

MALAYSIA EQUITY RESEARCH | 11 July 2016

Week Ended July 8, 2016

- Fatigue hit global equity markets after the robust rally in the week prior.
- Market in general lacked new buying catalysts as global investors had fully digested the post-Brexit dovish talks by central bankers worldwide.
- Brent crude price entered a corrective mode last week, with a -7.1% pullback from the USD50pb level to USD46.76pb.
- Meanwhile, Ringgit registered an uninspiring week after a strong performance in the week prior. It depreciated by -0.9% to USD/MYR4.03.
- KLCI retreated marginally by -0.1% to 1,644.54 points amid the short trading week due to Eid al-Fitr festival.
- The tide to Asia took a pause last week.
- Foreign investors have trimmed their holdings in North Asian markets, but continued to buy on TIPS markets which are more Brexit-insulated.
- Meanwhile, foreign tide finally returned to Bursa after 10 successive weeks of selling, though only marginally.
- Over the three trading days, foreign investors on net purchased +RM93.5m on Bursa, after a negligible -RM1.4m selling the week prior.
- Last week foreign net buying has effectively lifted the cumulative net foreign fund flow thus far this year into shares listed on Bursa from the negative territory.
- As of last Friday, the year-to-date cumulative flow into Bursa amounted to an estimated +RM58.4m, up from -RM35.1m the week prior.

11 July 2016 | Strategy - Weekly Fund Flow

TIDE-IN TO BURSA AFTER 10 SELLING WEEKS

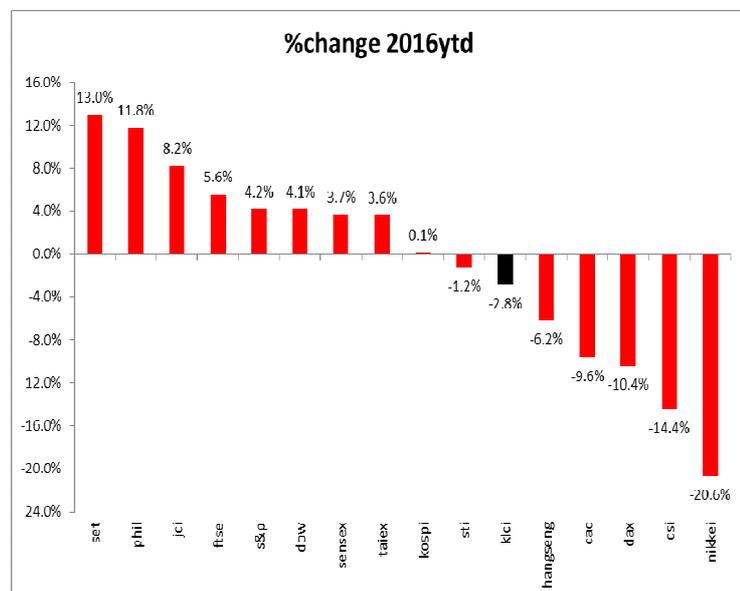
A. MARKET SNAPSHOT

- Fatigue hit global equity markets after the robust rally in the week prior.
- Market in general lacked new buying catalysts as global investors had fully digested the post-Brexit dovish talks by central bankers worldwide. Investors have seemingly turned cautious, waiting for further development on Brexit and its implication on Britain and the EU.
- China CSI300 continued to advance for the second straight week by +1.2% to 3,192.28 points. It started the week in a positive note with a +2.4% increase on Monday morning, breaking above the 3,200 level for the first time in two months. The strong opening was arguably due to the stimulus support from the authorities following prior week's uninspiring PMI figures. The index managed to hold its ground at the elevated level as the week progressed. Market sentiment was supported by encouraging economic data along the week. China Caixin services PMI recorded its highest reading in almost one year by surging to 52.7 in June. Meanwhile, China foreign exchange reserves continued to show stabilization with a +USD13b increase in June.
- Brent crude price entered a corrective mode last week. It saw a -7.1% pullback from the USD50pb level to USD46.76pb. Brent opened the week in a bearish note. It plunged by -USD3.50pb during the first half of the week. Market sentiment was subdued by the dissipating supply disruptions in Middle East. Nigeria's oil production rose by 90,000bpd in June following its cease-fire agreement with the militants. Meanwhile, production in Libya is expected to increase by 400,000bpd from its May level, after the imminent unification and the merger of operations of the competing state oil companies. Nevertheless, Brent price managed to recover +USD2pb over Wednesday night as traders anticipated a sharp drop in US crude inventory. However, their expectation failed to materialize as the inventory fell by a modest -2.22mb. Brent price subsequently tumbled by -6.9% as traders re-optimizing their positions.
- Ringgit registered an uninspiring week after a strong performance in the week prior. It depreciated by -0.9% to USD/MYR4.03. Oil price continued to hold bearing on Ringgit's movement. The retreating oil price was potentially the catalyst to the -1.3% decline in Ringgit's strength on Wednesday morning.
- Meanwhile, KLCI retreated marginally by -0.1% to 1,644.54points.

