



FUND FLOW REPORT

Week Ended September 18, 2015	Foreign Flow Meter (M'sia)	
	 Tide	MODERATE
	 Current	HIGH

- Equity markets around the world ended the week on a mixed note. Asian markets, ex-China and Japan, performed relatively better than the rest to stay in the greenzone.
- For the most part of last week, markets around the world were bracing for a decision on interest rate by the U.S Federal Reserve. The Fed's no-hike decision left the markets mixed and in a state of further uncertainty. However, Asian equity markets had a strong Friday, but Wall Street had the last say closing the week on a bearish note.
- Most Asian currencies rallied on Friday following an edgy start with the Ringgit way ahead of the pack.
- After eight straight weeks of selling, global funds courted Asian equity again last week. This is unsurprising as the size of the outflow had been receding noticeably in the preceding two weeks.
- After selling unrelentingly for twenty consecutive weeks, foreign investors turned net buyers of equity listed in the open market on Bursa. Foreigners mopped up RM685.0m last week, compared with the RM17.1b yanked out from the market in the year until September 15.
- As of last Friday, the KLCI and FBM70 had gained 3.5% and 7.1% respectively in the month of September. For the KLCI, it was the highest since the 4.9% gain in September 2007. However, for the FBM70, the 7.1% surge could make September 2015 its most bountiful month on record.
- The Ringgit surged against the greenback on Friday gaining 1.36%, the second time in three days that the appreciation exceeded 1% in a single day. It was by far the best performing currency against the greenback on Friday and over last week. The outlook for this week is good. Speculative fervour against the Ringgit appears to be receding.

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RETURNING WAVE

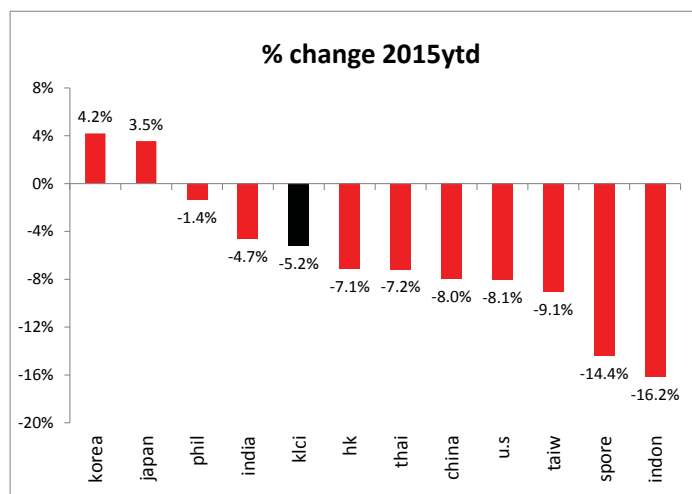
A. MARKET SNAPSHOT

- Equity markets around the world ended the week on a mixed note. Asian markets, ex-China and Japan, performed relatively better than the rest to stay in the greenzone. Wall Street had the last say, as always, closing the week on a bearish note.
- For the most part of last week, markets around the world were bracing for a decision on interest rate by the U.S Federal Reserve. On Thursday, the Fed came to a conclusion that it would be premature to raise the Federal Fund Rate at this juncture. In its statement:
"The committee anticipates that it will be appropriate to raise the target range for the federal funds rate when it has seen some further improvement in the labour market and is reasonably confident that inflation will move back to its 2 per cent objective over the medium term"
- Interestingly, for the first time in 2015, the Federal Open Market Committee decision was not unanimous. The president of the Federal Reserve Bank of Richmond voted against the decision.
- Ahead of the Fed meeting, most Asian markets made progress, but China remained a laggard. The CSI300 was slowly edging towards the 3,000 level, the level last seen in December 2014. It rebounded on Friday, in tandem with the rest of Asia, but concerns remain over the extent of capital "exodus" from China. Goldman Sachs has estimated the outflow in August to be USD178b, while JP Morgan puts the number at USD130-150b. Last week, the State Administration of Foreign Exchange (SAFE) reported that China banks sold *net*, USD128b worth of foreign currency for clients in August.
- China's market was also rocked by news that Zhang Yujun, the assistant chairman of the China Securities Regulatory Commission is under investigation for "severe violation of discipline". The CSI was the worst performer last week, losing -2.9%.
- The Fed's decision left the markets mixed and in a state of further uncertainty. After an edgy start, most Asian currencies rallied on Friday with the Ringgit way ahead of the pack. Asian equity markets had a strong Friday, in tandem with the forex market.
- However, the Dow Jones and S&P500 fell a steep 1.4% and 1.6% on Friday to end the week in the redzone. It is a manifestation of high uncertainty in the market. Volatility rose notably last week.
- The KLCI was the best performer last week, rising 4.1%. It is down -5.2%ytd, and is already among the better performers this year.

