



From the Desk  
of the  
**Chief Economist**

**BANK ISLAM**

# **WEEKLY MARKET UPDATES**

**12 SEPTEMBER 2022**  
**ECONOMIC RESEARCH**

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# KEY HIGHLIGHTS OF THE WEEK- ASEAN AND DOMESTIC ECONOMY CONTINUED TO POTRAY HEALTHY ECONOMIC ACTIVITIES

## International

### ECB-Monetary Policy

- ✓ The European Central Bank (ECB) raised interest rates by an unprecedented 75 basis points (bps) during its September 2022 meeting. The main refinancing rate is now at 1.25%, the marginal lending facility at 1.50% and the deposit facility one at 0.75%.
- ✓ In addition, the ECB was of the view that interest rates should rise further over the next couple meetings to dampen demand and guard against the risk of a persistent increase in inflation expectations.
- ✓ Nevertheless, any changes will continue to be data-dependent.

### China-Consumer Price Index (CPI)

- ✓ China's inflation softened by 2.5% year-on-year (y-o-y) in August after increasing by 2.7% in July.
- ✓ The slower inflation was mainly due to ease in both food (August: 6.1% vs. July: 6.3%) and non-food (August: 1.7% vs. July: 1.9%) amid strict Covid-19 curbs and adverse weather conditions in the country. Within the non-food sub-indices, housing (August: 0.6% vs. July: 0.7%) and household goods & services (August: 1.3% vs. July: 1.4%) moderated during August.
- ✓ Furthermore, China has targeted the annual inflation to reach 3.0% by end-2022.

### ASEAN-Manufacturing PMI

- ✓ The S&P Global ASEAN Manufacturing Purchasing Manager's Index (PMI) was slightly higher to 52.3 points in August from 52.2 points in July.
- ✓ It was the eleventh month of expansion as six of the seven constituents recorded improvements in operating conditions during August, with Singapore registering the quickest upturn.
- ✓ Looking forward, interest rate hikes alongside a high inflationary environment will likely pose challenges and curtail demand in the coming months.

## Domestic

### Malaysia-Industrial Production Index (IPI)

- ✓ Malaysia's IPI expanded by 12.5% y-o-y in July 2022 after rising by 12.1% in June. It marked the eleventh straight month of increase in industrial output, mainly underpinned by higher production activities in both Mining (August: 3.2% vs. July: 2.1%) and Manufacturing (August: 14.9% vs. June: 14.4%).
- ✓ Meanwhile, electricity production continued to grow by double-digits (August: 13.2% vs. July: 15.4%).
- ✓ The latest performance suggests that the Malaysian economy continued to gain momentum despite elevated risks from the external front.

