



From the Desk
of the
Chief Economist

BANK ISLAM

WEEKLY MARKET UPDATES

5 APRIL 2021

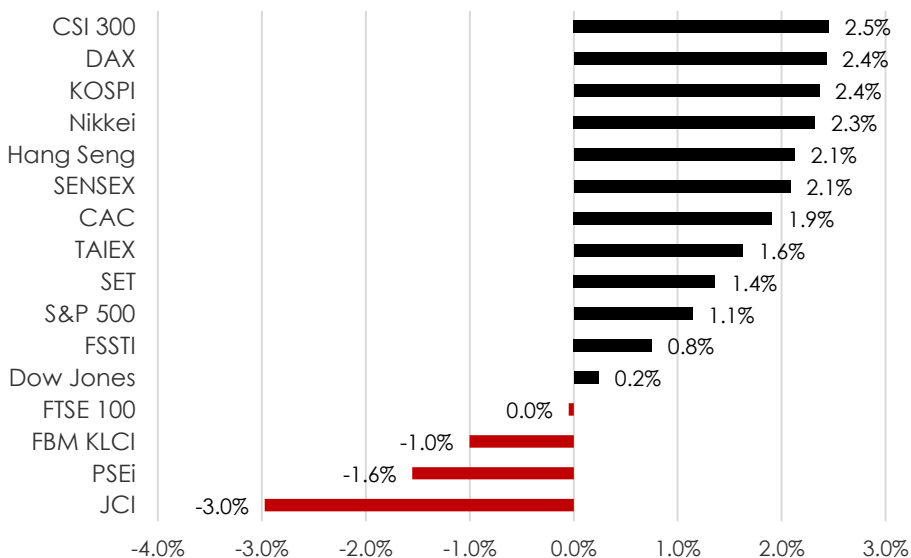
ECONOMIC RESEARCH

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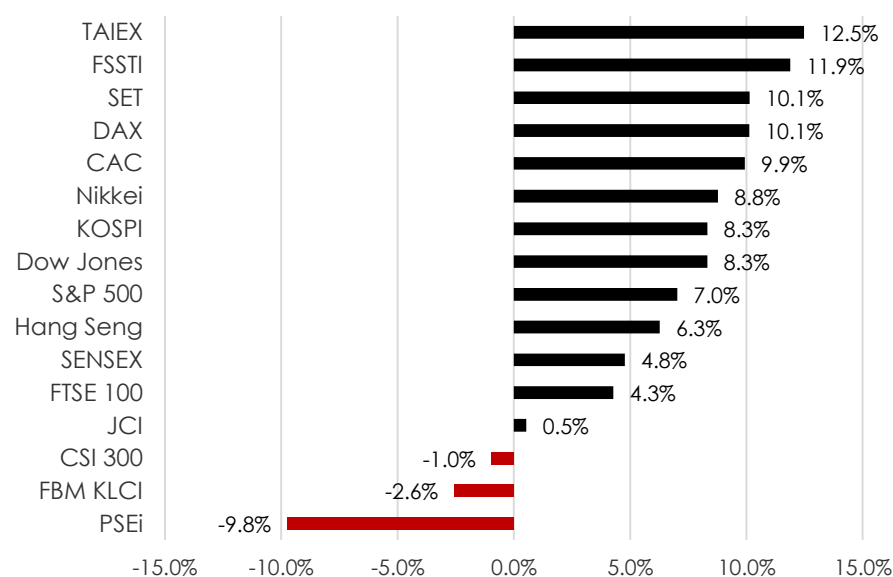
WEEKLY MARKET PERFORMANCE

- ✓ Among major global equity markets, gainers exceeded losers last week as China's CSI 300 index led gainers with a 2.5% advance. In fact, this was the largest weekly gain in seven weeks. One of the sectors which boosted the index strongly was information technology sector which rose amid price hikes at the foundry Semiconductor Manufacturing International Corporation.
- ✓ Meanwhile, Indonesia's JCI index was the biggest loser last week with a 3.0% decline. The sluggish performance in Indonesia's bourse was partly due to the lesser-than-expected growth in its consumer price index which grew 1.37% year-on-year (y-o-y) in March (February: 1.38%) compared to a consensus of a 1.40% growth.
- ✓ On the domestic front, the FBM KLCI index recorded a 1.0% drop for the week but saw a bigger year-to-date (YTD) loss of 2.6% after the benchmark index was hit badly on Wednesday due to a sell-off in rubber glove counters.

