

MALAYSIA EQUITY RESEARCH | 15 August 2016

## **Week Ended Aug 12, 2016**

- A firmer US economy coupled with higher oil prices lifted the performance of global equity markets last week.
- Enthusiasm seemed to be returning in light of US strong non-farm payrolls and better-than-expected corporate earnings, with the positive sentiment spilling over into Asia.
- Brent crude price continued its upward climb for the 2nd consecutive week. It advanced by +6.1%, breaking above the USD45pb level to USD46.97pb.
- Ringgit ended the week almost unchanged with a marginal appreciation of +0.05% to USD/MYR4.03.
- Week-on-week, FBM KLCI went up by +1.21% to 1,684.15 points.
- Meanwhile, foreign tide-in to Asia has extended for the 5th consecutive week as the search for higher yields continued.
- On Bursa, the momentum for foreign tide-in has accelerated.
- Last week, the net amount purchased by foreign investors edged up further to +RM728.1m from +RM301.8m the week prior, marking the 6th consecutive week of foreign net buying.
- The cumulative net foreign inflow thus far this year into shares listed on Bursa is approaching the +RM2b level. As of last Friday, the year-to-date cumulative flow into Bursa increased to an estimated +RM1,989.2m from +RM1,261.1m the week prior.

15 August 2016 | Strategy - Weekly Fund Flow

## FLOW INTO ASIA ON A ROLL

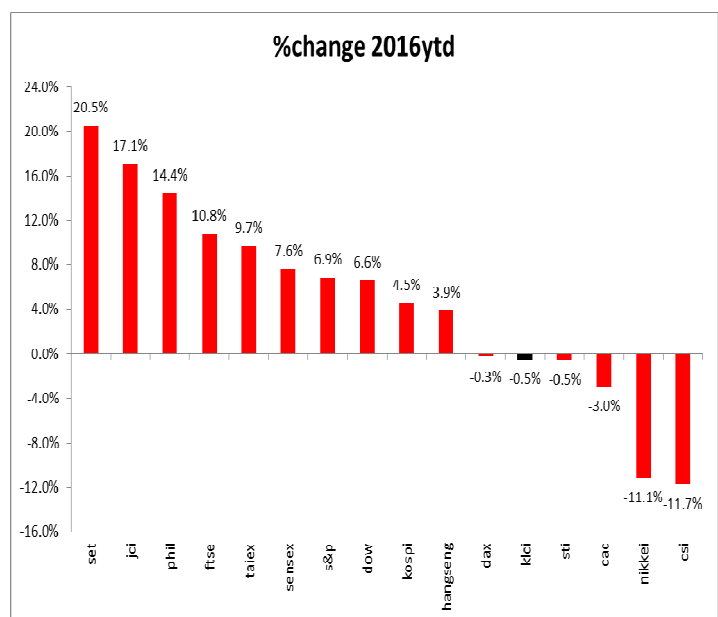
### A. MARKET SNAPSHOT

- A firmer US economy coupled with higher oil prices lifted the performance of global equity markets last week.
- Enthusiasm seemed to be returning, after US announced better-than-expected non-farm payrolls and improved corporate earnings. S&P 500, Dow Jones and Nasdaq closed at new highs concurrently on Thursday, the first time since 1999.
- The positive sentiment spilled over to Asia. Japan led the gain, with Nikkei 225 jumping +4.09% higher at 16,919.92 points after a -1.9% slid in previous week. The yen has weakened by -0.11% during the week. After the release of production and retail data on Friday, US stocks slipped marginally while the greenback fell.
- China CSI300 rose from a rather flat week earlier, adding +2.78% to 3,294.23 points, led by banks and property developers. Hopes for further policy easing heightened after the announcement of the weakest consumer inflation in 6 months. China's 10-year government bond yields, which hit the lowest level since 2009, made dividend yielding stocks a bit more appealing for investors. The July consumer price index (CPI) grew +1.8%yoy, while the producer price index (PPI) fell by -1.7%yoy.
- Brent crude oil price continued its upward climb for the second consecutive week. It advanced by +6.1%, breaking above the USD45pb level to USD46.97pb. Positivity came from the IEA statement that global inventories could dwindle in the second half as supply is not catching up with demand. Two weeks earlier, Brent price had fallen below USD43.00pb. It was traded at the highest level in three weeks after Saudi Arabia minister commented that the country would work with other producers to stabilize oil price. The weaker USD on Friday further lifted oil prices.
- Ringgit ended the week almost unchanged with a marginal appreciation of +0.05% to USD/MYR4.027, from 4.029 in the preceding week. It slipped by -1.4% early in the week but recouped the losses after the announcement of Malaysia industrial production data. Industrial production, which beat economists' expectations, jumped the fastest in 9 months due to strong mining output. On Friday, Malaysia's 2Q GDP growth was announced at 4%, within expectations.
- Meanwhile, benefiting from the strong net foreign inflow, FBM KLCI went up by +1.21% to 1,684.15 points.

