



From the Desk
of the
Chief Economist

BANK ISLAM

WEEKLY MARKET UPDATES

17 MAY 2022

ECONOMIC RESEARCH

**DR. MOHD AFZANIZAM ABDUL RASHID
SHAFIZ BIN JAMALUDDIN
NOR JANNAH ABDULLAH
RAJA ADIBAH RAJA HASNAN**

International

Country	Economic Indicators	Remarks
The U.S.	Inflation rate	<ul style="list-style-type: none"> ✓ Inflation rate remained elevated though it increased slowly by 8.3% year-on-year (y-o-y) in April after rising by 8.5% in the previous month. ✓ Food prices went up by 9.4% in April (March: 8.8%), the most since April 1981. ✓ Despite the latest figure suggested that the inflation has probably peaked, the rate is unlikely to fall to pre-pandemic as supply disruptions persist, as well as energy and food prices keep increasing.
China	Inflation rate	<ul style="list-style-type: none"> ✓ China's annual inflation rate accelerated to 2.1% in April (March: 1.5%), marking its highest reading since November 2021 due to logistic disruptions caused by the zero-Covid policy (ZCP). ✓ Prices of food surged for the first time in five months by 1.9% in April, reversing from a 1.5% drop in the previous month. This was mainly contributed by price increase in fresh vegetables (April: 24.0% vs. March: 17.2%), eggs (April: 12.1% vs. March: 7.0%) and fresh fruits (April: 14.1% vs. March: 4.3%). ✓ For the year 2022, China has set target of inflation rate at around 3.0%, similar with the previous year.
Indonesia	1Q2022 Gross Domestic Product (GDP)	<ul style="list-style-type: none"> ✓ The economy expanded by 5.01% y-o-y in 1Q2022 (4Q2021: 5.02%), signifying its fourth straight quarter of annual expansion following further easing of Covid-19 restrictions and rising vaccinations. ✓ The growth was supported by the commendable recovery in consumption (1Q2022: 4.34% vs. 4Q2021: 3.55%), investment (1Q2022: 4.09% vs. 4Q2021: 4.49%) and exports (1Q2022: 16.22% vs. 4Q2021: 29.83%). ✓ The growth is expected to slow in the upcoming quarters in view of inflation risks stemming from rising global fuel and food prices, as well as supply chain disruptions made worse by Ukraine war.

