



From the Desk
of the
Chief Economist

BANK ISLAM

WEEKLY MARKET UPDATES

11 JANUARY 2021

ECONOMIC RESEARCH

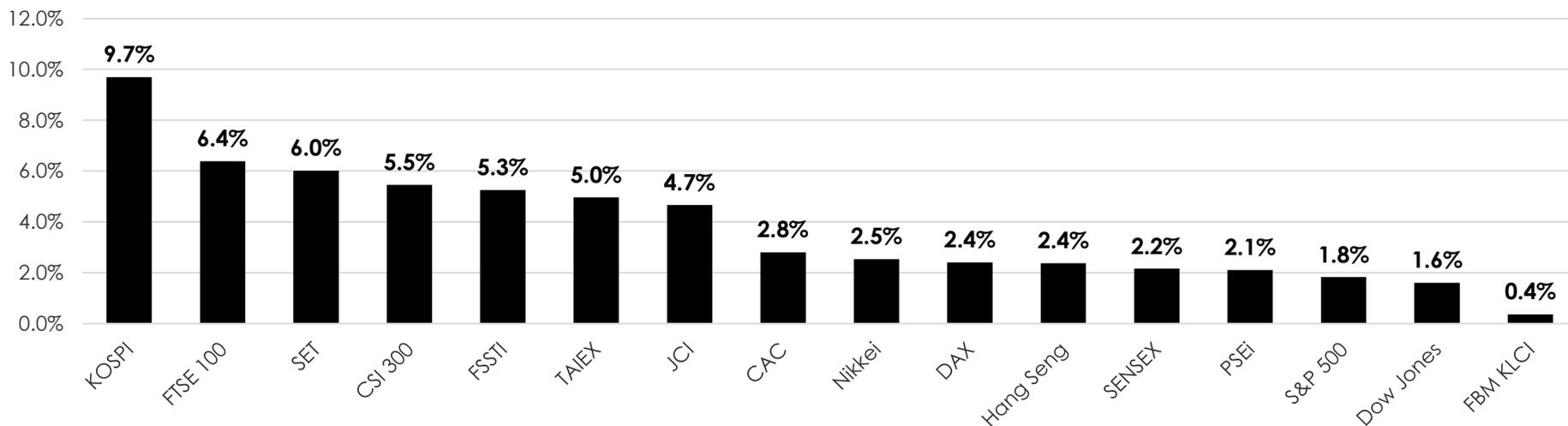
**DR. MOHD AFZANIZAM ABDUL RASHID
ADAM MOHAMED RAHIM
SHAFIZ BIN JAMALUDDIN
NOR JANNAH ABDULLAH**

WEEKLY MARKET PERFORMANCE

- ✓ All major equity markets ended in the green zone during the first trading week of 2021. South Korea's KOSPI index led gainers with a 9.7% gain as shares of automaker Hyundai Motor soared 19.4% following a local media report of a cooperation between the firm and Cupertino-based tech giant Apple on developing electric vehicles and batteries. Aside from that, Samsung Electronics Co. shares rose 7.1% to a record high last Friday amid signs of a rebound in the memory-chip market and off the back of a surge in earnings.
- ✓ Meanwhile, Malaysia's FBM KLCI index emerged as the smallest gainer during the week, logging a 0.4% weekly gain as positivity coming from the Democrat's win to gain control over the US Senate was partly dampened by political turbulence in the country and also surging Covid-19 infections.

YTD Gain Of Major Equity Markets (%) (As at 8 January)

