



MALAYSIA EQUITY RESEARCH | MAY 25, 2015

<p>Week Ended May 22, 2015</p>	Foreign Flow Meter (M'sia)	
	 Tide	Moderate-High (maintain)
	 Current	MODERATE (declining)

- Global equity prices remained resilient in the penultimate week of the month of May.
- Much of the strength has been derived from the bellweather market, Wall Street
- Notable last week was the massive 7.2% gain in China's benchmark CSI300 Index, the biggest weekly gain in nine weeks. The overheating China market is one of Asia's vulnerable spots. The CSI300 has added 40% this year, after surging 52% last year.
- There was an encouraging pick up in the amount of Asian equity purchased by global investors last week, but the flow was uneven.
- Korea was the clear winner last week and remained one of the most favoured Asian equity markets among global investors. The Korean government last week made public its intention of pursuing an upgrade in the MSCI country classification, from "Advanced Emerging" to "Developed" status.
- Foreign selling of Malaysian equity does not appear to be ebbing, four weeks into the current phase of portfolio outflow. Foreign selling is expected to persist.
- After three weeks of fighting to maintain the support, the market relented last week.
- The KLCI lost -1.35%, the third steepest decline in a week this year. With the loss, the KLCI became the worst performing among the major Asian indices so far this year.
- We expect the market to be lumbering towards the end of the month. The onset of a 2-week school holiday break (first fortnight of June) is also a deterrent for investors, especially retailers from building a sizeable position.

## OUTFLOW IS NOT EBBING

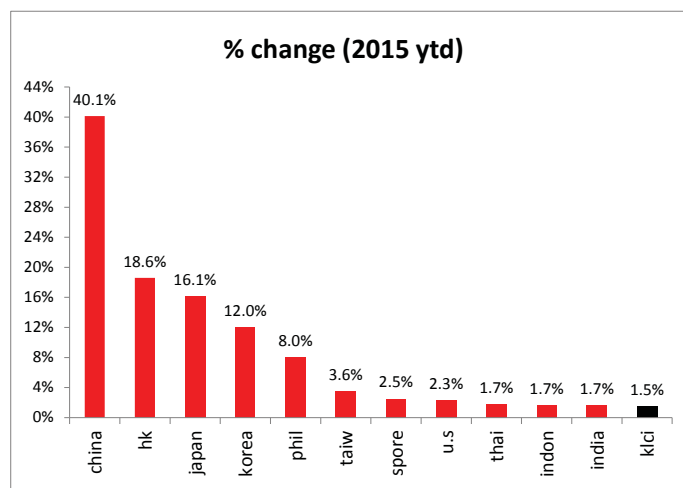
### A. MARKET SNAPSHOT

- Global equity prices remained resilient in the penultimate week of the month of May.
- Much of the strength has been derived from the bellweather market, Wall Street, where the benchmark indices have added >2% in the month-to-date.
- Last week, the S&P500 rose for the third consecutive week, gaining 0.2% while the Dow Jones took a breather with a -0.2% loss. Along the way, both indices closed at record highs more than one trading day. Providing the support was the FOMC minutes showing doubts growing among the members about the strength of the U.S economic recovery.
- Meanwhile, as Wall Street enters the final leg of the first quarter corporate earnings report card, there were surprises both on the downside as well as the upside. Walmart was the worst-performing Dow component as the world's largest retailer reported earnings and sales that fell short of Wall Street estimates. The company cited higher wages and a stronger dollar for the weakness. In contrast, Home Depot earnings and revenue beat Wall Street expectations as sales rose 6.1%. The company also raised its outlook and attributed the continued recovery of the U.S. housing market for its strong numbers.
- Markets in Asia opened on a sombre note on account of selling pressures in China, where investors risk aversion spiked ahead of a flood of new IPOs. 20 companies were listed in China over three days, from Tuesday to Thursday, diverting some funds away from existing offerings. However, sentiment was lifted after the flash PMI numbers show that manufacturing sector contracted for the third consecutive months, with the numbers lagging market expectations. That heightened speculation that the government may take more stimulative measures after cutting interest rates two weeks ago. China's stocks had its biggest weekly gain in nine weeks. The benchmark CSI300 added 7.2%, compared with only 1.3% the week before.
- The KLCI lost -1.35%, the third steepest decline in a week this year. With the loss, the year-to-date score for the index slid to only 1.5%. That made the KLCI the worst performing among the major Asian indices.

