

MALAYSIA EQUITY RESEARCH | 8 August 2016

Week Ended August 5, 2016

- Global equity markets continued its sideways movement for the 3rd consecutive week.
- Risk appetite has demonstrated signs of saturation in recent weeks, as global investors have potentially filled up their risk portfolio.
- Jakarta Composite Index stood out among its peers last week with best weekly gain since early February this year at +3.9%.
- Brent crude price saw a +4.3% rebound to USD44.27pb, after a sharp -7.1% decline the week prior.
- Meanwhile, Ringgit appreciated by +0.9% to USD/MYR4.03.
- Week-on-week, FBM KLCI rose marginally by +0.65% to 1,664.04 points.
- Foreign tide to Asia showed sign of receding after 3 consecutive weeks of robust net inflow, as foreigners have seemingly filled up a fair share of their risk appetite in Asia.
- Nevertheless, the momentum for foreign tide-in to Bursa has ticked up.
- Last week, the net amount purchased by foreign investors edged up further to +RM301.8m from +RM105.5m the week prior.
- The cumulative net foreign inflow thus far this year into shares listed on Bursa has surpassed the +RM1b level. As of last Friday, the year-to-date cumulative flow into Bursa increased to an estimated +RM1,261.1m from +RM959.3m the week prior.

RECEDING TIDE TO ASIA AMID SATURATING RISK APPETITE

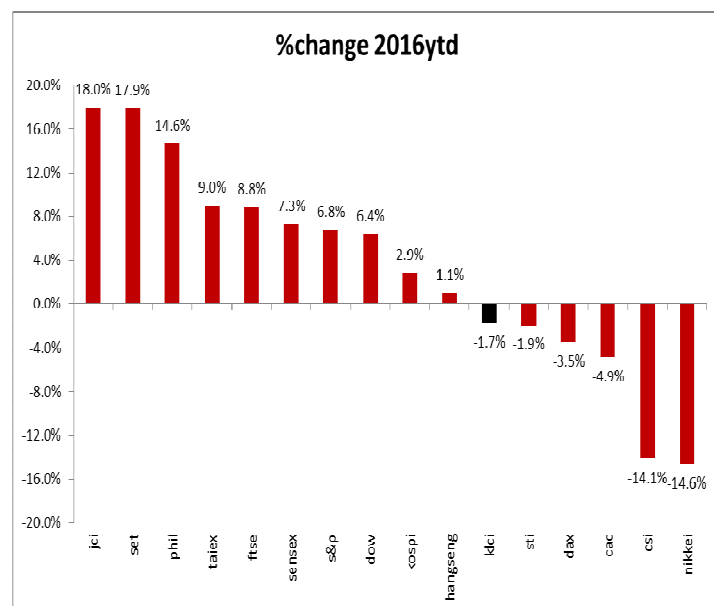
A. MARKET SNAPSHOT

- Global equity markets continued its sideways movement for the 3rd consecutive week.
- Risk appetite has demonstrated signs of saturation in recent weeks, as global investors have potentially filled up their risk portfolio. BoE's 25bp rate cut, which was not unanticipated, has failed to provide material boosts to the markets. However, buying spirit was lifted in the US and European markets on Friday following the release of strong US non-farm payrolls at 255k in July.
- Jakarta Composite Index stood out among its regional peers last week with best weekly gain since early February this year at +3.9%. The Indonesian market was seemingly buoyed by stronger-than-expected 2Q GDP growth at +5.18%yoy.
- China CSI300 saw a negligible gain of +0.04% to 3,205.11 points. China equities started the week in a negative note with a -1.1% pullback on the Monday's morning session. Against the backdrop of a proposed restriction on WMP-fund in equity investment, market sentiment was further weighed down by a slightly undershooting official manufacturing PMI in July, which dropped below 50 for the first time in 5 months. A PMI reading below 50 indicates a contraction in the industry. Sentiment however improved later on in light of an encouraging manufacturing PMI from Caixin, at its 2-year high of 50.6. It was the first expansion since February 2015. Despite the mixed data on the manufacturing front, both the official and Caixin indicators unanimously pointed to an expansion in China service industry.
- Brent crude price saw a +4.3% rebound to USD44.27pb, after a sharp -7.1% decline the week prior. Brent crude has technically entered a bear market early in the week as traders remained concerned by the overhang of substantial crude and refined products. It dropped by -1.6% to its 4-month low of USD41.80pb in the first 2 trading days, retreating by -20.4% from its early June peak of USD52.51pb. Nevertheless, market staged a +USD2pb rebound on Wednesday night as the concern on supply glut eased with a substantial decline of -3.26mb in US gasoline inventory. Sentiment was then further improved by the strong US non-farm payroll in July.
- Ringgit appreciated by +0.9% to USD/MYR4.03. It has been fluctuating within the USD/MYR4.00-4.10 band for the past 3 weeks. While the suppressed oil price has imposed its weight on Ringgit's strength, the impact was offset by an anticipated looser Fed rate hike schedule in light of US weaker-than-expected 2Q GDP growth.
- Meanwhile, week-on-week, FBM KLCI rose marginally by +0.65% to 1,664.04 points.

