

MALAYSIA EQUITY RESEARCH | 5 September 2016

Week Ended Sept 2, 2016

- Global stock markets teetered cautiously before ending the week slightly higher.
- Investors deem the jobs data released on Friday as an important clue to whether the current US economy is conducive for a rate hike soon.
- Brent crude declined further by -6.2% to USD46.83 week-on-week. In the week prior, it slid -1.89% to USD49.92 after the rally since early August.
- Ringgit weakened by -1.80% during the week to USD/MYR4.09 from 4.02 a week earlier.
- Meanwhile, FBM KLCI shed -0.67% to 1,671.79 points on a weekly basis.
- After a week of outflow from Asia last week, foreigners bought back some Asian equities albeit at a weak momentum.
- Selected Asian markets like South Korea and India recouped some of the outflow from the week earlier while other markets continue to see outflow. Only Thailand's inflow streak was maintained.
- On Bursa, the 8 weeks of foreign net buying ended. There was an outflow of -RM193.1m during the week.
- As of last Friday, the year-to-date cumulative net foreign inflow into shares listed on Bursa has retreated to RM2,347.0m from +RM2,540.1m a week ago.

2 September 2016 | Strategy - Weekly Fund Flow

The tide is reversing in a seasonally weak September

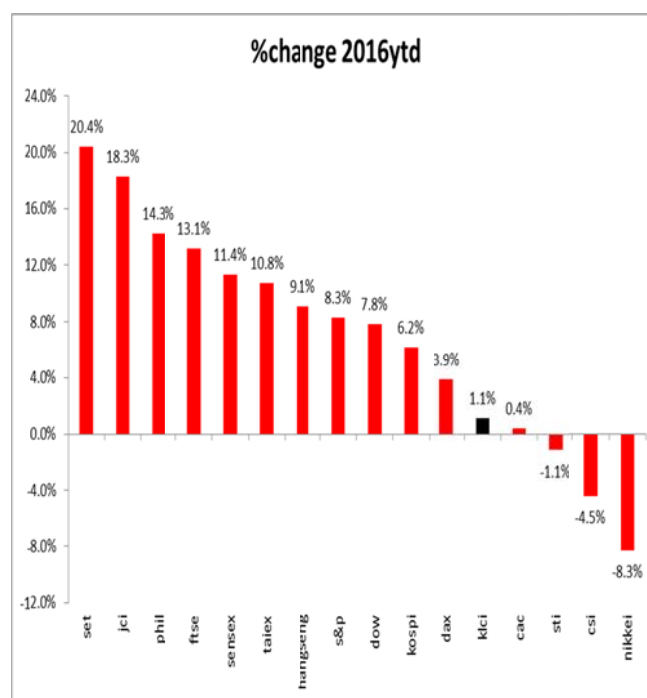
A. MARKET SNAPSHOT

- Global stock markets teetered cautiously before ending the week slightly higher.
- Investors deem the US job data released on Friday as an important clue as to whether the current US economy is conducive for a rate hike soon. However, the release of the number on Friday came in below expectations. US nonfarm payrolls added 151,000 jobs in August instead of 180,000 expected by economists. In July, nonfarm payrolls recorded an addition of 255,000 jobs.
- Although the latest data release does not point to a reinforced case of a September rate hike, the greenback strengthened as the probability of a tighter policy in December increased.
- Brent crude oil lost -6.2% during the week to USD46.83 per barrel from USD49.92 a week ago. Crude oil prices continued to weaken for the second week due to concerns of an oversupply as well as the strengthening US dollar. Higher US crude stockpiles and Iran's progress to reach peak production overshadowed OPEC's remarks to cap output as well as adverse weather that could affect production.
- Japan's Nikkei 225 was the biggest gainer during the week, up by +3.45% from a -1.12% decline the week before. A weaker yen drove up Japanese equities with exporters and financial firms leading the gain. During the week, yen weakened by over 2% against the USD due to the weak purchasing managers index (PMI). Weaker yen bodes well for the demand for its exported products amid brighter consumer sentiments in the US.
- China's CSI 300 gained slightly by +0.21% on a weekly basis. Property stocks recovered alongside financial counters. Traders' sentiments are still bleak although China's August PMI, which expanded at the fastest pace in 22 months to 50.4. It also beats median estimates of 49.8. The better set of numbers, however, lifted Hong Kong's Hang Seng more at +1.56% week-on-week.
- Ringgit weakened by -1.80% to USD/MYR4.089 from 4.017 the week prior. The weakness was in tandem with some other regional currencies as the greenback strengthened on prospects of a sooner rate hike. Lower oil prices had also put pressure on the ringgit's strength.
- Meanwhile, FBM KLCI continued the second week of losses, ending the week -0.67% lower as compared with the -0.27% decline in the previous week.

