

FUND FLOW REPORT

(Week ended 19 January 2024)

Fading hopes for an early US rate cut

22 JANUARY 2024 | Strategy - Weekly Fund Flow

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FADING HOPES FOR AN EARLY US RATE CUT
A. MARKET SNAPSHOT

- Major markets closed lower as expectations for an early rate cuts in CY24 sharply declined during the week following retail sales data and comments from the Federal Reserve (Fed) officials. Three U.S. Fed officials emphasised that their decision on rate cuts hinges on incoming data, stressing the lack of evidence to initiate easing. The likelihood of a March rate cut diminished, dropping below 50% on Friday. The policymakers' quarterly projections from Dec-23 suggested the possibility of three interest-rate cuts in CY24 or equivalent to approximately 75 basis points of cuts.
- In Dec-23, U.S. retail sales surged at its highest rate in three months, concluding a robust holiday season and indicating consumer strength as the new year begins. The unadjusted value of retail purchases saw a +0.6% overall increase, with a +0.4% rise in sales excluding autos. Notably, 9 out of 13 categories saw growth, with the most significant gains observed in clothing, general merchandise stores (including department stores), and e-commerce.
- A total of 14 out of 20 global indices that we monitor declined during the week. At the bottom of the list were Hong Kong's Hang Seng Index (-5.76%), Thailand's SET (-2.19%) and the FTSE100 (-2.14%). Among the top advancers for the week were the Ho Chi Minh VSE (+2.32%), the Nasdaq Composite Index (+2.26%), and the S&P 500 (+1.17%).
- U.K. retailers experienced the most significant sales decline in nearly three years in Dec-23, heightening the possibility of the economy entering a recession in 4QCY23. The Office of National Statistics (ONS) reported a -3.2%mom contraction in retail sales volumes, marking the largest drop since Jan-21 and surpassing expectations of a -0.5%mom decline. The ONS noted that retail sales could subtract -0.04% from 4QCY23 economic output, potentially influencing whether the economy shows a negative or neutral performance.
- U.K. inflation unexpectedly increased for the first time in 10 months, leading investors to revise expectations for rate cuts from the Bank of England (BoE) this year. The consumer prices index (CPI) rose to +4.0%yoy in Dec-23, up from the previous month's +3.9%yoy. Services inflation also saw an uptick, while a core measure excluding food and energy remained steady at +5.1%yoy.
- China's central bank defied market expectations by keeping the medium-term policy rate unchanged on Monday. The decision was influenced by a weaker currency, limiting immediate prospects for monetary easing to boost the economy. Despite an increase in exports in Dec-23, weak credit growth and persistent deflationary pressure suggest the need for additional stimulus measures. The People's Bank of China (PBOC) announced it would maintain the rate on USD138.84b worth of one-year medium-term lending facility (MLF) loans at 2.50%, consistent with the previous operation.
- China's economy expanded by +5.2% in CY23, slightly surpassing the official target. However, the recovery fell short of expectations, marked by a deepening property crisis, rising deflationary risks, and subdued demand. Initial hopes for a robust post-Covid rebound dwindled due to weak consumer and business confidence, increasing local government debts, and a slowdown in global growth, negatively impacting jobs, activity, and investment. In 4QCY23, GDP grew at +5.2% (3Q23: +4.9%), accelerating from the third quarter but missing the +5.3% forecast in

Table 1 Weekly Performance of Global Benchmark Indices (%)

Index	Last Price	Change (%)
Ho Chi Minh VSE	1,181.50	2.32
Nasdaq	15,310.97	2.26
S&P 500	4,839.81	1.17
Nikkei 225	35,963.27	1.09
TAIEX	17,681.52	0.96
Dow Jones	37,863.80	0.72
FBM KLCI	1,486.37	-0.07
JCI	7,227.40	-0.19
Shenzhen CSI 300	3,269.78	-0.44
DAX 40	16,555.13	-0.89
ASX 200	7,421.24	-1.03
Sensex	71,683.23	-1.22
Straits Times	3,152.29	-1.24
CAC 40	7,371.64	-1.25
Stoxx Europe 600	469.24	-1.58
KOSPI	2,472.74	-2.07
PSEi	6,503.54	-2.10
FTSE 100	7,461.93	-2.14
SET	1,382.51	-2.19
Hang Seng	15,308.69	-5.76

