

## MIDF EQUITY STRATEGY | 13 DEC 2016

WEEK ENDED 9 DECEMBER 2016

- The equity markets in European were initially down when they opened the week in reaction to the Italian referendum but later rebounded strongly. The outcome of the referendum seemed to have been largely priced in since investors have experienced many other incumbent-adverse events this year.
- The Dow Jones has been steadily increasing, reaching a record high of 19,756.85, a 3.06% increase. Financials has been pushing the index higher for the past few weeks because the market is expecting the Federal Reserve to increase the overnight lending rate during their next meeting and another reason for the improvement is that the financial sector is poised to benefit the most from policies that would be implemented by President-elect Trump.
- After six weeks of outflow, Asian equities are back in positive territory. With that being said, the rate of inflow for the week is still rather tepid at around USD868.5m last week.
- All the markets that we tracked showed positive flows with the exception of Indonesia, Malaysia and Philippines. The net amount bought went up from -USD440.9m to USD868.5m last week.
- The pace of Malaysian equity foreign attrition has slowed down to pre-US election levels. The net amount sold by foreigners on Bursa was only -RM392.4m last week, the lowest level since 28 October. This could be signaling a recovering confidence from foreign investors towards Malaysian equity. It is also notable that the tide out was in fact reversed last week in most other Asian markets.

## REVERSE TIDE INTO ASIA

### A. MARKET SNAPSHOT

- The equity markets in European were initially down when they opened the week in reaction to the Italian referendum but later rebounded strongly. The outcome of the referendum seemed to have been largely priced in since investors have experienced many other incumbent-adverse events this year.
- The expectation and the actual decision from the ECB to extend the stimulus program sent stocks in Europe higher throughout the week while the Euro depreciated 0.97% against the dollar. The German DAX, France CAC, and United Kingdom FTSE were up 6.57%, 5.19% and 3.32% respectively
- The Dow Jones has been steadily increasing, reaching a record high of 19,756.85, a 3.06% increase. Financials has been pushing the index higher for the past few weeks because the market is expecting the Federal Reserve to increase the overnight lending rate during their next meeting and another reason for the improvement is that the financial sector is poised to benefit the most from policies that would be implemented by President-elect Trump.
- Equity rallies and confidence in Europe and the United States are spilling into Asian markets after weeks of volatility sending most indexes higher with the exception of China. The India SENSEX ended up higher by 1.97% although the Reserve Bank of India unexpectedly left repo rates unchanged at 6.25% during

**Table 1** Weekly performance of major indices

Weekly % change	Week before	Last week
DAX	-1.74	6.57
CAC	-0.47	5.19
FTSE	-1.61	3.32
Nikkei 225	0.24	3.10
S&P500	-0.97	3.08
Dow Jones	0.10	3.06
Korea KOSPI	-0.19	2.74
Phil Comp	-0.04	2.27
Taiwan Taiex	0.33	2.21
India Sensex	-0.33	1.97
Thai SET	0.08	1.64
Straits Times	2.10	1.26
Jakarta JCI	2.42	1.19
Hang Seng	-0.70	0.87
KLCI	0.10	0.76
China CSI300	0.22	-1.00

Source: Bloomberg

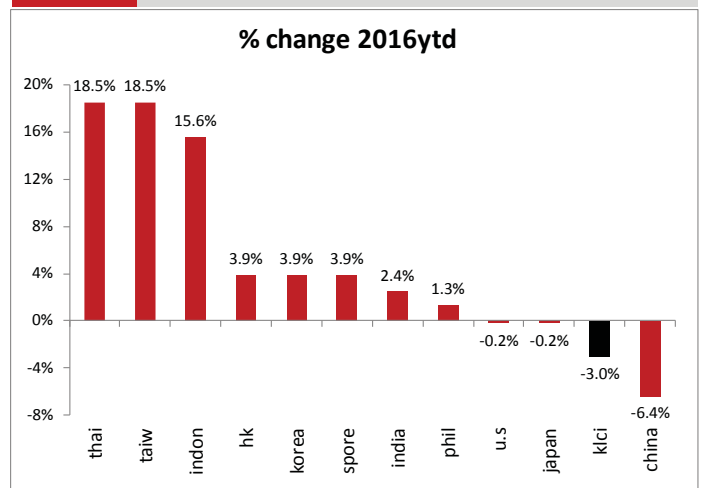
their meeting last week. The biggest Asian gainers were the Japanese Nikkei, Korean KOSPI and Philippine PSEi at 3.10%, 2.74% and 2.27% respectively.

