



From the Desk  
of the  
**Chief Economist**

**BANK ISLAM**

# **WEEKLY MARKET UPDATES**

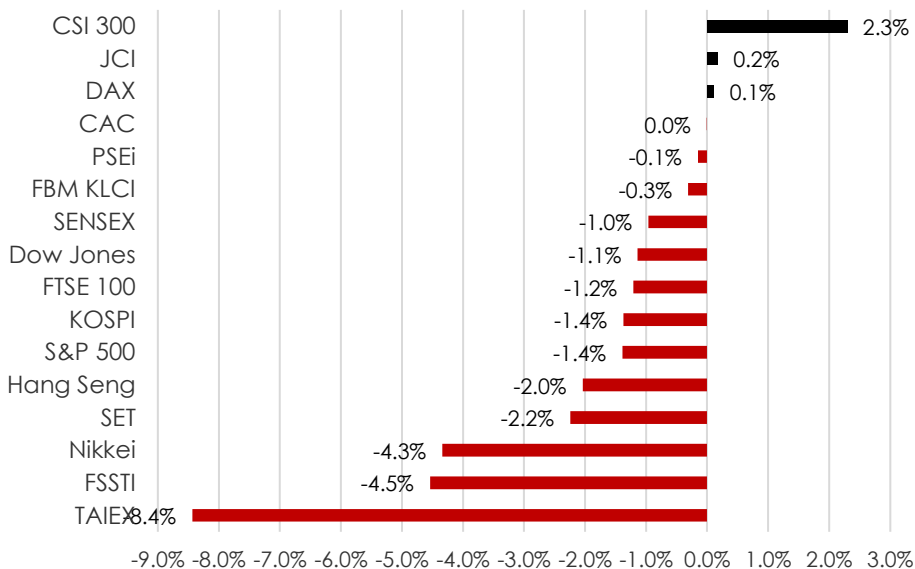
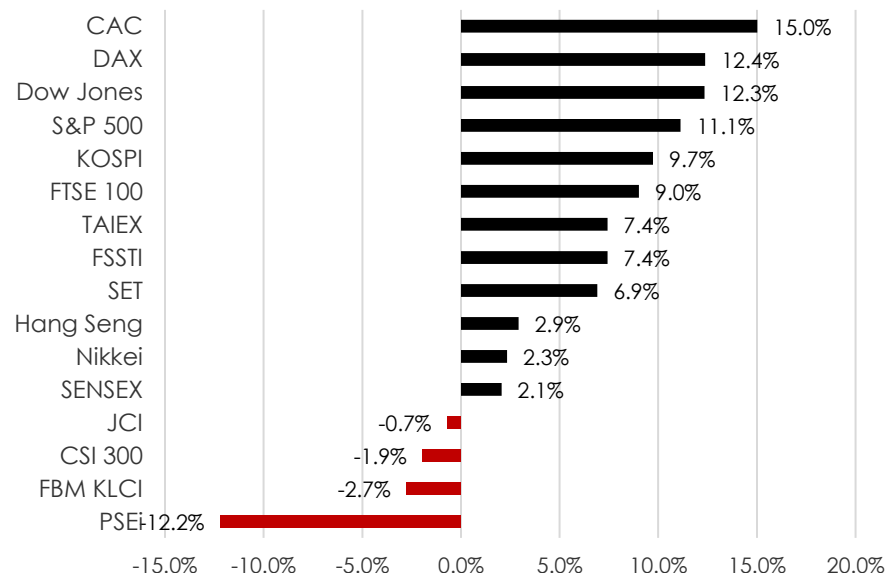
**17 MAY 2021**