Performance of major markets		
Weekly % change	Week before	Last week
KLCI	0.91	4.11
Phil Comp	-1.99	3.19
Korea KOSPI	2.93	2.81
India Sensex	1.62	2.38
Hang Seng	3.18	1.94
Taiwan TaieX	3.81	1.88
Thai SET	0.80	0.62
Jakarta JCI	-1.24	0.46
S&P500	2.07	-0.15
FTSE	1.24	-0.22
CAC	0.57	-0.28
Straits Times	0.85	-0.29
Dow Jones	2.05	-0.30
Nikkei 225	2.65	-1.06
DAX	0.85	-2.05
China CSI300	-0.55	-2.87

Source: Bloomberg

Major Asian indices (2015)

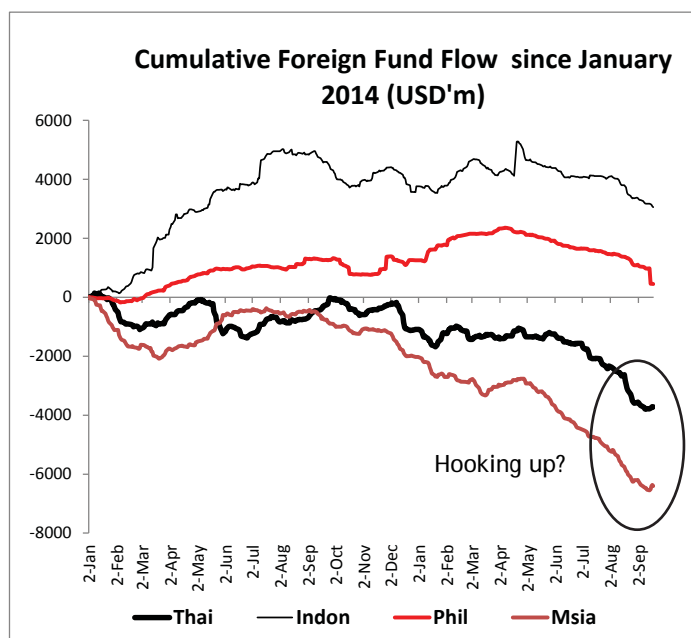
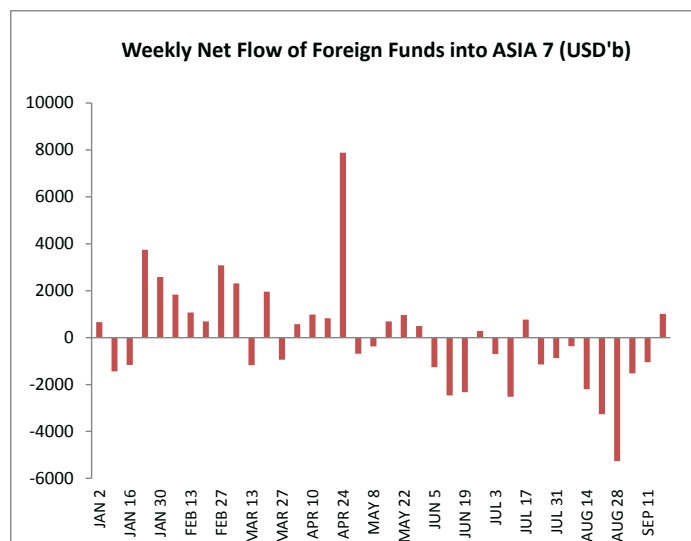


Source: Bloomberg. All in local currency.

