

MALAYSIA EQUITY RESEARCH | APRIL 27, 2015

Week Ended
April 24, 2015

Foreign Flow Meter



Tide

MODERATE
(declining)



Current

MODERATE
(declining)

- Global equity prices rebounded last week from a potentially damaging selloff the week before. The contagion effect on Asia following the rout on Wall Street the preceding Friday, was contained.
- Meanwhile, equity prices in the U.S rebounded on Monday. The S&P500 and the technology benchmark Nasdaq Composite indices closed at new records on Friday.
- After three weeks of moderate movement, there was a spike in global money flow to Asia last week. This was caused by huge liquidity flow to the technology-heavy markets of Taiwan and Korea, combined with lumpy capital payment resulting from cross-border M&As in Emerging Markets.
- Taiwan pulled in a massive USD2.6b last week, clearly on euphoric sentiment over technology stocks such as TSMC.
- The gradual built-up of Malaysian equity portfolio by foreign investors continued for the sixth consecutive week.
- Foreign investors bought RM163.3m on a net basis last week, but it was the lowest in the six weeks. Foreign presence on Bursa eased suddenly last week.
- Still, it is possible that the market may close April with a “bang”. We are not discounting a pick-up in foreign buying as the short-term outlook for the ringgit has improved. The price of Brent crude oil price is in a bullish momentum. It broke USD64pb on Friday, its technical resistance.
- The focus is expected to be on the KLCI component stocks this week. The index staged a “golden crossover” last week.

27 April 2015 | Strategy - Weekly Fund Flow

Zulkifli Hamzah
zulkifli.hamzah@midf.com.my
+603 21738390

TSUNAMI HITS ASIA

A. MARKET SNAPSHOT

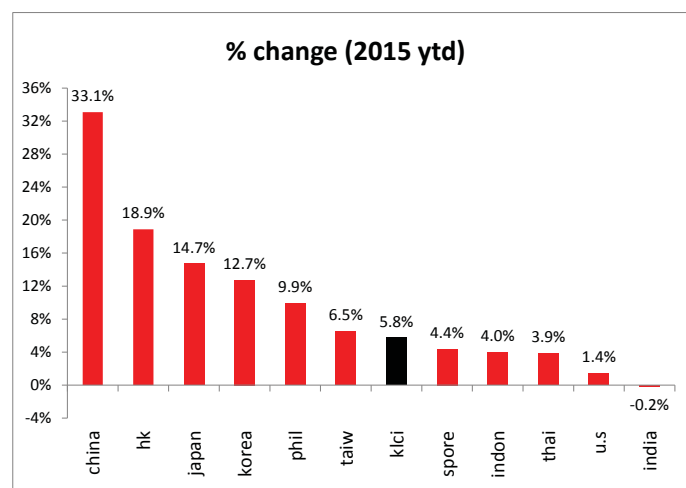
- Global equity prices rebounded last week from a potentially damaging selloff the week before.
- The contagion effect on Asia following the rout on Wall Street the preceding Friday, was contained. Equity prices in the U.S rebounded on Monday, boosted by some positive first-quarter earnings reports. Big companies such as Hasbro and Halliburton reported above-expected earnings.
- For the week, the Dow Jones and S&P500 regained 1.4% and 1.8% respectively, erasing the loss in the previous week. Indeed, the S&P500 and the technology benchmark Nasdaq Composite indices closed at new record on Friday. Stock prices advanced after solid corporate earnings numbers from technology heavyweights such as Microsoft. The Nasdaq Composite closed at a record for the second day in a row. On Thursday, the index set its first record close in 15 years, surpassing the previous high set in March 2000.
- In Asia, all eyes were still on China which had a roller-coaster week. On Friday, the market plunged on rumours that the China Securities Regulatory Commission, which is cracking down on stock-market manipulation and insider trading, will increase stamp duty on stocks. Still, the CSI300 index closed the week up 2.3%, the seventh consecutive week of gains. The index has now increased 33.1%ytd, the best performing market in the world.
- The rally in China is a bubble ready to burst. It is a liquidity driven market, partly attributable to the easy availability of share margin trading facility. But the economy is slowing down, and the authority is compelled to keep liquidity flowing to oil economic activity. Hence, the move by the Bank of China to cut the required reserve ratio (RRR) by 100 basis points to 18.5% two Sundays ago.
- Meanwhile the Hang Seng index added 1.5% last week, for its sixth straight weekly gain. The market is benefitting from mainland investments. After missing out on the actions of its neighbours, the Taiwan market roared to life with a gain of 3.6% in the Taiex, the best performer last week. It was driven by massive foreign purchases, amid euphoric sentiment over technology stocks.
- The KLCI edged up 0.9% and the index has risen six weeks in a row now.

