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MIDF AMANAH
INVESTMENT BANK BERHAD

FUND FLOW REPORT

# MIDF EQUITY STRATEGY | 29 NOVEMBER 2022

## WEEK ENDED 25 NOVEMBER 2022

- In Malaysia, a unity government is formed between Pakatan Harapan, Barisan Nasional and Borneo Pact. However, since the formation of unity government comprise of three major coalitions, there are risks of political instability in the next five years.

- There is still no clarity whether the new unity government will only include initiatives from PH manifesto or a combination of programmes from both PH and BN manifestos. Nevertheless, it is a good start to look at PH manifesto.

- We keep our economic forecast at +8% for 2022 and +4.2% for 2023. Fuel subsidy to remain status quo with additional pro-consumption measures. Consumer sector a clear winner with various assistance promised in the manifesto. Production incentives and Export Incentives could also benefit the sector. Sarawak and Sabah related would likely be a beneficiary including Sarawak and Sabah based construction sector. But possibly more prudent DE could moderate the construction sector. Telecommunication sector might see prolonged uncertainty on 5G.

- We raise our FBM KLCI year-end 2022 PER valuation target (from 14.9x) to 15.2x and our point target (from 1,520 points) to 1,550 points. Nevertheless, we maintain our preliminary FBM KLCI year-end 2023 PER valuation target at 14.9x and our point target at 1,700 points.

- The FBM KLCI closed lower by -15.34 points or -1.02% to 1,486.54 on the trading session last Friday. Out of the 16 major indices that we track, 11 ended the week positively. Topping the list was Philippine's PCHOM Index (+2.63%), followed by Malaysia's FBMKLCI Index (+2.57%) and Taiwan's TWSE Index (+1.89%).

# MARKET REMAINS CAUTIOUS

## A. MARKET SNAPSHOT

- Out of the 16 major indices that we track, 11 ended the week positively. Topping the list was Philippine's PCHOM Index (+2.63%), followed by Malaysia's FBMKLCI Index (+2.40%) and Taiwan's TWSE Index (+1.89%). Meanwhile, Hong Kong's HSI Index (+3.85%), Singapore's FSSTI Index (-0.85%) and China's SHSZ300 Index (-0.68%) were the major decliners. We believe the extreme reversal in China's bluechip was due to its strict zero-COVID measures, which spilled over Hong Kong's index.
- The FBM KLCI closed lower by -15.34 points or -1.02% to 1,486.54 on the trading session last Friday. This was attributable to profit-taking following Thursday's strong gains. Most KLCI benchmarks for Friday ended in the red, with Healthcare, Technology and Telecommunications & Media benchmarks leading the decline, offset by Transportation & Logistics and REIT benchmarks.
- For weekly record, the index recorded a gain at 2.40%, the Ringgit saw a weekly appreciation by circa 2.11% against the US dollar to close at USD/MYR 4.4843 and the Brent crude oil price fell by -4.37% to close at USD83.63 per barrel.

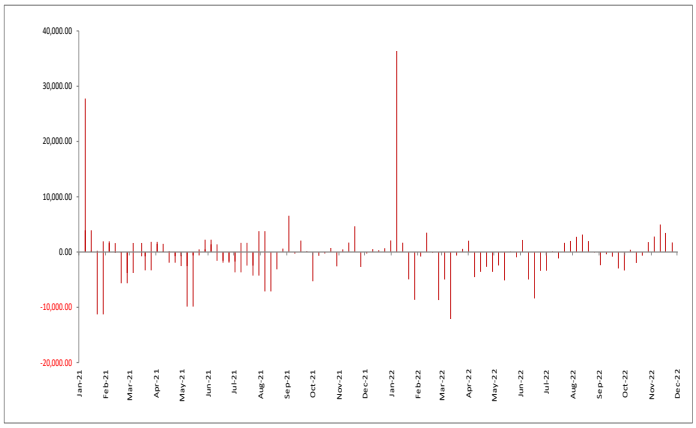
**Table 1** Weekly performance of major indices

| Index | % chg week before | % chg last week |
|---|---|---|
| PCOMP Index | 2.40 | 2.63 |
| FBMKLCI Index | -1.29 | 2.57 |
| TWSE Index | 3.55 | 1.89 |
| INDU Index | -0.01 | 1.78 |
| SPX Index | -0.69 | 1.53 |
| NKY Index | -1.29 | 1.37 |
| UKX Index | 0.92 | 1.37 |
| CAC Index | 0.76 | 1.02 |
| SENSEX Index | -0.21 | 1.02 |
| DAX Index | 1.46 | 0.76 |
| SET Index | -1.22 | 0.21 |
| KOSPI Index | -1.56 | -0.27 |
| JCI Index | -0.10 | -0.41 |
| SHSZ300 Index | 0.35 | -0.68 |
| FSSTI Index | 1.36 | -0.85 |
| HSI Index | 3.85 | -2.33 |

