



MALAYSIA EQUITY RESEARCH | MAY 18, 2015

<p>Week Ended May 15, 2015</p>	<p>Foreign Flow Meter (M'sia)</p>	
	 Tide	<p>Moderate-High (increasing)</p>
	 Current	<p>MODERATE (declining)</p>
<ul style="list-style-type: none"> <li>• Global equity prices demonstrated a commendable degree of resilience last week, taking the cue from the bellweather market, Wall Street.</li> <li>• Focus is more towards the bond market where prices of sovereign debt securities have slumped in the last few weeks.</li> <li>• Thus far, the contagion of weak sentiment from the bond to equity market has yet to bite. Last week, the S&amp;P500 closed at a record high on the last two consecutive trading days.</li> <li>• In Asia, the China market rebounded, albeit unconvincingly, from the whitewash the week before. The Bank of China reduced the policy rate two Sundays ago, but the initial euphoria proved to be fleeting.</li> <li>• For the third week in a row, foreign money flow into the Asian equity markets remained uninspiring. Most of the portfolio money flow was in the bond market where opportunistic buying have started in Malaysia and Indonesia</li> <li>• Lack of money flow in the equity market suggests some apprehension towards emerging SEA markets, at times when the China market appears to be at a crossroad.</li> <li>• The indices have traded in a narrow range in the last three weeks. Retail volume is depressed while institutional volume is easing.</li> <li>• The market is in need of a bit of a spark. The 11th Malaysia Plan will be unveiled this week and any bold announcement that will help improve dividend yields, such as a programme to reduce corporate tax rate, may help boost market sentiment.</li> </ul>		

18 May 2015 | Strategy - Weekly Fund Flow

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## HIGH TIDE IN THE BOND MARKET

### A. MARKET SNAPSHOT

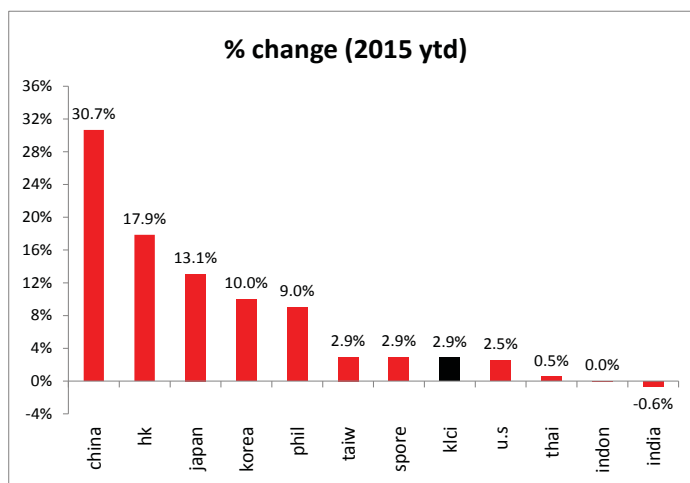
- Global equity prices demonstrated a commendable degree of resilience last week, taking the cue from the bellweather market, Wall Street. The month of May may not be as toxic as expected after all.
- One of the main reasons appear to be that focus is directed more towards the bond market where prices of sovereign debt securities have slumped in the last few weeks. The yield on 10-year German bund has risen from around 0.2% in mid-April to about 0.7%, a relatively significant move. Bond yields have also risen in France, Italy and Spain. The yield on US 10-year treasury hit a year-high.
- Thus far, the contagion of weak sentiment from the bond to equity market has yet to bite. Last week, the S&P500 closed at a record high on two consecutive days, Thursday and Friday. The market was listless in the first three days of the week, failing to continue the upward momentum from the preceding Friday. On Monday, the Greece fear factor took hold on the market even after Greece paid Eur750m to the IMF ahead of Tuesday's deadline. However stocks snapped three straight days of losses with a big gain on Thursday, with the S&P500 hitting record high.
- The selloff in the global bond market may have run its course. Some statistics of late suggest that the economy may not be strong enough yet for the Fed to be aggressive on normalizing its monetary policy. Last week, the University of Michigan consumer confidence index dropped 8%mom to its lowest since October while factory production stalled in April.
- Elsewhere, the China market rebounded, albeit unconvincingly, from the whitewash the week before. The CSI300 rose 1.30%, much of the gain attributable to the rally on Monday after another round of monetary easing. The Bank of China reduced the one-year lending rate 0.25%-point to 5.1% and cut the 1-year deposit rate by the same amount to 2.25%. It was the third rate reduction since last November. However, the rally in the CSI300 lost traction by Wednesday after the National Bureau of Statistics reported that fixed asset investment rose by a relatively low 12%, its slowest rate in 15 years. Other statistics, including retail sale, industrial production and money supply also indicated a slowing economy.
- The KLCI added 0.2%, halting two weeks of losses, after a decent 5.6%yoy growth in GDP in 1Q15.

