

MALAYSIA EQUITY RESEARCH | JUL 7, 2014

Week Ended Jul 4, 2014

Malaysia Flow Meter



Tide

LOW



Current

MODERATE

- Equity markets around the world sprang back to life, and greeted the second half of the year on an auspicious note.
- Strong U.S employment figures have been a catalyst for the rally around the globe.
- Revised data indicates that global funds had been accumulating Asian stocks steadily in the last eight weeks.
- However, the strong flow of liquidity to Asian equity last week did not spill over to Bursa Malaysia. Malaysian equity remained at the periphery of the radar screen of global investors. Foreign buying was insignificant, while participation rate fell sharply.
- Meanwhile, the retail market has turned very bearish out of a sudden. Retailers offloaded RM249.4m last week, the highest since August last year.
- All eyes should be on Bank Negara's Monetary Policy Committee (MPC) which meets on Thursday 10 July to decide on the direction of interest rates. The market is strongly pricing in a hike in the OPR by 25 basis points. In the interbank market, the 3-month KLIBOR has risen significantly, especially in the last few weeks.
- There has been a huge inflow of foreign liquidity into Malaysia's debt market in the last few weeks. There is a risk of ringgit retreating if the MPC did not raise the OPR. This will weigh down on the equity market.

7 July 2014 | Strategy - Weekly Fund Flow

 Zulkifli Hamzah
 zulkifli.hamzah@midf.com.my
 +603 21738390

STRONG TIDE IN MONEY MARKET AHEAD OF OPR DECISION

A. MARKET SNAPSHOT

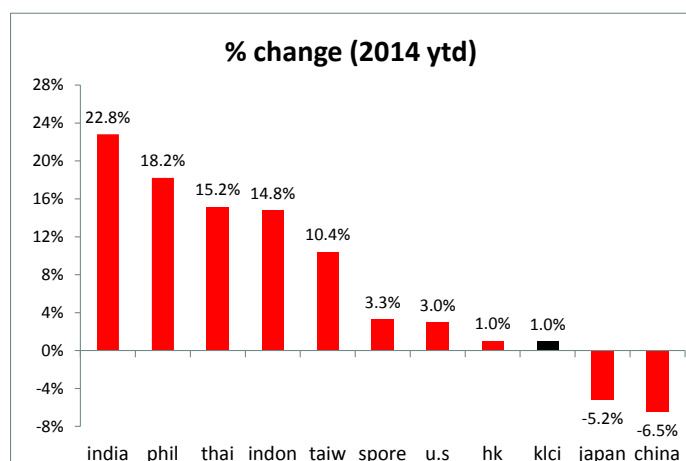
- Equity markets around the world sprang back to life, and greeted the second half of the year on an auspicious note. All major indices that we track ended last week in the greenzone. The last time this happened was in the first week of April.
- Wall Street was one of the main catalysts for the optimism. The Dow Jones and S&P500 rose 1.3% each, rebounding from a lacklustre week before.
- Investors were buoyed by the strong U.S employment market, which added 288,000 jobs in June followed a revised 224,000 gain in May. That was significantly higher than the median forecast in Bloomberg's survey of 215,000. Unemployment rate fell to an almost six-year low of 6.1%. The strong numbers have given rise to expectations that the Fed may raise interest rate as early as 1Q15.
- India's Sensex index led the pace last week with a robust gain of 3.4%. There is a heightened sense of optimism ahead of Finance Minister Arun Jaitley's maiden Budget next week, which many expect to contain reforms to revive economic growth.
- Other Asian Emerging markets fared decently. The Philippines Composite is on a clear bull run, having gained 18.2% this year. It rose 1.8% last week on optimism over banking stocks on news that the law may be changed to allow 100% foreign ownership of banks.
- Indonesia rose 1.3% last week, the first weekly gain in four weeks. The presidential election will be on Wednesday, 9 July. Thailand's SET index rose a moderate 0.9%, but it was enough to lift it to the highest level this year. Amid life under the military junta, share prices have been rising steadily for 3 weeks in a row.
- The KLCI closed the week marginally higher by 0.2%. It closed 1H14 with a gain of only 0.84%, the weakest performance in six years.