Performance of major markets

Weekly % change	Week before	Last week
Taiwan Taix	-0.49	3.58
China CSI300	5.79	2.32
Nikkei 225	-1.28	1.87
S&P500	-0.99	1.75
Hang Seng	1.40	1.47
Dow Jones	-1.28	1.42
CAC	-1.85	1.13
FTSE	-1.34	1.09
DAX	-5.54	1.05
KLCI	0.08	0.91
Korea KOSPI	2.67	0.76
Jakarta JCI	-1.47	0.46
Phil Comp	-2.22	0.00
Straits Times	1.52	-0.35
Thai SET	1.23	-0.73
India Sensex	-1.51	-3.53

Source: Bloomberg

Major Asian indices (2015)

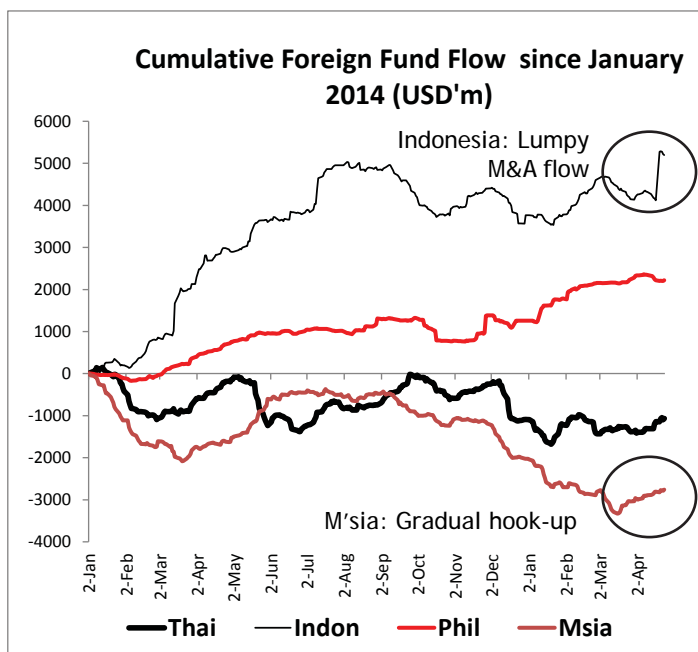
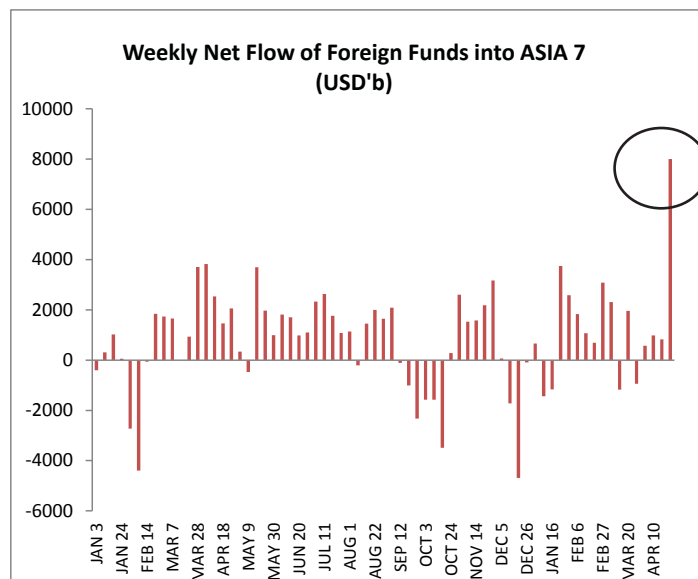


