FUND FLOW REPORT

midf RESEARCH

MIDF AMANAH INVESTMENT BANK

MALAYSIA EQUITY RESEARCH | MAY 11, 2015

Week Ended May 8, 2015

Foreign Flow Meter (M'sia)	
Tide	Moderate-High (increasing)
Current	HIGH (maintain)

- The month of May is living up to its reputation. After the heavy beating in the final week of April, global equity prices stayed languid last week, reflecting investors' edginess over what lies ahead.
- The bellweather market, Wall Street, remained resilient, with the Dow Jones and S&P500 eking out a marginal 0.9% and 0.4% gain respectively last week.
- Perhaps the most noticeable index movement last week was China's CSI300 -4% loss. It was the first weekly decline in the index after eight consecutive weeks of increase during which the index added a massive 37%.
- Money flow was relatively calm in Asia last week. The outflow from ***Asian emerging markets*** ebbed after a high tide out the week before.
- Asian emerging markets got a reprieve from the heavy foreign exit during the preceding week. The amount sold by foreign investors in Thailand, Indonesia and Philippines was marginal last week.
- However, heavy foreign selling of Malaysian equity continued for the second week in a row. Foreign investors sold -RM460.4m on a net basis last week, compared with -RM577.6m the week before. Foreigners sold >RM100m in the last three consecutive days.
- The global equity selloff last Thursday is a glimpse of what is in store in the month of May. The market will be characterized by heightened volatility as we progress over the next three weeks.

11 May 2015 | Strategy - Weekly Fund Flow

Zulkifli Hamzah
zulkifli.hamzah@midf.com.my
+603 21738390

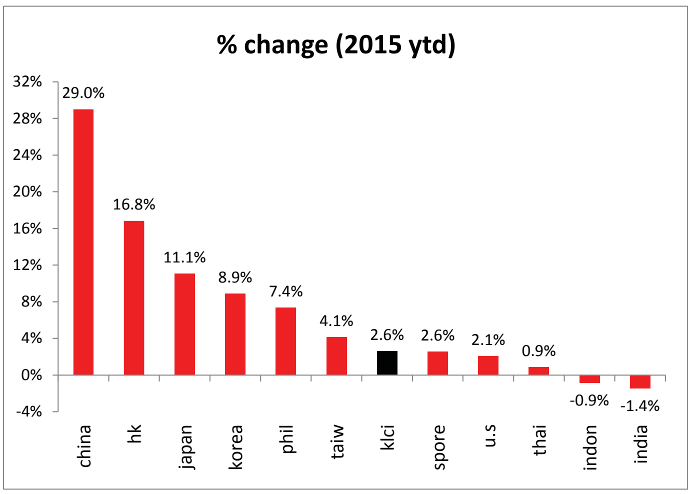
CALM IN ASIA AFTER THE STORM

A. MARKET SNAPSHOT

- The month of May is living up to its reputation. After the heavy beating in the final week of April, global equity prices stayed languid last week, reflecting investors' edginess over what lies ahead.
- The bellweather market, Wall Street, remained resilient, with the Dow Jones and S&P500 eking out a marginal 0.9% and 0.4% gain respectively last week. That was despite the selloff on Tuesday when technology stocks were routed, led by a 2% decline in Apple Inc. Contributing factors cited include the rise in crude oil prices, sharp rise in the US trade deficit and tensions over Greece.
- Stocks also remained resilient despite Fed's Yellen warning on Wednesday that " ... equity-market valuations at this point generally are quite high". The market ended the week with a bang on Friday, with the Dow and S&P adding 1.5% and 1.4% respectively, after the release of the employment report. Nonfarm payroll increased by 223,000 with the unemployment rate at 5.4%. That was within expectation, and is seen as conducive to equity as the numbers are interpreted as no strong enough for the Fed to start raising interest rates in the first half of this year. The S&P500 closed on Friday just 2 points off its all-time high.
- In Europe, all eyes were on the U.K which held its general election on Thursday. Stock prices and the pound sterling surged after it is evident that the Conservatives has retained power. The FTSE rose 2.3% on Friday, reversing earlier losses to end the week in the greenzone with a 0.9% gain. Germany's DAX was the best performer last week with a 2.2% gain.
- Perhaps the most noticeable index movement last week was China's CSI300 -4% loss. It was the first weekly decline in the index after eight consecutive weeks of increase during which the index added a massive 37%. Last week's loss in the CSI, although expected and only a matter of time, was the worst since December 2013. It is widely seen as a case of profit taking although there are genuine fears over the strength of corporate profit, ballooning share margin debt and over-valuation. The CSI is still up 29% this year implying that last week's weakness may persist in this short term.
- The KLCI lost -0.6%, the second week in a row it ended the week in the redzone.

