

MIDF EQUITY STRATEGY | 6 MARCH 2017 WEEK ENDED 3 MARCH 2017

- Global equity markets were somewhat anxious last week following Mr. Trump's speech at the Joint Congress on Tuesday and Chair Yellen's speech at Chicago on Friday.
- For the fifth week running, most markets ended Friday range-bound, although European markets attempted a "breakout". Meantime, the U.S market stayed its course, in contrast to that in the rest of the world as the Dow Jones index broke records again, piercing the 21,000 mark for the first time on Wednesday
- Global investors stayed put in Asian equity last week, as the net change in their holdings was marginal.
- Meanwhile, foreign attrition was felt in Emerging South East Asian markets, with heavy selling in Bangkok and continued outflow from the Philippines.
- Crude oil price edged higher on Friday at USD55.90pb but gains was capped due to rising U.S. crude inventories . Meanwhile the ringgit depreciated for the third consecutive week, declining -0.31% against the greenback last week.
- A rally in banking stocks propelled the KLCI to close at 1,715.67 points, the highest in 11 months on Thursday emerging as Asia's best performer. Bank Negara Malaysia kept the Overnight Policy Rate unchanged at 3% for a fourth straight meeting.
- Foreign buying momentum continued for the fourth week running on Bursa but the intensity appears to be easing. Foreign investors bought RM121.1m net last week, compared with RM198.0m, the week before.
- February was a surplus month as foreigners mopped up RM955.5m net. This was more than double the RM418.8m net inflow in January. Year-todate, foreigners have bought RM1.4b, compared with a net sale of RM3.0b in 2016.

WALL STREET CONTINUES TO BUCK GLOBAL TIDE

A. MARKET SNAPSHOT

- Global equity markets were somewhat anxious last week following Mr. Trump's speech at the Joint Congress on Tuesday and Chair Yellen's speech at Chicago on Friday.
- For the fifth week running, most markets ended Friday range-bound, although European markets attempted a "breakout".
- After Mr Trump's speech which reaffirmed his tax plans and business-friendly policies, the Dow pierced the 21,000 mark for the first time on Wednesday. Gainers were led by the financial sector, amid heightened expectations that an improving economy will lead to higher interest rates.
- Meanwhile, Chair Yellen signals a potential rate hike in March, testament of a strong economy. The Dow, S&P500 and Nasdaq are all up by 6-9% year to date, as investors continue to bid up prices on hopes of fiscal stimulus.
- The best gainer for last week was CAC 40 Index which rose 3.09%. Latest political developments show that centrist candidate Emmanuel Macron is on course to beat the far right candidate Marine Le Pen in the May 7 run off vote. As a result, investors' jitters over the elections seem to have calmed down.
- Hang Seng Index led losers with a -1.72% loss. Investors were cashing-in as concerns regarding a possible rate rise has increased. All main sectors fell in Hong Kong with rate-sensitive property stocks among the ones with biggest declines.
- Oil price edged higher on Friday at USD55.90pb but gains was capped due to U.S. crude inventories that rose for an eighth straight week to a record of 520.2m barrels for the week ended February 24. However it should be noted that the stockpiles increased by 1.5m barrels, less than expected according to the by EIA's report released on Thursday. Another concern for oil prices is that Russia's oil output remained unchanged in February with no signals on further supply cut. Such environments may pressure OPEC's efforts to drain a global surplus.

Table 1 Weekly performance of major indices

Weekly % change	Week before	Last week
CAC	-0.46	3.09
DAX	0.40	1.89
FTSE	-0.77	1.80
Nikkei	0.25	0.96
Dow Jones	0.96	0.88
S&P 500	0.69	0.67
KLCI	-0.55	0.59
FSSTI Index	0.30	0.17
Thai SET	-0.84	0.10
Jakarta JCI	0.65	0.10
Phil PCOMP	0.20	-0.16
India Sensex	1.49	-0.21
Korea KOSPI	0.65	-0.73
Taiwan Taiex	-0.10	-1.05
China CSI300	1.53	-1.32
Hang Seng	-0.28	-1.72

Source: Bloomberg

FUND FLOW REPORT

- A rally in banking stocks propelled the KLCI to close at 1,715.67 points, the highest in 11 months on Thursday emerging as Asia's best performer. Meanwhile, Bank Negara Malaysia kept the Overnight Policy Rate (OPR) unchanged at 3% for a fourth straight meeting. The stance was deemed accommodative as a spike in inflation and depreciating currency has limited the scope for more easing. Meanwhile the ringgit depreciated for the third consecutive week, declining -0.31% against the greenback last week.

