

MIDF EQUITY STRATEGY | 27 DEC 2016

WEEK ENDED 23 DECEMBER 2016

- The equity markets in most East Asian countries declined last week as the effect of a rate hike in the United States, which happened on the week before, lingers on. The Philippines's PSEi, Indonesia's JCI and Taiwan's Taiex were hit the hardest, falling -4.19%, -3.90% and -2.66% respectively.
- In contrast, the key indexes in developed western nations were relatively stable over the week. The United Kingdom's FTSE, United States' Dow Jones and German's DAX recorded slight gains of 0.81%, 0.46% and 0.40% during the review week.
- Brent crude oil price closed relatively flat at USD55.16pb, a slight -0.09% decline. However, WTI crude oil price was 2.16% higher to USD53.02pb driven by strong GDP growth in the United States.
- The Malaysian Ringgit appreciated slightly against the US Dollar by 0.08% to 4.4742 while the FBM KLCI was down -1.26% to 1,617.15.
- Asian equity markets were experiencing an outflow of foreign capital as global volatility lingers. The net amount of outflow was -USD1,615.9m last week. Most foreign funds that exited Asian markets last week were reckoned to be moving into developed western nations based on the notion that it would be safer there as emerging market volatility heightens.
- Malaysian equity foreign fund flow turned negative again last week. The positive net foreign fund flow of the prior week, its first since before the US election in November, was regrettably short-lived. On a cumulative year-to-date, the amount of net selling by foreigners this year has expanded further to -RM3.0b.

MORE OUTFLOWS

A. MARKET SNAPSHOT

- The equity markets in most East Asian countries declined last week as the effect of a rate hike in the United States, which happened on the week before, lingers on. The Philippines's PSEi, Indonesia's JCI and Taiwan's Taix were hit the hardest, falling -4.19%, -3.90% and -2.66% respectively.
- In contrast, the key indexes in developed western nations were relatively stable over the week. The United Kingdom's FTSE, United States' Dow Jones and German's DAX recorded slight gains of 0.81%, 0.46% and 0.40% during the review week.
- Sentiment of small and medium sized enterprises (SMEs) in Singapore was at an all-time low of 49.8, signaling that SMEs are expecting weaker growth for their businesses. Also, a top advisor to the European Court of Justice made a remark last week that a trade agreement between the European Union and Singapore should not be fast-tracked into an agreement. These sentiment data and trade remarks along with global volatility sent the Singapore's STI down by -2.27%.
- Chinese officials said on Monday last week that it will tighten the shadow banking market. The decision has sparked concerns about

Table 1 Weekly performance of major indices		
Weekly % change	Week before	Last week
FTSE	0.83%	0.81%
Dow Jones	0.44%	0.46%
DAX	1.79%	0.40%
S&P 500	-0.06%	0.25%
NIKKEI 225	2.13%	0.14%
CAC	1.45%	0.13%
Korea KOSPI	0.87%	-0.31%
Thai SET	-0.25%	-0.82%
China CSI 300	-4.23%	-1.15%
KLCI	-0.22%	-1.26%
India Sensex	-0.96%	-1.69%
Hang Seng	-3.25%	-2.03%
Straits Times	-0.62%	-2.27%
Taiwan TAIEX	-0.70%	-2.66%
Jakarta JCI	-1.44%	-3.90%
Phil Comp	-2.73%	-4.19%

Source: Bloomberg

liquidity tightening in the Chinese markets. The China CSI 300 closed lower last week, down -1.15% to 3,307.60

- Brent crude oil price closed relatively flat at USD55.16pb, a slight -0.09% decline. However, WTI crude oil price was 2.16% higher to USD53.02pb driven by strong GDP growth in the United States. Going forward, Libya may threaten the recovery of oil prices as they announced that they would expect a boost in production over the next few months.
- The Malaysian Ringgit appreciated slightly against the US Dollar by 0.08% to 4.4742 while the FBM KLCI was down -1.26% to 1,617.15.

B. TRACKING MONEY FLOW - ASIA¹

- Asian equity markets were experiencing an outflow of foreign capital as global volatility lingers. The net amount of outflow was -USD1,615.9m last week.
- All markets that we tracked, with the exception of Korea and Indonesia, saw outflows last week with the highest being from Taiwan, India and Thailand at -USD745.5m, -USD636.1m and -USD131.7m respectively.
- Most foreign funds that exited Asian markets last week were reckoned to be moving into developed western nations based on the notion that it would be safer there as emerging market volatility heightens.

