



MALAYSIA EQUITY RESEARCH | JUNE 29, 2015

<p>Week Ended June 26, 2015</p>	Foreign Flow Meter (M'sia)	
	 Tide	(increased to) HIGH
	 Current	(declined to) MODERATE

- The performances of equity markets around the world were on divergent paths last week.
- In the more developed markets, the focus was clearly on Greece, ahead of the European finance ministers meeting on Saturday. France's CAC and Germany's DAX indices led the table with gains of 5.1% and 4.1% respectively, as optimism rose that Greece will strike a deal with its lenders.
- As it turned out, the meeting on Saturday was a non-event after Greece had unilaterally broken off negotiations over a new bailout deal, and called for a national referendum instead.
- In Asia, all eyes were on China, as the benchmark CSI300 index remained volatile and closed the week lower by -6.5%, all of which attributable to the -7.9% crash on Friday.
- The ChinNext index, which represents small-cap companies in Shenzhen, had a harrowing week, falling -11.9%, with much of the loss registered on Friday as the index was routed -8.9%.
- On Saturday, the PBOC cut lending and deposit rates by 25bp each to 4.85% and to 2% respectively, in a move to arrest the slide.
- On Bursa, the ebbing foreign tide was a fleeting respite. After the outflow appeared to be receding, heavy foreign selling resumed last week.
- Foreign investors have now been net sellers on Bursa for nine consecutive weeks. It has been the longest stretch of foreign withdrawal since the last three months of 2013.
- With two trading days left, the cumulative outflow for June 2015 is set to exceed RM3b. It would be the biggest monthly outflow since January 2014.
- We cross over to 2H15 this Wednesday with the hanging spectre of double jeopardy in the form of Grexit and China crash. That is on top of the Ringgit quagmire that is unlikely to clear so soon.
- With no June salvation, July redemption would also be a tough proposition.

29 June 2015 | Strategy - Weekly Fund Flow

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DOUBLE JEOPARDY IN GREXIT & CHINA

