



From the Desk  
of the  
**Chief Economist**

**BANK ISLAM**

# **WEEKLY MARKET UPDATES**

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**ECONOMIC RESEARCH**

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## International

### The U.S. - Federal Open Market Committee (FOMC) Minutes

- ✓ Elevated inflation and tight labor market conditions have warranted commencement of balance sheet runoff at the upcoming meeting in May, with a faster pace of decline in securities holdings compared to 2017–2019 period.
- ✓ The U.S. Fed officials are of the view that monthly caps of about USD60.0 billion for Treasury securities and about USD35.0 billion for agency mortgage backed securities (MBS) would likely be aligned with the prevailing monetary policy stance.
- ✓ The minutes also pointed to potential rate hikes of 50 basis points (bps) at upcoming meetings.

### Global- Manufacturing Purchasing Manager's Index (PMI)

- ✓ The J.P. Morgan Global Manufacturing PMI fell to 18-month low to 53.0 points in March from 53.7 points in February.
- ✓ The downturn due to lower output and demand growth which hampered by ongoing Covid-19 disruptions, stretched global supply chains, rising inflationary pressures and elevated geopolitical tensions.
- ✓ Additionally, the input prices rose at the fastest pace in four months due to the imbalance between supply and demand for inputs.
- ✓ Following this, part of the increase was passed on to clients through higher charges.

### Australia- Monetary Policy

- ✓ The Reserve Bank of Australia (RBA) kept the cash rate unchanged at 0.1% for the sixteenth month in a row during its meeting on 5 April 2022.
- ✓ The Australian economy remains resilient and spending is picking up following the Omicron setback.
- ✓ The jobless rate sank to a new 13-year low at 4.0% in February (January: 4.2%).
- ✓ Underemployment is also at its lowest level in many years while job vacancies are at high levels. This reflects continued strong growth in employment over the months ahead.
- ✓ As for the inflation, higher prices for petrol and other commodities will result in a higher inflation over coming quarters, with an updated set of forecasts to be published in May.
- ✓ The Board has wanted to see actual evidence that inflation is sustainably within the 2.0% to 3.0% target range before it increases interest rates.

## Domestic

### Malaysia – Manufacturing PMI

- ✓ Malaysia's PMI declined to 49.6 points in March from expansionary level of 50.9 points as manufacturers reported a near-stagnation of operating conditions at the end of the first quarter of 2022.
- ✓ Furthermore, both output and new orders have moderated for the third month running.
- ✓ Additionally, demand conditions have weakened due to rising Covid-19 cases and higher input prices, with manufacturing capacity also again limited by supply shortages.
- ✓ Moreover, businesses raised their output charges at the sharpest rate since April 2021 on the back of rising raw material costs.

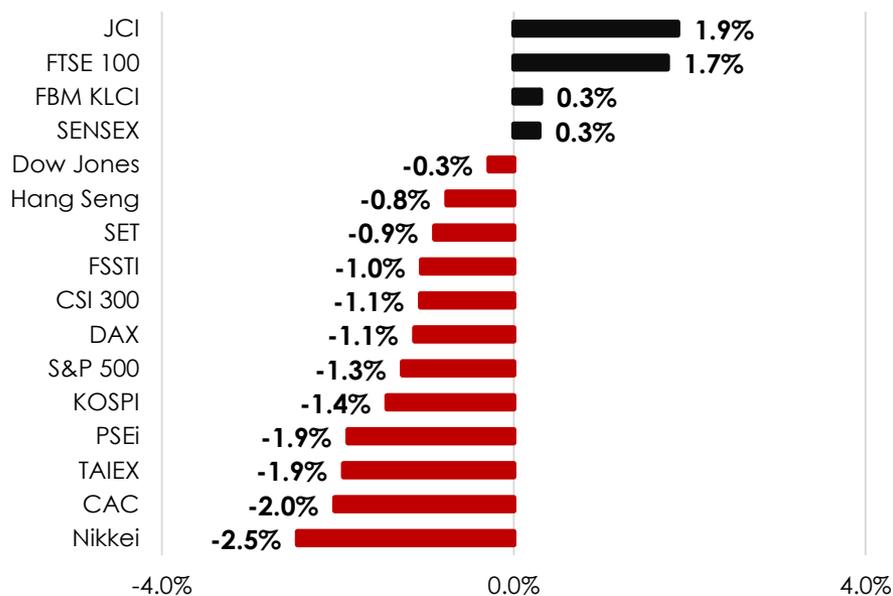
### Malaysia – Unemployment Rate (UR)

