



From the Desk
of the
Chief Economist

BANK ISLAM

WEEKLY MARKET UPDATES

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ECONOMIC RESEARCH

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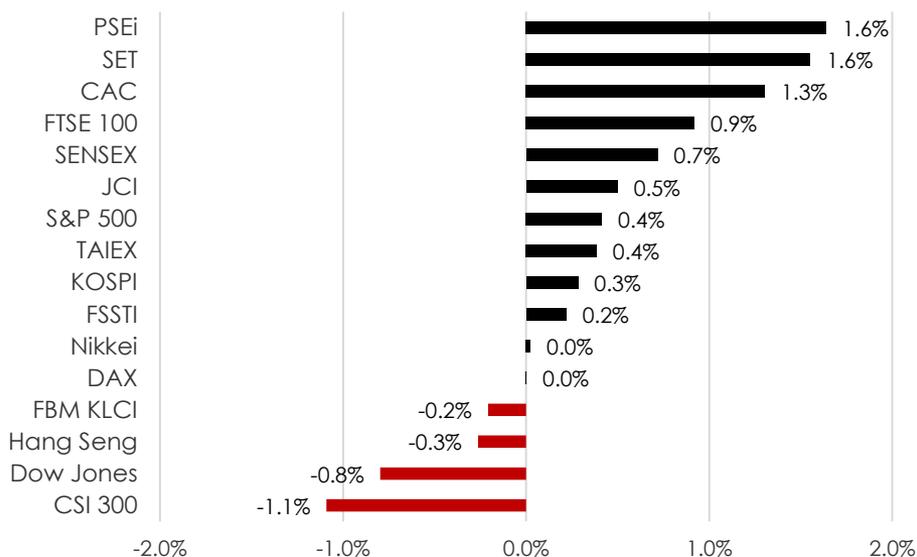
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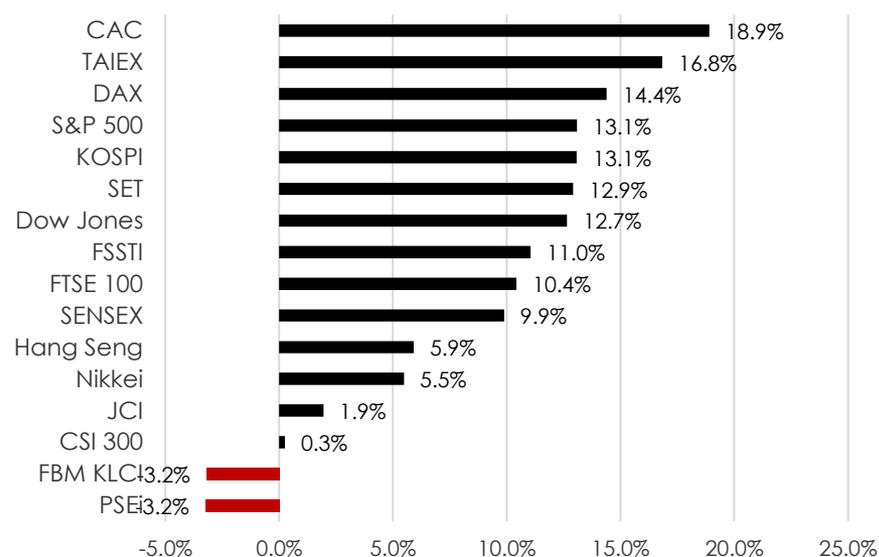
WEEKLY MARKET PERFORMANCE

- ✓ Gainers continued to outnumber decliners among major equity markets last week with the Philippines' PSEi index advancing by 1.6% on a weekly basis. Investors reacted positively to the additional measures to further reopen the economy, the arrival of more Covid-19 vaccines and the improving foreign direct investments. Moreover, the optimism in the Philippines has been underpinned by the progress of the Bayanihan 3 stimulus package at the House of Representatives.
- ✓ Meanwhile, China's CSI 300 index was the biggest loser as it recorded a weekly decline of 1.1%. Jitters came from China's new data security regime which gives President Xi Jinping the power to shut down or fine technology companies firms that are found mishandling core state data.
- ✓ On the domestic front, the FBM KLCI index saw a 0.2% weekly drop but recorded a larger Year-To-Date (YTD) loss of 3.2%.

