

FUND FLOW REPORT

Week Ended  
February 26, 2016

Foreign Flow Meter (M'sia)



Tide

(unchanged)  
MODERATE



Current

(unchanged)  
MODERATE

- Global equity retreated to the fragile zone last week after recording its best 5-day performance for the year.
- Focus reverted to China's market where the CSI300 index fell -3.39% last week. Sentiment weakened considerably after money-market rates surged, signalling tightening liquidity. In addition, the offshore yuan exchange rate declined for five consecutive days.
- Concerns over China overshadowed the strong oil market performance. The price of Brent crude oil rose 6.3% last week to USD35.10pb, the biggest weekly rally in about a month.
- Focus was also on the U.K, where the pound sterling faced a challenging week, losing -3.71% against the greenback. Sentiment remained weak on the prospect of a Brexit, as a referendum will be held on June 23
- The KLCI shed -0.68%, after adding 1.89% the week before. The Ringgit fell a marginal -0.12% in active trading, clearly in an interplay with the movement in oil price.
- For the second consecutive week, the level of conviction among global investors towards Asian equity remained restrained.
- North Asian markets stood out last week. A favoured Asian destination for global liquidity appears to be Taiwan currently. There was heavy foreign buying in Taipei on Thursday and Friday, as buying rotated to non-high tech stocks, in particular in the petrochemical and financial sectors.
- We wrote last week that the tide may be turning in Korea. The reversal continued last week albeit at a measured pace.
- In Jakarta, focus was still on the banking industry. In Thailand, foreigners sold on Friday after 8 straight days of buying, likely on profit taking after a 6-day rally in the SET index.
- On Bursa, foreign investors continued to nibble at stocks but appeared hesitant from committing in a sizeable way in the absence of a catalyst. Foreigners purchased RM225.3m net, slightly lower than the RM283.3m bought the week before.

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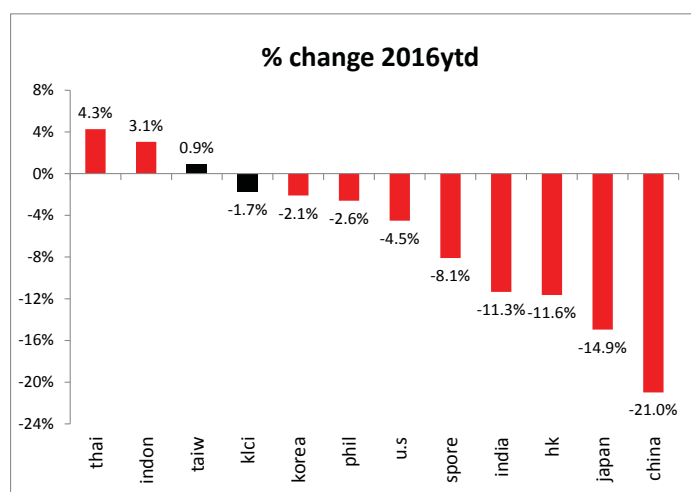
## THE TIDE IS STILL LOW

### A. MARKET SNAPSHOT

- Global equity retreated to the fragile zone last week after recording its best 5-day performance for the year.
- Focus reverted to China's market. The CSI300 index fell -3.39% last week, but most of the loss came on Thursday as the index declined -6.14%, the third steepest 1-day loss so far in 2016. Sentiment weakened considerably after money-market rates surged, signalling tightening liquidity. China's overnight repurchase rate increased 16 basis points to 2.12% on Wednesday. In addition, the offshore yuan exchange rate declined for the fifth consecutive day. China hosted the G20 meeting last week during which the governor of China's central bank reiterated that Beijing would not engage in devaluations to gain export competitiveness.
- Concerns over China overshadowed the strong oil market performance. The price of Brent crude oil rose 6.3% last week to USD35.10pb, the biggest weekly rally in about a month. However, the gain came amid yet another volatile week for the market. Oil prices fell more than 4% on Tuesday after a strong rebound on Monday. That was after the Saudi Arabia Oil Minister quashed hopes for oil production cuts during a conference in Houston. Optimism returned after Venezuela reaffirmed an oil producers meeting in mid-March that would include Saudi Arabia, Russia and Qatar. Saudi and Russia had earlier agreed to cap production at January's level. Last week Russia said that the cap needs to be in place for a minimum 12 months.
- Meanwhile, Russia is talking to Iran which is against freezing output, as it seeks to boost exports after sanctions were lifted. In contrast, Iraq is ready to cooperate on the output cap.
- European markets set the pace last week with relatively decent gains in the U.K and France where the FTSE and CAC rose 2.45% and 2.17% respectively to top the leaderboard. Focus was also on the U.K, where the pound sterling faced a challenging week, losing -3.71% against the greenback. Sentiment remained weak on the prospect of a Brexit, as a referendum will be held on June 23 which could see Britain become the first country to leave the 28-member European Union.
- Emerging markets moved generally sideways last week, with Thai's SET the best performer with a gain of 1.73%. The Thai market is also leading its Asian peers this year with a year-to-date gain of 4.3%, ahead of Indonesia's JCI.
- The KLCI shed -0.68%, after adding 1.89% the week before. The Ringgit fell a marginal -0.12% in active trading, clearly in an interplay with the movement in oil price.

