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MIDF AMANAH
INVESTMENT BANK BERHAD

FUND FLOW REPORT

MIDF EQUITY STRATEGY | 18 JULY 2022

WEEK ENDED 15 JULY 2022

- Global markets consumed gloomy sentiments last week, reversing the rally seen in the previous week as inflation jitters returned to spook investors
- The S&P500 was down -0.93% for the week to 3,863.16 points while the Dow inched lower by -0.16% to 31,286.02 points. The Nasdaq Composite took a bigger hit of -1.57% to 11,452.42 points
- Out of 16 indices tracked, 13 were in the red. The Hang Seng Index tanked -6.57%, China's CSI 300 lost -4.07% while the Philippines Stock Exchange Index retreated -2.62%. The only three advancers were Japan's Nikkei 225, Taiwan's TAIEX and France's CAC40, up by +1.02%, +0.60% and +0.05% respectively
- Headline CPI inflation in the US accelerated to +9.1%yoy in Jun-22,the fastest price increase in 41 years, driven by higher prices including food, energy, housing, apparel, education, medical care and transport. The core CPI inflation was also higher than expected, although it moderated for the third straight month to +5.9%yoy
- US producer prices rose faster at +11.3%yoy in Jun-22, indicating that the supply side pressure and cost increase kept prices generally at elevated levels
- Exports rebounded in China with an expansion of +17.9%yoy in Jun-22, the fastest in five months as factory operations were ramped up following the easing of lockdowns. In contrast, China's imports rose at slower pace at +1%yoy as the lingering effect of lockdown led to weak commodity imports and as domestic consumption remained subdued
- The FBM KLCI declined -0.52% last week, settling at 1,425.79 points on Friday. The Ringgit saw a weekly depreciation by circa -0.53% against the US dollar to close at USD/MYR 4.4493 while the Brent crude oil price dipped -5.63% for the week to close at USD101.16 per barrel

Inflation glooms dampened sentiments

A. MARKET SNAPSHOT

- Global markets were hit by gloomy sentiments last week, reversing the rally seen in the previous week as inflation jitters returned to spook investors with a 41-year high consumer price index (CPI) in the United States (US), on top of disappointing second quarter US corporate earnings thus far, as announced last week.
- Benchmark indexes on Wall Street pared part of the gains it made in the previous week amidst the negativities, pushing the S&P500 lower by -0.93% for the week to finish at 3,863.16 points while the Dow Jones Industrial Average inched lower by -0.16% to 31,286.02 points. The Nasdaq Composite took a bigger hit of -1.57% to 11,452.42 points.
- Out of the 16 major indices that we track, 13 were in the red, with Hong Kong's Hang Seng Index at the very bottom after tanking -6.57%. China's CSI 300 lost -4.07% while the Philippines Stock Exchange Index retreated -2.62%. The only three advancers for the week were Japan's Nikkei 225, Taiwan's TAIEX and France's CAC40, which were up +1.02%, +0.60% and +0.05% respectively.

Table 1 Weekly performance of major indices

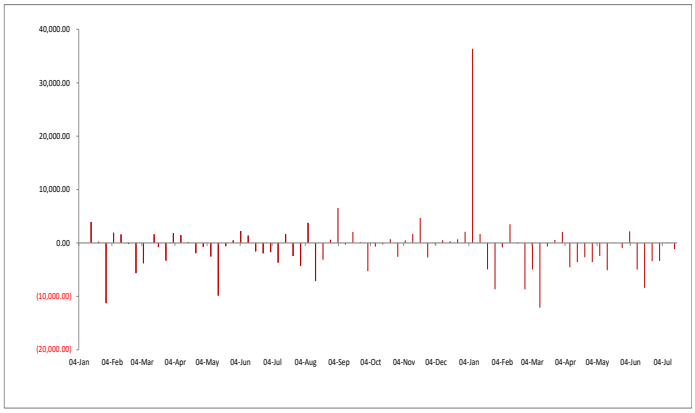
Name	% chg week before	% chg last week
NIKKEI 225	2.24	1.02
Taiwan TAIEX	0.85	0.60
CAC 40	1.72	0.05
Dow Jones	0.77	-0.16
FBMKLCI	-1.65	-0.52
FTSE 100	0.38	-0.52
Korea KOSPI	1.96	-0.84
S&P 500	1.94	-0.93
FSSTI	1.15	-1.03
DAX	1.58	-1.16
Jakarta JCI	-0.80	-1.31
India Sensex	2.97	-1.32
Thai SET	-0.94	-1.57
Phil PCOMP	3.19	-2.62
China CSI 300	-0.85	-4.07
Hang Seng	-0.61	-6.57

