

## MIDF EQUITY STRATEGY | 6 NOVEMBER 2017 WEEK ENDED 3 NOVEMBER 2017

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- Wall Street ended the month of October on a solid note continued to stage its upbeat momentum boosted by better-than-expected 3Q17 results of consumer staples stocks such as Kellogg and Mondelez. The Dow Jones was up by 4.3% for October, while the S&P 500 marked its seventh uninterrupted month of gains, the longest such streak in more than four years.
- Brent crude oil price remained resilient, gaining 2.70% for the week to end at USD62.07pb, the highest since July 2015. Positivity in the oil market was retained amid the support of two major OPEC members, Saudi Arabia and Iraq towards the extension of the OPEC output cut beyond March next year.
- International funds continued to pour into Asian markets for the fourth week in a row albeit a tapered pace. The provisional aggregate data from the seven Asian exchanges that we track saw investors classified as “foreign” acquired USD440.2m net last week.
- The pace of Malaysian equity attrition has slowed down a lot compared to the previous weeks. The net amount sold by foreign investors on Bursa last week was -RM28.6m, the lowest attrition recorded so far this year.
- The FBM KLCI retreated by 0.30% for the week to close at 1,741 points as the feel good feeling raised by the Budget 2018 speech was shortlived. In contrast, the Ringgit appreciated by 0.13% for the week at USD/MYR4.2365 tracking oil price gains.

## OCTOBER: THE THIRD MONTH OF FOREIGN SELLING

### A. MARKET SNAPSHOT

- Global equity markets were rather mixed as central bank related news dominated the headlines during the frenetic week.
- Wall Street ended the month of October on a solid note continued to stage its upbeat momentum boosted by better-than-expected 3Q17 results of consumer staples stocks such as Kellogg and Mondelez. The Dow Jones was up by 4.3% for October, while the S&P 500 marked its seventh uninterrupted month of gains, the longest such streak in more than four years.
- Meanwhile the month of November began with Fed's meeting which resulted in an unchanged interest rate at 1-1.25%, leaving more room for another rate hike in December. The Fed's decision did little to spur market movements.
- Nevertheless, Thursday turned to be eventful as Jerome Powell was chosen by President Trump to replace Yellen as Fed's chair followed by the release of tax cut details by the Republican. Tech stocks such as Apple rebounded 3.4% the same day after its forecast for its holiday sales exceeded estimates backed by the launch of the iPhone X.
- Despite the disappointing nonfarm payroll data, the optimism of Thursday was enough to bolster sentiment on Friday, leaving the S&P500 and the Dow Jones with their eighth continuous weeks of gains.
- In Asia, the Bank of Japan (BOJ) stood pat on its debt purchases in November policy, despite slashing inflation forecasts. The BOJ's policy is expected to continue following Prime Minister Shinzo Abe's victory in the recent snap election. On the broad market level, the Nikkei index added 119 points on Thursday, closing at 22,539 points, its highest level since June 1996 before the three-day weekend in Japan as Honda provided the biggest boost, after raising its annual operating profit forecast.
- In Europe, the Bank of England (BOE) had its first rate hike in more than 10 years highlighting concerns of a fragile economy as the 2019 divorce with the European Union is getting near. The sterling depreciated by 77% to settle at its weakest level in more than a month at GBP/USD1.3058 on the day of the meeting while the FTSE 100 gained 0.90% to close at 7,555 points.
- Brent crude oil price remained resilient, gaining 2.70% for the week to end at USD62.07pb, the highest since July 2015. Positivity in the oil market was retained amid the support of two major OPEC members, Saudi Arabia and Iraq towards the extension of the OPEC output cut beyond March next year.
- The FBM KLCI retreated by 0.30% for the week to close at 1,741 points as the feel good feeling raised by the Budget 2018 speech was shortlived. The local bourse seemed to be muted towards the recent gains in Wall Street. In contrast, the Ringgit appreciated by 0.13% for the week at USD/MYR4.2365 tracking oil price gains.

