

MALAYSIA EQUITY RESEARCH | MARCH 16, 2015

Week Ended March 13, 2015	Foreign Flow Meter		
<ul style="list-style-type: none"> <li>In general, the performance of equity markets around the world deteriorated last week.</li> <li>The weakness was mainly due to the continued rally of the dollar amid a weekly plunge in the price of crude oil.</li> <li>After seven strong weeks, the gravy train to Asia made an unsurprising stop last week. Foreign investors sold heavily in Taiwan, Indonesia and Malaysia.</li> <li>Foreign selldown of Malaysia-listed equities intensified significantly last week, in line with regional trend. The net amount offloaded last week exceeded RM1b only for the second time this year.</li> <li>Foreign investors were net sellers every single day last week. On Monday, the amount offloaded of -RM361m was the third highest in a day so far this year. However, the amount receded significantly as the week progressed. On Friday, net sale was only -RM102m.</li> <li>Last week's sale increased the cumulative net foreign outflow for 2015 to -RM4.57b. The cumulative foreign outflow for the entire 2014 was -RM6.93b.</li> <li>It school holiday break this week and some market players are likely to be out of the game. We do not expect the heavy foreign selling last week to persist. We believe the worst phase of foreign fund attrition is in the past.</li> <li>Focus now is on the monetary authority as monetary easing appears to be a regional trend. This will have repercussions on equity prices.</li> </ul>		Tide	
		Current	HIGH (Unchanged)
			STRONG (Unchanged)

16 March 2015 | Strategy - Weekly Fund Flow

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

## MONEY FLOW CHANGING COURSE

### A. MARKET SNAPSHOT

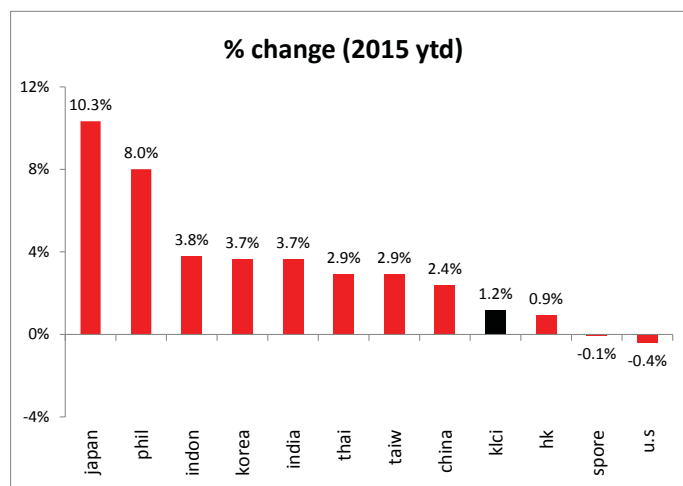
- In general, the performance of equity markets around the world deteriorated last week.
- The weakness was mainly due to the continued rally of the dollar amid a weekly plunge in the price of crude oil.
- In the bellweather market, Wall Street, prices slid for the third consecutive week. The Dow Jones and S&P500 fell -0.6% and -0.9% respectively. The dollar rallied to a 12-year high against the euro, although it suffered a hiccup on Thursday after the Commerce Department reported that retail sales fell for the third straight month in February.
- However, the rally resumed on Friday as crude oil succumbed to selling pressure after the International Energy Agency raised concerns that the glut in supply and tightening storage capacity in the U.S. may cause prices to weaken further. Brent fell to USD54.67 for a weekly decline of about -8.5%.
- On Thursday, Japanese shares rose the most in a month, with the Nikkei average briefly climbing above 19,000 for the first time in nearly 15 years on optimism about the domestic economy.
- In Asia, the Japanese market rallied for the fifth consecutive week with the Nikkei 225 gaining 1.5% last week. The index closed above 19,000 points for the first time in almost 15 years. The Japanese market has been rallying since the Government allowed the USD1.2t Government Pension Investment Fund to increase its portfolio weighting for Japanese and non-Japanese equities to 25% each, from 12%.
- China's market also rebounded with the CAC gaining 4%. However, other Emerging Markets had a forgettable week as most ended in the redzone as their currencies weakened against the greenback. India was worst hit as the Sensex fell -3.2% after statistics showing inflation accelerating in February, quashing hopes of a rate cut.
- Last week's fall also ended the 5-7 week gaining streak in the Taiwan, Korea and Indonesia markets. Thailand also lost -1.7% despite the central bank unexpectedly cut interest rate for the first time in a year. Korea also slashed its policy rate.
- The KLCI fell -1.4%, the steepest weekly decline this year. This slashed the year-to-date gain to only 1.2%, but the gap with regional peers, with the exception of the Philippines Composite is not that bad.