Source: Bloomberg

FUND FLOW REPORT

B. TRACKING MONEY FLOW

- After three weeks of moderate movement, there was a spike in global money flow to Asia last week. Indeed, it was a money *tsunami*. This was caused by huge liquidity flow to the technology-heavy markets of Taiwan and Korea, combined with lumpy capital payment resulting from cross-border M&As (merger and acquisitions) in Emerging Markets.
- Based on provisional data from the respective exchanges, investors classified as “foreign” bought USD8.0b net of equity in the 7 Asian¹ stock markets that we track (TIPs + India, Taiwan, Korea and Malaysia). It was the fourth straight week of net buying and the amount was one of the highest ever.
- The bulk of the foreign purchases can be traced to India where Japan’s Daiichi Sankyo Ltd is selling its 8.9% stake in Indian drugmaker Sun Pharmaceutical Industries Ltd worth up to USD3.6b. Apparently the sales is being carried out through accelerated book building, which kickstarted last Monday.
- Indonesia also reported a huge USD1.2b foreign inflow on Monday, but that is also likely to be linked to cross-border M&A. Indonesia is wooing the Chinese and Japanese for long-term strategic investments. In February, Sumitomo Corp. increased its stake in Bank Tabungan Pensiunan Nasional to 20%, paying USD470m for an additional 17.5% stake. Last week, an Indonesian minister announced that China Development Bank and ICBC will lend USD30b and USD20b respectively for development projects including power, railways and smelting. The beneficiaries include state-owned Listrik Negara, Aneka Tambang, Adhi Karya and Pelindo II.
- Meanwhile, foreign investors continue to pour money into Korea, buying USD1.64b last week, the highest this year. Korea’s GDP grew only 2.4%yoy in 1Q15, versus 2015 forecast of 3.1%. That is raising expectations that the Bank of Korea will cut interest rates at its meeting on May 15, and the government will introduce fiscal stimulus. Korea’s earnings season has thus far been positive, and analyst forecasts have been upgraded.
- Taiwan pulled in a massive USD2.6b last week, clearly on euphoric sentiment over technology stocks such as TSMC. That was probably the highest weekly money flow ever to Taiwan.



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

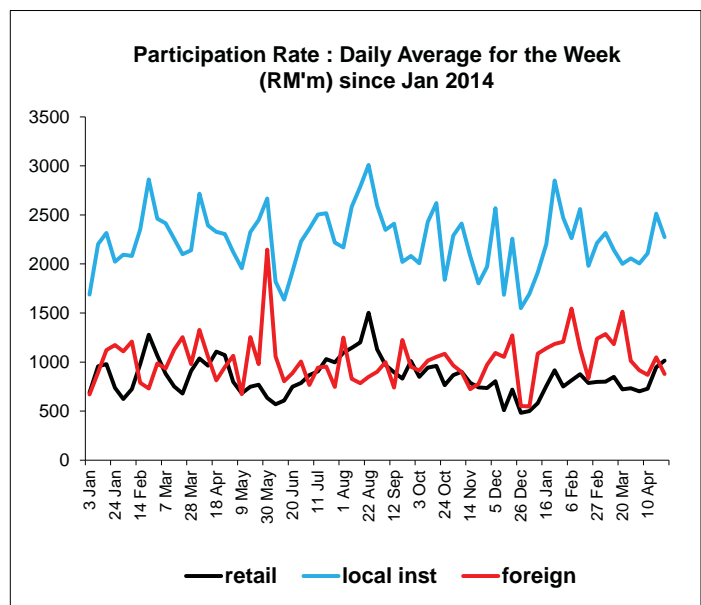
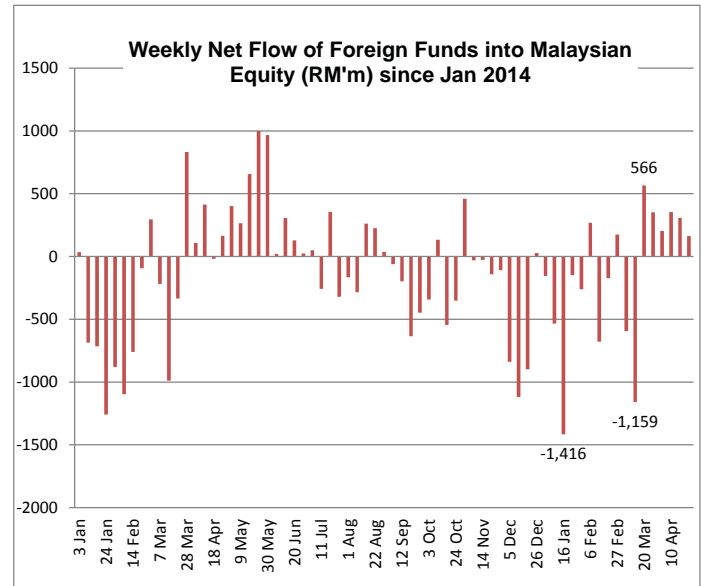
WEEKLY NET FLOW OF FOREIGN FUND INTO EQUITY (USD'm)

