



From the Desk
of the
Chief Economist

BANK ISLAM

WEEKLY MARKET UPDATES

8 AUGUST 2022

ECONOMIC RESEARCH

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KEY HIGHLIGHTS OF THE WEEK- BOE AND RBI CONTINUED TO TIGHTEN ITS MONETARY POLICY AMID WORRIES OVER INFLATION

International

Bank of England (BOE)- Monetary Policy

- ✓ The BOE increased its Bank Rate by 50 basis points (bps) to 1.75% during its meeting on 4 August 2022.
- ✓ It was the sixth consecutive rate hike, pushing the borrowing costs to the highest level since 2009 in order to ward off inflation in the U.K.
- ✓ Apart from that, the headline inflation is expected to rise more than 13.0% in 4Q2022 and will remain elevated level throughout much of 2023 before falling to the 2.0% target two years ahead.
- ✓ Looking at growth, the BOE is now projected to enter a recession in the fourth quarter which would last for five quarters.

Reserve Bank of India (RBI)- Monetary Policy

- ✓ The RBI raised its key repo rate by 50 bps to 5.4% during its August meeting.
- ✓ The rate hike was higher compared to market forecast of 35 bps as policymakers stepped up efforts to bring down inflation.
- ✓ Meanwhile, the headline inflation eased slightly to 7.0% in June from its peak at 7.8% in April (May: 7.0%).
- ✓ However, it remained above the RBI's target range of 2.0%-6.0% for the sixth straight month.
- ✓ All in all, the central bank maintained its inflation forecast for 2023 at 6.7% and its economic growth at 7.2%.

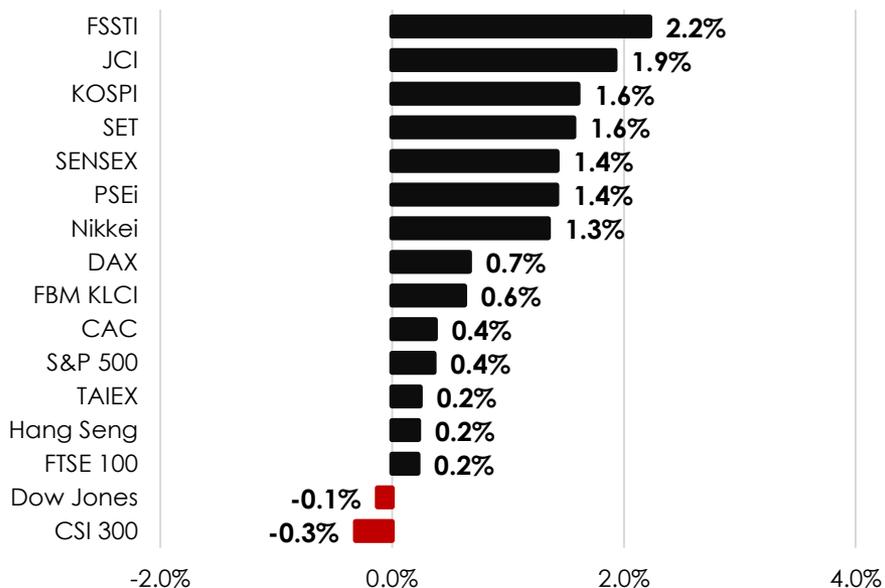
Indonesia- Gross Domestic Product (GDP)

- ✓ Indonesia's GDP higher by 5.4% y-o-y in 2Q2022 compared to 5.0% growth in 1Q2022.
- ✓ The latest reading marked the fifth straight quarter of annual expansion as household consumption (2Q2022: 5.5% vs. 1Q2022: 4.3%) strengthened due to ease in Covid-19 related measures.
- ✓ Furthermore, external demand has also contributed positively to the GDP performance amid strong commodity price as reflected by double-digit growth in export activities (2Q2022: 19.7% vs. 1Q2022: 16.7%).

