



From the Desk
of the
Chief Economist

BANK ISLAM

WEEKLY MARKET UPDATES

15 NOVEMBER 2021

ECONOMIC RESEARCH

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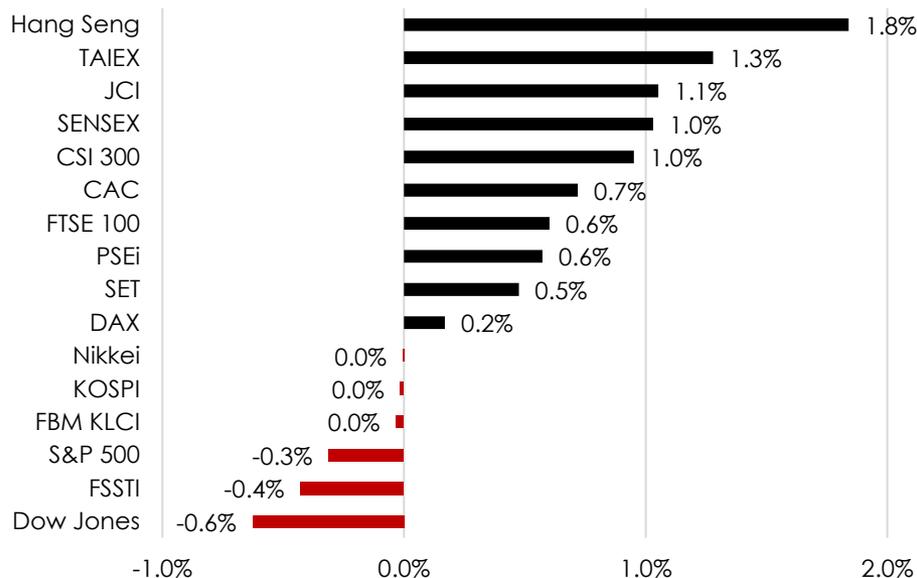
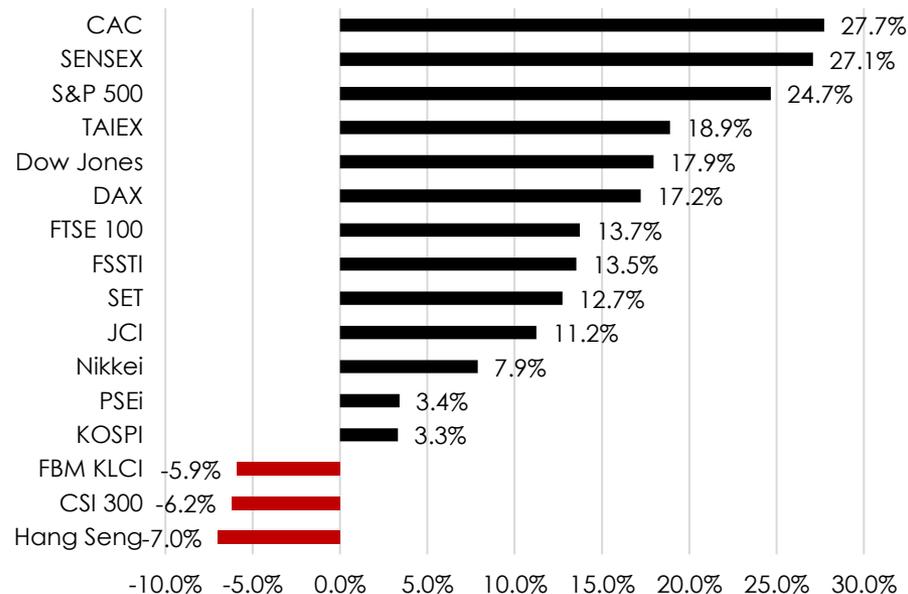
SHAFIZ BIN JAMALUDDIN

