

MALAYSIA EQUITY RESEARCH | MARCH 2, 2015

Week Ended February 27, 2015	Foreign Flow Meter	
<ul style="list-style-type: none"> The performance of equity markets around the world turned uneven last week. We detect a divergence in the fortunes of markets. In the U.S, focus shifted away from equity to bonds and treasuries after Chair Yellen indicated that the Fed may not raise interest rate so soon. European markets rallied as Greece received a lifeline. Global investors snapped up Asian shares after the Chinese New Year break. There has been a tidal wave of global money into Taiwan in the new Lunar Year. Korea also recorded its highest net inflow of foreign fund into its equity market this year. Meanwhile, Thailand appears to be struggling to retain foreign portfolio capital, while Indonesia remained the most favoured equity market in South East Asia. On Bursa, there was no Lunar Year rally in February. However, the KLCI and FBM70 indices overcame challenging market conditions to register a gain of 2.2% and 1.8% respectively for the month. It was the best February performance for the FBM70 in eight years. Institutional investors flocked back to the market after the Chinese new year break, but retailers remained on the sideline. Foreign investors may be making a comeback, but it is still early days to draw a conclusion. Foreign trading was lacklustre during the first four days last week, but came alive on Friday. Foreign participation rate is currently at its highest this year. 		Tide
		Current

2 March 2015 | Strategy - Weekly Fund Flow

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NEW YEAR TIDE

A. MARKET SNAPSHOT

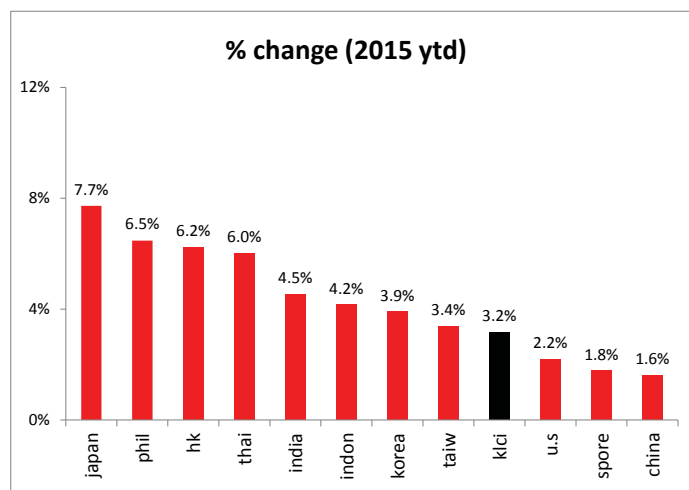
- The performance of equity markets around the world turned uneven last week. We detect a divergence in the fortunes of markets.
- In the bellweather Wall Street, prices slid for the first time in four weeks. The Dow Jones and S&P500 fell -0.04% and -0.27% respectively. Focus shifted away from equity to bonds and treasuries after Chair Yellen indicated that the Fed may not raise interest rate so soon. This is on account that the already low inflation is expected to decline further before moving towards the long-term target of 2%. Based on trading in the futures market, the market is pricing a 48% chance that the Fed may start rising interest rate by September.
- There was relief after the euro-zone finance ministers approved a 4-month bailout extension for Greece on Tuesday. Greece's new government has pledged to tackle tax evasion and corruption. The agreement, which Germany's parliament has voted to support, averted a potentially disastrous February deadline, which would have seen Greece default, go bankrupt and ultimately exit from the euro. The DAX rallied 3.2% last week, the best performer.
- China's stock exchanges were still closed on Monday and Tuesday. However it reopened for trading in the New Lunar Year on a positive note. Sentiment was also buoyed by the HSBC's flash PMI, which rose to 50.1 in February compared with 49.7 in January. A reading above 50 indicates an expansion in manufacturing activity from the previous month.
- On Saturday, Bank of China announced that it is cutting the benchmark interest rates for the second time in three months. The move reflects increasing concern over a slowing economy, caused by a property slump, tighter controls over local government debt and rising capital outflows. The 1-year deposit and lending rates will be lowered by 25%-points to 2.5% and by 25%-points to 5.35% respectively.
- In India, market response was lukewarm in a week when the government delivered a pro-growth budget. Budget deficit has been projected to narrow to 3.9% of GDP in fiscal year starting April 1, the lowest since 2008 but higher than previous target of 3.6 percent.
- The KLCI rose a steady 0.74% last week and has gained 3.16%ytd.

