

6 January 2014  
**MALAYSIA EQUITY**



# **FUND FLOW REPORT**

**Week Ended Jan 3, 2014**

**KINDLY REFER TO THE LAST PAGE OF THIS PUBLICATION  
FOR IMPORTANT DISCLOSURES**

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6 January 2014 | Strategy - Weekly Fund Flow

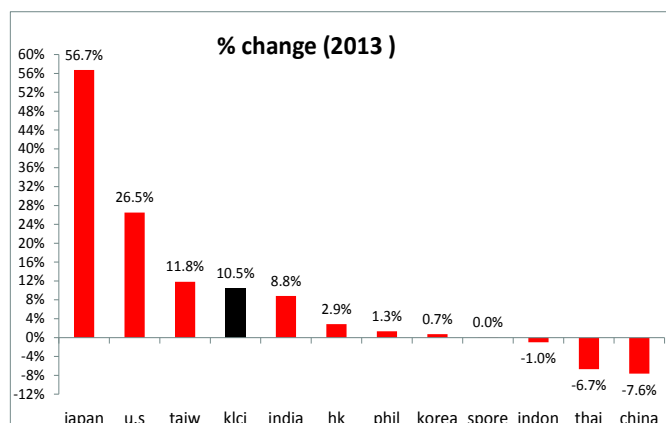
# CHALLENGING START TO 2014

## MARKET SNAPSHOT

- 2014 started with a bang for the equity markets, but for less desired reasons. Most markets closed the first week of trading in the red, with heavy selling experienced in selected markets.
- After recording its best annual gain since 1997, US equity prices fell in the opening week of 2014. Within context, therefore, last week's decline was not that disconcerting. The Dow Jones and S&P500 rose 26.5% and 31.8% respectively in 2013, beating all expectations and hitting record highs along the way. In the case of the S&P500, it rallied an amazing 173% from a 12-year low in 2009.
- Official economic data released last week continued to paint a healthy outlook for the months ahead. U.S. manufacturing grew for the 7th consecutive month in December. The PMI manufacturing index was 57.0 in December, just shy of the 32-month high of 57.3 in November.
- Global investors must surely have surely cast a wary eye on Thailand, where the SET index fell a whopping -5.7% last week. The index had lost -9% in two weeks as concerns mounted over the political crisis. It was the worst start to a year since 1988. Groups opposed to the caretaker Government threatened to "shut down" Bangkok on January 13. The national election is scheduled on February 2.
- The Korean KOSPI also had a bad week, declining -2.8%. Investors are concerned that the declining Japanese yen will hit Korean competitiveness. The yen dipped below 100Y/W1000, before rebounding on Friday.
- The KLCI came under heavy weather last week, dropping -26.3 points or -1.4%. It hit record high of 1882.2 points intraday on new year's eve, but slid thereafter, possibly on profit taking and negative regional sentiment due to events in Bangkok.

Performance of major markets		
Weekly % change	Week before	Last week
Jakarta JCI	0.42	1.06
Phil Comp	0.94	0.99
Nikkei 225	1.94	0.69
Taiwan Taiex	1.50	0.13
Dow Jones	1.59	-0.22
FTSE	2.18	-0.36
S&P500	1.27	-0.51
China CSI300	1.11	-0.55
Straits Times	1.79	-0.58
CAC	2.00	-0.65
KLCI	1.25	-1.41
India Sensex	0.54	-1.61
DAX	2.01	-1.82
Hang Seng	1.89	-1.83
Korea KOSPI	0.95	-2.80
Thai SET	-3.28	-5.70

