

MALAYSIA EQUITY RESEARCH | SEPTEMBER 2, 2014

Week Ended August 29, 2014

Foreign Flow Meter



Tide

LOW



Current

MODERATE
(but strengthening)

- Equity markets around the world ended August on a mixed note. Europe is on a rally while Asian Emerging markets are at the periphery.
- All eyes are on whether the European Central Bank will undertake a quantitative easing, which will unleash another round of cheap money globally. The ECB meets on Wednesday.
- Global funds continued to flow into Asian stocks at a relatively healthy rate for the third consecutive week.
- However, for the second week running, significantly higher amount of global liquidity went to Taiwan and Korea, compared with that to Thailand, Indonesia, Philippines, Malaysia and the India markets.
- Foreign investors appeared to be getting edgy as evidenced by the flow of fund data last week. Although they were still overall net buyers for the week on moderate trading, the numbers of Friday suggest increasing aversion towards Malaysian equity.
- Expect trading to cross over to September on a rather cautious note. Historically, September is a rather unpredictable month.
- The week ahead is rather heavy for the economic calendar. On Friday, Malaysia's trade statistics for July will give insights into the country's GDP growth in the third quarter. The U.S will also release its unemployment numbers on the day.

2 September 2014 | Strategy - Weekly Fund Flow

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MONEY FLOWS TO NORTH ASIA

A. MARKET SNAPSHOT

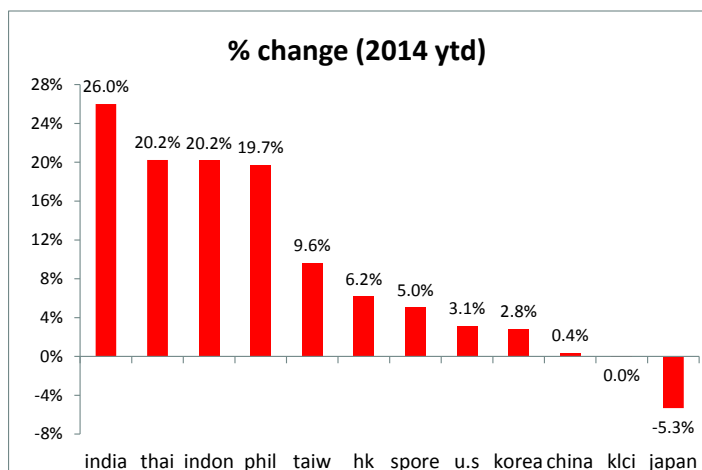
- Equity markets around the world ended August on a mixed note.
- The bellweather market, namely Wall Street, continued its rally for the fourth consecutive week, although signs of fatigue are emerging.
- The Dow Jones and S&P500 gained 0.6% and 0.8% respectively. Both indices hit all-time highs during the week. For the first time ever, the S&P500 ended the week above the 2,000 points.
- Economic reports showed that U.S consumer spending dropped in July for the first time in six months. This raised speculation that central banks will continue to keep interest rates low in order to spur growth. After all, sentiment is still intact. The final August reading on the University of Michigan/ Thomson Reuters consumer-sentiment index rose to 82.5 from 81.8 in July.
- Europe also had a good week with the CAC and DAX leading our table with a gain of 3% and 1.4% respectively. Share prices in Europe rallied after European Central Bank President Mario Draghi signaled that the ECB is closer to a broad-based asset-purchase program, its version of a QE.
- In Asia, the Nikkei 225 lost -0.7% after two weeks of rally. China's CSI300 also ended the week in the redzone, the first time in seven weeks. In China, the Securities Regulatory Commission has approved 10 IPOs for the rest of the year. As subscription began last week for six IPOs, investors are worried that funds will be diverted from existing stocks to the new offering.
- Asian Emerging markets was generally subdued last week although India (which was closed on Friday) and Thailand managed to eke out some gain. Both Jakarta and Manila recorded their first weekly loss in three weeks. The Jakarta's Composite Index lost -1.19%, its worst in 10 weeks.
- As in the case of JCI and PSEi, the KLCI also declined for the first time in three weeks. There was a heavy sell-down on Friday ahead of the 3-day weekend, as the KLCI lost almost 10 points or -0.5%.

