

MIDF EQUITY STRATEGY | 21 MAY 2018 WEEK ENDED 18 MAY

- Global equity markets ended uneven last week as investors focused on issues stretching from the situation in the Korean peninsula to the forming of a government by Italian populists.
- Brent crude oil price posted its sixth weekly advance of 1.80% for the week to settle at USD78.51pb, mainly supported by intensifying tensions over Iranian oil exports and economic turmoil in Venezuela.
- International investors continued to flee Asian markets for the ninth consecutive week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” disposed -USD1.54b net last week.
- International investors remained in selling mode during the election-shortened week. Markets were only open on Monday and Tuesday. Based on preliminary data from Bursa which excluded off market deals, the net amount withdrawn by foreign investors on the two trading days amounted to -RM504.8m net, exceeding the -RM438.4m in the preceding week.
- Global funds reacted to the unprecedented outcome of Malaysia’s 14th General Election (GE14) by dumping -RM2.48b of local equities(excluding off-market deals) last week. This is the heaviest weekly selldown in Malaysia since the week ended 23 August 2013 with a net outflow of -RM2.90b. Year-to-date net inflow now stands at RM40.2m.
- The FBM KLCI posted a second weekly increase of 0.43% during the post-election week as it ended at 1,855 points on Friday. The Ringgit suffered its seventh week of losses, depreciating by 0.57% to USD/MYR3.9722 on Friday.

SELL IN MAY BUT HOPEFULLY THEY DON'T GO AWAY

A. MARKET SNAPSHOT

- Global equity markets ended uneven last week as investors focused on issues stretching from the situation in the Korean peninsula to the forming of a government by Italian populists.
- Dow Jones logged its eighth-straight day of gains on Monday after closing just around 100 points below the 25,000 level. Optimism on that day stemmed from hopes of waning trade tensions between the U.S and China ahead of their trade talks following President Trump's tweet over the weekend that he would ease restrictions for ZTE to carry out its business. On Tuesday, 10-year U.S treasury yields climbed to 3.07% from 3.00% on the day before, a level not seen since July 2011. The surge in bond yields led to a selloff in REITS and homebuilders such as Essex Property Trust and D.R. Horton.
- Key U.S benchmarks were back on track the next day as retail stocks such as Macy's led gainers with a 10.8% advance, amplifying the effect of the 0.3% rise in U.S's retail sales in April. Fear returned to Wall Street on Thursday amidst President Trump's doubts on China's offer to reduce USD200b worth of trade surplus with U.S. that was later denied by Chinese officials. Wall Street ended the week lower after Friday as bank and chipmaker stocks weighed on the indexes while traders continue to grapple with the U.S-China trade talks.
- MSCI has unveiled the list of 234 Chinese A-shares which will be added to its flagship emerging markets (EM) index at the end of May 2018. The inclusion signifies a milestone in China's openness to foreign investors and is expected to attract around USD48b of inflows per annum to these shares. Impact of the inclusion would see passive fund investors holding these China A-shares.
- In Europe, Italy's 5-Star and League party is finally close to form a coalition. However, investors' worries were shifted to the plan of a EUR250b debt write-off from the European Central Bank (ECB) by the two parties, hurting the market which is already wary of Greece's bailout exit. The plan comes at a time when the ECB is shelving off its bond-buying exercise, a step towards normalising interest rates. As a consequence, Italian bond yields soared to a seven-month high on Wednesday above the 2.0% level.
- Brent crude oil price posted its sixth weekly advance of 1.80% for the week to settle at USD78.51pb, mainly supported by intensifying tensions over Iranian oil exports and economic turmoil in Venezuela. It even breached the USD80pb level on Thursday after French energy company, Total threatened to exit from an Iranian gas deal before the year ends unless a waiver is granted by the U.S government. It noted that it could not afford to be exposed to any secondary sanction.

