

MALAYSIA EQUITY RESEARCH | NOVEMBER 17, 2014

<p><b>Week Ended November 14, 2014</b></p>	Foreign Flow Meter	
	 Tide	(Maintain) LOW
	 Current	WEAK (Declining)

- In a week when the Brent crude oil price finally fell below USD80pb, the first time since September 2010, equity markets absorbed the decline well.
- Share prices at the bellweather market, Wall Street, rose for the fourth consecutive week with the Dow Jones and S&P500 hitting record highs last week. In Asia, most of the action was in China and Japan where the Nikkei 225 and CSI300 rose 3.6% and 3.2% respectively.
- For the third week running, Asia was a clear beneficiary of global portfolio money. Taiwan remained a big gainer of foreign capital last week. Global money managers' sentiment towards Taiwan appear to be the strongest currently among Asian nations, ex-Japan and China.
- In contrast to what is happening in the rest of Asia, global funds' appear indifferent towards Malaysian equity. The reversal of tide which we were hopeful of happening after the promising fund flow data in the last week of October has not materialised.
- Malaysia is losing its relative attractiveness as an equity market destination. There is no current catalyst for funds to enter Malaysia, more so with falling oil price and an impending GST in 2015. Last week, foreign investors sold Malaysian equity marginally in the open market amounted to -RM27.3m.
- Foreign participation continued to fall at a significant rate. Daily average gross purchase and sale fell to RM725m, the lowest in 27 weeks. However, we believe most of the foreign selling for the year is done.

17 November 2014 | Strategy - Weekly Fund Flow

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

## LOW TIDE AS OIL SLIDES

### A. MARKET SNAPSHOT

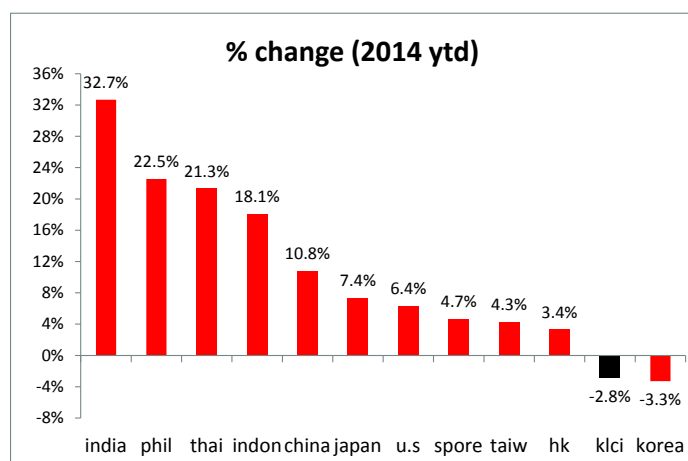
- In a week when the Brent crude oil price finally fell below USD80pb, the first time since September 2010, equity markets absorbed the decline well.
- Share prices at the bellweather market, Wall Street, rose for the fourth consecutive week. The Dow Jones and S&P500 closed the week gaining +0.4% each, hitting record highs along the way. Prices held ground despite concerns that the market may be topish, as evidence continue to point towards a healing economy.
- In Europe, sentiment remained subdued although Euro-area GDP grew 0.2%qoq in 3Q14, higher than expected. Germany avoided falling into recession growing 0.1%, while France surprised the market with a 0.3% growth.
- In Asia, most of the action was in China and Japan where the Nikkei 225 and CSI300 rose 3.6% and 3.2% respectively. In Japan, the unprecedented scale of monetary stimulus recently announced continue to buoy investors. Another impetus for the market last week was speculation that Prime Minister Shinzo Abe will push back another sales-tax increase and call a snap election as early as next month.
- There was a temporary selloff in Hong Kong after the China Securities Regulatory Commission and the HK Securities and Futures Commission jointly announced on Monday that the Shanghai-Hong Kong Stock Connect pilot program, which will establish mutual stock market access between Mainland China and Hong Kong, will be launched Nov. 17. However, prices rebounded strongly on Thursday and by Friday, the Hang Seng clawed its way into the greenzone with a gain of 2.3% for the week.
- Meanwhile, China's market rallied this week as the Shanghai-Hong Kong exchange link will give foreign investors unprecedented access to China's USD4.2t stock market. The program will allow a net 23.5b yuan (USD3.8b) of daily cross-border purchases.
- Emerging Asia had mixed week. The Jakarta Composite rebounded +1.2% after falling -2.0% the week before. However, the Thai SET fell -0.2%. The KLCI was the worst performer last week, shedding -0.6%. The index has lost -2.8% this year, the second worst after Korea's KOSPI.

