



From the Desk  
of the  
**Chief Economist**

**BANK ISLAM**

# **WEEKLY MARKET UPDATES**

**10 JANUARY 2022**

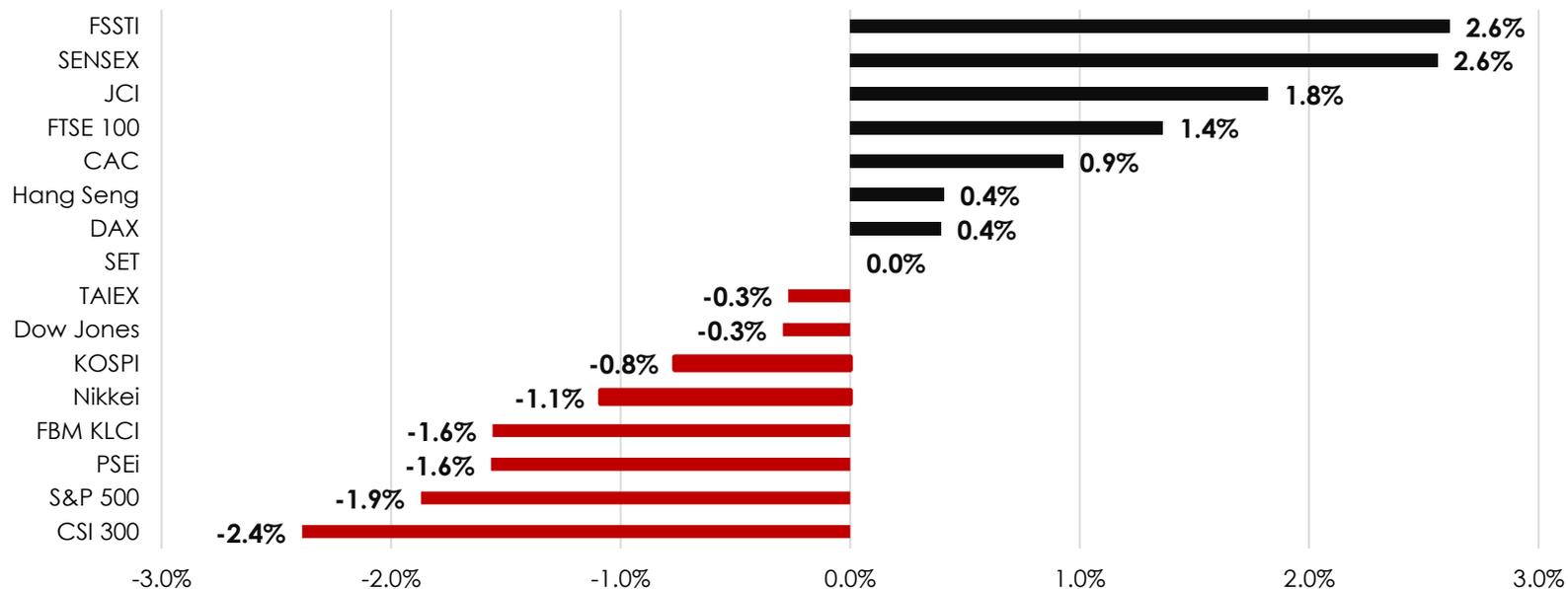
## **ECONOMIC RESEARCH**

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## WEEKLY MARKET PERFORMANCE

- ✓ The FTSE Singapore Straits Times Index (FSSTI) led gainers with a 2.6% weekly advance among the major equity markets after advance estimates made by the Singapore's Ministry of Trade and Industry (MTI) showing that the country's economy grew by 5.9% year-on-year (y-o-y) in the 4Q2021 (3Q2021: 7.1%), stronger than the market consensus of a 5.4% growth. Similarly, the India's SENSEX index closed higher by 2.6% last week as the severity of the Omicron cases seemed to be low and as investors await the upcoming quarterly earnings season.
- ✓ Meanwhile, China's equity benchmark, the CSI 300 index dropped by 2.4% last week amid concerns over China's Covid lockdowns, regulatory risks and policy uncertainties.

