

MIDF EQUITY STRATEGY | 7 NOV 2016

WEEK ENDED 4 NOVEMBER 2016

- Equity markets around the world priced in a higher U.S political risk last week.
- All markets, except that in China, ended trading last week in the redzone. In China, there is rising optimism that the economy is turning around. The CSI300 gained for the fourth consecutive week. The Caixin Composite PMI, which gauges manufacturing and services sectors, grew to a three-year high in October.
- A big gainer last week was gold, which rose by >2% last week and broke the psychological USD1300/oz during trading on Wednesday.
- Brent fell -8.3% last week to USD45.58pb, the sharpest weekly fall since January. It came under pressure on Friday on news that Saudi Arabia threatened to raise output if other members disagreed to cuts.
- Portfolio liquidation of Asian shares by global funds picked up pace last week. Based on preliminary data, investors classified as “foreign” offloaded listed shares in the seven Asian markets that we track at the highest pace in 26 weeks. Taiwan, Korea, Thailand and Malaysia bore the brunt of foreign selling.
- On Bursa, foreigners dumped -RM948.1m of equity, the fifth highest weekly outflow this year. On Friday, the liquidation hit -RM348.6m, the third highest in a day this year. The KLCI dropped -1.3% last week.
- The cumulative year-to-date net foreign purchase of Malaysian-listed shares is now only +RM1.06b, down from a peak of +RM6.47b in April.

SLIPPERY IN NOVEMBER RAIN

A. MARKET SNAPSHOT

- Equity markets around the world priced in a higher political risk emanating from the U.S last week.
- All markets, except that in China ended trading last week in the redzone. In China, there is rising optimism that the economy is turning around. The CSI300 gained for the fourth consecutive week, albeit marginally by 0.4%. China's Caixin Service PMI hit a four-month high of 52.4 in October, up 0.4% MoM, higher than the forecast of 51.9. Meanwhile, the Caixin Composite PMI, which gauges manufacturing and services sectors, grew to a three-year high of 52.9. There is also rising optimism over the Shenzhen-HK Connect programme, which is expected to be launched some time later this week.
- Otherwise, other markets remained agitated over a potential Trump victory. The global equities rout also comes amid central bank policy meetings around the world. The Fed's FOMC met on Wednesday and heightened expectations of rate hike in December. U.S nonfarm payroll rose by a strong 161,000 in October, albeit less than the 175,000 forecast. With unemployment at 4.9%, Bloomberg's probability of a rate hike in December has hit 76%, down slightly from 80% after the employment statistics.
- A big gainer last week was gold, which rose by >2% last week and broke the psychological USD1300/oz during trading on Wednesday. There was profit taking on Friday but it closed above the aforementioned level by the close of trading at USD1302/oz. Gold was clearly driven by investors looking for a safe haven. Traders are looking at the spot price to break USD1400 if Trump were to prevail.
- Brent crude oil price reached a year high of USD53.14pb on 10 Oct 2016. However, in the span of less than a month, the price sank by more than -14% to USD45.58pb, which was the close on Friday. Recall that the hike in crude oil prices to above USD50pb was largely attributable to OPEC

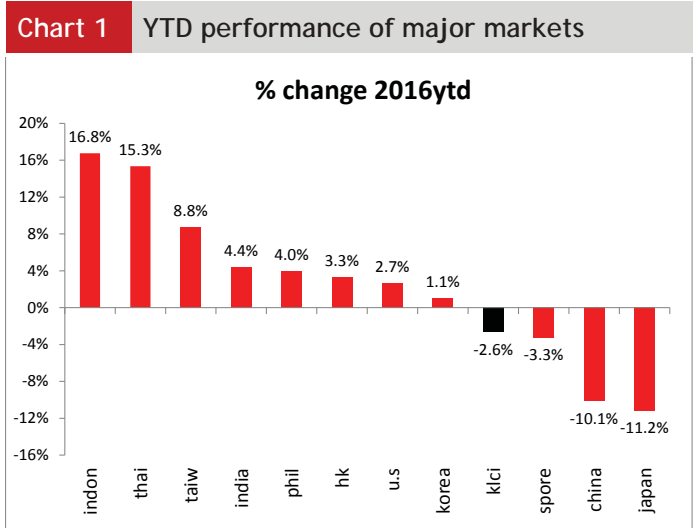
Table 1 Weekly performance of major indices

