

MIDF EQUITY STRATEGY | 31 OCT 2016

WEEK ENDED 28 OCTOBER 2016

- The month of November beckons but markets do not appear to be warming to the days ahead. The Federal Reserve FOMC's penultimate meeting in 2016 has been scheduled for 2 November while the U.S presidential election is slated for 8 November.
- Most markets ended trading last week in the redzone.
- Brent crude ended trading last week at USD49.71pb, a 4% decline from the previous week's close. Meanwhile the West Texas Intermediate fell below USD49pb to USD48.70. It is now outside the USD49-52pb range that is supported by OPEC.
- Focus was again on the yuan on fresh concerns that the currency is undergoing a sustained depreciation against the dollar. Bank of China's exchange rate policy has always been to maintain stability against a basket of currencies rather than the USD. The yuan hit bottom at USD/RMB6.7804 on Tuesday, the lowest in six years. It regained a little lost ground thereafter.
- Global portfolio money left Asia last week as uncertainty mounts. International portfolio investors dumped shares in all seven Asian exchanges that we track, at the second fastest pace in 23 weeks.
- Foreign investor activity on Bursa remained suppressed last week, but there was a notable pick-up in trading aggressiveness.
- Foreigners offloaded -RM396.8m last week, the highest amount since the second week of September. However, foreign participation rate was even lower than that recorded during the Chinese New Year and Hari Raya weeks.

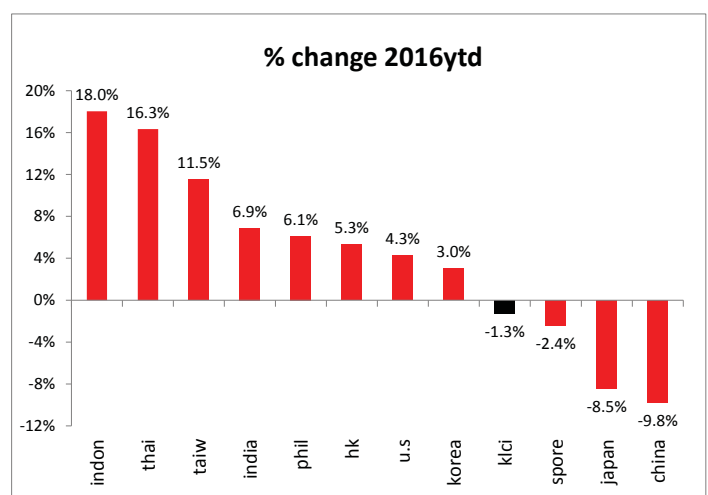
APPREHENSION AHEAD OF NOVEMBER

A. MARKET SNAPSHOT

- The month of November beckons but markets do not appear to be warming to the days ahead. The Fed FOMC's penultimate meeting in 2016 has been scheduled for 2 November while the U.S presidential election is slated for 8 November.
- Most markets ended trading last week in the redzone. The bellweather Wall Street was generally quiet as the earnings reporting season edged closer to the close. The Dow Jones was almost unchanged for the week at +0.09% while the S&P500 shed -0.69%.
- There was no fillip from the crude oil market as prices see-sawed on market developments. The price of Brent crude made a strong attempt to stay above the psychological USD50pb during the week. There was some support on news that U.S. crude inventories stored at Cushing had fallen. However, price succumbed as Gulf OPEC members failed to ease doubts in the market about cooperation from other producers in their supply reduction initiative.
- Brent crude ended trading last week at USD49.71pb, a 4% decline from the previous week's close. Meanwhile the West Texas Intermediate fell below USD49pb to USD48.70. It is now outside the USD49-52pb range that is supported by OPEC.
- All eyes were again on the yuan on fresh concerns that the currency is undergoing a sustained depreciation against the dollar. Bank of China's exchange rate policy has always been to maintain stability against a basket of currencies rather than the US dollar. The yuan ended trading at USD/RMB6.7804 on Tuesday, the lowest in six years.
- The CSI300 managed to stay in the greenzone with a marginal gain of 0.37%. Despite concerns over the yuan, sentiment in the equity has been propped up by a recovery in resource-based stocks, particularly those in the iron-ore and steel industries. Prices of iron-ore futures on the Dalian Commodity Exchange hit limit up last week, while steel rebar futures continued to rally as a drop in inventories indicates a demand pickup from infrastructure construction.
- The Philippines stock exchange is currently the most volatile in Asia. The Philippines Composite index was the worst performer last week, shedding -3.2%, reversing the 3.5% gain the week before.
- The KLCI was almost unchanged, adding a marginal 0.02%. It lost -1.3%ytd, significantly lagging regional peers.

