

## MIDF EQUITY STRATEGY | 24 SEPTEMBER 2018 WEEK ENDED 21 SEPTEMBER

- Equity markets worldwide remained in the positive zone with an exception of a few amidst a slew of updates on the international trade front which sparked investors' interests.
- The Dow Jones index extended its rally to another all-time high on Friday led by industrials ahead of Monday's major sector reshuffling, posting biggest weekly gain in 2 months. The S&P500 index too will be undergoing a reshuffling where telecoms will be folded into a new sector called communications services.
- Brent crude oil price gained 0.91% for the week to USD78.80pb, supported by signs of tightening U.S crude output via the fall in rig counts that overshadowed concerns that major oil producers were prepared to discuss increasing output at a meeting in Algiers over the weekend.
- International funds made a roaring comeback after two weeks of hesitation as they mopped up an astounding amount of shares in Asian markets. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" accumulated USD2.06b net last week.
- Foreign funds upped the ante on Bursa during the four-day trading week. Based on preliminary data from Bursa which excluded off market deals, international funds acquired RM514.8m net of local equities last week, the largest weekly foreign net inflow recorded in 22 weeks.
- The FBM KLCI inched 0.38% higher for the week to end at 1,810 points. Meanwhile, the Ringgit appreciated by 0.19% to USD/MYR4.1305, a similar magnitude of gains seen in the week before.

## FOREIGN INVESTORS FLOCK INTO ASIAN MARKETS

### A. MARKET SNAPSHOT

- Equity markets worldwide remained in the positive zone with an exception of a few amidst a slew of updates on the international trade front which sparked investors' interests.
- U.S benchmarks experienced a sluggish start to the week due to a sell-off in tech companies on Monday, snapping Wall Street's five-day winning streak following speculations that more tariffs will be slapped on China by the U.S.
- Nonetheless, U.S stocks made their way up the next day as investors shrugged off the latest escalation of trade tensions which saw U.S imposing a 10% tariffs on USD200b of Chinese imports effective September 24 with the rate set to rise to 25% in 2019.
- Wall Street continued to rise on Wednesday as banking stocks surged in tandem with bond yields climbing to the highest level in four months while energy stocks rose along with crude oil price which almost hit the USD80pb mark. The Dow Jones and S&P500 index later rallied to a record close of 26,657 points and 2,931 points respectively on Thursday spurred by signs of easing trade tensions after China is expected to cut import tariffs on majority of trading partners as soon as next month.
- The Dow Jones index extended its rally to another all-time high on Friday led by industrials ahead of Monday's major sector reshuffling, posting biggest weekly gain in 2 months. The S&P500 index too will be undergoing a reshuffling where telecoms will be folded into a new sector called communications services.
- Japan's trade deficit widened further to JPY444.6bn in Aug 2018 from JPY232bn in the previous month mainly driven by surging imports that increased by 15.4%yoy to JPY 7.1tn, more than the 14.9%yoy expected by the market. Similarly, exports also increased by 5.6%yoy for electrical machinery. Among major trading partners, sales to China and the US grew by 12.1%yoy and 5.3%yoy respectively.
- In Europe, the U.K's inflation rate unexpectedly rose to 2.7% last month versus estimates of 2.4%, a level not seen in six months, mainly driven by energy prices. In tandem with global crude oil prices, transport inflation increases strongly by 6.1%yoy, highest since May 2017 which will lead to a continuous uptrend in the U.K's inflationary pressure.
- Brent crude oil price gained 0.91% for the week to USD78.80pb, supported by signs of tightening U.S crude output via the fall in rig counts that overshadowed concerns that major oil producers were prepared to discuss increasing output at a meeting in Algiers over the weekend. Further gains were capped by President Trump's demand for OPEC to reduce oil prices after Saudi officials cited that they are fine with oil prices hitting above the USD80pb mark.