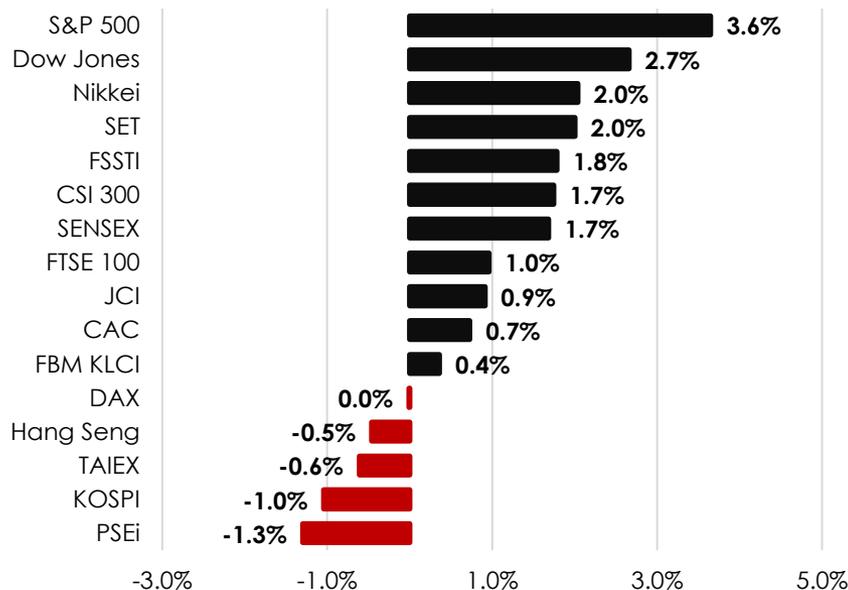
### Malaysia-Labour Market

- ✓ The unemployment rate in Malaysia declined to 3.7% in July 2022 from 3.8% in June.
- ✓ It was the lowest print since February 2020 (3.3%) as the economy recovered from the Covid-19 pandemic.
- ✓ The number of unemployed plunged by 20.2% to 620.7 thousand in July (June: 630.6 thousand), while employment increased by 4.5% to 16.0 million (June: 15.9 million).

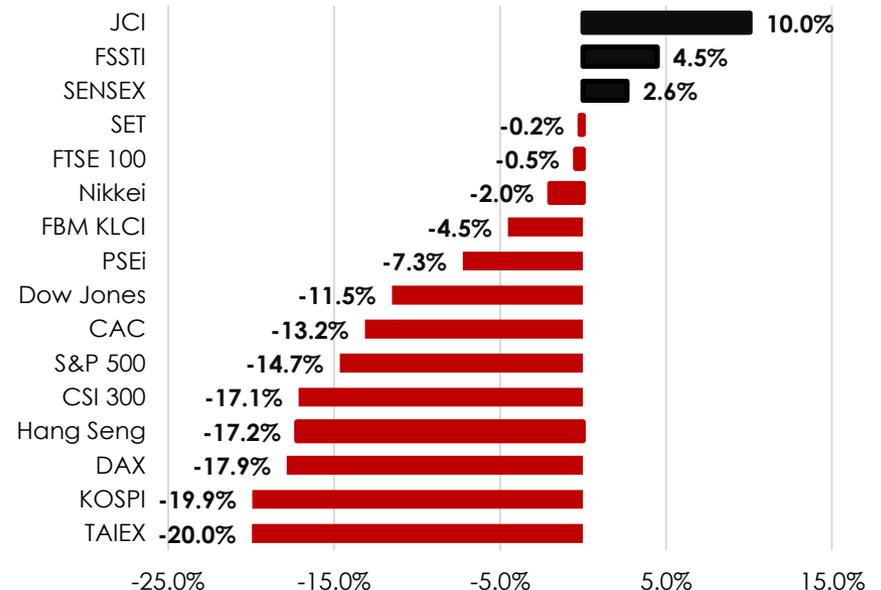
## WEEKLY MARKET PERFORMANCE

- ✓ The U.S. S&P 500 recorded a 3.6% weekly advance among the major equity market as market players continued to assess the prospects for a monetary policy decision by the Federal Reserve (Fed) this month.
- ✓ Meanwhile, the Philippines' PSEI dropped for the third straight week as it declined by 1.3% last week. This was mainly underpinned by rising concerns over inflation and interest rate hike alongside the peso depreciation against the U.S. Dollar (USD).
- ✓ On a Year-To-Date (YTD) basis, global equities were mostly in the red following heightened uncertainties in the global market. This was due to anticipation of higher interest rates, particularly in the advanced countries to curb the rising inflation.

