



MALAYSIA EQUITY RESEARCH | JUNE 15, 2015

<p>Week Ended June 12, 2015</p>	Foreign Flow Meter (M'sia)	
	 Tide	HIGH (maintain)
	 Current	(decline to) MODERATE

- Equity prices around the world were generally static last week, with prices moving in a narrow range.
- Uncertainty, especially over Greece, was to blame for the uninspiring week. There was also caution ahead of the Fed's Federal Open Monetary Committee meeting on June 17.
- Bucking trend was again China, whose CSI300 index rose 2.0%. The index has risen a breathtaking 51% this year, already matching the 51.7% gain last year. The Chinese authorities are working hard to ensure that the stock market rally does not falter.
- Otherwise, Asian equity succumbed to foreign selling pressure and the exodus was *significantly* felt in the last five trading days. Foreign exit from Asian equity is estimated to be the heaviest this year.
- In absolute term, the heaviest exit for the second week in a row was from Taiwan. Meanwhile Korea finally succumbed to foreign selling after an extended period of foreign money flow that stretched from the beginning of February.
- In Emerging Asia, Indonesia felt the surge in foreign withdrawal as the Jakarta Composite shed -3.2% last week, the worst among Asian peers. Investors were worried over the asset quality of Indonesia banks.
- Heavy foreign selling on Bursa does not seem to be abating. Foreign investors have now been net sellers on Bursa for seven consecutive weeks. And for the third week running, the amount offloaded was more than RM850m a week – the longest undisrupted stretch of “intense” selling so far this year.
- Last week's sell-down increased the cumulative net foreign outflow in 2015 to RM7.5b, surpassing the RM6.9b outflow for the entire 2014. We estimate that there is still an overhang of about RM15-20b of foreign portfolio liquidity on Bursa.

