



From the Desk
of the
Chief Economist

BANK ISLAM

WEEKLY MARKET UPDATES

9 AUGUST 2021

ECONOMIC RESEARCH

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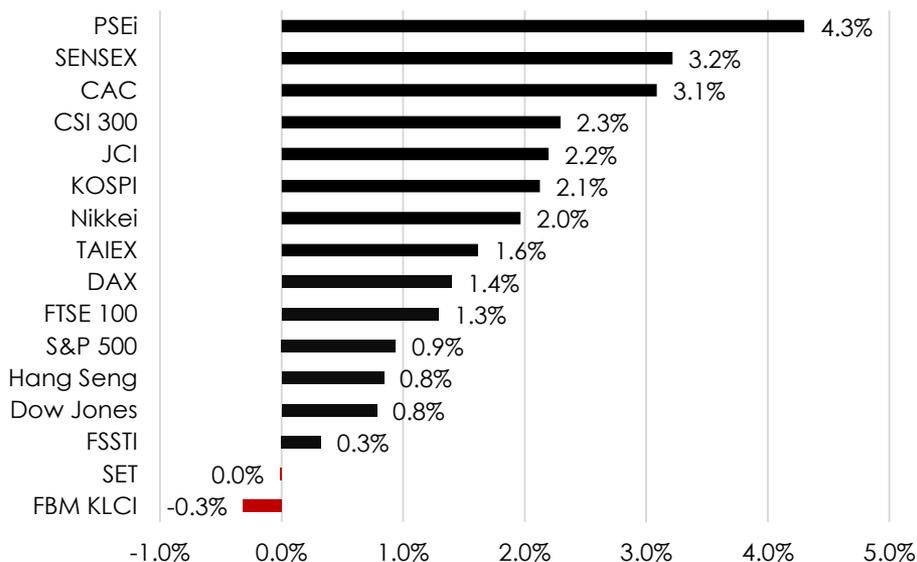
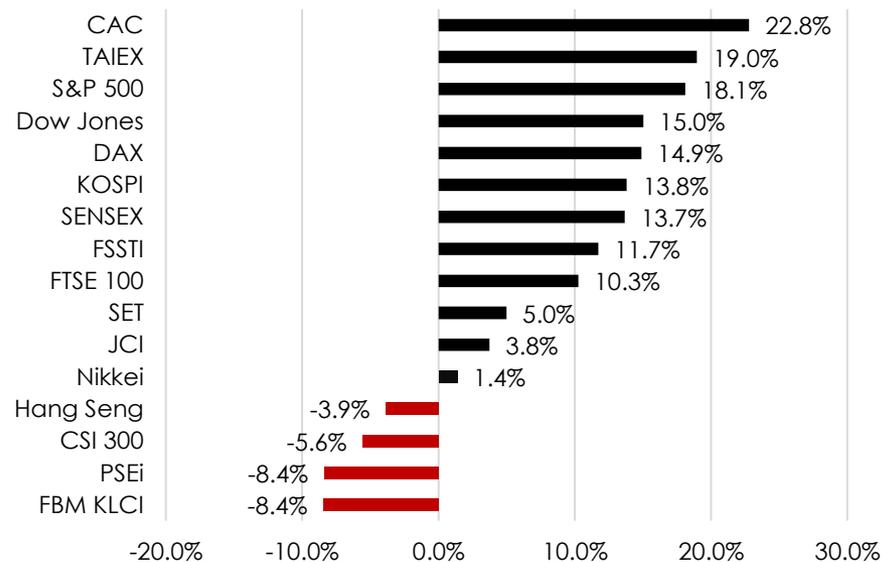
SHAFIZ BIN JAMALUDDIN

