

MIDF EQUITY STRATEGY | 16 JAN 2017

WEEK ENDED 13 JANUARY 2017

- Equity markets around the world were relatively subdued last week, after a strong opening to 2017.
- President-Elect Trump gave his first post win speech but the speech was disappointing because it did not give any clarity on his promises to boost the economy.
- Brent crude oil price were down by 2.89% last week to end at USD55.45 per barrel. The ringgit closed higher by 0.21% at USD/RM4.463.
- Global investors made a beeline for Asian equity last week, buying at the highest pace since September last year.
- Most of the liquidity was still drawn to North Asia. Korea remained a darling of international investors, attracting USD561m last week, the eighth successive week of inflow. There was surge of money flow to Taiwan equity last week, exceeding that to Korea.
- Foreign investors are making a comeback to the Malaysian equity market, although it is still early days.
- Based on preliminary data from Bursa, foreigners mopped up RM382.8m net last week, the highest since the third week of September.
- The KLCI fell marginally by -0.18% last week. However, the index has gained 1.87% this year, keeping pace with regional peers.

THE TIDE GAINS STRENGTH

A. MARKET SNAPSHOT

- Equity markets around the world were relatively subdued last week, after a strong opening to 2017.
- President-Elect Trump gave his first post win speech but the speech was disappointing because it did not give any clarity on his promises to boost the economy, for example tax cuts or infrastructure spending. Also, economic data that came out of the United States were slightly below expectation with consumer sentiment at 98.1 and month-on-month retail sales growing only 0.6% in December. The Dow Jones was down -0.39% last week to stand at 19,885.73.
- In Europe, the European Central Bank released the minutes of their December meeting. Members agreed that the current economic climate would warrant them keeping monetary accommodation and extending the asset purchase program beyond March 2017. Also coming out of Europe, German GDP showed strong growth at 1.9 percent in 2016 and their balance of trade for November stood at 22.6 billion euros. The United Kingdom FTSE, German DAX and France CAC closed higher by 1.77%, 0.26% and 0.26%.
- Singapore's foreign reserve in December was up about a billion Singapore dollar at 356.3 billion SGD. Retail sales growth was lower than expected at 1.1% but investors were still positive about the economy as the Singapore STI grew 2.11% last week.
- China was one of the main focus of President-Elect Trump's speech on Thursday, where the President-Elect criticized the country. One big news coming out of china was their export data, China's export was down -6.1% when consensus was -3.5% which was very unexpected. The China CSI dropped 0.83% to end the week at 3,319.91
- Brent crude oil price were down by 2.89% last week to end at USD55.45 per barrel. Investors are still skeptical about the oil cut, citing that hard evidence of export reduction have yet to emerge. Even if the cuts were followed, Investors are still worried about the output from U.S. Shale and

Table 1 Weekly performance of major indices

Weekly % change	Week before	Last week
Straits Times	2.84	2.11
Hang Seng	2.28	1.93
India Sensex	0.50	1.79
FTSE	0.94	1.77
Korea KOSPI	1.12	1.35
DAX	1.03	0.26
CAC	0.98	0.26
Thai SET	1.85	0.24
Taiwan Taiex	1.28	0.07
S&P500	1.70	-0.10
Phil Comp	5.96	-0.13
KLCI	2.06	-0.18
Dow Jones	1.02	-0.39
China CSI300	1.14	-0.83
Nikkei 225	1.78	-0.86
Jakarta JCI	0.95	-1.38
Source: Bloomberg		

FUND FLOW REPORT

Nigeria and Libya, who are exempted from the OPEC pact.

- The KLCI closed at 1.672.50, a -0.18% decline while the ringgit closed higher by 0.21% at USD/RM4.463.

