

27 January 2014  
**MALAYSIA EQUITY**



# **FUND FLOW REPORT**

**Week Ended Jan 24, 2014**

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FOR IMPORTANT DISCLOSURES**

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27 January 2014 | Strategy - Weekly Fund Flow

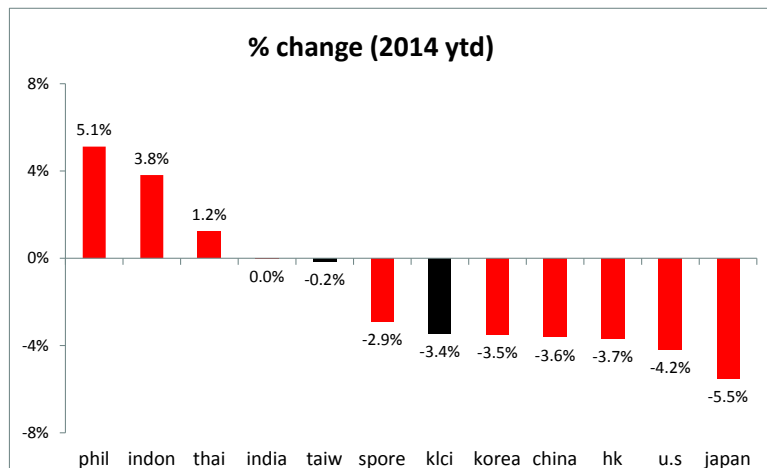
## UPHEAVALS IN EMERGING CURRENCIES, BUT NO EXODUS FROM EQUITY

### MARKET SNAPSHOT

- There was a global selldown of equity last week. The selldown of stocks and shares finally spread from the Emerging markets to the Developed markets. Equity prices in the Developed markets tumbled while the decline in Emerging markets took a breather.
- On Wall Street, the Dow Jones and S&P500 fell -3.5% and -2.6% respectively, concluding the worst week since May 2012. European markets also fell sharply with the CAC and DAX hardest hit, falling -3.8% and -3.6% respectively, while the FTSE lost -2.4%.
- The rout was clearly a contagion from the foreign exchange market, where the currencies of Emerging markets came under selling pressure. Three reasons appear to have driven the panic selling:
  - » Fallout from U.S Fed's unwinding of its quantitative easing;
  - » Monetary instability caused by twin deficits in government spending and in the current account of some Emerging countries; and
  - » Political instability in some countries.
- The biggest currency headline last week was the devaluation of the Argentinian peso after the central bank ceased to support the currency. The peso slid by as much as 15% after the decision, the worst decline since 2002, when the peso's 1:1 peg to the greenback was abandoned. Other currencies in crisis include the Turkish lira and the South African Rand. Focus is now on the fragile 5: Brazil, India, Indonesia, South Africa and Turkey. Even currencies with relatively strong fundamentals such as the Mexican peso and Korean won were hit. The ringgit fell -1.1%.
- Despite the upheavals, the KLCI lost a marginal -0.6% and remained above the 1800 level.

Performance of major markets		
Weekly % change	Week before	Last week
Phil Comp	2.47	3.41
China CSI300	-1.20	3.08
Thai SET	3.18	1.48
Jakarta JCI	3.70	0.57
India Sensex	1.47	0.33
Taiwan Taiex	0.78	0.03
Korea KOSPI	0.31	-0.20
KLCI	-0.74	-0.58
Nikkei 225	-1.12	-2.18
Straits Times	0.11	-2.27
FTSE	1.33	-2.42
S&P500	-0.20	-2.63
Hang Seng	1.26	-2.95
Dow Jones	0.13	-3.52
DAX	2.85	-3.60
CAC	1.81	-3.84

