

17 March 2014
MALAYSIA EQUITY



FUND FLOW REPORT

Week Ended Mar 14, 2014

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FOR IMPORTANT DISCLOSURES**

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

17 March 2014 | Strategy - Weekly Fund Flow

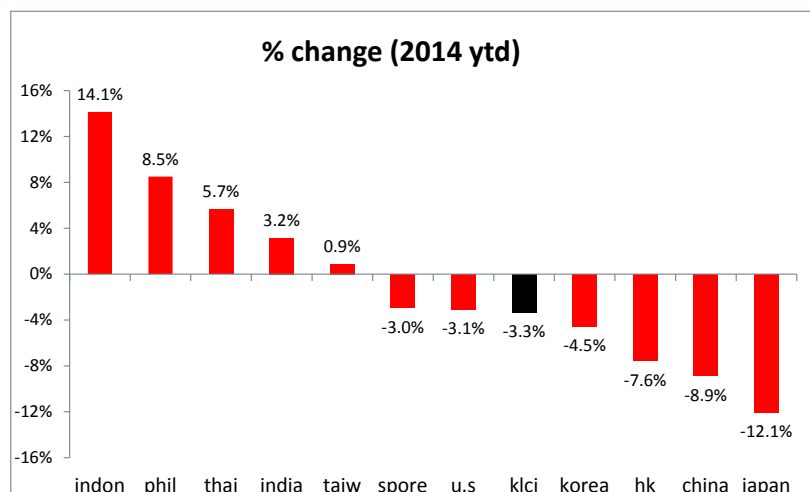
CONFLUENCE OF EVENTS MAKE MONEY FLOW VOLATILE

A. MARKET SNAPSHOT

- In the week after the MH370 tragedy, sentiment towards the equity markets around the world was understandably adversely affected. The deterioration was compounded by unsavoury economic numbers out of China and geopolitical degradation in Ukraine.
- It was one of the worst weeks this year in terms of share price performance. Most markets closed the week in the redzone. The world's bellweather market, namely Wall Street, suffered its second worst week of the year, with the Dow Jones and S&P500 indices falling -2.4% and -2.0% respectively. There is plenty of trepidation ahead of Crimea's referendum on Sunday on whether to secede from Ukraine. If Russia proceeded to annex Crimea, the U.S. and the European Union are likely to impose sanctions against Russia.
- Europe is also going through a weak phase with the FTSE, DAX and CAC losing -2.4%, -3.2% and -3.4% respectively.
- The biggest loser last week was the Nikkei 225, shedding a whopping -6.3%, the worst since June 2013. The surge in the yen dampened sentiment towards Japan's export. Meanwhile, China's official statistics for the combined January-February period spooked investors (China combined the numbers for the 2 months to reduce distortions from the Lunar New Year period). Factory production for Jan-Feb period rose by only 8.6%yoy, according to the National Bureau of Statistics, below forecasts. retail sales also came in below expectations.
- However, not all is gloom. Indonesia's JCI surged 4.1%, clearly on euphoria over the popular Joko Widodo's confirmation that he will be running for President, quashing concerns of a conflict with his party's head, Megawati. Thai's SET rose for the third week in a row as the government is set to end the state of emergency.
- In a tragic week for Malaysia, the KLCI fell by only -1.5%.

Performance of major markets		
Weekly % change	Week before	Last week
Jakarta JCI	1.42	4.11
Thai SET	2.24	1.26
Taiwan Taiex	0.86	-0.30
India Sensex	3.79	-0.50
Phil Comp	0.88	-1.40
KLCI	-0.19	-1.48
S&P500	1.00	-1.97
Straits Times	0.82	-1.99
China CSI300	-0.49	-2.10
Dow Jones	0.80	-2.35
FTSE	-1.42	-2.75
Korea KOSPI	-0.27	-2.77
DAX	-3.52	-3.15
CAC	-0.95	-3.44
Hang Seng	-0.77	-4.95
Nikkei 225	2.92	-6.20

