

MALAYSIA EQUITY RESEARCH | AUG 18, 2014

**Week Ended
Aug 15, 2014**

Malaysia Flow Meter



Tide

(Maintain)
MODERATE



Current

(Weakeningly)
MODERATE

- Equity markets around the world came back to life after a challenging phase spanning a period of about a month.
- For the second time this year, all markets that we track ended the week in the greenzone. The last time all markets gained in concert was in the first week of April.
- Global funds bought back Asian equity last week in a hasty reversal of their exit the week before. Arguably, global investors' appetite for Asian equity have "normalised" after it was severely dented by the situation in Ukraine and Iraq.
- Five Emerging Asia markets that we track attracted +USD461b of foreign portfolio funds last week, the highest in about four weeks. In relative terms, the biggest gainer was the Philippines. Thailand also reported significant rebound in foreign buying after two weeks of selling. However in Indonesia, foreign funds sold stocks for the second consecutive week after the government announced that its current-account deficit more than doubled in 2Q14.
- After three consecutive weeks of selling, foreign investors repurchased stocks on Bursa, mopping up +RM261.6m net. In the preceding three weeks, the outflow had averaged -RM257m.
- The KLCI remained behaviourally consistent, as it "bounced" upon hitting the long-term support. Expect a healthy market ahead, as the week is clear of potholes.

BRAND NEW TIDE

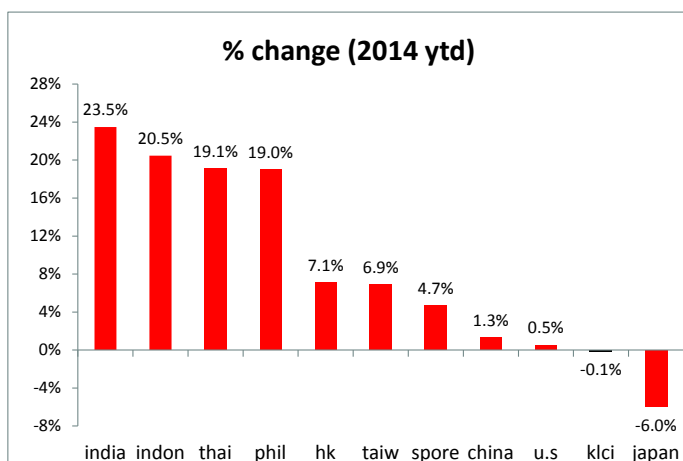
A. MARKET SNAPSHOT

- Equity markets around the world came back to life after a challenging phase spanning one-month or so.
- For the second time this year, all markets in our table ended the week in the greenzone. The last time all markets gained in concert was in the first week of April.
- However, the optimism was slightly restrained in the bellweather market, Wall Street. The Dow Jones and S&P500 gained a sedate 0.7% and 1.2%. Prices gained amid increasing expectation that the Federal Reserve will leave interest rates near record lows for longer period on concerns that consumer spending growth may decelerate. The Thomson Reuters/University of Michigan preliminary sentiment index dropped to 79.2 in August, the lowest since November.
- Optimism over the direction of monetary policy appear to have overshadowed escalating tensions in Ukraine. Increasing violence in Ukraine, where government troops attacked an armed convoy that had crossed the border from Russia sent oil prices to the biggest increase in a month.
- European markets also rebounded last week, but most of the optimism was clearly evident in Asia. The best performers, Nikkei 225 and India's Sensex, gained by more than 3% while most of the rest added more than 1.5%. The Korean and Indian markets were closed on Friday.
- Emerging Asia in particular gained in tandem with the strengthening of its currencies and on expectation that China will take steps to support its economy on evidence that demand for credit is falling. Asian currencies rallied last week on a confluence of factors. The ringgit was the best performer after a robust 2Q14 GDP growth of 6.4%yoy. The won rose after Korea's central bank cut policy rate to 2.25% from 2.5%.
- China's CSI rose 1.27%, stretching its weekly gain to 5 consecutive weeks. Focus is on the country currently, as the Bank of China may cut interest rates to revive credit demand.
- The KLCI gained a relatively strong 1.3% last week. Year-to-date, the index stayed in the redzone, having lost -0.1%.

