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EQUITY STRATEGY | SEPTEMBER 1, 2015

FUND FLOW REPORT

Week Ended August 28, 2015

Foreign Flow Meter (M'sia)	
Tide	(maintain) HIGH
Current	(maintain) HIGH

- It was the most volatile week for global equity this year but markets calmed down as they approached Friday.
- All eyes were on China last week as the equity market suffered a two-day rout that wiped out >15% of market capitalisation on Monday and Tuesday.
- The Chinese authorities responded with the Bank of China cutting the benchmark interest rate and lowered the reserve requirements for banks. The market rebounded strongly in the last two days of the week, capping the weekly loss in the CSI300 to only -6.9%. The index gained another 0.73% on Monday.
- The rest of Asia caught the contagion from China early in the week but a rebound thereafter received additional fillip after news that the expected rate hike by the Fed in September may be put in the back burner.
- The outflow of global funds from Asian equity markets was the highest since June 2013, the month former Fed Governor Ben Bernanke announced a "tapering" of the Fed's QE3. The heaviest of the attritions were recorded in Korea, India and Thailand.
- On Bursa, the outflow of foreign money abated significantly but remained elevated nevertheless. After offloading more than RM1.3b two weeks in a row, foreign investors sold RM816m on a net basis last week, 18 consecutive weeks of deficit.
- There was a noticeable reversal in money flow in the last two days of the week. On Thursday, the net exit dropped significantly to only RM9m. On Friday, after 17 days of unrelenting attrition, foreign investors turned net buyers, and the amount was relatively sizeable, at RM211m.
- The prospect this week depends much on the price of crude oil. Brent rebounded significantly to above USD50pb, but slipped below the level on Monday.

1 September 2015 | Strategy - Weekly Fund Flow

HEAVY ATTRITION BUT CALMER WATER BECKONS

A. MARKET SNAPSHOT

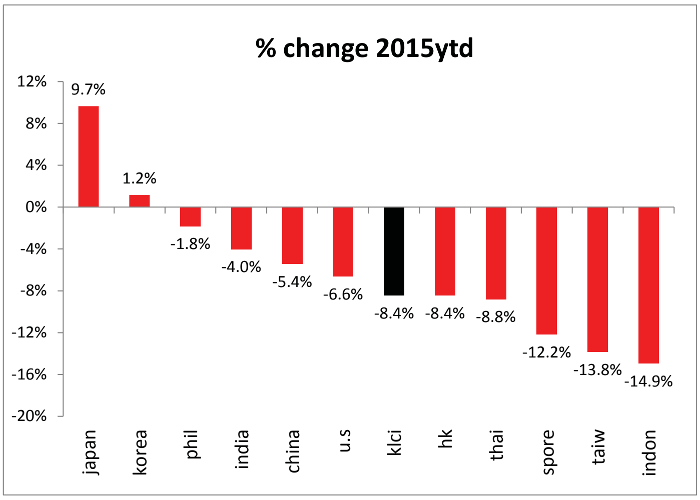
- It was the most volatile week for global equity this year but markets calmed down as they approached Friday.
- The week opened with an alarming rout in China. The market came under tremendous selling pressure, with the benchmark CSI300 losing -8.8% on Monday, its steepest 1-day loss since 2007. It shed another massive -7.1% on Tuesday, but calmed down on Wednesday after the Bank of China cut the 1-year benchmark bank lending rate by 25 basis points to 4.6%, and lowered the reserve requirements by 50 basis points to 18% for most big banks. The market rebounded strongly in the last two days of the week and capped the weekly toll to only -6.9%.
- It is apparent that China's government continues to make unprecedented attempts to shore up the country's USD6tr stock market. Two Sundays ago, the State Council (China's equivalent of a cabinet) announced that pension funds would be allowed to invest up to 30% of their total net assets in stocks. Meanwhile, China Securities Finance Corp, which was given >USD400b to prop up the market on behalf of the government was rather quiet last week.
- The -6.9% fall last week dragged the CSI300 into the redzone in the year-to-date period, with a decline of -5.4%. After leading the pack during much of the year, the CSI300 is now behind its benchmark counterparts in Japan, Korea, Philippines and India.
- The rest of Asia caught the contagion from China early in the week but rebounded much stronger after news that the expected rate hike by the Fed in September may be put in the back burner. That was a reprieve needed for Asian currencies under pressure and helped the Korean KOSPI, Taiwan Taiex, Jakarta JCI and the KLCI to lead the table.
- The Dow Jones and S&P500 rebounded 1.1% and 0.9% respectively from heavy losses the week before. Statistics released last week show US GDP growing 3.7% annualised in 2Q15, stronger than earlier estimated. However, it was comments from FOMC's members alluding to restrain in the Fed's interest rate manoeuvring which boosted market's sentiment. Price of Brent crude oil ended the week above USD50 at USD50.05pb, the highest since August 10.
- The KLCI proved its resilience, adding 2.4%, the second highest weekly gain in 2015. The index is back to above the 1,600 level and is down -8.4%ytd.

