



From the Desk
of the
Chief Economist

BANK ISLAM

WEEKLY MARKET UPDATES

7 JUNE 2022

ECONOMIC RESEARCH

**DR. MOHD AFZANIZAM ABDUL RASHID
SHAFIZ BIN JAMALUDDIN
NOR JANNAH ABDULLAH
RAJA ADIBAH RAJA HASNAN**

KEY HIGHLIGHTS OF THE WEEK- THE U.S. LABOUR MARKET REMAINED TIGHT WHILE INFLATIONARY PRESSURE CONTINUED TO ELEVATE

International

The U.S. - Non-Farm Payrolls (NFP)

- ✓ The U.S. added 390 thousand payrolls in May 2022 (April: 436 thousand), beating market consensus of 325 thousand.
- ✓ Notable job gains were seen in leisure and hospitality (May: 84 thousand vs. April: 78 thousand) as the consumer demand continued to strengthen.
- ✓ The latest reading left the economy with 822 thousand jobs or 0.5% below its pre-pandemic level, signaling the labor market remains resilient and is getting close to full employment.

The Philippines - Consumer Price Index (CPI)

- ✓ The Philippines' CPI was higher by 5.4% y-o-y in May from 4.9% in April.
- ✓ The upturn was driven by increase in cost of food & non-alcoholic beverages (May: 4.9% vs. April: 3.8%).
- ✓ Furthermore, price of transport remained at double digit at 14.6% in May (April: 13.0%) as fuel has become more expensive.
- ✓ This suggests that the country has also been feeling the pinch from high commodity prices.

Thailand- CPI

- ✓ Thailand's CPI surged by 7.1% in May from 4.7% in April. It was the highest print since July 2008 as food prices jumped by 8.2% in May compared to 4.8% in April.
- ✓ Additionally, cost of transport also accelerated by 13.1% in May from 10.1% in April.
- ✓ Apart from that, housing inflation increased sharply (May: 6.7% vs. April: 1.0%) due to higher electricity cost.
- ✓ As for core inflation, it rose by 2.3% in May (April: 2.0%), the most since March 2012.

Domestic

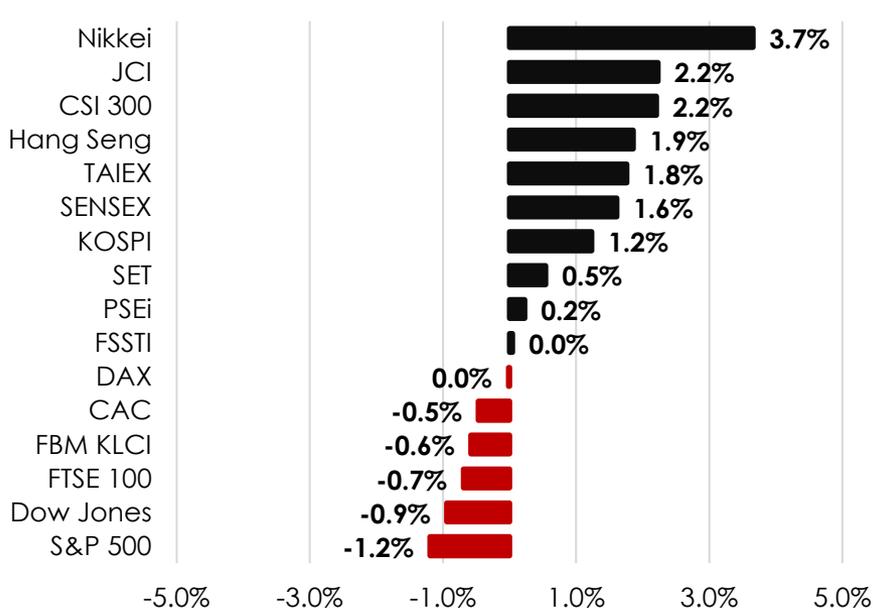
Malaysia - Producer Price Index (PPI)

- ✓ Malaysia's PPI maintained its double-digit growth at 11.0% in April though slower compared to 11.6% in March.
- ✓ This was mainly due to softer increase in Mining (April: 18.4% vs. March: 28.2%), Agriculture, Forestry & Fishing (April: 18.0% vs. March: 24.9%) and Water Supply (April: 1.2% vs. March: 1.7%).
- ✓ Nevertheless, price for Manufacturing and Electricity & Gas supply continued to rise by 9.8% (March: 8.9%) and 0.6% (March: 0.2%) during April.