Source: Bloomberg



## TRACKING MONEY FLOW

- Foreign investors sold Korean stocks aggressively but nibbled at the rest of Asian markets in the first week of 2014. Based on aggregate data from seven proxy Asian markets that we track (Korea, Taiwan, Thailand, Malaysia, Indonesia, Philippines and India\*), foreign funds sold on a net basis, -USD515m of stocks in the aforementioned markets. That was ominous for Asia, which has been accustomed to a healthy inflow in the opening week in recent years.
- The outflow from Korea picked up pace again after a seeming reversal in the preceding two weeks. As we have written in the previous section, the Korean market tends to be out of favour at times when the Japanese yen is retreating.
- Despite the political upheaval in Bangkok, foreign investors were actually snapping up Thai stocks, although the amount was still marginal. Recall that the most severe foreign portfolio outflow in 2013 was from Thailand. An estimated -USD6.2b net of foreign money left the Thai exchange last year, compared with -USD1.9b net from Indonesia. Foreign investors were net buyers of Indonesia stocks in the first week of 2014.
- Foreign funds were marginal buyers of Malaysian stocks last week.

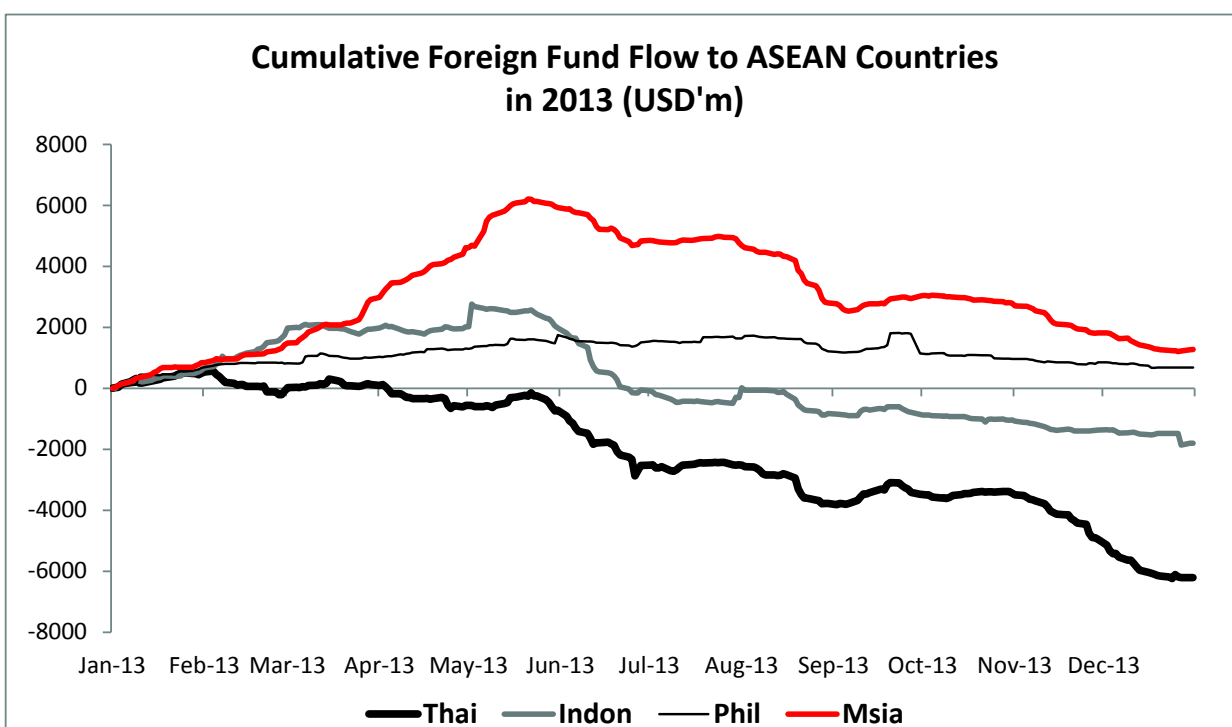
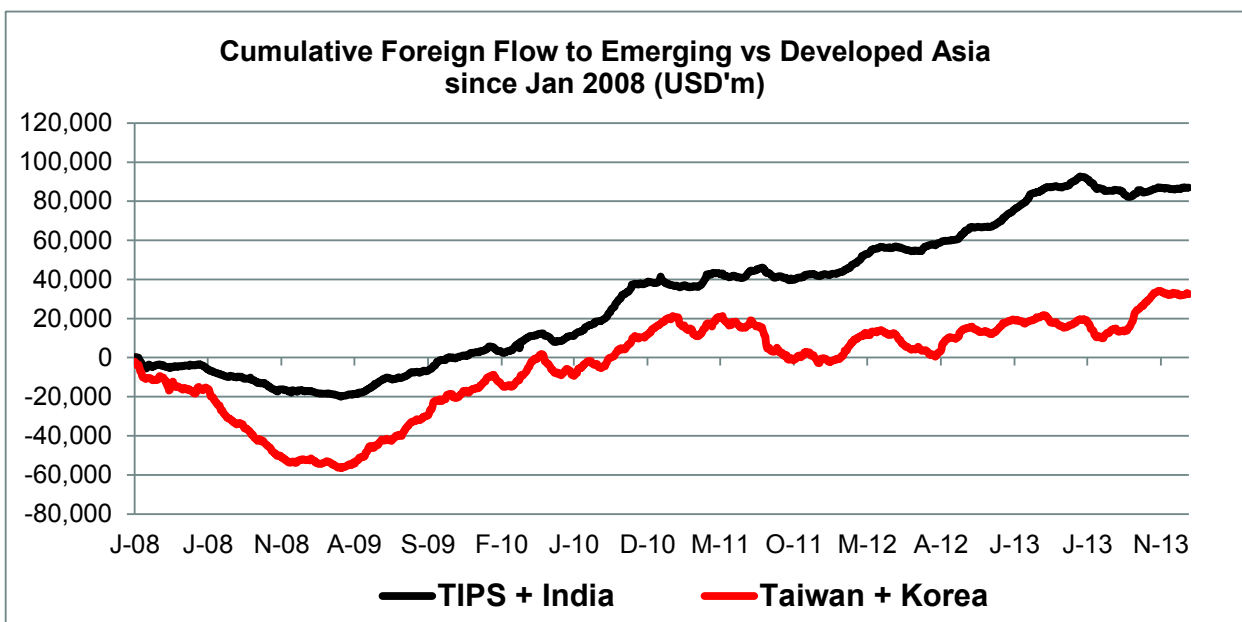
\* These markets, for which fund flow data is publicly available, are our proxy for Asia.

