



From the Desk
of the
Chief Economist

BANK ISLAM

WEEKLY MARKET UPDATES

6 SEPTEMBER 2021

ECONOMIC RESEARCH

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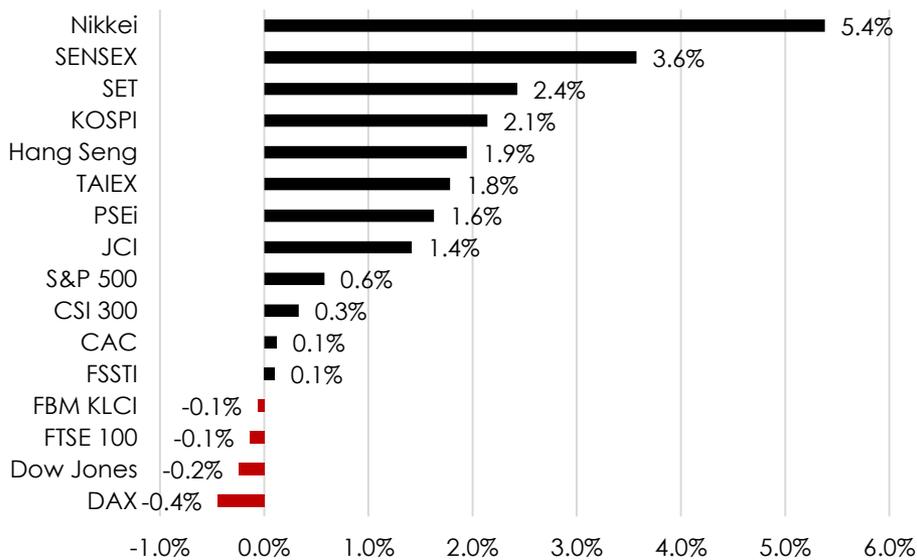
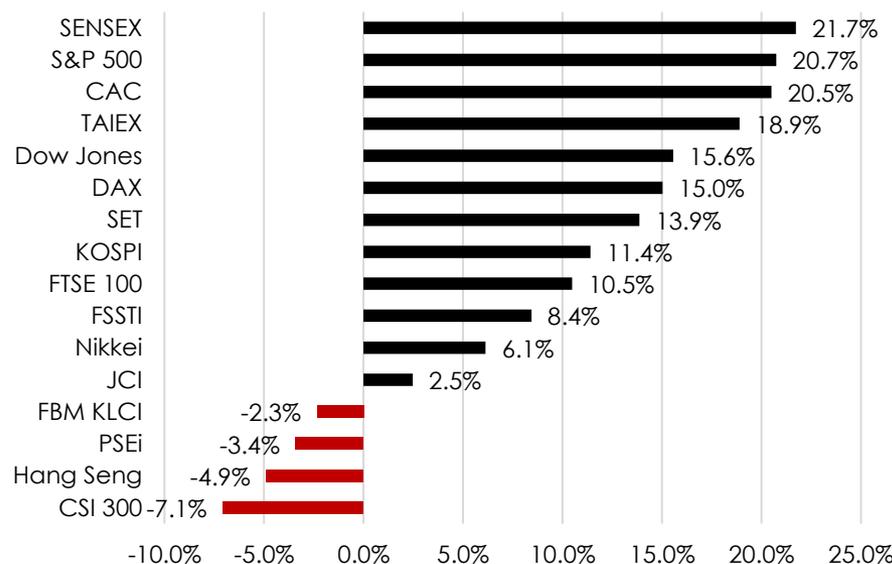
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WEEKLY MARKET PERFORMANCE

