



From the Desk
of the
Chief Economist

BANK ISLAM

WEEKLY MARKET UPDATES

11 OCTOBER 2021

ECONOMIC RESEARCH

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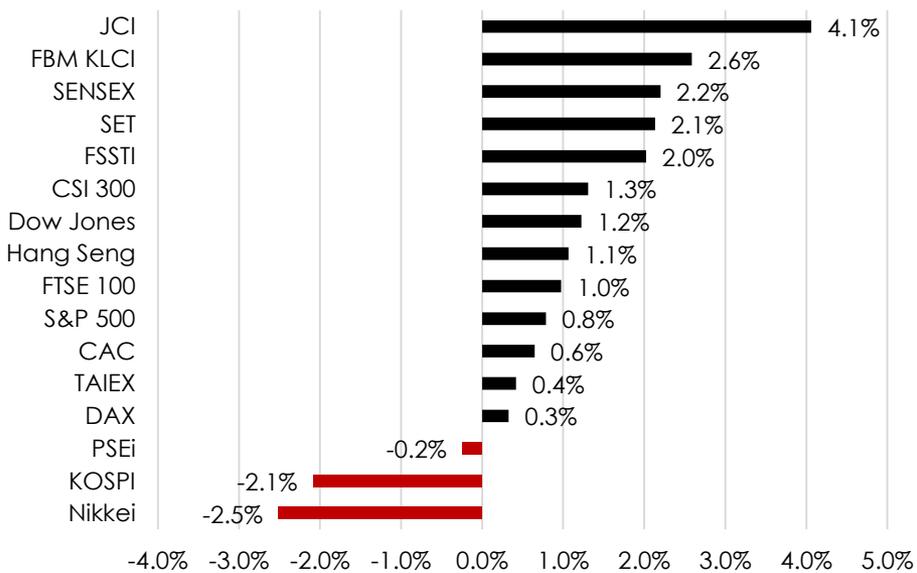
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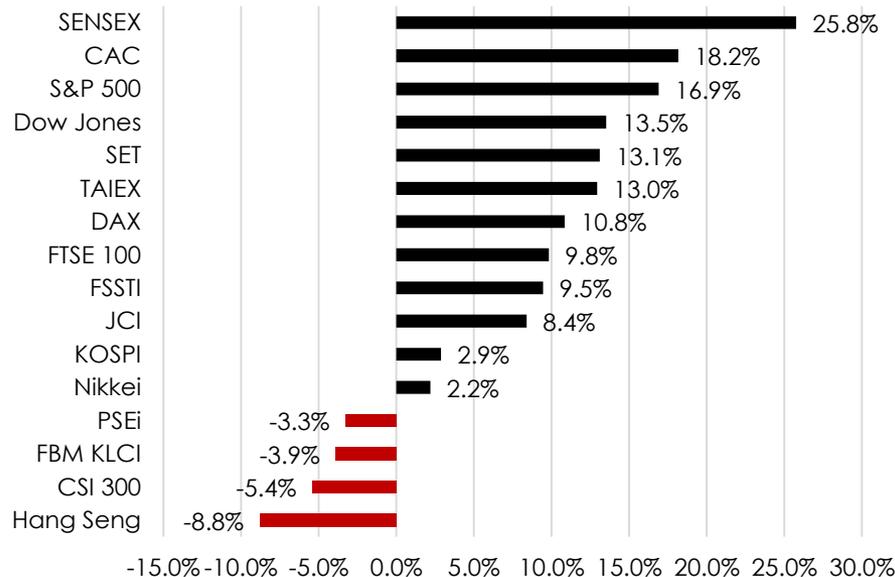
WEEKLY MARKET PERFORMANCE

- ✓ Gainers conquered the market last week with Indonesia's JCI index leading with a 4.1% weekly advance amid the initial price offering (IPO) boom by listing 14 state-owned companies by 2023 to improve governance and replenish public coffers drained by the Covid-19 pandemic.
- ✓ Meanwhile, Japan's Nikkei index booked the biggest weekly loss of 2.5% amid market disappointment with a new government and a host of threats to global economic growth. Investors fear market-driven corporate governance reforms and structural changes to the country's economy will stall or even backslide to the "bad old days" of Japanese industrial policy prior to the 1990s.
- ✓ On the domestic front, the FBM KLCI index increased by 2.6% for the week ahead of the anticipated lifting of the interstate travel ban but was the second smallest decliner on a Year-To-Date (YTD) basis amongst major markets with a 3.9% loss.

