



From the Desk  
of the  
**Chief Economist**

**BANK ISLAM**

# **WEEKLY MARKET UPDATES**

**13 DECEMBER 2021**

## **ECONOMIC RESEARCH**

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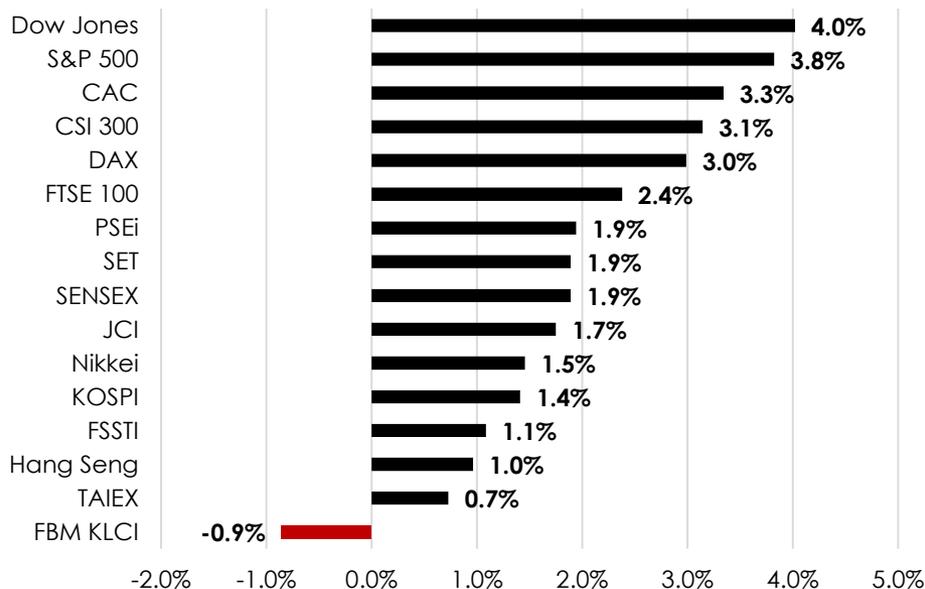
**NOR JANNAH ABDULLAH**