- ✓ The UR fell to 4.1% in February from 4.2% in January this year, suggesting Malaysia's labour market continued to strengthen.
- ✓ The unemployed persons declined to 671.8k in February from 680.4k in the previous month.
- ✓ Meanwhile, the own-account workers category increased with an addition of 18.6k persons to register 2.67 million persons (January: 2.66 million persons). This shows strong recovery in domestic economic activities fuelled by higher local demand and continuous expansion in external sector.
- ✓ On further scrutiny, border reopening will encourage more international travel activities to take place and revitalise the country's tourism sector.

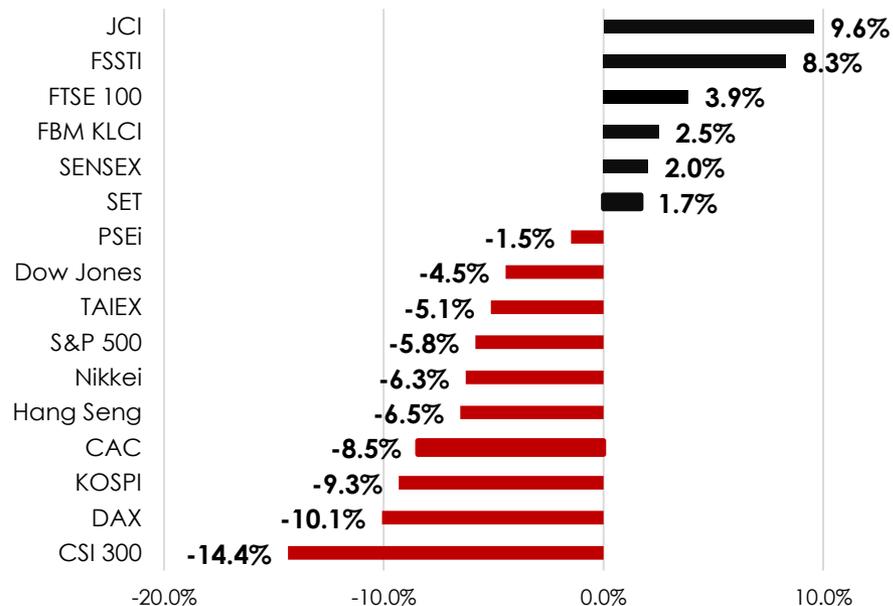
## WEEKLY MARKET PERFORMANCE

- ✓ Decliners outnumbered gainers among the major equity markets last week with Japan's Nikkei recording the biggest losses of 2.5%. This was the second straight week of decline as hawkish stance from the U.S. Federal Reserve (Fed) meeting minutes to further tighten monetary policy has stoked worries about a slowdown in global economic growth.
- ✓ Meanwhile, Indonesia's JCI led gainers with a 1.9% weekly advance as the country has benefited from strong commodity prices following Russia-Ukraine conflicts.
- ✓ On a Year-To-Date (YTD) basis, FBM KLCI was among the high performers within the Southeast Asian markets. This happens as Asian's markets are deemed to have better valuations amidst escalating geopolitical tensions in the Europe.

