



From the Desk
of the
Chief Economist

BANK ISLAM

WEEKLY MARKET UPDATES

13 SEPTEMBER 2021

ECONOMIC RESEARCH

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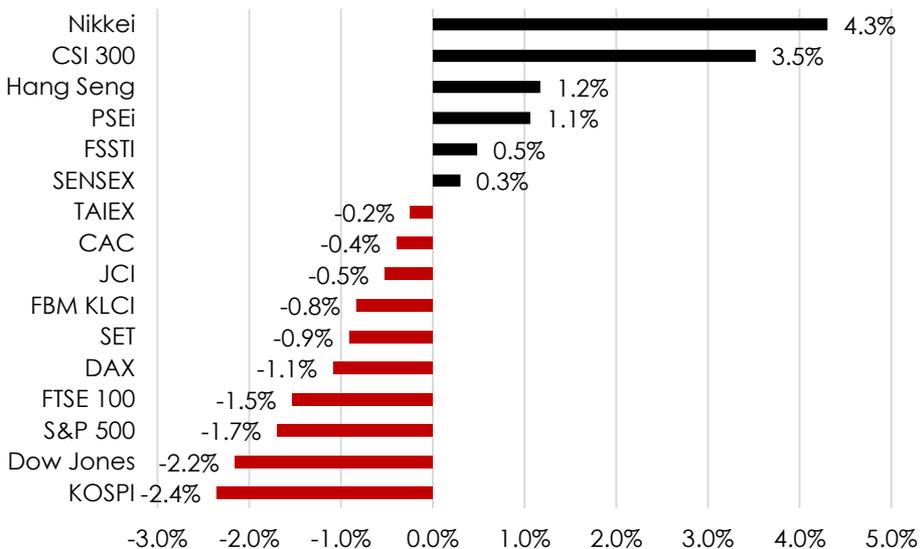
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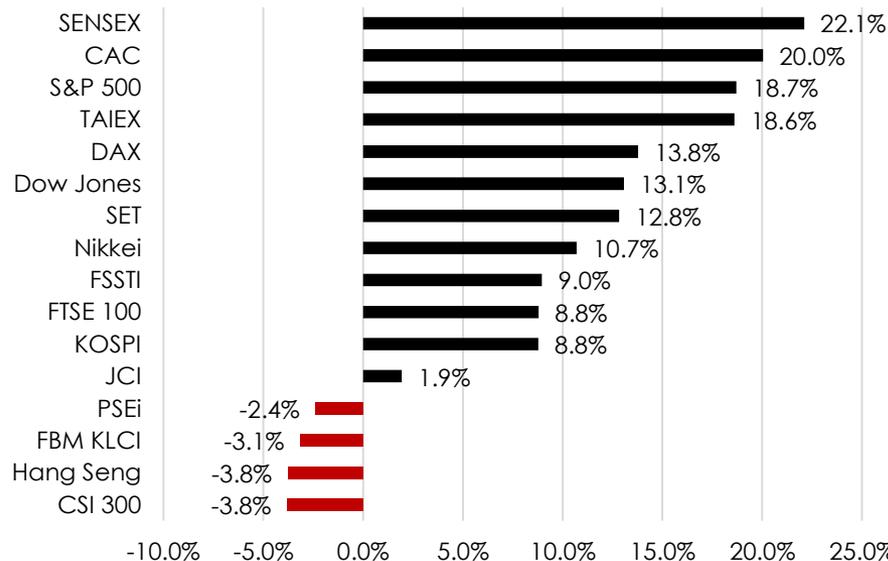
WEEKLY MARKET PERFORMANCE

- ✓ Losers outnumbered gainers among major equity markets last week with South Korea's KOSPI index leading laggards with a 2.4% weekly decline as internet giants such as Kakao Corp and its listed subsidiaries have lost more than USD16.0 billion in market value this month so far as the government ramps up its own version of technology crackdowns.
- ✓ Meanwhile, Japan's Nikkei index recorded the biggest weekly advance of 4.3%. The rally was driven by hopes that a new political shake-up in the country could unlock vast economic stimulus and give further impetus to global funds adjusting heavily underweight positions in many portfolios.
- ✓ On the domestic front, the FBM KLCI index dropped slightly by 0.8% for the week but was the second smallest decliner on a Year-To-Date (YTD) basis amongst major markets with a 3.1% loss.

