

26 May 2014  
**MALAYSIA EQUITY**



# **FUND FLOW REPORT**

**Week Ended May 23, 2014**

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FOR IMPORTANT DISCLOSURES**

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26 May 2014 | Strategy - Weekly Fund Flow

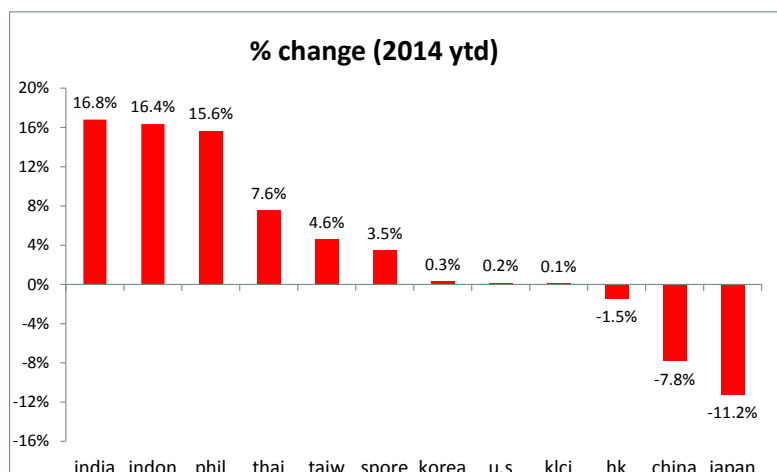
# BILLION-RINGGIT WEEK

## A. MARKET SNAPSHOT

- Wall Street, the world's bellweather equity market, is saying that it is boom time for the equity market in the month of May.
- The Dow Jones and S&P500 rebounded after two weeks of lacklustre trading to gain 0.7% and 1.2% respectively. All eyes are certainly on the S&P500, which closed at a record high 1,900.53 points, the first time ever that the index has crossed the 1,900 mark.
- The minutes of the Fed's FOMC meeting in April released on Wednesday contained no surprises. What lifted investors' sentiment was the sales of new U.S. houses, which increased 6.4% mom, the fastest growth since October. Units sold of 433,000 surpassed expectation of 425,000, which the median forecast of 75 economists surveyed by Bloomberg.
- All eyes were on Asia, specifically South East Asia. India's Sensex was one of the best performers last week, adding 2.6% and extending the euphoria after the landslide election win by BJP.
- However, Emerging South East Asian markets closed in the red, with Jakarta Composite Index the worst performer losing -1.2%. The loss in Jakarta probably reflects profit-taking after Presidential candidate Jokowi named former VP, Jusuf Kalla as his running mate. They are now seen as favourites to prevail in the presidential election on July 9.
- The situation in Thailand is a cause of regional concern, for the contagion risk that it poses. It is also a convenient excuse for investors to take profit and stay on the sideline. So far, regional markets have held up relatively well, despite the army coup. However, it remains to be seen how the market would react to the arrest and detention of ex-PM Yingluck. The Thai SET surprisingly lost only -0.6%.
- The KLCI fell -0.75% for the week, but not before recording a new intraday high of 1,889.47 points on Monday. A new closing high of 1,887.07 was also set on Monday.

Performance of major markets		
Weekly % change	Week before	Last week
Nikkei 225	-0.73	2.59
India Sensex	4.90	2.37
DAX	0.50	1.44
Taiwan Taiex	-0.01	1.35
S&P500	-0.03	1.21
Hang Seng	3.89	1.11
CAC	-0.47	0.83
Dow Jones	-0.55	0.70
Straits Times	0.32	0.47
Korea KOSPI	2.91	0.19
China CSI300	0.56	0.10
Phil Comp	-0.43	-0.09
FTSE	0.61	-0.58
Thai SET	2.02	-0.60
KLCI	0.89	-0.75
Jakarta JCI	2.72	-1.16

Source: Bloomberg



## B. TRACKING MONEY FLOW

- We wrote last week that the money tide to Asia had risen suddenly to its highest in six weeks. Last week, the buying of Asian stocks continued strongly, except in a couple of markets due to prevailing circumstances.
- 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 <sup>1</sup>) in the trading week ended Friday. The amount mopped up amounted to RM1.88b, lower compared with USD3.70b the week before.
- As expected, there was a an exodus of foreign portfolio money from Thai stocks. Global investors sold USD599.5m of Thai stocks last week, the highest since August last year. The political situation in Bangkok is clearly making investors nervous. There was also a big drop in foreign buying of Indian stocks. Foreign funds bought only USD189.5m of Indian stocks after adding a massive USD1.64b to their portfolio the week before.
- Elsewhere in Asia, foreign investors continued to buy stocks strongly. There was heavy foreign buying of Indonesian stocks as investors' optimism rose over the likely outcome of the July presidential election. Korea and Taiwan are also back prominently in the radar screen of global investors.
- Stocks listed in Malaysia attracted USD310m of foreign money, the highest in a year.