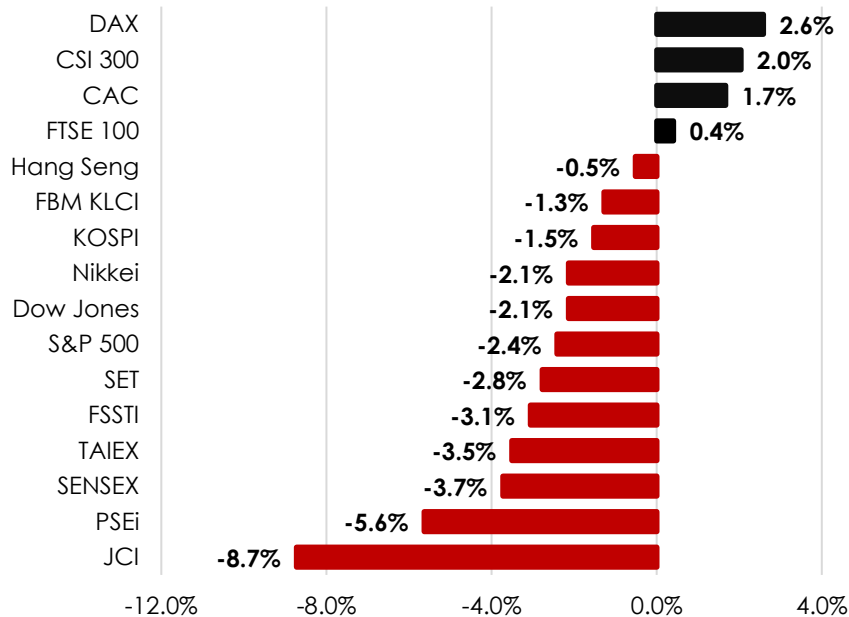
Domestic

Country	Economic Indicators	Remarks
Malaysia	Overnight Policy Rate (OPR)	<ul style="list-style-type: none"> ✓ Monetary Policy Committee (MPC) decided to raise the OPR by 25 basis points (bps) during its meeting on 10-11 May, bringing the rate to 2.00%. ✓ Hence, the ceiling and floor rates of the corridor of the OPR increased to 2.25% and 1.75% respectively. ✓ Headline inflation is projected to average between 2.2%-3.2% in 2022. Meanwhile, core inflation is expected to trend higher to average between 2.0%-3.0% in the same year. ✓ Looking forward, further hikes would be done in a measured and gradual way to ensure that monetary policy remains accommodative to support sustainable economic growth.
	1Q2022 GDP	<ul style="list-style-type: none"> ✓ Malaysia's GDP expanded further by 5.0% y-o-y in 1Q2022 after rising by 3.6% in the previous quarter. ✓ The 1Q2022 GDP came in higher than expected and the main sources of growth were domestic demand namely the consumption and investment. ✓ The way we see it, the growth projection of between 5.3% and 6.3% for 2022 is within reach. ✓ And to a large degree, higher growth in the 1Q2022 can really explain why the OPR was raised by 25 bps recently.

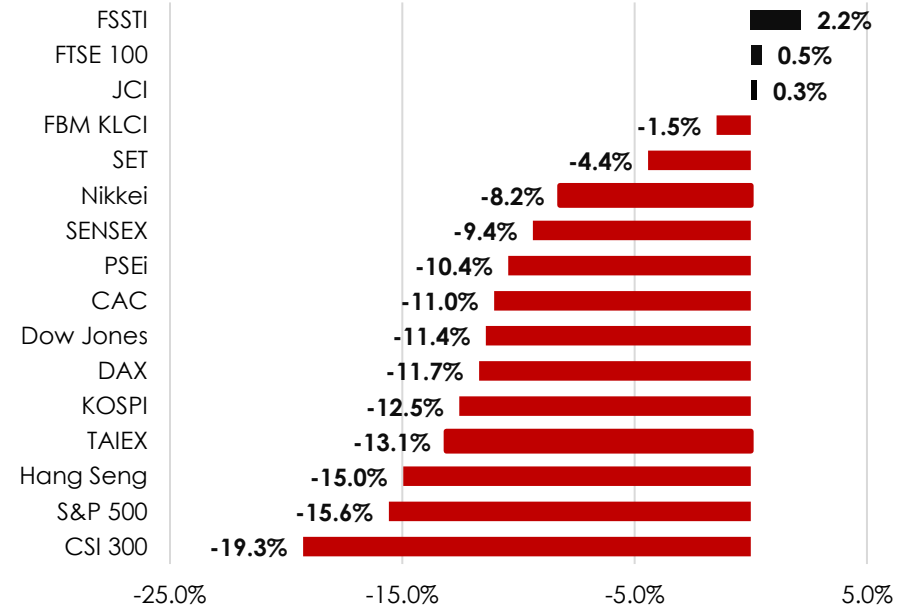
WEEKLY MARKET PERFORMANCE

- ✓ Decliners outnumbered gainers among major equity markets with Indonesia's JCI recording the biggest loss of 8.7% last week. This signifies that investors' appetite on Southeast Asian markets seems to have changed amid tightening of the U.S. monetary policy.
- ✓ Meanwhile, German's DAX increased by 2.6%, supported by higher returns from Retail, Utilities and Technology sectors.
- ✓ On a Year-To-Date (YTD) basis, global equities were mostly in the red as markets eye on the U.S. interest rate prospects.

