

2015 & Week Ended January 1, 2016

- Global equity markets ended 2015 on a cautious note in seasonally thin trading.
- For the week, the KLCI topped the leaderboard with a gain of 1.74% to end 2015 with the index at 1692.51 points. The KLCI had recorded positive gains in the last three weeks, which is a good omen for the local bourse.
- Elsewhere in Asia, most markets moved sideways last week.
- Wall Street, the bellweather market, ended 2015 on a weak note as prices fell significantly on Thursday. December was an uncharacteristically volatile month for the Dow Jones and S&P500.
- For 2015, the best performer in terms of US dollar was Japan's Nikkei 225 which rose 8.46%. The KLCI fell a whopping -21.56% in dollar term but was pipped to the last spot by Thailand's SET which lost -21.60%.
- The four benchmark indices in Malaysia, Indonesia Singapore and Thailand fell in tandem, all losing within the narrow range of 19-22%. The Philippines Composite fell by only -8.18%.
- The last week of 2015 saw an end to seven weeks of foreign money outflow from Asian equity. However, trading was thin and the seemingly positive turnaround is not indicative of trend.
- In December, the aggregate net outflow from the Asian 7 was USD4.7b, the fourth highest in 2015 after that in August, June and September.
- In 2015, MALAYSIA recorded a net withdrawal of foreign funds from equities listed on Bursa amounted to RM19.5b, or equivalent to USD5.0b. It was the highest among the 7 Asian markets that we track and also the most severe foreign attrition since the 2007/08 Financial Crisis.
- We estimate that the overhang of foreign liquidity for funds that had entered the local market since January 2010 to be only in the region of RM8-9b. The fact remains that foreign shareholding on Bursa is thin and is the lowest since the Financial Crisis.

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ASSESSING THE TIDE IN 2015

A. MARKET SNAPSHOT

- Global equity markets ended 2015 on a cautious note in seasonally thin trading.
- For the week, the KLCI topped the leaderboard with a gain of 1.74% to end 2015 with the index at 1692.51 points. The KLCI had recorded positive gains in the last three weeks, which is a good omen for the local bourse.
- Elsewhere in Asia, most markets moved sideways last week. The markets in Japan, Korea, Indonesia, Thailand and the Philippines were closed on New Year's eve. China's CSI300 was the worst performer losing -2.79%.
- Investors around the world would be taking the cue from Wall Street, the bellweather market, when trading for 2016 commences on Monday. Wall Street ended 2015 on a weak note, with the Dow Jones and S&P500 falling -0.72% and -0.83% respectively last week. Prices fell significantly on Thursday, as the Dow Jones and S&P500 shed -1.02% and -0.94% respectively, wiping out the week's prior gain.
- However, we note that December was an uncharacteristically volatile month for Wall Street. The S&P500 had moved by >1% either way in 11 out of the 22 trading days. Indeed the price volatility in December 2015 was higher than that in the December of 2007 and 2008, during the Financial Crisis. Investors usually retreated to the sideline in December.
- For 2015, the best performing index among those that we track was Germany's DAX which rose 9.56%. The worst was Singapore's STI which fell -14.34%. Meanwhile, the KLCI was relatively stable, losing only -3.90%, compared with -5.70% in 2014.
- However, taking into consideration the movement in currency, the best performer in terms of US dollar was Japan's Nikkei 225 which rose 8.46%. After taking into account the Ringgit's -18.56% decline against the greenback, the KLCI's performance in 2015 was brought down by a whopping -21.56%. If it is any consolation at all, the KLCI was not the worst performer among peers. Thailand's SET actually pipped the KLCI to be the worst performer in dollar terms in 2015, losing -21.60%.
- In terms of USD, the four benchmark indices in Malaysia, Indonesia Singapore and Thailand fell in tandem, losing within the narrow range of 19-22%. The Philippines Composite fell by only -8.18%.
- Despite a turbulent year, China's CSI actually ended the year in the greenzone, adding 5.58% and 0.96% in dollar term.