Weekly % change	Week before	Last week
China CSI300	0.37	0.42
Thai SET	-0.40	-0.58
Jakarta JCI	0.02	-0.88
Straits Times	-0.52	-0.98
KLCI	0.02	-1.32
Hang Seng	-1.80	-1.36
Dow Jones	0.09	-1.50
Korea KOSPI	-0.67	-1.85
S&P500	-0.69	-1.94
India Sensex	-0.48	-2.39
Phil Comp	-3.21	-2.40
Taiwan Taiex	0.00	-2.57
Nikkei 225	1.52	-3.10
CAC	0.28	-3.76
DAX	-0.14	-4.09
FTSE	-0.34	-4.33

Source: Bloomberg

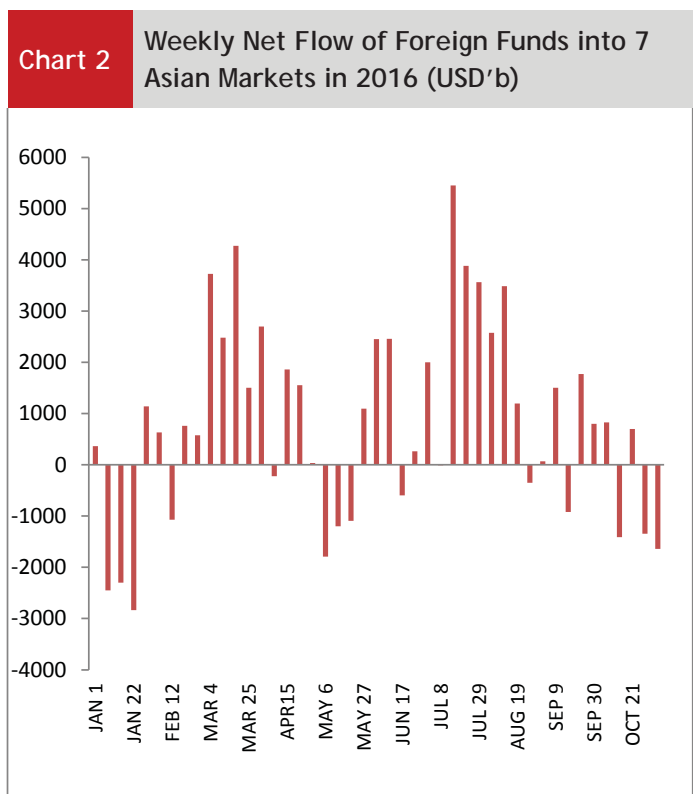
agreeing to cut production and to set a new 'ceiling' back in late-September 2016. However, the continuous glut in the U.S inventory and the pessimism on OPEC's ability to meaningfully scale down crude oil production has caused global prices to retrace. In addition, there are speculations that the OPEC had a record production month in October 2016. In the latest round of negotiations, Iran has been continuously shown reluctance in participating in the production cut.

- Last week, Brent fell -8.3%, the sharpest fall since January. It came under pressure on Friday on news that Saudi Arabia threatened to raise output if other members didn't agree to cuts.
- The KLCI dropped -1.3% last week. That pulled the year-to-date score to -2.6%, significantly lagging regional peers.