WEEKLY NET FLOW OF FOREIGN FUND INTO EQUITY (USD'm)								
WEEK ENDED	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
JUL 19	42.7	68.8	-11.9	167.3	-34.5	926.4	52.7	1211.6
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	1.2	1.8	10.3	-514.8

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

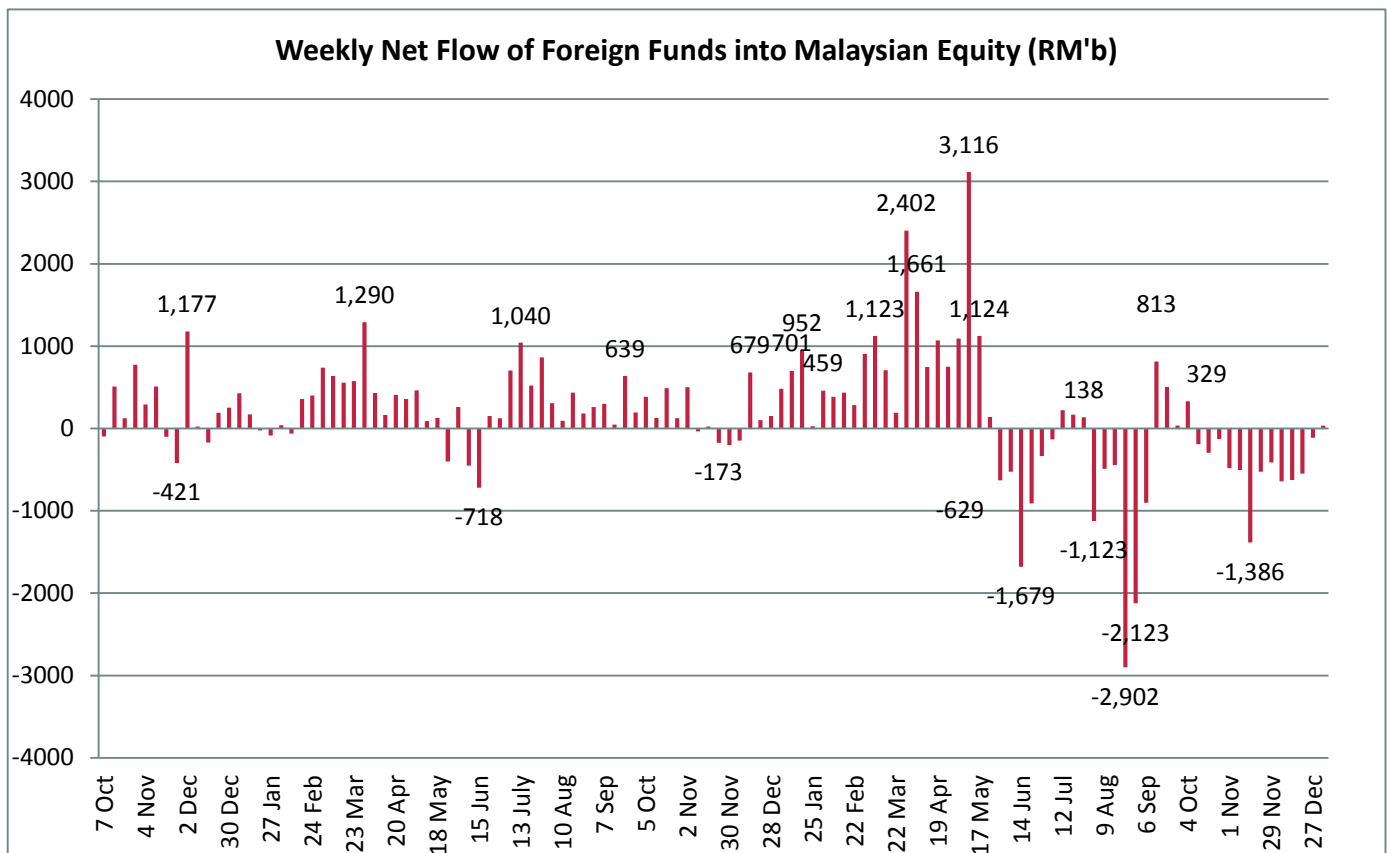
NET FLOW (USD'm)	TIPs + India	Taiwan + Korea	Total
2008	(17,195)	(53,106)	(70,301)
2009	20,580	40,063	60,642
2010	35,690	29,234	64,924
2011	2,748	-17,801	-15,053
2012	31,302	19,976	51,278 (55,663*)
2013	12,446	13,500	25,946 (27,170*)
2014	38	-563	-525 (-522*)