Performance of major markets

Weekly % change	Week before	Last week
CAC	1.88	3.02
DAX	2.71	1.40
India Sensex	1.21	0.83
S&P500	1.71	0.75
FTSE	1.29	0.66
Taiwan Taiex	1.88	0.60
Korea KOSPI	-0.32	0.58
Dow Jones	2.03	0.57
Thai SET	0.67	0.30
Straits Times	0.32	0.05
KLCI	0.36	-0.26
Nikkei 225	1.44	-0.74
China CSI300	0.20	-1.14
Phil Comp	1.78	-1.15
Jakarta JCI	0.97	-1.19
Hang Seng	0.63	-1.47

Source: Bloomberg

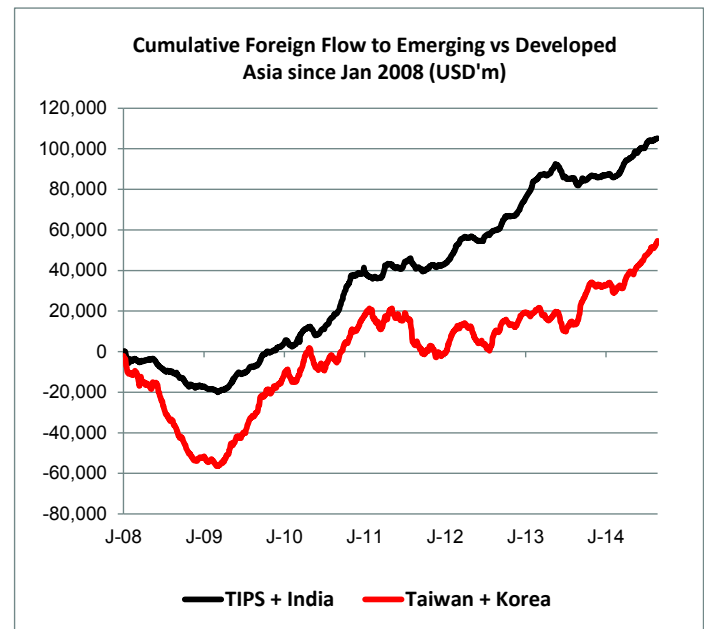
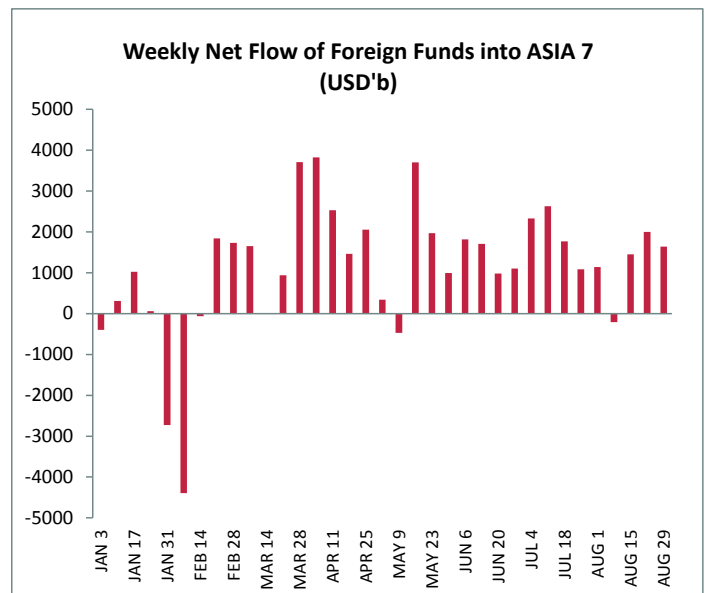
Major Asian indices



