

MALAYSIA EQUITY RESEARCH | 20 June 2016

Week Ended June 17, 2016

- Global equities regressed last week after two consecutive weeks of range-bound movement. Market's risk-off mode was turned on in the run-up to the "Brexit" referendum on 23rd June.
- Oil price is in a consolidation mode. Brent has declined for six successive days since reaching its peak at USD52.80pb on 8th June. It dropped by -2.7% last week to USD49.17pb.
- Ringgit retreated -0.7% to USD/RM4.10 after a robust +1.8% appreciation the week prior. The recent weakness owe significantly to the foreign selldown in the equity market.
- Liquidity tide to Asia took a pause last week after two strong weeks of inflow, clearly on concerns over Brexit.
- Foreign selling in Bursa has extended for the eighth consecutive week. The net amount offloaded by foreign investors increased substantially to -RM1,012.2m last week from -RM169.9m the week prior. We thought earlier that the outflow was ebbing; foreign investors apparently took caution ahead of Brexit and the double by-elections.
- Last week's foreign withdrawal further reduced the cumulative net foreign inflow thus far this year into Bursa to an estimated +RM100.6m, down significantly from prior week +RM1.11b.
- Foreign participation rate remained moderate last week. It was little changed at RM812.3m, up +0.3% from prior week's RM809.9m.

20 June 2016 | Strategy - Weekly Fund Flow

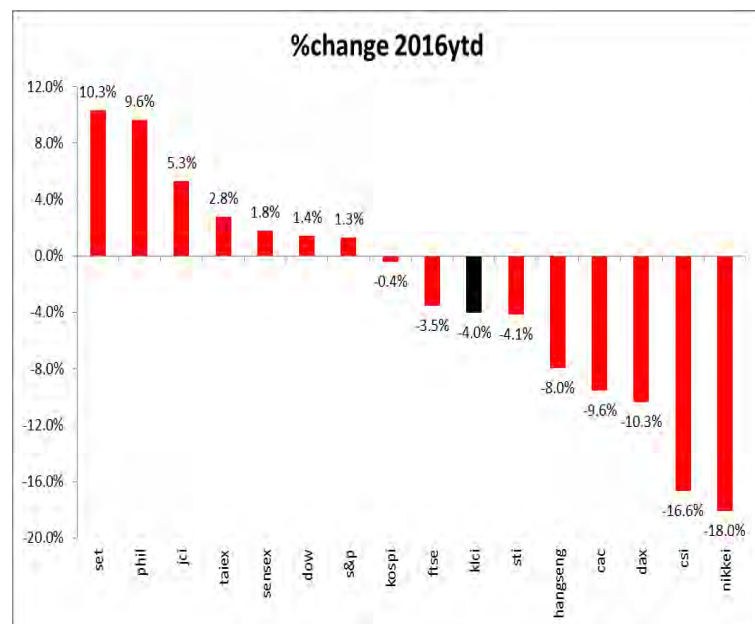
HIGH TIDE OUT AHEAD OF BREXIT REFERENDUM

A. MARKET SNAPSHOT

- Global equities regressed last week after two consecutive weeks of range-bound movement.
- Market's risk-off mode was turned on in the run-up to the "Brexit" referendum on 23rd June. Investors have dumped equities in favor of safe havens like German bunds and Yen. Market generally lacked trading catalysts as Fed, BoJ and BoE decided to keep their policy unchanged in their last week meetings.
- Against the backdrop of another failed effort to be included in MSCI indices, China CSI300 closed with a -1.7% decline last week. The index started the week in a negative note with a -3.1% intraday decline on Monday. Market sentiment was subdued ensuing China authorities' hints on their willingness to have insolvent financial institutions going bankrupt. Selling pressure piled up as China's January-May fixed asset investment moderated to <10%yoy for the first time since 2000. However, market staged a comeback on Wednesday morning with a +2.8% advance. It was arguably due to support from state-backed investment arms.
- Oil price is in a consolidation mode. Brent has declined for six successive days since reaching its peak at USD52.80pb on 8th June. It dropped by -2.7% last week to USD49.17pb. Oil price at >USD50pb has presented itself as a double-edged sword to the market. Traders are increasingly concerned of a comeback of US shale producers amid an elevated oil price. According to Baker Hughes, US oil rigs have increased by 12 in the past two weeks. As a result, traders appear to have acted pre-emptively by pricing in the downside risks, with the Brent price retreating from the psychological USD50pb level on Tuesday. Meanwhile, US crude inventory extended its decline for the fourth week at -0.9mb. Despite that, the smaller-than-expected draw has failed to lift the market sentiment.
- Ringgit was the worst performing currency in Asia last week. It retreated -0.7% to USD/RM4.10 after a robust +1.8% appreciation the week prior. The recent weakness owed significantly to the foreign sell-down in the equity market. Besides that, oil prices continued to hold bearing on Ringgit's movement. Ringgit has weakened to RM4.116 on Tuesday night following a weak Brent closing price at <USD50pb.
- Meanwhile, KLCI declined by -1.04% to 1624.18points. Its year-to-date loss has edged up by -1.0% to -4.0%.

