

MIDF EQUITY STRATEGY | 15 OCTOBER 2018 WEEK ENDED 12 OCTOBER

- Equity markets worldwide were still swimming in the red last week overarched by worries of rising U.S treasury yields with the 10-year U.S Treasury yield at its highest since 2011.
- While there was a more than 7bps drop in bond yields sparked by the slowdown in US inflation, the selloff in U.S stocks accelerated on Thursday. Nonetheless, U.S tech stocks bounced higher, as the Dow Jones index clawed back nearly 300 points but suffered its biggest weekly loss in six months of 4.2%.
- Brent crude oil price remained above USD80pb, but posted its first weekly loss of 4.4% after four straight weeks of gains. The IEA cited that the oil market remained adequately supplied for the time being following a big increase in production in the last six months but was weighed down by the first climb in U.S oil rig count in four weeks.
- International funds in Asia continued to dump equities for the third week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” sold -USD4.34b net last week.
- Offshore funds fled Bursa at a rather heightened pace last week. Based on preliminary data from Bursa which excluded off market deals, foreign funds withdrew -RM1.05b net of local equities last week, the largest weekly foreign net outflow in 16 weeks.
- The FBM KLCI was 2.6% lower for the week after ending at 1,730 points, the biggest weekly loss in 16 weeks. Likewise, the Ringgit marked its third week of losses but pared down its weekly losses to 0.10%, settling at USD/MYR4.154.

DID HALLOWEEN COME TOO SOON?

A. MARKET SNAPSHOT

- Equity markets worldwide were still swimming in the red last week overarched by worries of rising U.S treasury yields with the 10-year U.S Treasury yield at its highest since 2011.
- Wall Street tumbled at the start of the week as investors feared further escalation in long term-bond yields amid encouraging economic reports. U.S stocks ended flat on Tuesday as a recovery in the technology sector helped outweigh the plunge of raw material producers sparked by weaker demand and narrowing their margins.
- Wall Street suffered its worst loss in eight months on Wednesday as the three key U.S benchmarks ended more than 3.0% lower. Investors rushed to the bond market as U.S Treasury yields breached above 3.2% that day. The chaos in U.S stocks was reflected by the 44% surge in the CBOE Volatility Index, the biggest jump in 8 months.
- While there was a more than 7bps drop in bond yields sparked by the slowdown in US inflation, the selloff in U.S stocks accelerated on Thursday. Nonetheless, U.S tech stocks bounced higher, as the Dow Jones index clawed back nearly 300 points but suffered its biggest weekly loss in six months of 4.2%.
- In Asia, China's Caixin/Markit services and non-manufacturing PMI hit a three-month high in September 2018 of 53.1 despite rising cost and lower profit margins. This is in contrast to the moderating trend of manufacturing PMI due to the trade tensions. Nonetheless, PMI figures for all sectors remain above the 50 point expansionary line. At this juncture, domestic economic activities in the economy will stay robust underpin by strong labor market, construction activities and sound household spending. In addition, China's reserve requirement ratios (RRRs) - currently 15.5% for large commercial lenders and 13.5% for smaller banks - would be cut by 100 basis points effective 15 October 2018.
- In Europe, Italy's Deputy Premier, Salvini insisted to pursue the costly election promises while being confident that the spread between Italian and German bond yields would not touch 400 bps. Meanwhile, its finance minister noted that the bond sell off was of a concern and the state of the nation's economy does not justify the surge in yields. Further selling of the nation's bond market could be triggered by a possible downgrade of the government's debt by rating agencies such as Moody's which set to review Italy and currently has a negative outlook for the country.
- Brent crude oil price remained above USD80pb, but posted its first weekly loss of 4.4% after four straight weeks of gains. The IEA cited that the oil market remained adequately supplied for the time being following a big increase in production in the last six months but was weighed down by the first climb in U.S oil rig count in four weeks.