NOR JANNAH ABDULLAH

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WEEKLY MARKET PERFORMANCE

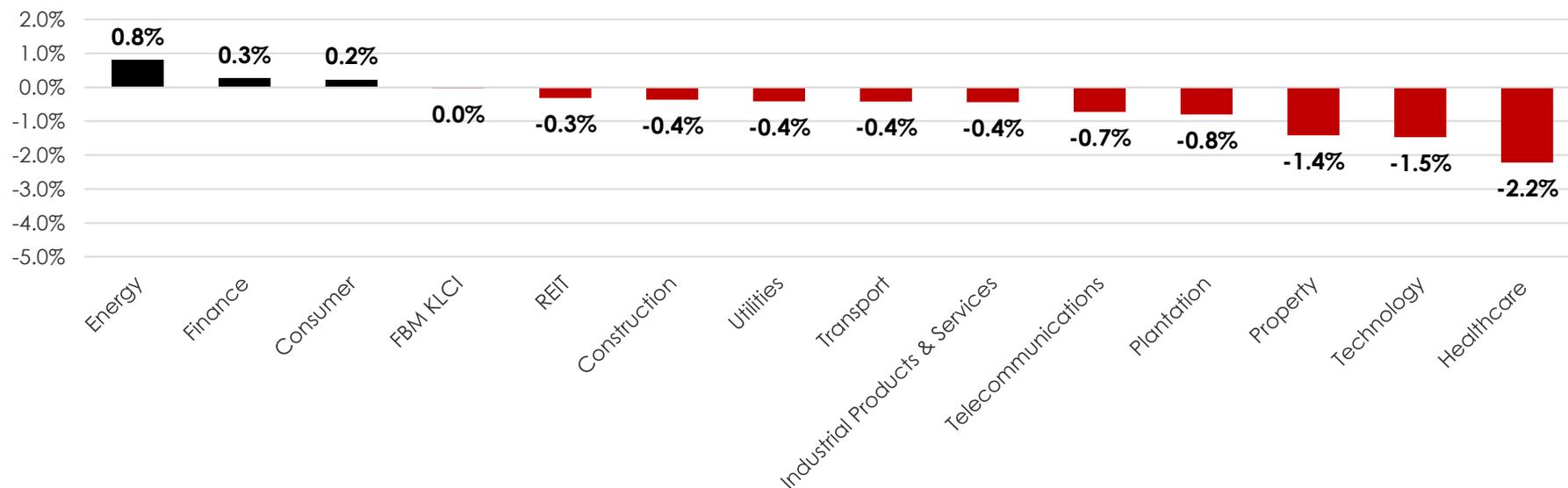
- ✓ Gainers conquered the market last week with Hong Kong's Hang Seng index marking the biggest weekly advance of 1.8% among major equity markets. Chinese developers and tech juggernauts led the index's ascent on the back of reports that policymakers would soon loosen the funding restrictions on home builders to ease liquidity squeeze.
- ✓ Meanwhile, the Dow Jones index led laggards with a 0.6% weekly drop as stocks have been buffeted by inflation fears, with the government debt yields rising. Nevertheless, overall investors are betting that corporate profits will remain healthy despite supply-chain challenges and a surge in consumer demand in the aftermath of the Covid-19 pandemic.
- ✓ On the domestic front, the FBM KLCI index was unchanged for the week but was the smallest decliner on a Year-To-Date (YTD) basis amongst major markets with a 5.9% loss.

Weekly Gain/Loss of Major Equity Markets (%)
(Week Ended 12 November)YTD Gain/Loss Of Major Equity Markets (%)
(As at 12 November)

WEEKLY SECTORAL PERFORMANCE

- ✓ The Bursa Malaysia Energy Index was the biggest gainer among sectoral indices, ending 0.8% higher during the week. The weekly advance in the index occurred despite the 0.7% weekly decline in Brent crude oil price in the wake of a strengthening U.S. dollar and speculation that President Joe Biden's administration might release oil from the U.S. Strategic Petroleum Reserve to cool prices. Perhaps the resumption in international and domestic travel had supported positive prospects for the high demand for oil.
- ✓ On the other hand, the Bursa Malaysia Healthcare Index recorded the largest weekly decline of 2.2%. During the week, the index surged by 2.3% on Friday after news reports quoting Health director-general Tan Sri Dr Noor Hisham Abdullah indicated that Malaysia reported on Thursday 48 new Covid-19 cases involving the Delta variant of the coronavirus which causes the pandemic. However, the closing level of the index of 2,360.0 points on Friday was still lower than 2,413.7 points reached during a week ago.

