

FUND FLOW REPORT

Week Ended
November 6, 2015

Foreign Flow Meter (M'sia)



Tide

LOW



Current

(receding)
MODERATE

- Global equity markets had a positive start to the month of November with most benchmark indices ending the first week of trading in the greenzone.
- The market received an early boost with the rebound in oil price, as the price of Brent crude oil rose to as high as USD50.91pb on Tuesday. Although it declined thereafter to close the week at USD47.42pb, positive equity market sentiment was sustained by Fed's Chair Yellen's testimony to House Committee and the U.S employment report on Friday.
- On Wednesday, Chair Yellen reaffirmed the Fed's relatively hawkish stance, and on Friday the Labour Department announced that the number of non-farm jobs created in October was the highest in 2015 at 271,000. Unemployment rate fell further to 5%, the lowest since the Financial Crisis.
- Global funds snapped back Asian equity after a week of what appears to be transient selling.
- The more advanced markets of Taiwan and Korea commanded a lion's share of the international money that went into Asian equity last week. Sentiment was buoyed ahead of the closed-door meeting between President Ma Ying-Jeou and Chinese President Xi Jinping in Singapore.
- On Bursa, foreign investors turned net buyers again after briefly selling the week before. Foreigners have now been net buyers in four out of the last five weeks. The buying was moderate though, at only RM62.8m net, as most of the international capital investing in Asia was diverted to Greater China.
- Foreign participation dropped further and remained below the RM1b mark for the second consecutive week, and was the lowest in 15 weeks.
- Our prognosis last week of a hazy November is proving to be wrong. The underlying resilience of the market has been remarkable.

9 November 2015 | Strategy - Weekly Fund Flow

THE TIDE RECEDES FURTHER

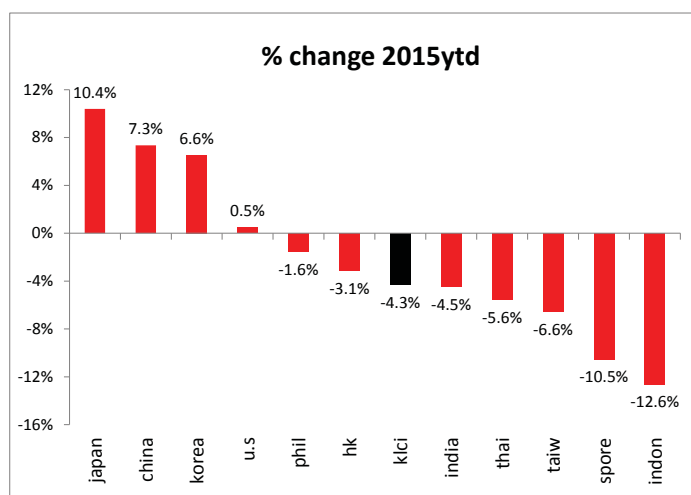
A. MARKET SNAPSHOT

- Global equity markets had a positive start to the month of November with most benchmark indices ending the first week of trading in the greenzone.
- However, the market opened trading on Monday on a rather skittish note. The weak China manufacturing data released over the weekend rattled investors. However, global equity were boosted by a rebound in the price of crude oil. The price of Brent crude oil bounced back to >USD50pb on Tuesday after falling to below that level on 19 October. There were concerns over supply disruption due to workers strike in Brazil which cut oil output by as much as 500k bpd. In addition, Libya oil export was disrupted after the Zueitina export terminal could not be accessed due to the militia.
- On Wednesday, Chair Yellen reaffirmed the Fed's relatively hawkish stance in her testimony before the House financial services committee. In her words:
"At this point, I see the US economy as performing well. Domestic spending has been growing at a solid pace"
 That was reason for the dollar to gain grounds and caused oil price to tumble to that below USD49pb. Precipitating the decline was data showing rising U.S. crude inventories.
- The biggest statistical revelation last week was clearly the U.S employment report on Friday. The U.S non-farm payroll increased by 271,000 jobs in October, the highest in 2015. The unemployment rate fell to 5%, the lowest level since 2008. The robust employment number confirmed the Federal Reserve's assessment of a strong-performing U.S economy. It is expected to have a major bearing on the outcome of the Federal Open Market Committee (FOMC) meeting in December. The all-important figure now would be that of core CPI inflation, which is scheduled to be released on November 24. Core CPI inflation was reported at 1.9%yoy in September, and the FOMC has indicated a threshold of 2% for it to make a move on interest rate.
- Wall Street rebounded on Friday after two days of losses. The Dow Jones and S&P500 closed the week gaining 1.4% and 1.0% respectively.
- China's CSI300 was the best performing index last week, gaining a whopping 7.3%, the second best weekly performance this year. That lifted the year-to-date score to also 7.3%, behind Japan's Nikkei 225 gain of 10.4%.
- The KLCI had a relatively good week, rebounding from the loss the week before with a gain of 1.2%.

