

MIDF EQUITY STRATEGY | 28 MAY 2018

WEEK ENDED 25 MAY

- Major global equity indices remained mixed last week as geopolitical concerns came back on investors' radar.
- Despite the geopolitical uncertainty, Wall Streets still posted a marginal weekly advance buoyed by gains in chipmakers and a 20% surge in Foot Locker shares on Friday.
- Brent crude oil price suffered its first weekly loss of 2.64% after six straight weeks of gains after settling at USD76.44pb. The weakness came after Russia's energy minister reiterated that OPEC and its partners will discuss phasing out supply curbs when they meet next month.
- Foreign funds remained in selling mode in Asia for the 10th straight week albeit at a tapered pace. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" disposed -USD581.6m net last week
- Foreign outflows from stocks listed on Bursa continued for the fourth consecutive week albeit at a slower pace. Based on preliminary data from Bursa which excluded off market deals, the net amount sold by foreign investors last week amounted to -RM892.4m net, almost one third of the amount dumped in the preceding week
- The FBM KLCI posted a weekly decline of 3.08%, the biggest since October 2015 after closing below 1,800 points, a level not seen since early this year. The Ringgit suffered its eighth week of losses, depreciating by 0.23% to USD/MYR3.9813 on Friday, marking the longest losing streak since September 2015.

GEOPOLITICAL FURORE STRIKES AGAIN

A. MARKET SNAPSHOT

- Major global equity indices remained mixed last week as geopolitical concerns came back on investors' radar.
- The Dow Jones stormed to settle above 25,000 points for the first time in two months on Monday following the news that Washington and Beijing reached a truce in their trade spat. Another catalyst on that day was a slew of dealmaking activities. General Electric plans to merge its transportation business with Wabtec for a consideration of USD11.1b while Fifth Third Bancorp agreed to buy MB Financial shares for USD4.7b. Optimism on easing trade tensions were overshadowed by President Trump's pessimism on the anticipated summit with North Korea, dragging the Dow Jones down by 178 points.
- U.S stocks were back on their feet on Wednesday as minutes of the Fed meeting signaled an incoming rate hike soon while indicating that it is not in a rush to aggressively tighten the monetary policy. Geopolitical worries inflated later on Thursday when President Trump scrubbed off the U.S-North Korea summit scheduled in June. Nevertheless, North Korea remains open for any meeting with the U.S. Despite the geopolitical uncertainty, Wall Streets still posted a marginal weekly advance buoyed by gains in chipmakers and a 20% surge in Foot Locker shares on Friday.
- In Asia, China's Ministry of Finance announced on Tuesday a cut in automobile import tariff into the country from 25% to 15% effective from July 1, a step to fulfill President Trump's demand to reduce China's multi billion trade surplus with the U.S. The move bodes well for overseas car makers especially premium ones such as BMW, Daimler and Mercedes to narrow the price gap with local carmakers. Shares of China's biggest carmakers such as Great Wall Motor took a beating, declining by 0.5% while auto parts makers such as Yapp Automotive Systems rallied to their daily maximum of 10% on Shenzhen and Shanghai Stock Exchanges.
- Meanwhile in Europe, Spain's IBEX 35 faced its largest decline in two months by as much as 2% on Friday after centrist party, Ciudadanos pointed out that it will give a no-confidence vote against Prime Minister Rajoy if an early general election is not called. Meanwhile, Italian government bond prices spiked on Friday as the government mulls an anti-euro finance minister in the coalition led by populists.
- Brent crude oil price suffered its first weekly loss of 2.64% after six straight weeks of gains after settling at USD76.44pb. The weakness came after Russia's energy minister reiterated that OPEC and its partners will discuss phasing out supply curbs when they meet next month.

