



MALAYSIA EQUITY RESEARCH | APRIL 20, 2015

<p>Week Ended April 17, 2015</p>	Foreign Flow Meter	
	 Tide	MODERATE (stable)
	 Current	HIGH (reversal)

- After a commendable performance the week before, things turned rough for global equity. Many indices ended the week in the redzone, but it was the rout in the Western markets on Friday which is rather disconcerting.
- There was a sudden drop in risk appetite on Friday, This has been attributed to agitations over corporate earnings, signs of higher inflation and concerns from China to Greece.
- The after-market rout on Friday has yet to be reflected in Asia. However, there are already signs of apprehensions in some Emerging Asian markets, specifically Manila, Jakarta and India.
- Meanwhile, the party is still ongoing in North Asia where China's market continued to rally for the sixth consecutive week.
- Global money continued to flow moderately to Asia for the third consecutive week. The tide is idle as market fatigue appears to be setting in Wall Street ahead of the potentially volatile month of May.
- In Asia, foreign funds remained heavy buyers of Korean equity last week, mopping up USD1.47b, the highest since April 2014. However, Emerging Asia remained in struggling mode. There was significant mood swings in Jakarta and Manila where foreign investors sold aggressively.
- In contrast, foreign funds persisted with their built-up of Malaysian equity portfolio, buying for the fifth consecutive week. Foreign investors were net buyers every single day last week and had been net buyers in 10 out of the last 11 trading days. Foreign funds sold -RM539.9m net in March, and this has already been reversed in April, as the cumulative net purchase for the month until last Friday was +RM633.1m. Foreign participation on Bursa spiked last week.

20 April 2015 | Strategy - Weekly Fund Flow

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## STRONG CURRENT ON BURSA

### A. MARKET SNAPSHOT

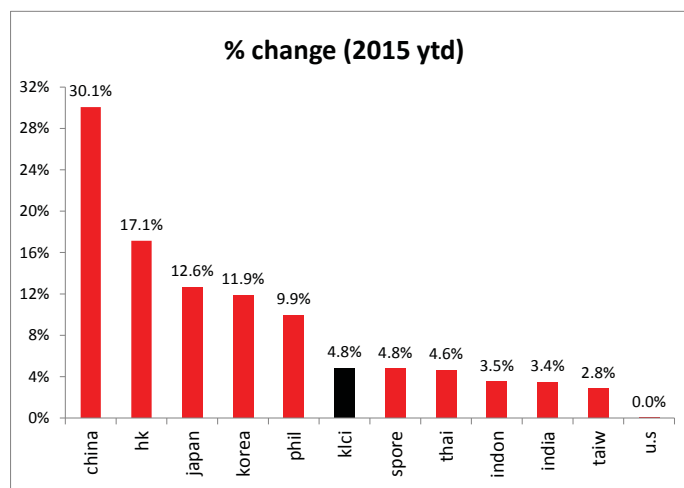
- After a commendable performance the week before, things turned rough for global equity. Many indices ended the week in the redzone, but it was the rout in the Western markets on Friday which is rather disconcerting.
- On Wall Street, the Dow Jones and S&P500 lost -1.3% and -1.0% respectively for the week, but this is mainly attributable to the major selloff on Friday. The Dow shed 279 points or 1.5% on Friday, the fourth steepest decline this year.
- European markets also fell in tandem last week with the DAX, CAC and FTSE shedding -5.5%, -1.9% and -1.3% respectively. The DAX declined -2.6% on Friday.
- There was a sudden drop in risk appetite on Friday, This has been attributed to agitations over corporate earnings, signs of higher inflation and concerns from China to Greece. After hitting record high in March, the Dow Jones has been struggling to hold on to the 18,000-point level. Market fatigue is creeping in and the timing is conveniently so, as the month of May is approaching. May is a behaviourally weak month on Wall Street, with the adage "Sell in May and go away" tending to be self-fulfilling.
- The after-market rout on Friday has yet to be reflected in Asia. However, there are already signs of apprehensions in some Emerging Asian markets, specifically Manila, Jakarta and India. The Philippines Composite fell -2.2%, the first decline in five weeks.
- Meanwhile, the party is still ongoing in North Asia where China's market continued to rally for the sixth consecutive week. The CSI300 added another massive 5.8% last week, and the index is up 30.1%ytd. China's GDP expanded only 7%yoy in 1Q15, the slowest pace in six years, while industrial production grew only 5.6%yoy in March, below expectation. Retail sales also disappointed. That is raising expectations that the Government will stimulate the economy by loosening monetary policies further soon.
- The Hang Seng also climbed for the fifth week running and is now up 17.1%ytd, trailing only China.
- The KLCI was marginally higher last week, and the index has risen five weeks in a row now. It is up 4.8%ytd overtaking Jakarta's JCI.