#### Performance of major markets

Weekly % change	Week before	Last week
China CSI300	-2.64	4.00
DAX	1.31	3.04
Nikkei 225	0.92	1.49
CAC	0.26	0.93
Dow Jones	-1.52	-0.60
Phil Comp	1.69	-0.66
Taiwan Taiex	0.25	-0.69
S&P500	-1.58	-0.86
Korea KOSPI	1.37	-1.35
KLCI	-0.78	-1.40
Hang Seng	-2.66	-1.41
Jakarta JCI	1.18	-1.60
Straits Times	0.43	-1.60
Thai SET	-1.18	-1.71
FTSE	-0.50	-2.48
India Sensex	0.78	-3.21

Source: Bloomberg

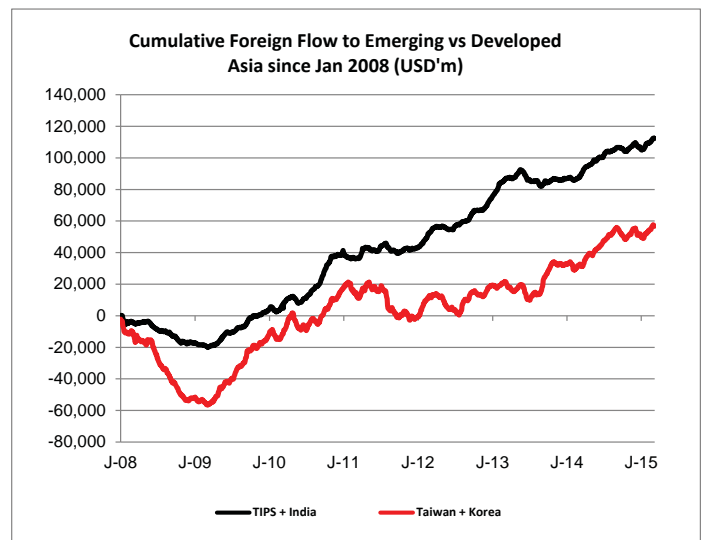
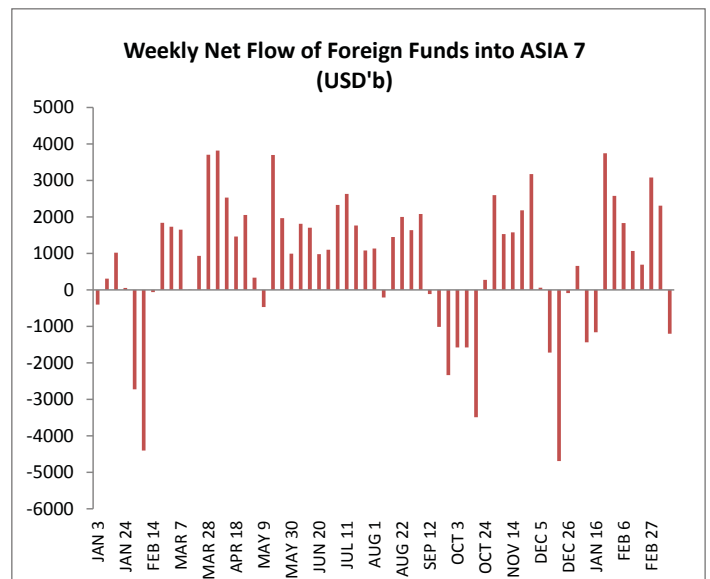
#### Major Asian indices (2015)