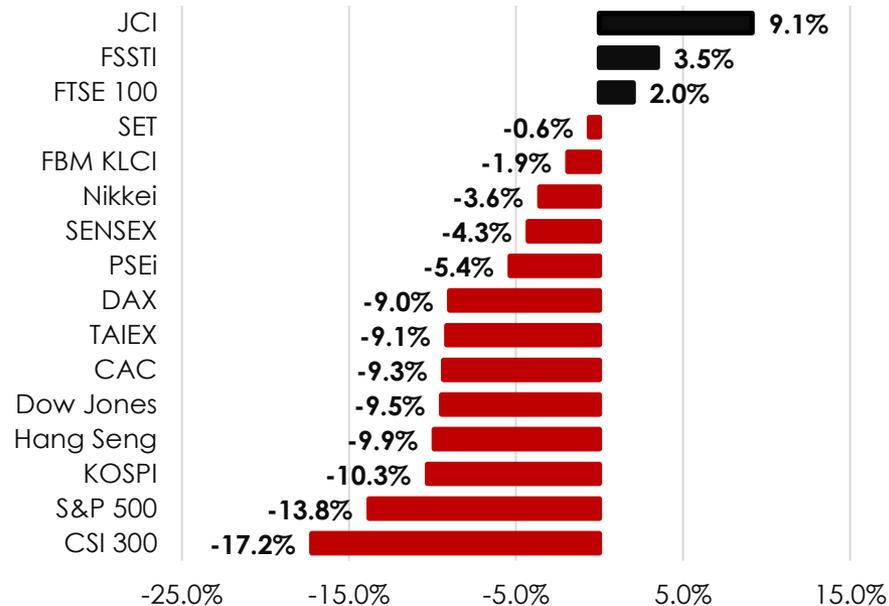
WEEKLY MARKET PERFORMANCE

- ✓ Japan's Nikkei led gainers with a 3.7% weekly advance among the major equity markets as the Japanese government is considering to restart its "Go To Travel" domestic tourism promotion campaign in July. This has boosted market sentiment last week.
- ✓ Meanwhile, the S&P 500 dropped by 1.2% as the Federal Reserve (Fed) quantitative tightening has caused pressure on the market.
- ✓ On a Year-To-Date (YTD) basis, global equities were mostly in the red as markets have remained fragile amid simmering economic uncertainty caused by aggressive interest rate hikes in the U.S., along with the inflationary pressures from the protracted Russia-Ukraine war and China's zero Covid-19 measures.