Performance of major markets

Weekly % change	Week before	Last week
India Sensex	-0.02	3.43
Nikkei 225	-1.66	2.27
Taiwan Taiex	0.36	2.18
DAX	-1.72	1.98
Phil Comp	1.65	1.76
FTSE	-0.99	1.60
Hang Seng	0.12	1.40
China CSI300	0.63	1.32
Dow Jones	-0.56	1.28
Jakarta JCI	-0.05	1.25
S&P500	-0.10	1.25
Korea KOSPI	1.04	1.06
Thai SET	1.09	0.85
CAC	-2.30	0.72
KLCI	-0.25	0.21
Straits Times	0.38	0.04

Source: Bloomberg

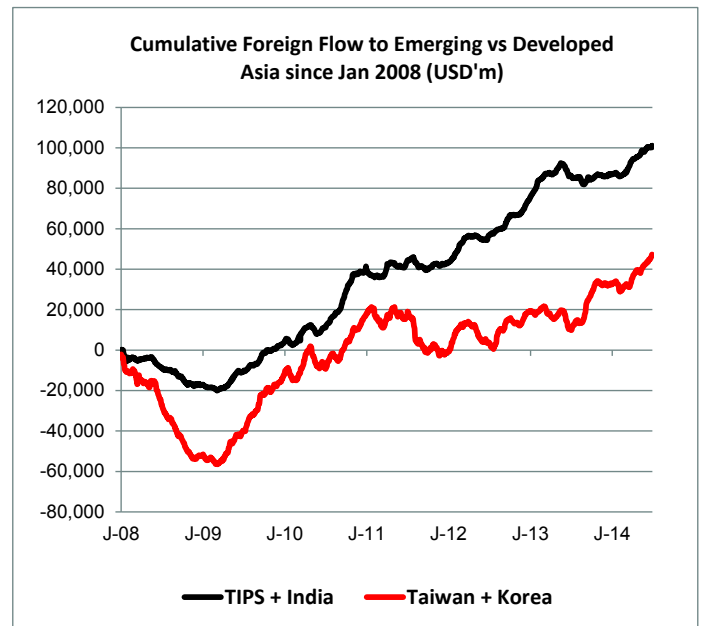
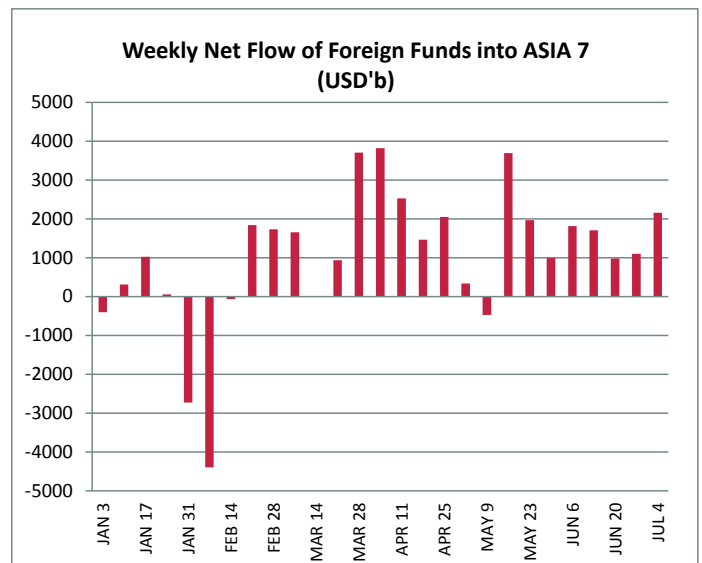
Major Asian indices



