

MALAYSIA EQUITY RESEARCH | 27 June 2016

Week Ended June 24, 2016

- It was a roller coaster ride for global equities last week.
- Markets were rallying early in the week amid optimism on a prevailing “Remain” vote, but end with a sharp decline on Friday as a “Brexit” vote prevailed.
- Nikkei225 was heavily sold due to a sharp appreciation of yen as investors sought havens. Surprisingly, the UK market managed to close the week with a +1.95% gain, benefiting from its early week’s rally.
- Brent price remained resilient despite Brexit. It declined by -1.55% to USD48.41pb.
- Meanwhile, Ringgit managed to advance by +0.2% to USD/RM4.09 amid Brexit turbulence.
- KLCI advanced by +0.6% to 1634.05points. The impact of Brexit on KLCI is expected to be milder as foreign holdings have already dropped substantially since the end of April.
- Brexit is expected to unleash a new wave of exodus from Asian equity. The weekly aggregate numbers have yet to reflect this, but there was significant selldown on Friday.
- Despite Brexit, foreign selling on Bursa was marginal last week at -RM134.3m. This is attributable to the fact that foreigners have been selling for the ninth consecutive week.
- As of last Friday, year-to-date cumulative net foreign fund flow into shares listed on Bursa has dipped into the negative territory for the first time since 26th February this year. Last week’s foreign withdrawal has reduced the cumulative flow to an estimated -RM33.7m.