Performance of major markets		
Weekly % change	**Week before**	**Last week**
DAX	-3.02	2.23
Jakarta JCI	-6.42	1.88
Dow Jones	-0.31	0.93
FTSE	-1.20	0.87
CAC	-2.98	0.87
Phil Comp	-2.92	0.63
S&P500	-0.44	0.37
India Sensex	-1.55	0.35
KLCI	-2.38	-0.58
Nikkei 225	-2.44	-0.78
Straits Times	-0.73	-1.01
Thai SET	-1.85	-1.06
Taiwan Taiex	-0.94	-1.30
Korea KOSPI	-1.51	-1.96
Hang Seng	0.26	-1.98
China CSI300	1.00	-4.03
Source: Bloomberg		

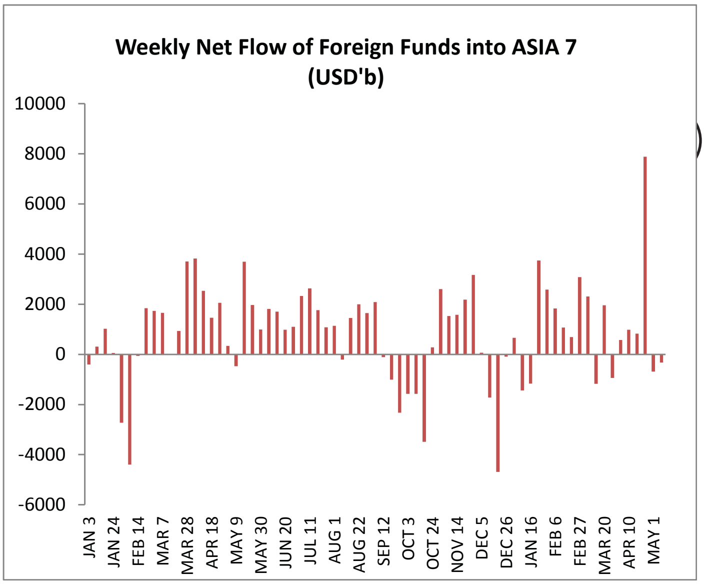
Major Asian indices (2015)