Table 1 Weekly performance of major indices

Weekly % change	Week before	Last week
India SENSEX	-5.11	1.04
Jakarta JCI	-4.09	0.43
Phil PCOMP	-2.73	-1.04
Thai SET	-2.04	-1.42
KLCI	-0.89	-2.61
Hang Seng	-4.38	-2.90
S&P 500	-0.97	-4.10
Dow Jones	-0.04	-4.19
FSSTI Index	-1.45	-4.38
FTSE 100	-2.55	-4.41
Taiwan TAIEX	-4.44	-4.48
Nikkei	-1.39	-4.58
Korea KOSPI	-3.22	-4.66
DAX	-1.10	-4.86
CAC 40	-2.44	-4.91
China CSI 300	0.00	-7.80

Source: Bloomberg

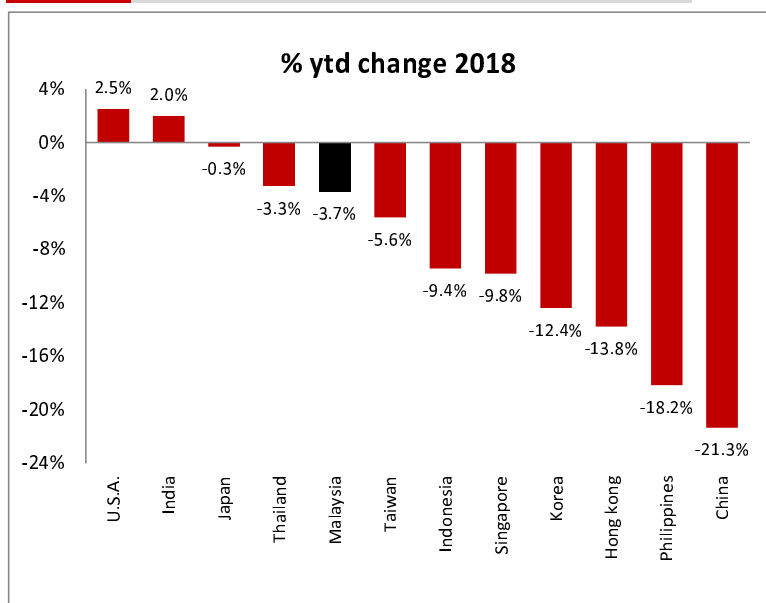
FUND FLOW REPORT

- The FBM KLCI was 2.6% lower for the week after ending at 1,730 points, the biggest weekly loss in 16 weeks. Likewise, the Ringgit marked its third week of losses but pared down its weekly losses to 0.10%, settling at USD/MYR4.154.

