



From the Desk  
of the  
**Chief Economist**

**BANK ISLAM**

# **WEEKLY MARKET UPDATES**

**3 JANUARY 2022**

## **ECONOMIC RESEARCH**

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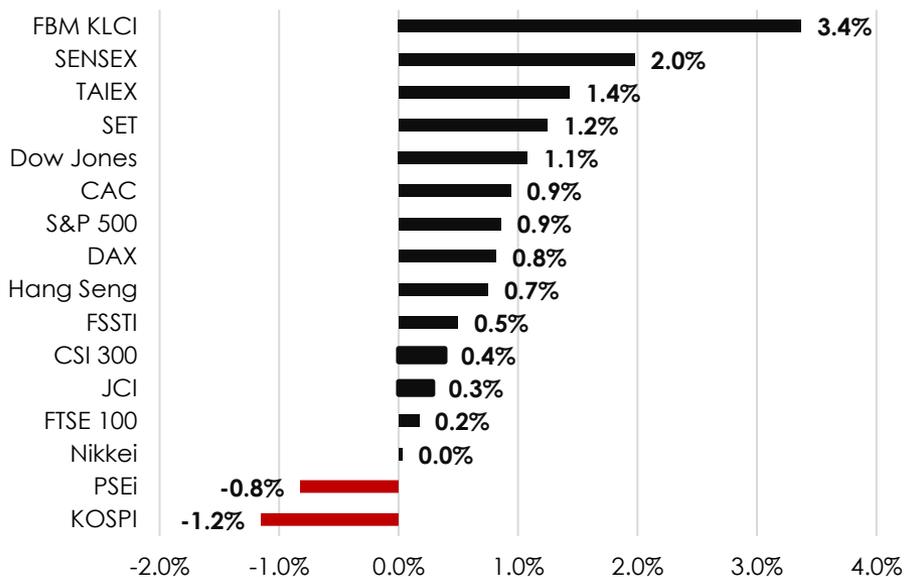
**NOR JANNAH ABDULLAH**