- China's CSI300 started the week down after Liu Shiyu, the new Chairman of China's Securities Regulatory Commission, made remarks about using public funds in leveraged buyouts. Adding to this, China's foreign exchange reserve in November fell by 2.2%, the second highest fall for the country this year. These downward factors sent the index lower to end at 3528.95, a 1.0% decline.
- Only a week after OPEC's oil cut announcement, investors are beginning to be skeptical on the amount of output that would be cut. Also, reserves in countries like the United States are still high which adds additional skepticism towards oil prices. These factors contributed to a negative sentiment which weighed on crude oil prices sending Brent crude oil down by 0.24%
- The ringgit appreciated against the dollar by 0.64% to 4.4245 and the FBM KLCI ended the week at 1641.42, a 0.76% gain.

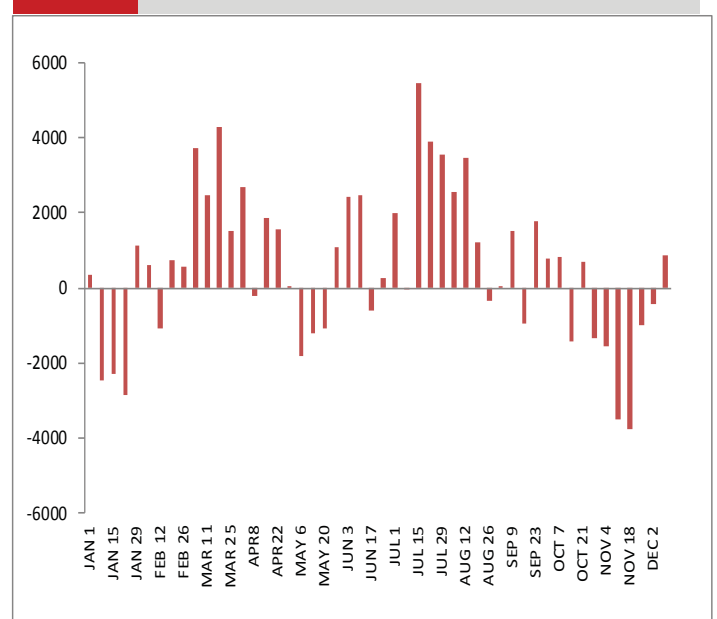
**B. TRACKING MONEY FLOW - ASIA<sup>1</sup>**

- After six weeks of outflow, Asian equities are back in positive territory. With that being said, the rate of inflow for the week is still rather tepid at around USD868.5m last week.
- All the markets that we tracked showed positive flows with the exception of Indonesia, Malaysia and Philippines. The net amount

**Chart 1** YTD performance of major markets



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

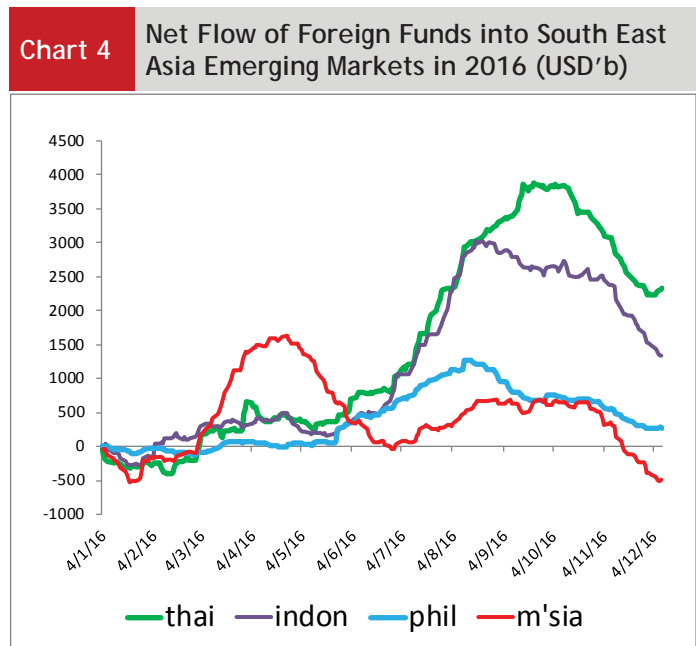
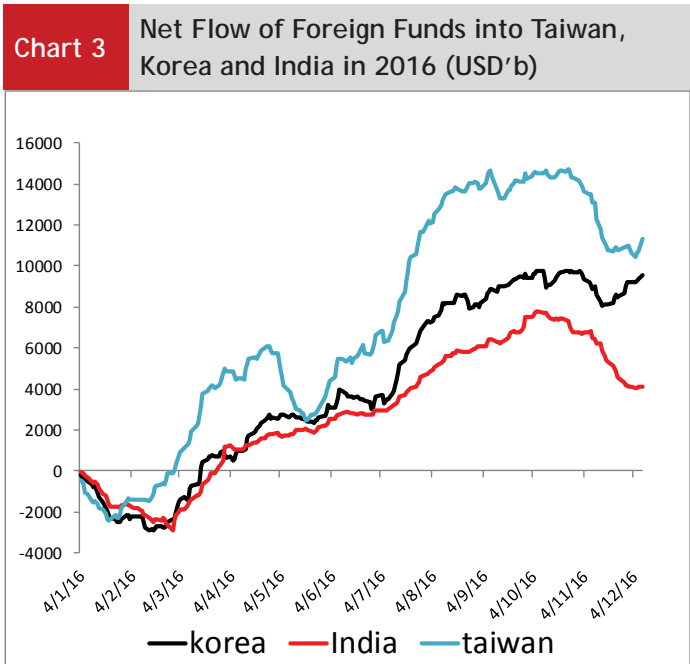