### Performance of major markets

Weekly % change	Week before	Last week
Nikkei 225	-0.78	1.83
Phil Comp	0.63	1.53
China CSI300	-4.03	1.30
Korea KOSPI	-1.96	1.01
Hang Seng	-1.98	0.89
Jakarta JCI	1.88	0.87
India Sensex	0.35	0.81
Dow Jones	0.93	0.45
S&P500	0.37	0.31
Straits Times	-1.01	0.31
KLCI	-0.58	0.24
Thai SET	-1.06	-0.34
Taiwan TaieX	-1.30	-1.16
FTSE	0.87	-1.23
CAC	0.87	-1.90
DAX	2.23	-2.24

Source: Bloomberg

### Major Asian indices (2015)

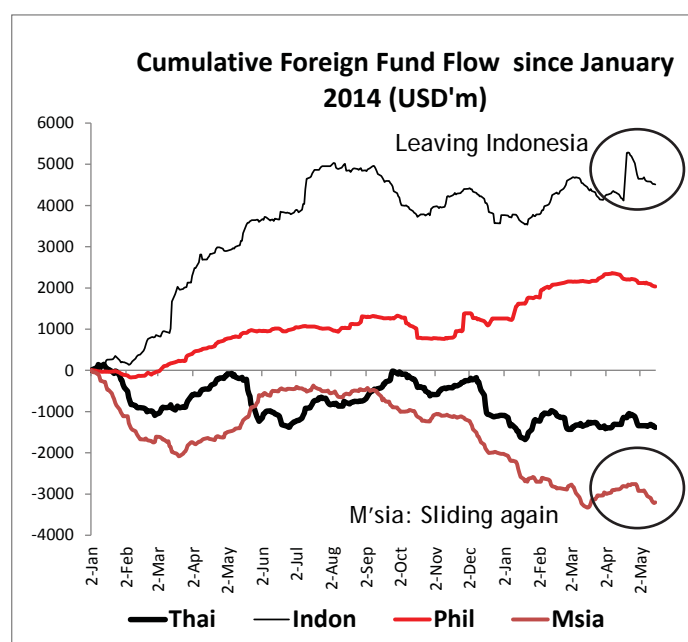
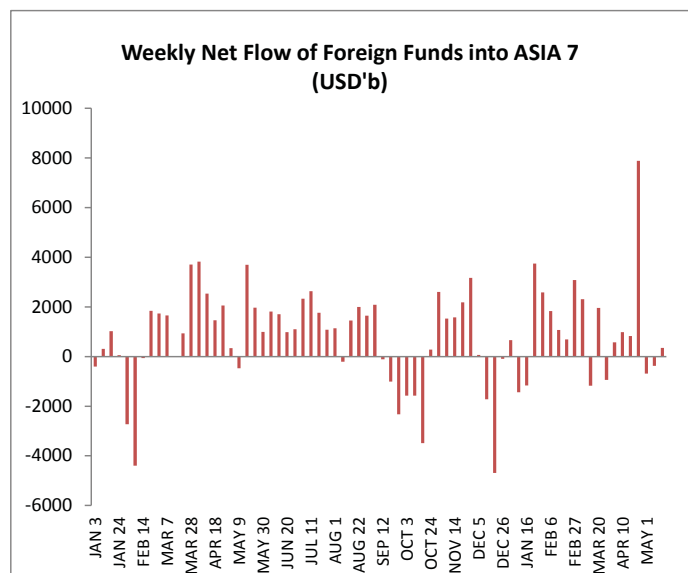