Weekly Gain/Loss of Major Equity Markets, %  
(Week Ended 7 January)

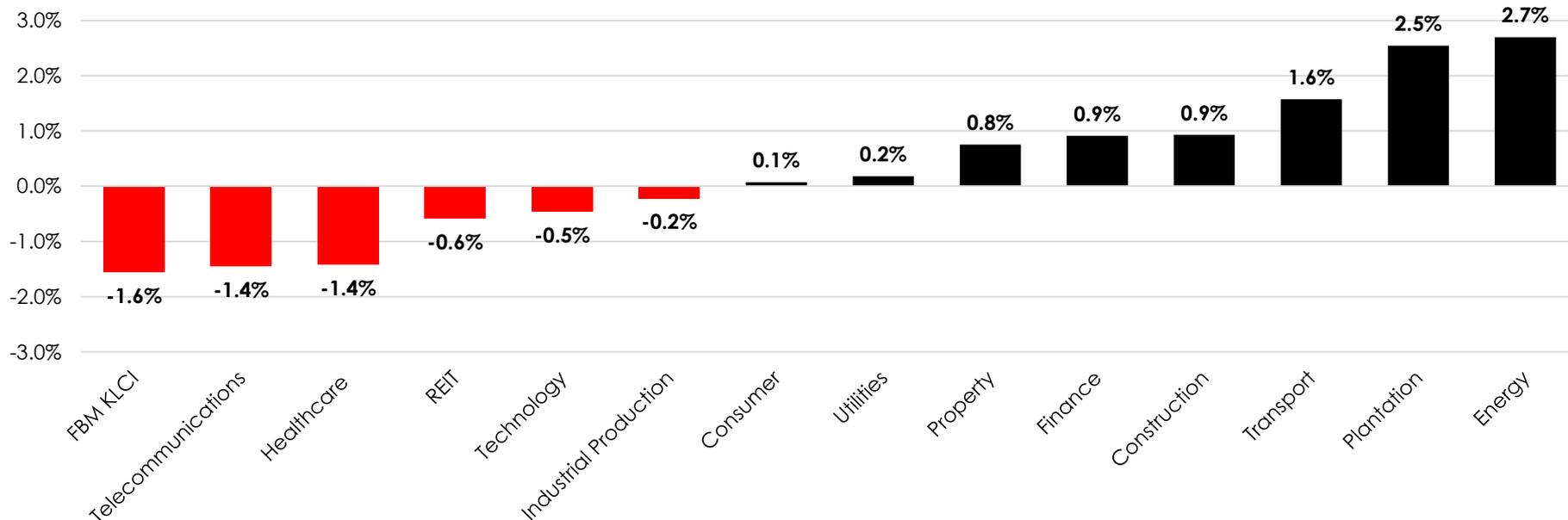


Source: CEIC

## WEEKLY SECTORAL PERFORMANCE

- ✓ The Energy and Plantation index were the largest gainers among sectoral indices, closing by 2.7% and 2.5% during the week. The upturn was mainly supported by stronger commodity prices with Brent crude oil rose to USD81.75 per barrel (31 December 2021: USD77.78 per barrel) while Crude Palm Oil (CPO) price surged to RM5,330.0 per Metric Tonnes (MT) on last Friday (31 December 2021: RM5,159 per MT) due to supply worries.
- ✓ Meanwhile, the FBM KLCI, Telecommunications and Healthcare slipped by 1.6%, 1.4% and 1.4% on a weekly basis on the back of profit-taking activities following the year-end window dressing activities.
- ✓ All in all, the FBM KLCI is projected to trade within 1,535.0-1,545.0 points this week amid concerns over Omicron variant, as well as asset tapering activities by the U.S. Federal Reserve (Fed).