Weekly Gain/Loss of Major Equity Markets (%) (Week Ended 2 April)



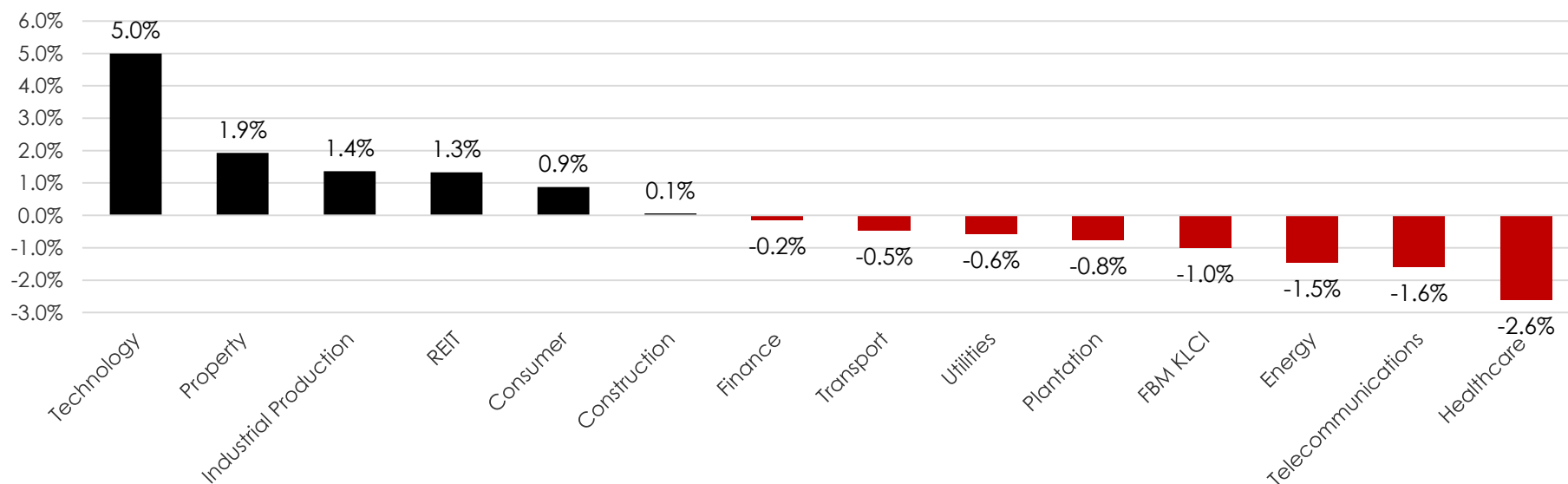
YTD Gain/Loss Of Major Equity Markets (%) (As at 2 April)



WEEKLY SECTORAL PERFORMANCE

- ✓ The Bursa Malaysia Technology index was the biggest gainer last week with a 5.0% weekly advance. Prospects for the technology sector are deemed to be intact, considering the increasingly high expenditure on digitalisation across the world such as 5G deployment and electric vehicles. On further scrutiny, the reimposed lockdowns in Europe bolstered sentiment for stronger demand for electronic gadgets to support flexible working arrangements.
- ✓ On the other hand, the Bursa Malaysia Healthcare Index was the largest decliner with a 2.6% weekly drop due to the wreckage seen on last Wednesday when investors withdrew their exposure in rubber glove counters, mainly Top Glove. The risk-off sentiment in rubber gloves was attributable to the declaration by the US Customs and Border Protection that certain disposable gloves manufactured by Top Glove have been manufactured with the use of convict, forced or indentured labour. As a result, such products will not be permitted to be imported by the US.

Bursa Malaysia Sectoral Weekly Performance (%)