Performance of major markets

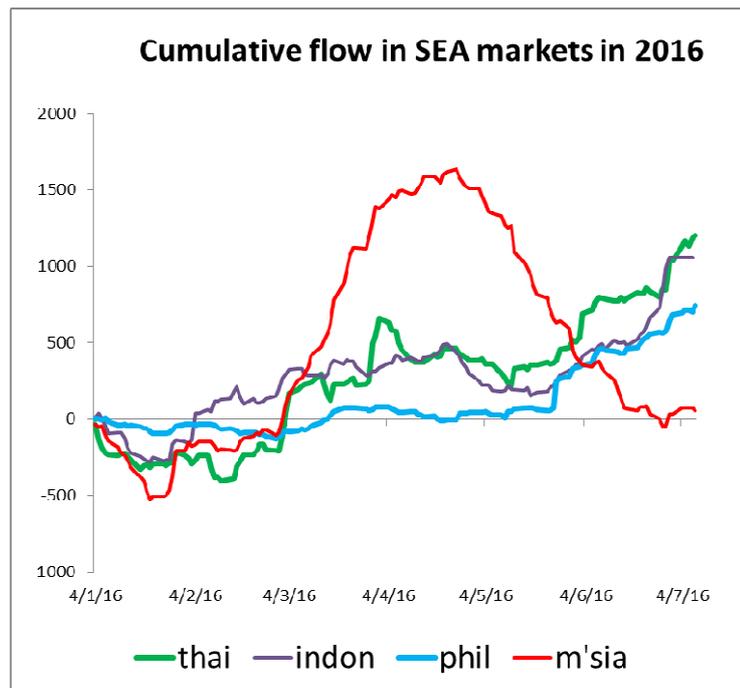
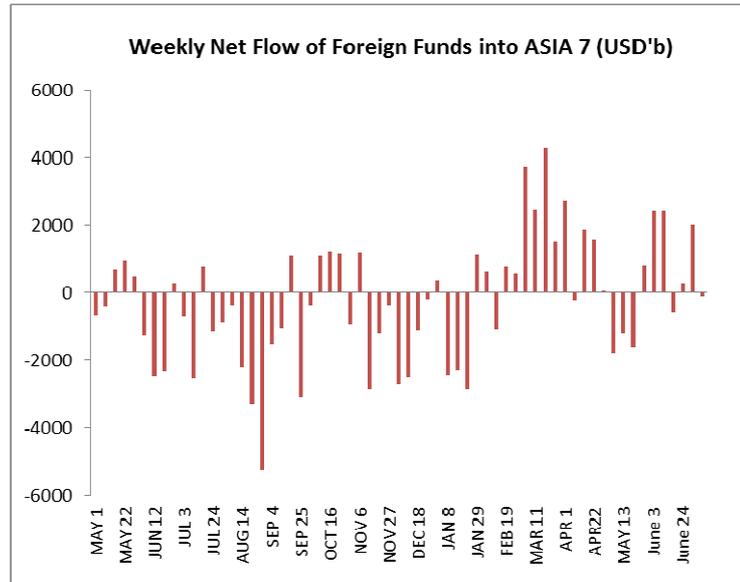
Weekly % change	Week before	Last week
S&P 500	3.22	1.28
CSI 300	2.50	1.21
DOW JONES	3.15	1.10
STOCK EXCH OF THAI	2.25	0.74
FTSE 100	7.15	0.19
Straits Times Index	4.06	0.02
JAKARTA COMPOSITE	2.83	0.00
S&P BSE SENSEX	2.83	-0.07
FTSE KLCI	0.74	-0.10
PSEi - PHILIPPINE	2.63	-0.75
HANG SENG	2.64	-1.11
TAIWAN TAIEX	3.08	-1.11
KOSPI	3.22	-1.22
DAX	2.29	-1.50
CAC 40	4.07	-1.95
NIKKEI 225	4.89	-3.67