FUND FLOW REPORT

B. TRACKING MONEY FLOW

- After eight straight weeks of selling, global funds courted Asian equity again last week. This is not surprising as the size of the outflow had been receding noticeably in the preceding two weeks.
- 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 (TIPs + India, Taiwan, Korea and Malaysia), purchasing USD1b. In the preceding eight weeks, foreign investors had offloaded a whopping USD15.7b from the aforementioned markets.
- The buying was not across the board though. Foreigner funds were still selling Indonesian and Philippine stocks. In Jakarta, Bank Indonesia kept interest rate unchanged last Thursday but the Fed’s decision to delay a rate hike is seen as a market setback. The Rupiah was under pressure in the first half of Friday, but gained strongly in the second half. Meanwhile, the Manila Exchange reported a massive USD525m foreign money outflow last week, the highest since October 2013. The outflow was effectively attributable to the sale of a block of shares in cement firm Lafarge Republic on Tuesday. The consortium of Aboitiz Equity Ventures and British firm CRH Holdings gained 99.09% control of Lafarge Republic after a mandatory tender offer.
- In Korea, the Federal Reserve’s decision to delay raising interest rates has opened a policy window for South Korea to cut borrowing costs. Sovereign bonds in Korea and Taiwan rallied on Friday. The Bank of Korea kept policy interest rate unchanged at 1.50% on Sep 10, and expectations are rising that it may cut the rate at its next meeting on October 15. Reflecting the expectation, foreigners turned net buyers for the first time in 7 weeks. There was strong buying on Wednesday and Friday with heavy foreign interests in the transport equipment industry, chemical products industry and stocks such as Hyundai Motor Co. and SK Hynix Inc.
- In Thailand, foreigners turned buyers after 11 weeks, but the amount has yet to reflect a strong market conviction. In contrast, buying momentum intensified in Taiwan for the second consecutive week. Taipei announced on Friday that a temporary ban on the short selling of stocks under certain circumstances will be lifted on Monday.



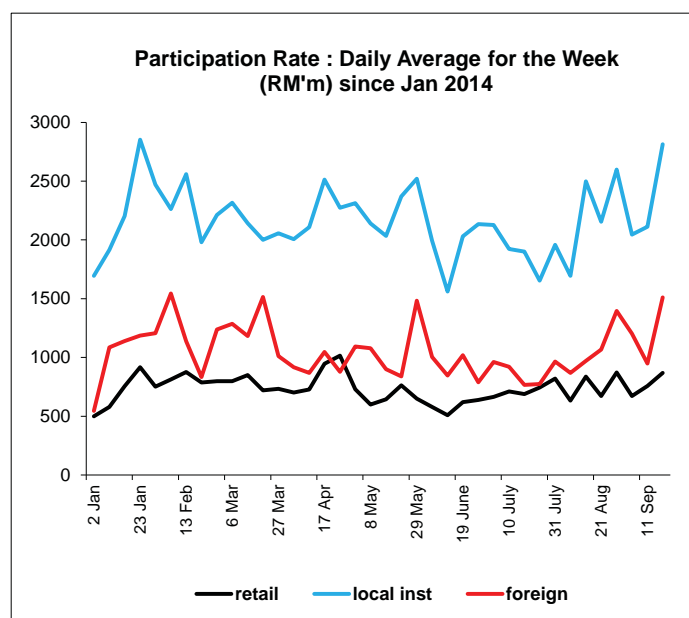
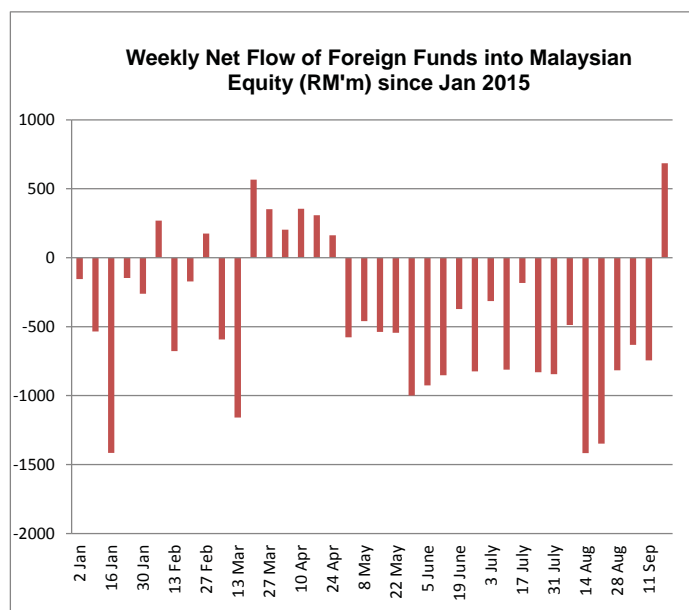
¹ These ASIA 7 markets, for which fund flow data is publicly available, are our proxy for Asia. TIP = Thailand + Indonesia + Philippines.