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

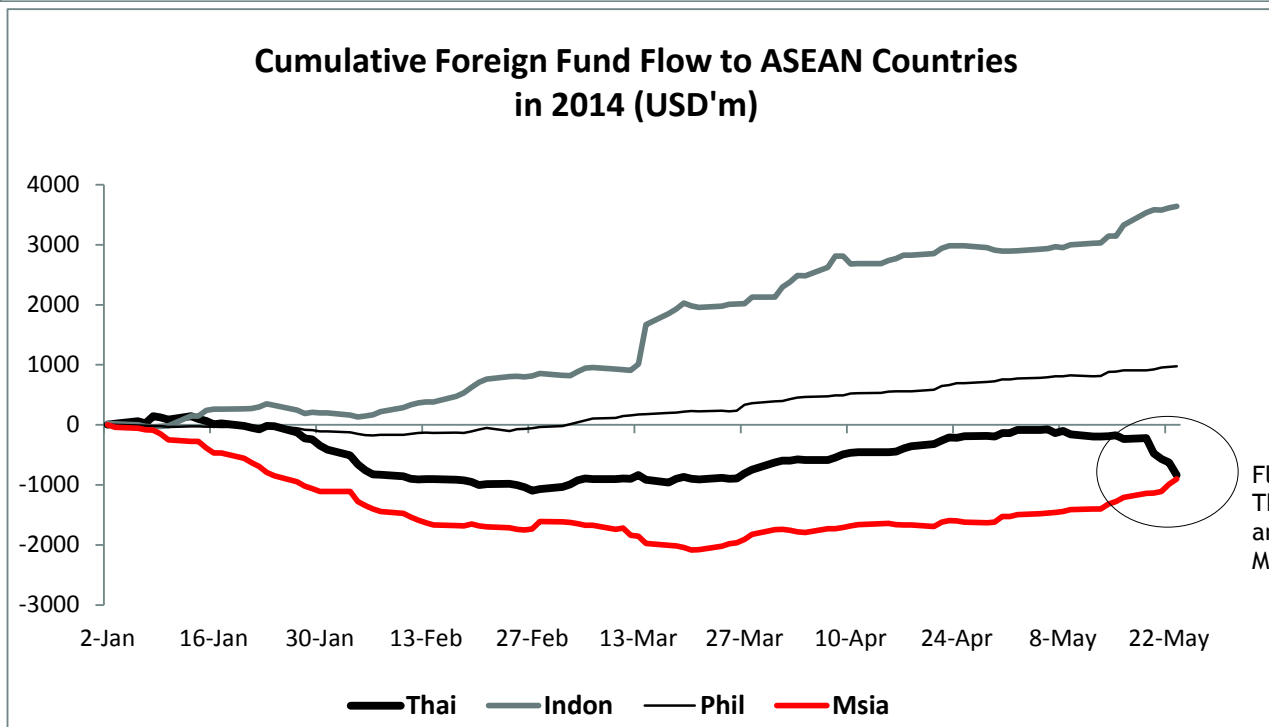
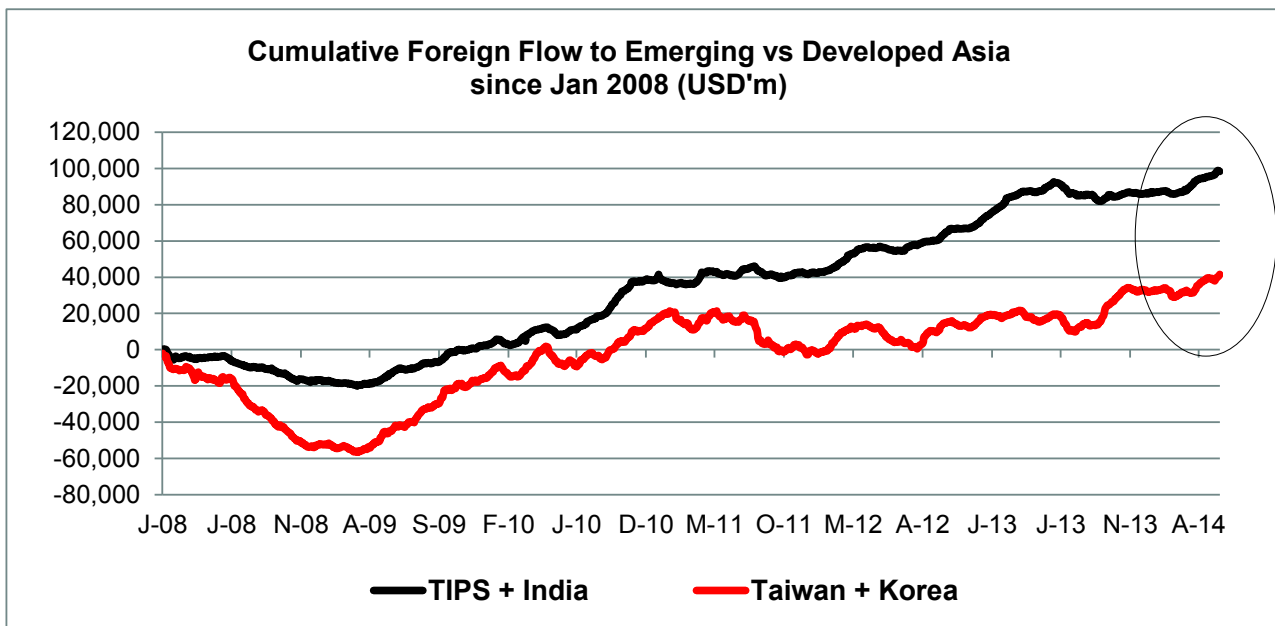
### WEEKLY NET FLOW OF FOREIGN FUND INTO EQUITY (USD'm)

