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EQUITY STRATEGY | OCTOBER 26, 2015

FUND FLOW REPORT

Week Ended October 23, 2015

Foreign Flow Meter (M'sia)	
Tide	(maintain) MODERATE
Current	(remain) HIGH

- Equity markets staged a rally late in the week on developments in China and Europe. Most markets ended the week in the greenzone.
- During most of the week, markets were left directionless after China's 3Q15 GDP growth came out at 6.9% which is not severe enough to trigger a global recession, but weak enough to warrant further stimulus and counter-measures by the Government.
- However the European Central Bank surprised markets by revealing that the Bank's Governing Council is prepared to cut interest rates further and intensify its quantitative easing programme by December. That was a cue for markets to rally.
- On Friday, China surprised markets by cutting interest rates for the fourth time this year, as well as reducing the big banks' reserve requirement ratio.
- Global funds remained net buyers of Asian equity for the third consecutive week but the rate of flow stayed moderate and Greater China continued to attract a lion's share of the funds.
- Bursa was a regional laggard. The KLCI declined -0.3% last week, but the FBM70 and Smallcap indices rose 1.7% and 1.6% respectively.
- On Bursa, foreign buying has been sustained for three consecutive weeks. Foreign funds bought RM230.4m, net of sales, in the open market in the last five trading days. There was a big foreign purchase on Friday, the fifth highest, indeed, in a day this year.
- The Ringgit came under selling pressure last week but gained 1.1% on Friday to last trade at USD/RM4.2382. It was the second best performer in Asia on Friday.
- Budget 2016 should be positive for the Ringgit as the Government's oil-related revenue has declined from 40.3% in 2009 to 19.7% in 2015 and is projected to fall further to 14.1% in 2016

26 October 2015 | Strategy - Weekly Fund Flow

TIDE MAY RISE ON VARIOUS STIMULI

A. MARKET SNAPSHOT

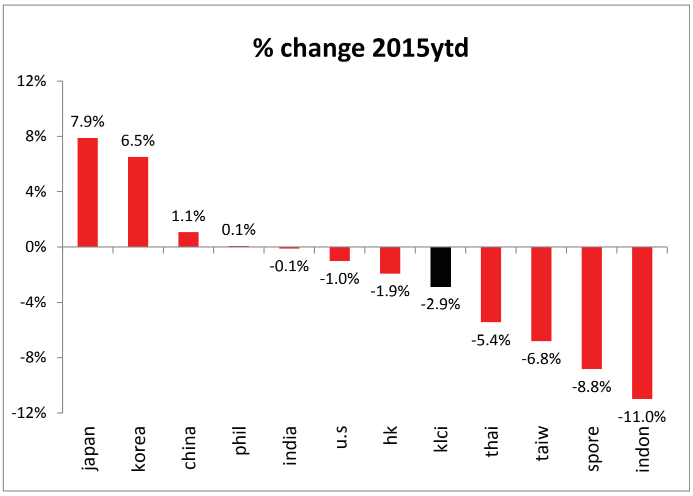
- Equity markets staged a rally late in the week on developments in China and Europe. Most markets ended in the greenzone.
- Markets opened on Monday on a cautious note ahead of China's 3Q15 GDP numbers. As it turned out, China's GDP grew 6.9%yoy, slightly ahead of the 6.8% expected. That was the slowest since 1Q09. The apparently resilient economy is attributable to the strong services sector and robust consumption, which offset the weakness in manufacturing and exports. Markets reacted positively soon after the release of the numbers as China's slowdown is not severe enough to trigger a global recession, but weak enough to warrant further stimulus and counter-measures by the Government.
- The yet weak China GDP growth was the excuse oil traders needed to short the commodity. The price of Brent crude oil fell 3.7% on Monday to USD48.61pb from USD50.46pb, the sharpest one-day slide since September 9. The fall set into motion the correction of commodity prices in general and hit commmodity-driven currencies such as the Ringgit.
- After 4 days on the incline, China's market succumbed to selling pressure on Wednesday with the CSI300 dropping 2.9%. Technology stocks took the brunt of the selloff, indicative of edgy investors taking profit. However, there was no contagion on the rest of Asia.
- For the week, the CSI300 rose 1.1%, all of it due to the 1.3% gain on Friday. China surprised markets on Friday by cutting interest rates for the fourth time this year, lowering its benchmark one-year lending rate by 25 basis points to 4.35%. It also reduced the big banks' reserve requirement ratio by 50 basis points to 17.5%.
- Prior to that, the European Central Bank's President Draghi shocked the markets by revealing that the Bank's Governing Council is prepared to cut interest rates further and intensify its quantitative easing (QE) programme. This is to avert the risk of an economic relapse in the Eurozone. The ECB's benchmark Main Refinancing Rate is already at a historical low of 0.05%, while the "discount rate" which is the rate the ECB pays on banks' placement with it is already negative, at -0.2%. Meanwhile, the ECB's €1.1t bond-buying QE programme was launched in March at a rate of €60b per month. Mr Draghi indicated that this amount may be increased by December. The announcements caused the Euro to briefly dip below 1€/$1.10 for the first time since August and European markets to rally. The Dax was the biggest gainer last week, adding 6.8%.
- The KLCI was a laggard, losing -0.3% last week.

