

MALAYSIA EQUITY RESEARCH | JUL 14, 2014

**Week Ended  
Jul 11, 2014**

Malaysia Flow Meter



Tide

MODERATE



Current

MODERATE

- In a reversal of fortune, equity markets around the world moved back into the redzone after a promising start to the second half.
- Sentiment was compromised due to events in Europe where Banco Espirito Santo SA, Portugal's No. 2 bank by market capitalization, plunged into a financial trouble.
- However, global liquidity continued to pour into many Asian Emerging markets last week.
- Indonesia and Thailand reported massive foreign money inflow, the former despite a yet uncertain outcome in its presidential election.
- Malaysian equity effectively fell off the radar screen of global investors. Amid strong inflow in neighbouring markets, foreign investors were net sellers on Bursa, the first weekly deficit in 12 weeks.
- Last week, foreign investors sold -RM257.7m net, the highest since March 2014. On cumulative basis, foreign investors remained net sellers of Malaysian stocks in 2014, and the net outflow as of last Friday had increased to -RM1.81b. In 2013, Malaysia reported a net inflow of +RM3.0b.
- Malaysia is currently going against the tide. The mega banking merger and the OPR hike have not provided the spark needed to lift the market. Expect selling pressure to continue on Monday.

## AGAINST THE TIDE

### A. MARKET SNAPSHOT

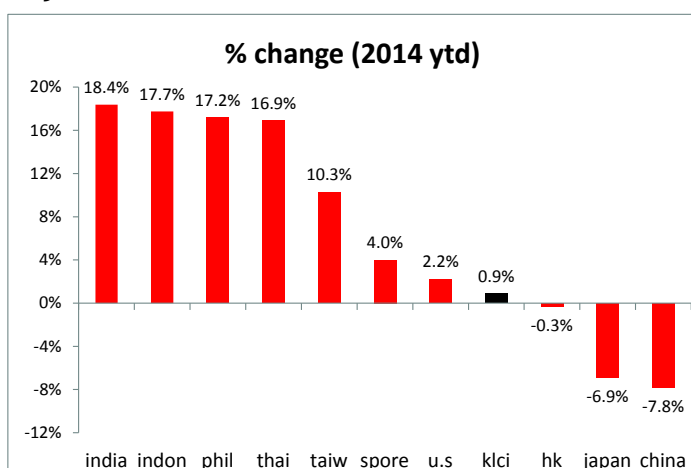
- In a reversal of fortune, equity markets around the world moved back into the redzone after a promising start to the second half.
- Sentiment was damaged mainly due to events in Europe where Banco Espirito Santo SA, Portugal's No. 2 bank by market capitalization, plunged into trouble over a debt issue. Although it appears to be isolated and unlikely to pose a systemic risk to the rest of the Euro area, the crisis is enough to send jitters across the equity world. The share price of Banco Espirito plunged a massive 36% last week.
- The bellweather market, namely Wall Street, rebounded on Friday but still ended the week in the redzone, with the Dow Jones and S&P500 declining -0.7% and -0.9% respectively. Volatility has spiked ahead of the second quarter corporate earnings reporting season.
- While European markets were weighed down by events in Portugal, the worst performing market was India, which lost -3.6%. It was the steepest weekly decline since December 2011, and came in a week when the government unveiled its budget for fiscal year ending March 2015. The new government unexpectedly stuck with the outgoing government's target budget deficit of 4.1% for the current fiscal year. Investors were clearly less enamoured with the plans.
- All eyes are currently on Indonesia where the result of the Presidential election is expected to remain in doubt for at least 10 days as election officials tabulate the more than 130m paper ballots cast across the vast island nation. Joko Widodo claimed victory on the basis of so-called quick-count vote surveys at selected polling stations, but former Gen. Prabowo Subianto said he wasn't ready to concede before the final count is completed by about July 22. Despite the uncertainty, the JCI rose 2.6%, the best performer last week.
- The KLCI had a rollercoaster week, hitting new highs on Tuesday but came under heavy selling pressure on Friday. It closed the week marginally lower by -0.9%.

