



From the Desk
of the
Chief Economist

BANK ISLAM

MONTHLY ECONOMIC & MARKET UPDATES

2 SEPTEMBER 2021

ECONOMIC RESEARCH

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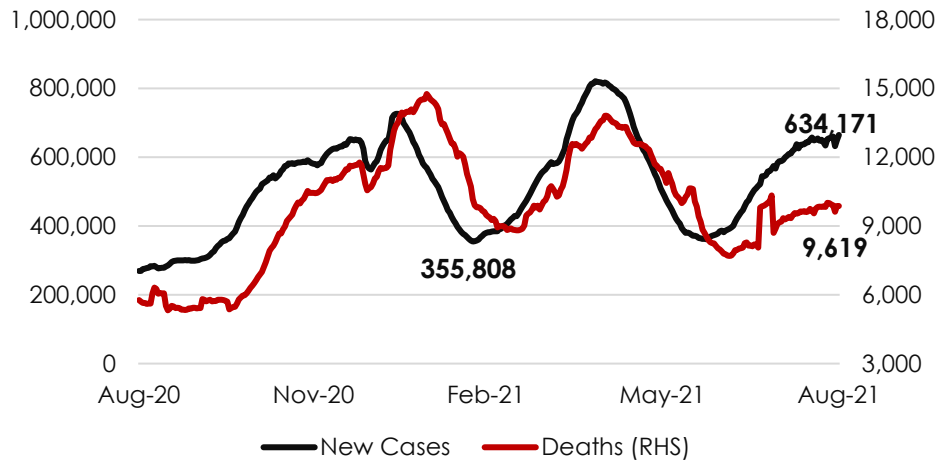
Page 3	GLOBAL ECONOMY
Page 11	DOMESTIC LANDSCAPE
Page 15	BANKING SECTOR
Page 18	AUTOMOTIVE SECTOR
Page 19	MALAYSIA'S FINANCIAL MARKET
Page 27	CONCLUSION



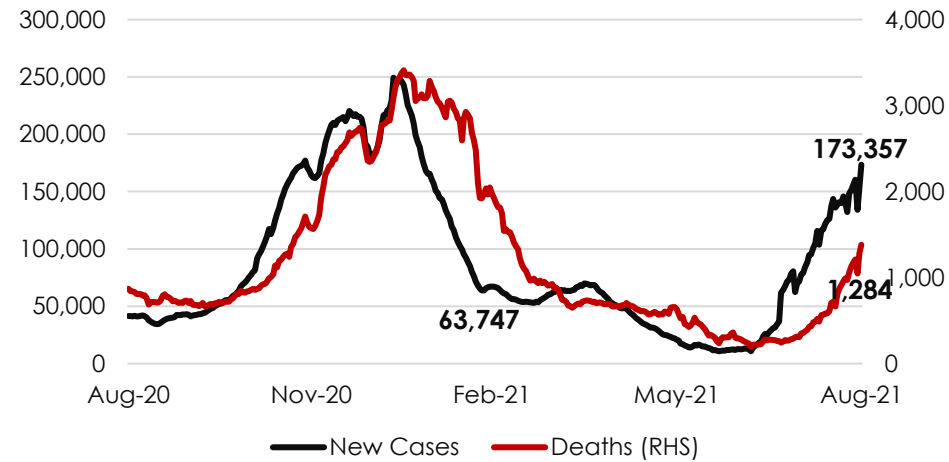
GLOBAL ECONOMY

- ✓ **Worldwide Covid-19 infections have surpassed 217.0 million** - The number of confirmed Covid-19 cases globally registered at 217.6 million, with more than 4.5 million deaths recorded as at 1 September 2021. The US, India and Brazil have seen the highest number of confirmed cases, followed by the U.K., Russia and France.
- ✓ **Highly contagious Delta variant** – With the emergence of the Delta variant which is highly transmissible, the number of new Covid-19 infections has continued to increase. As such, this has led to a re-implementation of lockdown measures in some countries. Thus far, countries in the Asia-Pacific region including Australia, Japan and New Zealand have imposed fresh restrictions to battle the outbreaks.
- ✓ **How has the vaccination campaign progressed so far?** - More than 5.3 billion vaccine doses have been administered worldwide with China (2.0 billion doses) and India (0.6 billion doses) recorded the highest doses, followed by the U.S. (0.4 billion doses). However, vaccination gap continues to persist as there are vast differences in the pace of progress in different parts of the world.
- ✓ **Jerome Powell's latest hint on monetary policy expectations** – During the Jackson Hole Symposium on 27 August, Jerome Powell in his speech highlighted that the U.S. Federal Reserve (Fed) is likely to begin tapering before the end of the year. However, the timing and pace of the coming reduction in asset purchases would not be intended to carry a direct signal regarding the timing of interest rate hikes, under which a substantially more stringent test will be carried out.
- ✓ **Global manufacturing activities continued to expand for the fourteenth straight month, though the degree of expansion slowed** – The J.P. Morgan Global Manufacturing Purchasing Managers' Index (PMI) stood at 54.1 points in August, lower than 55.4 points previously as rates of output growth decelerated in several major markets. Be that as it may, manufacturers still anticipate an increase in production over the coming 12 months following rising demand conditions and robust business optimism.

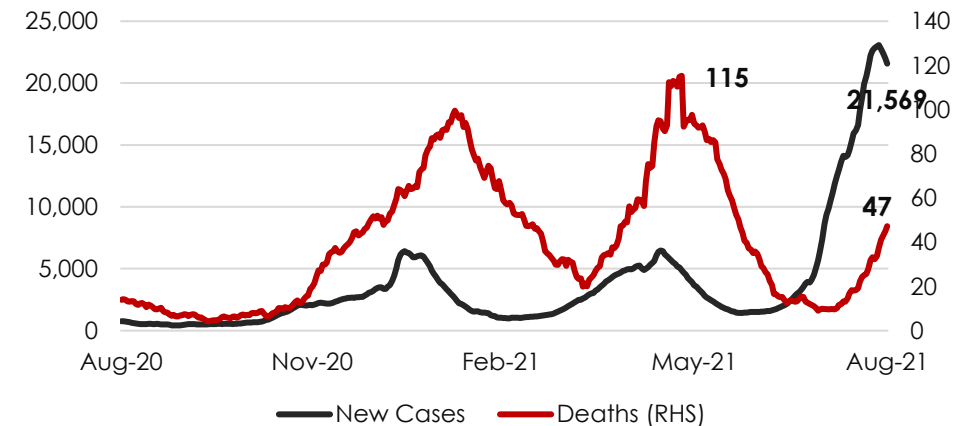
Covid-19 Cases and Deaths Global (7-Day Moving Average)



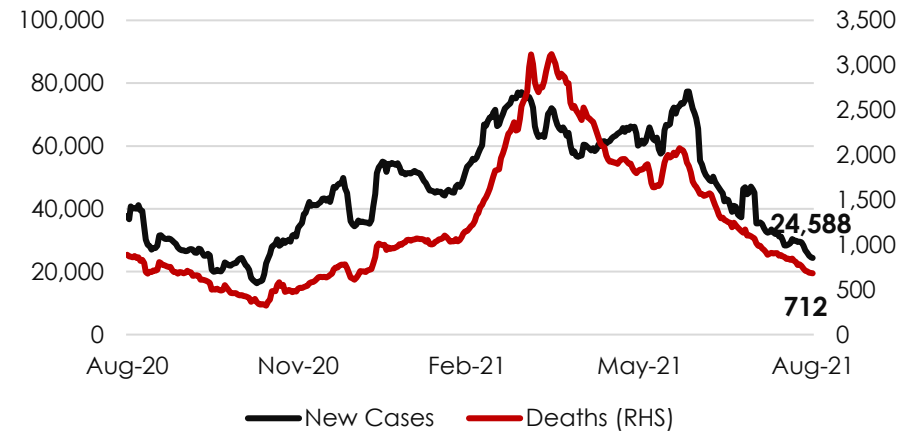
Covid-19 Cases and Deaths in US (7-Day Moving Average)



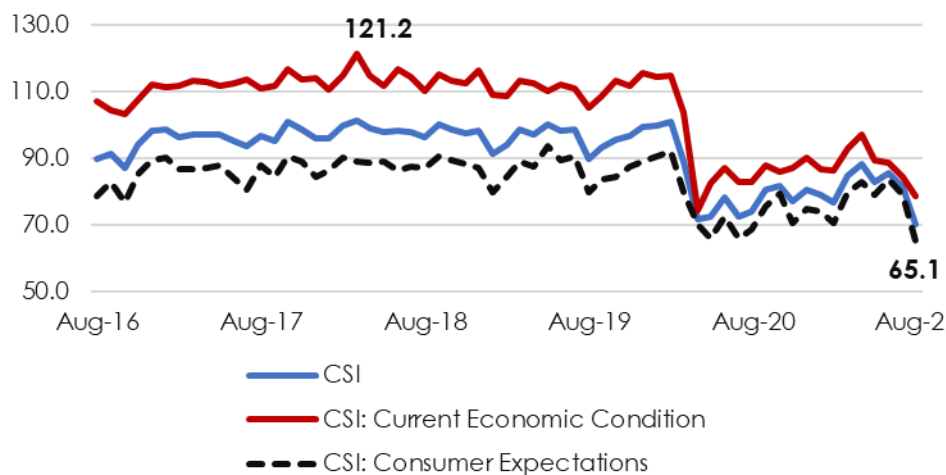
Covid-19 Cases and Deaths in Japan (7-Day Moving Average)



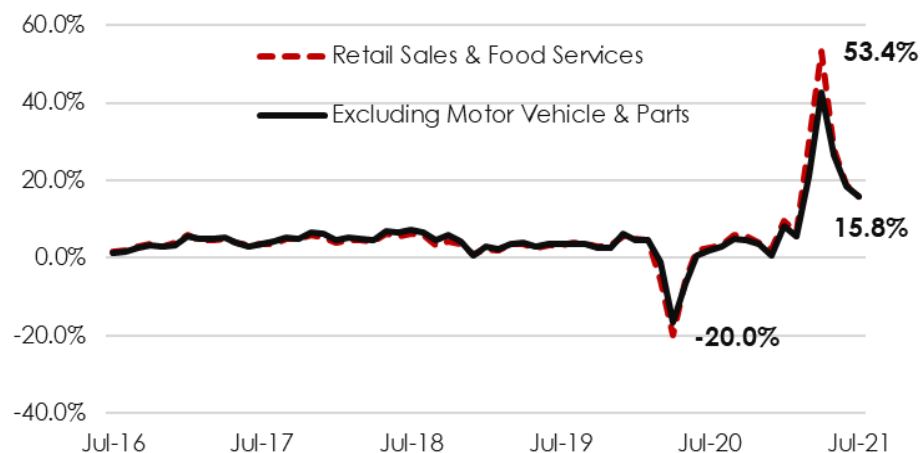
Covid-19 Cases and Deaths in Brazil (7-Day Moving Average)



