

# FUND FLOW REPORT

Week Ended  
September 11, 2015

Foreign Flow Meter (M'sia)



Tide

MODERATE



Current

MODERATE

- The second week of the dreaded September month passed on a more positive note as most markets rebounded from the previous week's loss.
- However, the rebound is not convincing as there are signs of edginess ahead of the Fed's all-important meeting this week.
- The most volatile market was clearly Japan, where the Nikkei 225 ended the week on a rollercoaster ride. Meanwhile, China's market was relatively sedate for the second consecutive week
- Global funds continued to exit from Asian equity last week but the rate of outflow receded further and the amount of outflow shrunk to its lowest in five weeks. In Taiwan, foreign investors turned net buyers for the first time in eight weeks.
- The outflow of foreign money from equities listed on Bursa remained elevated last week but the day-to-day selling intensity ranged from "mild" to "moderately heavy".
- Note that risk aversion returned on Friday as foreigners offloaded RM244.7m, the 44th time that the daily outflow exceeded RM200m so far this year.
- For 2015, last week's sell-down increased the cumulative net foreign outflow to RM17.2b.
- The KLCI gained 0.9% last week to rebound back to above the 1,600 level, albeit marginally. It is down -9.0%ytd.
- The week ahead is pivotal in view of the Federal Reserve's interest rate decision on Thursday. The market's expectation is divided.

14 September 2015 | Strategy - Weekly Fund Flow

## CALM BEFORE THE STORM?

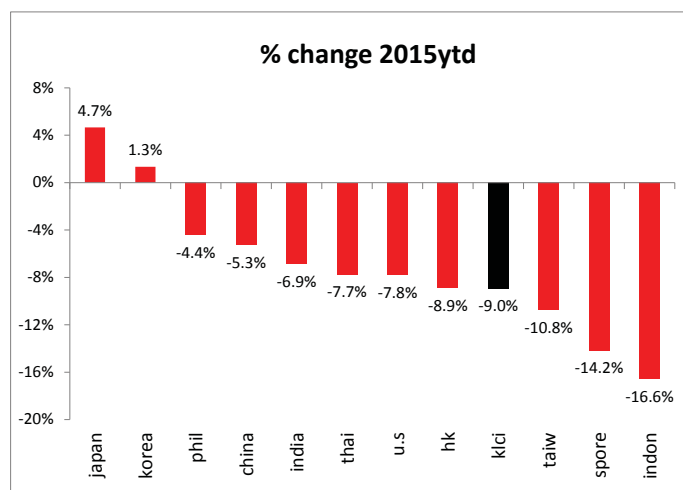
### A. MARKET SNAPSHOT

- The second week of the dreaded September month passed on a more positive note as most markets rebounded from the previous week's loss. However, the rebound is not convincing as there are signs of edginess ahead of the Fed's all-important meeting this week.
- The most volatile market was clearly Japan, where the Nikkei 225 ended the week gaining 2.7% on a rollercoaster ride. On Thursday the index jumped 7.7%, its biggest gain since October 2008, reversing the -4.8% loss hitherto during the week. The rebound was partly driven by the view that the selloff in Japanese equities has been excessive amid concerns over China's economic slowdown. Shares were boosted by Prime Minister's Shinzo Abe pledge to lower the corporate tax rate by at least 3.3%-points next year and "aim to go beyond that if possible." Japan's finance ministry estimates its rate is currently the second highest among Group of Seven nations.
- China's market was relatively sedate for the second consecutive week, with the CSI300 losing only -0.6%. Another two market stabilisation initiatives were unveiled last week:
  - Firstly*, Chinese investors who hold their stock for longer than a year will be exempted from a 5% dividend tax. However, investors who hold for between one month and a year would pay 10%, while those selling after holding it for a month or less would be liable for a 20%.
  - Secondly*, China announced plans to introduce a stock-market circuit breaker. Under the plan, a move of 5 per cent in the CSI 300 Index would trigger a 30-minute halt for stocks, options and index futures. Should the 5% movement occur after 2.30pm, or should the variance widened to 7% after the initial suspension, trading would be abandoned for the rest of the day.
- At the bellweather Wall Street, the Dow Jones and S&P500 rose a relatively strong 2.1% each in a holiday- shortened week. Trading volume was thin and the market is divided over how the Fed will decide at the meeting on September 17. Meanwhile crude oil prices eased further on Friday with the Brent at USD48.14pb.
- The KLCI gained 0.9% last week to rebound back to above the 1,600 level, albeit marginally. It is down -9.0%ytd.