Weekly Gain/Loss of Major Equity Markets (%)
(Week Ended 8 October)



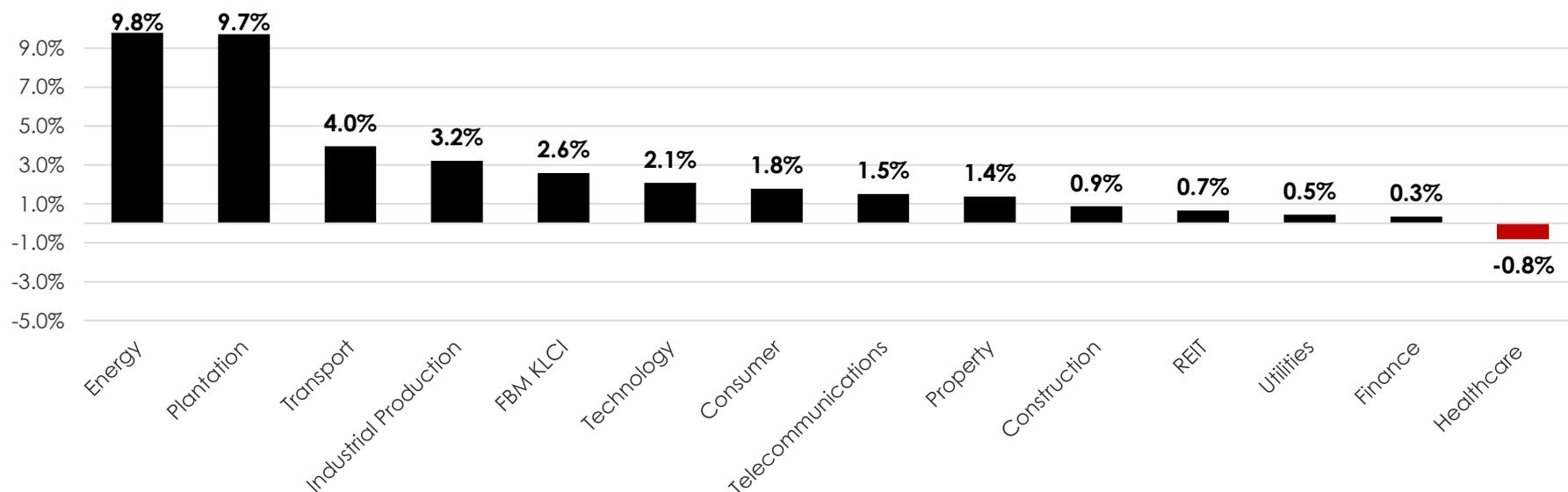
YTD Gain/Loss Of Major Equity Markets (%)
(As at 8 October)



WEEKLY SECTORAL PERFORMANCE

- ✓ The Bursa Malaysia Energy Index was again the biggest gainer, ending 9.8% higher during the week. The rally in the index was driven by the rise in Brent crude oil price which saw a 3.9% weekly gain as a global energy crunch boosted U.S. gas prices to their highest in almost seven years as big power users struggle to meet demand. Even with worldwide demand growing as economic activity rebounds from pandemic lows, the Organization of the Petroleum Exporting Countries and allied producers (OPEC+) last week said they would remain on the path of gradually bringing back production, signalling that demand is picking up.
- ✓ On the other hand, the Bursa Malaysia Healthcare Index was the biggest loser, ending 0.8% lower for the week as the Merck's Covid-19 pill has been ordered by countries such as Malaysia and Singapore. In comparison with the Covid-19 vaccine that is administered using syringes that requires gloves, the Covid-19 pill is self-administered and hence, does not require the usage of gloves. Such notion has dampened sentiment for gloves which are part of the Bursa Malaysia Healthcare Index.