- In the US, the Dow Jones Industrial Average gained +152.97 points, or +0.45%, to 34,347.03; the S&P 500 slipped by -1.14 points, or -0.03%, at 4,026.12; and the Nasdaq Composite dropped -58.96 points, or -0.52%, to 11,226.36. The Nasdaq closed lower on Friday due to pressure from Apple Inc in a subdued holiday-shortened trading session for Wall Street, as investors watched Black Friday sales and COVID-19 cases in China.
- Economic wise, Chicago FED National Activity Index (CFNAI) shows activities in the US economy weakened in Oct-22, with the index falling to 4-month low at -0.05 (Sep-22: +0.17). The weaker reading reflects declines in industrial production; lower sales, new orders and inventories; and reduction in employment-related data, particularly the increase in unemployment rate to 3.7% in Oct-22 (Sep-22: 3.5%). The latest CFNAI also highlighted that consumer spending looks positive as the personal consumption rose in Oct-22, as shown by higher retail sales. Based on the latest 3-month moving average and diffusion index of the CFNAI, the latest reading signals the US economy may be approaching but yet to enter recession. In addition, the Oct-22 reading also points to easing and low-price pressures. While inflation is expected to ease on the back of slowing demand, we still expect the Fed to continue raising interest rates as the current level of inflation remained above the Fed's price stability target.
- Next, the US Leading Economic Index which was published by the Conference Board, fell -0.8%mom to 114.9 in Oct-22, declining for the 8th straight month and signalling that the US economy may be heading into a possible recession. The latest report highlights weaker consumer expectations, affected by rising prices and higher borrowing costs, and less encouraging outlook for housing market and manufacturing sector. While the Conference Board predicted the US economy would grow by +1.8% this year. We view the trending down in the leading index supports the expectations that the US economic growth would soften as demand will be constrained by the aggressive monetary policy tightening. With the hawkish Fed is expected to continue hiking interest rates and inflation yet to fall significantly from current high levels, we foresee this situation will continue to affect US consumer sentiment and eventually lead to weaker demand going into next year.

- In Singapore, the inflation rate moderated to +6.7%yoy in Oct-22, the lowest in four-month. The moderation was driven by softening trends in energy-related prices especially utilities and transport inflation rates. Price growth of utilities & other fuels decelerated to seven-low month at +13.3%yoy while petrol inflation softened to twenty-month low at +7.6%yoy. This was in tandem with the slight correction in global energy prices and receding low-base effects. However, food inflation hit 14-year high at +7.1%yoy. Inflation rates of most food components recorded higher than the previous month. We opine this could be attributed by the strong USD, agriculture-supply chain tightness and elevated commodity prices. As of 10MCY22, average headline and core inflation remain within the forecast range set by the Monetary Authority of Singapore, +6%yoy and +4%yoy respectively. Moving forward, we foresee further moderation in Singapore's overall inflationary pressure amid improving global supply chain pressure, weakening USD and receding low-base effects for commodity prices. As for core inflation, we expect the trend to stay firm underpin by continuous recovery in domestic economic activities and strong labour market as reflected in the unemployment rate, 2% in 3QCY22 (Lowest in six-year).

