

MALAYSIA EQUITY RESEARCH | 22 August 2016

Week Ended Aug 19, 2016

- A split decision on when the Fed should raise interest rates sent global stock markets into cautious mode.
- Focus was shifted to when the next US rate hike will be ahead of global central bankers' annual meeting this Friday.
- Crude oil prices entered the bull market as Brent crude oil added some +8% to break above USD50pb during the week.
- Ringgit was little changed, appreciating +0.3% to USD/MYR4.02.
- Meanwhile, FBM KLCI inched up by +0.21% to 1,687.68 points week-on-week.
- Foreign tide-in to Asia continued for the sixth straight week albeit a weaker momentum compared to the week prior.
- On Bursa, however, the degree of slowdown in foreign buying was less apparent relative to its regional peers.
- Last week, the net amount purchased by foreign investors tapered slightly to +RM501.5m from +RM728.1m the week before.
- The cumulative net foreign inflow thus far this year into shares listed on Bursa is edging towards the +RM2.5b level. As of last Friday, the year-to-date cumulative flow into Bursa increased to an estimated +RM2,490.7m from +RM1,989.2m the week prior.

22 August 2016 | Strategy - Weekly Fund Flow

Focus on Fed's Decision

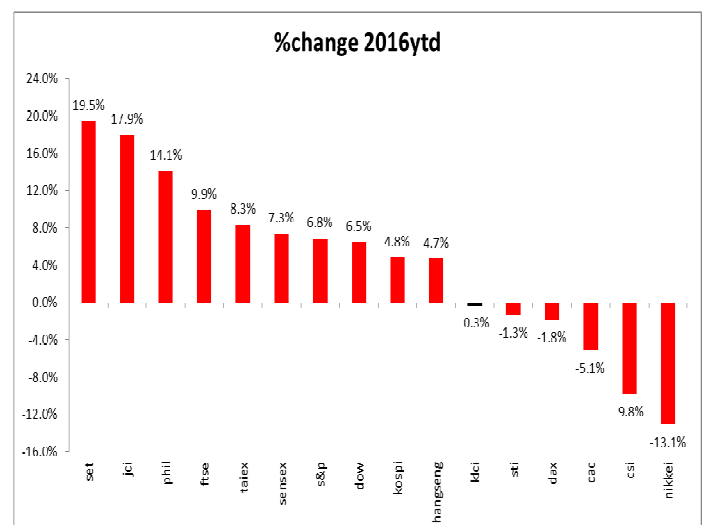
A. MARKET SNAPSHOT

- A split decision on when the Fed should raise interest rates sent global stock markets into cautious mode.
- That came about even as crude oil prices entered the bull market with Brent crude oil added some +8% to break above USD50pb during the week. The upward climb was largely attributed to OPEC's talks of freezing output. Crude oil prices have jumped close to +20% since the start of the month.
- Global equity markets were upbeat at the beginning of the week as oil prices advanced further. On Monday, Dow Jones, S&P 500 and Nasdaq closed at record highs boosted by higher oil prices. However, the momentum was lost as investors took cue from the Fed meeting minutes with most markets shedding a bit of the gains towards the end of the week.
- Equities markets took a breather from prior week's optimism after Fed's meeting minutes showed differing opinions among its members on the timing for the next US rate hike. On Wednesday, markets traded with caution after one FOMC member commented that an interest rate hike in September was possible. But a bit of optimism returned to the stock markets afterward, paring down some losses as there was no clear sign of a rate hike yet.
- China CSI300 led the gains among the markets we track, making a second week of successive gains. It added +2.15% to 3,365.02 points after the Chinese government gave the green light to set up the stock trading connection between Shenzhen and Hong Kong stock exchanges. The link, a new milestone in China's effort to further liberalize its capital market, is expected to be launched by year end, according to reports. The measure is expected to benefit small caps in Hong Kong.
- Japan's Nikkei 225, on the other hand, gave up -2.21% to 16,545.82 points. It turned into one of the biggest laggards in the week after a good rally of +4.09% in the previous week. The yen appreciated further by +1.07% to 100.22 against the USD after adding +0.51% the week prior.
- Ringgit appreciated marginally by +0.29% to USD/MYR4.016, from 4.027 in the preceding week. Higher oil prices lifted ringgit, helping it to break below USD/MYR4.00. The gain however, was capped by the hawkish Fed comments as investors' expectations for a rate hike increased yet again.
- Meanwhile, FBM KLCI inched up by 0.21% to 1,687.68 points. The local benchmark flirted with 1,700 psychological points earlier in the week but did not manage to punch through.

