.42	-59.5	-20.8	-151.2	546.6	44.1	972.6
MAR 3	451.2	-152.3	9.11	-49.1	335.9	-172.9	27.5	449.7
MAR 10	125.42	-201.11	32.62	-1.14	1,085.61	-473.93	60.56	628.03

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

C. TRACKING MONEY FLOW - MALAYSIA

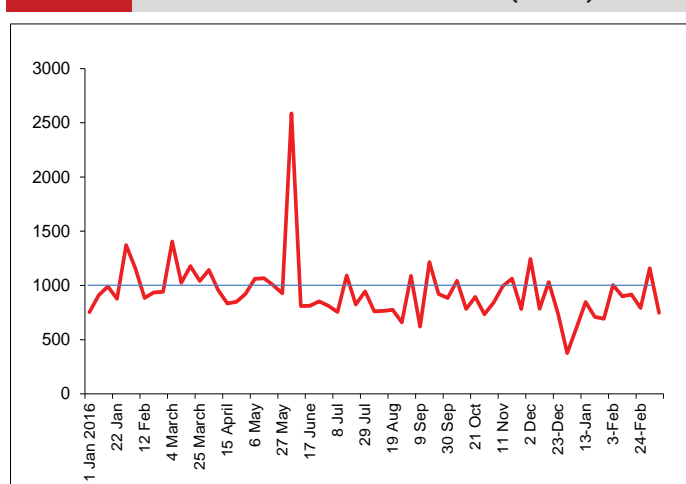
- As of Monday morning, the trading statistics for Friday have yet to be made publicly available. (This report therefore reflects as such).
- However, it is apparent that foreign buying momentum continued last week, for the 5th consecutive week as foreigners increased their exposure in Malaysian equity.
- Based on preliminary data from Bursa from Monday to Thursday which excluded off-market trades, foreigners bought RM269.2m net, more than double that the week before. Most foreign buying happened on Tuesday when the amount surged to RM230.9m, the highest since October 2016. It coincided with the surge in the KLCI to an intraday high of 1,734.1 points on Tuesday. Buying tapered thereafter as profit taking set in.
- At RM269m, the net amount purchase would be the fourth highest in a week this year and also the fourth time the amount had exceeded RM200m. Year-to-date, foreigners have mopped up RM1.7b worth of local equity.
- We note that foreign participation eased last week. Foreign average daily trade value (ADTV) decreased -19.4% to RM934m, which is still a healthy level. However, the retail market remained vibrant with ADTV increasing marginally to RM997m, the highest since April 2015.

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)	
JAN 27	957.8	1100.3	-142.5	5854.6	5822.4	32.2	1789.4	1679.1	110.3	24.9
FEB 3	876.9	825.8	51.1	3643.9	3558.8	85.1	1437.5	1573.7	-136.2	-30.8
FEB 10	1675.2	1107.1	-11.1	5647.9	5934.0	-286.1	1948.9	1651.7	297.2	67.0
FEB 17	2056.0	2010.6	45.4	7596.4	8135.7	-539.3	2536.0	2042.1	493.9	111.0
FEB 24	2,347.5	2,453.5	-16.0	8,070.3	8,250.3	-180.0	2,079.3	1,883.3	196.0	44.1
MAR 3	2,387.2	2,541.6	-154.4	7,725.6	7,692.3	33.3	2,955.5	2,834.4	121.1	27.5
MAR 10 #	1,918.9	2,070.9	-152.0	6,550.7	6,667.9	-117.2	2,002.4	1,733.2	269.2	60.56

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 10 MAR

TOP 10 NET MONEY INFLOWS

- Public Bank registered the highest net money inflow of RM40.49m last week. Its share price however underperformed against the FBM KLCI which rose by 0.54% during the week under review. On this score, it is notable that net money inflow amidst retreating share price indicates a buy on weakness (BOW) stance among some investors.
- Nestle recorded the second highest net money inflow of RM10.12m. Accordingly, its share price underperformed against the market benchmark with a 0.26% weekly gain. The equity recommendation of the company was recently raised to buy from neutral by a major foreign broker.
- IHH Healthcare saw the third highest net money inflow of RM7.37m. Its share price too underperformed with a 0.17% gain during the review week which may nonetheless attract a 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	
PUBLIC BANK	40.49	10.15	-0.40	BOW
NESTLE	10.12	5.86	0.26	-
IHH	7.37	2.33	0.17	-
PETCHEM	7.00	7.09	-0.68	BOW
UPB	6.93	5.19	0.80	-
MISC	4.84	-1.54	-0.81	BOW
AXIATA	4.07	2.34	2.38	-
BURSA	3.36	-0.83	-0.44	BOW
DIGI	3.11	-1.57	2.20	-
CMMT	2.69	0.14	3.77	-

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 -RM42.91m last week. Its stock price underperformed with a 0.46% gain vis-à-vis the FBM KLCI which advanced only 0.54% during the review week. On this score, it is notable that net money outflow amidst advancing share price indicates a sell on strength (SOS) stance among some investors.
- Hong Leong Bank recorded the second largest net money outflow -RM18.98m during the week under review. Its share price however outperformed the market benchmark with a 0.81% weekly gain.
- Tenaga Nasional registered the third largest net money outflow at -RM18.62m in the review period and its share price outperformed with a 0.73% gain.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
MAYBANK	-42.91	-30.19	0.46	SOS
HONG LEONG	-18.98	-5.59	0.81	SOS
TNB	-18.62	-25.84	0.73	SOS
SIME DARBY	-14.11	5.88	0.44	SOS
PPB	-10.99	-8.40	0.97	SOS
TELEKOM	-10.09	-6.44	3.29	SOS
MAXIS	-6.16	-1.69	1.42	SOS
IOI CORP	-4.73	-0.55	-0.85	-
WESTPORTS	-4.48	-0.68	-3.00	-
GENTING	-3.30	-5.76	2.23	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

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