Source: Bloomberg

B. TRACKING MONEY FLOW - ASIA

- The updated and revised official figures that we track came as a surprise and painted a different picture than what we had thought previously. Global funds had actually been accumulating Asian stocks steadily in the last eight weeks.
- In successive weeks over the last two months, funds classified as “foreign” had been, in aggregate, net buyers of stocks in the seven Asian exchanges that we track (Korea, Taiwan, Thailand, Malaysia, Indonesia, Philippines and India ¹). We had previously thought that global funds pared their holdings in the Asia 7 markets during the penultimate week of June.
- “Foreign” funds bought USD2.2b, compared with the revised figure of USD1.1b bought the week before (see bar chart).
- Global liquidity is clearly flowing strongly into Asian equity now. Both, Emerging Asia as represented by the Thailand, Indonesia, Philippines (TIPs) and India markets and the more Developed Asia², as represented by Taiwan and Korea, have been strong beneficiaries. The flow to “Developed Asia” actually outpaced that to “Emerging Asia”.
- Foreign purchase of Korean stocks continued to rebound strongly for the second week running. The positive overtures towards Korea is reflected by the 6-year high won exchange rate, and the KOSPI, which is now trading at above 2,000 points. The won appreciated 5.2% against the greenback in 2Q14, and expectation is that it will continue to climb until the end of the year.
- Taiwan, meanwhile remained prominently on the radar screen of international portfolio investors. Its GDP grew at the fastest pace in 1Q14 since 2012. As investors get increasingly upbeat on technology



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	14,381	14,047	28,428 (27,995^)

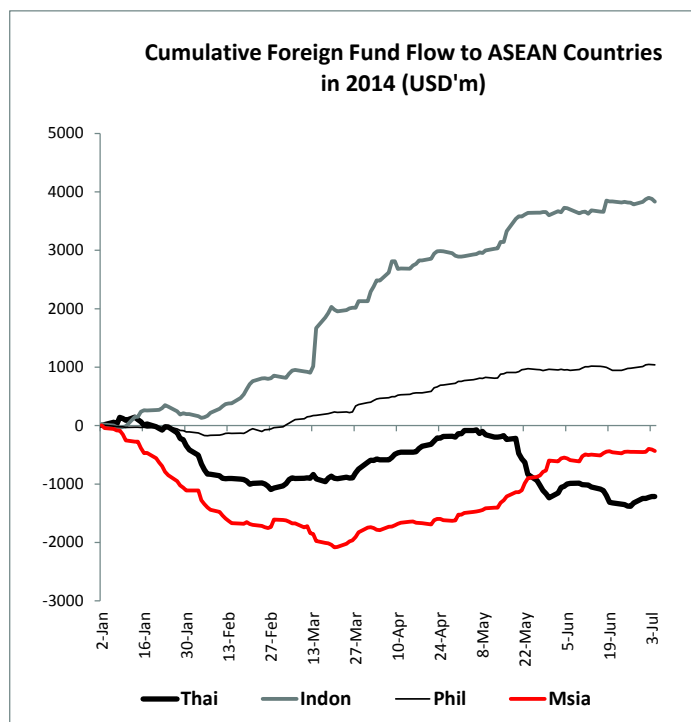
TIP = Thailand, Indonesia, Philippines ^ including Malaysia

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

² 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.

industry, they will naturally flock into Taiwan's tech stocks.

- Investors are returning noticeably to Thailand, as the dust of uncertainty over life under the military junta settles. The SET index is trading near the 52-week high.
- Indonesia braces for the outcome of the presidential election this Wednesday. The flow of fund to the Jakarta bourse has been erratic in the last few weeks, as most of the optimism over the political transition has probably been priced in.
- Foreign funds are also buying back Indian stocks after a quiet two weeks. We note, however that trading was disrupted by a network outage on Thursday.



