

MIDF EQUITY STRATEGY | 12 MARCH 2018 WEEK ENDED 9 MARCH

- Most global benchmarks ended in the black last week amid the developments from major central banks around the globe.
- Risk-on mood on the U.S market improved on Friday as U.S non-farm payrolls increased by 313,000 in February. On a weekly basis, the three major U.S benchmarks locked in gains of above 3.00% while the dollar index marked its third week of gains after ending the week at 90.093 points.
- Brent crude oil price ended 1.74% higher for the week at USD65.49pb. During the week, Brent crude oil price peaked on Tuesday at USD65.79pb amidst prospects of OPEC and Russia committing to output cuts in spite of the boom in U.S shale production.
- International funds continued to flee Asian equities for the sixth uninterrupted week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” withdrew -USD1.19b net last week.
- Three straight weeks of foreign buying on Bursa ended last week as global investors reduced their exposure in Malaysian equities after a dramatic week of events coming from the U.S. Based on preliminary data from Bursa which excluded off market deals, the net amount disposed by foreign investors last week amounted to -RM299.1m net.
- The FBM KLCI lost -0.65% last week after settling at 1,844 points on Friday, but still outperformed other South East Asian (SEA) markets namely, the Philippines, Thailand and Indonesia. The Ringgit retreated to the red zone, depreciating by 0.20% against the greenback to a six-day low of USD/MYR3.9115.

ATTRITIONS ACROSS ASIA

A. MARKET SNAPSHOT

- Most global benchmarks ended in the black last week amid the developments from major central banks around the globe.
- Wall Street endured another frenetic week with the resignation of President Trump's economic adviser, Gary Cohn on late Tuesday after going against the White House's tariffs on steel and aluminium imports.
- Later on Thursday, President Trump signed a formal proclamation for the steel import tariffs. Stocks rallied as Investors perceived the terms of the tariff to be less harsh than expected as exemptions were temporarily given to Canada and Mexico provided that they renegotiate the North American Free Trade Agreement (NAFTA). Other countries will be invited to negotiate for exemptions as well.
- The mood on the U.S market improved further on Friday as U.S non-farm payrolls increased by 313,000 in February despite a 2.6%yoy subdued wage growth, denting the prospect of a faster pace of inflation. The Nasdaq composite index even hit a record close of 7,561 points on Friday. On a weekly basis, the three major U.S benchmarks locked in gains of above 3.00% while the dollar index marked its third week of gains after ending the week at 90.093 points.
- In Asia, the ChiNext index of small caps and technology stocks advanced to the highest close since November 2017 of 1,857 points on Friday after the speedy approval of Foxconn Industrial Internet's IPO application. Investors are watching closely on small caps and tech stocks on speculation that these listings could lift sector valuation. On the macroeconomic level, China's exports in February surged the most in three years by 44.5% yoy, signalling that its economy remain resilient in the midst of a potential trade war with the U.S.
- In Europe, the Italian bourse tumbled to its lowest close since September 2017 of 21,820 points on Monday amidst the political uncertainty following its election outcome with no party emerging with a majority in the parliament. This prompted a selloff in Italian banks which saw Banco Intesa Sanpaolo and UniCredit fall by 1.4% and 3.0% respectively on Monday. Nonetheless, the Italian bourse was back on its foot for the week as it ended 3.80% higher for the week, tracking gains from its European peers.
- Brent crude oil price ended 1.74% higher for the week at USD65.49pb. During the week, Brent crude oil price peaked on Tuesday at USD65.79pb amidst prospects of OPEC and Russia committing to output cuts in spite of the boom in U.S shale production. A pullback was then observed on Thursday as the price of Brent declined to USD63.61pb before rising 2.96% on Friday to settle above USD65pb, partly supported by the fall in U.S oil rigs for the first time in seven weeks.