Table 1 Weekly performance of major indices		
Weekly % change	Week before	Last week
CAC 40	0.47	1.31
China CSI 300	2.60	0.78
Nikkei	1.27	0.76
FTSE 100	2.08	0.70
DAX	1.42	0.59
KLCI	0.25	0.43
Hang Seng	3.99	-0.24
Taiwan TAIEX	3.13	-0.26
Dow Jones	2.34	-0.47
S&P 500	2.41	-0.54
Thai SET	-0.78	-0.67
Korea KOSPI	0.66	-0.69
Phil PCOMP	2.73	-1.03
FSSTI Index	0.70	-1.15
India SENSEX	1.78	-1.93
Jakarta JCI	2.84	-2.91

Source: Bloomberg

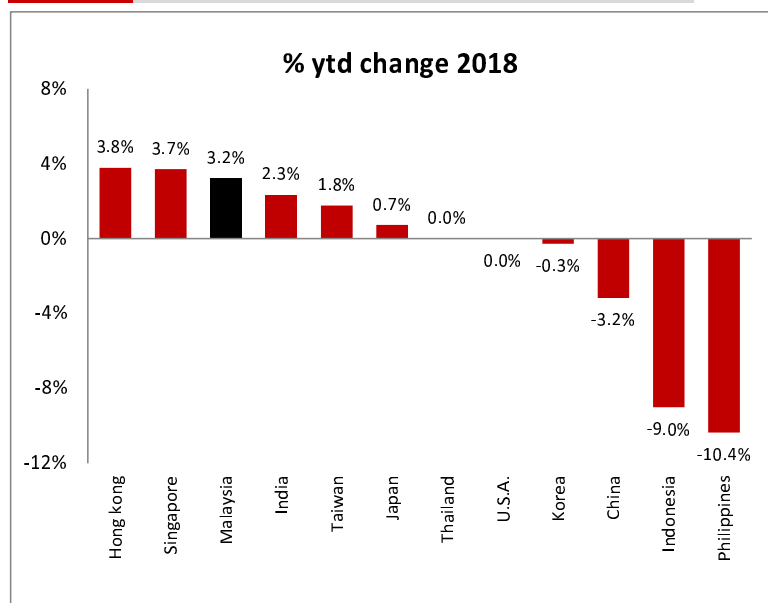
FUND FLOW REPORT

- The FBM KLCI posted a second weekly increase of 0.43% during the post-election week as it ended at 1,855 points on Friday. The Ringgit suffered its seventh week of losses, depreciating by 0.57% to USD/MYR3.9722 on Friday, marking the longest losing streak since September 2015.