Chart 1 YTD performance of major markets

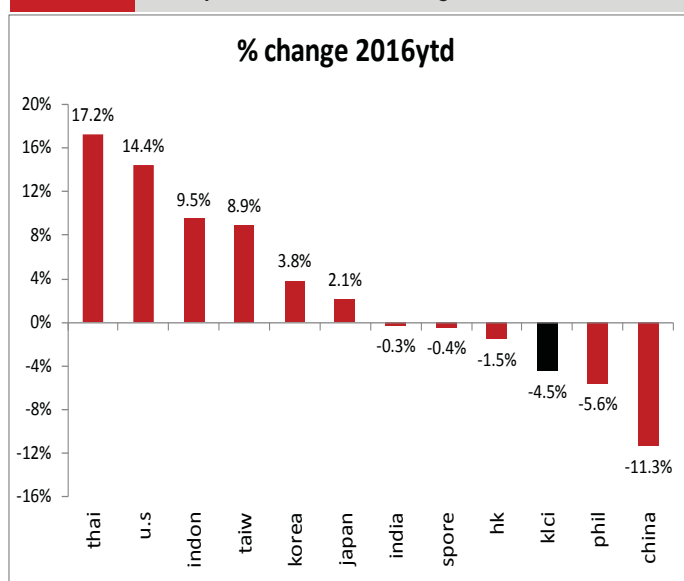
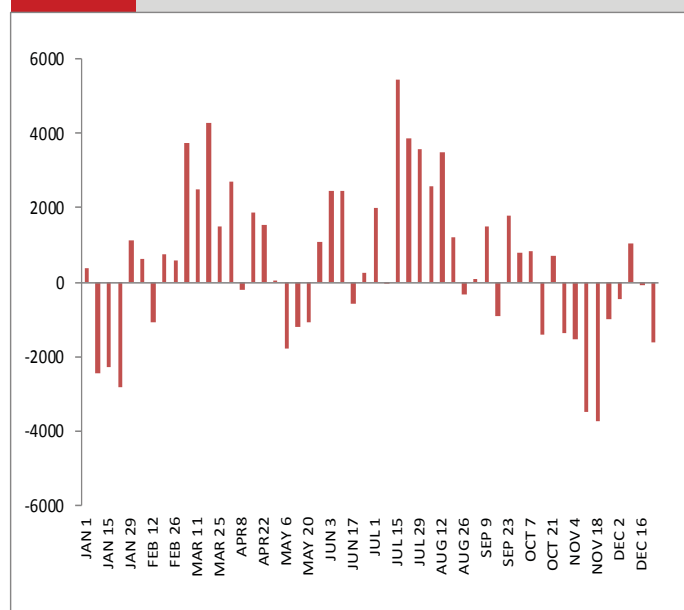


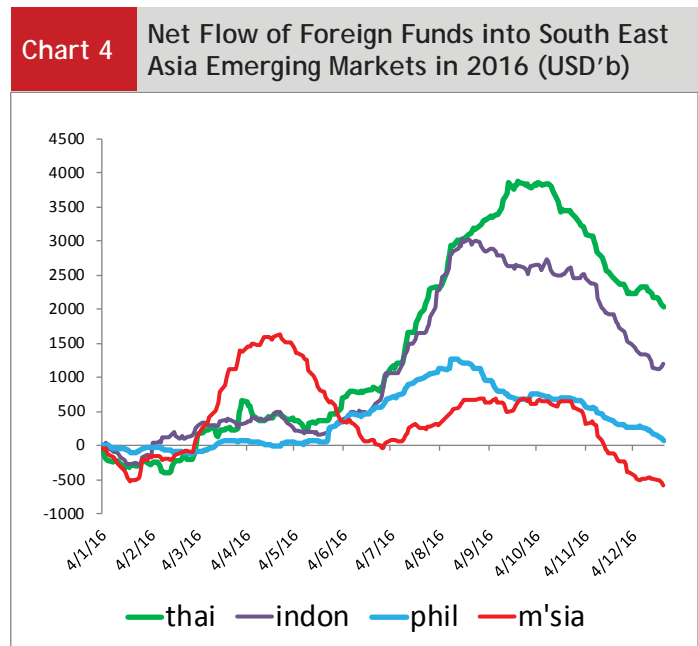
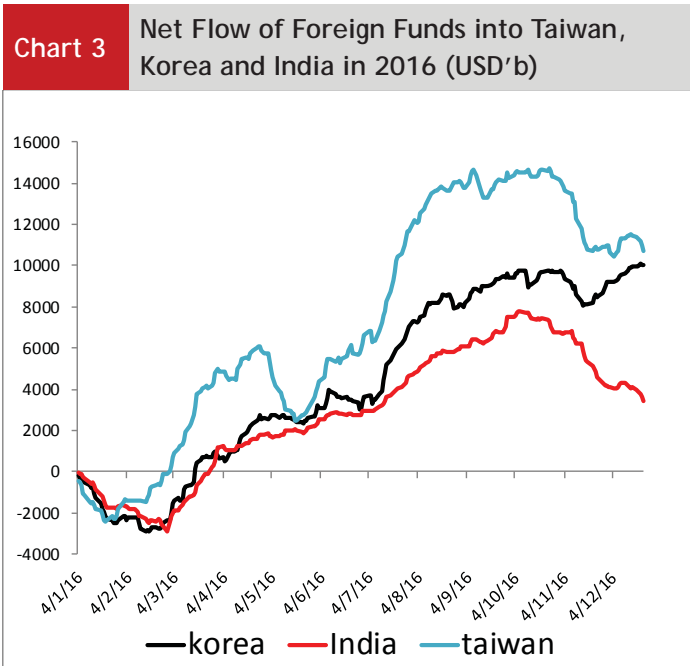
Chart 2 Weekly Net Flow of Foreign Funds into 7 Asian Markets in 2016 (USD'b)



