



MALAYSIA EQUITY RESEARCH | SEPTEMBER 29, 2014

<p><b>Week Ended</b> <b>September 26, 2014</b></p>	Foreign Flow Meter	
	 Tide	HIGH (declining)
	 Current	MODERATE (from STRONG)

- Globally, risk aversion towards equity surged last week. Trading was turbulent and the equity market is heading towards the worst September since 2011.
- The flow out of Asian equity intensified last week, as global funds made an exit for the third week in a row.
- There was substantial withdrawal from Taiwan and Korea last week. Taiwan and Korea appear to suffer some fallout as a result of heightened aversion towards technology stocks on Wall Street. However, the overhang of foreign liquidity in these two markets remain exceptionally high.
- Country-specific developments drove money out of EmergingAsia Equity. In India, foreign investors sold stocks related to mining after the court rescinded the rights to coalmines. In Indonesia, the parliament’s decision to scrap local elections drove investors out of construction related stocks.
- Global funds’ aversion towards Malaysian equity continued for the fourth consecutive week, but at a subsiding intensity. Investors classified as “foreign” sold -RM447.4m of Malaysian equity in the open market (i.e excluding off-market deals) compared with -RM635.8m the week before.
- The worst of the foreign selldown may have passed as foreign participation rate declined to “moderate” from “elevated”.
- The KLCI closed in the redzone for the third consecutive week. For the year-to-date performance, the KLCI remained rooted at the bottom of the table with a loss of -1.4%.

## TIDE IS HIGH, BUT RECEDING

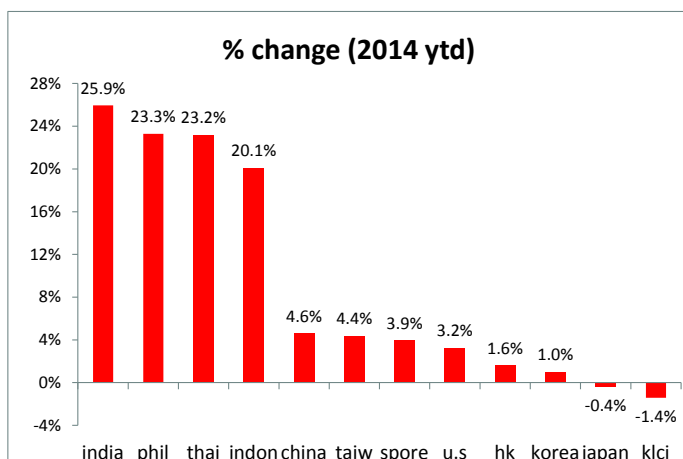
### A. MARKET SNAPSHOT

- Globally, risk aversion towards equity surged last week. Trading was turbulent and the equity market is heading towards the worst September since 2011.
- Returns in the bellweather market, namely Wall Street, fell into the redzone with most of loss attributable to the rout suffered on Thursday. Technology stocks plummeted, triggered by Apple's stumble in the aftermath of reported problems with its new Iphone 6. The Dow Jones and S&P500 rebounded strongly on Friday on higher revised GDP growth of 4.6% annualised in 2Q14. Consumer confidence also climbed in September to a 14-month high as Americans' outlook for the economy improved. However, the rebound on Friday was inadequate to reverse the loss.
- HK, Indonesia, Taiwan and India led the losses in Asia last week. Interestingly, the weaknesses were more driven by country specific factors rather than regional sentiment.
- Investors are probably pulling funds out of Hong Kong with plans to switch to Shanghai where the same stock is trading at a discount. The Hong Kong and Shanghai Exchanges will be officially linked next month allowing free access to both exchanges to mainland investors.
- In Taiwan, investors sold technology stocks, in line with the selldown on Nasdaq. TSMC, the biggest stock component in the Taix Index, lost -3.2%.
- In India, the Supreme Court cancelled almost all coal blocks given to private companies since 1993. This is a massive setback to firms that invested heavily in power stations and factories linked to producing mines. An estimated 40% of the index is greatly affected by the cancellation, including banks, power and metal stocks.
- Most of Jakarta Composite Index's loss last week came on Friday, after Indonesia's parliament passed a law cancelling direct local elections. It is a setback to incoming president Joko Widodo because it throws sand in the wheels of his growth plans.
- The KLCI closed in the redzone for the third consecutive week. For the year-to-date performance, the KLCI remained rooted at the bottom of the table.

