



MONTHLY ECONOMIC & MARKET UPDATES

3 APRIL 2021
ECONOMIC RESEARCH

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OVERVIEW

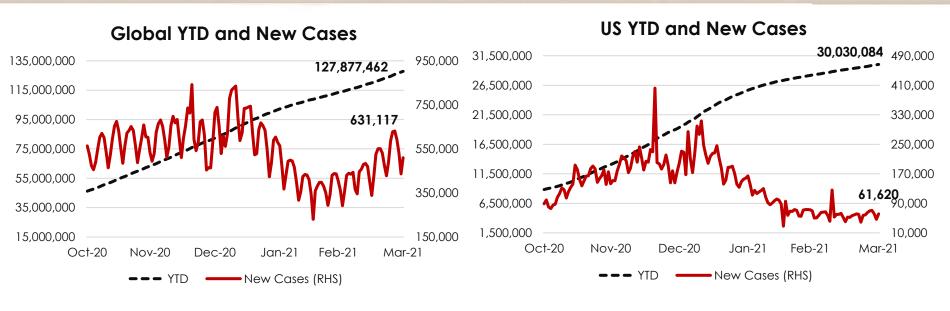


- ✓ Worldwide Covid-19 confirmed cases have exceeded 127.0 million in March The total number of people infected with Covid-19 globally was reported at 127.9 million as at 31 March. The highest number of cases were registered in the US (31 March: 30.0 million vs. 28 February: 28.2 million), followed by Brazil (31 March: 12.7 million vs. 28 February: 12.6 million) and India (31 March: 12.2 million vs. 28 February: 12.1 million).
- ✓ Lockdowns in Europe Europe's vaccination campaign has been hit by delays and the number of infections is rising in many countries. As such, lockdowns are once again coming into force as governments take action against the third wave of infections. Thus far, Germany has extended its current restrictions and lockdowns until 18 April while Italy to remain in partial lockdown until end of April.
- ✓ Accelerating the rollout of Covid-19 vaccines As the third highest number of Covid-19 infections in the world, India launched the third phase of its coronavirus vaccination drive with everyone above the age of 45 now eligible for the jab amid a sharp uptick in Covid-19 cases. Apart from that, in the US, the country has administered more than 153.0 million dosses of Covid-19 vaccines with 99.0 million people had received at least one dose while 56.0 million people are fully vaccinated.
- ✓ Global manufacturing activities expanded for the ninth straight month The J.P. Morgan Global Manufacturing Purchasing Managers' Index (PMI) increased to 55.0 points in March from 53.9 points previously. This was the best reading since February 2011, supported by stronger growth of output, new orders and employment. According to the survey, global manufacturing sector continued to strengthen as economic activities are rebounding and vaccinations become more available.

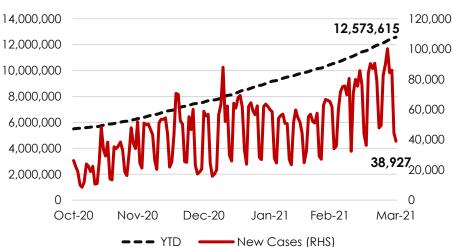
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COVID-19: THE US, BRAZIL, INDIA RECORDED THE HIGHEST NUMBER OF INFECTION CASES DAILY IN MARCH 2021

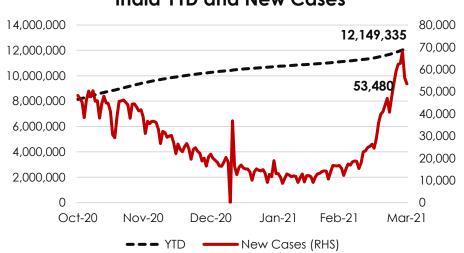








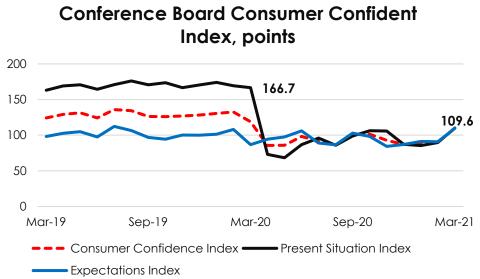
India YTD and New Cases

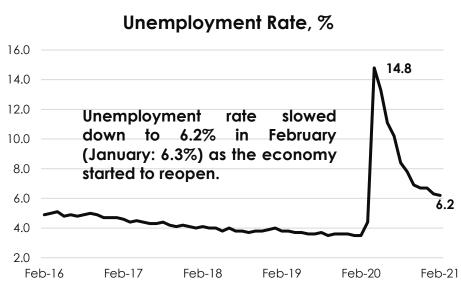


Source: CEIC

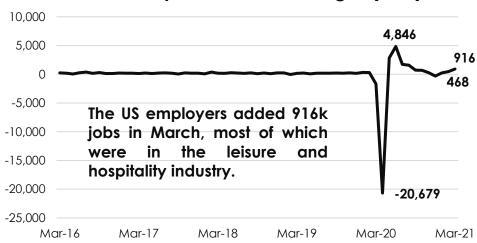
US ECONOMY – CONSUMERS SECTOR CONTINUED TO PROGRESS



