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MIDF AMANAH
INVESTMENT BANK BERHAD

FUND FLOW REPORT

MIDF EQUITY STRATEGY | 11 OCTOBER 2022

WEEK ENDED 07 OCTOBER 2022

- Markets kicked off the first week of 4Q22 on an optimistic tone with strong rallies on Monday and Tuesday but a pullback then ensued, on the back of signs that inflation was not slowing down enough
- Benchmark indices on Wall Street rose for the first time in four weeks despite paring most of its gains made earlier in the week. The Dow rose +1.97% while the S&P500 gained +1.51%. Nasdaq grew +0.73%
- Out of the 16 major indices that we track, 14 ended the week positively, led by Japan's Nikkei 225 with a +4.55% increase, followed by South Korea's KOSPI at +3.59% and the Philippines Stock Exchange Index at +3.33%
- The WTO projected a slowdown in global trade growth next year to +1% from a previous projection of +3.4%, due to multiple shocks from Russia's war in Ukraine, high energy costs in Europe and the tightening of US' monetary policy
- **Manufacturing activities in the US declined to its lowest in two and a half years as new orders contracted. The Institute of Supply Management (ISM) recorded a decline in PMI to 50.9 in Sept-22, from 52.8 in Aug-22**
- **The Caixin China manufacturing PMI also contracted for the second straight month to 48.1 in Sept-22 (Aug-22: 49.5), the lowest since May-22**
- **The FBM KLCI added +0.82% last week to finish at 1,406.00 points on Friday. The Ringgit saw a weekly depreciation by circa -0.27% against the US dollar to close at USD/MYR 4.6500 while the Brent crude oil price rose +11.32% for the week to close at USD97.92 per barrel**

Positive start to 4Q22 despite later week pullback

A. MARKET SNAPSHOT

- Markets kicked off the first week of 4Q22 on an optimistic tone with strong rallies on Monday and Tuesday, with some indices recording among the best two-day movements in recent years but a pullback then ensued, on the back of signs that inflation was not slowing down enough.
- Benchmark indices on Wall Street rose for the first time in four weeks despite paring most of its gains made earlier in the week. They started the final quarter of 2022 on an upbeat tone but several developments such as higher jobless claims, slower manufacturing activities and OPEC+'s decision to cut production by 2 million barrels per day weighed on sentiments.
- The Dow Jones Industrial Average added 567.13 points or +1.97% to 29,297.25 points while the S&P500 gained 54.04 points or +1.51% to 3,639.66 points last Friday. The tech-heavy Nasdaq Composite Index registered a growth of 76.79 points or +0.73% to 10,652.41 points.
- Out of the 16 major indices that we track, 14 ended the week positively, led by Japan's Nikkei 225 with a +4.55% increase. This was followed by South Korea's KOSPI at +3.59% and the Philippines Stock Exchange Index at +3.33%. The only two decliners for the week were Thailand's Stock Exchange Index at -0.62% and the Jakarta Composite Index at -0.2%.

Table 1 Weekly performance of major indices

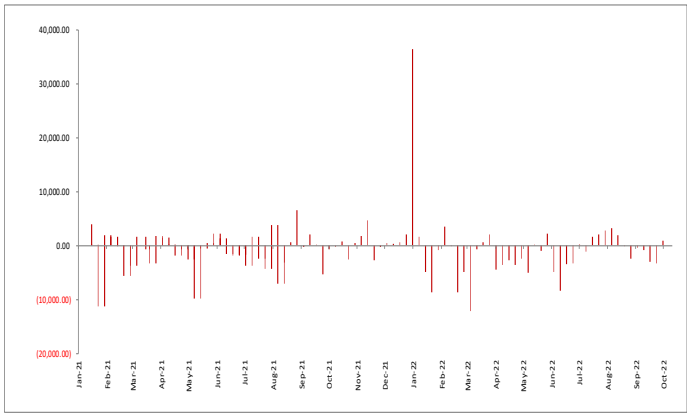
Index	% chg week before	% chg last week
NIKKEI	-4.48	4.55
Korea KOSPI	-5.87	3.59
Phil PCOMP	-8.28	3.33
Hang Seng	-3.96	3.00
Taiwan TAIEX	-4.91	2.07
Dow Jones	-2.92	1.99
CAC 40	-0.36	1.82
S&P 500	-2.91	1.51
FTSE 100	-1.78	1.41
India Sensex	-1.16	1.33
DAX	-1.38	1.31
KLCI	-2.13	0.82
FSSTI	-3.00	0.50
China CSI 300	-1.33	0.00
Jakarta JCI	-1.92	-0.20
Thai SET	-2.59	-0.62

