

# WEEKLY MARKET & 3Q2022 GDP UPDATES

16 November 2022

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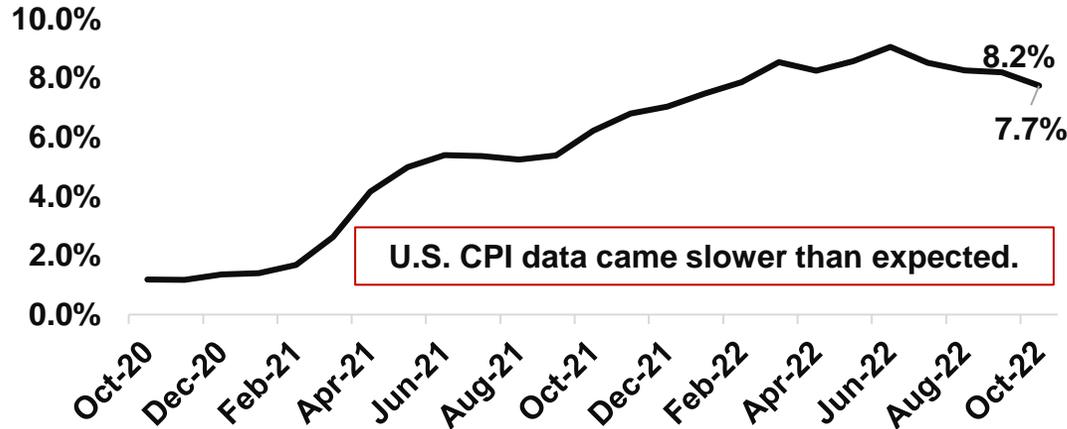
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# Section 1

## Weekly Market Updates

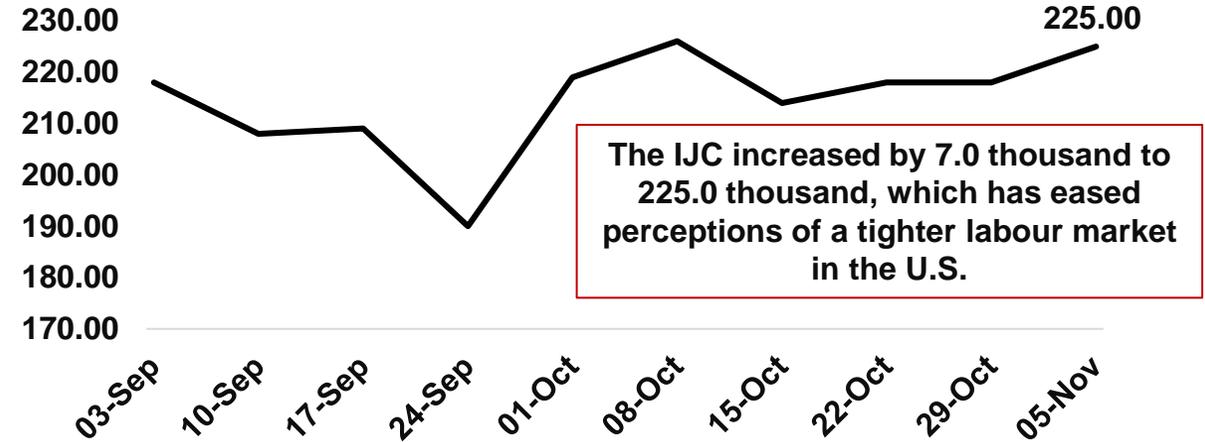
# HOT MALAYSIA'S 3Q2022 GROWTH, HOT INFLATION ELSEWHERE DESPITE HAWKISH ENVIRONMENT

U.S. Consumer Price Index (CPI), y-o-y%



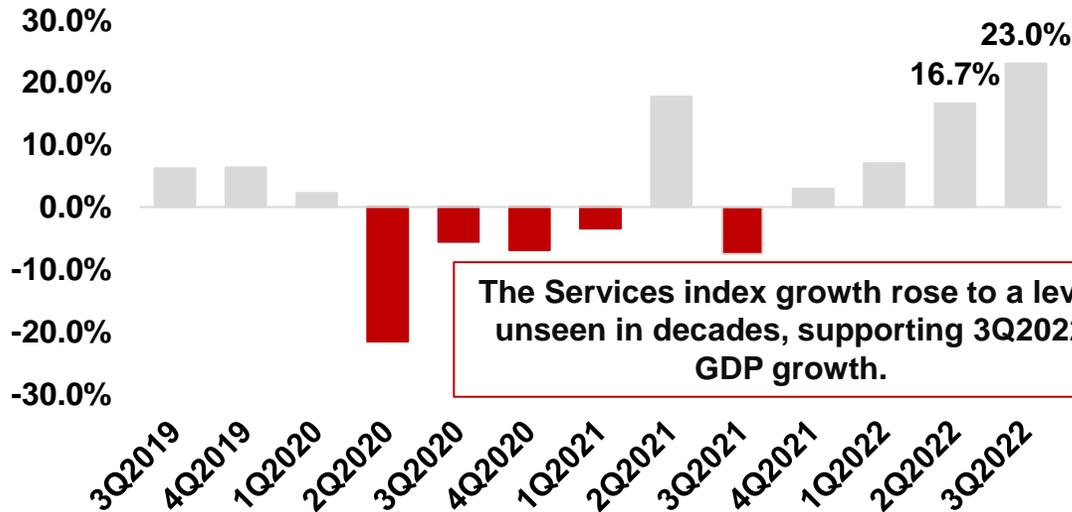
U.S. CPI data came slower than expected.

