



MALAYSIA EQUITY RESEARCH | JUNE 22, 2015

<p>Week Ended June 19, 2015</p>	Foreign Flow Meter (M'sia)	
	 Tide	(declined to) MODERATE
	 Current	(increased to) HIGH

- Equity prices around the world closed last week generally lower on volatile trading.
- An important turning point last week was the easing of the Federal Reserve Open Market Committee's hawkish monetary policy stance.
- Focus was also on Greece which is struggling to stay afloat after June 30, when the current bailout programme expires.
- The biggest mover last week was easily the China market, which finally succumbed to selling pressure after defiantly bucking trend. The CSI300 index fell 13.1% last week, the steepest decline since October 2008.
- Foreign money continued to flee Asian equity at a significant pace last week. Focus appears to be shifting towards North Asia. Although selling continued in most *emerging markets*, the brunt of the current phase of equity selldown is likely to be in the past.
- After heavy foreign selling for three straight weeks on Bursa, the outflow appears to be ebbing. There was a significant drop in the weekly amount of foreign net withdrawal, while the intensity of daily exit also eased noticeably.
- Nevertheless, it would have been naive to jump into conclusion that the trend is reversing. On Friday, the withdrawal surged suddenly to its highest in six trading days. The week ahead is particular crucial as it remains to be seen whether the momentum of Friday's selldown will follow through.
- After a surprising start to the month of June, equity prices on Bursa have made a sharp retreat, erasing gains chalked earlier in the month. June 2015 is on track to be another disappointing month.
- Hopes for a June salvation is dimming. External factors are not friendly to equity in general.

22 June 2015 | Strategy - Weekly Fund Flow

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EXITING NORTH ASIA

A. MARKET SNAPSHOT

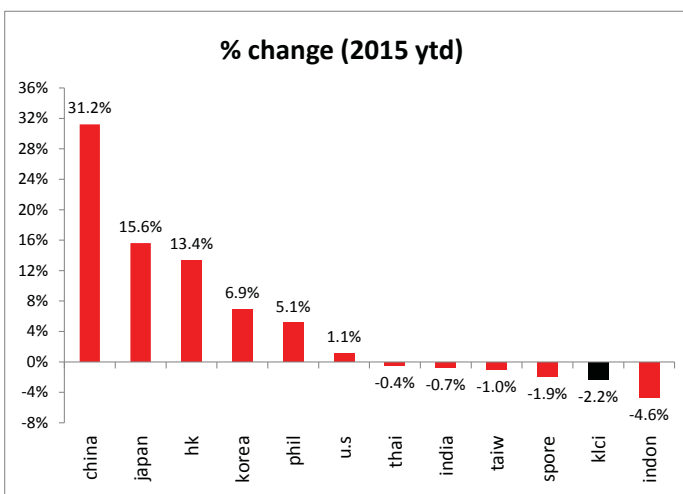
- Equity prices around the world closed last week generally lower on volatile trading.
- An important turning point last week was the easing of the Federal Reserve Open Market Committee's *hawkish* monetary policy stance. FOMC members maintained their projection that the benchmark rate would rise to 0.625% in 2015. However, they reduced their forecast to 1.625% in 2016, compared with their March median estimate of 1.875%. More importantly, 7 out of the FOMC's 17 members now expect only one or no interest rate hike this year, an increase from just 3 members in March.
- Stocks rallied on Thursday on the Fed's stance, ignoring the fact that Greece and its eurozone creditors failed to reach an agreement at a meeting on Thursday. However, the momentum quickly evaporated as prices fell again on Friday. Still, the Dow Jones and S&P500 managed to eke out a decent 0.7% and 0.8% increase for the week.
- Focus is still on Greece which is struggling to stay afloat after June 30, when the current bailout programme expires. Last week, the main stock index slumped 11%. On Monday, 19 Eurozone leaders will meet in a crisis summit in Brussels that may decide whether or not Greece can avert default on June 30. Credit exposure to Greece is mainly from:
 - The European Financial Stability Facility - EUR130.9b
 - Eurozone states - EUR52.9b
 - IMF -EUR20b
 - ECB and central banks - EUR27b (plus EUR118b in liquidity support)
- In Asia, the Fed's less hawkish stance provided relief to Asian currencies, which have come under pressure against the greenback, and helped stabilize markets. The main indices in India, Indonesia and Philippines rose for the week.
- The biggest mover last week was easily the China market, which finally succumbed to selling pressure after defiantly bucking trend. The CSI300 index fell 13.1% last week, the steepest decline since October 2008. There is increasing anxiety that the bubble will burst in China. The rout started on Thursday although there was no specific headline contributing to the fall. Hardest hit was ChiNext, the NASDAQ-style board of the Shenzhen Stock Exchange. The ChiNext index fell a whopping 15% last week, which is unsurprising as the market is trading at a PE of >100 times.