### Performance of major markets

Weekly % change	Week before	Last week
Jakarta JCI	1.25	2.58
Thai SET	0.85	1.48
Straits Times	0.04	0.66
KLCI	0.21	-0.09
Taiwan TaieX	2.18	-0.15
Dow Jones	1.28	-0.73
Phil Comp	1.76	-0.88
S&P500	1.25	-0.90
Korea KOSPI	1.06	-1.04
Hang Seng	1.40	-1.33
China CSI300	1.32	-1.41
Nikkei 225	2.27	-1.77
FTSE	1.60	-2.56
CAC	0.72	-3.41
DAX	1.98	-3.42
India Sensex	3.43	-3.61

Source: Bloomberg

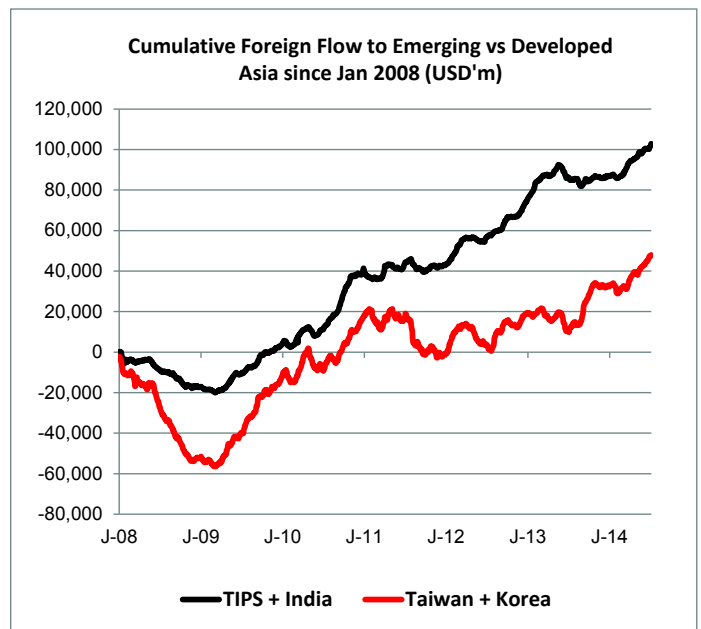
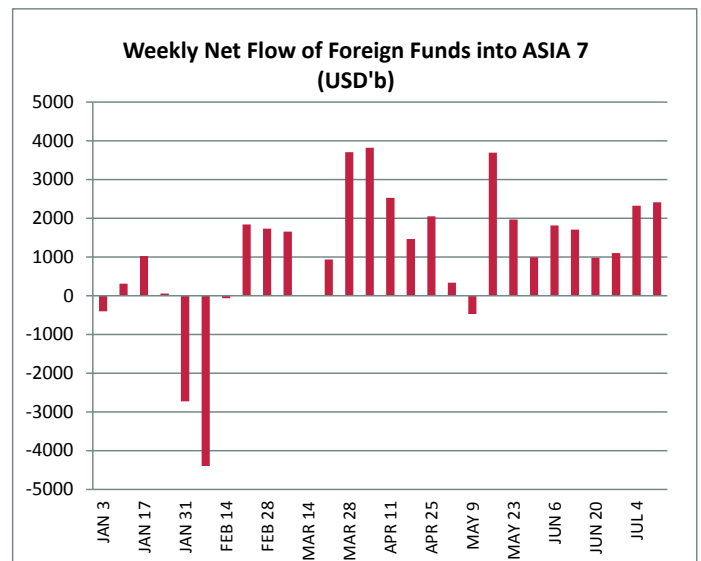
### Major Asian indices



