



From the Desk
of the
Chief Economist

BANK ISLAM

WEEKLY MARKET UPDATES

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ECONOMIC RESEARCH

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KEY HIGHLIGHTS OF THE WEEK- INFLATION IN THE U.S. AND INDIA SHOWS A MODERATION TREND

International

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

- ✓ The U.S. annual inflation moderated by 8.5% y-o-y in July from an over 40-year high of 9.1% in June.
- ✓ This was below market forecasts of 8.7% as energy price recorded slower increase (July: 32.9% vs. June: 41.6%) during July.
- ✓ Be that as it may, cost of food continued to trend upward, rising by 10.9% (June: 10.4%) in July.
- ✓ Meanwhile, core inflation was steady at 5.9% (June: 5.9%), beating expectations of 6.1%, suggesting that inflation has finally peaked.

India- CPI

- ✓ India's CPI softened to a five-month low of 6.71% in July from 7.01% in June.
- ✓ This was lower compared to market consensus of 6.78% amid slowdown in cost of food (July: 6.75% vs. June: 7.56%), transportation & communication (July: 5.55% vs. June: 6.90%) and health (July: 5.45% vs. June 5.47%).
- ✓ On the other hand, price for fuel (July: 11.80% vs. June: 10.39%) and education (July: 5.02% vs. June: 4.51%) was higher during July.

Thailand- Monetary Policy

- ✓ The Bank of Thailand (BOT) decided to raise its key interest rate by 25 basis points (bps) to 0.75% during its August meeting, marking the first hike in nearly four years to contain inflationary pressure in the country.
- ✓ Apart from that, the bank was of the view that that headline inflation is likely to stay at a higher level in 2022.
- ✓ Meanwhile, the inflation rate in Thailand recorded a slower growth at 7.61% in July from 7.66% in June.

Domestic

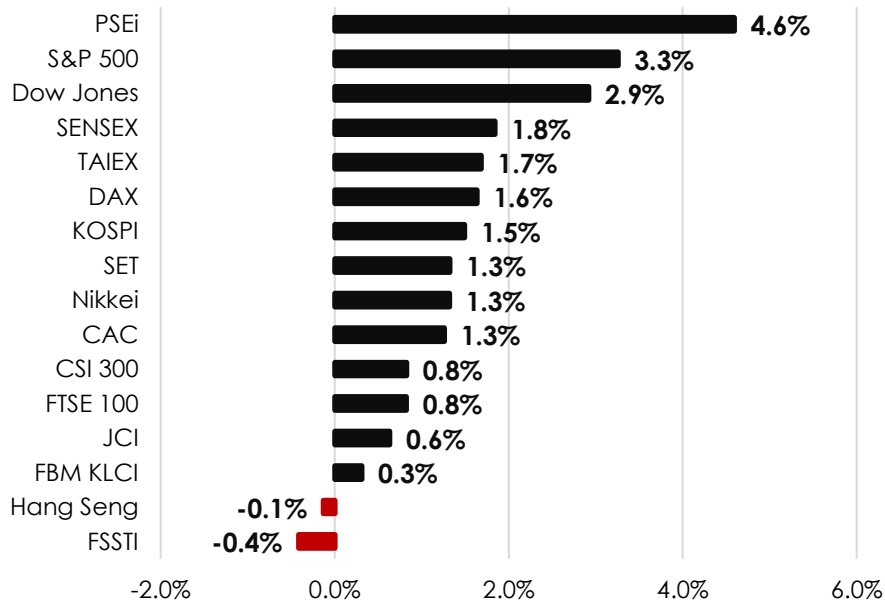
Malaysia – GDP

- ✓ Malaysia's Gross Domestic Product (GDP) accelerated further by 8.9% y-o-y in 2Q2022 after rising by 5.0% in 1Q2022.
- ✓ The strong growth was mainly underpinned by higher domestic demand (2Q2022: 13.0% vs. 1Q2022: 4.4%) following further normalisation of economic activity and robust recovery in the labour market.
- ✓ Apart from that, consumer spending shot up by 18.3% in 2Q2022 (1Q2022: 5.5%), driven by policy support from the government such as the implementation of minimum wage hike, Bantuan Keluarga Malaysia (BKM), as well as special Employees Provident Fund (EPF) withdrawals.
- ✓ Within the economic sector, the services sector jumped by 12.0% in 2Q2022 (1Q2022: 6.5%) contributed by surge in wholesale & retail trade, accommodation and transport as human mobility improved. In addition, manufacturing sector was higher by 9.2% during 2Q2022 (1Q2022: 6.6%) amid sturdy external demand continues to support Malaysia's manufacturing activities particularly in E&E industry.