Performance of major markets

Weekly % change	Week before	Last week
Korea KOSPI	-5.41	3.28
Taiwan Taiex	-6.25	2.98
Jakarta JCI	-5.44	2.54
KLCI	-1.39	2.42
DAX	-7.83	1.72
Dow Jones	-5.82	1.11
FTSE	-5.54	0.97
CAC	-6.57	0.95
S&P500	-5.77	0.91
Thai SET	-3.42	0.02
Straits Times	-4.60	-0.51
Nikkei 225	-5.28	-1.54
Phil Comp	-1.75	-2.48
Hang Seng	-6.59	-3.56
India Sensex	-2.50	-3.56
China CSI300	-11.88	-6.89

Source: Bloomberg

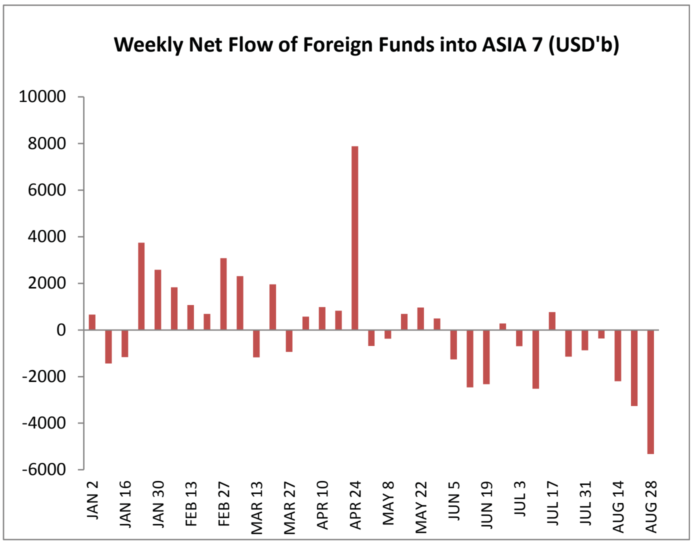
Major Asian indices (2015)

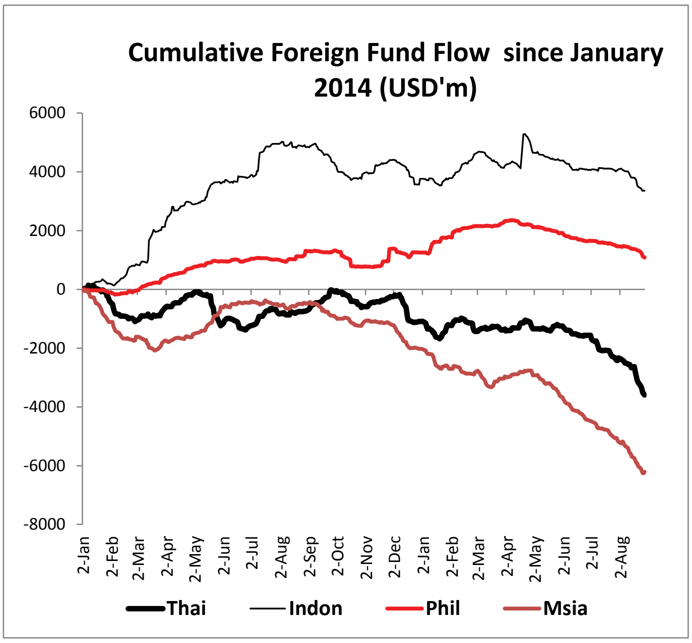


Source:Bloomberg. All in local currency.

