

10 March 2014  
**MALAYSIA EQUITY**



# **FUND FLOW REPORT**

**Week Ended Mar 7, 2014**

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FOR IMPORTANT DISCLOSURES**

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10 March 2014 | Strategy - Weekly Fund Flow

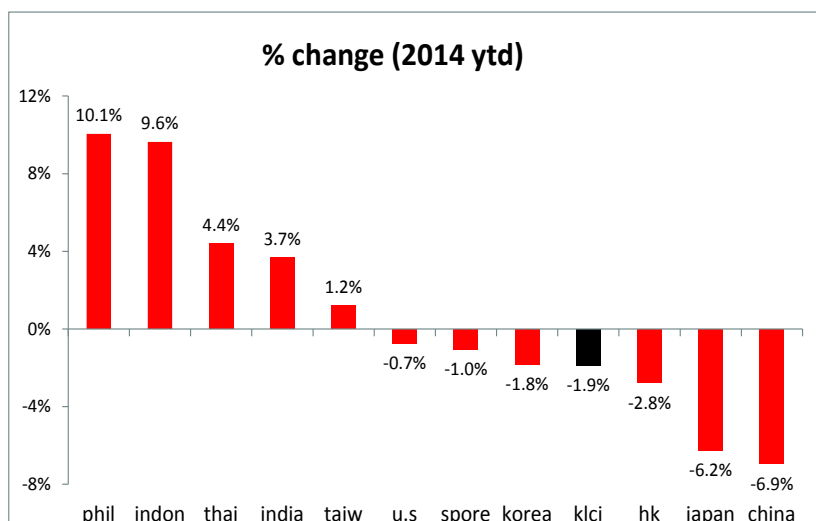
# RISING TIDE TO EMERGING ASIA

## MARKET SNAPSHOT

- After three weeks of relative resilience, the world's equity markets showed signs of edginess last week. Still, the majority of markets ended the week in the greenzone.
- One main source of trepidation is the fact that the barometer equity market for the world is moving into uncharted territory. The Dow Jones and S&P500 gained 0.8% and 1.0% respectively last week. While the 30-stock Dow Jones is only 0.8% shy of its all-time high, the broader S&P500 index closed at the record high for the second consecutive day on Friday.
- The strong momentum in the U.S was seen despite the crisis in Ukraine. Investors shrugged off geopolitical concerns and were upbeat on the economy after the non-farm payroll increased 175,000 gain in February, higher than expected. The figure for January was also revised to a much higher 129,000 increase, compared with an initial estimate of 113,000. Unemployment rate edged up slightly to 6.7% from 6.6%, still among the lowest in 5 years.
- In Europe, markets were weighed down by the strengthening euro. The DAX was the worst performer last week, losing -3.5%. France CAC and the U.K's FTSE were also in the redzone.
- Asian Emerging markets performed well last week with India's Sensex gaining 3.8%, the best since April 2013. Share prices rose after India announced its general election dates last week. Meanwhile, the Thai market is also on a rally, gaining 2.3% last week, as street clashes subsided.
- After five weeks in the greenzone, the KLCI slid marginally by -0.2% last week. For the year-to-date, the index is down -1.9%, overtaken by the KOSPI last week.

Performance of major markets		
Weekly % change	Week before	Last week
India Sensex	2.03	3.79
Nikkei 225	-0.17	2.92
Thai SET	1.62	2.29
Jakarta JCI	-0.56	1.42
S&P500	1.26	1.00
Phil Comp	1.85	0.88
Taiwan Taiex	0.44	0.86
Dow Jones	1.36	0.80
Straits Times	0.35	0.76
KLCI	0.27	-0.19
Korea KOSPI	1.13	-0.27
China CSI300	-3.77	-0.49
Hang Seng	1.19	-0.77
CAC	0.62	-0.95
FTSE	-0.41	-1.42
DAX	0.36	-3.52