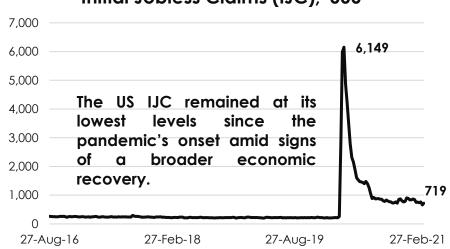




Nonfarm Payrolls, m-o-m changes ('000)



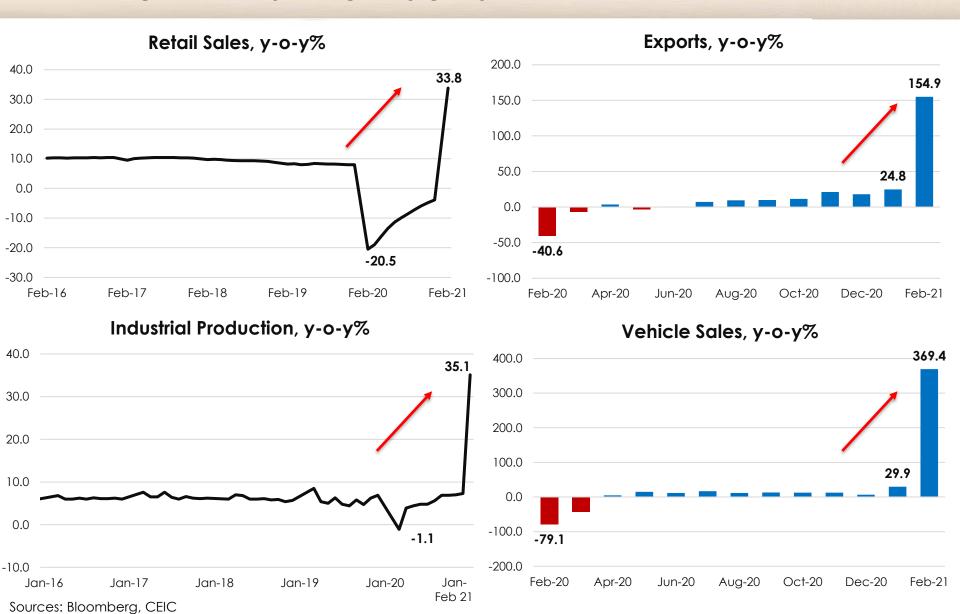
Initial Jobless Claims (IJC), '000



Sources: Bloomberg, CEIC ECONOMIC RESEARCH

CHINA ECONOMY HAS SHED THE CLOUDS OF THE COVID-19 PANDEMIC IN THE FIRST 2 MONTHS OF 2021

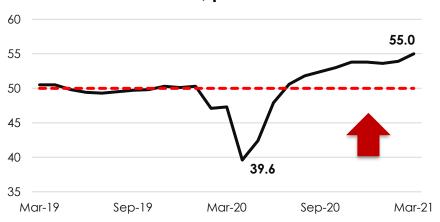




MANUFACTURER SENTIMENTS ARE IMPROVING



J.P. Morgan Global Manufacturing PMI, points



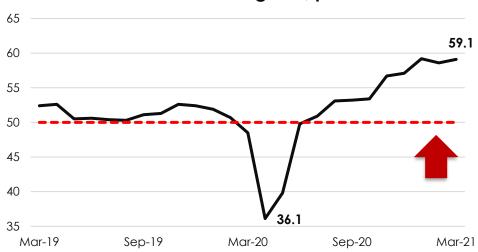
Index Summary:

Index	Feb-21	Mar-21	Interpretation
PMI	53.9	55.0	Improvement, faster rate
Output	54.3	55.1	Growth, faster rate
New Orders	54.0	55.8	Growth, slower rate
New Export Orders	51.0	53.4	Growth, faster rate
Future Output	67.2	66.5	Growth expected, better sentiment
Employment	50.7	51.5	Growth, faster rate
Input Prices	65.1	68.2	Inflation, faster rate
Output prices	55.7	59.3	Inflation, faster rate
Source: IHS Markit			

Eurozone Manufacturing PMI, points



US Manufacturing PMI, points



Source: Bloomberg ECONOMIC RESEARCH

CENTRAL BANK POLICY RATES



- · · ·									5 00				
Policy rates	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-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
Lafin America													
Mexico (ON Rate)	6.00	5.50	5.00	5.00	4.50	4.25	4.25	4.25	4.25	4.25	4.00	4.00	4.00
Brazil (Selic Rate)	3.75	3.00	2.25	2.25	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.75
Argentina (LELIQ 7D Notes Rate)	38.00	38.00	38.00	38.00	38.00	38.00	36.00	38.00	38.00	38.00	38.00	38.00	38.00
Eastern Europe													
Russia (Key Rate)	5.50	5.50	4.50	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.50
Ukraine (Discount Rate)	8.00	8.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.50
Turkey (1W Repo Rate)	8.75	8.25	8.25	8.25	8.25	10.25	10.25	15.00	17.00	17.00	17.00	17.00	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)	4.40	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)	4.50	4.50	4.25	4.00	4.00	4.00	4.00	3.75	3.75	3.75	3.50	3.50	3.50
Thailand (1D Repo Rate)	0.75	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)	0.75	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Philippines (O/N Lending Rate)	2.75	2.75	2.25	2.25	2.25	2.25	2.25	2.00	2.00	2.00	2.00	2.00	2.00
Australia (Cash Rate)	0.25	0.25	0.25	0.25	0.25	0.25	0.25	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)	2.50	2.00	2.00	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75

* As at 2 April 2021

Source: Bloomberg

 Central banks globally are expected to maintain their ultra-easy monetary policies even with the global economy being anticipated to rebound from last year's Covid-19-inflicted recession.