Source: Bloomberg, Bursa Malaysia

<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.

bought went up from -USD440.9m to USD868.5m last week.

- Most foreign funds which entered Asian markets last week were spurred by rallies and sentiment in Europe and the United States pushing more capital to the Asian Region. The net foreign fund inflow into Taiwan, Korea, Thailand and India were USD710.2m, USD305.8m, USD83.0m and USD41.7m respectively.
- Taiwan had the highest inflow of capital among the 7 countries which we follow, with a net inflow of USD710.2m. This can be attributed to the conversation that happened between President-elect Trump and President Tsai Ing-Wen. The call was seen as a way to recover relationship between the 2 countries after diplomatic ties were severed in 1979.
- Foreign funds have pulled out USD169.7m from Indonesia for the 15th straight week. Political uncertainty over the week, with rallies between religious groups, further aggravated the already strain money outflow.



Source: Bloomberg, Bursa Malaysia

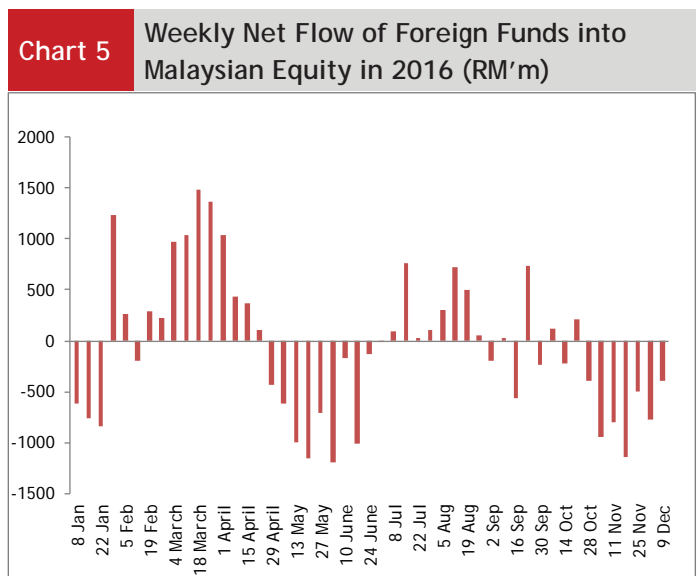
**Table 2** Weekly Net Flow Of Foreign Fund Into Equity By Market (USD'm)

WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
OCT 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
DEC 9	305.8	83.0	-169.7	-14.2	41.7	710.2	-88.29	868.5