Performance of major markets

Weekly % change	Week before	Last week
DAX	0.80	3.18
Nikkei 225	2.34	2.54
CAC	1.50	2.50
China CSI300	1.51	1.43
Korea KOSPI	0.20	1.24
Taiwan TaieX	0.00	0.97
Jakarta JCI	0.48	0.93
KLCI	0.38	0.74
FTSE	0.61	0.45
Hang Seng	0.61	-0.04
India Sensex	0.47	-0.04
Dow Jones	0.67	-0.04
S&P500	0.63	-0.27
Straits Times	0.28	-0.95
Thai SET	-0.77	-1.03
Phil Comp	0.67	-1.21

Source: Bloomberg

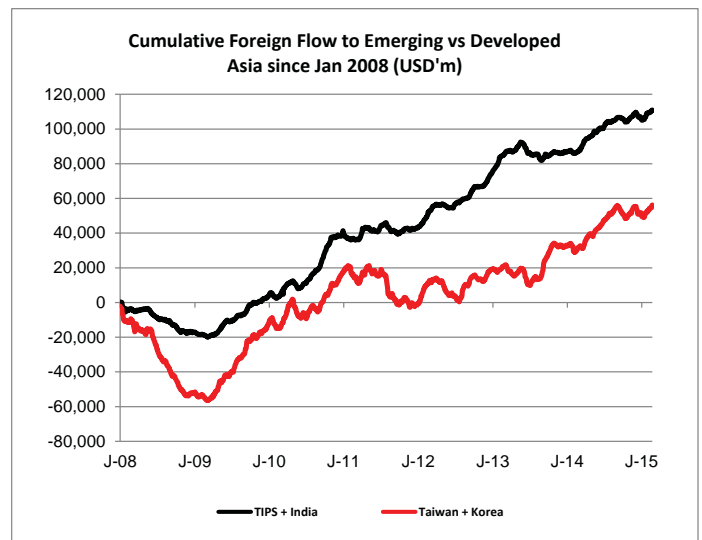
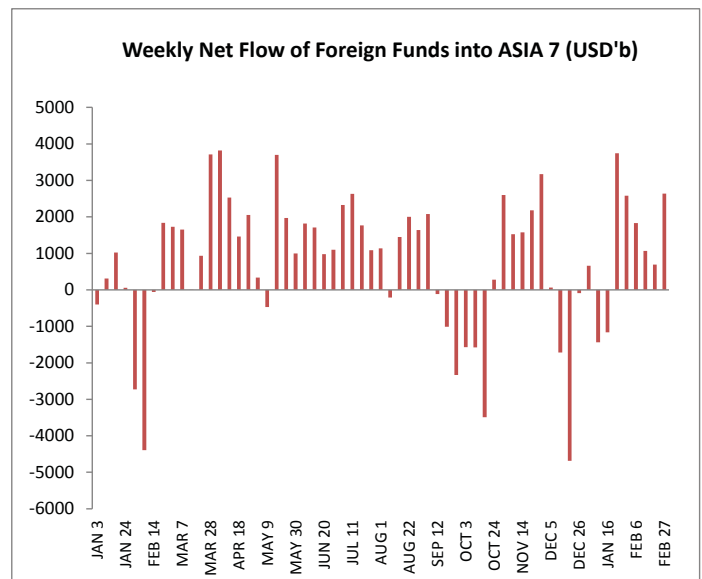
Major Asian indices (2015)