**RAJA ADIBAH RAJA HASNAN**

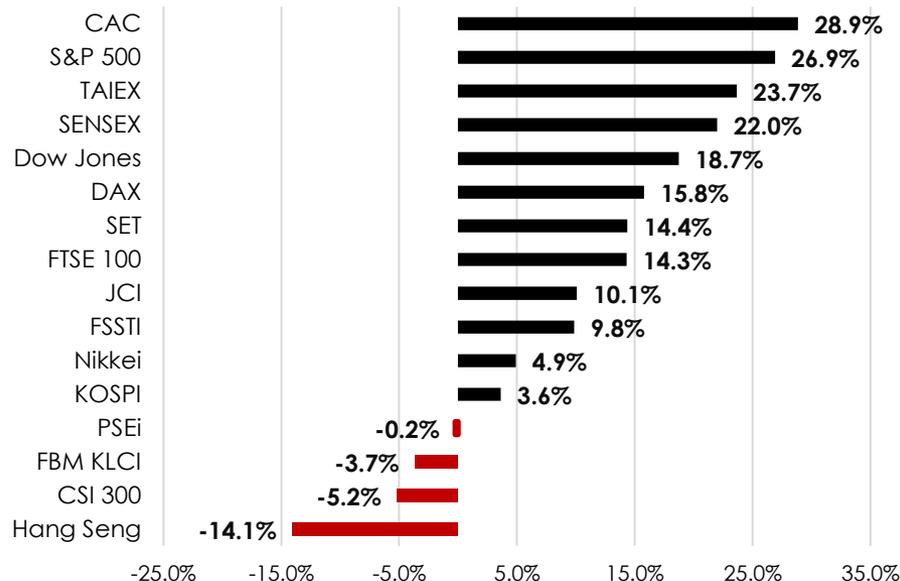
## WEEKLY MARKET PERFORMANCE

- ✓ The FTSE Bursa Malaysia KLCI (FBM KLCI) led gainers with a 3.4% weekly advance among the major equity markets due to bargain-hunting activities amid improving market sentiment. On further scrutiny, the confirmation of a RM1,000 cap on stamp duty for trading of shares is perceived as good news for the local bourse and thus supporting the overall market performance.
- ✓ Meanwhile, the Korean Composite Stock Price Indexes (KOSPI) dropped by 1.2% last week as investors refrained from making big bets on the last trading day of the year amid lack of fresh leads.
- ✓ On a Year-To-Date (YTD) basis, the FBM KLCI index is the second smallest decliner amongst major markets with a 3.7% loss.

**Weekly Gain/Loss of Major Equity Markets (%)**  
(Week Ended 31 December)



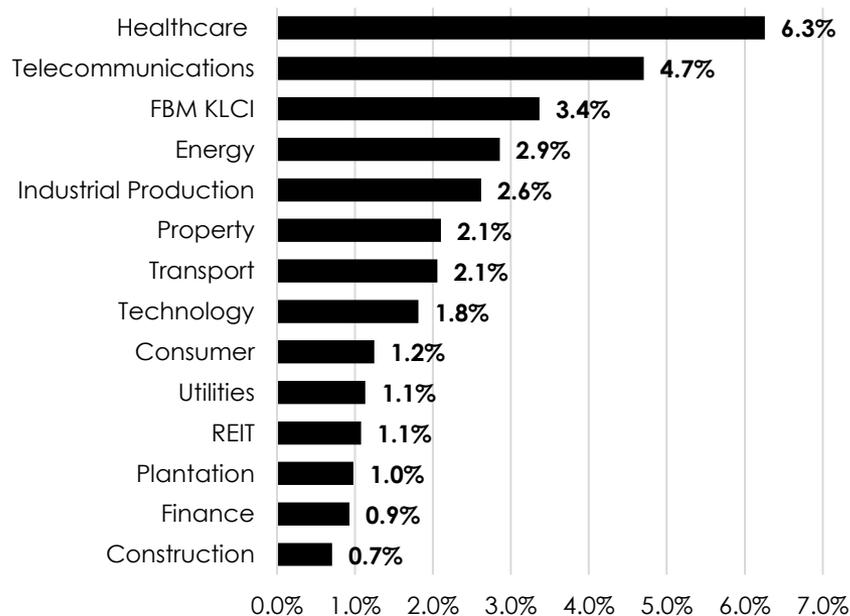
**YTD Gain/Loss Of Major Equity Markets (%)**  
(As at 31 December)