Table 1 Weekly performance of major indices

| Weekly % change | Week before | Last week |
|-----------------|-------------|-----------|
| DAX | -4.57 | 3.63 |
| S&P 500 | -2.04 | 3.54 |
| Dow Jones | -3.05 | 3.25 |
| CAC 40 | -3.40 | 2.68 |
| Korea KOSPI | -2.01 | 2.38 |
| China CSI 300 | -1.34 | 2.30 |
| FTSE 100 | -2.41 | 2.19 |
| Taiwan TAIEX | -0.89 | 1.56 |
| Nikkei | -3.25 | 1.36 |
| Hang Seng | -2.19 | 1.35 |
| FSSTI Index | -1.53 | 0.18 |
| KLCI | -0.29 | -0.65 |
| Phil PCOMP | -0.11 | -1.02 |
| Thai SET | 0.22 | -2.02 |
| India SENSEX | -0.28 | -2.17 |
| Jakarta JCI | -0.57 | -2.26 |

Source: Bloomberg

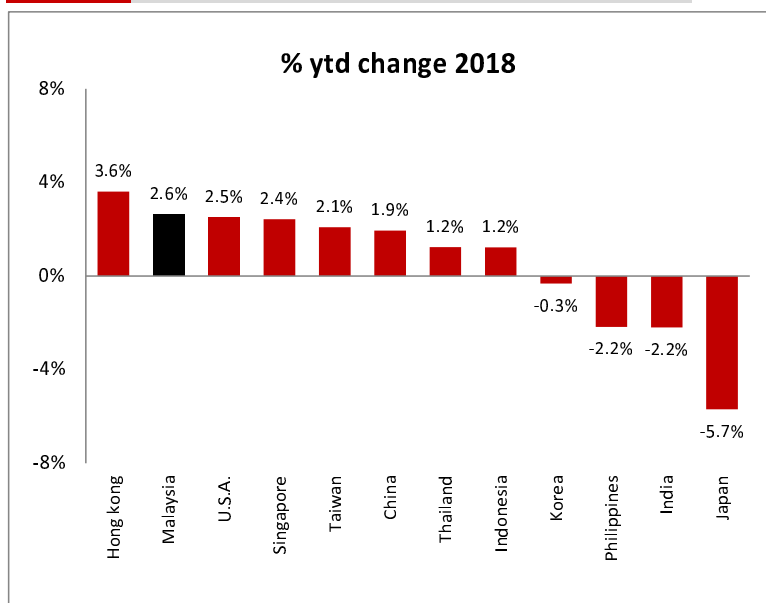
FUND FLOW REPORT

- The FBM KLCI lost -0.65% last week after settling at 1,844 points on Friday, but still outperformed other South East Asian (SEA) markets namely, the Philippines, Thailand and Indonesia. The Ringgit retreated to the red zone, depreciating by 0.20% against the greenback to a six-day low of USD/MYR3.9115.