WEEKLY NET FLOW OF FOREIGN FUND INTO EQUITY (USD'm)								
WEEK ENDED	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
AUG 7	-186.3	-172.2	-66.9	-7.0	297.1	-89.4	-124.3	-349.0
AUG 14	-535.4	-168.0	-220.9	-80.3	-369.1	-475.6	-353.3	-2202.6
AUG 21	-903.2	-483.8	-309.4	-52.3	-537.7	-653.3	-327.5	-3267.1
AUG 29	-1950.1	-434.9	-133.5	-240.1	-1903.9	-405.6	-192.7	-5260.8
SEP 4	-369.9	-73.9	-58.6	-47.6	-636.2	-193.3	-148.8	-1528.3
SEP 11	-791.7	-116.6	-127.7	-67.5	-359.3	587.5	-172.0	-1047.2
SEP 18	314.4	61.3	-116.0	-525.0	458.5	654.8	161.4	1009.3

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

C. TRACKING MONEY FLOW - MALAYSIA

- The last three trading days, could be a turning point for Bursa.
- After selling unrelentingly for twenty consecutive weeks, investors classified as “foreign” turned net buyers of equity listed in the open market on Bursa (i.e excluding off-market deals). The amount mopped up was RM685.0m on a net basis, still small compared with the RM17.1b yanked out from the market in the year until September 15. However, it broke what had been among the longest stretches of sustained back-to-back weekly sell-down on record.
- It was not an auspicious start to the week. With the Fed’s FOMC meeting looming, foreigners sold RM86m on Monday, following the heavy outflow on the preceding Friday. However, buying interest crept up on Tuesday before the market adjourned for a mid-week Malaysia day break. Foreign investors returned with the proverbial vengeance on Thursday, on the eve of the announcement by the FOMC. Foreign funds bought a whopping RM482.4m net on Thursday, the highest one-day foreign haul recorded by Bursa since the RM545m surplus recorded on 30 May 2013. It was followed by a RM147m purchase on Friday.
- For 2015, last week’s load-up reduced the cumulative net foreign outflow to RM16.5b, significantly surpassing the RM6.9b outflow for the entire 2014. The worst of the foreign money attrition is likely to be in the past as the foreign liquidity overhang in the equity market is low.
- Foreign participation rate surged last week. The average daily gross volume spiked to RM1.51b last week, the second highest this year. On Thursday, foreign participation hit RM2.13b, the third highest this year.
- Local institutions sold RM520.3m on RM2.81b participation, the highest since August 2014. Meanwhile, retailers remained sceptical of the market, offloading a relatively heavy RM164.7m on yet moderate participation.