Source: Bloomberg, Bursa Malaysia

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.

- The Philippines had an outflow of -USD96.5m and may end the year with a cumulative negative outflow for 2016. The outflow over the past week can be attributed to its domestic political situation. The actions of President Duterte in government and his political rants against the United States and the European Union have caused investors to be wary. It is noteworthy that the US Millennium Challenge Corporation has withheld USD433m worth of aid to the Philippines based on concerns about the Duterte government.



Source: Bloomberg, Bursa Malaysia

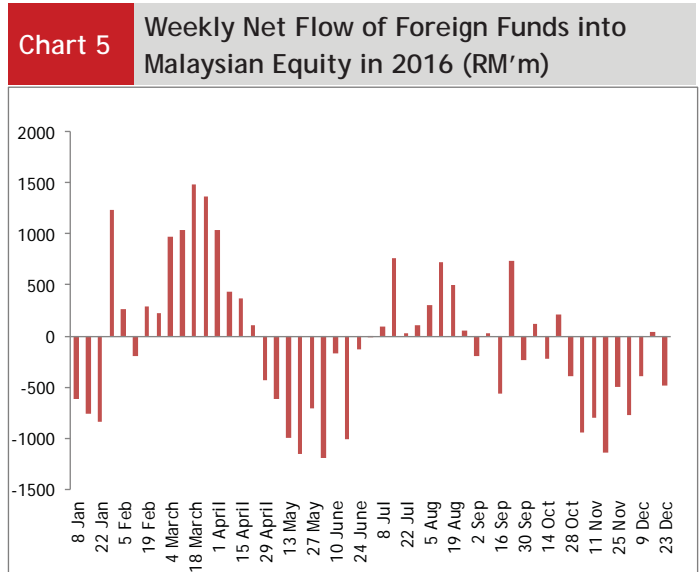
Table 2 Weekly Net Flow Of Foreign Fund Into Equity By Market (USD'm)

WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
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	-423.5	-151.9	-174.81	-440.9
DEC 9	305.8	83.0	-169.7	-14.2	201.3	710.2	-88.29	1028.1
DEC 16	417.2	-145.5	-182.1	-87.38	-201.3	129.3	10.03	-59.7
DEC 23	49.0	-131.7	52.6	-96.5	-636.1	-745.5	-107.6	-1615.9

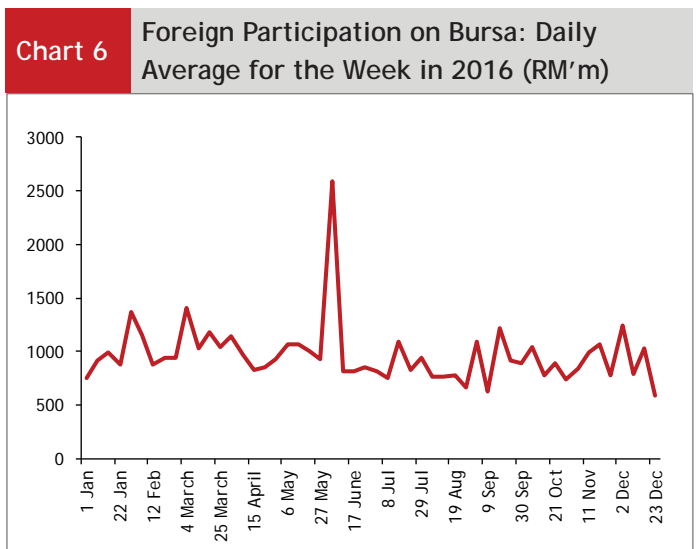
Source: Respective exchange statistics reported on Bloomberg, Bursa Malaysia. These figures are subject to revisions.

