



From the Desk
of the
Chief Economist

BANK ISLAM

WEEKLY MARKET UPDATES

13 JUNE 2022

ECONOMIC RESEARCH

**DR. MOHD AFZANIZAM ABDUL RASHID
SHAFIZ BIN JAMALUDDIN
NOR JANNAH ABDULLAH
RAJA ADIBAH RAJA HASNAN**

KEY HIGHLIGHTS OF THE WEEK- THE WORLD BANK HAS DOWNGRADED ITS GLOBAL GROWTH PROJECTION AS INFLATION RISK HEIGHTENED

International

World Bank-Global Economy Forecast

- ✓ The World Bank has slashed its global growth forecast to 2.9% for 2022 from 4.1% projection made in January this year.
- ✓ The downward revision mainly due to Russia's invasion of Ukraine and surge in commodity prices which have intensified impact from Covid-19.
- ✓ Additionally, supply chain disruptions and the risk of stagflation are hammering growth trajectory while many countries could fall into recession as the economy slips into a period of stagflation reminiscent of the 1970s.

The U.S.- Consumer Price Index (CPI)

- ✓ The U.S. CPI accelerated by 8.6% y-o-y in May (April: 8.3%), higher compared to market consensus of 8.3%.
- ✓ The upturn was driven by cost of energy which surged by 34.6% in May after increasing by 30.3% in April.
- ✓ Additionally, price of transport remained at double digit of 19.4% in May (April: 19.9%) while food price jumped by 9.7% in May (April: 9.0%).
- ✓ This shows that the consumers have been feeling the pinch from prolonged Russia-Ukraine conflict and expensive commodity prices.

European Central Bank (ECB)- Policy Rate

- ✓ The ECB policy makers have stated their plan to increase the interest rates in July for the first time since 2011.
- ✓ The key rates are likely to be raised by a quarter-point at its July meeting in order to temper down the inflation.
- ✓ The bank has confirmed it would stop growing its Asset Purchase Programmes (APP) in June.
- ✓ The ECB will begin to unwind its monetary policy as inflationary pressures have been rising by more than 2.0% of the central bank's inflation target.

Domestic

Malaysia- Labour Market

- ✓ Malaysia's Unemployment Rate (UR) declined to 3.9% in April 2022 from 4.1% previously as the economy recovered from the coronavirus disruptions.
- ✓ The latest reading fell below 4.0% for the first time since the Covid-19 outbreak began in early 2020.
- ✓ Moreover, the number of unemployed person dropped by 12.6% to 649.3 thousand in April (March: 669.2 thousand) while employment increased by 3.3% to 15.9 million during April (March: 15.7 million). The latest data signaled Malaysian labour market continued to improve supported by reopening of the international border and pent-up in consumer demand.

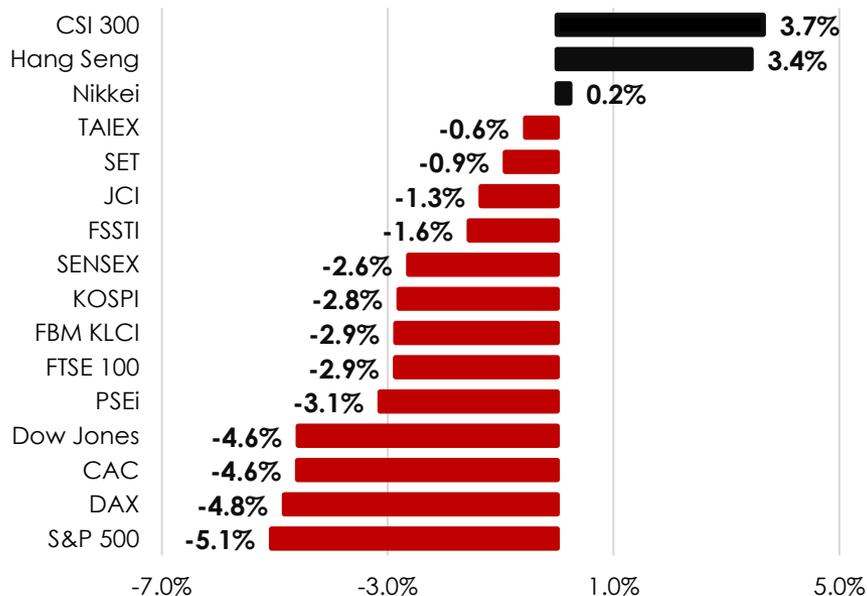
Malaysia- Industrial Production Index (IPI)

