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MIDF AMANAH
INVESTMENT BANK BERHAD

FUND FLOW REPORT

MIDF EQUITY STRATEGY | 19 SEPTEMBER 2022

WEEK ENDED 16 SEPTEMBER 2022

- Wall Street wrapped up its worst week since Jun-22. Dow Jones declined by -4.1% last week to 30,822.42, the S&P 500 lost -4.8% to 3,873.33, while Nasdaq dropped about -5.5% to 11,448.40.
- Of the 16 exchanges that we track, all were in the red except for Singapore's STI Index which gained +0.16%. Among the top decliners, the S&P 500 lost -4.77%, Dow Jones declined by -4.13% and China's Shenzhen was down by -3.94%.
- Malaysia's retail spending was up by +41.0%yoy in Jul-22 to RM131.0b.
- Americans now expect prices to increase by +2.8% in the next 3 years. Likewise, the expectations on the inflation outlook in the next 12 months eased to +5.7%, the lowest since Oct-21.
- The UK's economy rebounded by +0.2%mom in Jul-22 (Jun-22: -0.6%mom), lower than market expectations.
- US CPI inflation eased to +8.3%yoy in Aug-22 (Jul-22: +8.5%yoy), higher than consensus estimate of +8.1%yoy.
- **The US PPI declined by -0.1%mom in Aug-22, in line with market expectations mainly due to the correction in energy prices.**
- **Japan's core machinery orders (excluding ships & electric power) surged unexpected by +5.3%mom in Jul-22.**
- **The FBM KLCI closed -1.95% lower to end at 1,467.31 points on Thursday. As for the Ringgit, it saw a weekly depreciation of c.0.83% against the US dollar to close at USD/MYR 4.5350 last week, while the Brent crude oil price declined by -1.60% for the week to end at USD91.35 per barrel.**

Market expected a jumbo rate hike this week

A. MARKET SNAPSHOT

- A stream of mixed economic data, including the hotter-than-expected consumer price index (CPI) reading, cemented market expectations of a big rate hike this week. Accordingly, Wall Street wrapped up its worst week since Jun-22. Dow Jones declined by -4.1% last week to 30,822.42, the S&P 500 lost -4.8% to 3,873.33, while Nasdaq dropped about -5.5% to 11,448.40.
- Of the 16 exchanges that we track, all were in the red except for Singapore's STI Index which gained +0.16%. Among the top decliners, the S&P 500 lost -4.77%, Dow Jones declined by -4.13% and China's Shenzhen was down by -3.94%.
- The Malaysian Palm Oil Council (MPOC) has made a downward revision to its projections for Malaysian total palm oil production (CPO) in CY22 from 18.5m MT to 18.3m MT on the back of labour shortages which has continued to put downward pressure on the industry's performance. The CPO production in the first 8 months of this year has reached 11.56m MT in comparison with 11.60m MT in the same period last year. According to MPOC's chief executive officer, Wan Aishah Wan Hamid, the CPO prices in Sep-22 might continue to be under pressure as Indonesia still has a large inventory of palm oil which are being offered to all export markets.

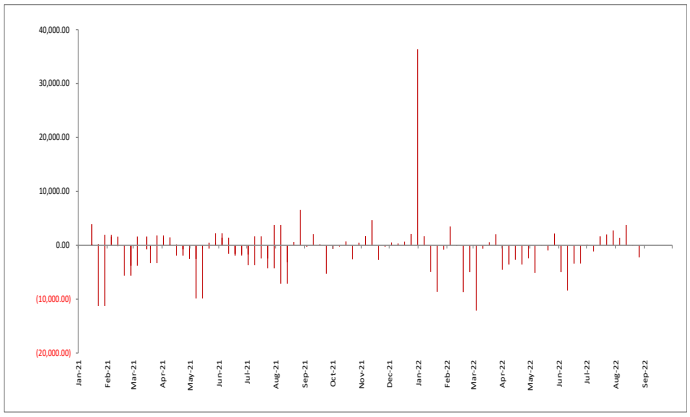
Table 1 Weekly performance of major indices

Index	% chg week before	% chg last week
Singapore FSSTI	1.79	0.16
Korea KOSPI	-1.04	-0.06
Taiwan TWSE	-0.61	-0.15
Phil PCOMP	-1.29	-0.87
Jakarta JCI	0.91	-1.02
Thai SET	2.00	-1.46
FTSE100	0.96	-1.56
India SENSEX	1.68	-1.59
FBMKLCI	0.36	-1.95
French CAC	0.73	-2.17
Japan Nikkei	2.04	-2.29
German DAX	0.29	-2.65
Hong Kong HSI	-0.46	-3.10
China SHSZ300	1.74	-3.94
Dow Jones	2.66	-4.13
S&P 500	3.65	-4.77