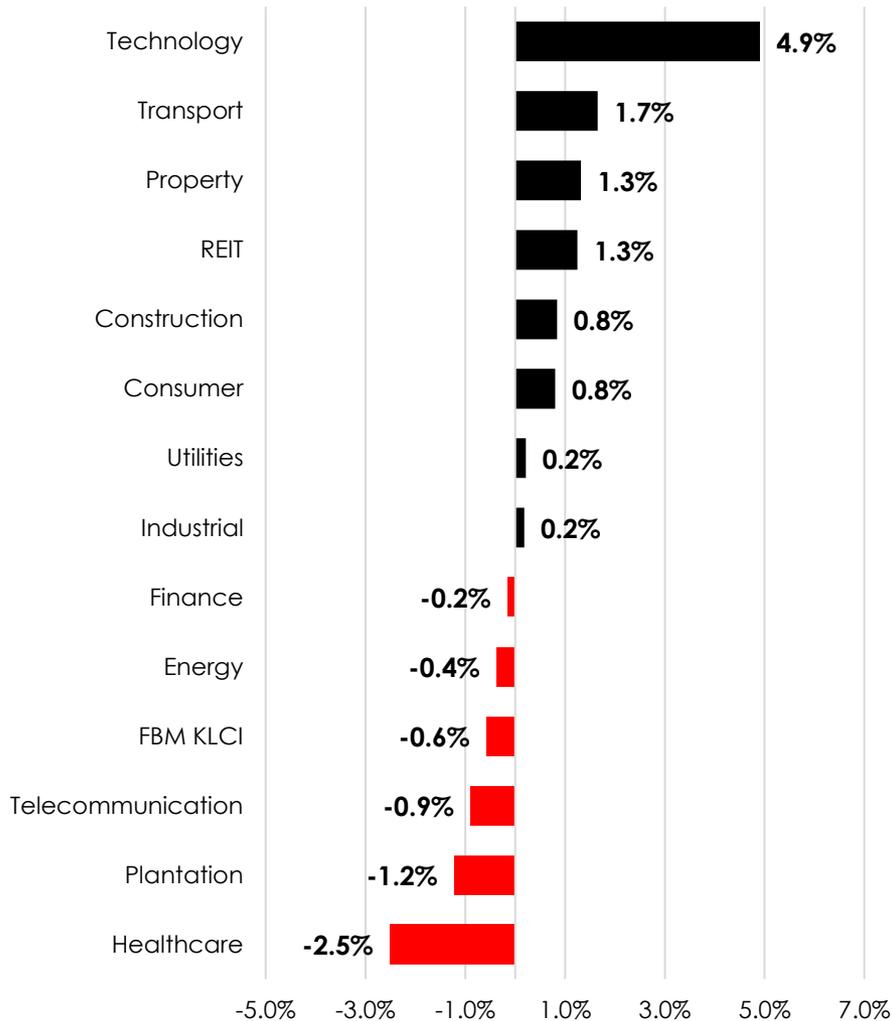
**Weekly Gain/Loss of Major Equity Markets, %
(Week Ending 3 June)**



**YTD Gain/Loss Of Major Equity Markets, %
(As at 3 June)**



Bursa Sectoral Performance, w-o-w%



Source: CEIC

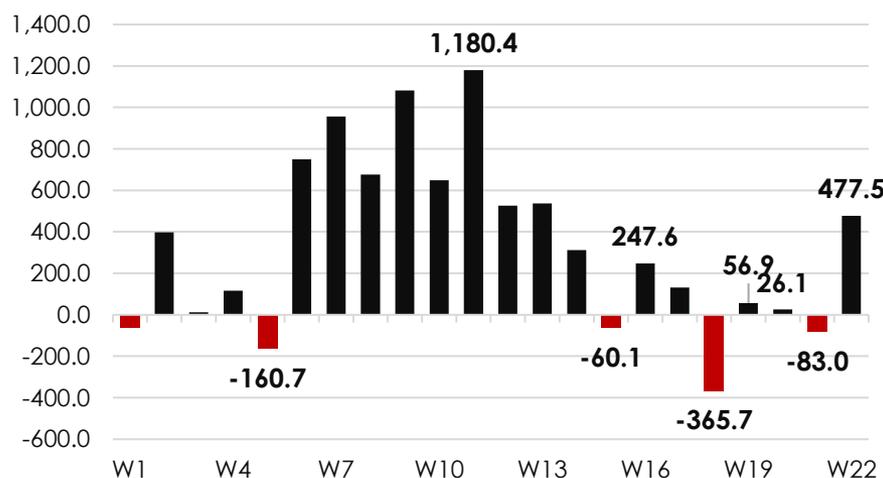
WEEKLY SECTORAL PERFORMANCE

- ✓ The **Technology sector** was the top gainer with a 4.9% increase recorded for the week ending 3 June.
- ✓ This was mainly due to brighter outlook amid full economic openings across the world that would push the digitalisation.
- ✓ For instance, Datasonic Group Berhad recorded a 338.0% y-o-y gain in net profit to RM13.4 billion in 4QFY2022 (3QFY2022: RM1.5 billion) on the back of upliftment of movement control order and gradual relaxation of international travelling coupled with steady progress of vaccination programmes.
- ✓ On the other hand, the Healthcare remained in the red, registering a 2.5% loss during the same week as risk from Covid-19 receded.
- ✓ Looking forward, **the FBM KLCI is likely to be traded between 1,530.0 points and 1,545.0 points** as the market will keep a close eye on the upcoming Federal Open Market Committee (FOMC) meeting on 14-15 June.