- ✓ Malaysia's IPI grew positively by 4.6% in April though softer compared to 5.1% in March.
- ✓ Within the sector, Manufacturing softened by 6.2% in April from 6.9% in March.
- ✓ Be that as it may, production of Electric & Electronics (E&E) Products in the Manufacturing continued to record double-digit growth at 14.2% in April (March: 18.6%).
- ✓ The production of Electricity higher by 1.5% in April (March: 0.8%) while Mining declined by 0.1% during the month after rising by 0.3% in March.

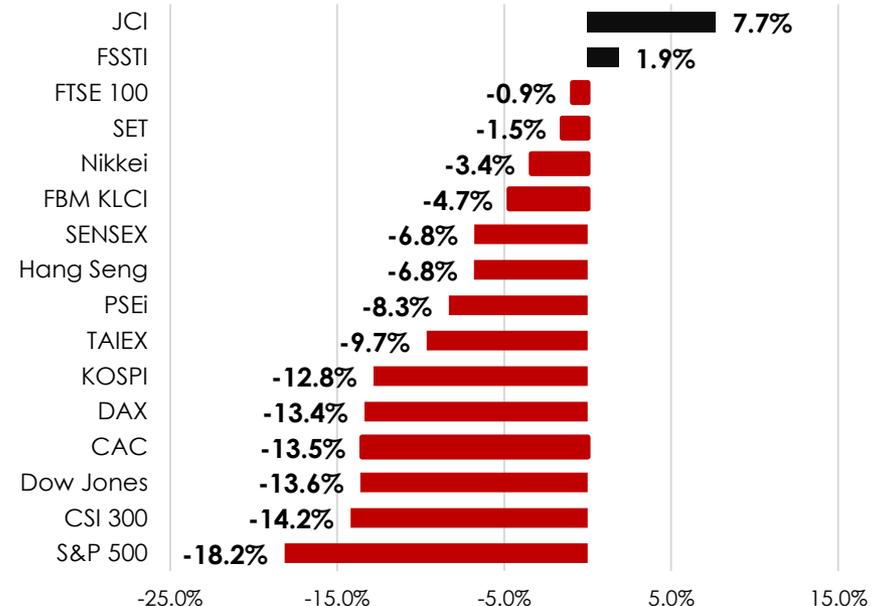
WEEKLY MARKET PERFORMANCE

- ✓ China's CSI 300 led gainers with a 3.7% weekly advance among the major equity markets as loosening Covid-19 restrictions in Beijing has boosted market sentiment on further improvement in economic activities.
- ✓ Meanwhile, the S&P 500 extended losses for the second straight week, declining by 5.1% following higher inflation rate in the U.S. It accelerated to 8.6% y-o-y in May (April: 8.3%), the highest since December 1981.
- ✓ On a Year-To-Date (YTD) basis, global equities continued to be affected as investors fretted that the global economy is weakening at a time when central banks are aggressively raising their benchmark interest rates to contain inflation.

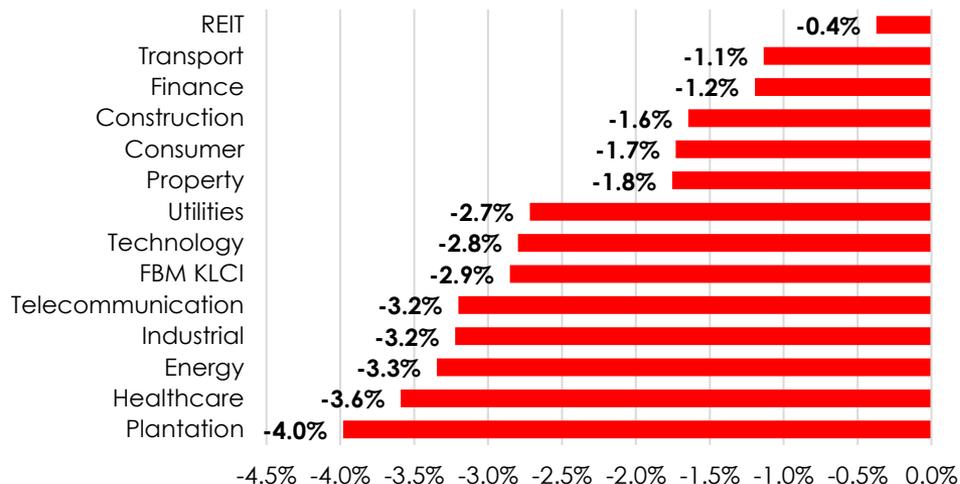
Weekly Gain/Loss of Major Equity Markets, % (Week Ending 10 June)