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WEEKLY MARKET PERFORMANCE

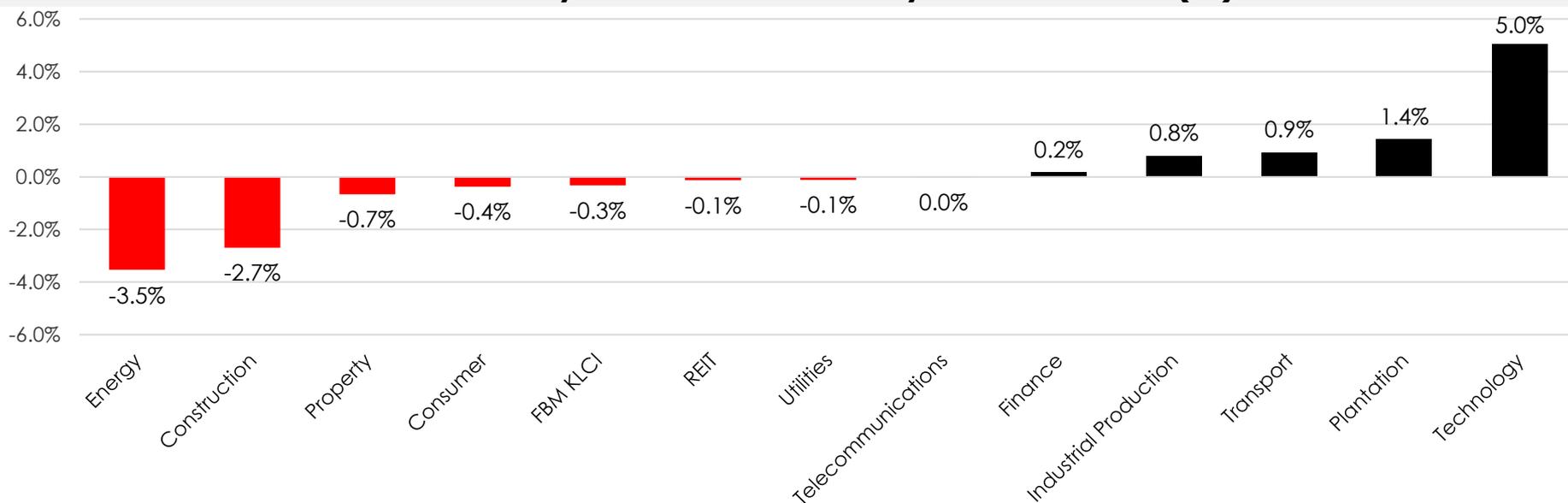
- ✓ Gainers exceeded losers among major equity markets last week with the Philippines' PSEi index recording the largest weekly advance of 4.3% after settling at 6,539.91 points on Friday. The PSEi gained a total of 269.68 points as investors had been picking up oversold stocks over the week. Apart from that, the latest rebalancing of the 30-member PSEi dominated the stock market trades on Friday as investors scrambled to align their portfolios to the closely tracked basket of local blue chips.
- ✓ Meanwhile, Malaysia's FBM KLCI posted the biggest decliner, losing by 0.3% for the week amid a jittery sentiment sparked by the surge in Covid-19 infection cases and political uncertainty.
- ✓ Similarly, the FBM KLCI index recorded the largest Year-To-Date (YTD) loss of 8.4% among other major benchmark indexes together with the Philippines's PSEi.

Weekly Gain/Loss of Major Equity Markets (%)
(Week Ended 6 August)YTD Gain/Loss Of Major Equity Markets (%)
(As at 6 August)

WEEKLY SECTORAL PERFORMANCE

- ✓ The Bursa Malaysia Technology Index was the biggest gainer, ending 5.0% higher during the week amid bright earning prospects. For instance, Aemulus Holding Berhad's net profit jumped by 3016.0% year-on-year (y-o-y) to RM2.7 million for the third quarter ended June 30 2021 largely fuelled by strong demand from 5G and high performance computing applications. Apart from that, the company is targeting higher revenue from the smartphone and tablet market in the coming quarters, driven by wider and broader adoption of the 5G technology in China and rest of the world. Furthermore, a new facility in Jiashan, China is expected to expand the company capacity by three times in light of firm demand for semiconductor.
- ✓ On the other hand, the Bursa Malaysia Energy Index was the biggest loser, declining by 3.5% for the week. This was weighed by worries over spread of the Covid-19 Delta Variant in the U.S. and China that would derail the global recovery in energy demand as the travel restriction will be put in place. In addition, China, the world's second-largest oil consumer has imposed restriction in some cities and cancelled flights in effort to curb the virus which is likely dampen the demand for oil consumption.

