



From the Desk
of the
Chief Economist

BANK ISLAM

WEEKLY MARKET UPDATES

25 OCTOBER 2021

ECONOMIC RESEARCH

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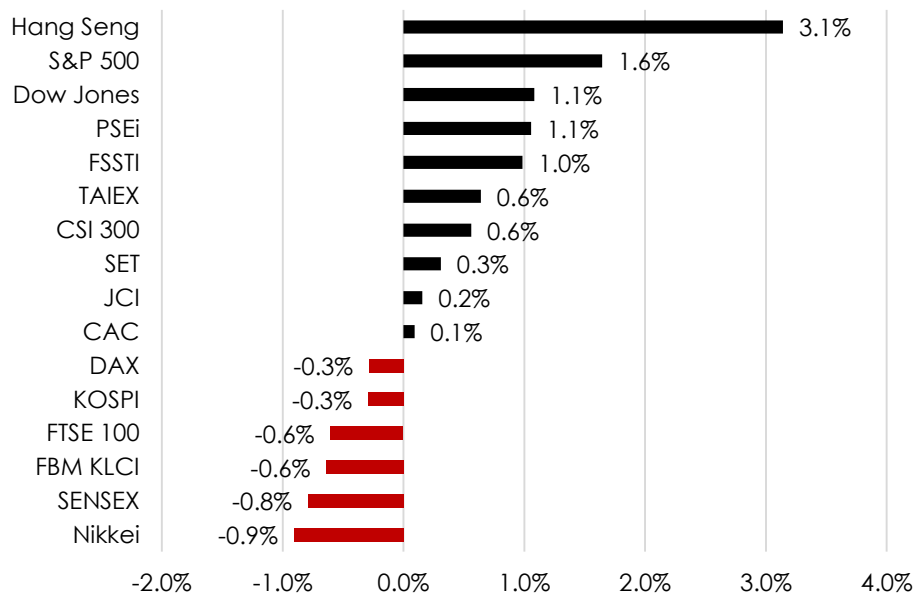
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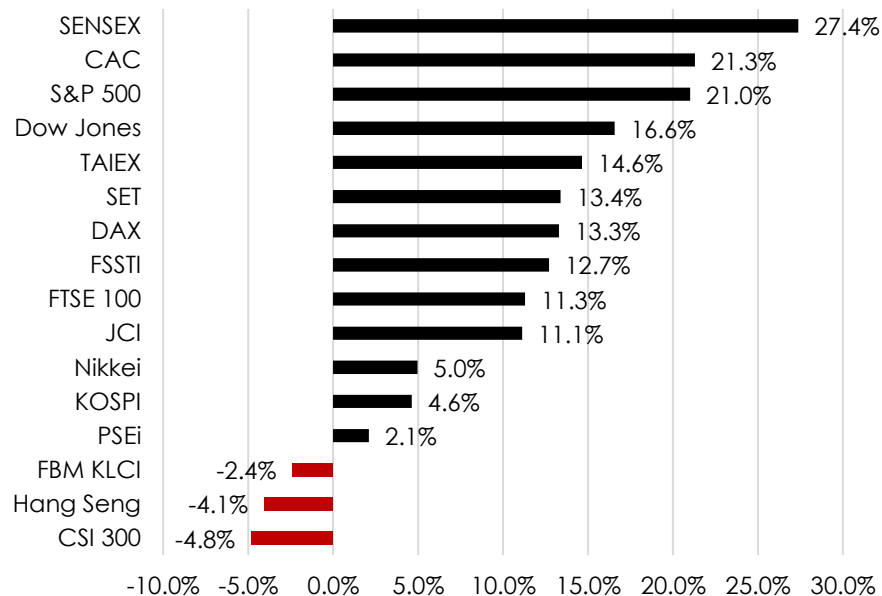
WEEKLY MARKET PERFORMANCE

- ✓ Gainers conquered the market last week with Hong Kong's Hang Seng index marking the biggest weekly advance of 3.1% among major equity markets. During the week, shares of China Evergrande Group surged by 4.3% on Friday in Hong Kong following media reports that the embattled developer is set to pay off a coupon payment on a dollar-denominated bond.
- ✓ Meanwhile, Japan's Nikkei index led laggards with a 0.9% weekly drop as the country headed into nationwide elections to select a new prime minister. The candidate from Japan's ruling party, Prime Minister Fumio Kishida, has given mixed messages about his policies and his new capitalism measures which include promises to reduce income disparities that has done little to reassure markets so far.
- ✓ On the domestic front, the FBM KLCI index slid 0.6% for the week but was the smallest decliner on a Year-To-Date (YTD) basis amongst major markets with a 2.4% loss.

