



MALAYSIA EQUITY RESEARCH | DECEMBER 1, 2014

<p><b>Week Ended November 28, 2014</b></p>	Foreign Flow Meter	
	 Tide	(Maintain) MODERATE
	 Current	MODERATE (Rising)

- The stock market in many countries rallied for the sixth consecutive week.
- This was partly buoyed by the fall in oil price, as OPEC kept its output target at 30mbpd over the next six months. The price of Brent crude closed at USD72.58pb, the lowest in four years.
- In Wall Street, sentiment rose on evidence that the economic growth momentum is getting stronger. U.S 3Q14 GDP growth was revised upwards to 3.9% from 3.5%.
- In Asia, oil-dependent nations are benefitting from the low price situation. North Asia is rallying with China leading the way.
- China's CSI300 index gained a massive 8.7%, the highest in a week since April 2008. Meanwhile Hong Kong, Korea, Taiwan and Japan all closed the week in the greenzone.
- For the fifth week running, Asia was a clear beneficiary of global portfolio money. Last week, another big wave hit the region.
- Unfortunately, Malaysia continued to miss out on the big money flow. For the fourth consecutive week, foreign investors offloaded Malaysian equity amounted to RM108.9m net.
- Foreign portfolio investors were net sellers every single week in November. For the month, foreign investors sold RM307.5m. For the year to November, the net outflow was RM4.0b, already exceeding the +RM3.0b net inflow in 2013.
- December has historically been a good month for Bursa. But the outlook this year is not so rosy. The money market, in particular, is bearish.

# BIG WAVE HITS ASIA AGAIN

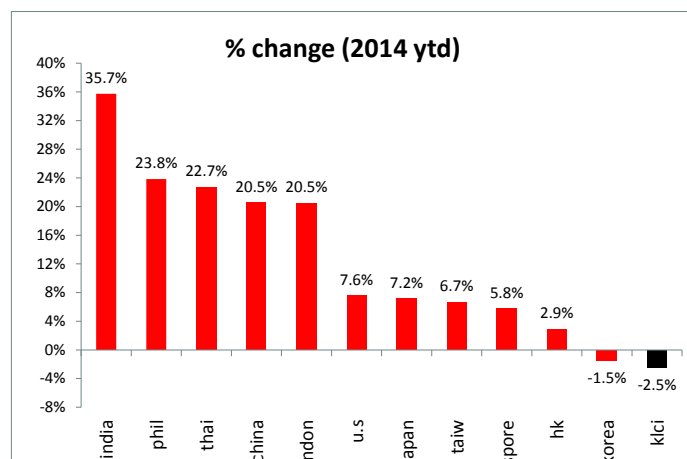
## A. MARKET SNAPSHOT

- It was an eventful week for the equity market, driven mainly by the oil price situation. For many markets, the rally in equity continued for the sixth consecutive week.
- Oil price tumbled to a four-year low after OPEC remained adamant about keeping its output target unchanged at 30mbpd over the next six months, even in the face of a slump in oil prices. The price of Brent crude slid 6.7% to close at USD72.58pb, the steepest drop in three years.
- In the bellweather market, Wall Street, share prices continued their uptrend, hitting record highs multiple times during the week. The S&P 500 Index has rallied 11% from its six-month low on October 15. Sentiment was not only buoyed by the cheaper oil price, but also by evidence that the economic growth momentum is getting stronger. U.S GDP growth in 3Q14 was revised upwards to 3.9% annualized rate, compared with an initial reading of 3.5%. The main gainers last week were airlines and consumer stocks while energy names felt the brunt of a selldown.
- In Asia, it is apparent to see that oil-dependent nations are benefitting from the low price situation. North Asia is rallying with China leading the way.
- The CSI300 gained a massive 8.7%, the highest in a week since April 2008. The market is enjoying a triple dose of stimulus in the form of cheaper oil price, the Shanghai-HK Exchange link and the surprise interest rate cut on November 11. Meanwhile Hong Kong, Korea, Taiwan and Japan all closed the week in the greenzone.
- Among Emerging Asia, India was the best performer, again due to its dependence on energy. Meanwhile, the Jakarta Composite Index continued its rally after President Widodo was sworn in. The reform factor appears to outweigh the impact of sliding oil price on Indonesia, which is an OPEC member.
- The KLCI rebounded +0.6% after losing -0.3% the week before. The market was weak after the OPEC announcement, as Malaysia is seen as a net exporter of oil and the government is deemed dependent petroleum-related income. The KLCI, for the year until Friday, was the worst performing index among the indices that we track, having lost -2.5%.

