

21 April 2014
MALAYSIA EQUITY



FUND FLOW REPORT

Week Ended Apr 18, 2014

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FOR IMPORTANT DISCLOSURES**

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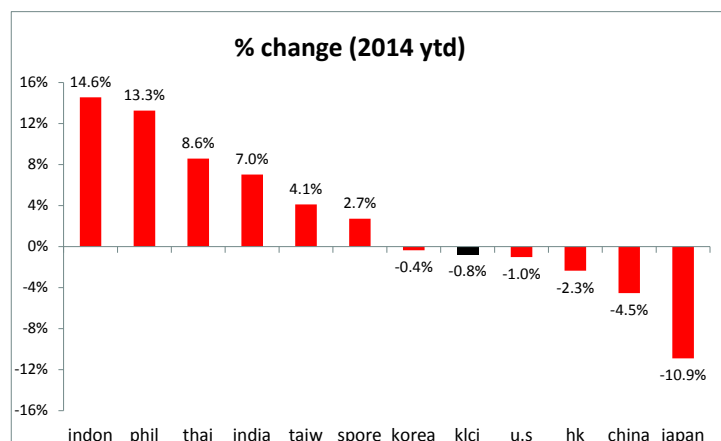
21 April 2014 | Strategy - Weekly Fund Flow

UKRAINE CHEER MAY ARREST SUBSIDING TIDE

A. MARKET SNAPSHOT

- Markets around the world recovered last week after the scare caused by the selloff in technology stocks the week before.
- The bellweather market, Wall Street, rebounded strongly, with the S&P500 index rising 2.7%, the best weekly gain since July 2013. The Dow Jones also rose a strong 2.4%. Governor Yellen said last week that the Fed is committed to policies that will support economic recovery. This suggests that interest rates are likely to be kept depressed for some time even after the QE3 is fully unwound.
- However, the biggest market-moving force last week has to be the Geneva accord, agreed Thursday after negotiations among Russia, the US, the EU and Ukraine. The positive impact of the Accord will only be realized this week as Wall Street and European markets were closed for Good Friday. Under the Accord:
 - » the armed groups occupying the buildings must disarm and depart;
 - » there will be a general amnesty; and
 - » a national dialogue will take place on a new constitution, with the offer of devolution of powers to the regions.
- The markets in India, Hong Kong, Singapore, Indonesia and Philippines were also closed on Friday. The other Asian markets that were open on Friday were buoyed by the Geneva Accord, with the exception of China which fell marginally, reflecting continued concerns after 1Q14 GDP decelerated to 7.4%yoy from 7.7% in 4Q13. It is even lower than the official 2014 target of 7.5%. Elsewhere, India's election is in swing currently and will run until May 12, with the results to be declared on May 16. Indonesia meanwhile is experiencing a post-election rally. The KLCI was unchanged.

Performance of major markets		
Weekly % change	Week before	Last week
Nikkei 225	-7.33	3.98
S&P500	-2.65	2.71
Dow Jones	-2.35	2.38
Straits Times	-0.45	1.74
Jakarta JCI	-0.85	1.67
Thai SET	-0.20	1.52
CAC	-2.65	1.51
Phil Comp	0.55	1.13
DAX	-3.92	1.01
FTSE	-2.00	0.97
Taiwan Taiex	0.22	0.66
Korea KOSPI	0.47	0.34
KLCI	-0.21	0.00
India Sensex	1.21	0.00
Hang Seng	2.19	-1.06
China CSI300	3.90	-2.03
Source: Bloomberg		



B. TRACKING MONEY FLOW

- In a generally shortened trading week, global funds bought Asian equity for the fifth consecutive week, based on the numbers from our proxy markets. Foreign investors were net purchasers of stocks in the seven Asian equity markets that we track (Korea, Taiwan, Thailand, Malaysia, Indonesia, Philippines and India ¹), committing USD1.42b last week, compared with USD2.52b the week before. The rate of inflow subsided for the second week running.
- Among the seven markets, the most significant reversal in the flow of foreign portfolio fund was in India, which reported an outflow last week, the first time in nine weeks. This is understandable in view of the on-going election, in which the market-favoured Congress party appears to be lagging expectations.
- Elsewhere, the two more developed markets of Taiwan and Korea remained the favoured destinations of portfolio funds, especially the former, which reported foreign buying for 10th week in a row.
- Foreigns funds also continued to like the emerging TIPs (Thailand, Indonesia, Philippines) markets. However, Malaysia appears to a bit out of the radar after reporting foreign selling last week, the first in four weeks.