Performance of major markets		
Weekly % change	Week before	Last week
China CSI300	-1.04	7.34
Jakarta JCI	-4.25	2.50
CAC	-0.53	1.77
Taiwan Taiex	-1.38	1.63
Thai SET	-1.50	1.41
Dow Jones	0.10	1.40
DAX	0.52	1.27
KLCI	-2.64	1.20
Hang Seng	-2.21	1.00
Nikkei 225	1.37	0.96
S&P500	0.20	0.95
Korea KOSPI	-0.54	0.57
Straits Times	-2.28	0.40
FTSE	-1.29	-0.11
Phil Comp	-1.41	-0.23
India Sensex	-2.96	-1.47

Source: Bloomberg

Major Asian indices (2015)

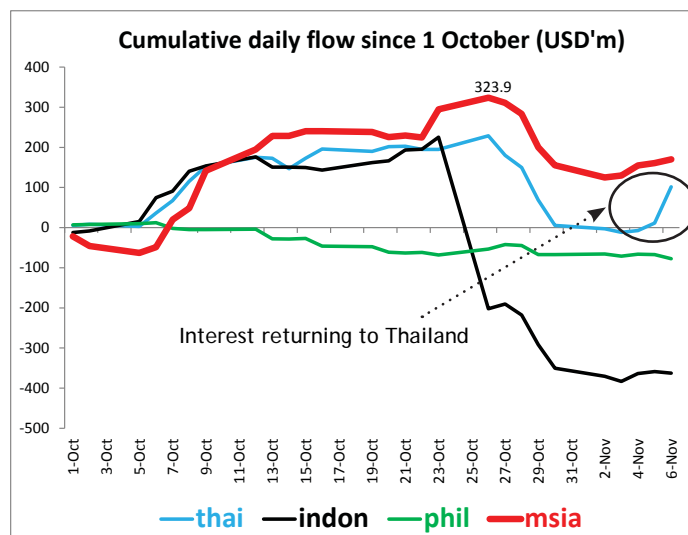
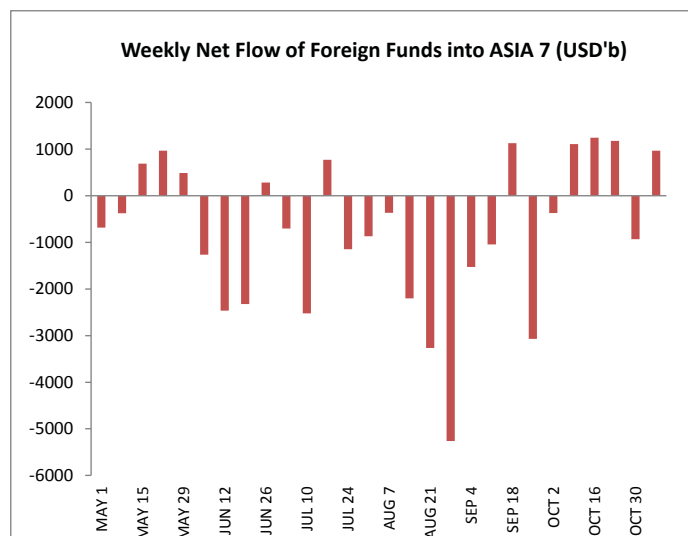


Source: Bloomberg. All in local currency.