Performance of major markets

Weekly % change	Week before	Last week
DAX	0.08	6.83
CAC	0.03	4.70
Nikkei 225	-0.80	2.92
Jakarta JCI	-1.47	2.90
Phil Comp	-1.17	2.56
Dow Jones	0.77	2.50
S&P500	0.90	2.07
Straits Times	1.07	1.25
China CSI300	5.81	1.05
FTSE	-0.59	1.04
India Sensex	0.50	0.94
Taiwan Taiex	1.88	0.80
Korea KOSPI	0.53	0.50
Hang Seng	2.71	0.37
Thai SET	0.50	-0.16
KLCI	0.60	-0.34

Source: Bloomberg

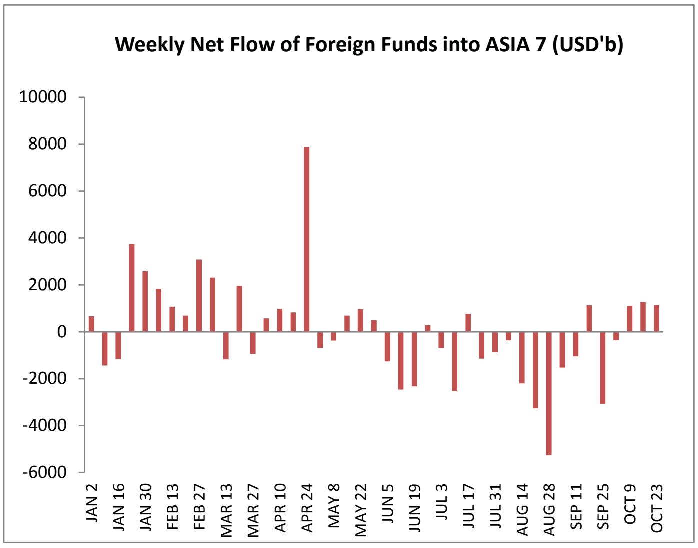
Major Asian indices (2015)

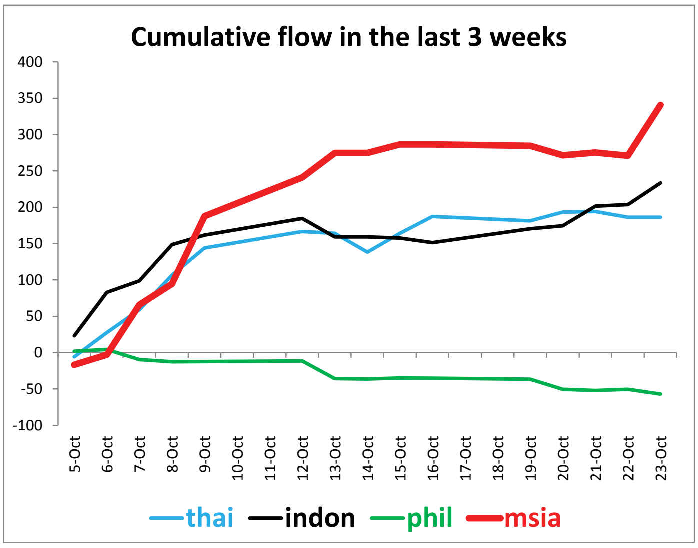


Source:Bloomberg. All in local currency.