Source: Bloomberg

B. TRACKING MONEY FLOW

- Global investors snapped up Asian shares after the Chinese New Year break.
- Last week, based on provisional data from the respective exchanges, investors classified as “foreign” were, in aggregate, net buyers in the 7 Asian¹ stock markets that we track (India, Taiwan, Korea, Thailand, Indonesia, Philippines and Malaysia). The amount mopped up of USD2.64b was the highest in five weeks.
- In terms of money flow, Emerging Asia (as represented by the TIP + India + Malaysia markets) was outshined by Developed Asia² (as represented by Korea and Taiwan). Money flow to Developed Asia was more than double that to Emerging Asia.
- There has been a tidal wave of global money into Taiwan in the new Lunar Year. The market reopened on Tuesday, a day earlier than China. In the four days that the market was open last week, USD1.1b of global fund moved into Taiwan equity. Most of the money went into technology and financial stocks. These include companies such as Taiwan Semiconductor Manufacturing Company, Largan Precision, Pegatron, Fubon Financial and Cathay Financial. The government announced last week that the country’s current account hit USD65.3b in 2014, a record high.
- Korea also recorded its highest net inflow of foreign fund into its equity market this year. The exchange reported foreign purchases amounted to USD691m last week, the highest since November 2014.
- Korean technology, retailers and construction stocks have been at the forefront of foreign investors. These are stocks such as Samsung, Amore Pacific, Lotte Shopping and Shinsegae and Kumho Industrial.
- The Korean and Taiwanese markets have been the biggest beneficiaries in Asia of Chairman Yellen’s rather dovish statement on interest rate last week.



NET FLOW BY DESTINATION (USD'm)

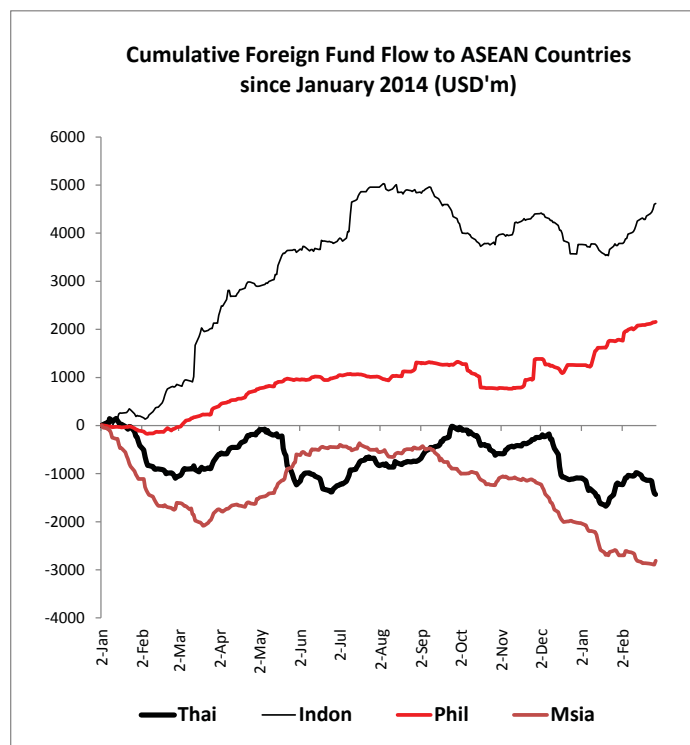
Year	TIPs + India	Taiwan + Korea	TOTAL	M'sia	Total (+M'sia)
2008	-17,195	-53,106	-70,301	n.a	n.a
2009	20,580	40,063	60,642	n.a	n.a
2010	35,690	29,234	64,924	n.a	n.a
2011	2,748	-17,801	-15,053	n.a	n.a
2012	31,302	19,976	51,278	4,385	55,663
2013	12,446	13,500	25,946	1,224	27,170
2014	20,093	18,874	38,967	-2,025	36,942
2015	5,278	5,475	10,753	-787	9,966

TIP = Thailand, Indonesia, Philippines.
Source: Bloomberg & Bursa statistics.

