



MALAYSIA EQUITY RESEARCH | MARCH 9, 2015

Week Ended March 6, 2015	Foreign Flow Meter		
<ul style="list-style-type: none"> The performances of equity markets around the world remained mixed last week. China's announcement that it is targetting a growth rate of around 7% in 2015, the lowest target since 2004, set the tone for markets in Asia last week. The Hang Seng and China CSI indices were the worst hit, falling by more than -2.6%. However, Friday's release of the employment report in the U.S could be a game changer in this short-term. The unemployment rate fell from 5.7% to only 5.5%, the lowest since May 2008. It is now at a level that the Fed is comfortable to raise interest rate. These two developments are likely to partly downplay, at least in the short term, the positive effect of the ECB's QE. From March 9, the ECB will be pumping EUR60b (USD66b) into the market per month, until September 2016. A significant amount of this liquidity is expected to find its way to Asia. Foreign investors dumped Malaysia-listed equities last week, just as hope was rising that net purchases observed in the week following Chinese New Year could be sustainable. Last week, foreign investors sold, on a net basis, local equity in the open market amounted to -RM594m, the third highest in a week this year. Cumulative net foreign outflow for 2015 is now -RM3.41b. It was -RM6.93b for the entire 2014. The Ringgit is expected to define the market this week. It slid to USD/MYR3.65 on Friday, and the prospect does not look good in this immediate term after the latest U.S employment numbers. 		Tide	
		Current	HIGH (from Moderate)
			STRONG (maintain)

9 March 2015 | Strategy - Weekly Fund Flow

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RINGGIT & MONEY FLOW

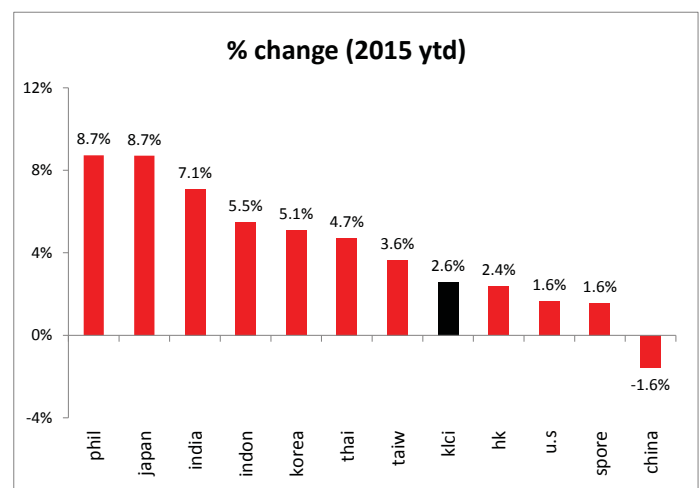
A. MARKET SNAPSHOT

- The performances of equity markets around the world remained mixed last week. However, the divergence between the outperformers and underperformers was not that bad.
- In Wall Street, prices slid for the second consecutive week, albeit marginally. The Dow Jones and S&P500 fell -0.1% and -1.6% respectively. The weekly fall was due to the sharp decline on Friday, as the Dow and S&P shed -1.5% and -1.4% respectively. The main cause for the reversal in fortune was the employment report released on Friday showing that the U.S economy is edging closer towards full employment. Non-farm payroll increased by 295k in February, following a 239k increment in January. That was significantly higher than the 235k forecast by the market. The unemployment rate fell from 5.7% to only 5.5%, the lowest since May 2008.
- The low unemployment rate effectively neutralized the seemingly dovish Chair Yellen address to the senate banking committee the week before. At 5.5%, the unemployment rate is now within the range of 5.2-5.5% that the Fed believes is consistent with stable inflation. The market interpretes the latest employment statistics as signalling that interest rates will start rising sooner than expected.
- In Asia, markets were very much influenced by developments in China, and opened on a positive note after the Bank of China announced that it is cutting the benchmark interest rates for the second time in three months. However, markets succumbed to selling pressure after China announced that it is targetting a growth rate of around 7% in 2015, the lowest target since 2004. China grew 7.4% in 2014, the lowest in 24 years. The Hang Seng and China CSI indices were the worst hit, falling by more than -2.6%.
- Among Asian markets, Taiwan, Korea and Indonesia are on a hot streak, as stock prices there extended their gains for 5-7 weeks in a row now. The Philippines Composite meanwhile rebounded after its first loss in nine weeks.
- The KLCI fell -0.78%, the first loss in three weeks. For the year, the index has gained 2.6%, outperforming the benchmark indices of HK, Singapore and China. However, the KLCI still lags behind Southeast Asia emerging market peers.