U.S. Weekly Initial Jobless Claims (IJC), thousand



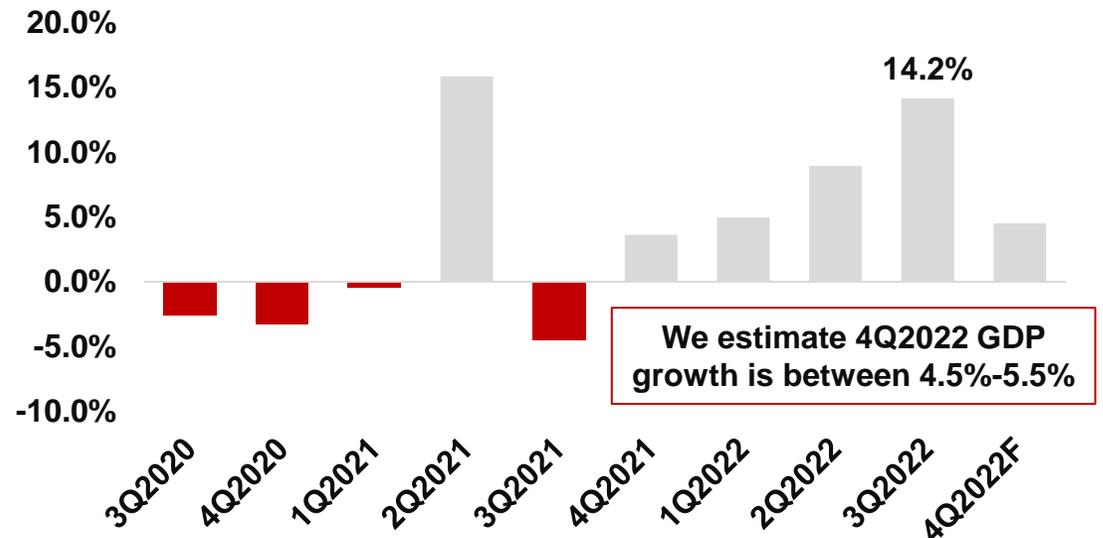
The IJC increased by 7.0 thousand to 225.0 thousand, which has eased perceptions of a tighter labour market in the U.S.

Volume Index of Services, y-o-y%



The Services index growth rose to a level unseen in decades, supporting 3Q2022 GDP growth.

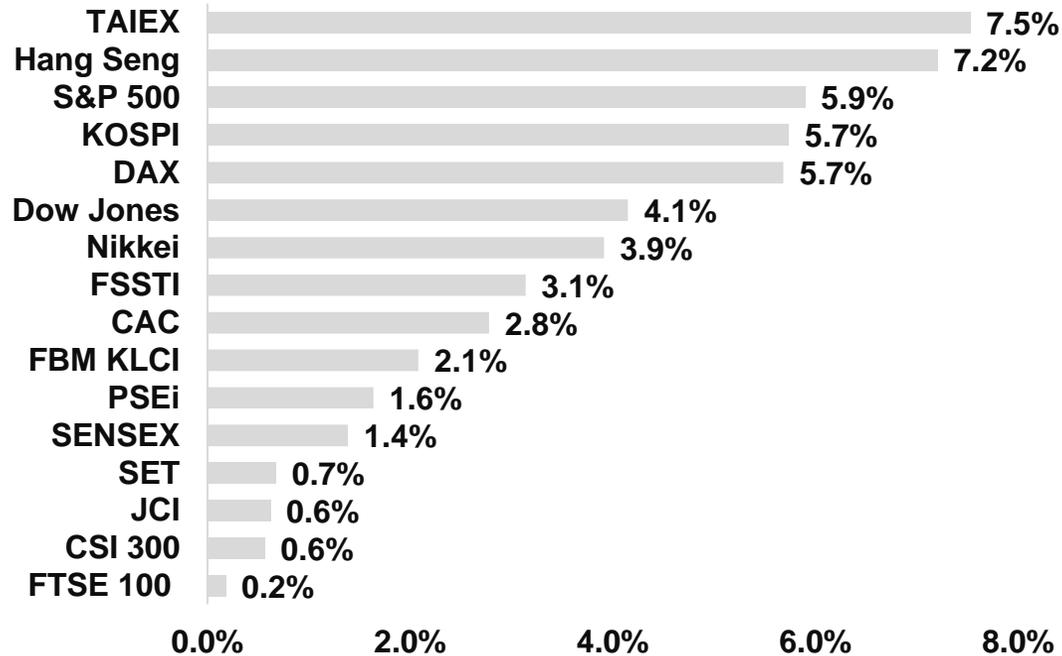
Malaysia's Gross Domestic Product (GDP), y-o-y%



