



MALAYSIA EQUITY RESEARCH | OCTOBER 27, 2014

<p><b>Week Ended October 24, 2014</b></p>	Foreign Flow Meter	
	 Tide	MODERATE-HIGH
	 Current	(Maintain) STRONG

- After four weeks of turmoil, the world's equity markets roared back to life last week. In Wall Street, the bellweather market, the Dow Jones rose 2.6%, the best this year, while the S&P500 rose 4.1%, the best since January 2013.
- The trend may be reversing. After six straight weeks of a disconcerting sell-down, global funds appear to be making a comeback in Asia, although it is still early days for a rise in optimism. Foreign funds started to nibble again in Taiwan, Korea, India and Indonesia, and putting a brake on their sell-down of Thailand and Philippines stocks.
- Unfortunately, Malaysia bucked regional trend again. Foreign investors sold Malaysian equity in the open market amounted to -RM351.3m, compared with -RM545m sold the week before.
- Much of the loss in October was regained last week. However, because volume was relatively thin, the upward movement was amplified. With five trading days left in October, we are not discounting the possibility that the KLCI and FBM70 may surprise by ending the month in the greenzone. However, the FBM Smallcap index is unlikely to reverse the situation as it is still too deep in the redzone.
- We would continue to be cautious in the days ahead because market volatility is too high for comfort, oil price is sliding again, and uncertainty over how the market will react to the result of the ECB's bank stress test.
- The week ahead will also be laden with statistics and decisions. Thursday is the big day when the FOMC meets.

27 October 2014 | Strategy - Weekly Fund Flow

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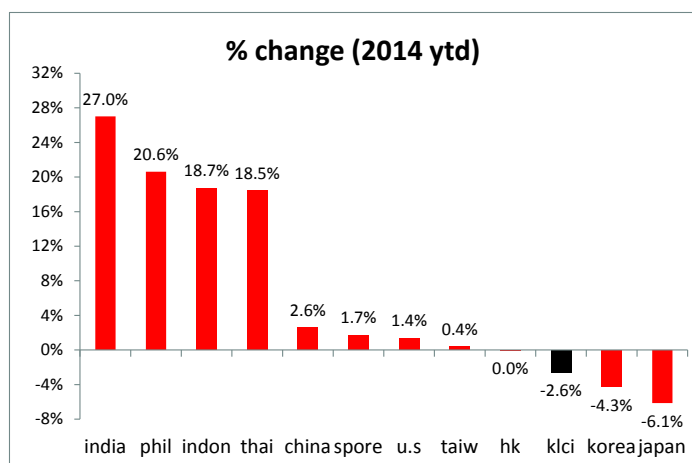
# THE TIDE IS TURNING

## A. MARKET SNAPSHOT

- After four weeks of turmoil, the world's equity markets roared back to life with the proverbial vengeance last week.
- In Wall Street, the bellweather market, the Dow Jones rose 2.6%, the best this year, while the S&P500 rose a stunning 4.1%, the best since January 2013. The inflexion point for the current recovery was actually October 16, after suggestions by a member of the Federal Open Market Committee that the Fed should consider delaying the end of quantitative easing. The recovery is still about half way to what it was before the sell-down.
- The Japanese market sets the tone for the rest of Asia ex-China after sprinting off the block on Monday. Japanese stocks surged when trading opened for the week after news that the Government Pension Investment Fund will raise its allocation target for domestic shares to 25% from 12%. The Nikkei 225 rose a spectacular 5.2% last week, after sliding 10.5% in the preceding three weeks. It was the strongest weekly rally since November 2013. Investors were upbeat over U.S corporate earnings and signs that the Eurozone may avert a recession.
- China's market continued to struggle last week with the CSI300 losing -2.1%. The first reading of China's economic performance in October shows that production is still in low gear. HSBC's "flash" PMI for October edged up slightly to 50.4 from 50.2 in September, but the market is more worried about the slowing order. China is set to miss its 7.5% growth target this year.
- The strength of recovery varied among Asian Emerging markets, reflecting factors specific to the country. In Thailand, the SET rose a sedate 0.6%, reflecting still cautious sentiment after three weeks of sell-down during which the index lost -4.5%. Likewise, the Jakarta Composite gained only 0.9% as the market adjusts to life under Widodo which was inaugurated last week. Widodo is in the process of establishing what he would claim to be a graft-free cabinet.
- The KLCI gained a relatively strong 1.7% last week and is now down -4.2%ytd.