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

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.

- Among the TIPs markets, Thailand appears to be struggling to retain foreign portfolio capital. Foreign funds exited the Thai exchange for the second consecutive week, pulling out -USD293m last week, the highest this year. Although the current sell-down could reflect the natural ebb and cycle of money flow, we note that it coincided with an increase in political tensions in Bangkok. In addition, general sentiment was slightly affected by General Motors Co. announcement that it is stopping production of its Chevy Sonic model in Thailand. This was after it announced the cessation of its production in Indonesia. In Thailand, GM has a 3% market share on sale of 26,000 vehicles.
- Indonesia is currently the most favoured equity market in South East Asia. The Jakarta exchange has been a net beneficiary of foreign fund for the sixth consecutive week. It pulled in USD262m last week, enticing foreign funds with its active IPO market, reforms in the capital market, and cheap rupiah.



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

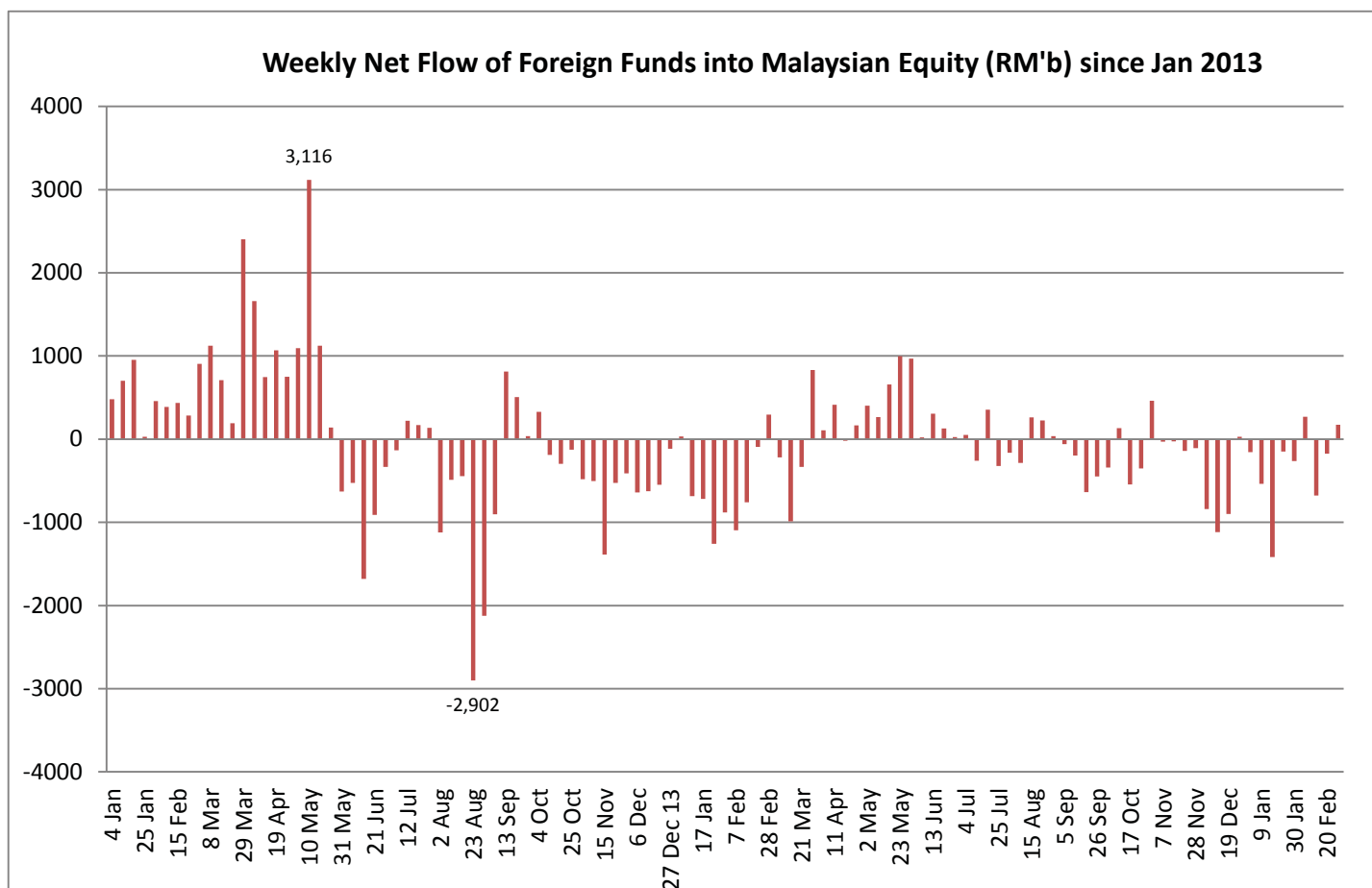
WEEK ENDED	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
AUG 29	405.5	4.1	-56.5	189.1	139.2	948.8	11.7	1641.9
SEP 5	440.6	213.1	70.6	-16.3	793.6	598.8	-19.2	2081.0
SEP 12	-204.8	88.6	-148.0	2.2	432.0	-222.7	-61.5	-114.2
