

MALAYSIA EQUITY RESEARCH | JULY 27, 2015

Week Ended
July 24, 2015

Foreign Flow Meter (M'sia)



Tide

(revert to)
HIGH



Current

(maintain)
MODERATE

- It was a challenging week for equity markets around the world as most benchmarks ended the week in the redzone. There were heavy losses on Friday.
- With Greece-related issues in the past (at least for the time being) and China off the front burner, focus is back on corporate earnings.
- The slide in commodity prices also had a heavy toll on the market last week. Brent ended trading last week below the USD55pb mark, while gold dipped below USD1,100/oz.
- Foreign investors were a clear net seller of Asian equity last week. The two markets where foreign exit was the heaviest were Thailand and Korea. This is reflected in the foreign exchange market as the Baht and Won led losses among Asian currencies, vis-a-vis the greenback.
- Outflow of foreign capital from Bursa-listed companies resumed its intensity last week, after the Hari Raya break.
- Foreign investors have now been net sellers on Bursa for thirteen consecutive weeks, the longest stretch of back-to-back weekly sell-down since the 2008 Financial Crisis.
- Expect the local market to stay sombre in this ultimate week of July. In addition, the KLCI and FBM70 are in technical sourspots, with both indices trading below short-term and long-term supports.
- In contrast, the FBM Smallcap index moved into the sweetspot region last week, surging past its 50 and 200-day moving average lines.
- For July, the FBM Smallcap index is up 1.9%, rebounding from the -2.9% and -0.7% losses in May and June respectively. Expect a good week for trading in small cap this week as retail participation is picking up.

27 July 2015 | Strategy - Weekly Fund Flow

HIGH MONEY TIDE OUT, BUT PRICES HOLDING

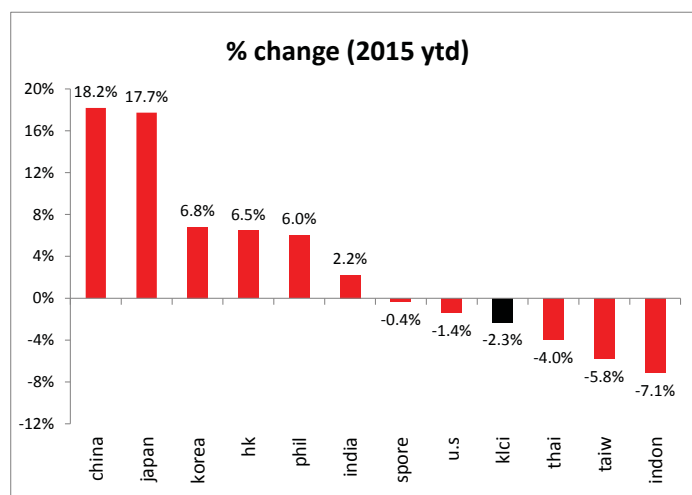
A. MARKET SNAPSHOT

- It was a challenging week for equity markets around the world. Most benchmark indices ended the week in the redzone. There were heavy losses on Friday.
- With Greece-related issues in the past (at least for the time being) and China off the front burner, focus is back on corporate earnings. The slide in commodity prices also had a heavy toll on the market last week.
- The bellweather Wall Street suffered its second worst week this year with the Dow Jones and S&P500 losing -2.9% and -2.2% respectively. The earnings report card season for the quarter ended June is in full swing. Although the market expects earnings of S&P500 companies to decline 4% in 2Q15, most results thus far have been better than expectations. A glaring disappointment this week has been Apple, which reported iPhone sales and revenue which fell short of analyst expectations. Iphone shipment of 47.5m, a robust 35%yoy increase, was lower than the 49-50m expected.
- The strength of the dollar is also weighing down on Wall Street as about a third of the revenue of S&P500 companies is derived from abroad. The Fed meets this week on 29 July (Wednesday), and any hawkish indication may drive the dollar further. Emerging markets and China are vulnerable and commodity prices are depressed.
- The price of Brent crude oil fell below USD55pb on Friday to USD54.62pb, the lowest in four months. Price came under pressure after disappointing China manufacturing figures released on Friday. The preliminary China Caixin purchasing managers index (PMI) dropped to 48.2 in July, a 15-month low, and well below the 49.7 forecast based on Reuters. The figure remained <50, meaning the manufacturing sector is still contracting.
- China's CSI300 index fell -1.75% on Friday, but managed to eke out a marginal 0.6% gain for the week. Taiwan's Taiex was the worst performer last week shedding -3.1%.
- Among emerging markets, the Thai market came under pressure with the SET losing -2.8%. In local currency, the SET has now lost -4.0% year-to-date, worse than the KLCI which fell -2.3%.