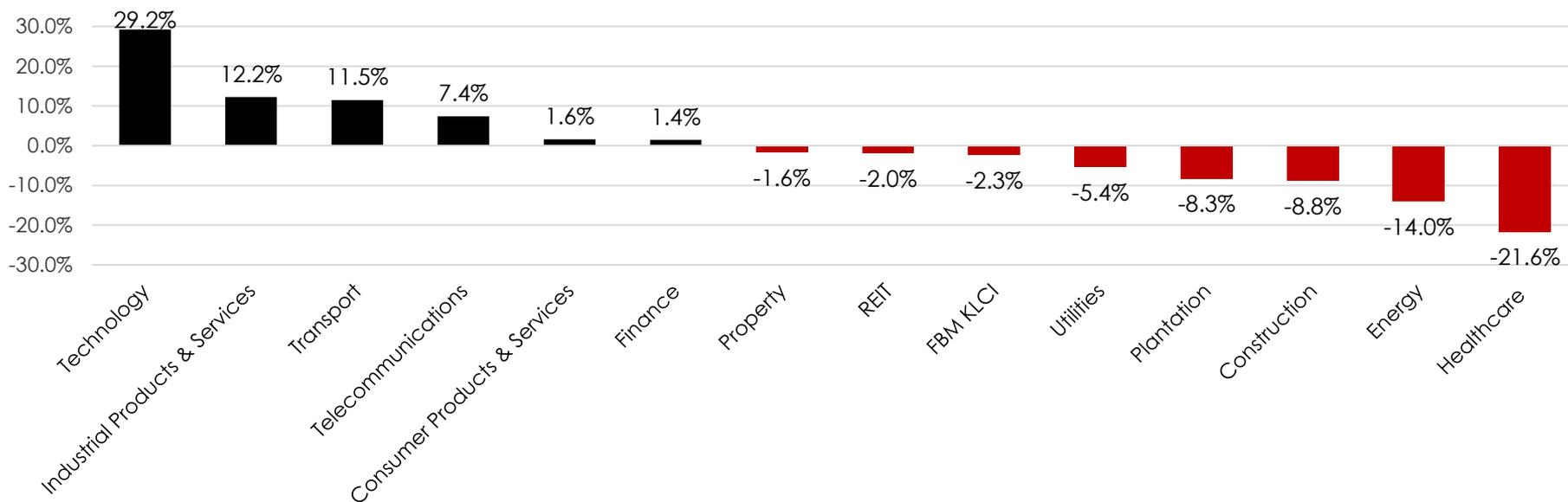
- ✓ Gainers outnumbered losers among major equity markets last week with Japan's Nikkei index recording the biggest weekly advance of 5.4%. The weekly gain in the Nikkei index was mainly attributable to Friday's 2.1% jump after Prime Minister Yoshihide Suga said he will not be running in the upcoming leadership election, paving the way for a new prime minister. Suga has been under fire for his handling of the Covid situation in Japan, which included the hosting of the Tokyo Summer Olympic Games while the city was under a state of emergency.
- ✓ Meanwhile, Germany's DAX index led laggards with a 0.4% weekly decline as the index undergoes a makeover whereby the number of companies in the blue-chip index will expand from 30 to 40 with stricter profitability criteria. Therefore, some investors were uneasy to know that some companies may be excluded under the makeover.
- ✓ On the domestic front, the FBM KLCI index dropped slightly by 0.1% for the week but is the smallest decliner on a Year-To-Date (YTD) basis amongst major markets with a 2.3% loss.

Weekly Gain/Loss of Major Equity Markets (%)
(Week Ended 3 September)YTD Gain/Loss Of Major Equity Markets (%)
(As at 3 September)

WEEKLY SECTORAL PERFORMANCE

- ✓ The Bursa Malaysia Technology Index was the biggest gainer, ending 29.2% higher during the week. The rise in Bursa's technology counters took cue from the rally in Chinese technology counters as bargain hunters loaded up on the sector that was recently beaten down following China's regulatory crackdown on technology companies. Aside from that, optimism in local technology counters continued to be underpinned by their latest 2Q2021 commendable earnings such as Mi Technovation Berhad which hit a record high of RM26.1 million, a 43.5% year-on-year surge from RM18.2 million a year ago.
- ✓ On the other hand, the Bursa Malaysia Healthcare Index was the biggest loser, ending 21.6% despite Covid-19 cases seeing no slowdown globally and domestically. On further scrutiny, rubber glove counters continue to see a lack of investors' interest as the average selling price (ASP) of gloves continues to normalise as more countries continue to adapt in living with the pandemic.