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

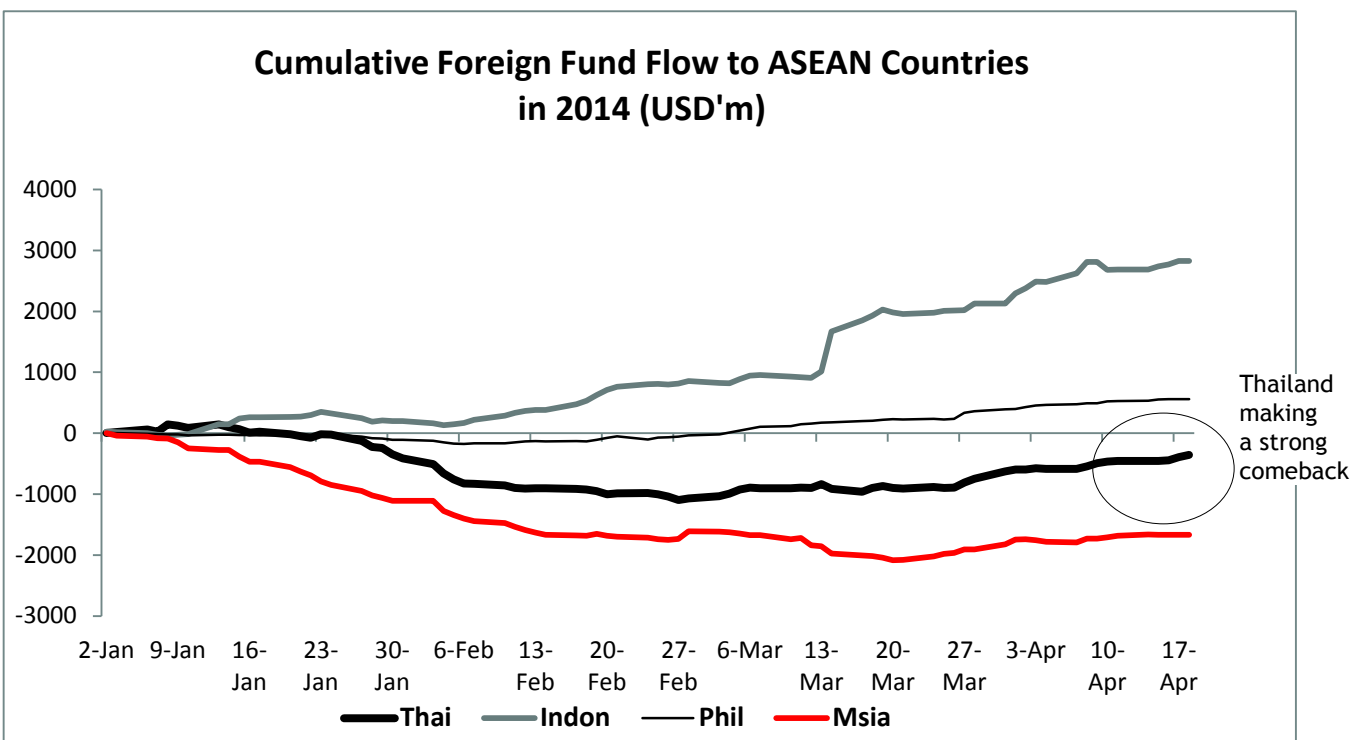
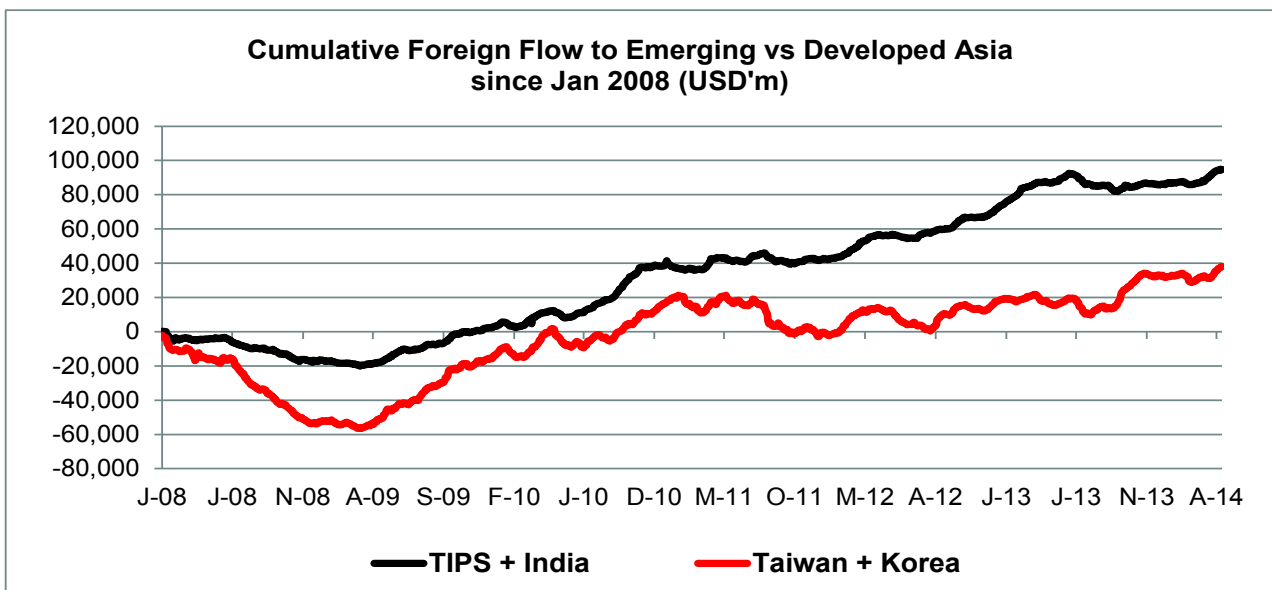
WEEKLY NET FLOW OF FOREIGN FUND INTO EQUITY (USD'm)

