

## MIDF EQUITY STRATEGY | 2 APRIL 2018

### WEEK ENDED 30 MARCH

- Equity markets ended mixed last week amid batch of political developments regarding ties between Washington and other nations.
- Technology stocks powered much of the >1% climb in U.S markets ahead of the long Easter weekend. Recent laggards such as Facebook rose by 4.4% to USD159.79 after being hit in recent days due to privacy concerns. Nonetheless, these weren't enough to offset the quarterly loss experienced by Wall Street. The Dow Jones and S&P500 lost 2.5% and 1.2% in 1Q18, respectively, the first quarterly loss in 10 quarters.
- Brent crude oil price dipped slightly by 0.26% to USD70.27pb last week. Support in the oil market came from President Trump's intentions of pulling the U.S out from Syria.
- International investors pulled out heavily from Asian markets last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" pulled out -USD2.02b net last week.
- Global funds took a breather from Malaysian stocks after two straight weeks of buying on the back drop of global geopolitical worries. Based on preliminary data from Bursa which excluded off market deals, the net amount sold by foreign investors last week amounted to -RM301.3m net, but still positive for 1Q18 with a net inflow of RM2.20b.
- The FBM KLCI declined slightly by 0.09% last week to settle at 1,864 points after two straight week of gains. In contrast, the Ringgit appreciated by 1.42% to USD/MYR3.8635, the strongest level since August 2015.

## SEEING QUARTERLY INFLOW DESPITE JITTERY MARKET CONDITION

### A. MARKET SNAPSHOT

- Equity markets ended mixed last week amid batch of political developments regarding ties between Washington and other nations.
- Wall Street had a positive start to the week as it rebounded from steep losses in the preceding week on Monday following news about possible trade negotiations between the U.S and China. Major U.S benchmarks climbed more than 2.7% on the same day, the largest daily gain in 2.5 years with the Dow Jones jumping by almost 700 points to close at 24,203 points.
- U.S markets were then dragged down by a rout in technology stocks on Tuesday amid President Trump's intention to impose a law for national emergencies to limit Chinese investments in U.S technologies. Another trigger weighing down the fall in U.S consumer confidence to 127.7 points in March a 17-year high of 130 points in the previous month.
- Later on Thursday, technology stocks recovered to power much of the >1% climb in U.S markets ahead of the long Easter weekend. Recent laggards such as Facebook rose by 4.4% to USD159.79 after being hit in recent days due to privacy concerns. Nonetheless, these weren't enough to offset the quarterly loss experienced by Wall Street. The Dow Jones and S&P500 lost 2.5% and 1.2% in 1Q18, respectively, the first quarterly loss in 10 quarters. The dollar index meanwhile advanced 0.7% for the week to 90.059 points.
- Major benchmarks in China such as the CSI300 index declined 0.2% for the week and tumbled 4.6% during 1Q18, the biggest quarterly fall since March 2016. Local institutional funds reduced their proposed exposure in stocks for the next three months to an 18-month low amid looming U.S-China trade tensions. China had warned the U.S to not to impose more protectionist measures, fearing that may trigger a chain reaction across the globe.
- Less than a year remains before Brexit formally takes place on 29 March 2018. Matters that need to be settled before 2019 are mainly the legal borders that need to be drawn around the province of Northern Ireland and the disputed territory of Gibraltar. This is where the 'backstop' plans come into play in the withdrawal treaty which avoids a hard border until alternative solutions are found after Brexit day. A bigger concern post Brexit would be whether Northern Ireland or all of the U.K will be in a customs union in the UK as the absence of this would hinder the Irish backstop or a basic framework on future UK-EU relations.
- Brent crude oil price dipped slightly by 0.26% to USD70.27pb last week. Support in the oil market came from President Trump's intentions of pulling the U.S out from Syria and comments of Iraqi Oil Minister about the OPEC and its allies considering production cuts up to mid-2019.