### Performance of major markets

Weekly % change	Week before	Last week
Nikkei 225	2.84	3.62
China CSI300	-0.25	3.15
Hang Seng	-1.87	2.28
FTSE	0.32	1.33
Jakarta JCI	-2.01	1.24
Straits Times	0.37	0.89
Taiwan Taiex	-0.69	0.79
India Sensex	0.01	0.64
S&P500	0.69	0.39
Dow Jones	1.05	0.35
CAC	-1.02	0.30
Korea KOSPI	-1.25	0.27
Phil Comp	-0.14	0.16
Thai SET	-0.37	-0.16
DAX	-0.38	-0.42
KLCI	-1.67	-0.57

Source: Bloomberg

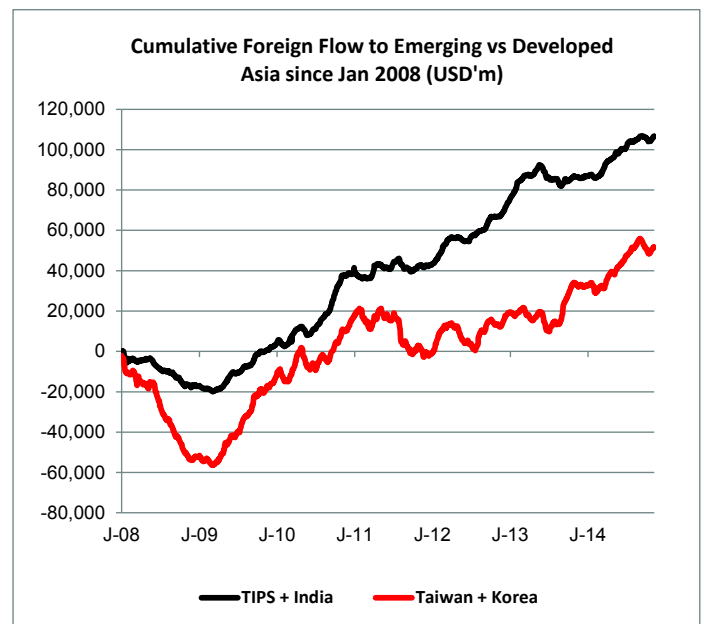
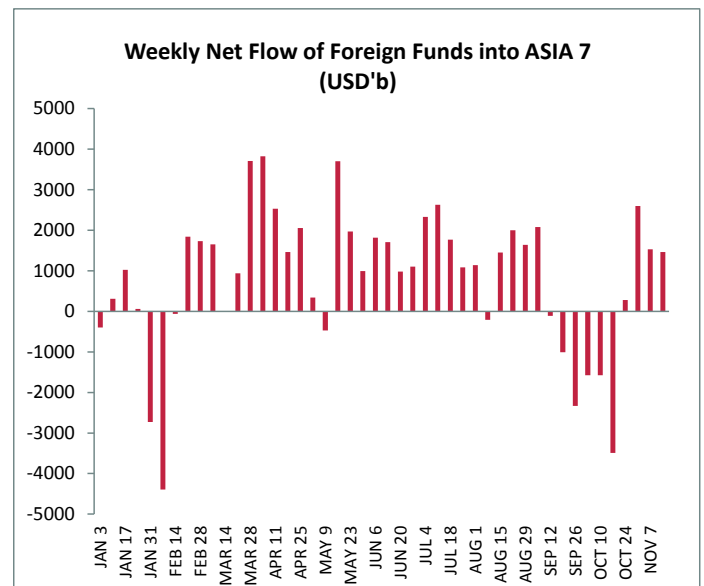
### Major Asian indices



