

MALAYSIA EQUITY RESEARCH | 18 July 2016

Week Ended July 15, 2016

- Global equities resumed its rally after previous week's hiatus.
- The combination of lukewarm but resilient economic landscape with increasingly dovish monetary policies worldwide has created a "Goldilocks" environment for equity buying.
- Nikkei225 registered its best weekly performance in more than 6 years as investors were thrilled by an imminent fiscal stimulus from the Abe's government.
- Brent crude price was consolidating around the USD45-50pb range. It edged up +1.8% to USD47.61pb last week.
- Ringgit was one of the best performing currencies in Asia last week, appreciating +2.2% to USD/MYR3.95.
- Meanwhile, FBM KLCI advanced by +1.45% to 1,668.40 points. BNM's 25bp cut in OPR has signaled to the market its commitment to uphold Malaysia's economic momentum.
- In Asia, foreign tide-in was strong after prior week's lull.
- Asian markets' relatively insulated nature to the Brexit's fallout has rendered them a preferable buying ground among global investors.
- Meanwhile, tide-in to Bursa accelerated substantially last week, marking the second consecutive week of inflow.
- The net amount purchased by foreigners increased significantly to +RM764.2m from +RM93.5m the week prior. It was the biggest weekly net inflow in more than 3 months.
- As of last Friday, the year-to-date cumulative flow into Bursa has moved further away from the negative territory to an estimated +RM822.6m, up from +RM58.4m in prior week.

18 July 2016 | Strategy - Weekly Fund Flow

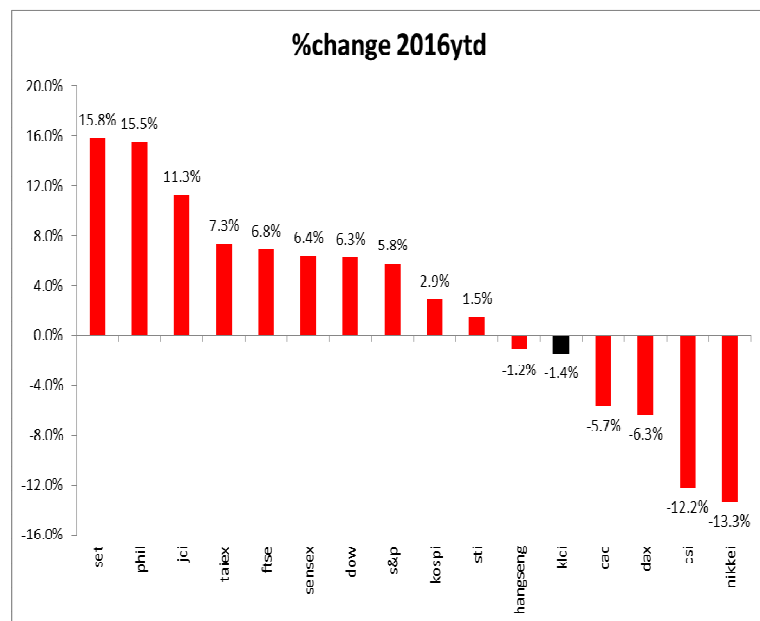
HIGH TIDE TO ASIA AMID “GOLDILOCKS” ENVIRONMENT