Source: Bloomberg



## TRACKING MONEY FLOW

- Foreign investors remained aggregate net buyers of equity in the seven Asian markets that we track (Korea, Taiwan, Thailand, Malaysia, Indonesia, Philippines and India\*). The amount mopped up fell to +USD1.19b from +USD1.73b the week before.
- We note that the mood is upbeat as far as Emerging markets are concerned. Foreign investors bought back Thai stocks after seven straight weeks of selling. Purchase of Indonesian stocks continued for the fifth consecutive week, while the inflow to Philippines picked up pace last week. In India, global funds appear to be positioning for the election, the dates beginning in April were announced last week.
- Money flow to the more developed markets of Korea and Taiwan remained steady reflecting bullish intent. We postulated last week that the Taiwan market may be benefitting from the economic fallout in China.
- Foreign funds resumed their sell-down of Malaysian stocks, after buying the week before. However, the amount was relatively insignificant.

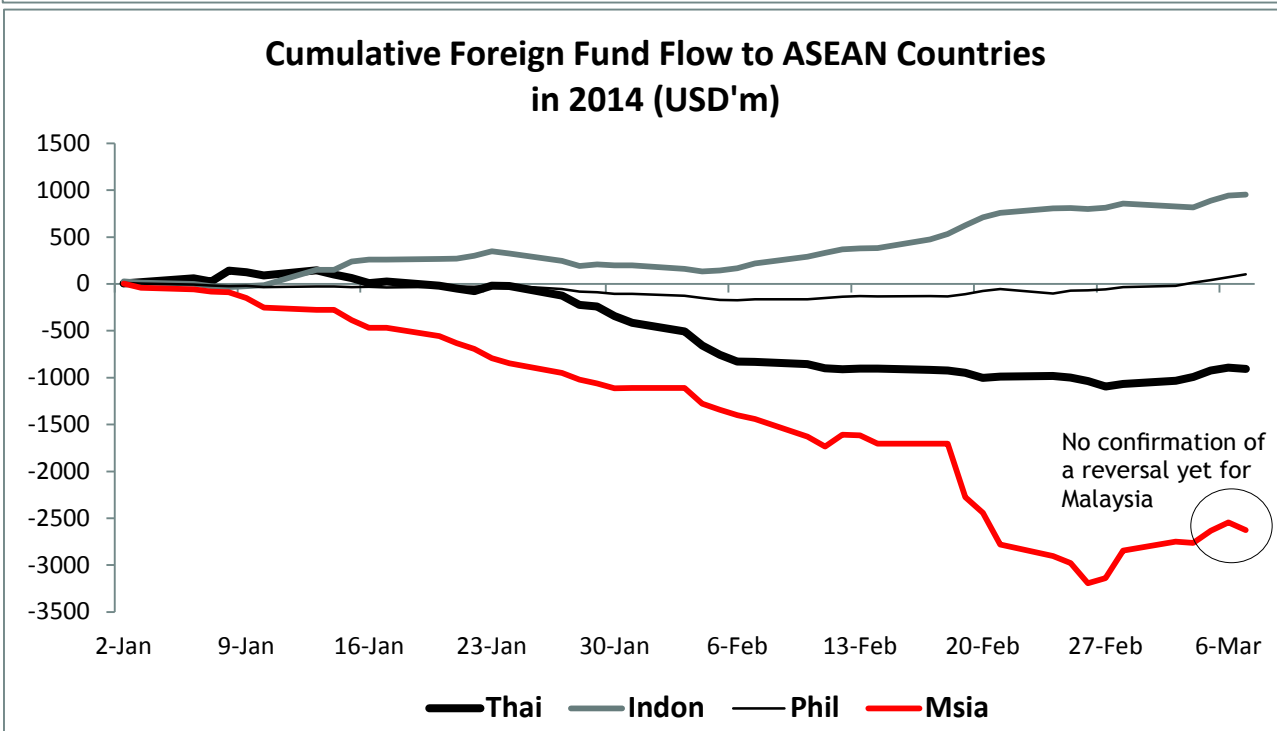
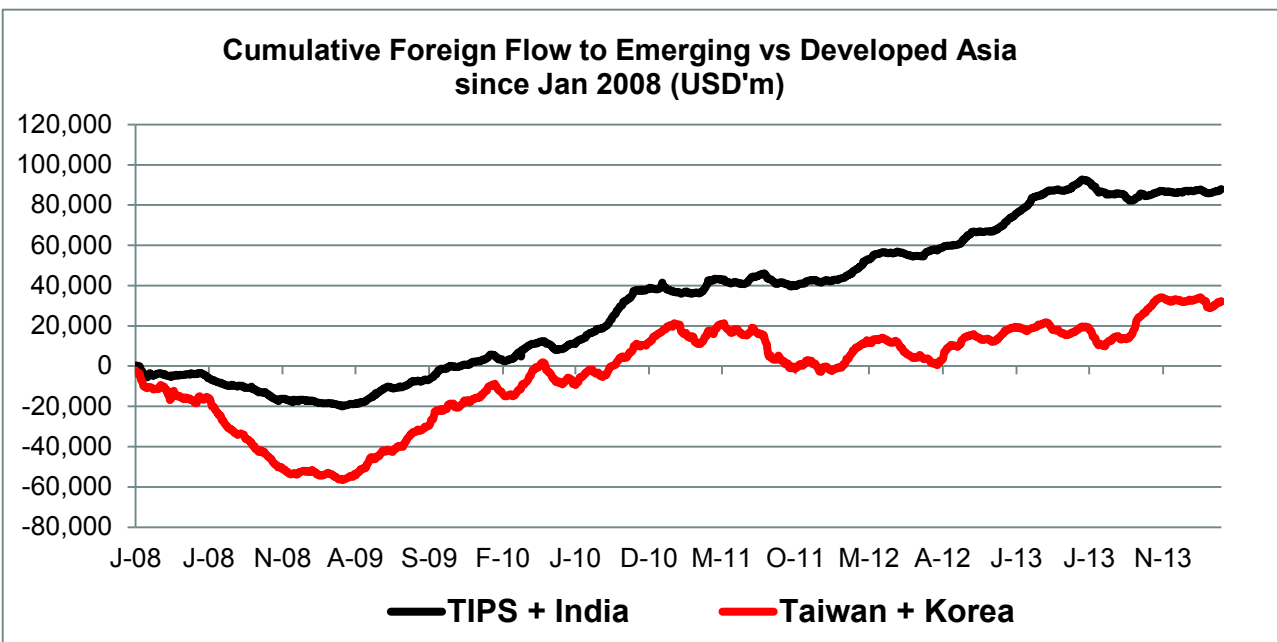
\* These markets, for which fund flow data is publicly available, are our proxy for Asia.

