

13 January 2014
MALAYSIA EQUITY



FUND FLOW REPORT

Week Ended Jan 10, 2014

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FOR IMPORTANT DISCLOSURES**

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13 January 2014 | Strategy - Weekly Fund Flow

NO “JANUARY EFFECT”

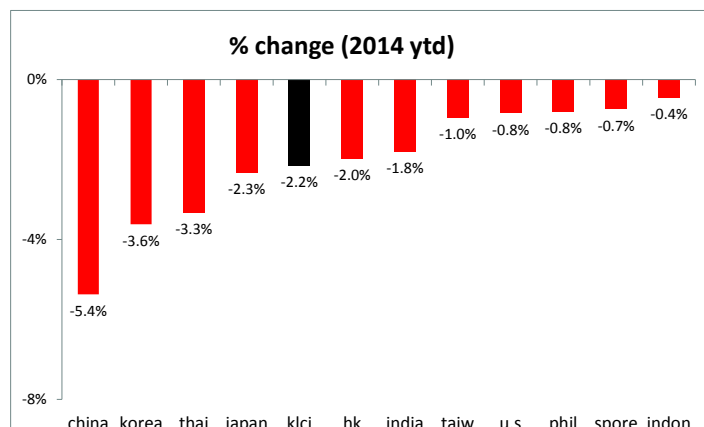
MARKET SNAPSHOT

- The second week of 2014 remained challenging for many markets. However, except at the extremes, we note that most markets moved marginally.
- On Wall Street, share prices in general closed higher with the S&P500 gaining +0.6% for the week, although the narrower-based Dow Jones with its 30 stocks remained relatively unchanged. A worse-than-expected job report on Friday raised optimism that the Fed will not be so aggressive with its rollback of quantitative easing. Non-farm payroll rose by only 74,000 in December, much lower than the 197,000 median forecast in a Bloomberg survey. It rose by a revised 241,000 in November. However, unemployment rate dropped by a steep 0.3% point to 6.7%, the lowest since October 2008. Apparently more people de-registered themselves from seeking jobs and officially left the labor force.
- None of the central bank (that we track) which met last week, specially the ECB, Bank of Korea and Bank of Indonesia, revised their policy rates.
- The sell-down in China worsened last week with the CSI300 dropping -3.8%. Data released last week shows that the growth of China’s non-manufacturing sector is decelerating, while its trade balance is shrinking. Meanwhile, Thailand rebounded by +2.5% amid the political chaos as global investors took advantage of distressed valuation.
- The KLCI remained uninspiring, losing -0.4%. The index has lost -2.3% this year although it remained resilient above the 1800 level. Malaysia’s trade balance rose to RM9.72b in November, from RM8.23b in October, the largest in 20-months.

Performance of major markets

Weekly % change	Week before	Last week
Thai SET	-5.70	2.52
DAX	-1.82	0.62
S&P500	-0.51	0.57
Straits Times	-0.58	0.40
FTSE	-0.36	0.20
Hang Seng	-1.83	0.13
CAC	-0.65	0.01
Dow Jones	-0.22	-0.03
Jakarta JCI	1.06	-0.06
Taiwan Taiex	0.13	-0.20
Korea KOSPI	-2.80	-0.39
KLCI	-1.41	-0.44
India Sensex	-1.61	-0.45
Phil Comp	0.99	-1.77
Nikkei 225	0.69	-2.33
China CSI300	-0.55	-3.75

Source: Bloomberg



TRACKING MONEY FLOW

- Still in the early days of 2014, global investors are keeping a generally neutral exposure towards Asian equity. Based on aggregate data from seven proxy Asian markets that we track (Korea, Taiwan, Thailand, Malaysia, Indonesia, Philippines and India*), foreign funds bought only a marginal +USD294m (net) of stocks in the aforementioned markets. In the preceding week, foreign investors sold -USD400m.
- Among the markets, an emerging frontrunner among preferred destinations appears to be Thailand, although the rate of fund inflow is still low. Foreign funds bought +USD71.3m last week, the second week that they added Thai stocks to their portfolios. Funds are returning after offloading almost -USD2.8b of Thai stocks in the last two months of 2013. The crisis in Thailand is seen as an opportunity as prices have imploded and valuation at depressed level.
- Elsewhere, buying continued in Taiwan and resumed in Korea.
- Emerging Asia, excluding Thailand, is out of favour among global funds currently. Foreign investors were net sellers in Indonesia, Philippines, India and Malaysia. India may be reporting its first outflow in 19 weeks, while foreign selling in Malaysia turned aggressive last week.

