

MALAYSIA EQUITY RESEARCH | MARCH 23, 2015

Week Ended March 20, 2015	Foreign Flow Meter		
<ul style="list-style-type: none"> Global equity markets turned around for the better last week. The dollar and the price of crude oil, the two main determinants in the equity market, reversed course. The liquidity tide to Asia resumed last week after a short pause. However, the flow to Asia was glaringly uneven. Korean equity is currently the hottest among the markets that we track. After two weeks of relatively intense selling, foreign funds bought back Malaysian equity last week, even as Fitch raised that odds that it may downgrade the country's sovereign rating. Foreign investors bought, on a net basis, RM565.5m worth of local equity in the open market (i.e excluding off-market deals). It was only the third week this year that foreign investors had been net buyers on Bursa. Last week's purchase reduced the cumulative net foreign outflow for 2015 to -RM4.0b. In comparison, the cumulative foreign outflow for the entire 2014 was -RM6.93b. Foreign participation rate (daily average gross purchase and sale) surged to RM1.51b last week, a 31% jump from the average for the year until the week before. Most notably, foreign participation spiked to RM3.35b on Friday, the third highest in our record since we started tracking the statistics in early 2011. A spike in foreign activity may signal exciting days ahead for Bursa in the next few weeks. 		Tide	
		Current	HIGH (Unchanged)
			STRONG (Reverse course)

23 March 2015 | Strategy - Weekly Fund Flow

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THE TIDE IS BACK

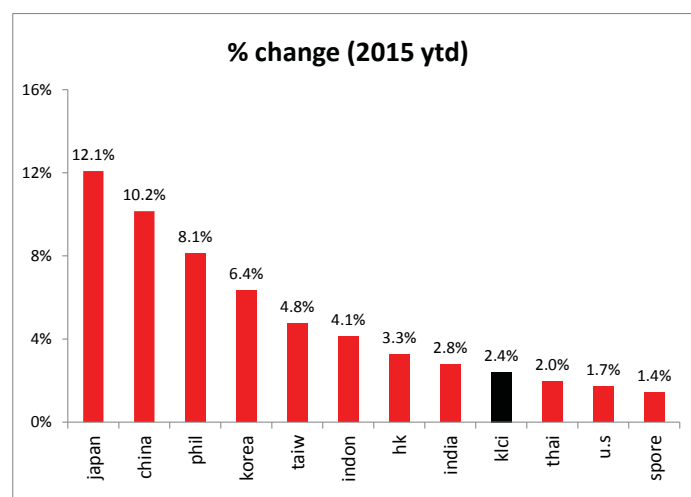
A. MARKET SNAPSHOT

- Global equity markets turned around for the better last week. The dollar and the price of crude oil, the two main determinants in the equity market, reversed course.
- At the FOMC meeting last week, the Fed acknowledged that the U.S economic growth has moderated and made clear it will not raise interest rates until it is "reasonably confident" that inflation will return to its target and the labor market improves further.
- The biggest surprise at the meeting was the sharp downward revision to the projected Fed funds rate. The median rate projected in 2015 was 0.625%, lower than the 1.125% forecast in December 2014.
- The odds that the rate will be raised in 1H15 fell dramatically. Consequently, the dollar lost 2.2% against a basket of 10 major currencies. It lost 3% against the euro, the worst since October 2011.
- Meanwhile, Brent snapped two straight weeks of losses rising 1.2% last week to USD55.32pb. While the weaker dollar was a catalyst for the rebound, the prospect of continued sanction on Iran's oil supported oil price.
- In Europe, the FTSE rose a strong 4.2% to close at a record high with the index settling above the 7,000 points for the first time ever. The index was buoyed on Friday after the European summit on Thursday reduces the likelihood of Greece's exit from the euro.
- In Asia, all eyes were on China where the CSI300 rose a staggering 7.6%, extending the 4% gain in the preceding week. Investors in China are hoping for more monetary and fiscal easing, after the central bank reduced interest rates in February. Daily trading volume in China's stock market surpassed 1tr yuan (USD161.60b) in three consecutive sessions last week. The amount of margin financing, has also been expanding rapidly. Property stocks, a good proxy of the economic climate, rose on expectations of more policy support. The official China Securities Journal reported that the government is studying possible measures including tax cuts, lower requirements for mortgage lending and loosening of restrictions on home purchases.
- Only Thai SET and India's Sensex lost ground, albeit marginally last week. The KLCI rose 1.2%, after falling for 2 straight weeks.