Bursa Malaysia Sectoral Weekly Performance (%)

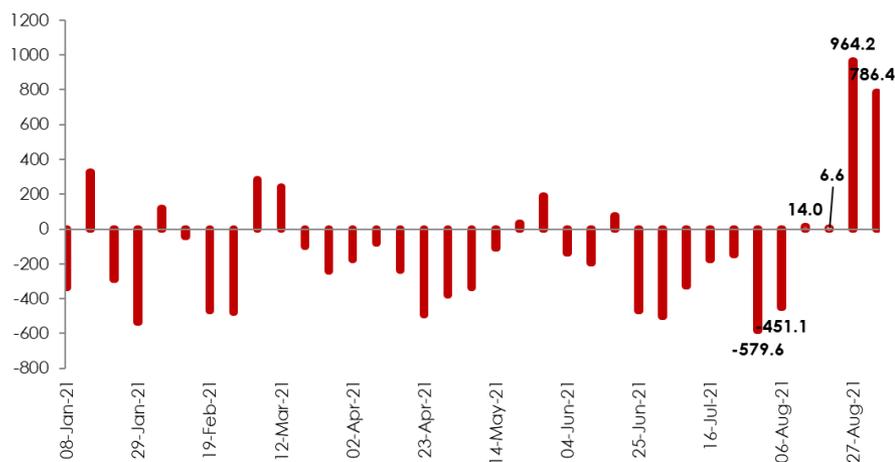


Source: Bursa

WEEKLY FOREIGN FUND FLOW

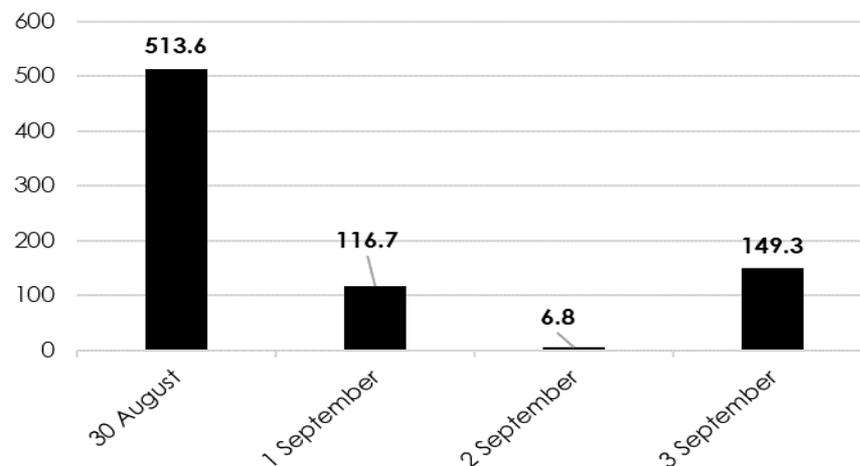
- ✓ Foreign investors acquired RM786.4million net of local equities last week compared to the RM964.2 million net bought in the previous week.
- ✓ On last Monday, foreign investors ended the month of August with a bang as they acquired RM513.6 million net of local equities. In fact, this was the largest daily foreign net inflow recorded so far in 2021. The total monthly foreign net inflow during August reached RM1.1 billion, the first monthly foreign net inflow after 25 consecutive months of foreign net outflow. As markets reopened on Wednesday, the month of September began on a positive note with international investors buying RM116.7 million net of local equities. The momentum of foreign net buying slowed down on Thursday to reach only RM6.8 million net as some investors began to take profit following the 7.1% monthly gain in the FBM KLCI index during August. Nevertheless, the pace of foreign net buying spiked to RM149.3 million net on Friday.
- ✓ On a YTD basis, international investors have so far sold RM4.2 billion net of local equities this year compared to RM20.9 billion net disposed during the same period last year.

