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MIDF AMANAH
INVESTMENT BANK BERHAD

FUND FLOW REPORT

MIDF EQUITY STRATEGY | 31 OCTOBER 2022

WEEK ENDED 28 OCTOBER 2022

- Benchmark indices on Wall Street surged to monthly highs last week. The Dow grew +5.72% while the S&P500 was up +3.95%. The tech-heavy Nasdaq Composite Index rose +2.24%
- The US economy snapped two straight quarters of contraction, which saw it expanding by +2.6%qoq on an annualised basis
- Things are not as rosy for Chinese markets due to the exodus of foreign funds that came after China President Xi Jinping tightened his grip on China with a new decision-making team comprising those aligned to him politically
- The Hang Seng Index plunged -8.32% to its lowest level in 13 years while China's CSI 300 lost -5.39% to a three-year low
- Foreign investors reversed their net selling trend, which saw a net inflow of USD1.60b into Asian equities last week, the bulk of whcih went into South Korea and India
- Foreign funds also reversed their net selling trend in Malaysia by net buying RM292.67m of equities. They have been net sellers for seven weeks
- The FBM KLCI added +0.06% or 0.89 points last week to end at 1,447.31 points on Friday. The Ringgit appreciated by circa +0.29% against the US dollar to close at USD/MYR 4.725 while the Brent crude oil price rose +2.43% for the week to close at USD95.77 per barrel

SEEKING POSITIVE CATALYSTS

A. MARKET SNAPSHOT

- It was a mixed bag of sentiments last week that ultimately favoured the optimists as most major markets made weekly gains. It is earnings season again in the United States and results reported by big techs were unsatisfactory.
- Despite the less than encouraging sentiments and outlook, the glimmer of hope that investors are clinging on to is the possibility that the Federal Reserve might tone down on its upcoming rate hikes from the widely anticipated 75bps to 50bps.
- Benchmark indices on Wall Street surged to monthly highs last week. The Dow Jones Industrial Average grew +5.72% or 1,778.32 points to 32,861.34 points while the S&P500 was up +3.95% or 148.31 points to 3,901.06 points. The tech-heavy Nasdaq Composite Index did not perform as well, which was up only by 242.73 points or +2.24%, due to disappointing earnings.
- Moving to the East, things are not as rosy, especially for Chinese markets due to the exodus of foreign funds that came after China President Xi Jinping tightened his grip on China with a new decision-making team comprising those aligned to him politically.

Table 1 Weekly performance of major indices

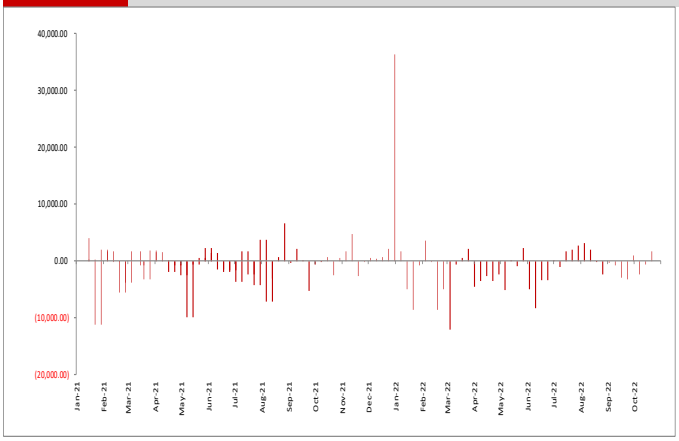
Index	% chg week before	% chg last week
DOW JONES	4.89	5.72
DAX	2.36	4.03
S&P 500	4.74	3.95
CAC 40	1.74	3.94
FSSTI	-2.29	3.00
Phil PCOMP	1.33	2.84
Korea KOSPI	0.03	2.50
FTSE 100	1.62	1.12
India SENSEX	2.39	1.10
Thai SET	1.96	0.93
NIKKEI	-0.74	0.80
Jakarta JCI	2.98	0.55
KLCI	4.63	0.06
Taiwan TAIEX	-2.35	-0.24
China CSI 300	-2.59	-5.39
HANG SENG	-2.27	-8.32

