

MALAYSIA EQUITY RESEARCH | JANUARY 5, 2015

2014 REVIEW

- Generally, global money flow to Asia was stronger in 2014 compared with that in 2013. However, the flow was uneven and much of it was influenced by country-specific factors.
- By virtue of the size of its market, the biggest gainer in terms of dollar in 2014 was India, which pulled in net USD16.1b.
- The biggest gainers, in relative terms, were Indonesia and Taiwan.
- Taiwan recorded net purchases by foreign investors amounted to USD13.2b in 2014, 51% higher compared with that in 2013, and the highest in five years.
- Indonesia reported a net inflow of USD3.8b, the highest since the Global Financial Crisis.
- The most consistent beneficiary of foreign money in the last five years was the Philippines. The foreign purchases lifted the benchmark Philippines Composite index by a whopping 137% during the five-year.
- The two biggest losers in 2014 were clearly Thailand and Malaysia. Thailand reported a -USD1.1b outflow in 2014, which was much smaller compared with the -USD6.2b net foreign sale the year before.
- Malaysia was the biggest loser in 2014, having reported a net sale by foreign investors amounted to -USD2.0b. It was the biggest outflow since the 2008 Crisis exodus. Despite the sell-down, the 5-year cumulative net purchases by foreign investors still amounted to USD8.8b, meaning that the overhang of foreign liquidity in the system is still very high.

2014: HIGH TIDE, LOW TIDE

A. 2014 SNAPSHOT

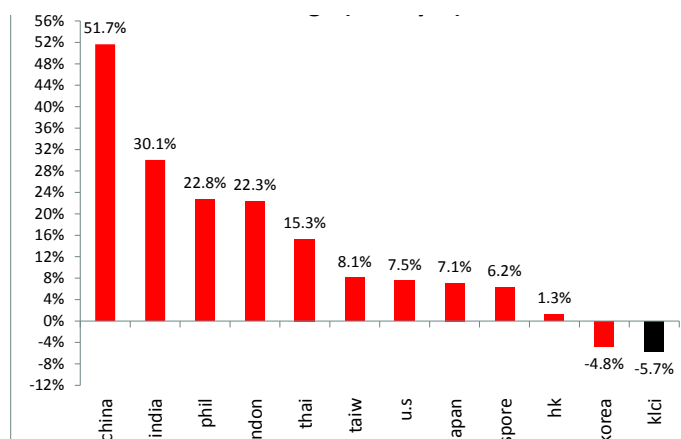
- The China stock market was the best performer among those that we tracked in 2014. It was largely due to a massive run up pursuant to the surprise interest cut on 21 November by the PBOC, China's central bank. The dreaded risk of an economic hard landing seems remote by looking at how this market has performed lately. The reversal of fortune was quite remarkable as the same market was ranked dead last only a year before.
- The Indian and Indonesian stock markets also had a strong 2014, mainly due to the successful completion and positive outcomes of the general election.
- FBM KLCI, the best performing Southeast Asian market in 2013, received a heavy knockdown in 2014 as it ended the year at the bottom spot. We believe this privation was brought about by a confluence of factors. Firstly, due to our earlier outperformance, the FBM KLCI was among the most expensive market based on valuation-term in early 2014. Thus in January last year, we forewarned of the possibility "that without favourable earnings revision going forward, the tendency for the market to mean revert may result in FBM KLCI underperforming its peers this year." Unfortunately, the situation thenceforth was less than favourable as witnessed by the persistent downward earnings revisions pursuant to the past four consecutive reporting seasons. Secondly, our part dependence on oil and gas as an important source of state revenue was dealt a blow in view of the falling crude prices.
- The Dow Jones Industrial Average failed to end 2015 at above the 18,000 mark. Nonetheless, it was still quite an impressive year considering that the U.S. market advanced more than seven per cent on the heels of an astounding 26.5% gain in 2013. Broadly, the continued recovery in the main street was feeding the gains on Wall Street.
- However, the same level of sanguinity was rather absent across the pond in Europe. The market performances throughout the region were rather muted. Suffice to say that none of the European markets that we track made it to the top half of our list in 2014.

Performance of major markets

Annual % change	2013	2014
China CSI300	-7.65	51.66
India Sensex	8.98	29.89
Phil Comp	1.33	22.76
Jakarta JCI	-0.98	22.29
Thai SET	-6.70	15.32
S&P500	29.60	11.39
Taiwan Taiex	11.85	8.08
Dow Jones	26.50	7.52
Nikkei 225	56.72	7.12
Straits Times	0.01	6.24
DAX	25.48	2.65
Hang Seng	2.87	1.28
CAC	17.99	-0.54
FTSE	14.43	-2.71
Korea KOSPI	0.72	-4.76
KLCI	10.54	-5.66

Source: Bloomberg

Major Asian indices (2014)



