

MALAYSIA EQUITY RESEARCH | 6 June 2016

## **Week Ended June 3, 2016**

- Global equity markets moved sideways last week with the exception of China.
- Market risk appetite shrank as no traces of dovishness were found in Fed's Chair Janet Yellen's speech in prior week. Sentiment was also hurt by weak US non-farm payrolls.
- Brent crude oil price increased by 0.65% to USD49.64pb. The price rally seemed to have met a resistance at USD50pb.
- The Ringgit declined by -1.6% to RM4.15 against the greenback. Portfolio outflows were the key driver to Ringgit's depreciation.
- Meanwhile, KLCI declined marginally by -0.04% to 1636.46points.
- Global liquidity continued to flow back to Asia for the second week at an accelerating pace.
- Foreign selling on Bursa continued for the sixth consecutive week, the longest selling streak since last September.
- The net amount offloaded by foreign investors surged to -RM1,196m from -RM709m the week prior, marking the highest weekly sell-off since October 2015.
- As of Friday, foreign investors had been selling in 26 out of 28 straight days.
- Last week's foreign withdrawal further reduced the cumulative net foreign inflow thus far this year into share listed on Bursa to an estimated +RM1.28b, down from prior week +RM2.48b.

## 6 June 2016 | Strategy - Weekly Fund Flow

### STRONG TIDE TO ASIA, SANS MALAYSIA

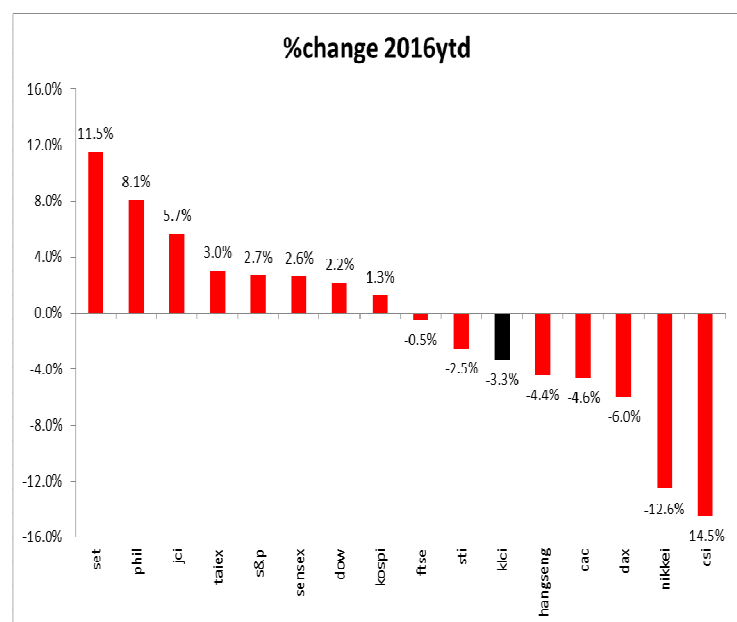
#### A. MARKET SNAPSHOT

- Global equity markets moved sideways last week with the exception of China.
- Market risk appetite shrank as no traces of dovishness were found in Fed's Chair Janet Yellen's speech in prior week. Sentiment was also suppressed by US non-farm payroll in May released on late Friday, which amounted to only 38k. It was the lowest figure since 2010.
- China CSI300 Index was the best performer on the board. It advanced by 4.1% to 3189.33points. This was its highest gain in 11 weeks. Market appetite for China mainland A-shares was boosted in the run-up to MSCI's decision on China's inclusion in its benchmarks. Optimism on China's inclusion is prevailing with China actively addressing MSCI's concerns since last June's