Consumer Sentiment Index (CSI), points



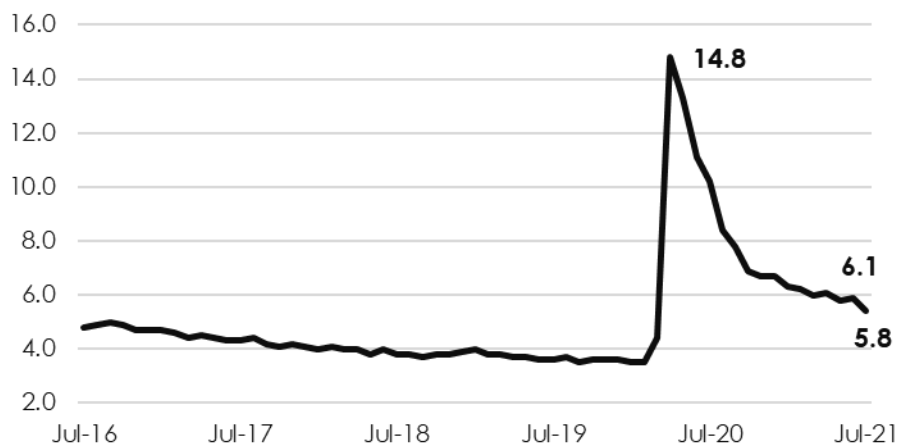
Retail Sales & Food Services, y-o-y%



Nonfarm Payrolls, m-o-m changes ('000)



Unemployment Rate, %



Source: CEIC

HIGH GLOBAL GDP GROWTH IN 2Q2021: ATTRIBUTABLE TO LOWER BASE EFFECT LAST YEAR

GDP, y-o-y%	2Q2019	3Q2019	4Q2019	1Q2020	2Q2020	3Q2020	4Q2020	1Q2021	2Q2021
U.S.	2.1	2.3	2.6	0.6	-9.1	-2.9	-2.3	0.5	12.2
U.K.	1.5	1.4	1.2	-2.2	-21.4	-8.5	-7.3	-6.1	22.2
Eurozone	1.3	1.4	1.0	-3.3	-14.6	-4.0	-4.6	-1.3	13.6
Japan	0.4	1.1	-1.4	-2.1	-10.1	-5.6	-1.0	-1.3	7.5
Germany	0.5	1.3	0.9	-1.9	-11.3	-3.7	-2.9	-3.1	9.4
France	2.3	2.0	0.9	-5.5	-18.7	-3.6	-4.2	1.7	18.7
China	6.0	5.9	5.8	-6.8	3.2	4.9	6.5	18.3	7.9
Thailand	2.4	2.7	1.3	-2.1	-12.1	-6.4	-4.1	-2.6	7.5
Philippines	5.6	6.3	6.6	-0.7	-17.0	-11.6	-8.3	-3.9	11.8
South Korea	2.1	2.0	2.3	1.5	-2.6	-1.0	-1.1	1.9	5.9
Singapore	1.4	1.1	1.3	0.0	-13.3	-5.8	-2.4	1.5	14.7
Indonesia	5.1	5.0	5.0	3.0	-5.3	-3.5	-2.2	-0.7	7.1
Malaysia	5.0	4.5	3.7	0.7	-17.2	-2.7	-3.4	-0.5	16.5

Sources: Country's Official website, CEIC

Last year low base effect had lifted the GDP growth figure during 2Q2021. However, reopening of economies, government fiscal and monetary measures, as well as rapid vaccination programs have also supported economic activities during first half of 2021.

Quarter/Year	2Q2020	3Q2020	4Q2020	2020	1Q2021	2Q2021
% Change over corresponding period of previous year (y-o-y)						
Overall GDP	-13.3	-5.8	-2.4	-5.4	1.5	14.7
Goods Producing Industries:	-10.0	1.1	3.9	0.3	6.0	21.9
Manufacturing	-0.4	11.0	10.3	7.3	11.4	17.7
Construction	-65.6	-52.5	-27.4	-35.9	-23.2	106.2
Services Producing Industries	-12.7	-8.3	-4.7	-6.9	-0.3	10.3



**GDP forecast in 2021:
Between 6.0% and
7.0%**

Source: MTI, Singapore

- ✓ Singapore's GDP jumped by 14.7% y-o-y in 2Q2021 from a 1.5% expansion in the preceding quarter. The strong growth was mainly attributable to the low base effect in the same period last year when the economic output dropped significantly by 13.3% as a result of the Circuit Breaker (CB) measures implemented from 7 April to 1 June 2020 in light of Covid-19 pandemic.
- ✓ All the main sectors posted a positive growth during 2Q2021. On further scrutiny, the Manufacturing sector increased by 17.7% in 2Q2021, extending the 11.4% gain recorded in the previous quarter. This was supported by higher output across all clusters, with the transport engineering and precision engineering clusters seeing the largest increases.
- ✓ Apart from that, the Construction sector surged by 106.2% in 2Q2021, a sharp turnaround from a 23.2% contraction in the previous quarter, as both public and private sector construction works expanded. Similarly, Services producing industries recovered by 10.3% in 2Q2021 (1Q2021: -0.3%), underpinned by Retail Trade (2Q2021: 50.7% vs. 1Q2021: 1.6%) and Food & Beverage Services (2Q2021: 36.7% vs. 1Q2021: -9.2%) sub-sector.
- ✓ Against such backdrop, **the Ministry of Trade and Industry (MTI) of Singapore had revised up its official growth forecast for 2021 to between 6.0% and 7.0%** (previously: 4.0% - 6.0%) after the economy held up stronger than expected in the 1H2021 as the domestic Covid-19 situation stabilizes.

CENTRAL BANK POLICY RATES

Policy rates	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21*
Advanced countries													
US (Fed Fund Rate)	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Japan (Policy Balance Rate)	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10
Euro Zone (Main Refinancing Rate)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
UK (Bank Rate)	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Canada (ON Lending Rate)	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Latin America													
Mexico (ON Rate)	4.50	4.25	4.25	4.25	4.25	4.25	4.00	4.00	4.00	4.00	4.25	4.25	4.50
Brazil (Selic Rate)	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.75	2.75	3.50	4.25	4.25	5.25
Argentina (LELIQ 7D Notes Rate)	38.00	38.00	36.00	38.00	38.00	38.00	38.00	38.00	38.00	38.00	38.00	38.00	38.00
Eastern Europe													
Russia (Key Rate)	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.50	5.00	5.00	5.50	6.50	6.50
Ukraine (Discount Rate)	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.50	7.50	7.50	7.50	8.00	8.00
Turkey (1W Repo Rate)	8.25	10.25	10.25	15.00	17.00	17.00	17.00	19.00	19.00	19.00	19.00	19.00	19.00
Asia													
China (1Y Loan Prime Rate)	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85
India (Repo Rate)	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Indonesia (7D Repo Rate)	4.00	4.00	4.00	3.75	3.75	3.75	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Thailand (1D Repo Rate)	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
South Korea (Base Rate)	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.75
Philippines (O/N Lending Rate)	2.25	2.25	2.25	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Australia (Cash Rate)	0.25	0.25	0.25	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
New Zealand (Cash Rate)	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Malaysia (OPR)	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75

* As at 30 August 2021

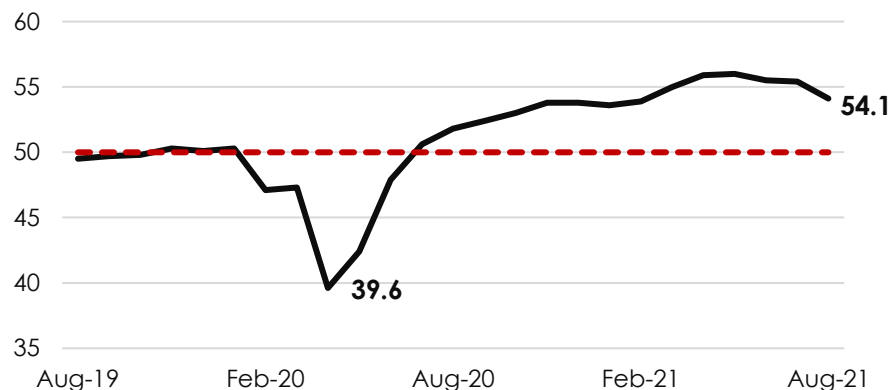
Source: Bloomberg



- ✓ Many central banks have started to increase their benchmark interest rate since July this year to combat the inflationary pressure.
- ✓ Thus far on 26 August, the Monetary Policy Board of the Bank of Korea decided to raise its Base Rate by 25 basis points (bps) to 0.75%, making the first major Asian economy to tighten its monetary policy since the pandemic began. Apart from that, the Board will gradually adjust the degree of accommodativeness as the South Korean economy is expected to continue its sound growth and inflation to run above 2.0% for some time, despite ongoing uncertainties over the virus.

