

28 April 2014  
**MALAYSIA EQUITY**



# **FUND FLOW REPORT**

**Week Ended Apr 25, 2014**

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FOR IMPORTANT DISCLOSURES**

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28 April 2014 | Strategy - Weekly Fund Flow

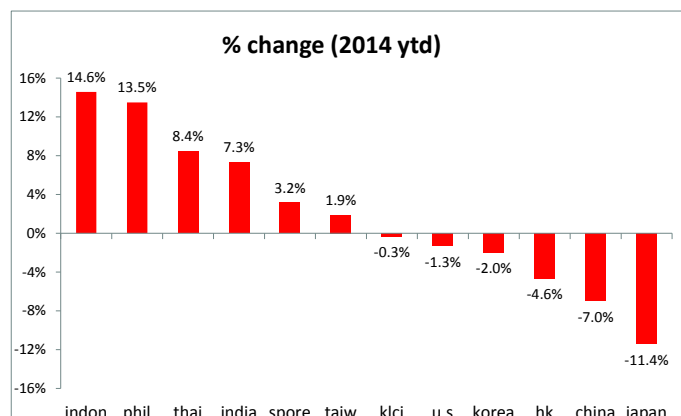
# STEADY TIDE TO ASIA

## A. MARKET SNAPSHOT

- Global equity markets closed the week on a subdued note after a promising start to the week.
- On Wall Street, although the market ended the week in the greenzone, prices fell significantly on Friday with the Dow Jones and S&P500 losing 0.9% and 0.8% respectively in the single day. The earnings reporting season in the U.S is under way, with 75% of the companies that have released their earnings numbers exceeded analysts' expectations, according to Bloomberg. Yet, there is still concerns that valuation in the U.S is still elevated.
- Geopolitical concerns appear to be the primary block in the wall of worry. The Geneva Accord has turned fragile and is on the verge of collapse, as Russia has yet to fulfil its obligations under the accord. Instead, conflict between Russia and Ukraine over the separatists has escalated while the former's economy edges closer to recession. Last week, amid capital outflow and S&P's downgrade of it's credit-rating to just one level above the junk status, Russia's central bank unexpectedly raised its key interest rate to 7.5% from 7%. Economic growth will surely stall if fresh sanctions are imposed on Russia.
- Meanwhile, Asian markets were roiled last week by forex weakness as fresh concerns over China's economic emerged. China's manufacturing output contracted for a fourth straight month in April, based on preliminary private reading. Although the flash Markit/HSBC Purchasing Managers' Index (PMI) came in at 48.3, slightly higher than the 48 in March, it was still below the 50-mark which indicates contraction. China's CSI300 index was the worst performer last week, shedding -2.6%.
- The Indonesian rupiah and Indian rupee came under selling pressure last week, continuing the uncertainty caused by the election. The ringgit also declined but the KLCI gained 0.45% as foreign buying returned. The KLCI closed the week at 1861 points, not far from the all-time high of 1882.

Performance of major markets		
Weekly % change	Week before	Last week
FTSE	0.97	0.91
KLCI	0.00	0.45
Straits Times	1.74	0.42
CAC	1.51	0.27
India Sensex	0.00	0.26
Phil Comp	1.13	0.21
Jakarta JCI	1.67	0.01
Thai SET	1.44	-0.07
S&P500	2.71	-0.08
DAX	1.01	-0.09
Dow Jones	2.38	-0.29
Nikkei 225	3.98	-0.60
Korea KOSPI	0.34	-1.63
Taiwan Taiex	0.66	-2.15
Hang Seng	-1.06	-2.36
China CSI300	-2.03	-2.55