✓ However, a few central banks have started to increase their benchmark rate to control their inflation rate. Thus far, the central bank of Turkey has raised its key rate by 200 basis points (bps) from 17.00% to 19.00% on 18 March 2021 to counter the rising inflation and the dropping value of the Lira.

Likewise, Brazil's, Ukraine's and Russia's central bank raised its key interest rate by 75 bps, 50 bps and 25 bps to 2.75%, 6.50% and 4.50% respectively to curb inflationary pressures and bring inflation back to the central bank's target.

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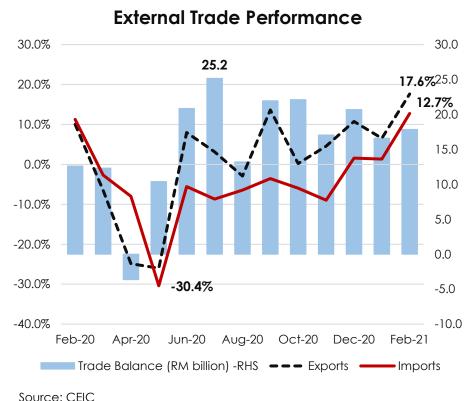




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EXPORTS SOARED BY 17.6% IN FEBRUARY 2021

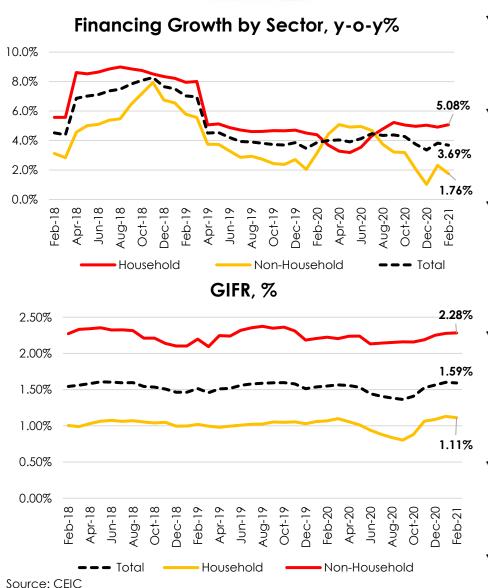




- ✓ Malaysia's exports jumped by 17.6% year-on-year (y-o-y) in February, extending the 6.6% gains in the preceding month (Consensus: 7.0%).
- ✓ The expansion was mainly contributed by exports of the Manufacturing sector which increased by 20.9% in February (January: 11.7%), followed by Agriculture sector which recovered by 9.7% in February from 7.3% contraction in the previous month. Both sectors accounted for 93.7% of total exports during February.
- ✓ Nevertheless, exports of the Mining sector continued to drop though at a softer pace, marking the twentieth consecutive month of decline since July 2019 (February: -7.8% vs. January: -31.0%).
- ✓ Within the Manufacturing industry, exports of E&E Products (February: 25.5% vs. January: 13.1%) and Rubber Products (February: 188.7% vs. January: 187.4%) continued to anchor the growth, contributing for 50.1% of total manufactured goods exports.
- ✓ As for the Agriculture sector, the expansion was mainly underpinned by higher exports of Palm Oil & Palm-Based Products (February: 10.7% vs. January: -10.9%). Meanwhile, exports of Natural Rubber increased by 14.5% in February from a 9.6% growth previously. Both products accounted for 75.4% of total Agriculture product exports.
- ✓ On imports, it rose by 12.7% in February from a 1.3% growth previously. On further scrutiny, imports of Capital Goods rebounded by 39.0% in February from a 5.4% contraction in the previous month, while imports of Consumption Goods surged by 17.6% in February (January: 1.3%). On the other hand, imports of Intermediate Goods dropped by 0.2% in February from a 1.4% expansion previously. Consequently, the trade surplus balance widened from RM16.6 billion in January to RM17.9 billion in February.
- ✓ On a cumulative basis, exports expanded by 11.7% in 2M2021 from 2.9% growth in the same period last year while imports inched up by 6.6% in 2M2021 (2M2020: 3.4%). As such, the trade surplus increased from RM24.7 billion in 2M2020 to RM34.5 billion in 2M2021.

