midf RESEARCH

MIDF AMANAH
INVESTMENT BANK BERHAD

FUND FLOW REPORT

MIDF EQUITY STRATEGY | 26 SEPTEMBER 2022

WEEK ENDED 23 SEPTEMBER 2022

- A further 75bps rate hike by the Federal Reserve was widely expected but markets were in a turmoil amid the central bank's extra-hawkish stance
- Benchmark indices on Wall Street sank to multi-month lows. The S&P500 erased -4.65% to 3,693.23 points, its lowest since mid-June this year. The Dow tanked -4% to 29,590.41 points, its lowest since Nov-20 while Nasdaq dipped -5.07% to 10,867.93 points, its lowest since Sept-20
- Out of the 16 major indices that we track, 14 ended the week in the red. The only advancers were the Jakarta Composite Index at +0.14% and Thailand's Stock Exchange Index at +0.08%
- The People's Bank of China kept its benchmark lending rates unchanged despite the falling yuan at 3.65% for the 1-year loan prime rate and 4.30% for the 5-year loan prime rate
- The Bank of Japan maintained its ultra-low monetary policy despite the weakening of the yen and tightening monetary policy by global central banks
- Hong Kong Monetary Authority also raised its base rates by 75bps to a 14-year high of 3.5%. Financial Secretary Paul Chan commented that there was a high chance that Hong Kong will end the year in a recession
- Malaysia's leading index continued to expand by +4.1%yoy in Jul-22 while core inflation hit a new peak at +3.8%yoy
- The FBM KLCI declined -2.88% last week to finish at 1,424.98 points on Friday. The Ringgit, saw a weekly depreciation by circa -0.96% against the US dollar to close at USD/MYR 4.5787. Meanwhile, the Brent crude oil price shed -5.16% for the week to close at USD86.15 per barrel

Uneasiness in markets as further pains expected

A. MARKET SNAPSHOT

- The Federal Open Market Committee (FOMC) embarked on yet another 75bps rate hike, its third consecutive one this year since Jun-22 and while this was largely in line with market expectations, markets were in a turmoil following a gloomy outlook described by Fed chair Jerome Powell.
- Signalling more aggressive rate hikes ahead in the Fed's ongoing battle against inflation, Powell said he wished "there was a painless way to do that. There isn't". His remarks on the uncertainties of whether the Fed's efforts in tackling inflation would lead to a recession or how significant the recession would be also caused uneasiness among investors globally.
- As a result, benchmark indices on Wall Street sank to multi-month lows last week. The S&P500 took a beating, erasing -180.1 points or -4.65% to 3,693.23 points, its lowest since mid-June this year. The Dow Jones Industrial Average tanked -12232.01 points or -4% to 29,590.41 points, its lowest since Nov-20 while tech-heavy Nasdaq Composite Index, dipped -580.47 points or -5.07% to 10,867.93 points, its lowest since Sept-20.

Table 1 Weekly performance of major indices

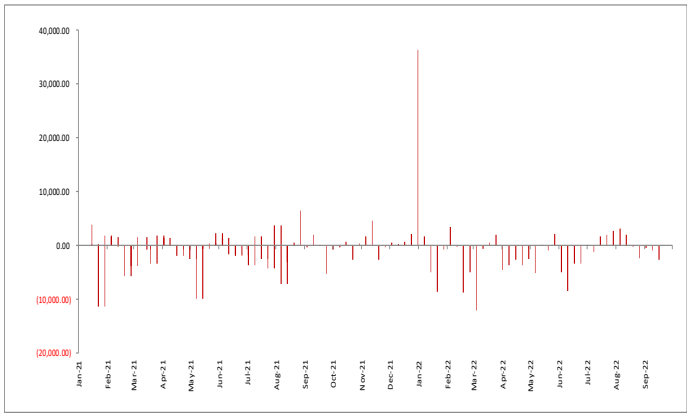
Index	% chg week before	% chg last week
Jakarta JCI	-1.02	0.14
Thai SET	-1.46	0.08
FSSTI	0.16	-1.26
India Sensex	-1.59	-1.26
NIKKEI	-2.29	-1.50
China CSI 300	-3.94	-1.95
KLCI	-1.95	-2.88
FTSE 100	-1.56	-3.01
Taiwan TAIEX	-0.15	-3.04
DAX	-2.65	-3.59
Korea KOSPI	-0.06	-3.89
Dow Jones	-4.13	-4.00
Hang Seng	-3.10	-4.42
Phil PCOMP	-0.87	-4.42
S&P 500	-4.77	-4.65
CAC 40	-2.17	-4.84