Performance of major markets		
Weekly % change	Week before	Last week
Nikkei 225	-5.02	5.22
S&P500	-1.02	4.12
India Sensex	-0.72	2.84
Dow Jones	-0.99	2.59
CAC	-0.99	2.37
Straits Times	-1.74	1.73
KLCI	-1.14	1.71
Taiwan TaieX	-5.06	1.56
DAX	0.70	1.55
Phil Comp	-2.29	1.43
Korea KOSPI	-2.07	1.32
FTSE	-0.47	1.24
Hang Seng	-0.28	1.21
Jakarta JCI	1.33	0.88
Thai SET	-1.55	0.64
China CSI300	-1.02	-2.09
Source: Bloomberg		

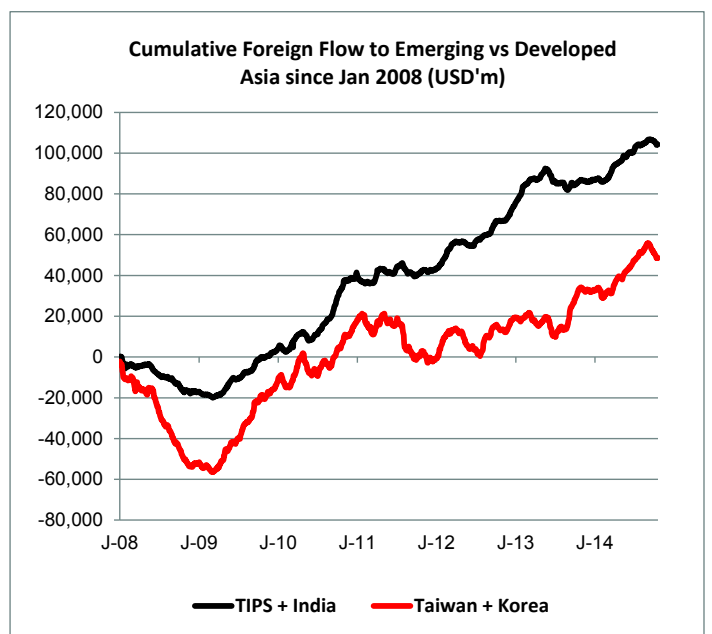
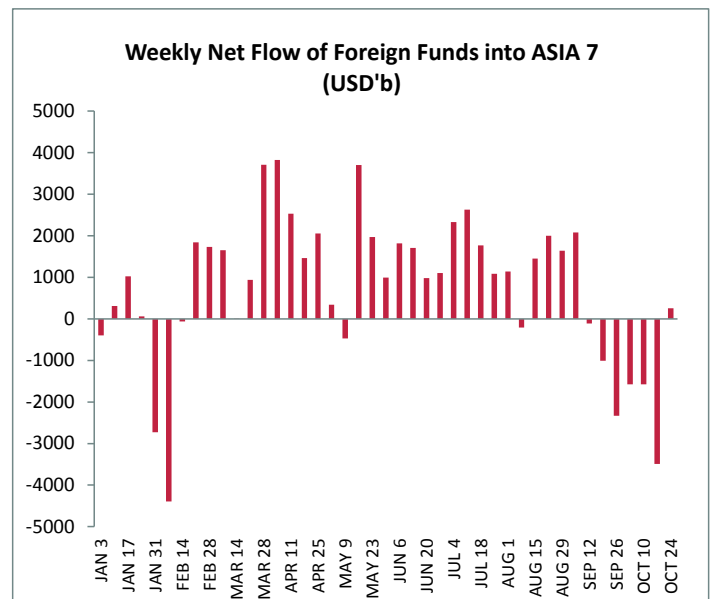
## Major Asian indices