### Performance of major markets

Weekly % change	Week before	Last week
China CSI300	4.17	5.79
Korea KOSPI	2.07	2.67
Straits Times	0.54	1.52
Hang Seng	7.90	1.40
Thai SET	0.77	1.23
KLCI	0.53	0.08
Taiwan Taiex	0.18	-0.49
S&P500	1.70	-0.99
Nikkei 225	2.43	-1.28
Dow Jones	1.66	-1.28
FTSE	3.75	-1.34
Jakarta JCI	0.64	-1.47
India Sensex	2.19	-1.51
CAC	3.28	-1.85
Phil Comp	1.68	-2.22
DAX	3.40	-5.54

Source: Bloomberg

### Major Asian indices (2015)

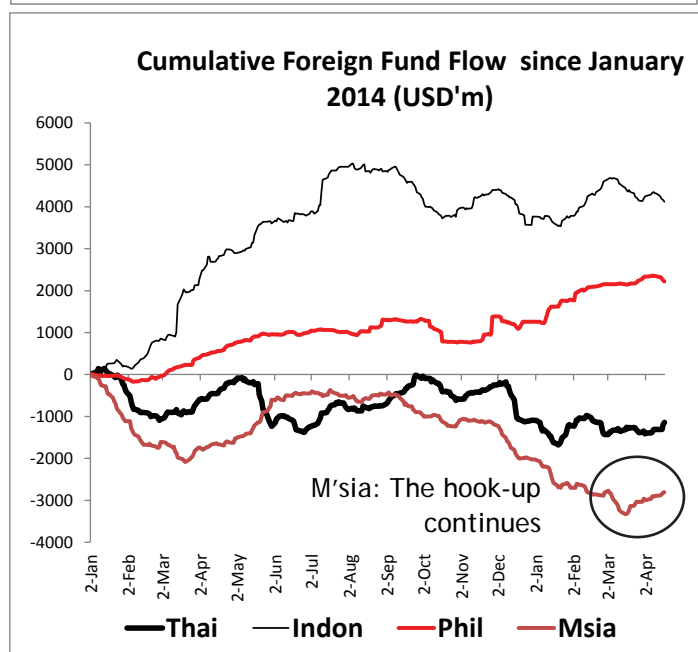
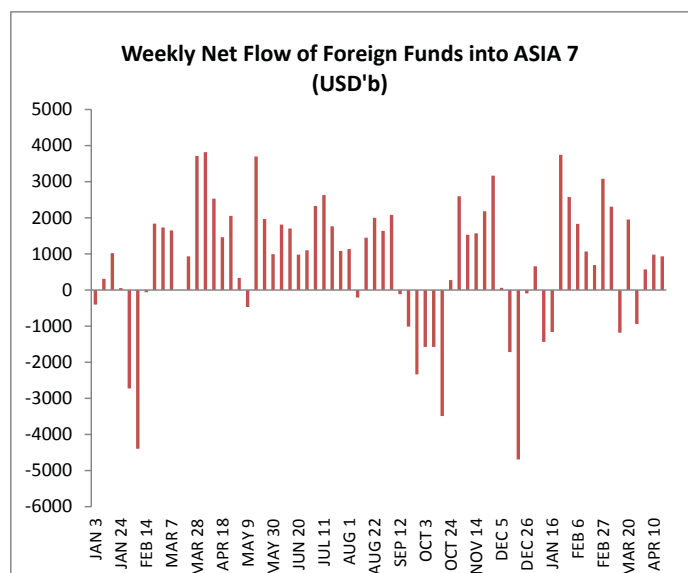