Performance of major markets		
Weekly % change	Week before	Last week
Nikkei 225	-4.80	3.65
India Sensex	-0.60	3.06
Hang Seng	-0.82	2.56
Jakarta JCI	-0.69	1.88
Phil Comp	-0.20	1.86
FTSE	-1.67	1.85
Thai SET	1.34	1.73
Korea KOSPI	-2.03	1.58
Taiwan Taiex	-1.95	1.33
KLCI	-1.26	1.33
China CSI300	0.07	1.27
S&P500	0.33	1.22
DAX	-2.18	0.92
Straits Times	-1.66	0.79
Dow Jones	0.37	0.66
CAC	-1.31	0.64

Source: Bloomberg

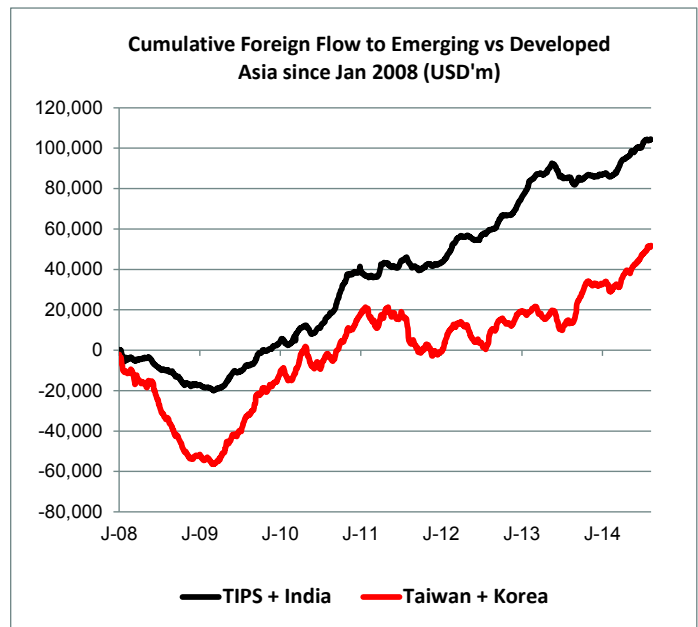
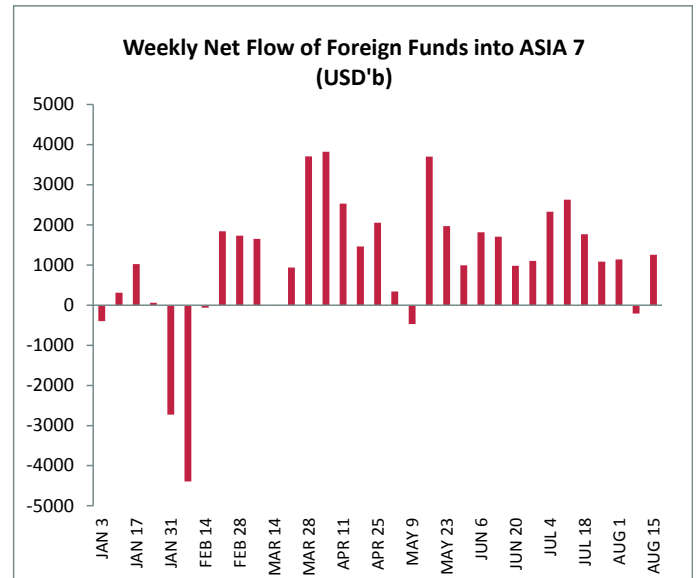
Major Asian indices



