

MALAYSIA EQUITY RESEARCH | JUNE 30, 2014

Week Ended June 27, 2014

Malaysia Flow Meter



Tide

LOW



Current

STRONG

- Another forgettable week for equity investors across the globe as the spectre of a U.S interest rate hike came back to the fore.
- The market is in a period of relative calm. Money flow is picking up but volatility remained low. The net change in foreign investors position in many markets was small last week.
- It could be calm before the storm, or even sunny days ahead.
- On Bursa, trading activity is finally rebounding two weeks after the school holiday break. On Tuesday, trading crosses over to July, which had historically been a gainful month, but had disappointed in the last few years.
- Foreign buying in the open market on Bursa continued for the tenth consecutive week, but the amount mopped up slid further.
- On a positive note, foreign participation spiked up significantly last week with average daily trade volume surging past the RM1b mark after staying below RM900m for two consecutive weeks.
- Wall Street will be closed on Friday, 4th of July. Markets will be looking for other leads heading into the weekend.

30 June 2014 | Strategy - Weekly Fund Flow

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CALM BEFORE THE STORM, OR SUNNY DAYS AHEAD?

A. MARKET SNAPSHOT

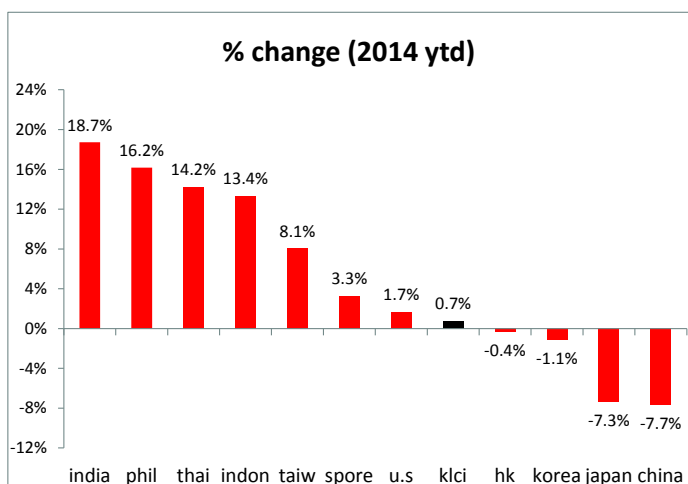
- The equity markets around the world remained generally listless as we head towards the end of the first half of the year.
- Wall Street suffered a relapse after a promising rebound when it closed at record highs the week before. The Dow Jones and S&P500 lost -0.6% and -0.1% last week, mainly on two accounts.
 - » *Firstly*, stocks retreated after final revised data shows the U.S. GDP growth contracting -2.9%qoq annualised in 1Q14. The final data was worse than earlier estimate of -1.0% and was the weakest since 2009.
 - » *Secondly*, sentiment was dampened after James Bullard, president of the Federal Reserve Bank of St. Louis, suggested that interest rates may be raised as early as 1Q15.
- Europe and Japan were the worst affected by the latest pronouncements emanating from the U.S., with Germany's CAC the worst performing market losing -2.3%, the worst in 11 weeks.
- Asian Emerging markets fared better last week with Manila and Bangkok managing to eke out decent gains. Despite the negatives coming out of the U.S last week, the downside was capped by the stabilizing crude oil market. It is apparent that the insurgency in Iraq will not disrupt OPEC's overall supply.
- The Thai SET index rose for the second week in a row, gaining 1.1% last week. The index was lifted last week mainly due to the increase in PTT share price. Sentiment towards the biggest company listed on the Thai Exchange improved significantly after it appointed six new directors to replace those who resigned as part of the military junta's initiative to reform and restructure state-owned enterprises.
- The KLCI closed at a new record high of 1,892.33 points on Tuesday (previous closing high was 1,887.07 recorded on May 19) but lost ground thereafter to close the week down -0.3%.