27 June 2016 | Strategy - Weekly Fund Flow

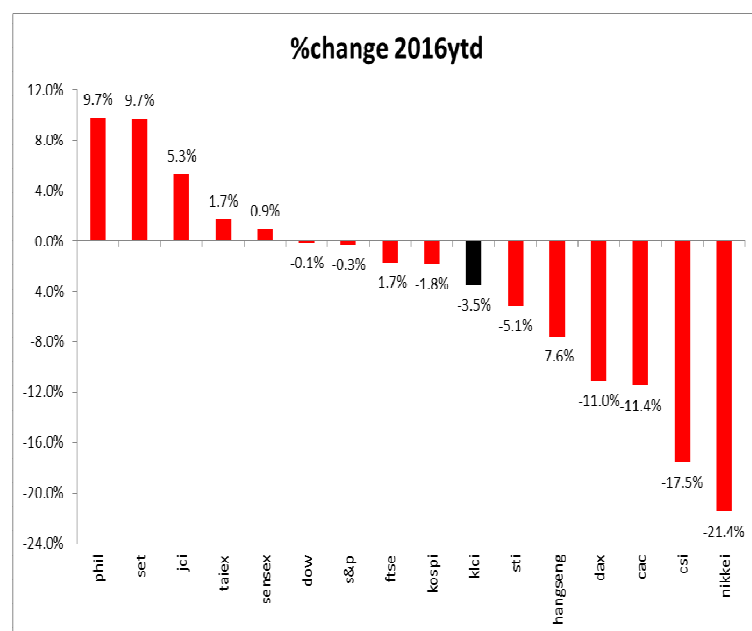
BREXIT TRIGGERS FLIGHT TO SAFETY

A. MARKET SNAPSHOT

- It was a roller coaster ride for global equities last week.
- Markets were rallying as the week began amid optimism of a prevailing “Remain” vote. European major equity indices, such as FTSE100, DAX and CAC40, had all rallied at >+4.0% as of their Wednesday closing.
- Nevertheless, the earlier gains were harshly erased as market got stunned by an unexpected “Brexit” vote on Friday. Risk-off mode was suddenly turned on, culminating in a worldwide plunge of equity prices.
- Nikkei225 was heavily sold due to a sharp appreciation of yen as investors sought havens. Surprisingly, the UK market managed to close the week with a +1.95% gain, benefiting from its early week’s rally.
- China CSI300 was not shielded from the market meltdown. It fell for the third consecutive week by -1.07% to 3077.16points. China market was in general lacking bullish catalyst last week. Apart from Brexit, investors were concerned by the potentially overheating housing market. China house prices have increased by +6.9%yoy in May. It was the eighth consecutive month of gain and the fastest pace since March 2014. The fear of a housing bubble resembling that of US in 2007/08 has arguably discouraged investors from active trading.
- Brent price remained resilient despite Brexit. It declined by -1.55% to USD48.41pb. Early in the week, market was supported by comments from Saudi Arabia’s new energy minister that the oversupply issue of oil has vanished. This technically ruled out the possibility of Saudi Arabia ramping up its production amid the elevated oil price. Brent subsequently rallied by +3.2% as traders pricing in the bullish news. Nevertheless, the price dropped by -4.0% later on due to a smaller than expected decline in US crude inventory and a rising US oil rig count. Brent was further hit by a heavy pullback of -7.0% on Friday amid the Brexit turmoil, as traders feared a slowdown in trade and global economic growth.
- Despite the Brexit turbulence, Ringgit remained resilient by a +0.2% appreciation to USD/RM4.09 last week. It was strong against the greenback early in the week, buoyed by a strong oil price and a boosted market risk appetite. It broke below USD/RM4.00 on Friday morning, the first time since 4th of May this year. However, the weekly gain was abruptly narrowed by a steep -3.9% decline after Brexit.
- Meanwhile, KLCI advanced by +0.6% to 1634.05points. The impact of Brexit on KLCI is expected to be milder as foreign holdings have already dropped substantially since the end of April.

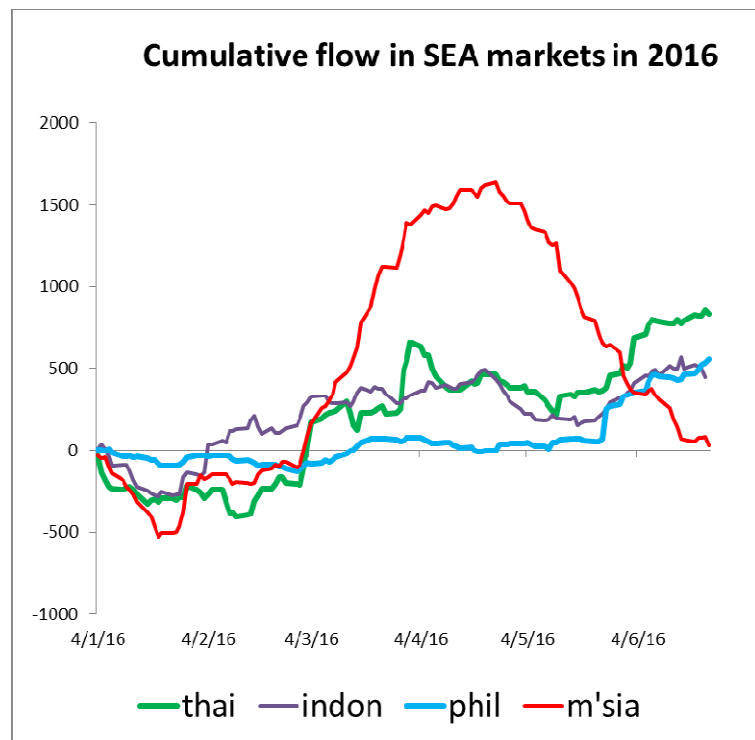
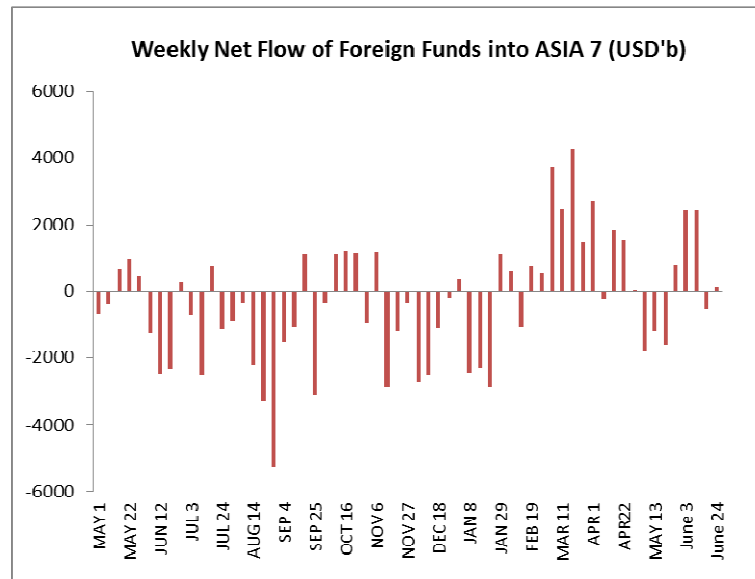
Performance of major markets		
Weekly % change	Week before	Last week
FTSE 100	-1.55	1.95
FTSE KLCI	-1.04	0.61
HANG SENG INDEX	-4.15	0.44
PSEi - PHILIPPINE	1.49	0.10
JAKARTA COMPOSITE	-0.27	-0.01
STOCK EXCH OF THAI	-0.55	-0.57
DAX	-2.07	-0.77
S&P BSE SENSEX	-0.04	-0.86
Straits Times Index	-2.11	-1.01
TAIWAN TAIEX	-1.69	-1.06
CSI 300	-1.70	-1.07
KOSPI	-3.18	-1.44
DOW JONES	-1.06	-1.55
S&P 500	-1.19	-1.63
CAC 40	-2.62	-2.08
NIKKEI 225	-6.03	-4.15

