

MALAYSIA EQUITY RESEARCH | 17 October 2016

## **Week Ended Oct 14, 2016**

- Global equities fell last week due to higher chances of the Federal Reserve tightening monetary policy and profit taking ahead of the corporate earnings season in US.
- There was tide out from Asia at a time when a weak yuan dragged down other Asian currencies last week. Foreigners sold USD1271.2m compared to a mild buying of USD828.9m the week before.
- Yuan fell to the lowest in six years after the People's Bank of China lowered the band of daily reference rate by 0.3% to 6.7 to the USD.
- On the other hand, USD continues to strengthen as the probability of a rate hike in December increased to 67% after the release of the Federal Reserve's meeting minutes on Wednesday. The greenback has strengthened by about 4% in the past two months.
- Oil price continued its uphill climb albeit at a slower pace following Brent crude oil rose marginally this week to USD51.95 per barrel compared to a jump of 5.85% the week prior.
- Ringgit weakened further by 0.9% to USD/MYR4.19 and has weakened by -2% since October.
- On Bursa, there was an outflow of -RM227.4m last week compared to a mild inflow of +RM118.8m.
- Foreign participation rate was suppressed by 25% last week as foreign investors get out of the emerging markets.

17 October 2016 | Strategy - Weekly Fund Flow

## TIDE OUT FROM ASIA AS CURRENCIES WEAKEN

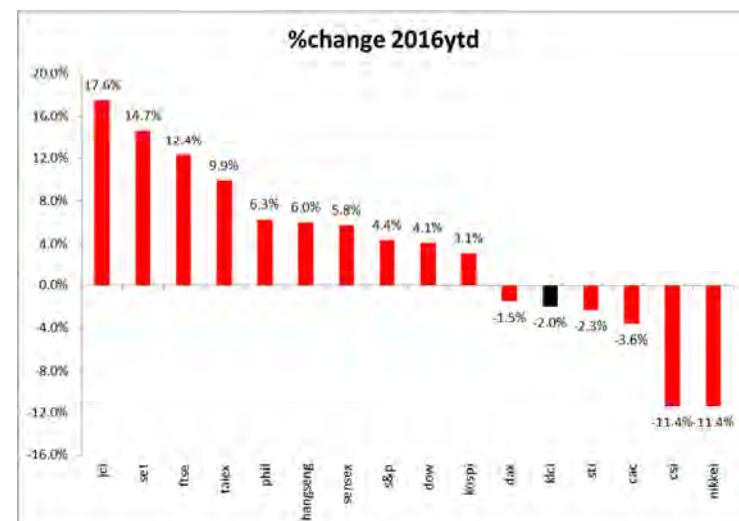
### A. MARKET SNAPSHOT

- Global equities fell last week due to higher chances of the Federal Reserve tightening monetary policy and expectations of below par corporate earnings in US. However, US stocks gained on Friday after strong banking earnings.
- All the Asian stock markets we track ended the week lower except for China's CSI 300, which rose 1.62% as investors digested mixed economic indicators. On Thursday, China's September export numbers showed a 10% decline yoy while imports shrank by 1.9%. However, the producer-price index (PPI) announced on Friday showed a positive growth for the first time since 2012. China's PPI grew by 0.1% whereas consumer-price index was up by 1.9% yoy, showing a restoration of China's economic strength.
- Yuan fell to the lowest in six years after the People's Bank of China lowered the band of daily reference rate by 0.3% to 6.7 to the USD earlier in the week. That had caused a ripple effect in other Asian currencies, dragging them into the red against the USD.
- Korea's won was one of the biggest decliners in Asia as Samsung hit the brakes of the production of its latest premium smart phone model Galaxy Note 7 after cases of explosion. The repercussion of Samsung Electronics' misfortune was huge, to the point that the Bank of Korea had to assure that the halt will not affect the country's GDP growth this year but did not discount that there are risks because some parts of the high-end phone are produced in Korea. The central bank kept the key interest rate unchanged at 1.25% for the fourth straight month and trimmed 2017 GDP growth estimate to 2.8% from 2.9%.
- Thai baht was also one of the biggest weekly laggards, hitting an 8-month low against the greenback. Thai stocks plunged over 6% on Wednesday while the baht continued to fall due to a bomb plot in Bangkok and King Bhumibol Adulyadej's deteriorating health condition. The 88 year old, who is also the world's longest reigning monarch for seven decades, passed away on Thursday. On Friday, Thai stocks made a sharp rebound of 4.6% recouping most of the weekly loss.
- Crude oil prices continued to climb for the fourth straight week after OPEC's informal production freeze deal and a possible decline in US stockpiles. Brent crude's gain was marginal versus the 5.85% increase the week prior.
- Ringgit weakened further by 0.9% to USD/MYR4.19 and has weakened by -2% since October.
- FBM KLCI declined alongside regional markets, ending the week marginally lower by 0.38% at 1,658.97 points.

