



MALAYSIA EQUITY RESEARCH | FEBRUARY 9, 2015

<p>Week Ended February 6, 2015</p>	Foreign Flow Meter	
	 Tide	MODERATE
 Current	STRONG	

- After the inertia in January, Wall Street came alive last week. The Dow Jones rose 3.8%, the highest gain since January 2013.
- The main driver for the bellweather equity market last week was unmistakably the recovery in crude oil price. The price of Brent crude rose by 20%, the biggest two-week margin since March 1998.
- For the third week running, global investors were strong net buyers of Asian equity.
- The momentum continued to favour Emerging Asia. Global funds have been simultaneous net buyers in Thailand, Indonesia and the Philippines for three weeks in a row. But more importantly, the buying also extended to Malaysia last week, making it the first time since August 2014 that foreign investors were net buyers in all four South East Asian Emerging Markets at once.
- The KLCI gained ground last week and has now lost only -1.0% in the year-to-date score.
- After selling Malaysian stocks unrelentlessly since the start of the year, foreign investors appear to be making a reversal last week. We note that foreign selling peaked in the third week of January and has abated significantly thereafter. Still, it is early days and any firm conclusions would be premature. It is a welcomed respite nevertheless.
- Last week, investors classified as “foreign” bought, on a net basis, local equity in the open market (i.e excluding off-market deals) amounted to RM268.6m net.
- Last week purchases reduced the cumulative net foreign outflow for 2015 to -RM2.1b. The cumulative foreign outflow for the entire 2014 was -RM6.9b.

9 February 2015 | Strategy - Weekly Fund Flow

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SUNNIER DAYS AHEAD, BUT TOO EARLY TO PUT AWAY THE BROLLEY

A. MARKET SNAPSHOT

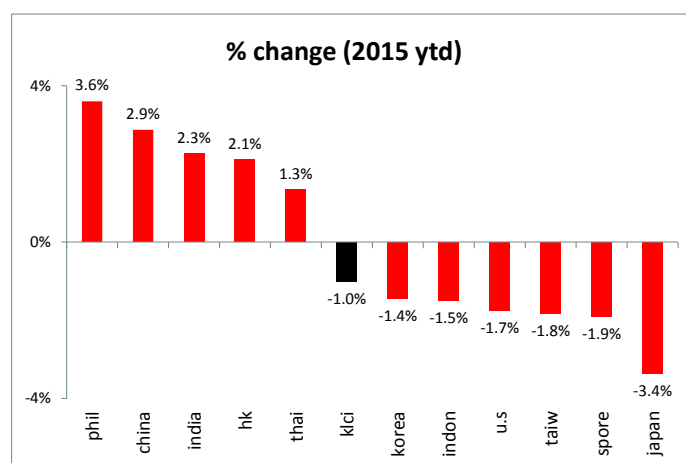
- The global equity markets continue to confound, as the bellweather market made a strong reversal last week.
- After the inertia in January, Wall Street came alive last week. The Dow Jones rose 3.8%, the best performing among the major indices, and the highest gain since January 2013. The S&P gained 3.0%, only the third time in two years that the weekly increment hit 3%.
- The main driver for Wall Street last week was unmistakably the recovery in crude oil price. The price of Brent crude rose by 20%, the biggest two-week margin since March 1998 as volatility spiked to its highest in almost six years. Brent rallied further on Friday to USD57.80pb as the number of oil rigs declined and violence in Libya threatened supply. According to Baker Hughes, the number of oil drilling rigs worldwide fell by 7.3% or 261 in January, to 3,309.
- Another catalyst is the non-farm payroll for January, which increased by 257,000 jobs, higher than the 230,000 predicted. Unemployment rate was slightly higher at 5.7% as more people registered themselves for work. There is now increasing expectation that the Fed may start raising interest rate starting middle of the year.
- Asian markets also had a decent week, with the Thai SET and the KLCI leading gainers with 2.1% and 1.8% respectively. However, China's market appears to be in a consolidation mode, as the CSI300 shed -3.6%, its third weekly loss. The index rose a massive 51.7% last year. The Bank of China cut banks' reserve requirement ratios by 50 basis points last week, a monetary stimulus aimed at supporting the economy. China's manufacturing PMI dipped below 50 for the first time since September 2012, indicating that the sector is contracting. There is also increasing concern that the yuan may be devalued.
- The KLCI gained ground last week and has now lost only -1.0% in the year-to-date score. The index surged by >40 points on opening on Wednesday after the break.