Source: Bloomberg



B. TRACKING MONEY FLOW - ASIA¹

- Brexit is expected to unleash a new wave of exodus from Asian equity. The weekly aggregate numbers have yet to reflect this, but there was significant sell-down on Friday.
- For the week, investors classified as “foreign” were still net buyers, albeit marginally, amounted to +USD126.2m, based on provisional data from the respective exchanges in seven Asian markets that we track. However, on Friday, foreigners were scrambling for the exit door in most markets.
- There was massive selling in Taiwan on Friday where a heavy -USD411.8m foreign attrition was recorded. This partly offset the significant inflow in the days before. Prior to Friday, Taiwan equity returned into the radar screen of international investors, in tandem with the improvement in risk appetite. Global investors were increasingly optimistic of a “Bremain”, and Taiwan equities were favoured due to its relatively cheap valuation. Hon Hai Precision was arguably the buying target amid news of Taiwan’s May industrial production, which increased, for the first time in 13 months. The surge, according to the officials, was a reflection of growing orders of semiconductor parts overseas.
- Meanwhile, Korea continued to see foreign attrition for the second week at -USD131.3m. Korea market started the week in a positive note as foreigners loaded up +USD62.7m. Nevertheless, heavy attrition was seen on Tuesday at -USD152.7m. Foreigners seemed to turn cautious as the restructuring on indebted companies rolled out. Local economy started to feel the jitters as unemployment in the affected areas edging above the national average. In addition, Korea’s weak producer price index of -3.1%yoy in May has raised doubt on a recovery in its exports any time soon.
- Foreigners turned net sellers on Indonesian market after four successive weeks of buying. Prior to Brexit, geopolitical tensions appeared to be the main selling catalyst. Indonesia was involved in conflicts with its major trade partner China regarding its territorial waters over the week.
- There was moderate selling in Thailand on Friday, but for the week, foreigners remained net buyers in Thailand, the sixth week in a row. It was the longest buying trend thus far this year. Meanwhile, Philippines received net inflow for the fifth week at +USD92.7m.



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.