Benchmark Indices YTD Performance

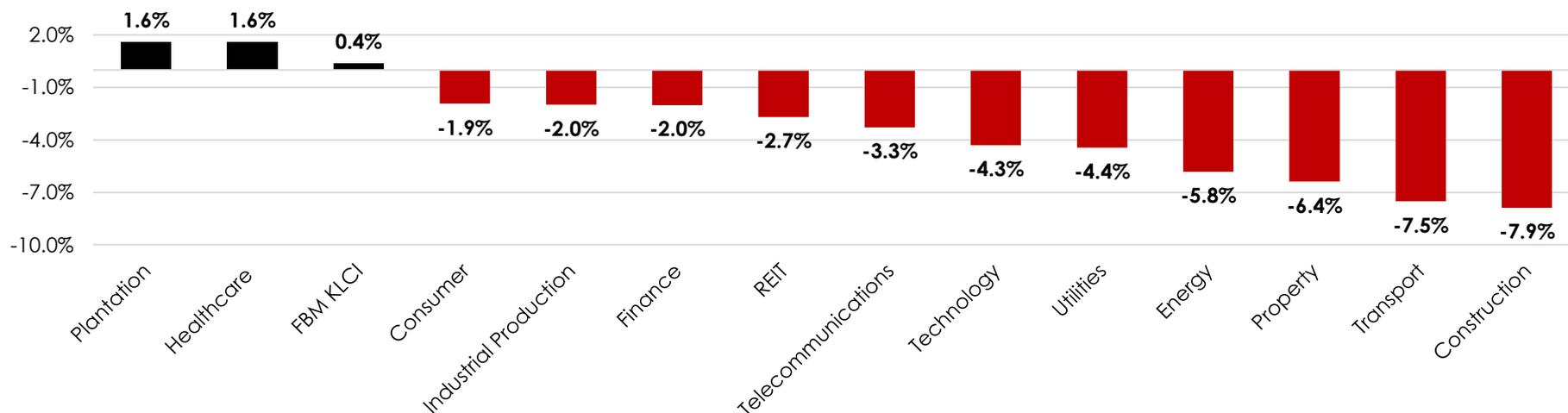


WEEKLY SECTORAL PERFORMANCE

- ✓ The Bursa Malaysia Plantation index was the biggest gainer last week with a 1.6% weekly advance. The rally in the Bursa Malaysia Plantation index was in conformity with the price of crude palm oil to nearly hit RM4,000 per metric tonne during the week. The outlook of the sector appears promising amid the anticipated tight supply of edible oils including lower palm oil production and stockpiles in Malaysia and Indonesia, compounded by improving demand scenario in soybean oil prices.
- ✓ On the other hand, the Bursa Malaysia Construction Index was the biggest laggard, recording a 7.9% weekly loss. Sentiment for the construction sector was heavily affected after the government announced the discontinuation of the Kuala Lumpur-Singapore High Speed Railway (HSR) project. The feasibility of a domestic HSR project connecting Kuala Lumpur to Johor Bahru remains a concern in the absence of a connection to Singapore which further erodes ridership prospects.

Bursa Malaysia Sectoral Weekly Performance (%)