<b>Table 1</b> Weekly performance of major indices		
Weekly % change	Week before	Last week
China CSI 300	-1.08	5.19
Nikkei	3.53	3.36
CAC 40	1.91	2.65
FTSE 100	0.36	2.55
DAX	1.38	2.53
Hang Seng	1.16	2.45
Dow Jones	0.92	2.25
Thai SET	1.94	1.97
FSSTI Index	0.86	1.78
Taiwan TAIEX	0.19	0.96
Korea KOSPI	1.61	0.90
S&P 500	1.16	0.85
Jakarta JCI	1.36	0.45
KLCI	0.26	0.38
Phil PCOMP	-2.44	-0.41
India SENSEX	-0.78	-3.28

Source: Bloomberg

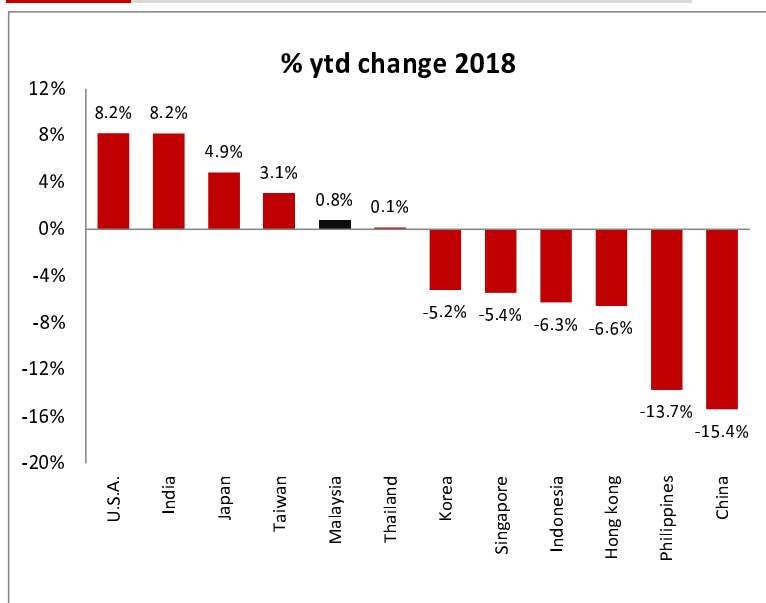
## FUND FLOW REPORT

- The FBM KLCI inched 0.38% higher for the week to end at 1,810 points. Meanwhile, the Ringgit appreciated by 0.19% to USD/MYR4.1305, a similar magnitude of gains seen in the week before.

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

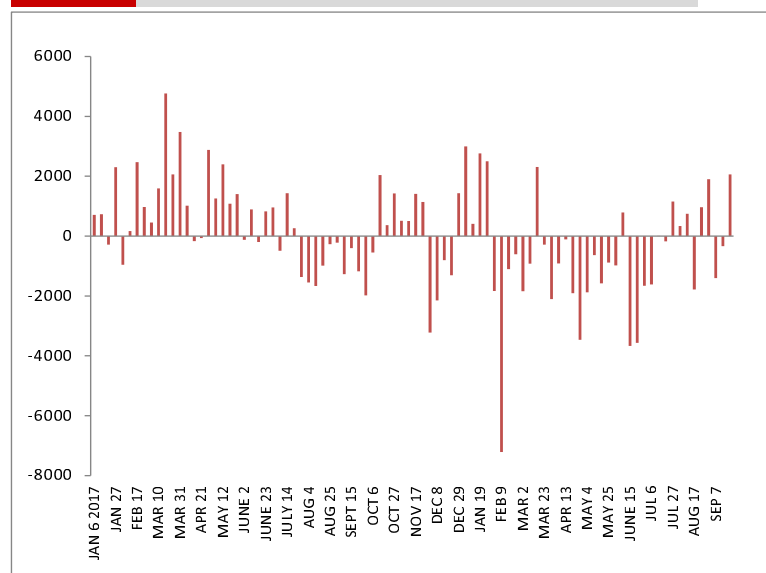
- International funds made a roaring comeback after two weeks of hesitation as they mopped up an astounding amount of shares in Asian markets. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as “foreign” accumulated USD2.06b net last week, the highest weekly foreign net inflow in 27 weeks.
- The bulk of the inflow was skewed towards North Asia. In Korea, international investors transitioned into buyers after two of weeks of selling, accumulating USD1.33b net of equities, the highest in 37 weeks. Foreign funds snapped up USD131.8m net on Monday but was followed by an attrition of -USD67.4m net on Tuesday as optimism stemming from the talk between the two Koreas were weighed down by latest round of global trade tensions between the U.S and China. Nevertheless, foreign funds gradually increased their exposure to a tune of USD214.0m on Wednesday and USD810.3m net on Friday the highest foreign net inflow in a day since 31 May 2018. This saw the KOSPI end 0.68% higher to a 62-day high of 2,339 points. In addition to the waning trade tensions on Friday, Korea’s exports in the first 20 days of September rose 21.6%yoy the most rapid annual growth in a year stoked risk taking in the country’s bourse. The Korean Won followed suit to extend gains for the fourth day on Friday to settle at USD/KRW1,115.68 translating into a 0.10% weekly gain.
- Taiwan saw a foreign net inflow of USD922.8m, the highest in 3 weeks. A marginal foreign net outflow was seen on Monday worth -USD79.7m amidst trade talks between the U.S and China being at risk due to fresh threats from President Trump. Nonetheless, international investors turned net buyers thereafter from Tuesday until the week ended. Friday recorded inflows worth week USD506.2m net, the highest in almost 15 months, coinciding with the Taiex’s advance to 10,972 points, a level not seen in 12 trading days with Formosa Petrochemical being the biggest boost with a 5.8% advance in the wake of a record high on Wall Street overnight.

