

19 May 2014
MALAYSIA EQUITY



FUND FLOW REPORT

Week Ended May 16, 2014

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FOR IMPORTANT DISCLOSURES**

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19 May 2014 | Strategy - Weekly Fund Flow

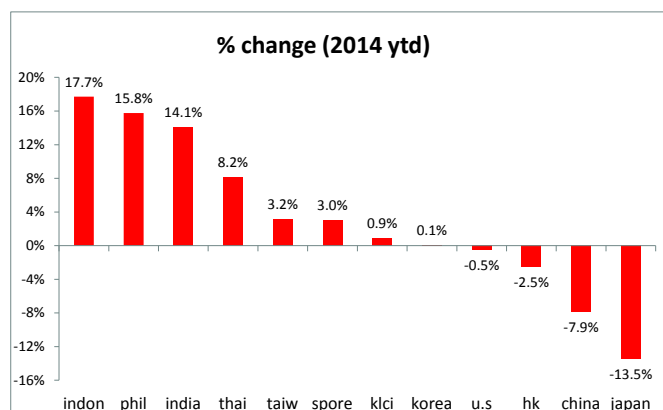
SUDDEN RISE IN THE TIDE TO ASIA

A. MARKET SNAPSHOT

- Most of the actions in the global equity market were in Asia last week.
- In the U.S and Europe, share prices remained elevated, trading near or at record highs. The S&P500 gained strongly on Friday to offset earlier losses and closed the week almost unchanged. Share prices recovered on strong housing construction numbers as well better sentiment towards the small-caps. The Dow Jones also had a good Friday but closed the week down -0.6%.
- The week, however, belongs to Asia. India's Sensex surged to all-time highs as the BJP recorded a landslide win after a marathon 6-week voting process. Investors are buoyed by a strong mandate and hope the new Government will undertake reforms to reignite growth, tackle corruption and rein in inflation.
- The result of the election will not cause India's sovereign credit rating, which is currently at only one notch above junk, to be upgraded. The rating agencies require concrete improvements before making the decision. India's election result, however, gives rise to hope that it will lift sentiment towards the broader grouping of BRICs. If the new Government kept its act together, India is unlikely to be the first to get out of the BRIC quagmire.
- Another BRIC, China is unlikely to recover so fast. The Banking Regulatory Commission reported last week that non-performing loans rose by Yn54b in 1Q14, the highest amount in a quarter since 2005, to Yn646.1b. That spooked Asian markets but was not enough to reverse the gain for the week. Investors were buoyed by the State Council's New Nine Measures to reform the capital market. Some of the reforms expected are the establishment of regional equity-exchange markets, including a central registry and settlement system. Margin trading is also expected to be made more attractive. The Hang Seng was most buoyed by the news, gaining 3.9% last week.
- Emerging Asia had a strong week, including in Thailand. However, the Philippines Composite fell for the first time in 8 weeks.
- The KLCI rose 0.89%, the strongest gain in 7 weeks. It closed at an all-time high of 1883.34 points on Friday.

Performance of major markets		
Weekly % change	Week before	Last week
India Sensex	2.63	4.90
Hang Seng	-1.79	3.89
Korea KOSPI	-0.15	2.91
Jakarta JCI	1.23	2.72
Thai SET	-3.10	2.02
KLCI	-0.13	0.89
FTSE	-0.12	0.61
China CSI300	-1.15	0.56
DAX	0.27	0.50
Straits Times	-0.01	0.32
Taiwan TaieX	0.25	-0.01
S&P500	-0.14	-0.03
Phil Comp	1.55	-0.43
CAC	0.43	-0.47
Dow Jones	0.43	-0.55
Nikkei 225	-1.78	-0.73