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

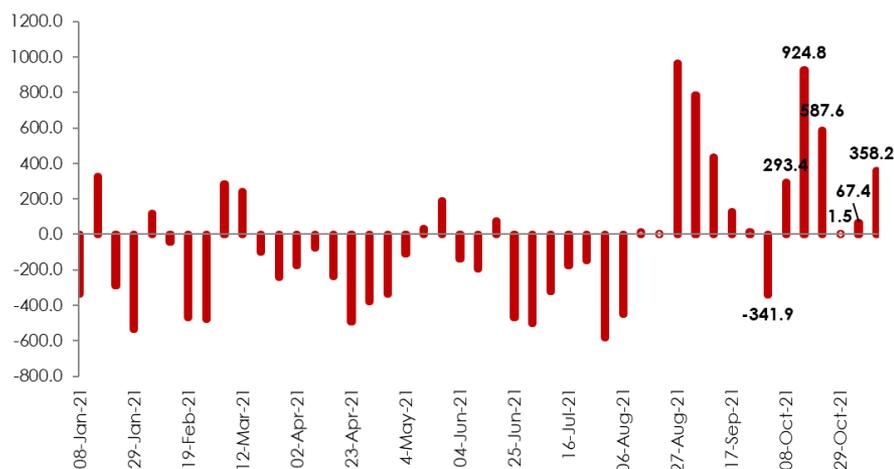


Source: Bursa

WEEKLY FOREIGN FUND FLOW

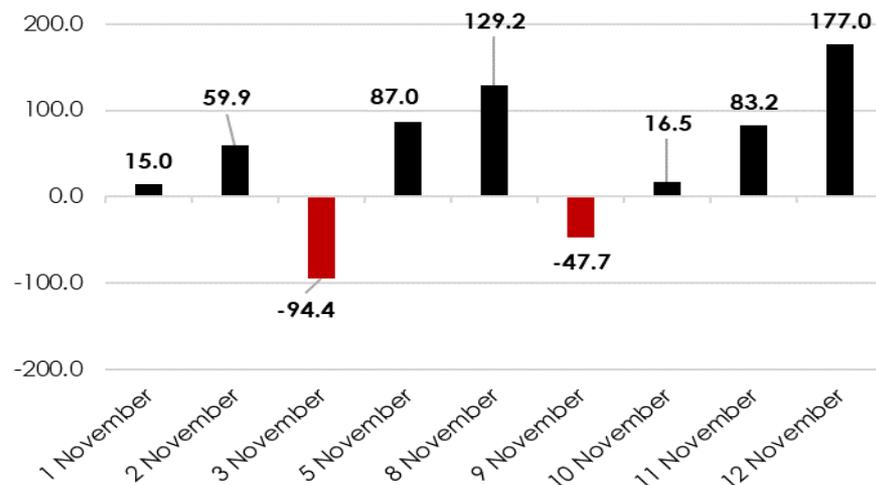
- ✓ Foreign investors remained in buying mode as they acquired RM358.2 million net of local equities last week compared to the RM67.4 million net bought in the previous week. Thus far in 2021, foreign investors have been net buyers in 19 weeks out of 44 weeks.
- ✓ Bursa began the week on a positive note as foreign investors acquired RM129.2 million net of local equities on Monday. However, international investors disposed RM47.7 million net of local equities on Tuesday amid profit taking activity in the industrial products and services, as well as plantation counters amid mixed sentiments on the regional markets. Nevertheless, foreign investors returned to Bursa by buying RM16.5 million net of local equities on Wednesday. International investors continued to buy local equities on Thursday to the tune of RM83.2 million net. Friday saw the highest amount of foreign net buying during the week at RM177.0 million net lifted mainly by gloves and banking sector.
- ✓ On a YTD basis, international investors have so far sold RM1.8 billion net of local equities this year compared to RM23.1 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 November to 12 November 2021 (RM Million)

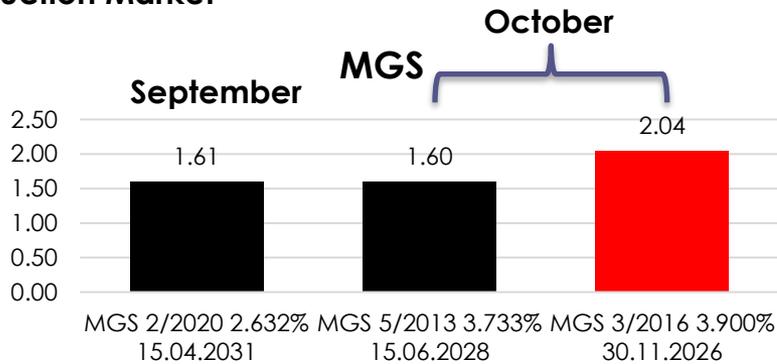


MGS Benchmark Weekly Change (bps)