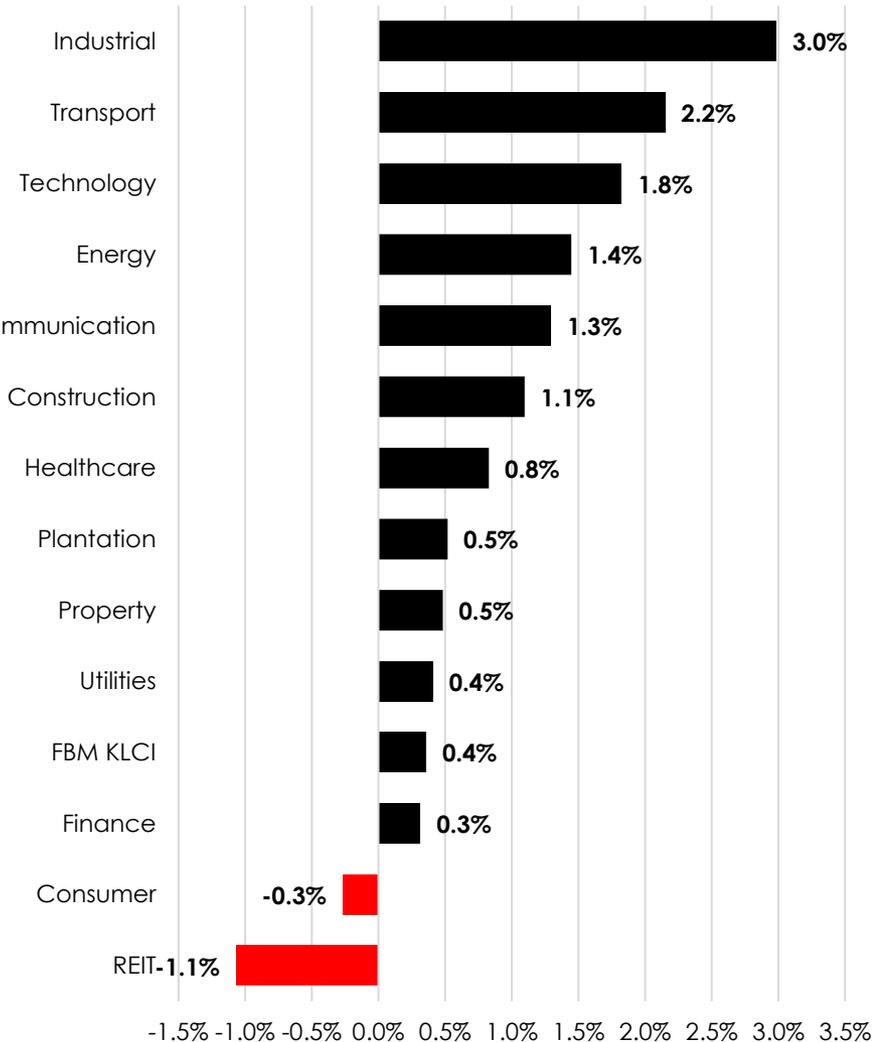
### Weekly Gain/Loss of Major Equity Markets, % (Week Ending 9 September)



### YTD Gain/Loss Of Major Equity Markets, % (As at 9 September)



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



## WEEKLY SECTORAL PERFORMANCE

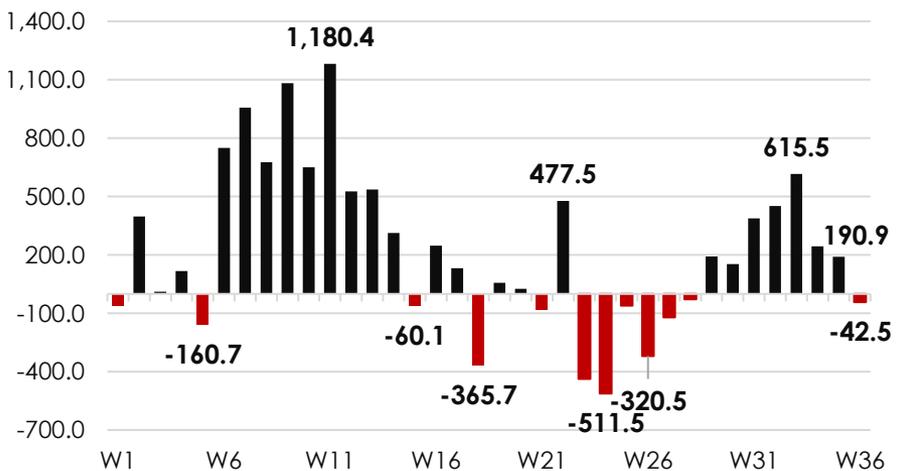
- ✓ Most of the sectors were in the positive territory led by Industrial (3.0%), Transport (2.2%) and Technology (1.8%) during the week ending on 9 September as a sign of cooling inflation in the U.S. and anticipation of less hawkish Fed's comments after September meeting has supported the equity market.
- ✓ Meanwhile, REIT and Consumer sectors recorded the biggest losses at 1.1% and 0.3% respectively.
- ✓ Looking forward, the FBM KLCI is likely to trend between **1,490.0 points and 1,510.0 points this week** due to market volatility and cautious sentiment ahead of the Federal Open Market Committee (FOMC) meeting on 20-21 September.