Performance of major markets		
Weekly % change	Week before	Last week
Phil Comp	-1.21	1.69
Korea KOSPI	1.24	1.37
DAX	3.18	1.31
Jakarta JCI	0.93	1.18
Nikkei 225	2.54	0.92
India Sensex	-0.04	0.78
Straits Times	-0.95	0.43
CAC	2.50	0.26
Taiwan Taiex	0.97	0.25
Dow Jones	-0.04	-0.09
FTSE	0.45	-0.50
KLCI	0.74	-0.78
Thai SET	-1.03	-1.18
S&P500	-0.27	-1.58
China CSI300	1.43	-2.64
Hang Seng	-0.04	-2.66

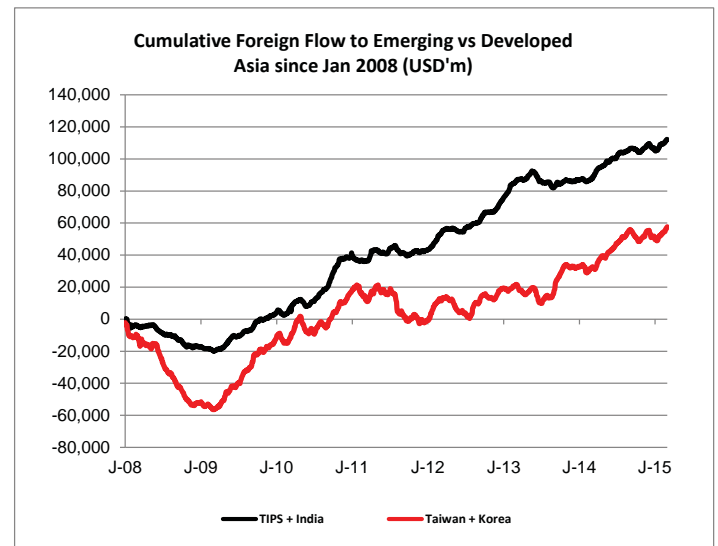
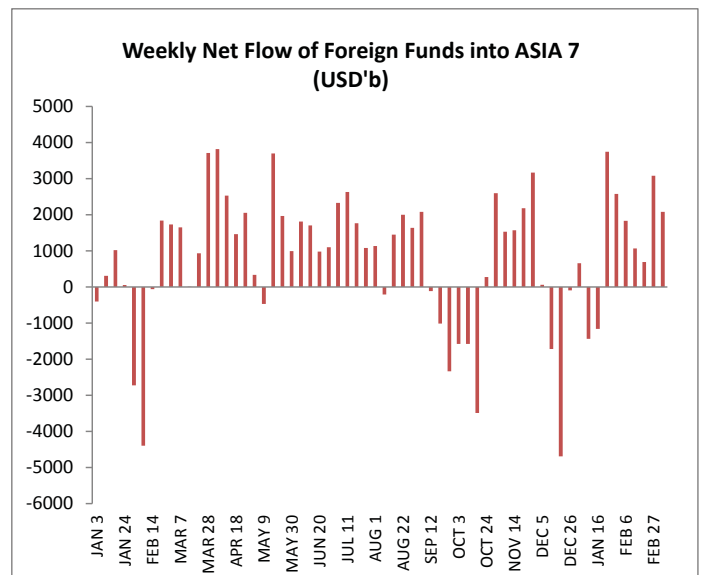
Source: Bloomberg

Major Asian indices (2015)