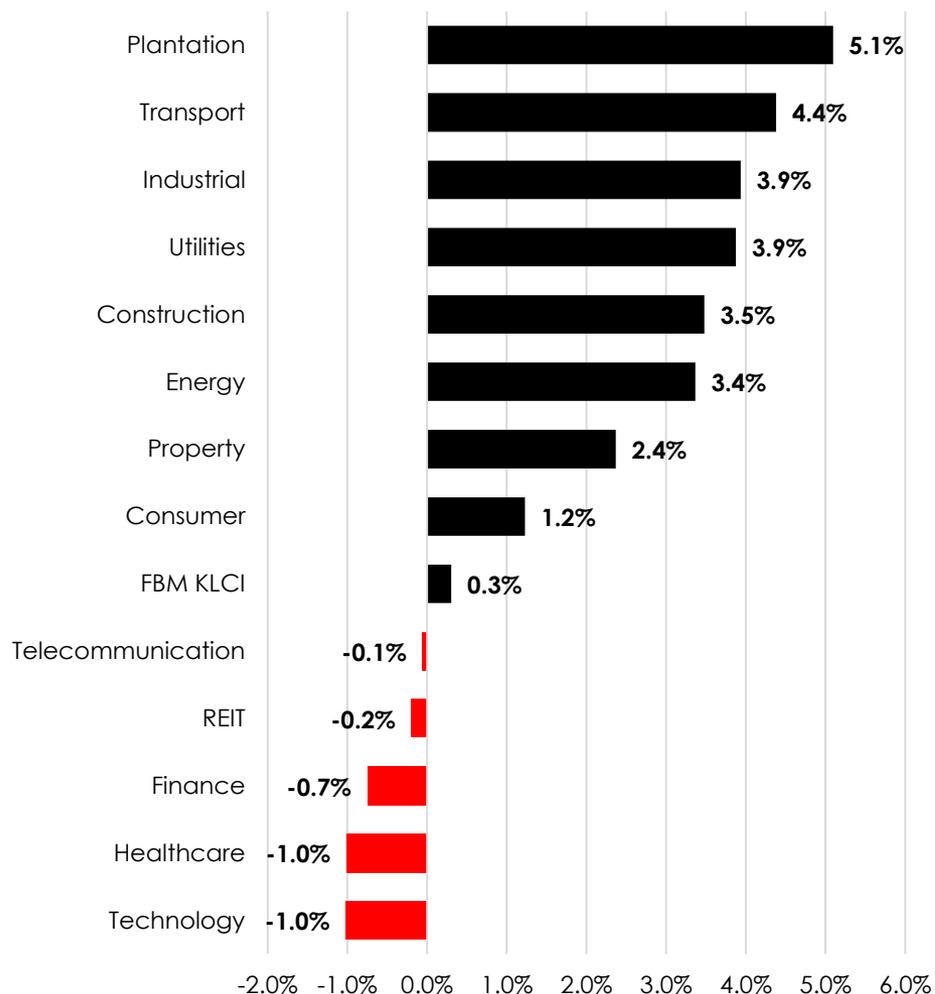
**Weekly Gain/Loss of Major Equity Markets, %  
(Week Ending 8 April)**