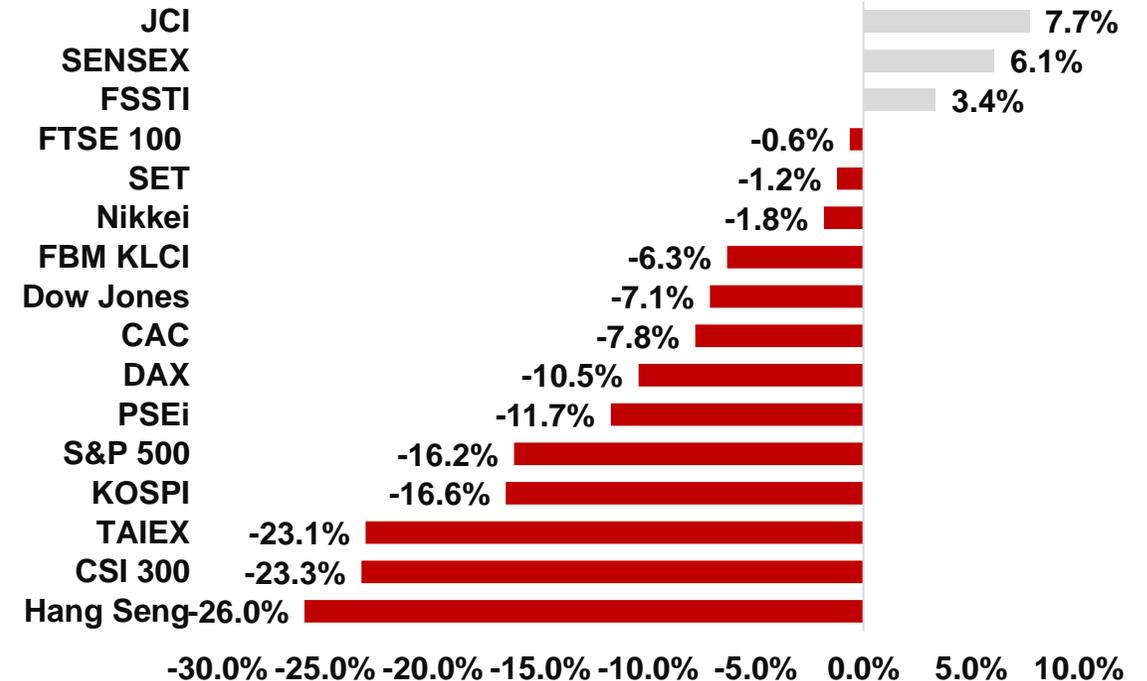
We estimate 4Q2022 GDP growth is between 4.5%-5.5%