Performance of major markets		
Weekly % change	Week before	Last week
China CSI300	4.00	7.60
FTSE	-2.48	4.18
S&P500	-0.86	2.66
Korea KOSPI	-1.35	2.59
Hang Seng	-1.41	2.32
Dow Jones	-0.60	2.13
Taiwan Taiex	-0.69	1.78
Nikkei 225	1.49	1.59
CAC	0.93	1.54
Straits Times	-1.60	1.51
KLCI	-1.40	1.23
DAX	3.04	1.16
Jakarta JCI	-1.60	0.31
Phil Comp	-0.66	0.11
India Sensex	-3.21	-0.85
Thai SET	-1.71	-0.95

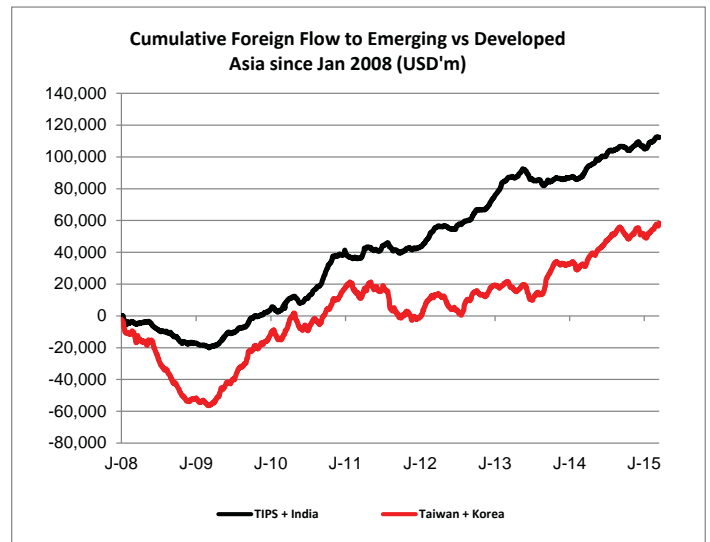
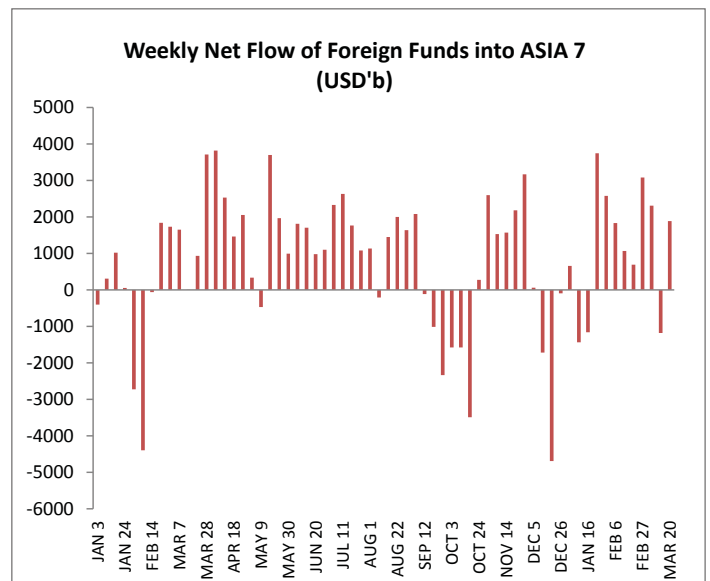
Source: Bloomberg

Major Asian indices (2015)