disappointment. The inclusion would enlarge demand on China's A-shares from foreign institutional investors benchmarking to MSCI indices. Hence, investors were arguably building up their position in the anticipation of such an event. Meanwhile, China old industrial economy continued to show signs of stabilization. NBS manufacturing PMI in May was maintained at 50.1, while that for Caixin dropped marginally by 0.2 to 49.2.
- Brent crude oil price increased by 0.65% to USD49.64pb. Brent price rally seemed to meet a resistance at USD50pb. Additional market catalyst is potentially in need to further fuel the four-month-long oil price recovery. Brent price underwent a -2.8% decline during mid-week as API reporting an unexpected 2.35mb surge in US crude inventory. Nonetheless, the loss was recovered on Wednesday night in the run-up to OPEC's summit and EIA's data release, with market arguably pricing in their bullish position ex ante. Market then reverted their position when no output agreement was made in the summit, culminating in a sharp -2.9% plunge. The loss was quickly reclaimed with the release of EIA's data contrasting that of API's with an inventory decline of -1.37mb.
- The Ringgit declined by -1.6% to RM4.15 against the greenback. Opened at RM4.083 on Monday, the Ringgit declined to its lowest value since 1<sup>st</sup> March this year at RM4.176 on Thursday morning. Portfolio outflows were the key driver to Ringgit's depreciation. A total of RM1.19b of foreign-held equities was offloaded during the week.
- Meanwhile, KLCI declined marginally by -0.04% to 1636.46points. Year-to-date, it remained in the red zone with -3.3% loss.

#### Performance of major markets

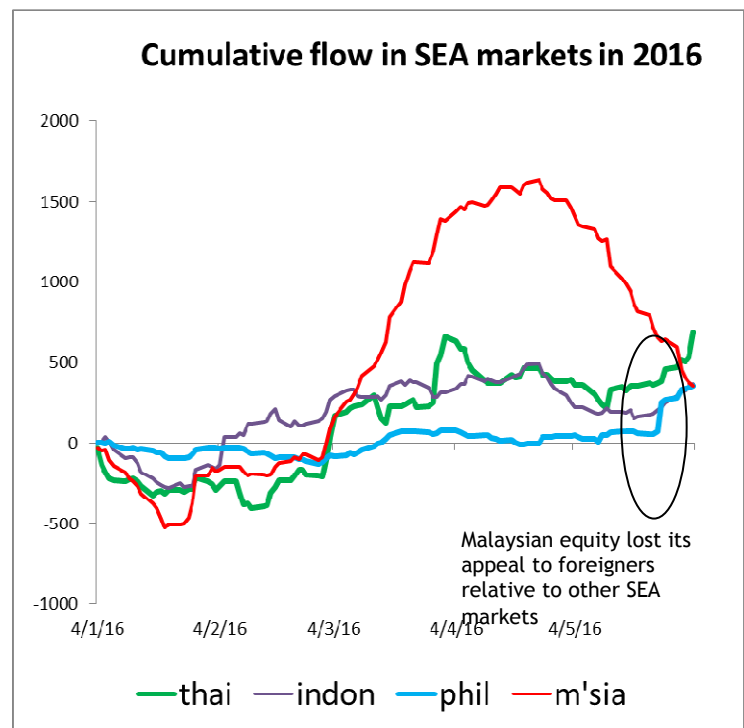
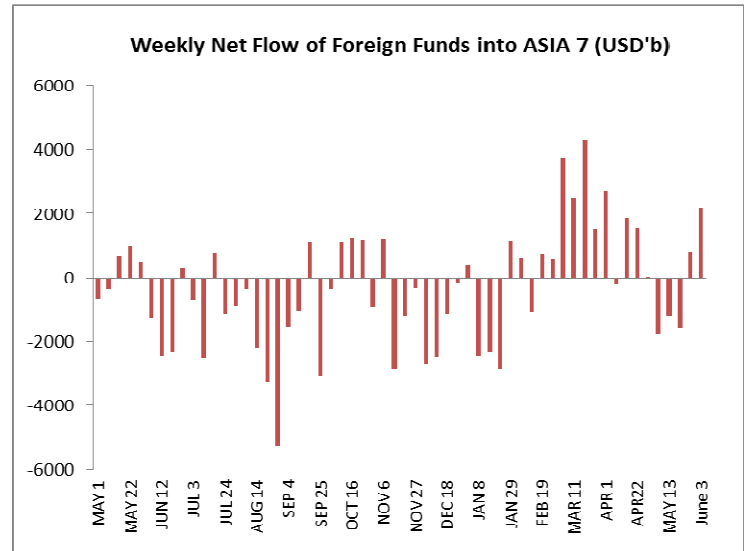
Weekly % change	Week before	Last week
CSI 300	-0.51	4.14
HANG SENG	3.65	1.80
STOCK EXCH OF THAI	1.93	1.68
TAIWAN TAIEX	4.09	1.46
PHILIPPINE SE	1.54	1.38
KOSPI	1.10	0.85
JAKARTA COMPOSITE	2.18	0.81
S&P BSE SENSEX	5.34	0.71
Straits Times Index	1.40	0.24
S&P 500	2.28	0.00
FTSE KLCI	0.52	-0.04
DOW JONES	2.13	-0.37
FTSE 100	1.86	-0.98
NIKKEI 225	0.59	-1.14
DAX	3.73	-1.78
CAC 40	3.69	-2.06