# REGIONAL EQUITY: MARKET GAINED MOMENTUM AMID COOLING U.S. CPI AND EASE IN CHINA'S COVID STRATEGY

**Weekly Gain/Loss of Major Equity Market, %**



**YTD Gain/Loss of Major Equity Markets, % (As of 11 November 2022)**

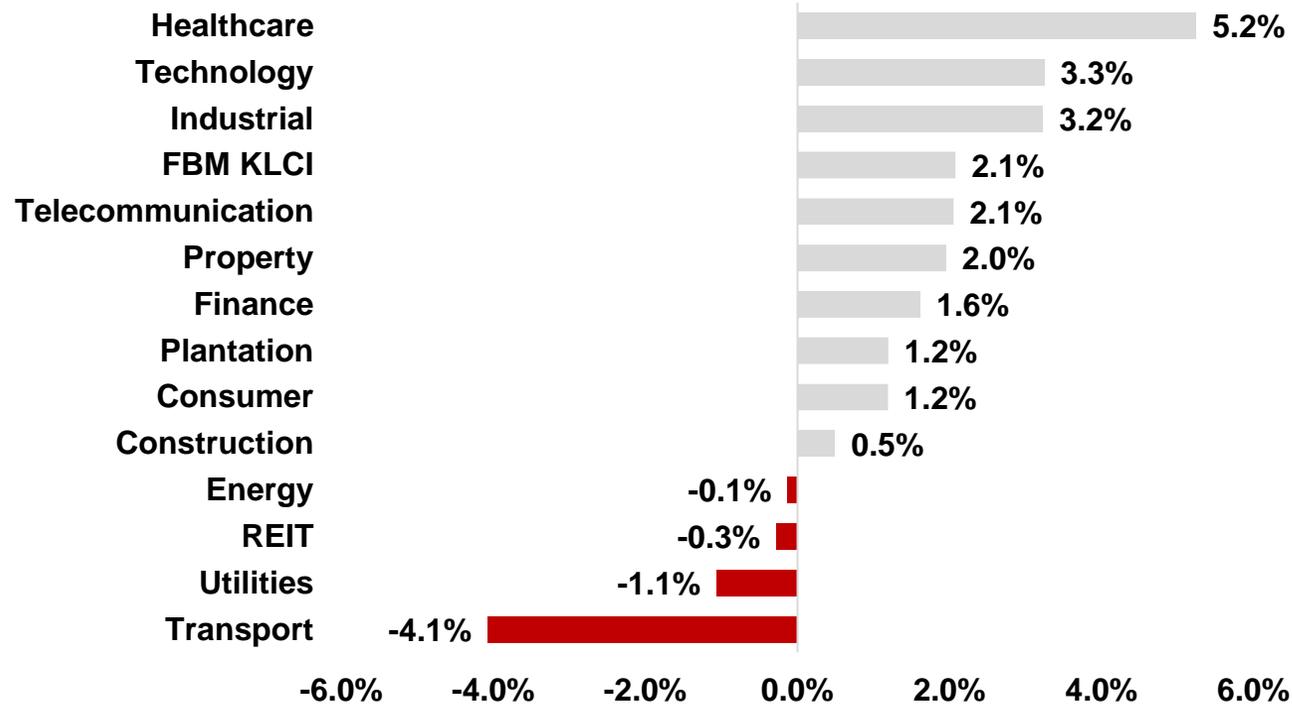


Source: CEIC

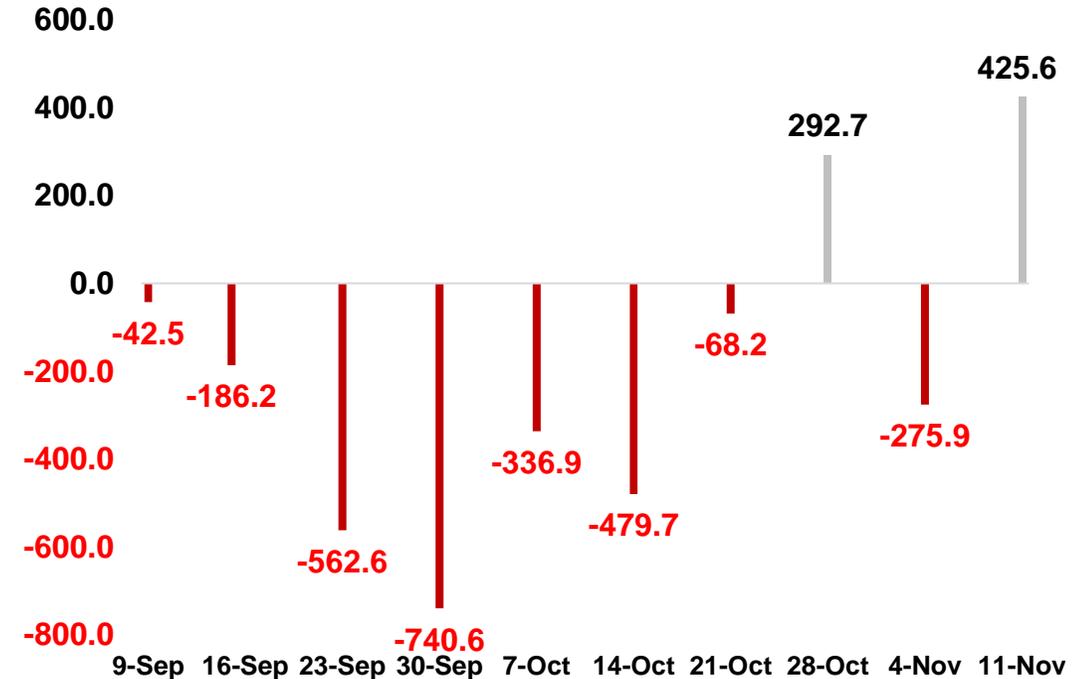
- The regional market was flooded by positive sentiment, which saw Taiwan's TAIEX and Hong Kong's Hang Seng top the list, rising by 7.5% and 7.2%, respectively, during the week ended on 11 November.
- The slowdown in U.S CPI data during October raises hope that the Fed could reduce the FFR rate hike momentum from 75 bps to 50 bps in the upcoming December meeting.
- In addition, the positive sentiments have also supported buying activities in Taiwan and U.S. technology stocks.

# DOMESTIC EQUITY: BURSA INDICES REBOUNDED AMID POSITIVE SENTIMENTS BANK ISLAM

Bursa Sectoral Performance, w-o-w%



Weekly Foreign Fund Net Inflows/Outflows, RM Million



Source: CEIC, Trading View

- Bursa sector indices mostly ended higher, led by Healthcare and Technology sectors which increased by 5.2% and 3.3%, respectively, on a weekly basis. The gain in the Technology index was in tandem with buying spree in the global technology index, as reflected in Taiwan's TAIEX.
- Foreign investors have returned with a total of RM425.6 million local equity purchased for the week ended on 11 November amid strong 3Q2022 growth.
- We anticipate the equity market to improve in the upcoming months alongside the gradual easing in China's Zero-Covid strategy to boost overall sentiment.

# FIXED INCOME: U.S. TREASURY RALLIED LAST WEEK

## Weekly Changes, basis points (bps)

UST	Yields (%) 4-Nov-22	Yields (%) 11-Nov-22	Change (bps)
3-M UST	4.21%	4.28%	7
2-Y UST	4.66%	4.34%	-32
5-Y UST	4.33%	3.95%	-38
10-Y UST	4.17%	3.82%	-35