# SEVEN CONSECUTIVE WEEKS OF BUYING STREAK WERE SNAPPED LAST WEEK AS FOREIGN FUNDS OFFLOADED RM42.5 MILLION NET OF DOMESTIC EQUITIES

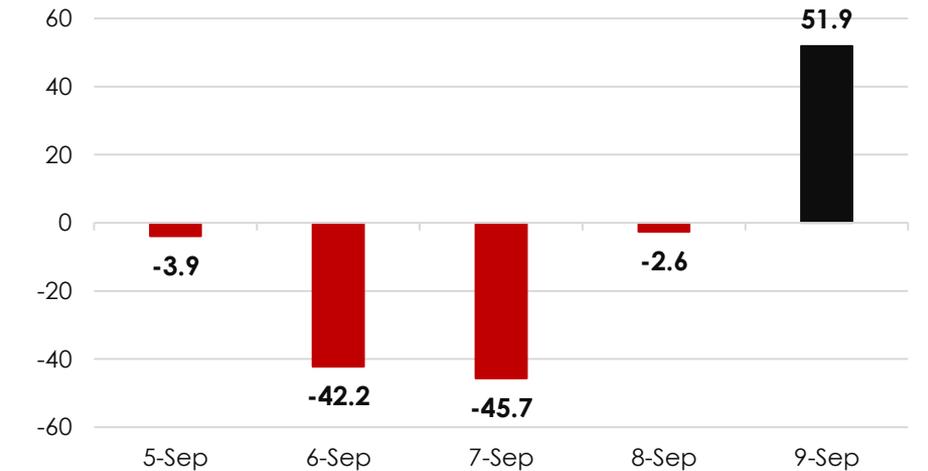
## WEEKLY FOREIGN FUND FLOW

- ✓ Foreign investors turned out to be net sellers as they dumped RM42.5 million of Malaysian equities last week.
- ✓ Upon a closer scrutiny, Bursa got off the week on the wrong foot as international investors sold RM3.9 million net domestic equities on Monday. Then, they continued to be net sellers from Tuesday to Thursday with RM90.5 million worth of outflows recorded within 3 trading days before turning to net buyers on Friday.
- ✓ On a YTD basis, international investors have bought RM8.1 billion net of local equities in 2022 and have been net buyers for 24 out of 36 weeks of 2022. Moving forward, we anticipate the higher interest rate in advanced counties would trigger an outflow of capital, especially from emerging markets.