GLOBAL MANUFACTURING SECTOR CONTINUED TO EXPAND THOUGH AT A SLOWER PACE

J.P. Morgan Global Manufacturing PMI, points

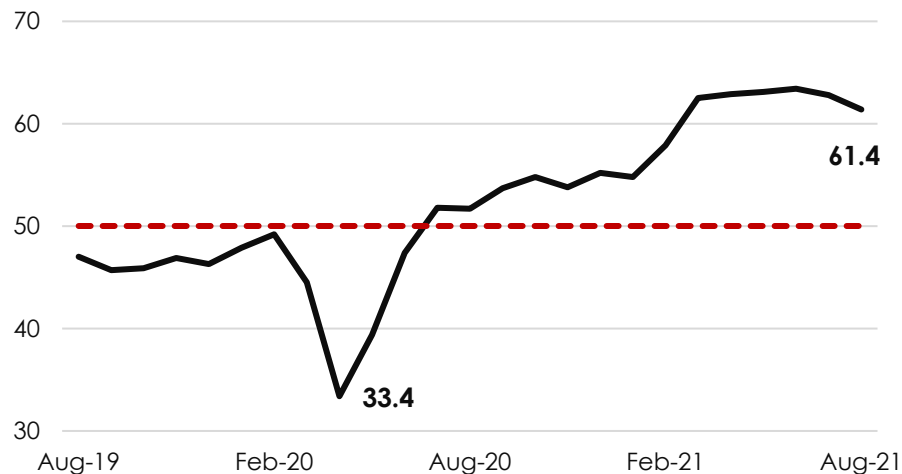


Index Summary:

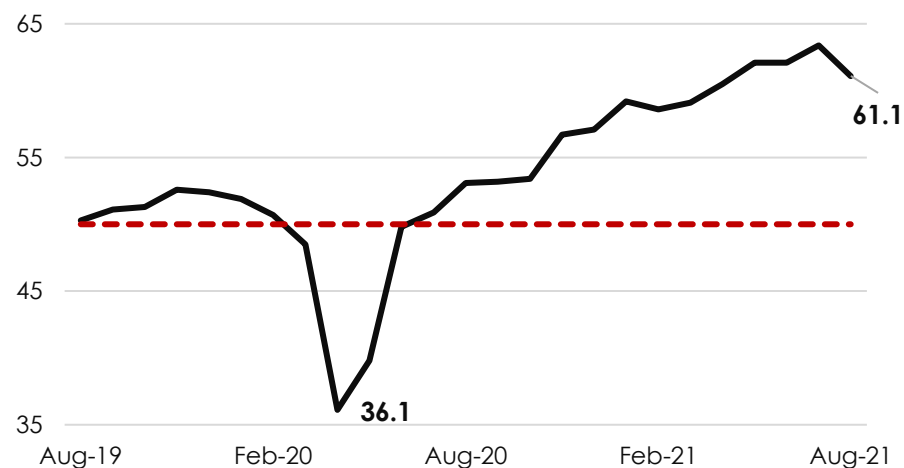
Index	Aug-21	Jul-21	Interpretation
PMI	54.1	55.4	Improvement, slower rate
Output	51.9	54.4	Growth, slower rate
New Orders	53.6	55.3	Growth, slower rate
New Export Orders	51.0	52.7	Growth, slower rate
Future Output	64.1	64.2	Growth expected, weaker sentiment
Employment	52.0	52.7	Growth, slower rate
Input Prices	70.4	71.2	Inflation, slower rate
Output Prices	60.1	60.3	Inflation, slower rate

Source: IHS Markit

Eurozone Manufacturing PMI, points



US Manufacturing PMI, points





DOMESTIC LANDSCAPE

SNAPSHOT OF LATEST MAJOR EVENTS/ECONOMIC VARIABLES IN MALAYSIA

Event	Date	Remarks
2022 Pre-Budget Statement	31 August 2021	<ul style="list-style-type: none"> ✓ The Ministry of Finance (MoF) published a Pre-Budget Statement (PBS) to improve the annual budget preparation process by providing a preliminary overview of Budget 2022, plus updates on Budget 2021 that includes tax revenue performance, public expenditure status and Government debt level. ✓ Deficit target is estimated to increase between 6.5% and 7.0% to GDP in 2021 (original target: 5.4%), given the continued fiscal spending required to support the gradual re-opening of the economy.
External Trade	27 August 2021	<ul style="list-style-type: none"> ✓ Malaysia's exports performance grew moderately at a single-digit growth of 5.0% y-o-y in July, after rising by 27.2% in the previous month. ✓ The modest growth in exports was attributable to the slowdown seen in the Manufacturing sector (July: 2.3% vs. June: 25.8%) and the Agriculture sector (July: 29.2% vs. June: 40.0%). Likewise, the Mining sector also experienced a smaller growth in terms of exporting activities in July at 18.3% compared to a 32.9% growth in June.
New Prime Minister for Malaysians	20 August 2021	<ul style="list-style-type: none"> ✓ Malaysia's King Al-Sultan Abdullah has named Dato' Sri Ismail Sabri Yaakob as the new Prime Minister, after receiving the support of 114 members of parliament. The former Prime Minister Tan Sri Muhyiddin Yassin resigned on 16 August after losing majority support in parliament due to infighting among members of his political coalition.

SNAPSHOT OF LATEST MAJOR EVENTS/ECONOMIC VARIABLES IN MALAYSIA (CONT'D)

Event	Date	Remarks
Gross Domestic Product (GDP)	13 August	<ul style="list-style-type: none"> ✓ Malaysia's GDP rebounded by 16.1% y-o-y in 2Q2021 from a 0.5% contraction in the preceding quarter. The lower base recorded in 2Q2020 was the primary reason for the significant jump. The June quarter could have shown a 3.9% decline if the comparison is made based on the 2Q2019 GDP. Having said that, strong policy support, be it from fiscal and monetary, were also responsible for the sharp rise in GDP growth.
Industrial Production Index (IPI)	9 August 2021	<ul style="list-style-type: none"> ✓ Malaysia's IPI moderated by 1.4% y-o-y in June after expanding by 26.1% in the previous month. ✓ This was mainly attributed by the fall in Manufacturing sector's production as it contracted by 0.2% in June from a 29.8% expansion in the preceding month. Similarly, Electricity dropped by 4.8% (May: 8.8%) during June. These sectors accounted for 74.9% of total IPI. ✓ Meanwhile, slower growth was seen in the Mining sector, easing by 10.3% in June from a 20.7% increase previously.
Unemployment Rate	9 August 2021	<ul style="list-style-type: none"> ✓ Malaysia's unemployment rate increased to 4.8% in June from 4.5% in the previous month. ✓ The labour force was faced with a challenging situation following the implementation of the full movement control order (MCO) whereby only essential economic and services sectors were permitted to operate.

Monthly and Cumulative Doses Administered as at 31 August 2021

Month	Average Daily Doses Administered/Expect To Be Administered ('000)	Total Doses Administered (1st And 2nd Dose) (million)	Cumulative Doses Administered (1st and 2nd Dose) As At Month-End (million)
24 February 2021 to 30 June 2021	63.8	8.0	8.0
Jul-21	401.6	12.5	20.5
Aug-21	459.4	14.2	34.7

Sources: DOSM, National Covid-19 Immunisation Programme, CEIC

Breakdown of Cumulative First and Second Dose Administered as at 31 August 2021

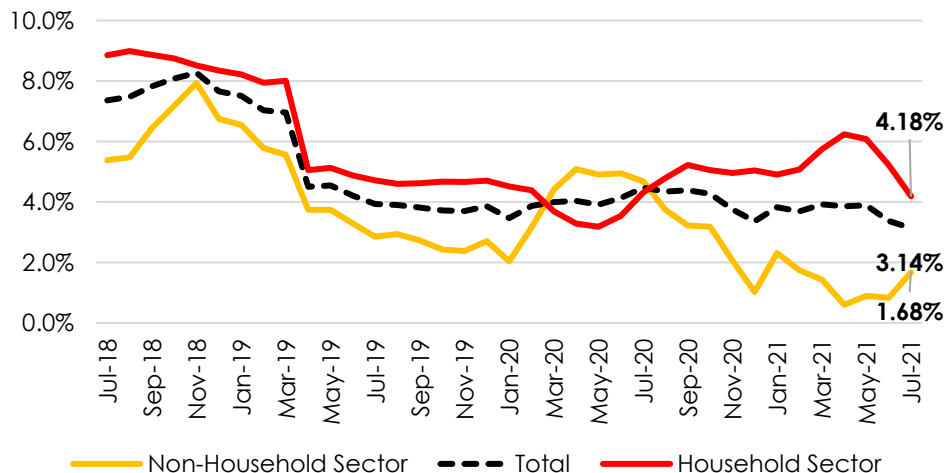
Location	Cumulative Number of 1st Dose Administered (million)	Cumulative Number of 2nd Dose Administered (million)	Percentage of Total Population		Percentage of Adult Population	
			1st Dose	2nd Dose	1st Dose	2nd Dose
Malaysia	19.7	15.0	60.5%	46.0%	84.3%	64.2%
Klang Valley	6.9	5.7	81.7%	67.7%	111.6%*	92.4%

Sources: DOSM, National Covid-19 Immunisation Programme, CEIC

* Exceeds 100.0% due to population statistics from DOSM not accounting for changes in population size since the last Census, undocumented residents and also due to vaccination of undocumented residents and non-residents.

- ✓ For the month of August, the average of daily doses administered during the month reached 459.4k doses per day (July: 401.6k doses per day), higher than 433.8k doses per day targeted under the National Covid-19 Immunisation Programme.
- ✓ Looking at a cumulative basis, 34.7 million doses (first dose: 19.7 million doses, second dose: 15.0 million doses) have been administered so far since the vaccination programme commenced in late February this year.
- ✓ On further scrutiny, 64.2% of Malaysia's population has been fully vaccinated with two doses as at 31 August compared to just 20.6% of Malaysia population as at 31 July.
- ✓ With regard to the government's target of fully inoculating 100.0% of Malaysia's adult population by October, we opine that such target is within reach. Based on our back-on-the-envelope calculations, the target to fully vaccinate all of Malaysia's adult population can be met in the first week of October if the daily average of second doses administered is maintained at 250.0k doses per day. For the month of August, the daily average of second doses administered stood at 268.3k doses per day. Henceforth, an assumption of 250.0k doses per day for September and early October is reasonable.