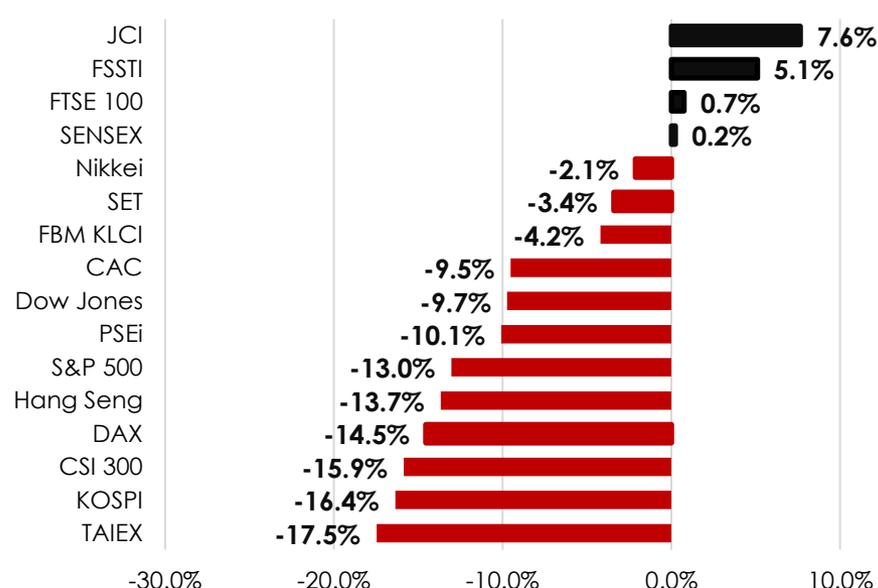
WEEKLY MARKET PERFORMANCE

- ✓ Singapore's FSSTI recorded a 2.2% weekly advance among the major equity markets. This was mainly supported by higher gains from financial shares.
- ✓ Meanwhile, China's CSI 300 continued to fall for the fifth straight week as it declined by 0.3% last week. Tension with the U.S. is the latest stumbling block for Chinese equities, which the market is already reeling from the impact of slowing economic activities in light of Covid-19 related measures, property sector crisis and tech crackdowns.
- ✓ On a Year-To-Date (YTD) basis, global equities were mostly in the red amid worries about a global recession following aggressive monetary tightening policy, especially in the advanced market.

