



MALAYSIA EQUITY RESEARCH | SEPTEMBER 22, 2014

<b>Week Ended September 19, 2014</b>	Foreign Flow Meter	
	 Tide	HIGH
	 Current	STRONG

- Sentiment towards Asian equity remained dampened for the second consecutive week as global funds made an exit.
- This reflects heightened risks pertaining to the timing of the normalization of interest rates in the U.S.
- The rate of outflow from Taiwan and Korea accelerated last week. In Korea, the won depreciated to its lowest since April after the government announced record spending next year to support the economy. In Taiwan, global investors turned cautious over the electronics sector, as a result of the correction on Nasdaq.
- In Emerging Asia, there was heavy exit from Indonesia, where the exchange reported the biggest outflow in a week so far this year.
- Aversion towards Malaysian equity intensified for the third consecutive week. Investors classified as “foreign” sold -RM635.8m of Malaysian equity in the open market (i.e excluding off-market deals) the highest outflow since March.
- The heavy foreign money outflow last week partly reflects expectations of the ringgit’s weakness after Bank Negara’s Monetary Policy Committee (MPC) decided to maintain the OPR at 3.25%. Continued pressure on the ringgit is likely to remain a dampening factor on equity prices this week.

## ASIA UNDER THE RADAR

### A. MARKET SNAPSHOT

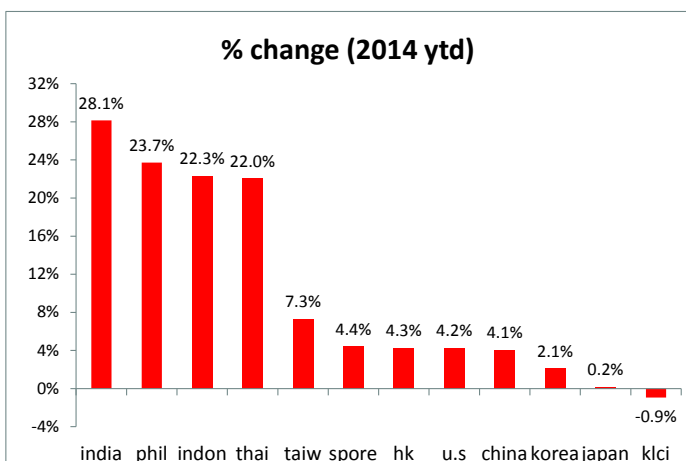
- Country-specific factors again dominated the performance of equity markets around the world.
- A development that had more pervasive effect was probably the Federal Reserve's release of its Summary of Economic Projections last week. As expected, any indication of a stronger Fed tendency to tighten monetary policy is a bane especially to Emerging markets. Last week, it was revealed that the Fed's median estimate for the federal funds rate (FFR) at the end of 2015 is 1.375%. That is higher than the 1.125% median estimate that the Fed made known in June. The Fed also revealed that its long-term FFR target is 3.75%, to prevail at the end of 2017.
- The Fed's revelation dented what could have been a promising rebound in Emerging markets. However, news that China's central bank is joining its European counterpart in boosting liquidity to address weakening growth helped many Emerging markets to close the week in the greenzone.
- The People's Bank of China is injecting Yn500b into five of the nation's largest banks, partly reducing fears that the end of QE3 may cause a global liquidity crunch. Among Emerging markets, Jakarta's JCI and Philippines' Composite gained 1.7% and 1.2% respectively.
- In Europe, the Scotland referendum was a close call for the UK. The pound sterling rebounded strongly as it became evidently clear that the majority of the Scots voted no to independence. The FTSE gained 0.45%.
- The KLCI lost -0.3% last week. For the year-to-date, the index has lost -0.9%, making it the worst performer among the indices that we track. It is also the only benchmark index to be in the redzone, a significant laggard compared with the 20%+ gains in India, Philippines, Indonesia and Thailand.
- Bank Negara's decision to keep the OPR unchanged was negative for the ringgit which lost -0.2% against the greenback on Friday. There has been a significant outflow of foreign money from the local capital market.

