

MALAYSIA EQUITY RESEARCH | JUL 21, 2014

**Week Ended  
Jul 18, 2014**

Malaysia Flow Meter



Tide

MODERATE



Current

MODERATE

- Most markets ended the week in the greenzone, despite escalating geopolitical risks as a result of the MH17 incident and Gaza ground incursions.
- In perspective, there was no major selldown of the markets in Asia on Friday. The Nikkei 225 may have declined -1% on Friday, but that probably reflected overnight decline on Wall Street. The other Asian indices which closed in the redzone on Friday were Korea, Taiwan, HK, Thailand and Malaysia, but all fell only marginally. Wall Street rebounded strongly on Friday.
- The market's reaction could be knee-jerk, and any downward pressure is unlikely to persist.
- Last week, global liquidity continued to flow into Asian equity. Foreign money flow remained strong in Korea, Indonesia and Thailand.
- Overall, the tide was moderate in the aftermath of the tragedy.
- Foreign investors sold RM144m of Malaysian stocks on Friday, but they were net buyers for the week, swiftly reversing the position in the week before. Indeed, foreign investors were buying Malaysian equity for three consecutive days before MH17.
- There could be some follow-through selling this week, as the FBM KLCI broke the short-term support on Friday. Otherwise, the market's fundamentals remain intact.

## MODERATE TIDE IN THE AFTERMATH OF TRAGEDY

### A. MARKET SNAPSHOT

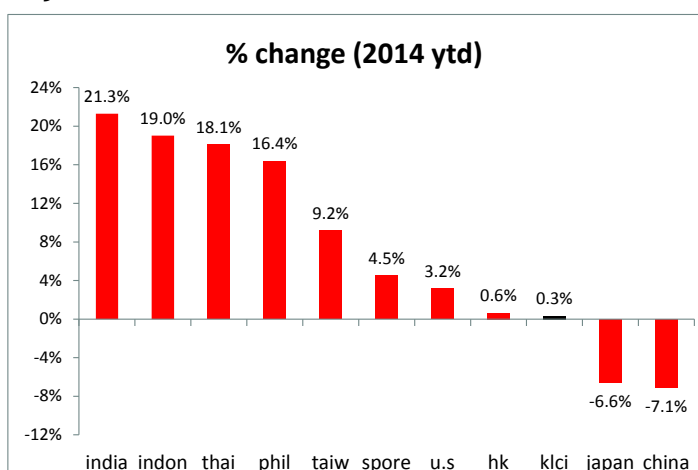
- Equity markets around the world regained stability last week after losses in the week before.
- Most markets ended the week in the greenzone, despite escalating geopolitical risks as a result of the MH17 incident and Gaza ground incursions.
- There was no major selldown of the markets in Asia on Friday. Only the benchmark indices of Japan, Korea, Taiwan, HK, Thailand and Malaysia closed in the redzone, with the Nikkei 225 the worst hit, falling -1% for the day.
- The bellweather market, namely Wall Street also rebounded strongly on Friday. The Dow Jones added 123 points after losing 160 points in the aftermath of MH17 and Gaza. For the week, the Dow Jones and S&P500 added 0.9% and 0.5% respectively. The Dow Jones even hit record highs on Wednesday, buoyed by optimism over corporate earnings, rally of semiconductor stocks, and news that Twenty-First Century Fox had a USD80b bid for Time Warner turned down.
- Emerging markets had a mixed week. India's Sensex led the table last week with a gain of 2.5%, a strong rebound from the -3.6% loss the week before. The increase was driven by gains in IT shares. In Indonesia, vote counting is under way in the presidential election amid accusations of voting irregularities. That did not deter investors from snapping up Indonesia shares, the price of which have risen for 3 consecutive weeks. The Jakarta Composite rose 1.1% last week on optimism that a new president will undertake reforms in areas such as banking, construction and infrastructure.
- The Thai also had a good week, with the SET rising 1.0%. However prices retreated on Friday after the military government suspended the 4G auction for one year with immediate effect, which led to a selloff of telco stocks.
- The KLCI closed at 1872.97 points, down 10.17 points or -0.54%. It was the lowest since June 16. Year-to-date, the index gained only a marginal 0.3%, lagging other markets in the region.