B. TRACKING MONEY FLOW - ASIA¹

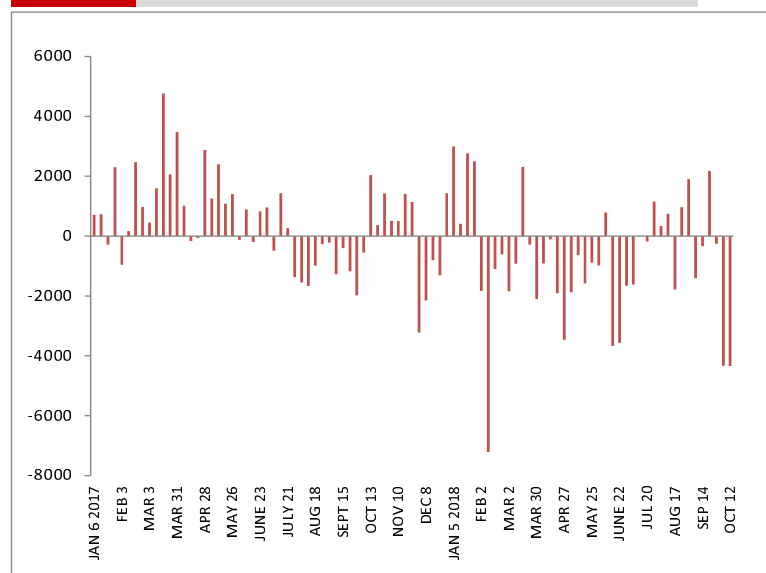
- International funds in Asia continued to dump equities for the third week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” sold -USD4.34b net last week, only USD5m more compared to the week before.
- Taiwan was the biggest casualty of foreign net outflows in Asia, worth -USD1.61b last week. Foreign net selling was prevalent on every single day during the four-day trading week and peaked on Thursday to a tune of -USD922m, a level not seen since early February this year. The Taiex got badly hit the same day, declining the most in nearly 11 years by 6.3% to close below 10,000 points for the first time since May 2017 while the Taiwan dollar depreciated by 0.4% to USD/TWD31.11, the lowest close in 20 months. In response to this, Taiwan’s National Financial Stabilization Fund decided to not enter stock markets during a meeting on Thursday as market conditions do not necessitate an entry at that point of time while urging investors to remain calm and take advantage of the dips in selected stocks. On a year-to-date basis, Taiwan has so far recorded a total foreign net outflow of -USD8.42b, the biggest among the 7 Asian markets we monitor, cancelling off the USD5.74b total net inflow seen in 2017.
- In Korea, the level of foreign net selling was reduced by almost half to -USD673.5m last week. Monday saw a foreign net attrition worth -USD147.1m before markets were closed on Tuesday for Hangeul Day. After the break ended, offshore funds gradually increased their pace of selling on Wednesday and Thursday. Thursday saw the highest net outflow during the week worth -USD355.7m, dragging the KOSPI by 4.4% to the lowest close since April last year at 2,129 points due to concerns of rapidly increasing interest rates on the U.S. Nonetheless, foreign investors made a decent return on Friday as they acquired USD81.1m net pushing the KOSPI 1.5% higher while the Korean Won led gainers in Asia with a 1.15% appreciation to USD/KRW1,131.27.

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)

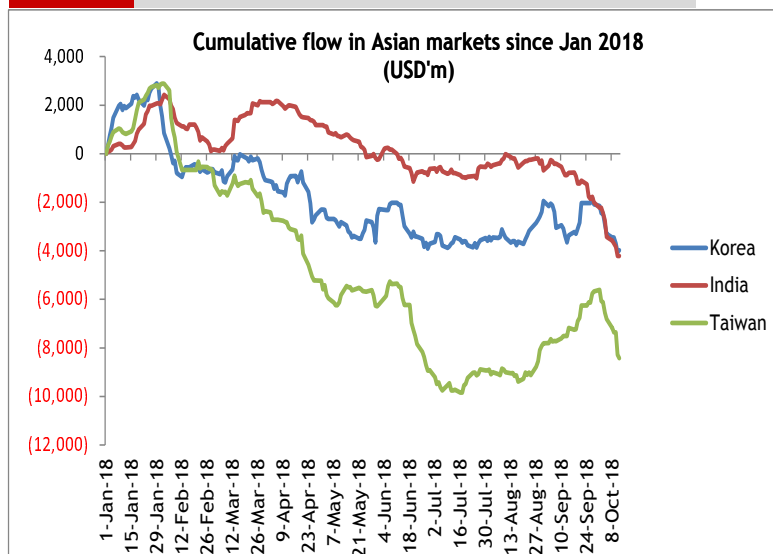


Source: Bloomberg, Bursa Malaysia, MIDFR

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.