#### Performance of major markets

Weekly % change	Week before	Last week
Nikkei 225	1.78	2.34
Dow Jones	-0.87	1.72
Jakarta JCI	-1.41	1.63
DAX	-0.98	1.53
S&P500	-1.10	1.25
Phil Comp	-0.85	1.19
Korea KOSPI	-0.37	0.59
FTSE	-0.70	0.45
CAC	-1.00	0.44
Thai SET	-0.19	0.22
Taiwan Taiex	-1.96	0.19
India Sensex	0.13	0.11
KLCI	-0.69	-0.33
China CSI300	-0.45	-0.54
Straits Times	0.11	-1.14
Hang Seng	-2.55	-1.18

Source: Bloomberg

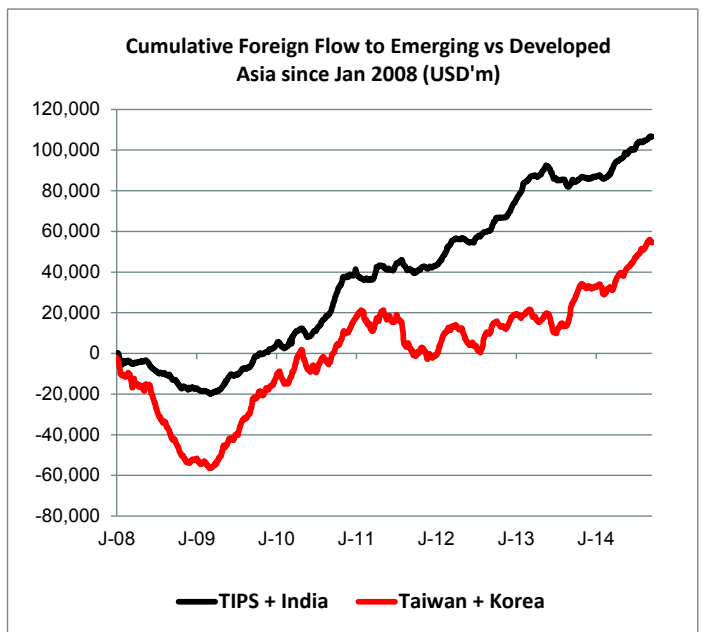
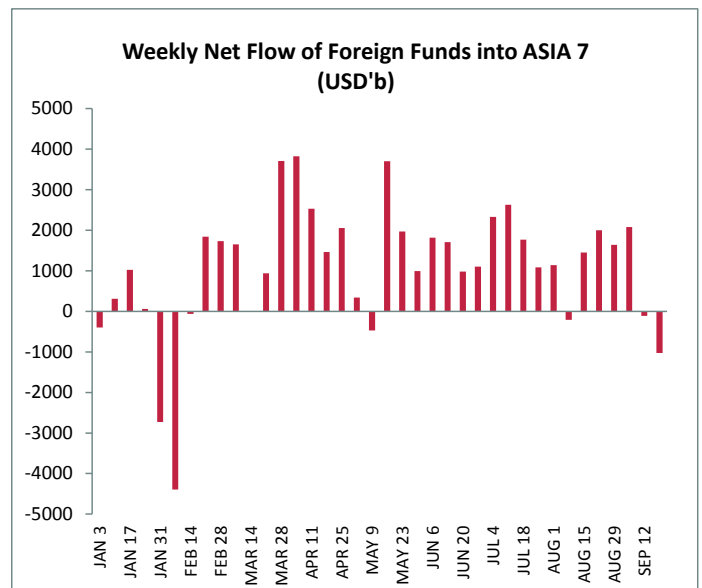
#### Major Asian indices



Source: Bloomberg

**B. TRACKING MONEY FLOW - ASIA**

- Sentiment towards Asian equity remained dampened for the second consecutive week as global funds made an exit.
- Funds classified as “foreign” were, in aggregate, net sellers of stocks in the seven Asian exchanges that we track (Korea, Taiwan, Thailand, Malaysia, Indonesia, Philippines and India <sup>1</sup>). The amount sold increased significantly from USD114m to USD1.03b last week (see bar chart).
- More money left “Developed” Asia<sup>2</sup>, as represented by Taiwan and Korea, as compared with that which left “Emerging Asia”, as represented by the markets in Thailand, Indonesia, Philippines (TIPs), Malaysia and the India. Global funds exited “Emerging Asia” for the first time in seven weeks.
- The rate of outflow from Taiwan and Korea accelerated last week. In Korea, the won depreciated to its lowest since April after the government announced plans to spend a record Won376tr next year to support the economy. This will be mainly funded by a massive sale of treasury bonds in 2015. In Taiwan, global investors turned cautious over the electronics sector, as a result of the correction on Nasdaq, ahead of the massive IPO of China’s e-commerce giant, Alibaba.
- In Emerging Asia, there was heavy exit from Indonesia, where the exchange reported the biggest outflow in a week so far this year. The new administration is planning to reduce fuel subsidy by Rp3,000 by November and another Rp1,500 by the end of next year. That is seen as a dampener on private consumption that may lead to lower growth. The rupiah was also under pressure last week, falling



