

MALAYSIA EQUITY RESEARCH | 4 July 2016

Week Ended July 1, 2016

- Global equities staged a robust comeback last week, as post-Brexit “flight to safety” sentiment diminished.
- Brexit panic appeared short-lived as central bankers worldwide demonstrating their willingness to conduct more monetary stimulus to cushion the Brexit shock.
- Global equity rally was led by the UK. FTSE100 was the best performer with a remarkable advance of +7.15%. Risk appetite in the UK was boosted with a potential summer rate cut by BoE.
- Brent crude price continued its consolidation mode as global market sentiment recovered from Brexit shock. It increased by +2.6% to USD49.68pb last week.
- Ringgit shrugged off the impact of Brexit, and closed strongly with a +2.3% appreciation to USD/MYR3.998. It was its biggest weekly gain in three months.
- Meanwhile, KLCI advanced by +0.7% to 1646.22points. The index closed 2Q on Thursday at 1654.08.
- The post-Brexit tide-out fear had not materialized in Asia last week.
- Meanwhile, the two-month long foreign selling episode on Bursa has approached its end.
- Foreign outflow from Bursa was almost negligible at -RM1.4m, with foreigners showing buying momentum over the second half of the week.
- In the first half, foreigners effectively had a neutral position on Bursa. Amid all the market upheavals, foreign position on Bursa dipped by a marginal -RM48.6m.

4 July 2016 | Strategy - Weekly Fund Flow

BREXIT FEAR SUBSIDES, FOR THE TIME BEING ...