WEEKLY NET FLOW OF FOREIGN FUND INTO EQUITY (USD'm)								
WEEK ENDED	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
SEP 20	861.7	333.3	103.1	514.2	979.9	783.4	159.3	3734.9
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	400.7	355.4	-96.8	1185.9

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	960	-774	186 (-1,518*)

TIP = Thailand, Indonesia, Philippines \* including Malaysia



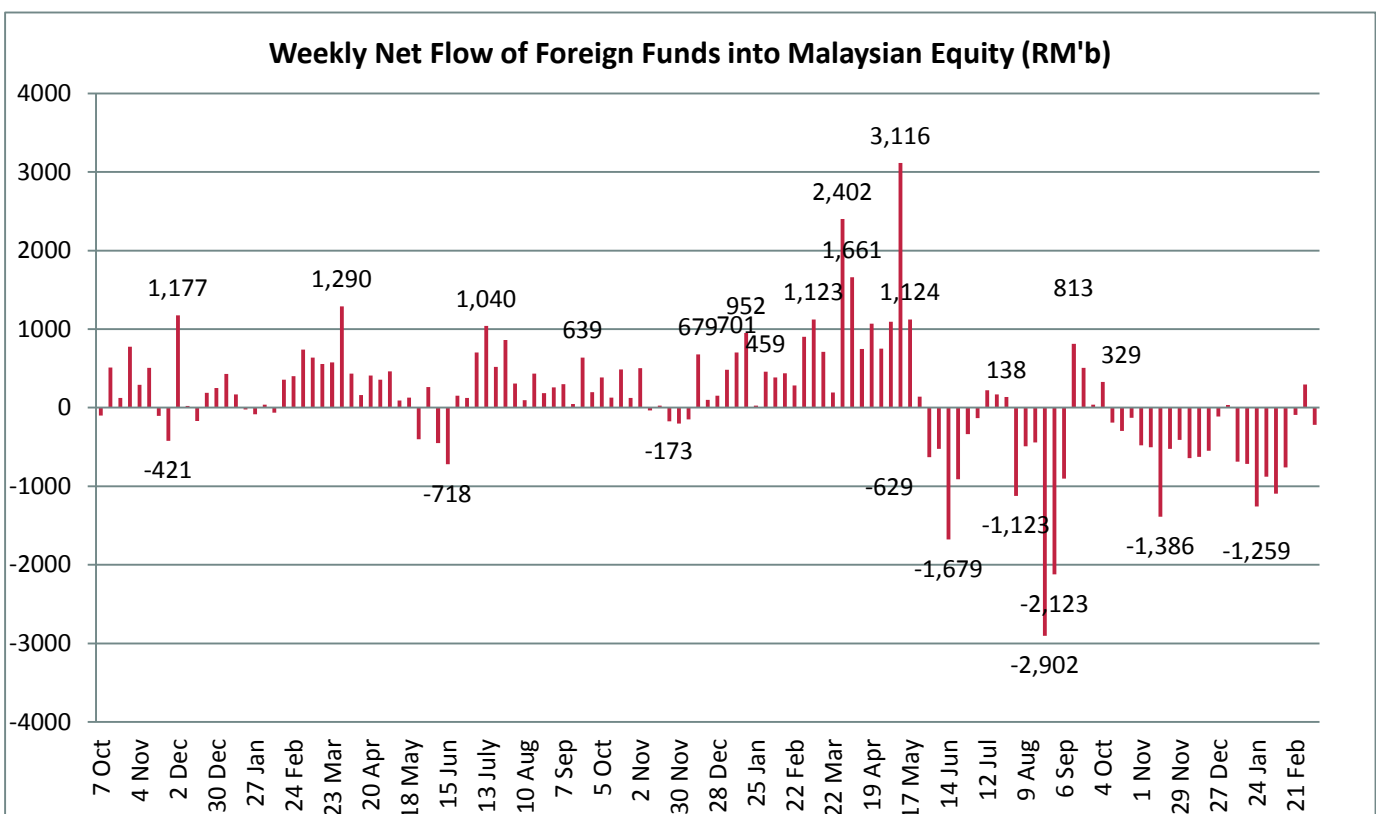
MALAYSIA

- Foreign investors resumed their selldown of Malaysian stocks after making a surprise purchase the week before. However, the amount of outflow was relatively insignificant and was well absorbed by local liquidity. Foreign portfolio investors sold Malaysian shares in the open market (i.e excluding off-market transactions) amounted -RM218.9m net last week, compared with a net purchase of +RM296.2m in the preceding week.
- Foreigners sold on Monday through to Thursday at an average of -RM55.1m per day. This was relatively low compared with the average sale of -RM166.3m between 3 Jan to 26 February this year, when foreign investors sold every day during the 35-day trading period, except on 19 February. We note that selling stopped abruptly on Friday, as foreign investors almost squared their position for the day, adding a marginal +RM1.4m.
- In terms of participation rate, foreign involvement remained moderate at below the RM1b mark. Average daily foreign participation rate (average daily gross purchase and sale) fell to RM933m from RM986m the week before. The intensity of foreign trade is therefore still absent.
- Retail investors turned cautious last week, making a marginal net sale of -RM7.5m after two weeks of buying. Daily participation rate dropped sharply to below the RM1b mark for the first time in three weeks at only RM881m. However, we note that “retail” stocks made a strong comeback last week.
- Local institutional funds supported the market last week, mopping up +RM226.4m net. It was not aggressive, although participation rate remained elevated at RM2.41b. Local institutional participation had exceeded the RM2b mark in the last nine weeks.

