

MIDF EQUITY STRATEGY | 14 MAY 2018

WEEK ENDED 8 MAY

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- Brent crude oil price notched its fifth weekly win, up 3.01% for the week to settle at USD77.12pb, as sentiment was upheld after President Trump ditched the nuclear deal with Iran, making way for fresh sanctions on Iran.
- Foreign selling continues in Asian markets but has shown a gradual slowdown for the past three consecutive weeks. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” offloaded -USD589.6m 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 Based on preliminary data from Bursa which excluded off market deals, the net amount withdrawn by foreign investors on the two trading days amounted to -RM504.8m net, exceeding the -RM438.4m in the preceding week.
- This Monday marks the first trading day after the GE14 which witnessed the end of the six-decade rule by Barisan Nasional. In the wake of the election surprise win by Pakatan Harapan, some level of foreign attrition is bound to occur in the short term amidst the political uncertainties. Nonetheless, this could be capped by Tun Mahathir’s solid track record.
- The FBM KLCI posted a marginal increase of 0.25% during the election-shortened week at 1,847 points on Tuesday. The Ringgit slid for the sixth consecutive week, weakening by 0.26% to USD/MYR3.9497.

HISTORICAL SHIFT IN MALAYSIA'S LEADERSHIP

A. MARKET SNAPSHOT

- Global equity markets ended mixed again last week amidst an array of factors especially from the geopolitical context not just in Asia but also the Middle East.
- Wall Street had a positive start to the week as all three major benchmarks gained >0.3% on Monday partly attributable to US crude oil price hitting above USD70pb for the first time since 2014. Tuesday then saw uneven movement in U.S stocks mainly due to President Trump's decision to exit the nuclear deal with Iran, leading to a reinstatement of sanctions on Iran.
- Despite the withdrawal of U.S from the deal with Iran, U.S stocks remained resilient the next day as both Dow Jones and the S&P 500 gained more than 0.75%. Energy sector was the darling of investors as it tracked gains in oil prices to lock in a 2% advance, topping other sectors under the S&P500 index.
- Momentum continued to build up in U.S stocks on Thursday amidst consumer price data climbing lesser than expected in April, easing concerns about a faster pace of interest rate hikes by the Fed. The Dow Jones marked its seventh straight day of gains as the U.S resumes its discussions regarding trade with China in Washington. All in U.S stocks capped its best week in two months as major indices posted weekly gains above 2.0%.
- In Asia, Hong Kong stocks were equally strong after closing higher ending higher for a fifth straight session on Friday. This not only marks Hang Seng Index's longest winning streak since January, but also its biggest weekly gain in 12 weeks of 4.0%, leading other regional peers in Asia Pacific. The gains in Hong Kong markets followed the overnight gains on Wall Street after the inflation data showed signs of softening. In the meantime, the government of Hong Kong retains its cautious approach, leaving its forecast for economic growth for 2018 unchanged at 3-4% citing that the strong 1Q18 result was rather exceptional.
- In Europe, further progress was made in Italian politics after the anti-establishment Five Star Movement and the far-right League moved closer to form a government. This follows the approval given by Italy's former prime minister, Silvio Berlusconi. The development saw Italy's 10-year bond yield rising to a six-week high of 1.9%. If no deal is reached between both parties, Italy may have to hold fresh elections.
- Brent crude oil price notched its fifth weekly win, up 3.01% for the week to settle at USD77.12pb, as sentiment was upheld after President Trump ditched the nuclear deal with Iran, making way for fresh sanctions on Iran. The sanctions could disrupt as much as 1m barrels per day of Iranian crude. In the wake of this, Saudi Arabia is prepared to work with other oil producers to curb any impact of a shortage from President Trump's move on OPEC's third-largest producers.

