

MIDF EQUITY STRATEGY | 9 JAN 2017

WEEK ENDED 6 JANUARY 2016

- All indexes that we tracked ended the initial week on 2017 in positive territory. The Philippines PCOMP, which has been oversold last year, registered the highest weekly gain of 5.96%. It seems that investors are returning and are “bargain hunting” for undervalued stocks.
- Brent crude oil prices were up 0.49% at USD 57.10 per barrel last week as OPEC started their output cut. OPEC would cut output in January by 486,000 barrels per day to 10.06 million barrels per day. Also, the American Petroleum Institute showed a drop in U.S. inventory of 7.4 million barrels which was more than analysts’ estimates of 2.2 million barrels.
- Malaysia showed stronger exports in November from data released last week. Exports were higher by 7.8% year-over-year. The Malaysia KLCI was up 2.06% on-week to 1,675.49 while the ringgit was stronger by 0.31% at 4.4725.
- Recall that for the month of December, the net outflow of USD659.05m was an improvement from November’s number of USD9,752.80m. Positive global economic data over the past week may have helped to provide further assurance and confidence to investors which were translated into a positive aggregate net fund flow of USD755.5m among the markets that we track.
- The Malaysian equity market welcomed the new year on a positive note. In the first week of 2017, the net amount transacted by foreign investors on Bursa was at +RM101.8m, compared to -RM31.2m in the prior week.

2017 BEGAN ON A POSITIVE NOTE

A. MARKET SNAPSHOT

- All indexes that we tracked ended the initial week on 2017 in positive territory. The Philippines PCOMP, which has been oversold last year, registered the highest weekly gain of 5.96%. It seems that investors are returning and are “bargain hunting” for undervalued stocks.
- In the United States, wage data came in stronger than expected with wages on the rise. Also, the Federal Reserve minutes which were released during the week indicating members of the Fed were optimistic about the incoming policies of the Trump administration, saying that it would be able to stimulate the economy. The Dow Jones Industrial Average closed at 19,963.80, a 1.02% weekly increase.
- Purchasing Managers’ Index (PMI) data that came out of China showed a positive reading of 51.9 in December. A score above 50 indicates expansionary activity while a figure lower than 50 shows contractionary activity. This confidence along with positive global data pushed the China CSI300 index up 1.14% on-week to 3,347.67.
- Japan also showed strong manufacturing data in December with their manufacturing PMI increasing from 51.3 in November to 52.4

Table 1 Weekly performance of major indices		
Weekly % change	Week before	Last week
Phil Comp	4.22	5.96
Straits Times	0.34	2.84
Hang Seng	1.97	2.28
KLCI	1.52	2.06
Thai SET	2.18	1.86
Nikkei 225	-1.61	1.78
S&P 500	-1.10	1.70
Taiwan TAIEX	1.93	1.28
China CSI 300	0.07	1.14
Korea KOSPI	-0.46	1.12
DAX	0.27	1.03
Dow Jones	-0.86	1.02
CAC	0.47	0.98
Jakarta JCI	5.35	0.95
FTSE	1.06	0.94
India Sensex	2.25	0.50

Source: Bloomberg

in December. The Japanese Nikkei was up 1.78% last week.

- Singapore showed a better than anticipated Q4 GDP growth at 1.8%. The growth was mainly prompted up by improvements in the manufacturing and services sectors. The Singapore STI was up by 2.84% last week.
- Brent crude oil prices were up 0.49% at USD 57.10 per barrel last week as OPEC started their output cut. OPEC would cut output in January by 486,000 barrels per day to 10.06 million barrels per day. Also, the American Petroleum Institute showed a drop in U.S. inventory of 7.4 million barrels which was more than analysts' estimates of 2.2 million barrels.
- Malaysia showed stronger exports in November from data released last week. Exports were higher by 7.8% year-over-year. The Malaysia KLCI was up 2.06% on-week to 1,675.49 while the ringgit was stronger by 0.31% at 4.4725.

