

MIDF EQUITY STRATEGY | 7 MAY 2018

WEEK ENDED 4 MAY

- Global equity markets remained mixed for the third week running amid an interplay of factors ranging from monetary policy to international trade.
- Overall for the week, Wall Street ended lower with the major benchmarks losing in excess of 0.2% except the tech-heavy Nasdaq that advanced 1.26% as Apple's shares rocketed to an all-time high amid news that Warren Buffet increased his exposure in the company.
- Brent crude oil price eked out a small gain of 0.31% for the week to settle at USD74.87pb, after Iran expressed its reluctance to renegotiate its nuclear deal.
- International investors continued to flee Asian markets for the seventh week running albeit at a measured pace. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" offloaded -USD1.64b net last week.
- In the penultimate week before the 14th General Election (GE14), global investors turned net sellers for the first time in four weeks. Based on preliminary data from Bursa which excluded off market deals, the net amount withdrawn by foreign investors last week amounted to RM438.4m net.
- The FBM KLCI posted its second week of decline, ending 1.16% lower at 1,841 points. The Ringgit slid for the fifth consecutive week, weakening by 0.51% to USD/MYR3.9395, underperforming other ASEAN currencies namely the Indonesian Rupiah and the Philippines' Peso.

FOREIGN INVESTORS RETREAT TO THE SIDELINES

A. MARKET SNAPSHOT

- Global equity markets remained mixed for the third week running amid an interplay of factors ranging from monetary policy to international trade.
- Wall Street started the week on the wrong foot with major benchmarks falling moderately on Monday as investors digest Sprint and T-Mobile M&A plans. Nonetheless, U.S stocks still posted a monthly gain in April, the first time since January amid better-than -expected company earnings. U.S stocks swung between gains and losses the next day following the slowdown in U.S manufacturing activity in April while President Trump extended the steel and aluminium tariff exemptions for U.S allies until 1 June 2018.
- All major U.S benchmarks tumbled to their lowest level in a week on Wednesday after the Fed kept interest rates unchanged, citing no urgency to raise rates in the face of inflation reaching its target. U.S resumed their decline on Thursday despite a boost by tech shares as investors continue deciphering the Fed's statement while the U.S and China begins trade talks for two days in Beijing.
- Overall for the week, Wall Street ended lower with the major benchmarks losing in excess of 0.2% except the tech-heavy Nasdaq that advanced 1.26% as Apple's shares rocketed to an all-time high amid news that Warren Buffet increased his exposure in the company. This increased investors' optimism towards Apple after its quarterly earnings topped estimates, noting that iPhone sales were not as bad as many had feared.
- In Asia, Hong Kong's Hang Seng index fell the most in 13 days on Thursday by 1.34% amid the uncertainty from the U.S-China trade negotiations. The situation turned worse on Friday as the Hang Seng index dropped to its lowest close in 20 days of 29,926 points following the announcement that the index constituent, Lenovo Group will be replaced with CPSC Pharmaceutical Group Ltd effective on June 4. The exclusion of Lenovo would result in more outflows from Lenovo as at least USD107b worth of passive funds track the index.
- Some progress were made in Italy's political scene as Italy's 5-star Movement called for an immediate re-election proposed on June 24 to resolve the current political impasse. At the same time, President Sergio Mattarella has called for a new round of discussions on Monday after failing to form a coalition two months after the election was held.
- Brent crude oil price eked out a small gain of 0.31% for the week to settle at USD74.87pb, after Iran expressed its reluctance to renegotiate its nuclear deal. This overshadowed a second straight weekly build up in US crude supplies reflected by rising rig count in the U.S. President Trump will decide on May 12 whether to reimpose new sanctions on Iran.

Table 1 Weekly performance of major indices		
Weekly % change	Week before	Last week
DAX	0.32	1.90
FTSE 100	1.82	0.87
CAC 40	1.30	0.60
China CSI 300	-0.11	0.47
Thai SET	-1.29	0.10
Nikkei	1.38	0.02
India SENSEX	1.61	-0.16
Dow Jones	-0.62	-0.20
Taiwan TAIEX	-2.10	-0.23
S&P 500	-0.01	-0.24
FSSTI Index	0.11	-0.89
KLCI	-1.29	-1.16
Hang Seng	-0.45	-1.17
Korea KOSPI	0.65	-1.24
Jakarta JCI	-6.60	-2.14
Phil PCOMP	-0.07	-2.26

