

FUND FLOW REPORT

Week Ended
September 25, 2015

Foreign Flow Meter (M'sia)



Tide

(increased to)
HIGH



Current

(remain)
HIGH

- It was a bad week for the equity markets. The performance on Friday suggests that things are not about to change for the better.
- Emerging markets were routed over the double blow of China and Brazil. In China, advance numbers suggest that the manufacturing sector is deteriorating disconcertingly. Meanwhile, Brazil's malaise caused the risk premium on emerging markets to rise to its highest level since the 2007 Financial Crisis.
- Capping the horrible week for emerging markets was Chairwoman Yellen's statement on Thursday that the Federal Reserve still intends to raise its benchmark interest rate this year.
- It was a case of a sudden reversal. Foreign funds made a hasty exit from Asian equity last week, soon after chalking a promising inflow the week before.
- Selling was aggressive across all markets. Hardest hit was the more developed North Asian markets of Taiwan and Korea.
- Malaysia succumbed to the heavy tide against emerging markets last week. Foreigners offloaded RM1.27b net in the open market, despite it being a holiday-shortened week. It was only the fifth week this year that the amount had exceeded RM1b. Selling remained heavy on Friday, which is rather ominous for the market this week.
- The outflow last week was clearly driven by apprehensions over emerging markets as a whole. What we had hoped to be a promising sustainable turnaround in the week before turned out to be ephemeral.
- For 2015, last week's attrition raised the cumulative net foreign outflow to RM17.7b, significantly surpassing the RM6.9b outflow for the entire 2014.
- Interestingly, retailers bought the highest amount in a week this year, indicating that many retail investors are seeing value at current market level.

28 September 2015 | Strategy - Weekly Fund Flow

SWIFT TURN OF THE TIDE

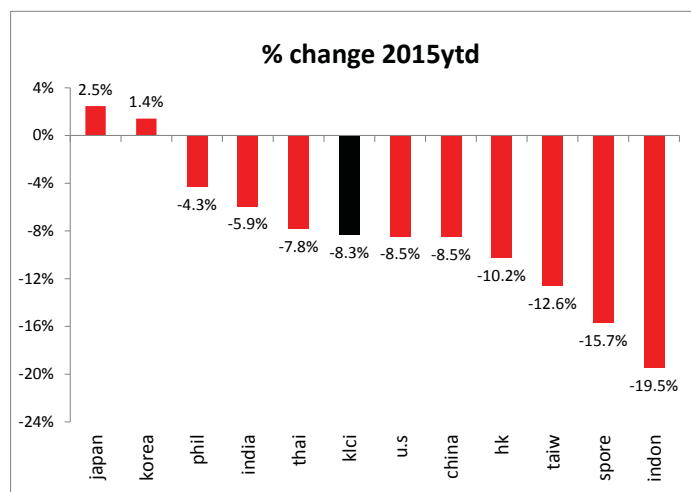
A. MARKET SNAPSHOT

- It was a bad week for the equity markets. The performance on Friday suggests that things are not about to change for the better.
- Emerging markets were routed over the double blow of China and Brazil. In China, advance numbers suggest that the manufacturing sector is deteriorating disconcertingly. The Caixin/Markit preliminary PMI (manufacturing index) fell to 47.0 in September, the lowest in six and a half years. The official PMI fell below 50 for the first time in 6 month in August. A number <50 means the manufacturing sector is contracting.
- Brazil's malaise caused the risk premium on emerging markets to rise to its highest level since the 2007 Financial Crisis. The Brazilian real has lost >35% against the greenback this year. Brazil's government held extraordinary auctions last week to sell currency swaps and dollars with repo agreements, but that did little to support the currency.
- In addition, share prices of Asian automakers had a volatile week in the aftermath of Volkswagen's admission of cheating the emissions testing in the U.S. It admitted selling 11 million of its diesel vehicles worldwide which would have failed U.S. emission tests. Share prices of Asian automakers ended the week generally lower.
- Capping the horrible week for emerging markets was Chairwoman Yellen's statement on Thursday that the Federal Reserve still intends to raise its benchmark interest rate this year. Yellen said that the Fed was not planning to wait much longer and that labor market conditions were improving and inflationary pressure may ensue. However she qualified:
"Achieving these conditions will likely entail an initial increase in the federal funds rate later this year, followed by a gradual pace of tightening thereafter... But if the economy surprises us, our judgments about appropriate monetary policy will change."
- China's CSI300 fell for the third consecutive week, shedding -0.6%. The rest of Asian emerging markets tumbled, with Jakarta's JCI and Taipei's Taiex leading the losses declining -3.9% each. China's contracting manufacturing sector hits Indonesia hard as China is the main trading partner for Indonesia, with trade valued at US\$48.2b in 2014. Bank Indonesia has already scaled back economic growth forecast in 2015 to 4.7 to 5.1%.
- After rising for two weeks, the KLCI fell -3.3% last week. Year-to-date, in terms of local currency, the index has outperformed China, Taiwan and S'pore.

