

MALAYSIA EQUITY RESEARCH | 23 May 2016

Week Ended May 20, 2016

- Global equities market was moving sideways last week.
- Market trading spirits remained tepid amid rising concerns on a potential US Fed's June rate hike.
- The Brent crude oil price continued to rise, advancing by 1.9% to USD48.72pb.
- The Ringgit declined by -1.3% to RM4.08 against the greenback.
- Meanwhile, KLCI edged up marginally by 0.03% to 1628.79 points, with its year-to-date decline remained at -3.8%.
- Global liquidity continued to flow out of Asia last week.
- The intensifying debate of a US Fed's June hike has been dampening global investors' appetite for Asian stocks in general.
- Foreign selling on Bursa continued for the fourth consecutive week and surpassed prior week's year-to-date high.
- The net amount offloaded by foreign investors edged up to -RM1,158m from -RM1,004m the week before.
- It was the first time foreigners sold >RM1b for two consecutive weeks since August 2015.
- As of Friday, foreign investors had been selling in 17 out of the past 18 days.
- Still, foreigners remained net buyers on Bursa thus far this year at +RM3.19b, down from +RM4.35b last week.

The outflow continues

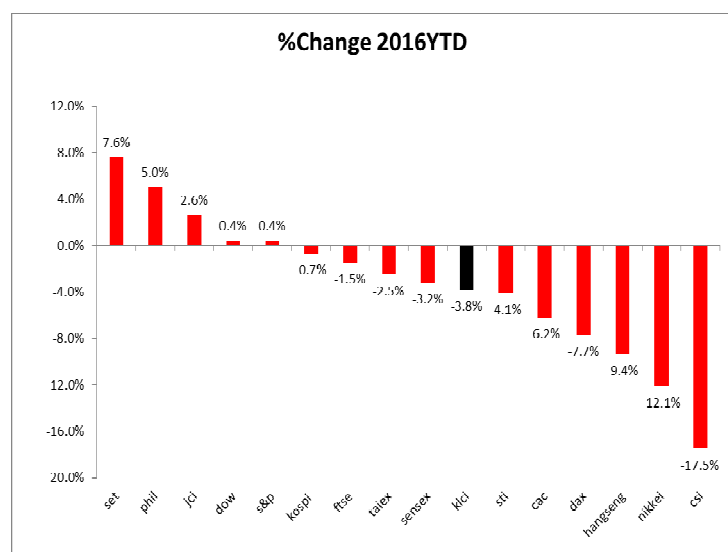
A. MARKET SNAPSHOT

- Global equities market was moving sideways last week.
- Market trading spirits remained tepid amid rising concerns on a potential US Fed's June rate hike. Some investors were holding off their trading activities until Yellen's June 6th speech, from which the market is expecting to derive clearer hints on the FOMC's latest policy stance.
- China CSI300 Index declined marginally by -0.11% to 3,078.22 points. Investors continued to be cautious in their trading, particularly after the sharp slowdown in April new lending by CNY814b from prior month. Although PBOC reassured the market of an accommodative monetary policy to support the economy, prior week's warning on high leverage as "original sins" from the Communist Party's "authoritative person" continued to weigh on market sentiment. Meanwhile, April's industrial production, fixed asset investment and retail sales figures all came out weaker than consensus estimates. This arguably undermined market's confidence on recent signs of economic stabilization. President Xi Jinping's speech urging officials to intensify the capacity restructuring process further dampened market's enthusiasm on trading.
- The Brent crude oil price climbed by 1.9% to USD48.72pb. The Brent started the week on a strong note with an intraday surge of 2.9% on Monday. Supply disruptions from Nigeria and Canada continued to support price. Meanwhile, Iraq's oil production is expected to slide with the declining capex investment. The Brent price, buoyed by the bullish news, surged to its year-to-date high at USD49.85pb on Wednesday night. Nevertheless, it retreated on Thursday morning after EIA's data showing a 1.31mb increase in US crude inventories, a relatively huge deviation from market consensus forecast of a -2.83mb decline. In addition, the strengthening US Dollar, following the release of FOMC's April minute indicating higher chances of a June rate hike, too exerted downward pressure on oil price movement.
- The Ringgit declined by -1.3% to RM4.08 against the greenback. It advanced to RM4.013 on Tuesday following the strong oil price early in the week. However, pressure was then piling up on Ringgit as the debate of a US Fed's June hike heated up, with the Ringgit retreated to RM4.089 on Thursday.
- Meanwhile, KLCI edged up marginally by 0.03% to 1,628.79 points. Year-to-date, it continued to stay in the red-zone for the fourth week with a decline of -3.8%.