Table 1 Weekly performance of major indices		
Weekly % change	Week before	Last week
Hang Seng	-1.17	3.99
Taiwan TAIEX	-0.23	3.13
Jakarta JCI	-2.14	2.84
Phil PCOMP	-2.26	2.73
China CSI 300	0.47	2.60
S&P 500	-0.24	2.41
Dow Jones	-0.20	2.34
FTSE 100	0.87	2.08
India SENSEX	-0.16	1.78
DAX	1.90	1.42
Nikkei	0.02	1.27
FSSTI Index	-0.89	0.70
Korea KOSPI	-1.24	0.66
CAC 40	0.60	0.47
KLCI	-1.16	0.25
Thai SET	0.10	-0.78

Source: Bloomberg

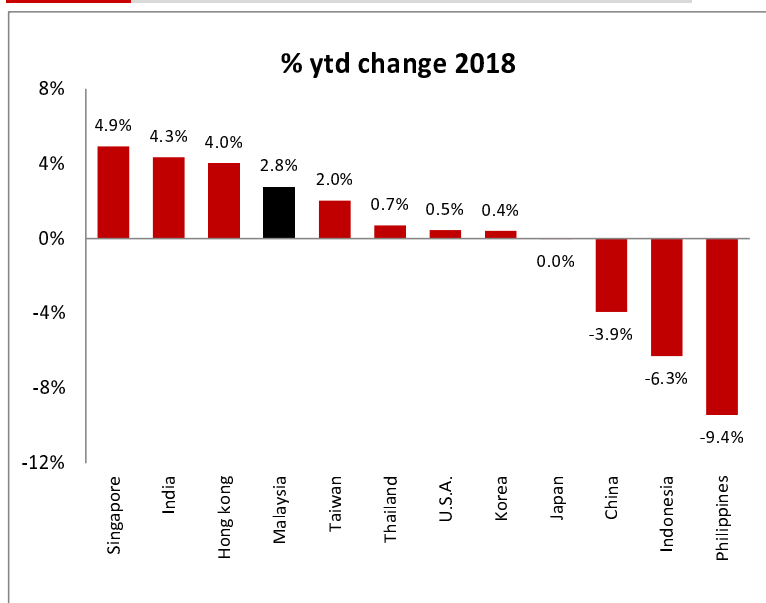
FUND FLOW REPORT

- The FBM KLCI posted a marginal increase of 0.25% during the election-shortened week at 1,847 points on Tuesday. The Ringgit slid for the sixth consecutive week, weakening by 0.26% to USD/MYR3.9497. While markets were closed from Wednesday to Friday, the one-month forward Ringgit contracts dropped as much as 4.7% in early Asia trading which put the ringgit at USD/MYR4.2650.

B. TRACKING MONEY FLOW - ASIA¹

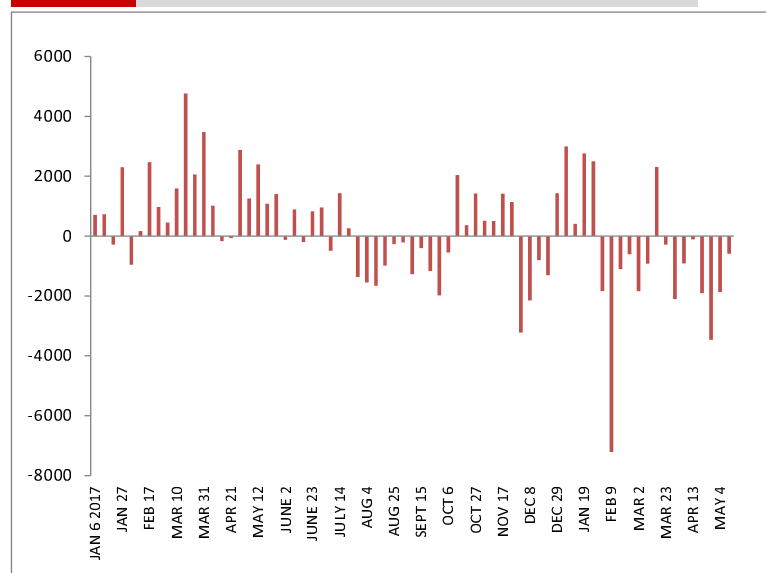
- Foreign selling continues in Asian markets but has shown a gradual slowdown for the past three consecutive weeks. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” offloaded -USD589.6m net last week, around one third of the amount offloaded in the week before.
- Foreign selling in Korea marginally changed as -USD136.5m net was sold compared to -USD148.9m net in the preceding week. Attrition happened on three out of four trading days last week with Wednesday recording the highest at -USD132.48m net, coincided with the 0.47% decline in the KOSPI and the Korean Won’s fall to a six-week low of USD/KRW1,081. However, the mood brightened on Friday following President Trump’s announcement that the U.S will meet North Korea in Singapore on June 12. Tensions between these two super powers further eased as President Trump greeted three released U.S prisoners from North Korea. The upbeat sentiment spurred foreign buying worth USD176.6m net, the first acquisition in seven-trading days and the Korean Won ended at its highest level in May 2018 month-to-date.
- Taiwan was the odd one out among the seven Asian markets we monitor as it attracted foreign funds for the first time after seven weeks at USD133.9m net. The Taiex followed suit to post a 3.13% weekly gain, the biggest since the week ended 23 February 2018. Foreign buying reigned on three out of five trading days with Friday recording a staggering USD301.9m net of inflows, the highest in a day since the middle of March 2018. As foreign inflows into Taiwan accelerated on Friday, the Taiex jumped 0.92% to its highest closing since 19 April of 10,858 points and the Taiwan Dollar advanced 0.33% to USD/TWD29.77.