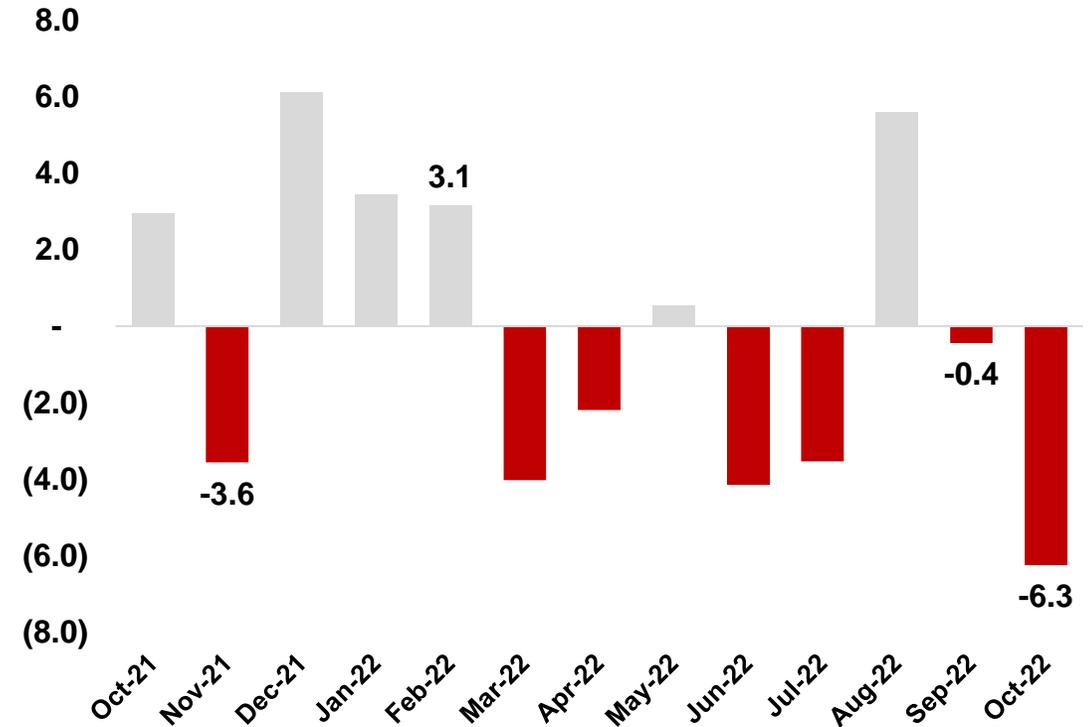
  

MGS	Yields (%) 4-Nov-22	Yields (%) 11-Nov-22	Change (bps)
3-Y MGS	3.87%	3.92%	5
5-Y MGS	4.21%	4.24%	3
7-Y MGS	4.34%	4.30%	-4
10-Y MGS	4.35%	4.40%	5

Source: BNM, CEIC

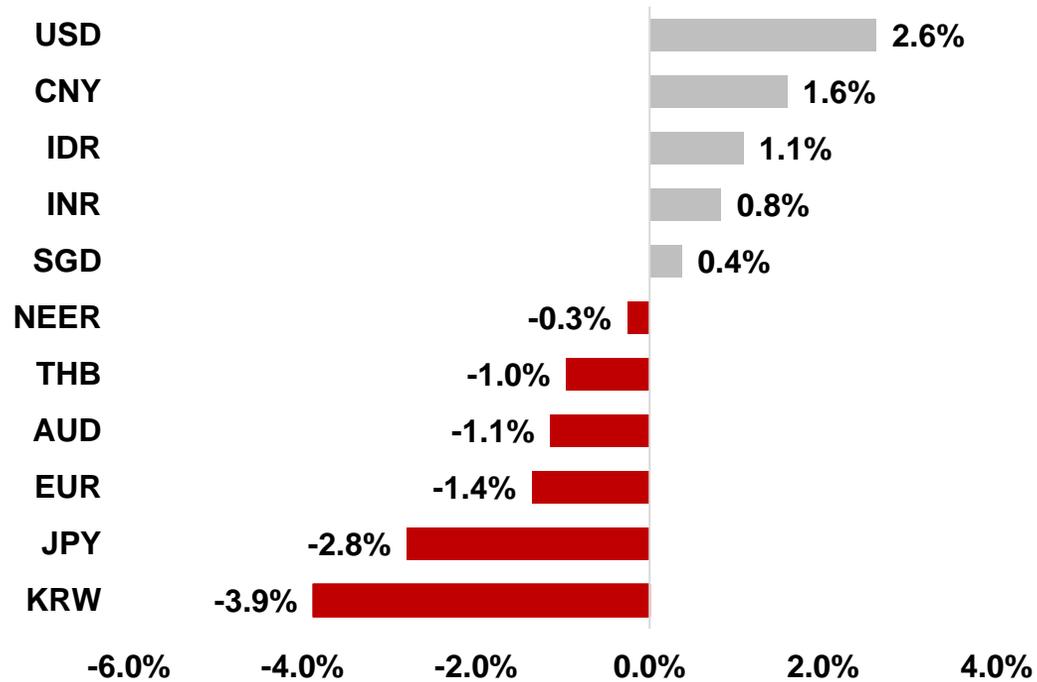
- The longer tenure 2-Y UST, 5-Y UST and 10-Y UST yields fell significantly between -32 bps and -38 bps over the week.
- This came after the U.S. CPI data, which cooled to 7.7% y-o-y in October after accelerating by 8.2% in September. Hence, easing pressure on the Federal Reserve to continue its current tightening path.
- Meanwhile, the Malaysian Government Securities (MGS) yields were mixed between -4 bps and 5 bps over the week while the foreign bondholders continued to offload local govies for two successive months (October: -RM6.3 billion vs September:-RM0.4 billion).
- Be that as it may, the softer U.S. inflation trend has bolstered the case of a less aggressive FFR rate hike in the upcoming week, which could improve foreign sentiment.