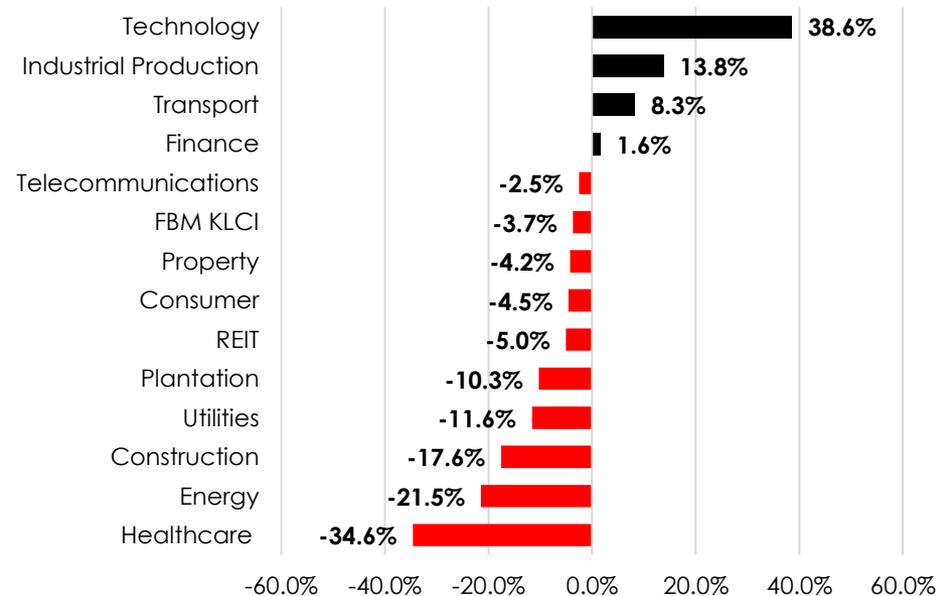
## WEEKLY SECTORAL PERFORMANCE

- ✓ The Healthcare and Telecommunications were the biggest gainers among sectoral indices, ending by 6.3% and 4.7% higher during the week, mainly contributed by bargain-hunting activities in the final hour of trading.
- ✓ On a YTD basis, the Technology Index was the largest winner, rising by 38.6%, followed by Industrial Production Index which saw a 13.8% gain following ease in restriction measures and pent-up demand across the world.
- ✓ On the other hand, we remain cautious given the heightened market volatility and worries over Omicron variant.
- ✓ The market also could be affected by the impact on sector after widespread flooding in many states in Peninsular Malaysia.
- ✓ All in all, the FBM KLCI is projected to trade within 1,560.0-1,570.0 points this week.

## Bursa Malaysia Sectoral Weekly Performance, w-o-w% (Week ended 31 December)



## Bursa Malaysia Sectoral Performance, YTD% (As at 31 December)

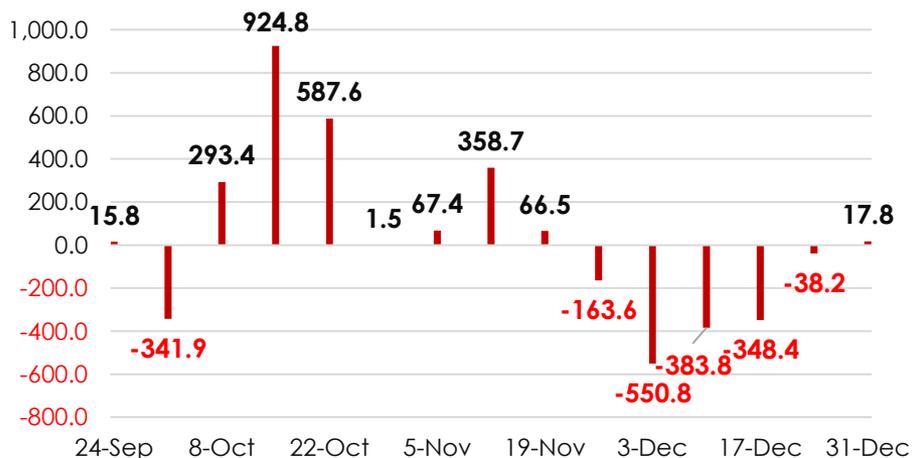


Source: CEIC

## WEEKLY FOREIGN FUND FLOW

- ✓ Foreign investors turned into buying mode as they acquired RM17.8 million net of local equities last week compared to RM38.2 million net sold in the previous week. In 2021, foreign investors have been net buyers in 22 weeks out of 52 weeks.
- ✓ Bursa started the week on the right foot as foreign investors bought RM56.7 million net of local equities on Monday and registered the largest foreign inflow during the week on Tuesday which stood at RM110.4 million. This was owing to bargain-hunting and window-dressing activities given cheap valuations of the local market as compared to regional peers. Foreign investors were net buyers for majority of the week except on Wednesday and Friday.
- ✓ On a YTD basis, international investors have sold RM3.2 billion net of local equities in 2021 compared to RM24.6 billion net disposed during the same period in 2020.