Financing Growth by Sector, y-o-y%

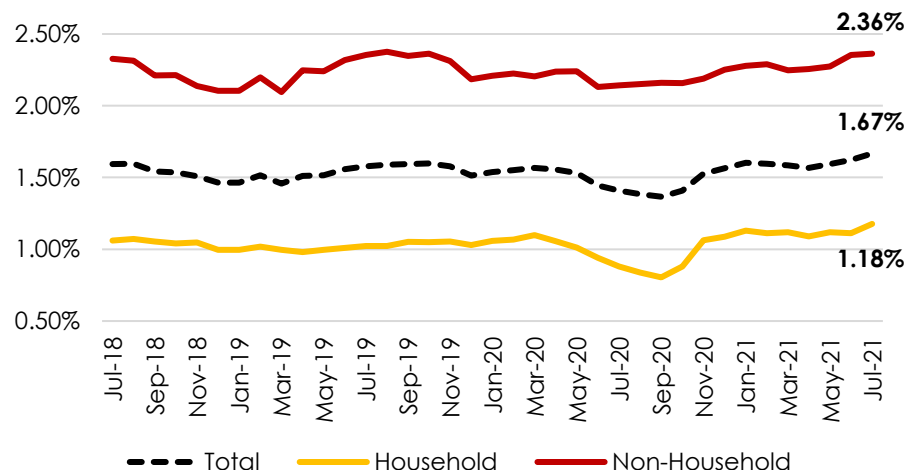


Source: CEIC

- ✓ As for the Gross Impaired Financing Ratio (GIFR), it rose to 1.67% in July from 1.62% previously. Overall, the asset quality continued to deteriorate since March this year amid the series of movement restrictions which have dampened business activities and dragged household expenditure.
- ✓ Nevertheless, we foresee that the latest relaxation of movement restrictions for fully vaccinated individuals to revive household expenditure as business activities are able to operate on a larger scale. With that, we expect the GIFR to gradually decline in the medium term.

- ✓ The banking system's financing activities registered a slower growth at 3.14% y-o-y in July after rising by 3.37% in June. This was partly due to the softer increase in the Household sector which grew by 4.18% in July (June: 5.23%). Nevertheless, the Non-Household sector expanded at a faster pace of 1.68% in July (June: 0.84%).
- ✓ Apart from that, the growth in financing for the purchase of transport vehicles had significantly slowed down to 3.43% in July (June: 6.50%) after expanding steadily since July last year. Perhaps the movement restrictions imposed in July had weighed on consumer spending towards discretionary items including vehicles.

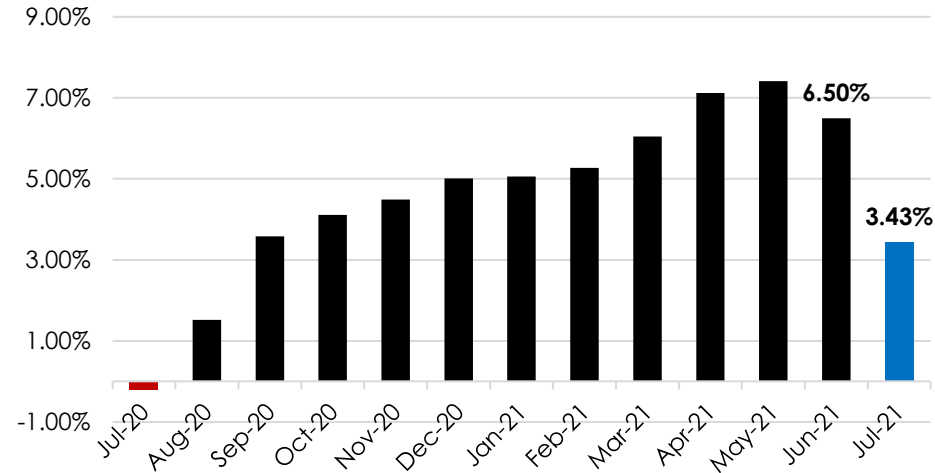
GIFR, %



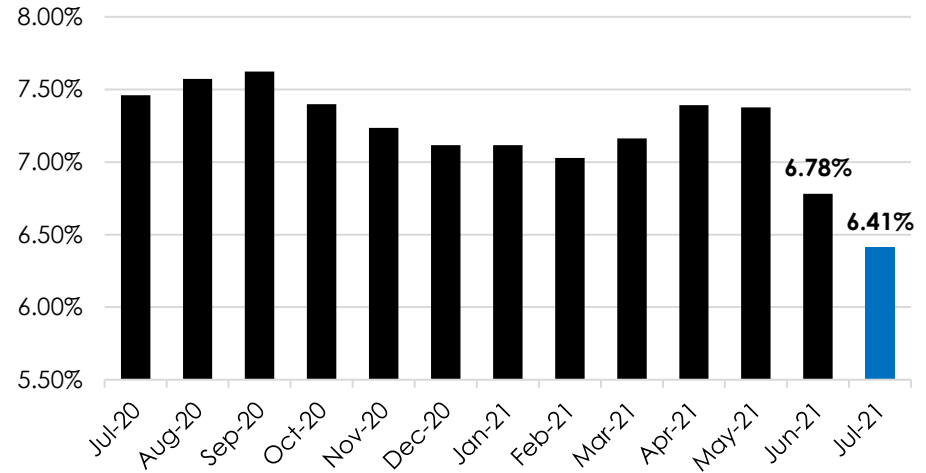
Source: CEIC

SOFTER FINANCING GROWTH-BY PURPOSES

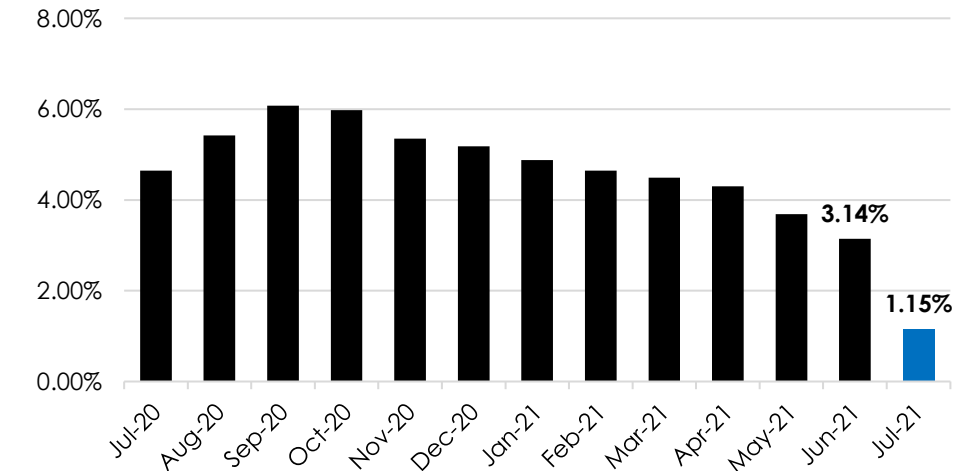
Purchase of Transport Vehicles, y-o-y%



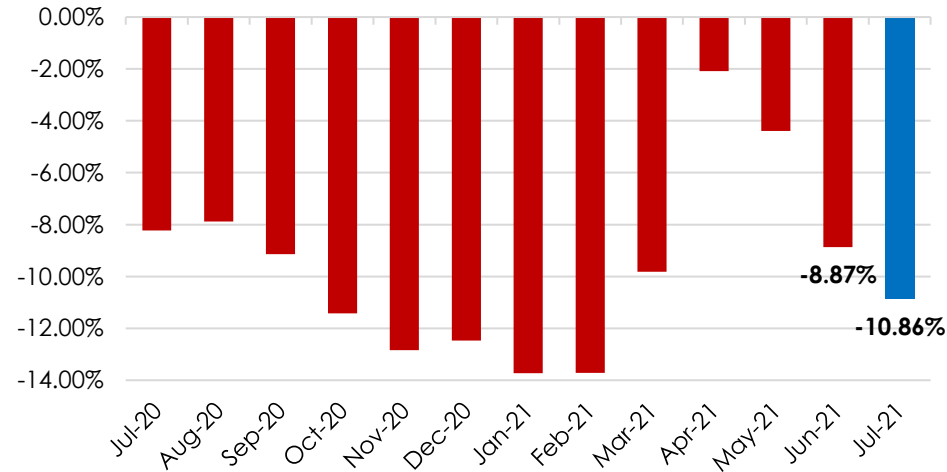
Purchase of Residential Property, y-o-y%



