

MIDF EQUITY STRATEGY | 3 APRIL 2017

WEEK ENDED 31 MARCH 2017

- In the aftermath of President Trump's failed healthcare bill, equity markets around the world stayed lacklustre although European markets made some gains.
- Share prices on Wall Street recovered slightly with the Dow Jones and S&P 500 increasing 0.31% and 0.80% respectively.
- Crude price rose 4.0% for the week to USD52.83pb, the highest in almost 4 weeks following lesser than expected rise in crude stock piles. Sentiment was further lifted amid signs of continuing supply disruptions in Libya and views that an OPEC-led output reduction is likely to be extended.
- The KLCI broke 1,750 points for the second time in two weeks on Tuesday, but ended the week at 1740.09 points, down -0.28%. The Ringgit continued to strengthen for the third week, appreciating 0.02% against the greenback.
- Global money flow into Asian equity remained strong for the fourth week running. Malaysia can claim to be the most favoured SEA Emerging market in 2017 based on foreign liquidity flow on Bursa, which remained elevated for the third week running.
- Foreign investors purchased RM1.14b net in the open market (excluding off market deals) last week, the second week running the amount had exceeded RM1b.
- Foreign investors have now been net buyers on Bursa for eight consecutive weeks. As of Friday, foreign net buying had extended for fifteen trading days, the longest since March 2016.
- For the month of March, cumulative foreign net purchases amounted to RM4.7b. That was quadruple the cumulative inflow in February 2017 which amounted to RM956m.

IT'S THE HIGH TIDE SEASON ON BURSA

A. MARKET SNAPSHOT

- In the aftermath of President Trump's failed healthcare bill, equity markets around the world stayed lacklustre although European markets made some gains.
- Share prices on Wall Street recovered slightly with the Dow Jones and S&P 500 increasing 0.31% and 0.80% respectively. On Tuesday, the surge in consumer confidence to a 16-year high in March 2017 rekindled optimism in the strength of the U.S. economy. As a result, the Dow Jones snapped its 8-day losing streak led by banking stocks while S&P 500 climbed back to the 2,350 points level.
- Improved sentiment in the U.S. provided some support for Asian markets. However, there was profit taking in North Asian markets.
- In Europe, markets shrugged off the formal triggering of Article 50 of the Lisbon Treaty to initiate the separation process from the EU. The sterling rose sharply to a day's high of USD1.2478 against the dollar while climbing by as much as 0.64% to EUR1.595, following the struck of a conciliatory tone in Theresa May's letter to the EU council. Theresa May expressed a desire to work constructively with those in Europe in order to reach an agreement that works for both the U.K. and the EU. Attention will now turn to the tone struck by both sides at the start of the two-year negotiations. On equity markets, the FTSE100 was swung into the red immediately official launch of Brexit proceedings. Notwithstanding this, FTSE 100 ended the day 0.41% higher at 7,373.72 points.
- Crude price rose 4.0% to USD52.83pb for the week. Crude prices rose to the highest in 3 weeks on Thursday following the lesser than expected rise in crude stock piles for the week before, according to the EIA. Crude stockpiles only rose by 0.9m barrels compared to analysts' estimates of an increase by 1.3m barrels. Sentiment was further lifted amid signs of continuing supply disruptions in Libya following the halt on the pipeline from its biggest field and views that an OPEC-led output reduction is likely to be extended.

Table 1 Weekly performance of major indices

Weekly % change	Week before	Last week
DAX	-0.26	2.06
CAC	-0.17	2.02
FSSTI Index	-0.84	1.02
S&P 500	-1.44	0.80
India SENSEX	-0.77	0.68
Phil PCOMP	-1.03	0.58
Dow Jones	-1.52	0.32
Thai SET	0.80	0.10
Jakarta JCI	0.48	0.02
FTSE 100	-1.19	-0.19
KLCI	0.03	-0.32
Korea KOSPI	0.20	-0.40
Taiwan TAIEX	-0.06	-0.92
China CSI300	1.27	-0.96
Hang Seng	0.20	-1.01
Nikkei	-1.33	-1.83

Source: Bloomberg

FUND FLOW REPORT

- The KLCI broke through 1,750 points for the second time in two weeks on Tuesday. The rebound of KLCI mirrored movements of its regional peers. However, the KLCI ended the week at 1740.09 points, down -0.28%. As for the ringgit, the currency continued to strengthen for the third week, appreciating 0.02% against the greenback.

