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RESEARCH

MIDF AMANAH
INVESTMENT
BANK

MALAYSIA EQUITY RESEARCH | JULY 13, 2015

Week Ended
July 10, 2015

Foreign Flow Meter (M'sia)



Tide

(increased to)
HIGH



Current

(maintain)
MODERATE

- Except for China and Europe, equity markets in general sank further into the redzone last week. However, markets rallied on Friday as optimism rose on a potential Greece resolution. (As it turned out, euro-zone leaders on Sunday gave Greece 3 days to enact into law its list of demands in exchange for the third bailout in five years).
- Last week, China's market recovered some lost ground after three weeks of meltdown. The CSI300 rose 5.7% last week after losing 27% in the preceding three weeks.
- Investors were apparently responding to a slew of extraordinary measures announced by the Government to stem the market's free fall.
- After a relatively quiet fortnight, global funds shifted out of Asian equity heavily last week.
- There was an exodus from Korea and Taiwan markets. Among Emerging Asia, there was noticeable exit from Thailand.
- Meanwhile, there was a heavy foreign outflow from Bursa last week, mirroring the situation in Asia. Foreign investors have now been net sellers on Bursa for eleven consecutive weeks. Last week, foreign investors sold equity listed in the open market amounted to RM811.7m, the 7th highest this year.
- As of last Friday, the KLCI and FBM70 indices were down only -1.1% and -1.9% in July, not out-of-sync with years in which the month was weak in the past.
- In view of the many prevailing market potholes, the performance of Bursa has been encouraging.
- The local market is resilient, the qualities of which should manifest during challenging times like these.
- In addition, we believe the market will benefit by moves to reduce the misalignment in the external value of the Ringgit.

13 July 2015 | Strategy - Weekly Fund Flow

HIGH TIDE OUT FROM ASIA

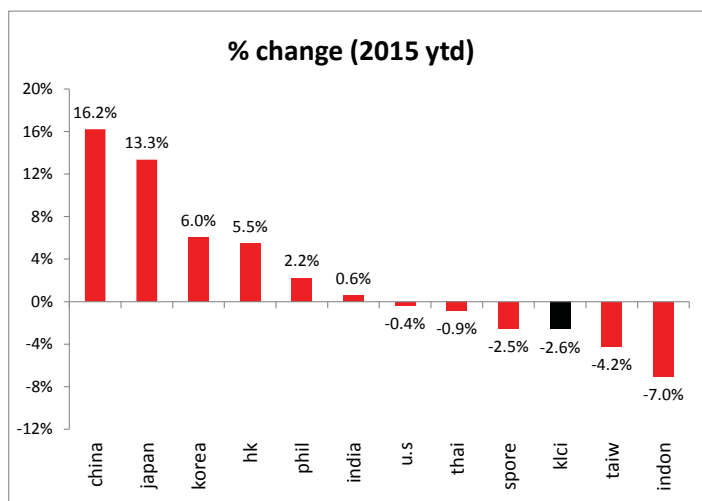
A. MARKET SNAPSHOT

- Except for China and Europe, equity markets in general sank further into the redzone last week. However, markets rallied on Friday as optimism rose on a potential Greece resolution.
- There was a flurry of activity over the weekend to decide the fate of Greece, which has sought a third bailout to help it face its EUR320b debt mountain.
- Otherwise, all eyes were on China where a stock market crash is raising fears of a hard landing for the economy, with damaging spillovers on the rest of the world, particularly Asia.
- Last week, China's market recovered some lost ground after three weeks of unrelentless meltdown. The CSI300 rose 5.7% last week after losing 27% in the preceding three weeks. It was easily the best performing market last week and propelled it back to the top in the year-to-date performance ranking with a gain of 16.2%.
- On Friday, more than 1,200 companies were suspended from trading after reaching their 10% limit-up. Investors are apparently responding to a slew of extraordinary measures announced by the Government to stem the market's free fall. Among the measures announced last week:
 - Bank of China injected Yuan35b into the money market through open market operations, the fifth cash injection since June 25, and said it will continue to support liquidity need of China Securities Finance Corporation Limited (CSF), the national margin trading service provider.
 - the China Securities Regulatory Commission (CSRC) said it would provide capital to mutual funds in order to increase liquidity to help offset redemption pressures.
 - CSRC allowed financial institutions to renegotiate maturity terms with clients and allow banks to ease margin requirements for borrowers.
 - authorities clamped down on "malicious short selling".
 - China will also ban major shareholders from selling stakes in listed companies for six months.
- The developments in Europe and China have diverted attention away from the Fed, despite Chairperson Yellen's hawkish comment reiterating the Fed's plan to start raising interest rates this year.
- North Asian markets fell the most last week, obviously reeling from China's market collapse. The KLCI reversed previous week's gain with a 1.1% loss.