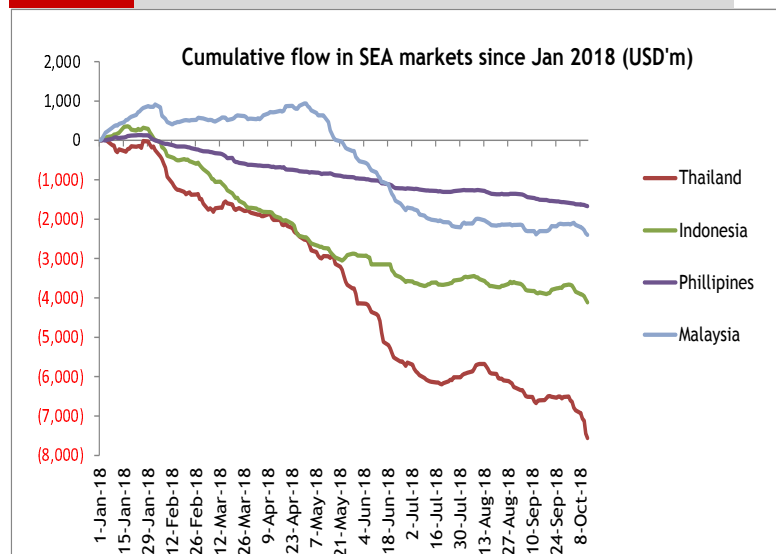
- In the four emerging South East Asian markets, foreign net selling was seen across the board.
- In Bangkok, offshore funds ramped up their selling activity by more than 50% times to -USD701.7m net, the largest foreign net attrition seen amongst the 4 ASEAN markets we track last week. International investors sold the most on Thursday at -USD323.5m net, the biggest in a day so far in 2018 mainly due to the turbulence in the major U.S stock market selloff overnight. On the economic front, the Bank of Thailand opines that the nation's economy is resilient enough to go through a rate hike with expectations of tightening in 4QCY18 already partially factored into the Baht.
- Foreign net selling in Manila extended to its sixth consecutive week after offshore funds sold -USD51.3m net. The foreign selling binge as of last Friday has stretched to 32 days, breaking the record selling spree in June. Foreign selling peaked during the week on Thursday at -USD15.9m net, coinciding with the PSEi's 1.67% dive to settle at a 21- month low of 6884 points. Nevertheless, Philippine's local bourse rebounded 1.75% the next day accompanied by a slight tapering in outflows by USD2m on Friday due to bargain hunting.
- In Jakarta, offshore funds sold at a stronger pace of -USD273.5m net last week. Foreign net outflow was elevated on Thursday at -USD78.3m net, dragging the JCI by 2.0%. The local bourse nevertheless rebounded the next day by 0.9% to 5,756 points mainly contributed by financial stocks as Bank Central Asia which advanced 2.3% in spite of the slight pickup in foreign net outflows. It is also noteworthy that JCI bucked the global trend of decline as it ended 0.4% higher for the week, supported by the newly listed PT Garudafood Putra Putri Jaya which has more than doubled since the IPO on last Tuesday.

Chart 3 Net Flow of Foreign Funds into Taiwan, Korea and India since Jan 2018(USD'm)



Source: Bloomberg, MIDFR

Chart 4 Net Flow of Foreign Funds into South East Asia Emerging Markets since Jan 2018 (USD'm)



Source: Bloomberg, Bursa Malaysia, MIDFR

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

WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
AUG 17	-164.5	-238.9	-173.9	-88.5	-566.9	-393.5	-154.0	-1,780.1
AUG 24	530.3	-174.1	6.6	-9.3	321.9	276.8	11.3	963.6
AUG 31	1,152.1	-189.8	69.8	7.8	-439.8	1,301.0	-3.7	1,897.4
SEP 7	-1,109.3	-231.5	-191.6	-82.6	285.9	89.1	-160.0	-1,399.9
SEP 14	-309.2	-88.5	-50.6	-65.4	-378.9	553.6	0.7	-338.4
SEP 21	1,328.0	89.4	68.5	-31.5	-325.2	922.7	124.5	2,176.6
SEP 28	-57.3	-4.9	108.1	-33.1	-896.0	578.8	51.3	-253.0
OCT 5	-1,211.9	-338.8	-156.6	-49.2	-1,417.3	-1,145.1	-16.6	-4,335.4
OCT 12	-673.5	-701.7	-273.5	-51.3	-785.8	-1,601.6	-253.0	-4,340.4