Performance of major markets

Weekly % change	Week before	Last week
Phil Comp	-0.80	1.65
Thai SET	0.77	1.09
Korea KOSPI	-1.14	1.04
China CSI300	-1.82	0.63
Straits Times	-1.05	0.38
Taiwan Taiex	0.84	0.36
Hang Seng	-0.54	0.12
India Sensex	-0.49	-0.02
Jakarta JCI	-1.60	-0.05
S&P500	1.38	-0.10
KLCI	0.48	-0.25
Dow Jones	1.02	-0.56
FTSE	0.70	-0.99
Nikkei 225	1.67	-1.66
DAX	0.75	-1.72
CAC	-0.04	-2.30

Source: Bloomberg

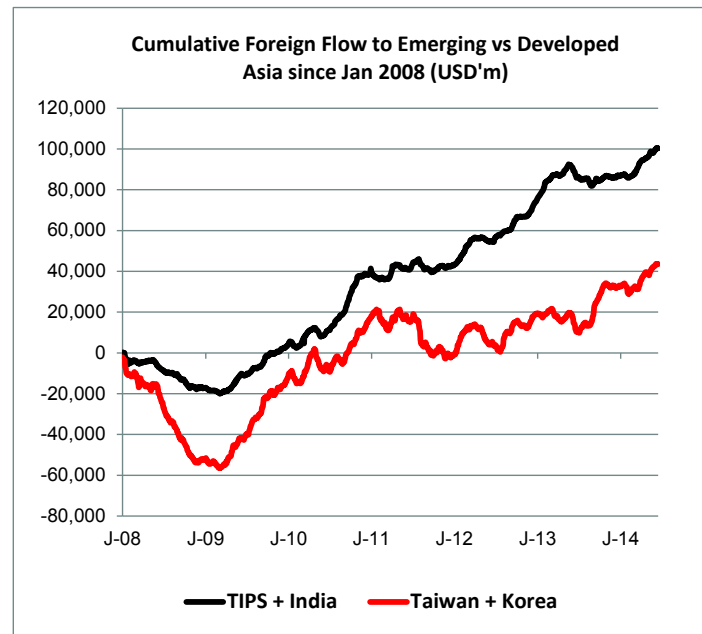
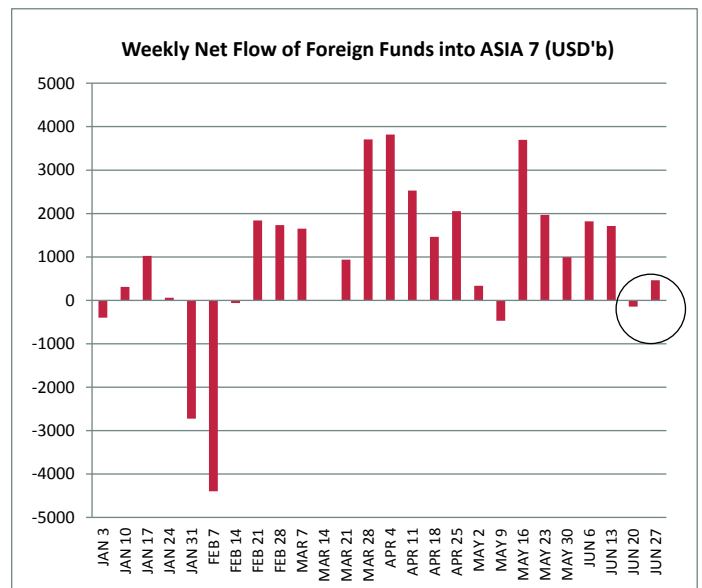
Major Asian indices



