



MALAYSIA EQUITY RESEARCH | JUNE 8, 2015

<p>Week Ended June 5, 2015</p>	Foreign Flow Meter (M'sia)	
	 Tide	HIGH (maintain)
	 Current	HIGH (declining)

- Selloff in the equity markets around the world continued for the second consecutive week, with China bucking the trend.
- Defining the market last week was clearly Greece's debt impasse. The OECD also slashed its 2015 global economic growth forecast significantly to 3.1% from 4%, while the IMF recommended that the Federal Reserve delay its rate hike until the 1H16. The U.S. reported a resurgent in its job market in May.
- China's CSI300 index bucked global trend to add a massive 8.1%, its best weekly return this year.
- The KLCI was resilient last week, having lost only -0.1%. This is partly due to the fact that the local market already started to retrace 1-2 weeks ahead of its peers. A positive development is that the KLCI is no longer the worst performer in the year-to-date measurement. The markets in India, Indonesia and Singapore have now fared worse.
- Asian equity finally succumbed to foreign selling pressure. Emerging Asia came under pressure but most of the withdrawal was in Taiwan, where foreign investors exited Taiwan equity for the first time in seven weeks.
- Foreign selling on Bursa remained heavy last week, with foreigners offloading for the sixth consecutive week. The amount offloaded was still close to the RM1b mark at -RM926.1m, compared with -RM999.8b sold the week before.
- The ringgit was the worst performing currency among Asian peers last week, dropping -1.4%. It coincided with a sharp fall in the price of 10-year MGS, the yield of which shot up to its highest this year at >4%.
- The sharp decline in the ringgit last week was again out-of-sync with our readings of its fundamentals.

8 June 2015 | Strategy - Weekly Fund Flow

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THE TIDE IS SLOW TO EBB

A. MARKET SNAPSHOT

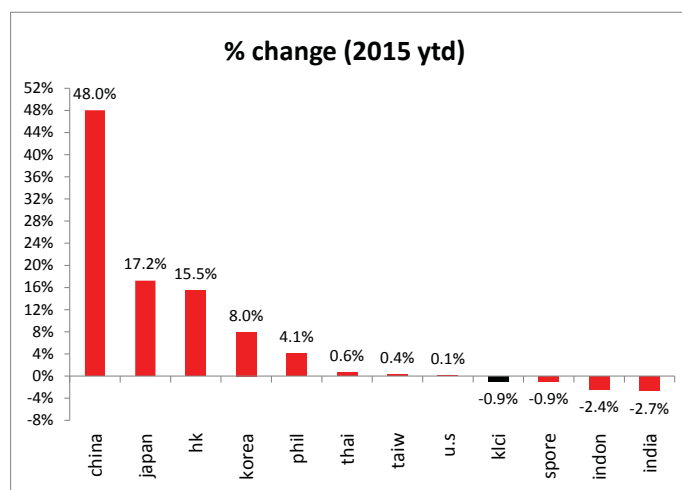
- The selloff in the equity markets around the world continued for the second consecutive week, with only China bucking the trend strongly.
- One of the defining market developments last week was clearly Greece's debt impasse. Greece notified the IMF on Thursday that it would defer payment of a EUR300m liability due Friday, and bundle it with 3 other payments totally USD1.76b due end-June. Although allowed by IMF, it was an about-turn by the government surprised the market. It raised the spectre of Greece defaulting on its obligations.
- Meanwhile the OECD slashed its 2015 global economic growth forecast significantly to 3.1% from 4% that it projected in March. Forecast for 2016 was also shaved from 4.3% to 3.8%. On a separate development, the IMF recommended that the Federal Reserve delay its rate hike until the 1H16.
- The IMF's advice is likely to carry less weight after the U.S. Department of Labour reported a resurgent in the U.S. job market in May. Non-farm payroll increased by 280,000 in May, from 221,000 in April. That beat Bloomberg consensus expectation by almost 25%. Unemployment rate edged up slightly to 5.5% from 5.4%, but that was mainly due to more people registering themselves to be recruited.
- However, the robust job data did not do much to bolster a rather skittish investors' sentiment. The Dow Jones fell for the third straight week by -0.9% while the S&P500 declined -0.7%.
- China's CSI300 index bucked global trend to add a massive 8.1%, its best weekly return this year. That contrasted India Sensex's -3.8% loss, which was the worst among the indices that we track. Prices in China hit the highest in 7 years, rebounding from the loss the week before. There was anxiety over news of brokerages restricting margin financing, especially on counters listed on ChiNext - China's Nasdaq, but a wave of new listings of state enterprises last week - including the USD2.16b China National Nuclear Power Corporation IPO boosted sentiment.
- The KLCI was resilient last week, having lost only -0.1%. This is partly due to the fact that the local market already started to retrace 1-2 weeks ahead of its peers. A positive development is that the KLCI is no longer the worst performer in the year-to-date measurement. With the severe retracement last week, the market in India, Indonesia and Singapore have fared worse than that in Malaysia.