Weekly Gain/Loss of Major Equity Markets (%) (Week Ended 22 October)



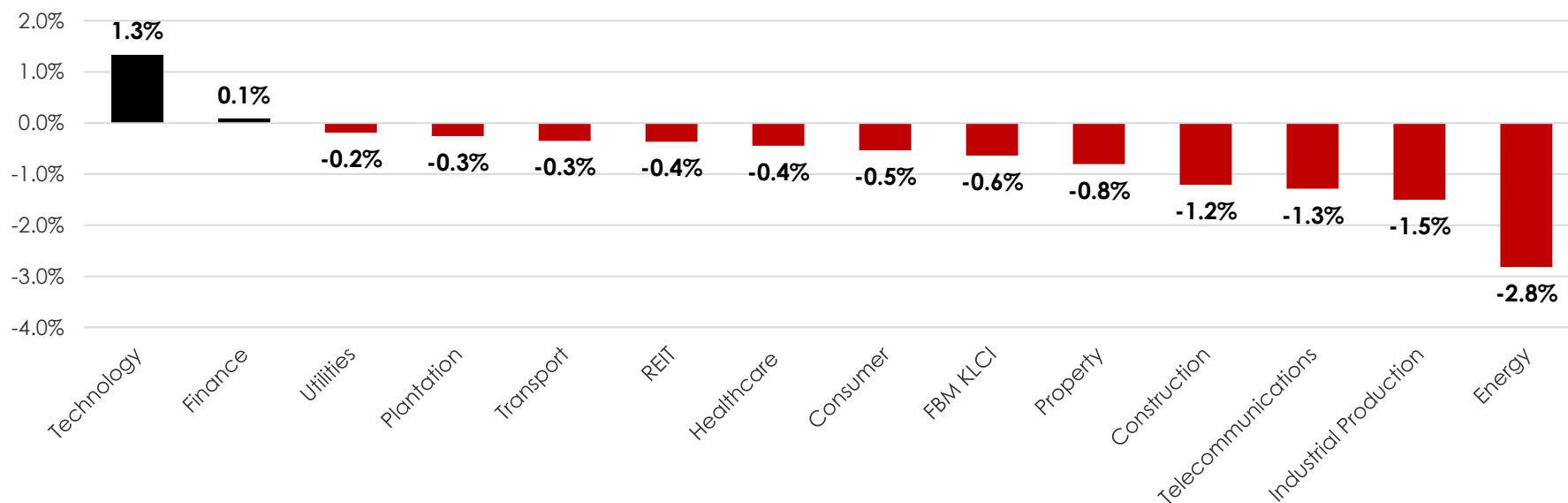
YTD Gain/Loss Of Major Equity Markets (%) (As at 22 October)



WEEKLY SECTORAL PERFORMANCE

- ✓ The Bursa Malaysia Technology Index was the biggest gainer among sectoral indices, ending 1.3% higher during the week. Last Monday, Inari Amertron Bhd entered into a memorandum of understanding (MoU) with China Fortune-Tech Capital Co Ltd (CFTC) with the intention to set up a joint venture (JV) firm in China to carry out outsourced semiconductor assembly and test (OSAT) manufacturing and related businesses for the Chinese market. We opine that investors reacted positively to this news as the JV will thus enable Inari Amertron Bhd to expand its operations in China and to increase its revenue and earnings stream.
- ✓ On the other hand, the Bursa Malaysia Energy Index recorded the largest weekly decline of 2.8% amid easing coal and gas prices curbing the fuel-switching that had previously increased the demand for oil products. The drop in the index was despite Brent crude oil price marking a seventh consecutive weekly advance and oil inventories reaching a three-year low at the U.S. storage hub for crude.

