

MALAYSIA EQUITY RESEARCH | AUGUST 10, 2015

Week Ended  
August 7, 2015

Foreign Flow Meter (M'sia)



Tide

(decline to)  
MODERATE



Current

(decline to)  
MODERATE

- Equity markets around the world remained on edge last week as the commodities price slump continued and more evidences point towards a Fed rate hike in September.
- The price of Brent crude oil fell further to USD48.61pb. On Friday, U.S reported an increase in nonfarm payroll by 215,000 in July and an unemployment rate at seven-year low of 5.3%. That reinforced expectations of a rate hike in September.
- Meanwhile, China's stock market rebounded from being the worst performer to the best gainer last week. Such a swing is indicative of how volatile the market is currently. The market was relatively calm last week as the authorities clamped down on short selling, program trading, and selling by large shareholders and brokers.
- Based on money flow, Indian equities appear to be among the most favoured by global investors. The Indian exchange reported a net foreign money inflow of USD278m, the fifth weekly surplus in the last seven weeks.
- The KLCI came under pressure last week, declining -2.4%, the second worst week this year.
- Overall, foreign money outflow from Bursa-listed companies abated but selling was intense in the last two trading days.
- Foreign investors have now been net sellers on Bursa for fifteen consecutive weeks, the longest stretch of back-to-back weekly selldown since the 2008 Financial Crisis. Last week, foreign investors sold listed equity amounted to RM487.8m net, from RM845.0m the week before.
- The FBM KLCI is approaching its 52-week low of 1,672 points, a near-term technical support. We expect this support level to hold unless the Ringgit situation continues to worsen.

10 August 2015 | Strategy - Weekly Fund Flow

## PRESSURE ON RINGGIT BUT THE TIDE IS MODERATE ON BURSA

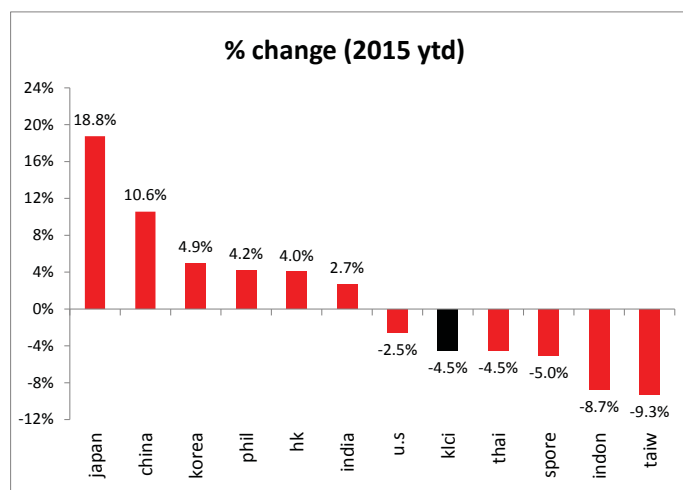
### A. MARKET SNAPSHOT

- Equity markets around the world remained on edge last week as the commodities slump continued and more evidences point towards a Fed rate hike in September.
- The price of Brent crude oil fell further to USD48.61pb while the West Texas Intermediate last traded at USD43.87pb. That pulled down the general price of commodities, with the consensus view being that the worst is yet to come. The supply glut story intensified last week as Baker Hughes' statistics show the number of oil rigs in the U.S. rising for the third straight week. This added to prevailing concerns over the expected increase in supply from Iran as a result of the nuclear deal.
- U.S unemployment data on Friday also dealt a blow to oil price as it points to a Fed rate hike in September. Nonfarm payroll increased 215,000 in July and the unemployment rate held at a seven-year low of 5.3%. The figures for June was revised upwards 231,000 (from 223,000) while that for May was bumped up to 260,000 (from 254,000). Jobs created have exceed 200k three months in a row.
- Meanwhile, the China market rebounded from being the worst performer to the best gainer last week. Such a swing is an indication of how volatile the market currently is. The market was relatively calm last week as the authorities clamped down on short selling, program trading, and selling by large shareholders and brokers.
- The KLCI came under pressure last week, declining -2.4%, the second worst week this year. The KLCI looked to be artificially inflated at the close of trading on Monday to 1744.19 points. When trading normalised on Tuesday, it appeared as though the market was under selling pressure, declining -1.2% for the day. The real selldown was actually on Thursday when the index fell a massive 30.92 points or 1.79%. That was the second steepest 1-day decline since 2 July 2008, when the index fell 1.80% in a day. On Thursday, the Ringgit depreciated -0.89% against the greenback, the steepest 1-day decline since the -0.90% decline on 23 June 2010.
- The USDMYR 12-month Non-Deliverable Forwards broke the psychological 1USD/RM4.00 level on Monday. That was arguably the trigger that caused a downward spiral of the currency during the week. Underlying the concern is the fact that Bank Negara's international reserves dipped below the psychological USD100b level at the end of July.
- Year-to-date, the KLCI is down -4.5% but is still ahead of the SET, STI, JCI and Taiex.