Foreign Fund Net Inflows/Outflows in Bond Market, RM Billion

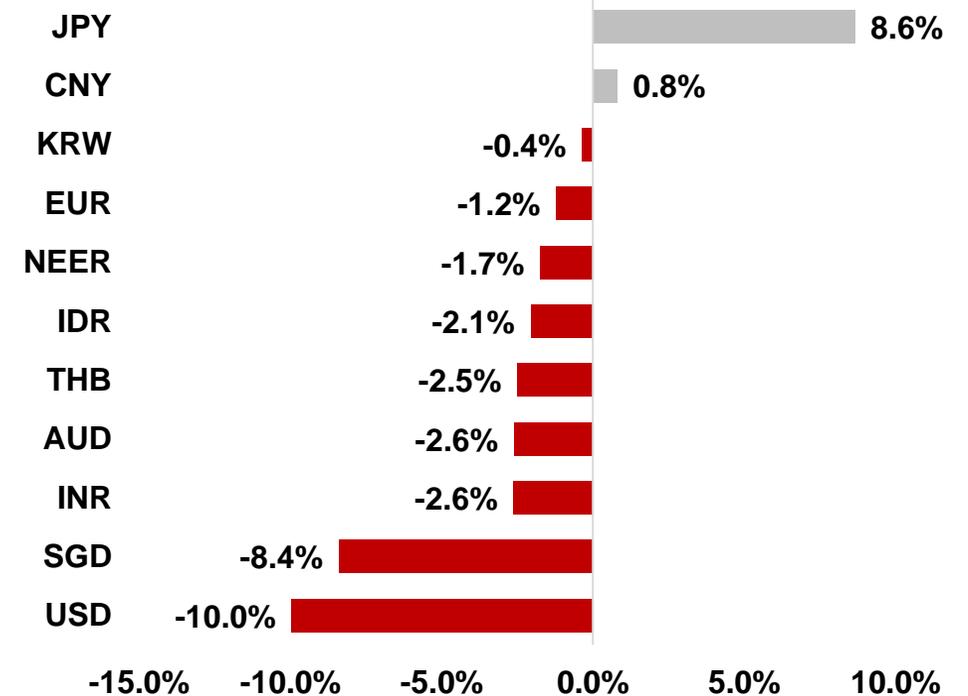


# FX MARKET: RINGGIT REVERSED GAINS AGAINST THE USD DURING THE WEEK

MYR against regional currencies, w-o-w%  
(Week Ending 11 November)



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



Source: Investing.com

- Ringgit strengthen against the USD amid a softer October U.S. inflation reading, as well as China’s decision to ease some of its Covid-19 restrictions.
- The local note was bolstered by the double-digit growth in Malaysia’s 3Q2022 GDP, which saw the economy accelerate by 14.2%, extending an 8.9% gain from the previous quarter.
- We foresee the local note to trade between RM4.55 to RM4.60 as investors could take a cautious stance amid GE15 and the anticipation of another FFR hike in December.

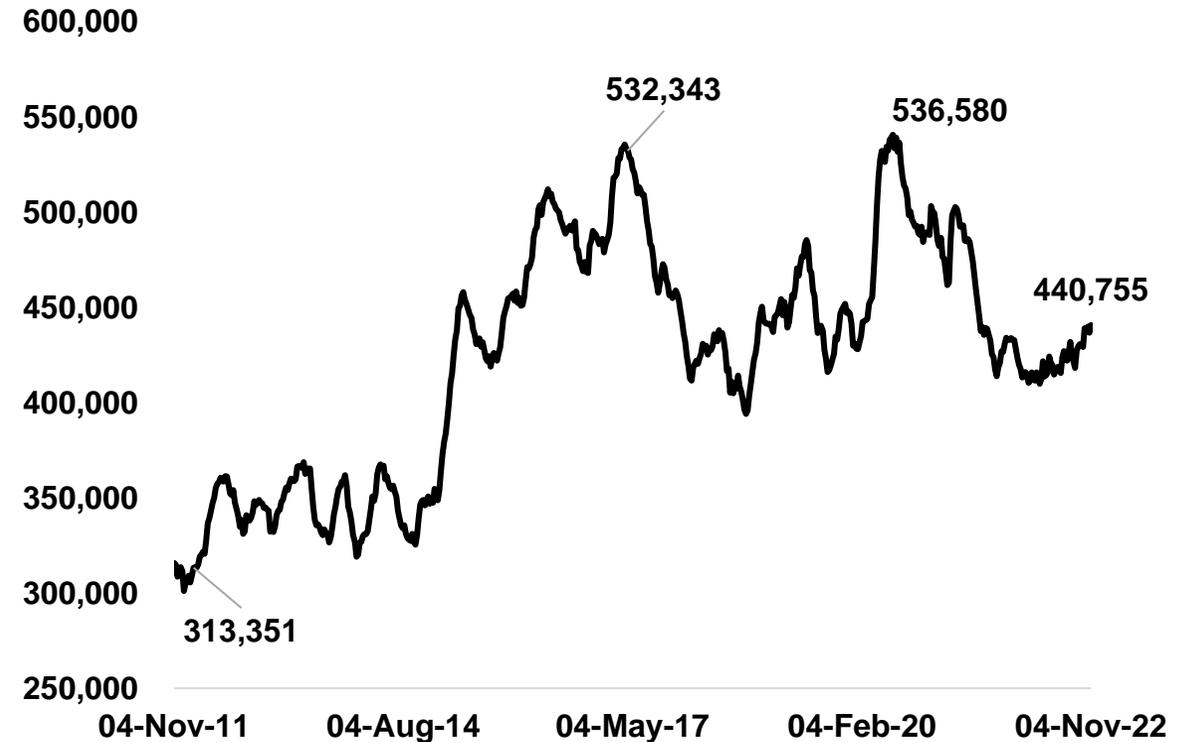
# COMMODITY: BRENT PRICE WENT DOWN BY 2.6% DURING THE WEEK