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



### Daily Foreign Net Inflow/Outflow From 1 December to 31 December 2021 (RM Million)



Source: Bursa

## MGS Benchmark Weekly Change (bps)

MGS Benchmark	Coupon (%)	Yields (%) 24-Dec-21	Yields (%) 31-Dec-21	Change (bps)
3-Y MGS 06/24	3.48%	2.82%	2.81%	-1
5-Y MGS 11/26	3.90%	3.14%	3.16%	2
7-Y MGS 06/28	3.73%	3.39%	3.39%	0
10-Y MGS 04/31	2.63%	3.55%	3.60%	5

Source: BNM

## Foreign Fund Flow

Year	RM Million							
	Total	BNM Bills	BNNN/BNMN-I	Tbills	MITB	MGS	PDS & Others	GII
2009	22,304	7,114	644	432	25	12,035	2,032	21
2010	51,742	19,337	363	19	(60)	32,777	(847)	153
2011	43,511	13,440	(70)	258	(23)	28,770	(4,232)	253
2012	60,928	30,768	3,447	(288)	(67)	27,164	(800)	1,331
2013	8,031	(17,048)	15,155	333	110	7,407	166	1,409
2014	(8,313)	(7,601)	(9,127)	(878)	(88)	8,207	(1,764)	1,857
2015	(11,270)	(26,006)	(10,872)	2,495	534	16,834	(425)	6,480
2016	825	(15,557)	(79)	(1,107)	(452)	6,334	1,000	9,899
2017	(7,975)	(3,724)	-	753	802	(4,041)	922	(3,032)
2018	(21,865)	650	-	325	76	(18,287)	(2,517)	(2,603)
2019	19,852	-	-	(1,930)	(291)	17,735	327	5,202
2020	18,303	(3,000)	-	3,837	697	13,442	(784)	3,721
11M2021	27,464	(2,000)	-	(937)	2,851	9,755	678	15,765

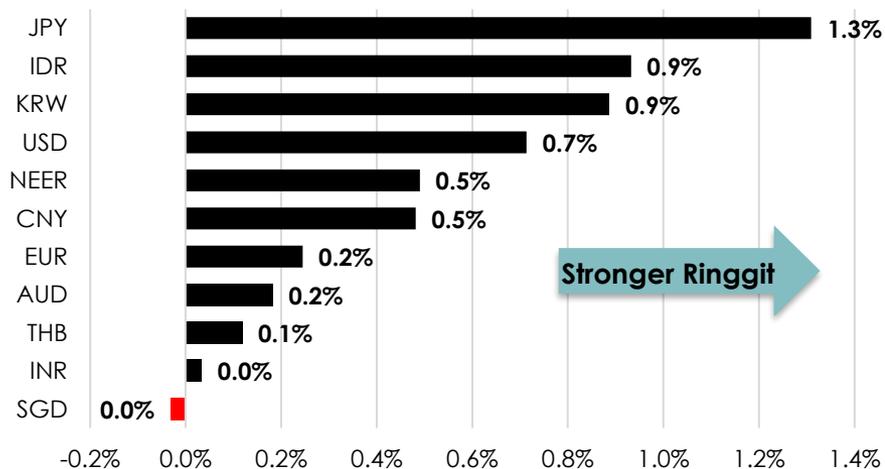
Source: CEIC

- ✓ As for the bond market, the MGS benchmark yields were mixed between -1 basis points (bps) and 5 bps on last Friday.
- ✓ The shorter tenure of 3-Y MGS 06/24 was slightly lower to 2.81% while the 5-Y MGS 11/26 and 10-Y MGS 04/31 rose by 2 bps and 5 bps to close at 3.16% and 3.60%.
- ✓ Nevertheless, the MGS benchmark yields have increased by more than 90 bps on YTD as the impacts due to the Covid-19 was receding.
- ✓ Meanwhile, foreign investors were the net buyers with a total net inflow of RM27.5 billion was recorded in 11M2021 which was higher compared to RM14.8 billion in 11M2020, suggesting local bond market remained supportive.
- ✓ All in all, the recovery scenario will continue to unfold into 2022 driven by Malaysia's high vaccination rates.
- ✓ However, we foresee the trader would remain cautious as further upside may be capped as the anticipated recovery will depend on the course of Covid-19.