Bursa Malaysia Sectoral Weekly Performance (w-o-w%)

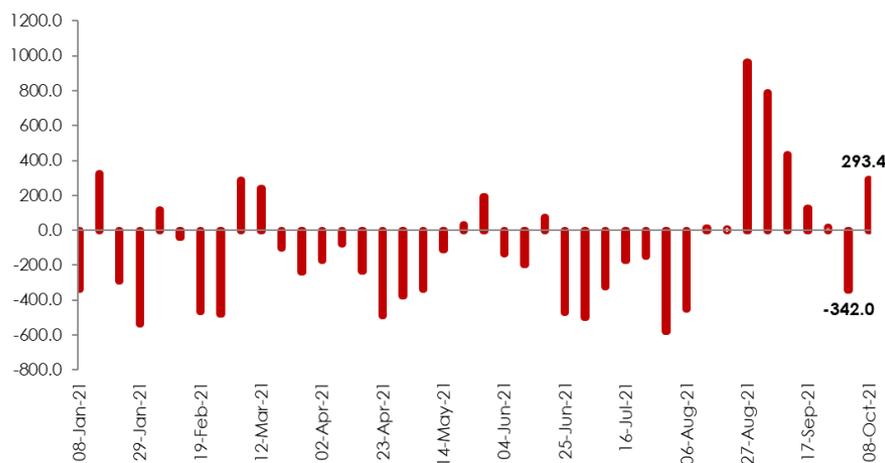


Source: Bursa

WEEKLY FOREIGN FUND FLOW

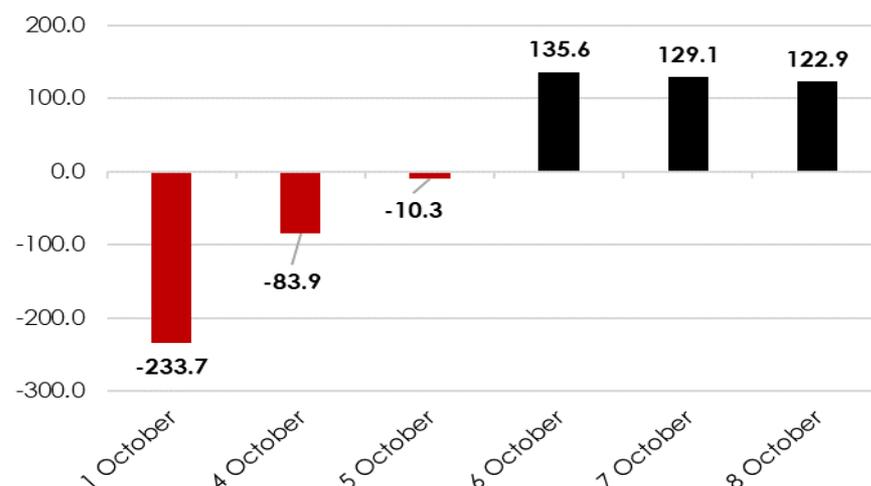
- ✓ Foreign investors were back in buying mode as they acquired RM293.4 million net of local equities last week compared to the RM342.0 million net sold in the previous week.
- ✓ Bursa began the week on a sluggish note as foreign investors disposed RM83.9 million net of local equities on Monday. Tuesday then saw the level of foreign net selling slow down to RM10.3 million before foreign investors made a return on Wednesday by snapping up RM135.6 million net of local equity. The influx of foreign investors towards local equities on Wednesday was sparked by price of the benchmark crude palm oil (CPO) futures contract on Bursa Malaysia Derivatives which closed at an all-time high of RM4,738 per metric tonne, while crude oil prices stood at above the USD82.00 per barrel mark. The momentum of foreign net buying was sustained until the week ended as foreign net inflow stood at RM129.1 million and RM122.9 million on Thursday and Friday respectively.
- ✓ On a YTD basis, international investors have so far sold RM3.7 billion net of local equities this year compared to RM22.5 billion net disposed during the same period last year.

