FUND FLOW REPORT

Week Ended January 8, 2016

Foreign Flow Meter (M'sia)	
Tide	(increase) MODERATE
Current	(increase) MODERATE

- It was a turbulent first week for the global equity markets. The extent of the decline in prices was among the worst on record for an opening week of the year.
- The culprit for the global rout in equity was unmistakably China. China's benchmark CSI300 index hit limit down twice, on Monday and Thursday.
- Investors attributed the collapse to (i) the Caixin PMI report which showed China's factory activity contracting for the 10th consecutive month (ii) China central bank setting the yuan fixing rate at a low level leading the market to speculate another exercise in devaluation (iii) the end of a moratorium on large shareholder selling.
- The contagion on the rest of the world was bad on both, Monday and Thursday. However, the KLCI showed a strong degree of resilience on Thursday, outperforming other peers by declining only 0.8% on the day. This was despite Brent falling to as low as USD32.16pb on the day.
- As expected, there was a heavy tide out of Asian equity last week. However, the size of the outflow could have been worse and many investors were still away from the market and were caught on the sideline by the severe decline in prices.
- Most of the attrition was recorded in Taiwan and Korea, the economies of which are highly exposed to China. The numbers were bad in Thailand too.
- In tandem with regional development, foreign investors sold Malaysian equity last week, reversing the purchases made the week before. However, the amount sold of RM613.7m net was lower than the average amount of RM726m offloaded per week during the 20 successive weeks of attrition in May to September last year.

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TURMOIL EARLY IN THE YEAR

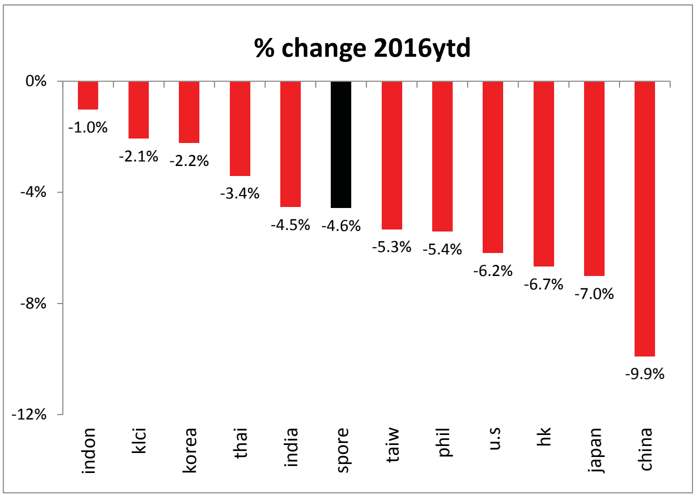
A. MARKET SNAPSHOT

- It was a turbulent first week for the global equity markets. The extent of the decline in prices was among the worst on record. Blame it on China.
- On Monday, Chinese stocks greeted 2016 with their worst performance since the market rout in June-July. Monday was also the first day of implementation for the newly introduced circuit breaker. Rather ominously, the circuit breaker was triggered on the very first day as the CSI300 fell -5%, prompting a 15 minute suspension. When trading resumed, it took only 7 minutes for the index to hit the next trigger, -7%, which caused the markets to close for the day. The CSI 300 Index dropped -7.02%, the biggest decline since the -8.75% fall on August 24 and the lowest close since November 3.
- Investors attributed the collapse to the Caixin PMI report which showed factory activity contracting for the 10th consecutive month to 48.6. In addition, the renmimbi fixing was set at 6.5032, the lowest level since May 2011, prompting speculation of another devaluation by China. Meanwhile, there were concerns that a moratorium on large shareholder selling, which is set to expire on January 8, will cause a deluge of selling by book lovers.
- The contagion on the rest of the world was bad on Monday. In Asia, greater China markets were hit badly but losses were capped at 3%. The KLCI took a beating falling -2.31%, its worst 1-day loss since the -2.7% loss on August 24 last year. Meanwhile the Dow declined by as many as 467 points before bouncing off the lows and ended the day down 276 points. It was still the Dow's worst opening day of the year since 2008.
- On Thursday, the day before the aforementioned moratorium was due to expire, China's A-shares triggered the market circuit breaker for the second time in four days. Trading lasted for only 15 minutes as the CSI 300 Index hit the 5% trigger by 9:42am. After a 15-minute break, the index, which serves as the circuit breaker benchmark, immediately hit the -7% breaker, which ended trading for the day at 9:59am. However this time around the KLCI proved resilient losing only -0.77% while the contagion effect on markets in HK, Philippines, Thailand and Singapore was significant. This despite Brent falling to as low as USD32.16pb on Thursday, the lowest in 12 years.
- Market rebounded on Friday as China suspended the circuit breaker, the CSRC announced new restrictions on share sales by large shareholders and the central bank stopped lowering the yuan reference rate after eight straight days of doing so.