Source: Bloomberg

B. TRACKING MONEY FLOW - ASIA

- Global funds continued to flow into Asian stocks at a relatively healthy rate for the third consecutive week.
- Last week, funds classified as “foreign” were, in aggregate, net buyers of stocks in the seven Asian exchanges that we track (Korea, Taiwan, Thailand, Malaysia, Indonesia, Philippines and India ¹).
- The “foreign” funds bought USD1.64b, compared with USD2.0b the week before (see bar chart).
- For the second week running, significantly higher amount of global liquidity went to the more “Developed” Asia², as represented by Taiwan and Korea, compared with that to “Emerging Asia”, as represented by the Thailand, Indonesia, Philippines (TIPs), Malaysia and the India markets. The estimated flow to the former was almost five times that to the latter!
- We believe that both Korea and Taiwan markets are currently benefitting from global funds’ switch out of Japan equity, which is experiencing a correction currently. Korea will be hosting the Asian Games at Incheon from Sep 19 - Oct 4, which will also coincide with China’s “Golden Week” holiday season from 1-7 Oct. Korea’s domestic consumer stocks, such as cosmetics, food and beverages, hotels and casinos, are expected to make some gains in the run-up to the Asian Games.
- Meanwhile, Taiwan continue to ride on the optimism ahead of Apple’s new Iphone launch. Apple announced that it will host an event on Sep 9, 2014. Although no details, it is highly anticipated that the iPhone 6 will be launched on that day. Apple’s September event has historically been used to unveil new iPhone models.



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	18,552	21,589	40,141 (39,662^)

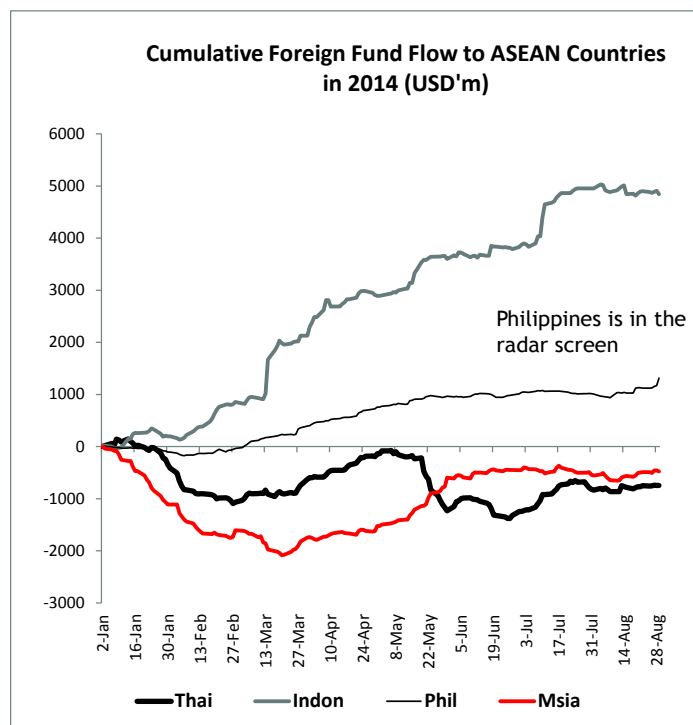
TIP = Thailand, Indonesia, Philippines ^ including Malaysia

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.

This year, Apple is expected to launch two iPhone models, one with a 4.7-inch screen, and another with a 5.5-inch display. Apple is also rumored to be launching the much-anticipated iWatch at the event. Taiwan-based Quanta Computer Inc., the largest manufacturer of notebook computers in the world, is reported to have won Apple's outsourced production job the iWatch.

- In Emerging markets, foreign money flow to Thailand slowed down significantly last week, while there was an outflow from Indonesia. However, we note that there was a surge of foreign buying in the Philippines last week. Foreign funds bought USD189m last week, the highest in a week this year. Manila is stealing the show!



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)