SEP 19	-354.7	169.0	-171.5	-31.9	31.9	-456.9	-197.1	-1011.1
SEP 26	-661.0	253.5	-247.9	-6.1	-366.5	-1164.6	-137.8	-2330.5
OCT 3	-309.1	-75.9	-344.4	20.3	107.2	-866.0	-104.8	-1572.7
OCT 10	-716.4	-64.4	-88.9	-189.7	-304.0	-256.2	41.2	-1578.3
OCT 17	-1093.2	-248.8	-187.8	-299.9	-604.9	-888.2	-166.3	-3489.1
OCT 24	139.0	-93.8	30.5	-8.8	290.6	27.7	-107.5	277.7
OCT 31	219.3	-81.4	210.8	1.6	668.7	1439.5	140.2	2598.6
NOV 7	-248.9	129.9	-14.9	-17.9	891.6	797.9	-8.7	1529.0
NOV 14	-12.9	39.2	259.7	23.7	455.3	818.0	-8.1	1575.0
NOV 21	955.7	40.2	76.1	156.2	139.3	854.8	-42.2	2180.1
NOV 28	860.1	127.4	113.1	439.4	833.5	831.4	-32.5	3172.7
DEC 5	470.8	19.8	-65.5	-114.0	275.8	-279.9	-243.0	64.0
DEC 12	-696.2	-246.2	-110.6	-54.3	534.7	-824.2	-320.2	-1717.0
DEC 19	-1514.0	-593.7	-383.4	-111.1	-732.1	-1095.9	-257.7	-4687.8
DEC 26	-49.5	-46.4	-269.2	155.7	-292.8	405.2	8.0	-89.0
JAN 2	-144.6	26.6	194.0	-4.6	143.6	489.8	-44.1	660.7
JAN 9	-118.8	-191.0	14.0	-9.7	-440.3	-540.0	-150.3	-1435.5
JAN 16	-743.6	-283.6	-160.1	369.8	550.0	-499.0	-396.1	-1162.7
JAN 23	208.8	112.6	44.0	147.5	1081.0	2194.1	-41.5	3746.6
JAN 30	-410.7	290.4	121.1	19.8	1642.1	988.4	-71.9	2579.2
FEB 6	435.6	184.2	197.1	205.3	-107.4	841.9	75.3	1832.1
FEB 13	-89.7	51.7	271.0	86.0	-284.6	1222.2	-188.6	1068.1
FEB 20	129.0	-155.8	100.2	27.7	640.9	0.0	-48.3	693.7
FEB 27	691.3	-293.2	262.3	52.5	741.1	1134.6	48.8	2637.4