Performance of major markets		
Weekly % change	Week before	Last week
Taiwan Taixex	-0.23	3.81
Hang Seng	-3.57	3.18
Korea KOSPI	-2.66	2.93
Nikkei 225	-7.02	2.65
S&P500	-3.40	2.07
Dow Jones	-3.25	2.05
India Sensex	-4.51	1.62
FTSE	-3.28	1.24
KLCI	-1.46	0.91
DAX	-2.53	0.85
Straits Times	-3.12	0.85
Thai SET	0.35	0.80
CAC	-3.25	0.57
China CSI300	0.70	-0.55
Jakarta JCI	-0.69	-1.24
Phil Comp	-0.66	-1.99

Source: Bloomberg

### Major Asian indices (2015)

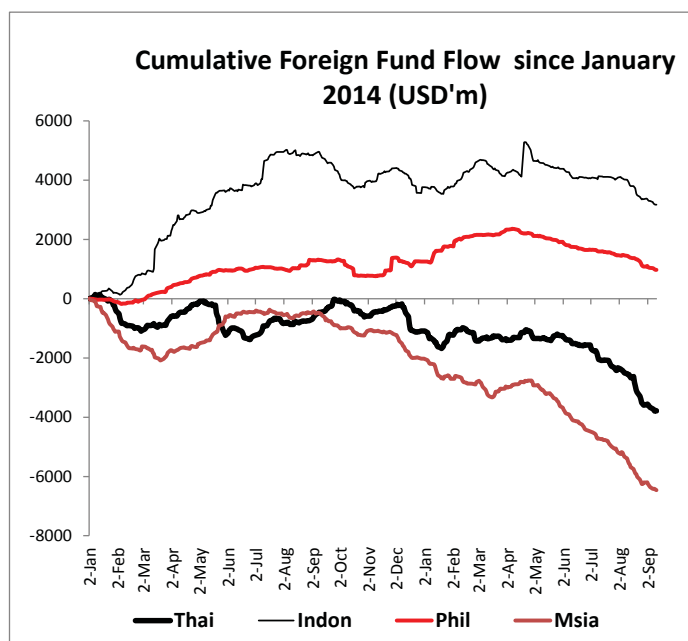
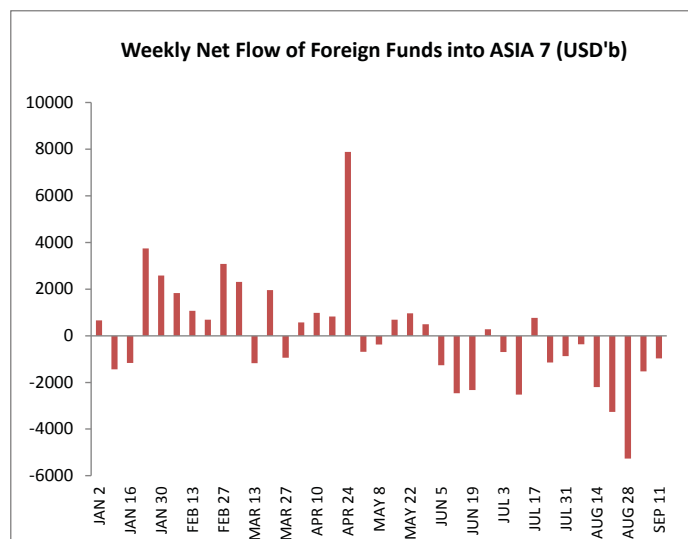


Source: Bloomberg. All in local currency.

## FUND FLOW REPORT

### B. TRACKING MONEY FLOW

- Global funds continued to exit from Asian equity last week but the rate of outflow receded further and the amount of outflow shrunk to its lowest in five weeks.
- Based on provisional data from the respective exchanges, investors classified as “foreign” remained aggregate net sellers for the eighth week running in the 7 Asian<sup>1</sup> stock markets that we track (TIPs + India, Taiwan, Korea and Malaysia). The net amount sold was only USD972m, compared with weekly outflow ranging from USD1.5b - USD5.3b in the preceding four weeks.
- After four weeks, global funds stopped selling across all markets.
- In Taiwan, foreign investors turned net buyers for the first time in eight weeks. Prices gained in response to the recovery of tech stocks in the U.S, especially after the rally in NASDAQ and the Philadelphia Semiconductor Index on Wednesday. Foreigners bought those technology stocks expected to benefit from the launch of the next generation iPhone. The buying then spread to the non-high tech sector. The Taiex was the best performing index last week.
- In contrast, foreign attrition from Korean equity regained momentum last week after seemingly receding the week before. There is heavy redemption of U.S ETFs investing in the Korean market and that is a significant source of foreign withdrawal. On Friday, Bank of Korea kept interest rate at a record low for the third consecutive month, despite expectations for a rate cut after a sharp fall in exports. The Bank lowered the benchmark 7-day repurchase rate to an all-time low of 1.5% in June, following the cut in March.
- Foreign attrition in South East Asian markets increased noticeably last week, but the amount remained moderate. Among the TIPs markets, there was a notable rise in foreign selling of Indonesian stocks, but most of these were prior to the announcement on Wednesday of the first part of Indonesia’s stimulus package. The second part involving “massive deregulation” will be announced by month-end. By end October, 89 regulations will be reformed.
- In Bangkok, foreigners were net sellers for the 11th consecutive week offloading USD117m last week.



