



From the Desk  
of the  
**Chief Economist**

**BANK ISLAM**

# **WEEKLY MARKET UPDATES**

**7 DECEMBER 2020**

## **ECONOMIC RESEARCH**

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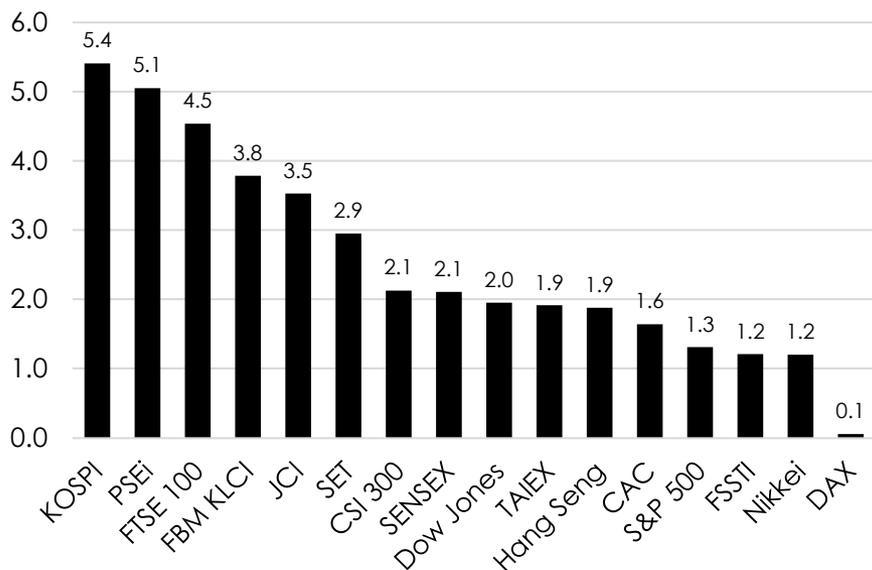
**SHAFIZ BIN JAMALUDDIN**

**NOR JANNAH ABDULLAH**

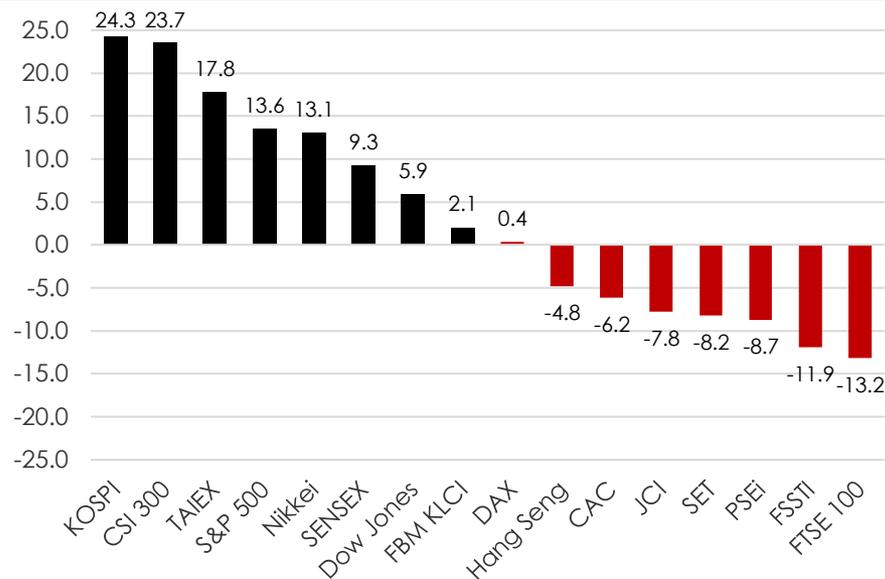
## WEEKLY MARKET PERFORMANCE

- ✓ All equity markets worldwide were in the green zone last week. Korea's KOSPI index was the biggest gainer during the week with a 5.4% gain. The KOSPI index topped the 2,700-point mark for the first time on Friday with a continued rally by giant chipmakers. The local currency's value against the US greenback also rose further after reaching its highest point in 30 months a day earlier.
- ✓ Meanwhile, Germany's DAX index saw the lowest gain during the week of just 0.1% as the Eurozone PMIs for November disappointed the European markets, indicating that business conditions in the EU's services sector have slowed in November, as renewed lockdowns stalled business in the wake of the second Covid-19 wave.
- ✓ On the domestic front, the FBM KLCI was up 3.8% for the week and remained as the only gainer amongst its ASEAN peers on a year-to-date (YTD) basis.