Weekly % change	Week before	Last week
China CSI300	0.09	8.72
DAX	5.18	2.55
Hang Seng	-2.70	2.35
India Sensex	1.03	1.27
Taiwan TaieX	1.21	1.05
CAC	3.44	0.99
Thai SET	0.21	0.93
Korea KOSPI	1.01	0.81
Jakarta JCI	1.24	0.74
KLCI	-0.26	0.65
Nikkei 225	-0.76	0.59
Phil Comp	0.82	0.25
S&P500	1.16	0.20
Straits Times	0.89	0.15
Dow Jones	0.99	0.10
FTSE	1.45	-0.42

Source: Bloomberg

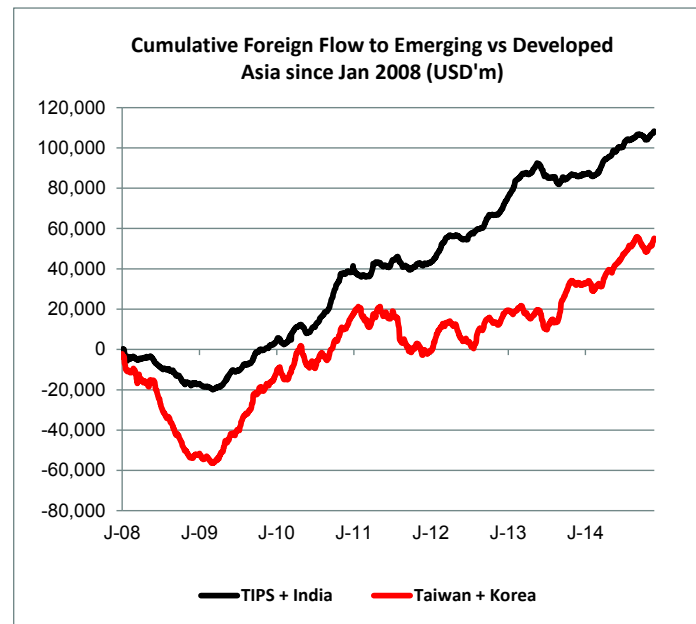
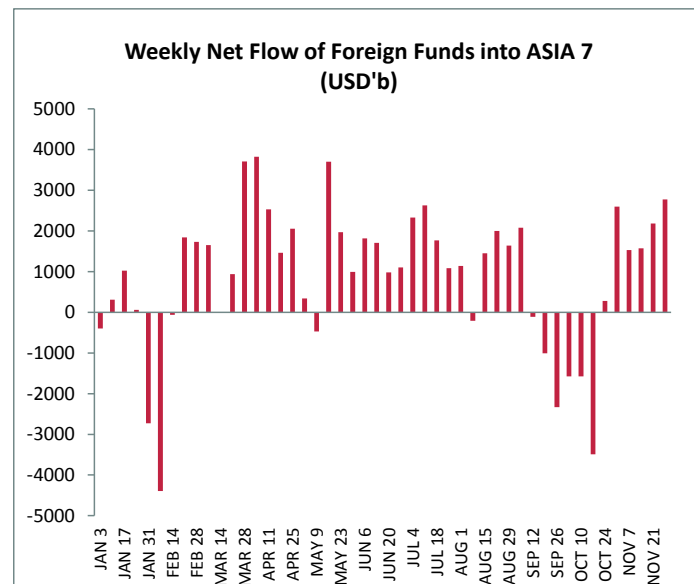
## Major Asian indices