WEEK ENDED	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
MAR 13	87.4	-9.4	-179.6	12.6	160.0	-935.3	-314.1	-1178.4
MAR 20	1297.3	62.8	-151.8	7.7	172.5	414.7	151.9	1955.1
MAR 27	-0.5	-107.5	-204.3	69.0	234.7	-1026.8	96.3	-939.1
APR 3	204.0	-13.8	112.3	96.2	227.5	-109.9	54.8	571.6
APR 10	511.4	83.6	58.9	9.5	273.3	-55.0	97.3	979.2
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	2223.2	2630.3	44.9	8000.8

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

C. TRACKING MONEY FLOW - MALAYSIA

- The gradual built-up of Malaysian equity portfolio by foreign investors continued for the sixth consecutive week.
- Investors classified as “foreign” bought equity listed in the open market on Bursa (i.e excluding off-market deals) amounted to RM163.3m on a net basis last week, but it was the lowest in the six weeks.
- The flow of fund was erratic, with foreigners buying heavily on Tuesday, only to sell the following two days. In April, until last Friday, foreign investors had bought a cumulative RM733.7m worth of equity in the open market on Bursa. In March they offloaded -RM539.9m net.
- For 2015, last week’s purchase reduced further the cumulative net foreign outflow to -RM2.62b. In comparison, the cumulative foreign outflow for the entire 2014 was -RM6.93b.
- Foreign presence on Bursa eased suddenly last week. Participation rate of foreign investors fell 16% to its third lowest this year. The daily average gross purchase and sale was only RM878m. It is apparent that the actions had been in the other markets in Asia.
- Local institutions took advantage of foreign buying to sell -RM66.9m net last week. Participation rate eased to RM2.27b average daily, but was still at an elevated level nevertheless. Local institutions have absorbed RM3.65b net so far this year. In 2014, they mopped up RM8.18b net.
- Retailers remained on the selling mode for the sixth consecutive week. The amount sold eased to -RM96.4m, the lowest in four weeks. Retailers have sold a cumulative -RM1.0b net so far this year. Indeed the retail players had been net sellers in the last four years, indicating the weak state of the Malaysian retail market currently. Interestingly, retail participation rate rose to its highest this year, with average daily trade at RM1.0b.



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)*
MAR 6	2022.6	1973.1	49.5	6063.1	5519.1	544.0	2917.7	3511.2	-593.5	-162.7
MAR 13	2138.6	2113.6	25.0	5922.7	4789.2	1133.5	2375.9	3535.1	-1159.2	-314.1
MAR 20	1745.9	1858.8	-112.9	4773.5	5226.1	-452.6	4069.0	3503.5	565.5	151.9
MAR 27	1799.1	1871.5	-72.4	4999.8	5279.6	-279.8	2705.8	2353.6	352.2	96.3
APR 3	1669.3	1835.6	-166.3	4995.9	5033.4	-37.5	2395.5	2191.7	203.8	54.9
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	44.9