Source: Bloomberg

## FUND FLOW REPORT

### B. TRACKING MONEY FLOW

- For the third week in a row, foreign money flow into the Asian equity markets remained uninspiring. Based on provisional data from the respective exchanges, investors classified as “foreign” bought only USD347m net in the 7 Asian<sup>1</sup> stock markets that we track (TIPs + India, Taiwan, Korea and Malaysia). It was the smallest aggregate net money movement in the 7 markets this year.
- Most of the portfolio money flow was in the bond market where the global selloff in bonds continued. Nevertheless, opportunistic buying of bonds have started in Malaysia and Indonesia where prices rose last week, likely to be driven by foreign investors as the ringgit and rupiah also strengthened.
- Foreign activity in Emerging Asia stock markets was rather muted last week.
- In Manila, foreign investors have been net sellers for six consecutive days, likely due to profit taking as the market was one of the best performers last week. There is some agitation over the peso after the central bank raised its inflation forecast for 2015 from 2.2% to 2.3%, and expect it to accelerate to 2.6% 2016.
- In Thailand, there was a small change in foreign holdings, while in Jakarta, foreign selling remained below USD100m for the second week in a row. Lack of money flow suggests some apprehension towards emerging SEA markets, at times when the China market appears to be at a crossroad.
- Meanwhile, Korea and Taiwan remained in the radar screen of global investors. Korea and Taiwan have reported net buying by foreigners in the last 7 and 4 straight weeks respectively. However, we note that foreign investors were net sellers in 3 trading days in Korea and in the last 2 days in Taiwan last week. Foreign investors’ risk aversion may be creeping in.
- The Bank of Korea kept interest rate unchanged last week, disappointing investors hoping for a continued monetary pump priming, after the surprising interest rate cut in March. In Taiwan, the technology sector is entering the “low season”. Foreign money flow is expected to be heavier later in the year as the technology season comes alive while investors position themselves ahead of the Presidential Election in January.



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

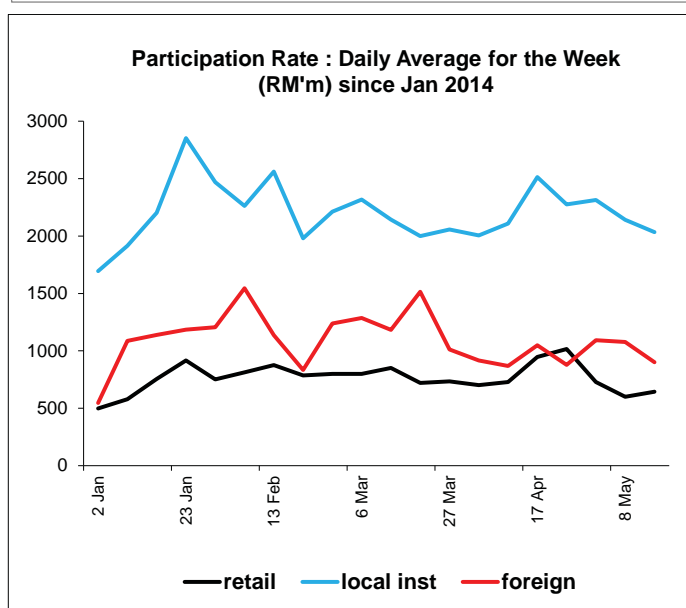
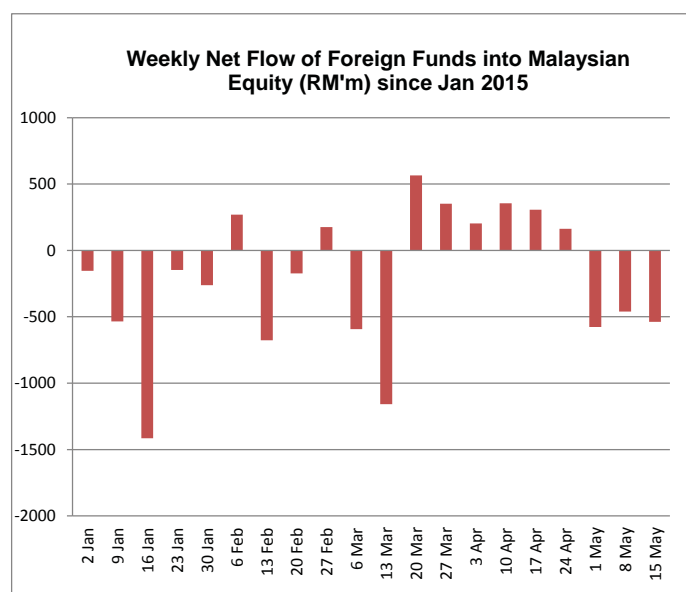
#### WEEKLY NET FLOW OF FOREIGN FUND INTO EQUITY (USD'm)