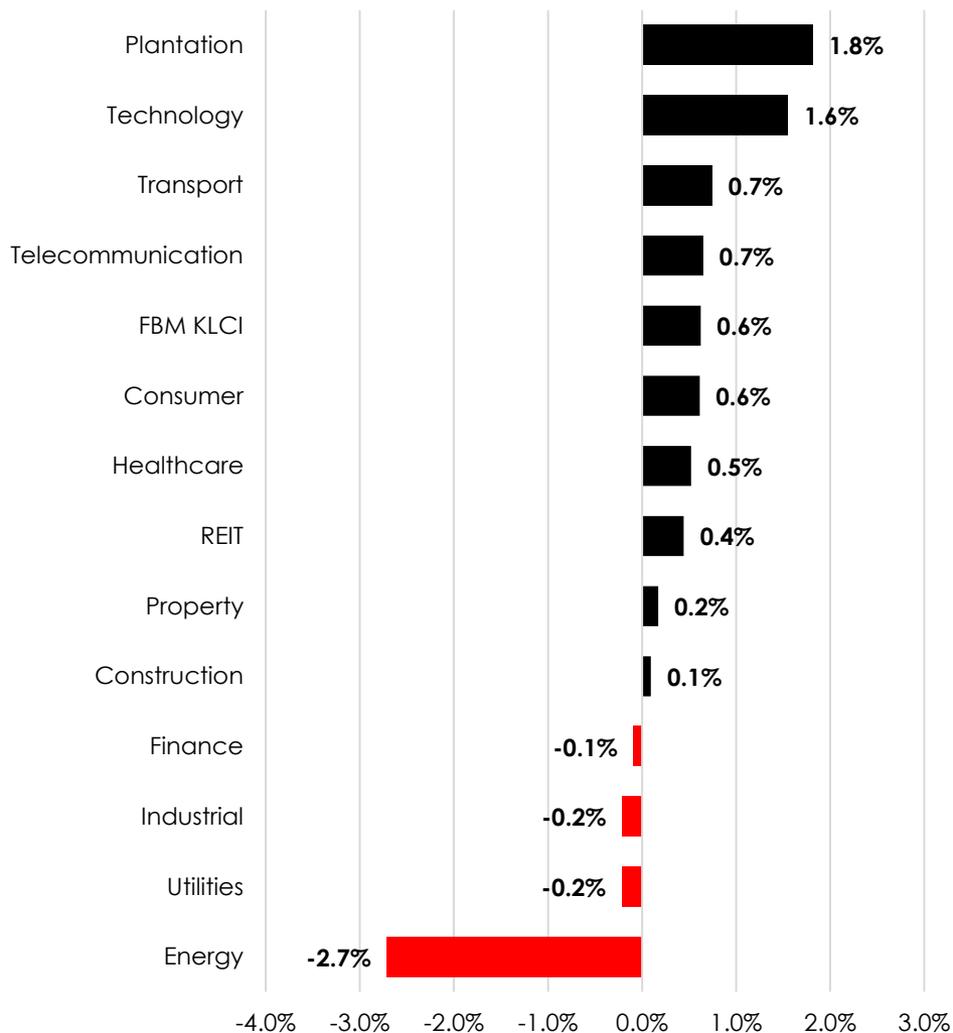
Weekly Gain/Loss of Major Equity Markets, % (Week Ending 5 August)



YTD Gain/Loss Of Major Equity Markets, % (As at 5 August)



Bursa Sectoral Performance, w-o-w%



Sources: CEIC, Trading View

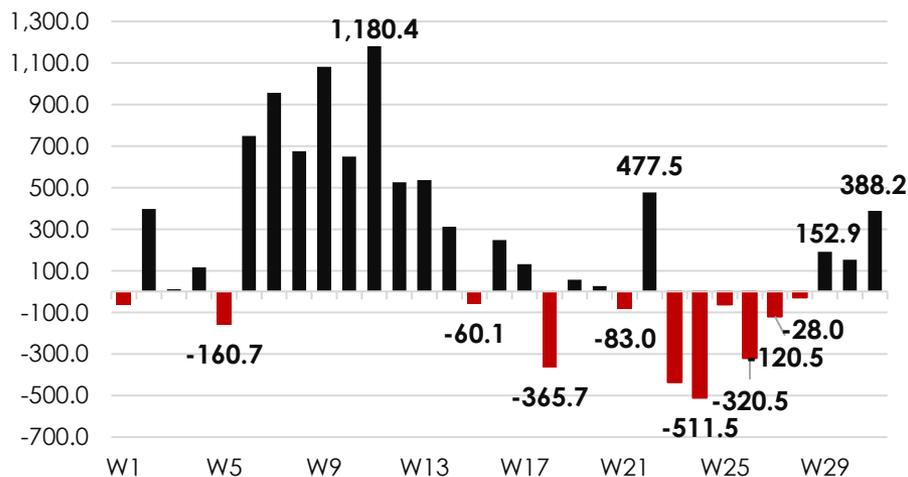
WEEKLY SECTORAL PERFORMANCE

- ✓ **Plantation and Technology sectors were higher by 1.8% and 1.6%** respectively during week ending 5 August.
- ✓ Apart from that, the upturn also contributed by bargain hunting activities among the foreign investors as reflected by third consecutive weeks of foreign net purchases.
- ✓ Meanwhile, **Energy index recorded largest loss at 2.7%** due to weaker Brent crude oil price which fell below USD100.0 per barrel (29 July: USD94.92 per barrel vs. 5 August: USD110.01 per barrel).
- ✓ Looking forward, the FBM KLCI is likely to range between **1,490.0 points and 1,510.0 points this week** supported by foreign net inflows moving forward.