Weekly Gain/Loss of Major Equity Markets (%) (Week Ended 11 June)



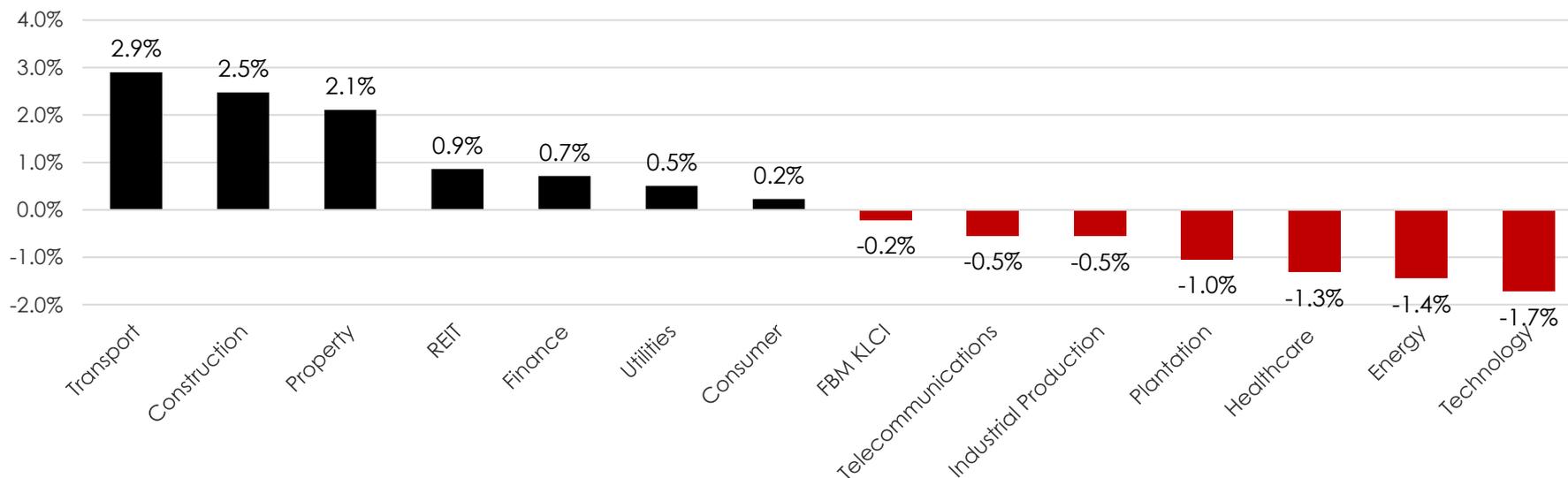
YTD Gain/Loss Of Major Equity Markets (%) (As at 11 June)



WEEKLY SECTORAL PERFORMANCE

- ✓ The Bursa Malaysia Transport Index was the largest gainer for the second week running after ending 2.9% higher. The weekly gain in the index was still attributable to the share price of one of its members, namely MMC Corporation Berhad which jumped by 7.1% during the week to settle at RM1.81 per share, a level not seen since March 2018. Investors' interest in the company's stock remained high following Seaport Terminal (Johore) Sdn Bhd's offer to take MMC Corporation Berhad private under a selective capital reduction and repayment (SCRR) exercise at RM2.00 per share, a premium to the share price of RM1.30 per share when the announcement was made on 3 June 2021.
- ✓ On the other hand, the Bursa Malaysia Technology Index was the biggest loser after ending 1.7% lower for the week. Although prospects for the technology sector remain bright, investors remained concern over restricted operations with a 60.0% working capacity for electrical and electronics manufacturers and supply-chain disruptions amidst the latest Movement Control Order (MCO) 4.0.