**Weekly Gain/Loss of Major Equity Markets (%)
(Week Ended 10 September)**



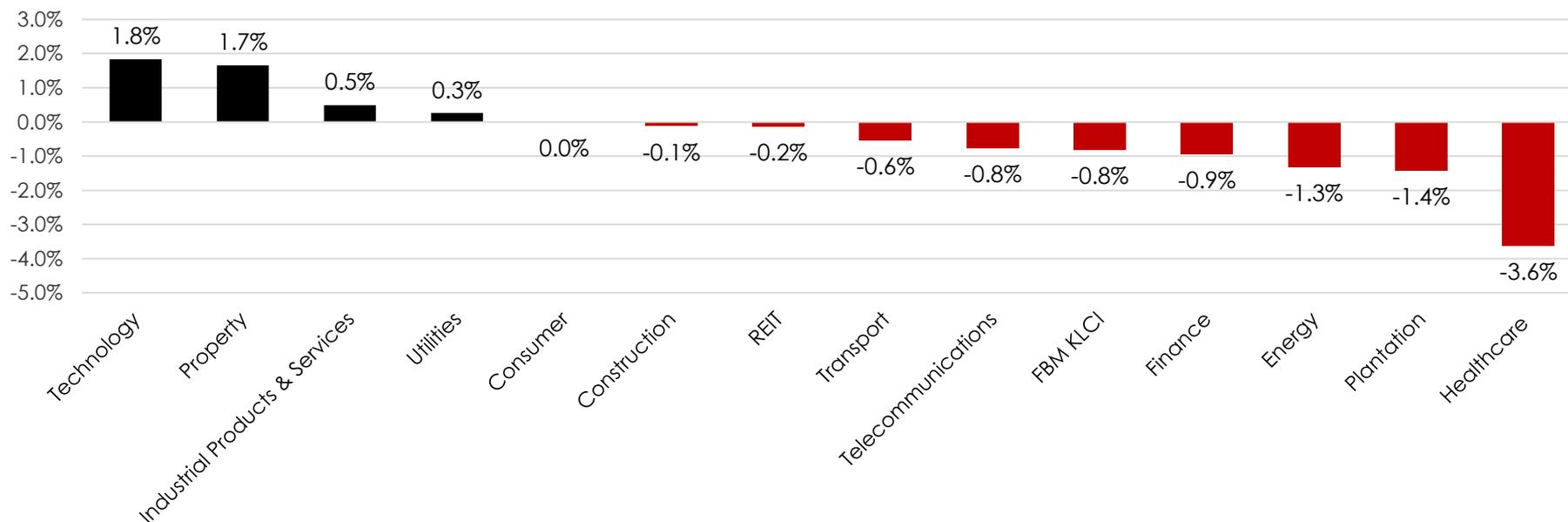
**YTD Gain/Loss Of Major Equity Markets (%)
(As at 10 September)**



WEEKLY SECTORAL PERFORMANCE

- ✓ The Bursa Malaysia Technology Index was again the biggest gainer, ending 1.8% higher during the week. Investors took cue from the statement of the Finance Minister and National Recovery Plan (NRP) Coordinating Minister, Tengku Datuk Seri Zafrul Tengku Aziz mentioning that data and technology will be among the key elements in charting Malaysia's economic recovery post-Covid-19 pandemic.
- ✓ On the other hand, the Bursa Malaysia Healthcare Index was the biggest loser, ending 3.6% for the week. Glove counters have been under selling pressure for some time, as investors are expecting the reopening of the economy due to Malaysia's Covid-19 vaccination progress. With that in mind, investors will have more investment choices to go through as the country's economy reopens, particularly sectors which were badly hit by the pandemic such as the aviation and consumer discretionary sector. Moreover, the glove makers in Malaysia are facing rising competition from China-based rivals and the pressure of declining average selling prices (ASPs) for gloves.