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	3
200 - 300	17	8

Source: MIDFR, Bursa statistics

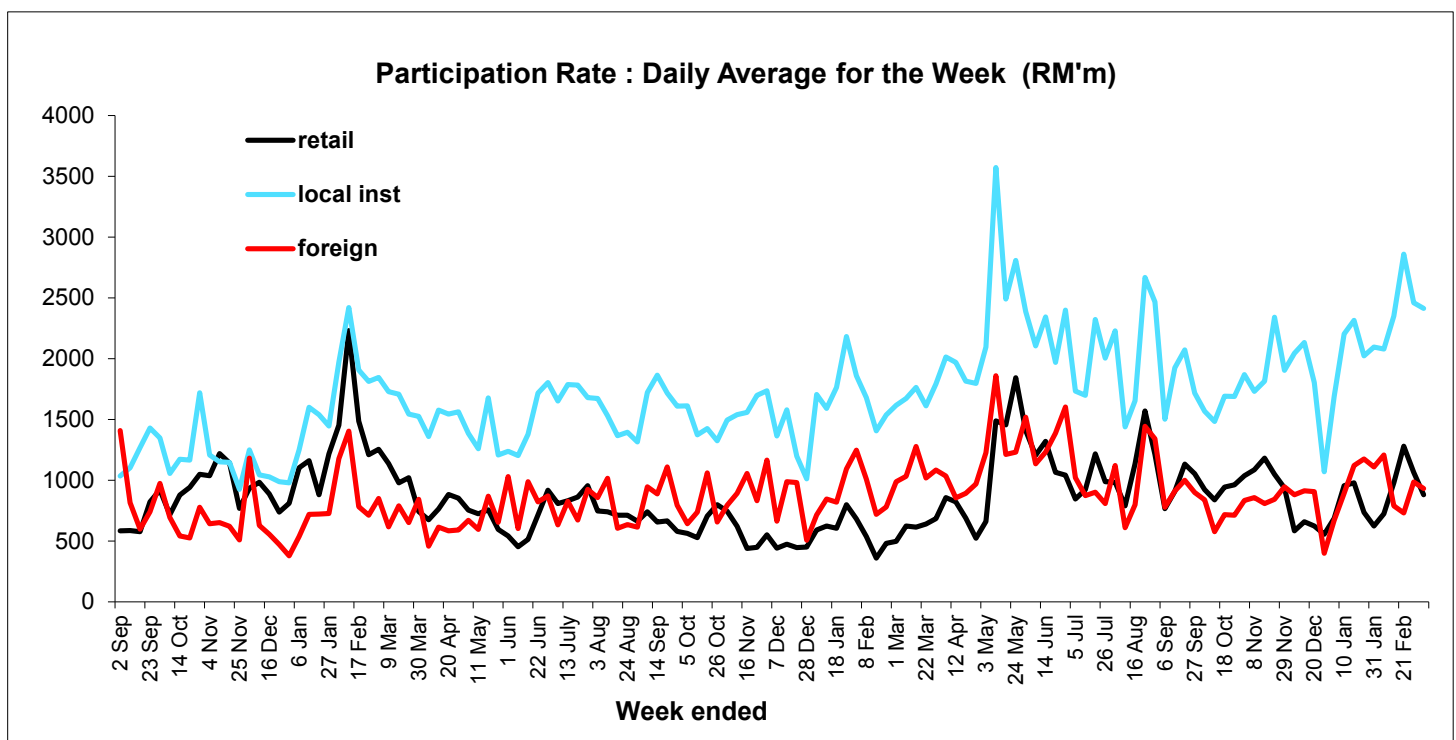


Source: Bursa, excluding off-market trades

**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 18	1816.5	1955.4	-138.9	3602.3	3167.0	435.3	1288.5	1584.9	-296.4	-93.7
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	-96.8