Source: Bloomberg

**B. TRACKING MONEY FLOW - ASIA**

- For the third week running, Asia was a clear beneficiary of global portfolio money.
- Last week, funds classified as “foreign” were, in aggregate, net buyers of stocks in the seven Asian<sup>1</sup> exchanges that we track (Korea, Taiwan, Thailand, Malaysia, Indonesia, Philippines and India). The amount bought amounted to +USD1.46b, slightly lower than the +USD1.52b recorded the week before (see bar chart).
- The direction of the flow was evenly spread between “Developed” Asia<sup>2</sup>, as represented by Taiwan and Korea and “Emerging Asia”, as represented by the markets in Thailand, Indonesia, Philippines (TIPs), Malaysia and India. The tide was moderate, even low in some countries.
- Taiwan remained a big gainer of foreign capital last week, attracting +USD817m. That was moderate compared with the +USD1.4b inflow chalked in the last week of October. Nevertheless, global money managers’ sentiment towards Taiwan appear to be the strongest currently among Asian nations ex Japan and China. Foreigners have bought USD12.8b of Taiwan stocks this year, but the Taiex is only up 4.3% while still trading at a discount to historical average valuation. That is enticing to investors looking for a proxy of U.S demand for imported electronics.
- Interestingly, foreign buying of Taiwan stocks is being recorded amid rising apprehensions in the market. Trading volumes have declined on news that South Korea and China are close to signing a free trade agreement. Meanwhile, the ruling Kuomintang party also appears to be losing popular support in the coming 9-in-1 elections (9 concurrent local elections) on Nov 29.



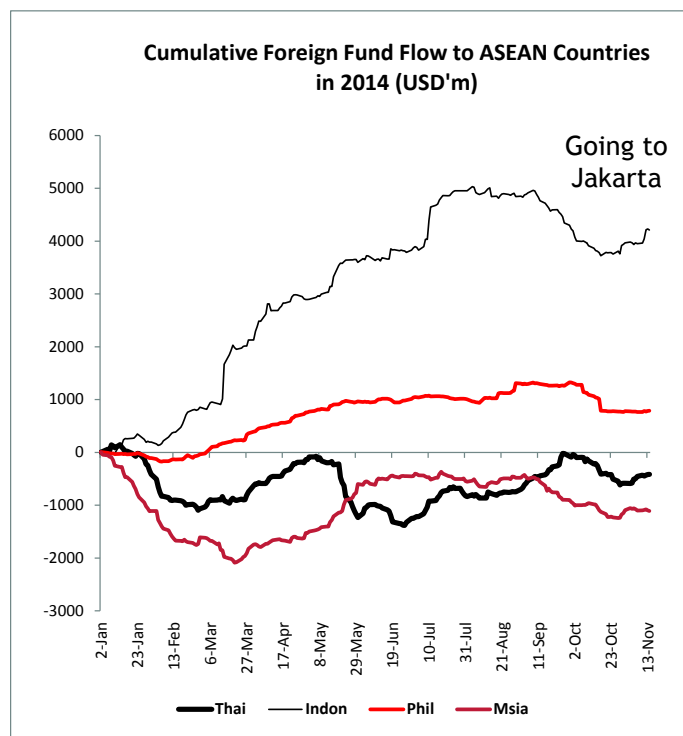
NET FLOW	TIPs + India	Taiwan + Korea	Total (USD'm)
2008	-17,195	-53,106	-70,301
2009	20,580	40,063	60,642
2010	35,690	29,234	64,924
2011	2,748	-17,801	-15,053
2012	31,302	19,976	51,278 (55,663*)
2013	12,446	13,500	25,946 (27,170*)
2014	20,012	18,612	38,625 (37,516^)

TIP = Thailand, Indonesia, Philippines ^ including Malaysia

<sup>1</sup> These ASIA 7 markets, for which fund flow data is publicly available, are our proxy for Asia.

<sup>2</sup> Technically, the Korea and Taiwan markets have not yet been classified as “developed” under the MSCI. We use the term liberally only for tracking purposes.

- Meanwhile, Korea is currently crawling out of global investors' radar screen. The won was the worst performing Asian currency last week, evidently dragged by the falling yen. As the yen is expected to stay depressed for an extended period of time, the pressure on the won is seen as a risk deterring money flow to Korea.
- Among Emerging Asian markets, Indonesia appeared to be the most alluring last week as international investors mopped up +USD260m of stocks, the highest in 18 weeks. Investors are betting on massive investments in infrastructure in Indonesia now that political stability has been restored.
- In Thailand, foreign investors have been net buyers in November, after selling throughout October. They are also starting to buy back Philippine stocks.



