



From the Desk
of the
Chief Economist

BANK ISLAM

WEEKLY MARKET UPDATES

15 MARCH 2021

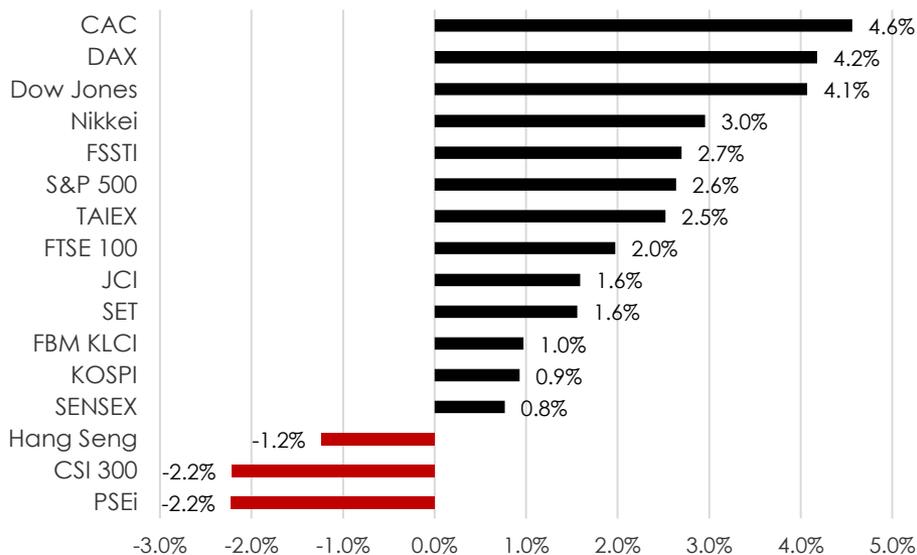
ECONOMIC RESEARCH

**DR. MOHD AFZANIZAM ABDUL RASHID
ADAM MOHAMED RAHIM
SHAFIZ BIN JAMALUDDIN
NOR JANNAH ABDULLAH**

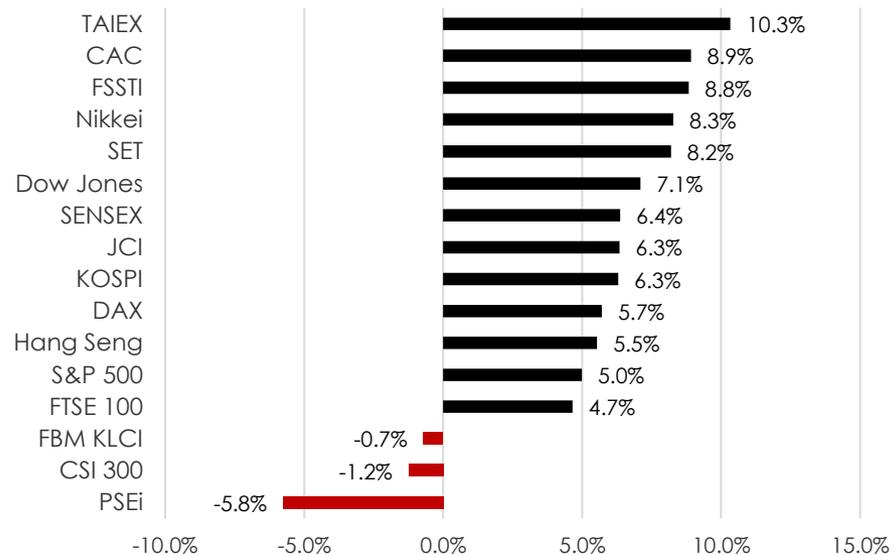
WEEKLY MARKET PERFORMANCE

- ✓ Most equity markets worldwide ended the week on a positive note with gainers led by France's CAC index which recorded a 4.6% advance. The weekly rise in the benchmark index was partly fuelled by last Friday's rally which saw the index hit a 52-week high of 6,046.6 points boosted by gains in the Foods & Drugs, Gas & Water and General Financial sectors.
- ✓ Meanwhile, the Philippines' PSEi index and China's CSI 300 index led decliners with a 2.2% weekly drop. Investors in the Philippines seem to be wary of the recent news that the inflation rate hit 4.7% in February, overshooting the 4.0% upper end of the nation's central bank target. On the other hand, the CSI 300 index faced pressure after officials warned of asset bubbles, prompting concern that China will tighten monetary policy in the near future.
- ✓ On the domestic front, the FBM KLCI index recorded a 1.0% gain for the week but saw a year-to-date (YTD) loss of 0.7%.