B. TRACKING MONEY FLOW - ASIA¹

- Recall that for the month of December, the net outflow of USD659.05m was an improvement from November's number of USD9,752.80m. Positive global economic data over the past week may have helped to provide further assurance and confidence to investors which were translated into a positive aggregate net fund flow of USD755.45m among the markets that we track.

Chart 1 YTD performance of major markets

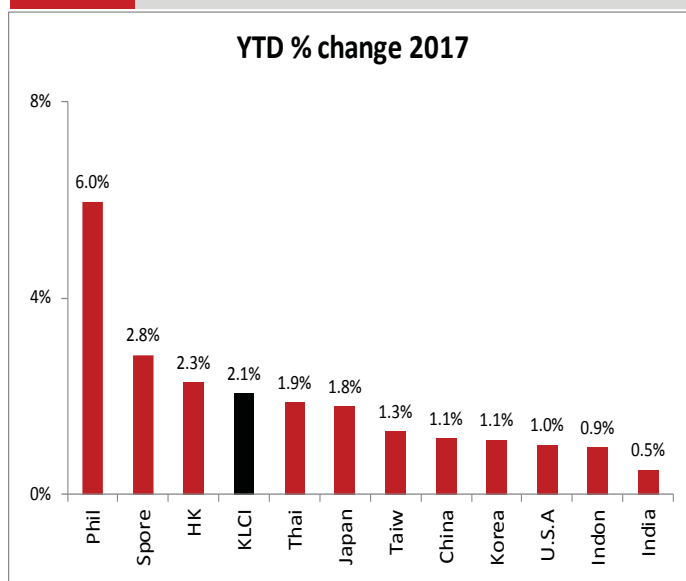
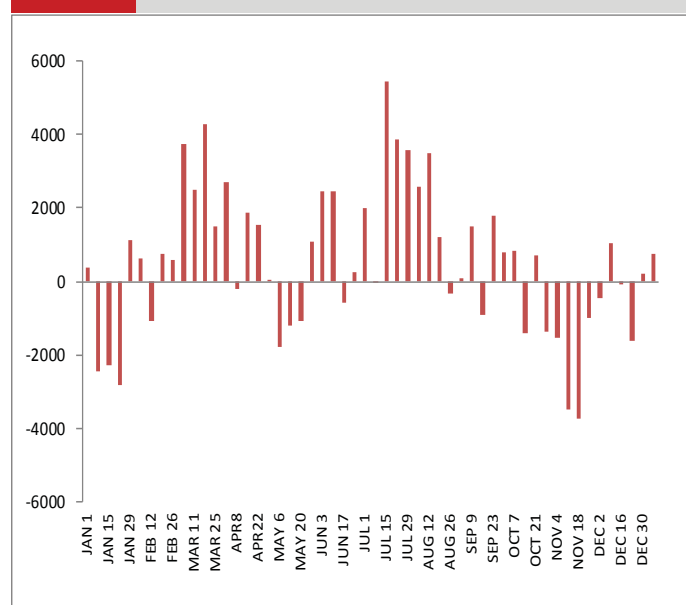


Chart 2 Weekly Net Flow of Foreign Funds into 7 Asian Markets since Jan 2016 (USD'b)



Source: Bloomberg, Bursa Malaysia

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.

