

MALAYSIA EQUITY RESEARCH | JUNE 1, 2015

Week Ended  
May 29, 2015

Foreign Flow Meter (M'sia)



Tide

HIGH  
(sudden increase)



Current

HIGH  
(sudden increase)

- Global equity succumbed to selling pressure in the final week of May, replicating the severe selloff in the last week of April. Almost all indices that we track ended the week in the redzone.
- In Asia, all eyes were still on the China market, which many believe are overheating. The CSI300 lost -2.2% last week, but is still up 37% this year.
- The situation in China is making the rest of Asia agitated. The TIPs markets came under selling pressure last week with the Philippines, hitherto investors' favourite, suffering its worst week this year.
- The KLCI lost -2.24% last week, the second steepest decline in a week this year. It was a painful May as the KLCI lost -3.9% its second worst month of May in 13 long years.
- The KLCI lost -0.8% year-to-date, dropping into the redzone for the first time this year. It remained the worst performing among the main markets in Asia this year.
- Foreign investors shifted into top gear in their disposal of stocks listed in Malaysia.
- For the fifth week running, foreign investors were net sellers as the amount hit RM1b last week. It was the third highest and was also the third time that the amount had hit RM1b this year.
- Foreign participation on Bursa surged suddenly last week. The average amount traded rose 77% to RM1.48b last week, the second highest this year.
- Based on the body of evidence, we would remain bearish in June. Foreign exit has yet to abate and school holiday spells listless trading activity.

1 June 2015 | Strategy - Weekly Fund Flow

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## HIGH TIDE OUT OF KL

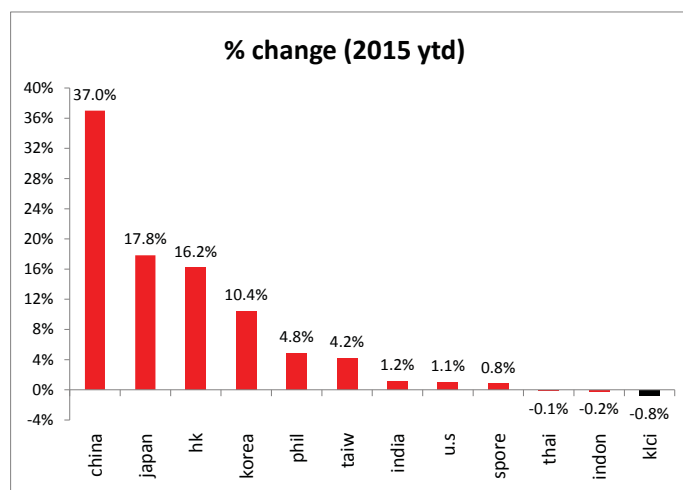
### A. MARKET SNAPSHOT

- Global equity succumbed to selling pressure in the final week of May, replicating the severe selloff in the last week of April. Almost all indices that we track ended the week in the redzone.
- On Wall Street, the market eased for the second consecutive week after recent record breaking runs. The Dow Jones and S&P500 shed -1.2% and -0.9% respectively, as the market remained volatile on the interplay of 3 factors:
  - timing of Fed's rate hike
  - possibility of Greece exit from the Eurozone
  - ongoing disappointment with the economic data.
- On Friday the Commerce Department revised downwards its estimate of U.S 1Q15 GDP growth. The U.S economy is now estimated to have contracted -0.7% annualised, compared with an earlier estimate of a growth of 0.2% annualised. The Department attributed the weakness to bad weather, a shutdown of West Coast ports, and weak retail spending.
- Meanwhile, Greece faces another crucial deadline on June 5 when its government is scheduled to repay EUR300m to the IMF. It is the first of four payments totalling USD1.76b. Although Greece is expected to have adequate funds to make the payment, concerns are rising that it may default on its other obligations.
- In Asia, all eyes were still on the China market, which many believe are overheating. The CSI300 lost -2.2% last week, giving back some of the massive 7.2% gain registered the week before. Naturally, some of the loss was due to profit taking, but sentiment was also weighed down by fears over tighter requirements on margin financing. Outstanding share margin financing by stockbroking companies exceeded 2 trillion yuan as of May 27. That was 5 times that a year ago.
- The situation in China is making the rest of Asia agitated. The TIPs markets came under selling pressure last week with investors' darling, the Philippines, suffering its worst week this year.
- The KLCI lost -2.24% last week, the second steepest decline in a week this year.
- In the year-to-date measurement, the KLCI dropped into the redzone for the first time this year. It remained the worst performing among the main markets in Asia for the second consecutive week, having lost -0.8%ytd.