Source: Bloomberg

**B. TRACKING MONEY FLOW**

- After seven strong weeks, the gravy train to Asia made an unsurprising stop last week. The halt will hopefully not be that long, after the encouraging regional rebound on Friday.
- Based on provisional data from the respective exchanges, investors classified as “foreign” were aggregate net sellers in the 7 Asian<sup>1</sup> stock markets that we track (India, Taiwan, Korea, Thailand, Indonesia, Philippines and Malaysia). The amount sold last week was -USD1.2b – the first net outflow from the region in 8 weeks.
- More funds left Developed Asia<sup>2</sup> (as represented by Korea and Taiwan) as compared to that which exited Emerging Asia (as represented by the TIP + India + Malaysia markets).
- After seven consecutive weeks of strong flow into Taiwan, foreign funds reversed course last week.
- There was heavy foreign money outflow in the first three days of last week from Taiwan. It was likely to be a case of profit-taking, with the sell-down focusing on large-cap stocks in both the electronics and old economy sectors. Even big names were not spared, such as Taiwan Semiconductor Manufacturing Co., the world’s largest contract chip-maker, and Hon Hai Precision Industry Co. which assembles iPhones and iPads for Apple. However, ASE, which is believed to be the sole IC packaging and testing services provider for the Apple Watch, bucked the trend and gained significantly.
- Meanwhile, foreign investors continued to buy Korean shares last week, although the amount slowed down significantly to only RM88m. Foreigners sold on Monday after buying for 10 consecutive trading days, but resumed purchases thereafter. The Korean market was boosted after Bank of Korea’s monetary policy committee cut its base rate by 25 basis points to a record low of 1.75%, its first cut in five months.



**NET FLOW BY DESTINATION (USD'm)**

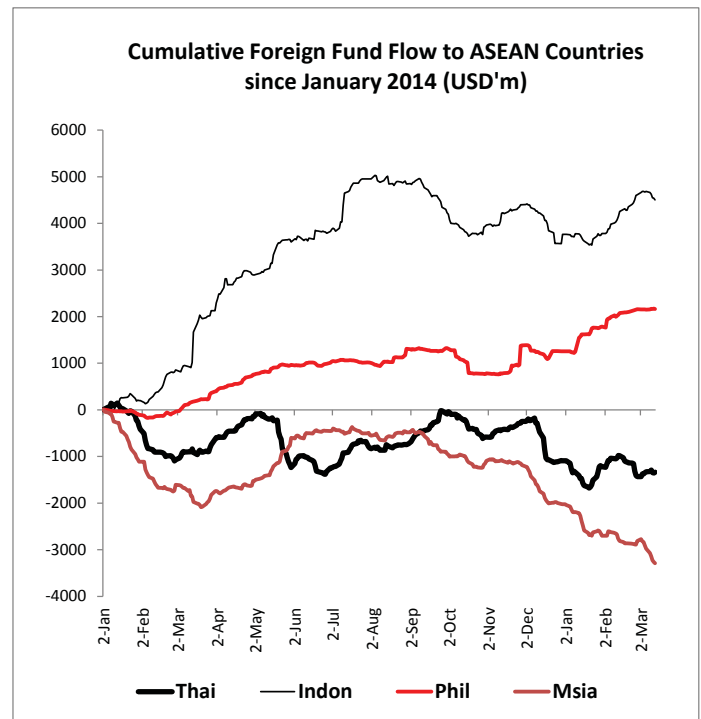
Year	TIPs + India	Taiwan + Korea	TOTAL	M'sia	Total (+Msia)
2008	-17,195	-53,106	-70,301	n.a	n.a
2009	20,580	40,063	60,642	n.a	n.a
2010	35,690	29,234	64,924	n.a	n.a
2011	2,748	-17,801	-15,053	n.a	n.a
2012	31,302	19,976	51,278	4,385	55,663
2013	12,446	13,500	25,946	1,224	27,170
2014	20,093	18,874	38,967	-2,025	36,942
2015	6,743	6,043	12,786	-1,264	11,521

TIP = Thailand, Indonesia, Philippines.  
Source: Bloomberg & Bursa statistics.

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

<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.