YTD Gain/Loss Of Major Equity Markets, % (As at 10 June)



Bursa Sectoral Performance, w-o-w%



WEEKLY PERFORMANCE

- ✓ Bursa sectoral indices saw a pullback for the week ending 10 June with **plantation sector recorded largest decline at 4.0%**.
- ✓ This was followed by Healthcare and Energy which dropped by 3.6% and 3.3% respectively.
- ✓ The downturn was in tandem with a heavy outflow from Bursa Malaysia last week as **foreign investors sold a total of RM436.9 million local equities** (week ending 3 June: RM477.5 million). It was the biggest weekly foreign outflows since December 2021 amid anticipation of another 50 basis points (bps) rate hike in the Federal Fund Rate (FFR).
- ✓ Be that as it may, international investors have bought RM6.9 billion net of local equities on a YTD basis.
- ✓ **Looking forward, we foresee the foreign outflows to persist this week amid market uncertainty ahead of Federal Open Market Committee (FOMC) meeting on 14-15 June. Following this, the FBM KLCI is likely to be traded between 1,460.0 points and 1,475.0 points.**

Weekly Foreign Fund Flows in 2022, RM Million



Source: CEIC

FIXED INCOME- VOLATILITY IN BOND MARKET AMID EXPECTATION OF ANOTHER RATE HIKE IN THE U.S. FFR

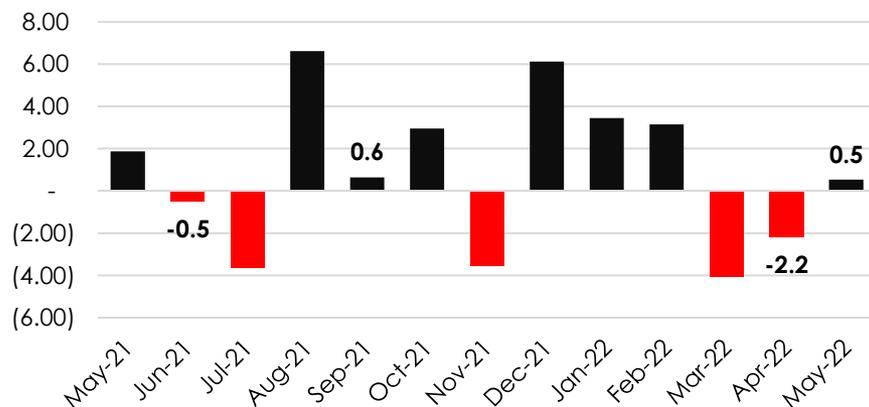
Bond Yields Weekly Change, basis points (bps)

UST	Yields (%) 3-Jun-22	Yields (%) 10-Jun-22	Change (bps)
3-M UST	1.21%	1.39%	18
2-Y UST	2.66%	3.06%	40
5-Y UST	2.95%	3.25%	30
10-Y UST	2.96%	3.15%	19

MGS	Yields (%) 3-Jun-22	Yields (%) 10-Jun-22	Change (bps)
3-Y MGS	3.44%	3.47%	3
5-Y MGS	3.73%	3.75%	2
7-Y MGS	4.10%	4.11%	1
10-Y MGS	4.21%	4.24%	3

