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MIDF AMANAH
INVESTMENT BANK BERHAD

FUND FLOW REPORT

MIDF EQUITY STRATEGY | 29 AUGUST 2022

WEEK ENDED 26 AUGUST 2022

- Benchmark indexes on Wall Street fell to their monthly lows. The Dow tanked -4.22% to 32,282.80 points while the S&P500 lost -4.04% to 4,057.66 points. The Nasdaq Composite took a greater hit by -4.44% to 12,141.71 points. These were driven by hawkish comments by Jerome Powell during the Jackson Hole conference

- Out of the 16 major indices that we track, 13 were in the red, with Germany's DAX taking the bottom spot with a -4.23% weekly decline. This was followed by the Dow and the S&P500. The only three advancers were the Hang Seng Index at +2.01%, Thailand's SET Index at +1.16% and Singapore's STI at +0.09%

- People's Bank of China slashed benchmark lending rates to boost lending and stimulate the economy. The 1-year loan prime rate was lowered by 5bps to 3.65% while the 5-year equivalent was reduced by 15bps to 4.3%

- Retail spending in the UK rose by +0.3%mom in Jul-22, which was a surprise rebound. Higher purchases were from increased online spending which contributed to +4.8%mom rebound in non-store sales. Spending on foods also increased

- Japan's headline CPI inflation rose +2.6%yoy in Jul-22, the highest since Nov-14 on the back of elevated commodity prices and weaker yen

- Bank of Korea raised its cash rate by 25bps to 2.50%, marking its 7th rate hike since Aug-21 which pushed the benchmark interest rate two times higher than the pre-pandemic level

- The FBM KLCI declined -0.28% last week to 1,500.29 points on Friday. As for the Ringgit, it saw a weekly appreciation by circa +0.25% against the US dollar to close at USD/MYR 4.4665. Meanwhile, the Brent crude oil price added +4.41% for the week to close at USD100.99 per barrel

Hawkish Fed drive markets lower

A. MARKET SNAPSHOT

- Federal Chair Jerome Powell's speech during the Jackson Hole conference on Friday was rather brief but the hawkish sentiments that investors derived from it was enough to send markets into a tailspin, resulting in major indices falling to their monthly lows.
- Powell commented that while higher interest rates, slower growth and softer labour market conditions will bring down inflation, they will also bring some pain to households and businesses. These would be the unfortunate costs of reducing inflation but a failure to restore price stability would mean for greater pain.
- Benchmark indexes on Wall Street fell to their lowest since late July. The Dow Jones Industrial Average tanked -4.22% to 32,282.80 points while the S&P500 lost -4.04% to 4,057.66 points. The Nasdaq Composite took a greater hit by -4.44% to 12,141.71 points.
- Out of the 16 major indices that we track, 13 were in the red, with Germany's DAX taking the bottom spot with a -4.23% weekly decline. This was followed by the Dow and the S&P500.The only three advancers for the week were the Hang Seng Index at +2.01%, Thailand's SET Index at +1.16% and Singapore's STI at +0.09%

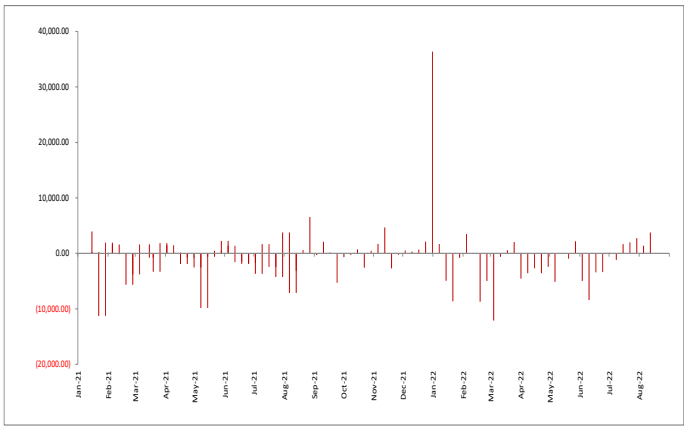
Table 1 Weekly performance of major indices

