

MALAYSIA EQUITY RESEARCH | 30 May 2016

Week Ended May 27, 2016

- It was all green across the board for global equity markets except for China.
- Global investors' appetite for equity appeared to have picked up gradually following positive economic data among major economies.
- The Brent crude oil price advanced by 1.2% to USD49.32pb. It surged above USD50pb for the first time this year during the week.
- The Ringgit appreciated marginally by 0.1% to USD4.08 against the greenback.
- Meanwhile, KLCI advanced by 0.5% to 1637.19points, narrowing its year-to-date loss to -3.3%.
- Global liquidity flew back to Asia after three consecutive weeks of outflows.
- Taiwan shifted back into the radar screen after four straight weeks of attrition.
- Foreign selling on Bursa continued for the fifth consecutive week, but at a slightly smaller magnitude.
- The net amount offloaded by foreign investors edged down to -RM709m from -RM1,158m the week prior.
- As of Friday, foreign investors had been selling in 21 out of 23 straight days.
- Last week's foreign withdrawal further reduced the cumulative net foreign inflow thus far this year into Bursa to an estimated +RM2.48b, down from prior week +RM3.19b.

30 May 2016 | Strategy - Weekly Fund Flow

THE TIDE OUT IS RECEDING

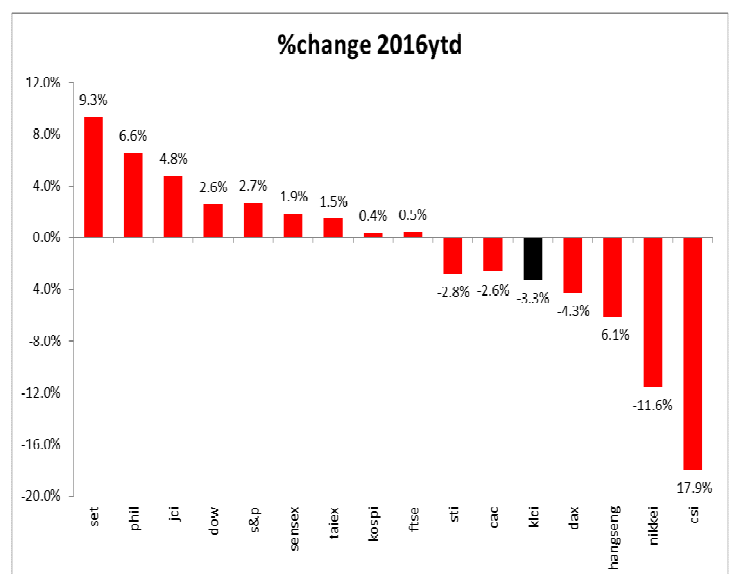
A. MARKET SNAPSHOT

- It was all green across the board for global equity markets except for China.
- Global investors' appetite for equity appeared to have picked up gradually following positive economic data among major economies. US April new-home sales figure came out as the strongest in more than eight years. Meanwhile, German business sentiment was at its most optimistic level thus far this year.
- The Brent crude oil price advanced by 1.2% last week to USD49.32pb. Brent started the week in a weak note with an -USD1pb retreat on Monday. Downward pressure piled up as the transitory supply disruptions buoying oil prices in the past two weeks subsided. While disruption in Nigeria persists, Canada oil producers have planned to resume their production after the wildfires. Nonetheless, oil price took a turn on Tuesday evening in the run-up to the release of EIA's US crude inventory data, with market seemingly pricing in their bullish sentiment in advance. EIA's data turned out more than delivered market's expectation, with an inventory decline of -4.23mb, which was 1.78mb more than market consensus. The Brent subsequently surged through USD50pb on Thursday morning for the first time this year.
- China CSI300 Index retreated marginally by -0.5% to 3062.50points. Downward pressure emerged early the week when a string of private indicators pointed to a tepid China economy in May. This resonated with the central government's recent conviction of curbing the ballooning debt level which had buoyed the economy in recent time. The index fell by -1.1% on Tuesday morning. In addition, the PBOC on Wednesday weakened its yuan fixing to the lowest level since March 2011. The market subsequently embarked on a downtrend stretching into Thursday morning. Despite that, the index remained range-bound, hovering around 3020 and 3100points. This was possibly due to intervention by the "national investment team" to stabilize the market in the run-up to MSCI's June decision on China's inclusion in the benchmark.
- The Ringgit appreciated marginally by 0.1% to USD4.08 against the greenback. The correlation between the oil price and Ringgit remained significant. Driven by a weakening oil price early the week, coupled with the rising concern of a Fed's June rate hike, the Ringgit retreated to RM4.121 on Tuesday night. However, it rebounded to <RM4.10 later on with the strengthening oil price.
- Meanwhile, KLCI advanced by 0.5% to 1637.19points. It has narrowed its year-to-date loss by 0.5% to -3.3%.