## **ECONOMIC RESEARCH**

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NOR JANNAH ABDULLAH**

## WEEKLY MARKET PERFORMANCE

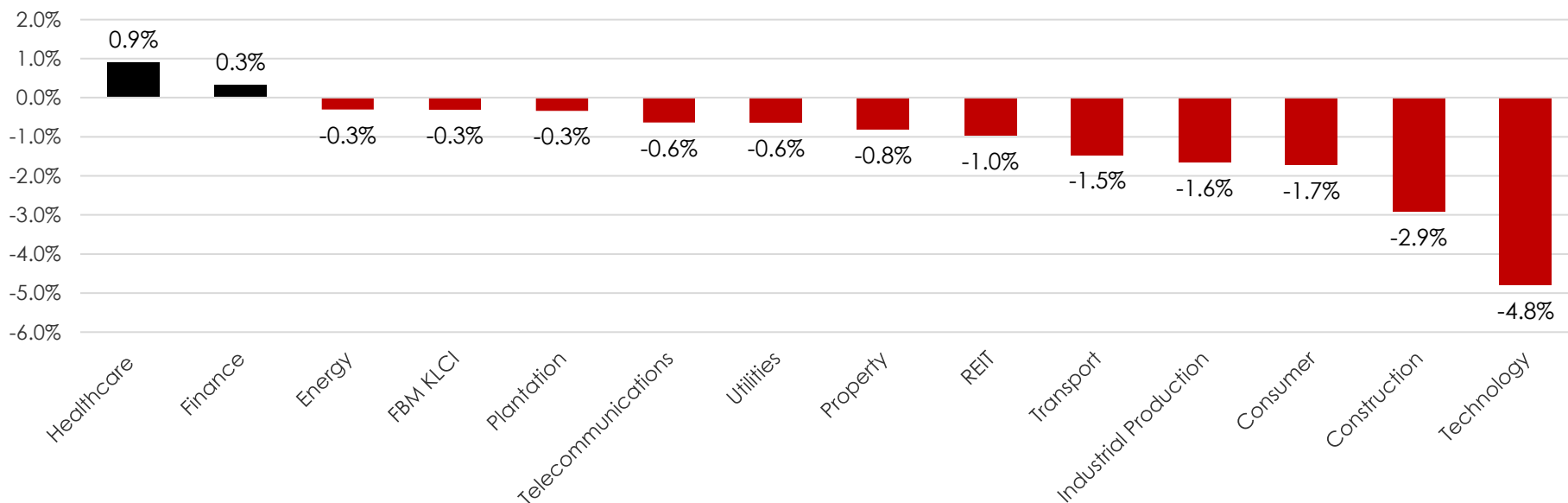
- ✓ Decliners conquered losers among major equity markets last week with Taiwan's TAIEX index recording the largest weekly drop of 8.4%. During the week, the TAIEX index closed 4.1% lower on Wednesday, the worst one-day decline since March 2020. The selloff was due to the government's move to tighten rules on public gatherings after reporting six new domestic Covid-19 cases with no clear source of infection. Markets continued to be frightened that the restrictions may be escalated, which will potentially exacerbate the semiconductor shortage.
- ✓ Meanwhile, China's CSI 300 index led gainers with a 2.3% weekly advance, propelled by its healthcare and financials index which ended the week 9.0% and 2.6% higher respectively.
- ✓ On the domestic front, the FBM KLCI index was lower by 0.3% for the week but recorded a larger loss on a Year-To-Date (YTD) basis of 2.7%.

Weekly Gain/Loss of Major Equity Markets (%)  
(Week Ended 14 May)YTD Gain/Loss Of Major Equity Markets (%)  
(As at 14 May)

## WEEKLY SECTORAL PERFORMANCE

- ✓ The Bursa Malaysia Healthcare index led gainers with a 0.9% weekly advance as there seems to be no signs of slowdown for domestic Covid-19 cases with Malaysia consistently recording more than 2,000 cases since 15 April 2021. Therefore, the prospects of stronger demand for rubber gloves remains intact and should bode well for the profitability of rubber glove makers in the coming quarters.
- ✓ On the other hand, the Bursa Malaysia Technology Index was the largest decliner with a 4.8% weekly drop. Much of the week's decline in the index was due to concerns of a global chip shortage which could last for another two years. The biggest casualty from this shortage of chips is the global automotive industry which is expected to forego USD110.0 billion worth of revenue this year. Major factors for the chip shortage is the fire at a plant near Tokyo for a world-renowned chip supplier, Renesas combined with weather-related kinks in the automotive supply chain.