Performance of major markets		
Weekly % change	Week before	Last week
China CSI300	-10.38	5.68
DAX	-3.78	2.33
CAC	-4.96	1.97
FTSE	-2.49	1.33
Dow Jones	-1.21	0.17
S&P500	-1.18	-0.01
Thai SET	-1.87	-0.31
KLCI	1.39	-1.08
India Sensex	1.01	-1.54
Straits Times	0.66	-1.88
Phil Comp	-1.14	-1.89
Jakarta JCI	1.22	-2.49
Korea KOSPI	0.68	-3.48
Nikkei 225	-0.80	-3.70
Hang Seng	-2.25	-4.46
Taiwan TaieX	-1.10	-4.75

Source: Bloomberg

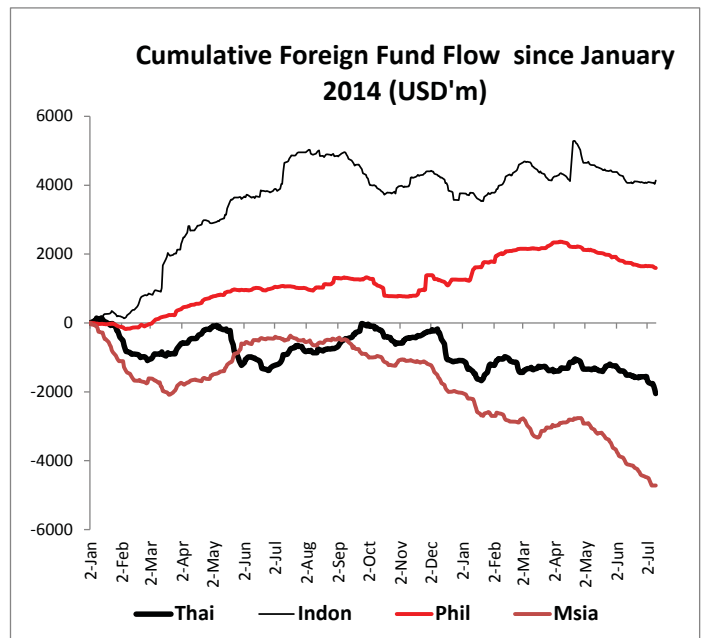
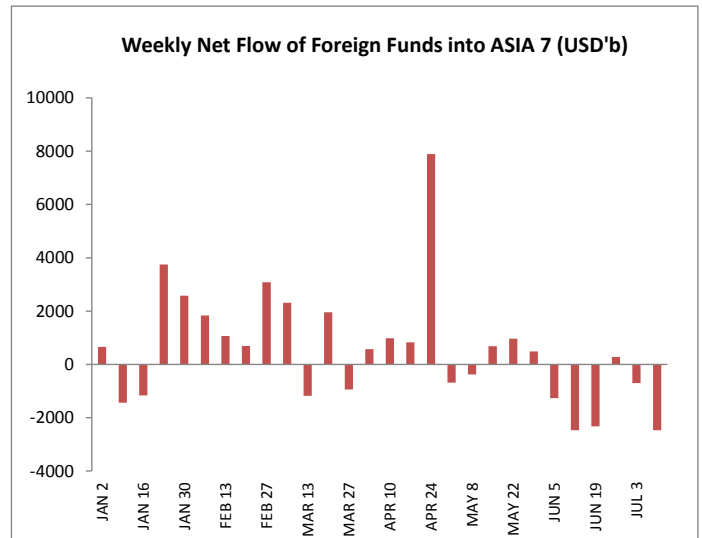
Major Asian indices (2015)