B. TRACKING MONEY FLOW - ASIA¹

- Global money flow into Asian equity remained strong for the fourth week running. Investors classified as “foreign” purchased equity in the seven Asian markets that we track amounted to USD2.94b net, the second highest in a week this year.
- Similar to that the week before, buying was across the board, with the exception of the Philippines. Taiwan again recorded the highest net inflow of USD910m. Foreign institutional inflows into Taiwan looks likely to continue on the back of a strong outlook in Taiwan dollar, which has gained 6.5%ytd, among the best performers in Asia. Taiwan has the third-lowest public debt ratio in Asia, no foreign debt and 9% net-cash-to-equity. The economy is also performing better — Taiwan’s manufacturing sector rebounded in February after four months of sluggish growth.
- Foreign buying in Korea stayed lacklustre for the second week running at only USD104m. Investors are awaiting the release of the first quarter results which are expected to show improvement due to better-than-expected outbound shipment. Samsung Electronics Co. would be the first to release the results on 7 April. The tech giant gained 0.48% on Thursday after it showcased its latest high-end smartphone, the Galaxy S8
- Meanwhile, the momentum of money flow into South East Asian markets remained

Chart 1 YTD performance of major markets

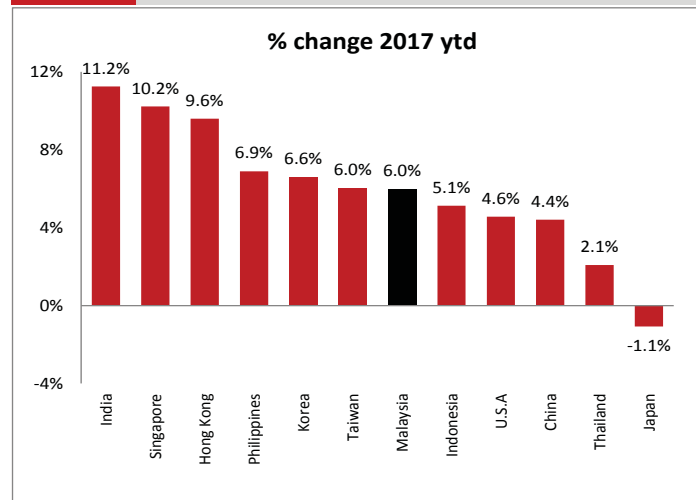
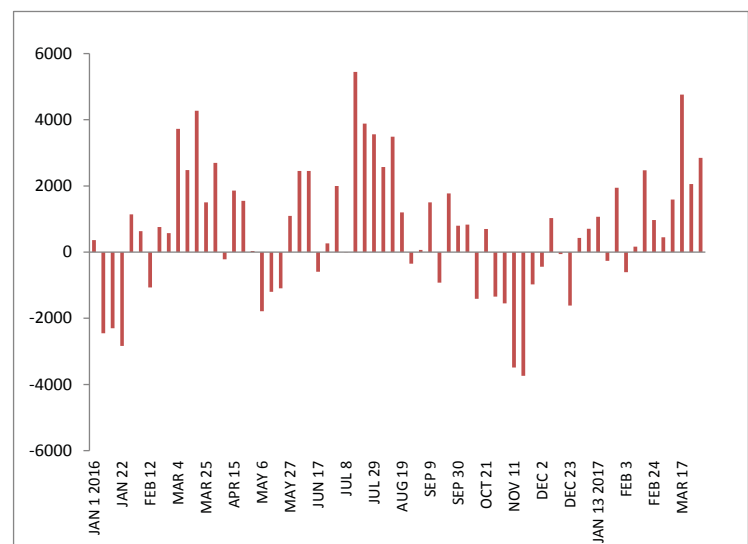