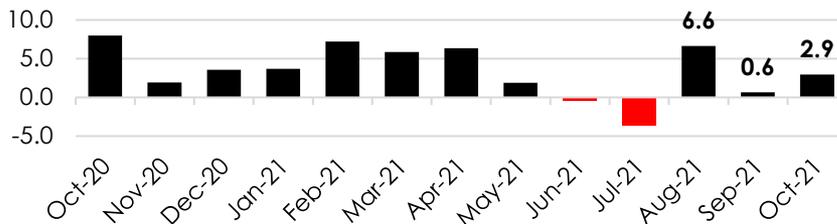
MGS Benchmark	Coupon (%)	Yields (%) 5-Nov-21	Yields (%) 12-Nov-21	Change (bps)
3-YMGS 06/24	3.48%	2.65%	2.65%	0
5-YMGS 11/26	3.90%	3.13%	3.14%	1
7-YMGS 06/28	3.73%	3.43%	3.45%	2
10-YMGS 04/31	2.63%	3.57%	3.57%	0

Source: BNM

Auction Market



Foreign Fund Flows in Bond Market, RM billion



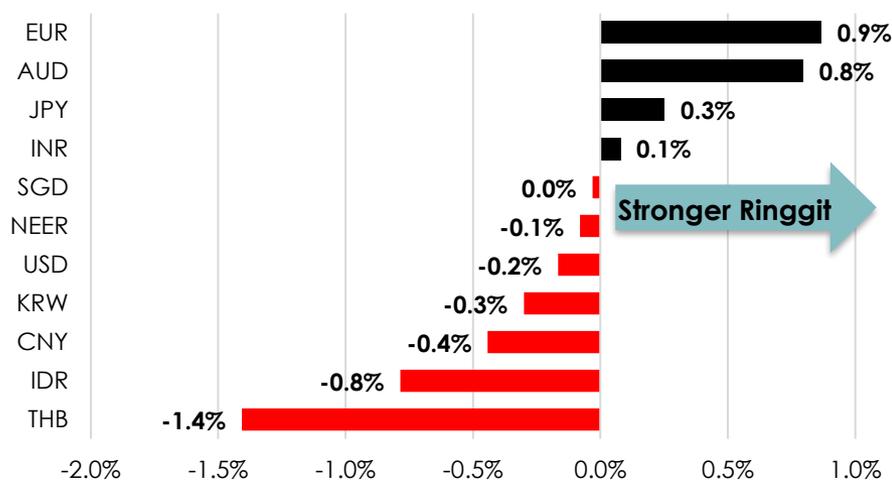
Source: Bond Info Hub
ECONOMIC RESEARCH

- ✓ As for the bond market, the overall MGS benchmark 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 2.65% and 3.57% respectively on 12 November while the yields of 5-Y MGS 11/26 and 7-Y MGS 06/28 went up by 1 bps and 2 bps to close at 3.14% and 3.45% respectively amid the surge in the U.S. inflation recorded during the month of October.
- ✓ Meanwhile, the auction market showed that the issuance of 5-Y MGS 11/2026 drew a healthy Bid-To-Cover (BTC) ratio of 2.04x (previous: 1.60x).
- ✓ In addition, foreign investors remained net buyers of local govies for the third straight month in October, with inflows rising to RM2.9 billion compared to RM0.6 billion in September. This suggests that the demand for Malaysian bond remained supportive.
- ✓ Be that as it may, foreign demand for local govies may face some pressure following the decision by the U.S. Federal Reserve (the Fed) to begin tapering its USD120.0 billion monthly asset purchases this month.
- ✓ All in all, we foresee that an improving domestic recovery outlook especially in the fourth quarter of 2021 would be the push factor for continuation in the rising yields of local govies.