**Table 1** Weekly performance of major indices

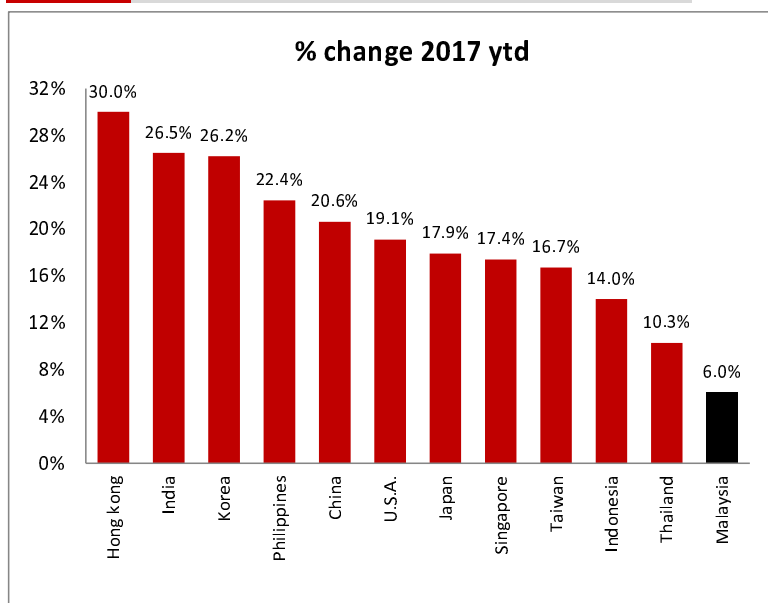
Weekly % change	Week before	Last week
Korea KOSPI	0.28	2.46
Nikkei	2.57	2.41
DAX	1.74	1.98
India SENSEX	2.37	1.59
Jakarta JCI	0.77	1.08
Phil PCOMP	-1.48	0.97
Taiwan TAIEX	-0.18	0.86
FTSE 100	-0.24	0.74
Hang Seng	-0.17	0.58
Dow Jones	0.45	0.45
CAC 40	2.27	0.43
S&P 500	0.23	0.26
FSSTI Index	1.37	-0.12
KLCI	0.31	-0.30
China CSI 300	2.42	-0.73
Thai SET	1.39	-0.85

Source: Bloomberg

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

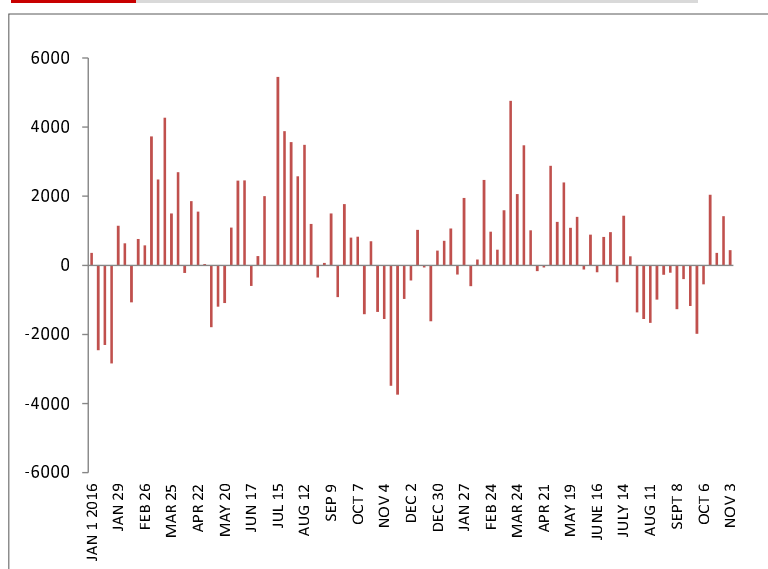
- International funds continued to pour into Asian markets for the fourth week in a row albeit a tapered pace. The provisional aggregate data from the seven Asian exchanges that we track saw investors classified as “foreign” acquired USD440.2m net last week, more than 1/3 of the USD1.42b acquired in the preceding week.
- In Korea, foreign investors loaded up USD593.5m net, marking the 4th week of net buying. The amount acquired was higher than last week’s USD235.8m net. Increased foreign buying in Korea coincided with KOSPI’s 2.46% weekly gain, leading other major benchmarks worldwide. The KOSPI indeed started the week on the right foot, breaking the 2,500 threshold for the first time ever on Monday and hovered above that level during the entire week. Foreign buying was particular strong during the first three days of the week, ranging from USD230m-USD340m net, as investors cheered financial results of technology shares such as Samsung Electronics which surged by 3.9% to a record level after its restructuring of the company’s leadership was made known together with an increase in dividend payment. Foreign selling occurred on Thursday and Friday, amid a slow down in consumer prices with the CPI only growing 1.8% yoy in October, the slowest in 19 months. Nonetheless, the KOSPI resumed its positive movement to hit another fresh closing high of 2,558 points on Friday as outlook was supported by the nations exports which grew for 12 consecutive months from soaring memory chip sales in October.
- On the other hand, foreign purchases have been drying up in Taiwan as the level of foreign buying has dropped to USD39.3m net last week compared to USD713.1m net recorded two weeks prior. Indeed, foreign selling was prevalent on every single day of the week except Monday as investors cashed in gains from the rally of Apple suppliers which includes Zhen Ding Technology, Hon Hai Precision and Catcher Technology on signs of strong demand for the iPhone X . Notwithstanding this, the Taiex hit a new 27-year high of 10,806 points on Wednesday while managing to post a 0.86% weekly gain. Currency wise, The Taiwan dollar snapped its two-week losing streak as the Taiex index held on to its 27-year high as the week ended.
- In Emerging South East Asian markets, the

