

MALAYSIA EQUITY RESEARCH | 24 October 2016

## **Week Ended Oct 21, 2016**

- Global equities made a mild recovery last week from the slight loss the week prior with Asian stocks leading gains as China's 3Q GDP growth of 6.7% came within expectations.
- Trading was largely muted in most markets as caution heightened ahead of the US presidential election while buying occurs at markets where value emerges.
- US markets are almost unchanged as the presidential candidates have their third and last debate before the election. The consensus is that Clinton's win will be good for the dollar and the markets in general, vice versa.
- Investors also watched 3Q16 corporate earnings closely. Better-than-expected earnings from banks lifted sentiments.
- Brent crude retreated by 0.33% to USD51.78 per barrel after four straight weeks of gain. Despite a greater than expected drawdown of US crude, Brent crude slid due to strong USD.
- Ringgit strengthened by 0.38% to USD/MYR4.18 from 4.19 the week before as oil price stabilises while investors anticipated for Budget 2017 that was announced on Friday.
- Foreign money tide was low on Bursa in a Budget week. "Foreign" investors bought RM211.1m worth of stocks after disposing off RM227.4m the week prior. Foreigners had alternated between buying and selling in the past eight weeks.

24 October 2016 | Strategy - Weekly Fund Flow

## LOW TIDE AHEAD OF BUDGET 2017

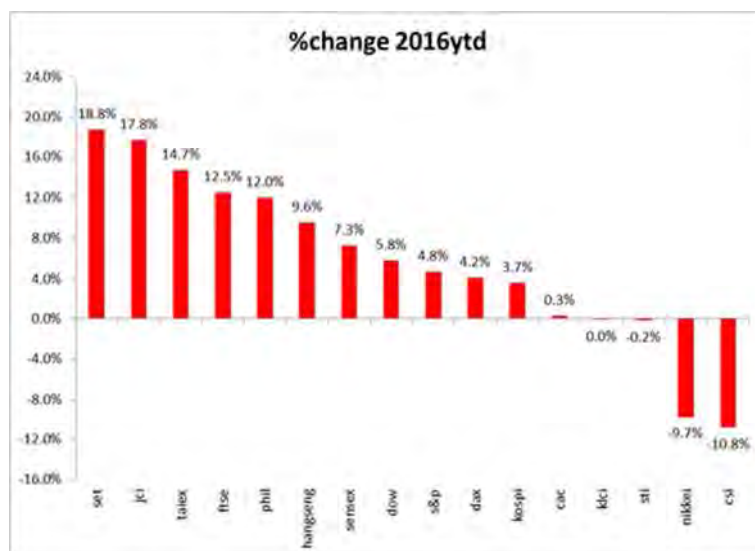
### A. MARKET SNAPSHOT

- Global equities made a mild recovery last week from the slight loss the week prior with Asian stocks leading gains as China's 3Q GDP growth of 6.7% came within expectations.
- However stock markets were largely muted during the week as the presidential candidates have their third and last debate before the election. Democrat Hillary Clinton is seen to be having an upper hand compared to Republican Donald Trump. Investors also watched the 3Q corporate earnings closely. Meanwhile, the European Central Bank kept its key interest rates unchanged and hinted at more monetary stimulus.
- Corrections happened at several Asian markets as their currencies rebounded from the week prior as value emerges. That is despite the further weakening of the yuan, which slipped to USD/CNY 6.77 from 6.73 the week earlier. The successive weekly weakening of yuan occurred after People's Bank of China lowered the band of daily reference rate by 0.3% to 6.7 to the USD.
- Stocks at the Philippines gained the most during the week as its president had a four-day visit in China. During the visit Rodrigo Duterte implied the country intends to tilt its foreign relations towards China and distancing itself from the US. Some political commentators perceive it as a balancing between the two major powers, which could potentially benefit the Philippines. Stocks of jumped 3.54% last week versus a loss of 2.49% the week prior.
- Nikkei 225 was also one of the best performers as yen strengthened against USD/JPY to 103.8 from 104.18 the week before. Japan's August industrial production rose 1.3% from July and increased by 4.5% yoy, the fastest since 2014. Sentiments are positive as the firm improvement of industrial output raises Japan's 3Q GDP outlook.
- Hong Kong Stock market is closed on Friday due to Typhoon Haima. Hang Seng Index was up marginally by 0.61% during the shorter trading week, in line with the 0.66% weekly gain made by CSI 300.
- Thai stocks regained most of the losses the week prior, advancing by 1.54%. The Stock Exchange of Thailand lost 1.78% during the week when King Bhumibol Adulyadej passed away coupled with reports of a bomb plot in Bangkok.
- Brent crude retreated by 0.33% to USD51.78 per barrel after four straight weeks of gain. Despite a greater than expected drawdown of US crude, Brent crude slid due to strong USD.
- Ringgit strengthened by 0.38% to USD/MYR4.18 from 4.19 the previous week.
- FBM KLCI was up 0.66% to 1,669.98 points in tandem with regional markets.