Source: Bloomberg



## B. TRACKING MONEY FLOW

- Despite rising geopolitical risks as a result of the situation in Ukraine, global funds continued to pump money into Asian equity. Based on the numbers from our proxy markets for Asia, we believe foreign funds bought Asian equity for the sixth consecutive week, ploughing USD2.24b last week, compared with USD1.46b the week before.
- Foreign investors were net purchasers of stocks in ALL seven Asian equity markets that we track (Korea, Taiwan, Thailand, Malaysia, Indonesia, Philippines and India <sup>1</sup>). The biggest gainer was Taiwan, which reported USD1.0b inflow. The foreign money flow to Taiwan has now stretched for 11 consecutive weeks. This is exceeded only by Indonesia, which reported foreign buying for 12th consecutive weeks. For both Taiwan and Indonesia, the amount of net foreign purchase for 2014 has so far exceeded the cumulative net purchase for the last three years (2011-2013).
- Other than Indonesia, Thailand and Philippines also reported strong inflow of foreign portfolio capital. The sentiment towards the TIPs markets is clearly positive currently. The recovery momentum is Thailand is strong, as the net purchase of USD167.0m last week was the highest since September last year. Meanwhile, foreign buying resumed in Malaysia, but only moderately.

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

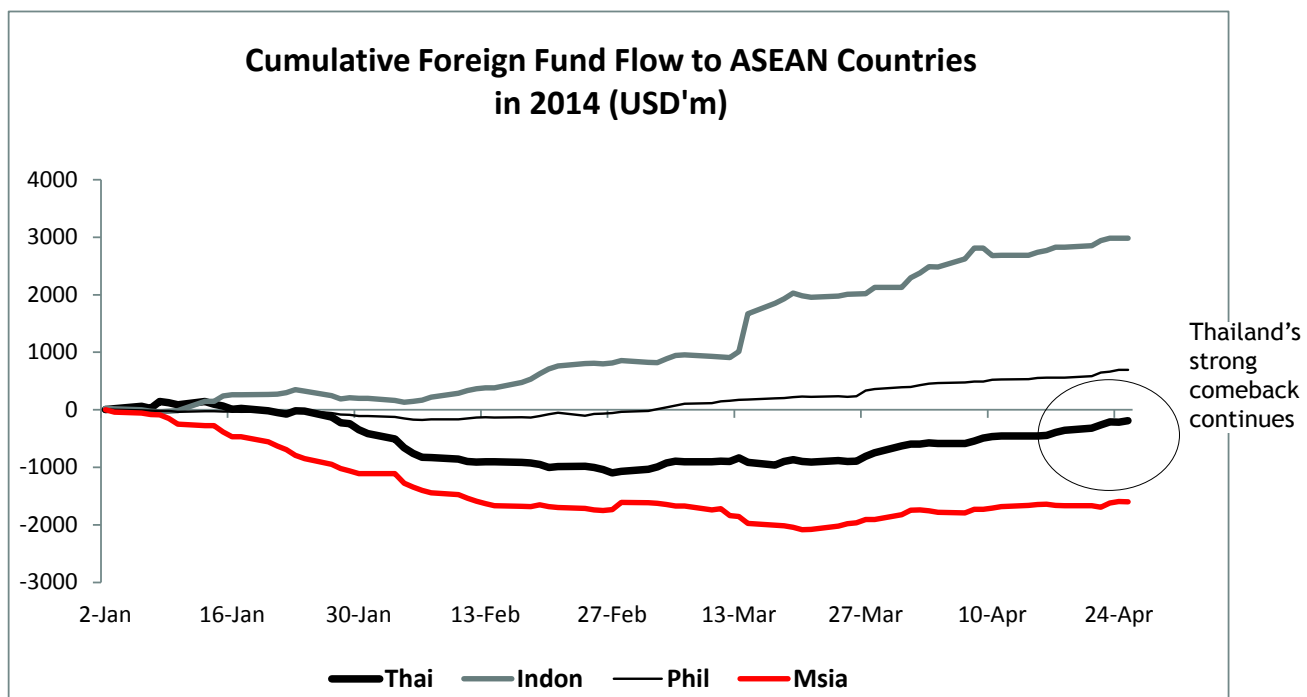
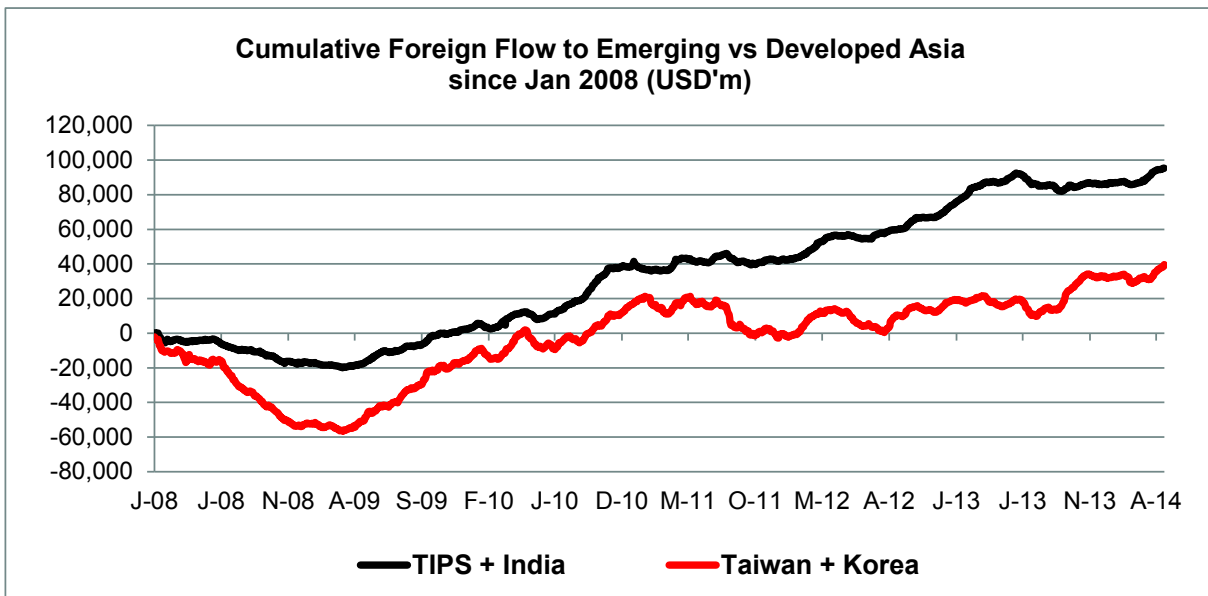
### WEEKLY NET FLOW OF FOREIGN FUND INTO EQUITY (USD'm)