Source: Bloomberg

B. TRACKING MONEY FLOW - ASIA

- In general, we believe global funds bought back Asian stocks last week, after paring their holdings the week before. This is based on preliminary data from our proxy markets.
- Last week, funds classified as “foreign” were, in aggregate, net buyers of stocks in the seven Asian exchanges that we track (Korea, Taiwan, Thailand, Malaysia, Indonesia, Philippines and India ¹).
- “Foreign” funds bought USD375m, compared with the revised figure of USD141m sold the week before (see bar chart).
- Both, Emerging Asia as represented by the Thailand, Indonesia, Philippines (TIPs) and India markets and the more Developed Asia ², as represented by Taiwan and Korea, were net beneficiaries of global liquidity last week.
- Foreign purchase of Korean stocks rebounded after sliding for about a month. Korea may be back on the radar screen of international portfolio investors as the won exchange rate has been appreciating. Whether this can be sustained remain to be seen as the strength in the currency is hurting exporters and dampening business sentiment.
- In Thailand foreign investors returned, albeit slowly, after heavy selling the week before. Investors are clearly sizing up the situation with respect to the state-owned enterprises (SOEs). The military junta, led by General Prayuth Chan-ocha, has been scrutinising Thailand’s 56 SOEs with reforms in mind. In addition to PTT, which announced new directors last week, Thai Airways also announced a new acting President with effect from 1 July. The 56 SOEs have combined assets of 11 trillion baht (USD340 billion) and dominate the Thai bourse.



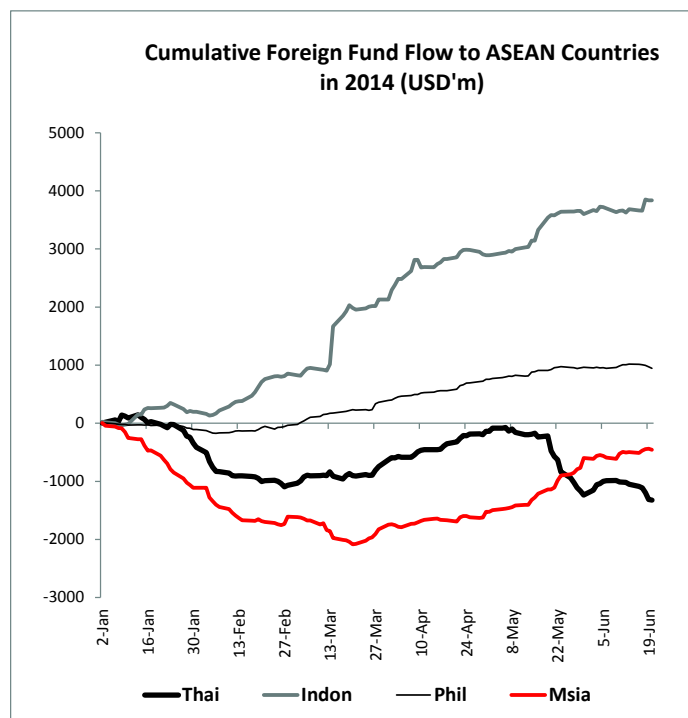
NET FLOW	TIPs + India	Taiwan + Korea	Total (USD'm)
2008	-17,195	-53,106	-70,301
2009	20,580	40,063	60,642
2010	35,690	29,234	64,924
2011	2,748	-17,801	-15,053
2012	31,302	19,976	51,278 (55,663*)
2013	12,446	13,500	25,946 (27,170*)
2014	13,567	10,873	24,440 (23,983^)

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.

- In addition to Thailand, the tide was also low in Indonesia, India, Taiwan and Philippines last week. The net change in foreign investors' position in those markets was also very small. The market is in a period of relative calm with low volatility, which is rather unnerving. It could be calm before the storm. But it can also be a case of sunny days ahead...



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)