## Bursa Malaysia Sectoral Weekly Performance (%)

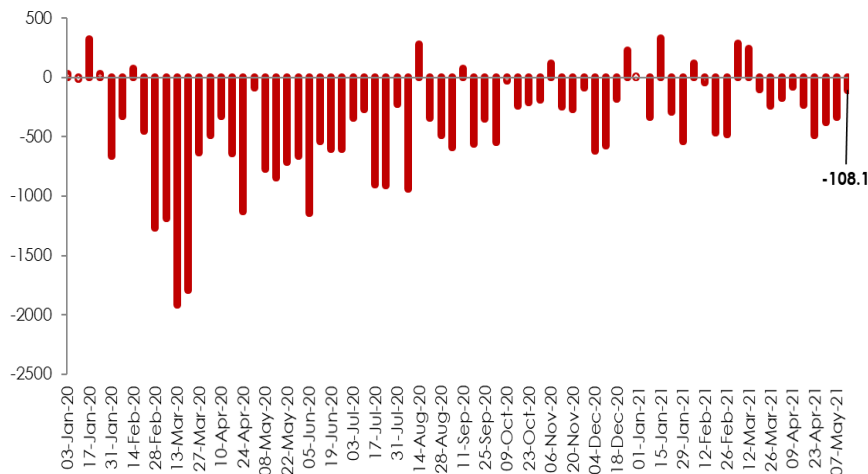


Source: Bursa

## WEEKLY FOREIGN FUND FLOW

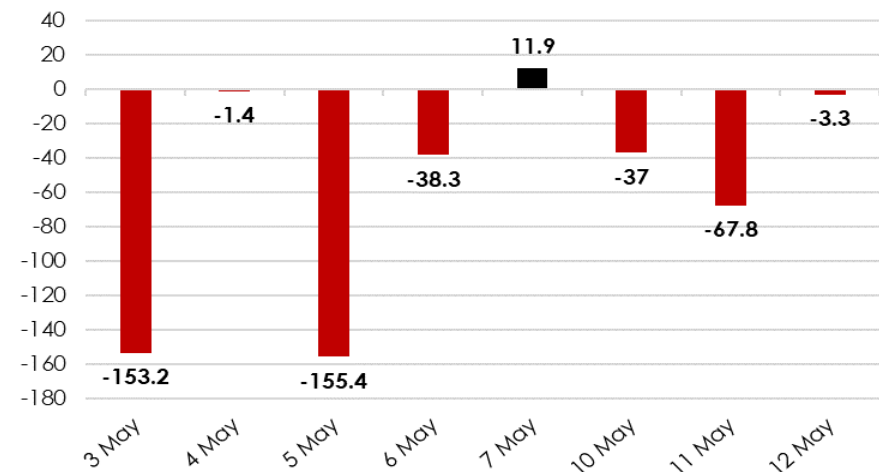
- ✓ The pace of foreign net selling slowed down during the holiday-shortened week. Foreign investors only disposed RM108.1 million net of local equities last week compared to the RM336.4 million net in the week before.
- ✓ Foreign investors began the week by withdrawing RM37.0 million net of local equities on Monday as investors moved to the sidelines ahead of the release of Malaysia's 1Q2021 GDP on Tuesday. Meanwhile, some selling activity occurred in rubber glove counters on Monday due to higher vaccinations rates in the country following the commencement of the voluntary vaccination programme using the AstraZeneca vaccine. The foreign net outflow on Tuesday increased further to RM67.8 million as jitters from the Movement Control Order (MCO) 3.0 being imposed on a larger scale offset the positive vibes from the smaller contraction in Malaysia's GDP growth of 0.5% in 1Q2021 (4Q2020: -3.4%). Wednesday then saw foreign investors sell RM3.3 million net of local equities before the Hari Raya Aidilfitri holidays took place on Thursday and Friday.
- ✓ Malaysia's YTD foreign net outflow stands at RM3.3 billion. There have only been 4 weeks of foreign net buying out of 19 weeks this year so far.