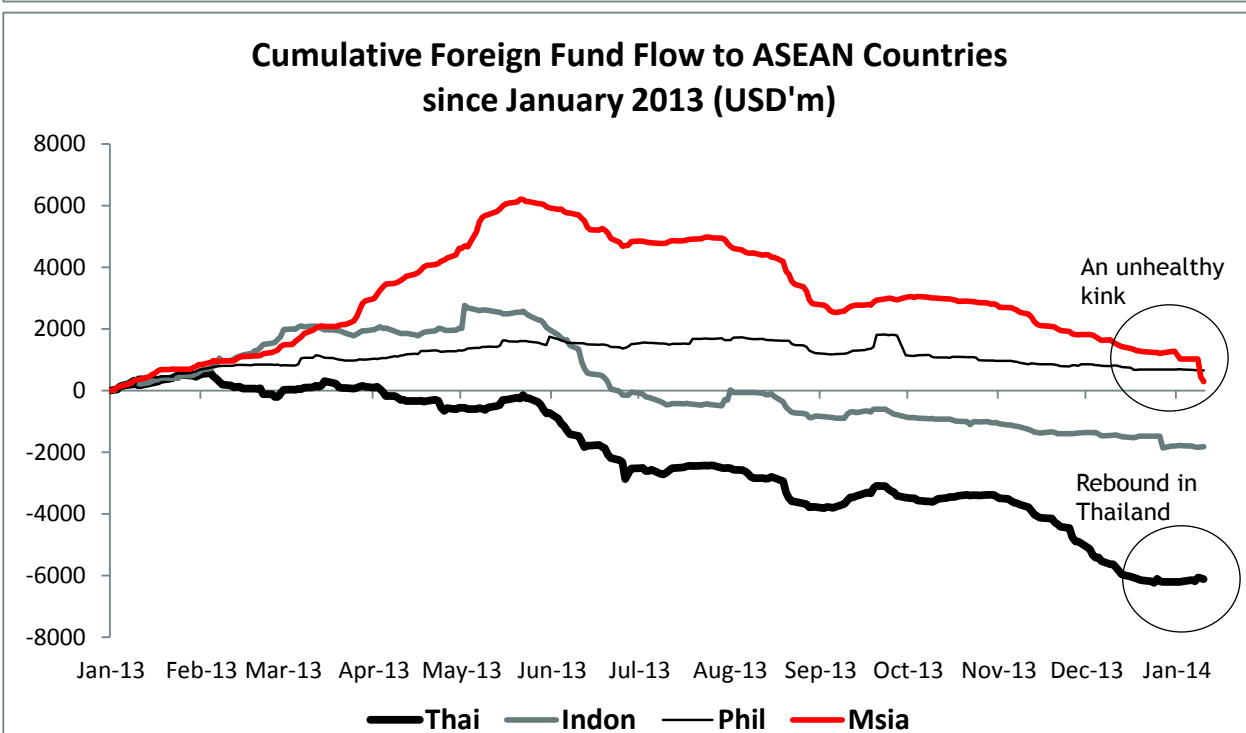
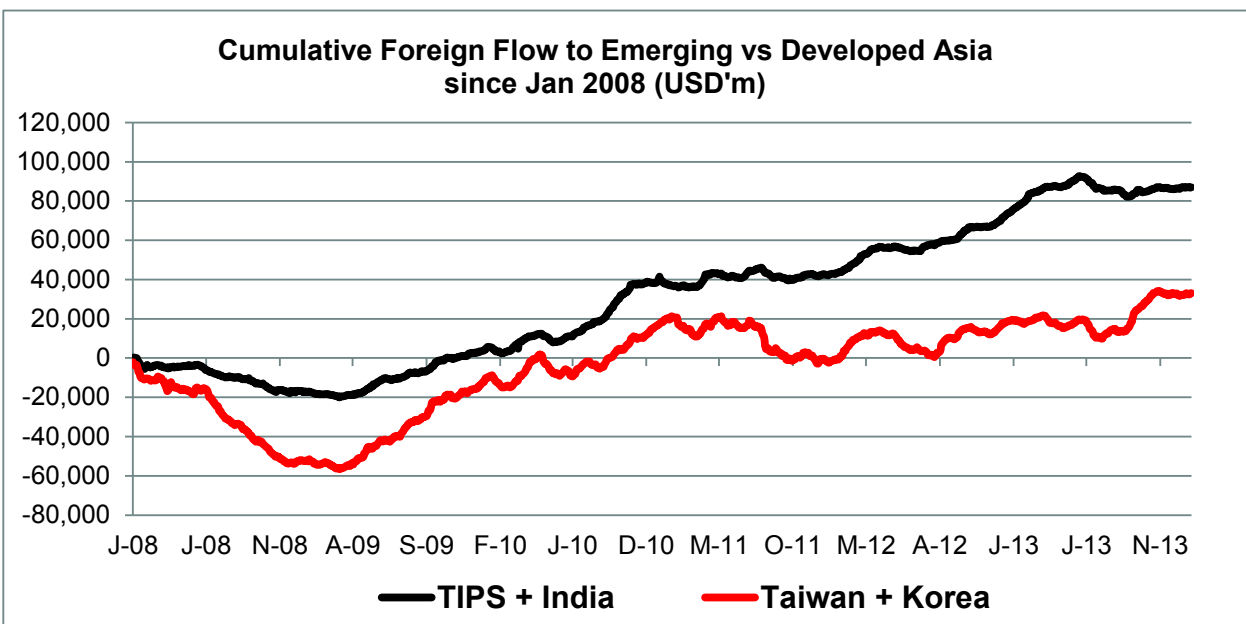
* These markets, for which fund flow data is publicly available, are our proxy for Asia.