**Table 1** Weekly performance of major indices

Weekly % change	Week before	Last week
Nikkei	-4.88	4.06
Dow Jones	-5.67	2.42
S&P 500	-5.95	2.03
FTSE 100	-3.38	1.95
DAX	-4.06	1.77
CAC 40	-3.55	1.41
Korea KOSPI	-3.10	1.20
India SENSEX	-1.75	1.14
Taiwan TAIEX	-1.85	0.77
FSSTI Index	-2.58	0.19
Phil PCOMP	-3.25	0.11
KLCI	1.02	-0.09
China CSI 300	-3.73	-0.16
Jakarta JCI	-1.49	-0.35
Hang Seng	-3.79	-0.71
Thai SET	-0.97	-1.00

Source: Bloomberg

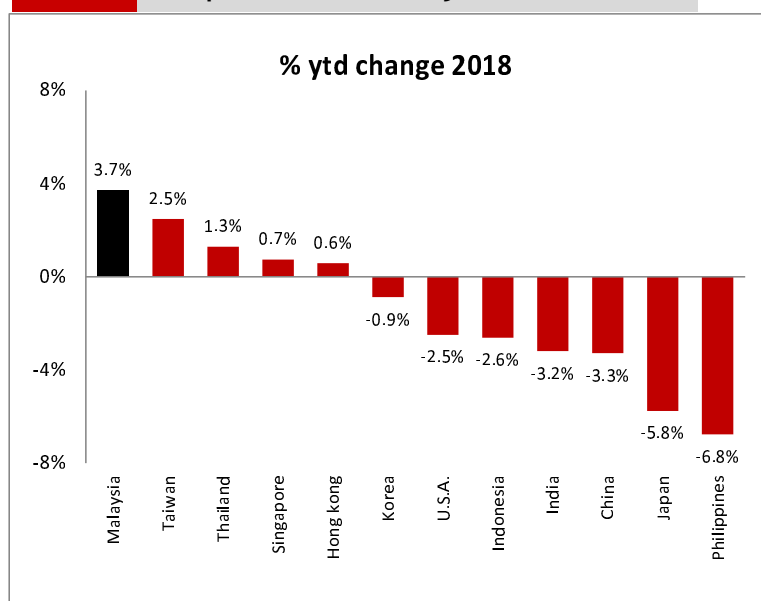
## FUND FLOW REPORT

- The FBM KLCI declined slightly by 0.09% last week to settle at 1,864 points after two straight week of gains. In contrast, the Ringgit appreciated by 1.42% to USD/MYR3.8635, the strongest level since August 2015.