WEEK ENDED	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
NOV 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	410.3	100.8	140.3	32.6	41.9	739.8	-5.8	1459.8
APR 25	524.0	167.0	155.9	136.6	205.3	1000.9	50.5	2240.3

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

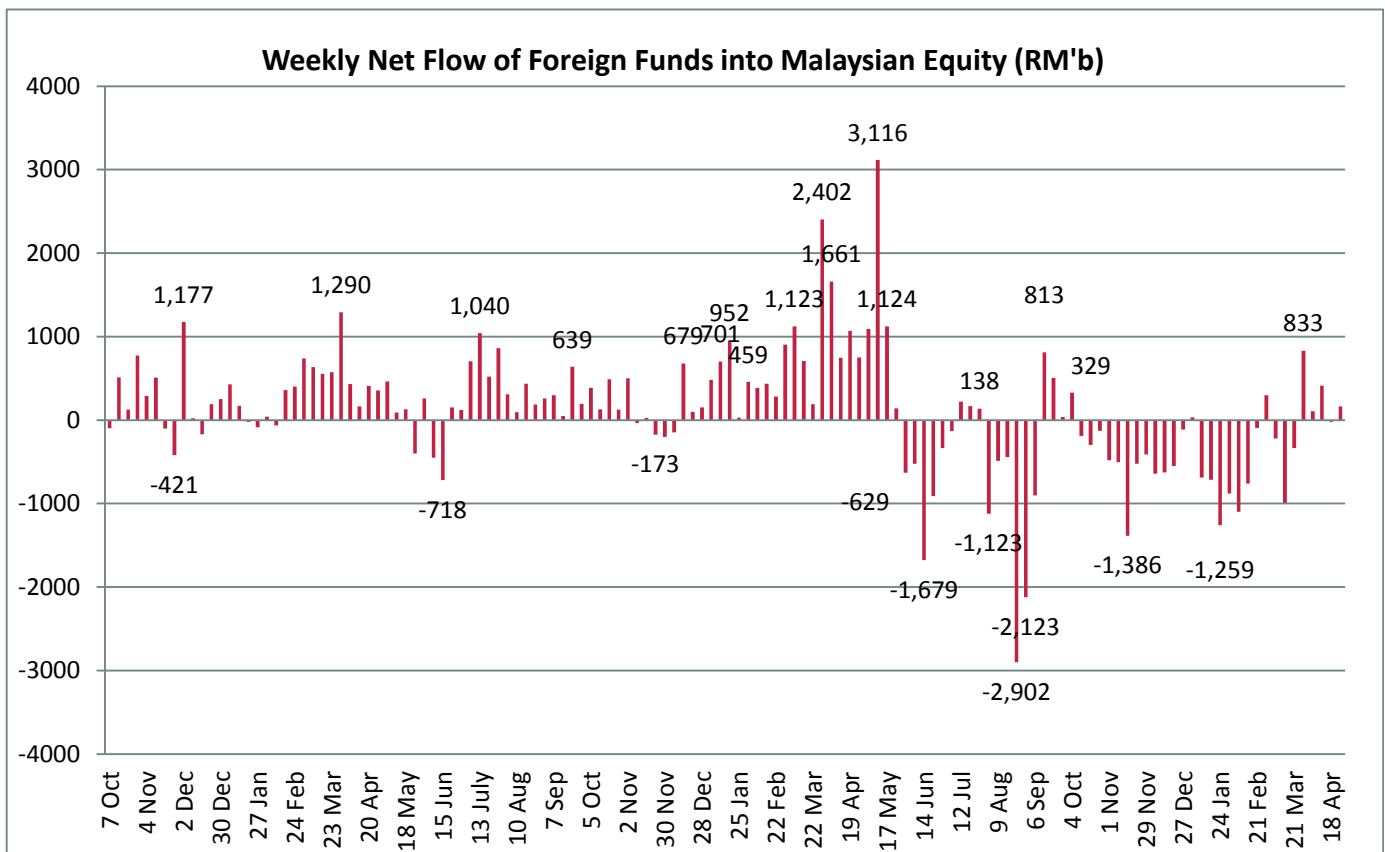
NET FLOW (USD'm)	TIPs + India	Taiwan + Korea	Total
2008	-17,195	-53,106	-70,301
2009	20,580	40,063	60,642
2010	35,690	29,234	64,924
2011	2,748	-17,801	-15,053
2012	31,302	19,976	51,278 (55,663*)
2013	12,446	13,500	25,946 (27,170*)
2014	8,734	6,551	15,285 (13,666*)

TIP = Thailand, Indonesia, Philippines \* including Malaysia



**C. MALAYSIA**

- Foreign buying of Malaysian stocks resumed last week, partly reflecting the wider optimism over South East Asian markets.
- Foreign funds increased their portfolio holdings of Malaysian stocks by a moderate RM165.1m, after selling RM18.7m the week before. For 2014 year-to-date, the cumulative figure is still in the redzone. However, last week’s buying reduced the cumulative net outflow for the year to RM5.37b, compared with a net inflow of RM3.03b in 2013. We should note that all these are figures transacted in the open market, and exclude off-market trading.
- The mood towards Malaysian equity, relative to its regional peers, is still on the side of caution. Foreign funds were net buyers in only two of the five trading days last week. However, foreign buying surged to RM239.6m on Tuesday, the highest 1-day purchase in 16 days, and the fourth highest in a day this year. Indeed, bourses across Asia also reported strong inflow of foreign fund on Tuesday and Wednesday.
- Foreign participation rebounded from the sharp fall the week before. Average daily foreign participation rate (average daily gross purchase and sale) rose to RM950.7m from RM813.1m. However, it was still lower than this year’s average of RM1.01b.
- The retail market remained active, with plenty of trading activities. Although retailers offloaded a marginal RM43.3m in the open market, participation rate remained elevated at RM1.1b. It was the second week in a row that the figure exceeded the RM1.0b mark, and the fifth week this year that the threshold had been surpassed.
- Local institutions remained active, contributing an average RM2.3b a day in gross trading volume last week. So far this year, local funds have mopped up RM5.0b of local stocks.