Chart 2 Weekly Net Flow of Foreign Funds into 7 Asian Markets since Jan 2016 (USD'b)



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.

intact. In Bangkok, foreigners purchased USD403m net, the highest since September 2016. The large net buying by foreigners may have been caused by the block trade of Berli Jucker PCL shares. The Bank of Thailand kept its policy rate rate unchanged at 1.5% on March 29 while revising its GDP growth upward to 3.4% on the back of more pronounced pickup in merchandise exports with additional support from household spending and private investment.

- Buying momentum continues in Indonesia as foreigners stayed net buyers for the fourth week in a row, mopping up USD91m despite the public holiday on Tuesday. Indonesian stocks hit a record high on Wednesday as data strong U.S. consumer confidence boosted sentiment in export-reliant Asian economies. Gains mainly came from financial and material stocks.
- As for Philippines, the foreign net outflow of USD 132m was of no surprise as the selling extended to 11th consecutive week. Wednesday recorded a foreign disposal of USD120m net, the largest withdrawal since September 2015. Overall, Philippines shares were trading directionless given the lack of catalyst ahead of the Holy Week in April and the listing of Wilcon Depot on Friday. The only catalyst existing for now is the maritime disputes between China and the Philippines.

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

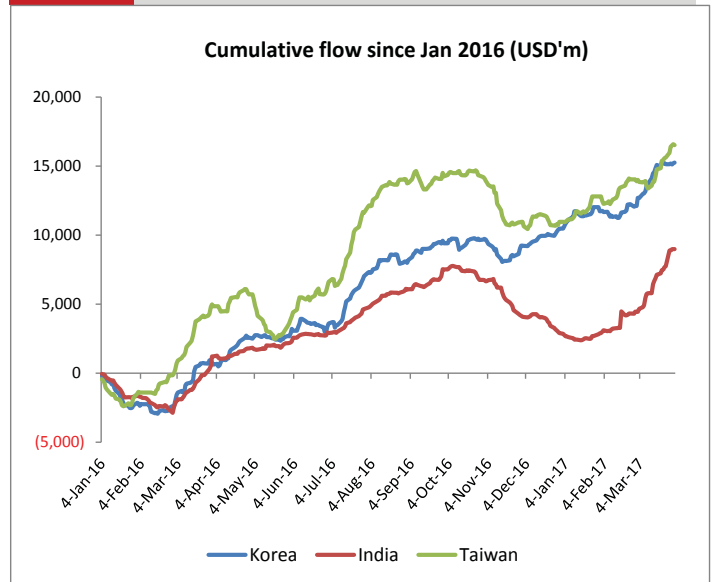
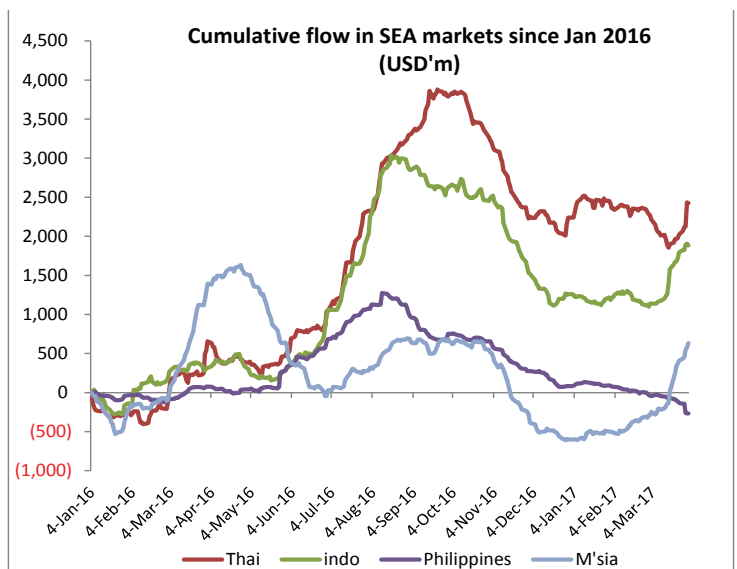