FUND FLOW REPORT

B. TRACKING MONEY FLOW - ASIA ¹

- Global funds snapped back Asian equity after a week of what appears to be transient selling.
- Based on provisional data from the respective exchanges, investors classified as “foreign” purchased USD966m net in the 7 Asian stock markets that we track (TIPs + India, Taiwan, Korea and Malaysia). It was a moderate turnaround from the USD934m net sale the week before.
- The more advanced markets of Taiwan and Korea commanded a lion’s share of the international money that went into Asian equity last week.
- A wave of foreign liquidity landed on Taipei, especially in the middle of the week. The Taiwan exchange reported net foreign buying amounted to USD904m last week, the highest since April this year. Sentiment was buoyed ahead of the closed-door meeting between President Ma Ying-Jeou and Chinese President Xi Jinping in Singapore. China is Taiwan’s biggest trading partner, and the former is probably eager to extract whatever mileage from the relationship in order to mitigate its own domestic economic woes.
- Korea also came into the radar screen of international investors, who bought USD172m net, the first surplus after three weeks of deficit. Foreign investors bought strongly on Monday picking up stocks in the transport equipment industry such as Kia Motors Corp. Buying then extended to the chemical products industry in which NAVER Corp. was the biggest beneficiary of foreign capital.
- However, we note that there was heavy foreign attrition from both, Taiwan and Korea on Friday, probably on rising risk aversion ahead of the release of the U.S employment figures.
- In Jakarta, foreign funds started nibbling in Indonesian stocks on Wednesday, after five straight days of selling. The buying continued on Thursday and Friday, but the amount was not sizeable enough to reverse earlier outflow. Things began looking up for the Indonesian market after crude oil price rose on Tuesday, and ahead of the Government’s announcement of a 6th economic policy package on Thursday. The latest initiative includes the designation of eight areas as Special Economic Zones (SEZs) to develop resources especially in the rural areas.
- Elsewhere, Thailand attracted moderate foreign buying last week but the chart shows interests returning to the market. Selling resumed in Manila.



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.