Performance of major markets

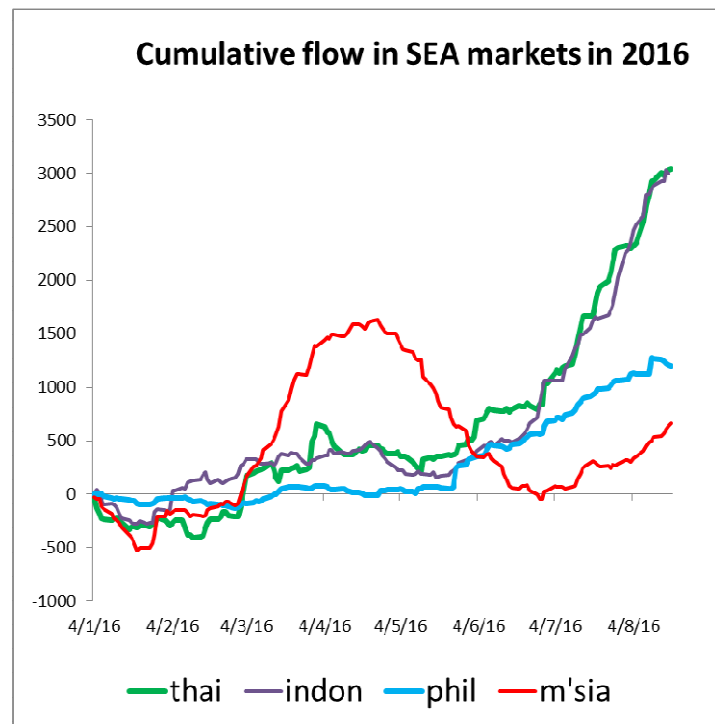
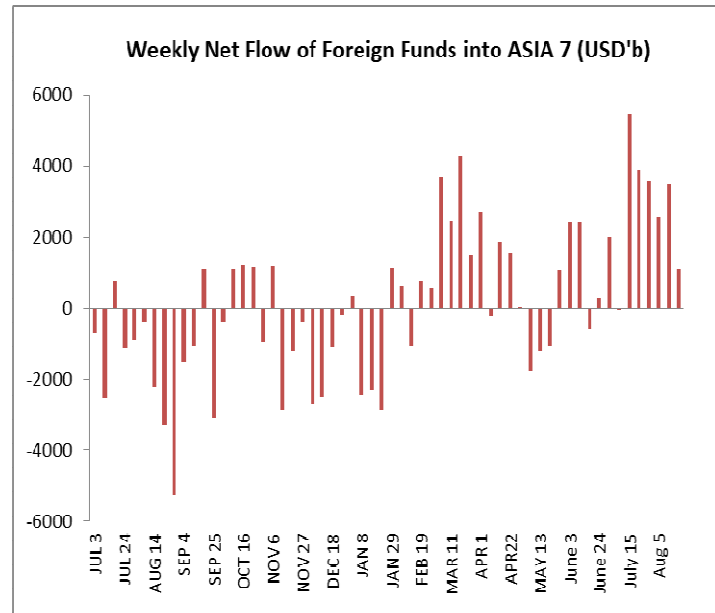
Weekly % change	Week before	Last week
CSI 300	2.78	2.15
HANG SENG	2.80	0.75
JAKARTA COMPOSITE	-0.79	0.72
KOSPI	1.61	0.28
FBM KLCI	1.21	0.21
S&P 500	0.05	-0.01
DOW JONES	0.18	-0.13
S&P BSE SENSEX	0.26	-0.27
PSEi - PHILIPPINE	-0.18	-0.32
Straits Times Index	1.39	-0.82
FTSE 100	1.80	-0.83
STOCK EXCH OF THAI	2.24	-0.89
TAIWAN TAIEX	0.64	-1.27
DAX	3.34	-1.58
NIKKEI 225	4.09	-2.21
CAC 40	2.03	-2.21