B. TRACKING MONEY FLOW

- The outflow of global funds from Asian equity markets finally hit “exodus” proportions. The amount of funds exiting Asian equity was the highest since June 2013, the month former Fed Governor Ben Bernanke announced a “tapering” of the Fed’s QE3 program.
- Based on provisional data from the respective exchanges, investors classified as “foreign” were aggregate net sellers of listed equity in the 7 Asian[1] stock markets that we track (TIPs + India, Taiwan, Korea and Malaysia). The net amount sold of USD5.26b was the highest since the USD5.56b aggregate net outflow in June 2013.
- For the third consecutive week, there were heavy outflow from both emerging and developed markets. Among emerging markets, there were relatively sizeable attrition from India, Thailand and Philippines, but selling subsided in Indonesia. In Thailand, foreigners were net sellers every day last week, but the amount receded by Friday. The SET Index dropped -4.7% on Monday alone on heavy outflow from energy, petrochemical, banking and property stocks. On Friday, the Thai Finance Ministry maintained its 3% GDP growth target for 2015.
- Meanwhile, the global turmoil in the equity market finally took its toll on the Philippines, hitherto the “darling” of Asia. Philippines GDP grew 5.6%yoy in 2Q15 and the government is optimistic of hitting its 6-6.5% target. However, the optimism did not deter foreign investors from offloading USD240m on the Manila exchange, the highest since October 2014. In India, there was a massive USD1.9b foreign pullout, the highest since the Financial Crisis. In Jakarta, net foreign selling eased to only USD133m. On Friday, the Financial Services Authority (OJK) allowed share buybacks without shareholders’ approval.
- Among the more developed markets, selling momentum eased in Taiwan but foreigners pulled out a massive USD1.95b from Korean equity, the highest since June 2013. As the Korean market was the best performer last week, it is apparent that foreign investors were taking advantage of the rebound to build up cash position. As the Won rose 1.8% last week, the best among Asian majors, it is likely that while the foreign funds exited the stock market, they remain in the system.





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

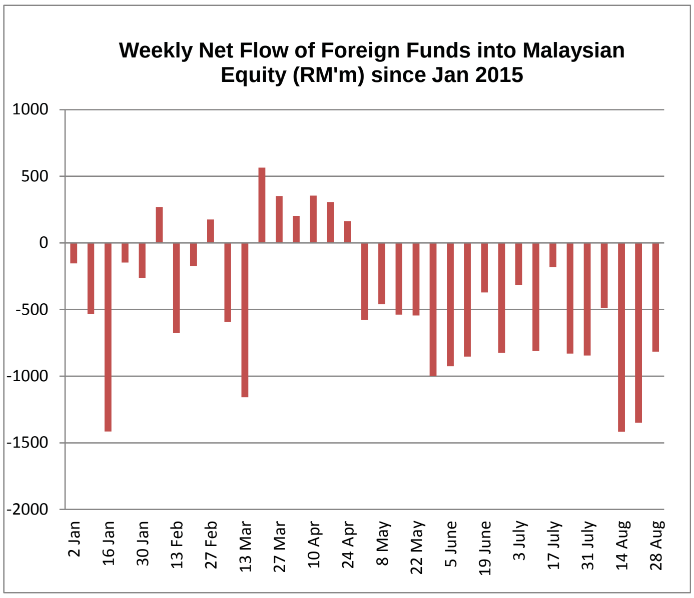
WEEKLY NET FLOW OF FOREIGN FUND INTO EQUITY (USD’m)

