

FUND FLOW REPORT

Week Ended
October 16, 2015

Foreign Flow Meter (M'sia)



Tide

(easing to)
MODERATE



Current

(remain)
HIGH

- Equity markets around the globe took a breather after a sensational surge the week before. Most markets ended in the greenzone.
- Focus was on Greater China, which hogged the top of the leaderboard. The market in China has now registered a strong back-to-back weekly gain with the CSI300 adding 5.8% after rising 4.3% the week before.
- Successive economic statistics, in the form of further decline in imports and soft inflation data, reaffirmed further China's downward economic trajectory. It caused global anxiety but markets rebounded strongly on Thursday and Friday on expectations of more counter measures by the Chinese government.
- Global funds remained net buyers of Asian equity for the second consecutive week but the flow was directed more towards China and Taiwan.
- On Bursa, there had been sustained foreign buying in the last two weeks, which is a phenomenon this year, and something the market has not seen since March 2014.
- As of Friday, foreign investors had been net purchasers on Bursa in the last eight straight days. Foreign funds bought RM411.7m net in the open market last week, keeping pace with the RM783.4m amassed the week before.
- The local bourse has had a good run so far in October. As of Friday, the KLCI and FBM70 indices had gained 5.9% and 3.7% respectively, the best October so far since 2011.
- In our opinion, Budget 2016, to be unveiled on Friday, is a cause for optimism. The market still has the fuel to maintain the pace until the end of October.
- Among the reasons to be optimistic is that Malaysia equity had attracted significantly more foreign funds in the last two weeks than that by Indonesia, Thailand or the Philippines. Crude oil price has also been benign towards local equity.

19 October 2015 | Strategy - Weekly Fund Flow

RIISING TIDE IN GREATER CHINA

A. MARKET SNAPSHOT

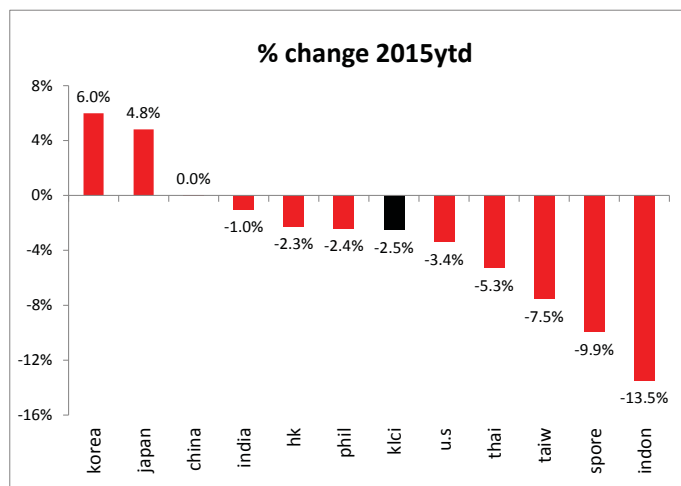
- Equity markets around the globe took a breather after a sensational surge the week before. Most markets ended in the greenzone.
- Focus was on China and Greater China markets, which hogged the top of the leaderboard. China's market registered a strong back-to-back weekly gain with the CSI300 adding 5.8% after rising 4.3% the week before. The market overturned lacklustre trading with a roaring last 2 days of the week.
- Successive major economic statistics from China last week contributed to the early-week volatility in global equity, as the numbers reaffirmed further the country's downward economic trajectory. On Tuesday, China released its trade statistics for September, which saw imports plunging 17.7%yoy in terms of yuan. It was worse than the 14.3%yoy decrease in August and was the 11th straight month of decline. The slide in imports reflects weakening domestic demand, particularly investment demand.
- On Wednesday, China announced that its inflation in September dropped significantly from 2% in August to only 1.6% in September, even below the 1.8% the market was expecting. It indicates softening demand and the impact of low commodity prices.
- Markets around the world retreated during the two days with many exchanges in Asia reporting heavy foreign investors' attrition. The decline in the price of crude oil further increased the markets' volatility. However, China's stocks rebounded strongly on Thursday and Friday as traders began speculating on China government's further counter-cyclical measures, including accelerating the reforms of state-owned companies. Earlier in the week, the government announced plans to reorganize the telecom industry and deregulate utilities prices. Investors were also buoyed by rising margin financing facilities.
- China will announce its 3Q15 GDP growth on Monday. A slowdown in China's economy is already having repercussions on the world's growth outlook. Earlier this month, the IMF cut its 2015 global growth forecast to 3.1% a July forecast of 3.3%. For 2016, the downgraded forecast is 3.6% compared with the 3.8% projected in July.
- On Wall Street, prices gained marginally as investors brace for more 3Q15 earnings announcements. Results have been tepid thus far, and the share price of bellweather bricks and mortar company, Wal Mart, collapsed last week on profit warnings.
- The KLCI also rose marginally, by 0.6% last week, gaining for the third week running. It is down only -2.5%ytd.