Source: Bloomberg

## FUND FLOW REPORT

### B. TRACKING MONEY FLOW

- Global money continued to flow to Asia, albeit moderately, for the third consecutive week. The tide is idle as market fatigue appears to be setting in Wall Street ahead of the potentially volatile month of May.
- Based on provisional data from the respective exchanges, investors classified as “foreign” remained aggregate net buyers in the 7 Asian<sup>1</sup> stock markets that we track (TIPs + India, Taiwan, Korea and Malaysia). The amount bought last week was still moderate at USD933.4m.
- However, foreign funds remained heavy buyers of Korean equity last week, mopping up USD1.47b, the highest since April last year. Korea has been one of the biggest beneficiaries of the quantitative easings by the ECB and BOJ. The KOSPI is at its highest since August 2011, while the tech-laden KOSDAQ index closed on Friday at its highest in more than seven years. Last week’s run was fueled by optimism over corporate earnings, especially at energy stocks. Samsung also said last week that demand for Galaxy 6 has been “much higher” than expected.
- In Taiwan, profit taking is still rampant as foreigners sold for the fourth week running. Taiwan is currently losing attention to China and HK.
- Emerging Asia remained in struggling mode. There was significant mood swings in Jakarta and Manila where foreign investors sold aggressively.
- In Jakarta, foreign investors sold -USD200.2m last week, the fourth highest this year. It was probably selling on news, after Indonesia posted a fourth consecutive trade surplus of USD1.13b in March. On Monday, World Bank downgraded its GDP growth forecast for Indonesia to 5.2% in 2015 from 5.6%. Foreigners have been net sellers for 7 straight trading days now.
- Meanwhile, the Manila bourse recorded the heaviest sell-down by foreign funds in a week this year. Foreigners sold -USD125.3m last week, the highest since October 2014. As in the case with Indonesia, the World Bank also downgraded its forecast of the Philippines GDP growth, from 6.7% to 6.5%. Investors are in a profit-taking mood after the benchmark PSEI index hit record closing several times this month.
- An exception in this region is Thailand, where there was pent-up foreign buying last week after the 3-day Songkran holiday.



<sup>1</sup> These ASIA 7 markets, for which fund flow data is publicly available, are our proxy for Asia. TIP = Thailand + Indonesia + Philippines.