### Weekly Foreign Fund Flow in Malaysia (RM Million)



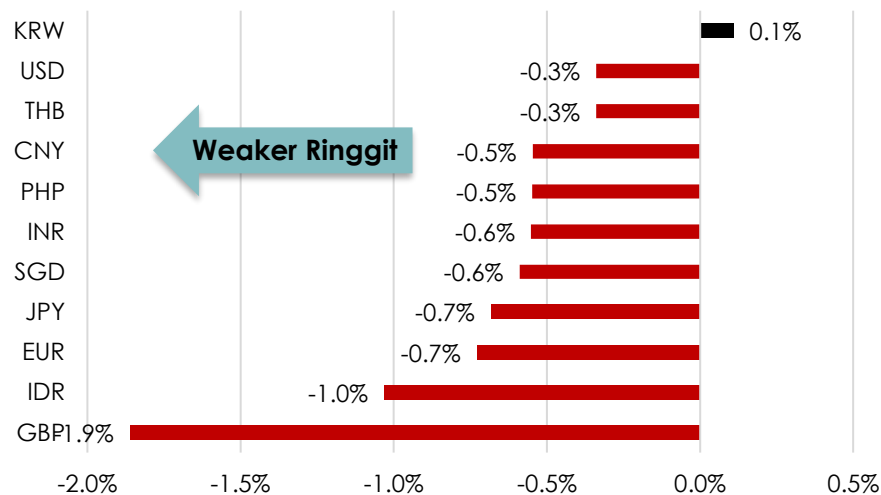
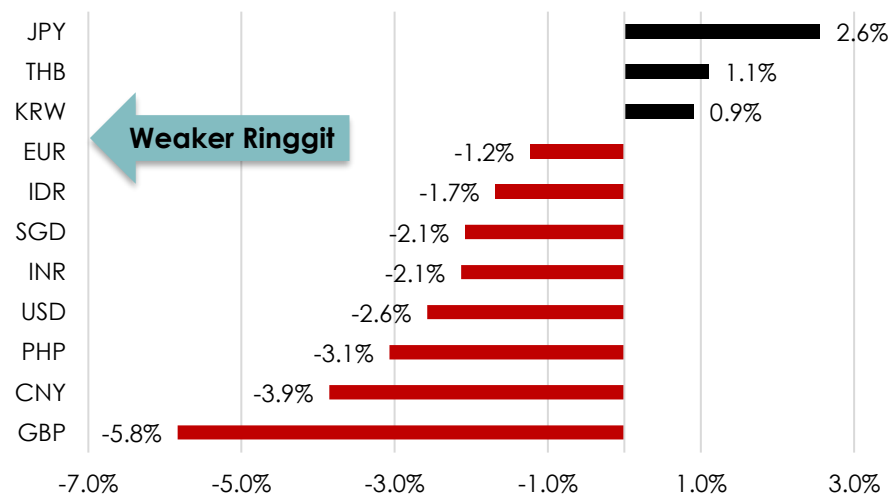
Sources: Bursa and Bloomberg