Performance of major markets		
Weekly % change	Week before	Last week
Phil Comp	3.04	0.64
China CSI300	1.09	0.60
Straits Times	2.24	-0.02
Jakarta JCI	0.22	-0.27
KLCI	0.65	-0.35
Nikkei 225	4.40	-0.52
Hang Seng	2.06	-1.13
India Sensex	2.90	-1.23
CAC	4.51	-1.31
Korea KOSPI	2.25	-1.48
S&P500	2.41	-2.21
Thai SET	-0.38	-2.79
DAX	3.16	-2.79
Dow Jones	1.84	-2.86
FTSE	1.52	-2.88
Taiwan Taiex	1.48	-3.07

Source: Bloomberg

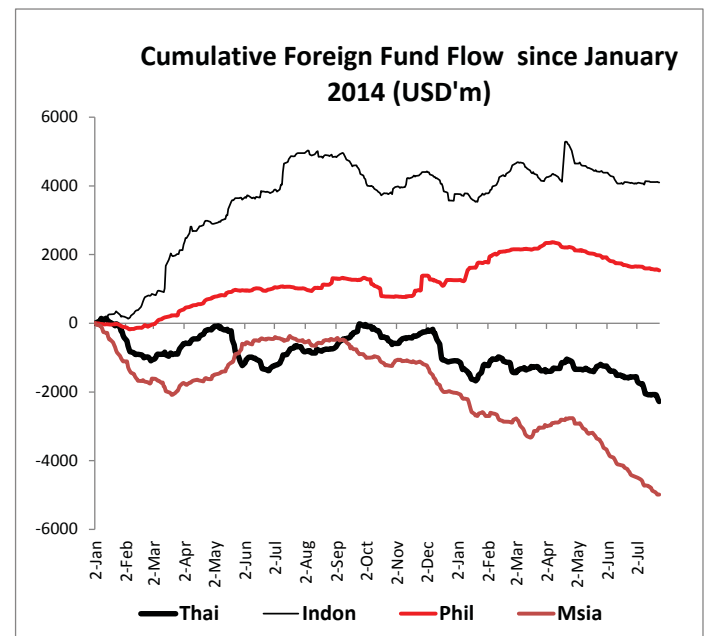
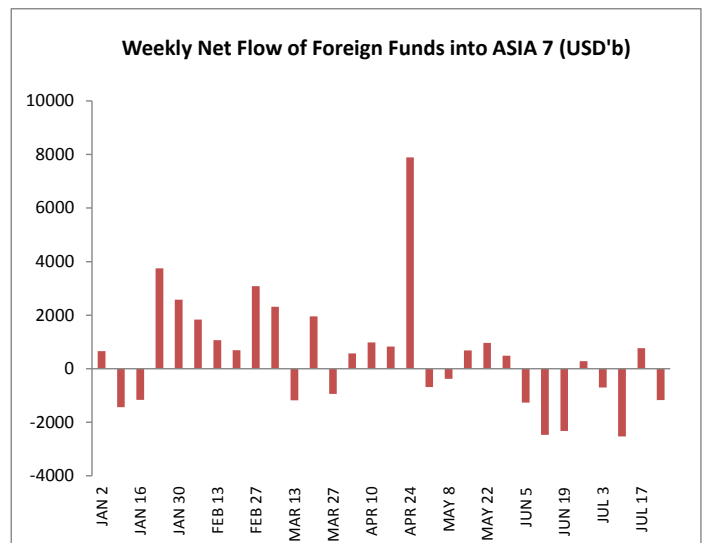
Major Asian indices (2015)