Performance of major markets

| Weekly % change | Week before | Last week |
|-----------------|-------------|-----------|
| China CSI300 | 4.28 | 5.81 |
| Hang Seng | 4.43 | 2.71 |
| Taiwan Taiex | 1.70 | 1.88 |
| Straits Times | 7.35 | 1.07 |
| S&P500 | 3.26 | 0.90 |
| Dow Jones | 3.72 | 0.77 |
| KLCI | 4.77 | 0.60 |
| Korea KOSPI | 2.53 | 0.53 |
| Thai SET | 4.83 | 0.50 |
| India Sensex | 3.27 | 0.50 |
| DAX | 5.69 | 0.08 |
| CAC | 5.44 | 0.03 |
| FTSE | 4.67 | -0.59 |
| Nikkei 225 | 4.03 | -0.80 |
| Phil Comp | 4.21 | -1.17 |
| Jakarta JCI | 9.07 | -1.47 |

Source: Bloomberg

Major Asian indices (2015)

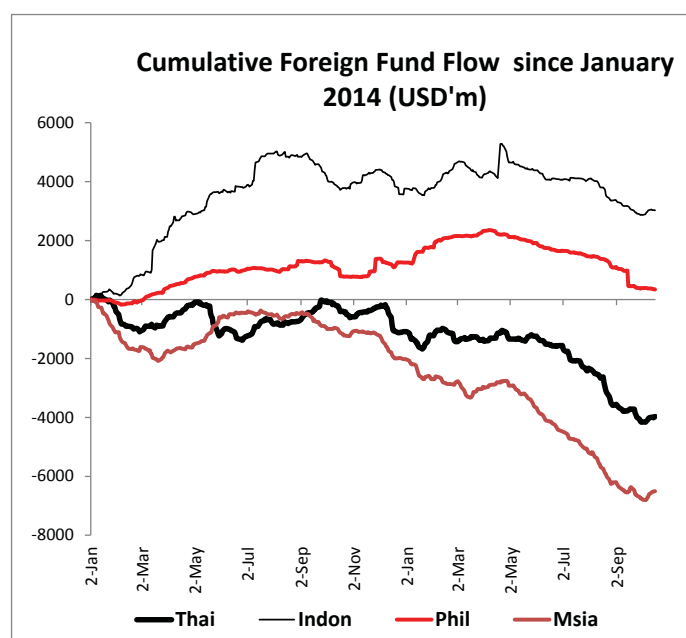
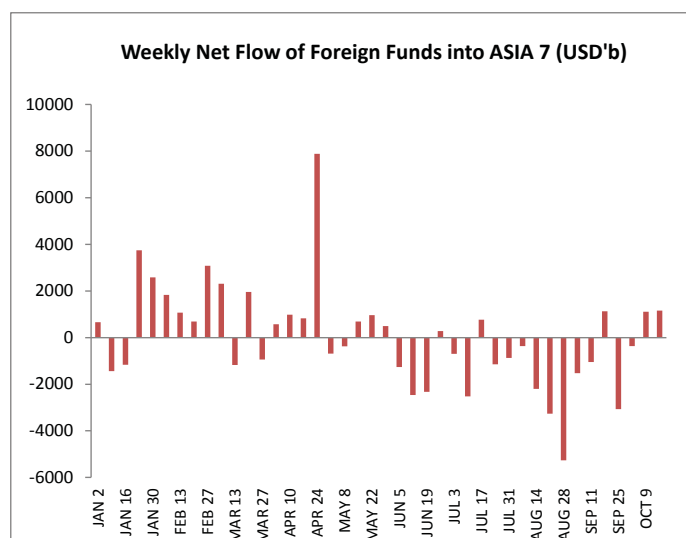


Source: Bloomberg. All in local currency.

