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MIDF AMANAH
INVESTMENT BANK BERHAD

FUND FLOW REPORT

# MIDF EQUITY STRATEGY | 15 AUGUST 2022

## WEEK ENDED 12 AUGUST 2022

- Benchmark indices on Wall Street rose for the fourth consecutive week. The S&P500 was up +3.26%, Dow Jones Industrial Average up +2.92% while the Nasdaq Composite Index climbed +3.08%
- Out of the 16 major indices tracked, 14 were in the positive territory, led by the Philippines Stock Exchange Index with a weekly growth of +4.59%. Second was the S&P500 and third was the Dow
- The CPI in US rose +8.5%yoy in July, though still elevated but below market consensus. The PPI was also lower than expected coming in at +9.8%yoy, the slowest rise in nine months
- Singapore's GDP expanded +4.4%yoy in 2QCY22, mainly attributable to the surge in private consumption at +12.2%yoy. Though it was below expectations, it was the fastest annual growth since 3QCY21
- Malaysia posted a stronger GDP growth in 2QCY22 by +8.9%yoy. On quarter-on-quarter basis, Malaysia's seasonally adjusted GDP grew by +3.5%qoq, the third straight quarter of expansion since the fourth quarter last year
- •Malaysia's IPI grew strongly in Jun-22 by +12.1%yoy, returning to double-digit growth and the fastest expansion in 13 months
- The FBM KLCI rose +0.31% last week to finish at 1,506.19 points on Friday. The Ringgit saw a weekly appreciation by circa +0.13% against the US dollar to close at USD/MYR 4.4445 while the Brent crude oil price added +3.40% for the week to close at USD98.15 per barrel

# Markets rally on signs on cooling inflation

## A. MARKET SNAPSHOT

- Global markets rallied last week on the back of initial signs of cooling inflation as investors took the cue as a renewed hope of a less aggressive Federal Reserve in raising interest rates.
- The consumer price index (CPI) rose +8.5%yoy in July, though still elevated but below market consensus of +8.7%yoy and a decline from +9.1%yoy in June. The producer price index (PPI) was also lower than expected in Jul-21, coming in at +9.8%yoy, the slowest rise in nine months.
- Benchmark indices on Wall Street powered on, rising for the fourth consecutive week. The S&P500 added 134.96 points or +3.26% to 4,280.15 points last Friday while the Dow Jones Industrial Average rose 423.98 points or +2.92% to 33,761.11 points. The Nasdaq Composite Index climbed 389.64 points or +3.08% to 13,047.19 points.
- Out of the 16 major indices that we track, 14 were in the positive territory, led by the Philippines Stock Exchange Index with a weekly growth of +4.59%. The S&P500 came in second while the Dow was third. There were only two decliners for the week – the Hang Seng Index at -0.13% and Singapore's Straits Times Index at -0.41%.

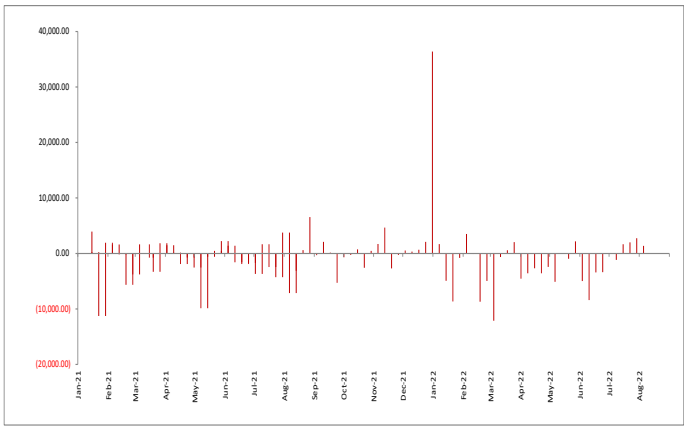
**Table 1** Weekly performance of major indices

| Name | % chg week before | % chg last week |
|---|---|---|
| Phil PCOMP | 1.42 | 4.59 |
| S&P 500 | 0.36 | 3.26 |
| Dow Jones | -0.13 | 2.92 |
| India Sensex | 1.42 | 1.84 |
| Taiwan TAIEX | 0.24 | 1.68 |
| DAX | 0.67 | 1.63 |
| Korea KOSPI | 1.60 | 1.49 |
| Thai SET | 1.57 | 1.32 |
| NIKKEI 225 | 1.35 | 1.32 |
| CAC 40 | 0.37 | 1.26 |
| China CSI 300 | -0.32 | 0.82 |
| FTSE 100 | 0.22 | 0.82 |
| Jakarta JCI | 1.92 | 0.63 |
| FBMKLCI | 0.62 | 0.31 |
| Hang Seng | 0.23 | -0.13 |
| FSSTI | 2.22 | -0.41 |