Source: Bloomberg

B. TRACKING MONEY FLOW

- Foreign investors were a clear net seller of Asian equity 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 was USD1.17b, a swift reversal from the net purchase position the week before.
- Taiwan was the worst performing market last week, but foreign selling was low. For the week, foreign investors sold only USD36m net. Indeed, foreign investors were buying on Monday and Tuesday, before a correction in the U.S tech sector took its toll mid-week. Investors sold integrated circuit heavyweight Taiwan Semiconductor Manufacturing Co. after the Philadelphia Semiconductor Index fell 3.1% on Wednesday. Sentiment was hurt after U.S.-based mobile IC supplier Qualcomm Inc. announced that it will reduce its workforce by 15%.
- Amid concerns over the technology sector, Korea reported a much heavier foreign sell-down compared with that in Taiwan. Foreigners sold USD875m in Korea last week, the third highest in a week this year. There are concerns of a supply glut in DRAM Samsung Electronics Co. and SK Hynix Inc. raised their production capacities. The Won was the second worst performer after the Baht last week and was the worst performer in the last one month.
- Among emerging markets, there was a noticeable foreign attrition from Thailand. Foreign investors offloaded USD206m last week as the Baht lost 2.1%, the worst Asian currency against the greenback. Sentiment is also currently stacked against Thailand as its 2015 GDP growth forecast has been downgraded to around 3%. The fall in commodity prices especially crude oil, is not helping. Investors sold down PTT Exploration and Production, the 7th largest company on the exchange, after the company reported a 84.8%qoq decline in 2Q15 net profit.



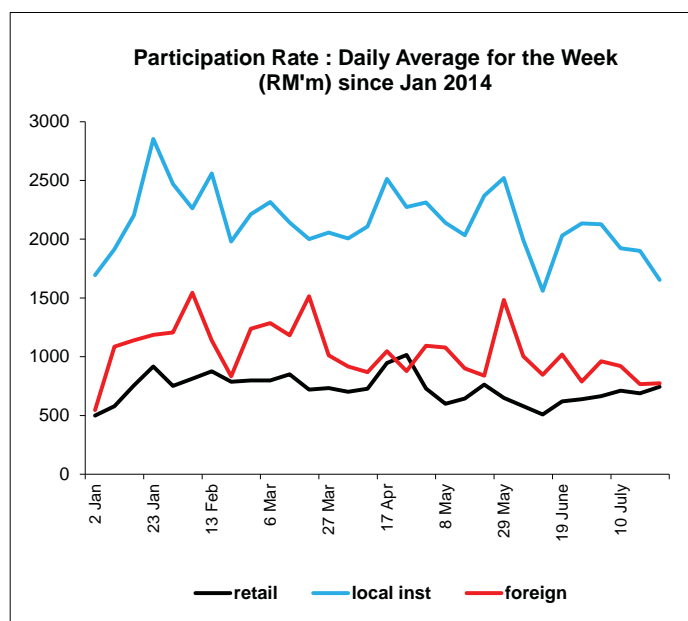
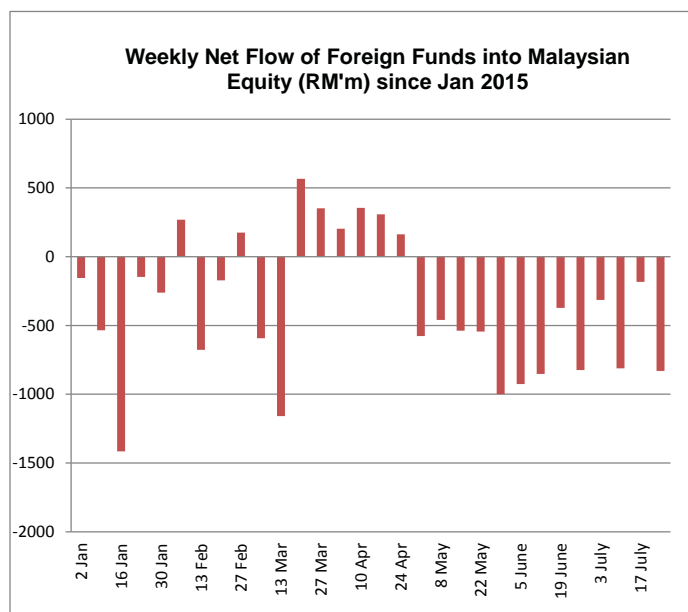
¹ These ASIA 7 markets, for which fund flow data is publicly available, are our proxy for Asia. TIP = Thailand + Indonesia + Philippines.