Source: Bloomberg

- Bulge bracket banks JP Morgan Chase and Morgan Stanley saw their quarterly earnings dip -30%yoy while Wells Fargo saw a -48%yoy plunge. BlackRock, the world's largest asset manager, also posted a -30%yoy drop in second quarter earnings while its asset under management (AUM) tanked -11%.
- US headline CPI inflation accelerated to +9.1%yoy in Jun-22, up from +8.9%yoy in May-22. This was the fastest price increase in 41 years. This was driven by higher prices including food, energy, housing, apparel, education, medical care and transport. The core CPI inflation was also higher than expected, although it moderated for the third straight month to +5.9%yoy (May-22: +6.0%yoy). With inflation remaining at high levels, still above the Fed's 2% long-term target, we expect the Fed to proceed with its aggressive rate hike to contain the high inflation in the US. The recent update also showed stronger-than-expected job creation, indicating conditions in the US labour market remained robust. Although demand pressures, as measured by the increase in core CPI, moderated from the recent peak in Mar-22, the level is still around a 40-year high. Thus, we opine Fed policymakers will consider another large increase in Fed funds rate possibly by 75bps at the next FOMC meeting later this month.
- Like the CPI inflation, US producer prices rose faster at +11.3%yoy in Jun-22, indicating that the supply side pressure and cost increase kept prices generally at elevated levels. The Jun-22 figure was almost as high as the record +11.6%yoy increase in Mar-22, with the higher reading attributable to the quicker energy price inflation. Core PPI inflation however, moderated to +8.2%yoy, the lowest in seven months, signalling slower underlying price pressures. The upward trend in PPI generally reflects the changes in oil and gasoline prices. Looking at the recent correction in commodity and oil prices, we expect to see easing cost pressures.
- Exports rebounded in China with an expansion of +17.9%yoy in Jun-22, the fastest in five months as factory operations were ramped up following the easing of lockdowns, supported by higher demand for computers, steel and motor vehicles. In contrast, China's imports rose at slower pace at +1%yoy (May-22: +4.1%yoy) as the lingering effect of lockdown led to weak commodity imports and as domestic consumption remained subdued. The slower imports growth suggests a more sluggish

recovery in domestic consumption, which may be a sign of possible weakness in external trade for other regional countries, including Malaysia. As a major trading partner, a slowdown in China is one of the downside risks to Malaysia's trade and growth outlook. We expect further support from the national authorities and that the economic reopening will lead to continued improvement in China's growth momentum going forward. However, slower global growth and softer final demand could affect international trade activity in coming months.

Chart 1 Weekly Net Flow of Foreign Funds into 7 Asian Markets since Jan 2021 (USD'm)