**Weekly Foreign Fund Flow in 2022 (RM Million)**



**Daily Foreign Net Inflow/Outflow from 5 to 9 September (RM Million)**



Source: Bursa  
\*W = week

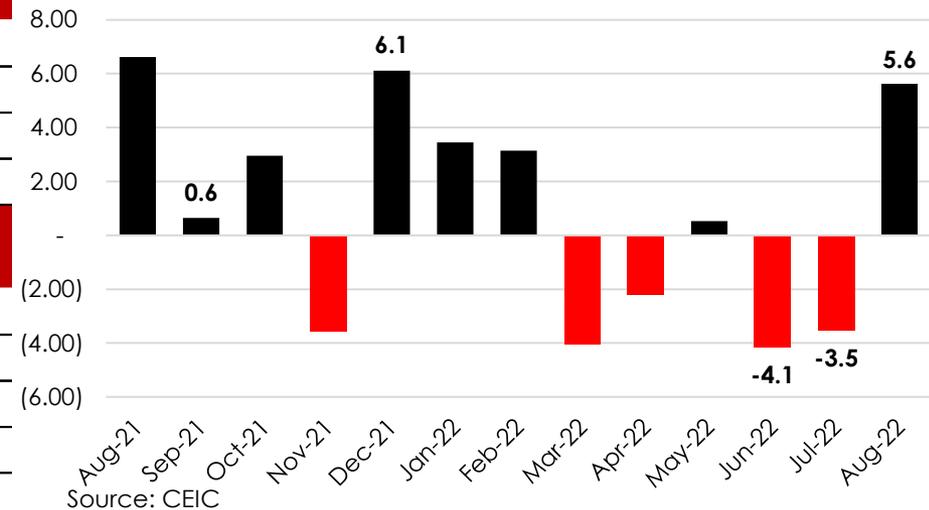
## Bond Yields Weekly Change, bps

UST	Yields (%) 2-Sep-22	Yields (%) 9-Sep-22	Change (bps)
3-M UST	2.94%	3.08%	14
2-Y UST	3.40%	3.56%	16
5-Y UST	3.30%	3.45%	15
10-Y UST	3.20%	3.33%	13
MGS	Yields (%) 2-Sep-22	Yields (%) 9-Sep-22	Change (bps)
3-Y MGS	3.33%	3.34%	1
5-Y MGS	3.76%	3.75%	-1
7-Y MGS	3.90%	3.91%	1
10-Y MGS	4.03%	4.03%	0

Source: CEIC

- ✓ For the bond market, the UST yields increased between 13 bps and 16 bps during the week ended on 9 September.
- ✓ Expectations of further monetary tightening mainly drove the surge in UST yields following the upcoming FOMC meeting on 20-21 September to bring inflation to the Fed's target of 2.0%.
- ✓ On the domestic front, the MGS yields were mixed between -1 bps and 1 bps following BNM's decision to raise the Overnight Policy Rate (OPR) by another 25 bps to reach 2.50%.

## Foreign Fund Flows in Bond Market, RM billion



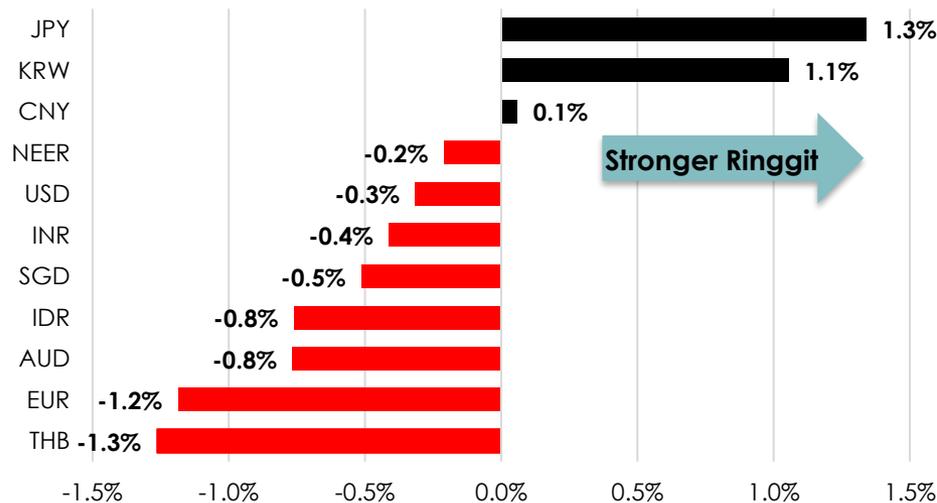
- ✓ Meanwhile, foreign investors turned into net buyers with a total of RM5.6 billion of local govies purchased during August after recording two straight months of foreign net outflows (July: RM3.5 billion vs. June: RM4.1 billion)
- ✓ Cumulatively, the foreign fund posted a total of RM1.2 billion net outflows during 8M2022 (8M2021: RM27.4 billion) given the divergence of monetary policy stance between advanced countries and Malaysia.