B. TRACKING MONEY FLOW - ASIA¹

- Global investors stayed put in Asian equity last week, as the net change in their holdings was marginal. Funds classified as "foreign" added their equity holdings in the seven Asian markets that we track by only USD236m, the second lowest this year.
- Korea remains the darling of investors, as the bourse there reported a net foreign purchase of USD451m. Foreign investors were likely to be buoyed by news that Korea's industrial production surged at its fastest pace in over 7 years in January, propelled by a jump in output in the electronics and semiconductor sector amidst rising economic momentum.
- In Taiwan, foreigners turned cautious, selling for the first time after three weeks. The net outflow was nevertheless marginal at -USD173m. The reversal was perhaps attributable to the imposition of anti-dumping tariffs on steel product vendors in Taiwan, Japan and Turkey by the U.S. This followed the preliminary ruling which found that steel exporters from the said countries sold their products at unfairly low prices in the U.S. market and caused damage.

Chart 1 YTD performance of major markets

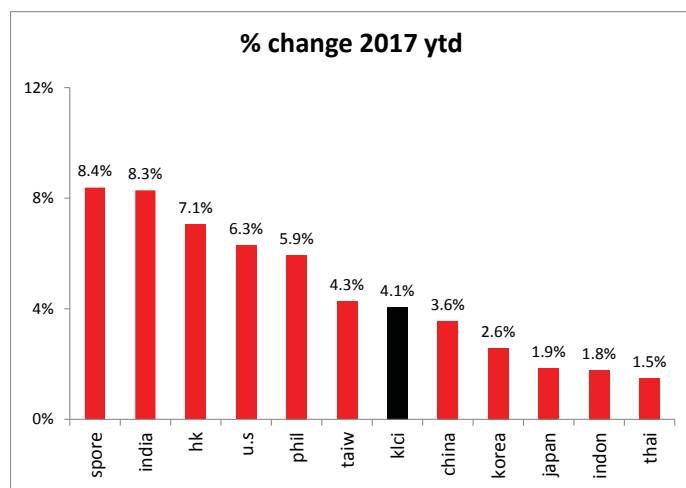
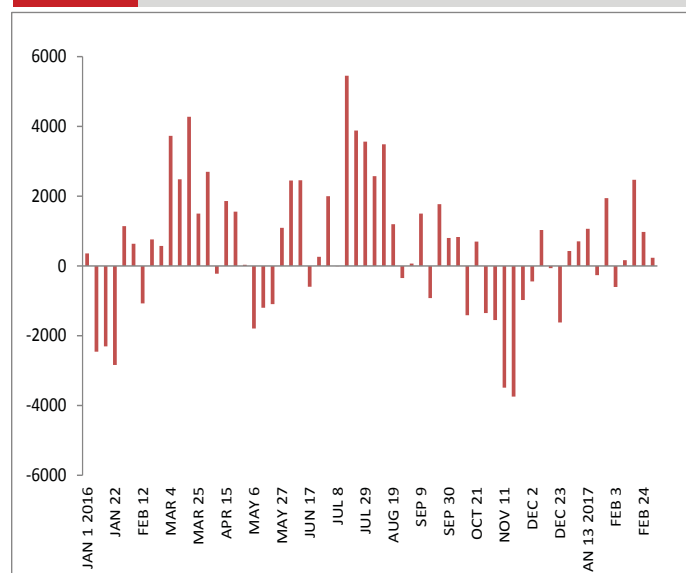


Chart 2 Weekly Net Flow of Foreign Funds into 7 Asian Markets since Jan 2016 (USD'b)



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.

- Meanwhile, foreign attrition was felt in Emerging South East Asian markets, with the exception of that in Malaysia and Indonesia. In Bangkok, net outflow of -US153m was the highest recorded this year. A reason for such outflow could be Thailand's industrial confidence index which fell for the first time in 5 months in January 2017, following the planned minimum wage hike and the southern Thai flood crises.
- Foreigners started buying Indonesian stocks after 2 weeks of hesitation. A big mover last week was PT Acset, an Indonesian construction company which had its share price soar the most in 11 months after signing a RP13.5t toll project.
- For the seventh week running, foreign investors sold Philippine shares. Last week's attrition was the largest weekly pullout by international funds since week ended Dec 23 2016. Most investors have become wary of the Philippines property sector on the back of expected rising inflation in the coming months. This was hinted by the central bank governor which noted that the inflation in February may top 3% for the first time since 2014.