Performance of major markets		
Weekly % change	Week before	Last week
FTSE	-0.22	0.08
Dow Jones	-0.30	-0.43
China CSI300	-2.87	-0.59
Thai SET	0.62	-0.73
Nikkei 225	-1.06	-1.05
CAC	-0.28	-1.22
India Sensex	2.38	-1.36
S&P500	-0.15	-1.36
Straits Times	-0.29	-1.48
DAX	-2.05	-2.30
Korea KOSPI	2.81	-2.66
Phil Comp	3.19	-3.01
KLCI	4.11	-3.26
Hang Seng	1.94	-3.35
Taiwan Taiex	1.88	-3.90
Jakarta JCI	0.46	-3.90

Source: Bloomberg

Major Asian indices (2015)

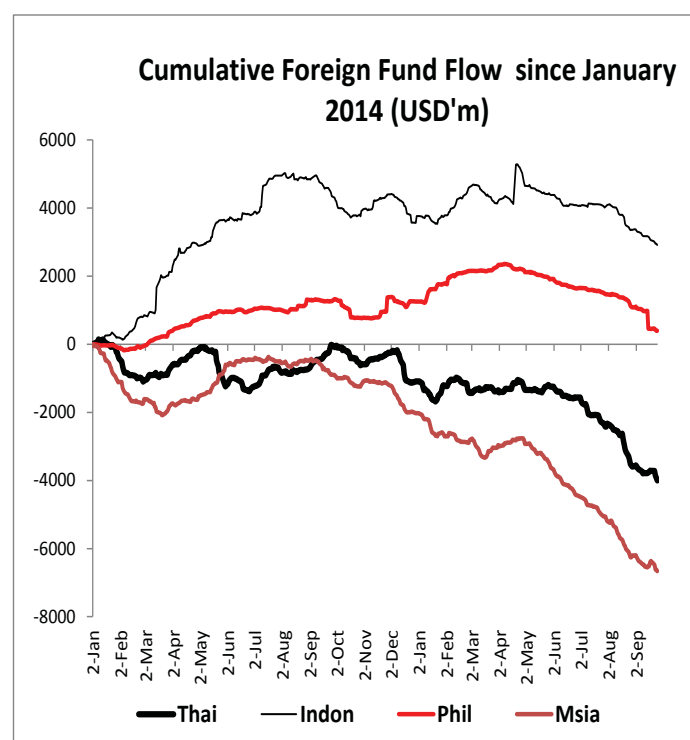
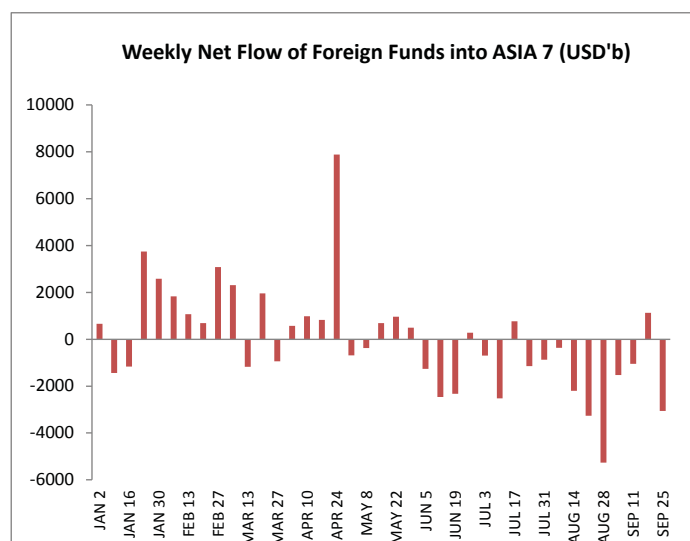


Source: Bloomberg. All in local currency.