Source: Bloomberg

B. TRACKING MONEY FLOW - ASIA

- Global funds bought back Asian equity last week in a hasty reversal of their exit the week before.
- Data from the seven Asian exchanges that we track (Korea, Taiwan, Thailand, Malaysia, Indonesia, Philippines and India ¹) show that funds classified as “foreign” bought, in net aggregate, +USD1.26b of stocks in the aforementioned markets. The pace of buying was consistent with the average purchase of +USD1.76b recorded in the period from the week ended May 16 to the week ended August 1. That was when global investors went on a buying spree that stretched for 12 consecutive weeks (see bar chart).
- It appears that global investors’ appetite for Asian equity have “normalised” after it was severely dented by the situation in Ukraine and Iraq.
- The inflow of global portfolio money was more weighted towards the more Developed Asia², as represented by Taiwan and Korea, compared with “Emerging Asia”, as represented by the Thailand, Indonesia, Philippines (TIPs), Malaysia and the India markets.
- Emerging Asia attracted +USD461b of foreign portfolio fund, the highest in about four weeks. In relative terms, the biggest Emerging Asia gainer was the Philippines which reported an inflow of +USD86.8m, the highest on 16 weeks. The PSEi index closed above the 7,000 points level for the first time this year and many observers believe that the Philippines market is on a secular bull run that will see the index break 10,000 by 2018, as the country carry out ongoing reforms, structural change, and the development of key sectors.
- Thailand also reported significant buying by foreign funds amounted to +USD82.4. In Bangkok, foreign funds bought back Thai stocks after two weeks of



NET FLOW	TIPs + India	Taiwan + Korea	Total (USD'm)
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	17,610	18,779	36,389 (35,827^)

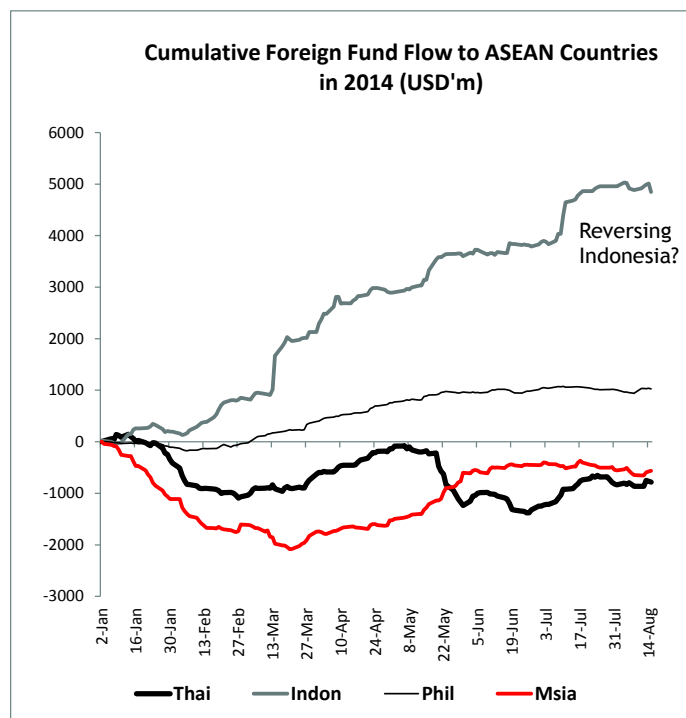
TIP = Thailand, Indonesia, Philippines ^ including Malaysia

¹ These ASIA 7 markets, for which fund flow data is publicly available, are our proxy for Asia.

² Technically, the Korea and Taiwan markets have not yet been classified as “developed” under the MSCI. We use the term liberally only for tracking purposes.

selling. Thailand's military government is actively reversing some of the economic measures of the previous government. It is currently selling, through auctions, the estimated 18m tonnes of rice in state stockpiles, which the previous government had built up through buying from farmers at prices well above market levels.

- In Indonesia, foreign funds sold stocks for the second consecutive week after the government announced that its current-account deficit more than doubled to USD9.1b in 2Q14, compared with that in the preceding quarter. That probably restrained the central bank from raising interest rates last week.
- In the more developed markets, there was strong rebound in foreign buying of Korean stocks last week, partly boosted by the rally in the won exchange rate. The forex market have priced in the decision of the central bank to reduce interest rates last week, and rallied on expectations that there will be no more cuts moving forward.