Weekly Foreign Fund Flow in Malaysia (RM Million)



Source: Bursa

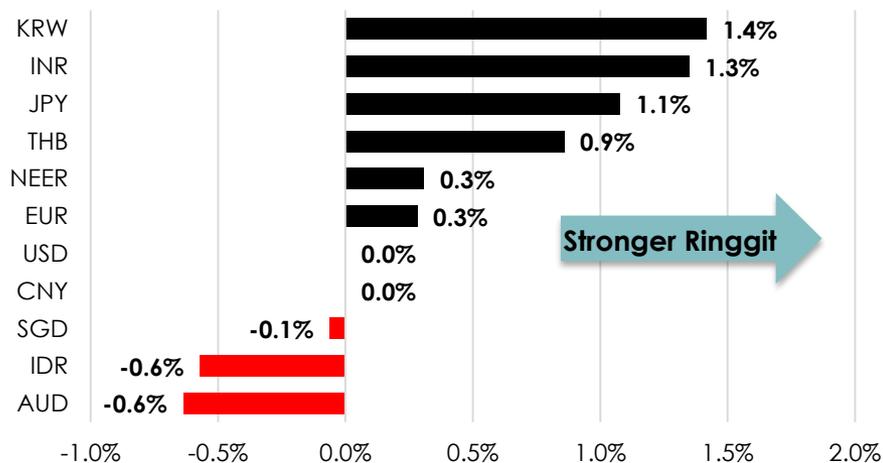
Daily Foreign Net Inflow/Outflow From 1 October to 8 October 2021 (RM Million)



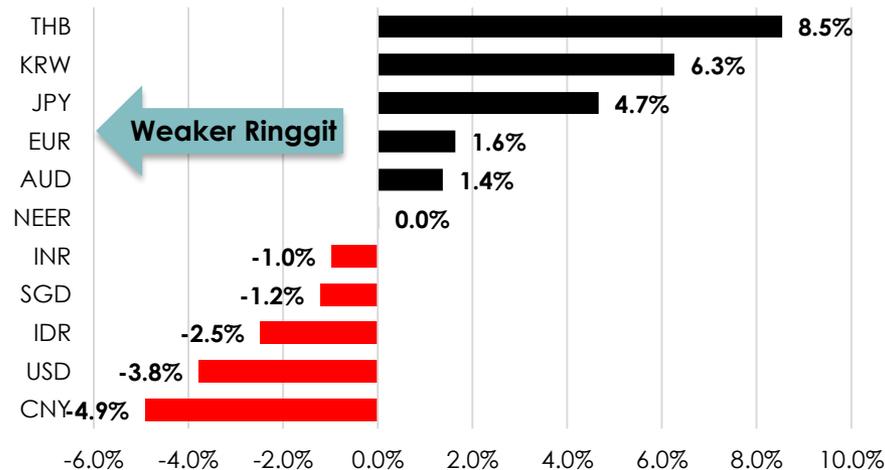
WEEKLY PERFORMANCE

- ✓ The Ringgit was slightly higher at RM4.1760 against U.S. Dollar on last Friday compared to RM4.1780 on 1 October. This was mainly supported by a firmer Brent price at USD82.39 per barrel last Friday (1 October: USD 79.28 per barrel).
- ✓ The Ringgit may have gathered some momentum and appreciated against the U.S. Dollar following to the positive sentiment in relation to reopening of the economy despite the U.S. debt ceiling situation may boost some safe-haven demand.
- ✓ In addition, the local note was supported by the elevated levels of commodity prices since the Malaysian economy benefits from higher crude oil and CPO prices.
- ✓ Be that as it may, the situation pertaining to real estate market in China, as well as its geopolitical development with the U.S. in relation to Taiwan could likely to exert pressure in emerging market countries, including the Ringgit.
- ✓ Taking these matters into account, the Ringgit is expected to strengthen slightly, moving within a tight range between RM4.16 and RM4.17 against the greenback in the near term.