- The CPI in the US decelerated mainly due to slower energy inflation given the recent correction in gasoline prices. Other components like costs of new vehicles and airfare charges also contributed to the easing inflation in Jul-22. Core inflation, excluding food and energy, was unchanged at +5.9%yoy, the lowest since Jan-22. This implies that the demand pressure on prices did not push inflation higher as consumers are seen to be adjusting their spending plans. Nevertheless, we opine the still-high inflation, and the robust job market will keep the Fed on hawkish mode and to tighten further until there is a clear sign that the inflation in US is moving closer to its longer-term target.
- Meanwhile, the easing PPI was mainly attributable to the lower inflation in energy prices at +36.8%yoy, the lowest since Mar-22. The deceleration in other components such as textile products, rubber & plastics and machinery & equipment also contributed to the PPI decline. A lower PPI suggests reduced inflationary pressures on American firms and this would eventually lead to lower selling prices in the future. The expected slowdown in demand as a result of the rising borrowing costs, will also bring down inflation in coming months.
- More jobs were added in the US economy as the nonfarm payrolls jumped by 528,000 in Jul-22 (Jun-22: 398,000), the highest monthly increment in five months. In line with higher consumers spending on services, most of the rise in payrolls were recorded in the services sectors such as leisure and hospitality (mainly in food services & drinking places), and professional and business services. Unemployment rate declined further to 3.5% in Jul-22, back to the level recorded in Feb-20.
- South Korea's labour market remained firm as the unemployment rate was unchanged at 2.9% in Jul-22. Although the rate is the highest since Feb-22, it is still below 3.0% and better than the pre-pandemic level. The labour force continued to expand at +2.6%yoy (Jun-22: +2.3%yoy) for fourth-consecutive month, while employment stayed steady at +3.0%yoy in Jul-22. However, the job market condition could deteriorate going forward as South Korea's economy faces a combination of risks such as slowing growth and excessive inflation, as well as possible global slowdown amid monetary tightening by many central banks.

- Singapore's GDP expanded +4.4%yoy in 2QCY22 (1QCY22: +3.8%yoy), mainly attributable to the surge in private consumption at +12.2%yoy. Though it was below expectations, it was the fastest annual growth since 3QCY21 as the easing Covid-19 curbs supported the strong domestic spending during the quarter. Moving forward, the possible slowdown in the global economy and external trade could hit Singapore's growth outlook. As a result, the official GDP forecast was revised down from 3.0-5.0% to 3.0-4.0%. Nevertheless, the city state economy is still projected to record positive growth this year, with the expectation that economic activities will improve further.

