

FUND FLOW REPORT

Week Ended
November 20, 2015

Foreign Flow Meter (M'sia)



Tide

MODERATE-HIGH



Current

(receding)
MODERATE

- The global equity market demonstrated its resilience in the aftermath of the Paris tragedy.
- In the bellweather Wall Street, the Dow Jones and S&P500 actually rallied on Monday in the aftermath of the tragedy, rising 1.4% and 1.0% respectively. For the S&P500, last week's gain of 3.3% was the best in 2015.
- In Europe, Germany's DAX and UK's FTSE gained >3% last week. Even France's CAC index rose 2.1%.
- Most major Asian indices also ended the week in the greenzone, but the extent of the gain was not as strong as that in their Western counterparts.
- Nevertheless, global funds were still selling Asian equity last week but the amount eased significantly from that the week before.
- Likewise, on Bursa foreign investors remained net sellers for the second consecutive week selling RM320.1m, net of purchases, in the open market, after offloading RM714m in the preceding week.
- An interesting phenomenon is developing locally. The price of Brent crude oil stayed below USD45pb throughout last week, which is a relatively depressed level. Yet, the Ringgit remarkably rallied 1.1% on Thursday, followed by a 1.3% gain on Friday. It was the best performing currency in Asia on both days. Could be the case that the Ringgit is finally decoupling from oil price?
- Attention may soon shift towards the slew of earnings results slated to be released throughout this week. A more stable, or indeed improvement, in earnings sentiment could be a more durable catalyst for the market going forward.
- While earnings had incessantly disappointed expectations in the past 6 consecutive result seasons, the ongoing reporting season so far seems to be pointing towards the beginning of the end to the prolonged drought in earnings growth.

23 November 2015 | Strategy - Weekly Fund Flow

GOOD WEEK FOR EQUITY DESPITE PARIS

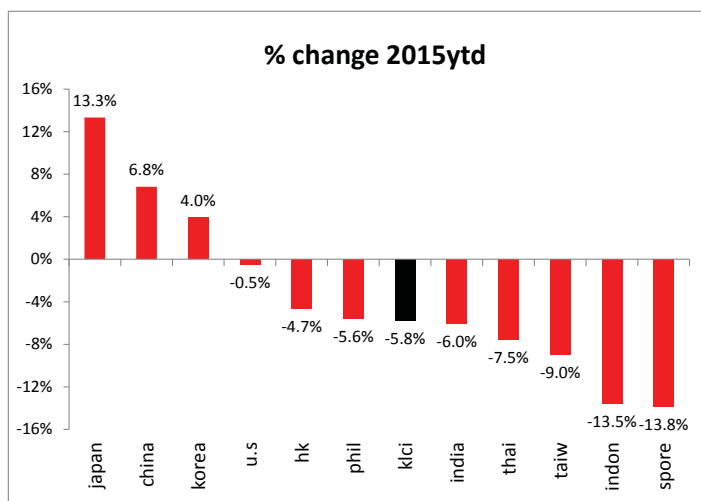
A. MARKET SNAPSHOT

- The global equity market demonstrated its resilience in the aftermath of the Paris tragedy. Asian markets, which were first to open on Monday, came under selling pressure in the opening hour, as expected, but prices recovered steadily thereafter. By closing bell, most markets had recovered lost grounds. Indeed, the benchmark indices in China and Thailand actually ended Monday in the greenzone.
- The reactions in the Western markets were even more astounding. European markets held fort with France's CAC40 and Germany's DAX closing Monday almost unchanged. Meanwhile, the performance on Wall Street was, under the circumstances, spectacular. The Dow Jones and S&P500 rallied on Monday, rising 1.4% and 1.0% respectively.
- It was probably the shortest-lived market reaction to a high-profile terrorist attack. Markets appear to be immune to such an event. There was some flight to safety though. Prices of U.S and European bonds rose on fresh buying while in Malaysia bond investors switched to shorter duration papers.
- Wall Street rallied on Wednesday following the release of the Fed's October minutes while emerging markets caught on the bullish momentum on Thursday, recording their best 1-day performance in about a month. The Fed's minutes revealed that most policymakers concurred that conditions for a rate hike "could well be met by the time of the next meeting." With economic activity vibrant, the remaining condition for a rate hike is for consumer price inflation to hit 2%. Last Monday's data showed core CPI (i.e prices, excluding food and energy) to be 1.9%yoy in October, staying at that level for the second consecutive month. Apparently the market rallied as investors were in favour of the affirmative tone of the minute, which reduced uncertainty. The Dow Jones and S&P500 rose 3.4% and 3.3% respectively. For the S&P500, it was the best weekly performance in 2015.
- The performance of emerging markets were encouraging last week in view that commodity prices remained depressed. Price of Brent crude oil stayed below USD45pb, which made the Ringgit's 1.1% gain on Thursday, followed by a 1.3% rally on Friday, quite remarkable. It was the best performing currency in Asia on both days.
- The KLCI was flat nevertheless, up only 0.18%.

