

MALAYSIA EQUITY RESEARCH | 4 October 2016

Week Ended Sept 30, 2016

- World equities were dragged down by banking stocks amid growing troubles at Deutsche Bank.
- Stocks were up on the US Democratic Party candidate Hillary Clinton's lead over her opponent in a debate earlier in the week before banking stocks came under the spotlight.
- OPEC's decision to freeze output, the first since 2008, sent Brent crude oil price up by 6.9% on a weekly basis to USD49.06 per barrel.
- Ringgit weakened by 0.60% to USD/MYR4.14 on a weekly basis as the greenback firmed up.
- FBM KLCI declined alongside regional markets, ending the week 1.10% lower at 1,652.55 points.
- Foreign fund flow to Asia tapered to USD937.7m after a strong inflow of USD1,694.5m the week prior as caution heightened.
- On Bursa, there was an outflow of -RM240.8m last week compared to an inflow of RM733.4m in the preceding week, which was the strongest net inflow in 10 weeks.
- Year-to-date cumulative net foreign inflow to Bursa slid to RM2,332.9m from RM2,544.1m the week before.

30 September 2016 | Strategy - Weekly Fund Flow

Banking woes slowed down money flow

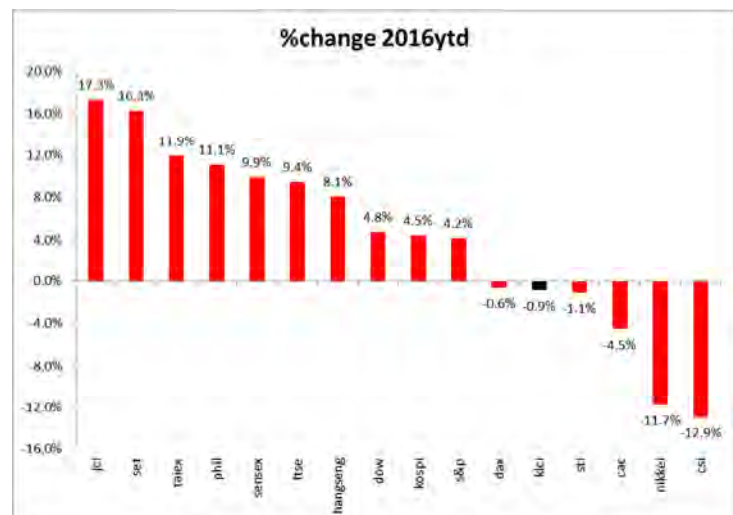
A. MARKET SNAPSHOT

- World equities were dragged down by banking stocks amid growing troubles at Deutsche Bank.
- Global stocks pared down gains from the week before, which was largely due to the US Federal Reserve's inaction on the interest rates during the September meeting.
- Earlier in the week, stock markets were in the positive zone after the US Democratic Party candidate Hillary Clinton won the first of three debates on Monday. Stocks rose as the chances of her winning the presidential election increased. Initial indications showed that markets preferred Clinton over her rival Republican's Donald Trump for the upcoming election in November.
- The spotlight was on Deutsche Bank last week, which saw its shares slump to a 33-year low as hedge funds pull out of Germany's biggest bank. Deutsche Bank was fined USD14b by US Department of Justice for mis-selling mortgage-backed securities. The size of the bill will hit the bank, which is also highly-leveraged. News that the bank had reached an agreement with the DOJ for a settlement of USD5.4b instead, sent its shares 6% higher on Friday. The German stock exchange was closed yesterday for German Unity Day.
- Germany's second largest lender Commerzbank announced it will cut 7,300 jobs, adding another blow to Europe's banking sector. Investors shunned banking stocks as they fear of possible contagion effect.
- OPEC's decision to freeze production sent Brent Crude surging 6.9% to USD49.06 per barrel. It ended the preceding week marginally higher by 0.26% to USD45.89 per barrel.
- China's CSI 300 declined slightly by 0.68% as investors took profit ahead of the Golden week this week to celebrate National day. Stock markets will be closed for the week during the 7-day holiday. During the week, yuan made a significant milestone as it was included in the International Monetary Fund's basket of reserve currencies. China's August purchasing managers index was steady at 50.4.
- Japan was one of the biggest losers in the region as financial stocks dragged amid concerns over consecutive decline of Japanese government bond yields. Nikkei 225 fell 1.82% compared to an increase of 1.42% the week prior. August core consumer price index dipped 0.5% compared to the 0.4% decline in July.
- Ringgit weakened by 0.60% to USD/MYR4.14 on a weekly basis as the greenback firmed up.
- Meanwhile, FBM KLCI declined alongside regional markets, ending the week 1.10% lower at 1,652.55 points.