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	19,967	21,389	41,356 (40,599^)

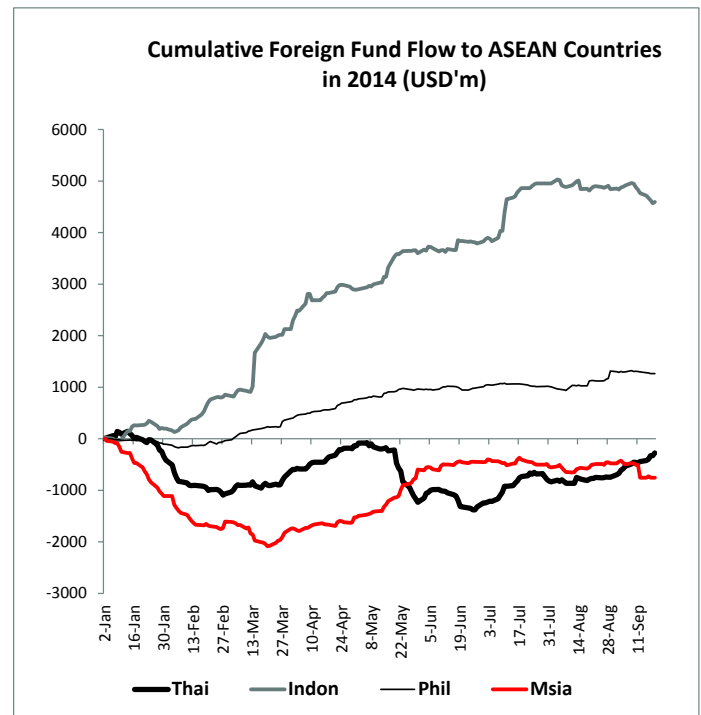
TIP = Thailand, Indonesia, Philippines ^ including Malaysia

<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.

past the psychological threshold of Rp12,000 against the greenback for the first time since June

- Thailand seems to be flavour of the day, bucking regional trend. Foreign investors have been net buyers in Bangkok for six consecutive weeks. Last week, the Bank of Thailand said that it expects the economy to register “v-shape recovery” from the second quarter and will announce revised economic forecasts on September 26.
- Thailand is also undertaking energy reform to make prices move more in line with the market. The price of LPG for transport sector will be raised in October, while the prices of electricity and oil will be lifted later. Diesel prices may rise above 30 baht a liter. Public finance reform is market-positive.



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
MAR 28	426.4	164.0	174.4	135.3	1027.1	1041.5	253.1	3221.4
APR 4	1522.7	159.7	353.7	103.2	856.8	1202.3	33.2	4231.7
APR 11	994.1	132.0	205.3	61.9	299.3	701.6	127.6	2521.8
APR 18	410.3	100.8	140.3	32.6	41.9	739.8	-5.8	1459.8
APR 25	524.0	167.0	155.9	136.6	247.4	770.5	50.4	2051.9
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	13.4	-456.9	-196.9	-1029.5