**RAJA ADIBAH RAJA HASNAN**

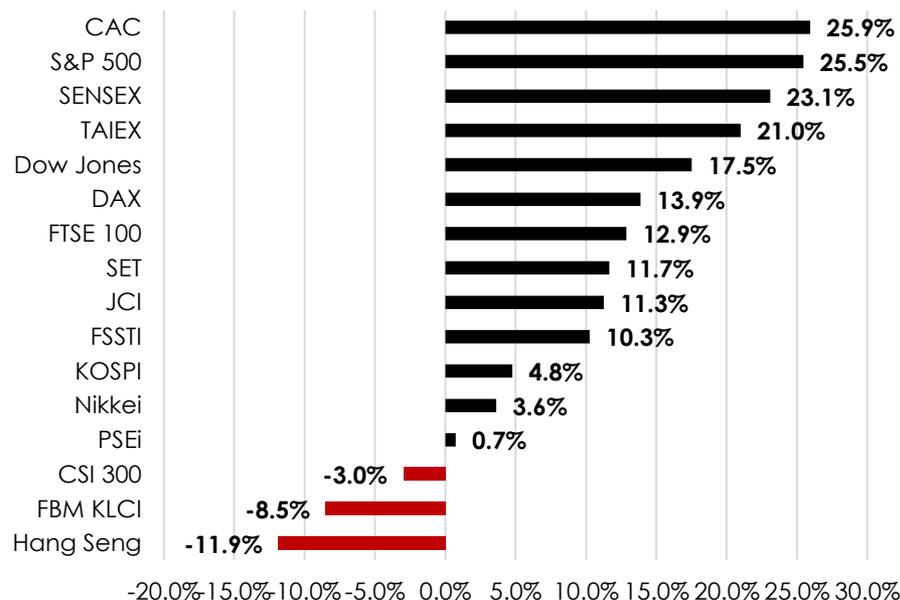
## WEEKLY MARKET PERFORMANCE

- ✓ Wall Street's Dow Jones index and S&P 500 index led gainers with a 4.0% and 3.8% weekly advance among major equity markets respectively. In fact, the S&P 500 index closed at a record high of 4,712.0 points on Friday, shrugging off the fastest pace of the U.S. inflation in 39 years after growing by 6.8% in November (October: 6.2%) as investors continued to pile into tech stocks.
- ✓ Meanwhile, Malaysia's FBM KLCI index was the only decliner, dropping by 0.9% for the week as investors remained cautious despite preliminary evidence from South Africa suggesting that the Omicron variant may be milder than the Delta variant. The reason being is that the World Health Organisation (WHO) mentioned that the exact impact from the latest variant regarding transmissibility and severity is still difficult to know.
- ✓ On a Year-To-Date (YTD) basis, the FBM KLCI index is the second smallest decliner amongst major markets with a 8.5% loss.

### Weekly Gain/Loss of Major Equity Markets (%) (Week Ended 10 December)



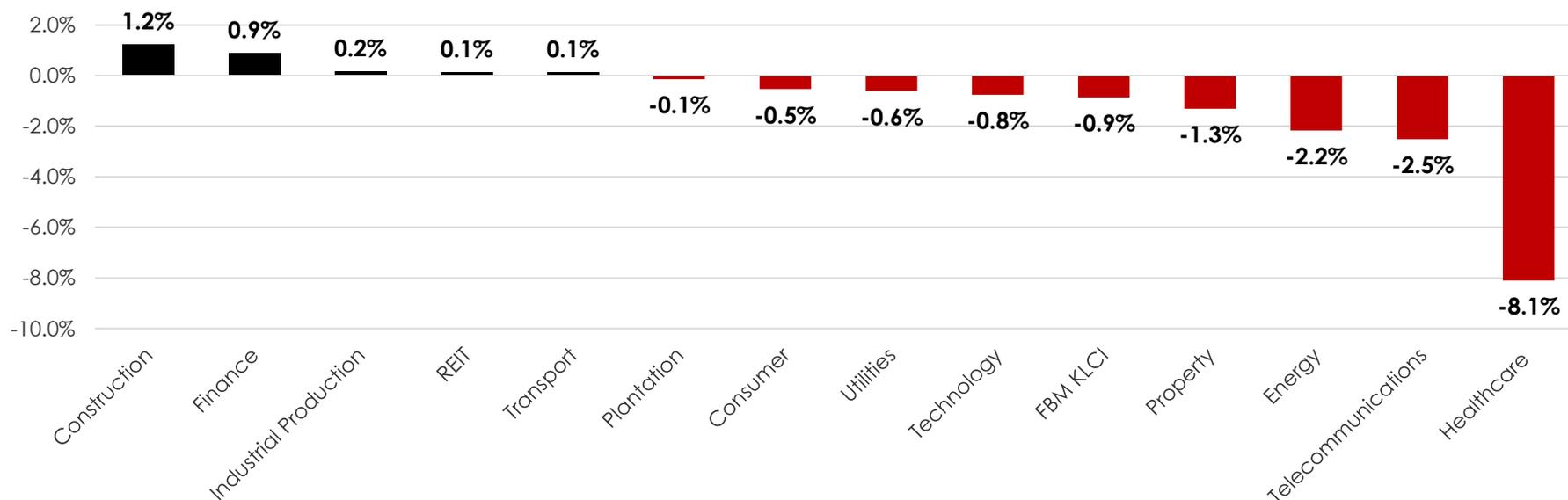
### YTD Gain/Loss Of Major Equity Markets (%) (As at 10 December)



## WEEKLY SECTORAL PERFORMANCE

- ✓ The Bursa Malaysia Construction Index was the biggest gainer among sectoral indices, ending 1.2% higher during the week. The weekly advance in the index was partly attributable to the agreement by the Malaysian cabinet on the recruitment of foreign workers for all sectors apart from the plantation sector. Malaysia also signed a memorandum of understanding (MoU) on taking in workers from Bangladesh last week. This would definitely benefit the construction sector which relies on foreign workers.
- ✓ On the other hand, the Bursa Malaysia Healthcare Index recorded the largest weekly decline of 8.1%, taking cue from Top Glove's latest disappointing quarterly financial results. Top Glove's net profit for the quarter ended 30 November 2021 slumped by 92.3% year-on-year (y-o-y) to RM185.7 million from RM2.4 billion recorded in the same quarter last year. The softer performance for the said quarter came on the back of normalising average selling prices (ASPs) and demand, which was in contrast with the same period last year which saw a robust demand for gloves with ASPs almost reaching their peak in the height of the Covid-19 pandemic.

