


MALAYSIA EQUITY RESEARCH | NOVEMBER 3, 2014

<p>Week Ended October 31, 2014</p>	Foreign Flow Meter	
	 Tide	HIGH
	 Current	STRONG (Slight decline)

- The world’s equity markets “exploded” in the last week of October, with many bourses recording their best weekly gain for the year.
- Until Thursday, the main story for the week was the Fed’s Federal Open Market Committee meeting on Wednesday. On Friday, the Bank of Japan (BOJ) surprised all by upsizing its monetary stimulus. The market also received a double boost when the Government Pension Investment Fund officially confirmed news that it will double its investment in shares.
- It is apparent that Abenomics is stealing the show and sparking a rally in global equity. The BOJ’s announcement could be a game changer for global equity in this short term. It partly neutralizes the risks of a “hollowing out” effect caused by the expiry of the Fed’s QE3.
- The equity market also appears to have learnt to live with a new, lower level of oil price. Crude oil price fell again last week but equity prices absorbed the decline well, in contrast to the near hysterical response a few weeks ago.
- For Malaysia, foreign money flow has been erratic this year. There had been an outflow in September and in the first three weeks of October. However, the tide appears to be reversing, based on the numbers last week.
- After seemingly bucking regional trend, foreign investors purchased Malaysian equity in the open market amounted to +RM460.0m last week. It was the fifth highest in a week this year. That compared with -RM351m sold the week before.

ABENOMICS SPARKING A TSUNAMI

A. MARKET SNAPSHOT

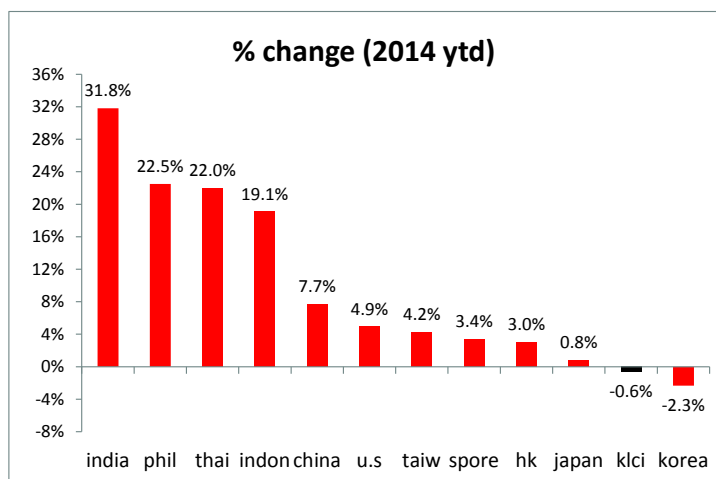
- The world's equity markets "exploded" in the last week of October, with many bourses recording their best weekly gain for the year.
- For the fourth time this year, all markets in our table ended the week in the greenzone. In Wall Street, the bellweather market, the Dow Jones rose 3.5%, the best since January 2013, while the S&P500 rose 2.7%.
- Until Friday, the main development for the week was the Fed's Federal Open Market Committee meeting on Wednesday, which was generally deemed tilting towards a hawkish stance. It boosted the dollar and led to easier gold price. As expected, the Federal Reserve announced that it would stop its bond-purchase program at the end of October. At the same time, the Fed upgraded its assessment of the U.S labour market. The U.S economy grew by a healthy 3.6% annualized in 3Q14, slightly outpacing expectation.
- On Friday, the Bank of Japan (BOJ) surprised all by upsizing its monetary stimulus. The BOJ announced that it will increase holdings of government bonds by JPY80t (USD723b) and boost exchange-traded fund purchases to JPY3t. The market received a double boost when the USD1.1t Government Pension Investment Fund officially confirmed news that it will double its investment in shares to 25% from 12%.
- It is apparent that Abenomics is stealing the show and sparking a rally in global equity. In Japan, the Nikkei 225 surged 4.8% on Friday, capping a weekly gain of 7.3%. It had gained a whopping 13% in the last two weeks.
- China's market rebounded after two weeks in the doldrum. The State Council, China's cabinet, announced that the government will be promoting consumption in six sectors, including e-commerce, new energy, housing, tourism, education and sport. That came after signs showing the economy is wobbling. China's official PMI fell to 50.8 from 51.1.
- Emerging Asia also had a good week, except in Jakarta where the JCI lagged others recording only a 0.3% gain. The KLCI gained 2.0% last week, the highest this year.