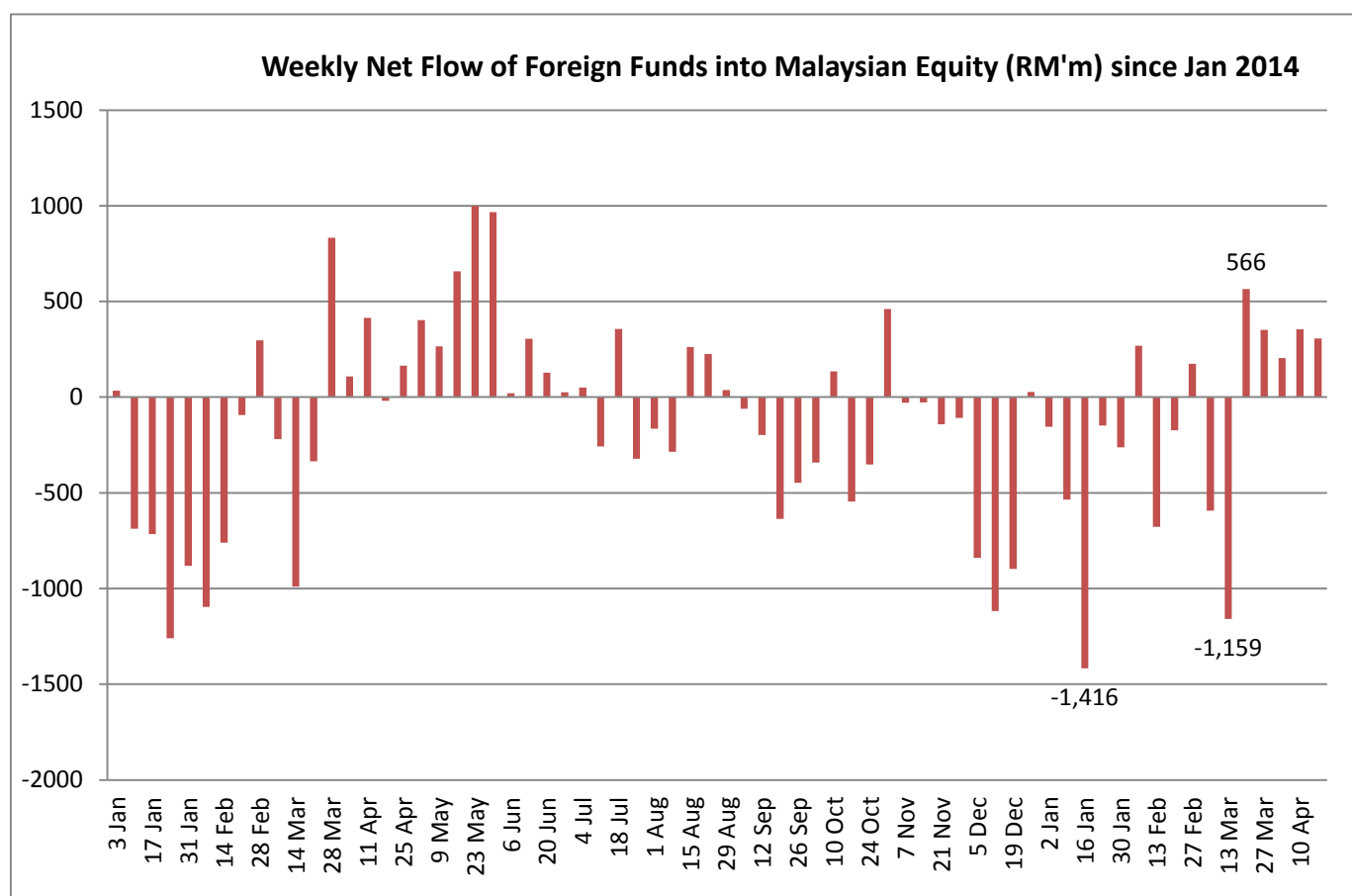
#### WEEKLY NET FLOW OF FOREIGN FUND INTO EQUITY (USD'm)

WEEK ENDED	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
MAR 6	887.8	104.4	68.7	-6.7	892.4	527.2	-162.7	2311.1
MAR 13	87.4	-9.4	-179.6	12.6	160.0	-935.3	-314.1	-1178.4
MAR 20	1297.3	62.8	-151.8	7.7	172.5	414.7	151.9	1955.1
MAR 27	-0.5	-107.5	-204.3	69.0	234.7	-1026.8	96.3	-939.1
APR 3	204.0	-13.8	112.3	96.2	227.5	-109.9	54.8	571.6
APR 10	511.4	83.6	58.9	9.5	273.3	-55.0	97.3	979.2
APR 17	1467.6	168.8	-200.2	-125.3	21.9	-483.0	83.6	933.4

Source: Various countries' exchanges. These figures are subject to revisions.