Source: Bloomberg

**B. TRACKING MONEY FLOW - ASIA**

- Global funds continued to plough into Asian stocks for the ninth week in a row last week.
- This is based on data from the seven Asian exchanges that we track (Korea, Taiwan, Thailand, Malaysia, Indonesia, Philippines and India <sup>1</sup>). Funds classified as “foreign” bought, in net aggregate, USD2.4b of stocks in the aforementioned markets, higher than the USD2.3b purchased the week before (see bar chart).
- The flow to “Emerging Asia”, as represented by the Thailand, Indonesia, Philippines (TIPs) and India markets outpaced the more Developed Asia<sup>2</sup>, as represented by Taiwan and Korea. This was a reversal of the situation in the week prior.
- Indonesia reported a massive USD816.9m foreign portfolio inflow during the presidential election week, one of the highest ever recorded by its equity exchange. Global funds continued to make a beeline for the Indonesian exchange despite the stalemate in the election result, with both candidates claiming victory based on early counting.
- Foreign investors are also making a strong comeback in Thailand, with the Thai bourse reporting a strong foreign buying amount of USD293.5m, the highest since September last year.
- Meanwhile, money flow to Taiwan and Korea slowed down last week, especially in the former, but the balance has remained in surplus for a prolonged period of time.
- In Korea, the won was one of the weakest Asian currencies last week. Sentiment was dampened after a weak earnings guidance from Samsung Electronics, which dimmed the outlook for corporate earnings.



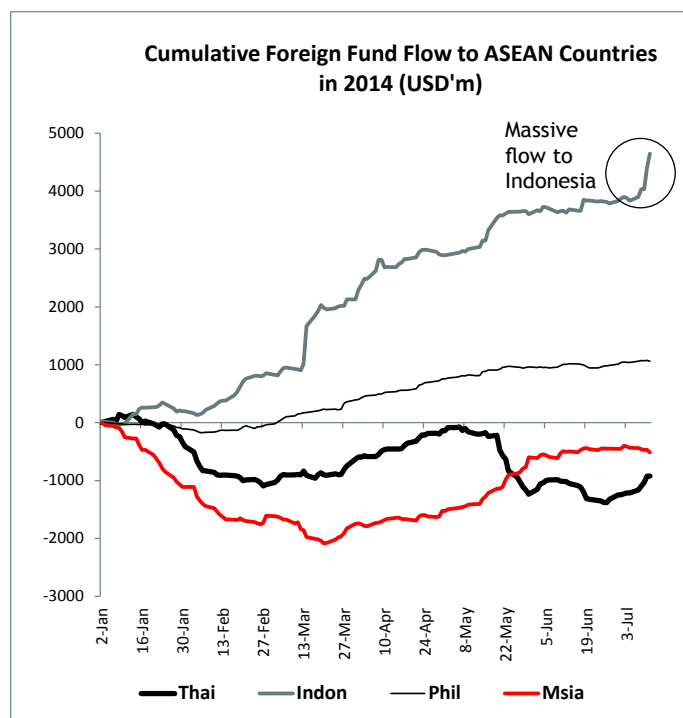
NET FLOW	TIPs + India	Taiwan + Korea	Total (USD'm)
2008	-17,195	-53,106	-70,301
2009	20,580	40,063	60,642
2010	35,690	29,234	64,924
2011	2,748	-17,801	-15,053
2012	31,302	19,976	51,278 (55,663*)
2013	12,446	13,500	25,946 (27,170*)
2014	16,193	14,897	31,090 (30,575^)

<sup>1</sup> These ASIA 7 markets, for which fund flow data is publicly available, are our proxy for Asia.

<sup>2</sup> Technically, the Korea and Taiwan markets have not yet been classified as “developed” under the MSCI. We use the term liberally only for tracking purposes.

TIP = Thailand, Indonesia, Philippines ^ including Malaysia

- In Taiwan, foreign investors are taking stock ahead of a high-profile investor conference by the Taiwanese semiconductor players this week. TSMC, the world's biggest foundry, announced strong 2Q14 sales last week and has projected even stronger numbers in 3Q14. Investors will be looking for guidance from the company, especially with respect to the shipment of microprocessors in conjunction with the launch of Apple's next generation of iPhones in September.
- In India, foreign investors continued their strong purchase of stocks after the presidential election.
- After 11 consecutive weeks of buying, foreign investors sold Malaysian stocks last week.