Performance of major markets		
Weekly % change	Week before	Last week
DAX	-2.54	3.84
FTSE	-3.71	3.54
Dow Jones	-3.71	3.35
S&P500	-3.63	3.27
CAC	-3.54	2.14
Jakarta JCI	-2.05	1.98
Taiwan Taiex	-4.19	1.63
Hang Seng	-2.06	1.60
Nikkei 225	1.72	1.44
India Sensex	-2.49	1.01
Korea KOSPI	-3.32	0.84
Thai SET	-2.27	0.82
China CSI300	-1.24	0.75
Phil Comp	-3.10	0.51
KLCI	-1.59	0.18
Straits Times	-2.82	-0.27

Source: Bloomberg

Major Asian indices (2015)

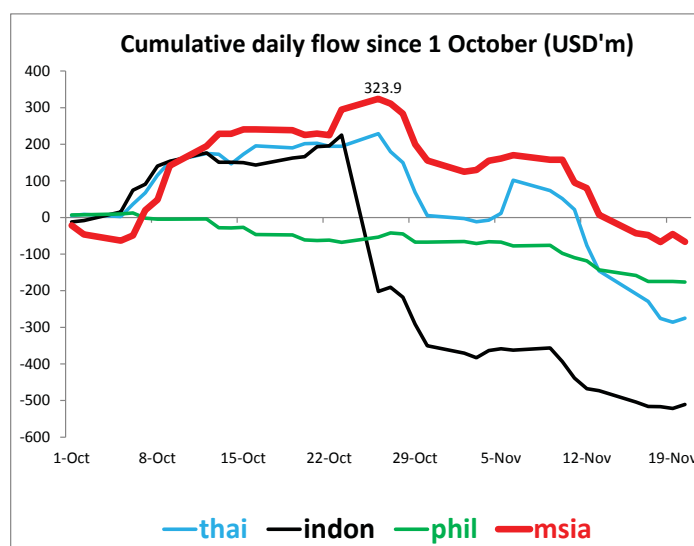
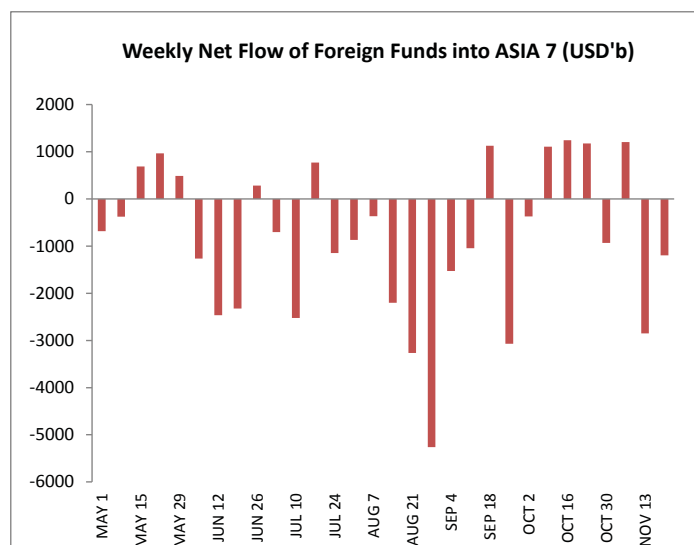


Source: Bloomberg. All in local currency.