Source: Bloomberg



B. TRACKING MONEY FLOW - ASIA¹

- Foreign fund flow into Asia has abated last week, recording the lowest weekly gains in the past six weeks at +USD1.12b and vis-à-vis +USD3.5b in the week prior.
- Foreign tide into the seven Asian markets we track slowed down significantly last week. North Asian markets attracted USD656.8m during the week as compared to +USD1.61b a week ago. Foreigners' appetite in TIPs market shrunk to +USD180m versus the buying spree of +USD1.11b a week earlier.
- The sign of receding tide was mainly due to the shift of focus back to the US Fed on their exact timing and pace of further rate normalization.
- Global investors have arguably taken a preemptive move to relocate a portion of their portfolio to the US government bond market, resulting in a general weakness of Asian currencies against the greenback last week.
- All eyes would be on Fed chair Janet Yellen's speech in the Jackson Hole Symposium held on this Friday where central bankers around the world would gather. Forward guidance is expected to be given during the speech if the FOMC were to proceed with a September rate hike.
- After an exceptional weekly net inflow of +USD580m into Thailand catalyzed by the reigning political certainty pursuant to the constitutional referendum, foreign investors pared down their buying last week to +USD111.8m.
- Philippines saw its first net foreign selling of -USD71.69m after 12 straight weeks of net inflow. A week before that, foreign buying was strong at +USD147.4m ahead of the country's release of 2Q GDP. PSEi closed up at 7,952.81 points on Thursday after GDP grew +7% in 2Q. On Friday, investors took profit on news of the better-than-expected economic announcement.
- Taiwan also saw lower inflow at +USD251.1m against +USD938.7m in the previous week. Taiwan's benchmark TAIEX closed below 9,100 on Friday due to concerns of a potential outflow amid a weaker New Taiwan Dollar against the greenback. Electronics and financial stocks were among the biggest laggards.
- Meanwhile, Korea recorded an inflow of +USD405.7m compared with +USD671m in the prior week. Korean won fell to a three-week low on Friday after gaining +1% earlier in the 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.