**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)

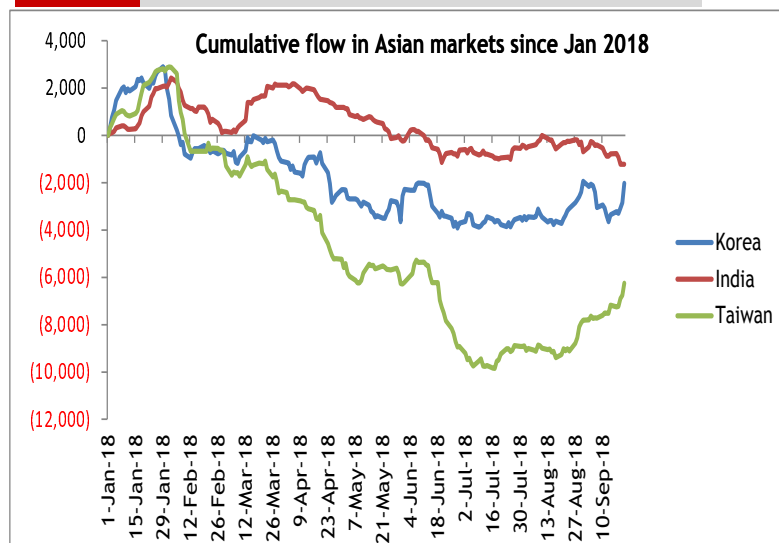


Source: Bloomberg, Bursa Malaysia, MIDFR

<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.

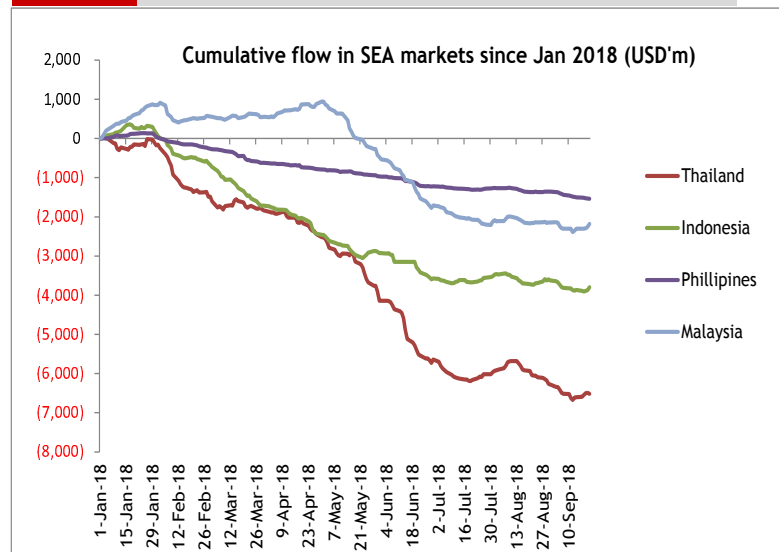
- In the emerging South East Asian markets that we monitor, the majority of markets experienced a weekly foreign net inflow.
- In Bangkok, the 5-week foreign selling streak came to an end as international investors chipped in USD89.4m net last week. Wednesday recorded the highest inflow during the week worth USD49.5m net following the announcement of a merger between Krung Thai Bank with TMB Bank to be finalized in the next two months, boosting shares of TMB Bank as much as 9.7%, the most since July 2010. Meanwhile on the same day, the Bank of Thailand kept its benchmark interest rate unchanged near a record low which was expected, with increasing prospects of a future rate hike amidst a growing vote split between committee members.
- Manila experienced its third straight week of foreign selling albeit at a declining pace. International investors sold -USD31.5m net last week compared to -USD82.6m net in the previous two weeks, stretching the foreign daily selling binge to 17 days as of last Friday, the longest since the period from 16th May-11th June 2018. Foreign selling peaked during the week on Wednesday at -USD11.8m net, impacted by concerns of the Typhoon Ompong pushing prices of agricultural products higher which may compel the nation's central bank to hike rates anew by 50 basis points.
- In Jakarta, foreign investors bought USD68.5m net after 2 weeks of selling. Foreigners sold -USD26.5m net on Monday, coinciding with JCI's 1.80% drop, the steepest since 5 September 2018 and the worst among regional benchmarks as August's trade deficit came in wider than expected at USD1.02b. Notwithstanding this, foreigners entered Jakarta on Friday at a strong pace of USD75.9m net, a level not seen since January with banking stocks such as Bank Mandiri led the nation's lenders higher amidst optimism on the country's economic outlook.