Weekly Foreign Fund Flow in Malaysia (RM Million)



Sources: Bursa

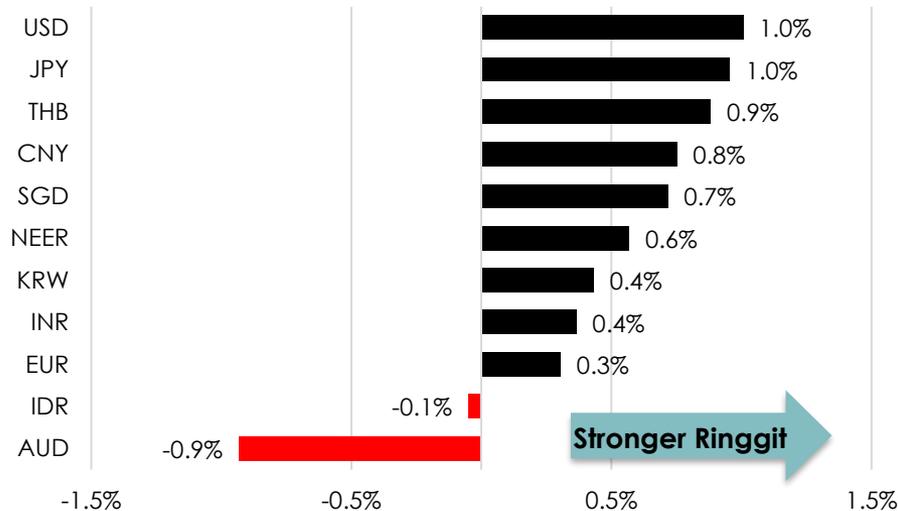
Daily Foreign Net Inflow/Outflow From 30 Aug - 3 Sept 2021 (RM Million)



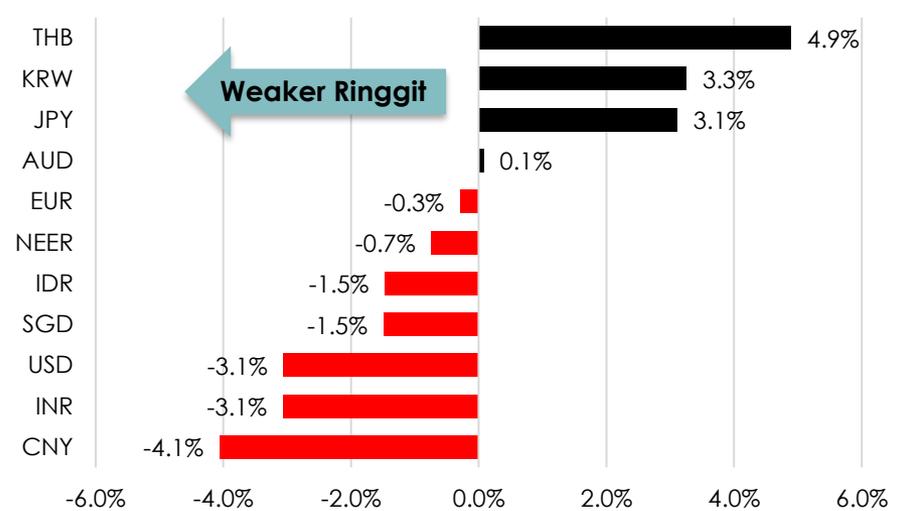
WEEKLY PERFORMANCE

- ✓ The Ringgit strengthened by 1.0% week-on-week (w-o-w) to close at RM4.1440 against the USD on last Friday from RM4.1880 recorded on 27 August 2021. The gain was mainly due to positive development in the country as domestic political uncertainties abated while economic activities are expected to pick up following ease in restriction measures which have become a comforting factor for investors. In addition, a firmer Brent price which has been lingering around USD70.0 per barrel continued to support local note given its strong relation with Malaysian Ringgit.
- ✓ Meanwhile, the U.S. Federal Reserve (Fed) is likely to announce the tapering of its asset purchases in November according to a Fed Official. This would be a risk to the emerging market currencies including Ringgit due to capital outflow in the medium term alongside the expected hike in U.S. market interest rates next year.
- ✓ However, we foresee that the Ringgit will trade between a range of RM4.15 and RM4.16 this week amid a cautious stance ahead of Bank Negara Malaysia policy meeting on 9 September, whereby the Overnight Policy Rate (OPR) is anticipated to be maintained at current level of 1.75%.

