



From the Desk
of the
Chief Economist

BANK ISLAM

WEEKLY MARKET UPDATES

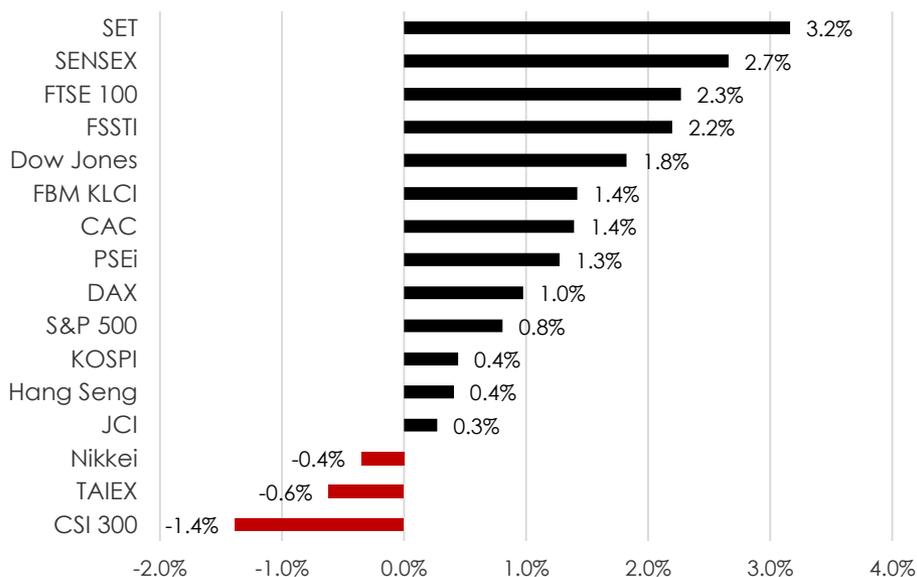
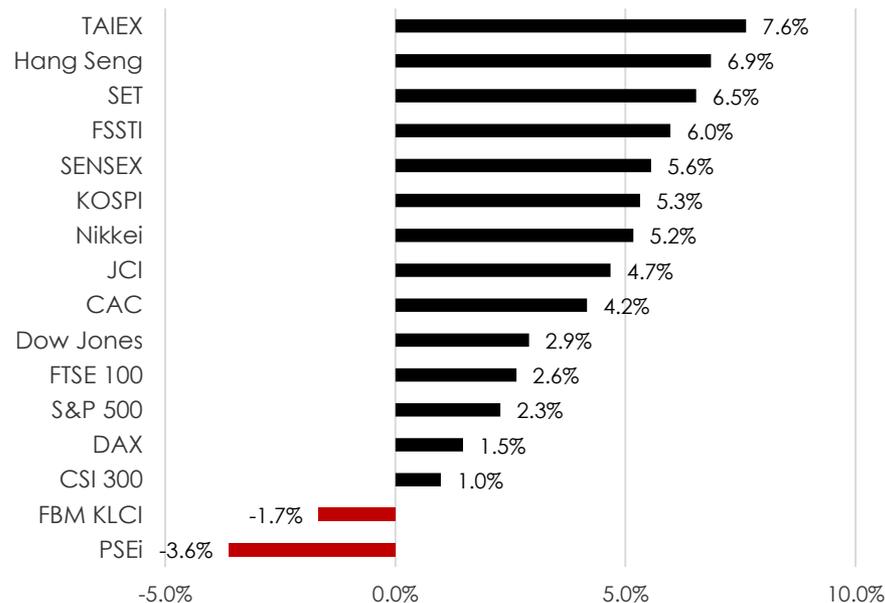
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ECONOMIC RESEARCH