Performance of major markets

Weekly % change	Week before	Last week
Dow Jones	-2.87	3.84
S&P500	-2.77	3.03
Thai SET	-1.07	2.05
CAC	-0.79	1.88
KLCI	-1.21	1.80
FTSE	-1.22	1.54
DAX	0.42	1.42
Straits Times	-0.60	1.18
Taiwan Taiex	-1.15	1.01
Jakarta JCI	-0.65	1.00
Hang Seng	-1.38	0.70
Phil Comp	1.87	0.50
Korea KOSPI	0.68	0.32
Nikkei 225	0.93	-0.15
India Sensex	-0.33	-1.59
China CSI300	-3.85	-3.55

Source: Bloomberg

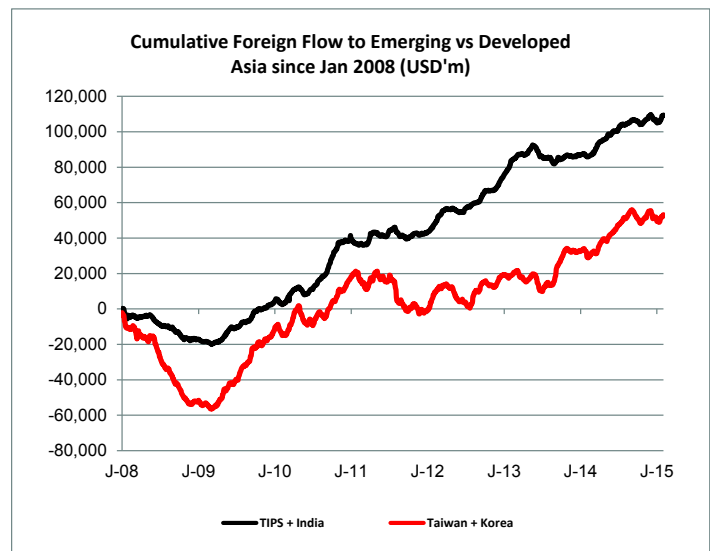
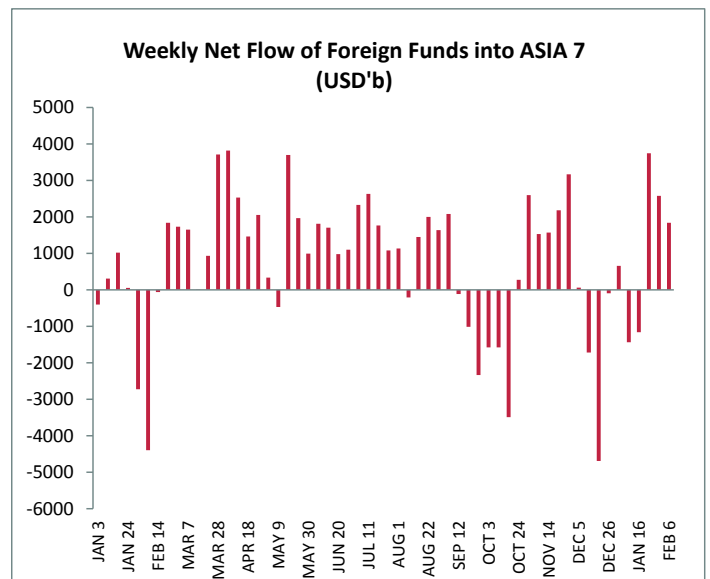
Major Asian indices (2015)



