



From the Desk
of the
Chief Economist

BANK ISLAM

WEEKLY MARKET UPDATES

28 SEPTEMBER 2020

ECONOMIC RESEARCH

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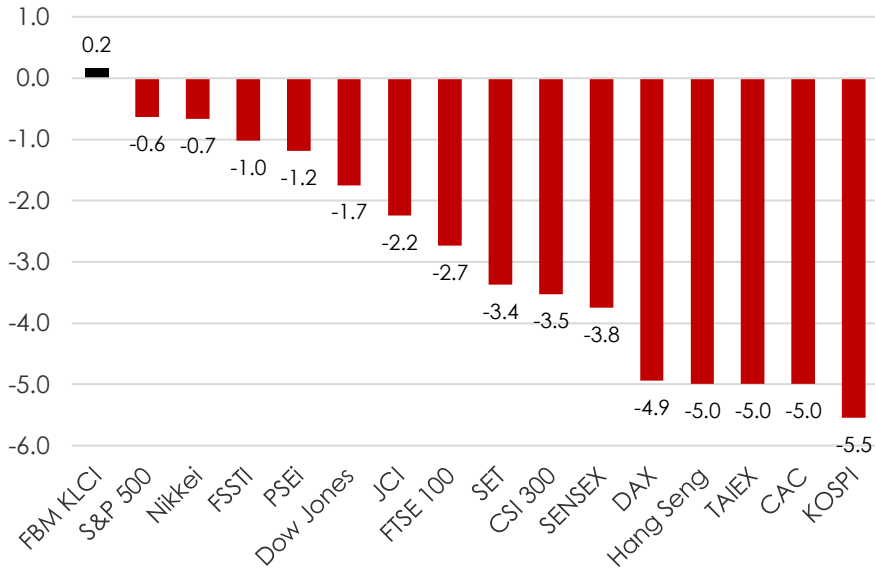
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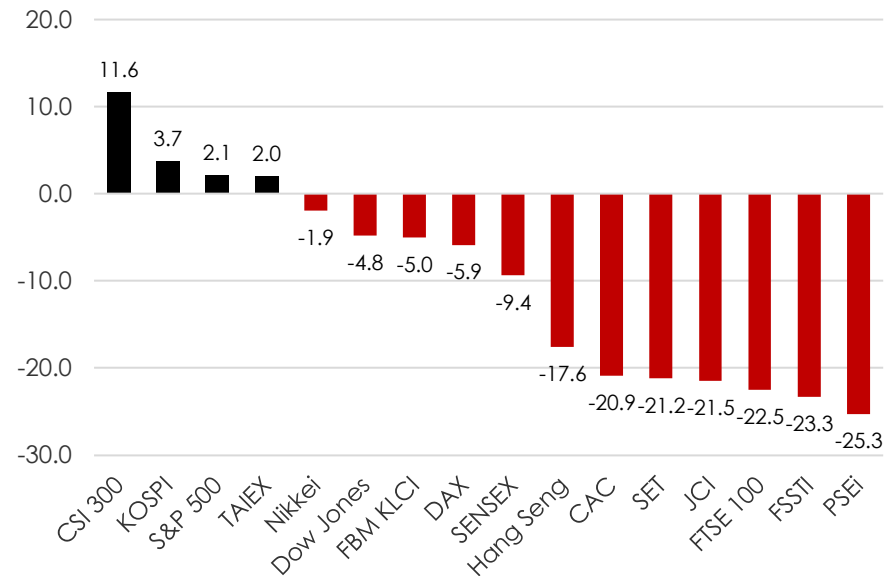
WEEKLY MARKET PERFORMANCE

- ✓ Majority of equity markets worldwide were swimming in the red last week. Laggards were led by South Korea's KOSPI which was lower by 5.5% for the week following the confirmation by nation's military that North Korea shot and cremated the body of a missing South Korean fisheries ministry employee.
- ✓ Meanwhile, the FBM KLCI index advanced by 0.2% to 1,509.1 points, being the only gainer during the week. Perhaps, some of the support came from the FTSE Russell's decision to retain Malaysia in the watchlist for the World Government Bond Index (WGBI). Other catalysts included the plans of the House of Democrats to start drafting a stimulus proposal of roughly USD2.4 trillion that they can take into possible negotiations with the White House and Senate Republicans.
- ✓ On a Year-To-Date (YTD) basis, the local bourse remains as the smallest decliner amongst its ASEAN peers.