Performance of major markets

Weekly % change	Week before	Last week
China CSI300	-2.23	8.05
Thai SET	-1.82	0.76
KLCI	-2.24	-0.13
Nikkei 225	1.47	-0.50
Hang Seng	-2.03	-0.60
S&P500	-0.88	-0.69
Phil Comp	-2.94	-0.71
Dow Jones	-1.21	-0.90
Straits Times	-1.68	-1.72
CAC	-2.62	-1.74
DAX	-3.40	-1.90
Korea KOSPI	-1.46	-2.21
Jakarta JCI	-1.86	-2.22
FTSE	-0.67	-2.57
Taiwan TaieX	0.65	-3.72
India Sensex	-0.46	-3.81

Source: Bloomberg

Major Asian indices (2015)

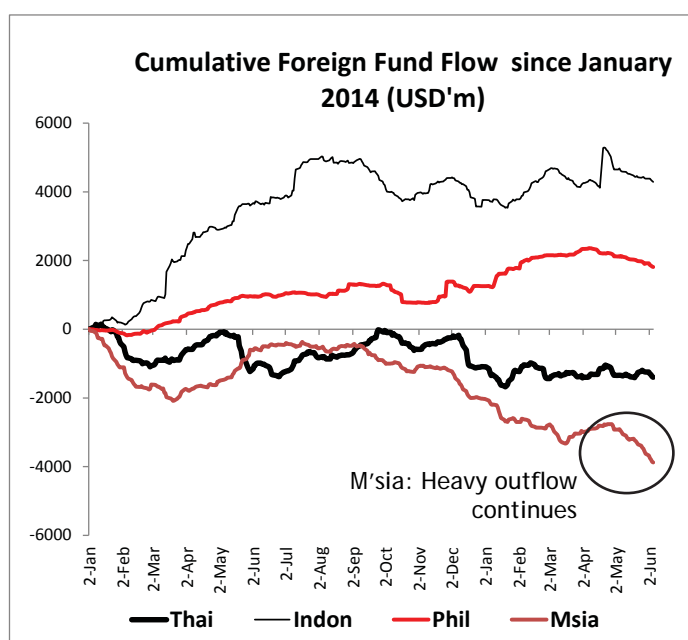
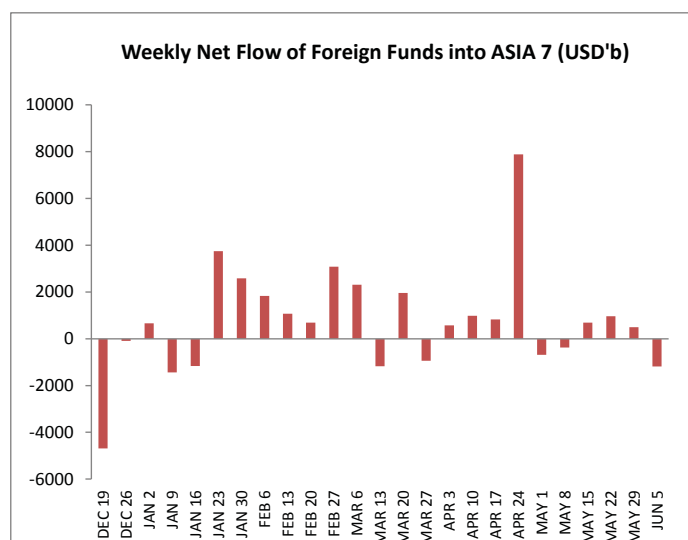