BANKING SECTOR- SOFTER FINANCING GROWTH





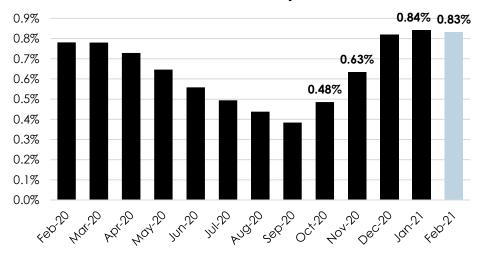
* https://www.bankislam.com/wp-content/uploads/BNM-AR-2020_31032021.pdf
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- The banking system's financing activities recorded slower growth of 3.69% y-o-y in February compared to 3.83% in January. This was mainly underpinned by the Non-Household sector which moderated by 1.76% in February after increasing by 2.31% in January.
- ✓ On a different note, financing for the Household sector was higher by 5.08% in February from 4.91% increase previously, attributed by the strong growth for purchase of transport vehicles (February: 5.27% vs. January: 5.06%).
- As for the Gross Impaired Financing Ratio (GIFR), the performance was slightly better during February as it declined to 1.59% from 1.60% in January. This was due to the lower GIFR for the Household sector which dropped to 1.11% in February (January: 1.13%) while the Non-Household sector remained unchanged at 2.28% in February (January: 2.28%).
- Within the Household sector, impairment for purchase of transport vehicles (February: 0.83% vs. January: 0.84%), purchase of residential property (February: 1.21% vs. January: 1.23%), personal use (February: 2.05% vs. January: 2.11%) and purchase of consumer durable (February: 2.62% vs. January: 2.77%) recorded lower impairments during February.
- On the other hand, BNM has revised its impairment projection downwards to 2.9% for AS1 and 3.3% for AS2 by end of this year from a 4.1% projection during the previous exercise in view of significantly better turnout for repayment*.
- Judging from this, Malaysia's banking sector remains resilient as the GIFR was lower compared to BNM's stress test.

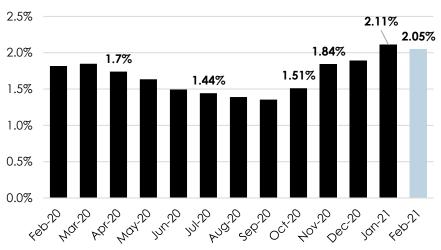
ASSET QUALITY WAS SLIGHTLY IMPROVED- BY PURPOSE



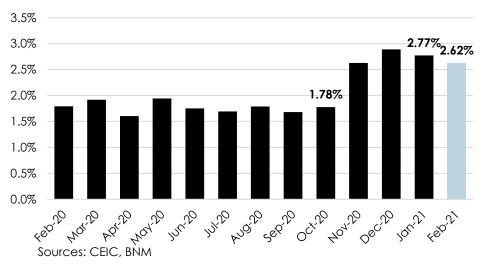




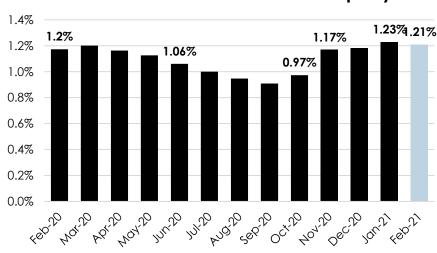
GIFR-Personal Use



GIFR-Purchase of Consumer Durables



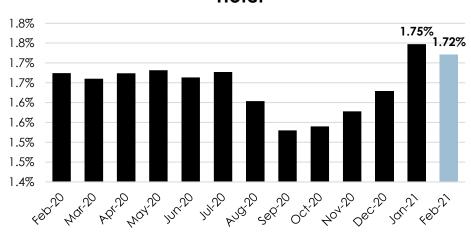
GIFR-Purchase of Residential Property



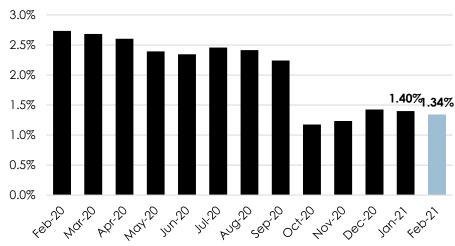
ASSET QUALITY WAS SLIGHTLY IMPROVED- BY SECTOR







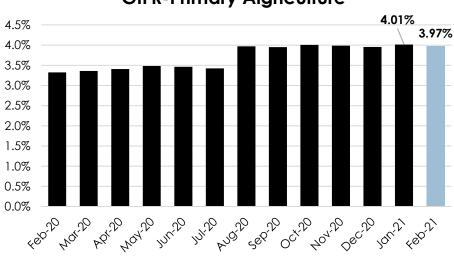
GIFR-Mining & Quarrying



GIFR-Transport, Storage & Communication



GIFR-Primary Algriculture



CONSTRUCTION – OPPORTUNITIES FROM LSS4 FOR CONTRACTORS



- ✓ On 12 March 2021, the Energy Commission (EC) has announced the list of 30 shortlisted bidders of the Large Scale Solar@MEnTARI (LSS4), totalling 823.0 Megawatts (MW) out of the offered 1,000.0 MW.
- ✓ The EC requires the bidders to appoint local Engineering, Procurement, Construction and Commissioning (EPCC) contractors for LSS4 projects, which is a departure from the previous policy of allowing foreign EPCC contractors for LSS3.
- Established contractors for solar and other renewable energy (RE) projects that are likely to benefit from the LSS4
 EPCC contracts include:

Established contractors for solar and RE projects					
Kpower Berhad					
Samaiden Group Berhad					
Solarvest Holdings Berhad					

Source: Energy Commission

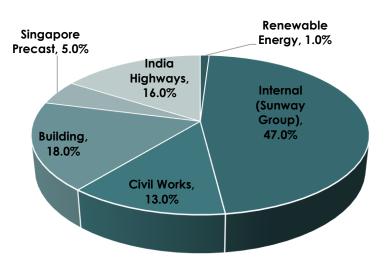
✓ Meanwhile, contractors that are building their track record by bidding for LSS4 EPCC contracts include:

Contractors building track record in solar and RE projects Sunway Construction (undertaken via its 19.0%-owned associate Gopeng Berhad) Advancecon Holdings Berhad JAKS Resources Berhad

Source: Energy Commission

- ✓ Overall, the LSS4 will give the opportunity for contractors to diversify their orderbook.
- For instance, Sunway Construction will likely secure EPCC contracts for two solar plants with a total generation capacity of 100.0 MW. The EPCC contracts could be worth about RM200.0 million to RM250.0 million. The potential LSS4 solar plant EPCC contracts will potentially increase the company's current order book of RM5.1 billion by 5.0%. Currently, Sunway Construction is involved in rooftop solar projects and these projects comprise 1.0% of its remaining order book. The company's potential involvement in the LSS4 EPCC projects will expand its exposure to RE projects with strong long-term growth prospects.

Sunway Construction's order book breakdown by type of project



Source: Sunway Construction Berhad

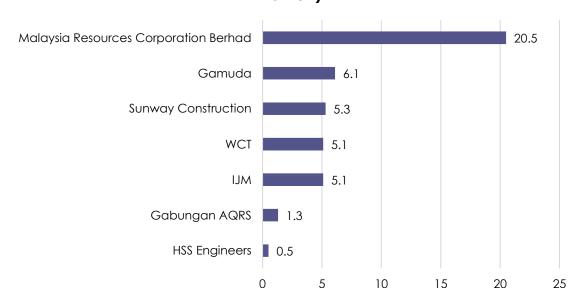
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CONSTRUCTION – EXPEDITION OF MEGA PROJECTS TO REPLENISH ORDER BOOK OF CONTRACTORS



- Prospects to replenish order books are improving with the potential revival of mega infrastructure projects such as the MRT3.
- As the original proponent of the Klang Valley MRT system with lead roles in the previous two lines, the MMC-Gamuda Joint Venture has the added advantage of deploying existing tunnel boring machines (TBM) that are currently used for MRT2 for the MRT3 project.
- Therefore, the MRT3 project is a shovel-ready project that the government could push out as part of infrastructure pump-priming to revitalise the economy without substantial additional costs. Moreover, the timing is deemed suitable, with MRT2 achieving a completion rate of 74.0% as at October 2020.
- ✓ All in all, the revival of mega infrastructure projects will drive higher new contract wins after the slowdown in 2018 to 2020. We expect the acceleration of progress billings on existing projects and higher new contract wins to drive sector earnings.

Latest Publicly Avaible Construction Order Book (RM billion)



Source: Public listed companies

Klang Valley Mass Rapid Transit (MRT) Project Plan



Source: Tunnel Talk

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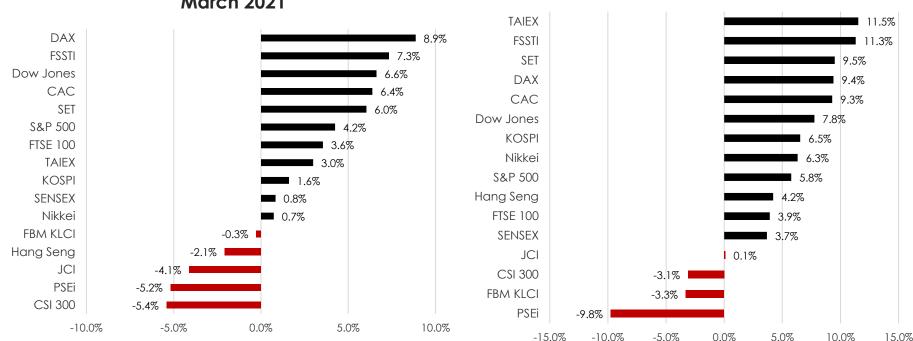
FBM KLCI RECORDED A MARGINAL LOSS IN MARCH



- ✓ In March, gainers exceeded losers with Germany's DAX index recording the largest monthly gain of 8.9%. In fact, this was the biggest monthly advance since November 2020 which recorded a 15.0% monthly increase. During the month, the DAX index surpassed 15,000 points for the first time ever on 30 March 2021, partly boosted by news that Volkswagen plans to compete with Tesla as the world leader in electric vehicles.
- ✓ Meanwhile, China's CSI 300 index was the biggest laggard with a 5.4% monthly decline in March. Sentiment towards the index was shaken by concerns over monetary tightening and the government's de-risking campaign. In addition, the US, Canada, the UK and the European Union decided to impose sanctions against China over alleged human right abuses on the Uyghurs in Xinjiang.
- ✓ On the domestic front, the FBM KLCI index recorded a marginal decline 0.3% in March but saw a heavier loss of 3.3% on a year-to-date (YTD) basis. Other YTD decliners include the Philippines' PSEI index and China's CSI 300 index which lost 9.8% and 3.1% in March 2021, respectively.