WEEKLY FOREIGN FUND FLOW

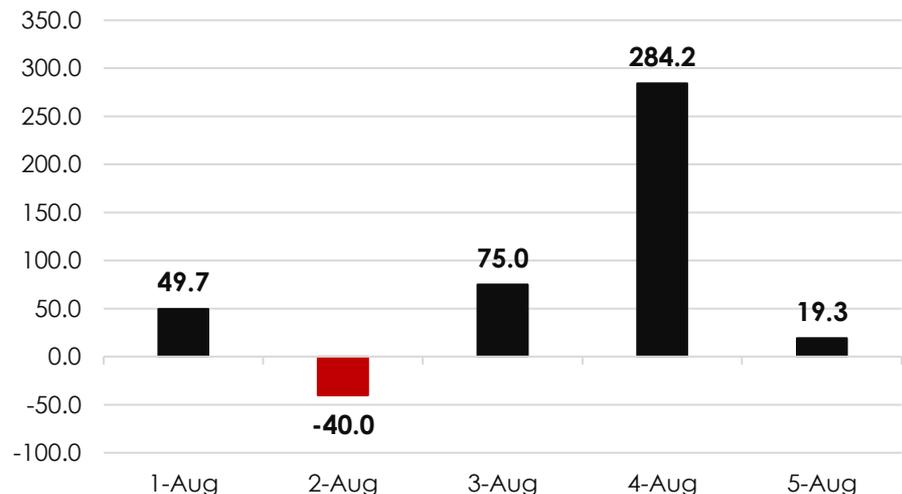
- ✓ Foreign investors remained as net purchasers as they acquired RM388.2 million net of Malaysian equities last week. This was higher as compared to RM152.9 million net inflows registered in the preceding week.
- ✓ On further scrutiny, Bursa started the week with a strong foot as international investors bought RM49.7 million net of domestic equities on Monday. However, they turned to be net sellers as they dumped RM40.0 million net equities on Tuesday. Then, foreign fund inflows were seen for the remaining days of the week with a total of RM378.5 million net equities recorded from Wednesday to Friday.
- ✓ On a YTD basis, international investors have bought RM6.7 billion net of local equities in 2022 and have been net buyers for 20 out of 31 weeks of 2022.

Weekly Foreign Fund Flow in 2022 (RM Million)



Source: Bursa
*W = week

Daily Foreign Net Inflow/Outflow from 1 to 5 August (RM Million)



FIXED INCOME- THE U.S. TREASURY (UST) ENDED HIGHER POST FOMC MEETING

Bond Yields Weekly Change, bps

UST	Yields (%) 29-Jul-22	Yields (%) 5-Aug-22	Change (bps)
3-M UST	2.41%	2.58%	17
2-Y UST	2.89%	3.24%	35
5-Y UST	2.70%	2.97%	27
10-Y UST	2.67%	2.83%	16

MGS	Yields (%) 29-Jul-22	Yields (%) 5-Aug-22	Change (bps)
3-Y MGS	3.50%	3.48%	-2
5-Y MGS	3.71%	3.79%	8
7-Y MGS	3.84%	3.93%	9
10-Y MGS	3.88%	3.93%	5