15 June 2015 | Strategy - Weekly Fund Flow

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EXITING ASIA

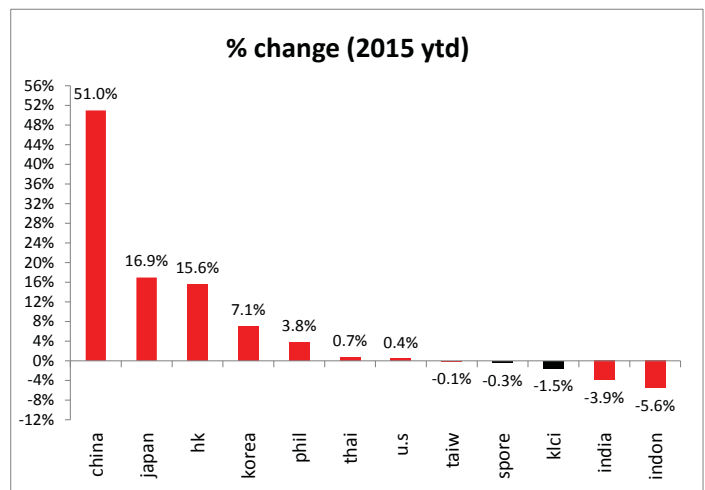
A. MARKET SNAPSHOT

- Equity prices around the world were generally static last week, with prices moving in a narrow range. Most indices that we track moved by less than one percent last week.
- Uncertainty, especially over Greece, was to blame for the uninspiring week. After 4 months of negotiations, Greece and its creditors wrapped up last week with another impasse. Greece has yet to agree on the framework for continued financial aid, while the IMF pulled out from the negotiation table early on. Greece's stubbornness may cause its eurozone peers to withdraw support by the end of the month.
- In the bellweather market, Wall Street, the Dow Jones and S&P500 were hardly changed, adding a marginal +0.3% and +0.1% respectively. Investors are probably cautious ahead of the Fed's Federal Open Monetary Committee (FOMC) meeting on June 17. After the announcement of a robust employment statistics in May, there has been a revival in expectation that the FOMC may raise interest rates in September. Currently, about 53% of the respondents to a Bloomberg survey expect the first interest rate move by the FOMC to happen in September. Last week, the World Bank urged the Fed to delay tightening its monetary policy to 2016. This came after the IMF's recommendation for the Fed to do the same.
- The best performer last week was again China's CSI300, which rose 2.0%. The index has risen a breathtaking 51% this year, already matching the 51.7% gain last year. The Chinese authorities are working hard to ensure that the stock market rally does not falter. Last Friday, the China Securities Regulatory Commission allowed a rollover of margin financing facilities, although it limited the scale of such facility.
- The worst performers last week were the Jakarta's JCI and India's Sensex which lost -3.2% and -1.3% respectively. Asian markets in general are currently in a vulnerable phase as global funds appear to start flowing out of the region in a more intensified phase. Even the more developed markets such as Taiwan and Korea have come under the brunt of the exit.
- The KLCI fell -0.6%, its fourth straight weekly loss. The index settled at 1734 points last week, the level at which we postulated that buying support will emerge.

Performance of major markets		
Weekly % change	Week before	Last week
China CSI300	8.06	1.99
Straits Times	-1.72	0.61
Dow Jones	-0.90	0.28
Hang Seng	-0.60	0.07
S&P500	-0.69	0.06
Thai SET	0.76	0.06
DAX	-1.90	-0.01
Nikkei 225	-0.50	-0.26
FTSE	-2.57	-0.29
Phil Comp	-0.71	-0.31
CAC	-1.74	-0.40
Taiwan Taiex	-3.72	-0.41
KLCI	-0.13	-0.63
Korea KOSPI	-2.21	-0.77
India Sensex	-3.81	-1.28
Jakarta JCI	-2.22	-3.23

Source: Bloomberg

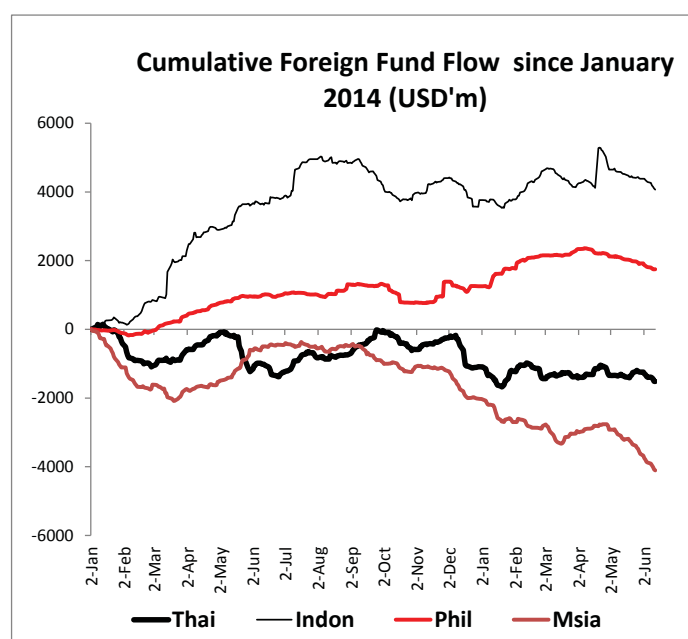
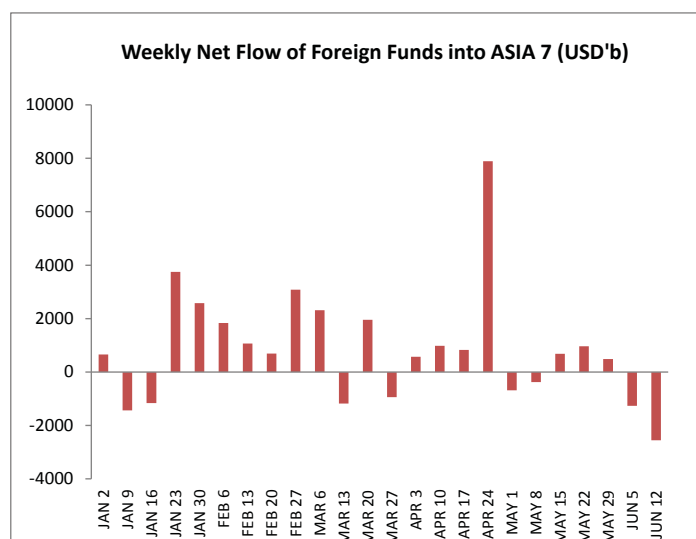
Major Asian indices (2015)