# RINGGIT WAS PRESSURED BY THE PROSPECT OF RATE HIKES FROM THE U.S.

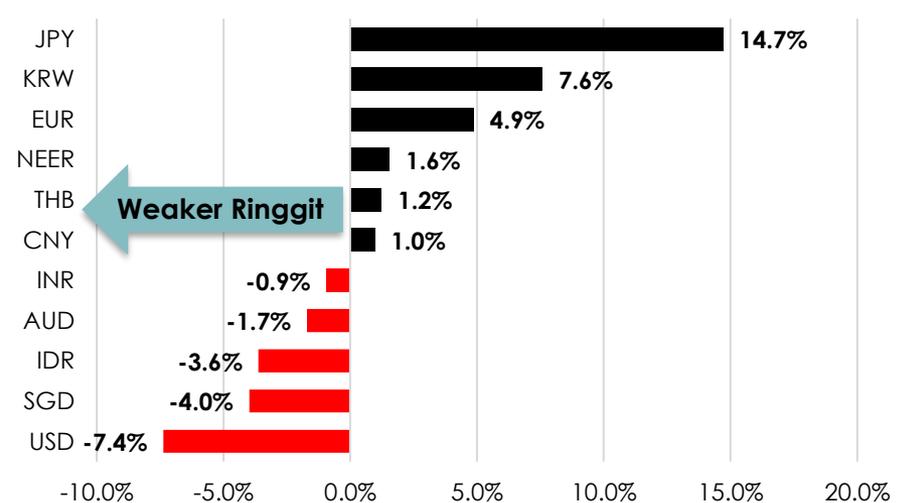
## WEEKLY PERFORMANCE

- ✓ The Ringgit depreciated by 0.3% w-o-w against the USD, closing at RM4.4960 on 9 September from RM4.4820 in the previous week.
- ✓ The uncertainties stemmed from the U.S.' interest rate hike path in the upcoming FOMC meeting later this month and moderating growth resulting from ultra-aggressive tightening.
- ✓ In addition, during his latest speech at the Cato Institute conference, Fed Chairman Jerome Powell signaled that the central bank is firmly committed to fighting inflation until the rate falls back to the Fed's 2.0% target.
- ✓ As such, investors would be eyeing the U.S. inflation report due on 13 September as it would shape the Fed's view on whether to press ahead with another 75 bps rate increase.
- ✓ Following this, we foresee the Ringgit trading against the greenback between RM4.48 to RM4.49 in the medium term.

**MYR against regional currencies, w-o-w%  
(Week Ending 9 September)**



**MYR against regional currencies,  
YTD Gain% (As at 9 September)**



# COMMODITIES – BRENT PRICE DROPPED BELOW THAN USD100.00 PER BARREL FOR THE SECOND STRAIGHT WEEK

## BRENT

- ✓ Brent crude oil price fell by 0.2% w-o-w (9 September: USD92.84 per barrel vs. 2 September: USD93.02 per barrel) as investors weighed on the weakening prospects of demand conditions against lower supply moving forward.
- ✓ On top of that, the bearish pressure last week was also attributed to the pledge of lower output by the Organization of the Petroleum Exporting Countries Plus (OPEC+) producers as the group will reduce production by 100,000 barrels a day next month.
- ✓ On the supply side, the U.S. crude oil inventories have been building up, as the U.S. Energy Information Administration (EIA) reported. The crude oil stockpiles rose by 8.8 million barrels to 427.2 million barrels in the week ending 2 September from 418.3 million barrels in the previous week. Similarly, the American Petroleum Institute (API) mentioned that fuel inventories increased by 3.6 million barrels for the week, which ended on 2 September, from 0.6 million barrels increase in the previous week.