**YTD Gain/Loss Of Major Equity Markets, %  
(As at 8 April)**



## Bursa Sectoral Performance, w-o-w%



Source: CEIC

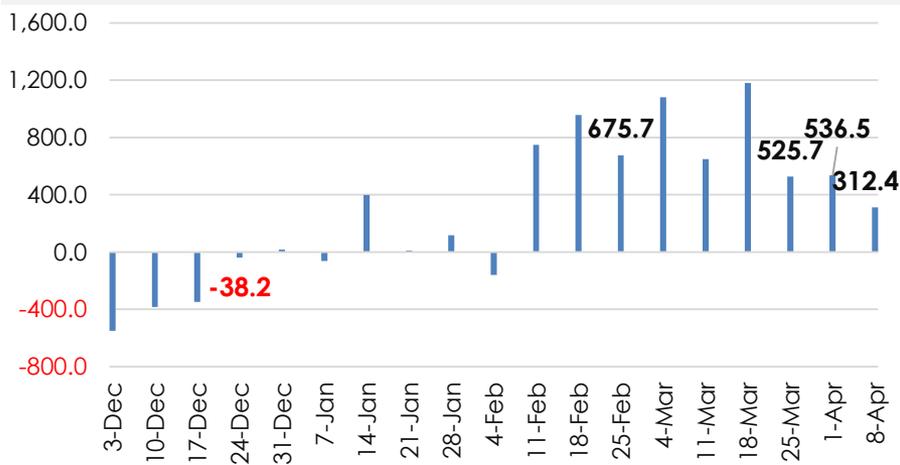
## WEEKLY SECTORAL PERFORMANCE

- ✓ **Plantation index** emerged as top gainer with a 5.1% gain for the week ending 8 April 2022.
- ✓ The upturn was supported by stronger CPO future prices, rising by 6.4% week-on-week (w-o-w) to close at RM5,921.0 per tonne (1 April: RM5,566.0 per tonne).
- ✓ On the contrary, Technology and Healthcare both recorded a 1.0% loss during the week.
- ✓ **Looking forward, the FBM KLCI is expected to move within the range of 1,600.0 points and 1,615.0 points this week in view of the transition to endemic phase alongside with elevated commodity prices that would support the local bourse.**
- ✓ However, investors will remain cautious following the U.S. Fed's aggressive monetary tightening, as well as protracted Russia-Ukraine war.

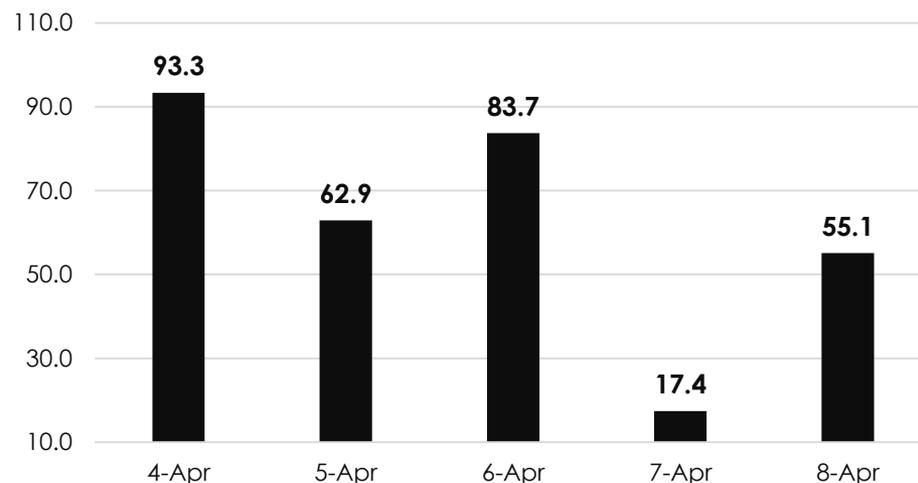
## WEEKLY FOREIGN FUND FLOW

- ✓ Foreign investors remained to be net buyers for the ninth straight week as they bought RM312.4 million net of local equities last week. However, this was lower as compared to RM536.5 million net inflows recorded in the preceding week.
- ✓ On further scrutiny, international investors were net buyers on everyday of the week with largest foreign inflows were recorded on Monday, 4 April at RM93.3 million. Apart from that, we noted that the international funds have been net purchasers for twelve out of fourteen weeks in 2022. This suggests a strong interest of foreign investors on Malaysian equity market despite heightened uncertainties in the global economy especially in the Europe.
- ✓ On a YTD basis, international investors have acquired RM7.0 billion net of local equities in 2022 compared to RM1.7 billion net disposed during the same period in 2021.