Source: Various countries' exchanges, via Bloomberg. These figures are subject to revisions. Aggregated by MIDFR.

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

WEEK ENDED	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
JAN 24	-82.1	-50.3	66.2	15.3	158.4	327.8	-378.8	56.6
JAN 31	-775.4	-392.3	-128.1	-85.0	-500.5	-581.7	-263.4	-2726.4
FEB 7	-1149.3	-416.3	22.3	-57.8	-213.9	-2251.7	-329.5	-4396.2
FEB 14	-142.6	-71.6	163.3	31.9	-11.3	197.8	-228.6	-61.2
FEB 21	127.8	-84.7	376.8	79.3	331.3	1036.0	-28.2	1838.2
FEB 28	636.3	-80.5	96.5	18.7	313.9	655.6	90.4	1730.9
MAR 7	127.4	163.8	96.1	139.3	838.9	355.4	-67.0	1654.0
MAR 14	-1245.6	-7.7	717.1	72.4	119.8	527.0	-301.2	-118.2
MAR 21	-616.2	2.4	284.4	49.7	1213.1	82.2	-101.9	913.6
MAR 28	426.4	164.0	174.4	135.3	1027.1	1041.5	253.1	3221.4
APR 4	1522.7	159.7	353.7	103.2	856.8	1202.3	33.2	4231.7
APR 11	994.1	132.0	205.3	61.9	299.3	701.6	127.6	2521.8
APR 18	410.3	100.8	140.3	32.6	41.9	739.8	-5.8	1459.8
APR 25	524.0	167.0	155.9	136.6	247.4	770.5	50.4	2051.9
MAY 2	-503.3	101.7	-82.7	76.9	322.4	299.1	123.2	337.4
MAY 9	-668.5	-72.8	95.5	52.0	390.2	-348.7	82.0	-470.4
MAY 16	1236.5	-77.9	330.2	82.7	1637.8	285.2	203.6	3697.9
MAY 23	1060.8	-599.5	313.3	68.7	277.4	537.0	311.1	1968.3
MAY 30	256.1	-398.5	-39.7	-10.7	398.3	489.2	300.7	995.5
JUN 6	293.7	246.0	99.0	-18.6	1008.0	181.6	6.0	1815.8
JUN 13	105.6	-62.5	-15.7	70.6	850.9	664.2	95.3	1708.3
JUN 20	69.1	-273.6	154.7	-70.4	-65.7	1125.7	39.9	979.7
JUN 27	359.2	3.4	-51.1	42.0	46.7	694.0	7.8	1102.0
JUL 4	821.8	106.0	45.2	51.3	740.1	547.8	15.5	2327.7
JUL 11	610.5	293.5	816.1	20.4	515.7	239.0	-81.1	2414.1