WEEKLY NET FLOW OF FOREIGN FUND INTO EQUITY (USD'm)								
WEEK ENDED	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
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	362.0	-1120.9	-213.2	-2525.5
JUL 17	319.8	-24.5	-28.8	-21.3	476.9	141.0	-48.2	814.9
JUL 24	-874.9	-206.1	-12.3	-39.6	221.0	-35.9	-218.3	-1166.1

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

C. TRACKING MONEY FLOW - MALAYSIA

- Outflow of foreign capital from Bursa-listed companies resumed its intensity last week, after the Hari Raya break.
- Foreign investors have now been net sellers on Bursa for *thirteen* consecutive weeks, the longest stretch of back-to-back weekly selldown since the 2008 Financial Crisis. Last week, investors classified as “foreign” sold equity listed in the open market on Bursa (i.e excluding off-market deals) amounted to RM830.1m on a net basis. That was the fifth highest in a week this year.
- Foreigners were net sellers every day last week. Indeed, selling remained unrelentless and net outflow had been recorded in the last 54 out of the last 60 trading days – that is since April 29, 2015 which marked the beginning of the current wave of foreign liquidity exiting Malaysian equity.
- We note that foreign withdrawal exceeded RM200m only on Tuesday when investors offloaded RM269m, the tenth highest in a day this year. It was also the 23rd time that the figure exceeded the RM200m mark this year, matching the count for the entire 2014. However, we reiterate our view that the heaviest of the foreign selldown is in the past.
- For 2015, last week’s selldown *increased* the cumulative net foreign outflow to RM10.9b, significantly *surpassing* the RM6.9b outflow for the entire 2014.
- Despite the significant outflow, foreign participation remained “moderate”. Indeed daily volume for the week averaged only RM775m, the second lowest this year. Foreign trading volume fell below RM600m on Friday.
- Local institutions mopped up RM874m in the open market last week on a depressed participation rate of only RM1.65b, the second lowest in 2015.
- Retailers sold RM43m net, on rising participation. Average daily gross trade rose to RM744m, the highest in 9 weeks.



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)*
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	-213.2
JUL 17	1167.9	1242.7	-74.8	3454.9	3196.7	258.2	1251.6	1435.0	-183.4	-48.2
JUL 24	1839.8	1882.4	-42.6	4573.7	3700.0	873.7	1521.8	2351.9	-830.1	-218.3

* 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

- Public Bank recorded the highest net money inflow of RM14.96m last week and its share price slightly outperformed the broader market with a 0.11% weekly gain. In comparison, the FBM KLCI was down by -0.35% during the review week.
- Telekom Malaysia came in second with RM5.93m net inflow. Nonetheless, its share price underperformed the market benchmark with a -0.90% 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.
- Maxis recorded the third highest net money inflow of RM4.78m. Its share price outperformed the FBM KLCI accordingly with a 1.08% weekly rise.

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
PUBLIC BANK	14.96	24.96	0.11	-
TM	5.93	1.75	-0.90	BOW
MAXIS	4.78	-0.08	1.08	-
KOSSAN	4.40	5.65	7.45	-
DIGI.COM	3.42	3.44	-0.55	BOW
AMMB HLDGS.	3.25	-0.02	-4.25	BOW
BURSA M'SIA	2.64	-2.13	0.00	-
TNB	2.53	-18.37	-0.65	BOW
WESTPORTS	1.27	0.00	-3.09	BOW
RHB CAP.	0.96	0.30	-2.89	BOW

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- CIMB saw the largest net money outflow of -RM11.75m during the review week. Nonetheless, its stock price slightly outperformed as it ended the week 0.36% higher. This was against a -0.35% decline in the FBM KLCI. It is of note that net money outflow amidst rising share price indicates sell on strength (SOS) stance among some investors. CIMB is expected to face tough 2H15 due to challenging economic conditions in Thailand and Indonesia.
- Top Glove came in second last week with a net outflow of -RM7.66m. Its share price too outperformed the market benchmark with a 1.46% weekly gain. As stated earlier, net money outflow amidst rising share price may indicate SOS stance among some investors. Recent Bursa Malaysia filings showed that KWAP had ceased to be a substantial shareholder in Top Glove.
- Malayan Banking registered the third largest net money outflow at -RM5.46m during the review week but its share price outperformed the broader market with a slight 0.33% weekly rise, indicating SOS stance among some investors

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
CIMB	-11.75	-8.69	0.36	SOS
TOP GLOVE	-7.66	-0.21	1.46	SOS
MAYBANK	-5.46	-18.07	0.33	SOS
GENTING M'SIA	-5.35	0.60	0.47	SOS
IHH HEALTH	-3.34	0.22	1.02	SOS
LAFARGE	-3.22	-2.49	-5.61	-
MY EG	-2.68	-1.67	3.73	SOS
CMS	-2.50	1.11	0.00	-
CAPITAMALLS	-2.38	-0.09	2.21	SOS
HARTALEGA	-2.11	-0.56	0.00	-

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.