Source: Bloomberg

B. TRACKING MONEY FLOW

- Global investors firmed their conviction towards Asian equity based on money flow numbers last week.
- For the third week running, global investors were strong net buyers of Asian equity. Last week, based on provisional data from the exchanges, investors classified as “foreign” were, in aggregate, net buyers in the 7 Asian1 stock markets that we track (India, Taiwan, Korea, Thailand, Indonesia, Philippines and Malaysia).
- Although lower than that the week before, the amount was still significant at +USD1.84b.
- The momentum continued to favour Emerging Asia (as represented by the TIP + India + Malaysia markets), over Developed Asia2 (as represented by Korea and Taiwan). Money flow to Emerging Asia outstripped that to Developed Asia by more than two times.
- Global funds have been simultaneous net buyers in the TIP markets for three weeks in a row. But more importantly, the buying also extended to Malaysia last week, making it the first time since August 2014 that foreign buying across the four South East Asian Emerging Markets has been reported.
- Money flow remained steady to Thailand and Indonesia but picked up pace strongly to the Philippines. Manila’s benchmark index, the PSEi surpassed the 7,500 level for the first time ever in January, and closed last Friday at 7,728 points, a record high. The catalyst came in the form of a robust 4Q14 GDP growth of 6.9%yoy, exceeding expectations and among the highest in the region. Low oil price is also a boon for the Philippines which imports >90% of its fuel for energy. The Manila’s exchange has not much exposure to oil-related stocks, and 2015 is expected to be a boom year for IPOs, with 10 offerings



NET FLOW BY DESTINATION (USD'm)

Year	TIPs + India	Taiwan + Korea	TOTAL	M'sia	Total (+Msia)
2008	-17,195	-53,106	-70,301	n.a	n.a
2009	20,580	40,063	60,642	n.a	n.a
2010	35,690	29,234	64,924	n.a	n.a
2011	2,748	-17,801	-15,053	n.a	n.a
2012	31,302	19,976	51,278	4,385	55,663
2013	12,446	13,500	25,946	1,224	27,170
2014	20,093	18,874	38,967	-2,025	36,942
2015	3,785	2,388	6,173	-599	5,573

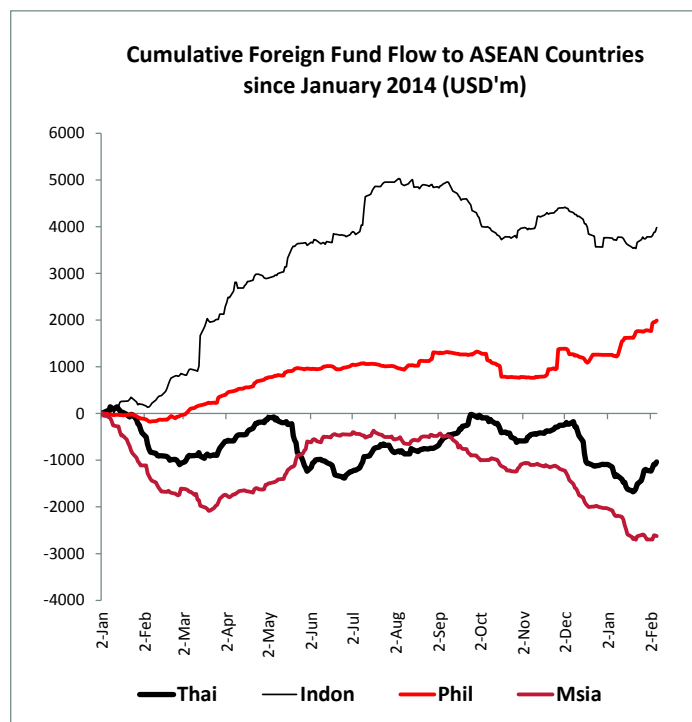
TIP = Thailand, Indonesia, Philippines.
Source: Bloomberg & Bursa statistics.

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

² Technically, the Korea and Taiwan markets have not yet been classified as “developed” under the MSCI. We use the term liberally only for tracking purposes.

compared with only 5 in 2014.

- Bangkok attracted a strong USD290m money inflow two weeks ago and the amount remained relatively strong last week at USD184m. Meanwhile, the cumulative money flow to Indonesia moved into the greenzone with a surplus of USD216m. In 2014, the inflow was USD3.8b.
- The Korean market has struggled to attract global capital this year, recording a cumulative deficit of USD598m so far this year. However, the market recorded a promising turnaround last week, attracting USD436m. There was heavy buying on Friday.
- In contrast, Taiwan has been the more favoured market compared with Korea. Foreign investors have been net buyers for the third consecutive week and for 2015, have bought net almost USD3b of Taiwan stocks.