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

## FUND FLOW REPORT

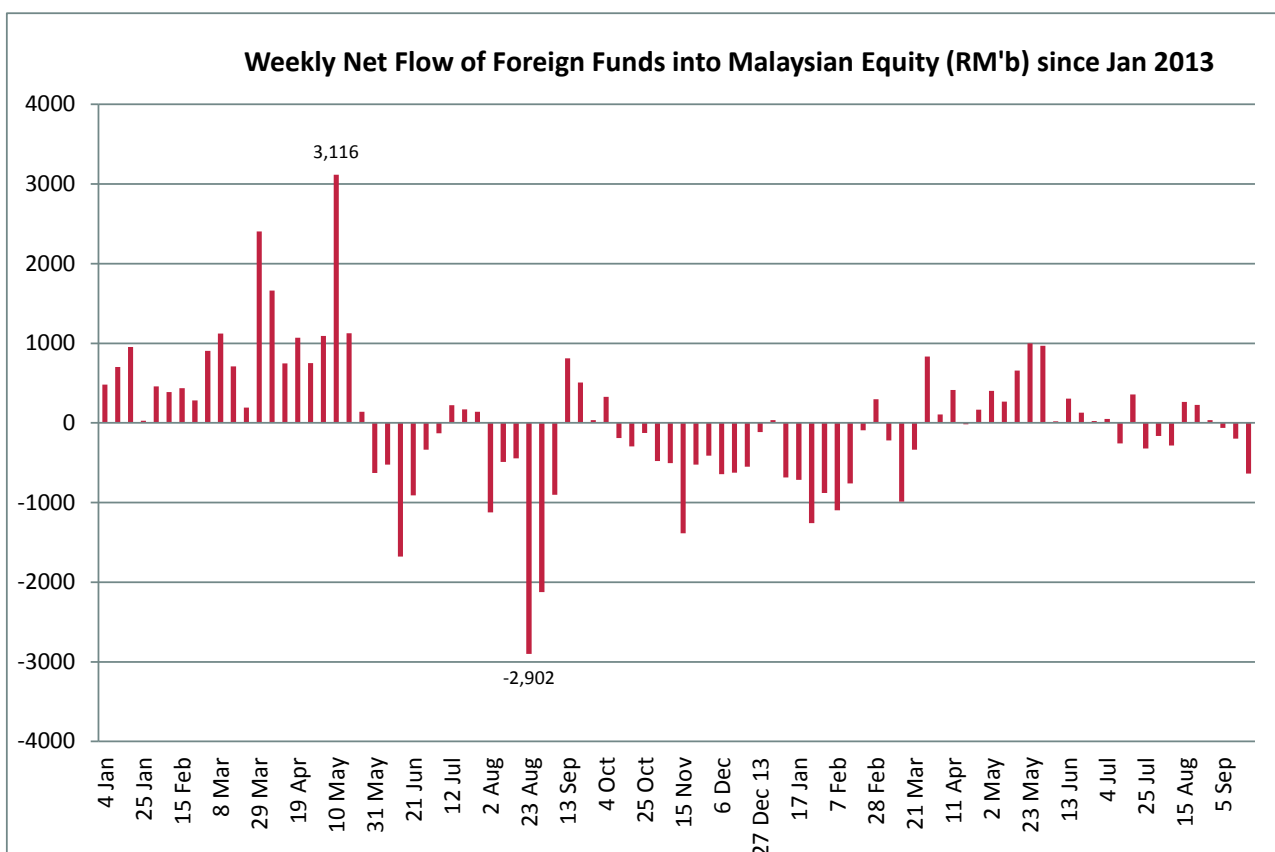
### C. TRACKING MONEY FLOW - MALAYSIA

- Aversion towards Malaysian equity intensified for the third consecutive week.
- Investors classified as “foreign” sold Malaysian equity in the open market (i.e excluding off-market deals) on Bursa last week. The net amount offloaded surged to -RM635.8m, compared with -RM197.3m the week before. It was also the highest outflow since March.
- Foreign investors sold every single day last week. The selldown peaked on Monday, the day before Malaysia Day. On the day, selling intensified to -RM225.1m, the highest since 14 March. It was also the 9th day this year that the net amount offloaded exceeded RM200m, but less than RM300m. However, we note that the selldown tapered from Wednesday onwards.
- On cumulative basis, foreign investors remained net sellers of Malaysian stocks in 2014, and the net *outflow* as of last Friday had increased to -RM2.6b. In 2013, Malaysia reported a net inflow of +RM3.0b.
- Foreign participation rate was “elevated” last week. Daily average gross purchase and sale surged to RM1.22b, the highest in seven weeks.
- In contrast, local participation rate declined, partly attributable to the school holiday. In the retail market, the average daily gross purchase and sale fell further to RM832m, the lowest in 12 weeks. However, retailers started bargain hunting, as they were net buyers for the first time in 23 weeks, buying a marginal RM19.2m.
- Local institutions supported the market strongly last week, buying RM616.6m, on slightly lower, but still elevated, participation of RM2.0b.