MYR against regional currencies, w-o-w% (Week Ended 8 October)



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

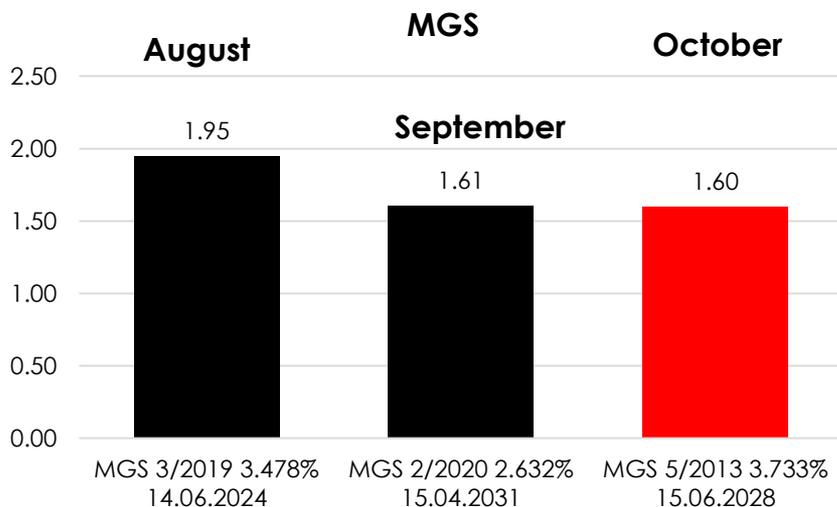


MGS Benchmark Weekly Change (bps)

MGS Benchmark	Coupon (%)	Yields (%) 1-Oct-21	Yields (%) 8-Oct-21	Change (bps)
3-Y MGS 06/24	3.48%	2.43%	2.47%	4
5-Y MGS 11/26	3.90%	2.88%	3.09%	21
7-Y MGS 06/28	3.73%	3.31%	3.51%	20
10-Y MGS 04/31	2.63%	3.38%	3.63%	25

Source: BNM

Auction Market



Source: CEIC
ECONOMIC RESEARCH

- ✓ Looking at the bond market, the MGS benchmark yields mostly ended higher between 4 bps and 25 bps last week, in line with the rise in the U.S. treasury yields, with investors shrugging off the weak U.S. jobs report in September and remained confident that the timeline for the tapering asset by the U.S. Federal Reserve (Fed) will remain intact.
- ✓ The yields of the 5-Y MGS 11/26, 7-Y MGS 06/28, and 10-Y MGS 04/31 went up by more than 20bps during the week while 3-Y MGS 06/24 saw its yield rise by only 4 bps.
- ✓ As for the auction market, the issuance of 7-Y MGS 06/2028 drew a Bid-To-Cover (BTC) ratio of 1.60x (previous: 1.61x), suggesting demand for local govies remained weak as compared to YTD average of 1.95x for all 7-Y MGS and GII auctions.
- ✓ The demand during the week was likely to have come from corporate bonds following Bank Simpanan Nasional's (BSN) RM750.0 million Sukuk Wakalah offering which was its maiden issuance in the capital markets and had received a strong response with an oversubscription of 3.48x.
- ✓ Looking forward, we opine that the sentiment for the local bond market could be positive in the immediate term especially with regard to ratings following the resumption of interstate travel which will boost the country's economy.

BRENT

- ✓ Brent crude oil price recorded a 3.9% weekly increase to settle at USD82.39 per barrel on 8 October (1 October: USD79.28/barrel) as the U.S. Energy Department mentioned that it is unlikely to tap the nation's Strategic Petroleum Reserve at the moment, suggesting it may have been considering that option to curb rising prices. Previously, the U.S. would use its strategic reserves on occasion, usually after hurricanes or other supply disruptions.
- ✓ Meanwhile, the continuous increase in the U.S. crude oil inventories has raised concerns about weaker fuel demand conditions. On further scrutiny, the U.S. EIA reported that stocks of crude rose by 2.3 million barrels to 420.9 million barrels in the week ended 1 October (24 September: 418.5 million barrels), the highest level in four week. Similarly, the American Petroleum Institute (API) report mentioned that crude stockpiles went up by 1.0 million barrels in the week ended 1 October after increasing by 4.1 million barrels in the preceding week.