Source: Various countries' exchanges, via Bloomberg. These figures are subject to revisions. Aggregated by MIDFR.

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

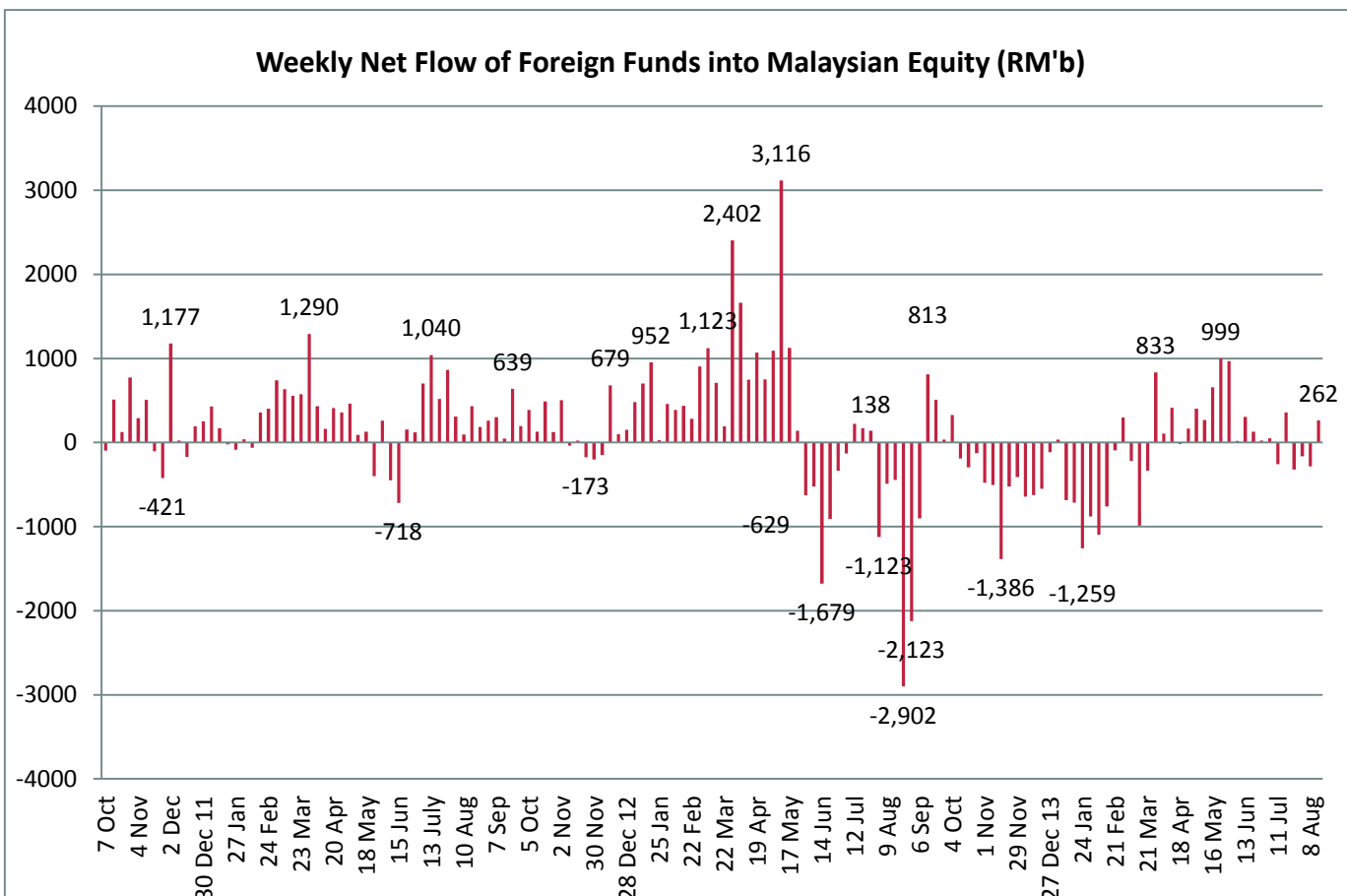
WEEK ENDED	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
FEB 21	127.8	-84.7	376.8	79.3	331.3	1036.0	-28.2	1838.2
FEB 28	636.3	-80.5	96.5	18.7	313.9	655.6	90.4	1730.9
MAR 7	127.4	163.8	96.1	139.3	838.9	355.4	-67.0	1654.0
MAR 14	-1245.6	-7.7	717.1	72.4	119.8	527.0	-301.2	-118.2
MAR 21	-616.2	2.4	284.4	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	247.4	770.5	50.4	2051.9
MAY 2	-503.3	101.7	-82.7	76.9	322.4	299.1	123.2	337.4
MAY 9	-668.5	-72.8	95.5	52.0	390.2	-348.7	82.0	-470.4
MAY 16	1236.5	-77.9	330.2	82.7	1637.8	285.2	203.6	3697.9
MAY 23	1060.8	-599.5	313.3	68.7	277.4	537.0	311.1	1968.3
MAY 30	256.1	-398.5	-39.7	-10.7	398.3	489.2	300.7	995.5
JUN 6	293.7	246.0	99.0	-18.6	1008.0	181.6	6.0	1815.8
JUN 13	105.6	-62.5	-15.7	70.6	850.9	664.2	95.3	1708.3
JUN 20	69.1	-273.6	154.7	-70.4	-65.7	1125.7	39.9	979.7
JUN 27	359.2	3.4	-51.1	42.0	46.7	694.0	7.8	1102.0
JUL 4	821.8	106.0	45.2	51.3	740.1	547.8	15.5	2327.7
JUL 11	610.5	293.5	816.1	20.4	731.0	239.0	-81.0	2629.5
JUL 18	796.5	186.1	215.3	0.0	422.1	32.9	111.8	1764.6
JUL 25	547.3	52.7	91.5	-49.8	323.1	220.5	-101.1	1084.3
AUG 1	1423.2	-152.3	0.0	-4.1	-460.6	383.3	-51.5	1137.9
AUG 8	148.6	-29.2	-72.2	-67.8	367.6	-466.7	-88.9	-208.6
AUG 15	700.6	82.4	-38.1	86.8	248.0	96.3	82.1	1257.9