Performance of major markets

Weekly % change	Week before	Last week
Nikkei 225	5.22	7.34
China CSI300	-2.09	4.92
Taiwan Taiex	1.56	3.80
India Sensex	2.84	3.78
DAX	1.55	3.77
Dow Jones	2.59	3.48
Hang Seng	1.21	2.99
Thai SET	0.73	2.87
S&P500	4.12	2.72
CAC	2.37	2.52
FTSE	1.24	2.47
Korea KOSPI	1.32	2.01
KLCI	1.71	2.00
Straits Times	1.73	1.60
Phil Comp	1.43	1.58
Jakarta JCI	0.88	0.32

Source: Bloomberg

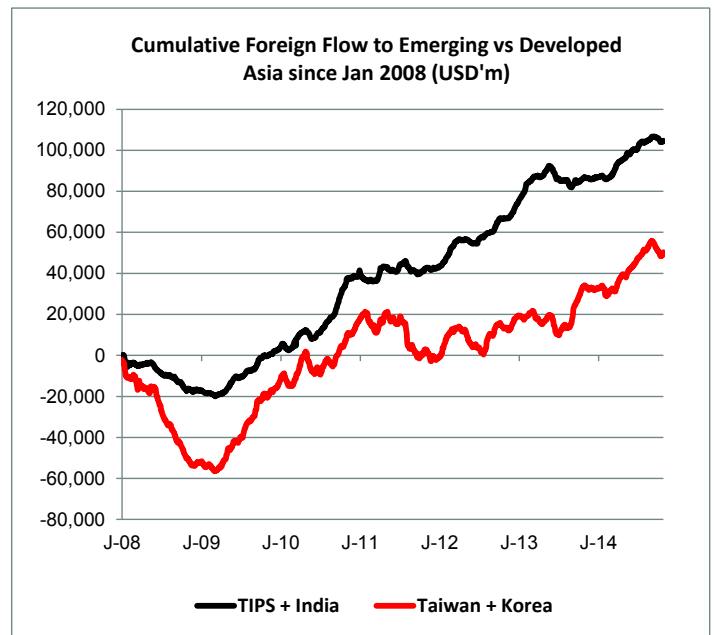
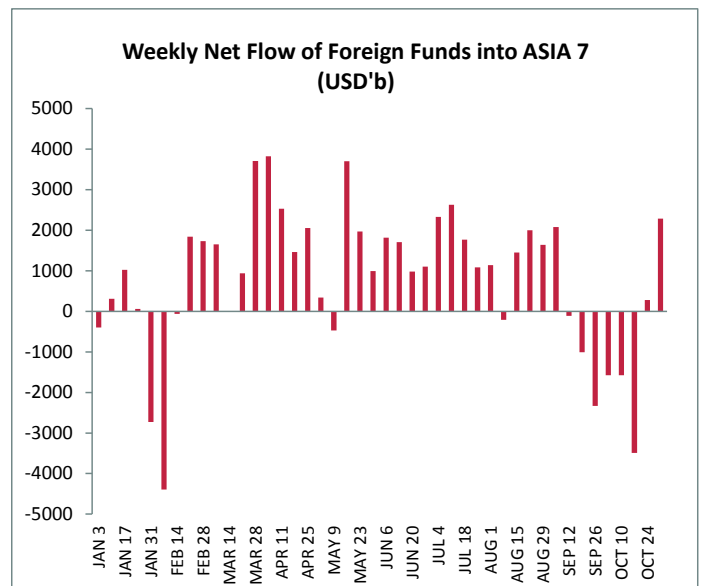
Major Asian indices