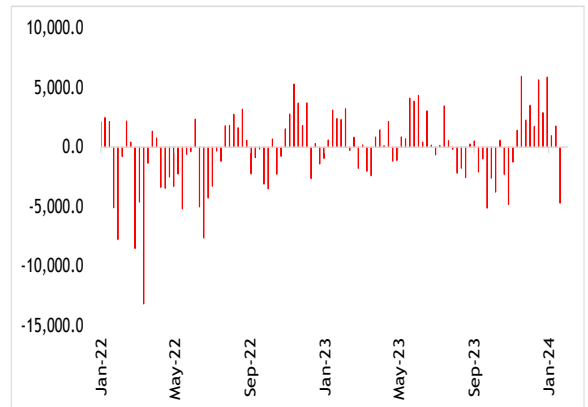
Source: Bloomberg

a Reuters poll.

- Japan’s wholesale inflation remained flat on Dec-23 for the twelfth consecutive month, aligning with the central bank’s belief that cost-push pressure from rising raw material prices will diminish. The Corporate Goods Price Index (CGPI) measuring inter-company prices, recorded a -0.3% decrease, deviating from the market forecast and following a +0.3% increase in Nov-23. The reading was the lowest since a -0.9% drop in Feb-21. The slowdown in wholesale prices was partially attributed to government subsidies aimed at reducing petrol and utility bills, collectively reducing wholesale inflation by -0.9%.
- Indonesia’s CY23 trade surplus shrank by almost a third to USD36.93b due to declining exports and imports amid falling commodity prices and weakened global trade. The previous year’s record surplus of USD54.46b, fuelled by the global commodity boom, decreased. Export and import figures for CY23 were USD258.82b and USD221.89b, respectively, down from USD291.9b and USD237.45b in CY22. Falling prices of key commodities like coal, palm oil, and nickel contributed to the decline, with economists anticipating a further drop in CY24, albeit at a slower rate than in CY23.
- The Ringgit depreciated against the US Dollar by -1.52% to close at RM4.7185 on Friday. The Brent crude oil price declined -7.71% to USD78.56 per barrel while the crude palm oil price rose +2.50% to RM3,939.00 per tonne.

Chart 1

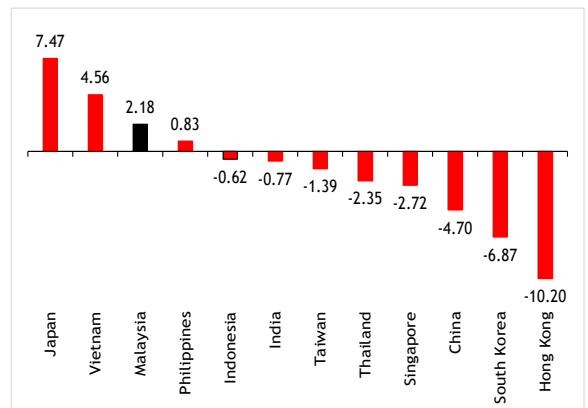
Net Foreign Fund Flows into Equity in 8 Asian Markets Since Jan-22 (USD'm)



Sources: Bloomberg & MIDFR

Chart 2

YTD Performance of Asian Benchmark Indices (%)