Performance of major markets		
Weekly % change	Week before	Last week
Thai SET	0.22	0.96
China CSI300	-0.54	0.49
Phil Comp	1.19	-0.36
Straits Times	-1.21	-0.39
KLCI	-0.33	-0.49
Nikkei 225	2.34	-0.56
Dow Jones	1.72	-0.96
Korea KOSPI	0.59	-1.08
S&P500	1.25	-1.37
CAC	0.44	-1.49
India Sensex	0.11	-1.71
Jakarta JCI	1.63	-1.82
Hang Seng	-1.18	-2.58
Taiwan TaieX	0.19	-2.71
FTSE	0.45	-2.76
DAX	1.53	-3.15

Source: Bloomberg

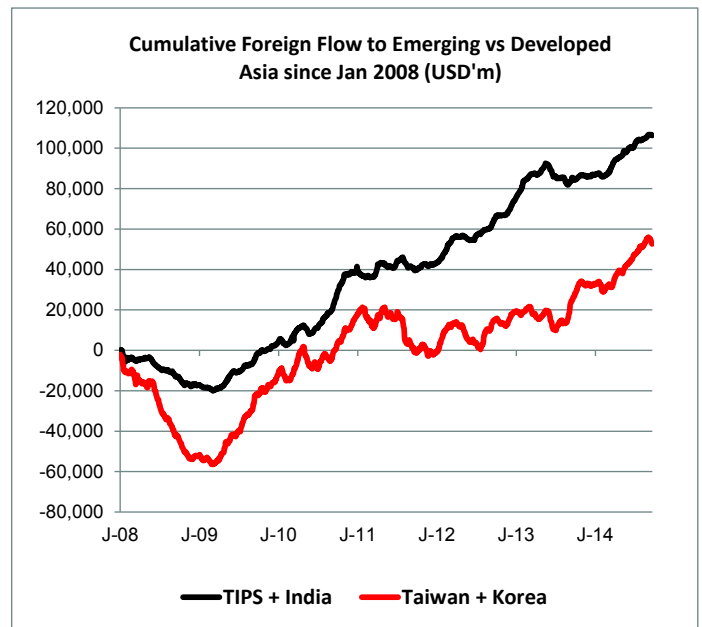
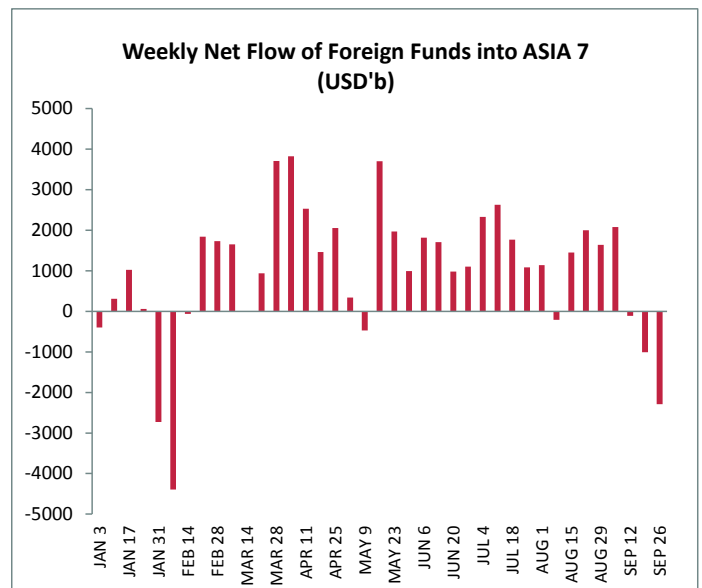
### Major Asian indices



Source: Bloomberg

**B. TRACKING MONEY FLOW - ASIA**

- The flow out of Asian equity intensified last week, as global funds made a general exit for the third week in a row.
- 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 doubled from USD1.01b to USD2.3b last week (see bar chart).
- Foreign liquidity left 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 the India. Collectively, the amount of money that left Taiwan and Korea amounted to four times that which left their “Emerging Asia” counterparts.
- The rate of outflow from Taiwan and Korea continued to accelerate last week. There was massive withdrawal from Taiwan where the amount of -USD1.2b pulled out was the second highest in a week this year. In Korea, foreign money outflow was the most severe in 20 weeks. Taiwan and Korea appear to suffer some fallout as a result of heightened aversion towards technology stocks on Wall Street. However, the overhang of foreign liquidity in these two markets remains exceptionally high.
- Aggregate outflow from our Emerging Asia universe doubled last week, although still not alarming enough to sound the bell. It was not a case of exodus from the grouping but rather country-specific developments which we believe were the main reasons for money leaving. For example, Thailand remains a regional darling, attracting +USD253m,