Performance of major markets

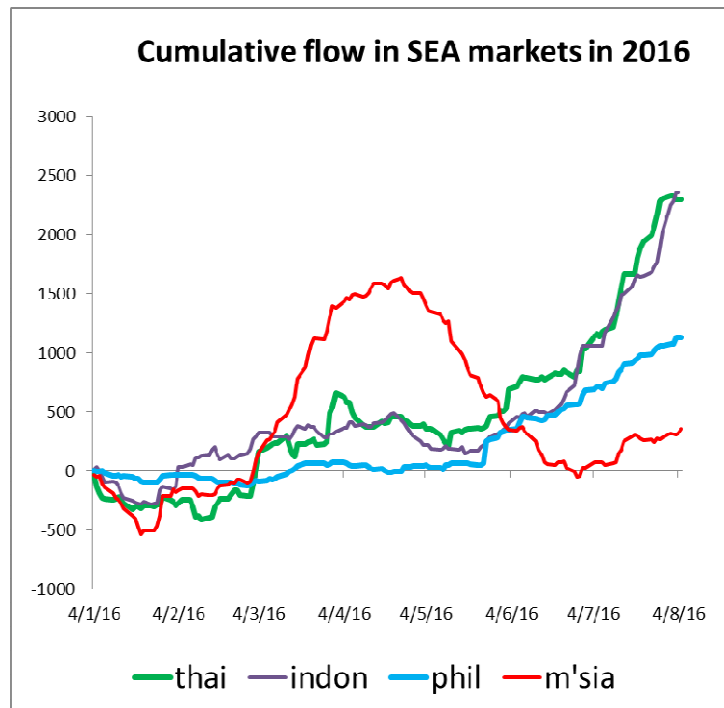
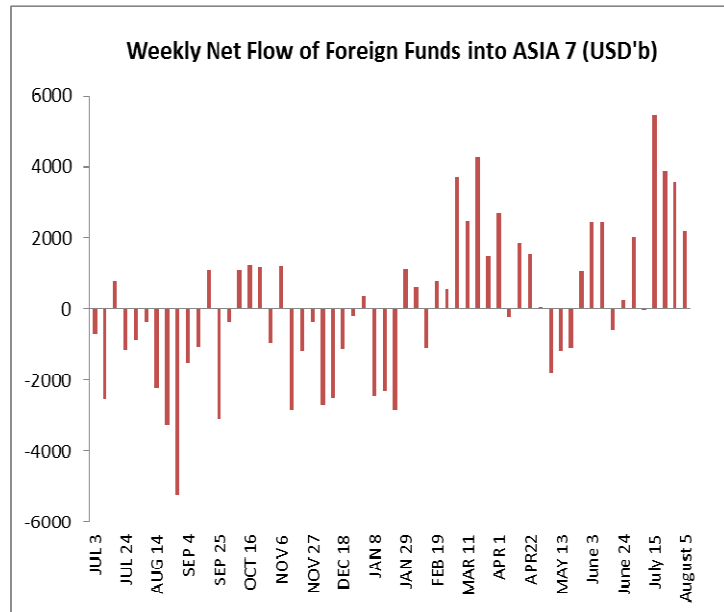
Weekly % change	Week before	Last week
JAKARTA COMPOSITE	0.36	3.92
TAIWAN TAIEX	-0.32	1.20
HANG SENG	-0.33	1.16
FTSE 100	-0.09	1.03
FBM KLCI	-0.25	0.65
DOW JONES	-0.75	0.60
S&P 500	-0.07	0.43
DAX	1.87	0.29
S&P BSE SENSEX	0.89	0.09
PSEi - PHILIPPINE	-0.78	0.09
KOSPI	0.29	0.09
CSI 300	-0.66	0.04
STOCK EXCH OF THAI	0.99	-0.35
CAC 40	1.34	-0.66
Straits Times Index	-2.60	-1.41
NIKKEI 225	-0.35	-1.90