YTD Gain/Losses of Benchmark Indices



Source: Bloomberg ECONOMIC RESEARCH

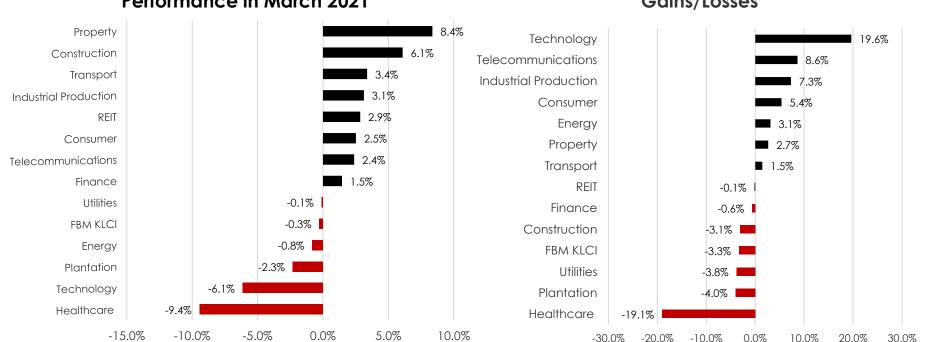
SECTORAL PERFORMANCE OF BURSA MALAYSIA



- ✓ The Bursa Malaysia Property Index was the biggest gainer for March 2021 after recording an 8.4% monthly increase, in tandem with expected stronger consumer confidence underpinned by the vaccine optimism. As such, property developers are more optimistic on their sales outlook in 2021, causing them to be more aggressive in their property launches. Aside from that, the ongoing Home Ownership Campaign and low financing rate environment will continue to support the demand for property purchases.
- ✓ Meanwhile, the Bursa Malaysia Healthcare Index was not just the biggest loser in March but was also the largest decliner on a YTD basis. Much of the sell-off in the sector was attributable to the declaration by the US Customs and Border Protection that certain disposable gloves manufactured by Top Glove have been manufactured with the use of convict, forced or indentured labour. As a result, such products will not be permitted to be imported by the US. The dampened sentiment on Top Glove later on spread to other glove makers despite the recent rebound in Covid-19 cases in Europe and India.



Bursa Malaysia Sectoral YTD Gains/Losses

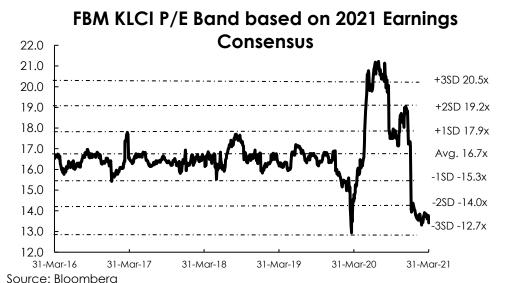


Source: Bloomberg

VALUATION OF THE LOCAL MARKET



- ✓ The risk/reward profile of the market remains commendable. Based on the Bloomberg consensus, the market is expecting earnings to recover by 64.7% in 2021 (2020: -20.6%) in tandem with the anticipated economic growth.
- ✓ In terms of earnings of the FBM KLCI index, the financial services sector will contribute the most as the sector makes up 29.4% of the index's total market capitalisation. The rebound in economy is expected to see higher demand to finance business expansions this year which will push net income margins of banks. Aside from that, the telecommunication sector which contributes 11.8% to the FBM KLCI's market capitalisation too will support earnings amid optimism bolstered by the initiatives under the Malaysia Digital Economy Blueprint (MyDigital).
- ✓ Valuation of the FBM KLCI index appears attractive as its forward price-to-earnings ratio (PER) of 13.7x is two standard deviations below the five year average of 16.7x.
- Therefore, we reiterate our year-end target of 1,715 points for the FBM KLCI index in 2021. This is derived by multiplying the 2021 FBM KLCI EPS integer of 117.3 with a forward PER target of 14.6x which is roughly -1.5 SD lower than the mean to reflect the expected earnings recovery while acknowledging risks of a slower-than-expected vaccine distribution.