TIP = Thailand, Indonesia, Philippines \* including Malaysia



MALAYSIA

- After 12 consecutive weeks of outflow, foreign funds appear to be making a comeback, although *we would caution that it would be a premature conclusion*. Foreign funds bought +RM33.9m of Malaysian stocks last week. In the preceding twelve weeks, a total of -RM5.85b had left Malaysian equity, or an average of -RM487m a week.
- In the first two days of 2014, foreign funds were actually net sellers. Indeed, foreign selling was aggressive on Friday, with investors offloading -RM149.4m. It could be short-term profit taking as the market had been buoyant since Boxing day.
- Foreign participation in the market picked up last week, although still remained in the “moderate” territory. Although participation rate (average daily gross purchase and sale) rose >50% to RM671m, it was still significantly lower compared with the daily average of RM991m in 2013.
- Local retailers were evidently nibbling in the market, and were net buyers in the first two days of the year. We note that retailers bought +RM38.6m on Friday, the biggest 1-day net purchase made in 20 trading days. Participation rate last week was only RM688m.
- Local institutions supported the market on Friday, absorbing +RM110.8m. It was uncharacteristic of the locals funds, which were usually net sellers in the earlier part of the year. Participation rate was high, with daily average value trade amounted to RM1.69b.

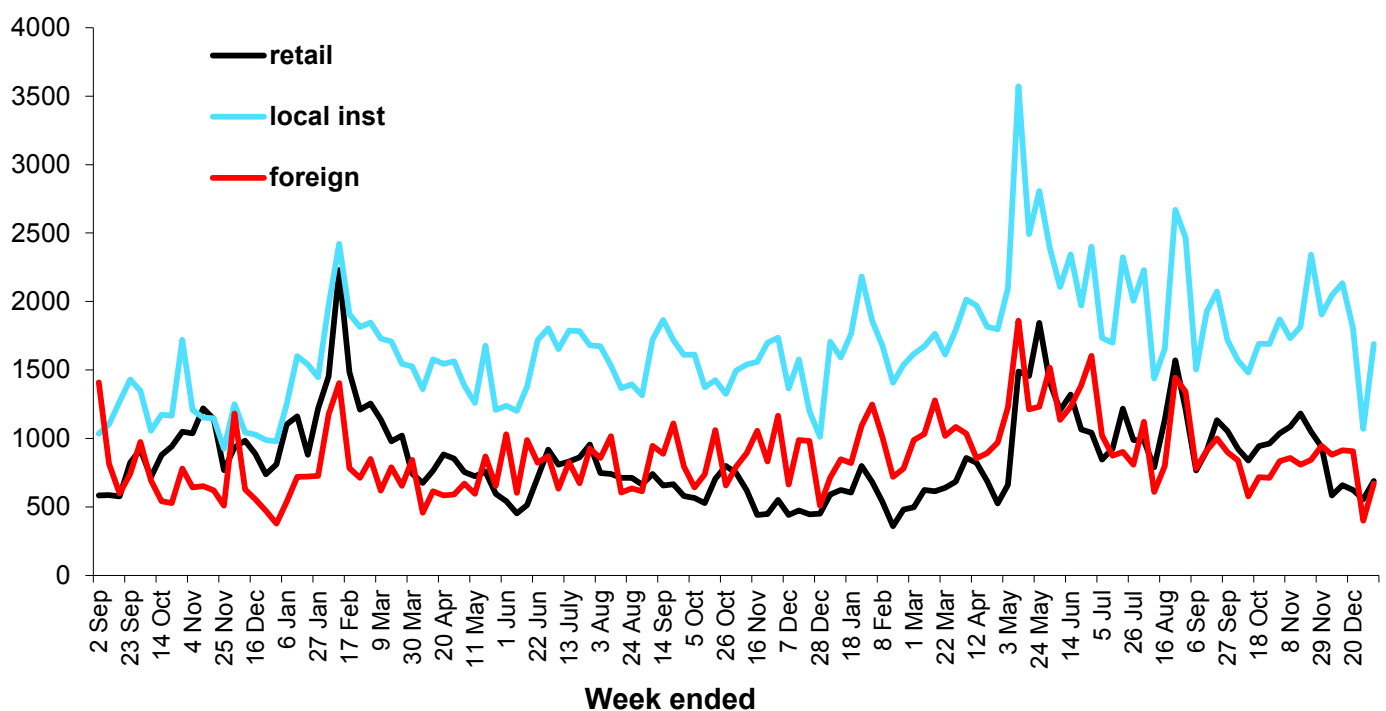


Source: Bursa, excluding off-market trades

**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 16	2847.0	2832.0	15.0	4349.2	3920.5	428.7	1776.9	2220.6	-443.7	-135.9
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