C. TRACKING MONEY FLOW - MALAYSIA

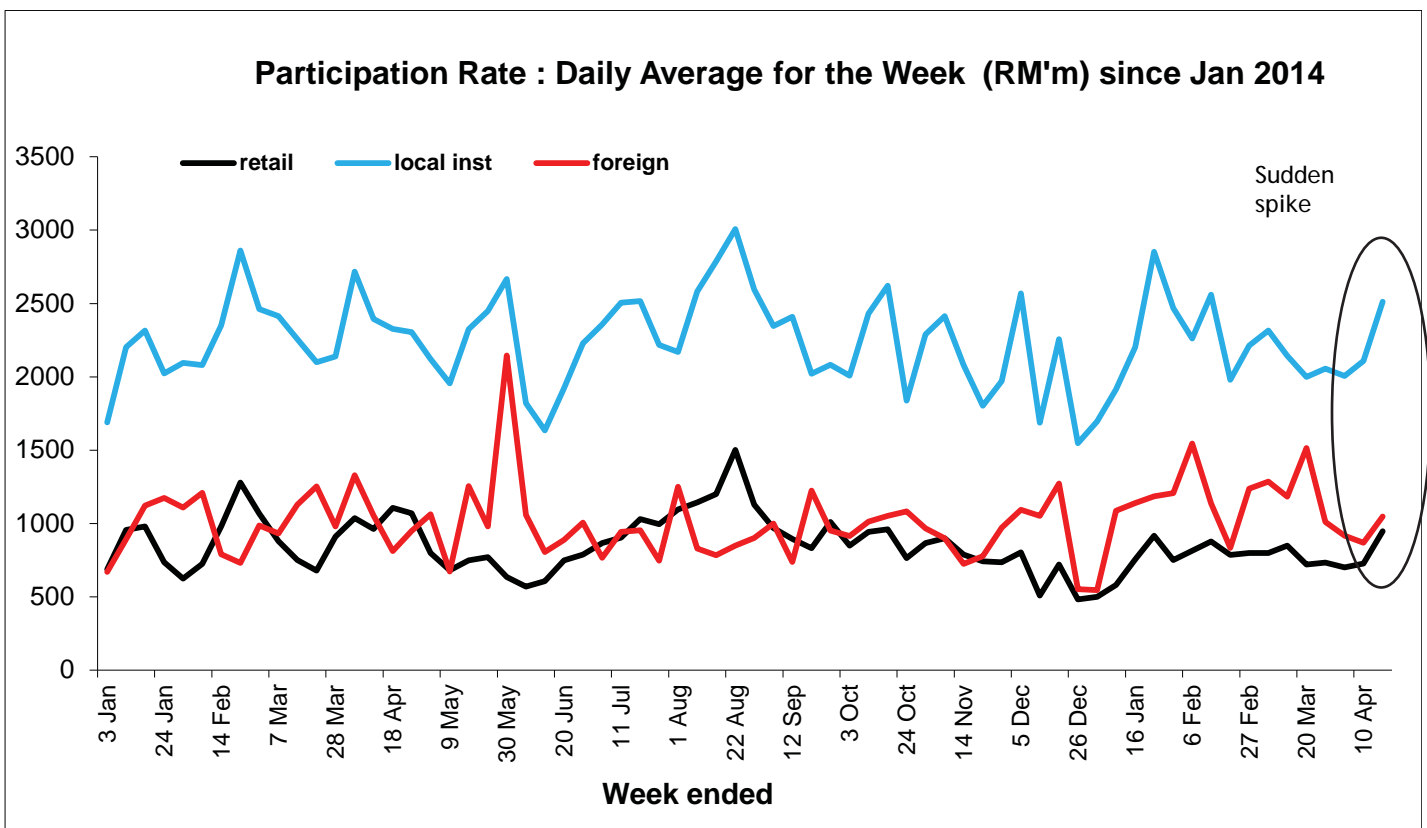
- In contrast to the apparent sell-down in Jakarta and Manila, foreign funds persisted with their built-up of Malaysian equity portfolio.
- Investors classified as “foreign” bought equity listed in the open market on Bursa (i.e excluding off-market deals) for the fifth consecutive week. The amount mopped up last week amounted to RM307.3m on a net basis, compared with RM354.4m the week before.
- We note that foreign investors were net buyers every single day last week. Indeed, they had been net buyers in 10 out of the last 11 trading days, during which an amount of approximately RM700m had been mopped up. Foreign funds sold -RM539.9m net in March, and this has already been reversed in April, as the cumulative net purchase for the month until last Friday was RM633.1m.
- For 2015, last week’s purchase reduced *further* the cumulative net foreign outflow to -RM2.79b. In comparison, the cumulative foreign outflow for the entire 2014 was -RM6.93b.
- Foreign presence on Bursa increased suddenly last week. Participation rate of foreign investors rose to its highest in four weeks. The daily average gross purchase and sale climbed back to above RM1b at RM1.05b.
- The continued foreign buying has enabled local investors to offload their position. Local institutions sold -RM159.6m net, the fifth consecutive week of selling. Participation rate surged to RM2.51b average daily, the third highest this year. Local institutions have absorbed RM3.72b net so far this year. In 2014, they mopped up RM8.18b net.
- Retailers also continued to exit the market last week, selling -RM147.7m. In the last five weeks, retailers have sold a cumulative -RM650m. Most significantly, retail participation rate spiked to RM947m last week, the highest this year. Amid retail selling, the FBM Smallcap index rose 2.6% last week, its best weekly performance in 12 weeks.