- Hong Kong's Hang Seng Index, where many of China's large-cap companies are listed, plunged -8.32% or 1,348.06 points last week to 14,863.06 points, the lowest level in 13 years. China's CSI 300 took a beating as well, shedding -5.39% or 201.56 points to a three-year low of 3,541.33 points while Taiwan's TAIEX declined -0.24%.
- Out of the 16 major indices that we track, 13 ended the week positively. The Dow secured the top spot, followed Germany's DAX that rose +4.03% and the S&P 500. At the stark end of the decliners was the Hang Seng Index, China's CSI 300 and Taiwan's TAIEX declined.
- The US economy snapped two straight quarters of contraction, which saw it expanding by +2.6%qoq on an annualised basis (2QCY22: -0.6%qoq). was attributable mainly to narrower trade deficits, increased non-residential investment, and smaller fall in private inventories. Residential investment, however, contracted for the sixth straight quarter on the back of higher mortgage rates. Private consumption expenditures also contributed less to the 3Q GDP growth as consumer spending grew at slower pace in 3Q (+1.0%qoq; 2QCY22: +1.4%qoq). The positive growth was mainly attributable to increased spending on services, while goods spending, particularly motor vehicles and foods & beverages, declined during the quarter. In other words, the slower rise in consumption signals further weakening of demand condition in 3Q. We view the release of GDP data and the rebound in 3Q reflect the resilience in the US economy despite the aggressive monetary policy tightening. Given the better-than-expected 3QCY22 GDP growth, high inflation and tight labour market, we expect these will support another large rate hike at the FOMC meeting this week. Nevertheless, demand condition would weaken further as American consumers hit by high inflation and higher borrowing costs.
- The US trade deficit widened to -USD92.2b in Sep-22 (Aug-22: -USD87.3b), the highest in three months. This was due to higher imports (mainly capital goods, consumer goods and automotive) and lower exports (especially F&B and industrial supplies). Despite the wider deficit in Sep-22, the trade deficit in 3QCY22 was smaller compared to the previous quarter. In other words, improvement in the trade balance was one of the factors that contributed positively to the US economy and supported the expected rebound in the GDP growth in 3QCY22 after the declines in the earlier two

quarters. Other than external trade, expansion in consumer spending, on the back of tight labour market, would also support the positive growth during the quarter.

- The National Activity Index published by the Chicago Fed signalled that the US economy grew positively in 3QCY22, with the Sep-22 index unchanged at 0.10, which is above historical average. The latest survey showed that improvement came from better contributions from employment and production-related indicators, which offset the drag from weaker data for housing, consumption and inventories. Despite the aggressive policy tightening by the Fed and rising inflation, US business activities and the overall economy were still resilient.