**Bursa Malaysia Sectoral Weekly Performance, %  
(Week Ended 7 January)**

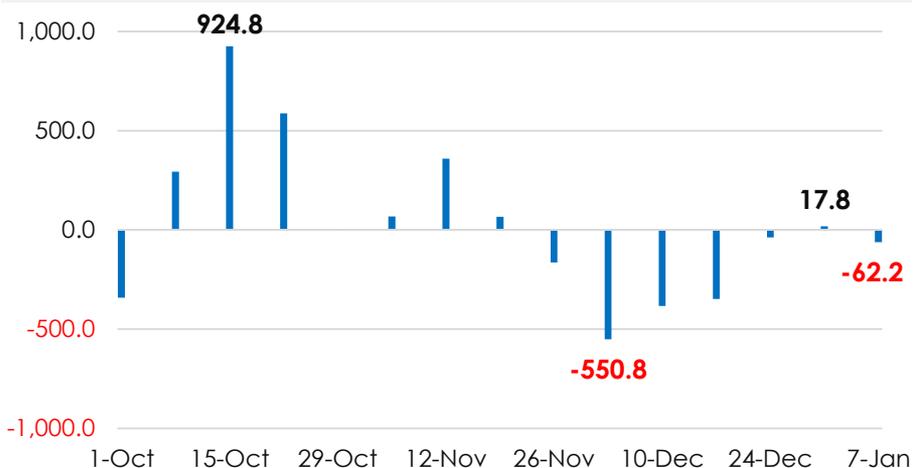


Source: Bursa

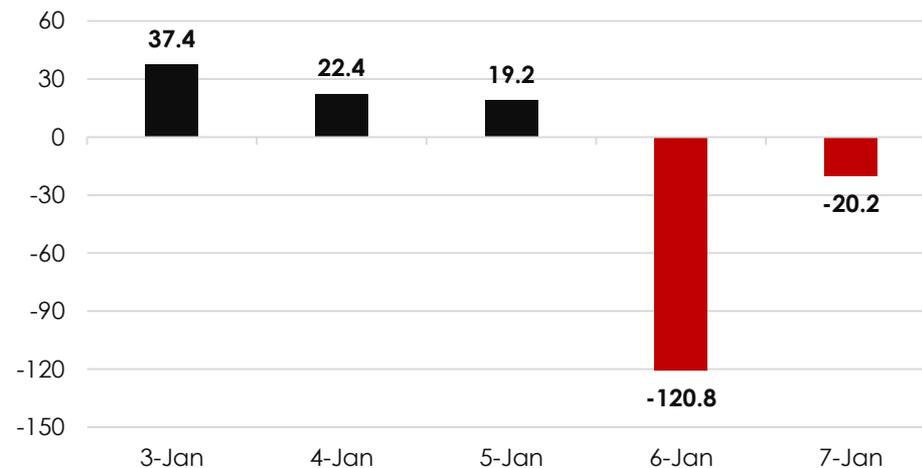
## WEEKLY FOREIGN FUND FLOW

- ✓ Foreign investors turned to be net sellers as they disposed RM62.2 million net of local equities last week compared to RM17.8 million net bought in the previous week.
- ✓ Bursa started the week on the right foot as foreign investors bought RM37.4 million net of local equities on Monday, though it softened to the tune of RM22.4 million and RM19.2 million in Tuesday and Wednesday respectively. However, the three-day foreign net buying streak was snapped after international investors dumped a combine outflow of RM141.0 million net of local equities on Thursday and Friday. This was due to concerns over the possible earlier interest rate hike in the U.S. following the release of December's Federal Open Market Committee (FOMC) meeting minutes.
- ✓ On a YTD basis, international investors have sold RM62.2 million net of local equities in the first week of 2022 compared to RM772.4 million net disposed during the same period last year.

### Weekly Foreign Fund Flow in Malaysia (RM Million)



### Daily Foreign Net Inflow/Outflow From 3 January to 7 January 2022 (RM Million)



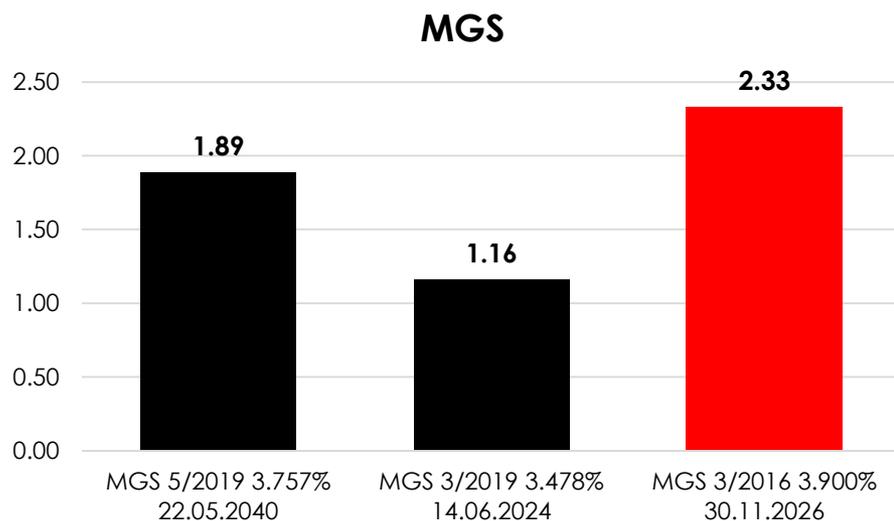
Source: Bursa

## MGS Benchmark Weekly Change (bps)

MGS Benchmark	Coupon (%)	Yields (%) 31-Dec-21	Yields (%) 7-Jan-22	Change (bps)
3-Y MGS 06/24	3.48%	2.81%	2.84%	3
5-Y MGS 11/26	3.90%	3.16%	3.25%	9
7-Y MGS 06/28	3.73%	3.39%	3.46%	7
10-Y MGS 04/31	2.63%	3.60%	3.65%	5