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

## FUND FLOW REPORT

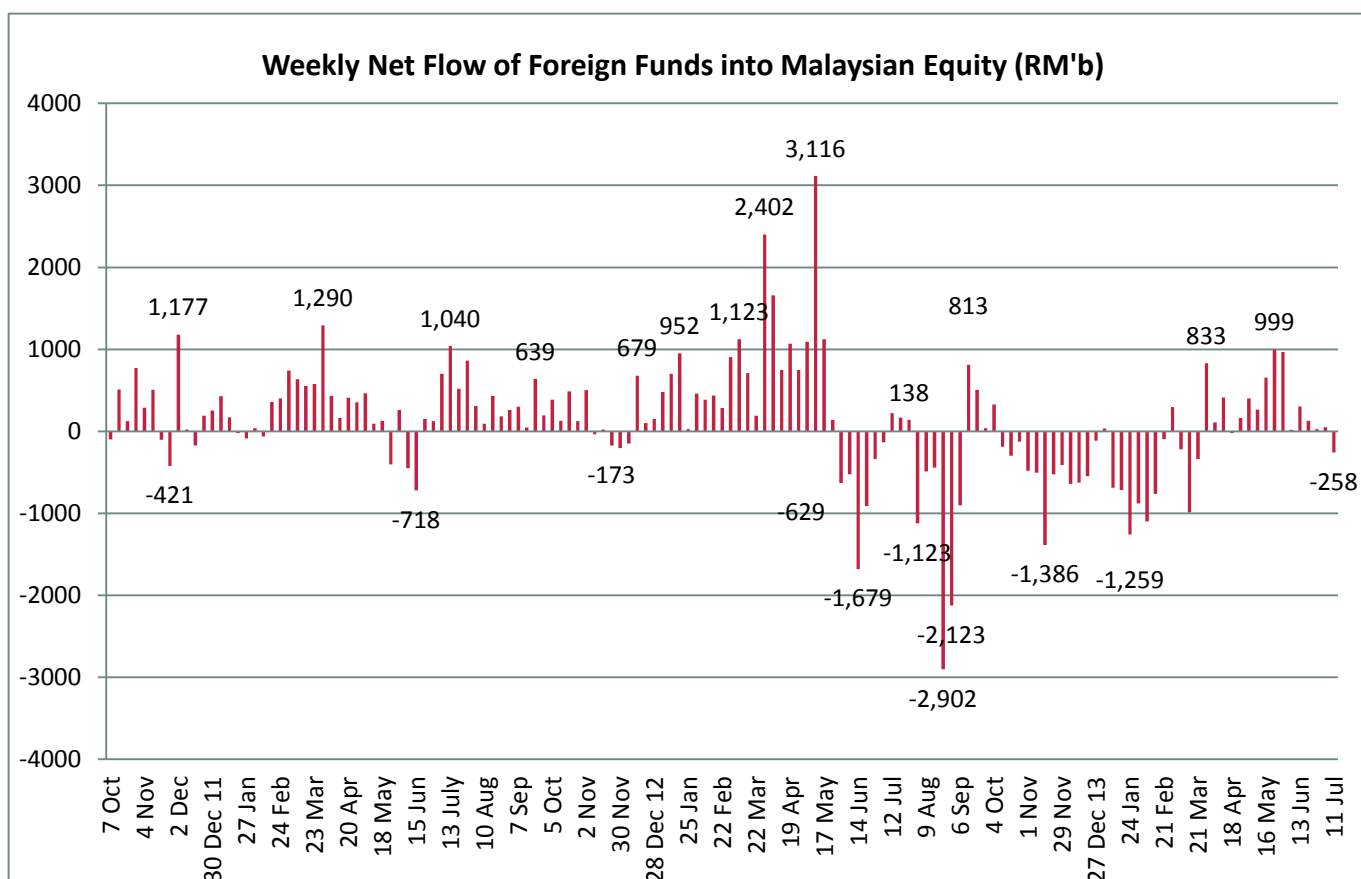
### C. TRACKING MONEY FLOW - MALAYSIA

- Malaysian equity effectively fell off the radar screen of global investors.
- Amid strong inflow in neighbouring markets, investors classified as “foreign” were net sellers on Bursa’s open market (i.e excluding off-market deals), the first weekly deficit in 12 weeks. Last week, foreign investors sold -RM257.7m net, the highest since March 2014.
- On cumulative basis, foreign investors remained net sellers of Malaysian stocks in 2014, and the net *outflow* as of last Friday had increased to -RM1.81b. In 2013, Malaysia reported a net inflow of +RM3.0b.
- Foreign investors sold every day last week, except on Thursday. The selldown peaked on Friday when an amount of -RM146m was offloaded, the highest since March 14, 2014. However, we are not raising the alarm bell yet as the daily outflow has not exceeded RM200m, which is when the intensity of the selldown begins to be felt, in our opinion.
- Nevertheless, we note that foreign participation rose significantly as the average daily foreign gross purchase and sale on Bursa increased to RM942m from RM767m the week before.
- The retail market remained in a bearish mode, with investors offloading -RM137m last week. Participation rate also increased to RM905m, the highest in 11 weeks. We note that retailers bought on Friday, as opportunistic buying emerges at current price level.
- Local institutions supported the market last week, mopping up RM395m. Participation rate remained elevated for the third week running at RM2.5b.

