

31 March 2014
MALAYSIA EQUITY



FUND FLOW REPORT

Week Ended Mar 28, 2014

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FOR IMPORTANT DISCLOSURES**

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31 March 2014 | Strategy - Weekly Fund Flow

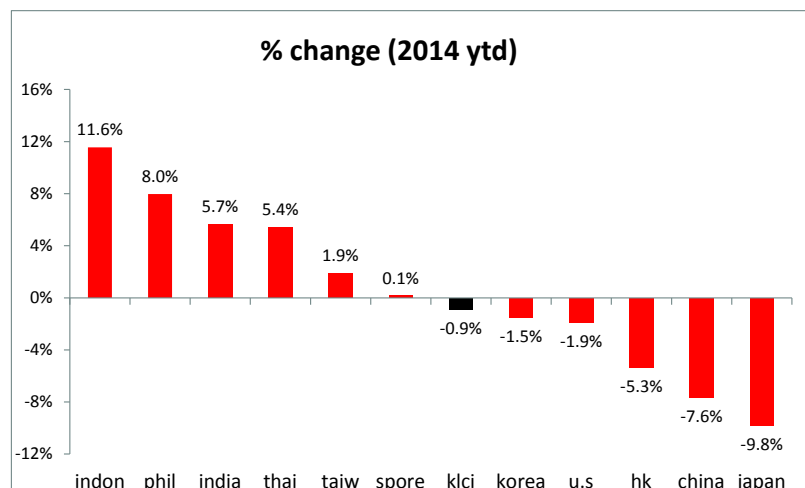
STRONG TIDE TO ASIA ... MALAYSIA INCLUDED

A. MARKET SNAPSHOT

- After a fortnight of heightened uncertainty, global equity markets regained its composure ahead of the first quarter closing.
- Most markets closed last week in the greenzone. However, the bellweather market, Wall Street, was flat with the Dow Jones gaining a marginal 0.1% while the broader S&P500 shed -0.5%. The U.S market is still vulnerable to profit-taking as prices remained historically elevated. Last week, technology and small-cap stocks came under strong selling pressure, as investors gravitate towards defensive stocks. At this juncture, lingering geopolitical risks is probably the main cause of investors' risk aversion.
- Most of the action last week was in Asia although European markets also closed on a positive note, after U.S data showed that consumer spending rebounded in February by 0.3%mom, after the harsh winter.
- The Nikkei 225 and Singapore's STI led the pack, with both gaining by more than 3%. Japan's Nikkei rebounded from a harrowing two weeks during which it lost -7%. The Bank of Japan meets on April 8, and the market is expecting the central bank to remain on course with its monetary stimulus, which is a catalyst for share prices.
- Regional emerging markets were rather sedate last week. Jakarta's JCI rebounded a rather unconvincing 1.5% from a -3.7% loss the week before. The market is currently weighing the impact the various presidential candidates will have on policies. Meanwhile, all eyes will be on the country's trade numbers for February, due next Tuesday. A decent surplus is likely to buoy foreign investors.
- The KLCI rose 1.7% last week to close at 1850.7 points, the first time it broke the 1850 level since the first day of trading this year. Year-to-date, the index is still in the red, at -0.9%.

Performance of major markets		
Weekly % change	Week before	Last week
Nikkei 225	-0.72	3.32
Straits Times	-0.01	3.21
Hang Seng	-0.48	2.93
India Sensex	-0.26	2.69
DAX	3.16	2.61
Korea KOSPI	0.78	2.38
Taiwan Taiex	-1.27	2.30
CAC	2.82	1.75
KLCI	0.85	1.66
Jakarta JCI	-3.66	1.45
FTSE	0.45	0.89
Thai SET	-0.85	0.62
Phil Comp	-0.81	0.32
Dow Jones	1.48	0.12
China CSI300	1.69	-0.32
S&P500	1.38	-0.48