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)

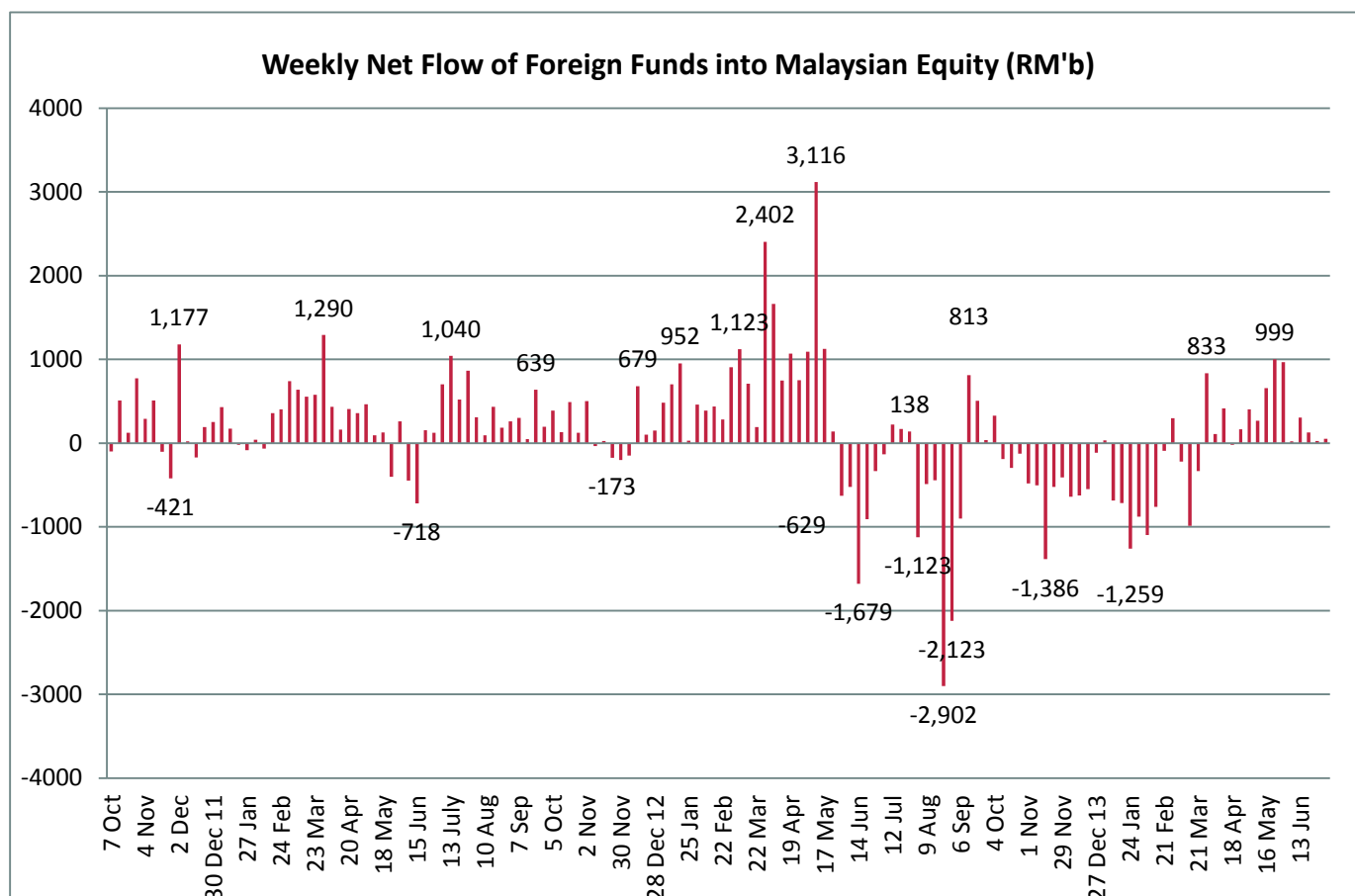
WEEK ENDED	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
JAN 17	-111.1	-62.4	274.0	-4.1	268.6	877.3	-217.8	1024.6
JAN 24	-82.1	-50.3	66.2	15.3	158.4	327.8	-378.8	56.6
JAN 31	-775.4	-392.3	-128.1	-85.0	-500.5	-581.7	-263.4	-2726.4
FEB 7	-1149.3	-416.3	22.3	-57.8	-213.9	-2251.7	-329.5	-4396.2
FEB 14	-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	573.7	547.8	15.6	2161.4