Performance of major markets

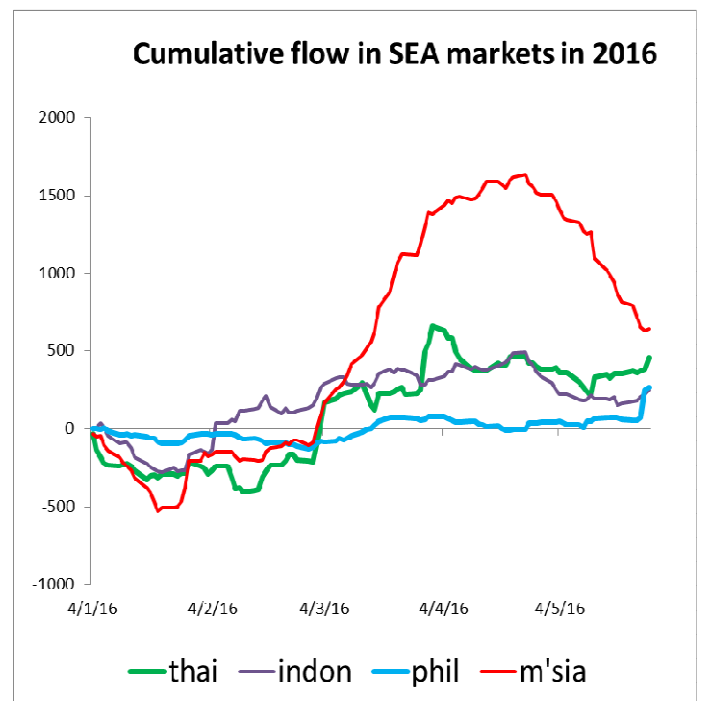
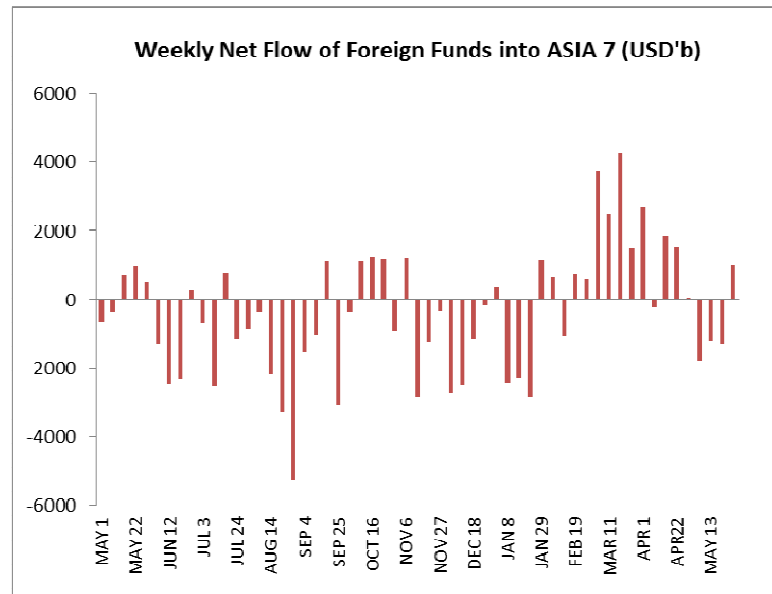
Weekly % change	Week before	Last week
BSE SENSEX	-0.74	5.34
TAIWAN TAIEX	0.96	4.09
DAX	-0.37	3.73
CAC 40	0.78	3.69
HANG SENG	0.67	3.65
S&P 500	0.28	2.28
JAKARTA COMPOSITE	-1.05	2.18
DOW JONES	-0.20	2.13
STOCK EXCH OF THAI	-0.63	1.93
FTSE 100	0.29	1.86
PSEi - PHILIPPINE SE	-1.85	1.54
Straits Times Index	1.06	1.40
KOSPI	-0.98	1.10
NIKKEI 225	1.97	0.59
FTSE KLCI	0.03	0.52
CSI 300	0.11	-0.51