FUND FLOW REPORT

B. TRACKING MONEY FLOW

- As we had written last week, Asian equity succumbed to foreign selling pressure and the exodus was significantly felt in the last five trading days.
- Based on provisional data from the respective exchanges, investors classified as “foreign” sold USD2.55b net of listed equity in the 7 Asian¹ stock markets that we track (TIPS + India, Taiwan, Korea and Malaysia). It was double the USD1.3b outflow in the preceding week, and was easily the heaviest foreign exit from Asian equity this year.
- All 7 markets that we track reported a deficit in foreign money flow. The rate of exit was heavy in Emerging Asia as well as in the more developed markets of Taiwan and Korea.
- In absolute term, the heaviest exit for the second week in a row was from Taiwan. The Taiex had a volatile week amid many uncertainties, one of which is the impending release of corporate sales numbers by the TWSE. As it turned out, the TWSE reported over the weekend that sales posted by the 816 listed companies fell 1.45%yoy in May as firms in the optoelectronics, cement and steel industries registered a decline. That is negative for Taiwan.
- Korea, meanwhile, finally succumbed to foreign selling after an extended period of foreign money flow that stretched from the beginning of February. The KOSPI's 4-day slide was arrested on Thursday after the Bank of Korea lowered its benchmark lending rate to a record low 1.50%. However, we note that it did not stop foreign investors from selling, as they offloaded every single day last week. The MERS outbreak is not helping.
- In Emerging Asia, Indonesia felt the surge in foreign withdrawal as foreign net sale was more than double that the week before. The Jakarta Composite shed -3.2% last week, the worst performer among Asian peers as banks led the downward spiral. Indonesian banks came into the spotlight over the quality of their assets. The Financial Services Authority (OJK) recently said that it is tightening supervision of one major bank after its NPL surpassed 5%.
- There was also relatively heavy selling for the second week in a row in Thailand. However, in contrast to that in Indonesia, stock prices have stayed firm in Bangkok. The Bank of Thailand kept interest rate unchanged last week, averting a repeat of the surprise cut in April.



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

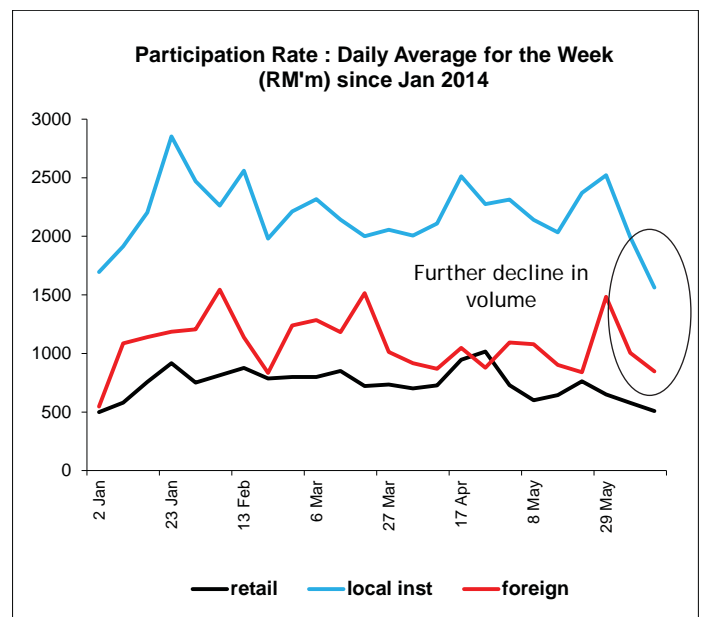
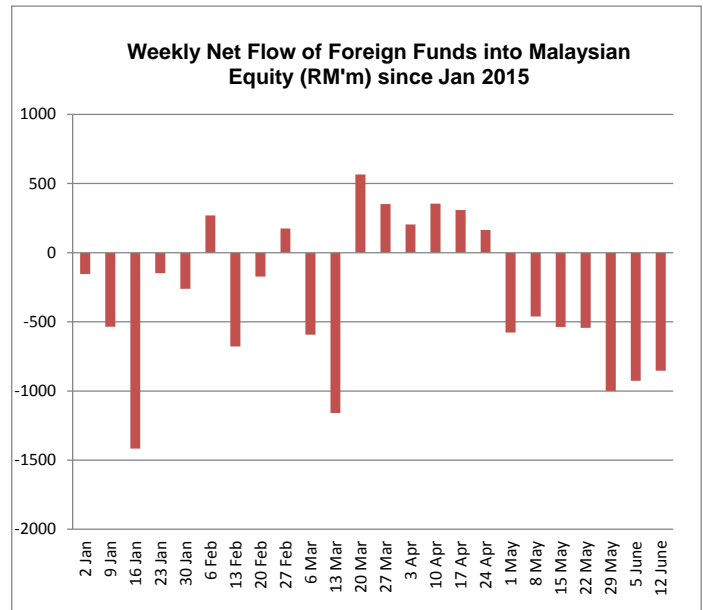
WEEKLY NET FLOW OF FOREIGN FUND INTO EQUITY (USD'm)