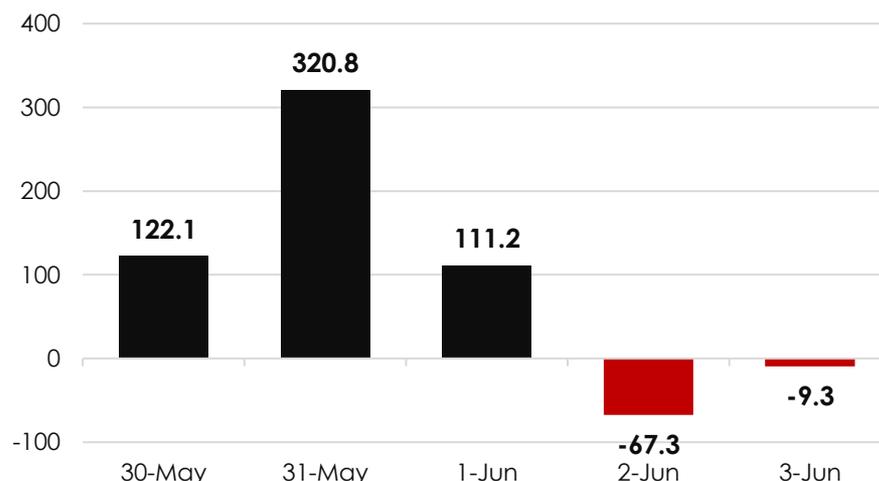
WEEKLY FOREIGN FUND FLOW

- ✓ Foreign investors turned to be net purchasers last week as they acquired RM477.5 million net of Malaysian equities from RM83.0 million net outflows in the preceding week.
- ✓ On further scrutiny, Bursa started the week on the right foot as foreign investors bought a total of RM554.1 million net of local equities from Monday to Wednesday respectively. However, the three-day foreign net buying streak was snapped after international investors dumped a combine outflow of RM76.6 million net of local equities on Thursday and Friday.
- ✓ Apart from that, we noticed that international funds have been net buyers for 17 out of 22 weeks of 2022, signifying a continuing improvement in investors' confidence on Malaysian equity market.
- ✓ On a YTD basis, international investors have bought RM7.4 billion net of local equities in 2022.

**Weekly Foreign Fund Flow in 2022
(RM Million)**



Daily Foreign Net Inflow/Outflow from 30 May to 3 June (RM Million)



Source: Bursa

*W = week

FIXED INCOME – BOND YIELDS CONTINUED TO RISE IN ANTICIPATION OF ANOTHER RATE HIKE IN THE U.S. FEDERAL FUND RATE (FFR)

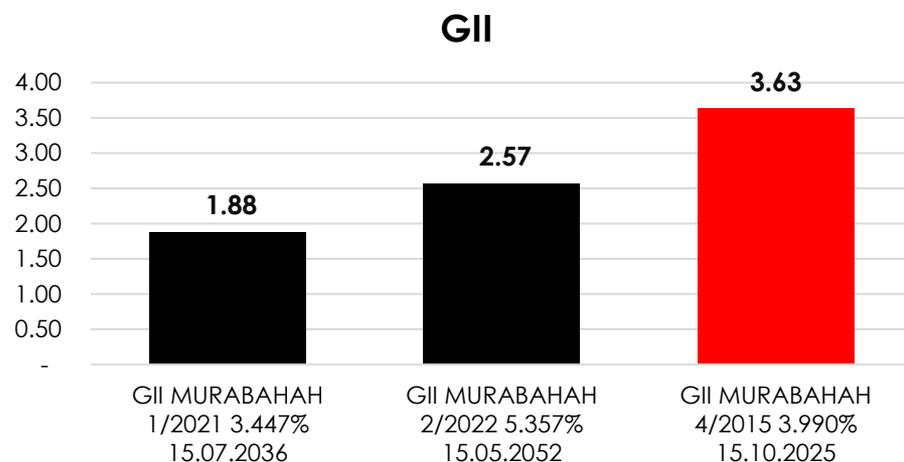
Bond Yields Weekly Change, basis points (bps)

UST	Yields (%) 27-May-22	Yields (%) 3-Jun-22	Change (bps)
3-M UST	1.08%	1.21%	13
2-Y UST	2.47%	2.66%	19
5-Y UST	2.71%	2.95%	24
10-Y UST	2.74%	2.96%	22