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

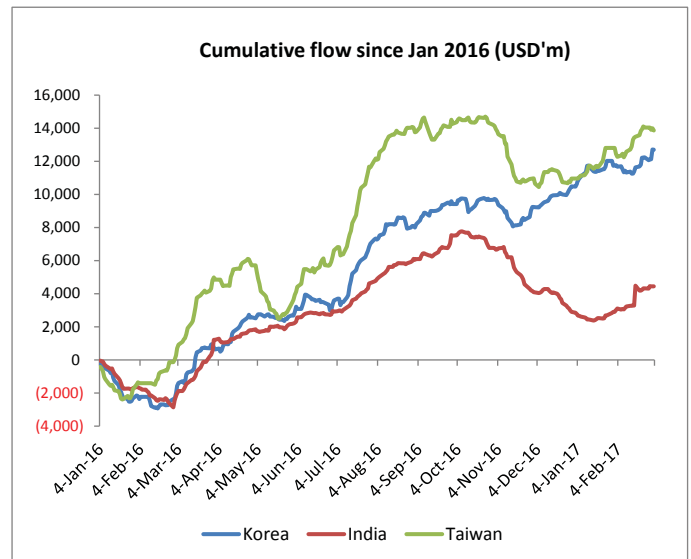
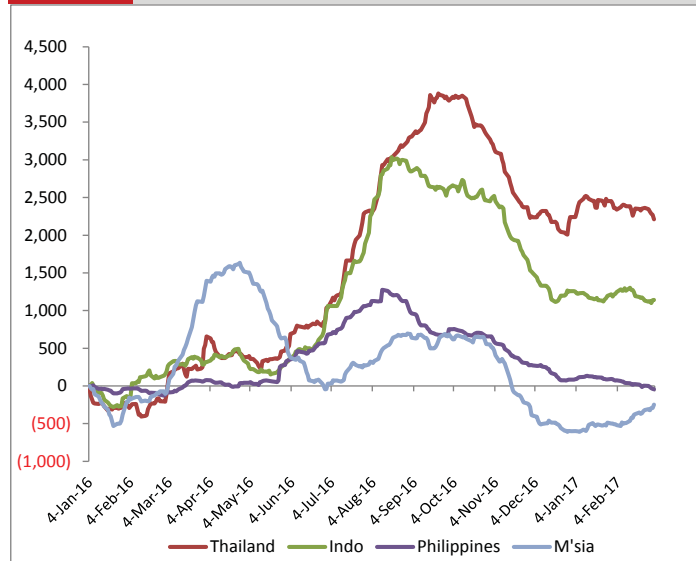


Chart 4 Net Flow of Foreign Funds into South East Asia Emerging Markets since Jan 2016 (USD'b)



Source: Bloomberg, Bursa Malaysia

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

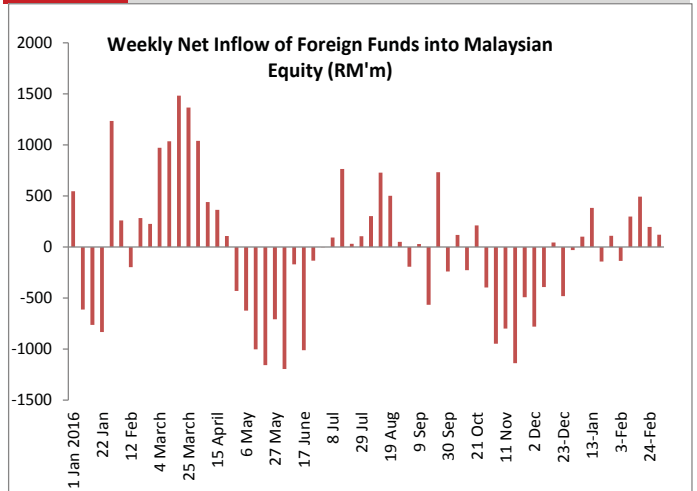
WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
JAN 13	560.7	44.4	-59.7	13.6	-189.0	612.5	85.7	1083.4
JAN 20	-221.6	-15.3	-32.8	-15.8	101.4	-48.3	-32.0	-264.4
JAN 27	608.0	-14.3	54.7	-25.8	192.1	1106.9	24.9	1946.4
FEB 3	-349.6	-113.9	53.5	-13.5	382.0	-531.4	-30.8	-603.7
FEB 10	-350.2	44.1	16.8	-34.3	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	122.2	-172.9	27.5	235.8