Source: Bloomberg



B. TRACKING MONEY FLOW

- The tide rose suddenly last week. Money flow to Asia surged to its highest in six weeks, after anaemic numbers in the preceding fortnight.
- Last week, global funds were aggregate net buyers of stocks in the seven Asian equity markets that we track (Korea, Taiwan, Thailand, Malaysia, Indonesia, Philippines and India ¹). The amount mopped up amounted to USD3.1b, a reversal from an outflow of -USD470m the week before.
- India unsurprisingly attracted a sizeable amount of foreign portfolio capital, clearly on buoyant sentiment after the election. The Indian market pulled in USD1.0b, the highest in seven weeks, and that excluded the figures for Friday, which have yet to be updated. Another big gainer was Korea, which reported foreign buying amounted to USD1.24b, the second highest in a week this year. There was strong buying of Korean technology stocks which had retraced significantly in recent weeks.
- Other Emerging Asia, *sans* Thailand, also saw significant foreign buying. Foreign purchase of Indonesian stocks surged to USD330.2m, the highest in six weeks. The Philippines also reported an increase in foreign accumulation. Foreign funds also sold Thai stocks for the second week running, but the amount was still moderate.
- Foreigners bought USD203.7m of Malaysia stocks, the second highest this year.

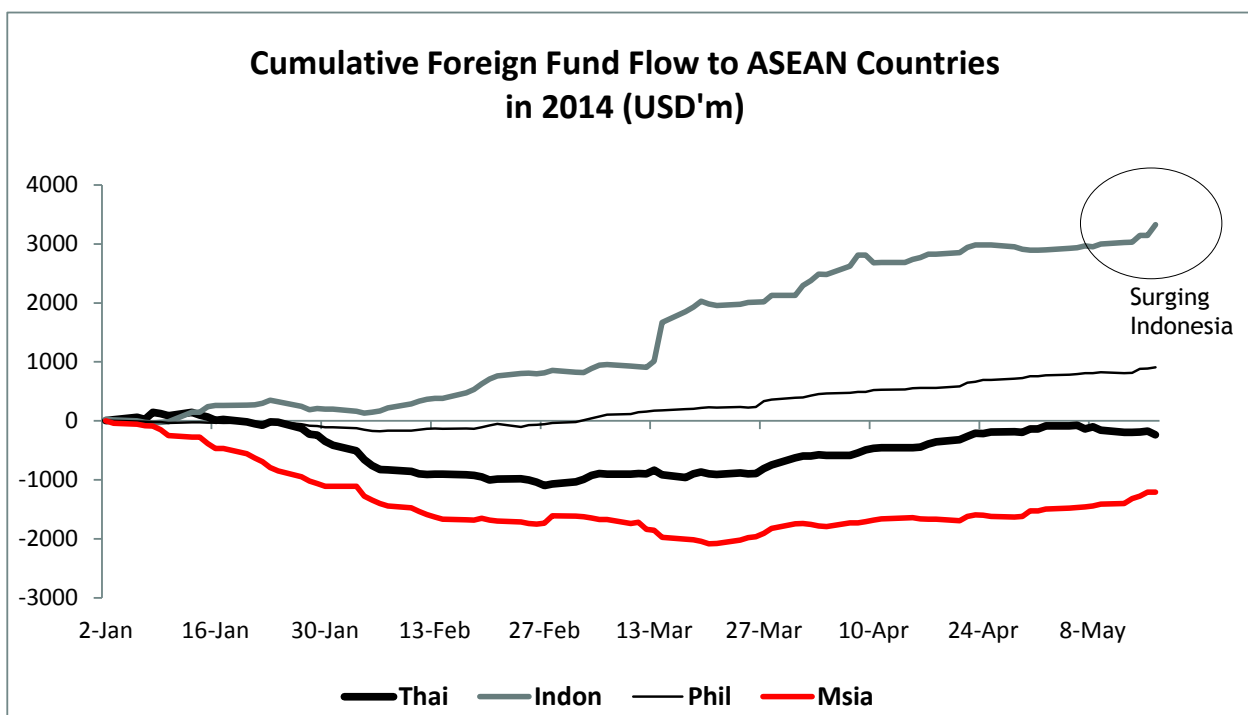
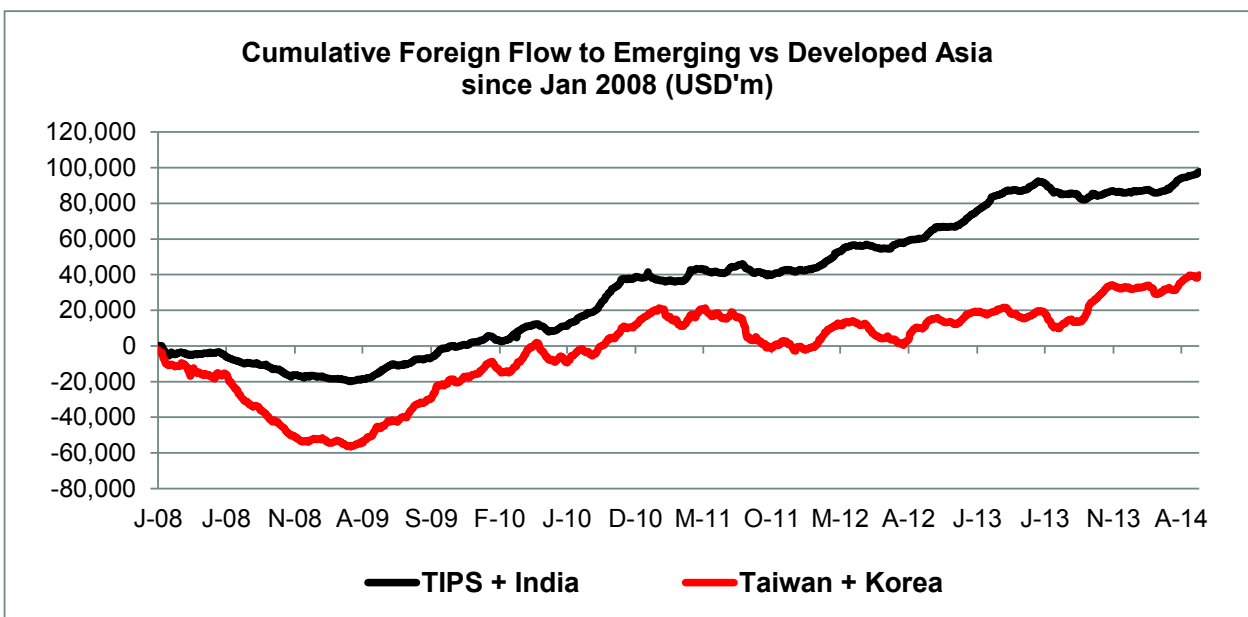
¹ These markets, for which fund flow data is publicly available, are our proxy for Asia.