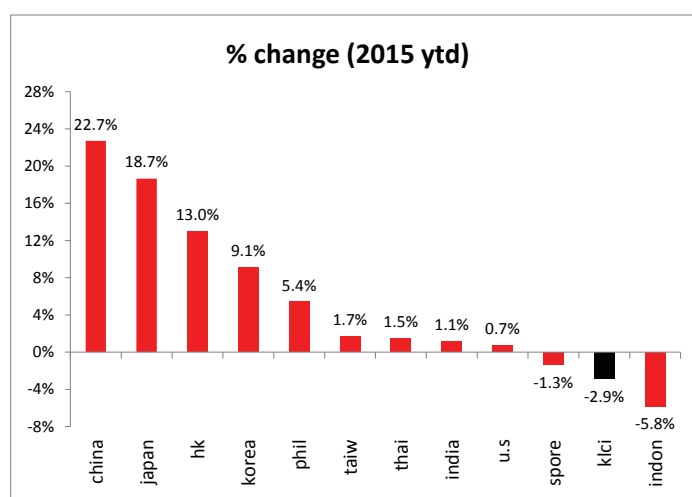
A. MARKET SNAPSHOT

- There was a significant divergence in the performances of equity markets around the world last week. But in general, markets fared better compared to that the week before.
- The market's focus was clearly on Greece, ahead of the European finance ministers meeting on Saturday. France's CAC and Germany's DAX indices led the table with gains of 5.1% and 4.1% respectively, as optimism rose that Greece will strike a deal with its lenders.
- As it turned out, the meeting on Saturday was a non-event after Greece had unilaterally broken off negotiations over a new bailout deal. The meeting of eurozone finance ministers still took place in Brussels on Saturday evening, but without Greece, which was the first time since the crisis began in 2010. At the meeting, the 18 eurozone governments told Greece that its bailout package would be extended beyond 30 June.
- Meanwhile, Greek Prime Minister Alexis Tsipras called a referendum to take place on July 5 on the terms offered by creditors for the latest aid package. If rejected, a Grexit is inevitable.
- In China, the CSI300 was volatile and closed the week lower by -6.5%, all of which attributable to the -7.9% crash on Friday. There was an attempted recovery mid-week, but it was not sustainable and the bears took charge again towards the end of the week. After the crash last week, the consensus is that the Chinese market has seen its peak for the year. The question is whether the market will enter a bear phase. The CSI300 has retraced -19% from the peak. A 20% correction would normally be seen as triggering a bear market.
- Last week, there were concerns that a wave of new initial public offerings will create a situation of oversupply. China Securities Regulatory Commission announced last week that it has approved 28 new IPOs bringing to total, 218 new companies approved for listing this year.
- The ChinNext index, which represents small-cap companies in Shenzhen, had a harrowing week, falling -11.9%, with much of the loss registered on Friday as the index was routed -8.9% in a single day. The index has plunged 27% since its high on June 3. At the peak, the index valuation was 130 times earnings.
- On Saturday, the PBOC cut lending and deposit rates by 25bp each to 4.85% and to 2% respectively.

Performance of major markets		
Weekly % change	Week before	Last week
CAC	-1.75	5.06
DAX	-1.40	4.10
Taiwan Taiex	-0.90	2.65
Nikkei 225	-1.14	2.64
Korea KOSPI	-0.25	2.12
Thai SET	-1.11	1.91
India Sensex	3.37	1.81
FTSE	-1.10	0.64
Straits Times	-1.58	0.60
Phil Comp	1.30	0.27
Hang Seng	-1.91	-0.36
Dow Jones	0.65	-0.38
S&P500	0.76	-0.40
KLCI	-0.73	-0.66
Jakarta JCI	1.00	-1.24
China CSI300	-13.08	-6.49

Source: Bloomberg

Major Asian indices (2015)

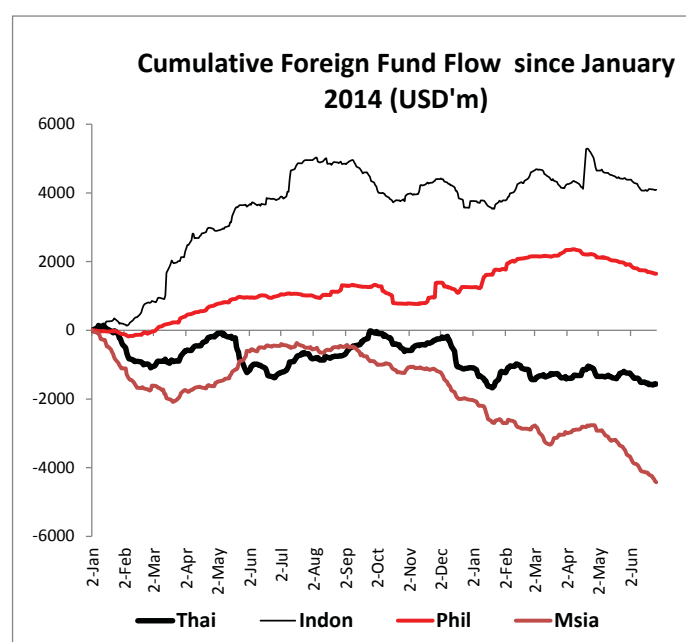
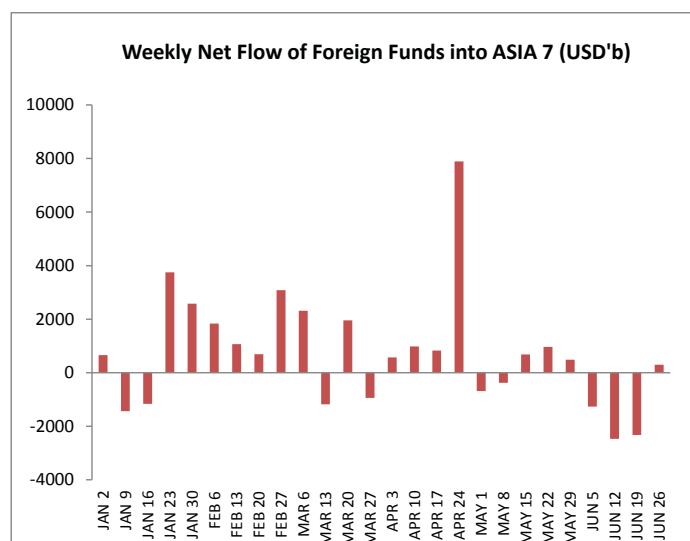