B. TRACKING MONEY FLOW - ASIA¹

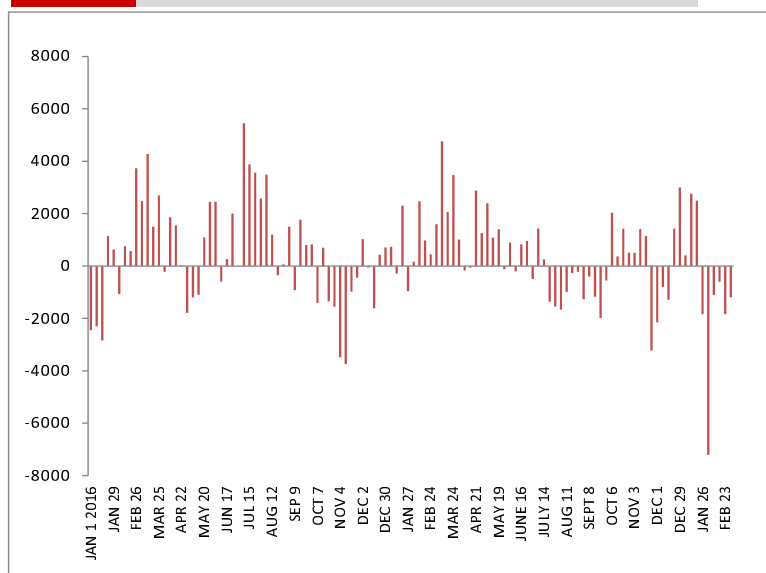
- International funds continued to flee Asian equities for the sixth uninterrupted week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” withdrew -USD1.19b net last week.
- Taiwan continued seeing outflows for the second week albeit at a decelerated pace as global investors sold -USD423.7m net of local equities. Foreign attrition occurred on three out of five trading days last week with Monday recording the highest net outflow of -USD387.8m net. On Monday, Taiwan’s 10-year government bonds extended their rally amid the weakness on the local bourse. The latter was at its lowest close in nine trading days at 10,642 points with semiconductor players being the biggest drags. Despite the weekly attrition, the Taiex stood resilient by gaining 1.56% for the week after rising to 10,865 points on Friday with Hon Hai Precision leading gainers with a 2.8% gain after its unit, Foxconn Industrial Internet wins approval to list in Shanghai.
- Global investors in Korea sold -USD160.0m net last week. Foreign selling peaked on Wednesday at -USD452.5m net, the highest since February 9 despite signs of inter-Korean unification in the midst of South Korean envoys meeting with the North Korean leader. Sentiment appeared mix that day on whether the improving inter-Korean relations would lead to a long-term upward drive in the local bourse. Nevertheless, risk-on mood was reignited on Friday as President Trump hinted at a meeting with North Korea, resulting in a net inflow of USD258.1m net. The KOSPI followed suit to close at a 24-day high of 2,459 points lifted by cosmetic and tourism stocks which surged on the possibility that North Korea will refrain from nuclear and missile tests. However, the inflow on Friday was not sufficient to offset Wednesday’s selloff amid concerns on the U.S.’s latest protectionism measures.

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)

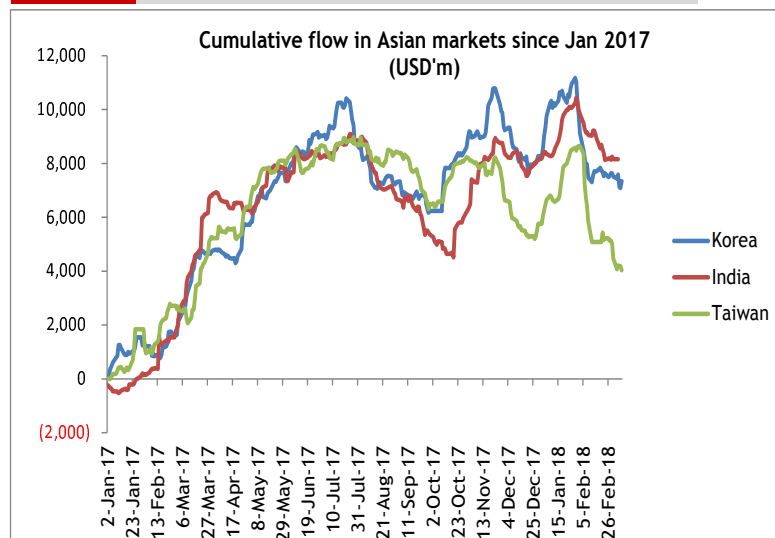


Source: Bloomberg, Bursa Malaysia

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.