B. TRACKING MONEY FLOW - ASIA [1]

- Global funds remained net buyers of Asian equity for the third consecutive week but there the rate of flow stayed constant. Greater China still attracted a lion's share of global funds investing in Asia last week.
- Based on provisional data from the respective exchanges, investors classified as "foreign" bought USD1.14b net in the 7 Asian stock markets that we track (TIPs + India, Taiwan, Korea and Malaysia).
- Taiwan was clearly the biggest winner, pulling in USD856m, the highest since April. Foreigners bought financial and technology stocks last week, the latter buoyed by the strong rebound in U.S tech stocks where the Nasdaq index surged past the 5,000 level for the first time since August. The Taiwan market is also riding on the recovery in China where prices have risen for three consecutive weeks. China's move to cut interest rate on Friday increased speculation that the Taiwan central bank may follow suit when it meets in December.
- Indonesia too has been gaining foreign investors' interests, reporting a moderate USD82m purchase, the second weekly inflow in the last three weeks. The Jakarta Composite Index had a good week, rising 2.9% as foreigners bought every single day last week, albeit in small amount. The Government announced the fifth package of reform measures last week and planned to implement up to 300 new measures in the coming months.
- Among the measures last week, the Government announced that companies which revalue their property assets before end-2015 will pay a tax rate of only 3%, from 10% currently, hoping that the revaluation rule will encourage investments. President Widodo will meet U.S. President Obama in Washington on Oct. 26 and the Government is hoping for business contracts to be signed.
- Meanwhile. foreign investors continued to leave Manila where they were net sellers for the 16th consecutive week as of last Friday. Cumulatively, an amount of USD922.7m had left Manila in 2015 until Friday. The country was hit by Typhoon Koppu about a week ago and that affected sentiment slightly although the country is at the tail-end of the typhoon season.





[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.

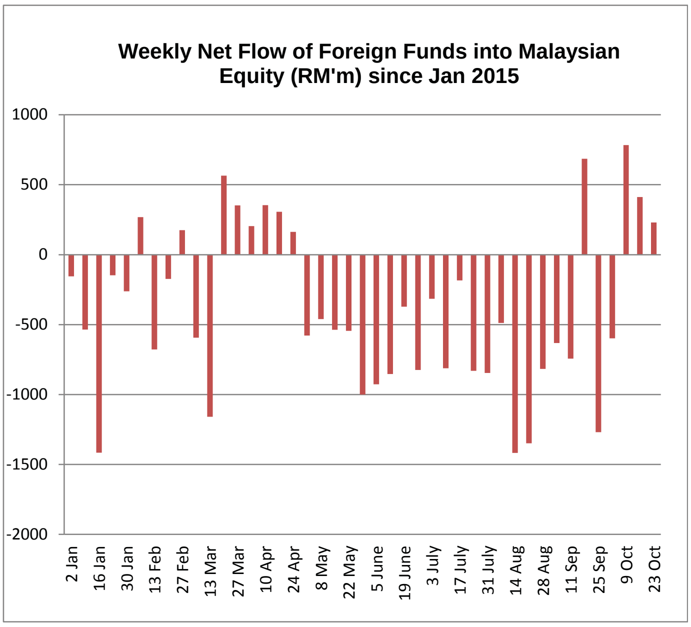
WEEKLY NET FLOW OF FOREIGN FUND INTO EQUITY (USD'm)

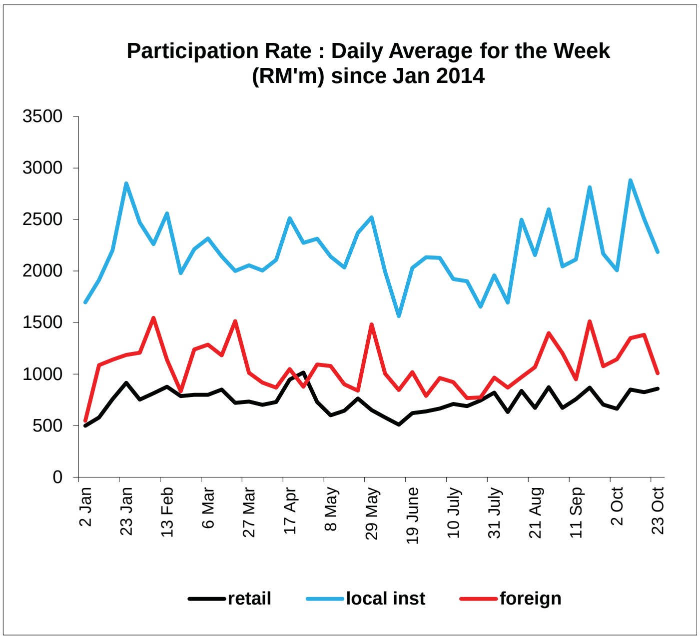
WEEK ENDED	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
SEP 11	-791.7	-116.6	-127.7	-67.5	-359.3	587.5	-172.0	-1047.2
SEP 18	313.9	61.3	-116.1	-525.0	575.0	655.2	161.4	1125.7
SEP 25	-923.2	-277.2	-139.7	-49.9	-287.5	-1099.9	-294.1	-3071.5
OCT 2	116.8	-158.1	-42.2	-8.4	-221.9	79.8	-135.1	-369.3
OCT 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	263.1	856.4	54.3	1135.4