FUND FLOW REPORT

B. TRACKING MONEY FLOW - ASIA ¹

- Global funds remained net buyers of Asian equity for the second consecutive week but focus shifted to China and Taiwan. Based on provisional data from the respective exchanges, investors classified as “foreign” bought USD1.2b net in the 7 Asian stock markets that we track (TIPs + India, Taiwan, Korea and Malaysia).
- Foreign funds were quiet in Indonesia last week, after a sizeable landing the week before. The central bank held its benchmark interest rate at 7.5%, a widely-held decision. The rupiah lost -0.9% last week, the second worst performer after the Ringgit with most of the loss registered on Friday. The Government also announced its 4th policy instalment, aimed at reviving the economy which is growing at the slowest pace in 6 years. Last week, the Government introduced a new set of rules for determining minimum wage rises, which the business community has blamed for dousing investor confidence. Perhaps the biggest business news last week was the award to China Railway International Co. Ltd and a local consortium to build a USD5.5b railway line Jakarta to Bandung. 75% of funding will come from China Development Bank.
- The Philippines market continued to underperform, as foreign funds were net sellers for the 15th consecutive week. Foreign funds sold USD41.7m last week and have offloaded USD920m this year. The Bangko Sentral ng Pilipinas reported last week that foreign portfolio investment (ie including bonds etc), was in deficit for 7 consecutive months until September. Valuation on the PSEi is still the 3rd highest behind India and Indonesia.
- In Korea, the market capped the week with an ominous foreign selloff on Friday. Foreign funds offloaded USD211m on Friday, the highest in 12 trading days, wiping out the cumulative inflow for the week until Thursday. However, we note that the Won was the best performing Asian currency last week. There was heavy selling of automotive stocks, specifically Kia and Hyundai after the former announced that it is recalling 377k vehicles on faulty brake-shift interlock mechanism.
- In contrast, Taiwan was the biggest winner last week, hauling USD804.5m of foreign fund injection, the highest in 24 weeks. The Taiwan market was riding on the rising China market. In addition, the Taiwan central bank cut interest rate for the first time since 2009 last month and that raised speculation that it may ease again at its next meeting in December.



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.

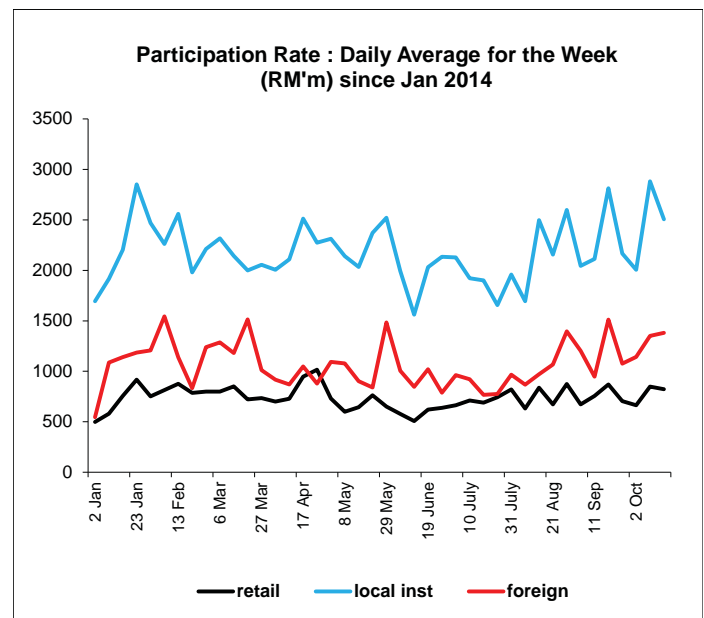
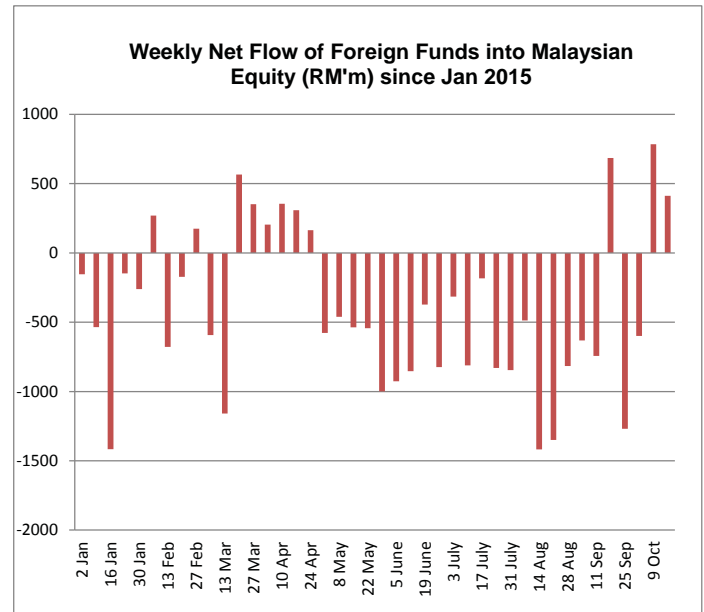
WEEKLY NET FLOW OF FOREIGN FUND INTO EQUITY (USD'm)

