

## MIDF EQUITY STRATEGY | 3 JAN 2017

### WEEK ENDED 30 DECEMBER 2016

- Summing up the year 2016, Thailand, Indonesia and the United States had the highest annual gains at 19.8%, 15.3% and 13.4% while the Philippines, Malaysia and China were down by -1.6%, -3.0% and -11.3% respectively.
- Brent crude oil prices were higher last week on the eve of a scheduled OPEC production cut but went on to be relatively flat as data from the US showed higher crude oil inventory. Brent was up 3.01% to USD56.09pb and WTI was up 1.32% to USD53.72pb.
- The Malaysian Ringgit depreciated against the US Dollar by -0.27% to 4.4862 while the FBM KLCI was up 1.52% to 1,641.73 during the review week.
- Funds that were classified as “foreign” were net buyers in five out of the seven Asian equity exchanges that we tracked, i.e. with the exception of Malaysia and India. The net aggregate amount was a positive USD214.3m
- To wrap up the year, Taiwan had the highest net inflow in 2016 at USD10,741.3m while Korea was second at USD10,480.1m. It is also notable that Malaysia was the only country, among the seven that we tracked, to end the year with a net outflow of -USD601.0m.
- Malaysian equity has been subjected to foreign money attrition since early May. This trend appeared to continue throughout June and July, yet tapered down in August and September. However, with the uncertainty leading to the US election in November and the subsequent Trump’s shock victory, the foreign money attrition resumed in October until year-end.
- In 2016, the amount of foreign net outflow was -RM3.0b. It is noteworthy that the figure was relatively low vis-à-vis -RM19.5b net outflow in 2015.

## THE YEAR THAT WAS

### A. MARKET SNAPSHOT

- Most markets closed higher last week due to year-end window dressing activities and higher crude oil prices. The top gainers were the Indonesia's JCI, Philippines' PSEi and India's Sensex at 5.35%, 4.22% and 2.25% respectively.
- The four indexes that were down over the week were the Korean's Kospi, Dow Jones Industrial Average, S&P 500 and the Japan's Nikkei. They went down by -0.46%, -0.86%, -1.10% and -1.61% respectively.
- The China's CSI300 Index was higher by 0.07%. Its entrepreneurs confidence index was higher at 54.2% in fourth quarter of 2016. This marked the third consecutive increase in the index. Banker's confidence was also higher at 53.7%.
- Summing up the year 2016, Thailand, Indonesia and the United States had the highest annual gains at 19.8%, 15.3% and 13.4% while the Philippines, Malaysia and China were down by -1.6%, -3.0% and -11.3% respectively.

Table 1 Weekly performance of major indices		
Weekly % change	Week before	Last week
Jakarta JCI	-3.90	5.35
Phil Comp	-4.19	4.22
India Sensex	-1.69	2.25
Thai SET	-0.82	2.18
Hang Seng	-2.03	1.97
Taiwan Taiex	-2.66	1.93
KLCI	-1.26	1.52
FTSE	0.81	1.06
CAC	0.13	0.47
Straits Times	-2.27	0.34
DAX	0.40	0.27
China CSI300	-1.15	0.07
Korea KOSPI	-0.31	-0.46
Dow Jones	0.46	-0.86
S&P500	0.25	-1.10
Nikkei 225	0.14	-1.61

Source: Bloomberg

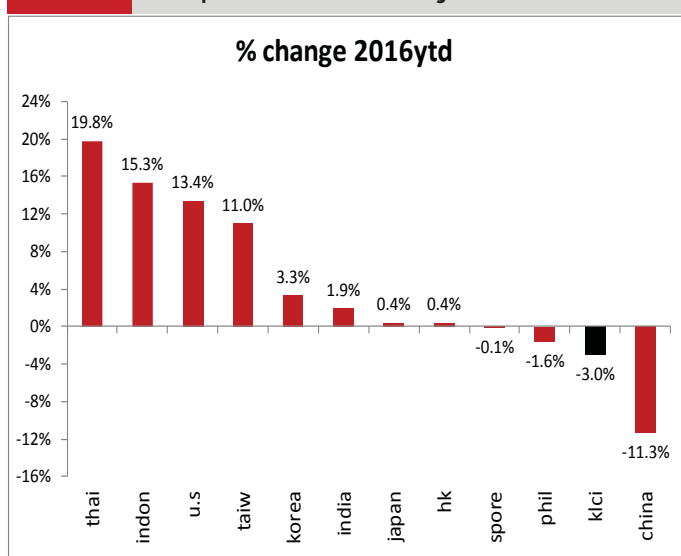
## FUND FLOW REPORT

- Brent crude oil prices were higher last week on the eve of a scheduled OPEC production cut but went on to be relatively flat as data from the US showed higher crude oil inventory. Brent was up 3.01% to USD56.09pb and WTI was up 1.32% to USD53.72pb.
- The Malaysian Ringgit depreciated against the US Dollar by -0.27% to 4.4862 while the FBM KLCI was up 1.52% to 1,641.73 during the review week.

