



From the Desk  
of the  
**Chief Economist**

**BANK ISLAM**

# **WEEKLY MARKET UPDATES**

**16 AUGUST 2021**

## **ECONOMIC RESEARCH**

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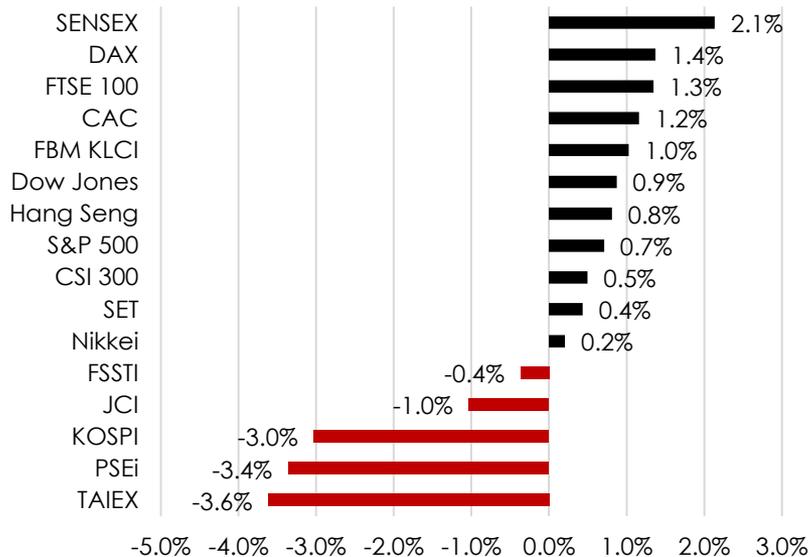
**NOR JANNAH ABDULLAH**

**RAJA ADIBAH RAJA HASNAN**

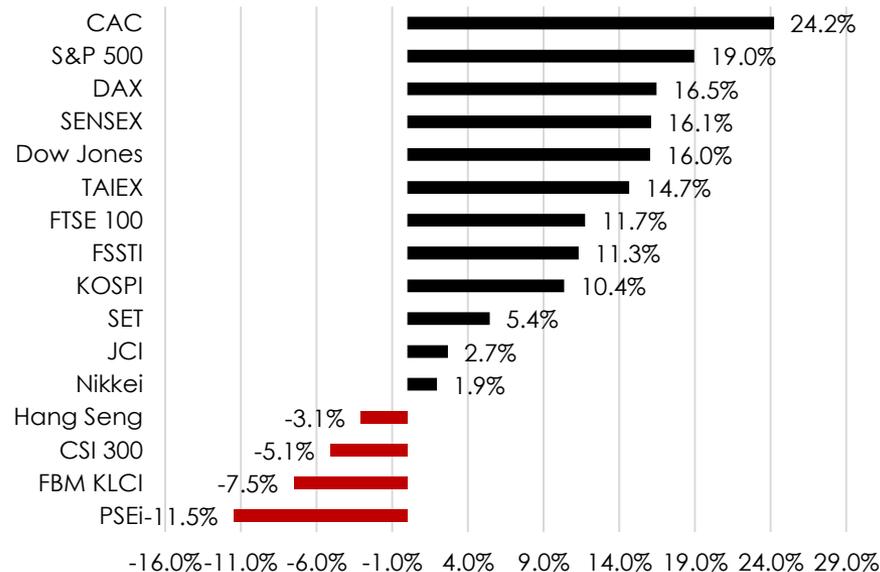
## WEEKLY MARKET PERFORMANCE

- ✓ Gainers outnumbered losers among major equity markets last week with India's SENSEX index recording the biggest weekly gain of 2.1%. The weekly advance in the SENSEX index was fuelled by Friday's 1.1% daily gain when the index closed at an all-time high of 55,437.3 points amid buying support by retail investors and mutual funds mainly in information technology (IT) related counters.
- ✓ Meanwhile, Taiwan's TAIEX index led laggards with a 3.6% weekly decline following worries over the global spread of the Delta variant. In addition, fears that Taiwan's government could decline to extend a transaction tax cut for day trading, which expires at the end of this year, also caused an exodus from old economy stocks favored by day trading investors.
- ✓ On the domestic front, the FBM KLCI index gained by 1.0% for the week but is the second biggest loser on a Year-To-Date (YTD) basis amongst major markets with a 7.5% decline after the Philippines' PSEI index.