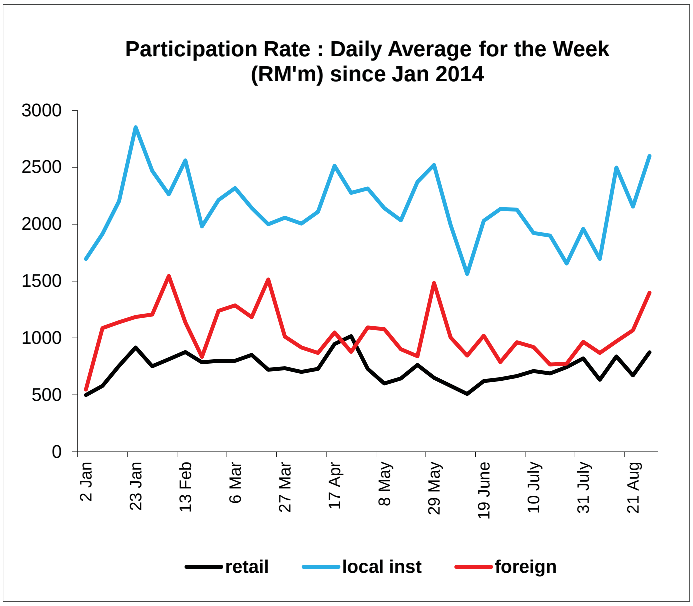
WEEK ENDED	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
JUL 17	319.8	-24.5	-28.8	-21.3	476.9	141.0	-48.2	814.9
JUL 24	-874.9	-206.1	-12.3	-39.6	227.7	-24.8	-218.3	-1148.3
JUL 31	18.5	-51.5	-8.3	-69.1	-345.3	-209.0	-221.6	-885.9
AUG 7	-186.3	-172.2	-66.9	-7.0	297.1	-89.4	-124.3	-349.0
AUG 14	-535.4	-168.0	-220.9	-80.3	-369.1	-475.6	-353.3	-2202.6
AUG 21	-903.2	-483.8	-309.4	-52.3	-537.7	-653.3	-327.5	-3267.1
AUG 29	-1950.1	-434.9	-133.5	-240.1	-1903.9	-405.6	-193.3	-5261.4

Source: Respective exchange statistics reported on Bloomberg. Bursa Malaysia. These figures are subject to revisions.

C. TRACKING MONEY FLOW - MALAYSIA

- The outflow of foreign money from equities listed on Bursa abated significantly last week but remained elevated nevertheless.
- After offloading more than RM1.3b two weeks in a row, investors classified as "foreign" sold equity listed in the open market on Bursa (i.e excluding off-market deals) amounted to RM816m on a net basis last week. Still, foreign investors have been net sellers on Bursa for *eighteen* consecutive weeks, the longest stretch of back-to-back weekly selldown since the 2008 Financial Crisis.
- It was a rocky start to the week, reflecting the trend elsewhere in the region. Foreign funds sold more than RM300m net a day in the first three days of the week. For purpose of monitoring the intensity of the current phase of selldown, our trigger threshold is RM200m. That threshold has been exceeded 39 times so far this year, compared with only 23 times for the entire 2014.
- There was a noticeable reversal in money flow in the last two days of the week. On Thursday, the net exit dropped significantly to only RM9m. On Friday, after 17 days of unrelenting attrition, foreign investors turned net buyers. And the amount was relatively sizeable, at RM211m. Interestingly, it had been a harrowing three preceding Fridays, during which attrition was the highest during the week. Last Friday's relative buoyance could be auspicious for the market as risk aversion going into the weekend appear to be contained.
- For 2015, last week's selldown *increased* the cumulative net foreign outflow to RM15.8b, significantly **surpassing** the RM6.9b outflow for the entire 2014. For August, the aggregate net foreign outflow was RM4.1b. It was the highest since the RM6.5b selldown in August 2013. Compared with regional peers, the net outflow was higher in Thailand where the amount hit USD1.3b.
- Foreign participation rate escalated further. Daily gross volume averaged RM1.40b last week, the second highest this year after the RM1.48b in the last week of June.
- Meanwhile local institutions mopped up RM918m while retailers were heavy sellers on active trading.