Source: Bloomberg

B. TRACKING MONEY FLOW - ASIA

- After seven weeks of unfavourable money flow, Asia received a strong thumbs up from global funds. It could be the beginning of a tsunami sparked by *Abenomics*. In our opinion, the strength of the tide last week is enough to justify a rise in optimism.
- Funds classified as “foreign” were, in aggregate, net buyers of stocks in the seven Asian¹ exchanges that we track (Korea, Taiwan, Thailand, Malaysia, Indonesia, Philippines and India). The amount bought amounted to +USD2.29b last week, the highest in 16 weeks (see bar chart).
- After about two months of relative absence, global funds appear to start flooding “Developed” Asia² again, as represented by Taiwan and Korea. The tide to “Emerging Asia”, as represented by the markets in Thailand, Indonesia, Philippines (TIPs), Malaysia and India, is noticeably slower, but gaining momentum.
- Among the markets that we track, Taiwan was easily the biggest gainer in terms of money flow last week. Taiwan’s bourse attracted USD1.44b last week, the highest in a week this year. Sentiment towards Taiwan was buoyed by a rally on Wall Street, especially the surge in Nasdaq. Again, the beneficiaries were Apple Inc suppliers such as Largan Precision, which makes camera phone lenses for iPhone.
- Taiwan is outshining Korea currently. Korea’s economy, which is more diverse than that of Taiwan is experiencing pockets of weakness. Hyundai Heavy Industries, the world’s biggest shipbuilder, reported a record quarterly loss of USD1.8b in 3Q14 and is likely to post its worst-ever year. Meanwhile, the sliding yen is not helping as it boosts Japan’s export price competitiveness. Propping up the KOSPI currently is Samsung Electronics, which rallied 5.3% on Friday on speculation of a corporate restructuring



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	18,045	17,260	35,305 (34,213^)

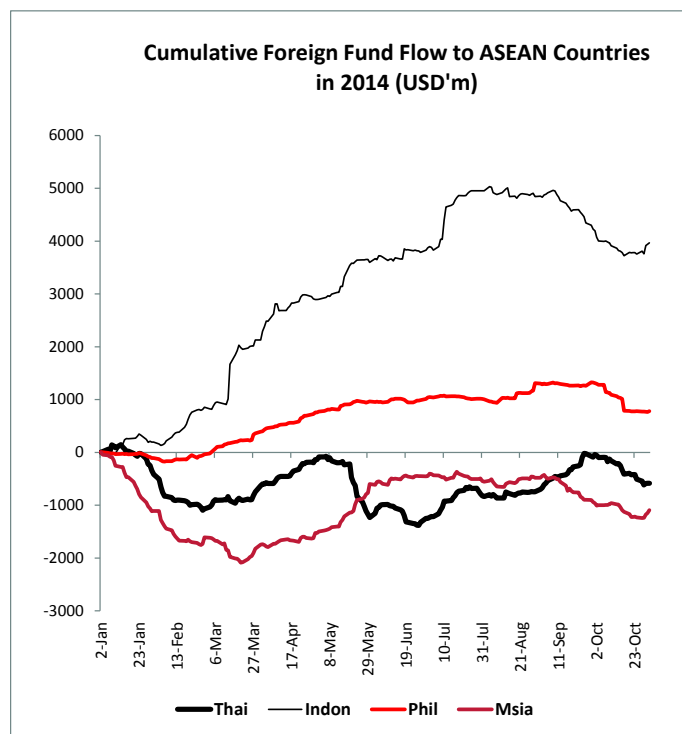
TIP = Thailand, Indonesia, Philippines ^ including Malaysia

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

² 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.

and expectations that its earnings will start picking up in the fourth quarter.

- Foreign buying in Emerging Asia is still slow but gaining momentum as the focus is more on the bigger markets.
- However, despite a lacklustre gain in share prices, the Indonesian bourse reported a heavy inflow of foreign portfolio capital into its equity market last week. It reflects confidence in the long-term potential of the market but short-term concerns that a planned reduction in fuel subsidy will put pressure on inflation, reduce consumption and curtail corporate earnings for a few quarters. Telecommunication stocks, such as PT Telekomunikasi and PT XL Axiata were sold down last week.
- In Thailand, foreign investors were still net sellers for the week but the amount continued to decline. Foreign selling has persisted for five weeks in a row now.