MYR against regional currencies, w-o-w%
(Week Ended 3 September)



MYR against regional currencies,
YTD Gain% (As at 3 September)

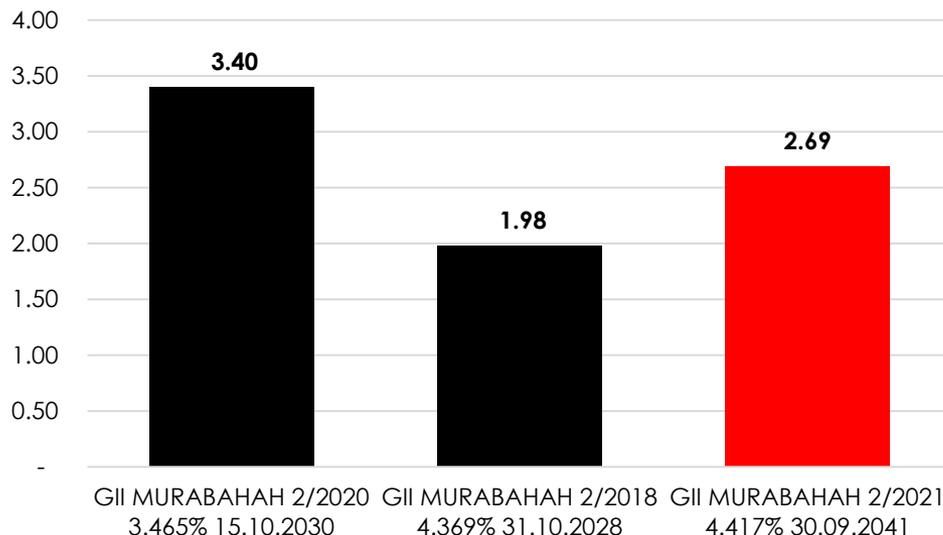


MGS Benchmark Weekly Change (bps)

MGS Benchmark	Coupon (%)	Yields (%) 27-Aug-21	Yields (%) 3-Sep-21	Change (bps)
3-Y MGS 06/24	3.48%	2.35%	2.31%	-4
5-Y MGS 11/26	3.90%	2.69%	2.67%	-2
7-Y MGS 06/28	3.73%	3.05%	3.03%	-2
10-Y MGS 04/31	2.63%	3.23%	3.19%	-4

Source: BNM

GII



Source: Bond Info Hub

- ✓ The MGS benchmark yields mostly closed lower with 3-Y MGS 06/24 and 10-Y MGS 04/31 both fell by 4 bps to close at 2.31% and 3.19% respectively while the 5-Y MGS 11/26 and 7-Y MGS 06/28 dropped by 2 bps to 2.67% and 3.03% on last Friday.
- ✓ As for the auction market, the reopening of 20-Y GII 09/41 gained a higher Bid-To-Cover (BTC) ratio at 2.69x from 1.98x previously, suggesting demand for local govies remained supportive.
- ✓ On the other hand, Finance Minister Tengku Datuk Seri Zafrul Abdul Aziz is expected to raise the statutory debt limit to 65.0% from the current level of 60.0% while the debt-to-GDP ratio would probably go up to above 60.0% by year-end as the government is anticipated to expand its fiscal policy to cushion the fallout from Covid-19 crisis.
- ✓ In addition, the Fed could begin reducing its monthly bond purchases this year that would cause the investors to move out from emerging markets.
- ✓ Therefore, these factors could lead to higher bond yields in the medium term.

BRENT

- ✓ Brent crude oil price recorded a 0.1% weekly decline to settle at USD72.61 per barrel on 3 September (27 August: USD72.70/barrel) as disappointed payroll report in the U.S. had affected market sentiment last week. On further scrutiny, the U.S. economy added 235k jobs in August (July: 1,053k), the lowest in 7 months in light of higher infection cases due to rapid spread of Delta strain of the Covid-19 virus. As such, this has raised concerns about the pace of economic recovery moving forward.
- ✓ On the supply side, the U.S. Energy Information Administration (EIA) reported that stocks of crude oil fell by 7.2 million barrels to 425.4 million barrels in the week ended 27 August (20 August: 432.6 million barrels). Similarly, the American Petroleum Institute (API) report mentioned that crude stockpiles decreased by 4.1 million barrels in the week ended 27 August from a draw of 1.6 million barrels in the preceding week. The continuous decline in oil supply has at least provided some support to the crude oil price movement last week.