Bursa Malaysia Sectoral Weekly Performance (%)

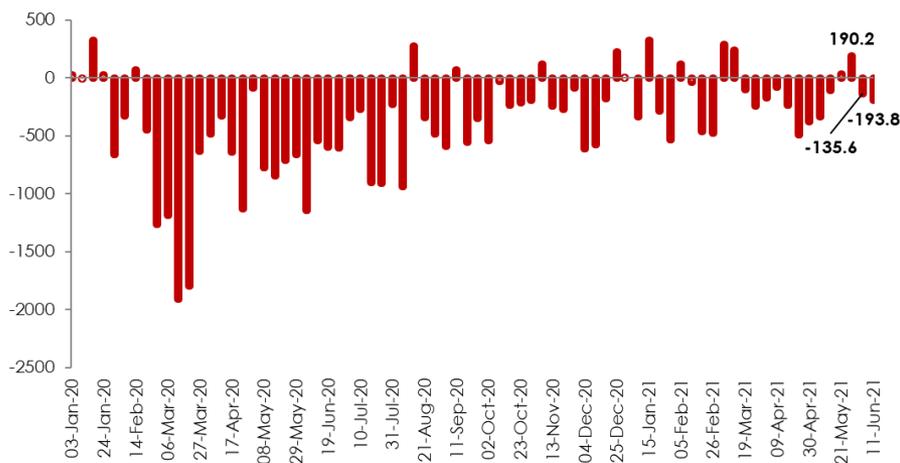


Source: Bursa

WEEKLY FOREIGN FUND FLOW

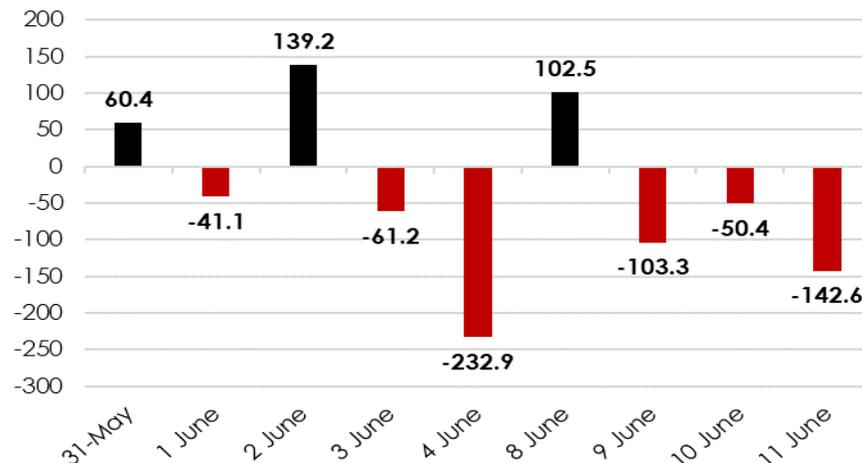
- ✓ Foreign investors disposed RM193.8 million compared to RM135.6 million net sold in the preceding week.
- ✓ Markets reopened on Tuesday from the long weekend with a positive mood as international investors acquired RM102.5 million net of local equities on that day. Likewise the FBM KLCI index closed 0.6% higher on Tuesday as investors took cue of the commencement of more vaccination centres in the Klang Valley from 7 June 2021. The tide was turned on Wednesday as international investors withdrew RM103.3 million net of local equities. Foreign investors continued to sell local equities on Thursday but at a slower pace of RM50.4 million net as investors remained on the sidelines ahead of the release of US inflation data for May 2021 which was expected to be higher and may prompt a removal of stimulus by the US Federal Reserve. Foreign net selling momentum accelerated to the tune of RM142.6 million on Friday as political ambiguity resurfaced with politicians having an audience with the Yang di-Pertuan Agong from Wednesday to Friday.
- ✓ So far for the month of June, foreign funds have sold RM389.8 million net of local equities on Bursa. Meanwhile on a year-to-date basis, foreign investors have taken out RM3.4 billion net of local equities from Malaysia.