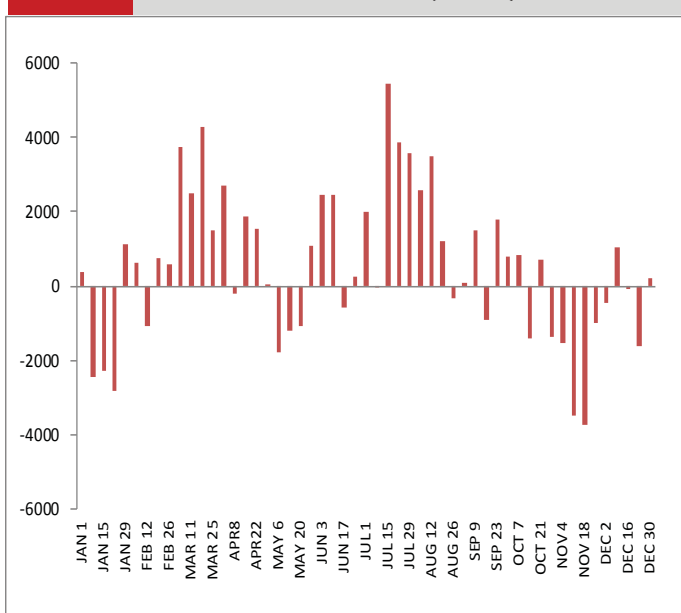
### B. TRACKING MONEY FLOW - ASIA<sup>1</sup>

- Funds that were classified as “foreign” were net buyers in five out of the seven Asian equity exchanges that we tracked, i.e. with the exception of Malaysia and India. The net aggregate amount was a positive USD214.3m
- The big gainers were Korea, Thailand and Indonesia with net inflows of USD485.8m, USD197.1m and USD60.1m respectively.
- For the month of December, only Korea and Thailand recorded net inflows at USD1,245.4m and USD13.1m while the other 5 countries, including Malaysia, had negative monthly net flow.
- To wrap up the year, Taiwan had the highest net inflow in 2016 at USD10,741.3m while

**Chart 1** YTD performance of major markets



**Chart 2** Weekly Net Flow of Foreign Funds into 7 Asian Markets in 2016 (USD'b)



Source: Bloomberg, Bursa Malaysia

<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.

Korea was second at USD10,480.1m. It is also notable that Malaysia was the only country, among the seven that we tracked, to end the year with a net outflow of -USD601.0m.

- Cumulatively from 2010-2016, the highest net inflow among the 7 countries that we tracked was India with USD95,449.9m and followed by Korea with net inflow of USD43,823.0m. During the same period, Thailand was the only country with a negative cumulative flow of -USD4,300.5m.

Chart 3

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

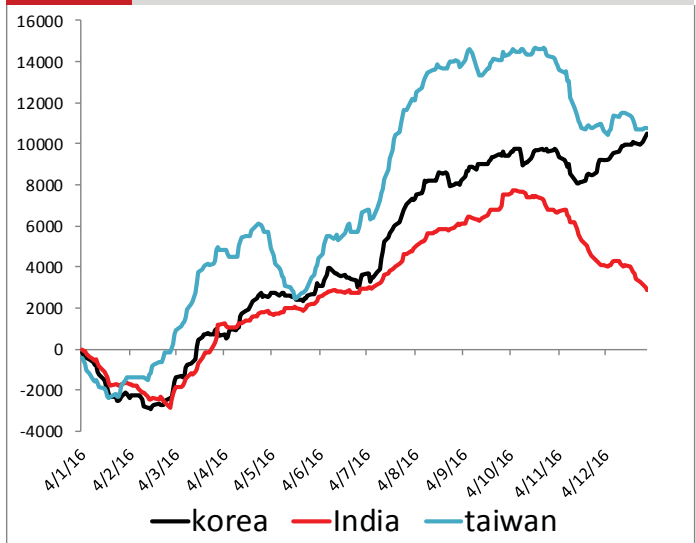
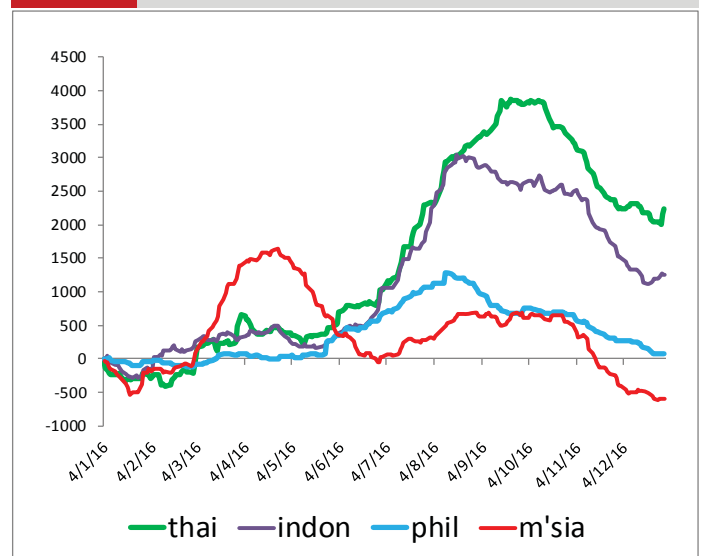