### B. TRACKING MONEY FLOW - ASIA<sup>1</sup>

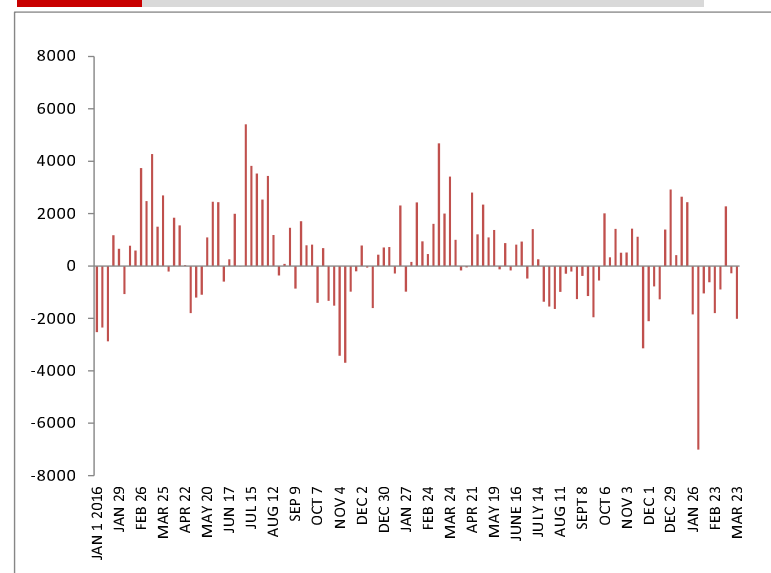
- International investors pulled out heavily from Asian markets last week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” pulled out -USD2.02b net last week, which is the second largest weekly attrition so far in 2018
- North Asian markets were the biggest casualties of foreign attrition. Foreign investors in Korea dumped -USD809.4m net of local equities last week, the highest in seven weeks. Foreign selling occurred on every single day except on Monday which saw a net inflow of USD78.2m net amid risk-on sentiment. This coincided with the KOSPI’s daily gain of 0.84%, its largest in 10 trading days. Meanwhile, foreign selling was at a 21-day high on Wednesday at -USD309.2m net despite South Korea reaching a deal with President Trump to revise their six year old trade agreement. The revised deal allows greater access for U.S automakers as well as plans to prevent competitive currency devaluation. The Korean Won meanwhile booked its largest weekly advance in six weeks at 1.76% to settle at USD/KRW1063.63 amid improving relations between the two Koreas which are set to meet this month.
- The pace of foreign selling in Taiwan was similar to Korea’s as foreign investors offloaded -USD871.9m net of local equities last week. Foreign investors were net sellers for three days with Thursday recording the highest at -USD446.8m net. On the other hand, Tuesday saw the highest net inflow during the week totalling to USD108.0m net, coinciding with the Taiex’s 1.35% daily gain, the largest since February 21. The upbeat mood on Tuesday could be partly due to the upgrade of Taiwan’s sovereign rating from AA- to A+ by Fitch, the first ever since November 2011. The Taiwan dollar gained by 2.14% at USD/TWD29.11 for 1Q18, the best quarter in over a year despite a staggering net outflow of -USD2.27b in the same quarter.

**Chart 1** YTD performance of major markets



Source: Bloomberg

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

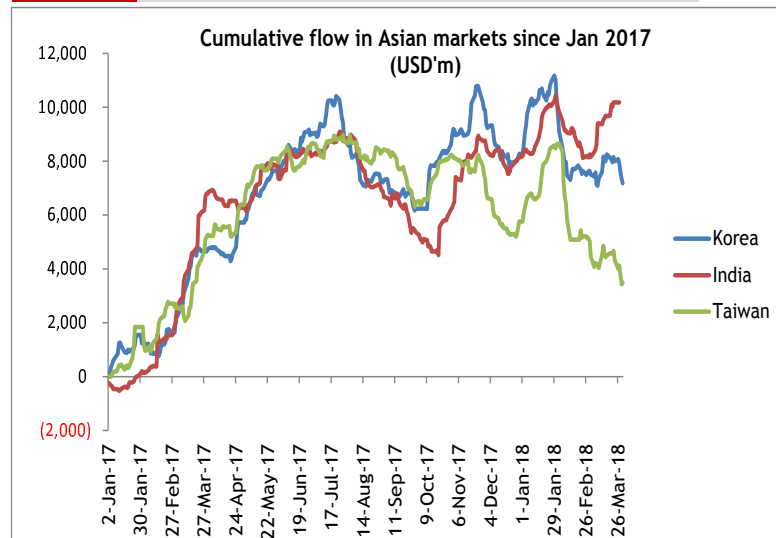


Source: Bloomberg, Bursa Malaysia

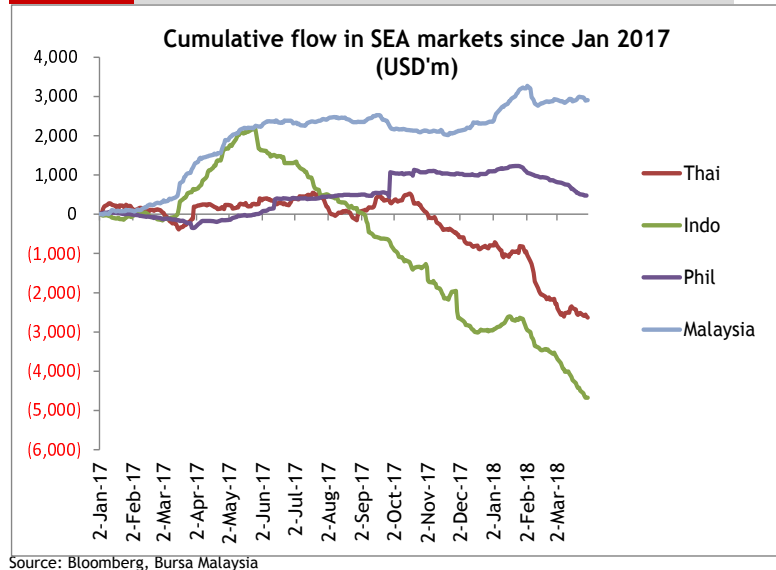
<sup>1</sup> Based on 7 Asian markets, for which fund flow data is publicly available. These are our proxy for Asia: TIPS (Thailand, Indonesia, Philippines), Korea, Taiwan, India and Malaysia.