#### 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	1
400 - 500	4	0
300 - 400	7	5
200 - 300	17	9

Source: MIDFR, Bursa statistics

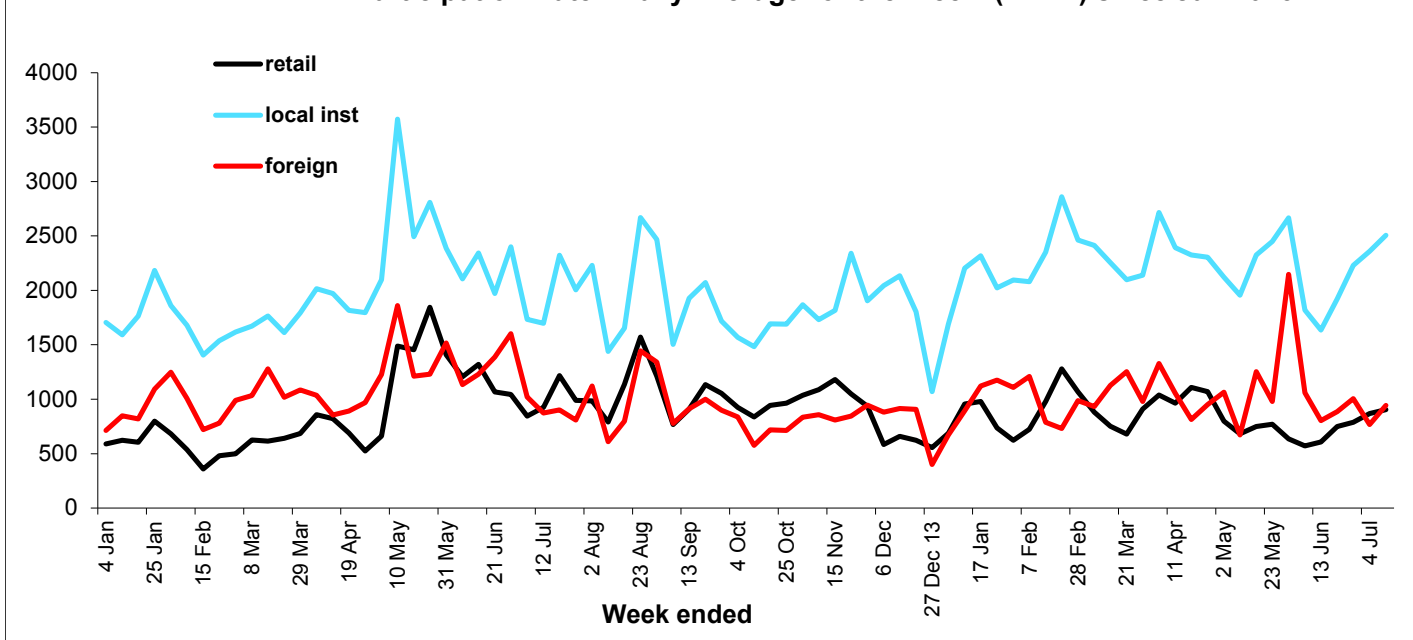


Source: Bursa, excluding off-market trades

**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)*
FEB 14	2428.0	2468.4	-40.4	6279.0	5478.4	800.6	1593.8	2354.0	-760.2	-228.6
FEB 21	3204.9	3194.0	10.9	7193.9	7111.3	82.6	1783.0	1876.5	-93.5	-28.2
FEB 28	2749.0	2584.1	164.9	5923.0	6384.1	-461.1	2613.0	2316.8	296.2	90.4
MAR 7	2198.5	2206.0	-7.5	6148.8	5922.4	226.4	2224.0	2442.9	-218.9	-67.0
MAR 14	1919.2	1840.2	79.0	6095.9	5185.6	910.3	2324.6	3313.9	-989.3	-301.2
MAR 21	1674.4	1721.6	-47.2	5438.6	5056.8	381.8	2966.6	3301.2	-334.6	-101.9
MAR 28	2276.4	2274.1	2.3	4929.7	5764.7	-835.0	2866.3	2033.6	832.7	253.1
APR 4	2555.8	2633.0	-77.2	6775.8	6806.3	-30.5	3374.9	3267.2	107.7	33.2
APR 11	2416.8	2396.6	20.2	5766.2	6200.8	-434.6	2842.9	2428.5	414.4	127.6
APR 18	2762.7	2774.2	-11.5	5831.2	5801.0	30.2	2023.3	2042.0	-18.7	-5.8
APR 25	2653.3	2696.6	-43.3	5702.2	5824.0	-121.8	2459.2	2294.1	165.1	50.4
MAY 2	1540.6	1654.4	-113.8	4097.0	4385.6	-288.6	2329.5	1927.1	402.4	123.2
MAY 9	1688.1	1720.0	-31.9	4775.2	5009.1	-233.9	1812.9	1547.1	265.8	82.0
MAY 16	1473.0	1525.3	-52.3	4346.6	4951.1	-604.5	2837.2	2180.4	656.8	203.6
MAY 23	1899.5	1950.7	-51.2	5649.1	6597.1	-948.0	2950.0	1950.8	999.2	311.1
MAY 30	1521.4	1657.4	-136.0	6252.8	7083.8	-831.0	5848.0	4881.0	967.0	300.7
JUN 6	1377.6	1473.0	-95.4	4586.9	4511.6	75.3	2655.8	2635.7	20.1	6.0