Source: Bursa statistics, excluding off-market trades

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)*
NOV 21	1932.6	1780.0	152.6	4500.8	4511.8	-11.0	1871.5	2013.1	-141.6	-42.2
NOV 28	1847.2	1835.2	12.0	4977.1	4880.2	96.9	2376.0	2484.9	-108.9	-32.5
DEC 5	2139.0	1883.9	255.1	6715.5	6131.6	583.9	2314.1	3153.1	-839.0	-243.0
DEC 12	1276.9	1267.6	9.3	4771.1	3662.7	1108.4	2072.1	3189.8	-1117.7	-320.2
DEC 19	1741.3	1860.9	-119.6	6153.4	5135.8	1017.6	2732.2	3630.2	-898.0	-257.7
DEC 26	928.9	1003.4	-74.5	3119.6	3073.2	46.4	1120.0	1091.9	28.1	8.1
JAN 2	970.7	1028.0	-57.3	3496.5	3284.8	211.7	1016.0	1170.4	-154.4	-44.1
JAN 9	1501.3	1399.4	101.9	5003.6	4570.3	433.3	2448.0	2983.2	-535.2	-150.3
JAN 16	1928.4	1853.2	75.2	6176.1	4835.4	1340.7	2141.0	3556.9	-1415.9	-396.1
JAN 23	2198.9	2382.4	-183.5	7294.8	6963.4	331.4	2890.1	3038.0	-147.9	-41.5
JAN 30	1841.2	1917.3	-76.1	6342.7	6005.1	337.6	2885.6	3147.1	-261.5	-71.9
FEB 6	1167.3	1273.1	-105.8	3311.0	3473.8	-162.8	2452.0	2183.4	268.6	75.3
FEB 13	2157.5	2228.7	-71.2	6774.6	6025.7	748.9	2504.9	3182.6	-677.7	-188.6
FEB 20	974.6	992.4	-17.8	2570.6	2379.9	190.7	955.4	1128.3	-172.9	-48.3
FEB 27	1953.2	2041.8	-88.6	5488.1	5574.5	-86.4	3184.4	3009.4	175.0	48.7
MAR 6	2022.6	1973.1	49.5	6063.1	5519.1	544.0	2917.7	3511.2	-593.5	-162.7
MAR 13	2138.6	2113.6	25.0	5922.7	4789.2	1133.5	2375.9	3535.1	-1159.2	-314.1
MAR 20	1745.9	1858.8	-112.9	4773.5	5226.1	-452.6	4069.0	3503.5	565.5	151.9
MAR 27	1799.1	1871.5	-72.4	4999.8	5279.6	-279.8	2705.8	2353.6	352.2	96.3
APR 3	1669.3	1835.6	-166.3	4995.9	5033.4	-37.5	2395.5	2191.7	203.8	54.9
APR 10	1745.6	1895.8	-150.2	5169.7	5373.9	-204.2	2350.4	1996.0	354.4	97.3
APR 17	2293.2	2440.9	-147.7	6201.4	6361.0	-159.6	2773.5	2466.2	307.3	83.6