#### TRACKING INTENSITY OF DAILY SALE

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	1	0
600 - 700	1	0
500 - 600	2	1
400 - 500	4	0
300 - 400	7	6
200 - 300	17	9

Source: MIDFR, Bursa statistics

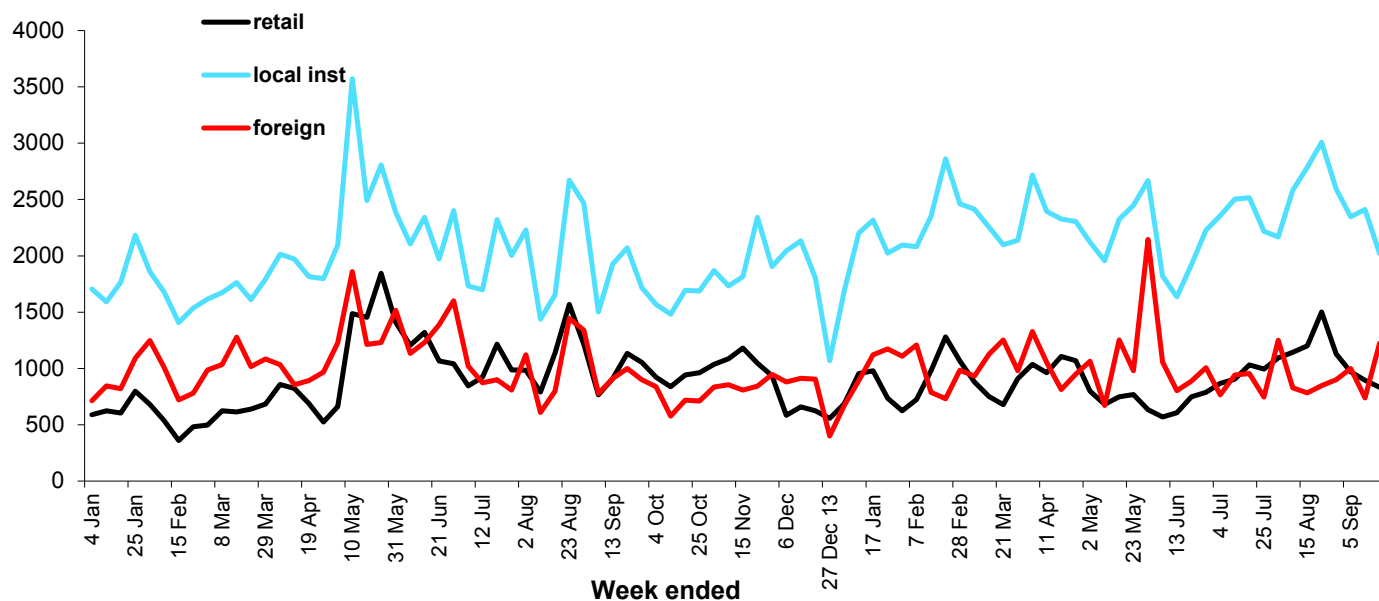


Source: Bursa, excluding off-market trades

**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)*
APR 25	2653.3	2696.6	-43.3	5702.2	5824.0	-121.8	2459.2	2294.1	165.1	50.4
MAY 2	1540.6	1654.4	-113.8	4097.0	4385.6	-288.6	2329.5	1927.1	402.4	123.2
MAY 9	1688.1	1720.0	-31.9	4775.2	5009.1	-233.9	1812.9	1547.1	265.8	82.0
MAY 16	1473.0	1525.3	-52.3	4346.6	4951.1	-604.5	2837.2	2180.4	656.8	203.6
MAY 23	1899.5	1950.7	-51.2	5649.1	6597.1	-948.0	2950.0	1950.8	999.2	311.1
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	-196.9

\* 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

- Digi attracted the highest net money inflow of RM20.50m last week. Its share price however declined -0.52% for the week against a milder -0.33% drop for the FBM KLCI. It is noteworthy that money net inflow amidst retreating share price indicates buy on weakness (BOW) stance among investors. The latest news on possible re-farming of 2G spectrum may be positive to Digi as it currently own little of the lower 900MHz frequency.
- Axiata came in second with RM17.00m net inflow. Its share price eased -0.29% on-week in line with the weak broader market. We expect its share price to encounter technical resistance at circa RM7.00 in the near term.
- Genting Malaysia recorded the third highest net money inflow of RM6.06m. Its share price however tumbled -5.01% during the review week. The recent volatility in its share price may be attributable to continuing operational challenges during the ongoing major refurbishment.