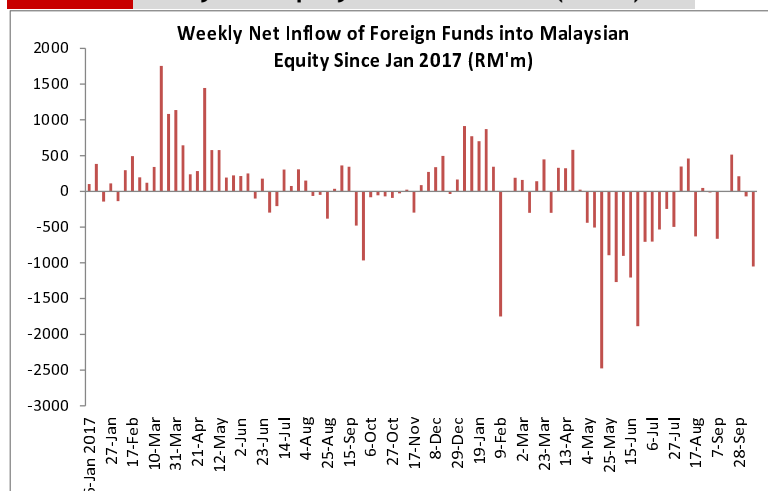
Source: Respective exchange statistics reported on Bloomberg, Bursa Malaysia. These figures are subject to revisions.

C. TRACKING MONEY FLOW - MALAYSIA

- Offshore funds fled Bursa at a rather heightened pace last week.
- Based on preliminary data from Bursa which excluded off market deals, foreign funds withdrew -RM1.05b net of local equities last week, the largest weekly foreign net outflow in 16 weeks. Nevertheless, Malaysia saw the second lowest level of foreign attrition last week amongst the four ASEAN markets we monitor.
- International investors were net sellers on every single day of the week. Monday's foreign net selling of -RM227.2m was of no surprise as investors reacted towards Sunday's announcement of the termination of the MMC-Gamuda's underground work contract for MRT2. The level of foreign net selling then tapered to go below -RM200m on the next two days; Tuesday and Wednesday supported by hopes that the international retendering process of the MRT2 underground works would be reviewed by the government.
- However, Thursday saw chaos as international investors sold -RM327.9m net, the highest in a month after Wall Street suffered its biggest loss in eight months overnight as technology companies remained a drag combined with worries of increasing interest rates. Foreign net selling then was almost halved to -RM173.8m on Friday in tandem with the rebound of the local of bourse by 1.3% following news that President Trump could meet Xi Jinping during the next G20 summit.
- The total foreign net outflow from Malaysia as of last Friday stood higher -RM9.7b, offsetting approximately more than 90% of last year's RM10.3b foreign net inflow. Meanwhile, Malaysia still retains its position as the nation with the second lowest year-to-date foreign net outflow amongst the four ASEAN markets we track.
- Participation amongst foreign investors, local institutional funds and investors in the retail market were strong last week as their weekly average daily traded value were higher than 20% compared to the preceding week.

Chart 5

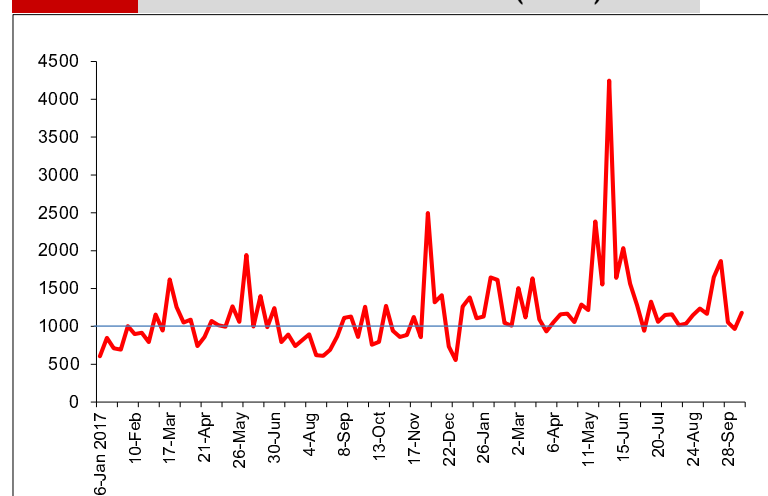
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2017 (RM'm)