WEEKLY NET FLOW OF FOREIGN FUND INTO EQUITY (USD'm)								
WEEK ENDED	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
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	-1245.6	-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	1010.0	285.2	203.7	3070.4

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

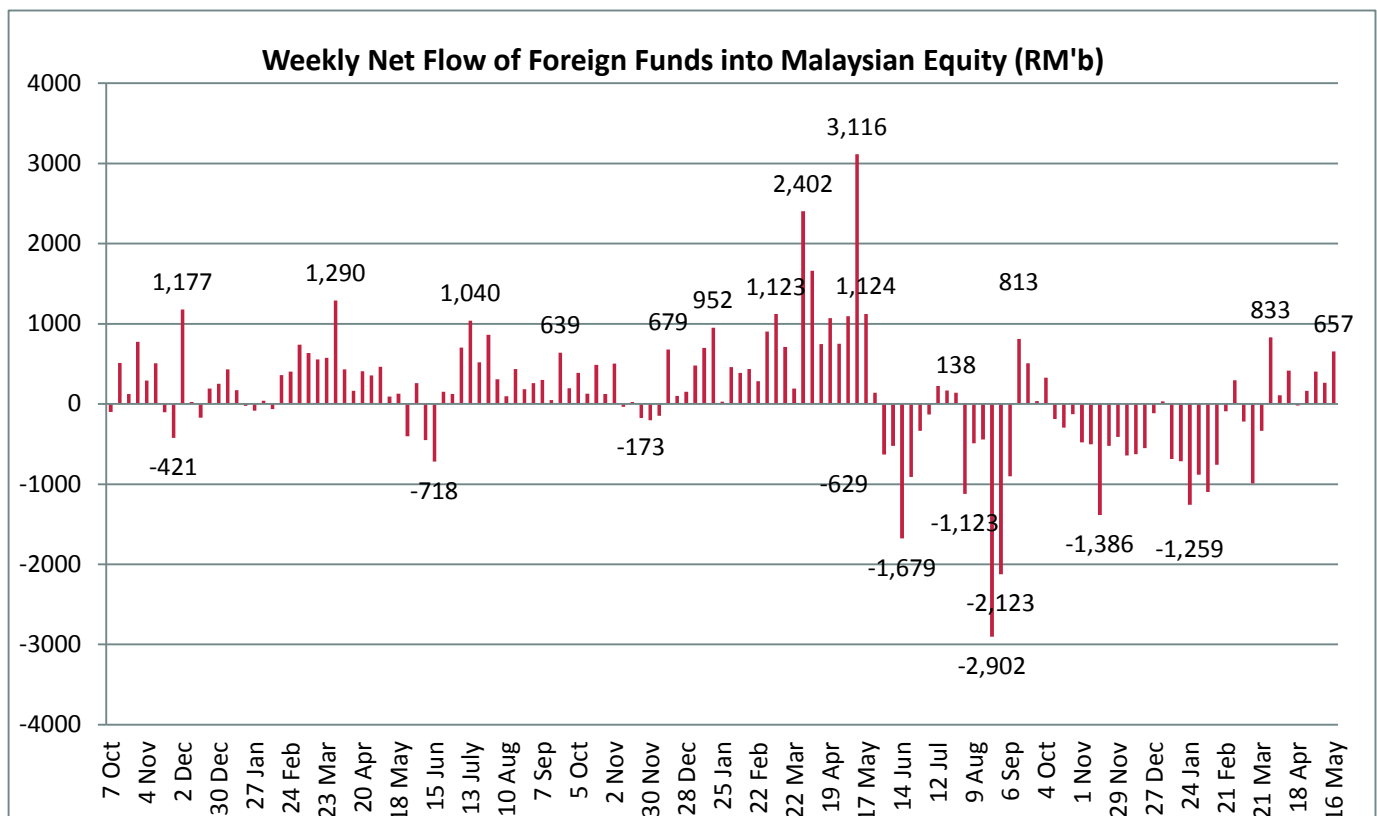
NET FLOW (USD'm)	TIPs + India	Taiwan + Korea	Total
2008	-17,195	-53,106	-70,301
2009	20,580	40,063	60,642
2010	35,690	29,234	64,924
2011	2,748	-17,801	-15,053
2012	31,302	19,976	51,278 (55,663*)
2013	12,446	13,500	25,946 (27,170*)
2014	11,005	6,842	17846 (16,636*)

TIP = Thailand, Indonesia, Philippines * including Malaysia



C. MALAYSIA

- Foreign buying of stocks listed on Bursa surged last week. For the fourth consecutive week, foreign investors were net buyers on the Malaysian bourse, mopping up RM656.8m in the open market (i.e excluding off-market deals). Despite a holiday-shortened 4-day trading week, the amount was the third highest in a week this year.
- The buying picked up suddenly on Wednesday, after the holiday, and the intensity remained for the rest of the week. The mop-up rate rose significantly, averaging RM164.2m per day, compared with RM53.2m in the preceding week. Indeed, the mop-up rate was the second highest this year, after the RM166.5m recorded in the last week of March.
- Overall foreign participation also surged. Average daily foreign participation rate (average daily gross purchase and sale) increased significantly to RM1.25b, almost double the RM672m recorded the week before. Indeed, it was the second highest in a week this year.
- The strong foreign purchase last week has reduced the cumulative net *outflow* from Malaysia in 2014 to -RM4.05b in the year-to-date. In 2013, Malaysia reported a net inflow of RM3.0b.
- Meanwhile, retail investors remained cautious, selling RM52.3m, an increase from RM31.9m sold the week before. Participation rate recovered slightly to RM750m, which is still considered low.
- Local funds appear to be on aggressive selling mode, after offloading RM604.5m last week. It was the second highest amount sold in a week this year. As of last Friday local institutional funds had mopped up RM3.85b worth of Malaysian equity in the open market this year. They will be looking to clear some position to realize some gains to meet their dividend targets for 2014. Participation rate of local institutions also rebounded significantly to RM2.32b last week, after falling to less than RM2.0b the week before.