**Weekly Gain of Major Equity Markets (%)  
(Week Ended 4 December)**



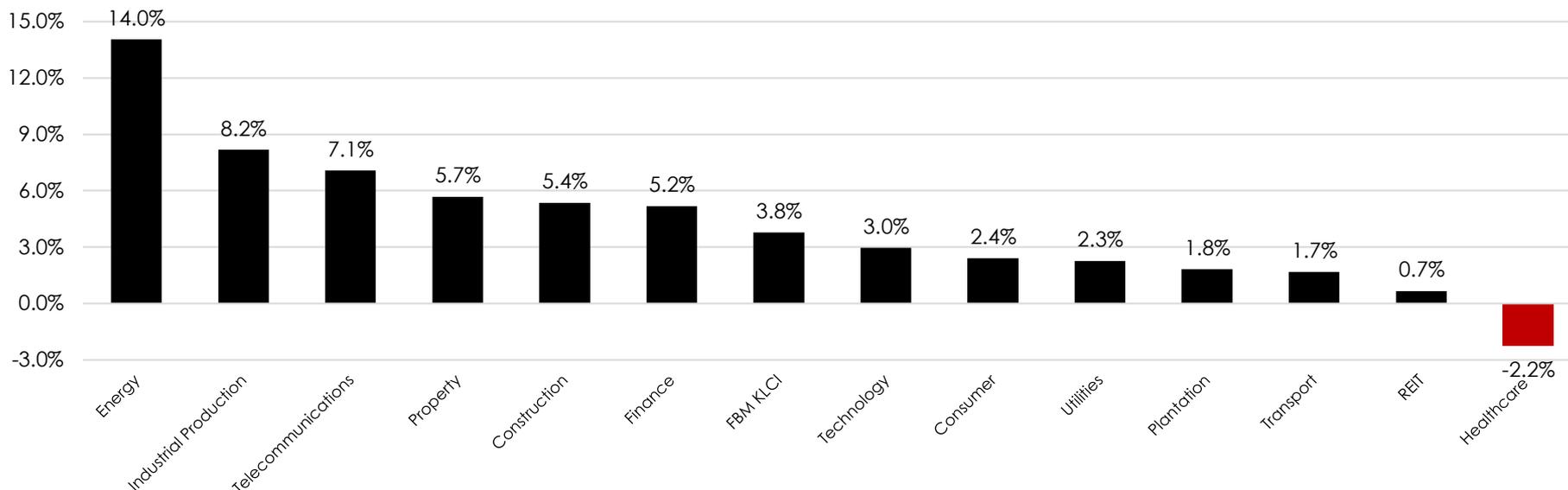
**YTD Gain Of Major Equity Markets (%)  
(As at 4 December)**



## WEEKLY SECTORAL PERFORMANCE

- ✓ The Bursa Malaysia Energy index was the biggest gainer last week with a 14.0% weekly advance. The Organization of the Petroleum Exporting Countries (OPEC) and its oil-producing allies agreed to increase production by 500,000 barrels per day beginning in January 2021. The decision came after days of discussions and after a meeting set for Tuesday was pushed to Thursday. Nevertheless, the planned increase is much lower than OPEC's initial plan, which called for an extra 1.9 million barrels per day to be added to production in early 2021.
- ✓ On the other hand, the Bursa Malaysia Healthcare Index was the only laggard, recording a 2.2% weekly loss. New Covid-19 infections remain heightened but at the same time positive news on the vaccine has dented appetite for glove counters which are also part of the index. During the week, Britain approved Pfizer's Covid-19 vaccine, jumping ahead of the US and Europe to become the west's first country to formally endorse a jab which should reach the most vulnerable people early this week.