Performance of major markets

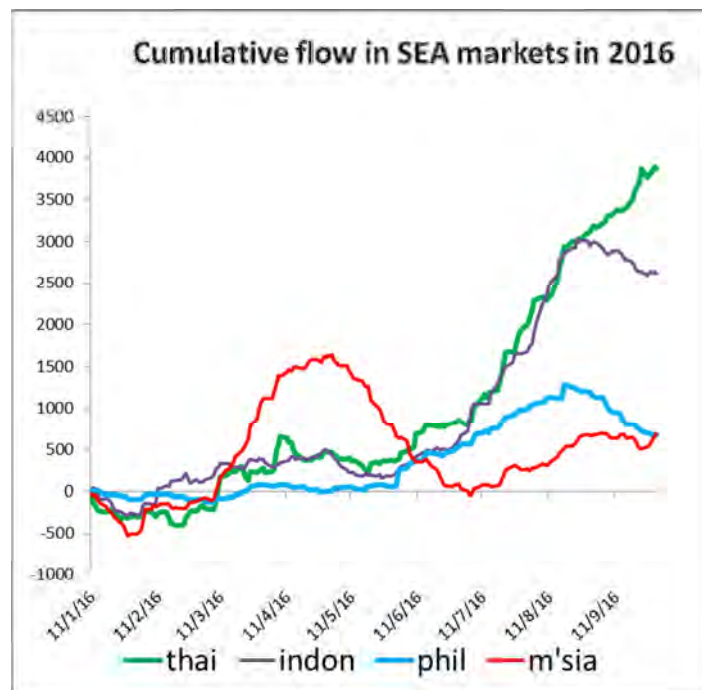
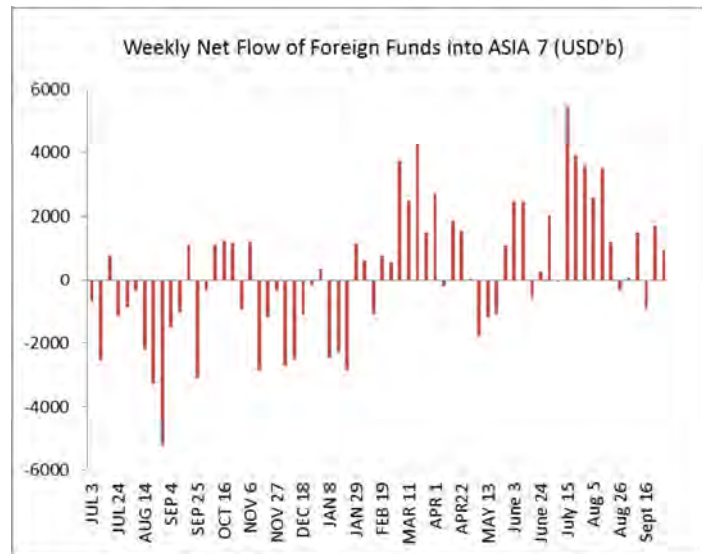
Weekly % change	Week before	Last week
STRAITS TIMES INDEX	1.04	0.44
DOW JONES INDUS. AVG	0.76	0.26
S&P 500	1.19	0.17
FTSE 100	2.97	0.14
JAKARTA COMPOSITE	2.30	-0.45
KOSPI	2.74	-0.51
STOCK EXCH OF THAI	0.93	-0.65
CSI 300	1.14	-0.68
CAC 40	3.61	-0.90
DAX	3.41	-1.09
FBM KLCI	1.09	-1.10
PSEi - PHILIPPINE	2.25	-1.22
TAIWAN TAIEX	4.29	-1.27
HANG SENG	1.50	-1.64
NIKKEI 225	1.42	-1.82
S&P BSE SENSEX	0.24	-2.80