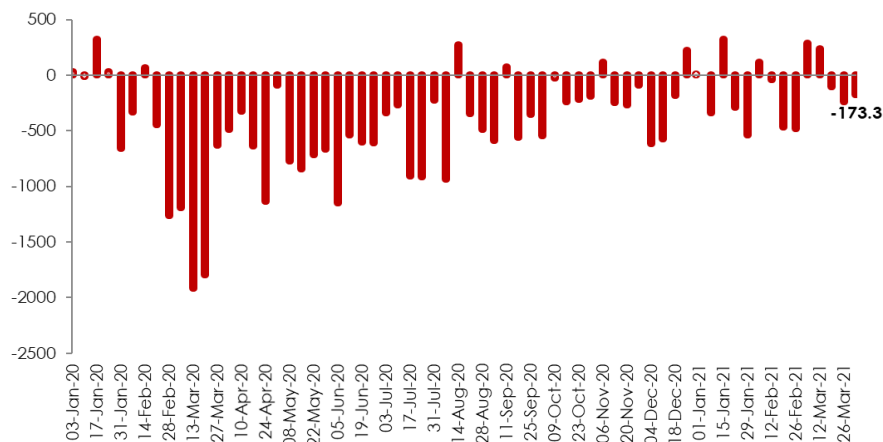
Sources: Bursa

FUND FLOWS-EQUITY

WEEKLY FOREIGN FUND FLOW

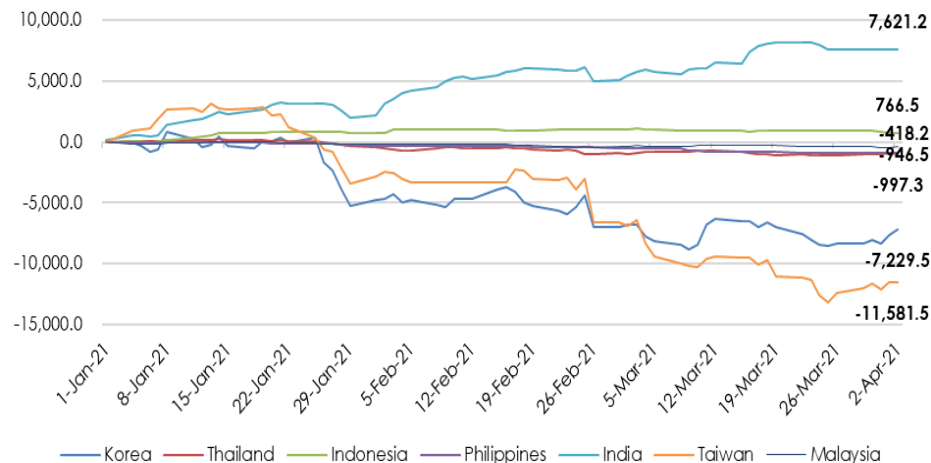
- ✓ Foreign investors sold RM173.3 million net of local equities on Bursa last week compared to the RM239.8 million net sold in the preceding week.
- ✓ Bursa had a pretty good start to the week as foreign investors snapped up RM89.8 million net of local equities on Monday. International funds continued to acquire local equities on Tuesday but at a slower pace of RM28.7 million net. Investors digested results of FTSE Russell index review whereby Malaysia retained its membership in the FTSE World Government Bond Index. Havoc wreaked Bursa on Wednesday as foreign investors dumped RM337.6 million net of local equities, the biggest foreign net outflow in a day since the first trading day of 2021 which saw RM852.5 million net of local equities sold by offshore funds. Notwithstanding this, foreign investors made a modest comeback to Bursa on Thursday by buying RM7.0 million net of local equities. International investors then upped the ante in the buying activity as they bought RM38.9 million net of local equities on Friday.
- ✓ In comparison to its six Asian peers namely, South Korea, Taiwan, the Philippines, Thailand, Indonesia and India, Malaysia has the smallest year-to-date foreign net outflow of USD418.2 million or RM1.7 billion.

Weekly Foreign Fund Flow in Malaysia (RM Million)



Sources: Bursa and Bloomberg

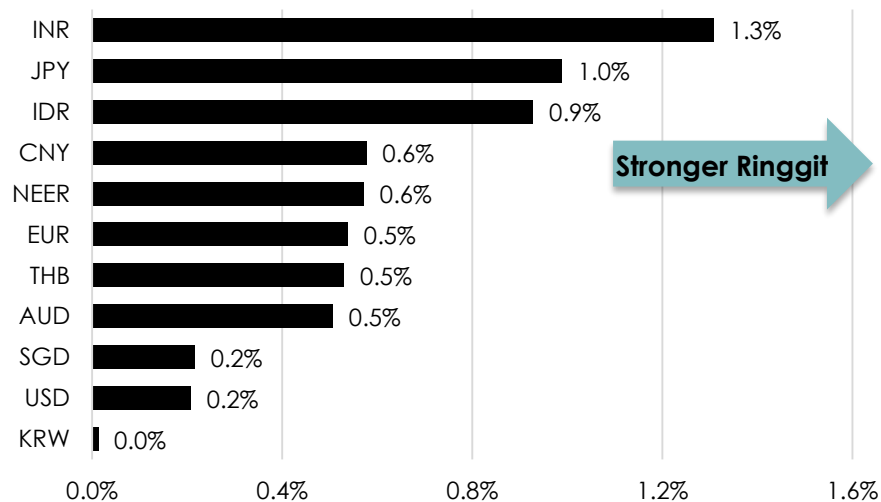
YTD Foreign Fund Flow in Malaysia in (USD Million)