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
DIGI	20.50	-8.17	-0.52	BOW
AXIATA	17.00	-13.24	-0.29	BOW
GENTING M'SIA	6.06	6.23	-5.01	BOW
HAP SENG CONS	5.74	5.54	5.28	-
MAYBANK	4.83	3.86	0.40	-
IOI CORP	4.06	-15.84	0.00	-
SIME DARBY	3.16	-7.94	0.89	-
MEDIA PRIMA	2.76	-0.05	-0.89	BOW
BUMI ARMADA	2.22	-1.60	-5.15	BOW
YTL CORP	2.16	1.83	1.20	-

Source: Bloomberg, MIDFR;

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

#### TOP 10 NET MONEY OUTFLOWS

- For the seventh times in seven weeks, Public Bank registered the largest net money outflow at -RM38.51m last week. Intense loan competition and rising funding costs are arguably putting pressures on banks' forward margins. Its share price nonetheless inched up 0.11% last week, slightly outperforming the FBM KLCI which dropped -0.33%. The net outflow amidst rising share price may indicate Sell on strength (SOS) stance among some investors. However, it is noteworthy that over the past seven weeks, its share price underperformed the benchmark by -2.80ppts.
- Hong Leong Bank saw the second largest net money outflow of -RM13.96m last week. The outflow may be attributable to investors taking profit pursuant to its recent price outperformance. It recorded more than 5% price gains during the past 4 weeks.
- Tenaga Nasional (TNB) came in third with -RM7.46m net outflow. Accordingly, its share price underperformed the broader market with a -0.80% loss last week.

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
PUBLIC BANK	-38.51	-36.92	0.11	SOS
HONG LEONG BANK	-13.96	-6.29	0.27	SOS
TNB	-7.46	5.77	-0.80	-
GAMUDA	-4.43	1.23	-0.41	-
PETRONAS DAGANG	-3.35	-0.62	-0.79	-
UMW O&G	-3.03	-0.07	1.83	SOS
SAPURAKENCANA	-2.93	-0.77	-0.24	-
TELEKOM M'SIA	-2.78	1.37	0.31	SOS
BIMB HLDGS	-2.31	2.37	0.23	SOS
MAXIS	-1.52	-2.46	-2.20	-

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

GAME OF LIQUIDITY

- As we had written a few weeks ago, September is a rather unpredictable month. It can swing either way. Thus far, the pressure has been on the KLCI stocks as the index is down -0.9% for the month. In contrast, the FBM70 and FBM Smallcap are up 0.9% and 0.6% respectively.
- There is no strong technical readings of the KLCI and FBM70 to project this week's price direction. Meanwhile, the FBM Smallcap index tethers near the short-term support as represented by the 50-day moving average (50DMA) line. Although it is still below the line, we are upbeat that the the index is not diverging away from the 50DMA. The market for the small and mid-caps was quite active last Friday, with the index gaining 1.2%.
- As shown last week, the biggest risk to Emerging markets remains the timing of the normalization of interest rates in the U.S. The QE3 is being rolled back according to plan, and the tapering of the asset purchase by the Fed is likely to end in October.
- Will markets stage a severe correction once the Fed-originated liquidity dried up? We believe not. What we are witnessing now is a built up of countervailing forces to neutralize the destabilizing effect of the Fed's inevitable tightening. This is in the form of monetary easing, or quasi-QE, being introduced by other central banks in the world. In the Eurozone, the European Central Bank have launched a four-year cheap loans program known as targeted long-term refinancing operations, or TLTROs, which is expected to unleash about EUR1trillion. Last week, Bank of China announced that it is pumping Yuan500b into the banking system.

RINGGIT UNDER THE WEATHER

- The heavy foreign money outflow last week partly reflects the negative sentiment towards the ringgit after Bank Negara's Monetary Policy Committee (MPC) decided to maintain the OPR at 3.25%. The weakness of the ringgit is likely to remain a dampening factor on equity prices this week.
- At this juncture, we do not expect the MPC to raise the OPR in November although the interbank rates continued to remain firm after the decision last week. By November, we expect the CPI inflation to fall below 3%. In its statement, the MPC also did not make any more reference to "financial imbalance".

FBM Smallcap index still below short-term support



Spread 3M-KLIBOR vs OPR





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