Source: Bloomberg

**B. TRACKING MONEY FLOW - ASIA**

- For the fifth week running, Asia was a clear beneficiary of global portfolio money.
- Last week, a big wave hit the region. Funds classified as “foreign” were, in aggregate, net buyers of stocks in the seven Asian<sup>1</sup> exchanges that we track (Korea, Taiwan, Thailand, Malaysia, Indonesia, Philippines and India). The amount bought amounted to +USD2.78b, compared with +USD2.18b recorded the week before (see bar chart). It was the highest since May.
- For the second week running, money flow favoured the “Developed” Asia<sup>2</sup>, as represented by Taiwan and Korea, over “Emerging Asia”, as represented by the markets in Thailand, Indonesia, Philippines (TIPs), Malaysia and India. It actually reflected the wider optimism towards North Asia, as a result of the falling oil price. But the tide was not only high in Korea and Taiwan, but also in the Philippines and to some extent, Indonesia.
- Korea is on a revival mode. Money flow to Korea had suddenly surged in the last two weeks, partly in response to the country’s revitalization plan. Last week, the Government announced that Korea Post, which has USD95b in assets under management, will be allowed to double its investment in stocks, similar to the liberalization of Japan’s government pension fund. In addition, the single stock limit for mutual funds will be increased to 25% from 10% now. Limit-up trigger for individual stocks will also be doubled from 15% to 30%.
- Meanwhile Samsung announced its share buyback last week, the first since 2007.
- For the fifth week running, Taiwan featured prominently in the radar screen of global investors. Foreigners have bought USD14.5b of Taiwan stocks this year, with USD4.8b coming in the last five weeks. Taiwan is not only attractive because of the boom in electronics, but the market is also seen as riding on



NET FLOW	TIPs + India	Taiwan + Korea	Total (USD'm)
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	21,651	22,113	43,764 (42,581^)

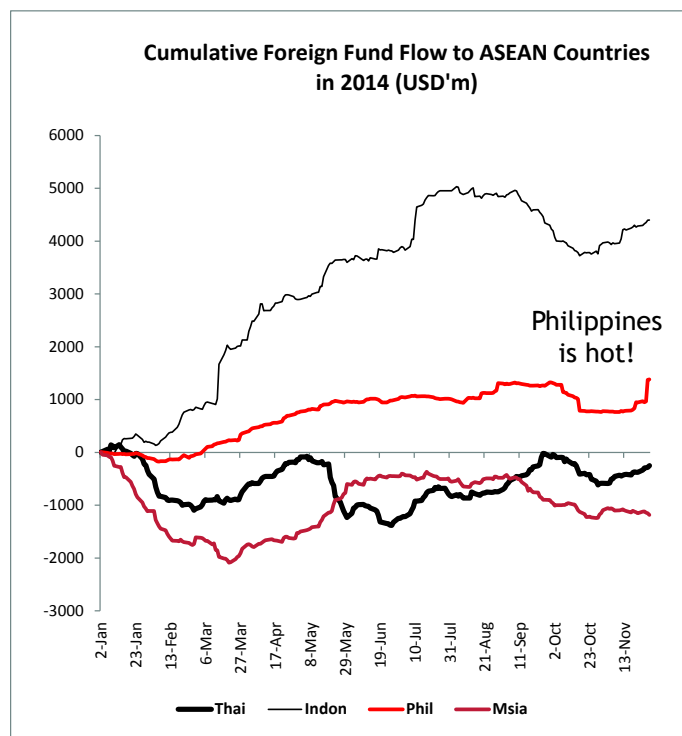
TIP = Thailand, Indonesia, Philippines ^ including Malaysia

<sup>1</sup> These ASIA 7 markets, for which fund flow data is publicly available, are our proxy for Asia.

<sup>2</sup> 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.

the rally in China. Taiwan held its 9-in-1 elections (9 concurrent local elections) on Saturday, but the result was damaging to the KMT party, which is pro-China. Investors may take the result unfavourably.

