

MALAYSIA EQUITY RESEARCH | 13 June 2016

Week Ended June 10, 2016

- There was little excitement as global equity prices remained generally range-bound for the second consecutive week.
- Sentiment was weighed down as World Bank cut its global growth forecast to 2.4% from 2.9% this year.
- Brent crude oil price increased by 1.8% to USD50.54pb. Price remained resilient above the psychological threshold of USD50pb.
- Ringgit advanced strongly by 1.8% to RM4.07 against the greenback, the best since the last week of March.
- Global liquidity flow to Asia remained strong for the second week running.
- All the markets we track have been beneficiaries of foreign buying for three straight weeks, with the exception of Malaysia.
- Foreign selling on Bursa continued for the seventh consecutive week, but the pace of the selldown has decelerated significantly.
- The net amount offloaded by foreign investors narrowed substantially to only -RM169.9m last week from -RM1,196m the week prior.
- Last week's foreign withdrawal further reduced the cumulative net foreign inflow thus far this year into share listed on Bursa to an estimated +RM1.11b, down marginally from prior week +RM1.22b.
- Meanwhile, foreign participation rate plummeted to RM809.9m, its lowest figure thus far this year.

13 June 2016 | Strategy - Weekly Fund Flow

FOREIGN OUTFLOW FROM BURSA EBBS

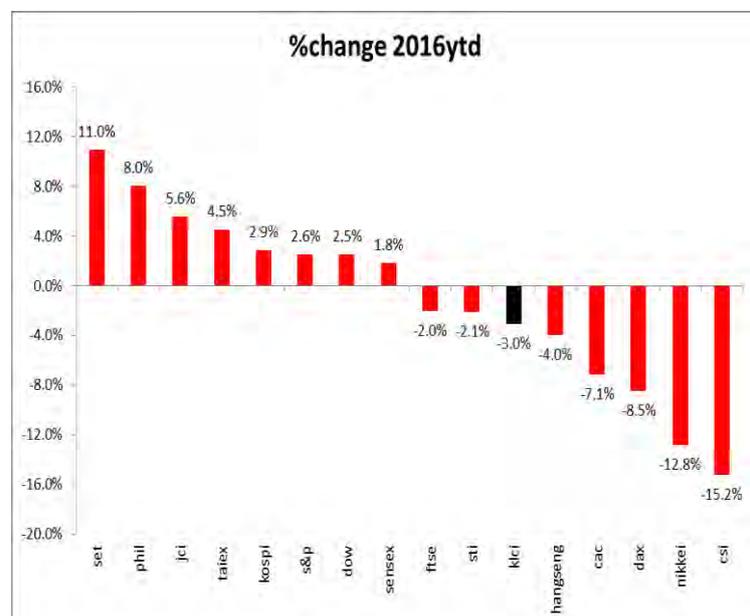
A. MARKET SNAPSHOT

- There was little excitement as global equity prices remained generally range-bound for the second consecutive week.
- Investors' risk appetite was boosted early in the week as market pricing out a potential Fed's June hike. However, sentiment was weighed down by concerns on world's economic health as World Bank cut its 2016 global growth forecast to 2.4% from 2.9%.
- In China, the market turned cautious after a promising rebound the week before. The CSI300 closed a lacklustre -0.8% last week, as investors moved to the sideline ahead of the long weekend. China market was closed on Thursday and Friday for Dragon Boat festival. Market generally lacked bullish catalyst after prior week's active buying amid optimism on China's A-shares inclusion in MSCI indices. Meanwhile, the broader economy is showing signs of stabilization. Exports in May were roughly in line with expectations, while imports declined only -0.4%yoy, indicating a resilient aggregate demand. In addition, its May Producer Price Index fell by only -2.8%yoy, the smallest decline since late 2014.
- Brent crude oil price increased by 1.8% to USD50.54pb. Price remained resilient above the psychological threshold of USD50pb. Supply disruption in Nigeria has proven to be more than transitory. The militant group rejected a talk with the government and continued their attack on oil production facilities. Around 600,000 to 1mbpd of supply have been knocked out so far. The oil price was then buttressed by a -3.27mb decline in US crude inventory, according to EIA's data. The inventory level has been on a downtrend for 3 consecutive weeks. However, concerns on the sustainability of the price recovery still prevail as US shale drillers are seemingly building up their production in response to the elevated oil price. US oil rig count edged up by 9 the week prior, its first increase in 11 weeks.
- Ringgit advanced strongly by 1.8% to RM4.07 against the greenback, the best since the last week of March. It started the week in a positive note. It opened high on Monday, appreciating 1.6% to RM4.08. The momentum persisted throughout the week, aided by the promising oil price rally. Ringgit was one of the best performing currencies in Asia last week.
- Meanwhile, KLCI advanced marginally by 0.3% to 1641.22points. It has narrowed its year-to-date loss to -3.0%.