### Bursa Malaysia Sectoral Weekly Performance (%)

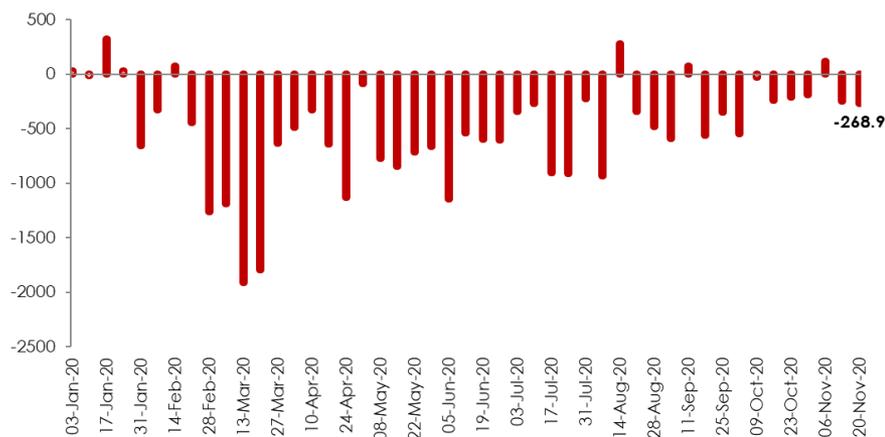


Source: Bloomberg

## WEEKLY FOREIGN FUND FLOW

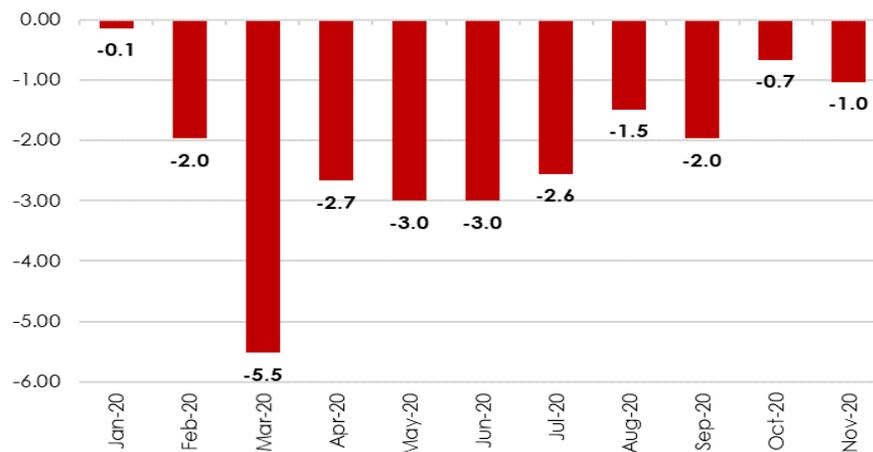
- ✓ Foreign investors withdrew RM615.4 million net of local equities from Monday to Friday last week compared to RM86.6 million sold in the whole of the preceding week.
- ✓ Monday wreaked havoc as international investors dumped RM541.0 million net of local equities, the highest daily foreign net outflow since May 2018 following the latest rebalancing exercise of the MSCI index. Nevertheless, the first trading day of December started on a positive note as foreign investors took the opportunity to do some bargain hunting on Tuesday by buying RM66.0 million of local equities. A measurable pace of foreign net selling was then observed at a tune of RM36.4 million on Wednesday. International investors staged a return on Thursday by acquiring RM41.4 million net of local equities on Thursday as investors took cue of Britain's approval of Pfizer's Covid-19 vaccine to be rolled out this week. Friday saw international investors ramping up their net selling activity to a level above RM100.0 million at RM145.4 million amidst jitters coming from the political turbulence in the state of Perak.
- ✓ On a year-to-date basis, foreign funds have taken out RM24.1 billion net of local equities from Bursa. In comparison with ASEAN peers namely Thailand, Indonesia and the Philippines, Malaysia has the second largest foreign net outflow on a year-to-date basis.