Sources: CEIC, BNM

Foreign Fund Flows in Bond Market, RM Billion



Source: CEIC

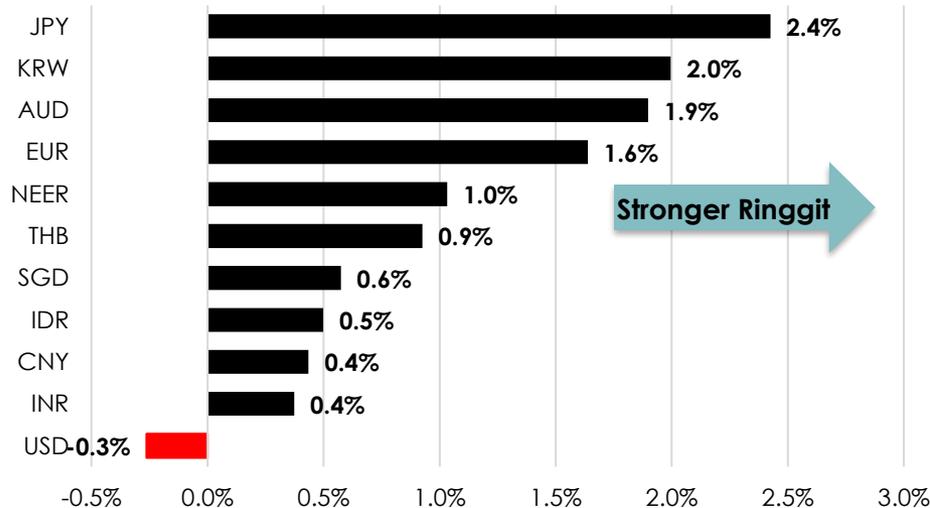
- ✓ As for the bond market, the U.S. Treasury (UST) yields surged between 18 bps and 40 bps for the week ending 10 June amid continued bond sell-off across the curve.
- ✓ Furthermore, the 10-Y UST yield closed at 3.15% on 10 June, the highest since November 2018 following higher than expected inflation data in the country (CPI May: 8.6% y-o-y vs. April: 8.3%).
- ✓ On the domestic front, the MGS yields ended higher between 1 bps and 3 bps as the Fed is expected to further tighten its monetary policy.
- ✓ As for the fund flows, the foreign investors purchased a total of RM0.5 billion during May after a RM2.2 billion net outflows recorded in April.
- ✓ All in all, the bond yields will remain volatile in the immediate term **amid worries over the inflation outlook that may affect the path of the Fed's policy tightening moving forward.**

