

MIDF EQUITY STRATEGY | 29 MAY 2017

WEEK ENDED 26 MAY 2017

- Global equity markets were resilient despite the tragedies in Manchester and attacks in South East Asia.
- Wall Street rebounded due to a host of factors ahead of the long weekend.
- OPEC agreed on Thursday to extend output cuts until 1Q18. However, as the market was expecting deeper cut, the Brent crude oil price declined 2.72% to US\$52.15pb.
- The KLCI rose 0.23% last week, in sync with Asian peers. The ringgit touched a six-month high of USD/RM4.3045 on Monday. Ringgit's appreciation extended to seven days on Friday, settling at USD/RM4.2688 despite dented sentiment from the drop in crude oil price.
- Global money flow into Asian equity remains resilient despite rising geopolitical risks. Investors classified as "foreign" were net buyers in all seven Asian markets that we track.
- Concerns that inflow of foreign funds into local equity is dissipating should be neutralized as foreign investors continued to plough money into Bursa last week.
- Foreigners acquired RM223.7m net in the open market (excluding off market deals) last week, exceeding the RM192.4m accumulated the week before. Although the amount was modest, the foreign buying streak has now stretched to 16 straight weeks.
- With 3 trading days left in May, foreign investors have mopped up RM1.57b for the month, lifting the cumulative year-to-date number to just shy of RM10b. In May 2016, there was a massive outflow of RM4.27b.

NO DISRUPTION TO THE FLOW

A. MARKET SNAPSHOT

- Global equity markets were resilient despite the tragedies in Manchester and attacks in South East Asia.
- Wall Street rebounded due to a host of factors ahead of the long weekend. Leading the recovery were defence stocks, which soared when investors cheered on U.S.'s USD110b deal with Saudi Arabia.
- On the economic front, the minutes of the Fed meeting held on May 2-3 indicated that a rate hike may take place soon along with trimming the Fed's USD4.5t balance sheet.
- S&P 500 jumped to a record close of 2,404 points after the minutes were released. In contrast, the dollar slipped by 0.3% to a November low but surged to a four-day high on Friday amid upbeat U.S. economic growth data. The GDP of the U.S. increased by 1.2% in 1Q2017, slowing down lesser than expected.
- In Asia, China's credit rating was downgraded by Moody's Investors Services from A1 to AA3, the first downgrade in 17 years on worries that rising amount of debt will burden Beijing's financial strength. Despite that, Chinese markets held ground for the week as the initial losses due to the downgrade was partially offset by strong gains in small cap stocks.
- In the U.K., the market recovered strongly from the initial jolt caused by the by the Manchester attack. The FTSE100 closed the week at a record high of 7,547 points as the pound weakened to GBP/USD1.2874 at the close on Friday, a drop of 1.8% for the week. The pound was affected by new polling data showing eroding support for Prime Minister Theresa May heading into next month's snap election.
- As expected, OPEC agreed on Thursday to extend output cuts for the next nine months until 1Q18 to combat the glut. However, the disappointment following the failure to deepen the cut outweighed the optimism of the extended cut, leading the Brent crude oil price to end in the redzone for the week, declining 2.72% to US\$52.15pb.
- The KLCI closed 0.23% higher than the week, in sync with Asian peers as cues were taken from Wall street gains after retailers showed solid 1Q17 performance. The ringgit meanwhile touched a six-month high at USD/

Table 1 Weekly performance of major indices

| Weekly % change | Week before | Last week |
|-----------------|-------------|-----------|
| Korea KOSPI | 0.11 | 2.92 |
| China CSI 300 | 0.55 | 2.25 |
| India SENSEX | 0.92 | 1.85 |
| Hang Seng Index | 0.07 | 1.84 |
| Taiwan TAIEX | -0.39 | 1.55 |
| S&P 500 | -0.38 | 1.43 |
| Dow Jones | -0.44 | 1.32 |
| Phil PCOMP | -0.61 | 1.29 |
| Thai SET | 0.37 | 1.27 |
| FTSE 100 | 0.48 | 1.03 |
| Nikkei | -1.47 | 0.49 |
| CAC 40 | -1.50 | 0.23 |
| KLCI | 0.43 | 0.23 |
| FSSTI Index | -1.18 | 0.08 |
| DAX | -1.03 | -0.29 |
| Jakarta JCI | 2.06 | -1.30 |

Source: Bloomberg

RM4.3045 on Monday. Ringgit's appreciation in fact extended to seven days on Friday, settling at USD/RM4.2688 despite dented sentiment from the drop in crude oil price.