WEEK ENDED	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
MAY 1	54.7	-276.5	-548.1	-100.9	-1085.4	1435.7	-162.2	-682.7
MAY 8	111.7	-17.0	-64.3	-12.9	-606.4	341.0	-128.4	-376.3
MAY 15	495.1	-24.3	-76.5	-73.0	158.6	355.7	-149.0	686.5
MAY 22	818.3	126.0	-89.2	-51.9	46.3	268.4	-151.2	966.7
MAY 29	323.0	9.2	-33.6	-63.4	334.4	194.3	-274.5	489.4
JUN 5	688.2	-147.8	-99.7	-109.0	-177.6	-1167.5	-250.6	-1263.9
JUN 12	-608.9	-122.5	-218.8	-63.4	-388.8	-922.3	-227.4	-2552.1

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

C. TRACKING MONEY FLOW - MALAYSIA

- Heavy foreign selling on Bursa does not seem to be abating.
- Foreign investors have now been net sellers on Bursa for *seven* consecutive weeks. And for the third week running, the amount offloaded was more than RM850m a week. It has been the longest undisrupted stretch of “intense” selling so far this year.
- Last week, investors classified as “foreign” sold equity listed in the open market on Bursa (i.e excluding off-market deals) on a net basis amounted to RM852.7m. It was only a small let up from the RM926.1b sold the week before.
- For the third week in a row, foreign investors were net sellers every single trading day of the week. All in, they had been selling for the past 19 straight trading days. As was the case in the preceding week, the amount exceeded the RM200m mark on Tuesday and Thursday, making it 20 days so far this year that the amount had surpassed the threshold. In comparison, daily foreign sale exceeded RM200m on 23 occasions in 2014.
- Last week’s selldown *increased* the cumulative net foreign outflow in 2015 to RM7.5b, **surpassing** the RM6.9b outflow for the entire 2014. We estimate that there is still an overhang of about RM15-20b of foreign portfolio liquidity on Bursa. Foreign shareholding on Bursa should be close to 23%.
- Foreign participation (daily average gross purchase and sale) declined 16% to a moderate RM846m, the third lowest this year.
- Local institutions mopped up RM852.0m last week but participation rate fell further to RM1.56b, the lowest this year.
- Retailers were hardly in the market, with only RM0.7m change in net position. Participation rate of RM508m was also the lowest this year.