B. TRACKING MONEY FLOW - ASIA¹

- Global investors made a beeline for Asian equity last week.
- Based on preliminary stock exchange data from the 7 markets¹ that we track, investors defined as “foreign” purchased a net aggregate amount of USD1.08b of listed equity. It was the highest since September last year.
- Most of the liquidity was still drawn to North Asia. Korea remained a darling of international investors, attracting USD561m last week, the eighth successive week of inflow. Korea’s central bank kept its seven-day repurchase rate unchanged last Friday at a record low of 1.25%. Foreign investors are still banking on a political reform to materialize which would translate into better transparency.
- There was surge of money flow to Taiwan equity last week, exceeding that to Korea. The Taiwan exchange reported a net foreign purchase of USD613m, the highest in five weeks. Taiwan reported stronger trade numbers last week, beating consensus and expectation with their balance of trade for December being TWD4.86b versus expectation of TWD4.2b. Exports rose 14%yoy versus consensus of 10.4%.
- Nevertheless, President-Elect Trump said last week that the United States would not be committed to adopt a ‘One China’ policy that it has done for nearly four decades with

Chart 1 YTD performance of major markets

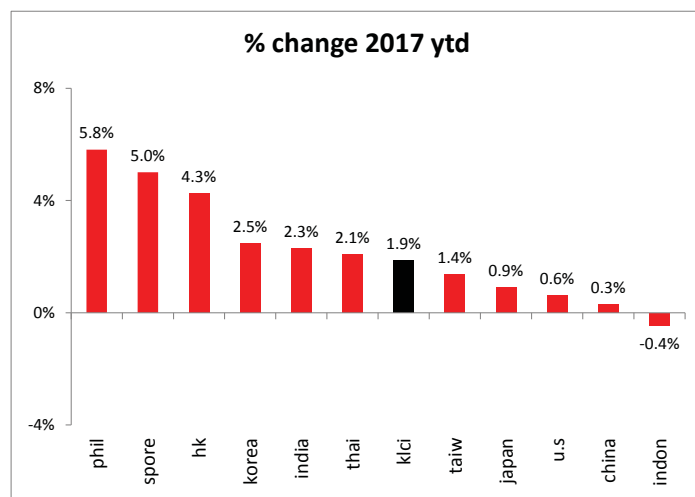
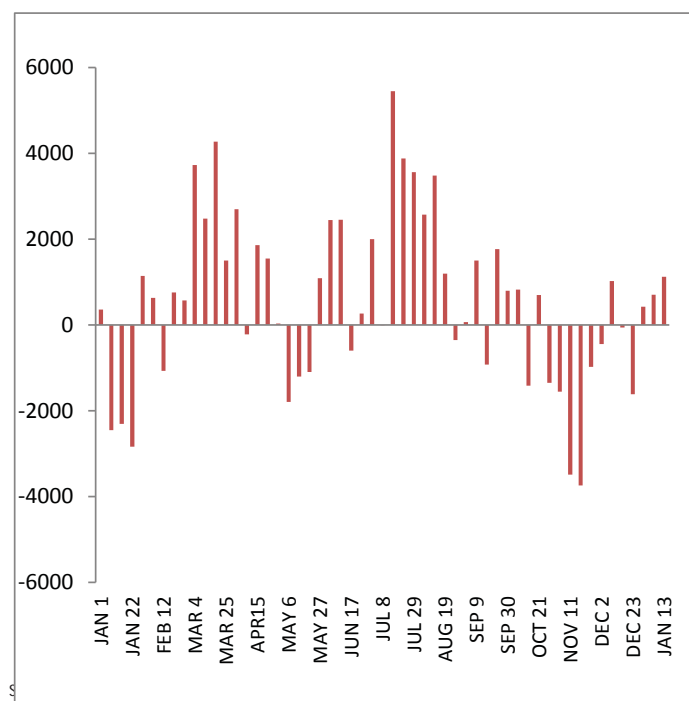


Chart 2 Weekly Net Flow of Foreign Funds into 7 Asian Markets since Jan 2016 (USD'b)



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.

respect to China-Taiwan relations. Rather, they would have different policy when they deal with Taiwan as opposed to the current system.