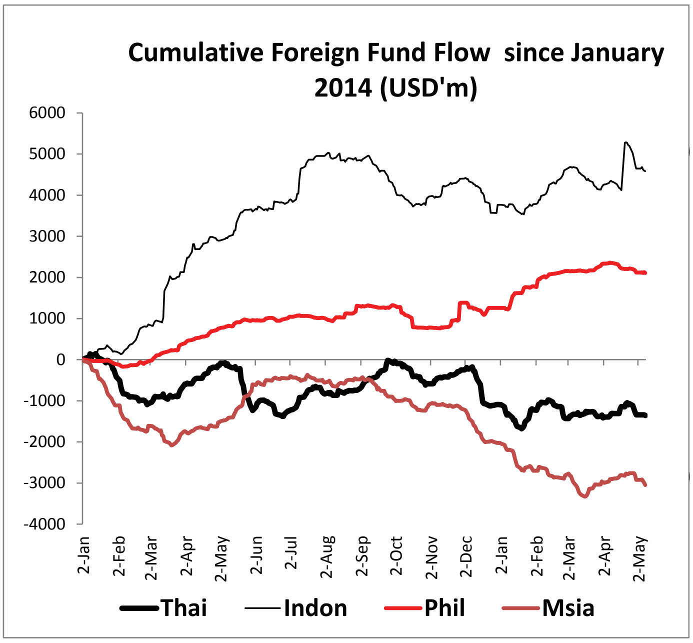


Source:Bloomberg

B. TRACKING MONEY FLOW

- Money flow was relatively calm in Asia last week. The outflow from **Asian emerging markets** ebbed after a high tide out the week before.
- Based on provisional data from the respective exchanges, investors classified as "foreign" sold a marginal -USD322m net of equity in the 7 Asian[1] stock markets that we track (TIPs + India, Taiwan, Korea and Malaysia).
- Asian emerging markets got a reprieve from the heavy foreign exit during the preceding week. The amount sold by foreign investors in Thailand, Indonesia and Philippines was marginal last week.
- In Indonesia, foreign selling has subsided and amounted to only -USD64.3m, only about a tenth of what it was the week before. Investors are seeing value emerging in what is one of the worst performing markets in Asia this year.
- However, a major consideration for holding Indonesian equity remains the rupiah, which was routed last week after Indonesia's GDP growth in the first quarter of 4.7%yoy came in below consensus median expectation of 4.9% (Bloomberg). The official 2015 GDP forecast of 5.2-5.7% now appears rather optimistic. Meanwhile, funds are fleeing rupiah bonds as investors fear slowing growth and accelerating inflation, in addition to the depreciating currency. In the last 3 months, the yield on Indonesia's 10-year note has surged 103 basis points to 8.19%, the highest since December.
- Meanwhile, foreign money flow to Korea and Taiwan remained in the greenzone last week. The inflow to Korea has now stretched for 6 consecutive weeks, and the surplus has been recorded in 11 out of the last 12 weeks. However, we note that the level of the foreign money tide in Seoul was low during most days last week.
- Taiwan, which bucked regional trend during the heavy selloff two weeks ago also continued to gain foreign investors' favour. Foreigners bought USD252m last week, the third straight week of inflow. However, we note that foreign investors were net sellers on Thursday, the first time in 12 trading days. It is a sign of edginess on Fed's Yellen warning that valuation of the U.S. equity market is quite high. Taiwan has been riding on the tech rally on Wall Street.





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

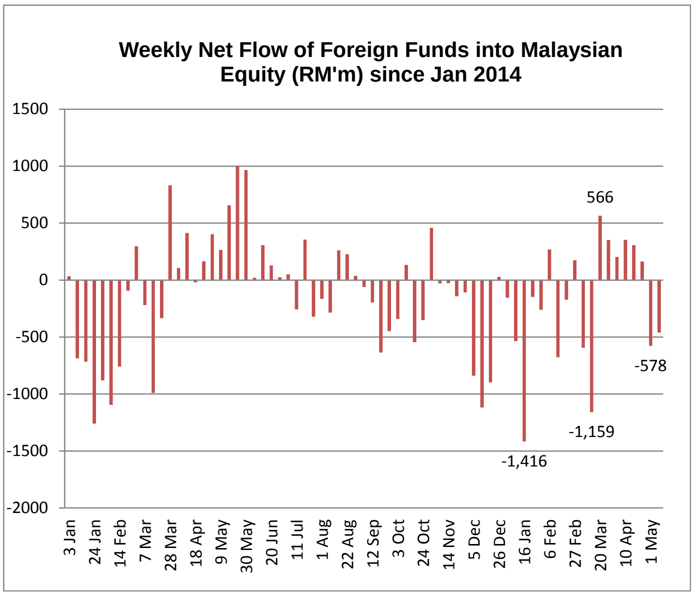
WEEKLY NET FLOW OF FOREIGN FUND INTO EQUITY (USD'm)

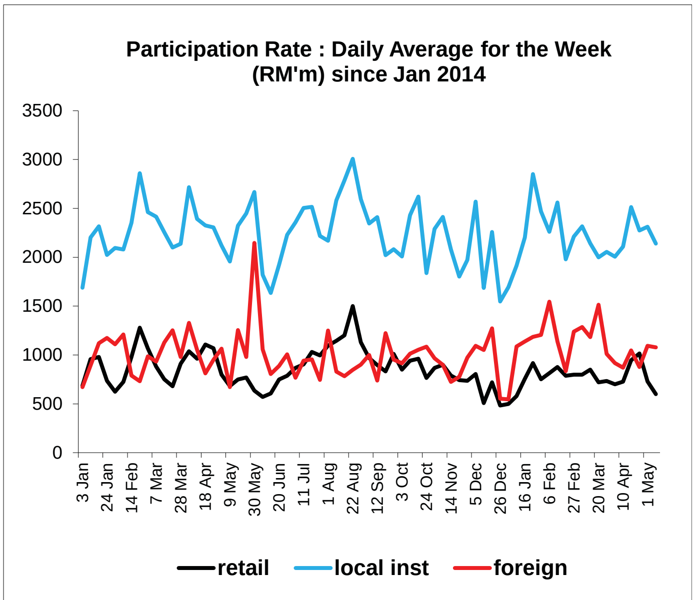
WEEK ENDED	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
MAR 27	-0.5	-107.5	-204.3	69.0	234.7	-1026.8	96.3	-939.1
APR 3	204.0	-13.8	112.3	96.2	227.5	-109.9	54.8	571.6
APR 10	511.4	83.6	58.9	9.5	273.3	-55.0	97.3	979.2
APR 17	1467.6	168.8	-200.2	-125.3	-84.8	-483.0	83.7	826.8
APR 24	1943.2	78.5	1078.7	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	-551.9	341.0	-128.2	-321.6