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WEEKLY MARKET PERFORMANCE

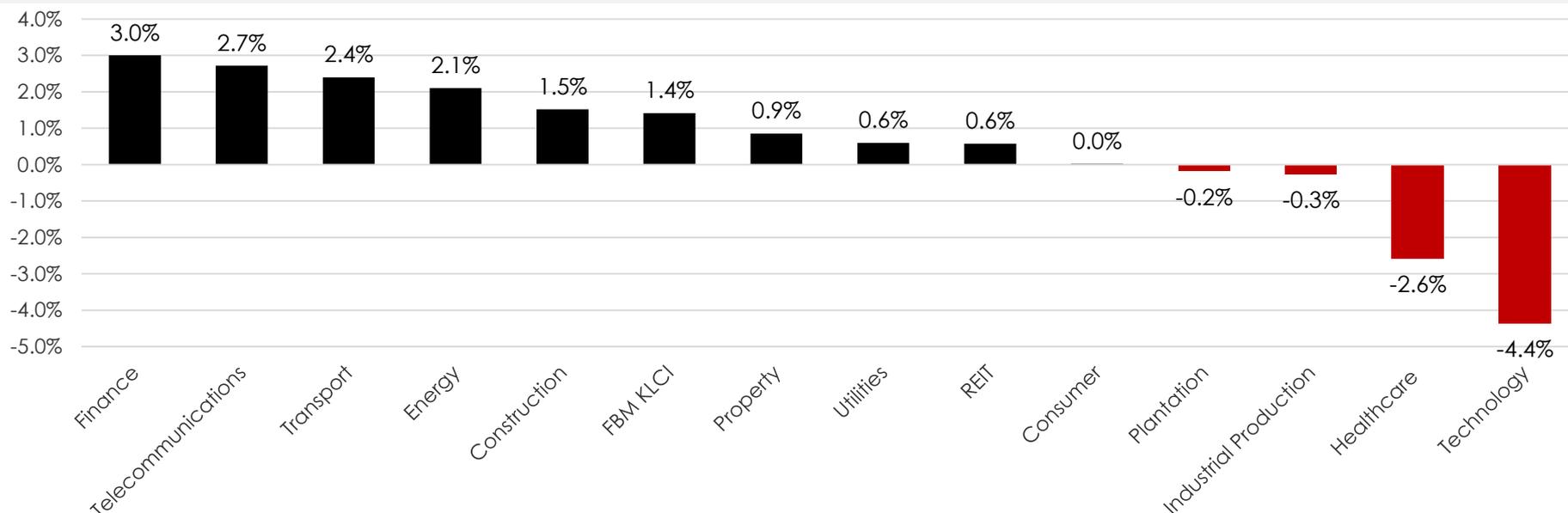
- Major equity markets worldwide ended the week on a positive note with gainers led by Thailand's SET index which recorded a 3.2% advance. The rise in benchmark index was partly fuelled by the survey in February by the Thai Capital Market Organizations (FETCO) showed its investor confidence index rose to 152.19 from 132.55 in January. Meanwhile, China's CSI 300 index led decliners with a 1.4% weekly drop as bond market rout infected equity markets around the region with traders grappling with valuation, inflation and monetary policy tightening risks. The local sentiment was skittish last week, swayed by surging US government bond yields amid worries central bankers will dial back ultra-easy policies that helped fuel global equities to record highs.
- On the domestic front, the FBM KLCI index recorded a 1.4% gain for the week but saw a Year-To-Date (YTD) loss of 1.7%.

Weekly Gain/Loss of Major Equity Markets (%)
(Week Ended 5 March)YTD Gain/Loss Of Major Equity Markets (%)
(As at 5 March)