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

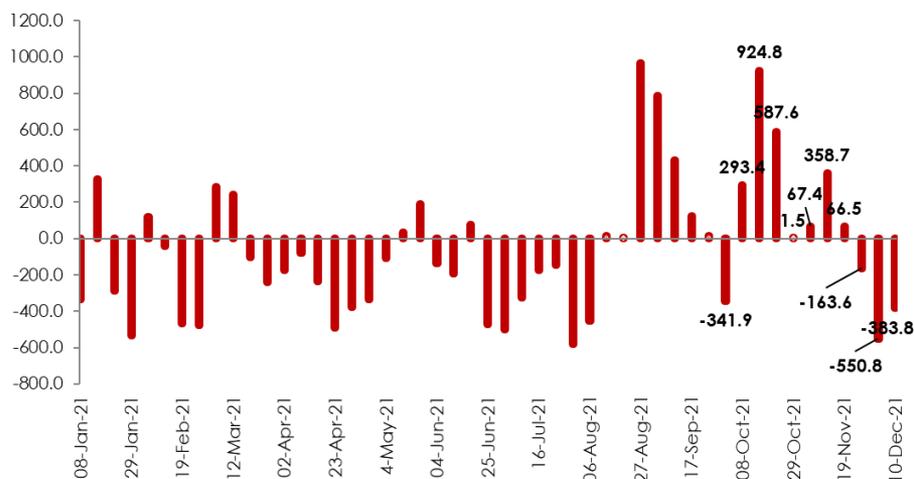


Source: Bursa

## WEEKLY FOREIGN FUND FLOW

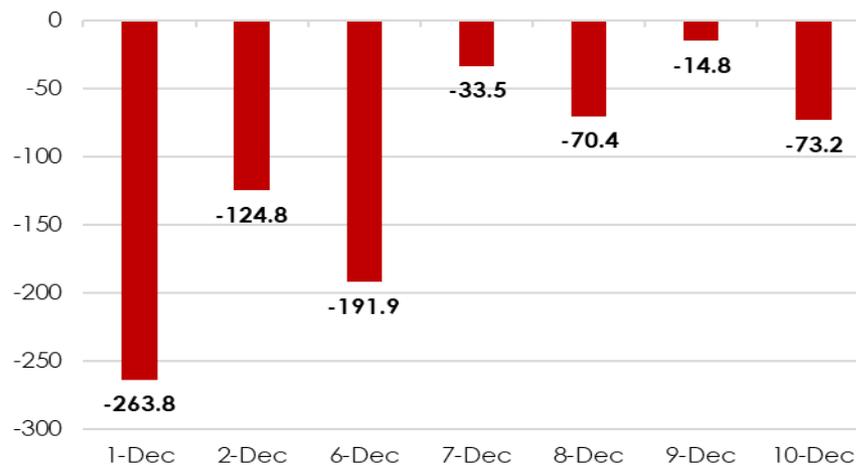
- ✓ Foreign investors remained in selling mode as they disposed RM383.8 million net of local equities last week compared to the RM550.8 million net bought in the previous week. This marks the third consecutive week of foreign net selling on Bursa.
- ✓ Bursa started the week on the wrong foot as foreign investors sold RM191.9 million net of local equities on Monday which coincided with the FBM KLCI index's 1.2% drop to close at 1,483.9 points on the same day, the lowest point in 13 months amid fears of the Omicron variant. Nevertheless, the pace of foreign net selling slowed down on Tuesday, reaching RM33.5 million while the FBM KLCI index was up by 1.0% amid window dressing activities. However, the slowdown in foreign selling activity was short-lived as foreign investors withdrew RM70.4 million net on Wednesday. The level of foreign net selling dropped to RM14.8 million on Thursday before increasing again to RM73.2 million on Friday amid a sell-off in rubber glove counters.
- ✓ On a YTD basis, international investors have so far sold RM2.8 billion net of local equities this year compared to RM24.6 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 December to 10 December 2021 (RM Million)

