

MALAYSIA EQUITY RESEARCH | AUGUST 3, 2015

Week Ended  
July 31, 2015

Foreign Flow Meter (M'sia)



Tide

(maintain)  
HIGH



Current

(increase)  
HIGH

- The global equity markets were on edge last week as China's market resumed its troubles.
- After three weeks of relief rally, the CSI crashed -8.6%, the third steepest loss in a week this year.
- Closer home, the Straits Times index fell -4.5%, the steepest 1-week decline since August 2011.
- Surprisingly, despite the turmoil in China, foreign money flow in Asia was not that significant last week. It was a picture of calm across most markets.
- On Bursa, foreign money outflow continued unabated last week. Foreign investors have now been net sellers on Bursa for fourteen consecutive weeks, the longest stretch of back-to-back weekly sell-down since the 2008 Financial Crisis.
- However, that foreign investors were net buyers on Friday, mopping up RM132m net, the first purchase in 12 trading days. However, it is too early to assume that the trend is reversing.
- For July, the cumulative net foreign outflow was RM2.81b, compared with the RM3.2b deficit in June.
- The KLCI and FBM70 indices were down -0.6% and -0.7% respectively in July.
- Trading in the month of August begins on Monday, and history does not seem to be siding with the hopefuls. August is not the friendliest of months for the equity market. We do not think that it is going to be any different in 2015.
- Bond yields spiked up last week. The yield on 10-year MGS reverted to >4%, while that of 5-year MGS exceeded 3.6% on Friday. Foreign attrition in the bond market is ominous for the Ringgit.
- The price of Brent crude fell more than 2% on Friday alone to USD52.21pb. That is also a potential drag on the Ringgit.

3 August 2015 | Strategy - Weekly Fund Flow

## MONEY ON EDGE OVER CHINA

### A. MARKET SNAPSHOT

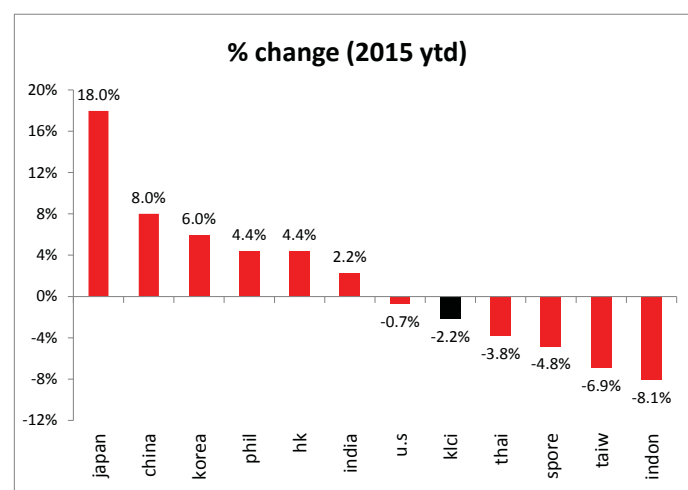
- The last week of July was no salvation for the global equity markets. Most markets ended the week marginally changed as focus reverted to China.
- After three weeks of relief rally, the CSI crashed -8.6% last week, the third steepest loss in a week this year. Share prices had been climbing by more than 16% from the recent trough on July 8. However, on Monday, the market crashed, with the CSI300 falling 8.5%, the largest one-day move since February 2007.
- Investors shrugged off the implications of more measures announced by the authorities to stem the slide. Indeed the worry is that the Government will end its support of the market. Last week:
  - Margin lending provider China Securities Finance Corp (CSF) reaffirmed that it will continue to buy stocks to stabilize the market;
  - the China Securities Regulatory Commission (CSRC) said that it is probing the impact of automated trading on stock markets.
- Investors are also concerned that corporate profits in China are now contracting, with many multinationals sounding the alarm over a slowing economy. China's industrial profits fell 0.3%yoy in June. China's official manufacturing purchasing managers index (PMI) also slipped to 50.0 in July from 50.2 in June. That means the manufacturing sector is on the borderline between expansion and contraction.
- Closer home, the Straits Times index fell -4.5%, the steepest 1-week decline since August 2011. Sentiment was affected by events in China but was also exacerbated by the >20% crash in share price of the Noble Group Ltd., Asia's largest commodity trader listed on the SGX. The counter has been targeted by short-sellers amid concerns over its accounting practices. The SGX issued a 'trade with caution' warning on Noble.
- Meanwhile, at the bellweather Wall Street, the S&P500 and Dow Jones rose marginally by 1.1% and 0.7% respectively after profit taking on Friday. July had been a gainful month for stocks on Wall Street, gaining the most since February. Stock prices have been buoyed by better-than expected corporate earnings in the second quarter.
- The KLCI was relatively flat last week.