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



THE WEEK AHEAD

**BENIGN LOCAL MACRO CONDITIONS ...**

- It was a positive start to the month of March. Although the 30-stock KLCI consolidated, the rest of the universe had a buoyant opening week of the month.
- The small caps in particular staged a spectacular rebound, with the FBM Smallcap Index gaining +2.1%. The index moved back to the bullish zone, rising further above the 50-day moving average (50 DMA) line, always a positive premise for the market. The FBM70 also had a good week, with the index gaining +1.5%, breaking the 50 DMA and racing towards the 200 DMA.
- We noted last week that the month of March can generally be counted upon for positive price actions. The latest macroeconomic revelations provide a good grounding for this postulate.
  - » Malaysia’s exports grew at double digit for the second consecutive month in January. At RM64b, it was the sixth months in a row that the figure had exceeded the RM60b-mark. The trade balance of RM6.4b was almost double that in January 2013. Concerns about Malaysia’s current account deficit should continue to wither.
  - » Bank Negara’s decision to maintain the OPR is market positive. The Committee’s statement indicates a low risk of monetary tightening anytime soon. The Bank continues to see inflation as under control, and not driven by demand.
  - » Rally in commodity prices is benefitting Malaysia. The CPO price is now testing the RM2900 mark, and was last traded at RM2891pmt.
  - » The ringgit is on a roll against the greenback.

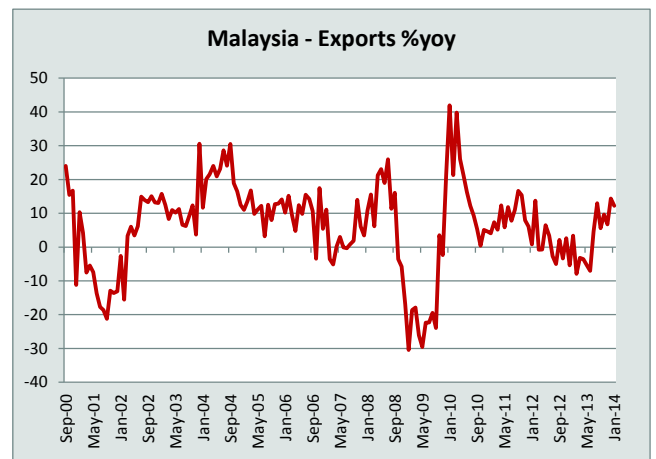
**... BUT SENTIMENT WARY**

- The world’s benchmark market, Wall Street, is charting new territory. While this is positive for trading, the market tends to be generally wary of a sudden reversal.
- A key consideration would be the attitude towards Asian Emerging markets. While the mood appears to be upbeat in Indonesia, Philippines, India and (of late) Thailand, we are casting a wary eye on China, the slowdown of which is still unravelling. China’s exports unexpectedly fell -18.%yoy in February, rendering a trade deficit USD23b. There could be a distortive effect of the lunar New Year, but a case of China’s unbridled slowdown will have dire consequence on the rest of Asia.
- The MH370 episode may dampen sentiment, given the tremendous uncertainty surrounding the tragedy. How the authorities respond to the case over the next few months may have an impact on the market as it moves forward.
- We would stick to trading as far as the local market in concerned.

**FBM Small Cap Index stayed elevated above the 50DMA**



**FBM 70 Index racing towards the 200 DMA**



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