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




Source: Bloomberg, Bursa Malaysia, MIDFR

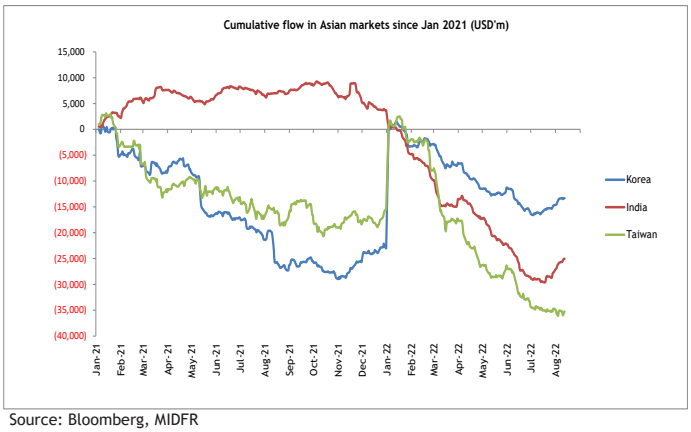
- The Philippines's GDP expanded less than expected at +7.4%yoy in 2QCY22 (1QCY22: +8.2%yoy). The positive growth in 2Q marks the fifth consecutive quarter of expansion but the slowest since 3QCY21 as household spending declined due to high inflation and net exports had a negative impact on the GDP. With growth expected to sustain, the high inflationary pressure will likely pose pressures on Bangko Sentral ng Pilipinas (BSP) to consider another hike possibly by 50bps in next monetary policy meeting later this month.
- The Philippines's labour market remained steady in Jun-22 as the unemployment rate was unchanged at +6.0%. Employment growth was slightly better at +3.4%yoy than previous month (May-22: +3.1%yoy). The expansion in Jun-22 employment was mainly due to increased higher in all sectors particularly the industry, agriculture, and services sectors.
- Indonesia's GDP grew stronger than expected by +3.7%qoq in 2QCY22 (1QCY22: -1.0%qoq), higher than +3.4%qoq predicted by market consensus. From a year-on-year perspective, the GDP accelerated to +5.4yoy from +5.0%yoy in the previous quarter. The 2QCY22 growth was the fastest growth since 2QCY21, underpinned by sustained growth in external demand and improving domestic spending on the back of easing Covid-19 restrictions. Being a commodity-producing country, Indonesia saw a surge in exports at +19.7yoy in 2QCY22 (1QCY22: +16.7%yoy), also benefiting from the rise in global commodity prices and despite a short ban on palm oil exports in Apr-22. Although core CPI inflation seems to be stable and not as high as in other countries, we expect further rate hikes by Bank Indonesia (BI) in the latter part of the year as Indonesia's economy registered sustained and stable growth.
- Malaysia posted a stronger GDP growth of +8.9%yoy (1QCY22: +5%yoy) in 2QCY22, beating market expectations. On quarter-on-quarter basis, Malaysia's seasonally adjusted GDP grew by +3.5%qoq (1QCY22: +3.8%qoq), the third straight quarter of expansion since the fourth quarter last year. Further economic reopening led to surge in consumer spending. Private consumption growth accelerated significantly to +18.3%yoy. Despite concerns over rising prices particularly food items, consumers continued to increase spending as they are no longer bound to strict SOPs. We revise our 2022 GDP growth projection higher to +6.6% from +6.0% previously. We expect the positive growth momentum to continue in 2HCY22, looking at the continued pick-up in consumer spending, improved business activities and sustained growth in external demand.
- Malaysia's IPI grew strongly in Jun-22 by +12.1%yoy (May-22: +4.1%yoy), returning to double-digit growth and the fastest expansion in 13 months. This was driven by the jump in manufacturing production (+14.5%yoy) and electricity generation (+14.1%yoy); and, rebound in mining sector output (+2.1%yoy). Sales in the manufacturing sector also registered stronger growth at +23.4%yoy in Jun-22, the fastest growth since May-21. We revised our projection for IPI growth to +8.2% this year (previous forecast: +4.3%). This considers the performance of industrial production in 1HCY22 and the low base effect from the lockdown last year.
- The FBM KLCI rose +0.31% last week to finish at 1,506.19 points on Friday. As for the Ringgit, it saw a weekly appreciation by circa +0.13% against the US dollar to close at USD/MYR 4.4445 last Friday. Meanwhile, the Brent crude oil price added +3.40% for the week to close at USD98.15 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

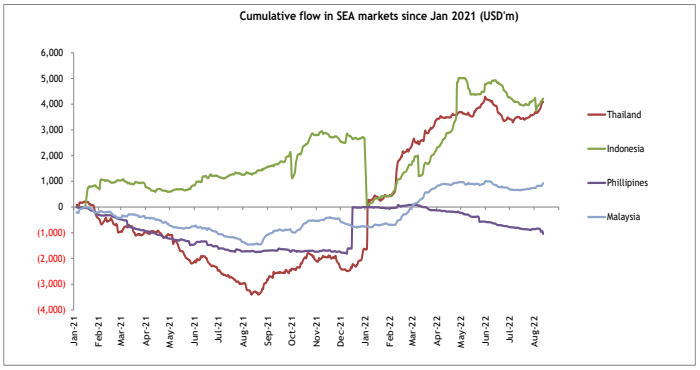
- Foreign investors remained net buyers of Asian equities for the fourth consecutive week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" net bought USD1.37b net last week, half the amount seen the week prior, which was USD2.74b. Out of the 32 trading weeks so far in 2022, there has been 20 weeks of net selling and 12 weeks of net buying.
- For the week ended August 12, the bulk of the net inflows came from India at a rate of USD789.4m, followed by Thailand at USD407.9m and Indonesia, at USD284.3m. Net inflows were also recorded in South Korea and Malaysia at USD120.7m and USD101.6m respectively.
- The only two countries that posted net outflows were the Philippines and Taiwan at -USD201m and -USD129.6m respectively.
- The strongest net buying day was seen on Thursday, at USD1.1b, led by Taiwan at USD448.9m, India at USD282.9m and South Korea at USD159.8m. This was probably due to improved sentiments after the release of US inflation data which was lower than market expectations.
- Other net buying days were observed on Monday and Friday at USD442.8m and USD272m respectively.
- Foreign investors net sold -USD59.1m and -USD377.7m on Tuesday and Wednesday respectively, in the run-up to the release of US inflation data. The net outflow on Wednesday was due to strong net selling, coming from Taiwan at -USD666.8m and South Korea at -USD140.5m.

