

7 April 2014
MALAYSIA EQUITY



FUND FLOW REPORT

Week Ended Apr 4, 2014

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FOR IMPORTANT DISCLOSURES**

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7 April 2014 | Strategy - Weekly Fund Flow

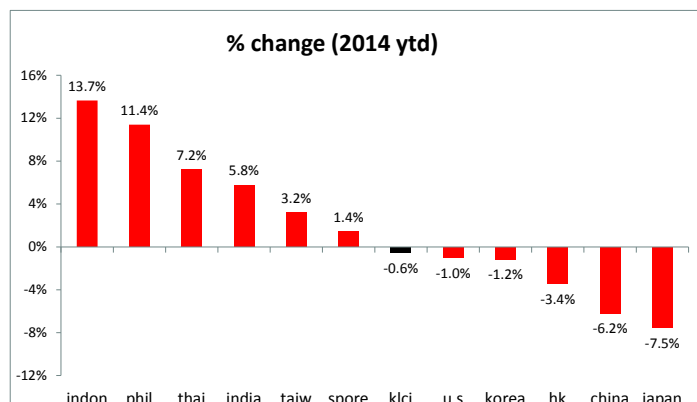
GLAD TIDINGS FOR ASIA

A. MARKET SNAPSHOT

- Equity markets around the world welcomed the month of April with another strong performance, extending the uptrend for the second consecutive week.
- The bellweather market in the U.S remained steady, although it gave away much of the gain for the week on Friday, subsequent to the release of the job numbers. The Dow Jones and S&P500 lost -1.0% and -1.25% respectively on Friday, but gained 0.6% and 0.4% each for the week. The Labour Department reported that U.S nonfarm payrolls rose 192k in March after rising 197k in February. That was slightly lower than the 200k median expectation in a Bloomberg survey. The unemployment rate remained at 6.7%.
- Prior to the release of the employment statistics, the Institute for Supply Management's PMI index showed an increase to 53.7 in March from 53.2 in February, indicating that U.S. manufacturing was expanding in the aftermath of a severe winter. Overall, the consensus view is that, although the job numbers were slightly disappointing, it is still not enough to reduce the Fed's commitment to unwind QE3. The U.S GDP growth should achieve an annualized GDP growth of 2.5-2.7% in 1Q14, after the 2.6% in 4Q13.
- In Europe, the markets also had a week. The ECB met last and kept interest rate unchanged while the Bank of England's monetary policy committee decides this Thursday. Last week, however, belongs to Asia, especially the TIPs markets. Philippines led the pack, gaining 3.2% last week, as inflation was surprisingly benign at 3.9% in March. The gain in the market was registered amid favourable comments by Moody's over the country's economic prospects. Jakarta rose 1.9%, as the authority announced its intention to consolidate small banks. Meanwhile the rupiah gained further after a trade surplus of USD0.8b in February, from a USD0.4b deficit the month before.
- The KLCI edged up to 1856.6 points, closing at the year's high.

Performance of major markets		
Weekly % change	Week before	Last week
Phil Comp	0.32	3.17
Nikkei 225	3.32	2.50
Hang Seng	2.93	2.01
Jakarta JCI	1.45	1.88
Thai SET	0.62	1.69
CAC	1.75	1.66
China CSI300	-0.32	1.56
Taiwan Taiex	2.30	1.30
Straits Times	3.21	1.28
FTSE	0.89	1.21
DAX	2.61	1.13
Dow Jones	0.12	0.55
S&P500	-0.48	0.40
Korea KOSPI	2.38	0.36
KLCI	1.66	0.32
India Sensex	2.69	0.09