Bursa Malaysia Sectoral Weekly Performance (%)



Source: Bursa

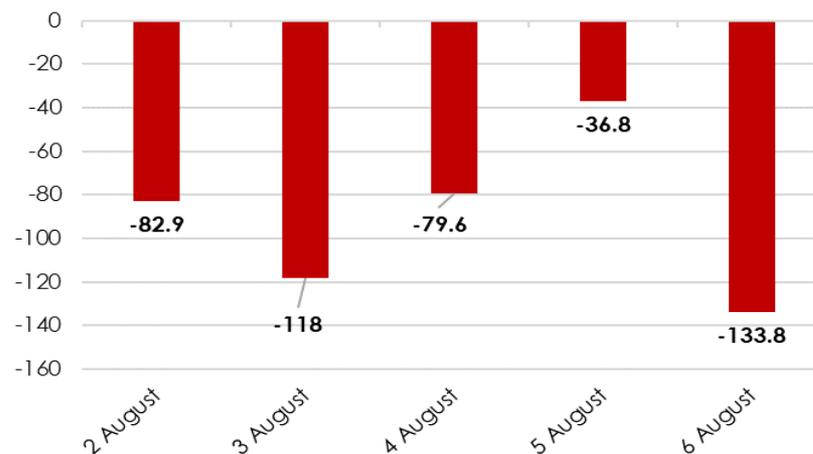
WEEKLY FOREIGN FUND FLOW

- ✓ Foreign investors withdrew RM451.1 million net of local equities last week compared to the RM579.6 million net disposed in the previous week.
- ✓ Foreign investors started the week by selling RM82.9 million net of local equities on Monday as the highly infectious Delta variant frayed investors' nerves. International funds disposed RM118.0 million net of local equities on Tuesday as there seemed to be no signs of slowdown in the number of daily Covid-19 cases recorded in Malaysia. Offshore investors continued to sell on Wednesday albeit at a much slower momentum of RM79.6 million net. The foreign net outflow slowed down further on Thursday to RM36.8 million net. In fact, the FBM KLCI index rebounded by 0.3% to 1,495.8 points on Thursday despite hawkish comments by the U.S. Federal Reserve citing that it may taper the asset purchasing programme soon. Foreign net selling activity spiked to RM133.8 million net on Friday as daily Covid-19 cases in the country reached another record high of 20,889 cases on the same day.
- ✓ On a YTD basis, foreign investors have sold RM6.0 billion net of local equities compared to RM19.7 billion net withdrawn during the same time frame last year.

Weekly Foreign Fund Flow in Malaysia (RM Million)



Daily Foreign Net Inflow/Outflow From 2 - 6 August 2021 (RM Million)