Weekly Foreign Fund Flow in Malaysia (RM Million)



Sources: Bursa

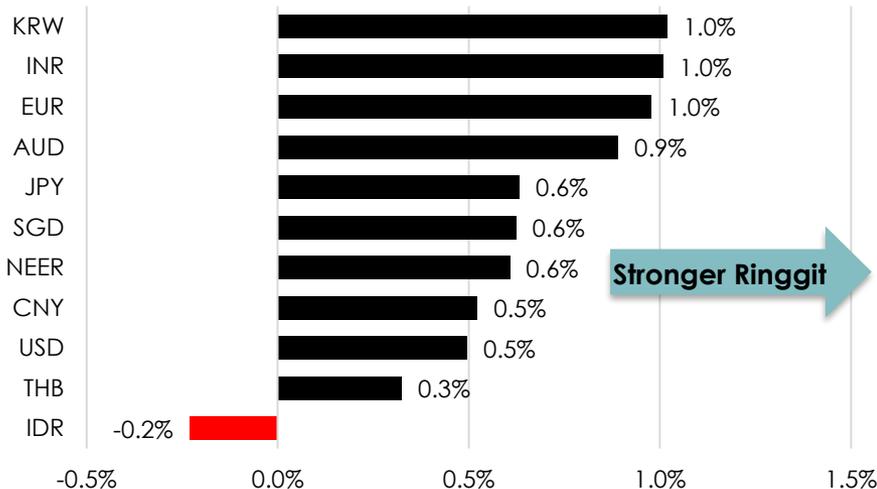
Daily Foreign Net Inflow/Outflow From 1 June 2021 to 11 June 2021 (RM Million)



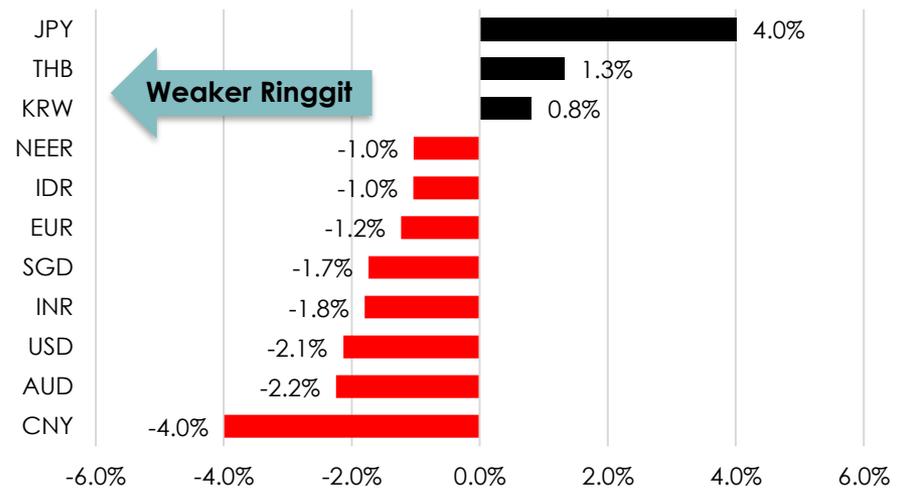
WEEKLY PERFORMANCE

- ✓ The Ringgit gained by 0.5% week-on-week (w-o-w) against the US Dollar to close at RM4.1060 on 11 June from RM4.1260 on 4 June. This was partly contributed by a weaker US Dollar amid the surge in the US's Consumer Price Index (CPI) growth at 5.0% year-on-year (y-o-y) in May after growing by 4.2% in April, the highest since August 2008 (5.4%). Apart from that, the stronger Ringgit was supported by a firmer Brent price from USD72.69 per barrel on 11 June (4 June: USD71.89/barrel), rising by 1.1% on weekly basis in view of brighter economic outlook.
- ✓ All in all, the Ringgit is expected to trade between RM4.1100 and RM4.1200 this week mainly in view of improving sentiment amid higher local vaccination rates coupled with the daily Covid-19 cases which have started to see a downward trend. Therefore, we opine that the consumer demand will likely pick up in the medium term if the decline in Covid-19 cases persists.