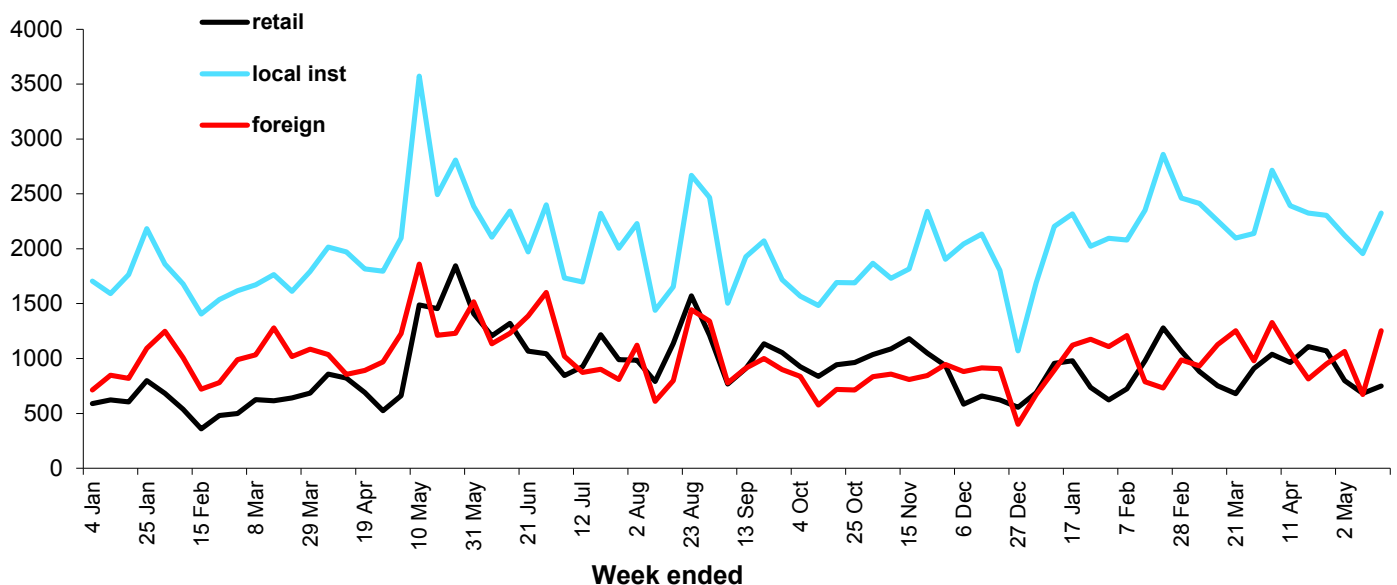


Source: Bursa, excluding off-market trades

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)*
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
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	203.7

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

Participation Rate : Daily Average for the Week (RM'm) since Jan 2013


D. TOP 100 STOCKS: MONEY FLOW ²

- Tables below lists the Top 10 Net Money Inflows and Net Money Outflows for the week ended 17 May 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	
CIMB GROUP HOLDINGS BHD	7.11	-4.53	-0.27	BOW
SAPURAKENCANA PETROLEUM BHD	5.66	2.99	1.17	-
PUBLIC BANK BERHAD	3.78	-18.69	-0.90	BOW
GAMUDA BHD	3.59	-1.19	-0.22	BOW
DIALOG GROUP BHD	3.47	0.74	0.27	-
AXIATA GROUP BERHAD	2.32	-3.76	1.74	-
BIMB HOLDINGS BHD	2.12	-0.32	0.49	-
WESTPORTS HOLDINGS BHD	2.07	1.79	-0.72	BOW
DIGI.COM BHD	1.95	-3.47	-1.08	BOW
IHH HEALTHCARE BHD	1.92	-0.35	2.24	-

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

- Banking heavyweights, CIMB Group and Public Bank, recorded the highest and third largest net money inflows last week totaling RM7.11m and RM3.78m respectively. Their share prices nonetheless lost -0.27% and -0.90% correspondingly for the week. Money net inflow amidst retreating share price indicates Buy on weakness (BOW) stance among investors. It is notable that Public Bank recorded the biggest increase of +0.14% (not including index additions) in weightings on the MSCI Asia Pacific Index after the recent May semi-annual review.
- SapuraKencana came in second with RM5.66m net inflows. Its share price rose 1.17% week-on-week against 0.89% rise in the benchmark market index. SapuraKencana announced last week that it secured a number of oil and gas contracts worth RM1.0b. Accordingly, its order book rose to approximately RM28.0b.