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)*
JUL 10	1788.8	1762.8	26.0	5199.6	4413.9	785.7	1897.1	2708.8	-811.7	-213.2
JUL 17	1167.9	1242.7	-74.8	3454.9	3196.7	258.2	1251.6	1435.0	-183.4	-48.2
JUL 24	1839.8	1882.4	-42.6	4573.7	3700.0	873.7	1521.8	2351.9	-830.1	-218.3
JUL 31	2005.6	2099.0	-93.4	5364.6	4426.2	938.4	1991.9	2836.9	-845.0	-221.6
AUG 7	1601.8	1561.8	40.0	4461.1	4013.3	447.8	1928.3	2416.1	-487.8	-124.3
AUG 14	2142.0	2043.3	98.7	6903.2	5584.8	1318.4	1718.6	3135.7	-1417.1	-353.3
AUG 21	1684.3	1676.1	8.2	6058.1	4717.3	1340.8	1993.9	3342.9	-1349.0	-327.5
AUG 28	2132.8	2234.7	-101.9	6955.0	6036.8	918.2	3083.9	3900.2	-816.3	-193.3

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

D. TOP 100 STOCKS: MONEY FLOW [2]

TOP 10 NET MONEY INFLOWS

- Top Glove recorded the highest net money inflow of RM23.55m last week. Nonetheless, its share price underperformed the broader market with a -7.99% weekly decline. In comparison, the FBM KLCI rebounded by 2.42% during the review week. The massive price underperformance was attributable to profit taking from gains recorded in earlier week. Furthermore, it must be noted that net money inflow amidst retreating share price indicates buy on weakness (BOW) stance among some investors.
- Malayan Banking came in second with RM12.65m net inflow but its share price slightly underperformed the market benchmark with a 1.98% week-on-week rise. Last week, it reported 1HFY15 net profit of RM3.28b which was within expectations, accounting for 47.2% of ours and 47.8% of consensus estimate for FY15 earnings respectively.
- Axiata recorded the third highest net money inflow of RM11.41m and its share price outperformed the FBM KLCI with a 5.50% weekly gain. Axiata's 1H15 normalized earnings of RM1.14b was within ours and consensus expectations, accounting for 45.1% and 46.0% of respective full year FY15 earnings estimates.

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	
TOP GLOVE	23.55	-3.44	-7.99	BOW
MAYBANK	12.65	8.21	1.98	-
AXIATA	11.41	2.23	5.50	-
DIGI.COM	6.83	12.58	3.77	-
PETRONAS CHEM	6.56	6.92	8.78	-
GENTING M'SIA	6.02	-3.00	0.51	-
IHH HEALTH	4.55	16.94	3.17	-
KOSSAN	4.30	10.79	-4.17	BOW
MAXIS	4.15	0.10	1.23	-
PETRONAS GAS	3.82	1.86	2.11	-

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

TOP 10 NET MONEY OUTFLOWS

- Genting saw the largest net money outflow of –RM5.37m during the review week. Accordingly, its stock price underperformed as it ended the week lower by -2.70% against a 2.42% rise in the FBM KLCI.
- Carlsberg came in second last week with a net outflow of –RM5.30m and its share price underperformed the market benchmark with a -1.68% weekly loss.
- UMW Holdings registered the third largest net money outflow at –RM4.19m in the review week. Similarly, its share price underperformed the broader market with a -1.85% weekly decline. The company posted a poor set of 1H15 results with its earnings fell -38.1%yoy to RM233.6m. The figure was well below ours and consensus' expectations at 30% and 31% of full year estimates respectively.

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
GENTING	-5.37	0.44	-2.70	-
CARLSBERG	-5.30	0.44	-1.68	-
UMW HLDGS	-4.19	0.99	-1.85	-
TNB	-3.77	4.54	6.68	SOS
IJM CORP	-3.29	0.32	3.28	SOS
KLCCP	-3.12	0.63	0.00	-
GUINNESS	-3.01	-0.26	-1.37	-
MISC	-2.88	-2.97	1.38	SOS
BAT	-2.51	1.80	3.63	SOS
WESTPORTS	-2.50	-1.57	-0.71	-