- Out of the 16 major indices that we track, 14 ended the week in the red, with the French CAC 40 taking the bottom spot after declining -4.84%, followed by the S&P500 and the Philippines Stock Exchange Index, at -4.42%. The only advancers for the week were the Jakarta Composite Index at +0.14% and Thailand's Stock Exchange Index at +0.08%.
- The FOMC's meeting last Wednesday raised the Fed funds rate to 3.00% - 3.25%. In addition to the rate hike, the Fed will proceed with its plan to reduce its balance sheet, where the amount of reduction will be doubled to USD95b per month starting from this month. As of mid-September 2022, the Fed has already trimmed down its balance sheet to USD8.83 trillion, a total reduction of USD132.7b from the highest level in mid-April 2022. The FOMC also revised its US growth forecast to only +0.2% in 2022, from +1.7% previously. Considering the elevated inflation and the strength in the US economy, we expect further rate hikes which will push the Fed funds rate above 4% by the end of this year.
- As expected, the People's Bank of China kept its benchmark lending rates unchanged despite the falling yuan. The 1-year loan prime rate stayed steady at 3.65% while 5-year loan prime rate remained at 4.30%. The action followed the central bank's decision to drain some liquidity from the banking sector last week while maintaining its medium-term target rate. However, the key rate reductions hastened the yuan's depreciation. We believe the Chinese government will be prepared to provide economic support if the prognosis for development continues to deteriorate. As one of the key trading partners, a sluggish Chinese demand may harm both the outlook for world trade and Malaysia's external trade.
- China recorded a surprise pick up in its economy in August with faster than expected growth in retail sales and industrial production. Retail sales rose +5.8%yoy (Jul-22: +2.7%yoy), the highest since Jan-22 while industrial production expanded by +4.2%yoy (Jul-22: +3.8%yoy). The positive set of statistics dispels some of the doom that had been cast over the lethargic recovery due to poor trade data and slow credit growth, though the upbeat momentum could also be attributed to low-base effects.
- The Bank of Japan (BOJ) maintained its ultra-low monetary policy during the Sep-22 monetary policy meeting despite the weakening of the Yen and tightening monetary policy by global central banks. The decision was highly anticipated as the BOJ kept the short-term interest rate at -0.1% and 10-year bond

yield at 0.0%.

- Japan's core inflation accelerated further by +2.8%yoy in August (Jul-22: +2.6%yoy), its fastest pace since Oct-14 amid elevated global commodity prices, rising food and gasoline prices, and continuous depreciation in the value of the yen. Despite the rising inflation rate, BOJ will hold interest rates at historically low levels until strong wage growth makes inflation more manageable. This action was taken primarily because the BOJ considers the present price rises to be transient and related to unusual circumstances.
- South Korea's labour market remained steady as the unemployment rate dropped to 2.5% in Aug-22, hitting the lowest record ever. Employment growth stayed on a positive growth rate at +2.9%yoy while unemployment declined further by -17.3%yoy, marking 17 consecutive months of contraction. The improvement in the labour market is backed by the strengthening domestic demand, steady external trade performances and better local economic activities in post-pandemic era, among others.