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



Source: Bloomberg

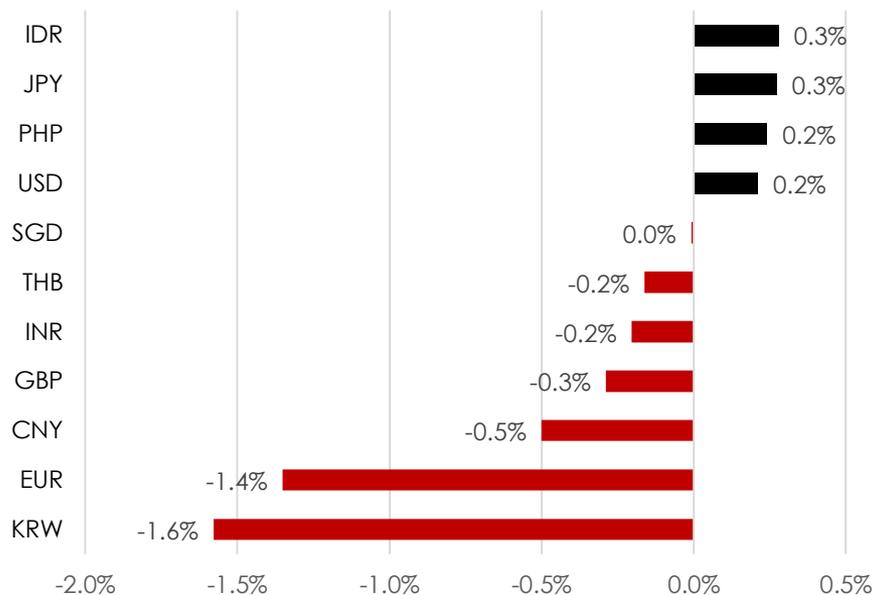
### Monthly Foreign Fund Flow (RM Million)



## WEEKLY PERFORMANCE

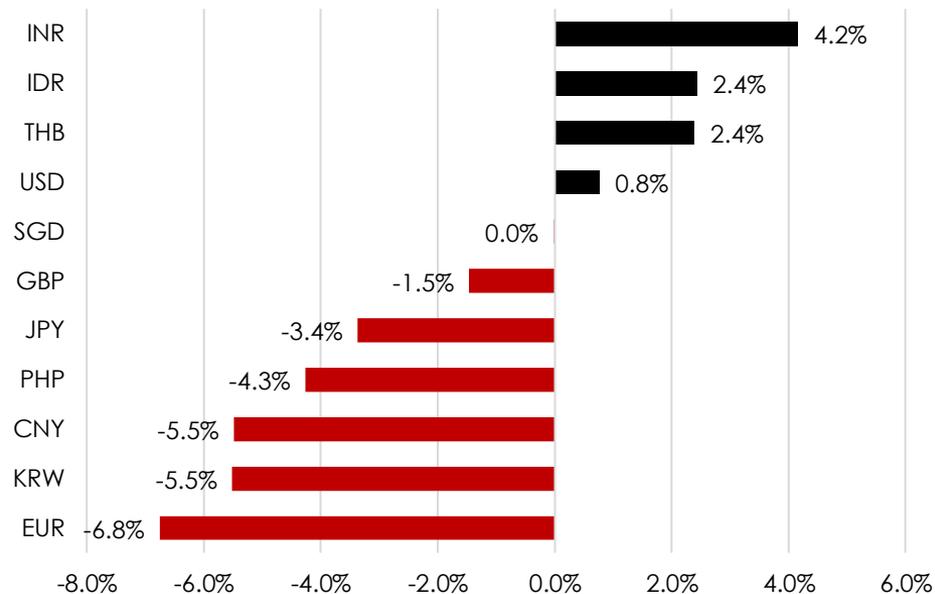
- ✓ The Ringgit appreciated against USD to close at RM4.0600 on 4 December from RM4.0685 on 27 November after decision following the meeting of OPEC's members and its allies was viewed as great news for the Ringgit due to Malaysia being a net exporter of crude oil and petroleum products.
- ✓ The ringgit is expected to continue its upward momentum and trade between 4.0550 and 4.0750 against the US dollar next week on improved appetite for the local currency supported by rising oil prices.
- ✓ On year-to-date basis, the Ringgit was higher against INR (4.2%), IDR (2.4%), THB (2.4%) and USD (0.8%) respectively.