**Weekly Gain of Major Equity Markets (%)
(Week Ended 25 September)**



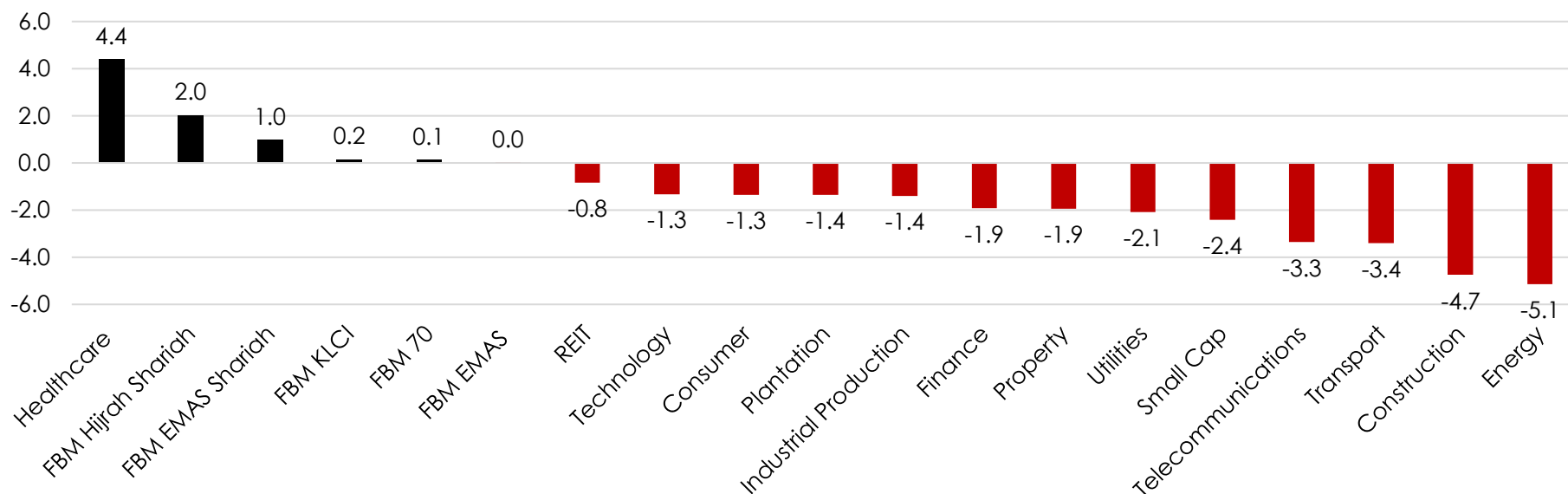
**YTD Gain Of Major Equity Markets (%)
(As at 25 September)**



WEEKLY SECTORAL PERFORMANCE

- ✓ The Bursa Malaysia Healthcare index was the biggest gainer last week with a 4.4% weekly advance. The resurgence of Covid-19 infection is happening with global deaths soaring to 993,438 cases, prompting higher use of rubber gloves to prevent infections. In addition, there have been new Covid-19 cases recorded in shopping malls around the Klang Valley. Overall, the number of local infections in Malaysia reached a two-week high of 150 cases on Sunday, bringing the total to above 10,000.
- ✓ On the other hand, the Bursa Malaysia Energy Index led laggards, recording a 5.1% weekly loss. The dampened sentiment in the oil and gas sector was likely caused by the reimposition of lockdown measures in countries including France and the UK casts doubt on the energy demand recovery. Oil traders, meanwhile, are reporting a sharp increase in Iraqi export cargoes for next month, and say they probably indicate higher overall output from the OPEC's biggest producer after Saudi Arabia.