B. TRACKING MONEY FLOW - ASIA¹

- Portfolio liquidation of Asian shares by global funds picked up pace last week.
- Investors classified as "foreign" offloaded -USD1.63b, the highest attrition in 26 weeks, based on provisional aggregate data from the seven Asian exchanges that we track. For the second week running, foreign investors were net sellers in all seven markets.
- Taiwan, Korea, Thailand and Malaysia bore the brunt of foreign selling. Taiwan was relatively hard hit, letting go USD676m of foreign portfolio capital, the second highest attrition so far in 2H16. Notable victim was HTC Corporation, a pioneer in innovative, smart mobile and virtual reality technologies. Its share price slumped by almost 10% last week after Facebook released a competing Windows-based gaming platform, named Gameroom.
- Foreign selldown of Korean stocks amounted to a moderate USD292m in another politically turbulent week. President Park nominated Kim Byong-joon, formerly an adviser to ex-President Roh Moo-hyun, as prime minister



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.

to take over from Hwang Kyo-ahn. President Park is currently embroiled in a leaked documents scandal for which she apologized last week in a nationally televised address.

- In Thailand, foreigners were net sellers every single day last week and had been offloading in 25 out of the last 30 trading days. However the amount remained moderate and stable, less than USD100m per day. Energy and cement stocks came under pressure last week.
- Foreign investors continued to pare down their holdings of Philippines stocks, albeit moderately. Foreigners pulled out USD90m last week, the highest in eight weeks. The benchmark PSEi index has now dropped -10.8% from its peak in July, a strong sign that it is in a correction phase.
- Indonesia was the least hit by foreign attrition last week, with only USD11m leaving. Still, foreigners have been net sellers for 10 consecutive weeks. The mass protest organised by Islamic organisations in Jakarta, Indonesia on Friday did not affect the market which rose on the day. Jakarta's tax amnesty program has been a success as Rp3,622tr was declared during July-Sep, the first round, with the government collecting 58% of the targeted Rp165tr amnesty tax by March 2017.