Name	% chg week before	% chg last week
Hang Seng	-2.00	2.01
Thai SET	0.23	1.16
FSSTI	-0.70	0.09
FBM KLCI	-0.12	-0.28
Korea KOSPI	-1.39	-0.47
Jakarta JCI	0.61	-0.52
Taiwan TAIEX	0.78	-0.85
NIKKEI	1.34	-1.00
China CSI 300	-0.96	-1.05
India SENSEX	0.31	-1.36
Phil PCOMP	2.45	-1.62
FTSE 100	0.66	-1.63
CAC 40	-0.89	-3.41
S&P 500	-1.21	-4.04
Dow Jones	-0.16	-4.22
DAX	-1.82	-4.23

- Sales in the US housing market remained weak as rising mortgage rates and high inflation affected the Americans' decisions decision to purchase big ticket items. Although the monthly change of -1%mom in Jul-22 to 89.8 was better than market forecast, the level of pending home sales compared to same month last year has been on a decline since Jun-21. It was also the lowest level since Apr-20. We foresee the weak home sales to continue as the Fed is expected to further tighten its monetary policy. Going forward, we expect overall demand condition in the US to slow which continues to be impacted by rising cost of borrowing, multi-year high inflation, and still weak consumer confidence.
- There was an unexpected pick up in the US economic growth last month, according to data from the Federal Reserve Bank of Chicago. The Chicago Fed National Activity Index (CFNAI) rebounded to +0.27 in Jul-22 (Jun-22: -0.25) after two consecutive months in the negative. Better readings were reflected in production-related indicators (+0.16) and employment-related indicators (+0.09). Other measures for business activities i.e. sales, orders, and inventories (+0.01); and consumption-related data i.e. personal consumption & housing (+0.01) also improved. The 3-month moving average of CFNAI, which is a better reading for economic growth, remained unchanged at -0.09. This is in line with our expectations that the growth momentum in the US would slow going forward as the hawkish Fed continues with its monetary policy tightening.
- In China, the central bank slashed the benchmark lending rates to boost lending and stimulate the economy. The 1-year loan prime rate was lowered by 5bps to 3.65% while the 5-year equivalent was reduced by 15bps to 4.3%. The decision was highly anticipated as recent data suggests sluggish economic recovery. While the weakness in the property market continues to affect sentiments and the economy, the latest rate cuts highlight the urgency to support the property market and also encourage domestic expenditures as growth in Jul-22 retail sales was weaker than expected. We opine China's government will be ready to provide more supports to the economy should growth outlook weakens further. Being one of the major trading partners, we are concerned if weak demand from China would hurt global trade as well as Malaysia's external trade outlook in the near term.

- Retail spending in the UK rose by +0.3%mom in Jul-22 (Jun-22: -0.2%mom), a surprise rebound as market predicted the decline to continue in view of high inflation. Higher purchases were from increased online spending which contributed to +4.8%mom rebound in non-store sales. Spending on foods also increased as food stores reported increased sales. However, sales were lower for fuel and non-food stores. Looking at the value index, UK consumers had to pay more as the value of retail sales rose faster at +1.3%mom. On year-on-year basis, the volume of UK's retail sales in Jul-22 was -3.4%yoy lower (Jun-22: -6.1%yoy), remaining in the negatives for the fourth straight month.