### Performance of major markets

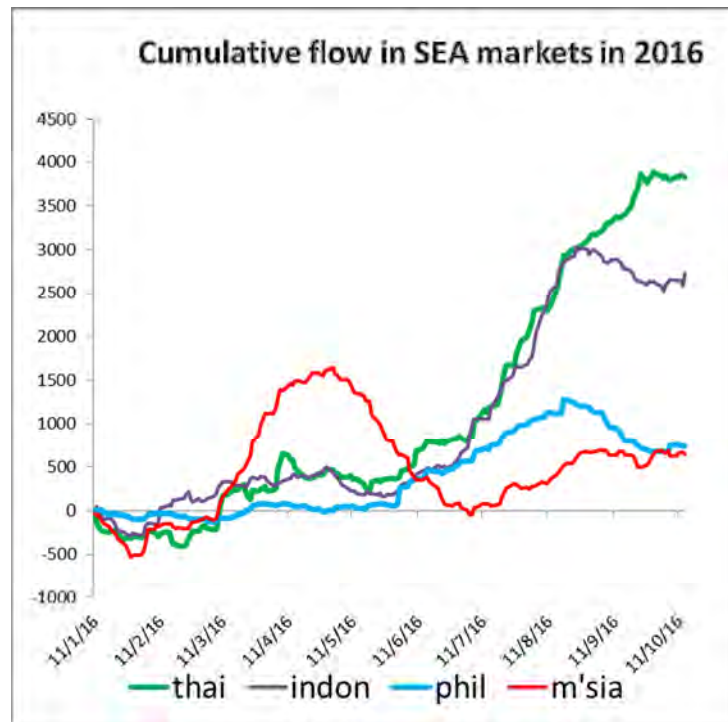
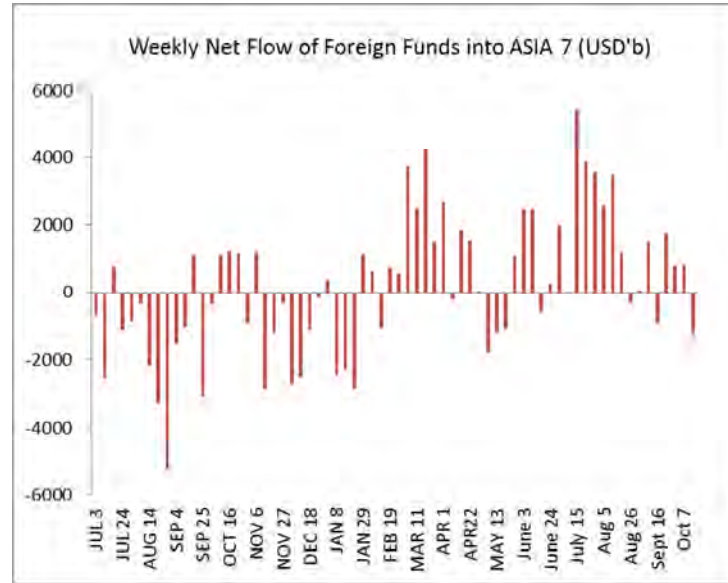
Weekly % change	Week before	Last week
CSI 300	(closed)	1.62
DAX	-0.19	0.85
CAC 40	0.04	0.47
JAKARTA COMPOSITE	0.23	0.42
NIKKEI 225	2.49	-0.02
FBM KLCI	0.78	-0.38
FTSE 100	2.10	-0.44
DOW JONES INDUS. AVG	-0.37	-0.56
S&P 500	-0.67	-0.96
TAIWAN TAIEX	1.08	-1.09
S&P BSE SENSEX	0.70	-1.38
KOSPI	0.50	-1.52
STOCK EXCH OF THAI	1.42	-1.78
STRAITS TIMES INDEX	0.20	-2.09
PSEi - PHILIPPINE SE	-0.67	-2.49
HANG SENG INDEX	2.38	-2.59