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

FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

- The strong flow of liquidity to Asian equity last week did not spill over to Bursa Malaysia. Malaysian equity remained at the periphery of the radar screen of global investors.
- Although for the 11th consecutive week, investors classified as “foreign” were net buyers in the open market on Bursa (i.e excluding off-market deals), the amount mopped up remained relatively insignificant. Last week foreign investors bought only RM50m net, not much improvement from the RM25m purchased the week before.
- On cumulative basis, foreign investors remained net sellers of Malaysian stocks in 2014, but the net *outflow* as of last Friday had declined to -RM1.55b. In 2013, Malaysia reported a net inflow of +RM3.0b.
- The spike in foreign participation that we detected two weeks ago failed to maintain its momentum. Foreign investors turned indifferent on Bursa last week. The average daily foreign participation rate (average daily gross purchase and sale) on Bursa dropped to RM766.9m from RM1.0b the week before, among the lowest this year.
- The retail market has turned very bearish out of a sudden. Retailers offloaded RM249.4m last week, the highest since August last year. Participation rate also increased to RM860m from RM788m the week before. Selling was heaviest on Monday, the last day of 1H14, when retailers sold RM88.2m, the highest in a day this year.
- Local institutions supported the market last week, mopping up RM199m. Participation rate remained elevated for the second week running at RM2.4b.