### MYR against other Currencies (Week Ended 4 December)



Source: Bloomberg

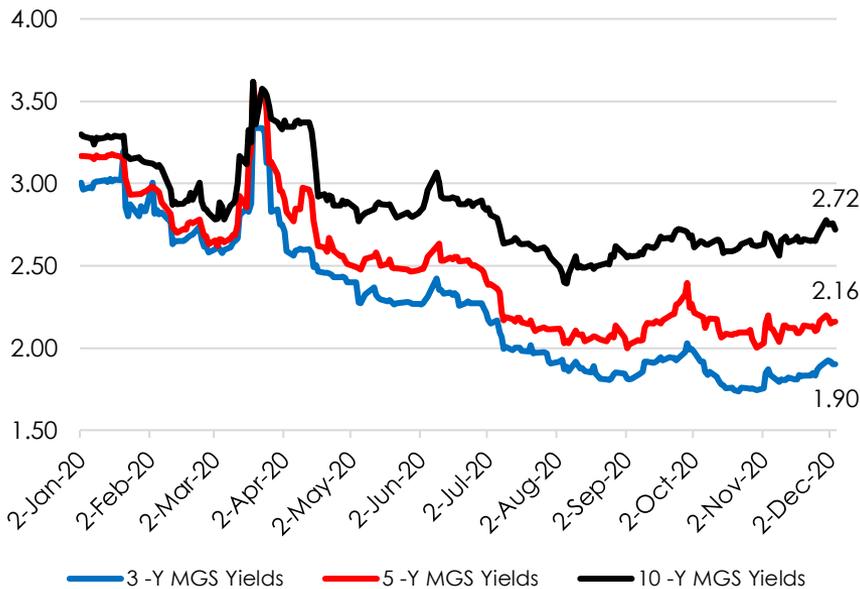
### Year-To-Date (As at 4 December)