Performance of major markets

Weekly % change	Week before	Last week
FTSE	-2.88	1.77
S&P500	-2.21	1.16
Dow Jones	-2.86	0.69
CAC	-1.31	0.50
Nikkei 225	-0.52	0.20
Thai SET	-2.79	0.14
KLCI	-0.35	0.14
India Sensex	-1.23	0.01
DAX	-2.79	-0.34
Korea KOSPI	-1.48	-0.77
Jakarta JCI	-0.27	-1.11
Taiwan TaieX	-3.07	-1.17
Phil Comp	0.64	-1.51
Hang Seng	-1.13	-1.96
Straits Times	-0.02	-4.48
China CSI300	0.60	-8.61

Source: Bloomberg

Major Asian indices (2015)

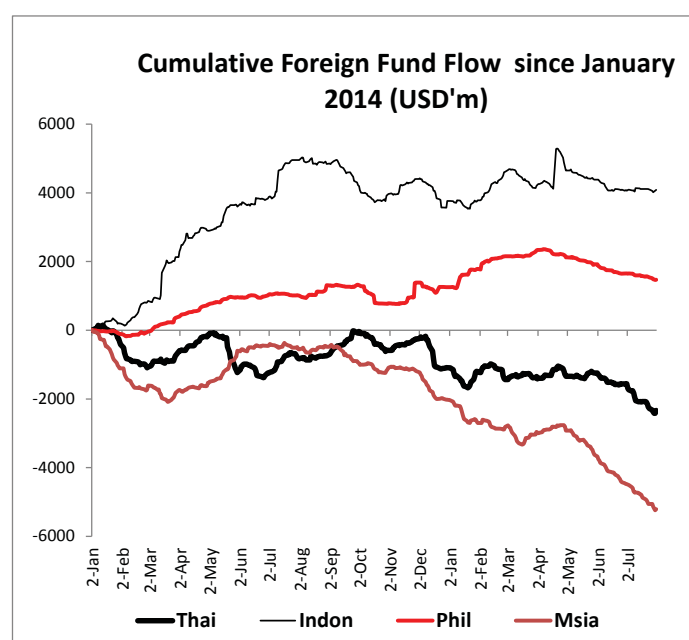
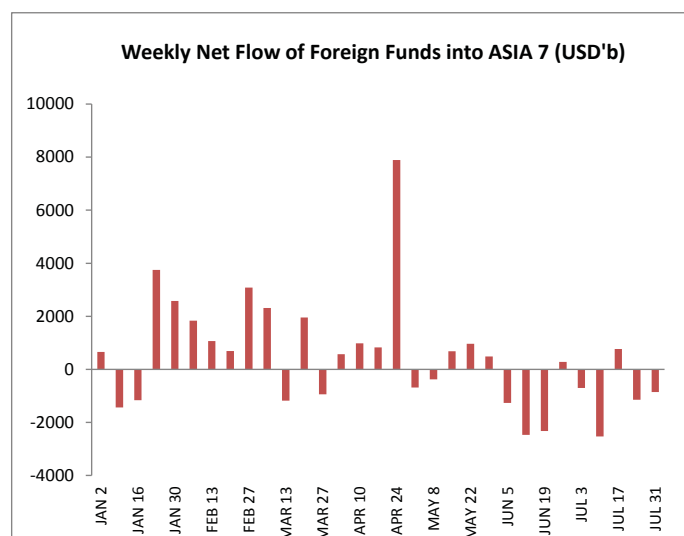


Source: Bloomberg. All in local currency.

