

## MIDF EQUITY STRATEGY | 27 NOVEMBER 2017 WEEK ENDED 24 NOVEMBER 2017

- Majority of global benchmarks regained ground last week with the MSCI all-country world index ending the week at a fresh record high of 503.35 points.
- Wall Street was back in the black with its three major benchmarks locking in weekly gains exceeding 0.9% each despite the holiday shortened week. The tech-heavy Nasdaq and S&P500 in fact clambered to an all-time high after the Thanksgiving holiday ended.
- Brent crude oil price gained momentum as it advanced 1.8% for the week to a two-week high of USD63.86pb. Sentiment in the oil market was lifted by the tighter supplies amid the shutdown of the Keystone pipeline which could translate to a supply shortage of 550,000-600,000bpd of crude to the Cushing Oklahoma distribution hub.
- Foreign funds continued to make way into Asian markets for the seventh week running but at a rather similar space above the USD1b level. The provisional aggregate data from the seven Asian exchanges that we track saw investors classified as “foreign” acquired USD1.13b net last week.
- Foreign tide returned into Bursa last week, though only marginally. Based on preliminary data from Bursa which excluded off market trades, international investors bought RM88.6m net of Malaysian equities last week, the highest weekly inflow recorded since the week ended September 15.
- The FBM KLCI declined by 0.26% to finish the week at 1,717 points. In contrast, the Ringgit experienced its largest weekly gain in 11 weeks as it appreciated by 1.09% to USD/MYR4.1163, outperforming its South East Asian peers.

## FOREIGN TIDE MADE A MARGINAL COMEBACK TO BURSA

### A. MARKET SNAPSHOT

- Majority of global benchmarks regained ground last week with the MSCI all-country world index ending the week at a fresh record high of 503.35 points.
- Wall Street was back in the black with its three major benchmarks locking in weekly gains exceeding 0.9% each despite the holiday shortened week. The tech-heavy Nasdaq and S&P500 in fact clambered to an all-time high after the Thanksgiving holiday ended. Shoppers hunted for Black Friday deals, cementing expectations that retailers will benefit from the upcoming holiday season. As a result, shares of retailers such as Amazon and Macy's Inc both locked in daily gains above 2.0% on Friday itself.
- Also on Wednesday, minutes of the Fed meeting held earlier this month revealed concerns of policy makers regarding a reversal of the increasing rising prices that may impact the economy. Nonetheless, Fed Chair Yellen reiterated her stance on a rate hike soon.
- Meanwhile in Asia, the Hang Seng index surpassed 30,000 points for the first time in a decade on Wednesday. But on the following day, China's CSI 300 index tumbled the most for a day in 17 months by 3% amid the spread of the bond selloff and tightened regulations on financial products, pulling the Hang Seng index down from its 10-year high. Notwithstanding this, the Hang Seng index still stood out among other global benchmarks with a 2.29% weekly gain driven by Tencent Holdings which became the first Chinese company to reach a market capitalisation over USD500b.
- In Europe, political concerns dominated Germany earlier during the week after the collapse of talks forming a coalition government. Nonetheless, the outlook turned brighter due to: (i) Germany's president, Walter Steinmeier called the nation's parties to head back to the discussion table to prevent the need for a snap election and (ii) Germany's business climate index reaches a record high of 117.5 points in November. In view of that, the DAX index shrugged off political uncertainties to end 0.51% higher for the week while the Euro rose for four straight days to settle at EUR/USD1.1933 on Friday, the strongest level since September.
- Brent crude oil price gained momentum as it advanced 1.8% for the week to a two-week high of USD63.86pb. Sentiment in the oil market was lifted by the tighter supplies amid the shutdown of the Keystone pipeline which could translate to a supply shortage of 550,000-600,000bpd of crude to the Cushing Oklahoma distribution hub. Other catalysts for the oil market include reports noting that the OPEC and Russia have come to an agreement to announce prolonged production cuts during the OPEC meeting on November 30.