Source: Bloomberg

FUND FLOW REPORT

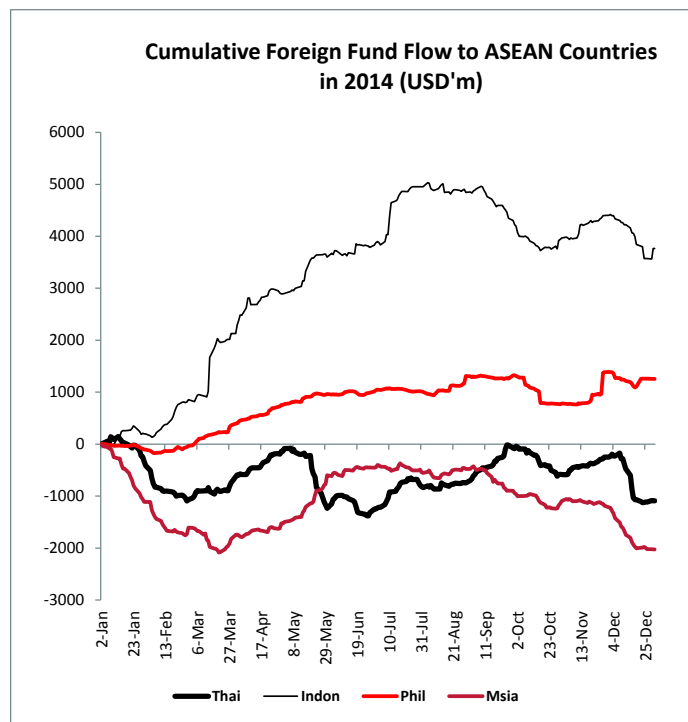
B. MONEY FLOW IN 2014 - ASIA

- Generally, global money flow to Asia was stronger in 2014 compared with that in 2013. However, the flow was uneven and much of it was influenced by country-specific factors. Our review below is based on 7 markets (India, Taiwan, Korea, Thailand, Indonesia, Philippines and Malaysia).
- By virtue of the size of its market, the biggest gainer in terms of dollar in 2014 was India, which pulled in net USD16.1b. The flow to India was spurred by the completion of the general election, with the favourable outcome of BJP winning control and Modi becoming the country's 15th Prime Minister. However, cumulative net flow to India in 2014 was the lowest in three years. Moving forward, it could be the case that money flow to India is reaching saturation point. The optimism relating to Modi's election, after 10 years of Manmohan Singh appears to be neutralising. The BRIC grouping has also lost its appeal.
- The biggest gainers, in relative terms, were Indonesia and Taiwan. Taiwan recorded net purchases by foreign investors amounted to USD13.2b in 2014, 51% higher compared with that in 2013, and the highest in five years. Taiwan was the biggest attraction for technology-inclined investors. Semiconductor sales was robust in 2014, and a spate of new smart phones and gadgets introduced opened up growth prospects for Taiwan based manufacturers.
- Indonesia reported a net inflow of USD3.8b, the highest since the Global Financial Crisis. As was the case in India, Indonesia also completed its general election, which resulted in a favourable outcome in the form of Joko Widodo. Foreign investors' optimism in Indonesia lies in the various reforms that the new government has pledged to undertake. In addition, the rupiah is still relatively depressed, which limits the currency risk that the country poses. Indonesia should continue to attract foreign capital this year.
- The most consistent beneficiary of foreign money in the last five years was the Philippines. The country recorded a net positive inflow every year during the time. Although the cumulative inflow during that period was relatively small (compared with the bigger markets such as India, Korea and Taiwan) at USD7b, the foreign purchases lifted the benchmark Philippines Composite index by a whopping 137%.

Money flow in the last five years

USD'm	2010	2011	2012	2013	2014	5-year total
India	29,321	(512)	24,548	19,754	16,118	89,229
Taiwan	9,577	(9,074)	4,907	8,737	13,190	27,338
Korea	19,800	(8,584)	15,069	4,875	5,684	36,844
Indonesia	2,331	2,950	1,703	(1,806)	3,766	8,944
Philippines	1,224	1,329	2,548	678	1,256	7,035
Thailand	2,793	(167)	2,504	(6,211)	(1,091)	(2,172)
Malaysia	4,455	643	4,458	1,276	(2,025)	8,806

- The two biggest losers in 2014 were clearly Thailand and Malaysia.
- Thailand reported a -USD1.1b outflow in 2014, which was much smaller compared with the -USD6.2b net foreign sale the year before. Thailand was beset by political upheavals with the military junta currently running the government. The country is expected to return to democratic rule in the future. That would be a catalyst for foreign funds to make a sizeable return to Thailand.
- Malaysia was the biggest loser in 2014, having reported a net sale by foreign investors in the open market amounted to -USD2.0b. It was the biggest outflow since the 2008 Crisis exodus. Despite the sell-down, the 5-year cumulative net purchases by foreign investors still amounted to USD8.8b, much of it flowing to the local market in 2010 and 2012. That means that the overhang of foreign liquidity in the system is still very high.