MGS	Yields (%) 27-May-22	Yields (%) 3-Jun-22	Change (bps)
3-Y MGS	3.48%	3.44%	-4
5-Y MGS	3.75%	3.73%	-2
7-Y MGS	3.94%	4.10%	16
10-Y MGS	4.14%	4.21%	7

Sources: CEIC, BNM

Past Auction Results



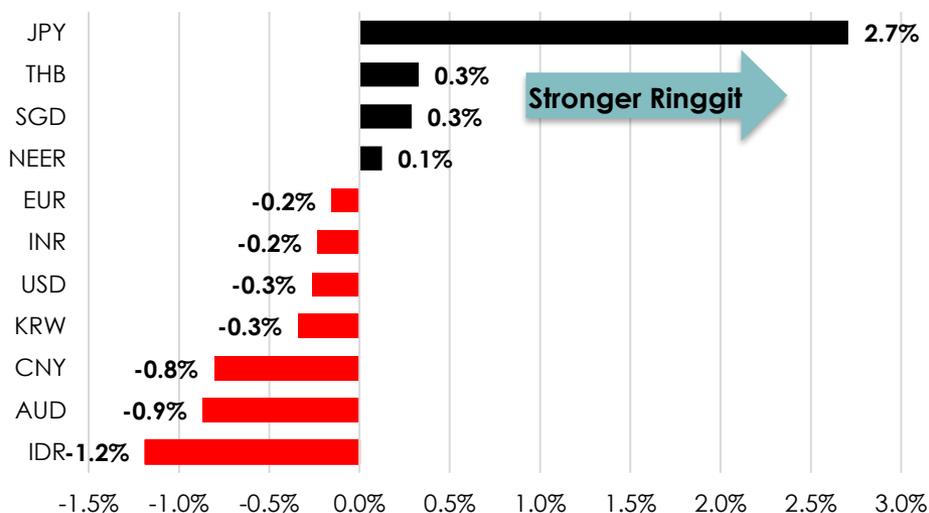
Source: CEIC

- ✓ As for the bond market, the U.S. Treasury (UST) yields ended higher between 13 bps and 24 bps for the week ending 3 June.
- ✓ This was mainly due to better-than-expected NFP data released on 3 June, suggesting the labour market in the U.S. remained tight.
- ✓ On the domestic front, the MGS yields were mixed between -4 bps and 16 bps.
- ✓ Meanwhile the auction of 3-Y GII 10/25 has garnered a strong Bid-To-Cover (BTC) ratio of 3.63x, reflecting healthy demand for local govies.
- ✓ All in all, **the market participants would remain cautious amid worries over the U.S. growth outlook that may affect the path of the Fed's policy tightening moving forward.**

WEEKLY PERFORMANCE

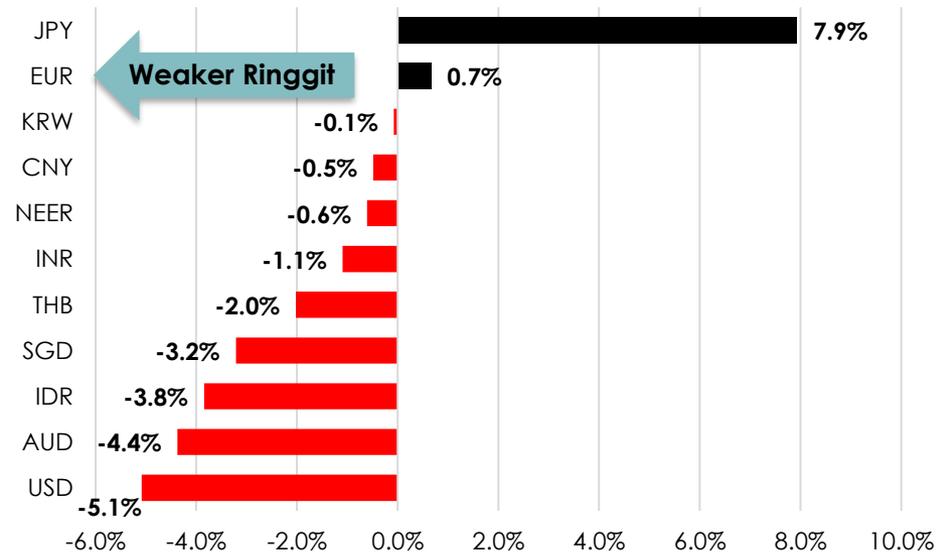
- ✓ The Ringgit depreciated by 0.3% w-o-w against U.S. Dollar (USD), closing at RM4.3870 on last Friday from RM4.3770 on 27 May.
- ✓ The downward pressure of the local note was due to the robust labour market data from the U.S. thus, reinforcing bets for the Fed to go for additional rate hikes moving forward.
- ✓ As such, investors will be eyeing for the important data which is U.S. May inflation figure that is due this week. While the Fed is on track for 50 bps rate hikes in June and July policy meeting, a high inflation reading would imply the expectations of even more aggressive tightening monetary policy in the second half of this year.
- ✓ All in all, we anticipate that the Ringgit to trade between a range of RM4.38 and RM4.39 during the week.