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



**D. TOP 100 STOCKS: MONEY FLOW <sup>2</sup>**
**TOP 10 NET MONEY INFLOWS**

- Tenaga Nasional registered the highest net money inflow of RM32.57m last week. It was a total reversal from the -RM27.79m outflow a week earlier. The company is seen as a major contender to win in an open bid for some of 1MDB's power assets. However, its share price slightly lagged the broader market with a weekly -0.41% loss. This was against a marginal 0.08% gain for the FBM KLCI. Under this scenario, it is noteworthy that the net money inflow amidst retreating share price indicates buy on weakness (BOW) stance among some investors.
- British American Tobacco came in second with RM18.89m net inflow. Nevertheless its share price underperformed the FBM KLCI with a -1.62% weekly loss. It was reported that the company has recently lowered back the prices of its cigarette brands to that of end March this year.
- Axiata Group recorded the third highest net money inflow of RM13.88m. Its share price slightly outperformed the wider market with a 0.29% weekly rise. The Group recently announced the appointment of Dian Siswarini as president and director of PT XL Axiata, the first female CEO among its main subsidiaries.

Tables below list the Top 10 Net Money Inflows and Net Money Outflows last week 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	32.57	-27.79	-0.41	BOW
BAT	18.89	-0.35	-1.62	BOW
AXIATA	13.88	35.00	0.29	-
GAMUDA	7.73	4.48	0.96	-
IHH HEALTH	6.98	4.40	-1.01	BOW
IJM CORP	2.99	0.80	2.79	-
PUBLIC BANK	2.71	16.86	2.10	-
TIME.COM	2.59	0.76	-1.63	BOW
MY EG	2.24	2.51	0.77	-
PPB GROUP	2.17	0.07	1.65	-

Source: Bloomberg, MIDFR;

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

**TOP 10 NET MONEY OUTFLOWS**

- Maybank registered the largest net money outflow during the review week totaling -RM33.66m. Nonetheless, its share price outperformed with a 1.28% weekly gain against a mere 0.08% rise for the FBM KLCI. It was reported that the bank canceled its plan to sell floating-rate Samurai bonds but still intends to sell 3-yr and 5-yr fixed-rate Samurai bonds. The net outflow amidst rising share price may indicate Sell on strength (SOS) stance among some investors.
- Dialog Group saw the second largest net money outflow of -RM4.96m last week. However, the stock was a clear outperformer as it ended the week higher by 3.11% arguably propped by the rise in crude oil prices.
- Fraser & Neave came in third with -RM4.48m net outflow. Even so, its share price too outperformed the broader market last week with a 1.31% gain. It was earlier reported that the company lost its exclusive dealership of Red Bull energy drinks in Malaysia.

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
MAYBANK	-33.66	-1.39	1.28	SOS
DIALOG	-4.96	-0.27	3.11	SOS
F&N	-4.48	-0.31	1.31	SOS
TELEKOM	-3.65	5.29	-1.87	-
SIME DARBY	-3.55	2.48	0.00	-
WESTPORTS	-3.08	-3.40	0.00	-
CIMB	-2.83	7.21	-1.29	-
GUINNESS	-2.77	-0.08	2.76	SOS
AMMB HLDGS	-2.52	2.85	0.47	SOS
HLEONG BANK	-2.14	0.19	-2.10	-

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.