Source: Bloomberg



B. TRACKING MONEY FLOW

- A strong tide of global liquidity hit Asia last week, at a rate not seen for quite some time.
- Foreign investors pumped money into seven Asian equity markets that we track (Korea, Taiwan, Thailand, Malaysia, Indonesia, Philippines and India ¹). Global funds bought a strong USD3.37b net in the aforementioned equity markets, the highest recorded since the second week of September last year.
- All seven countries were net beneficiaries of foreign portfolio money. The two biggest haul was reported by the Taiwanese and Indian bourses, the size of which exceeded USD1b each. However, the scale of the inflow is unsurprising, as the momentum in the flow of fund has been building up for these two markets since mid-February.
- The flow to Emerging Asian markets was also noticeably strong last week. Thailand and Malaysia stood out as both reported their biggest weekly inflow this year. Investors appeared to have shrugged off Thailand's political woes, and bought into a market where prices are still relatively depressed. The flow to the Philippines intensified last week, while Jakarta reported its eighth consecutive week of surplus.

¹ These markets, for which fund flow data is publicly available, are our proxy for Asia.

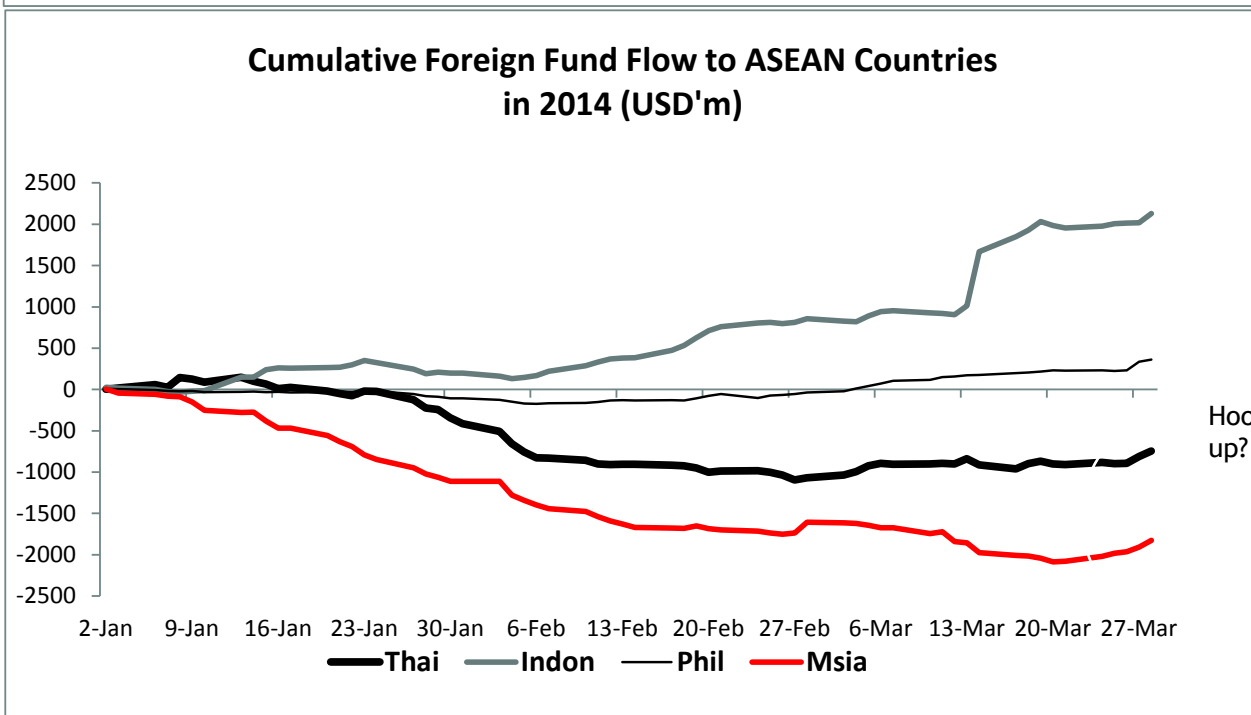
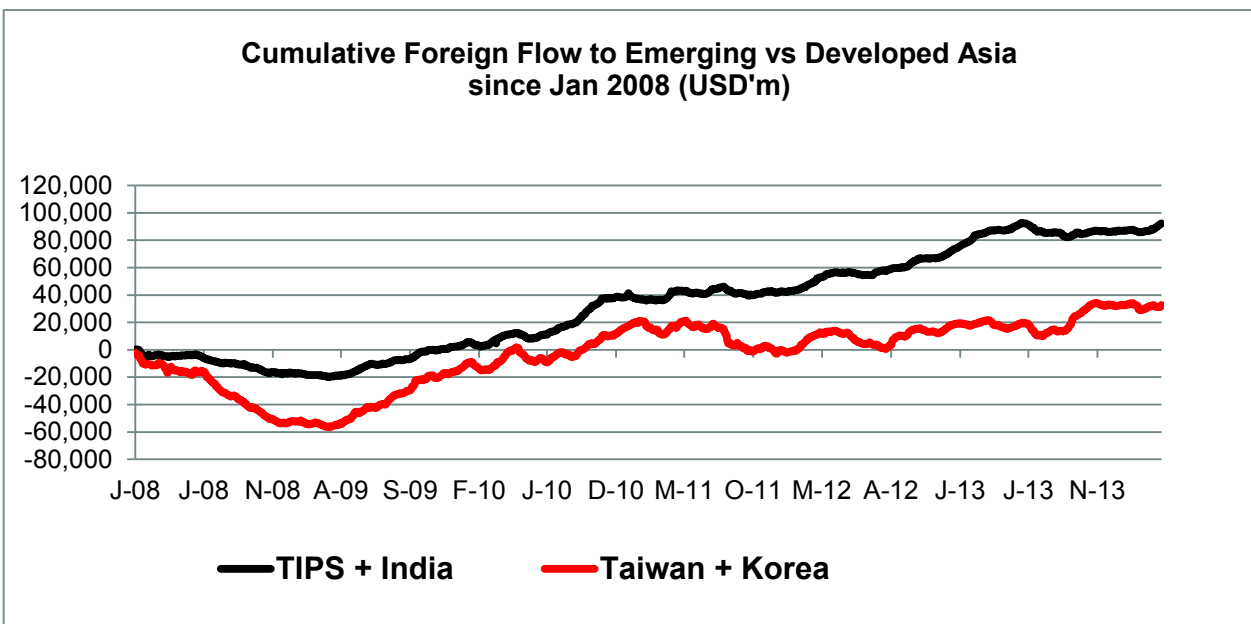
WEEKLY NET FLOW OF FOREIGN FUND INTO EQUITY (USD'm)