Source: Bloomberg



## B. TRACKING MONEY FLOW - ASIA<sup>1</sup>

- Global liquidity continued to flow back to Asia for the second week at an accelerating pace.
- Based on provisional data from the respective exchanges in seven Asian markets that we track, investors classified as “foreign” bought equities amounted to USD2.21b.
- Taiwan continued to fall under the radar screen. Foreigners more than doubled up their buying from prior week to USD1.38b. It was the second highest inflow thus far this year. Intense buying happened on Monday and Wednesday, which amounted to USD438m and USD300.8m respectively. Foreign investors were potentially rebuilding their position in Taiwan equity as the geopolitical uncertainty between China and Taiwan subsiding. They had offloaded a staggering amount of USD3.2b in the first three weeks of May amid rising political tensions around Tsai Ing-wen presidential inauguration. Technology companies with big market capitalization such as TSMC and Hon Hai Precision were seemingly their top-picks.
- Foreign inflow to Korea was extended for the second week at USD478.8m. Korea 1Q GDP growth rate was revised upward by 0.1% to 2.8%yoy. Despite the lackluster trade data, foreigners’ appetite for Korea market was arguably little affected in the anticipation of further rate cut by the Bank of Korea. Attrition, however, was seen on Tuesday and Friday amid prevailing market’s conviction of China’s inclusion in MSCI indices. Market was generally concerned that the inclusion would crowd out Korea’s weightage in the index and dampened its appeal to institutional buyers.
- Foreign buyers purchased USD117.9m of equities in Indonesia. Indonesia’s Finance Minister has proposed a budget revision for 2016 which includes an USD3.94b capital injection into 24 state firms. Meanwhile, Indonesia’s May inflation moderated to 3.3%yoy from 3.6% in April. This has provided Bank Indonesia more room for additional monetary easing.
- Meanwhile, foreigners continued to increase their holding in Thailand and Philippines at USD232.6m and USD84.6m respectively. India market was also a net receiver of foreign money flow last week at USD201.4m.



