

MIDF EQUITY STRATEGY | 21 NOV 2016

WEEK ENDED 18 NOVEMBER 2016

- Equity market in the United States remains supported with the Dow Jones Industrial Average advancing on its prior week's gains. This is attributable to the so-called "Trump Boom" which reflects investors confidence regarding the US economy going forward.
- Markets in Europe were also improving as initial worries on the election of Trump as president are slowly receding in line with the optimism in the Wall Street.
- Markets in Asia were mixed once the Federal Reserve Chair Janet Yellen indicated the central bank is close to raising interest rates. This affected the South Korea's Won and Thailand's Baht most which fell by -0.95% and -2.81% respectively.
- For the week, the India Sensex was the worst equity index performer, dropping -2.49%.
- Brent crude oil price started the week at USD44.43pb, and slowly increased throughout the week closing at USD46.86pb on Friday. This was attributable to the increased optimism that later this month the Opec cartel might agree on a production cut. Although, initially there were doubts whether the deal would be finalized in Vienna on 30 November, the sentiment was buoyed by the comments from the Opec members Saudi Arabia, Qatar, Algeria and Venezuela.
- The Ringgit continued to lose ground against the USD falling by -1.99%. It endured eight straight days of losses, the longest losing streak in almost three years. Moreover, the KLCI was slightly negative last week declining by -0.64%, to close at 1623.8 points.

TIDE OUT OF ASIA CONTINUES

A. MARKET SNAPSHOT

- Equity market in the United States remains supported with the Dow Jones Industrial Average advancing on its prior week's gains. This is attributable to the so-called "Trump Boom" which reflects investors confidence regarding the US economy going forward. Investors were given hopes on new pro-growth and lower tax policies under Donald Trump's administration. Now, the US markets will have to cope with the idea of a larger fiscal push than they had initially expected.
- Markets in Europe were also improving as initial worries on the election of Trump as president are slowly receding in line with the optimism in the Wall Street. With the current state of a Republican White house and Congress, investors now believe that this will lead to a relaxation in the regulations since the 2008 global financial crisis and stronger growth with the increased spending on big infrastructure projects.
- Markets in Asia were mixed once the Federal Reserve Chair Janet Yellen indicated the central bank is close to raising interest rates. This affected the South Korea's Won and Thailand's Baht most which fell by -0.95% and -2.81% respectively. Emerging nations felt the brunt of Trump's election, as investors price in a higher risk-free interest rates. Emerging economies are also seen as vulnerable should the U.S enforce protectionist trade policies.
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Table 1 Weekly performance of major indices

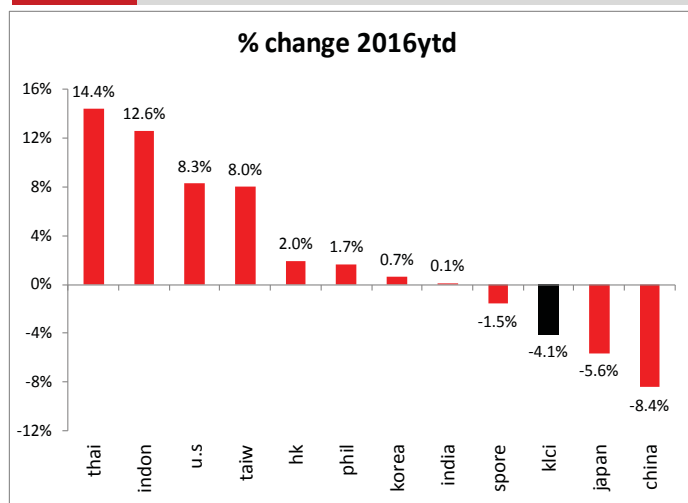
Weekly % change	Week before	Last week
Nikkei 225	1.15	3.41
Phil Comp	-3.09	1.33
Straits Times	0.26	1.09
S&P500	1.69	0.67
Taiwan Taiex	-2.53	0.57
FTSE	-0.89	0.44
Dow Jones	3.00	0.32
DAX	1.69	0.29
CAC	0.93	0.03
China CSI300	1.81	0.01
Korea KOSPI	-0.66	-0.50
KLCI	-0.99	-0.64
Hang Seng	-1.19	-0.83
Jakarta JCI	-2.86	-1.18
Thai SET	-0.52	-1.38
India Sensex	-2.33	-2.49