- In emerging South East Asian markets, selling was across the board with Indonesia remaining as the biggest victim of foreign attrition for the fifth week running.
- The pace of foreign attrition in Bangkok remained the same as foreigners sold -USD120.7m net compared to the -USD120.6m net sold in the preceding week. The highest foreign attrition was recorded on Monday at -USD70.3m net while foreigners were only net buyers on Wednesday to a tune of USD30.9m net. Risk-on sentiment was rekindled on Wednesday following the Bank of Thailand's decision to keep its rate steady at 1.50% while raising the 2018 economic growth forecast for the fourth time to 4.1% from 3.9%. Nonetheless, Kasikornbank led the drop in banks with a 4.5% loss on the same day following announcement of fee waivers on most online transactions, spurring concerns on earnings.
- Foreign selling in Manila shrank by more than half last week to -USD48.5m net from -USD123.0m net in the preceding week during the three-day trading week. The local financial markets were closed for the Holy Week break. Attrition occurred on the three trading days where Monday and Tuesday's pace was comparable to a tune of around -USD13m net but later spiked by 40% to -USD21.4m net on Wednesday ahead of the long weekend. This coincided with the PSEi retreating to 7,980 points on Wednesday after settling at 8,000 points the previous day.
- International funds sold -USD178.1m net in Jakarta last week, adding up to a total of -USD2.04b net of attrition during the nine week selling binge. As foreign investors continue exiting Indonesia, the JCI dropped by 6.9% in March 2018, the biggest drop since April 2015 and the worst performer among Asian peers partly due to persistent weakness in household consumption.

**Chart 3** Net Flow of Foreign Funds into Taiwan, Korea and India since Jan 2017(USD'm)



**Chart 4** Net Flow of Foreign Funds into South East Asia Emerging Markets since Jan 2017 (USD'm)



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

WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
FEB 9	-1,638.6	-676.8	-396.4	-91.1	-1,156.1	-2,602.9	-446.8	-7,008.6
FEB 16	230.9	-339.2	-116.4	-61.6	-70.2	-694.3	1.39	-1,049.3
FEB 23	-70.3	-120.2	-34.5	-44.8	-517.8	122.0	49.0	-616.5
MAR 2	-128.0	-221.9	-186.3	-75.5	-506.3	-723.0	41.2	-1,799.8
MAR 9	-160.0	-122.4	-328.0	-50.2	-241.1	-401.7	-76.5	-897.5
MAR 16	904.2	125.9	-207.6	-126.3	1,101.8	444.8	36.3	2,279.1
MAR 23	-255.6	-120.6	-272.7	-123.0	558.9	-175.6	114.1	-274.5
MAR 30	-809.6	-120.7	-178.1	-48.5	90.2	-871.9	-77.8	-2,016.5