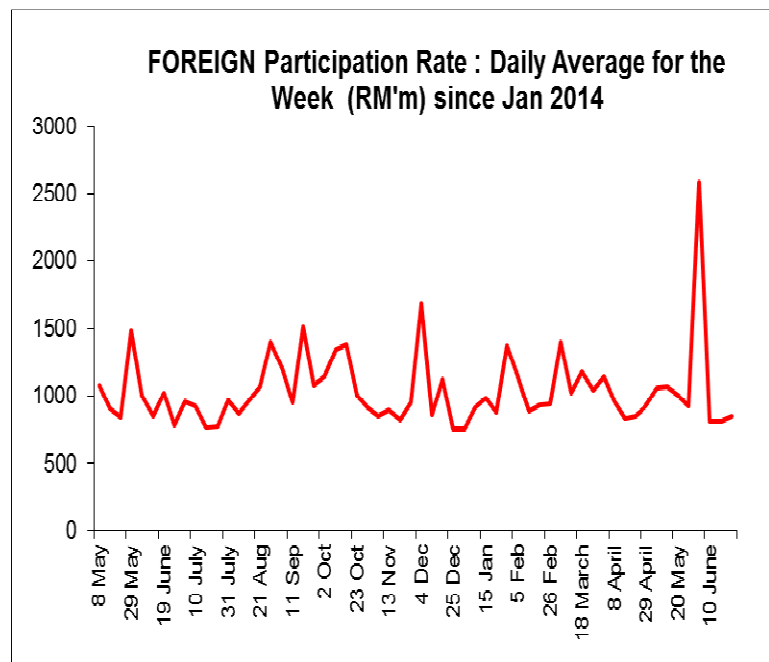
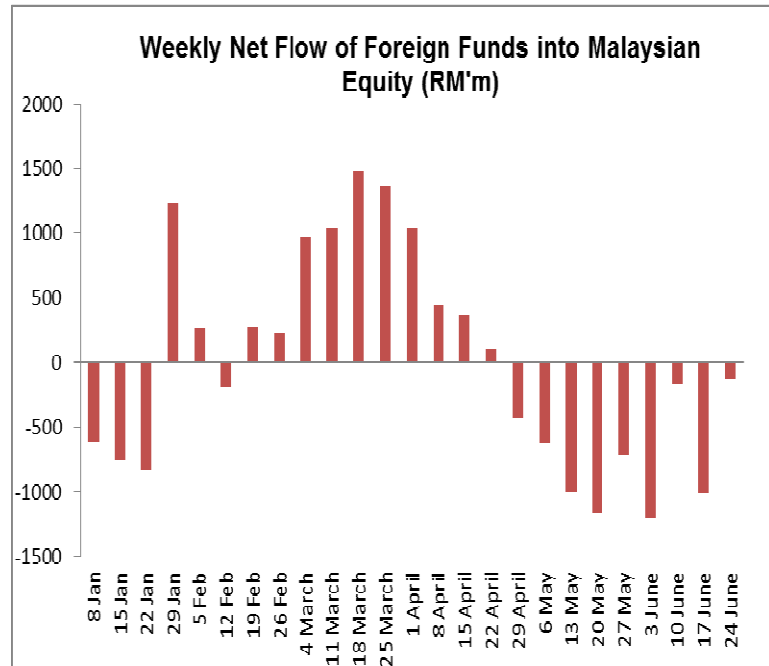
WEEKLY NET FLOW OF FOREIGN FUND INTO EQUITY (USD'm)

WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
May 13	-132.1	-28.1	-31.9	39.1	301.0	-1098.1	-248.92	-1199.1
May 20	-190.1	27.0	-29.4	-5.4	55.3	-561.6	-285.82	-989.9
May 27	173.3	101.7	88.6	210.0	58.9	535.1	-172.76	994.9
June 3	478.8	232.6	117.9	84.6	201.4	1384.6	-289.34	2210.6
June 10	852.3	98.7	122.7	100.5	211.5	1079.2	-41.84	2423.0
June 17	-365.4	3.4	74.0	10.4	11.5	-26.9	-246.91	-539.9
June 24	-131.3	40.6	-116.1	92.7	13.3	259.5	-32.40	126.2