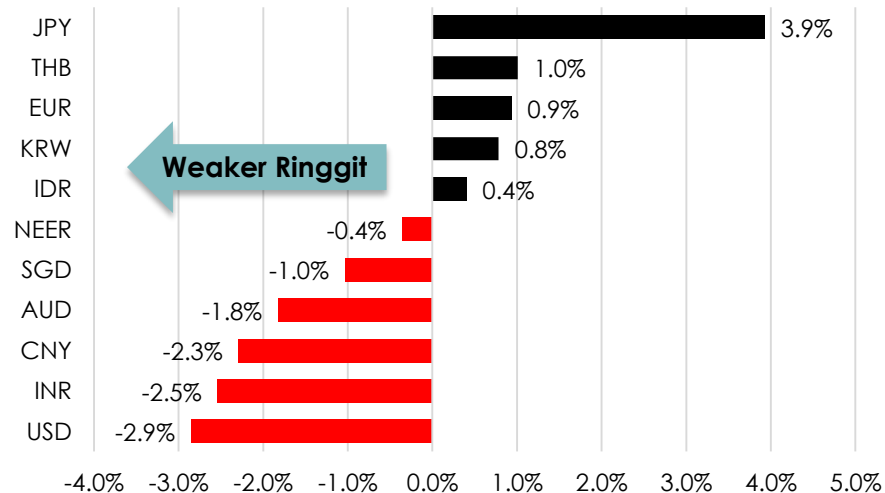
WEEKLY PERFORMANCE

- ✓ The Ringgit was slightly higher by 0.2% against US Dollar to close at RM4.1395 on 2 April from RM4.1470 on 26 March. This was largely due to higher Brent price (1 April: USD64.86/barrel vs. 26 March: USD64.57/barrel) accompanied by a weaker USD as investors seemed nervous on the US President Joe Biden's infrastructure plans which amounted more than USD2.0 trillion following the earlier approval of USD1.9 trillion bill. In addition, the number of Americans filing for unemployment benefits rose to 719k in the week ended 27 March from 658k in the previous week which has weighed on the sentiment.
- ✓ All in all, the Malaysian Ringgit is anticipated to trade sideways against the USD this week in a range of RM4.13 to RM4.14 on the back of cautious sentiment amid third wave of Covid-19 infection in Europe. This has caused to renewed lockdown in the Germany, France and Italy which could lead to a slower global economic recovery.
- ✓ Nevertheless, better Malaysia's economic indicators alongside the declining daily Covid-19 cases are in favour of a robust economic growth outlook in the second quarter.

MYR against regional currencies, w-o-w% (Week Ended 2 April)



MYR against regional currencies, YTD Gain% (As at 2 April)