Source: Bloomberg

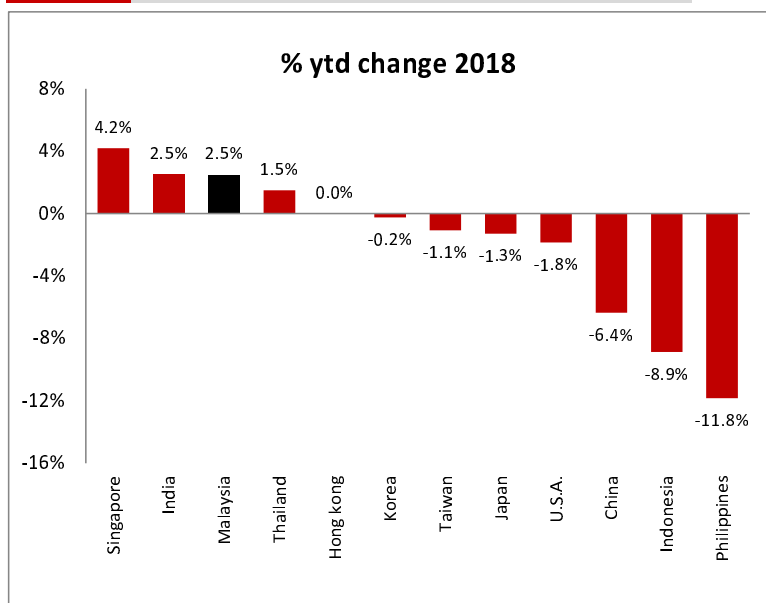
FUND FLOW REPORT

- The FBM KLCI posted its second week of decline, ending 1.16% lower at 1,841 points. The Ringgit slid for the fifth consecutive week, weakening by 0.51% to USD/MYR3.9395, underperforming other ASEAN currencies namely the Indonesian Rupiah and the Philippines' Peso.

B. TRACKING MONEY FLOW - ASIA¹

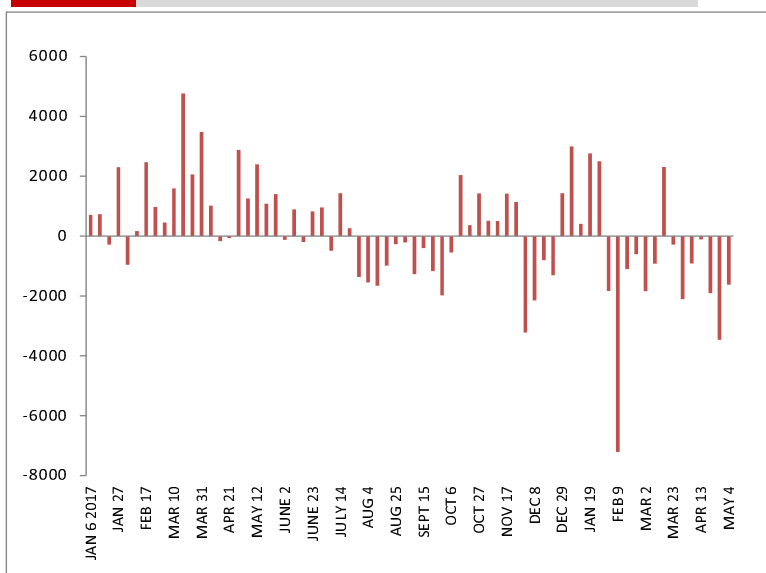
- International investors continued to flee Asian markets for the seventh week running albeit at a measured pace. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” offloaded -USD1.64b net last week, less than half the amount offloaded in the week before.
- Foreign attrition in Korea shrank by almost 10 times to -USD148.9m net compared to -USD1.35m in the week before. Foreign investors strongly entered Korea on Monday to a tune of USD238m net following the positive vibes from the summit of the two Koreas, lifting the KOSPI 0.92% higher to 2,515 points, the highest close in 61 days. However, this was offset by the three consecutive days of outflows starting from Wednesday with the bulk of it occurring on Wednesday at a level of -USD339.6m net. The selloff happened amidst the economic cooperation between North and South Korea Hyundai Rotem declined 17.2% after Morgan Stanley Private Equity sold off its 9.7% stake in the firm to lock in gains. Despite the shrinking outflows, the KOSPI still ended 1.24% lower for the week. The Won portrayed a declining trend throughout the week to settle at USD/KRW1077 but at a slower rate of 0.04% .
- Outflows in Taiwan slowed down to reach below -USD1b at -USD738.2m last week, the most among the Asian markets that we monitor. Taiwan experienced outflows on four out of five trading days last week with the highest recorded on Thursday at -USD409.5m net, dragging the Taiex below the 10,600 point mark as major Apple suppliers such as TSMC and Hon Hai Precision led losers following disappointing iPhone sales. Besides that, rising US interest rates are prompting foreign investors to pull money out from Taiwan. It is noteworthy that global investors acquired USD171.7m net of local equities on Wednesday despite the Taiwan dollar dropping the most in nearly 13 months to USD/TWD29.75 and the Taiex declining 0.4%.