Weekly Gain/Loss of Major Equity Markets (%) (Week Ended 12 March)



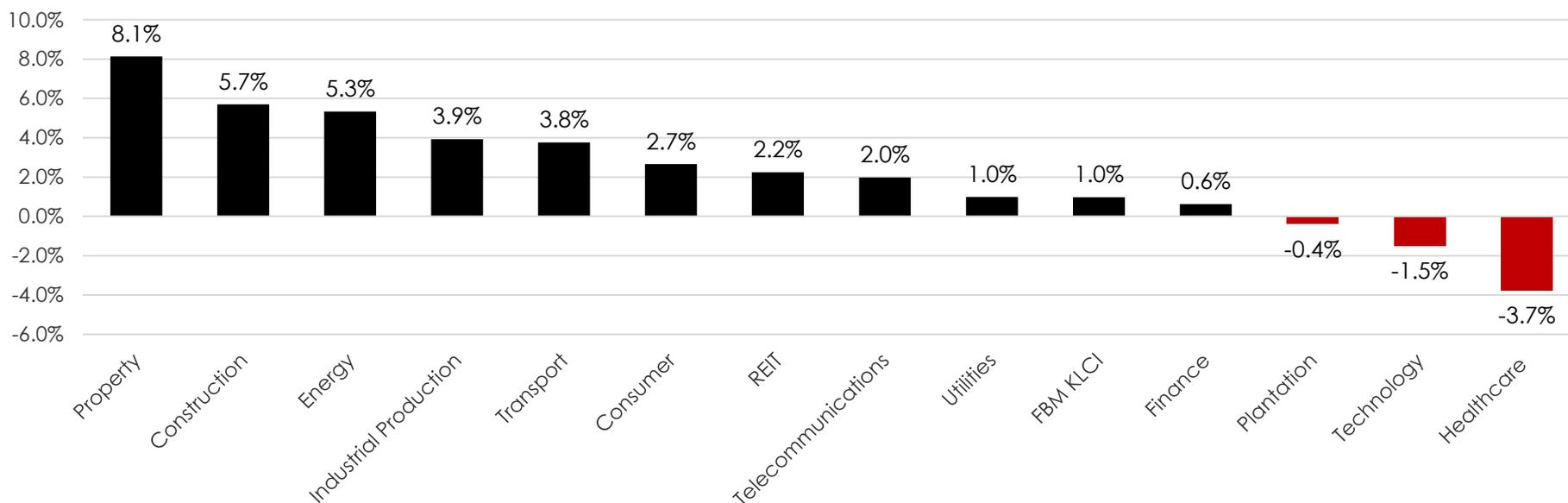
YTD Gain/Loss Of Major Equity Markets (%) (As at 12 March)



WEEKLY SECTORAL PERFORMANCE

- ✓ The Bursa Malaysia Property index was the biggest gainer last week with an 8.1% weekly advance. The ongoing vaccine rollout, various government incentives such as the Home Ownership Campaign (HOC) and the low financing rate environment are set to spur the property market in 2021. Moreover, the recent revival of the Johor Bahru-Singapore Rapid Transit System (RTS) will add positively to the buying sentiment in Johor especially for properties located closer to the RTS station.
- ✓ On the other hand, the Bursa Malaysia Healthcare Index was the largest decliner with a 3.7% weekly drop. This was despite Top Glove posting a record profit of RM2.9 billion in the December 2020 to February 2021 quarter (September 2020 to November 2020 quarter: RM2.5 billion), as continued demand for gloves globally boosted sales. Much of the sentiment in rubber glove counters remains weak in light of the ongoing national vaccination program, posing risks of lower demand in a post vaccination era.