**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
JUL 27	205.2	146.8	118.9	26.4	426.9	352.3	-122.8	1,153.4
AUG 3	118.0	116.9	77.2	16.2	48.8	-123.8	85.9	339.1
AUG 10	-10.9	221.7	-50.4	-1.2	468.6	7.0	112.5	747.1
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	-440.1	922.7	124.5	2,061.7

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

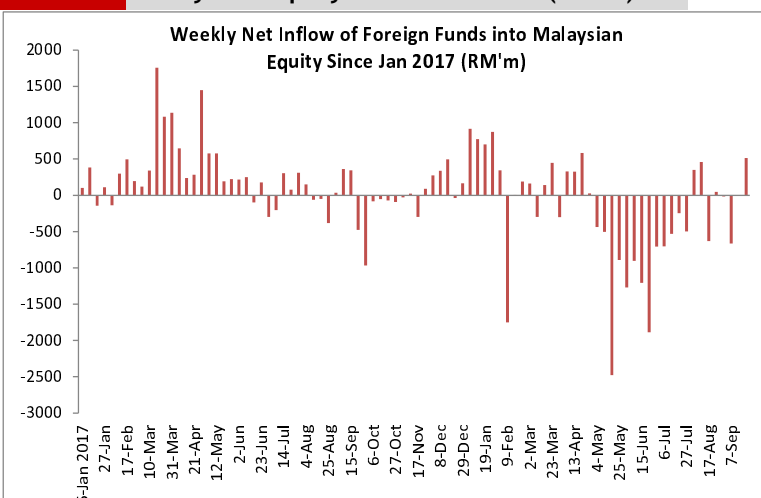
## FUND FLOW REPORT

### C. TRACKING MONEY FLOW - MALAYSIA

- Foreign funds upped the ante on Bursa during the four-day trading week.
- Based on preliminary data from Bursa which excluded off market deals, international funds acquired RM514.8m net of local equities last week, the largest weekly foreign net inflow recorded in 22 weeks. In fact, Malaysia attracted the biggest weekly foreign net inflow amongst the ASEAN markets (Thailand, the Philippines and Indonesia) we monitor.
- A marginal foreign net attrition worth -RM1.1m was seen on Tuesday as sentiment was dampened by President Trump's move to slap a 10% tariff on about USD200b worth of Chinese imports effective from September 24 until January 2019 when the levy is hiked to 25%. As a result, the local bourse lost 0.60% to close below 1,800 on the same day.
- Nevertheless, offshore funds turned net buyers thereafter until the week ended. Foreign investors first bought RM56.5m net on Wednesday followed by RM151.6m net on Thursday. Friday was the highlight of the week as foreign net buying doubled from the day before to RM307.8m net, the largest in a day since 31 July 2018. Risk-on mood that day was driven by Wall Street's rally to a record high overnight combined with Beijing's plan for a broad import tax cut for the majority of its trading partners.
- With 5 more trading days left in September, the month has so far seen a foreign net outflow of -RM146.0m. Meanwhile, the year-to-date foreign net outflow from Bursa as of last Friday stood at -RM8.7b or -USD2.2b, which is still the second lowest foreign outflow amongst the 4 ASEAN markets we monitor.
- Foreign investors were more active than the retail market and local institutions as its weekly average daily traded value (ADTV) was 13.0% higher at RM1.9b, the highest in 14 weeks. Meanwhile the weekly ADTV of the retail market and institutions both declined by more than 10% but still remained above their healthy levels of RM800m and RM2b, respectively.