Table 1 Weekly performance of major indices		
Weekly % change	Week before	Last week
Jakarta JCI	-2.91	3.33
Taiwan TAIEX	-0.26	1.03
S&P 500	-0.54	0.31
India SENSEX	-1.93	0.22
Dow Jones	-0.47	0.15
Korea KOSPI	-0.69	0.01
Phil PCOMP	-1.03	-0.32
FSSTI Index	-1.15	-0.45
FTSE 100	0.70	-0.62
Thai SET	-0.67	-0.74
DAX	0.59	-1.07
CAC 40	1.31	-1.28
Hang Seng	-0.24	-1.48
Nikkei	0.76	-2.09
China CSI 300	0.78	-2.22
KLCI	0.43	-3.08

Source: Bloomberg

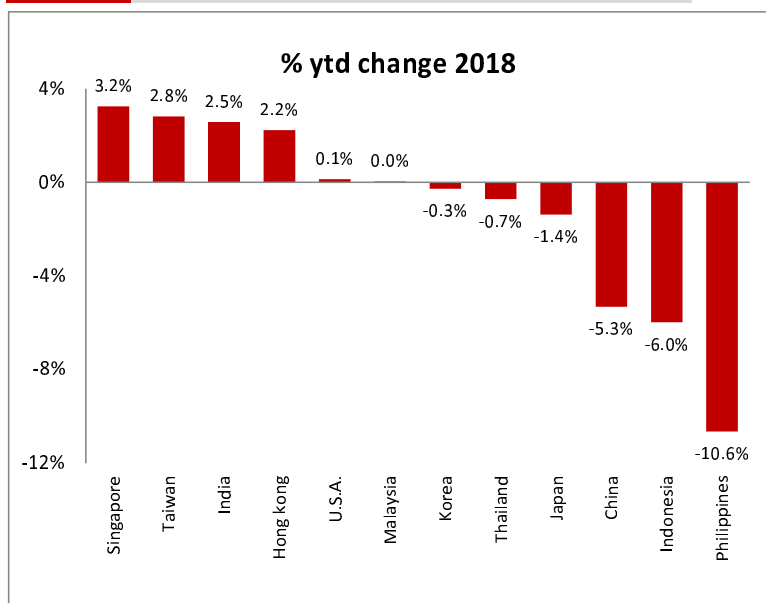
FUND FLOW REPORT

- The FBM KLCI posted a weekly decline of 3.08%, the biggest since October 2015 after closing below 1,800 points, a level not seen since early this year. The Ringgit suffered its eighth week of losses, depreciating by 0.23% to USD/MYR3.9813 on Friday, marking the longest losing streak since September 2015.

B. TRACKING MONEY FLOW - ASIA¹

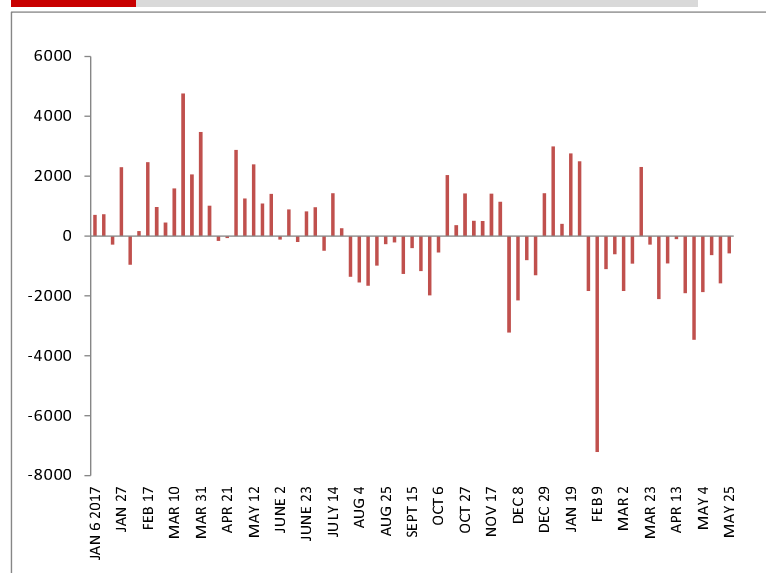
- Foreign funds remained in selling mode in Asia for the 10th straight week albeit at a tapered pace. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” disposed -USD581.6m net last week, less than half the amount sold in the preceding week.
- Despite the holiday-shortened week, global investors in Korea turned net buyers for the first time in six weeks after accumulating USD633.2m net of local equities, the highest weekly net inflow since the week ended 16 March 2018. International investors were net buyers on 3 out of 4 trading days last week with Friday recording the highest daily inflow in 29 trading days of USD388.7m net. The KOSPI however ended 0.21% lower that day at a five-day low of 2,461 points amidst the doubt casted by President Trump over the summit with North Korea. On the monetary policy front, the Bank of Korea kept its benchmark rate unchanged at 1.5%.
- There was a slow pace of attrition in Taiwan last week as foreign investors withdrew -USD79.7m net, the lowest weekly attrition so far this year. Global investors heavily entered Taiwan on Monday, buying USD86.7m net of local equities amidst the nation’s export orders topping estimates for the month of April, rising 9.8%yoy in the wake of the growth in the technology sector. The Taiex positive reacted by jumping 1.25% higher to 10,966 points, the highest close since late March 2018. Other catalysts for Monday’s rally were the waning trade tensions between the U.S and China which saw Apple supplier such as TSMC advancing 2.7% However, international investors sold Taiwan equities thereafter until the week ended. Wednesday faced the highest selloff during the week of -USD90.5m net as geopolitical worries between the U.S and North Korea were reignited, pulling down the Taiex by 0.48% to 10,886 points.