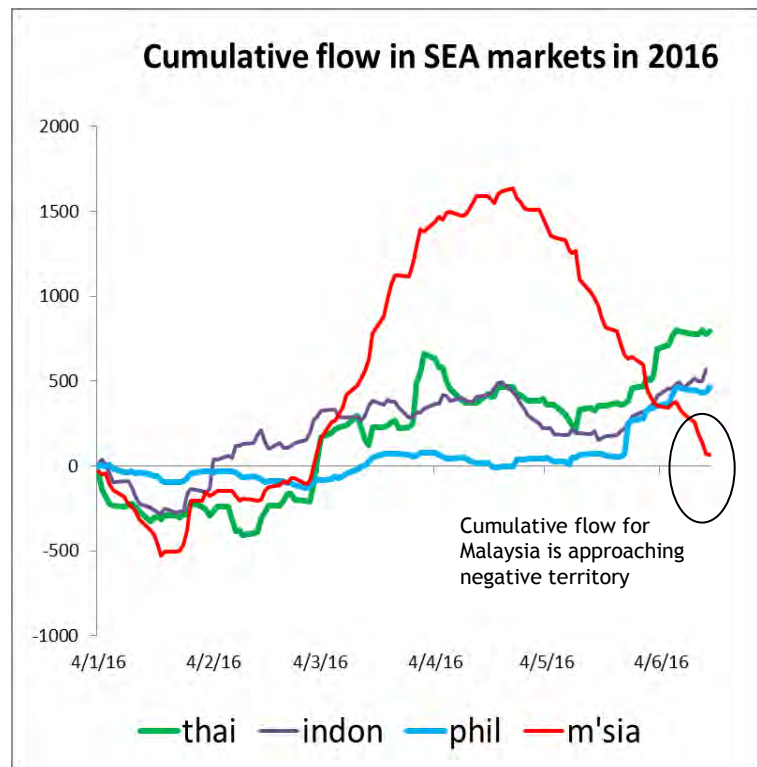
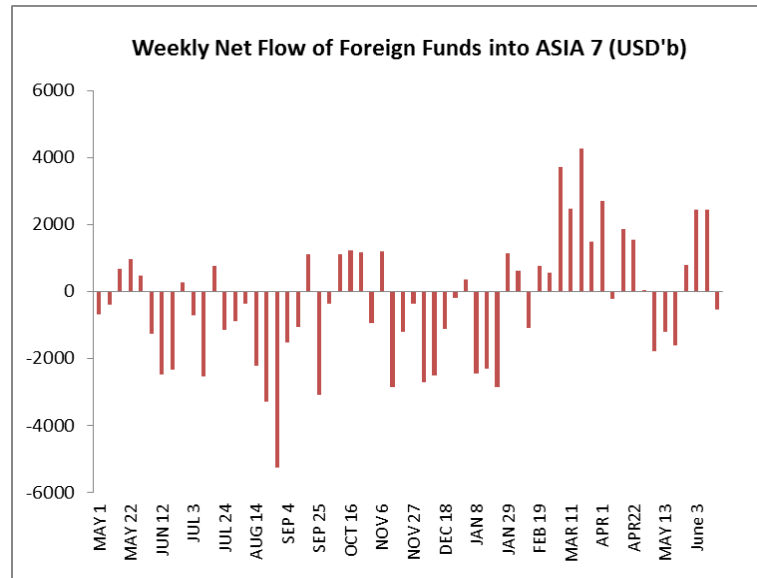
| Performance of major markets | | |
|------------------------------|-------------|-----------|
| Weekly % change | Week before | Last week |
| PSEi - PHILIPPINE | -0.06 | 1.49 |
| S&P BSE SENSEX | -0.77 | -0.04 |
| JAKARTA COMPOSITE | -0.12 | -0.27 |
| STOCK EXCH OF THAI | -0.50 | -0.55 |
| FTSE KLCI | 0.29 | -1.04 |
| DOW JONES | 0.33 | -1.06 |
| S&P 500 | -0.15 | -1.19 |
| TAIWAN TAIEX | 1.49 | -1.69 |
| CSI 300 | -0.79 | -1.70 |
| FTSE 100 | -1.51 | -1.70 |
| DAX | -2.66 | -2.07 |
| Straits Times Index | 0.49 | -2.11 |
| CAC 40 | -2.60 | -2.62 |
| KOSPI | 1.60 | -3.18 |
| HANG SENG | 0.46 | -4.15 |
| NIKKEI 225 | -0.25 | -6.03 |