Performance of major markets

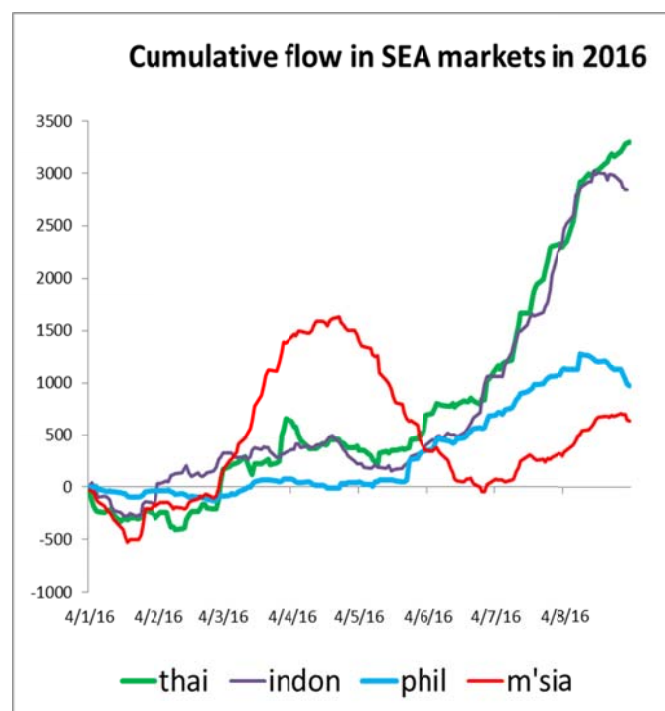
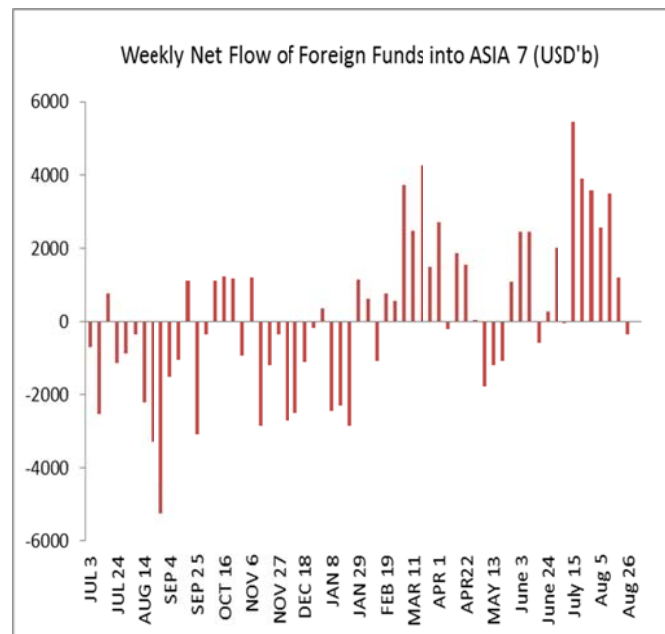
Weekly % change	Week before	Last week
NIKKEI 225	-1.12	3.45
S&P BSE SENSEX INDEX	-1.05	2.70
CAC 40	0.94	2.26
HANG SENG	-0.12	1.56
DAX	0.41	0.91
FTSE 100	-0.30	0.83
DOW JONES INDUS. AVG	-0.85	0.52
S&P 500 INDEX	-0.68	0.50
CSI 300 INDEX	-1.72	0.21
KOSPI INDEX	-0.91	0.04
PSEi - PHILIPPINE SE IDX	-1.08	-0.49
FBM KLCI	-0.27	-0.67
JAKARTA COMPOSITE	0.42	-1.57
TAIWAN TAIEX	1.08	-1.58
STOCK EXCH OF THAI	0.69	-1.80
Straits Times Index	0.48	-1.88