WEEKLY SECTORAL PERFORMANCE

- ✓ The Bursa Malaysia Finance index was the biggest gainer last week with a 3.0% weekly advance. The positivity in the sector was driven by the Bank Negara Malaysia's (BNM) move to keep the Overnight Policy Rate (OPR) unchanged at 1.75% during its latest policy meeting on 4 March 2021. Keeping the OPR unchanged would mean bank's Net Interest Margin or Net Income Margin (NIM) is preserved. This is especially true when deposit rates will only be reset as the contract matures while financing rates, in particular those with variable feature would be adjusted almost instantly. Obviously, cutting down the OPR can be negative for banks albeit momentarily.
- ✓ On the other hand, the Bursa Malaysia Technology Index was the largest decliner with a 4.4% weekly drop. Such decline was largely on the back of the US tech-laden Nasdaq index which was down by 10.0% from its February record high. This was due to the US Federal Reserve (Fed) chair Jerome Powell's remarks which disappointed investors concerned about higher US bond yields. Tech stocks are reportedly sensitive to rising yields because their value rests heavily on future earnings, which are discounted more deeply when bond returns go up.

Bursa Malaysia Sectoral Weekly Performance (%)



Sources: Bursa

WEEKLY FOREIGN FUND FLOW

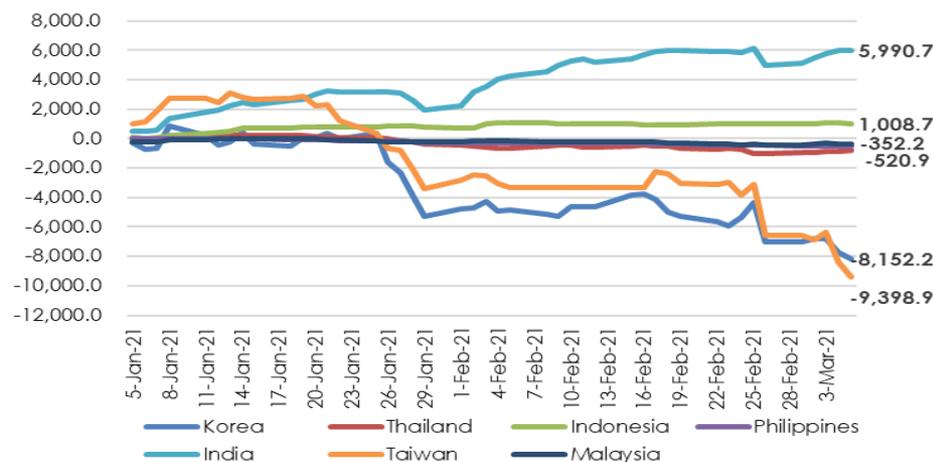
- ✓ Foreign investors acquired RM285.8 million net of local equities during the first week of March 2021 compared to the RM477.4 million disposed in the preceding week.
- ✓ Bursa Malaysia began the week on a positive note as international investors were net buyers of local equities for three consecutive days from Monday to Wednesday last week. The foreign net inflow was the highest on Tuesday at RM240.2 million net as investors engaged in stock-picking amid sector rotational play. This was also the highest foreign net inflow since 8 January 2021 which saw international investors buying RM435.5 million net of local equities. Nevertheless, the three-day selling streak was snapped on Thursday as foreign investors withdrew RM162.0 million net, tracking the negative performance of Asian equities after an overnight surge in bond yields again dragged shares on Wall Street. However, on Friday, the international investors acquired RM42.1 million net amid lifting of the Movement Control Order 2.0 (MCO 2.0) in Kuala Lumpur, Selangor, Penang and Johor starting on Friday.
- ✓ On a YTD basis, foreign investors have sold RM1,415.5 million net (or USD352.2 million) net of local equities from Bursa. In comparison with Southeast Asian peers namely Thailand and the Philippines, Malaysia has the smallest YTD foreign net inflow while Thailand has the largest YTD foreign net outflow of USD769.4 million.