Source: Bloomberg



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

- The tide was against Asia last week. Statistics from the 7 Asian markets<sup>1</sup> that we track, global investors pulled out - USD1271.2m, partly offsetting three successive weeks of inflow during which an inflow of USD3400.4m had been recorded.
- Investors classified as “foreigners” withdrew from markets across the board.
- South Korea saw its biggest weekly outflow since February at -USD670.72m. That came after six successive weeks of inflow. On Tuesday, Samsung Electronics pulled the plug on the production of its flagship premium smartphone Galaxy Note 7 two months after its launch after reports of faulty replacements. The company had made a global recall of 2.5m phones earlier. Other Korean part suppliers would also take a hit from this mishap as some components of the premium phone was made locally. The outflow from South Korea peaked on Wednesday at -USD495.7m, the highest in a single day this year. Year-to-date cumulative inflow to South Korea stood at USD9b.
- Despite the huge sell down of Thai stocks on Wednesday on news of a bomb plot and the King’s deteriorating health, outflow from Thailand was still contained at only -USD86.69m. Thailand has been one of foreign investors’ favourite markets in Asia this year. The country is going to hold its election next year. The departure of the longest reigning king was deemed to add elements of uncertainty to the country’s unity and stability
- Taiwan saw a mild outflow of -USD145.2m after three consecutive weeks of inflow. Taiwan’s stock exchange was closed on Monday for National Day. During the four-trading-day week, technology counters dragged the overall market down. Among others, investors took profit on chipmaker Taiwan Semiconductor Manufacturing Co Ltd that had jumped 30% since May. The company supplies chips to Apple and had increased its revenue forecast for the year after making record profits and sales for the third quarter.
- Indonesia saw the seventh straight week of outflow at -USD56.63m. Some reports said investors were irked by the the Government’s indecisiveness over the policy of its low-grade nickel exports. Indonesia’s central bank will meet this Thursday. Economists expect Bank Indonesia to keep the 7-day reverse repo rate unchanged at 5% after cutting it by 25 basis points last month.



<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.

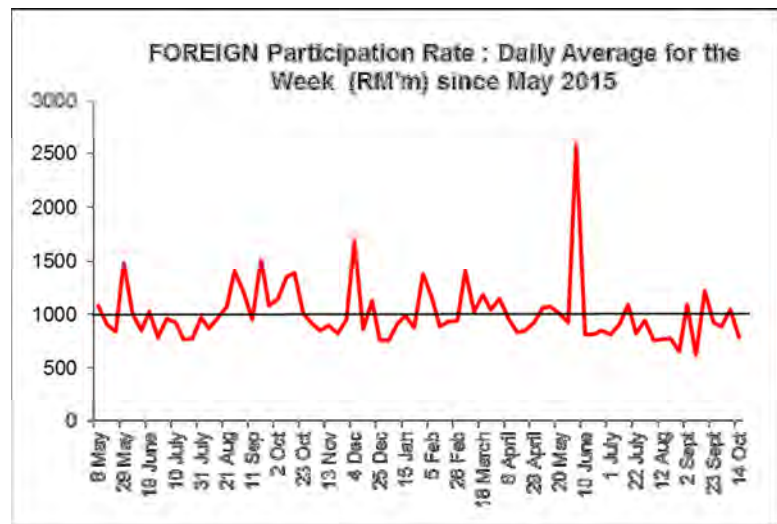
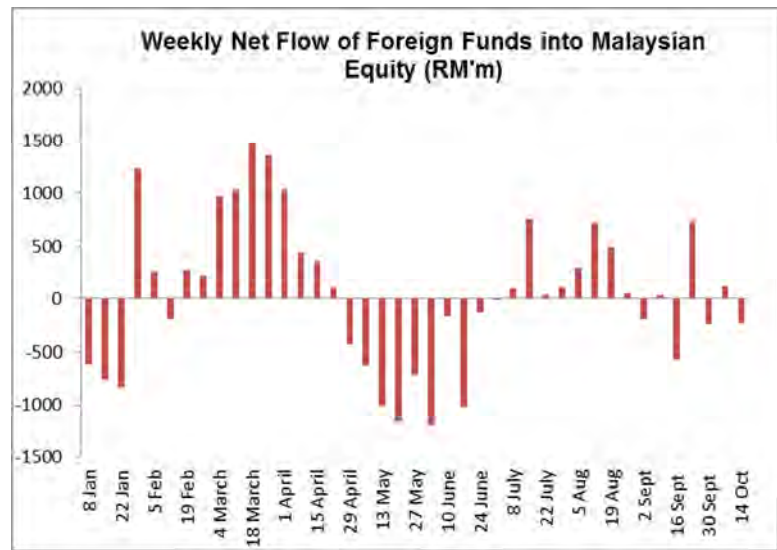
### WEEKLY NET FLOW OF FOREIGN FUND INTO EQUITY (USD'm)

WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
Sept 2	273.0	134.7	-150.8	-161.9	258.5	-239.2	-47.19	67.1
Sept 9	684.8	90.4	-61.9	-159.2	309.1	633.3	7.20	1503.7
Sept 16	109.3	464.4	-143.1	-89.3	-26.5	-1099.8	-137.14	-922.2
Sept 23	362.58	-75.24	-3.32	-39.96	407.92	864.80	177.72	1694.5
Sept 30	53.79	61.10	-14.42	76.58	731.30	87.50	-58.15	937.7
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	-199.3	-145.0	-54.2	-1271.2

Source: Various countries’ exchanges, via Bloomberg. These figures are subject to revisions. Aggregated by MIDFR.

## C. TRACKING MONEY FLOW - MALAYSIA

- Bursa Malaysia was not spared from the regional outflow last week. Foreign investors pulled out of Bursa in line with other regional markets as the ringgit weakened further to USD/MYR 4.19.
- Last week, foreign outflow was RM227.4m compared to an inflow of RM118.8m the week prior.
- This week, all eyes will be on the tabulation of Budget 2017 slated for Friday.
- August export data and higher inflation rate. August inflation rose higher by 1.5% compared to 1.3% expected.
- Foreign investors were net sellers on Monday (-RM25.2m), Wednesday (-RM108m), Thursday (-RM46m) and Friday (-RM100.2m).
- They were net buyers only on Tuesday (+RM12.4m).
- Foreigners' participation rate fell drastically from RM1042.8m the week earlier to RM783.2m last week.
- Year-to-date cumulative net foreign inflow contracted to +RM2,194.7m compared to +RM2,422.1m the week before. In retrospect, foreigners had offloaded -RM19.5b in 2015 and -RM6.9b in 2014.
- Local institutions turned net buyers during the week, loading up RM309.5m worth of shares. That occurred after they sold off -RM30.9m in the preceding week. Local funds were buyers on Monday (+RM44.7m), Wednesday (+RM136m), Thursday (+RM51.6m) and Friday (+RM109.7m). On the other hand, they sold stocks on Tuesday (-RM32.5m).
- Retailers continue to sell stocks for the third successive week last week by offloading RM82.1m. In the week earlier, they sold RM87.9m. They were net sellers every single day last week. They divested stocks worth RM19.5m on Monday, RM19.5m on Tuesday, RM28m on Wednesday, RM5.6m on Thursday and RM9.5m on Friday.
- Participation rate for all three categories of investors declined last week due to the change of macro outlook that is largely influenced by the Federal Reserve's higher chances of monetary tightening in December. That has led to money flowing out of emerging market. There were no visible catalysts locally.