Brent Crude in USD per barrel



Source: Bloomberg

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



GOLD

- ✓ Gold price rose by 0.6% to USD1,827.73 per ounce on 3 September (27 August: USD1,817.57 per ounce) amid a weakening U.S. Dollar. On further scrutiny, the U.S. Dollar Index depreciated by 0.7% to 92.04 on 3 September from 92.69 in the preceding week.
- ✓ Friday's Labor Department report was a huge disappointment when the U.S. economy added only 235k jobs in August, far below the estimation at 725k jobs after surging over 1.0 million in July. This was the lowest in seven months, reflecting employers cutting back hiring plans following the surge in Covid-19 infections.
- ✓ In the week before, Fed Chair Jerome Powell indicated that the Fed may start cutting asset purchases but would remain cautious about rising interest rate if the job growth continues to be affected by the pandemic. However, the weak report may affect the policy, which is considering to pull back on some of the massive stimulus it has been adding since the early days of the pandemic in 2020. Thus far, the precious metal has dropped by 3.7% on a YTD basis.

Gold in USD per ounce



Source: Bloomberg

U.S. Dollar Index (DXY)



- ✓ The highlight of the week would be **Bank Negara Malaysia's monetary policy committee meeting on Thursday** whereby the overnight policy rate is likely to be kept unchanged at 1.75%. The latest round of relaxation of restrictions for social and economic sectors for fully vaccinated individuals is likely to support the economic growth in the coming months combined with earlier fiscal stimulus provided by the government.
- ✓ Assuming that the OPR was to be maintained at 1.75%, then counters such as banks which are heavyweights of the FBM KLCI will remain status quo and therefore will not cause any huge movement in the KLCI. Nevertheless, further upside may be provided if investors continue the thematic play of economic recovery especially after Melaka moves into phase 2 of the national recovery plan while Negeri Sembilan transitions into phase 3 of the national recovery plan. Therefore, the FBM KLCI index is expected to trade between 1,585 and 1,605 points next week.
- ✓ Aside from that, **Malaysia's Industrial Production Index for the month of July will be released this Friday** and the index may record a slower growth due to the enhanced movement control order imposed in certain localities in Kuala Lumpur and Selangor during the first half of July led to the closure of some factories.
- ✓ On the global front, countries such as China and Germany will be releasing their trade data this week. Meanwhile, the European Central Bank (ECB) will be holding its policy meeting on Thursday and some market observers opine that the central bank will be announcing the reduction of its Covid-19-related stimulus in December this year amid and economic improvement in the Euro zone.
- ✓ As time passes by, more Covid-19 variants are being categorized as a variant of interest by the World Health Organization like for example, the 'Mu' variant, first identified in Colombia in January this year with about 4,500 cases of the 'Mu' variant which have been reported across the globe. With that, the overall perception seems to be that the world might have to adapt to live with the virus, treating it as an endemic as continued restrictions to curb infections is going to have an impact on the well-being of the people.