Bursa Malaysia Sectoral Weekly Performance (%)

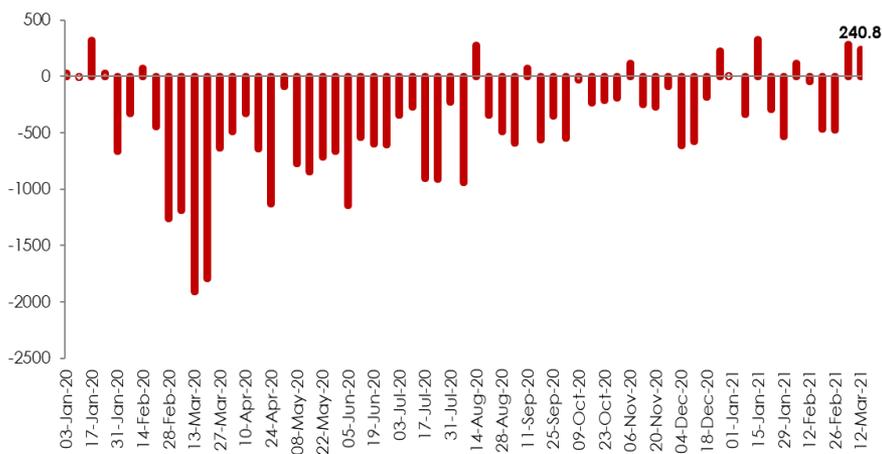


Source: Bursa

WEEKLY FOREIGN FUND FLOW

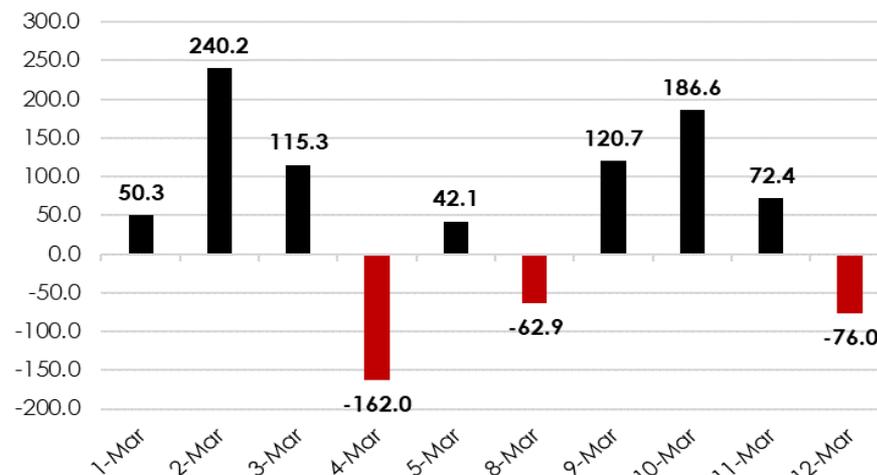
- ✓ Foreign investors bought RM240.8 million net of local equities during the second week of March 2021 compared to the RM285.9 million acquired in the preceding week.
- ✓ Bursa began the week on the wrong foot as international investors sold RM62.9 million net of local equities on Monday. Nevertheless, international investors were net buyers from Tuesday to Thursday last week with Wednesday recording the highest daily foreign net inflow at RM186.6 million. Positive vibes on Wednesday came about following the government's move to allow domestic tourism travel from 10 March 2021 via government-registered tour agencies, sparking some positivity in terms of economic growth trajectory. As such, the local bourse settled 0.9% higher at 1,639.6 points on Thursday, a level not seen since 30 December 2020. The three-day buying streak was snapped on Friday as foreign investors withdrew RM76.0 million net of local equities amid continuing profit taking activity.
- ✓ So far in March 2021, foreign funds have acquired RM526.7 million net of local equities from Malaysia. This brings the cumulative YTD foreign net outflow to RM1.2 billion.