- Most markets showed a positive inflow last week and only Indonesia and India started the year with negative weekly outflows.
- Korea has the highest positive inflow of capital at USD595.42m as investors are positive about the political reform that is currently happening in Korea. The expectation is that the reform would change the economic structure that has been affected by “chaebols” corporate governance.
- India is nonetheless still suffering a strong selling pressure from stronger dollar pursuant to Federal Reserve rate hike and a demonetization drive which is happening within the country. India’s net foreign fund outflow last week was -USD238.69m

Chart 3

Net Flow of Foreign Funds into Taiwan, Korea and India in 2017 (USD'b)

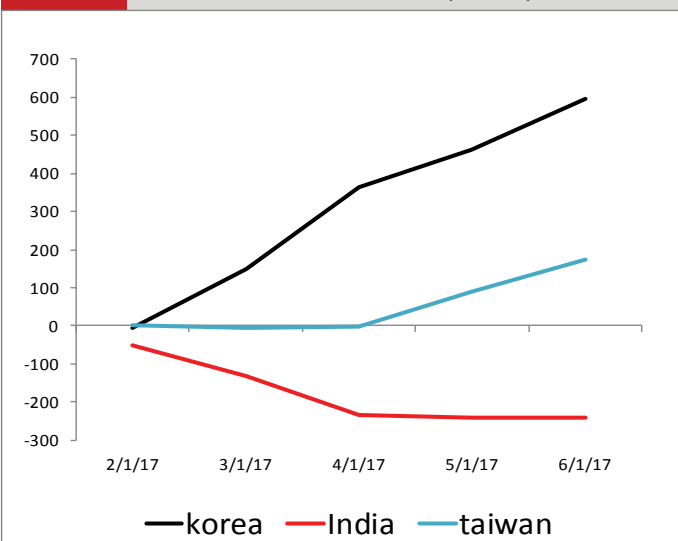
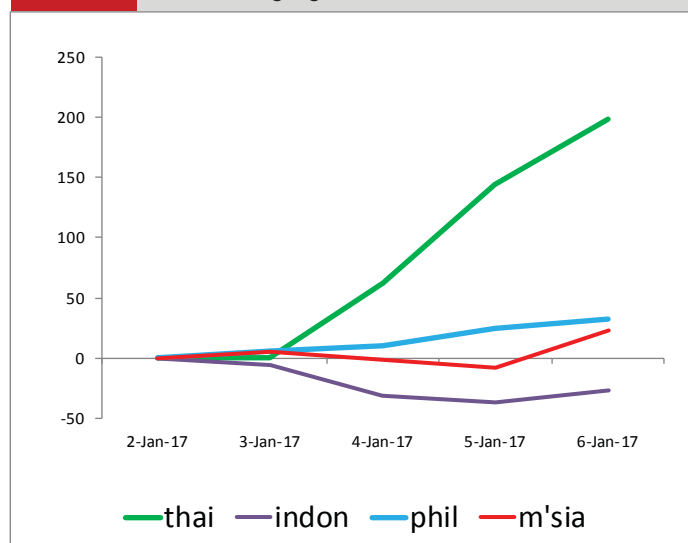


Chart 4

Net Flow of Foreign Funds into South East Asia Emerging Markets in 2017 (USD'b)



Source: Bloomberg, Bursa Malaysia

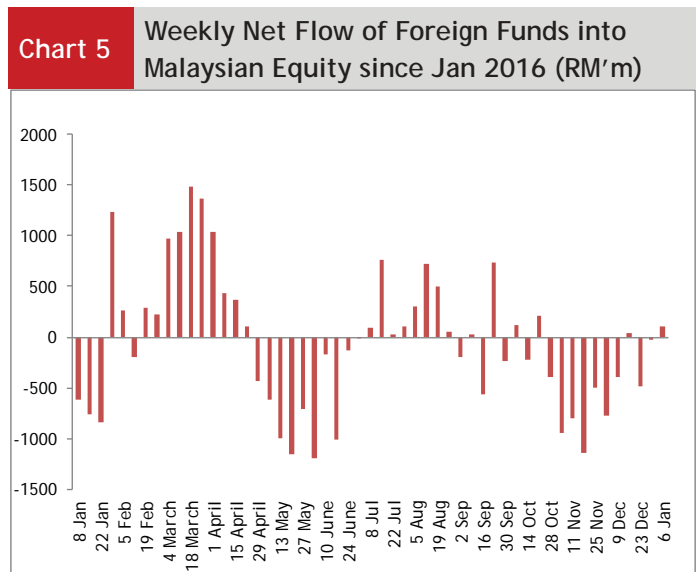
Table 2 Weekly Net Flow Of Foreign Fund Into Equity By Market (USD'm)

WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
NOV 18	-442.9	-295.2	-235.1	-105.4	-900.4	-1500.9	-261.16	-3741.2
NOV 25	376.8	-176.2	-200.7	-76.1	-804.9	17.1	-110.91	-974.9
DEC 2	713.6	-132.5	-237.1	-34.7	-423.5	-151.9	-174.81	-440.9
DEC 9	305.8	83.0	-169.7	-14.2	201.3	710.2	-88.29	1028.1
DEC 16	417.2	-145.5	-182.1	-87.38	-201.3	129.3	10.03	-59.7
DEC 23	49.0	-131.7	52.6	-96.5	-636.1	-745.5	-107.6	-1615.9
DEC 30	485.8	197.1	60.1	9.0	-536.8	6.1	-6.97	214.3
JAN 6	595.4	198.0	-27.1	32.2	-238.7	172.8	22.8	755.5

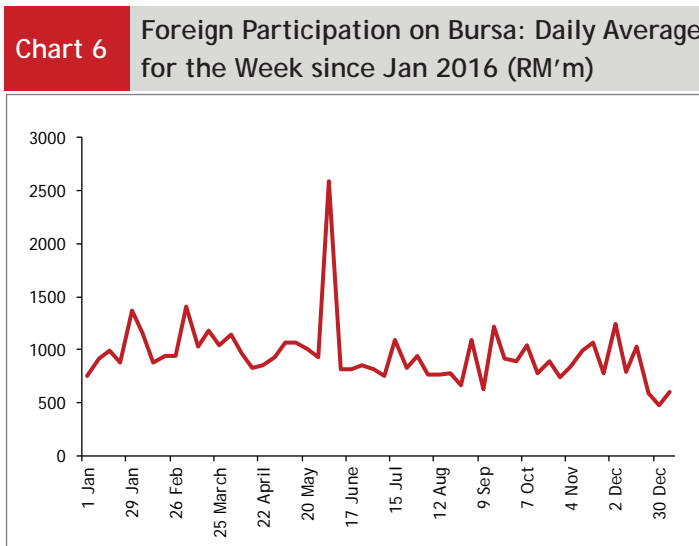
Source: Respective exchange statistics reported on Bloomberg, Bursa Malaysia. These figures are subject to revisions.

C. TRACKING MONEY FLOW - MALAYSIA

- The Malaysian equity market welcomed the new year on a positive note. In the first week of 2017, the net amount transacted by foreign investors on Bursa was at +RM101.8m, compared to -RM31.2m in the prior week. This could be attributable to the general inflows into Asia last week and supported by Malaysia’s encouraging trade numbers which saw an uptick in exports by +7.8%yoy in November.
- On net daily basis, foreign investors were seen buying on Tuesday and Friday, with the bulk on the latter day of RM136.4m. Attritions on Wednesday and Thursday were the identical at -RM28.2m.
- Retail investors gross participation rate continued to expand for its second week in a row to RM596.1m from RM429.6m in the prior week. This is despite the buying on dips conviction which has turned negative for the second week to -RM123.3m compared to the prior week of -RM68.8m.
- The institutional investors gross participation rate improved for the second week in a row to RM2,060.1m from RM1,920.0m in the prior week.