<sup>1</sup> 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

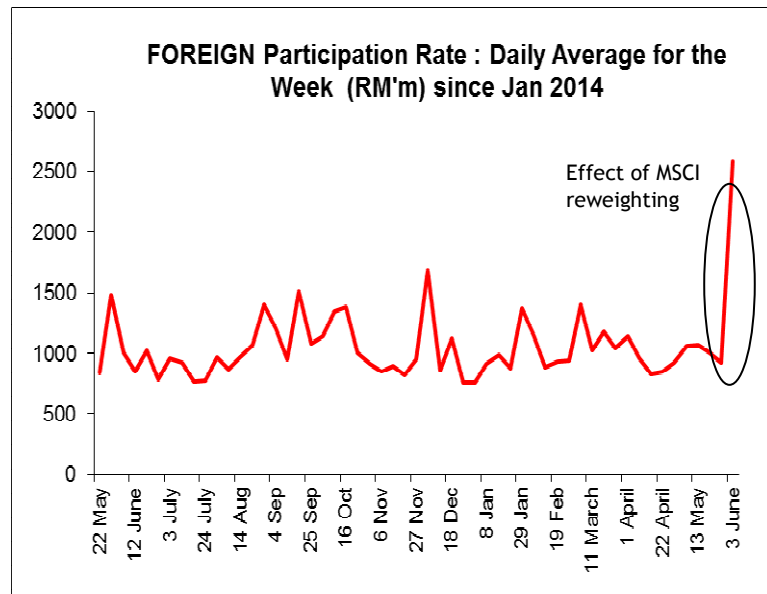
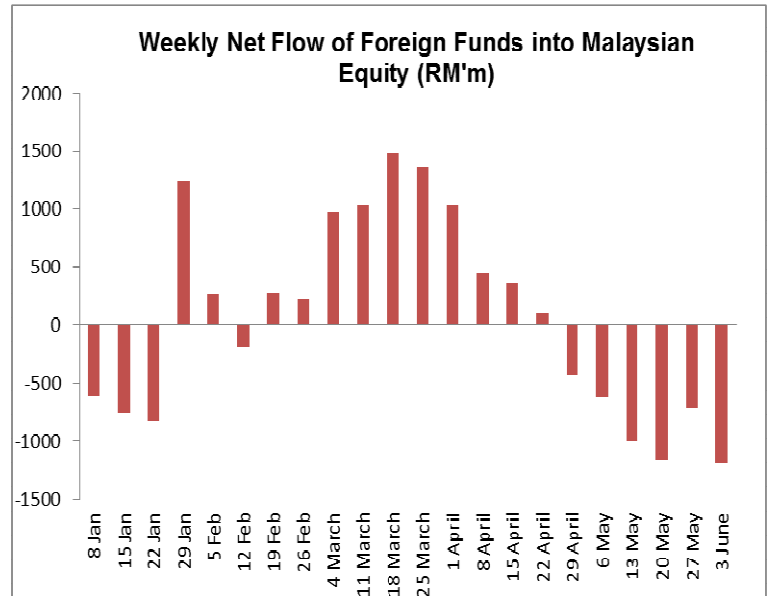
### WEEKLY NET FLOW OF FOREIGN FUND INTO EQUITY (USD'm)

WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
APR22	625.8	89.8	106.8	-20.4	326.0	397.6	27.37	1552.9
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

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 sixth consecutive week, the longest selling streak since last September.
- The net amount offloaded by foreign investors surged to -RM1,196m from -RM709m the week prior, marking the highest weekly sell-off since October 2015. This is estimated based on transactions in the open market which excluded off market deals.
- Foreigners were net sellers on every day last week. As of Friday, foreign investors had been selling in 26 out of 28 straight days.
- We note that prior Friday's foreign buying appeared to be transient. The momentum halted on Monday with attrition of -RM177.4m. The selling pressure peaked on Tuesday when foreigners dumped -RM597m. It was the second highest daily selling since August 2013, after the -RM657.6m attrition three weeks ago. Selling pressure later on subsided to -RM189.5m on Wednesday, with the pace further slowed down to -RM128.1m on the following day. Foreigners ended the week with a selling of -RM104 on Friday.
- Last week's foreign withdrawal further reduced the cumulative net foreign inflow thus far this year into share listed on Bursa to an estimated +RM1.28b, down from prior week +RM2.48b. The figure has been on a declining trend for the sixth week. In retrospect, foreigners had offloaded -RM19.5b and -RM6.9b in 2015 and 2014 respectively.
- Foreign participation rate surged high to RM2.59b last week. The increase was mostly driven by the staggering RM9.04b daily trading on Tuesday, 31 May. It was a common trading pattern historically due to the implementation of MSCI new weighting the day after. Apart from this, trading was also active on Wednesday and Thursday, standing at RM1.05m and RM1.07m respectively.
- Local institution continued to support the market, mopping up a staggering RM1,196.6m. This was its highest weekly buying since 28 August 2015. Meanwhile, its participation rate increased by RM381.9m from prior week to RM2.2b.
- Retail buyers were a non-player last week by offloading a negligible amount of -RM0.6m. Their participation rate edged down to RM535.2m.