WEEK ENDED	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
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	1637.8	285.2	203.6	3697.9
MAY 23	1060.8	-599.5	313.3	68.7	189.5	537.0	310.0	1879.2

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

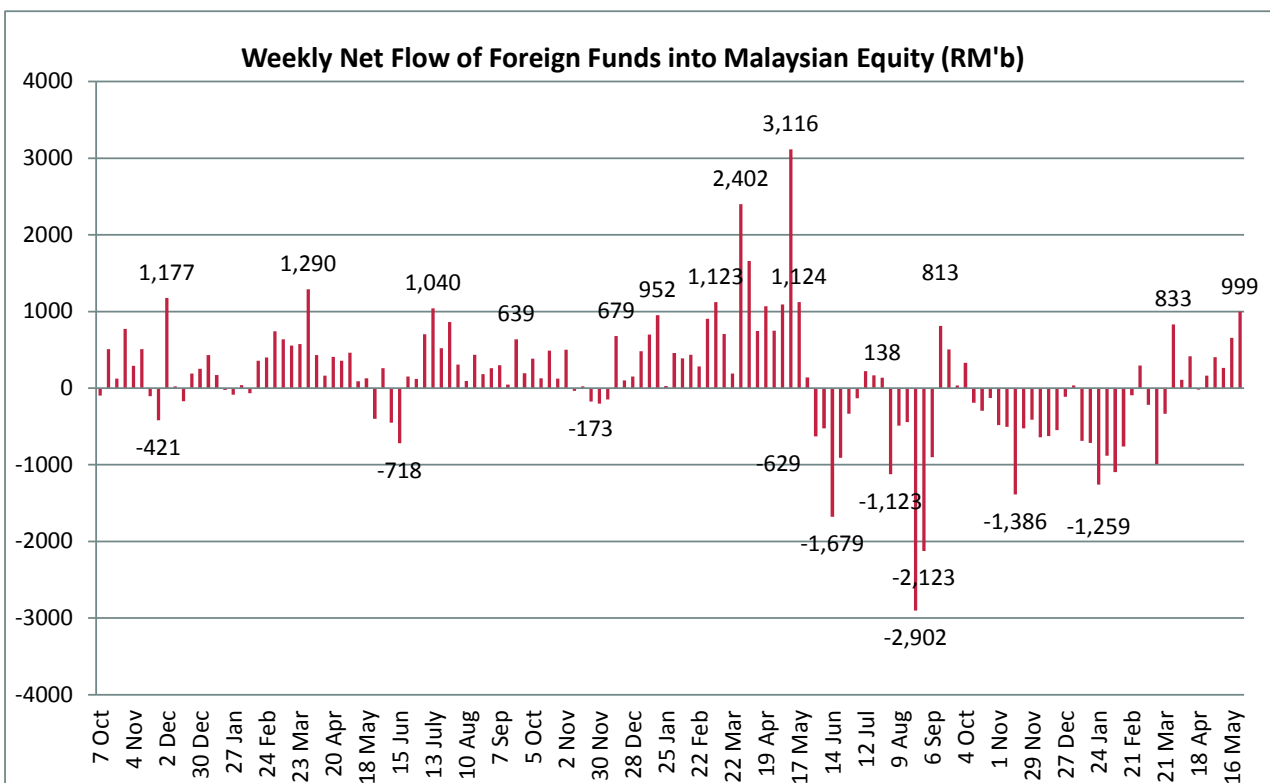
NET FLOW (USD'm)	TIPs + India	Taiwan + Korea	Total
2008	-17,195	-53,106	-70,301
2009	20,580	40,063	60,642
2010	35,690	29,234	64,924
2011	2,748	-17,801	-15,053
2012	31,302	19,976	51,278 (55,663*)
2013	12,446	13,500	25,946 (27,170*)
2014	11,604	8,439	20,043 (19,143*)