**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)



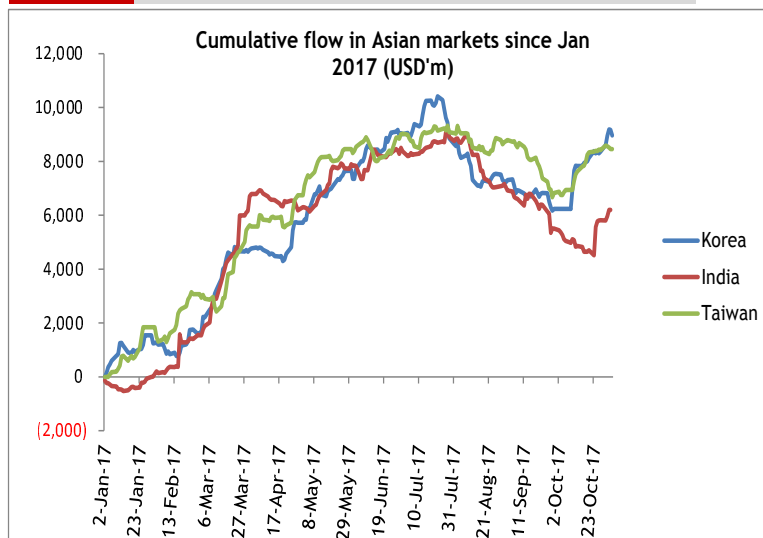
Source: Bloomberg, Bursa Malaysia

<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.

Philippines was odd one out as it was the only market that experienced foreign net buying.

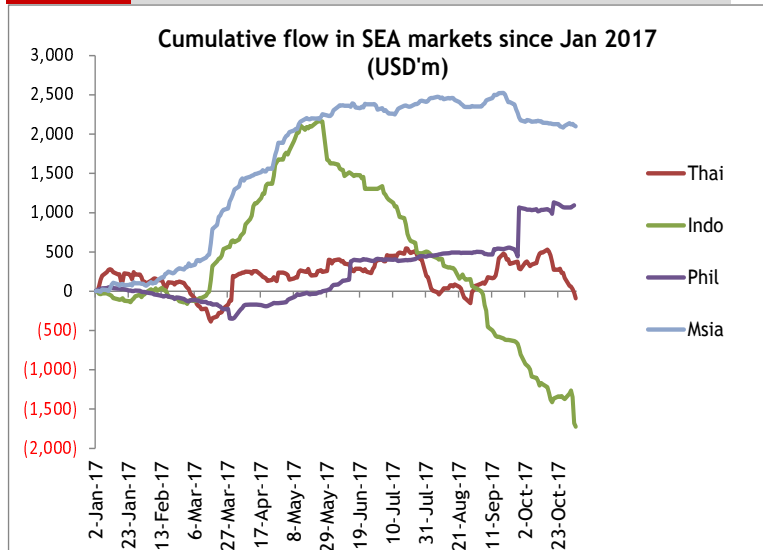
- Foreign funds dumped -USD257.9m net in Bangkok after two weeks of hesitation despite Thailand's Ministry of Finance projecting the GDP to expand 3.8% in 2017 and 2018. In view of the attrition, the SET dropped by 0.85% for the week partly due to the fall in October's business confidence to 50.2 points from 52.2 points in the month before. The Baht meanwhile experienced its first advance in three weeks, strengthening by 0.29% to USD/THB33.13 as the Bank of Thailand has loosen rules for companies to carry out foreign exchange transactions.
- Global investors continued buying in Manila albeit at a slower pace of USD24m net compared to USD85.2m net in the preceding week as markets were open for three days. Despite the holiday shortened week, the PSEi reached its 11th record high for the year at 8,516 points after markets reopened on Thursday, supported by foreign acquisition worth USD14.76m net, putting an end to the five-day selling binge. Confidence among investors was spurred by President Duterte's trip to China and Japan that may attract some investments into the nation.
- Foreign funds offloaded -USD351.6m net, marking the 18th week of foreign selling, the highest in 8 weeks. Despite the exit of foreign funds into Indonesia, the JCI hit a fresh territory of 6,039 points on Friday, recording its largest weekly gain in 11 weeks of 1.08%. The rally on the local bourse was mainly driven by the optimism on favourable quarterly results from banks. The Rupiah took cue from the foreign buying, rising near a three-week high of USD/IDR 13,498 with a 0.82% weekly gain, the biggest since early September.