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



Source: Bursa

WEEKLY FOREIGN FUND FLOW

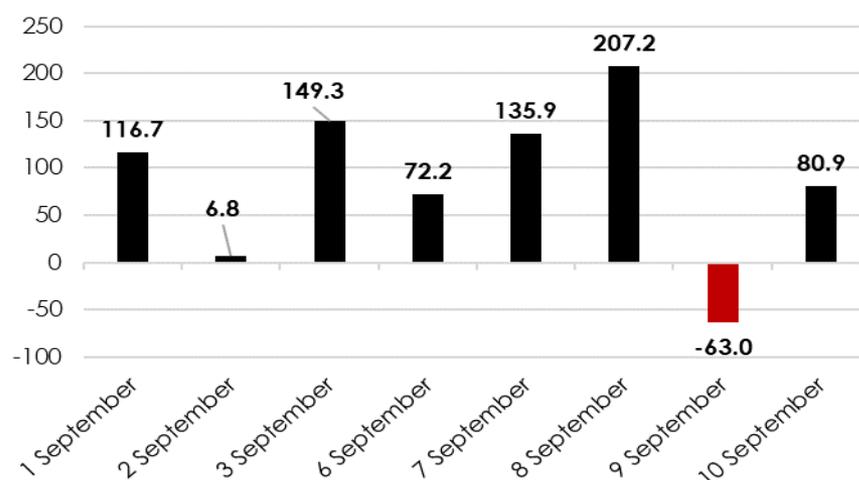
- ✓ Foreign investors acquired RM433.2 million net of local equities last week compared to the RM786.4 million net bought in the previous week, marking the fifth week of foreign net inflow in the equity market.
- ✓ Bursa had a good start to the week as international investors acquired RM72.2 million net of local equities on Monday as a disappointing U.S. jobs data in August fuelled expectations that the U.S. Federal Reserve (Fed) could push back the timeline for tapering stimulus measures. Foreign investors later bought RM135.9 million net of equities on Tuesday. Wednesday marked the 12th consecutive trading day of foreign net inflow as foreign investors bought RM207.2 million net on that day. However, the foreign net buying streak came to an end on Thursday after international investors sold RM63.0 million net, reflecting that investors were trying to lock in some gains after the recent rally in equity prices. Nevertheless, foreign investors returned to Bursa on Friday to the tune of RM80.9 million net despite the 5.2% y-o-y contraction in the industrial production index (IPI) during July.
- ✓ On a YTD basis, international investors have so far sold RM3.8 billion net of local equities this year compared to RM20.9 billion net disposed during the same period last year.

Weekly Foreign Fund Flow in Malaysia (RM Million)



Sources: Bursa

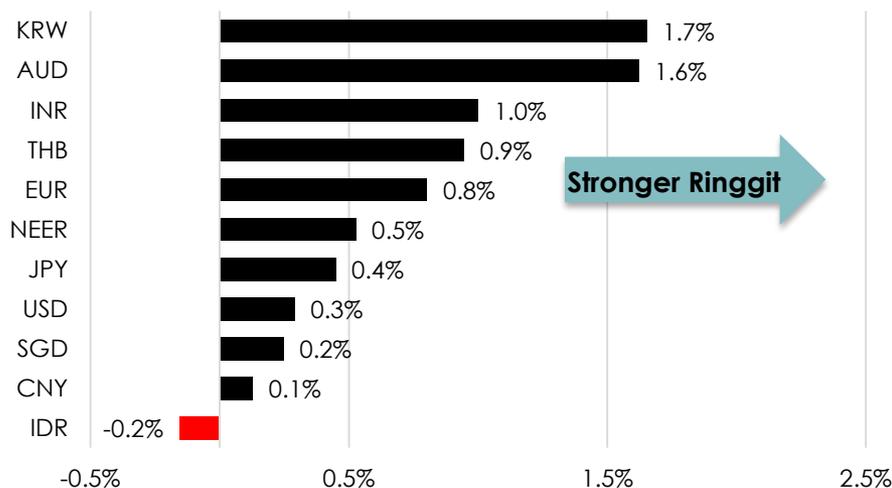
Daily Foreign Net Inflow/Outflow From 1 Sept - 10 Sept 2021 (RM Million)