Performance of major markets		
Weekly % change	Week before	Last week
China CSI300	1.30	7.23
DAX	-2.24	3.21
CAC	-1.90	2.99
Nikkei 225	1.83	2.69
India Sensex	0.81	2.32
Korea KOSPI	1.01	1.88
Jakarta JCI	0.87	1.68
FTSE	-1.23	1.02
Thai SET	0.11	0.77
Taiwan Taiex	-1.16	0.62
Hang Seng	0.89	0.61
S&P500	0.31	0.16
Dow Jones	0.45	-0.22
Straits Times	0.32	-0.37
Phil Comp	1.53	-0.91
KLCI	0.24	-1.35

Source: Bloomberg

### Major Asian indices (2015)

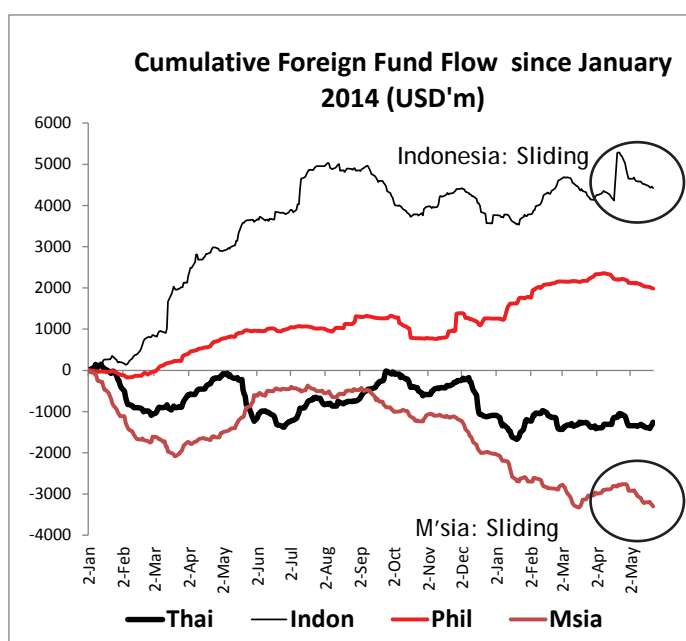
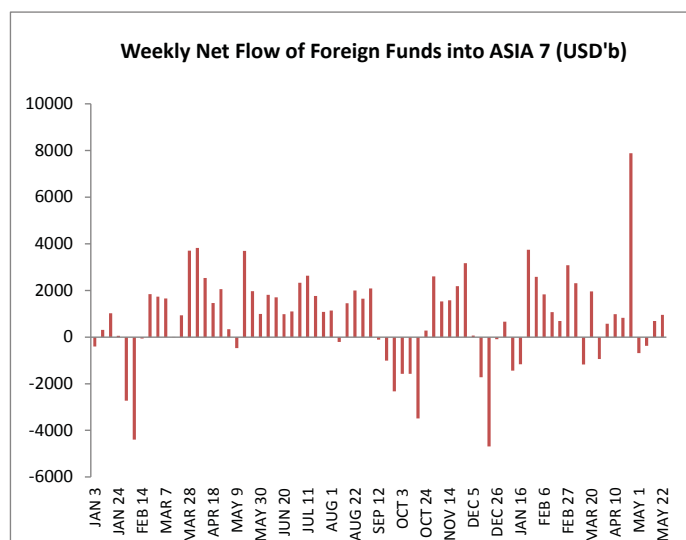