Source: Bloomberg



B. TRACKING MONEY FLOW - ASIA¹

- Foreign tide to Asia has showed sign of receding after 3 consecutive weeks of robust net inflow.
- Investors classified as “foreign” net purchased equities amounted to +USD2.2b, based on provisional data from the respective exchanges in 7 Asian markets that we track.
- Foreign investors have seemingly slowed down their buying after filling up a fair share of their risk appetite in Asia with a +USD13b net purchase in July.
- In North Asian markets, net foreign purchase has tapered down to +USD1.2b. Meanwhile, TIPs markets retained its appeal to foreigners by attracting +USD584.7m of net inflow.
- Foreign net purchase in Taiwan moderated to +USD921.1m after a robust net inflow of +USD5b in July. Taiwan manufacturing industry continued to see expansion for the 2nd month. Driven by larger new orders, its July manufacturing PMI edged up to 51, the highest since March this year. Equity-wise, electronics manufacturers continued to be the top-picks. In particular, Apple Inc.’s main supplier TSMC was highly favored in view of the imminent launch of iPhone 7 which is expected to boost to its profit.
- Similar tune-down in buying pace was also seen in Korea last week with foreigners net purchased +USD300.7m. Economic recovery in Korea appeared to be a bumpy ride. Fatigue was seen in its 4-month-long expansion in the manufacturing sector as July PMI figure edged down to 50.1. Meanwhile, exports fell more than expected in July, but trade balance remained decent due to a larger drop in imports.
- Foreign investors notched up their buying in Indonesia to +USD470.1m^a, the largest weekly net purchase in 15 months. Apart from the stronger-than-expected 2Q GDP growth, foreigners have also been encouraged by the return of Mulyani Indrawati as the new finance minister. The appointment of Mulyani, who helped navigate Indonesia through the global recession of 2008 with decent growth, has relayed much confidence to foreign investors that she would push through necessary reforms and strengthen Indonesia’s fiscal position.
- Meanwhile, foreign net inflow to Thailand has moderated amid rising political uncertainty, with the net purchase tapered down to +USD47.7m. Foreigners were arguably on hold, waiting for the unfolding of Thailand’s constitutional referendum on (last) Sunday.



¹Based 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.