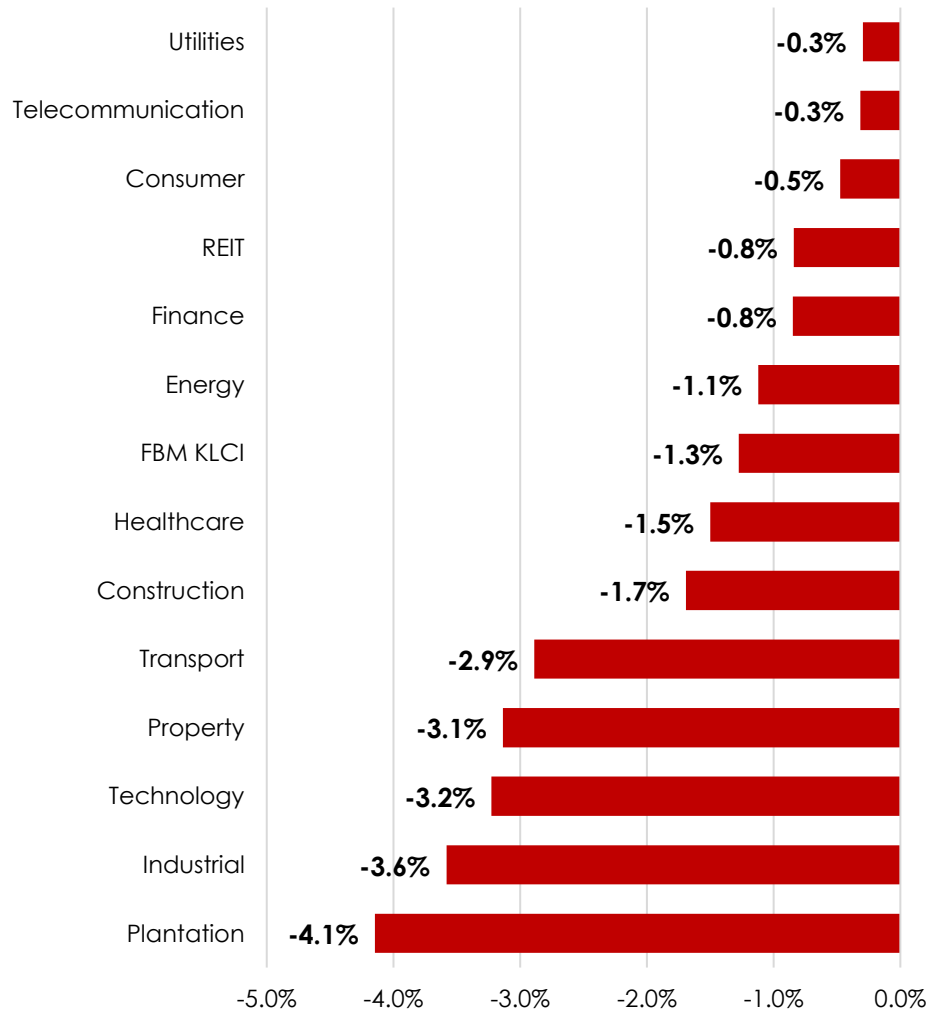
Weekly Gain/Loss of Major Equity Markets, % (Week Ending 13 May)



YTD Gain/Loss Of Major Equity Markets, % (As at 13 May)



Bursa Sectoral Performance, w-o-w%



Source: CEIC

WEEKLY SECTORAL PERFORMANCE

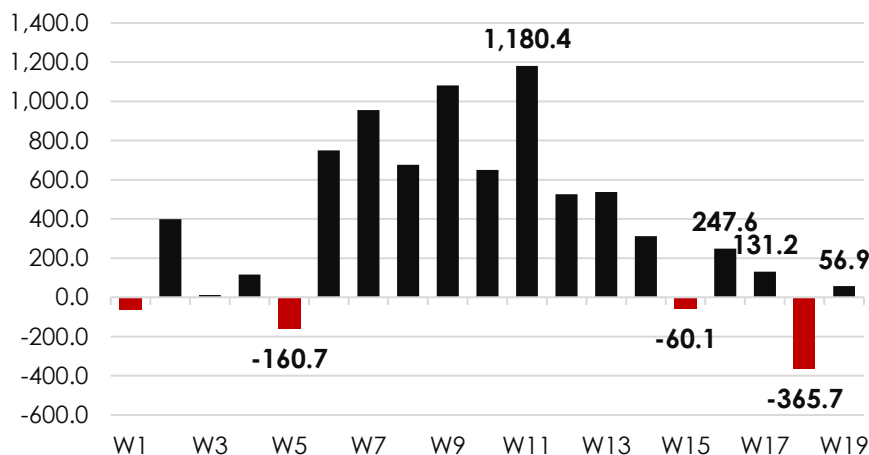
- ✓ **All sectors were in the red zone for the week ending on 13 May.**
- ✓ **Plantation index** emerged as top decliner with a 4.1% loss during the week amid correction of CPO price.
- ✓ The CPO future price dropped from RM6,400.0 per tonne on 6 May to RM6,369.0 per tonne last week.
- ✓ **Looking forward, the FBM KLCI will be lingering around 1,550.0 points and 1,565.0 points this week supported by bargain hunting activities.**
- ✓ However, investors will remain cautious following global monetary tightening, unresolved Russia-Ukraine war, as well as prolonged supply-chain disruptions.