Chart 4

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



Source: Bloomberg, Bursa Malaysia

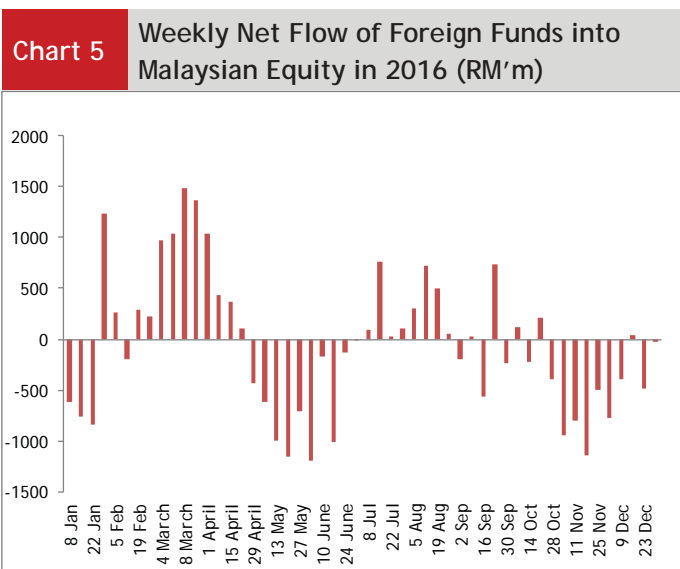
Table 2 Weekly Net Flow Of Foreign Fund Into Equity By Market (USD'm)

WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
NOV 11	-785.8	-263.4	-280.3	-78.3	-538.0	-1355.4	-184.1	-3485.2
NOV 18	-442.9	-295.2	-235.1	-105.4	-900.4	-1500.9	-261.16	-3741.2
NOV 25	376.8	-176.2	-200.7	-76.1	-804.9	17.1	-110.91	-974.9
DEC 2	713.6	-132.5	-237.1	-34.7	-423.5	-151.9	-174.81	-440.9
DEC 9	305.8	83.0	-169.7	-14.2	201.3	710.2	-88.29	1028.1
DEC 16	417.2	-145.5	-182.1	-87.38	-201.3	129.3	10.03	-59.7
DEC 23	49.0	-131.7	52.6	-96.5	-636.1	-745.5	-107.6	-1615.9
DEC 30	485.8	197.1	60.1	9.0	-536.8	6.1	-6.97	214.3

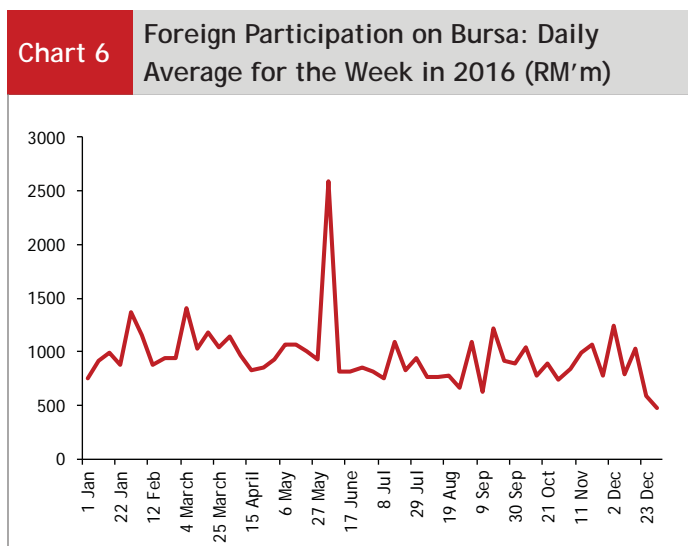
Source: Respective exchange statistics reported on Bloomberg, Bursa Malaysia. These figures are subject to revisions.