* 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

- BAT registered the highest net money inflow of RM31.00m last week. It was a continuation of the RM18.89m inflow a week earlier. However, its share price lagged the broader market with a weekly -2.77% loss. This was against a 0.91% gain for the FBM KLCI. As reported earlier, the company has decided to lower back the prices of its cigarette brands to that of pre-GST levels. Under this scenario, it is noteworthy that the net money inflow amidst retreating share price indicates buy on weakness (BOW) stance among some investors.
- Tenaga Nasional came in second with RM10.64m net inflow. The stock recorded the highest inflow in previous week at RM32.57m. Accordingly its share price outperformed the FBM KLCI with a 1.11% weekly gain. We are expecting TNB to post another set of good result in 2QFY15 on the back of potentially improved margin due to lower generation cost.
- IHH Healthcare recorded the third highest net money inflow of RM10.27m and its share price outperformed the wider market with a 1.69% weekly rise. The proposed acquisition of Mahkota Medical Centre, Melaka fits well with IHH expansion in the southern region of Peninsular Malaysia.

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	
BAT	31.00	18.89	-2.77	BOW
TNB	10.64	32.57	1.11	-
IHH HEALTH	10.27	6.98	1.69	-
CIMB	7.24	-2.83	-0.16	BOW
PETRONAS DAGANG	6.12	1.93	5.26	-
PETRONAS CHEM	4.48	-0.02	7.81	-
KLK	3.40	0.82	3.54	-
TM	3.20	-3.65	1.50	-
SAPURAKENCANA	1.67	-0.84	4.78	-
IOI CORP	1.61	-0.34	-2.22	BOW

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- Public Bank saw the largest net money outflow of -RM18.51m last week. However, the stock was an outperformer as it ended the week higher by 1.23% against a 0.91% rise for the FBM KLCI. The bank recently reported a 15.2%yoy rise in its net profit for 1QFY15. The net outflow amidst rising share price may indicate Sell on strength (SOS) stance among some investors.
- Maybank registered the second largest net money outflow during the review week totaling -RM10.74m. It was a continuation of the -RM33.66m outflow a week earlier. Accordingly its share price underperformed with a -0.74% weekly loss. The bank recently launched its inaugural Samurai bond issuance (the first among Malaysian banks), raising 31.3b yen (RM937m) with a 3- and 5-year tenure.
- Axiata was third last week with -RM10.54m net outflow and its share price underperformed the broader market with a -0.43% loss. The newly appointed CEO of PT XL Axiata has been granted 345,374 new 100-rupee shares under its long-term incentive scheme worth 1.52b rupee (approx. RM420k) at current price. The company believes the grant was fair and reasonable.

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
PUBLIC BANK	-18.51	2.71	1.23	SOS
MAYBANK	-10.74	-33.66	-0.74	-
AXIATA	-10.54	13.88	-0.43	-
MISC	-7.64	-0.53	2.97	SOS
SIME DARBY	-5.20	-3.55	0.11	SOS
BIMB HLDGS	-4.33	0.36	-0.49	-
PETRONAS GAS	-3.61	-1.04	0.26	SOS
SUNWAY REIT	-2.74	-0.62	0.59	SOS
KPJ HEALTH	-2.52	-0.61	-0.70	-
BUMI ARMADA	-2.48	-1.14	7.76	SOS

Source: Bloomberg, MIDFR;

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

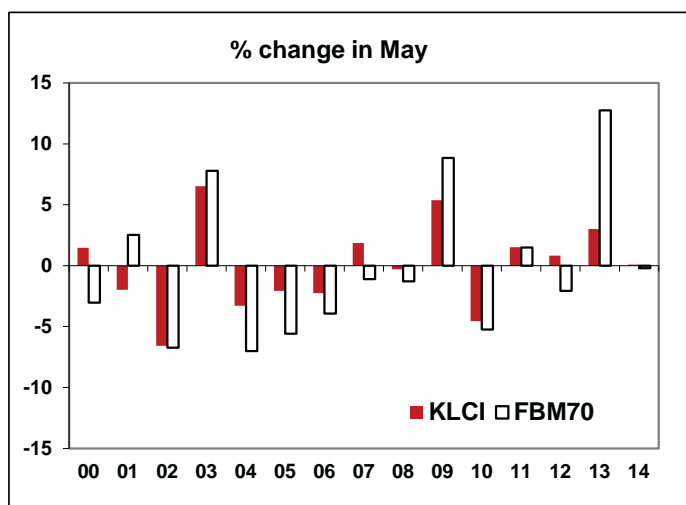
² Money flow indicates whether a particular stock is being more heavily purchased or sold. Money flow generally confirms price trend. As price rises, money flow is usually positive, vice versa. A divergence may portend a reversal in price trend. A rising stock price with a negative money flow can indicate 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.