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 31	2005.6	2099.0	-93.4	5364.6	4426.2	938.4	1991.9	2836.9	-845.0	-221.6
AUG 7	1601.8	1561.8	40.0	4461.1	4013.3	447.8	1928.3	2416.1	-487.8	-124.3
AUG 14	2142.0	2043.3	98.7	6903.2	5584.8	1318.4	1718.6	3135.7	-1417.1	-353.3
AUG 21	1684.3	1676.1	8.2	6058.1	4717.3	1340.8	1993.9	3342.9	-1349.0	-327.5
AUG 28	2132.8	2234.7	-101.9	6955.0	6036.8	918.2	3083.9	3900.2	-816.3	-193.3
SEP 4	1365.7	1324.6	41.1	4384.2	3793.8	590.4	2091.1	2722.6	-631.5	-148.8
SEP 11	1872.2	1911.9	-39.7	5673.1	4889.6	783.5	1998.8	2742.6	-743.8	-172.0
SEP 18	1656.0	1820.7	-164.7	5366.1	5886.4	-520.3	3365.5	2680.5	685.0	161.4

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

FUND FLOW REPORT

D. TOP 100 STOCKS: MONEY FLOW ²

TOP 10 NET MONEY INFLOWS

- Malayan Banking recorded the highest net money inflow of RM14.19m last week. Nonetheless, its share price slightly underperformed the market benchmark despite a 3.45% weekly rise. In comparison, the FBM KLCI jumped by 4.11% during the review week.
- Tenaga Nasional came in second with RM13.53m net inflow. Its share price outperformed the market benchmark with a whopping 8.91% week-on-week rise.
- Petronas Gas recorded the third highest net money inflow of RM10.85m but its share price underperformed the FBM KLCI with a 2.15% weekly gain.
- We reckon the above index-linked stocks are among the potential beneficiaries of the government's plan to reactivate ValueCap with funds infusion of up to RM20 billion.

TOP 10 NET MONEY OUTFLOWS

- Public Bank saw the largest net money outflow of -RM13.70m during the review week. Nonetheless, its stock price outperformed as it ended the week higher by 4.28% against a slightly lower 4.11% rise in the FBM KLCI. It is notable that the net money outflow amidst rising share price may indicate sell on strength (SOS) stance among some investors.
- Axiata came in second last week with a net outflow of -RM5.68m. However, its share price also outperformed the market benchmark with a 5.76% weekly gain which may indicate a SOS stance among some investors.
- Top Glove registered the third largest net money outflow at -RM3.92m in the review week. Accordingly, its share price underperformed the broader market with a -6.55% weekly loss. The absolute price underperformance was not unexpected in view of the recent appreciation of Ringgit against US Dollar. Top Glove earns a substantial portion of its revenue in US Dollar.

Tables below list the Top 10 Net Money Inflows and Net Money Outflows last week among the largest 100 market capitalized stocks on Bursa Malaysia.

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
MAYBANK	14.19	16.63	3.45	-
TNB	13.53	2.30	8.91	-
PETRONAS GAS	10.85	10.82	2.15	-
GAMUDA	4.78	-0.29	4.51	-
UMW HLDGS.	4.52	0.98	2.04	-
IJM CORP	4.38	2.94	10.00	-
UEM EDGE	3.90	-0.06	6.33	-
HLEONG BANK	3.56	1.26	1.51	-
WESTPORTS	3.23	0.67	4.52	-
KL KEPONG	3.16	-4.03	6.51	-

Source: Bloomberg, MIDFR;

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

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
PUBLIC BANK	-13.70	21.76	4.28	SOS
AXIATA	-5.68	12.52	5.76	SOS
TOP GLOVE	-3.92	0.90	-6.55	-
BAT	-2.75	5.63	-2.50	-
MRCB	-1.77	-0.32	9.62	SOS
SAPURAKENCANA	-1.63	3.37	10.38	SOS
KULIM	-1.14	-0.03	0.70	SOS
BERJAYA AUTO	-1.06	0.95	5.56	SOS
PETRONAS CHEM.	-1.02	1.35	1.32	SOS
TIME DOTCOM	-0.79	-0.43	6.31	SOS

Source: Bloomberg, MIDFR;

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

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.