## C. TRACKING MONEY FLOW - MALAYSIA

- Malaysian equity has been subjected to foreign money attrition since early May. This trend appeared to continue throughout June and July, yet tapered down in August and September. However, with the uncertainty leading to the US election in November and the subsequent Trump's shock victory, the foreign money attrition resumed in October until year-end.
- During the last week of 2016, the Malaysian equity foreign fund flow remained negative. The net amount sold by foreigners on Bursa was -RM31.2m, albeit a much smaller amount compared to the prior week figure of -RM481.7m.
- Throughout the whole week, on net daily basis, foreign investors have been liquidating their investments with exception on Wednesday which saw a net foreign inflow of RM57.5m. The highest attrition was on Tuesday of -RM70.1m.
- Retail investors gross participation rate continued to expand to RM429.6m from RM392.6m in the prior week. The institutional investors gross participation rate also improved to RM1,920.0m from RM1,667.0m in the prior week.
- In 2016, the amount of foreign net outflow was -RM3.0b. It is noteworthy that the figure was relatively low vis-à-vis -RM19.5b net outflow in 2015.



Source: Bursa Malaysia preliminary statistics



Source: Bursa Malaysia preliminary statistics, MIDFR

**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)	
18 Nov	1265.5	1227.2	38.3	5392.0	4292.4	1099.6	2089.6	3227.5	-1137.9	-261.2
25 Nov	1309.7	1204.6	105.1	4510.5	4122.3	388.2	1710.6	2203.9	-493.3	-110.9
2 Dec	1172.8	1210.7	-37.9	5548.9	4730.5	818.4	2720.6	3501.1	-780.5	-174.81
9 Dec	881.8	860.7	21.1	4607.1	4235.8	371.3	1765.6	2158.0	-392.4	-88.29
16 Dec	764.0	749.9	14.1	3822.4	3880.5	-58.1	2083.7	2039.7	44.0	10.03
23 Dec	1023.9	939.0	84.9	4366.0	3969.2	396.8	1239.0	1720.7	-481.7	-107.6
30 Dec	824.8	893.6	-68.8	3890.0	3790.0	100.0	923.1	954.3	-31.2	-6.97

Source: Bursa's preliminary data

\* Estimate by MIDF Research based on prevailing exchange rate.



**D. MONEY FLOW<sup>2</sup> AMONG BURSA'S TOP 100 CAPITALIZED STOCKS: WEEK ENDED 30 DEC**
**TOP 10 NET MONEY INFLOWS**

- Tenaga Nasional registered the highest net money inflow of RM25.09m last week. Accordingly, its share price outperformed the broader market with a 1.76% gain while the FBM KLCI advanced by a smaller 1.52% during the week under review.
- CIMB recorded the second highest net money inflow of RM5.92m. However, its share price underperformed against the market benchmark with a -1.53% 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, CIMB has proposed to divest its 18.21% stake in Bank of Yingkou Co. Ltd. for 1.51b yuan (RM972m). The disposal price values the stake at about 1.0x the price-to-book value ratio.
- Westports saw the third highest net money inflow of RM4.99m and its share price outperformed with a 2.38% gain during the review week.

**Table 4** Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
TNB	25.09	18.38	1.76	-
CIMB	5.92	9.88	-1.53	BOW
WESTPORTS	4.99	5.84	2.38	-
GENTING	3.47	2.50	3.63	-
BURSA M'SIA	2.48	-5.24	0.34	-
IJM CORP	1.33	3.23	0.63	-
KL KEPONG	1.32	3.23	1.95	-
SP SETIA	1.31	1.69	-0.63	BOW
AIRASIA	1.29	1.63	-0.87	BOW
BAT	1.03	0.08	4.94	-

Source: Bloomberg, MIDFR;

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

**TOP 10 NET MONEY OUTFLOWS**

- Public Bank saw the largest net money outflow of -RM12.36m last week. Accordingly, its stock price performance lagged the market benchmark with a mere 0.20% gain vis-à-vis the FBM KLCI which advanced by a larger 1.52% during the review week. It is notable that net money outflow amidst advancing share price indicates a sell on strength (SOS) stance among some investors.
- Genting Plantations recorded the second largest net money outflow -RM9.38m during the week under review. In spite of the outflow, its share price outperformed the market benchmark with a 2.08% weekly gain which may nonetheless attract a SOS stance among some investors.
- Hong Leong Bank registered the third largest net money outflow at -RM5.34m in the review week and its share price too outperformed with a 3.21% gain which may as well attract a SOS stance among some investors.

**Table 5** Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
PUBLIC BANK	-12.36	-11.21	0.20	SOS
GENTING PLANT	-9.38	4.34	2.08	SOS
HLEONG BANK	-5.34	-2.11	3.21	SOS
SIME DARBY	-3.20	14.17	0.87	SOS
MAYBANK	-2.91	12.93	5.94	SOS
PETRO CHEM	-2.79	2.97	1.16	SOS
AXIATA	-2.32	-5.10	4.89	SOS
TM	-2.22	0.00	0.00	-
GENTING M'SIA	-1.73	-0.63	0.88	SOS
SAPURAKENCANA	-1.46	-1.43	1.25	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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