Bursa Malaysia Sectoral Weekly Performance (%)

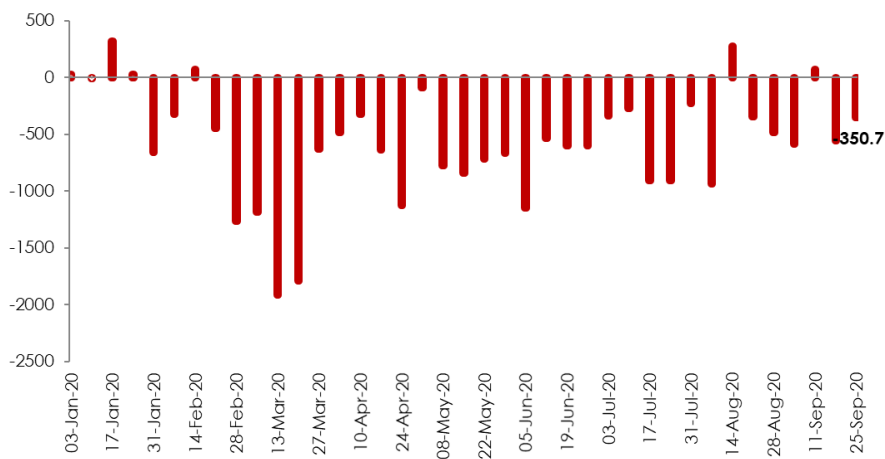


Sources: Bloomberg

WEEKLY FOREIGN FUND FLOW

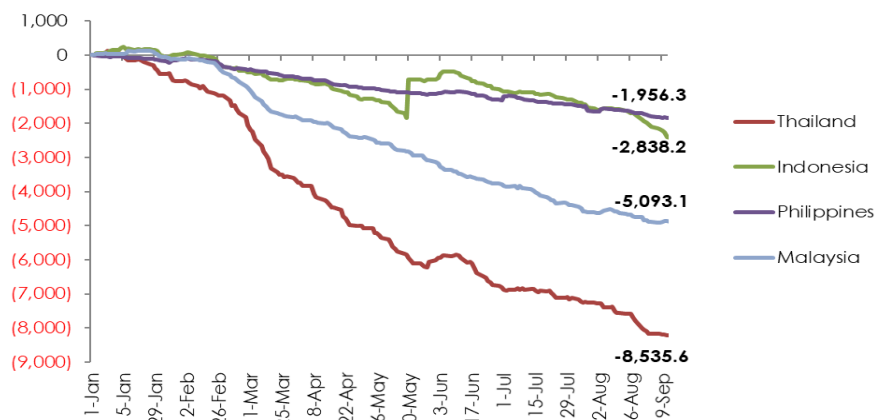
- ✓ From Monday to Friday, foreign funds have sold RM350.7 million net of local equities on Bursa compared to RM558.4 million net withdrawn during the whole of the previous week.
- ✓ International investors dumped RM256.0 million net of local equities on Monday, dragging the local bourse 0.4% to close below 1,500 points for the first time in seven trading days. Tuesday then saw foreign investors were making their way back to Bursa at a tune of RM127.4 million net while other Southeast Asian peers experienced foreign net outflows. The foreign net inflow was however short-lived as international funds took out RM139.1 million net of local equities on Wednesday due to the political jitters. International investors were back in buying mode on Thursday, acquiring RM42.2 million net of local equities with rubber glove counters being the darling among investors. Offshore investors moved to the sidelines on Friday selling RM125.2 million of local equities ahead of the Sabah state election on Saturday.
- ✓ The month of September has so far seen RM1.43 billion net of foreign net selling. With three more trading days left, September is set to be another month of foreign net outflows,

Weekly Foreign Fund Flow in Malaysia (RM Million)