**MYR against regional currencies, w-o-w%
(Week Ending 3 June)**



Source: Investing.com

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



BRENT

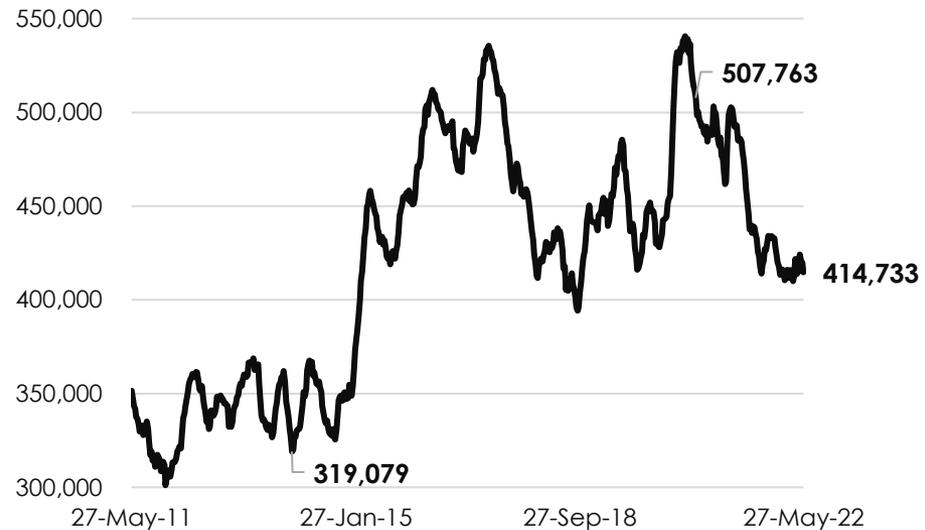
- ✓ Brent crude oil price recorded a 0.2% weekly increase to settle at USD119.72 per barrel on 3 June (25 May: USD119.43 per barrel) following the Organization of the Petroleum Exporting Countries Plus (OPEC+) meeting last week. The cartel decided to deliver a modest increase in output by 648k barrels per day (bpd) in July and August from previously agreed of 432k bpd. This was seen as insufficient to compensate the lost supply from Russia.
- ✓ Apart from that, the U.S. Energy Information Administration (EIA) reported that the crude oil stockpiles declined for the third straight week, falling by 5.1 million barrels to 414.7 million barrels in the week ending 27 May (20 May: 419.8 million barrels), suggesting improving demand conditions.
- ✓ Similarly, the American Petroleum Institute (API) mentioned that fuel inventories dropped by 1.2 million barrels for the week which ended on 27 May from 0.6 million barrels increase in the previous week. These have also provided support to Brent price movement last week.

Brent Crude in USD per barrel



Source: Bloomberg

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



COMMODITIES – GOLD SLIPPED DURING THE WEEK IN LIGHT OF SOLID U.S. JOBS DATA DURING MAY WHICH BEAT CONSENSUS ESTIMATE

GOLD

- ✓ Gold price fell by 0.1% to USD1,851.19 per ounce on 3 June 2022 after recording a 0.4% gain in the previous week (USD1,853.72 per ounce) amid a stronger USD as solid jobs data raised concerns of aggressive monetary policy tightening. Hence, the USD index rose by 0.5% to 102.14 on 3 June (27 May: 101.67).
- ✓ The U.S. economy added 390k jobs during May (April: 436k), showing resilience in the labour market despite of rampant inflation and higher interest rate though the figure is the least since April last year.
- ✓ Subsequently, this could embolden the Fed to raise the interest rates at a faster pace moving into the second half of the year.
- ✓ Additionally, higher interest rates increase the opportunity cost of holding gold, making it less appealing for holders of other currencies.

