

4 February 2014
MALAYSIA EQUITY



FUND FLOW REPORT

Week Ended Jan 31, 2014

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FOR IMPORTANT DISCLOSURES**

Zulkifli Hamzah
 zulkifli.hamzah@midf.com.my
 +603 21738390

4 February 2014 | Strategy - Weekly Fund Flow

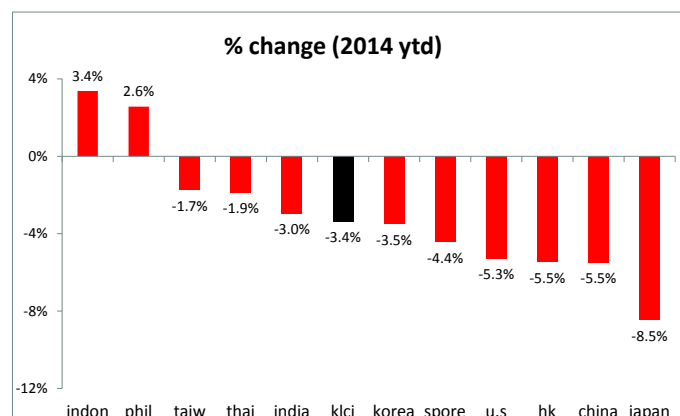
THE HORSE IS NOT READY TO GALLOP ... YET

MARKET SNAPSHOT

- Considering the storm in the emerging markets' foreign exchange, equity markets around the world managed the sell-down well, and closed the week in a rather positive note.
- Asian markets were understandably weak amid risk aversion ahead of the Chinese New Year break. Still, during the days that the markets were open, the damage was very much contained.
- Most of the decline in prices occurred on Monday, following the sell-down on Wall Street and in Europe the previous Friday. However, the contagion effect was limited, and we believe many investors bought on weakness in anticipation of some rebound this week.
- Among Asian Emerging markets, Thailand was the worst hit with the SET falling -3.1%. The political chaos is certainly weighing down sentiment, despite the fact that the baht is still holding up well.
- On Wall Street, the Dow Jones and S&P500 fell only a marginal -1.1% and -0.4% respectively last week. Most of the decline was registered on Friday, as several corporations reported disappointing earnings in the fourth quarter. Earlier in the week, the Fed announced that it is tapering its asset purchases further in February, scaling back purchases from USD75b in January to USD65b in February. The University of Michigan's consumer sentiment index was also better than expected at 81.2. On Monday, the Dow plunged -2.1% due to much weaker-than-expected manufacturing data.
- Overall, January was a forgettable month as far as the equity market is concerned. Japan was the worst performing market, losing -8.5% while Indonesia was the best performer, gaining +3.4%. The KLCI traded on half a day on Thursday and eked out a marginal gain of 0.08% last week. It bounced back to above 1800 points, and is down -3.4% for the year. The performance was in line with history

Performance of major markets		
Weekly % change	Week before	Last week
CAC	-3.84	0.10
KLCI	-0.58	0.08
Korea KOSPI	-0.20	0.03
Jakarta JCI	0.57	-0.42
S&P500	-2.63	-0.43
DAX	-3.60	-0.91
Dow Jones	-3.52	-1.14
Taiwan Taiex	0.03	-1.58
Straits Times	-2.27	-1.59
Hang Seng	-2.95	-1.85
China CSI300	3.08	-1.93
FTSE	-2.42	-2.30
Phil Comp	3.41	-2.43
India Sensex	0.33	-2.93
Thai SET	1.48	-3.07
Nikkei 225	-2.18	-3.10