Performance of major markets

Weekly % change	Week before	Last week
India Sensex	-1.28	3.37
Phil Comp	-0.31	1.30
Jakarta JCI	-3.23	1.00
S&P500	0.06	0.76
Dow Jones	0.28	0.65
Korea KOSPI	-0.77	-0.25
KLCI	-0.63	-0.73
Taiwan Taiex	-0.41	-0.90
FTSE	-0.29	-1.10
Thai SET	0.06	-1.11
Nikkei 225	-0.26	-1.14
DAX	-0.01	-1.40
Straits Times	0.61	-1.58
CAC	-0.40	-1.75
Hang Seng	0.07	-1.91
China CSI300	2.00	-13.08

Source: Bloomberg

Major Asian indices (2015)

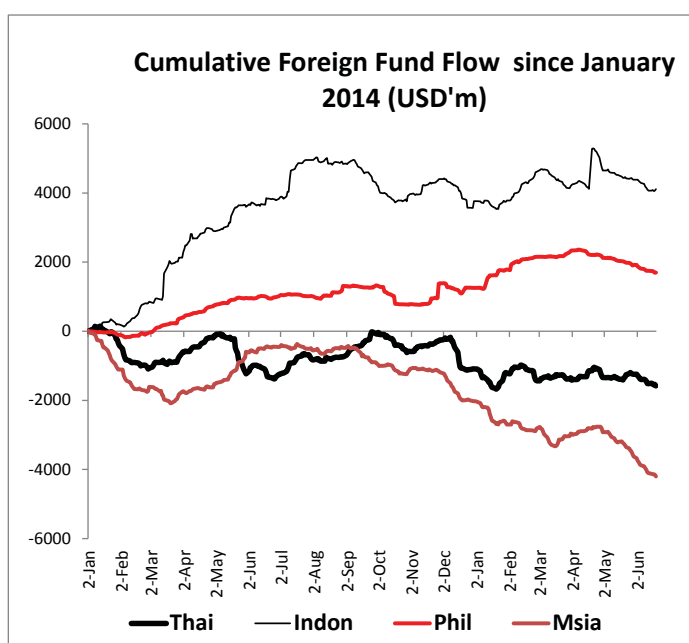
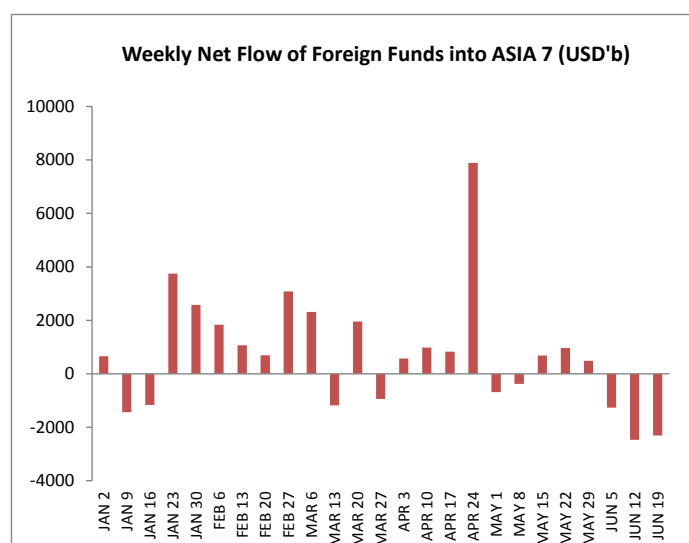