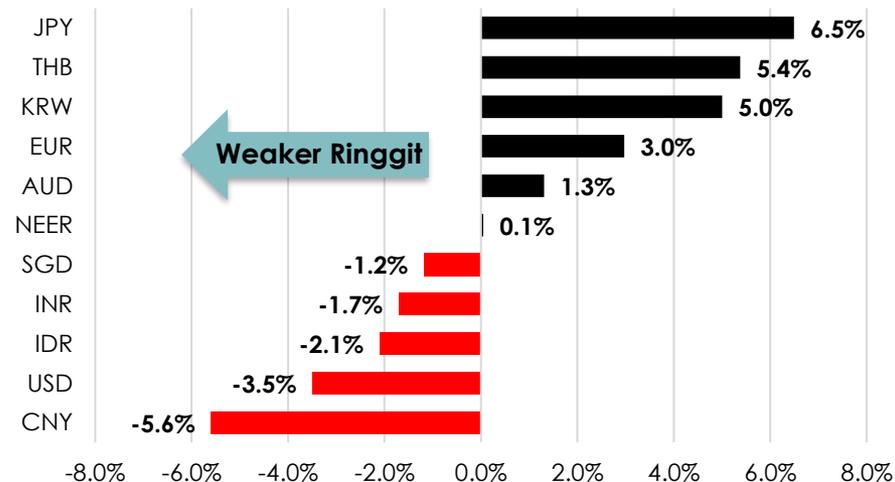
WEEKLY PERFORMANCE

- ✓ The Ringgit declined by 0.2% week-on-week (w-o-w) to close at RM4.1640 against the U.S. Dollar on 12 November from RM4.1580 on 5 November.
- ✓ The weaker ringgit was mainly attributable to the release of Malaysia's 3Q2021 Gross Domestic Product (GDP) which saw the economic growth contract by 4.5% during the quarter (2Q2021: 16.1%) amid the re-imposition of containment measures during the first half of July with an effort to curb the spreading of Covid-19 in the country. As such, many companies were not allowed to operate normally since most of the states including the key states such as Kuala Lumpur, Selangor and Johor were in the phase 1 of National Recovery Plan (NRP) during that point of time.
- ✓ Apart from that, the drop in Brent price by 0.7% (12 November: USD82.17 per barrel vs. 5 November: USD82.74 per barrel) also caused the Ringgit to depreciate on a weekly basis.
- ✓ Looking ahead, the local note is expected to linger around RM4.16 against the greenback this week as investors are keeping a close eye on the U.S. retail sales.