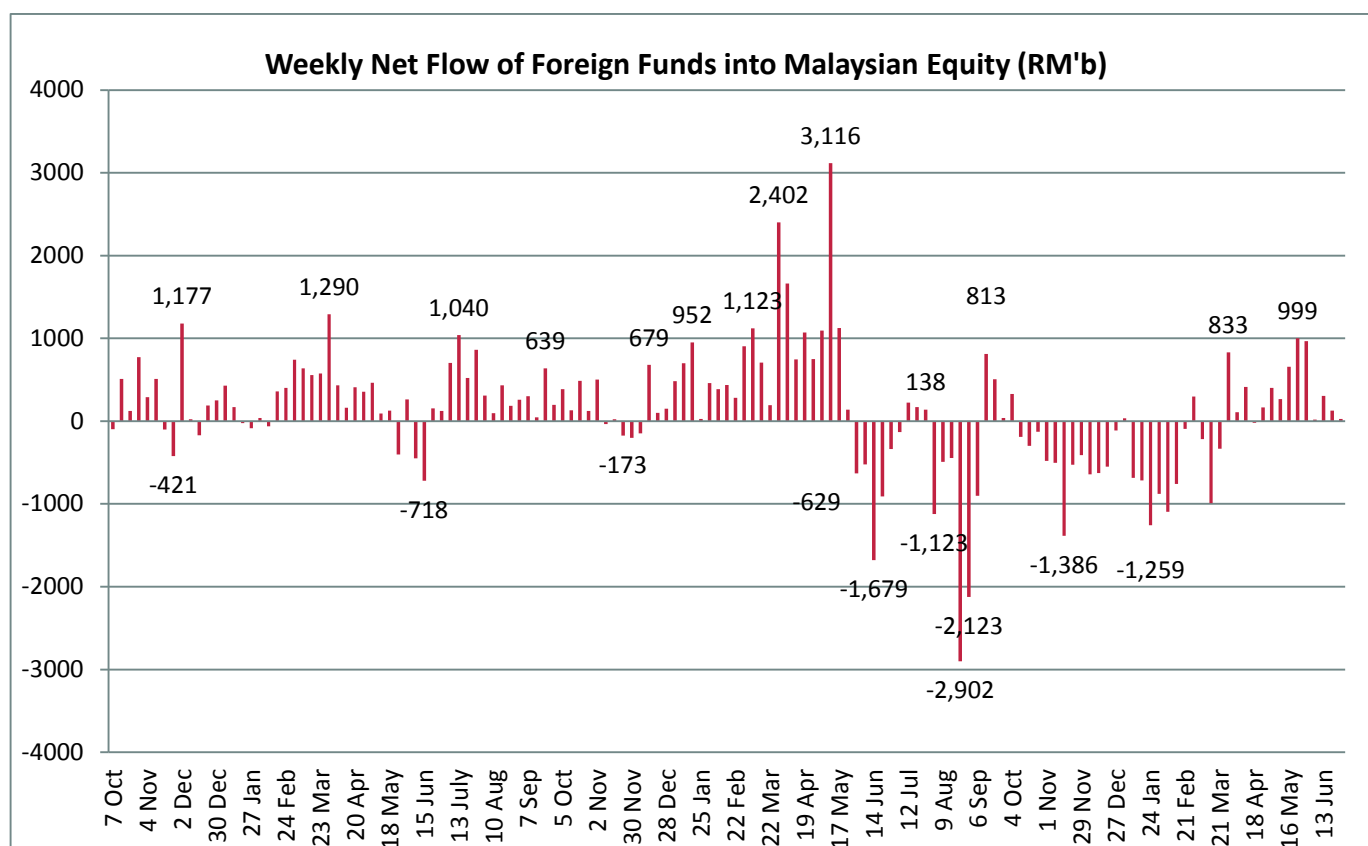
WEEK ENDED	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
JAN 10	390.7	71.3	-29.6	-36.3	-55.8	181.2	-209.6	311.9
JAN 17	-111.1	-62.4	274.0	-4.1	268.6	877.3	-217.8	1024.6
JAN 24	-82.1	-50.3	66.2	15.3	158.4	327.8	-378.8	56.6
JAN 31	-775.4	-392.3	-128.1	-85.0	-500.5	-581.7	-263.4	-2726.4
FEB 7	-1149.3	-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	669.5	95.3	1713.6
JUN 20	69.1	-273.6	154.7	-70.4	-65.7	5.0	39.9	-141.0
JUN 27	359.2	3.4	-51.1	42.0	8.9	5.0	7.8	375.3