Bursa Malaysia Sectoral Performance For The Week Ended 8 January 2021

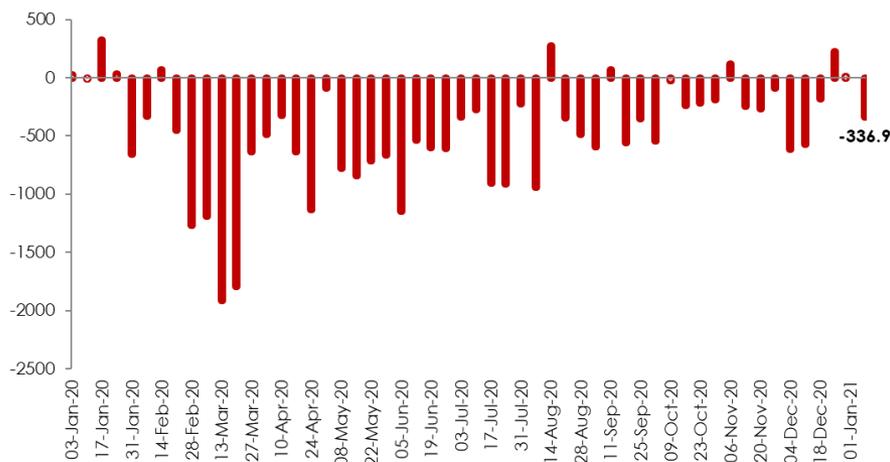


Source: Bloomberg

WEEKLY FOREIGN FUND FLOW

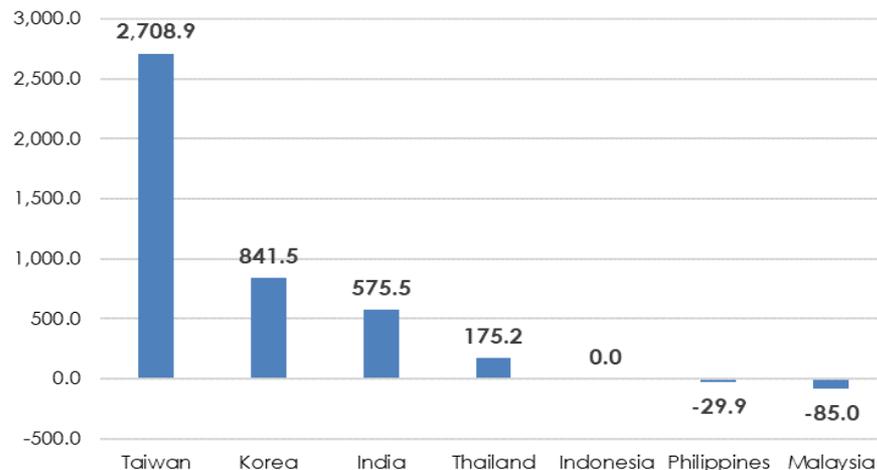
- ✓ Foreign investors sold RM336.9 million net of local equities during the first week of 2021 compared to the RM8.6 million bought in the preceding week.
- ✓ Bursa witnessed a bloodbath on the first trading day of the year as international investors dumped RM852.5 million net of local equities on Monday. Nevertheless, foreign funds entered Bursa on Tuesday at a measurable pace of RM41.8 million net, lifting the local bourse by 0.4% to 1,608.4 points. However, international funds were back in selling mode on Wednesday, disposing RM98.3 million net of local equities. Thursday later witnessed a foreign net inflow of RM136.7 million net of local equities as risk-on mood was boosted by the victory of Democrats to win control of the US Senate for the first time in six years. Offshore investors continued to scoop up local equities for the second day on Friday at a stronger momentum of RM435.5 million net, accompanied by a solid 1.9% rebound in the FBM KLCI index which settled at 1,633.2 points, the highest close in 6 trading days.
- ✓ In comparison with Malaysia's Asian peers namely, South Korea, Taiwan, India, Thailand, Indonesia and the Philippines, Malaysia is the country with the largest foreign net outflow last week.

Weekly Foreign Fund Flow in Malaysia (RM Million)



Source: Bloomberg

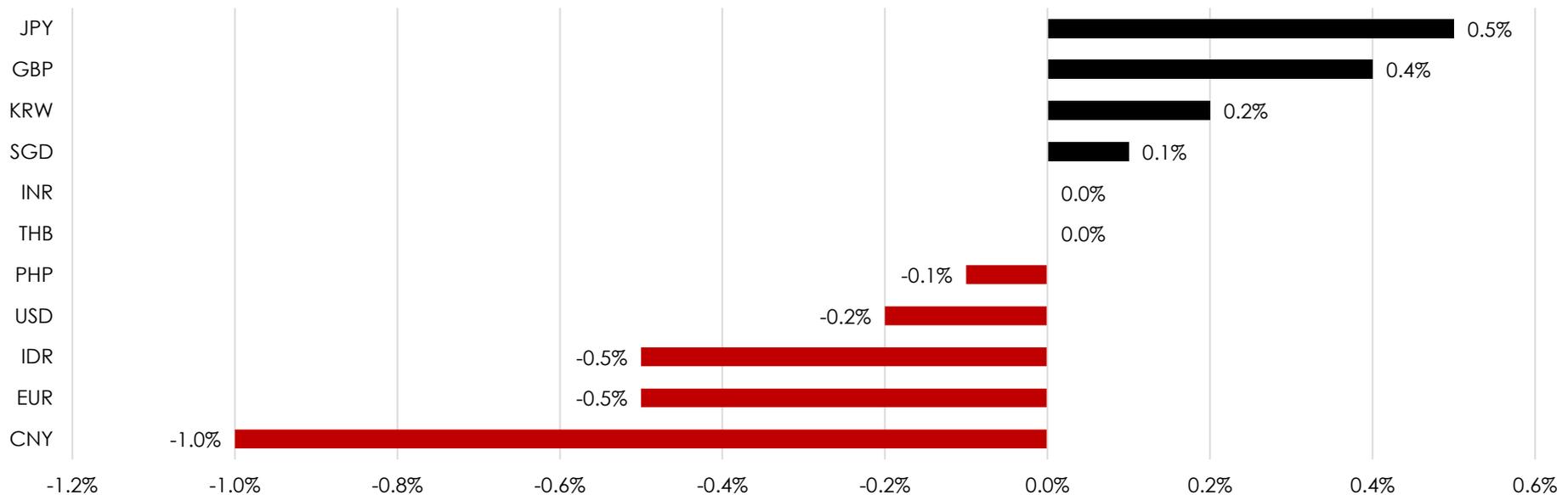
Total Weekly Regional Foreign Equity Flow (USD Million)