### Brent Crude in USD per barrel



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



# COMMODITIES – GOLD PRICE WAS SET FOR ITS FIRST WEEKLY GAIN SINCE EARLY AUGUST AS THE USD RETREATED DURING THE WEEK

## GOLD

- ✓ Gold price increased by 0.3% to reach USD1,716.83 per ounce on 9 September from USD1,712.19 per ounce in the previous week as the USD index dropped by 0.5% to 109.00 on the said date from 109.53 on 2 September.
- ✓ This is despite looming aggressive rate hikes from the U.S. Fed and other major central banks. Hence, this has softened the rally in the USD index, causing a more diverse safe haven and investment demand for gold.
- ✓ Additionally, the ECB raised rates by an unprecedented 75 bps during its September meeting to battle inflation.

**Gold in USD per ounce**



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



Source: Bloomberg

- ✓ The Feds are now entering the blackout period before their 20-21 September meeting. Overall, the tone set by the Fed officials continued to be hawkish with the Boston Fed President Susan Collins stating that bringing the inflation down is the Fed's "Job One". Likewise, Fed Vice Chair Lael Brainard reiterated that tightening monetary policy will resume for as long as it takes to tamp down the soaring inflation.
- ✓ In addition to the CPI, the U.S. economic calendar data includes producer prices, industrial production, regional manufacturing surveys, and consumer sentiment. Aside from the U.S., other countries such as the U.K., Germany, India, Spain, France, Italy, and the Eurozone will release their CPI reports for August.
- ✓ Elsewhere, the Central Bank of Russia (CBR) will hold its policy meeting this week to anticipate rate cuts as inflation slows (August: 14.3% vs. July: 15.1%). Meanwhile, the Bank of England (BoE) postponed its policy meeting for a week to continue the national period of mourning for the loss of Queen Elizabeth II. However, the central bank is expected to hike interest rates aggressively, scheduled on 22 September, amid the double-digit inflation print.
- ✓ Domestically, although BNM decided to raise the OPR by 25 bps last week, a rate pause is possible in the November 2022 MPC meeting. Adjustment in the degree of monetary accommodation is warranted following the country's strong growth in 2Q2022, with inflation anticipation in sight. Additionally, the country is expected to record strong growth in 3Q2022 based on current high-frequency indicators.
- ✓ The FBM KLCI is expected to trade between 1,490.0 -1,510.0 points given the cautious outlook from the investors for the upcoming FOMC meeting this month.