Source: Various countries' exchanges, via Bloomberg. These figures are subject to revisions. Aggregated by MIDFR.

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

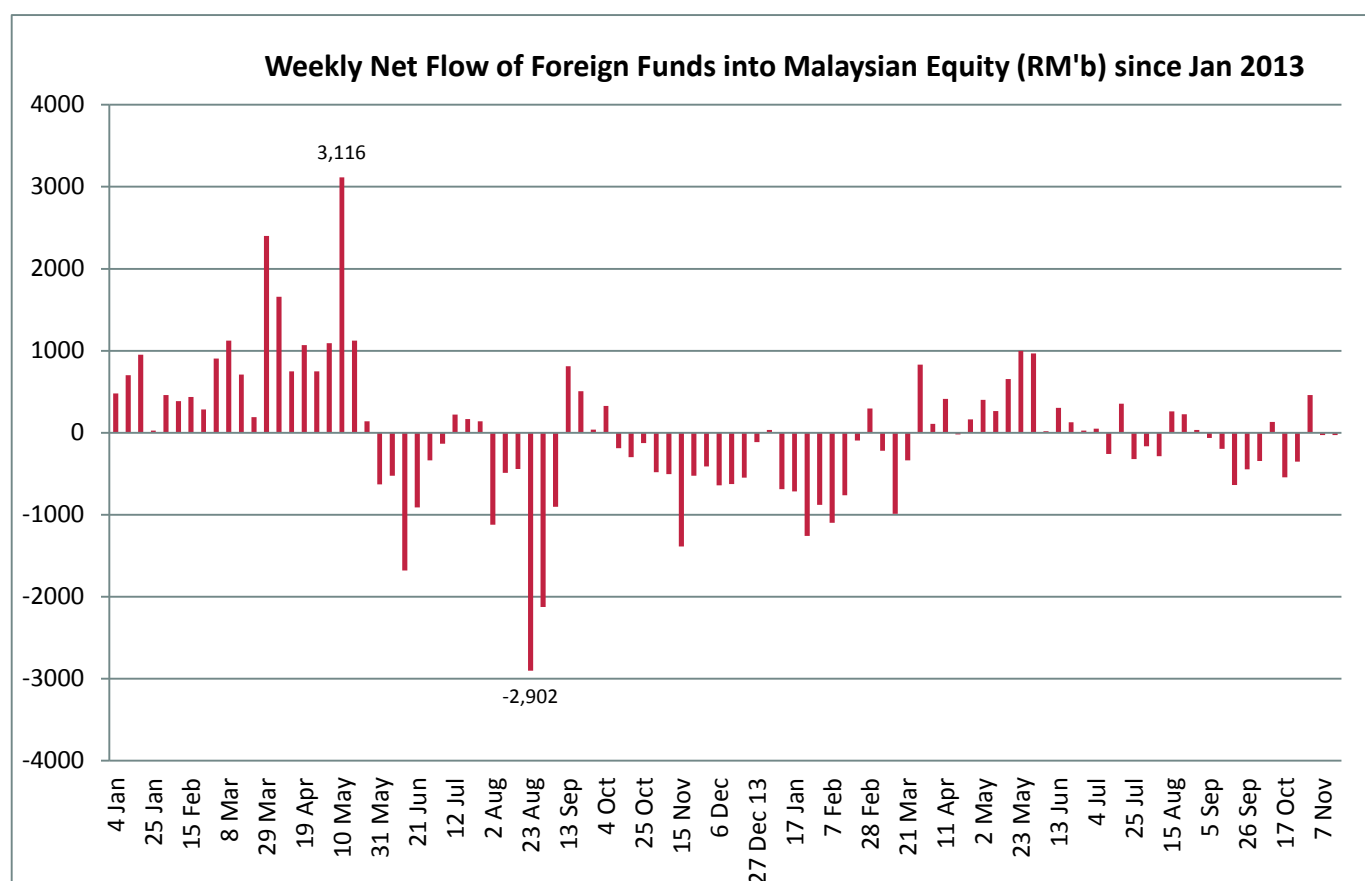
WEEK ENDED	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
MAY 23	1060.8	-599.5	313.3	68.7	277.4	537.0	311.1	1968.3
MAY 30	256.1	-398.5	-39.7	-10.7	398.3	489.2	300.7	995.5
JUN 6	293.7	246.0	99.0	-18.6	1008.0	181.6	6.0	1815.8
JUN 13	105.6	-62.5	-15.7	70.6	850.9	664.2	95.3	1708.3
JUN 20	69.1	-273.6	154.7	-70.4	-65.7	1125.7	39.9	979.7
JUN 27	359.2	3.4	-51.1	42.0	46.7	694.0	7.8	1102.0
JUL 4	821.8	106.0	45.2	51.3	740.1	547.8	15.5	2327.7
JUL 11	610.5	293.5	816.1	20.4	731.0	239.0	-81.0	2629.5
JUL 18	796.5	186.1	215.3	0.0	422.1	32.9	111.8	1764.6
JUL 25	547.3	52.7	91.5	-49.8	323.1	220.5	-101.1	1084.3
AUG 1	1423.2	-152.3	0.0	-4.1	-460.6	383.3	-51.5	1137.9
AUG 8	148.6	-29.2	-72.2	-67.8	367.6	-466.7	-88.9	-208.6
AUG 15	700.6	82.4	-38.1	86.8	441.8	96.3	82.2	1451.9
AUG 22	499.0	32.7	54.3	96.5	288.7	956.6	71.5	1999.4
AUG 29	405.5	4.1	-56.5	189.1	139.2	948.8	11.7	1641.9
SEP 5	440.6	213.1	70.6	-16.3	793.6	598.8	-19.2	2081.0
SEP 12	-204.8	88.6	-148.0	2.2	432.0	-222.7	-61.5	-114.2
SEP 19	-354.7	169.0	-171.5	-31.9	31.9	-456.9	-197.1	-1011.1
SEP 26	-661.0	253.5	-247.9	-6.1	-366.5	-1164.6	-137.8	-2330.5
OCT 3	-309.1	-75.9	-344.4	20.3	107.2	-866.0	-104.8	-1572.7
OCT 10	-716.4	-64.4	-88.9	-189.7	-304.0	-256.2	41.2	-1578.3
OCT 17	-1093.2	-248.8	-187.8	-299.9	-604.9	-888.2	-166.3	-3489.1
OCT 24	139.0	-93.8	30.5	-8.8	290.6	27.7	-107.5	277.7
OCT 31	219.3	-81.4	210.8	1.6	668.7	1439.5	140.2	2598.6
NOV 7	-248.9	129.9	-14.9	-17.9	891.6	797.5	-8.7	1528.5
NOV 14	-12.9	39.2	259.7	23.7	345.7	816.9	-8.2	1464.2

