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MIDF AMANAH
INVESTMENT BANK BERHAD

FUND FLOW REPORT

MIDF EQUITY STRATEGY | 12 SEPTEMBER 2022

WEEK ENDED 9 SEPTEMBER 2022

- Seemingly signs of cooling inflation and less hawkish Fed comments tamed uneasiness in markets
- Benchmark indexes on Wall Street snapped three-week losing streak. S&P 500 rose +3.65%, the Dow added +2.66% while Nasdaq grew +4.14%
- Out of 16 indices tracked, 12 were in the positive region, led by the S&P 500, the Dow and Nikkei 225
- ECB's Governing Council raised three key rates by 75bps effective Sept 14. It expects to raise rates further as inflation stands at 9.1% in Aug-22
- Inflation figures eased in China, which saw the CPI at +2.5%yoy and PPI at +2.3%yoy, beating expectations
- BNM raised OPR by 25bps as expected to 2.5%. Inflation expected to peak in 3QCY22 which will remain manageable
- FBM KLCI advanced +0.36% last week to finish at 1,496.53 points. The Ringgit saw a weekly depreciation by circa -0.26% against the US dollar to close at USD/MYR 4.4978 while the Brent crude oil price shed -0.19% for the week to close at USD92.84 per barrel

Rallying on seemingly cooling inflation

A. MARKET SNAPSHOT

- Signs of cooling inflation as indicated in the Federal Reserve's Beige Book and comments from two key figures of the Fed that is perceived to be less hawkish than expected, tamed the uneasiness in global markets, even as the European Central Bank (ECB) delivered an unprecedented 75bps rate hike.
- The Beige Book noted that price levels remained highly elevated but nine out of 12 districts recorded some degree of moderation in its rates of increase. Fed vice-chair Lael Brainard noted that the Fed would need to consider the risk of overshooting with monetary policy that was too tight. In an interview, Cleveland Fed president Loretta Mester indicated that the upcoming FOMC meeting could be a deliberation of 50bps versus 75bps. Later in the week, Fed chair Jerome Powell maintained his hawkish stance that policymakers would not back down from planned rate increases, but indicated that "very high" social costs could be avoided.

Table 1 Weekly performance of major indices

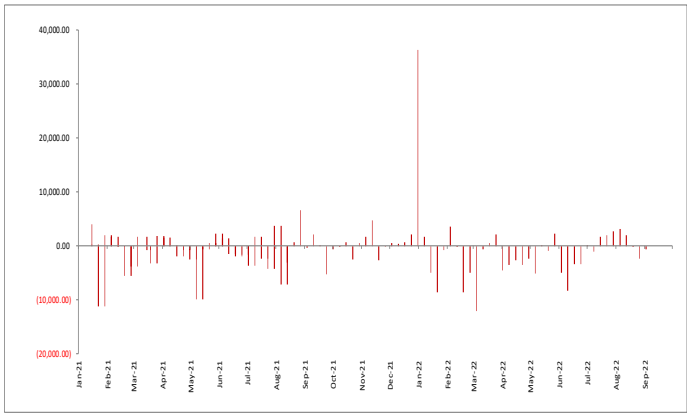
Index	% chg week before	% chg last week
S&P 500	-3.29	3.65
DOW JONES	-2.99	2.66
NIKKEI	-3.46	2.04
Thai SET	-1.38	2.00
FSSTI	-1.35	1.79
China CSI 300	-2.04	1.74
India SENSEX	-0.05	1.68
FTSE 100	-1.97	0.96
Jakarta JCI	0.59	0.91
CAC 40	-1.70	0.73
KLCI	-0.61	0.36
DAX	0.61	0.29
Hang Seng	-3.56	-0.46
Taiwan TAIEX	-3.96	-0.61
Korea KOSPI	-2.89	-1.04
Phil PCOMP	-0.89	-1.29