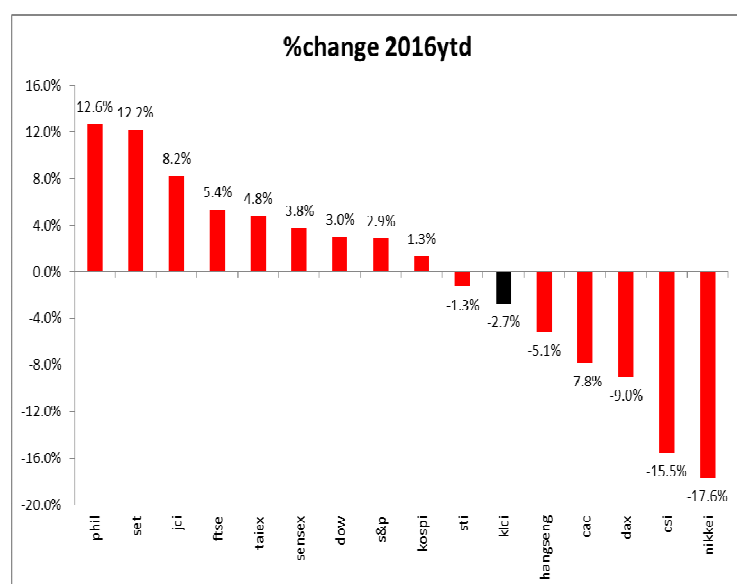
A. MARKET SNAPSHOT

- Global equities staged a robust comeback last week, as post-Brexit “flight to safety” sentiment diminished.
- Brexit panic appeared short-lived as central bankers worldwide have demonstrated their willingness to conduct more monetary stimulus to cushion the Brexit shock.
- Global equity rally was led by the UK. FTSE100 was the best performer across the board by advancing +7.15%, its largest weekly gain in more than four years. Risk appetite in the UK was boosted as BoE’s Governor Mark Carney hinted on a summer rate cut.
- China CSI300 rebounded by +2.5% after three successive weeks of retreat. Apart from the improving global sentiment, CSI300 was also supported by China premier Li Keqiang’s speech during the week. Li dedicated his speech to convincing market of China’s determination in structural reforms, and assured that a hard landing would not happen along the transition. In addition, he appeased market’s concern on recent weakness in RMB by highlighting China’s capacity to maintain a stable yuan. Data-wide, China official manufacturing PMI moderated to 50.0, while that for Caixin dropped to 48.6. However, market was little moved by that as investors expecting the government to respond with additional fiscal stimulus.
- Brent crude price continued its consolidation mode, and advanced by +2.6% to USD49.68pb last week. It started the week in a weak note with a -1.8% fall on Monday, as Brexit fear continued to linger in the market. The fear of an economic slowdown and a strengthening USD had imposed pressure on Brent price. However, Brent price took a quick recovery as Brexit panic eased. The rebound was buttressed by potential supply disruptions in Argentina and Norway due to labor strikes. Market was further buoyed by a higher-than-expected drop of -4.05mb of crude inventory in the US. Brent price subsequently surged by +4.1% over Wednesday night and broke above the USD50pb psychological level.
- Ringgit shrugged off the impact of Brexit last week. It closed strongly with a +2.3% appreciation to USD/MYR3.998, the biggest weekly gain in three months. Ringgit re-gained its strength as traders priced down significantly the probability of Fed hiking rate this year, apart from the consolidating oil price. It managed to strengthen to USD/MYR3.9818 during the week, its highest in two months.
- Meanwhile, KLCI advanced by +0.7% to 1646.22points. The index closed 2Q on Thursday at 1654.08.

Performance of major markets

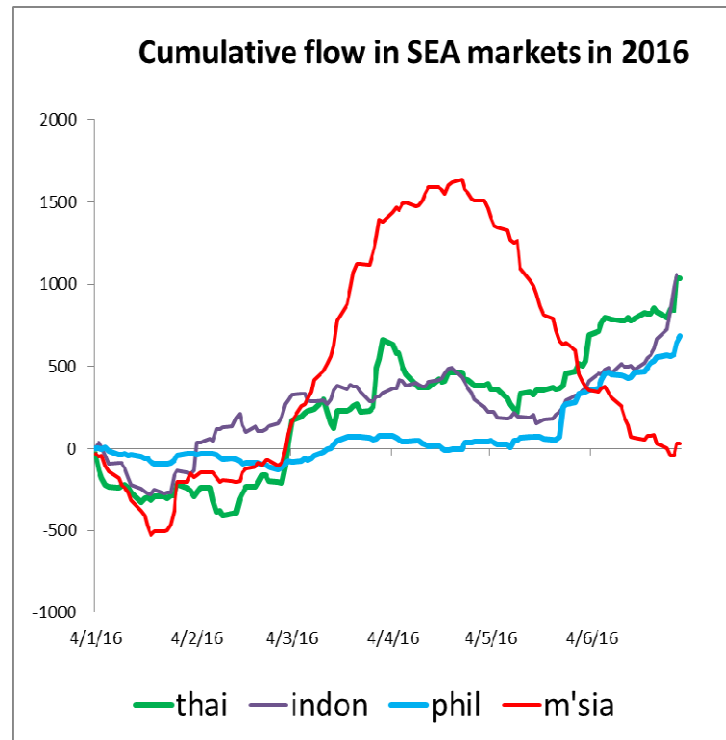
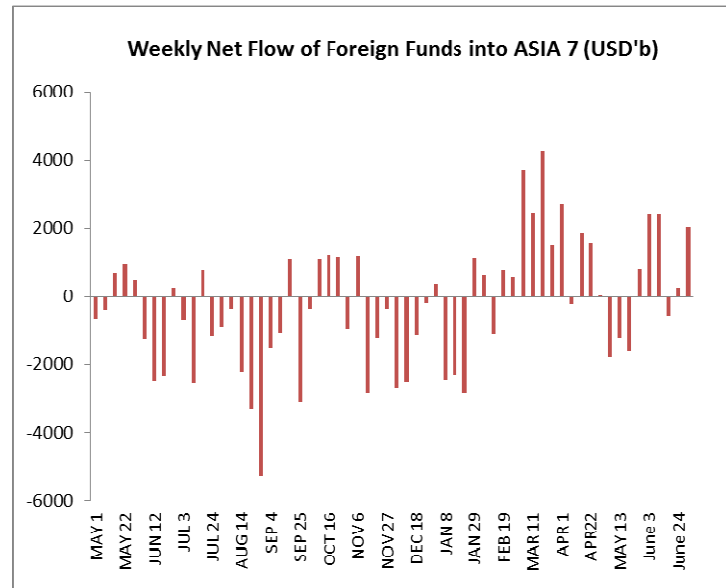
| Weekly % change | Week before | Last week |
|---------------------|-------------|-----------|
| FTSE 100 | 1.95 | 7.15 |
| NIKKEI 225 | -4.15 | 4.89 |
| CAC 40 | -2.08 | 4.07 |
| Straits Times Index | -1.01 | 4.06 |
| KOSPI | -1.44 | 3.22 |
| S&P 500 | -1.63 | 3.22 |
| DOW JONES | -1.55 | 3.15 |
| TAIWAN TAIEX | -1.06 | 3.08 |
| JAKARTA COMPOSITE | -0.01 | 2.83 |
| S&P BSE SENSEX | -0.86 | 2.83 |
| HANG SENG | 0.44 | 2.64 |
| PSEi - PHILIPPINE | 0.10 | 2.63 |
| CSI 300 | -1.07 | 2.50 |
| DAX | -0.77 | 2.29 |
| STOCK EXCH OF THAI | -0.57 | 2.25 |
| FTSE KLCI | 0.61 | 0.74 |