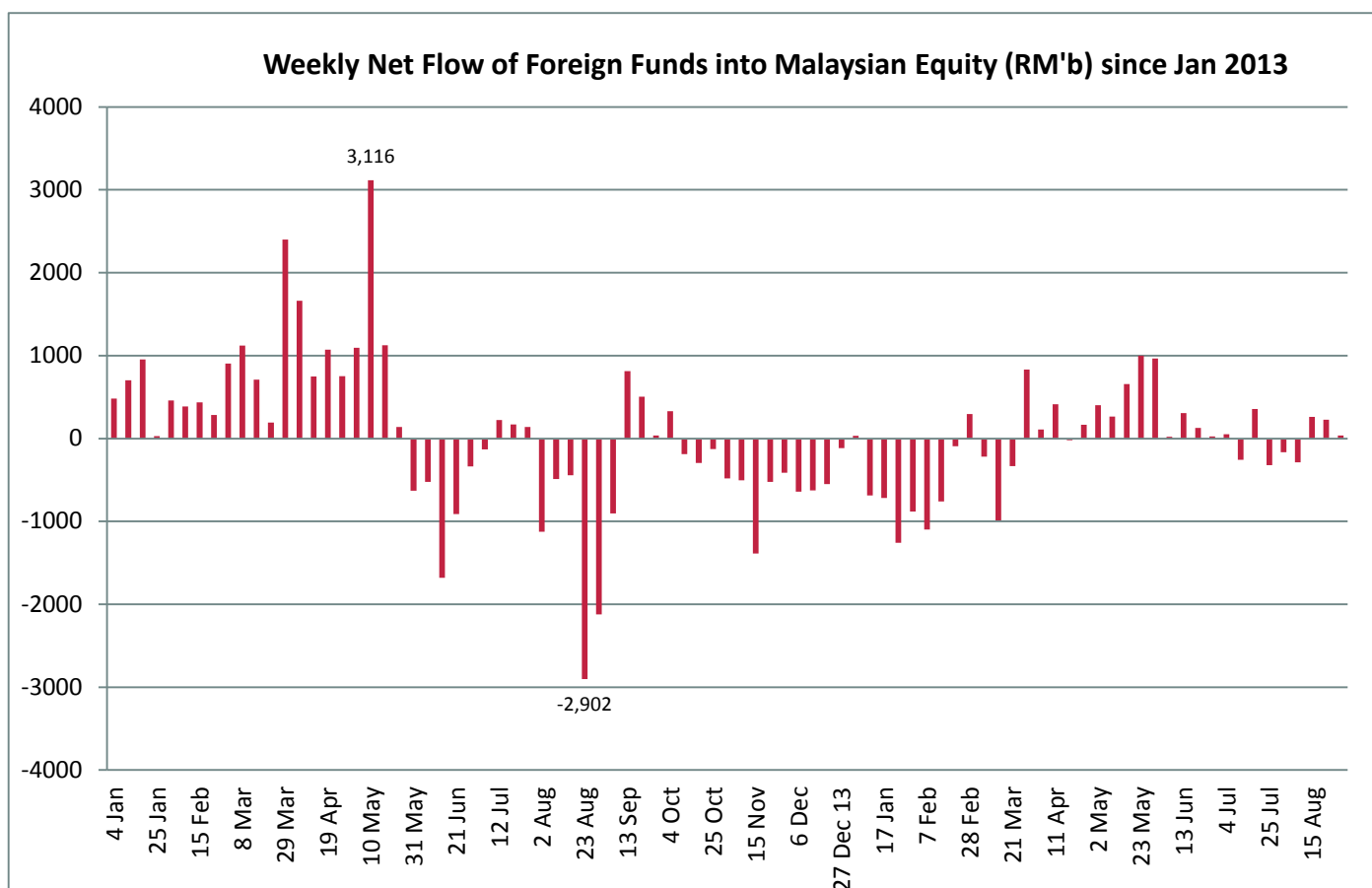
WEEK ENDED	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
MAR 7	127.4	163.8	96.1	139.3	838.9	355.4	-67.0	1654.0
MAR 14	-1245.6	-7.7	717.1	72.4	119.8	527.0	-301.2	-118.2
MAR 21	-616.2	2.4	284.4	49.7	1213.1	82.2	-101.9	913.6
MAR 28	426.4	164.0	174.4	135.3	1027.1	1041.5	253.1	3221.4
APR 4	1522.7	159.7	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	441.8	96.3	82.2	1451.9
AUG 22	499.0	32.7	54.3	96.5	288.7	956.6	71.5	1999.4
AUG 29	405.6	4.1	-56.5	189.1	139.2	948.8	11.7	1642.0