B. TRACKING MONEY FLOW - ASIA¹

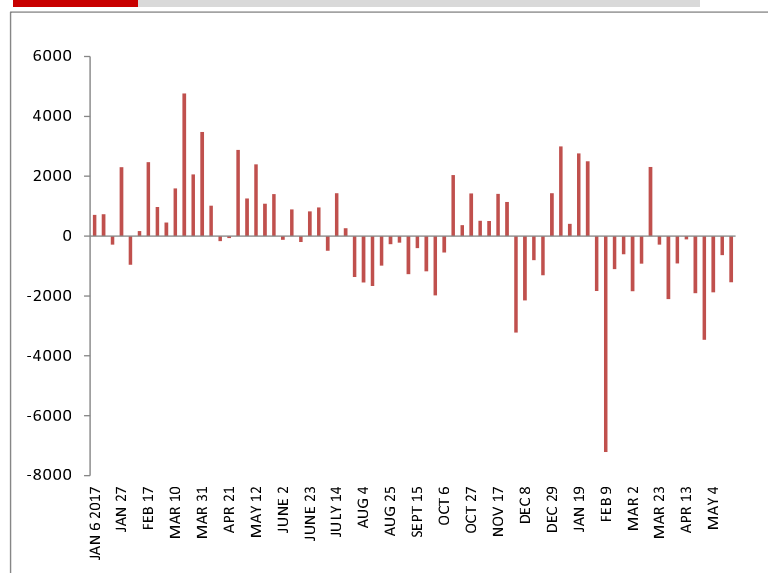
- International investors continued to flee Asian markets for the ninth consecutive week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” disposed -USD1.54b net last week, more than twice the amount sold in the preceding week.
- Global investors in Korea sold -USD567.4m net last week, 4 times more than a week earlier. Tuesday recorded the highest foreign selling of -USD253.6m net amidst anticipation of the planned high level inter-Korea talks scheduled the next day, coinciding with the KOSPI’s 0.71% daily decline, the steepest in 8 days. As Wednesday came, North Korea did not just abruptly postpone the talks with South Korea, but also threatened to cancel the summit with the U.S in June, citing the South Korea-US joint military drill and demand of denuclearization to be unjust. It is noteworthy that the levels of foreign attrition on Wednesday receded to -USD62.9m despite the jitters caused by North Korea. Selling momentum ramped up later on Thursday to a tune of -USD181.9m net as North Korea warned again that it will not have discussions with South Korea unless the joint military exercise is stopped. Nonetheless, the resumption of trade talks between the U.S. and China boosted the KOSPI by 0.50% to 2,461 points and attracted USD64.3m net of foreign funds after 4 straight days of outflows.
- Taiwan was the pick of the bunch, being the only market among the 7 Asian exchanges we cover to attract inflows worth USD212.2m net. Foreigners were net buyers on 3 out of 5 trading days with Monday recording the highest at USD378.1m net. In fact this is the largest daily net inflow recorded since 13 March 2018 lifting the Taiex by 0.86% to close at 10,952 points, a level not seen since the end of April. Hon Hai Precision was the biggest boost to gauge that day with a 4.7% advance after the announcement of its first capital reduction plan. The Taiwan Dollar depreciated by 0.48% to USD/TWD29.91, marking its seventh week of decline.

Chart 1 YTD performance of major markets



Source: Bloomberg

Chart 2 Weekly Net Flow of Foreign Funds into 7 Asian Markets since Jan 2017 (USD'm)

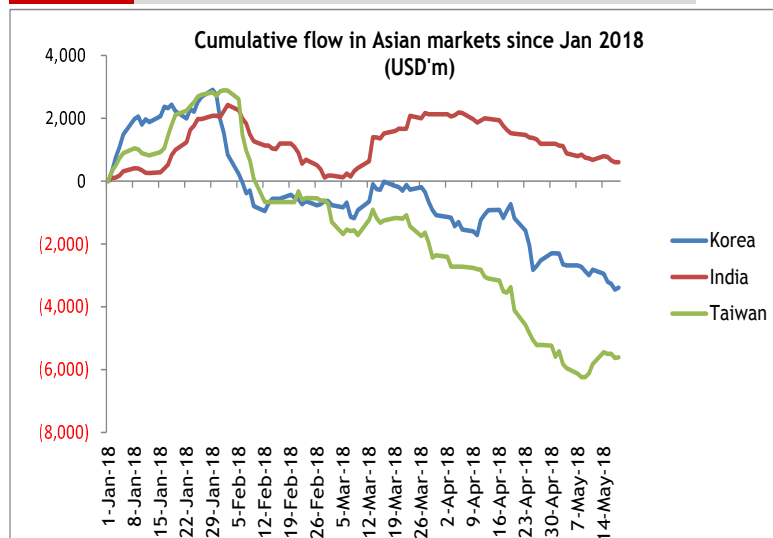


Source: Bloomberg, Bursa Malaysia

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.