Weekly Foreign Fund Flow in Malaysia (RM Million)



Sources: Bursa and Bloomberg

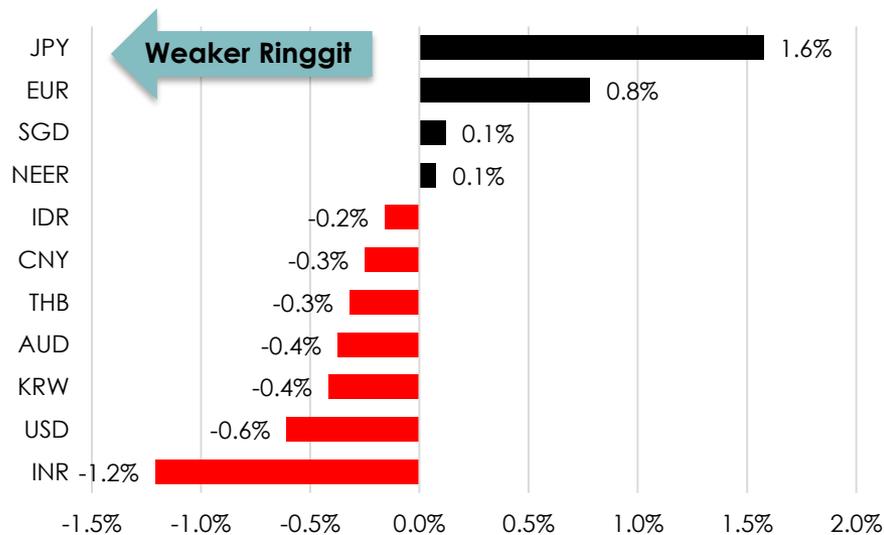
YTD Regional Foreign Fund Flow (USD Million)



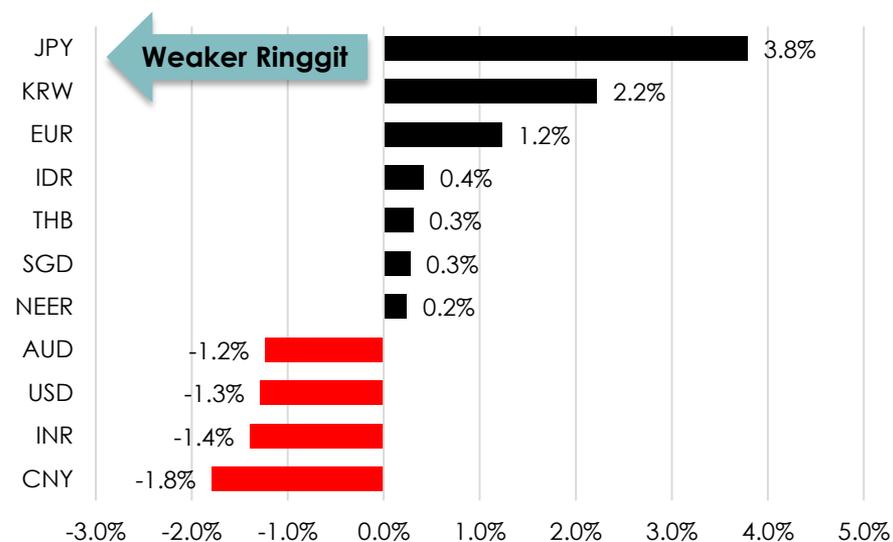
WEEKLY PERFORMANCE

- ✓ The Ringgit was lower by 0.6% against US greenback to close at RM4.0747 on 5 March 2021 from RM4.0498 on 26 February 2021, mainly underpinned by firmer US Dollar amid surging US bond yields. The USD is expected to see stronger momentum this week after the Senate passed Biden's USD1.9 trillion relief plan that could speed up the nation economic recovery this year.
- ✓ Looking forward, the Ringgit is likely to trade lower against the USD this week at between RM4.05 and RM4.10 due to appreciation in USD. Nevertheless, the rise in Brent crude oil price to highest level in one week (5 March 2021: USD69.36 per barrel vs. 26 February 2021: USD66.13 per barrel) following the Organization of the Petroleum Exporting Countries Plus (OPEC+) decided to keep production largely steady through April coupled with 1 million barrel per day voluntary production cut into April by Saudi Arabia that could hold the local note's losses in check.
- ✓ In addition, the government has eased mobility restriction across most of the country after the daily Covid-19 cases have been declining would be another mitigating factor in view of gradual reopening of the economy.