Source: Bloomberg



B. TRACKING MONEY FLOW

- Foreign investors turned aggregate net sellers of equity in the seven Asian markets that we track (Korea, Taiwan, Thailand, Malaysia, Indonesia, Philippines and India ¹) for the first time in four weeks. Last week, global funds sold -USD224m net in the aforementioned markets, compared with +USD1.65b net purchase the week before.
- However, selling was not across the region. There was heightened optimism with respect to Indonesia, clearly on euphoria related to the candidacy of Joko Widodo for the upcoming Presidential and general elections. The Jakarta bourse reported a foreign fund inflow of +USD717m, the highest in a week since the week ended April 8, 2011. Foreign investors also bought Philippine stocks, for the fifth successive weeks.
- There was heavy outflow from Korea, as evidenced by the fall in the won. Foreign investors pulled out a massive -USD1.25b as the won slid -1.1%, the worst performing Asian currencies last week. A combination of weak corporate earnings, and negative spillover from the slowdown in China, have increased risk aversion towards Korea.
- There was a drain from Malaysia amounted to -USD301m last week.

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

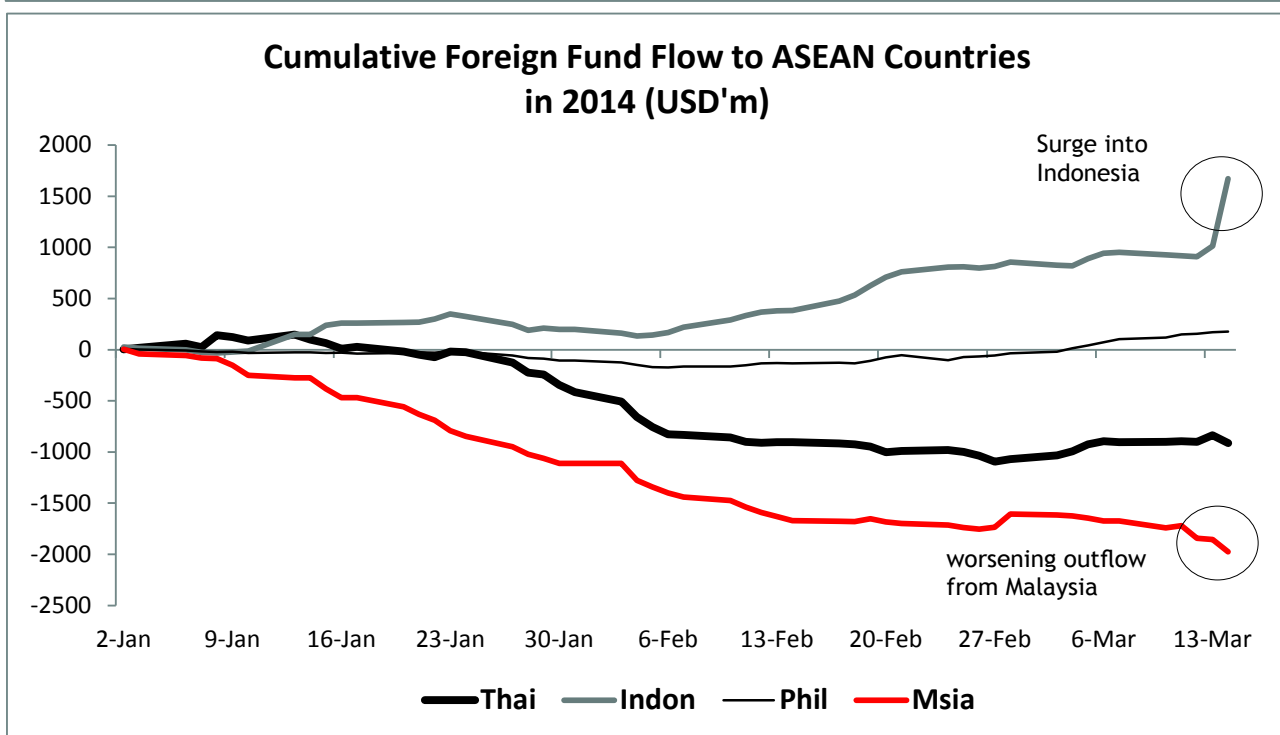
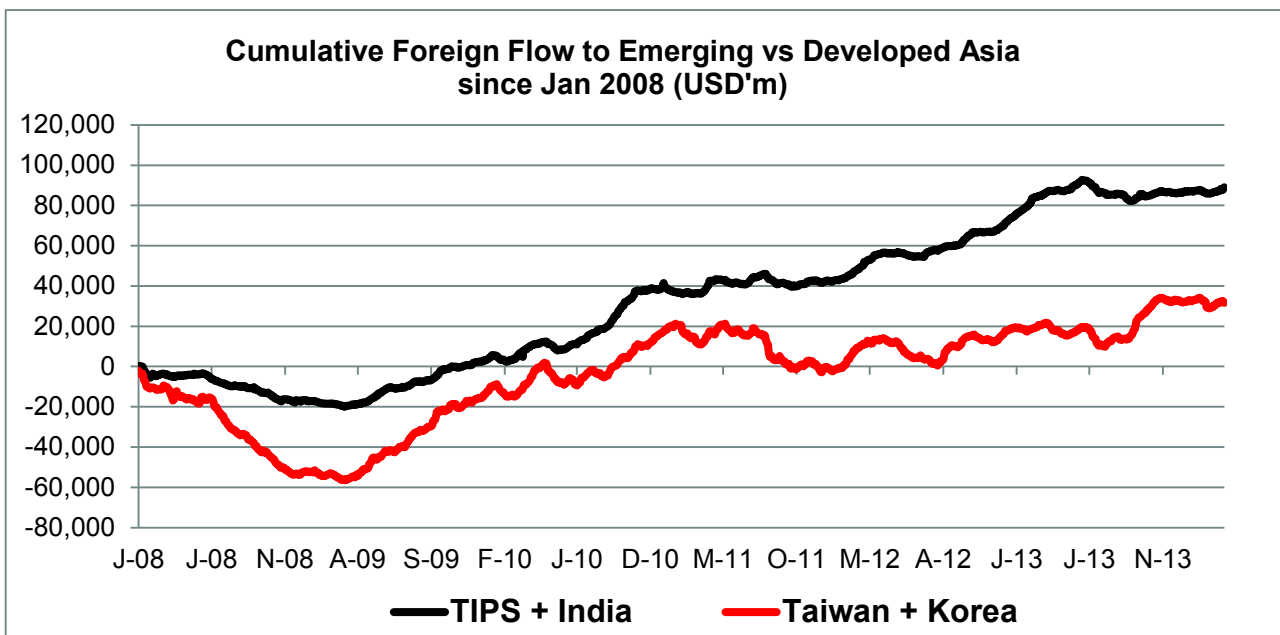
WEEKLY NET FLOW OF FOREIGN FUND INTO EQUITY (USD'm)