- Malaysia's retail spending remained to be on an upward trajectory as evidenced by the distributive trade sales growth which continued to see a double-digit expansion for the 4th consecutive month whereby it was up by +41.0%yoy in Jul-22 to RM131.0b. We expect retail trade to grow by +17.6% in CY22. Consumer spending is expanding strongly as seen by the growth in retail trade sales of +21.6%yoy in 7MCY22. We are projecting retail trade to grow by +17.6% for this year.
- According to Malaysia External Trade Development Corporation (MATRADE) Malaysia's machinery and equipment (M&E) exports reached RM34.4b in 7MCY22, marking a +25.5%yoy from the same period last year. The industry is the country's 7th largest export sector, with a value of RM49.9b or 4% of total exports in CY21. From a value of RM39.5b in CY20, the M&E industry has recorded growth of +26.6% in 2021 with exports to key markets including Singapore, Indonesia, Thailand, United States and China.
- The latest highlight in the New York Federal Reserve's (Fed) Aug-22 survey showed reduced inflation expectations among American consumers. Americans now expect prices to increase by +2.8% in the next 3 years (Jul-22 survey: +3.2%). Likewise, the expectations on the inflation outlook in the next 12 months eased to +5.7% (Jul-22 survey: +6.2%), the lowest since Oct-21. The drop was mainly explained by the decrease in gasoline prices and lowered expectations of growth in home prices. Nevertheless, the Fed would likely continue its aggressive policy tightening to contain price pressures and future inflation expectations as US inflation remains at high levels.
- The UK's economy rebounded by +0.2%mom in Jul-22 (Jun-22: -0.6%mom), lower than market expectations. The modest recovery reflects a pick-up in Jul-22 from the sluggish activities in Jun-22, partly explained by the loss of working days due to the Jubilee vacation weekend. Moving forward, we believe there are high chances of the UK economy entering into a recession due to the decades-high inflation which is attributed to rising food and energy costs and rising borrowing costs.

- US CPI inflation eased to +8.3%yoy in Aug-22 (Jul-22: +8.5%yoy), higher than consensus estimate of +8.1%yoy. Despite the decline in gasoline prices has led to slower energy inflation, the stronger-than-expected reading in Aug-22 was due to higher prices of food, shelter, medical care, and new vehicles. Core CPI inflation (without food and energy) was up by +6.3%yoy (Jul-22: +5.9%yoy), the fastest pace since Mar-22. We expect the Fed to announce another large rate hike at the Federal Open Market Committee (FOMC) meeting this week due to the stubbornly high inflation.
- The US producer production index (PPI) declined by -0.1%mom in Aug-22, in line with market expectations mainly due to the correction in energy prices, particularly gasoline. Similar to core CPI, the core PPI rose by +0.2%mom in Aug-22 (Jul-22: +0.1%mom) on the back of increased charges for natural gas and services (excluding transportation and warehousing). On a yearly basis, US PPI eased to +8.7%yoy in Aug-22 (Jul-22: +9.8%yoy), while core PPI slowed to +8.1%yoy in Aug-22 (Jul-22: +8.6%yoy). While lower commodity prices could bring down producer prices in the coming months, energy inflation could accelerate again should natural gas prices continue to trend higher.
- Japan's core machinery orders (excluding ships & electric power) surged unexpected by +5.3%mom in Jul-22 (Jun-22: +0.9%mom), mainly underpinned by increased orders for the non-manufacturing industries, notably in the real estate, transportation, and postal services. We opine Japan's economy to continue expanding following increased business and consumer spending after the upliftment of Covid-19 restrictions. However, there are concerns pertaining to a global economic slowdown and consumer spending being adversely affected by broad price increases and a weak yen, which has also impacted sentiment among Japanese businesses.
- The FBM KLCI closed -1.95% lower to end at 1,467.31 points on Thursday. As for the Ringgit, it saw a weekly depreciation of c.0.83% against the US dollar to close at USD/MYR 4.5350 last week, while the Brent crude oil price declined by -1.60% for the week to end at USD91.35 per barrel.