TOP 10 NET MONEY OUTFLOWS

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
TENAGA NASIONAL BHD	-9.98	-10.18	0.50	SOS
HONG LEONG BANK BERHAD	-6.91	0.21	0.00	-
SIME DARBY BERHAD	-6.64	-2.04	1.48	SOS
MALAYAN BANKING BHD	-5.97	-2.86	1.12	SOS
AMMB HOLDINGS BHD	-5.85	-1.17	1.40	SOS
IOI CORPORATION BHD	-3.97	-3.75	5.37	SOS
MAXIS BHD	-3.22	-4.04	0.29	SOS
PETRONAS GAS BHD	-2.86	2.08	1.44	SOS
ALLIANCE FINANCIAL GROUP BHD	-2.79	0.04	0.68	SOS
LAFARGE MALAYSIA BHD	-2.36	-0.21	2.44	SOS

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

- Tenaga Nasional registered the largest net money outflow during the review week totaling -RM9.98m. The net outflow was a continuation from the previous week in which it experienced the third highest net outflow totaling -10.18m. On May 7, six states in Peninsular Malaysia were hit by a series of power failures which left thousands of consumers, businesses and factories without electricity supply. The power disruption lasted for up to 3 hours.
- Hong Leong Bank saw the second largest net money outflow of -RM6.91m last week. Sime Darby, meanwhile, came in third at -RM6.64m.

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

D. THE WEEK AHEAD

CRUISING THROUGH MAY

- Thus far, the dreaded “May Factor” has not reared its ugly head. The scorecard for the month of May, as of last Friday reads as follows:

- » FBM KLCI = + 0.63%
- » FBM70 = - 0.31%
- » FBM Smallcap = + 0.41%

Indeed, the KLCI is testing new territories, after having closed at a record high of 1,883.34 points on Friday. In our opinion, any sign of a May trouble has dissipated, as the market appears to be cruising for the rest of the month.

- Technically, all three indices are trading above their critical short-term threshold of 50-day moving average (DMA). For the KLCI and FBM Smallcap, the 50 DMA remained comfortably above the 200 DMA. This is not the case for the FBM70.
- However, we note that the FBM70 almost staged a “golden crossover” as the 50DMA attempted to cross the 200DMA from below (see chart). Should that happen this week, it would be a bullish signal for the FBM70 component stocks.



STRONG GDP FIGURES EFFECTIVELY CONFIRMS OPR HIKE

- Malaysia’s GDP growth in 1Q14 came in significantly higher than what the market was expecting. At 6.2%yoy, it came as a huge surprise as hardly any economist was betting for the number to exceed 6%. The strong number reaffirms expectations that BNM will raise the Overnight Policy Rate, which is a main reason that will increase the volatility in the stock market.
- Related to this is the Consumer Price Index, which will be released on Wednesday. We expect the Department of Statistics to announce that CPI inflation remain elevated in April, in the region of 3.5%yoy. At 3.5%yoy, it will mean that inflation has stopped accelerating for two consecutive months, which means that inflationary psychology has come under control. However, BNM probably views the fact that inflation is still elevated as indicating that demand pull inflation is at work. It is a fundamental enough reason to tighten monetary policy.

WHAT TO WATCH OUT FOR

- The FOMC’s minutes of its meeting in April will be released on **Wednesday**. We would be cautious lest the minutes contain words deemed unsavoury to investors. It would be a convenient excuse for investors to sell down their holdings on Wall Street where prices remain elevated.
- HSBC’s Flash Manufacturing PMI for China will be released on **Thursday**. This is another potential pothole that the market needs to navigate.
- Overall, we expect trading to stay active as the fund flow data suggests that global funds are back in play in Asia, including Malaysia. Volatility will increase. We are not discounting the possibility of the KLCI edging closer towards the psychological resistance of 1900 points, which is a mere 0.9% away.



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