**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)

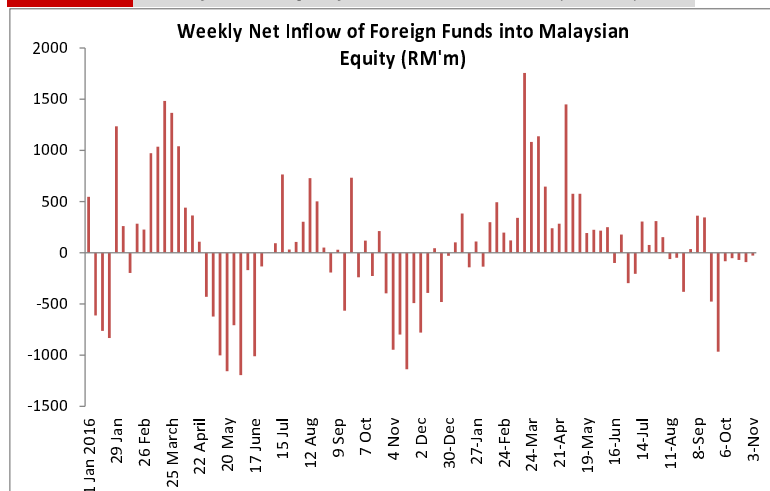
WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
SEP 15	-214.6	242.6	-125.6	68.1	185.9	-638.9	82.1	-400.2
SEP 22	127.9	-71.1	-43.6	12.0	-407.4	-677.1	-114.0	-1,173.3
SEP 29	-587.5	-68.6	-183.4	511.4	-883.3	-541.5	-229.4	-1,982.3
OCT 6	0.00	58.3	-278.5	-27.8	-395.5	113.4	-19.6	-549.6
OCT 13	1,595.8	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	399.7	39.3	-6.8	440.2

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

**C. TRACKING MONEY FLOW - MALAYSIA**

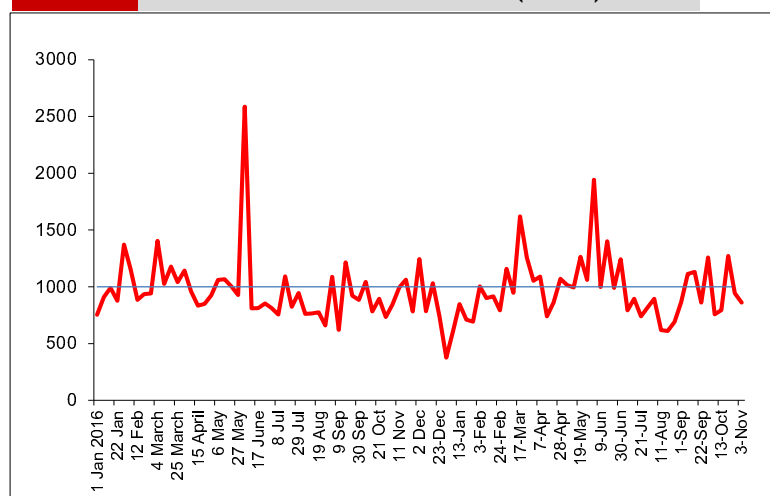
- The pace of Malaysian equity attrition has slowed down a lot compared to the previous weeks. We note that in the past five weeks, the average level of foreign selling -RM65.8m.
- The net amount sold by foreign investors on Bursa last week was -RM28.6m, the lowest attrition recorded so far this year. The amount sold was also substantially lower than the -RM92.1m net recorded in the week before. The estimates made are based on transactions in the open market which excluded off market deals.
- Foreign investors sold Malaysian equity on three out of the five trading days. It was no surprise that Monday experienced a net foreign buying of RM133.4m net, the highest since September 12 amid the feel good vibe from the Budget 2018 announcement. This even coincided with the FBM KLCI hitting a seven-day trading high of 1,748 points.
- However, the positive mood was shortlived, as Thursday recorded the highest selloff during the week which amounted to -RM72.3m net. The resumption of foreign selling saw the local bourse gradually slipping to end at 1,741 points on Friday despite a rally in regional peers notably, the Philippines and Indonesia and improving oil prices.
- October is the third month of foreign selling this year as international investors sold off -RM226.3m net. As a consequence, the cumulative year-to-date number has been dragged down to RM9.28b as of last week, far below the RM10b mark. Nonetheless, the cumulative year-to-date inflow still offsets approximately 31.6% of the total net outflows from 2014 to 2016.
- Foreign participation continued to slip further as the foreign average daily trade value (ADTV) declined by 9% to settle at RM861m.
- Meanwhile, the retail market rebounded as retailers were net buyers to the tune of RM95.6m with the retail ADTV surging by 18% to surpass the RM1b level at RM1.12b.