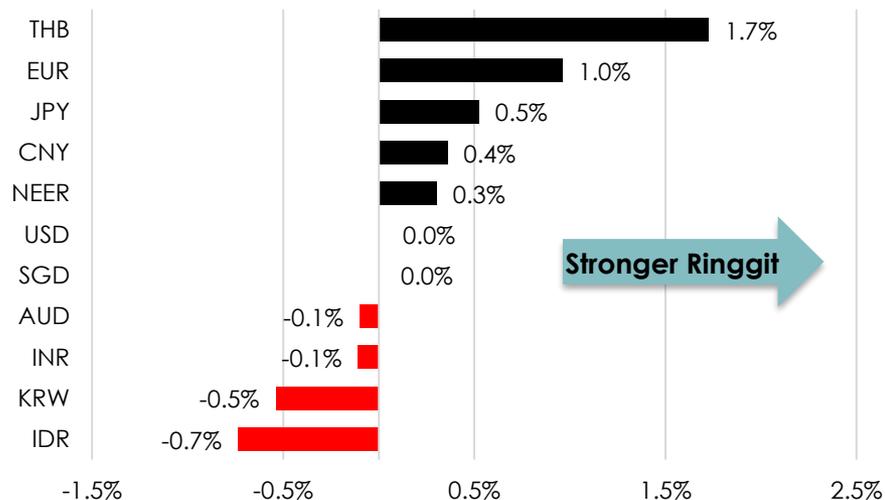


Sources: Bursa

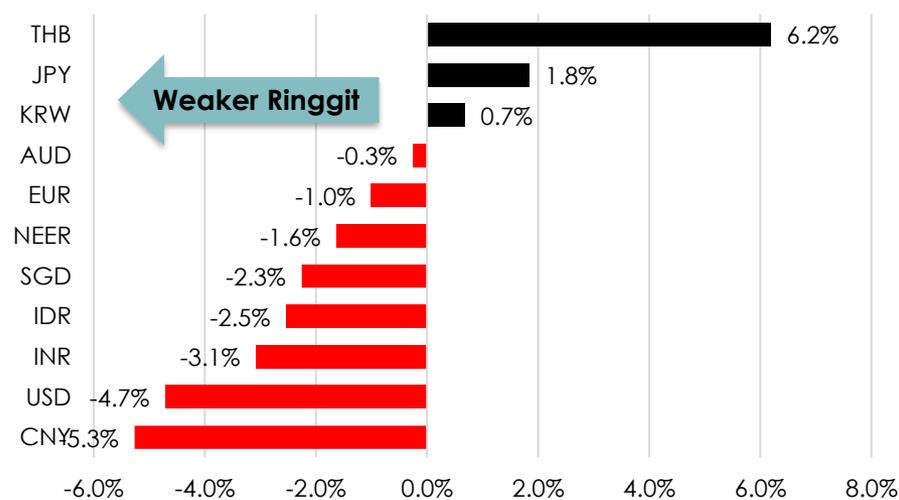
WEEKLY PERFORMANCE

- ✓ The Ringgit was slightly higher at RM4.2170 against USD on last Friday compared to RM4.2180 on 30 July. This was mainly underpinned by firm Brent price which has been lingering around USD70.0 per barrel for the past two weeks.
- ✓ On domestic front, concern over local Covid-19 has heavily weighed on the sentiment as the local infected people has surpassed 20,000 cases on 6 August.
- ✓ Nevertheless, Malaysia's vaccination rate continued to pick up rapidly with 67.4% of Malaysian adults have administered with first dose while 37.5% has completed two doses of vaccine as at 8 August. Following this, Malaysia will ease some of the Covid-19 restrictions for fully vaccinated people in eight states from 10 August onwards. As such, this would allow some economic sector to recover gradually in the longer term.
- ✓ All in all, the Ringgit is likely to trade within a tight range between RM4.2200 and RM4.2300 this week ahead of Malaysia's 2Q2021 Gross Domestic Product (GDP) result that may draw investor's attention.

MYR against regional currencies, w-o-w% (Week Ended 6 August)



MYR against regional currencies, YTD Gain% (As at 6 August)

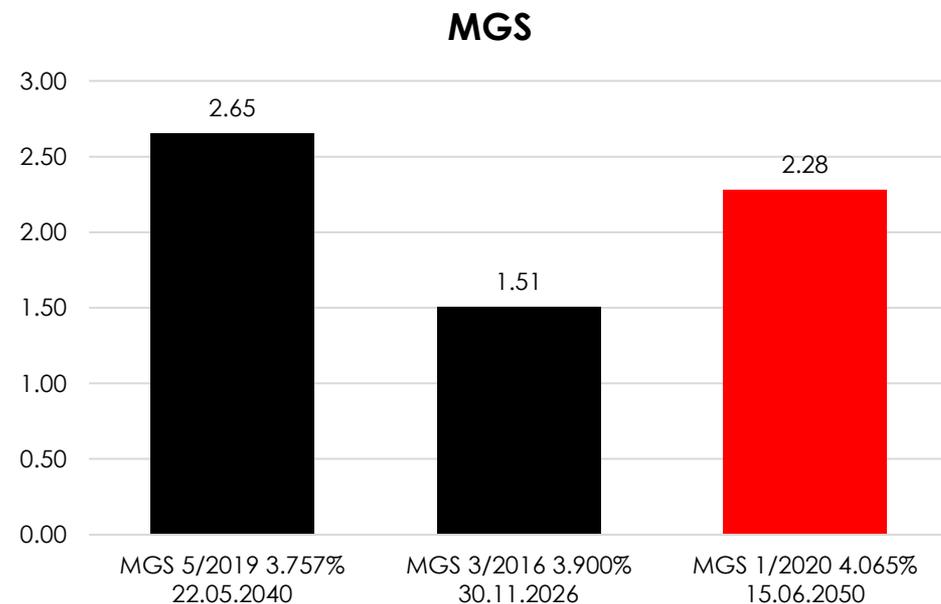


MGS Benchmark Weekly Change (bps)