Sources: Bloomberg & MIDFR

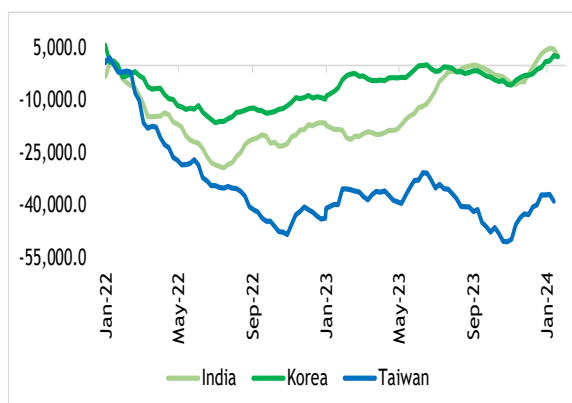
B. TRACKING MONEY FLOW - ASIA

- The strong run of net foreign fund inflows into Asian markets for 10 consecutive weeks ended last week, with six out of the eight markets that we track registering net outflows last week, mainly from India and Taiwan. Only two countries survived the foreign funds exodus last week - Vietnam and Indonesia. In total, there was a net outflow of -USD4.70b.
- There was a net foreign inflow of USD23.8m into Vietnam, which came after two weeks of net outflows. It was the only country that recorded net buying activities every day among foreign investors. During a meeting in Davos last week, Prime Minister Pham Minh Chinh urged investors to bring in more capital and cutting-edge technologies into the country. He also stressed that Vietnam aims to be a developing country with a modern industry and upper middle income by 2030 and by 2045, a developed and high-income nation.
- Indonesia was the only other country with a net foreign fund inflow, totaling USD15.6m last week. Bank Indonesia maintained its benchmark seven-day repurchase rate at 6.00% and said that it would be patient on rate cuts, as it would depend on several factors such as the inflation rate, economic growth, and how fast the rupiah can strengthen.
- The heaviest net foreign outflow last week came from India, as foreign investors net sold -USD2.03b, the highest net selling amount in almost a year. Reserve Bank of India Governor Shaktikanta Das remarked that it was premature to talk about a pivot in the central bank’s monetary policy despite a recent fall in core inflation to a four-year low of 3.8% in Dec-23. Annual retail inflation, on the other hand, rose at its fastest pace in four months to 5.69%. The central bank will not be complacent, at least until the headline inflation hits 4% on a durable basis.
- Taiwan registered a net outflow of -USD1.95b, the highest in the last 12 weeks ago. Foreign investors net sold -USD4.51b from Monday to Thursday before net buying USD2.56b on Friday. Taiwan’s presidential election on the 13th of Jan saw the ruling Democratic Progressive Party (DPP) candidate Lai Ching-te elected as President, someone with whom China does not see eye-to-eye and had labelled him as a “dangerous separatist”. On

Wednesday, China held its first large-scale military activity which saw 18 air force planes carrying out “joint combat readiness patrols” with its warships around Taiwan.

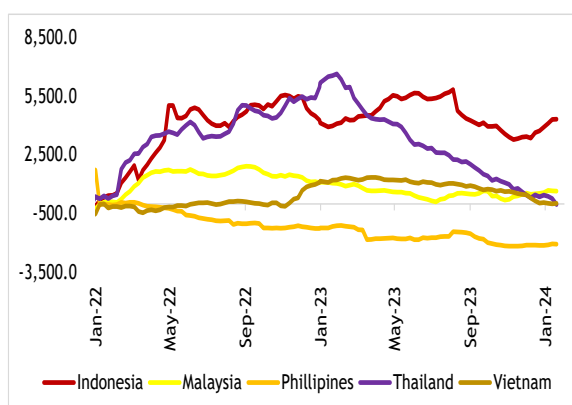
- South Korea was among the countries that had enjoyed a particularly good run with 10 consecutive weeks of net foreign inflows, but it ended last week with a net outflow of -USD430.2m. There are risks of escalating tensions between North Korea and South Korea after the former shuttered the agencies that were supposed to work on reconciliation and reunification with South Korea. Kim Jong-un, the Supreme Leader of North Korea, said North Korea did not want a war, but they had no intention of avoiding it. Just last week, the hermit kingdom had reportedly tested an underwater nuclear weapon system.
- Foreign investors continued to net sell equities in Thailand for the third consecutive week at -USD307.4m, the highest net selling amount seen since the week ended May 26, 2023. It was the only market that saw foreigners net selling every day last week. The USD14b cash-handout program in the country to stimulate the economy may not meet its target in May though the government is still committed to implementing the project.
- In the Philippines, foreign investors net sold -USD8.9m, ending three straight weeks of net inflows. Bangko Sentral ng Pilipinas is not expected to pivot to easing its monetary policy in the first half of 2024. Even as inflation has eased, the central bank said its stance will remain sufficiently tight until there is a sustained downtrend in price gains. In Dec-23, consumer prices have increased +3.9%yoy.