MYR against regional currencies, w-o-w% (Week Ended 5 March)

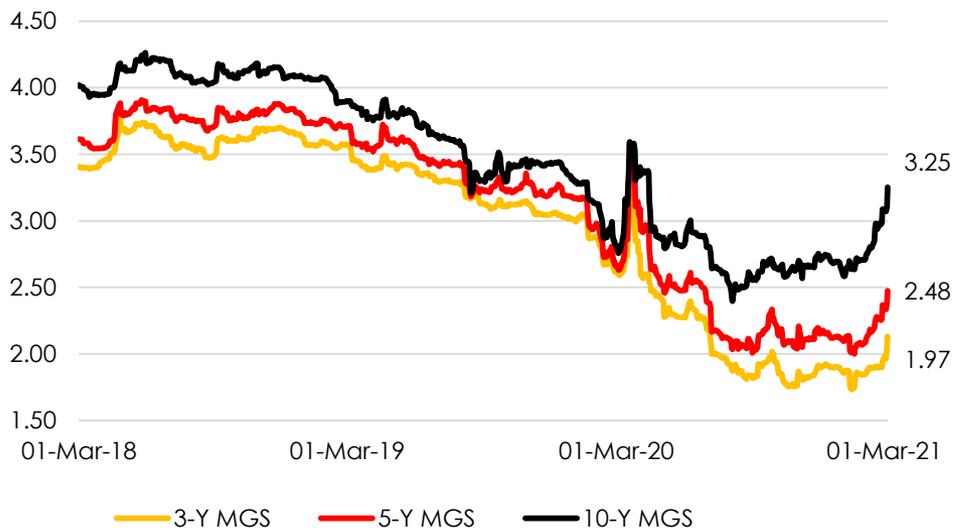


MYR against regional currencies, YTD Gain% (As at 5 March)

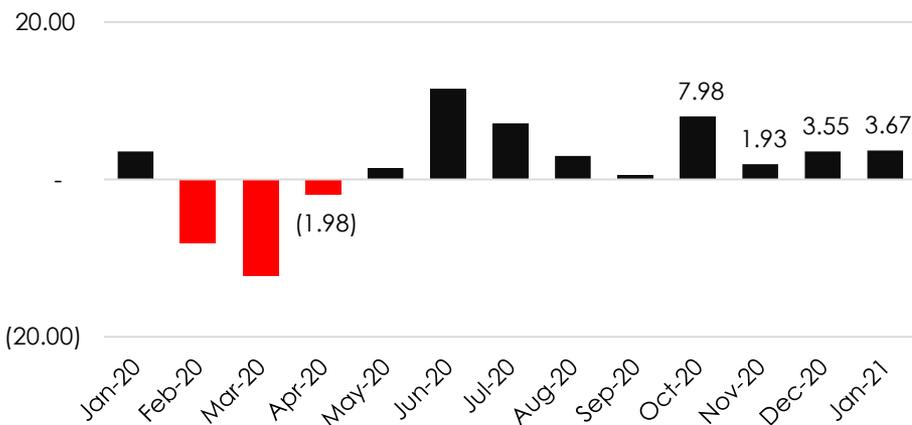


Source: Bloomberg

MGS Yields (%)



Foreign Fund Flows in Bond Market, RM billion



Source: CEIC

- ✓ Overall benchmark yields for MGS closed higher between 14 bps and 21 bps for the period between 26 February 2021 and 5 March 2021. The 10-Y 04/31 MGS yield saw a significant increase by 21 bps to close at 3.29% while the 5-Y 09/25 MGS rose by 16 bps to close at 2.48% on 5 March 2021 amid rise in the 10-Y UST yield (5 March 2021: 1.56% vs. 26 February 2021: 1.44%).
- ✓ Turning to the fund flows, foreign investors continued to purchase local govies with latest net inflows of RM3.67 billion recorded in January 2021 (December 2020: RM3.55 billion) which has been increasing for the ninth straight month.
- ✓ In addition, the 30-Y MGS 06/50 reopening drew a Bid-To-Cover (BTC) ratio of 2.02x, reflecting local bond market remain attractive to investors.
- ✓ All in all, the MGS yields are likely to increase gradually in light of improving sentiment following the implementation of the National Covid-29 Immunisation Programme, as well as easing of restrictions on business and consumer activities that would support the economic recovery this year.