Bursa Malaysia Sectoral Weekly Performance (w-o-w%)

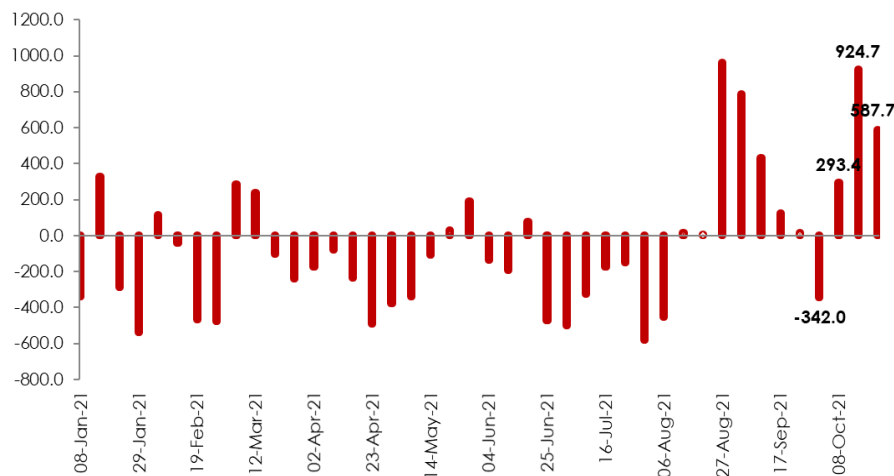


Source: Bursa

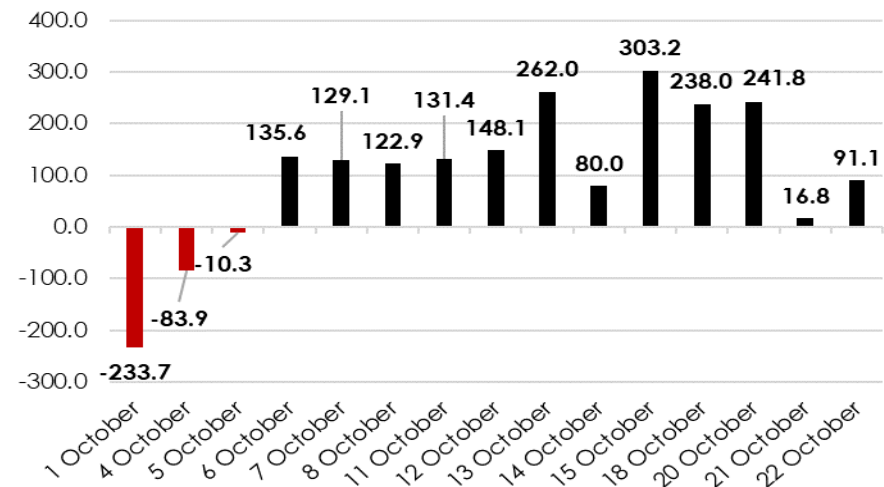
WEEKLY FOREIGN FUND FLOW

- ✓ Foreign investors remained in buying mode as they acquired RM587.7 million net of local equities last week compared to the RM924.7 million net bought in the previous week. Thus far in 2021, foreign investors have been net buyers in 17 weeks out of 42 weeks.
- ✓ Bursa began the week on a positive note as foreign investors acquired RM238.0 million net of local equities on Monday. As markets reopened on Wednesday after the public holiday, foreign investors continued their buying activity at a stronger momentum of RM241.8 million net. However, the pace of foreign net buying slowed down drastically on Thursday to reach RM16.8 million as investor sentiment was hit by news of the U.S. crackdown on glove maker Supermax Corp Bhd whereby its products were seized by the U.S. Customs and Border Protection for allegedly using forced labour in manufacturing operations. Friday saw foreign net buying inched higher to RM91.1 million net as investors await for the tabling of the Budget 2022 on 29 October.
- ✓ On a YTD basis, international investors have so far sold RM2.2 billion net of local equities this year compared to RM22.8 billion net disposed during the same period last year.