- India is still suffering from the lack of liquidity as a result of the demonetization drive that is affecting around 86% of its currency available in the country. The government is only allowing a fixed limit of currency to be exchanged for new notes each day. The net amount exiting India was -USD173.87m
- Money flow into the 4 Southeast Asian countries was relatively quiet last week with the net sum amount being USD84.08m as qualitative and quantitative data around the world was rather mixed.
- After strong start to the year, money flow to Bangkok receded last week. Meanwhile, the Jakarta exchange reported a deficit in foreign money flow for the second successive week, but the amount was small.

Chart 3 Net Flow of Foreign Funds into Taiwan, Korea and India since Jan 2016 (USD'b)

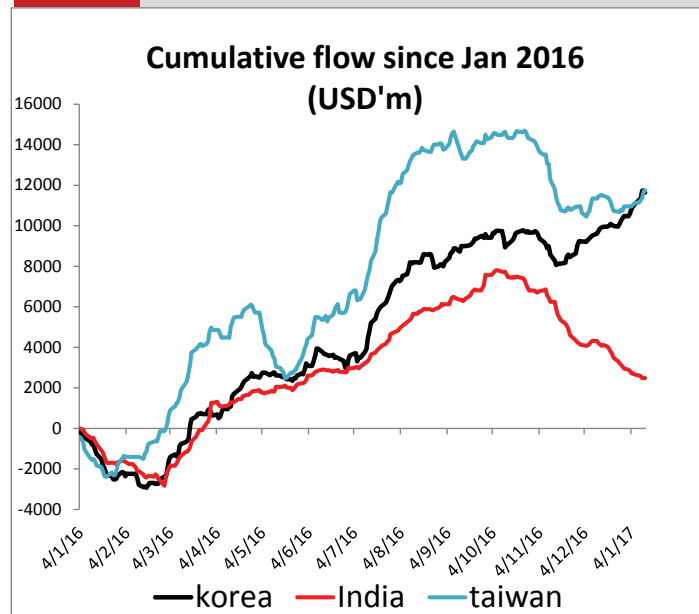
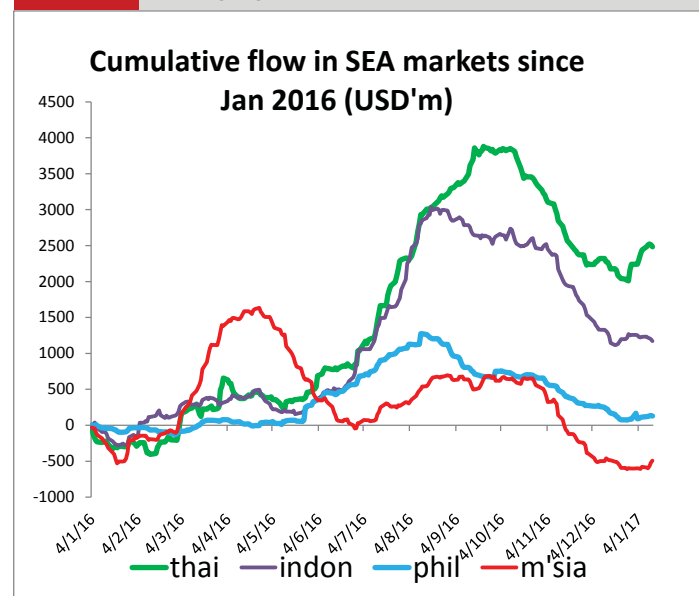


Chart 4 Net Flow of Foreign Funds into South East Asia Emerging Markets since Jan 2016 (USD'b)



Source: Bloomberg, Bursa Malaysia

Table 2 Weekly Net Flow Of Foreign Fund Into Equity By Market (USD'm)