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, international investors pulled out a total -USD736.9m net worth of equities.
- Bangkok was the biggest casualty of outflows in ASEAN as foreign investors offloaded -USD531.3m net, the largest in 15 weeks. Attrition occurred on every single day of the week, extending the selling spree to seven days as of last Friday. Wednesday saw the heaviest attrition during the week at -USD153.9m net, coinciding with the SET's 0.40% drop. Foreign attrition remained at the same level the next day at -USD145.8m net as energy stocks led losers following concerns of a possible subsidy for diesel and cooking gas. The SET went down further by 1.20% to hit the lowest point since early April.
- Foreign outflows in Manila were little changed at -USD42.8m net with the selling binge extended to the seventh day. Similar to Thailand and Taiwan, attrition peaked on Wednesday during the week to a tune of -USD12.4m net, followed by the PSEi's six-day decline which is the longest losing streak since November 2016. The Philippine Peso depreciated by 0.53% for the week to USD/PHP52.589, despite the central bank noting that currency losses are not a concern.
- Jakarta attracted USD61.5m net of foreign funds, ending the 16 weeks of selling which coincided with the JCI's best weekly gain since late 2016 of 3.33%. JCI was even the best performing index among major benchmarks last week. Foreign buying peaked on Friday at USD54.6m net, the highest in a day since 15 January 2018, lifting the JCI to a 16-trading day high of 5,975 points. The upbeat sentiment in Indonesia comes about after the new Bank Indonesia governor promised on his first day that monetary policy tools will be used to curb a selloff in the nation's currency and bonds.

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

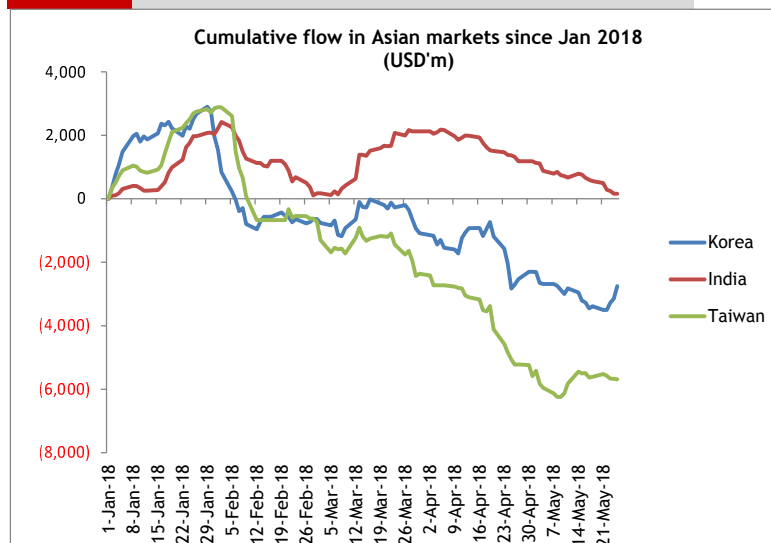


Chart 4 Net Flow of Foreign Funds into South East Asia Emerging Markets since Jan 2018 (USD'm)