B. TRACKING MONEY FLOW - ASIA¹

- Global money flow into Asian equity remains resilient despite rising geopolitical risks. Investors classified as "foreign" were net buyers in all seven Asian markets that we track, purchasing an aggregate of USD1.18b net.
- Korea was the biggest beneficiary, recording a net foreign purchase of USD52.2m. The surge of funds into Korea was in tandem with the KOSPI hitting all-time highs at the close on every single day of the week. Optimism in Korea was sparked by the consumer confidence that rose to 108 points, the highest since the Sewol tragedy in April 2014. The factor behind the rise in consumer confidence reflects a feel-good effect from President Moon's victory in the latest election, giving hopes for improved economic policies especially in job creation.
- Foreigners made a comeback to Taiwan as they purchased USD270.1m net last week as the overall sentiment improved on the back of Taiwan's April export orders which rose 7.4% yoy for the ninth consecutive month. The Taiex peaked at 10,108 points on Thursday, extending gains from a 17-year high as global funds boosted holdings in local equities at the highest level since May 3, being supported by the surge in the island's biggest chip maker.
- The pace of foreign funds into Emerging South East Asian markets was commendable with Indonesia taking the lead.
- Although Indonesia experienced an attack on a bus terminal in Jakarta on Wednesday, the event was perceived as a non-factor with the return of foreigners who acquired USD69.1m net of local stocks during the four-

Chart 1 YTD performance of major markets

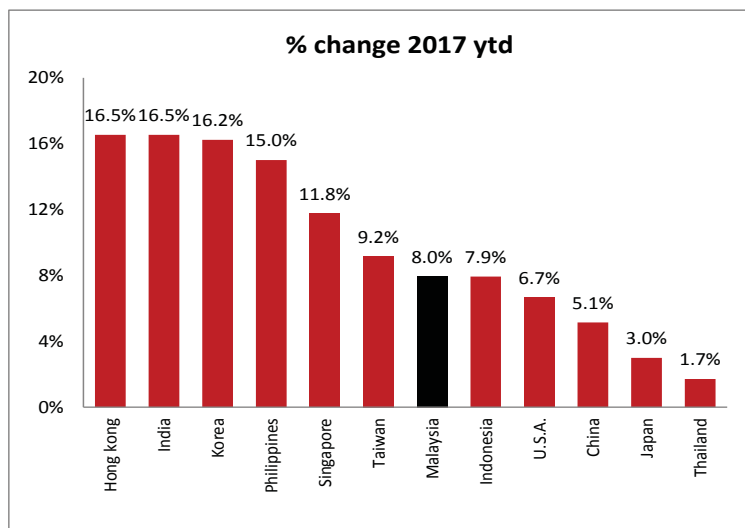
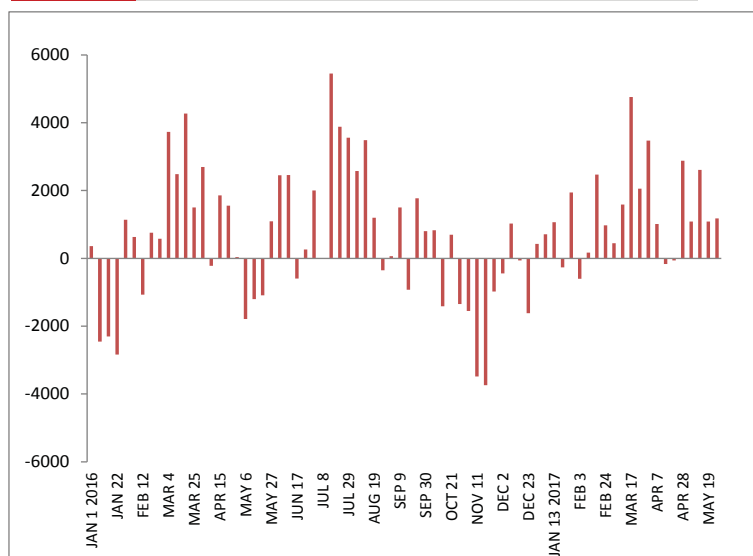


Chart 2 Weekly Net Flow of Foreign Funds into 7 Asian Markets since Jan 2016 (USD'b)



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.

day trading week. Historically, Indonesia had experienced similar attacks where sentiment was not adversely affected. Nevertheless, the foreign buying was not sufficient to support the JCI index that lost 1.31% on a weekly basis. The rupiah on the other hand experienced its biggest weekly gains since the week ended April 14 by appreciating 0.23% against the greenback.