Source: Bloomberg

**B. TRACKING MONEY FLOW - ASIA**

- The trend may be reversing. After six straight weeks of a disconcerting sell-down, global funds appear to be making a comeback in Asia, although it is still early days for a rise in optimism.
- 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 a marginal +USD257m last week, compared with a massive -USD3.5b sell-down in the preceding week (see bar chart).
- Global funds nibbled in both “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 worst of foreign money attrition from “Developed” Asia this year may be in the past. Foreign funds appear to start buying back Korean and Taiwanese names after six consecutive weeks of exodus.
- In Korea, foreign investors have offloaded stocks since the second week of September. However, they bought a marginal +USD139m last week. Korea’s GDP grew at 3.2%yoy in 3Q14, decelerating from the 3.2%yoy in 2Q14. The slowdown was partly attributable to the Sewol ferry disaster which dampened sentiment. The economy is being stimulated by fiscal expansion and two interest rate cuts in three months.
- Likewise, in Taiwan, foreign investors’ apprehension appear to have subsided. Foreigners bought +USD28m of Taiwanese stocks last week, as sentiment towards the technology sector is recovering amid healthy corporate earnings numbers of U.S tech companies. Apple Inc and Texas Instruments Inc were among the



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	17,534	15,601	33,135 (31,903^)

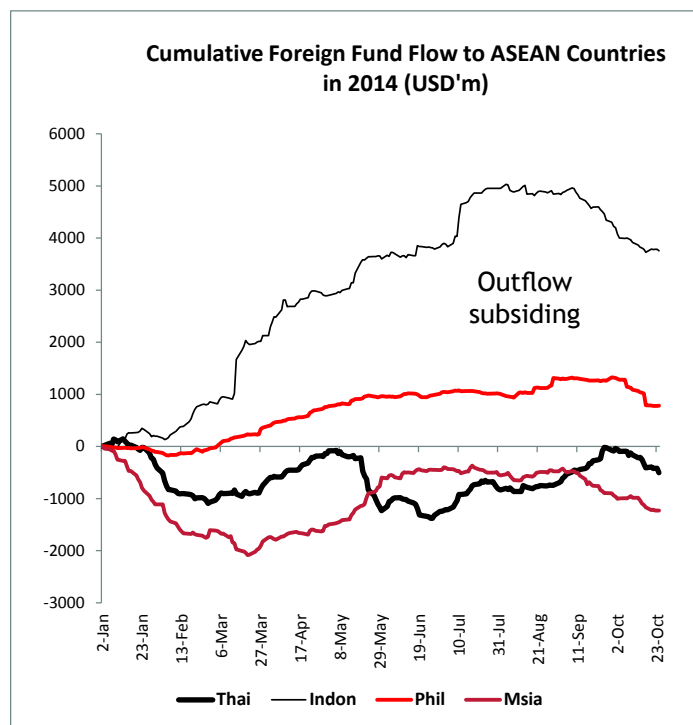
TIP = Thailand, Indonesia, Philippines ^ including Malaysia

<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.

companies that reported stronger than expected earnings last week.

- Foreign selling in Emerging Asia subsided last week as foreign investors started to buy back India and Indonesian names.
- In a week when President Widodo was inaugurated, foreign investors bought Indonesian stocks for the first time in about two months. Although the amount was moderate – only USD31m – it is a good sign that confidence in the government is returning. Investors would like to see further progress in Indonesia’s public finance reform. Media speculation is that Widodo will announce a fuel price increase on Oct. 31 by 3,000 rupiah/lt, while providing compensation funds for 20m poor households.
- In Thailand and Philippines, foreign investors were still net sellers for the week but the amount sold had declined dramatically.