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)

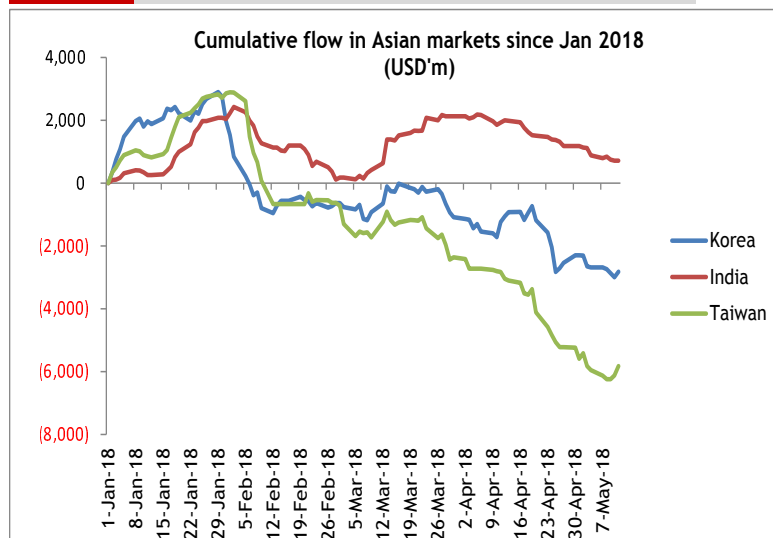


Source: Bloomberg, Bursa Malaysia

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.