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

## FUND FLOW REPORT

### C. TRACKING MONEY FLOW - MALAYSIA

- In contrast to what is happening in the rest of Asia, the pattern of foreign money flow in the last two weeks reflects global funds' *blase* attitude towards Malaysian equity. The reversal of tide which we were hopeful of happening after the promising fund flow data in the last week of October has not materialised.
- Malaysia is losing its relative attractiveness as an equity market destination. There is no current catalyst for funds to enter Malaysia, more so with falling oil price and an impending GST in 2015. However, we believe most of the foreign selling for the year is done. As of last Friday foreign funds had offloaded -RM3.75b of equity in the open market this year, more than the +RM3.0b that entered in 2013.
- Last week, investors classified as "foreign" sold Malaysian equity marginally in the open market (i.e excluding off-market deals) on Bursa amounted to -RM27.3m, almost similar to the -RM29.7m sold the week before.
- What is noticeable is the low tide and weak current of the foreign money flow. Foreign participation continued to fall at a significant rate. Daily average gross purchase and sale fell to RM725m, the lowest in 27 weeks.
- Local institutions also cleared some position, selling -RM51m, on yet elevated but weakening participation rate of RM2.1b.
- Interestingly retail investors had been accumulating stocks in the last two weeks. They bought +RM78m net last week, after buying +RM33m the week before. Participation rate was depressed at only RM789m. This reflects opportunistic buying by retail investors, especially those with holding power, as the prices of small and mid cap counters have retraced significantly.