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	19,657	19,564	39,221 (38,326^)

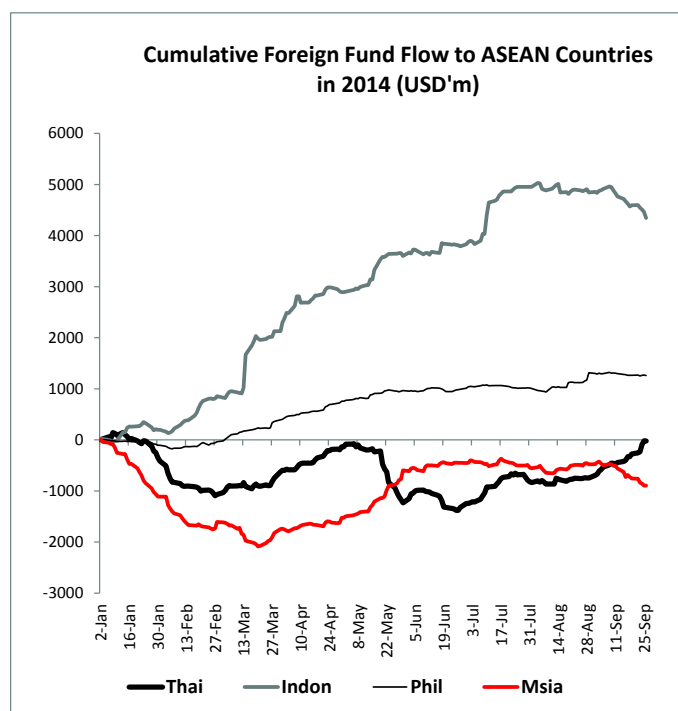
TIP = Thailand, Indonesia, Philippines ^ including Malaysia

<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.

the highest in 11 weeks. Foreign funds are making a strong return to Thailand (see chart)

- India suffered its biggest foreign portfolio liquidation in 2 months. Foreign investors sold stocks related to mining after the court rescinded the rights to coalmines. The overhang of concerns is likely to stay for a while amid nervousness in the broader market as well as uncertainty over the type of auction policy that the government will adopt.
- Foreign portfolio managers sold Indonesian stocks, especially construction related, as the parliament's decision to scrap local election means that public infrastructure development will face higher execution risk in the form of tougher opposition from regional administrations. President-elect Jokowi has pledged to build 2,000km of new roads and 10 seaports.



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
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	31.9	-456.9	-197.1	-1011.1
SEP 26	-661.0	253.4	-249.2	-6.2	-326.5	-1164.6	-137.8	-2291.8