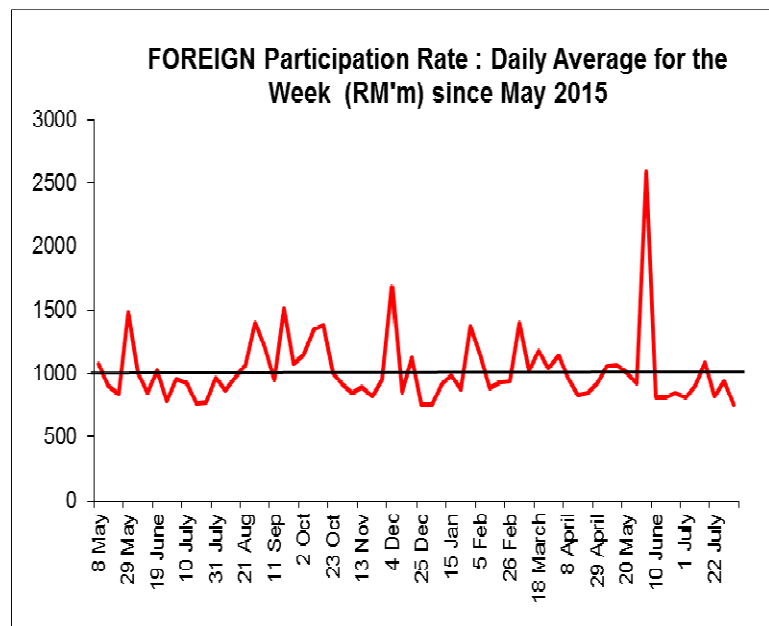
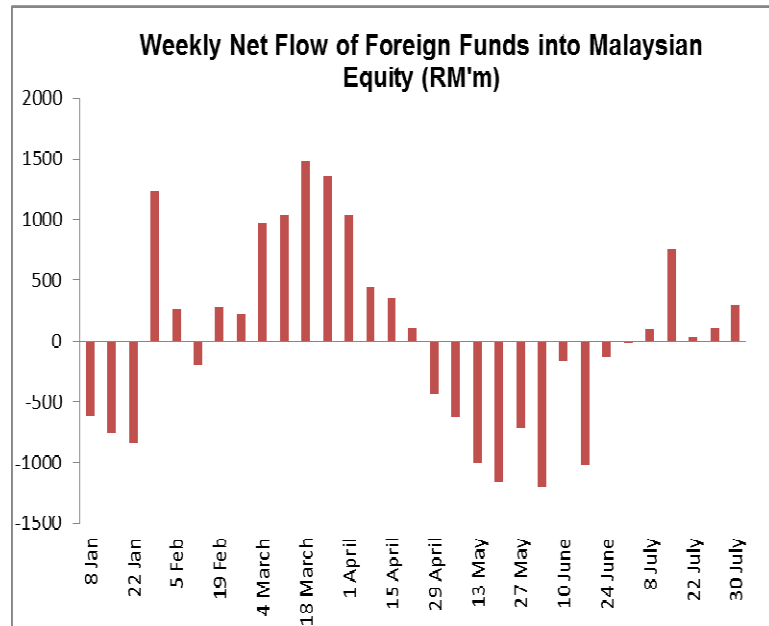
WEEKLY NET FLOW OF FOREIGN FUND INTO EQUITY (USD'm)

WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
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	159.7	902.1	0.75	2001.1
July 8	-108.1	162.9	0.0	62.1	95.9	-243.8	23.57	-7.5
July 15	1722.3	464.1	433.3	157.5	598.2	1881.4	193.08	5449.9
July 22	815.8	275.6	150.7	78.6	406.8	2145.5	8.55	3881.4
July 29	998.2	363.9	246.3	78.0	627.8	1222.3	25.79	3562.2
August 5	300.7	47.7	470.1 ^a	66.8	311.3 ^a	921.1	74.89	2192.6

Source: Various countries' exchanges, via Bloomberg. These figures are subject to revisions. Aggregated by MIDFR.
a: Figure was updated until last Thursday.

C. TRACKING MONEY FLOW - MALAYSIA

- Momentum for foreign tide-in to Bursa ticked up last week.
- The net amount purchased by foreign investors edged up further to +RM301.8m from +RM105.5m the week prior. The estimates are based on transactions in the open market which excluded off market deals.
- Foreign net inflow, though appeared marginal in general, has been extended to the 5th successive week.
- Foreign investors have voted their preference to Malaysia as Bursa commenced on Monday by actively loading up +RM160.8m. Nevertheless, the buying momentum was reversed on Tuesday with a net selling of -RM22.3m. Selling pressure continued to pile up on Wednesday as foreigners on net sold another -RM56.7m. However, the selling momentum appeared transient as foreign investors turned net buyers again on Thursday with a net purchase of +RM117.6m. The buying pace persisted into Friday as foreigners increased their holding by another +RM102.4m.
- The cumulative net foreign inflow thus far this year into shares listed on Bursa has surpassed the +RM1b level. As of last Friday, the year-to-date cumulative flow into Bursa increased to an estimated +RM1,261.1m from +RM959.3m the week prior. In retrospect, foreigners had offloaded -RM19.5b and -RM6.9b in 2015 and 2014 respectively.
- Meanwhile, foreign participation rate has demonstrated a sign of fatigue. It dropped significantly to RM761.2m from RM945.6m the week prior. It was the weakest participation rate thus far this year. The rate has been staying below the RM1b level for the 8th time in the past 9 weeks.
- Local institution remained net sellers for the 5th consecutive week. The selling pace has increased to -RM334.9m from -RM92m in the preceding week. Meanwhile, its participation rate surged to RM2.21b from RM1.98b the week prior. It was the highest since 13th May this year.
- Retail buyers finally ended their 6-week-long selling trend on Bursa last week with a net purchase of +RM33.1m. Meanwhile, their participation rate improved to RM605.5m, up from previous week's RM560.8m.