Source: Bloomberg

B. TRACKING MONEY FLOW

- After a relatively quiet fortnight, global funds shifted out of Asian equity heavily last week. The outflow is partly reflected by the significant decline in prices across Asia last week.
- Based on provisional data from the respective exchanges, investors classified as “foreign” were aggregate *net sellers* of listed equity in the 7 Asian¹ stock markets that we track (TIPs + India, Taiwan, Korea and Malaysia). The net amount sold surged to USD2.47b, the highest in a week this year.
- There was an *exodus* from Korea and Taiwan markets. Foreign investors’ net sale in Korea surged to USD1.2b last week, the most this year. Korea appears to be among the hardest hit over the developments in Greece and China. The Korean Won was also the weakest Asian currency last week, falling 0.58%. The decision by the Bank of Korea to keep interest rate unchanged, after successive cuts in March and June, stabilized the Won towards the end of the week.
- In Taiwan, foreign investors offloaded USD1.1b, the second highest in a week this year. However, the market was also struggling with a different kind of pressure. Taiwan was preparing for the arrival of Typhoon Chan-hom, with maximum sustained winds of 155 km/hour and gusts reaching 191 km/hour. The Taiwan Stock Exchange was forced to close on Friday due to the typhoon.
- Among emerging markets, there was heavy foreign attrition from Thailand where the amount of USD319m offloaded was the highest in a week this year. The meltdown in China cast a dark cloud over Bangkok as the Chinese market accounts for 12-13% of Thailand’s exports. The Thai baht was also among the worst performer last week, not helped by the Finance Minister’s comment that budget deficit may be increased to 4% in 2016 in the event that China proved to be a drag on economic activity.
- Elsewhere, foreign selling was moderate in Philippines while there was a small amount of foreign net purchase last week.



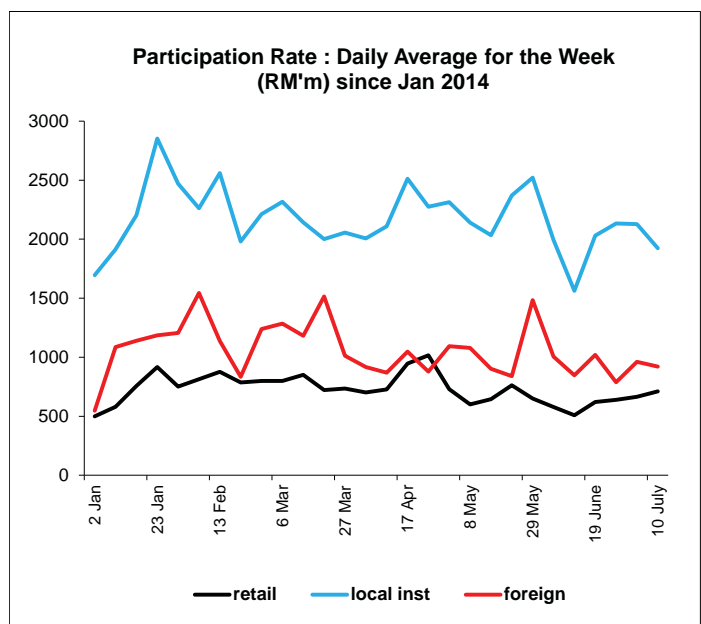
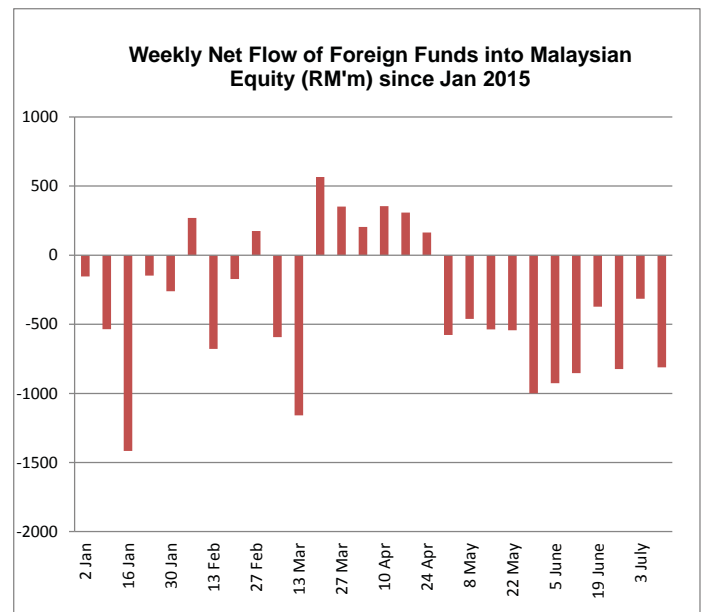
¹ These ASIA 7 markets, for which fund flow data is publicly available, are our proxy for Asia. TIP = Thailand + Indonesia + Philippines.