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)

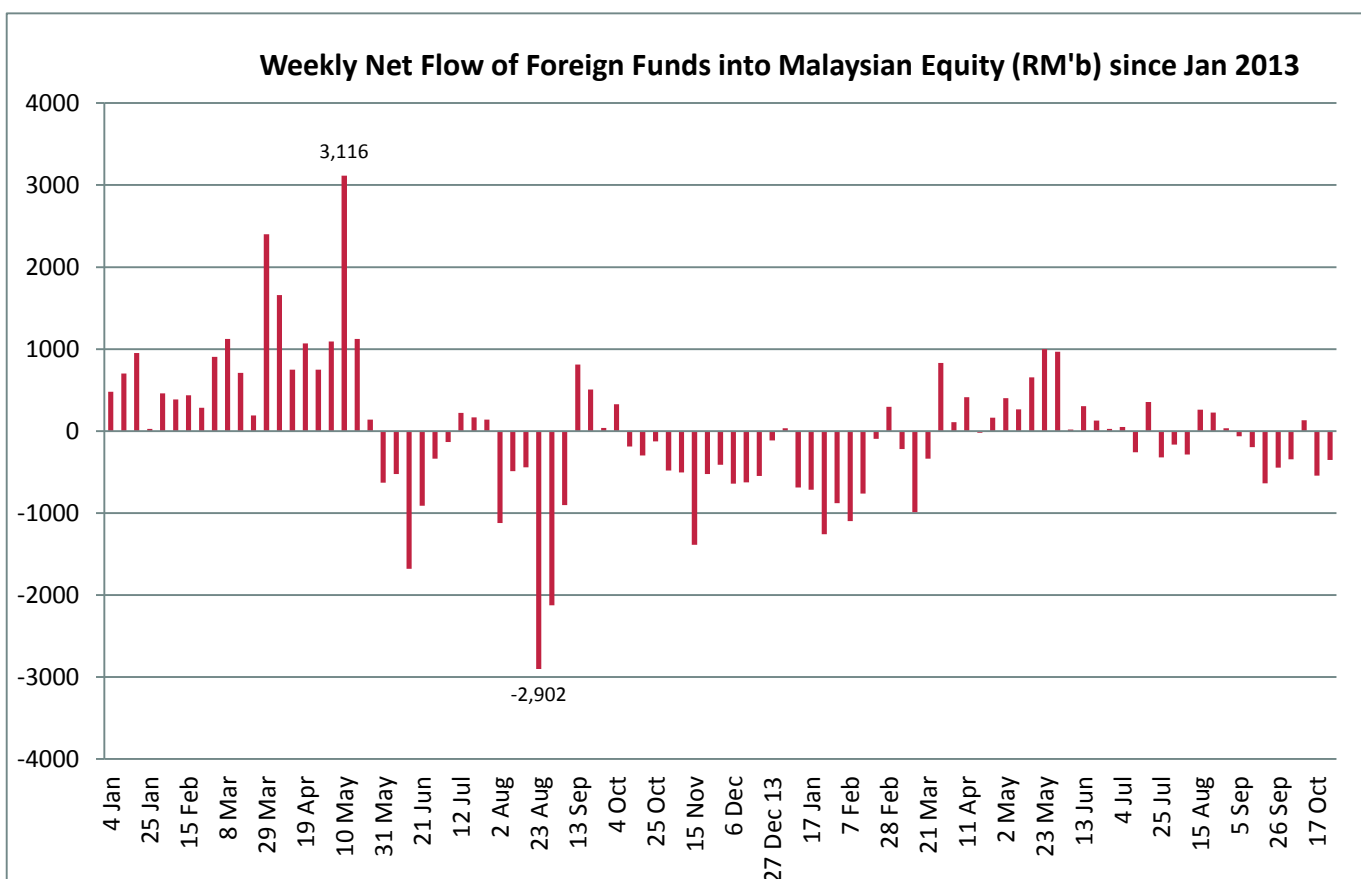
WEEK ENDED	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
MAY 2	-503.3	101.7	-82.7	76.9	322.4	299.1	123.2	337.4
MAY 9	-668.5	-72.8	95.5	52.0	390.2	-348.7	82.0	-470.4
MAY 16	1236.5	-77.9	330.2	82.7	1637.8	285.2	203.6	3697.9
MAY 23	1060.8	-599.5	313.3	68.7	277.4	537.0	311.1	1968.3
MAY 30	256.1	-398.5	-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	269.5	27.7	-107.5	256.6