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
3-Aug-21	569,181	107	1,766	30,549	33,900	3,185	8,877	111	1,200	9,491	18,901	21,687	135,274	1,930	17,105
4-Aug-21	581,242	123	3,571	42,625	35,867	4,841	11,644	102	1,725	19,703	20,200	21,466	78,722	25,481	19,819
5-Aug-21	687,702	108	3,539	42,982	35,764	6,590	14,053	95	1,775	21,302	20,920	28,936	127,247	27,856	20,596
6-Aug-21	694,725	141	3,448	44,643	39,532	7,224	15,231	98	1,704	20,361	21,379	29,825	109,432	25,481	20,889
7-Aug-21	673,750	121	3,206	38,628	31,753	6,599	15,590	97	1,823	19,422	21,838	31,442	119,775	23,355	19,257
8-Aug-21	660,344	113	3,127	39,070	26,415	6,897	15,500	81	1,728	18,934	19,983	28,229	134,400	24,978	18,688
9-Aug-21	594,931	134	1,183	35,499	20,709	5,733	14,515	78	1,491	10,891	19,603	27,110	105,724	19,692	17,236
10-Aug-21	484,233	153	2,480	28,204	32,081	4,200	12,329	71	1,536	7,114	19,843	24,881	50,860	672	19,991
11-Aug-21	655,841	123	4,996	38,353	30,625	5,624	10,866	55	2,222	14,912	21,038	23,297	166,521	24,236	20,780
12-Aug-21	690,102	98	5,638	41,195	24,709	6,921	15,063	63	1,987	17,075	22,782	29,260	133,326	30,757	21,668
13-Aug-21	706,135	110	5,578	40,120	30,788	7,267	18,225	59	1,991	15,620	23,418	32,706	141,652	26,647	21,468
14-Aug-21	712,856	87	5,644	38,667	28,598	7,398	20,490	49	1,928	14,770	22,086	32,362	140,676	25,588	20,670
15-Aug-21	660,829	62	4,728	36,083	20,813	7,181	20,113	58	1,814	13,683	21,882	29,143	145,237	21,341	20,546
16-Aug-21	646,367	61	2,126	32,937	17,384	5,661	16,164	53	1,556	7,947	21,157	26,426	181,433	21,125	19,740
17-Aug-21	530,689	55	3,912	25,166	20,741	3,669	15,399	53	1,371	5,486	20,128	28,176	96,898	5,829	19,631
18-Aug-21	597,614	49	8,324	35,178	15,768	5,268	19,231	56	1,804	9,434	20,515	26,628	113,803	17,104	22,242
19-Aug-21	699,001	60	8,400	36,401	22,053	7,159	22,836	53	2,151	11,899	20,902	33,646	149,314	27,437	22,948
20-Aug-21	731,741	44	9,280	36,571	20,004	7,240	25,328	32	2,052	12,484	19,851	36,273	158,509	23,102	23,564
21-Aug-21	668,794	31	8,092	34,457	16,744	7,220	24,955	40	1,879	11,685	20,571	36,987	134,939	18,918	22,262
22-Aug-21	683,780	45	7,050	30,948	12,408	7,466	25,144	37	1,626	11,630	19,014	31,783	185,176	22,636	19,807
23-Aug-21	590,679	36	3,668	25,072	9,604	5,922	22,914	35	1,414	6,435	17,491	31,976	141,113	17,282	17,672
24-Aug-21	467,609	46	5,747	25,467	19,106	4,166	17,993	98	1,509	4,062	17,165	31,675	42,515	4,758	20,837
25-Aug-21	724,666	33	11,561	37,593	18,671	6,078	20,769	116	2,148	9,709	18,417	30,619	227,282	22,004	22,642
26-Aug-21	725,956	32	12,626	46,164	16,899	7,539	23,698	120	1,882	9,463	18,501	35,547	172,744	22,610	24,599
27-Aug-21	736,668	43	12,029	44,658	12,618	7,215	26,050	116	1,836	8,703	18,702	37,962	189,129	18,812	22,070
28-Aug-21	697,841	45	10,303	46,759	10,050	7,823	22,580	122	1,793	8,110	17,984	37,690	165,231	10,563	22,597
29-Aug-21	480,751	45	8,416	45,083	7,427	6,858	22,927	121	1,618	7,922	16,536	32,087	-	17,381	20,579
30-Aug-21	717,271	53	4,559	42,909	5,436	5,954	19,994	133	1,485	3,918	15,972	32,937	280,846	13,589	19,268
31-Aug-21	574,100	48	5,750	30,941	10,534	4,253	14,963	155	1,371	2,618	14,666	26,227	178,264	2,132	20,897
1-Sep-21	586,307	25	13,531	41,965	10,337	5,492	16,826	161	2,020	5,983	14,802	31,931	134,701	17,441	18,762
2-Sep-21	636,146	35	13,715	47,092	8,955	6,496	21,070	180	1,961	6,383	14,056	35,493	154,059	17,102	20,988
3-Sep-21	687,832	33	14,251	45,352	7,797	6,754	17,456	191	1,709	3,229	14,653	37,830	209,057	15,353	19,378

Source: CEIC

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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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