**Weekly Gain/Loss of Major Equity Markets (%)**  
(Week Ended 13 August)



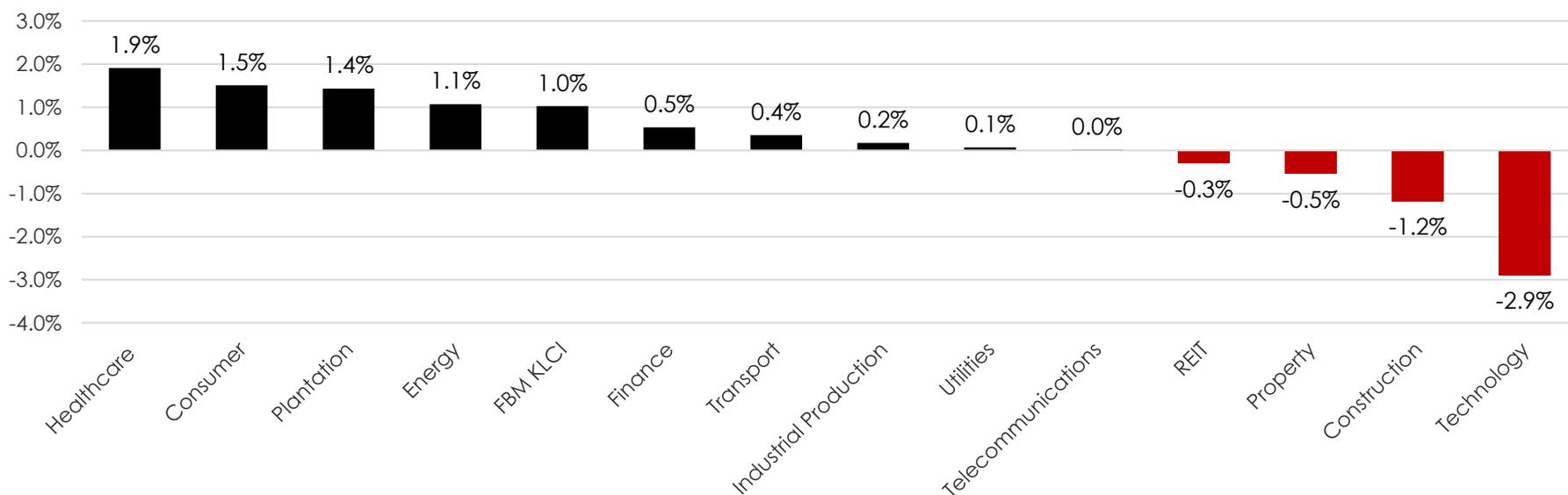
**YTD Gain/Loss Of Major Equity Markets (%)**  
(As at 13 August)



## WEEKLY SECTORAL PERFORMANCE

- ✓ The Bursa Malaysia Healthcare Index was the biggest gainer, ending 1.9% higher during the week. Investors took cue from the latest statement by Malaysian Rubber Council (MRC) which estimated that the global demand for rubber gloves in volume terms is expected to maintain a double-digit growth of between 12.0% and 15.0% in 2021. Demand for rubber gloves is projected to remain strong in light of the emergence of new Covid-19 variants. Moreover, the effectiveness of vaccination programmes in sustaining low cases remains inconclusive even in advanced nations in Europe,
- ✓ On the other hand, the Bursa Malaysia Technology Index was the biggest loser, ending 2.9% for the week as investors decided to cash-in gains after semiconductor related stocks dominated gainers in the preceding week. Nevertheless, the long term prospects for the technology sector remain bright due to the acceleration of technology adoption fuelled by the Covid-19 pandemic and growth of the electric vehicle (EV) space.