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



### Daily Foreign Net Inflow/Outflow from 4 to 8 April (RM Million)



Source: Bursa

## Bond Yields Weekly Change, basis points (bps)

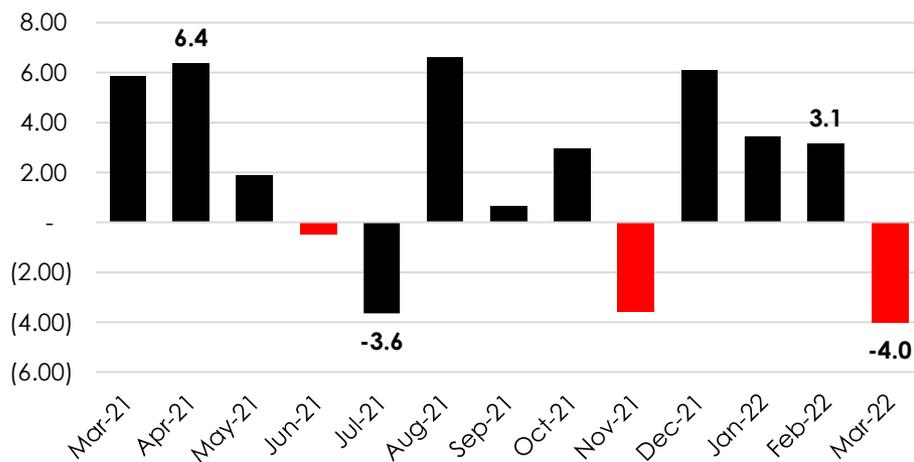
UST	Yields (%) 1-Apr-22	Yields (%) 8-Apr-22	Change (bps)
3-M UST	0.53%	0.70%	17
2-Y UST	2.44%	2.53%	9
5-Y UST	2.55%	2.76%	21
10-Y UST	2.39%	2.72%	33

MGS	Yields (%) 1-Apr-22	Yields (%) 8-Apr-22	Change (bps)
3-Y MGS	3.18%	3.20%	2
5-Y MGS	3.42%	3.47%	5
7-Y MGS	3.76%	3.87%	11
10-Y MGS	3.90%	4.00%	10

Sources: CEIC, BNM

## Foreign Fund Flows in Bond Market, RM billion



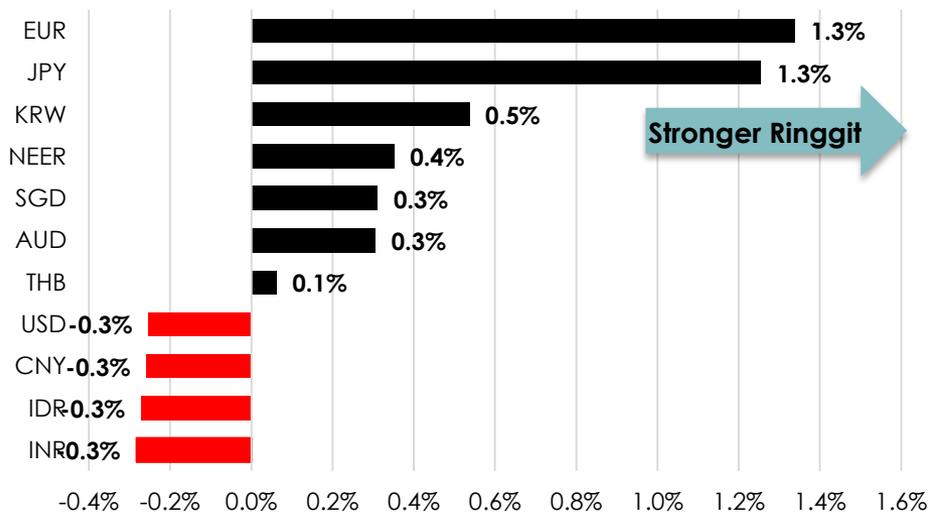
Source: CEIC

- ✓ As for the bond market, the U.S. Treasury (UST) yields saw **a significant jump between 9 bps and 33 bps** for the week ending 8 April amid increasingly hawkish rhetoric from the U.S. Fed.
- ✓ On domestic front, the MGS bond yields also moved higher between 2 bps and 11 bps in tandem with anticipation of rising interest rate environment.
- ✓ As for the fund flows, the **foreign investors turned net sellers with a total of RM4.0 billion of net outflows** recorded in March (February: RM3.1 billion). This was mainly due to global bond sell-off triggered by the U.S. interest rate hike in March.
- ✓ All in all, MGS yields are anticipated to trend higher on expectations of aggressive monetary policy tightening in the U.S. accompanied by the Fed's plan to reduce its balance sheet size as soon as May .
- ✓ Additionally, the extended U.S. Dollar (USD) strength and the flatter yield curve could result in weaker foreign demand in local bond market.