**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

## C. TRACKING MONEY FLOW - MALAYSIA

- Foreign funds maintained its net buying stance on Bursa Malaysia for the fourth consecutive week, which saw a net inflow of RM451.7m for the week ended 12 August 2022. This was +16.4% higher than the RM388.21m of net buying seen the previous week.

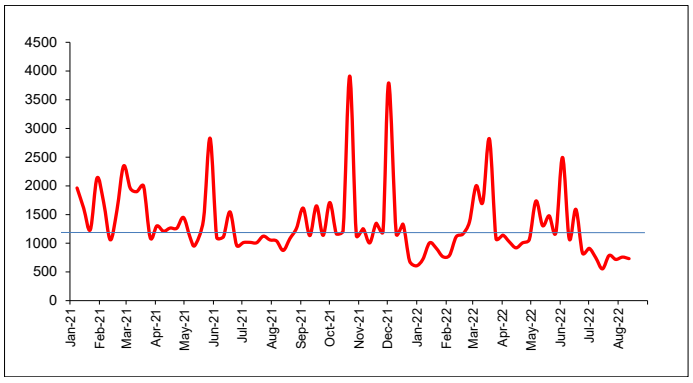
**Table 2** Weekly Net Flow Of Foreign Fund Into Equity By Market (USD'm)

| WEEK | KOREA | THAI | INDO | PHIL | INDIA | TAIWAN | M'SIA | TOTAL |
|---|---|---|---|---|---|---|---|---|
| 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) |
| 22-Jul | 733.20 | 24.11 | 2.50 | (24.99) | 989.60 | (103.70) | 42.95 | 1,663.67 |
| 29-Jul | 544.30 | 118.88 | 129.88 | 9.89 | 750.20 | 416.80 | 34.34 | 2,004.29 |
| 05-Aug | 1,281.90 | 114.22 | (185.82) | 13.40 | 1,860.20 | (430.50) | 87.11 | 2,740.51 |
| 12-Aug | 120.70 | 407.88 | 284.31 | (201.01) | 789.40 | (129.60) | 101.61 | 1,373.29 |

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

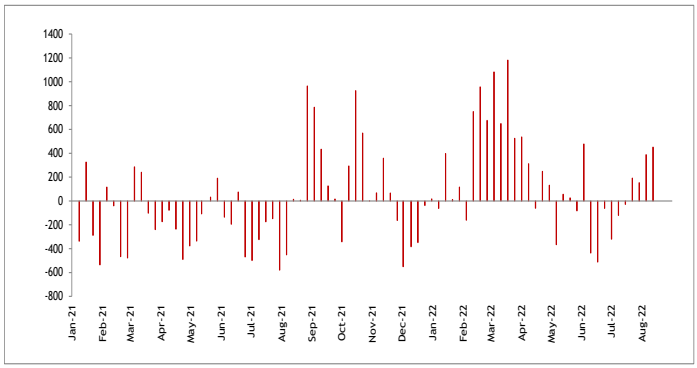
- The week started with the foreign funds net buying on Monday and Tuesday amounting to RM0.53m and RM15.8m respectively.
- Despite the concerns of US inflation on Wednesday, foreign funds net sold was only -RM3.8m. This was the only day of net selling by foreigners.
- The bulk of the net buying happened on Thursday and Friday at RM232.9m and RM206.2m respectively after the release of lower than expected US inflation data and stronger than expected Malaysia's GDP data.
- Meanwhile, local institutions continued to be net sellers for the fifth week, at a rate of -RM573m, more than double the amount from the previous week, which was -RM266.9m. Local institutions have been net sellers for eight consecutive trading days since Aug 3.
- Local retailers reversed their net selling trend over three weeks with a net buy of RM121.3m for the week. They were net buyers from Monday to Wednesday and on Friday but were net sellers on Thursday.
- To date, international funds have been net buyers for 21 out of the 32 weeks of 2022, with a total net inflow of RM7.11b. Local institutions were net sellers for 25 out of 32 weeks, with a total net outflow of -RM8.8b. Local retailers have been net buyers for 20 out of 32 weeks of 2022. Year-to-date, they have been net buyers at RM1.7b.
- In terms of participation, there was an increase in average daily trade value (ADTV) among local institutional investors by +1.05%. Reductions in ADTV were seen among foreign investors and local retailers by -3.57% and -3.36% 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)* |
| 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) |
| 22-Jul | 1,742.06 | 1,846.32 | (104.24) | 3,125.06 | 3,212.09 | (87.03) | 2,061.48 | 1,870.20 | 191.27 | 42.95 |
| 29-Jul | 1,950.03 | 2,032.32 | (82.28) | 3,677.28 | 3,747.92 | (70.66) | 1,869.05 | 1,716.11 | 152.94 | 34.34 |
| 05-Aug | 2,156.82 | 2,278.19 | (121.36) | 3,717.79 | 3,984.64 | (266.85) | 2,088.46 | 1,700.25 | 388.21 | 87.11 |
| 12-Aug | 2,203.58 | 2,082.25 | 121.33 | 3,605.07 | 4,178.10 | (573.02) | 2,052.52 | 1,600.83 | 451.69 | 101.61 |