WEEKLY NET FLOW OF FOREIGN FUND INTO EQUITY (USD'm)								
WEEK ENDED	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
MAY 29	323.0	9.2	-33.6	-63.4	334.4	194.3	-274.5	489.4
JUN 5	688.2	-147.8	-99.7	-109.0	-177.6	-1167.5	-250.6	-1263.9
JUN 12	-608.9	-122.5	-218.8	-63.4	-305.4	-917.8	-227.4	-2464.1
JUN 19	-878.2	-60.9	43.4	-51.9	-416.3	-858.6	-99.5	-2321.9
JUN 26	-57.5	17.5	-20.8	-48.4	120.5	489.2	-219.9	280.6
JUL 3	-45.5	-170.1	-0.3	6.5	-21.2	-387.1	-83.4	-701.2
JUL 10	-1227.8	-318.9	48.3	-55.1	415.4	-1120.5	-213.3	-2471.8

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

C. TRACKING MONEY FLOW - MALAYSIA

- There was a heavy foreign outflow from Bursa last week, mirroring the situation in Asia.
- Foreign investors have now been net sellers on Bursa for *eleven* consecutive weeks. Last week, investors classified as “foreign” sold equity listed in the open market on Bursa (i.e excluding off-market deals) amounted to RM811.7m on a net basis. That was the 7th highest this year.
- Foreigners were net sellers every day last week and had been selling in the last 17 trading days. Indeed, selling had been unrelentless and net outflow had been recorded in the last 38 out of 39 trading days.
- There was heavy foreign withdrawal on Wednesday when investors offloaded RM374m, the third highest in a day this year. However, we reiterate our view that the heaviest of the foreign sell-down is in the past. Last week, despite the global turmoil, the amount offloaded by foreigners exceeded the RM200m mark only on Wednesday. There was no pick-up in selling momentum thereafter.
- For 2015, last week’s sell-down *increased* the cumulative net foreign outflow to RM9.8b, significantly surpassing the RM6.9b outflow for the entire 2014.
- Foreign participation rate remained at the upper end of the “moderate” category, with daily volume for the week averaging RM921m. However, gross volume exceeded the RM1b mark only on Wednesday. It tapered to <RM1b thereafter, and was down to RM719m on Friday.
- Local institutions mopped up RM785.7m in the open market last week on declining participation rate of RM1.92b, the first time it dipped below the RM2b mark in four weeks. Local funds have mopped up RM11.2b this year, compared with RM8.2b in 2014.
- Retailers started nibbling in the market with a marginal net purchase of RM26m. We note that retail activity has been gaining momentum, although it is still at moderate level.