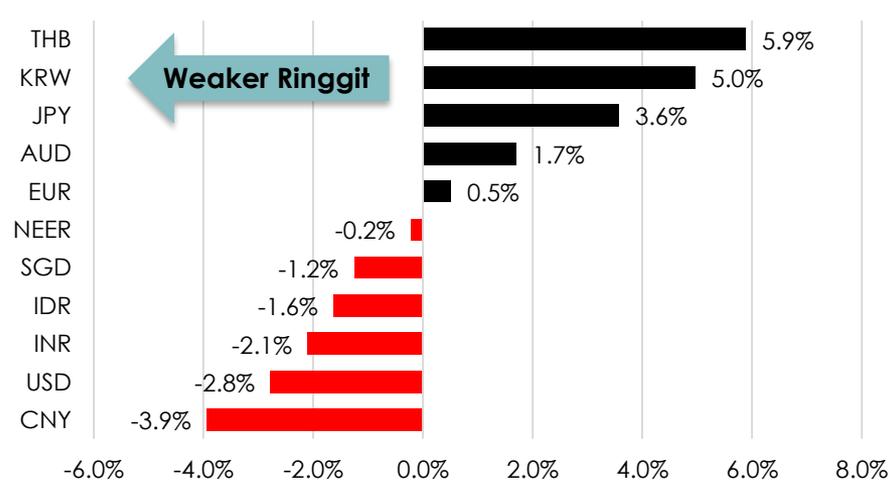
WEEKLY PERFORMANCE

- ✓ The Ringgit strengthened by 0.3% week-on-week (w-o-w) to close at RM4.1350 against the U.S. Dollar on 10 September from RM4.1440 previously.
- ✓ The stronger Ringgit was supported by the gain in Brent price which rose to USD72.92 per barrel on 10 September from USD72.61 per barrel on 3 September.
- ✓ Moreover, Malaysia's international reserves reached USD116.3 billion as at 30 August 2021 compared to USD101.7 billion on 31 March 2020 when the pandemic hit the country, representing a USD14.6 billion increase. This bodes well for the Ringgit as a strong reserves position guarantees the country's pay for months of imports and covers the obligation of short-term external debt, hence, signalling credibility and financial strength which will boost investors' confidence.
- ✓ In addition, the government and Pakatan Harapan leaders are expected to sign a Memorandum of Understanding (MoU) on bipartisan cooperation on 13 September 2021 that would ensure political stability and provide support to the Ringgit in the longer term.
- ✓ However, we foresee the Ringgit to trade between a range of RM4.14 and RM4.15 due to profit taking this week after it appreciated for two consecutive weeks.