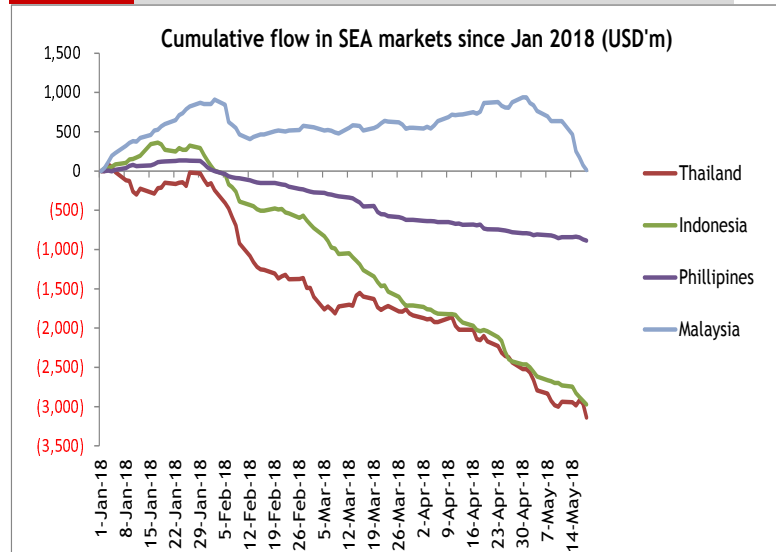
- In the emerging South East Asian markets that we monitor, foreign selling was seen across the board for the third week running.
- Bangkok's weekly outflow increased to -USD203.2m net with Friday posting the biggest foreign attrition since early February 2018 worth -USD180.0m net. Two days prior to that, international funds moderately entered Thailand, buying USD66.5m net of local equities as the central bank of Thailand maintained its policy rate at 1.5%. The overall sentiment in Thailand was clouded by the worst drop in levels of private investment since the coup took power in the last four years.
- Foreign outflows in Manila remained contained at -USD42.6m net last week. Global investors welcomed the reopening of markets on Tuesday after a long weekend with a measurable inflow of USD5.57m net while the PSEi jumped 1.73% to return to the 7,800 level. The PSEi in fact was the best performer amongst its ASEAN peers on that day underpinned by a batch of positive earnings results. However, foreign selling occurred thereafter until the week ended mainly spurred by rising U.S bond yields and the possible cancellation of the U.S-North Korea summit.
- Jakarta has seen 16 straight weeks of outflows after foreign investors pulled out -USD242.4m net of local equities last week. On a daily basis, global funds have been withdrawing Indonesian equities for the past 19 days, the longest selling spree since the 30-day outflow from 29 August 2017 to 11 October 2017. As Indonesia's selloff persists, the nation's central bank raised its benchmark interest rate for the first time since 2014 on late Thursday and promised to take more effective measures to maintain stability in the market. The level of attrition on Friday after the rate hike was little changed at -USD48.7m net as the daily amount sold hovered near USD50m since Wednesday.

Chart 3 Net Flow of Foreign Funds into Taiwan, Korea and India since Jan 2018(USD'm)



Source: Bloomberg

Chart 4 Net Flow of Foreign Funds into South East Asia Emerging Markets since Jan 2018 (USD'm)