Source: Bloomberg



TRACKING MONEY FLOW

- Last week, despite the holiday-shortened trading week, foreign funds sold an aggregate -USD2.73b of equity in the seven Asian markets that we track (Korea, Taiwan, Thailand, Malaysia, Indonesia, Philippines and India*).
- All seven markets reported foreign fund exit. India reported a heavy foreign fund outflow of -USD501m, only the second deficit in 22 weeks. The outflow was also heavy in Korea, Thailand, Taiwan and Malaysia.
- In Thailand, foreign investors withdrew -USD392.3m ahead of the General Election over the weekend.
- Generally, the appetite towards equity remained weak, and this applies not only to Asian equity. On Monday, the selloff on Wall Street and continued foreign funds' outflow from Asian equity reflects this. Yesterday, the Korean, Thailand, Indonesia and Philippines bourses reported a significant 1-day foreign funds' outflow in the first day of trading after the Chinese New Year. The outflow was especially heavy from Korea where -USD362m left on Monday.
- Bursa Malaysia reported -USD263.4m foreign outflow last week.

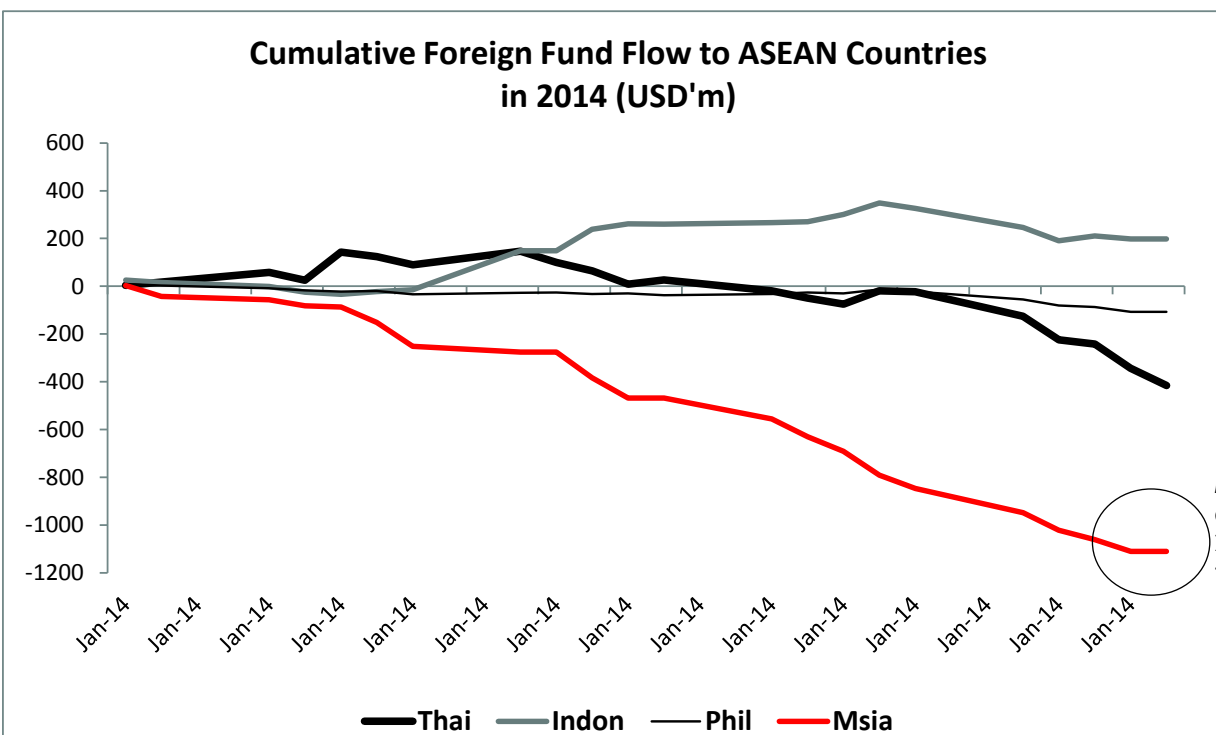
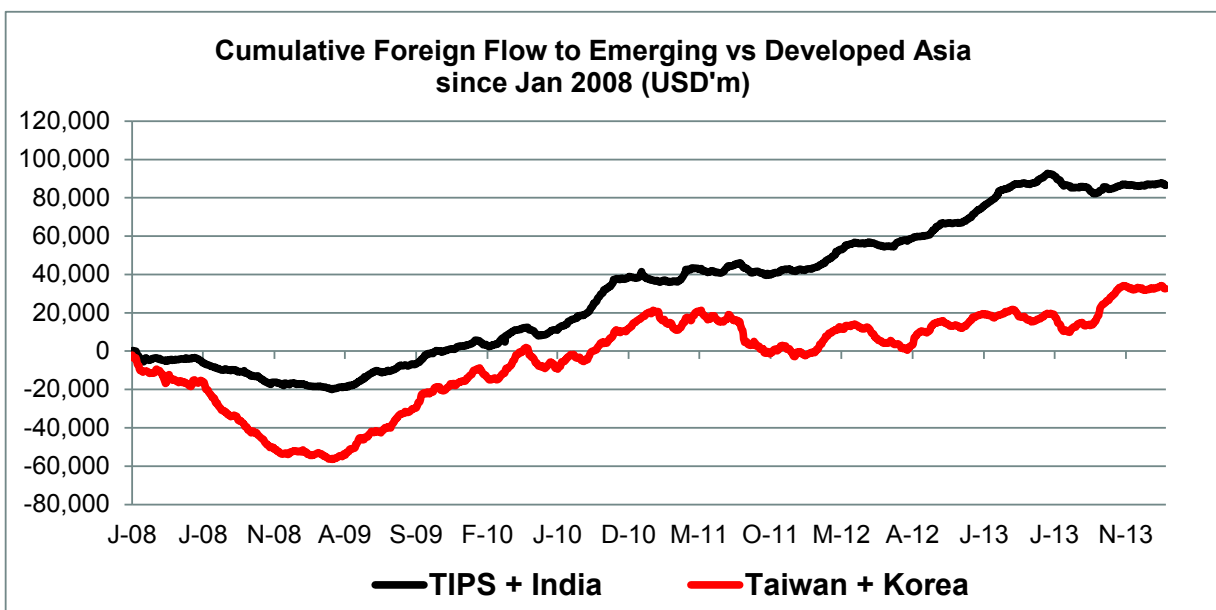
* These markets, for which fund flow data is publicly available, are our proxy for Asia.