- The World Trade Organisation (WTO) projected a slowdown in global trade growth next year to +1% from a previous projection of +3.4%, due to multiple shocks from Russia's war in Ukraine, high energy costs in Europe and the tightening of US' monetary policy. It also raised its trade growth forecast to +3.5% for 2022. In line with our expectations, we foresee slower GDP growth for next year at +4.2% after registering +6.6% in 2022. The main drag for next year is moderation in external trade performances. We expect Malaysia's goods exports to increase by +9.2% (2022E: +22.4%).
- Manufacturing activities in the United States declined to its lowest in two and a half years as new orders contracted. The Institute of Supply Management (ISM) recorded a decline in PMI to 50.9 in Sept-22, from 52.8 in Aug-22. This was the lowest reading since May-20. On a more positive development, the measure of prices paid by manufacturers dropped to 51.7, the lowest since Jun-20, driven by declining commodity prices.
- After seven consecutive weeks of decline, applications for employment insurance in the United States rose beyond expectations for the first week of Oct-22. This indirectly reflected softening labour demand and moderating domestic economic expansion rate. Initial unemployment claims increased by 29,000 to 219,000, as compared to the median estimate of 204,000. In addition, market analysts are pricing in lower additional non-farm payrolls for the month of Sep-22 at 250,000 (Aug-22: 315,000). If the actual figure matches or is lower than forecasted, this would provide positive signals to the financial market as it may lead the Fed to consider softening its rate hikes in upcoming meetings.
- The number of job openings in the US dropped to 10.1m in Aug-22, the lowest since Jun-21. This was well below market expectations of 10.8m. Moderation in the job opportunities is predicted especially with the tightening monetary policy imposed by the Fed and global uncertainties.
- In China, manufacturing activities contracted for the second straight month in September, as Covid restrictions suppressed factory output and new orders. The Caixin China manufacturing PMI dropped to 48.1 (Aug-22: 49.5), the lowest since May-22 as new orders fell at its fastest pace in Sept-22.

Currently, the economy's biggest issues are a lack of jobs, weak demand and erratic expectations. Going ahead, we expect the manufacturing sectors will perform better with the anticipated relaxation of Covid-19 restrictions and further improvement in the labour market as the unemployment rate indicates a downward trend. However, concerns of global economic slowdown and aggressive monetary tightening will pull back industrial growth at slower pace.

- The core inflation rate in Japan rose +2.8%yoy in Sept-22, the highest since Sept-14. This exceeds Bank of Japan's (BOJ's) target of 2% for four consecutive months. In regards to monetary policy, BOJ has affirmed its stance of maintaining its super ultra-low interest rate to support economic recovery. The central bank is intervening the forex exchange market to shore up Yen, among others to reduce imported-inflation impacts.

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



Source: Bloomberg, Bursa Malaysia, MIDFR

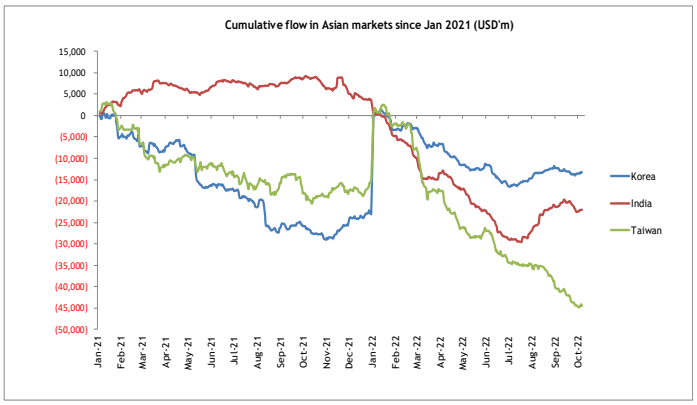
- Indonesia's headline inflation rate accelerated to 5.95% in Sept-22 (Aug-22: 4.69%), its highest in seven years, attributable to the 30% reduction in fuel subsidy in early Sept-22. Following a 30% reduction in fuel subsidy in early Sep-22, Indonesia's inflationary pressure surged in the first month of 4QCY22. Transport inflation skyrocketed to a new peak of +16.0%yoy under the 2018=100 index. On month-on-month basis, the transport cost jumped +8.9%mom. Even with softening global oil prices, the reduction of fuel subsidy will continue to send transport inflation higher due to low-base effects. On the flip side, demand-push inflation is strengthening as reflected in the core CPI growth of +3.2%yoy, the fastest pace ever recorded. The strong core and headline inflation will very likely influence Bank Indonesia to raise further its interest rate in the coming months.
- Malaysia's leading index (LI) continued to expand by +4.1%yoy in Jul-22, driven mainly by increased real imports of other basic precious and non-ferrous metals. On month-on-month basis, LI dropped significantly by -2.0%mom (Jun-22: +0.4%mom), the largest monthly decline since Jun-21. The country's total trade grew strongly by +56.5%yoy to RM265.7b, with strong exports growth by +47.9%yoy, the strongest in 16 months. Besides the lower base effect in Aug-21, the growth was mostly driven by sustained foreign demand for E&E, oil & gas and palm oil products. We maintain our 2022 GDP growth forecast at +6.6%. Recent indicators continued to show improvement, with the continued expansion in LI signalling positive growth momentum to continue in the next few months
- The FBM KLCI added +0.82% last week to finish at 1,406.00 points on Friday. As for the Ringgit, it saw a weekly depreciation by circa -0.27% against the US dollar to close at USD/MYR 4.6500 last Friday. Meanwhile, the Brent crude oil price rose +11.32% for the week to close at USD97.92 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