Weekly % change	Week before	Last week
Nikkei 225	1.95	1.52
China CSI300	0.66	0.37
CAC	1.46	0.28
Dow Jones	0.04	0.09
Jakarta JCI	0.17	0.02
KLCI	0.66	0.02
Taiwan TaieX	1.54	0.00
DAX	1.23	-0.14
FTSE	0.10	-0.34
Thai SET	1.54	-0.40
India Sensex	1.46	-0.48
Straits Times	0.56	-0.52
Korea KOSPI	0.51	-0.67
S&P500	0.38	-0.69
Hang Seng	0.61	-1.80
Phil Comp	3.53	-3.21

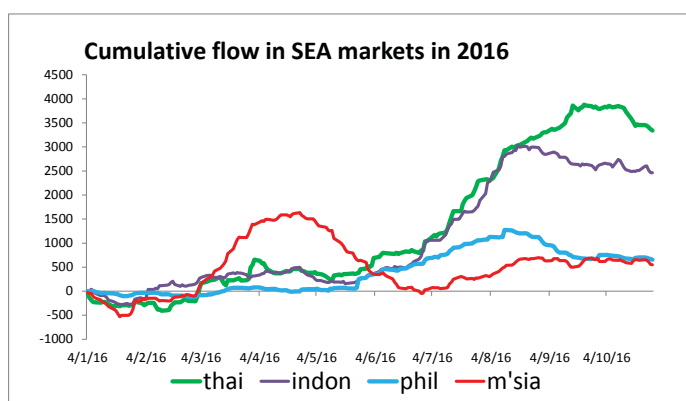
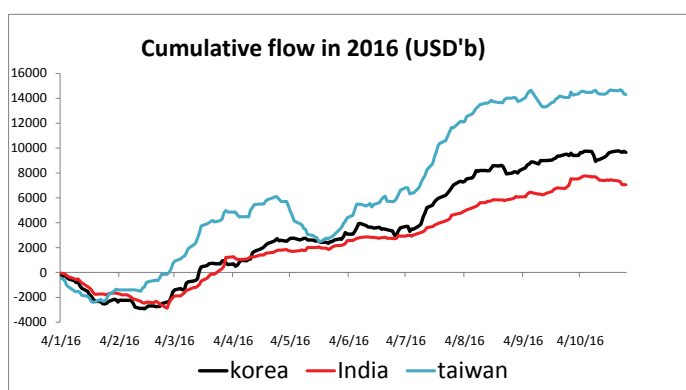
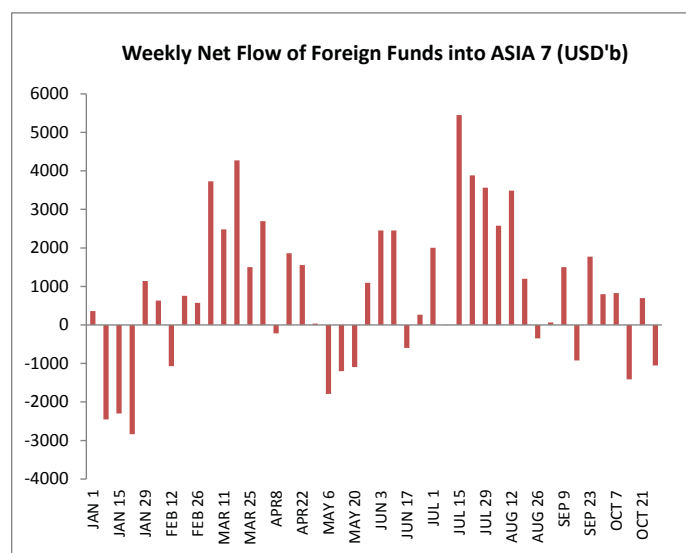
Source: Bloomberg