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

FUND FLOW REPORT

C. TRACKING MONEY FLOW - MALAYSIA

- Trading activity finally picked up two weeks after the school holiday break. Volume rebounded across all segments of the investors.
- Investors classified as “foreign” were net buyers in the open market (i.e excluding off-market deals) on Bursa for the 10th consecutive week. However, the amount mopped up slid further. Last week foreign investors bought only RM25m net, the second lowest in a week this year.
- On cumulative basis, foreign investors remained net sellers of Malaysian stocks in 2014, but the net *outflow* as of last Friday had declined to only -RM1.63b. In 2013, Malaysia reported a net inflow of +RM3.0b.
- On a positive note, we detect that foreign participation on the local bourse spiked up significantly last week. The average daily foreign participation rate (average daily gross purchase and sale) on Bursa surged past the RM1b mark to RM1.006b, after staying below RM900m for two consecutive weeks.
- Retail investors’ interests also continued to rebound, albeit gradually. Retail participation jumped to RM788m, the highest in eight weeks although it was still lower than the average of RM846m for the year. Sellers still overwhelmed buyers for the 11th week in a row as retailer investors offloaded RM65m.
- Local institutions bought a marginal RM41m last week. However, participation rate rose strongly to RM2.22m, after staying below RM2b for three consecutive weeks.