FUND FLOW REPORT

B. TRACKING MONEY FLOW - ASIA ¹

- It was a case of a sudden reversal. Foreign funds made a hasty exit from Asian equity last week, soon after chalking a promising inflow the week before.
- Based on provisional data from the respective exchanges, investors classified as “foreign” reverted to being aggregate net sellers in the 7 Asian stock markets that we track (TIPs + India, Taiwan, Korea and Malaysia), offloading USD3.1b. That more than wiped out the surplus in the preceding week.
- Selling was aggressive across all markets. Hardest hit was the more developed North Asian markets of Taiwan and Korea, where the amount exiting outstripped that from their South East Asian counterparts by almost 2 times.
- In Taipei, foreigners offloaded USD1.1b, the third highest outflow in a week this year. On Thursday, the Taiwan dollar fell to its lowest in more than six years after the central bank cut interest rates for the first time since 2009. Foreign investors were clearly agitated by the risk of contagion from Brazil, and took opportunity to take profit on the Taiwan bourse which had enjoyed a good run since the beginning of September. Bargain hunters were back on Friday, picking up stocks in sectors such as biotech, medical care and optoelectronics.
- Foreign selling was also heavy in Korea, as the outflow hit USD923m, also the third highest in a week this year. There was a big wave of foreign selling on Wednesday after the weak preliminary manufacturing statistics from China, and following the crisis at Volkswagen which dampened sentiment towards Hyundai Motor Co. and Kia Motors Corp. Another heavy bout of foreign selling was also recorded on Friday, as the market reacted adversely to Fed’s Yellen remark on interest rate.
- Meanwhile foreign investors dumped Emerging South East equity on worries that the Brazilian situation will lead to a currency depression. There was a relatively sizeable outflow from Thailand although it was lower than that recorded during the upheaval in August. As in the case of Korea, most of the sell-down occurred on Wednesday. Indonesia is not getting any respite as foreign funds sold for the 11th consecutive week.



¹ Based on 7 Asian markets, for which fund flow data is publicly available. These are our proxy for Asia: TIPs (Thailand, Indonesia, Philippines), Korea, Taiwan, India and Malaysia.

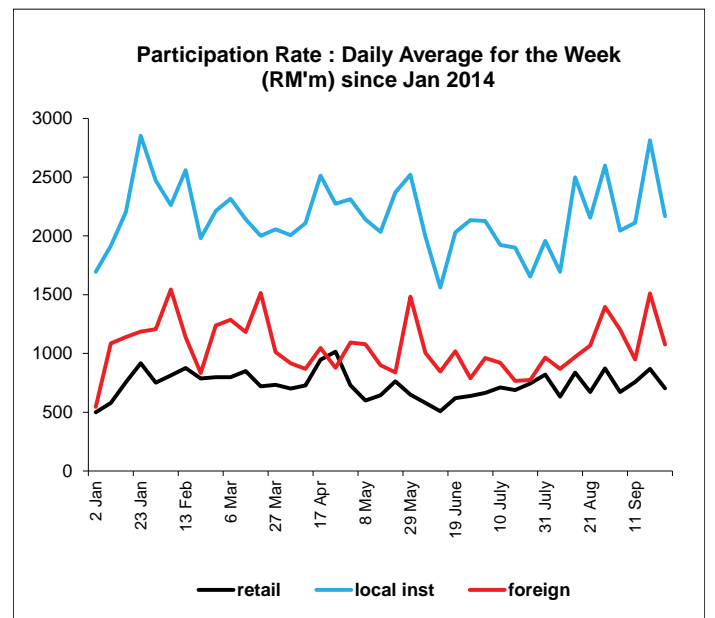
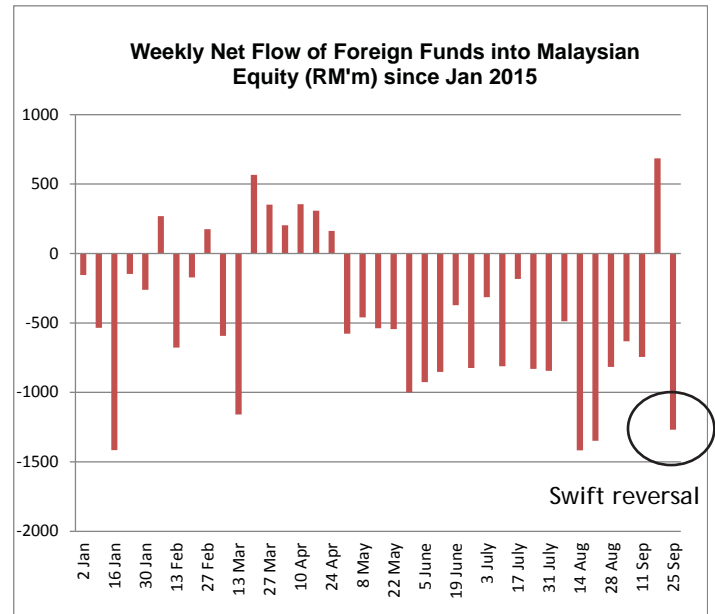
WEEKLY NET FLOW OF FOREIGN FUND INTO EQUITY (USD'm)

WEEK ENDED	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
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	-359.3	587.5	-172.0	-1047.2
SEP 18	313.9	61.3	-116.1	-525.0	575.0	655.2	161.4	1125.7
SEP 25	-923.0	-277.2	-139.7	-49.9	-274.5	-1099.9	-294.1	-3058.4