WEEK ENDED	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
APR 3	204.0	-13.8	112.3	96.2	227.5	-109.9	54.8	571.6
APR 10	511.4	83.6	58.9	9.5	273.3	-55.0	97.3	979.2
APR 17	1467.6	168.8	-200.2	-125.3	-84.8	-483.0	83.7	826.8
APR 24	1943.2	78.5	1078.7	2.0	2109.3	2630.3	45.1	7887.1
MAY 1	54.7	-276.5	-548.1	-100.9	-1085.4	1435.7	-162.2	-682.7
MAY 8	111.7	-17.0	-64.3	-12.9	-606.4	341.0	-128.4	-376.3
MAY 15	495.1	-24.3	-76.5	-73.0	-116.4	291.2	-149.1	346.9

Source: Respective exchange statistics reported on Bloomberg. Bursa Malaysia. These figures are subject to revisions.

C. TRACKING MONEY FLOW - MALAYSIA

- Relatively heavy foreign selling of Malaysian equity continued for the third week in a row.
- Investors classified as “foreign” sold equity listed in the open market on Bursa (i.e excluding off-market deals) amounted to -RM537.7m on a net basis last week, compared with -RM460.4m the week before.
- Foreign selling was heavy in the first three days, peaking on Tuesday when -RM223.5m was offloaded, the 13th day this year than the amount had exceeded RM200m. However, we note that foreign investors had turned net buyers on Friday, although the amount bought was only RM72m. Prior to Friday, foreign investors had been selling for seven straight days.
- In the last two weeks, foreigner investors had offloaded -RM1.58b in the open market. This has *increased* the cumulative net foreign outflow in 2015 to -RM4.20b. In comparison, the cumulative foreign outflow for the entire 2014 was -RM6.93b.
- Foreign participation on Bursa declined last week after two weeks of elevated trading. The daily average gross purchase and sale fell below RM1b to RM901m.
- Retail investors retreated from the market again after nibbling the week before. Retailers sold -RM137.9m last week, but most of the selling was recorded on Friday, when Malakoff was listed. Participation rate remained depressed at RM644m, among the lowest this year. Risk aversion is still very high among retail investors.
- For the third week in a row, local institutions supported the market strongly. Local institutions absorbed RM675.6m last week, the fourth highest in a week this year. Participation rate was still elevated at RM2.0b. Local institutions have absorbed RM5.36b net so far this year. In 2014, they mopped up RM8.18b net.