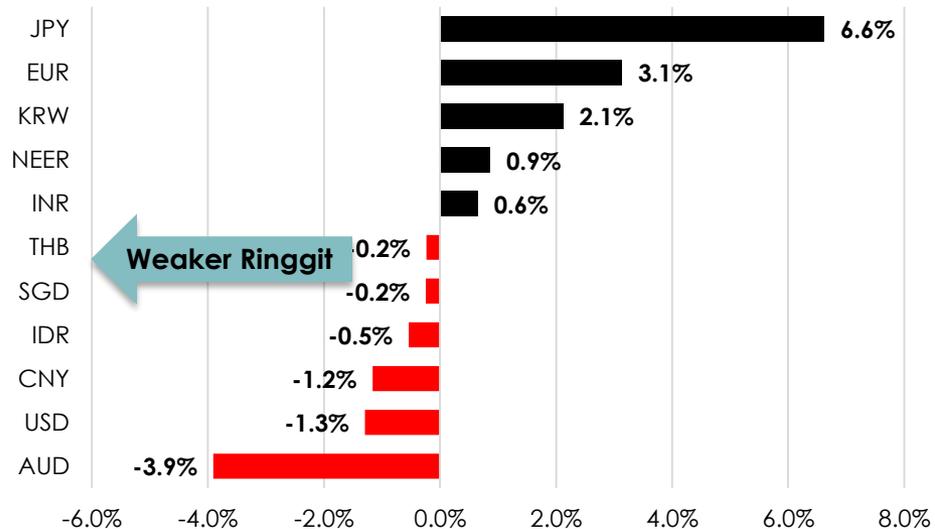
## WEEKLY PERFORMANCE

- ✓ The Ringgit depreciated by 0.3% w-o-w to close at RM4.2200 against the USD on 8 April from RM4.2080 in the previous week.
- ✓ The minutes from the Fed's FOMC meeting in March were out last week, driving up the USD as significant number of officials concurred with the idea of a more aggressive approach to balance sheet reductions. In addition, the minutes also suggested a 50 bps FFR hikes would be a plausible scenario to happen in May.
- ✓ As a result, the USD emerged stronger, giving a downward pressure towards emerging currencies including the Ringgit.
- ✓ For this week, investors are likely to pay attention on the release of U.S. inflation figure for the month of March, which is expected to accelerate by 8.3% y-o-y based on consensus estimates (February: 7.9%).
- ✓ Thus, the local note is anticipated to trade in cautious mode around RM4.22 against the greenback during the week.

### MYR against regional currencies, w-o-w% (Week Ending 8 April)



### MYR against regional currencies, YTD Gain% (As at 8 April)



Source: Investing.com

## BRENT

- ✓ Brent crude oil price recorded a 1.5% weekly decline to settle at USD102.78 per barrel on 8 April (1 April: USD104.39 per barrel). This was due to the plans for a massive release in oil reserve by major oil producing countries.
- ✓ Thus far, the International Energy Agency (IEA) members' countries have agreed to tap 60.0 million barrels of oil from strategic reserves, on top of a 180.0 million barrel release announced by the U.S., aiming to cool energy prices.
- ✓ Apart from that, the increase in the U.S. crude oil inventories has also capped Brent price movement last week. The U.S. Energy Information Administration (EIA) reported that the crude oil stockpiles went up by 2.4 million barrels to 412.4 million barrels in the week ending 1 April (25 March: 410.0 million barrels). Similarly, the American Petroleum Institute (API) mentioned that fuel inventories increased by 1.1 million barrels for the week which ended on 1 April from 3.0 million barrels draw in the previous week. This implies there could be a correction in the oil demand condition.

### Brent Crude in USD per barrel



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



Source: Bloomberg

## GOLD

- ✓ Gold price increased by 1.1% to reach USD1,947.54 on 8 April (1 April: USD1,925.68) despite the stronger dollar which saw the U.S. Dollar Index rose by 1.2% to 99.80 (1 April: 98.63) during the week.
- ✓ The gold prices has been supported by the rapid inflation, as well as military conflict which is still raging, causing investors to seek refuge against economic uncertainties.
- ✓ The latest FOMC meeting minutes indicated an aggressive stance to combat soaring inflation in the country. Currently, the inflation is running more than triple of the Fed's 2.0% target (February: 7.9% vs. January: 7.5%). Therefore, the Fed officials have planned to reduce the balance sheet size by USD95.0 billion per month, commencing in May.
- ✓ In addition, there was also strong indication for a half-percentage point increases in the policy rate that signifies a more aggressive stance in normalising the interest rate.