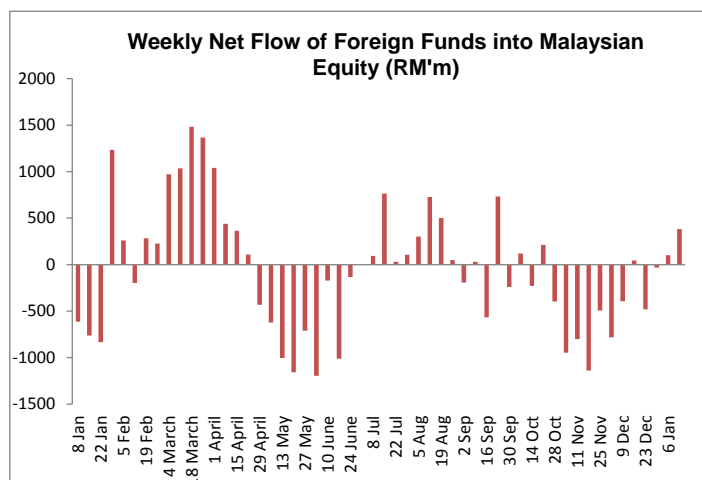
WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
NOV 25	376.8	-176.2	-200.7	-76.1	-804.9	17.1	-110.9	-974.9
DEC 2	713.6	-132.5	-237.1	-34.7	-423.5	-151.9	-174.8	-440.9
DEC 9	305.8	83.0	-169.7	-14.2	201.3	710.2	-88.3	1028.1
DEC 16	417.2	-145.5	-182.1	-87.4	-201.3	129.3	10.0	-59.7
DEC 23	49.0	-131.7	52.6	-96.5	-636.1	-745.5	-107.6	-1615.9
DEC 30	485.8	197.1	60.1	9.0	-536.8	221.2	-7.0	429.4
JAN 6	595.4	198.0	-27.1	32.2	-285.6	172.8	22.7	708.5
JAN 13	560.7	44.4	-59.7	13.6	-173.9	612.5	85.7	1083.4

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

C. TRACKING MONEY FLOW - MALAYSIA

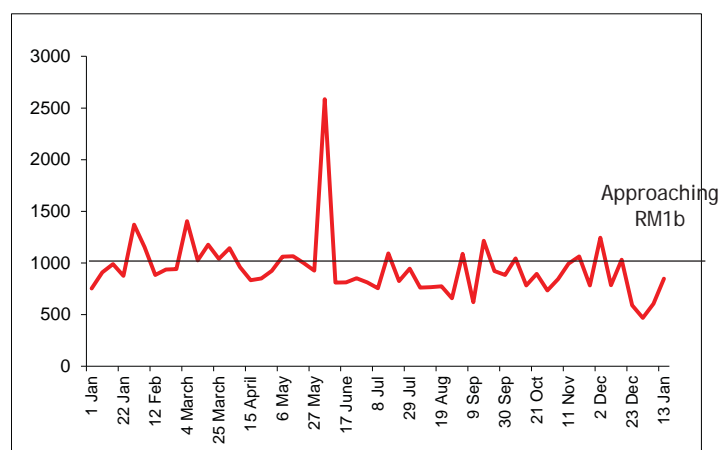
- Foreign investors are making a comeback to the Malaysian equity market, although it is still early days.
- Based on preliminary data from Bursa, foreigners mopped up RM382.8m net last week, the highest since the third week of September.
- Stronger economic data coming out since the new year showed that the Malaysian economy remained stable. These include stronger exports and growth in retail sales (9%yoy) and industrial production (6.2%yoy), all for November.
- Foreigners were marginal net sellers as the market opened on Monday and Tuesday. The selling ended abruptly on Wednesday as foreigners turned net purchasers at RM130m. The inflow peaked on Thursday as foreigners bought RM226m, the highest since 18 October 2016. It receded on Friday, in line with regional trend.
- Of significance is the strong increase in foreign participation. Foreign average daily trade value (ADTV) rose to RM848m, 40% higher compared with that the week before. It is also nearing last year's average participation of RM957m.
- Local players took the opportunity of foreign buying to clear some position. We note that the retail market is currently active, with participation rate the highest since August.