### Bursa Malaysia Sectoral Weekly Performance (%)



Source: Bursa

## WEEKLY FOREIGN FUND FLOW

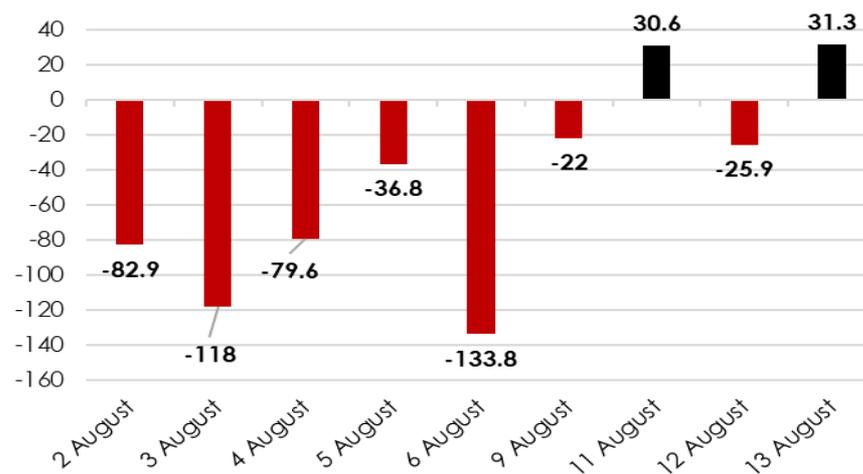
- ✓ Foreign investors acquired RM14.0 million net of local equities last week compared to the RM451.1 million net disposed in the previous week.
- ✓ The week started off with a foreign net outflow in the equities market on Monday albeit at a moderate pace of RM22.0 million net. In general, the local market was probably upbeat on the latest announcement regarding relaxations of movement restrictions for fully vaccinated individuals. As markets reopened on Wednesday from the Awal Muharram holiday, international investors made a return to Bursa by acquiring RM30.6 million net of local equities, snapping the 12-day foreign net selling streak. The foreign net inflow to Bursa was short-lived as foreign investors sold RM25.9 million net of local equities on Thursday as the country recorded another record high of 21,668 cases on Thursday. Foreign investors were back in buying mode on Friday as they snapped up RM31.3 million net of local equities following the release of Malaysia's 2Q2021 GDP which grew by 16.1%.
- ✓ On a YTD basis, international investors have so far sold RM6.0 billion net of local equities this year compared to RM19.7 billion net disposed during the same period last year.

### Weekly Foreign Fund Flow in Malaysia (RM Million)



Sources: Bursa

### Daily Foreign Net Inflow/Outflow From 2 - 13 August 2021 (RM Million)



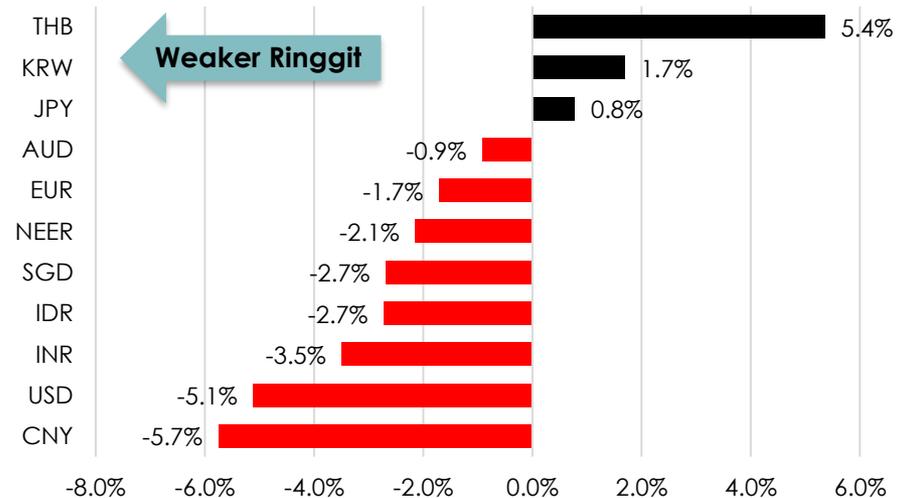
## WEEKLY PERFORMANCE

- ✓ The Ringgit fell by 0.4% week-on-week (w-o-w) to close at RM4.2360 against the U.S. Dollar on 13 August from RM4.2170 on 6 August. The weaker note was weighed by the oil market as the sentiment has turned negative after the U.S. President Joe Biden has called for OPEC and its allies to increase oil output to lower crude oil prices.
- ✓ On the domestic front, local Covid-19 cases are now seeing a glimmer of hope as the number of critically ill patients that need to be admitted to the Intensive Care Unit (ICU) in the Klang Valley has decreased, suggesting the ongoing rapid vaccination programme successfully to contain the effects from Covid-19 virus. Following this, the government has decided to relax the restriction measures in the country for individuals that are fully vaccinated. This will allow more businesses to operate but with stricter standard operating procedures (SOPs), enabling more economic output to be produced.
- ✓ Nevertheless, the Ringgit is likely to trade within the a tight range between RM4.2300 and RM4.2400 this week amid the fluid domestic political situation that could heavily derail investor sentiment.