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

# FUND FLOW REPORT

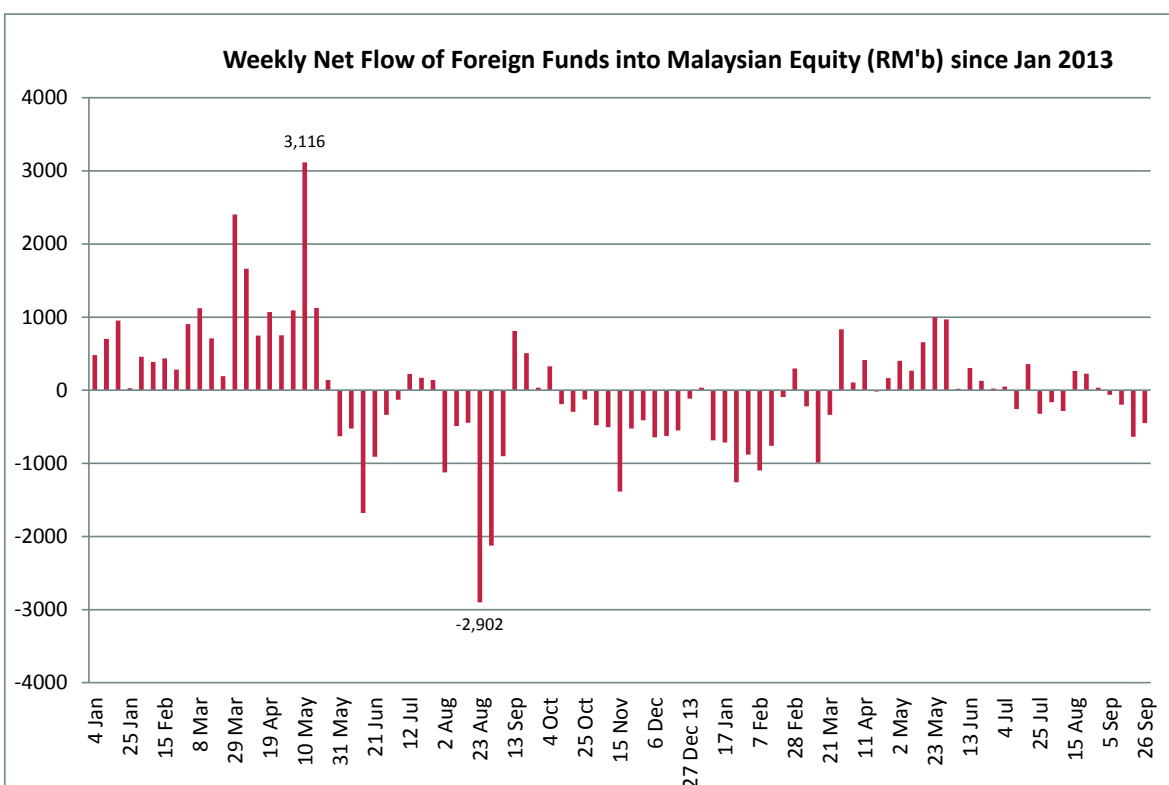
## C. TRACKING MONEY FLOW - MALAYSIA

- Global funds' aversion towards Malaysian equity continued for the fourth consecutive week, but at a subsiding intensity.
- 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 fell to -RM447.4m, compared with -RM635.8m the week before.
- Foreign investors sold aggressively from Tuesday to Thursday. The selldown peaked on Wednesday, when an amount of -RM255.4m was offloaded, the 10th highest in a day this year. It was also the 17th day this year that the net amount sold exceeded RM200m (see table). However, we note that the selldown tapered thereafter, and foreign funds started to nibble on Bursa again, turning net buyers, albeit marginally, on Friday.
- An indication that the worst of foreign selldown has passed is that foreign participation rate declined to "moderate" (RM0.75-1.0b) from "elevated" (>RM1b) last week. Daily average gross purchase and sale fell to RM952m from RM1.22b.
- In contrast, local retail participation rose to its highest in four weeks. The retail average daily gross purchase and sale bounced to RM1.01b compared with RM832m the week before. Retailers bought marginally at only +RM200k, but it was the second week in a row that they had been net buyers.
- Local institutions supported the market significantly for the second week in a row, mopping up +RM447m, compared with +RM617m the week before. Participation rate remained elevated at RM2.08b, slightly higher than that the week before.