FUND FLOWS – FOREIGN INVESTORS HAVE BEEN NET BUYERS FOR 15 WEEKS IN 2022

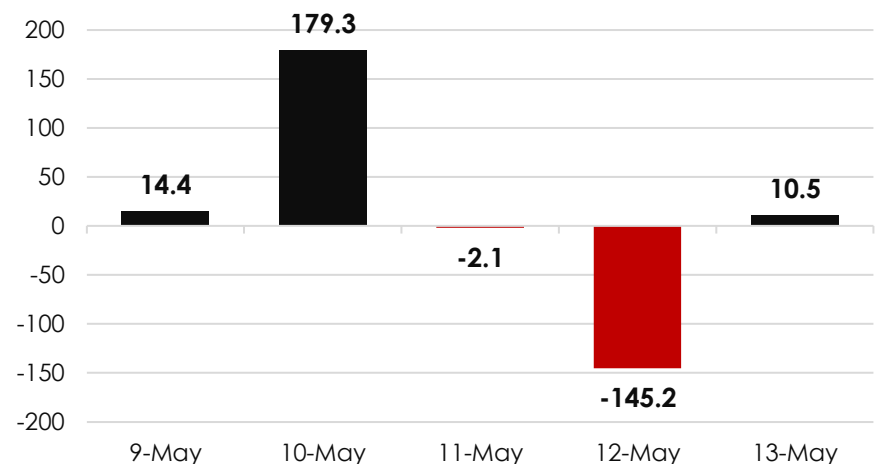
WEEKLY FOREIGN FUND FLOW

- ✓ Foreign investors turned to be net purchasers last week as they acquired RM56.9 million net of Malaysian equities from RM365.7 million net sold in the previous week.
- ✓ On further scrutiny, Bursa started the week with a strong footing as foreign investors bought a total of RM193.7 net equities on the first two days of the week. The largest net inflows were registered on Tuesday at RM179.3 million. However, net outflows were recorded on Wednesday and Thursday at RM2.1 million and RM145.2 million respectively.
- ✓ Apart from that, we noticed that international funds have been net buyers for 15 out of 19 weeks of 2022, signifying that foreign investors continued to have a favourable interest on Malaysian equity market.
- ✓ On a YTD basis, international investors have bought RM7.0 billion net of local equities in 2022.

Weekly Foreign Fund Flow in 2022
(RM Million)



Daily Foreign Net Inflow/Outflow from 9 to 13 May
(RM Million)