Performance of major markets

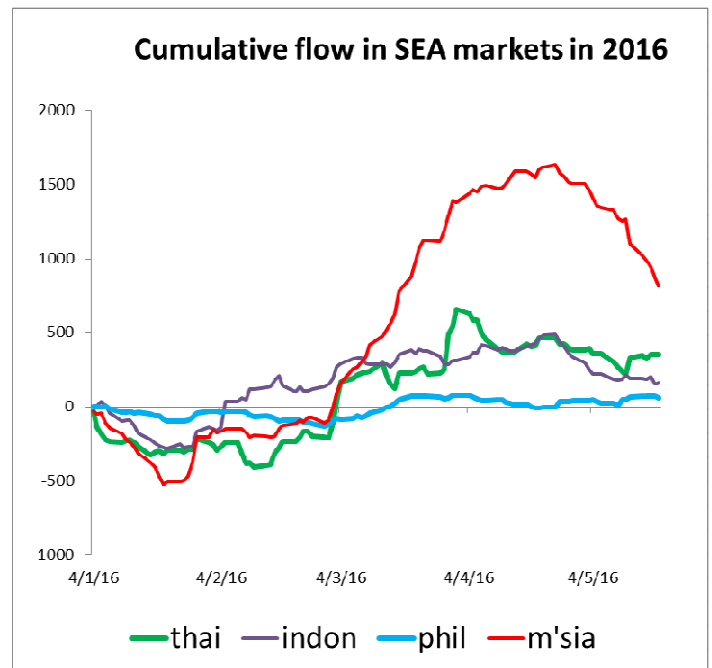
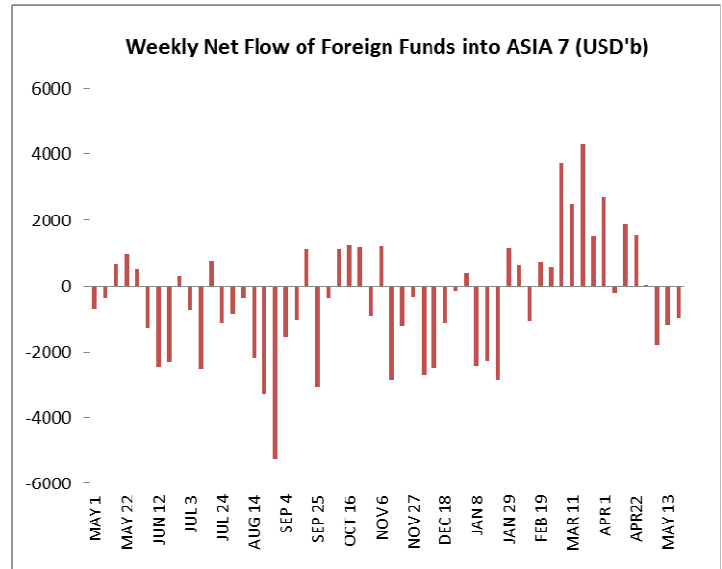
Weekly % change	Week before	Last week
NIKKEI 225	1.90	1.97
Straits Times Index	0.15	1.06
TAIWAN TAIEX	-1.14	0.96
CAC 40	0.44	0.78
HANG SENG	-1.94	0.67
FTSE 100	0.21	0.29
S&P 500	-0.51	0.28
CSI 300	-1.77	0.11
FTSE KLCI	-1.28	0.03
DOW JONES	-1.16	-0.20
DAX	0.84	-0.37
STOCK EXCH OF THAI	0.29	-0.63
S&P BSE SENSEX	1.03	-0.74
KOSPI	-0.49	-0.98
JAKARTA COMPOSITE	-1.26	-1.05
PSEi - PHILIPPINE	6.36	-1.85