\* 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

FBM KLCI TO STAY UNDER PRESSURE

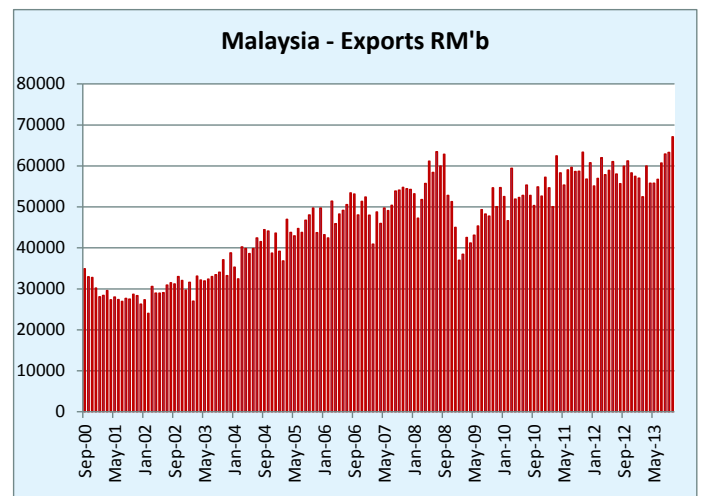
- After the weak start to the year last week, we will NOT bet for the KLCI to rebound swiftly. We expect more profit taking, especially by local funds, in order to realize gains early during the year.
- The 30 KLCI-component stocks will be particularly vulnerable. The FBM KLCI rose 3.0% in December, as opposed to the FBM70, which was flat. As of Friday close, the FBM KLCI traded at 1834.7 points, which was still 22 points or 1.2% higher than that at the end of November.
- If one were to assume that the gain in December would be erased, then 1813 points should be this week’s support for the KLCI. Our immediate objective is, however, the 50-day average of 1821 points. The KLCI is *racing* towards the 50-day moving average line (see chart).
- We maintain our view that the KLCI is only *fundamentally* supported at 1800 points. This is consistent with its long-term valuation and our expectation of earnings growth moving forward. At current valuation, the KLCI still reflects the state of liquidity in the system.

KLCI to break the 50-DMA this week



IMPORTANT EVENTS AND RELEASES THIS WEEK

- Malaysia’s trade statistics for November will be released on Wednesday. Recall that exports hit all-time high of RM67.1b in October. A continued recovering of the trade sector is important in order to reduce concerns over Malaysia’s current account balance.
- The Fed will release the minutes of the FOMC meeting held in December on Thursday. This will reaffirm that the tapering of Fed’s asset purchases, from USD85b to USD75b per month, will start in January. The minutes are expected to reflect the level of interest rate “hawkishness” among FOMC members. The more hawkish the members are, the more adversely the equity market is expected to react. The US Treasury yields have already started to climb last week, and are now at the highest level since 2011.
- Among the central banks, the ECB, Bank of Korea and Bank of Indonesia will decide on their policy rate on Thursday. We are particularly keen on the outcome in Indonesia, where the BOI had raised the reference rate by a whopping 175 basis points in 2013 to 7.5%. Among equity markets in region, Jakarta had started the year on a more auspicious note. This is understandably so as the market’s valuation, in dollar term, is rather depressed, with the rupiah is currently weaker than what it was during the 1997-98 Asian Financial Crisis. If the BOI keeps the rate unchanged, it will be positive for the market.
- The all-important U.S non-farm payroll data for December will be announced on Friday. WSJ’s consensus estimate is that payroll climbed +190k during the month, compared with +203k in November, with unemployment rate remaining unchanged at 7.0%.





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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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