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

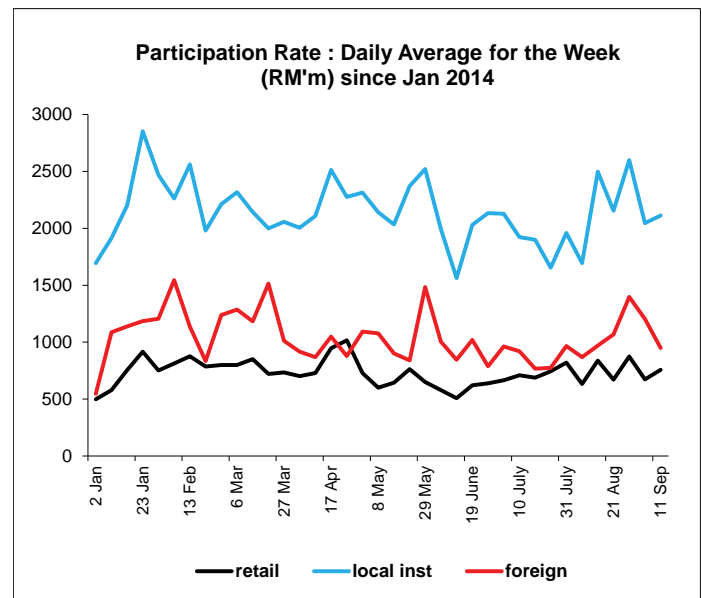
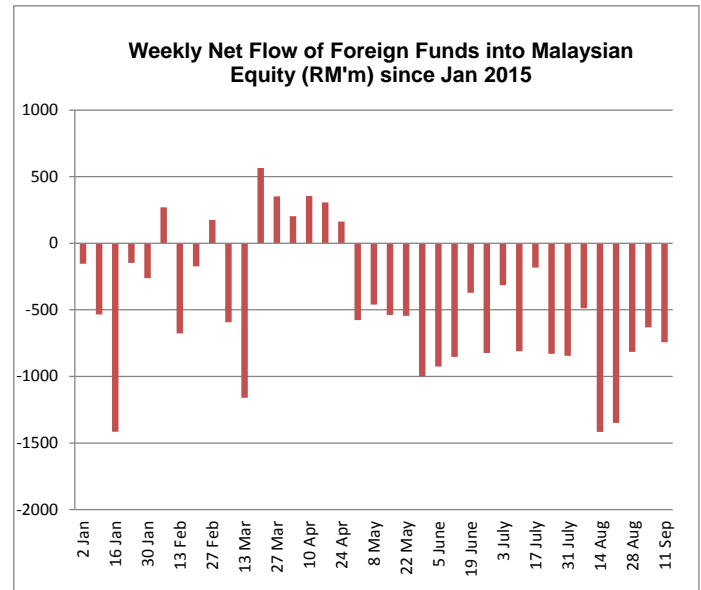
#### WEEKLY NET FLOW OF FOREIGN FUND INTO EQUITY (USD'm)

WEEK ENDED	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
JUL 31	18.5	-51.5	-8.3	-69.1	-345.3	-209.0	-221.6	-885.9
AUG 7	-186.3	-172.2	-66.9	-7.0	297.1	-89.4	-124.3	-349.0
AUG 14	-535.4	-168.0	-220.9	-80.3	-369.1	-475.6	-353.3	-2202.6
AUG 21	-903.2	-483.8	-309.4	-52.3	-537.7	-653.3	-327.5	-3267.1
AUG 29	-1950.1	-434.9	-133.5	-240.1	-1903.9	-405.6	-192.7	-5260.8
SEP 4	-369.9	-73.9	-58.6	-47.6	-636.2	-193.3	-148.8	-1528.3
SEP 11	-791.7	-116.6	-127.7	-67.5	-284.2	587.5	-172.0	-972.1