## FUND FLOW REPORT

### B. TRACKING MONEY FLOW

- Surprisingly, despite the turmoil in China, money flow in Asia was not so significant last week. Foreign investors remained net sellers but the amount was very moderate.
- Based on provisional data from the respective exchanges, investors classified as “foreign” were aggregate net sellers of listed equity in the 7 Asian<sup>1</sup> stock markets that we track (TIPs + India, Taiwan, Korea and Malaysia). The net amount sold was only USD851m, dropping from USD1.1b the week before .
- It was a picture of calm across most markets. Indeed, foreigners were marginal net buyers in Korea as most of the selling were probably done over the preceding six weeks. The pressure on the Korean Won already eased last week.
- The Taiwanese Dollar was the worst hit Asian currency against the greenback last week, losing -0.8%. Foreign investors withdrew USD209m from Taiwanese equity, but that was moderate compared with an average weekly outflow from Taipei of USD470m in June-July. The technology sector sell-down on Wall Street eased last week while the Fed was non-committal over its timeline for an interest rate hike. That helped improve sentiment over Taiwanese tech stocks. However, on Friday, the Directorate General of Budget, Accounting and Statistics (DGBAS) reported that Taiwan’s GDP rose only 0.64% in 2Q15, the lowest in three years and much lower than its estimate made in May of 3.05%. The slowdown was due to worse-than-expected exports.
- In Asian emerging markets, foreign selling of Thai shares eased last week to USD52m from USD206m the week before. We note that there was strong buying of Thai stocks on Friday, likely on bargain hunting after the market came under selling pressure on statistics earlier in the week showing exports plunging 7.9%yoy in June.
- Foreign selling was marginal in Indonesia and Philippines.



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

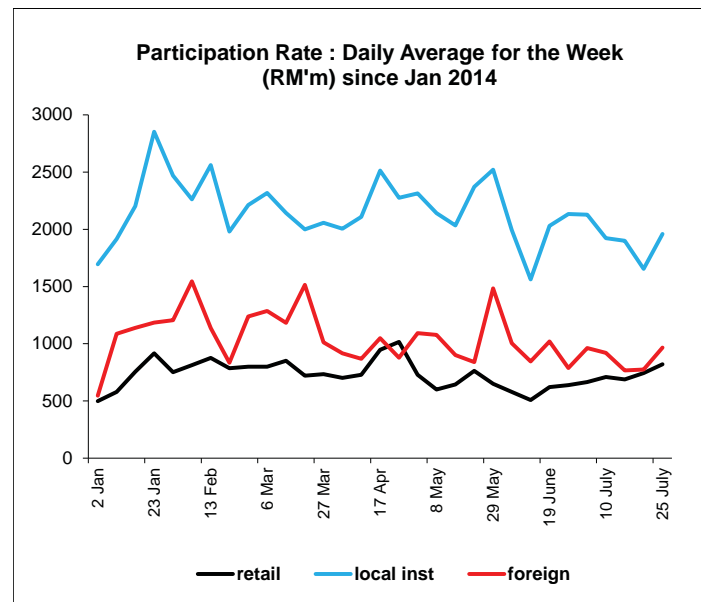
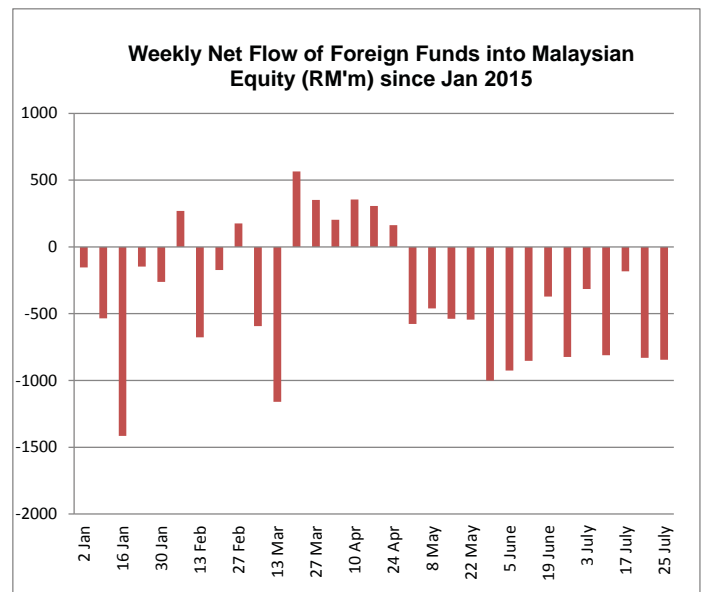
#### WEEKLY NET FLOW OF FOREIGN FUND INTO EQUITY (USD'm)

WEEK ENDED	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
JUN 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	227.7	-24.8	-218.3	-1148.3
JUL 31	18.5	-51.5	-8.3	-69.1	-310.1	-209.0	-221.5	-850.7

