

## MIDF EQUITY STRATEGY | 5 DEC 2016

WEEK ENDED 2 DECEMBER 2016

- The announcement by OPEC to limit their supply of crude oil was arguably the main market moving news during the past week. Consequently, the price of Brent crude oil catapulted higher. It started the week at USD47.24pb and ended at USD54.46pb, a 15.28% increase.
- The Dow Jones rose 0.10% which was mainly spurred by the energy sector and financial sector. In the financial sector, investors were confident that the Federal Reserve would increase the overnight rate during their December 12-13 meeting.
- Markets in Asia were also generally higher with the biggest index gainers this week being the Indonesia's JCI and Singapore's FSSTI which climbed 2.42% and 2.10% respectively.
- The flow out of Asian equity continued on last week as global funds made a general retreat for the sixth week in a row. Nevertheless, the rate of net outflow for the week was markedly lower at less than five hundred million dollars.
- Funds classified as "foreign" were, in aggregate, net sellers of stocks in six out of the seven Asian exchanges that we track. The net amount sold declined from -USD974m to -USD422m last week.
- Foreign investors continued to be net sellers throughout the week. There was a spike of -RM487.6m on Wednesday. On a cumulative year-to-date, the amount of net-selling from foreigners has further deepen to -RM2.2b from a peak of +RM6.47b in April. However, compared to 2015, the outflow amount is still considered low as only RM8.6b has been redeemed since April. It was -RM19.5b net outflow in 2015.

## MARKET CHEERS OPEC CUT

### A. MARKET SNAPSHOT

- The announcement by OPEC to limit their supply of crude oil was arguably the main market moving news during the past week. Market watchers and analysts were anticipating a one million barrel output reduction but the decision by OPEC exceeded expectation by 0.5 million. Consequently, the price of Brent crude oil catapulted higher. It started the week at USD47.24pb and ended at USD54.46pb, a 15.28% increase.
- The Dow Jones rose 0.10% which was mainly spurred by the energy sector and financial sector. The energy sector rallied on news that OPEC would limit the supply of oil. In the financial sector, investors were confident that the Federal Reserve would increase the overnight rate during their December 12-13 meeting. Moreover, the appointment of Steven Mnuchin, who views that less regulation should be imposed on the banking industry, as Treasury Secretary further helped the financial sector's share performance.
- Markets in Asia were also generally higher with the biggest index gainers this week being the Indonesia's JCI and Singapore's FSSTI which climbed 2.42% and 2.10% respectively. However, emerging markets are seen to still be susceptible to the uncertainty surrounding trade policies, regulations and interest rates in the United States and political risk in Europe.
- China's CSI 300 gain of 0.22% in the past week stem from the announcement that the Shen Zhen - Hong Kong Stock Connect would launch on December 5th and the speculation that excess liquidity from the real estate market, because of tightening regulation, would spill into equities. However, market sentiment were mixed as the week progressed because the People's Bank of China (PBOC) has been tightening the money market by decreasing

**Table 1** Weekly performance of major indices

Weekly % change	Week before	Last week
Jakarta JCI	-0.93	2.42
Straits Times	0.73	2.10
Taiwan Taiex	1.67	0.33
Nikkei 225	2.30	0.24
China CSI300	3.04	0.22
KLCI	0.21	0.10
Dow Jones	1.51	0.10
Thai SET	1.80	0.08
Phil Comp	-2.52	-0.04
Korea KOSPI	-0.01	-0.19
India Sensex	0.64	-0.33
CAC	1.02	-0.47
Hang Seng	1.70	-0.70
S&P500	1.44	-0.97
FTSE	0.96	-1.61
DAX	0.33	-1.74