Source: Bloomberg



B. TRACKING MONEY FLOW

- The strong wave of global liquidity continued to wash ashore Asian equity markets last week.
- For the second week in a row, foreign investors pumped money into seven Asian equity markets that we track (Korea, Taiwan, Thailand, Malaysia, Indonesia, Philippines and India ¹). Global funds bought a strong USD4.9b net in the aforementioned markets, the highest recorded since the USD6.6b inflow recorded in the second week of September last year.
- Also for the second week running, all seven countries were net beneficiaries of foreign portfolio money. A big tide finally landed on Korea and Taiwan, with foreign investors snapping up USD1.5b and USD1.4b of stocks respectively, the highest since September 2013. India also recorded strong foreign money inflow, hauling USD1.3b, the third week in a row that the amount had exceeded USD1b.
- Emerging markets in the region were also strong beneficiaries of foreign portfolio capital. Among them, Indonesia was the biggest winner, as sentiment continued to be buoyed over the election. Thailand is also making a strong comeback, pulling USD159.7m, the third highest in a week this year.
- Malaysia was a clear laggard, but still recorded a marginal net foreign purchase..

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

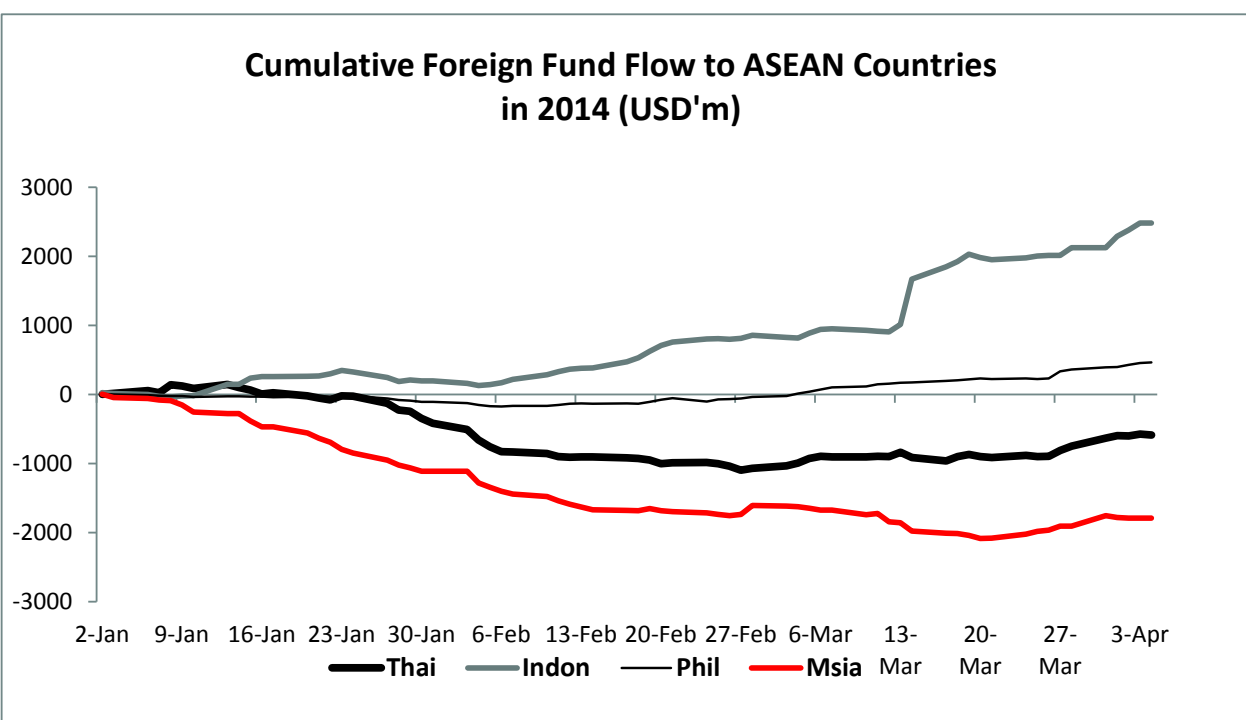
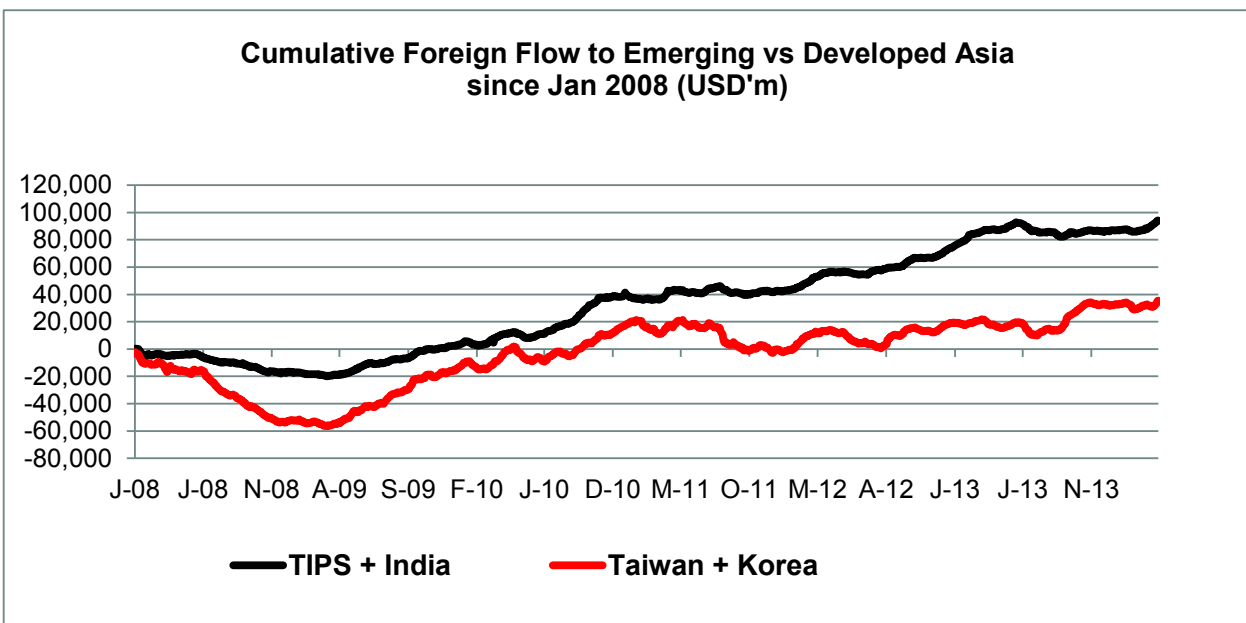
WEEKLY NET FLOW OF FOREIGN FUND INTO EQUITY (USD'm)