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



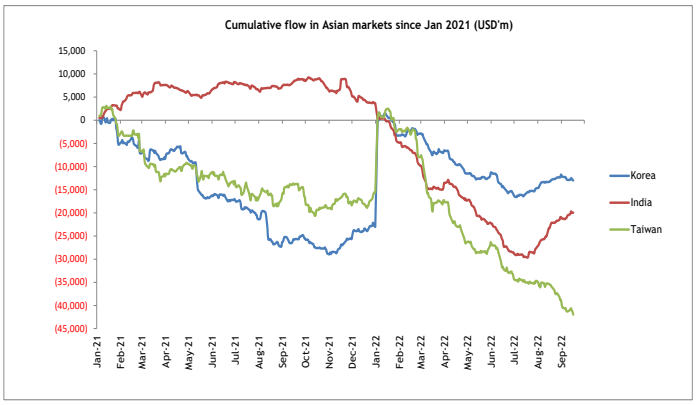
Source: Bloomberg, Bursa Malaysia, MIDFR

[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

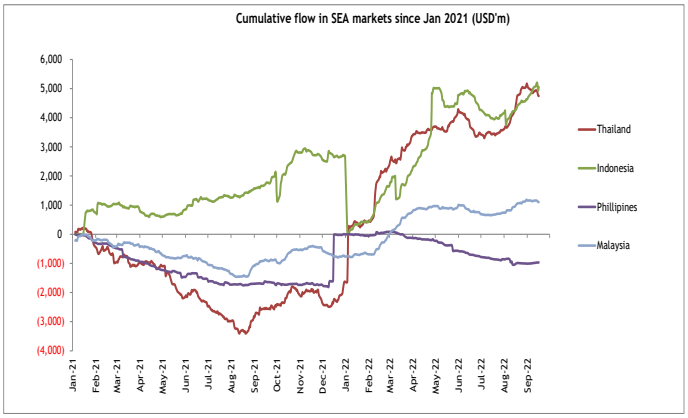
- Last week, foreign investors continued to net sell Asian equities for the fourth consecutive week. Based on the provisional aggregate data for the 7 Asian exchanges that we track, investors classified as "foreign" net sold -USD406.7m last week. Out of the 37 trading weeks so far in 2022, there have been 24 weeks of net selling and 13 weeks of net buying.
- The highest net outflows were seen on Thursday at -USD1.08b, contributed by net selling in all markets except Philippines. The most were Taiwan, Indonesia and South Korea to the tune of -USD315.6m, -USD266.8m and -USD262.4m respectively.
- This was followed by Wednesday and Friday where net outflows amounted to -USD759.5m and -USD598.9m respectively, again led by Taiwan. There were net inflows on Monday (USD696.2m) and Tuesday (USD1.34b) but they were insufficient to overturn the deficit.
- Taiwan recorded a weekly net outflow of -USD686.3m which effectively made it the main contributor to the net outflow in Asian equities. Other countries that recorded net outflows were Thailand at -USD134.7m, Korea at -USD121.6m and Malaysia at -USD41.0m.
- The only 3 countries that recorded net inflows were India at USD533.3m, Indonesia at USD23.9m and Philippines at USD19.7m.

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

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

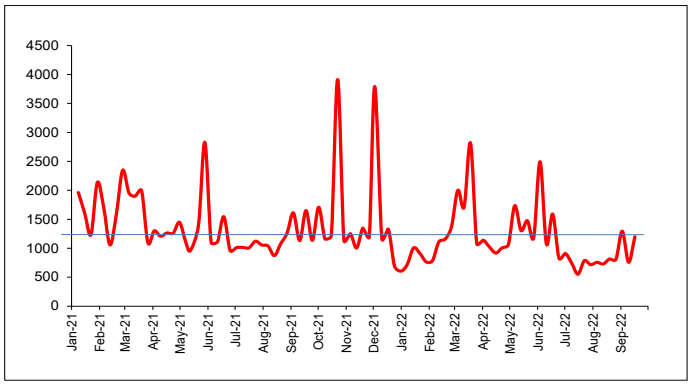
WEEK	KOREA	THAI	INDO	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
05-Aug	1,281.90	114.22	(185.82)	13.40	1,860.20	(430.50)	87.11	2,740.51
12-Aug	120.70	407.88	284.31	(201.01)	789.40	(129.60)	101.61	1,373.29
19-Aug	516.00	681.04	214.59	57.09	2,766.00	(791.80)	137.76	3,580.68
26-Aug	463.70	259.51	119.93	(13.23)	405.80	(1,350.70)	54.72	(60.27)
2-Sep	133.10	(7.75)	163.40	(5.57)	488.50	(3,039.60)	42.65	(2,225.27)
9-Sep	(648.80)	(142.14)	318.13	20.42	740.90	(843.30)	(9.43)	(564.22)
16-Sep	(121.60)	(134.68)	23.94	19.65	533.30	(686.30)	(41.03)	(406.72)