Sources: CEIC, BNM

10-Y UST minus 3-M UST, bps



Source: CEIC

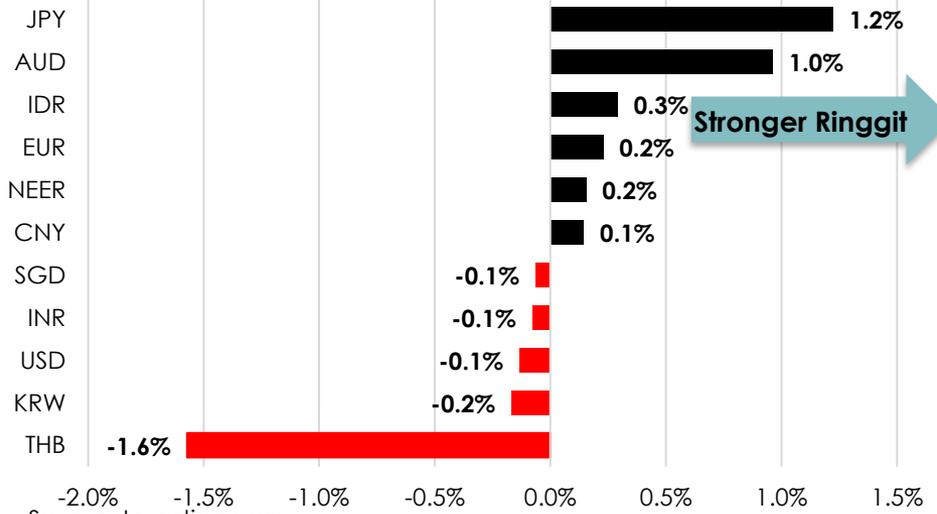
- ✓ For the bond market, the UST yields closed higher between 16 bps and 35 bps during the week as the Federal Reserve (Fed) is widely expected to increase the FFR by another 75 bps during its next meeting in September.
- ✓ Nevertheless, the yield curve of 10-Y UST minus 3-M UST remained narrow at 25 bps on 5 August, suggesting the risk-off mode persists amid fear of economic slowdown during second half of the year. Additionally, the BOE also indicated that the country could enter recession in final quarter of 2022 due to soaring inflation, as well as war crisis in the Ukraine.
- ✓ On domestic front, the MGS yields also mostly ended higher between 5 bps and 9 bps except for 3-Y MGS which declined by 2 bps to settle at 3.48%.
- ✓ All in all, the bond yields are expected to range bound this week as investors would remain cautious in view of gloomy economic outlook.