### Daily Foreign Net Inflow/Outflow in May 2021 (RM Million)



## WEEKLY PERFORMANCE

- ✓ The Ringgit fell by 0.3% week-on-week (w-o-w) against the US Dollar to close at RM4.1265 on 12 May 2021 from RM4.1125 on 7 May 2021. The downward pressure towards the Ringgit came from the high number of Covid-19 cases in Malaysia which hit 4,855 cases on the day of Hari Raya Aidilfitri, a level not seen since early this year.
- ✓ Moreover, the Ringgit seems to be stuck in a lopsided recovery as the market is trying to strike a balance between strong external demand, which boosted exports and the domestic services sectors which are lagging due to the current MCO 3.0.
- ✓ Looking forward, the ringgit is expected to weaken against the US dollar this week at between RM4.10 and RM4.15 per US Dollar, in line with fear of the US Consumer Price Index (CPI) data released last Wednesday which showed that the nation's CPI grew by 4.2% year-on-year (y-o-y) in April, the fastest pace since 2008. As markets have been on the edge over inflation recently, a high print by the US CPI could spur a jump in US bond yields and lift the greenback this week.

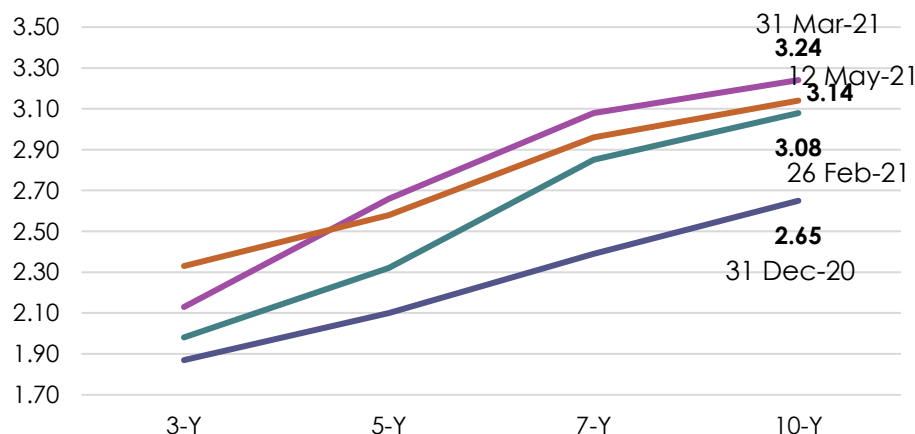
MYR against regional currencies,  
w-o-w% (Week Ended 14 May)MYR against regional currencies,  
YTD Gain% (As at 14 May)

## Weekly Change In MGS Benchmark (bps)

MGS Benchmark	Coupon (%)	Yields (%) 7 May- 21	Yields (%) 12 May-21	Change (bps)
3-Y MGS 06/24	3.48%	2.32%	2.33%	1
5-Y MGS 09/25	3.96%	2.54%	2.58%	4
7-Y MGS 06/28	3.73%	2.93%	2.96%	3
10-Y MGS 04/31	2.63%	3.08%	3.14%	6

Source: BNM

## MGS Yields, %



Source: BNM

- ✓ As for the bond market, the MGS yields for all tenures rose higher during the week with the 10-Y MGS 04/31 recording the largest rise in yields by 6 bps. Meanwhile, the yield of the 3-Y MGS 06/24 was only up by 1 bps on a weekly basis, the lowest amongst the other tenures. The weekly gain in MGS yields was partly attributable to the smaller GDP contraction of 0.5% in 1Q2021 (4Q2020: -3.4%), spurring risk-on mode in the equities market.
- ✓ On further scrutiny, MGS yields have been taking a slight breather as of late. For instance, the 10-Y MGS yield stood at 3.14% on 12 May 2021 after reaching 3.24% on 31 March 2021. Jitters from the sudden surge in Covid-19 cases coupled with MCO 3.0 have caused some investors reduce exposure in the equity market and seek safe-haven assets such as bonds, exerting downward pressure on MGS yields.
- ✓ Yields are likely to move with a slight upward bias as the global economic recovery continues. Nevertheless, the uncertainty from the pandemic should put a lid on further upside in the bond yields.