B. TRACKING MONEY FLOW

- The gravy train of global liquidity to Asia has yet to make a stop this year, although it slowed down last week.
- Based on provisional data from the respective exchanges, investors classified as “foreign” were still 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 of USD2.08b was the seventh week in a row of money inflow to Asia.
- For the second consecutive week, international liquidity flow to Developed Asia² (as represented by Korea and Taiwan) outstripped that to Emerging Asia (as represented by the TIP + India + Malaysia markets). Last week, the amount of foreign money flow to the former was 2.1 times that to the latter.
- The foreign money tide to Taiwan eased last week but the tide to Korea grew stronger.
- Taiwan continued to attract global capital, although investors’ sentiment were affected by the developments in China. The surplus position is likely to persist in this short-term as starting March 9, the ECB will be pumping EUR60b (USD66b) into the market per month, until September 2016. A significant amount of this liquidity is expected to find its way to Asia, especially Taipei.
- Meanwhile, Korea again recorded its highest net inflow of foreign fund into its equity market this year. The exchange reported foreign purchases amounted to USD888m last week, the highest since November 2014. Foreign buying streak on the Korean exchange has extended to 10 trading days now.
- Among the sectors, foreign investors appear to favor chemical, construction and automotive. Among chemical shares, LG Chem, which makes lithium-ion battery, has thus far been the most favoured. The stock has gained 27% this year. In construction,



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	6,554	6,890	13,444	-950	12,494

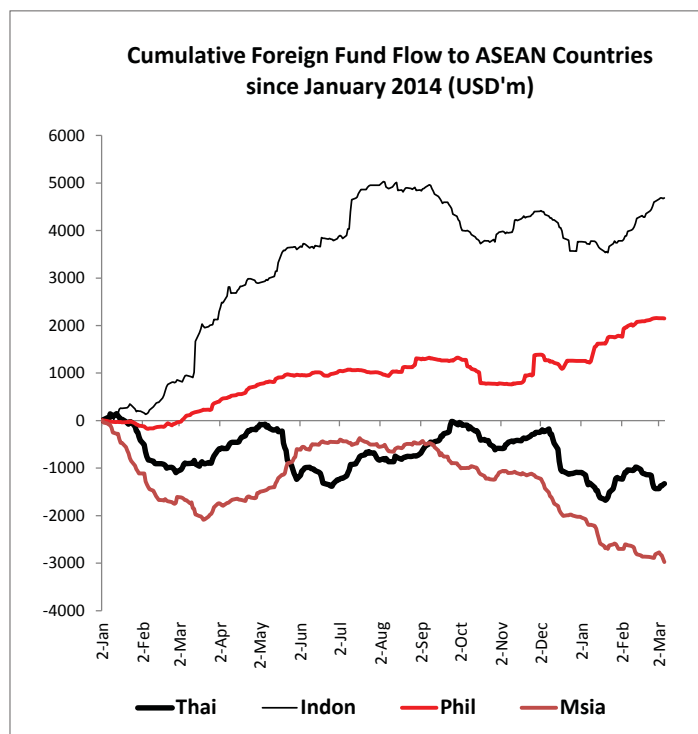
TIP = Thailand, Indonesia, Philippines.
Source: Bloomberg & Bursa statistics.

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.

Samsung Construction has attracted the most foreign buying interests. The stock is also a holding company for Samsung Electronics, Samsung Engineering and Cheil Industries. In automotive, Hyundai Motor has been the most preferred by foreigners.

- Indonesia remains one of the most favoured equity markets in South East Asia. Last week, the Jakarta exchange reported net foreign buying for the seventh consecutive week. Foreign investors have bought Indonesian shares in 10 out of the last 11 trading days. Last week's purchase amounting to USD69m has brought the tally for Jakarta this year to USD918m. On Friday, the Jakarta Composite Index set a new record high of 5,514.78 points.
- After seven weeks of foreign buying, the Philippines exchange reported a marginal net outflow last week. In Bangkok, foreign investors bought back Thai shares after two weeks of relatively heavy selling. Thailand is "internationalizing" its exchange by allowing foreign names to list.