Performance of major markets

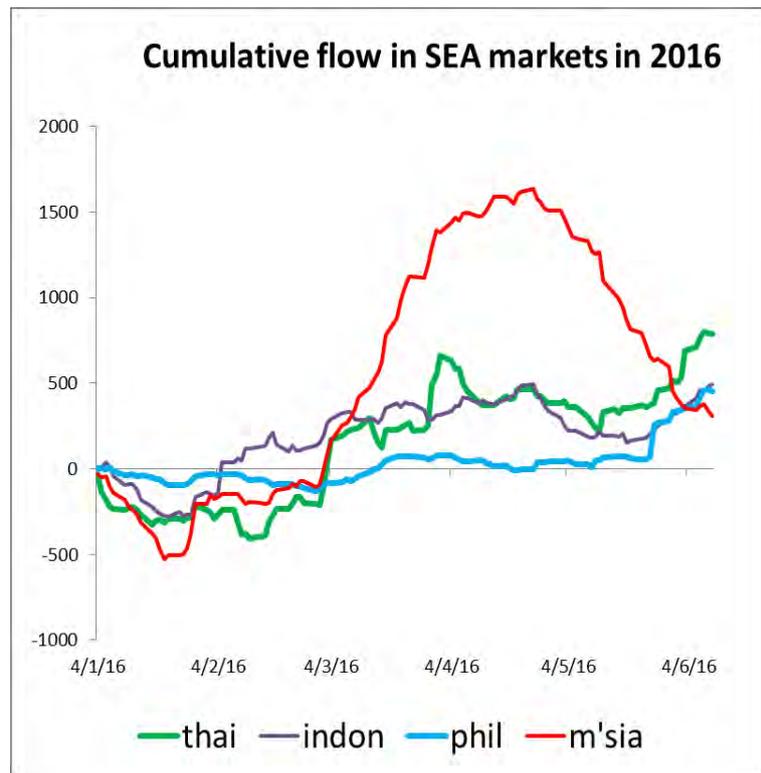
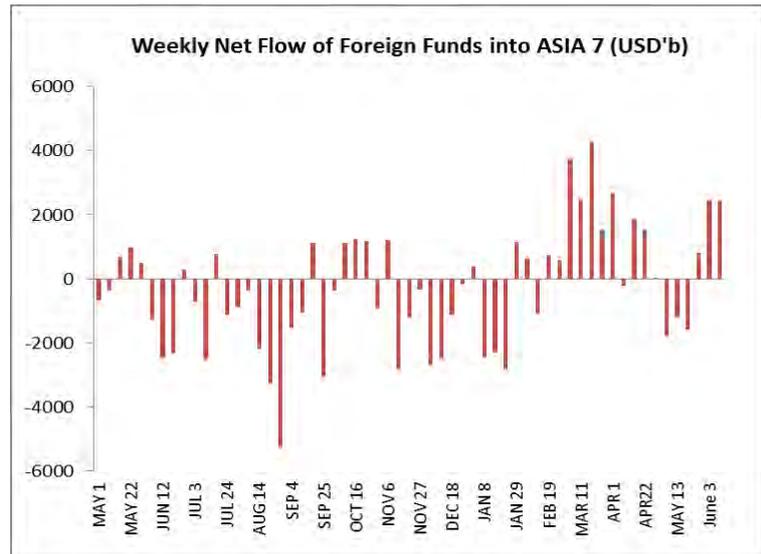
Weekly % change	Week before	Last week
KOSPI	0.85	1.60
TAIWAN TAIEX	1.46	1.49
Straits Times Index	0.24	0.49
HANG SENG	1.80	0.46
DOW JONES	-0.37	0.33
FTSE KLCI	-0.04	0.29
PSEi - PHILIPPINE	1.38	-0.06
JAKARTA COMPOSITE	0.81	-0.12
S&P 500	0.00	-0.15
NIKKEI 225	-1.14	-0.25
STOCK EXCH OF THAI	1.68	-0.50
S&P BSE SENSEX	0.71	-0.77
CSI 300	4.14	-0.79
FTSE 100	-0.98	-1.51
CAC 40	-2.06	-2.60
DAX	-1.78	-2.66