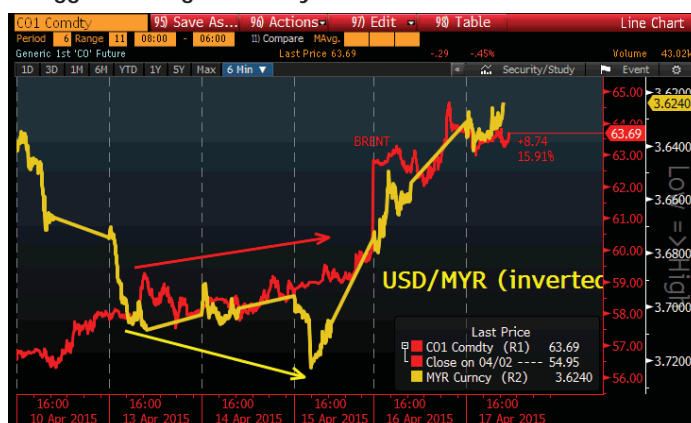
Source: Bloomberg, MIDFR

## E. THE WEEK AHEAD

### THE RINGGIT POSER: WEEK 2

- As we had predicted, April is turning out to be a listless month for the equity market. Local equity prices continue to make incremental gains. The KLCI is up 0.8% month-to-date, while the FBM70 fares better having gained 1.8%.
- There are more actions in the foreign exchange market. The ringgit came under pressure in the early part of last week before rebounding strongly on Thursday. It partly reflects the market's view that ringgit probably overshot its fundamentals on the downwards. The rebound on Thursday the strongest 1-day gain since September 2013, reflecting the severity of the misalignment.
- The success of the Government's global sukuk offering, its first since 2011, effectively reminded the market of the ringgit's decent fundamentals. The 10-year and 30-year tranches were oversubscribed by almost 7 times and 6 times respectively. Meanwhile, Fitch's threat to downgrade Malaysia does not appear to have any bearings on the pricing. The 10-year tranche was priced at only 115 basis points premium above similar-tenor US Treasury, 20 points lower than the 135 basis points targeted.
- The ringgit's trading pattern last week was clearly out of sync with its valuation. Oil price is on a strong recovery yet the ringgit came under selling pressure in the early part of the week.
- Subscribers of the Malaysian sukuk are clearly comfortable with the resilience of the Malaysian economy and the fiscal reform initiatives being pursued by the Government. This is an important *signal* to the market.

Ringgit trading out-of-sync with fundamentals Mon-Tue



### MARKET IN NEED OF CATALYST

- Although foreign funds have been net buyers on Bursa in the last 5 weeks, they remain passive participants (although we note the spike in activity last week). If the ringgit can make a meaningful comeback, it will be a strong incentive for stronger tide in.
- At this juncture, the market does not seem to be in acquiescence although Bank Negara has expressed its view that the ringgit is undervalued, This was evident last week as the ringgit weakened past RM3.70 even as crude oil price was recovering. A strong recovery of the oil price and the ringgit, whose fate appear to be intertwined, could be a catalyst for a stronger foreign conviction.
- At the moment, the local equity market is distracted by the strong showings in China, Hong Kong and Korea. It is made worse by the fact that there is no local catalyst while political bickerings could be a turn-off for many foreign investors. Market fatigue is seeping into Western markets, as the month of May looms. We would be cautious.
- For this week, look at property companies with emphasis on affordable housing. The MOF's Valuation and Property Services Department issued its 2014 property market report last week. We note that (i) transactions for residential properties worth RM200-500k increased by a whopping +37.7%yoy to 102,082 units, and (ii) residential properties beyond the bracket of RM200-500k declined markedly by -15.6%yoy to 145,169 units.

Is Ringgit finally breaking out?



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