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




Source: Bloomberg, Bursa Malaysia, MIDFR

- In Malaysia, a unity government is formed between Pakatan Harapan, Barisan Nasional and Borneo Pact. However, since the formation of unity government comprise of three major coalitions, there are risks of political instability in the next five years. In fact, it is unclear whether the new unity government will only include initiatives from PH manifesto or a combination of programmes from both PH and BN manifestos. Nevertheless, it is a good start to look at PH manifesto. We keep our economic forecast at +8% for 2022 and +4.2% for 2023. Fuel subsidy to remain status quo with additional pro-consumption measures.
- Following from this, we believe that the consumer sector will be a clear winner with the various assistance promised in the manifesto. Production incentives and Export Incentives could also benefit the sector. Meanwhile, Sarawak and Sabah related stocks would also likely be a beneficiary including Sarawak and Sabah based construction sector. But possibly more prudent DE could moderate the construction sector. Telecommunication sector might see prolonged uncertainty on 5G. We raise our FBM KLCI year-end 2022 PER valuation target (from 14.9x) to 15.2x and our point target (from 1,520 points) to 1,550 points. Nevertheless, we maintain our preliminary FBM KLCI year-end 2023 PER valuation target at 14.9x and our point target at 1,700 points.
- On top of that, Malaysia's headline inflation continued on moderating trend, recording +4%yoy in Oct-22, slightly higher than market consensus +3.9%. Non-food inflation edged lower to +2.4%yoy while food inflation rose to almost record high seen in Aug-22. Apart from cost-push factors, continued strengthening of domestic demand contributed to a new peak point for core inflation rate at +4.1%yoy in Oct-22.
- Malaysia's producer price index (PPI) inflation softened to +4.9%yoy in Sep-22, the slowest rise since Feb-21. Due to further correction in commodity prices in Sep-22, the PPI inflation for crude materials declined by -6.4%yoy, the largest contraction since Jan-21. On month-on-month basis, the crude materials cost continued on declining trend. We maintain our CPI forecast at +3.0% for 2022. In the environment of elevated global commodity prices, inflationary pressure in Malaysia is affected via higher food inflation. We expect food price growth to record at +5.5% this year among others attributed by further depreciation of USDMYR. With domestic demand firming, we upgrade our headline CPI forecast slightly by +0.2% point to +3.0% for 2022.

[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.

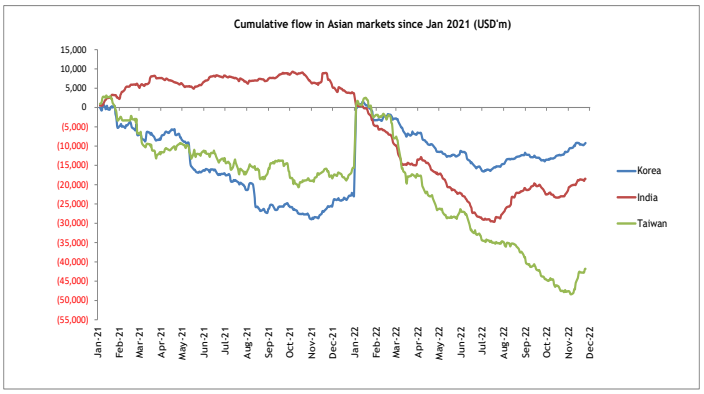
## B. TRACKING MONEY FLOW - ASIA

- Foreign investors continued to be net buyers for Asian equities last week with an accumulative net inflow of USD1.73b. Out of 47 trading weeks so far, there were 28 weeks of net selling and 19 weeks of net buying.
- Investors classified as "foreign" started off the week with net selling of -USD308.92m, the highest amount of net outflow seen during the week. This was followed by net selling of -USD106.78m on Tuesday before foreign investors turned as net buyers for the rest of the week, with the largest inflow of USD1.73b recorded on Thursday.
- On Monday and Tuesday, the net outflow was mostly contributed by Korea at -USD158.86m and -USD46.70m respectively. On Wednesday, the net outflow was mostly coming from India, at -USD220.30m while on Friday, the net outflow was mostly contributed by Malaysia at -USD9.49m.
- Thursday saw all markets recording net inflows. The largest net inflows on Thursday was coming from Taiwan and India, at USD824.20m and USD517.80m respectively.
- Overall, the bulk of the foreign inflows for the week were recorded in Taiwan and Korea at USD926.2m and USD352.94m respectively. Taiwan saw its third consecutive week of net inflows after seeing 14 weeks of net selling by the foreigners.
- Malaysia was the only country that recorded weekly net outflow at -USD16.80m.

## C. TRACKING MONEY FLOW - MALAYSIA

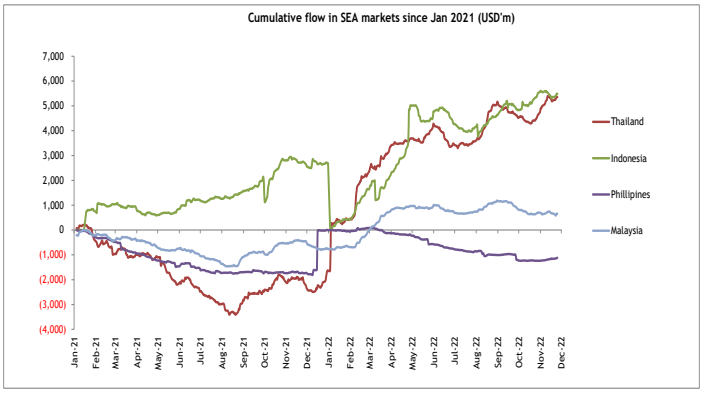
- Foreign investors continued to be net sellers again last week to the tune of -RM81.9m, a continuation from the net outflow of -RM59.95m in the previous week. The net selling started on Monday which saw the highest net outflow for the week at -RM167.69m and the trend continued with net outflows of -RM155.95m on Tuesday, -RM56.57m on Wednesday and -RM42.49m on Friday.