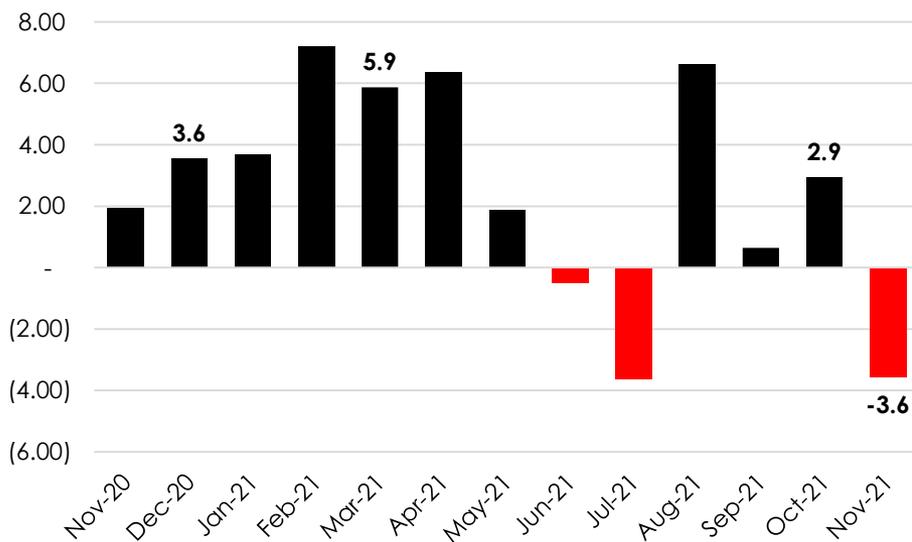


## MGS Benchmark Weekly Change (bps)

MGS Benchmark	Coupon (%)	Yields (%) 3-Dec-21	Yields (%) 10-Dec-21	Change (bps)
3-Y MGS 06/24	3.48%	2.66%	2.74%	8
5-Y MGS 11/26	3.90%	3.11%	3.15%	4
7-Y MGS 06/28	3.73%	3.38%	3.47%	9
10-Y MGS 04/31	2.63%	3.54%	3.54%	0