MGS Benchmark	Coupon (%)	Yields (%) 30-Jul-21	Yields (%) 6-Aug-21	Change (bps)
3-Y MGS 06/24	3.48%	2.28%	2.30%	2
5-Y MGS 11/26	3.90%	2.62%	2.63%	1
7-Y MGS 06/28	3.73%	3.02%	3.02%	0
10-Y MGS 04/31	2.63%	3.17%	3.23%	6

Source: BNM

Past Auction Results



Source: Bond Info Hub

- ✓ The MGS benchmark yields ended higher between 1 bps and 6 bps last week. The 3-Y MGS 06/24, 5-Y MGS 11/26 and 10-Y MGS 04/31 rose by 2 bps, 1 bps and 6 bps to close at 2.30%, 2.63% and 3.23% following rise in UST yields amid upbeat economic data in the U.S. Meanwhile, the 7-Y MGS 06/28 maintained at 3.02% last week.
- ✓ On the other hand, the reopening of 30-Y MGS 06/50 has gained a healthy Bid-To-Cover (BTC) ratio of 2.28x higher from 1.51x on the previous issuance, suggesting local bond market remains supportive.
- ✓ All in all, we anticipate the bond yields to increase gradually following government's decision to loose some of the restriction measures for 8 states that are currently in Phase 2 and Phase 3 of National Recovery Plan (NRP).
- ✓ In addition, economic recovery in the U.S. continued to gain its steam that would push the UST yields higher in the medium term and local bond yields are likely to follow suit.

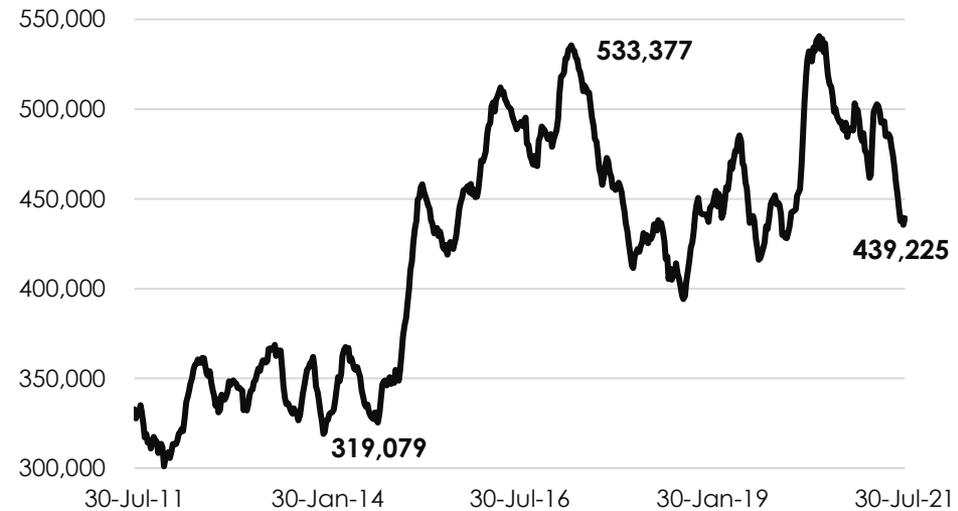
BRENT

- ✓ Brent crude oil price recorded a 7.4% weekly decline to settle at USD70.70 per barrel last Friday (30 July: USD76.33/barrel) as a stronger dollar capped the upward momentum of the crude oil price movement. The USD strengthened across the board as reflected by the U.S. Dollar index (DXY), appreciating by 0.7% as at 6 August (30 July: -0.8%) in reaction to the stellar U.S. monthly jobs data in July.
- ✓ On further scrutiny, the U.S. economy added 943k jobs in July (June: 938k), the most in eleven months as the rapid pace of Covid-19 vaccinations has allowed the country to continue its reopening efforts and prompted businesses to hire more workers in respond to the growing demand.
- ✓ Be that as it may, both the U.S. and China are witnessing a spike in coronavirus cases due to the highly contagious Delta variant, which could threaten the fuel demand recovery prospects moving forward.
- ✓ On the supply side, the U.S. Energy Information Administration (EIA) reported that stocks of crude oil rose by 3.6 million barrels to 439.2 million barrels in the week ended 30 July (23 July: 435.6 million barrels), the largest increase since March this year. Meanwhile, the American Petroleum Institute (API) report mentioned that crude stockpiles decreased by 0.9 million barrels in the week ended 30 July from a draw of 4.7 million barrels in the preceding week.