Source: Bloomberg



B. TRACKING MONEY FLOW - ASIA¹

- The post-Brexit tide-out fear had not materialized last week.
- Global investors' dented appetite for emerging markets recovered promptly from their Brexit fear as central bankers pledging to ease further after the vote.
- Investors classified as "foreign" loaded up equities amounted to +USD2.04b, based on provisional data from the respective exchanges in seven Asian markets that we track.
- Foreigners exhibited strong preference to TIPs markets, mopping up +USD778.9m last week. TIPs were favored as they are deemed to be less responsive to global shocks, apart from their promising growth potential.
- Taiwan returned to the radar screen after the panic selloff in prior Friday. Global investors regained their composure from the Brexit shock and loaded up +USD902.1m. Market buying will be enhanced with further easing from the central bank, which decided to cut its benchmark rate by 12.5bp. Meanwhile, Taiwan real economy started to show progress as its manufacturing industry expanded in June after two straight months of contraction. Equity-wise, TSMC was favored in news of an expected 20%qoq growth in its 3Q revenue driven by its processors shipments to Apple Inc.
- Foreigners ended their two successive weeks of selling in Korea by a moderate +USD159.7m purchase. The Brexit fear continued to haunt Korea as market opened the week, with foreigners offloaded -USD444.8m on the first two days. However, selling momentum halted in news of the government's plan to introduce an extra budget of USD8.44b. Foreigners responded favorably to that by loading up +USD604.5m in the second half of the week, with won recording a robust +3.0% appreciation along the way.
- Indonesia was the most preferable market among TIPs, attracting net foreign inflow of +USD449.5m, the strongest figure in more than a year. Foreign buying was potentially prompted by the newly-approved tax amnesty, which is expected to draw USD42.5b back to Indonesia. The substantial money inflow is expected to buoy domestic capital investment, as well as other assets classes.
- Foreigners stepped up their buying in Thailand to +USD204.4m. It was the seventh week of buying in a row, and the longest buying trend thus far this year. Thailand bourse was closed on Friday for holiday. Meanwhile, Philippines received net inflow for the sixth week at +USD125m.



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.