Source: Bloomberg



B. TRACKING MONEY FLOW - ASIA ¹

- Global liquidity continued to flow out of Asia last week.
- Based on provisional data from the respective exchanges in seven Asian markets that we track, investors classified as “foreign” offloaded equities amounted to -USD0.99b.
- The intensifying debate of a US Fed’s June hike has been dampening global investors’ appetite for Asian stocks in general.
- Taiwan continued to undergo a heavy foreign sell-off of -USD562m, its fourth consecutive weeks of attrition. Foreigners have arguably turned risk-off on Taiwan market in the run-up to President Tsai Ing-wen’ inauguration speech. Market feared that China, Taiwan’s main trade partner, might resort to economic retaliation if the newly elected President remained reluctant to endorse the “One-China” principle. Equity-wise, Hon Hai Precision was one of the main selling targets. The company’s outlook remained uninspiring with a projection of a -2.9% sales decline in the second quarter.
- Foreign attrition in Korea was extended for the second week. Foreigners have offloaded -USD190m of equities last week, with attrition happening on all trading days. Market uncertainty was high as the government pushed for structural reforms among debt-stricken corporations. Tens of thousands of workers are expected to be laid off along the process. Won depreciated by -1.1%, making it one of the worst performing currencies in Asia.
- Meanwhile, foreigners sold -USD29m in Indonesian equity market. The central bank has decided to hold its benchmark rate at 6.75%. Rupiah emerged as the worst performing currencies with a decline of -2.1%.
- Foreigners built up their exposure to Thailand marginally by USD27m. Thailand’s first quarter GDP came out higher than expected at 3.2%yoy, the strongest since 1Q2013. Despite that, it is still the slowest among Southeast Asia’s emerging economies. Thailand bourse was closed on Friday for holiday.
- Foreign holdings in the Philippines market dropped by a meagre -USD5.4m, while increased by USD55.3m in India.



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.

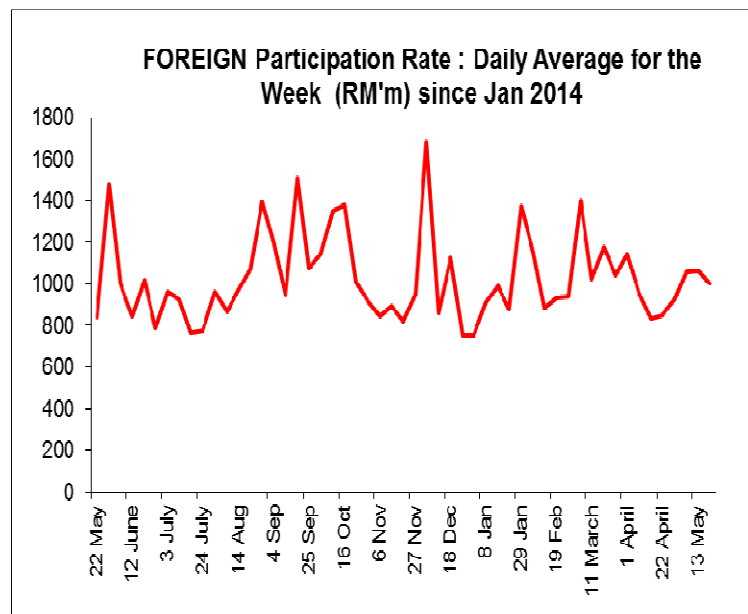
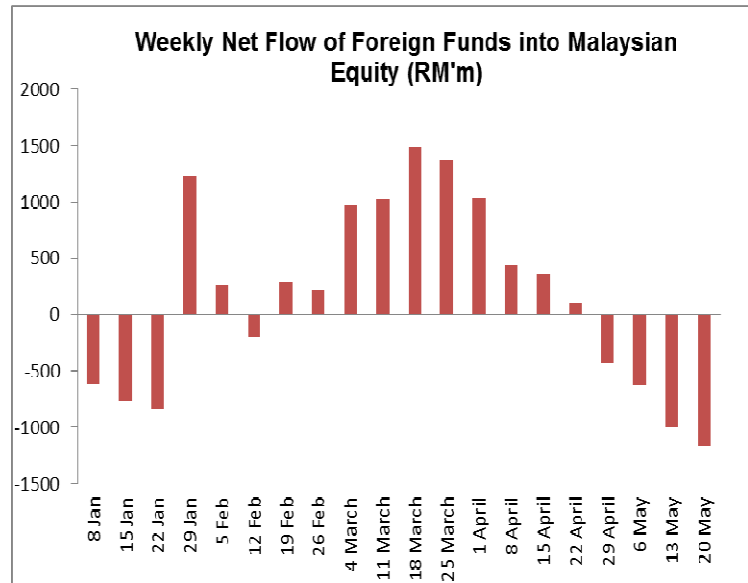
WEEKLY NET FLOW OF FOREIGN FUND INTO EQUITY (USD'm)

WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
APR8	343.5	-207.5	97.7	-35.1	-161.4	-369.4	112.48	-219.7
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