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

## FUND FLOW REPORT

### C. TRACKING MONEY FLOW - MALAYSIA

- Malaysia is again bucking regional trend in money flow. While foreign funds started to nibble again in Taiwan, Korea, India and Indonesia, and putting a brake on their sell-down of Thailand and Philippines stocks, the sell-down of Malaysian equity continued at a “sustained but moderate” pace.
- Investors classified as “foreign” offloaded Malaysian equity in the open market (i.e excluding off-market deals) on Bursa last week amounted to -RM351.3m in a four-day trading week. That compared with -RM545m sold the week before.
- Foreign investors were net sellers before the public holiday on Wednesday, but bought a marginal RM19m when the market reopened on Thursday. That was the first purchase in eight days. However, hopes for a reversal in sentiment was short-lived, as selling continued on Friday.
- On cumulative basis, foreign investors had sold -RM4.2b net of Malaysian stocks in 2014 as of last Friday. This already reversed the +RM3.0b net inflow in 2013.
- Foreign participation stayed “elevated” (>RM1b) for the third week running. Daily average gross purchase and sale rose slightly to RM1.08b from RM1.05b.
- As expected, local investors stayed on the sideline last week. Participation rate of local institutions dropped to RM1.84b, the first time it fell below the RM2b threshold in a long 18 weeks! Local funds absorbed +RM537m last week, reflecting market support.
- Retail investors turned significantly bearish, offloading -RM186m, the second highest sell-down in a week this year. However, participation rate was moderate with average daily gross sales and purchases at only RM765m, among the lowest this year.