Source: Bloomberg



B. TRACKING MONEY FLOW - ASIA¹

- Global liquidity flew back to Asia after three consecutive weeks of outflows.
- Based on provisional data from the respective exchanges in seven Asian markets that we track, investors classified as “foreign” bought equities amounted to USD0.99b.
- Taiwan shifted back into the radar screen after four consecutive weeks of net foreign selling. Foreigners have added USD535m to their holding in Taiwan market last week. The fear of economic retaliation from China has seemingly cooled down with the end of Tsai Ing-wen inauguration speech. While no acknowledgement of the “1992 Consensus” was made, the President’s pledge to seek peace with China has alleviated the concerns of rising diplomatic tensions between both sides in the meantime. Equity-wise, technology shares were appealing to investors. TSMC and Hon Hai Precision were among the main buying targets, after the leak of the news that Apple Inc. has ordered 78m iPhone7 units from its Taiwanese suppliers.
- Philippines registered its highest foreign inflow in more than one year at USD210m. The biggest inflow took place on Thursday at USD180m. The public’s fervor on the newly-elected crime-busting president Duterte continued to be the catalyst for foreign buying. Duterte has vowed to spread the prosperity seen in Manila to different regions of Philippines through the set-up of economic zones.
- Korea reversed its two-week attrition trend by attracting USD173m of inflow. Korea’s export is expected to pick up as the economy of its second largest trade partner US appeared to have gained traction. The won recorded its first weekly appreciation in one month by advancing 0.9%.
- Foreign buyers purchased USD89m of equities in Indonesia, their first net purchase in four weeks. Astra International was the main buying target. Its automotive division was favored by investors as Indonesia’s April auto sales increased by 3.8%yoy for the first time in 19 months.
- Foreigners continued to build up their exposure in Thailand at a faster rate at USD102m. Meanwhile, India market attracted inflow of USD59m last week.



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.