Weekly Foreign Fund Flow in Malaysia (RM Million)



Source: Bursa

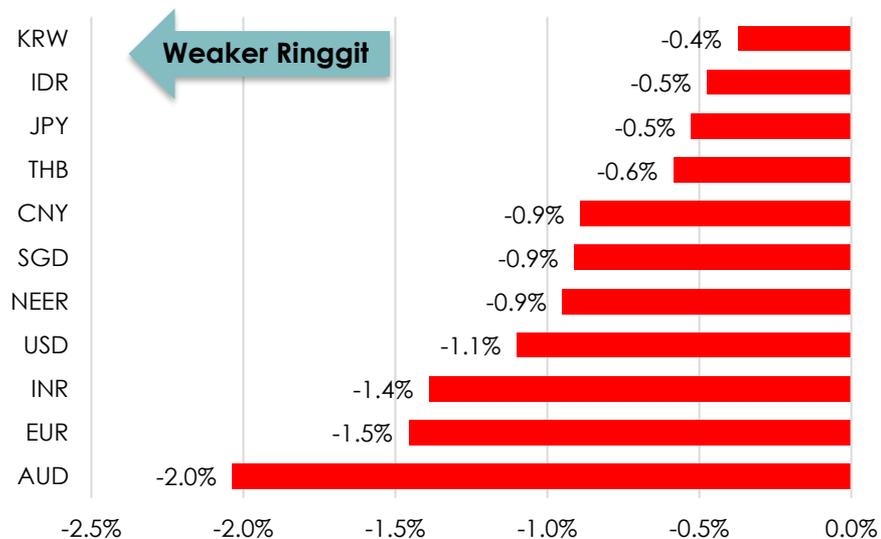
Daily Foreign Fund Flow in Malaysia in March 2021 (RM Million)



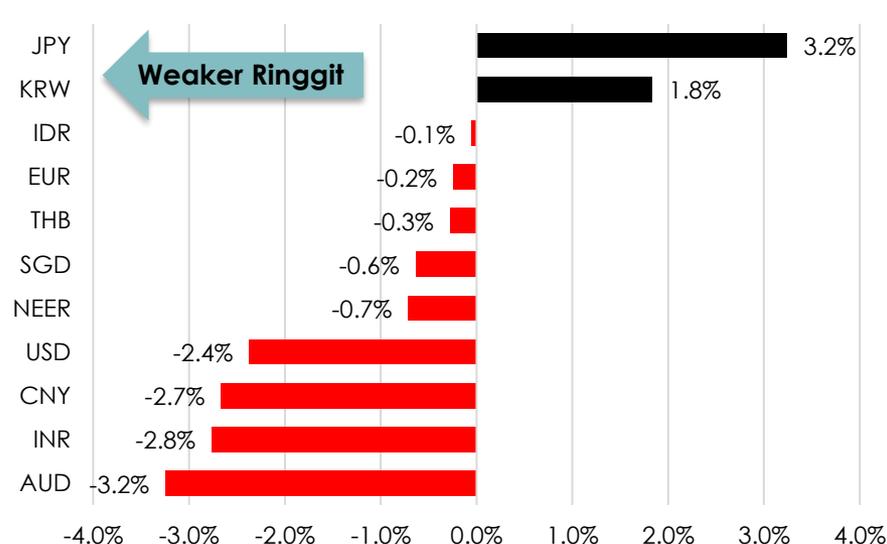
WEEKLY PERFORMANCE

- ✓ The Ringgit declined further by 1.1% against US greenback to close at RM4.1185 on 12 March 2021 (5 March 2021: RM4.0747), mainly driven by concerns over increasing bond yields. The weaker Ringgit was also in tandem with movement of Brent crude price which dropped to USD69.22 per barrel on 12 March from USD69.36 per barrel in the previous week.
- ✓ All in all, the Ringgit is anticipated to trade lower against the USD this week at between RM4.10 and RM4.15 on the back of a stronger US Dollar following the enactment of the USD1.9 trillion relief package alongside improvement in the US labour market as the Initial Jobless Claims fell to 712k in the first week of March 2021 from 725k previously. In addition, investors would remain cautious ahead of this week FOMC meeting.
- ✓ Nevertheless, a steady Brent crude price accompanied with the ease in Covid-19 restriction measures which allows more business to operate will cushion the downside risks towards the Ringgit.