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

FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

- Foreign investors appeared to be getting edgy as evidenced by the flow of fund data last week. Although they were still overall net buyers for the week on moderate trading, the numbers of Friday suggest increasing aversion towards Malaysian equity.
- Investors classified as “foreign” bought only marginally in the open market (i.e excluding off-market deals) on Bursa. The net amount mopped up of only +RM36m net was among the lowest in a week this year.
- There was heavy foreign volume on Friday as gross trade (gross purchase and sale) surged to RM1.53b, the highest since 14 May (the daily average for the week was still moderate at RM902m). However, despite the heavy volume, selling was contained at -RM65.6m. It was not enough to warrant raising the alarm bell as there had been 36 days in 2014 when net sale exceeded RM100m in a day.
- On cumulative basis, foreign investors remained net sellers of Malaysian stocks in 2014, but the net *outflow* as of last Friday had declined to only -RM1.70b. In 2013, Malaysia reported a net inflow of +RM3.0b.
- Local participation rate remained elevated but declining. The average daily retail participation rate (average daily gross purchase and sale) fell to RM1.13b compared with RM1.50b the week before. Meanwhile, local institutions’ participation also decelerated to RM2.59b, from RM3.0b the week before.
- Retail investors remained generally on a selling mode, offloading -RM111.3m last week, the 20th consecutive week of a sell-down. We will remain sanguine on this segment of the market as long as participation volume remained elevated at >RM1b, which had been the case in the last 5 straight weeks. Meanwhile, local institutions bought a marginal +RM74.9m.

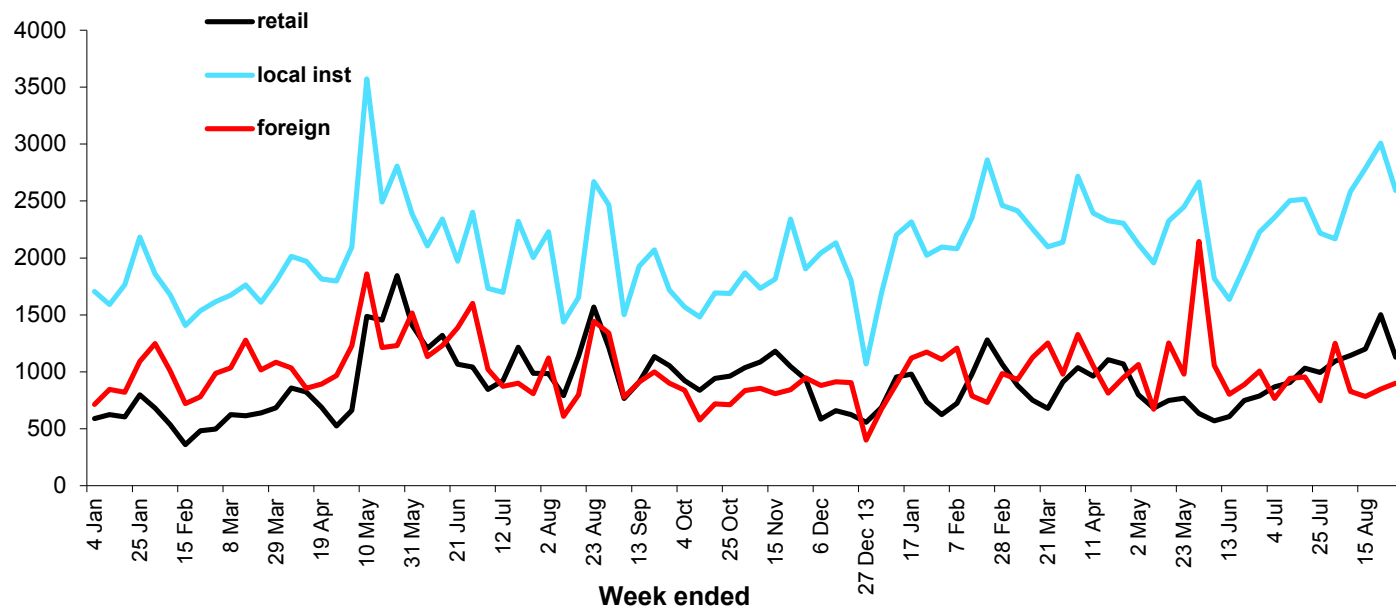


Source: Bursa, excluding off-market trades

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)*
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	82.2
AUG 22	3689.5	3819.6	-130.1	7473.0	7569.4	-96.4	2234.7	2008.2	226.5	71.5
AUG 29	2768.6	2879.9	-111.3	6523.4	6448.5	74.9	2272.6	2236.2	36.4	11.7