WEEK ENDED	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
OCT 11	1127.5	54.0	-27.0	-66.3	505.4	398.1	-59.1	1932.5
OCT 18	1341.2	97.9	-63.6	10.7	723.7	876.2	-93.7	2892.4
OCT 25	1077.1	16.2	-20.4	-105.8	672.4	254.3	-40.3	1853.6
NOV 1	525.2	-96.5	-69.2	-7.2	798.2	467.4	-152.0	1465.9
NOV 8	-619.2	-202.7	-97.4	-77.9	209.3	-12.5	-158.4	-958.8
NOV 15	-263.9	-377.6	-175.0	-40.1	108.3	-586.1	-392.2	-1726.5
NOV 22	72.1	-285.4	-20.5	-57.1	311.5	-778.6	-164.1	-922.2
NOV 29	403.2	-532.2	24.7	59.1	210.8	665.8	-127.6	704.0
DEC 6	-729.4	-586.1	-96.9	-46.0	448.6	265.8	-198.9	-942.8
DEC 13	-1071.1	-428.4	-34.2	-47.1	821.0	580.8	-194.2	-373.2
DEC 20	2.9	-194.2	21.7	-77.3	969.8	37.4	-168.7	591.6
DEC 27	98.7	-52.0	-384.2	-2.1	222.1	277.4	-34.6	125.3
JAN 3	-564.8	18.1	15.1	3.1	116.4	2.2	10.3	-399.6
JAN 10	390.7	71.3	-29.6	-36.3	-55.8	181.2	-209.6	311.9
JAN 17	-111.1	-62.4	274.0	-4.1	268.6	877.3	-217.8	1024.6
JAN 24	-82.1	-50.3	66.2	15.3	158.4	327.8	-378.8	56.6
JAN 31	-775.4	-392.3	-128.1	-85.0	-500.5	-581.7	-263.4	-2726.4
FEB 7	-1149.3	-416.3	22.3	-57.8	-213.9	-2251.7	-329.5	-4396.2
FEB 14	-142.6	-71.6	163.3	31.9	-11.3	197.8	-228.6	-61.2
FEB 21	127.8	-84.7	376.8	79.3	331.3	1036.0	-28.2	1838.2
FEB 28	636.3	-80.5	96.5	18.7	313.9	655.6	90.4	1730.9
MAR 7	127.4	163.8	96.1	139.3	838.9	355.4	-67.0	1654.0
MAR 14	-1245.6	-7.7	717.1	72.4	119.8	527.0	-301.2	-118.2
MAR 21	-616.2	2.4	284.4	49.7	1213.1	82.2	-101.9	913.6
MAR 28	417.3	164.0	174.4	135.3	1027.1	1203.6	252.7	3374.4