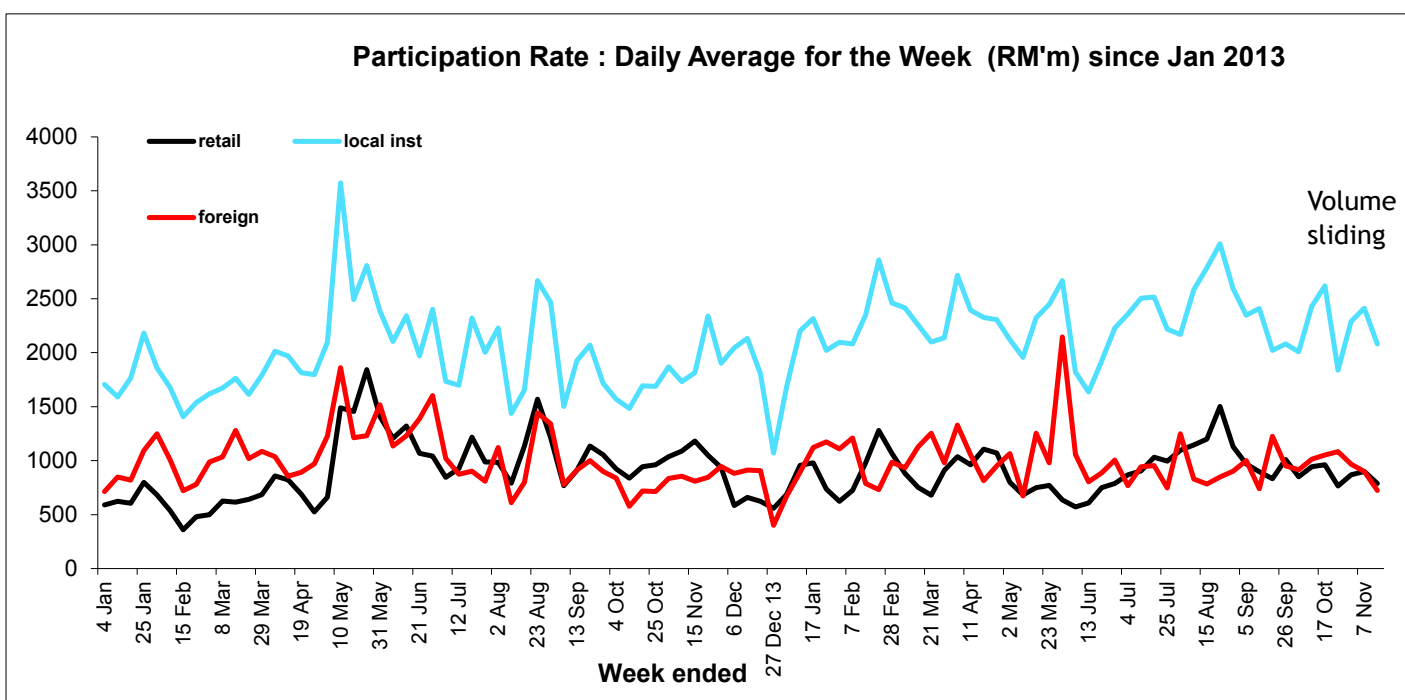


Source: Bursa, excluding off-market trades

**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)*
JUN 20	1830.5	1913.3	-82.8	4784.6	4830.5	-45.9	2283.5	2154.8	128.7	39.9
JUN 27	1937.0	2002.5	-65.5	5592.1	5551.6	40.5	2528.4	2503.4	25.0	7.8
JUL 4	2043.4	2292.8	-249.4	5993.8	5794.7	199.1	1942.4	1892.1	50.3	15.5
JUL 11	2193.5	2330.6	-137.1	6459.4	6064.6	394.8	2226.7	2484.4	-257.7	-81.1
JUL 18	2024.6	2101.0	-76.4	4893.9	5173.3	-279.4	2087.2	1731.4	355.8	111.8
JUL 25	2429.3	2550.8	-121.5	5767.0	5324.6	442.4	1705.0	2025.9	-320.9	-101.1
AUG 1	1624.9	1660.7	-35.8	3353.6	3152.8	200.8	1792.4	1957.4	-165.0	-51.5
AUG 8	2843.0	2880.5	-37.5	6617.1	6294.2	322.9	1931.3	2216.7	-285.4	-88.9
AUG 15	2985.5	3016.8	-31.3	6852.4	7082.7	-230.3	2090.5	1828.9	261.6	82.2
AUG 22	3689.5	3819.6	-130.1	7473.0	7569.4	-96.4	2234.7	2008.2	226.5	71.5
AUG 29	2768.6	2879.9	-111.3	6523.4	6448.5	74.9	2272.6	2236.2	36.4	11.7
SEP 5	1873.7	2005.4	-131.7	4790.0	4597.1	192.9	1970.0	2031.2	-61.2	-19.2
SEP 12	2223.6	2257.8	-34.2	6142.5	5911.0	231.5	1748.2	1945.5	-197.3	-61.5
SEP 19	1674.4	1655.2	19.2	4352.0	3735.4	616.6	2130.7	2766.5	-635.8	-197.1
SEP 26	2528.4	2528.2	0.2	5429.0	4981.8	447.2	2157.1	2604.5	-447.4	-137.8
OCT 3	2135.1	2117.2	17.9	5183.9	4859.5	324.4	2116.0	2458.3	-342.3	-104.8
OCT 10	1974.1	1795.8	178.3	4705.7	5018.0	-312.3	2095.3	1961.3	134.0	41.2
OCT 17	2382.5	2422.3	-39.8	6843.7	6259.0	584.7	2358.9	2903.8	-544.9	-166.3
OCT 24	1436.6	1622.6	-186.0	3946.1	3408.8	537.3	1992.2	2343.5	-351.3	-107.5
OCT 31	2114.6	2222.5	-107.9	5549.8	5901.9	-352.1	2646.4	2186.4	460.0	140.2
NOV 7	2267.3	2234.2	33.1	6030.9	6034.3	-3.4	2233.9	2263.6	-29.7	-8.7
NOV 14	2011.5	1923.2	78.3	5176.2	5227.2	-51.0	1797.5	1824.8	-27.3	-8.2

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



## FUND FLOW REPORT

### D. TOP 100 STOCKS: MONEY FLOW <sup>3</sup>

#### TOP 10 NET MONEY INFLOWS

- Digi attracted the highest net money inflow of RM8.23m last week. However, its share price significantly underperformed the broader market with a -2.45% weekly drop against a smaller -0.57% weekly loss in the FBM KLCI. Under this scenario, it is noteworthy that the net money inflow amidst retreating share price indicates buy on weakness (BOW) stance among some investors.