**Table 1** Weekly performance of major indices

Weekly % change	Week before	Last week
Hang Seng	0.27	2.29
FSSTI Index	-1.10	1.77
Taiwan TAIEX	-0.29	1.42
CAC 40	-1.14	1.34
India SENSEX	0.08	1.01
S&P 500	-0.13	0.91
Dow Jones	-0.27	0.86
Nikkei	-1.25	0.69
Phil PCOMP	-1.45	0.65
DAX	-1.02	0.51
Korea KOSPI	-0.35	0.41
FTSE 100	-0.70	0.39
Jakarta JCI	0.50	0.25
KLCI	-1.18	-0.26
China CSI 300	0.22	-0.40
Thai SET	1.19	-0.79

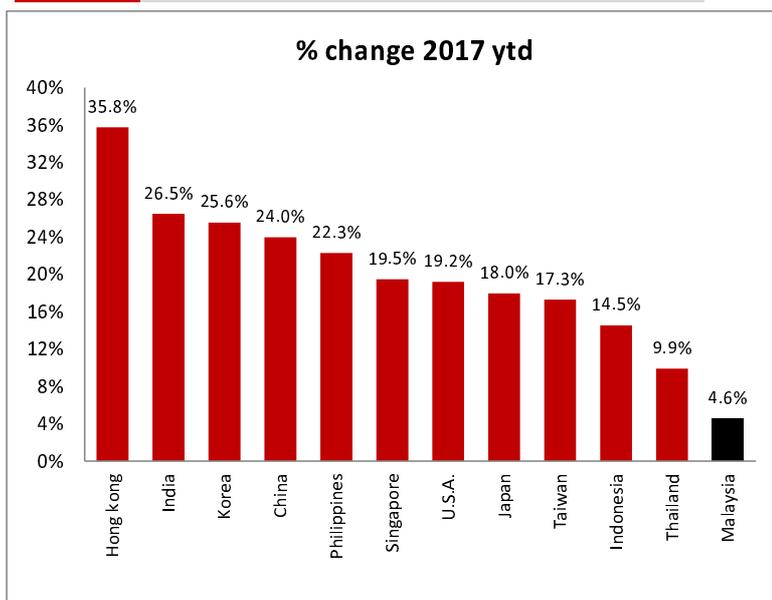
Source: Bloomberg

- The FBM KLCI endured a second week of losses, declining by 0.26% to finish the week at 1,717 points. In contrast, the Ringgit experienced its largest weekly gain in 11 weeks as it appreciated by 1.09% to USD/MYR4.1163, outperforming its South East Asian peers underpinned by expectations that Bank Negara Malaysia would increase the OPR in 1Q2018 coupled with a renewed interest in bonds.

## B. TRACKING MONEY FLOW - ASIA<sup>1</sup>

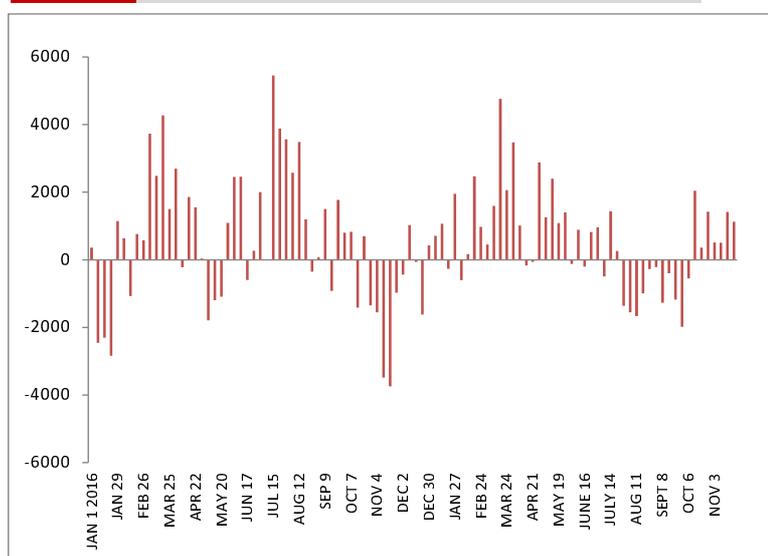
- Foreign funds continued to make way into Asian markets for the seventh week running but at a rather similar space above the USD1b level. The provisional aggregate data from the seven Asian exchanges that we track saw investors classified as “foreign” acquired USD1.13b net last week, compared to the USD1.41b net mopped up in the preceding week.
- Global investors snapped up USD460.9m net of Korean equities which was one third of the amount acquired in the week before. Foreign buying peaked on Tuesday at USD339.5m net before succumbing to selling pressure on Thursday and Friday as the plunge in Chinese stocks spread into Korean markets. Despite the overall weekly slowdown in foreign buying, the KOSPI index ended 0.41% higher for the week as the sentiment was buoyed by Korea’s consumer sentiment reaching a seven-year high of 112.3 points in November amid waned tensions between Washington and Pyongyang. It is noteworthy that the Won was on a four day winning streak, reaching a 30-month high of USD/KRW1,085 on Friday ahead of Bank of Korea’s policy meeting this week with a high possibility for a rate hike to take place for the first time in 6 years.
- Likewise, international investors entered Taiwan at a rather similar pace to Korea, acquiring USD411.2m net last week. Foreign investors bought USD300.2m net on Tuesday, the highest during the week which saw the Taiex gaining the most since July 11 by 1.1% the same day. Foreign acquisition on Wednesday declined slightly but was still near USD300m which coincided with the Taiex reaching an intraday high not seen in 27 years of 10,886 points as it tracked gains from tech rally on Wall Street overnight. On a weekly basis, the Taiex’s 14% gain was followed by the Taiwan Dollar’s 0.39% appreciation to USD/TWD29.967, the strongest since September 2014.