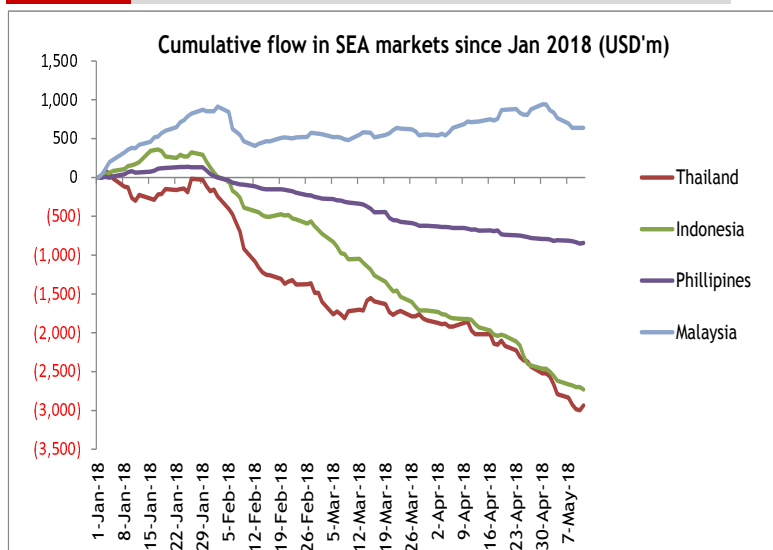
- In the emerging South East Asian markets that we monitor, foreign selling was seen across the board for the second week running.
- Despite the tapering of outflows to by more than half to -USD144.9m net, Bangkok was still the biggest victim of outflows last week in ASEAN. Foreign selling occurred on the first four days with Tuesday recording the highest of -USD89.8m net but lost momentum thereafter until Thursday. Global investors then staged a comeback for the first time in 14 trading days, buying USD63.1m net of local equities.
- Manila experienced a pickup in outflows after three weeks of decline as foreign investors sold -USD36.1m net last week. Despite the nation's 1Q18 GDP meeting expectations on Thursday, foreign selling spiked to a 14-day trading high of -USD21.4m net as sentiment was still clouded by President Trump's move to pull out from the Iranian nuclear deal. Nonetheless, markets welcomed the hike in the policy interest rate by 25bps to 3.25% on Friday to address additional pressures from a rising inflation combined with easing tensions from the Korean Peninsula. As a consequence, the PSEi index was lifted 2.39% higher to an eight day trading high of 7,752 points while foreign investors accumulated USD10.89m net of local shares, the highest since January 2018.
- Similar to Manila, Jakarta has so far seen a selling binge of 15 weeks straight, the longest among the seven Asian exchanges we track. Foreign investors disposed -USD114.8m net, USD78.1m lower than a week earlier, coinciding with the JCI's 2.84% weekly advance. Putting aside the positive external developments, Indonesia's market received support after Bank Indonesia noted that it will act pre-emptively to ensure currency stability and economic growth.

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 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	-301.9	-738.2	-111.2	-1,874.9
MAY 11	-136.5	-144.9	-114.8	-36.1	-163.4	133.9	-127.9	-589.6

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

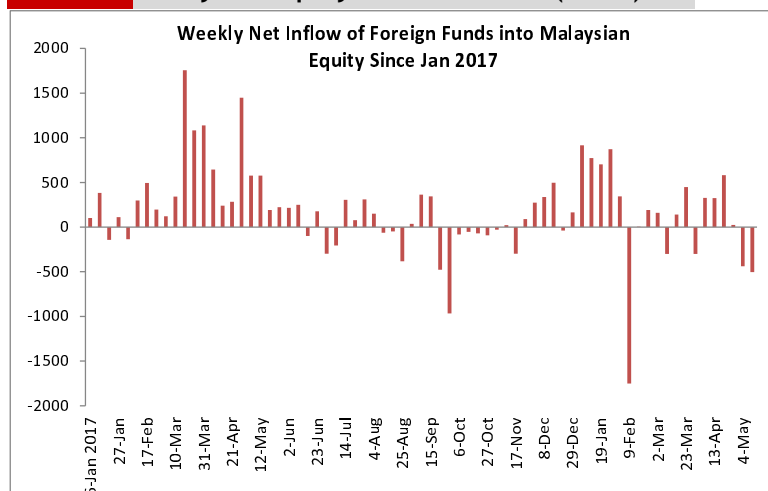
FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

- 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. As a result, the year-to-date inflow dipped to RM2.52b net. Nonetheless, foreign and local institutional participation was robust as their average daily trade values (ADTV) stood at RM1.22b and RM2.85b (the highest in 10 weeks), respectively. Malaysia also remains as the largest beneficiary of inflows among the 4 ASEAN markets we track.
- The outflows on these two days extended the foreign selling spree from last week to five days, the longest since February 2018. It is noteworthy that Monday recorded the highest outflow which amounted to -RM273.6m net. On the eve of GE14, foreign selling activity shrank by RM42.4m to -RM231.2m net, with the local bourse climbing, boosted by buying activity from the local institutions which have been net buyers for five days straight.
- This Monday marks the first trading day after the GE14 which witnessed the end of the six-decade rule by Barisan Nasional. In the wake of the election surprise win by Pakatan Harapan, some level of foreign attrition is bound to occur in the short term amidst the political uncertainties. Nonetheless, this could be capped by investors' perception towards Tun Mahathir, Malaysia's seventh Prime Minister who has 22 years of experience in leading Malaysia before joining the then-opposition in 2016. The new Prime Minister noted that he will focus on addressing concerns over economic and state finances including reducing government debt but not devaluing the Ringgit.
- In the long run, we expect that foreign investors will return to Malaysia as Pakatan Harapan gradually works on its promises made during GE14.