Performance of major markets		
Weekly % change	Week before	Last week
Nikkei 225	2.69	1.47
Taiwan Taiex	0.62	0.65
India Sensex	2.32	-0.46
FTSE	1.02	-0.67
S&P500	0.16	-0.88
Dow Jones	-0.22	-1.21
Korea KOSPI	1.88	-1.46
Straits Times	-0.37	-1.68
Thai SET	0.77	-1.82
Jakarta JCI	1.68	-1.86
Hang Seng	0.61	-2.03
China CSI300	7.23	-2.23
KLCI	-1.35	-2.24
CAC	2.99	-2.62
Phil Comp	-0.91	-2.94
DAX	3.21	-3.40

Source: Bloomberg

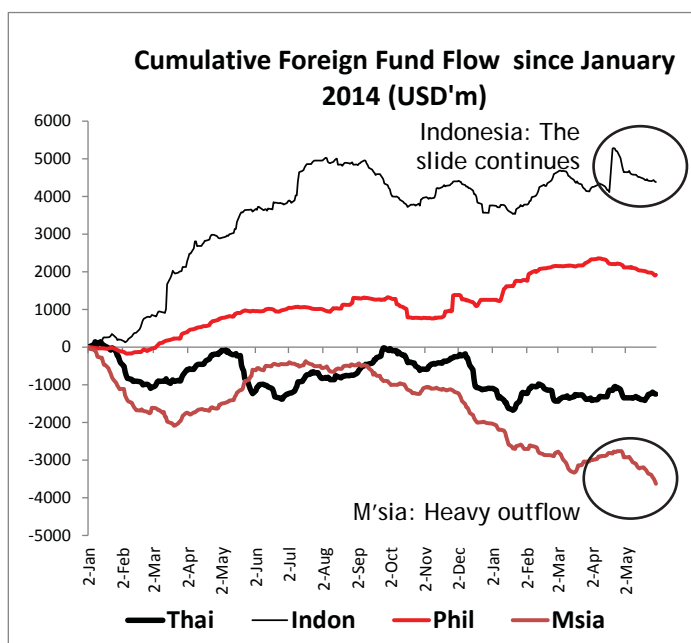
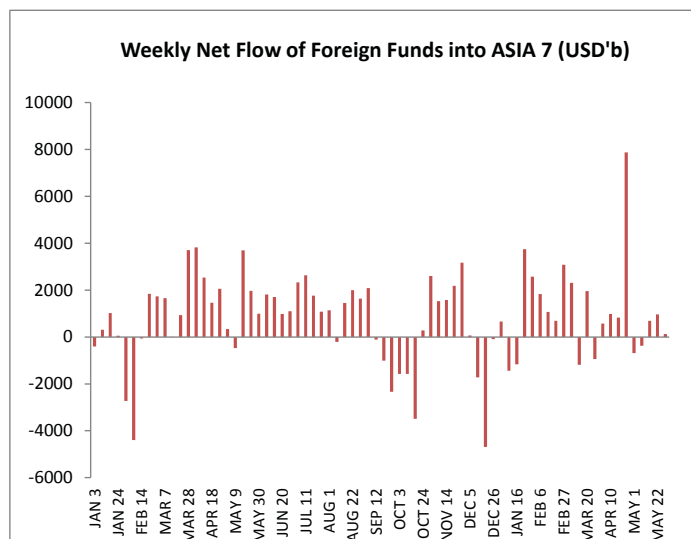
### Major Asian indices (2015)