**Chart 1** YTD performance of major markets



Source: Bloomberg

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



Source: Bloomberg, Bursa Malaysia

<sup>1</sup> 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.

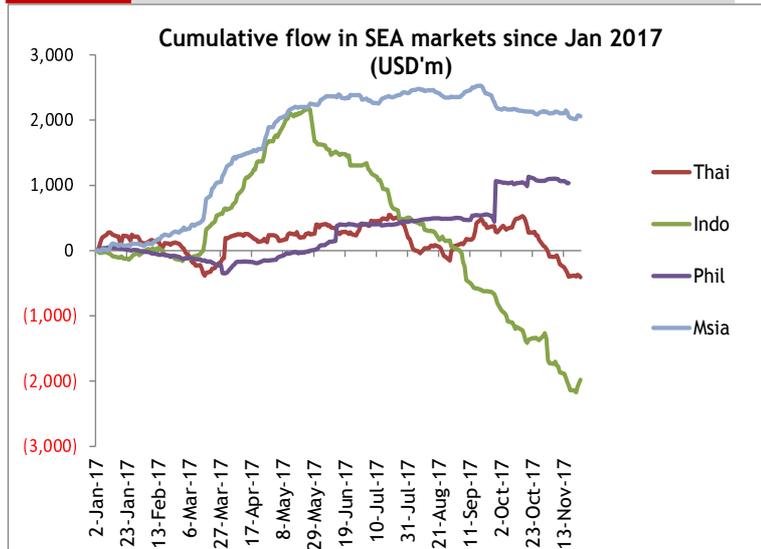
- In Emerging South East Asian markets, foreign selling occurred across the board with the exception of Malaysia and Indonesia.
- It has been six-straight weeks of foreign attrition but last week's disposal was very minimal at only -USD14.7m net. Despite the measurable pace of foreign selling and the Thailand's 3Q17 GDP growing the fastest in three years by 4.3%yoy, the SET was down by 0.79% for the week. On the contrary, the Thai Baht strengthened by 0.52% on a weekly basis to USD/THB32.676, a level last seen since April 2015 as foreign investors upped the ante in buying the nation's bonds which saw the week-to-date inflows reaching USD1b.
- The pace of foreign selling in Manila slowed down last week as foreign investors sold -USD18.0m net compared to -USD58.8m net in the week before. The tapered attrition came about as the Senate approved a higher personal income tax exemption of PHP250,000 per year for its residents. The improved sentiment amid the approval of the tax package saw the PSEi recover from last week's losses to end 0.65% higher, bucking the downtrend in South East Asian markets namely Malaysia and Thailand.
- It was indeed a remarkable week for Indonesia as its 20-week selling streak has been snapped with a weekly inflow of USD161.1m net. The end of the selling binge lifted the JCI by 0.25% on a weekly basis. Even during the week, the JCI sealed a fresh record close of 6,070 points on Wednesday as foreign investors loaded up USD84.3m net, the largest since May 12. The Rupiah took cue from the entrance of foreign investors, advancing to a three-week high of USD/IDR13,504 on Friday underpinned by greenback's weakness after the Fed minutes revealed that policy makers are worried about soft inflation.