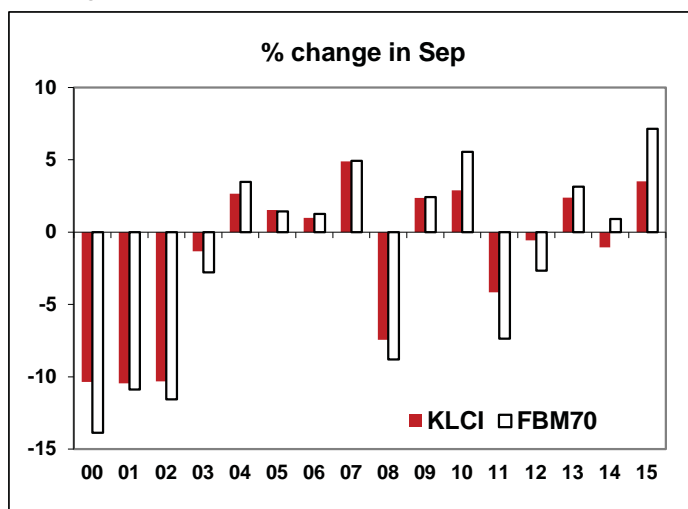
Source: Bloomberg, MIDFR

D. THE WEEK AHEAD

SWEET SEPTEMBER

- As of last Friday, the KLCI and FBM70 had gained 3.5% and 7.1% respectively in the month of September. For the KLCI, it was the highest since the 4.9% gain in September 2007. However, for the FBM70, led by strong advances in previous stalwarts such as FGV, UEMSunrise and MRCB, the 7.1% surge could make September 2015 its most bountiful month on record.
- The market retreated on Friday pursuant to an almost 80-point rise in the FBM KLCI since last Monday. Looking ahead, we expect to see consolidation in this yet another holiday-shortened week due to profit taking among some investors as well as liquidation by 'stale bulls' taking the opportunity to cut their exposures in a recovering market. Technically, the immediate resistance and support for the market benchmark are at 1,700 points and 1,650 points respectively. Another point to note is that Bank Negara Malaysia will release its latest international reserves figure this week, which last stood at USD94.7b as of end-August. Nevertheless, we expect muted market reaction to the announcement barring an unexpected sizable shift in the reserves position.
- Nevertheless, in the immediate term, the underlying tone of the market is positive. There could be some market clawback after the sharp fall on Wall Street on Friday. However, it would be an opportunity to pick up bargains as we expect the market to rebound. After all, the market is in a sweetspot where the KLCI broke the short-term resistance (as represented by the 50-day moving average line, 50DMA - see chart) after two months last week. In addition, foreign buying is back and the Ringgit is enjoying a much overdue respite.

Among the best September so far...



2015 until 18 Sep

KLCI broke through the 50DMA



RINGGIT RENAISSANCE?

- The Ringgit surged against the greenback on Friday gaining 1.36%, the second time in three days that the appreciation exceeded 1% in a single day. It was by far the best performing currency against the greenback on Friday and over 5-days. It rose 2.87% last week, which reduced the year-to-date decline to 16.66%. The outlook for this week is good. Speculative fervour against the Ringgit appears to be receding. The spread between the 12-month forward USD/MYR exchange rate in the offshore and onshore markets fell sharply last week and indeed went into the NEGATIVE territory, indicating that the market was betting the Ringgit to appreciate (see chart). In the bond market, yields continued to drop as volume rose significantly on Friday, likely to be on foreign buying.

12m forward USD/MYR - spread between offshore and onshore was negative last week



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