WEEK ENDED	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
SEP 27	1076.8	-322.4	-170.2	-18.3	108.3	774.2	11.6	1460.0
OCT 4	948.3	-149.9	-116.2	-643.4	180.8	792.1	101.2	1112.9
OCT 11	1127.5	54.0	-27.0	-66.3	505.4	398.1	-59.1	1932.5
OCT 18	1341.2	97.9	-63.6	10.7	723.7	876.2	-93.7	2892.4
OCT 25	1077.1	16.2	-20.4	-105.8	672.4	254.3	-40.3	1853.6
NOV 1	525.2	-96.5	-69.2	-7.2	798.2	467.4	-152.0	1465.9
NOV 8	-619.2	-202.7	-97.4	-77.9	209.3	-12.5	-158.4	-958.8
NOV 15	-263.9	-377.6	-175.0	-40.1	108.3	-586.1	-392.2	-1726.5
NOV 22	72.1	-285.4	-20.5	-57.1	311.5	-778.6	-164.1	-922.2
NOV 29	403.2	-532.2	24.7	59.1	210.8	665.8	-127.6	704.0
DEC 6	-729.4	-586.1	-96.9	-46.0	448.6	265.8	-198.9	-942.8
DEC 13	-1071.1	-428.4	-34.2	-47.1	821.0	580.8	-194.2	-373.2
DEC 20	2.9	-194.2	21.7	-77.3	969.8	37.4	-168.7	591.6
DEC 27	98.7	-52.0	-384.2	-2.1	222.1	277.4	-34.6	125.3
JAN 3	-564.8	18.1	15.1	3.1	116.4	2.2	10.3	-399.6
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	-1245.7	-7.7	717.1	72.4	-108.5	649.8	-301.2	-223.7