Source: Bloomberg, Bursa Malaysia, MIDFR

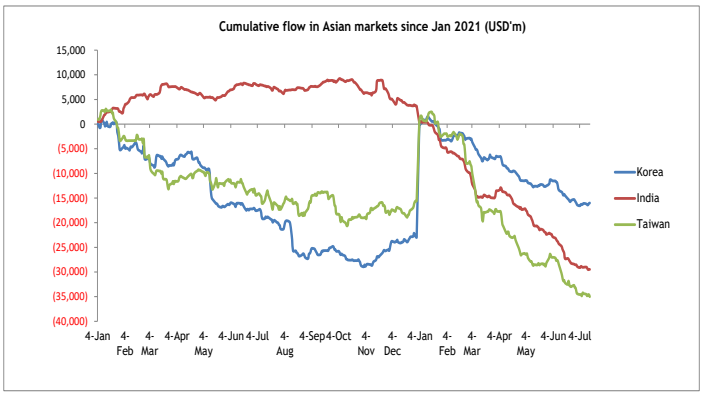
- A number of cities in China are also adopting fresh Covid-19 restrictions after discovering a highly-transmissible Omicron subvariant. A slowdown of the Chinese economy is one of the downside risk factors that we foresee in 2HCY22. The Chinese Government has set a GDP growth target at +5.5% for this year (1QCY22: +4.8%yoy). As reflected in macro figures, the economy grew slower in 2QCY22 at only 0.4%, one of its lowest in two years. Hence, we believe the economy is far from reaching the target GDP growth rate as the Government remains firm with its "Dynamic Zero-Covid" policy, as growth in the first half of the year only reached 2.5%. A slight rise of Covid-19 cases will lead to targeted and mini-lockdown in certain areas or cities. The curbing method causes market uncertainty and disrupt global supply chain activities as well as overall domestic economic growth. If the latest targeted lockdowns prolong, we shall foresee tepid macroeconomic performance in 3QCY22 and would derail GDP growth to lower than +5.0% for this year. We opine that external effects of the targeted curb measure are minimal and would be more impactful on domestic economic activities in China.
- In Australia, consumer sentiments slid in July for the eighth straight month, dragged by inflation risk and higher cash rate by the Reserve Bank of Australia. The central bank had slashed its monetary rate to 0.10% throughout the pandemic period. As domestic economy improved, RBA raised the cash rate to latest level at 1.35% in Jul-22. We opine that the monetary policy is on normalisation process to pre-pandemic level at 1.50%. Headline inflation is on a strong upward trend while core inflation rose to more than a decade high at +3.7%yoy in May-22 amid strong underlying domestic demand. We believe the inflation risk will dampen consumer spending in 2HCY22 especially if headline rate surges above +5.0%yoy and couple with higher cash rate which more than 1.50%.
- Australia's unemployment rate plunged to a 48-year low as the labour market continued to recover from the pandemic slowdown, bringing down the jobless rate to 3.5% in Jun-22 (May-22: 3.9%). With limited number of people being laid off, there was a large decline of 54,300 in the overall unemployment count. The increase in employment was also faster at +88,400 in Jun-22 (May-22: +60,600), double what was predicted by market. We believe the robust growth in the job market will continue as the Australia's economy continues to recover on the back of economic reopening, including the reopening of international borders.
- The FBM KLCI declined -0.52% last week, settling at 1,425.79 points on Friday. As for the Ringgit, it saw a weekly depreciation by circa -0.53% against the US dollar to close at USD/MYR 4.4493 last Friday. Meanwhile, the Brent crude oil price dipped -5.63% for the week to close at USD101.16 per barrel.

[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.

B. TRACKING MONEY FLOW - ASIA

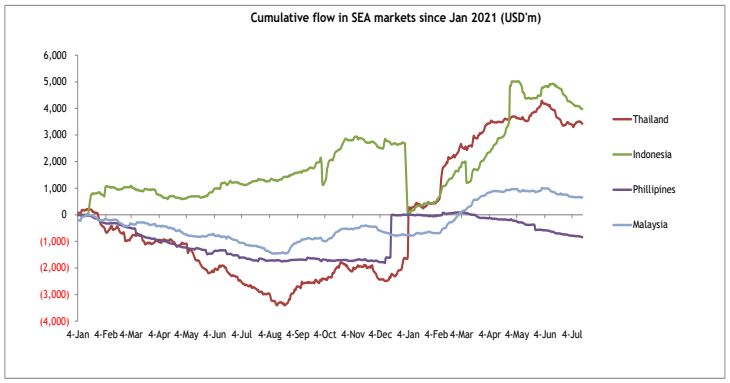
- Foreign investors turned net sellers again, in line with the weak performance of markets globally. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" sold -USD1.16b net last week, reversing a net buy of USD90.22m in the previous week. Out of the 28 trading weeks so far in 2022, there has been 21 weeks of net selling and seven weeks of net buying.
- For the week ended July 15, South Korea was the only country that posted a net foreign inflow out of the seven Asian exchanges. There was net inflow of USD74.5m into the country, which moderated from the net inflow of USD349.6m in the previous week. This was due to net inflows of USD296.0m and USD105.9m on Thursday and Friday respectively.
- The bulk of the outflows came from Taiwan at -USD616.7m, India at -USD433.8m and Indonesia at -USD108.6m. Other outflows recorded were from the Philippines, Thailand and Malaysia at a rate of -34.7m, -USD30.8m and -USD6.3m respectively. The Philippines has seen net foreign outflows for 19 consecutive weeks now while India is looking at 15 weeks.
- Thursday was the only day of the week with net inflows at a rate of USD380.6m, mainly from fund flows into South Korea (USD296m), Taiwan (USD113.6m) and India (USD45.5m). The heaviest outflow happened on Tuesday, when foreign investors net sold USD693.4m of equities, mainly from Taiwan, India and South Korea at -USD335.5m, -USD183m and -USD152.5m respectively.
- The day with the lowest foreign fund outflow was on Monday, at a rate of -USD142m. This was led by Taiwan (-USD119.1m) and South Korea (-USD103.3m).