Source: Bloomberg

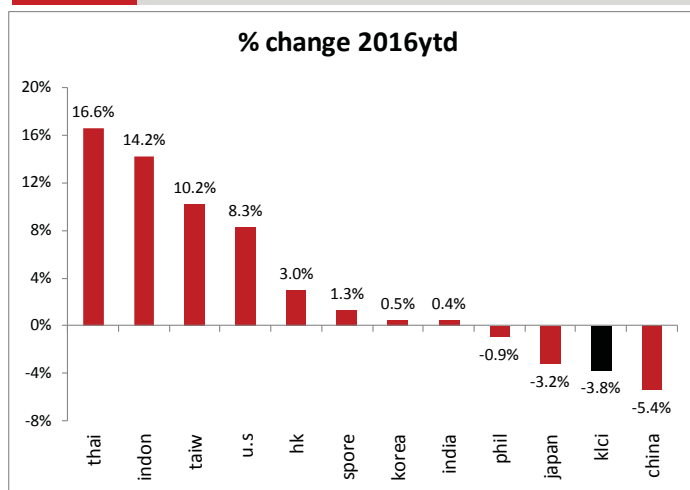
the stimulus it injects, from 441 billion yuan in October to 15 billion yuan in November, causing a liquidity squeeze. Amidst this, the PBOC has also been restricting capital outflow by limiting the amount of renminbi that can be exchanged at banks in China for institutional and retail clients. A slight outflow problem may arise for the PBOC in a month's time when the USD50,000 capital outflow yearly limit for households resets. If just one percent of China's 1.4b population uses this feature, then USD700b worth of capital would flow out of the country.

- In Europe, the energy and mining sector improved on OPEC's decision but political uncertainty in Italy weighed on the market sending most indexes down. The UK FTSE fell 1.61% and the German DAX fell 1.74%.
- The ringgit depreciated against the dollar, falling 0.11%, while the FBM KLCI gained 0.10%. Other Asian currencies were relatively stable, the renminbi depreciated 0.56% against the dollar and the yen gained 0.26% against the dollar.

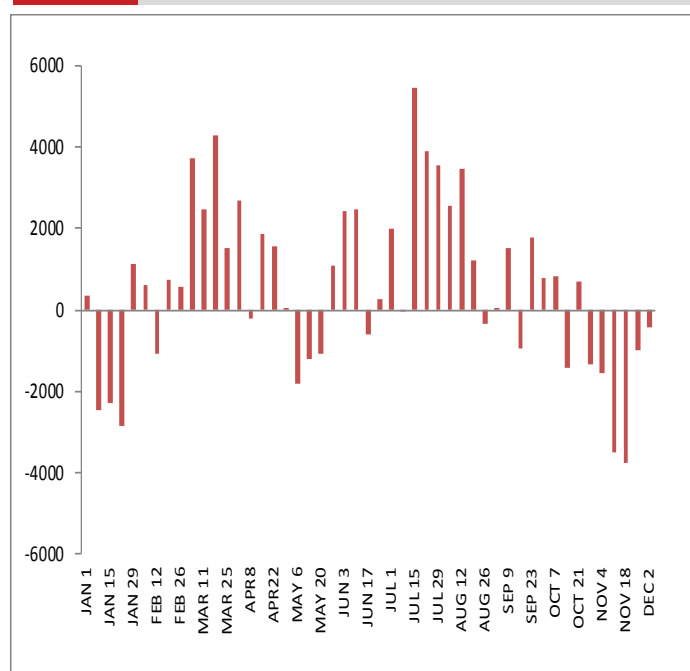
**B. TRACKING MONEY FLOW - ASIA<sup>1</sup>**

- The flow out of Asian equity continued on last week as global funds made a general retreat for the sixth week in a row. Nevertheless, the rate of net outflow for the week was markedly lower at less than five hundred million dollars (see table).
- Funds classified as "foreign" were, in aggregate, net sellers of stocks in six out of the seven Asian exchanges that we track. The net amount sold declined from -USD974m to -USD422m last week.
- All the markets that we track recorded negative flows last week except for Korea which was experiencing a net inflow despite an ongoing political crisis. On the positive side, the Korean government and the rival parties have agreed on passing the