Personal Use, y-o-y%

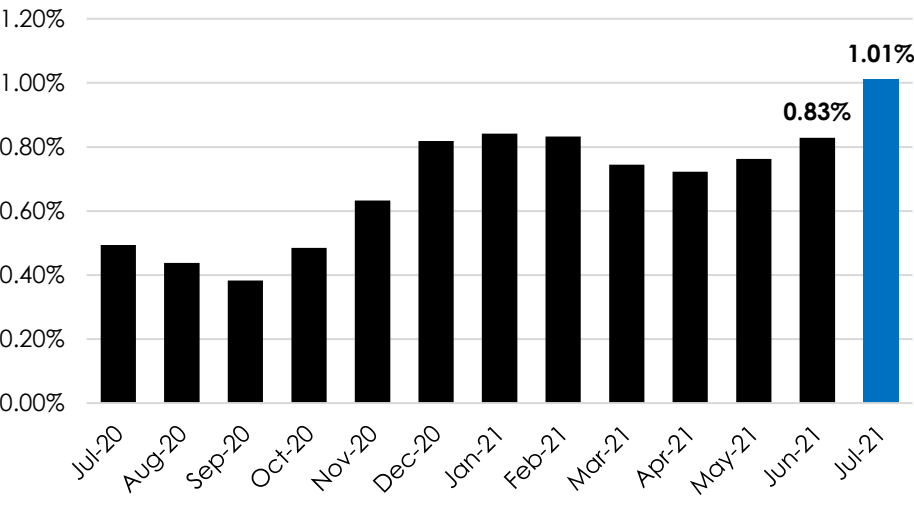


Credit Card, y-o-y%

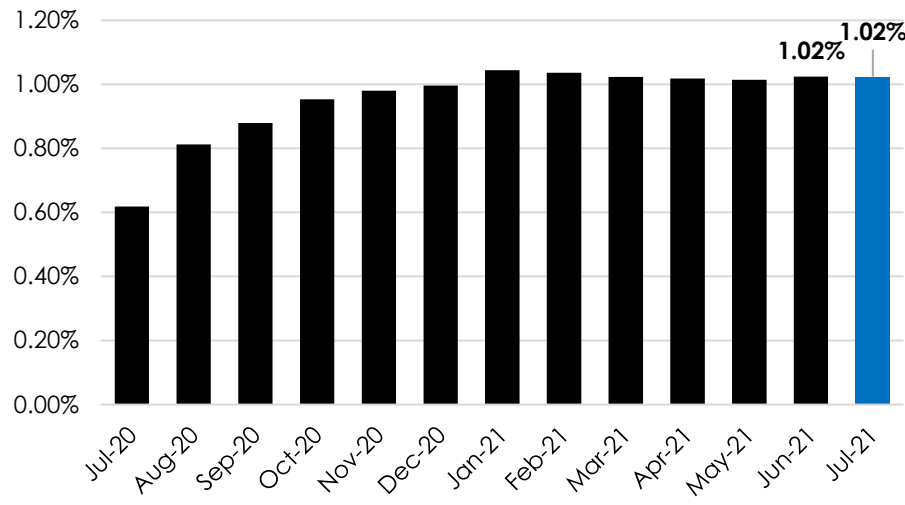


IMPAIRMENT BY SECTOR – ASSET QUALITY CONTINUES TO DETERIORATE

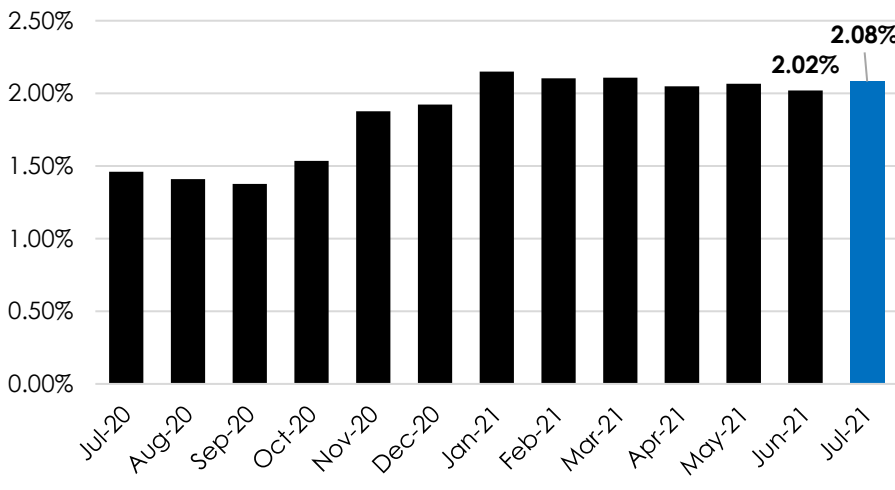
GIFR-Purchase of Transport Vehicles



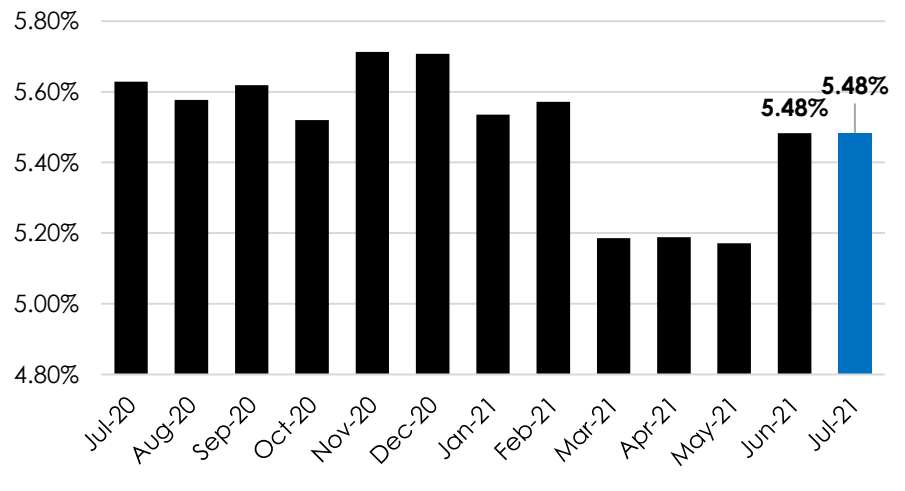
GIFR-Credit Card



GIFR-Personal Use

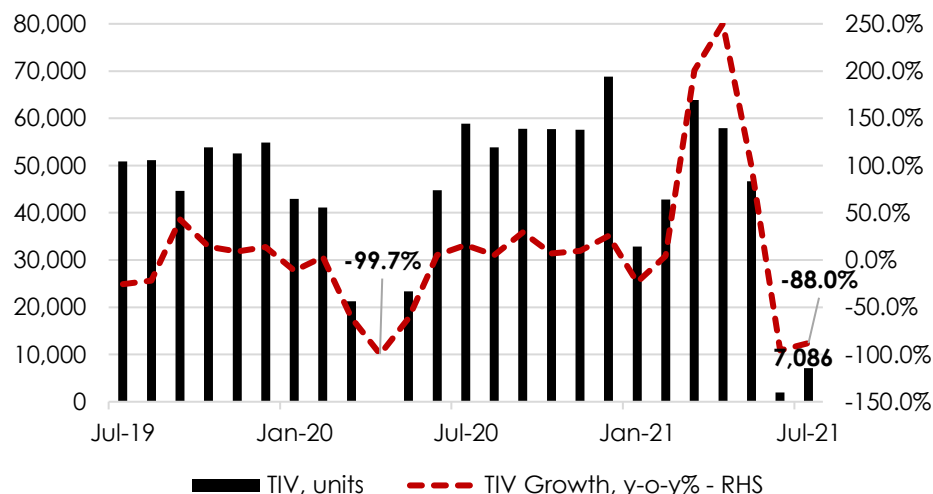


GIFR-Construction



AUTOMOTIVE SALES CONTINUED TO DECLINE BUT AT A SOFTER PACE

Total Industry Volume (TIV), units



Annual Total Industry Volume Forecast By Malaysian Automotive Association

Market Segment	2020	2021F	2022F	2023F	2024F	2025F
Total Industry Volume (TIV)	529,434	500,000	605,000	650,000	663,100	676,000
Growth	-12.4%	-5.6%	21.0%	7.4%	2.0%	2.0%

Source: Malaysian Automotive Association

Sources: Malaysian Automotive Association, CEIC

- ✓ The Total Industry Volume (TIV) extended its monthly drop in July, declining by 88.0% y-o-y (June: -95.7%) to reach only 7,086 units (June: 1,921 units). Sales mainly came from Sabah and Sarawak where showrooms are allowed to operate under the Phase 2 of the National Recovery Plan (NRP). Meanwhile, online registrations only contributed a minimal amount to the total TIV in July.
- ✓ Looking ahead, the government has announced economic relaxation measures, including the reopening of non-essential manufacturing sectors (which includes auto and component plants) from 16 August. In addition, auto distribution and retailing is listed as one of 11 sectors allowed to resume operations under the retail sector relaxation. The extent of operations will depend on the number of workers who have been fully vaccinated.
- ✓ Moreover, Klang Valley, which is one of the key demand centers accounting for 41.0% of TIV, has achieved 67.7% vaccination rate for fully vaccinated individuals as at 31 August, which should enable meaningful return of consumers to showrooms.
- ✓ So far, the total TIV for 7M2021 was up by 10.2% at 256,215 units (7M2020: 232,423 units). The latest round of relaxation of movement restrictions will enable the Malaysian Automotive Association to reach its 2021 TIV target of 500,000 units.

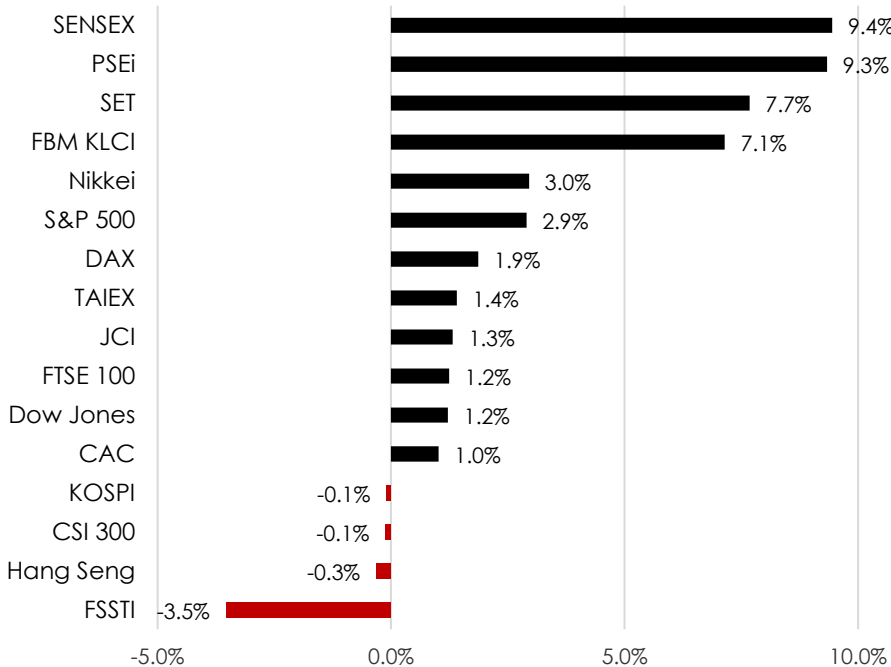


MALAYSIA'S FINANCIAL MARKET

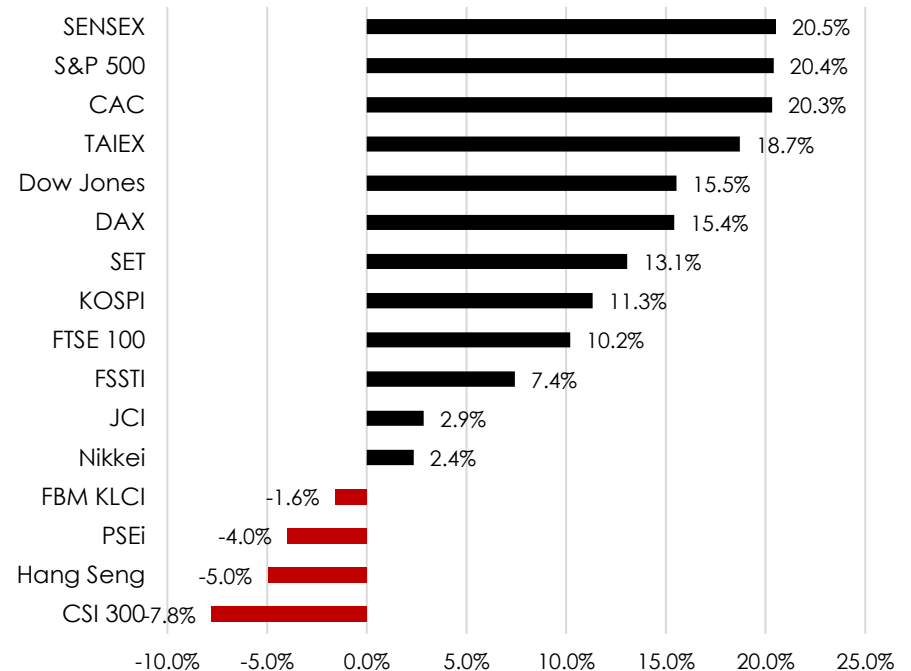
MOST EQUITY MARKETS PERFORMED WELL IN AUGUST

- ✓ Gainers outnumbered losers in the month of August with winners led by India's SENSEX index which advanced by 9.4% during the month. The SENSEX index marked the last trading day of August on an auspicious note by reaching a record close of 57,552.4 points as investors awaited the nation's 2Q2021 Gross Domestic Product (GDP) release which later showed a 20.1% y-o-y growth compared to a 24.4% y-o-y contraction in the same quarter last year.
- ✓ On the other hand, Singapore's FSSTI index was the biggest loser in August after ending 3.5% lower during the month amid the lack of any market-moving catalyst. Moreover, Singapore has given up the goal of reaching an environment free of Covid-19 despite the high vaccination rate of the country.
- ✓ On the domestic front, the FBM KLCI index recorded a 7.1% increase in August but saw a loss of 1.6% on a Year-To-Date (YTD) basis, making the index the smallest loser among other markets such as the Philippines' PSEi index, Hong Kong's Hang Seng index and China's CSI 300 index.