Source: Bloomberg



B. TRACKING MONEY FLOW - ASIA¹

- Global liquidity flow to Asia remained strong for the second week running.
- Based on provisional data from the respective exchanges in seven Asian markets that we track, investors classified as “foreign” bought equities amounted to USD2.42b.
- All the markets we track have been beneficiaries of foreign buying for three straight weeks, with the exception of Malaysia. Global investors’ interests in emerging markets were re-ignited as the probability of a Fed’s June hike diminished.
- Korea bourse was closed on Monday last week, while Taiwan bourse ended the week on Wednesday due to the Dragon Boat Festival.
- Despite the short trading week, Taiwan attracted the most foreign buying, which amounted to USD1.08b. Heavy buying happened on Tuesday and Wednesday, coinciding with the release of Taiwan and China May trade data. While Taiwan’s exports remained in the red zone, it has fared better than market consensus. Meanwhile, its main trade partner China has demonstrated a resilient import appetite. Equity-wise, TSMC was seemingly foreigners’ top pick. It has reported a 10% mom sales growth in May.
- Foreign inflow to Korea was extended for the third week at USD852.3m. Foreigners were potentially attracted by Korea’s commitment on structural reforms. The government has created a USD9.5b fund to facilitate the restructuring of debt-stricken companies. In addition, the Bank of Korea had surprised the market on Thursday with a 25bp cut in its benchmark rate. The move is expected to lift the economy by supporting the weak exports and domestic demand. Samsung Electronics was potentially a hot buying target last week, driven by rumor of Samsung’s new venture into bendable smartphones.
- Foreign buyers purchased USD100.5m of equities in Philippines. It was their third straight week of net buying. The “Duterte effect” continued to buoy market sentiment. Foreign investors are seemingly holding high conviction on the new president replicating his success in Davao to the rest of Philippines.
- Meanwhile, foreigners continued to increase their holding in Thailand and Indonesia at USD98.7m and USD122.7m respectively. India market was also a net receiver of foreign money flow last week at USD211.5m.



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.