MYR against regional currencies, w-o-w% (Week Ended 11 June)



MYR against regional currencies, YTD Gain% (As at 11 June)

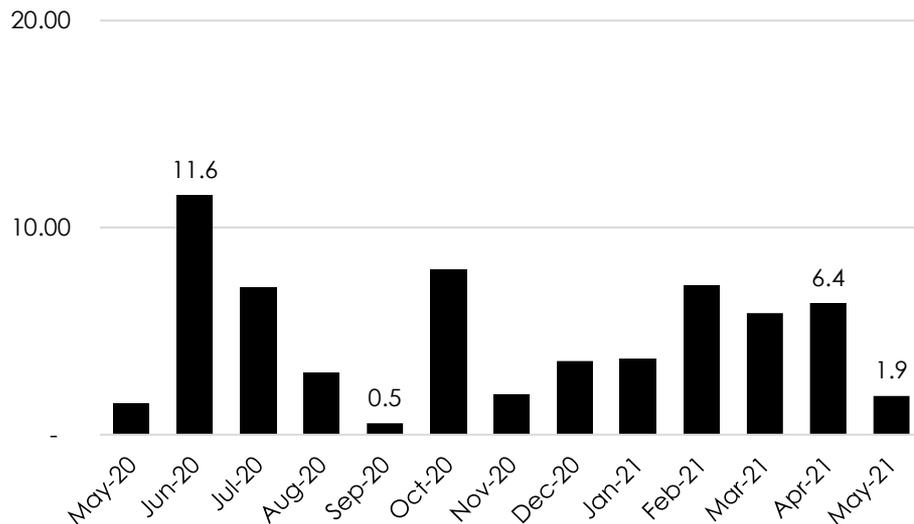


MGS Benchmark Weekly Change (bps)

MGS Benchmark	Coupon (%)	Yields (%) 4-Jun-21	Yields (%) 11-Jun-21	Change (bps)
3-YMGS 06/24	3.48%	2.24%	2.24%	0
5-YMGS 09/25	3.96%	2.52%	2.50%	-2
7-YMGS 06/28	3.73%	2.98%	2.97%	-1
10-YMGS 04/31	2.63%	3.24%	3.24%	0

Source: BNM

Foreign Fund Flows in Bond Market, RM billion



Source: CEIC

- ✓ As for the bond market, the overall benchmark MGS yields were mostly lower between 1 bps and 2 bps on a weekly basis. The yields of 3-Y MGS 06/24 and 10-Y MGS 04/31 remained unchanged at 2.24% and 3.24% on 11 June while the yields of 5-Y MGS 09/25 and 7-Y MGS 06/28 went down by 2 bps and 1 bps on 11 June to close at 2.50% and 2.97% respectively despite the surge in the US inflation. This demonstrates that the investors view that the acceleration in the headline CPI would be transitory mainly due to a low base effect last year.
- ✓ Looking at the fund flows, the non-resident investors continued to buy local govies in May albeit at a slower pace of RM1.9 billion from RM6.4 billion in April. Cumulatively, the foreign fund recorded net inflow of RM25.0 billion during 5M2021 compared to net outflow of RM17.4 billion in 5M2020.
- ✓ All in all, we anticipate the bond yields to rise attributed by a gradual recovery in consumer demand alongside the reopening of the economies that would lift up economic activities in 2H2021.

BRENT

- ✓ Brent crude oil price recorded a 1.1% weekly increase to settle at USD72.69 per barrel on last Friday (4 June: USD71.89/barrel) due to optimism over prospects of a strong fuel demand amid the reopening of economy globally. Thus far, the Organization of the Petroleum Exporting Countries (OPEC) in its latest Oil Market Report (OMR) in June kept the world oil demand forecasts steady, mentioning that the oil demand would rise by 6.0 million barrel per day (bpd) this year.
- ✓ Supporting price further was the decline in the US crude stocks as reported by the US Energy Information Administration (EIA) and the American Petroleum Institute (API). The US EIA showed that the crude oil inventory dropped by 5.2 million barrels to 474.0 million barrels in the week ended 4 June (28 May: 479.3 million barrels), the most since April this year. Similarly, the American Petroleum Institute (API) report mentioned that crude stockpiles decreased by 2.1 million barrels in the week ended 4 June from 5.4 million barrels draw in the preceding week.