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
- Bangkok was the biggest victim of outflows last week in ASEAN as global investors offloaded -USD355.3m net. Friday posted the largest daily outflow since 5 March 2018 at -USD130.6m net. This was an extension from Thursday's accelerated attrition of -USD96.2m net following concerns of U.S-China trade talks. As of last Friday, foreigners have been selling for 10 uninterrupted days. On the economic front, Thailand's inflation punches through 1% for the first time in a year, in the wake of persistent outflows in equities.
- Manila registered a third week of dissipating outflows as foreign investors only sold -USD26.6m net last week, the lowest ever so far for the year. Foreign selling spiked on Thursday at a nine-day high of -USD18.6m net, extending outflows to the 10th straight day which saw the PSEi falling to the lowest level in over a year at 7,535 points. Thursday's heavy attrition in Manila was fuelled by expectations of higher interest rates imposed by Philippines central bank as inflation concerns are elevating.
- Attrition in Indonesia was cut by almost half to -USD192.9m net last week but the local bourse declined by 2.14% for the week. International investors withdrew the most during the week on Friday at -USD60.3m net, pulling down the JCI to the lowest close since August 2017 of 5,792 points. The trigger for the major selloff was the speculation that Indonesia's 1Q18 GDP growth data due on Monday will be weaker than expected. Rupiah took the cue from the outflows to weaken by 0.37% to settle at USD/IDR13,945. In the meantime, Indonesia is open to review its borrowing this year in the wake of a debt selloff spurred by rising U.S treasury yields and a stronger greenback.