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

C. TRACKING MONEY FLOW - MALAYSIA

- On Bursa, foreign buying has been sustained for three consecutive weeks.
- Foreign funds bought an aggregate RM230.4m, net of sales, in the open market (i.e excluding off-market deals) in the last five trading days. It was lower than RM411.7m the week before, but understandable in view of the anxiety ahead of the Budget and the trend observed elsewhere in Asia.
- After buying for eight straight trading days, foreign funds turned net sellers on Monday. It was expected as buying momentum had been tapering in the preceding Thursday and Friday. However, the amount was not sizeable, only RM8.1m. The outflow grew in size on Tuesday, but the deficit was overturned on Wednesday as foreigners were back picking up bargains. It is evident that developments in China has disrupted the short-term flow of fund dynamics in Asia. As aforementioned in the previous section, funds are being drawn to Greater China at the expense of Emerging Asia.
- Ahead of Budget 2016, foreign funds turned net sellers again on Thursday. On Budget day, Emerging Asia regained favour, coinciding with the ECB's fresh QE commitments. That translated into a big win for Bursa, as foreign buyers mopped up RM296.5m, the fifth highest in a day this year.
- For 2015, last week's buying reduced further the cumulative net foreign outflow to RM16.9b, compared with the RM6.9b outflow for the entire 2014. Foreign ownership as a percentage of market capitalization on Bursa was 22.2% at the end of September, the lowest since October 2011.
- Foreign participation rate was maintained at an elevated level. The average daily gross volume exceeded RM1b for the sixth consecutive week, at RM1,009m. Trading was listless on Monday and Thursday, but the foreigners came back in droves on Friday.
- For the third consecutive week, local investors took opportunity of foreign buying to offload some position. Local institutions sold RM154.4m on RM2.19b participation rate.
- Retail investors continued to withdraw from the market, selling RM72.0m last week. Trading volume rose slightly but remained moderate, averaging RM859m.





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 4	1365.7	1324.6	41.1	4384.2	3793.8	590.4	2091.1	2722.6	-631.5	-148.8
SEP 11	1872.2	1911.9	-39.7	5673.1	4889.6	783.5	1998.8	2742.6	-743.8	-172.0
SEP 18	1656.0	1820.7	-164.7	5366.1	5886.4	-520.3	3365.5	2680.5	685.0	161.4
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

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

D. TOP 100 STOCKS: MONEY FLOW [2]

TOP 10 NET MONEY INFLOWS

- Public Bank registered the highest net money inflow of RM23.95m last week. It recently announced 9MFY15 net profit of RM3.57b which came within ours and consensus expectations. Nonetheless, its share price barely outperformed the market benchmark as it recorded a -0.21% weekly loss. In comparison, the FBM KLCI eased -0.34% during the week under review. It must however be highlighted that net money inflow amidst retreating share price indicates buy on weakness (BOW) stance among some investors.
- Telekom Malaysia came in second with RM9.82m net inflow but its share price underperformed the market benchmark with a -1.45% week-on-week loss which may indicate BOW stance among some investors.
- Malayan Banking recorded the third highest net money inflow of RM5.84m. Its share price however underperformed the benchmark as it retreated, albeit marginally, by -0.35% during the review week. It must also be highlighted that net money inflow amidst retreating share price indicates BOW stance among some investors.