MYR against regional currencies, w-o-w% (Week Ended 12 March)

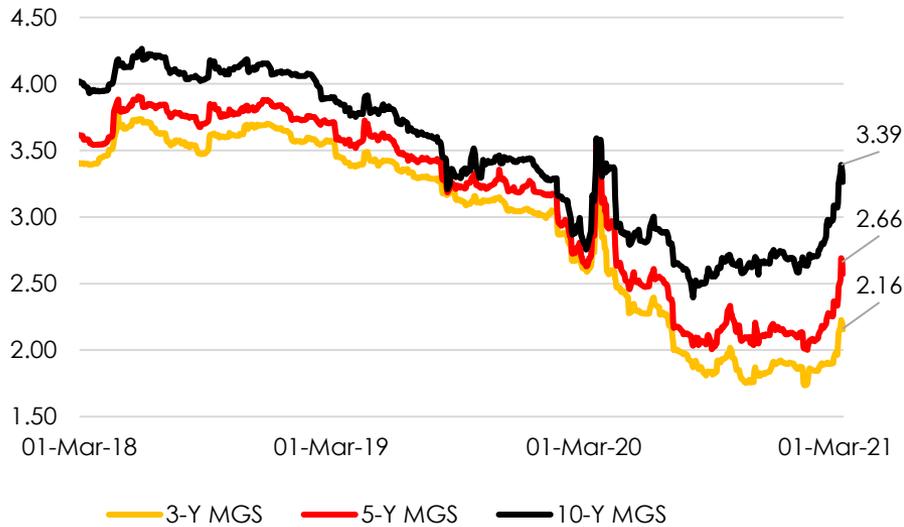


MYR against regional currencies, YTD Gain% (As at 12 March)

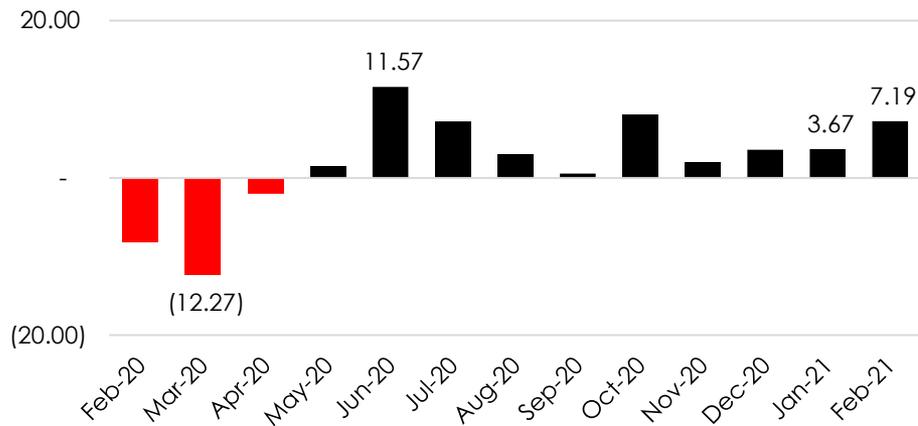


Source: Bloomberg

MGS Yields (%)