- Benchmark indices on Wall Street snapped its three-week losing streak last week, registering gains from Wednesday to Friday to end the week higher. The S&P 500 grew +3.65% to 4,067.36 points last week while the Dow Jones Industrial Average rose +2.66% to 32,151.71 points. The tech-heavy Nasdaq Composite Index added +4.14% to 12,112.31 points.
- Out of the 16 major indices that we track, 12 were in the positive region, led by the S&P500 and the Dow. Japan's NIKKEI 225 came in third with an advancement of +2.04%. The largest decliner for the week was the Philippines Stock Exchange Index, at -1.29%. The other decliners were South Korea's KOSPI at -1.04%, Taiwan's TAIEX at -0.61% and Hong Kong's Hang Seng Index at -0.46%.
- The ECB's Governing Council raised three key rates by 75bps, which will see the interest rates on the main refinancing operations, marginal lending facility and the deposit facility to be revised to 1.25%, 1.50% and 0.75% respectively from 14 September 2022. It expects to raise interest rates further as inflation stood at a high of 9.1% in August according to Eurostat's flash estimate. ECB has revised their inflation projections to average at 8.1% this year, 5.5% in 2023 and 2.3% in 2024.
- In China, consumer prices and factory-gate inflation eased in August, beating expectations. Its consumer price index (CPI) rose +2.5%yoy (Jul-22: +2.7%yoy). On a monthly basis, the CPI added +0.1%mom (Jul-22: +0.5%mom), driven mainly by food prices, which increased +0.5%mom. Meanwhile, the producer price index (PPI) rose +2.3%yoy (Jul-22: +4.2%yoy), the slowest since Mar-21.
- China's trade surplus saw an unexpected drop in Aug-22 to USD79.39b (Jul-22: USD101.26b), the lowest in three months, far below market consensus. Total export growth descended sharply to +7.1%yoy in Aug-22 (Jul-22: +18.0%yoy), the slowest in four months. Inflation risk and tightening interest rate across global economies were among factors dragging Chinese exports performance. Meanwhile, China's inbound shipment fell for the first time in two years by -0.2%yoy. The slowdown in China's external trade performances would drag our external trade as well as overall economic growth. Based on our global-linked model, a -1.0% contraction by China will drag the world economy by -0.16% and Malaysia's output by -0.085%.
- The Reserve Bank of Australia (RBA) raised its cash rate as expected by 50 bps to 2.35%, its highest since 2015, during the Sep-22 monetary policy meeting. This marks RBA's fourth consecutive rate hike. We expect RBA to continue tightening its policy but not travelling along a predetermined route will aid

in bringing inflation back to goal and establishing a more durable equilibrium in the Australian economy.

- Australia's economy grew +0.9%qoq in 2QCY22 (1QCY22: +0.7%qoq), slightly below market forecast of +1.0%qoq. In annual terms, the economy grew by +3.6%yoy (1QCY22: +3.3%yoy). The economy picked up the momentum in 2QCY22 with consumers continuing to spend and energy exports booming. The economy proved to be so robust that the RBA had to launch a ferociously aggressive tightening campaign in an effort to slow down activity and contain rogue inflation.
- Japan's economy continued to expand by +0.9%qoq in 2QCY22 (1QCY22: +0.5%qoq). On an annualised growth basis, Japan's economy elevated sharply by +3.5%, registering four straight quarters of expansion rates. The positive momentum was mainly driven by a significant increase in private consumption and a quicker increase in government expenditure following an improvement post the Covid-19 crisis. Challenges in 3QCY22 onwards are expected, amid weaker-than-expected global demand, ongoing supply chain problems, tightening monetary policies in many major economies and elevated inflationary pressure.