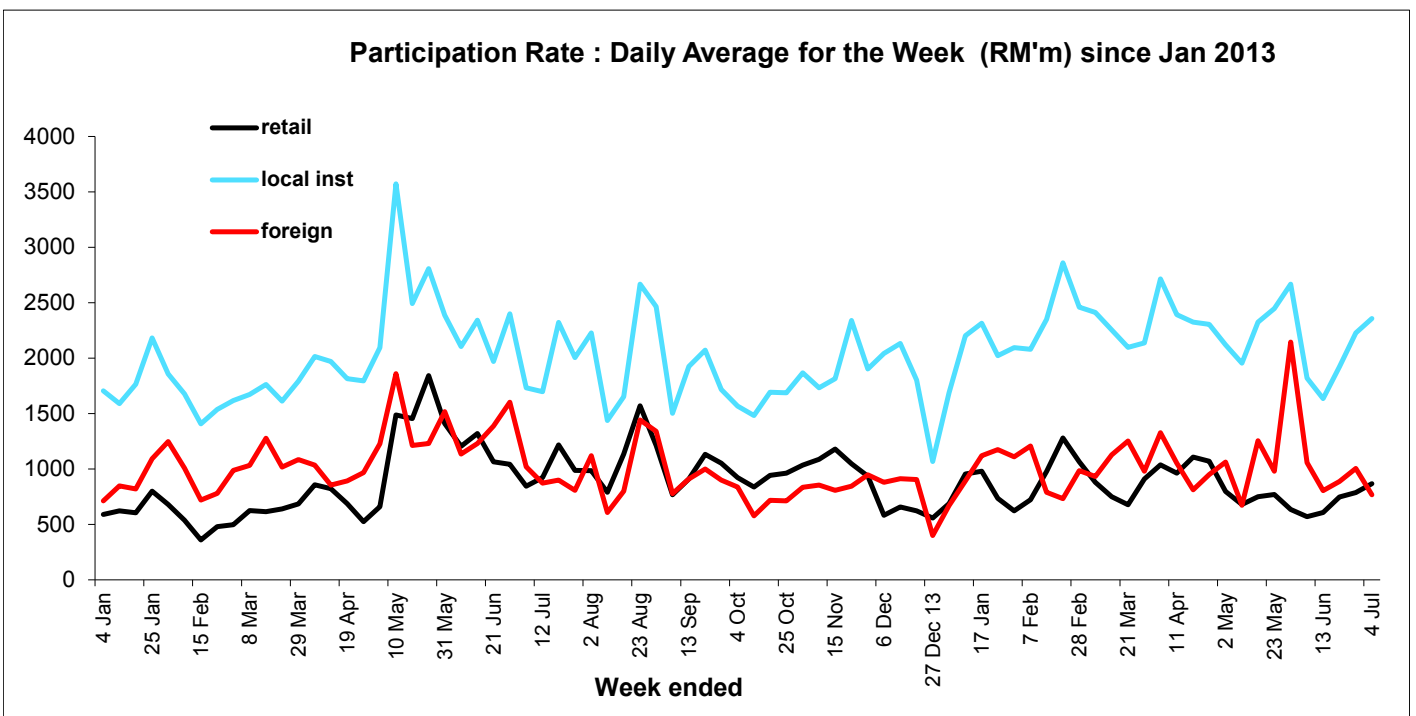


Source: Bursa, excluding off-market trades

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 7	1502.5	1394.8	107.7	4655.6	3667.2	988.4	1870.1	2966.2	-1096.1	-329.5
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	15.6

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



FUND FLOW REPORT

D. TOP 100 STOCKS: MONEY FLOW ²

- Tenaga Nasional again attracted the highest net money inflow totaling RM21.41m last week. The inflow was arguably in anticipation of the imminent implementation of the FCPT mechanism. While the actual implementation for 2H14 may be delayed, however, MyPower Corp Bhd has recently recommended the use of RM500m savings from renegotiation of PPA with the IPPs to make up the shortfall.
- Telekom Malaysia came in second with RM16.00m net inflow. Its share price nonetheless retreated -0.47% for the week against +0.21% rise in the FBM KLCI. We note that money net inflow amidst retreating share price indicates Buy on weakness (BOW) stance among investors on this stock.
- Maxis Bhd recorded the third highest net money inflow of RM13.80m but its stock price lost -0.89% during the review week. As highlighted last week, the recently launched the MaxisONE plan, touted as a significant breakthrough by allowing customers the freedom to connect and communicate just the way we want, may have generated positive views among some investors as indicated by their BOW stance.

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
TENAGA	21.41	19.71	2.64	-
TELEKOM	16.00	6.17	-0.47	BOW
MAXIS	13.80	14.35	-0.89	BOW
AXIATA	8.11	6.51	-0.72	BOW
MAYBANK	5.92	-8.52	0.31	-
PETRONAS DAG.	4.91	-2.27	-2.47	BOW
SAPURAKENCANA	4.46	0.76	-0.23	BOW
IHH HEALTHCARE	4.33	0.89	2.28	-
RHB CAPITAL	3.76	3.18	0.83	-
AIRASIA	3.58	-7.71	-0.87	BOW

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

- BIMB Holdings registered the largest net money outflow totaling -RM5.13m. Its share price nonetheless outgained +1.90% during the review week against +0.21% for the market benchmark. The net outflow amidst rising share price may indicate Sell on strength (SOS) stance among some investors.
- UMW Holdings saw the second largest net money outflow of -RM4.34m last week. We note that UMW's Toyota vehicle sales in Malaysia declined double-digit at -13%mom in May while Honda, its main competitor, saw sales grew by +6.5%mom. Nonetheless its share price outperformed the benchmark with a +2.94% weekly rise.
- Top Glove came in third with -RM3.25m net outflow. Its share price gained +0.66% for the week, a marginal outperformance against the market benchmark.