Sources: Bloomberg

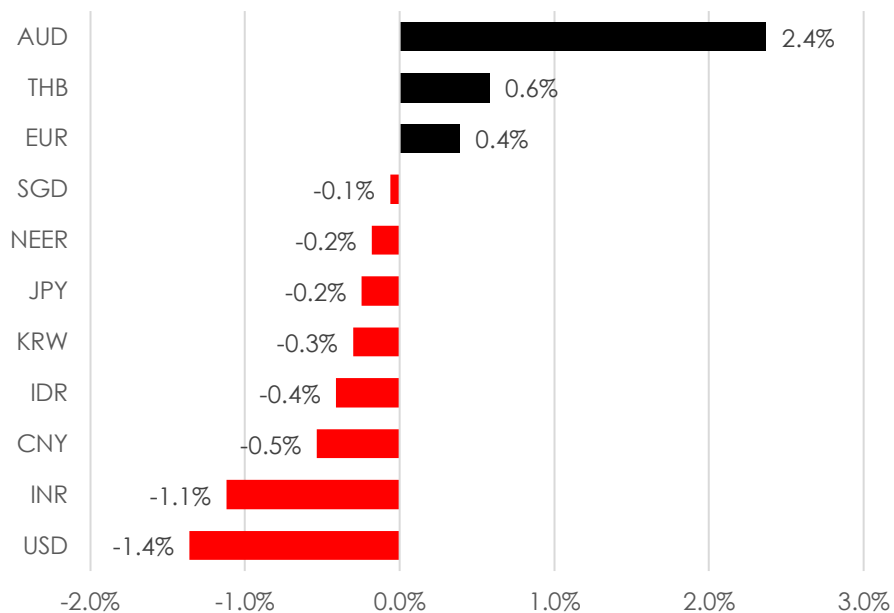
YTD Regional Foreign Fund Flow (USD Million)



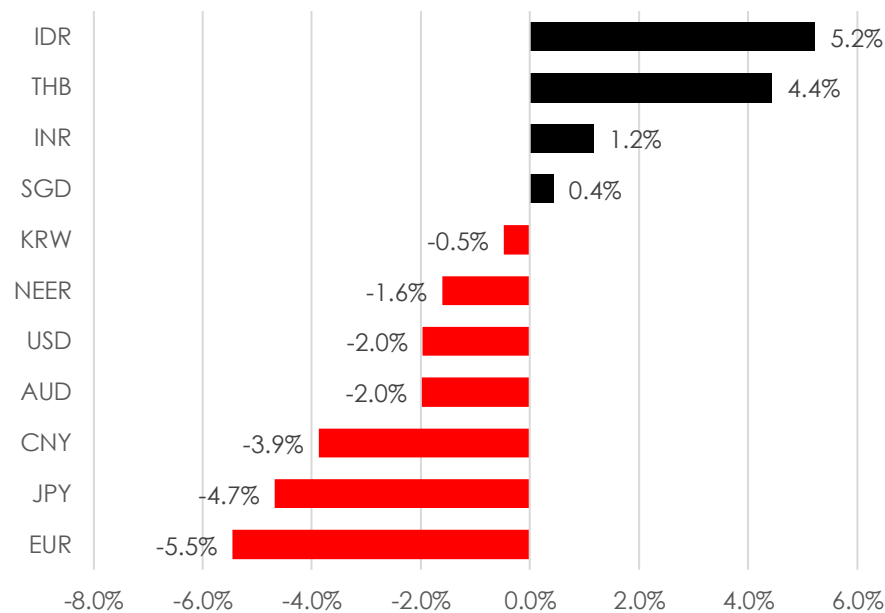
WEEKLY PERFORMANCE

- ✓ The Ringgit depreciated against USD to close at RM4.1705 on 25 September from RM4.1155 on 18 September.
- ✓ The weaker Ringgit was underpinned by stronger greenback compounded by domestic political jittery and will remain as the key risks.
- ✓ Be that as it may, it was higher against IDR (5.2%), THB (4.4%), INR (1.2%) and SGD (0.4%) on a cumulative basis.

MYR against other Currencies (Week Ended 25 September)



YTD Gain (As at 25 September)



Sources: Bloomberg

GOVERNMENT AND CORPORATE BONDS

- ✓ The total trading value of 10 most actively traded issues decreased (higher trading breadth) to 58.1% compared to 63.3% of the overall Government Bonds traded in the week before. In absolute terms, the total trading value for 10 most actively traded Government Bonds dropped by 5.5% to RM9.2 billion from RM9.8 billion in the preceding week. In addition, 7 out of the 10 most actively traded bonds saw higher yields hence lower prices during the review week.
- ✓ Meanwhile, the total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM2.4 billion in the review week compared to RM1.7 billion in preceding week. The total trading value of 10 most actively traded issues meanwhile decreased (higher trading breadth) to 23.1% compared to 25.7% of the overall Corporate Bonds trades in the week before. Aside from that, all of the 10 most actively traded corporate bonds saw higher yields, hence lower prices during the review week.