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)*
MAR 27	1799.1	1871.5	-72.4	4999.8	5279.6	-279.8	2705.8	2353.6	352.2	96.3
APR 3	1669.3	1835.6	-166.3	4995.9	5033.4	-37.5	2395.5	2191.7	203.8	54.9
APR 10	1745.6	1895.8	-150.2	5169.7	5373.9	-204.2	2350.4	1996.0	354.4	97.3
APR 17	2293.2	2440.9	-147.7	6201.4	6361.0	-159.6	2773.5	2466.2	307.3	83.7
APR 24	2490.8	2587.2	-96.4	5652.2	5719.1	-66.9	2276.4	2113.1	163.3	45.1
MAY 1	1458.7	1459.4	-0.7	4915.5	4337.2	578.3	1896.8	2474.4	-577.6	-162.2
MAY 8	1203.8	1197.2	6.6	4508.2	4054.4	453.8	1926.2	2386.6	-460.4	-128.2
MAY 15	1541.0	1678.9	-137.9	5422.2	4746.6	675.6	1984.6	2522.3	-537.7	-149.1

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

## FUND FLOW REPORT

### D. TOP 100 STOCKS: MONEY FLOW <sup>2</sup>

#### TOP 10 NET MONEY INFLOWS

- Telekom Malaysia registered the highest net money inflow of RM13.71m last week. Accordingly, its share price outperformed the broader market with a 0.27% weekly gain. This was slightly better than a 0.24% rise in the FBM KLCI.
- Digi.com came in second with RM11.01m net inflow. Nonetheless, its share price underperformed the market benchmark with a -0.17% week-on-week decline. Digi is seen as the main beneficiary of the new pay-per-use GST system for prepaid mobile services. At 73% of revenue, its prepaid segment is the highest among mobile players. It is also noteworthy that the net money inflow amidst retreating share price indicates buy on weakness (BOW) stance among some investors.
- IHH Healthcare recorded the third highest net money inflow of RM7.73m and its share performed better than the FBM KLCI with a 0.84% weekly rise.

Tables below list the Top 10 Net Money Inflows and Net Money Outflows last week among the largest 100 market capitalized stocks on Bursa Malaysia.

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
TELEKOM M'SIA	13.71	7.16	0.27	-
DIGI.COM	11.01	14.17	-0.17	BOW
IHH HEALTH	7.73	11.18	0.84	-
AXIATA	7.52	14.64	1.96	-
BAT	6.43	11.11	-1.93	BOW
KL KEPONG	5.89	-1.57	-0.27	BOW
MISC	4.57	-9.29	-1.17	BOW
LAFARGE	3.03	-1.28	1.45	-
HAP SENG CONS	2.92	-0.16	0.46	-
ORIENTAL HLDGS	2.70	-0.03	0.89	-

Source: Bloomberg, MIDFR;

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

#### TOP 10 NET MONEY OUTFLOWS

- UMW Holdings saw the largest net money outflow of -RM8.48m during the review week. Accordingly, its stock price underperformed as it ended the week unchanged against a slight 0.24% rise in the FBM KLCI.
- Maybank registered the second largest net money outflow during the review week totaling -RM6.27m. However, its share price marginally outperformed with a 0.32% weekly gain. It is noteworthy that the net money outflow amidst rising share price indicates sell on strength (SOS) stance among some investors.
- Astro came in third last week with -RM5.07m net outflow and its share price underperformed the broader market with an unchanged weekly performance.

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
UMW HLDGS	-8.48	5.92	0.00	-
MAYBANK	-6.27	7.38	0.32	SOS
ASTRO	-5.07	-7.93	0.00	-
CIMB	-3.59	2.14	1.19	SOS
RHB CAP	-2.81	0.44	-1.28	-
SUNWAY	-2.50	-1.52	0.57	SOS
HLEONG BANK	-2.06	-1.21	-0.57	-
MY EG	-1.41	1.00	-5.00	-
CMS	-1.15	1.03	1.36	SOS
DIALOG	-1.08	-0.64	3.80	SOS

Source: Bloomberg, MIDFR;

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

<sup>2</sup> 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.