Earnings Growth Trajectory of the FBM KLCI

Year	Earnings Per Share (EPS) Integer of FBM KLCI	Year-on-year (y-o-y) EPS Growth
2022F	115.1	-1.9%
2021E	117.3	64.7%
2020	71.2	-20.6%
2019	89.7	13.0%
2018	79.3	-26.5%
2017	107.9	9.8%
2016	98.3	4.4%
2015	94.2	-13.0%

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FOREIGN FUND FLOWS-EQUITY



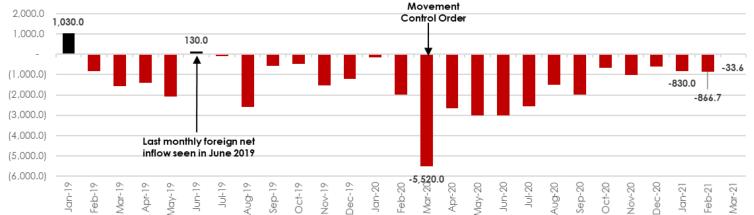
- ✓ Foreign fund net outflows in March 2021 slowed down to RM33.6 million (February 2021: -RM866.7 million), marking the 21st consecutive month of foreign net selling on Bursa Malaysia. Aside from that, local retail investors have recorded net inflows of RM1,616.0 million in March 2021 (February 2021: RM1,995.5 million) while local institutions disposed RM1,582.4 million net last month after selling RM1,128.8 million net of local equities in the month before.
- ✓ In comparison with other regional peers under our coverage, Malaysia has the smallest YTD foreign net outflow of USD429.3 million while Taiwan recorded the largest YTD foreign net outflow of USD12,136.1 million net. Meanwhile, India and Indonesia are the only countries with a foreign net inflow of USD7,621.0 million and USD846.9 million respectively.

YTD Regional Foreign Net Inflow/Outflow in as at 31 March 2021

Country	USD Million		
India	7,621.0		
Indonesia	846.9		
Malaysia	-429.3		
Philippines	-946.5		
Thailand	-986.5		
South Korea	-8,346.0		
Taiwan	-12,136.1		

Source: Bloomberg

Monthly Foreign Net Inflow/Outflow (RM Million) in Malaysia's Equity Market



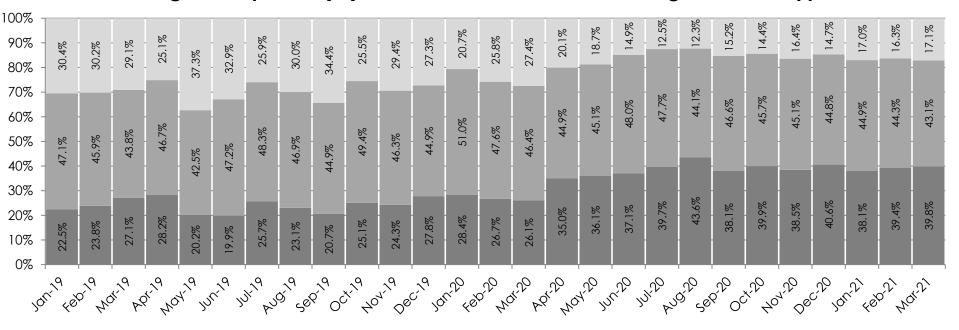
Source: Bloomberg
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TRADING PARTICIPATION BASED ON VALUE TRADED



- \checkmark Overall, the traded value on Bursa Malaysia reached RM230.1 billion in March (February: RM187.8 billion).
- ✓ On further scrutiny, we observed that the participation of retail investors remained strong, evident from the increase in retail investors' share of value traded on Bursa Malaysia in March which inched higher to 39.8% in March (February: 39.4%).
- ✓ It is noteworthy that the retail investors' share of value traded on Bursa Malaysia has remained above 30.0% since April 2020.
- ✓ Meanwhile, foreign investors who have been constantly selling local equity saw their trading participation based on value traded on Bursa Malaysia increase slightly to 17.1% in March (February:16.3%).
- ✓ We also noted that participation from local institutions was fairly stable at 43.1% in March (February: 44.3%).

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



■ Local Retail

■ Local Institutions
■ Foreign

FIXED INCOME

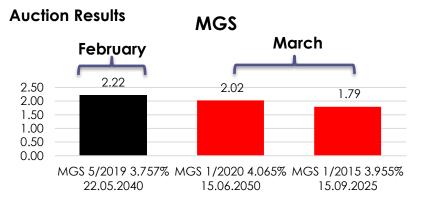


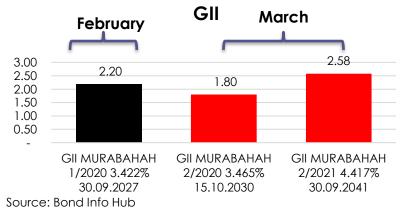
Change in MGS Yields

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MGS Benchmark	Coupon (%)	Yields (%) 26-Feb-21	Yields (%) 31-Mar-21	Monthly Change (bps)
3-Y 03/23 MGS	3.480%	1.98%	2.13%	15
5-Y 09/25 MGS	3.955%	2.32%	2.66%	34
7-Y 06/28 MGS	3.733%	2.85%	3.08%	23
10-Y 04/31 MGS	2.632%	3.08%	3.24%	16

Source: BNM





- ✓ Overall, MGS benchmark yields were higher during March between 15 bps and 34 bps. Significant rise was seen in 5-Y 09/25 MGS which increased by 34 bps to close at 2.66% during March while 7-Y 06/28 went up by 23 bps to close at 3.08%. The increase in bond yields was mainly underpinned by the spill over effect from the rise in 10-Y UST accompanied by the announcement of a massive infrastructure plan by the US president which could cement the country's position at the top of the global economy.
- Despite the rising yields, foreign investors continued to buy local govvies as reflected by foreign net inflows in February which increased to RM7.2 billion compared to RM3.7 billion in January. This brought the cumulative foreign inflows to RM10.9 billion during 2M2021 from an outflows of RM4.6 billion in the same period last year.
- ✓ The latest auction of 20.5-Y 09/41 GII drew a Bid-To-Cover ratio of 2.58x which has improved from the previous two auctions (10-Y 10/30 GII and 5-Y 09/25 MGS) with BTC below than 2.0x.
- All in all, the FTSE Russell decision to retain Malaysia's membership in WGBI, as well as series of foreign inflows would likely to provide some support to the bond market.