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

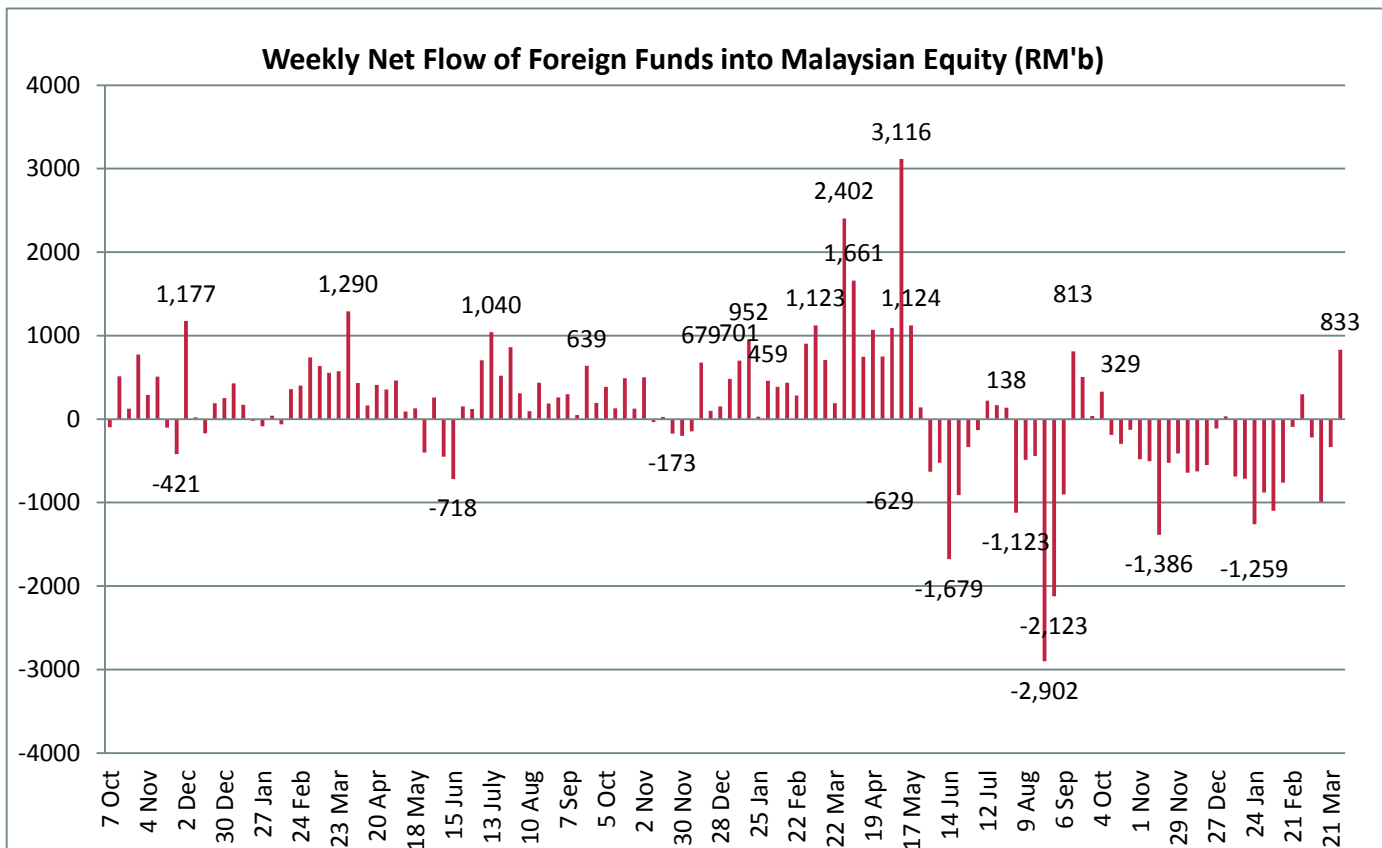
NET FLOW (USD'm)	TIPs + India	Taiwan + Korea	Total
2008	-17,195	-53,106	-70,301
2009	20,580	40,063	60,642
2010	35,690	29,234	64,924
2011	2,748	-17,801	-15,053
2012	31,302	19,976	51,278 (55,663*)
2013	12,446	13,500	25,946 (27,170*)
2014	5,350	-406	4,944 (3,119*)