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



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



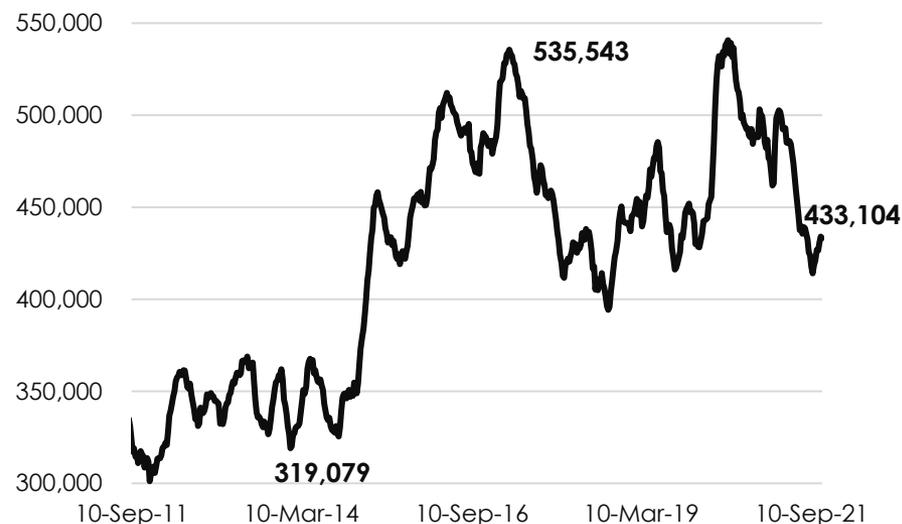
BRENT

- ✓ Brent crude oil price recorded a 0.7% weekly decline to settle at USD82.17 per barrel on 12 November (5 November: USD82.74/barrel) amid an inflation-driven dollar rally and a revision of the oil demand forecast from the Organization of the Petroleum Exporting Countries (OPEC), as well as threat of further intervention by the U.S. in oil market.
- ✓ On further scrutiny, the OPEC lowered its oil demand forecast by 160,000 barrels per day (bpd) to reach 96.4 million bpd in 2021 following higher energy prices which have led to the slowdown in global recovery from the pandemic. Apart from that, a slower than anticipated demand from China and India during 3Q2021 has also contributed to the downgrade forecast by the OPEC.
- ✓ Meanwhile, on the supply side, the U.S. Energy Information Administration (EIA) reported that crude oil inventories dropped by 1.0 million barrels to 433.1 million barrels in the week ended 5 November (29 October: 434.0 million barrels). Similarly, the American Petroleum Institute (API) report mentioned that crude stockpiles decreased by 2.5 million barrels in the week ended 5 November from 3.6 million barrels gains in the preceding week. 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



GOLD

- ✓ Gold price rose by 2.6% to USD1,864.90 per ounce on 12 November (5 November: USD1,818.36 per ounce) following a surging in U.S. consumer prices (October: 6.2% vs. September: 5.4%), which quickened at the fastest clip in three decades on an annual basis.
- ✓ Interestingly, the U.S. Dollar Index appreciated by 0.9% to 95.13 (5 November: 94.32) during the week amid speculation of tighter monetary policy which could raise the odds for the Fed to consider hike interest rates sooner rather than later due to the latest U.S. inflation data.
- ✓ On further scrutiny, Friday's Michigan Consumer Sentiment Index dropped to 66.8 points in November (October: 71.7 points), the lowest since November 2011 caused by worries of an escalated inflation, as well as consumers' perception on the non-existence of effective policies to reduce the damage from surging inflation.
- ✓ With the Fed treading carefully around increasing interest rates, policy outlook remain uncertain as employment targets are prioritised. They also believe that forces driving inflation will be transitory.

Gold in USD per ounce



U.S. Dollar Index (DXY)



- ✓ Bursa Malaysia is expected to continue to head north from Monday, supported by positive local and global economic developments reflected through the continuing buying momentum going forward as foreign funds continue to flow into the region while valuations on the local market remain attractive compared to regional peers.
- ✓ Despite the negative print of Malaysia's 3Q2021 GDP which was released last week, investors are now focusing towards the potential recovery driven by the resumption of domestic tourism and probably international tourism by early next year. The rebound in the tourism industry will provide some support to the nation's economic growth in the coming quarters.
- ✓ Henceforth, we anticipate the FBM KLCI to hover within the range of 1,530 points to 1,550 points this week. From the technical point of view, we see strong immediate support at 1,520 points and resistance at 1,550 points
- ✓ On the economic data front, Malaysia will be releasing data on labour productivity this Thursday. As for other markets, Thailand will be releasing its 3Q2021 GDP data while China, Japan and the U.S. will be announcing their data on industrial production this week. It is likely that industrial production in the said countries might have expanded in the light of the surge in demand due to the reopening of economies around the globe. However, an issue at hand would be the manufacturers feeling overwhelmed in meeting orders which subsequently lead to supply chain bottle necks.
- ✓ Overall, a prudent assessment on the overall economic situation remains crucial. The reason being is that the basic reproduction number of the Covid-19 virus represented by R-naught has returned back to 1.0 based on data as at 11 November. The last time the country reported an R-naught above 1.0 was on 31 August at 1.02, when Covid-19 cases stood at 20,897 cases. Therefore, the public must continue to adhere to standard operating procedures (SOPs) and vulnerable groups need to get booster (vaccine) doses immediately when the appointment is made.