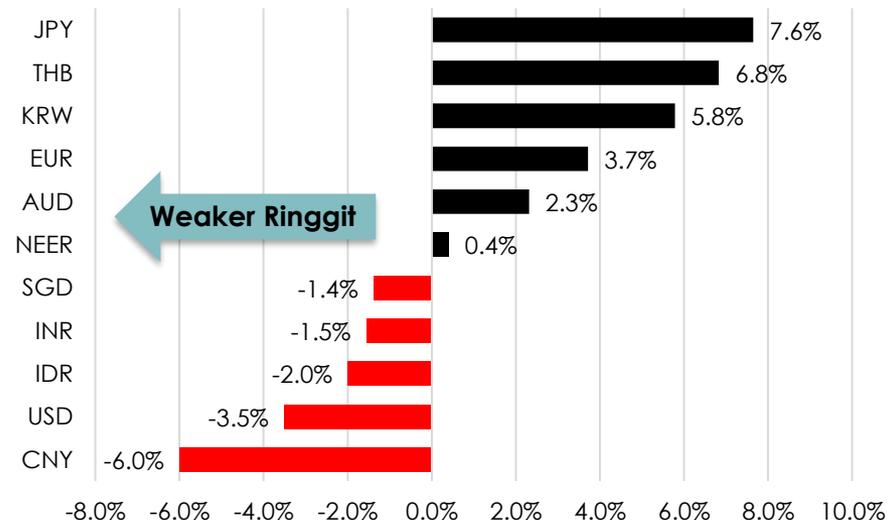
## WEEKLY PERFORMANCE

- ✓ The Ringgit strengthened by 0.7% week-on-week (w-o-w) on final trading day of 2021, closing at RM4.1640 against the U.S. Dollar as compared to RM4.1930 on 24 December.
- ✓ The gain was mainly due to a firmer Brent price which has been lingering around USD70.0 per barrel for the past three weeks.
- ✓ In view of such appreciation, the local note might be poised for some technical correction against the greenback this week on profit-taking activities.
- ✓ For this week, the focus will be centered on slow economic data from the U.S. such as Purchasing Managers' Index (PMI), unemployment rate, as well as the nonfarm payroll figures for December to give clues on the market direction.
- ✓ All in all, the Ringgit is expected to experience some technical correction, trading in range of RM4.1650 to RM4.1750 against the U.S. Dollar.

### MYR against regional currencies, w-o-w% (Week Ended 31 December)



### MYR against regional currencies, YTD Gain% (As at 31 December)



## BRENT

- ✓ Brent crude oil price recorded a 2.2% weekly increase to settle at USD77.78 per barrel on 31 December (24 December: USD76.14 per barrel) and ended with 50.2% gains in 2021(2020: -21.5%) amid better demand prospects due to the ongoing global economic recovery.
- ✓ On the supply side, the U.S. Energy Information Administration (EIA) reported that the crude oil inventories dropped by 3.6 million barrels to 420.0 million barrels in the week ended 24 December (17 December: 423.6 million barrels), declining for the fifth straight month since November last year. Similarly, the American Petroleum Institute (API) report mentioned that crude stockpiles decreased by 3.1 million barrels in the week ended 24 December from 3.7 million barrels draw in the preceding week.
- ✓ The continuous decline in crude oil stocks was attributed to pent-up demand and thus offsetting concerns that rising coronavirus cases due to Omicron variant might affect demand condition.