E. THE WEEK AHEAD

LAST PUSH BEFORE VOLATILE MAY?

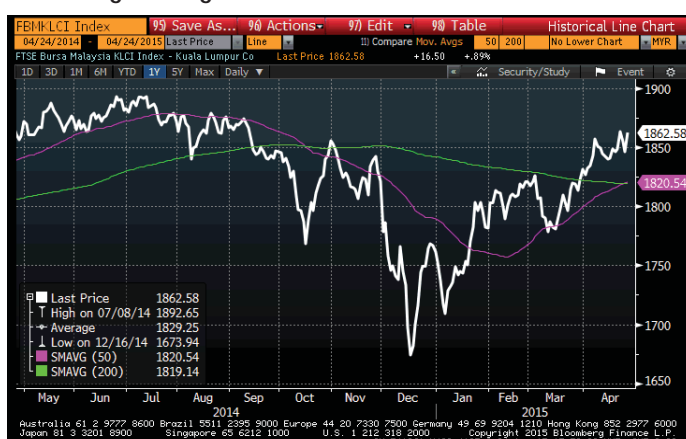
- Until Friday, the local market has performed in line with history. The KLCI and FBM70 has gained 1.7% and 2.3% respectively, not out of sync with April's performance in the last five years.
- We cross over to the month of May on Friday. As the chart shows, May has been a volatile month for equity prices on Bursa. The FBM70, in particular, had swung by more than ±5% in 7 out of the last 13 years.
- Until then, it is possible that the market may close April with a bang. We are not discounting a pick-up in foreign buying as the short-term outlook for the ringgit has improved. Bank Negara has been "talking up" and coming to the defence of the ringgit of late. There is also the 11th Malaysia Plan to look forward to. It will be tabled in Dewan Rakyat on May 21, and Minister Dato' Seri Wahid has been quoted during Invest Malaysia last week that the Government would announce "several game-changers" in the Plan.
- But of more immediate interest to the ringgit is the fact that the price of Brent crude oil price is in a bullish momentum. It broke USD64pb on Friday, its technical resistance, and settled at USD65.28pb (see chart). Even news that Saudi Arabia is boosting its output and US crude oil inventories at the highest since 1982 failed to dampen the price of crude oil as it raced to new year's highs.
- If the crude oil price recovery momentum can be sustained, the ringgit should register some meaningful appreciation. Oil and gas stocks may stand to outperform in the coming weeks.
- The focus is expected to be on the KLCI component stocks this week. The index staged a "golden crossover" last week, a situation where the 50-day moving average line crosses the 200-day line from below (see chart). It is a bullish signal although detractors would question its reliability. The last such occurrence was in February 2012, and the expected rally did materialize as the signal had suggested. Between February 2012 and June 2014, the KLCI was up 22%.
- A recovery in oil price, and consequently the ringgit, form a strong basis for the next push for the KLCI. The recovery may be gradual and take more than a year, but it would be reflected in the rally in equity prices. A minimum 20% gain in the KLCI should be expected if crude oil price were to recover to around the USD100pb-mark. That would be consistent with the "golden crossover" conjecture.



Brent price staging a breakout



KLCI staged a "golden crossover" last week



DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (23878-X). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein

This document may not be reproduced, distributed or published in any form or for any purpose.



MIDF RESEARCH is part of
MIDF Amanah Investment Bank Berhad (23878 - X)
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Business Address:
11 & 12 th Floor, Menara MIDF,
82, Jalan Raja Chulan, 50200
Kuala Lumpur.
Tel: 2173 8888
Fax: 2173 8380