**Chart 1** YTD performance of major markets



**Chart 2** Weekly Net Flow of Foreign Funds into 7 Asian Markets in 2016 (USD'b)



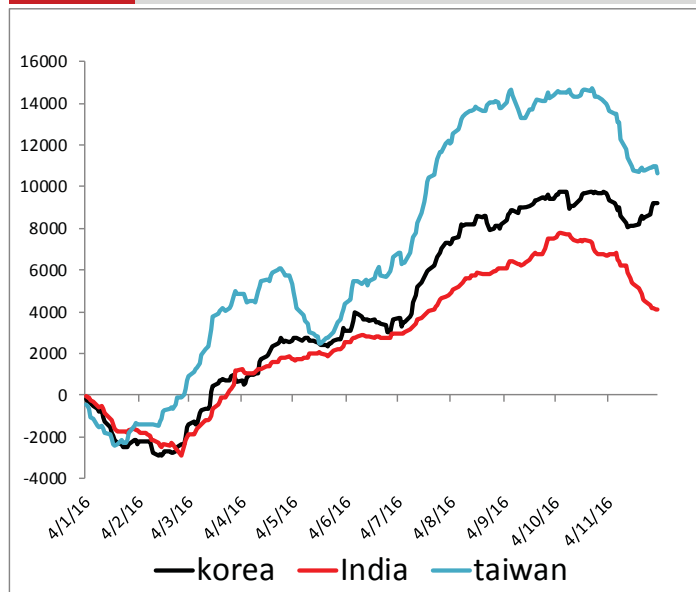
Source: Bloomberg, Bursa Malaysia

<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.

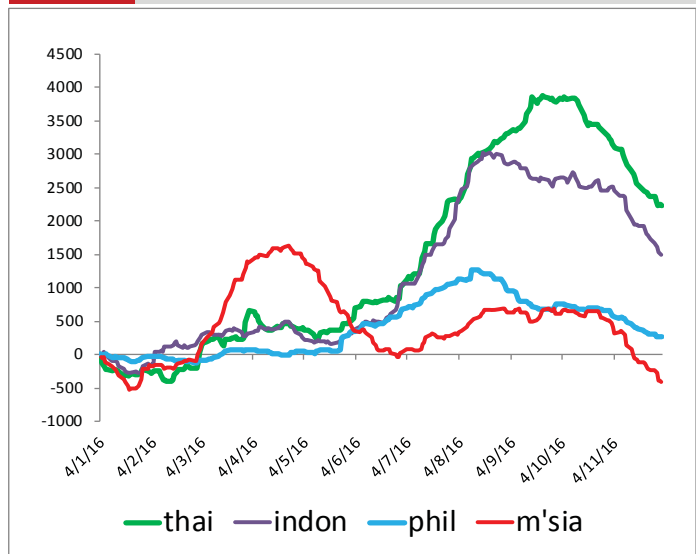
budget proposal of 2017 which is set at a record high of USD342b. This budget would be focusing more on the “Nuri free childcare program”. On the corporate side, British American Tobacco stated on Thursday that it would nurture Korea into its export hub in the Asia-Pacific region. The company mentioned that it would expand its production capacity and hiring more workers thus will add more employment to the locals.

- India’s money outflow also decreased to -USD405.2m compared to the week prior of -USD804.9m. There are expectations that there will be an interest rate cut at the next policy review with an aim to reduce the impact of the demonetization. As a measure to manage the liquidity conditions, banks had been asked to maintain an incremental cash reserve ratio of 100% on deposit in September 16 to November 11. On the other hand, Taiwan’s outflow increased to -USD151.9m compared to a net inflow of USD17.1m the week prior.
- In Thailand and Indonesia, there continue to be net outflows last week. While Thailand’s net outflow reduced slightly to -USD132.5 from -USD176.2m the week prior, conversely, Indonesia’s outflow increased to -USD237.1m from -USD200.7m the week prior.

**Chart 3** Net Flow of Foreign Funds into Taiwan, Korea and India in 2016 (USD'b)



**Chart 4** Net Flow of Foreign Funds into South East Asia Emerging Markets in 2016 (USD'b)



Source: Bloomberg, Bursa Malaysia

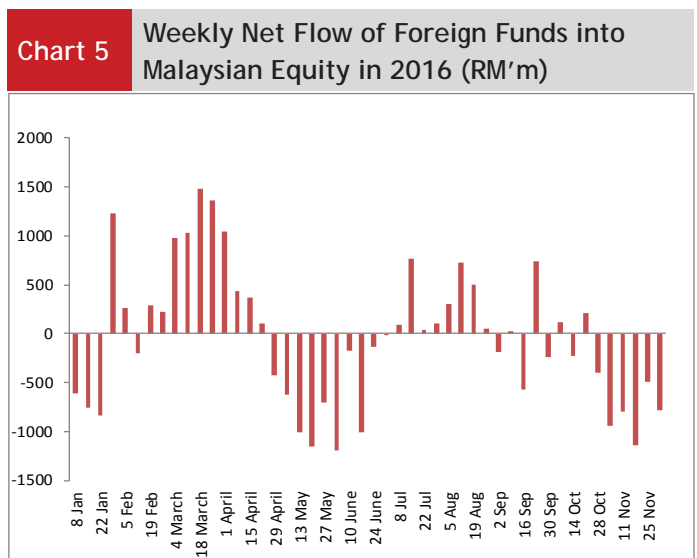
**Table 2** Weekly Net Flow Of Foreign Fund Into Equity By Market (USD'm)

WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
OCT 14	-670.8	-86.7	-56.6	-58.6	-340.7	-145.0	-54.2	-1412.6
OCT 21	621.0	-279.6	-14.8	24.4	-3.2	298.6	50.5	696.8
OCT 28	-52.2	-114.2	-48.7	-46.6	-656.3	-334.1	-95.0	-1347.1
NOV 4	-292.7	-236.4	-11.3	-90.4	-21.4	-673.1	-226.2	-1551.5
NOV 11	-785.8	-263.4	-280.3	-78.3	-538.0	-1355.4	-184.1	-3485.2
NOV 18	-442.9	-295.2	-235.1	-105.4	-900.4	-1500.9	-261.16	-3741.2
NOV 25	376.8	-176.2	-200.7	-76.1	-804.9	17.1	-110.91	-974.9
DEC 2	713.6	-132.5	-237.1	-34.7	-405.2	-151.9	-174.81	-422.6

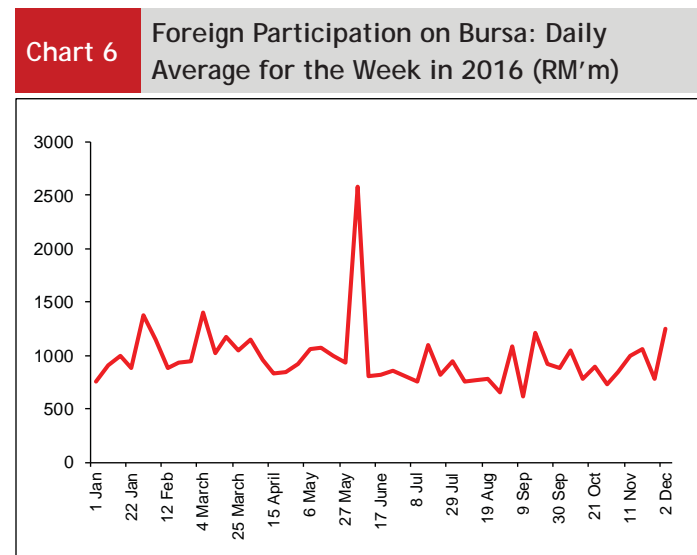
Source: Respective exchange statistics reported on Bloomberg, Bursa Malaysia. These figures are subject to revisions.

**C. TRACKING MONEY FLOW - MALAYSIA**

- Malaysian equity has been subjected to heavy foreign money attrition particularly since the US election. Although the pace seems to have slowed down in the prior week, nonetheless the foreign attrition out of Malaysian equity has spiked up again last week. The net amount sold by foreigners on Bursa was -RM780.5m last week, higher than the week prior figure of only -RM493.3m. The heavy tide out of Malaysia equity is less evident in most other Asian markets.
- Foreign investors continued to be net sellers throughout the week. There was a spike of -RM487.6m on Wednesday. Besides that, the attrition level ranged between -RM150m to -RM30m with the lowest recorded on Thursday of -RM36.2m.
- On a cumulative year-to-date, the amount of net-selling from foreigners has further deepen to -RM2.2b from a peak of +RM6.47b in April. However, compared to 2015, the outflow amount is still considered low as only RM8.6b has been redeemed since April. It was -RM19.5b net outflow in 2015.
- Retail investors gross participation rate continued to be positive at RM476.7m maintaining its levels in October. However, the buying on dips conviction fell last week to -RM37.9m.