Source: Bloomberg

FUND FLOW REPORT

B. TRACKING MONEY FLOW

- Asian equity finally succumbed to foreign selling pressure.
- Based on provisional data from the respective exchanges, investors classified as “foreign” sold -USD1.19b net of listed equity in the 7 Asian¹ stock markets that we track (TIPs + India, Taiwan, Korea and Malaysia). It was the heaviest selloff since the first week this year.
- Most of the withdrawal was in Taiwan, where foreign investors exited Taiwan equity for the first time in seven weeks. Effective June, the weighting of Taiwan stocks in MSCI’s Emerging Markets Index has been cut from 12.15% to 12%, while Taiwan’s weighting in the MSCI All-Country Asia Index ex-Japan Index has been lowered to 14.27% from 14.49%.
- Meanwhile, Taiwan’s bellwether electronics sector remained weak amid lingering concerns ahead of the mandatory reporting of May sales figures by June 10. Among large-cap electronics stocks hit last week were Taiwan Semiconductor Manufacturing Co., the most heavily weighted stock, and Hon Hai Precision Industry Co., the world’s largest contract electronics maker. Selling also spread to the non-tech sector as investors locked in profit.
- Emerging Asia came under foreign selling pressure last week. In Thailand, foreign investors were net sellers for the first time in three weeks. The Bank of Thailand (BoT) meets on June 10, and investors were fearful of a repeat of April’s surprise policy rate cut which weakened the baht sharply. BoT officials have made indications that the baht needs to be more competitive to revive flagging exports, which contracted -4%yoy in the first four months this year.
- In Jakarta and Manila, foreign investors fled the equity market for the sixth consecutive week. Selling was relatively heavy in Jakarta as investors were concerned that inflation will remain high. Inflation hit 7.15% in May and Bank of Indonesia has already warned that it may accelerate further to 7.4% in June.
- The only market attracting foreign money last week was Korea, which has reported a surplus or even flow for an amazing 16 weeks in a row.



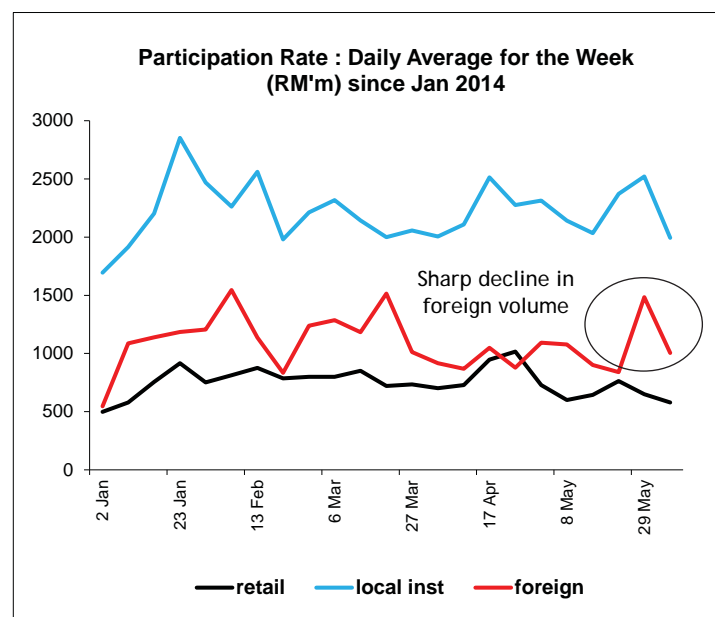
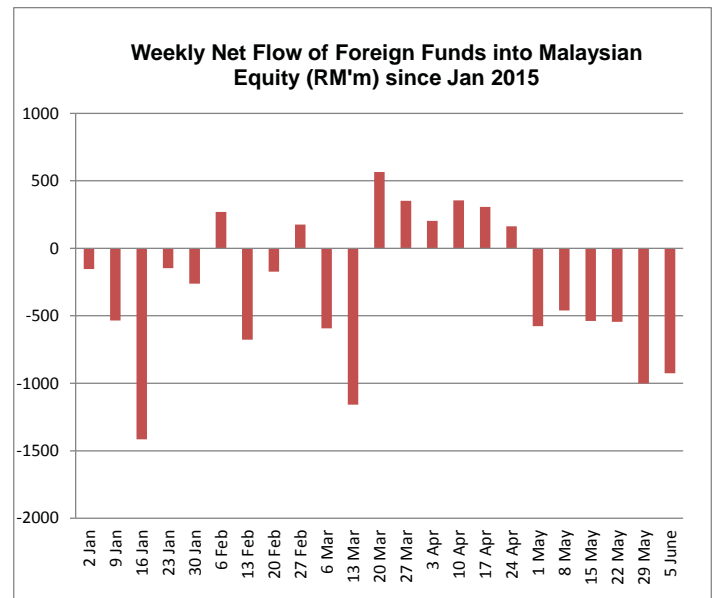
¹ These ASIA 7 markets, for which fund flow data is publicly available, are our proxy for Asia. TIP = Thailand + Indonesia + Philippines.