Source: Bloomberg

FUND FLOW REPORT

B. TRACKING MONEY FLOW

- Foreign selling in Asia, which had been heavy for three weeks in a row, ended abruptly last week.
- Based on provisional data from the respective exchanges, investors classified as “foreign” bought a marginal USD299.5b net of listed equity in the 7 Asian¹ stock markets that we track (TIPs + India, Taiwan, Korea and Malaysia). This was a significant turnaround from the USD2.3b sold in the preceding week. Indeed, in the three weeks prior, total net outflow had amounted to a whopping USD6.1b, the heaviest withdrawal phase since October last year.
- Selling died down noticeably in Taiwan and Korea – the more developed markets among the seven that we track. In Emerging Asia, foreign investors appear to have started nibbling in India and Thailand.
- After withdrawing for three weeks in a row, foreign investors warmed up to Taiwan-listed stocks, and were net buyers everyday last week, except on Tuesday. The Taiwan market may be heading in the opposite direction to that developing in the Mainland. There is increasing optimism that the market will perform well in the third quarter. The expectation is for the technology sector sales to rebound, earnings momentum to pick up, and Taiwan dollar, already the best performing Asian currency this year, to be more stable.
- There are plenty of developments in South Korea where the country is managing the downsides of MERS. Korean finance ministry last week cut its 2015 GDP growth forecast to 3.1% from 3.8%. On Thursday, the government announced a USD14b stimulus package to mitigate dented consumer spending and business sentiment. Sales in departmental store have dropped by almost 16.5% in June first week. Almost 1.2m travelers and tourists have cancelled their trip.
- The stimulus follows an interest rate cut to a record low the week before. However, the won was among the worst performing currency last week, and any optimism over foreign buying would be premature.
- In Jakarta, foreigners sold again after a seemingly promising turnaround the week before.