### Performance of major markets

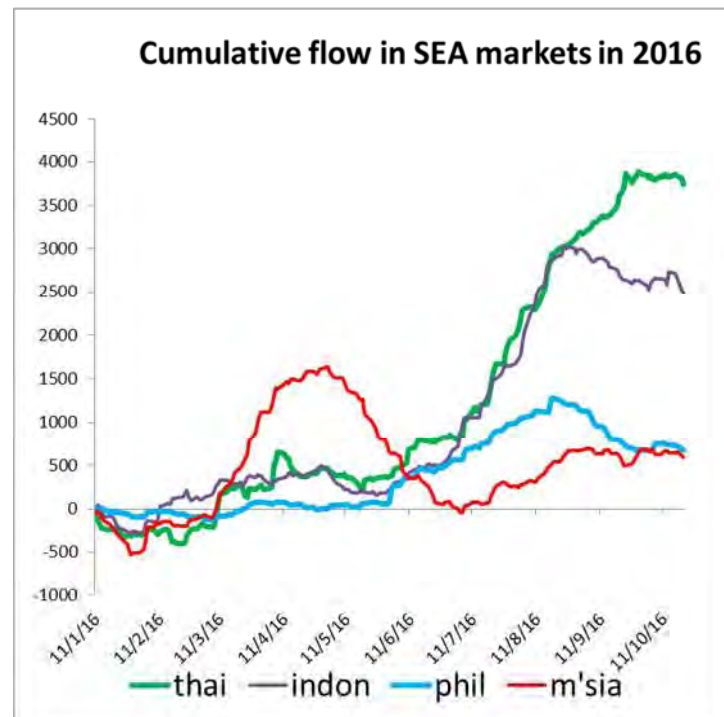
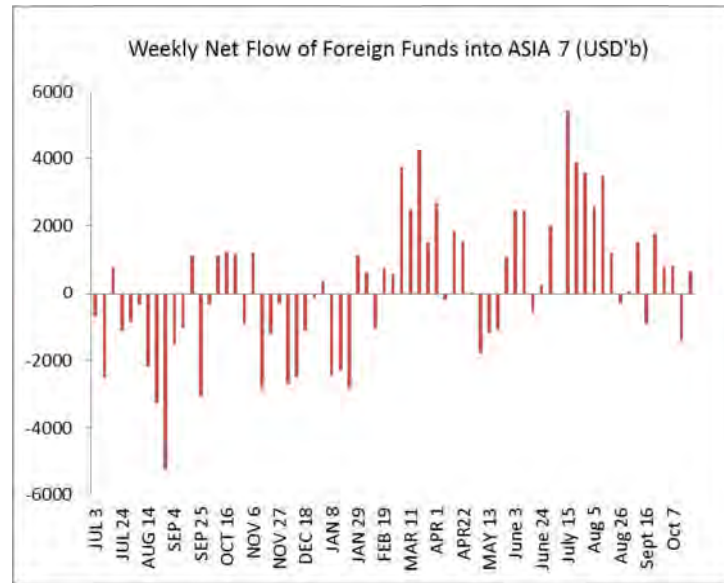
Weekly % change	Week before	Last week
PSEi - PHILIPPINE	-2.49	3.53
NIKKEI 225	-0.02	1.95
TAIWAN TAIEX	-1.09	1.54
STOCK EXCH OF THAI	-1.78	1.54
S&P BSE SENSEX	-1.38	1.46
CAC 40	0.47	1.46
DAX	0.85	1.23
FBM KLCI	-0.38	0.66
CSI 300	1.62	0.66
HANG SENG INDEX	-2.59	0.61
Straits Times Index	-2.09	0.56
KOSPI	-1.52	0.51
S&P 500	-0.96	0.38
JAKARTA COMPOSITE	0.42	0.17
FTSE 100	-0.44	0.10
DOW JONES INDUS. AVG	-0.56	0.04