WEEKLY NET FLOW OF FOREIGN FUND INTO EQUITY (USD'm)								
WEEK ENDED	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
APR 24	1943.2	78.5	1078.7	2.0	2109.3	2630.3	45.1	7887.1
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	-102.7	-1167.5	-250.7	-1189.0

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

C. TRACKING MONEY FLOW - MALAYSIA

- Foreign selling on Bursa remained heavy last week.
- For the sixth consecutive week, foreign investors have been net sellers of Malaysian equity. The amount offloaded was still close to the RM1b mark as 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 -RM926.1m. This was comparable to the -RM999.8b sold the week before. It was the fourth highest in a week this year.
- Again, foreign investors were net sellers every single trading day last week, and had been selling for the past 14 straight trading days. The amount exceeded the RM200m mark on Tuesday and Thursday, making it 18 days so far this year that the amount had surpassed the threshold. In comparison, daily foreign sale exceeded RM200m on 23 occasions in 2014.
- However, we note that the intensity of the foreign sell-down abated significantly on Friday. The amount sold on Friday dropped to only -RM73.4m, the lowest during the 14-day sell-down stretch. Nevertheless, after the strong U.S. employment numbers released last Friday, the prospect for the foreign sell-down to continue to abate is less promising. We estimate that there is still an overhang of about RM15-20b of foreign portfolio liquidity on Bursa.
- Last week’s sell-down *increased* the cumulative net foreign outflow in 2015 to -RM6.7b, almost matching the -RM6.9b outflow for the entire 2014.
- Foreign participation (daily average gross purchase and sale) on Bursa remained elevated at RM1.0b, but it declined -32% from that the week before.
- Local institutions mopped up RM989.7m last week but participation rate fell to RM1.99b, the first time it dropped below RM2b in 11 weeks.
- Consistent with the school holiday season, retailers sold -RM63.6m, with average daily volume falling to its lowest this year at only RM579m.



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 17	2293.2	2440.9	-147.7	6201.4	6361.0	-159.6	2773.5	2466.2	307.3	83.7
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 6	1416.2	1479.8	-63.6	5479.0	4489.3	989.7	2047.7	2973.8	-926.1	-250.7

* 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 RM31.28m last week. However, its share price underperformed the broader market with a -5.91% weekly loss attributable to disappointing earnings figure due to higher operating cost and losses at P1. The share price pullback was bigger than mere -0.13% decline in the FBM KLCI. But it is of note that net money inflow amidst retreating share price indicates a buy on weakness (BOW) stance among some investors.
- Public Bank came in second with RM9.21m net inflow and its share price slightly outperformed the market benchmark with a 0.43% week-on-week gain.
- Tenaga Nasional recorded the third highest net money inflow of RM8.57m and its share price also performed marginally better than the FBM KLCI with a 0.30% weekly rise. Some investors are taking a long position on this stock pursuant to price pullback in earlier weeks on rumors that the company might be buying some of Edra Energy's assets.

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	31.28	-2.51	-5.91	BOW
PUBLIC BANK	27.44	9.21	0.43	-
TNB	12.54	8.57	0.30	-
UEM SUNRISE	10.87	-4.27	0.00	-
CIMB GROUP	5.58	6.50	-6.00	BOW
PETRONAS CHEM	3.64	0.86	-0.32	BOW
SAPURAKENCANA	3.05	2.86	1.52	-
IOI CORP	2.85	0.79	1.50	-
AIRASIA	2.46	1.49	-2.28	BOW
UEM EDGENTA	2.31	-0.69	-2.42	BOW

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- Digi.com saw the largest net money outflow of -RM31.24m during the review week. Nonetheless, its stock price outperformed as it ended the week higher by 2.32%. This was against a -0.13% decline in the FBM KLCI. It is noteworthy that the net money outflow amidst rising share price may indicate sell on strength (SOS) stance among some investors.
- Maybank registered the second largest net money outflow during the review week totaling -RM8.03m but its share price outperformed the market benchmark with a 1.99% weekly gain. As stated above, net money outflow amidst rising share price may indicate SOS stance among some investors.
- IJM Corp came in third last week with -RM6.75m net outflow. Accordingly, its share price slightly underperformed the broader market with a -0.28% weekly decline.

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
DIGI.COM	-31.24	13.40	2.32	SOS
MAYBANK	-8.03	0.45	1.99	SOS
IJM CORP	-6.75	1.60	-0.28	-
WESTPORTS	-3.65	11.51	6.38	SOS
CAHYA MATA	-3.55	0.33	0.38	SOS
BUMI ARMADA	-3.33	-3.69	1.57	SOS
PETRONAS GAS	-3.12	6.96	0.09	SOS
DIALOG	-2.78	-3.23	1.83	SOS
TIME DOTCOM	-2.68	-0.15	6.20	SOS
KL KEPONG	-2.30	0.53	8.70	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.