TIP = Thailand, Indonesia, Philippines * including Malaysia



C. MALAYSIA

- Malaysia recorded its biggest weekly inflow of foreign portfolio money into the equity market since May 2013. Last week, foreign funds bought RM832.7m net, of equity in the open market (i.e excluding off-market transactions). It was only the second weekly purchase this year, and was the highest after foreign funds bought RM1.12b in the week ended May 17, 2013
- Foreign investors bought every single day last week, and has now been net buyers in the last six trading days. Buying peaked on Friday, when foreign funds bought RM272m, the second highest in a day this year.
- The strong purchases last week reduced the cumulative net foreign pullout from the Malaysian equity market this year to RM6.04b. In 2013, there was a cumulative net foreign inflow of RM3.03b. Still, we estimate an overhang of foreign liquidity amounting to RM27.6b, for cumulative money flow since January 2010.
- Foreign sellers were noticeably quiet last week as overall participation rate fell. Average daily foreign participation rate (average daily gross purchase and sale) declined to RM980m, falling below the RM1b mark for the first time in three weeks.
- Retail investors were back last week after shying away in the preceding two weeks, understandably on heightened market risks. Although retailers were only marginal net buyers, adding RM2.3m, they were strong participants, with participation rate surging to RM910m from RM679m, the highest in a month.
- As expected, local institutions took the opportunity of foreign buying to offload some portfolio holdings in order to realize gains. Local funds sold RM835m, on still active participation of RM2.14b, the 12th week in a row that participation exceeded the RM2b mark.