Performance of major markets		
Weekly* % change	Week before	Last week
KLCI	1.19	1.74
Jakarta JCI	1.21	1.56
Nikkei 225	-1.15	1.41
India Sensex	1.25	1.08
Thai SET	-0.15	0.40
Straits Times	0.87	0.18
DAX	1.13	0.14
FTSE	3.34	-0.20
Taiwan Taiex	1.28	-0.30
CAC	0.82	-0.56
Phil Comp	1.97	-0.72
Dow Jones	2.47	-0.72
S&P500	2.76	-0.83
Hang Seng	1.76	-1.01
Korea KOSPI	0.78	-1.47
China CSI300	1.87	-2.79

Source: Bloomberg. * calendar week

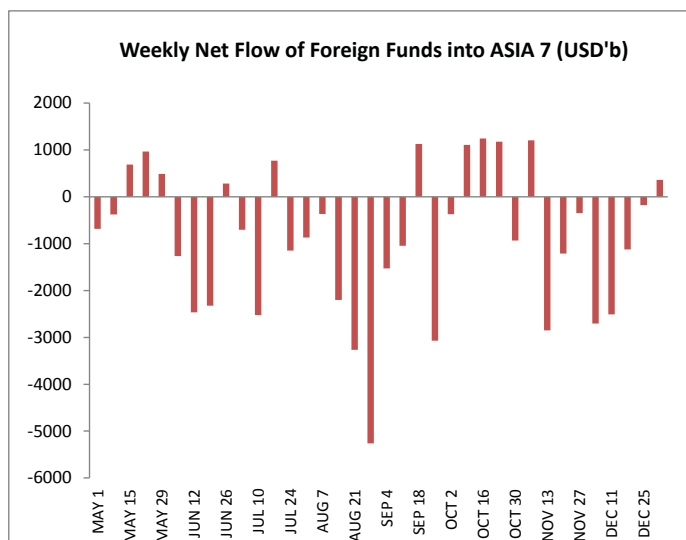
Performance of major markets		
Annual % change	2015 (Local)	2015 (USD)
DAX	9.56	-1.07
Nikkei 225	9.07	8.46
CAC	8.53	-1.51
China CSI300	5.58	0.96
Korea KOSPI	2.39	-4.72
S&P500	-0.73	-0.73
Dow Jones	-2.23	-2.23
Phil Comp	-3.85	-8.18
KLCI	-3.90	-21.56
FTSE	-4.93	-9.28
India Sensex	-5.07	-9.36
Hang Seng	-7.16	-7.11
Taiwan Taiex	-10.41	-13.62
Jakarta JCI	-12.13	-20.88
Thai SET	-14.00	-21.60
Straits Times	-14.34	-19.60

Source: Bloomberg

FUND FLOW REPORT

B. TRACKING MONEY FLOW - ASIA ¹

- The last week of 2015 saw an end to seven weeks of foreign money outflow from Asian equity. However, the surplus was marginal, and much has to do with the fact that it was only a 3-day trading week for many markets and most foreign investors were absent. Therefore, we should caution that last week's statistics do not portend what lies ahead in January 2016.
- Based on provisional data from the respective exchanges, investors classified as "foreign" bought USD198m net in the 7 Asian stock markets that we track (TIPs + India, Taiwan, Korea and Malaysia).
- In December, the aggregate net outflow from the Asian 7 was USD4.7b, the fourth highest in 2015 after that in August, June and September.
- We review each country's money flow trend in 2015 below