Chart 4 Net Flow of Foreign Funds into South East Asia Emerging Markets since Jan 2016 (USD'b)



Source: Bloomberg, Bursa Malaysia

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

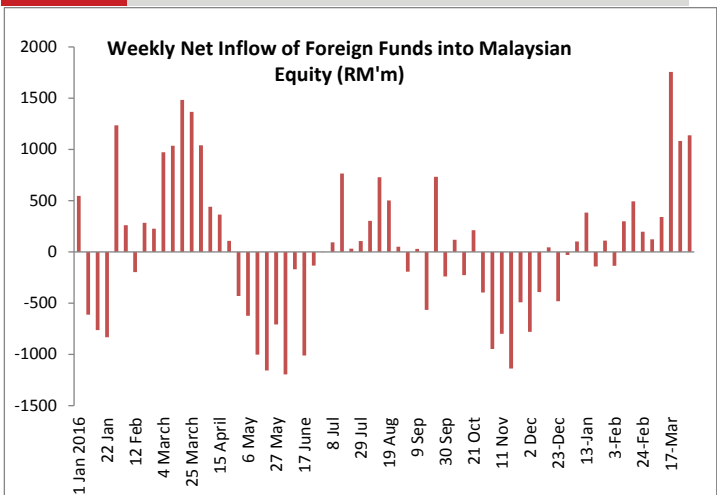
WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
FEB 10	-350.2	44.1	16.8	-34.3	118.7	305.5	67.0	167.7
FEB 17	314.0	-28.8	-18.5	-14.3	82.0	907.6	111.0	1212.6
FEB 24	604.0	9.42	-59.5	-20.8	-151.2	546.6	44.1	972.6
MAR 3	451.2	-152.3	9.11	-49.1	335.9	-172.7	27.5	449.7
MAR 10	1,020.2	-201.2	32.6	-1.1	1,137.2	-473.8	76.7	1,590.6
MAR 17	1,379.4	-112.3	406.3	-19.9	1,329.6	1,383.0	395.6	4,761.8
MAR 24	50.1	123.7	213.7	-66.6	631.3	862.1	244.4	2,058.8
MAR 31	104.1	403.4	91.2	-132.5	1,302.4	910.4	257.6	2,936.6

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

C. TRACKING MONEY FLOW - MALAYSIA

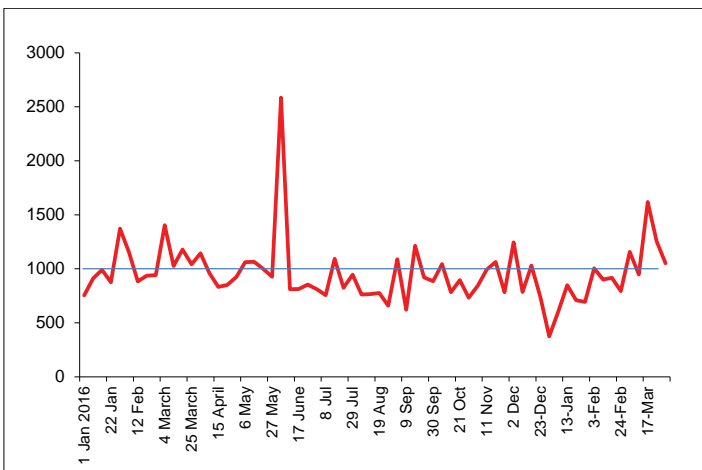
- Malaysia can claim to be the most favoured SEA Emerging market in 2017 among global investors, based on foreign liquidity flow on Bursa, which remained elevated for the third week running.
- Foreign investors purchased RM1.14b net in the open market (excluding off market deals) last week, the second week running the amount had exceeded RM1b.
- Foreign investors have now been net buyers on Bursa for eight consecutive weeks. As of Friday, foreign net buying had extended for fifteen trading days, the longest since March 2016.
- For the month of March, cumulative foreign net purchases amounted to RM4.7b. That was quadruple the cumulative inflow in February 2017 which amounted to RM956m.
- Foreign participation on Bursa remained at an elevated level despite easing by 16%. The foreign average daily trade value (ADTV) stood at RM1.05b, the third highest this year. The strong foreign buying momentum continues to enable local investors to lighten their position. Local institutions offloaded RM1.09b net last week and have disposed RM4.95b net year-to-date.
- The retail market remained vibrant despite ADTV declining also by 16% to RM1.06b compared to that the week before, marking the fourth week in a row it exceeded RM1b. However, retailers are on “take-profit” mode, selling for six weeks in a row.