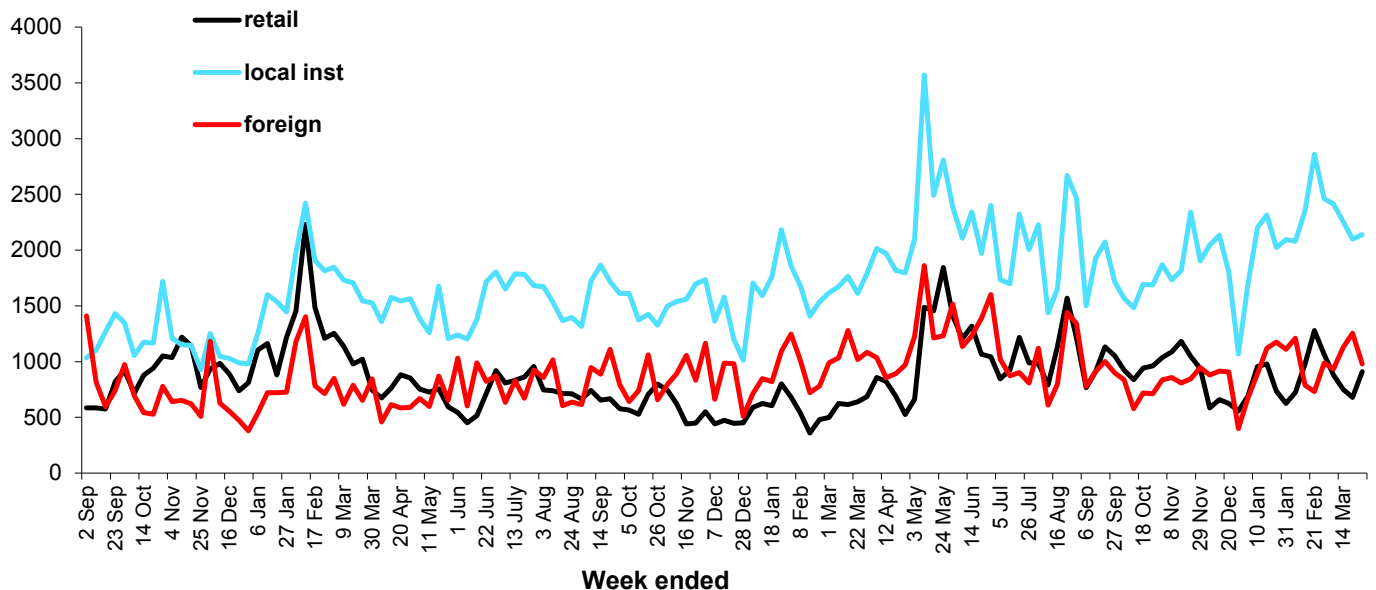


Source: Bursa, excluding off-market trades

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)*
NOV 8	2174.4	2175.4	-1.0	3716.8	3211.9	504.9	1461.7	1965.6	-503.9	-158.4
NOV 15	3059.2	2849.4	209.8	5127.8	3951.8	1176.0	1329.1	2714.9	-1385.8	-432.1
NOV 22	2677.1	2564.3	112.8	6058.6	5646.9	411.7	1849.3	2373.8	-524.5	-163.9
NOV 29	2297.5	2383.0	-85.5	5008.0	4511.5	496.5	2161.8	2572.8	-411.0	-127.6
DEC 6	1430.9	1488.7	-57.8	5460.6	4761.0	699.6	1880.9	2522.7	-641.8	-198.9
DEC 13	1632.9	1663.1	-30.2	5660.6	5005.1	655.5	1971.4	2596.7	-625.3	-194.2
DEC 20	1557.5	1560.2	-2.7	4785.3	4233.7	551.6	1992.6	2541.5	-548.9	-168.7
DEC 27	1092.9	1134.9	-42.0	2216.3	2060.2	156.1	743.2	857.3	-114.1	-34.6
JAN 3	1391.3	1360.9	30.4	3345.9	3410.2	-64.3	1359.3	1325.4	33.9	10.3
JAN 10	2442.1	2340.4	101.7	5799.8	5215.1	584.7	1889.8	2576.2	-686.4	-209.3
JAN 17	1481.3	1459.3	22.0	3821.4	3127.3	694.1	1323.9	2040.0	-716.1	-217.0
JAN 24	1839.1	1844.6	-5.5	5689.7	4425.2	1264.5	2307.1	3566.1	1259.0	-378.8
JAN 31	1283.2	1211.7	71.5	4595.8	3787.2	808.6	1779.5	2659.6	-880.1	-263.4
FEB 7	1502.5	1394.8	107.7	4655.6	3667.2	988.4	1870.1	2966.2	-1096.1	-329.5
FEB 14	2428.0	2468.4	-40.4	6279.0	5478.4	800.6	1593.8	2354.0	-760.2	-228.6
FEB 21	3204.9	3194.0	10.9	7193.9	7111.3	82.6	1783.0	1876.5	-93.5	-28.2
FEB 28	2749.0	2584.1	164.9	5923.0	6384.1	-461.1	2613.0	2316.8	296.2	90.4
MAR 7	2198.5	2206.0	-7.5	6148.8	5922.4	226.4	2224.0	2442.9	-218.9	-67.0
MAR 14	1919.2	1840.2	79.0	6095.9	5185.6	910.3	2324.6	3313.9	-989.3	-301.2
MAR 21	1674.4	1721.6	-47.2	5438.6	5056.8	381.8	2966.6	3301.2	-334.6	-101.9
MAR 28	2276.4	2274.1	2.3	4929.7	5764.7	-835.0	2866.3	2033.6	832.7	252.7

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

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


D. TOP 100 STOCKS: MONEY FLOW ²

- The tables below list the Top 10 Net Money Inflows and Net Money Outflows for the week ended 28 March 2014 among the largest 100 market capitalized stocks on Bursa Malaysia.