Chart 3 Net Foreign Fund Flows into North Asia and India Since Jan-22 (USD'm)



Sources: Bloomberg & MIDFR

Chart 4 Net Foreign Fund Flows into Southeast Asia Since Jan-22 (USD'm)



Sources: Bloomberg & MIDFR

Table 2 Net Foreign Fund Flows into Equity by Market (USD'm)

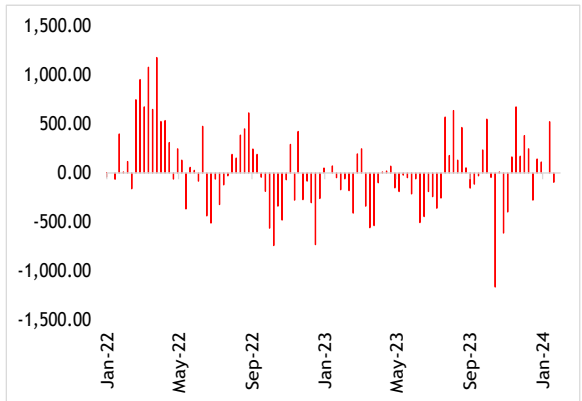
Period	India	Indo	Korea	M'sia	Phil	Taiwan	Thai	Viet	Total
MTD (Jan-24)	-1,569.4	406.7	1,375.7	79.0	62.9	-1,835.6	-487.9	-34.3	-2,002.8
QTD (1Q24)	-1,569.4	406.7	1,375.7	79.0	62.9	-1,835.6	-487.9	-34.3	-2,002.8
2Q23	12,492.0	644.8	2,474.7	-506.4	51.0	3,277.1	-1,461.2	-265.5	16,706.5
3Q23	5,382.2	-1,399.9	-1,635.9	488.1	-261.9	-13,427.4	-1,419.8	-331.9	-12,606.4
4Q23	6,069.0	-43.6	4,396.8	-72.7	-134.1	9,113.0	-980.6	-681.3	17,666.5
2023	20,742.9	-353.3	10,705.2	-512.7	-863.3	6,932.9	-5,507.1	-1,026.1	30,118.4

Source: Respective stock exchange statistics as reported on Bloomberg. These figures are subject to revisions.

C. TRACKING MONEY FLOW - MALAYSIA

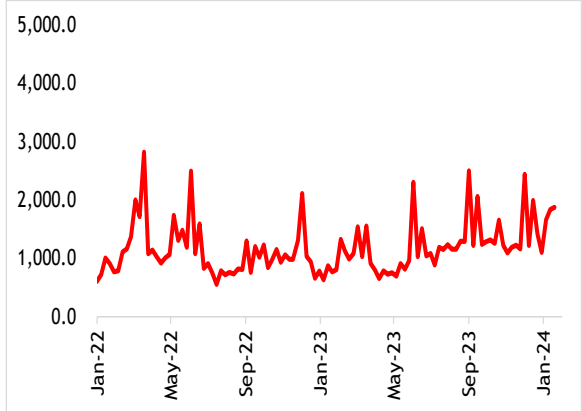
- Foreign investors continued to net sell equities on Bursa Malaysia totalling -RM66.3m last week, which was -28.8% lower than the week before. This was due to the net selling on Wednesday and Thursday. However, net buying days outpaced net selling by 3 to 2.
- On a day by day, they net sold -RM39.0m on Wednesday and -RM190.0m on Thursday while they net bought RM15.8m on Monday, RM93.7m on Tuesday and RM53.3m on Friday.
- The top three sectors with the highest net foreign inflows were Utilities (RM135.1m), Construction (RM114.6m), and Property (RM51.2m), while the top three sectors with the highest net foreign outflows were Financial Services (-RM129.2m), Consumer Products & Services (-RM64.8m), and Industrial Products & Services (-RM61.8m).
- Local institutions continued to net buy for the second consecutive week, at an amount of RM214.7m, more than double the amount recorded the week prior. They net bought RM36.7m on Monday, RM38.4m on Wednesday and RM222.1m on Thursday and net sold -RM67.3m on Tuesday and -RM15.2m on Friday.
- Local retailers net sold domestic equities for the third consecutive week amounting to -RM148.4m. They net sold every day of the week except on Wednesday when they net bought RM0.7m.
- In terms of participation, there was an increase in average daily trading volume (ADTV) among foreign investors by +1.9% while local retail and local institutional investors saw declines of -4.6% and -4.0% respectively.