Brent Crude in USD per barrel



Source: Bloomberg

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



GOLD

- ✓ Gold price dropped by 0.2% to USD1,757.13 per ounce on 8 October (1 October: USD1,760.98 per ounce) after the U.S. Dollar Index appreciated by 0.03% to 94.07 on 8 October from 94.04 seen in the previous week.
- ✓ With the slowest job growth this year during the month of September at 194k, missing the market forecast of 500k, it signifies a tempering of the labour market recovery and complicating such potential decision by the Fed to begin scaling back monetary support before year end.
- ✓ The Friday's report also marked a second-straight month in which U.S. economy added far fewer jobs than expected whereby previously, the job growth for the month of August was 366k. This has signalled that the U.S. is still dealing with the pandemic, noting the rise of Delta Variant likely continued to affect employment data in September.

Gold in USD per ounce



U.S. Dollar Index (DXY)



Source: Bloomberg

ECONOMIC RESEARCH

- ✓ The FBM KLCI index is expected to move between 1,560 points and 1,580 points this week as investors will cheer the market following the lift of the interstate travel ban announced on Sunday following the vaccination rate of Malaysia's adult population which reached 90.0%.
- ✓ Moreover, the government has allowed the resumption of overseas travel for Malaysian without the MyTravelPass scheme. As such, we envision counters related to tourism and aviation, namely Malaysia Airports Holdings Berhad and AirAsia Group Berhad to experience buying interest throughout the week. The number of daily Covid-19 cases in Malaysia has remained below 10,000 cases for seven consecutive days, suggesting that infections have slowed down with increasing vaccination rates.
- ✓ On the economic data front, Malaysia will be releasing **its data on the industrial production index (IPI) for the month of August on Tuesday** which could likely show some improvement amid the relaxation on fully vaccinated workers announced by the government on 16 August.
- ✓ Globally, the **key U.S. economic report to watch this week is Wednesday's data on consumer price inflation for September**. While the rate of price increases has moderated inflation, it is still higher than it was prior to the pandemic due to the surge in demand after the economy reopened pushing up prices. Consensus expects the consumer price index to match August's the 5.3% year-on-year gain.
- ✓ All in all, the increased human mobility seen through the lifting of the interstate travel ban could give a boost to the nation's economic growth. Even with the initial travel bubble for Langkawi effective from 16 September, Langkawi's tourism industry has generated RM24.9 million worth of revenue as at 6 October. At the same time, we have to be cognizant that Standard Operating Procedures (SOPs) will need to be adhered closely to prevent any surge in Covid-19 cases.