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 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	290.6	27.7	-107.5	277.7
OCT 31	219.3	-81.4	210.8	1.6	358.2	1439.5	140.2	2288.1

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

FUND FLOW REPORT

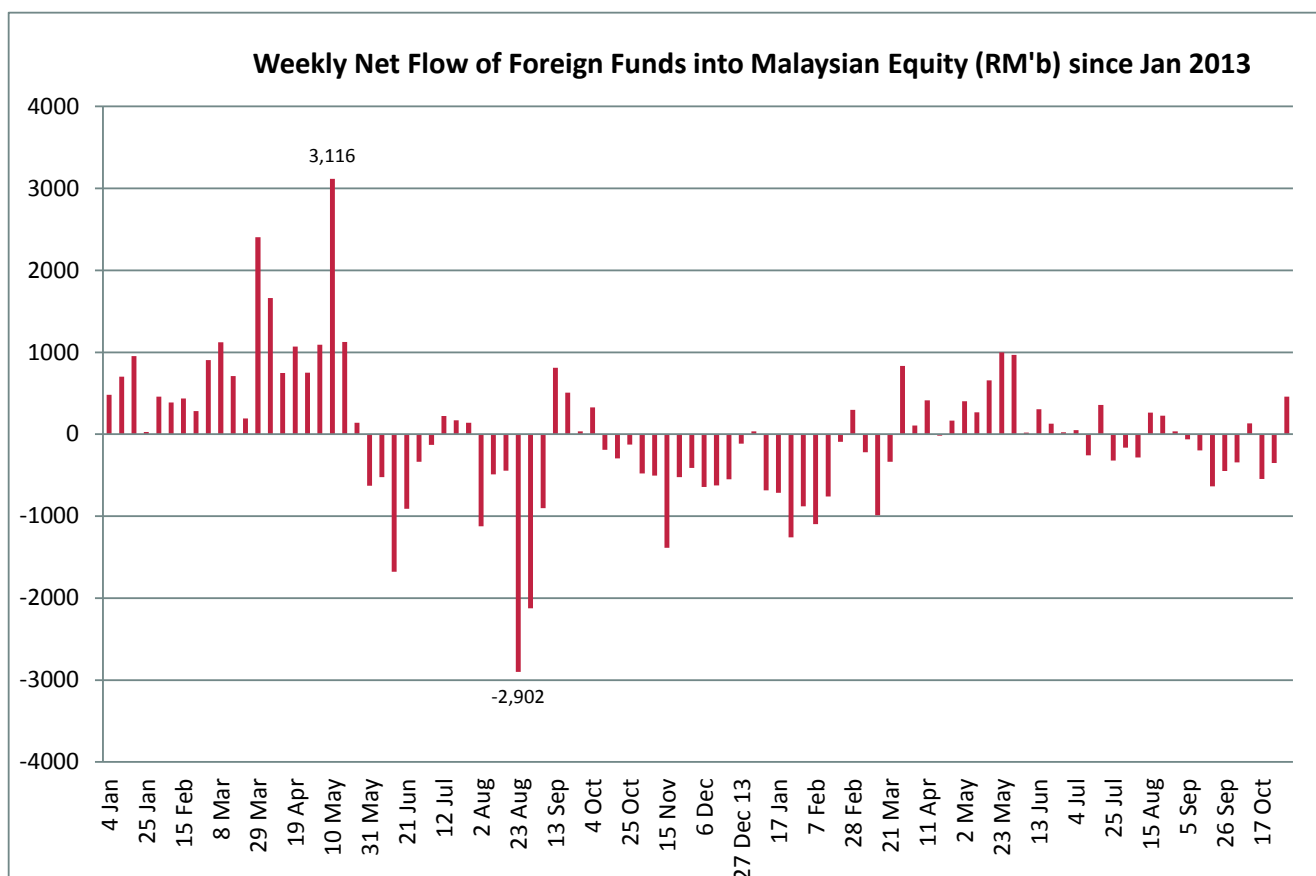
C. TRACKING MONEY FLOW - MALAYSIA

- For Malaysia, foreign money flow has been erratic this year. The frequency of the cycles has been higher than many of its Asian counterparts. There had been a pronounced downcycle, or money outflow, in September and in the first three weeks of October. However, the tide appears to be reversing, based on the numbers last week.
- After seemingly bucking regional trend, foreign liquidity is flowing into Malaysia again. Investors classified as “foreign” *purchased* Malaysian equity in the open market (i.e excluding off-market deals) on Bursa last week amounted to +RM460.0m last week, the fifth highest in a week this year. That compared with -RM351m *sold* the week before.
- Foreign investors were net sellers on Monday, but turned strong buyers for the rest of the week. Buying peaked on Wednesday when foreign funds mopped up +RM202.3m, only the 15th day this year that net purchase had exceeded RM200m (see table).
- For the month of October, foreign funds sold -RM493.3m, significantly lower than the -RM1,492.9m offloaded in September. For the year until October, the outflow of foreign funds had amounted -RM3.69b, reversing the +RM3.03b inflow last year.
- Foreign participation eased slightly after three weeks of “elevated” (>RM1b) volume. Daily average gross purchase and sale fell below RM1b to RM967m.
- Local investors cleared positions, taking advantage of foreign entry. Retail investors sold -RM107.9m while local institutions offloaded -RM352.1m respectively. Institutional participation rate bounced back to above RM2b at RM2.3b, while retail participation climbed slightly to RM867m. However, we note that retail participation surged to RM1.2b on Friday, the highest since August 21.