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



Source: Bloomberg, Bursa Malaysia, MIDFR

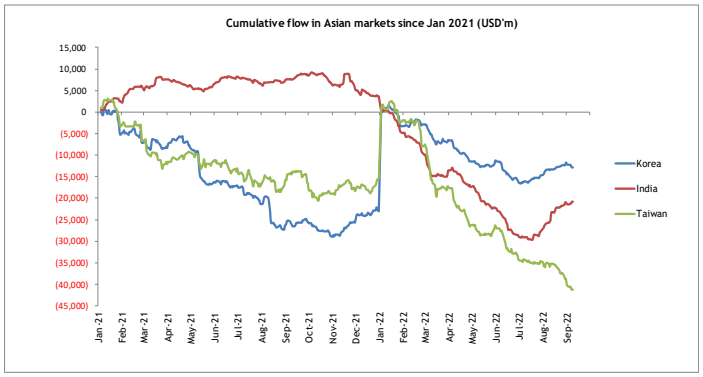
- South Korea's inflation eased slowed in Aug-22 for the first time after seven-consecutive expansion. The headline CPI moderated by +5.7%yoy in Aug-22 (Jul-22: +6.3%yoy). The was mainly attributable to the decline in global commodity prices, as reflected by the deceleration in food and energy prices at +11.4%yoy (Jul-22: +14.5%). Meanwhile, the core inflation, excluding food and energy, continued to accelerate at +4.0%yoy in Aug-22 which indicates demand-led inflation pressure still exists. We opine the steady rise in core inflation will likely to lead BOK in further normalising its monetary policy.
- Philippines' headline inflation moderated slightly by +6.3%yoy in Aug-22 (Jul-22: +6.4%yoy), matching the market consensus, attributable to the softening in food and beverage prices. However, the ongoing pressure on prices to rise was mostly caused by an increase in core inflation, excluding food and highly volatile food and fuel products at +4.6%yoy (Jul-22: +3.9%yoy) from the prior month. We believe the inflationary risk may continue to hold an upward trajectory dominated by upside risks which may led Bangko Sentral ng Pilipinas (BSP) to consider another 25bps rate hike in the next monetary meeting. Meanwhile, its labour market continues to remain steady as the unemployment rate descended to 5.2% in Jul-22 (Jun-22: 6.0%), the lowest since Oct-19 while the labour force surged +11.7%yoy and total employment increased at +13.7%yoy.
- As expected, Bank Negara Malaysia (BNM) raised the overnight policy rate (OPR) by 25bps from 2.25% to 2.50%, in its fifth Monetary Policy Committee (MPC) meeting of 2022. BNM highlighted that the global economy remains on an expansion path despite at a slower pace and improvement in Malaysia's labour market conditions and domestic spending continue to support the recovery in local economic activity. The central bank expects inflation to peak in 3QCY22 and it views it to be manageable as the 7MCY22 average inflation rate remained within its 2.2-3.2% inflation forecast range. We expect further policy normalisation will likely be carried out in the Nov-22 MPC meeting (the final meeting this year) with another +25bps hike.
- Employment growth remained robust in Malaysia as the unemployment rate fell to a new pandemic low of 3.7% in Jul-22. Underpinned by strong domestic demand and external trade, the labour force and unemployment growth touched record highs of +3.3%yoy and +4.5%yoy respectively. Unemployment levels dropped further by -20.2%yoy, the largest contraction ever recorded. The total vacancies also hit record high at 508,000, reflecting strong recovery in domestic economic activities and continuous expansion in the external sector.
- The FBM KLCI advanced +0.36% last week to finish at 1,496.53 points on Friday. As for the Ringgit, it saw a weekly depreciation by circa -0.26% against the US dollar to close at USD/MYR 4.4978 last Friday. Meanwhile, the Brent crude oil price shed -0.19% for the week to close at USD92.84 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

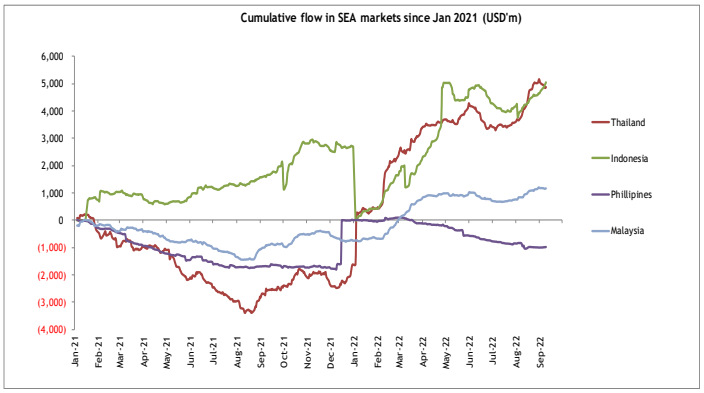
- Foreign investors maintained their net selling momentum in Asian equities for the third consecutive week. Based on the provisional aggregate data for the seven Asian exchanges that we track, investors classified as "foreign" net sold -USD688.82m last week, though at a much-moderated pace as compared to -USD2.37b in the previous week. Out of the 36 trading weeks in 2022, there were 23 weeks of net selling and 13 weeks of net buying.
- The net outflows were only on Monday and Wednesday but the net inflows for the other days of the week were insufficient to overturn the deficit. The heaviest net outflow was on Wednesday at -USD1.01b, mainly due to foreign funds leaving Taiwan at -USD597.9m and South Korea at -USD391m. The net outflow of -USD198.01m on Monday came mainly from Taiwan at -USD218.2m, Thailand at -USD60.66m and South Korea at -USD54.1m.
- Overall, the net outflow last week was driven by outflows in Taiwan, South Korea and Thailand which saw a cumulative weekly net outflow of -USD843.3m, -USD648.8m and -USD142.1m respectively.
- India and Indonesia were the only two countries with net inflows every day of the week. India recorded a net inflow of foreign funds at USD616.3m last week while Indonesia saw a net inflow of USD318.13m. Another country with a net inflow was the Philippines at USD20.42m. These were able to slightly negate some of the hefty outflows in other Asian countries, mainly Taiwan and South Korea. The streak of net inflow by foreign funds is now at eight weeks in India and five weeks in Indonesia.
- Meanwhile, foreign funds have entered South Korea for nine consecutive weeks previously before turning net sellers last week, at a rate of -USD648.8m. They also continued to be pessimistic on Taiwan with a net outflow of -USD843.3m for the week, marking six consecutive weeks of net outflow starting from the week ended 5 August 2022, the week that US House Speaker Nancy Pelosi visited the island, which was seen to have heightened tensions with China.