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

FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

- Institutional investors flocked back to the market after the Chinese new year break, but retailers remained on the sideline.
- Foreign investors may be making a comeback on Bursa, but it is still early days to draw any meaningful conclusion. After two weeks of selling, investors classified as “foreign” bought, on a net basis, local equity in the open market (i.e excluding off-market deals) amounted to RM175m net.
- The purchase was entirely attributable to the trades on Friday, as foreign investors were net sellers, albeit marginally, from Monday through to Thursday. Foreign trading was lacklustre during the first four days of the week, but came alive on Friday when an amount of RM282m was mopped up. That was the highest since 10 June 2014.
- Last week purchases reduced the cumulative net foreign outflow for 2015 to -RM2.82b. The cumulative foreign outflow for the entire 2014 was -RM6.9b.
- Foreign participation rate (daily average gross purchase and sale) surged to RM1.24b, the highest this year. On Friday, gross value traded hit RM2.15b, the highest since 21 March 2014.
- Local institutions sold marginally last week at -RM86m, as participation rate rebounded to RM2.2b. Local institutions have absorbed RM3.18b net so far this year. In 2014, they bought RM8.2b net.
- Retailers were still slow off the mark after the break. Trading activity was listless at only RM799m participation rate. Retailers sold -RM88.6m last week, the sixth straight week of selling.