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

WEEK ENDED	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
SEP 5	440.6	213.1	70.6	-16.3	793.6	598.8	-19.2	2081.0
SEP 12	-204.8	88.6	-148.0	2.2	432.0	-222.7	-61.5	-114.2
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	666.0	527.2	-162.7	2084.7

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

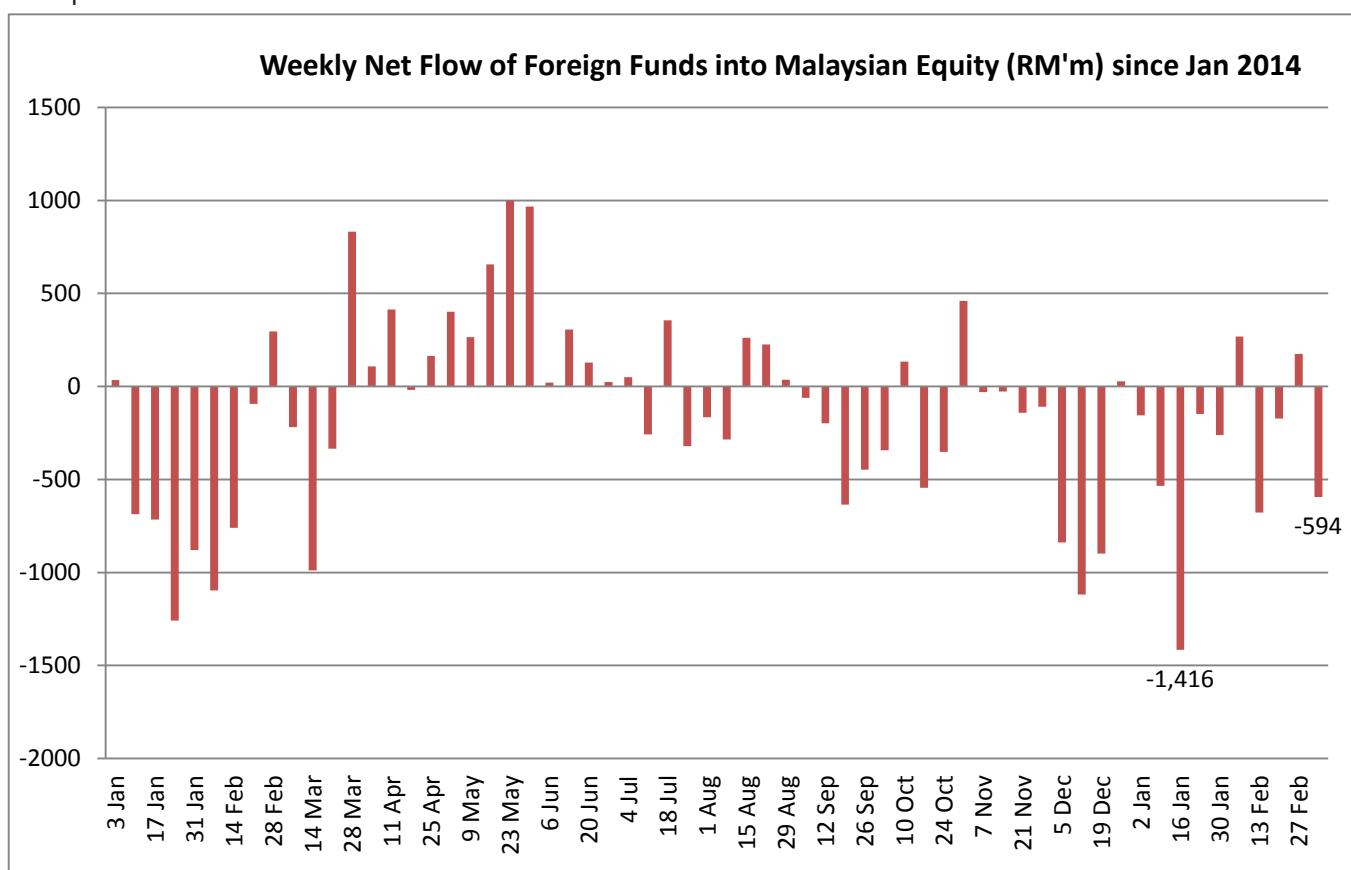
FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