Source: Bloomberg



B. TRACKING MONEY FLOW - ASIA¹

- Asia started September with a weak inflow of +USD30.3m after seeing an outflow of -USD394.1m a week earlier.
- In August, the seven Asian markets we track attracted foreign fund flow of +USD6.91b as foreign investors sought for higher yields in developing markets. During the month, North Asia did particularly well, with Taiwan attracting the highest amount of foreign fund flow at +USD2.39b. As for the TIPs markets, Indonesia saw the highest tide-in at +USD1.11b followed by Thailand (+USD867.3m) and the Philippines (+USD66.4m).
- During the latest week, investors categorized as foreigners returned as net buyers in North Asian albeit marginally at +USD30.3m. In the preceding week, foreigners offloaded -USD394.7m worth of stocks. Meanwhile at the TIPs markets, foreigner turned net sellers, disposing off -USD178.0m worth of stocks against the net buying of +USD54.5m a week ago.
- After a heavy outflow of -USD669.75m from South Korea, foreign investors turned net buyers, loading up +USD272.95m worth of shares. The buying came amid upbeat 2Q corporate earnings and exports, which rebounded after falling for 19 months. South Korean exports increased 2.6% to USD40.13b compared to last year. Trade surplus stood at USD5.3b during the month. Also, South Korea's 2Q gross domestic product has also been revised upward to 3.3% from the preliminary reading of 3.2% released earlier. The GDP growth was better than the 2.8% registered in the first quarter.
- On the other hand, Taiwan experienced the first outflow after 7 successive weeks of fund inflow. Foreigners became net sellers of Taiwan stocks, paring down holdings by -USD239.2m against a net purchase of +USD275.1m the week before. Tide -in to Taiwan paused after attracting more than USD14b worth of cumulative foreign fund flow up to August.
- Thailand remained a bright spot with the foreign net inflow extended for the 16th week. Foreigners further increased their holding by +USD134.72m during the week. In the previous week, net inflow was at +USD127.51m. That brings the total inflow to +USD2.98b during the 16-week-long buying spree as foreigners continued to favor Thailand in light of the stabilizing political landscape.
- The Philippines underwent net outflow of -USD161.85m, marking the third successive week of foreign selling. Foreigners divested -USD76.18m a week earlier. The correction came after 12 weeks of net inflow. As a result, cumulative fund flow into the Philippines fell to USD963.23m.