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



Daily Foreign Net Inflow/Outflow From 1 October to 22 October 2021 (RM Million)



Source: Bursa

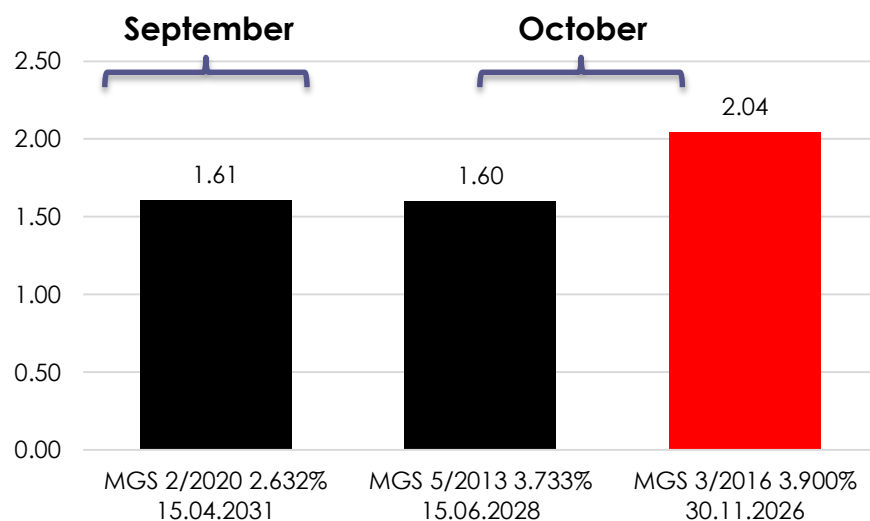
MGS Benchmark Weekly Change (bps)

MGS Benchmark	Coupon (%)	Yields (%) 15-Oct-21	Yields (%) 22-Oct-21	Change (bps)
3-Y MGS 06/24	3.48%	2.54%	2.63%	9
5-Y MGS 11/26	3.90%	3.13%	3.17%	4
7-Y MGS 06/28	3.73%	3.41%	3.49%	8
10-Y MGS 04/31	2.63%	3.55%	3.63%	8

Source: BNM

Past Auction Results

MGS

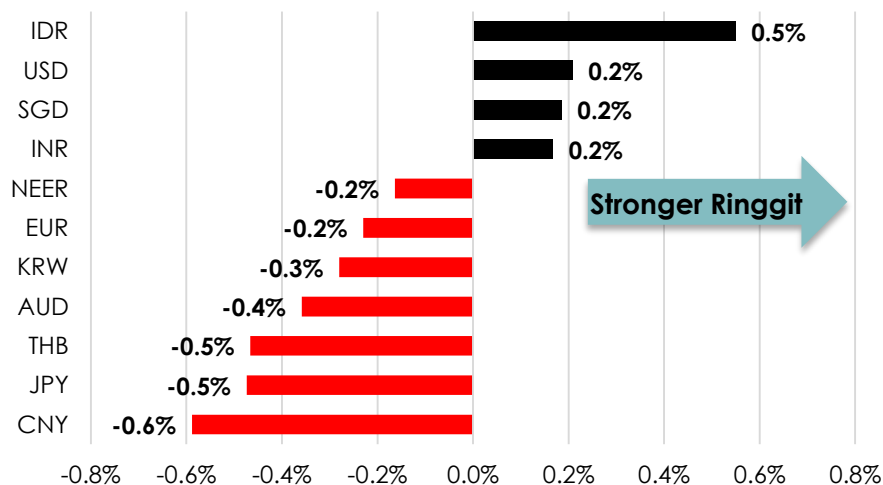
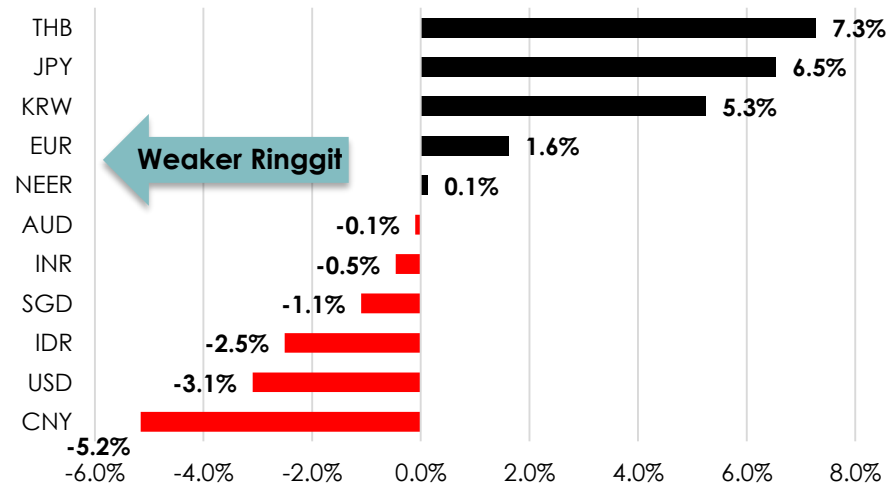