- Foreign funds exited Indonesia equity last week. It was partly triggered by the rupiah, which weakened significantly after the central bank signalled that it will tolerate further depreciation of the exchange rate. Indonesia's foreign reserves rose to USD115.5b at the end of February, the highest since April 2012, indicating that the central bank has not been propping up the currency. Indeed, comments by the bank's officials suggests that their view is that a weaker rupiah is conducive to exports. That was a turn-off for some portfolio investors.
- In contrast, the outflow from Thailand had not been as severe, maybe due to the fact that some of the fund already left in February. The baht fell -1.0% last week, compared with -1.7% for the rupiah. Sentiment, especially towards banking stocks such as Siam Commercial and Krung Thai, was dampened after the Bank of Thailand surprisingly cut interest rate last week.



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

WEEK ENDED	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
SEP 12	-204.8	88.6	-148.0	2.2	432.0	-222.7	-61.5	-114.2
SEP 19	-354.7	169.0	-171.5	-31.9	31.9	-456.9	-197.1	-1011.1
SEP 26	-661.0	253.5	-247.9	-6.1	-366.5	-1164.6	-137.8	-2330.5
OCT 3	-309.1	-75.9	-344.4	20.3	107.2	-866.0	-104.8	-1572.7
OCT 10	-716.4	-64.4	-88.9	-189.7	-304.0	-256.2	41.2	-1578.3
OCT 17	-1093.2	-248.8	-187.8	-299.9	-604.9	-888.2	-166.3	-3489.1
OCT 24	139.0	-93.8	30.5	-8.8	290.6	27.7	-107.5	277.7
OCT 31	219.3	-81.4	210.8	1.6	668.7	1439.5	140.2	2598.6
NOV 7	-248.9	129.9	-14.9	-17.9	891.6	797.9	-8.7	1529.0
NOV 14	-12.9	39.2	259.7	23.7	455.3	818.0	-8.1	1575.0
NOV 21	955.7	40.2	76.1	156.2	139.3	854.8	-42.2	2180.1
NOV 28	860.1	127.4	113.1	439.4	833.5	831.4	-32.5	3172.7
DEC 5	470.8	19.8	-65.5	-114.0	275.8	-279.9	-243.0	64.0
DEC 12	-696.2	-246.2	-110.6	-54.3	534.7	-824.2	-320.2	-1717.0
DEC 19	-1514.0	-593.7	-383.4	-111.1	-732.1	-1095.9	-257.7	-4687.8
DEC 26	-49.5	-46.4	-269.2	155.7	-292.8	405.2	8.0	-89.0
JAN 2	-144.6	26.6	194.0	-4.6	143.6	489.8	-44.1	660.7
JAN 9	-118.8	-191.0	14.0	-9.7	-440.3	-540.0	-150.3	-1435.5
JAN 16	-743.6	-283.6	-160.1	369.8	550.0	-499.0	-396.1	-1162.7
JAN 23	208.8	112.6	44.0	147.5	1081.0	2194.1	-41.5	3746.6
JAN 30	-410.7	290.4	121.1	19.8	1642.1	988.4	-71.9	2579.2
FEB 6	435.6	184.2	197.1	205.3	-107.4	841.9	75.3	1832.1
FEB 13	-89.7	51.7	271.0	86.0	-284.6	1222.2	-188.6	1068.1
FEB 20	129.0	-155.8	100.2	27.7	640.9	0.0	-48.3	693.7
FEB 27	691.4	-293.2	262.1	52.5	1185.0	1134.6	48.7	3081.0
MAR 6	887.8	104.4	68.7	-6.7	892.4	527.2	-162.7	2311.1
MAR 13	87.7	-9.4	-179.7	12.5	139.2	-935.3	-314.4	-1199.4