RINGGIT ENDS LOWER AGAINST THE USD, BREACHING THE 4.4 MARK ON 10 JUNE

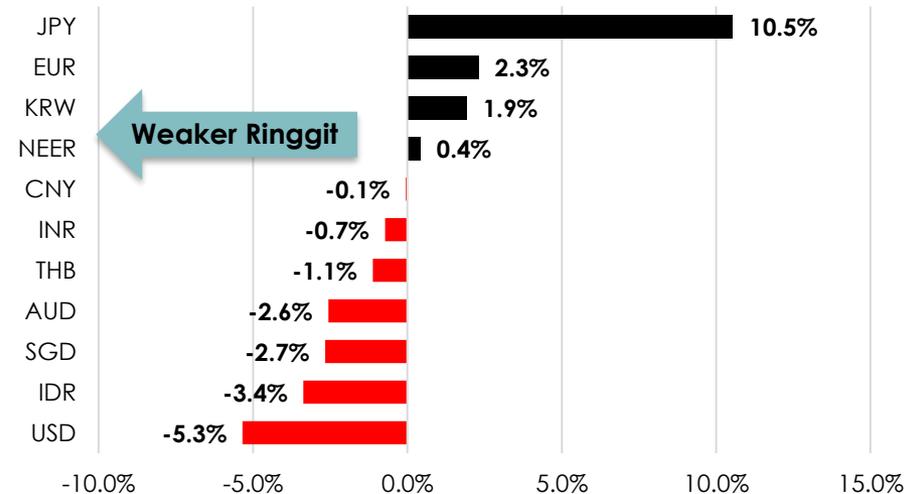
WEEKLY PERFORMANCE

- ✓ The Ringgit depreciated by 0.3% w-o-w against U.S. Dollar (USD), closing at RM4.4000 on 10 June from RM4.3870 in the preceding week.
- ✓ The greenback emerged stronger during the week as investors seek for safe haven assets amid signs by the ECB to hike interest rates next month since it battles high inflation (May: 8.1% vs. April: 7.4%).
- ✓ Additionally, the U.S. May CPI surged by 8.6% (April: 8.3%), marking the third straight month of inflation over 8.0%, suggesting the Fed might go further rate hikes than many are anticipating. As a result, it would bring downward pressure to emerging currencies including the Ringgit.
- ✓ Having said that, the USD would continue to be a highly sought-after currency until there are no signs by the Fed to pause in its policy decision. With the near-term economic outlook appear to be challenging, the local note is expected to trade between RM4.39 and RM4.40 this week.

**MYR against regional currencies, w-o-w%
(Week Ending 10 June)**



**MYR against regional currencies,
YTD Gain% (As at 10 June)**



ON THE SAME NOTE, JAPANESE YEN (JPY) IS MOVING TO ITS WEAKEST POINT SINCE 2002, HAMMERED BY THE U.S. FRIDAY'S INFLATION-SHOCK

- ✓ Last Friday, Japanese authorities expressing their concern on weak JPY against the USD.
- ✓ Additionally, the USD rose amid the global economy's prospects dimmed attributed by the Ukraine-Russia war, a surge in the U.S. inflation, as well as China's economic slowdown.
- ✓ The JPY has been significantly affected following the Bank of Japan's (BoJ) pledged to continue its low-interest-rate policy despite seeing slight inflation in the country (April: 2.5% vs. March: 1.2%).
- ✓ Typically, a cheap JPY is a boon for Japanese economy which is driven by exports such as automobiles. However, the recent JPY's slide triggered concern by the Japanese exporters since it occurs at the same time during rises in the commodity prices and supply shortages problems.
- ✓ As such, the USD/JPY is likely to remain volatile this week, ahead of BoJ's monetary policy meeting due on 17 June to see whether BoJ's governor will move from his stance that a weaker JPY is generally positive for the Japanese economy.



Source: Investing.com

COMMODITIES – BRENT PRICE CONTINUED TO INCREASE FOR THE FOURTH STRAIGHT WEEK

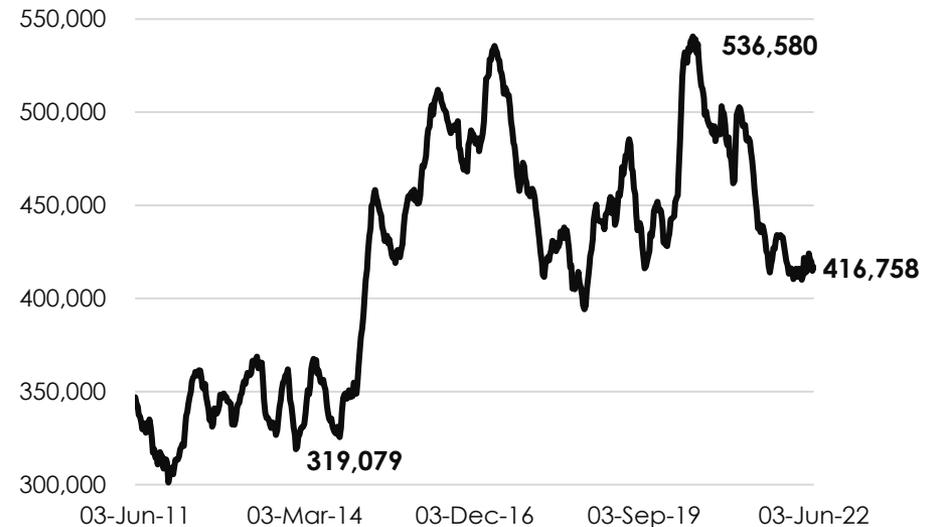
BRENT

- ✓ Brent crude oil price recorded a 1.7% weekly increase to settle at USD121.78 per barrel on 10 June (3 June: USD119.72 per barrel). This was mainly supported by latest short-term energy outlook by the U.S. Energy Information Administration (EIA) which predicted that Brent price will stay above USD100.00 per barrel during 2H2022.
- ✓ Apart from that, a strong demand in the U.S amid peak summer driving season has also outweighed the expectations of lower consumption from China.
- ✓ On the supply side, the U.S. EIA reported that the crude oil stockpiles increased unexpectedly, rising by 2.0 million barrels to 416.8 million barrels in the week ending 3 June (27 May: 414.7 million barrels). This was due to inventory shifts from the drawdowns in the Strategic Petroleum Reserve.
- ✓ Similarly, the American Petroleum Institute (API) mentioned that fuel inventories went up by 1.8 million barrels for the week which ended on 3 June from 1.2 million barrels draw in the previous week.