Chart 3

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

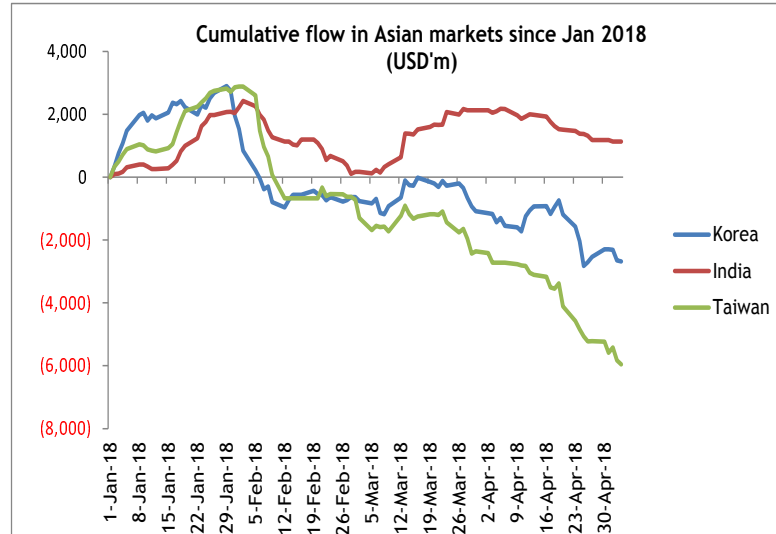


Chart 4

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

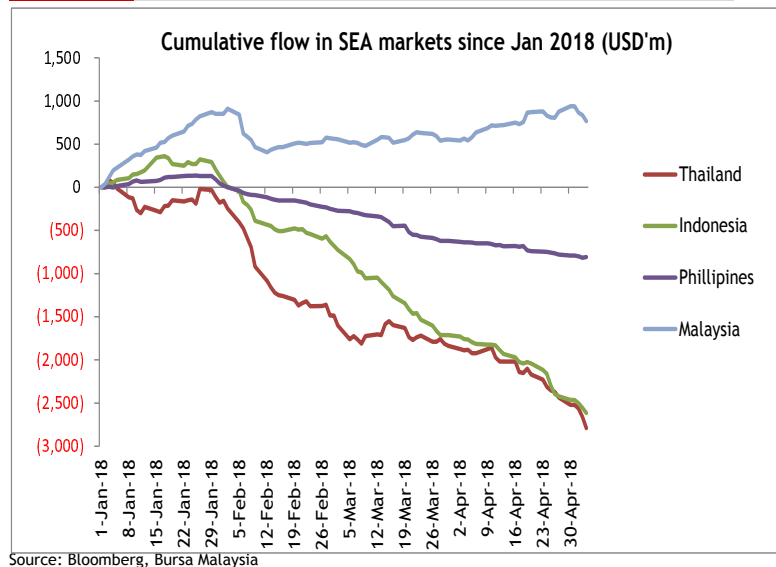


Table 2 Weekly Net Flow Of Foreign Fund Into Equity By Market (USD'm)

WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
MAR 16	904.2	125.9	-207.6	-126.3	1,101.8	471.5	36.3	2,305.8
MAR 23	-255.6	-120.6	-272.7	-123.0	558.9	-184.8	114.1	-283.8
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	-65.4	-738.2	-111.2	-1,638.4

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

C. TRACKING MONEY FLOW - MALAYSIA

- In the penultimate week before the 14th General Election (GE14), global investors turned net sellers for the first time in four weeks.
- Based on preliminary data from Bursa which excluded off market deals, the net amount withdrawn by foreign investors last week amounted to RM438.4m net, the second highest weekly outflow so far this year. As a result, the year-to-date inflow stands at RM3.02b net, making Malaysia only market with inflows among the 4 ASEAN markets we track so far in 2018.
- It seems that foreign investors are shifting to the sidelines earlier than expected before this year's election. Tracing back to the penultimate week before the 13th General Election (GE13), foreign investors snapped up RM750.4m net of local equities. Foreign attrition was only seen on the last trading day before GE13 which only amounted to -RM91.7m net.
- Monday's heavy inflow of RM249.1m net was offset by three straight days of outflows after the Labour Day break with Wednesday recording the highest daily outflow since early February 2018, totalling up to -RM291.7m net. We reckon that risk-on sentiment was hampered during this period due to; (i) GE14 fever; (ii) U.S-China trade talks and; (iii) the Fed's acknowledgement of inflation nearing its target without any hints to steer away from gradually tightening its policy.
- In the week ahead, the FBM KLCI will probably stage a relief rally on Thursday after GE13 reflected by an influx of foreign inflows, assuming the federal ruling incumbent retains its position. To recap, foreign inflows mopped up RM1.43b worth of local equities during GE13,
- Foreign participation remained solid as the average daily trade value (ADTV) reached RM1.29b, the highest in 7 weeks. Local institutional funds took the opportunity, given the presence of foreign sellers to buy stocks which resulted in the second highest weekly net buying so far in 2018 of RM605.4m net with the local institutional ADTV reaching RM2.32b, a fairly healthy level.