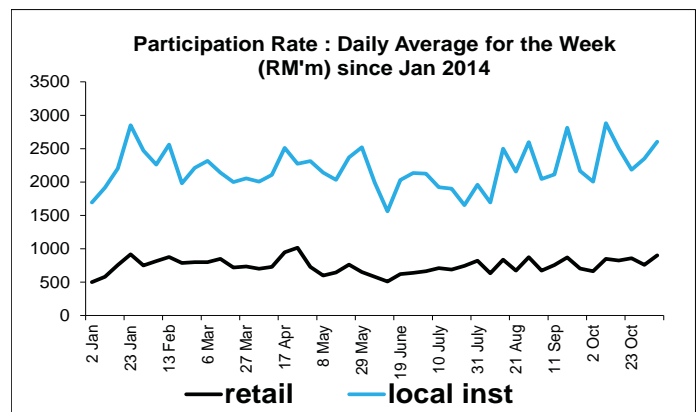
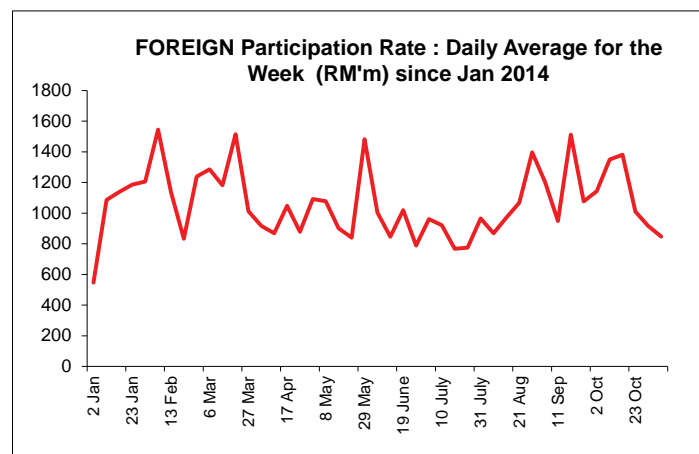
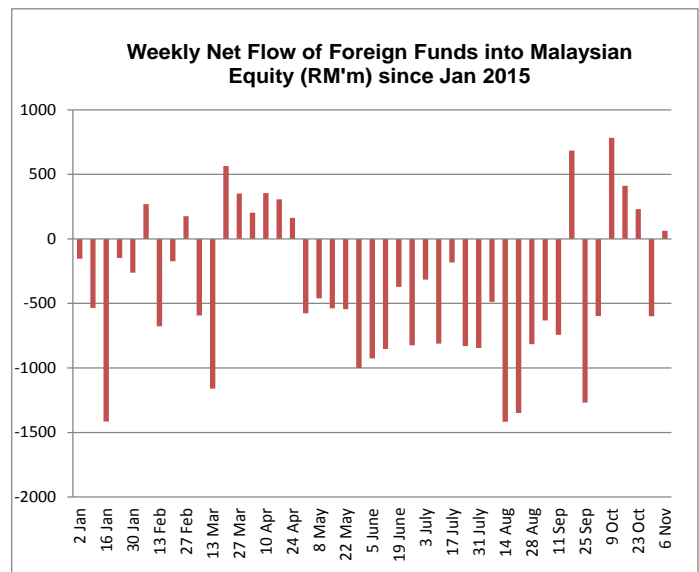
WEEKLY NET FLOW OF FOREIGN FUND INTO EQUITY (USD'm)

WEEK ENDED	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
SEP 25	-923.2	-277.2	-139.7	-49.9	-287.5	-1099.9	-294.1	-3071.5
OCT 2	116.8	-158.1	-42.2	-8.4	-221.9	79.8	-135.1	-369.3
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	-198.8	904.0	14.9	965.7

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

C. TRACKING MONEY FLOW - MALAYSIA

- On Bursa, foreign investors turned net buyers again after briefly selling the week before. Foreigners have now been net buyers in four out of the last five weeks.
- The buying was moderate though, as most of the international capital investing in Asia was diverted to Greater China. Foreign funds bought an aggregate RM62.8m, net of purchases, in the open market (i.e excluding off-market deals) last week, after offloading RM600m in the preceding week.
- The market did not open on an auspicious note last week. Overseas investors dumped shares on Bursa on Monday, extending the selling phase to five trading days. However, the selling momentum ended on Tuesday as foreign funds bought back local stocks in the next four trading days. The amount was moderate except on Wednesday when it exceeded RM100m at RM106.8m.
- For 2015, last week's purchases reduced the cumulative net foreign outflow to RM17.4b, compared with the RM6.9b outflow for the entire 2014.
- We wrote last week that the market is entering a period of low activity. This is based on the observed tendency of many international funds to lighten their exposure going into the year-end festive break. This year in particular, the situation is worsened by the fact that the last Federal Reserve meeting will be held on December 16 and risk aversion is likely to rise in the days approaching the dateline.
- Last week, foreign participation dropped further and remained below the RM1b mark for the second consecutive week. Average daily gross volume fell to RM847m, from RM916m the week before. It was the lowest in 15 weeks.
- Local institutions sold marginally by RM34.8m on a yet active RM2.61b participation rate.
- The retail market continued to remain vibrant last week, proving us wrong as we had expected the market to take a breather. There was marginal profit taking as retailers sold RM28m but trading was active with participation rate surging to RM902m, the highest in 28 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)*
SEP 25	1480.4	1335.1	145.3	4896.2	3772.8	1123.4	1519.9	2788.6	-1268.7	-294.1
OCT 2	1689.6	1630.0	59.6	5286.0	4746.9	539.1	2559.9	3158.6	-598.7	-135.1
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	14.9