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



Source: Bloomberg, Bursa Malaysia, MIDFR

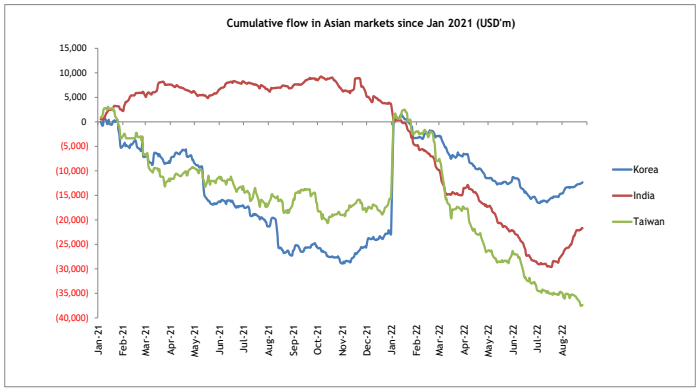
- Business activities in the Euro area contracted for the second straight month in Aug-22 as the S&P Global Eurozone composite PMI dropped to 49.2 (Jul-22: 49.9). This reflects decline in new orders, which weakened significantly for the second consecutive month. Both the manufacturing and services sectors also reported a decrease in new business, with the manufacturing industry continuing to experience a more severe recession. This also resulted in an accumulation of unsold goods as businesses struggled to move finished items. On the other hand, the decline in new orders was again mostly influenced by strong inflationary pressures, which also contributed to the weak business activities in Aug-22.
- Japan's headline CPI inflation rose +2.6%yoy in Jul-22 (Jun-22 +2.3%yoy) the highest since Nov-14 on the back of elevated commodity prices and weaker yen. Increase in prices of foods (+4.4%yoy) and fuel, light & water charges are the primary components that contributed to higher inflation. Japan's core inflation, excluding fresh food, was also elevated at +2.4%yoy in Jul-22 (June-22: +2.2%yoy) and continued to exceed Bank of Japan (BOJ) 2% target. The higher core inflation, which is the highest since Dec-14, was mainly due to increased prices of materials and energy prices.
- Japan's composite PMI dropped to 48.9 in Aug-22 (Jul-22: 50.2), the lowest since Feb-22. Japan's manufacturing activity grew at slower pace as PMI fell slightly to 51.0 in Aug-22, mainly due to continued contraction in output level and new order growth declining at the fastest rate. The price of inputs continued to grow in slower pace, but still attributed to ongoing shortages of inputs. On the other side, the Japan's service PMI fell at 49.2 in Aug-22 (Jul-22: 50.3), indicating weaker business activity in the services sector largely due to contraction in output level, the lowest since Mar-22. Overall new business in service sectors shows downward trajectory in the last four months amid weaker domestic demand.
- Bank of Korea (BOK) raised its cash rate by 25bps to 2.50% during the Aug-22 monetary policy meeting on Thursday. The widely anticipated move marks BOK's 7th rate hike since Aug-21 which pushed the benchmark interest rate two times higher than the pre-pandemic level. BOK stated tightening monetary policy is essential to bringing down inflation since headline inflation rose to +6.3%yoy in July-22, the highest in 24 years. The central bank even hinted another one or two more hikes by 25bps by year-end. BOK anticipated that the GDP forecast would be slower at 2.1% for next year while inflation remains the major concern which affects the country's growth outlook.
- Malaysia's leading index (LI) continued to expand at +5.3%yoy in Jun-22 (May-22: +2.3%yoy), the fastest rise since Jun-21, driven by higher real imports of other basic precious & other non-ferrous metals and also boosted by the low base effect from the prior year. On month-on-month basis, the LI grew positively at +0.4%mom in Jun-22 attributable to improvement in four out of seven components, notably real imports of other metals (+0.6%mom) and new companies registered (+0.6%mom). The current economic condition also picked up sharply as the coincident index (CI), spiking up by +12.6%yoy which is the stronger growth for fourteen-consecutive month. The surge was in line with improving domestic economic activities which contributed to the strong economic growth in 2QCY22.
- The FBM KLCI declined -0.28% last week to finish at 1,500.29 points on Friday. As for the Ringgit, it saw a weekly appreciation by circa +0.25% against the US dollar to close at USD/MYR 4.4665 last Friday. Meanwhile, the Brent crude oil price added +4.41% for the week to close at USD100.99 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