### Brent Crude in USD per barrel



Source: Bloomberg

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



## GOLD

- ✓ On a YTD basis, gold price declined by 3.6% to USD1,829.20 per ounce on 31 December 2021 (31 December 2020: USD1,898.36 per ounce), hemmed in by a resurgent in U.S. Dollar index by 6.4% (31 December 2021: 95.67 vs. 31 December 2020: 89.94) amid a global economic recovery which caused safe-haven flows into the metal to ease and as central banks prepared to raise interest rates to contain the inflation.
- ✓ To recap, the Federal Reserve (Fed) has decided to end its bond-buying programme by March and signaled to implement three rate hikes in 2022. Meanwhile, the Bank of England (BoE) surprised markets by being the first major central bank to raise its main rate since the Covid-19 pandemic began. On the other hand, both European Central Bank (ECB) and the Bank of Japan (BoJ) started dialing back pandemic-era stimulus but will likely retain ultra-easy policies in 2022.
- ✓ Though bullion is considered as a hedge against the inflation which usually results from the widespread stimulus, the interest rate hikes would translate into higher opportunity cost of holding gold, making it less appealing for holders of other currencies.

### Gold in USD per ounce



### U.S. Dollar Index (DXY)



# 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
1-Dec-21	643,070	124	67,186	8,954	278	12,757	83	1,239	5,119	11,381	4,886	55,062	100,967	46,975	5,439
2-Dec-21	683,120	84	73,209	9,765	311	15,073	127	1,324	5,265	13,118	4,971	54,520	120,540	49,563	5,806
3-Dec-21	700,704	119	74,352	9,216	245	16,810	129	1,101	4,943	14,108	4,912	53,587	132,867	48,129	5,551
4-Dec-21	683,661	104	64,510	8,603	246	17,015	141	766	5,352	15,263	5,896	49,223	142,994	49,549	4,896
5-Dec-21	621,821	74	42,055	8,895	196	16,627	127	743	5,127	15,803	4,704	44,630	150,813	51,523	4,298
6-Dec-21	473,443	74	27,836	8,306	130	15,010	114	552	4,323	10,864	4,000	43,992	60,685	42,222	4,262
7-Dec-21	456,037	109	36,059	6,822	261	9,494	73	662	4,953	7,576	3,525	51,459	51,242	8,530	4,965
8-Dec-21	744,479	100	69,601	8,439	264	15,742	98	715	7,173	7,882	3,618	57,872	192,356	58,796	5,020
9-Dec-21	696,902	88	70,611	9,419	220	17,946	124	709	7,102	17,836	4,203	54,310	125,970	61,148	5,446
10-Dec-21	670,855	87	61,288	8,503	192	12,516	173	682	7,022	11,801	4,193	56,588	130,070	56,609	5,058
11-Dec-21	663,431	107	53,697	7,992	228	20,490	138	454	6,976	20,289	4,079	58,194	137,891	55,020	4,626
12-Dec-21	603,689	86	32,646	7,774	163	21,035	141	559	6,689	25,163	3,787	54,073	133,293	53,647	3,490
13-Dec-21	480,613	112	21,743	7,350	106	19,212	131	370	5,814	16,249	3,398	49,291	59,344	43,848	3,504
14-Dec-21	449,009	83	30,823	5,784	190	12,704	87	339	5,560	12,661	2,862	54,661	54,280	8,434	4,097
15-Dec-21	757,991	82	51,301	6,984	205	20,665	128	442	7,850	26,514	3,370	81,815	192,510	63,123	3,900
16-Dec-21	719,814	85	56,677	7,974	213	23,190	173	474	7,621	30,571	3,684	95,063	125,418	65,586	4,262
17-Dec-21	759,982	98	50,968	7,447	291	26,104	193	355	7,435	34,835	3,537	103,490	146,634	60,647	4,362
18-Dec-21	721,892	147	42,813	7,145	232	28,615	181	412	7,311	36,391	3,132	97,073	159,892	58,128	4,083
19-Dec-21	683,240	101	29,348	7,081	164	28,057	195	271	6,234	42,177	2,899	90,418	161,585	58,409	3,108
20-Dec-21	503,223	116	16,086	6,563	133	24,303	187	255	5,317	25,413	2,525	82,886	74,697	48,473	2,589
21-Dec-21	534,942	99	23,428	5,326	216	16,205	148	195	5,196	21,160	2,476	91,743	91,355	14,470	3,140
22-Dec-21	916,522	95	45,659	6,317	179	30,783	223	280	7,450	51,474	2,532	121,020	288,269	72,634	3,519
23-Dec-21	905,560	121	44,927	7,495	136	36,326	267	335	6,917	67,955	2,940	134,022	201,913	79,567	3,510
24-Dec-21	957,374	102	35,431	6,650	204	44,585	303	322	6,226	72,550	2,671	132,017	237,994	91,288	3,528
25-Dec-21	959,116	165	22,214	7,189	255	50,615	294	265	5,842	74,058	2,766	122,186	263,790	93,532	3,160
26-Dec-21	686,839	249	10,100	6,987	92	54,762	316	248	5,419	51,484	2,532	-	175,083	104,505	2,778
27-Dec-21	439,425	233	13,908	6,531	120	24,882	274	209	4,204	34,501	2,437	-	84,318	27,697	2,757
28-Dec-21	646,841	235	21,080	6,358	278	30,799	218	280	3,862	33,974	2,305	98,515	157,752	29,767	2,897
29-Dec-21	1,351,175	222	40,043	9,195	194	78,300	362	365	5,409	48,675	2,575	128,685	525,763	174,296	3,683