Chart 5 Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2016 (RM'm)



Source: Bursa Malaysia preliminary statistics

Chart 6 Foreign Participation on Bursa: Daily Average for the Week since Jan 2016 (RM'm)



Source: Bursa Malaysia preliminary statistics, MIDFR

Table 3 BURSA MALAYSIA: WEEKLY MARKET PARTICIPATION (RM'm)

Week ended	LOCAL RETAIL			LOCAL INSTITUTION			FOREIGN			NET (USD)*
	BOUGHT	SOLD	NET (RM)	BOUGHT	SOLD	NET (RM)	BOUGHT	SOLD	NET (RM)	
2 Dec	1172.8	1210.7	-37.90	5548.9	4730.5	818.4	2720.6	3501.1	-780.5	-174.8
9 Dec	881.8	860.7	21.10	4607.1	4235.8	371.3	1765.6	2158.0	-392.4	-88.3
16 Dec	764.0	749.9	14.10	3822.4	3880.5	-58.1	2083.7	2039.7	44.0	10.0
23 Dec	1023.9	939.0	84.90	4366.0	3969.2	396.8	1239.0	1720.7	-481.7	-107.6
30 Dec	824.8	893.6	-68.80	3890.0	3790.0	100.0	923.1	954.3	-31.2	-7.0
6 Jan	1130.5	1253.8	-123.30	4130.9	4109.4	21.5	1262.0	1160.2	101.8	22.7
13 Jan	1734.4	1774.4	-40.0	5646.7	5989.5	-342.8	2312.2	1929.5	382.8	85.7

Source: Bursa's preliminary data

* Estimate by MIDF Research based on prevailing exchange rate.

D. MONEY FLOW² AMONG BURSA'S TOP 100 CAPITALIZED STOCKS: WEEK ENDED 4 NOV
TOP 10 NET MONEY INFLOWS

- Tenaga Nasional registered the highest net money inflow of RM54.49m last week. However, its share price ended unchanged for but slightly outperformed the broader market as the FBM KLCI declined by -0.18% during the week under review. TNB recently announced an approximately RM474m acquisition of UK-based Vortex Solar Investments.
- YTL Corp recorded the second highest net money inflow of RM8.37m but its share price underperformed against the market benchmark with a -1.29% drop during the review week. Nevertheless, net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.
- CIMB saw the third highest net money inflow of RM8.26m and its share price outperformed with a 1.69% gain during the review week. In related news, CIMB plans bank operations in the Philippines in third quarter of 2017.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
TNB	54.49	2.57	0.00	-
YTL CORP	8.37	1.51	-1.29	BOW
CIMB	8.26	-5.20	1.69	-
PETRO GAS	6.06	0.93	-3.26	BOW
AXIATA	4.88	-2.62	-4.26	BOW
UOA DEV	4.13	0.09	2.08	-
PUBLIC BANK	3.69	-21.60	0.40	-
SP SETIA	2.62	0.35	0.31	-
ASTRO	2.61	-1.01	-1.83	BOW
DIALOG	2.58	-1.46	1.29	-

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- Petronas Chemicals saw the largest net money outflow of -RM10.15m last week. Its stock price performance lagged the market benchmark with a -0.55% drop vis-à-vis the FBM KLCI which declined by a smaller -0.18% during the review week.
- AMMB Holdings recorded the second largest net money outflow -RM9.48m during the week under review but its share price outperformed the market benchmark with a sizable 2.98% weekly gain. However, it is notable that net money outflow amidst advancing share price indicates a sell on strength (SOS) stance among some investors.
- Sime Darby registered the third largest net money outflow at -RM9.47m in the review week and its share price underperformed with a -0.35% decline. Sime Darby recently announced a disposal of 50% stake in Weifang Sime Darby West Port Co Ltd to Shandong Chenming Paper Holdings Ltd for approximately RM24.9m.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
PETRO CHEM	-10.15	-5.65	-0.55	-
AMMB	-9.48	2.05	2.98	SOS
SIME DARBY	-9.47	3.36	-0.35	-
GENTING PLANT	-5.45	0.21	-0.18	-
TOP GLOVE	-4.66	2.07	-1.31	-
IHH HEALTH	-4.59	0.59	-1.25	-
DIGI.COM	-4.32	1.04	0.00	-
GENTING M'SIA	-3.98	-0.31	1.27	SOS
LITRAK	-2.58	0.14	1.04	SOS
WESTPORTS	-2.50	2.14	0.47	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

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