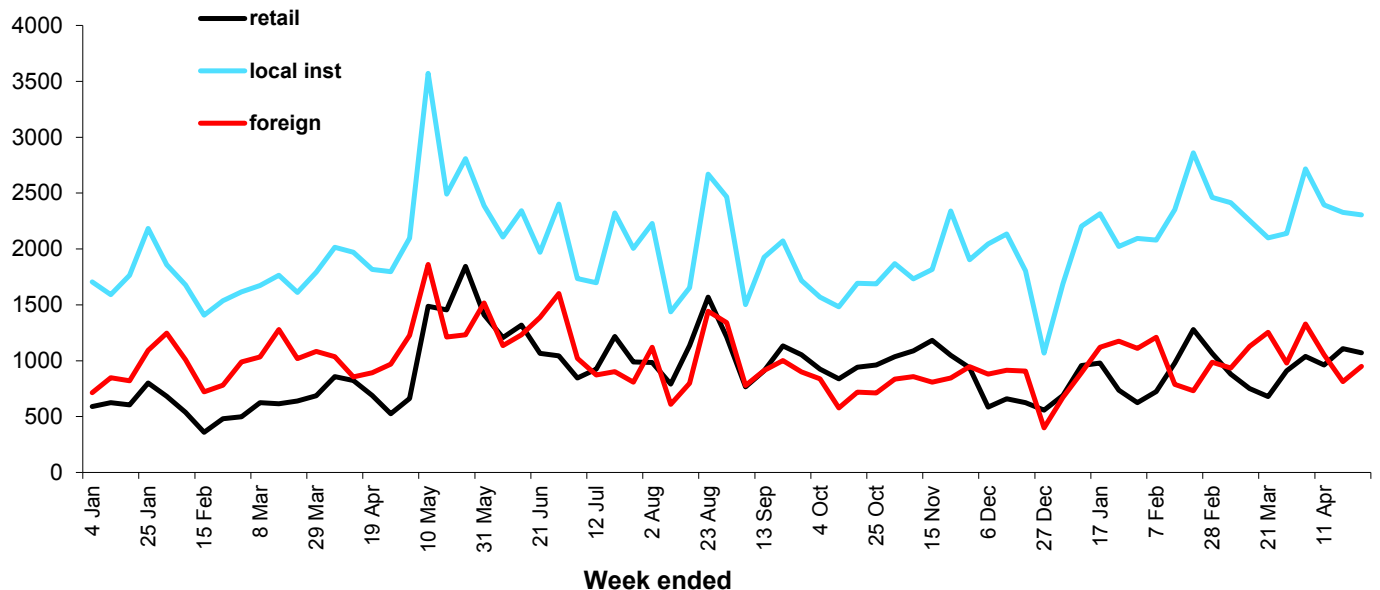


Source: Bursa, excluding off-market trades

**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)*
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
APR 25	2653.3	2696.6	-43.3	5702.2	5824.0	-121.8	2459.2	2294.1	165.1	50.5