B. TRACKING MONEY FLOW

- The gravy train to Asia resumed the journey last week after a brief halt.
- Based on provisional data from the respective exchanges, investors classified as “foreign” turned aggregate net buyers in the 7 Asian¹ stock markets that we track (India, Taiwan, Korea, Thailand, Indonesia, Philippines and Malaysia). The amount bought last week was USD1.89b.
- However, the flow to Asia was glaringly uneven. The crude data suggests strong money flow to Developed Asia² (as represented by Korea and Taiwan), but general aversion to Emerging Asia (as represented by the TIP + India + Malaysia markets).
- Korean equity is currently the hottest in the universe of markets that we track.
- Foreign funds bought a massive USD1.3b of shares listed on KRX last week, the highest since August last year. Among the sector in focus is pharmaceutical, which surged on Friday. Hanmi Pharmaceutical Co Ltd soared 14.4% after announcing an exclusive deal with Eli Lilly and Co, worth USD640m. Investors are betting on pharmaceuticals, as these companies are preparing to reap the benefits from significant investments made in the past. Also attracting foreign funds currently is KOSDAQ which closed near a 7-year high on Friday.
- Foreign funds are also buoyed by the fact that there is a concerted effort by the authorities to stimulate the economy. On March 12, the Korean central bank announced a reduction in the policy rate to a record low of 1.75%. Meanwhile, on the fiscal front, the government plans a 3tr won (USD3.7b) stimulus budget in 1H15 and raise an additional investment of 7tr won from both public and private sectors this year. These are made possible from surpluses generated by low oil prices and the government’s sale of real estate properties last year.



NET FLOW BY DESTINATION (USD'm)

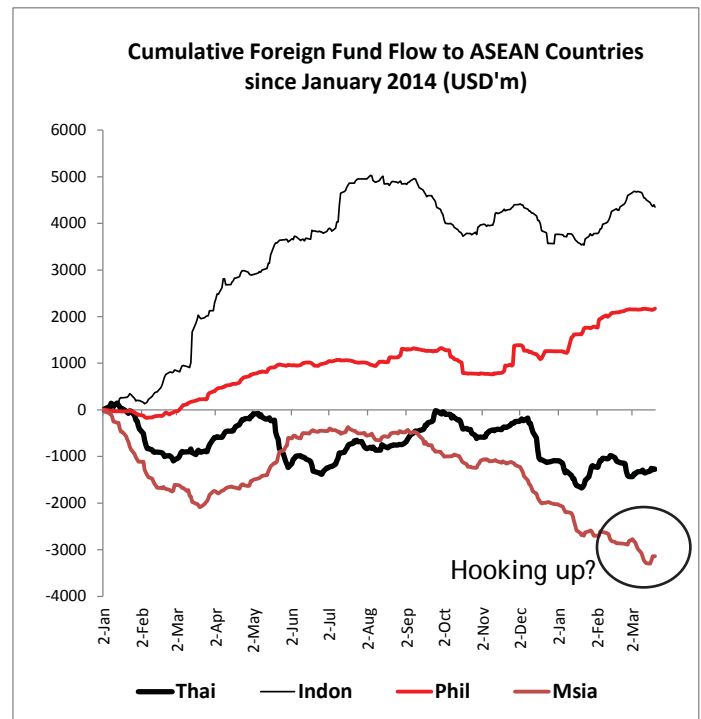
Year	TIPs + India	Taiwan + Korea	TOTAL	M'sia	Total (+M'sia)
2008	-17,195	-53,106	-70,301	n.a	n.a
2009	20,580	40,063	60,642	n.a	n.a
2010	35,690	29,234	64,924	n.a	n.a
2011	2,748	-17,801	-15,053	n.a	n.a
2012	31,302	19,976	51,278	4,385	55,663
2013	12,446	13,500	25,946	1,224	27,170
2014	20,093	18,874	38,967	-2,025	36,942
2015	6,790	7,754	14,544	-1,112	1,3431

TIP = Thailand, Indonesia, Philippines.
Source: Bloomberg & Bursa statistics.

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

² Technically, the Korea and Taiwan markets have not yet been classified as “developed” under the MSCI. We use the term liberally only for tracking purposes.