A. MARKET SNAPSHOT

- Global equities continued to rally after previous week’s hiatus.
- Global economic landscape remained resilient despite the post-Brexit heightening uncertainty. US June non-farm payrolls were robust at 287k, while the start of S&P500 earning reporting season has displayed better than expected results. Meanwhile, global monetary environment has been increasingly dovish due to Brexit.
- Such a combination of lukewarm but resilient growth and loose credits has created a “Goldilocks” environment for equity buying across the globe.
- Nikkei225 registered its best weekly performance in more than 6 years by advancing +9.2%. Investors were thrilled by an imminent fiscal stimulus of at least 10tr yen by the Abe’s government.
- China CSI300 continued to advance for the third successive week by +2.6 to 3,276.28 points. Active buying was seen on Tuesday afternoon, sending the index +2.1% higher. The severe flood in Yangtze River region turned out to be the key buying catalyst of the week. Fund was directed into consumer staples stocks as the flood is expected to create temporary supply shortages that could boost earnings. Besides that, economic data were also supportive of the market. China 2Q GDP fell within the government target at 6.7%yoy, while both industrial production and retail sales data outperformed market expectations.
- Brent crude price was consolidating around the USD45-50pb range after a sharp -7% correction in the week prior. It edged up +1.8% to USD47.61pb. Brent registered a +5.2% advance on Tuesday following bullish forecasts of a larger supply contraction among non-OPEC producers by OPEC and EIA. However, the gain was all but erased on Wednesday night driven by concerns of a faltering demand. While US crude inventory continued to fall, the total commercial petroleum inventories have instead increased by +7.1mb. The substantial build-up has engendered worries among traders on a declining appetite for crude from refineries in the near future.
- Ringgit was one of the best performing currencies in Asia last week, appreciating +2.2% to USD/MYR3.95. The strong foreign inflow of +RM764m into Bursa was one of the driving forces of Ringgit’s strength, providing support at <USD/MYR4.00 level.
- Meanwhile, FBM KLCI advanced by +1.45% to 1,668.40 points. BNM’s 25bp cut in OPR has signaled to the market of its commitment to uphold Malaysia’s economic momentum.

Performance of major markets		
Weekly % change	Week before	Last week
NIKKEI 225	-3.67	9.21
HANG SENG	-1.11	5.33
DAX	-1.50	4.54
CAC 40	-1.95	4.34
TAIWAN TAIEX	-1.11	3.58
PSEi - PHILIPPINE SE	-0.75	3.33
JAKARTA COMPOSITE	0.00	2.79
KOSPI	-1.22	2.76
Straits Times Index	0.02	2.75
CSI 300	1.21	2.63
S&P BSE SENSEX	-0.07	2.62
STOCK EXCH OF THAI	0.74	2.50
DOW JONES	1.10	2.04
S&P 500	1.28	1.49
FTSE KLCI	-0.10	1.45
FTSE 100	0.19	1.19

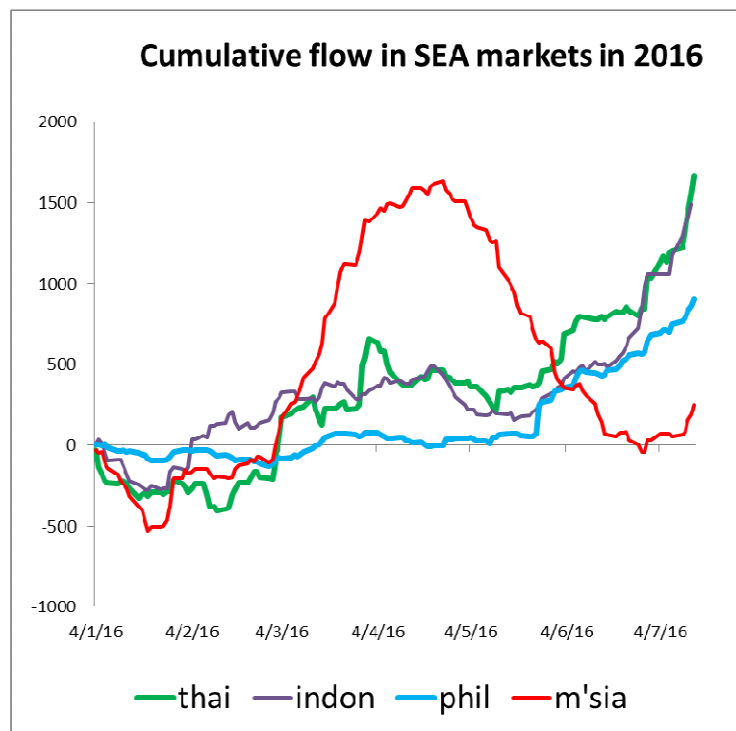
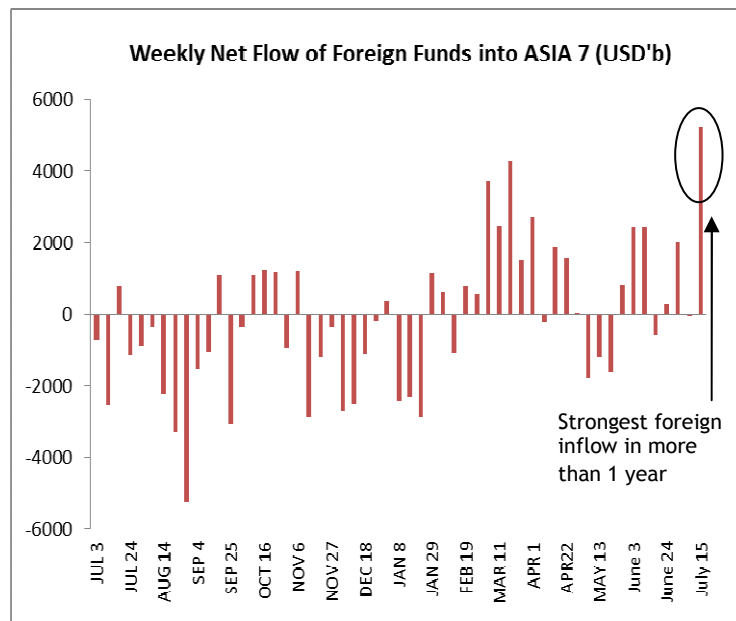
Source: Bloomberg