- Among Emerging Asian markets, Philippines experienced the proverbial tidal wave last week. Foreign investors bought USD439m of Philippine stocks last week, the highest since June 2013. The country's GDP growth slowed down to 5.3%yoy in 3Q14 but investors are looking ahead to a strong economy in 2015.
- Foreign investors are also mopping up Thai and Indonesia stocks. Foreigners bought USD113m of stocks in Jakarta last week, only the third time the figure exceeded USD100m in 19 weeks. President Widodo is cutting costs and announced a 31% increase in fuel price on November 17.



Source: Various countries' exchanges, via Bloomberg. These figures are subject to revisions. Aggregated by MIDFR.

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

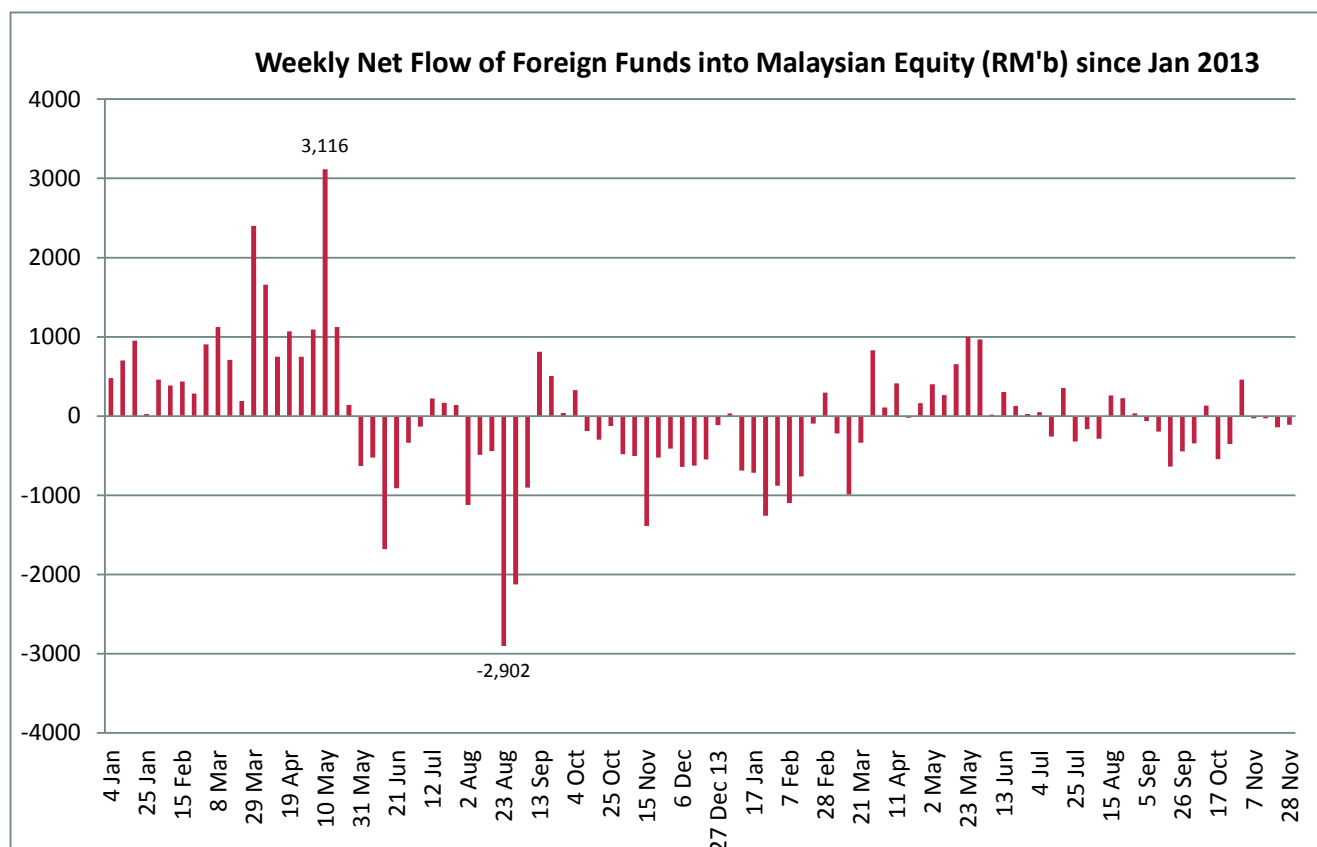
WEEK ENDED	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
JUN 6	293.7	246.0	99.0	-18.6	1008.0	181.6	6.0	1815.8
JUN 13	105.6	-62.5	-15.7	70.6	850.9	664.2	95.3	1708.3
JUN 20	69.1	-273.6	154.7	-70.4	-65.7	1125.7	39.9	979.7
JUN 27	359.2	3.4	-51.1	42.0	46.7	694.0	7.8	1102.0
JUL 4	821.8	106.0	45.2	51.3	740.1	547.8	15.5	2327.7
JUL 11	610.5	293.5	816.1	20.4	731.0	239.0	-81.0	2629.5
JUL 18	796.5	186.1	215.3	0.0	422.1	32.9	111.8	1764.6
JUL 25	547.3	52.7	91.5	-49.8	323.1	220.5	-101.1	1084.3
AUG 1	1423.2	-152.3	0.0	-4.1	-460.6	383.3	-51.5	1137.9
AUG 8	148.6	-29.2	-72.2	-67.8	367.6	-466.7	-88.9	-208.6
AUG 15	700.6	82.4	-38.1	86.8	441.8	96.3	82.2	1451.9
AUG 22	499.0	32.7	54.3	96.5	288.7	956.6	71.5	1999.4
AUG 29	405.5	4.1	-56.5	189.1	139.2	948.8	11.7	1641.9
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	437.3	830.4	-32.5	2775.2