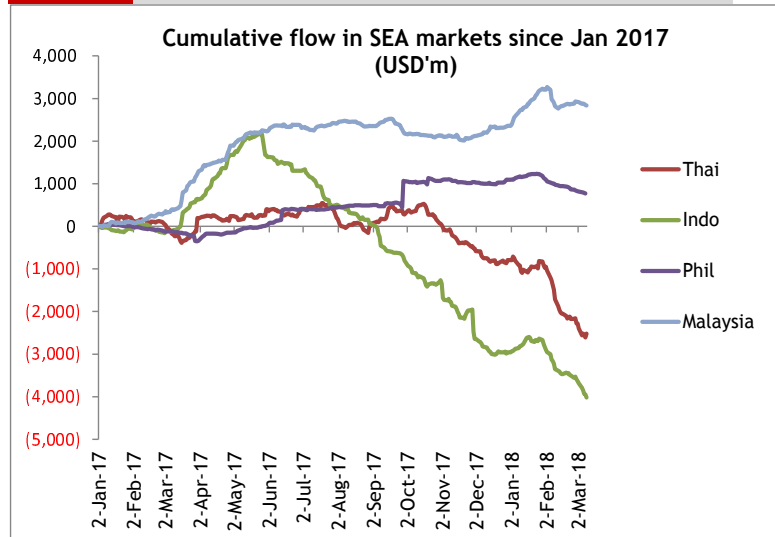
- In Emerging South East Asian markets, foreign selling was across the board with Indonesia taking the lead.
- In Bangkok, foreign net selling decreased by almost half to -USD122.4m net last week, coinciding with the SET's 2.02% weekly decline. Monday recorded the highest attrition during the week at -USD161.5m net amid fears of U.S's protectionist agenda. Nonetheless, foreign attrition declined below the USD50m level on Wednesday and Thursday following easing tensions on the potential for a global trade war. In contrast, the Baht remained steady to post a weekly gain of 0.28% to settle at USD/THB31.357. The Bank of Thailand's governor, Veerathai noted that the nation's monetary policy will emphasise on local economic conditions while being accommodative to spur economic growth.
- Foreign selling in Manila extended to its sixth week as global investors disposed -USD50.2m net last week. Foreigners sold the most on Tuesday during the week coinciding with the PSEi's lowest close in nearly two months following February's inflation hitting a three-year high of 4.5%, fuelling expectations of a rate hike by the central bank. As of last Friday, foreign investors have been on a selling streak for the past two weeks since February 20.
- The pace of foreign outflows from Indonesia increased to the tune of -USD328.0m net last week. The JCI too remains weak as it retreated the most among its SEA peers with a -2.26% weekly decline following disappointing earnings from major companies such as Sampoerna, Astra International and Bank Rakyat Indonesia. Global funds have been net sellers in Indonesia for the past eight trading days. The Rupiah slipped by 0.29% to USD/IDR13,797 for the week partially due to Moody's warning that Indonesia's plan to freeze power and fuel prices until 2019 signals a reversal of reforms.

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



Source: Bloomberg

Chart 4 Net Flow of Foreign Funds into South East Asia Emerging Markets since Jan 2017 (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 |
|--------|----------|--------|--------|--------|----------|----------|--------|----------|
| JAN 19 | 349.2 | 76.0 | 75.3 | 56.3 | 738.6 | 1,287.6 | 177.6 | 2,760.6 |
| JAN 26 | 459.0 | 130.8 | 52.1 | 10.6 | 980.7 | 641.0 | 223.3 | 2,497.5 |
| FEB 2 | -1,839.0 | -224.3 | -316.4 | -131.6 | 449.4 | 135.7 | 88.8 | -1,837.4 |
| FEB 9 | -1,638.6 | -676.8 | -396.4 | -91.1 | -1,156.1 | -2,805.8 | -446.8 | -7,211.5 |
| FEB 16 | 230.9 | -339.2 | -116.4 | -61.6 | -70.2 | -748.0 | 1.39 | -1,103.1 |
| FEB 23 | -70.3 | -120.2 | -34.5 | -44.8 | -517.8 | 132.8 | 49.0 | -605.7 |
| MAR 2 | -128.0 | -221.9 | -186.3 | -75.5 | -506.4 | -762.3 | 41.2 | -1,839.2 |
| MAR 9 | -160.0 | -122.4 | -328.0 | -50.2 | -30.8 | -423.7 | -76.5 | -1,191.6 |