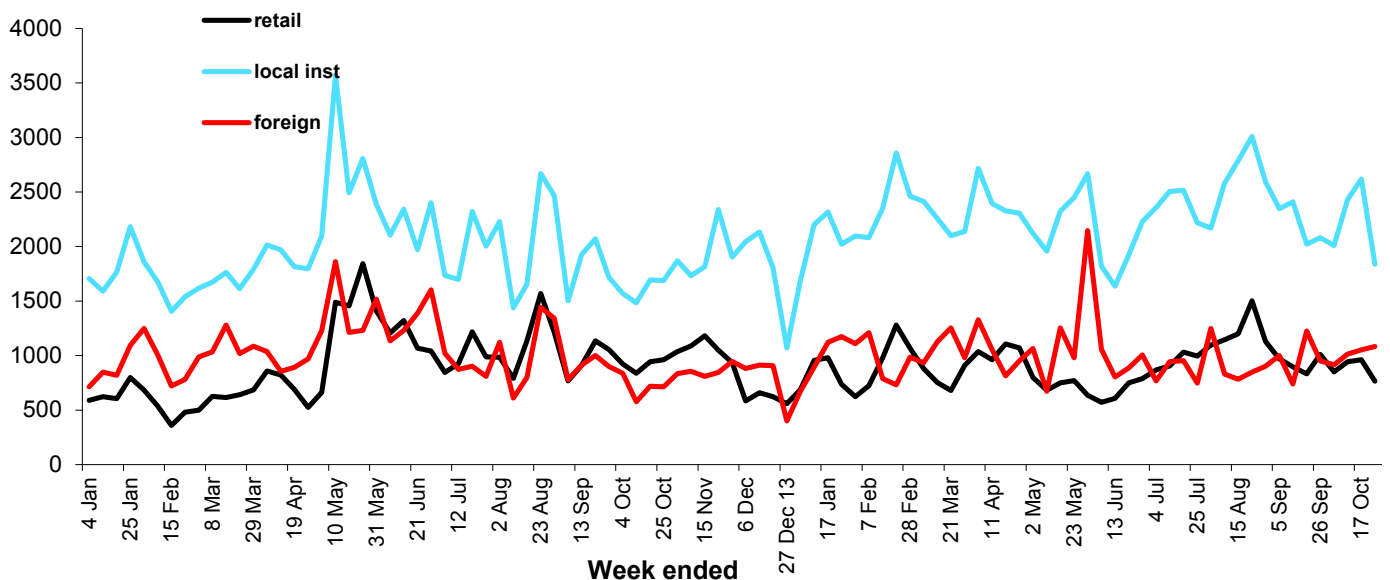


Source: Bursa, excluding off-market trades

**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)*
MAY 30	1521.4	1657.4	-136.0	6252.8	7083.8	-831.0	5848.0	4881.0	967.0	300.7
JUN 6	1377.6	1473.0	-95.4	4586.9	4511.6	75.3	2655.8	2635.7	20.1	6.0
JUN 13	1478.1	1558.3	-80.2	3977.0	4202.6	-225.6	2165.1	1859.3	305.8	95.3
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

\* 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**


## FUND FLOW REPORT

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

- Tables below list the Top 10 Net Money Inflows and Net Money Outflows for the week ended 28 June 2014 among the largest 100 market capitalized stocks on Bursa Malaysia.

#### TOP 10 NET MONEY INFLOWS

- CIMB attracted the highest net money inflow of RM19.62m last week. Its share price however retreated -1.72%. This was against the FBM KLCI's 1.71% rise. The Bursa Malaysia decision to disallow EPF to vote on the CIMB-RHBC merger was an attributing factor to the price decline. It is also noteworthy that money net inflow amidst retreating share price indicates buy on weakness (BOW) stance among investors.
- Genting came in second with RM7.05m net inflow. Its share price outperformed the FBM KLCI with a 3.23% weekly gain. The company is in a bidding to build resorts in Orange County, New York.
- KLCCP recorded the third highest net money inflow of RM5.06m. Its share price outperformed the broader market with a 2.17% weekly rise. Some investors view that a good quality REIT, such as KLCCP, offers attractive yield as well as defensive low-beta play in the current volatile market.

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
CIMB	19.62	4.59	-1.72	BOW
GENTING	7.05	3.14	3.23	-
KLCCP	5.06	0.62	2.17	-
SAPURAKENCANA	3.62	7.10	3.75	-
WESTPORTS	3.02	-0.04	-0.67	BOW
TELEKOM	2.92	12.52	0.58	-
TENAGA	2.80	11.54	3.83	-
AXIATA	2.49	5.56	0.28	-
BIMB	2.36	0.99	0.23	-
YTL CORP	2.21	1.95	6.83	-

Source: Bloomberg, MIDFR;

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

#### TOP 10 NET MONEY OUTFLOWS

- Public Bank registered the largest net money outflow during the review week totaling -RM18.55m. Furthermore, its share price underperformed the benchmark with a mere 0.98% rise despite its recent announcement of a stellar 3Q14 results. The net outflow amidst rising share price, albeit tepidly, may indicate Sell on strength (SOS) stance among some investors.
- Petronas Gas saw the second largest net money outflow of -RM15.77m last week. However, the stock was an outperformer last week as it ended higher by 2.97%. As stated above, the net outflow amidst rising share price may indicate SOS stance among some investors.
- IHH Healthcare came in third with -RM12.55m net outflow. Nonetheless, its share price sharply outperformed the broader market last week with a 3.97% gain.