Weekly % change	Week before	Last week
FTSE	4.25	2.45
CAC	5.71	2.17
Thai SET	3.42	1.73
S&P500	2.84	1.58
Dow Jones	2.62	1.51
Nikkei 225	6.79	1.39
DAX	4.69	1.33
Taiwan Taiex	3.25	1.03
Jakarta JCI	-0.36	0.76
Hang Seng	5.27	0.41
Korea KOSPI	4.41	0.20
Straits Times	4.60	-0.28
Phil Comp	2.07	-0.31
KLCI	1.89	-0.68
India Sensex	3.15	-2.34
China CSI300	2.96	-3.39

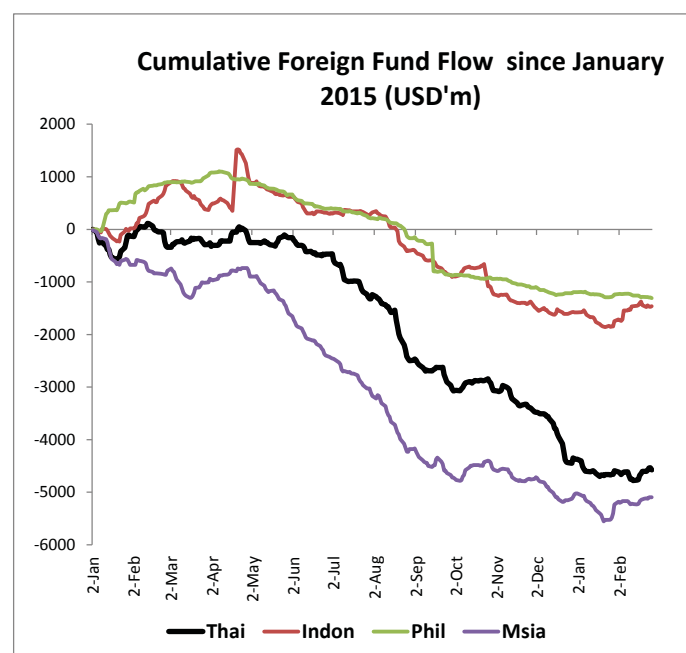
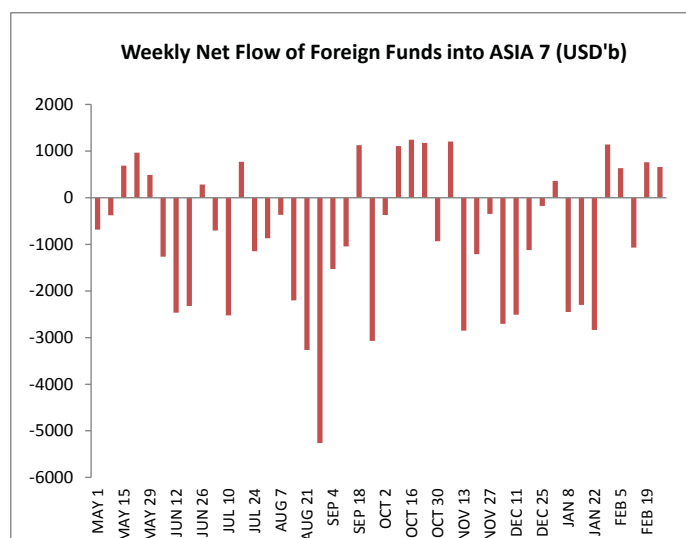
Source: Bloomberg