## BRENT

- ✓ Brent crude oil price recorded a 0.6% weekly increase to settle at USD68.71 per barrel last Friday (7 May: USD68.28 per barrel). This was the third consecutive weekly gain amid fears of gasoline shortages due to an outage at the largest US fuel pipeline which played against the backdrop of India's festering Covid-19 situation.
- ✓ The positive sentiment was also fuelled by the optimism about gasoline demand in the next two weeks before the May 31 Memorial Day holiday in the US, which typically serves as the starting gun for the summer race in oil prices as demand peaks from Americans setting out on long road trips. The American Automobile Association expects as many as 37.0 million road travellers on this Memorial Day, up by 60.0% from last year's pandemic-suppressed 23.0 million.
- ✓ Apart from that, the decline in the US crude stocks has also supported the market. The US Energy Information Administration (EIA) reported a fall in crude oil inventory by 0.4 million barrels to 484.7 million barrels in the week ended 7 May (30 April: 485.1 million barrels).

## Brent Crude in USD per barrel

Brent Price, USD per barrel



## US Crude Oil Inventory, '000 barrel - EIA





# COVID-19 UPDATE: DAILY NUMBER OF CONFIRMED CASES

Date	Global	China	Germany	India	Indonesia	Italy	Japan	Singapore	South Korea	Spain	Thailand	United Kingdom	United States	France	Malaysia
16-Apr-21	820,338	18	25,831	217,353	6,177	16,963	4,624	16	673	10,311	1,585	2,671	73,306	37,936	2,551
17-Apr-21	827,233	34	23,804	234,692	5,363	15,923	4,473	34	658	9,561	1,547	2,756	73,932	36,360	2,331
18-Apr-21	835,128	36	19,185	261,500	5,041	15,364	4,611	39	671	9,810	1,767	2,206	73,697	34,218	2,195
19-Apr-21	743,461	42	0	273,810	4,585	12,688	4,223	23	532	5,240	1,390	1,882	61,306	29,344	2,078
20-Apr-21	672,365	25	21,046	259,170	4,952	8,863	3,265	20	549	3,855	1,443	2,963	38,084	6,636	2,341
21-Apr-21	791,018	31	24,884	295,041	5,549	12,069	4,179	14	731	8,545	1,458	2,524	57,164	42,553	2,340
22-Apr-21	889,922	11	29,518	314,835	5,720	13,836	4,929	15	735	10,619	1,470	2,396	60,383	34,368	2,875
23-Apr-21	911,398	37	27,543	332,730	6,243	16,046	5,473	24	797	9,568	2,070	2,728	62,642	34,034	2,847
24-Apr-21	871,679	22	23,392	346,786	5,436	14,758	5,101	39	785	9,729	2,839	2,678	63,206	32,192	2,717
25-Apr-21	851,780	23	18,773	349,691	4,544	13,814	5,142	23	644	9,794	2,438	2,061	63,216	30,884	2,690
26-Apr-21	791,431	20	11,907	352,991	4,402	13,157	4,722	40	499	4,901	2,048	1,712	51,809	24,465	2,776
27-Apr-21	674,993	19	10,976	323,144	5,944	8,440	4,177	45	512	3,783	2,179	2,064	34,469	4,914	2,733
28-Apr-21	777,600	26	22,231	360,960	4,656	10,398	4,523	12	769	8,824	2,012	2,685	40,461	29,980	3,142
29-Apr-21	885,193	33	24,736	379,257	5,241	13,382	5,425	23	679	9,626	1,871	2,166	51,939	31,444	3,332
30-Apr-21	891,499	33	24,329	386,452	5,833	14,314	5,794	35	661	9,193	1,583	2,445	53,857	26,373	3,788
1-May-21	889,515	27	18,935	401,993	5,500	13,445	4,820	24	627	8,324	1,891	2,381	59,590	24,120	2,881
2-May-21	829,592	27	16,290	392,488	4,512	12,964	5,623	34	606	8,894	1,940	1,907	53,567	23,986	3,418
3-May-21	737,434	18	9,160	368,147	4,394	9,145	5,637	39	488	3,839	2,041	1,671	45,150	9,888	2,500
4-May-21	659,717	27	7,534	357,229	4,730	5,946	4,764	17	541	2,968	1,763	1,649	36,178	3,606	3,120
5-May-21	733,809	19	18,034	382,315	4,369	9,113	4,734	17	676	5,943	2,112	1,946	39,480	23,116	3,744
6-May-21	860,056	18	21,953	412,262	5,285	10,579	3,763	16	574	7,341	1,911	2,144	44,834	25,764	3,551
7-May-21	851,476	28	18,485	414,188	5,647	11,798	4,871	18	525	7,872	2,044	2,613	42,847	21,564	4,498
8-May-21	870,516	15	15,685	401,078	6,327	10,549	5,528	25	701	6,733	2,419	2,490	81,630	17,804	4,519
9-May-21	813,404	22	12,656	403,738	6,130	10,174	6,505	20	564	7,401	2,101	2,047	44,665	20,745	3,733
10-May-21	699,900	13	6,922	366,161	3,922	8,289	7,017	28	463	3,337	1,630	1,770	35,310	9,128	3,807
11-May-21	622,108	33	6,125	329,942	4,891	5,077	5,773	19	511	2,314	1,919	2,357	29,954	3,014	3,973
12-May-21	654,722	28	14,909	348,421	5,021	6,943	5,885	25	635	5,791	1,983	2,474	22,261	18,323	4,765
13-May-21	757,239	32	17,419	362,727	4,608	7,848	6,927	16	715	5,488	4,887	2,284	36,412	21,269	4,855
14-May-21	731,480	35	11,336	343,144	3,448	8,082	6,918	34	747	2,594	2,256	2,656	35,437	19,134	4,113
15-May-21	681,723	49	7,894	326,098	2,633	7,562	6,294	52	681	0	3,095	2,193	37,587	6,993	4,140
16-May-21	658,585	206	8,500	311,170	2,385	6,652	6,147	31	610	0	2,302	2,027	40,431	15,685	3,780