MYR against regional currencies, w-o-w% (Week Ended 10 September)



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

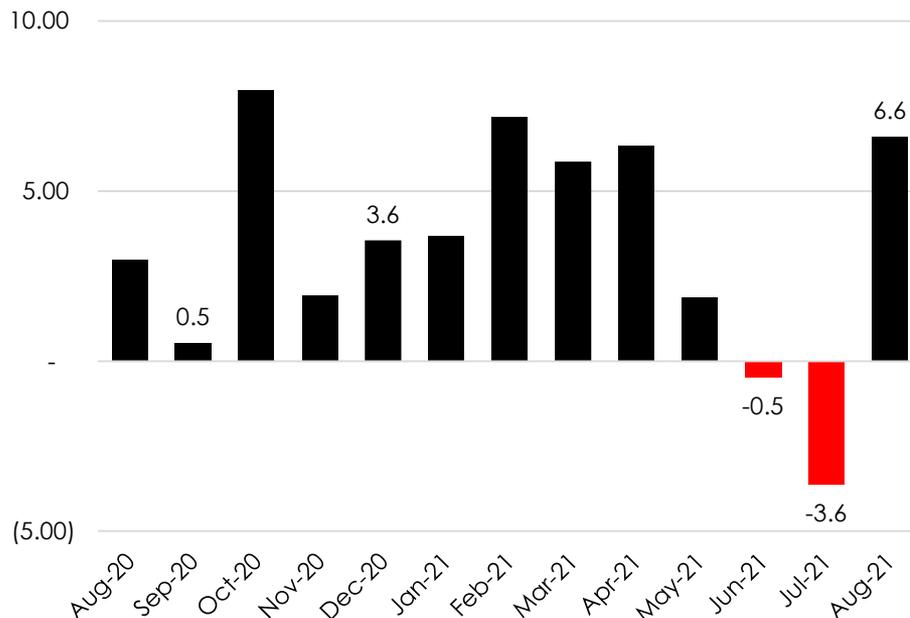


MGS Benchmark Weekly Change (bps)

MGS Benchmark	Coupon (%)	Yields (%) 3-Sep-21	Yields (%) 10-Sep-21	Change (bps)
3-Y MGS 06/24	3.48%	2.31%	2.31%	0
5-Y MGS 11/26	3.90%	2.67%	2.69%	2
7-Y MGS 06/28	3.73%	3.03%	3.06%	3
10-Y MGS 04/31	2.63%	3.19%	3.24%	5

Source: BNM

Foreign Fund Flows in Bond Market, RM billion



Source: CEIC
ECONOMIC RESEARCH

- ✓ Looking at the bond market, the MGS benchmark yields ended higher last week following the Bank Negara Malaysia's (BNM) monetary policy committee (MPC) meeting on 9 September as the BNM signalled that further policy easing is not on the cards.
- ✓ Following this, the 5-Y MGS 11/26, 7-Y MGS 06/28 and 10-Y MGS 04/31 went up by 2 bps, 3 bps and 5 bps to close at 2.69%, 3.06% and 3.24% while the 3-Y MGS was unchanged at 2.31%.
- ✓ On the other hand, the bond market recorded a foreign net inflow of RM6.6 billion in August after foreign investors off-loaded their fund for two straight months (July: -RM3.6 billion vs. June: -RM0.5 billion).
- ✓ Nevertheless, we foresee that investors would remain cautious in the medium term should the talks of asset purchases would resurface again in the upcoming Federal Open Market Committee (FOMC) meeting that could lead to a shift in capital allocation.
- ✓ All in all, the bond yields are likely to rise gradually given the phased reopening of the domestic sectors that allow business activities to operate at a higher capacity level and continue to support the nation's economic recovery.

BRENT

- ✓ Brent crude oil price recorded a 0.4% weekly increase to settle at USD72.92 per barrel on 10 September (3 September: USD72.61/barrel) amid ongoing supply disruptions in the offshore of the Gulf of Mexico and China's unprecedented intervention in the global oil market. On further scrutiny, China released crude from its strategic reserve for the first time with the explicit aim of lowering prices due to surging in energy costs.
- ✓ Apart from that, the continuous decline in crude oil inventory had supported the oil price movement last week as demand condition is gradually improving. The U.S. Energy Information Administration (EIA) reported that stocks of crude oil fell by 1.5 million barrels to 423.9 million barrels in the week ended 3 September (27 August: 425.4 million barrels), the lowest level since early 2020. Similarly, the American Petroleum Institute (API) report mentioned that crude stockpiles decreased by 2.9 million barrels in the week ended 3 September from a draw of 4.0 million barrels in the preceding week.