## FUND FLOW REPORT

### B. TRACKING MONEY FLOW - ASIA <sup>1</sup>

- For the second consecutive week, the level of conviction among global investors towards Asian equity remained restrained.
- Based on provisional data from the respective exchanges, investors classified as “foreign” purchased a net USD660.6m worth of stocks last week, in the 7 Asian markets that we track (TIPs + India, Taiwan, Korea and Malaysia). It was lower than the USD759.2m bought the week before .
- North Asian markets stood out. The hottest destination for global liquidity among the 7 markets aforementioned appears to be Taiwan. The exchange reported USD600.4m net foreign buying last week, the second highest in a week this year. It has now been four straight weeks of foreign money inflow. There was heavy foreign buying on Thursday and Friday, as buying rotated to non-high tech stocks, in particular in the petrochemical and financial sectors. Optimism towards the high tech deflated after Hon Hai said that the bailout plan for Sharp is still in the works, although the latter has opted for Hon Hai’s proposal.
- We wrote last week that the tide may be turning in Korea. The reversal remained a slow work-in-progress. For the week Korean stocks attracted USD177.4m of foreign money, a jump from the USD91.3m recorded the week before. The amount is still low, but we note that foreigners mopped up USD213.1m on Friday, the highest in a day since November. Foreigners bought mainly stocks in the electricity and gas industry, most notably Korea Electric Power Corp (Kepeco). Kepeco is benefitting from falling fuel cost per unit given weak LNG, coal and oil prices. It will also have more nuclear and coal-fired output as it commissions new plants.
- In Jakarta, focus was still on the banking industry. On Monday, the government reiterated its objective of reducing lending rates to a single digit by the end of 2016, and that it is preparing several measures to that effect. Meanwhile, the OJK said that banks will receive incentives for bringing down their net interest margins (NIM), which be announced next month. That lent credence to the rumour that the OJK would cap banks’ NIMs at 4%. Meanwhile, the Indonesia Stock Exchange indicated that there will be 35 IPOs this year. Foreigners sold marginally, the first time in 5 weeks.
- In Thailand, foreigners sold on Friday after 8 straight days of buying, likely on profit taking after a 6-day rally in the SET index.



<sup>1</sup> 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.

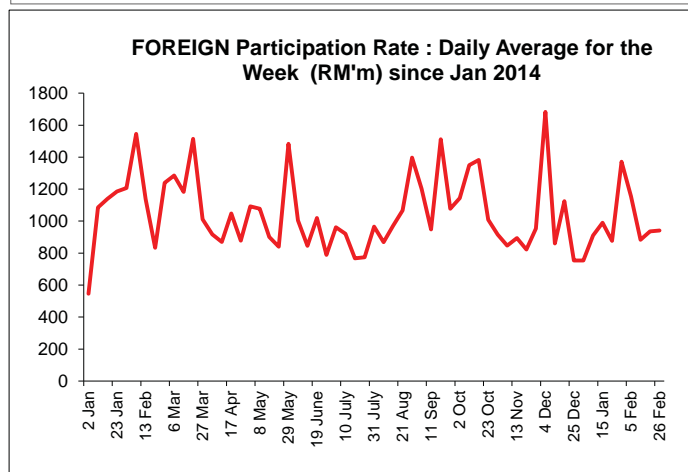
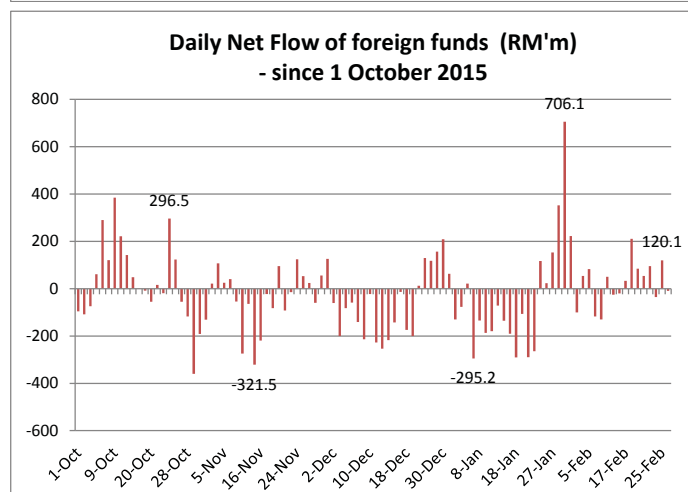
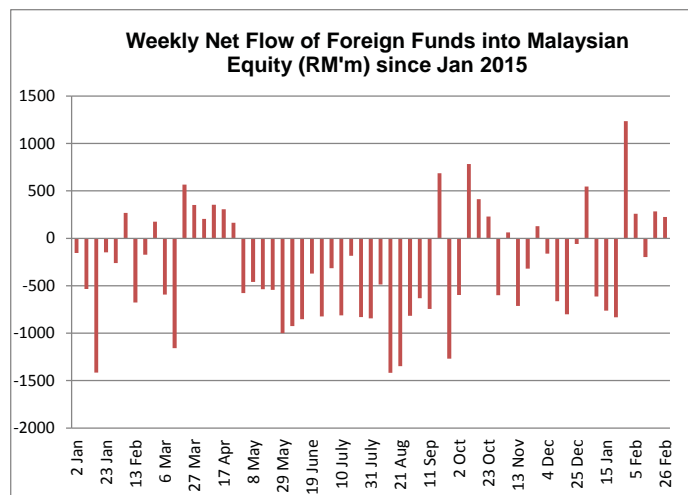
#### WEEKLY NET FLOW OF FOREIGN FUND INTO EQUITY (USD'm)

WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
JAN 15	-751.6	-36.4	-139.2	-26.2	-499.0	-674.8	-173.6	-2300.8
JAN 22	-1048.9	-22.7	-96.9	-57.2	-911.1	-511.9	-189.4	-2838.2
JAN 29	-10.7	72.1	115.2	54.2	48.8	566.8	295.4	1141.8
FEB 5	91.2	-22.7	200.3	11.0	-91.8	329.7	62.1	579.8
FEB 12	-548.2	-163.9	81.8	-34.3	-357.8	0.0	-47.8	-1070.1
FEB 19	91.3	173.7	23.1	-24.5	-232.6	660.6	67.6	759.2
FEB 26	177.4	29.6	-22.3	-24.3	-153.8	600.4	53.5	660.6

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

**C. TRACKING MONEY FLOW - MALAYSIA**

- Foreign investors continued to nibble at stocks listed on the local bourse. The rate of purchase was relatively unchanged from that the week before, reflecting hesitation on the part of the investors to commit in a sizeable way, clearly in the absence of a market catalyst.
- Last week's foreign purchase of equities listed on Bursa amounted to RM225.3m, net of sales, slightly lower than the RM283.3m bought the week before. This is estimated based on transactions in the open market and excluded off market deals.
- There was little to be excited about. Foreigners were net buyers on Monday, Tuesday and Thursday. On Thursday, the amount bought rose to RM120.1m, the third highest in February, but was still a distance away compared with the highest single-day foreign haul this year of RM706.1m on 28 January.
- Last week's purchases reduced the cumulative year-to-date foreign fund outflow for 2016 to only -RM404.8m. For the entire 2015, the net outflow was -RM19.5b.
- Foreign participation rate (average daily traded value of shares) rose marginally to RM941.1m from RM936m the week before. It remained below RM1b for the third consecutive week. However, we note that participation surged to RM1.23b on Friday, the highest in 16 trading days.
- Local institutions offloaded -RM322m last week. The institutions would be looking to dispose some more listed equities as they had mopped up RM21.2b on Bursa last year. Participation rate remained moderate at RM1.94b last week, the third week in a row that it was <RM2b.
- Retail activity normalised to that before the Chinese New Year level. Retailers bought RM96.9m, as participation rose to RM620.9m, the highest in four weeks.