Malaysian Government Bonds

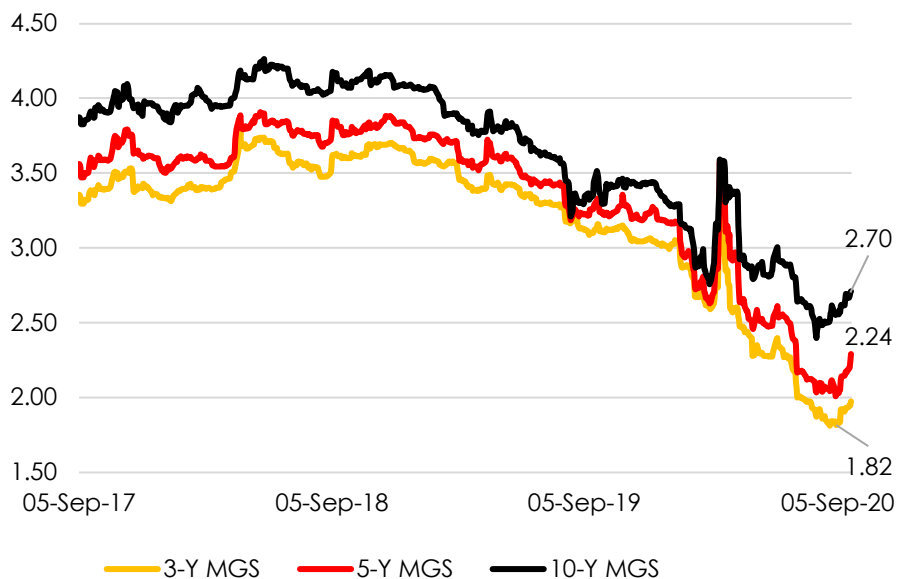
Name	Coupon	Maturity	18-Sep	25-Sep	Change	Weekly Trading Value (RM Million)
			Yield	Yield	(Weekly % change)	
Malaysia Government Securities	3.659	10/15/20	1.720	1.775	5.5	1,997.8
Malaysia Investment Issue	4.638	11/15/49	4.134	4.133	-0.1	1,097.3
Malaysia Government Securities	3.828	07/05/34	3.110	3.119	0.9	926.9
Malaysia Government Securities	3.885	08/15/29	2.666	2.724	5.8	923.8
Malaysia Government Securities	3.502	05/31/27	2.474	2.471	-0.3	900.9
Malaysia Government Securities	4.160	07/15/21	1.730	1.750	2.0	797.6
Malaysia Government Securities	5.248	09/15/28	2.610	2.600	-1.0	754.0
Malaysia Government Securities	3.480	03/15/23	1.946	1.941	-0.5	709.3
Malaysia Government Securities	4.181	07/15/24	2.075	2.218	14.3	591.9
Malaysia Investment Issue	3.151	05/15/23	1.985	2.012	2.7	542.7
Total Trading Value (Top 10)						9,242.2
Total Trading Value (Overall)						15,918.9

Malaysian Corporate Bonds

Name	Coupon	Maturity	18-Sep	25-Sep	Change	Weekly Trading Value (RM Million)
			Yield	Yield	(Weekly % change)	
Prasarana Malaysia	4.000	09/06/27	2.513	2.590	7.7	125.0
Cagamas Berhad	3.030	03/21/22	2.210	2.214	0.4	75.0
Prasarana Malaysia	4.470	02/26/26	2.308	2.400	9.2	60.0
Prasarana Malaysia	4.380	03/12/31	2.875	2.933	5.8	55.0
KL Kepong	3.950	09/27/34	3.550	3.612	6.2	50.0
Danainfra Nasional	4.360	02/12/29	2.676	2.738	6.2	50.0
Pelabuhan Tanjung Pelepas	4.050	06/18/30	3.338	3.359	2.1	37.0
Prasarana Malaysia	4.150	08/04/21	1.869	1.932	6.3	35.0
Danainfra Nasional	4.080	08/18/23	2.058	2.112	5.4	30.0
YTL Power International	4.650	08/24/23	2.901	2.954	5.3	30.0
Total Trading Value (Top 10)						547.0
Total Trading Value (Overall)						2,372.3