BRENT

- ✓ Brent crude oil price recorded a 4.9% weekly increase to settle at USD69.36 per barrel last Friday (26 February 2021: USD66.13/barrel) as the OPEC and its allies agreed to extend output cut into April as they await a more substantial recovery in demand. Apart from that, Saudi Arabia had decided to maintain its voluntary production cut of an additional 1 million barrel per day (bpd) in April.
- ✓ Following the decision, Goldman Sachs raised its Brent crude price forecast by USD 5.00 to USD75.00 per barrel in the 2Q2021 and USD80.00 per barrel in the 3Q2021.
- ✓ Further supporting sentiment was when the US economy added more jobs in February at 379k as compared to 166k employment opportunities previously.
- ✓ However, the US Energy Information Administration (EIA) data showed crude stocks rose by 21.6 million barrels to 484.6 million barrels in the week ended 26 February (19 February: 463.0 million barrels), the largest increase on record. Similarly, the American Petroleum Institute (API) report showed crude stockpiles jumped by 7.4 million barrels in the week ended 26 February, following 1.0 million barrels increase in the preceding week.

Brent Crude in USD per barrel



US Crude Oil Inventory, '000 barrel - EIA



Source: Bloomberg

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
7-Feb-21	467,216	31	8,616	12,059	12,156	13,439	2,080	26	372	19,941	237	18,262	129,961	20,586	3,731
8-Feb-21	396,599	44	4,535	11,831	10,827	11,640	1,555	24	288	10,291	186	15,845	106,988	19,715	3,100
9-Feb-21	316,572	47	3,379	9,110	8,242	7,969	1,776	22	302	5,968	189	14,104	91,412	3,566	2,764
10-Feb-21	354,032	45	8,072	11,067	8,700	10,612	1,420	11	444	13,613	157	12,364	86,449	18,570	3,288
11-Feb-21	424,032	21	10,237	12,923	8,776	12,947	1,826	15	504	15,181	201	13,013	90,930	24,631	3,384
12-Feb-21	433,367	34	9,860	9,309	8,435	15,137	1,739	12	403	13,185	175	13,494	97,134	20,406	3,318
13-Feb-21	431,519	33	8,354	12,143	9,869	13,893	1,403	18	362	11,659	126	15,144	101,693	20,279	3,499
14-Feb-21	410,548	19	6,114	12,194	8,844	13,523	1,318	9	326	11,431	166	13,307	99,024	20,398	2,464
15-Feb-21	345,537	21	4,426	11,649	13,227	11,060	1,310	14	343	5,593	143	10,972	87,896	16,546	2,186
16-Feb-21	229,566	25	3,856	9,121	-	7,344	1,983	9	457	3,444	72	9,765	28,313	4,099	2,710
17-Feb-21	359,180	15	7,556	11,610	10,029	10,368	1,250	1	621	8,581	175	10,625	95,902	19,011	2,998
18-Feb-21	381,250	28	10,207	12,881	9,687	12,066	1,393	11	621	9,633	150	12,717	57,856	23,919	2,712
19-Feb-21	398,161	20	9,113	13,193	9,039	13,755	1,559	11	561	8,379	130	12,057	69,069	22,490	2,936
20-Feb-21	398,366	22	9,164	13,993	10,614	15,470	1,344	14	446	7,951	82	12,027	68,191	23,170	2,461
21-Feb-21	378,946	23	7,676	14,264	8,054	14,914	1,196	12	418	7,723	92	10,406	73,240	21,944	3,297
22-Feb-21	349,648	31	4,369	14,199	7,300	13,450	1,090	11	332	3,877	89	9,834	70,973	22,046	2,192
23-Feb-21	292,721	26	3,883	10,584	10,180	9,617	859	10	357	2,541	95	10,641	55,323	3,760	2,468
24-Feb-21	340,429	24	8,007	13,742	9,775	13,299	1,011	4	439	6,609	93	8,489	55,190	19,775	3,545
25-Feb-21	430,111	28	11,869	16,738	7,533	16,402	1,086	7	395	7,131	72	9,938	71,778	30,665	1,924
26-Feb-21	438,152	24	9,997	16,577	8,493	19,871	919	10	388	6,249	45	9,985	73,477	25,180	2,253
27-Feb-21	436,521	34	9,762	16,488	8,232	20,488	1,067	13	414	5,909	72	8,523	73,351	24,537	2,364
28-Feb-21	402,838	42	7,890	16,752	6,208	18,902	1,201	12	355	6,192	70	7,434	72,812	23,996	2,437
1-Mar-21	360,909	42	4,732	15,510	5,560	17,440	1,033	11	355	3,063	80	6,035	69,613	19,213	1,828
2-Mar-21	293,086	25	3,943	12,286	6,680	13,106	731	12	344	2,076	42	5,455	50,218	4,703	1,555
3-Mar-21	356,848	23	9,019	14,989	5,712	17,063	852	8	444	4,911	35	6,391	50,776	22,148	1,745
4-Mar-21	428,560	27	11,912	17,407	6,808	20,840	1,192	23	424	5,174	54	6,385	57,831	26,788	2,063
5-Mar-21	430,348	20	10,580	16,838	7,264	22,845	1,180	19	398	2,676	79	6,573	65,320	24,739	2,154
6-Mar-21	354,856	21	9,557	18,327	6,971	24,010	1,164	9	418	-	64	5,946	-	22,725	1,680
7-Mar-21	478,614	28	8,103	18,711	5,767	23,633	1,064	13	416	-	65	6,039	133,475	23,306	1,683