Chart 3

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

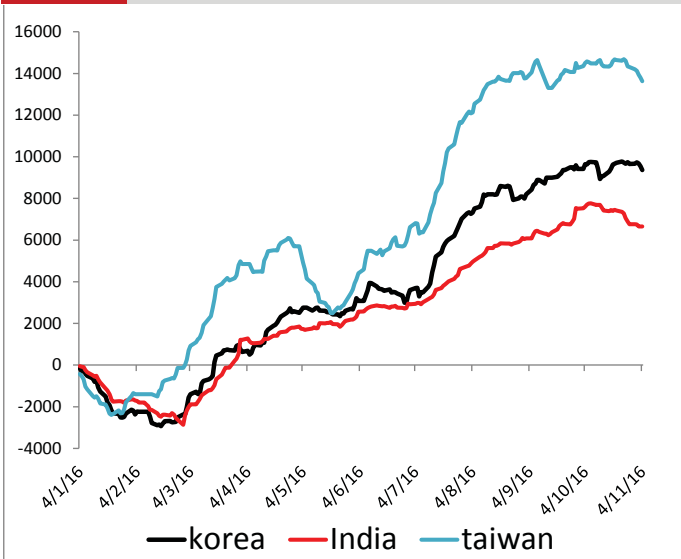


Chart 4

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

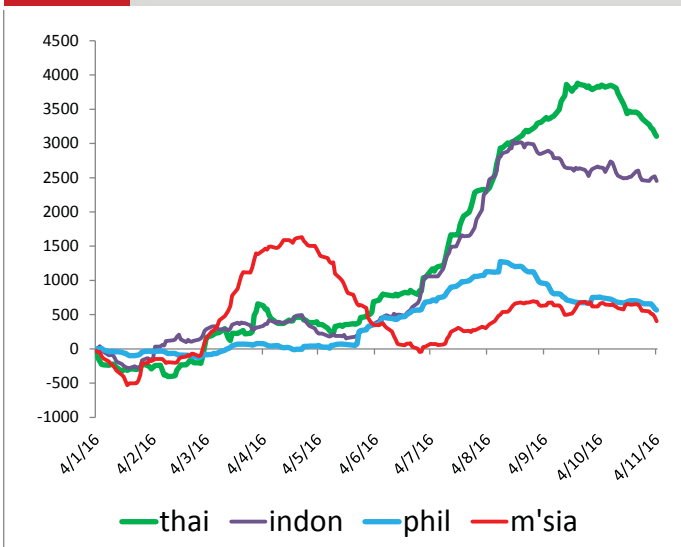


Table 2

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

WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
SEP 16	109.3	464.4	-143.1	-89.3	-26.5	-1099.8	-137.1	-922.2
SEP 23	362.6	1.6	-3.3	-40.0	407.9	864.8	177.7	1771.3
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	-95.3	-673.1	-226.2	-1625.3

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

C. TRACKING MONEY FLOW - MALAYSIA

- Foreign investors turned more aggressive in their trading of Malaysian stocks last week, a trend we had noted in our last report.
- Foreigners dumped -RM948.1m last week, the fifth highest weekly outflow this year. This is estimated based on transactions in the open market which excluded off market deals.
- Net foreign selling dominated the entire trading week. The attrition turned ugly in the last two days of the week as the amount offloaded exceeded RM250m per diem. On Friday, the liquidation hit -RM348.6m, the third highest in a day this year.
- The cumulative year-to-date net foreign purchase of Malaysian-listed shares is now only +RM1.06b, down from a peak of +RM6.47b in April. Foreign investors have redeemed since April, -RM5.41b. This compared with -RM19.5b and -RM6.9b net outflow in 2015 and 2014 respectively.
- Foreign participation rebounded sharply last week. Foreign ADTV (average daily value of shares traded) rose 15% to RM843m. Still, it was relatively moderate. The last time it broke the RM1b mark was 5 weeks ago.
- The market was heavily supported by local institutions last week. Retail participation remained depressingly weak. Retail ADTV remained below RM500m five weeks in a row now. We reiterate that the market has not seen the extent of retail withdrawal since early 2013.

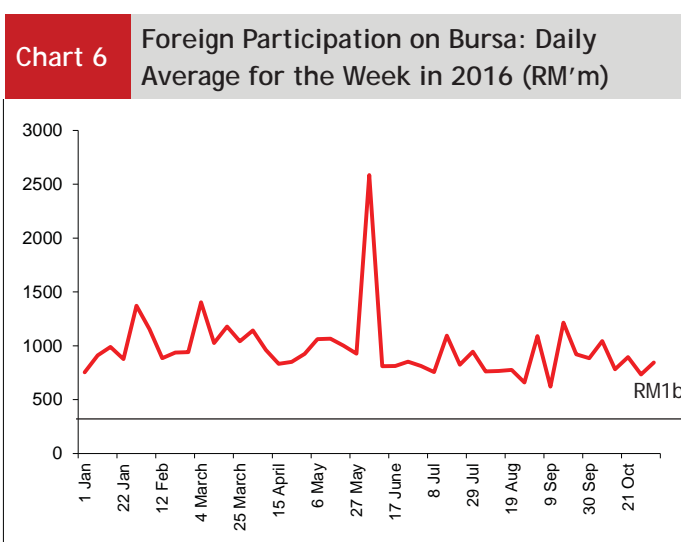
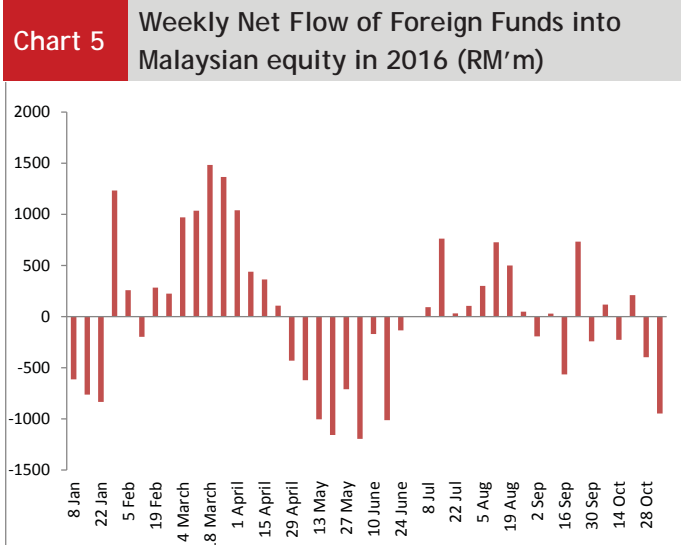