Performance of major markets		
Weekly % change	Week before	Last week
China CSI300	-8.61	2.36
DAX	-0.34	1.61
CAC	0.50	1.42
Nikkei 225	0.20	0.68
India Sensex	0.01	0.43
FTSE	1.77	0.33
Straits Times	-4.48	-0.18
Phil Comp	-1.51	-0.23
Hang Seng	-1.96	-0.34
Jakarta JCI	-1.11	-0.67
Thai SET	0.14	-0.67
Korea KOSPI	-0.77	-0.98
S&P500	1.16	-1.25
Dow Jones	0.69	-1.79
KLCI	0.14	-2.35
Taiwan Taiex	-1.17	-2.57

Source: Bloomberg

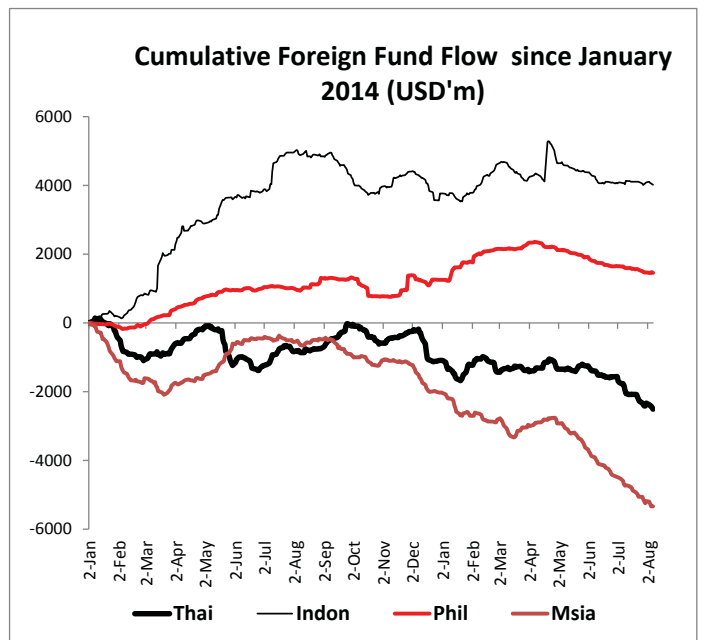
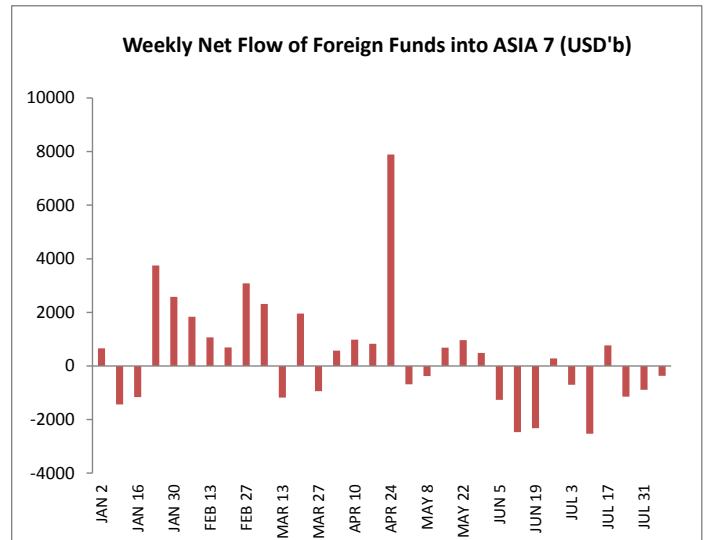
### Major Asian indices (2015)



Source: Bloomberg. All in local currency.