Brent Crude in USD per barrel



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



GOLD

- ✓ Gold price dropped by 2.2% to USD1,787.58 per ounce on 10 September after recording a gain of 0.6% (USD1,827.73 per ounce) in the previous week amid uncertainties over the Fed's tapering timeline. Following this, U.S. Dollar Index appreciated by 0.6% to 92.58 on 10 September (3 September: 92.04).
- ✓ With U.S. producer prices increasing solidly by 8.3% y-o-y in August (July: 7.7%), above the market expectation of 0.6%, this may potentially spur the Fed to pull forward its timing on tapering of asset purchases.
- ✓ In relation to gold price, the function of gold as a hedge against inflation will likely exert upward prices on the commodity if consumer prices continue to increase at a faster pace in line with producer prices.
- ✓ On a side note, India's import of gold in August nearly doubled from a year earlier to the highest in five months as the upcoming festive season drives up the demand for jewelleries, cushioning the losses in the gold price during last Friday.

Gold in USD per ounce



U.S. Dollar Index (DXY)



Source: Bloomberg

- ✓ The recent loosening of movement restrictions for fully vaccinated individuals may encourage investors to widen their investments in other sectors that were badly hit due to the pandemic such as aviation amid the Langkawi travel bubble taking effect from 16 September.
- ✓ On the other hand, the holiday-shortened week will not be expecting any major events except for the signing of the MoU on bipartisan cooperation between the ruling government and the opposition. Therefore, the FBM KLCI index is expected to hover in a tight range between 1,575 points to 1,585 points in the week ahead.
- ✓ In relation to economic data, Malaysia will not be releasing any economic indicators this week. Meanwhile, a slew of **industrial production data will be released by countries such as China, Hong Kong, Japan and the Euro Zone**. Other important data which will be released this week includes the **U.S's inflation rate for the month of August** which will shed light on whether strong inflationary pressures remain in the country amid the spike in demand for goods in the wake of a strained supply chain ecosystem.
- ✓ With human mobility increasing and manufacturing activities being ramped up, the likelihood of a tighter strain on the supply chain bottleneck in Malaysia cannot be ruled out as the country has an important role in the global value chain. Local manufacturers could face hurdles if local orders combined with overseas orders reach an extent of overwhelming their production capacity even after raising the working capacity.
- ✓ All in all, the optimism on the gradual reopening of the economy should be accompanied with caution towards the pace of how businesses can resume in order to meet the pent-up demand.