WEEK ENDED	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
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	426.4	164.0	174.4	135.3	1027.1	1041.5	253.1	3221.4
APR 4	1522.7	159.7	353.7	103.2	856.8	1202.3	33.2	4231.7
APR 11	994.1	132.0	205.3	61.9	299.3	701.6	127.6	2521.8
APR 18	434.2	100.8	140.3	32.6	-25.7	743.6	-5.8	1420.0

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

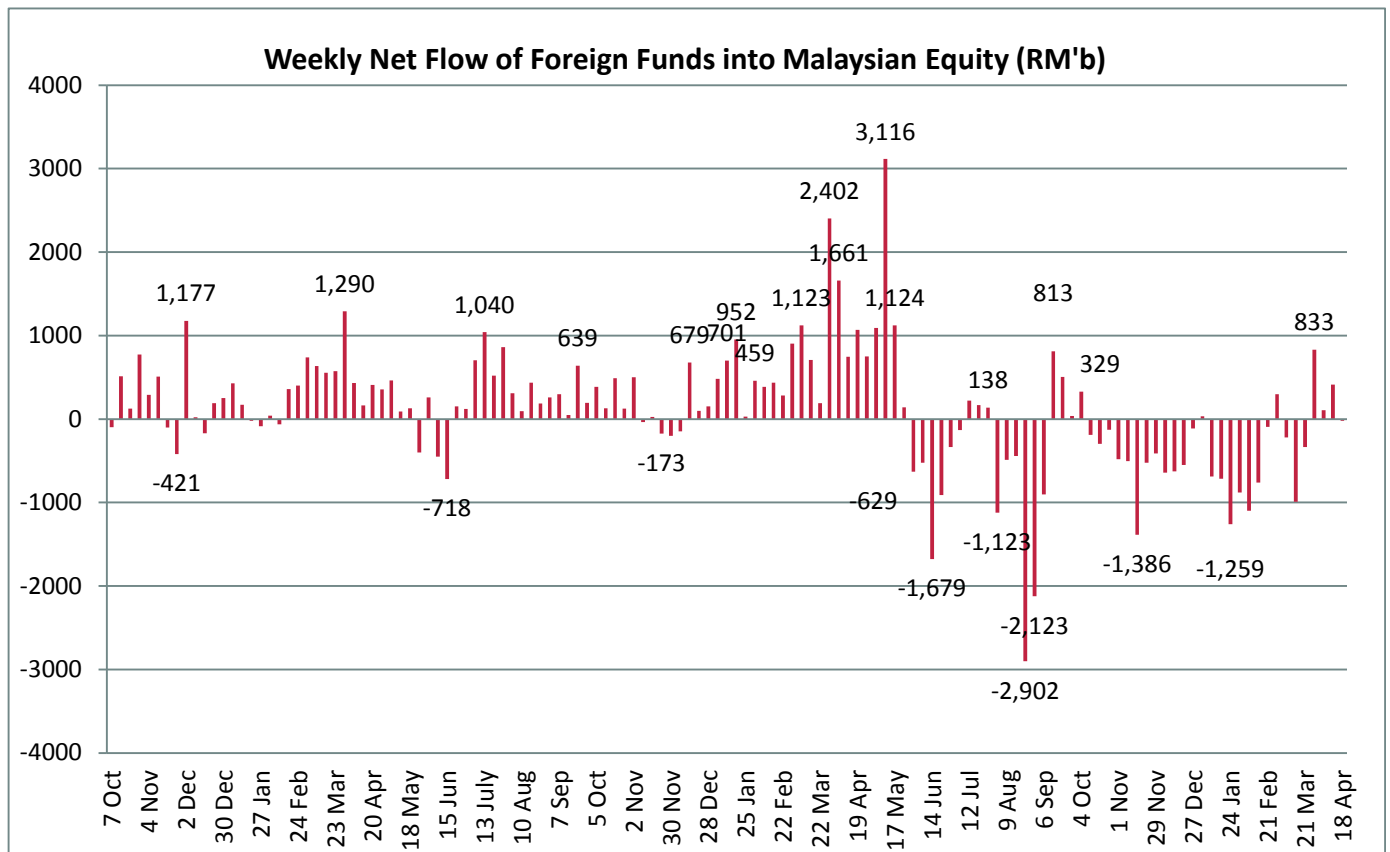
NET FLOW (USD'm)	TIPs + India	Taiwan + Korea	Total
2008	-17,195	-53,106	-70,301
2009	20,580	40,063	60,642
2010	35,690	29,234	64,924
2011	2,748	-17,801	-15,053
2012	31,302	19,976	51,278 (55,663*)
2013	12,446	13,500	25,946 (27,170*)
2014	8,002	5,277	13,279 (11,609*)