### Gold in USD per ounce



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



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
8-Mar-22	1,263,208	25,504	156,799	3,993	30,148	22,662	40,575	13,520	202,702	8,415	18,943	48,974	8,887	1,243	31,490
9-Mar-22	1,780,857	28,865	215,854	4,575	26,336	60,753	49,416	22,201	342,429	19,203	22,073	68,453	57,077	89,546	30,246
10-Mar-22	1,883,455	26,596	262,752	4,184	21,311	49,815	62,747	17,051	327,538	18,663	22,984	70,011	31,060	67,257	30,787
11-Mar-22	1,786,374	25,027	252,836	4,194	16,110	55,156	62,825	16,165	282,973	18,354	24,792	73,423	46,692	72,891	32,800
12-Mar-22	1,777,247	19,558	237,086	3,614	14,900	53,961	55,970	15,345	383,651	17,355	24,592	70,410	39,247	68,752	26,250
13-Mar-22	1,812,661	17,788	146,607	3,116	11,585	54,669	55,328	12,632	350,169	16,729	23,584	66,948	36,486	72,443	22,535
14-Mar-22	1,354,633	14,835	92,378	2,503	9,629	50,079	52,002	9,701	309,780	9,273	22,130	61,979	12,105	60,422	22,030
15-Mar-22	1,517,939	15,717	198,888	2,568	14,408	29,698	35,846	9,042	362,322	8,868	19,742	75,629	9,096	9,986	26,534
16-Mar-22	2,069,387	13,947	262,593	2,876	13,018	86,414	45,649	15,851	400,730	20,440	23,945	99,700	61,297	113,572	28,298
17-Mar-22	2,218,024	15,861	294,931	2,539	11,532	74,147	57,922	11,278	621,328	19,464	25,456	93,490	24,383	107,225	27,004
18-Mar-22	2,059,100	11,180	297,845	2,528	9,528	82,368	55,147	10,713	407,017	19,665	27,071	91,468	37,795	100,519	24,241
19-Mar-22	1,765,644	10,269	260,239	2,075	7,951	78,577	49,246	10,594	381,329	17,874	25,804	82,743	33,060	92,516	22,341
20-Mar-22	1,718,455	9,391	131,792	1,761	5,922	75,768	45,733	10,244	334,708	18,286	24,996	75,209	30,729	98,104	19,105
21-Mar-22	1,179,620	8,024	92,314	1,549	4,699	61,564	42,151	7,859	208,914	9,288	23,441	67,216	9,880	81,228	17,828
22-Mar-22	1,339,716	6,958	222,080	1,581	7,464	33,445	27,701	7,538	353,806	9,137	21,382	80,618	9,981	23,602	21,483
23-Mar-22	2,011,011	7,052	283,732	1,778	6,376	96,904	21,420	13,166	490,872	22,826	25,164	109,236	38,545	168,907	22,491
24-Mar-22	1,821,224	6,401	318,387	1,938	5,808	78,358	36,605	8,940	395,480	22,896	27,024	98,984	24,775	144,951	24,316
25-Mar-22	1,726,173	7,237	296,498	1,685	4,857	82,648	49,063	8,478	339,514	21,105	26,050	94,049	45,965	148,243	21,839
26-Mar-22	1,631,240	6,049	252,026	1,660	4,189	76,397	48,228	7,584	335,479	17,195	26,234	82,775	36,864	139,188	20,923
27-Mar-22	1,369,187	5,241	111,224	1,421	3,077	74,616	47,047	6,434	318,130	14,327	25,821	72,391	28,843	139,000	16,863
28-Mar-22	986,266	5,033	67,501	1,270	2,798	60,612	43,565	4,848	187,033	9,813	24,635	61,359	11,713	110,174	13,336
29-Mar-22	1,438,204	4,647	237,352	1,259	3,895	31,560	32,916	4,925	347,441	7,853	21,678	68,064	9,283	19,699	15,215
30-Mar-22	1,731,072	4,889	268,477	1,233	3,840	100,296	41,473	8,164	424,573	6,601	25,389	92,627	34,835	216,341	15,941
31-Mar-22	1,548,885	4,995	274,901	1,225	3,332	71,411	52,765	5,729	320,657	5,013	27,560	79,872	24,059	169,024	18,560
1-Apr-22	1,464,323	4,925	252,530	1,335	2,930	74,364	48,047	5,605	280,273	5,985	28,379	73,375	49,146	167,760	17,476
2-Apr-22	1,315,032	5,108	196,456	1,260	2,300	77,040	53,544	5,010	264,097	6,375	28,029	54,443	41,866	143,972	14,692
3-Apr-22	1,028,609	4,195	74,053	1,096	1,933	71,412	47,377	4,563	234,301	6,512	26,840	47,140	28,887	132,114	12,380
4-Apr-22	799,011	3,517	41,129	913	1,661	55,009	48,245	3,743	127,050	6,742	24,892	37,307	9,056	102,266	10,002
5-Apr-22	921,224	3,097	180,397	795	2,282	31,329	33,834	3,334	266,084	5,851	21,088	41,810	4,253	16,652	12,017
6-Apr-22	1,324,134	3,354	214,985	1,086	2,400	88,914	42,315	6,341	286,235	5,089	24,252	52,477	39,098	201,995	12,105
7-Apr-22	1,182,491	3,171	201,729	1,033	2,089	69,885	54,142	4,467	224,776	-	26,081	45,763	35,049	161,950	11,994
8-Apr-22	1,138,093	3,475	175,263	1,109	1,755	70,123	55,044	4,269	205,333	-	25,140	29,229	43,389	157,718	14,944