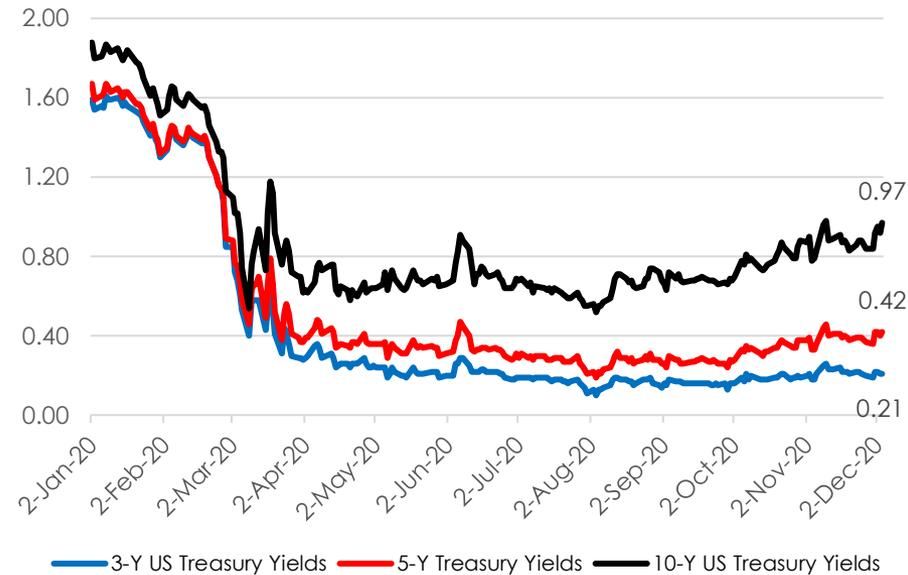
## WEEKLY PERFORMANCE

- ✓ On the local bond market, yields of the 5-Y Malaysian Government Securities (MGS) were higher by 0.4 bps compared to the week before while the 10-Y MGS yields were lower by 2.4 bps. The 3-Y MGS yields on the other hand saw no changes over the week. Overall yields have shown a downward trend since the start of the year. Due to risks of the Covid-19 pandemic, investors have shifted towards safe-haven assets which in turn caused the yields to decline.
- ✓ A similar trend is also seen in US Treasury yields whereby yields have dropped since the beginning of 2020. Nevertheless, the US Treasury yields saw an uptick in the middle of November 2020 amid positive news on the Covid-19 vaccine, pushing the yields for 3-Y, 5-Y and 10-Y US Treasury notes above their average levels.
- ✓ As such, the MGS yields are expected rise in tandem with the positive news about the vaccine, as well as the expected economic recovery in 2021.

### Malaysian Government Securities Yields (%)



### US Treasury Yields (%)



## BRENT

- ✓ Brent crude oil price recorded a 2.2% weekly increase to settle at USD49.25 per barrel (bbl.) last Friday (27 November: USD48.18/bbl.). This was the fifth straight week of gains supported by the news of the rollout of Covid-19 vaccines and prospects of the US stimulus package. A bipartisan group of US Senators will unveil additional fiscal stimulus worth about USD908.0 billion this week to support the economy which at risk of a further dip due to surge in coronavirus infections.
- ✓ Meanwhile, the OPEC and Russia have agreed to ease output cut starting January next year by 500,000 barrels per day (bpd). This means that the group will reduce production by 7.2 million bpd, lower than the current production cut of 7.7 million bpd.
- ✓ Apart from that, the US Energy Information Administration (EIA) reported a decrease in the US crude inventories. The EIA data showed crude stocks declined by 0.7 million barrels to 488.0 million barrels in the week ended 17 November from 488.7 million previously.