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-Aug-21	483,315	153	2,480	28,204	32,081	4,200	12,329	71	1,536	7,129	19,843	24,881	50,860	672	19,991
11-Aug-21	655,278	123	4,996	38,353	30,625	5,624	10,866	55	2,222	14,937	21,038	23,297	166,521	24,236	20,780
12-Aug-21	689,502	98	5,638	41,195	24,709	6,921	15,063	63	1,987	17,122	22,782	29,260	133,326	30,757	21,668
13-Aug-21	706,948	110	5,578	40,120	30,788	7,267	18,225	59	1,991	15,650	23,418	32,706	141,652	26,647	21,468
14-Aug-21	713,200	87	5,644	38,667	28,598	7,398	20,490	49	1,928	14,778	22,086	32,362	140,676	25,588	20,670
15-Aug-21	660,753	62	4,728	36,083	20,813	7,181	20,113	58	1,814	13,722	21,882	29,143	145,237	21,341	20,546
16-Aug-21	647,093	61	2,126	32,937	17,384	5,661	16,164	53	1,556	7,960	21,157	26,426	181,433	21,125	19,740
17-Aug-21	529,874	55	3,912	25,166	20,741	3,669	15,399	53	1,371	5,498	20,128	28,176	96,898	5,829	19,631
18-Aug-21	597,392	49	8,324	35,178	15,768	5,268	19,231	56	1,804	9,458	20,515	26,628	113,803	17,104	22,242
19-Aug-21	699,648	60	8,400	36,401	22,053	7,159	22,836	53	2,151	11,913	20,902	33,646	149,314	27,437	22,948
20-Aug-21	731,724	44	9,280	36,571	20,004	7,240	25,328	32	2,052	12,501	19,851	36,273	158,509	23,102	23,564
21-Aug-21	668,662	31	8,092	34,457	16,744	7,220	24,955	40	1,879	11,704	20,571	36,987	134,939	18,918	22,262
22-Aug-21	685,346	45	7,050	30,948	12,408	7,466	25,144	37	1,626	11,653	19,014	31,783	185,176	22,636	19,807
23-Aug-21	591,320	36	3,668	25,072	9,604	5,922	22,914	35	1,414	6,455	17,491	31,976	141,113	17,282	17,672
24-Aug-21	466,435	46	5,747	25,467	19,106	4,166	17,993	98	1,509	4,070	17,165	31,675	42,515	4,758	20,837
25-Aug-21	724,337	33	11,561	37,593	18,671	6,078	20,769	116	2,148	9,760	18,417	30,619	227,282	22,004	22,642
26-Aug-21	725,211	32	12,626	46,164	16,899	7,539	23,698	120	1,882	9,569	18,501	35,547	172,744	22,610	24,599
27-Aug-21	737,350	43	12,029	44,658	12,618	7,215	26,050	116	1,836	8,812	18,702	37,962	189,129	18,812	22,070
28-Aug-21	698,285	45	10,303	46,759	10,050	7,823	22,580	122	1,793	8,144	17,984	37,690	165,231	10,563	22,597
29-Aug-21	481,878	45	8,416	45,083	7,427	6,858	22,927	121	1,618	7,972	16,536	32,087	-	17,381	20,579
30-Aug-21	718,808	53	4,559	42,909	5,436	5,954	19,994	133	1,485	3,980	15,972	32,937	280,846	13,589	19,268
31-Aug-21	574,522	48	5,750	30,941	10,534	4,253	14,963	155	1,371	2,662	14,666	26,227	178,264	2,132	20,897
1-Sep-21	585,547	25	13,531	41,965	10,337	5,492	16,826	161	2,020	6,146	14,802	31,931	134,701	17,441	18,762
2-Sep-21	642,087	35	13,715	47,092	8,955	6,496	21,070	180	1,961	7,105	14,956	35,493	154,059	17,102	20,988
3-Sep-21	736,694	28	14,251	45,352	7,797	6,754	17,456	191	1,709	5,852	14,653	37,830	226,459	15,353	19,378
4-Sep-21	654,638	38	10,835	42,618	6,727	6,729	16,850	219	1,803	5,203	15,942	42,065	165,043	8,708	19,057
5-Sep-21	590,472	30	10,453	42,766	5,403	6,156	15,469	259	1,490	4,749	15,452	36,642	158,027	13,243	20,396
6-Sep-21	497,536	32	4,749	38,948	4,413	5,314	14,374	191	1,374	2,578	13,988	36,515	95,570	10,260	17,352
7-Sep-21	449,204	54	6,726	31,222	7,201	3,347	9,145	241	1,596	1,842	13,821	40,801	58,889	2,310	18,547
8-Sep-21	658,117	37	13,565	37,875	6,731	4,715	10,477	332	2,050	4,096	14,176	37,179	247,820	12,851	19,733
9-Sep-21	584,073	39	15,431	43,263	5,990	5,921	12,118	349	2,047	4,222	16,031	38,486	122,980	12,348	19,307
10-Sep-21	584,433	25	12,969	34,973	5,376	5,518	10,729	457	1,892	2,025	14,403	37,480	164,380	10,901	21,176

Source: CEIC

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