- Foreign investors dumped Malaysia-listed equities last week, just as hope was rising that net purchases observed in the week following Chinese New Year could be sustainable.
- Investors classified as “foreign” sold, on a net basis, local equity in the open market (i.e excluding off-market deals) amounted to -RM594m, the third highest in a week this year.
- There was a follow-through foreign buying on Monday, after the big purchase recorded on the preceding Friday. However, sentiment reversed thereafter and foreign investors turned net sellers for the rest of the week. The selldown was particularly heavy on Thursday and Friday as the amount rose to -RM269m and -RM244m respectively. So far this year, there has been 8 trading days during which net foreign sale had exceeded RM200m. In 2014, the corresponding number was 23 days.
- Last week’s sale increased the cumulative net foreign outflow for 2015 to -RM3.41b. The cumulative foreign outflow for the entire 2014 was -RM6.93b.
- Foreign participation rate (daily average gross purchase and sale) surged to RM1.29b, the highest this year. Daily foreign participation has exceeded RM1b nine days in a row now.
- Local institutions supported the market last week, mopping up RM544m, on participation rate of RM2.32b. Local institutions have absorbed RM3.72b net so far this year. In 2014, they bought RM8.18b net.
- Retailers remained on the sideline. Although retailers bought RM49.5m net, the first time in 7 weeks, trading activity was still relatively insignificant at RM799m, identical to that the week before. Expect more opportunistic retail buying this week, if the market came under severe selling pressure.

TRACKING INTENSITY OF DAILY FOREIGN SALE		
Amount of net sale in a day (RM'm)	Number of day(s)	
	2014	2015
> 1,000	0	0
900 - 1,000	0	0
800 - 900	0	0
700 - 800	0	0
600 - 700	0	0
500 - 600	1	0
400 - 500	0	1
300 - 400	8	3
200 - 300	14	4