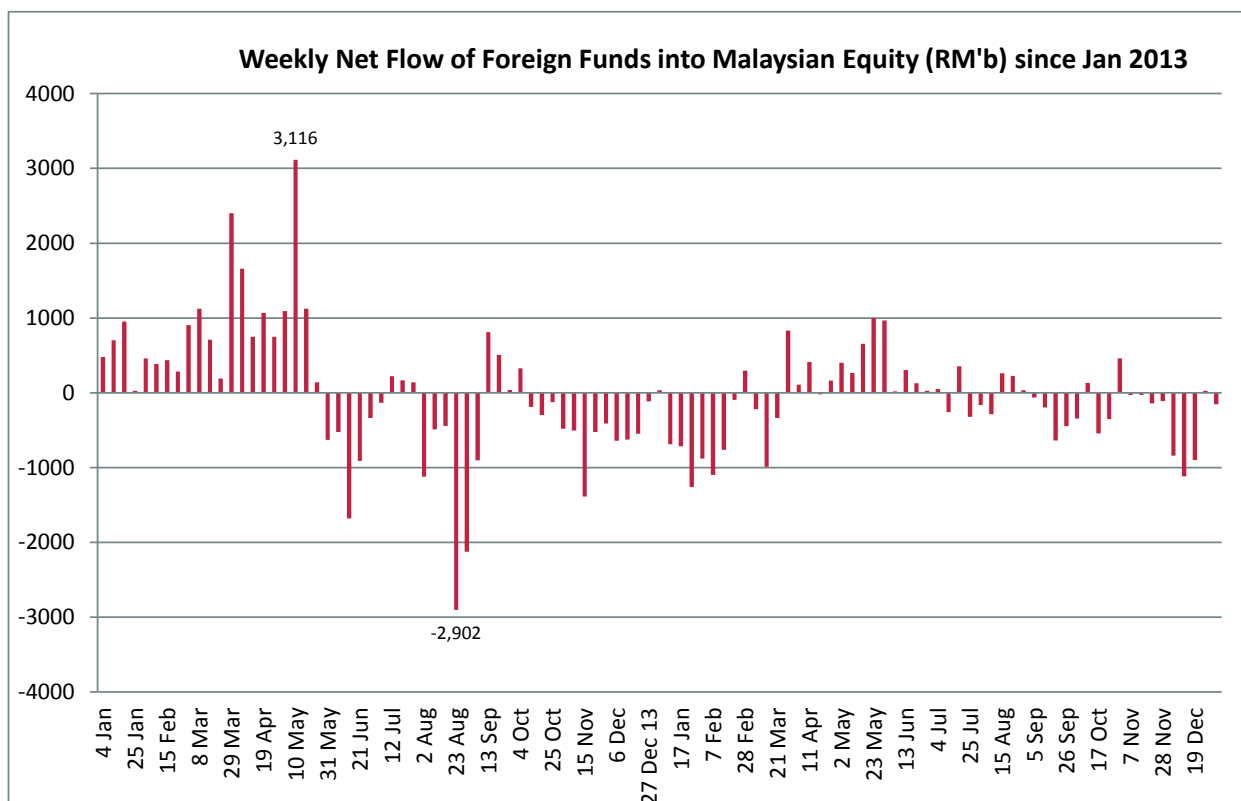


Source: Various countries' exchanges, via Bloomberg. These figures are subject to revisions. Aggregated by MIDFR.

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

WEEK ENDED	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
JUL 11	610.5	293.5	816.1	20.4	731.0	239.0	-81.0	2629.5
JUL 18	796.5	186.1	215.3	0.0	422.1	32.9	111.8	1764.6
JUL 25	547.3	52.7	91.5	-49.8	323.1	220.5	-101.1	1084.3
AUG 1	1423.2	-152.3	0.0	-4.1	-460.6	383.3	-51.5	1137.9
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	-1096.4	-257.7	-4688.3
DEC 26	-49.5	-46.4	-269.2	155.7	-292.8	405.0	8.0	-89.2
JAN 2	30.4	23.6	-0.3	-4.6	4.4	489.8	-44.1	499.1

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



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)*
AUG 8	2843.0	2880.5	-37.5	6617.1	6294.2	322.9	1931.3	2216.7	-285.4	-88.9
AUG 15	2985.5	3016.8	-31.3	6852.4	7082.7	-230.3	2090.5	1828.9	261.6	82.2
AUG 22	3689.5	3819.6	-130.1	7473.0	7569.4	-96.4	2234.7	2008.2	226.5	71.5
AUG 29	2768.6	2879.9	-111.3	6523.4	6448.5	74.9	2272.6	2236.2	36.4	11.7
SEP 5	1873.7	2005.4	-131.7	4790.0	4597.1	192.9	1970.0	2031.2	-61.2	-19.2
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	8.0
JAN 2	970.7	1028.0	-57.3	3496.5	3284.8	211.7	1016.0	1170.4	-154.4	-44.1

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

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