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

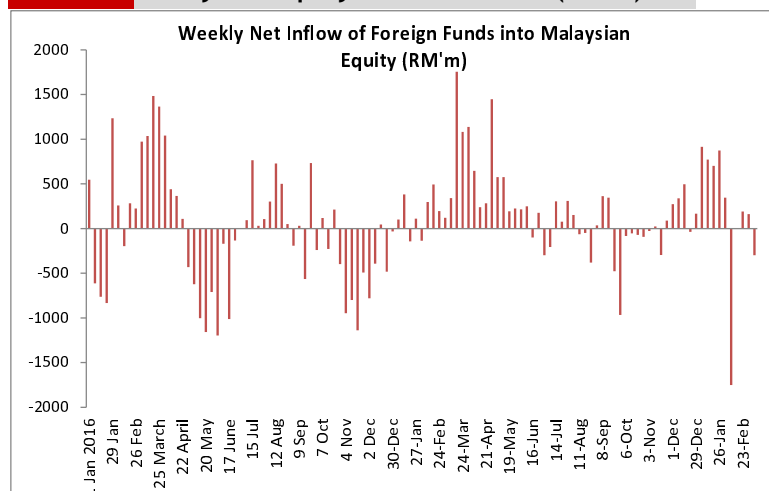
FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

- Three straight weeks of foreign buying on Bursa ended last week as global investors reduced their exposure in Malaysian equities after a dramatic week of events coming from the U.S.
- Based on preliminary data from Bursa which excluded off market deals, the net amount disposed by foreign investors last week amounted to -RM299.1m net, the largest since the global stock market rout in early February.
- Monday recorded the highest foreign selling of -RM151.7m net amid fears of the U.S's planned import tax on steel and aluminium. Local metal players such as Press Metal Aluminium Holdings was badly hit, leading decliners with a 9.1% decline that day. It was notable that other Asian peers, namely Thailand, Indonesia and Taiwan also experienced the heaviest attrition on Monday during the week.
- Tuesday was the only day which had a marginal inflow of RM15.2m net. This coincided with the FBM KLCI's 0.3% advance to close at 1,848 points as it tracked gains from global markets as fears of a global trade war waned after U.S allies put pressure on President Trump's protectionist policies.
- Global investors were back in selling mode thereafter until Friday but at a relatively measurable pace of below RM100m. We reckon that the outflows abated partly due to North Korea's possible denuclearisation plans and its conciliatory gesture to hold talks with the U.S.
- On a year-to-date basis, foreigners have accumulated RM1.91b worth of local equities, higher than the RM1.69b acquired during the same period last year.
- Foreigners were still active as the foreign average daily trade value (ADTV) stood above the RM1b mark for the 10th straight week at RM1.12b. Although the retail ADTV declined by 4% last week, the retail market is deemed to be still healthy as the retail ADTV remains above the RM1b mark for the third week running.

Chart 5

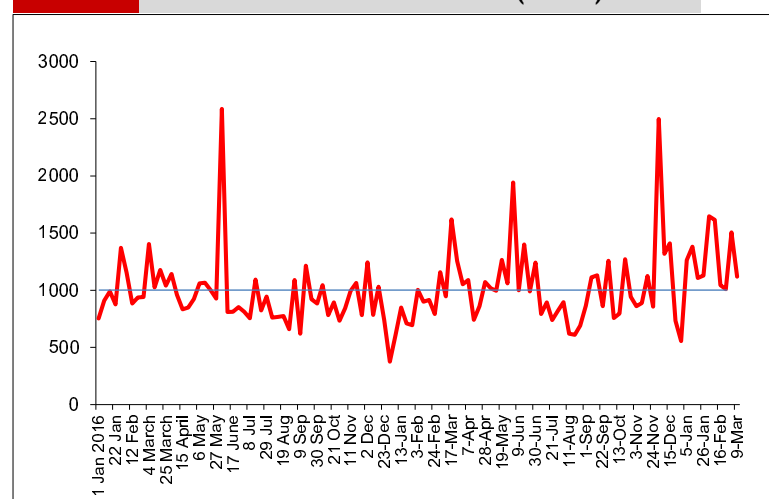
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2016 (RM'm)