Source: Bloomberg

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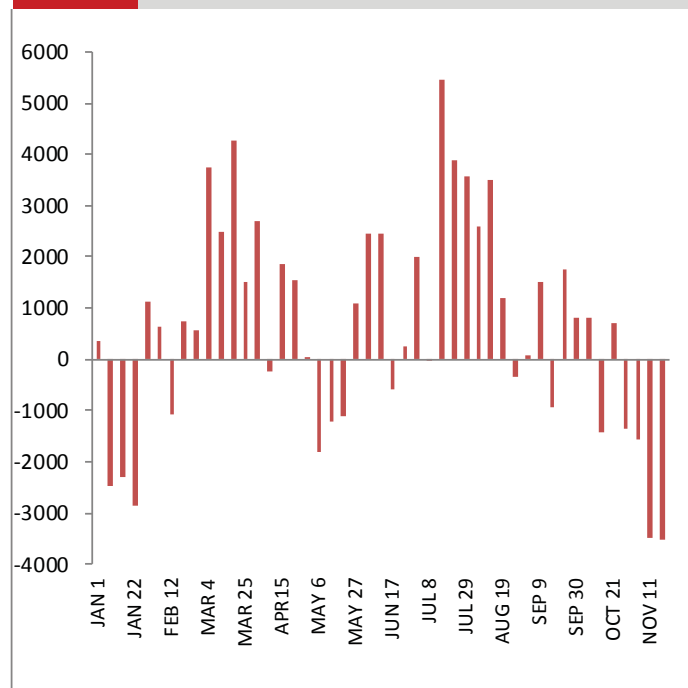
Chart 1 YTD performance of major markets



B. TRACKING MONEY FLOW - ASIA¹

- Global investors dumped Asian shares last week at the fastest pace since August last year.
- Investors classified as “foreign” offloaded -USD3.5b, based on provisional aggregate data from the seven Asian exchanges that we track.
- Taiwan still remained the biggest casualty in terms of absolute dollar pullout where foreign attrition amounted to a whopping -USD1.50b, the sixth week this year that the amount had surpassed the USD1b mark. There was heavy investor withdrawal as the National Stabilization Fund had decided not to buy Taiwan stocks the prior week.
- Foreign sell-down of Korean stocks decreased this week amounting to USD442.9m compared to the massive sell-down of -RM785.8 the prior week. On Thursday, the foreign inflow was higher than the outflow. This was attributable to the inflow from the electric and electronics industry.
- In South East Asia, there was heavy withdrawal from Thailand and Indonesia, the two SEA markets with the highest overhang of foreign liquidity this year. Foreigners pulled out USD29.2m from

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.

Thai shares last week, the fourth time it exceeded USD200m in four weeks. This despite news that the long-awaited mandatory provident fund will be enforced in 2018, which will strengthen institutional participation in the local stock market.

- Foreign funds pulled out USD235m from Indonesia, the second highest this year as The Bank of Indonesia holds rate in response to global uncertainty. Foreigners have been selling for 11 straight weeks, the longest stretch among markets in SEA.

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

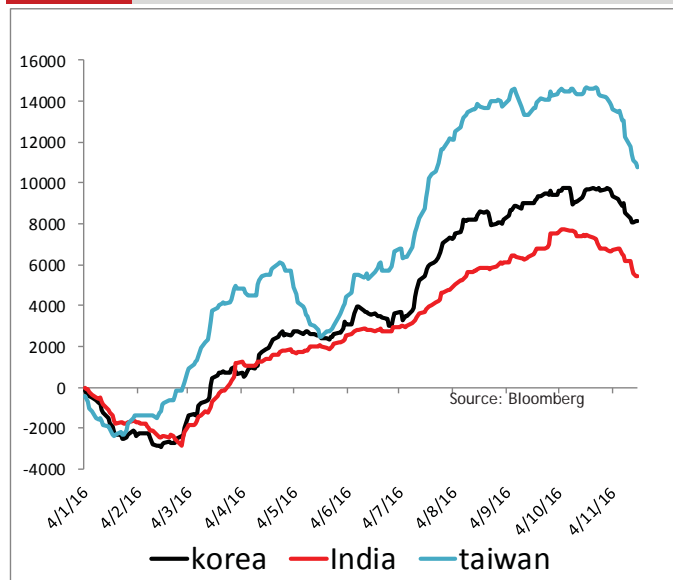


Chart 4 Net Flow of Foreign Funds into South East Asia Emerging Markets in 2016 (USD'b)