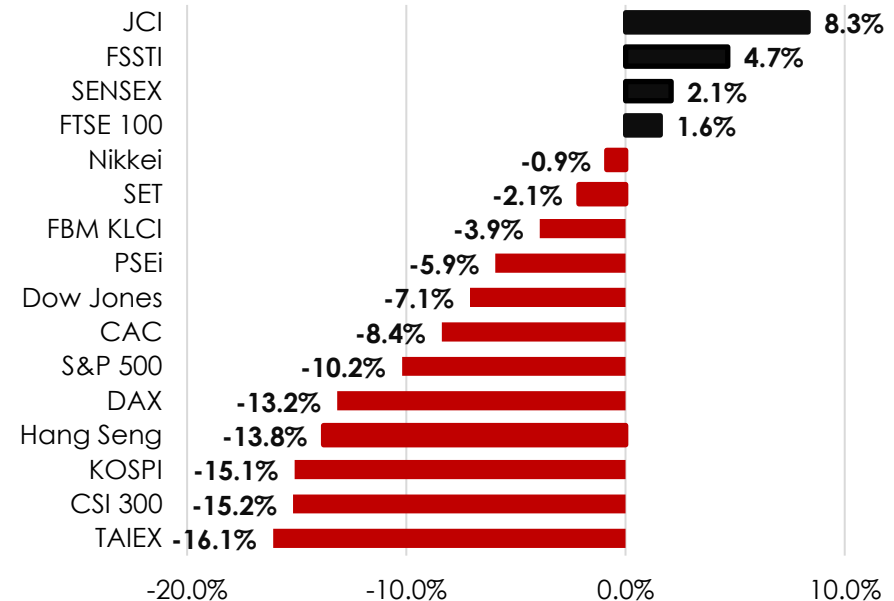
WEEKLY MARKET PERFORMANCE

- ✓ Philippines's PSEi recorded a 4.6% weekly advance among the major equity markets, extending the 1.4% gain in the previous week. Market players expect that the Bangko Sentral ng Pilipinas (BSP) would not be aggressive in its monetary tightening after inflation in the U.S. slowed down (July: 8.5% y-o-y vs. June: 9.1%). As such, this has supported the country's equity market last week.
- ✓ Meanwhile, Singapore's FSSTI dropped by 0.4% amid rising concerns over slowing growth in the island state. Thus far, the Ministry of Trade and Industry Singapore revised down its projection on Singapore's GDP for 2022 ranging between 3.0% and 4.0% from 3.0%-5.0% previously due to cost pressures and global outlook risks.
- ✓ On a Year-To-Date (YTD) basis, global equities were mostly in the red as investors fretted that global growth is weakening at a time when central banks are aggressively raising interest rates to contain the surging inflation.