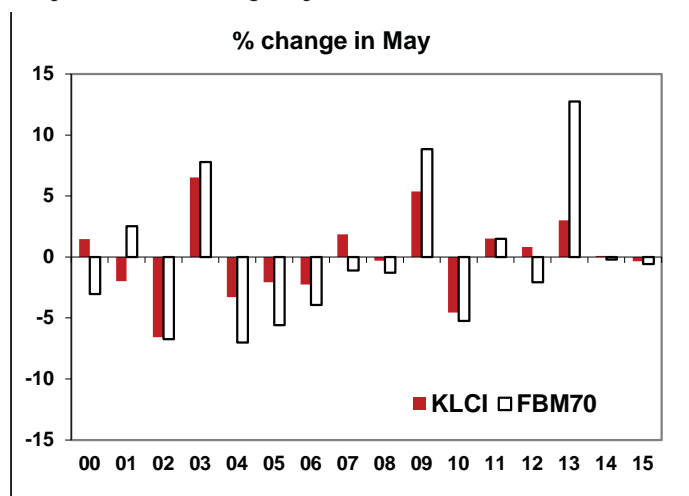
How is money flow calculated? When a trade is performed, its price is compared to the price of the previous trade (the first trade of the day is compared to the previous day's close). If the prices differ, either upticks or downticks, the value of the trade (price multiplied by number of shares) is added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

E. THE WEEK AHEAD

MARKET IN NEED OF A SPARK

- The indices have traded in a narrow range in the last three weeks. Retail volume is depressed while institutional volume is easing.
- For the month-to-date, the FBM KLCI and FBM70 have lost only a marginal -0.3% and -0.6% respectively. Interestingly, the market's performance in May 2015 appears to be mirroring that in May 2014 (see chart).
- The market was rather indifferent to 1Q15's relatively strong 5.6%yoy GDP growth. What would be more of concern is the 2Q15's numbers, as economic activity is likely to be affected by the GST. Hence, few economists are rushing to upgrade their 2015 forecasts.
- Ringgit was the best performing Asian currency last week against the greenback. The comeback occurred in a week when the Brent crude oil price appears to be settling at the USD65pb level. The ringgit's short-term recovery has also failed to lift sentiment.
- The market is in need of a bit of a spark. The Prime Minister will unveil the 11th Malaysia Plan (11MP) on Thursday. The 5-year plan may be loaded with more development projects necessary to help sustain the nation's growth up to year 2020. Hence we can expect a positive knee-jerk reaction to the announcement particularly among construction stocks.
- Minister Dato' Seri Abdul Wahid alluded recently to the 11MP being a "game changer". Pure speculation has it that the Government may outline a plan for a significant reduction in corporate tax in the 11MP. In Indonesia, Presiden Jokowi's chief of staff recently said that the Indonesian government plans to gradually cut corporate tax rate to as low as 17.5% from 25% currently, aimed at narrowing the gap with countries like Singapore to stop lost revenue via companies' transfer pricing. If such an intention is embedded in 11MP, expect a positive stock market reaction as lower tax means potentially higher dividend yields.
- Insofar as the on-going 1QCY15 earnings season, a total of 13 FBM KLCI constituents have thus far reported their results. The number of underperformers has risen to 2 (from 1 last week). IOI Corp's bottom line figure failed to meet our expectation due to due to lower margin from all the sub-segments as well as lower sales volume from the refinery sub-segment.
- There is some portfolio rebalancing activity as a result of the inclusion of Westport into, and the omission of UEM Sunrise from the MSCI Malaysia Index. The next major rebalancing exercise is expected to be in June after Bursa's semiannual index review. We expect FGV to be dropped from the FBM KLCI, to be replaced by any of the stock in the reserve list. Likewise, the FBM70 is likely to see new addition(s) from the reserve list (see table)

May 2015 mirroring May 2014, thus far



Ringgit catching up with oil price?



FTSE Bursa Index Series: Reserve Lists

*FBM KLCI*

YTL Power  
Westports Holdings  
IJM

Gamuda  
Hap Seng Consolidated

*FBM70*

Syarikat Takaful Malaysia  
KSL Holdings  
Scientex  
Scomi Energy Services  
Icon Offshore

Inari Amerton  
Hume Industries  
Star Publications  
MPHB Capital  
Holng Leong Industries



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