WEEKLY NET FLOW OF FOREIGN FUND INTO EQUITY (USD'm)								
WEEK ENDED	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
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	-82.1	-50.3	66.2	15.3	130.5	327.8	-378.8	28.6
JAN 31	-774.4	-392.3	-128.1	-85.0	-500.5	-584.1	-263.4	-2727.8
FEB 3 (Monday only)	-362.2	-91.0	-37.1	-17.8	pending	closed	closed	-508.0

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	-338)	-337	-675 (-1,785*)

TIP = Thailand, Indonesia, Philippines * including Malaysia



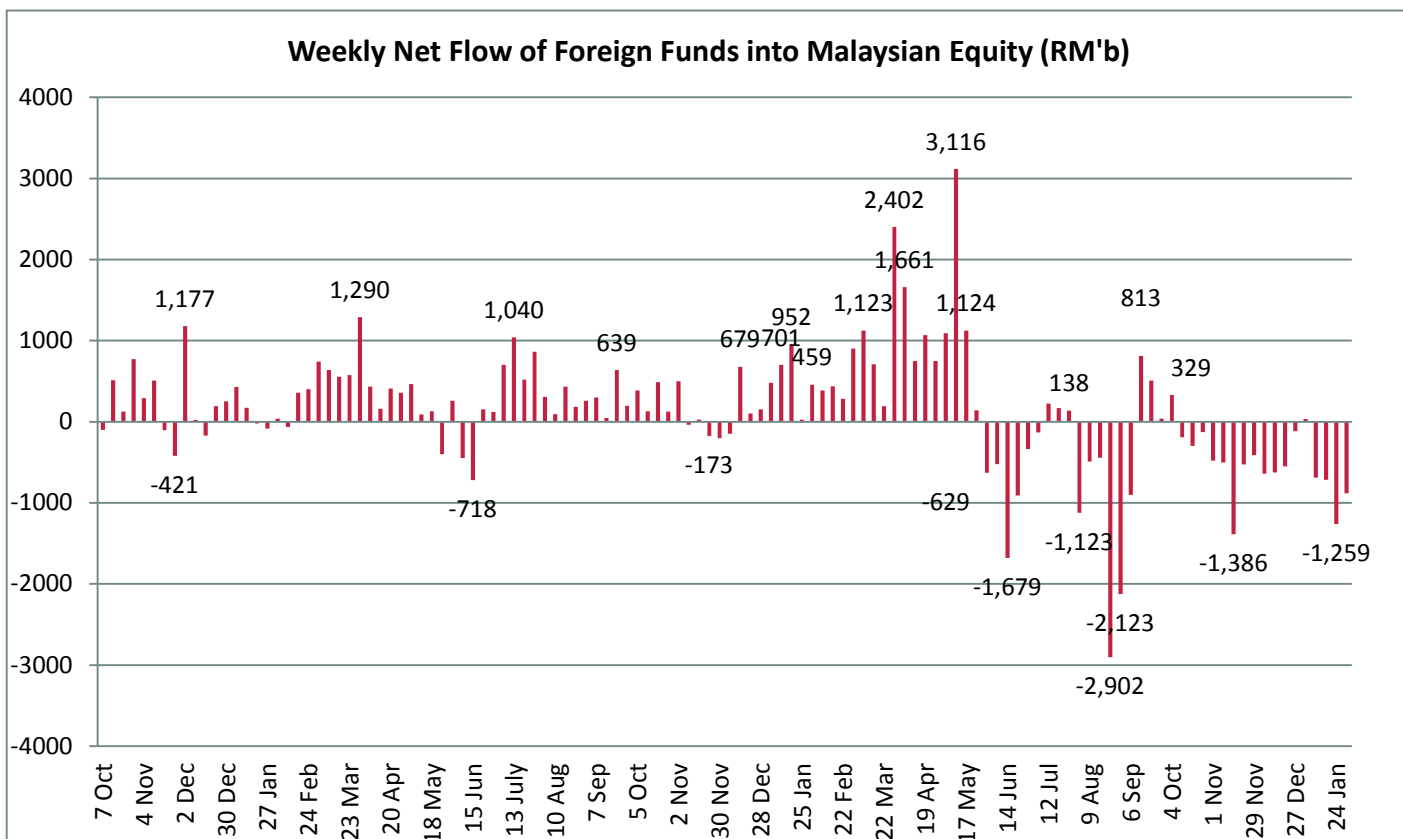
MALAYSIA

- Trading on Bursa was limited to only 3 ½ days last week, ahead of the break. Still, foreign funds offloaded -RM880.1m net of Malaysian stocks in the open market (i.e excluding off-market transactions). That was the 16th week out of the last 17 that foreign investors had been net sellers.
- Most of the selling took place last Monday, in the aftermath of the selloff on Wall Street and in Europe the preceding Friday. A total of -RM336.4m of foreign portfolio money left Bursa on the Monday, the second highest this year and the fourth time it exceeded RM300m in 2014. There was some follow-through selling on Tuesday, but calmness returned to the market on Wednesday and Thursday. In terms of intensity, the selldown on Monday was still in the “moderate” zone, despite the upheavals in the emerging markets (see table).
- So far in 2014, a total of -RM3.68b had exited Malaysian equity. In 2013, there was a net inflow amounted to +RM3.0b. In the last 17 weeks, a total of -RM9.36b of foreign money had exited Malaysian equity, or an average of -RM550m a week.
- Average daily foreign participation rate exceeded RM1b for the third consecutive week. Participation rate (average daily gross purchase and sale) was RM1,109m last week. In 2013, the daily average participation rate was RM991m.
- Interestingly, retailers were net buyers during the selldown last week, implying that many are seeing opportunities in the current volatility. For the week, retailers bought RM71.5m, on low participation rate of RM624m. As expected, local institutions supported the market aggressively last week.