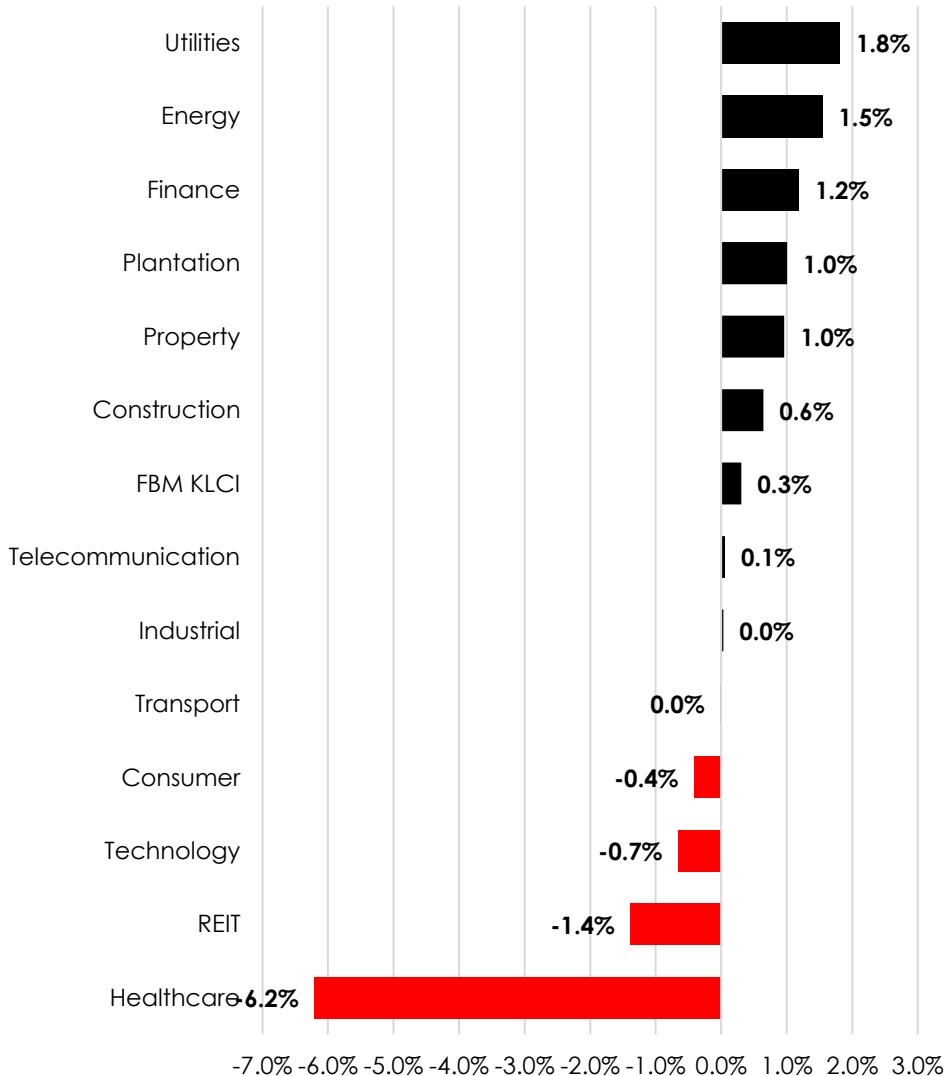
Weekly Gain/Loss of Major Equity Markets, % (Week Ending 12 August)



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



Bursa Sectoral Performance, w-o-w%



Sources: CEIC, Trading View

WEEKLY SECTORAL PERFORMANCE

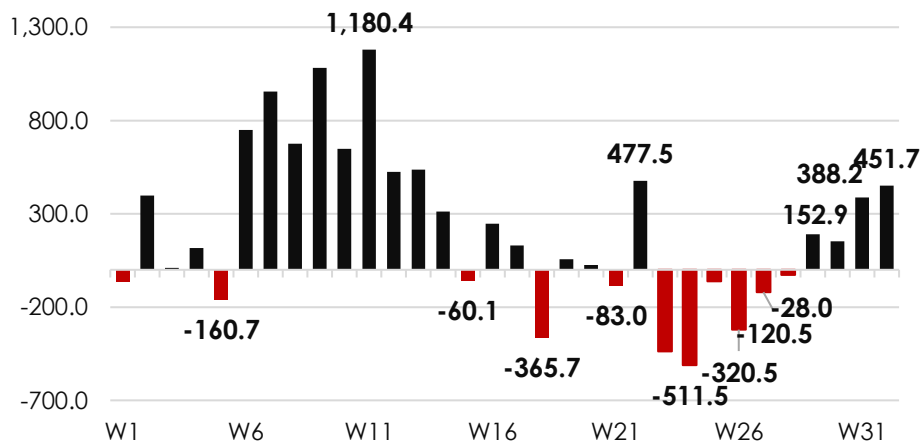
- ✓ Most of the sectors were in the positive territory with largest gains were seen in Utilities (1.8%), Energy (1.5%) and Finance (1.2%) for the week ending on 12 August.
- ✓ Meanwhile, Healthcare index recorded biggest loss at 6.2% as investors evaluated the post Covid-19 business outlook for rubber glove makers that registered a jump in sales during the crucial phase of the outbreak during 2020.
- ✓ Looking forward, the FBM KLCI is likely to range above 1,500.0 points-level between 1,510.0 points and 1,525.0 points this week mainly due to supportive foreign fund inflows in the coming weeks following softer inflation in the U.S.