TIP = Thailand, Indonesia, Philippines * including Malaysia



C. MALAYSIA

- After three consecutive weeks of buying, foreign portfolio funds sold listed Malaysian equity last week, but the amount was marginal.
- Last week, foreign funds reduced their Malaysian portfolio holdings by a small RM18.7m. It may not be indicative of short-term sentiment towards the local market as trading in the region was quiet ahead of Good Friday. Although Bursa was open last Friday, the bourses in Indonesia, Philippines, Singapore, HK and India were closed on Friday.
- Foreign investors continued to buy on Monday and Tuesday, but turned sellers from Wednesday onwards.
- Foreign participation rate fell sharply last week. Average daily foreign participation rate (average daily gross purchase and sale) was only RM813m, 23% lower compared with that in the preceding week. Indeed, gross foreign participation was only RM346m last Friday, the lowest since Boxing Day 2013.
- The retail market remained a source of action last week. Although retailers offloaded a marginal RM11.5m in the open market, participation rate rebounded to RM1.1b. It was only the fourth week this year that the average daily trade during the week exceeded the RM1b mark.
- Local institutions also continued to be active, with participation rate at RM2.3b, the 15th week in a row that participation exceeded the RM2b mark. Local funds bought a marginal RM30.2m, absorbing foreign liquidation.