Brent Crude in USD per barrel



US Crude Oil Inventory, '000 barrel - EIA



Source: Bloomberg

GOLD

- ✓ Gold price declined by 2.8% to USD1,763.03 per ounce on 6 August (30 July: USD1,814.19 per ounce) amid strengthening dollar and soaring U.S. Treasury yields. Hence, the U.S. Dollar Index appreciated by 0.7% to 92.80 on 6 August from 92.17 in the previous week.
- ✓ Furthermore, the U.S.'s unemployment rate slid all the way to 5.4% in July (June: 5.9%), indicating that the labour market has remained resilient so far in the wake of the threats of the Delta variant .
- ✓ In view of the surprising pace of the economic recovery from the coronavirus pandemic, the U.S. Federal Reserve signaled a possibility of bringing forward policy tightening, to taper its monthly USD120 billion asset purchase program later this year.
- ✓ On a separate note, the precious metal dropped by 7.1% on a YTD basis.

Gold in USD per ounce



U.S. Dollar Index (DXY)



- ✓ Looking ahead, the high number of Covid-19 cases is something that investors will continue monitoring in addition to any development in China's regulatory crackdown on the education and technology sector.
- ✓ Nevertheless, this week will be an eventful week as **Malaysia's 2Q2021 GDP will be released this Friday**. All eyes will be on the 2Q2021 GDP release as investors will want to gauge Malaysia's economic growth trajectory especially after the full scale lockdown was imposed during the quarter which restricted working capacity for some manufacturing sectors. Aside from Malaysia, countries such as the **Philippines, Taiwan, Singapore and Hong Kong will also be releasing their 2Q2021 GDP data throughout next week**.
- ✓ On Sunday, the Prime Minister of Malaysia announced the **long-awaited reopening of economic and social sectors effective 10 August**. Main relaxations include inter-state and inter-district travel for long-distance married couples and parents who need to visit their children below 18 years old in other locations. Meanwhile, states that have transitioned into Phase 2 onwards under the NRP are allowed to have dine-in activities at restaurants for fully vaccinated people.
- ✓ With that, such news could provide some good sentiment to the FBM KLCI index which has been bearish as of late amid a confluence of factors, mainly due to the surge in Covid-19 cases in the country. Any positive surprises from the release of the GDP data release could also likely spur some gains in the market this week. Taking this into consideration, the FBM KLCI is expected to trade within a range of 1,490 to 1,500 points this week.
- ✓ More importantly, the **number of serious Covid-19 cases will be a new indicator for phase transitions under the NRP**. The reason being is that, the number of new Covid-19 cases had become less relevant, as most cases were asymptomatic or mildly symptomatic (categories one and two). Notwithstanding this, the public should continue exercising caution as threats of variants of concern continue to linger.