Source: Bloomberg



## TRACKING MONEY FLOW

- Despite the upheavals in the market for emerging **currencies**, we have not detected an *exodus* from the market for Asian emerging **equities**. Indeed, foreign funds have been generally neutral on Asian equity in 2014.
- Surprisingly, based on aggregate data from seven proxy Asian markets that we track (Korea, Taiwan, Thailand, Malaysia, Indonesia, Philippines and India\*), foreign funds bought a marginal +USD58.5m (net) of stocks in the aforementioned markets. Intuition suggests that, given the pressure on emerging currencies, there would have been an exodus from Asian equity.
- Even in Thailand, where the political situation has turned tense with the declaration of a state of emergency, the amount of outflow was only -USD50.3m. Foreigners were still buying Indian, Indonesian and Philippine stocks last week.
- We believe that this can be explained by the fact that most of the outflow from Asian Emerging markets occurred in 2013, especially from Thailand, Malaysia and Indonesia. The outflow from Malaysia is still happening as the overhang of foreign liquidity is large.

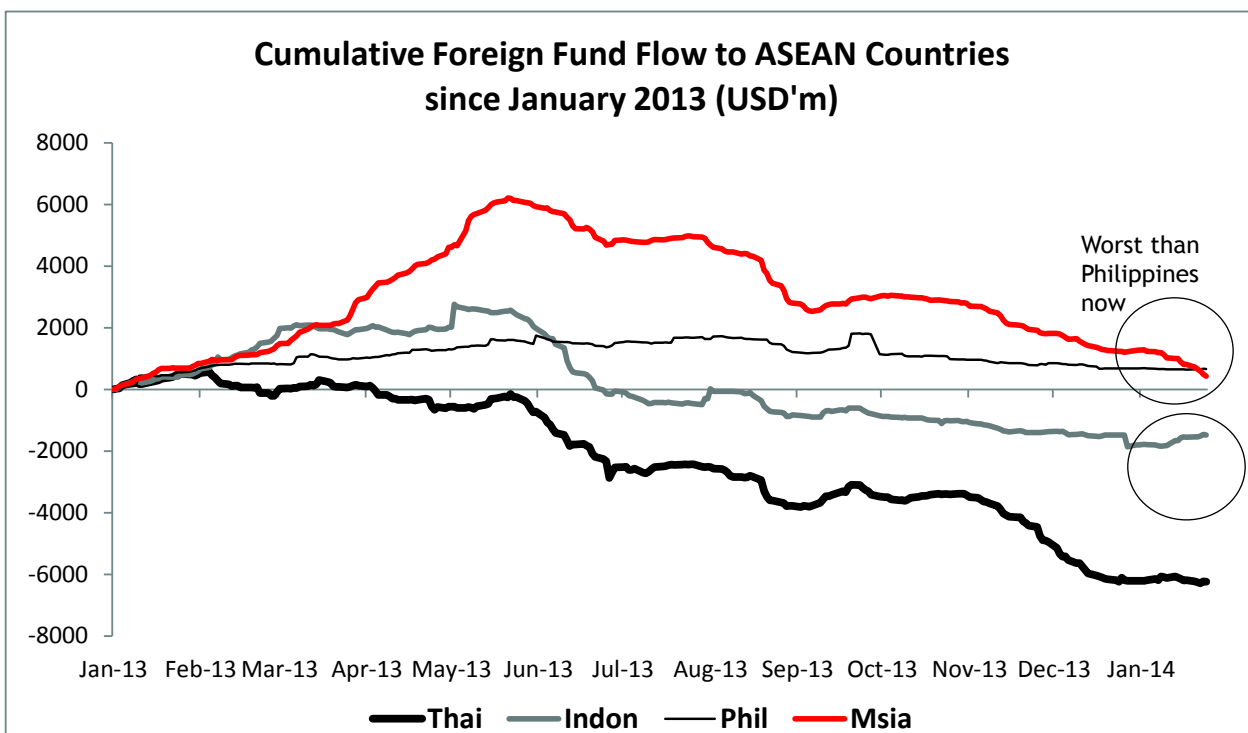
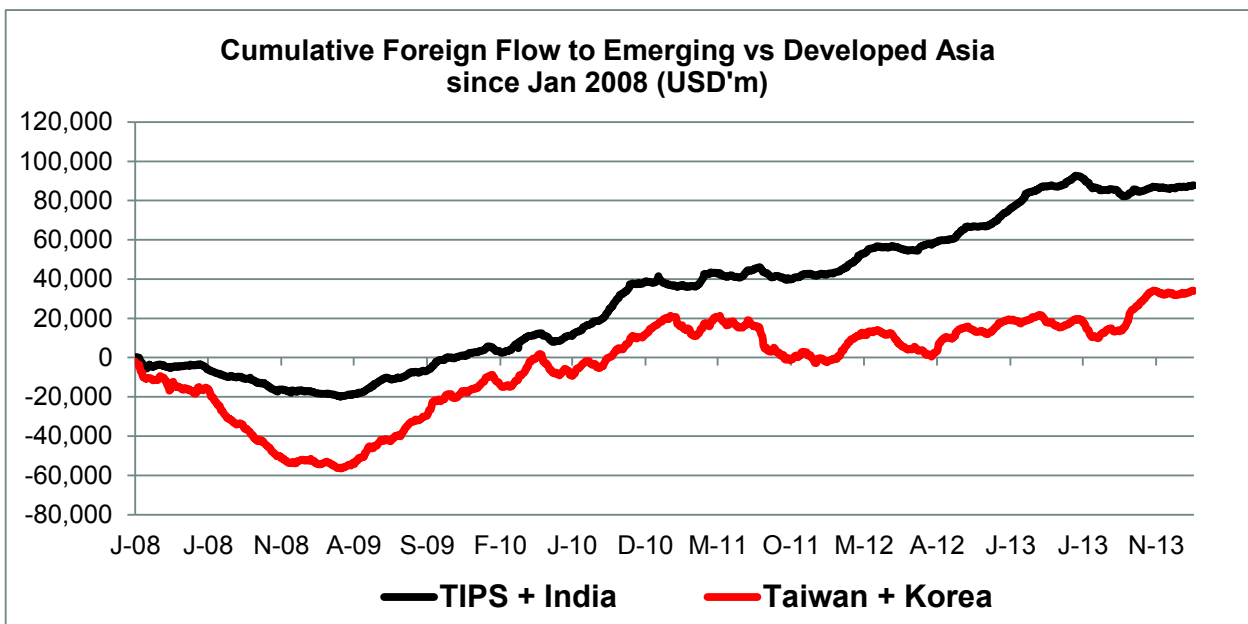
\* These markets, for which fund flow data is publicly available, are our proxy for Asia.