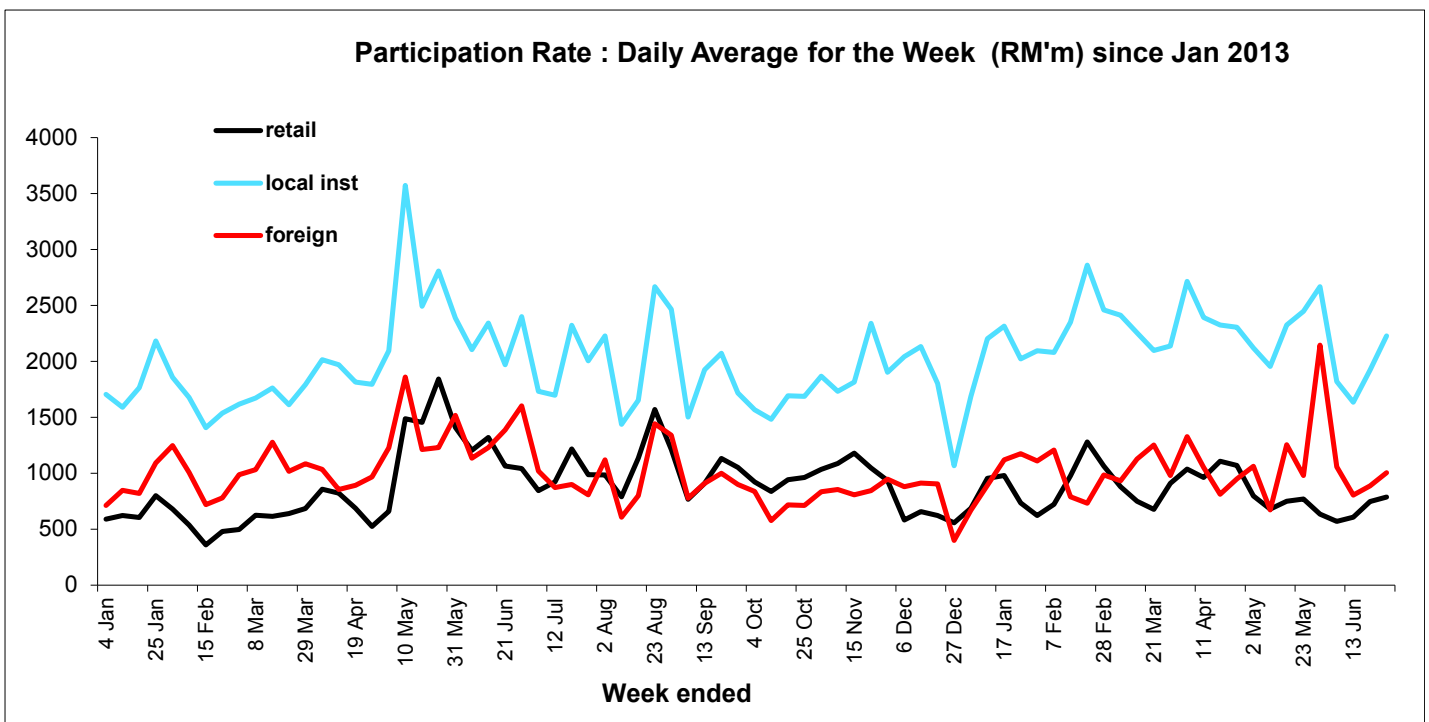


Source: Bursa, excluding off-market trades

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)*
JAN 31	1283.2	1211.7	71.5	4595.8	3787.2	808.6	1779.5	2659.6	-880.1	-263.4
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

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



FUND FLOW REPORT

D. TOP 100 STOCKS: MONEY FLOW ²

- Tables below list the Top 10 Net Money Inflows and Net Money Outflows for the week ended 28 June 2014 among the largest 100 market capitalized stocks on Bursa Malaysia.
- Tenaga Nasional attracted the highest net money inflow totaling RM19.71m last week. The inflow was arguably in anticipation of the imminent implementation of the fuel cost pass-through (FCPT) mechanism. MyPower Corp Bhd last week stated that it would recommend to the Cabinet to stay on course with the implementation of the FCPT mechanism.
- Maxis Bhd came in second with RM14.35m net inflow. Its share price nonetheless retreated -0.59% 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. 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.
- Axiata Group recorded the third highest net money inflow of RM6.51m during the review week. Its stock price gained +1.01% during the week. Last week, Axiata Group was announced the winner of Frost & Sullivan 2014 Asia-Pacific ICT Award for Best Telecom Group for the 6th consecutive years.
- Public Bank registered the largest net money outflow totaling -RM20.89m. Its share price dropped -3.16% during the review week against a modest -0.25% retreat by the benchmark FBM KLCI. The proposed rights issue at RM13.80 per share represents a 33% discount to its theoretical ex-price of RM20.64. There was heavy selling of the renounceable rights shares by entitled shareholders last week.
- Sime Darby saw the second largest net money outflow of -RM15.48m last week. Its share price however made a +1.47% gain during the week under review. The net outflow amidst rising share price may indicate Sell on strength (SOS) stance among some investors.
- Malayan Banking came in third with -RM8.52m net outflow. Its share price ended unchanged for the week.

TOP 10 NET MONEY INFLOWS

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
TENAGA	19.71	-4.33	2.19	-
MAXIS	14.35	0.00	-0.59	BOW
AXIATA	6.51	-24.13	1.01	-
TELEKOM	6.17	0.90	1.76	-
IJM CORP	5.47	4.22	0.00	-
LAFARGE	5.42	-0.61	-1.39	BOW
BUMI ARMADA	4.72	0.57	-7.86	BOW
KL KEPONG	4.37	-1.24	-0.98	BOW
ASTRO	3.63	-0.61	1.78	-
CMS	3.62	1.66	0.56	-

Source: Bloomberg, MIDFR;

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

TOP 10 NET MONEY OUTFLOWS

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
PUBLIC BANK	-20.89	14.21	-3.16	-
SIME DARBY	-15.48	-4.78	1.47	SOS
MAYBANK	-8.52	10.95	0.00	-
AIRASIA	-7.71	-1.45	0.00	-
GAMUDA	-5.17	1.60	3.97	SOS
AMMB HOLDINGS	-4.65	-1.32	-0.28	-
CIMB GROUP	-3.91	2.26	-0.41	-
ORIENTAL HLDGS	-3.61	0.02	-1.53	-
H.LEONG BANK	-3.13	-0.08	-0.72	-
PET'NAS D'NGAN	-2.27	-9.84	0.50	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.