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



Source: Bloomberg, Bursa Malaysia, MIDFR

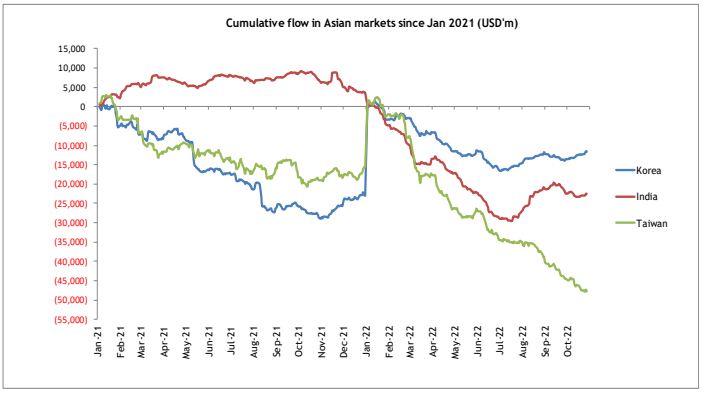
- China's economy expanded faster at +3.9%yoy in 3QCY22, beating the market consensus of +3.4%. This was driven by stronger industrial activities in the secondary sectors (3QCY22: +5.2%yoy; 2QCY22: 1%yoy) and a rebound in services sector activities (3QCY22: +3.3%yoy; 2QCY22: -0.3%yoy). In a separate release, China's statistical office also published the Sep-22 indicators which showed stronger expansion in industrial production (+6.3%yoy; Aug-22: +4.2%yoy), backed by higher output in manufacturing and mining sectors. Meanwhile, retail sales softened again, growing at +2.5%yoy (Aug-22: +5.4%yoy), indicating consumer spending still remained weak amid the implementation of the zero-Covid policy. In line with the weaker consumption growth, China's labour market also weakened as the Sep-22 unemployment rate rose to 5.5%, the highest in three months.
- Singapore's manufacturing production rose by +0.9%yoy in Sep-22, slightly stronger than an expansion of +0.4%yoy in the previous month. The growth was driven by an increased output of transport engineering, general manufacturing (such as food & beverages), and precision engineering. On the other hand, the sluggish near-1% growth in Sep-22 was constrained by reduced production in biomedical engineering, electronics, and chemicals clusters. Looking at the sluggish IPI growth and the moderation in exports growth, we expect Singapore's production outlook will continue to be affected by concerns over slowing demand. Although relaxation of Covid-19 restrictions is expected to boost demand, the demand outlook is expected to be constrained by rising inflation and policy rate tightening, as indicated by firms in the technology sector. In line with this, Singapore's manufacturing PMI has trended down in the past few months and declined to 49.9 in Sep-22, marking the first contraction since Jun-20 dragged down by further decline in electronics PMI.
- Malaysia's Leading Index (LI) rose by +4%yoy in Aug-22 (Jul-22: +4.1%yoy), signaling positive growth outlook in the near term. The sustained rise in LI was contributed by higher real imports of semiconductors, increased number of housing units approved and growth in real money supply. Relative to Jul-22, the LI rose by +1.6%mom, indicating a more positive developments in Aug-22 compared to previous month. Meanwhile, the Coincident Index (CI) also saw sustained increase albeit at relatively slower pace of +9.8%yoy (Jul-22: +12.5%yoy). While the moderate growth was due to the higher base in Aug-21, the continued growth in CI was mainly driven by higher industrial production activities and better real salaries and wages in the manufacturing sector. In other words, activities in Aug-22 expanded due to growing business activities and better income growth for the employees. On month-on-month basis, the CI rebounded by +0.8%mom after falling by -1.6%mom in Jul-22.
- The FBM KLCI added +0.06% or 0.89 points last week to end at 1,447.31 points on Friday. As for the Ringgit, it saw a weekly appreciation by circa +0.29% against the US dollar to close at USD/MYR 4.725 last Friday. Meanwhile, the Brent crude oil price rose +2.43% for the week to close at USD95.77 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

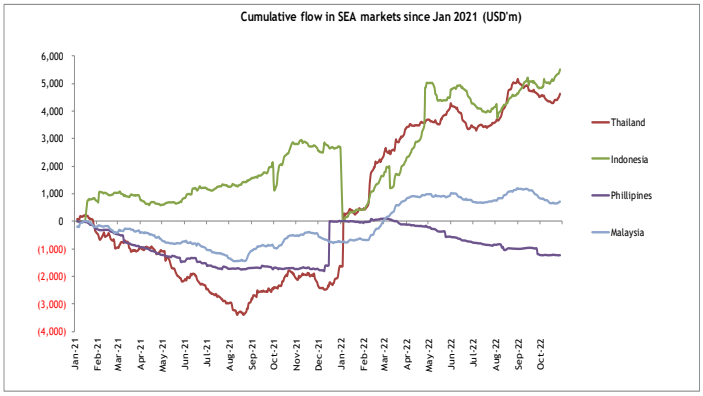
- Foreign investors reversed their net selling trend, which saw a net inflow of USD1.60b into Asian equities last week. The bulk of the foreign funds went to South Korea and India. Out of 43 trading weeks so far, there were 28 weeks of net selling and 14 weeks of net buying.
- Investors classified as "foreign" net bought USD299.09m on Monday, USD558.15m on Wednesday, and USD1.32b on Thursday. Thursday was also the only day last week when all the seven markets that we track received net inflows. The net selling came up to -USD205.77m on Tuesday and -USD372.05 on Friday.
- South Korea received the highest net inflow last week, which saw foreign investors net buying USD180.20m on Monday, USD383.50m on Wednesday and USD357.30m on Thursday. They were net sellers on Tuesday and Friday at -USD13.60m and -USD107.90m respectively.
- Indonesia and Thailand, which received net inflows of USD273.84m and USD223.25m respectively, were the only two countries with net foreign fund inflows every day of the week.
- The Philippines and Taiwan were the only two decliners last week with a net foreign fund outflow of -USD6.45m and -USD217.10m respectively. Taiwan has entered its 13th consecutive week of net selling by foreign funds, which saw -USD13.06b leaving its shores during the period.