Monthly Gains/Losses of Benchmark Indices in August 2021



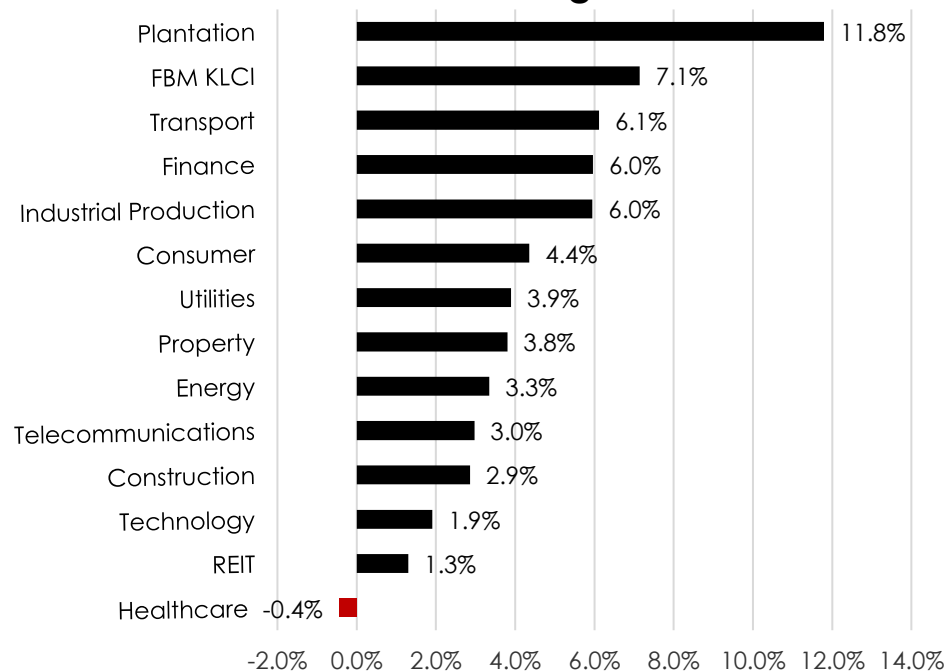
YTD Gain/Losses of Benchmark Indices



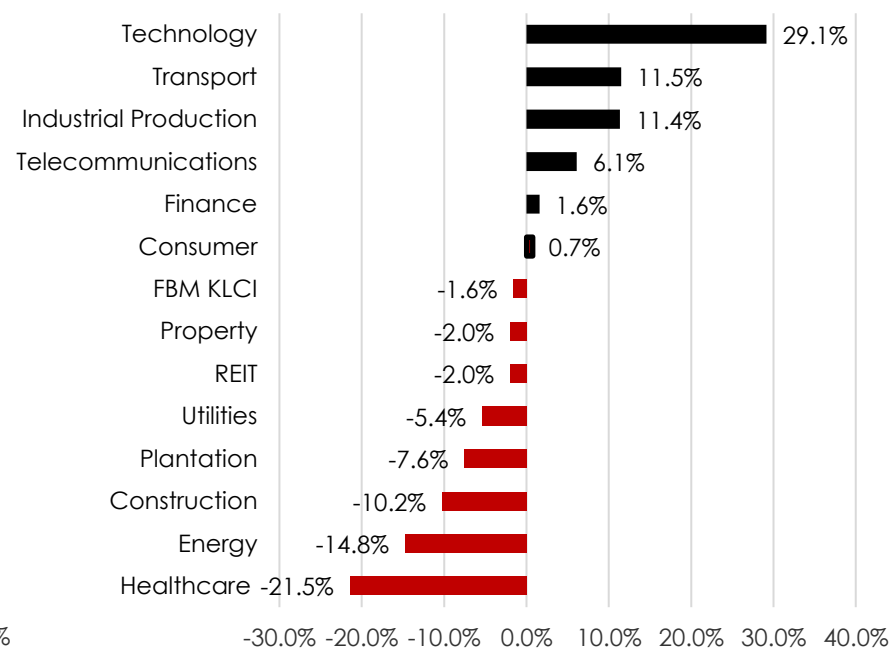
SECTORAL PERFORMANCE OF BURSA MALAYSIA

- ✓ All of Bursa's sectoral indexes recorded monthly gains in August except for the Bursa Malaysia Healthcare Index which declined by 0.4% during the month. The monthly drop in the Bursa Malaysia Healthcare Index in August was due to the drop in healthcare counters especially rubber glove makers. The lack of interest towards rubber glove makers in August was partly attributable to the concern of a lower average selling price (ASP) of rubber gloves on the back of vaccination programmes globally combined with normalising demand.
- ✓ Meanwhile, the Bursa Malaysia Plantation index was the largest gainer for the month of August after ending 11.8% higher. The rise in the index was fuelled by expectations of stronger external demand for Malaysia's palm oil. India had recently eased pandemic-related restrictions, which will have a positive impact on consumption of palm oil in the retail sector. Moreover, the crude palm oil (CPO) price reached RM4,523.5 per tonne on 30 August 2021 from a trough of RM3,471.5 per tonne on 14 June this year, representing a 30.3% gain.

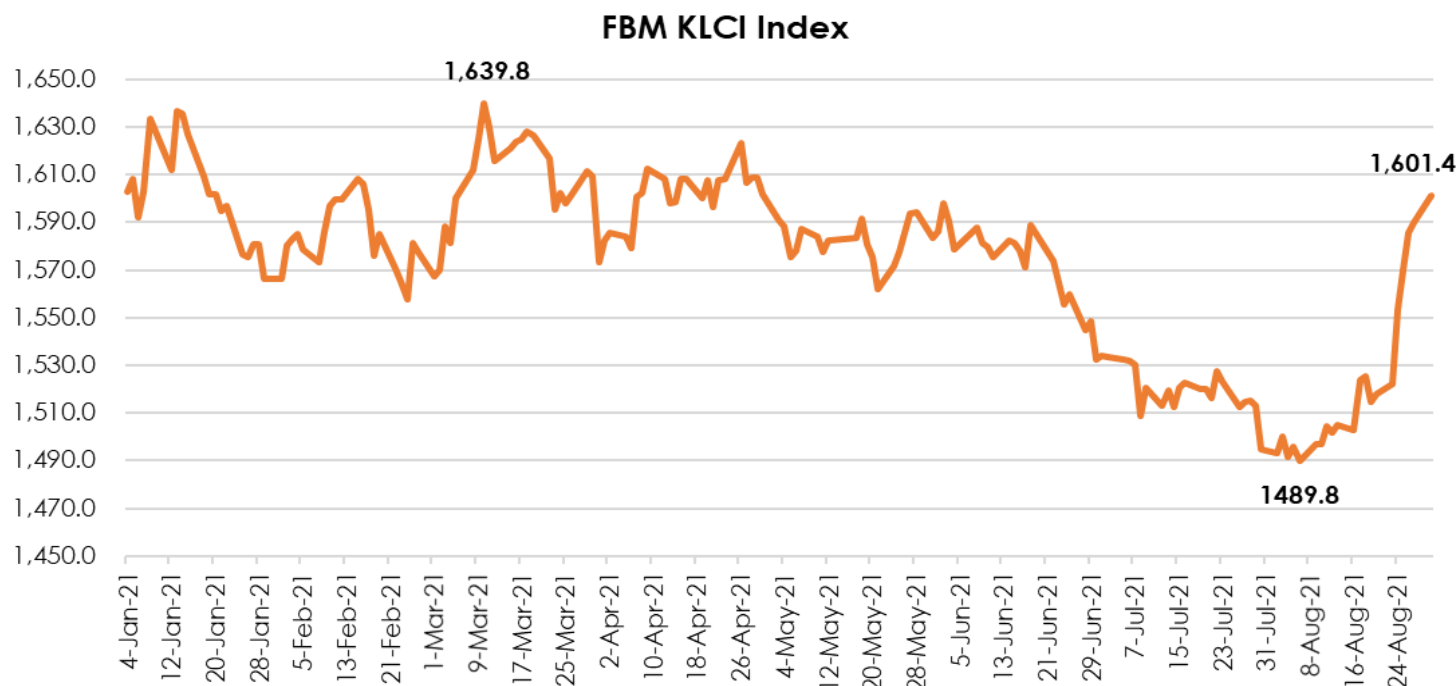
Bursa Malaysia Sectoral Monthly Performance in August 2021