- Foreign buying in the Philippines have stretched to five weeks despite the martial law declaration in Mindanao. Investors shrugged off concerns on the martial law, perceiving it to be a step to preserve law and order amid clashes between security forces and the Maute group. As a result, the PSEi stood strong above the 7,800 level throughout the week, cashing in 1.29% worth of gains for the week. Similarly, the Peso was also steady with a 0.08% weekly gain.
- Foreigners turned net buyers in Thailand after the Bank of Thailand left the policy rate unchanged at 1.50% on Wednesday. As the decision was made to support Thailand's economic growth that is lagging compared to its regional peers, the SET index hit a 12-day high of 1,566 points after the announcement. The baht also exhibited some strength by closing at its strongest level since July 2015 at USD/Bt34.05 on Friday amid increased foreign buying.

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

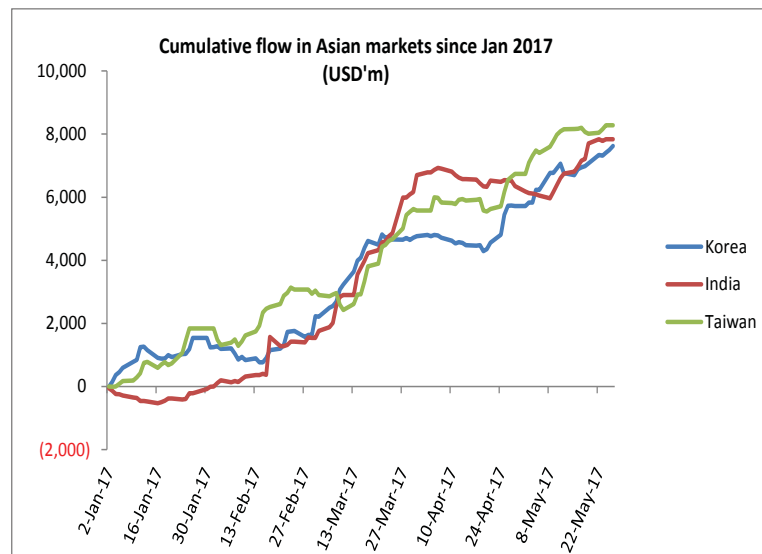
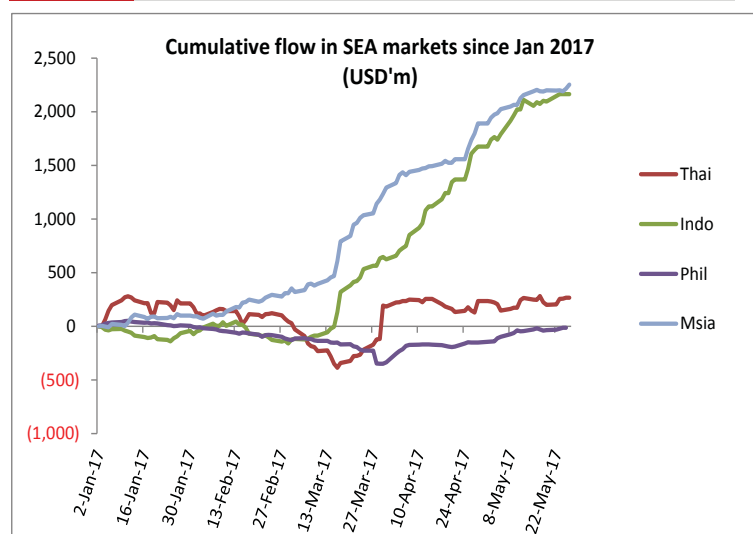


Chart 4 Net Flow of Foreign Funds into South East Asia Emerging Markets since Jan 2017 (USD'b)