Source: BNM

## Past Auction Results



Source: CEIC

- ✓ As for the bond market, the MGS benchmark yields ended higher between 3 bps and 9 bps, mirroring the U.S. Treasury (UST) yields movement as the Fed is expected to tighten its monetary policy as early as March this year.
- ✓ On the other hand, the reopening of 5y MGS 11/26 drew a strong Bid-To-Cover (BTC) ratio of 2.33x, reflecting the demand for local bond market remains supportive.
- ✓ All in all, financial markets have taken a noteworthy turn as investors assess what the Fed is contemplating for interest rates, as well as acceleration of asset tapering activities.
- ✓ Looking forward, we foresee the yields for 3-Y MGS, 5-Y MGS and 10-Y MGS to settle at 3.09%, 3.42% and 3.87% by end of 2022.

## WEEKLY PERFORMANCE

- ✓ The Ringgit depreciated by 1.0% week-on-week (w-o-w) against U.S. Dollar, closing at RM4.2070 on 7 January 2022 from RM4.1640 on 31 December 2021.
- ✓ The rising in UST yields, as well as the expectation of higher interest rate amid the release of the Fed meeting minutes for December has caused a downward pressure on the Ringgit.
- ✓ Thus, investors will be keeping a close eye on the first meeting of FOMC for this year, which has been scheduled on 25 and 26 January, to discuss about the outcome of the rate hike decision.
- ✓ With that, the Ringgit is expected to trade between RM4.20 to RM4.22 against the U.S. Dollar this week. However, the rise in Brent crude oil price (7 January: USD81.75 per barrel vs. 31 December: USD77.78 per barrel) following the Organization of the Petroleum Exporting Countries Plus (OPEC+) meeting which decided to raise its output target by 400,000 barrels per day (bpd) next month could lend support to the local notes.

### MYR against regional currencies, w-o-w% (Week Ended 7 January)



## BRENT

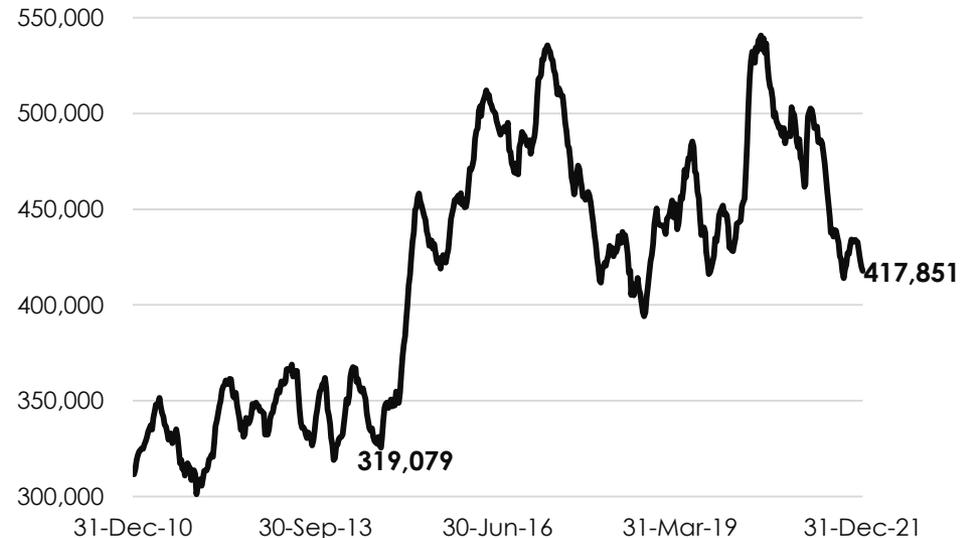
- ✓ Brent crude oil price recorded a 5.1% weekly increase to settle at USD81.75 per barrel on 7 January 2022 (31 December 2021: USD77.78 per barrel) due to a civil unrest in Kazakhstan and supply outages in Libya. On further scrutiny, Kazakhstan's biggest oil producer has altered output at the giant Tengiz field following protests in the country while Libyan oil output declined due to pipeline maintenance and oilfield shutdowns.
- ✓ Apart from that, the OPEC+ decided to raise its output target by 400,000 barrels per day starting next month, citing a mild and short-lived impact on fuel demand from the Omicron variant has also supported the brent price movement.
- ✓ Meanwhile, the U.S. Energy Information Administration (EIA) reported that the crude oil inventories dropped by 2.1 million barrels to 417.9 million barrels in the week ended 31 December (24 December: 420.0 million barrels), declining for the sixth straight month since November last year. Similarly, the American Petroleum Institute (API) report mentioned that crude stockpiles decreased by 6.4 million barrels in the week ended 31 December extending the 3.1 million barrels draw in the preceding week. The continuous decline in inventories suggests that the supply will remain tight for the next few weeks.