Source: Bloomberg



B. TRACKING MONEY FLOW - ASIA¹

- The tide to Asia took a pause last week after two strong weeks of inflow.
- Based on provisional data from the respective exchanges in seven Asian markets that we track, investors classified as “foreign” offloaded equities amounted to -USD0.54b.
- North Asian markets were taken off the radar screen last week, after three strong weeks of tide-in amounted to USD4.5b. Meanwhile, money flow for Thailand and Philippines was tepid at below +USD15m.
- Financial uncertainty has heightened last week due to a rising probability of a “Brexit” vote. As a result, global investors resorted to “flight to safety” strategy, staying away from equities in general, including those of Asia.
- Korea was a heavy selling ground for foreign investors last week. A total of -USD365.4m equities were offloaded, its highest selloff since 12th February this year. Korea market started the week in a negative note with heavy attrition at >USD100m on Monday and Tuesday. Market was disappointed by MSCI’s decision to not consider a reclassification of Korea to Developed Markets status in its next review. Equity-wise, Daewoo Shipbuilding & Marine Engineering(DSME) was a selling target amid investigation on potential accounting frauds. In addition, sentiment was depressed as a labor strike was imminent against DSME’s restructuring plan.
- Taiwan succumbed to foreign selling of -USD26.9m after two successive weeks of >USD1b weekly inflows. Foreign buying was seen during mid-week, but was then offset by heavy attrition of -USD271.3m on Thursday. Market was concerned as China-Taiwan tensions have started to inflict pain on the real economy. Taiwan’s tourism took a hit as Taiwan-bound Chinese tourists have declined sharply by -31.7%yoy in May. Tourism generally accounts for more than 5% of Taiwan’s GDP. Equity-wise, Apple Inc’s main suppliers TSMC and Hon Hai Precision were selling targets in the news that this year iPhone shipments would decline for the first time since 2007 by as much as -8.6%yoy.
- Foreigners loaded up USD74m in Indonesia. Bank Indonesia cut its benchmark rate by 25bp last week, indicating its willingness to support economic growth. Meanwhile, foreigners increased their holding marginally in Thailand and Philippines at USD3.4m and USD10.4m respectively.



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.