FUND FLOW REPORT

B. TRACKING MONEY FLOW - ASIA ¹

- Global portfolio money left Asia last week as uncertainty mounted.
- Based on provisional aggregate data from the seven Asian exchanges that we track, investors classified as "foreign" offloaded -USD1.22b, the second highest attrition in 23 weeks. They were net sellers in all seven markets.
- Taiwan and Korea continued to be weighed heavily by the diverging fortunes of Apple and Samsung. In Korea, there have been concerns over the impact of Samsung on the broader economy (Samsung makes up 18% of Korea's KOSPI). Korea's GDP grew by only 2.7%yoy in 3Q16, decelerating from 3.3%yoy in the preceding quarter. Foreign investors turned cautious in October after loading up on Korean stocks in July, August and September.
- Taiwan was affected last week by news of a decline in Apple's iPhone sales. Apple sold 45.5m iPhones in 3Q16, a 5% drop year-on-year. There was heavy selling by foreigners on Taiwan's stock exchange on Thursday. However, the overall sentiment appears to be intact, especially on news that Taiwan's GDP rose picked up pace to 2.1%yoy in 3Q16, from 0.7%yoy in 2Q16. It also beat Bloomberg's median expectation of a 1.8%yoy growth. On Friday, Taiwan High Speed Rail started trading after graduating to the main bourse of Taiwan's stock exchange. From an IPO price of TWD15.13, the stock surged to as high as TWD24.05, reflecting healthy investors' confidence.
- Foreign attrition continued in the Philippines where political rhetorics appear to be taking its toll. Foreigners have pulled out about USD0.6b since mid-August from Manila. The benchmark stock market index was the worst performer in Asia last week.
- Indonesia unveiled its public finance for 2017 which showed a budgeted 2.41% deficit. Finance Minister Indrawati announced that the government plans tax reform for businesses and will spend Rp387t (USD30b) on infrastructure in 2017. That did not stop foreign investors selling Indonesian stocks, which has now extended to nine straight weeks.
- Thailand is still in mourning. Foreign selling of Thai stocks persisted for the third consecutive week but the amount receded by more than half compared with that the week before.



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.

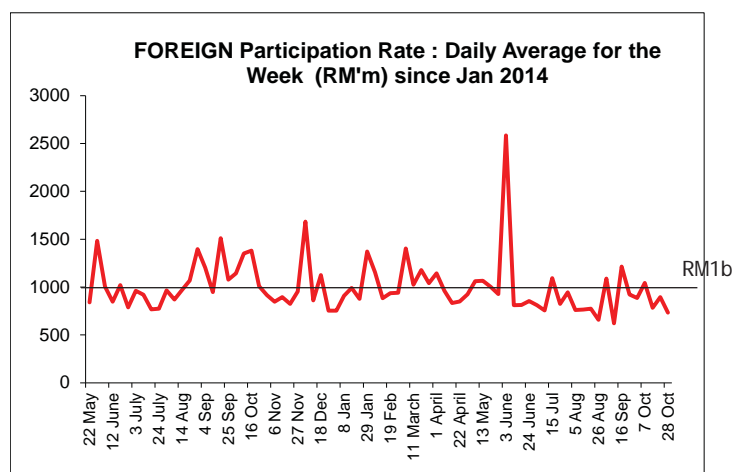
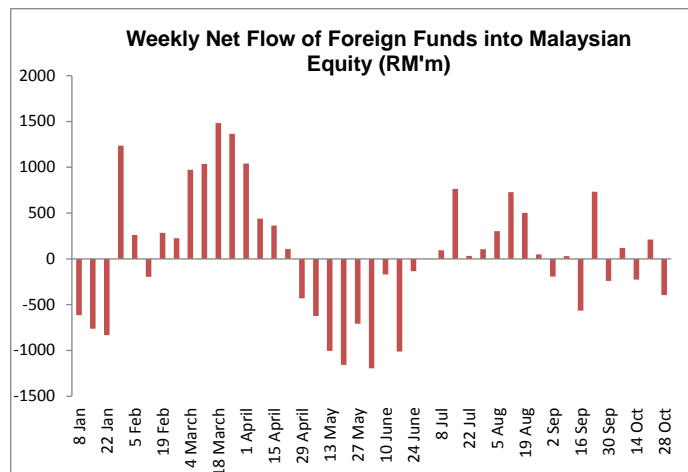
WEEKLY NET FLOW OF FOREIGN FUND INTO EQUITY (USD'm)

WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
SEP 9	684.8	90.4	-61.9	-159.2	309.1	633.3	7.20	1503.7
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	-526.5	-334.1	-95.0	-1217.4

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

C. TRACKING MONEY FLOW - MALAYSIA

- General foreign investor activity on Bursa remained suppressed last week, but there was a notable pick-up in trading aggressiveness.
- Foreigners offloaded -RM396.8m last week, the highest amount since the second week of September. This is estimated based on transactions in the open market which excluded off market deals.
- Except on Monday, when there was marginal foreign buying, selling dominated the rest of the trading week.
- There was a notable spike in foreign attrition on Wednesday and Thursday, similar to that seen in emerging markets in this region. The selling tapered significantly in KL and Jakarta by Friday, but persisted in Bangkok and Manila. On Bursa, foreigners sold -RM162.6m on Wednesday and -RM220.0m on Thursday. The -RM220m attrition on Thursday was the 24th day that the amount had exceeded RM200m this year.
- Last week's attrition reduced the cumulative net foreign inflow into shares listed on Bursa to an estimated +RM2.0b, down from a peak of +RM6.47b, which was the figure in April. This means that since April, foreign investors have redeemed about -RM4.47b. The amount is still modest relative to the -RM19.5b and -RM6.9b net outflow in 2015 and 2014 respectively.
- General investors' participation deteriorated sharply last week. The ADTV (average daily value of shares traded) of foreigners dropped 18% to RM734m, the third lowest in a trading week this year. It was even lower than the ADTV recorded during the Chinese New Year and Hari Raya weeks.
- Retail participation remained weak even after the Budget. Retail ADTV has dipped below RM500m four weeks in a row now. The market has not seen the extent of retail withdrawal from the market since early 2013.