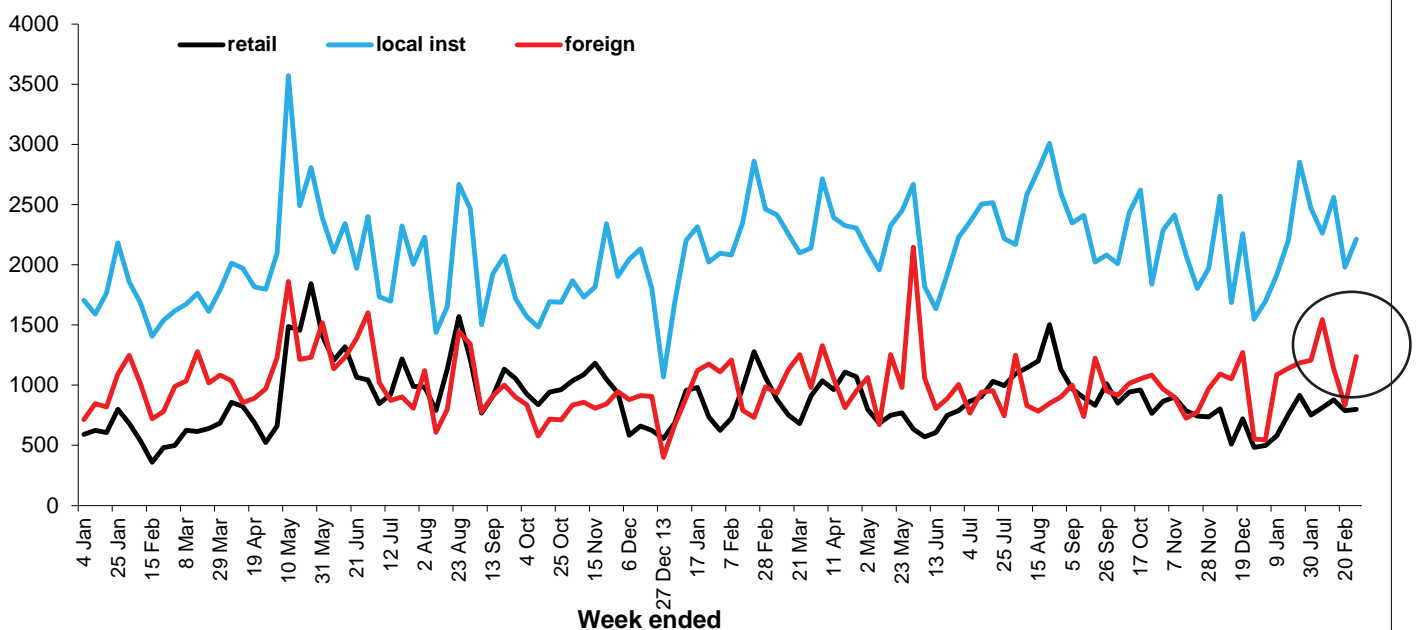


Source: Bursa statistics, excluding off-market trades

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)*
OCT 3	2135.1	2117.2	17.9	5183.9	4859.5	324.4	2116.0	2458.3	-342.3	-104.8
OCT 10	1974.1	1795.8	178.3	4705.7	5018.0	-312.3	2095.3	1961.3	134.0	41.2
OCT 17	2382.5	2422.3	-39.8	6843.7	6259.0	584.7	2358.9	2903.8	-544.9	-166.3
OCT 24	1436.6	1622.6	-186.0	3946.1	3408.8	537.3	1992.2	2343.5	-351.3	-107.5
OCT 31	2114.6	2222.5	-107.9	5549.8	5901.9	-352.1	2646.4	2186.4	460.0	140.2
NOV 7	2267.3	2234.2	33.1	6030.9	6034.3	-3.4	2233.9	2263.6	-29.7	-8.7
NOV 14	2011.5	1923.2	78.3	5176.2	5227.2	-51.0	1797.5	1824.8	-27.3	-8.2
NOV 21	1932.6	1780.0	152.6	4500.8	4511.8	-11.0	1871.5	2013.1	-141.6	-42.2
NOV 28	1847.2	1835.2	12.0	4977.1	4880.2	96.9	2376.0	2484.9	-108.9	-32.5
DEC 5	2139.0	1883.9	255.1	6715.5	6131.6	583.9	2314.1	3153.1	-839.0	-243.0
DEC 12	1276.9	1267.6	9.3	4771.1	3662.7	1108.4	2072.1	3189.8	-1117.7	-320.2
DEC 19	1741.3	1860.9	-119.6	6153.4	5135.8	1017.6	2732.2	3630.2	-898.0	-257.7
DEC 26	928.9	1003.4	-74.5	3119.6	3073.2	46.4	1120.0	1091.9	28.1	8.1
JAN 2	970.7	1028.0	-57.3	3496.5	3284.8	211.7	1016.0	1170.4	-154.4	-44.1
JAN 9	1501.3	1399.4	101.9	5003.6	4570.3	433.3	2448.0	2983.2	-535.2	-150.3
JAN 16	1928.4	1853.2	75.2	6176.1	4835.4	1340.7	2141.0	3556.9	-1415.9	-396.1
JAN 23	2198.9	2382.4	-183.5	7294.8	6963.4	331.4	2890.1	3038.0	-147.9	-41.5
JAN 30	1841.2	1917.3	-76.1	6342.7	6005.1	337.6	2885.6	3147.1	-261.5	-71.9
FEB 6	1167.3	1273.1	-105.8	3311.0	3473.8	-162.8	2452.0	2183.4	268.6	75.3
FEB 13	2157.5	2228.7	-71.2	6774.6	6025.7	748.9	2504.9	3182.6	-677.7	-188.6
FEB 20	974.6	992.4	-17.8	2570.6	2379.9	190.7	955.4	1128.3	-172.9	-48.3
FEB 27	1953.2	2041.8	-88.6	5488.1	5574.5	-86.4	3184.4	3009.4	175.0	48.8