WEEK ENDED	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
OCT 18	1341.2	97.9	-63.6	10.7	723.7	876.2	-93.7	2892.4
OCT 25	1077.1	16.2	-20.4	-105.8	672.4	254.3	-40.3	1853.6
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	354.1	103.2	1294.9	1433.7	33.3	4901.6

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

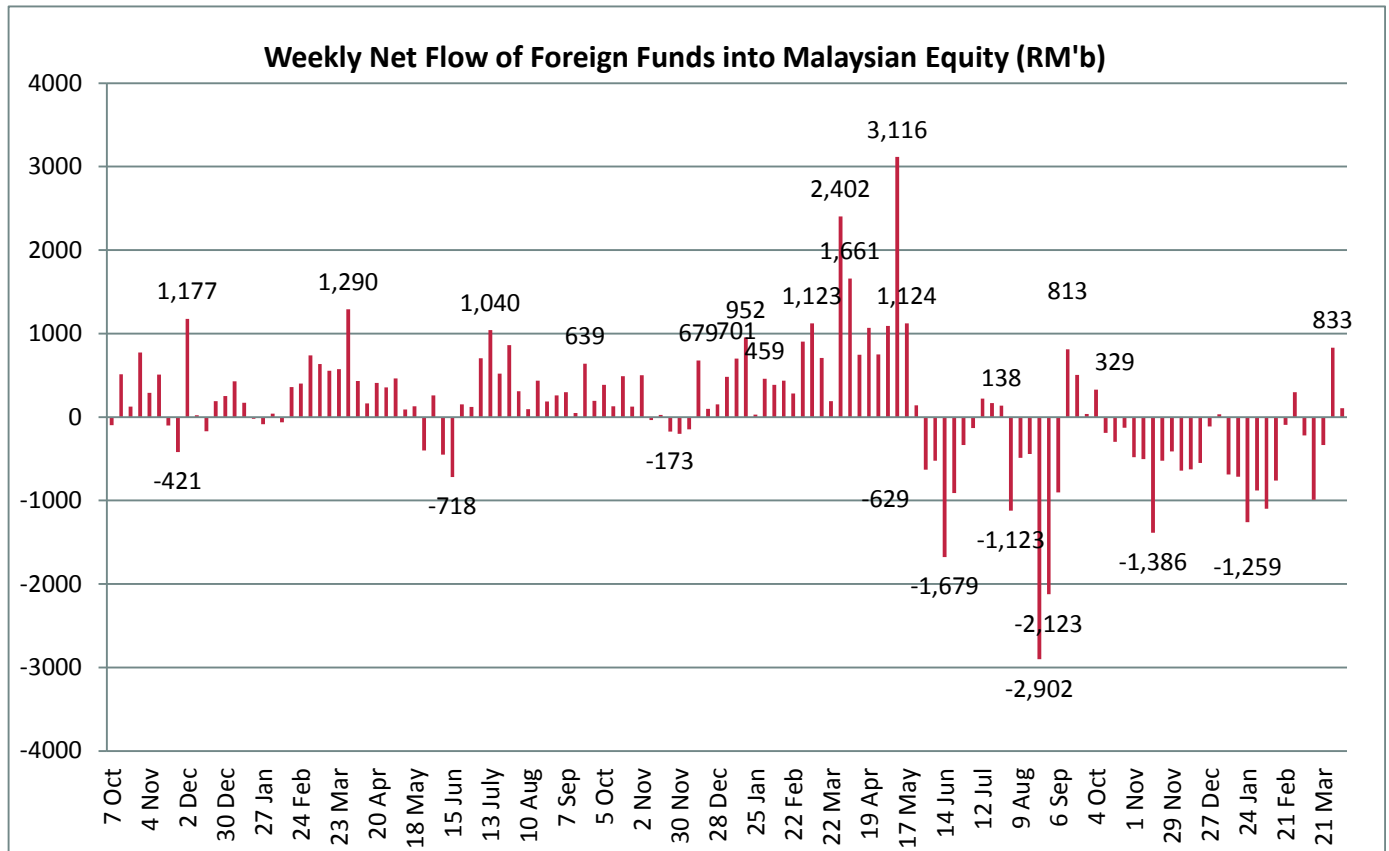
NET FLOW (USD'm)	TIPs + India	Taiwan + Korea	Total
2008	-17,195	-53,106	-70,301
2009	20,580	40,063	60,642
2010	35,690	29,234	64,924
2011	2,748	-17,801	-15,053
2012	31,302	19,976	51,278 (55,663*)
2013	12,446	13,500	25,946 (27,170*)
2014	7,261	2,409	9,670 (7,879*)

TIP = Thailand, Indonesia, Philippines * including Malaysia



C. MALAYSIA

- Foreign portfolio funds were net purchasers of Malaysian equity for the second week running. After pumping in a massive RM832.7m in the trading week ended March 28, foreign funds bought a more sedate RM107.7m of Malaysian equity last week. Foreign funds have not bought for two consecutive weeks since October 2013.
- Most of the purchases were transacted on Monday, the last day of 1Q14, when foreign investors bought a massive RM255.8m. The buying continued on Tuesday, albeit on a much smaller scale. However, foreign investors turned sellers in the last three trading days of the week. However, the amount was limited to less than RM100m per day.
- Foreign participation rate spiked last week. Average daily foreign participation rate (average daily gross purchase and sale) surged to RM1.33b, the highest since August last year.
- Trading on the local market is unmistakably retail-driven currently. Retail investors have featured prominently in the local scene over the last two weeks. Although they were net sellers to the tune of RM77.2m last week, their participation rate was noticeably strong. Daily participation averaged surged above RM1b at RM1.04b. It was only the third week this year that the numbers had exceeded the RM1b mark.
- Local institutions offloaded a marginal RM30.5m last week, on active participation. Average daily participation averaged RM2.7b, the 13th week in a row that participation exceeded the RM2b mark.