**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)	
SEP 22	2,035.0	1,976.2	58.8	4,810.4	4,391.5	418.9	1,483.1	1,960.8	-477.7	-114.0
SEP 29	2,348.7	2,257.8	90.9	6,563.3	5,686.9	876.4	2,662.8	3,630.1	-967.3	-229.4
OCT 6	2,117.1	2,203.7	-86.6	5,692.3	5,522.8	169.5	1,850.4	1,933.3	-82.9	-19.6
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

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 3 NOVEMBER**
**TOP 10 NET MONEY INFLOWS**

- Genting Berhad registered the highest net money inflow of RM24.9m last week. Its share price however retreated by -3.57% for the week, underperforming the FBM KLCI which only lost 0.30% on a weekly basis.
- Maybank recorded the second highest net money inflow of RM10.96m. Its share price outperformed against the market benchmark with a 0.11% advance during the review week. An unsecured debt rating of A3 was assigned to Maybank's RMB500m fixed rate notes under the MTN programme by Moody's Investors Services
- Petronas Chemicals saw the third highest net money inflow of RM8.80m. Its share price declined by -1.22%. which underperformed the FBM KLCI. 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)	Remark
	Last Week	Prev Week	Last Week	
GENTING BHD	24.90	-8.49	-3.57	BOW
MAYBANK	10.96	-0.34	0.11	-
PETCHEM	8.80	-10.15	-1.22	BOW
CIMB	8.71	-3.92	2.31	-
AXIATA	8.01	-2.12	1.69	-
IHH	6.29	1.56	-0.36	BOW
SIME DARBY	5.66	-6.63	-0.98	BOW
BATU KAWAN	4.90	0.11	0.61	-
PETGAS	4.86	0.44	-2.21	BOW
MAHB	3.87	32.87	-0.48	BOW

Source: Bloomberg, MIDFR;

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

**TOP 10 NET MONEY OUTFLOWS**

- Tenaga Nasional Berhad again saw the largest net money outflow of -RM29.00m last week. Its share price marginally underperformed the market benchmark with a -0.40% weekly loss.
- Genting Plantations recorded the second largest net money outflow of -RM20.38m during the week under review. Its share price outperformed the benchmark index with a 0.94% gain for the week. it is notable that net money outflow amidst advancing share price indicates a sell on strength (SOS) stance among some investors.
- KL Kepong meanwhile registered the third largest net money outflow at -RM20.06m. Its share price underperformed the market 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	
TNB	-29.00	-42.22	-0.40	-
GENTING PLTN	-20.38	0.38	0.94	SOS
KL KEPONG	-20.06	22.23	0.82	SOS
PUBLIC BANK	-19.50	9.19	-0.10	-
DIALOG	-11.50	-8.38	-3.54	-
MAXIS	-9.76	-0.97	1.87	SOS
TELEKOM	-6.78	1.39	1.31	SOS
YINSON	-4.13	0.12	1.03	SOS
BAT	-4.05	-1.41	-6.77	-
AIRASIA	-3.48	-1.21	6.56	SOS

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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**Business Address:**  
11 & 12 th Floor, Menara MIDF,  
82, Jalan Raja Chulan, 50200  
Kuala Lumpur.  
Tel: 2173 8888  
Fax: 2173 8380