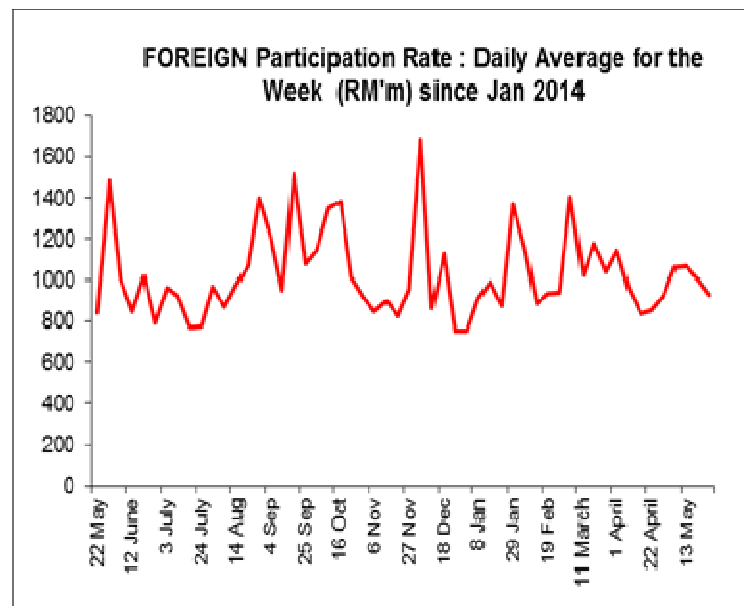
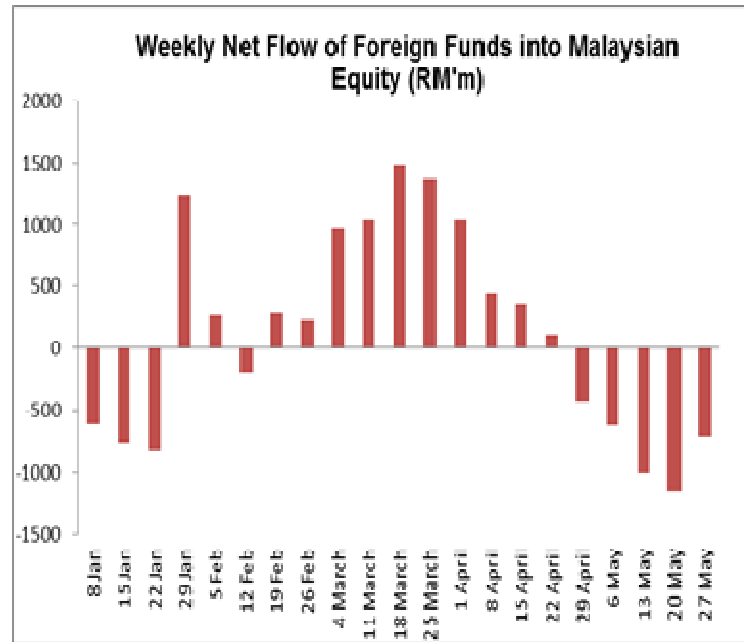
WEEKLY NET FLOW OF FOREIGN FUND INTO EQUITY (USD'm)

WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
APR15	724.3	-78.0	-34.8	-27.4	199.4	983.5	93.16	1860.1
APR22	625.8	89.8	106.8	-20.4	326.0	397.6	27.37	1552.9
APR29	258.8	-77.8	-147.6	47.2	220.8	-156.2	-109.99	35.2
MAY 6	168.8	-26.4	-114.5	-16.5	-85.7	-1558.3	-156.40	-1789.0
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

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

C. TRACKING MONEY FLOW - MALAYSIA

- Foreign selling on Bursa continued for the fifth consecutive week, but at a receding magnitude.
- The net amount offloaded by foreign investors edged down to -RM709m from -RM1,158m the week prior. This is estimated based on transactions in the open market which excluded off market deals.
- Foreigners were net sellers on all days but one last week. As of Friday, foreign investors had been selling in 21 out of 23 straight days.
- We note that prior week's selling momentum was carried forward into last week. The market started the week with a softer foreign selling at -RM89.3m. However, the momentum picked up on Tuesday with an attrition of -RM318.5m. It was the second highest year-to-date daily attrition. Selling pressure later on subsided slightly to -RM238.9m on Wednesday, with the pace further slowed down to -RM102.8m on the following day. Foreigners finally reversed the selling trend, which had lasted for 10 straight trading days, on Friday with a net buying of RM40.1m.
- Last week's foreign withdrawal further reduced the cumulative net foreign inflow thus far this year into share listed on Bursa to an estimated +RM2.48b, down from prior week +RM3.19b. The figure has been on a declining trend for the fifth week. However, the amount is still modest relative to the -RM19.5b and -RM6.9b net outflow in 2015 and 2014 respectively.
- Foreign participation rate edged down by -RM74m last week. It has declined to RM927m from prior week's RM1b. This was its first time in one month to be at <RM1b level. Daily total foreign trade was weak on Monday at RM580m, and consistently stayed below RM1b for the following three days. However, trading spirit picked up on Friday to RM1.29b, the third highest daily trading volume in May.
- Local institution continued to support the market, mopping up RM679m. However, its participation rate declined for the second week to RM1.82b, the lowest since February this year.
- Retail buyers turned net buyers last week by loading up RM30.4m. Their participation rate edged up marginally to RM607m.