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

## FUND FLOW REPORT

### C. TRACKING MONEY FLOW - MALAYSIA

- Malaysia continued to miss out on the big money flow currently being experienced in broader Asia, as evidenced by the flow of funds data last week.
- For the fourth consecutive week, investors classified as “foreign” offloaded Malaysian equity in the open market (i.e excluding off-market deals). Last week, the amount sold on Bursa exceeded -RM100m again at -RM108.9m net, compared with -RM141.6m sold the week before.
- Foreign portfolio investors were net sellers every single week in November. For the month, foreign investors sold -RM307.5m. For the year to November, the net outflow was -RM4.0b, already exceeding the +RM3.0b net inflow in 2013.
- There was relatively heavy selling on Friday, as foreigners sold -RM111.4m. That was the heaviest outflow in 27 trading days.
- The sell-down by foreigners is still taking place amid moderate volume. However, foreign participation rate picked up last week although it was still below RM1b. Daily average gross purchase and sale amounted to RM972m, the highest in five weeks. We would be wary of any pick-up in activity while the prevailing sentiment is negative.
- On a slightly positive note, the retail market has been supporting the market, mopping up shares for the fourth week running. Retailers bought +RM12m last week, and had purchased +RM276m in the last four weeks. However, the buying was passive, as participation rate was only RM737m. Only those with holding power appear to be in the market.
- Local institutions supported the market slightly last week, buying +RM96.9m net. However, participation rate stayed below RM2b at only RM1.97b. The prospect for a strong window dressing in December is dimming.