| WEEK ENDED | KOREA | THAI | INDON | PHIL | INDIA | TAIWAN | MALAYSIA | TOTAL |
|------------|--------|--------|--------|--------|--------|---------|----------|---------|
| SEP 4 | -369.9 | -73.9 | -58.6 | -47.6 | -636.2 | -193.3 | -148.8 | -1528.3 |
| SEP 11 | -791.7 | -116.6 | -127.7 | -67.5 | -359.3 | 587.5 | -172.0 | -1047.2 |
| SEP 18 | 313.9 | 61.3 | -116.1 | -525.0 | 575.0 | 655.2 | 161.4 | 1125.7 |
| SEP 25 | -923.2 | -277.2 | -139.7 | -49.9 | -287.5 | -1099.9 | -294.1 | -3071.5 |
| OCT 2 | 116.8 | -158.1 | -42.2 | -8.4 | -221.9 | 79.8 | -135.1 | -369.3 |
| OCT 9 | 303.0 | 143.9 | 161.8 | -12.3 | 122.7 | 201.1 | 187.7 | 1107.9 |
| OCT 16 | -70.1 | 43.4 | -10.5 | -41.7 | 334.8 | 804.5 | 98.9 | 1159.3 |

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

C. TRACKING MONEY FLOW - MALAYSIA

- On Bursa, there had been sustained foreign buying in the last two weeks, which is a phenomenon this year, and something the market has not seen since March 2014.
- As of Friday, investors classified as “foreign” had been net purchasers on Bursa last week for the last eight straight days. Foreign funds bought RM411.7m net in the open market (i.e excluding off-market deals) last week, keeping pace with the RM783.4m amassed the week before.
- The week opened on an auspicious note as foreign funds bought RM221.2m, the tenth highest in a day this year, which reflected buying momentum from the preceding Friday. The intensity eased on Tuesday and the momentum was put on hold by the public holiday and a dip in regional sentiment. On Friday, foreign funds were still buying, albeit marginally by only RM0.2m. They were net sellers in Seoul, Jakarta and Manila on the day.
- For 2015, last week’s heavy buying reduced further the cumulative net foreign outflow to RM17.1b, compared with the RM6.9b outflow for the entire 2014. Foreign ownership as a percentage of market capitalization on Bursa was 22.2% at the end of September, the lowest since October 2011. Since the 2008 Financial Crisis, the lowest incidence of foreign ownership on Bursa was 20.3%, which was in November 2009. It indicates that foreign liquidity in the system is low.
- Despite a holiday-interrupted week, foreign participation rate was maintained at an elevated level. The average daily gross volume was RM1.38b, higher compared with RM1.35b the week before.
- For the second consecutive week, local investors took opportunity of foreign inflow to offload some position. Local *institutions* sold RM394.3m on active trading as the week’s average daily volume exceeded RM2.5b for the fifth time this year. *Retail* investors sold RM17.4m, much less compared with RM187.6m the week before. Trading volume remained moderate, averaging RM824m.