**B. TRACKING MONEY FLOW**

- Money flow in Asia remained sedate last week. Foreign investors were still net sellers but the amount declined significantly from that in the preceding week.
- Based on provisional data from the respective exchanges, investors classified as “foreign” were aggregate net sellers of listed equity in the 7 Asian<sup>1</sup> stock markets that we track (TIPs + India, Taiwan, Korea and Malaysia). The net amount sold was USD368m, easing from USD886m the week before .
- There was no particular market upheaval as investors appear to be adopting a wait-and-see approach. If anything, there was a noticeable jump in foreign money attrition in Bangkok, but the amount was still relatively moderate. Foreigners sold Thai stocks for the sixth consecutive week, pulling out USD172m, compared with USD52m the week before. Most of the selldown was likely from heavyweight energy stocks, namely PTT and PTT Exploration and Production. The Thai economy is slowing down and the Finance Ministry has downgraded its GDP growth forecast for the third time this year to 3%. Bank of Thailand has warned that growth may dip below that.
- Meanwhile, foreign selling was still marginal in Indonesia and Philippines.
- The Korean Won and Taiwanese dollar gained against the greenback last week, as there was no heavy foreign selling in the two markets. However, the Taixex was the worst performer last week, and the index has been under pressure after the disappointing 2Q15 GDP numbers. On Friday, custom statistics show that Taiwan’s exports suffered a 11.9%yoy decline in July, the sixth consecutive month of contraction.
- In favour currently is the Indian market, which reported a net foreign money inflow of USD278m, the fifth weekly surplus in the last seven weeks. The Rupee was also the best performing Asian currency last week. The Indian market is benefitting from lower crude oil price and the fallout in China. Indian is currently growing faster than China.



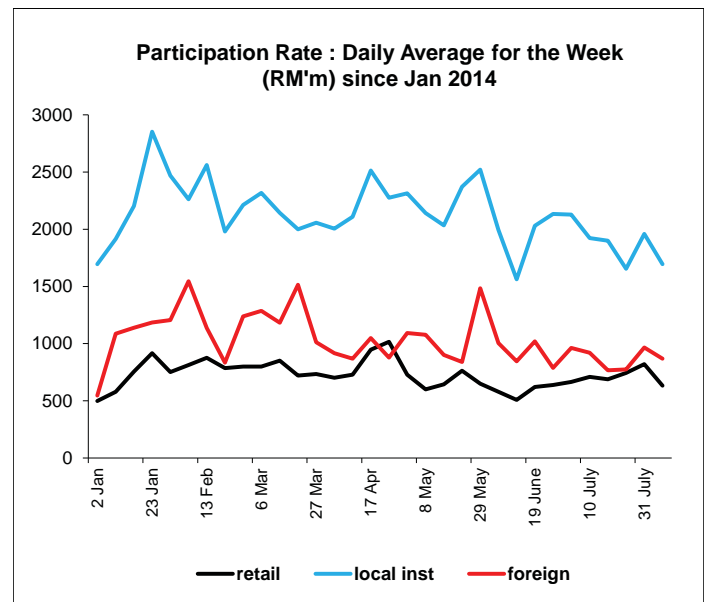
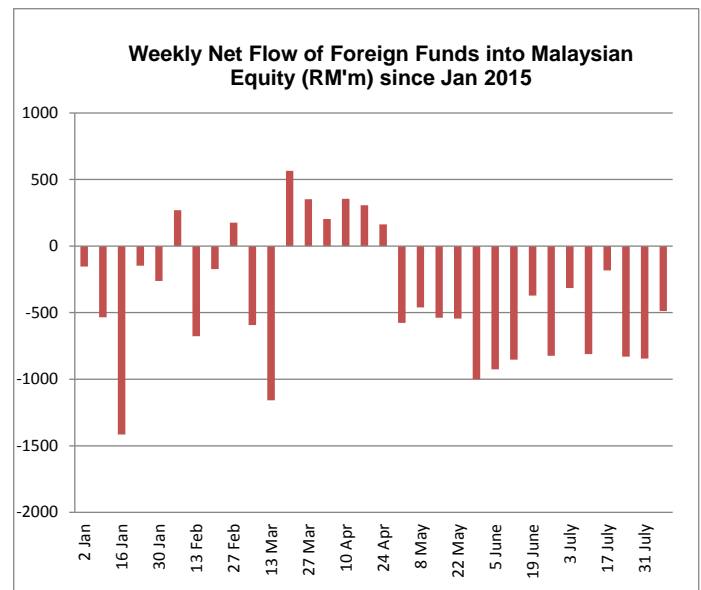
<sup>1</sup> These ASIA 7 markets, for which fund flow data is publicly available, are our proxy for Asia. TIP = Thailand + Indonesia + Philippines.