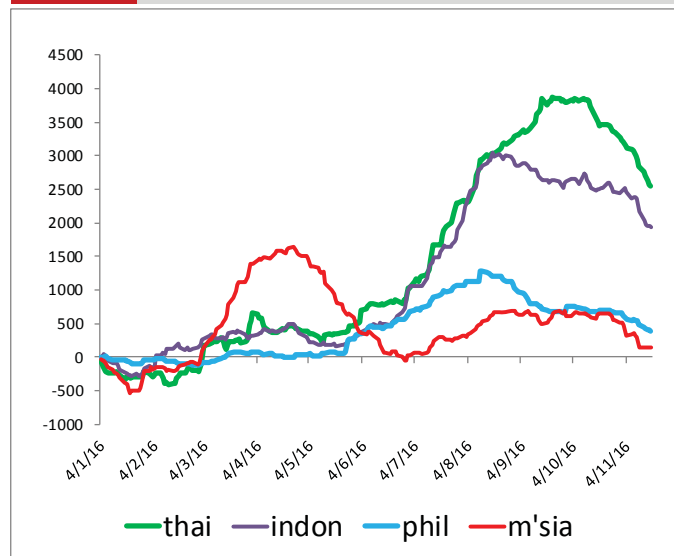


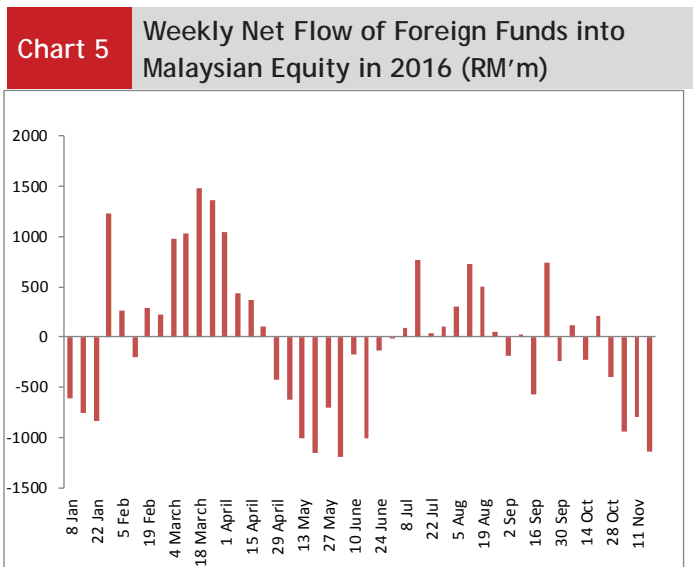
Table 2 Weekly Net Flow Of Foreign Fund Into Equity By Market (USD'm)

WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
SEP 30	53.8	-76.8	-14.4	76.6	731.3	87.5	-58.2	799.8
OCT 7	341.5	36.2	-42.9	-13.6	254.4	224.4	28.9	828.9
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	-772.2	-1500.9	-261.2	-3499.5

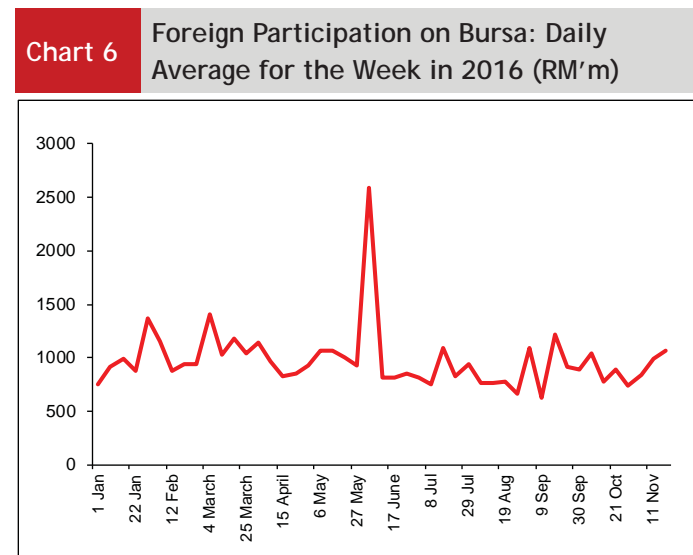
Source: Respective exchange statistics reported on Bloomberg, Bursa Malaysia. These figures are subject to revisions.