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

C. TRACKING MONEY FLOW - MALAYSIA

- Foreign money outflow from Bursa-listed companies continued unabated last week.
- Foreign investors have now been net sellers on Bursa for *fourteen* consecutive weeks, the longest stretch of back-to-back weekly sell-down 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 RM845.0m on a net basis, edging up from RM830.1m the week before.
- Foreign selling was heavy on Monday-Wednesday, with daily net sale exceeding RM200m, but less than RM300m. That made it 26 times that the daily threshold had been exceeded this year. For the entire 2014, there were 23 days during which net sale surpassed RM200m.
- We note, however, that foreign investors were net buyers on Friday, mopping up RM132m net, the first purchase in 12 trading days. However, it is too early to assume that the trend in money flow is reversing.
- For July, the cumulative net foreign outflow was RM2.81b, compared with the RM3.2b deficit in June.
- For 2015, last week’s sell-down *increased* the cumulative net foreign outflow to RM11.7b, significantly surpassing the RM6.9b outflow for the entire 2014.
- Foreign participation rate increased to an almost “high” level. Daily gross volume averaged RM966m last week, the highest in six weeks. It surged to RM1.25b on Friday, the highest in 29 trading days.
- Local institutions mopped up RM938.4m in the open market last week, but participation rate remained below RM2b at RM1.96b.
- Retailers took profit on small-cap stocks last week, offloading RM93.4m net, on active participation. Average daily gross trade rose for the second consecutive week to RM821m, the highest in 14 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 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
JUL 31	2005.6	2099.0	-93.4	5364.6	4426.2	938.4	1991.9	2836.9	-845.0	-221.5

\* 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

- Malayan Banking recorded the highest net money inflow of RM15.97m last week. However, its share price slightly underperformed the broader market with a -0.33% weekly decline. In comparison, the FBM KLCI was up by 0.14% during the review week. But it is of note that PT BII, Maybank's Indonesia subsidiary, recently announced 13.9%yoy higher PATAMI for 1H15. It must also be highlighted that net money inflow amidst retreating share price indicates buy on weakness (BOW) stance among some investors.
- Fraser & Neave came in second with RM13.24m net inflow and its share price outperformed the market benchmark with a 2.02% week-on-week gain.
- Digi.com recorded the third highest net money inflow of RM10.80m and its share price slightly outperformed the FBM KLCI with a 0.37% weekly rise. The company is believed to be assessing the merits of business-trust structure in view of its rising cash pile.

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
MAYBANK	15.97	-5.46	-0.33	BOW
F&N	13.24	-0.12	2.02	-
DIGI	10.80	3.42	0.37	-
MISC	6.44	-0.14	-1.27	BOW
CIMB	4.86	-11.75	-2.18	BOW
SUNWAY	4.51	-0.07	-3.61	BOW
WESTPORTS	3.56	1.27	-1.72	BOW
KOSSAN	3.33	4.40	1.25	-
IJM CORP	2.32	-1.27	-2.58	BOW
PPB	2.27	0.61	0.39	-

Source: Bloomberg, MIDFR;

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

#### TOP 10 NET MONEY OUTFLOWS

- Public Bank saw the largest net money outflow of -RM11.74m during the review week. Accordingly, its stock price underperformed albeit slightly as it ended the week unchanged against a 0.14% rise in the FBM KLCI. This was despite the company recently reporting a 13.29% higher profit to RM1.2bil on the back of a 16.72% jump in revenue to RM4.74bil in 2Q15.
- Top Glove came in second last week with a net outflow of -RM6.24m and its share price underperformed the market benchmark with a -0.52% weekly loss.
- SapuraKencana registered the third largest net money outflow at -RM3.48m in the review week. Nonetheless, its share price outperformed the broader market with a 2.51% weekly rise. It is notable that the net money outflow amidst rising share price may indicate sell on strength (SOS) stance among some investors.