**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	10

Source: MIDFR, Bursa statistics

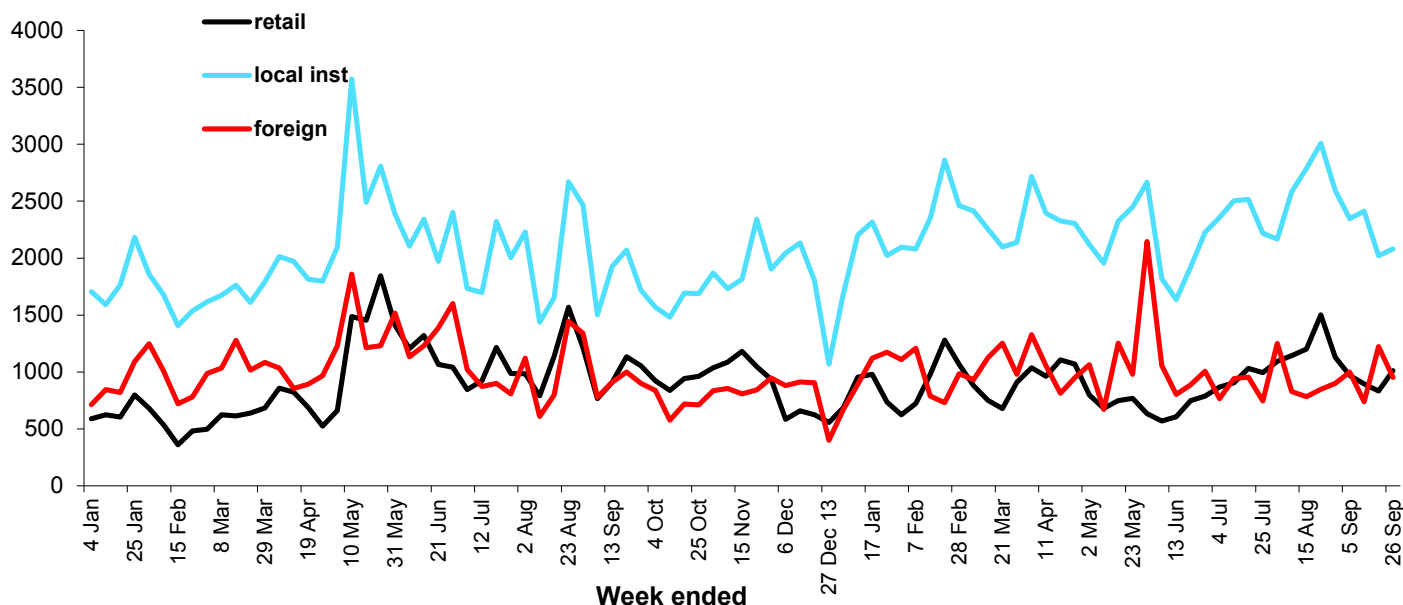


Source: Bursa, excluding off-market trades

**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)*
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	-197.1
SEP 26	2528.4	2528.2	0.2	5429.0	4981.8	447.2	2157.1	2604.5	-447.4	-137.8

\* 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

- Tenaga Nasional (TNB) attracted the highest net money inflow of RM15.71m last week. Its share price however declined -0.81% for the week against a shallower -0.49% drop for the FBM KLCI. It is noteworthy that money net inflow amidst retreating share price indicates buy on weakness (BOW) stance among investors. TNB is expected to announce record earnings in FY14 as it benefits from favourable fuel costs.
- Nestle came in second with RM13.09m net inflow. Nonetheless, its share price underperformed the broader market with a -0.60% weekly drop. The BOW trait may be due to some investors taking long position on the stock pursuant to its recent weakness since late August.
- Hartalega recorded the third highest net money inflow of RM11.98m. The company's so-called 'next generation' plant is on track to begin operation by end of this year. Despite the slight underperformance last week, its share price has outperformed the FBM KLCI by 2.39ppts so far this month.

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
TNB	15.71	-7.46	-0.81	BOW
NESTLE	13.09	-0.06	-0.60	BOW
HARTALEGA	11.98	0.41	-0.71	BOW
SAPURAKENCANA	8.17	-2.93	-2.61	BOW
YTL CORP	7.18	2.16	2.38	-
HAP SENG CONS	4.12	5.74	-1.75	BOW
GENTING M'SIA	3.35	6.06	0.00	-
AIRASIA	2.44	1.15	0.00	-
KOSSAN	2.15	0.46	2.73	-
KPJ HEALTH	1.88	-0.28	2.36	-

Source: Bloomberg, MIDFR;

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

#### TOP 10 NET MONEY OUTFLOWS

- For the eighth times in eight weeks, Public Bank registered the largest net money outflow. It was -RM20.56m last week. Intense loan competition and rising funding costs are arguably putting pressures on banks' forward margins. Its share price dropped -0.74% last week, slightly underperforming the FBM KLCI which eased -0.49%. It is also noteworthy that over the past eight weeks, its share price underperformed the benchmark by -3.03ppts.
- CIMB Group saw the second largest net money outflow of -RM18.94m last week. Standard & Poor's (S&P's) has recently withdrawn its rating on CIMB Group at the latter's request. The rating outlook was negative which reflected S&P's banking industry country risk assessment on Malaysia.
- Digi came in third with -RM16.63m net outflow. Nonetheless, its share price outperformed the broader market with a 1.04% gain last week. The news on possible re-farming of 2G spectrum was taken as positive on Digi. Hence the outflow may be attributable to investors taking profit pursuant to its recent price outperformance. The net outflow amidst rising share price may indicate Sell on strength (SOS) stance among some investors.