### Performance of major markets

Weekly % change	Week before	Last week
India Sensex	-3.61	2.47
Korea KOSPI	-1.04	1.54
Jakarta JCI	2.58	1.08
Thai SET	1.48	1.01
Hang Seng	-1.33	0.95
Dow Jones	-0.73	0.92
FTSE	-2.56	0.89
China CSI300	-1.41	0.75
DAX	-3.42	0.56
S&P500	-0.90	0.54
Straits Times	0.66	0.51
CAC	-3.41	0.44
Nikkei 225	-1.77	0.34
KLCI	-0.09	-0.54
Phil Comp	-0.88	-0.70
Taiwan TaieX	-0.15	-1.00

Source: Bloomberg

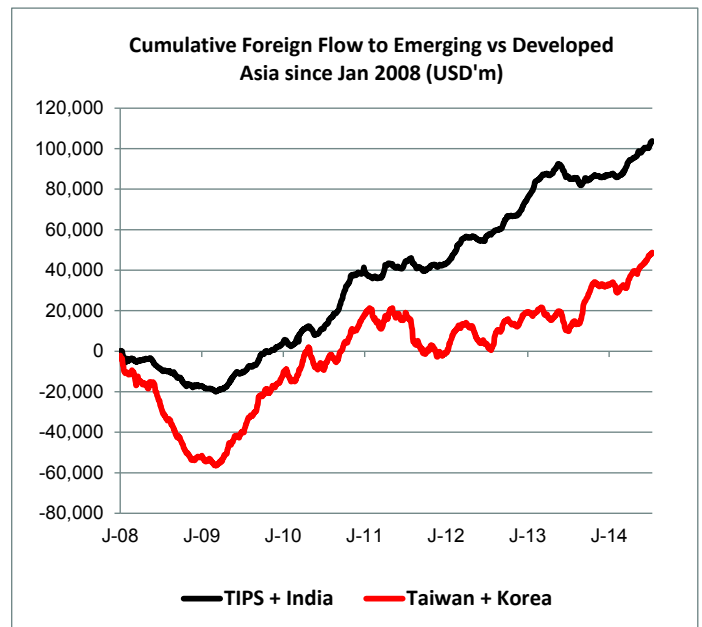
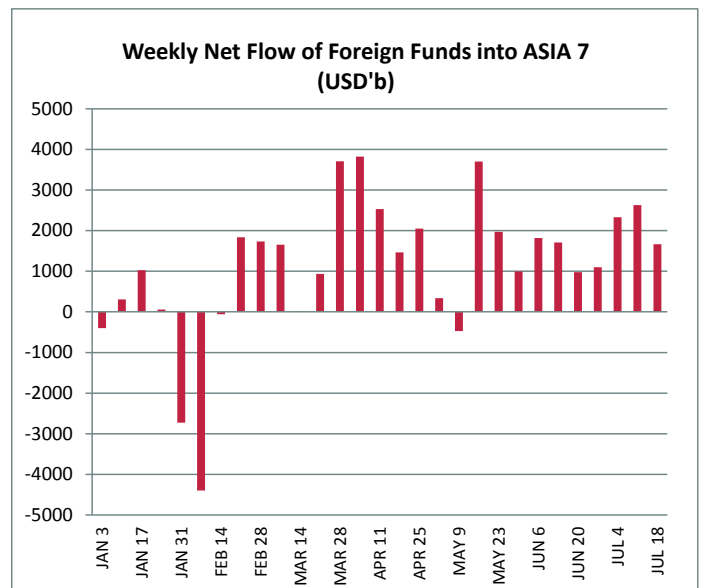
### Major Asian indices