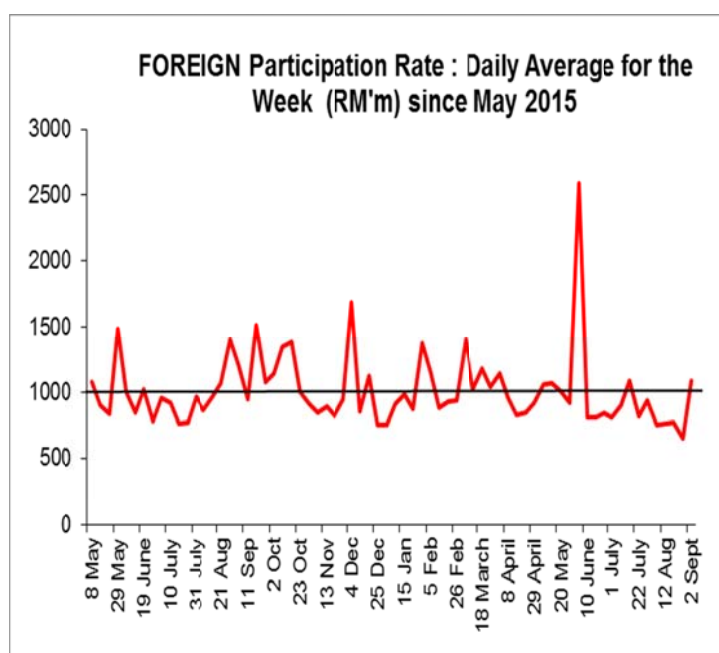
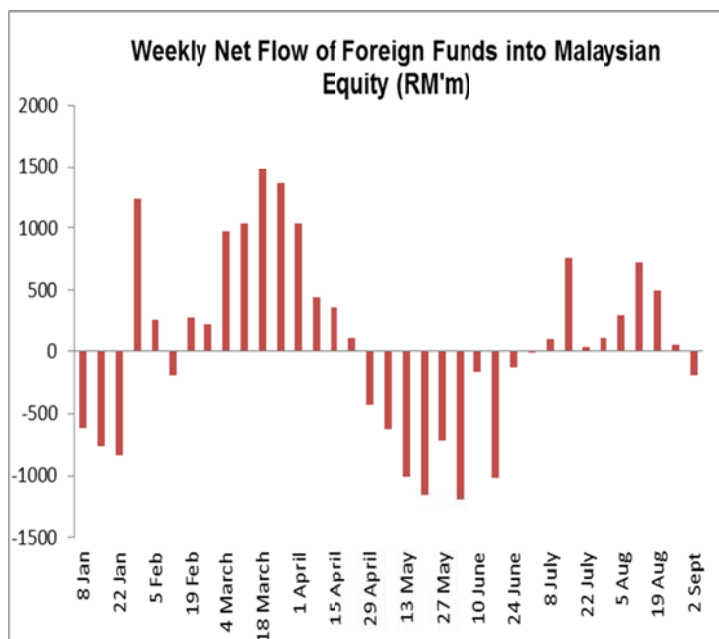
¹ Based on 7 Asian markets, for which fund flow data is publicly available. These are our proxy for Asia: TIPs (Thailand, Indonesia, Philippines), Korea, Taiwan, India and Malaysia.

WEEKLY NET FLOW OF FOREIGN FUND INTO EQUITY (USD'm)								
WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
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
Aug 5	497.2	47.8	583.0	66.8	384.4	921.1	74.89	2575.2
Aug 12	671.0	580.1	383.3	147.4	584.9	938.7	181.10	3486.5
Aug 19	405.7	111.8	139.9	-71.7	236.18	251.1	125.22	1198.2
Aug 26	-669.75	127.51	3.14	-76.18	-66.23	275.10	12.32	-394.1
Sept 2	273.0	134.7	-150.8	-162.0	221.7	-239.2	-47.19	30.3

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

C. TRACKING MONEY FLOW - MALAYSIA

- Bursa saw the first foreign outflow after eight successive weeks of inflow.
- Last week, foreigner sold -RM193.1m worth of stocks after being net buyers for the eight weeks in a row. Bursa was closed on Wednesday for National Day. The estimated fund flow excludes off-market transactions.
- The selling pressure was in tandem with some other regional peers as the guessing game of when the next US rate hike might be continued.
- Foreigners took profit from Malaysian equities after the roundup of 2Q corporate earnings. The selling also came amid lower crude oil prices.
- There was a heavy selling by investors classified as “foreigners” after the National Day celebration on Wednesday. On Thursday, foreign investors offloaded -RM200.7m. They were also net sellers on Tuesday (-RM29.4m), and Friday (-RM44.1m).
- As of last Friday, the year-to-date cumulative net foreign inflow into shares listed on Bursa fell to +RM2,347.0m from +RM2,540.1m in the preceding week. In retrospect, foreigners had offloaded -RM19.5b in 2015 and -RM6.9b in 2014.
- Foreign participation rate increased amid increasing selling activities amid a shorter trading week. It recorded RM1088.78, the highest in the past 7 weeks, compared to RM659m a week ago. It was the second time it breached the RM1b level since July 15. Before that, it had been staying below the RM1b level for 11 times in 12 weeks.
- Local institutions became net buyers after being net sellers for the 8 successive weeks. They bought +RM177.8m last week after offloading -RM102.8m in the week before. They have been selling every week since July 8. Meanwhile, the participation rate declined further, breaking below the RM2b level to settle at RM1.94b. Local funds’ participation rate in the week prior was at RM2.02b.
- Retail buyers were net buyers on Bursa for the 3rd week but the momentum slowed down. They bought +RM15.3m last week as compared with +RM53.4m the week before. Meanwhile, their participation rate declined to RM602m from RM624.6m.