Foreign Fund Flows in Bond Market, RM billion



Source: CEIC

- ✓ Overall benchmark yields for MGS closed higher between 4 bps and 12 bps for the period between 5 March 2021 and 12 March 2021. The 10-Y 04/31 MGS yield jumped by 12 bps to close at 3.41% on 12 March 2021 (5 March 2021: 3.29%) while the 5-Y 09/25 MGS yield rose by 8 bps to 2.56% (5 March 2021: 2.48%) amid improved sentiment coupled with relaxation of Covid-19-induced measures.
- ✓ Despite the rising yields, foreign investors continued to buy local govies as reflected by foreign net inflows in February 2021 which increased by RM7.2 billion compared to RM3.7 billion in January 2021.
- ✓ On the other hand, the reopening of 10-Y 10/30 GII drew a decent Bid-To-Cover (BTC) ratio of 1.8x compared to the MGS and GII auctions in the past with a BTC of more than 2.0x.
- ✓ Be that as it may, the Malaysian bond market would remain favourable as investors are likely hunting for yield in a low financing rate environment.

BRENT

- ✓ Brent crude oil price recorded a 0.2% weekly decline to settle at USD69.22 per barrel last Friday (5 March: USD69.36/barrel) after Baker Hughes reported that the number of oil and gas rigs in the US fell by 1 last week. As such, the total number of active oil and gas rigs in the US now stood at 402 or 390 fewer than the same period last year.
- ✓ Apart from that, the Organization of the Petroleum Exporting Countries (OPEC) mentioned that the recovery in oil demand will be more visible in 2H2021 and lowered its crude demand forecast for 1Q2021 by 180,000 barrels per day (bpd) and 2Q2021 by 310,000 bpd, affecting the market sentiment last week.
- ✓ Meanwhile, the US Energy Information Administration (EIA) data showed that crude stocks rose by 13.8 million barrels to 498.4 million barrels in the week ended 5 March (26 February: 484.6 million barrels). Similarly, the American Petroleum Institute (API) report showed that crude stockpiles jumped by 12.8 million barrels in the week ended 5 March, following the increase of 7.4 million barrels in the preceding week.

Brent Crude in USD per barrel



US Crude Oil Inventory, '000 barrel - EIA



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
14-Feb-21	434,758	19	6,114	12,194	8,844	13,523	1,318	9	-	11,455	166	13,307	99,024	20,197	2,464
15-Feb-21	341,338	21	4,426	11,649	13,227	11,060	1,310	14	669	5,610	143	10,972	87,896	16,393	2,186
16-Feb-21	231,964	25	3,856	9,121	-	7,344	1,983	9	457	3,450	72	9,765	28,313	4,241	2,710
17-Feb-21	357,163	15	7,556	11,610	10,029	10,368	1,250	1	621	8,612	175	10,625	95,902	19,590	2,998
18-Feb-21	386,232	28	10,207	12,881	9,687	12,066	1,393	11	621	9,648	0	12,717	57,856	23,552	2,712
19-Feb-21	391,060	20	9,113	13,193	9,039	13,755	1,559	11	561	8,402	280	12,057	69,069	22,490	2,936
20-Feb-21	401,837	22	9,164	13,993	10,614	15,470	1,344	14	446	7,980	82	12,027	68,191	23,170	2,461
21-Feb-21	317,830	23	7,676	14,264	8,054	14,914	1,196	12	0	7,766	0	10,406	73,240	21,944	3,297
22-Feb-21	408,529	31	4,369	14,199	-	13,450	1,090	11	750	3,902	181	9,834	70,973	22,046	2,192
23-Feb-21	291,230	26	3,883	10,584	17,480	9,617	859	10	357	2,555	95	10,641	55,323	3,823	2,468
24-Feb-21	341,823	24	8,007	13,742	9,775	13,299	1,011	4	439	6,638	93	8,489	55,190	19,712	3,545
25-Feb-21	430,616	28	11,869	16,738	7,533	16,402	1,086	7	395	7,192	72	9,938	71,778	30,665	1,924
26-Feb-21	444,198	24	9,997	16,577	8,493	19,871	919	10	388	6,320	45	9,985	73,477	25,180	2,253
27-Feb-21	433,898	34	9,762	16,488	8,232	20,488	1,067	13	414	6,025	72	8,523	73,351	24,616	2,364
28-Feb-21	401,006	42	7,890	16,752	6,208	18,902	1,201	12	355	6,382	70	7,434	72,812	23,996	2,437
1-Mar-21	348,803	42	4,732	-	5,560	17,440	1,033	11	355	3,125	80	6,035	69,613	19,873	1,828
2-Mar-21	305,338	25	3,943	27,796	-	13,106	731	12	0	2,142	42	5,455	50,218	3,964	1,555
3-Mar-21	277,771	23	9,019	14,989	12,392	17,063	852	8	788	5,214	-	6,391	-	22,148	1,745
4-Mar-21	509,131	27	11,912	17,407	6,808	20,840	1,192	23	424	5,844	89	6,385	108,607	26,788	2,063
5-Mar-21	451,925	20	10,580	16,838	7,264	22,845	1,180	19	398	6,030	79	6,573	65,320	24,739	2,154
6-Mar-21	356,917	21	9,557	18,327	6,971	24,010	1,164	9	418	5,875	64	5,946	-	22,784	1,680
7-Mar-21	496,751	28	8,103	18,711	5,767	23,633	1,064	13	416	6,303	65	6,039	133,475	23,247	1,683
8-Mar-21	382,356	37	5,011	18,599	5,826	20,724	1,036	13	346	3,069	71	5,177	57,269	21,650	1,529
9-Mar-21	347,279	24	4,252	15,388	6,894	13,882	679	13	446	2,191	60	4,712	41,486	5,229	1,280
10-Mar-21	446,360	27	9,146	17,921	6,389	19,725	608	6	470	4,823	-	5,766	126,229	22,626	1,448
11-Mar-21	448,563	20	14,356	22,854	5,633	22,275	1,722	10	465	5,121	97	5,926	52,732	30,112	1,647
12-Mar-21	460,456	31	12,834	23,285	5,144	25,649	1,288	8	488	2,874	81	6,753	60,322	27,166	1,575
13-Mar-21	495,194	73	12,674	24,882	6,412	26,790	1,296	10	490	-	78	6,609	60,312	25,120	1,470
14-Mar-21	461,105	57	10,790	25,320	4,607	26,031	1,288	8	459	-	170	5,534	62,840	29,256	1,354