TOP 10 NET MONEY INFLOWS

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
DIGI.COM BHD	13.53	11.02	3.85	-
MALAYAN BANKING BHD	7.72	-0.41	1.05	-
SIME DARBY BERHAD	7.49	9.57	0.65	-
GENTING BHD	6.85	0.15	3.85	-
TENAGA NASIONAL BHD	4.33	4.87	0.50	-
KUALA LUMPUR KEPONG BHD	3.21	-1.80	5.15	-
MAXIS BHD	3.14	-0.35	1.01	-
TOP GLOVE CORP BHD	2.93	-0.90	-2.95	BOW
MALAYSIA AIRPORTS HLDGS BHD	2.56	18.01	0.00	-
YTL CORPORATION BERHAD	2.56	-0.36	0.00	-

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

- Digi.com continued to attract investors' interest with the highest net money inflow totaling RM13.53m last week. It claimed the second spot in previous week with RM11.02m net inflows. Its share price jumped 3.85% for the week arguably on end-Q1 window dressing activities.
- Malayan Banking came in second with RM7.72m net inflows last week. The nation's biggest lender said it is expected to meet its target of 40% total income from overseas operations in 2015 through organic and inorganic growth.
- Plantation giant, Sime Darby, continued to receive healthy net inflows despite recent weakness in CPO prices as the underlying trend remains positive.

TOP 10 NET MONEY OUTFLOWS

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
AXIATA GROUP BERHAD	-14.07	10.57	2.15	SOS
PUBLIC BANK BERHAD	-12.88	-12.41	0.00	-
TELEKOM MALAYSIA BHD	-7.88	3.63	0.34	SOS
BINTULU PORT HOLDINGS BHD	-3.81	0.01	-2.50	-
CIMB GROUP HOLDINGS BHD	-2.96	8.64	1.27	SOS
KOSSAN RUBBER INDUSTRIES	-2.25	1.81	3.17	SOS
DIALOG GROUP BHD	-2.13	-0.21	0.57	SOS
UEM SUNRISE BHD	-1.33	-0.08	-0.90	-
UMW OIL & GAS CORP BHD	-1.30	-2.58	0.25	SOS
HAP SENG CONSOLIDATED	-1.12	-0.56	-0.66	-

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

- Axiata, the nation's biggest capitalized telecommunication group, recorded the largest net money outflow of RM14.07m during the week ended 29 March 2014. Conversely, in the previous week, it finished with the third highest net inflow. The net outflow amidst rising share price indicates Sell on strength (SOS) stance among investors on this stock.
- Public Bank registered the second largest net money outflow totaling RM12.88m during the review week. The net outflow was a continuation of the previous week in which it experienced the highest new outflow totaling RM12.41m. Accordingly, its price performance underperformed the overall market advances with no weekly gain recorded. Nonetheless, there was no fresh adverse news apart from what was reported in the previous week. Recall that Lonpac Insurance (which is indirectly owned by Public Bank and its main shareholder) is one of the reinsurers of the missing flight MH370.
- Telekom Malaysia, which announced its purchase of a majority stake in P1 (a wireless telecommunication operator), saw the third largest net money outflow of RM7.88m last week. While the P1 deal may possibly be negative towards its earnings in the short-term, the long-term impact is arguably positive.