Chart 5

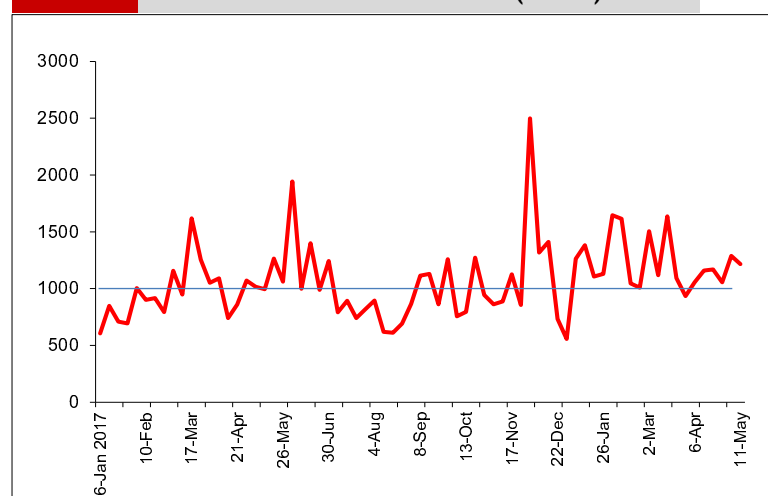
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2017 (RM'm)



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)	
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
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

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 8 MAY
TOP 10 NET MONEY INFLOWS

- Tenaga Nasional Berhad registered the highest net money inflow of RM34.74m last week. Its share price underperformed with a 0.12% loss against the FBM KLCI which advanced by 0.25% 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.
- Malayan Banking Berhad recorded the second highest net money inflow of RM21.44m. Its share price was 0.75% higher for the week, outperforming against the market benchmark which was 0.25% higher.
- Genting Malaysia Berhad saw the third highest net money inflow of RM7.11m. Its share price outperformed the FBM KLCI with a 0.60% 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		
TNB	34.74	35.70	-0.12	BOW
MAYBANK	21.44	2.50	0.75	-
GENTING MSIA	7.11	1.51	0.60	-
GENTING BHD	6.02	0.22	-0.35	BOW
TELEKOM	5.63	0.24	-3.10	BOW
PUBLIC BANK	5.07	22.95	0.34	-
UMW HOLDINGS	3.79	-2.11	0.98	-
SERBA DINAMIK	3.65	1.11	-0.29	BOW
HLBK	1.97	-3.28	0.11	-
MAHB	1.74	1.60	0.34	-

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS


- F&N Holdings Berhad saw the largest net money outflow of -RM11.26m last week. Its stock price loss 1.26%, underperforming vis-à-vis the FBM KLCI which advanced by 0.25% during the review week.
- Gamuda Berhad recorded the second largest net money outflow -RM2.59m during the week under review. Its share price meanwhile underperformed the market benchmark with a 0.20% weekly gain.
- Axiata Group Berhad registered the third largest net money outflow at -RM2.36m in the review week. Its share price meanwhile substantially outperformed the benchmark with a 2.72% 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		
F&N	-11.26	-4.53	-1.26	-
GAMUDA	-2.59	1.79	0.20	SOS
AXIATA	-2.36	-1.90	2.72	SOS
PETDAG	-1.78	-0.18	-1.49	-
SDPL	-1.23	-0.05	-0.91	-
IOI CORP	-0.88	-0.27	-1.48	-
IGB REIT	-0.71	-0.46	-1.92	-
TOP GLOVE	-0.67	-3.03	-0.81	-
PETCHEM	-0.60	-10.92	-0.36	-
HEINEKEN	-0.60	-0.12	-2.51	-

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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