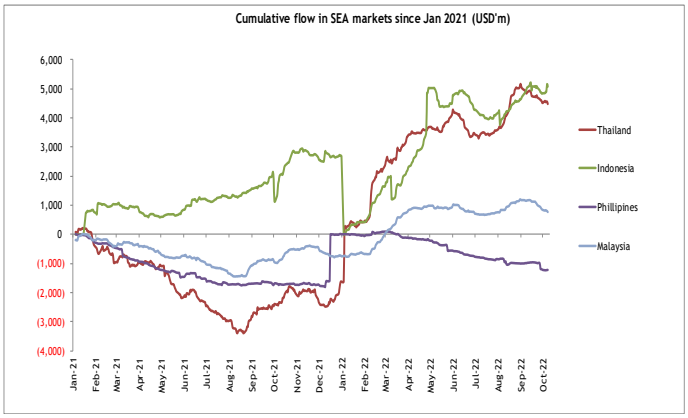
- Foreign investors net bought USD890.47m of Asian equities last week, reversing its net selling trend that has gone on for six weeks. It was a significant improvement over the net outflow of -USD3.33b in the week prior. Out of the 40 trading weeks in 2022, there were 26 weeks of net selling and 14 weeks of net buying.
- Overall, the bulk of the inflows from investors classified as "foreign" last week came from India at USD485.8m, South Korea at USD310.3m and Indonesia at USD228.83m. Topping the list for net outflows was Malaysia at -USD72.55m, followed by Thailand at -USD32.55m and Taiwan at -USD28.3m.
- The strongest foreign net inflow was on Thursday at USD1.05b, with inflows recorded in six out of the seven Asian exchanges that we track, with Malaysia being the exception. Foreigners also net bought USD640.33 on Tuesday, mainly in India at USD237.8m, South Korea at USD196m and Taiwan at USD190.6m.
- Net selling days were observed on Monday at -USD179.77m, Wednesday at -USD52.44m and the heaviest on Friday at -USD567.83m, with outflows from all countries except the Philippines and India.
- Despite the reversal of trend last week, the pessimism of foreign investors is seen to persist in markets such as Taiwan with 10 consecutive weeks of net outflows, Thailand at six weeks and Malaysia at five weeks.

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 fifth consecutive week of net foreign fund outflows from Bursa Malaysia. The net outflow for the week was -RM336.9m, half the amount seen in the previous week at -RM740.6m.
- The only day that we saw net inflow from foreign investors was on Tuesday at RM59.64m after being net sellers for 14 consecutive trading days. However, the net selling trend continued again on Wednesday and right up to Friday.

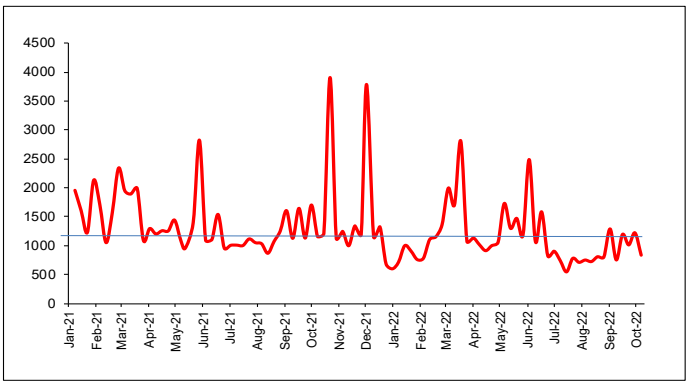
Table 2 Weekly Net Flow Of Foreign Fund Into Equity By Market (USD'm)

WEEK	KOREA	THAI	INDO	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
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)	(313.70)	(1,711.50)	(123.21)	(2,974.26)
30-Sep	183.60	(188.55)	(188.35)	(229.56)	(1,859.70)	(889.00)	(160.20)	(3,331.76)
07-Oct	310.30	(32.55)	228.83	(1.06)	485.80	(28.30)	(72.55)	890.47