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)*
APR 24	2490.8	2587.2	-96.4	5652.2	5719.1	-66.9	2276.4	2113.1	163.3	45.1
MAY 1	1458.7	1459.4	-0.7	4915.5	4337.2	578.3	1896.8	2474.4	-577.6	-162.2
MAY 8	1203.8	1197.2	6.6	4508.2	4054.4	453.8	1926.2	2386.6	-460.4	-128.2
MAY 15	1541.0	1678.9	-137.9	5422.2	4746.6	675.6	1984.6	2522.3	-537.7	-149.0
MAY 22	1895.7	1920.4	-24.7	6209.7	5641.0	568.7	1827.4	2371.4	-544.0	-151.2
MAY 29	1627.3	1624.7	2.6	6801.0	5803.8	997.2	3207.4	4207.2	-999.8	-274.5
JUN 5	1416.2	1479.8	-63.6	5479.0	4489.3	989.7	2047.7	2973.8	-926.1	-250.6
JUN 12	1271.1	1270.4	0.7	4330.8	3478.8	852.0	1688.9	2541.6	-852.7	-227.4

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


FUND FLOW REPORT

D. TOP 100 STOCKS: MONEY FLOW ²

TOP 10 NET MONEY INFLOWS

- Telekom Malaysia recorded the highest net money inflow of RM14.21m last week. However, its share price underperformed the broader market with a -1.02% weekly loss as it was still adjusting to the disappointing 1QFY15 earnings. The share price pullback was bigger than -0.63% decline in the FBM KLCI. But it is of note that net money inflow amidst retreating share price indicates buy on weakness (BOW) stance among some investors.
- MISC came in second with RM7.54m net inflow and its share price outperformed the market benchmark with a 2.95% week-on-week gain. It is noteworthy that tanker demand and rates have risen in 2Q15 as importers build up cheap reserves due to the depressed crude oil prices.
- Maxis recorded the third highest net money inflow of RM6.10m but its share price underperformed the FBM KLCI with a huge -4.06% weekly fall. As stated earlier, net money inflow amidst retreating share price indicates BOW stance among some investors.

TOP 10 NET MONEY OUTFLOWS

- Axiata saw the largest net money outflow of -RM14.89m during the review week. Nonetheless, its stock price outperformed as it ended the week higher by 0.78%. This was against a -0.13% decline in the FBM KLCI. It is notable that the net money outflow amidst rising share price may indicate sell on strength (SOS) stance among some investors.
- CIMB came in second during the review week with net outflow totaling -RM8.91m but its share price outperformed the market benchmark with a 0.75% weekly gain. As stated above, net money outflow amidst rising share price may indicate SOS stance among some investors.
- Airasia registered the third largest net money outflow last week at -RM5.63m. More significant, its share price underperformed the broader market with a massive -15.42% weekly decline. The selloff which started on 10 June was arguably in reaction to a Hong Kong-based research report published on the same date which raised concerns with regard to Airasia's accounting, profit generation, cash flow, leverage, and group structure. 

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	
TM	14.21	31.28	-1.02	BOW
MISC	7.54	2.22	2.95	-
MAXIS	6.10	1.80	-4.06	BOW
PPB	4.84	1.61	2.55	-
GAMUDA	3.80	-0.24	0.20	-
GENTING M'SIA	3.34	0.10	0.47	-
IJM CORP	3.28	-6.75	-0.14	BOW
LAFARGE	2.60	0.16	-0.32	BOW
CMS	2.43	-3.55	-1.33	BOW
IHH HEALTH	2.41	-1.28	0.34	-

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	
AXIATA	-14.89	0.61	0.78	SOS
CIMB	-8.91	5.58	0.75	SOS
AIRASIA	-5.63	2.46	-15.42	-
MAYBANK	-5.10	-8.03	-0.76	-
SIME DARBY	-4.56	0.34	-0.35	-
TNB	-3.92	12.54	-1.19	-
AMMB	-3.72	-0.70	-2.21	-
ASTRO	-3.26	-1.70	-2.88	-
DIALOG	-2.90	-2.78	-1.20	-
BURSA M'SIA	-2.87	1.45	-2.38	-

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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