FIXED INCOME- FOREIGN INVESTORS HAVE BEEN SELLING LOCAL GOVVIES

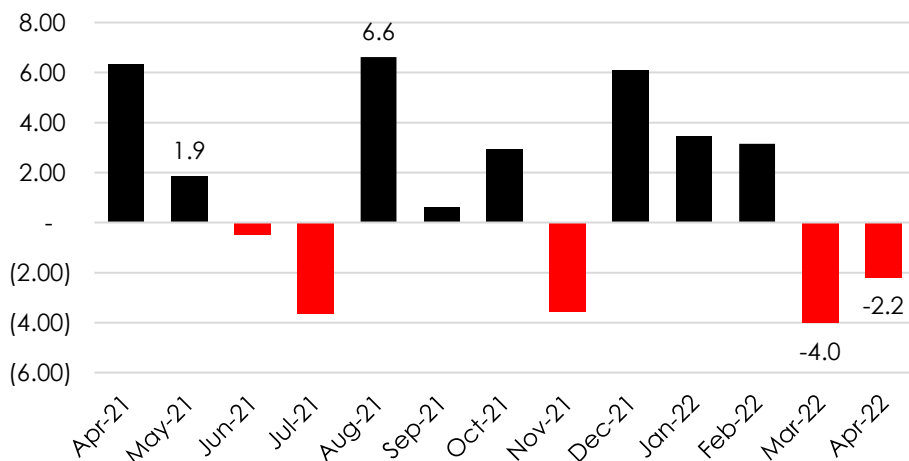
Bond Yields Weekly Change, basis points (bps)

UST	Yields (%) 6-May-22	Yields (%) 13-May-22	Change (bps)
3-M UST	0.85%	1.03%	18
2-Y UST	2.72%	2.61%	-11
5-Y UST	3.06%	2.89%	-17
10-Y UST	3.12%	2.93%	-19

MGS	Yields (%) 6-May-22	Yields (%) 13-May-22	Change (bps)
3-Y MGS	4.16%	4.02%	-14
5-Y MGS	4.51%	4.42%	-9
7-Y MGS	4.50%	4.43%	-7
10-Y MGS	4.86%	4.89%	3

Sources: CEIC, BNM

Foreign Fund Flows in Bond Market, RM billion



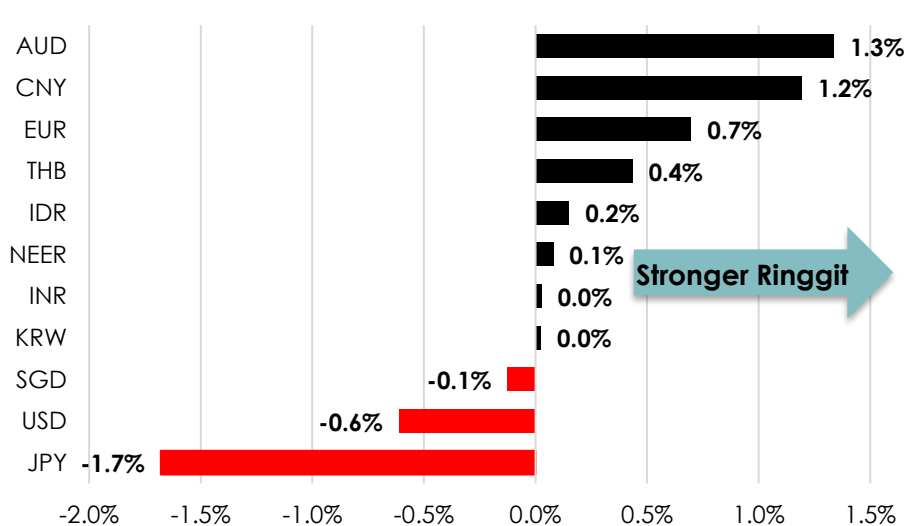
Source: CEIC

- ✓ As for the bond market, the U.S. Treasury (UST) yields mostly lower by -11 bps and -19 bps for the week ending 13 May after rising significantly in the past few weeks. Nevertheless, the short-term tenure of 3-M UST yields rose by 18 bps to settle at 1.03% on 13 May.
- ✓ On domestic front, the MGS bond yields also mixed with short-tenure of 3-Y MGS, 5-Y MGS and 7-Y MGS declined between -7 bps and -14 bps while 10-Y MGS higher by 3 bps to settle at 4.89%.
- ✓ On the other hand, the foreign investors continued to off-load their bond holdings with a total of RM2.2 billion net outflows in in April (March: RM4.0 billion) which is in tandem with policy normalization in the U.S.
- ✓ All in all, MGS yields are anticipated to endure volatility in the immediate term as the Fed will reduce their balance sheet starting on June.