WEEKLY PERFORMANCE

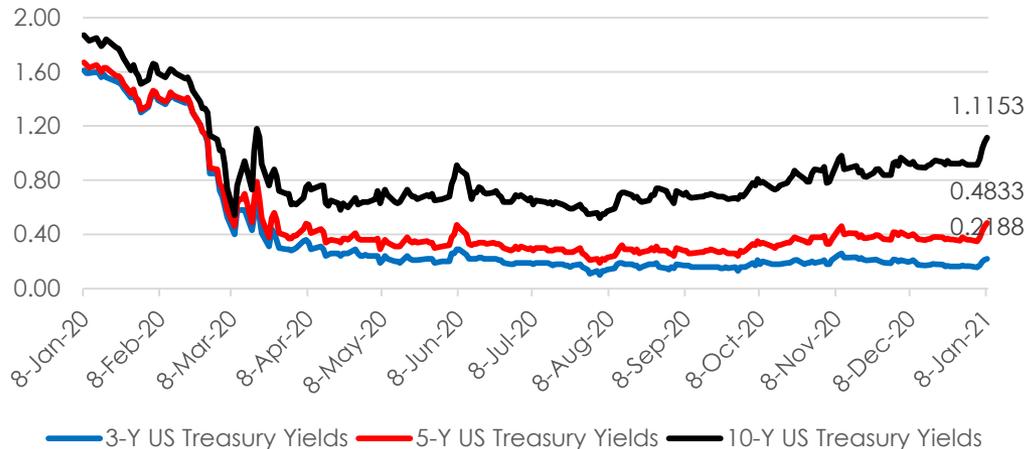
- ✓ The Ringgit depreciated by 0.2% week-on-week (w-o-w) against US Dollar, closing at RM4.0293 on 8 January 2021 from RM4.0203 on 31 December 2020.
- ✓ Covid-19 infections and domestic politics remain key factors in influencing the Ringgit. From the external front, the victory of Democrats to gain control over the US Senate would be a net positive for economic growth globally but negative for the US dollar as the US budget and trade deficits may widen further.
- ✓ Should the domestic political risks intensify in Malaysia this week, then there is a possibility that the US Dollar versus Ringgit pair may mark a return to the 4.05 resistance level.

W-o-w, % (Week Ended 8 January)



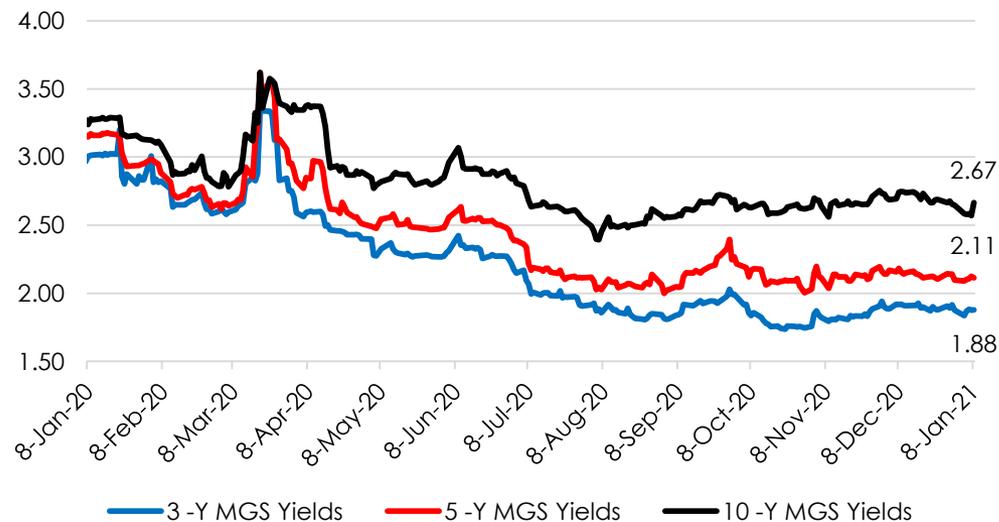
Source: Bloomberg

US Treasury Yields (%)