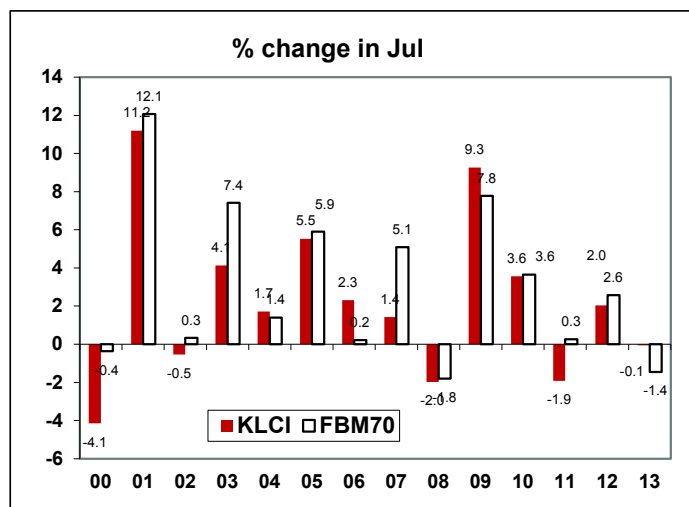
How is money flow calculated? When a trade is performed, its price is compared to the price of the previous trade (the first trade of the day is compared to the previous day's close). If the prices differ, either upticks or downticks, the value of the trade (price multiplied by number of shares) is added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

Source: Bloomberg, MIDFR

E. THE WEEK AHEAD

HELLO JULY!

- As we had written last week, we are not that optimistic for the market to end 1H14 with a bang. Assuming the FBM stayed unchanged on Monday, it will end June with a gain of 0.4% for the month and 0.7% for the first half of the year. The numbers are disappointing, but not unexpected as other Asian Emerging markets, *san* Thailand, have been hogging the limelight.
- Trading crosses over to 2H14 on Tuesday. July, in our opinion, is a historically gainful month, much like June. Between 2000-2013, July had returned an average 2.3% for the KLCI. However, the disappointing June is likely to weigh down on July as it reflects the market's unwillingness to stretch valuations higher.
- We also note that July had been sombre in the last three years. In view of the presidential election in Indonesia and the depressed price levels on the Thai bourse, we do not expect the spotlight to be on Malaysia.
- Technically, we expect the KLCI to be supported although the it appears to be racing towards the short-term support of 1,871 points as represented by the 50-day moving average line (see chart).



FBM KLCI

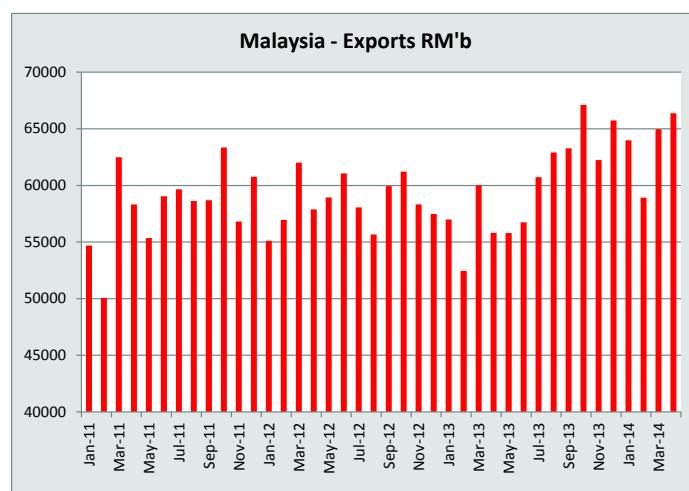


HEAVY WEEK FOR THE ECONOMIC CALENDAR

- The week ahead is rather heavy for the economic calendar.
 - On Tuesday, the U.S ISM PMI for manufacturing will be released. This is critical in light of the revised 1Q14 GDP growth. China's official manufacturing PMI is also scheduled for release on Tuesday.
 - On Thursday, the U.S non-farm payroll and unemployment for June will be released. The ISM PMI for non-manufacturing will also be unveiled. In Europe, the ECB will meet after cutting interest rate on June 5.
 - On Friday, Malaysia's trade statistics for May will be out. Recall that exports amounted to RM66.4b in April, a robust growth of 18.9%yoy. It was also only the third time ever than exports had exceeded RM65b. The market will be buoyed if the numbers for May can sustain above the threshold.



Malaysia Exports



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