TIP = Thailand, Indonesia, Philippines \* including Malaysia



C. MALAYSIA

- It was a billion ringgit week for the local stock market.
- Foreign investors bought about RM1b worth of stocks listed on Bursa last week, the highest in a week since May 2013. It was the fifth consecutive week of buying, as foreign investors added RM999.2m of Malaysian stocks to their portfolio, via purchases in the open market (i.e excluding off-market deals).
- Despite uncertainties elsewhere in Asia, foreign investors kept faith in the local market and were net buyers every single day last week. Indeed, they had been net buyers for 17 straight days as of Friday. The buying intensity continued to rise, with net-buys averaging RM199.8m per day, compared with RM164.2m per day in the preceding week. The weekly mop-up rate was easily the highest this year.
- Surprisingly, foreign participation actually declined last week. Average daily foreign participation rate (average daily gross purchase and sale) fell from RM1.25b the week before to only a moderate RM980m. That was even lower than this year’s average participation rate of RM1b per day.
- The strong foreign purchase last week has reduced the cumulative net *outflow* from Malaysia in 2014 to -RM3.05b in the year-to-date. In 2013, Malaysia reported a net inflow of RM3.0b.
- Meanwhile, retail investors remained cautious, selling -RM51.2m, about as much as that in the week before. Participation also stayed relatively low at RM770m, only slightly higher than that the week before.
- With retail investors relatively quiet, local institutions’ trade was a mirror opposite that of foreign funds. Local funds sold -RM948m in the open market last week and had offloaded -RM2.2b in the last five weeks. Participation rate of local institutions remained elevated at RM2.4b, among the highest this year.