Source: CEIC



## WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- ✓ As markets including Malaysia and Indonesia reopen this week from a long weekend, we expect trading activities to increase back to normal levels. Therefore, we foresee **the FBM KLCI index to trade within the range of 1,580 to 1,600 points this week.**
- ✓ During the week, investors will be focusing on **Malaysia's Consumer Price Index (CPI) for the month of April** which will be announced on 21 May 2021. Malaysia's CPI for the month of April is expected to grow in the range of 6.5% y-o-y to 7.0% y-o-y as forecasted by Bank Negara Malaysia compared to a 2.9% decline in the same month last year. Nevertheless, the surge in the CPI growth for April is temporary as the low base effect from last year will gradually subside in the coming months especially from 3Q2021 onwards.
- ✓ On the global front, the **US Federal Reserve and the Reserve Bank of Australia (RBA) will be releasing policy meeting minutes** while central banks in China and South Africa meet to set interest rates. In addition, **flash Purchasing Managers' Index (PMI) surveys for the US, UK, Eurozone, Japan and Australia** will give an insight about the state of the economic activities in the global economy. Other important releases include **1Q2021 GDP growth rates for Japan, Thailand and the Eurozone.**
- ✓ Recent reports from Our World In Data indicate that the number of daily doses administered per 100 people in Malaysia has dropped to 0.08 on 15 May 2021 after peaking at 0.14 on 10 May 2021. This indicates that the current vaccine roll-out has not exhibited a sustainable trend. Moreover, data from Malaysia's Ministry of Health showed that the number of patients placed in the intensive care unit (ICU) has substantially increased from 248 patients on 20 April 2021 to 520 patients as at 16 May 2021. Henceforth, investors must continue to adopt a goal-oriented approach rather than continuously trying to outperform the market due to the overall volatile condition that the market is facing.

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