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

FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

- After three consecutive weeks of selling, foreign investors repurchased stocks listed on Bursa.
- Last week, investors classified as “foreign” turned net buyers on Bursa’s open market (i.e excluding off-market deals), mopping up +RM261.6m net. In the preceding three weeks, the outflow had averaged -RM257m.
- Foreign investors were net sellers on Monday, reflecting negative spillover from the preceding Friday when markets in the region came under selling pressure as geopolitical concerns spiked . However, foreign funds turned net buyers in the remaining four trading days of the week, in consonant with the rebound in regional markets. The net amount purchased surged to +RM186.8m, the highest in 20 trading days.
- On cumulative basis, foreign investors remained net sellers of Malaysian stocks in 2014. However, the amount of outflow for the year had subsided to -RM1.97b as of last Friday. In 2013, Malaysia reported a net inflow of +RM3.0b.
- Foreign participation, as measured by the average daily foreign gross purchase and sale on Bursa, dropped to RM784m, the lowest in three weeks. Foreign weekly participation rate has been volatile since May this year, ranging from a weekly average of RM672m to as high as RM2.2b.
- The retail market is currently very active but investors remained cautious. Retail investors offloaded -RM31.3m last week, the 18th consecutive week of selling. More importantly, participation rate surged to RM1.20b, the second highest this year after the week ended 21 February.
- After supporting the market for three weeks, local institutions reduced their holdings last week, selling -RM230.3m net. Participation rate was elevated at RM2.79b, the second highest this year.