TRACKING INTENSITY OF DAILY SALE

Amount of net sale in a day (RM'm)	Number of day(s)	
	2013	2014
> 1,000	1	0
900 - 1,000	1	0
800 - 900	0	0
700 - 800	1	0
600 - 700	1	0
500 - 600	2	0
400 - 500	4	0
300 - 400	7	3
200 - 300	17	6

Source: MIDFR, Bursa statistics

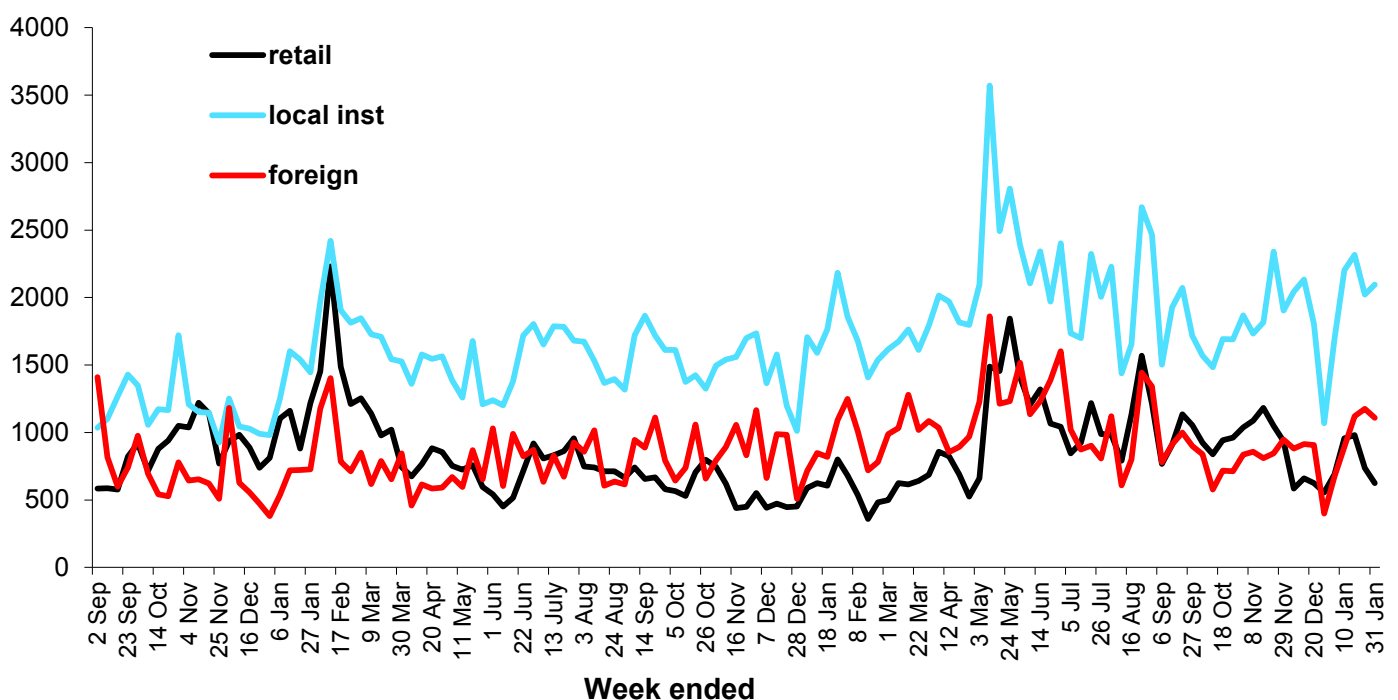


Source: Bursa, excluding off-market trades

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 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
JAN 31	1283.2	1211.7	71.5	4595.8	3787.2	808.6	1779.5	2659.6	-880.1	-263.4