WEEKLY NET FLOW OF FOREIGN FUND INTO EQUITY (USD'm)								
WEEK ENDED	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
JUN 26	-57.5	17.5	-20.8	-48.4	120.5	489.2	-219.9	280.6
JUL 3	-45.5	-170.1	-0.3	6.5	-21.2	-387.1	-83.4	-701.2
JUL 10	-1227.8	-318.9	48.3	-55.1	362.0	-1120.9	-213.2	-2525.5
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	278.3	-89.4	-124.4	-367.9

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

C. TRACKING MONEY FLOW - MALAYSIA

- Overall, foreign money outflow from Bursa-listed companies abated but selling was intense in the last two trading days.
- Foreign investors have now been net sellers on Bursa for *fifteen* consecutive weeks, the longest stretch of back-to-back weekly sell-down since the 2008 Financial Crisis. Last week, investors classified as “foreign” sold equity listed in the open market on Bursa (i.e excluding off-market deals) eased to RM487.8m on a net basis, from RM845.0m the week before.
- There continued to be bargain hunting activities on Monday and Tuesday, as foreign investors bought moderately, extending their net purchases to three straight trading days. However, sentiment turned suddenly south on Wednesday, and selling became heavy on Thursday and Friday when the amount offloaded exceeded RM200m per day. The count is now at 28 times that the daily net sale had exceeded RM200m this year. For the entire 2014, there were 23 days during which net sale surpassed RM200m.
- For 2015, last week’s sell-down *increased* the cumulative net foreign outflow to RM12.2b, significantly surpassing the RM6.9b outflow for the entire 2014.
- Foreign participation rate eased to a “moderate” level with daily gross volume averaging RM869m last week. The daily gross volume had averaged RM1.0b this year.
- Local institutions mopped up RM447.8m in the open market last week, but participation rate dropped 13% to RM1.69b. Participation rate had been below RM2b five weeks in a row now.
- Bargain-hunting retailers nibbled in the market, buying RM40.0m net, on markedly lower participation. Average daily gross trade fell to RM632.7m, the lowest in 7 weeks.
- It is apparent that, in general, market activity is dropping as investors choose to stay on the sideline.



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)*
JUN 19	1581.3	1524.2	57.1	5234.3	4919.0	315.3	2363.2	2735.6	-372.4	-99.5
JUN 26	1585.3	1607.4	-22.1	5757.7	4910.9	846.8	1559.6	2384.3	-824.7	-219.9
JUL 3	1584.0	1739.9	-155.9	5552.9	5082.1	470.8	2246.5	2561.4	-314.9	-83.4
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	-124.4

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

## FUND FLOW REPORT

### D. TOP 100 STOCKS: MONEY FLOW <sup>2</sup>

#### TOP 10 NET MONEY INFLOWS

- Public Bank recorded the highest net money inflow of RM22.95m last week. Accordingly, its share price outperformed the broader market with a 0.42% weekly rise. In comparison, the FBM KLCI was down by -2.35% during the review week. The company recently reported a 13.29%yoy higher profit to RM1.2bil in 2Q15.
- Malayan Banking came in second with RM10.89m net inflow but its share price slightly underperformed the market benchmark with a -2.61% week-on-week decline. However, it must be highlighted that net money inflow amidst retreating share price indicates buy on weakness (BOW) stance among some investors.
- Fraser & Neave recorded the third highest net money inflow of RM10.16m and its share price starkly outperformed the FBM KLCI with a 1.21% weekly gain. The company is believed to be assessing the merits of business-trust structure in view of its rising cash pile. Last week, the company reported its net profit grew 37%yoy to RM82.9m in 3Q15.

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
PUBLIC BANK	22.95	-11.74	0.42	-
MAYBANK	10.89	15.97	-2.61	BOW
F&N	10.16	13.24	1.21	-
PETRONAS GAS	6.85	1.88	-1.27	BOW
DIGI.COM	3.07	10.80	-5.74	BOW
WESTPORTS	3.00	3.56	2.49	-
IOI CORP	1.67	-0.47	-4.25	BOW
INARI	1.65	-0.86	-7.56	BOW
RHB CAPITAL	1.58	1.31	-1.75	BOW
SUNWAY	1.49	4.51	-0.29	BOW

Source: Bloomberg, MIDFR;

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

#### TOP 10 NET MONEY OUTFLOWS

- Tenaga Nasional saw the largest net money outflow of -RM7.94m during the review week. Accordingly, its stock price underperformed as it ended the week lower by -6.56% against a smaller -2.35% decline in the FBM KLCI. The negative price reaction was arguably due to concerns over its intention to purchase power assets from Edra Energy.
- SapuraKencana came in second last week with a net outflow of -RM5.38m and its share price underperformed the market benchmark with a -4.49% weekly loss.
- Axiata Group registered the third largest net money outflow at -RM3.58m in the review week. Similarly, its share price underperformed the broader market with a -5.81% weekly decline.