* 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

- Tenaga Nasional registered the highest net money inflow of RM15.73m last week. Accordingly, its share price outperformed the market benchmark as it recorded a 3.48% weekly rise. In comparison, the FBM KLCI gained 1.20% during the week under review. Investors seem relieved on the report that TNB has submitted the lowest bid for Edra Global Energy hence dispelling earlier concerns that it may pay too much for the latter's assets.
- Petronas Gas came in second with RM6.91m net inflow but its share price underperformed the market benchmark with a mere 0.52% week-on-week gain. The company recently reported -27.2%yoy lower earnings in 3QFY15. However, its cumulative 9MFY15 normalised earnings of RM1,399m came in line with our expectation.
- United Plantation recorded the third highest net money inflow of RM6.58m and its share price outperformed the market benchmark with a 1.89% gain during the review week.

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
TNB	15.73	7.34	3.48	-
PETRONAS GAS	6.91	1.55	0.52	-
UNITED PLANT	6.58	0.34	1.89	-
PUBLIC BANK	4.81	2.24	0.88	-
GENTING	1.99	-2.05	5.26	-
YTL CORP	1.79	2.22	0.00	-
YTL POWER	1.71	0.67	3.31	-
KLCCP	1.44	0.18	-1.57	BOW
AXIATA	1.42	8.98	-0.16	BOW
PETRONAS DAGANG	1.35	2.14	2.93	-

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- Malayan Banking saw the largest net money outflow of -RM17.67m during the review week. Accordingly, its stock price underperformed the FBM KLCI as it ended the week higher by only 1.09% against a 1.20% rise in the market benchmark. It is notable that net money outflow amidst advancing share price indicates sell on strength (SOS) stance among some investors.
- Kossan Rubber came in second last week with a net outflow of -RM11.24m. However, its share price outperformed the market benchmark with a 3.19% weekly gain. As mentioned earlier, net money outflow amidst advancing share price may indicate a SOS stance among some investors.
- Genting Plantation registered the third largest net money outflow at -RM5.39m in the review week. Accordingly, its share price underperformed the broader market with a -1.87% weekly loss.

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
MAYBANK	-17.67	1.51	1.09	SOS
KOSSAN	-11.24	-2.27	3.19	SOS
GENTING PLANT	-5.39	12.53	-1.87	-
IJM CORP	-5.28	3.89	-0.60	-
BAT	-5.25	-9.98	-2.62	-
AIRASIA	-5.19	5.51	-2.70	-
UMW HLDGS.	-5.15	0.81	0.97	SOS
SIME DARBY	-4.51	-16.19	-0.36	-
AMMB	-4.24	-1.36	-0.42	-
DIGI.COM	-3.96	3.74	-1.33	-

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.

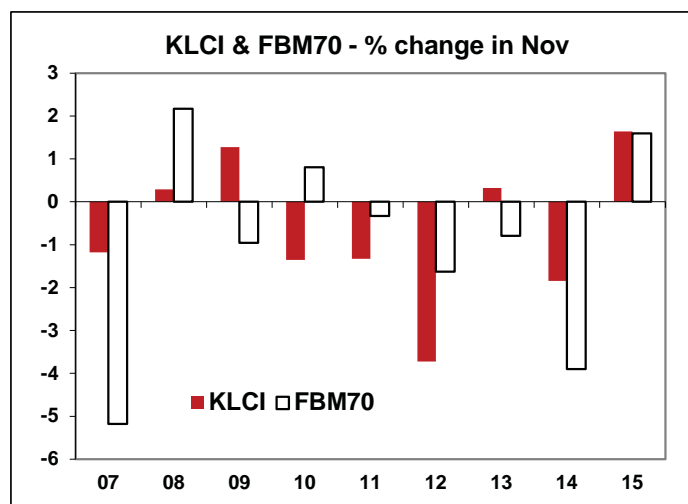
How is money flow calculated? When a trade is performed, its price is compared to the price of the previous trade (the first trade of the day is compared to the previous day's close). If the prices differ, either upticks or downticks, the value of the trade (price multiplied by number of shares) is added to or subtracted from the money flow respectively.