Source: BNM

## Foreign Fund Flows in Bond Market, RM Billion



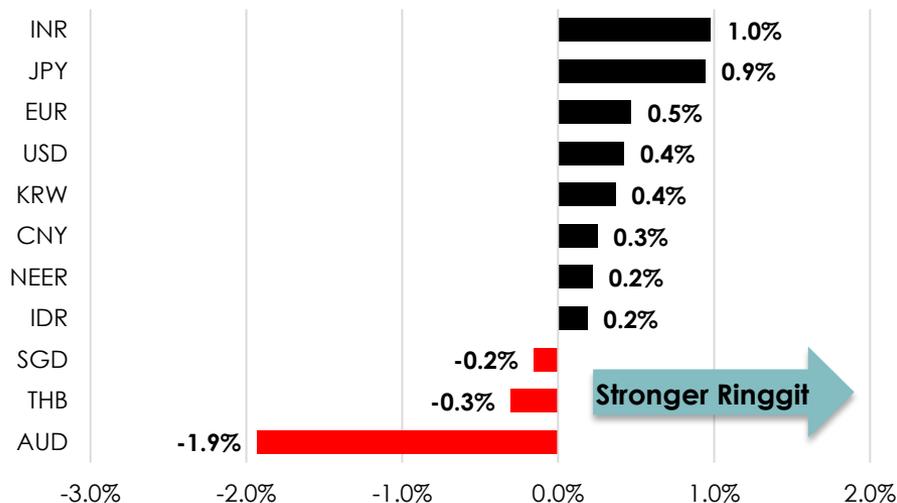
Source: CEIC

- ✓ As for the bond market, the MGS benchmark yields were mostly higher between 4 basis points (bps) and 9 bps during the week. The 3-Y MGS 06/24, 5-Y MGS 11/26 and 7-Y MGS 06/28 increased by 8 bps, 4 bps and 9 bps to close at 2.74%, 3.15% and 3.47% respectively on last Friday. Nevertheless, the 10-Y MGS 04/31 remained flat at 3.54% on 10 December.
- ✓ As for the fund flow, the foreign investors turned net sellers with a RM3.6 billion net outflow recorded in November (October: RM2.9 billion).
- ✓ This was mainly weighed by an improved economic situation in the U.S. alongside the U.S. Federal Reserve (Fed)'s decision to taper its quantitative easing program.
- ✓ However, foreign investors continued to record net inflows on a cumulative basis worth RM27.5 billion during 11M2021 (11M2020: RM14.8 billion).
- ✓ In the medium term, the demand for bond market is expected to be supportive in view of rise in global risk-off sentiment following Covid-19 resurgence across Europe.
- ✓ This was exacerbated with the discovery of the new Omicron Covid-19 variant.

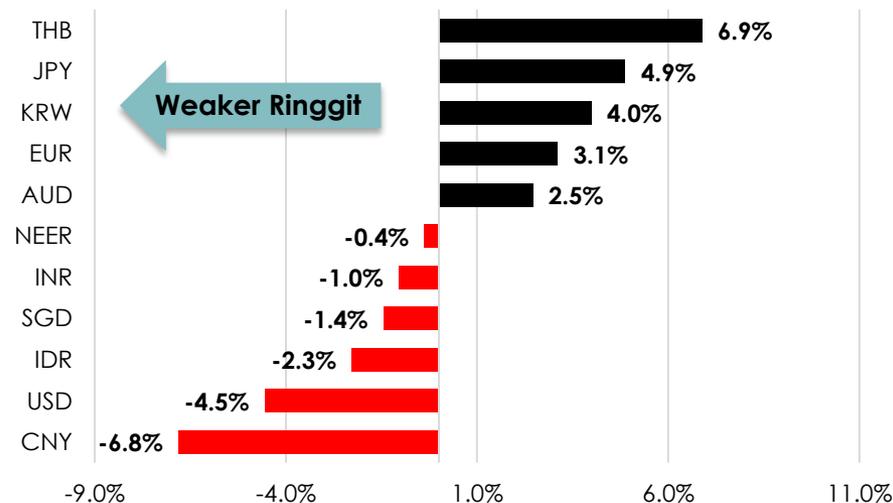
## WEEKLY PERFORMANCE

- ✓ The Ringgit was higher by 0.4% week-on-week (w-o-w) to close at RM4.2100 against the U.S. greenback on 10 December from RM4.2310 previously.
- ✓ The appreciation was supported by gain in Brent crude oil price which higher to USD75.15 per barrel, representing a 7.5% weekly increase on 10 December (3 December: USD69.88 per barrel), as well as a stronger Chinese Yuan against the U.S. Dollar (10 December: CNY6.3685 vs. 3 December: CNY6.3764).
- ✓ On the other hand, the U.S. initial jobless claims (IJC) fell significantly to 184k last week against the consensus estimates of 215k, demonstrating that the country's economic activities continued to strengthen.
- ✓ Following this, demand-induced inflation in the U.S. could be quite visible and the Fed may want to remove the monetary policy accommodation and to conclude its quantitative easing program earlier.
- ✓ All in all, the Ringgit is expected to trade between RM4.2000 and RM4.2300 amid lack of positive catalysts on domestic front and all eyes will be on the Federal Open Market Committee (FOMC) meeting from 14 to 15 December.