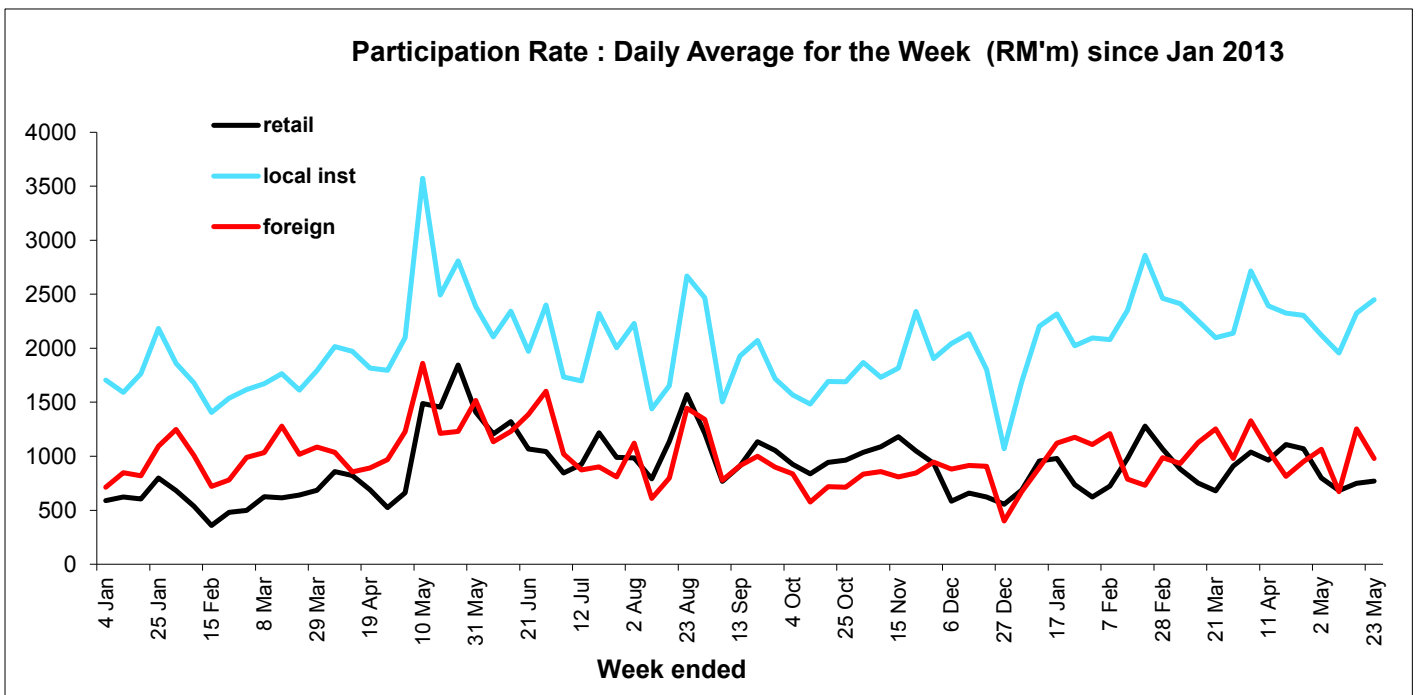


Source: Bursa, excluding off-market trades

**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	203.6
MAY 23	1899.5	1950.7	-51.2	5649.1	6597.1	-948.0	2950.0	1950.8	999.2	310.0

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



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

- Tables below lists the Top 10 Net Money Inflows and Net Money Outflows for the week ended 24 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	17.37	7.11	-0.14	BOW
TENAGA NASIONAL BHD	14.43	-9.98	1.00	-
PUBLIC BANK BERHAD	13.68	3.78	0.30	-
SAPURAKENCANA PETROLEUM BHD	5.18	5.66	-5.10	BOW
UMW OIL & GAS CORP BHD	4.87	-1.01	-1.96	BOW
ALLIANCE FINANCIAL GROUP BHD	4.07	-2.79	4.73	-
TELEKOM MALAYSIA BHD	3.96	0.82	-3.72	BOW
YTL CORPORATION BERHAD	3.60	-0.63	2.37	-
AIRASIA BHD	2.78	-1.02	12.61	-
PETRONAS CHEMICALS GROUP BHD	2.33	-0.72	-0.59	BOW

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

- For the second week in a row, banking heavyweights CIMB Group and Public Bank recorded the highest and third largest net money inflows with last week's totaling RM17.37m and RM13.68m respectively. CIMB share price nonetheless lost -0.14% for the week as it recently reported -23%yoy earnings in 1Q14. Nonetheless, the figure for 1Q13 was boosted by a net gain of RM365mil from the sale of CIMB Aviva, without which CIMB would have made a 4.4%yoy increase in earnings. Money net inflow amidst retreating share price indicates Buy on weakness (BOW) stance among investors.
- Tenaga Nasional came in second with RM14.43m net inflows, a turnaround from the largest net money outflow registered in earlier week. Its share price rose 1.00% week-on-week against -0.75% fall in the benchmark market index. In the earlier week, sentiment was hit by a series of power failures in six states in Peninsular Malaysia. However, last week, it was reported that Janamanjung's Manjung 4 project is ahead of schedule and to be operational by 1QCY15. Janamanjung is expected to supply up to a third of Malaysia's power by 2018.

## TOP 10 NET MONEY OUTFLOWS

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
AXIATA GROUP BERHAD	-6.70	2.32	-1.14	-
SIME DARBY BERHAD	-5.86	-6.64	0.10	SOS
MALAYAN BANKING BHD	-5.03	-5.97	-0.50	-
PETRONAS GAS BHD	-4.49	-2.86	1.42	SOS
PETRONAS DAGANGAN BHD	-3.83	0.33	-12.57	-
GAMUDA BHD	-3.03	3.59	-1.96	-
BRITISH AMERICAN TOBACCO BHD	-2.67	-0.74	1.76	SOS
IOI CORPORATION BHD	-2.58	-3.97	-4.72	-
UMW HOLDINGS BHD	-1.97	-2.14	0.19	SOS
MAXIS BHD	-1.68	-3.22	-0.14	-

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

- Axiata registered the largest net money outflow during the review week totaling -RM6.70m. The outflow is arguably transient as its share price has recently undergone a short cyclical run up hence some profit taking activities last week.
- Sime Darby saw the second largest net money outflow of -RM5.86m last week. Maybank, meanwhile, came in third at -RM5.03m.