Source: Bursa Malaysia preliminary statistics, MIDFR

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)	
SEP 7	2,142.7	2,108.3	34.4	5,423.6	4,794.6	629.0	2,580.3	3,243.7	-663.4	-160.0
SEP 14	1,489.4	1,512.8	-23.4	3,900.5	3,879.7	20.8	2,476.1	2,473.5	2.6	0.7
SEP 21	1,712.5	1,763.3	-50.8	3,810.4	4,274.4	-464.0	3,986.6	3,471.8	514.8	124.5
SEP 28	2,269.6	2,319.4	-49.8	5,339.2	5,501.7	-162.5	2,739.6	2,527.3	212.3	51.3
OCT 5	2,567.3	2,514.6	52.7	5,169.4	5,153.1	16.3	2,383.6	2,452.6	-69.0	-16.6
OCT 12	3,325.2	2,876.9	448.3	6,749.8	6,146.7	603.1	2,428.7	3,480.1	-1,051.4	-253.0

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 12 OCTOBER
TOP 10 NET MONEY INFLOWS

- Tenaga Nasional Berhad registered the highest net money inflow of RM11.02m last week. Its share price underperformed with a -5.44% loss against the FBM KLCI which declined -2.61% 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.
- Top Glove Corporation Berhad recorded the second highest net money inflow of RM7.18m. Its share price was -2.47% lower for the week, outperforming against the market benchmark which was -2.61% lower.
- Public Bank Berhad saw the third highest net money inflow of RM6.95m. Its share price ended unchanged 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	11.02	-18.48	-5.44	BOW
TOP GLOVE	7.18	0.47	2.47	-
PUBLIC BANK	6.95	40.29	0.00	-
DIALOG	6.06	-3.89	-2.91	BOW
SIME DARBY	6.00	-4.10	-1.90	BOW
KL KEPONG	4.66	-1.85	-0.48	BOW
PETDAG	4.30	0.71	0.15	-
AIRASIA GROUP	3.97	1.96	-9.27	BOW
CIMB GROUP	3.01	2.31	-1.49	BOW
HLBK	2.93	-1.43	-0.49	BOW

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- Gamuda Berhad saw the largest net money outflow of -RM17.83m last week. Its stock price lost -26.79%, substantially underperforming vis-à-vis the FBM KLCI which lost -2.61% during the review week. It is notable that the net money outflow amidst advancing share price may indicate a sell on strength (SOS) stance among some investors
- Petronas Chemicals Berhad recorded the second largest net money outflow -RM5.31m during the week under review. Its share price meanwhile declined -1.17% for the week, outperforming the market benchmark which had a -2.61% weekly decline.
- Fraser & Neave Holdings Berhad registered the third largest net money outflow of -RM3.31m in the review week. Its share price meanwhile dropped -4.35% during the week, underperforming the benchmark which had a -2.61% weekly decline.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
GAMUDA	-17.83	-6.61	-26.79	-
PETCHEM	-5.31	-47.52	-1.17	-
F&N	-3.31	-6.51	-4.35	-
TELEKOM	-3.17	1.27	-15.58	-
MAYBANK	-2.96	3.46	-0.83	-
SRB DINAMIK	-2.78	0.87	-2.66	-
PETGAS	-2.67	-8.30	-1.60	-
GENTING BHD	-2.01	0.24	-7.82	-
MRCB	-1.70	0.45	-2.70	-
PPB GROUP	-1.66	-0.26	-0.24	-

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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