**MYR against regional currencies, w-o-w% (Week Ended 13 August)**



**MYR against regional currencies, YTD Gain% (As at 13 August)**

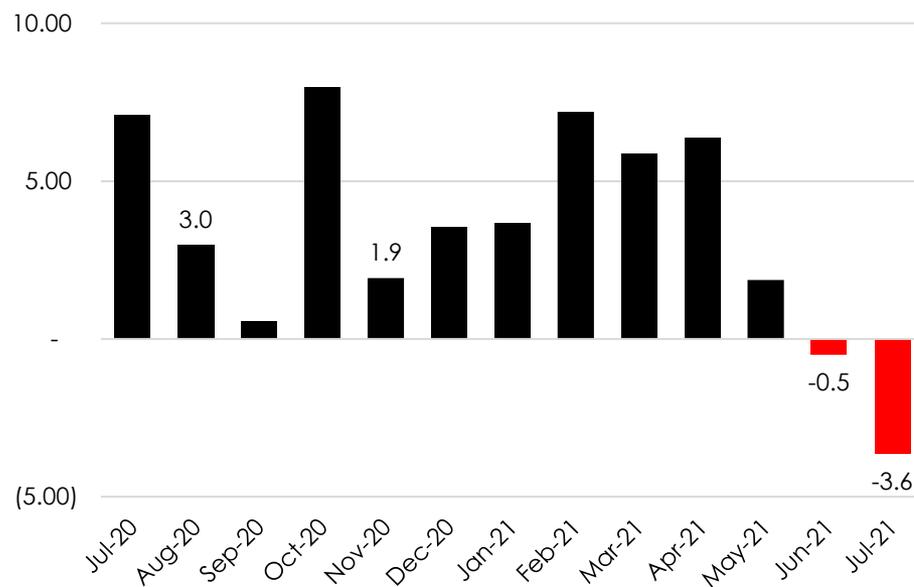


## MGS Benchmark Weekly Change (bps)

MGS Benchmark	Coupon (%)	Yields (%) 6-Aug-21	Yields (%) 13-Aug-21	Change (bps)
3-Y MGS 06/24	3.48%	2.30%	2.32%	2
5-Y MGS 11/26	3.90%	2.63%	2.69%	6
7-Y MGS 06/28	3.73%	3.02%	3.07%	5
10-Y MGS 04/31	2.63%	3.23%	3.21%	-2

Source: BNM

## Foreign Fund Flows in Bond Market, RM billion



Source: Bond Info Hub

- ✓ The MGS benchmark yields mostly closed higher except the 10-Y MGS 04/31 which fell by 2 bps to settle at 3.21% on 13 August. On the other hand, the 3-Y MGS 06/24, 5-Y MGS 11/26 and 7-Y MGS 06/28 increased by 2 bps, 6 bps and 5 bps to close at 2.32%, 2.69% and 3.07% respectively on last Friday in line with the rise in the U.S. Treasury yields last week.
- ✓ As for the fund flow, the foreign investors continued to offload local govvnies for two straight months to the tune of RM3.6 billion in July which is the largest foreign net outflows recorded since March last year.
- ✓ This was in tandem with the risk-on mode in global financial markets after the Senate approved President Biden's infrastructure plan which is crucial to support the country's economic activities in the long run.
- ✓ Be that as it may, the ongoing domestic political turmoil is expected to weigh on the bond yields in the medium term.

## BRENT

- ✓ Brent crude oil price recorded a 0.2% weekly decline to settle at USD70.59 per barrel last Friday (6 August: USD70.70/barrel) amid rising fears over the rapid spread of Delta strain of the Covid-19 virus particularly in several countries in Asia. In China, tighter curbs and restrictions in the country are starting to hit more parts of the economy, with port congestion worsening following the shutdown of a container terminal in Ningbo.
- ✓ Apart from that, the International Energy Agency (IEA) also warned a slowdown in demand recovery for the rest of the year due to the spread of the Covid-19 Delta variant. This could also affect market sentiment moving forward.
- ✓ On the supply side, the U.S. Energy Information Administration (EIA) reported that stocks of crude oil declined by 0.4 million barrels to 438.8 million barrels in the week ended 6 August (30 July: 439.2 million barrels). Similarly, the American Petroleum Institute (API) report mentioned that crude stockpiles decreased by 0.8 million barrels in the week ended 6 August from a draw of 0.9 million barrels in the preceding week. These developments in oil market have provided some support to the oil price movement last week.