Source: Bloomberg

FUND FLOW REPORT

B. TRACKING MONEY FLOW

- Foreign money continued to flee Asian equity at a significant pace last week.
- Based on provisional data from the respective exchanges, investors classified as “foreign” sold USD2.3b net of listed equity in the 7 Asian¹ stock markets that we track (TIPs + India, Taiwan, Korea and Malaysia). This was slightly lower than the USD2.5b outflow recorded in the preceding week, and was the second highest withdrawal in a week this year.
- Focus is shifting towards North Asia. Although selling continued in most emerging markets, the brunt of the current phase of equity sell-down is likely to be in the past.
- Indeed, the Indonesian bourse reported a surplus in money flow last week, the first inflow in eight weeks. Last week, Indonesia’s central bank kept its main interest rate unchanged at 7.5% for a fourth month. The move is widely expected as any decision to stimulate the economy, which is growing at the slowest pace since 2009, *through monetary means* will not be in sync with inflation rate of >7% and a current account deficit.
- Leakage was heavy in Korea and in Taiwan where the market was closed on Friday. In Korea, foreign investors were net sellers of equity for the second week running as the amount of outflow increased significantly to USD878m, the highest this year. The effect of the Bank of Korea’s decision to cut interest rate to a record low 1.5% proved to be fleeting. Any gains in the broader equity market has been capped by concerns over the outbreak of the Middle East Respiratory Syndrome (MERS). MERS has given rise to concerns that corporate earnings in the second quarter may be revised downwards.
- Meanwhile, the sell-down of Taiwan equity by foreign investors continued for the third consecutive week. The Taiwan bourse is currently being weighed down by technology stocks, the industry of which is in a cyclical downswing attributable to inventory adjustments in the first half.



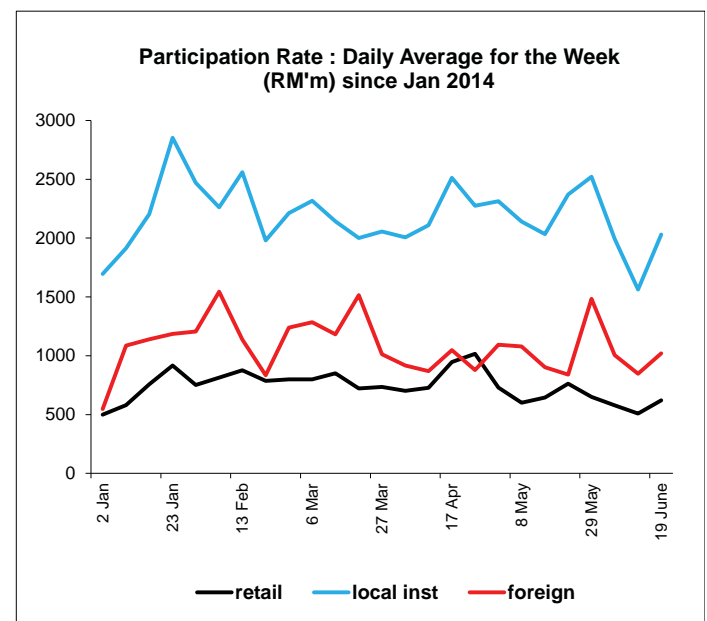
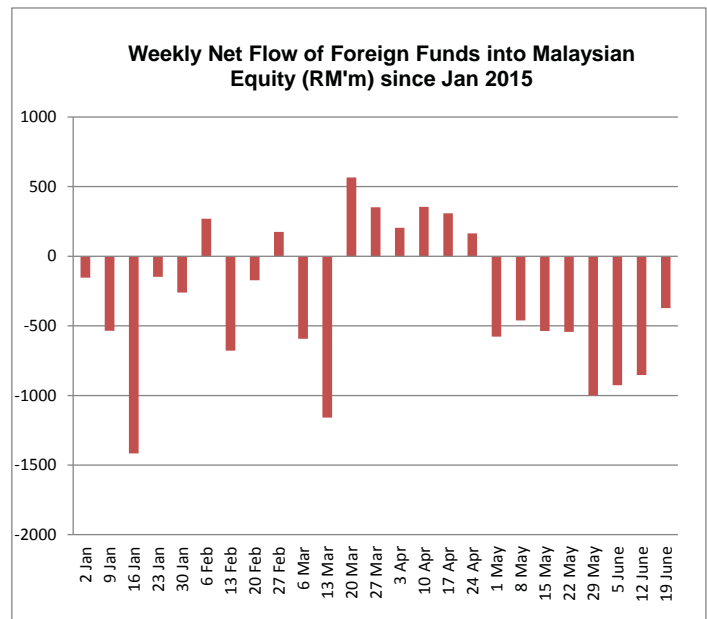
¹ These ASIA 7 markets, for which fund flow data is publicly available, are our proxy for Asia. TIP = Thailand + Indonesia + Philippines.