Performance of major markets

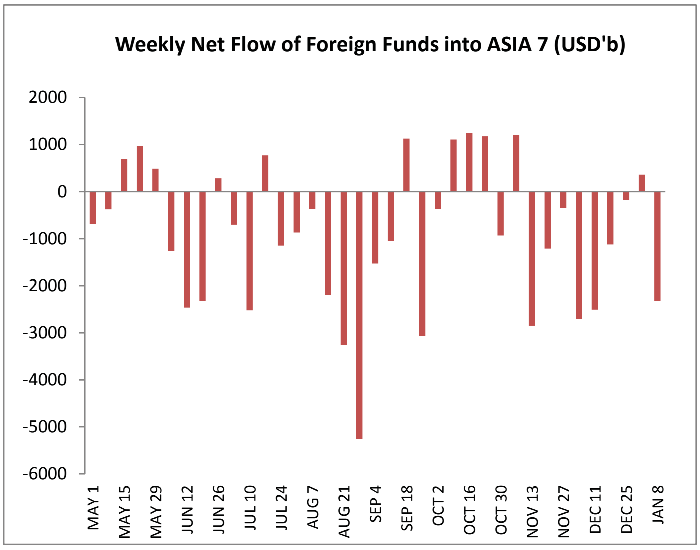
Weekly % change	Week before	Last week
Jakarta JCI	1.56	-1.02
KLCI	1.74	-2.06
Korea KOSPI	-1.47	-2.23
Thai SET	0.40	-3.40
Straits Times	0.18	-4.56
India Sensex	1.25	-4.69
FTSE	-0.20	-5.28
Taiwan Taiex	-0.30	-5.33
Phil Comp	-0.72	-5.42
S&P500	-0.83	-5.96
Dow Jones	-0.72	-6.19
CAC	-0.56	-6.54
Hang Seng	-1.01	-6.67
Nikkei 225	1.41	-7.02
DAX	0.14	-8.32
China CSI300	-2.79	-9.90