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



Source: Bloomberg, Bursa Malaysia, MIDFR

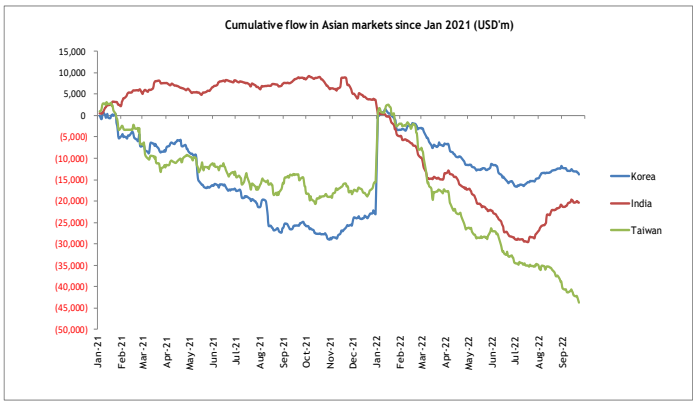
- Taking cue from the Fed's rate hike, the Hong Kong Monetary Authority also raised its base rates by 75bps to a 14-year high of 3.5%. Financial Secretary Paul Chan commented that there was a high chance that Hong Kong will end the year in a recession. Meanwhile, Hong Kong's labour market remained stable with the further easing of the unemployment rate further to 4.1% in Aug-22, trending lower for the fourth consecutive month from the high of 5.4% in Apr-22. The decline captures a significant -14.2%yoy drop in total unemployment (Jul-22: -15.6%yoy) due to reduced joblessness in almost all industries.
- Malaysia's trade performance remained robust in Aug-22, which saw a strong growth in total trade by +56.5%yoy to RM265.7b, backed by increases in both exports and imports. Exports grew +47.9%yoy, the strongest increase in 16 months, partly due to the lower base in Aug-21 while imports expanded +67.7%yoy underpinned by higher growth in purchases of foreign-made intermediate goods. Close to 81% of the exports growth last month can be attributable to the sustained foreign demand for E&E, oil and gas and palm oil products. In view of the more robust performance, we raise our 2022 growth projection for both exports and imports to +22.4% and +29.5% respectively.
- Malaysia's leading index (LI) continued to expand by +4.1%yoy in Jul-22 (Jun-22: +5.3%yoy), driven mainly by real imports of other basic precious and non-ferrous metals due to a rise in demand for platinum-based metals. On a month-on-month performance, the LI dropped significantly by -2.0%mom (Jun-22: +0.4%mom), largely due to the decrease in real imports of other basic precious & other non-ferrous metals (-0.9%mom) in Jul-22. Meanwhile, the current economic condition also edged down as the coincident index (CI) moderated by +12.5%yoy in Jul-22 (Jun-22: +12.6%yoy), the lowest since Jan-22. On month-on-month basis, the CI declined sharply at -1.6%mom, mainly driven by a slump in capacity utilisation in the manufacturing sector (-0.9%mom) and industrial production index (-0.5%mom).
- The country's core inflation hit a new peak at +3.8%yoy as domestic demand continued strengthening. On month-on-month basis, the core price growth still recorded positive growth of +0.6%mom. The upbeat momentum strengthens our view that Bank Negara is likely to raise the OPR by another 25bps in Nov-22. Malaysia's food inflation increased firmly to +7.2%yoy, the highest ever recorded. Similarly, the price growth of Food at Home and Away from Home touched new high at +6.4%yoy and +8.4%yoy respectively. As a net-food importer, the depreciation of the ringgit against the greenback by -5.5%yoy in Aug-22 (close to five-year low) had partially caused the food inflation spike. We maintain our average CPI forecast at +2.8% for 2022. We view the slight downward trend in global commodity prices and easing food inflation regionally may ease Malaysia's food inflation pressure in 2HCY22.
- The FBM KLCI declined -2.88% last week to finish at 1,424.98 points on Friday. As for the Ringgit, it saw a weekly depreciation by circa -0.96% against the US dollar to close at USD/MYR 4.5787 last Friday. Meanwhile, the Brent crude oil price shed -5.16% for the week to close at USD86.15 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

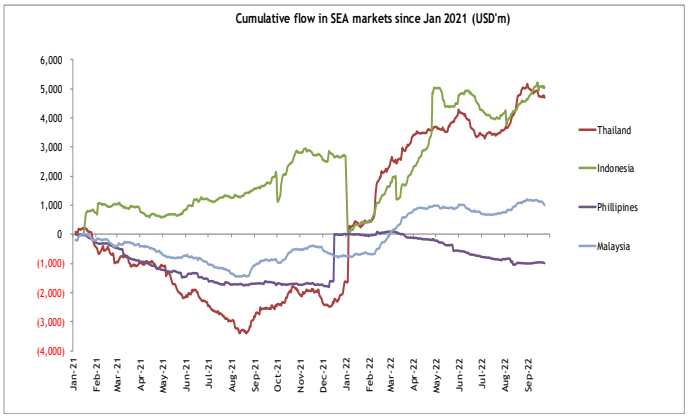
- The foreign fund outflow from Asian equities extended into its fifth consecutive week as foreign investors net sold -USD2.65b for the week ended 23 Sept 2022. This was more than triple the amount sold in the week before at -USD842.32m. Out of the 38 trading weeks in 2022, there were 25 weeks of net selling and 13 weeks of net buying.
- Investors classified as "foreign" net sold everyday except for Tuesday, which saw a net inflow of USD338.83m. The heaviest outflow was on Friday at -USD1.11b due to outflows from all seven markets that we track except for India which remained unchanged. Outflows for the other days of the week were -USD215.24m on Monday, USD800.96m on Wednesday and -USD861.88m on Thursday.
- Overall, the bulk of the foreign fund outflow last week was driven by net selling in Taiwan and South Korea at -USD1.17b and -USD721.40m respectively. Other Asian countries that saw net selling were Malaysia at -USD123.21m, Thailand at -USD41.65m, Indonesia at -USD32.60m and the Philippines at -USD30.20m.
- India was the only country with a net foreign fund inflow at USD7.60m as the net buying trend by foreigners went into its 10th consecutive week. Meanwhile, South Korea, Malaysia and the Philippines were the only three countries with net selling by foreign funds every day last week.
- Foreigners also turned net sellers in Indonesia last week after being net buyers for six consecutive weeks. They also continued to be pessimistic on Taiwan, marking the eighth consecutive week of net outflow starting from the week ended 5 Aug 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