WEEKLY NET FLOW OF FOREIGN FUND INTO EQUITY (USD'm)								
WEEK ENDED	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
MAY 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	-305.4	-917.8	-227.4	-2464.1
JUN 19	-878.2	-60.9	43.4	-51.9	-399.3	-858.6	-99.1	-2304.6

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

C. TRACKING MONEY FLOW - MALAYSIA

- After heavy foreign selling three weeks in a row, the outflow appears to be ebbing.
- Still, foreign investors have now been net sellers on Bursa for *eight* consecutive weeks. Last week, investors classified as “foreign” sold equity listed in the open market on Bursa (i.e excluding off-market deals) amounted to RM372.4m on a net basis. That was a significant drop from the RM852.7m sold the week before.
- The decline in the intensity of selling is reflected by the fact that foreign investors turned net buyer of Wednesday. Although the amount was marginal at only RM14.0m, it was the first buying in 22 trading days.
- Nevertheless, it would have been naive to jump into conclusion that the trend is reversing. As it turned out, foreign selling resumed on Thursday and on Friday, the withdrawal surged to RM196.2m, the highest in six trading days.
- We note, however, that daily selling had been capped below RM100m on Monday, Tuesday and Thursday. This is further evidence that the intensity of selling is ebbing. The week ahead is particular crucial as it remains to be seen whether the momentum of last Friday’s sudden surge in selling will follow through.
- Last week’s selldown *increased* the cumulative net foreign outflow in 2015 to RM7.9b, surpassing the RM6.9b outflow for the entire 2014.
- Foreign participation (daily average gross purchase and sale) rose 21% to RM1.02b, but much of it was due to the surge in volume on Friday.
- Local institutions were passive in mopping up only RM315.3m last week although participation rate rebounded to RM2.03b. Retailers were still on the sideline although opportunists bought RM57m on still depressed average daily volume of RM621m.



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)*
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
JUN 19	1581.3	1524.2	57.1	5234.3	4919.0	315.3	2363.2	2735.6	-372.4	-99.1

* 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

- Maybank, the nation's biggest bank, recorded the highest net money inflow of RM24.37m last week. Moreover, its share price outperformed the broader market with a 1.75% weekly rise. The share price gain was in contrast to the -0.73% decline in the FBM KLCI. It was reported that recently EPF has been heavily increasing its stake in the company. It acquired nearly 14m shares in the week ended 15 June alone.
- CIMB, another banking heavyweight, came in second with RM16.92m net inflow and, similarly, its share price outperformed the market benchmark with a 2.98% week-on-week gain. The price advance was partly attributable to a technical rebound pursuant to its recent fall.
- Public Bank, the country's third largest banking group, recorded the third highest net money inflow of RM15.60m and its share price too outperformed the FBM KLCI with a 0.75% weekly rise. The general attraction in banking shares is arguably due to the increasing realization over the resiliency of mortgage growth thus far this year amid the broader slowdown.

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	
MAYBANK	24.37	-5.10	1.75	-
CIMB	16.92	-8.91	2.98	-
PUBLIC BANK	15.60	0.35	0.75	-
TM	10.25	14.21	0.74	-
IHH HEALTH	8.59	2.41	-3.39	BOW
DIGI.COM	8.51	0.41	-0.18	BOW
IJM CORP	4.92	3.28	-1.43	BOW
SIME DARBY	4.85	-4.56	-0.93	BOW
MAXIS	4.27	6.10	-1.82	BOW
AMMB	3.78	-3.72	-3.55	BOW

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- Axiata saw the largest net money outflow of -RM6.72m during the review week. Nonetheless, its stock price outperformed as it ended the week higher by 0.93%. This was against a -0.73% 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.
- Hong Leong Bank came in second last week with a net outflow of -RM5.40m but its share price slightly outperformed the market benchmark with a -0.14% weekly loss.
- Tenaga Nasional registered the third largest net money outflow at -RM4.633m in the review week. More significant, its share price underperformed the broader market with a -2.87% weekly decline. The company's share price continued to be affected by news related to proposed purchase of 1MDB's power assets.

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
AXIATA	-6.72	-14.89	0.93	SOS
HONG LEONG BANK	-5.40	0.52	-0.14	-
TNB	-4.63	-3.92	-2.87	-
AIRASIA	-4.42	-5.63	-11.05	-
CMS	-4.33	2.43	-1.73	-
UMW HLDGS	-2.29	0.19	-1.73	-
NESTLE	-2.25	0.03	1.04	SOS
DIALOG	-2.00	-2.90	-2.42	-
MAHB	-2.00	0.14	0.95	SOS
IGB REIT	-1.30	0.40	0.75	SOS

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.