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)*
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
July 15	1322.90	1384.30	-61.40	4933.00	5635.50	-702.50	3114.60	2350.40	764.20	193.08
July 22	1500.40	1531.10	-30.70	4831.00	4831.50	-0.50	2076.60	2045.40	31.20	8.55
July 29	1395.20	1408.70	-13.50	4906.90	4998.90	-92.00	2416.80	2311.30	105.50	25.79
August 5	1530.20	1497.10	33.10	5359.20	5694.10	-334.90	2053.80	1752.00	301.80	74.89

* 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 Chemicals registered the highest net money inflow of RM16.13m last week. Accordingly, its share price outperformed the broader market as it ended higher by 0.76% while the FBM KLCI gained by 0.65% during the week under review.
- Malayan Banking came in second with RM11.26m net inflow but its share price underperformed the market benchmark with a -0.25% retreat during the review week. Nonetheless, it is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors. The company recently announced a more than doubling of profit in its Indonesian subsidiary during 1HCY16 due to turnaround of its corporate banking business and better NIM.
- SP Setia recorded the third highest net money inflow of RM5.45m. However, its share price underperformed with a loss of -0.65% during the review week which may attract a BOW stance among some investors. In related news, the company is reported to be entering into a JV to develop 500ha property project in Tangerang, Indonesia.

TOP 10 NET MONEY OUTFLOWS

- Tenaga Nasional saw the largest net money outflow of -RM85.35m during the review week. Its stock price slightly underperformed the market benchmark with a 0.28% weekly gain vis-à-vis 0.65% performance in the FBM KLCI. In addition, it is noteworthy that net money outflow amidst advancing share price indicates a sell on strength (SOS) stance among some investors.
- Petronas Gas came in second last week with a net outflow of -RM33.69m while its share price underperformed the market benchmark with a -0.90% weekly loss.
- Nestle registered the third largest net money outflow at -RM19.77m in the review week. Nonetheless, its share price outperformed as it rose 0.86% during the week under review which may indicate a SOS stance among some investors. 

Tables below list the Top 10 Net Money Inflows and Net Money Outflows for the week ended 5 August 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 CHEM	16.13	-1.61	0.76	-
MAYBANK	11.26	-9.88	-0.25	BOW
SP SETIA	5.45	-0.05	-0.65	BOW
IHH HEALTH	5.09	7.41	-0.15	BOW
MAHB	3.28	-6.45	5.38	-
IJM CORP	2.92	-2.68	-0.88	BOW
UMW HLDGS	2.52	1.22	1.58	-
MAXIS	2.39	0.40	2.16	-
UOA DEV	1.93	-2.50	0.83	-
PETRO DAGANG	1.57	1.97	-0.34	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	
TNB	-85.35	-14.91	0.28	SOS
PETRO GAS	-33.69	-0.97	-0.90	-
NESTLE	-19.77	2.58	0.86	SOS
PUBLIC BANK	-16.21	-4.16	0.41	SOS
MISC	-7.32	-6.13	0.93	SOS
HAP SENG CON	-6.93	-2.60	0.00	-
IOI CORP	-5.17	5.33	5.20	SOS
CIMB	-4.99	-14.82	1.14	SOS
KLCCP	-4.82	-5.75	3.33	SOS
TM	-4.26	-10.36	-0.59	-

Source: Bloomberg, MIDFR;

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

²Money 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

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (23878 - X).
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (23878-X). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This document may not be reproduced, distributed or published in any form or for any purpose.

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.