### Performance of major markets

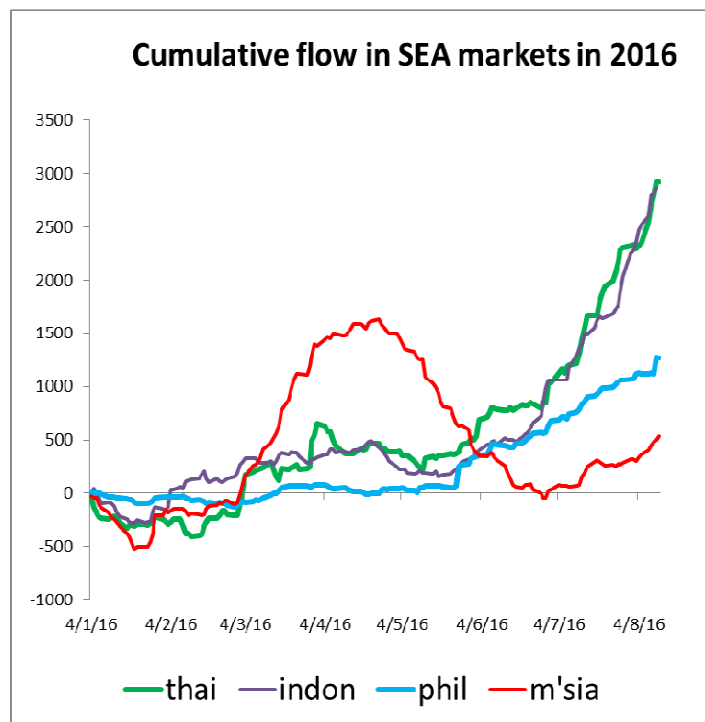
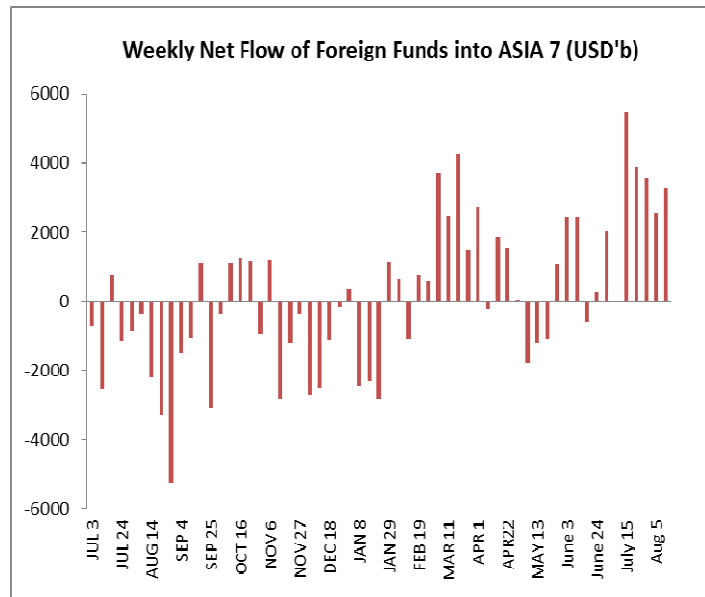
Weekly % change	Week before	Last week
NIKKEI 225	-1.90	4.09
DAX	0.29	3.34
HANG SENG	1.16	2.80
CSI 300	0.04	2.78
STOCK EXCH OF THAI	-0.35	2.24
CAC 40	-0.66	2.03
FTSE 100	1.03	1.80
KOSPI	0.09	1.61
Straits Times Index	-1.41	1.39
FBM KLCI	0.65	1.21
TAIWAN TAIEX	1.20	0.64
S&P BSE SENSEX	0.09	0.26
DOW JONES	0.60	0.18
S&P 500	0.43	0.05
PSEi - PHILIPPINE	0.09	-0.18
JAKARTA COMPOSITE	3.92	-0.79