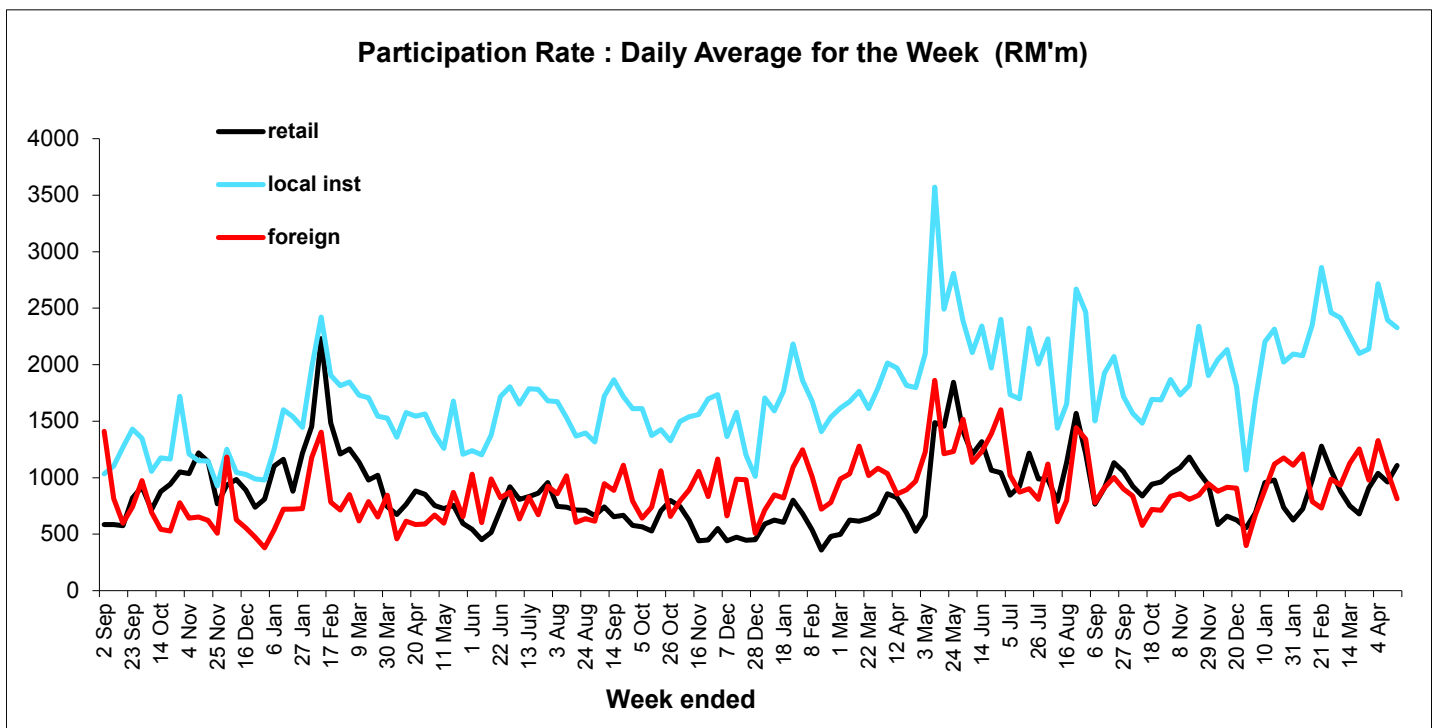


Source: Bursa, excluding off-market trades

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 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	253.1
APR 4	2555.8	2633.0	-77.2	6775.8	6806.3	-30.5	3374.9	3267.2	107.7	33.2
APR 11	2416.8	2396.6	20.2	5766.2	6200.8	-434.6	2842.9	2428.5	414.4	127.6
APR 18	2762.7	2774.2	-11.5	5831.2	5801.0	30.2	2023.3	2042.0	-18.7	-5.8

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



D. THE WEEK AHEAD

SMALL- & MID-CAPS STILL RULE

- We expect a potentially “explosive” week ahead for the second and third liners. Bullish forces have been accumulating, and this will provide the necessary catalyst. To begin with, regional sentiment is expected to be buoyant on Monday, especially on pent-up trading in many markets in the region after the closure on Friday.
- Technically, the FBM SmallCap index is comfortably above the 50-day moving average (50 DMA) line, which is diverging from the 200 DMA (see chart). These are affirmative bullish signals. Another technical indicator, the Relative Strength Index, has a reading of 73 for the FBM Smallcap Index. Although the threshold of 70 suggests that the market is entering an overbought region, the overbought situation can persist for a while before a correction sets in.
- But the biggest bull factor would have to be the de-escalating tensions in Ukraine. Talks in Geneva ended successfully and produced an accord that will see Russia, Ukraine and the U.S. taking steps to settle the situation. Timing-wise, the Geneva Accord could not have arrived at a better time. With most markets closed on Friday, the euphoria will feed into pent-up demand for equity the world over.



FUNDAMENTALS CONDUCIVE FOR A RALLY

- The continued uptrend in the ringgit and the falling bond yields are testament of the improving economic fundamentals. Combined with favourable liquidity flows, the improvement in fundamentals could be a potent driver of the market this week.
- The latest statistics show a non-accelerating inflation, which reduces the probability of rate hike:
 - Consumer price inflation stayed unchanged at 3.5%yoy in March. Food price inflation crept up slightly from 3.8%yoy in February to 3.9%yoy in March but overall, the numbers came as a relief as it reaffirmed our contention that the inflation situation is under control.
 - That means that the likelihood that the central bank will raise the Overnight Policy Rate (OPR) reduces further. Bank Negara’s Monetary policy Committee next meets on May 8.
- This week is the annual “Minggu Amanah Saham”, which is the awareness week for collective investment schemes. We expect plenty of institutional support to ensure that the local market is well-behaved.
- Otherwise, except for the Flash PMI for China for April due out on Wednesday, we do not see any potential pothole for the market in general.



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