FUND FLOW REPORT

B. TRACKING MONEY FLOW - ASIA ¹

- Global funds were still selling Asian equity last week but the amount eased significantly from that the week before. There was no fallout as a result of the Paris attack. Asian currencies also made gains against the greenback.
- Based on provisional data from the respective exchanges, investors classified as "foreign" sold USD1.20b net in the 7 Asian stock markets that we track (TIPs + India, Taiwan, Korea and Malaysia). The amount was significantly lower than the USD2.85b offloaded in the previous week.
- After selling a whopping USD1.3b in the second week of November, foreign funds sold USD319m of Taiwan stocks last week. Foreigners sold stocks in the auto, cement, glass, textile, iron & steel sectors. There is lingering apprehension over Taiwan's trade sector which is not showing signs of improvement. Last week, Finance Minister Chang confirmed that exports declined by double digits in the first two weeks of November. Figures released last week also show manufacturing output fell a whopping 15%yoy in 3Q15, to its lowest level in six years. This is despite the third quarter historically being a peak season for the manufacturing sector.
- Meanwhile, selling continued in Korea where foreigners offloaded USD247m compared with USD585m the week prior. Although the Korean Won was the third best performing currency last week, the strength was not derived from portfolio inflow into equity as foreign investors had been selling in 4 out of 5 days last week. There was heavy withdrawal from the electrical and electronics industry as well as from stocks such as Hotel Shilla Co. Bank of Korea last week reaffirmed its 2016 GDP growth forecast of 3.2% despite the Federation of Korean Industries survey showing 90.2% businesses expecting <3% growth.
- Elsewhere, selling continued in Thailand, Indonesia and the Philippines, although the amount eased last week. In Indonesia, the outflow has persisted for 4 consecutive weeks. Last week, Bank Indonesia lowered the rupiah reserves requirement for banks to 7.5% from 8.0%, starting Dec. 1. The move is expected to provide financial institutions with additional Rp18 tn (USD1.30b) liquidity.



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.

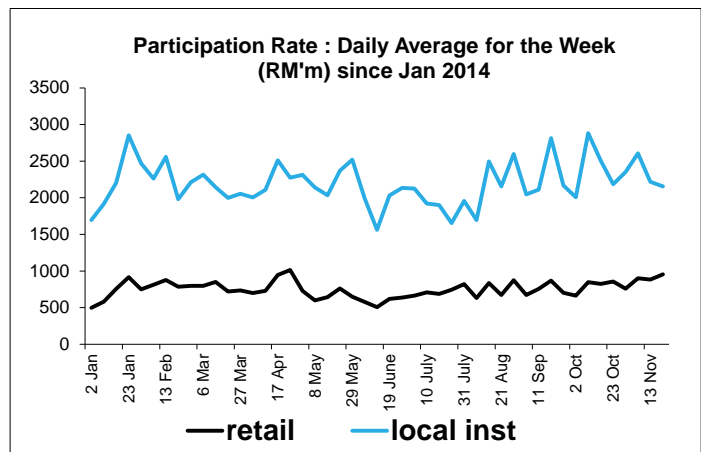
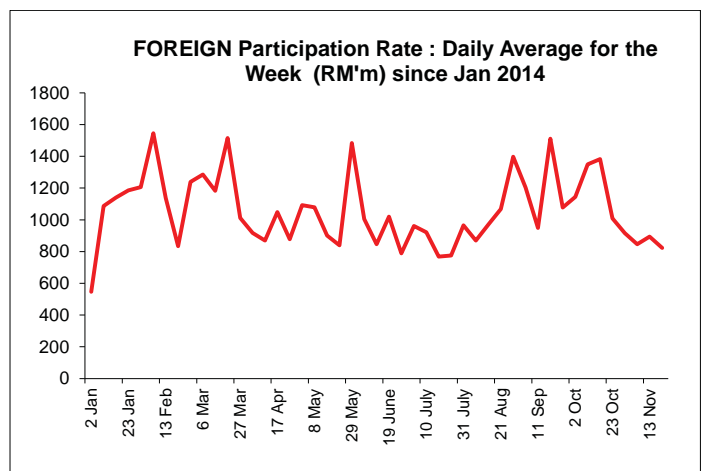
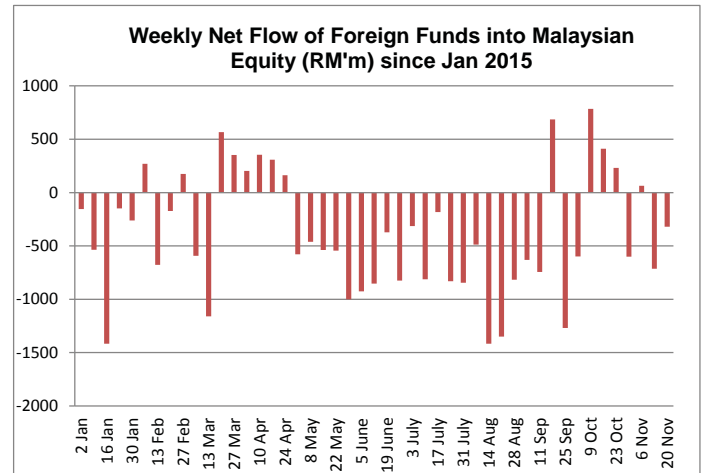
WEEKLY NET FLOW OF FOREIGN FUND INTO EQUITY (USD'm)