INTERNATIONAL INVESTORS CONTINUED TO BE NET BUYERS FOR THE FOURTH STRAIGHT WEEK

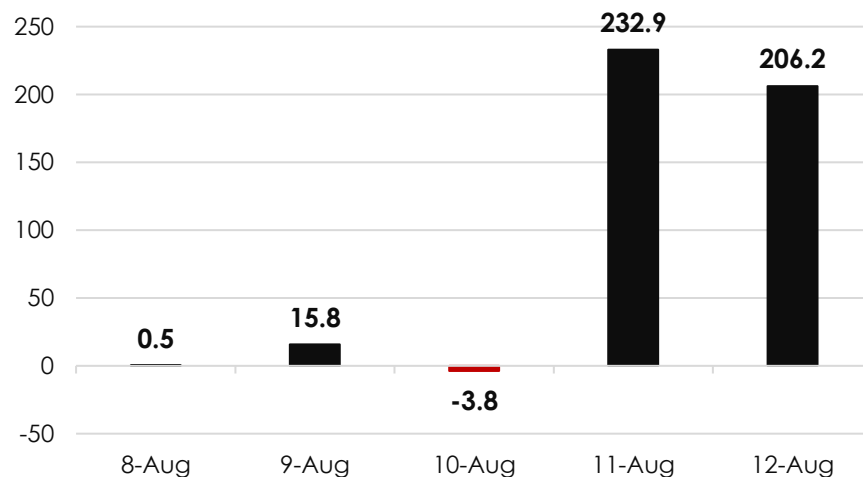
WEEKLY FOREIGN FUND FLOW

- ✓ Foreign investors remained as net purchasers as they acquired RM451.7 million net of Malaysian equities last week. This was higher as compared to RM388.2 million net inflows registered in the preceding week.
- ✓ On further scrutiny, Bursa started the week with a strong foot as international investors bought a total of RM16.3 million net of domestic equities on Monday and Tuesday. However, they turned to be net sellers as they dumped RM3.8 million net equities on Wednesday before recording the highest net inflows of RM232.9 million during the week on Thursday. Friday marked the second highest net inflows of the week worth RM206.2 million respectively.
- ✓ On a YTD basis, international investors have bought RM7.1 billion net of local equities in 2022 and have been net buyers for 21 out of 32 weeks of 2022.

**Weekly Foreign Fund Flow in 2022
(RM Million)**



Daily Foreign Net Inflow/Outflow from 8 to 12 August (RM Million)