C. TRACKING MONEY FLOW - MALAYSIA

- Foreigners continued to net sell Malaysian equities last week, marking the third consecutive week of net foreign fund outflows from Bursa Malaysia.

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

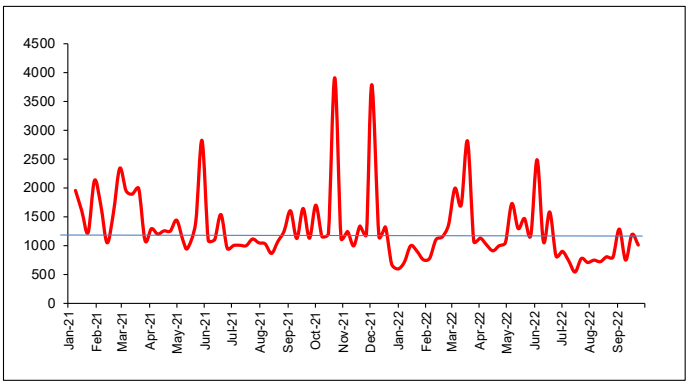
WEEK	KOREA	THAI	INDO	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
12-Aug	120.70	407.88	284.31	(201.01)	2,579.00	(129.60)	101.61	3,162.89
19-Aug	516.00	681.04	214.59	57.09	1,168.40	(791.80)	137.76	1,983.08
26-Aug	463.70	259.51	119.93	(13.23)	391.60	(1,350.70)	54.72	(74.47)
02-Sep	133.10	(7.75)	163.40	(5.57)	341.70	(3,039.60)	42.65	(2,372.07)
09-Sep	(648.80)	(142.14)	318.13	20.42	901.90	(843.30)	(9.43)	(403.22)
16-Sep	(121.60)	(134.68)	23.94	19.65	97.70	(686.30)	(41.03)	(842.32)
23-Sep	(721.40)	(41.65)	(32.60)	(30.20)	7.60	(1,711.50)	(123.21)	(2,652.96)

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

The net outflow for the week was -RM562.61m, resulting from net selling activities every day of the week. They have been net selling for eight consecutive trading days since 13 Sept 2022.

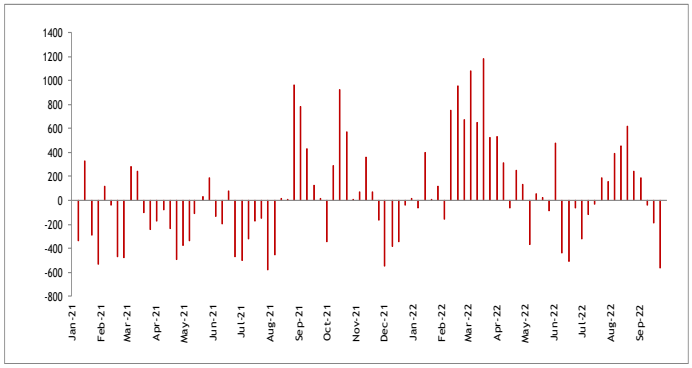
- The bulk of the foreign net outflows were seen on Wednesday, Thursday and Friday at -RM193.63m, -RM123.36m and -RM218.03m respectively. Foreigners also net sold -RM17.40m on Monday and -RM10.19m on Tuesday.
- Local institutions net bought RM351.23m last week, after briefly net selling at a rate of -RM4.67m the week prior. They net sold -RM52.15m on Monday before turning net buyers for the rest of the week. Most of the net buying were seen on Wednesday and Friday at RM172.03m and RM147.94m respectively. They also net bought RM5.35m on Tuesday and RM78.06m on Thursday.
- Meanwhile, local retailers maintained their net buying stance last week at RM211.38m. They were net buyers every day, with the bulk of the amount coming in on Monday at RM69.55m and Friday at RM70.09m. They also net bought RM4.84m on Tuesday, RM21.60m on Wednesday and RM45.30m on Thursday.
- The top three sectors which saw net outflows by foreign investors last week were Healthcare at -RM178.7m, Financial Services at -RM143.5m and Industrial Products and Services at -RM102.2m. Meanwhile, there were only two sectors with net inflows. These were Construction at RM66.9m and Telecommunications and Media at RM5.2m.
- To date, international funds have been net buyers for 24 out of the 38 weeks of 2022, with a total net inflow of RM7.36b. Local institutions were net sellers for 29 out of 38 weeks, with a total net outflow of -RM9.56b. Local retailers have been net buyers for 23 out of 38 weeks of 2022. Year-to-date, they have been net buyers at RM2.19b.
- In terms of participation, there was a decline in average daily trade value (ADTV) across the board, led by retailers at -15.66%, foreign investors at -15.20% and local institutions at -8.00%.