Source: Bloomberg

**B. TRACKING MONEY FLOW - ASIA**

- Global liquidity continued to flow into Asian equity last week amid a rise in geopolitical risks.
- Data from the seven Asian exchanges that we track (Korea, Taiwan, Thailand, Malaysia, Indonesia, Philippines and India <sup>1</sup>) show that funds classified as “foreign” bought, in net aggregate, USD1.67b of stocks in the aforementioned markets. However, this was lower than the USD2.63b purchased the week before (see bar chart).
- The flow to the more Developed Asia<sup>2</sup>, as represented by Taiwan and Korea was evenly matched by that to “Emerging Asia”, as represented by the Thailand, Indonesia, Philippines (TIPs), Malaysia and the India markets. There was more money flowing to the latter in the week before.
- Both Indonesia and Thailand remained strong recipients of foreign liquidity although the amount declined noticeably last week. The Jakarta bourse reported a USD215.3m foreign buying, much lower compared with the USD816.1m bought the week before. The official result of the presidential election will be announced on Tuesday July 22.
- The Thai bourse reported foreign buying for the fourth consecutive week amounted to USD186.1b. It was the third highest in a week this year.
- The SET index’s valuation is now at the highest valuation in 13 months. This has triggered optimism as reflected by the pipeline offerings in the primary market. The Thai IPO offering is likely to double in the second half of the year. According to the Thai bourse, there will be about 30 new listings in 2H14, raising an estimated USD3.1b. There were only 17 IPOs in 1H14, raising USD1.6b.



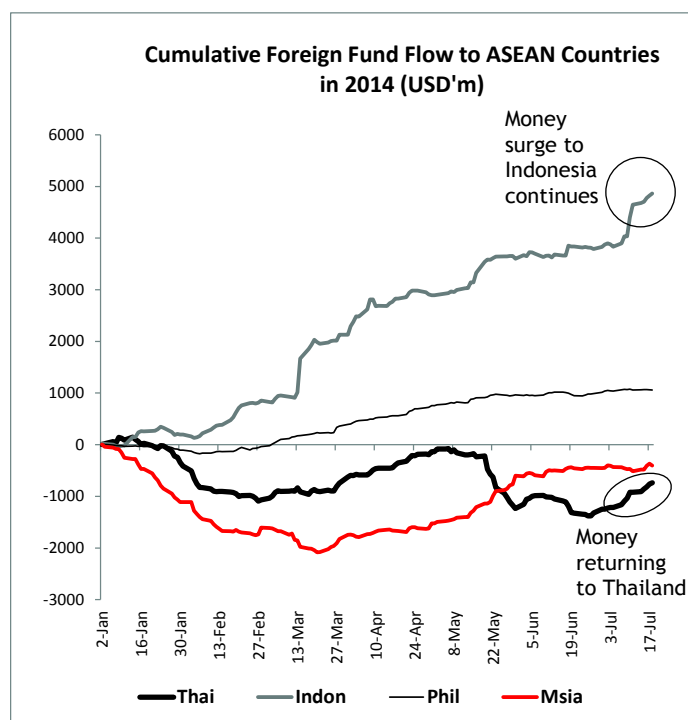
NET FLOW	TIPs + India	Taiwan + Korea	Total (USD'm)
2008	-17,195	-53,106	-70,301
2009	20,580	40,063	60,642
2010	35,690	29,234	64,924
2011	2,748	-17,801	-15,053
2012	31,302	19,976	51,278 (55,663*)
2013	12,446	13,500	25,946 (27,170*)
2014	17,134	15,726	32,860 (32,457^)

TIP = Thailand, Indonesia, Philippines ^ including Malaysia

<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.

- Meanwhile, money flow to Korea stayed strong last week. It was the 10th consecutive weekly foreign surplus recorded by the Seoul bourse. The KOSPI reached this year's high last Thursday, fueled by growing expectations of a rate cut and economic stimulus measures, reflecting proactive moves by the new Finance Minister Choi Kyung-hwan.
- Foreign purchase of Taiwanese stocks slowed down significantly after nine consecutive weeks of strong inflow. Foreigners bought only USD33m last week, compared with an average of USD529m in the preceding nine weeks. Investors have been targeting Taiwanese component suppliers as a proxy for the play on Apple, which is reportedly scheduled to release iPhone 6, especially with a bigger screen offering. According to Taiwanese publication Economic Daily News, Hon Hai/Foxconn will begin mass production of the 4.7-inch iPhone 6 during the third week of July. Production of the larger 5.5-inch model is expected to get underway during the second week of August.