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)

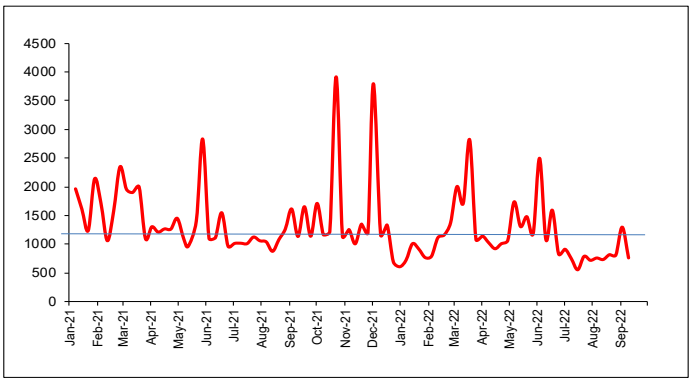
WEEK	KOREA	THAI	INDO	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
29-Jul	544.30	118.88	129.88	9.89	750.20	416.80	34.34	2,004.29
05-Aug	1,281.90	114.22	(185.82)	13.40	1,860.20	(430.50)	87.11	2,740.51
12-Aug	120.70	407.88	284.31	(201.01)	2,579.00	(129.60)	101.61	3,162.89
19-Aug	516.00	681.04	214.59	57.09	1,168.40	(791.80)	137.76	1,983.08
26-Aug	463.70	259.51	119.93	(13.23)	391.60	(1,350.70)	54.72	(74.47)
02-Sep	133.10	(7.75)	163.40	(5.57)	341.70	(3,039.60)	42.65	(2,372.07)
09-Sep	(648.80)	(142.14)	318.13	20.42	616.30	(843.30)	(9.43)	(688.82)