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

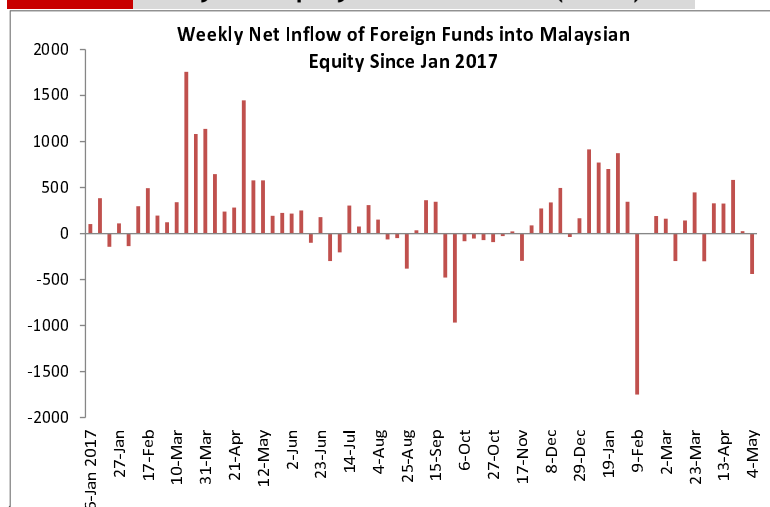
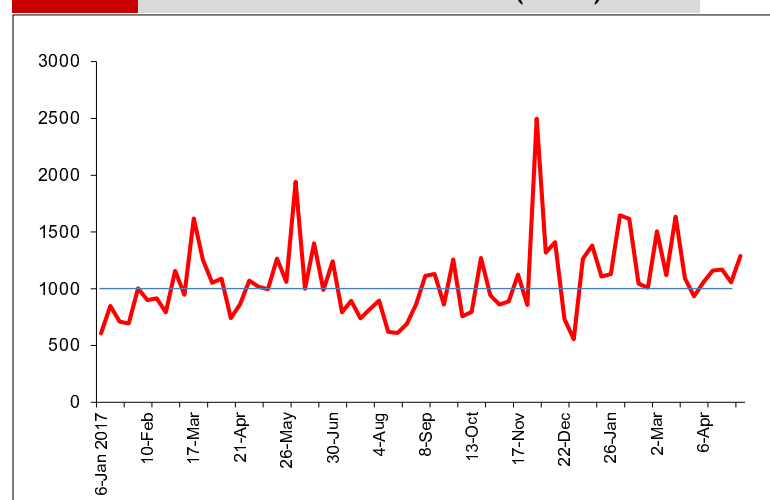


Chart 6 Foreign Participation on Bursa: Daily Average for the Week since Jan 2017 (RM'm)



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)	
MAR 23	2,066.6	2,132.2	-65.6	5,398.1	5,779.6	-381.5	2,953.3	2,506.2	447.1	114.1
MAR 30	2,078.9	2,128.7	-49.8	5,278.8	4,927.7	351.1	2,184.2	2,484.5	-301.3	-77.8
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

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 4 MAY
TOP 10 NET MONEY INFLOWS

- Tenaga Nasional Berhad registered the highest net money inflow of RM35.70m last week. Its share price outperformed with a 1.39% advance against the FBM KLCI which declined by 1.16% during the week under review.
- Public Bank Berhad recorded the second highest net money inflow of RM22.95m. Its share price was 0.38% higher for the week, outperforming against the market benchmark which was 1.16% lower.
- Aeon Credit Service (M) Berhad saw the third highest net money inflow of RM7.19m. Its share price outperformed the FBM KLCI with a 0.94% loss during the week under review. Nonetheless, it is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
TNB	35.70	9.55	1.39	-
PUBLIC BANK	22.95	-1.75	0.85	-
AEON CREDIT	7.19	-1.31	-0.94	BOW
NESTLE	4.82	1.43	-1.88	BOW
PETRONAS GAS	2.94	0.95	-1.22	BOW
MAYBANK	2.50	-32.91	-1.30	BOW
GAMUDA BHD	1.79	-2.00	-0.78	BOW
MAHB	1.60	-1.43	-2.11	BOW
DIALOG GROUP	1.57	-4.39	-1.29	BOW
GENTING MSIA	1.51	27.42	-0.60	BOW

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- KL Kepong Berhad saw the largest net money outflow of -RM13.12m last week. Its stock price loss 0.08%, outperforming vis-à-vis the FBM KLCI which declined by 1.16% during the review week.
- Petronas Chemicals Berhad recorded the second largest net money outflow -RM10.92m during the week under review. Its share price meanwhile outperformed the market benchmark with a 0.24% weekly loss.
- Sime Darby Berhad registered the third largest net money outflow at -RM4.71m in the review week. Its share price meanwhile substantially outperformed the benchmark with a 4.67% 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) Last Week	Remark
	Last Week	Prev Week		
KL KEPONG	-13.12	4.44	-0.08	-
PETCHEM	-10.92	-17.03	-0.24	-
SIME DARBY	-4.71	-0.70	4.67	SOS
F&N	-4.53	-13.78	-2.78	-
HARTALEGA	-3.91	-1.04	0.00	-
HLBK	-3.28	-1.01	-1.38	-
TOP GLOVE	-3.03	-3.42	5.43	SOS
DIGI.COM	-3.02	-7.59	-2.16	-
LOTTE CHEM	-2.90	-2.87	-6.90	-
UMW HLDGS	-2.11	1.02	-0.16	-

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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