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)

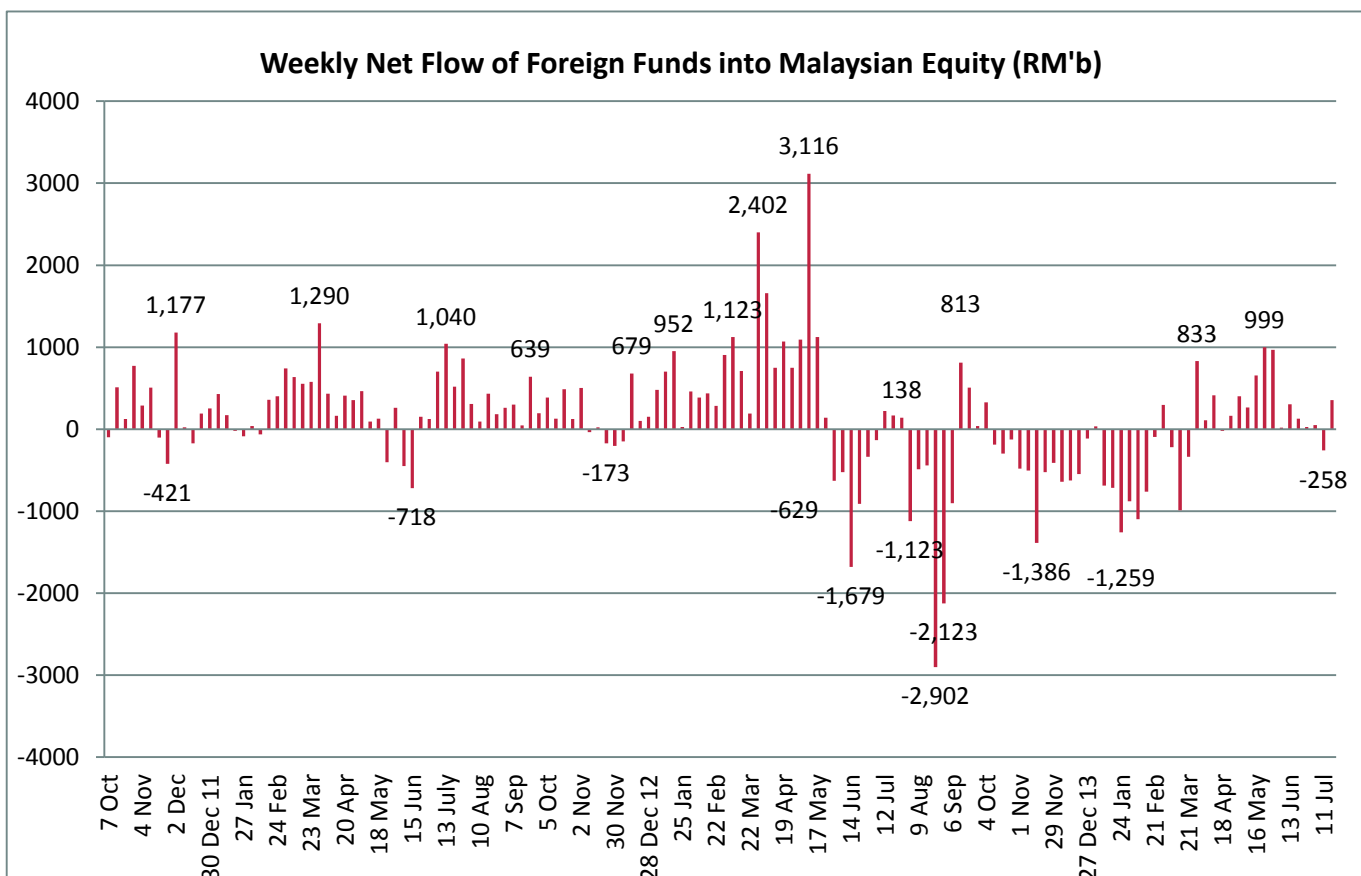
WEEK ENDED	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
JAN 31	-775.4	-392.3	-128.1	-85.0	-500.5	-581.7	-263.4	-2726.4
FEB 7	-1149.3	-416.3	22.3	-57.8	-213.9	-2251.7	-329.5	-4396.2
FEB 14	-142.6	-71.6	163.3	31.9	-11.3	197.8	-228.6	-61.2
FEB 21	127.8	-84.7	376.8	79.3	331.3	1036.0	-28.2	1838.2
FEB 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	731.0	239.0	-81.0	2629.5
JUL 18	796.5	186.1	215.3	-0.02	324.6	32.9	111.7	1667.1