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

NET FLOW (USD'm)	TIPs + India	Taiwan + Korea	Total
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	2,071	-1,370	702 (-1,274*)

TIP = Thailand, Indonesia, Philippines * including Malaysia



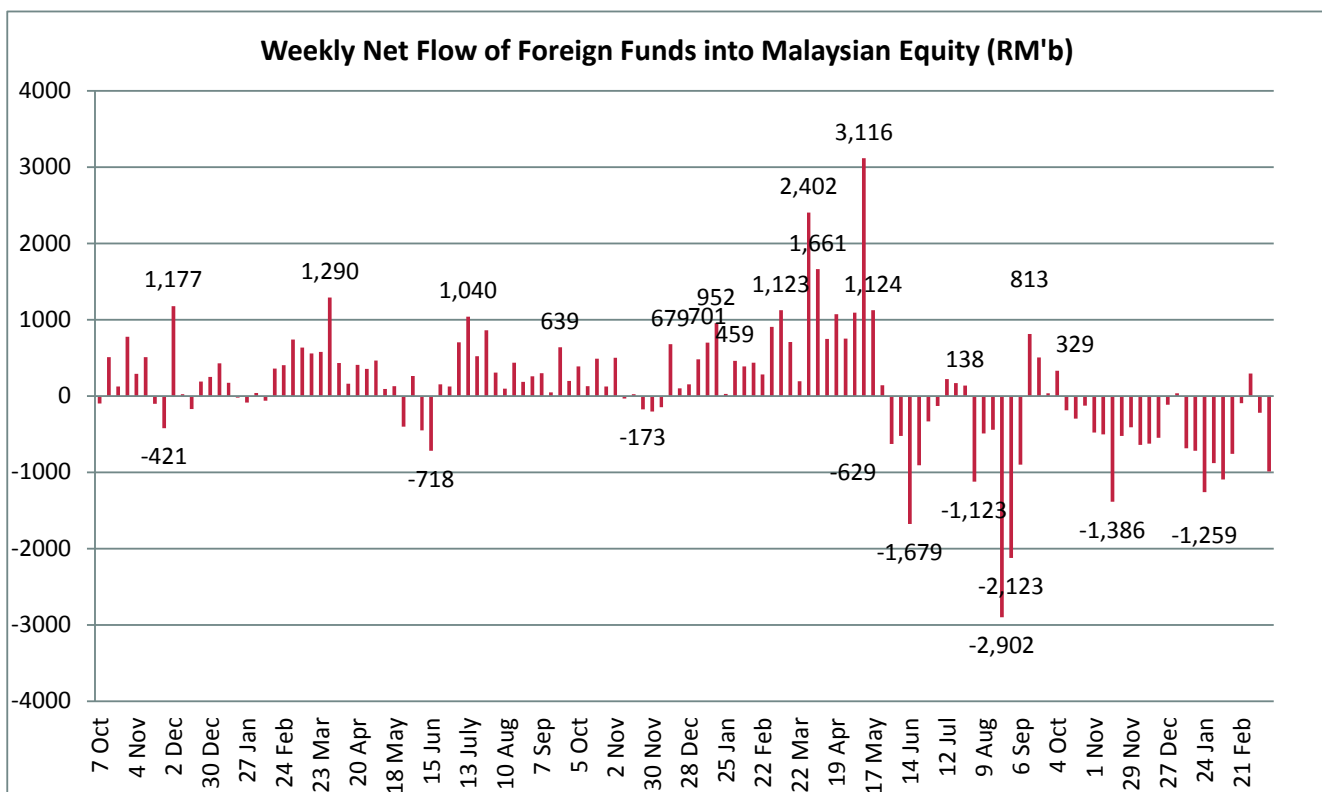
C. MALAYSIA

- Foreign investors turned bearish on Malaysia last week.
- Global funds sold -RM989.3m of Malaysian stocks in the open market (i.e excluding off-market transactions) in the last trading week, the highest in 5 weeks. This was an increase from -RM218.9m outflow the week before.
- Foreigners sold every day, except on Tuesday. On Wednesday, the size of the pullout surged to -RM399m, the second highest this year, after the -RM556m drain on February 4. Selling continued to be heavy on Friday (amounted to -RM397m), which is rather ominous for the market this week.
- Although the sale amount exceeded RM300m on two days last week, the daily outflow had been capped at below the RM400m level this year, except for 1 day. Last year, outflow exceeded RM400m on 10 trading days. On that score, the worst in terms of intensity of foreign sale was arguably in 2013 (see table).
- For the year to date, foreign funds have pulled out -RM6.54b net from Malaysian equity. Still, we estimate an overhang of foreign liquidity amounting to RM27.4b, for cumulative money flow since January 2010.
- We note that in terms of participation rate, foreign involvement surged to above the RM1b mark for the first time in 5 weeks. Average daily foreign participation rate (average daily gross purchase and sale) rose to RM1128m from RM933m the week before.
- Brave retail investors nibbled in the market last week and bought +RM79m net on moderate participation of RM752m. The market was however, heavily supported by local fund, mopping up +RM910m, on active RM2.26b participation.

TRACKING INTENSITY OF DAILY SALE

Amount of net sale in a day (RM'm)	Number of day(s)	
	2013	2014
> 1,000	1	0
900 - 1,000	1	0
800 - 900	0	0
700 - 800	1	0
600 - 700	1	0
500 - 600	2	1
400 - 500	4	0
300 - 400	7	5
200 - 300	17	9