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
PUBLIC BANK	-20.56	-38.51	-0.74	-
CIMB GROUP	-18.94	-1.43	-0.99	-
DIGI.COM	-16.63	20.50	1.04	SOS
MAXIS	-12.09	-1.52	3.06	SOS
SIME DARBY	-10.38	3.16	0.88	SOS
IOI CORP	-7.90	4.06	0.21	SOS
AMMB	-6.14	0.45	-1.15	-
MAYBANK	-6.02	4.83	-1.89	-
IJM CORP	-4.62	1.33	0.16	SOS
MBSB	-4.42	-1.02	-0.41	-

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**

**SEPTEMBER BLUES, OCTOBER AHOY!**

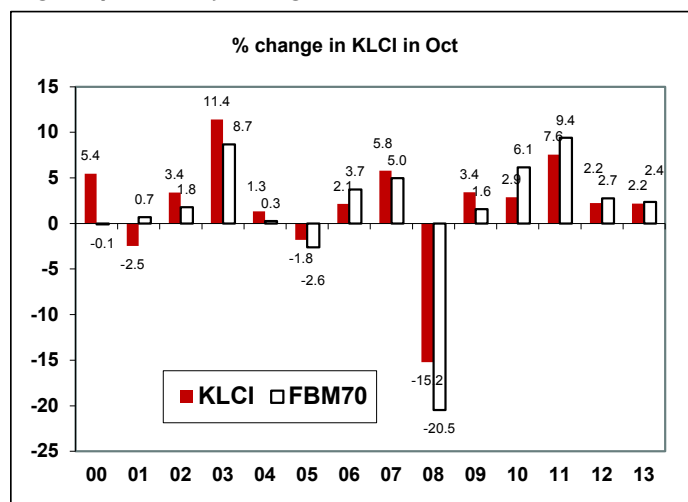
- The market is heading towards its worst September in three years. The KLCI had lost -1.4% for the month, as of last Friday. There could be some end-quarter window dressing in the last two trading days of 3Q14, but we do not expect much impact on the overall direction of the market. As we have expected, September has been an unpredictable month, exhibiting bias towards a broader market weakness.
- We cross over to 4Q14 on Wednesday. We are particularly sanguine over October. This particular month had consistently generated meaningful return in the last five years. Indeed, since 2000, the KLCI had recorded positive returns in all, but three years. 2008 was an exceptional year when the KLCI fell -15.2%. It was the height of the subprime crisis and arrived in the aftermath of the collapse of Lehman Brothers in mid-September 2008.
- However, the early part of October could be challenging but is an excellent period for some serious accumulation. We would recommend investors to keep an eye on the KLCI components stocks. The KLCI is now hovering below the 200-day moving average (DMA) line, which is a long-term support indicator. We do not expect this situation to persist. After all, Budget 2015 is around the corner, and the spectre of the U.S Fed raising interest rates sooner than expected still remains a speculation at best.
- Meanwhile the FBM70 and FBMSmallcap indices are still tracking their respective 50-DMA's, showing little signs of diverging.

**CURRENCY MISERY WEIGHING DOWN EQUITY**

- We are also crossing into October at times when the broader market fundamentals are not in favour of Malaysian equity. The ringgit was one of the weakest currencies against the greenback last week. Its weakness compared with peers widened in the last two weeks.
- Budget 2015 could be a risk to the ringgit. It will probably weaken further if the Government failed to hit its target budget deficit of 3.5% in 2014.
- Commodity prices are also on a downtrend with crude oil price below USD95pb (WTI) due to supply overhang as a result of booming US production and a surge in Libyan exports.
- This week is laden with statistics with the ECB also meeting on Thursday. We would remain cautious, keeping an eye for value picks.



**Higher possibility of a green October**



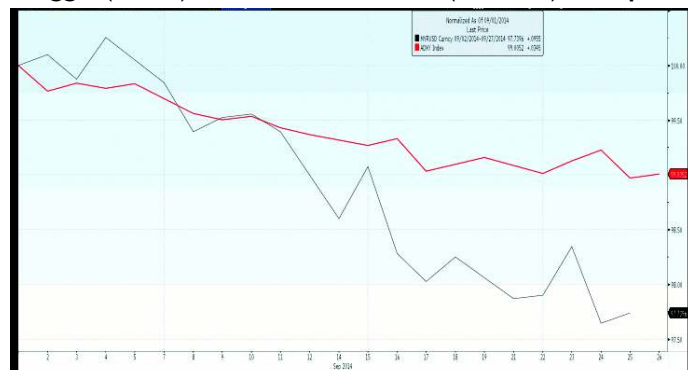
**KLCI below 200DMA!**



**FBM Smallcap index still below short-term support**



**Ringgit (Black) vs Asian Currencies (Redline) in Sept.**





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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