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
6-Jul-21	340,331	53	440	34,703	31,189	480	1,117	13	746	7,504	5,420	27,100	3,180	796	7,654
7-Jul-21	382,727	87	985	43,733	34,379	907	1,602	10	1,212	16,535	6,519	28,334	5,614	2,044	7,097
8-Jul-21	501,190	58	970	45,892	38,391	1,010	2,159	12	1,275	20,026	7,058	32,048	36,990	3,996	8,868
9-Jul-21	493,219	47	949	43,393	38,124	1,391	2,264	16	1,316	22,564	9,276	31,977	22,569	4,324	9,180
10-Jul-21	491,081	63	952	42,766	35,094	1,386	2,266	10	1,378	22,274	9,326	35,200	26,570	4,498	9,353
11-Jul-21	483,343	58	745	41,506	36,197	1,394	2,448	6	1,324	24,201	9,539	31,800	28,187	4,102	9,105
12-Jul-21	430,692	59	324	37,154	40,427	1,391	2,025	8	1,100	14,730	8,656	31,352	8,224	4,231	8,574
13-Jul-21	425,226	53	646	32,906	47,899	887	1,565	26	1,150	12,029	8,685	33,998	37,319	1,120	11,079
14-Jul-21	459,617	53	1,548	38,792	54,517	1,530	2,309	26	1,615	25,495	9,317	36,216	20,450	5,367	11,618
15-Jul-21	540,796	58	1,642	41,806	56,757	2,153	3,183	60	1,599	28,057	9,186	41,748	32,107	8,748	13,215
16-Jul-21	575,949	54	1,456	38,949	54,000	2,473	3,421	48	1,536	29,289	9,692	47,891	38,707	3,583	12,541
17-Jul-21	554,753	63	1,608	38,079	51,952	2,895	3,425	61	1,454	28,826	10,082	51,273	39,073	8,433	12,528
18-Jul-21	546,241	45	1,292	41,157	44,721	3,118	3,814	68	1,451	29,217	11,397	53,969	40,553	10,949	10,710
19-Jul-21	468,189	51	546	38,164	34,257	3,126	3,105	92	1,252	18,151	11,784	47,599	11,414	12,523	10,972
20-Jul-21	471,227	86	1,183	30,093	38,325	2,070	2,477	172	1,278	14,264	11,305	39,538	59,631	3,959	12,366
21-Jul-21	488,536	53	2,203	42,015	33,772	3,555	3,600	195	1,780	29,354	13,002	46,125	34,678	16,723	11,985
22-Jul-21	702,955	81	1,890	41,383	49,509	4,254	4,903	181	1,842	31,369	13,655	43,404	208,627	21,386	13,034
23-Jul-21	572,616	82	2,089	35,342	49,071	5,056	5,282	170	1,630	31,288	14,575	39,315	55,209	21,769	15,573
24-Jul-21	578,002	61	1,919	39,097	45,416	5,142	4,349	133	1,629	30,577	14,260	35,654	63,988	21,379	15,902
25-Jul-21	624,421	59	1,387	39,742	38,679	5,138	3,518	130	1,486	29,479	15,335	31,285	66,785	20,121	17,045
26-Jul-21	479,209	93	958	39,361	28,228	4,742	4,779	125	1,318	17,734	15,376	28,652	21,088	16,158	14,516
27-Jul-21	518,280	82	1,545	29,689	45,203	3,115	5,061	135	1,365	12,367	14,150	24,386	98,849	5,154	16,117
28-Jul-21	549,897	104	2,768	43,654	47,791	4,516	7,317	139	1,894	25,049	16,533	23,228	47,989	24,127	17,405
29-Jul-21	647,748	70	3,142	43,509	43,479	5,693	9,470	136	1,671	28,219	17,669	25,402	82,375	27,798	17,170
30-Jul-21	684,044	84	2,454	44,230	41,168	6,167	10,425	133	1,710	26,300	17,345	30,633	106,184	21,259	16,840
31-Jul-21	614,154	82	2,400	41,649	37,284	6,613	11,037	139	1,539	24,772	18,912	29,213	79,568	20,258	17,786
1-Aug-21	625,910	87	2,097	41,831	30,738	6,509	12,068	120	1,442	24,937	18,027	25,754	107,367	22,695	17,150
2-Aug-21	503,332	115	847	40,134	22,404	5,320	10,063	121	1,214	14,245	17,970	24,139	29,504	19,600	15,764
3-Aug-21	567,249	107	1,766	30,549	33,900	3,185	8,877	111	1,200	8,934	18,901	21,687	135,274	1,996	17,105
4-Aug-21	579,773	123	3,571	42,625	35,867	4,841	11,644	102	1,725	18,353	20,200	21,466	78,722	25,481	19,819
5-Aug-21	672,523	108	3,539	42,982	35,764	6,590	14,053	95	1,776	18,727	20,920	28,936	127,247	27,856	20,596
6-Aug-21	635,150	141	3,448	44,643	39,532	7,224	15,231	98	1,704	10,097	21,379	29,825	91,648	26,314	20,889

Source: CEIC

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