TRACKING INTENSITY OF DAILY PURCHASE

Amount of net sale in a day (RM'm)	Number of day(s)	
	2013	2014
> 1,000	1	0
900 - 1,000	1	0
800 - 900	0	0
700 - 800	0	0
600 - 700	3	0
500 - 600	0	1
400 - 500	3	1
300 - 400	12	2
200 - 300	27	11

Source: MIDFR, Bursa statistics

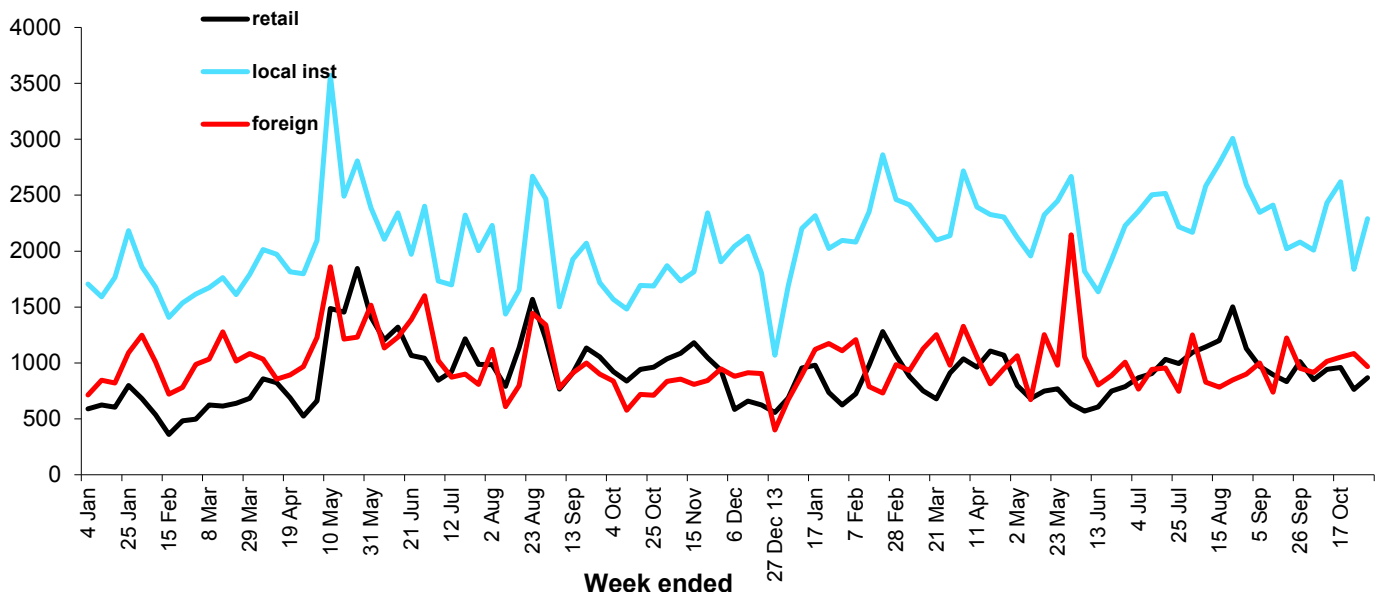


Source: Bursa, excluding off-market trades

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 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
OCT 31	2114.6	2222.5	-107.9	5549.8	5901.9	-352.1	2646.4	2186.4	460.0	140.2