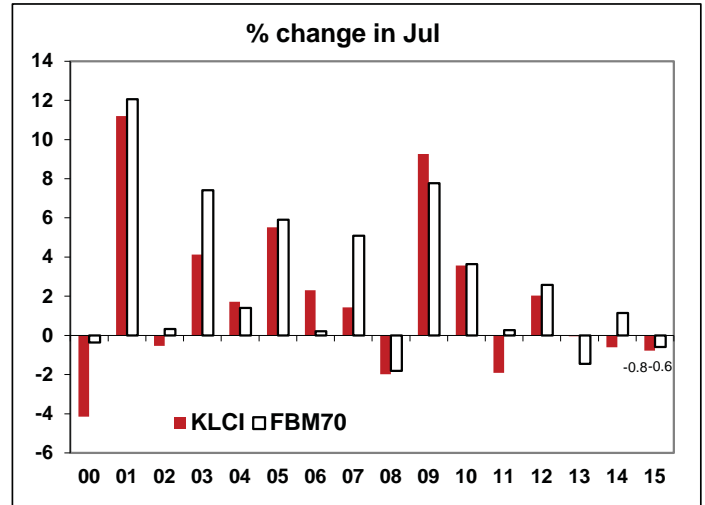
How is money flow calculated? When a trade is performed, its price is compared to the price of the previous trade (the first trade of the day is compared to the previous day's close). If the prices differ, either upticks or downticks, the value of the trade (price multiplied by number of shares) is added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

Source: Bloomberg, MIDFR

E. THE WEEK AHEAD

CLOSING JULY ON A CAUTIOUS NOTE

- As of last Friday, the KLCI and FBM70 indices were down -0.8% and -0.6% in July. Although July has historically been benign to equity markets, we are less sanguine that the past will repeat itself in July 2015. With the FOMC meeting looming this Wednesday, and China still on tenterhook, our bet is that the market will stay sombre in this ultimate week of the month.
- In addition, the KLCI and FBM70 are in technical *soursports*, with both indices trading below short-term and long-term supports (as represented by the 50 and 200-day moving averages).
- Last week, the FBM KLCI traded mostly range bound earlier on before selling pressures emerged as the Ringgit weakened to a new 16-year low against US Dollar. Nonetheless, measured buying support saw the local benchmark ended off its low. The market sentiment this week may continue to be affected by its fixation over the performance of Ringgit against US Dollar.
- The divergence between the movement of the Ringgit and its Asian peers is rather striking (see chart). However, we are hopeful that this gap will be reduced in the weeks ahead as the focus now appears to be shifting to other currencies, specifically the Thai Baht and the Korean Won.



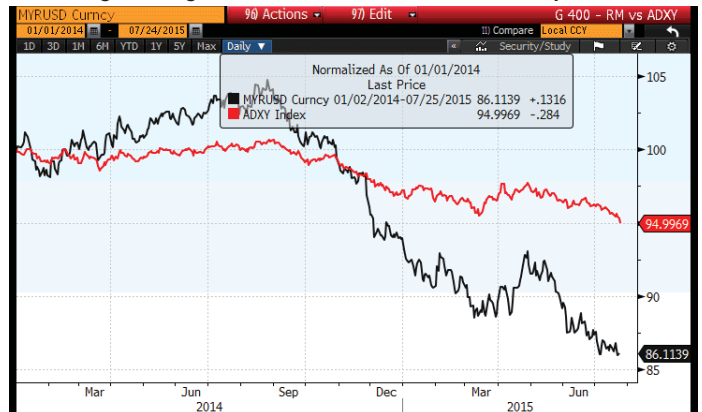
July 2015 until the 24th

FOCUS ON SMALL CAPS

- Meanwhile, despite lethargic price performance among the heavyweights, smaller cap stocks may continue to attract trading interest. It is notable that the FBM Smallcap Index ended the week higher by more than 2.5% vis-à-vis a 0.3% drop in the FBM KLCI.
- For July, the FBM Smallcap index is up 1.9%, rebounding from the -2.9% and -0.7% losses in May and June respectively.
- In addition, in contrast to the KLCI and FBM70, the FBM Smallcap index moved into the sweetspot region last week, surging past its 50 and 200-day moving average lines (see chart). Expect a good week for trading in small cap this week as retail participation is picking up.



Striking divergence between RM and Asian peers



Ringgit vs a composite of 10 Asian currencies (ADXY Index)
Jan 2014 = 100. Source: Bloomberg

Small cap in play...



FBM Smallcap Index

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