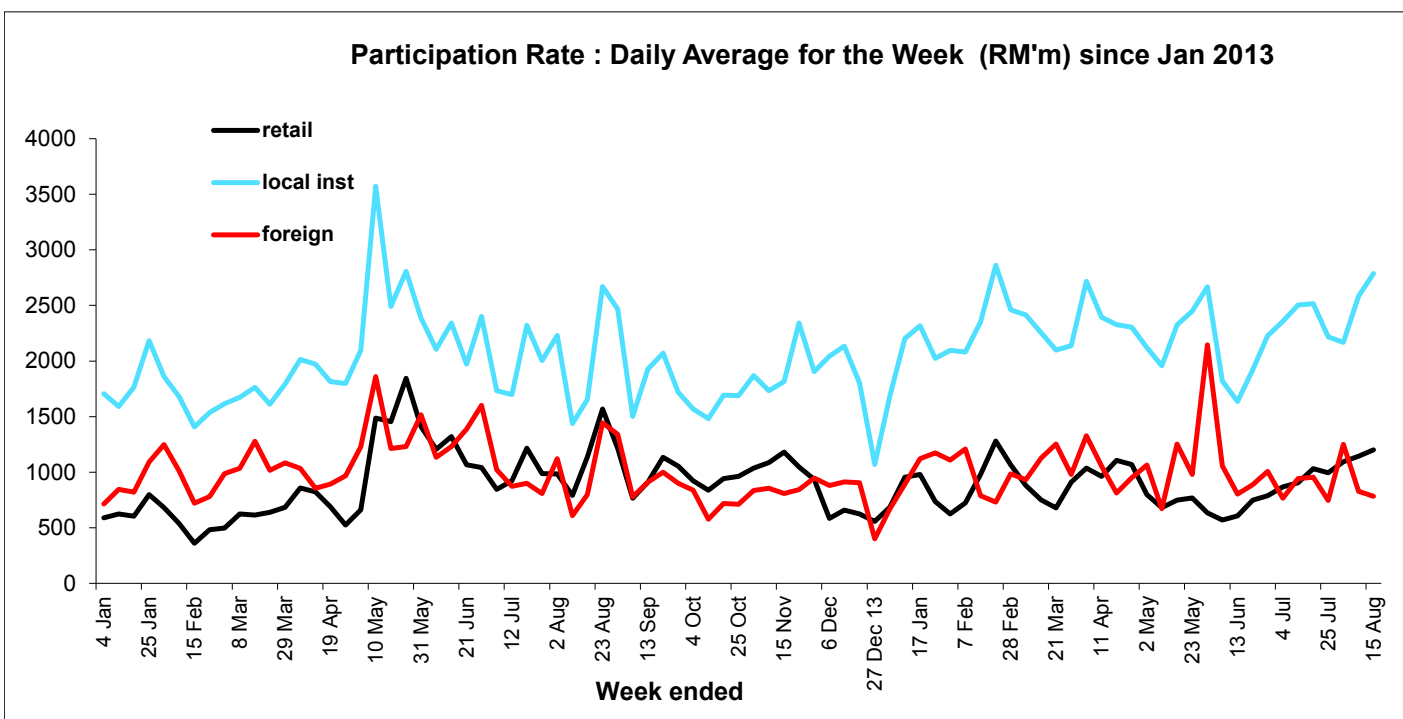


Source: Bursa, excluding off-market trades

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)*
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	50.4
MAY 2	1540.6	1654.4	-113.8	4097.0	4385.6	-288.6	2329.5	1927.1	402.4	123.2
MAY 9	1688.1	1720.0	-31.9	4775.2	5009.1	-233.9	1812.9	1547.1	265.8	82.0
MAY 16	1473.0	1525.3	-52.3	4346.6	4951.1	-604.5	2837.2	2180.4	656.8	203.6
MAY 23	1899.5	1950.7	-51.2	5649.1	6597.1	-948.0	2950.0	1950.8	999.2	311.1
MAY 30	1521.4	1657.4	-136.0	6252.8	7083.8	-831.0	5848.0	4881.0	967.0	300.7
JUN 6	1377.6	1473.0	-95.4	4586.9	4511.6	75.3	2655.8	2635.7	20.1	6.0
JUN 13	1478.1	1558.3	-80.2	3977.0	4202.6	-225.6	2165.1	1859.3	305.8	95.3
JUN 20	1830.5	1913.3	-82.8	4784.6	4830.5	-45.9	2283.5	2154.8	128.7	39.9
JUN 27	1937.0	2002.5	-65.5	5592.1	5551.6	40.5	2528.4	2503.4	25.0	7.8
JUL 4	2043.4	2292.8	-249.4	5993.8	5794.7	199.1	1942.4	1892.1	50.3	15.5
JUL 11	2193.5	2330.6	-137.1	6459.4	6064.6	394.8	2226.7	2484.4	-257.7	-81.1
JUL 18	2024.6	2101.0	-76.4	4893.9	5173.3	-279.4	2087.2	1731.4	355.8	111.8
JUL 25	2429.3	2550.8	-121.5	5767.0	5324.6	442.4	1705.0	2025.9	-320.9	-101.1
AUG 1	1624.9	1660.7	-35.8	3353.6	3152.8	200.8	1792.4	1957.4	-165.0	-51.5
AUG 8	2843.0	2880.5	-37.5	6617.1	6294.2	322.9	1931.3	2216.7	-285.4	-88.9
AUG 15	2985.5	3016.8	-31.3	6852.4	7082.7	-230.3	2090.5	1828.9	261.6	82.1

* 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

- Hap Seng Consolidated attracted the highest net money inflow totaling RM19.08m last week. Its weekly traded volume catapulted to nearly 80 million from the usual 10 million or less in prior weeks. Its share price advanced 1.99% for the week (despite closing substantially off its intra-week high) against 1.33% for the FBM KLCI. We find no material corporate development to account for the sudden spike in investors' interest.