## FUND FLOW REPORT

### B. TRACKING MONEY FLOW

- Apprehension towards equity in general and Asia in particular is rising. The level of conviction is low. Although, in aggregate foreign investors there was money inflow to Asia, the amount was marginal and the destination selective.
- Based on provisional data from the respective exchanges, investors classified as “foreign” bought only USD121.5m net listed equity in the 7 Asian<sup>1</sup> stock markets that we track (TIPs + India, Taiwan, Korea and Malaysia). It was a sharp reversal in net money movement compared with that the week before.
- For the third week running, the most favoured Asian destination was Korea. The current wave of foreign money flow to Korea has now extended to 15 weeks. An estimated USD8.3b of global fund has entered Korean equity so far this year, the highest among the 7 markets that we track. Corporate Korea reported better-than-expected earnings results for 1Q15 as >50% of KOSPI 100 companies beat consensus estimates, the best earnings outcome against expectation in 5 years. Moving forward, earnings growth momentum in Korea is expected to accelerate. Last week, there was a minor scare foreign investors offloaded USD184m on Wednesday, the biggest outflow in 2 months. However, they returned in a big way on Thursday and Friday, mopping up USD482m. The market was boosted by the announcement of a merger between Cheil Industries and Samsung C&T.
- In Jakarta, foreign investors sold for the fifth consecutive week, albeit in moderate amount. The worse may be over as the rupiah was relatively stable last week, and bond prices bottomed as the market appear to have priced higher inflation ahead. Last week, Bank Indonesia Governor Agus warned that consumer price inflation may reach 7.4% by June before easing to 7.3% at the end of 3Q15. It was 6.8% in April.
- In Bangkok, foreign investors bought marginally. Thailand’s junta announced that elections will not be held until September 2016. That was disappointing as the leadership had indicated that election would be held within 15 months of the power coup in May 2014. On a positive note, last week Thailand and Japan signed an initial agreement for the development of rail projects linking Bangkok with Chiang Mai and a line from Kanchanaburi to Bangkok.



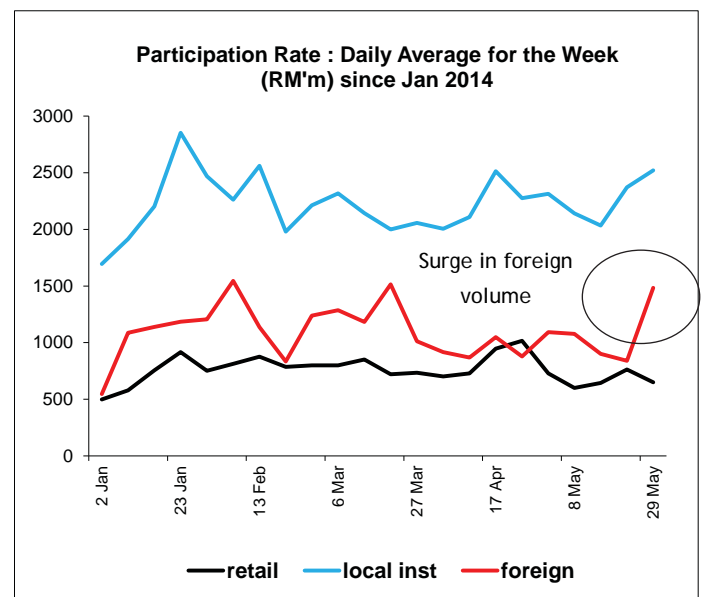
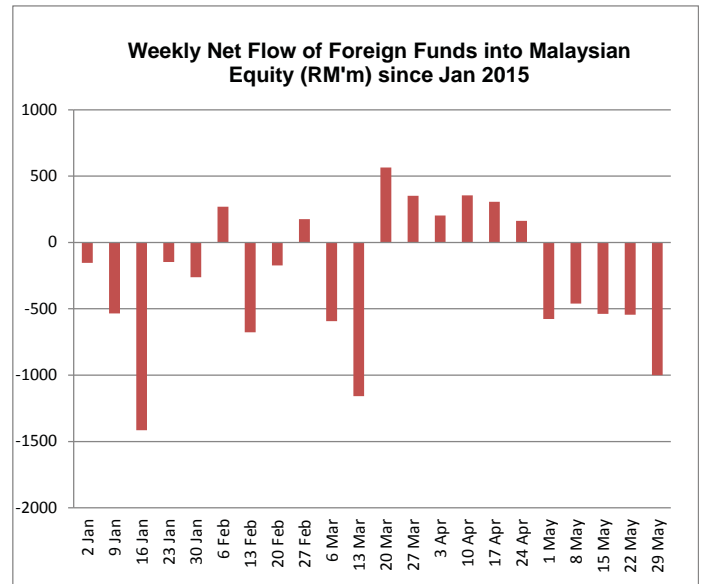
<sup>1</sup> These ASIA 7 markets, for which fund flow data is publicly available, are our proxy for Asia. TIP = Thailand + Indonesia + Philippines.