Source: Bloomberg



B. TRACKING MONEY FLOW - ASIA¹

- Foreign inflow slowed down to USD937.7m compared to a much stronger tide-in of USD1694.5m the week before.
- On a monthly basis, foreign fund flow to the seven Asian markets we track stood at USD3287.9m in September compared to USD6911.1m in August.
- Week-on-week, investors classified as “foreigners” bought USD141.3m in North Asia compared with USD1227.4m the week before. There was an inflow to the TIPs markets at USD123.3m compared with an outflow of -USD118.5m the week prior.
- Taiwan’s cumulative foreign fund flow exceeded USD1.42b year-to-date. Taiwan attracted USD87.5m in a three-day trading week against the inflow of USD864.8m in the preceding week. In September, tide-in to Taiwan was at USD246.6m compared to USD2386m in August. Taiwan’s stock exchange was closed on last Tuesday and Wednesday due to Typhoon Megi. Foreign investors bought shares of dynamic random access memory chip maker Inotera Memories Inc, China Development Financial Holdings Corp and computer maker Inventec Corporation the most during the week.
- Foreigners have been net buyers in South Korea for the fifth week in a row. They bought USD53.79m last week versus USD362.58m of stocks the week before. September was a better month as inflow was at USD1483.4m against USD904.1m in August. South Korea’s August industrial production fell more than expected by -2.4% from July due to fewer work days in a month. However, it increased 2.3% compared to a year ago, which is better than the 1.6% gain expected. Stocks listed on South Korea were lifted due to better risk appetite from investors amid higher oil prices.
- Foreigners turned net buyers in The Philippines after selling for six straight weeks. They bought USD76.58m last week compared to disposing off -USD39.96m in the preceding week due to progress made in the development of infrastructure. This is against investors’ cautiousness towards its unpredictable president Rodrigo Duterte who made international headlines for controversial remarks in the previous weeks. In September, foreigners sold -USD373.8m compared to a net purchase of USD66.4m in August.
- Indonesia saw the fifth straight weekly outflow at -USD14.42m compared to -USD3.32m the week prior. The country saw foreign tide out of -USD373.8m in September compared to an inflow of USD1109.2m in August. The outflow came at a time when the first phase of Indonesia’s tax amnesty programme that ends on Sept 30.



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.

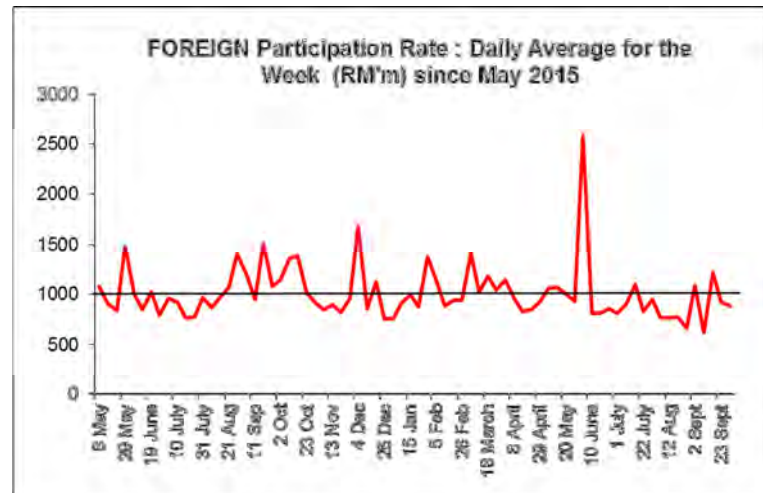
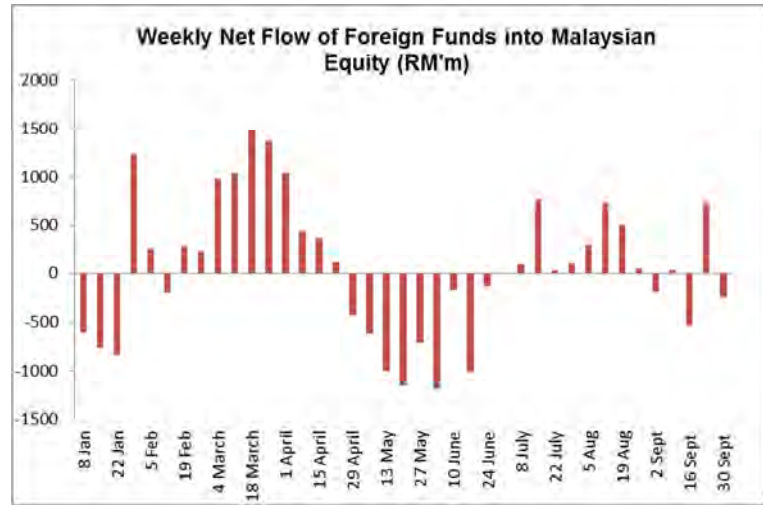
WEEKLY NET FLOW OF FOREIGN FUND INTO EQUITY (USD'm)

WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
Aug 19	405.7	111.8	139.9	-71.7	236.2	251.1	125.22	1198.2
Aug 26	-669.8	127.5	3.1	-76.2	-20.97	275.1	12.32	-348.8
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