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)*
MAY 22	1895.7	1920.4	-24.7	6209.7	5641.0	568.7	1827.4	2371.4	-544.0	-151.2
MAY 29	1627.3	1624.7	2.6	6801.0	5803.8	997.2	3207.4	4207.2	-999.8	-274.5
JUN 5	1416.2	1479.8	-63.6	5479.0	4489.3	989.7	2047.7	2973.8	-926.1	-250.6
JUN 12	1271.1	1270.4	0.7	4330.8	3478.8	852.0	1688.9	2541.6	-852.7	-227.4
JUN 19	1581.3	1524.2	57.1	5234.3	4919.0	315.3	2363.2	2735.6	-372.4	-99.5
JUN 26	1585.3	1607.4	-22.1	5757.7	4910.9	846.8	1559.6	2384.3	-824.7	-219.9
JUL 3	1584.0	1739.9	-155.9	5552.9	5082.1	470.8	2246.5	2561.4	-314.9	-83.4
JUL 10	1788.8	1762.8	26.0	5199.6	4413.9	785.7	1897.1	2708.8	-811.7	-213.3

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

FUND FLOW REPORT

D. TOP 100 STOCKS: MONEY FLOW ²

TOP 10 NET MONEY INFLOWS

- KL Kepong recorded the highest net money inflow of RM18.30m last week and its share price outperformed the broader market with a 1.07% weekly gain. In comparison, the FBM KLCI was down by -1.08% during the review week.
- Malayan Banking came in second with RM13.54m net inflow. Its share price outperformed the market benchmark albeit slightly with a -0.86% week-on-week decline. It is of note that net money inflow amidst retreating share price indicates buy on weakness (BOW) stance among some investors.
- Tenaga Nasional recorded the third highest net money inflow of RM12.42m but its share price slightly underperformed the FBM KLCI with a -1.10% weekly fall. As stated earlier, net money inflow amidst retreating share price may indicate investors' BOW stance. The company recently completed its purchase of 70% stake in Jimah East Power which is expected to achieve positive earnings after mid-2019.

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
KL KEPONG	18.30	-2.37	1.07	-
MAYBANK	13.54	-0.25	-0.86	BOW
TNB	12.42	-3.38	-1.10	BOW
AXIATA	7.69	9.15	-2.17	BOW
IHH HEALTH	7.67	-0.62	-0.17	BOW
TM	6.44	5.13	-1.46	BOW
DIGI.COM	4.48	7.83	0.00	-
BURSA M'SIA	4.38	-0.06	-1.47	BOW
GAMUDA	3.95	5.50	0.21	-
CIMB	3.13	9.36	-1.46	BOW

Source: Bloomberg, MIDFR;

Note: BOW - Buy on weakness, SOS - Sell on strength (Bloomberg defined)

TOP 10 NET MONEY OUTFLOWS

- Hartalega saw the largest net money outflow of -RM6.25m during the review week. Nonetheless, its stock price slightly outperformed as it ended the week lower by merely -0.56%. This was against a marginally bigger -1.08% decline in the FBM KLCI. Last week, MIDFR downgraded the stock from Neutral to Sell due to expected higher operating costs and margin pressure.
- AMMB Holdings came in second last week with a net outflow of -RM6.21m and its share price severely underperformed the market benchmark with a massive -6.32% weekly loss. The hugely negative price movement was arguably pursuant to WSJ purported exposé of questionable massive funds transfer which involved the participation of a related company.
- Malaysia Airports registered the third largest net money outflow at -RM4.31m in the review week. Its share price too underperformed the broader market with a sizable -5.49% weekly decline. The company recently reported that passengers handled by its airports fell by a marginal -0.01% to 9.4m in June 2015

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
HARTALEGA	-6.25	5.29	-0.56	-
AMMB	-6.21	0.15	-6.32	-
MAHB	-4.31	0.75	-5.49	-
LAFARGE	-4.29	-0.86	0.45	SOS
CMS	-3.43	1.79	-2.06	-
PUBLIC BANK	-1.75	8.23	-0.32	-
DIALOG	-1.66	-0.80	-2.48	-
INARI	-1.58	-1.76	1.79	SOS
ASTRO	-1.36	1.65	1.34	SOS
GENTING PLANT	-1.26	-0.69	-0.39	-

Source: Bloomberg, MIDFR;

Note: BOW - Buy on weakness, SOS - Sell on strength (Bloomberg defined)

² Money flow indicates whether a particular stock is being more heavily purchased or sold. Money flow generally confirms price trend. As price rises, money flow is usually positive, vice versa. A divergence may portend a reversal in price trend. A rising stock price with a negative money flow can indicate a future price correction, vice versa.