Source: CEIC

- ✓ This week, Bursa Malaysia is anticipated to witness a cautious trading amid the ongoing assessment of the Omicron impact, to be in the range-bound trade of 1,560.0 points to 1,570.0 points as some of the traders are probably extending their year-end leave.
- ✓ It is back to business this week with a busy economic calendar to start the new year. This Tuesday, the attention will be on the Organization of the Petroleum Exporting Countries (OPEC) meeting to decide whether to continue increasing output in February. It is expected that the members will continue its policy of slowly returning oil to the market, taking cue on a mild hit from the Omicron variant as coronavirus fears diminish.
- ✓ Apart from that, the U.S. December job report coming out on Friday is an important tool to measure the U.S. economy, signaling the labour market strength in terms of hiring and labour force participation. The market response on jobs figures may depend a bit on what tone the FOMC minutes set as the Fed will publish its December meeting minutes on Wednesday which could probably hint on the timing of the first rate hike.
- ✓ Meanwhile, PMI, CPI, as well as PPI reports also come out from various countries this week which will be another key gauge on economic activity. South Korea will be kicking off the stream of reports with European countries, followed by the Eurozone as a whole reporting during the week.
- ✓ Yesterday, Health Minister, Khairy Jamaluddin cautions on Malaysia being hit by the very transmissible Omicron. This was followed by a statement by the Health Director-General, Noor Hisham Abdullah, stating the country's Covid-19 infectivity rate ( $R_t$ ) rose to 0.99 as of Saturday. The  $R_t$  has been steadily increasing since 26 December last year.
- ✓ As such, key measures to slow down the spread of the Omicron have been put in place, such as expediting booster dose administration, tightening face mask requirements, ensuring good ventilation, TRIIS (test, report, isolate, inform and seek), MySejahtera Trace system activation, as well as international border control to avoid the collapse of the healthcare system.
- ✓ As of 31 December 2021, the country has detected 64 Covid-19 cases of Omicron variant.

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An aerial photograph of a city skyline at sunset, with a prominent pink bar at the bottom. The sky is filled with soft, golden light and scattered clouds. The city features numerous high-rise buildings, with a particularly tall, slender skyscraper on the left. A highway with traffic is visible in the foreground, winding through the city. The overall mood is warm and serene.

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