- Nestle came in second with RM6.80m net inflow. Its share price outperformed the FBM KLCI with a 0.15% weekly gain. The company recently noted that it will give more focus to increase operating efficiency to counter the impact of inflationary pressure and slower export sales. Moreover, its domestic sales remained encouraging despite the weaker consumer environment.
- Genting recorded the third highest net money inflow of RM6.63m. Its share price however tumbled -2.54%. The share price slide was arguably on concerns over potential slowdown in the gaming industry. Genting Singapore Plc recently reported a hefty 43% drop in its net profit for the third quarter. Nonetheless, net money inflow amidst retreating share price indicates BOW stance among some investors.

#### TOP 10 NET MONEY OUTFLOWS

- Tenaga Nasional registered the largest net money outflow during the review week totaling -RM18.26m. However, its share price outperformed the benchmark with a 4.00% weekly gain. A local credit rating agency recently noted that TNB should be able to maintain its financial performance despite no increase in power tariff until mid-next year. The net outflow amidst rising share price may indicate Sell on strength (SOS) stance among some investors.
- Telekom Malaysia saw the second largest net money outflow of -RM8.41m last week. The stock was an underperformer as it ended the week lower by -1.80%.
- AMMB came in third with -RM2.31m net outflow. Nonetheless, its share price slightly outperformed the broader market last week with a 0.15% gain. The net outflow amidst rising share price may indicate SOS stance among some investors.

Tables below list the Top 10 Net Money Inflows and Net Money Outflows for the week ended 14 November 2014 among the largest 100 market capitalized stocks on Bursa Malaysia.