Source: MIDFR, Bursa statistics

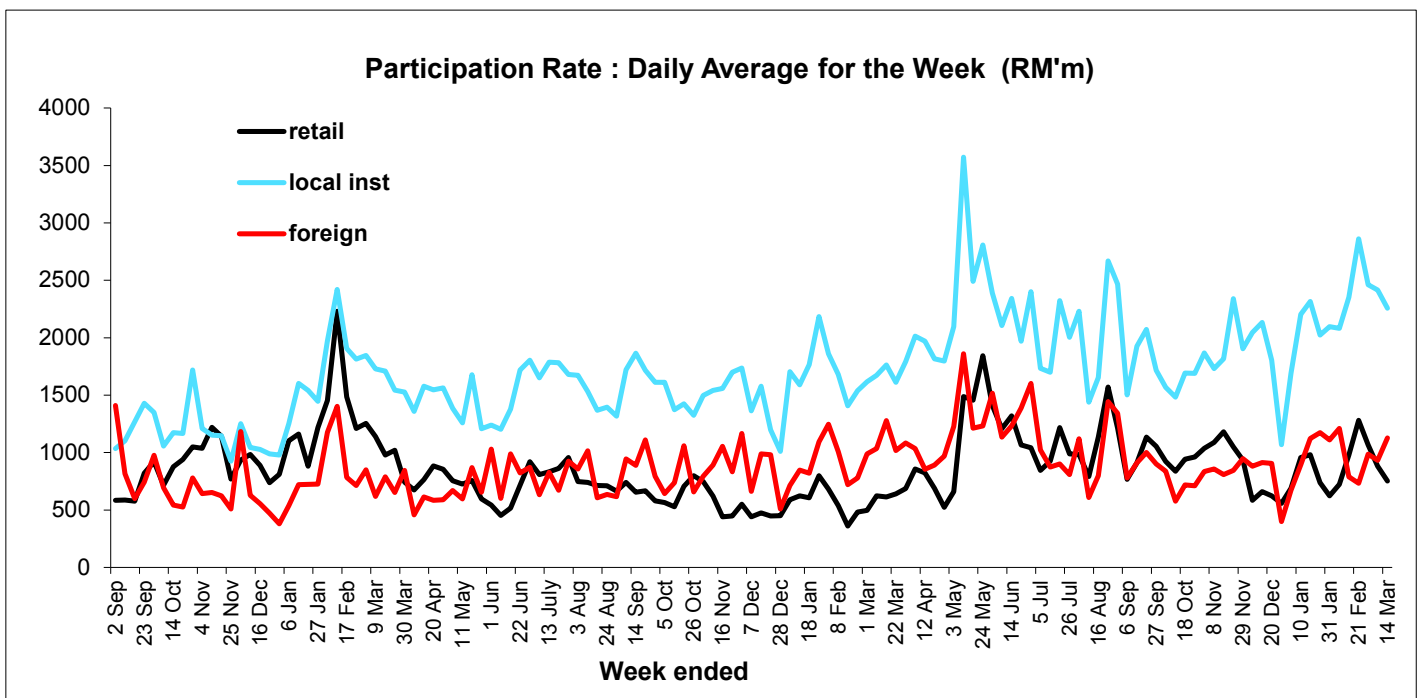


Source: Bursa, excluding off-market trades

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)*
OCT 25	2409.8	2403.9	5.9	4283.2	4161.8	121.4	1716.7	1843.9	-127.3	-40.3
NOV 1	2556.7	2625.3	-68.6	4946.3	4397.6	548.7	1847.7	2327.8	-480.1	-152.0
NOV 8	2174.4	2175.4	-1.0	3716.8	3211.9	504.9	1461.7	1965.6	-503.9	-158.4
NOV 15	3059.2	2849.4	209.8	5127.8	3951.8	1176.0	1329.1	2714.9	-1385.8	-432.1
NOV 22	2677.1	2564.3	112.8	6058.6	5646.9	411.7	1849.3	2373.8	-524.5	-163.9
NOV 29	2297.5	2383.0	-85.5	5008.0	4511.5	496.5	2161.8	2572.8	-411.0	-127.6
DEC 6	1430.9	1488.7	-57.8	5460.6	4761.0	699.6	1880.9	2522.7	-641.8	-198.9
DEC 13	1632.9	1663.1	-30.2	5660.6	5005.1	655.5	1971.4	2596.7	-625.3	-194.2
DEC 20	1557.5	1560.2	-2.7	4785.3	4233.7	551.6	1992.6	2541.5	-548.9	-168.7
DEC 27	1092.9	1134.9	-42.0	2216.3	2060.2	156.1	743.2	857.3	-114.1	-34.6
JAN 3	1391.3	1360.9	30.4	3345.9	3410.2	-64.3	1359.3	1325.4	33.9	10.3
JAN 10	2442.1	2340.4	101.7	5799.8	5215.1	584.7	1889.8	2576.2	-686.4	-209.3
JAN 17	1481.3	1459.3	22.0	3821.4	3127.3	694.1	1323.9	2040.0	-716.1	-217.0
JAN 24	1839.1	1844.6	-5.5	5689.7	4425.2	1264.5	2307.1	3566.1	1259.0	-378.8
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

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



D. TOP 100 STOCKS: MONEY FLOW ²

- Tables below lists the Top 10 Net Money Inflows and Net Money Outflows for the week ended 15 March 2014 among the largest 100 market capitalized stocks on Bursa Malaysia.

TOP 10 NET MONEY INFLOWS

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
NESTLE (MALAYSIA) BERHAD	33.46	36.55	-2.10	BOW
AXIATA GROUP BERHAD	24.81	14.11	-0.45	BOW
MAXIS BHD	19.08	8.07	-0.77	BOW
CIMB GROUP HOLDINGS BHD	14.95	8.43	-0.43	BOW
PUBLIC BANK BERHAD	13.86	-8.71	-0.84	BOW
MALAYAN BANKING BHD	10.53	10.03	-0.99	BOW
MALAYSIA AIRPORTS HLDGS BHD	9.57	6.46	-2.46	BOW
KLCC PROPERTY HOLDINGS BHD	8.57	3.97	-2.39	BOW
AMMB HOLDINGS BHD	6.13	8.52	-3.06	BOW
DIGI.COM BHD	5.27	7.87	1.45	

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

- Nestle (Malaysia) topped the chart with RM33.5m net inflows last week despite the 2.1% pullback in its share price. It is notable that money net inflow amidst retreating share price indicates Buy on weakness (BOW) stance among investors on this stock.
- Then came the nation's 2 largest mobile telecom companies and followed by its 3 largest banks. All 5 stocks indicated BOWs for the review week.
- Malaysia Airport, the operator of KLIA, was in the 7th spot and also exhibited BOW arguably over investors' sanguinity with regard to the imminent completion of klia2 and the limited impact of MH370 incident on KLIA's overall growth.