- For the second week running, foreign investors sold Indonesia equity.
- After Bank Indonesia indicated that it is willing to tolerate weak rupiah, the government announced a package of policy instruments to shore up the currency. From April, Indonesian companies that export at least 30% of their domestically manufactured products will be given preferential tax treatment. The government will also encourage companies re-invest local gains and promote R&D investment through tax breaks. There will also be new anti-dumping measure to curb imports. The government will also waive visa requirements for tourists from 30 countries
- In contrast, Thailand is creeping back into the radar screen of foreign investors. Bank of Thailand surprised the market with an interest rate cut recently, but impressed that “more economic stimulus should come from the fiscal side”. This augurs well for investors’ sentiment.




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

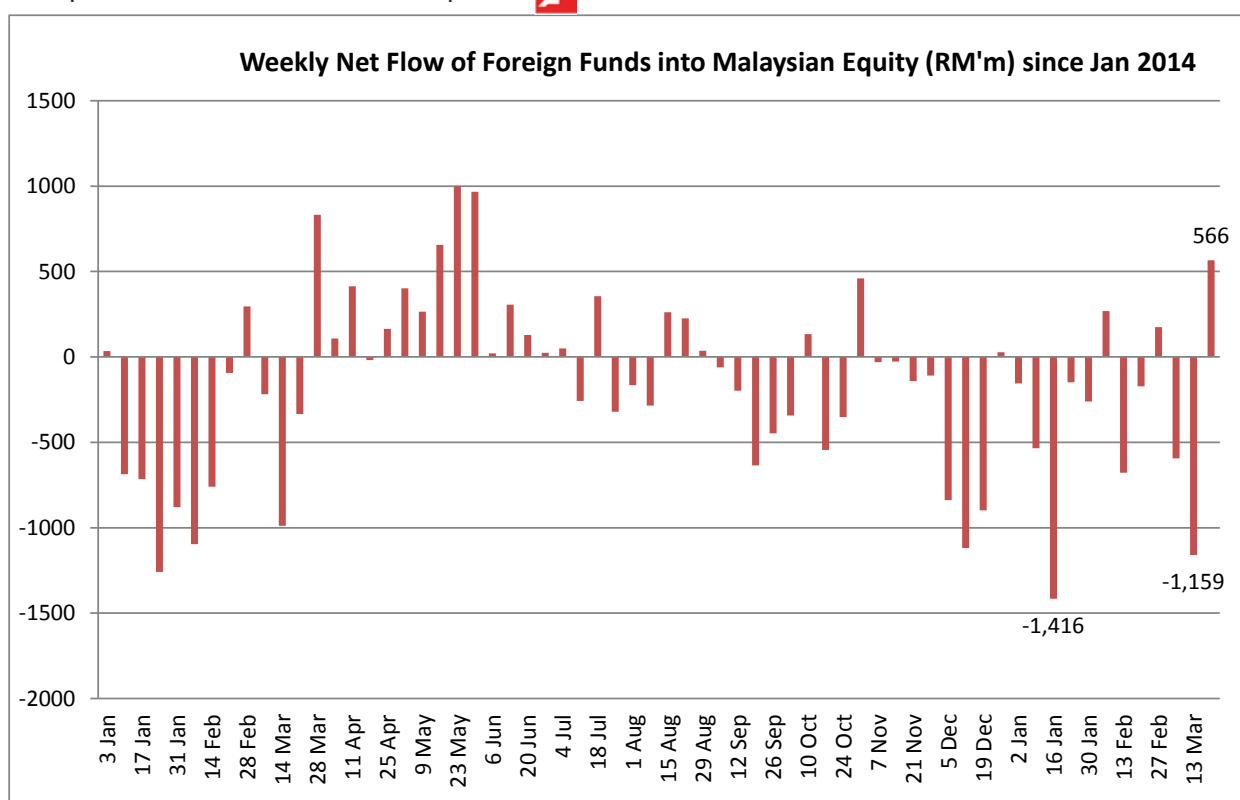
WEEK ENDED	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
SEP 19	-354.7	169.0	-171.5	-31.9	31.9	-456.9	-197.1	-1011.1
SEP 26	-661.0	253.5	-247.9	-6.1	-366.5	-1164.6	-137.8	-2330.5
OCT 3	-309.1	-75.9	-344.4	20.3	107.2	-866.0	-104.8	-1572.7
OCT 10	-716.4	-64.4	-88.9	-189.7	-304.0	-256.2	41.2	-1578.3
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	-1095.9	-257.7	-4687.8
DEC 26	-49.5	-46.4	-269.2	155.7	-292.8	405.2	8.0	-89.0
JAN 2	-144.6	26.6	194.0	-4.6	143.6	489.8	-44.1	660.7
JAN 9	-118.8	-191.0	14.0	-9.7	-440.3	-540.0	-150.3	-1435.5
JAN 16	-743.6	-283.6	-160.1	369.8	550.0	-499.0	-396.1	-1162.7
JAN 23	208.8	112.6	44.0	147.5	1081.0	2194.1	-41.5	3746.6
JAN 30	-410.7	290.4	121.1	19.8	1642.1	988.4	-71.9	2579.2
FEB 6	435.6	184.2	197.1	205.3	-107.4	841.9	75.3	1832.1
FEB 13	-89.7	51.7	271.0	86.0	-284.6	1222.2	-188.6	1068.1
FEB 20	129.0	-155.8	100.2	27.7	640.9	0.0	-48.3	693.7
FEB 27	691.4	-293.2	262.1	52.5	1185.0	1134.6	48.7	3081.0
MAR 6	887.8	104.4	68.7	-6.7	892.4	527.2	-162.7	2311.1
MAR 13	87.4	-9.4	-179.6	12.6	160.0	-935.3	-314.1	-1178.4
MAR 20	1297.3	62.8	-151.8	7.7	106.8	414.7	151.9	1889.4