Source: Bloomberg, Bursa Malaysia

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

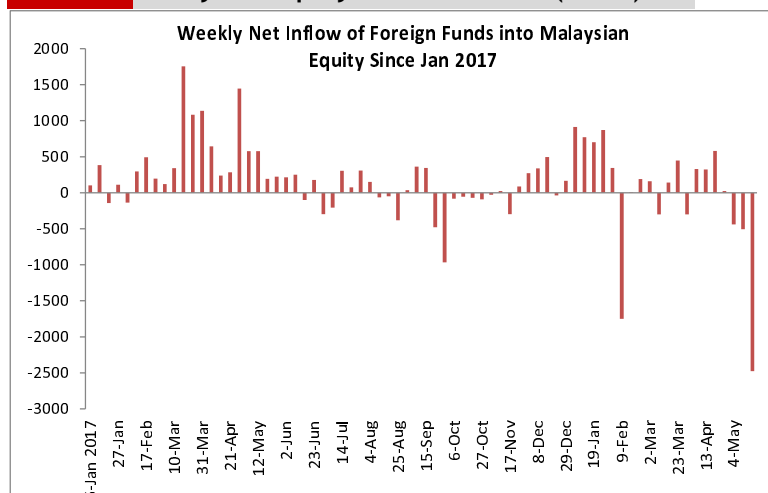
WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
MAR 30	-809.6	-120.7	-178.1	-48.5	50.5	-923.8	-77.8	-2,108.1
APR 6	-461.7	-82.9	-101.8	-28.8	40.2	-362.3	84.8	-912.4
APR 13	618.7	-97.8	-115.8	-34.1	-181.1	-381	83.9	-107.3
APR 20	-257.3	-150.0	-110.3	-55.9	-477.7	-1,006.5	149.6	-1,908.2
APR 27	-1,350.3	-266.7	-381.6	-40.1	-324.7	-1,105.8	6.1	-3,463.1
MAY 4	-148.9	-355.3	-192.9	-26.6	-301.9	-738.2	-111.2	-1,874.9
MAY 11	-136.5	-144.9	-114.8	-36.1	-208.8	133.9	-127.9	-635.0
MAY 18	-567.4	-203.2	-242.4	-42.6	-72.2	212.2	-625.3	-1,540.9

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

C. TRACKING MONEY FLOW - MALAYSIA

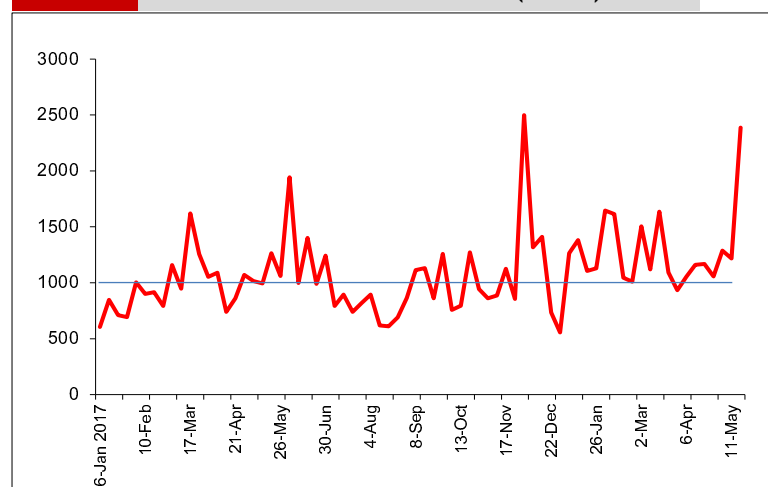
- Global funds reacted to the unprecedented outcome of Malaysia's 14th General Election (GE14) by dumping -RM2.48b of local equities in the open market (excluding off-market deals) last week. This is the heaviest weekly foreign sell-down in Malaysia since the week ended 23 August 2013 which saw a net outflow of -RM2.90b. Foreign investors have been net sellers for 10-straight trading days as of last Friday.
- The first trading day after GE14 saw a net outflow of -RM682.6m net. Nevertheless, the trading value on Bursa was the highest ever recorded on the same day at RM7.30b. Foreign selling on Tuesday then swelled to -RM837.3m net, the largest in a day since early February 2018.
- On Wednesday, foreign outflows tapered to -RM320.7m as investors cheered the post-GE14 reforms which included the reduction of GST to 0% effective from June 1 in addition to the pardon granted to jailed former Deputy PM Datuk Seri Anwar Ibrahim. The FBM KLCI followed suit to settle 0.54% higher at an eight-day trading high of 1,858 points as buying activity by retailers and local funds continued amid renewed optimism.
- Foreign investors continued selling on Thursday and Friday to a tune of -RM384.4m net and -RM251.2m net as the surge in U.S treasury yields during the week crept into minds of investors.
- Due to the intense selling pressure, the cumulative net inflow into Malaysia so far this year has been substantially reduced to RM40.2m from RM2.52b before GE14. We are cautiously optimistic that this cumulative figure may gradually pick up as more political clarity comes into picture. Despite recording the largest weekly outflow among the 4 ASEAN markets we monitor last week, Malaysia is still the major beneficiary of foreign inflows.
- Foreign participation remains strong as the foreign average daily trade value (ADTV) soared by almost 100% to RM2.39b, the highest in 24 weeks. Similarly, participation in the retail and institutional market was robust as their ADTVs reached a level not seen 18 weeks.