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

C. TRACKING MONEY FLOW - MALAYSIA

- Despite Brexit, foreign selling on Bursa was marginal last week. This is attributable to the fact that foreigners have been selling for the ninth consecutive week.
- The net amount offloaded by foreign investors declined substantially to only -RM134.3m last week from -RM1,012.2m the week prior. It was the lowest outflow in ninth weeks. The estimates are based on transactions in the open market which excluded off market deals.
- Bursa was closed on Wednesday for holiday. Foreigners were net sellers on two out of four trading days last week.
- The week opened on a weak note, as there was spillover selling from the preceding Friday. However, foreigners turned net buyers on Tuesday mopping up +RM97.3m. It was the highest daily purchase since 21st April this year. Foreigners continued to buy on Thursday, after the break.
- Nonetheless, the buying momentum halted on Friday amid the Brexit shock with a heavy attrition of -RM216.8m.
- As of last Friday, year-to-date cumulative net foreign fund flow into shares listed on Bursa has dipped into the negative territory for the first time since 26th February this year. Last week's foreign withdrawal has reduced the cumulative flow to an estimated -RM33.7m. Foreigners had offloaded -RM19.5b and -RM6.9b in 2015 and 2014 respectively.
- Foreign participation rate remained moderate last week. It edged up to RM853.2m, up +5.0% from prior week. Excluding off the outlier data point three weeks ago due to foreigners' mid-year portfolio rebalancing, their participation rate has remained subdued at <RM1b for four consecutive weeks.
- Local institution provided support to the market by loading up RM154.8m on Bursa last week. Meanwhile, its participation rate rose by +RM345.4m to RM1.95b from prior week's RM1.6b.
- Retail buyers turned net sellers last week after an active buying of +RM213.1m the week prior. They offloaded equities amounted to -RM20.5m. Meanwhile, their participation rate has improved by +8.8% to RM530.9m.



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 13	1741.10	1640.90	100.20	6202.20	5298.40	903.80	2162.80	3166.80	-1004.00	-248.92
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

* Estimate by MIDF Research based on prevailing exchange rate.

Source: Bursa's preliminary data

TOP 100 STOCKS: MONEY FLOW

TOP 10 NET MONEY INFLOWS

- Tenaga Nasional registered the highest net money inflow of RM31.88m last week. However, its share price slightly underperformed the market benchmark with a 0.14% weekly rise. In comparison, the FBM KLCI ended higher by 0.61% during the week under review.
- KL Kepong came in second with RM7.36m net inflow. Its share price nonetheless ended lower during the review week despite a slight gain in the broader market. It must be highlighted that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.
- Sime Darby recorded the third highest net money inflow of RM6.88m. Its share price however underperformed as it retreated -0.27% during the review week which may indicate a BOW stance among some investors. It is noteworthy that its share price is trading at PBV of close to 1x hence could be ripe for bottom picking. In a statement pursuant to the Brexit decision, Sime Darby said the results of the referendum to exit the EU will not impact the viability of the Battersea Power Station project.

TOP 10 NET MONEY OUTFLOWS

- Digi.com saw the largest net money outflow of -RM10.45m during the review week. However, its stock price clearly outperformed the FBM KLCI as it ended the week higher by 3.23% against a mere 0.61% 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 investor.
- Telekom Malaysia came in second last week with a net outflow of -RM9.88m. Its share price nonetheless outperformed the market benchmark with a 1.04% weekly gain which may attract a SOS stance among some investor.
- KLCCP Stapled registered the third largest net money outflow at -RM3.86m in the review week. Nonetheless, its share price also outperformed as it ended 1.90% higher during the week under review which may similarly attract a SOS stance among some investor.



Tables below list the Top 10 Net Money Inflows and Net Money Outflows for the week ended 24 June 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	
TNB	31.88	13.79	0.14	-
KL KEPONG	7.36	11.91	-0.69	BOW
SIME DARBY	6.88	-0.49	-0.27	BOW
HAP SENG CONS	6.49	-3.34	2.38	-
AIRASIA	5.09	4.62	2.35	-
SAPURAKENCANA	5.01	7.95	-4.26	BOW
IHH HEALTH	4.46	-0.17	4.69	-
BAT	3.74	0.65	1.39	-
TOP GLOVE	2.95	3.13	-2.32	BOW
WESTPORTS	2.69	0.76	0.00	-

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	
DIGI.COM	-10.45	-5.07	3.23	SOS
TELEKOM M'SIA	-9.88	-6.63	1.04	SOS
KLCCP	-3.86	-1.65	1.90	SOS
GAMUDA	-2.22	-1.40	2.55	SOS
GENTING	-2.11	-0.47	-2.23	-
QL RES	-2.03	0.16	1.37	SOS
FGV	-1.83	1.13	-1.32	-
PETRO GAS	-1.74	21.72	0.75	SOS
IJM CORP	-1.49	-0.80	-0.29	-
MISC	-1.48	0.87	-0.67	-

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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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.