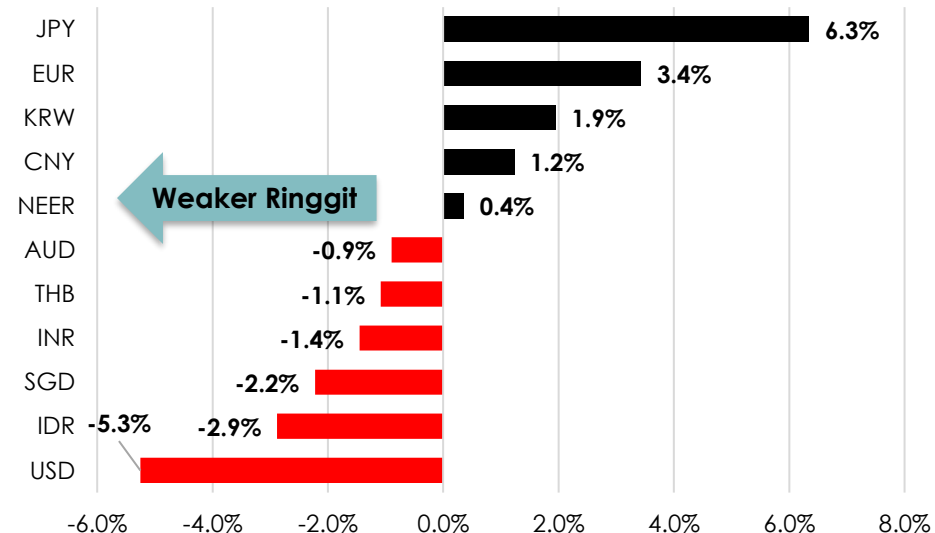
WEEKLY PERFORMANCE

- ✓ The Ringgit depreciated by 0.6% (w-o-w) against U.S. Dollar (USD), closing at RM4.3960 on 13 May from RM4.3680 in the previous week.
- ✓ The Ringgit continued to be at the weaker side despite the recent surprise hike in the OPR, as well as better-than-expected GDP growth during the 1Q2022 (1Q2022: 5.0% vs. 4Q2021: 3.6%).
- ✓ Clearly, the local note was pressured by the concerns over the possible move by the Fed to tighten their grip on monetary policy. Though the inflation in the U.S. slowed to 8.3% in April (March: 8.5%), the data is defying the expectations of bigger drop in the near term. As such, this calls for urgency for the Fed's push to stamp out the inflation.
- ✓ All in all, we foresee that the Ringgit is expected to trend downward this week, trading between RM4.37 to RM4.39 in the near term.

**MYR against regional currencies, w-o-w%
(Week Ending 13 May)**



**MYR against regional currencies,
YTD Gain% (As at 13 May)**



BRENT

- ✓ Brent crude oil price recorded a 2.8% weekly decline to settle at USD111.55 per barrel on 13 May (6 May: USD112.39 per barrel) amid rising concerns over a weakening global economic outlook and subdued demand.
- ✓ On the supply side, the U.S. Energy Information Administration (EIA) reported that the crude oil stockpiles increased by 8.4 million barrels to 424.2 million barrels in the week ending 6 May (29 April: 415.7 million barrels). Similarly, the American Petroleum Institute (API) mentioned that fuel inventories went up by 1.6 million barrels for the week which ended on 6 May from 3.5 million barrels draw in the previous week, signifying slower demand conditions.
- ✓ Apart from that, keeping a lid on prices was prolonged Covid lockdowns in the world's top crude importer, China and fears over the impact of rising rates on global economic growth.

Brent Crude in USD per barrel



U.S. Crude Oil Inventory, '000 barrel - EIA



COMMODITIES – GOLD PRICES CONTINUED TO DROP, PRESSURED BY THE OVERAL STRENGTH IN USD

GOLD

- ✓ Gold price fell by 3.8% to USD1811.79 per ounce on 13 May (6 May: USD1,883.81 per ounce), marking its fourth consecutive week of contraction following a firmer dollar on the prospects of aggressive interest rate hike by the Fed. Hence, the USD index rose by 0.9% to 104.56 on 13 May (6 May: 103.66).
- ✓ The USD continued to hover around 100.0 mark since mid-April amid a strong U.S. inflation (April: 8.3% vs. March: 8.5%) which reinforce bets for the Fed to increase the interest rates.
- ✓ For record, the Fed has raised its benchmark overnight rate by 50 bps during its May meeting. At each of the next two Fed meetings in June and July, markets are expecting the equivalent hikes with an effort to tamp down the soaring inflation in the county.