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)*
APR15	1436.80	1444.80	-8.00	4949.60	5306.00	-356.40	2264.80	1900.40	364.40	93.16
APR22	1557.20	1559.60	-2.40	5523.40	5628.00	-104.60	2177.40	2070.40	107.00	27.37
APR29	1921.70	1646.00	275.70	6228.00	6072.90	155.10	2094.10	2524.90	-430.80	-109.99
MAY 6	1237.40	1152.70	84.70	4265.20	3727.20	538.00	1810.00	2432.70	-622.70	-156.40
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

* Estimate by MIDF Research based on prevailing exchange rate.

Source: Bursa's preliminary data

TOP 100 STOCKS: MONEY FLOW

TOP 10 NET MONEY INFLOWS

- Public Bank registered the highest net money inflow of RM30.28m last week. However, its share price underperformed the market benchmark with a -0.10% weekly decline. In comparison, the FBM KLCI ended slightly higher at 0.52% during the week under review. It is notable that net money inflow amidst retreating share price may indicate buy on weakness (BOW) stance among some investors. The bank recently raised its BR which would help to alleviate pressure on NIM.
- Digi.com came in second with RM13.45m net inflow. Nonetheless, its share price underperformed the market benchmark with a -0.22% weekly drop which may indicate a BOW stance among some investors.
- Malayan Banking recorded the third highest net money inflow of RM9.58m. Its share price however underperformed as it retreated -2.01% during the review week. The bank recently reported 1QFY16 earnings of RM1.43b which came within our expectation.

TOP 10 NET MONEY OUTFLOWS

- Tenaga Nasional saw the largest net money outflow of -RM15.15m during the review week. Its stock price slightly underperformed the FBM KLCI as it ended the week higher by 0.29% against a 0.52% rise in the market benchmark. It is notable that net money outflow amidst advancing share price indicates sell on strength (SOS) stance among some investor.
- QL Resources came in second last week with a net outflow of -RM2.35m. Its share price however outperformed the market benchmark with a 1.15% weekly gain which may indicate a SOS stance among some investor.
- Sime Darby registered the third largest net money outflow at -RM2.09m in the review week. Its share price slightly underperformed the market benchmark with a small 0.40% weekly gain. The company recently reported 3QFY16 core net income of RM338.2m which came below our expectation.

Tables below list the Top 10 Net Money Inflows and Net Money Outflows for the week ended 27 May 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	
PUBLIC BANK	30.28	-15.11	-0.10	BOW
DIGI.COM	13.45	6.02	-0.22	BOW
MAYBANK	9.58	-7.85	-2.01	BOW
IHH HEALTH	8.05	3.13	0.62	-
NESTLE	6.85	-0.05	0.19	-
WESTPORTS	6.75	-1.41	-0.23	BOW
PETRO CHEM	6.71	7.18	3.75	-
CIMB	6.28	-9.93	0.00	-
YTL CORP	6.21	1.34	2.52	-
GENTING	4.50	6.07	0.12	-

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	
TNB	-15.15	10.82	0.29	SOS
QL RES	-2.35	0.87	1.15	SOS
SIME DARBY	-2.09	1.63	0.40	SOS
AIRASIA	-2.00	5.39	3.00	SOS
AXIATA	-1.95	1.74	-1.29	-
SUNWAY REIT	-1.45	0.01	0.61	SOS
BURSA M'SIA	-1.17	0.17	0.58	SOS
BUMI ARMADA	-1.02	-2.12	-2.80	-
CAPITALAND	-0.92	0.07	2.03	SOS
MALAKOFF	-0.76	-1.30	1.24	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

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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.