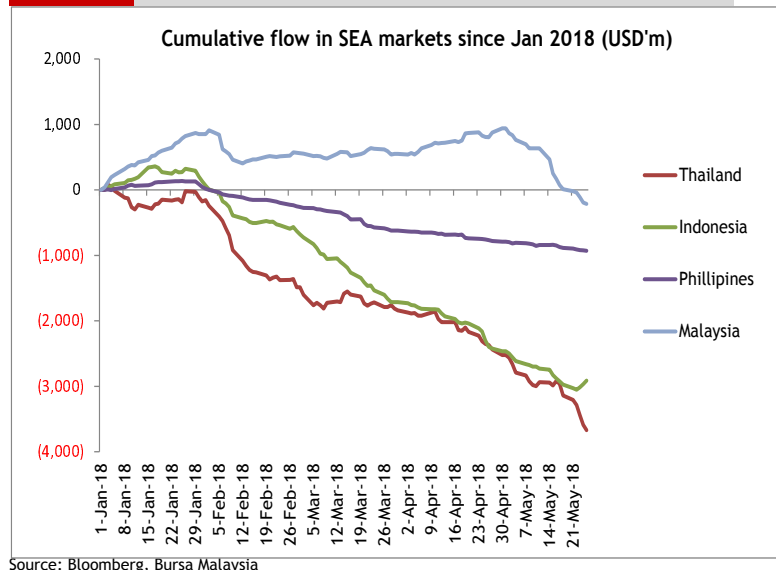


Table 2 Weekly Net Flow Of Foreign Fund Into Equity By Market (USD'm)

WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
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	-112.8	212.2	-625.3	-1,581.4
MAY 25	633.2	-531.3	61.5	-42.8	-398.2	-79.7	-224.3	-581.6

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

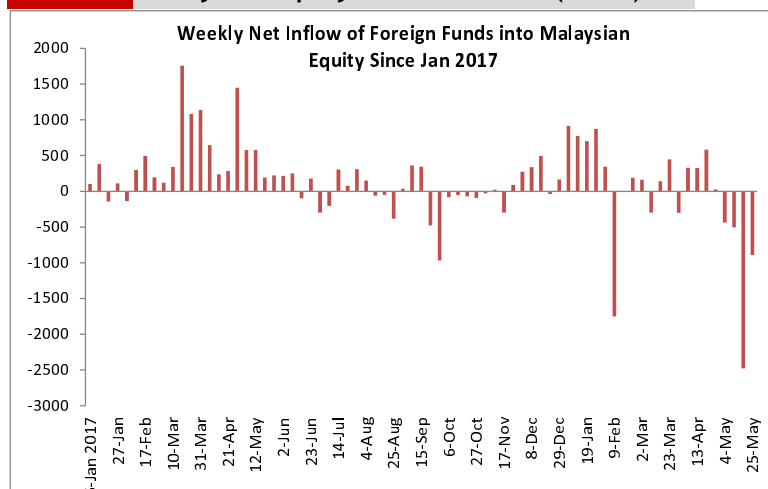
FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

- Foreign outflows from stocks listed on Bursa continued for the fourth consecutive week albeit at a slower pace.
- Based on preliminary data from Bursa which excluded off market deals, the net amount sold by foreign investors last week amounted to -RM892.4m net, almost one third of the amount dumped in the preceding week.
- Foreign investors were net sellers on every single day of the week, stretching the selling spree to 15 straight days as of last Friday. This is the longest selling streak recorded since the 17 day binge in August 2017.
- Monday saw international investors taking -RM125.4m net off the table. Global investors then sold off -RM77.2m net the next day as investors digested poor quarterly results of KLCI-linked companies such as Telekom Malaysia.
- The momentum of foreign selling ramped up to -RM286.8m net on Wednesday, coinciding with FBM KLCI's 2.21% daily drop, the largest since 24 August 2015. The selloff was mainly sparked by looming concerns on the nation's debt level. Other factors included the geopolitical tensions between Washington and Pyongyang which also led to a heavy selloff in Asian peers namely Thailand, Taiwan and the Philippines. Thursday then saw a higher level of foreign selling at -RM322.8m net which dragged the FBM KLCI to the lowest close since late December 2017 of 1,776 points. Nonetheless, foreign selling shrank to as low as -RM80m net on Friday with the FBM KLCI snapping four straight sessions of losses as it settled above 1,800 points.
- Last week's foreign withdrawal has wiped out the cumulative inflows which stood at RM40.2m in the week before. The year-to-date outflow from Malaysia is -RM852.2m net, which is still the lowest among the ASEAN peers that we track.
- Foreign participation dipped as the foreign average daily trade value (ADTV) declined by 35% but is still considered healthy at RM1.56b.