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



Source: Bloomberg

**Chart 4** Net Flow of Foreign Funds into South East Asia Emerging Markets since Jan 2017 (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
OCT 6	0.00	58.3	-278.5	-27.8	-395.5	113.4	-19.6	-549.6
OCT 13	1,595.8	153.5	-99.0	-2.9	-281.0	685.22	-12.9	2,038.6
OCT 20	300.4	-217.0	-183.0	-49.7	-184.1	713.1	-16.9	362.9
OCT 27	235.8	-107.0	-5.22	85.2	1,156.3	79.8	-21.8	1,423.0
NOV 3	593.5	-257.9	-351.6	24.0	469.1	39.3	-6.8	509.6
NOV 10	-17.3	-118.5	-141.3	-0.75	1,032.0	-255.2	5.2	504.1
NOV 17	1,210.9	-183.0	-276.1	-58.8	934.4	-142.3	-71.4	1,413.7
NOV 24	460.9	-14.7	161.1	-18.0	103.7	411.2	21.7	1,125.9

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

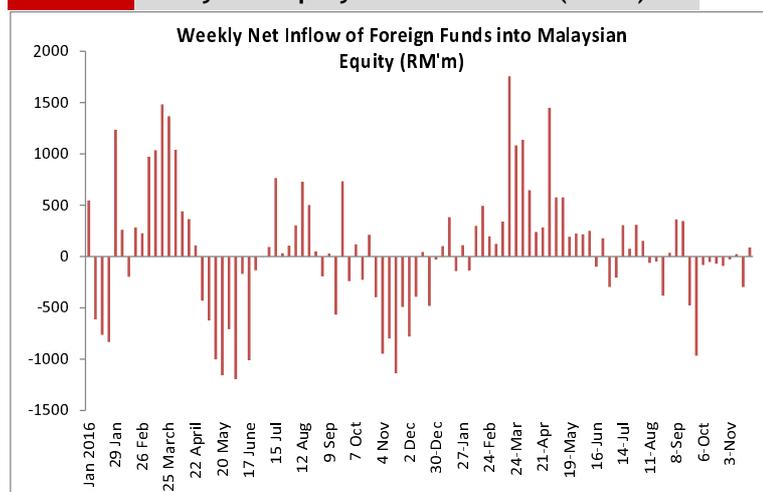
## FUND FLOW REPORT

### C. TRACKING MONEY FLOW - MALAYSIA

- Foreign tide returned into Bursa last week, though only marginally.
- Based on preliminary data from Bursa which excluded off market trades, international investors bought RM88.6m net of Malaysian equities last week, the highest weekly inflow recorded since the week ended September 15. However, this was insufficient to offset the attrition in the preceding week which amounted to -RM297.1m net.
- Last week, foreign investors were net buyers in 2 out of 5 trading days. Foreign buying was the strongest on Wednesday which amounted to RM214.5m net. This was the highest amount bought in a day since May 11, coinciding with the FBM KLCI closing at a six-day high of 1,723 points, tracking gains from Wall Street's tech rally overnight. We note that the foreign inflow on Wednesday was in conformity with most Asian peers.
- However, risk-on mood was hampered after Chinese shares tumbled following a major bond selloff which saw the foreign net inflow into Bursa hitting below RM10m net on Thursday. Negative sentiment on Bursa was further fuelled on Friday by the removal of certain index-heavyweights such as Digi from the list of Shariah compliant securities. As a consequence, foreign investors disposed -RM62.4m net on Friday.
- Year-to-date, foreign investors have mopped up RM9.10b worth of local equity. With three successive months of foreign attrition seen so far in 2017, November is expected to be another month of attrition underpinned by what we call the election effect.
- Foreign participation decreased substantially last week as the foreign average daily trade value (ADTV) eased by 24% to RM856m. The retail market followed suit as the retail ADTV declined by 12%.