Chart 2 Net Flow of Foreign Funds into Taiwan, Korea and India since Jan 2021 (USD'm)



Source: Bloomberg, MIDFR

Chart 3 Net Flow of Foreign Funds into South East Asia Emerging Markets since Jan 2021 (USD'm)



Source: Bloomberg, Bursa Malaysia, MIDFR

Table 2 Weekly Net Flow Of Foreign Fund Into Equity By Market (USD'm)

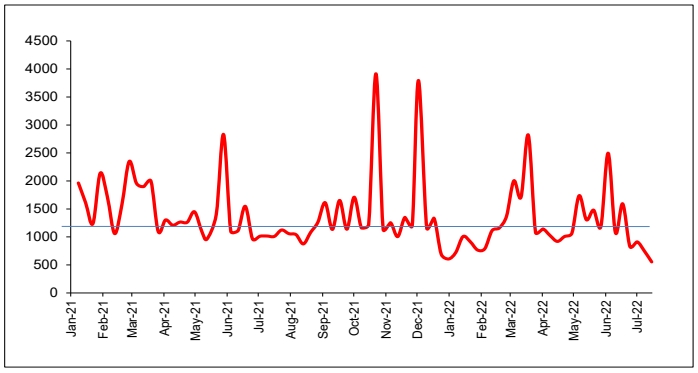
WEEK	KOREA	THAI	INDO	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
03-Jun	971.50	178.02	326.84	(19.38)	(476.70)	1,092.50	109.18	2,181.96
10-Jun	(1,860.00)	(170.14)	89.77	(48.27)	(1,425.80)	(1,459.30)	(99.37)	(4,973.11)
17-Jun	(1,085.70)	(352.11)	(92.56)	(69.02)	(2,985.80)	(3,703.00)	(115.98)	(8,404.17)
24-Jun	(998.50)	(311.22)	(281.92)	(36.55)	(967.10)	(799.40)	(13.90)	(3,408.59)
01-Jul	(949.60)	71.07	(266.27)	(41.21)	(681.20)	(1,435.70)	(72.69)	(3,375.60)
08-Jul	349.60	36.62	(169.23)	(26.18)	(108.60)	35.30	(27.29)	90.22
15-Jul	74.50	(30.81)	(108.64)	(34.70)	(433.80)	(616.70)	(6.31)	(1,156.46)

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

C. TRACKING MONEY FLOW - MALAYSIA

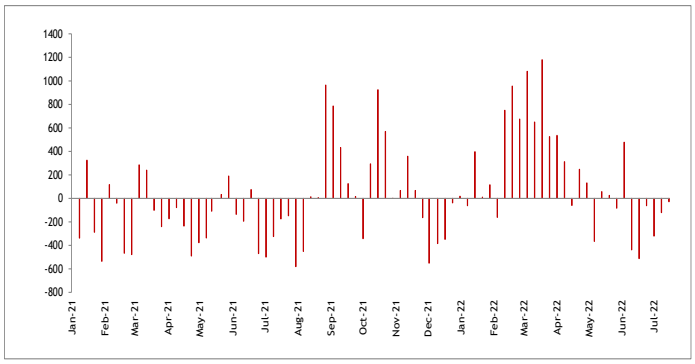
- The trend of foreign fund outflows continued on Bursa Malaysia for the sixth consecutive week, though at a much moderated rate last week, with only -RM28m trickling out on a shorten trading week due to Hari Raya Aidiladha holiday on Monday. Comparatively, it was net outflow of -RM120.55m the previous week.
- Foreigners were net buyers on Tuesday and Thursday at RM21.9m and RM49.6m respectively, cushioning the outflows of -RM81.9m on Wednesday and -RM17.6m on Friday.
- Local institutions turned net sellers again at a rate of -RM25.1m after net buying for a brief two weeks. They were net sellers of -RM60.4m on Tuesday and -RM48.5m on Thursday, which was softened by net buys on Wednesday and Friday at RM47.9m and RM36m respectively.
- Local retailers maintained their net buying spree for the sixth week coming, net buying RM53.1m. They bought RM72.5m net on Tuesday and Wednesday before net selling RM19.5m over the next two days.
- The top three sectors which saw net outflows by foreign investors were Industrial Products & Services (-RM51.7m), Technology (-RM40.4m) and Plantation (-RM22.3m). Meanwhile, the top three sectors with net inflows were Healthcare, Financial Services and Consumer Products & Services with RM71.7m, RM35.5m and RM16.6m respectively.
- To date, international funds have been net buyers for 17 out of the 28 weeks of 2022, with a total net inflow of RM5.94b. Local institutions were net sellers for 21 out of 28 weeks, with a total net outflow of -RM7.84m. Local retailers have been net buyers for 19 out of 28 weeks of 2022. Year-to-date, they have been net buyers at RM1.9b.
- In terms of participation, there was a decline in average daily trade value (ADTV) among all investor classes. Retail investor saw a decline of -26.26% while institutional and foreign investors saw a decrease in ADTV by -25.51% and -25.94% respectively.