- British American Tobacco (BAT) came in second with RM7.88m net inflow and its share price outperformed the broader market with an on-week gain of 2.38%. Perhaps investors are betting on no excise duty hike anytime soon in view of the GST implementation.
- SapuraKencana recorded the third highest net money inflow of RM4.96m while its share price declined -1.66% during the review week despite the advancing market. It is noteworthy that money net inflow amidst retreating share price indicates buy on weakness (BOW) stance among investors.

Tables below list the Top 10 Net Money Inflows and Net Money Outflows for the week ended 8 August 2014 among the largest 100 market capitalized stocks on Bursa Malaysia.

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
HAP SENG CONS.	19.08	5.85	1.99	-
BAT	7.88	0.80	2.38	-
SAPURAKENCANA	4.96	2.97	-1.66	BOW
CIMB	4.24	-4.20	2.20	-
IJM PLANT.	3.74	2.13	0.00	-
TNB	3.59	43.20	2.84	-
PARKSON HLDGS.	2.23	0.17	2.49	-
CAHYA MATA S'WAK	1.74	-0.11	9.69	-
YTL POWER	1.66	0.80	0.00	-
DIALOG	1.51	1.04	0.00	-

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- Public Bank again registered the largest net money outflow albeit with a lesser amount of -RM52.98m. Its share price inched up 0.95% for the week, underperforming the market benchmark. Intense loan competition and rising funding costs are putting pressure on its margins.
- KL Kepong (KLK) saw the second largest net money outflow of -RM15.82m last week, a complete reversal from its prior week second position among the net inflows. Its share price recorded a -1.69% weekly loss despite the recovery in FBM KLCI. Last week, KLK proposed to acquire Tensa Chem SA for approximately RM70m in a bid to expand its oleochemical business in Europe.
- Nestle came in third with -RM14.93m net outflow. Its share price underperformed the broader market with a 1.01% gain last week. Last week, Nestle announced that its pre-tax profit fell to RM155.0m in 2QFY14 from RM174.2m in the same quarter last year.