WEEKLY NET FLOW OF FOREIGN FUND INTO EQUITY (USD'm)								
WEEK ENDED	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
JUL 26	834.4	13.4	-22.5	1.5	-84.0	853.0	43.5	1639.4
AUG 2	333.3	-137.5	401.9	33.1	150.4	323.1	-346.1	758.2
AUG 9	-320.4	-268.6	0	-41.3	-13.8	-1202.3	-151.0	-1997.4
AUG 16	652.3	14.3	-131.9	-45.8	47.4	-195.0	-135.9	205.3
AUG 23	350.0	-781.8	-534.3	-153.3	-645.6	-533.2	-881.4	-3179.6
AUG 30	1151.4	-161.5	-99.6	-262.1	-453.2	417.2	-638.5	-46.2
SEP 6	1476.5	-0.3	-73.2	-27.0	344.1	1178.7	-274.0	2624.8
SEP 13	3603.4	342.1	184.2	108.7	645.0	1475.0	248.0	6606.3
SEP 20	861.7	333.3	103.1	514.2	979.9	783.4	159.3	3734.9
SEP 27	1076.8	-322.4	-170.2	-18.3	108.3	774.2	11.6	1460.0
OCT 4	948.3	-149.9	-116.2	-643.4	180.8	792.1	101.2	1112.9
OCT 11	1127.5	54.0	-27.0	-66.3	505.4	398.1	-59.1	1932.5
OCT 18	1341.2	97.9	-63.6	10.7	723.7	876.2	-93.7	2892.4
OCT 25	1077.1	16.2	-20.4	-105.8	672.4	254.3	-40.3	1853.6
NOV 1	525.2	-96.5	-69.2	-7.2	798.2	467.4	-152.0	1465.9
NOV 8	-619.2	-202.7	-97.4	-77.9	209.3	-12.5	-158.4	-958.8
NOV 15	-263.9	-377.6	-175.0	-40.1	108.3	-586.1	-392.2	-1726.5
NOV 22	72.1	-285.4	-20.5	-57.1	311.5	-778.6	-164.1	-922.2
NOV 29	403.2	-532.2	24.7	59.1	210.8	665.8	-127.6	704.0
DEC 6	-729.4	-586.1	-96.9	-46.0	448.6	265.8	-198.9	-942.8
DEC 13	-1071.1	-428.4	-34.2	-47.1	821.0	580.8	-194.2	-373.2
DEC 20	2.9	-194.2	21.7	-77.3	969.8	37.4	-168.7	591.6
DEC 27	98.7	-52.0	-384.2	-2.1	222.1	277.4	-34.6	125.3
JAN 3	-564.8	18.1	15.1	3.1	116.4	2.2	10.3	-399.6
JAN 10	389.6	71.3	-29.6	-36.3	-71.9	180.6	-209.3	294.4