Source: Bond Info Hub

- ✓ As for the bond market, the MGS benchmark yields continued to rise between 4 bps and 9 bps on a weekly basis. The shorter tenure of 3-Y MGS 06/24 increased significantly by 9 bps to close at 2.63% on last Friday. Meanwhile, the 5-Y MGS 11/26, 7-Y MGS 06/28 and 10-Y MGS 04/31 rose by 4 bps, 8 bps and 8 bps to settle at 3.17%, 3.49% and 3.63% respectively following rally in the U.S. Treasury (UST) yields.
- ✓ On the other hand, the reopening of 5-Y MGS 11/26 came in sturdy with a Bid-To-Cover (BTC) ratio of 2.04x. It was higher compared to 1.60x recorded in the previous auction, suggesting that the demand for local govies remained supportive.
- ✓ All in all, we foresee that the bond yields are likely to move up gradually supported by a gradual global economic recovery accompanied by asset tapering activities by the U.S. Federal Reserve (Fed) that is expected to conclude by mid of next year.
- ✓ Nevertheless, investors would remain cautious in view of emerging risk from global inflation which is bearing on the bond market alongside global crude prices which has been lingering around USD85.0 per barrel that could boost inflationary pressures.

WEEKLY PERFORMANCE

- ✓ The Ringgit strengthened by 0.2% week-on-week (w-o-w) to close at RM4.1480 against the U.S. Dollar on 22 October from RM4.1560 previously.
- ✓ The stronger Ringgit was supported by the 0.8% weekly gain in the Brent crude oil price which rose to USD85.53 per barrel on 22 October from USD84.86 per barrel in the previous week.
- ✓ In addition, the local note continued to gain momentum despite the possibility of the Fed's tapering process which could start next month, as announced by its chairman last Friday.
- ✓ With Malaysia's plan to reopen its border to international tourists in November, as well as impending announcement of Budget 2022 on 29 October, these could likely uplift the market sentiment this week.
- ✓ The local note is expected to hover around RM4.15 and RM4.16 against the U.S. Dollar during the week as investors await the tabling of the nation's Budget 2022 on Friday.

MYR against regional currencies, w-o-w%
(Week Ended 22 October)MYR against regional currencies,
YTD Gain% (As at 22 October)

BRENT

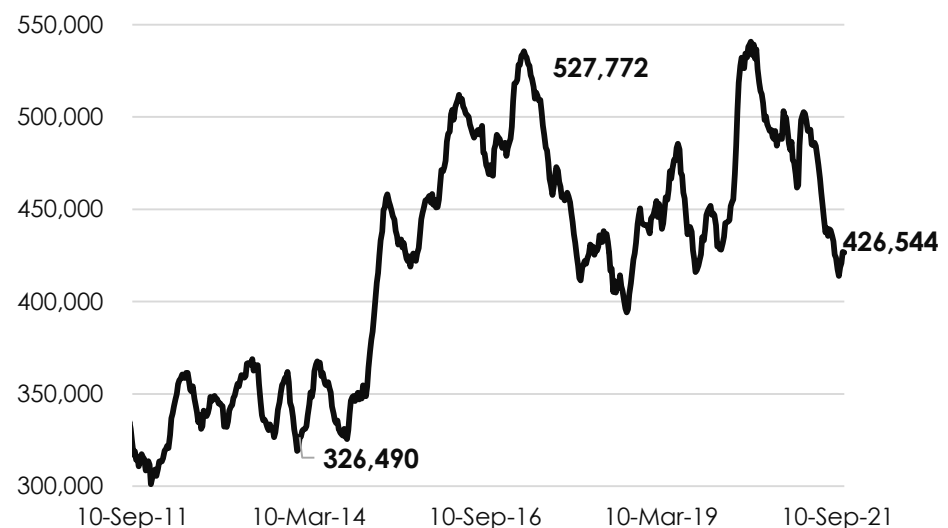
- ✓ Brent crude oil price recorded a 0.8% weekly increase to settle at USD85.53 per barrel on 22 October (15 October: USD84.86 per barrel). The price has been rising for the seventh straight week amid an ongoing energy crunch particularly in Europe and Asia. Apart from that, the inability of the Organization of the Petroleum Exporting Countries Plus (OPEC+) nations to increase output levels has also pressured the market and bolstered the imbalances between demand and supply.
- ✓ On further scrutiny, the U.S. Energy Information Administration (EIA) reported that crude oil inventories dropped by 0.4 million barrels to 426.5 million barrels during the week ended 15 October (8 October: 427.0 million barrels) as demand continues on its recovery. On the other hand, the American Petroleum Institute (API) report mentioned that crude stockpiles rose by 3.3 million barrels for the week ended 15 October, after recording a 5.2 million barrels gain in the preceding week.