JUN 13	1478.1	1558.3	-80.2	3977.0	4202.6	-225.6	2165.1	1859.3	305.8	95.3
JUN 20	1830.5	1913.3	-82.8	4784.6	4830.5	-45.9	2283.5	2154.8	128.7	39.9
JUN 27	1937.0	2002.5	-65.5	5592.1	5551.6	40.5	2528.4	2503.4	25.0	7.8
JUL 4	2043.4	2292.8	-249.4	5993.8	5794.7	199.1	1942.4	1892.1	50.3	15.5
JUL 11	2193.5	2330.6	-137.1	6459.4	6064.6	394.8	2226.7	2484.4	-257.7	-81.1

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

**Participation Rate : Daily Average for the Week (RM'm) since Jan 2013**


## FUND FLOW REPORT

### D. TOP 100 STOCKS: MONEY FLOW <sup>2</sup>

- Telekom Malaysia (TM) attracted the highest net money inflow totaling RM9.76m last week. Its share price nonetheless retreated -0.63% for the week. It is noteworthy that money net inflow amidst retreating share price indicates Buy on weakness (BOW) stance among investors on this stock. In related news, TM believes that DTT, which will be introduced in 2016, shall not be a direct competitor to its IPTV platform.
- SapuraKencana (SK) came in second with RM9.64m net inflow. It was announced recently that SK is bidding for assets in Vietnam and plans an expansion in Mexico. Moreover, it has started its operations in Brazil.
- Alliance Financial Group (AFG) recorded the third highest net money inflow of RM6.74m and its stock price jumped +8.18% during the review week. AFG is expected to benefit the most from the recent OPR hike due to its high proportion of variable rate loans and CASA ratios.