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 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	2,642.9	2,749.0	-106.1	7,913.7	8,148.7	-235.0	2,538.4	2,197.3	341.1	76.7
MAR 17	3,028.9	3,208.9	-180.0	9,265.8	10,841.8	-1,576.0	4,926.6	3,170.6	1,756.0	395.6
MAR 24	3,149.9	3,169.1	-19.2	8,417.8	9,480.6	-1,062.8	3,680.0	2,598.1	1,081.9	244.4
MAR 31	2,620.8	2,670.6	-49.9	6,967.6	8,055.8	-1,088.3	3,199.6	2,061.5	1,138.1	257.6

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 31 MAR
TOP 10 NET MONEY INFLOWS

- Sime Darby registered the highest net money inflow of RM29.07m last week. Its share price declined -1.28%, underperforming against the FBM KLCI which declined by -0.32% during the week under review. The company signed a Memorandum of Understanding (MoU) for a joint venture with France's Engie Services aimed at providing technical and facility management services in area of energy efficiency of critical buildings such as airports and hospitals
- Tenaga Nasional recorded the second highest net money inflow of RM20.51m. Its share price however lagged as it ended unchanged against the FBM KLCI which declined -0.32%.
- Gamuda saw the third highest net money inflow of RM19.55m. Its share price underperformed against the benchmark index with a -2.08% loss during the review week. On this score, it is notable that 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	
SIME DARBY	29.07	4.42	-1.28	BOW
TNB	20.51	-22.52	0.00	-
GAMUDA	19.55	2.69	-2.08	BOW
CIMB	17.85	21.92	1.27	-
GENTING M'SIA	10.11	30.51	-2.15	BOW
BURSA	8.39	1.84	0.30	-
AXIATA	8.05	12.29	2.02	-
DIALOG	4.75	-2.91	4.73	-
SP SETIA	3.46	-0.15	1.72	-
MYEG	2.34	-0.35	-2.12	BOW

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- KL Kepong saw the largest net money outflow of -RM30.74m last week. Its stock price outperformed the benchmark index with a 0.82% gain.
- Public Bank recorded the second largest net money outflow -RM18.38m during the week under review. Its share price slightly outperformed the market benchmark with a -0.30% weekly loss. According to the the bank's managing director, the bank expects margin to squeeze due to intense competition.
- Telekom Malaysia registered the third largest net money outflow at -RM11.14m in the week under review and its share price outperformed the FBM KLCI with a 1.26% gain. It is notable that the net money outflow amidst advancing share price indicates 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	
KL KEPONG	-30.74	-6.31	0.82	SOS
PUBLIC BANK	-18.38	6.32	-0.30	-
TELEKOM	-11.14	-9.89	1.26	SOS
MAYBANK	-7.58	3.65	-0.78	-
MAHB	-7.32	13.03	-2.80	-
PPB	-5.91	-0.38	0.97	SOS
PETDAG	-5.30	0.97	0.84	SOS
AIR ASIA	-4.81	-1.33	10.18	SOS
GENTING	-4.02	-2.15	-0.83	-
MAXIS	-3.84	-2.65	0.63	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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Business Address:
11 & 12 th Floor, Menara MIDF,
82, Jalan Raja Chulan, 50200
Kuala Lumpur.
Tel: 2173 8888
Fax: 2173 8380