Source: CEIC

Malaysian Government Securities Yields (%)



Source: Bloomberg

✓ In the US bond market, 3-Y, 5-Y and 10-Y US Treasury yields all rose during the week as risk-on mood for equities spiked at the end of the week when Democrats won control over the US Senate. The 3-Y, 5-Y and 10-Y US Treasury bonds yielded higher to close at 0.22% (31 December 2020: 0.16%), 0.48% (31 December 2020: 0.36%) and 1.11% (31 December 2020: 0.91%) respectively on last Friday.

✓ On the local bond market, the 5-Y and 10-Y MGS yielded higher to close at 2.11% (31 December 2020: 2.09%) and 2.67% (31 December 2020: 2.65%) while the 3-Y MGS remained at 1.88% on last Friday.

✓ Looking forward, ongoing domestic political turbulence may prompt a shift among investors from the equity to the bond market, putting downward pressure on MGS yields. Nevertheless, the optimism regarding a possibly larger fiscal spending under Joe Biden may limit any drop in MGS yields.

BRENT

- ✓ Brent crude oil price recorded an 8.1% weekly increase to settle at USD55.99 per barrel last Friday (31 December 2020: USD51.80/barrel) after Saudi Arabia voluntarily planned to cut production by 1.0 million barrels per day (mbpd) in February and March this year.
- ✓ The move has also persuaded other producers to leave supplies unchanged and allowed Russia and Kazakhstan to lift production.
- ✓ Supporting prices further were a drop in the US crude inventories reported by the US Energy Information Administration (EIA) and the American Petroleum Institute (API). The EIA data showed crude stocks continued to decline for the fourth straight week to 485.5 million barrels in the week ended 1 January 2021 from 493.5 million in the previous week. Similarly, the API report showed crude stockpiles decreased by 1.7 million in the week ended 5 January 2021, extending the 4.8 million draw in the preceding week.

Brent Crude in USD per barrel



Source: Bloomberg

US Crude Oil Inventory, '000 barrel - EIA



- ✓ The strong 1,600 -1,618 points overhead resistances breakout at the last minute before market closed last Friday, mainly driven by glove stocks should bode well for further FBM KLCI index's advance to retest the 1,640 -1,650 points hurdle.
- ✓ While the overall 2021 recovery thesis remains intact, opposing news flow between vaccine rollouts and a rising Covid-19 infection count will bring about much volatility along this path. Perhaps such jitters will be also exacerbated by the fluid political landscape.
- ✓ Another overarching concern is the expectation of further targeted movement control order (MCO) restrictions which will be announced by the Prime Minister today. If tighter movement restrictions materialise, we do not discount the possibility for the local bourse to retrace below the 1,600 points mark.
- ✓ On the global front, the optimism coming from the Democrats victory to gain control of the US Senate could likely limit any downside movement in the Malaysian equity market and the MGS yields. As highlighted earlier, yields of the 5-Y and 10-Y MGS rose last week in line with the rally in Malaysia's equity market.
- ✓ All in all, risk-on sentiment in the equity and bond market is expected remain mixed as investors try to weigh the impact of a possibly bigger fiscal spending by the US which could aid global economic growth and also the volatile domestic political situation.