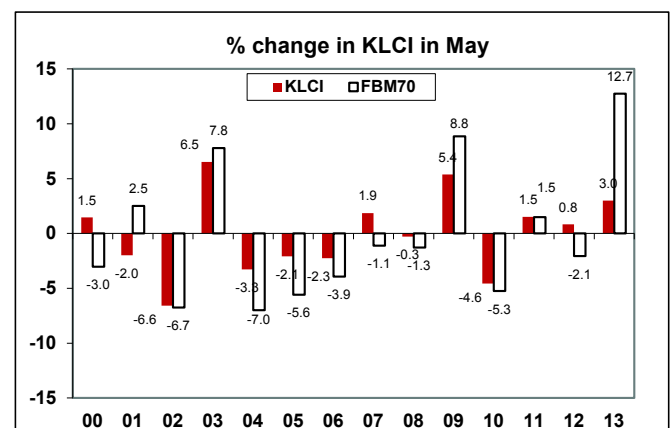
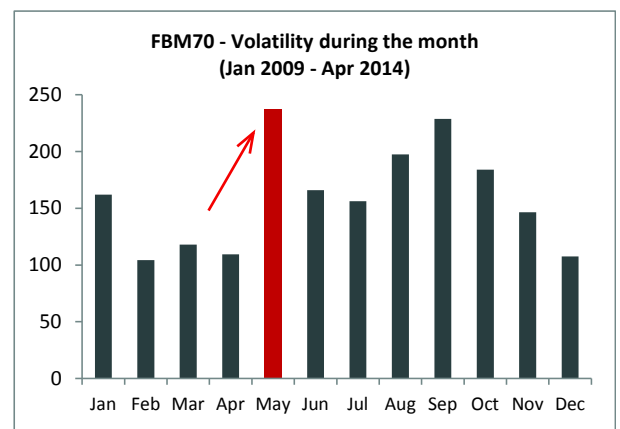
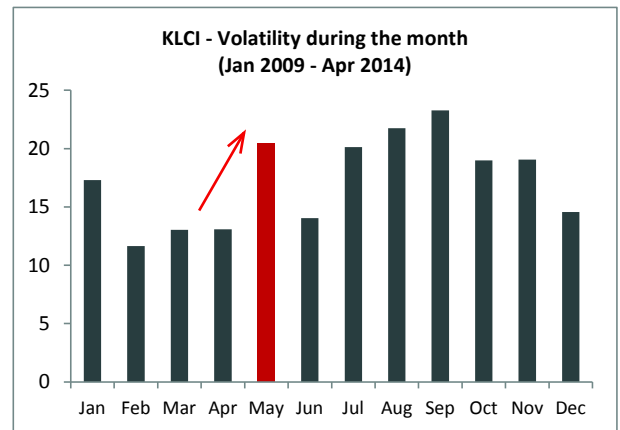
\* Estimate by MIDF Research based on prevailing exchange rate.  
Source: Bursa's preliminary data

**Participation Rate : Daily Average for the Week (RM'm) since Jan 2013**


## D. THE WEEK AHEAD

## SELL IN MAY &amp; GO AWAY?

- Trading crosses over to May on Friday, after the market is closed for public holiday on Thursday. The month of May will come with its own set of expectations as far as the market is concerned. Based on history, one can safely expect a spike in the volatility of prices.
- As shown in the charts, the volatility (represented by the standard deviation) of both the KLCI and FBM70 had tended to surge in May. However, the KLCI appears to be less volatile than the FBM70, for obvious reason – there is more institutional support for the 30 index component stocks. For the FBM70 index, the surge in volatility is rather glaring. Indeed, May had historically (for the period Jan 2009 - April 2014) been the most volatile month for the prices of the 70 component stocks in the index.
- “Sell in May and go away” is a widely known adage in the Western markets. It refers to the strategy of clearing the portfolio or switch into fixed income instruments ahead of the summer months, and re-enter the market only in September or October. May is a volatile month for global equity, and that explains why the KLCI and FBM70 had exhibited similar trait in the past.
- Many see the volatility in May as an opportunity to trade. Interestingly, May had been a bountiful month for investors on Bursa in 2013. In May 2013, the KLCI gained 3.0% while the FBM70 rallied 12.7%. Unfortunately, we do not expect the performance to be emulated this year. The upside for the top 100 stocks is rather limited, with valuation already at a premium to historical average.



## LITTLE SIGN OF FATIGUE AMONG LOWER LINERS

- Profit-taking activity among the second and third liners was becoming more pronounced last week, especially when the FBM Smallcap Index rose to close at all time high of 17867.84 points on Tuesday. Yet, the index still closed the week in the positive territory, gaining a marginal 0.4%.
- We have to reiterate that technically, the FBM SmallCap index is still not stretched. The index remained comfortably above the 50-day moving average (DMA) line, which was still diverging from the 200 DMA, a bullish formation.
- We would dismiss any suggestion that the market for the small and mid-caps is showing signs of fatigue. The market may be taking a breather, but the lung is not collapsing. With the volatile May beckoning, we believe exciting times are in store for the lower liners.



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