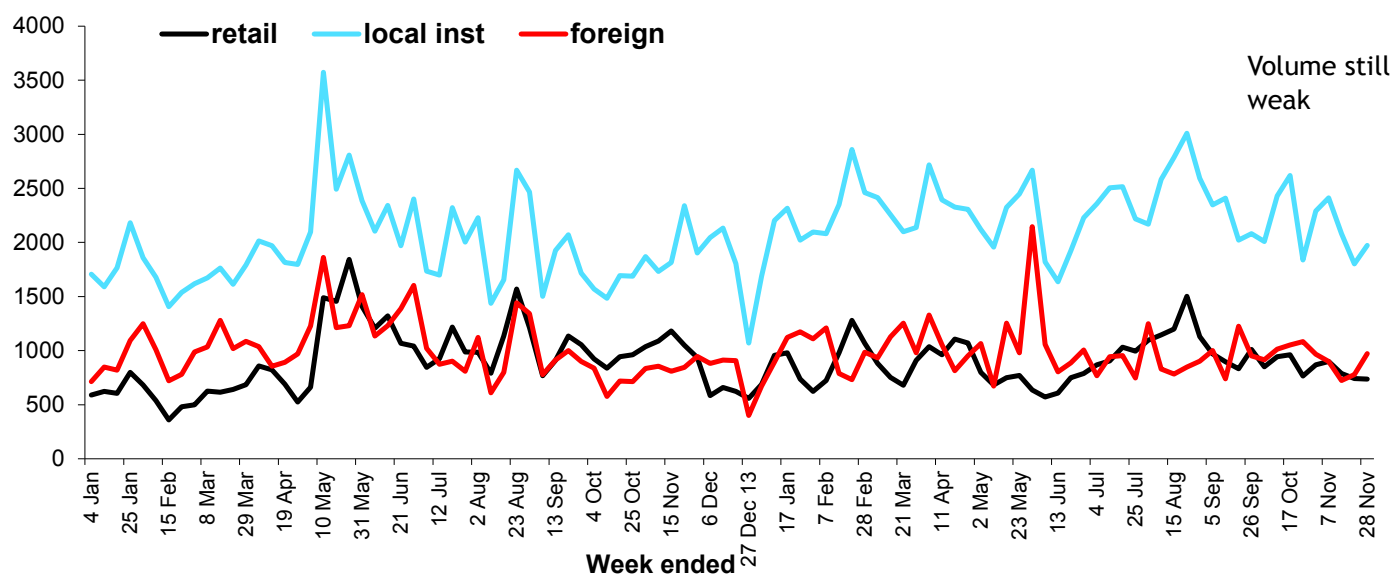


Source: Bursa, excluding off-market trades

**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)*
JUL 4	2043.4	2292.8	-249.4	5993.8	5794.7	199.1	1942.4	1892.1	50.3	15.5
JUL 11	2193.5	2330.6	-137.1	6459.4	6064.6	394.8	2226.7	2484.4	-257.7	-81.1
JUL 18	2024.6	2101.0	-76.4	4893.9	5173.3	-279.4	2087.2	1731.4	355.8	111.8
JUL 25	2429.3	2550.8	-121.5	5767.0	5324.6	442.4	1705.0	2025.9	-320.9	-101.1
AUG 1	1624.9	1660.7	-35.8	3353.6	3152.8	200.8	1792.4	1957.4	-165.0	-51.5
AUG 8	2843.0	2880.5	-37.5	6617.1	6294.2	322.9	1931.3	2216.7	-285.4	-88.9
AUG 15	2985.5	3016.8	-31.3	6852.4	7082.7	-230.3	2090.5	1828.9	261.6	82.2
AUG 22	3689.5	3819.6	-130.1	7473.0	7569.4	-96.4	2234.7	2008.2	226.5	71.5
AUG 29	2768.6	2879.9	-111.3	6523.4	6448.5	74.9	2272.6	2236.2	36.4	11.7
SEP 5	1873.7	2005.4	-131.7	4790.0	4597.1	192.9	1970.0	2031.2	-61.2	-19.2
SEP 12	2223.6	2257.8	-34.2	6142.5	5911.0	231.5	1748.2	1945.5	-197.3	-61.5
SEP 19	1674.4	1655.2	19.2	4352.0	3735.4	616.6	2130.7	2766.5	-635.8	-197.1
SEP 26	2528.4	2528.2	0.2	5429.0	4981.8	447.2	2157.1	2604.5	-447.4	-137.8
OCT 3	2135.1	2117.2	17.9	5183.9	4859.5	324.4	2116.0	2458.3	-342.3	-104.8
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