WEEKLY NET FLOW OF FOREIGN FUND INTO EQUITY (USD'm)								
WEEK ENDED	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
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	390.7	71.3	-29.6	-36.3	-55.8	181.2	-209.3	312.2
JAN 17	-111.1	-62.4	274.0	-4.1	296.6	877.3	-217.0	1053.3
JAN 24	-82.0	-50.3	66.2	15.3	162.0	326.1	-378.8	58.5

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

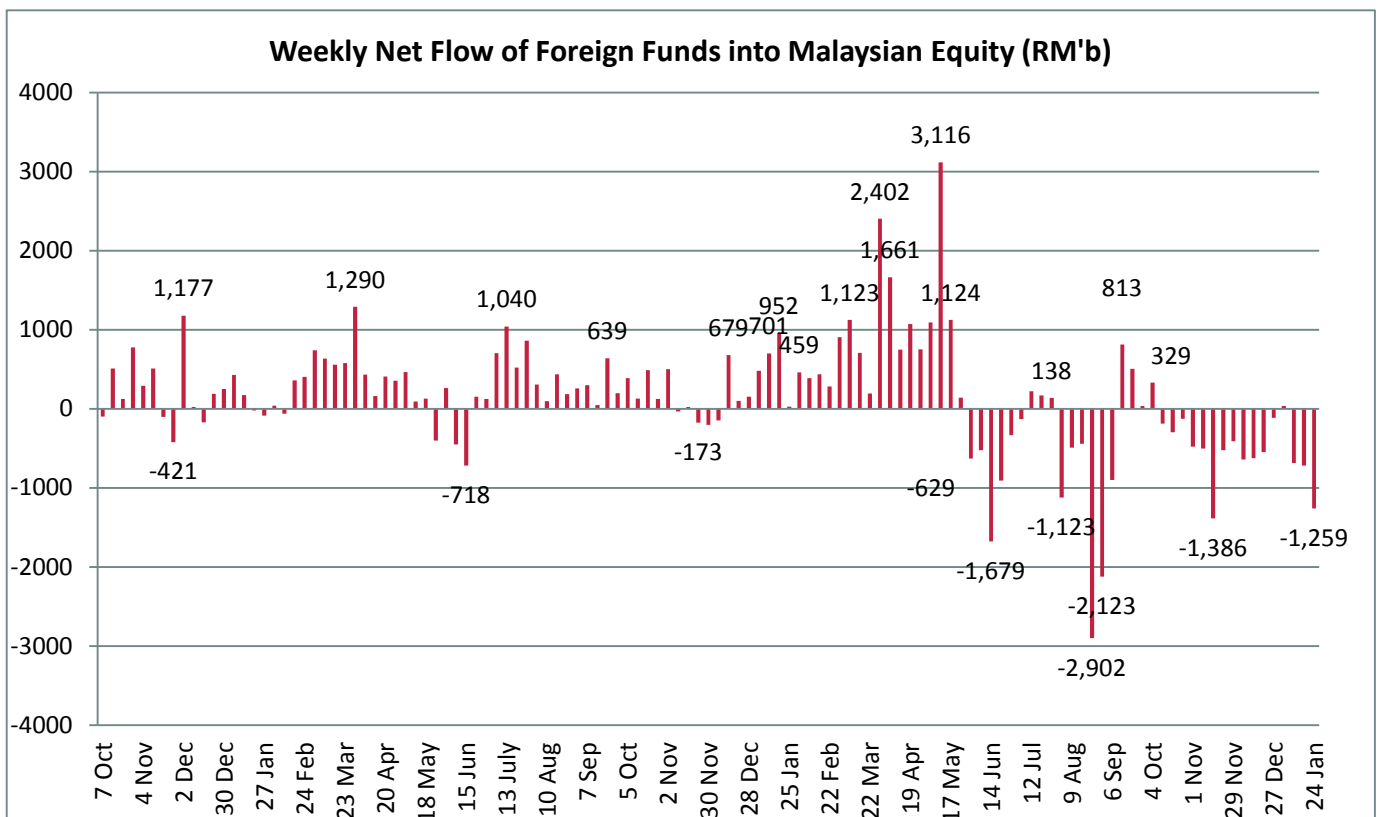
NET FLOW (USD'm)	TIPs + India	Taiwan + Korea	Total
2008	(17,195)	(53,106)	(70,301)
2009	20,580	40,063	60,642
2010	35,690	29,234	64,924
2011	2,748	-17,801	-15,053
2012	31,302	19,976	51,278 (55,663*)
2013	12,446	13,500	25,946 (27,170*)
2014	799	1,020	1,819 (972*)