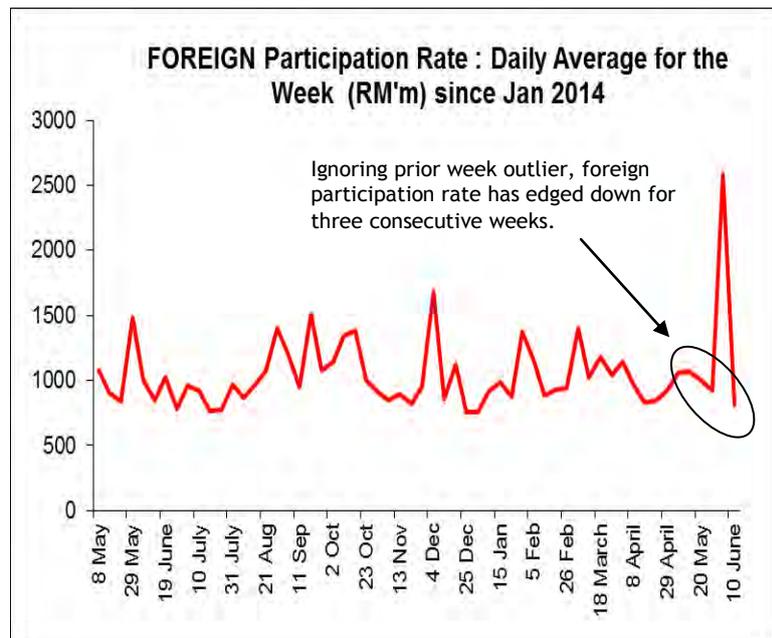
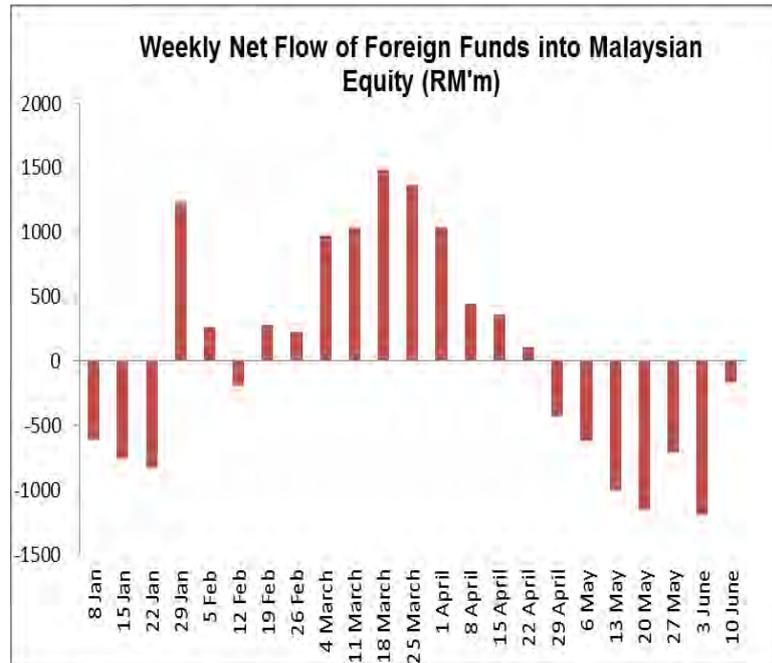
WEEKLY NET FLOW OF FOREIGN FUND INTO EQUITY (USD'm)

WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
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
June 3	478.8	232.6	117.9	84.6	201.4	1384.6	-289.34	2210.6
June 10	852.3	98.7	122.7	100.5	211.5	1079.2	-41.84	2423.0

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 seventh consecutive week, but the pace of the sell-down has decelerated significantly.
- The net amount offloaded by foreign investors narrowed substantially to only -RM169.9m last week from -RM1,196m the week prior. It was also the lowest outflow in seven weeks. The estimates are based on transactions in the open market which excluded off market deals.
- Foreigners were net sellers on three out of five trading days last week.
- Selling momentum from the week before spilled over when trading commenced on Monday, with foreigners offloading -RM28.5m on the day. However, the selling ended abruptly on Tuesday with a buying of RM93.8m. It was the highest daily buying since 21st April this year. Foreign purchase was extended into Wednesday at RM31m. Nevertheless, buying momentum was halted on Thursday with a relatively heavy attrition of -RM163.6m. Foreigners then continued to sell on Friday at -RM102.6m.
- Last week's foreign withdrawal further reduced the cumulative net foreign inflow thus far this year into share listed on Bursa to an estimated +RM1.11b, down marginally from prior week +RM1.22b. The figure has been on a declining trend for the seventh week. In retrospect, foreigners had offloaded -RM19.5b and -RM6.9b in 2015 and 2014 respectively.
- Foreign participation rate plummeted to RM809.9m last week. It was the lowest figure thus far this year. Trading activities returned to its normal track after investors' prior week portfolio rebalancing. Taking out prior week's outlier data point, foreign participation rate has in fact been declining for three straight weeks. Foreign trading was active on Tuesday at RM1,141m. Meanwhile, tepid trading was seen on Monday and Friday at RM692m and RM529m respectively.
- Local institution loaded up RM220m on Bursa last week. Meanwhile, its participation rate edged down to RM1.93b from prior week's RM2.2b.
- Retail buyers offloaded -RM50.1m of equities. It was their biggest selling since 8th April this year. Meanwhile, their participation rate rose to RM568.4m.



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)*
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
JUNE 3	1337.60	1338.20	-0.60	6110.60	4914.00	1196.60	5865.70	7061.70	-1196.00	-289.34
JUNE 10	1395.90	1446.00	-50.10	4922.40	4702.40	220.00	1939.90	2109.80	-169.90	-41.84

* 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.