Source: Bursa Malaysia preliminary statistics



Source: Bursa Malaysia preliminary statistics, MIDFR

**Table 3** BURSA MALAYSIA: WEEKLY MARKET PARTICIPATION (RM'm)

Week ended	LOCAL RETAIL			LOCAL INSTITUTION			FOREIGN			NET (USD)*
	BOUGHT	SOLD	NET (RM)	BOUGHT	SOLD	NET (RM)	BOUGHT	SOLD	NET (RM)	
21 Oct	1054.4	1155.5	-101.1	5120.0	5230.0	-110.0	2340.9	2129.8	211.1	50.5
28 Oct	1239.8	1244.9	-5.1	5740.1	5338.2	401.9	1635.6	2032.4	-396.8	-95.0
4 Nov	1196.7	1146.8	49.9	6246.8	5348.6	898.2	1634.2	2582.3	-948.1	-226.2
11 Nov	1607.7	1607.8	-0.1	7035.5	6235.0	800.5	2083.7	2884.1	-800.4	-184.1
18 Nov	1265.5	1227.2	38.3	5392.0	4292.4	1099.6	2089.6	3227.5	-1137.9	-261.2
25 Nov	1309.7	1204.6	105.1	4510.5	4122.3	388.2	1710.6	2203.9	-493.3	-110.9
2 Dec	1172.8	1210.7	-37.9	5548.9	4730.5	818.4	2720.6	3501.1	-780.5	-174.81

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

**D. MONEY FLOW<sup>2</sup> AMONG BURSA'S TOP 100 CAPITALIZED STOCKS: WEEK ENDED 2 DEC**
**TOP 10 NET MONEY INFLOWS**

- Tenaga Nasional registered the highest net money inflow of RM40.09m last week. However, its share price lagged with a -1.13% loss against the FBM KLCI which recorded a slight 0.10% gain during the week under review. It is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.
- Fraser & Neave recorded the second highest net money inflow of RM6.88m. Its share price too fared poorer against the market benchmark with a -3.26% loss during the review week which may nonetheless attract a BOW stance among some investors.
- Malayan Banking saw the third highest net money inflow of RM6.79m. Accordingly, its share price outperformed with a 0.64% weekly gain. Recently, Maybank Kim Eng announced its collaboration with Daishin Securities of South Korea and said it will continue to expand its non-equity based alliances as part of its strategy to widen its geographical footprint.

**Table 4** Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
TNB	40.09	21.70	-1.13	BOW
F&N	6.88	4.84	-3.26	BOW
MAYBANK	6.79	6.06	0.64	-
AMMB	3.96	0.36	2.39	-
GENTING M'SIA	3.85	2.30	-0.63	BOW
SP SETIA	2.54	0.15	2.72	-
CIMB	2.51	5.35	0.21	-
HARTALEGA	2.18	-2.16	-1.04	BOW
PRESS METAL	2.01	0.54	-0.60	BOW
HEINEKEN	1.86	2.07	1.15	-

Source: Bloomberg, MIDFR;

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

**TOP 10 NET MONEY OUTFLOWS**

- Public Bank saw the largest net money outflow of -RM46.37m last week. Nonetheless, its stock price outperformed during the review week with a 0.72% gain vis-à-vis a smaller 0.10% rise in the FBM KLCI. It is noteworthy that net money outflow amidst advancing share price indicates a sell on strength (SOS) stance among some investors.
- IHH Healthcare recorded the second largest net money outflow -RM16.32m during the week under review. Accordingly, its share price underperformed the market benchmark with a -0.16% weekly loss.
- Petronas Chemicals registered the third largest net money outflow at -RM13.27m in the review week. However, its share price outperformed with a 1.33% gain which may attract a SOS stance among some investors.


**Table 5** Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
PUBLIC BANK	-46.37	6.94	0.72	SOS
IHH HEALTH	-16.32	-0.74	-0.16	-
PETRO CHEM	-13.27	3.39	1.33	SOS
KL KEPONG	-11.64	8.55	-0.91	-
PETRO GAS	-8.94	-14.56	-2.43	-
GENTING	-5.20	-1.87	0.75	SOS
WESTPORTS	-4.88	1.56	0.23	SOS
TIME DOTCOM	-4.01	0.19	1.30	SOS
GENTING PLANT	-3.62	-0.08	1.50	SOS
IOI CORP	-2.69	-0.26	0.46	SOS

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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**Business Address:**  
11 & 12 th Floor, Menara MIDF,  
82, Jalan Raja Chulan, 50200  
Kuala Lumpur.  
Tel: 2173 8888  
Fax: 2173 8380