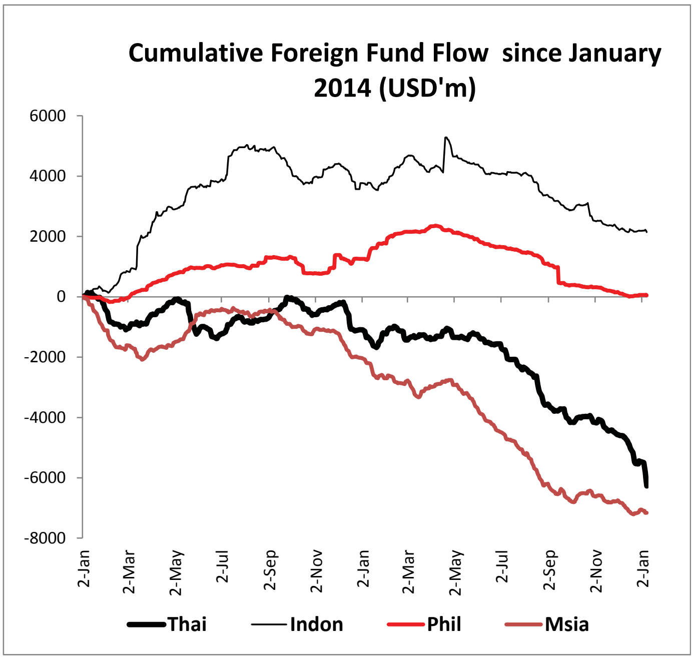
Source: Bloomberg



B. TRACKING MONEY FLOW - ASIA [1]

- There was a heavy tide out of Asian equity last week, reflecting the turmoil in China and the spillover contagion on the rest of Asia. However, the size of the outflow could have been worse. Many investors were still away from the market and were caught on the sideline by the severe decline in prices.
- Based on provisional data from the respective exchanges, investors classified as "foreign" offloaded USD2.35b net in the 7 Asian stock markets that we track (TIPs + India, Taiwan, Korea and Malaysia). While sizeable, it was only the 10th highest in a week since early May (see chart).
- All markets that we track reported net foreign selling. Understandably, most of the attrition was recorded in Taiwan and Korea, the economies of which are highly exposed to China. The numbers were bad in Thailand too.
- The worst hit last week was Taiwan where the -USD1.17b foreign outflow was the third highest since January 2015. Sentiment towards Taiwanese stocks was dampened not only due to China, but also on news that Apple is asking suppliers to reduce output by up to 30% lower than planned for 1Q16. Taiwan is home to a sizeable presence of Apple products' component manufacturers, and it appears that inventories of the two Iphone models launched last September have piled up amid lackluster sales. This has been partly attributable to the appreciation in the dollar which has led to price hikes in emerging markets. Production output will apparently return to normal fin 2Q16, and that too is subject to a desirable "inventory adjustment".
- Korea suffered a heavy -USD516.7m foreign attrition, which was nevertheless low compared with the heavy outflow in December when selling amount even exceeded USD1b.
- Meanwhile, foreign money activity in Emerging SE Asia was relatively quiet, with the exception of Thailand. Even then it was lower than that seen in mid-December. This is explained by the fact that foreign liquidity overhang in SEA markets is much lower than that in North Asian markets.





[1] Based on 7 Asian markets, for which fund flow data is publicly available. These are our proxy for Asia: TIPs (Thailand, Indonesia, Philippines), Korea, Taiwan, India and Malaysia.

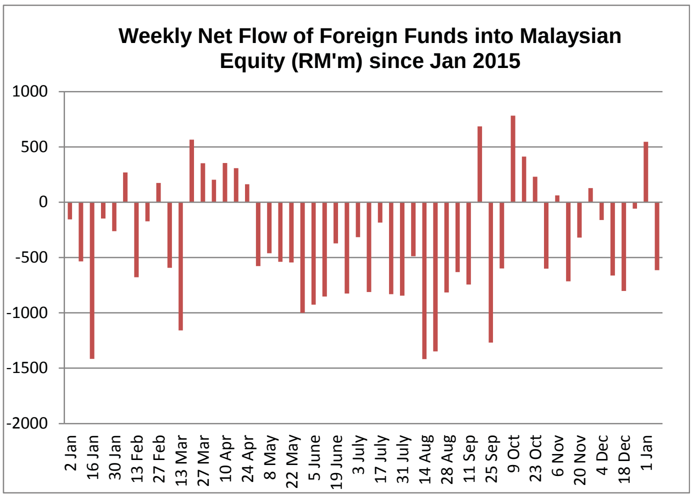
WEEKLY NET FLOW OF FOREIGN FUND INTO EQUITY (USD'm)

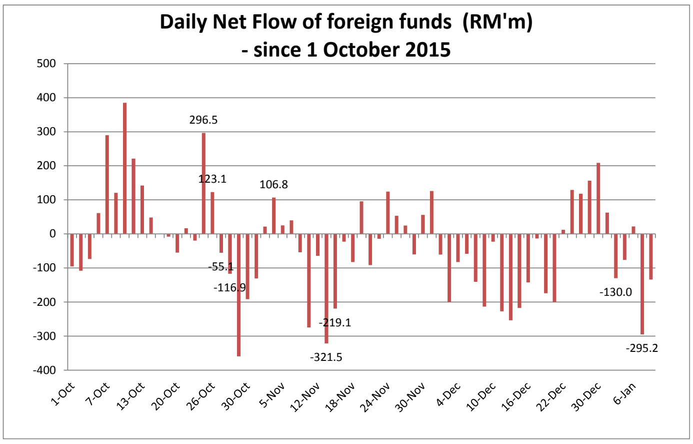
WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
NOV 27	-333.9	-51.2	22.6	-59.1	-190.1	234.7	30.4	-346.7
DEC 4	-1150.3	-109.5	-165.4	-42.6	-623.5	-576.7	-38.3	-2706.4
DEC 11	-957.6	-94.3	-49.8	-52.0	-152.2	-1049.8	-155.1	-2510.9
DEC 18	-756.1	-343.7	45.1	-35.3	50.2	100.4	-186.0	-1125.3
DEC 25	-97.9	-492.4	-65.9	22.9	211.1	258.2	-13.8	-177.8
JAN 1	-63.6	66.5	29.0	21.4	262.4	-80.9	127.2	362.1
JAN 8	-516.7	-231.7	-44.2	-13.5	-239.1	-1166.1	-140.2	-2350.9