C. TRACKING MONEY FLOW - MALAYSIA

- Malaysian equity foreign fund flow turned negative again last week. The positive net foreign fund flow of the prior week, its first since before the US election in November, was regrettably short-lived. The net amount sold by foreigners on Bursa last week was -RM481.7m compared to the prior week's net purchase of RM44.0m. Nevertheless, as stated earlier, the negative foreign fund flow last week was equally prevalent in many other Asian equity markets.
- Throughout the whole week on net daily basis, foreign investors have been selling off their investments. The highest attrition was on Friday of -RM163.4m and the lowest was on Tuesday of -RM18.3m.
- On a cumulative year-to-date, the amount of net selling by foreigners this year has expanded further to -RM3.0b. However, compared to last year, the outflow amount is still relatively low vis-à-vis -RM19.5b net outflow in 2015.
- Retail investors gross participation rate continued to expand to RM392.6m from RM378.5m in the prior week. This is in-line with the higher buying on dips conviction which surged to RM84.9m from RM14.1m during the prior week. On the other hand, the institutional investors gross participation rate fell to RM1,667.0m from RM1,925.7m in the prior week.



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)	
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
9 Dec	881.8	860.7	21.1	4607.1	4235.8	371.3	1765.6	2158.0	-392.4	-88.29
16 Dec	764.0	749.9	14.1	3822.4	3880.5	-58.1	2083.7	2039.7	44.0	10.03
23 Dec	1023.9	939.0	84.9	4366.0	3969.2	396.8	1239.0	1720.7	-481.7	-107.6

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

D. MONEY FLOW² AMONG BURSA'S TOP 100 CAPITALIZED STOCKS: WEEK ENDED 23 DEC
TOP 10 NET MONEY INFLOWS

- Petronas Gas registered the highest net money inflow of RM21.73m last week. Accordingly, its share price outperformed the broader market recording a slight 0.19% gain as the FBM KLCI dropped by -1.26% during the week under review. In related news, its parent company Petronas expands into Iran with recent signing of MOUs on 2 oilfields with the National Iranian Oil Company (NIOC).
- Tenaga Nasional recorded the second highest net money inflow of RM18.38m. Its share price too outperformed against the market benchmark despite a -0.73% loss during the review week. It is notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.
- Sime Darby saw the third highest net money inflow of RM14.17m. Likewise, its share price outperformed despite a -0.74% retreat during the review week which may trigger a BOW stance among some investors. The company announced its massive 108,000ha Malaysia Vision Valley project will be launched by the PM in first quarter of 2017.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
PETRO GAS	21.73	-7.06	0.19	-
TNB	18.38	0.03	-0.73	BOW
SIME DARBY	14.17	-8.00	-0.74	BOW
MAYBANK	12.93	5.50	-2.52	BOW
CIMB	9.88	2.05	-0.43	BOW
WESTPORTS	5.84	-2.66	-2.10	BOW
GENTING PLANT	4.34	-1.63	-1.31	BOW
KL KEPONG	3.23	0.80	-1.34	BOW
IJM CORP	3.23	0.91	-2.15	BOW
PETRO CHEM	2.97	-0.05	0.73	-

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 -RM11.21m last week. Nonetheless, its stock price outperformed in spite of a -0.61% loss vis-à-vis the FBM KLCI which declined by a larger -1.26% during the review week.
- Digi.com recorded the second largest net money outflow -RM5.61m during the week under review. Nonetheless, its share price outperformed the market benchmark with a small -0.20% weekly loss.
- Bursa Malaysia registered the third largest net money outflow at -RM5.24m in the review week and its share price too outperformed with a slight -0.23% loss.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
PUBLIC BANK	-11.21	10.83	-0.61	-
DIGI.COM	-5.61	2.90	-0.20	-
BURSA M'SIA	-5.24	-1.75	-0.23	-
AXIATA	-5.10	-0.47	-3.85	-
TIME DOTCOM	-3.75	-1.50	-0.89	-
DIALOG	-2.89	0.36	0.66	SOS
F&N	-2.66	-0.05	-0.61	-
HLEONG BANK	-2.11	0.24	-1.06	-
IGB REIT	-1.90	-0.77	1.27	SOS
SAPURAKENCANA	-1.43	0.17	-1.84	-

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

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