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

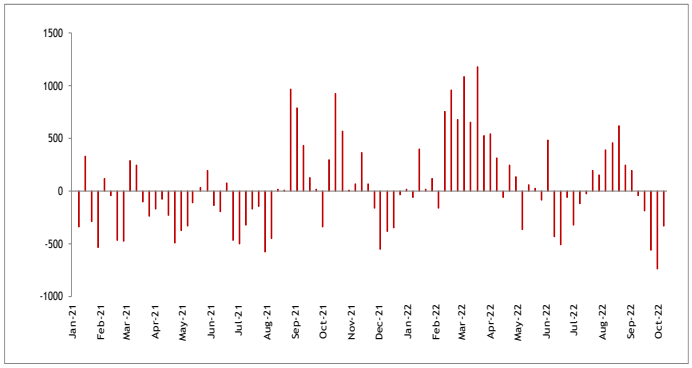
- The bulk of the foreign net outflows were on Friday at -RM143.36m and Monday at -RM112.42m. Meanwhile, foreigners also net sold on Wednesday and Thursday at -RM68.05m and -RM72.71m respectively.
- The top three sectors which saw net outflows by foreign investors last week were Financial Services at -RM310.8m, Technology at -RM52.7m and Consumer Products and Services at -RM42.1m. The top three sectors were Construction at RM117.8m, Telecommunications and Media at RM32.5m and Energy at RM27m.
- Local institutions were net buyers for the third consecutive week, net buying RM413.47m last week. They were net buyers every day of the week except on Tuesday, when they net sold -RM33.04m. The net buying days were consistently above the RM100m mark, with the highest amount observed on Friday at RM137.71m.
- Local retailers turned net sellers at -RM76.56m last week after net buying for the past three weeks. They net sold from -RM26.6m, -RM33.01m and -RM31.93m on Tuesday, Wednesday and Thursday respectively and were net buyers on Monday and Friday at RM9.33m and RM5.65m respectively.
- To date, international funds have been net buyers for 24 out of the 40 weeks of 2022, with a total net inflow of RM6.29b. Local institutions were net sellers for 29 out of 40 weeks, with a total net outflow of -RM8.47b. Local retailers have been net buyers for 26 out of 40 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 foreign investors at -31.53%, local institutions at -17.76% and retailers at -9.89%.

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)*
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)
30-Sep	2,229.75	2,158.35	71.41	4,673.99	4,004.79	669.22	2,699.56	3,440.18	(740.62)	(160.20)
07-Oct	1,938.81	2,015.38	(76.56)	3,775.59	3,362.12	413.47	1,933.37	2,270.28	(336.90)	(72.55)

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 07 OCT 2022

- PETRONAS CHEMICALS recorded the highest net money inflow for the week ended 7 October 2022 at a rate of RM7.91m. Its share price was +2.15% higher for the week, outperforming the local bourse that rose +0.82% last week.
- PRESS METAL saw the second highest net money inflow of RM4.09m. Its share price rose +7.67% during the week, outperforming the KLCI.
- TELEKOM MALAYSIA had the third highest net money inflow at RM3.93m. Its share price was -5.3% 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	7.91	4.40	2.15	-
PMETAL	4.09	3.62	7.67	-
TM	3.93	4.13	-5.30	BOW
CIMB	2.86	0.15	2.34	-
RHBBANK	2.40	2.24	1.98	-
DIALOG	2.27	1.74	-1.51	BOW
IHH	1.88	1.72	-2.37	BOW
KLK	1.85	2.51	-1.45	BOW
GENM	1.69	0.88	-1.08	BOW
MAYBANK	1.69	-1.87	0.82	-

- HONG LEONG BANK saw the largest net money outflow of -RM0.9m last week. Its share price was +0.49% higher for the week, underperforming the FBM KLCI which was +0.82% higher. The net money outflow amidst a rising share price may indicate a sell on strength (SOS) stance among some investors.
- AMBANK recorded the second largest net money outflow -RM0.53m during the week under review. Its share price was +2.05% higher for the week, outperforming the local bourse. There is also an indication of SOS here.
- HARTALEGA came in third with an outflow of -RM0.48m during the week. Its share price advanced +1.81% during the week under review, outperforming the FBM KLCI. There is also an indication of SOS here.

Table 5 Top 10 Net Money OUTFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
HLBANK	-0.90	0.05	0.49	SOS
AMBANK	-0.53	1.47	2.05	SOS
HARTA	-0.48	-0.70	1.81	SOS
AFFIN	-0.37	-0.36	2.01	SOS
UTDPLT	-0.33	0.01	-1.39	-
KOSSAN	-0.28	-0.34	1.85	SOS
TOPGLOV	-0.27	-1.37	3.20	SOS
KLCC	-0.27	-0.61	0.61	SOS
SIME	-0.25	-0.31	1.87	SOS
HLFG	-0.22	-0.13	0.76	SOS

[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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