WEEK ENDED	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
OCT 9	303.0	143.9	161.8	-12.3	122.7	201.1	187.7	1107.9
OCT 16	-70.1	43.4	-10.5	-22.9	418.5	804.5	98.9	1261.8
OCT 23	-97.7	-1.1	82.1	-21.8	304.6	856.4	54.3	1176.8
OCT 30	-134.7	-189.4	-575.6	0.8	-80.5	185.3	-139.4	-933.5
NOV 6	171.6	96.6	-12.3	-10.2	41.5	904.0	14.8	1205.9
NOV 13	-584.6	-247.5	-110.6	-65.7	-340.5	-1339.5	-163.3	-2851.6
NOV 20	-246.9	-129.6	-37.6	-33.2	-358.4	-318.9	-73.5	-1198.1

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

C. TRACKING MONEY FLOW - MALAYSIA

- On Bursa, foreign investors remained net sellers for the second consecutive week, in line with regional trend. The cumulative flow since 1 October is now in the deficit.
- Foreign funds sold RM320.1m, net of purchases, in the open market (i.e excluding off-market deals) last week, after offloading RM714m in the preceding week.
- Foreign trade in the aftermath of Paris was ominous as expected. On Monday, foreign funds sold RM219.1m, the 52nd day this year that the deficit exceeded RM200m. The selling cannot be entirely attributable to Paris as sentiment leading up to the tragedy was already fragile and foreign funds were already in a selling mood. In the Friday prior, foreign funds had offloaded a whopping RM322m.
- Foreign selling continued on Tuesday and Wednesday but on a much slower pace. By Thursday some foreign investors were back nibbling in the market but the selling resumed on Friday albeit only RM92m.
- For 2015, last week's attrition increased the cumulative net foreign outflow to RM18.5b, compared with the RM6.9b outflow for the entire 2014. We estimate the overhang of foreign liquidity for money that came in since early 2010 to be less than RM10b, at only RM9.4b. In other words, foreign presence in the local equity market is currently very low.
- We warned a few weeks ago that the market is entering a period of low activity, which is a common phenomenon in November and December. Last week, foreign participation (i.e the average daily gross volume) dropped to RM823m, and remained below the RM1b mark for the fourth consecutive week.
- Local institutions supported the market passively buying RM322m. However, participation rate dropped to RM2.16b, the lowest in seven weeks.
- We detect edginess in the retail market as there were profit taking in some small cap stocks. However, buying support was present and that made the retail market rather vibrant. Retailers were only marginal sellers last week at RM1.9m. But participation rate surged to RM955m, the second highest in 2015!



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)*
OCT 9	2028.9	2216.5	-187.6	6904.7	7500.5	-595.8	3767.0	2983.6	783.4	187.7
OCT 16	1638.6	1656.0	-17.4	4813.4	5207.7	-394.3	2969.2	2557.5	411.7	98.9
OCT 23	2110.3	2182.3	-72.0	5384.1	5542.5	-158.4	2638.3	2407.9	230.4	54.3
OCT 30	1943.6	1847.2	96.4	6126.9	5623.2	503.7	1989.3	2589.4	-600.1	-139.4
NOV 6	2240.3	2268.3	-28.0	6495.2	6530.0	-34.8	2148.4	2085.6	62.8	14.8
NOV 13	1822.9	1716.8	106.1	4739.7	4131.8	607.9	1430.8	2144.8	-714.0	-163.3
NOV 20	2386.1	2388.0	-1.9	5550.4	5228.4	322.0	1898.3	2218.4	-320.1	-73.5

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

FUND FLOW REPORT

D. TOP 100 STOCKS: MONEY FLOW ²

TOP 10 NET MONEY INFLOWS

- Telekom Malaysia registered the highest net money inflow of RM25.12m last week. Accordingly, its share price outperformed the market benchmark albeit marginally with a 0.77% weekly rise. In comparison, the FBM KLCI inched up 0.18% during the week under review. In its latest report on Malaysia's telcos, Fitch Ratings expects heightened rivalry in the mobile space but the competition in the fixed-line and fibre broadband segments will remain moderate.
- Digi.com came in second with RM22.37m net inflow and its share price slightly outperformed the market benchmark as it recorded a 0.39% week-on-week gain.
- Tenaga Nasional recorded the third highest net money inflow of RM16.46m and its share price also slightly outperformed the market benchmark with a 0.61% increase during the review week. It was reported that 1MDB is likely to sell its power business to a Chinese-led group for RM10 billion.