Source: Bloomberg



B. TRACKING MONEY FLOW - ASIA¹

- The tide to Asia took a pause last week.
- Foreign fund flow was interrupted due to Eid al-Fitr festival – Indonesia bourse was closed for the entire week, while Philippines and India bourse was closed on Wednesday. Meanwhile, Taiwan bourse was closed on Friday due to typhoon.
- Investors classified as “foreign” sold equities amounted to -USD101.6m, based on provisional data from the respective exchanges in seven Asian markets that we track.
- Foreigners turned cautious last week while waiting for the subsequent development on Brexit. They trimmed their holdings in North Asian markets, but continued to buy on TIPs markets which are more Brexit-insulated.
- Foreigners trimmed their exposure in Taiwan by -USD243.8m, after buying +USD900m in the preceding week. Heavy attrition happened on Wednesday as foreigners offloaded -USD488.8m, the largest daily selling since 30th November 2015. Despite the easing from central bank, investors were worried of Taiwan long term growth as the new government is inclined to limit fiscal spending in order to cap its debt level. Equity-wise, financial stocks, such as Fubon and Cathay Financial Holding, were the selling targets. Investors were pessimistic of their earnings capacity as loan spread has been narrowing due to central bank’s rate cuts.
- Meanwhile, foreign investors reduced their holding in Korea by -USD108.1m, their third net selling in four weeks. Investors were cautious on Korea as its exports, the main driver of the economy, remained sluggish. Korea’s exports on cars, machinery and petroleum products have shrunk in June. In particular, automobile exports contracted by -13.9%yoy. Hyundai and KIA Motor, driven by the weak export figures, emerged as the main selling targets during the week.
- Despite the selling in North Asian markets, Thailand maintained its appeal to foreigners, who loaded up +USD162.9m last week. It was the eighth week of buying in a row, and the longest buying trend thus far this year. Foreigners were arguably attracted by the government’s expansionary fiscal plans, including the introduction of a 100b baht infrastructure fund and a possible extension on corporate income tax exemption by another 5 years.



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.

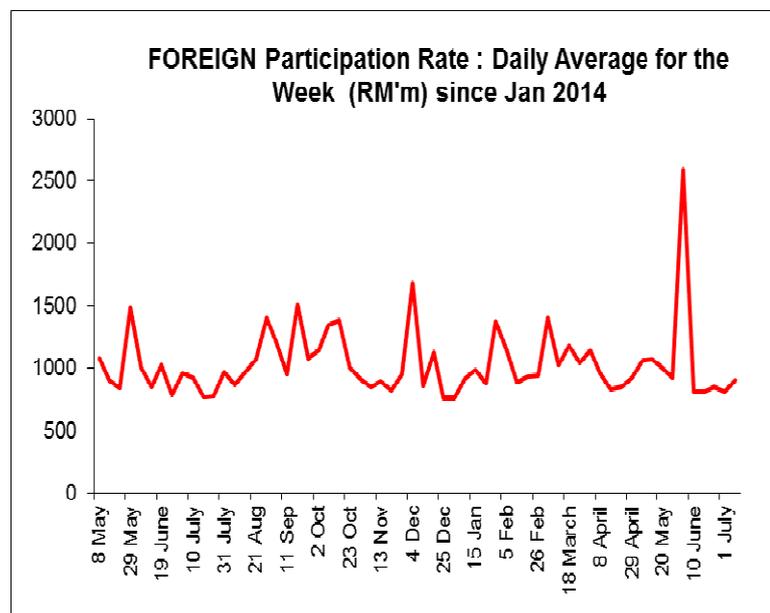
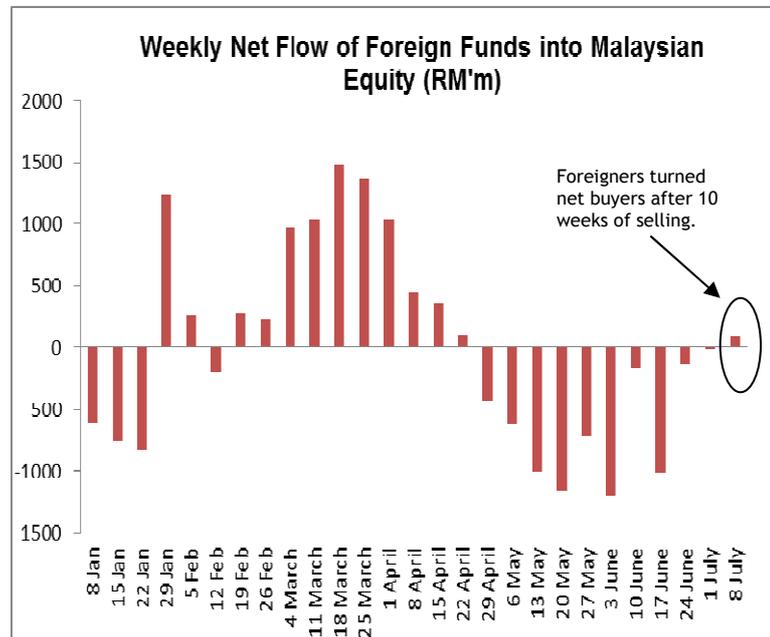
WEEKLY NET FLOW OF FOREIGN FUND INTO EQUITY (USD'm)

WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
May 27	173.3	101.7	88.6	210.0	157.0	535.1	-462.10	803.7
June 3	478.8	232.6	117.9	84.6	441.1	1384.6	-289.34	2450.3
June 10	852.3	98.7	122.7	100.5	244.3	1079.2	-41.84	2455.8
June 17	-365.4	3.4	11.1	10.4	19.5	-26.9	-246.91	-594.8
June 24	-131.3	40.6	107.8	92.7	-71.6	259.5	-32.40	265.1
July 1	159.7	204.4	449.5	125.0	198.7	902.1	0.75	2040.1
July 8	-108.1	162.9	0.0	62.1	1.7	-243.8	23.57	-101.6

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

C. TRACKING MONEY FLOW - MALAYSIA

- Foreign tide finally returned to Bursa after 10 successive weeks of selling, though only marginally.
- Foreigners turned net buyers last week despite the short trading week. Bursa was closed on Wednesday and Thursday for Eid al-Fitr festival.
- Over the three trading days, foreign investors on net purchased +RM93.5m on Bursa, after a negligible -RM1.4m selling the week prior. The estimates are based on transactions in the open market which excluded off market deals.
- We note that the buying momentum from the second half of the preceding week was carried forward as trading commenced on Monday, in which foreigners loaded up +RM168.8m. It was the third highest daily buying since 1st April this year. However, the buying momentum halted on the eve of the two-day holiday, in which foreign investors reduced their holding marginally by -RM8.3m during the morning session. Bursa was closed early that day by noon. Foreign selling resumed when Bursa reopened on Friday, as foreigners sold another -RM67m.
- Last week foreign net buying has effectively lifted the cumulative net foreign fund flow thus far this year into shares listed on Bursa from the negative territory. As of last Friday, the year-to-date cumulative flow into Bursa amounted to an estimated +RM58.4m, up from -RM35.1m the week prior. In retrospect, foreigners had offloaded -RM19.5b and -RM6.9b in 2015 and 2014 respectively.
- Despite the intermittent trading days last week, foreign participation rate managed to edge up to RM906.5m from prior week's RM811.7m. It was the first time it rose above the RM900m level after one month of moderate trading at <RM900m.
- Local institution sold -RM87m on Bursa last week, their first net selling in 11 weeks. Meanwhile, its participation rate declined further to RM1.41b from prior week's RM1.76b, amid the short trading week.
- Retail buyers continued to be net sellers for the third week in a row. They sold marginally at -RM6.5m. Meanwhile, their participation rate slowed down to RM384.8m.



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 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
June 24	1051.50	1072.00	-20.50	3968.00	3813.20	154.80	1639.30	1773.60	-134.30	-32.40
July 1	1134.40	1182.50	-48.10	4422.80	4373.30	49.50	2028.50	2029.90	-1.40	0.75
July 8	477.70	484.20	-6.50	1719.00	1806.00	-87.00	1179.90	1086.40	93.50	23.57

* 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.