Gold in USD per ounce



U.S. Dollar Index (DXY)



Source: Bloomberg

- ✓ For this week, investors will tune in for additional remarks from the Fed officials including Chair Jerome Powell as inflation remains elevated in the country. The markets would be looking for him to back up his comments on last Friday, assuring that larger hikes were off the table with only 50 bps is expected at each of its next two meetings. Other Fed speakers during the week that would be making appearance are New York Fed President John Williams, St. Louis Fed President James Bullard, Philadelphia Fed President Patrick Harker, as well as Chicago Fed President Charles Evans.
- ✓ Apart from that, the April U.S. retail sales would be the focus for the investors as the data could give them insight on how the retailers are managing inflation which is currently running at 40-year highs. The data is anticipated to increase despite weak consumer sentiment (May: 59.1 vs. April: 65.2) in May since the inflation is said to have peaked and the Fed is not considering the 75 bps on the rate hike interest rate.
- ✓ Meanwhile, consumer price index (CPI) figures from the U.K. and Japan are likely to command some attention with a further pick up in the inflationary pressures for the month of April. As for China, a slew of economic data such as industrial production figures and retail sales would be interest of the markets in view of lockdown impact measurements on the economic activities. On the policy front, the People's Bank of China (PBoC) will decide on its 1-year loan prime rate (LPR) with the central bank to leave the rate unchanged.
- ✓ Looking back into 1Q2022 performance, a series of GDP data would be lined up for the week which include the Eurozone, Japan, Singapore and Thailand. While Japan's growth is expected to contract during the first quarter as both of domestic demand and exports were dampened, Singapore's GDP is going to expand between 3.4% to 3.7% from the advance estimate of 3.4% y-o-y.
- ✓ Domestically, the Department of Statistic Malaysia (DOSM) would publish export data for the month of April on 19 May 2022. The data would be closely watched in particular of the impact following China's lockdown in order to curb the transmission of the sudden emerged of the coronavirus in the country.
- ✓ All in all, Bursa Malaysia is expected to trade within 1,550.0 points and 1,565.0 points this week, buoyed by a promising domestic outlook despite volatility in regional market. We foresee that the growth projection of between 5.3% and 6.3% for 2022 is within reach amid the release of stronger-than-expected 1Q2022 GDP performance last week. In fact, the recent hike in OPR has suggested that the recovery has become more sustainable and further improvement is likely to happen for the upcoming months.