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

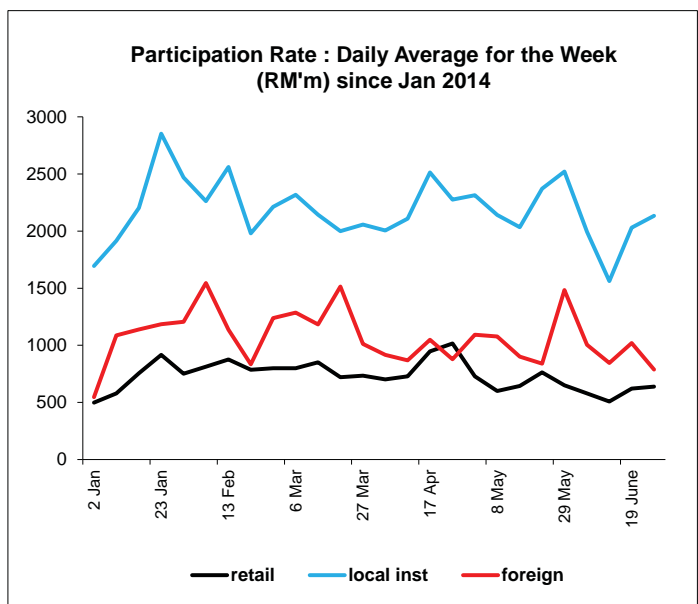
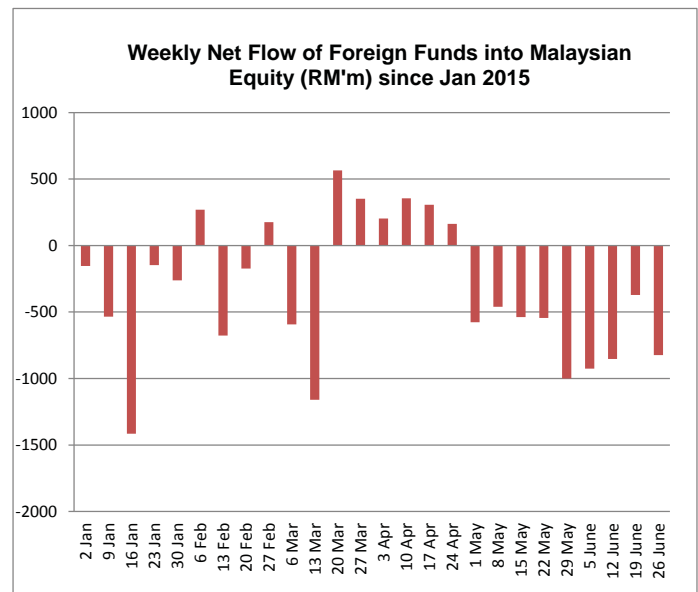
WEEKLY NET FLOW OF FOREIGN FUND INTO EQUITY (USD'm)

WEEK ENDED	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
MAY 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	-416.3	-858.6	-99.5	-2321.9
JUN 26	-57.5	17.5	-20.8	-48.4	139.4	489.2	-220.0	299.5

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

C. TRACKING MONEY FLOW - MALAYSIA

- The ebbing tide was a fleeting respite. After the outflow appeared to be receding, heavy foreign selling resumed last week.
- Foreign investors have now been net sellers on Bursa for *nine* consecutive weeks. It has been the longest stretch of foreign withdrawal since the last three months of 2013. Last week, investors classified as “foreign” sold equity listed in the open market on Bursa (i.e excluding off-market deals) amounted to RM824.7m on a net basis. That was a significant jump from the RM372.4m sold the week before.
- It was a relatively intense week of foreign selling. Foreign investors were net sellers in the open market every single day of the week, although we note that the situation was similar in Jakarta and Manila. The net sale amount was >RM100m every day. On Thursday, the net outflow surged to RM269.2m, the ninth highest in a day this year, and the 21st day that the amount had exceeded the RM200m mark. In comparison, net daily foreign sale in the open market exceeded RM200m on 23 days in 2014.
- With two trading days left, the cumulative outflow for June 2015 is set to exceed RM3b. It would be the biggest monthly outflow since January 2014. For 2015, last week’s sell-down *increased* the cumulative net foreign outflow to RM8.7b, surpassing the RM6.9b outflow for the entire 2014.
- We note, however, that the heavy selling last week was on the back of moderate volume. Indeed foreign participation (daily average gross purchase and sale) dropped significantly by 23% to RM788.8m, the lowest this year (even lower than during the Chinese New Year).
- Local institutions mopped up RM846.8m in the open market last week on active participation rate of RM2.13b. Local funds have mopped up RM9.9b this year, compared with RM8.2b in 2014. Retailers remained on the sideline.



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 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	-99.5
JUN 26	1585.3	1607.4	-22.1	5757.7	4910.9	846.8	1559.6	2384.3	-824.7	-220.0

* 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 RM17.89m last week. However, its share price underperformed the broader market with a -2.34% weekly fall. In comparison, the FBM KLCI was down by a smaller -0.66% during the review week. According to a stock filing on 25 June, EPF sold 904k shares of TM. But it is of note that net money inflow amidst retreating share price indicates buy on weakness (BOW) stance among some investors.
- Axiata came in second with RM14.39m net inflow and its share price outperformed the market benchmark albeit slightly with a -0.62% week-on-week decline. As stated earlier, net money inflow amidst retreating share price may indicate investors' BOW stance.
- Public Bank, the nation's third largest banking group, recorded the third highest net money inflow of RM11.46m but its share price slightly underperformed the FBM KLCI with a -0.95% weekly fall. Similarly, some investors may be taking BOW stance on this stock.