TIP = Thailand, Indonesia, Philippines \* including Malaysia



## MALAYSIA

- Foreign funds sold -RM1,259m net of Malaysian stocks in the open market (i.e excluding off-market transactions) last week. That was the highest since the week ended November 15 last year. It was also the sixth week since August 2011 that the amount of outflow exceeded RM1b.
- So far in 2014, a total of -RM2.80b had exited Malaysian equity. In 2013, there was a net inflow amounted to +RM3.0b.
- In the last 16 weeks, a total of -RM8.48b of foreign money had exited Malaysian equity, or an average of -RM530m a week.
- Foreign funds were aggressive sellers every single trading day last week. Foreign selling hit -RM333.1m on Thursday, at the height of the current episode of emerging currency crisis. That was the third time the amount sold exceeded RM300m this year.
- Average daily foreign participation rate exceeded RM1b for the second consecutive week. Participation rate (average daily gross purchase and sale) rose slightly to RM1,175m last week, from RM1,121m the week before. In 2013, the daily average participation rate was RM991m.
- We do not detect significant withdrawal by the retailers. Retail investors sold only a marginal -RM5.5m last week, after buying steadily in the first three weeks of the year. We believe retailers are in the market, picking up stocks which have retraced significantly. They were net buyers on Thursday and Friday, despite the upheavals in the emerging currencies. We believe that many retail investors are positioning themselves for a potential rebound after the Chinese New Year break.
- Local institutions continued to absorb the selling by foreign funds, buying +RM1.26b net last week. Participation rate remained above the RM2b mark for the third week running at RM2.02b.