### Brent Crude in USD per barrel



Source: Bloomberg

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



Source: Energy Information Administration (EIA)

- Brent price is set for a weekly loss amid fears that China would start locking down cities again, although there are signs of restriction relaxations, thus, shadowing the demand outlook.
- On the supply side, the U.S. EIA reported that the crude oil stockpiles rose by 3.9 million barrels to 440.8 million barrels in the week ending 4 November from 436.8 million barrels in the previous week, suggesting slowing demand conditions. In contrast, the U.S. Strategic Petroleum Reserves are on a decline.

# COMMODITY: GOLD SURGED ABOUT 5% THIS WEEK, THE HIGHEST LEVEL SINCE AUGUST THIS YEAR AMID SMALLER RATE HIKE HOPE

### Gold in USD per ounce



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



Source: Bloomberg

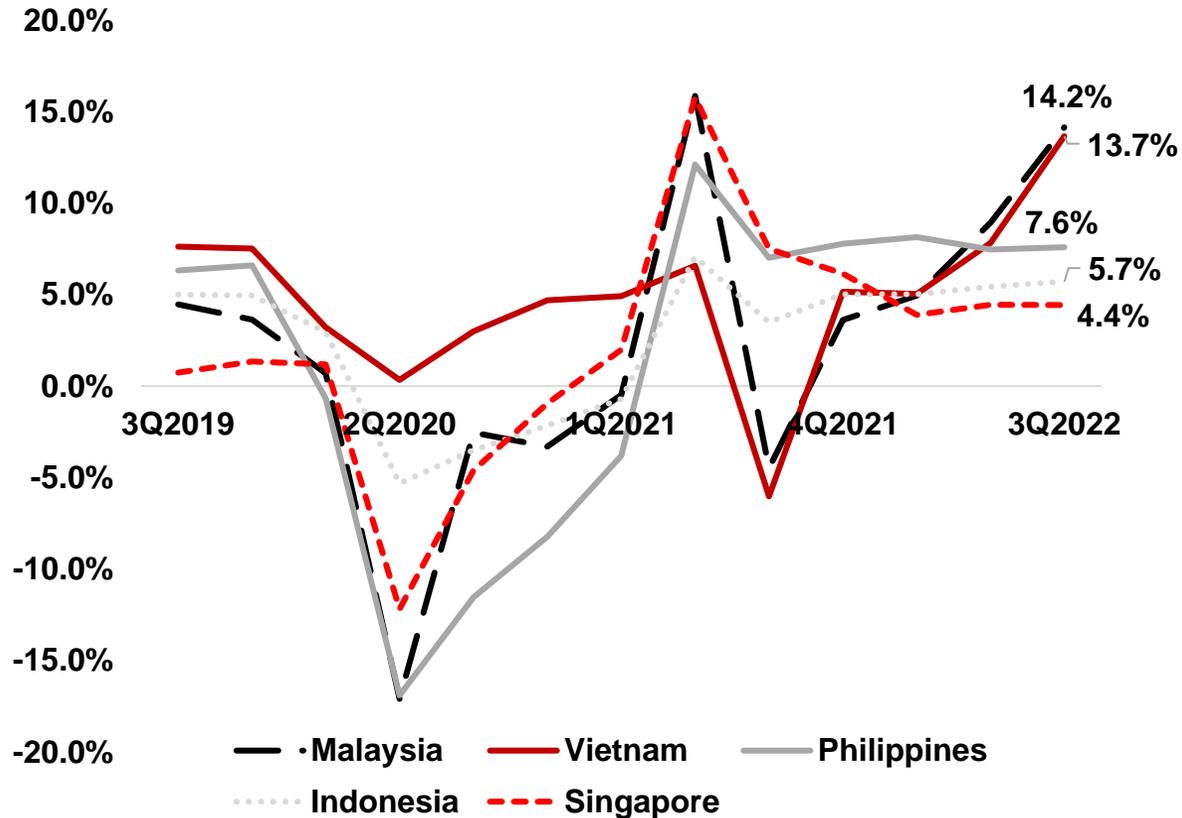
- The latest U.S. inflation print eased for the fourth straight month to 7.7% y-o-y in October (September: 8.2%), thus, raising hopes for the Fed to temper its hawkish policy. Investors are currently pricing a 50 bps rate hike in the December meeting after the central bank delivered four consecutive 75 bps increases in the interest rates.
- As U.S. inflation cools, the USD index saw a sharp decline during the week by 4.1% after rising by 0.1% in the preceding week.