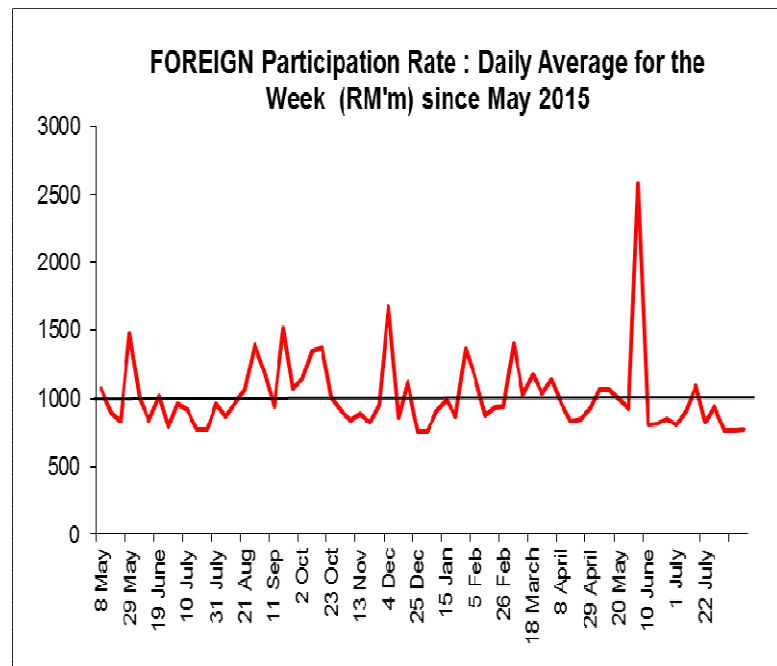
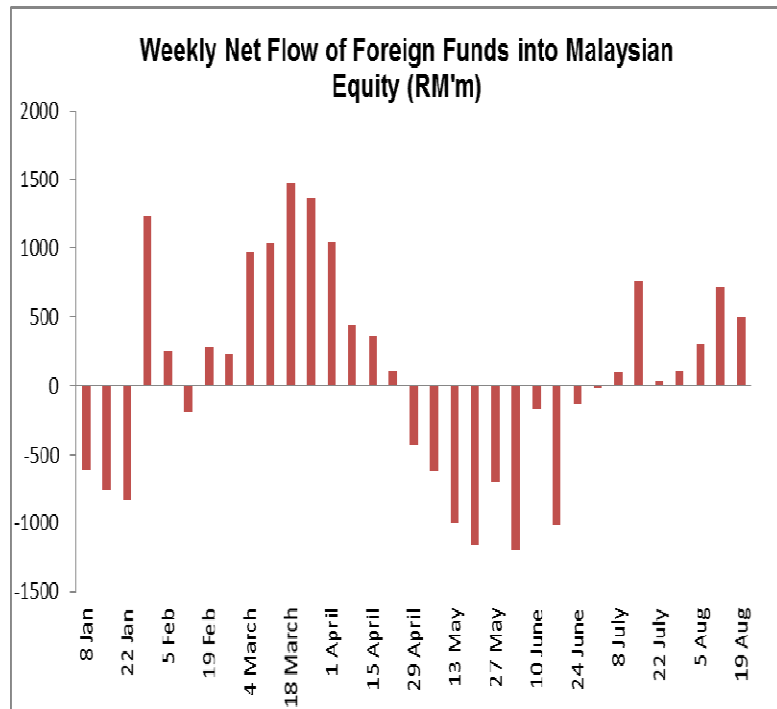
WEEKLY NET FLOW OF FOREIGN FUND INTO EQUITY (USD'm)

WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
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
Aug 5	497.2	47.8	583.0	66.8	384.4	921.1	74.89	2575.2
Aug 12	671.0	580.1	383.3	147.4	584.9	938.7	181.10	3486.5
Aug 19	405.7	111.8	139.9	-71.7	155.0	251.1	125.22	1117.0

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

C. TRACKING MONEY FLOW - MALAYSIA

- Bursa Malaysia moved in tandem with other Asian markets with a lower on-week foreign inflow.
- The slowdown in foreign inflow, however, was milder relative to other regional markets as Malaysia has been a laggard in Asia.
- Foreigners bought +RM501.5m compared to +RM728.1m in the previous week, marking the 7th consecutive week of buying. The estimated fund flow excludes off-market transactions.
- Investors classified as “foreigners” were net buyers in every single day last week, bringing the buying streak to 12 days thus far.
- We note that buying activities of foreigners abated on Monday as net inflow was merely +RM15m compared to +RM146.5m the Friday prior. But the net buying momentum accelerated into the week at +RM97.3m on Tuesday and +RM156.9m on Wednesday. They however slowed down on Thursday and Friday, buying +RM128.5m and +RM103.8m on each day respectively, arguably taking cue from the comments of Fed FOMC members.
- Year to date, cumulative net foreign inflow into Bursa is at +RM2,490.7m. Last Friday, cumulative inflow amounted to +RM1,989m. In retrospect, foreigners had offloaded -RM19.5b in 2015 and -RM6.9b in 2014.
- Foreign participation rate continued to show a sign of fatigue. It remained subdued at RM774.9m although it was a slight improvement from last week’s RM765.9m. The rate has been staying below the RM1b level for the 10th time in the past 11 weeks.
- Local institution continued to sell for the 7th successive week by offloading -RM558.5m. The quantum of selling was smaller compared to -RM646.3m the week earlier. Participation rate of local funds improved to RM2.4b from RM2.18b week-on-week.
- Retail buyers returned to Bursa as net buyers last week. They bought up +RM57m worth of shares after selling -RM81.8m in the week before. The net buying value was the highest since mid-June. Meanwhile, their participation rate has improved further to RM812m from RM659m the week prior. Retailers’ participation rate was the highest since February.