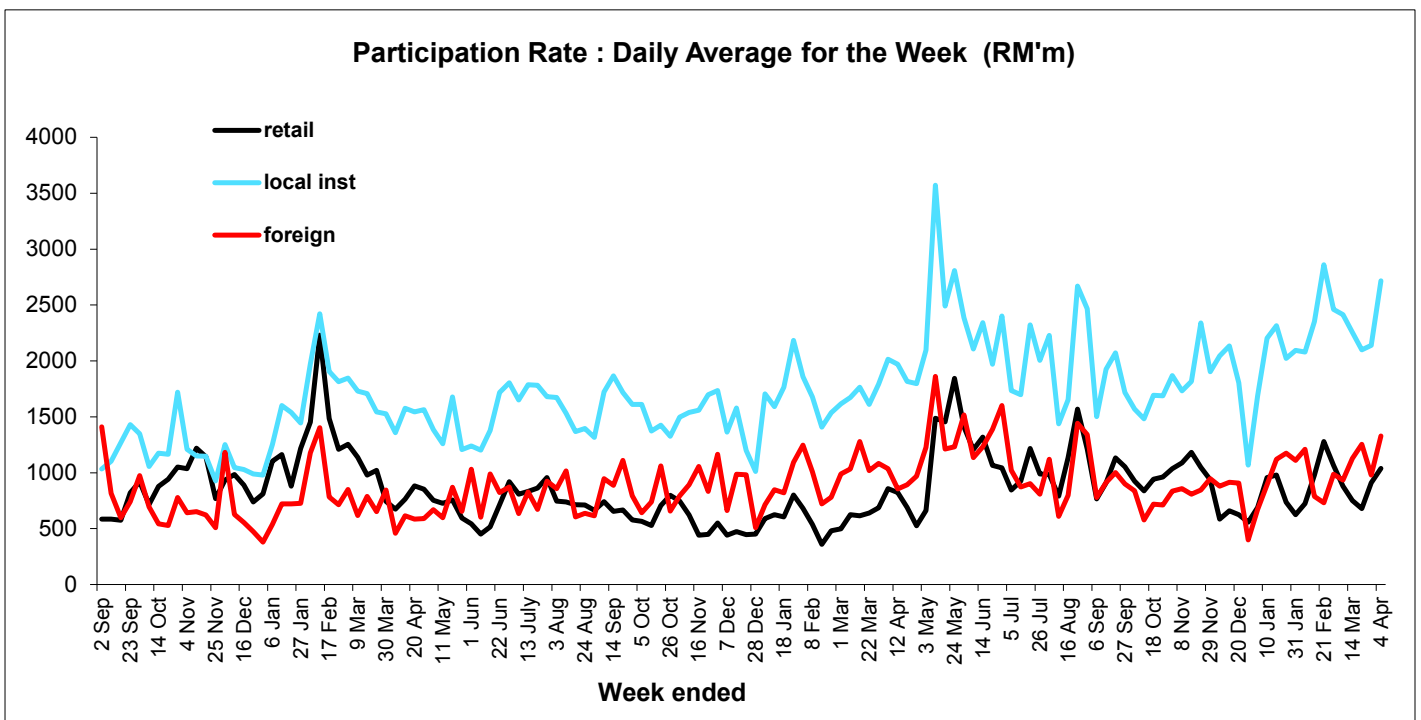


Source: Bursa, excluding off-market trades

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 15	3059.2	2849.4	209.8	5127.8	3951.8	1176.0	1329.1	2714.9	-1385.8	-432.1
NOV 22	2677.1	2564.3	112.8	6058.6	5646.9	411.7	1849.3	2373.8	-524.5	-163.9
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	33.3

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



D. TOP 100 STOCKS: MONEY FLOW ²

- Tables below lists the Top 10 Net Money Inflows and Net Money Outflows for the week ended 5 April 2014 among the largest 100 market capitalized stocks on Bursa Malaysia.