### Brent Crude in USD per barrel



Source: Bloomberg

### US Crude Oil Inventory, '000 barrel - EIA



## GOLD

- ✓ Gold price rose by 0.9% to USD1,779.74 per ounce on 13 August after a drop of 2.8% in the preceding week whereby the highly infectious Delta variant of the Covid-19 virus in Asian countries such as China dampened sentiment. The weekly rise in gold price followed the 0.3% drop in the U.S. Dollar index to 92.52 (6 August: 92.80).
- ✓ Meanwhile, U.S. producer prices edged up by 7.8% year-on-year (y-o-y) in July (June: 7.3%), marking the largest annual increase in more than a decade. This was mainly attributable to the possibility of high inflation as strong demand fuelled by economic recovery continued to hurt supply chains.
- ✓ Aside from that, the number of American filling claims for jobless benefits fell to 375k for the week ended 7 August from 387k of the previous week, suggesting that labour market continues to heal despite uncertainty from the Delta variant. In fact, the claims for jobless benefits have been declining for three consecutive weeks.

### Gold in USD per ounce



### U.S. Dollar Index (DXY)



Source: Bloomberg

# WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- ✓ The release of the 2Q2021 GDP data by Bank Negara Malaysia on last Friday will not likely provide a strong impetus for the market moving forward as investors acknowledged that the GDP growth in 3Q2021 will reach a trough due to containment measures imposed such as the enhanced movement control order (EMCO) in certain parts of Kuala Lumpur and Selangor during the first half of July.
- ✓ The latest relaxation of movement restrictions involving certain economic sectors for states with at least 50.0% of the adult population being fully vaccinated could provide some upside to the market movement this week. Moreover, the working capacity for sectors such as manufacturing, construction and mining have been allowed to increase according to the percentage of fully vaccinated workers.
- ✓ Notwithstanding this, all eyes will be on Malaysia's political development amid a possible resignation of the Prime Minister today. If such scenario were to happen, the market may see a negative knee-jerk reaction amid further uncertainties regarding national agendas especially if there were to be a major reshuffling among cabinet ministers. Taking these matters into consideration, we expect the FBM KLCI to trade within a range of 1,495 to 1,515 points this week.
- ✓ On the economic data front, the **U.S. Federal Reserve will be releasing minutes from its latest Federal Open Market Committee (FOMC) meeting on Thursday** which will be digested by investors to get some clues on stimulus tapering. Other economic releases from the **U.S. include retail sales combined with earnings releases by Walmart and Target** which could shed more light on the health on the consumer sector.
- ✓ Meanwhile, there will be a slew of **inflation data released by countries such as Japan, Hong Kong, Euro Area and the U.K.**
- ✓ Overall, the path to economic recovery remains uneven as the Infectious Diseases Society of America estimated that the delta variant has pushed the threshold for herd immunity to well over 80.0% and possibly close to 90.0%. In short, it is a neck to neck race between the development of ever more highly transmissible variants which develop the capacity to evade immunity.