Source: Bloomberg



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

- Foreign funds generally made a return to Asia, but the rate of flow was moderate.
- Investors classified as “foreigners” were net buyers in Korea and Taiwan but were net offloaders in the TIPs markets. The outflow from the TIPs markets was the fifth in a row and the most since January.
- Among the TIPs markets, outflow from Thailand was the highest at USD279.6m, the most since December 2015. The tide out came a week after the passing of its King who was a figure of unity and stability in the country, which saw 20 coups and 12 successful ones. As the nation mourns over the death of the monarch who has been in reign for seven decades, the fear of possible instability in the future spurred some outflow even though cumulative net inflow to Thailand is still strong at USD3455.57m, the highest among TIPs. In the previous week, outflow stood at USD86.7m.
- The outflow from Indonesia continued into the eighth week at -USD14.8m. Last week, Bank Indonesia cut its seven-day reverse repo rate by 25 basis points to 4.75%, the sixth time this year.
- The Philippines saw a reversal to an inflow of USD24.4m from an outflow of USD58.6m the week prior. During the week, its president Rodrigo Duterte visited China and cozied up to the Beijing administration and made remarks that he was steering away from the country’s long-time ally US without providing much details. However, upon returning to the country, he clarified that he was advocating a “separation of foreign policy” rather than “a severance of ties”.
- South Korea saw a tide-in of USD621m after the biggest weekly outflow since February of -USD670.8m the week prior. South Korea regained foreign investors’ interest after the woes at Samsung and Hyundai. Samsung had to call of production of the Galaxy Note 7 previously, leading to huge potential losses while Hyundai recalled its cars due to sunroof problems.
- The trend of a inflow is also seen in Taiwan at USD298.6m following a mild outflow of -USD145.2m in the preceding week. Foreign investors returned to buy electronics stocks while bargain hunting also spread to other traditional sectors. Foreign investors bought USD14636m to-date and their shareholding in stocks was over 41% of total market capitalisation.



<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.

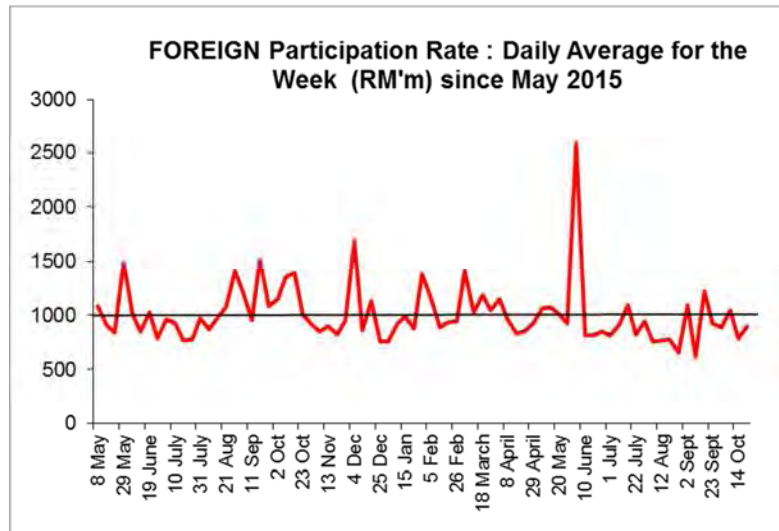
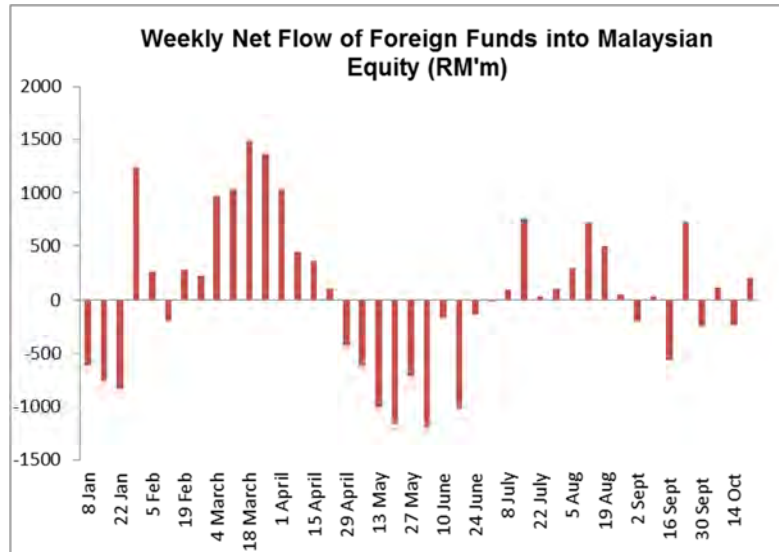
### WEEKLY NET FLOW OF FOREIGN FUND INTO EQUITY (USD'm)

WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
Sept 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
Oct 21	621.0	-279.6	-14.8	24.4	30.0	298.6	50.5	730.0