Monday, 18 July 2016

B. TRACKING MONEY FLOW - ASIA¹

- Foreign tide returned to Asia strongly after prior week's hiatus.
- Investors classified as "foreign" actively loaded up equities amounted to +USD5.2b, based on provisional data from the respective exchanges in seven Asian markets that we track. It was the largest weekly buying since April 2015.
- Asian markets were the main beneficiaries amid the "Goldilocks" state. Their relatively insulated nature to the Brexit's fallout has rendered them a preferable buying ground among global investors.
- North Asian markets returned to the radar screen with foreign investors mopping up a staggering +USD3.6b last week. Meanwhile, TIPs markets retained its appeal to foreigners by attracting +USD1b of net inflow.
- Foreigners staged a robust comeback to Korea by loading up +USD1.7b. It was their biggest purchase in more than a year. Foreigners were potentially restoring their exposure in Korea as the fear of economic instability due to corporate restructuring eased. Investors were initially worried by massive layoffs amid the restructuring process. However, Korea's economy has proven to be resilient enough to absorb the unemployment shocks, with its jobless rate edging down to 3.6% in June. In the macro-front, Bank of Korea maintained its benchmark rate at an accommodative level of 1.25% last week, with the Won emerged as the best performing currency with a +2.5% gain.
- Taiwan enjoyed a robust influx of foreign tide at +USD1.88b. Taiwan market was an obvious beneficiary amid a rising global risk appetite. Foreign buying has been active since trading commenced on Monday. Foreign purchase easily surpassed the +USD1b level on the first three trading days, with big-cap technology stocks topping the buying list. TSMC was one of the hot buying targets in news of its better-than-expected 2Q revenue of USD6.9b.
- Foreign purchase in Indonesia resumed its pace at +USD433.3m after the one-week Eid al-Fitr break. Indonesia's economy is predicted to grow at 4.9%yoy in 2Q this year, with an annual growth of 5-5.4%. Foreign investors are arguably attracted by the growth figures, which are certainly robust by current global standards.
- Meanwhile, foreigners stepped up their buying in Thailand and Philippines to +USD464.1m and +USD157.5m respectively. It was their ninth and eighth successive week of net buying 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.