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

C. TRACKING MONEY FLOW - MALAYSIA

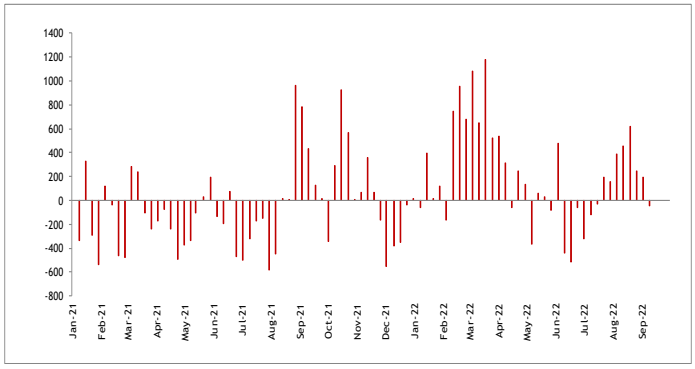
- The healthy trend of foreign funds into Bursa Malaysia took a halt after seven consecutive weeks of net inflows. Foreign investors net sold -RM42.49m last week. They were net sellers from Monday to Thursday before turning net buyers on Friday.
- The bulk of the foreign net outflows were seen on Tuesday and Wednesday at -RM42.18m and -RM45.72m respectively. Foreigners also net sold -RM3.89m on Monday and -RM2.6m on Thursday before net buying RM51.9m on Friday.
- Local institutions net bought RM91.29m last week, after being net sellers for eight consecutive weeks. They were net buyers from Monday to Thursday last week. The bulk of the net buying was on Tuesday and Wednesday at RM59.26m and RM51.36m. The net buying on Monday and Thursday was RM2.55m and RM3.51m respectively, before turning net sellers on Friday at -RM25.39m.
- Meanwhile, local retailers turned net sellers last week at -RM48.81m after four weeks of net buying. They started the week by net buying RM1.35m before turning net sellers for the rest of the week. The heavier portion of the net selling was seen on Tuesday and Friday at -RM17.08m and -RM26.51m respectively. Wednesday and Thursday saw net selling at RM5.64m and RM0.91m respectively.
- The top three sectors which saw net outflows by foreign investors last week were Industrial Products and Services at -RM121.8m, Plantation at -RM35.7m and Healthcare at -RM34.6m. Meanwhile, the top three sectors with net inflows were Construction, Telecommunication and Utilities at RM69.2m, RM47.9m and RM25.1m respectively.
- To date, international funds have been net buyers for 24 out of the 36 weeks of 2022, with a total net inflow of RM8.11b. Local institutions were net sellers for 28 out of 36 weeks, with a total net outflow of -RM9.90b. Local retailers have been net buyers for 23 out of 36 weeks of 2022. Year-to-date, they have been net buyers at RM1.79b.
- In terms of participation, there was a decline in average daily trade value (ADTV) across the board, led by foreign investors at -41.5%, retailers at -13% and local institutions at -8.26%.

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)*
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
02-Sep	1,947.81	1,905.23	42.58	3,265.00	3,498.48	(233.18)	2,688.52	2,497.61	190.91	42.65
09-Sep	2,070.37	2,119.16	(48.81)	3,923.73	3,832.45	91.29	1,875.20	1,917.70	(42.49)	(9.43)

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 9 SEP 2022

- PETRONAS CHEMICALS recorded the highest net money inflow for the week ended 2 September 2022 at a rate of RM9.59m. Its share price was +4.86% higher for the week, outperforming the local bourse that rose +0.36% last week.
- HONG LEONG BANK saw the second highest net money inflow of RM5.43m. Its share price added +0.38% during the week, almost on par with the local bourse that saw a +0.36% advancement.
- PETRONAS GAS had the third highest net money inflow at RM2.24m. Its share price was -0.93% lower for the week, underperforming the local bourse. 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	
PCHEM	9.59	5.05	4.86	-
HLBANK	5.43	2.00	0.38	-
PETGAS	2.24	2.51	-0.93	BOW
SIME	2.11	1.73	-1.06	BOW
RHBBANK	0.99	-0.52	0.17	-
MAXIS	0.96	1.01	2.95	-
MYEG	0.87	1.03	4.38	-
IHH	0.83	-0.78	0.33	-
KLK	0.53	1.38	-0.53	BOW
SIMEPLT	0.42	0.43	2.89	-

- PUBLIC BANK saw the largest net money outflow of -RM9.08m last week. Its share price was +0.43% higher for the week, outperforming the FBM KLCI which was +0.36% higher. The net money outflow amidst a rising share price may indicate a sell on strength (SOS) stance among some investors.
- CIMB recorded the second largest net money outflow -RM5.87m during the week under review. Its share price was -1.09% lower for the week, underperforming the local bourse which has risen +0.36%.
- PRESS METAL came in third with an outflow of -RM3.55m during the week. Its share price grew +8.46% during the week under review, outperforming the FBM KLCI. There is also an indication of SOS among some investos.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
PBBANK	-9.08	-8.66	0.43	SOS
CIMB	-5.87	-9.54	-1.09	-
PMETAL	-3.55	-2.11	8.46	SOS
NESTLE	-2.65	-2.05	-1.71	-
AMBANK	-2.32	-2.33	1.75	SOS
TM	-2.30	-1.08	-1.53	-
HLFG	-1.57	-0.74	0.21	SOS
IOICORP	-1.40	-1.28	-0.49	-
HENGYUAN	-1.37	-1.60	-4.17	-
TENAGA	-1.31	-2.24	0.00	-

[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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