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

FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

- After two weeks of relatively intense selling, foreign funds bought back Malaysian equity last week, even as Fitch raised that odds that it may downgrade the country's sovereign rating.
- Investors classified as "foreign" bought, on a net basis, RM565.5m worth of local equity in the open market (i.e excluding off-market deals). It was only the third week this year that foreign investors had been net buyers on Bursa.
- The week did not begin on a positive note, as there was heavy follow-through selling on Monday. International investors were clearly still uncertain whether general bearishness in the global market the week before would persist. However, sentiment began to reverse on Tuesday, as foreigners made a marginal purchase for the first time in 11 trading days, ahead of the FOMC meeting on Wednesday. Subsequently, there was a significant rise in the amount bought on Wednesday and Thursday, and by Friday, foreign purchase had hit RM348.4m, the highest this year, and the first time it exceeded RM300m since February 4.
- Last week's purchase reduced the cumulative net foreign outflow for 2015 to -RM4.0b. In comparison, the cumulative foreign outflow for the entire 2014 was -RM6.93b.
- Foreign participation rate (daily average gross purchase and sale) surged to RM1.51b last week, a 31% jump from the average for the year until the week before. Most notably, foreign participation spiked to RM3.35b on Friday, the third highest in our record since we started tracking the statistics in early 2011.
- Despite the school holiday, local institutions were active in market last week, taking advantage of foreign buying to offload -RM1.16b. Participation rate remained elevated at RM2b, but was the lowest in four weeks. Local institutions have absorbed RM4.40b net so far this year. In 2014, they bought RM8.18b net.
- In contrast, retailers remained quiet, offloading -RM112.9m on low participation rate of only RM721m, the lowest since the first week this year. These are likely profit-taking trades on that position built in the two weeks prior. 