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
TNB	-7.94	0.47	-6.56	-
SAPURAKENCANA	-5.38	-3.48	-4.49	-
AXIATA	-3.58	1.20	-5.81	-
IHH HEALTH	-3.47	0.96	-0.33	-
TM	-3.03	1.50	0.76	SOS
IJM CORP	-2.91	2.32	-3.82	-
DIALOG	-2.33	-0.91	-2.48	-
GAMUDA	-2.31	-2.22	-7.05	-
SP SETIA	-1.77	-0.09	3.28	SOS
ASTRO	-1.39	1.62	-2.28	-

Source: Bloomberg, MIDFR;

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

<sup>2</sup> 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

HOW BAD WILL AUGUST BE?

- Trading in August started on a rather ominous note. The KLCI is -2.3% down for the month while the FBM70 indices is already -3.4% in the red. We wrote last week that it could be a case of how bad the downside will be in August. It is time to take stock.
- The root problem is the general decline in commodity prices. That has been the main cause for the fall in the Ringgit. If that is the case, it is apparent that the Ringgit has overshot its fundamentals, *on the downside*. Malaysia is less dependent on petroleum and petroleum-related revenue and proceeds as perception may have led many to believe. The strong June export numbers unveiled last week showed a thriving "Electronics and Electrical" sector, amid weak oil & gas prices.
- Yet, the Non-Deliverable Forward (NDF) market for 12-month Ringgit broke the psychological USD/RM4 last week, and triggered a week-long slide in the currency (see chart).
- In the meantime, the yield on 10-year MGS continued to spike, hitting 4.18% on Friday (see chart). It could be foreign attrition, but data from Bank Negara suggests that foreign interests in MGS remained strong as at end of July (see chart). Things may have changed in the last 5 trading days. The outstanding foreign holdings in MGS at end-July was RM165.4b. That is a potential stress point which Malaysia need to tread with care.
- The important premise is that Malaysia and the world are not in an economic crisis like that in 1997-98 and 2007-08. In a non-crisis, the worst August since 1990 was 2011, during which the KLCI fell -6.6%. Using that as a benchmark, if the situation in the Ringgit and bond markets turn ugly in the weeks ahead, we expect strong support for the KLCI at the 1600 level.
- In the final analysis, it is all about placing things in their proper perspectives. And when things are seen in proper context, they do not appear that bad.

WEAK RINGGIT A BOON TO SOME

- The FBM KLCI is approaching its 52-week low of 1,672 points, a near-term technical support. We expect this support level to hold unless the Ringgit situation continues to worsen.
- Nevertheless, the weakening Ringgit is a boon to companies or industries with incomes and/or assets in US Dollar and other relative strengthening currencies such as the UK Pound. Hence we can expect near-term price outperformance among the glove makers such as Hartalega, shipping companies like MISC and the electronics exporters, among others, Globetronics. Moreover, property investment and development companies such as SP Setia with assets and projects denominated in the stronger currencies may also benefit from favourable forex translations.

12 month Ringgit NDF broke USD/RM4 last Monday

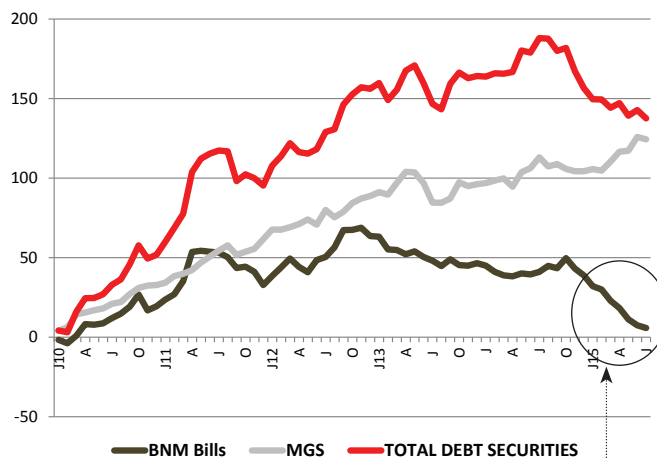


Spike in bond yield indicating foreign selling?



... but MGS remained a favoured foreign holding as of July

CUMULATIVE FLOW INTO BONDS SINCE JAN 10 (RM'b)



The big decline has been in holding of BNM Bills

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