* 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


FUND FLOW REPORT

D. THE WEEK AHEAD

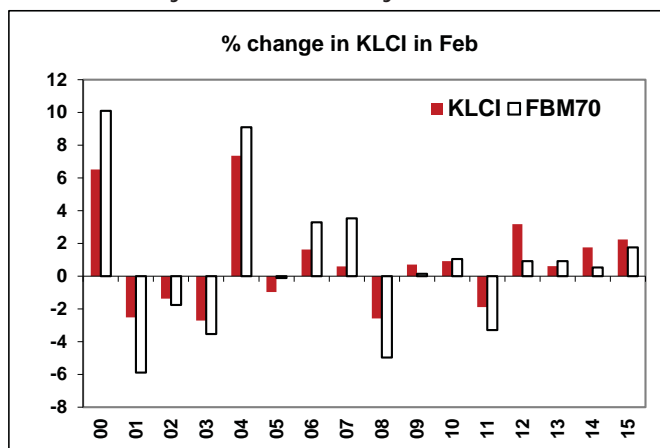
MORE PROMISING MARCH AHEAD

- There was no Lunar Year rally in February. However, the market quietly marched forward with decent gains.
- The KLCI and FBM70 indices overcame challenging market conditions to register a gain of 2.2% and 1.8% respectively for the month. While it was the best February performance for the KLCI in three years, it was the best in eight years for the FBM70 (see chart)! Still, the fact remains that February was a short month.
- We note that March had historically been a positive month. After the festivities-interrupted February, volume tends to pick up in March and price movements are likely to be more meaningful. How the month is going to pan out in 2015 is anybody's guess. However, taking the cue from the latest development on Wall Street, perhaps we can look forward to another decent month for equity.
- At the macro level, the latest developments coming out from Wall Street could mean better days ahead for the ringgit. The Fed has been signalling to the market that the economy is experiencing disinflation and interest rate is unlikely to be raised so soon. This week's payroll numbers are likely to indicate that weak patches remain in the economy.
- Meanwhile, Bank Negara will be releasing its inflation forecast for 2015 this month, in conjunction with the release of its Annual Report. Bank Negara has indicated its view that the ringgit is undervalued, and we believe that the currency has formed a base from which a recovery is a possibility. After all, the current phase of weakness has lasted 6 months.
- The KLCI, FBM70 and FBM Smallcap indices are now above their respective 50-day moving average line. More importantly, they are not that far away from the 200-day moving average (200DMA) line – the long-term resistance. As of Friday the KLCI was a mere 0.5% below the 200DMA, while the FBM70 and FBM Smallcap was 1.5% and 3.0% respectively away.

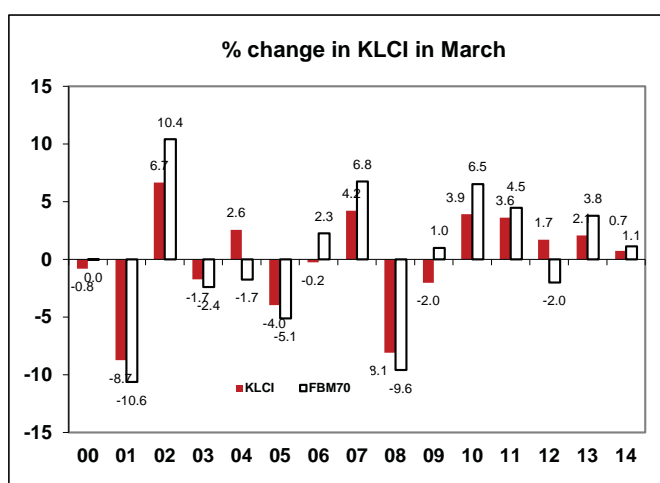
CORPORATE EARNINGS CONTINUE TO GROW

- 4QCY14 earnings, although generally disappointing relative to expectations, was decent given the upheavals caused by the oil price. Aggregate earnings of KLCI constituents came in at circa RM15b against our earlier estimate of RM16.4b. The shortfall was notable among some key stocks in various sectors such as plantation, banking and oil & gas. Some of the underperforming heavyweights include Sime Darby, IOI Corp, KL Kepong, FGV, CIMB and Bumi Armada.
- It must be noted however that despite the weaker than expected results, KLCI aggregate adjusted earnings declined by mere -2%yoy and actually jumped by nearly 10%qoq in 4QCY14.

Best February for FBM70 in 8 years



Historically more promising March!



Ringgit has been struggling to break the short-term resistance



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