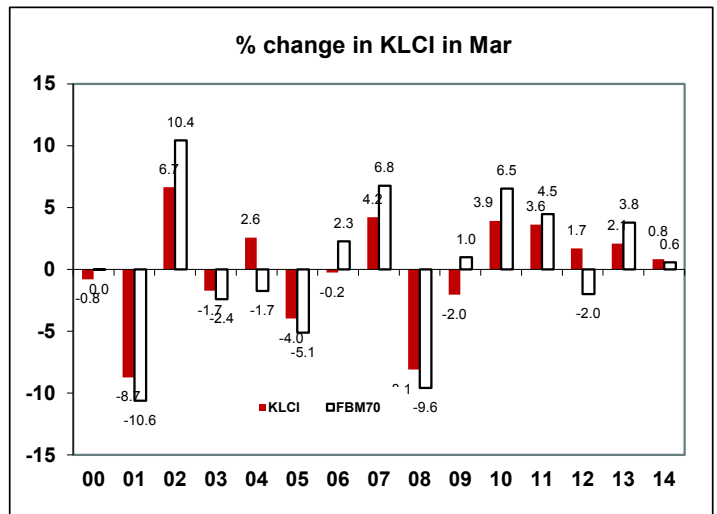
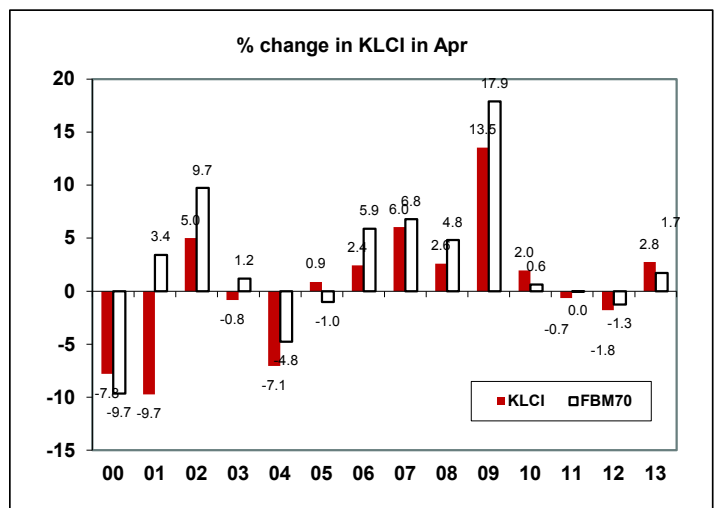
² Money flow indicates whether a particular stock is being more heavily purchased or sold. Money flow generally confirms price trend. As price rises, money flow is usually positive, vice versa. A divergence may portend a reversal in price trend. A rising stock price with a negative money flow can indicate 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
FIRST QUARTER TO END WITH A BANG ...

- The KLCI last closed at 1850.7 points, near the year's high. It has gained 0.8% in March, while the FBM70 has added only 0.6%. Compared with the performance in the last four years, the marginal gain in March this year has been rather uninspiring (see chart).
- However, with markets around the world on a buoyant mood last Friday, expect Bursa to open on a positive note on Monday and end the last trading day of the first quarter with the proverbial bang.
- After all, there is incentive for portfolio managers to make the marked-to-market numbers look good. Trading crosses over to April on Tuesday, and as history suggests, things are not going to get significantly better than that in March. In the last four years, the average gain of the KLCI in April was only 0.6%.
- It gets challenging early, as the market has to navigate the statistics- and event-laden first week of the month:
 - » In the U.S, the March's ISM PMI index for manufacturing is due out on Tuesday, while the all important non-farm payroll and unemployment numbers will be released on Friday.
 - » In China, the official manufacturing PMI for March by the National Bureau of Statistics will be released on Tuesday. Recall that the flash PMI released last Monday was an 8-month low.
 - » Locally, the external trade statistics for February will be released on Friday. A good set of numbers can be a market booster.
 - » The central banks of Australia, India and Brazil, as well as the ECB, will also meet next week.
- Developments pertaining to the above may have international ramifications, especially in influencing the international flow of funds. What we can confirm is that technically, both the FBM KLCI and FBM70 are still in the benign zone. Even the FBM SmallCap Index is still in positive territory, implying that the game for the second and third liners is still open.

As of last Friday, March 2014 has been uninspiring

April was "sedate" in the last 4 years

EMERGING MARKETS ... WHAT NEXT?

- We will be releasing our 2Q14 Outlook this week, in which we discuss at length the issue of Emerging Markets, especially whether there will be a replay of the risks.
- Given the huge amount of liquidity overhang, still, in Emerging Markets, the risks of a disorderly outflow remain. The "Fragile 5" countries of India, Indonesia, South Africa, Brazil and Turkey appear to have gotten a reprieve in recent months. This is mainly due to developments pertaining to the elections in some of the countries. In our view, elections only accord trading opportunities in the market. The underlying fundamental weaknesses and the challenges of a painful but necessary reform remain.



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