TOP 10 NET MONEY OUTFLOWS

- Axiata saw the largest net money outflow of -RM5.59m during the review week. However, its stock price outperformed the FBM KLCI as it ended the week higher by 0.98% against a smaller 0.18% gain in the market benchmark. Nevertheless, it is notable that net money outflow amidst advancing share price indicates sell on strength (SOS) stance among some investors.
- Public Bank came in second last week with a net outflow of -RM5.38m but its share price slightly outperformed the market benchmark with a 0.44% weekly gain which may indicate SOS stance among some investors.
- Bintulu Port Holdings registered the third largest net money outflow at -RM3.51m in the review week. Accordingly, its share price underperformed the broader market as it registered a quite hefty -4.62% weekly loss. The company recently reported a -15.7%yoy fall in its 3QFY15 net profit to RM29.2m as revenue dropped -2.0%yoy to RM130.8m.

Tables below list the Top 10 Net Money Inflows and Net Money Outflows for the week ended 21 November 2015 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	
TM	25.12	0.08	0.77	-
DIGI.COM	22.37	-6.60	0.39	-
TNB	16.46	9.53	0.61	-
IHH HEALTH	12.94	2.78	-0.15	BOW
HLEONG BANK	11.11	3.88	-0.58	BOW
GENTING	9.85	-1.20	-2.05	BOW
MAYBANK	8.96	-1.70	0.24	-
MAXIS	7.86	0.24	0.61	-
PETRO CHEM	7.50	-2.65	0.76	-
PETRO GAS	6.56	1.06	-0.35	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	
AXIATA	-5.59	7.51	0.98	SOS
PUBLIC BANK	-5.38	0.04	0.44	SOS
BINTULU PORT	-3.51	0.02	-4.62	-
TIME DOTCOM	-3.48	2.75	-4.15	-
AIRASIA	-1.98	-1.75	-0.71	-
KULIM	-1.46	-1.65	0.77	SOS
UMW HLDGS	-1.30	1.41	2.26	SOS
KLCCP	-1.02	0.73	-0.14	-
LITRAK	-0.86	0.15	2.59	SOS
TOP GLOVE	-0.85	0.31	0.30	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

E. THE WEEK AHEAD

IMPROVEMENT IN EARNINGS SENTIMENT A DURABLE CATALYST

- The market movement this past week was volatile at times but nonetheless it lacked clear directional bias which was evident by the relatively minor +0.18% week-on-week change in the FBM KLCI. We reckon the confluence of both negative and positive factors may have counterweighted the directional tendency of the market.
- The market benchmark was off double-digit early Monday as it was perturbed by the Paris attack late prior week, however subsequent buying support moderated the initial knee-jerk downward reaction. Thenceforth, the market reacted quite positively to the minutes of US Fed's October meeting released Wednesday, which stated that conditions for a rate hike "could well be met by the time of the next meeting" in December, as investors arguably applauded its clearer policy stance. It must also be noted that Ringgit rallied during latter part of the week with USD/MYR dropped to 4.26 levels on Friday from circa 4.39 at beginning of the week. We reckon the positive market momentum may spill over into the coming sessions.
- Having said the above, attention may soon shift towards the slew of earnings results slated to be released throughout this week. On this score, we repeat our assertion that stabilization, or even more so improvement, in earnings sentiment could be a more durable catalyst for the market going forward. While earnings had incessantly disappointed both ours and consensus expectations during the past 6 consecutive result seasons, however, the ongoing reporting season has up until now seems pointing towards the beginning of the end to the prolonged drought in earnings growth.
- Recall that in 2QCY15 there were 9 underperformers against only 4 outperformers among FBM KLCI constituents (1QCY15: 10 underperformers, 0 outperformer). Based on our provisional assessment, the ongoing 3QCY15 season might fare comparatively better as there are only 3 underperformers against 3 outperformers thus far out of 17 results released.
- The FBM KLCI is trading at -0.14SD (standard deviation) of its long-term average PER which means it is neither expensive nor very cheap in comparison to its historical levels. However, if we were to compare the prevailing FBM KLCI valuation against its peers, the local benchmark arguably resides in the middle of the pack. There are just as many foreign market indices that trade at lower as those hovering at higher valuation vis-a vis the FBM KLCI.
- We recommend investors to build up position in quality laggards in light of current situation and anticipated developments in the coming week.



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