Chart 4 Weekly Net Flow of Foreign Funds into Malaysian Equity since Jan 2021 (RM'm)



Source: Bursa Malaysia statistics, MIDFR

Chart 5 Foreign Participation on Bursa: Daily Average for the Week since Jan 2021 (RM'm)



Source: Bursa Malaysia statistics, MIDFR

Table 3 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)*
10-Jun	2,086.88	1,894.83	192.04	3,469.21	3,224.37	244.85	1,937.61	2,374.51	(436.91)	(99.37)
17-Jun	2,675.65	2,452.80	222.85	4,661.52	4,372.84	288.68	3,722.38	4,233.90	(511.51)	(115.98)
24-Jun	2,213.75	2,144.34	69.41	4,248.19	4,256.07	(7.89)	2,037.23	2,098.73	(61.51)	(13.90)
01-Jul	2,083.07	1,945.51	137.54	3,754.57	3,571.82	182.73	2,117.60	2,437.89	(320.28)	(72.69)
08-Jul	1,773.20	1,682.51	90.69	2,908.50	2,878.63	29.85	1,804.04	1,924.58	(120.55)	(27.29)
15-Jul	1,300.69	1,247.64	53.05	2,142.77	2,167.84	(25.07)	1,366.68	1,394.64	(27.95)	(6.31)

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

D. MONEY FLOW AMONG BURSA'S TOP 100 CAPITALISED STOCKS: WEEK ENDED 15 JULY 2022

- PRESS METAL recorded the highest net money inflow for the week ended 15 July 2022 to the tune of RM3.98m. Its share price was -7.24% lower for the week, underperforming the local bourse which declined -0.52%. It is notable that the net money inflow amidst a retreating share price may indicate a buy on weakness (BOW) stance among some investors.
- HONG LEONG BANK saw the second highest net money inflow of RM1.57m. Its share price advanced +0.40% during the week, outperforming the local bourse which declined -0.52%.
- SIME DARBY PLANTATION saw the third highest net money inflow of RM0.96m. Its share price was +0.25% higher during the week, outperforming the local bourse which declined -0.52%.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
PMETAL	3.98	3.71	-7.24	BOW
HLBANK	1.57	1.90	0.40	-
SIMEPLT	0.96	0.93	0.25	-
AMBANK	0.95	1.27	-0.77	BOW
KOSSAN	0.82	0.78	-0.78	BOW
KLK	0.80	1.21	0.68	-
IHH	0.70	0.58	1.10	-
GENTING	0.65	0.00	1.77	-
VS	0.62	0.79	-4.17	BOW
PETDAG	0.58	0.53	2.74	-

- PETRONAS CHEMICALS saw the largest net money outflow of -RM3.45m last week. Its stock price dipped -4.25% for the week, underperforming FBM KLCI which was -0.52% lower.
- TOP GLOVE recorded the second largest net money outflow -RM1.77m during the week under review. Its share price rose +0.51% for the week, outperforming the local bourse which declined-0.52%. The net money outflow amidst a rising share price may indicate a sell on strength (SOS) stance among some investors.
- GENTING MALAYSIA came in third with an outflow of -RM1.21m during the week. Its share price advanced +0.71% during the week under review, outperforming the FBM KCLI which declined -0.52%. There is also an indication of SOS among some investors.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
PCHEM	-3.45	-1.60	-4.25	-
TOPGLOV	-1.77	-1.52	0.51	SOS
GENM	-1.21	-1.06	0.71	SOS
DIGI	-1.09	-1.97	-2.01	-
PETGAS	-0.78	-0.68	0.37	SOS
BSTEAD	-0.62	-0.51	-10.49	-
NESTLE	-0.61	-0.65	0.22	SOS
SIME	-0.61	-1.04	1.83	SOS
MAYBANK	-0.52	-0.80	-0.35	-
INARI	-0.40	-0.66	-5.62	-

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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