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

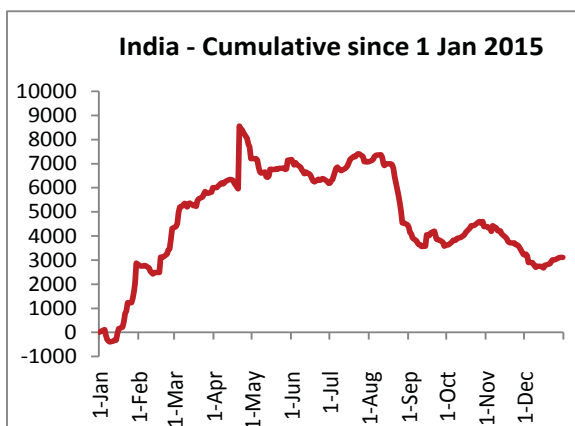
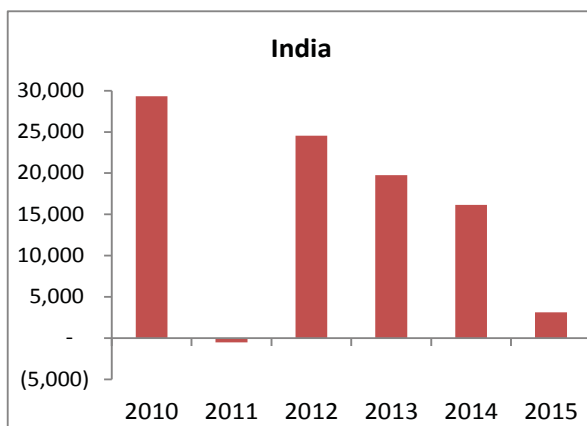
WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
NOV 27	-333.9	-51.2	22.6	-59.1	-190.1	234.7	30.4	-346.7
DEC 4	-1150.3	-109.5	-165.4	-42.6	-623.5	-576.7	-38.3	-2706.4
DEC 11	-957.6	-94.3	-49.8	-52.0	-152.2	-1049.8	-155.1	-2510.9
DEC 18	-756.1	-343.7	45.1	-35.3	50.2	100.4	-186.0	-1125.3
DEC 25	-97.9	-492.4	-65.9	22.9	211.1	258.2	-13.8	-177.8
JAN 1	-63.6	66.5	29.0	21.4	262.4	-80.9	127.1	362.0

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.

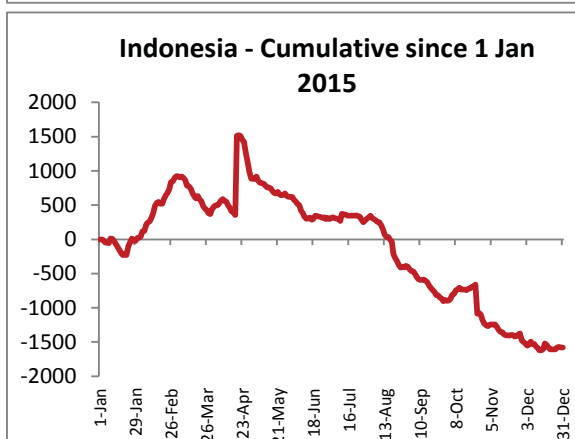
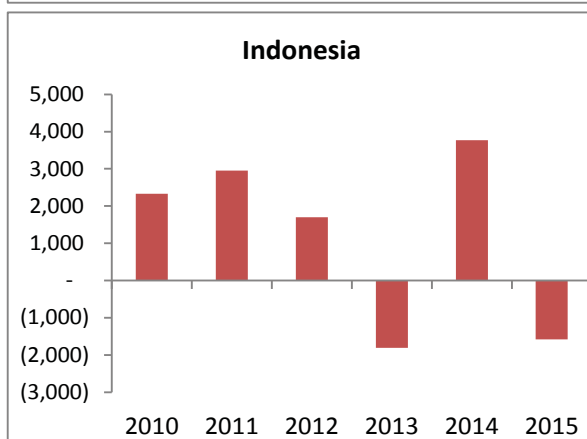
Source: Respective exchange statistics reported on Bloomberg, Bursa Malaysia. These figures are subject to revisions.

ANNUAL MONEY FLOW BY COUNTRY (USD'm)

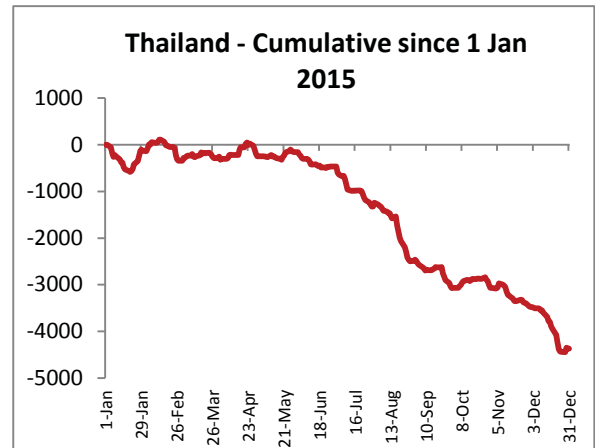
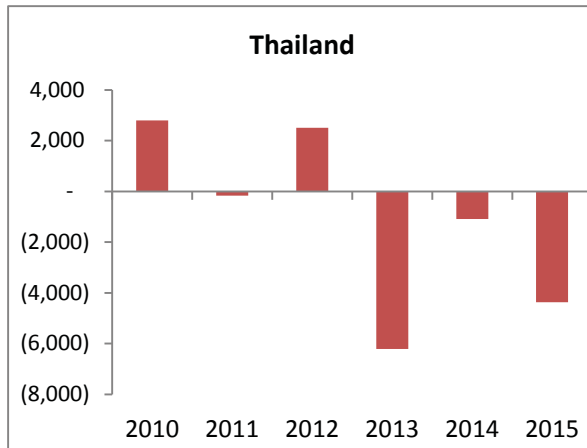
INDIA recorded its smallest foreign money inflow in 4 years. It was an 80% drop from that in 2014. Strong inflow in 1H15 was offset by heavy withdrawal especially in August.