Chart 5

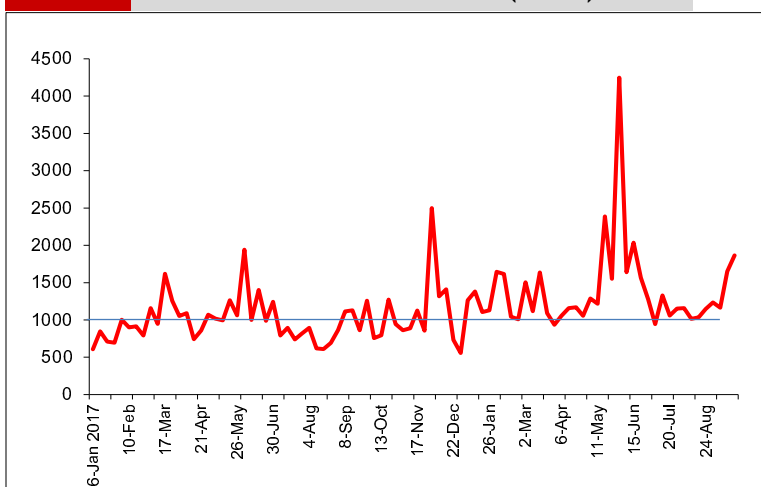
Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2017 (RM'm)



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)	
AUG 17	2,624.4	2,477.9	146.5	5,773.7	5,288.8	484.9	2,275.6	2,907.0	-631.4	-154.0
AUG 24	2,201.2	2,225.0	-23.8	4,630.3	4,653.0	-22.7	2,317.0	2,270.5	46.5	11.3
AUG 31	2,280.2	2,259.1	21.1	5,159.7	5,165.5	-5.8	2,462.7	2,478.0	-15.3	-3.7
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

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 21 SEPTEMBER**
**TOP 10 NET MONEY INFLOWS**

- Digi.com Berhad registered the highest net money inflow of RM18.77m last week. Its share price outperformed with a 1.26% gain against the FBM KLCI which advanced 0.38% during the week under review.
- Petronas Chemicals Berhad recorded the second highest net money inflow of RM11.05m. Its share price was 0.42% higher for the week, outperforming against the market benchmark which was 0.38% higher.
- Tenaga Nasional Berhad saw the third highest net money inflow of RM6.16m. Its share price ended 0.76% lower during the week under review, underperforming the FBM KLCI that was 0.38% higher for the week. 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)	Remark
	Last Week	Prev Week	Last Week	
DIGI.COM	18.77	1.16	1.26	-
PETCHEM	11.05	-8.59	0.42	-
TNB	6.16	-4.51	-0.76	BOW
GENTING BHD	3.71	-12.89	-0.12	BOW
IHH	3.15	-2.60	-0.95	BOW
AIRASIA GROUP	2.33	0.89	-2.56	BOW
SIME DARBY	2.26	4.36	1.16	-
AXIATA GROUP	1.73	2.98	1.52	-
QL RESOURCES	1.48	4.72	4.67	-
UMW HOLDINGS	1.42	0.54	-3.20	BOW

Source: Bloomberg, MIDFR;

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

**TOP 10 NET MONEY OUTFLOWS**

- Public Bank Berhad saw the largest net money outflow of -RM8.70m last week. Its stock price gained 0.48%, outperforming vis-à-vis the FBM KLCI which gained 0.38% 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.
- Sapura Energy Berhad recorded the second largest net money outflow -RM7.47m during the week under review. Its share price meanwhile declined 4.40% for the week, underperforming the market benchmark which had a 0.38% weekly gain.
- Hartalega Holdings Berhad registered the third largest net money outflow of -RM7.24m in the review week. Its share price meanwhile dropped 0.45% during the week, underperforming the benchmark which had a 0.38% weekly gain.

**Table 5** Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
PUBLIC BANK	-8.70	-3.10	0.48	SOS
SAPURA	-7.47	-9.57	-4.40	-
HARTALEGA	-7.24	6.11	-0.45	-
DIALOG	-5.01	5.52	1.71	SOS
GENT MSIA	-3.29	1.62	1.61	SOS
MAYBANK	-3.03	4.63	-1.11	-
PETGAS	-2.34	0.66	1.39	SOS
SDPL	-2.25	-1.14	1.52	SOS
GAMUDA	-1.97	-0.75	-3.51	-
PETDAG	-1.89	-1.29	0.08	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

## DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (23878-X). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein

This document may not be reproduced, distributed or published in any form or for any purpose.



**MIDF RESEARCH** is part of  
MIDF Amanah Investment Bank Berhad (23878 - X)  
(Bank Pelaburan)  
(A Participating Organisation of Bursa Malaysia Securities Berhad)

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