Gold in USD per ounce



Source: Bloomberg

U.S. Dollar Index (DXY)



WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- ✓ On the macro front, the European Central Bank (ECB), the Reserve Bank of Australia (RBA), the Reserve Bank of India (RBI), as well as the Bank of Thailand (BoT) are due to meet this week to update their policy meetings with tightening monetary policy rates not ruled out. Most importantly, the ECB meeting will be in the spotlight as the Eurozone inflation hits new record high of 8.1% y-o-y in May (April: 7.4%), adding urgency for the central bank to take a hawkish stance at the next meeting.
- ✓ Another key important data to look out including a series of May inflation figures from Taiwan, China together with the hotly anticipated data from the U.S. as well. The U.S. Fed Christopher Waller struck a hawkish tone, advocating for 50 bps rate hikes during upcoming meetings until the extreme inflationary pressure in the country subsides. Therefore, the U.S. CPI report will be as a final input for the Fed to decide on the future rate hikes prior to its FOMC meeting on 14-15 June.
- ✓ Additionally, China will be releasing trade numbers in May during the week. Such figure will be closely scrutinised in view of virus situation that showed early signs of improvement midway into the 2Q2022 amid of easing Covid-19 disruptions.
- ✓ Domestically, the Department of Statistics Malaysia (DOSM) is going to release the industrial production index (IPI) performance for the month of April. We foresee that the number will hit 6.5% y-o-y during the month (March: 5.1%) amid the beginning of reopening country's border on 1 April 2022.
- ✓ The latest Malaysia's CPI figure in April saw the trend is slightly higher by 2.3% (March: 2.2%) driven by the food inflation in Malaysia. In light of this, the Prime Minister, Datuk Seri Ismail Sabri Yaakob stated that government has taken cautious approach to stabilise the food supplies, as well as rising food prices which affected the well-being of Keluarga Malaysia. Among other measures include short-term plan via the abolishment of the approved permit (AP) to import foodstuff and various subsidies which are expected to reach RM71.0 billion this year.
- ✓ All in all, Bursa Malaysia is expected to trend higher this week as investors are returning to the market following the easing Covid-19 restrictions globally. **Therefore, the FBM KLCI is expected to trade between 1,530.0 points and 1,545.0 points during the week.**