Source: CEIC

- ✓ The FBM KLCI index is likely to trade higher this week between 1,580 and 1,610 points on the back of stronger energy prices following the decision made by the OPEC+ allies to extend their production cuts.
- ✓ Finance counters mainly comprised of banking stocks are also poised to perform stronger next week supported by banking stocks that benefited from the recent decision by the central bank to keep the OPR at 1.75% during its second Monetary Policy Committee (MPC) meeting this year. Moreover, banking stocks contribute 28.9% of the FBM KLCI index's market capitalisation.
- ✓ More restrictions are relaxed following the government's move to reinstate the CMCO for four states in Malaysia; Kuala Lumpur, Selangor, Johor, and Penang effective from 5 March 2021 to 18 March 2021. Therefore, more business activities can be carried out on a larger scale in the wake of less restricted mobility.
- ✓ On the external front, there was a surge in bond yields with the benchmark 10-year Treasury yield hitting 1.625% on last Friday, its highest level in over a year. While this signals a bullish view on the economy and also the equity market in light of growth in corporate earnings, such views could cause investors to shift away from the "stay-at-home" trade which mainly involve technology counters towards names primed to benefit from a nationwide reopening.
- ✓ Apart from that, in the US, the Senate has passed their USD1.9 trillion coronavirus relief package on 6 March, and now awaiting the final vote by the Democratic-led House tomorrow (9 March). As such, market will be watching closely the progress on the stimulus package.
- ✓ All in all, risks from the pandemic still lingering especially with new Covid-19 variants being found across the globe including Malaysia. As such, businesses and investors must assess their risk tolerance thoroughly before undertaking any major investment decision.

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A cityscape at sunset with a pink bar at the bottom. The sky is filled with soft, golden light and scattered clouds. The city buildings are silhouetted against the bright horizon. A prominent road with traffic is visible in the foreground.

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