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
PUBLIC BANK	-11.74	14.96	0.00	-
TOP GLOVE	-6.24	-7.66	-0.52	-
SAPURAKENCANA	-3.48	-0.76	2.51	SOS
HONG LEONG FIN.	-2.32	0.03	2.72	SOS
GAMUDA	-2.22	-0.24	5.01	SOS
HARTALEGA	-2.20	-2.11	0.47	SOS
BURSA M'SIA	-2.06	2.64	0.12	SOS
UOA DEV.	-1.23	0.06	-5.34	-
BAT	-1.20	-0.29	4.49	SOS
DIALOG	-0.91	0.73	1.26	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

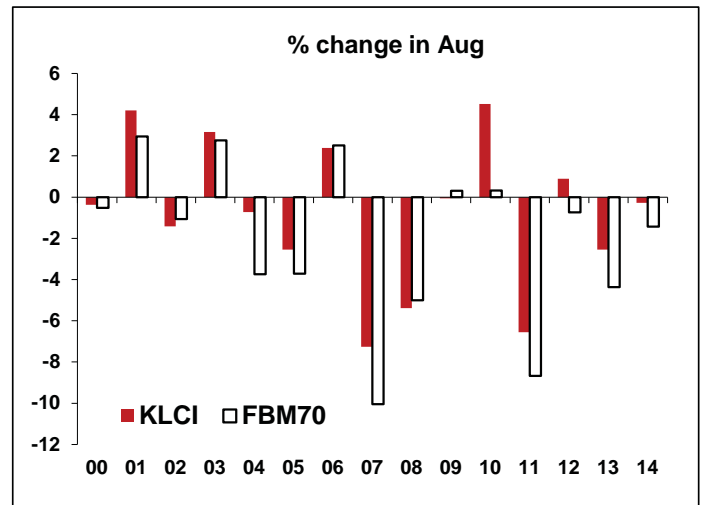
E. THE WEEK AHEAD

CAUTIOUS AUGUST

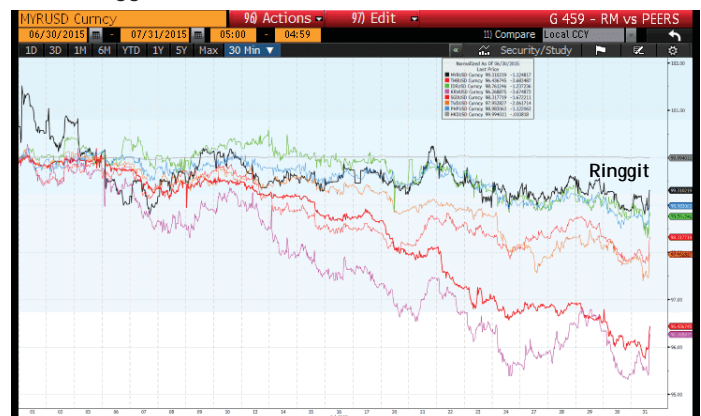
- The KLCI and FBM70 indices were down -0.6% and -0.7% respectively in July.
- Trading in the month of August begins on Monday, and history does not seem to be siding with the hopefuls. The average change in the KLCI during the month of August in the last 21 years was -0.9%, the second worst compared with -1.7% in September.
- It is apparent that August is not the friendliest of months for the equity market. We do not think that it is going to be any different in 2015. With China's market on a dangerous slide, interest rate in the U.S approaching its inflexion point, and emerging market risks on the rise, the equity market is currently not for the faint-hearted.
- It may be the case of how bad the downside will be in August. The price of Brent crude fell more than 2% on Friday alone and was last quoted at USD52.21pb. That is not conducive for the Ringgit and Malaysian equity. The Ringgit in particular may be in the spotlight in view that the currency was relatively more resilient against the greenback, compared with other Asian currencies in the last one month (see chart).
- We note that yields spiked up last week (see charts). The yield on 10-year MGS reverted to >4%, while that of 5-year MGS exceeded 3.6% on Friday. While the overhang of foreign liquidity in the equity market has shrunk significantly, that in the bond market remains high. The spike in yields last week reflects foreign attrition in the bond market, which may cause pressure on the Ringgit in the week ahead.

FOCUS TO STAY ON SMALL CAPS

- August will be a tough month for equity but for investments with >6 months horizon, the August-September period is actually a gainful period to accumulate.
- Meanwhile, for trading activity, we would remain focused on the small caps. As we had predicted, small cap stocks had a decent last week. The FBM Smallcap index was down -0.9% in a tough market environment but the index remained above its 50-day average and is just shy of breaking the 200-day average. We expect plenty of bargain hunting activity if the market came under selling pressure this week. 



The Ringgit held fort in the last 1 month



Spike in yields reflecting foreign attrition



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