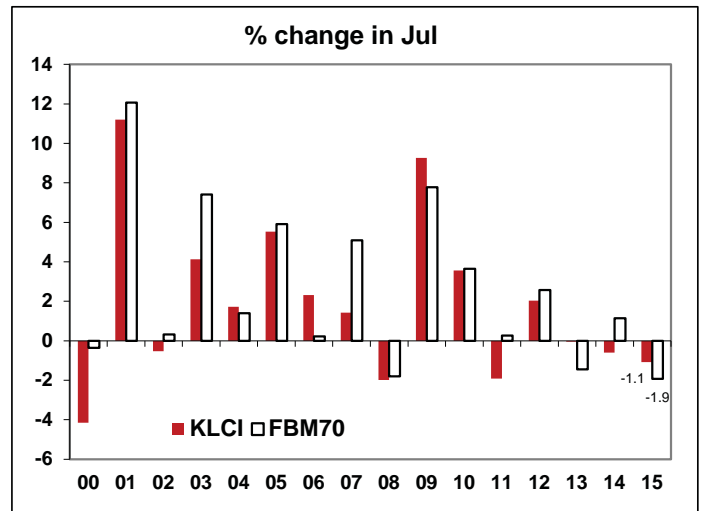
How is money flow calculated? When a trade is performed, its price is compared to the price of the previous trade (the first trade of the day is compared to the previous day's close). If the prices differ, either upticks or downticks, the value of the trade (price multiplied by number of shares) is added to or subtracted from the money flow respectively.

Source: Bloomberg, MIDFR

E. THE WEEK AHEAD

MARKET HOLDING WELL DESPITE MULTIPLE JEOPARDIES

- As of last Friday, the KLCI and FBM70 indices were down only -1.1% and -1.9% in July, not *out-of-sync* with years in which the month was weak in the past.
- In view of the many prevailing market potholes, the performance of Bursa has been encouraging. In addition to external drags such as Greece, China and Federal Reserve, the local market has also had to contend with a local of domestic issues, ranging from fiscal to politics. The weakness of the Ringgit is also not helping.
- We wrote last week of the local market’s resilience, the qualities of which should be borne out during challenging times like these.
- In addition, we believe the market will benefit by moves to reduce the misalignment in the external value of the Ringgit. Such a move was Bank Negara’s decision to stop issuing Sukuks, which has the effect of neutralizing foreign selling pressure in the Ringgit bond market. According to the S&P, BNM issued about USD45b (RM171.6b) of sukuk out of a total global issuance of USD116.4b (RM444b). In 1H15, BNM’s pullback caused total sukuk issuance drop 42.5%yoy. Bond yields eased last week (see chart)
- Bursa will be closed on Friday in conjunction with Eid but will still open for trading on Thursday but only for the morning session.
- North Asian markets are open on Friday, while Singapore and Emerging Markets in South East Asia will be closed, with the exception of Thailand.



July 2015 until the 10th

Bond yields eased after BNM’s move to stop sukuk issuance



MGS 10-year

JURY IS OUT ON CHINA

- The China factor will still loom large among local players this week. Although prices rebounded in the last two trading days, a resumption of decline will cause concerns that economic activity will stall in China, with spillover effect on Malaysia.
- After the market’s precipitous decline, a few houses in China (including Fidelity, SocGen and Goldman) started to recommend that investors start buying. However, the jury is still out, mindful that China is still the best performing market in Asia this year even after the collapse. For example, the widely followed El Erian, formerly CEO/joint CIO of PIMCO, wrote:
 - *The rebound of Chinese stocks Thursday shouldn’t lull global investors into a false sense of complacency: That country’s equities market isn’t out of the woods quite yet.*
- As Typhoon Chan-Hom hits China, sentiment may be dampened this week. We would be cautious.

Even after the dramatic fall, China is still the best performing market in Asia this year



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