# Section 2

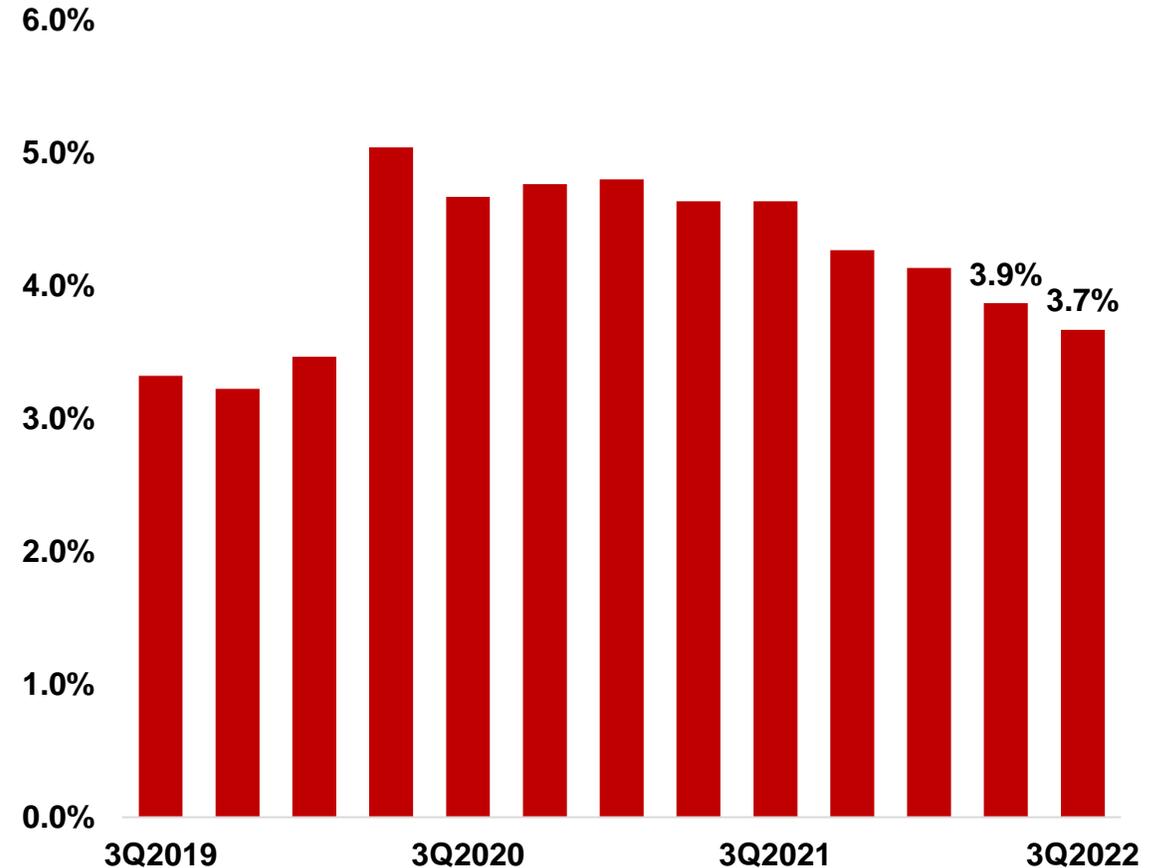
## Malaysia's 3Q2022 GDP Outlook

# ECONOMIC UPDATE: MALAYSIA'S 3Q2022 GDP POSTED A FASTEST GROWTH AMONG THE ASEAN COUNTRIES

3Q2022 GDP ASEAN countries performance



Malaysia's Unemployment Rate (UR), %



- The double-digit figure in 3Q2022 was underpinned by the continued expansion in domestic demand, a firmer recovery in the labour market, and ongoing government policy support. The low-base effect is also a factor for solid growth.
- Exports remained supported by the robust demand for E&E products as the manufacturing activities jumped by 13.2% in 3Q2022 from 9.2% in the previous quarter. It is commendable that gradual improvements in the labour market did not result in a spike in inflation, thanks to government intervention.

# WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- The recent U.S. inflation print, the lowest level since January this year, gives investors hope that it could slow the Fed's pace of interest rate hikes next month. For this week, all eyes are on the October retail sales report and if it points to a stronger-than-expected reading, the Fed has more work to do in cooling inflation.
- Another key highlight of the week would be focused on the U.K. as the finance minister, Jeremy Hunt, is expected to unveil the government's fiscal plan following the September "mini-budget". Additionally, the country is set to release data which includes inflation, employment and retail sales.
- Meanwhile, economic data from China would be in the spotlight after Beijing decided to ease its Covid-19 restrictions, boosting hopes for an uptick in economic activity. At the same time, Chinese Premier Li Keqiang vowed to continue to support the world's second-largest economy with needed policy measures. Other economic data releases during the week are retail sales, industrial production, investment and employment, which could reflect the ongoing impact of the government's Zero-Covid stance.
- Following Malaysia's higher-than-expected 3Q2022 GDP reading, we believe that FY2022 growth will likely surpass the official revised estimates (6.5-7.0%) as well. Although the Malaysian economy will continue to grow amid a global slowdown next year, we are discounting a recession as the country's macroeconomic fundamentals remain solid. That said, we project the Malaysian economy to grow by 4%-5% in 2023.

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