WEEKLY NET FLOW OF FOREIGN FUND INTO EQUITY (USD'm)								
WEEK ENDED	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
APR 17	1467.6	168.8	-200.2	-125.3	-84.8	-483.0	83.7	826.8
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	-33.5	-63.5	-27.7	188.9	-274.9	121.5

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

C. TRACKING MONEY FLOW - MALAYSIA

- Foreign investors shifted into top gear in their disposal of stocks listed in Malaysia.
- For the fifth week running, foreign investors were net sellers of Malaysian equity. Investors classified as “foreign” sold equity listed in the open market on Bursa (i.e excluding off-market deals) amounted to -RM999.8m on a net basis last week, compared with -RM544.0m the week before. It was the third highest and was also the third time that the amount had hit RM1b this year.
- Foreign investors were net sellers every single trading day last week, and had been selling for the past nine straight trading days. The RM270.3m sold on Friday was the highest in May. We note that in terms of intensity of the selldown, 2015 is fast catching up with 2014. This year, the daily net sale amount had exceeded the RM200m mark on 16 daily occasions, compared with 23 in 2014. Last week, the amount offloaded exceeded RM200m on Tuesday, Thursday and Friday.
- In May, foreigner investors had offloaded -RM2.54b in the open market. This has *increased* the cumulative net foreign outflow in 2015 to -RM5.75b. In comparison, the cumulative foreign outflow for the entire 2014 was -RM6.93b.
- Foreign participation (daily average gross purchase and sale) on Bursa surged suddenly last week. The average amount traded rose 77% to RM1.48b last week, the second highest this year.
- Local institutions had a busy week mopping up RM997.2m in the market. In May, local funds bought a net amount of RM2.70b. Average daily trade surged to RM2.52b, the third highest in a week this year.
- Retail investors retreated to the sideline last week. Average retail volume dropped 15% last week to only RM650m. That was the fourth lowest this year. While most retailers were on the sideline, a brave few picked up stocks amounted to RM2.6m last week.



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 10	1745.6	1895.8	-150.2	5169.7	5373.9	-204.2	2350.4	1996.0	354.4	97.3
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	-274.9