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

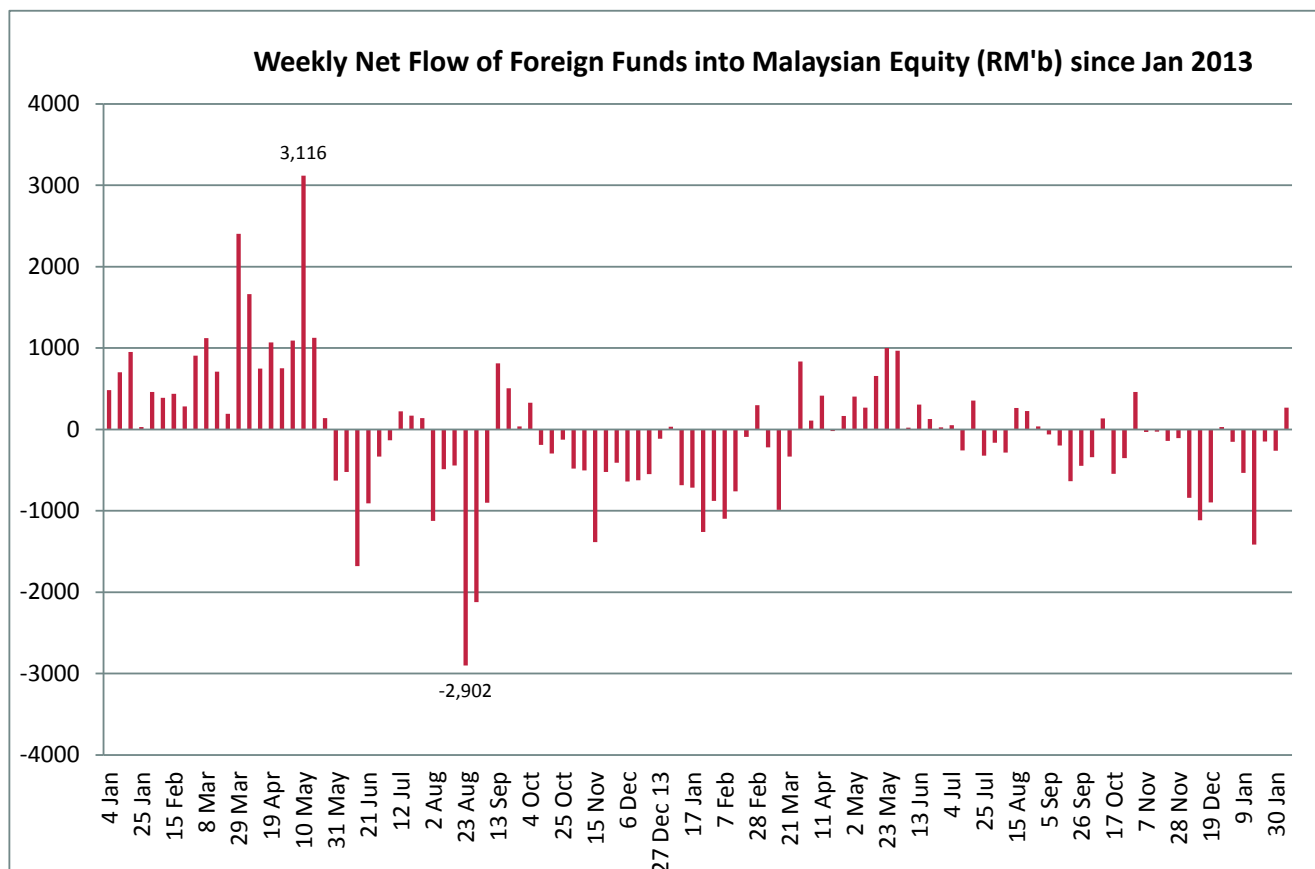
WEEK ENDED	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
AUG 8	148.6	-29.2	-72.2	-67.8	367.6	-466.7	-88.9	-208.6
AUG 15	700.6	82.4	-38.1	86.8	441.8	96.3	82.2	1451.9
AUG 22	499.0	32.7	54.3	96.5	288.7	956.6	71.5	1999.4
AUG 29	405.5	4.1	-56.5	189.1	139.2	948.8	11.7	1641.9
SEP 5	440.6	213.1	70.6	-16.3	793.6	598.8	-19.2	2081.0
SEP 12	-204.8	88.6	-148.0	2.2	432.0	-222.7	-61.5	-114.2
SEP 19	-354.7	169.0	-171.5	-31.9	31.9	-456.9	-197.1	-1011.1
SEP 26	-661.0	253.5	-247.9	-6.1	-366.5	-1164.6	-137.8	-2330.5
OCT 3	-309.1	-75.9	-344.4	20.3	107.2	-866.0	-104.8	-1572.7
OCT 10	-716.4	-64.4	-88.9	-189.7	-304.0	-256.2	41.2	-1578.3
OCT 17	-1093.2	-248.8	-187.8	-299.9	-604.9	-888.2	-166.3	-3489.1
OCT 24	139.0	-93.8	30.5	-8.8	290.6	27.7	-107.5	277.7
OCT 31	219.3	-81.4	210.8	1.6	668.7	1439.5	140.2	2598.6
NOV 7	-248.9	129.9	-14.9	-17.9	891.6	797.9	-8.7	1529.0
NOV 14	-12.9	39.2	259.7	23.7	455.3	818.0	-8.1	1575.0
NOV 21	955.7	40.2	76.1	156.2	139.3	854.8	-42.2	2180.1
NOV 28	860.1	127.4	113.1	439.4	833.5	831.4	-32.5	3172.7
DEC 5	470.8	19.8	-65.5	-114.0	275.8	-279.9	-243.0	64.0
DEC 12	-696.2	-246.2	-110.6	-54.3	534.7	-824.2	-320.2	-1717.0
DEC 19	-1514.0	-593.7	-383.4	-111.1	-732.1	-1095.9	-257.7	-4687.8
DEC 26	-49.5	-46.4	-269.2	155.7	-292.8	405.2	8.0	-89.0
JAN 2	-144.6	26.6	194.0	-4.6	143.6	489.8	-44.1	660.7
JAN 9	-118.8	-191.0	14.0	-9.7	-440.3	-540.0	-150.3	-1435.5
JAN 16	-743.6	-283.6	-160.1	369.8	550.0	-499.0	-396.1	-1162.7
JAN 23	208.8	112.6	44.0	147.5	1081.0	2194.1	-41.5	3746.6
JAN 30	-410.7	290.4	121.1	19.8	1642.1	988.4	-71.9	2579.2
FEB 6	435.6	184.2	197.1	205.3	-100.7	841.9	75.4	1838.9