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
BIMB	-5.13	-0.15	1.90	SOS
UMW	-4.34	-1.91	2.94	SOS
TOP GLOVE	-3.25	-0.07	0.66	SOS
LAFARGE	-2.61	5.42	-0.10	-
PUBLIC BANK	-2.50	-20.89	1.53	SOS
TAN CHONG	-2.20	-1.52	0.00	-
GENTING PLANT	-2.17	0.95	1.58	SOS
WESTPORTS	-1.80	0.01	0.00	-
ASTRO	-0.79	3.63	-1.45	-
UNITED PLANT	-0.79	0.34	0.86	SOS

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

PIVOTAL WEEK ON OPR DECISION

- All eyes this week should be on Bank Negara’s Monetary Policy Committee (MPC) which meets on Thursday 10 July to decide on the direction of interest rates. Recall that during the last meeting, the MPC gave the strongest hint yet of a potential monetary tightening, alluding to the risks relating to the presence of “financial imbalances” in the system.
- The market is strongly pricing in a hike in the OPR by 25 basis points. In the interbank market, the 3-month KLIBOR has risen significantly, especially in the last few weeks (see chart 1).
- The prospect of the OPR rising has also been priced in by the foreign exchange market, with the ringgit climbing to its highest level against the greenback since November 2013 (see chart 2). Higher OPR will increase the ringgit-dollar interest differential, especially as the Fed remains committed to keep interest rates low at least throughout the rest of the year.
- The latest statistics released by Bank Negara shows that foreign holdings in Malaysian Government Securities (MGS) surged to RM144.7b at the end of May. Foreign holdings of total debt securities (i.e government + private debt securities) also surged to RM249.5b at the end of May, the highest ever on record.
- Since Jan 2013 (until May 2014), the MGS market had attracted RM15.0b of foreign capital. In contrast the equity market had pulled in only RM402m during the same period (RM1.42b for the period until June 2014). It is clear that the overhang of portfolio liquidity is much more in the debt market, as opposed to the equity market. (see Chart 3).
- The risk this week is if the MPC decided NOT to raise the OPR. This is likely to trigger a withdrawal of capital from the debt market, and cause the ringgit to depreciate. We expect that in this situation, the equity market will take a tumble as well.
- Ironically, the aforementioned risk has heightened amid Malaysia’s continually improving fundamentals. Last week’s figures show exports rising 16.4%yoy in May with value maintaining at around the RM65b mark.

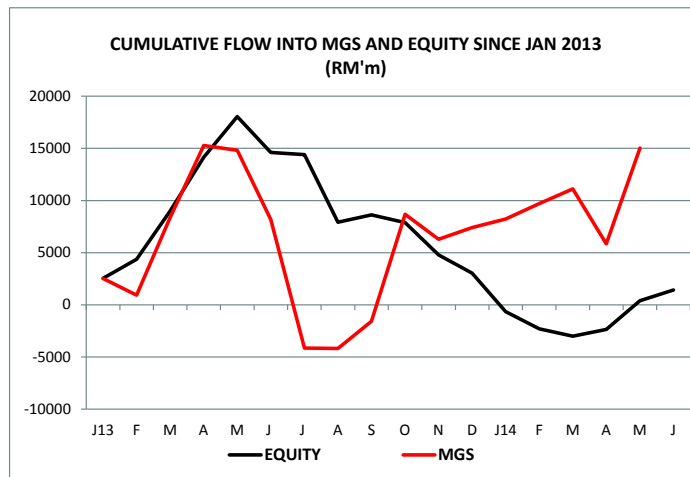
CHART 1: STRONG EXPECTATION OF AN OPR RISE



CHART 2: USD/RM EXCHANGE RATE



CHART 3: FLOW TO MGS & EQUITY



Source: BNM Monthly Statistical Bulletin, Bursa, MIDFR

DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (23878-X). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein

This document may not be reproduced, distributed or published in any form or for any purpose.



MIDF RESEARCH is part of
MIDF Amanah Investment Bank Berhad (23878 - X)
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Business Address:
11 & 12 th Floor, Menara MIDF,
82, Jalan Raja Chulan, 50200
Kuala Lumpur.
Tel: 2173 8888
Fax: 2173 8380