BURSA MALAYSIA: WEEKLY MARKET PARTICIPATION (RM'm)

Week ended	LOCAL RETAIL			LOCAL INSTITUTION			FOREIGN			
	BOUGHT	SOLD	NET (RM)	BOUGHT	SOLD	NET (RM)	BOUGHT	SOLD	NET (RM)	NET (USD)*
16 Sep	818.80	737.90	80.90	3292.20	2807.20	485.00	1539.00	2104.90	-565.90	-137.14
23 Sep	1564.20	1558.90	5.30	4982.80	5721.50	-738.70	2670.10	1936.70	733.40	177.72
30 Sep	1467.10	1470.90	-3.80	5805.80	5561.20	244.60	2092.10	2332.90	-240.80	-58.15
7 Oct	887.20	975.10	-87.90	4361.40	4392.30	-30.90	2146.70	2027.90	118.80	28.9
14 Oct	1114.00	1196.10	-82.10	5566.60	5257.10	309.50	1843.50	2070.90	-227.40	-54.16
21 Oct	1054.40	1155.50	-101.10	5120.00	5230.00	-110.00	2340.90	2129.80	211.10	50.46
28 Oct	1239.80	1244.90	-5.10	5740.10	5338.20	401.90	1635.60	2032.40	-396.80	-95.03

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

FUND FLOW REPORT

D. TOP 100 STOCKS: MONEY FLOW ²

TOP 10 NET MONEY INFLOWS

- Tenaga Nasional registered the highest net money inflow of RM55.83m last week. Accordingly, its share price outperformed the broader market as it gained +0.70% while the FBM KLCI ended almost unchanged at +0.02% during the week under review. The company reported core net profit of RM1.88b in 4QFY16 which beat expectations.
- Telekom Malaysia recorded the second highest net money inflow of RM9.47m but its share price underperformed the market benchmark with a -1.64% 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. In related news, Moody's said the ratings of TM will not be immediately impacted by its broadband improvement plan in 2017.
- IHH Healthcare saw the third highest net money inflow of RM8.80m. However, its share price slightly underperformed with a loss of -0.16% during the review week which may invite a BOW stance among some investors.

TOP 10 NET MONEY OUTFLOWS

- Public Bank saw the largest net money outflow of -RM25.00m last week. Nonetheless, its stock price slightly outperformed with +0.20% gain vis-à-vis the FBM KLCI which was barely changed at +0.02% during the review week. It is noteworthy that net money outflow amidst advancing share price may indicate a sell on strength (SOS) stance among some investors.
- Dutch Lady recorded the second largest net money outflow -RM12.21m during the week under review. Accordingly, its share price underperformed the market benchmark with a -1.67% weekly loss.
- KL Kepong registered the third largest net money outflow at -RM11.73m in the review week and its share price consequently underperformed with a -1.81% retreat. In related news, KLK may have to raise the offer price for London-listed MP Evans Group as its shareholders rejected the offer for a second time last week on valuation grounds.



Tables below list the Top 10 Net Money Inflows and Net Money Outflows for the week ended 28 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	
TNB	55.83	2.49	0.70	-
TM	9.47	-0.99	-1.64	BOW
IHH HEALTH	8.80	-10.60	-0.16	BOW
GENTING M'SIA	6.94	-2.30	-1.91	BOW
F&N	6.71	3.06	-0.16	BOW
DIGI.COM	5.10	-1.31	1.62	-
HLEONG FIN	4.65	-0.13	0.51	-
MY EG	3.27	1.55	0.41	-
NESTLE	3.02	-12.88	0.28	-
UEM SUNRISE	2.42	1.23	-2.61	BOW

Source: Bloomberg, MIDFR;

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

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
PUBLIC BANK	-25.00	-39.17	0.20	SOS
DUTCH LADY	-12.21	-0.08	-1.67	-
KL KEPONG	-11.73	-39.51	-1.81	-
MAYBANK	-7.88	-10.12	1.82	SOS
CIMB	-7.39	-4.23	-0.20	-
PPB	-5.44	-0.19	-0.50	-
PETRO GAS	-3.94	-0.59	0.92	SOS
DIALOG	-3.55	-0.97	-0.65	-
WESTPORTS	-3.42	0.63	0.46	SOS
MAHB	-3.00	-2.26	-1.52	-

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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