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
10-Dec-20	656,332	118	23,679	31,521	6,058	12,755	2,733	6	681	3,988	25	16,578	216,360	14,084	2,234
11-Dec-20	697,209	131	29,875	29,398	6,033	16,998	2,969	6	689	8,312	18	20,964	230,852	13,673	1,810
12-Dec-20	669,850	100	28,438	30,006	6,310	18,726	2,757	8	950	10,602	11	21,672	201,681	13,276	1,937
13-Dec-20	683,500	101	20,200	30,254	6,388	19,902	2,988	8	1,030	11,220	12	21,501	243,209	13,902	1,229
14-Dec-20	595,801	114	16,362	27,071	6,189	17,937	2,366	7	718	6,469	17	18,447	212,577	11,533	1,371
15-Dec-20	507,406	103	14,432	22,065	5,489	12,025	2,217	5	880	4,205	28	20,263	180,420	2,590	1,772
16-Dec-20	598,465	112	27,728	26,382	6,120	14,839	2,172	16	1,075	9,757	9	18,450	204,281	11,481	1,295
17-Dec-20	653,066	96	26,923	24,010	6,725	17,568	3,061	12	1,014	12,028	15	25,161	201,468	17,441	1,220
18-Dec-20	737,671	116	33,777	22,890	7,354	18,233	3,035	24	1,064	11,519	20	35,383	235,805	18,025	1,683
19-Dec-20	712,705	89	31,300	25,152	6,689	15,401	2,893	9	1,047	10,720	16	28,507	229,915	15,440	1,153
20-Dec-20	842,176	136	22,771	26,624	7,751	16,305	2,849	17	1,097	11,987	34	27,052	402,270	17,326	1,340
21-Dec-20	593,569	100	16,643	24,337	6,982	15,102	2,643	19	926	6,718	576	35,928	200,257	12,798	2,018
22-Dec-20	539,013	100	19,528	19,556	6,848	10,869	2,135	10	867	4,273	382	33,364	197,199	5,636	2,062
23-Dec-20	578,583	82	24,740	23,950	6,347	13,316	2,455	29	1,090	10,752	473	36,803	182,819	11,670	1,348
24-Dec-20	672,934	76	32,195	24,712	7,514	13,908	3,026	21	985	13,088	67	39,237	195,151	14,836	1,581
25-Dec-20	684,723	85	25,533	23,067	7,199	18,039	3,841	13	1,235	13,890	0	39,036	221,145	21,496	1,247
26-Dec-20	612,234	81	14,455	22,273	7,259	19,037	3,567	14	1,133	9,574	81	32,725	192,095	20,199	2,335
27-Dec-20	452,286	84	13,755	18,732	6,740	10,405	3,765	10	970	4,754	110	34,693	145,489	2,458	1,196
28-Dec-20	465,007	93	10,976	20,021	6,528	8,937	2,924	5	806	6,001	121	32,340	178,311	8,816	1,594
29-Dec-20	459,895	96	12,892	16,432	5,854	8,581	2,884	5	1,045	5,638	299	41,385	145,513	2,757	1,925
30-Dec-20	576,656	79	22,459	20,549	7,903	11,210	3,476	13	1,050	14,275	0	53,135	174,814	11,295	1,870
31-Dec-20	718,239	81	32,552	21,822	8,002	16,202	3,708	27	967	17,155	250	50,023	199,163	26,308	2,525
1-Jan-21	738,699	89	22,924	20,035	8,074	23,477	4,091	30	1,028	17,555	194	55,892	231,427	19,712	2,068
2-Jan-21	645,519	67	12,690	19,079	8,072	22,210	3,617	30	824	11,202	279	53,285	228,437	19,241	2,295
3-Jan-21	526,564	65	10,315	18,177	7,203	11,825	2,942	33	657	6,123	216	57,724	167,759	3,466	1,704
4-Jan-21	605,851	78	9,847	16,504	6,877	14,245	2,893	35	1,020	8,516	1,060	54,990	284,312	12,489	1,741
5-Jan-21	557,762	89	11,897	16,375	6,753	10,798	4,113	24	714	8,188	527	58,784	211,444	3,569	2,027
6-Jan-21	615,561	66	21,237	18,088	7,445	15,375	4,357	28	838	16,351	365	60,916	173,375	20,366	2,593
7-Jan-21	767,414	90	26,391	20,346	8,854	20,326	6,076	31	869	19,728	305	62,322	227,369	25,189	3,027
8-Jan-21	810,967	89	31,849	18,139	9,321	18,416	6,906	33	674	6,470	205	52,618	299,562	21,510	2,643
9-Jan-21	802,055	81	24,694	0	10,617	17,529	7,855	23	641	-	0	68,053	277,195	19,408	2,451
10-Jan-21	790,455	131	16,946	36,867	10,046	19,976	7,621	29	665	-	457	59,937	313,516	20,034	2,433

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

BANK ISLAM

THANK YOU

Bank Islam ensures that social and environmental considerations are consistently its top priority governed by the Bank's core values and Shariah principles. More initiatives will be developed by the Bank as the Bank strives to make a positive difference for its financial and social performance.

Assuring Trust. Delivering Value