BURSA MALAYSIA: WEEKLY MARKET PARTICIPATION (RM'm)

| Week ended | LOCAL RETAIL | | | LOCAL INSTITUTION | | | FOREIGN | | | |
|------------|--------------|--------|----------|-------------------|--------|----------|---------|--------|----------|------------|
| | BOUGHT | SOLD | NET (RM) | BOUGHT | SOLD | NET (RM) | BOUGHT | SOLD | NET (RM) | NET (USD)* |
| AUG 28 | 2132.8 | 2234.7 | -101.9 | 6955.0 | 6036.8 | 918.2 | 3083.9 | 3900.2 | -816.3 | -193.3 |
| SEP 4 | 1365.7 | 1324.6 | 41.1 | 4384.2 | 3793.8 | 590.4 | 2091.1 | 2722.6 | -631.5 | -148.8 |
| SEP 11 | 1872.2 | 1911.9 | -39.7 | 5673.1 | 4889.6 | 783.5 | 1998.8 | 2742.6 | -743.8 | -172.0 |
| SEP 18 | 1656.0 | 1820.7 | -164.7 | 5366.1 | 5886.4 | -520.3 | 3365.5 | 2680.5 | 685.0 | 161.4 |
| SEP 25 | 1480.4 | 1335.1 | 145.3 | 4896.2 | 3772.8 | 1123.4 | 1519.9 | 2788.6 | -1268.7 | -294.1 |
| OCT 2 | 1689.6 | 1630.0 | 59.6 | 5286.0 | 4746.9 | 539.1 | 2559.9 | 3158.6 | -598.7 | -135.1 |
| OCT 9 | 2028.9 | 2216.5 | -187.6 | 6904.7 | 7500.5 | -595.8 | 3767.0 | 2983.6 | 783.4 | 187.7 |
| OCT 16 | 1638.6 | 1656.0 | -17.4 | 4813.4 | 5207.7 | -394.3 | 2969.2 | 2557.5 | 411.7 | 98.9 |

* Estimate by MIDF Research based on prevailing exchange rate. Source: Bursa's preliminary data

FUND FLOW REPORT

D. TOP 100 STOCKS: MONEY FLOW ²

TOP 10 NET MONEY INFLOWS

- Time dotCom registered the highest (for second consecutive weeks) net money inflow of RM5.34m last week. Accordingly, its share price outperformed the market benchmark as it recorded a 3.03% weekly gain. In comparison, the FBM KLCI advanced merely 0.60% during the week under review. It is notable that a recent filing showed acquisition of TdC shares by a GLIC.
- Axiata Group came in second with RM2.97m net inflow but its share price underperformed the market benchmark with a 0.31% week-on-week gain. The price underperformance is not unexpected as it came on the heels of a huge double-digit gain in the earlier week.
- Petronas Gas recorded the third highest net money inflow of RM2.93m. Its share price however underperformed the benchmark as it retreated, albeit marginally, by -0.09% during the review week. It must be highlighted that net money inflow amidst retreating share price indicates buy on weakness (BOW) stance among some investorse.

Tables below list the Top 10 Net Money Inflows and Net Money Outflows last week 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 | |
| TIME DOTCOM | 5.34 | 8.27 | 3.03 | - |
| AXIATA | 2.97 | -20.50 | 0.31 | - |
| PETRONAS GAS | 2.93 | -7.24 | -0.09 | BOW |
| QL RESOURCES | 2.05 | 0.21 | 0.24 | - |
| PPB GROUP | 1.96 | 0.47 | -0.13 | BOW |
| GENTING PLANT | 1.52 | -0.40 | -2.12 | BOW |
| BERJAYA S TOTO | 1.11 | 0.67 | -3.13 | BOW |
| HAP SENG CONS | 1.05 | -0.31 | 4.57 | - |
| SHANGRI-LA | 1.03 | -0.09 | -0.48 | BOW |
| LAFARGE | 0.91 | -10.04 | -0.65 | BOW |