Source: Bursa
*W = week

FIXED INCOME- FOREIGN INVESTORS HAVE SOLD RM3.5 BILLION FUND IN BOND MARKET DURING JULY 2022

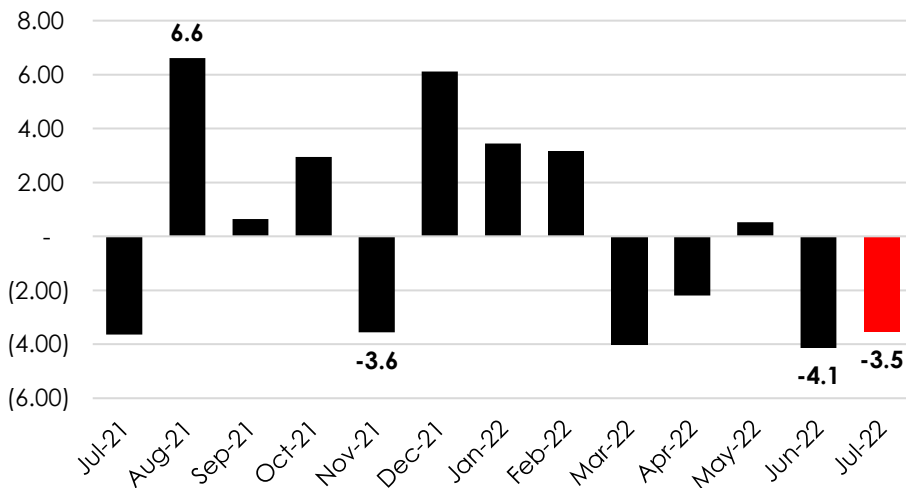
Bond Yields Weekly Change, bps

UST	Yields (%) 5-Aug-22	Yields (%) 12-Aug-22	Change (bps)
3-M UST	2.58%	2.63%	5
2-Y UST	3.24%	3.25%	1
5-Y UST	2.97%	2.97%	0
10-Y UST	2.83%	2.84%	1

MGS	Yields (%) 5-Aug-22	Yields (%) 12-Aug-22	Change (bps)
3-Y MGS	3.48%	3.50%	2
5-Y MGS	3.79%	3.75%	-4
7-Y MGS	3.93%	3.92%	-1
10-Y MGS	3.93%	3.98%	5

Sources: CEIC, BNM

Foreign Fund Flows in Bond Market, RM Billion



Source: CEIC

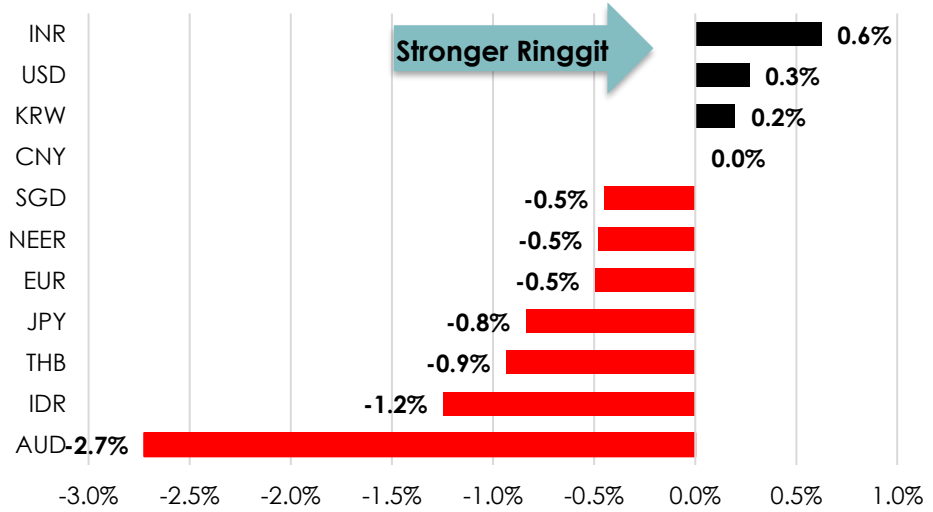
- ✓ For the bond market, the U.S. Treasury (UST) yields were slightly higher between 1 bps and 5 bps for the week ending on 12 August.
- ✓ On domestic front, the MGS yields closed mix with 3-Y MGS and 10-Y MGS yields higher by 2 bps and 5 bps while the 5-Y MGS and 7-Y MGS fell by 4 bps and 1 bps over the week.
- ✓ As the foreign fund flows, foreign investor continued to sell local govies for two straight month at RM4.1 billion in June and RM3.5 billion in July amid monetary policy tightening in the U.S. and European countries.
- ✓ Looking forward, we anticipate the domestic bond yields are likely to be slightly higher in the medium term on the back of an anticipated of 25 bps rate hike in OPR by the BNM during next meeting in September.