Name	Net Money Flow (RM mn)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
PUBLIC BANK	-52.98	-72.55	0.95	SOS
KLK	-15.82	12.47	-1.69	-
NESTLE	-14.93	0.27	1.01	SOS
IOI CORP.	-14.88	-1.54	1.21	SOS
MAYBANK	-12.25	-2.64	1.11	SOS
SIME DARBY	-12.02	-2.57	1.28	SOS
TELEKOM M'SIA	-11.18	-2.55	0.97	SOS
DIGI.COM	-8.09	-4.41	0.00	-
GAMUDA	-7.50	1.35	0.84	SOS
SHANGRI-LA	-5.05	0.68	-0.56	-

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

E. THE WEEK AHEAD

SHOW OF RESILIENCE

- The local equity market exhibited commendable resilience this week to edge away from the technical dangerpoints that we highlighted in last week's report.
- The FBM KLCI regained 24.44 points after losing -23.47 points the week before. Both the KLCI and FBM70 are now comfortably above their support levels, although the former is still below the short-term trendline.
- The KLCI remained behaviourally consistent, a point we made last week, as it "bounced" upon hitting the long-term support as represented by the 200-day moving average (see chart). We attribute this to local support, as both retailers and institutional players were active last week.
- We are most encouraged by the market for second and third liners, which is experiencing active trading currently. The FBM Smallcap index added 2.0% last week, the fifth strongest week this year, and the best since the second week of March. We are bullish on this segment of the market as the week ahead is clear of potential potholes *

FUNDAMENTALS INTACT

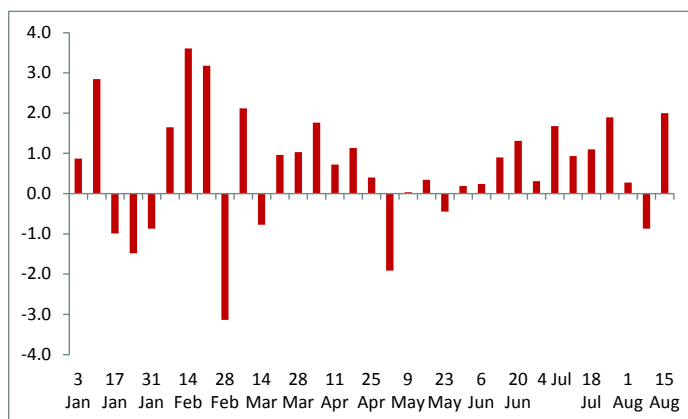
- The helicopter view of the market remained conducive, after Malaysia's relatively robust 6.4%yoy GDP growth in 2Q14, translating into a 1H14 average of 6.3%yoy. Governor Zeti remarked that growth for the year is likely to exceed 5.5%, compared with only 4.7% in 2013.
- This is the penultimate week during the current reporting season for the second quarter earnings. Thus far healthy macro overview is reflected by the strong corporate earnings. We wrote last week (see our Strategy report dated 13 August), that 2Q14 aggregate earnings of the 30 stocks in the KLCI index is estimated to be RM15.84b. Adjusted for the extraordinary items, we estimate corporate earnings to grow 4.9%qoq and 9.4%yoy. That will outpace the 8.0%yoy growth in 1Q14.
- There could be more developments with respect to the political situation in Selangor. However, we do not see any outcome impinging on the market.
- Friday 22 August is the national day of mourning for the victims of the MH17 tragedy. MH370 and MH17 have been a sad and tragic episodes for the country. However, we have full hopes for Malaysia as we move forward, as we are sanguine over the prospects of the market.



CHART 1: KLCI REBOUNDED UPON HITTING SUPPORT



CHART 2: WEEKLY CHANGE IN FBM SMALLCAP IN 2014



* The biggest event affecting the equity market this week is arguably the Jackson Hole gathering of central bankers and economists. Known officially as the Jackson Hole Economic Policy Symposium, and sponsored by the Kansas City Fed, the event features speeches and panels. It will be held from Aug. 21-23, and the theme this year is "Re-evaluating Labor Market Dynamics".

Fed Chair Janet Yellen delivers opening remarks on Friday morning followed by ECB's President Mario Draghi lunch address. On Saturday, the main event is a panel of international central bankers who will discuss labor markets and monetary policy.

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