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

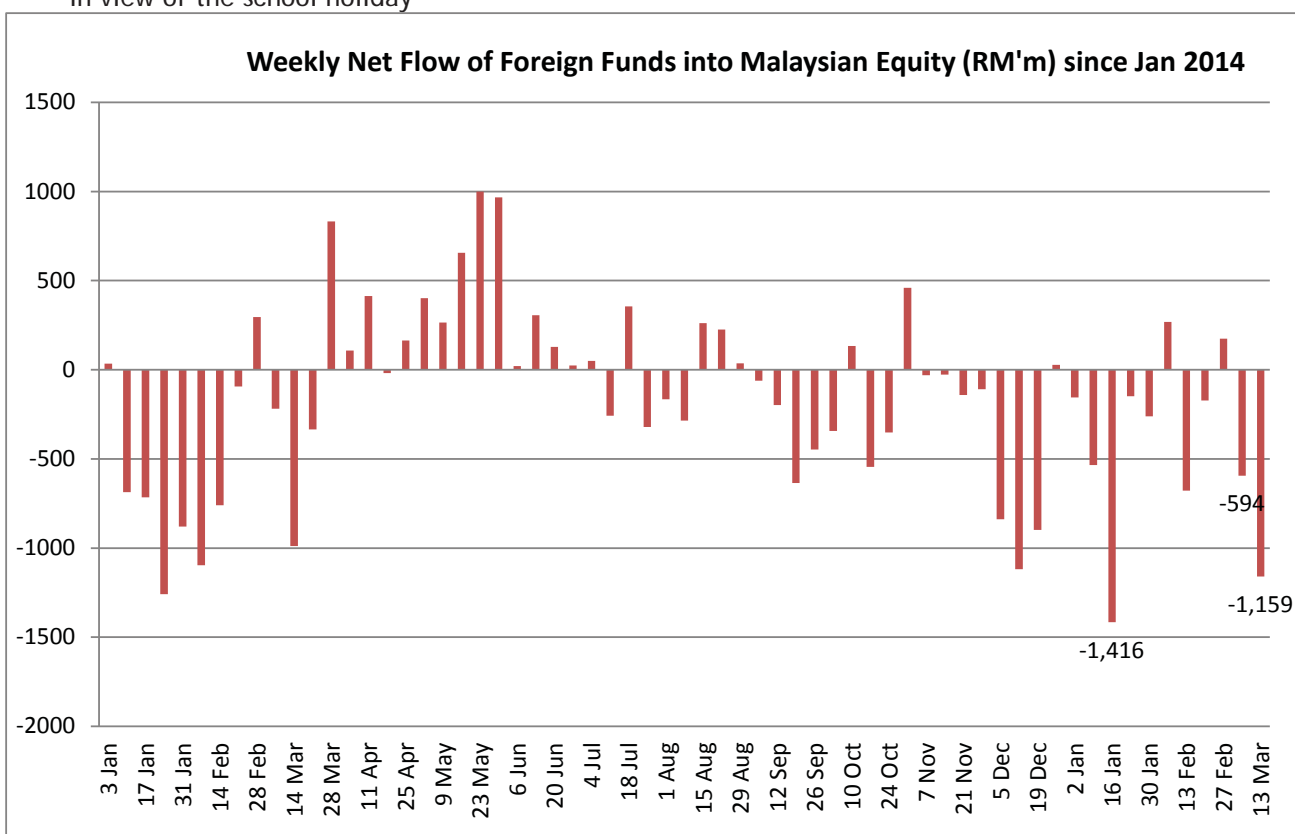
## FUND FLOW REPORT

### C. TRACKING MONEY FLOW - MALAYSIA

- Foreign sell-down of Malaysia-listed equities intensified significantly last week, in line with regional trend.
- The net amount offloaded last week exceeded RM1b only for the second time this year. Investors classified as “foreign” sold, on a net basis, local equity in the open market (i.e excluding off-market deals) amounted to -RM1.16b. The last time the figure surpassed the billion-ringinggit mark was in the week ended Jan 16, at -RM1.42b.
- Foreign investors were net sellers every single day last week. On Monday, the amount offloaded of -RM361m was the third highest in a day so far this year. However, the amount receded significantly as the week progressed. On Friday, net sale was only -RM102m.
- So far in 2015, there have been 11 trading days during which net foreign sale had exceeded RM200m. In 2014, the corresponding number was 23 days.
- Last week’s sale increased the cumulative net foreign outflow for 2015 to -RM4.57b. The cumulative foreign outflow for the entire 2014 was -RM6.93b.
- Foreign participation rate (daily average gross purchase and sale) remained elevated at RM1.18b. However, we note that foreign participation dropped below RM1b on Friday, indicating that the the sell-down is ebbing.
- Local institutions supported the market last week, mopping up RM1.13b, on participation rate of RM2.14b. Local institutions have absorbed RM4.85b net so far this year. In 2014, they bought RM8.18b net.
- Retailers remained stubbornly on the sideline, although a brave few are making opportunistic purchases. Retailers were marginal net buyers for the second consecutive week, buying RM25m net. However, trading activity was still relatively insignificant at RM850m. It is unlikely to vary this week in view of the school holiday