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



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



## BRENT

- ✓ Brent crude oil price recorded a 7.5% weekly increase to settle at USD75.15 per barrel on 10 December (3 December: USD69.88 per barrel), the biggest weekly gain since August this year.
- ✓ The oil market was volatile last week as market players tried to assess the impact of Omicron towards fuel demand amid early indications that the variant seems to be less severe than initially expected. Apart from that, results from an initial laboratory study demonstrated that antibodies induced by Pfizer and BioNTech vaccine would neutralize the omicron variant after three doses.
- ✓ Meanwhile, on the supply side, the U.S. Energy Information Administration (EIA) reported that the crude oil inventories dropped by 0.2 million barrels to 432.9 million barrels in the week ended 3 December (26 November: 433.1 million barrels). Similarly, the American Petroleum Institute (API) report mentioned that crude stockpiles decreased by 3.1 million barrels in the week ended 3 December from 0.7 million barrels draw in the preceding week. As such, these have provided some support to the crude oil price movement last week.

### Brent Crude in USD per barrel



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



Source: Bloomberg

## GOLD

- ✓ Gold prices were unchanged (10 Dec: USD1,782.84 per ounce vs. 3 Dec: USD1,783.29 per ounce) last week after enduring series of decline in the previous week amid higher U.S. inflation print.
- ✓ On further scrutiny, the U.S. Consumer Price Index (CPI) surged by 6.8% y-o-y in November, accelerating at its fastest pace since 1982, mainly attributable by the increase in costs of food, energy and shelter components. Apart from that, strong consumer demand for goods and supply chain bottlenecks have also supported such trend.
- ✓ As such, this has put pressure on the economic recovery prospects and is likely to reinforce the Fed's hawkish turn. This week, the Fed is expected to announce that it will speed up the pace for its tapering of monthly asset purchases and thus would open the door for interest rate hike sooner than expected.
- ✓ Be that as it may, uncertainties rising from the Omicron variant are expected to provide a floor to bullion prices as it may cause a wave of transmissions globally, leading to higher number of infection cases.