RINGGIT WAS TRADED LOWER AGAINST THE USD LAST WEEK

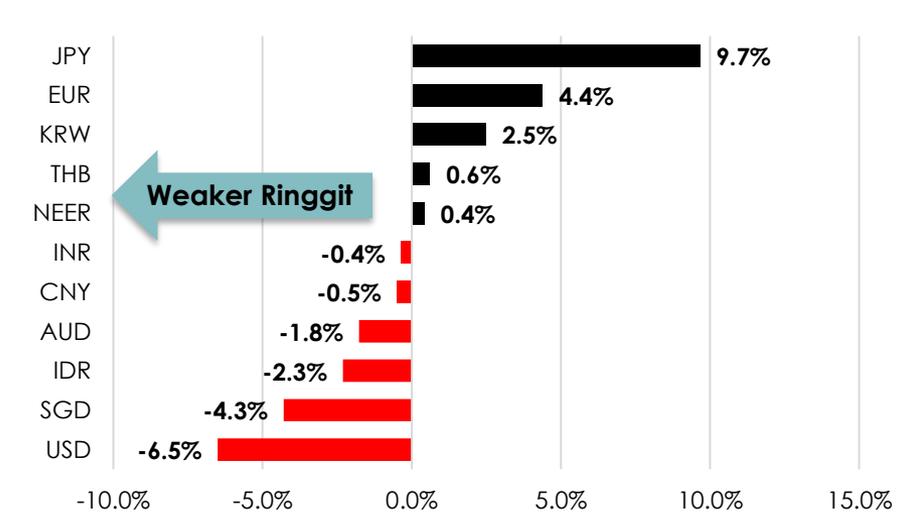
WEEKLY PERFORMANCE

- ✓ The Ringgit fell by 0.1% w-o-w against U.S. Dollar (USD), closing at RM4.4480 on 29 July from RM4.4540 in the previous week.
- ✓ The local note was traded lower against the greenback as investors continue to seek shelter against the safe-haven currency amid rising geopolitical risks.
- ✓ In the latest development, the U.S. House Speaker Nancy Pelosi’s visit to Taiwan had jittered the market following concerns over escalating U.S.-Sino tension.
- ✓ Additionally, China’s GDP grew by 0.4% y-o-y during 2Q2022 (1Q2022: 4.8%) as the country is struggling to shake off the Covid-19 impact which could affect emerging currencies including the Ringgit.
- ✓ Overall, Ringgit is likely to trade within a tight range between RM4.44 to RM4.45 this week ahead of Malaysia’s 2Q2022 GDP release on 12 August 2022 as this could draw investors’ attention.

**MYR against regional currencies, w-o-w%
(Week Ending 5 August)**



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



COMMODITIES – BRENT PRICE DROPPED BELOW THAN USD100.00 PER BARREL AMID RISING FEARS OF GLOBAL ECONOMIC SLOWDOWN

BRENT

- ✓ Brent crude oil price fell by 13.7% w-o-w, the largest weekly decline since January this year (5 August: USD94.92 per barrel vs. 29 July: USD110.01 per barrel). This was due to the growing concerns over slowing economic activities worldwide in light of higher interest rate movement that is expected to affect fuel demand moving forward.
- ✓ On the supply side, the U.S. Energy Information Administration (EIA) reported that the crude oil stockpiles rose by 4.5 million barrels to 426.6 million barrels in the week ending 29 July from 422.1 million barrels in the previous week, suggesting slowing demand conditions. Similarly, the American Petroleum Institute (API) mentioned that fuel inventories went up by 2.2 million barrels for the week which ended on 29 July from 4.0 million barrels draw in the previous week. These have also put floor on the Brent price movement last week.