Source: Bloomberg

## FUND FLOW REPORT

### B. TRACKING MONEY FLOW

- Global investors were aggregate net purchasers of Asian equity last week. There was an encouraging pick up in the amount purchased, but the flow was uneven.
- Based on provisional data from the respective exchanges, investors classified as “foreign” bought USD950m net listed equity in the 7 Asian<sup>1</sup> stock markets that we track (TIPs + India, Taiwan, Korea and Malaysia). It was the highest aggregate net money movement in the 7 markets in four weeks.
- The clear winner last week was Korea, which remained one of the most favoured Asian equity markets among global investors, attracting USD818m, the highest in 4 weeks. Last week, the communication services industry and Samsung Electronics attracted foreign money flow. The Korean government also last week made public its intention of pursuing an upgrade in the MSCI country classification, from “Advanced Emerging” to “Developed” status. In June 2014, Korea and Taiwan were removed from the list of markets being considered for an upgrade to developed market status.
- In Jakarta, share prices rose despite an outflow of foreign funds. The S&P retained Indonesia’s BB+ sovereign credit rating but upgraded its credit outlook from stable to positive, citing improvements in the country’s policy framework as well as enhanced monetary and financial sector management. The rupiah lost value again vis-a-vis the greenback despite the S&P’s upbeat assessment.
- In Bangkok, foreign investors bought in the last 3 trading days, helping the SET to record a surplus in net inflow of foreign capital amounted to USD126m. That was largely attributable to the IPO of Global Power Energy, the power flagship unit of the PTT Group. However, overall investors sentiment towards Bangkok is still fragile. Corporate Thailand is not performing well – profits of listed companies fell -11.3% in 2014, the first decline since the 2008 Financial Crisis, according to the SET. For 1Q15, >50% of companies failed to meet market’s earnings forecast, as compiled by Bloomberg. Foreign shareholding in Thai listed equities have dropped from 34% at the end of 2014 to 31%. That is still significantly higher than the 23% incidence in Malaysia, making Thailand a vulnerable market.



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

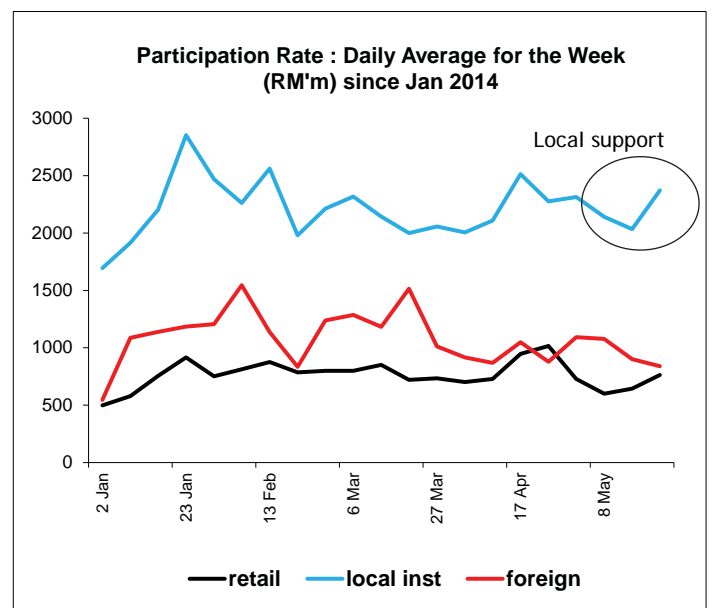
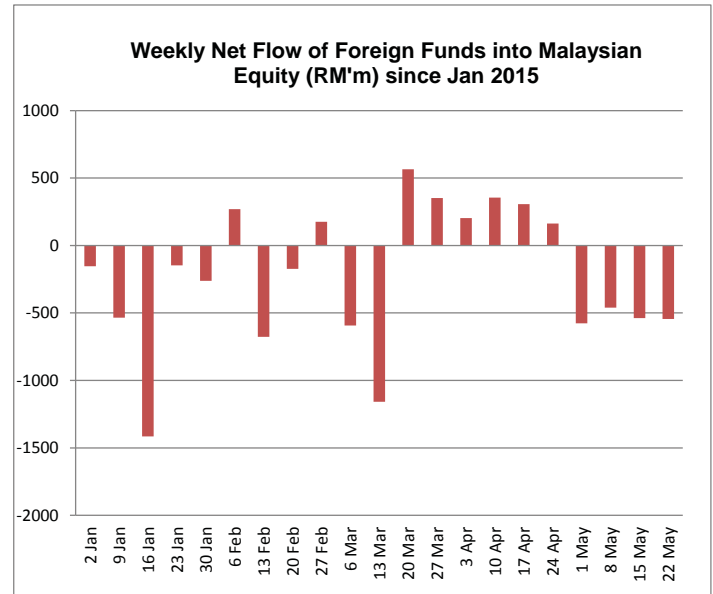
#### WEEKLY NET FLOW OF FOREIGN FUND INTO EQUITY (USD'm)

WEEK ENDED	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
APR 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	158.6	355.7	-149.0	686.5
MAY 22	818.3	126.0	-89.2	-51.9	30.6	266.7	-151.0	949.5