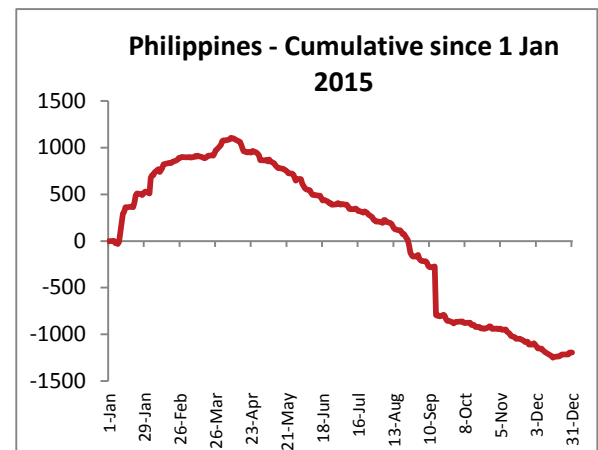
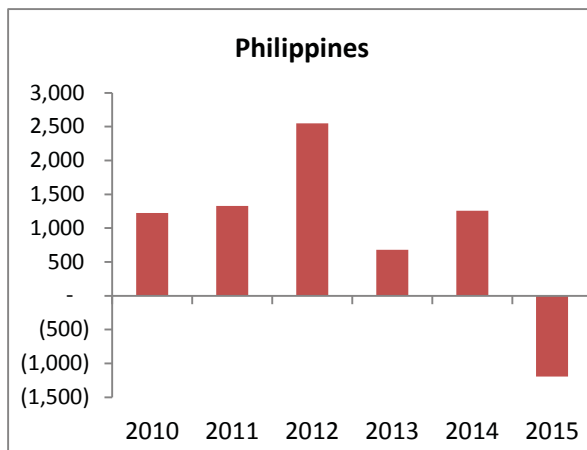
INDONESIA, unlike India recorded a net foreign withdrawal in 2015, after heavy inflow in the 2014 election year. The attrition started in April.



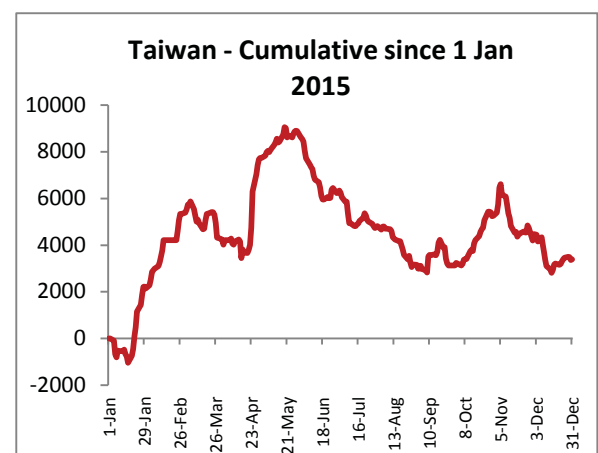
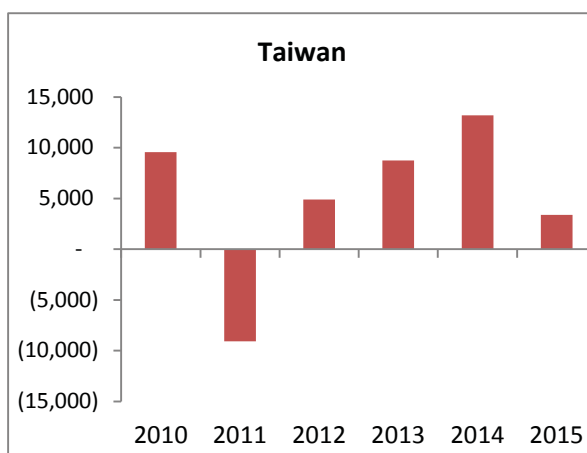
THAILAND suffered the second heaviest foreign money attrition in the region (after Malaysia). Money left the equity market for the third consecutive year. The withdrawal started in May.