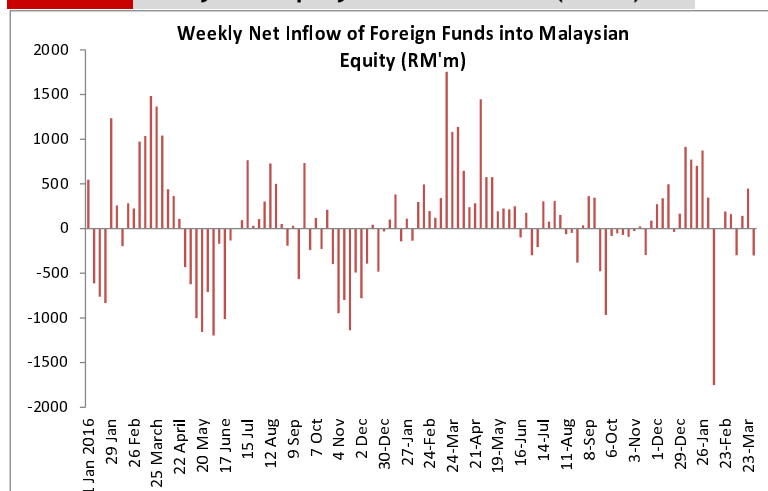
Source: Respective exchange statistics reported on Bloomberg, Bursa Malaysia. These figures are subject to revisions.

## FUND FLOW REPORT

### C. TRACKING MONEY FLOW - MALAYSIA

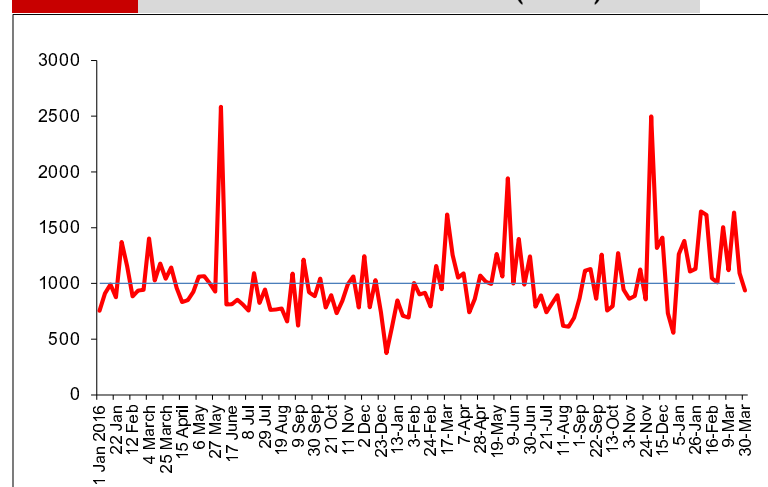
- Global funds took a breather from Malaysian stocks after two straight weeks of buying on the back drop of global geopolitical worries.
- Based on preliminary data from Bursa which excluded off market deals, the net amount sold by foreign investors last week amounted to -RM301.3m net, the second largest weekly attrition so far this year.
- Foreign net selling occurred on three out of five trading days last week, from Monday to Wednesday. Only -RM40.3m net of local equities were sold on Monday but selling activity gradually accelerated to -RM207.7m net on Wednesday, coinciding with the FBM KLCI's largest daily loss during the week of 0.25%. The main trigger for the heavy selling on Wednesday is the selloff in technology stocks on Wall Street overnight sparked by increased scrutiny over the technology sector whereby Chinese investments in the sector would be capped at a certain level.
- Global investors slowly returned to Malaysia on Thursday to a tune of RM39.2m net aided by easing geopolitical tensions in the Korean peninsula after the two Koreas are set to have talks on April 27. Friday's foreign buying on Bursa declined to RM9.30m net with regional peers, namely the Philippines and Indonesia closed for Good Friday.
- March 2018 recorded a net outflow of -RM61.6m net, a big difference from the -RM1.12b sold in the previous month. Meanwhile, RM2.20b net of local equities were acquired by foreigners on Bursa in 1Q18, the only Southeast Asian market under our coverage with a net inflow. Still, this is less than the RM5.74b accumulated in 1Q17. We reckon that foreign flows may be muted leading up to the 14th General Election which looks set to be held within the next few months.
- Foreign participation has started to slowdown a bit as the foreign average daily trade value (ADTV) declined below the RM1b mark for the first time in 12 weeks to settle at RM934m. The retail market meanwhile was little changed with an ADTV of RM842m.