### Gold in USD per ounce



### U.S. Inflation Rate, y-o-y %



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
10-Nov-21	558,689	61	39,676	11,466	480	6,032	195	3,397	2,425	3,432	6,978	32,785	128,085	11,500	6,243
11-Nov-21	545,793	72	50,196	13,091	435	7,891	204	3,481	2,520	3,850	7,496	39,325	83,034	11,822	6,323
12-Nov-21	537,762	110	48,640	12,516	399	8,569	220	2,396	2,368	3,831	7,305	42,401	92,033	12,504	6,517
13-Nov-21	507,448	86	45,081	11,850	359	8,516	183	3,099	2,416	4,353	7,057	38,900	71,556	3,600	5,809
14-Nov-21	518,423	95	33,498	11,271	339	8,544	199	2,304	2,325	4,849	7,079	37,669	122,966	14,645	5,162
15-Nov-21	414,931	61	23,607	10,229	221	7,569	146	1,723	2,006	2,873	6,343	36,128	62,784	12,475	5,143
16-Nov-21	409,346	37	32,048	8,865	347	5,144	95	2,069	2,125	2,123	5,947	39,270	28,553	3,162	5,413
17-Nov-21	611,571	34	52,826	10,197	522	7,815	135	2,069	3,182	5,626	6,524	36,821	143,602	18,413	6,288
18-Nov-21	591,239	43	65,371	11,919	400	10,167	205	3,474	3,292	6,362	6,901	37,868	96,599	20,201	6,380
19-Nov-21	602,054	31	52,970	11,106	360	10,645	162	2,038	3,034	6,387	6,855	46,858	106,040	19,840	6,355
20-Nov-21	616,767	34	63,924	10,302	393	10,554	156	1,734	3,206	6,850	6,595	44,237	123,846	20,847	5,859
21-Nov-21	545,697	24	42,727	10,488	314	11,540	114	1,931	3,120	7,718	7,006	39,881	113,418	22,568	4,854
22-Nov-21	428,788	49	30,643	8,488	186	9,707	141	1,670	2,826	4,453	6,428	39,458	38,942	19,749	4,885
23-Nov-21	450,383	25	45,326	7,579	394	6,403	48	1,461	2,698	3,139	5,126	44,434	34,364	5,201	5,594
24-Nov-21	718,243	35	66,884	9,283	451	10,044	102	1,782	4,115	8,033	5,857	42,482	154,030	28,255	5,755
25-Nov-21	642,712	30	75,961	9,119	372	12,450	81	2,079	3,936	9,001	6,335	42,435	101,828	32,451	6,144
26-Nov-21	662,560	29	76,414	10,549	453	13,756	118	1,275	3,901	9,515	6,559	46,654	105,405	33,320	5,501
27-Nov-21	584,876	41	67,125	8,318	404	13,681	121	1,090	4,067	9,830	6,073	49,344	68,433	34,251	5,097
28-Nov-21	531,839	38	44,401	8,774	264	12,869	118	1,761	3,923	10,924	5,854	39,567	82,859	37,137	4,239
29-Nov-21	448,036	54	29,364	8,309	176	12,927	81	747	3,307	6,697	4,753	36,507	48,511	31,642	4,087
30-Nov-21	465,500	50	45,753	6,990	297	7,972	78	1,103	3,029	4,479	4,306	42,144	52,251	5,981	4,879
1-Dec-21	628,765	124	67,186	8,954	278	12,757	83	1,239	5,119	11,279	4,886	39,713	102,839	46,975	5,439
2-Dec-21	674,704	84	73,209	9,765	311	15,073	127	1,324	5,265	12,995	4,971	47,235	120,388	49,563	5,806
3-Dec-21	696,029	119	74,352	9,216	245	16,810	129	1,101	4,943	13,867	4,912	53,067	129,393	48,129	5,551
4-Dec-21	680,523	104	64,510	8,603	246	17,015	141	766	5,352	14,888	5,896	50,573	140,122	49,687	4,896
5-Dec-21	614,568	74	42,055	8,895	196	16,627	127	743	5,127	15,139	4,704	41,457	149,296	51,523	4,298
6-Dec-21	458,638	74	27,836	8,306	130	15,010	114	552	4,323	10,410	4,000	43,285	47,825	42,222	4,262
7-Dec-21	444,662	109	36,059	6,822	261	9,494	73	662	4,953	7,086	3,525	50,850	42,013	8,530	4,965
8-Dec-21	730,204	100	69,601	8,439	264	15,742	98	715	7,173	7,147	3,618	45,102	190,353	58,796	5,020
9-Dec-21	680,529	88	70,611	9,419	220	17,946	124	709	7,102	13,448	4,203	50,617	133,632	61,148	5,446
10-Dec-21	617,469	86	61,288	8,503	192	12,516	173	682	7,022	6,808	4,193	50,023	125,770	56,679	5,058

Source: CEIC

- ✓ The heightened volatility that has sparked from the emergence of the Omicron variant is expected to persist this week amid the lack of conclusive findings from the WHO regarding the exact impact of the Omicron variant.
- ✓ In addition, investors may exhibit a wait-and-see attitude as the release of the U.S. inflation data for the month of November last week might influence the Fed's decision on when to roll back economic stimulus during its upcoming policy meeting from 14 to 15 December.
- ✓ As such, we reckon that the FBM KLCI index may not see any major movements and is therefore anticipated to trade within the range of 1,490.0 points and 1,500.0 points this week. Technically, the immediate support level is at 1,485.0 points while the resistance is seen at 1,515.0 points.
- ✓ Even on the economic data front, there will be no data release from the Department of Statistics Malaysia (DOSM) this week. As for other markets, the U.K. will be releasing data on its unemployment rate for October while South Korea will be announcing the same type of economic data but for the month of November. The consensus in general shows that the unemployment rates in the said countries are expected to be lower than the previous month in light of gradual rehiring activities as many economies reopen.
- ✓ Overall, the global community is now in a cautious mode to assess how dangerous the Omicron variant is. Should the Omicron variant be more dangerous than the Delta variant, more travel restrictions will likely be in place, adversely impacting the aviation industry which is just about to gain momentum. Meanwhile, if the Omicron variant is proven to not pose serious health complications, then the base case scenario of an ongoing global economic recovery will remain intact.

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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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