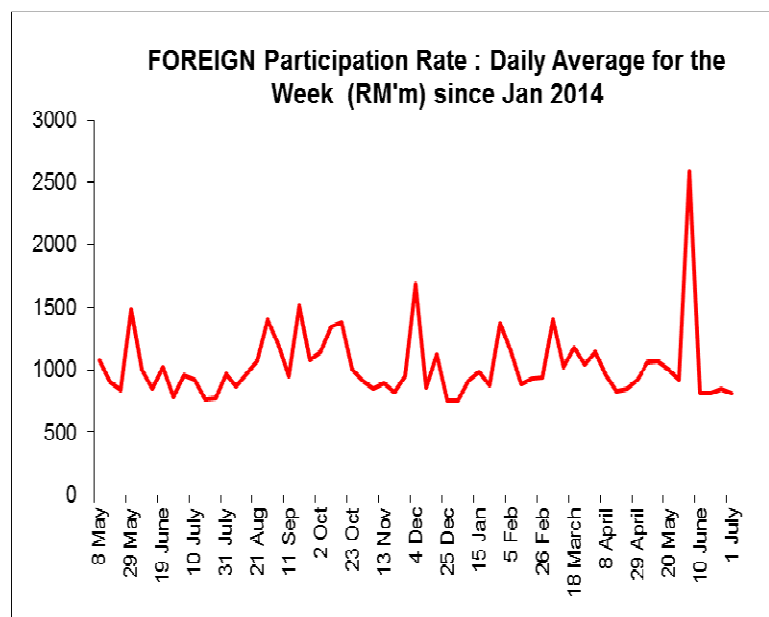
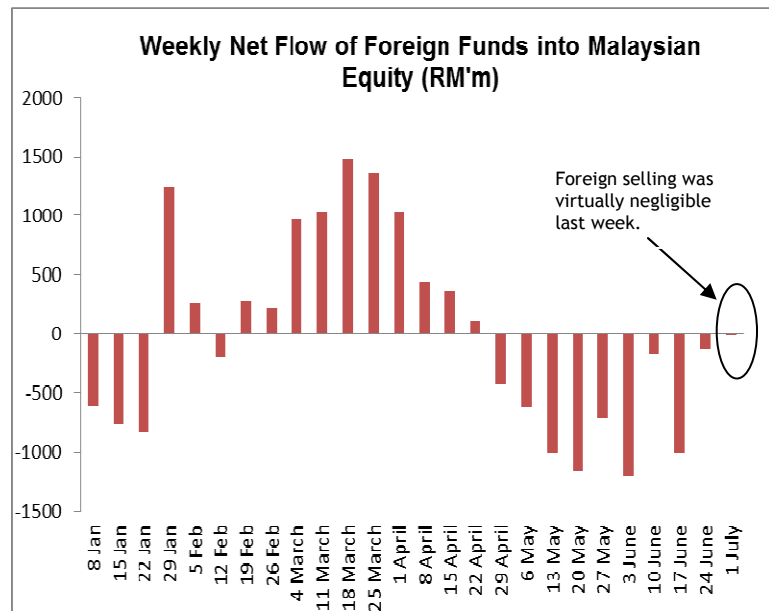
WEEKLY NET FLOW OF FOREIGN FUND INTO EQUITY (USD'm)

| WEEK | KOREA | THAI | INDON | PHIL | INDIA | TAIWAN | MALAYSIA | TOTAL |
|---------|--------|-------|-------|-------|-------|--------|----------|---------|
| May 20 | -190.1 | 27.0 | -29.4 | -5.4 | -47.4 | -561.6 | -789.76 | -1596.6 |
| May 27 | 173.3 | 101.7 | 88.6 | 210.0 | 157.0 | 535.1 | -462.10 | 803.7 |
| June 3 | 478.8 | 232.6 | 117.9 | 84.6 | 441.1 | 1384.6 | -289.34 | 2450.3 |
| June 10 | 852.3 | 98.7 | 122.7 | 100.5 | 244.3 | 1079.2 | -41.84 | 2455.8 |
| June 17 | -365.4 | 3.4 | 11.1 | 10.4 | 19.5 | -26.9 | -246.91 | -594.8 |
| June 24 | -131.3 | 40.6 | 107.8 | 92.7 | -71.6 | 259.5 | -32.40 | 265.1 |
| July 1 | 159.7 | 204.4 | 449.5 | 125.0 | 198.7 | 902.1 | 0.75 | 2040.1 |

Source: Various countries' exchanges, via Bloomberg. These figures are subject to revisions. Aggregated by MIDFR.