**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)	
FEB 16	1,291.6	1,362.9	-71.3	4,380.0	4,313.2	66.8	2,091.9	2,087.4	4.5	1.4
FEB 23	2,542.8	2,548.0	-5.2	6,097.6	6,283.3	-185.7	2,618.1	2,427.2	190.9	49.0
MAR 2	3,001.0	2,895.6	105.4	7,352.7	7,619.0	-266.3	3,844.3	3,683.4	160.9	41.2
MAR 9	2,921.3	2,716.5	204.8	6,863.2	6,768.9	94.3	2,647.3	2,946.4	-299.1	-76.5
MAR 16	2,433.1	2,569.8	-136.7	6,675.1	6,679.6	-4.5	4,160.9	4,019.7	141.2	36.3
MAR 23	2,066.6	2,132.2	-65.6	5,398.1	5,779.6	-381.5	2,953.3	2,506.2	447.1	114.1
MAR 30	2,078.9	2,128.7	-49.8	5,278.8	4,927.7	351.1	2,184.2	2,484.5	-301.3	-77.8

Source: Bursa's preliminary data

\* Estimate by MIDF Research based on prevailing exchange rate.

D. MONEY FLOW<sup>2</sup> AMONG BURSA'S TOP 100 CAPITALIZED STOCKS: WEEK ENDED 30 MARCH

## TOP 10 NET MONEY INFLOWS

- Tenaga Nasional Berhad registered the highest net money inflow of RM17.36m last week. Its share price outperformed with a 3.05% gain against the FBM KLCI which declined by 0.09% during the week under review.
- F&N Holdings Berhad recorded the second highest net money inflow of RM16.06m. Its share price outperformed against the market benchmark with a 0.06% loss during the review week. Nonetheless, it is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.
- Axiata Group Berhad saw the third highest net money inflow of RM7.19m. Its share price outperformed the FBM KLCI with a 0.37% 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	
TNB	17.36	-43.33	3.05	-
F&N	16.06	9.27	-0.06	BOW
AXIATA	7.19	2.12	0.37	-
KL KEPONG	4.40	-11.73	0.31	-
TELEKOM	3.59	0.07	-3.51	BOW
HLFG	2.60	-0.78	1.37	-
IHH	2.40	6.72	0.33	-
GAMUDA	1.75	1.50	1.17	-
HARTALEGA	1.62	0.54	2.72	-
GENTING MSIA	1.57	-4.74	-3.92	BOW

Source: Bloomberg, MIDFR;

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

## TOP 10 NET MONEY OUTFLOWS


- Public Bank Berhad saw the largest net money outflow of -RM38.29m last week. Its stock price was unchanged but slightly outperformed the broader market as the FBM KLCI declined by 0.09% during the week under review.
- Malayan Banking Berhad recorded the second largest net money outflow -RM10.66m during the week under review. Its share price meanwhile outperformed the market benchmark with a 0.95% weekly gain.
- CIMB Group Berhad registered the third largest net money outflow at -RM8.98m in the review week. Its share price meanwhile outperformed the benchmark with a 1.41% weekly gain. It is notable that net money outflow amidst advancing share price may indicate a sell on strength (SOS) stance among some investors. 

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
PUBLIC BANK	-38.29	22.45	0.00	-
MAYBANK	-10.66	-6.81	0.95	SOS
CIMB	-8.98	-17.67	1.41	SOS
INARI	-7.21	0.91	-1.43	-
SAPURA	-6.17	-6.14	-0.91	-
AIRASIA BHD	-4.36	-1.48	-2.00	-
TOP GLOVE	-4.15	0.15	0.73	SOS
FGV	-3.68	-1.15	-0.58	-
RHB BANK	-3.64	-1.99	-1.69	-
WESTPORTS	-3.61	0.64	0.56	SOS

Source: Bloomberg, MIDFR;

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

<sup>2</sup> 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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**Business Address:**  
11 & 12 th Floor, Menara MIDF,  
82, Jalan Raja Chulan, 50200  
Kuala Lumpur.  
Tel: 2173 8888  
Fax: 2173 8380