RINGGIT WAS TRADED HIGHER AGAINST THE USD LAST WEEK

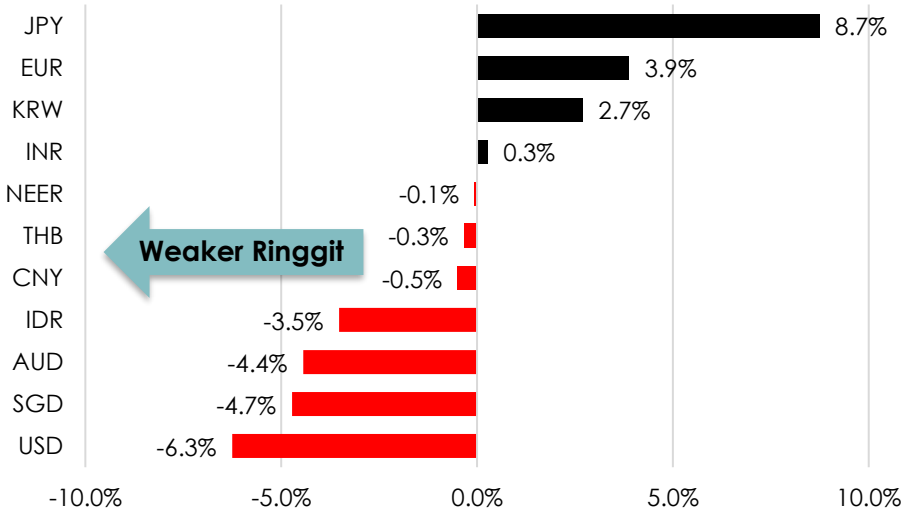
WEEKLY PERFORMANCE

- ✓ The Ringgit appreciated by 0.3% w-o-w against U.S. Dollar (USD), closing at RM4.4425 on 12 August from RM4.4540 in the previous week.
- ✓ The gain in the local note was mainly attributable to the release of Malaysia's 2Q2022 GDP which saw the economic growth continued to accelerate by 8.9% y-o-y during the quarter after rising by 5.0% in 1Q2022.
- ✓ Apart from that, the USD index retreated during the week (12 August: 105.63 vs. 5 August: 106.62) as market is now expecting the Fed might start to slow the pace of monetary tightening. This is in view of inflation in the U.S. started to ease (July: 8.5% vs. June: 9.1%), supporting the Ringgit in the said week.
- ✓ Looking ahead, we foresee the Ringgit to trade against the greenback between RM4.44 to RM4.45 in the near term.

MYR against regional currencies, w-o-w% (Week Ending 12 August)



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



COMMODITIES – BRENT PRICE FELL BELOW USD100.00 PER BARREL IN TWO WEEKS

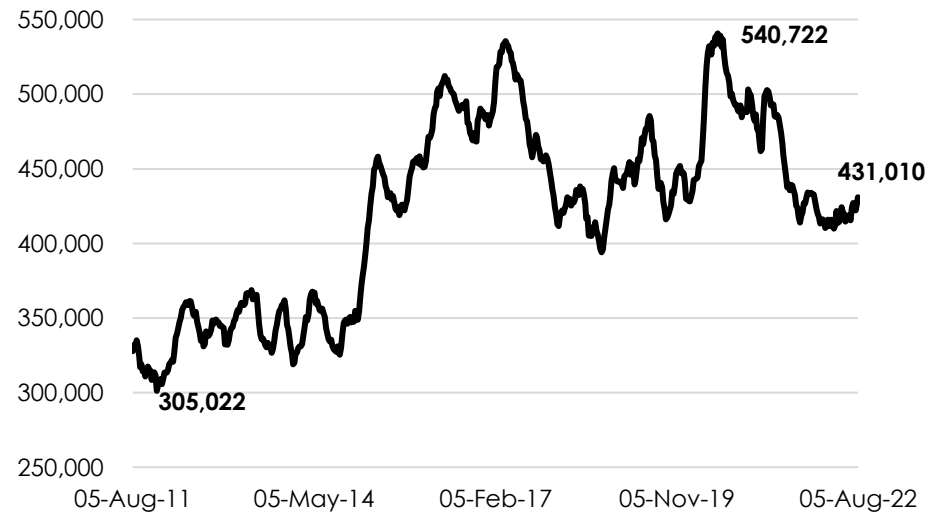
BRENT

- ✓ Brent crude oil price recovered by 3.4% w-o-w after falling by 13.7% previously (12 August: USD98.15 per barrel vs. 5 August: USD94.92 per barrel). However, it has been below than USD100.00 per barrel for the second straight week as investors continued to assess energy demand prospects following an anticipation of slowing global economic activities moving forward.
- ✓ On the supply side, the U.S. Energy Information Administration (EIA) reported that the crude oil stockpiles rose by 4.5 million barrels to 431.0 million barrels in the week ending 5 August from 426.6 million barrels in the previous week. Similarly, the American Petroleum Institute (API) mentioned that fuel inventories went up by 2.2 million barrels for the week which ended on 5 August from 2.2 million barrels increase in the previous week, suggesting slowing demand conditions.