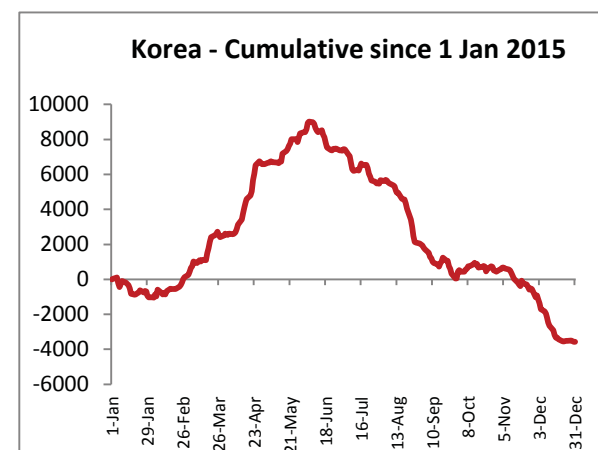
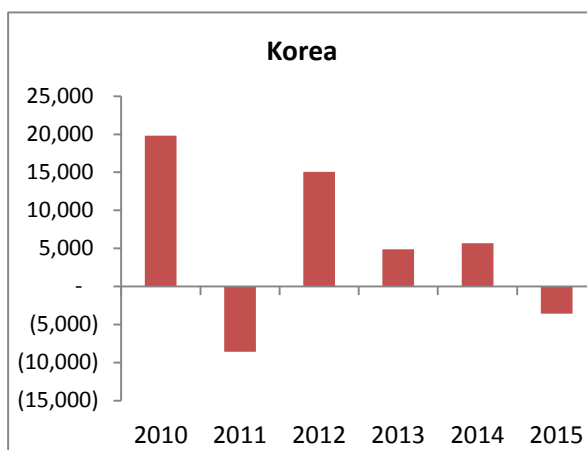
PHILIPPINES, the "darling" of Asian Emerging market, suffered its first year of foreign money attrition this decade. Despite the withdrawal, the bulk of the foreign funds are still in the system.



TAIWAN was the Asian winner in 2015, attracting foreign equity funds for the fourth consecutive year. Foreigners were aggressive buyers in the first five months but withdrew in the next four.



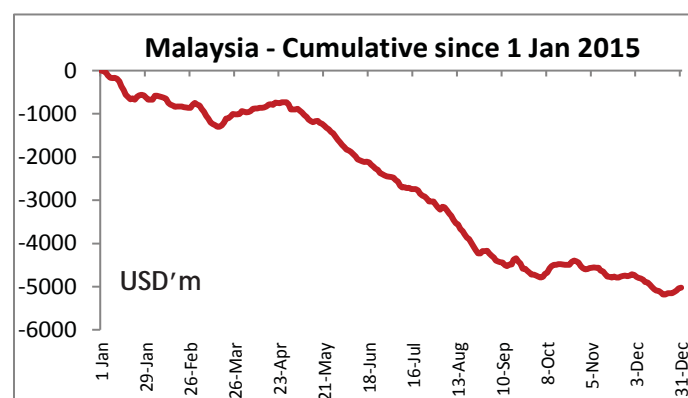
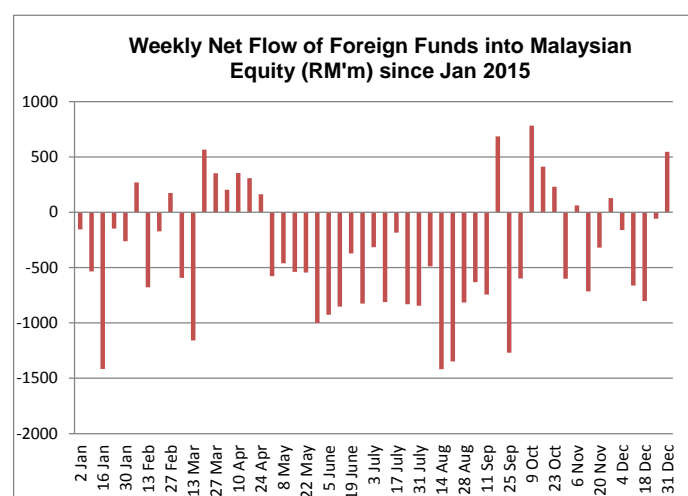
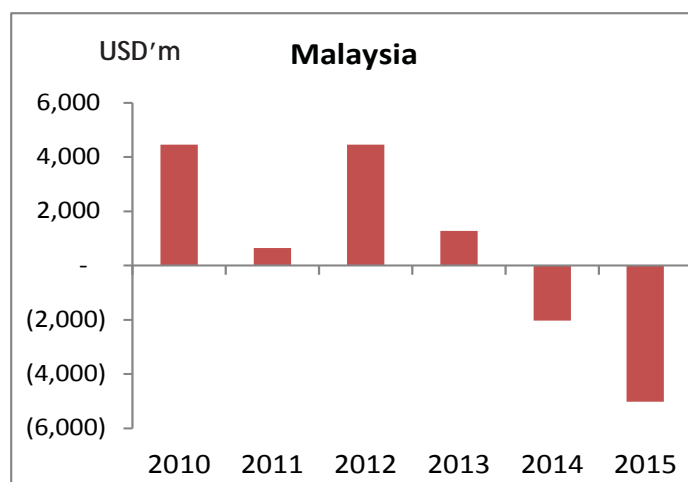
KOREA suffered its first foreign money flow deficit in four years. Like Taiwan, foreign funds were aggressive buyers in the first half, but the market succumbed to foreign selling thereafter.



FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

- MALAYSIA recorded a net withdrawal of foreign funds from equities listed on Bursa amounted to RM19.5b, or equivalent to USD5.0b, in 2015 (see chart). This is estimated based on net transactions in the open market (i.e excluding off market deals).
- The USD5.0b outflow was the highest among the 7 Asian markets that we track. It was also the most severe foreign attrition since the 2007/08 Financial Crisis.
- Foreign funds sold Malaysian equity from the opening day of 2015. The selling was pervasive such that Bursa reported net foreign injection in only 15 out of 52 weeks of trading during the year.
- Foreign funds sold for 20 consecutive weeks during the May-September period, one of the longest sustained stretch of foreign attrition since the 1997-98 Asian Financial Crisis. The most unnerving period was the back-to-back trading week ended 14 August and 21 August when the withdrawal amounted to RM1.42b and RM1.35b net respectively.
- In October, foreign funds made a promising return which coincided with the Ringgit regaining some lost ground. However, developments at the global level was against the local bourse, and the buying in October proved to be fleeting.
- In the last trading week of 2015, foreign funds surprisingly bought a significant RM546.2m net, *in the open market*, reversing four successive weeks of attrition. That translated into a deficit of RM1.19b for the month of December, which could have been worse in view that it was the pivotal month during which the Fed raised interest rates for the first time in almost a decade.
- After the heavy attrition from Bursa in 2015, we estimate that the overhang of foreign liquidity for funds that had entered the local market since January 2010 to be only in the region of RM8-9b. The fact remains that foreign shareholding on Bursa is relatively thin and is currently the lowest since the Financial Crisis. The downside risk as a result of foreign dumping is therefore rather limited.



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)*
NOV 20	2386.1	2388.0	-1.9	5550.4	5228.4	322.0	1898.3	2218.4	-320.1	-73.3
NOV 27	2347.9	2406.2	-58.3	5927.6	5997.3	-69.7	2448.5	2320.5	128.0	30.4
DEC 4	1638.0	1709.0	-71.0	5656.60	5424.3	232.3	4126.8	4288.1	-161.3	-38.3
DEC 11	1593.2	1561.1	32.1	5658.40	5027.7	630.7	1820.4	2483.2	-662.8	-155.1
DEC 18	1627.2	1539.2	88.0	5388.30	4675.1	713.2	2411.5	3212.7	-801.2	-186.0
DEC 25	1081.3	1075.9	5.4	2600.60	2547.2	53.4	1101.4	1160.2	-58.8	-13.8
JAN 1	1369.2	1523.2	-154.0	3506.30	3898.5	-392.2	1779.9	1233.7	546.2	127.1

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

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