TOP 10 NET MONEY OUTFLOWS

- MISC saw the largest net money outflow of –RM15.77m during the review week. Nonetheless, its stock price outperformed the FBM KLCI as it ended the week higher by 0.56% against a -0.34% decline in the market benchmark. The company was rumored to be seeking buyer for its haulage business. It is notable that net money outflow amidst advancing share price indicates sell on strength (SOS) stance among some investors.
- British American Tobacco came in second last week with a net outflow of –RM12.03m. Similarly, its share price also outperformed the market benchmark with a 0.77% weekly gain. As mentioned earlier, net money outflow amidst advancing share price may indicate a SOS stance among some investors.
- CIMB Holdings registered the third largest net money outflow at –RM6.68m in the review week. Accordingly, its share price underperformed the broader market with a -2.00% weekly loss. CIMB Thai recently reported lower net profits due to higher provisions.

Tables below list the Top 10 Net Money Inflows and Net Money Outflows last week 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	
PUBLIC BANK	23.95	-5.16	-0.21	BOW
TM	9.82	-6.69	-1.45	BOW
MAYBANK	5.84	-5.30	-0.35	BOW
MAXIS	5.46	-2.95	-1.32	BOW
LAFARGE	4.56	0.91	-0.22	BOW
SIME DARBY	4.33	-10.66	-2.16	BOW
ASTRO	4.32	-0.93	-3.03	BOW
DIGI.COM	4.07	-1.53	-0.88	BOW
PETRONAS DAGANG	3.78	-1.05	-1.52	BOW
PETRONAS GAS	3.36	2.93	4.52	-

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	
MISC	-15.77	-0.39	0.56	SOS
BAT	-12.03	-5.13	0.77	SOS
CIMB	-6.68	-1.64	-2.00	-
KL KEPONG	-5.63	0.08	3.19	SOS
PETRONAS CHEM	-5.27	-5.00	-0.46	-
TOP GLOVE	-4.66	-2.52	6.32	SOS
BIMB	-3.81	-0.12	-3.07	-
TIME DOTCOM	-3.29	5.34	1.91	SOS
BUMI ARMADA	-2.98	-1.99	-2.48	-
MYEG	-2.01	-1.64	2.88	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

D. THE WEEK AHEAD

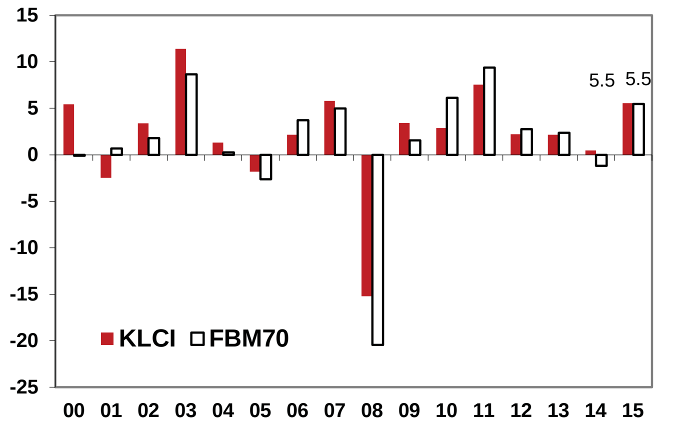
POST-BUDGET WEEK...

- We may have been a bit upbeat last Monday, projecting optimism in a Budget week. While the market did not hit a pothole last week, the road was slippery as China's GDP numbers, while stronger than expected, was still deemed wanting by the market which made it an excuse to cast aspersions on Emerging Markets.
- The Ringgit came under pressure but the market was relatively resilient. Positive market news came late in the week, and we may see stronger response on Monday. Still, while Bursa was a regional laggard, it was not a write-off. Indeed, although the KLCI may have declined -0.3% last week, the FBM70 and Smallcap indices rose 1.7% and 1.6% respectively.
- It is post-Budget week. Key to the market's performance is foreign funds' appetite, which declined slightly last week, but came back on Friday. We would be looking at the Ringgit and oil price for guidance, although the latter may lose some weightage after Budget 2016's revelation last week.