C. TRACKING MONEY FLOW - MALAYSIA

- Malaysian equity has been subjected to foreign money attrition since early May and the pace of the sell-down appears to be picking up last week. The net amount sold by foreigners on Bursa of -RM1137.9m was higher than the -RM800.4m offloaded the week prior. Nonetheless, relative to the North Asian markets, the heavy tide out of Malaysian equity last week was relatively more contained.
- Throughout the week, foreign investors continued to be net sellers following the trend from the prior week. The attrition was quite persistent with the highest on Tuesday of -RM330.4 and lowest on Thursday at -RM108.1.
- With the continuous attrition, foreign investors have now become net sellers thus far this year. On cumulative year-to-date, the amount has shrunk to -RM877.4m from a peak of +RM6.47b in April. However, compared to 2015, the outflow amount is still considered low as only RM7.3b has been redeemed since April. It was -RM19.5b net outflow in 2015.
- Retail investors continued to be positive at RM498.5m maintaining its levels in October. The buying on dips conviction was also stronger than last week which increased to RM38.3m.



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)	
7 Oct	887.2	975.1	-87.9	4361.4	4392.3	-30.9	2146.7	2027.9	118.8	28.9
14 Oct	1114.0	1196.1	-82.1	5566.6	5257.1	309.5	1843.5	2070.9	-227.4	-54.2
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

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 18 NOV
TOP 10 NET MONEY INFLOWS

- Tenaga Nasional registered the highest net money inflow of RM69.90m last week. Accordingly, its share price outperformed the broader market with a slight 0.14% gain as the FBM KLCI dropped by -0.64% during the week under review.
- Public Bank recorded the second highest net money inflow of RM32.54m and its share price marginally outperformed the market benchmark despite a -0.61% 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.
- CIMB Group saw the third highest net money inflow of RM20.15m. Nonetheless, its share price tumbled by -4.13% during the review week which may trigger a BOW stance among some investors. The Group's 9MFY16 net profit of RM2.71b was below our expectation coming at 68.5% of our full year estimates as we had understated the higher provisions and tax. However, it was within consensus expectation at 74.1% of full year estimate.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
TNB	69.90	25.38	0.14	-
PUBLIC BANK	32.54	-9.52	-0.61	BOW
CIMB	20.15	0.52	-4.13	BOW
F&N	11.43	3.16	-3.28	BOW
BAT	7.87	-3.02	-1.86	BOW
DUTCH LADY	6.66	0.19	-2.34	BOW
PETRO DAGANG	5.70	-12.71	1.19	-
YTL CORP	5.27	3.02	-2.56	BOW
WESTPORTS	5.09	-2.06	0.00	-
INARI	3.61	-0.88	2.42	-

TOP 10 NET MONEY OUTFLOWS

- KL Kepong saw the largest net money outflow of -RM11.13m last week. However, its stock price slightly outperformed with a 0.51% gain vis-à-vis the FBM KLCI which declined by -0.64% 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. KLK's FY16 Core Net Income of RM1.05b was within expectation at 101% of consensus and 97% of our forecasts.
- Axiata Group recorded the second largest net money outflow -RM6.20m during the week under review. Nonetheless, its share price marginally outperformed the market benchmark in spite of a -0.44% weekly loss.
- IHH Healthcare registered the third largest net money outflow at -RM6.17m in the review week. Nonetheless, its share price outperformed with a 1.27% 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	
KL KEPONG	-11.13	-19.38	0.51	SOS
AXIATA	-6.20	2.22	-0.44	-
IHH HEALTH	-6.17	-3.13	1.27	SOS
PETRO GAS	-5.55	10.79	-3.23	-
DIGI.COM	-4.99	2.94	0.00	-
IGB REIT	-1.88	0.33	-1.28	-
GENTING M'SIA	-1.86	-3.00	0.00	-
AMMB	-1.73	-1.88	4.05	SOS
IJM CORP	-1.62	2.12	4.14	SOS
HLEONG BANK	-1.48	-0.56	-0.77	-

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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