**BURSA MALAYSIA: WEEKLY MARKET PARTICIPATION (RM'm)**

Week ended	LOCAL RETAIL			LOCAL INSTITUTION			FOREIGN			
	BOUGHT	SOLD	NET (RM)	BOUGHT	SOLD	NET (RM)	BOUGHT	SOLD	NET (RM)	NET (USD)*
JAN 15	2311.0	2213.2	97.8	5395.9	4730.8	665.1	2093.9	2856.8	-762.9	-173.6
JAN 22	2073.3	2060.5	12.8	5799.0	4978.2	820.8	1773.8	2607.4	-833.6	-189.4
JAN 29	1367.0	1483.6	-116.6	5124.9	6243.0	-1118.1	3361.5	2126.8	1234.7	295.4
FEB 5	1210.0	1226.8	-16.8	4464.9	4707.3	-242.4	2437.9	2178.7	259.2	62.1
FEB 12	643.8	616.3	27.5	2172.4	2002.8	169.6	1227.2	1424.3	-197.1	-47.8
FEB 19	1429.5	1486.0	-56.5	4852.5	5079.3	-226.8	2482.0	2198.7	283.3	67.6
FEB 26	1600.7	1503.8	96.9	4694.8	5017.0	-322.2	2465.5	2240.2	225.3	53.5

\* Estimate by MIDF Research based on prevailing exchange rate. Source: Bursa's preliminary data

## FUND FLOW REPORT

### D. TOP 100 STOCKS: MONEY FLOW <sup>2</sup>

#### TOP 10 NET MONEY INFLOWS

- Petronas Dagangan registered the highest net money inflow of RM13.92m last week. However, its share price underperformed the market benchmark with a -1.02% weekly decline. In comparison, the FBM KLCI retreated by -0.68% during the week under review. Nevertheless, it is notable that net money inflow amidst retreating share price may indicate buy on weakness (BOW) stance among some investors. The company recently reported higher FY15 earnings of RM790m (+57.5%yoy).
- Telekom Malaysia came in second with RM12.41m net inflow and, likewise, its share price slightly underperformed the market benchmark as it recorded a -0.75% week-on-week loss which may indicate BOW stance among some investors. TM's FY15 normalized earnings of RM895m came in better than our expectation, accounting for 111.7% of full year estimate.
- Malayan Banking recorded the third highest net money inflow of RM9.51m but its share price underperformed the market benchmark as it ended -1.16% lower during the review week which may indicate BOW stance among some investors. Its 12MFY15 core net profit (excluding one-off gain from sale of PNG branch of RM197m) kept pace with expectation accounting for 102.1% of our full year estimate.

#### TOP 10 NET MONEY OUTFLOWS

- Kuala Lumpur Kepong saw the largest net money outflow of -RM3.88m during the review week. Accordingly, its stock price underperformed the FBM KLCI as it ended the week lower by -0.83% against a smaller -0.68% loss in the market benchmark.
- Petronas Gas came in second last week with a net outflow of -RM3.11m. Its share price underperformed the market benchmark as it recorded a -1.42% weekly decline. Recently, it announced FY15 (normalized) earnings which declined by -9.8%yoy to RM1,736m.
- MISC registered the third largest net money outflow at -RM2.87m in the review week. Accordingly, its share price underperformed the broader market as it registered a -3.98% weekly loss. Last week, it announced the re-acquisition of 50% stake in the Gumusut-Kakap Semi-Floating Production System (Gumusut-Kakap SFPS) for US\$445m, or 45% premium of previously disposed price.



Tables below list the Top 10 Net Money Inflows and Net Money Outflows for the week ended 28 February 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 DAGANG	13.92	3.77	-1.02	BOW
TM	12.41	-2.05	-0.75	BOW
MAYBANK	9.51	1.15	-1.16	BOW
GENTING	5.99	3.16	0.00	-
MAXIS	5.53	-4.67	0.97	-
INARI AMERTRON	5.44	1.62	0.00	-
YTL CORP	4.98	1.75	1.29	-
PETRO CHEM	3.14	10.88	-3.14	BOW
HLEONG BANK	2.89	-13.22	0.46	-
TOP GLOVE	2.14	2.14	-0.72	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	
KL KEPONG	-3.88	-27.47	-0.83	-
PETRO GAS	-3.11	1.35	-1.42	-
MISC	-2.87	0.04	-3.98	-
KOSSAN	-1.96	-0.51	-7.71	-
DIALOG	-1.91	-0.40	0.00	-
WESTPORTS	-1.60	-1.69	-3.00	-
CAPITALAND	-1.53	0.15	3.45	SOS
GUINNESS	-1.44	0.00	-1.00	-
KULIM	-1.41	-0.34	0.79	SOS
LPI CAPITAL	-0.97	-0.34	-0.53	-

Source: Bloomberg, MIDFR;

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

<sup>2</sup> 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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