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
PUBLIC BANK	-18.55	9.65	0.98	SOS
PETRONAS GAS	-15.77	-3.91	2.97	SOS
IHH HEALTH	-12.55	6.89	3.97	SOS
UMW O&G	-5.93	0.95	2.07	SOS
IGB CORP	-5.07	-1.47	0.35	SOS
MAYBANK	-5.07	14.45	1.04	SOS
KPJ HEALTH	-4.87	-0.07	5.05	SOS
PETRONAS DAGANG	-2.73	2.99	1.04	SOS
ASTRO	-2.72	1.62	0.93	SOS
DATASONIC	-2.56	-0.19	2.58	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.

Source: Bloomberg, MIDFR

**E. THE WEEK AHEAD**

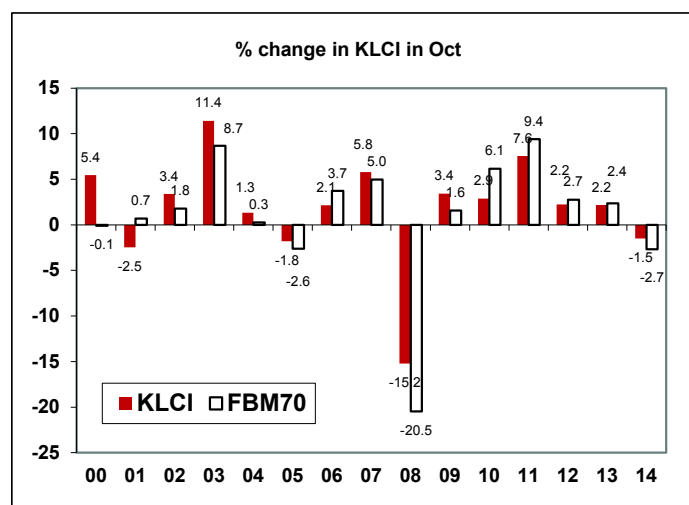
**ULTIMATE OCTOBER WEEK**

- Much of the loss in October was regained last week. However, because volume was relatively thin, the upward movement was amplified. Locals, especially institutions, were on the sideline and trade was driven by foreigners.
- The KLCI, FBM70 and FBM Smallcap gained an impressive 1.7%, 3.4% and 4.4% last week. That reduced the loss for October (until Friday) to only -1.5% and -2.7% for the KLCI and FBM70 respectively. The corresponding loss for the FBM Smallcap remained high at -7.4%. With five trading days left in October, we are not discounting the possibility that the KLCI and FBM70 may surprise by ending the month in the greenzone.
- Much depends on whether local players would continue to believe in a sustainable recovery story. Technically, the fact remains that the KLCI and FBM70 still lie significantly below their 50 and 200 day moving average (DMA) support lines. The KLCI's 50DMA of 1844 is even lower than its 200DMA of 1849.
- For the FBM Smallcap, it would be safe to expect the index to end the month in the red. Reversing a -7.4% in a week would be an insurmountable challenge in our opinion.

**STILL CAUTIOUS DESPITE MARKET REVIVAL**

- Despite the apparent rejuvenation of market sentiment last week, we would continue to be cautious in the days ahead for three reasons:
  - » Firstly, the volatility of the market is too high for comfort. Large swings can still recur;
  - » Secondly, the price of crude oil is slipping again. The WTI and Brent crude slid 1.3% and 0.8% on Friday to USD81.01pb and USD86.1pb respectively. Investors would do well to bear in mind that it was the sharp drop in crude oil price which caused the market's retracement since September;
  - » Thirdly, it remains to be seen how the global market will react to the ECB's bank stress test exercise, the result of which was released on Sunday. 25 out of 130 largest banks in the eurozone failed the ECB's test. That is a significant proportion, even by Emerging market's standard!
- The last week of October will also be laden with statistics and important decisions. The U.S consumer confidence will be out on Tuesday. Thursday is the big day when the U.S released its first estimate of the 3Q14 GDP growth while the FOMC meets to decide on interest rates. Interesting and potentially volatile week ahead!

October 2014 (as of the 26th) is still in the red



Volatility is still elevated



Oil price is sliding again





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