Name	Net Money Flow (RM m)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
DIGI	8.23	-6.22	-2.45	BOW
NESTLE	6.80	0.09	0.15	-
GENTING	6.63	-1.29	-2.54	BOW
PUBLIC BANK	6.29	9.31	-0.22	BOW
HLEONG BANK	4.12	1.92	-0.56	BOW
PETRONAS GAS	3.45	1.38	-1.55	BOW
MAYBANK	3.43	-8.06	-1.04	BOW
MISC	3.43	5.61	3.52	-
HLEONG FIN	3.20	-0.15	0.57	-
BURSA	2.51	-1.35	-2.20	BOW

Source: Bloomberg, MIDFR;

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

Name	Net Money Flow (RM m)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
TNB	-18.26	-16.74	4.00	SOS
TM	-8.41	-6.27	-1.80	-
AMMB	-2.31	-1.69	0.15	SOS
WESTPORTS	-1.95	-1.16	0.00	-
MMC CORP	-1.63	-0.08	-2.78	-
YTL POWER	-1.54	-0.37	1.87	SOS
MBSB	-1.53	-0.90	-1.15	-
KL KEPONG	-1.37	3.55	0.00	-
DIALOG	-1.25	0.05	3.31	SOS
DAYANG ENT	-1.24	-0.12	-1.41	-

Source: Bloomberg, MIDFR;

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

<sup>3</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

**E. THE WEEK AHEAD**

**NOVEMBER PAINS!**

- After a promising last few days of October, the situation has reversed. November has simply been disappointing.
- As of last Friday, the KLCI and FBM70 had lost -2.2% and -3.5% respectively for the month. The FBM Smallcap had lost a whopping -5%. Without any clear evidence that things are turning around, we could be looking at the worst November for the local equity market since the Financial Crisis.
- The situation is rather dire for the small caps. Technically, this class of stocks is rather vulnerable, as the 50-day moving average line appears set to pierce the 200-day moving average line this week (see chart). This is the so-called “death cross”, and is a harbinger of bearishness. The KLCI and FBM70 already completed the “death cross” earlier.

**Small-caps vulnerable**



**GOVERNMENT’S OIL CONUNDRUM**

- A market concern currently, which appears to be hurting Malaysia more than its regional peers, is the impact of falling oil price on government finance. This concern does not appear to be fading away, at least during this week.
- The price of Brent crude oil completed a 30% retracement from its 52-week high last week. That is rather disconcerting. Russia’s President Putin has even remarked that the country is preparing for a “catastrophic” slump in oil prices.
- In the case of the Malaysian Government, its collection of petroleum income tax in particular is calculated based on crude oil price (Tapis) assumptions of USD110pb and USD105pb in 2014 and 2015 respectively. Assuming that the price of Tapis averages USD85pb in 2015, we estimate that the Government may be looking at a shortfall in revenue amounting to RM5.7b assuming Petronas pays the projected dividend of RM27b.
- Those predicting a government financial crisis have their concerns rather exaggerated. The fact is the Federal Government’s dependence on petroleum related income is declining. It used to be as high of 39% of its total income in 2009, but with the implementation of GST, the incidence is expected to ease to 26% in 2015 (see table).
- In addition, lower crude oil price also means lower fuel subsidy which amounts to about RM21b a year. This will offset the shortfall in revenue.
- The fact is lower crude oil price can be an impetus to real economic activity. In our report “Living in a World of Cheaper Oil” released today, we foresee the transport and power generation industries to benefit from the current situation.

**Brent completed a 30% retracement from 52-week high last week**



**Government’s dependence on petroleum related income is declining**

	Petroleum-related Income * (A)	Total Federal Government Revenue (B)	A/B %
2007	39,876.5	139,885.3	29%
2008	52,802.0	159,793.4	33%
2009	61,140.6	158,639.3	39%
2010	55,559.4	159,652.9	35%
2011	64,892.5	185,418.9	35%
2012	68,545.0	207,912.7	33%
2013	64,571.5	213,370.2	30%
2014e	66,866.0	225,094.0	30%
2015f	62,257.0	235,219.0	26%

\* Include Petronas dividend, Petroleum income tax, royalty, export duties and sales tax. Source: compiled from annual budgets, Ministry of Finance





## 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

This document may not be reproduced, distributed or published in any form or for any purpose.



**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