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RINGGIT SLIPPED FURTHER DURING MARCH



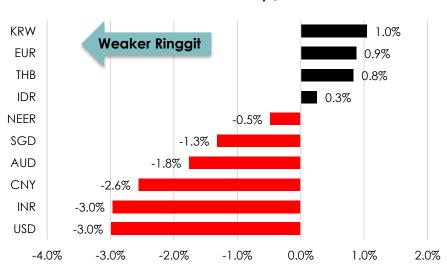
- ✓ The Ringgit fell by 2.3% against the USD during March to close at RM4.1450 from RM4.0498 at the end of February. This was mainly due to a stronger US greenback amid the rapid rise in Treasury yields in light of anticipation of a swift and robust economic recovery this year. Apart from that, the US President Joe Biden has unveiled a USD2.0 trillion infrastructure and economic plan that would spread over eight years in order to improve America's crumbling transport network, as well as to create millions of jobs.
- ✓ On the other hand, China's CNY has weakened following unfavorable headlines surrounding the US China dialogue and Xinjiang sanctions by western governments. This has adversely impacted Malaysian Ringgit as both currencies has a strong positive correlation more than 60.0%.
- ✓ All in all, the Malaysian Ringgit sell-off is likely to persist as US bond yields may continue to rise in view of US's high vaccination rate coupled with Biden's USD2.0 trillion infrastructure plan. In addition, the US-China tech war and EU's third wave of Covid-19, as well as oil market uncertainty could exert more downward pressure on Ringgit in the next future.

3.0%



1.9% 0.4% **EUR Weaker Ringgit** 0.2% THB **IDR** -0.3% -0.6% **NEER** AUD -0.9% **CNY** -1.0% **SGD** -1.5% KRW -1.6% USD -2.3% INR -2.8% -4.0% -2.0% -1.0% 2.0% -3.0% 0.0% 1.0%

YTD Performance MYR Against Other Currencies, %



Sources: Bloomberg, Bank Islam

CONCLUSION



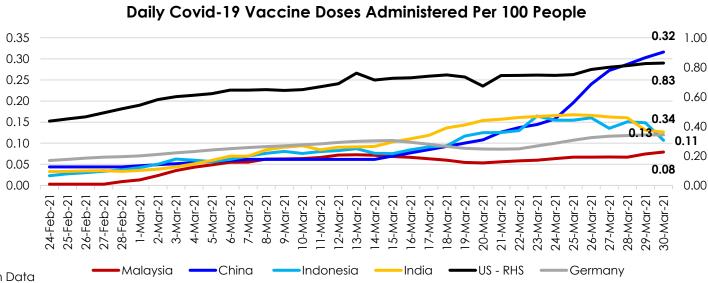
- ✓ **Stimulus to boost economic activity -** In the US, the vaccine rollout is gaining momentum while President Joe Biden's USD1.9 trillion fiscal stimulus combined with the USD2.0 trillion infrastructure plan is expected to provide a major support to economic activity. Underlying data such as the US nonfarm payrolls surged to 916k jobs in March from a higher revised figure of 468k jobs in the previous month as reopening of the economy boosted new hiring.
- ✓ Markets continue to rally As such, equity markets in the US and other developed markets have continued climbing to new highs in tandem with expected corporate earnings improvement. With riskon mode increasing, the US Treasury yield curve has become much steeper with the long-dated securities yielded higher.



CONCLUSION



- Temporary hurdles are inevitable While data points have been pointing towards a recovery, we need to be wary of potential hurdles along the way given the highly fluid environment. For instance, Europe's vaccination progress remains slow as only 15.5% of population has received at least one dose. As a result, some European countries are experiencing a surge in cases, which has led the government to impose movement restrictions or delay reopening of economies.
- ✓ Malaysia too not spared from a slow vaccination rate Even on the domestic front, the daily Covid-19 vaccine doses administered per 100 people in Malaysia is lagging Asian peers namely Indonesia and India. Perhaps with more vaccines entering the market, the vaccination rate will follow suit to increase but a reluctance among the masses to get vaccinated due to fear of side effects may create another tumbling block to reach herd immunity.
- ✓ **Diversification remains crucial** All in all, investors have to be tactical in their asset allocation by "not putting all their eggs in one basket". Further screening should be applied to ensure that capital gains could be met in exposure growth stocks while allocating some portion in safe haven assets to protect against downside risks.



Source: Our World In Data ECONOMIC RESEARCH

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