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

C. TRACKING MONEY FLOW - MALAYSIA

- Heavy foreign selling of Malaysian equity continued for the second 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 -RM460.4m on a net basis last week, compared with -RM577.6m the week before.
- Foreign investors were surprisingly net buyers, albeit marginally, when the market re-opened on Tuesday after a 4-day break. However, the selling mode resumed in the rest of the week. Foreign selling exceeded RM100m on three straight days, Wednesday to Friday.
- In the last two weeks, foreigner investors had offloaded -RM1.04b in the open market. This has *increased* the cumulative net foreign outflow to -RM3.66b. In comparison, the cumulative foreign outflow for the entire 2014 was -RM6.93b.
- Foreign participation on Bursa stayed elevated for the second consecutive week. The daily average gross purchase and sale remained >RM1b at RM1.1b.
- Local institutions came to the support of the market and absorbed RM453.8m. Participation rate was RM2.14b last week and has averaged RM2.22b a day this year. Local institutions have absorbed RM4.69b net so far this year. In 2014, they mopped up RM8.18b net.
- After seven straight weeks of selling, retailers made a marginal purchase last week amounted to RM6.6m. However, participation rate plunged to only RM600m, the lowest since the opening week of the year. It is apparent that risk aversion is high among retail investors and only those with strong conviction are in the market. Retailers have sold a cumulative -RM1.0b net so far this year and had been net sellers in the last four years. The depressed state of the Malaysian retail market is in contrast with that in the majority of its peers in Asia.





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 20	1745.9	1858.8	-112.9	4773.5	5226.1	-452.6	4069.0	3503.5	565.5	151.9
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
MAT 10	1203.8	1197.2	6.6	4508.2	4054.4	453.8	1926.2	2386.6	-460.4	-128.2

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

D. TOP 100 STOCKS: MONEY FLOW [2]

TOP 10 NET MONEY INFLOWS

- Axiata registered the highest net money inflow of RM14.64m last week. This was a continuation to the RM6.74m inflow a week earlier. Nonetheless, its share price underperformed the broader market with a -1.78% weekly loss. This was against a smaller -0.58% decline in the FBM KLCI. It is also noteworthy that the net money inflow amidst retreating share price indicates buy on weakness (BOW) stance among some investors.
- Digi.com came in second with RM14.17m net inflow and its share slightly outperformed the FBM KLCI with an unchanged week-on-week price. As reported earlier, its net profit for 1QFY15 slipped 1.2% to RM479.21m but it was within our expectation. Postpaid users grew at a higher pace and we upgraded the stock to BUY with revised target price of RM7.04.
- IHH Healthcare recorded the third highest net money inflow of RM11.18m and its share slightly outperformed the FBM KLCI with an unchanged week-on-week price. IHH was recently reported to make a bid for Mahkota Medical Centre in Melaka which is currently owned by Health Management International Ltd.

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	
AXIATA	14.64	6.74	-1.78	BOW
DIGI.COM	14.17	7.52	0.00	-
IHH HEALTH	11.18	7.10	0.00	-
BAT	11.11	5.86	-1.16	BOW
MAYBANK	7.38	18.29	0.87	-
TELEKOM M'SIA	7.16	-0.24	-0.40	BOW
UMW HLDGS	5.92	1.42	1.50	-
IJM CORP	4.22	3.67	-3.14	BOW
PETRONAS GAS	3.83	1.97	0.26	-
F&N	2.92	-0.35	-1.29	BOW

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

TOP 10 NET MONEY OUTFLOWS

- MISC saw the largest net money outflow of –RM9.29m last week. Accordingly, its stock was a clear underperformer as it ended the week lower by -6.23% against a mere -0.58% fall in the FBM KLCI. Its 1QFY15 earnings fell to RM486.3m on weaker income from LNG business and higher cost at heavy engineering unit.
- Astro registered the second largest net money outflow during the review week totaling –RM7.93m. However, its share price outperformed with a 0.64% weekly gain. It is noteworthy that the net money outflow amidst rising share price indicates sell on strength (SOS) stance among some investors.
- Public Bank came in third last week with –RM5.99m net outflow and its share price underperformed the broader market with a -1.03% weekly loss.