Brent Crude in USD per barrel



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



COMMODITIES – GOLD REBOUNDED FOLLOWING U.S. MAY INFLATION READINGS REINFORCED BETS FOR AGGRESSIVE RATE HIKES BY THE FED

GOLD

- ✓ Gold price rose by 1.0% to USD1,871.60 per ounce last Friday (3 June: USD1,851.19 per ounce) amid an unexpected surging in U.S. CPI (May: 8.6% vs. April: 8.3%), marking a new record of the highest reading since December 1981.
- ✓ Interestingly, the USD appreciated by 2.0% to 104.15 on 10 June from 102.14 seen in the previous week following a higher-than-expected inflation print could bolster the Fed's aggressive stance to tighten its monetary policy for the upcoming FOMC meeting this week.
- ✓ On further scrutiny, Friday's Michigan Consumer Sentiment Index plunged to 50.2 points in June (May: 58.4 points), reflecting pessimism among consumers due to the highest inflation rate in four decades.
- ✓ Already, the global economic remains clouded over the war in Ukraine, rising borrowing costs, ongoing supply disruptions, as well as high commodity prices.

Gold in USD per ounce



U.S. Dollar Index (DXY)



Source: Bloomberg

- ✓ The highlight of the week would be the **FOMC meeting** with the Fed is expected to deliver a 50 bps rate hikes on 14-15 June. Investors would be closely monitoring to see what the Fed Chairman Jerome Powell has to say on the future rate hikes following higher-than-expected inflation rate (May: 8.6% vs. April: 8.3%) as an aggressive rate hikes may sink the economy into recession.
- ✓ Aside from the U.S., the Bank of England (BoE) and BoJ would also deliberate their monetary decisions during the week. The BoE is expected to raise the key rates by 25 bps whereas the BoJ is likely to keep the policy rate unchanged.
- ✓ On the domestic front, Department of Statistic Malaysia (DOSM) would be publishing exports data for the month of May on 17 June 2022. We expect the exports to maintain its double-digit growth at 19.2% in May (April: 20.7%) supported by improving global demand and firmer commodity prices.
- ✓ Meanwhile, the Finance Minister Tengku Datuk Seri Zafrul Abdul Aziz has announced fuel subsidies are likely to stay for now as the government has sufficient funds to support fuel subsidy programme. Hence, the **inflation target between 2.3% and 3.3% at the end of this year is attainable.**
- ✓ All in all, the market participants will remain cautious amid volatility in the financial market. Following this, **we anticipate the FBM KLCI to range between 1,460.0 points and 1,475.0 points amid monetary tightening cycle in the U.S.**