Bursa Malaysia Sectoral YTD Gains/Losses

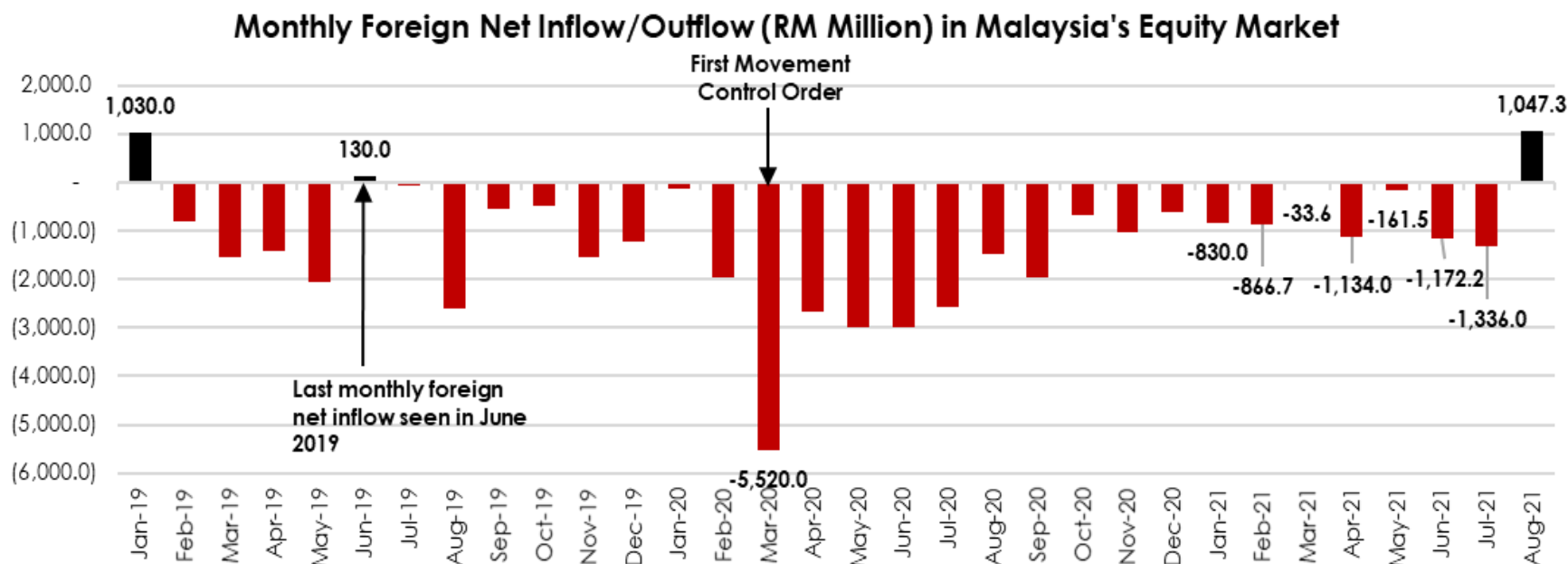


- ✓ The FBM KLCI index faced months of selling pressure to the extent of reaching 1,489.8 points on 6 August, the lowest close in 2021 amid a confluence of factors which included political uncertainty and the high number of Covid-19 infections in Malaysia.
- ✓ Nevertheless, the local bourse has surged by 7.5% or 111.6 points since the trough on 6 August to reach 1,601.4 points on 30 August, a level not seen since 30 April. As mentioned earlier, the FBM KLCI index recorded a 7.1% gain in August, making it the fourth largest gainer among other global benchmark indices.
- ✓ What might have attracted the interest of investors to return back to Bursa is the relaxation of movement restrictions for fully vaccinated individuals combined with the improving domestic political situation.
- ✓ We are maintaining our year-end FBM KLCI target of 1,610 points at this juncture as we believe there may be hurdles from the ongoing pandemic which could hurt investor sentiment along the way.



FOREIGN FUND FLOWS-EQUITY

- ✓ The month of August recorded a foreign net inflow of RM1,047.3 million (July: -RM1,336.0 million). This is the first monthly foreign net inflow seen after 25 consecutive months of foreign net selling on Bursa. Aside from that, local retail investors have recorded net inflows of RM469.1 million in August (July: RM799.1 million) while local institutions disposed RM1,516.8 million net last month after acquiring RM537.1 million net of local equities in the month before.
- ✓ On a weekly basis, we gathered that foreign investors have been net buyers in 10 out of 34 weeks so far.
- ✓ Meanwhile, international investors have sold RM4,491.4 million net of local equities for the first eight months in 2021 compared to RM24,595.6 million net during the same period last year.
- ✓ We view that the latest appointment of Malaysia's new Prime Minister somewhat restores political stability in the country's leadership. As a result, foreign investors have started to flock into Malaysian equities.

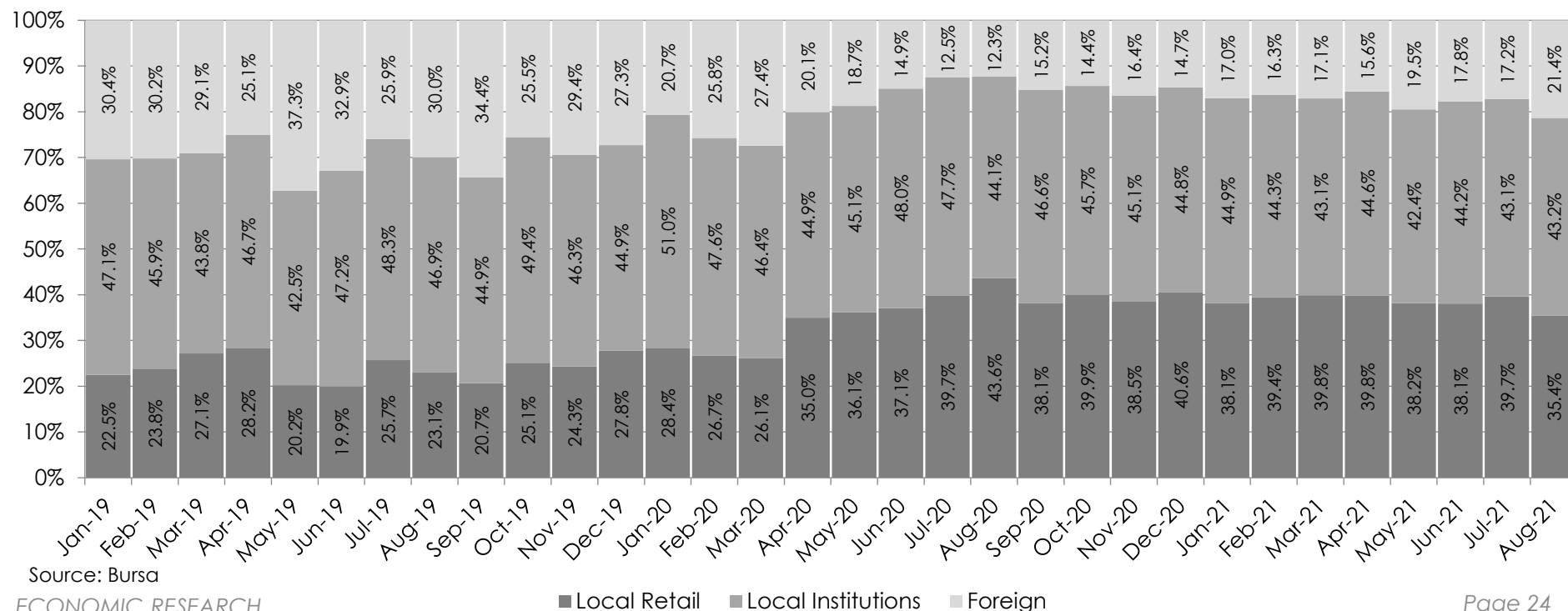


Source: Bursa

TRADING PARTICIPATION BASED ON VALUE TRADED

- ✓ Overall, the total value traded on Bursa Malaysia declined to RM102.4 billion in August (July: RM126.6 billion).
- ✓ On further scrutiny, we observed that the participation of retail investors in terms of percentage of total value traded on Bursa Malaysia shrank to 35.4% in August (July: 39.7%).
- ✓ Meanwhile, foreign investors who have been constantly selling local equities saw their trading participation based on value traded on Bursa Malaysia increase to reach 21.4% in August (July: 17.2%), the highest since March last year. This of course was in line with the return of foreign investors on Bursa which bought RM1,047.3 million worth of local equities in August.
- ✓ We also noted that the participation from local institutions was little changed at 43.2% of the total value traded on Bursa in August compared to 43.1% in the previous month.

Trading Participation (%) based on value traded amongst investor types

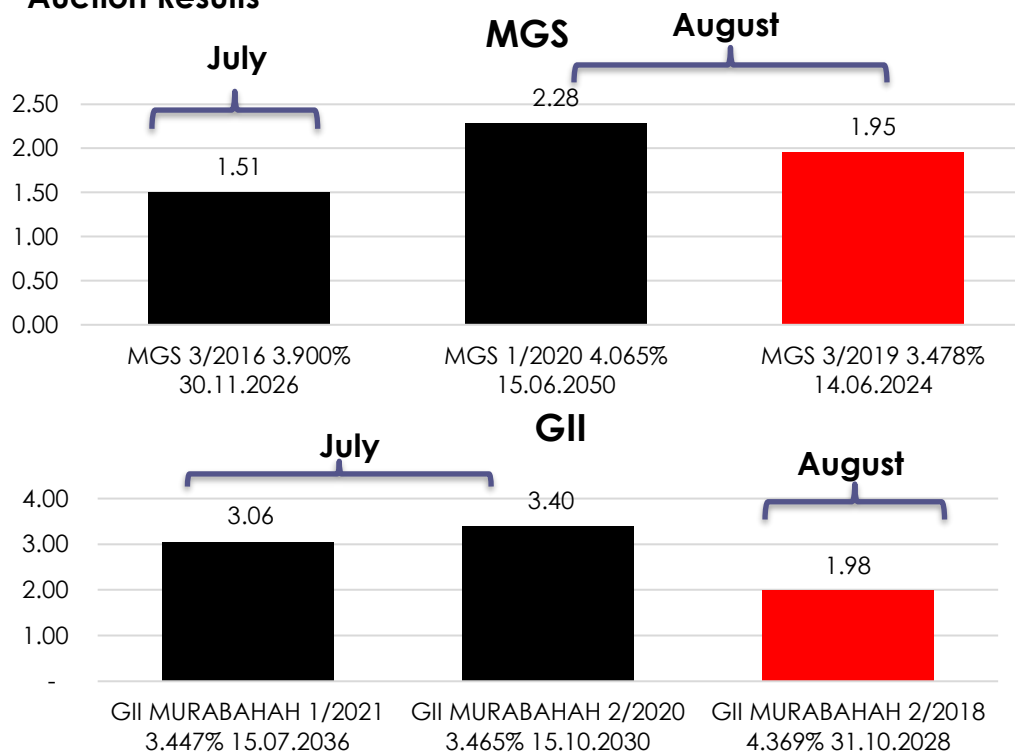


MGS Monthly Changes

MGS Benchmark	Coupon (%)	Yields (%) 30-Jul-21	Yields (%) 30-Aug-21	Change (bps)
3-Y MGS 06/24	3.48%	2.28%	2.34%	6
5-Y MGS 11/26	3.90%	2.62%	2.68%	6
7-Y MGS 06/28	3.73%	3.02%	3.04%	2
10-Y MGS 04/31	2.63%	3.17%	3.19%	2