Source: CEIC

- ✓ The Russia and Ukraine war will continue to hog the limelight as signs for ceasefire remain a tall order. As such, the risk aversion among investors will continue to remain prevalent, leading to intermittent rise in the safe haven asset prices.
- ✓ Other than that, China and the U.S. will be releasing their data on consumer price index (CPI) in March with the U.S. continued to be the main focus for the investors during the week. The figure is expected to accelerate as supply chain disruptions, as well as higher commodity prices will continue to undermine the inflationary pressures. To some degree, tightness in the labour market which led to higher wage growth may also contribute to inflation dynamics.
- ✓ Also, there will be another week full of the Feds speak with regards to U.S. monetary policy. Chicago Fed President Charles Evans, Fed Governor Lael Brainard and Philadelphia Fed President Patrick Harker are among Fed policy makers scheduled to make appearance during the week. The way we see it, these Fed officials will continue to reiterate their stance to remove the monetary policy accommodations at an accelerated speed.
- ✓ Elsewhere, investors will keenly watch on the interest rate decision by other central banks such as the European Central Bank (ECB), the Bank of Canada (BoC), the Reserve Bank of New Zealand (RBNZ), the Bank of Korea (BoK), as well as the Central Bank of the Republic of Turkey (CBRT) which are due to meet this week. The BoC and RBNZ are expected to increase the interest rates, while BoK and CBRT are likely to keep their policy rates remain unchanged. In some sense, the ECB might also incline to maintain their policy rate in view of uncertainty of military conflict in Ukraine.
- ✓ Additionally, the Monetary Authority of Singapore (MAS) is going to hold its semiannual monetary policy meeting on 14 April. Unlike many other central banks, Singapore has been targeting the use of exchange rate level as their monetary policy tools. Therefore, the MAS is expected to tighten their policy by appreciating the Singapore Dollar (SGD) via the nominal effective exchange rate (NEER), as well as increasing its appreciation slope.
- ✓ All in all, the FBM KLCI would be moving in a tight range between 1,600.0 points and 1,615.0 points whereas Ringgit will be trading around RM4.22 this week amid cautious sentiment by the investors.

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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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