Brent Crude in USD per barrel



Source: Bloomberg

US Crude Oil Inventory, '000 barrel - EIA



GOLD

- ✓ Gold price declined by 0.7% to USD1,877.53 per ounce on 11 June 2021 from USD1,981.59 per ounce in the prior week amid dollar strength. On further scrutiny, the US Dollar index appreciated by 0.5% to 90.56 on 11 June 2021 from 90.14 in the previous week.
- ✓ Apart from that, inflation concerns eased despite the surge in the US inflation rate. The US Consumer Price Index (CPI) accelerated by 5.0% y-o-y in May (April: 4.2%), the biggest increase since 2008, led by the reopening of the economy. Nevertheless, it is viewed that rising in inflation will be transitory as it is likely to fade with time when the economy surpasses a reopening bounce and supply catches up, as well as the low base effect.
- ✓ Thus far, the precious metal dropped by 1.10% on a YTD basis.

Gold in USD per ounce



US Dollar Index (DXY)



- ✓ The FBM KLCI index is expected to trade within a range of 1,570 to 1,600 points this week as investors will likely be focusing on the number of vaccination doses administered daily in the country while the extension of the MCO 4.0 until 28 June 2021 may exert downward pressure as prospects on the economic rebound could be dented.
- ✓ On further scrutiny, the number of jobs administered daily in Malaysia dropped to 128,912 jobs on 13 June 2021 from the record high of 157,949 jobs on 10 June 2021. Based on previous trends, the number of daily vaccination doses administered tend to slow down during weekends and therefore, the recent decline was not a surprise. Nevertheless, the sustainability of such vaccination trends in the long run is crucial to ensure that the country is approaching herd immunity. A faster journey to herd immunity will translate into the reopening of business activities on a larger scale.
- ✓ Looking ahead, investors' attention will be on the **Federal Open Market Committee (FOMC) meeting from 15 June 2021 to 16 June 2021** whereby policymakers will update their economic forecasts for the first time since March this year, particularly projections for inflation and policy rates.
- ✓ Other important releases to follow include **retail sales and industrial output of the US and China, inflation data of the UK and Japan's trade balance.**
- ✓ Overall, investors need to be selective on sectors and geographies that are well-positioned for recovery. For instance, cyclical investments such as the services sector is expected to drive the next phase of recovery as the sector stands to benefit from consumers being able to go out and spend again. Geographically, markets such as the US and the UK have been doing very well in handling the pandemic and are likely to recover faster than other markets.
- ✓ Nevertheless, investors still need to ensure that their portfolios are appropriately diversified. This is because concerns around inflation and the pandemic are by no means over, and volatility may still be elevated due to the unpredictable trend of Covid-19 infections.