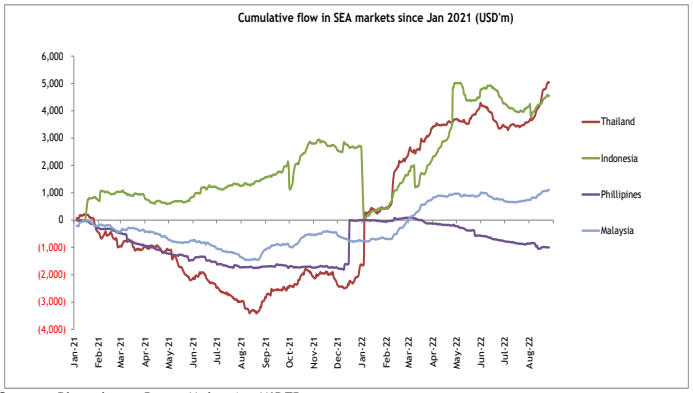
- After a good run for five weeks, the net buying spree in Asia by foreign investors ended last week as they net sold -USD60.3m. This was a steep decline as compared to the net buy of USD3.77b seen in the week ended Aug 19, which was among the highest recorded this year. Out of the 34 trading weeks in 2022, there were 21 weeks of net selling and 13 weeks of net buying.
- Out of the seven Asian exchanges that we tracked, only two posted net outflows, while the rest were in the positive region. Foreign funds were net sellers from Monday to Wednesday before turning net buyers on Thursday and Friday. The exodus of foreign funds was seen in Taiwan, with a net outflow of USD1.35b, almost double the outflow of USD791.8m seen in the previous week. Foreign funds net sold USD1.52b in Taiwan from Monday to Wednesday before net buying USD167.8m on Thursday and Friday.
- The other country in the red was the Philippines at USD13.2m. It saw net outflows every day of the week, with the heaviest outflows on Monday at USD6.1m and Wednesday at USD3.3m.
- South Korea registered the highest net inflow for the week at a rate of USD463.7m, as the positive momentum advanced into its eighth consecutive week. It was also the only country with net inflows every day of the week, bringing its net inflow trend to 10 consecutive trading days.
- Strong inflows were also seen in India at USD405.8m as foreign funds continued to enter the country. Its net inflow streak is now at six weeks. The other countries with net inflows were Thailand at USD259.5m, Indonesia at USD119.5m and Malaysia at USD54.7m.

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

- The trend of foreign fund inflows continued on Bursa Malaysia for the sixth consecutive week, though at a much moderated rate last week, with

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

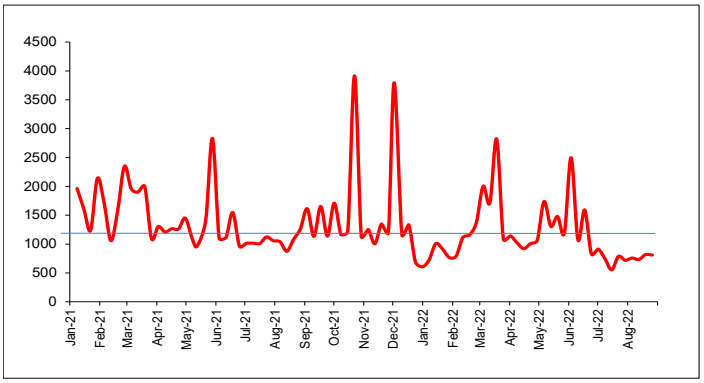
WEEK	KOREA	THAI	INDO	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
15-Jul	74.50	(30.81)	(108.64)	(34.70)	(433.80)	(616.70)	(6.31)	(1,156.46)
22-Jul	733.20	24.11	2.50	(24.99)	989.60	(103.70)	42.95	1,663.67
29-Jul	544.30	118.88	129.88	9.89	750.20	416.80	34.34	2,004.29
05-Aug	1,281.90	114.22	(185.82)	13.40	1,860.20	(430.50)	87.11	2,740.51
12-Aug	120.70	407.88	284.31	(201.01)	789.40	(129.60)	101.61	1,373.29
19-Aug	516.00	681.04	214.59	57.09	2,958.00	(791.80)	137.76	3,772.68
26-Aug	463.70	259.51	119.93	(13.23)	405.80	(1,350.70)	54.72	(60.27)

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

an inflow of RM244.6m. Comparatively, the net inflow was RM615.5m in the week prior.