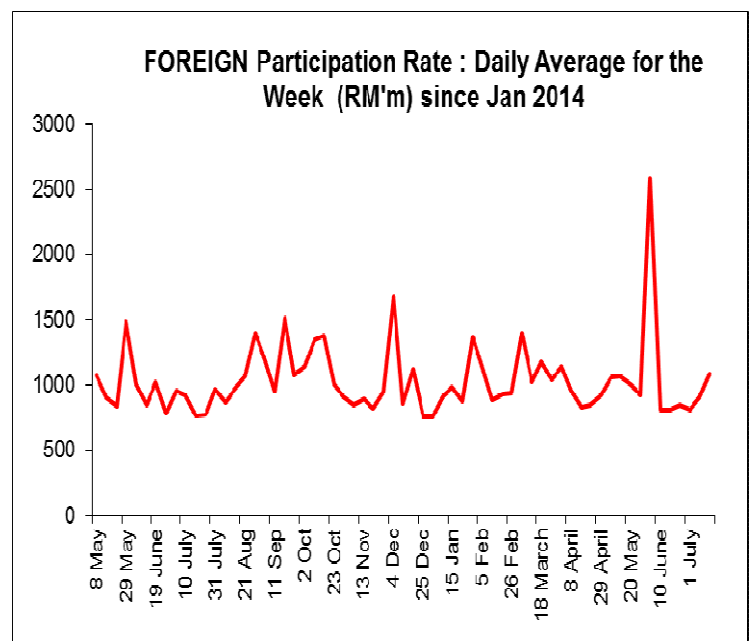
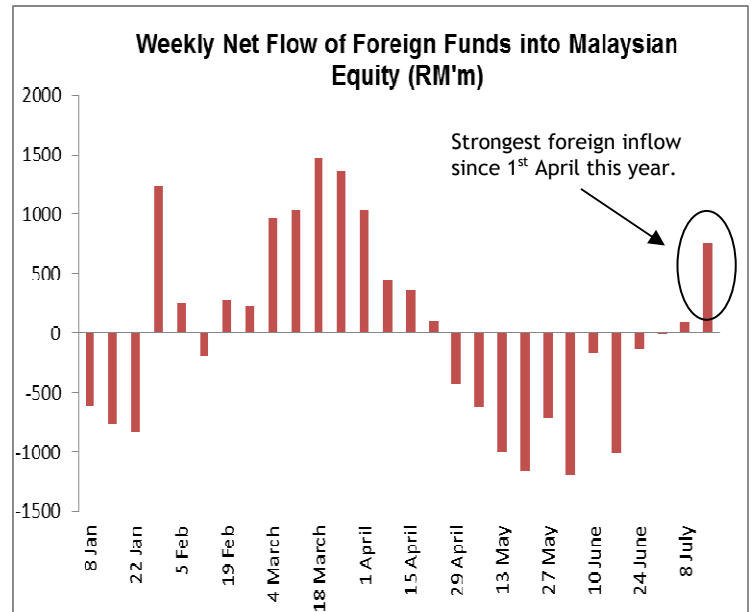
WEEKLY NET FLOW OF FOREIGN FUND INTO EQUITY (USD'm)

WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
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	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	387.6	1881.4	193.08	5239.3

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

C. TRACKING MONEY FLOW - MALAYSIA

- Tide-in to Bursa accelerated substantially last week, marking the second consecutive week of inflow.
- The net amount purchased by foreign investors increased significantly to +RM764.2m from +RM93.5m the week prior. It was the biggest weekly net inflow in more than 3 months. The estimates are based on transactions in the open market which excluded off market deals.
- Foreigners were net buyers on every trading day last week. They have been buying on 9 out of 11 straight days.
- We note that the attrition in the preceding Friday was transient, as foreign investors increased their holding with +RM39.6m when Bursa commenced on Monday, with the buying ticked up slightly to +RM45.3m on the following day. BNM's Wednesday OPR cut was arguably the catalyst of the week, as foreigners stepped up their purchase to a substantial +RM293.1m. The pace cooled down slightly to +RM137.2m on Thursday, but regained its momentum on Friday with foreigners loading up another +RM249m.
- The cumulative net foreign fund flow thus far this year into shares listed on Bursa improved considerably after last week's robust inflow. As of last Friday, the year-to-date cumulative flow into Bursa has moved further away from the negative territory to an estimated +RM822.6m, up from +RM58.4m the week prior. In retrospect, foreigners had offloaded -RM19.5b and -RM6.9b in 2015 and 2014 respectively.
- Foreign participation rate continued to improve, edging up to RM1.09b last week from prior week's RM906.5m. This was the first time it rose above the RM1b level in the past 6 weeks.
- Local institution was net seller on Bursa for the second straight week by offloading -RM702.5m. Meanwhile, its participation rate rose above the RM2b level to RM2.1b from prior week's RM1.4b.
- Retail buyers resumed their selling pace after returning from the Eid al-Fitr holidays. They sold -RM61.4m on Bursa last week, their fourth straight week of attrition. Meanwhile, their participation rate improved to RM541.4m, after previous week's tepid trading of 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)*
3 June	1337.60	1338.20	-0.60	6110.60	4914.00	1196.60	5865.70	7061.70	-1196.00	-289.34
10 June	1395.90	1446.00	-50.10	4922.40	4702.40	220.00	1939.90	2109.80	-169.90	-41.84
17 June	1326.00	1112.90	213.10	4399.20	3600.10	799.10	1524.70	2536.90	-1012.20	-246.91
24 June	1051.50	1072.00	-20.50	3968.00	3813.20	154.80	1639.30	1773.60	-134.30	-32.40
1 July	1134.40	1182.50	-48.10	4422.80	4373.30	49.50	2028.50	2029.90	-1.40	0.75
8 July	477.70	484.20	-6.50	1719.00	1806.00	-87.00	1179.90	1086.40	93.50	23.57
15 July	1322.90	1384.30	-61.40	4933.00	5635.50	-702.50	3114.60	2350.40	764.20	193.08