Brent Crude in USD per barrel



Source: Bloomberg

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



GOLD

- ✓ Gold price rose by 1.4% to USD1,792.65 per ounce on 22 October (15 October: USD1,767.62), marking a second weekly gain amid a weaker dollar as inflationary pressures boosted demand for the safe-haven metal. The U.S. Dollar Index depreciated by 0.3% to 93.64 on 22 October, extending a dip of 0.1% (93.94) seen in the previous week.
- ✓ Jerome Powell on Friday announced that the Fed is ready to start the process of reducing its support of the economy by cutting back its monthly asset purchases, suggesting that the U.S. economy recovery looks fit enough to do so.
- ✓ However, he is in the view of not raising the interest rates yet since the job creation in the U.S is still slow with 194k jobs added in September (August: 366k) and the high unusual inflation is likely to abate next year as pressures from the Covid-19 pandemic fade.
- ✓ The Fed will certainly make a move when inflationary pressures are seen to lasting longer than expected and rise persistently in an organic manner.
- ✓ Therefore, the Fed is implementing a wait-and-see approach at this current juncture.

Gold in USD per ounce



U.S. Dollar Index (DXY)



- ✓ Bursa Malaysia's outlook is expected to be positive this week as the reopening of the economy is expected to gain momentum amid the uplifting of the inter-state travel ban. Investors will also be focusing on the tabling of the **nation's Budget 2022 on Friday** whereby the budget is expected to be an expansionary one.
- ✓ As such, we foresee that the FBM KLCI index could stage a rebound with 1,600 points remaining as the psychological resistance, while the key index is expected to hover within the range of 1,590 points to 1,610 points throughout the week.
- ✓ However, downside risks to Bursa Malaysia's performance could be the possible reintroduction of taxes such as the Goods and Services Tax (GST) under the Budget 2022 but some market observers opine that this might not be the appropriate time to do so as businesses are still recovering from the pandemic.
- ✓ On the economic data front, Malaysia will be releasing its data on **September's exports data on Thursday**. Malaysia's exports for the month of September could likely grow faster than the month before amid the gradual relaxation of movement restrictions that began in mid-August that may have enabled manufacturers to operate on a larger scale and subsequently meet customers' orders.
- ✓ All in all, the economic recovery that we are seeing now is not absent without risks, particularly inflationary risks. The surge in global demand has seen countries such as the U.S. whereby a gauge of U.S. inflation expectations for the next five years has soared to its highest level in more than 16 years, with investors factoring in an increasing likelihood that price pressures will linger into next year. Such risks may likely spill over to Malaysia and could in turn lead to stagflation whereby prices are increasing but economic growth turns slower.