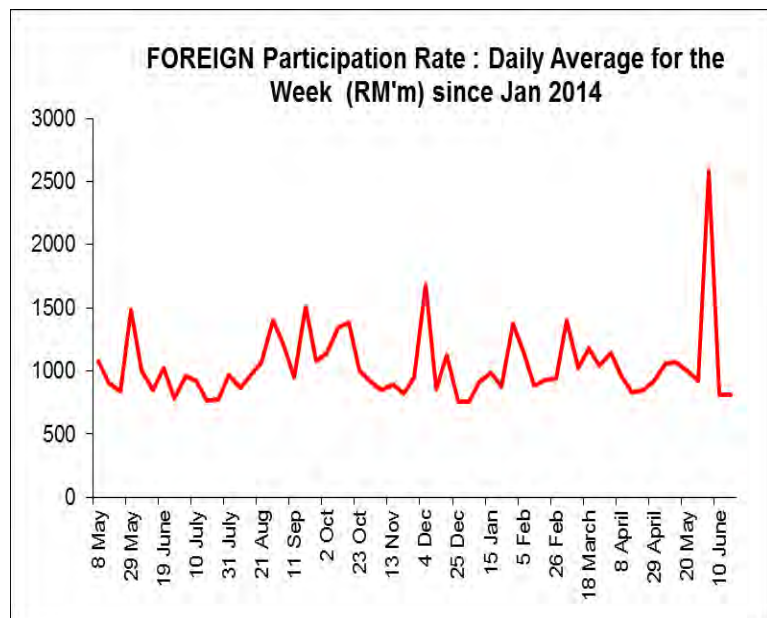
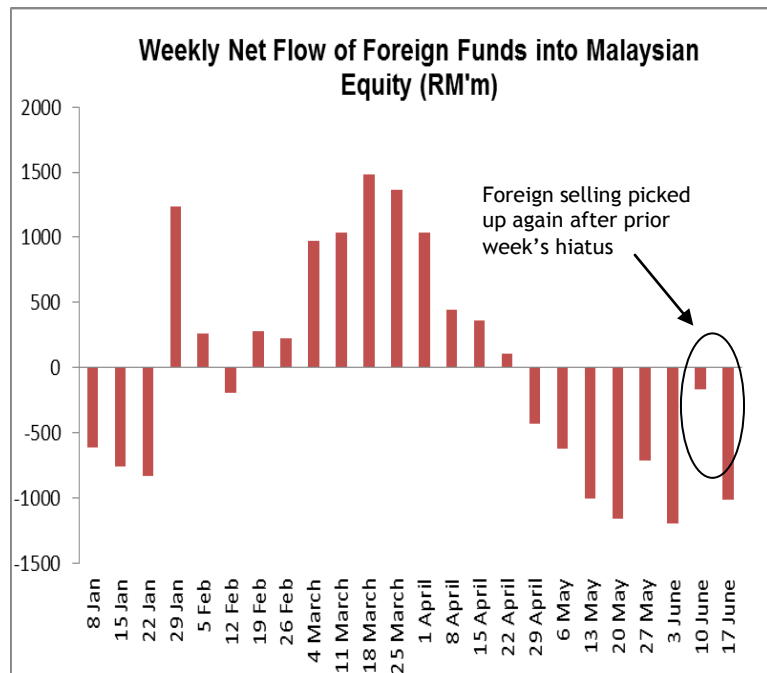
WEEKLY NET FLOW OF FOREIGN FUND INTO EQUITY (USD'm)

| WEEK | KOREA | THAI | INDON | PHIL | INDIA | TAIWAN | MALAYSIA | TOTAL |
|---------|--------|-------|--------|-------|-------|---------|----------|---------|
| 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 |
| June 17 | -365.4 | 3.4 | 74.0 | 10.4 | 11.5 | -26.9 | -246.91 | -539.9 |

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

C. TRACKING MONEY FLOW - MALAYSIA

- Foreigners resumed their selling momentum in May last week after prior week's hiatus.
- Foreign selling in Bursa has extended for the eighth consecutive week. The net amount offloaded by foreign investors increased substantially to -RM1,012.2m last week from -RM169.9m the week prior. It was the third largest selling since 25th September 2015. The estimates are based on transactions in the open market which excluded off market deals.
- Foreigners were net sellers on all five trading days last week.
- We note that prior week's slowdown in foreign selling appeared to be transient. Selling momentum was strong at >RM180m per day on Monday through Thursday. Foreigners started the week with heavy attrition of -RM227.4m and -RM284.5m on Monday and Tuesday, respectively. Selling pressure eased slightly to -RM184m on Wednesday. However, the pace picked up again on Thursday at -RM273m. Foreigners eventually closed the week with a milder attrition of -RM43.3m.
- Last week's foreign withdrawal further reduced the cumulative net foreign inflow thus far this year into share listed on Bursa to an estimated +RM100.6m, down significantly from prior week +RM1.11b. It was the lowest figure since 26th February this year. The figure has been on a declining trend for eight successive weeks. In retrospect, foreigners had offloaded -RM19.5b and -RM6.9b in 2015 and 2014 respectively.
- Foreign participation rate remained moderate last week. It was little changed at RM812.3m, up +0.3% from prior week. Excluding off the outlier data point two weeks ago due to foreigners' mid-year portfolio rebalancing, their participation rate has remained subdued at <RM1b for three consecutive weeks.
- Local institution provided support to the market by loading up RM799.1m on Bursa last week. Despite that, its participation rate declined further to RM1.6b from prior week's RM1.9b. It was the second lowest figure in one year time.
- Retail buyers turned active players last week by loading up RM213.1m. It was their biggest buying since the end of April this year. However, their participation rate has edged down to RM487.8m.