* Estimate by MIDF Research based on prevailing exchange rate.


Source: Bursa's preliminary data

TOP 100 STOCKS: MONEY FLOW

TOP 10 NET MONEY INFLOWS

- Malayan Banking registered the highest net money inflow of RM37.18m last week. However, its share price underperformed the broader market as it ended slightly lower by -0.37% while the FBM KLCI jumped higher by 1.45% during the week under review. Most banking stocks fell pursuant to BNM surprise rate cut mid-week before staging a rebound on Friday. It must also 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 RM11.79m net inflow but its share price slightly underperformed the market benchmark despite a 1.42% gain during the review week.
- CIMB Group recorded the third highest net money inflow of RM10.18m. Its share price however starkly underperformed as it slumped -2.96% during the review week which may indicate a BOW stance among some investors. Banking stocks fell on the OPR cut in anticipation that lower interest rates will affect near-term NIM.

TOP 10 NET MONEY OUTFLOWS

- Hap Seng Consolidated saw the largest net money outflow of -RM11.53m during the review week. Accordingly, its stock price underperformed the FBM KLCI as it ended the week unchanged against a 1.45% gain in the market benchmark.
- KL Kepong came in second last week with a net outflow of -RM9.77m while its share price underperformed the market benchmark with a -0.17% weekly loss.
- Air Asia registered the third largest net money outflow at -RM8.17m in the review week. On the other hand, its share price massively outperformed as it jumped 6.95% higher during the week under review. The low-cost airline group recently signed for 100 aircrafts and 200 engines, together costing RM61bil at list prices. It is notable that net money outflow amidst advancing share price indicates a sell on strength (SOS) stance among some investors. 

Tables below list the Top 10 Net Money Inflows and Net Money Outflows for the week ended 15 July 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	
MAYBANK	37.18	2.42	-0.37	BOW
TNB	11.79	-10.30	1.42	-
CIMB	10.18	1.22	-2.96	BOW
PUBLIC BANK	7.68	17.09	0.41	-
BAT	6.60	-0.16	-0.48	BOW
BUMI ARMADA	6.00	1.73	4.17	-
BURSA M'SIA	5.57	0.30	2.54	-
IOI CORP	5.48	0.66	0.93	-
MAXIS	3.82	-1.00	2.02	-
UNITED PLANT	3.24	-0.01	-2.07	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	
HAP SENG CON	-11.53	-3.27	0.00	-
KL KEPONG	-9.77	-0.50	-0.17	-
AIRASIA	-8.17	-0.59	6.95	SOS
LPI CAP	-7.89	0.03	-0.12	-
IJM CORP	-6.59	-0.13	1.45	SOS
IHH HEALTH	-3.81	-3.92	0.30	SOS
MAHB	-2.35	-3.00	7.33	SOS
PETRO GAS	-2.13	-1.18	0.00	-
UEM SUN	-1.80	-0.15	4.90	SOS
IOI PROP	-1.43	-0.29	5.15	SOS

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

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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.