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)*
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)
16-Sep	2,017.16	1,826.33	190.84	3,259.44	3,264.11	(4.67)	2,308.88	2,495.04	(186.16)	(41.03)
23-Sep	2,131.58	1,920.19	211.38	3,926.83	3,575.59	351.23	2,264.76	2,827.38	(562.61)	(123.21)

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 23 SEP 2022

- KUALA LUMPUR KEPONG recorded the highest net money inflow for the week ended 23 September 2022 at a rate of RM4.73m. Its share price was -1.19% lower for the week, outperforming the local bourse that dipped -2.88% last week. It is notable that the net money inflow amidst a retreating share price may indicate a buy on weakness (BOW) stance among some investors.
- CIMB saw the second highest net money inflow of RM1.63m. Its share price added +0.37% during the week, outperforming the KLCI.
- MALAYSIA AIRPORTS had the third highest net money inflow at RM1.03m. Its share price was -1.69% lower for the week, outperforming the local bourse. There is also an indication of BOW among some investors here.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
KLK	4.73	4.44	-1.19	BOW
CIMB	1.63	-0.49	0.37	-
AIRPORT	1.03	0.95	-1.69	BOW
MISC	0.86	0.57	-2.38	BOW
TM	0.66	-0.26	0.51	-
GAMUDA	0.63	0.77	0.25	-
GENP	0.59	0.59	-2.69	BOW
TOPGLOV	0.58	0.79	-15.03	BOW
DIGI	0.42	0.46	-2.31	BOW
PETDAG	0.41	0.45	-0.94	BOW

- MAYBANK saw the largest net money outflow of -RM11.18m last week. Its share price was +1.28% higher for the week, outperforming the FBM KLCI which was -2.88% lower. The net money outflow amidst a rising share price may indicate a sell on strength (SOS) stance among some investors.
- PUBLIC BANK recorded the second largest net money outflow -RM6.03m during the week under review. Its share price was -2.91% lower for the week, underperforming the local bourse which fell -2.88%.
- PPB came in third with an outflow of -RM2.01m during the week. Its share price declined -7.75% during the week under review, underperforming the FBM KLCI.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
MAYBANK	-11.18	-8.78	1.28	SOS
PBBANK	-6.03	-5.82	-2.91	-
PPB	-2.01	-1.87	-7.75	-
HARTA	-1.62	-1.48	-4.38	-
RHBBANK	-1.21	0.23	-0.18	-
PCHEM	-1.21	-1.55	-3.13	-
HLBANK	-0.95	-0.23	-0.10	-
HENGYUAN	-0.74	-0.67	-6.06	-
YINSON	-0.70	-0.37	-1.74	-
GASMSIA	-0.52	-0.51	-3.40	-

[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

DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878-X)). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein

This document may not be reproduced, distributed or published in any form or for any purpose.

midf RESEARCH

MIDF RESEARCH is part of
MIDF Amanah Investment Bank Berhad (197501002077 (23878-X))
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Business Address:
11th Floor, Menara MIDF,
82, Jalan Raja Chulan, 50200
Kuala Lumpur.
Tel: 2173 8888
Fax: 2173 8380