Source: Bloomberg



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

- Asia has attracted foreign funds for the fifth week in a row as the search for higher yields continued.
- The current of “foreign flow” to the seven Asian markets we track is stronger at +USD3.30b on a weekly basis, a further improvement from +USD2.58b the week prior.
- North Asian markets continued to appeal to foreign investors by attracting a net foreign inflow of +USD1.61b. Meanwhile, foreigners notched up their buying pace in TIPs markets to +USD1.11b from +USD697.7m a week ago as they shifted their focus towards this region.
- Thailand bourse was closed on Friday for holiday. However, foreign buying was little impeded by the short trading week. Foreigners increased their position in Thailand following the results of the constitutional referendum taking place on Aug 7 as the political overhang was lifted. They were net buyers for the 13<sup>th</sup> straight week, seeing a net inflow of +USD580.1m. It was the largest weekly net buying in more than five years. Recall that the Thais went to the polls and decided to back the military government. Following this, a democratically elected government is expected as soon as Dec 2017.
- Indonesia trailed closely behind Thailand, gaining +USD383.3m last week to bring the year-to-date cumulative flow to +USD2.86b. Its 2Q GDP grew 4.02%, beating consensus estimates of 3.79%. During the week, Bank Indonesia’s governor commented that the country’s trade surplus could continue in the second half of the year after it recorded +USD2.2b in 2Q. The Jokowi-led government has also been pushing for tax amnesty and mulls cutting corporate tax rates to attract more foreign direct investment into the country.
- Philippines saw net inflows for 12 weeks in a row. Foreign fund flow to the Philippines jumped to +USD147.4m from +USD66.8m the week prior.
- Korea attracted +USD671.0m compared to +USD497.2m a week ago. Iron and metal production as well as medical and precision were the main gainers last week. On Thursday, Korea Customs Service announced surprise exports growth of 16%yoy. The country’s exports recorded USD9.69b for the first ten days of Aug after suffering negative growth for 19 months.
- Money flowing into Taiwan was up marginally to +USD938.7m from +USD921.1m in the preceding week. Meanwhile, its stock market ended the week marginally higher by +0.64% to 9,150.39 points.



<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.

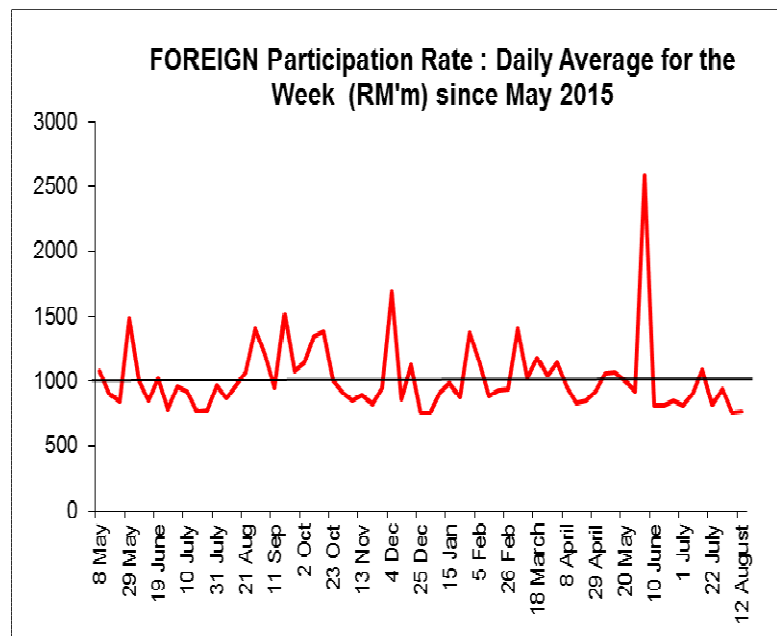
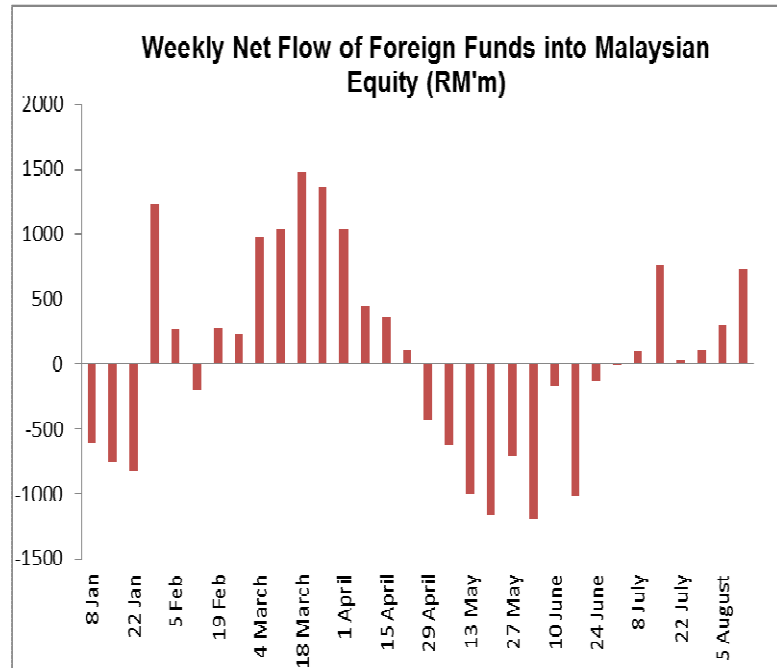
### WEEKLY NET FLOW OF FOREIGN FUND INTO EQUITY (USD'm)

WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
July 1	159.7	204.4	449.5	125.0	159.7	902.1	0.75	2001.1
July 8	-108.1	162.9	0.0	62.1	95.9	-243.8	23.57	-7.5
July 15	1722.3	464.1	433.3	157.5	598.2	1881.4	193.08	5449.9
July 22	815.8	275.6	150.7	78.6	406.8	2145.5	8.55	3881.4
July 29	998.2	363.9	246.3	78.0	627.8	1222.3	25.79	3562.2
August 5	497.2	47.8	583.0	66.8	384.4	921.1	74.89	2575.2
August 12	671.0	580.1	383.3	147.4	394.4	938.7	181.10	3296.0

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

## C. TRACKING MONEY FLOW - MALAYSIA

- The momentum of foreign tide into Bursa accelerated last week.
- The net amount purchased by foreign investors more than doubled to +RM728.1m from +RM301.8m the week prior, marking the 6<sup>th</sup> consecutive week of foreign net buying. The estimates are based on transactions in the open market which excluded off market deals.
- Foreigners were net buyers on every single day last week. As of last Friday, they have been net buying in 9 out of 11 straight days.
- We note that the buying momentum from the preceding week was carried forward as Bursa commenced on Monday, with foreign investors on net loaded up +RM206.2m. Foreigners continued to buy on Tuesday at +RM163.9m net. The buying momentum persisted into Wednesday and Thursday at a decelerating pace of +RM125.3m and +RM86.2m net, respectively. The buying pace, however, improved on Friday at +RM146.5m net, as sentiments were arguably lifted by the stronger-than-expected June industrial production data, as well as the 2Q GDP growth rate which delivered market expectations at 4.0%yoy.
- The cumulative net foreign inflow thus far this year into shares listed on Bursa is approaching the +RM2b level. As of last Friday, the year-to-date cumulative flow into Bursa increased to an estimated +RM1,989.2m from +RM1,261.1m the week prior. In retrospect, foreigners had offloaded -RM19.5b and -RM6.9b in 2015 and 2014 respectively.
- Meanwhile, foreign participation rate continued to demonstrate a sign of fatigue. It remained subdued at RM765.9m, little changed from previous week's RM761.2m. The rate has been staying below the RM1b level for the 9<sup>th</sup> time in the past 10 straight weeks.
- Local institution continued to sell for the 6<sup>th</sup> successive week by offloading -RM646.3m. Meanwhile, its participation rate remained decent at RM2.18b, down marginally from prior week's RM2.21b.
- Retail buyers turned net sellers last week. They trimmed down their holding by -RM81.8m, after a net purchase of +RM33.1m in the preceding week. Meanwhile, their participation rate has improved further to RM659m from RM605.5m the week prior.



## 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)*
July 1	1134.40	1182.50	-48.10	4422.80	4373.30	49.50	2028.50	2029.90	-1.40	0.75
July 8	477.70	484.20	-6.50	1719.00	1806.00	-87.00	1179.90	1086.40	93.50	23.57
July 15	1322.90	1384.30	-61.40	4933.00	5635.50	-702.50	3114.60	2350.40	764.20	193.08
July 22	1500.40	1531.10	-30.70	4831.00	4831.50	-0.50	2076.60	2045.40	31.20	8.55
July 29	1395.20	1408.70	-13.50	4906.90	4998.90	-92.00	2416.80	2311.30	105.50	25.79
August 5	1530.20	1497.10	33.10	5359.20	5694.10	-334.90	2053.80	1752.00	301.80	74.89
August 12	1606.60	1688.40	-81.80	5115.70	5762.00	-646.30	2278.80	1550.70	728.10	181.10

\* Estimate by MIDF Research based on prevailing exchange rate.

Source: Bursa's preliminary data

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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.