**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

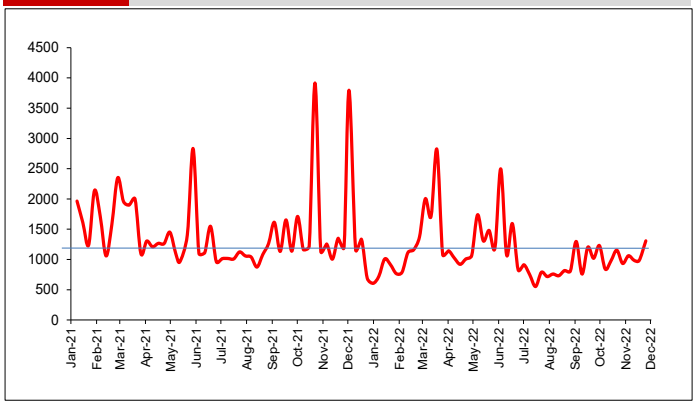
**Table 2** Weekly Net Flow Of Foreign Fund Into Equity By Market (USD'm)

| WEEK | KOREA | THAI | INDO | PHIL | INDIA | TAIWAN | M'SIA | TOTAL |
|---|---|---|---|---|---|---|---|---|
| 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 |
| 04-Nov | 1,039.70 | 374.66 | 52.81 | 13.22 | 2,041.70 | (653.10) | (58.22) | 2,810.77 |
| 11-Nov | 1,264.67 | 385.29 | (6.68) | 36.42 | 255.80 | 2,951.00 | 90.72 | 4,977.22 |
| 17-Nov | (282.44) | (188.05) | (182.40) | 29.91 | 1,409.30 | 2,721.00 | (59.95) | 3,447.37 |
| 25-Nov | 353.94 | 149.62 | 127.22 | 41.84 | 152.50 | 926.20 | (16.80) | 1,734.52 |

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

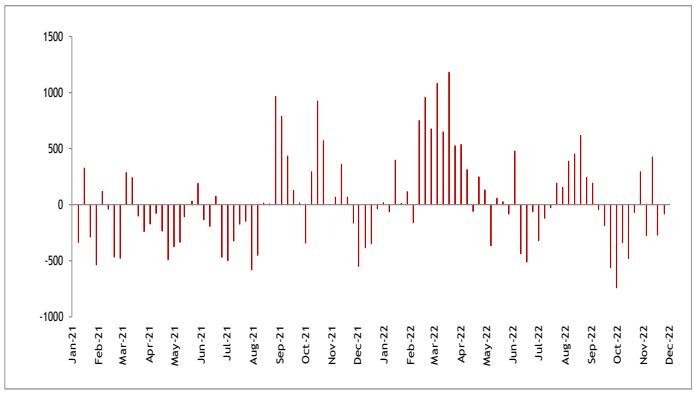
- The net outflow trend could be due to the fact that Malaysia's 15th General Election produced a hung parliament for the first time in its history. There were no coalition that achieved the required 112 seats for a simple majority. However, this was resolved on Thursday.
- As a result of the resolution to the political impasse, foreigners changed its stance to register a net buying of RM340.8m, the only net inflow of the week. However, this was not enough to reverse the net selling done in prior three days. In fact, Friday saw the net selling deepen.
- The top three sectors which saw net outflows by foreign investors last week were Consumer Products and Services at -RM132.6m, Healthcare at -RM35.8m and Industrial Products and Services at -RM29.2m. Meanwhile, the Financial Services were the only net buying sector by foreigners at RM103.2m.
- Local institutions were net sellers last week with a total net outflow of -RM4.2m with bulk of it recorded on Thursday at -RM158.69m and Monday at -RM21.65m. All other days saw local institutions net buying at RM64.96m, RM46.87m and RM64.31m worth of equities on Tuesday, Wednesday and Thursday respectively.
- Local retailers continued to be net buyers last week with a total weekly net inflow of RM85.91m. This was a continuation of net inflows last week totalled at RM85.91m. Retailers started off the week by net buying RM189.35m worth of equities. They then turned into net sellers on Thursday and Friday with net outflows of -RM182.12m and -RM22.02m correspondingly.
- International funds have been net buyers for 26 out of the 47 weeks of 2022, with a total net inflow of RM5.83b. Local institutions were net sellers for 32 out of 47 weeks, with a total net outflow of -RM8.99b. Local retailers have been net buyers for 30 out of 47 weeks of 2022. Year-to-date, they have been net buyers at RM2.17b.
- In terms of participation, there was an improvement in terms of average daily trade value (ADTV) across retailer investors (67.37%), institutional investors (62.23%) and foreign investors (32.94%).