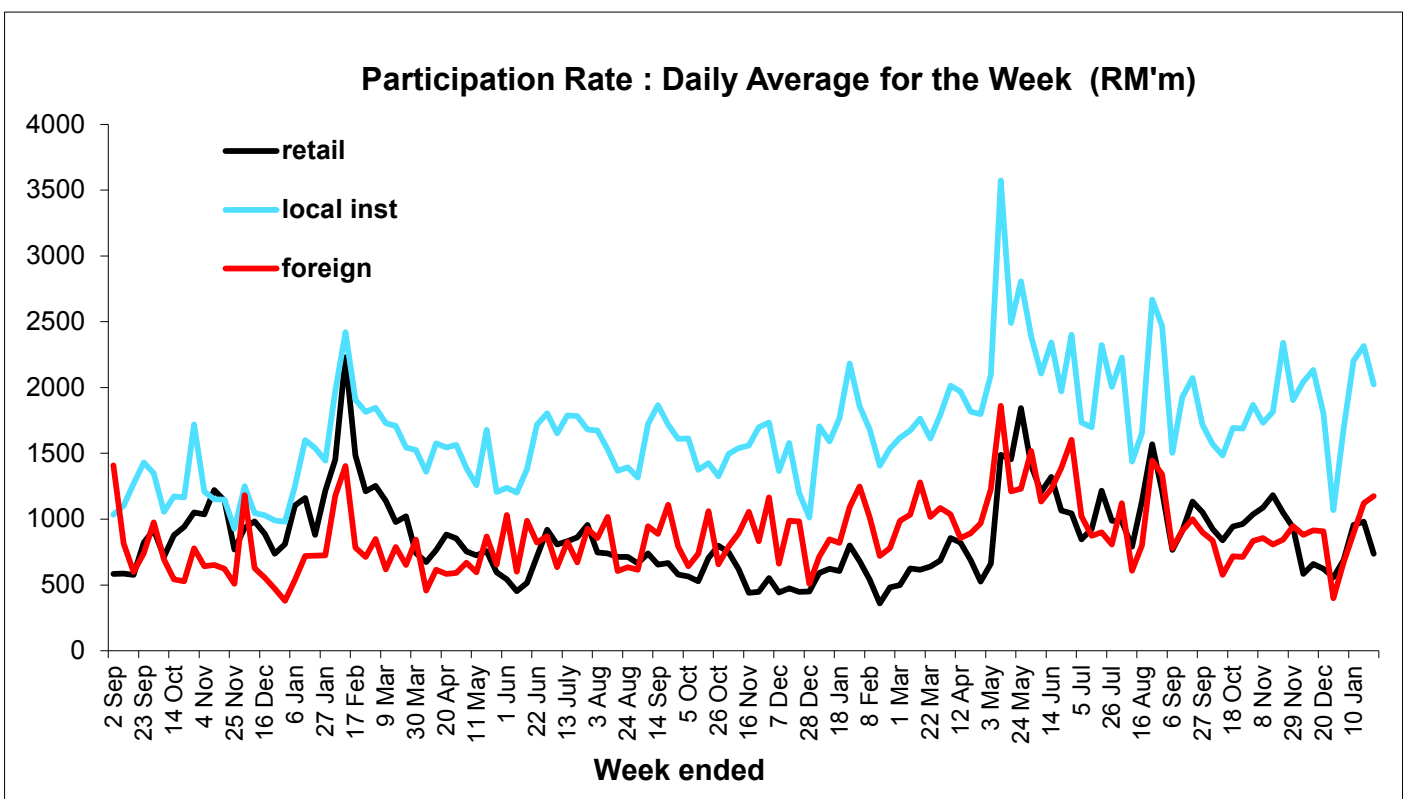


Source: Bursa, excluding off-market trades

**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)*
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
JAN 17	1481.3	1459.3	22.0	3821.4	3127.3	694.1	1323.9	2040.0	-716.1	-217.0
JAN 24	1839.1	1844.6	-5.5	5689.7	4425.2	1264.5	2307.1	3566.1	1259.0	-378.8

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



## THE WEEK AHEAD

## THE DREADED C-WORDS

- The economist Nouriel Roubini described last week as a mini “perfect storm”. Most market watchers would rather call it a “bad storm”.
- Still, we do not expect the upheavals to go away quickly. Ahead of the Chinese New Year, many investors would be keen to lighten their positions. After all, most markets will be closed for an extended period of time.
  - » China : No trading for 6 weekdays, from Friday (31 Jan) until Thursday (6 Feb)
  - » Taiwan : No trading for 6 weekdays, from Tuesday (28 Jan) until Tuesday (4 Feb)
  - » Hong Kong: No trading for 2 weekdays, from Friday (31 Jan) until Monday (3 Feb)
  - » Malaysia : No trading for 2 1/2 weekdays (half day trading on Thursday 30 Jan until Monday 3 Feb, which has been declared a public holiday for Federal Territory).
- Currencies are again giving rise to crisis and contagion. This time around, investors are finding fault with many Emerging market currencies around the world. It is no longer restricted to that of a particular region or groupings. Events last week when significant currency depreciations were recorded in South America, Eastern Europe, Africa and Asia bore testament to this
- All eyes are on the so-called “Fragile 5” or F5 of South Africa, India, Indonesia, Brazil and Turkey. These countries not only run the twin deficits in the current account and fiscal balance, they also have a general or presidential elections to contend with in 2014. Among the F5, Turkey and South Africa were the most vulnerable last week.