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

**C. TRACKING MONEY FLOW - MALAYSIA**

- The outflow of foreign money from equities listed on Bursa remained elevated last week but the day-to-day selling intensity ranged from “mild” to “moderately heavy”.
- Investors classified as “foreign” sold equity listed in the open market on Bursa (i.e excluding off-market deals) amounted to RM744m on a net basis last week. Foreign investors have been net sellers on Bursa for twenty consecutive weeks, among the longest stretch of sustained back-to-back weekly sell-down on record.
- There was moderately heavy selling on Monday, reflecting the outflow momentum in the previous week. However, selling intensity declined significantly on Tuesday and the net sale amount hovered only around the RM50m mark on Wednesday-Thursday. Nevertheless, risk aversion returned on Friday as foreigners offloaded RM244.7m, the 44th time that the daily outflow exceeded RM200m so far this year. In comparison the threshold was broken only 23 times for the entire 2014.
- For 2015, last week’s sell-down increased the cumulative net foreign outflow to RM17.2b, significantly surpassing the RM6.9b outflow for the entire 2014. For the first two weeks of September, the cumulative net outflow was more moderate at RM1.4b, compared with RM4.1b in August. This reflects our view that the overhang of foreign liquidity on Bursa is currently relatively low.
- Foreign participation rate eased last week. Daily gross volume averaged only RM948m, dropping below the RM1b mark for the first time in four weeks.
- Meanwhile local institutions mopped up RM784m on active trading. Participation rate (average daily gross volume) was RM2.1b, surpassing the RM2b mark for the fifth consecutive week.
- Retailers turned heavy sellers on moderate participation.



**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)*
JUL 24	1839.8	1882.4	-42.6	4573.7	3700.0	873.7	1521.8	2351.9	-830.1	-218.3
JUL 31	2005.6	2099.0	-93.4	5364.6	4426.2	938.4	1991.9	2836.9	-845.0	-221.6
AUG 7	1601.8	1561.8	40.0	4461.1	4013.3	447.8	1928.3	2416.1	-487.8	-124.3
AUG 14	2142.0	2043.3	98.7	6903.2	5584.8	1318.4	1718.6	3135.7	-1417.1	-353.3
AUG 21	1684.3	1676.1	8.2	6058.1	4717.3	1340.8	1993.9	3342.9	-1349.0	-327.5
AUG 28	2132.8	2234.7	-101.9	6955.0	6036.8	918.2	3083.9	3900.2	-816.3	-193.3
SEP 4	1365.7	1324.6	41.1	4384.2	3793.8	590.4	2091.1	2722.6	-631.5	-148.8
SEP 11	1872.2	1911.9	-39.7	5673.1	4889.6	783.5	1998.8	2742.6	-743.8	-172.0

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

## FUND FLOW REPORT

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

#### TOP 10 NET MONEY INFLOWS

- Public Bank recorded the highest net money inflow of RM21.76m last week. Nonetheless, its share price slightly underperformed the broader market with a 0.45% weekly rise. In comparison, the FBM KLCI edged up by 0.91% during the review week.
- Malayan Banking came in second with RM16.63m net inflow. Its share price too slightly underperformed the market benchmark with a 0.45% week-on-week rise. Last week, Fitch Ratings affirmed Maybank's long-term issuer default ratings at A-. However, it retained the Negative Outlook due to rising macroeconomic risks and the possible impact on credit profile.
- Axiata recorded the third highest net money inflow of RM12.52m but its share price underperformed the FBM KLCI with a -0.17% weekly loss. Axiata was reportedly in talks to merge its operations in Bangladesh with India-based Bharti Airtel Ltd. Furthermore, it must also be noted that net money inflow amidst retreating share price indicates buy on weakness (BOW) stance among some investors.

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	
PUBLIC BANK	21.76	1.36	0.45	-
MAYBANK	16.63	5.41	0.48	-
AXIATA	12.52	8.85	-0.17	BOW
PETRONAS GAS	10.82	-2.55	0.56	-
IOI CORP	9.64	2.03	2.56	-
UEM SUNRISE	8.07	0.91	22.54	-
TM	6.39	-7.05	0.92	-
BAT	5.63	-1.86	4.72	-
MAXIS	5.44	7.61	1.06	-
SIME DARBY	5.01	-8.47	-5.03	BOW

Source: Bloomberg, MIDFR;

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

#### TOP 10 NET MONEY OUTFLOWS

- Genting Malaysia saw the largest net money outflow of -RM6.31m during the review week. Nonetheless, its stock price outperformed as it ended the week higher by 3.20% against a slight 0.91% rise in the FBM KLCI. It is notable that the net money outflow amidst rising share price may indicate sell on strength (SOS) stance among some investors.
- MISC came in second last week with a net outflow of -RM6.14m. However, its share price also outperformed the market benchmark with a 4.52% weekly gain which may indicate a SOS stance among some investors.
- AMMB Holdings registered the third largest net money outflow at -RM5.25m in the review week. Similarly, its share price outperformed the broader market with a 5.58% weekly rise which also may indicate a SOS stance among some investors.