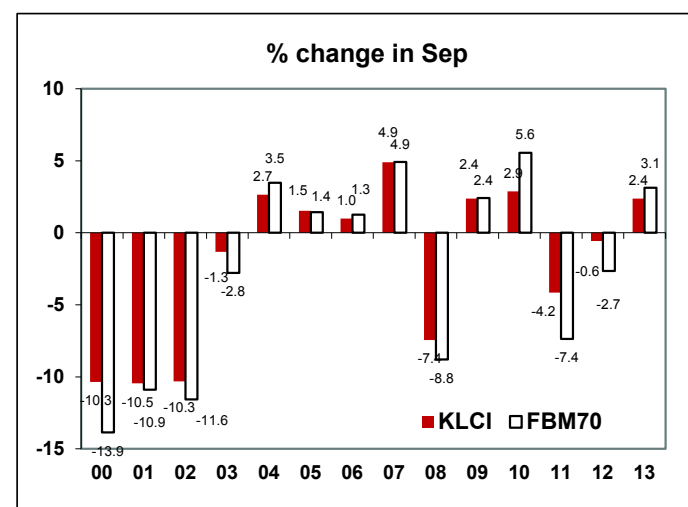
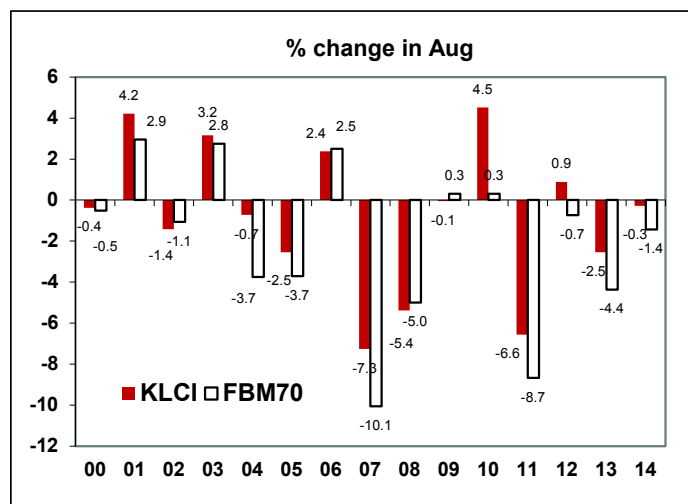
* Estimate by MIDF Research based on prevailing exchange rate.
Source: Bursa's preliminary data

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


E. THE WEEK AHEAD

TOUGH DAYS FOR A SWEET SEPTEMBER

- The market was behaviourally consistent in August. The KLCI lost -1.4% during the month, mirroring the loss recorded in the same month in 2011-2013. The FBM70 fell -0.3%.
- Although much of the activity on Bursa was dominated by the second and third liners, the FBM Smallcap Index declined in August. That was the first monthly decline in 2014.
- We expect trading to cross over to September on a rather cautious note. Historically, September is a rather unpredictable month. Even in the absence of an “event” shock, it can swing either way. The KLCI gained 2.4% in September 2013, but lost -0.6% and -4.2% in September 2012 and 2011 respectively.
- Some market fundamentals have turned badly south. CPO price fell below RM2,000pmt last week for the first time since March 2009. Although it appears to be bottoming out, any meaningful reversal is nowhere in the horizon. The CPO price chart shows a technically weak reading, with price deep in the “negative crossover” region (see chart). This is expected to weigh down on plantation stocks in the weeks to come. Sime Darby expects CPOI price to trade in the RM1,900-RM2,200 range until the end of the year.



HEAVY WEEK FOR THE ECONOMIC CALENDAR

- The week ahead is rather heavy for the economic calendar.
 - Malaysia’s trade statistics for July will be released on September 5. This will give insights into the country’s GDP growth in the third quarter;
 - The U.S will release the ISM statistics for manufacturing on Tuesday and its unemployment numbers for August on Friday.
 - The ECB’s meeting on Wednesday will be under close scrutiny for any indication of a quantitative easing (QE). Recall that Draghi’s speech at Jackson Hole indicated that the threat of price deflation may warrant a monetary easing program. While a possibility, the market is not expecting a QE yet, until after the ECB has assessed the impact of its targeted longer-term refinancing operations (TLTROs), starting in September.
- China’s PMI for August released yesterday declined to 51.1 from 51.7 in July, the first decline since February. It had a muted impact on the market.

CPO market in a bearish mode



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