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 26 | 3,465.9 | 3,525.7 | -59.8 | 6,887.2 | 7,699.9 | -812.7 | 3,259.4 | 2,386.8 | 872.6 | 223.3 |
| FEB 2 | 1,902.8 | 1,923.8 | -21.0 | 4,092.3 | 4,416.0 | -323.7 | 2,641.5 | 2,296.8 | 344.7 | 88.8 |
| FEB 9 | 3,343.9 | 3,392.0 | -48.1 | 9,931.7 | 8,132.9 | 1,798.8 | 3,161.7 | 4,912.4 | -1,750.7 | -446.8 |
| 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 | 2,467.3 | 2,946.4 | -299.1 | -76.5 |

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 9 MARCH
TOP 10 NET MONEY INFLOWS

- Tenaga Nasional Berhad registered the highest net money inflow of RM30.86m last week. Its share price underperformed with a -1.02% loss against the FBM KLCI which declined by -0.65% during the week under review. It is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.
- Malaysia Airports Holdings Berhad recorded the second highest net money inflow of RM16.82m. Its share price significantly outperformed against the market benchmark with a 1.38% gain during the review week.
- CIMB Group saw the third highest net money inflow of RM10.66m. Its share price underperformed the FBM KLCI with a -1.65% loss 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 | 30.86 | -10.00 | -1.02 | BOW |
| MAHB | 16.82 | 7.81 | 1.38 | - |
| CIMB | 10.66 | 0.34 | -1.65 | BOW |
| NESTLE | 9.25 | 3.65 | 15.17 | - |
| GAMUDA | 8.56 | -0.36 | 0.20 | - |
| SIME DARBY | 8.40 | 11.11 | -3.72 | BOW |
| GENTING MSIA | 7.49 | -4.93 | -0.59 | BOW |
| GENTING BHD | 5.28 | 15.15 | -0.11 | BOW |
| GENTING PLTN | 5.17 | -0.58 | 4.18 | - |
| TOP GLOVE | 3.80 | -13.54 | -4.38 | 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 -RM56.78m last week. Its stock price ended -0.19% lower, outperforming vis-à-vis the FBM KLCI which declined by -0.65% during the review week.
- Public Bank recorded the second largest net money outflow -RM14.12m during the week under review. Its share price meanwhile outperformed the FBM KLCI with a 0.09% weekly gain. It is notable that net money outflow amidst advancing share price may indicate a sell on strength (SOS) stance among some investors.
- AirAsia registered the third largest net money outflow at -RM7.78m in the review week. Its share price meanwhile underperformed the benchmark with a -8.05% weekly loss.

Table 5 Top 10 Net Money OUTFLOW

| Name | Net Money Flow (RM mn) | | Price (% Chg) | Remark |
|-------------|------------------------|-----------|---------------|--------|
| | Last Week | Prev Week | Last Week | |
| MAYBANK | -56.78 | -18.18 | -0.19 | - |
| PUBLIC BANK | -14.12 | -2.18 | 0.09 | SOS |
| AIRASIA | -7.78 | -1.32 | -8.05 | - |
| SRB DINAMIK | -7.51 | -1.90 | -7.32 | - |
| AXIATA | -6.23 | -2.50 | 1.88 | SOS |
| KL KEPONG | -5.61 | -15.40 | 0.32 | SOS |
| SD PLNTN | -4.98 | 3.88 | -1.09 | - |
| HENGYUAN | -4.77 | -3.32 | -21.43 | - |
| UMW HLDGS | -4.76 | -0.42 | -2.46 | - |
| TELEKOM | -4.30 | 1.24 | -4.07 | - |

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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