Chart 5 Net Foreign Fund Flows into Malaysian Equity Since Jan-22 (RM'm)



Sources: Bursa Malaysia & MIDFR

Chart 6 Daily Average of Foreign Participation in Bursa Malaysia for the Week (RM'm)



Sources: Bursa Malaysia & MIDFR

Period	Local Retail			Local Institution			Foreign			
	Bought	Sold	Net	Bought	Sold	Net	Bought	Sold	Net	*Net (USD'b)
MTD (Jan-24)	12.39	12.93	-0.54	20.41	20.23	0.18	12.78	12.42	0.37	0.08
QTD (1Q24)	12.39	12.93	-0.54	20.41	20.23	0.18	12.78	12.42	0.37	0.08
2Q23	29.03	28.65	0.37	46.57	44.61	1.96	29.49	31.81	-2.33	-0.51
3Q23	34.89	35.98	-1.09	54.18	55.32	-1.14	42.77	40.54	2.23	0.49
4Q23	35.65	36.00	-0.35	56.14	55.42	0.72	44.33	44.71	-0.38	-0.07
2023	135.85	136.82	-0.97	218.98	215.67	3.31	146.87	149.21	-2.34	-0.51

Source: Daily statistics provided by Bursa Malaysia. *Estimated by MIDFR based on the prevailing exchange rates.

D. NET INFLOWS AND OUTFLOWS BY STOCK (WEEK ENDED 12 JANUARY 2024)
Table 4 Top 10 Stocks with Inflows and Outflows for the Week by Investor Class (RM'm)

LOCAL RETAIL		LOCAL INSTITUTION		FOREIGN	
Top 10 Stocks with Weekly Net Inflows					
Company	Value	Company	Value	Company	Value
Dialog	29.5	CIMB Group Holdings	50.9	YTL Power Int.	160.2
Dagang Nexchange	19.2	Tenaga Nasional	48.1	Gamuda	94.2
Ekovest	16.3	RHB Bank	41.4	Genting Plantations	47.9
Sarawak Consolidated	14.5	QL Resources	40.7	IJM Corp.	31.2
Malayan Banking	14.0	Press Metal	37.8	YTL Corp.	29.6
Genting Malaysia	13.3	Sunway	29.1	Eastern & Oriental	27.0
My E.G. Services	9.1	Public Bank	27.8	Kossan Rubber	21.4
Capital A	8.7	AMMB Holdings	27.4	Inari Amertron	20.6
Widad Group	8.7	Frontken Corp.	24.0	Sime Darby	18.1
Guan Chong	8.5	RCE Capital	23.1	Genting	15.8
Top 10 Stocks with Weekly Net Outflows					
Company	Value	Company	Value	Company	Value
YTL Power Int.	-20.5	YTL Power Int.	-124.9	QL Resources	-38.4
Public Bank	-19.2	Gamuda	-105.7	RHB Bank	-31.7
Insas	-18.6	Genting Plantations	-34.4	CIMB Group Holdings	-31.4
Tenaga Nasional	-14.8	IJM Corp.	-33.5	Tenaga Nasional	-28.8
Malaysian Resources Corp.	-13.5	Dialog	-24.8	Dialog	-27.6
Eastern & Oriental	-13.2	YTL Corp.	-24.1	Hartalega Holdings	-26.9
Inari Amertron	-12.3	Genting Malaysia	-20.9	Press Metal	-25.0
PBA Holdings	-12.1	Genting	-19.7	Sunway	-22.8
CIMB Group Holdings	-12.1	Capital A	-16.9	Sarawak Consolidated	-20.9
Press Metal	-10.8	Sime Darby	-14.6	Hong Leong Financial	-20.5

Source: Dibots (based on the data provided by Bursa Malaysia).