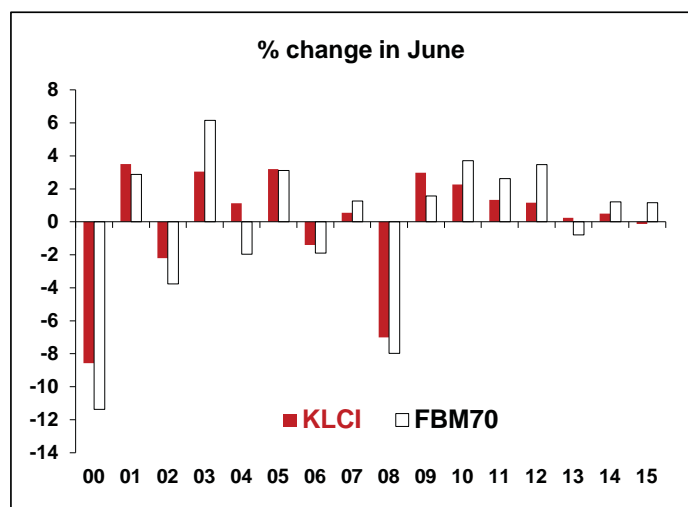
Source: Bloomberg, MIDFR

E. THE WEEK AHEAD

SURPRISING START TO JUNE

- Despite the school holiday, foreign selling pressure, and the depreciation of the ringgit, the equity market made a surprising start to the month of June. Although the KLCI was down -0.1% mtd, the FBM70 and FBM Smallcap indices rose 1.2% and 1.5% respectively. As we had noted last week, June had, on average, been a historically gainful month.
- The downward momentum of FBM KLCI eased considerably this week as buying support emerged at circa 1,735 points. Moreover, the weekly trading was rather range-bound within a narrow band of 1,745 to 1,735 points. Among the benchmark constituents, plantation stocks led the gains in tandem with the jump in CPO prices to above RM2,300pmt, from less than RM2,200pmt last week, buoyed by the rising possibility of an impending El Nino.
- In this short-term, we can expect more official disclosures and explanations on the actual financial situation of the beleaguered 1MDB. This, in our opinion, this is a positive development as it would help to recalibrate investors' perception over its hitherto hazy internal state. Otherwise, fueled by rumors and speculations, the market has a natural tendency to expect the worst outcome.
- The weekly streak of foreign fund outflows since early May this year may continue on for another week. While the local market may remain cagey, at current depressed levels, we can expect good buying support northward of 1,730 points.

June 2015 opens on an encouraging note



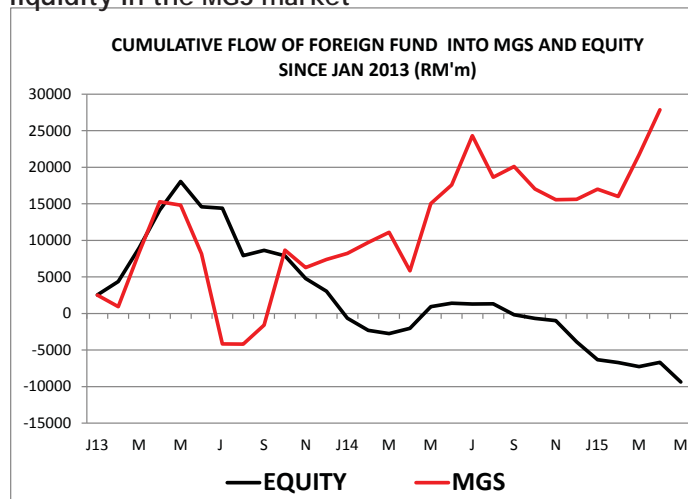
RINGGIT BACK IN THE SPOTLIGHT

- The ringgit was the worst performing currency among Asian peers last week, dropping -1.4%. It coincided with a sharp fall in the price of 10-year MGS, the yield of which shot up to 4.05%, the highest this year.
- The sharp decline in the ringgit last week was again out-of-sync with our readings of its fundamentals. The price of Brent held up above USD60pb, which was above the USD55pb that the Government has assumed in its revised Budget 2015.
- BNM's statistics released last week show a surge of foreign investment in MGS (see chart) in April. This partly explains the ringgit's advance during this period. The size of the flow is significantly bigger than the amount of money flowing out of the equity market. Thus, far the flow of foreign capital from the stock market has been orderly. It is the massive movement of foreign money in the debt securities market which is causing the ringgit's volatility.
- The equity market will benefit immensely from a ringgit stabilisation actions in this short-term.

Oil price - Ringgit disjunct, again



The risk to the ringgit lies in the overhang of foreign liquidity in the MGS market



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