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 shortened trading week due to the Deepavali festivities saw foreigners reversing their net selling trend by net buying RM292.67m of Malaysian equities. They have been net sellers for seven weeks before turning net buyers last week.
- Foreign investors were net buyers for every day of the week, with the largest inflow seen on Thursday at RM124.90m. Tuesday, Wednesday and Friday saw inflows of RM51.84m, RM82.36m and RM33.57m respectively.

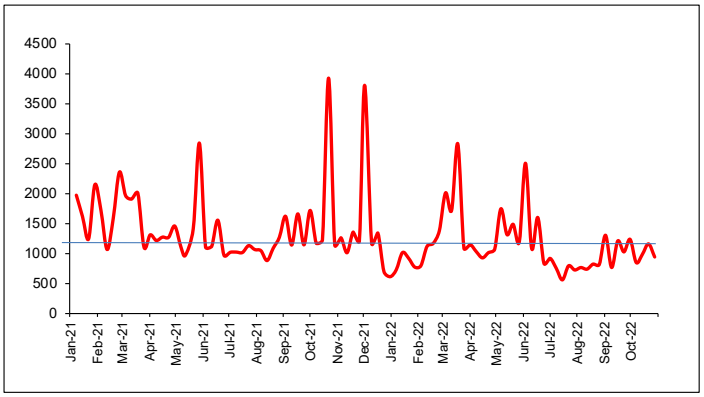
Table 2 Weekly Net Flow Of Foreign Fund Into Equity By Market (USD'm)

WEEK	KOREA	THAI	INDO	PHIL	INDIA	TAIWAN	M'SIA	TOTAL
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
14-Oct	626.80	(125.91)	(79.38)	(5.28)	(1,263.90)	(1,492.30)	(102.33)	(2,442.30)
21-Oct	212.40	52.42	245.16	1.20	308.20	(1,453.80)	(14.41)	(648.83)
28-Oct	799.50	223.25	273.84	(6.45)	464.60	(217.10)	62.00	1,599.64