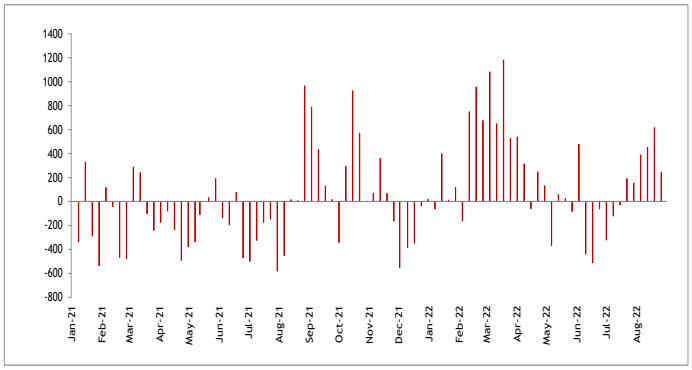
- Foreigners were net sellers only on Wednesday at a rate of -RM90.5m but were net buyers for the rest of the week. They were net buyers on Monday and Tuesday at RM56.2m and RM14.2m and on Tuesday and Friday at RM193m and RM71.7m respectively.
- Local institutions were still net sellers at -RM286.2m last week, now going into the seventh consecutive week. They have been net sellers for every trading day since Aug 3 before briefly turning net buyers on Wednesday at RM24.3m. They were net sellers again on Thursday and Friday at RM114.3m and RM63.5m respectively. They net sold -RM92.4m on Monday and -RM40.4m on Tuesday.
- Local retailers maintained their net buying spree for the third week coming, net buying RM41.7m. They bought RM128.6m net from Monday to Wednesday before net selling -RM87m over the next two days.
- The top three sectors which saw net inflows by foreign investors were Financial Services, Telecommunications and Utilities at RM333.7m, RM49.5m and RM39.9m respectively. Meanwhile, the top three sectors with net outflows were Technology at -RM87.8m, Healthcare at -RM73.1m and Industrial Products and Services at -RM25.3m.
- To date, international funds have been net buyers for 23 out of the 34 weeks of 2022, with a total net inflow of RM7.97b. Local institutions were net sellers for 27 out of 34 weeks, with a total net outflow of -RM9.76b. Local retailers have been net buyers for 22 out of 34 weeks of 2022. Year-to-date, they have been net buyers at RM1.8b.
- In terms of participation, there was a decline in average daily trade value (ADTV) across the board, led by -8.9% among local institutions, -2.97% among retailers and -0.9% among foreign investors.

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)*
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
19-Aug	2,629.83	2,569.40	60.44	4,357.10	5,032.98	(675.88)	2,347.72	1,732.26	615.45	137.76
26-Aug	2,543.23	2,501.57	41.65	4,134.16	4,420.37	(286.21)	2,143.93	1,899.37	244.56	54.72

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 26 AUG 2022

- TELEKOM MALAYSIA recorded the highest net money inflow for the week ended 26 August 2022 to the tune of RM3.58m. Its share price was +3.99% higher for the week, outperforming the local bourse which declined -0.28%.
- KUALA LUMPUR KEPONG saw the second highest net money inflow of RM1.65m. Its share price reduced by -2.19% during the week, underperforming the local bourse which declined -0.28%. It is notable that the net money inflow amidst a retreating share price may indicate a buy on weakness (BOW) stance among some investors.
- TENAGA NASIONAL saw the third highest net money inflow of RM1.58m. Its share price was +0.69% higher during the week, outperforming the local bourse which declined -0.28%.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
TM	3.58	2.75	3.99	-
KLK	1.65	1.03	-2.19	BOW
TNB	1.58	1.22	0.69	-
INARI	1.42	1.91	-2.80	BOW
YINSON	1.36	1.57	4.37	-
SIMEPLT	1.26	1.11	-7.38	BOW
QL	0.85	1.10	0.00	-
F&N	0.84	0.89	0.69	-
AEONCR	0.76	0.84	-0.42	BOW
AXIATA	0.71	0.07	1.00	-

- MAYBANK saw the largest net money outflow of -RM7.07m last week. Its stock price was -0.11% lower for the week, outperforming the FBM KLCI which was -0.28% lower.
- PUBLIC BANK recorded the second largest net money outflow -RM2.17m during the week under review. Its share price was +0.43% higher for the week, outperforming the local bourse which has declined -0.28%. The net money outflow amidst a rising share price may indicate a sell on strength (SOS) stance among some investors.
- HARTALEGA came in third with an outflow of -RM1.57m during the week. Its share price tanked -7.73% during the week under review, underperforming the FBM KCLI that saw a -0.28% decline.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
MAYBANK	-7.07	-6.12	-0.11	-
PBBANK	-2.17	-2.30	0.43	SOS
HARTA	-1.57	-2.13	-7.73	-
HLBANK	-1.38	-0.50	-0.86	-
TOPGLOV	-1.34	-1.35	-4.60	-
PCHEM	-1.26	-0.21	-0.57	-
CIMB	-1.22	-3.61	0.74	SOS
IHH	-1.16	-0.73	-0.62	-
PMETAL	-1.00	0.19	-3.09	-
PETDAG	-0.84	-0.77	-5.47	-

[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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