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

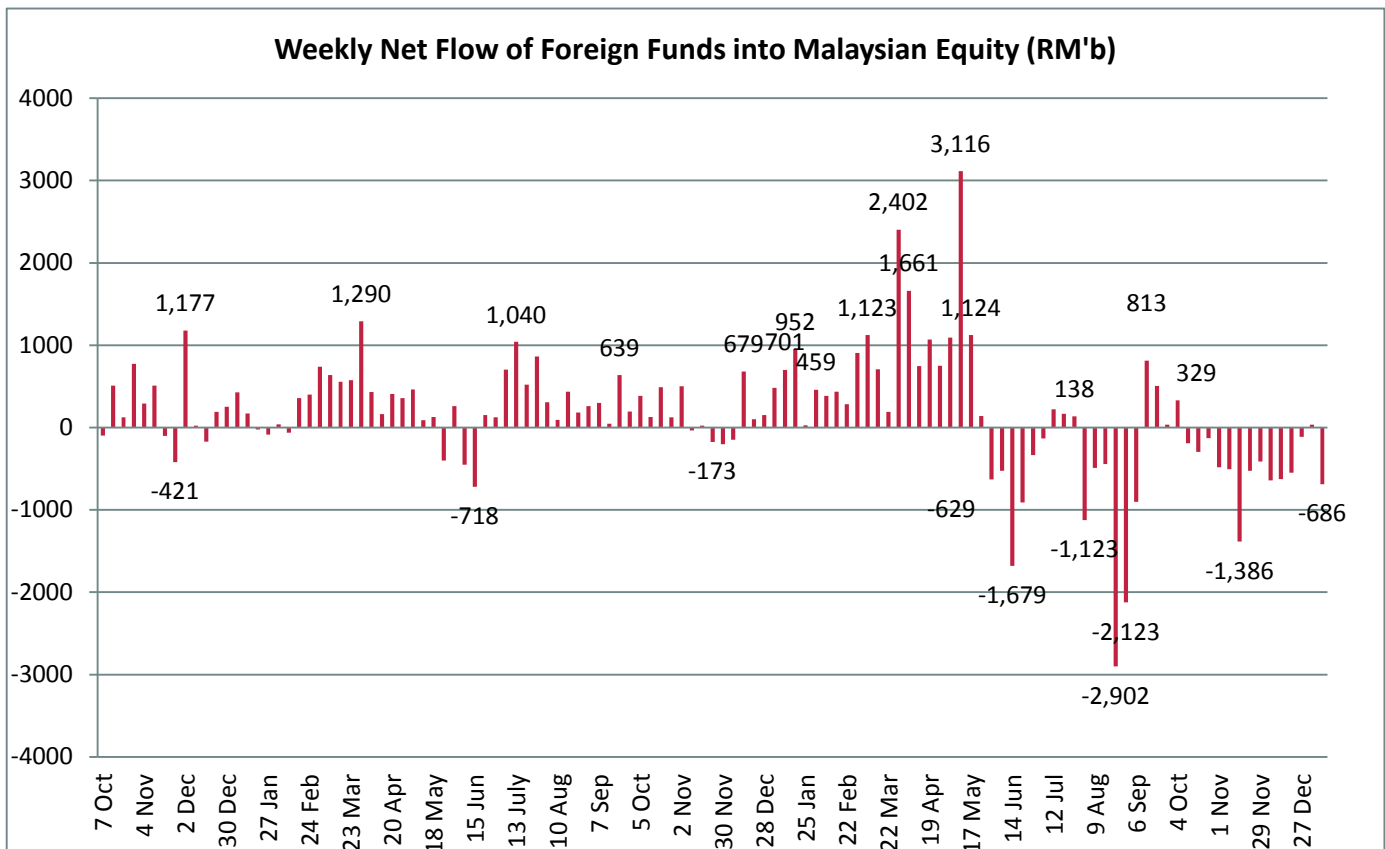
NET FLOW (USD'm)	TIPs + India	Taiwan + Korea	Total
2008	(17,195)	(53,106)	(70,301)
2009	20,580	40,063	60,642
2010	35,690	29,234	64,924
2011	2,748	-17,801	-15,053
2012	31,302	19,976	51,278 (55,663*)
2013	12,446	13,500	25,946 (27,170*)
2014	86	8	94 (-157*)