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
MISC	-9.29	1.29	-6.23	-
ASTRO	-7.93	-0.76	0.64	SOS
PUBLIC BANK	-5.99	0.93	-1.03	-
PETRONAS DAGANG	-5.17	4.82	1.31	SOS
WESTPORTS	-4.09	-0.90	-4.22	-
BUMI ARMADA	-3.12	-2.70	5.04	SOS
YTL CORP	-2.87	0.88	0.00	-
BIMB HLDGS	-2.61	-2.25	-0.50	-
SIME DARBY	-2.60	-1.26	-0.33	-
TOP GLOVE	-1.85	0.50	-0.54	-

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

[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.

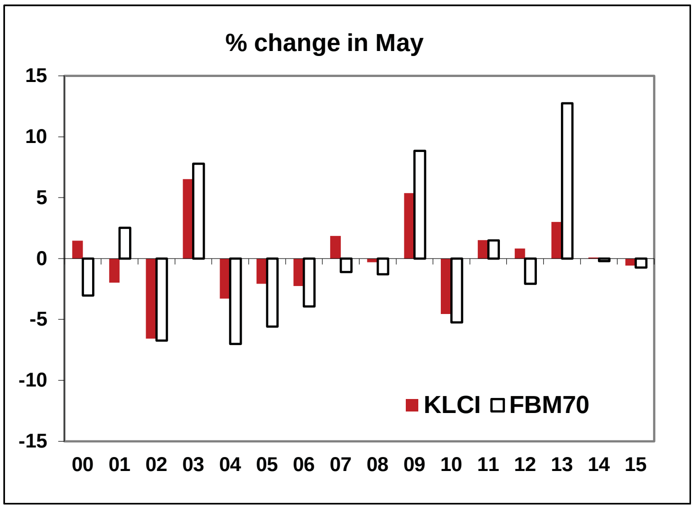
Source: Bloomberg, M

E. THE WEEK AHEAD

MORE VOLATILITY IN STORE

- The global equity selloff last Thursday is a glimpse of what is in store in the month of May. The FBM KLCI shed -0.87% on the day, the fifth sharpest 1-day decline this year.
- For the month-to-date, the KLCI and FBM70 have lost -0.6% and -0.7% respectively. While this is not exactly out-of-sync with the full-month historical average return, the market will be characterized by heightened volatility as we progress over the next three weeks.
- Last week's performance came on the heels of the disconcerting selldown in the last week of April. The severity of the price retracement during the last week of April is rather ominous for the market in May. Timing-wise, the negativities are converging in this immediate-term.
- *Firstly*, the bubble appears to have burst in China last week. The liquidity-driven market there is due for a much-needed correction and we expect an uphill struggle this month. A severe retracement in China's equity prices is likely to have a dampening effect on sentiment towards Asian Emerging markets.
- *Secondly*, the price of crude oil also appears toppish and the immediate-term outlook is not promising if one is expecting the rally to continue. The price of Brent crude last settled at USD65.39pb. It has rallied 40% from the year's low of USD46.59 on 13 January. In view of the high inventory, the risk of an oil selloff is rather high. Should oil price retreat, it is likely to drag the ringgit exchange rate, and consequently equity prices, with it.
- We wrote a couple of weeks ago about a golden crossover in the FBM KLCI. It looks that the bullish prognosis has to wait for a while. The FBM KLCI lost its short-term support (as represented by the 50-day moving average line) last week while the FBM70 and FBMSmallcap are teethering precariously on the support line.

So far in May ...



The KLCI lost its support last week

FOCUS ON CORPORATE EARNINGS

- What to expect for would be the slew of corporate earnings until the end of the month.
- In 4QCY14, there were 9 underperformers relative to our expectations, among the FBM KLCI constituents. While it may be too early to tell, the on-going 1QCY15 season might fare comparatively better as there is only 1 underperformer out of the 10 results released thus far. Stay tuned for more earnings commentaries in our full results preview on Wednesday.

DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (23878-X). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein

MIDF RESEARCH is part of
MIDF Amanah Investment Bank Berhad (23878 - X)
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Business Address:
11 & 12 th Floor, Menara MIDF,
82, Jalan Raja Chulan, 50200
Kuala Lumpur.
Tel: 2173 8888
Fax: 2173 8380