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-Sep-21	221,864,993	37	13,565	37,875	6,731	4,715	10,477	332	2,048	4,221	14,176	37,179	247,820	12,851	19,733
9-Sep-21	222,462,670	39	15,431	43,263	5,990	5,921	12,118	349	2,049	4,732	16,031	38,486	122,980	12,348	19,307
10-Sep-21	223,071,788	25	12,969	34,973	5,376	5,518	10,729	457	1,892	3,739	14,403	37,480	174,976	10,649	21,176
11-Sep-21	223,678,708	37	11,214	33,376	5,001	5,617	9,178	573	1,865	3,725	15,191	36,734	167,880	7,575	19,550
12-Sep-21	224,260,790	55	7,345	28,591	3,779	5,191	9,072	555	1,755	3,776	14,029	28,856	190,015	9,408	19,198
13-Sep-21	224,675,433	66	5,511	27,254	2,577	4,664	7,454	520	1,431	1,710	12,583	28,614	67,613	7,653	16,073
14-Sep-21	225,197,518	98	6,325	25,404	4,128	2,792	4,898	607	1,496	1,267	11,786	30,283	173,664	415	15,669
15-Sep-21	225,722,531	80	12,455	27,176	3,948	4,009	5,875	837	2,078	3,396	13,798	26,251	146,738	9,944	19,495
16-Sep-21	226,276,633	86	12,925	30,570	3,145	4,826	6,686	807	1,943	3,430	13,897	29,873	151,802	8,686	18,815
17-Sep-21	226,868,381	96	11,022	34,403	3,835	5,115	6,020	910	2,008	2,863	14,555	26,326	169,566	7,690	17,577
18-Sep-21	227,612,097	57	8,901	35,662	3,385	4,544	5,112	935	2,084	2,856	14,109	32,292	333,357	5,898	15,549
19-Sep-21	228,023,036	77	7,337	30,773	2,234	4,576	5,008	1,009	1,909	2,947	13,576	29,438	61,403	7,414	14,954
20-Sep-21	228,508,437	64	3,736	30,256	1,932	3,836	3,567	1,012	1,603	1,353	12,709	29,007	28,492	5,814	14,345
21-Sep-21	228,835,094	83	4,664	26,115	3,263	2,405	2,405	917	1,729	890	10,919	35,702	-	180	15,759
22-Sep-21	229,397,394	47	10,454	26,964	2,720	3,374	2,004	1,178	1,720	2,367	11,252	31,095	209,430	7,465	14,990
23-Sep-21	229,939,245	51	10,696	31,923	2,881	3,963	2,845	1,457	1,715	2,763	13,256	33,560	138,621	6,400	13,754
24-Sep-21	230,471,416	65	9,727	31,382	2,557	4,053	3,457	1,504	2,434	2,533	12,697	35,764	132,340	6,110	14,554
25-Sep-21	230,964,737	53	7,211	29,616	2,137	3,790	2,477	1,650	3,269	2,335	11,957	35,620	122,403	4,527	13,899
26-Sep-21	231,434,065	43	7,774	28,326	1,760	3,519	2,488	1,443	2,769	2,444	12,371	29,746	134,541	6,012	13,104
27-Sep-21	231,850,256	51	3,022	26,041	1,390	3,099	2,288	1,939	2,383	1,215	10,288	32,997	116,041	4,683	10,959
28-Sep-21	232,243,720	43	4,171	18,795	2,057	1,773	1,386	1,647	2,287	806	9,489	37,485	79,777	1,161	11,332
29-Sep-21	232,675,503	53	11,780	18,870	1,954	2,962	1,570	2,236	2,885	2,528	10,414	34,520	94,879	5,859	12,434
30-Sep-21	233,149,464	38	12,150	23,529	1,690	3,212	2,005	2,268	2,562	2,203	11,646	35,059	107,399	5,479	12,735
1-Oct-21	233,638,311	44	10,118	26,727	1,624	4,094	1,673	2,478	2,485	2,112	11,754	35,742	119,028	4,858	11,889
2-Oct-21	234,119,706	56	8,517	24,354	1,414	3,403	1,510	2,909	2,247	1,816	11,375	34,589	120,487	5,124	10,915
3-Oct-21	234,565,332	43	6,164	22,842	1,142	3,309	1,264	2,356	2,085	1,870	10,828	29,389	122,960	3,948	9,066
4-Oct-21	234,823,548	33	3,088	20,799	922	2,967	963	2,057	1,673	941	9,930	29,666	-	3,744	8,075
5-Oct-21	235,280,573	38	4,799	18,346	1,404	1,612	732	2,475	1,574	660	9,869	34,256	168,684	402	8,817
6-Oct-21	235,685,278	41	11,547	18,833	1,484	2,463	897	3,486	2,026	1,877	9,866	33,049	70,915	4,611	9,380
7-Oct-21	236,148,055	36	11,644	22,431	1,393	3,232	1,077	3,577	2,423	1,623	11,200	38,675	110,262	4,632	9,890
8-Oct-21	236,599,025	34	10,429	21,257	1,384	2,933	990	3,483	2,176	775	11,140	39,730	112,980	4,506	9,751

Source: CEIC

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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, some with distinctive architectural designs. A highway with traffic is visible in the foreground, winding through the urban landscape. The overall mood is warm and appreciative.

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