Source: Bloomberg, MIDFR

E. THE WEEK AHEAD

RAIN HAS CLEARED THE NOVEMBER HAZE!

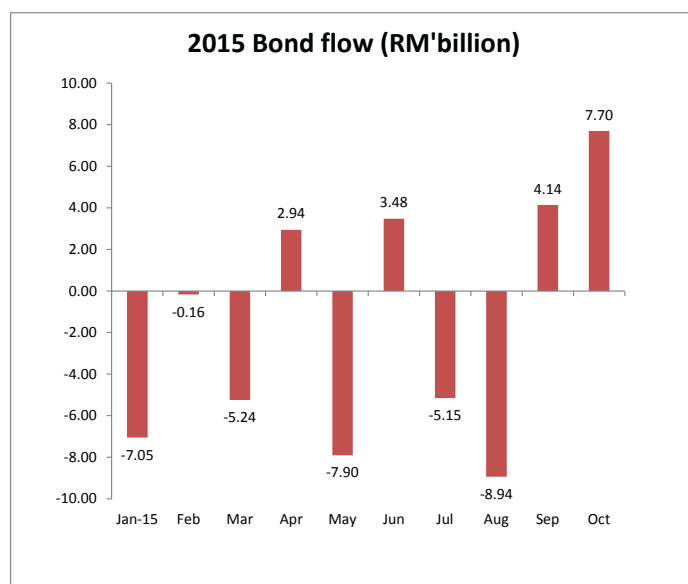
- The local market has certainly kicked off November with the proverbial bang! After the first week of trading, the market is bucking historical trend and the KLCI is having its best November month since the Global Financial Crisis with a gain of 1.6% (see chart).
- Our prognosis last week of a hazy November is proving to be wrong. The underlying resilience of the market has been remarkable. A case in point was how the market reacted to the gyration in oil price last week.
- On Tuesday, the price of Brent crude shot up from an intraday low of USD48.46pb to USD50.91pb, the first time it broke the USD50 mark in 11 trading days. It swiftly fell back to <USD49 the next day. A few months back, that would have caused a bit of agitation in the markets. Yet we note that equity prices continued to climb on Wednesday and Thursday. The Ringgit meanwhile had a mini rally, appreciating 435 basis points from the opening USD/RM4.295 on Monday to as high as USD/RM4.2515 on Wednesday. Is the market losing some sensitivity to oil price movement?
- We reckon market sentiment will continue to be mildly positive this week, ahead of the 3Q15 GDP numbers. The numbers are not expected to disappoint in view of the relatively buoyant monthly trade figures from July to September this year. We would recommend that investors take position on quality laggards.
- Moving forward, positive sentiment towards corporate earnings could be an enduring catalyst for the market. While earnings had incessantly disappointed expectations during the last 6 result seasons, the current ongoing reporting season has been very promising and seems to be signalling an end to “earnings recession” on Bursa. While it may still be early, the ongoing 3QCY15 season might fare comparatively better as there has been only 1 underperformer against 3 outperformers out of 11 results released. (see table)
- The FBM KLCI is trading at -0.13SD (standard deviation) of its long-term average PER which means it is neither expensive nor 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.
- Statistics of foreign holdings of Ringgit bonds for October was released on Friday. It shows a net foreign purchase of RM7.7b in October, the highest since July 2014. Most of the purchase was in Bank Negara Bills/ Note. Purchase of MGS was marginal.
- The numbers show the confidence of foreign investors in the fundamentals of the economy, and partly reflects their conviction that the Ringgit is undervalued.



November 2015 until the 6th.

Earnings performance of KLCI component stocks (vs expectations)

Calendar quarter	No of stocks	Out-performer	Under-performer
1Q15	30	0	10
2Q15	30	4	9
3Q15 (on going)	11	3	1



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