Source: MIDFR, Bursa statistics

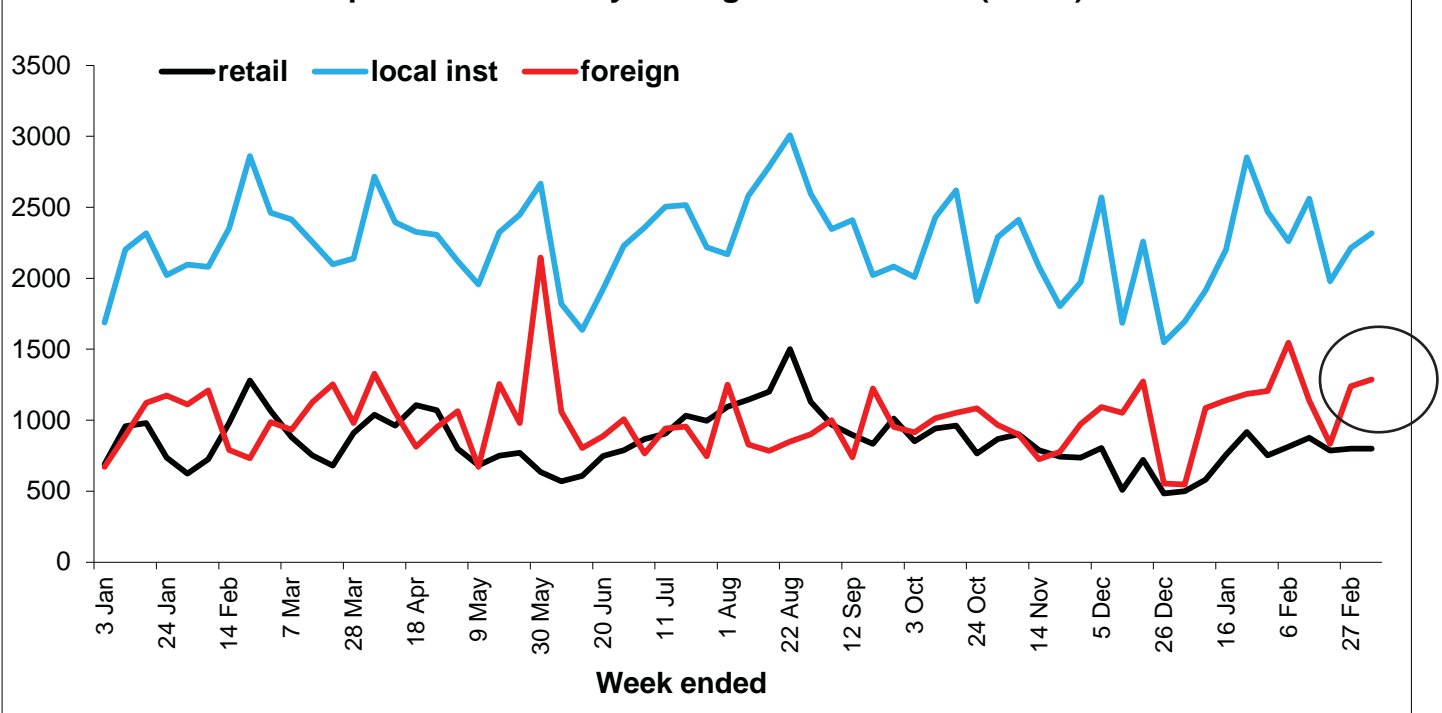


Source: Bursa statistics, excluding off-market trades

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 10	1974.1	1795.8	178.3	4705.7	5018.0	-312.3	2095.3	1961.3	134.0	41.2
OCT 17	2382.5	2422.3	-39.8	6843.7	6259.0	584.7	2358.9	2903.8	-544.9	-166.3
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

* 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


D. THE WEEK AHEAD

RINGGIT TO DEFINE THE MARKET THIS WEEK

- The ringgit slid to USD/MYR3.65 on Friday, the weakest in six years. It was the worst performing currency against the greenback in the region last week. And the prospect does not look good in this immediate term.
- We wrote last week that the ringgit has been struggling to break its short-term resistance. There is no change in the storyline this week. Expect further consolidation ahead on account of various external developments.
- China's announcement that it is setting a relatively low target for its GDP growth this year clouds the immediate-term prospect for the ringgit. In our opinion, the ringgit and its peers in the region need a clear visibility that China's GDP growth will not dip below 7%. Although China is undertaking a monetary stimulus, the impact on real economic activity will not be immediate.
- Last Friday's release of U.S employment statistics signals challenging times this week for the ringgit. At 5.5%, the unemployment rate is within the 5.2–5.5% range that the Fed has identified as the long-run unemployment rate consistent with stable inflation in the U.S. That not only neutralized Governor Yellen's seemingly dovish testimony to the Senate, but also raised the probability that the Fed will raise interest rate earlier than expected. There is now increasing expectation that the Fed may raise interest rate in June, as opposed to September.
- Bank Negara's Annual Report will be released on 11 March 2015. The market will be looking at the inflation forecast for 2015 – will it be lower or higher than 4%? Last week's MPC meeting, Bank Negara said that "... underlying inflation is expected to remain contained".
- In view of the strong correlation between the ringgit and the KLCI, expect strong headwinds ahead for the equity market.

Ringgit's struggle to continue



Strong long-term resistance for the KLCI



NO REVERSAL OF FORTUNE IN SIGHT

- The end of the earnings reporting season means less scope for potential market catalyst. The market will be hard-pressed to find reasons to justify a reversal of fortune this week.
- The main hope lies in oil – the strong dollar in this short term is a boost for crude oil price. However, we note that oil price appears to be consolidating at the USD60pb mark for the Brent.
- Otherwise, the long-term resistance, as represented by the 200-day moving average (200 DMA) line, is proving to be a hard obstacle to break for the KLCI (see chart). Likewise, the FBM70 and FBM Smallcap indices also retreated last week in their approach towards the 200 DMA resistance. This is hardly encouraging for the market.



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