## BURSA MALAYSIA: WEEKLY MARKET PARTICIPATION (RM'm)

Week	LOCAL RETAIL			LOCAL INSTITUTION			FOREIGN			
	BOUGHT	SOLD	NET (RM)	BOUGHT	SOLD	NET (RM)	BOUGHT	SOLD	NET (RM)	NET (USD)*
Sept 2	1211.6	1196.3	15.3	3964.1	3786.3	177.8	2081.0	2274.1	-193.1	-47.2
Sept 9	1307.4	1451.4	-144.0	4612.3	4497.9	114.4	1567.2	1537.6	29.6	7.2
Sept 16	818.8	737.9	80.9	3292.2	2807.2	485.0	1539.0	2104.9	-565.9	-137.1
Sept 23	1564.2	1558.9	5.3	4982.8	5721.5	-738.7	2670.1	1936.7	733.4	177.7
Sept 30	1467.1	1470.9	-3.8	5805.8	5561.2	244.6	2092.1	2332.9	-240.8	-58.15
Oct 7	887.2	975.1	-87.9	4361.4	4392.3	-30.9	2146.7	2027.9	118.8	28.87
Oct 14	1114	1196.1	-82.1	5566.6	5257.1	309.5	1843.5	2070.9	-227.4	-54.16

Source: Bursa's preliminary data

## TOP 100 STOCKS: MONEY FLOW

### TOP 10 NET MONEY INFLOWS

- Public Bank registered the highest net money inflow of RM31.09m last week. Nonetheless, its share price slightly underperformed the broader market as dropped -0.80% while the FBM KLCI inched down by a smaller -0.38% during the week under review. It is however notable that net money inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.
- Fraser & Neave came in second with RM24.08m net inflow and its share price outperformed the market benchmark with a 2.42% gain during the review week.
- Petronas Chemicals recorded the third highest net money inflow of RM20.39m. Likewise, its share price outperformed with a gain of 1.64% during the review week. The company recently announced that its unit, BASF Petronas Chemicals Sdn Bhd, has invested an additional RM2b for the development of 3 new plants at its integrated petrochemical complex in Pahang.


Tables below list the Top 10 Net Money Inflows and Net Money Outflows for the week ended 14 October 2016 among the largest 100 market capitalized stocks on Bursa Malaysia.

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
PUBLIC BANK	31.09	-2.36	-0.80	BOW
F&N	24.08	13.56	2.42	-
PETRO CHEM	20.39	7.11	1.64	-
IHH HEALTH	17.64	0.47	-1.38	BOW
TNB	6.29	38.40	0.42	-
MAYBANK	5.71	-4.91	-0.26	BOW
SP SETIA	4.61	-2.39	0.57	-
YTL CORP	3.50	3.51	0.00	-
GAMUDA	3.36	-5.47	0.00	-
MY EG	3.19	0.19	1.75	-

Source: Bloomberg, MIDFR;

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

### TOP 10 NET MONEY OUTFLOWS

- Dutch Lady saw the largest net money outflow of -RM36.20m last week. However, its stock price ended unchanged thus slightly outperformed the FBM KLCI which eased by -0.38% during the review week.
- Sime Darby came in second last week with a net outflow of -RM13.17m. Accordingly, its share price underperformed the market benchmark with a -0.51% weekly loss. The company recently entered into an implementation agreement with Japan Residential Assets Manager, the manager of Saizen REIT, to acquire at least 25% of the enlarged REIT through a reverse takeover.
- Digi.com registered the third largest net money outflow at -RM5.89m in the review week but its share price slightly outperformed with a smaller -0.20% loss. 

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
DUTCH LADY	-36.20	-5.94	0.00	-
SIME DARBY	-13.17	-0.62	-0.51	-
DIGI.COM	-5.89	17.48	-0.20	-
LITRAK	-5.71	-5.13	1.87	SOS
PETRO DAGANG	-4.98	1.64	-0.76	-
AIRASIA	-4.86	0.02	-1.07	-
TIME DOTCOM	-3.20	-4.13	-2.01	-
GENTING M'SIA	-3.16	-5.69	2.79	SOS
SUNWAY	-2.11	-2.90	-0.33	-
PETRO GAS	-1.70	14.67	0.09	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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**MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS**

**STOCK RECOMMENDATIONS**

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	<i>Negative</i> total return is expected to be -15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

**SECTOR RECOMMENDATIONS**

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.