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

C. TRACKING MONEY FLOW - MALAYSIA

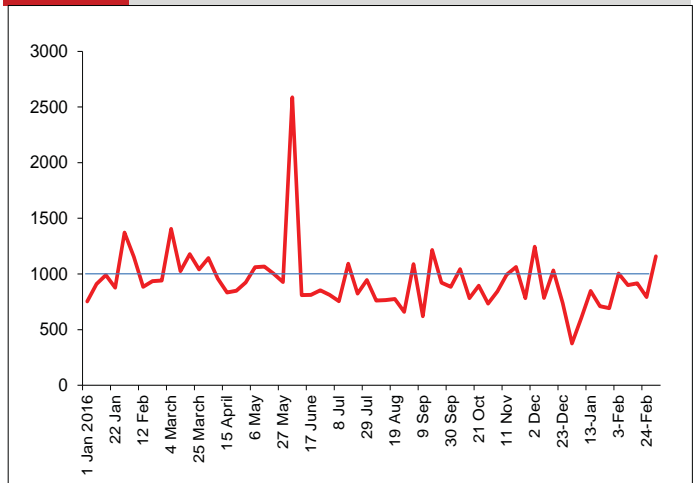
- Foreign buying momentum continued for the fourth week running on Bursa although the intensity appears to be easing. Based on preliminary data from Bursa which excluded off-market trades, foreign investors bought RM121.1m net last week, compared with RM198.0m, the week before.
- February was a surplus month as foreigners mopped up RM955.5m net. This was more than double the RM418.8m net inflow in January.
- March started on an auspicious note with a net foreign aggregate inflow for the first three days amounted to RM49.5m. There was heavy buying recorded on Thursday with a net inflow that exceeded RM200m for the third time this year.
- In contrast, regional peers such as Thailand and Philippines experienced foreign net outflow last week.
- Foreign traders are currently in active trading mode. We note that foreign participation rate surged by 46% to an elevated level of RM1.2b last week. This was the second time the foreign ADTV breached the RM1b mark.
- The retail market remained relatively healthy although retailers were net sellers to the tune of RM154m last week. Retail participation is relatively high as the weekly ADTV rose near to the RM1b mark. It was the highest ADTV so far this year.

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 20	1365.8	1411.5	-45.7	5186.2	4997.5	188.7	1702.7	1845.7	-143.0	-32.0
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

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 3 MARCH
TOP 10 NET MONEY INFLOWS

- Public Bank registered the highest net money inflow of RM10.15m last week. However, its share price underperformed with a -0.70% loss vis-à-vis the FBM KLCI which gained 0.59% during the week under review. On this score, it is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.
- KL Kepong recorded the second highest net money inflow of RM7.12m. Likewise, its share price outperformed against the market benchmark with a 1.25% weekly gain.
- Petronas Chemicals saw the third highest net money inflow of RM7.09m. Nonetheless, its share price underperformed with a -0.13% loss which may attract a BOW stance among some investors.

TOP 10 NET MONEY OUTFLOWS

- Malayan Banking saw the largest net money outflow of -RM30.19m last week. Its stock price however outperformed with a 1.51% gain vis-à-vis the FBM KLCI which rose by a smaller 0.59% during the review week. On this score, it is notable that net money outflow amidst advancing share price may indicate a sell on strength (SOS) stance among some investors.
- Tenaga Nasional recorded the second largest net money outflow -RM25.84m during the week under review. Nevertheless, its share price slightly outperformed the market benchmark with a 0.89% weekly gain which may attract a SOS stance among some investors.
- Petronas Gas registered the third largest net money outflow at -RM19.25m in the review week and its share price underperformed with a -3.60% drop.


Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
PUBLIC BANK	10.15	20.38	-0.70	BOW
KL KEPONG	7.12	0.25	1.25	-
PETRO CHEM	7.09	-5.32	-0.13	BOW
SIME DARBY	5.88	25.29	-1.09	BOW
NESTLE	5.86	-0.66	0.26	-
CIMB	5.64	3.81	2.76	-
UNITED PLANT	5.19	-0.15	1.93	-
MY EG	3.88	0.16	8.59	-
HEINEKEN	3.83	0.22	2.56	-
F&N	3.75	0.13	4.26	-

Source: Bloomberg, MIDFR;

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

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
MAYBANK	-30.19	-22.44	1.51	SOS
TNB	-25.84	2.92	0.89	SOS
PETRO GAS	-19.25	1.70	-3.60	-
PETRO DAGANG	-12.95	2.62	3.21	SOS
PPB GROUP	-8.40	-5.95	1.47	SOS
INARI	-8.16	-4.59	3.14	SOS
TM	-6.44	-1.49	1.80	SOS
GENTING BHD	-5.76	-1.96	0.55	SOS
HLEONG BANK	-5.59	2.38	-1.03	-
HLEONG FIN	-5.18	-0.19	0.26	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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