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

C. TRACKING MONEY FLOW - MALAYSIA

- Foreign investors pulled out of the local market amid a bomb hoax at Bursa Malaysia building on Friday, which saw an outflow of -RM266.2m in a day.
- Last week, foreign outflow was -RM240.8m compared to an inflow of RM733.4m the week prior.
- In September, foreign investors offloaded -RM207.2m compared to a net buying of RM1,580.8m in August.
- Foreign investors were net sellers on Tuesday (-RM100.4m), Wednesday (-RM31.8m) and Friday (-RM266.2m). The sell down on Friday was the steepest in a single day since June 16.
- On the other hand, they were net buyers on Monday (RM50m) and Thursday (RM107.6). The buying on Thursday was largely due to OPEC's decision to cut output, which bodes well for oil prices and some of Malaysia's upstream oil and gas players.
- Foreigners' participation rate declined for the second successive week to RM885m against RM921.36m the week before.
- Year-to-date cumulative net foreign inflow contracted slightly to RM2,332.9m compared to RM2,544.1m, the highest in almost five months. In retrospect, foreigners had offloaded -RM19.5b in 2015 and -RM6.9b in 2014.
- Local institutions turned net buyers during the week, loading up RM244.6m worth of shares. That occurred after they sold off -RM738.7m in the preceding week. Local funds were buyers on Tuesday (RM80.7m), Wednesday (RM39.4m) and Friday (RM231.7m). The buying on last Friday was the highest in a day since June 16. On the other hand, they sold stocks on Monday (-RM34.7m) and Thursday (-RM72.5m).
- Retailers took profit last week by selling RM3.8m after being net buyers two weeks in a row before that. In the week earlier, they bought RM5.3m. They were net sellers on Monday (-RM15.3m), Wednesday (-RM7.6m) and Thursday (-RM35.1m). They bought RM19.7m worth of stocks on Tuesday and RM34.5m on Friday.
- Among the three categories of investors, only local institution investors saw an increase in participation rate, which rose to the highest in six weeks at RM2273.4m.



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)*
Aug 19	2058.5	2001.5	57.0	5728.9	6287.4	-558.5	2188.1	1686.6	501.5	125.2
Aug 26	1588.3	1534.9	53.4	5006.5	5109.3	-102.8	1672.1	1622.7	49.4	12.3
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

* Estimate by MIDF Research based on prevailing exchange rate.


Source: Bursa's preliminary data

TOP 100 STOCKS: MONEY FLOW

TOP 10 NET MONEY INFLOWS

- Tenaga Nasional registered the highest net money inflow of RM18.63m last week. Accordingly, its share price outperformed the broader market as it ended lower by merely -0.69% while the FBM KLCI dropped by a bigger -1.10% 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. In related news, TNB is raising USD3b Islamic bonds to fund overseas investments including a 30% stake in a Turkish power firm.
- Fraser & Neave came in second with RM11.97m net inflow. Nonetheless, its share price underperformed the market benchmark with a -1.31% loss during the review week which may attract a BOW stance among some investors.
- SP Setia recorded the third highest net money inflow of RM7.02m. However, its share price underperformed with a loss of -1.69% during the review week which may also attract a BOW stance among some investors.

TOP 10 NET MONEY OUTFLOWS

- KL Kepong saw the largest net money outflow of -RM50.23m during the review week but its stock price outperformed the market benchmark with a slight -0.25% weekly retreat vis-à-vis a -1.10% loss in the FBM KLCI.
- Public Bank came in second last week with a net outflow of -RM25.99m. However, its share price outperformed the market benchmark with a 0.41% weekly gain. Net money outflow amidst advancing share price may indicate a sell on strength (SOS) stance among some investors. It is noteworthy that Public Bank has, for the first time since 2009, overtaken Maybank as the nation's largest commercial bank by market value.
- MISC registered the third largest net money outflow at -RM15.63m in the review week but its share price outperformed with a small -0.40% loss during the week under review. 

Tables below list the Top 10 Net Money Inflows and Net Money Outflows for the week ended 30 September 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	18.63	-5.78	-0.69	BOW
F&N	11.97	0.34	-1.31	BOW
SP SETIA	7.02	3.77	-1.69	BOW
TOP GLOVE	5.39	2.07	6.03	-
PETRO DAGANG	5.13	-3.15	0.17	-
CAPITALAND	3.27	0.33	-1.90	BOW
TM	3.17	4.55	-0.29	BOW
KLCCP	2.67	-0.38	0.39	-
UEM SUNRISE	2.66	-0.47	2.61	-
GENTING PLANT	1.96	-0.11	0.36	-

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	
KL KEPONG	-50.23	-16.31	-0.25	-
PUBLIC BANK	-25.99	-15.75	0.41	SOS
MISC	-15.63	0.03	-0.40	-
MAYBANK	-6.71	30.01	-2.22	-
SUNWAY	-6.29	0.34	-2.82	-
GAMUDA	-4.82	-0.11	0.00	-
AIRASIA	-4.79	-5.78	1.82	SOS
HEINEKEN	-3.99	0.04	1.03	SOS
GENTING M'SIA	-3.45	-2.27	-1.73	-
MAHB	-2.53	-2.59	-3.82	-

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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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.