Source: Bloomberg, Bursa Malaysia

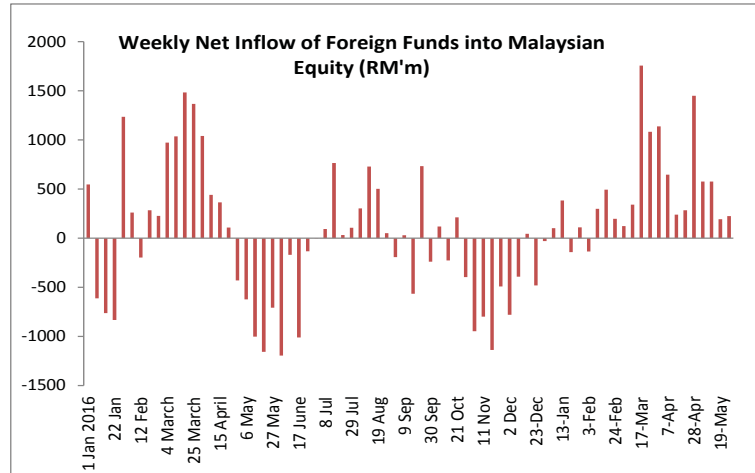
| WEEK | KOREA | THAI | INDON | PHIL | INDIA | TAIWAN | M'SIA | TOTAL |
|--------|---------|--------|-------|-------|--------|---------|-------|---------|
| APR 7 | -48.4 | 64.5 | 225.3 | 166.9 | 209.8 | 248.4 | 145.7 | 1,012.3 |
| APR 14 | -237.5 | 6.6 | 267.4 | 13.2 | -336.1 | 66.5 | 54.0 | -117.4 |
| APR 21 | 83.5 | -122.4 | 249.8 | -23.7 | -47.0 | -268.8 | 64.2 | -241.0 |
| APR 28 | 1,153.9 | 103.1 | 307.5 | 41.8 | -171.9 | 1,112.2 | 332.6 | 3,052.9 |
| MAY 5 | 520.3 | -90.4 | 116.5 | 39.7 | -126.9 | 665.2 | 133.2 | 1,317.0 |
| MAY 12 | 524.7 | 118.0 | 319.5 | 65.4 | 486.2 | 750.1 | 132.7 | 2,396.6 |
| MAY 19 | 312.0 | -64.0 | -16.1 | 5.6 | 948.69 | -147.0 | 44.5 | 1,083.6 |
| MAY 26 | 552.2 | 67.5 | 69.1 | 27.9 | 137.4 | 270.1 | 52.4 | 1,176.5 |

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

C. TRACKING MONEY FLOW - MALAYSIA

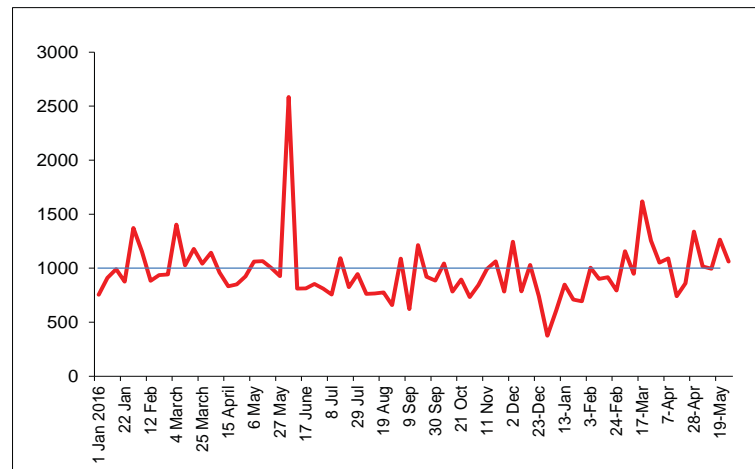
- Concerns that inflow of foreign funds into local equity is dissipating should be neutralized as foreign investors continued to plough money into Bursa last week.
- Foreigners acquired RM223.7m net in the open market (excluding off market deals) last week, exceeding the RM192.4m accumulated the week before. Although the amount was modest, the foreign buying streak has now stretched to 16 straight weeks.
- With 3 trading days left in May, foreign investors have mopped up RM1.57b for the month, lifting the cumulative year-to-date number to just shy of RM10b. In May 2016, there was a massive outflow of RM4.27b.
- There was a bit of unease as foreign investors turned net sellers on Monday and Wednesday. However, the amount was marginal, and by Friday, foreign investors re-emerged strongly, buying at the highest pace in 11 days. This coincided with the Ringgit appreciating to the highest level since November 9, which lifted sentiment that was earlier compromised by the slump in crude oil price.
- Foreign participation remained healthy. Foreign average daily trade value (ADTV) stayed above the RM1b mark at RM1.06b although it declined by 16% week-on-week.
- Likewise, the retail market remained vibrant as the ADTV stayed above RM1b for the 5th week in a row at RM1.27b. Indeed, the RM1b mark had been surpassed in 11 out of the last 12 weeks. Retail investors bought moderately for the second 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) | |
| APR 14 | 2,747.5 | 2,777.6 | -30.1 | 6,823.1 | 7,032 | -208.9 | 1,970.9 | 1,731.9 | 239.0 | 54.0 |
| APR 21 | 2,109.6 | 2,297.2 | -187.6 | 6,906.5 | 7,001.9 | -95.4 | 2,292.6 | 2,009.6 | 283.0 | 64.2 |
| APR 28 | 2,114.0 | 2,301.1 | -187.1 | 6,393.2 | 7,653.9 | -1,260.7 | 3,402.6 | 1,954.8 | 1,447.8 | 332.6 |
| MAY 5 | 2,580.3 | 2,560.2 | 20.1 | 7,007.1 | 7,603.6 | -596.5 | 2,321.5 | 1,745.0 | 576.5 | 133.2 |
| MAY 12 | 2,365.4 | 2,368.1 | -2.89 | 6,177.4 | 6,751.1 | -573.7 | 2,278.2 | 1,701.5 | 576.6 | 132.7 |
| MAY 19 | 3,503.3 | 3,464.8 | 38.5 | 8,834.2 | 9,065.1 | -230.9 | 3,258.6 | 3,066.2 | 192.4 | 44.5 |
| MAY 26 | 3,197.9 | 3,160.5 | 37.4 | 8,471.2 | 8,732.3 | -261.1 | 2,762.8 | 2,539.1 | 223.7 | 52.4 |