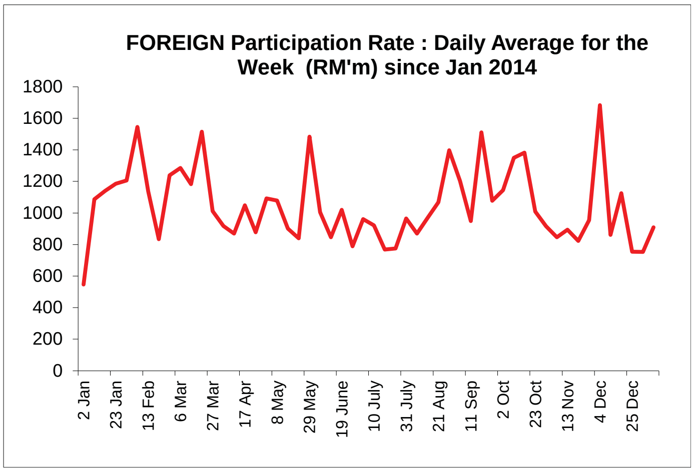
Source: Respective exchange statistics reported on Bloomberg. Bursa Malaysia. These figures are subject to revisions.

C. TRACKING MONEY FLOW - MALAYSIA

- Foreign investors sold Malaysian equity last week, reversing the purchases made the week before. It was in line with regional trend but the attrition was not as intense as that seen during many weeks in 2015.
- In total, foreign funds sold equities listed on Bursa amounted to RM613.7m net, or equivalent to USD140.2m last week (see chart). This is estimated based on net transactions in the open market (i.e excluding off market deals).
- The selling was not outright last week. Foreign funds were actually net buyers on Wednesday although the amount was marginal.
- Most of the selling was on Monday and Thursday, which were the days when the market in China collapsed. On Monday, the net amount sold was RM130m, reversing six days of buying. On Thursday, the amount surged to RM295.2m, the highest since 13 November last year. The selling continued on Friday although the market generally rebounded. We note that on Friday, foreign investors were also net sellers in Seoul, Taipei, Jakarta, Bangkok and Manila.
- Foreign participation rose last week but the amount remained in the moderate bracket at RM910m. We believe many foreign players were still away from Bursa and are only gradually returning.
- Rather striking from the statistics last week is the heavy local participation vis-a-vis that of foreigners. On Thursday in particular, the reaction to China's second market meltdown during the week emanated mainly from local investors. Participation rate of local institutional funds hit RM2.5b on the day. More strikingly was the participation rate of retail investors which hit RM1.1b, which is only the 19th time that the figure exceeded the RM1b mark since 1 January 2015.
- For the week, local players were heavy supporters of the market with retailers and local institutions mopping up RM53.8m and RM559.9m respectively.







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)*
NOV 27	2347.9	2406.2	-58.3	5927.6	5997.3	-69.7	2448.5	2320.5	128.0	30.4
DEC 4	1638.0	1709.0	-71.0	5656.60	5424.3	232.3	4126.8	4288.1	-161.3	-38.3
DEC 11	1593.2	1561.1	32.1	5658.40	5027.7	630.7	1820.4	2483.2	-662.8	-155.1
DEC 18	1627.2	1539.2	88.0	5388.30	4675.1	713.2	2411.5	3212.7	-801.2	-186.0
DEC 25	1081.3	1075.9	5.4	2600.60	2547.2	53.4	1101.4	1160.2	-58.8	-13.8
JAN 1	1369.2	1523.2	-154.0	3506.30	3898.5	-392.2	1779.9	1233.7	546.2	127.2
JAN 8	2318.6	2264.8	53.8	5899.9	5340.0	559.9	1967.4	2581.1	-613.7	-140.2

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

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