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	17.89	10.25	-2.34	BOW
AXIATA	14.39	-6.72	-0.62	BOW
PUBLIC BANK	11.46	15.60	-0.95	BOW
H LEONG BANK	10.44	-5.40	-2.03	BOW
MISC	8.10	1.87	-4.79	BOW
DIGI.COM	7.22	8.51	-3.40	BOW
GAMUDA	5.76	-0.48	-6.00	BOW
IHH HEALTH	4.85	8.59	-0.53	BOW
CIMB	4.12	16.92	-0.54	BOW
TNB	3.86	-4.63	-1.56	BOW

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- KL Kepong saw the largest net money outflow of -RM8.78m during the review week. Nonetheless, its stock price outperformed as it ended the week lower by merely -0.37%. This was against a slightly bigger -0.66% decline in the FBM KLCI.
- Top Glove came in second last week with a net outflow of -RM4.15m but its share price outperformed the market benchmark with a 1.52% weekly gain. The positive price movement was arguably due to its good 3QFY15 results. It is also notable that the net money outflow amidst rising share price may indicate sell on strength (SOS) stance among some investors.
- Malayan Banking registered the third largest net money outflow at -RM3.48m in the review week. Its share price slightly underperformed the broader market with a -0.86% weekly decline.

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
KL KEPONG	-8.78	2.24	-0.37	-
TOP GLOVE	-4.15	1.55	1.52	SOS
MAYBANK	-3.48	24.37	-0.86	-
CMS	-3.36	-4.33	2.35	SOS
DIALOG	-1.92	-2.00	1.24	SOS
NESTLE	-1.68	-2.25	0.28	SOS
TSH RES	-1.47	0.01	-0.44	-
HARTALEGA	-1.31	-0.22	-1.64	-
MAHB	-1.26	-2.00	-3.91	-
AMMB	-1.07	3.78	1.34	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.