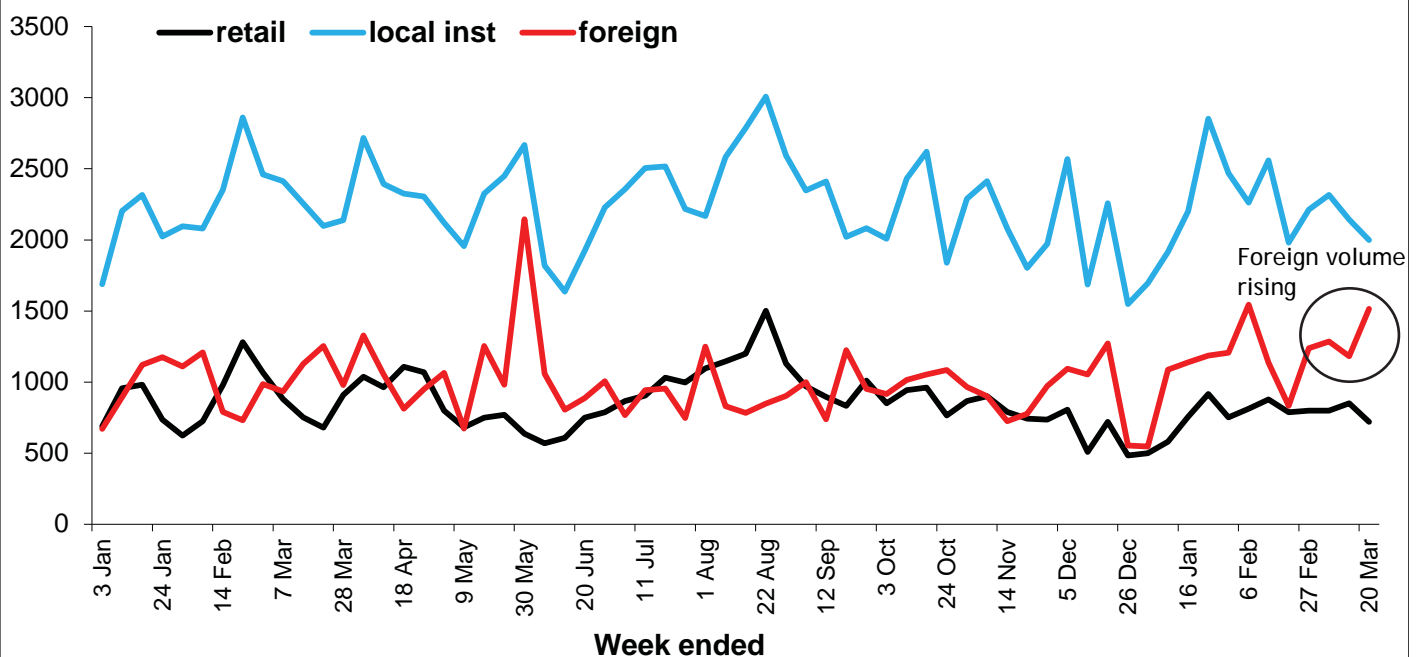


Source: Bursa statistics, excluding off-market trades

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)*
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	8.1
JAN 2	970.7	1028.0	-57.3	3496.5	3284.8	211.7	1016.0	1170.4	-154.4	-44.1
JAN 9	1501.3	1399.4	101.9	5003.6	4570.3	433.3	2448.0	2983.2	-535.2	-150.3
JAN 16	1928.4	1853.2	75.2	6176.1	4835.4	1340.7	2141.0	3556.9	-1415.9	-396.1
JAN 23	2198.9	2382.4	-183.5	7294.8	6963.4	331.4	2890.1	3038.0	-147.9	-41.5
JAN 30	1841.2	1917.3	-76.1	6342.7	6005.1	337.6	2885.6	3147.1	-261.5	-71.9
FEB 6	1167.3	1273.1	-105.8	3311.0	3473.8	-162.8	2452.0	2183.4	268.6	75.3
FEB 13	2157.5	2228.7	-71.2	6774.6	6025.7	748.9	2504.9	3182.6	-677.7	-188.6
FEB 20	974.6	992.4	-17.8	2570.6	2379.9	190.7	955.4	1128.3	-172.9	-48.3
FEB 27	1953.2	2041.8	-88.6	5488.1	5574.5	-86.4	3184.4	3009.4	175.0	48.7
MAR 6	2022.6	1973.1	49.5	6063.1	5519.1	544.0	2917.7	3511.2	-593.5	-162.7
MAR 13	2138.6	2113.6	25.0	5922.7	4789.2	1133.5	2375.9	3535.1	-1159.2	-314.1
MAR 20	1745.9	1858.8	-112.9	4773.5	5226.1	-452.6	4069.0	3503.5	565.5	151.9

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

Participation Rate : Daily Average for the Week (RM'm) since Jan 2014


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