# 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-Jul-21	425,237	53	646	32,906	47,899	887	1,565	26	1,150	12,058	8,685	33,998	37,319	1,120	11,079
14-Jul-21	459,710	53	1,548	38,792	54,517	1,530	2,309	26	1,615	25,581	9,317	36,216	20,450	5,367	11,618
15-Jul-21	540,856	58	1,642	41,806	56,757	2,153	3,183	60	1,599	28,117	9,186	41,748	32,107	8,748	13,215
16-Jul-21	576,026	54	1,456	38,949	54,000	2,473	3,421	48	1,536	29,369	9,692	47,891	38,707	3,583	12,541
17-Jul-21	554,855	63	1,608	38,079	51,952	2,895	3,425	61	1,454	28,935	10,082	51,273	39,073	8,433	12,528
18-Jul-21	546,301	45	1,292	41,157	44,721	3,118	3,814	68	1,451	29,253	11,397	53,969	40,553	10,949	10,710
19-Jul-21	468,312	51	546	38,164	34,257	3,126	3,105	92	1,252	18,237	11,784	47,599	11,414	12,523	10,972
20-Jul-21	471,243	86	1,183	30,093	38,325	2,070	2,477	172	1,278	14,284	11,305	39,538	59,631	3,959	12,366
21-Jul-21	488,751	53	2,203	42,015	33,772	3,555	3,600	195	1,780	29,456	13,002	46,125	34,678	16,723	11,985
22-Jul-21	703,112	81	1,890	41,383	49,509	4,254	4,903	181	1,842	31,491	13,655	43,404	208,627	21,386	13,034
23-Jul-21	572,746	82	2,089	35,342	49,071	5,056	5,282	170	1,630	31,403	14,575	39,315	55,209	21,769	15,573
24-Jul-21	578,118	61	1,919	39,097	45,416	5,142	4,349	133	1,629	30,741	14,260	35,654	63,988	20,984	15,902
25-Jul-21	624,680	59	1,387	39,742	38,679	5,138	3,518	130	1,486	29,662	15,335	31,285	66,785	20,516	17,045
26-Jul-21	479,208	93	958	39,361	28,228	4,742	4,779	125	1,318	17,853	15,376	28,652	21,088	16,158	14,516
27-Jul-21	518,379	82	1,545	29,689	45,203	3,115	5,061	135	1,365	12,471	14,150	24,386	98,849	5,154	16,117
28-Jul-21	550,174	104	2,768	43,654	47,791	4,516	7,317	139	1,894	25,305	16,533	23,228	47,989	24,127	17,405
29-Jul-21	648,108	70	3,142	43,509	43,479	5,693	9,470	136	1,671	28,486	17,669	25,402	82,375	27,798	17,170
30-Jul-21	684,403	84	2,454	44,230	41,168	6,167	10,425	133	1,710	26,602	17,345	30,633	106,184	21,259	16,840
31-Jul-21	614,628	82	2,400	41,649	37,284	6,613	11,037	139	1,539	25,157	18,912	29,213	79,568	22,157	17,786
1-Aug-21	626,466	87	2,097	41,831	30,738	6,509	12,068	120	1,438	25,393	18,027	25,754	107,367	20,952	17,150
2-Aug-21	504,136	115	847	40,134	22,404	5,320	10,063	121	1,218	14,592	17,970	24,139	29,504	19,600	15,764
3-Aug-21	567,923	107	1,766	30,549	33,900	3,185	8,877	111	1,200	9,424	18,901	21,687	135,274	1,930	17,105
4-Aug-21	581,130	123	3,571	42,625	35,867	4,841	11,644	102	1,725	19,556	20,200	21,466	78,722	25,481	19,819
5-Aug-21	687,804	108	3,539	42,982	35,764	6,590	14,053	95	1,775	21,135	20,920	28,936	127,247	27,856	20,596
6-Aug-21	692,079	141	3,448	44,643	39,532	7,224	15,231	98	1,704	20,164	21,379	29,825	109,432	25,481	20,889
7-Aug-21	671,524	121	3,206	38,628	31,753	6,599	15,590	97	1,823	19,202	21,838	31,442	119,775	23,355	19,257
8-Aug-21	665,268	113	3,127	39,070	26,415	6,897	15,500	81	1,728	18,669	19,983	28,229	134,400	24,978	18,688
9-Aug-21	595,392	134	1,183	35,499	20,709	5,733	14,515	78	1,491	10,696	19,603	27,110	105,724	19,692	17,236
10-Aug-21	482,490	153	2,480	28,204	32,081	4,200	12,329	71	1,536	6,919	19,843	24,881	50,860	672	19,991
11-Aug-21	655,648	123	4,996	38,353	30,625	5,624	10,866	55	2,222	14,387	21,038	23,297	166,521	24,236	20,780
12-Aug-21	686,038	98	5,638	41,195	24,709	6,921	15,063	63	1,987	15,201	22,782	29,260	133,326	30,757	21,668
13-Aug-21	662,383	110	5,578	40,120	30,788	7,267	18,225	59	1,990	8,096	23,418	32,706	141,652	28,339	21,468

Source: CEIC

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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 features numerous high-rise buildings, with a particularly tall, slender skyscraper on the left. A highway with traffic is visible in the foreground, winding through the city. The overall mood is warm and serene.

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