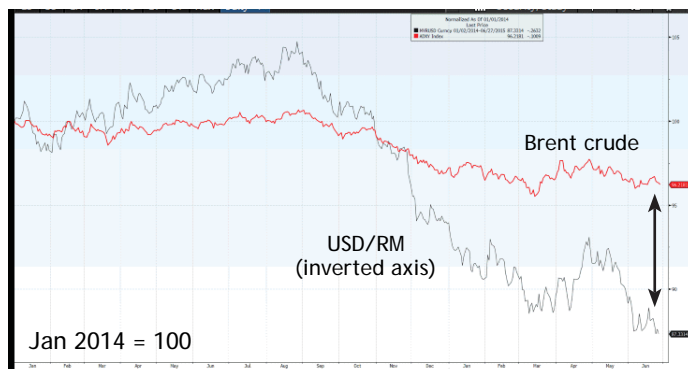
Source: Bloomberg, MIDFR

E. THE WEEK AHEAD

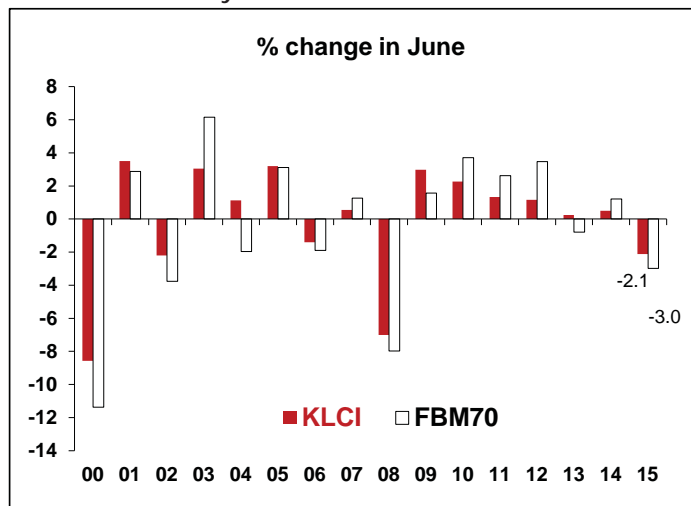
OIL NOT HELPING THE RINGGIT

- If the price of crude oil is one of the main proxies of the Malaysian economic fundamentals, then the Ringgit should not be trading at the level it is currently at.
- The Ringgit lost -0.65% against the greenback last week. Although it was not the worst performer among Asian peers (the Singapore dollar lost -0.89% while the Korean won slipped -0.84%), its performance vis-a-vis the price of crude oil should continue to confound market observers. Meanwhile, non oil-dependent currencies such as the Philippines Peso bucked regional trend and rose against the dollar last week.
- The price of Brent crude, although softer towards Friday, closed the week actually higher at USD63.26pb compared with USD63.02pb the week before. The price of oil has stabilized within the USD60-70pb range, after rebounding from a six-year low. Its recovery has been halted by signs of a global glut, as reflected by the elevated level of U.S. inventory, and the fact that OPEC has been pumping more than its quota of 30mbpd.
- Yet, while the Ringgit had closely tracked the price of crude oil before, the correlation has plummeted and the gap widened last week (see chart).
- It is our conviction that the local equity market will not make much progress until the Ringgit has stabilized, and order is unlikely to be restored until the Ringgit is better behaved against the price of crude oil. Meanwhile, the widening Ringgit-oil disjunct last week is ominous for equity prices in general.
- With two trading days left in June, hope for a last-minute market salvation is dimming. As of last Friday, the KLCI and FBM70 had lost -2.1% and -3.0% respectively for the month. June 2015 is set to be the worst month of June in seven years (see chart).

USD/RM vs Brent: The gap gets bigger



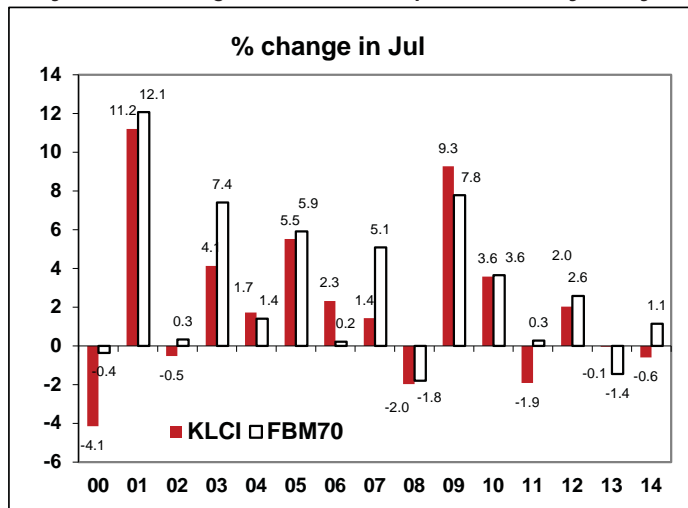
Worst June in 7 years?



JULY REDEMPTION?

- We cross over to 2H15 this Wednesday with the hanging spectre of double jeopardy in the form of Grexit and China crash. That is on top of the Ringgit quagmire that is unlikely to clear so soon.
- With no June salvation, July redemption would also be a tough proposition. This is despite July being a generally gainful month (see chart). The KLCI dropped deep into the redzone only once since year 2000. And the decline was only -4.1% during the Dotcom crisis.
- Monday would be interesting to see how markets react especially to China's surprising monetary stimulus announced on Saturday. There may be an initial euphoria but we do not believe that it will reverse the downtrend.

July chart looks good, but redemption unlikely this year



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