Source: Bursa Malaysia preliminary statistics



Source: Bursa Malaysia preliminary statistics, MIDFR

Table 3 Bursa Malaysia: Weekly Market Participation (RM'm)

Week ended	LOCAL RETAIL			LOCAL INSTITUTION			FOREIGN			NET (USD)*
	BOUGHT	SOLD	NET (RM)	BOUGHT	SOLD	NET (RM)	BOUGHT	SOLD	NET (RM)	
25 Nov	1309.7	1204.6	105.1	4510.5	4122.3	388.2	1710.6	2203.9	-493.3	-110.9
2 Dec	1172.8	1210.7	-37.9	5548.9	4730.5	818.4	2720.6	3501.1	-780.5	-174.81
9 Dec	881.8	860.7	21.1	4607.1	4235.8	371.3	1765.6	2158.0	-392.4	-88.29
16 Dec	764.0	749.9	14.1	3822.4	3880.5	-58.1	2083.7	2039.7	44.0	10.03
23 Dec	1023.9	939.0	84.9	4366.0	3969.2	396.8	1239.0	1720.7	-481.7	-107.6
30 Dec	824.8	893.6	-68.8	3890.0	3790.0	100.0	923.1	954.3	-31.2	-6.97
6 Jan	1130.5	1253.8	-123.3	4130.9	4109.4	21.5	1262.0	1160.2	101.8	22.8

Source: Bursa’s preliminary data

* Estimate by MIDF Research based on prevailing exchange rate.

D. MONEY FLOW² AMONG BURSA'S TOP 100 CAPITALIZED STOCKS: WEEK ENDED 6 JAN
TOP 10 NET MONEY INFLOWS

- United Plantations registered the highest net money inflow of RM8.10m last week. However, its share price underperformed the broader market in spite of a 1.71% gain as the FBM KLCI advanced by a bigger 2.06% during the week under review.
- Sime Darby recorded the second highest net money inflow of RM3.36m. Accordingly, its share price outperformed against the market benchmark with a hefty 5.56% gain during the review week. In related news, Sime Darby Plantation has not dismissed the possibility of downsizing as it looks at ways to optimize its current operations.
- Airasia saw the third highest net money inflow of RM2.70m but its share price underperformed with a -3.06% loss during the review week arguably in reaction to a rating cut (from hold to sell) by a major foreign bank alluding to weaker ringgit, higher jet fuel prices and pressure on yields. Nonetheless, net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
UNITED PLANT	8.10	-0.01	1.71	-
SIME DARBY	3.36	-3.20	5.56	-
AIRASIA	2.70	1.29	-3.06	BOW
TNB	2.57	25.09	0.29	-
WESTPORTS	2.14	4.99	-0.47	BOW
IJM CORP	2.10	1.33	3.75	-
TOP GLOVE	2.07	-1.23	-0.37	BOW
AMMB	2.05	0.69	1.16	-
MY EG	1.63	0.84	6.62	-
GENTING	1.55	3.47	1.88	-

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- Public Bank saw the largest net money outflow of -RM21.60m last week. Accordingly, its stock price performance lagged the market benchmark with a 1.42% gain vis-à-vis the FBM KLCI which advanced by a larger 2.06% during the review week. It is notable that net money outflow amidst advancing share price indicates a sell on strength (SOS) stance among some investors.
- Malayan Banking recorded the second largest net money outflow -RM19.07m during the week under review and its share price underperformed the market benchmark with a mere 0.61% weekly gain which may attract a SOS stance among some investors.
- Petronas Chemicals registered the third largest net money outflow at -RM5.65m in the review week. Its share price outperformed with a 3.58% gain which may nonetheless attract a SOS stance among some investors.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
PUBLIC BANK	-21.60	-12.36	1.42	SOS
MAYBANK	-19.07	-2.91	0.61	SOS
PETRO CHEM	-5.65	-2.79	3.58	SOS
CIMB	-5.20	5.92	5.10	SOS
INARI	-3.79	-1.05	3.92	SOS
IOI CORP	-3.56	-0.10	2.27	SOS
PETRO DAGANG	-2.92	-0.26	0.08	SOS
AXIATA	-2.62	-2.32	4.45	SOS
DIALOG	-1.46	-0.02	0.65	SOS
IGB REIT	-1.44	-0.05	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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