Chart 5 Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2017 (RM'm)



Source: Bursa Malaysia preliminary statistics

Chart 6 Foreign Participation on Bursa: Daily Average for the Week since Jan 2017 (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)	
APR 6	2,341.2	2,425.5	-84.3	5,537.9	5,781.6	-243.7	2,802.6	2,474.6	328.0	84.8
APR 13	2,952.2	3,165.7	-213.5	6,541.1	6,652.3	-111.2	3,061.7	2,737.0	324.7	83.9
APR 20	2,530.7	2,608.1	-77.4	5,929.1	6,433.7	-504.6	3,213.6	2,631.6	582.0	149.6
APR 27	1,832.6	1,781.4	51.2	5,477.8	5,553.6	-75.8	2,653.1	2,628.5	24.6	6.1
MAY 4	1,273.5	1,440.5	-167.0	4,944.9	4,339.5	605.4	2,357.3	2,795.7	-438.4	-111.2
MAY 11	764.4	879.0	-114.6	3,167.8	2,548.4	619.4	963.9	1,468.7	-504.8	-127.9
MAY 18	5,118.2	4,126.3	991.9	11,766.2	10,281.9	1,484.3	4,730.5	7,206.7	-2,476.2	-625.3

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 18 MAY
TOP 10 NET MONEY INFLOWS

- CIMB Group Holdings Berhad registered the highest net money inflow of RM41.21m last week. Its share price underperformed with a -1.45% decrease against the FBM KLCI which advanced by 0.43% 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.
- Genting Malaysia Berhad recorded the second highest net money inflow of RM14.15m. Its share price was 3.98% higher for the week, substantially outperforming against the market benchmark which was only 0.43% higher.
- Genting Berhad saw the third highest net money inflow of RM10.95m. Its share price outperformed the FBM KLCI with a 0.81% 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	
CIMB	41.21	-0.26	-1.45	BOW
GENTING MSIA	14.15	7.11	3.98	-
GENTING BHD	10.95	6.02	0.81	-
TOP GLOVE	8.99	-0.67	4.68	-
MAYBANK	8.67	21.44	1.12	-
SERBA DINAMIK	6.89	3.65	-7.27	BOW
BAT	5.64	-0.37	42.56	-
MAHB	5.57	1.74	1.36	-
AEON CREDIT	4.12	0.05	13.15	-
PADINI	3.64	1.63	16.41	-

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- Felda Global Ventures Berhad saw the largest net money outflow of -RM14.52m last week. Its stock price gained by a whopping 13.66%, outperforming vis-à-vis the FBM KLCI which advanced by 0.43% during the review week.
- Petronas Dagangan Berhad recorded the second largest net money outflow -RM13.12m during the week under review. Its share price meanwhile underperformed the market benchmark with a -0.45% weekly loss.
- IHH Healthcare Berhad registered the third largest net money outflow at -RM12.16m in the review week. Its share price meanwhile substantially outperformed the benchmark with a 1.49% weekly gain. It is notable that the 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	
FGV	-14.52	-0.11	13.66	SOS
PETDAG	-13.12	-1.78	-0.45	-
IHH	-12.16	-0.57	1.49	SOS
TNB	-9.56	34.74	-0.87	-
PUBLIC BANK	-8.64	5.07	2.09	SOS
HARTALEGA	-5.78	0.02	3.75	SOS
GAMUDA	-5.68	-2.59	-19.80	-
IOI CORP	-3.50	-0.88	1.71	SOS
DIALOG	-2.57	1.62	11.11	SOS
AMMB	-2.46	-0.02	-5.11	-

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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