# 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
7-Aug-22	995,571	21,953	13,461	18,738	4,279	34,997	214,879	11,903	105,507	-	2,250	6,529	149,702	28,518	2,728
8-Aug-22	936,384	24,043	7,176	16,167	4,425	26,656	198,563	4,798	55,214	-	1,842	5,412	30,224	21,528	2,863
9-Aug-22	639,277	17,411	66,128	12,751	6,276	11,975	172,998	3,541	149,839	-	1,955	6,530	30,736	5,090	3,083
10-Aug-22	898,683	25,747	67,555	16,047	5,926	43,078	196,732	7,965	151,747	14,353	2,335	8,017	103,369	38,211	4,896
11-Aug-22	902,158	26,401	55,894	16,299	5,532	31,699	227,828	2,819	137,198	-	2,316	7,275	137,587	27,081	4,831
12-Aug-22	898,072	25,082	47,343	16,561	6,091	28,423	240,205	7,262	128,714	-	2,455	6,724	138,101	19,410	3,943
13-Aug-22	857,754	24,111	43,531	15,815	5,104	26,689	192,364	5,481	124,515	13,582	2,140	6,181	124,883	19,811	4,334
14-Aug-22	727,181	23,901	11,086	14,092	4,442	24,785	166,611	4,403	119,603	-	1,773	5,327	135,541	21,175	3,045
15-Aug-22	762,769	23,581	6,476	14,917	3,588	19,455	169,972	3,023	62,078	-	1,663	4,481	27,911	16,347	2,437
16-Aug-22	507,376	18,103	54,406	8,813	5,869	9,893	159,781	2,665	83,977	-	1,508	5,358	19,189	4,564	3,429
17-Aug-22	804,800	25,733	63,099	9,062	5,253	8,941	178,286	5,202	180,709	12,162	2,461	6,408	103,760	6,331	3,516
18-Aug-22	889,255	27,870	52,351	12,608	4,039	36,261	208,483	3,762	178,503	-	2,143	5,530	126,084	30,652	4,071
19-Aug-22	871,038	26,424	42,841	15,754	5,163	27,291	261,252	3,553	138,812	-	2,110	4,981	119,452	23,271	3,490
20-Aug-22	861,216	25,756	35,603	13,272	4,922	24,689	255,810	0	129,350	8,463	1,902	4,423	113,263	18,260	2,798
21-Aug-22	769,818	24,957	9,657	11,539	3,949	24,392	242,790	5,666	110,944	-	1,968	3,822	132,043	19,870	2,464
22-Aug-22	688,501	25,251	5,049	9,531	3,300	19,470	217,875	1,951	58,886	-	1,531	3,263	25,210	14,820	2,078
23-Aug-22	595,325	19,693	50,345	8,586	4,858	10,417	185,497	1,692	150,084	-	1,488	4,059	25,567	4,012	2,722
24-Aug-22	763,838	29,168	51,924	10,649	5,428	35,357	194,223	3,627	139,249	9,020	2,062	5,132	85,808	28,988	2,636
25-Aug-22	794,273	32,027	44,084	10,725	5,214	25,388	237,410	2,645	113,295	-	2,002	4,668	114,900	21,289	3,206
26-Aug-22	773,184	30,805	35,744	10,256	4,549	23,435	227,139	2,397	101,140	-	1,749	4,382	129,596	13,851	3,118
27-Aug-22	714,327	29,364	32,319	9,520	4,170	21,995	196,628	-	95,538	9,192	1,631	3,635	109,032	16,317	2,491
28-Aug-22	455,920	28,156	8,008	9,436	3,228	21,802	-	4,103	85,295	-	1,769	3,283	111,796	17,833	2,191
29-Aug-22	724,872	30,209	4,806	7,591	2,871	17,647	326,090	1,448	43,023	-	1,273	2,939	25,380	14,110	1,946
30-Aug-22	477,498	23,517	46,024	5,439	5,070	8,347	125,907	1,410	115,596	-	994	3,279	24,730	3,806	2,144
31-Aug-22	663,843	34,704	47,461	7,231	4,563	31,087	139,582	2,900	103,887	9,554	2,240	3,653	85,068	27,358	2,340
1-Sep-22	645,672	38,197	36,790	7,946	4,094	21,814	167,340	2,154	81,515	-	2,004	2,853	113,027	19,240	2,356
2-Sep-22	632,809	37,797	30,205	6,168	3,616	20,498	153,313	2,044	89,586	-	2,046	-	114,929	11,392	2,328
3-Sep-22	596,131	37,264	28,405	7,211	3,260	19,158	135,425	1,948	79,623	9,489	1,942	-	98,560	16,399	2,244
4-Sep-22	505,963	36,356	7,653	6,817	2,764	17,660	117,130	1,549	72,144	-	1,631	-	99,103	15,597	1,904
5-Sep-22	366,234	37,783	3,848	5,910	2,340	13,196	105,010	1,309	37,448	-	1,360	-	11,016	12,894	1,486
6-Sep-22	393,162	27,188	40,852	4,417	3,607	6,608	84,295	1,176	99,781	-	1,062	-	14,354	3,443	2,067
7-Sep-22	472,582	39,674	33,311	5,379	3,513	24,848	100,729	2,745	85,540	6,703	1,605	-	25,686	26,918	2,428

Source: CEIC

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A cityscape at sunset with a pink bar at the bottom. The sky is filled with soft, golden light and scattered clouds. The city buildings are silhouetted against the bright horizon. A prominent road with traffic is visible in the foreground.

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