### Brent Crude in USD per barrel



Source: Bloomberg

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



## GOLD

- ✓ Gold price dropped by 1.8% to USD1,796.55 per ounce on 7 January after recording a gain of 1.0% (USD1,829.20 per ounce) in the previous week amid a stronger dollar after minutes of the Fed's December meeting which released on last Wednesday signalled quicker interest rate hikes to tame broadening inflationary risks. Thus, the U.S. Dollar index edged up by 0.1% to 95.72 on 7 January (31 December: 95.67).
- ✓ On the data front, the U.S. gave mixed picture on its economic performance with less than expected job added in December at 199k (November: 249k), missing the market forecast of 400k following worker shortages and persistent threats from the coronavirus. However, the unemployment rate fell by 3.9% in December from a 4.2% previously, underscoring tightening labour market conditions.
- ✓ The Fed officials stated that the "very tight" U.S. labour market situation might warrant raising rates sooner than expected, as well as reducing the bank's overall asset holdings to control inflation.
- ✓ While some investors view gold as a hedge against inflation, a higher interest rate increases the opportunity cost of holding non-yielding bullion.

### Gold in USD per ounce



### U.S. Dollar Index (DXY)



# 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-Dec-21	474,643	74	27,836	8,306	130	15,010	114	552	4,323	10,864	4,000	43,992	60,685	42,222	4,262
7-Dec-21	455,343	109	36,059	6,822	261	9,494	73	662	4,953	7,578	3,525	50,850	51,256	8,530	4,965
8-Dec-21	732,764	100	69,601	8,439	264	15,742	98	715	7,173	7,926	3,618	45,102	192,373	58,796	5,020
9-Dec-21	693,419	88	70,611	9,419	220	17,946	124	709	7,102	17,887	4,203	50,617	125,993	61,148	5,446
10-Dec-21	664,055	87	61,288	8,503	192	12,516	173	682	7,022	11,837	4,193	50,023	130,150	56,609	5,058
11-Dec-21	663,905	107	53,697	7,992	228	20,490	138	454	6,976	20,415	4,079	58,184	137,962	55,020	4,626
12-Dec-21	603,311	86	32,646	7,774	163	21,035	141	559	6,689	25,366	3,787	52,279	133,370	53,647	3,490
13-Dec-21	480,916	112	21,743	7,350	106	19,212	131	370	5,814	16,334	3,398	48,071	59,501	43,848	3,504
14-Dec-21	451,194	83	30,823	5,784	190	12,704	87	339	5,560	12,739	2,862	53,953	54,369	8,434	4,097
15-Dec-21	737,628	82	51,301	6,984	205	20,665	128	442	7,850	26,643	3,370	59,077	192,582	63,123	3,900
16-Dec-21	706,261	85	56,677	7,974	213	23,190	173	474	7,621	30,915	3,684	77,741	127,505	65,586	4,262
17-Dec-21	745,223	98	50,968	7,447	291	26,104	193	355	7,435	35,243	3,537	87,565	146,759	60,647	4,362
18-Dec-21	717,715	147	42,813	7,145	232	28,615	181	412	7,311	36,899	3,132	92,503	159,972	58,128	4,083
19-Dec-21	688,303	101	29,348	7,081	164	28,057	195	271	6,234	42,723	2,899	89,074	161,521	58,409	3,108
20-Dec-21	514,636	116	16,086	6,563	133	24,303	187	255	5,317	25,927	2,525	81,959	80,713	48,473	2,589
21-Dec-21	536,613	99	23,428	5,326	216	16,205	148	195	5,196	21,604	2,476	91,734	96,195	14,470	3,140
22-Dec-21	873,765	95	45,659	6,317	179	30,783	223	280	7,450	52,652	2,532	89,022	276,125	72,634	3,519
23-Dec-21	879,318	121	44,927	7,495	136	36,326	267	335	6,917	70,395	2,940	104,397	203,877	79,567	3,510
24-Dec-21	960,423	102	35,431	6,650	204	44,585	303	322	6,226	81,067	2,671	122,448	239,561	91,288	3,528
25-Dec-21	990,670	165	22,214	7,189	255	50,615	294	265	5,842	90,171	2,766	121,371	281,615	93,532	3,160
26-Dec-21	901,891	249	10,100	6,987	92	54,762	316	248	5,419	70,030	2,532	121,861	231,887	104,505	2,778
27-Dec-21	598,354	233	13,908	6,531	120	24,882	274	209	4,204	43,775	2,437	118,945	96,846	27,697	2,757
28-Dec-21	755,565	235	21,080	6,358	278	30,799	218	280	3,862	48,258	2,305	107,699	199,815	29,767	2,897
29-Dec-21	1,458,873	222	40,043	9,195	194	78,300	362	365	5,401	106,026	2,575	138,025	450,239	174,296	3,683
30-Dec-21	1,605,214	233	42,770	13,154	189	98,016	466	341	5,033	125,419	3,037	182,104	430,874	207,692	3,997
31-Dec-21	1,765,640	232	41,240	16,764	180	127,000	490	311	4,872	136,047	3,111	188,124	474,492	204,636	3,573
1-Jan-22	1,899,644	291	26,392	22,775	274	144,255	463	344	4,415	131,076	3,011	189,836	571,680	229,948	3,386
2-Jan-22	1,663,206	230	12,515	27,553	174	141,256	504	456	3,828	90,141	3,112	179,583	447,219	219,126	2,882
3-Jan-22	1,043,699	207	18,518	33,750	265	61,137	516	429	3,124	48,847	2,927	148,962	259,050	58,432	2,690
4-Jan-22	1,290,012	229	30,561	37,379	299	68,034	783	464	3,023	57,054	3,091	156,384	364,009	62,804	2,842
5-Jan-22	2,386,301	164	58,912	58,097	404	170,837	1,256	842	4,441	101,125	3,899	218,705	821,331	261,541	3,270
6-Jan-22	2,648,639	253	64,340	90,928	533	189,088	2,506	805	4,125	73,404	5,775	194,747	871,213	329,558	3,543