TIP = Thailand, Indonesia, Philippines * including Malaysia



MALAYSIA

- After 7 trading days in 2014, it is clear that foreign investors' appetite for Malaysian equity is currently very low. Foreign funds sold -RM686.4m net of Malaysian stocks in the open market (i.e. excluding off-market transactions) last week, the highest in two months.
- In the last 14 weeks, a total of -RM6.5b of foreign money had exited Malaysian equity, or an average of -RM464m a week.
- Foreign funds were net sellers every single trading day last week. Foreign selling was aggressive on Thursday and Friday, offloading -RM211.2m and -RM327.2m respectively. The selldown on Friday was the highest in a day since November 13, when -RM427m left amid trepidation over the U.S Government shutdown.
- However, we note that although foreign participation increased last week, the level of activity did not reflect an "exodus". Participation rate (average daily gross purchase and sale) rose to RM893m, still less than the RM1b mark, and about RM100m lower compared with the daily average of RM991m in 2013.
- Local retailers are returning to the market, and were net buyers for the second week running. We note however that retailers sold on Friday, probably on profit taking ahead of the holidays this week. Participation rate surged last week to RM957m, from RM688m the week before.
- Local institutions continued to absorb the selling by foreign funds. Local funds bought +RM584.7m net last week on a significantly active participation. Participation rate surged past the RM2b mark at RM2.2b. It was only the fourth time it exceeded the mark since September last year.