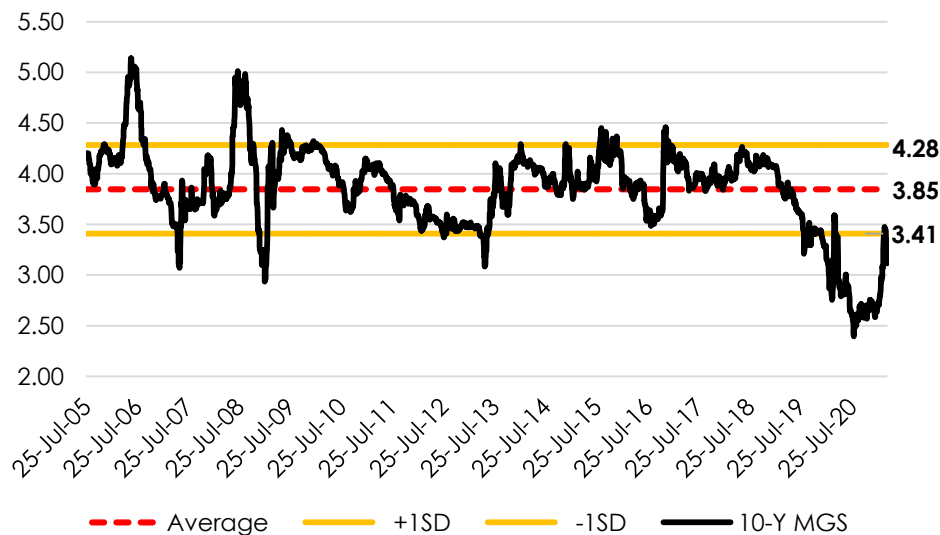


Weekly Movement in MGS Yields

MGS Benchmark	Coupon (%)	Yields (%) 2-Apr-21	Yields (%) 26-Mar-21	Weekly Change (bps)
3-Y03/23 MGS	3.48%	2.12%	2.13%	-1
5-Y09/25 MGS	3.96%	2.59%	2.67%	-8
7-Y06/28 MGS	3.73%	2.96%	3.11%	-15
10-Y04/31 MGS	2.63%	3.15%	3.33%	-18

Source: BNM

MGS Yield, %



Source: CEIC

✓ Overall benchmark yields for MGS were lower between 1 basis points (bps) and 18 bps last week with 10-Y 04/31 MGS fell significantly by 18 bps to close at 3.15% on 2 April while 7-Y 06/28 MGS dropped by 15 bps to 2.96%, suggesting stronger demand amid concern over a slower economic rebound following the new wave Covid-19 in the European Union that would weigh on the external demand.

✓ In addition, the sentiment was also boosted by the strong bidding metrics for the new issuance of 20.5-Y GII which has garnered a Bid-To-Cover (BTC) ratio of 2.58x whilst awarded at 4.417% and optimism by BNM's encouraging 2021 GDP forecast of 6.0% to 7.5%. BNM also pledged to maintain an accommodative monetary policy to support Malaysia's economic rebound this year.

BRENT

- ✓ Brent crude oil price recorded a 0.4% weekly increase to settle at USD64.86 per barrel last Thursday (26 March 2021: USD64.57/barrel) after the Organization of the Petroleum Countries Plus (OPEC+) reached a deal to gradually ease production cuts from May. As such, an additional 350,000 barrels per day will be added to production in May, with another 350,000 barrels per day coming into the market in June. Output is also expected to increase further by 450,000 barrels per day in July.
- ✓ Meanwhile, the American Petroleum Institute (API) report showed that crude stockpiles rose by 3.9 million barrels in the week ended 26 March, following a 2.9 million barrels increase in the preceding week. On the other hand, data from the US Energy Information Administration (EIA) showed an unexpected draw in the US crude stocks by 0.9 million barrels to 501.8 million barrels in the week ended 26 March (19 March: 502.7 million barrels).
- ✓ On demand side, the ongoing Covid-19 crisis particularly in the Europe continues to cloud the demand outlook for the energy market.