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

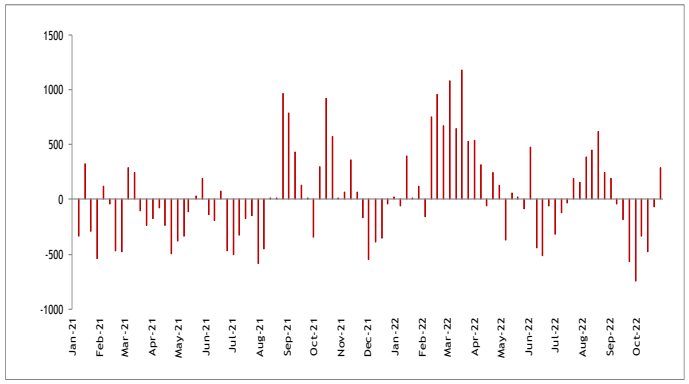
- The top three sectors which saw net inflows by foreign investors last week were Financial Services at RM246.2m, Telecommunications & Media at RM60.8m and Consumer Products & Services at RM37.4m. Meanwhile, the three sectors with net outflows were Plantation at -RM35.40m, Construction at -RM31.70m and Transportation & Logistics at RM19.3m.
- On the contrary, local institutions turned net sellers after five weeks of net buying. They net sold every trading day of the week, resulting in a net selling of -RM195.89m last week. The heaviest outflow was on Thursday at RM -99.15m. They also net sold -RM15.18m on Tuesday, -RM19.59m on Wednesday and -RM61.97m.
- Meanwhile, local retailers remained net sellers at -RM96.77m. They net sold for three consecutive days before briefly turning net buyers on Friday. The net selling amount was -RM36.66m on Tuesday, -RM62.76m on Wednesday and -RM25.75 on Thursday before net buying RM28.40m on Friday.
- International funds have been net buyers for 25 out of the 43 weeks of 2022, with a total net inflow of RM6.03b. Local institutions were net sellers for 30 out of 43 weeks, with a total net outflow of -RM8.16b. Local retailers have been net buyers for 27 out of 43 weeks of 2022. Year-to-date, they have been net buyers at RM2.12b.
- In terms of participation, there was a decline in average daily trade value (ADTV) among foreign investors by -18.96%. As for local retailers and institutions, there were increases of +8.77% and +4.81% respectively.

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)*
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)
14-Oct	1,642.68	1,531.40	111.28	3,512.91	3,144.52	368.40	1,715.44	2,195.13	(479.68)	(102.33)
21-Oct	2,046.34	2,125.57	(79.24)	4,130.80	3,983.34	147.45	2,845.33	2,913.56	(68.22)	(14.41)
28-Oct	1,766.74	1,863.52	(96.77)	3,303.82	3,499.71	(195.89)	2,013.10	1,720.44	292.67	62.00

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 28 OCT 2022

- PETRONAS CHEMICALS recorded the highest net money inflow for the week ended 28 October 2022 at a rate of RM6.20m. Its share price was -2.44% lower for the week, underperforming the local bourse that rose +0.06% 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.
- PRESS METAL saw the second highest net money inflow of RM3.14m. Its share price declined -1.14% during the week, weaker than the FBM KLCI performance. There is also an indication of BOW here.
- MAYBANK had the third highest net money inflow at RM2.99m. Its share price was -0.92% lower for the week, underperforming the local bourse. There is also an indication of BOW here.

Table 4 Top 10 Net Money INFLOW

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
PCHEM	6.20	7.93	-2.44	BOW
PMETAL	3.14	3.06	-1.14	BOW
MAYBANK	2.99	1.92	-0.92	BOW
DIALOG	2.03	1.39	4.95	-
QL	1.71	1.62	-1.73	BOW
HEIM	1.30	2.88	-0.94	BOW
IHH	1.27	1.56	-0.83	BOW
HARTA	1.18	1.07	17.03	-
KLK	1.13	1.58	1.39	-
RHBBANK	1.09	1.03	-0.70	BOW

- CIMB saw the largest net money outflow of -RM7.56m last week. Its share price was +0.54% higher for the week, outperforming the FBM KLCI which was +0.06% 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 -RM2.43m during the week under review. Its share price was +2.01% higher for the week, outperforming the local bourse. There is also an indication of SOS here.
- GENTING came in third with an outflow of -RM2.02m during the week. Its share price was unchanged from a week ago, 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	
CIMB	-7.56	-10.75	0.54	SOS
AMBANK	-2.34	-1.80	2.01	SOS
GENTING	-2.02	-2.23	0.00	-
TM	-1.41	-0.79	2.97	SOS
PBBANK	-1.28	-1.32	-2.67	-
HLFG	-1.20	-0.67	-0.31	-
TIMECOM	-0.97	-2.06	4.92	SOS
ABMB	-0.86	-0.96	0.27	SOS
MYEG	-0.49	-0.81	6.88	SOS
UTDPLT	-0.43	0.15	0.28	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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