* 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 ³

TOP 10 NET MONEY INFLOWS

- Lafarge attracted the highest net money inflow of RM19.10m last week. Its share price significantly outperformed with a 4.38% weekly gain against the FBM KLCI's 2.00% weekly rise. Moreover, it is notable that Lafarge's average daily trading volume for the past week jumped to 2.37m from its year-to-date daily average of 0.58m.
- CIMB Group came in second with RM13.31m net inflow. Its share price outperformed the FBM KLCI with a 3.18% weekly gain. As CIMB Niaga is a major contributor to earnings, the news that Indonesia's central bank is at final stage of bilateral negotiations for banking reciprocity "with another Southeast Asian country" is of potential significance to the Group.
- SapuraKencana recorded the third highest net money inflow of RM7.79m. Its share price however tumbled -5.28%. The share price slide was arguably on concerns over its exposure to Brazil. The South American country accounts for approximately 49% of its current order book totaling RM26.8b. Nonetheless, the net money inflow amidst retreating share price indicates buy on weakness (BOW) stance among some investors..

TOP 10 NET MONEY OUTFLOWS

- Axiata registered the largest net money outflow during the review week totaling -RM12.24m. Furthermore, its share price underperformed the benchmark as it ended the week unchanged. XL Axiata, its Indonesian subsidiary, recently reported normalized earnings which came in below consensus expectation. The subpar earnings were due to the full impact of Axis integration, higher finance cost and FX loss due to the weakening of the Rupiah.
- Top Glove saw the second largest net money outflow of -RM5.31m last week. The stock was an underperformer as it ended the week lower by -2.00%. The decline was attributable to the Government's decision to revise the natural gas tariff for non-power sector in Peninsular Malaysia with effect from 1 November 2014.
- Telekom Malaysia came in third with -RM5.26m net outflow. Nonetheless, its share price sharply outperformed the broader market last week with a 4.65% gain. The net outflow amidst rising share price may indicate Sell on strength (SOS) stance among some investors.

Tables below list the Top 10 Net Money Inflows and Net Money Outflows for the week ended 31 October 2014 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	
LAFARGE	19.10	1.07	4.38	-
CIMB	13.31	19.62	3.18	-
SAPURAKENCANA	7.79	3.62	-5.28	BOW
MAYBANK	4.85	-5.07	0.00	-
TNB	4.57	2.80	2.77	-
RHB CAPITAL	4.26	-0.38	1.27	-
PPB GROUP	3.89	1.32	10.63	-
IOI CORP	3.64	-1.90	3.38	-
HAP SENG CONS.	3.26	0.35	2.56	-
PUBLIC BANK	3.25	-18.55	-0.54	BOW

Source: Bloomberg, MIDFR;

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

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
AXIATA	-12.24	2.49	0.00	-
TOP GLOVE	-5.31	0.64	-2.00	-
TM	-5.26	2.92	4.65	SOS
GENTING	-4.75	7.05	5.18	SOS
FGV	-4.19	-0.39	12.62	SOS
UMW O&G	-3.87	-5.93	-5.22	-
SIME DARBY	-3.44	-1.86	2.11	SOS
MAXIS	-3.38	-1.35	3.22	SOS
GAMUDA	-2.31	1.74	3.23	SOS
AMMB	-2.04	-1.38	0.59	SOS

Source: Bloomberg, MIDFR;

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

³ 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

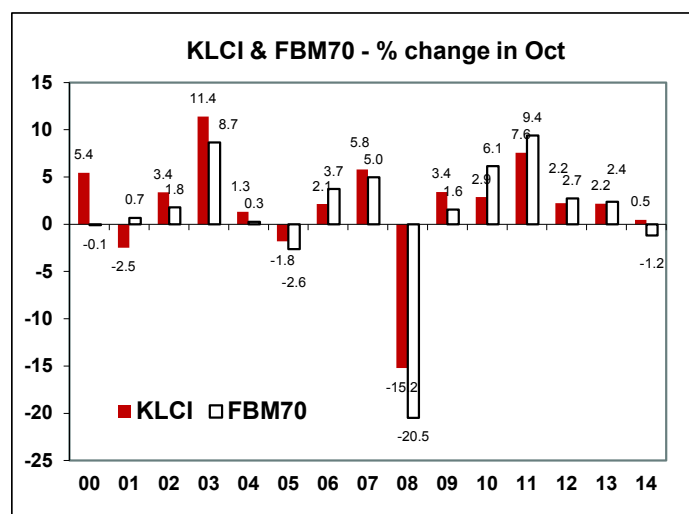
HELLO NOVEMBER!