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 fourth consecutive weeks and surpassed prior week's year-to-date high.
- The net amount offloaded by foreign investors edged up to -RM1,158m from -RM1,004m the week before. It was the first time foreigners sold >RM1b for two consecutive weeks since August 2015, based on transactions in the open market which excluded off market deals.
- Foreigners were net sellers every single day last week. As of Friday, foreign investors had been selling in 17 out of 18 straight days.
- We note that daily selling has been consistently >-RM100m. Prior week's selling momentum was carried forward into last week. The week-long biggest attrition of -RM307.3m occurred on Monday. It was also the second highest daily attrition year-to-date. Selling pressure subsided slightly to -RM132.7m on Tuesday. The pace, however, picked up again on Wednesday with selling of -RM198m, and -RM296.4m on the following day. Foreigners ended the week with selling of -RM223.8m on Friday.
- Last week's foreign withdrawal further reduced the cumulative net foreign inflow into share listed on Bursa to an estimated +RM3.19b thus far this year, down from prior week's +RM4.35b. The amount is still modest relative to the -RM19.5b and -RM6.9b net outflows in 2015 and 2014 respectively.
- Foreign participation rate edged down by -6.0% compared to prior week as it has narrowed by RM64.8m to RM1b. Nonetheless, that was its third consecutive weeks staying at >RM1b. Daily total foreign trade has been high on Wednesday and Thursday which amounted to RM1.19b and RM1.16b respectively.
- Local institution continued to support the market, mopping up RM1,179m. However, its participation rate declined to RM1.95b, the lowest since March this year.
- Retail buyers, for the first time in four weeks, turned net sellers by offloading -RM21.2m, with a participation rate of RM583.7m.



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)*
APR8	1415.40	1485.90	-70.50	5565.10	5934.30	-369.20	2619.80	2180.10	439.70	112.48
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

* Estimate by MIDF Research based on prevailing exchange rate.

Source: Bursa's preliminary data

TOP 100 STOCKS: MONEY FLOW²

TOP 10 NET MONEY INFLOWS

- Tenaga Nasional registered the highest net money inflow of RM10.82m last week. However, its share price slightly underperformed the market benchmark with a -0.14% weekly decline. In comparison, the FBM KLCI ended barely changed at 0.03% 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. In related news, the Energy Minister recently said the government cannot guarantee there will be no electricity tariff hike.
- Hap Seng Consolidated came in second with RM8.98m net inflow. Accordingly, its share price outperformed the market benchmark with a 2.88% weekly rise. It is noteworthy that the company may be included in the FBM KLCI 30 constituents during the upcoming review in June.
- Petronas Chemicals recorded the third highest net money inflow of RM7.18m. Likewise, its share price outperformed as it jumped 3.23% during the review week.

TOP 10 NET MONEY OUTFLOWS

- Public Bank saw the largest net money outflow of -RM15.11m during the review week. However, its stock price slightly outperformed the FBM KLCI as it ended the week higher by 0.63% against a smaller 0.03% 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.
- Petronas Gas came in second last week with a net outflow of -RM13.29m. Its share price however outperformed the market benchmark with a 0.66% weekly gain which may indicate SOS stance among some investor.
- CIMB Group registered the third largest net money outflow at -RM9.93m in the review week. Accordingly, its share price underperformed the market benchmark with a -0.68% weekly fall. In related news, the banking group has recently cleared its Chairman of misusing his position or the bank's resources when he helped to distribute funds to politicians before GE13.

Tables below list the Top 10 Net Money Inflows and Net Money Outflows for the week ended 20 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	
TNB	10.82	9.24	-0.14	BOW
HAP SENG CONS	8.98	1.11	2.88	-
PETRO CHEM	7.18	5.79	3.23	-
GENTING	6.07	6.80	-1.16	BOW
DIGI.COM	6.02	3.28	1.14	-
AIRASIA	5.39	8.22	7.87	-
TOP GLOVE	5.01	0.57	2.17	-
BAT	4.76	3.82	1.27	-
TM	4.37	1.33	1.06	-
KOSSAN	3.77	2.82	3.91	-

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	-15.11	14.80	0.63	SOS
PETRO GAS	-13.29	2.12	0.66	SOS
CIMB	-9.93	7.38	-0.68	-
MAYBANK	-7.85	0.72	-0.59	-
INARI	-4.04	-0.09	0.00	-
BUMI ARMADA	-2.12	1.80	-3.38	-
HLEONG BANK	-1.56	0.21	-1.64	-
WESTPORTS	-1.41	-7.98	1.18	SOS
PPB	-1.32	6.64	1.41	SOS
MALAKOFF	-1.30	-0.14	0.00	-

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.