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

C. TRACKING MONEY FLOW - MALAYSIA

- Foreign selling of Malaysian equity does not appear to be ebbing, four weeks into the current phase of portfolio outflow.
- Investors classified as “foreign” sold equity listed in the open market on Bursa (i.e excluding off-market deals) amounted to -RM544.0m on a net basis last week, compared with -RM537.7m the week before. It was the highest in three weeks, and was also the 8th week this year that the amount had exceeded RM500m.
- Foreign investors had been net sellers in the last four trading days. The RM174.5m sold on Friday was the highest in 8 trading days. It had been consistent selling as opposed to heavy dumping.
- In the last four weeks, foreigner investors had offloaded -RM2.12b in the open market. This has *increased* the cumulative net foreign outflow in 2015 to -RM4.75b. In comparison, the cumulative foreign outflow for the entire 2014 was -RM6.93b.
- Foreign participation (daily average gross purchase and sale) on Bursa declined further last week after dropping below RM1b the week before. The average amount traded was only RM840m last week, the second lowest this year after the Chinese New Year week (which was a truncated 2.5-day trading week).
- Although foreign participation is easing, overall market volume did not decline as local participation propped up market activity. Local institutions absorbed RM568.7m last week, the 4th straight week of purchases during which RM2.3b had been mopped up. Average daily trade surged to RM2.37b, the highest in five weeks.
- Although average retail volume rose 19% last week to RM763m, retailers were still net sellers by -RM24.7m. However, we believe a significant portion of the selling was still associated with Malakoff, whose IPO was listed two Fridays ago.



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)*
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	-149.0
MAY 22	1895.7	1920.4	-24.7	6209.7	5641.0	568.7	1827.4	2371.4	-544.0	-151.0

\* 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

- Tenaga Nasional recorded the highest net money inflow of RM20.58m last week. However, its share price underperformed the broader market with a -2.42% weekly loss amidst rumor that it may be asked to take over 1MDB's power assets. This was bigger than a -1.35% decline in the FBM KLCI. But it is of note that net money inflow amidst retreating share price indicates a buy on weakness (BOW) stance among some investors.
- CIMB Holdings came in second with RM14.33m net inflow. Nevertheless, its share price too underperformed the market benchmark with a -3.52% week-on-week decline. It recently reported a lower 1QFY15 net income of RM580m against RM1.07b recorded in 1QFY14. However, it is also noteworthy that net money inflow amidst retreating share price indicates a BOW stance among some investors.
- Digi.com recorded the third highest net money inflow of RM12.68m but its share price also performed worse than the FBM KLCI with a -2.67% weekly fall. Nonetheless, some investors may be taking a BOW stance on this stock. As mentioned earlier, this company 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.

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	
TNB	20.58	2.26	-2.42	BOW
CIMB	14.33	-3.59	-3.52	BOW
DIGI	12.68	11.01	-2.67	BOW
WESTPORTS	10.10	2.24	0.00	-
IHH HEALTH	9.12	7.73	-1.17	BOW
MISC	7.57	4.57	-0.47	BOW
MAYBANK	6.10	-6.27	-0.64	BOW
AIRASIA	5.63	0.73	-9.65	BOW
HAP SENG CONS	4.91	2.92	8.45	-
MAXIS	2.83	0.45	-0.57	BOW

Source: Bloomberg, MIDFR;

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

#### TOP 10 NET MONEY OUTFLOWS

- Genting saw the largest net money outflow of -RM14.83m during the review week. Accordingly, its stock price underperformed as it ended the week lower by -1.69%. This was against a -1.35% decline in the FBM KLCI.
- Telekom Malaysia registered the second largest net money outflow during the review week totaling -RM14.45m. However, its share price outperformed the market benchmark with a 0.41% weekly gain. However, it is noteworthy that the net money outflow amidst rising share price may indicate sell on strength (SOS) stance among some investors.
- Dialog Group came in third last week with -RM9.17m net outflow. Nevertheless, its share price outperformed the broader market with a 1.22% weekly rise which may indicate a SOS stance among some investors.