TOP 10 NET MONEY INFLOWS

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
Tenaga Nasional Bhd	65.67	4.33	-5.34	BOW
Petronas Gas Bhd	13.65	2.15	0.25	-
Telekom Malaysia Bhd	11.54	-7.88	-2.02	BOW
Malayan Banking Bhd	11.53	7.72	1.04	-
Sime Darby Berhad	10.83	7.49	0.00	-
Petronas Chemicals Group Bhd	7.43	0.67	-0.29	BOW
Axiata Group Berhad	6.84	-14.07	1.05	-
Ammb Holdings Bhd	6.32	1.94	0.56	-
Nestle (Malaysia) Berhad	6.16	0.25	-0.03	BOW
Public Bank Berhad	6.16	-12.88	8.56	-

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

- TNB recorded the highest net money inflow totaling RM65.67m last week. Its share price nonetheless tumbled by 5.34% probably on Morgan Stanley downgrade citing (i) rising uncertainty on reform, (ii) downside risk on cost control, as well as (iii) stretched valuation after recent 48% price outperformance. It is notable that money net inflow amidst retreating share price indicates Buy on weakness (BOW) stance among investors on this stock.
- Petronas Gas came in second with RM13.65m net inflows and its share price rose 0.25% week-on-week pursuant to the signing of a new gas processing and transmission agreement (GPTA) with Petronas. While the new GPTA may not provide a boost to its earnings, it gives more visibility to its revenues and earnings moving forward.
- Telekom attracted the third highest net money inflow of RM11.54m during the review week (as opposed to third largest net money outflow of RM7.88m in the earlier week) amidst 2.02% retreat in its share price which indicates investors' BOW stance on this stock. Recall that TM announced its purchase of a majority stake in P1 which may possibly be negative towards its earnings in the short-term. But the long-term impact is arguably positive.

TOP 10 NET MONEY OUTFLOWS

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
Ijm Corp Bhd	-8.18	-0.54	1.14	SOS
Misc Bhd	-7.02	1.13	-2.15	-
Sapurakencana Petroleum Bhd	-6.63	1.44	3.33	SOS
Alliance Financial Group Bhd	-5.73	0.27	-1.13	-
Bumi Armada Berhad	-5.06	1.29	2.56	SOS
Klcc Property Holdings Bhd	-4.97	2.24	-0.79	-
Umw Oil & Gas Corp Bhd	-3.87	-1.30	1.96	SOS
Datasonic Group Bhd	-2.45	-0.93	-12.29	-
Lafarge Malaysia Bhd	-2.29	-0.82	-9.67	-
Top Glove Corp Bhd	-2.21	2.93	-0.40	-

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

- IJM Corp recorded the largest net money outflow of RM8.18m but however its share price gained 1.14% during the review week. We note that its share price had surged by nearly 8% since end February this year. The net outflow amidst rising share price indicates Sell on strength (SOS) stance among some investors. But it is noteworthy that IJM Corp is well positioned to win some of the construction works for the RM5.9b West Coast Expressway which will be awarded from this month onwards.
- MISC registered the second largest net money outflow totaling RM7.02m during the review week. Accordingly, its price performance underperformed the overall market advances with -2.15% retreat. While the shipping sector in general may be approaching its upward inflection point, nonetheless the earnings risk for MISC may emanate from the expiry of some of its long-term LNG charters later this year.
- SapuraKencana, which announced a new contract and three drilling contract extensions worth RM1.45 billion from Brunei Shell, saw the third largest net money outflow of RM6.63m last week. The net outflow was not unusual as its share price had advanced by as high as 16% since mid-February this year.

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

E. THE WEEK AHEAD

FINAL SCORECARD FOR THE FIRST QUARTER ...