- After a calamitous start to the month, the KLCI reversed course and managed to eke out a marginal gain in October. The KLCI rose +0.5% for the month, but the FBM70 stayed in the redzone with a loss of -1.2%.
- The FBMSmallcap lost -5.2% in October. It was the second worst October since 2000, behind only the -19.9% loss in October 2008, at the height of the Financial Crisis.
- We are raising the level of our optimism as trading crosses into November. A main consideration is the healthy participation last week, especially on Friday, when overall volume hit 2.75b units, the highest in 39 trading days. The current market has depth and the fact that prices can still climb meaningfully illustrates the healthy underlying demand and supply forces.
- Technically, last week was a surprising turnaround in terms of the gradient of the incline. In a single week, both the KLCI and FBM70 have swung to levels which are above their respective short-term and long-term support.
- The FBM Smallcap is more volatile and has yet to break the 50-day moving average line – the short-term resistance. But the gap is not so big, only 2.6%. The important thing is that it is now above its long-term, 200-day average support line.
- November may surprise although we note that the market’s performance had not been inspiring since 2007. There is a certain peculiarity about November that if the market decides to move, it will run without hesitation, like what happened in 2001, 2004 and 2006 (see chart).

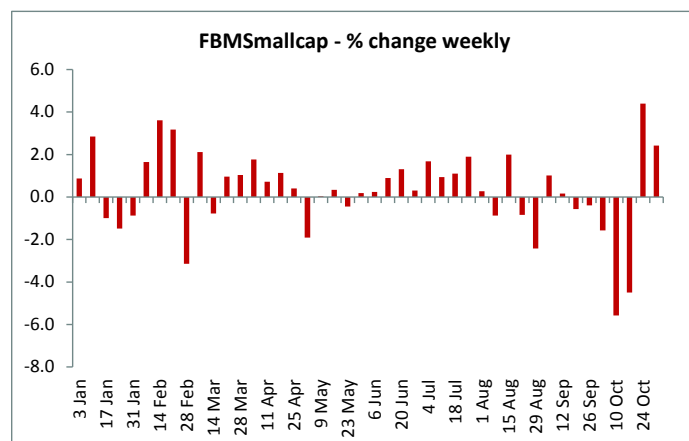
EXPANDED “JAPANESE QE” A GAME CHANGER

- The Bank of Japan’s announcement of a massive expansion in its quantitative easing (QE) program last week could be a game changer for global equity in this short term. It partly neutralizes the risks of a “hollowing out” effect caused by the expiry of the Fed’s QE3. It could be a game changer for global equity.
- It also appears that the global equity markets have learnt to live with a new, lower level of crude oil price. The WTI and Brent crude oil fell again last week, with USD80pb and USD85pb seemingly the new equilibrium for the two benchmarks respectively. Yet, equity prices reacted positively to the decline, in contrast to the near hysterical response a few weeks ago. 

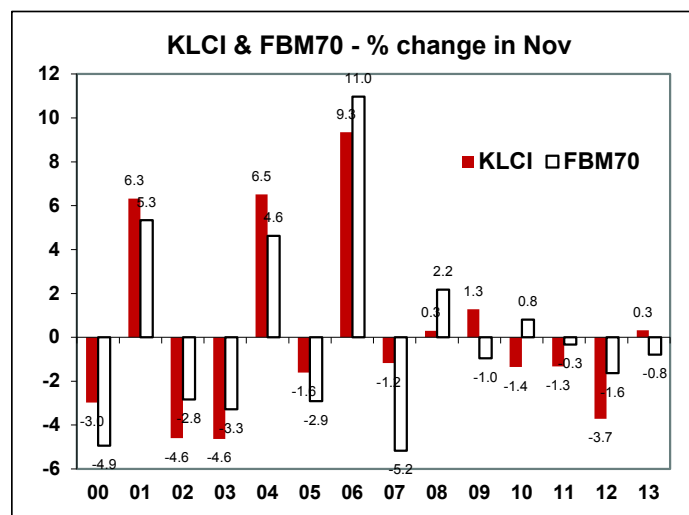
Not so red after all!



Down -5.2% in October, but FBMSmallcap had gained strongly in the last 2 weeks



November may surprise!



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