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

## FUND FLOW REPORT

### C. TRACKING MONEY FLOW - MALAYSIA

- In a reversal of position, foreign investors bought back Malaysian stocks last week, after selling for the first time in 3 months the week before. However, there was a foreign sell-down of Malaysian stocks on Friday, in the aftermath of MH17.
- Investors classified as “foreign” turned net purchasers on Bursa’s open market (i.e excluding off-market deals) last week. Foreign investors mopped up RM355.8m net, the highest in seven weeks, despite trading days shortened by the holiday on Tuesday.
- The amount could have been higher if not for the deficit on Friday. Foreigners sold -RM113.9m on Friday as sentiment was adversely affected by MH17. Before that foreign investors were net buyers for three consecutive days (Tuesday - Thursday).
- On cumulative basis, foreign investors remained net sellers of Malaysian stocks in 2014, but the net *outflow* as of last Friday had declined to -RM1.46b. In 2013, Malaysia reported a net inflow of +RM3.0b.
- Foreign participation increased slightly but remained moderate. The average daily foreign gross purchase and sale on Bursa rose to RM955m but was still below the RM1b threshold.
- We believe the retail market is making a comeback although retail investors offloaded -RM76m last week. Participation rate increased to RM1.0b, the highest in 12 weeks, and retailers were net buyers on Friday.
- Local institutions supported the market on Friday, but it was not aggressive. Indeed, for the week, local funds offloaded -RM279.4m net. Participation rate remained elevated for the fourth week running at RM2.52b.