\* 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 2013**


# FUND FLOW REPORT

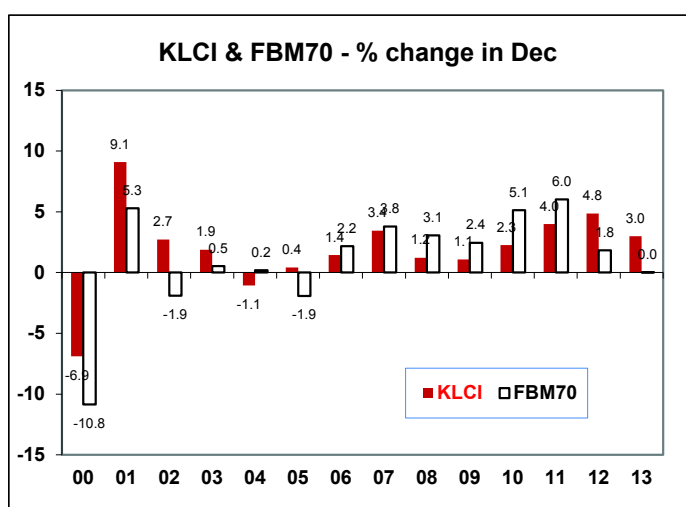
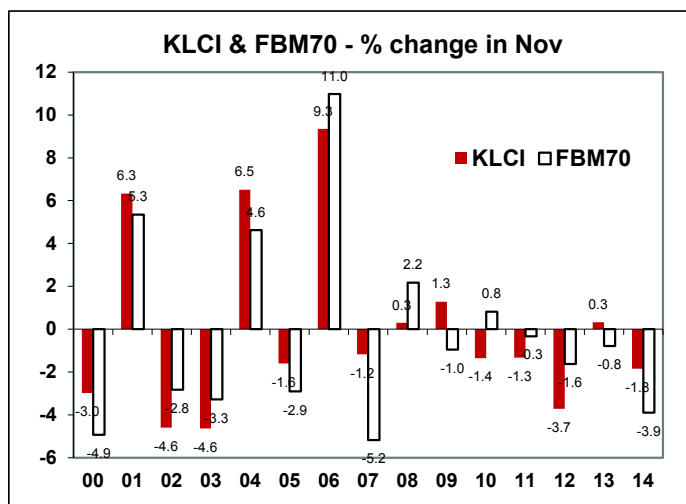
## D. THE WEEK AHEAD

### MENSIS HORRIBILIS!

- November was a *mensis horribilis* - a horrible month that many local investors would rather forget. The KLCI lost -1.8%, the second worst November in 11 years. The FBM70 shed -3.9%, the worst in a month this year, and its second worst November in 13 years!
- The FBM Smallcap index shed a massive -7.1%, one of its worst returns for November on record. The index recorded a negative return every single week in the month.
- The local equity market is in danger of sliding into oblivion. While regional peers are enjoying a new lease on life after oil price slid and Japan announced its version of the quantitative easing, the Malaysian market has escaped investors' radar. The surge in the prices after the Government announced that fuel prices will be floated was not sustainable. It did not translate into an upward momentum.
- Part of the reasons for the anaemic market is increasing risk aversion. Even local institutional support is falling as reflected by their weakening participation.
- We cross over to December on Monday. Of the 12 months in the year, December is arguably the safest to bet on. The KLCI recorded a positive return in all of the last 13 years, but one.
- Unfortunately, the prospect for December 2014 does not look so rosy. The KLCI fell swiftly back to be below the short term 50-day average support level, after breaking the resistance promisingly on Monday last week.

### WEAK MONEY & FOREX MARKETS

- We are slightly concerned by the weakness of the ringgit, which was the worst performing among the main Asian currencies against the greenback last week.
- A weakening currency imparts pressure on interest rates to rise. The ringgit money market is already at the advanced stage in *pricing-in* an interest rate hike. The spread between the 3-month KLIBOR and the OPR last Friday was almost what it was prior to the last interest rate hike.
- These will be a deterrent for foreign portfolio investors. Trading in the equity market in December will be dominated by local players. However, risk appetite is low and there is hardly any catalyst to spur activity in the market.
- Nevertheless, we reiterate our view that investors with long-term horizon should start building their portfolios selectively.



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