C. TRACKING MONEY FLOW - MALAYSIA

- The two-month long foreign selling episode approached its end last week.
- The net amount sold by foreign investors tapered down to a negligible -RM1.4m last week from -RM134.4m the week prior. The estimates are based on transactions in the open market which excluded off market deals.
- We note that foreigners have actually started buying on Bursa during the second half of the week – they were net buyers on Wednesday through Friday.
- While the overall weekly net flow appeared negligible, the daily flows were relatively dynamic.
- Foreigners started the week with caution, possibly due to the overhang Brexit fear. They offloaded -RM312.5m on the first two days. Nevertheless, the sentiment shifted as the week progressed. They turned net buyers on Wednesday, though only with a small buying of +RM14.1m. Nonetheless, momentum built up on the following day as foreigners loaded up a substantial amount of +RM283.5m, their highest daily buying in three months. This single day buying has virtually erased the early week's attrition. Foreign buying was extended into Friday at +RM13.5m.
- In the first half, foreigners effectively had a neutral position on Bursa. Amid all the market upheavals, foreign position on Bursa dipped by a marginal -RM48.6m. Foreigners had offloaded -RM19.5b and -RM6.9b in 2015 and 2014 respectively.
- Foreign participation rate remained moderate last week. It edged down to RM811.7m from prior week's RM853.2m. Their participation rate remained moderate at <RM900m for four consecutive weeks.
- Local institution bought up RM49.5m on Bursa last week. Meanwhile, its participation rate declined to RM1.76b from prior week's RM1.95b.
- Retail buyers continued to be net sellers last week, with a faster pace at -RM48.1m. They sold -RM20.5m the week prior. Meanwhile, their participation rate slowed down to RM463.4m. It was the second lowest level thus far this year.



BURSA MALAYSIA: WEEKLY MARKET PARTICIPATION (RM'm)

| Week | LOCAL RETAIL | | | LOCAL INSTITUTION | | | FOREIGN | | | |
|---------|--------------|---------|----------|-------------------|---------|----------|---------|---------|----------|------------|
| | BOUGHT | SOLD | NET (RM) | BOUGHT | SOLD | NET (RM) | BOUGHT | SOLD | NET (RM) | NET (USD)* |
| May 20 | 1448.70 | 1469.90 | -21.20 | 5475.70 | 4296.30 | 1179.40 | 1923.70 | 3081.90 | -1158.20 | -285.82 |
| May 27 | 1532.80 | 1502.40 | 30.40 | 4896.90 | 4217.90 | 679.00 | 1963.10 | 2672.50 | -709.40 | -172.76 |
| June 3 | 1337.60 | 1338.20 | -0.60 | 6110.60 | 4914.00 | 1196.60 | 5865.70 | 7061.70 | -1196.00 | -289.34 |
| June 10 | 1395.90 | 1446.00 | -50.10 | 4922.40 | 4702.40 | 220.00 | 1939.90 | 2109.80 | -169.90 | -41.84 |
| June 17 | 1326.00 | 1112.90 | 213.10 | 4399.20 | 3600.10 | 799.10 | 1524.70 | 2536.90 | -1012.20 | -246.91 |
| June 24 | 1051.50 | 1072.00 | -20.50 | 3968.00 | 3813.20 | 154.80 | 1639.30 | 1773.60 | -134.30 | -32.40 |
| July 1 | 1134.40 | 1182.50 | -48.10 | 4422.80 | 4373.30 | 49.50 | 2028.50 | 2029.90 | -1.40 | 0.75 |

* Estimate by MIDF Research based on prevailing exchange rate.

Source: Bursa's preliminary data

TOP 100 STOCKS: MONEY FLOW

TOP 10 NET MONEY INFLOWS

- Malayan Banking registered the highest net money inflow of RM10.66m last week. However, its share price slightly underperformed the market as it ended unchanged during the week under review while the FBM KLCI inched higher by 0.74%.
- CIMB Group Holdings came in second with RM7.41m net inflow but its share price ended unchanged during the review week despite a slight gain in the broader market. Pursuant to its recent 15-year tie-up with Sampo Japan Nipponkoa, one of the largest bancassurance in Japan, CIMB is expected to earn revenue of RM1b in the first 5 years.
- Bumi Armada recorded the third highest net money inflow of RM5.11m. Its share price wildly outperformed as it jumped 6.57% during the review week. It is notable that its share price was depressed earlier on due to a substantial shareholder disposing of nearly 69m shares from late May to early June, cutting its stake in the company to 5.4%.