Chart 5

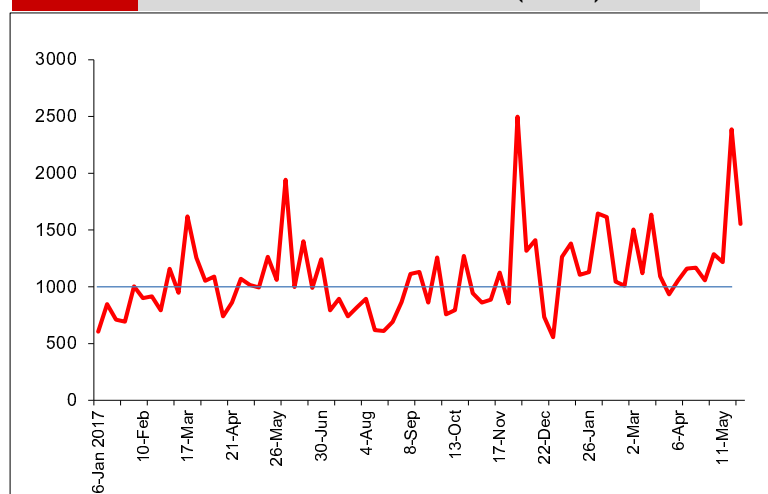
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2017 (RM'm)



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 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
MAY 25	3,312.1	2,889.9	422.2	9,201.8	8,731.6	470.2	3,436.1	4,238.5	-892.4	-224.3

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 25 MAY
TOP 10 NET MONEY INFLOWS

- Public Bank Berhad registered the highest net money inflow of RM12.76m last week. Its share price outperformed with a 2.21% increase against the FBM KLCI which declined by 3.08% during the week under review.
- Kuala Lumpur Kepong Berhad recorded the second highest net money inflow of RM8.07m. Its share price was 1.71% higher for the week, substantially outperforming against the market benchmark which was 3.08% lower.
- Gamuda Berhad saw the third highest net money inflow of RM4.95m. Its share price outperformed the FBM KLCI with a 2.93% gain during the week under review.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
PUBLIC BANK	12.76	-8.64	2.21	-
KL KEPONG	8.07	0.89	1.71	-
GAMUDA BHD	4.95	-5.68	2.93	-
NESTLE	4.44	1.14	1.38	-
YTL POWER	3.80	1.12	-4.17	BOW
DIGI.COM	2.18	3.03	-5.05	BOW
SUNWAY CON	2.01	-0.42	-1.49	BOW
SD PROPERTY	1.83	1.45	-2.80	BOW
KLCCS	1.83	0.92	0.64	-
SUNWAY BHD	1.82	-0.24	0.67	-

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- Petronas Chemicals Berhad saw the largest net money outflow of -RM20.34m last week. Its stock price declined by a whopping 4.26%, underperforming vis-à-vis the FBM KLCI which lost 3.08% during the review week.
- Tenaga Nasional Berhad recorded the second largest net money outflow -RM19.07m during the week under review. Its share price meanwhile underperformed the market benchmark with a -5.53% weekly loss.
- IHH Healthcare Berhad registered the third largest net money outflow at -RM10.21m in the review week. Its share price meanwhile substantially outperformed the benchmark with a 1.95% 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) Last Week	Remark
	Last Week	Prev Week		
PETCHEM	-20.34	0.62	-4.26	-
TNB	-19.07	-9.56	-5.53	-
IHH	-10.21	-12.16	1.95	SOS
FGV	-9.28	-14.52	-12.57	-
CIMB GROUP	-9.19	41.21	-10.00	-
MY EG	-6.77	0.14	-17.30	-
AEON CREDIT	-6.62	4.12	0.55	SOS
BAT	-6.54	5.64	-2.29	-
AXIATA	-5.47	2.31	-12.40	-
SIME DARBY	-4.43	-1.80	-1.08	-

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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