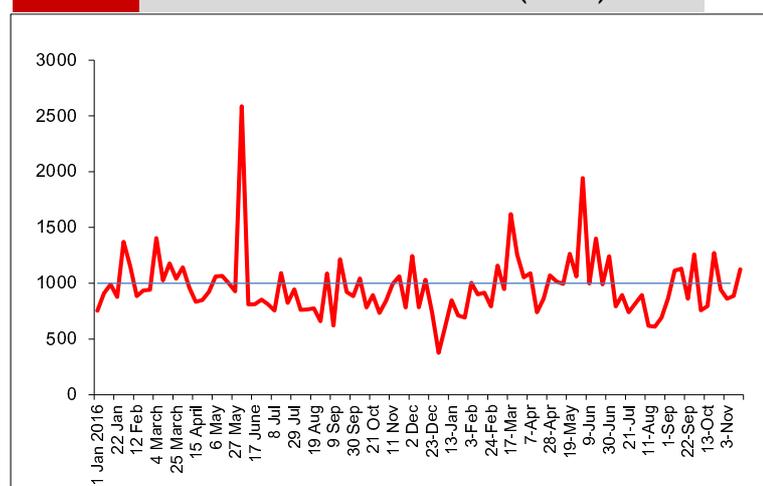
**Chart 5**

**Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2016 (RM'm)**



**Chart 6**

**Foreign Participation on Bursa: Daily Average for the Week since Jan 2016 (RM'm)**



**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)	
OCT 13	2,469.3	2,509.3	-40.0	5,620.5	5,526.3	94.2	1,961.6	2,015.6	-54.2	-12.9
OCT 20	2,002.7	1,978.5	24.2	4,796.4	4,749.2	47.2	2,507.7	2,579.1	-71.4	-16.9
OCT 27	2,381.9	2,368.6	13.2	6,065.5	5,986.7	78.8	2,312.2	2,404.3	-92.1	-21.8
NOV 3	2,856.5	2,760.9	95.6	6,307.7	6,374.7	-67.0	2,138.6	2,167.2	-28.6	-6.8
NOV 10	2,580.9	2,600.1	-19.2	6,551.5	6,555.0	-3.5	2,230.4	2,207.7	22.7	5.2
NOV 17	2,467.0	2,318.3	148.7	6,697.6	6,549.2	148.4	2,664.6	2,961.7	-297.1	-71.4
NOV 24	2,099.6	2,123.5	-23.9	7,232.5	7,297.2	-64.7	2,184.8	2,096.2	88.6	21.7

Source: Bursa's preliminary data

\* Estimate by MIDF Research based on prevailing exchange rate.

**D. MONEY FLOW<sup>2</sup> AMONG BURSA'S TOP 100 CAPITALIZED STOCKS: WEEK ENDED 24 NOVEMBER**
**TOP 10 NET MONEY INFLOWS**

- Tenaga Nasional Berhad registered the highest net money inflow of RM17.09m last week. Its share price however slightly outperformed with a 0.13% loss against the FBM KLCI which declined by 0.26% 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.
- United Plantations recorded the second highest net money inflow of RM14.12m. Nevertheless, its share price outperformed against the market benchmark with a rather sizable 1.44% advance during the review week.
- Petronas Gas saw the third highest net money inflow of RM10.45m. Its share price too outperformed the FBM KLCI with a 1.69% 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	
TNB	17.09	-16.89	-0.13	BOW
UNITED PLTN	14.12	0.00	1.44	-
PETGAS	10.45	-9.38	1.69	-
AXIATA	6.37	-5.87	0.57	-
DIGI.COM	5.45	1.44	-5.99	BOW
BURSA	5.16	0.50	-2.54	BOW
YTL CORP	2.88	1.58	1.65	-
HEINEKEN	1.30	4.07	-2.63	BOW
IJM CORP	1.03	0.82	3.61	-
HAP SENG	0.96	1.90	1.29	-

Source: Bloomberg, MIDFR;

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

**TOP 10 NET MONEY OUTFLOWS**

- F&N Holdings saw the largest net money outflow of -RM58.59m last week. Its stock price ended 0.08% higher and outperformed vis-à-vis the FBM KLCI which declined by 0.26% during the review week. It is notable that net money outflow amidst advancing share price may indicate a sell on strength (SOS) stance among some investors.
- Public Bank recorded the second largest net money outflow -RM45.94m during the week under review. Its share price however marginally underperformed the market benchmark with a 0.29% weekly loss.
- Petronas Chemicals registered the third largest net money outflow at -RM9.52m in the review week. Its share price outperformed the benchmark with a 0.82% weekly gain.

**Table 5** Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
F&N	-58.59	-8.81	0.08	SOS
PUBLIC BANK	-45.94	-25.62	-0.29	-
PETCHEM	-9.52	-24.16	0.82	SOS
DIALOG	-8.49	-8.80	3.90	SOS
TOP GLOVE	-8.34	-7.18	0.15	SOS
KL KEPONG	-7.75	0.42	0.33	SOS
MAHB	-6.42	2.32	0.73	SOS
NESTLE	-5.87	-0.87	3.09	SOS
SP SETIA	-4.51	0.20	-3.72	-
IGB REIT	-4.45	-3.79	-0.62	-

Source: Bloomberg, MIDFR;

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

<sup>2</sup> 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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