TRACKING INTENSITY OF DAILY FOREIGN SALE		
Amount of net sale in a day (RM'm)	Number of day(s)	
	2014	2015
> 1,000	0	0
900 - 1,000	0	0
800 - 900	0	0
700 - 800	0	0
600 - 700	0	0
500 - 600	1	0
400 - 500	0	1
300 - 400	8	5
200 - 300	14	5

Source: MIDFR, Bursa statistics

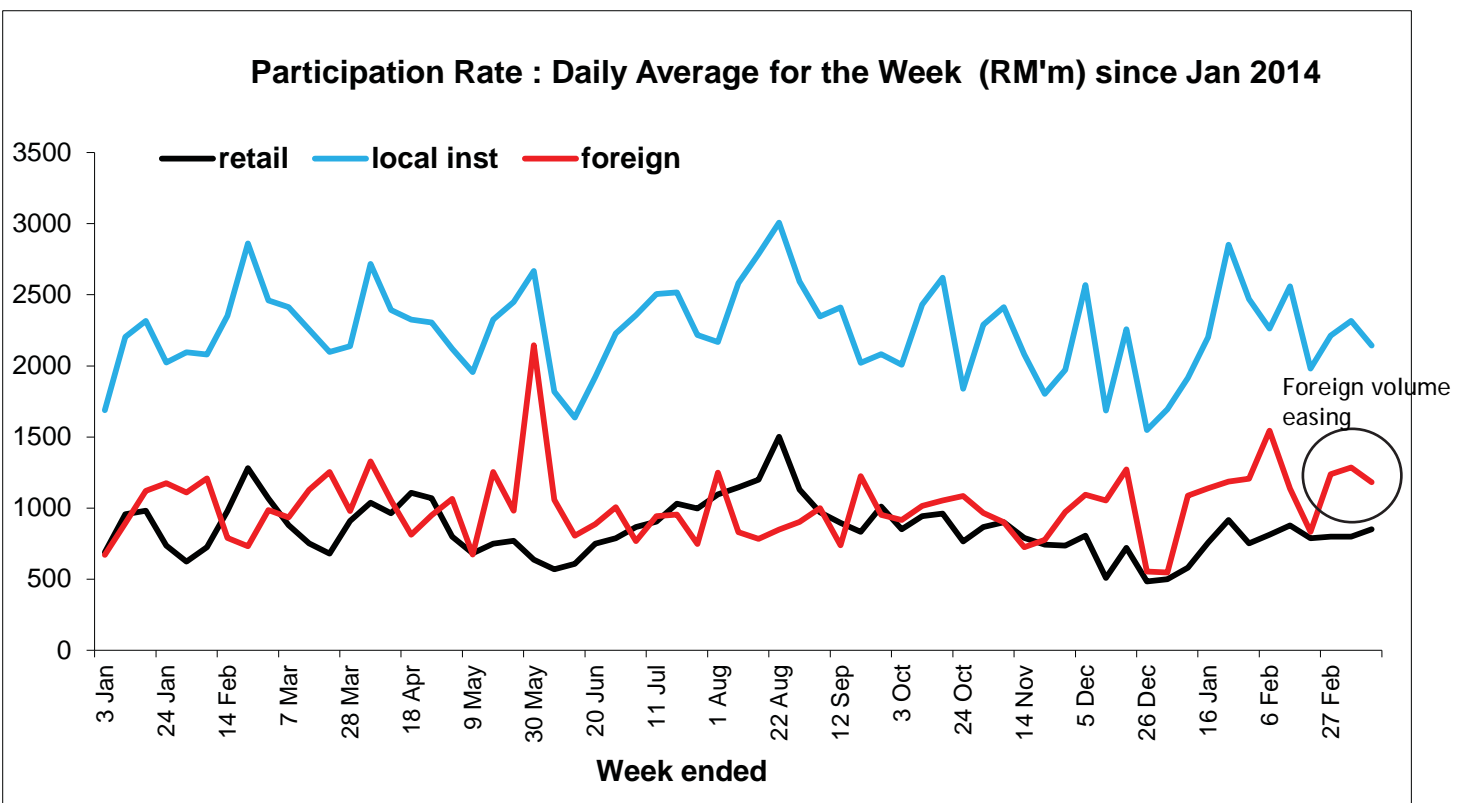


Source: Bursa statistics, excluding off-market trades

**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)*
OCT 17	2382.5	2422.3	-39.8	6843.7	6259.0	584.7	2358.9	2903.8	-544.9	-166.3
OCT 24	1436.6	1622.6	-186.0	3946.1	3408.8	537.3	1992.2	2343.5	-351.3	-107.5
OCT 31	2114.6	2222.5	-107.9	5549.8	5901.9	-352.1	2646.4	2186.4	460.0	140.2
NOV 7	2267.3	2234.2	33.1	6030.9	6034.3	-3.4	2233.9	2263.6	-29.7	-8.7
NOV 14	2011.5	1923.2	78.3	5176.2	5227.2	-51.0	1797.5	1824.8	-27.3	-8.2
NOV 21	1932.6	1780.0	152.6	4500.8	4511.8	-11.0	1871.5	2013.1	-141.6	-42.2
NOV 28	1847.2	1835.2	12.0	4977.1	4880.2	96.9	2376.0	2484.9	-108.9	-32.5
DEC 5	2139.0	1883.9	255.1	6715.5	6131.6	583.9	2314.1	3153.1	-839.0	-243.0