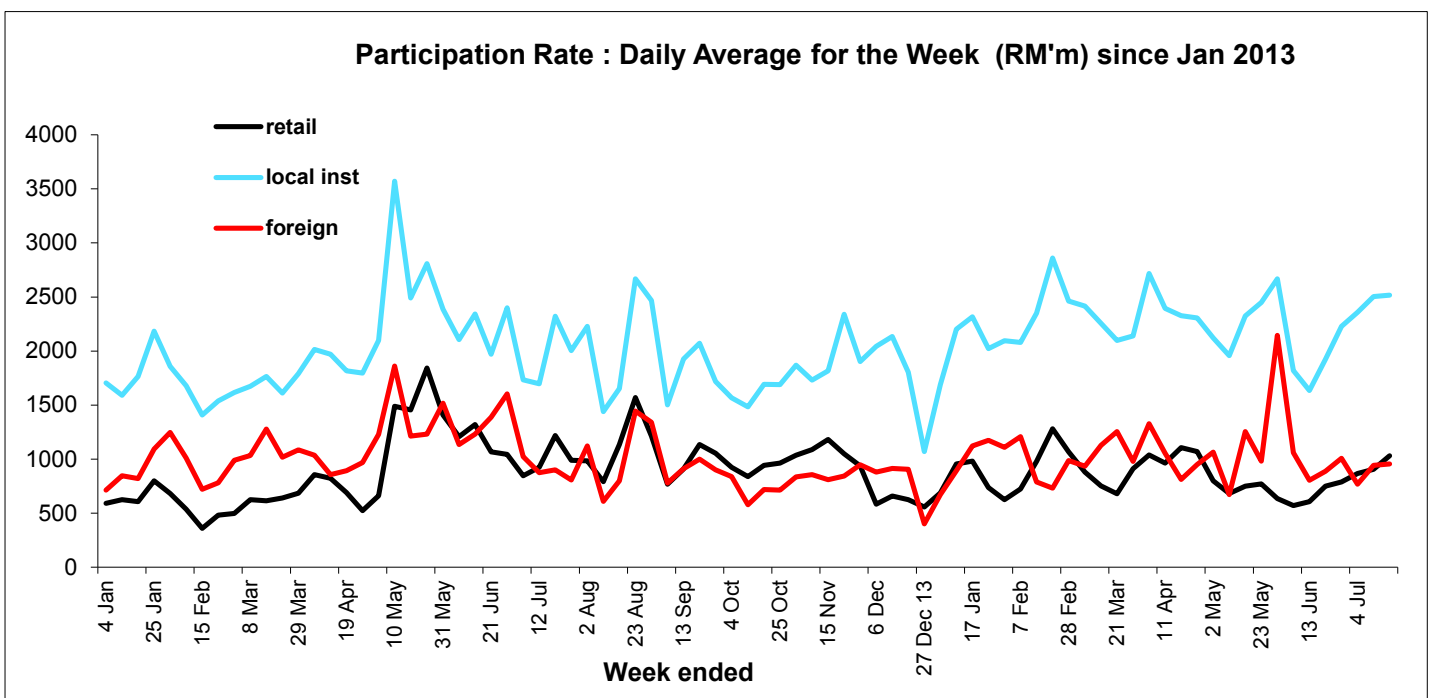


Source: Bursa, excluding off-market trades

**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 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
JUL 18	2024.6	2101.0	-76.4	4893.9	5173.3	-279.4	2087.2	1731.4	355.8	111.7

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



## FUND FLOW REPORT

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

#### TOP 10 NET MONEY INFLOWS

- Tenaga Nasional (TNB) attracted the highest net money inflow totaling RM28.97m last week. Its share price nonetheless retreated -2.07% for the week against a milder -0.54% for the FBM KLCI. Pursuant to its recent results announcement, we remain optimistic on the electricity demand outlook but are wary of a drag on its earnings should the hiccup in FCPT implementation continues.
- Maybank came in second with RM11.48m net inflow. It is speculated that the recent merger proposal between CIMB, RHB and MBSB may prompt Maybank to consider buying other domestic banks or even regional targets. For the record, Maybank has yet to establish a commercial banking exposure in Thailand.
- Sime Darby recorded the third highest net money inflow of RM5.52m while its share price declined -0.21% week-on-week. It is noteworthy that money net inflow amidst retreating share price indicates Buy on weakness (BOW) stance among investors on this stock.

Tables below list the Top 10 Net Money Inflows and Net Money Outflows for the week ended 19 July 2014 among the largest 100 market capitalized stocks on Bursa Malaysia.

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
TENAGA	28.97	-7.25	-2.07	BOW
MAYBANK	11.48	0.36	-0.90	BOW
SIME DARBY	5.52	2.95	-0.21	BOW
CIMB	4.78	-12.30	-0.71	BOW
BIMB	3.98	0.31	0.47	-
MAXIS	3.86	-0.12	0.90	-
KPJ	3.58	4.39	0.86	-
TELEKOM	3.29	9.76	0.16	-
KOSSAN RUBBER	2.49	-0.40	-4.99	BOW
SAPURAKENCANA	2.27	9.64	-0.45	BOW

Source: Bloomberg, MIDFR;

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

#### TOP 10 NET MONEY OUTFLOWS

- Public Bank registered the largest net money outflow totaling -RM9.23m. It is argued that lenders may get little marginal benefit from the recent 25 bps increase in OPR as competition could dissuade them from correspondingly hiking rates for borrowers.
- UMW Holdings saw the second largest net money outflow of -RM6.88m last week. Its share price nonetheless outperformed the benchmark with a 1.40% weekly gain. The net outflow amidst rising share price may indicate Sell on strength (SOS) stance among some investors.
- Digi.com came in third with -RM4.22m net outflow. Its share price underperformed at -1.58% for the week. While it is notable that its recent 2QFY14 results were favourable on the back margin expansion due to lower operating expenses, outlook for the mobile telecommunication industry in general remains soft.

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
PUBLIC BANK	-9.23	6.53	-0.30	-
UMW HOLDINGS	-6.88	-7.47	1.40	SOS
DIGI.COM	-4.22	-0.22	-1.58	-
IOI CORP	-3.66	-3.21	-2.53	-
AXIATA	-3.61	3.34	0.15	SOS
BAT	-3.52	6.32	2.71	SOS
MAHB	-1.84	-8.76	-5.53	-
MISC	-1.66	0.19	-0.60	-
SP SETIA	-1.54	2.92	4.76	SOS
ALLIANCE	-1.42	6.74	-3.10	-

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**

*(Our thoughts and prayers are with those on board MH17, as well as their families and loved ones).*