TOP 10 NET MONEY OUTFLOWS

- Public Bank saw the largest net money outflow of -RM27.76m during the review week. However, its stock price slightly outperformed the FBM KLCI as it ended the week higher by 1.04% against a 0.74% gain in the market benchmark. It is notable that net money outflow amidst advancing share price indicates a sell on strength (SOS) stance among some investors.
- Tenaga Nasional came in second last week with a net outflow of -RM25.96m. Its share price underperformed the market benchmark with a 0.29% weekly gain which may nonetheless attract a SOS stance among some investors.
- Telekom Malaysia registered the third largest net money outflow at -RM9.97m in the review week. Accordingly, its share price underperformed as it ended -0.73% lower during the week under review.



Tables below list the Top 10 Net Money Inflows and Net Money Outflows for the week ended 1 July 2016 among the largest 100 market capitalized stocks on Bursa Malaysia.

| Name | Net Money Flow (RM mn) | | Price (% Chg) | Remark |
|-------------|------------------------|-----------|---------------|--------|
| | Last Week | Prev Week | Last Week | |
| MAYBANK | 10.66 | 2.55 | 0.00 | - |
| CIMB | 7.41 | 1.05 | 0.00 | - |
| BUMI ARMADA | 5.11 | 2.46 | 6.57 | - |
| LAFARGE | 4.73 | -0.06 | -2.00 | BOW |
| TOP GLOVE | 4.01 | 2.95 | -0.86 | BOW |
| KL KEPONG | 3.54 | 7.36 | 0.78 | - |
| GENTING | 3.07 | -2.11 | 1.65 | - |
| KOSSAN | 2.77 | 0.54 | 3.03 | - |
| DIALOG | 2.28 | 1.12 | -1.29 | BOW |
| MY EG | 1.90 | 2.09 | -0.52 | BOW |

Source: Bloomberg, MIDFR;

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

| Name | Net Money Flow (RM mn) | | Price (% Chg) | Remark |
|---------------|------------------------|-----------|---------------|--------|
| | Last Week | Prev Week | Last Week | |
| PUBLIC BANK | -27.76 | 1.84 | 1.04 | SOS |
| TNB | -25.96 | 31.88 | 0.29 | SOS |
| TELEKOM M'SIA | -9.97 | -9.88 | -0.73 | - |
| AIRASIA | -8.40 | 5.09 | -1.15 | - |
| DIGI.COM | -6.12 | -10.45 | -0.42 | - |
| WESTPORTS | -3.90 | 2.69 | -1.64 | - |
| MAHB | -3.61 | -0.43 | -2.67 | - |
| IJM CORP | -3.11 | -1.49 | 0.58 | SOS |
| SIME DARBY | -2.74 | 6.88 | 1.47 | SOS |
| BAT | -2.57 | 3.74 | 2.94 | SOS |

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

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

DISCLOSURES AND 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 AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

| | |
|--------------|--|
| BUY | Total return is expected to be >15% over the next 12 months. |
| TRADING BUY | Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow. |
| NEUTRAL | Total return is expected to be between -15% and +15% over the next 12 months. |
| SELL | <i>Negative</i> total return is expected to be -15% over the next 12 months. |
| TRADING SELL | Stock price is expected to <i>fall</i> by >15% within 3-months after a Trading Sell rating has been assigned due to negative newsflow. |

SECTOR RECOMMENDATIONS

| | |
|----------|--|
| POSITIVE | The sector is expected to outperform the overall market over the next 12 months. |
| NEUTRAL | The sector is to perform in line with the overall market over the next 12 months. |
| NEGATIVE | The sector is expected to underperform the overall market over the next 12 months. |