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

## C. TRACKING MONEY FLOW - MALAYSIA

- Foreign money tide was low on Bursa in a Budget week.
- “Foreign” investors bought RM211.1m worth of stocks after disposing off RM227.4m the week prior. Foreigners had alternated between buying and selling on a weekly basis in the past eight weeks.
- On Friday, the Prime Minister announced Budget 2017 while the consumer price index in September rose by 1.5% to 115.3 yoy.
- Foreigners returned as the ringgit stabilises and strengthened to USD/MYR4.179.
- CPO prices were also on an uptrend due to the rise in another edible oil, soybean oil, in which production was affected by typhoon Matthew. CPO prices climbed 2.91% to RM2759 per tonne.
- Foreign investors were net sellers on Monday (-RM70.7m), Thursday (-RM15.5m) and Friday (-RM33.2m).
- They were net buyers on Tuesday (+RM254.2m) and Wednesday (+RM76.3m).
- Foreigners’ participation rate increased by 14% to RM894.14m from RM783.2m in the week prior.
- Year-to-date cumulative net foreign inflow expanded to +RM2,405.8m from +RM2,194.7m in the preceding week. In retrospect, foreigners had offloaded -RM19.5b in 2015 and -RM6.9b in 2014.
- Local institutions turned net sellers during the week, offloading RM110m worth of shares after they bought up RM309.5m in the preceding week. Local funds were buyers on Monday (+RM85m), Thursday (+RM25.7m) and Friday (+RM54.4m). On the other hand, they sold stocks on Tuesday (-RM224.1m) and Wednesday (-RM51m).
- Retailers continue to sell stocks for the fourth successive week last week by divesting RM101.1m, the most since September. In the week earlier, they sold RM82.1m. 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 from retailers and local funds declined slightly compared to the week before.



## 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 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
Oct 21	1054.4	1155.5	-101.1	5120.0	5230.0	-110.0	2340.9	2129.8	211.1	50.46

Source: Bursa's preliminary data

## TOP 100 STOCKS: MONEY FLOW

### TOP 10 NET MONEY INFLOWS

- YTL Power registered the highest net money inflow of RM12.21m last week. Nonetheless, its share price slightly underperformed the broader market as it ended unchanged while the FBM KLCI edged higher by 0.66% during the week under review.
- KLCCP recorded the second highest net money inflow of RM9.69m and its share price slightly underperformed the market benchmark with a mere 0.13% gain during the review week.
- Petronas Chemicals recorded the third highest net money inflow of RM9.02m. Accordingly, its share price outperformed with a gain of 2.50% during the review week. According to company source, its committed investments in RAPID, Pengerang would not be subjected to re-calibration amid the sluggish oil industry, as the investments were evaluated based on a long-term industry view.


Tables below list the Top 10 Net Money Inflows and Net Money Outflows for the week ended 21 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	
YTL POWER	12.21	0.55	0.00	-
KLCCP	9.69	-1.64	0.13	-
PETRO CHEM	9.02	20.39	2.50	-
HAP SENG CON	4.90	0.47	2.35	-
CAPITALAND	3.48	1.15	1.96	-
TOP GLOVE	3.17	0.87	-0.20	BOW
F&N	3.06	24.08	-0.33	BOW
TNB	2.49	6.29	-0.69	BOW
SP SETIA	1.68	4.61	0.29	-
MY EG	1.55	3.19	4.29	-

Source: Bloomberg, MIDFR;

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

### TOP 10 NET MONEY OUTFLOWS

- KL Kepong saw the largest net money outflow of -RM39.51m last week. Nonetheless, its stock price outperformed with 1.75% gain vis-à-vis the FBM KLCI which added 0.66% during the review week. It is however notable that net money outflow amidst advancing share price may indicate a sell on strength (SOS) stance among some investors.
- Public Bank recorded the second largest net money outflow -RM39.17m during the week under review. Accordingly, its share price underperformed the market benchmark with a slight 0.41% weekly gain which also indicates a SOS stance among some investors. Moreover, the company recently announced its 9MFY16 profit that was at lower-end of our expectation.
- Nestle registered the third largest net money outflow at -RM12.88m in the review week and its share price underperformed with a -0.26% loss. In related news, the company opened its first KitKat chocolate concept store in Malaysia. 

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
KL KEPONG	-39.51	2.92	1.75	SOS
PUBLIC BANK	-39.17	31.09	0.41	SOS
NESTLE	-12.88	-1.67	-0.26	-
IHH HEALTH	-10.60	17.64	0.00	-
MAYBANK	-10.12	5.71	1.05	SOS
UNITED PLANT	-8.41	-0.01	-0.36	-
CIMB	-4.23	0.25	6.11	SOS
BIMB	-3.98	2.39	-0.23	-
GAMUDA	-3.90	3.36	1.65	SOS
GENTING	-3.84	0.19	-0.76	-

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.