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)* |
| 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 |
| June 17 | 1326.00 | 1112.90 | 213.10 | 4399.20 | 3600.10 | 799.10 | 1524.70 | 2536.90 | -1012.20 | -246.91 |

* 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 Gas registered the highest net money inflow of RM21.72m last week. Its share price slightly outperformed the market benchmark in spite of a -0.56% weekly decline. In comparison, the FBM KLCI ended lower at -1.04% during the week under review. It must be highlighted that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.
- Tenaga Nasional came in second with RM13.79m net inflow. Its share price ended unchanged during the review week despite the weak broader market.
- Malayan Banking recorded the third highest net money inflow of RM13.65m. Its share price however underperformed as it retreated -1.34% during the review week which may indicate a BOW stance among some investors. It is noteworthy that its share price is trading at PBV of close to 1x hence could be ripe for bottom picking.

TOP 10 NET MONEY OUTFLOWS

- Public Bank saw the largest net money outflow of -RM11.71m during the review week. Its stock price however slightly outperformed the FBM KLCI as it ended the week higher by 0.53% against a -1.04% decline in the market benchmark. It is notable that net money outflow amidst advancing share price indicates a sell on strength (SOS) stance among some investor.
- Fraser & Neave came in second last week with a net outflow of -RM11.12m. Its share price however clearly outperformed the market benchmark with a 3.35% weekly gain which may attract a SOS stance among some investor.
- Kulim Malaysia registered the third largest net money outflow at -RM9.49m in the review week. Nonetheless, its share price slightly outperformed as it ended only -0.49% lower during the week under review. Its share would be suspended from today for the implementation of proposed SCR.

Tables below list the Top 10 Net Money Inflows and Net Money Outflows for the week ended 17 June 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 GAS | 21.72 | 0.26 | -0.56 | BOW |
| TNB | 13.79 | -11.81 | 0.00 | - |
| MAYBANK | 13.65 | 3.28 | -1.34 | BOW |
| KL KEPONG | 11.91 | 11.33 | -0.17 | BOW |
| SAPURAKENCANA | 7.95 | -6.81 | -14.02 | BOW |
| PETRO CHEM | 7.83 | -2.65 | -2.91 | BOW |
| AXIATA | 5.99 | 0.34 | -1.43 | BOW |
| MAHB | 5.35 | 0.24 | 0.15 | - |
| AIRASIA | 4.62 | 6.64 | -3.77 | BOW |
| CIMB | 4.10 | 2.57 | -5.36 | BOW |

Source: Bloomberg, MIDFR;

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

| Name | Net Money Flow (RM mn) | | Price (% Chg) | Remark |
|---------------|------------------------|-----------|---------------|--------|
| | Last Week | Prev Week | Last Week | |
| PUBLIC BANK | -11.71 | -8.05 | 0.53 | SOS |
| F&N | -11.12 | -1.59 | 3.35 | SOS |
| KULIM | -9.49 | -1.34 | -0.49 | - |
| TELEKOM M'SIA | -6.63 | -6.28 | 1.20 | SOS |
| DIGI.COM | -5.07 | -12.25 | 1.75 | SOS |
| IOI CORP | -3.61 | 0.77 | -0.46 | - |
| HAP SENG CONS | -3.34 | -3.24 | -1.05 | - |
| NESTLE | -2.42 | -3.03 | 0.26 | SOS |
| KLCCP | -1.65 | -0.09 | -1.47 | - |
| GAMUDA | -1.40 | -2.35 | -3.09 | - |

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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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. |