Source: CEIC

- ✓ The FBM KLCI index is likely to trade in a cautious mode this week, hovering within a range of 1,600 to 1,625 points due to concerns of higher yields in the US bond market which may pose a risk of correction.
- ✓ On a broader scale, the US Federal Reserve's highly anticipated monetary policy meeting from 16 to 17 March 2021 will be the big deal for global financial markets in the week ahead. While the US Federal Reserve is not expected to take any action on interest rates, investors will be watching closely for any commentary regarding the stunning sell-off in Treasury markets, which saw the 10-year yield surge above 1.60% to the highest in a year on last Friday.
- ✓ Meanwhile, shares in the US that have gained the most in last year when the economy was pressured by the worst global health crisis in a century, were mostly technology sector equities listed on the Nasdaq index. These stock are now considered overvalued and are being dumped by investors as yields begin to rise.
- ✓ Furthermore, the technology sector, which benefited the most from the stay-at-home environment fuelled by the pandemic, could suffer the most as the economy reopens thanks to a new wave of stimulus, as well as the continued vaccine rollout and easing rates of contagion. This could perhaps have a spill over effect on Bursa Malaysia's Technology Index which has so far seen a 20.1% YTD gain. Nonetheless, the downside bias should be offset by banks, oil and gas and industrial sector counters that will benefit from the vaccine rollout.
- ✓ Therefore, businesses and investors should apply a tactical approach in their asset allocation as thematic plays are changing week by week. For instance, the technology sector has been getting a lot of attention by investors due to the global chip shortage at the start of this year but as the vaccination programs begin in many countries, sectors that performed badly at the start of the pandemic such as property is starting to see better days ahead.

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.

An aerial photograph of a city skyline at sunset, with a prominent 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. The pink bar at the bottom is a solid, vibrant color.

BANK ISLAM

Assuring Trust. Delivering Value.

Thank You