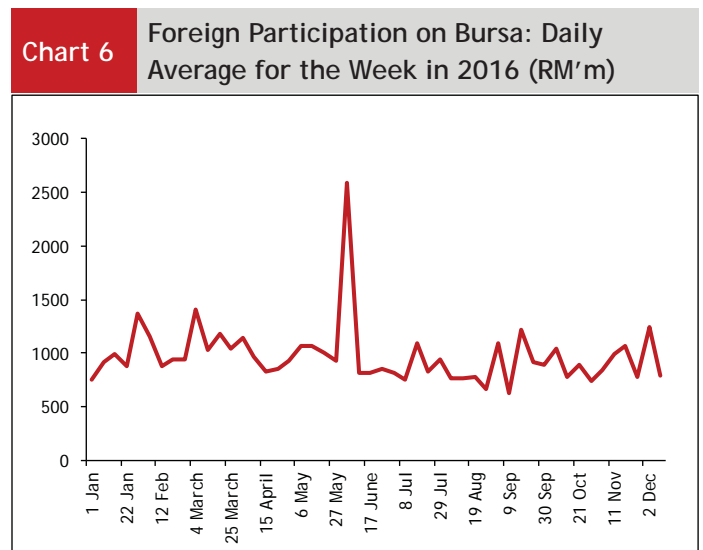
Source: Respective exchange statistics reported on Bloomberg, Bursa Malaysia. These figures are subject to revisions.

**C. TRACKING MONEY FLOW - MALAYSIA**

- The pace of Malaysian equity foreign attrition has slowed down to pre-US election levels. The net amount sold by foreigners on Bursa was only -RM392.4m last week, the lowest level since 28 October. This could be signaling a recovering confidence from foreign investors towards Malaysian equity. It is also notable that the tide out was in fact reversed last week in most other Asian markets.
- Foreign investors turned net buyer later in the week as evident by the slight build up on Thursday and Friday of RM26.7m and RM42.2m respectively. However, this is still not enough to offset the attrition on Monday which was rather heavy at -RM220.1m. The lowest attrition was on Wednesday of -RM78.0m.
- On a cumulative year-to-date, the amount of net-selling from foreigners has further deepened to -RM2.5b. 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.
- While retail investors gross participation rate continued to be positive at RM348.5m, it was nonetheless at the lowest rate since mid-july. Despite the lower rate, the buying on dips conviction increased last week to RM21.1m.



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)	
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
9 Dec	881.8	860.7	21.1	4607.1	4235.8	371.3	1765.6	2158.0	-392.4	-88.29

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 9 DEC

## TOP 10 NET MONEY INFLOWS

- Tenaga Nasional registered the highest net money inflow of RM40.79m last week. However, its share price lagged with a -0.43% loss against the FBM KLCI which recorded a 0.76% 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. The company and the LHDN have recently agreed to settle the dispute over a RM2.1 billion tax bill by filing an appeal to the Special Commissioners of Income Tax (SCIT) to state its case for qualifying for reinvestment allowance.
- Sime Darby recorded the second highest net money inflow of RM27.72m. Its share price too underperformed against the market benchmark with a mere 0.12% gain during the review week.
- Petronas Gas saw the third highest net money inflow of RM9.29m. Accordingly, its share price outperformed with a 3.84% weekly gain.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
TNB	40.79	40.09	-0.43	BOW
SIME DARBY	27.72	-2.31	0.12	-
PETRO GAS	9.29	-8.94	3.84	-
PUBLIC BANK	8.51	-46.37	-0.10	BOW
KL KEPONG	8.29	-11.64	0.00	-
GENTING M'SIA	5.70	3.85	1.06	-
IHH HEALTH	5.19	-16.32	0.31	-
PETRO DAGANG	4.10	-1.41	1.04	-
CIMB	4.04	2.51	-0.43	BOW
MAHB	3.44	0.46	0.00	-

Source: Bloomberg, MIDFR;

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

## TOP 10 NET MONEY OUTFLOWS


- British American Tobacco saw the largest net money outflow of -RM14.16m last week. Nonetheless, its stock price equaled the performance of the FBM KLCI with a 0.76% gain during the review week. It is noteworthy that net money outflow amidst advancing share price indicates a sell on strength (SOS) stance among some investors.
- Genting recorded the second largest net money outflow -RM8.68m during the week under review. Accordingly, its share price underperformed the market benchmark with a -0.74% weekly loss.
- Inari Amertron registered the third largest net money outflow at -RM6.84m in the review week and its share price underperformed with a slight -0.30% loss. 

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
BAT	-14.16	1.06	0.76	SOS
GENTING	-8.68	-5.20	-0.74	-
INARI	-6.84	0.60	-0.30	-
TIME DOTCOM	-6.52	-4.01	1.15	SOS
GAMUDA	-4.53	-2.11	1.28	SOS
PETRO CHEM	-4.43	-13.27	-0.15	-
DIALOG	-1.83	1.43	-0.65	-
SUNWAY REIT	-1.82	0.66	-1.74	-
MY EG	-1.70	1.47	1.32	SOS
IGB REIT	-1.58	1.20	-3.11	-

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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