## 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)*
APR22	1557.20	1559.60	-2.40	5523.40	5628.00	-104.60	2177.40	2070.40	107.00	27.37
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

\* Estimate by MIDF Research based on prevailing exchange rate.

Source: Bursa's preliminary data

## TOP 100 STOCKS: MONEY FLOW

### TOP 10 NET MONEY INFLOWS

- Public Bank registered the highest net money inflow of RM55.67m last week. However, its share price slightly underperformed the market benchmark with a -0.10% weekly decline. In comparison, the FBM KLCI ended barely changed at -0.04% 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. As previously noted, the bank raised its BR middle of last month in order to alleviate pressure on NIM.
- KL Kepong came in second with RM18.48m net inflow. Its share price ended unchanged during the review week, almost tracking the market benchmark.
- IHH Healthcare recorded the third highest net money inflow of RM16.15m. Its share price however underperformed as it retreated -1.84% during the review week which may indicate a BOW stance among some investors. Its main shareholder, Khazanah Nasional, announced last week it sold (in off-market trades) a 1.58% stake in IHH Healthcare valued at RM828.7m in order to add liquidity to the stock.

### TOP 10 NET MONEY OUTFLOWS

- Malayan Banking saw the largest net money outflow of -RM25.70m during the review week. Its stock price however slightly outperformed the FBM KLCI as it ended the week unchanged against a small -0.04% decline in the market benchmark.
- CIMB Group came in second last week with a net outflow of -RM10.26m. Its share price however outperformed the market benchmark with a 2.75% weekly gain. It is notable that net money outflow amidst advancing share price indicates a sell on strength (SOS) stance among some investor. In related news, the company recently entered into a strategic non-life bancassurance partnership with Japan's Sampo Japan Nipponkoa Holdings Inc.
- Telekom Malaysia registered the third largest net money outflow at -RM9.68m in the review week. Its share price ended unchanged during the week under review. The company recently reported 1QFY16 normalized PATAMI of RM195.4m which met our expectation.

Tables below list the Top 10 Net Money Inflows and Net Money Outflows for the week ended 3 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	
PUBLIC BANK	55.67	30.28	-0.10	BOW
KL KEPONG	18.48	1.35	0.00	-
IHH HEALTH	16.15	8.05	-1.84	BOW
PETRO GAS	13.45	2.67	-1.38	BOW
PETRO DAGANG	11.46	-0.25	-0.42	BOW
MISC	6.81	2.31	0.00	-
BURSA M'SIA	4.25	-1.17	0.92	-
SHANGRI-LA	3.05	3.34	5.88	-
DIGI.COM	2.86	13.45	1.13	-
KPJ HEALTH	2.50	0.79	2.14	-

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	
MAYBANK	-25.70	9.58	0.00	-
CIMB	-10.26	6.28	2.75	SOS
TELEKOM M'SIA	-9.68	3.30	0.00	-
PETRO CHEM	-7.78	6.71	-2.11	-
TNB	-6.96	-15.15	-0.14	-
WESTPORTS	-6.08	6.75	0.00	-
YTL CORP	-6.00	6.21	-0.61	-
BUMI ARMADA	-5.36	-1.02	-2.88	-
IOI CORP	-4.56	2.56	-0.71	-
SIME DARBY	-4.39	-2.09	0.53	SOS

Source: Bloomberg, MIDFR;

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

<sup>2</sup>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.