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- Tenaga Nasional saw the largest net money outflow of -RM14.78m during the review week. Nonetheless, its stock price outperformed the FBM KLCI as it ended the week higher by 2.40% against a smaller 0.60% rise in the market benchmark. TNB recently submitted a conditional offer to acquire the power generation assets of Edra Global Energy from 1MDB. It is notable that net money outflow amidst advancing share price indicates sell on strength (SOS) stance among some investors.
- Sime Darby came in second last week with a net outflow of -RM10.66m. Similarly, its share price also underperformed the market benchmark with a 0.34% weekly gain. As mentioned earlier, net money outflow amidst advancing share price may indicate a SOS stance among some investors.
- Airasia registered the third largest net money outflow at -RM9.23m in the review week. Nonetheless, its share price massively outperformed the broader market with a 15.27% weekly gain which may indicate investors' SOS stance.

| Name | Net Money Flow (RM mn) | | Price (% Chg) | Remark |
|---------------|------------------------|-----------|---------------|--------|
| | Last Week | Prev Week | Last Week | |
| TNB | -14.78 | -31.96 | 2.40 | SOS |
| SIME DARBY | -10.66 | -1.17 | 0.34 | SOS |
| AIRASIA | -9.23 | 1.43 | 15.27 | SOS |
| TM | -6.69 | -34.97 | 1.32 | SOS |
| MAYBANK | -5.30 | -7.54 | 0.23 | SOS |
| KULIM | -5.21 | -3.51 | -1.34 | - |
| PUBLIC BANK | -5.16 | -12.52 | 1.52 | SOS |
| BAT | -5.13 | -7.56 | 0.00 | - |
| PETRONAS CHEM | -5.00 | -2.94 | -0.76 | - |
| MAXIS | -2.95 | -10.16 | 0.59 | SOS |

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

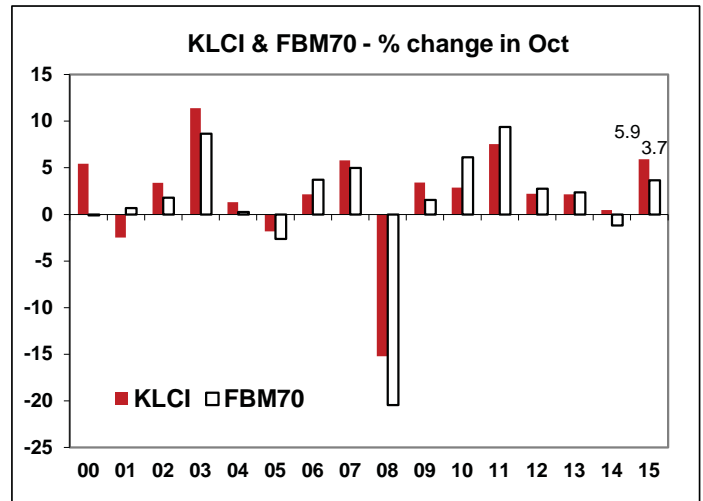
D. THE WEEK AHEAD

BUDGET WEEK...

- The local bourse has had a good run so far in October. As of Friday, the KLCI and FBM70 indices had gained 5.9% and 3.7% respectively, the best October so far since 2011.
- The big question is whether the market still has the fuel to maintain the pace until the end of October, or is it the case that the market is running on fume? It is, after all, budget week.
- In our opinion, Budget 2016, to be unveiled on Friday, is a cause for optimism. We previewed the Budget in our report of Wednesday 7, 2015, expecting another year of expansionary fiscal operations, with heavy allocations for expenditures directly benefitting the *rakyat*, specifically the bottom 40%. The market, however, will be more interested in the headline deficit number, which we expect to be 3.0-3.2% of nominal GDP in 2016.
- The local market has not had a good budget week for a few years now, certainly not in the last three years (see table). Last year, the KLCI and FBM70 lost -1.7% and -2.9% during the budget week. The Smallcap index lost a whopping -5.6%.
- A "good" Budget is expected to buoy the Ringgit, which was doing well last week until Friday. The loss of -1.37% on Friday more than erased the week's gain hitherto. It is not ominous for reasons we discuss below.