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
GENTING M'SIA	-6.31	-2.89	3.20	SOS
MISC	-6.14	6.26	4.52	SOS
AMMB	-5.25	2.76	5.58	SOS
KL KEPONG	-4.03	4.74	-0.10	-
BURSA M'SIA	-2.88	0.37	0.13	SOS
DIALOG	-2.38	0.52	1.95	SOS
QL RES.	-2.11	0.45	2.75	SOS
KLCCP	-1.24	-0.06	-0.14	-
HONG LEONG FIN.	-0.85	0.32	-0.57	-
SP SETIA	-0.81	-0.13	0.00	-

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

D. THE WEEK AHEAD

THE FED POSER

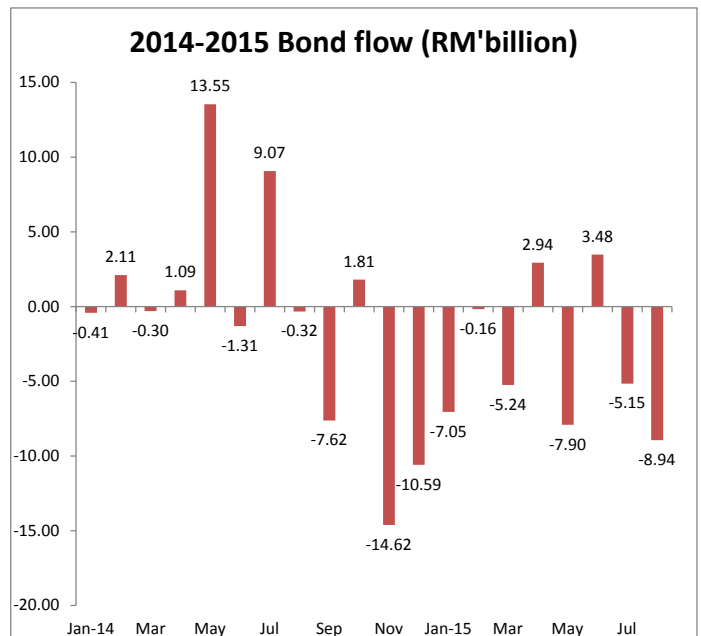
- The rebound off 24th August trough among the regional equity bourses is showing sign of consolidation. However, this situation is not unusual and rather expected as some of the 'stale bulls' are taking the opportunity to cut their exposures in a rising market. It is even so as the benchmarks revisit certain threshold levels. As far the FBM KLCI is concerned, we reckon the immediate upward resistance will be particularly felt at between 1,600 to 1,650 points levels.
- Having said the above, we believe the positive momentum may persist this week on expectation that China will introduce more stimulus measures in due course to revitalize its slowing economy.
- Nevertheless, market upside may be capped by uncertainties over whether the US Fed will raise interest rates at its upcoming two-day meeting on September 16-17. On this score, it is notable that based on federal-fund futures, the odds of a hike stood at less than 30 percent.
- With regard to the above, one interesting thought is for the US Fed to neither raise the overnight target rate outright, nor keeping the current bounds (of between 0% and 0.25%) but to abolish the lower 0% bound. By doing this, the US Fed is, in actual fact, raising the overnight effective rate by approximately 13bp without having to raise the target rate outright.
- Last week' Bank Negara statistics show foreign money attrition from the local bond market amounted to RM8.94b, roughly twice the estimated RM4.2b from the equity market. In context, this was not as bad as many have made it out to be. The outflow in November and December last year was RM14.6b and RM10.6b respectively. The main difference is that the attrition in August was mainly from the MGS market, while that last year was from the PDS market.
- Having said that, foreign selling in the MGS market has eased as evidenced by the receding volume and falling yields. This augurs well for the Ringgit. We wrote last week (please read our report "NDF Foretelling Rebound in Ringgit" 10 August 2015) that the 12-month Ringgit forward onshore-offshore spread has shrunk, implying the speculative element is receding.



Southeast Asian indices (normalized at the trough)



RM8.9b foreign money outflow from bonds in August



Foreign selling in the MGS market abated further



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