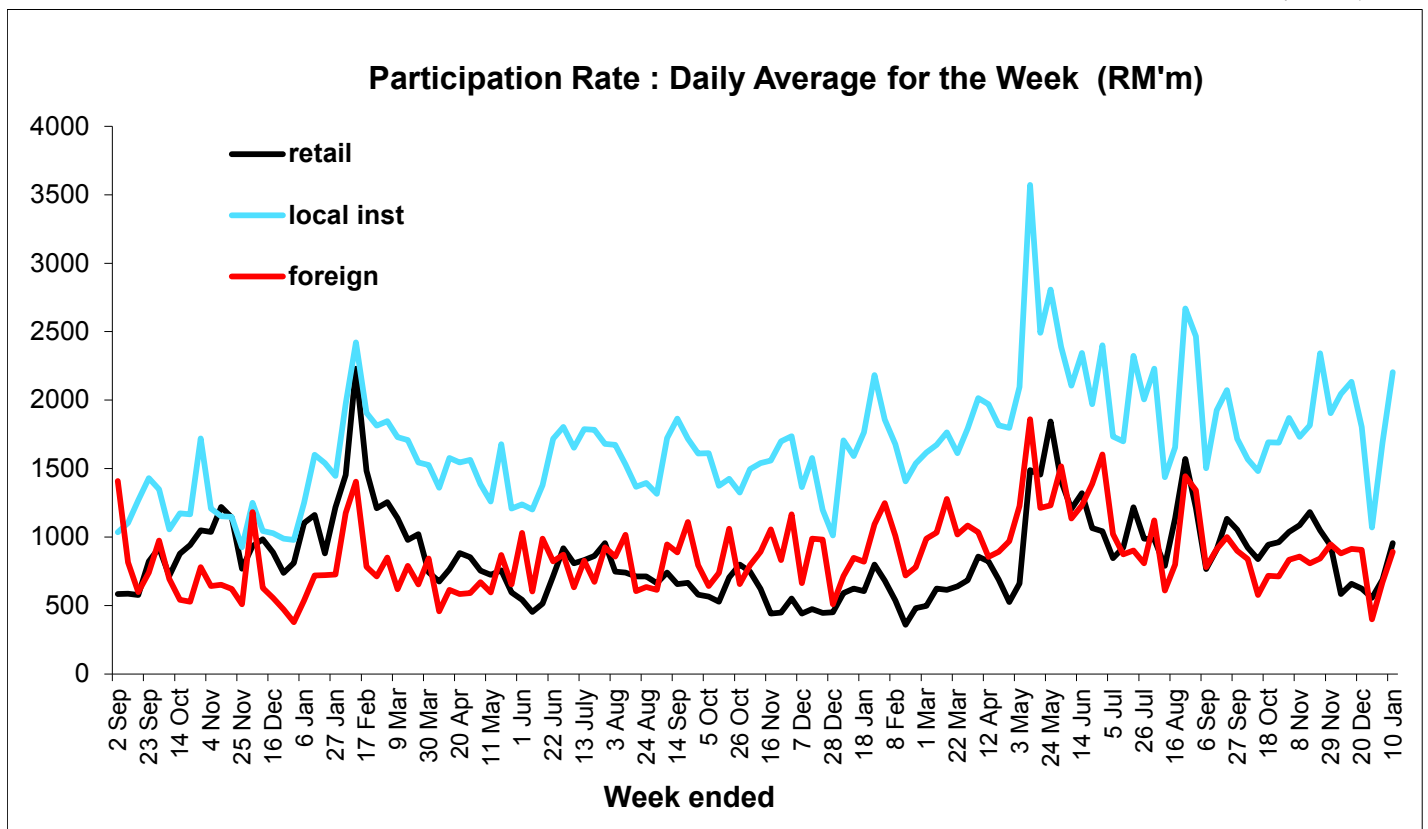


Source: Bursa, excluding off-market trades

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)*
AUG 23	4048.6	3800.2	248.4	7999.4	5345.6	2653.8	2158.9	5060.5	-2901.6	-881.4
AUG 30	2895.8	3168.5	-272.7	7364.5	4968.9	2395.6	2291.1	4414.0	-2122.9	-638.5
SEP 6	1872.8	1963.6	-90.8	4254.0	3261.4	992.6	1497.2	2399.0	-901.8	-274.0
SEP 13	2180.6	2366.7	-186.1	4502.3	5128.7	-626.4	2684.6	1872.1	812.5	248.0
SEP 20	2168.8	2365.8	-197.0	3989.5	4299.1	-309.6	2254.3	1747.7	506.6	159.2
SEP 27	2683.8	2587.5	96.3	4226.3	4359.1	-132.8	2269.1	2232.6	36.5	11.6
OCT 4	2256.2	2363.7	-107.5	3809.5	4030.8	-221.3	2259.6	1930.8	328.8	101.2
OCT 11	2020.9	2170.4	-149.5	3876.1	3537.8	338.3	1349.2	1538.0	-188.8	-59.1
OCT 18	1816.5	1955.4	-138.9	3602.3	3167.0	435.3	1288.5	1584.9	-296.4	-93.7
OCT 25	2409.8	2403.9	5.9	4283.2	4161.8	121.4	1716.7	1843.9	-127.3	-40.3
NOV 1	2556.7	2625.3	-68.6	4946.3	4397.6	548.7	1847.7	2327.8	-480.1	-152.0
NOV 8	2174.4	2175.4	-1.0	3716.8	3211.9	504.9	1461.7	1965.6	-503.9	-158.4
NOV 15	3059.2	2849.4	209.8	5127.8	3951.8	1176.0	1329.1	2714.9	-1385.8	-432.1
NOV 22	2677.1	2564.3	112.8	6058.6	5646.9	411.7	1849.3	2373.8	-524.5	-163.9
NOV 29	2297.5	2383.0	-85.5	5008.0	4511.5	496.5	2161.8	2572.8	-411.0	-127.6
DEC 6	1430.9	1488.7	-57.8	5460.6	4761.0	699.6	1880.9	2522.7	-641.8	-198.9
DEC 13	1632.9	1663.1	-30.2	5660.6	5005.1	655.5	1971.4	2596.7	-625.3	-194.2
DEC 20	1557.5	1560.2	-2.7	4785.3	4233.7	551.6	1992.6	2541.5	-548.9	-168.7
DEC 27	1092.9	1134.9	-42.0	2216.3	2060.2	156.1	743.2	857.3	-114.1	-34.6
JAN 3	1391.3	1360.9	30.4	3345.9	3410.2	-64.3	1359.3	1325.4	33.9	10.3
JAN 10	2442.1	2340.4	101.7	5799.8	5215.1	584.7	1889.8	2576.2	-686.4	-209.3