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)*
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
Aug 5	1530.20	1497.10	33.10	5359.20	5694.10	-334.90	2053.80	1752.00	301.80	74.89
Aug 12	1606.60	1688.40	-81.80	5115.70	5762.00	-646.30	2278.80	1550.70	728.10	181.10
Aug 19	2058.50	2001.50	57.00	5728.90	6287.40	-558.50	2188.10	1686.60	501.50	125.22
Aug 26	1588.30	1534.90	53.40	5006.50	5109.30	-102.8	1672.10	1622.70	49.40	12.32
Sept 2	1211.6	1196.3	15.3	3964.1	3786.3	177.8	2081	2274.1	-193.1	-47.2

* 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 RM11.61m last week. Nonetheless, its share price under-performed the broader market as it ended lower by -3.13% while the FBM KLCI was down by a shallower -0.67% during the week under review. It is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.
- YTL Corp came in second with RM6.41m net inflow and its share price outperformed the market benchmark as it ended unchanged during the review week. Its takeover offer for YTL e-Solutions Berhad has turned unconditional last week after it secured more than 75% stake in the latter.
- Axiata Group recorded the third highest net money inflow of RM4.35m. However, its share price slightly underperformed with a loss of -0.73% during the review week which may point to a BOW stance among some investors. The company recently announced it has secured an approval from Bangladesh's High Court to merge Robi-Axiata Ltd with Airtel-Bangladesh Ltd.


Tables below list the Top 10 Net Money Inflows and Net Money Outflows for the week ended 2 September 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	11.61	3.56	-3.13	BOW
YTL CORP	6.41	-2.96	0.00	-
AXIATA	4.35	0.44	-0.73	BOW
PETRO CHEM	3.51	2.89	-0.45	BOW
GENTING	2.83	-2.79	-1.37	BOW
KLCCP	2.80	-1.70	-0.78	BOW
MSM	2.47	9.43	0.00	-
PPB	2.44	0.57	0.25	-
PETRO GAS	2.14	4.17	-1.17	BOW
MAXIS	1.86	4.28	-3.29	BOW

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- KL Kepong saw the largest net money outflow of -RM17.72m during the review week but its stock price outperformed the market benchmark with 0.68% weekly performance vis-à-vis a -0.67% retreat in the FBM KLCI. It is noteworthy that net money outflow amidst advancing share price indicates a sell on strength (SOS) stance among some investors.
- Public Bank came in second last week with a net outflow of -RM7.82m. However, its share price outperformed the market benchmark with a 1.02% weekly gain which may indicate a SOS stance among some investors.
- CIMB Group registered the third largest net money outflow at -RM5.32m in the review week but its share price outperformed as it gained 1.49% during the week under review hence indicating a SOS stance among some investors. The company recently announced 1HFY16 net profit which came within the lower end of our and consensus expectations at 42.6% and 44.9% of respective full year estimates. 

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
KL KEPONG	-17.72	-4.24	0.68	SOS
PUBLIC BANK	-7.82	-1.27	1.02	SOS
CIMB	-5.32	-2.38	1.49	SOS
GENTING M'SIA	-4.79	0.82	0.23	SOS
HLEONG BANK	-4.11	-12.33	0.00	-
KAREX	-3.41	-0.10	1.24	SOS
MY EG	-2.91	-1.30	7.88	SOS
AIRASIA	-2.20	-2.76	0.34	SOS
TM	-2.09	-8.57	0.15	SOS
BERJAYA AUTO	-1.87	-0.80	1.80	SOS

Source: Bloomberg, MIDFR;

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

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.