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
GENTING	-14.83	-0.76	-1.69	-
TM	-14.45	13.71	0.41	SOS
DIALOG	-9.17	-1.08	1.22	SOS
IJM CORP	-9.13	-0.81	-0.28	-
SIME DARBY	-8.09	1.63	-3.21	-
MSM	-8.04	-0.13	-0.92	-
LPI CAP	-7.33	-0.02	0.14	SOS
INARI	-4.31	-0.27	0.88	SOS
IOI CORP	-3.85	0.65	-5.18	-
GENTING M'SIA	-3.81	0.33	0.93	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

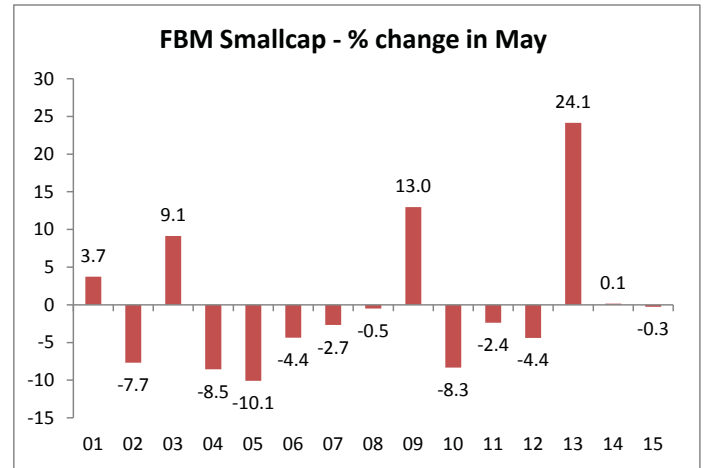
LUMBERING TOWARDS THE END OF MAY

- After three weeks of fighting to maintain the support, the market relented last week.
- The KLCI retreated deeply below the long-term support, as represented by the 200-day moving average line (200DMA). There has been a perversion in the performance of the market after the “golden crossover” in April.
- Unless the KLCI can move back to around 1,825 points in the next couple of weeks, we would be staring at a potential complete reversal of the bullish crossover in April aforementioned.
- Things are also not looking promising for the FBM70 and FBM Smallcap indices, although both are in a better position than the KLCI. The two indices slipped below their respective short-term support last week (50DMA) and the prospect of a turnaround is not good this week.
- The month of May 2015 is proving to be toxic after all. The KLCI is down -1.7% month-to-date, the worst May in 5 years. The FBM70 is also down -1.2%.
- The Smallcap Index has dropped into the redzone, only the second month this year that the index is showing negative return.
- We expect the market to be lumbering towards the end of the month. The onset of a 2-week school holiday break (first fortnight of June) is also a deterrent for investors, especially retailers from building a sizeable position.
- Foreign selling is expected to persist. We are witnessing an orderly withdrawal of portfolio money from the equity market. This is positive for Bursa.
- Despite the >40% recovery in the price of Brent since the low of USD60.5pb in January, the ringgit has not responded in tandem (see chart). Indeed, there have been incidences of market perversion, when the ringgit actually depreciated even though oil price was recovering strongly. Such an anomaly is not good for the equity market. It does not engender a strong conviction among investors.
- Having said that, the May-September period has always been treacherous for the market. Hence, the unveiling of the 11th Malaysia Plan last week failed to lift sentiment in the equity market.
- In the on-going 1QCY15 earnings season, the number of underperformers among KLCI constituents have risen to 4 (from 2 last week) as the earnings of YTL Corp and CIMB lagged expectations. YTL’s utilities division was affected by its merchant’s operation due to the lower units of electricity sold. Hence we revised our FY15-17 earnings forecasts downward by between 2-10%. We also lowered our earnings forecasts for CIMB by imputing higher loan loss charge assumption and higher contraction for NIM.

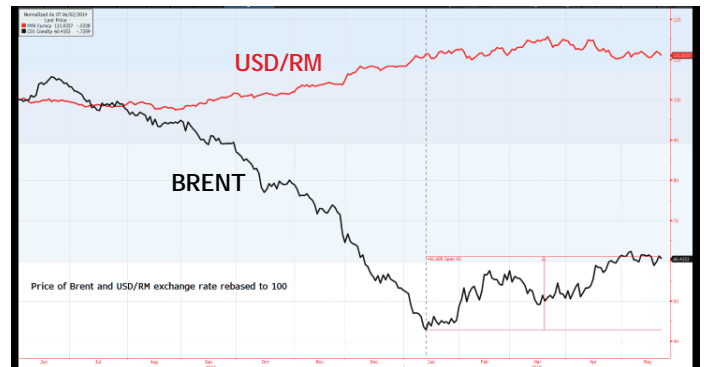
KLCI fell below support



Small cap in the redzone



Ringgit still not in tune with oil price



Price of Brent and USD/RM exchange rate rebased to 100



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