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-22	861,007	5,650	60,195	975	602	62,290	106,609	3,404	107,882	7,750	18,892	26,627	63,012	122,231	9,705
17-Apr-22	644,336	5,326	51,455	1,150	607	64,533	47,009	1,670	93,001	6,291	17,775	21,605	43,993	111,268	6,623
18-Apr-22	485,307	4,490	34,022	2,183	559	52,253	39,899	3,049	47,684	7,708	16,994	19,912	16,528	86,650	7,140
19-Apr-22	478,030	5,108	36,275	1,247	837	18,588	28,282	2,480	118,465	7,189	16,891	20,134	18,542	19,810	6,069
20-Apr-22	668,073	4,803	158,359	2,067	741	27,326	37,631	4,718	111,277	14,619	20,455	25,178	36,059	25,465	6,968
21-Apr-22	929,912	5,651	179,415	2,380	585	100,440	47,460	3,472	90,819	19,593	21,931	25,875	53,647	155,711	5,899
22-Apr-22	851,031	5,508	155,354	2,451	651	75,995	47,409	3,420	81,058	17,938	21,808	21,429	57,572	89,190	6,342
23-Apr-22	714,847	7,129	119,306	2,527	522	73,744	42,808	3,025	75,414	16,654	20,052	18,442	49,611	85,499	5,624
24-Apr-22	607,264	6,034	54,258	2,593	382	71,028	43,721	2,709	64,725	16,675	17,784	15,689	66,976	80,571	4,006
25-Apr-22	422,825	8,070	26,836	2,541	317	56,848	38,450	2,044	34,310	7,604	14,994	13,203	23,346	58,954	2,478
26-Apr-22	478,253	7,383	118,092	2,483	576	25,282	28,495	2,058	80,335	6,658	13,816	14,712	20,772	13,984	3,361
27-Apr-22	693,820	8,361	138,919	2,927	617	29,984	37,258	3,688	76,762	20,194	14,887	17,103	51,336	84,609	3,471
28-Apr-22	710,496	10,639	115,116	3,303	412	88,431	45,771	2,646	57,447	20,614	14,437	14,550	64,385	67,711	2,935
29-Apr-22	653,593	17,382	94,326	3,377	395	70,034	42,313	2,690	50,544	20,720	14,053	13,037	77,407	57,103	2,579
30-Apr-22	566,987	13,927	77,918	3,688	329	59,395	37,477	-	43,286	19,251	12,888	11,579	61,077	50,365	2,107
1-May-22	493,779	16,227	33,734	3,324	244	54,017	25,182	2,141	37,771	19,277	11,535	9,990	81,282	49,482	1,503
2-May-22	357,859	18,064	15,590	3,157	168	41,591	25,425	4,249	19,973	8,207	9,331	8,352	24,996	36,726	1,352
3-May-22	381,241	18,357	86,217	2,568	107	19,068	23,197	1,336	51,105	6,956	9,721	9,016	26,084	8,737	922
4-May-22	741,921	23,622	106,297	3,205	176	62,409	27,062	1,570	49,045	15,488	9,288	11,879	64,574	56,086	1,054
5-May-22	593,083	28,850	89,315	3,275	250	47,643	26,720	1,638	42,296	22,005	9,790	13,274	72,658	47,925	1,278
6-May-22	567,215	30,628	80,091	3,545	245	48,715	21,368	4,733	26,714	20,828	7,705	11,644	96,121	42,203	1,251
7-May-22	543,894	36,540	66,694	3,805	218	44,364	23,615	3,420	39,552	19,355	8,450	10,185	76,331	37,537	1,372
8-May-22	479,579	44,907	26,553	3,451	227	40,783	34,696	3,162	40,064	15,993	8,081	8,893	90,650	37,958	2,153
9-May-22	375,880	44,817	13,832	3,207	254	31,225	40,942	2,423	20,564	6,054	6,488	7,499	-	29,324	2,246
10-May-22	388,460	40,772	84,255	2,288	456	17,421	33,664	2,271	49,907	3,667	6,230	9,018	-	7,354	2,605
11-May-22	671,694	51,206	94,336	2,897	400	56,199	39,041	4,831	43,902	-	7,650	10,505	156,260	48,584	3,321
12-May-22	601,189	57,553	76,039	2,827	335	42,683	45,740	3,890	35,864	-	6,019	-	97,601	40,287	3,410
13-May-22	629,751	65,881	61,906	2,841	335	39,483	42,378	3,645	32,451	-	9,779	-	141,471	31,824	3,029
14-May-22	530,431	65,326	40,440	2,858	308	39,029	38,439	4,291	29,541	41,995	6,736	-	102,389	30,100	2,373
15-May-22	450,115	64,346	6,151	2,487	257	36,334	39,416	3,383	25,434	-	6,094	-	99,392	30,459	2,239

Source: CEIC

Produced and issued by BANK ISLAM MALAYSIA BERHAD (Bank Islam) for private circulation only or for distribution under circumstances permitted by applicable laws. All information, opinions and estimates contained herein have been compiled or arrived at based on sources and assumptions believed to be reliable and in good faith at the time of issue of this document. This document is for information purposes only and has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. No representation or warranty, expressed or implied is made as to its adequacy, accuracy, completeness or correctness. All opinions and the content of this document are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or groups of Bank Islam as a result of using different assumptions and criteria. No part of this document may be used, reproduced, distributed or published in any form or for any purpose without Bank Islam's prior written permission.

BANK ISLAM

Assuring Trust. Delivering Value.

Thank You