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

D. THE WEEK AHEAD

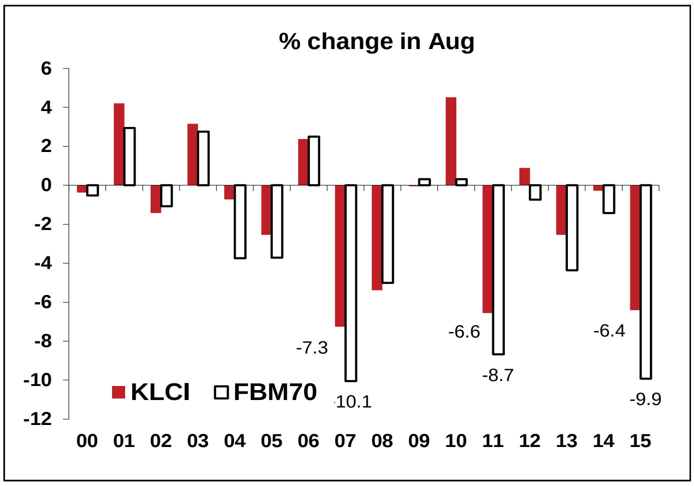
AUGUST - NOT SO BAD AFTER ALL

- The final tally for August saw the KLCI dropping "only" -6.4%. It was worse in 2007 and 2011 when the index shed -7.3% and -6.6% respectively. The FBM70 did not fare as well — its -9.9% decline was the worst since the -10.1% collapse in 2007 (see chart).
- Prices on Bursa benefitted tremendously from the worldwide rebound in prices on Thursday and Friday with much of the fillip coming from the U.S Fed which turned less hawkish last week.
- The Ringgit was again the worst performing currency in East Asia last week, losing -0.73%. Much of the downside for the week was arrested by the strong rebound on Friday as the Ringgit gained 0.78% on the day to settle at USD/RM4.199.The strong performance of the Ringgit in the last two trading days of the week has to be attributable to the rebound in the price of crude oil. If the momentum can be sustained this week, expect the Ringgit and the market to be positive.
- However, we should caution that there was no trend-reversing development last week. The price of Brent crude oil surged past USD50pb last week but slipped back to below the level on Monday. The rebound last week has been partly attributable to short-covering activities after the plunge in prices. Baker Hughes reported on Friday that oil rig count rose for the sixth consecutive week, despite depressed prices.
- An important observation, though, is that the Ringgit gained noticeably in the NDF (Non-Deliverable Forward) market. The 12-month NDF market priced the Ringgit at USD/RM4.383 on Friday, from RM4.447 on Thursday.
- Meanwhile, the yield on 10-year MGS eased on Friday indicating that heavy selling, most likely by foreign holders have subsided. The yield on the 10-year MGS spiked to above 4.4% last week, a level that is compelling for many buyers. The spread of the 10-year paper above 3-month KLIBOR was about 120 basis points, the highest since January 2014.

NOT BETTING ON A SWEET SEPTEMBER

- All eyes will still be on China, where equity prices continued to gain yesterday. China's financial markets will be shut on Sept. 3 and 4 for a national holiday this year to mark the 70th anniversary of the allied victory over Japan. That will take some steam off the market.
- Trading for September begins today. Historically, September is one of the most volatile months of the year (see chart). That label is unlikely to change this year with the Fed's FOMC meeting on September 17 and Bank Negara's MPC on September 11.

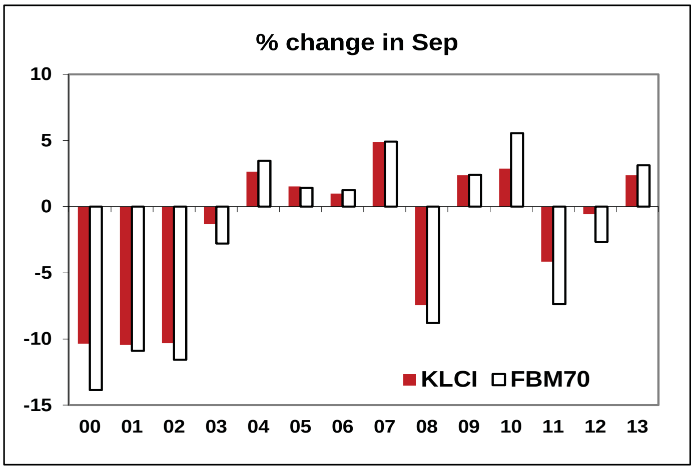
It could have been worse...



12-month Ringgit rate in the NDF market also rebounded

Attrition in the bond market appear to have abated. Yield on 10-year MGS eased

Historically a rocky September



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