Brent Crude in USD per barrel



Source: Bloomberg

US Crude Oil Inventory, '000 barrel - EIA



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
4-Mar-21	429,789	27	11,912	17,407	6,808	20,840	1,192	23	424	5,707	54	6,385	57,831	26,788	2,063
5-Mar-21	439,302	20	10,580	16,838	7,264	22,845	1,180	19	398	5,775	79	6,573	65,320	24,739	2,154
6-Mar-21	435,290	21	9,557	18,327	6,971	24,010	1,164	9	418	5,450	64	5,946	66,262	22,725	1,680
7-Mar-21	443,598	28	8,103	18,711	5,767	23,633	1,064	13	416	5,546	65	6,039	67,213	23,306	1,683
8-Mar-21	365,997	37	5,011	18,599	5,826	20,724	1,036	13	346	2,764	71	5,177	57,269	21,650	1,529
9-Mar-21	345,513	24	4,252	15,388	6,894	13,882	679	13	446	1,955	60	4,712	41,486	5,229	1,280
10-Mar-21	446,518	27	9,146	17,921	6,389	19,725	1,058	6	470	4,929	39	5,766	126,229	22,626	1,448
11-Mar-21	457,612	20	14,356	22,854	5,633	22,275	1,272	10	465	5,514	58	5,926	52,732	30,112	1,647
12-Mar-21	479,421	31	12,834	23,285	5,144	25,649	1,288	8	488	5,359	81	6,753	60,322	27,166	1,575
13-Mar-21	483,532	73	12,674	24,882	6,412	26,790	1,296	10	490	5,204	78	6,609	60,312	25,120	1,470
14-Mar-21	470,306	57	10,790	25,320	4,607	26,031	1,288	8	459	5,637	170	5,534	62,840	29,256	1,354
15-Mar-21	401,725	30	6,604	26,291	4,714	21,304	1,033	17	379	2,724	78	4,618	52,261	26,140	1,208
16-Mar-21	338,239	48	5,480	24,492	5,589	15,252	782	12	363	1,888	149	5,089	40,230	6,471	1,063
17-Mar-21	426,082	22	13,435	28,903	5,414	20,376	1,025	11	469	5,382	248	5,294	52,998	29,145	1,219
18-Mar-21	526,033	17	17,504	35,871	6,825	23,040	1,473	9	445	5,913	92	5,758	51,882	38,424	1,213
19-Mar-21	550,564	29	17,482	39,726	6,570	24,901	1,516	15	463	5,648	100	6,303	56,790	34,936	1,576
20-Mar-21	551,517	23	16,033	40,953	6,279	25,707	1,456	15	447	6,201	119	4,802	58,826	35,066	1,671
21-Mar-21	531,241	21	13,733	43,846	5,656	23,913	1,480	17	456	4,510	90	5,587	61,382	34,658	1,327
22-Mar-21	475,062	16	7,709	46,951	4,396	20,045	1,143	12	415	2,756	73	5,312	60,228	30,581	1,116
23-Mar-21	427,560	27	7,485	40,715	5,744	24,501	973	12	346	2,172	401	5,342	39,165	37,572	1,384
24-Mar-21	491,459	23	15,813	47,262	5,297	18,739	1,289	13	428	5,893	69	5,379	57,686	23,734	1,268
25-Mar-21	587,490	23	22,657	53,476	5,227	21,246	1,854	15	430	7,094	97	5,604	58,755	33,389	1,360
26-Mar-21	628,683	23	21,573	59,118	6,107	23,681	1,943	17	490	6,558	134	6,220	65,326	45,401	1,275
27-Mar-21	631,168	24	20,472	62,258	4,982	24,076	2,026	12	505	6,891	80	6,187	69,589	41,869	1,199
28-Mar-21	593,137	21	17,176	62,714	4,461	23,834	1,983	23	482	6,905	77	3,865	71,187	41,812	1,302
29-Mar-21	532,040	18	9,872	68,020	4,083	19,604	1,765	12	382	3,548	39	3,862	61,893	37,014	941
30-Mar-21	442,018	17	9,549	56,211	5,008	12,900	1,561	21	447	2,309	-	4,654	46,865	9,094	1,133
31-Mar-21	519,915	19	17,051	53,480	4,682	16,055	1,937	26	506	3,325	90	4,040	61,620	29,575	1,482
1-Apr-21	660,752	28	24,300	72,330	5,937	23,887	2,661	34	551	-	-	4,052	65,692	58,828	1,178
2-Apr-21	666,836	28	21,888	81,466	6,142	22,184	2,685	26	557	-	84	4,478	63,781	50,659	1,294
3-Apr-21	669,335	48	18,129	89,129	5,325	21,917	2,707	43	543	-	84	3,402	79,135	45,352	1,638
4-Apr-21	510,365	29	12,196	93,249	4,345	21,247	-	18	543	-	96	3,423	65,770	-	1,349

Source: CEIC

- ✓ The FBM KLCI is expected to trade within a tight range of 1,590 to 1,600 points this week, but could breach the 1,600-point level should there be positive developments on the vaccine, which had faced scrutiny in Europe.
- ✓ Recall that, a man in Australia's state of Victoria was admitted to hospital for blood clot after receiving the AstraZeneca Covid-19 vaccine while France recorded a rise in Covid-19 cases in intensive care units. These developments should be in favour of glove makers which contribute 7.6% to the market capitalisation of the FBM KLCI index.
- ✓ Other overarching external factors which may boost the local bourse is the stronger-than-expected US jobs report for March released last Friday which saw 916k jobs added from a higher revised figure of 468k jobs in the preceding month. Prior to that, President Joe Biden announced a USD2.25 trillion in additional spending on infrastructure which will fuel optimism on economic recovery.
- ✓ Henceforth, drivers for gains next week aside from glove counters could come from sectors linked to economic growth, such as industrial production, financial services and oil and gas.
- ✓ On the global front, the coming week looks set to be fairly quiet with the International Monetary Fund's spring (IMF) meeting and minutes from the Federal Reserve and the European Central Bank's latest meetings filling the gap before earnings season gets underway mid-month.
- ✓ All in all, the current situation warrants a prudent analysis on asset allocation as the expected economic growth this year may be weighed down by temporary hurdles surrounding the Covid-19 vaccine distribution.

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