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 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
Aug 5	1530.20	1497.10	33.10	5359.20	5694.10	-334.90	2053.80	1752.00	301.80	74.89
Aug 12	1606.60	1688.40	-81.80	5115.70	5762.00	-646.30	2278.80	1550.70	728.10	181.10
Aug 19	2058.50	2001.50	57.00	5728.90	6287.40	-558.50	2188.10	1686.60	501.50	125.22

* Estimate by MIDF Research based on prevailing exchange rate.

Source: Bursa's preliminary data

TOP 100 STOCKS: MONEY FLOW

TOP 10 NET MONEY INFLOWS

- Petronas Dagangan registered the highest net money inflow of RM11.92m last week. Accordingly, its share price slightly outperformed the broader market as it ended higher by 0.26% while the FBM KLCI inched up 0.21% during the week under review. The company recently announced its 2QFY16 net earnings at RM215m.
- IOI Corp came in second with RM11.26m net inflow and its share price too outperformed the market benchmark with a 1.14% gain during the review week. The RSPO recently decided to reinstate IOI's green certification beginning 8 August.
- Sime Darby recorded the third highest net money inflow of RM7.30m. Likewise, its share price outperformed with a gain of 1.88% during the review week. In related news, the company's proposed RTO of Saizen REIT is seen positively as the move will enable it to monetise assets in Singapore and Australia.


Tables below list the Top 10 Net Money Inflows and Net Money Outflows for the week ended 19 August 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	
PETRO DAGANG	11.92	1.46	0.26	-
IOI CORP	11.26	2.66	1.14	-
SIME DARBY	7.30	1.78	1.88	-
PETRO CHEM	7.18	4.27	-0.60	BOW
TNB	6.03	0.47	1.93	-
AMMB	3.82	0.66	-0.90	BOW
PUBLIC BANK	3.81	-21.40	0.61	-
KLCCP	3.43	-0.27	-0.79	BOW
SP SETIA	3.23	-0.07	1.56	-
WESTPORTS	3.13	-2.51	-4.22	BOW

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- KL Kepong saw the largest net money outflow of -RM25.20m during the review week. Nonetheless, its stock price outperformed the market benchmark with 1.63% weekly performance vis-à-vis a 0.21% gain in the FBM KLCI. However, it is noteworthy that net money outflow amidst advancing share price indicates a sell on strength (SOS) stance among some investors. At 69% of full year forecast, the company's 9MFY16 core net income of RM747m is within the lower end of our expectation.
- RHB Bank came in second last week with a net outflow of -RM12.71m. Its share price slightly outperformed the market benchmark with a 0.40% weekly gain which may indicate a SOS stance among some investors.
- Digi.com registered the third largest net money outflow at -RM6.66m in the review week. Nonetheless, its share price outperformed as it rose 0.40% during the week under review which may also indicate a SOS stance among some investors. 

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
KL KEPONG	-25.20	-17.68	1.63	SOS
RHB BANK	-12.71	-1.54	0.40	SOS
DIGI.COM	-6.66	2.34	0.40	SOS
TM	-6.65	-4.25	0.00	-
SAPURAKENCANA	-6.52	0.46	6.00	SOS
AIRASIA	-5.04	2.96	7.38	SOS
IJM PLANT	-4.91	0.09	-0.30	-
HARTALEGA	-3.95	0.69	-3.18	-
AXIATA	-3.94	6.36	-0.35	-
CAHYA MATA	-3.56	-0.44	0.79	SOS

Source: Bloomberg, MIDFR;

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

²Money 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.