Brent Crude in USD per barrel



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



COMMODITIES – GOLD PRICE IS SET FOR FOURTH WEEKLY RISE AS USD RETREATS DURING THE WEEK

GOLD

- ✓ Gold price increased by 1.5% to reach USD1,802.40 per ounce on 12 August (5 August: USD1,775.50 per ounce) following a weaker USD. The USD index dropped by 0.9% to 105.63 on 12 August after rising by 0.7% (106.62) in the previous week.
- ✓ The USD retreated during the week as investors took cue from the moderation reading of the U.S. inflation. This could prompt the Fed to reduce its speed of interest rate hikes with markets anticipated a 50 bps increase in the federal fund rate (FFR) from a 75 bps for the September meeting.
- ✓ Additionally, the gain in the bullion is reflected by the geopolitical tension between the U.S. and China, as well as the highly uncertain global economic outlook.
- ✓ Nevertheless, investors remained cautious as the U.S. policymakers indicated their commitments to keep increasing the interest rates until they see compelling evidence that inflation sustainably declines.

Gold in USD per ounce



Source: Bloomberg

U.S. Dollar Index (DXY)



- ✓ Since the U.S. inflation has shown some signs of easing, investors would be eyeing the policy meeting minutes from the Fed for the 26-27 July meeting this week which would shed some light for clues on the size of upcoming rate hikes. At the same time, the markets would be looking insight from the Reserve Bank of Australia's (RBA) meeting minutes behind the 50 bps point hike to 1.85% during its August meeting.
- ✓ Besides, industrial production performance for the month of July would be eagerly anticipated for the two largest economies which are the U.S. and China. In the U.S., the figure is expected to grow slightly after a 0.2% m-o-m contraction in June while data from the China would see the extent of recovery due to lockdowns during the 2Q2022.
- ✓ Elsewhere, there will be a slew of inflation data released by countries such as the U.K., Euro Area, as well as Japan which is expected to remain elevated.
- ✓ Domestically, the Department of Statistics Malaysia (DOSM) would publish July's export data on 19 August 2022. The figure is expected to continue a higher trend after recording a 38.8% y-o-y growth in the previous month.
- ✓ Overall, the FBM KLCI is expected to trade between 1,510.0 points and 1,525.0 points following positive market sentiment. This is in light of cooling inflation rate in the U.S., as well as the better-than-expected 2Q2022 GDP Malaysia amid the reopening of international border in April this year.