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
13-May-21	752,801	32	17,419	362,727	4,608	7,848	6,927	16	715	5,911	4,887	2,284	34,676	17,164	4,855
14-May-21	723,662	35	11,336	343,144	3,448	8,082	6,918	34	747	5,852	2,256	2,656	35,093	8,576	4,113
15-May-21	686,359	49	7,894	326,098	2,633	7,562	6,294	52	681	5,763	3,095	2,193	37,587	2,262	4,140
16-May-21	676,092	206	8,500	311,170	2,385	6,652	6,147	31	610	5,911	2,302	1,156	40,431	18,820	3,780
17-May-21	603,187	234	5,412	281,386	3,080	5,748	5,187	49	619	2,850	9,635	-	30,732	15,432	4,446
18-May-21	530,613	357	4,209	263,533	4,295	3,454	4,650	28	528	2,202	2,473	-	17,984	13,220	4,865
19-May-21	562,171	258	11,040	267,334	4,185	4,449	4,877	38	654	5,189	3,394	2,412	23,942	11,514	6,075
20-May-21	645,490	286	12,298	276,110	4,871	5,500	5,552	38	646	5,999	2,636	2,135	29,792	11,986	6,806
21-May-21	635,844	319	8,769	259,551	5,797	5,736	5,905	41	561	5,369	3,481	2,694	29,296	4,817	6,493
22-May-21	633,361	326	7,082	257,299	5,746	5,215	5,368	40	666	5,494	3,052	2,702	28,743	13,447	6,320
23-May-21	590,130	742	6,714	240,842	5,296	4,714	4,747	29	585	5,638	3,382	2,523	27,921	11,821	6,976
24-May-21	533,515	474	2,682	222,315	5,280	3,993	4,590	25	538	2,683	2,713	2,092	21,034	9,704	6,509
25-May-21	447,814	611	1,911	196,427	5,907	2,489	3,048	36	516	2,006	3,226	2,362	13,925	1,908	7,289
26-May-21	472,885	558	2,626	208,921	5,060	3,220	3,624	30	705	4,588	2,455	2,410	22,239	1,749	7,478
27-May-21	549,973	654	6,313	211,298	5,034	3,935	4,317	26	629	5,335	3,323	2,987	24,435	12,438	7,857
28-May-21	554,168	678	7,380	186,364	6,278	4,143	4,034	24	587	5,291	3,759	3,380	24,462	13,704	8,290
29-May-21	528,837	572	5,426	173,790	5,862	3,737	4,148	30	533	4,948	4,803	4,028	22,401	11,090	9,020
30-May-21	480,388	504	3,852	165,553	6,565	3,348	3,639	33	480	5,074	4,528	3,240	25,091	10,007	6,999
31-May-21	456,886	382	1,978	152,734	6,115	2,948	2,813	25	430	2,890	5,485	3,111	12,677	8,541	6,824
1-Jun-21	370,893	377	1,785	127,510	5,662	1,818	2,226	23	459	1,921	2,230	3,283	9,821	938	7,105
2-Jun-21	382,712	361	4,917	132,788	4,824	2,483	2,417	18	677	4,860	3,440	3,099	3,678	8,498	7,703
3-Jun-21	481,309	573	4,640	134,154	5,246	2,896	3,061	31	681	5,080	3,886	4,261	20,641	8,582	8,209
4-Jun-21	484,962	609	3,165	132,364	5,353	1,963	2,874	45	695	5,079	2,631	5,179	15,989	7,978	7,748
5-Jun-21	458,821	498	2,294	120,529	6,486	2,556	2,598	13	744	4,414	2,790	6,140	18,568	6,953	7,452
6-Jun-21	395,973	541	2,440	114,460	6,594	2,434	2,660	18	556	4,412	2,698	5,651	17,729	6,038	6,241
7-Jun-21	375,212	348	1,117	100,636	5,832	2,275	2,078	20	485	2,372	2,419	5,223	11,608	5,070	5,271
8-Jun-21	314,861	238	1,204	86,498	6,993	1,270	1,490	14	454	1,654	2,662	5,584	15,410	946	5,566
9-Jun-21	339,267	237	3,254	92,596	6,294	1,894	1,728	9	602	3,998	2,680	5,966	13,739	4,700	6,239
10-Jun-21	385,762	289	3,187	94,052	7,725	2,198	2,189	4	610	3,732	2,310	7,312	16,551	5,358	5,671
11-Jun-21	430,073	281	2,440	91,702	8,892	2,078	2,112	13	556	2,012	2,290	7,232	22,053	4,475	6,849
12-Jun-21	410,909	317	1,911	84,332	8,083	1,892	1,920	9	565	-	3,277	7,958	13,304	3,639	5,793
13-Jun-21	387,209	288	1,489	80,834	7,465	1,722	1,982	18	452	-	2,804	7,550	12,354	3,604	5,304

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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