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-May-22	427,817	40,772	84,924	2,288	456	17,421	33,664	2,271	49,907	7,452	6,230	9,042	31,629	7,354	2,605
11-May-22	653,972	51,206	94,942	2,897	400	56,199	39,041	4,831	43,902	24,978	7,650	10,677	100,579	48,584	3,321
12-May-22	651,092	57,553	77,452	2,827	335	42,683	45,740	3,890	35,864	22,352	6,019	9,711	100,419	40,287	3,410
13-May-22	659,537	65,881	65,074	2,841	335	39,483	42,378	3,645	32,451	21,161	9,779	8,694	127,912	31,824	3,029
14-May-22	536,921	65,326	56,921	2,858	308	39,029	38,439	4,291	29,541	19,477	6,736	7,613	98,893	30,100	2,373
15-May-22	597,982	64,346	20,007	2,487	257	36,334	39,416	3,383	25,434	18,577	6,094	6,886	117,813	30,459	2,239
16-May-22	432,571	68,993	9,567	2,202	182	27,726	34,845	2,651	13,251	7,503	5,238	6,098	28,363	17,301	1,697
17-May-22	395,786	62,011	65,783	1,569	247	13,776	26,334	2,123	35,080	6,314	3,893	7,938	45,426	5,936	1,469
18-May-22	645,078	65,965	68,148	1,829	327	44,901	33,734	2,664	31,327	19,523	5,633	9,388	124,572	43,727	2,017
19-May-22	652,032	84,737	53,701	2,364	318	30,927	41,527	6,442	28,113	19,039	6,305	8,262	129,063	29,995	2,124
20-May-22	630,548	90,656	44,320	2,259	250	30,722	38,812	4,578	25,105	17,572	6,463	7,617	146,632	22,962	2,063
21-May-22	551,450	86,063	39,945	2,323	263	26,818	39,001	4,342	23,462	15,906	5,377	6,798	109,502	20,933	2,024
22-May-22	533,120	84,865	13,750	2,226	227	24,246	34,957	3,775	19,298	15,083	4,739	5,793	149,684	22,507	1,814
23-May-22	396,950	79,754	6,894	2,022	174	18,289	31,262	2,827	9,944	5,933	4,099	4,998	35,211	16,965	1,544
24-May-22	349,231	66,477	47,077	1,675	345	10,021	22,916	2,751	26,326	4,944	4,144	5,983	43,871	1,134	1,918
25-May-22	555,721	82,613	46,665	2,124	315	31,860	29,522	5,727	23,937	17,000	5,013	7,291	111,266	32,029	2,430
26-May-22	588,180	89,607	35,114	2,628	246	22,999	34,869	4,167	18,799	14,085	4,924	6,664	133,064	22,004	1,845
27-May-22	521,256	82,120	8,264	2,710	224	22,636	31,542	3,936	16,584	12,911	4,837	6,261	153,506	20,595	1,877
28-May-22	476,036	94,753	32,527	2,685	279	20,051	28,335	3,830	14,382	11,518	4,488	5,722	112,797	4,811	1,645
29-May-22	567,081	81,043	10,569	2,828	242	18,622	24,919	3,323	12,654	11,757	3,649	5,364	147,523	15,638	1,155
30-May-22	346,711	76,727	6,374	2,706	218	15,136	20,828	2,551	6,124	4,959	3,854	4,966	27,043	16,382	1,325
31-May-22	301,753	60,201	46,757	2,338	340	7,846	18,686	2,389	17,171	4,533	3,955	5,649	27,884	4,673	1,451
1-Jun-22	471,265	80,809	51,414	2,745	368	24,687	19,982	4,985	15,797	14,703	4,563	7,045	50,034	33,084	1,809
2-Jun-22	611,288	88,425	44,597	3,712	304	18,822	22,513	3,577	9,878	12,947	2,560	6,994	175,628	26,068	1,877
3-Jun-22	538,101	77,134	42,194	4,041	372	17,718	20,961	3,745	12,510	12,906	2,976	6,870	137,040	25,365	1,844
4-Jun-22	498,187	76,786	39,099	3,962	395	9,692	19,271	3,233	12,048	11,579	3,001	6,080	106,349	22,626	1,591
5-Jun-22	465,859	68,350	12,554	4,270	388	22,809	-	2,879	9,835	9,854	3,236	6,448	133,290	10,776	1,358
6-Jun-22	315,945	62,264	7,564	4,518	342	15,522	32,757	2,256	5,022	3,576	2,162	7,223	29,873	20,542	1,330
7-Jun-22	248,623	53,254	8,938	3,714	518	8,616	11,351	2,162	6,134	2,389	2,224	9,096	31,046	6,184	1,128
8-Jun-22	538,571	83,172	69,197	5,233	520	28,547	15,519	4,477	13,343	-	2,688	9,206	135,192	9,703	1,518
9-Jun-22	625,987	80,429	77,830	7,240	556	22,925	18,275	3,602	12,150	-	3,185	6,200	138,455	53,705	1,887
10-Jun-22	574,365	73,344	50,313	7,584	627	23,534	17,201	3,431	9,315	-	2,836	-	167,186	40,151	2,166

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

Assuring Trust. Delivering Value.

Thank You