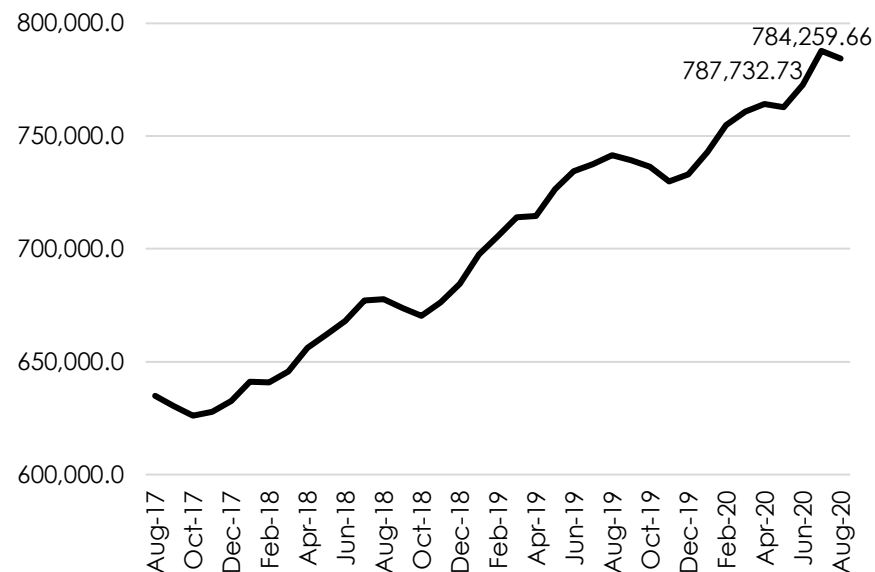
Sources: Bloomberg

MGS Yields



Source: CEIC

MGS and GII Outstanding (RM million)



- ✓ The benchmark yields mostly yielded higher as the 3-Y MGS, 5-Y MGS and 10-Y MGS rose to 1.98% (18 September: 1.93%), 2.29% (18 September: 2.17%) and 2.71% (18 September: 2.66%) on 25 September.
- ✓ Apart from that, the local govies (MGS & GII) inched up from RM742.9 billion in January 2020 to RM784.3 billion in August as the government seeks to finance fiscal initiatives.
- ✓ Looking ahead, the bond yields are expected to increase gradually ascribed to oversupply worries coupled with rising domestic political risks.

BRENT

- ✓ Brent crude oil price recorded a 2.9% weekly decrease to settle at USD41.92 per barrel last Friday as markets have bigger concerns over fuel demand recovery. This was due to rising number of Covid-19 infections globally which has led some countries to reimpose further coronavirus-related restrictions, including the UK and France.
- ✓ Pressuring prices further were worries about the resumption of exports and production from Libya after months of civil unrest. Recently, a circular news mentioned that the Royal Dutch Shell has provisionally booked the Amoureux tanker to load a 1.0 million barrel crude cargo at Libya's Zueitina terminal on 3 October 2020.
- ✓ With an already saturated market contending with lost demand in light of Covid-19, the addition of extra barrels might not be welcomed by the energy market that is already struggling to adjust to the lower crude oil prices.