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
12-Jul-22	625,126	20,500	130,998	13,615	3,361	83,761	46,033	4,495	37,342	-	1,679	25,077	54,547	24,343	2,345
13-Jul-22	1,198,543	32,669	144,646	16,906	3,822	144,058	68,191	5,979	40,239	59,226	2,391	29,816	122,424	182,006	3,934
14-Jul-22	1,102,616	31,582	135,533	20,139	3,584	111,591	92,507	16,870	39,178	-	2,257	26,924	183,877	127,529	4,098
15-Jul-22	1,066,080	29,359	116,788	20,038	3,331	108,632	97,339	11,772	38,845	-	1,795	23,828	155,028	115,424	5,230
16-Jul-22	989,097	27,035	108,366	20,044	4,329	97,936	99,291	12,996	41,310	57,635	2,025	21,080	138,881	14,911	5,047
17-Jul-22	1,195,052	27,055	25,131	20,528	3,540	91,384	104,832	6,683	40,342	-	2,028	18,342	182,131	124,009	3,936
18-Jul-22	878,033	25,967	13,050	16,935	3,393	68,996	103,602	6,947	26,254	-	1,814	15,007	54,474	73,668	3,080
19-Jul-22	698,761	19,637	134,068	15,528	5,085	32,051	79,633	6,227	73,558	-	2,125	17,225	53,325	17,733	3,902
20-Jul-22	1,116,036	28,719	143,244	20,557	5,653	121,103	81,362	13,794	76,341	41,683	2,886	18,697	107,406	134,188	5,685
21-Jul-22	1,089,694	29,052	121,930	21,566	5,410	86,801	135,239	10,293	71,117	-	2,607	16,648	178,950	85,747	4,587
22-Jul-22	1,086,714	27,138	103,542	21,880	4,834	81,535	180,826	9,749	68,632	-	2,424	16,151	158,996	80,624	3,880
23-Jul-22	1,114,935	25,909	89,352	21,411	4,943	71,667	196,297	8,983	68,521	31,980	2,578	14,113	147,466	67,587	4,816
24-Jul-22	1,284,426	24,268	22,086	20,279	4,071	69,174	192,109	7,889	65,433	-	2,390	12,358	205,431	68,532	2,720
25-Jul-22	877,344	23,618	11,806	16,866	4,048	51,875	172,673	6,175	35,824	-	1,740	9,878	49,213	50,032	3,300
26-Jul-22	748,968	18,896	120,160	14,830	6,483	24,117	154,011	5,551	99,224	-	1,828	11,233	51,402	11,195	4,759
27-Jul-22	1,111,238	27,038	118,018	18,313	6,438	88,651	180,226	12,419	100,197	39,089	2,747	13,128	111,188	81,818	4,503
28-Jul-22	1,042,229	27,755	96,027	20,557	6,353	64,400	207,236	8,763	88,339	-	1,902	11,535	167,182	58,638	3,926
29-Jul-22	1,028,025	26,089	75,088	20,409	5,831	60,826	230,055	8,565	85,320	-	2,480	10,379	157,276	50,518	4,860
30-Jul-22	1,032,046	25,285	61,856	20,408	5,398	54,417	221,938	12,999	81,944	26,018	1,962	9,169	142,251	40,224	4,271
31-Jul-22	971,389	23,322	15,500	19,673	4,205	50,297	212,960	1,497	73,589	-	1,664	8,401	255,647	41,278	2,783
1-Aug-22	781,530	22,895	7,881	16,464	3,696	37,252	196,812	5,106	44,600	-	2,108	7,272	31,301	31,535	3,213
2-Aug-22	1,089,563	18,367	83,812	13,734	5,827	19,520	167,678	4,709	111,733	-	1,843	8,393	32,871	7,249	4,204
3-Aug-22	991,553	25,279	84,231	17,135	6,167	65,099	195,801	10,230	119,877	19,417	2,432	9,719	123,520	54,105	5,330
4-Aug-22	975,780	25,929	68,774	19,893	6,527	45,956	231,597	7,231	107,850	-	2,166	9,080	161,833	32,965	4,413
5-Aug-22	1,348,346	25,115	56,021	20,551	5,929	42,959	253,392	6,648	112,901	-	2,253	8,196	142,202	33,799	3,927
6-Aug-22	948,753	23,802	48,357	19,406	5,455	38,215	236,809	-	110,610	20,188	2,381	7,061	124,952	30,178	4,684
7-Aug-22	982,422	21,953	13,199	18,738	4,279	34,997	214,879	11,903	105,507	-	2,250	6,271	143,127	28,518	2,728
8-Aug-22	685,949	24,043	6,883	16,167	4,425	26,656	198,563	4,798	55,214	-	1,842	5,211	15,166	21,209	2,863
9-Aug-22	616,992	17,411	65,455	12,751	6,276	11,975	172,998	3,541	149,839	-	1,955	6,310	20,052	5,090	3,083
10-Aug-22	915,371	25,747	66,833	16,047	5,926	43,078	196,732	7,965	151,747	14,353	2,335	6,548	138,975	38,211	4,896
11-Aug-22	916,747	26,401	53,850	16,299	5,532	31,699	227,828	2,819	137,198	-	2,316	3,948	158,778	26,758	4,831
12-Aug-22	831,440	25,082	33,560	16,561	6,091	28,423	240,205	7,262	128,714	-	2,455	-	127,528	19,722	3,943

Source: CEIC

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