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
22-Sep-21	444,563	47	10,454	26,964	2,720	3,374	2,004	1,178	1,720	2,372	11,252	31,095	91,429	7,465	14,990
23-Sep-21	533,478	51	10,696	31,923	2,881	3,963	2,845	1,457	1,715	2,767	13,256	33,560	130,708	6,400	13,754
24-Sep-21	527,548	65	9,727	31,382	2,557	4,053	3,457	1,504	2,434	2,533	12,697	35,764	127,771	6,110	14,554
25-Sep-21	502,390	53	7,211	29,616	2,137	3,790	2,477	1,650	3,269	2,335	11,957	35,620	131,176	4,527	13,899
26-Sep-21	465,083	43	7,774	28,326	1,760	3,519	2,488	1,443	2,769	2,459	12,371	29,746	130,033	6,012	13,104
27-Sep-21	405,544	51	3,022	26,041	1,390	3,099	2,288	1,939	2,383	1,218	10,288	32,997	98,872	4,683	10,959
28-Sep-21	389,619	43	4,171	18,795	2,057	1,773	1,386	1,647	2,287	810	9,489	37,485	82,810	1,161	11,332
29-Sep-21	425,556	53	11,780	18,870	1,954	2,962	1,570	2,236	2,885	2,541	10,414	34,520	88,623	5,859	12,434
30-Sep-21	478,891	38	12,150	23,529	1,690	3,212	2,005	2,268	2,562	2,205	11,646	35,059	112,303	5,479	12,735
1-Oct-21	490,696	44	10,118	26,727	1,624	4,094	1,673	2,478	2,485	2,123	11,754	35,742	118,848	4,858	11,889
2-Oct-21	478,089	56	8,517	24,354	1,414	3,403	1,510	2,909	2,247	1,828	11,375	34,589	118,553	5,124	10,915
3-Oct-21	431,566	43	6,164	22,842	1,142	3,309	1,264	2,356	2,085	1,886	10,828	29,389	119,492	3,948	9,066
4-Oct-21	358,073	33	3,088	20,799	922	2,967	963	2,057	1,673	963	9,930	29,666	83,128	3,744	8,075
5-Oct-21	365,144	38	4,799	18,346	1,404	1,612	732	2,475	1,574	673	9,869	34,256	73,260	1,138	8,817
6-Oct-21	397,429	41	11,547	18,833	1,484	2,463	897	3,486	2,026	1,921	9,866	33,049	73,126	3,875	9,380
7-Oct-21	458,272	36	11,644	22,431	1,393	3,232	1,077	3,577	2,423	1,791	11,200	38,675	103,514	4,632	9,890
8-Oct-21	466,524	34	10,429	21,257	1,384	2,933	990	3,483	2,176	1,787	11,140	39,730	118,329	4,281	9,751
9-Oct-21	442,863	33	8,854	19,740	1,167	3,017	867	3,590	1,949	1,691	10,630	34,910	108,834	4,189	8,743
10-Oct-21	402,953	36	7,612	18,166	894	2,747	785	3,703	1,594	1,832	10,817	39,413	93,646	4,734	7,373
11-Oct-21	355,741	32	3,111	18,132	620	2,278	579	2,809	1,297	871	10,035	33,593	76,849	3,991	6,709
12-Oct-21	345,576	30	4,971	14,313	1,261	1,516	418	2,263	1,342	512	9,445	39,463	54,160	635	7,276
13-Oct-21	380,167	30	11,903	15,823	1,233	2,486	544	2,976	1,581	1,990	10,064	37,668	52,209	5,291	7,950
14-Oct-21	462,521	28	12,382	18,987	1,053	2,769	714	3,190	1,938	808	11,276	41,446	116,484	5,492	8,084
15-Oct-21	437,573	19	11,518	16,862	915	2,666	619	2,932	1,684	1,898	10,486	44,556	97,320	4,760	7,420
16-Oct-21	439,430	27	10,949	15,981	997	2,729	534	3,445	1,617	2,040	10,648	44,212	93,111	5,708	7,509
17-Oct-21	405,341	37	8,682	14,146	747	2,982	506	3,348	1,417	2,011	10,863	42,818	92,574	4,837	6,145
18-Oct-21	319,324	28	4,056	13,596	626	2,435	412	3,058	1,050	1,093	10,111	44,696	38,805	3,778	5,434
19-Oct-21	337,727	30	6,771	13,058	903	1,594	297	2,553	1,072	746	9,122	48,703	16,894	757	5,745
20-Oct-21	492,237	38	17,015	14,623	914	2,695	347	3,994	1,571	2,132	8,918	43,324	137,310	5,689	5,516
21-Oct-21	451,219	29	16,077	18,454	633	3,699	373	3,862	1,441	1,821	9,727	48,545	79,163	5,796	6,210
22-Oct-21	445,284	51	19,572	15,786	760	3,791	351	3,439	1,440	938	9,810	51,484	74,227	5,498	6,630

Source: CEIC

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