- Yet, even with the F5 notwithstanding, the dusts have yet to settle in countries such as Argentina, Ukraine, Venezuela, Colombia and countries where the currency fundamentals are relatively strong such as Korea, which runs a twin surplus, and Mexico where growth is strong and credit rating has improved. Given the widespread and pervasive nature of situation in the currency market, we expect the weakness in the equity market to pan out for some time.
- Contagion is clearly at work, but for Malaysia, we do not expect the transmission mechanism to be strong enough to cause a disruption in real economic activity.

## TECHNICAL REBOUND?

- We would attach only a small probability of a technical rebound next week, on account that some developments may give Emerging markets a breather.
- The US Consumer Confidence Index for January will be released on Tuesday, and a reading significantly lower than 78 points may give rise to hopes that the Fed will not be so aggressive in winding up its QE3. On Wednesday, the FOMC minutes will be released and this will give insights into how committed the Fed is in rolling back its monetary easing.
- In any case, we note that the KLCI broke its short-term support as represented by the 50-day moving average line (see chart) last week. The immediate important support level now is certainly the psychological 1800 points, which is academic in our opinion, while the technical longer-term support is 1780 points, which is the 200-day average. Given the rout on Wall Street on Friday, we are bracing for the worst when the market opens on Monday.

## Short-term support broken, 1780 critical support



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