Name	Net Money Flow (RM m)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
TELEKOM	9.76	16.00	-0.63	BOW
SAPURAKENCANA	9.64	4.46	0.69	-
ALLIANCE	6.74	0.68	8.18	-
PUBLIC BANK	6.53	-2.50	0.90	-
IJM CORP	6.51	3.27	1.20	-
BAT	6.32	0.26	-1.36	BOW
KPJ HEALTHCARE	4.39	1.02	-3.58	BOW
AIRASIA	3.39	3.58	-1.32	BOW
AXIATA	3.34	8.11	-0.43	BOW
SIME DARBY	2.95	1.32	0.21	-

Source: Bloomberg, MIDFR;

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

### TOP 10 NET MONEY OUTFLOWS

- KL Kepong (KLK) registered the largest net money outflow totaling -RM15.09m. Its share price nonetheless made a marginal +0.08% gain during the review week against -0.09% for the market benchmark. The net outflow amidst rising share price may indicate Sell on strength (SOS) stance among some investors.
- CIMB Holdings saw the second largest net money outflow of -RM12.30m last week. Its share price underperformed the benchmark with a -2.37% weekly drop. The net outflow together with the adverse price movement may partly due to investors' reactions to the proposed mega merger which some opine lacks material synergistic impacts between CIMB and RHB.
- MAHB came in third with -RM8.76m net outflow. Nonetheless, its share price made a +6.25% gain for the week, a hefty outperformance against the market benchmark. The net outflow amidst rising share price may indicate SOS stance among some investors. It is noteworthy that AirAsia recently said it hoped to build LCC terminals in various states such as Penang and Sarawak. Some fears it may break the near-monopoly of MAHB in the airport business.

Name	Net Money Flow (RM m)		Price (% Chg) Last Week	Remark
	Last Week	Prev Week		
KLK	-15.09	1.98	0.08	SOS
CIMB	-12.30	0.22	-2.37	-
MAHB	-8.76	1.81	6.25	SOS
AMMB	-8.29	1.51	0.14	SOS
UMW HOLDINGS	-7.47	-4.34	1.96	SOS
TENAGA NASIONAL	-7.25	21.41	0.64	SOS
IOI CORP	-3.21	0.43	-1.91	-
PETRONAS DAGANG	-2.89	4.91	-10.22	-
GENTING M'SIA	-2.48	2.85	0.24	SOS
WESTPORTS	-2.33	-1.80	1.49	SOS

Source: Bloomberg, MIDFR;

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

<sup>2</sup> 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

**MALAYSIA MISSING OUT ON THE BIG MONEY FLOW**

- We noted in Section B above that global investors are currently piling into Southeast Asian emerging markets. Politics appears to be main draw, with Indonesia reporting massive foreign money inflow last week.
- Malaysia, unfortunately is missing out on the big money flow. The much awaited BNM decision to raise the OPR generated some needed volatility in the market but the dust appears to be settling fast. The market is in need of a catalyst, but we are not seeing anything in the horizon, except for the Budget on October 10, which is likely to be another “business-as-usual” unveiling as the focus is geared more towards the GST next year. The CIMB-RHB-MBSB merger talk has thus far failed to provide the spark as the negotiation is expected to be draggy.
- Based on the financial markets’ response, the jury is still out on the OPR direction for the rest of the year.
  - » The ringgit weakened as expected, as the OPR hike has been priced in earlier;
  - » The interbank rates, meanwhile, continued to rise on Friday, as if suggesting that another hike is on the card in September (see chart 1);
- The FBM KLCI hit a new closing high of 1892.65 points on Tuesday, after setting a new intraday high of 1896.23 points earlier in the day. It was down -0.5% or 9.5 points on Friday.
- We expect follow through selling on Monday, especially in view that Bursa will be closed on Tuesday. Monday would be a good day for bargain hunting as the short-term weakness is not expected to last.
- Most importantly, the fundamentals of the market remain intact and it is not at risk of a major correction. Technically the KLCI, FBM70 and FBM Smallcap indices are trading comfortably in positive regions. The KLCI may be testing the short-term support of 1,876 points based on the 50-day moving average line (see chart 2), but we expect institutional defence to emerge at that level.



**CHART 1: KLIBOR CONTINUED TO RISE AFTER OPR HIKE**



**CHART 2: FBM KLCI vs SHORT-TERM SUPPORT**





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