DEC 12	1276.9	1267.6	9.3	4771.1	3662.7	1108.4	2072.1	3189.8	-1117.7	-320.2
DEC 19	1741.3	1860.9	-119.6	6153.4	5135.8	1017.6	2732.2	3630.2	-898.0	-257.7
DEC 26	928.9	1003.4	-74.5	3119.6	3073.2	46.4	1120.0	1091.9	28.1	8.1
JAN 2	970.7	1028.0	-57.3	3496.5	3284.8	211.7	1016.0	1170.4	-154.4	-44.1
JAN 9	1501.3	1399.4	101.9	5003.6	4570.3	433.3	2448.0	2983.2	-535.2	-150.3
JAN 16	1928.4	1853.2	75.2	6176.1	4835.4	1340.7	2141.0	3556.9	-1415.9	-396.1
JAN 23	2198.9	2382.4	-183.5	7294.8	6963.4	331.4	2890.1	3038.0	-147.9	-41.5
JAN 30	1841.2	1917.3	-76.1	6342.7	6005.1	337.6	2885.6	3147.1	-261.5	-71.9
FEB 6	1167.3	1273.1	-105.8	3311.0	3473.8	-162.8	2452.0	2183.4	268.6	75.3
FEB 13	2157.5	2228.7	-71.2	6774.6	6025.7	748.9	2504.9	3182.6	-677.7	-188.6
FEB 20	974.6	992.4	-17.8	2570.6	2379.9	190.7	955.4	1128.3	-172.9	-48.3
FEB 27	1953.2	2041.8	-88.6	5488.1	5574.5	-86.4	3184.4	3009.4	175.0	48.7
MAR 6	2022.6	1973.1	49.5	6063.1	5519.1	544.0	2917.7	3511.2	-593.5	-162.7
MAR 13	2138.6	2113.6	25.0	5922.7	4789.2	1133.5	2375.9	3535.1	-1159.2	-314.4