Source: CEIC

# WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- ✓ Bursa Malaysia is expected to move in a tight range of between 1,535.0 points and 1,545.0 points this week, continuing to experience fluctuations since the date for the U.S. FOMC meeting draws nearer. On a Friday-to-Friday basis, the index fell by 24.42 points to end the week at 1,543.11 points from 1,567.53 points previously.
- ✓ In relation to economic data, the Department of Statistics Malaysia (DOSM) has released the Industrial Production Index (IPI) data and unemployment rate for the month of November today and would publish the performance of wholesale and retail trade for the next day.
- ✓ On the global front, U.S. December data inflation for this week will be keenly watched as it is expected to break over 7.0% y-o-y, suggesting that such figure will likely underscore the reason for the Fed to start its rate hike cycle as early as March, apart from the outcome of Friday's job report that indicated the labour market is at or near maximum employment. The inflation data will be followed by reports on December retail sales and industrial production on Friday.
- ✓ Other than that, a slew data from China this week including December 2021 trade data, inflation rate, produce price index (PPI), as well as M2 money supply. Meanwhile, the Bank of Korea (BoK) is the only major Asian central bank with a monetary policy decision this week, remain divided between no change and a 25 basis point hike.
- ✓ Overall, this is supposed to be the year where the true state of the world economy becomes clear, supported by the vaccines rolled out and supply bottlenecks navigated. However, as we enter 2022, the explosion at the turn of the year, specifically on the Omicron variant furthers blur the picture even if the variant has been confirmed to be milder.
- ✓ While the previous cases of the Omicron variant has mostly been imported, a growing number of community transmissions have since been detected. As of 6 January, Malaysia has already confirmed 245 cases. Though the Omicron was not deadly as the Delta variant, such high number would inevitably result in enough severe cases to overwhelm Malaysia's health system that was still recovering.
- ✓ In addition, Health Minister, Khairy Jamaluddin also added that Malaysia could not afford to implement a lockdown from the aspect of both economic and welfare in order to curb the spread of Covid-19. Hence, boosters are key to prevent such cases and subsequently, preserving Malaysia's healthcare system. Currently, Malaysia offers booster doses to all adults who have completed their primary vaccinations at least three months ago.

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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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