<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.

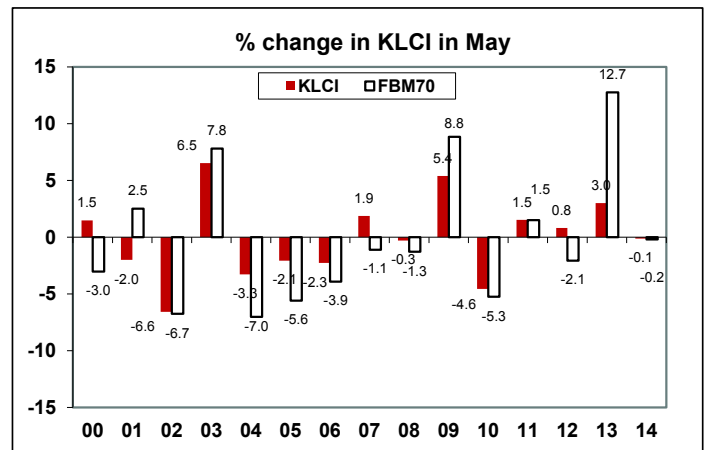
How is money flow calculated? When a trade is performed, its price is compared to the price of the previous trade (the first trade of the day is compared to the previous day's close). If the prices differ, either upticks or downticks, the value of the trade (price multiplied by number of shares) is added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

Source: Bloomberg, MIDFR

D. THE WEEK AHEAD

**SURPRISING MAY**

- As of last Friday, the KLCI and FBM70 had lost -0.1% and -0.2% for the month of May respectively. For the KLCI, it is the worst performance in 4 years, so far. However, within longer historical perspective, May 2014 has been rather benign. Otherwise, the KLCI would not have scaled new highs.
- We doubt that the market will close the month with a bang. Wall Street is buoyant with the S&P500 trading above 1,900 points for the first time ever. That is making many investors nervous as the index is trading at almost 17.5 PER14, the highest level since 2010.
- In addition, the situation in Thailand means that investors are wary of contagion risks. Although military coup is not unprecedented up north, the detention of ex-PM Yingluck albeit only for a week in order to “calm things down” has the effect of making things tense.
- Nevertheless, the KLCI and FBM70 should be adequately supported, and the indices may even close the month in the greenzone. Technically the KLCI remain comfortably above both, short-term and long-term support. Indeed, the FBM70 even staged a “golden crossover” last Friday when its 50-day moving average (50-DMA) line surpassed the 200-DMA for the first time since early February this year.



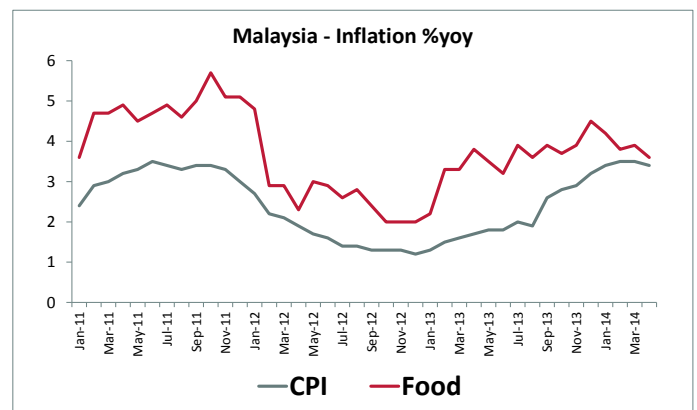
**SMALL CAPS ON THE VERGE OF ENTERING TREACHEROUS ZONE**

- However, we should caution that the FBM Smallcap index is on the verge of falling below its short-term support (see chart). This could be explained by declining retail interests, which would be made worse by the onset of the 2½ weeks school break effective Wednesday. For investors looking to build up exposure in small caps, we would recommend passive accumulation during the school holiday.



**MALAYSIA'S BENIGN CPI FIGURE MEANS OPR HIKE IS NOT A FOREGONE CONCLUSION**

- This week is rather light on the statistical releases. We are more intrigued by Malaysia's April CPI which shows that inflation decelerated in April with the prices of food stabilizing (see chart).
- On that evidence, there is no certainty that BNM will raise the OPR in July. After all, inflationary psychology also appears to be under control. Based on ready evidence, we view any decision to raise OPR to be strategic, rather than driven by economics.





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