TOP 10 NET MONEY OUTFLOWS

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
IOI CORPORATION BHD	-20.82	12.26	-1.67	-
TELEKOM MALAYSIA BHD	-11.07	1.34	-0.17	-
HONG LEONG BANK BERHAD	-5.85	0.14	-0.71	-
MALAYSIAN AIRLINE SYSTEM BHD	-2.41	-0.08	-4.00	-
SARAWAK OIL PALMS BERHAD	-2.17	-1.31	-8.55	-
GAMUDA BHD	-2.05	-1.79	-4.21	-
RHB CAPITAL BHD	-1.87	-0.68	-1.86	-
UEM SUNRISE BHD	-1.75	-0.39	-1.24	-
DRB-HICOM BHD	-1.29	-0.63	-5.45	-
YTL POWER INTERNATIONAL BHD	-1.15	0.27	0.66	SOS

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

- IOI Corporation recorded the largest money net outflow totaling RM20.8m for the week ended 15 March 2014. We believe the recent outperformance of its share price (i.e. IOI Corp outperformed its big cap peers by between 5 to 10%-points since last February) may have persuaded some investors into taking profits.
- Interestingly, despite the MH370 incident, MAS recorded merely RM2.4m total net outflow last week.

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

THE WORLD ON THE EDGE ...

- Half-way through March, the prospects do not appear to be as bright as before. The confluence of events has heightened the market risks this week.
- To add to the uncertainty, the technicals have worsened. After holding up at the 50-day moving average (50DMA), the KLCI lost that support level last week and appears to be racing towards the 200DMA, which is at 1793 points (see chart). We expect the 1,800 support level to be surrendered this week as we doubt that the “invisible hands” would want to interfere when sentiment is rather fragile.
- Similarly, the FBM70 also made a swift reversal last week after what appeared to be a promising comeback. It fell below the 50DMA last week, and this will cause the divergence between the 50DMA and 200DMA to widen, which is not good as the former is lower than the latter.
- Despite positive macroeconomic evidences for Malaysia of late, there is too much uncertainty for the market to digest this week.
 - » Geopolitical risks have heightened with the developments in Ukraine. MH370 has also taken a new dimension after the revelations over the weekend.
 - » The Fed’s FOMC will meet on Wednesday (19 March) and may announce further scaleback in its QE3 by purchasing USD55b instead of USD65b of assets per month. On this potential announcement, expect the greenback to gain ground, which is market negative as far as Bursa is concerned.
 - » The unravelling of China’s economic slowdown is expected to continue in the foreseeable future. Any weak statistics coming out of the country has now become fodder for pessimism. On Monday, China will release its FDI statistics while on Tuesday, it will announce the statistics on house prices.
 - » Oil price is making a reversal, and is likely to weigh down sentiment towards commodities in general. This is a dampener on CPO price which has had a mini bull run recently. We would be wary of plantation stocks this week.
 - » The Kajang by-election is on Sunday (23/3). Reaction to the outcome may have heavy impact on the market.

KLCI fell below 50DMA



FBM 70 made a swift return to sub-50DMA



... A PLAYBACK OF EMERGING MARKET RISKS?

- Recall that emerging market risks were played out to significant damage in during the December-January period. Since then, some of these markets, have rebounded strongly. The equity markets in Indonesia, Philippines, Thailand and India are now leading in terms of the performance this year.
- Indonesia and India appear to have shrugged off the “Fragile 5” label, and are clearly benefiting from an impending general election, initially seen as a risk to be avoided. Thailand is rising from the ashes of its political conflicts. Philippines is a darling market as the economy is registering strong growth, matching that of China.
- Will there be a playback of emerging market risks? Perhaps, but the pattern of liquidity flow suggests that faith is unshaken with regard to emerging markets in this part of the world. On that score, we see any significant retracement as an opportunity to accumulate. 

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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