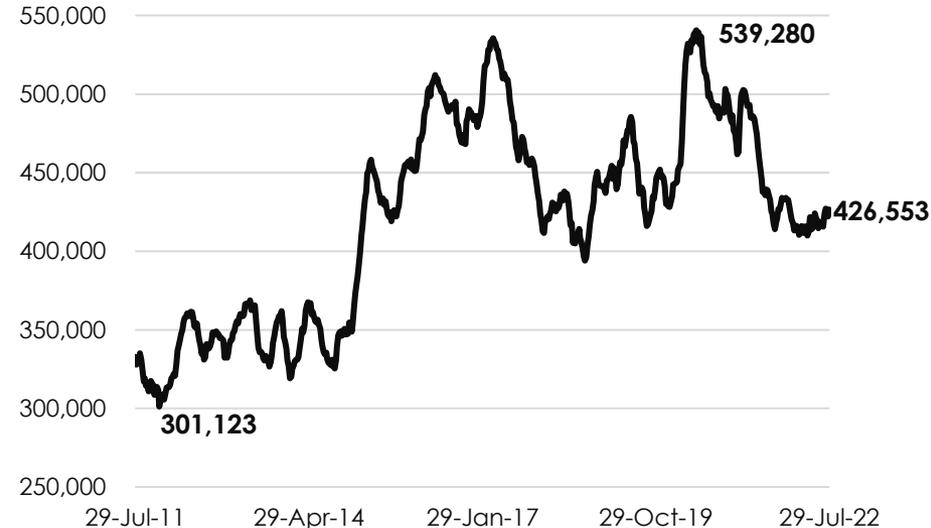
Brent Crude in USD per barrel



Source: Bloomberg

ECONOMIC RESEARCH

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



COMMODITIES – GOLD PRICE GAINS FOLLOWING A STRONGER-THAN-EXPECTED U.S. PAYROLL REPORT

GOLD

- ✓ Gold price went up by 0.5% to reach USD1,775.50 per ounce on 5 August, moderated from 2.2% (29 July: USD1,765.94 per ounce) in the previous week due to the unexpectedly strong U.S. job reports (July: 528k vs. June: 398k).
- ✓ This has eased recession worries which could pave the way for the Fed to be more aggressive in its monetary policy tightening to cool an overheating economy.
- ✓ As such, the USD index increased by 0.7% to 106.62 on 5 August from 105.90 in the preceding week.
- ✓ Still, the gold price is set for third weekly gain amid the ongoing geopolitical risks in Europe, as well as heightened conflict between the U.S. and China.

Gold in USD per ounce



U.S. Dollar Index (DXY)



- ✓ The U.S. inflation data for the month of July would be the highlight for the week following the release of much stronger-than-anticipated of jobs report. This could turn the Fed from dovish to hawkish stance in order to tame the highest inflation in decades.
- ✓ At the same time, investors would be paying close attention to several Fed leaders' talk such as Chicago Fed President Charles Evan, Minneapolis Fed President Neel Kashkari and San Francisco Fed President Mary Daly during the week about the central bank's path forward. The move on either to deliver another straight 75 bps during September meeting or to ease back on the rate hike is the key importance to the investors at the current juncture.
- ✓ Another important data for this week including the 2Q2022 GDP numbers for the U.K., Russia and Singapore which would shed light on the economic performance at the time of geopolitical uncertainty and rising inflation.
- ✓ Likewise, **Malaysia would also be releasing the 2Q2022 GDP figure on this Friday** after the higher-than-expected growth of 5.0% y-o-y during the previous quarter. With the positive performance of recent headline economic numbers, this suggests that the GDP growth during the said quarter could be strong as foreign investors appear to be more confident in Malaysia's prospect.
- ✓ Still, the IMF has cut the GDP growth projection for Malaysia from 5.6% to 5.1% in 2022, lower than the official estimation between 5.3% and 6.3%. This signifies that Malaysia is not spared from facing the risks of global recessions sparked by the aggressive monetary tightening in the U.S. and stumbling growth in China.
- ✓ All in all, the FBM KLCI is expected to trade between 1,490.0 points and 1,510.0 points this week with a better bargain-hunting activities amid positive economic data.