**TRAGIC WEEK IN A TRAGIC YEAR**

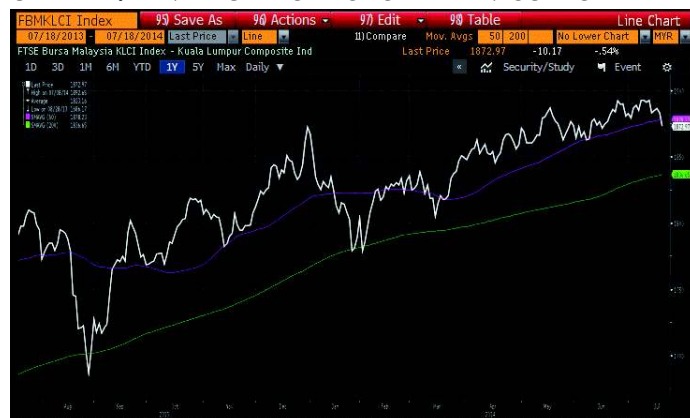
- As expected, the MH17 tragedy, on the heels of MH370, triggered a negative reaction on the local bourse.
- The FBM KLCI fell below the short-term support as represented by the 50-day moving average (50DMA) line. (see chart 1). At 1872.97, the index is 0.3% below the last support point of 1878.23.
- Without local institutional support in the next few weeks, the index may gravitate towards its long-term support, as represented by the 200-DMA of 1837 points. However, we do not expect this to happen as Friday’s reaction was probably knee-jerk in nature. We note that regional peer markets remained on the upward trajectory on Friday. Geopolitical risks may have risen, but the fundamentals of the local market remain intact.
- The FBM70 and FBM Smallcap indices also retreated on Friday, but these are still trading comfortably above their respective support levels.
- The economic calendar is rather light this week, except for U.S inflation numbers on Tuesday and China’s flash PMI on Thursday. Focus is expected to remain on geopolitics.

**ANOTHER OPR HIKE IN SEPTEMBER?**

- Consensus opinion appears to be that BNM’s Monetary Policy Committee (MPC) will refrain from raising the Overnight Policy Rate (OPR) when it meets on September 18. Thereafter, it will meet on November 6, the last meeting of the year.
- However, the jury is still out on the matter. The interbank rate continued to climb last week after the OPR hike. The 3-month KLIBOR is now at 3.59%, the highest since 2008. If the KLIBOR continue its uptrend, we will not be surprised if the OPR were to hit 3.5% by the end of the year.
- Consumer price inflation (CPI) registered an uptick in June, after decelerating the preceding two months. CPI accelerated slightly to 3.3%yoy in June from 3.2%yoy in May. CPI for “Food and non alcoholic beverages” in particular edged up to 3.5%yoy from 3.3%yoy. The set of inflation numbers explain the decision of BNM’s Monetary Policy Committee meeting to raise the OPR on July 10.



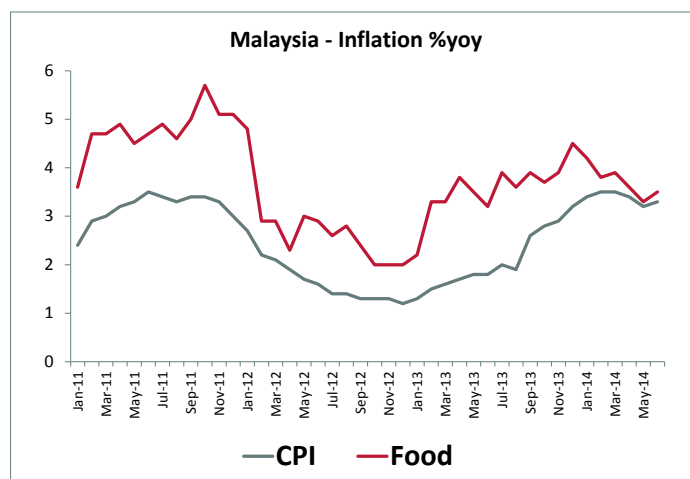
**CHART 1: FBM KLCI BROKE SHORT-TERM SUPPORT**



**CHART 2: KLIBOR CONTINUED TO RISE**



**CHART 3: UPTICK IN INFLATION**





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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