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-May-22	742,734	23,622	106,620	3,205	176	62,409	27,062	1,570	49,045	15,999	9,288	11,887	63,228	56,086	1,054
5-May-22	597,641	28,850	89,620	3,275	250	47,643	26,720	1,638	42,296	22,787	9,790	13,284	74,199	47,925	1,278
6-May-22	573,836	30,628	80,297	3,545	245	48,715	21,368	4,733	26,714	21,823	7,705	11,657	99,684	42,203	1,251
7-May-22	551,472	36,540	67,190	3,805	218	44,364	23,615	3,420	39,552	20,745	8,450	10,190	80,006	37,537	1,372
8-May-22	491,769	44,907	26,789	3,451	227	40,783	34,696	3,162	40,064	20,446	8,081	8,918	95,628	37,958	2,153
9-May-22	413,816	44,817	13,208	3,207	254	31,225	40,942	2,423	20,564	8,551	6,488	7,515	27,436	29,324	2,246
10-May-22	430,757	40,772	84,894	2,288	456	17,421	33,664	2,271	49,907	7,439	6,230	9,042	31,614	7,354	2,605
11-May-22	653,879	51,206	94,939	2,897	400	56,199	39,041	4,831	43,902	24,913	7,650	10,678	100,556	48,584	3,321
12-May-22	650,946	57,553	77,425	2,827	335	42,683	45,740	3,890	35,864	22,278	6,019	9,709	100,377	40,287	3,410
13-May-22	659,267	65,881	65,060	2,841	335	39,483	42,378	3,645	32,451	21,103	9,779	8,694	127,856	31,824	3,029
14-May-22	536,949	65,326	56,914	2,858	308	39,029	38,439	4,291	29,541	19,415	6,736	7,612	98,830	30,100	2,373
15-May-22	591,369	64,346	19,993	2,487	257	36,334	39,416	3,383	25,434	18,519	6,094	6,885	117,733	30,459	2,239
16-May-22	438,971	68,993	9,546	2,202	182	27,726	34,845	2,651	13,251	7,469	5,238	6,098	28,418	17,301	1,697
17-May-22	395,669	62,011	65,759	1,569	247	13,776	26,334	2,123	35,080	6,277	3,893	7,938	45,384	5,936	1,469
18-May-22	644,906	65,965	68,116	1,829	327	44,901	33,734	2,664	31,327	19,438	5,633	9,383	124,530	43,727	2,017
19-May-22	651,581	84,737	53,700	2,364	318	30,927	41,527	6,442	28,113	18,938	6,305	8,262	128,730	29,995	2,124
20-May-22	619,807	90,656	44,321	2,259	250	30,722	38,812	4,578	25,105	17,466	6,463	7,616	141,801	22,962	2,063
21-May-22	546,049	86,063	39,932	2,323	263	26,818	39,001	4,342	23,462	15,783	5,377	6,798	104,237	20,933	2,024
22-May-22	528,169	84,865	13,729	2,226	227	24,246	34,957	3,775	19,298	14,939	4,739	5,793	144,914	22,507	1,814
23-May-22	391,346	79,754	6,863	2,022	174	18,289	31,262	2,827	9,944	5,847	4,099	4,995	29,744	16,965	1,544
24-May-22	345,069	66,477	47,022	1,675	345	10,021	22,916	2,751	26,326	4,835	4,144	5,981	39,913	1,134	1,918
25-May-22	554,107	82,613	46,584	2,124	315	31,860	29,522	5,727	23,937	16,773	5,013	7,279	109,973	32,029	2,430
26-May-22	583,682	89,607	35,064	2,628	246	22,999	34,869	4,167	18,799	13,747	4,924	6,629	129,085	22,006	1,845
27-May-22	541,428	82,120	8,270	2,710	224	22,636	31,542	3,936	16,584	12,517	4,837	6,171	174,352	20,595	1,877
28-May-22	479,027	94,753	32,423	2,685	279	20,051	28,335	3,830	14,382	10,830	4,488	5,658	116,500	4,811	1,645
29-May-22	553,525	81,043	10,529	2,828	242	18,622	24,919	3,323	12,654	9,300	3,649	5,255	136,731	15,638	1,155
30-May-22	329,578	76,727	6,981	2,706	218	15,136	20,828	2,551	6,124	3,356	3,854	4,796	13,916	16,382	1,325
31-May-22	287,553	60,201	46,372	2,338	340	7,846	18,686	2,389	17,171	2,284	3,955	5,231	17,371	4,673	1,451
1-Jun-22	452,477	80,809	50,585	2,745	368	24,687	19,982	4,985	15,797	-	4,563	5,436	51,359	33,096	1,809
2-Jun-22	641,785	88,425	42,449	3,712	304	18,822	22,513	3,577	9,878	-	2,560	3,538	226,313	26,068	1,877
3-Jun-22	493,568	77,134	28,481	4,041	372	17,718	20,961	3,745	12,510	-	2,976	-	136,522	25,365	1,844
4-Jun-22	259,833	76,786	41,087	3,962	395	9,692	19,271	3,233	12,048	-	3,001	-	-	25,172	1,591

Source: CEIC

Produced and issued by BANK ISLAM MALAYSIA BERHAD (Bank Islam) for private circulation only or for distribution under circumstances permitted by applicable laws. All information, opinions and estimates contained herein have been compiled or arrived at based on sources and assumptions believed to be reliable and in good faith at the time of issue of this document. This document is for information purposes only and has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. No representation or warranty, expressed or implied is made as to its adequacy, accuracy, completeness or correctness. All opinions and the content of this document are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or groups of Bank Islam as a result of using different assumptions and criteria. No part of this document may be used, reproduced, distributed or published in any form or for any purpose without Bank Islam's prior written permission.

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, including a very 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.

BANK ISLAM

Assuring Trust. Delivering Value.

Thank You