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

C. TRACKING MONEY FLOW - MALAYSIA

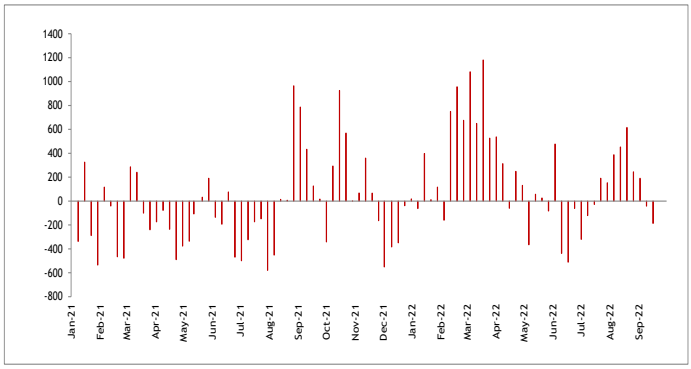
- In a shortened trading week due to the public holiday in conjunction with Hari Malaysia, Bursa Malaysia continued to see net selling activities from the foreigners for the 2nd consecutive week. They have net sold -RM186.2m worth of equities last week, which was over 4 times the amount net sold in the week prior.
- The net selling by foreign investors was probably stemmed from higher-than-expected inflation data in the US prompting investors to expect another aggressive rate hike by the US Fed.
- Foreign investors were net buyers on Monday at RM47.5m, before turning to net sellers from Tuesday onwards. Bulk of the outflows were seen on Thursday at -RM153.8m, while the amount of outflows recorded on Tuesday and Wednesday were -RM22.4m and -RM57.5m respectively.
- Local institutions which have briefly net bought RM91.3m worth of equities the previous week after 8 weeks of net selling have turned to net sellers yet again last week, albeit at a much lower rate of -RM4.7m.
- They were net sellers from Monday through Wednesday. The net outflows reported amounted to -RM35.2m on Monday, -RM40.8m on Tuesday and -RM12.6m on Wednesday. Local institutions turned to net buyers after net buying RM84.0m on Thursday before the market took a break on Friday.
- Local retailers turned net buyers again at RM190.8m after net selling -RM48.8m in the previous week. Starting the week with a net selling of -RM12.3m worth of equities, they have then net bought RM63.2m on Tuesday, RM70.1m on Wednesday and RM69.9m on Thursday.
- To date, international investors have been net buyers for 24 out of the 37 weeks of 2022, with a total net inflow of RM7.93b. Local institutions were net sellers for 29 out of 37 weeks, with a total net outflow of -RM9.91b. Local retailers have been net buyers for 24 out of 37 weeks of 2022. Year-to-date, they have net bought RM1.98b.
- In terms of participation, there was an increase in average daily trade value (ADTV) across all investor classes at +14.7% for retail investors, +5.1% for institutional investors and +58.3% for 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)*
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
2-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
9-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)

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 16 SEP 2022

- PCHEM recorded the highest net money inflow last week to the tune of RM6.3m. Its share price retreated by -3.58% for the week, outperforming the local bourse which declined by -1.95%. This could indicate a buy on weakness (BOW) stance among some investors.
- KLK saw the second highest net money inflow of Rm4.3m. Its share price declined by by -1.88%, outperforming the performance of the FBM KLCI which lost -1.95%. Similarly, BOW stance could be observed.
- GENTING saw the third highest net money inflow of RM3.5m. However, its share price was down by -1.32% for the week, outperforming the local benchmark. Likewise, BOW stance among investors could also be observed here.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
PCHEM	6.27	11.27	-3.58	BOW
KLK	4.32	4.71	-1.88	BOW
GENTING	3.52	4.47	-1.32	BOW
RHB BANK	1.98	2.99	-1.39	BOW
AMMB	1.70	1.66	0.99	-
IHH	1.48	2.18	2.43	-
SIME DARBY	1.39	1.80	-1.35	BOW
MY EG	1.27	1.32	1.80	-
IOI CORP	0.89	0.73	-3.00	BOW
TIME DOTCOM	0.70	0.21	-0.11	BOW

- HLB saw the largest net money outflow of -RM3.1m last week. Its stock price declined by -0.86% for the week, outperforming the FBM KLCI which was -1.95% lower.
- PPB recorded the second largest net money outflow -RM2.6m during the week under review. Its share price was up by +1.55% for the week, outperforming the local bourse. The net money outflow amidst a rising share price may indicate a sell on strength (SOS) stance among some investors.
- PRESS METAL saw the third largest net money outflow of -RM2.0m, while its share price was lower by -5.26%, underperforming the local benchmark which lost -1.95%.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
HLB	-3.06	-2.89	-0.86	-
PPB	-2.58	-2.71	1.55	SOS
PRESS METAL	-1.95	-2.83	-5.26	-
SIMEPLT	-1.64	-1.71	1.64	SOS
PETGAS	-1.56	-1.87	-2.60	-
ALLIANCE	-1.38	-1.74	-1.88	-
PUBLIC BANK	-1.32	-1.70	-3.04	-
CIMB GROUP	-1.07	-1.05	-1.29	-
TELEKOM	-0.86	-1.76	-0.86	-
HEINEKEN	-0.76	-0.78	-1.33	-

[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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