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

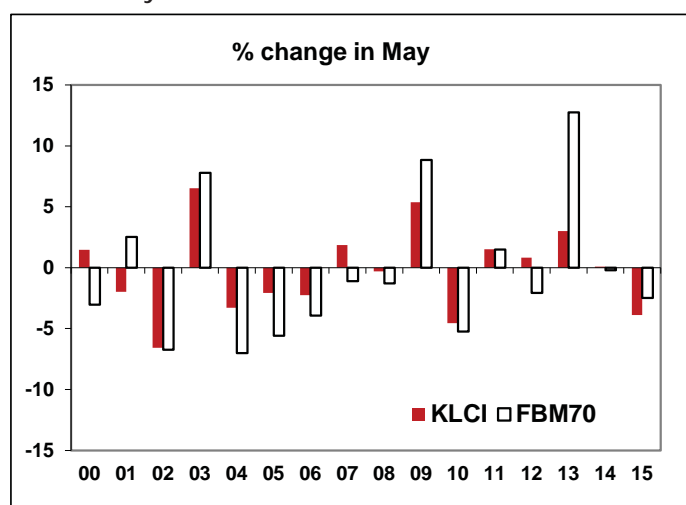
## FUND FLOW REPORT

### D. THE WEEK AHEAD

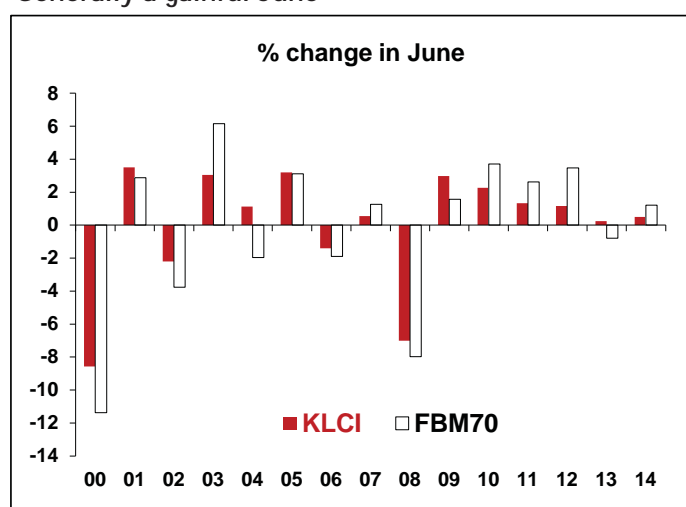
#### GOODBYE MAY, HELLO JUNE

- The market bade goodbye to the month of May last week. It was a painful May as the KLCI lost -3.9% while the FBM70 shed -2.5%. For the KLCI, it was the second worst month of May in 13 long years.
- It is interesting to note that most of the -3.9% loss in the KLCI in May came in the last week of the month. It coincided with the end of the reporting season for the first quarter financial results. The provisional tally pointed to a jump in the number of *underperformers* among FBM KLCI constituents to 10 (from 4 in the week before). This figure is worse than the 9 underperformers recorded in the fourth quarter reporting season. We reckon this disappointment is partly reflected in the dismal performance of the FBM KLCI during last week.
- The KLCI is now deep below its short-term support. At 1747.5 points, the index is >4% below the 50-day average (50DA). On this score, it is arguably less vulnerable compared with the FBM70 and FBM Smallcap indices, which are -2.7% and -1.8% respectively below the 50DA.
- The KLCI and the ringgit were the worst regional performers last week. That sums up investors' aversion towards Malaysia currently. The ringgit, in particular, appears to suffer disproportionately as crude oil price retreats from the year's high of USD67.77pb. This is rather unfortunate as the fundamentals of the currency has not deteriorated as badly. The CPI inflation rate came to only 1.8%yoy in April, which is commendable despite the GST taking effect.
- The external trade statistics for April will be released this week on June 5 (Friday). A weak set of numbers should theoretically spell trouble for the currency, but that should have been priced in. We believe that the ringgit has been weighed down more by sentiment than otherwise.
- We welcome the month of June this week. Historically, June had been a rather gainful month, although the upside is rather sedate (see chart). We would attribute this to a rebound from a generally subdued May. The question is whether the same can be replicated this year.
- Based on the body of evidence, we would remain bearish this month. Foreign exit has yet to abate. In addition, the first fortnight of June is a school holiday in Malaysia, and that tends to be associated with a period of listless trading activity. Soon after, the fasting month begins on the 18th, and appetite [*sic*] is likely to remain weak. The market has very little to offer in the next four weeks. Our best hope is for the on-going episode of foreign exit to remain orderly. 

Painful May



Generally a gainful June



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