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

FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

- After selling Malaysian stocks unrelentlessly since the start of the year, foreign investors appear to be making a reversal last week. We note that foreign selling peaked in the third week of January and has abated significantly thereafter. Still, it is early days and any firm conclusions would be premature. It is a welcomed respite nevertheless.
- Last week, investors classified as “foreign” bought, on a net basis, local equity in the open market (i.e excluding off-market deals) amounted to RM268.6m net. There was a buying frenzy on Wednesday, when the market reopened after the long break. The KLCI rose by as much as 50.15 points within minutes of the opening bell. On the day alone, foreign investors mopped up RM333.3m net, the highest in a single day since 30 May 2014. Gross value traded on the day exceeded RM2b for the first time since 21 March last year.
- On a cautious note, foreign investors were net sellers on Thursday and Friday, albeit marginally on both days. As money flow tends to be intermittent and lumpy in the early stages of a trend reversal, Wednesday could either be the first of multiple waves, or it could fizzle out disappointingly. The days ahead will testify to this.
- Last week purchases reduced the cumulative net foreign outflow for 2015 to -RM2.1b. The cumulative foreign outflow for the entire 2014 was -RM6.9b.
- Foreign volume was very strong indeed. Foreign participation rate (daily average gross purchase and sale) surged to RM1.55b, the highest since May 2014. Foreign participation had exceeded RM1b five weeks in a row now.
- Both local institutions and retailers were net sellers, offloading -RM162.8m and -RM105.8m respectively. Participation rate for the institutions was elevated at RM2.3b but retailers remained on the sideline although the participation rate crept up to RM814m.