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
5-Jul-22	547,501	23,676	120,577	13,086	2,577	36,885	20,774	5,946	18,138	-	1,917	27,772	43,935	24,418	2,932
6-Jul-22	1,080,435	37,114	136,236	16,159	2,743	133,015	32,906	12,784	19,363	71,818	2,428	33,688	50,119	206,554	3,561
7-Jul-22	1,026,343	35,862	127,168	18,930	2,881	110,017	44,845	9,989	18,498	-	2,366	31,398	170,138	151,565	4,020
8-Jul-22	1,037,578	32,694	110,576	18,815	2,472	108,386	47,786	9,985	19,323	-	2,144	29,634	145,973	161,187	3,589
9-Jul-22	1,106,363	31,728	95,283	18,840	2,705	101,863	49,557	9,284	20,263	83,613	2,084	26,428	120,699	131,345	2,799
10-Jul-22	973,135	29,514	23,349	18,257	2,576	98,901	51,738	8,659	20,410	-	2,004	24,584	163,664	116,405	3,264
11-Jul-22	666,948	29,355	14,078	16,678	1,681	81,563	50,918	6,423	12,656	-	1,811	21,226	51,686	110,589	2,417
12-Jul-22	624,574	20,500	130,953	13,615	3,361	83,761	46,033	4,495	37,342	-	1,679	25,065	54,539	24,343	2,345
13-Jul-22	1,197,247	32,669	144,577	16,906	3,822	144,058	68,191	5,979	40,239	59,226	2,391	29,800	122,421	182,006	3,934
14-Jul-22	1,101,203	31,582	135,494	20,139	3,584	111,591	92,507	16,870	39,178	-	2,257	26,902	183,835	127,529	4,098
15-Jul-22	1,064,715	29,359	116,695	20,038	3,331	108,632	97,339	11,772	38,845	-	1,795	23,804	154,979	115,424	5,210
16-Jul-22	976,330	27,035	108,250	20,044	4,329	97,936	99,291	12,996	41,310	57,635	2,025	21,025	138,564	16,053	5,047
17-Jul-22	1,193,265	27,055	25,093	20,528	3,540	91,384	104,832	6,683	40,342	-	2,028	18,284	181,629	124,009	3,956
18-Jul-22	876,969	25,967	13,028	16,935	3,393	68,996	103,602	6,947	26,254	-	1,814	14,953	53,958	73,668	3,080
19-Jul-22	697,557	19,637	134,076	15,528	5,085	32,051	79,633	6,227	73,558	-	2,125	17,176	53,028	17,733	3,902
20-Jul-22	1,113,347	28,719	143,201	20,557	5,653	121,103	81,362	13,794	76,341	41,683	2,886	18,611	107,094	134,188	5,685
21-Jul-22	1,086,839	29,052	121,892	21,566	5,410	86,801	135,239	10,293	71,117	-	2,607	16,604	178,203	89,982	4,587
22-Jul-22	1,085,694	27,138	103,533	21,880	4,834	81,535	180,826	9,749	68,632	-	2,424	16,107	160,143	80,624	3,880
23-Jul-22	1,113,420	25,909	89,329	21,411	4,943	71,667	196,297	8,983	68,521	31,980	2,578	14,069	148,481	68,478	4,816
24-Jul-22	1,283,294	24,268	22,039	20,279	4,071	69,174	192,109	7,889	65,433	-	2,390	12,296	206,361	68,532	2,720
25-Jul-22	874,590	23,618	11,736	16,866	4,048	51,875	172,673	6,175	35,824	-	1,740	9,802	47,074	50,032	3,300
26-Jul-22	746,882	18,896	120,040	14,830	6,483	24,117	154,011	5,551	99,224	-	1,828	11,169	50,352	9,162	4,759
27-Jul-22	1,112,286	27,038	117,909	18,313	6,438	88,651	180,226	12,419	100,197	39,089	2,747	12,947	115,808	81,818	4,503
28-Jul-22	1,042,481	27,755	95,914	20,557	6,353	64,400	207,236	8,763	88,339	-	1,902	11,432	171,261	58,638	3,926
29-Jul-22	1,015,426	26,089	75,003	20,409	5,831	60,826	230,055	8,565	85,320	-	2,480	10,123	148,464	50,518	4,860
30-Jul-22	1,027,185	25,285	61,757	20,408	5,398	54,417	221,938	12,999	81,944	26,018	1,962	8,858	141,992	40,224	4,271
31-Jul-22	957,553	23,322	15,351	19,673	4,205	50,297	212,960	1,497	73,589	-	1,664	8,098	248,415	41,278	2,783
1-Aug-22	760,704	22,895	7,747	16,464	3,696	37,252	196,812	5,106	44,600	-	2,108	6,984	18,362	31,535	3,213
2-Aug-22	668,273	18,367	83,480	13,734	5,827	19,520	167,678	4,709	111,733	-	1,843	8,049	23,311	7,249	4,204
3-Aug-22	981,703	25,279	83,508	17,135	6,167	65,099	195,801	10,230	119,877	19,417	2,432	7,948	137,478	54,105	5,330
4-Aug-22	999,333	25,929	66,557	19,893	6,527	45,956	231,597	7,231	107,850	-	2,166	5,095	189,192	32,965	4,413
5-Aug-22	894,309	25,115	41,487	20,551	-	42,959	253,392	6,648	112,901	-	2,253	-	143,467	33,799	3,927

Source: CEIC

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