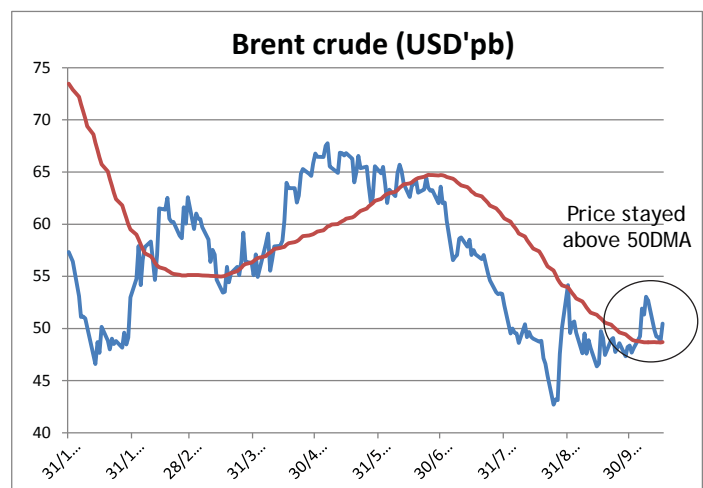
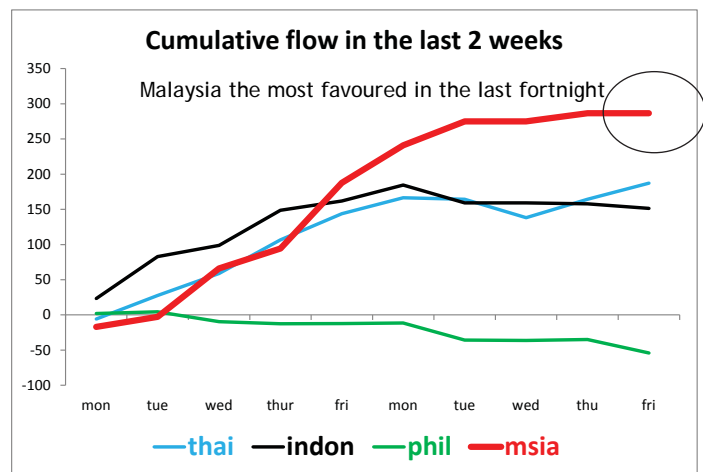
5 REASONS TO EXPECT OPTIMISM AHEAD

1. It is a pretty clear week ahead. The only major statistics emanating from China this week would be the 3Q15 GDP scheduled to be released on Monday. Otherwise the week is free of potential market potholes as the schedule is also pretty light in the U.S, where most economic releases are concentrated in the last and first weeks of the months. The Federal Reserve's Federal Open Market Committee will meet on 29 October.
2. Malaysia appears to be the most favoured South East Asian emerging market currently. In the last 2 weeks, the cumulative net inflow of foreign funds into Malaysia-listed equity was higher than that into Indonesia, Thailand or the Philippines (see chart). Indeed, foreign investors were net buyers in Malaysia throughout the two weeks, even on days when they were selling in other markets.
3. The price of Brent crude oil the stayed above the critical 50-day average support level. It almost fell below the support level on Thursday, but rebounded on Friday.
4. Speculative element is in favour of the Ringgit. In the offshore market, the forward rate of the Ringgit has been quoted at a stronger level compared with that of its onshore equivalent.
5. Majority of stocks are in the technical *sweetspot*. As of Friday, 28 out of the 30 KLCI component stocks traded above their 50-day moving averages (50DMA), while 12 stocks even traded above the 200DMA.



Index performance around Budget Day

| | Pre-Budget (1-week before) | | |
|---------------|----------------------------|--------|--------|
| | 2013 | 2014 | 2015 |
| FBM KLCI | 0.80% | 1.00% | -1.74% |
| FBM70 | -0.46% | 0.23% | -2.89% |
| FBM Small Cap | -0.24% | 1.06% | -5.57% |
| | Post-Budget (1-week after) | | |
| | 2013 | 2014 | 2015 |
| FBM KLCI | 1.44% | -0.39% | -1.14% |
| FBM70 | 1.45% | -0.54% | -2.09% |
| FBM Small Cap | 0.26% | 0.32% | -4.49% |



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Business Address:
11 & 12 th Floor, Menara MIDF,
82, Jalan Raja Chulan, 50200
Kuala Lumpur.
Tel: 2173 8888
Fax: 2173 8380