**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)* |
| 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 |
| 04-Nov | 2,338.28 | 2,324.70 | 13.57 | 4,043.25 | 3,780.91 | 262.34 | 2,511.33 | 2,787.24 | (275.92) | (58.22) |
| 11-Nov | 2,318.15 | 2,491.72 | (173.57) | 3,840.74 | 4,092.78 | (252.04) | 2,671.15 | 2,245.53 | 425.62 | 90.72 |
| 17-Nov | 1,829.66 | 1,710.12 | 119.55 | 3,146.22 | 2,993.71 | 152.49 | 1,829.52 | 2,101.56 | (272.04) | (59.95) |
| 25-Nov | 3,745.88 | 3,659.97 | 85.91 | 6,223.50 | 6,227.70 | (4.20) | 3,225.37 | 3,307.08 | (81.90) | (16.80) |

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 25 NOV 2022

- GENTING recorded the highest net money inflow for the week at a rate of RM5.2m. Its share price was -0.45% lower for the week, underperforming the local bourse which rose by 2.66% last week. The net money inflow amidst a retreating share price may indicate a buy on weakness (BOW) stance among some investors.
- PUBLIC BANK saw the second highest net money inflow of RM3.5m. Its share price gained 4.87% during the week, better than the performance of FBM KLCI.
- GAMUDA recorded the third highest net money inflow at RM2.9m. Its share price was 6.34% higher for the week, outperforming the local bourse.

**Table 4** Top 10 Net Money INFLOW

| Name | Net Money Flow (RM mn) | | Price (% Chg) | Remark |
|---|---|---|---|---|
| | Last Week | Prev Week | Last Week | |
| GENTING | 5.20 | 4.20 | -0.45 | BOW |
| PUBLIC BANK | 3.49 | 1.40 | 4.87 | - |
| GAMUDA | 2.92 | 2.98 | 6.34 | - |
| MAYBANK | 1.79 | 0.09 | 1.29 | - |
| TENAGA | 1.47 | 1.64 | 4.77 | - |
| BURSA | 0.95 | 0.95 | 7.66 | - |
| PETGAS | 0.78 | 1.09 | -1.52 | BOW |
| IOI CORP | 0.02 | 0.39 | -2.93 | BOW |
| ALLIANCE | -0.20 | -0.11 | 2.98 | SOS |
| TIME DOTCOM | -2.23 | -1.40 | 2.77 | SOS |

- CARSLBERG saw the largest net money outflow of -RM1.3m last week. Its share price was -2.21% lower for the week, underperforming the FBM KLCI which was 2.66% higher.
- HARTALEGA recorded the second largest net money outflow -RM1.2m during the week under review. Its share price was 1.10% higher for the week, underperforming the local bourse. The net money outflow amidst a rising share price may indicate a sell on strength (SOS) stance among some investors.
- PMETAL came in third with an outflow of -RM0.8m during the week. Its share price was 2.32% higher from a week ago, underperforming the FBM KLCI. SOS stance among some investors could be observed here.

**Table 5** Top 10 Net Money OUTFLOW

| Name | Net Money Flow (RM mn) | | Price (% Chg) | Remark |
|---|---|---|---|---|
| | Last Week | Prev Week | Last Week | |
| CARLSBERG | -1.34 | -1.07 | -2.21 | - |
| HARTALEGA | -1.22 | -0.93 | 1.10 | SOS |
| PMETAL | -0.84 | -1.13 | 2.32 | SOS |
| AMMB | -0.29 | -0.18 | 1.26 | SOS |
| TOP GLOVE | -0.10 | 0.26 | -1.62 | - |
| NESTLE | 0.15 | 0.01 | 0.69 | - |
| TELEKOM | 0.54 | -0.10 | 3.55 | - |
| QL RESOURCES | 1.48 | 1.36 | -0.18 | BOW |
| IHH HEALTHCARE | 2.88 | 3.11 | 0.50 | - |
| CIMB | 4.15 | 3.86 | 7.21 | - |

[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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