### Brent Crude in USD per barrel



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



Date	Global	China	Germany	India	Indonesia	Italy	Japan	Singapore	South Korea	Spain	Thailand	United Kingdom	United States	France	Malaysia
7-Nov	615,844	43	23,399	50,356	-	37,802	1,132	4	89	22,695	12	23,287	116,780	60,235	1,168
8-Nov	596,287	31	16,017	45,674	4,262	39,809	1,172	7	143	22,644	7	24,957	131,821	86,794	852
9-Nov	532,416	47	13,363	45,903	3,880	32,614	998	2	126	14,128	3	20,572	127,151	38,619	972
10-Nov	451,448	29	15,332	38,073	2,853	25,269	899	8	100	9,442	4	21,350	104,659	19,571	869
11-Nov	514,026	28	18,487	44,281	3,779	35,090	1,173	9	146	15,824	3	20,412	122,231	22,166	822
12-Nov	590,039	37	21,866	47,905	3,770	32,961	1,555	18	143	19,687	5	22,950	133,935	34,971	919
13-Nov	646,696	36	23,542	44,879	4,173	37,977	1,587	11	191	18,791	9	33,470	142,076	32,978	1,304
14-Nov	667,968	32	22,461	44,684	5,444	40,902	1,685	12	205	18,275	0	27,301	193,734	23,620	1,114
15-Nov	626,685	24	16,947	41,100	5,272	37,249	1,694	2	208	17,521	5	26,860	181,066	32,059	1,208
16-Nov	549,880	24	10,824	30,548	4,106	33,977	1,459	3	223	10,182	9	24,962	155,001	27,123	1,103
17-Nov	473,364	24	14,419	29,163	3,535	27,352	1,190	5	229	6,334	3	21,363	137,486	9,094	1,210
18-Nov	556,203	14	17,561	38,617	3,807	32,191	1,489	6	313	12,173	2	20,051	151,266	45,498	660
19-Nov	616,726	23	22,609	45,576	4,265	34,280	2,151	5	343	15,273	8	19,609	164,044	27,667	1,290
20-Nov	626,740	31	23,648	45,882	4,798	36,176	2,301	4	363	14,246	4	22,915	164,560	21,130	958
21-Nov	645,910	44	22,964	46,232	4,792	37,239	2,398	4	386	12,666	10	20,252	184,191	22,642	1,041
22-Nov	625,691	60	15,741	45,209	4,998	34,764	2,514	5	330	12,031	11	19,875	191,033	17,854	1,096
23-Nov	559,842	85	10,864	44,059	4,360	28,337	2,179	12	271	6,906	7	18,662	183,544	13,157	1,884
24-Nov	476,355	96	13,554	37,975	4,442	22,927	1,571	5	349	4,426	2	15,450	147,098	4,150	2,188
25-Nov	540,695	85	18,633	44,376	4,192	23,227	1,471	18	382	8,711	4	11,299	157,180	9,118	970
26-Nov	593,111	111	22,268	44,489	5,534	25,852	1,861	7	583	10,405	16	18,213	165,091	15,598	935
27-Nov	636,810	88	22,806	43,082	4,917	29,001	2,230	5	553	9,462	19	17,555	180,850	13,541	1,109
28-Nov	582,873	112	21,695	41,322	5,828	28,342	2,577	4	503	9,183	5	14,739	141,222	12,415	1,315
29-Nov	580,619	104	14,611	41,810	5,418	26,315	2,585	6	389	9,420	0	15,871	175,669	12,479	1,309
30-Nov	511,677	136	11,169	38,772	6,267	20,646	2,107	8	438	5,214	11	12,155	143,211	9,670	1,212
1-Dec	463,852	112	13,604	31,118	4,617	16,376	1,934	5	451	3,197	21	12,330	151,674	3,794	1,472
2-Dec	501,849	91	17,270	36,604	5,092	19,347	1,692	10	511	6,891	10	13,429	151,204	7,999	851
3-Dec	600,568	129	22,046	35,551	5,533	20,709	2,441	2	540	8,775	18	16,170	177,976	13,938	1,075
4-Dec	635,856	108	23,448	36,595	8,369	23,219	2,405	9	629	7,458	13	14,878	195,769	12,661	1,141
5-Dec	649,053	133	23,318	36,652	5,803	24,110	2,442	3	583	4,226	14	16,298	218,671	11,107	1,123
6-Dec	605,211	122	17,767	36,011	6,027	21,052	2,424	13	631	-	19	15,539	213,127	12,850	1,335

Source: CEIC

- ✓ Following a powerful technical breakout above the much-awaited 1,618 neckline resistance last week, KLCI is ripe for further profit taking consolidation, given the overbought momentum (170 points higher from the 2 November 2020 low of 1,452 points).
- ✓ In addition, concerns over the huge amount of global economic uncertainty created by Covid-19 despite vaccines' optimism and expectations of weaker a 4Q2020 economy in Malaysia (post CMCO 2.0) will likely limit gains this week.
- ✓ More importantly, Fitch Ratings' move to downgrade Malaysia's sovereign credit rating to 'BBB+' from 'A-' last Friday will impact both equity and bond markets this week.
- ✓ Therefore, a negative repercussion towards the domestic equity market is inevitable. In any case, a further exit of foreigners from Malaysian equities seems like a reasonable assumption. Nonetheless, we highlight that foreign shareholding levels on Bursa (November: 20.8%) is close to the Global Financial Crisis trough of 20.7%. As such, while a near term sell-down is naturally expected from this rating downgrade, its downside may be less profound than thought to be.
- ✓ As for the bond market, we expect capital outflows to also happen with non-residents currently holding 24.6% of Malaysia's government bonds (RM202.1 billion). With non-residents expected to exit the local bond market, yields are expected to rise and thus, push down bond prices.
- ✓ On the external front, markets will also be tested by a flurry of key US economic data during this week, including Thursday's jobless claims report.

# THANK YOU

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