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

C. TRACKING MONEY FLOW - MALAYSIA

- Malaysia succumbed to the heavy tide against emerging markets last week. What we had hoped to be a promising, sustainable turnaround in the week before turned out to be ephemeral.
- Investors classified as “foreign” sold heavily on Bursa last week. Foreigners offloaded RM1.27b net in the open market (i.e excluding off-market deals) despite it being a holiday-shortened week. It was only the fifth week this year that the amount had exceeded RM1b. That more than reversed the amount of inflow recorded in the preceding week of RM685m, implying that any fund making its way to Malaysian equity currently is highly volatile in nature.
- The outflow last week was clearly driven by apprehensions over emerging markets as a whole. The writings were already on the wall on Monday as foreigners pulled out RM333.9m net, the highest in 17 days and also coincidentally the 17th time that the amount had exceeded RM300m this year.
- On Wednesday, the situation turned rough as foreign investors sold a whopping RM546.6m. That was the highest recorded in a single day this year, and only the second time it exceeded RM500m since the beginning of 2014. Selling remained heavy on Friday, which is rather ominous for the market this week.
- For 2015, last week’s attrition raised the cumulative net foreign outflow to RM17.7b, significantly surpassing the RM6.9b outflow for the entire 2014.
- Foreign participation rate was easier but stayed elevated last week. The average daily gross volume was RM1.08b, compared with RM1.51b the week before. On Wednesday, the volume was only RM1.24b despite the high net sale amount.
- Local institutions supported the market, mopping up RM1.12b net on RM2.17b participation rate. Interestingly, retailers bought rather heavily, mopping RM145m, the highest in a week this year. Although participation stayed moderate at RM704m, many retail investors are seeing value at current market level.



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)*
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
SEP 18	1656.0	1820.7	-164.7	5366.1	5886.4	-520.3	3365.5	2680.5	685.0	161.4
SEP 25	1480.4	1335.1	145.3	4896.2	3772.8	1123.4	1519.9	2788.6	-1268.7	-294.1

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

FUND FLOW REPORT

D. TOP 100 STOCKS: MONEY FLOW ²

TOP 10 NET MONEY INFLOWS

- Public Bank registered the highest net money inflow of RM39.55m last week. Nonetheless, its share price fared worse than the market benchmark as it recorded a -4.97% weekly slump. In comparison, the FBM KLCI retreated by -3.26% during the review week. It must be highlighted that net money inflow amidst retreating share price indicates buy on weakness (BOW) stance among some investors.
- Maxis came in second with RM9.74m net inflow and its share price too underperformed the market benchmark with a -4.16% week-on-week decline which may indicate a BOW stance among some investors. However, it is notable that the latest filings showed both acquisitions and disposals of Maxis shares among the GLICs.
- Genting recorded the third highest net money inflow of RM4.72m but its share price underperformed the FBM KLCI with a -6.20% weekly loss.

TOP 10 NET MONEY OUTFLOWS

- Malayan Banking saw the largest net money outflow of -RM12.15m during the review week. Accordingly, its stock price underperformed the FBM KLCI as it ended the week lower by -3.33% against a slightly smaller -3.26% decline in the market benchmark. The recent filings showed serial disposals of Maybank shares by a GLIC.
- Lafarge Malaysia came in second last week with a net outflow of -RM11.86m. Similarly, its share price also underperformed the market benchmark with a -3.98% weekly loss. The company recently entered into share purchase pact to buy Holcim Malaysia for RM330m..
- UMW Holdings registered the third largest net money outflow at -RM9.01m in the review week. Nonetheless, its share price slightly outperformed the broader market with a lesser -2.63% weekly loss. It is also notable that the latest filings showed both acquisitions and disposals of UMW Holdings shares among the GLICs.

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	39.55	-13.70	-4.97	BOW
MAXIS	9.74	2.98	-4.16	BOW
GENTING	4.72	-0.26	-6.20	BOW
PETRO GAS	4.09	10.85	-0.46	BOW
TM	4.07	-0.28	-1.33	BOW
GAMUDA	3.90	4.78	-3.02	BOW
TNB	3.37	13.53	-1.15	BOW
AIRASIA	3.23	1.55	-0.76	BOW
YTL CORP	3.14	1.81	1.27	-
CARLSBERG	2.99	2.16	0.51	-

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	
MAYBANK	-12.15	14.19	-3.33	-
LAFARGE	-11.86	1.05	-3.98	-
UMW HLDGS.	-9.01	4.52	-2.63	-
MISC	-5.32	-0.25	-1.73	-
AXIATA	-4.16	-5.68	-5.45	-
TOP GLOVE	-4.04	-3.92	5.19	SOS
PETRO DAGANG	-3.43	-0.33	1.01	SOS
KL KEPONG	-3.34	3.16	-4.31	-
BAT	-2.26	-2.75	-0.61	-
PETRO CHEM	-2.10	-1.02	-1.14	-

Source: Bloomberg, MIDFR;

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

² 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

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