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 12 AUG 2022

- TENAGA recorded the highest net money inflow for the week ended 12 August 2022 to the tune of RM4.20m. Its share price was +1.89% higher for the week, outperforming the local bourse which advanced +0.31%.
- CIMB saw the second highest net money inflow of RM2.26m. Its share price advanced +3.43% during the week, outperforming the local bourse which added +0.31%.
- KLK saw the third highest net money inflow of RM2.17m. Its share price was -0.44% lower during the week, underperforming the local bourse which has risen +0.31%. It is notable that the net money inflow amidst a retreating share price may indicate a buy on weakness (BOW) stance among some investors.

**Table 4** Top 10 Net Money INFLOW

| Name | Net Money Flow (RM mn) | | Price (% Chg) | Remark |
|---|---|---|---|---|
| | Last Week | Prev Week | Last Week | |
| TENAGA | 4.20 | 2.48 | 1.89 | - |
| CIMB | 2.26 | -0.41 | 3.43 | - |
| KLK | 2.17 | 0.18 | -0.44 | BOW |
| AMBANK | 1.08 | 0.62 | 3.87 | - |
| ABMB | 1.06 | 0.55 | 3.76 | - |
| MISC | 1.03 | 1.03 | -0.41 | BOW |
| HLFG | 0.95 | 1.18 | 1.86 | - |
| AXIATA | 0.84 | 0.65 | -3.01 | BOW |
| DIALOG | 0.73 | 0.56 | 3.59 | - |
| YINSON | 0.72 | 0.67 | 5.03 | - |

- HONG LEONG BANK saw the largest net money outflow of -RM2.98m last week. Its stock price rose +0.38% for the week, outperforming the FBM KLCI which was +0.31% higher. The net money outflow amidst a rising share price may indicate a sell on strength (SOS) stance among some investors.
- HARTALEGA recorded the second largest net money outflow -RM1.97m during the week under review. Its share price declined -28.06% for the week, massively underperforming the local bourse which has risen +0.31%.
- MAYBANK came in third with an outflow of -RM1.88m during the week. Its share price advanced +0.90% during the week under review, outperforming the FBM KCLI that saw a +0.31% advancement. There is also an indication of SOS among investors.

**Table 5** Top 10 Net Money OUTFLOW

| Name | Net Money Flow (RM mn) | | Price (% Chg) | Remark |
|---|---|---|---|---|
| | Last Week | Prev Week | Last Week | |
| HLBANK | -2.98 | -1.54 | 0.38 | SOS |
| HARTA | -1.97 | -1.59 | -28.06 | - |
| MAYBANK | -1.88 | -0.53 | 0.90 | SOS |
| GENM | -1.30 | -1.29 | 0.34 | SOS |
| PBBANK | -0.71 | -3.41 | 0.43 | SOS |
| GASMSIA | -0.69 | -0.91 | -1.84 | - |
| TIMECOM | -0.68 | 0.16 | -1.77 | - |
| PMETAL | -0.64 | 0.72 | 0.62 | SOS |
| RHBBANK | -0.58 | -0.24 | 1.19 | SOS |
| PETDAG | -0.56 | 0.22 | -1.61 | - |

[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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