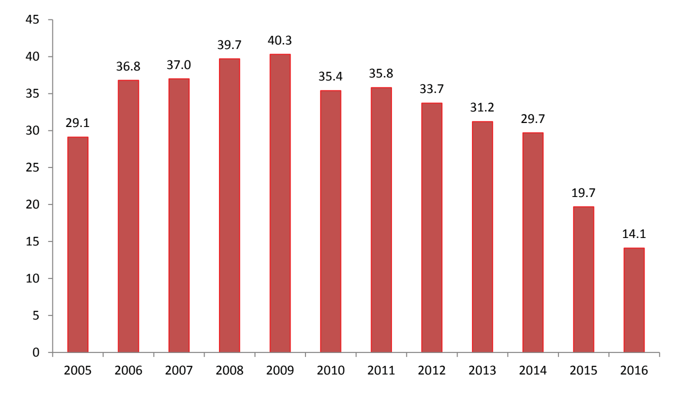
STEEP DECLINE IN GOVERNMENT'S OIL DEPENDENCY

- The Ringgit gained 1.1% to last trade at USD/RM4.2382 on Friday, the second best performer in Asia on Friday. It received a stimulus from a rebound in sentiment towards Emerging Asia towards the end of the week.
- We expect the Ringgit to rally on Monday as the market digests and respond positively to announcements in Budget 2016. The Government has demonstrated a high degree of resilience in keeping its expenditure in check while improving its revenue base. The market must surely take cognizant of the fact that the Government's oil-related has declined from 40.3% in 2009 to 19.7% in 2015 and is projecting the incidence to decline further to 14.1% in 2016 (see chart). Yet, the Government's total revenue is still projected to increase 1.4% from RM222.5b to RM225.7b.
- That should be one of the Budget's most important takeaways -- that the Government is no longer dependent on oil-related revenue. It would be a sad injustice if the foreign exchange market were to continue to ignore this and punish the Ringgit.
- Technically, we note that the Ringgit broke its 50-day average resistance on Friday and the offshore market was quoting a stronger forward rate compare to its onshore counterpart. The Ringgit should really rally [*sic*] this week.
- Our only concern is that crude oil price may decline further this week after losing -4.9% (Brent) last week. Indeed, Brent price dipped below the 50-day moving average (DMA) support last week on concerns over a glut and a rising U.S Dollar. Herein lies the Ringgit's dilemma. If the market recognizes the Government's broader revenue base now, any short-term depression in oil price should not weigh down too much on the Ringgit.

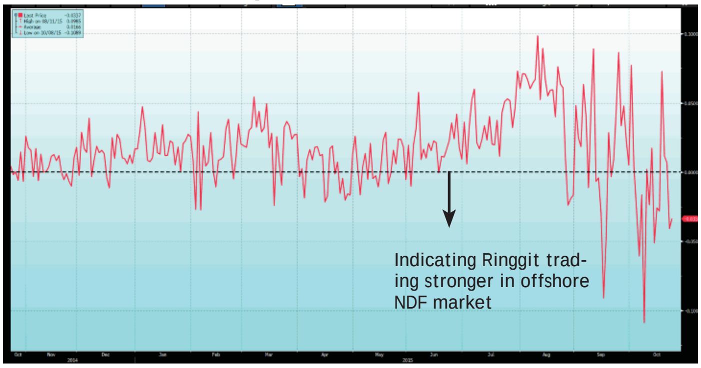
KLCI & FBM70 - % change in Oct



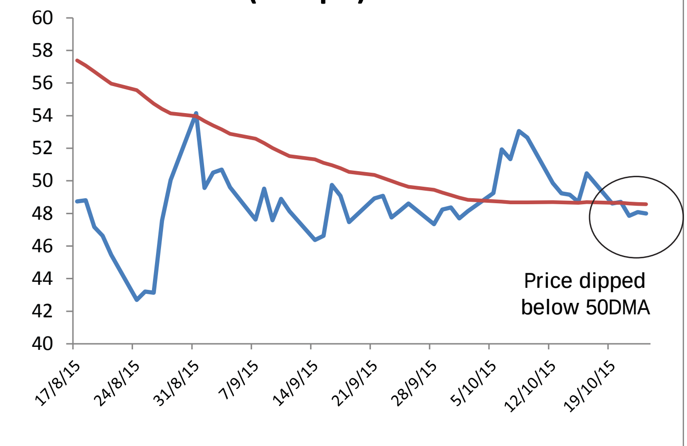
Petroleum related revenue as % of total revenue



Forward USD/MYR-spread between offshore and onshore



Brent (USDpb) vs 50DMA



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