Brent Crude in USD per barrel



US Crude Oil Inventory, '000 barrel - EIA



Source: Bloomberg

Date	Global	China	Germany	India	Indonesia	Italy	Japan	Singapore	South Korea	Spain	Thailand	United Kingdom	United States	France	Malaysia
1/9/2020	214,947	19	1,218	69,921	2,743	996	527	41	235	5,036	5	1,406	37,068	2,998	14
2/9/2020	253,905	20	1,256	78,357	2,775	975	609	40	267	6,520	8	1,295	31,808	4,765	6
3/9/2020	282,153	20	1,311	83,883	3,075	1,326	598	8	195	10,140	2	1,508	42,662	6,748	14
4/9/2020	287,512	33	1,453	83,341	3,622	1,397	669	48	198	10,217	4	1,735	39,402	6,799	11
5/9/2020	295,455	23	1,378	86,432	3,269	1,732	608	40	168	10,441	7	1,940	44,563	8,860	6
6/9/2020	309,751	19	988	90,632	3,128	1,694	543	34	167	12,480	6	1,813	49,131	8,390	6
7/9/2020	267,582	34	814	90,802	3,444	1,296	437	40	119	7,551	1	2,988	45,350	6,961	62
8/9/2020	220,673	22	1,499	75,809	2,880	1,150	378	22	136	5,326	1	2,948	33,486	4,111	100
9/9/2020	227,452	9	1,176	89,706	3,046	1,369	492	47	156	6,963	1	2,460	26,015	5,519	24
10/9/2020	257,891	13	1,892	95,735	3,307	1,700	495	75	155	11,472	7	2,659	23,204	8,294	45
11/9/2020	295,639	28	1,484	96,551	3,861	1,327	680	63	176	12,206	7	2,919	31,988	9,685	182
12/9/2020	304,959	20	1,630	97,570	3,737	1,616	643	86	136	12,443	5	3,539	37,128	9,260	58
13/9/2020	313,624	23	948	94,372	3,806	1,501	674	42	121	13,526	7	3,497	45,523	9,641	47
14/9/2020	283,567	29	927	92,071	3,636	1,456	439	49	109	7,786	2	3,330	40,126	7,101	31
15/9/2020	247,461	23	1,407	83,809	3,141	1,008	301	48	106	6,159	5	2,621	35,177	5,893	23
16/9/2020	255,011	16	1,901	90,123	3,507	1,229	490	34	113	7,731	10	3,103	34,111	7,720	62
17/9/2020	302,012	19	2,194	97,894	3,963	1,452	561	26	153	13,355	0	3,991	34,078	9,138	21
18/9/2020	315,260	44	1,916	96,424	3,635	1,583	485	18	126	13,233	7	3,395	40,795	10,468	95
19/9/2020	311,606	17	2,297	93,337	3,891	1,907	579	11	110	12,746	3	4,322	42,618	13,084	20
20/9/2020	321,651	26	1,345	92,605	4,168	1,637	584	15	82	13,518	6	4,422	48,266	13,465	52
21/9/2020	285,234	36	922	86,961	3,989	1,587	483	18	70	7,108	0	3,899	41,695	11,569	57
22/9/2020	238,998	14	1,821	75,083	4,176	1,350	298	30	61	5,227	5	4,368	36,766	4,057	82
23/9/2020	261,453	18	1,769	83,347	4,071	1,391	330	21	110	5,720	3	4,926	39,145	8,921	147
24/9/2020	300,922	10	2,143	86,508	4,465	1,640	273	12	125	4,143	2	6,178	49,176	12,730	71
25/9/2020	304,609	15	2,153	86,052	4,634	1,786	456	15	114	10,653	3	6,634	40,043	16,068	111
26/9/2020	316,978	18	2,507	85,362	4,823	1,912	558	11	61	12,272	3	6,873	41,254	15,613	82
27/9/2020	298,773	15	1,410	88,600	4,494	1,869	635	20	95	-	1	6,041	50,070	13,845	150

Source: CEIC

- ✓ This week, the FBM KLCI is expected to remain range bound pending further catalysts but potential 3Q2020 window dressing and active buying interest in glove counters due to continued hike in Covid-19 cases could lift the local bourse to re-challenge the downtrend line near 1,530 levels.
- ✓ Overall, we continue to err on the side of caution amid persistent speculation of the 15th General Election (GE15) after Gabungan Rakyat Sabah won the Sabah state elections (with a simple majority) last Saturday and awaiting the appointment of the new Sabah Chief Minister (CM) by the Yang di-Pertua Negeri Sabah. On a side note, we have yet to receive any further developments on Datuk Seri Anwar Ibrahim's claim that he has a formidable and convincing support from existing members of Parliament to form a new government.
- ✓ Other important points to look out include a possible liquidity freeze amid the expiry of the six-month grace period for loan repayments by end of September.
- ✓ At this juncture, major supports for the FBM KLCI are pegged at 1,490 to 1,500 points while key resistance levels are situated between 1,520 to 1,530 points.

THANK YOU

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