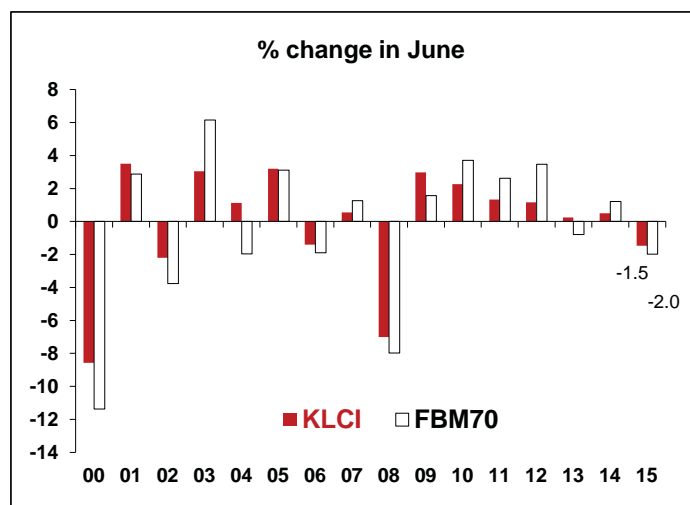
How is money flow calculated? When a trade is performed, its price is compared to the price of the previous trade (the first trade of the day is compared to the previous day's close). If the prices differ, either upticks or downticks, the value of the trade (price multiplied by number of shares) is added to or subtracted from the money flow respectively.

Source: Bloomberg, MIDFR

E. THE WEEK AHEAD

VOLATILE JUNE

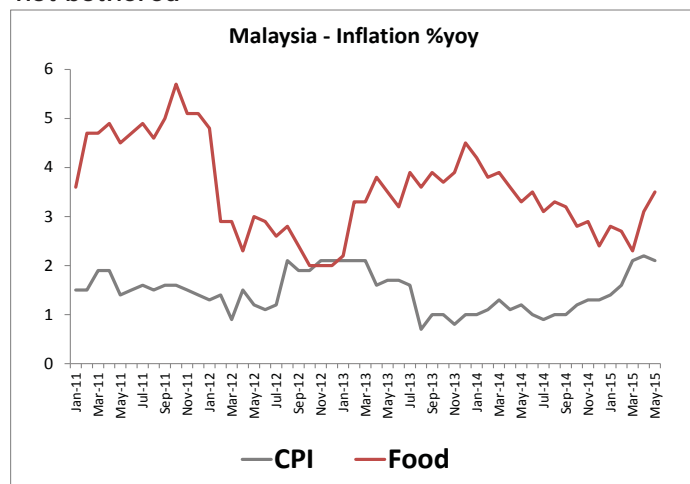
- After a surprising start to the month of June, equity prices made a sharp retreat, erasing gains chalked earlier in the month.
- June 2015 is turning out to be not the gainful month that history seems to suggest.
- As of Friday, the FBM KLCI and FBM70 have lost -1.5% and -2.0% for the month, respectively. That contrasted with the average gain of 0.7% for both indices between 2001 and 2014.
- The FBM Smallcap Index is facing a bumpy road as well, having lost -1.4%.
- Can the KLCI make a reversal in the last seven trading days of June? We are less sanguine on this as we do not expect the invisible forces to generously *window-dress* the market for the first half closing. To begin with, timing does not seem to be right. Monday's emergency summit in Brussels is a potential market trap – failure to reach an agreement may see Greece defaulting on its obligations on June 30 and sets the stage for a Euro "Grexit". It will be a heavy weigh-down for global equity.
- But most importantly, we are cautious on how China's market is going to unravel during the next couple of weeks. The consensus is very clear that the market is overheating. Last week's roughly 15% collapse in prices may just be the beginning of a more serious unwinding process.
- The KLCI also staged a negative crossover, or a "death cross" last Monday when the short-term trend line (as represented by the 50-day moving average or 50DMA line) slid below the long-term trend line (200 DMA). The last such occurrence was on 16 October 2014, following which the KLCI went through a volatile phase and fell -9.8% between end October to 16 December 2014. From the year's high of 1862.8 points, the KLCI has now retraced -7.6%. The inherent technical weakness of the index is also a reason to be cautious as we move towards the end of 1H15.



KLCI in weak technical zone



Inflation under control in May but the forex market is not bothered



RINGGIT STILL IN WEAK ZONE

- It is also ominous that the ringgit was the worst performing Asian currency on Friday, dropping -0.92%, the 6th steepest one-day decline this year.
- The fact that the Consumer Price Index rose by only 2.1%yoy in May despite the introduction of the GST does not seem to matter in forex trading. The ringgit is clearly being weighed down by factors which are not fundamental in nature.



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