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-Oct-21	345,841	30	4,971	14,313	1,261	1,516	418	2,263	1,342	519	9,445	39,463	63,973	635	7,276
13-Oct-21	395,026	30	11,903	15,823	1,233	2,494	544	2,976	1,581	1,999	10,064	37,668	63,750	5,291	7,950
14-Oct-21	430,881	28	12,382	18,987	1,053	2,772	714	3,190	1,938	814	11,276	41,446	87,736	5,492	8,084
15-Oct-21	438,236	19	11,518	16,862	915	2,668	619	2,932	1,684	1,897	10,486	44,556	98,985	4,760	7,420
16-Oct-21	441,413	27	10,949	15,981	997	2,732	534	3,445	1,617	2,061	10,648	44,212	95,261	5,708	7,509
17-Oct-21	408,166	37	8,682	14,146	747	2,983	506	3,348	1,417	2,043	10,863	42,818	90,523	4,837	6,145
18-Oct-21	348,072	28	4,056	13,596	626	2,437	412	3,058	1,050	1,115	10,111	44,696	66,156	3,778	5,434
19-Oct-21	361,027	30	6,771	13,058	903	1,597	297	2,553	1,072	766	9,122	48,703	53,910	757	5,745
20-Oct-21	414,618	38	17,015	14,623	914	2,697	347	3,994	1,571	2,164	8,918	43,324	57,502	5,689	5,516
21-Oct-21	455,753	29	16,077	18,454	633	3,702	373	3,862	1,441	2,062	9,727	48,545	78,639	5,796	6,210
22-Oct-21	462,798	51	19,572	15,786	760	3,794	351	3,439	1,440	2,070	9,810	51,484	77,680	5,498	6,630
23-Oct-21	467,209	60	15,145	16,326	802	3,882	305	3,637	1,507	1,960	9,742	48,728	80,398	6,058	5,828
24-Oct-21	422,058	56	13,732	15,906	623	3,908	299	3,598	1,423	2,090	9,351	44,985	78,075	6,169	5,666
25-Oct-21	330,240	47	6,573	14,306	460	3,725	246	3,383	1,190	1,105	8,675	38,740	27,430	4,993	4,782
26-Oct-21	319,906	55	10,473	12,428	611	2,535	166	3,174	1,264	827	7,706	36,100	19,109	1,011	5,726
27-Oct-21	479,458	66	23,212	13,451	719	4,054	263	3,277	1,948	2,292	8,452	43,453	105,136	6,251	6,148
28-Oct-21	513,061	52	28,037	16,156	723	4,598	342	5,324	2,111	2,065	9,658	43,922	102,877	6,437	6,377
29-Oct-21	510,278	72	24,668	14,348	683	4,866	271	3,432	2,124	2,092	8,968	39,006	113,328	6,126	6,060
30-Oct-21	470,219	88	21,543	14,313	620	5,335	4,343	4,248	2,103	2,105	9,224	43,081	73,842	6,062	5,854
31-Oct-21	436,281	81	16,887	12,830	523	4,878	287	3,112	2,061	2,413	8,859	40,726	86,733	7,285	4,979
1-Nov-21	312,897	99	9,658	12,514	403	4,526	254	3,163	1,685	1,335	8,165	37,667	-	6,329	4,626
2-Nov-21	352,948	77	10,813	10,423	612	2,818	102	2,470	1,588	929	7,574	39,682	42,770	1,834	5,071
3-Nov-21	497,230	115	20,398	11,903	801	2,834	196	3,496	2,665	960	7,679	33,546	135,126	1,859	5,291
4-Nov-21	497,420	114	33,949	12,885	628	5,188	233	3,635	2,482	2,866	7,982	40,803	75,892	9,592	5,713
5-Nov-21	517,831	87	37,120	12,729	518	5,905	204	3,003	2,344	2,835	8,148	36,559	79,444	9,283	4,922
6-Nov-21	503,362	63	34,002	10,929	401	6,764	200	1,767	2,247	2,837	8,467	33,697	88,070	8,451	4,701
7-Nov-21	459,563	82	23,543	10,853	444	6,764	238	3,035	2,223	2,850	7,960	30,150	89,666	9,537	4,343
8-Nov-21	331,266	94	15,513	11,451	244	5,822	163	2,553	1,758	1,297	7,592	29,843	-	8,489	4,543
9-Nov-21	394,913	65	21,832	10,126	434	4,197	119	2,470	1,714	663	6,904	31,982	46,558	1,958	5,403
10-Nov-21	550,920	61	39,676	11,466	480	6,032	195	3,397	2,425	-	6,978	32,785	135,689	11,500	6,243
11-Nov-21	531,897	72	50,196	13,091	435	7,891	204	3,481	2,520	6,460	7,496	39,325	84,740	11,822	6,323
12-Nov-21	514,819	110	48,640	12,516	399	8,569	220	2,396	2,368	4,286	7,305	42,401	87,871	12,504	6,517

Source: CEIC

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