Table 3 BURSA MALAYSIA: WEEKLY MARKET PARTICIPATION (RM'm)

Week ended	LOCAL RETAIL			LOCAL INSTITUTION			FOREIGN			NET (USD)*
	BOUGHT	SOLD	NET (RM)	BOUGHT	SOLD	NET (RM)	BOUGHT	SOLD	NET (RM)	
23 Sep	1564.2	1558.9	5.3	4982.8	5721.5	-738.7	2670.1	1936.7	733.4	177.7
30 Sep	1467.1	1470.9	-3.8	5805.8	5561.2	244.6	2092.1	2332.9	-240.8	-58.2
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

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

D. MONEY FLOW² AMONG BURSA'S TOP 100 CAPITALIZED STOCKS: WEEK ENDED 4 NOV
TOP 10 NET MONEY INFLOWS

- Public Bank registered the highest net money inflow of RM13.54m last week. Accordingly, its share price outperformed the broader market despite easing -0.20% as the FBM KLCI dropped by -1.32% 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.
- Petronas Gas recorded the second highest net money inflow of RM10.37m and its share price outperformed the market benchmark with a +0.46% gain during the review week. The company recently announced 9MFY16 earnings of RM1.2b which kept pace with ours and consensus' expectations, accounting for 71% and 70% of full year estimates respectively.
- Kuala Lumpur Kepong saw the third highest net money inflow of RM10.17m and its share price slightly outperformed with a marginal loss of -0.33% during the review week which may trigger a BOW stance among some investors.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM m)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
PUBLIC BANK	13.54	-25.00	-0.20	BOW
PETRO GAS	10.37	-3.94	0.46	-
KL KEPONG	10.17	-11.73	-0.33	BOW
MISC	6.74	1.34	-4.51	BOW
F&N	4.13	6.71	0.08	-
MY EG	4.03	3.27	-6.56	BOW
BAT	2.90	0.30	-1.60	BOW
GENTING	2.57	-2.48	0.13	-
DIALOG	2.53	-3.55	-1.30	BOW
CAPITALAND	2.43	0.89	0.00	-

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- Nestle saw the largest net money outflow of -RM72.89m last week. Nonetheless, its stock price slightly outperformed with a small -0.13% loss vis-à-vis the FBM KLCI which dropped by a bigger -1.32% during the review week.
- Tenaga Nasional recorded the second largest net money outflow -RM20.33m during the week under review. Nonetheless, its share price marginally outperformed the market benchmark in spite of a -0.83% weekly loss. The company last week completed the purchase of 30% stake in India's GMR Energy Ltd. for USD300m.
- CIMB Group registered the third largest net money outflow at -RM13.93m in the review week and its share price starkly underperformed with a -5.17% slump. Nonetheless, it is notable that CIMB Niaga, its Indonesian subsidiary, recently reported 390% higher earnings in 9MFY16.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM m)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
NESTLE	-72.89	3.02	-0.13	-
TNB	-20.33	55.83	-0.83	-
CIMB	-13.93	-7.39	-5.17	-
DIGI.COM	-9.31	5.10	0.20	SOS
IHH HEALTH	-7.86	8.80	-0.47	-
MAYBANK	-6.65	-7.88	-2.04	-
PAVILION	-6.63	1.81	0.57	SOS
KPJ HEALTH	-6.62	-2.10	-0.24	-
SIME DARBY	-6.37	0.96	0.98	SOS
WESTPORTS	-5.66	-3.42	1.15	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

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