Appendix: Foreign Shareholdings of the Companies Under Our Coverage as at Dec-23 (%)

Company	%	YTD %	Company (cont'd)	%	YTD %	Company (cont'd)	%	YTD %
Automotive			Padini	8.3	-12.6	Suria Capital	5.7	-9.5
Bermaz Auto	12.4	-22.0	QL Resources	9.7	-4.9	Westports Holdings	27.1	-1.5
MBM Resources	0.8	-52.9	Rhong Khen International	62.3	0.2	Property		
Tan Chong	10.6	-1.9	Spritzer	14.3	-22.7	Eco World	29.3	1072.0
UMW Holdings	5.6	1.8	Gloves			Glomac	4.1	-2.4
Aviation			Hartalega	15.1	-19.7	IOI Properties	4.7	23.7
Capital A	15.0	-18.5	Kossan	10.8	-6.1	Mah Sing	18.7	31.7
Malaysia Airports	25.8	31.0	Top Glove	29.1	-10.5	Matrix Concepts	10.6	-
Banking			Healthcare			S P Setia	14.3	130.6
Affin Bank	26.1	-0.8	IHH Healthcare	49.5	-0.6	Sunway	5.4	3.8
Alliance Bank	19.6	-10.5	KPJ Healthcare	10.1	71.2	UOA Development	3.6	-5.3
AMMB Holdings	39.0	-2.3	Pharmaniaga	0.4	-66.7	REITS		
Bank Islam	0.6	-70.0	Logistics			Al-'Aqar Healthcare	0.6	50.0
CIMB Group	31.1	3.0	CJ Century	57.9	0.9	Axis REIT	15.3	-4.4
Hong Leong Bank	10.4	-6.3	Swift Haulage	13.2	1.5	IGB REIT	3.6	-25.0
Hong Leong Financial	31.1	-4.3	Tasco	66.2	0.5	KLCCP Stapled	0.7	-22.2
Malayan Banking	19.2	7.3	Non-bank Financials			Pavilion REIT	33.0	-2.9
Public Bank	27.1	-2.2	Bursa Malaysia	14.3	-9.5	Sunway REIT	4.7	-39.0
RHB Bank	14.7	-14.5	AEON Credit	68.3	-3.0	Solar EPCC		
Building Materials			Oil & Gas			Pekat	1.2	-
Cahaya Mata Sarawak	7.0	-20.5	Bumi Armada	13.0	-22.6	Samaiden	11.4	-
Malayan Cement	4.9	75.0	Deleum	4.2	40.0	Sunview	9.7	-
Conglomerate			Dialog	19.3	-7.2	Technology		
YTL Corporation	24.5	36.9	Gas Malaysia	20.2	2.0	D & O Green Tech	35.3	-0.3
Construction			MMHE	8.3	-12.6	Datasonic	6.0	1.7
Gamuda	24.8	47.6	Petronas Chemicals	8.7	-16.3	Globetronics	2.8	-30.0
IJM Corp	14.3	22.2	Petronas Dagangan	7.4	-2.6	Inari Amertron	19.8	8.2
KKB Engineering	0.3	0.0	Petronas Gas	10.0	6.4	My E.G. Services	13.8	-3.5
MRCB	8.0	-4.8	Plantation			Unisem	2.2	-4.3
Pintaras Jaya	0.2	-60.0	FGV Holdings	4.0	-4.8	Telecommunication		
Sunway Construction	1.8	38.5	Genting Plantations	4.7	-13.0	Axiata	10.1	-9.0
WCT Holdings	6.8	19.3	IOI Corp	10.9	-1.8	CelcomDigi	60.0	0.7
Consumer			KL Kepong	14.0	4.5	Maxis	7.8	11.4
AEON Co.	54.1	-1.3	PPB Group	21.2	-0.9	Telekom Malaysia	11.9	-4.0
Asia File	3.6	-37.9	Sarawak Plantation	2.6	13.0	Utilities		
Fraser & Neave	61.3	0.7	Sime Darby Plantation	9.7	-2.0	Ranhill Utilities	11.4	-64.7
Hup Seng Industries	1.9	0.0	Ta Ann	13.7	-2.1	Tenaga Nasional	13.5	8.9
Leong Hup	10.4	-14.8	TSH Resources	19.4	-8.1	YTL Power	11.0	96.4
MSM Malaysia	2.0	11.1	Port & Shipping					
Nestlé (Malaysia)	82.2	-0.5	MISC	9.4	3.3			

Source: Dibots (estimated from the latest half yearly filings by PLC to Bursa Malaysia and calculated by the demography movement daily).

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