- The KLCI gained only 0.7% in March, it's worst performance for the month in five years. The FBM70, meanwhile, performed better, adding 1.1% during the month. It was a moderate outcome, but still the best this year.
- The final scorecard for the first quarter of 2014 does not look that exciting. The KLCI shed 1.0%, while the FBM70 lost 1.4%. In 2013, the KLCI had also lost 1.0%.
- The action belongs undoubtedly to the smallcap market. The FBMSmallcap Index gained 3.6% in March, after the 5.3% rise in February. The action looks set to continue in April. As of last Friday, the index had already gained 1.7% for the month.

SMALLCAP JOY

- The rally in the second and third liners is set to continue this week. The FBM Smallcap index stayed comfortably above the 50-day moving average line, which is an important short term technical condition.
- Sentiment should be boosted further by the announcement last week that the trade balance for February hit RM10.4b, the highest in almost 2 years. With the upside for the big caps rather limited, we believe local liquidity is quite comfortable hunting for value among the second and third liners.
- We recently published our 20 favoured picks for stocks under RM1b market capitalization (the report dated 20 March is only available in hardcopy). We filter our selection using top-down criteria, such as leverage, net asset backing, earnings track record etc. We also look at the "alpha" factors in the respective stocks, which we bank on to deliver the outperformance.
- Our 20 picks are (in the order of size): Faber, TH Heavy, LBS Bina, Suria Capital, Benalec, Kumpulan Europlus, Protasco, Pantech, Gabungan AQRS, Land & General, SKP Resources, Destini, OCK Group, ECS ICT, Censof, ELK-Desa, SCH Group, Prolexus, EA Holdings and SMRT Holdings.

BONDS

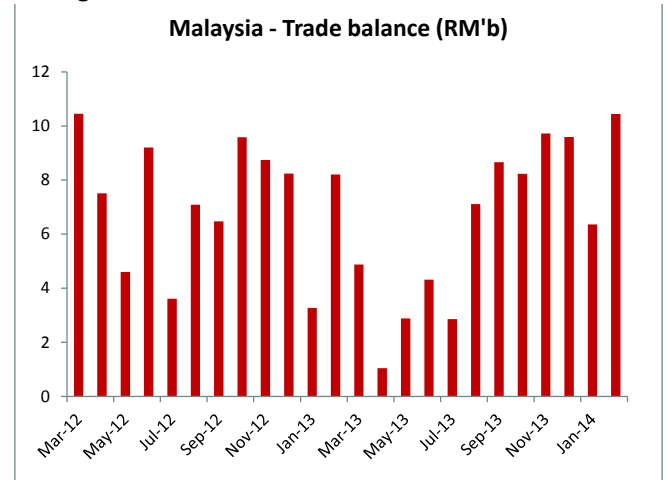
- Bank Negara released the statistics for foreign holdings in the debt securities market last. The numbers show that foreigners' holdings increased by a whopping RM17.9b in the first two months of the year. That is another strong indication yet of the confidence in the fundamentals of the economy.



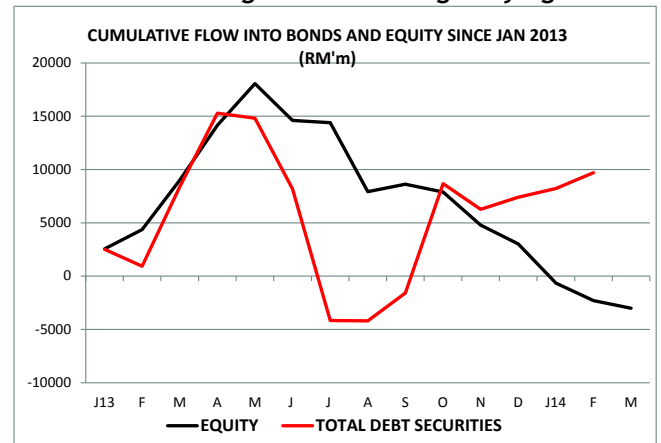
Smallcap stocks in comfortable technical zone



Strong trade balance should boost sentiment



Confidence is strong based on foreign buying of bonds



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