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



## FUND FLOW REPORT

### D. THE WEEK AHEAD

#### TAKING A BREAK

- It school holiday break this week and some market players are likely to be out of the game.
- We do not expect the heavy foreign selling last week to persist this week. As we had written before, we believe the worst phase of foreign fund attrition is in the past. What we are seeing now is residual selling and although the overhang of foreign liquidity in the market is still high, the most volatile kind has probably left.
- As we had predicted, the ringgit's struggle continued last week. However, ringgit is no longer the worst performing currency among regional peers against the greenback this year. The focus has now shifted to the Indonesian rupiah.
- Bank Negara has clearly said that the ringgit is undervalued. Still, the ringgit is finding it hard to overcome the short-resistance which is represented by the 50-day moving average line. If the ringgit can break the USD1/RM3.60 mark, then only will we expect some meaningful climb. We doubt that this will happen this week, as the Brent crude oil price appears to be consolidating at below the USD60pb mark.

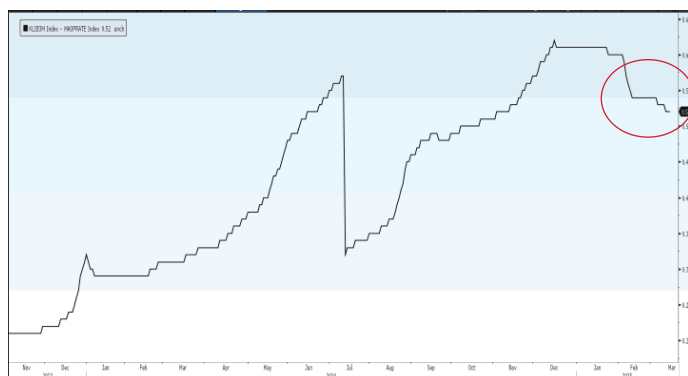
#### Ringgit keeps shying away from the short-term resistance



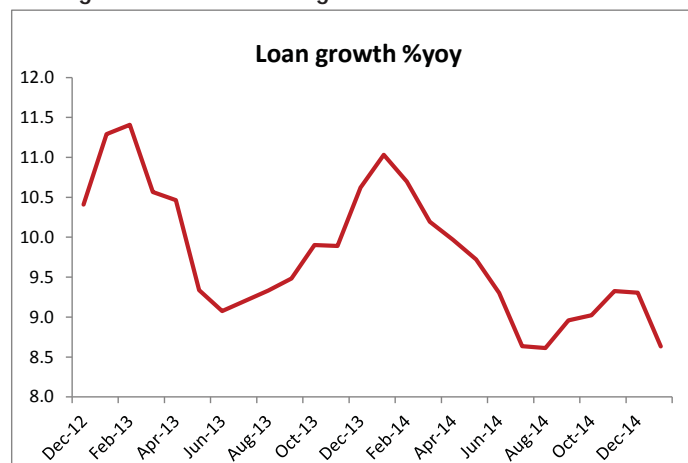
#### STIMULATIVE MONETARY POLICY A NEW GAME?

- The release of Bank Negara's Annual Report last week was intriguing as the bank's inflationary expectation for 2015 was lower than what we had expected. At only 2.0-3.0%, the median inflation forecast for 2015 is the second lowest in 10 years. We were anticipating a higher number in view of the GST and imported inflation due to the weak ringgit.
- As it turned out, easing monetary policy appears to be a regional trend. After China cut interest rates on Feb. 28, Korea and Thailand cut their policy rates last week.
- The local interbank market has stopped betting that the OPR will rise, and is gradually pricing the likelihood that Bank Negara may even cut interest rate (see chart). Meanwhile, the yield on 3-year MGS fell to its lowest since July 2013.
- At this juncture, we believe Bank Negara is comfortable that monetary policy is still accommodative to growth. However, loan growth is decelerating (see chart), and if the figure falls further, the central bank may take stimulative steps.
- If Malaysia were to undertake monetary stimulus, the impact on equity prices in our estimation is likely to be weighted more towards the negative. The ringgit is likely to be under selling pressure while the bond market is expected to rally. Expect banking stocks to be hurt. In short, the behavioural knee-jerk reaction on equity is unlikely to be benign.

#### 3M KLIBOR-OPR Spread : Growing expectations in the interbank market of an OPR cut



#### Loan growth decelerating



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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