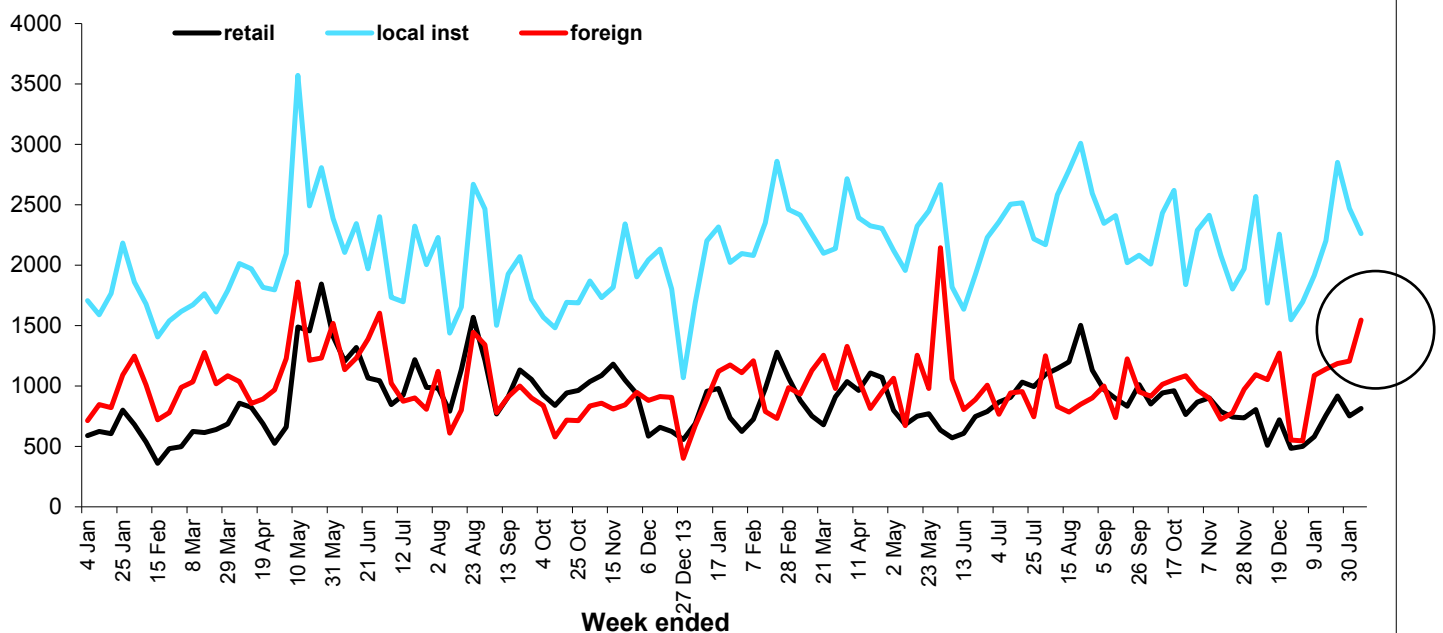


Source: Bursa statistics, excluding off-market trades

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)*
SEP 12	2223.6	2257.8	-34.2	6142.5	5911.0	231.5	1748.2	1945.5	-197.3	-61.5
SEP 19	1674.4	1655.2	19.2	4352.0	3735.4	616.6	2130.7	2766.5	-635.8	-197.1
SEP 26	2528.4	2528.2	0.2	5429.0	4981.8	447.2	2157.1	2604.5	-447.4	-137.8
OCT 3	2135.1	2117.2	17.9	5183.9	4859.5	324.4	2116.0	2458.3	-342.3	-104.8
OCT 10	1974.1	1795.8	178.3	4705.7	5018.0	-312.3	2095.3	1961.3	134.0	41.2
OCT 17	2382.5	2422.3	-39.8	6843.7	6259.0	584.7	2358.9	2903.8	-544.9	-166.3
OCT 24	1436.6	1622.6	-186.0	3946.1	3408.8	537.3	1992.2	2343.5	-351.3	-107.5
OCT 31	2114.6	2222.5	-107.9	5549.8	5901.9	-352.1	2646.4	2186.4	460.0	140.2
NOV 7	2267.3	2234.2	33.1	6030.9	6034.3	-3.4	2233.9	2263.6	-29.7	-8.7
NOV 14	2011.5	1923.2	78.3	5176.2	5227.2	-51.0	1797.5	1824.8	-27.3	-8.2
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	75.4