Source: BNM

Auction Results



Source: Bond Info Hub

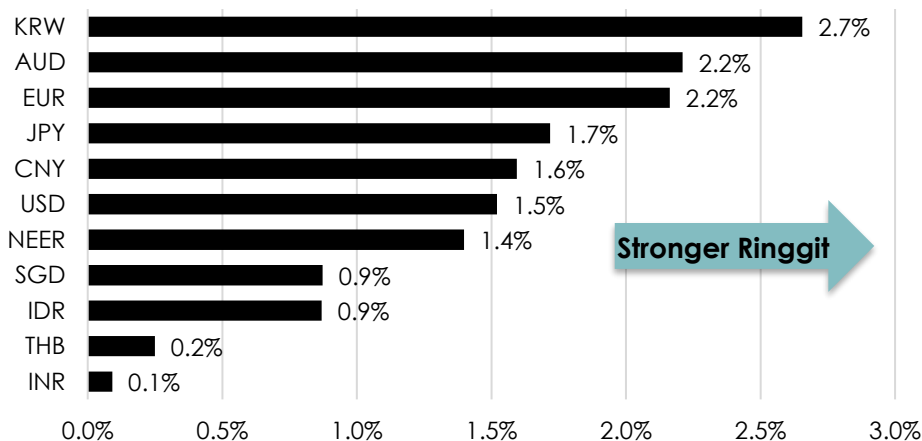
ECONOMIC RESEARCH

- ✓ Overall, the MGS benchmark yields were higher during August this year with both of 3-Y MGS 06/24 and 5-Y MGS 11/26 rising up by 6 bps to close at 2.34% and 2.68% respectively. Meanwhile, the yield of longer tenures such as 7-Y MGS 06/28 and 10-Y MGS 04/31 both went up by 2 bps to settle at 3.04% and 3.19% at the end of the said month.
- ✓ As for the auction market, demand for both MGS and GII were seen slightly pressured as the issuance of 3-Y MGS 06/24 and 7-Y GII 10/28 drew a Bid-To-Cover (BTC) lower than 2.00x to reach 1.95x and 1.98x respectively during August. This signified a weak demand for Malaysian bonds as investors were anxious that the Fed will start to taper asset purchases at the end of the year followed by a rate hike. However, Fed Chair Jerome Powell assured that rate hikes will take a longer time as mentioned during the Jackson Hole Symposium last week.
- ✓ Perhaps the latest loosening of movement restrictions for business activities could improve the nation's economic prospects and revive the investors' interest towards the Malaysian bond market. The improvement in Malaysia's political situation will also be another catalyst for Malaysian bonds.
- ✓ In addition, the positive yield differentials between the 10-Y MGS and U.S. Treasury in August which averaged around 195 bps, should support demand for MGS and GII.

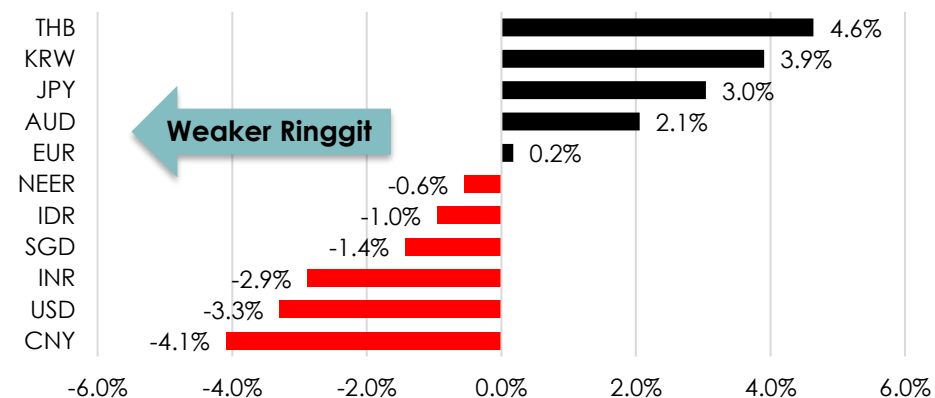
RINGGIT STRENGTHEN IN AUGUST

- ✓ The Ringgit strengthened by 1.5% month-on-month (m-o-m) against USD to close at RM4.1550 on 30 August from RM4.2180 on 30 July. The stronger Ringgit was mainly attributable to the improving Malaysian political landscape, helmed by the newly-minted Prime Minister, Dato' Sri Ismail Sabri Yaakob. The unveiling of his cabinet line-up last week may have also restored the investors' confidence towards Malaysia, which further strengthens the Ringgit.
- ✓ In addition, the stronger Ringgit against the U.S. Dollar was due the waning concerns over tapering beginning at the end of this year as Fed Chair Jerome Powell indicated that rate hikes will not take place so soon.
- ✓ On the local front, a total of 15,241,655 or 65.1% of the country's adult population have been fully vaccinated whereas 19,932,137 or 85.1% of them had received their first dose as at 1 September. Malaysia is expected to move from the Covid-19 pandemic into an endemic phase by the end of October as 80.0% of the population are inoculated by then. In the endemic phase, more sectors will be allowed to reopen with new Covid-19 norms being practiced as mentioned by the Minister of Health, Khairy Jamaluddin.
- ✓ Looking forward, we anticipate that the Ringgit will trade within a range of RM4.16 to RM4.18 in the medium term. The outcome of Organisation of the Petroleum Exporting Countries Plus (OPEC+) meeting on 1 September to stick to their existing policy of gradual oil output increases despite ongoing pressure from the U.S. to raise production more quickly will prevent oil prices from drastically dropping which should bode well for the Ringgit. Recall that the Brent crude oil price has a causality effect towards the Ringgit.

MYR Against Other Currencies, m-o-m%

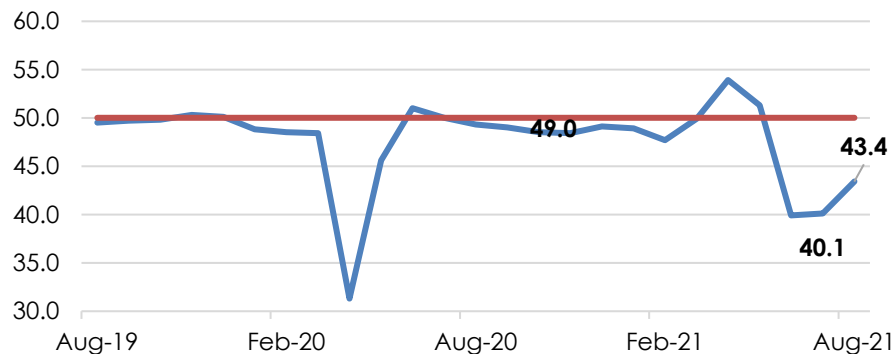


YTD Performance MYR Against Other Currencies, %



- ✓ Malaysia's Manufacturing PMI inched higher to 43.4 points in August from 40.1 points in July as restrictions on working capacity were loosened for fully vaccinated workers starting from 16 August and is applicable for states under Phase 1, 2 and 3 of the NRP.
- ✓ Apart from manufacturing activities, tourism activities involving homestays and hotels have been allowed within the same state starting from 10 August but is only applicable to states under Phase 2 (and above) of the NRP.
- ✓ As such, we believe that the resumption of such business and manufacturing activities will contribute positively to the nation's economy in the coming months.
- ✓ Although the number of daily Covid-19 cases continues to linger between 18,000 to 22,000 cases, 98.2% of daily Covid-19 cases recorded on 1 September were under Category 1 and Category 2 which do not exhibit severe symptoms. Moreover, the latest available data from the Ministry of Health showed as at 28 August that 77.2% and 76.3% of patients under Category 1 and Category 2 do not have any vaccination history or were only partially vaccinated. This underscores the importance of vaccination in curbing the spread of the Covid-19 virus.
- ✓ Notwithstanding this, the emergence of the highly transmissible Delta variant will lead to an uneven global economic recovery. For example, China has managed to bring down the daily infections after a surge in infections caused by the Delta variant in August while some countries in the Asia-Pacific region have decided to reinstate movement restrictions to curb infections.
- ✓ In a worst-case scenario, countries may also eventually have to treat the Covid-19 pandemic as an endemic if there is no final way to eradicate the virus, prompting people to adapt their lives with the virus.

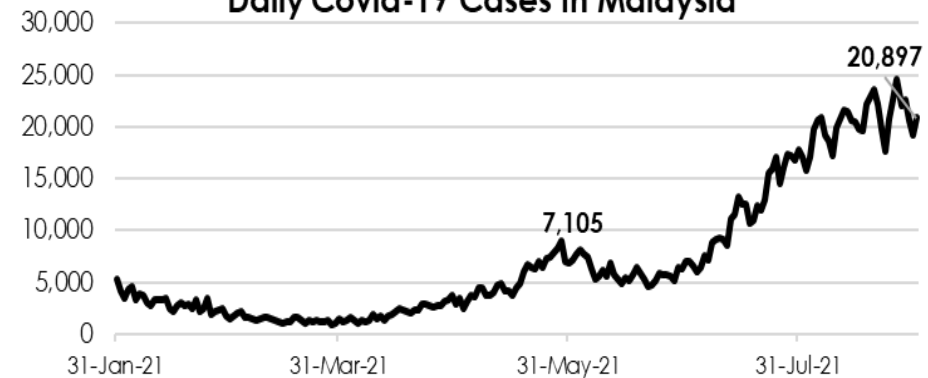
Malaysia's Manufacturing PMI, points



Source: IHS Markit

ECONOMIC RESEARCH

Daily Covid-19 Cases In Malaysia



Source: Ministry Of Health, Covid-19 Immunisation Task Force

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