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

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


THE WEEK AHEAD

HEAVY WEEK FOR ECONOMICS

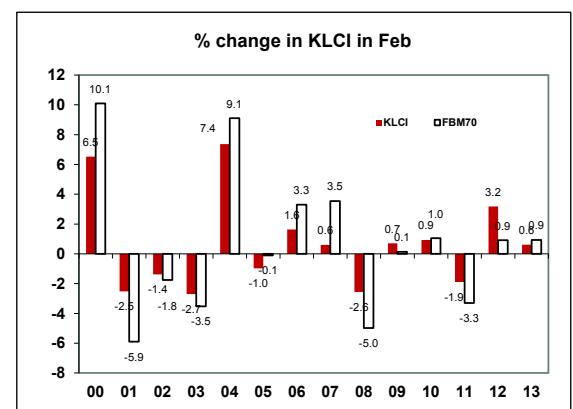
- The first week of the month has always been pivotal for the heavy concentration of economic statistics scheduled to be released.
- In the U.S, the closely followed ISM Manufacturing PMI for December released on Monday showed a sharp drop to 51.3 from 56.5. That caught investors off-guard leading to heavy selling on Wall Street. Due out on Tuesday is December factory orders; on Wednesday the ISM nonmanufacturing index; and on Thursday the trade deficit, weekly jobless claim and productivity in the fourth quarter.
- On Friday, the all-important job numbers for January will be released. The market is expecting non-farm payroll to increase in the region of 180,000, with the unemployment rate unchanged at 6.7%.
- Several central banks will meet over their policy rates this week. The significant ones include the Reserve Bank of Australia, the Bank of England and the European Central Bank. Amid the upheavals in emerging market currencies we expect these central banks to keep rates unchanged. Any decision to increase their policy rates will only exacerbate the situation in the emerging markets. Among Asian central banks, the Central Bank of Philippines will meet on Thursday.
- Recall that last week saw significant movements in the policy rates of several emerging markets:
 - » South Africa raises Repurchase Rate to 5.50 % (+ 0.50)
 - » Turkey raises Repo Rate to 10.00 % (+ 5.50)
 - » India raises Policy Repo Rate to 8.00 % (+ 0.25)

While that calmed the market in the interim, this week will be a test whether the moves are adequate to pacify the market.

- For Malaysia, the important external trade statistics for December will be released on Friday. Recall that external trade was strong in November, with exports staying above RM60b at RM62.2b, while the trade balance rose by +RM1.5b to RM9.7b. Timing-wise, it is critical that the numbers for December reflect a resilient external sector. A significant deterioration in the trade balance will reignite concerns over the current account, and may subject the ringgit to trading weakness.

SEE-SAW WEEK AHEAD, BUT RETAIL STOCKS MAY SURPRISE ON POST-BREAK TRADING

- The KLCI and FBM70 fell -3.4% and -3.0% respectively in January. In comparison the decline was -3.6% and -1.8% respectively in January 2013. Hence, the performance was not out of sync with experience. Meanwhile, February has historically been less volatile than that in January. Amid rising risks in emerging markets, we are hoping for February this year to be a month of consolidation.
- We expect the KLCI to show *significant* weakness when the market re-opened for trading on Tuesday for a few reasons:
 - » The KLCI was artificially supported last Thursday, with a few stocks, notably Tenaga, propping up the index at the close of trading. Otherwise, the index would not have closed above the 1,800 points.
 - » Sentiment towards equity remained weak. The decline in the Asian markets that were open on Monday, such as Japan, Korea, Singapore and Indonesia is ominous in this regard. The Dow Jones lost 326 points or 2.1% on Monday. That could not be more ominous for the market this week.
- However, we note that retail investors are exploiting trading opportunities and are not completely risk-averse. There may not be a broad-based rally post Chinese New Year, but the market for small and mid-caps may surprise on the upside.



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Business Address:
11 & 12 th Floor, Menara MIDF,
82, Jalan Raja Chulan, 50200
Kuala Lumpur.
Tel: 2173 8888
Fax: 2173 8380