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

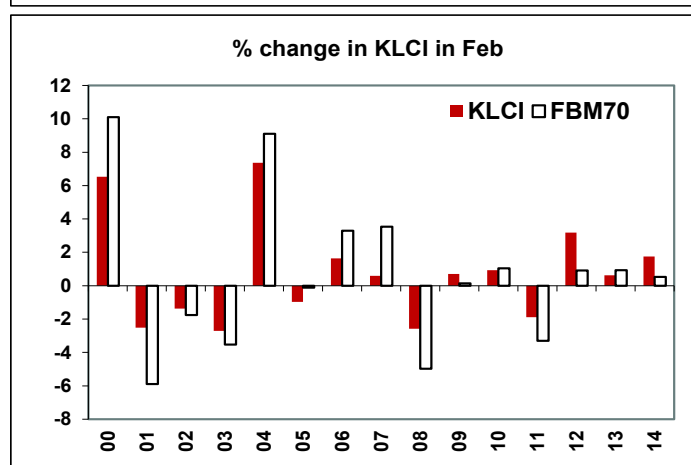
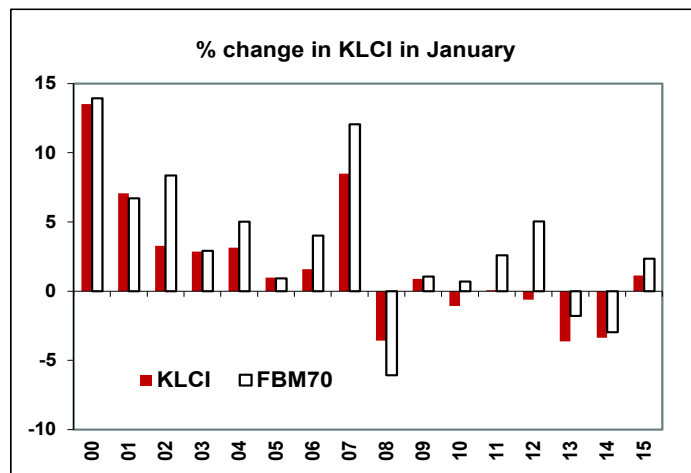
Participation Rate : Daily Average for the Week (RM'm) since Jan 2013


FUND FLOW REPORT

D. THE WEEK AHEAD

CAN FEBRUARY SURPRISE?

- The KLCI rose 1.1% in January. It was nothing spectacular except for the fact that it was the first monthly gain in January in six years! The FBM70's gain was even stronger, at 2.4%.
- The FBM Smallcap index meanwhile recorded a significantly more gainful January. It rose 5.6% during the month, but the extent of the rebound was unsurprising as the index lost -8.6% in December, -7.1% in November and -5.2% in October.
- Fast forward to February. We detect a feel-good factor creeping back to the market. Make no mistake, February tends to be an "indifferent" month, based on history. But in an occasional year, like that in 2004, prices can really surprise on the upside (see chart).



OF OIL AND THE CURRENCY

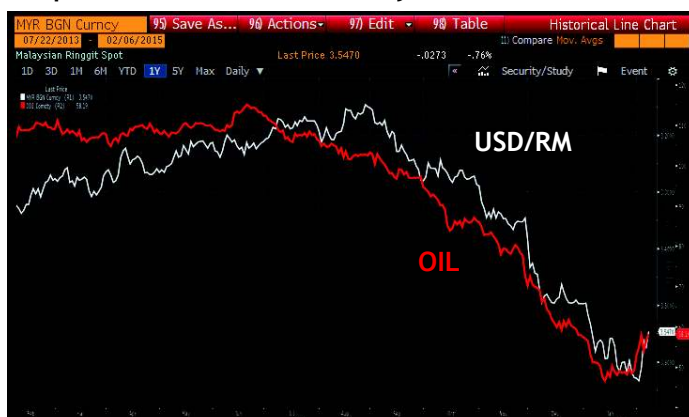
- February 2015 may surprise for a few reasons. The market has been on a downswing for an extended period of time – since the middle of last year. The fate of the local market seems to reflect the direction of the ringgit exchange rate and the price of crude oil. Well, both the currency and oil price appear to be making a comeback ... if one is looking for reasons to cheer.
- *Firstly*, the oil price is enjoying probably a short-term renaissance. The price of Brent crude broke the short-term resistance as represented by the 50-day moving average on Friday. The upward momentum looks intact, and we should be looking for another strong week ahead for the commodity.
- *Secondly*, because oil price and the USD/RM exchange rate has been extremely intertwined, the rebound in the former is expected to also buoy the latter. In our opinion, the ringgit has been unjustly sold down. It was depressed partly because the Malaysian economy has been (misleadingly) seen as heavily dependent on petroleum. It suffered even after Singapore decided to ease its monetary policy.
- With positive momentum in money flow, and the reasons above, expect a good week ahead.



Brent broke short-term resistance on Friday



Oil price and USD/RM extremely intertwined



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