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



THE WEEK AHEAD

NO REBOUND IN FBM KLCI EXPECTED

- We expect the KLCI to remain lacklustre this week. The index is still holding out at a level above the 50-day moving average (50-DMA) line (see chart). The immediate support will therefore have to be 1822 points, the 50-DMA. The KLCI is currently only 5 points away from that critical support.
- It baffles us as to why some headlines are drumming up expectations for the market to rebound this week. To begin with, it will be a 3-day holiday-shortened trading week. Therefore, expect some aversion to long positions. In addition, within context, the market has actually been performing in line with recent year experiences. In the last six years, the KLCI had struggled in January. In other words, Bursa had been bereft of the so-called “January effect” in the last six years. Last year the KLCI lost -3.6% in January; until last Friday it had lost -2.2% (see chart)
- We wrote last week maintaining our view that the KLCI is only *fundamentally* supported at 1800 points, consistent with its long-term valuation and earnings growth prospect. At current level, the KLCI still reflects the state of liquidity in the system. It is local liquidity which is supporting prices.

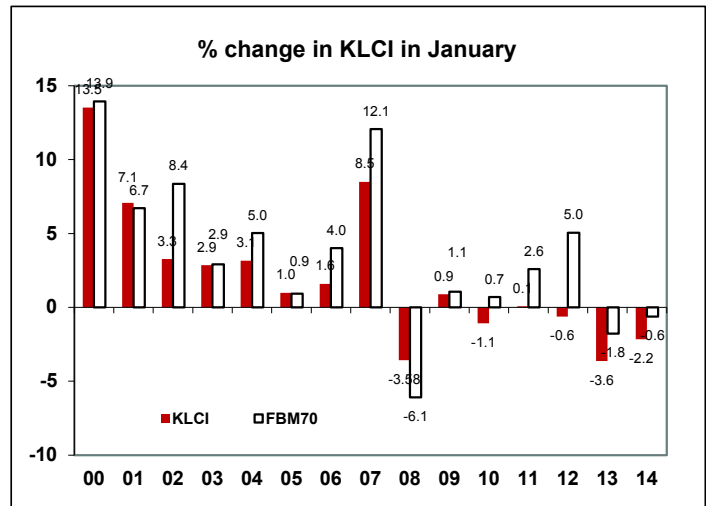
LOW APPETITE FOR RISK OUTWEIGHING THE POSITIVES

- On balance, we believe fundamentals are still weighted towards the negatives this week. Undoubtedly, there have been some positive developments of late. Malaysia’s trade balance surged in November, easing concerns over the state of its current account. Industrial production also grew strongly in November by 4.4%yoy, exceeding expectations.
- The ringgit has also had a good run this year, and gained +0.6% against the greenback last week to USD/RM3.2695, its best weekly march in about 3 moths.
- However, globally, the appetite for equity is rather low currently. Oil price has been sliding, and although it rebounded on Friday, the short-term fundamentals are weak. The price of the West Texas Intermediate (WTI) climbed USD1.06 on Friday to USD92.72pb, but there is rising expectation that it may fall below USD90pb. Global supply has been rising (which explains why the Sudan crisis has not had lasting effect on prices), while consumption is falling in the U.S. Oil price has a positive correlation with equity prices.
- We are also concerned over the impact of oil price on the general level of commodity prices. CPO price fell sharply last week to RM2,497pmt, only the second day it fell below the critical RM2,500pmt support in about 3 months (see chart). Generally, stock prices on Bursa do not tend to perform well in times of declining commodity prices.

KLCI still holding above 50-DMA



So far, Jan 14 is turning out to be like Jan 13



CPO price fell sharply last week



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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	<i>Negative</i> total return is expected to be -15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.



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