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 26 MAY
TOP 10 NET MONEY INFLOWS

- Maybank stocks were again the beneficiary of the highest net money inflow of RM79.39m last week. Its share price appreciated by 0.53%, outperforming against the FBM KLCI which gained by 0.23% during the week under review. The company announced its 1Q2017 results which saw a 19% increase in profit on the back of improved net interest margin and reduction for allowances for loan impairments.
- The second highest net money inflow was into Sime Darby which amounted to RM12.75m. Its share price slightly underperformed the benchmark index with a 0.21% gain during the review week.
- Genting Malaysia saw the third highest net money inflow of RM10.19m. Its share price significantly outperformed the benchmark index with a 3.79% gain during the review week.

Table 4 Top 10 Net Money INFLOW

| Name | Net Money Flow (RM mn) | | Price (% Chg) | Remark |
|----------------|------------------------|-----------|---------------|--------|
| | Last Week | Prev Week | Last Week | |
| MAYBANK | 79.39 | 9.29 | 0.53 | - |
| SIME DARBY | 12.75 | -26.73 | 0.21 | - |
| GENTING MSIA | 10.19 | -0.37 | 3.79 | - |
| PRESS METAL | 8.99 | 1.23 | -3.30 | BOW |
| IHH HEALTHCARE | 8.76 | -0.24 | -6.33 | BOW |
| TNB | 7.62 | -20.13 | 0.15 | - |
| PUBLIC BANK | 5.91 | -4.42 | 0.40 | - |
| MYEG | 5.14 | 9.20 | 4.21 | - |
| WESTPORTS | 4.05 | 3.07 | -4.87 | - |
| MISC | 2.82 | -0.48 | 1.47 | - |

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- MAHB saw the largest net money outflow of -RM15.51m last week. Its stock price outperformed the benchmark index with a 2.04% gain. The net outflow amidst declining share price indicates a sell-on-strength (SOS) stance among some investors.
- KL Kepong recorded the second largest net money outflow -RM6.95m during the week under review. Its share price underperformed the benchmark index with a -0.32% loss. The company announced its 2Q2017 results which saw plantation profits that improved on strong CPO and palm kernel selling prices.
- Dialog Group registered the third largest net money outflow at -RM6.76m. Its share price remained unchanged for the week.

Table 5 Top 10 Net Money OUTFLOW

| Name | Net Money Flow (RM mn) | | Price (% Chg) | Remark |
|--------------|------------------------|-----------|---------------|--------|
| | Last Week | Prev Week | Last Week | |
| MAHB | -15.51 | -1.42 | 2.04 | SOS |
| KL KEPONG | -6.95 | 7.88 | -0.32 | - |
| DIALOG GROUP | -6.76 | -6.65 | 0.00 | - |
| GAMUDA | -6.39 | -6.88 | -0.56 | - |
| FGV | -4.53 | -0.21 | -6.11 | - |
| BURSA MSIA | -3.87 | -3.18 | 5.59 | SOS |
| PETCHEM | -3.73 | -0.40 | 0.95 | SOS |
| TOP GLOVE | -3.28 | -0.35 | -0.19 | - |
| SP SETIA | -3.10 | -2.11 | 2.43 | SOS |
| UEM SUNRISE | -2.31 | -0.25 | -5.30 | - |

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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