



From the Desk  
of the  
**Chief Economist**

**BANK ISLAM**

# **WEEKLY MARKET UPDATES**

**17 JANUARY 2022**

## **ECONOMIC RESEARCH**

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## International

Country	Economic Indicators	Remarks
China	Inflation	✓ Consumer Price Index (CPI) and Producer Price Index (PPI) both softened by 1.5% y-o-y (November 2021: 2.3%) and 10.3% (November 2021: 12.9%) during December last year mainly weighed by restriction measures amid Omicron variant outbreak.
	Credit Growth	✓ Outstanding CNY loan growth maintained its double-digit growth at 11.6% in December 2021 though slightly lower compared to a 11.7% expansion in November despite policymakers' guidance on accelerating loan extensions and the more ample liquidity from the December Reserve Requirement Ratio (RRR) cut.
India	Inflation	✓ CPI continued to rise for the fourth straight month (December 2021: 5.6% vs. November 2021: 4.9%) driven by higher food prices.
	Industrial Production	✓ Industrial Production Index (IPI) grew modestly by 1.4% in November 2021. It was the smallest growth since March 2021 as production slowed in all sectors.

## Domestic

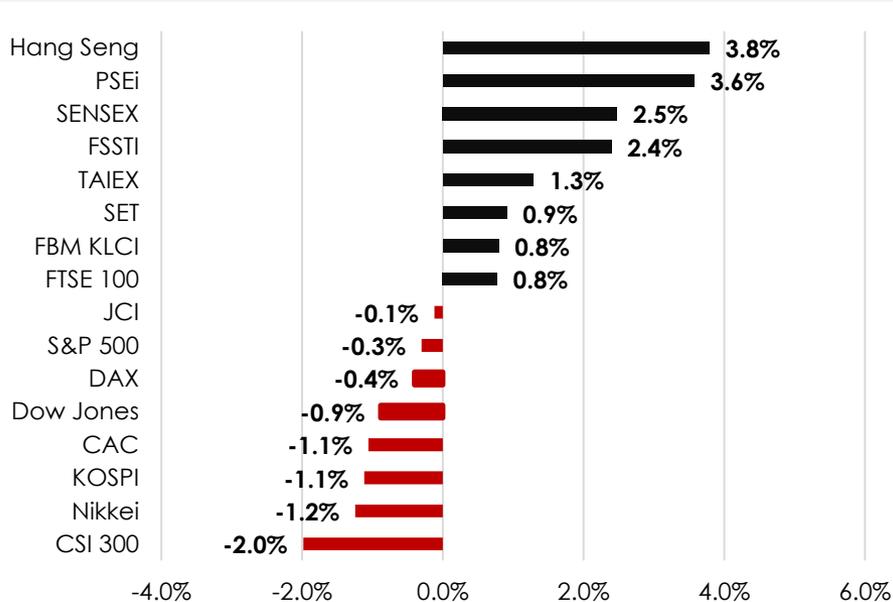
Country	Economic Indicators	Remarks
Malaysia	Inflation	✓ IPI increased by 9.4% in November 2021 (October: 5.5%) supported by expansion in manufacturing and mining sector.
	Labour Market	✓ The unemployment rate (UR) in Malaysia maintained at 4.3% in November 2021 (October 2021: 4.3%). However, it was lower compared to 4.8 % in the same month a year earlier as the economy recovered from the coronavirus disruptions.

Sources: CEIC, Trading Economics

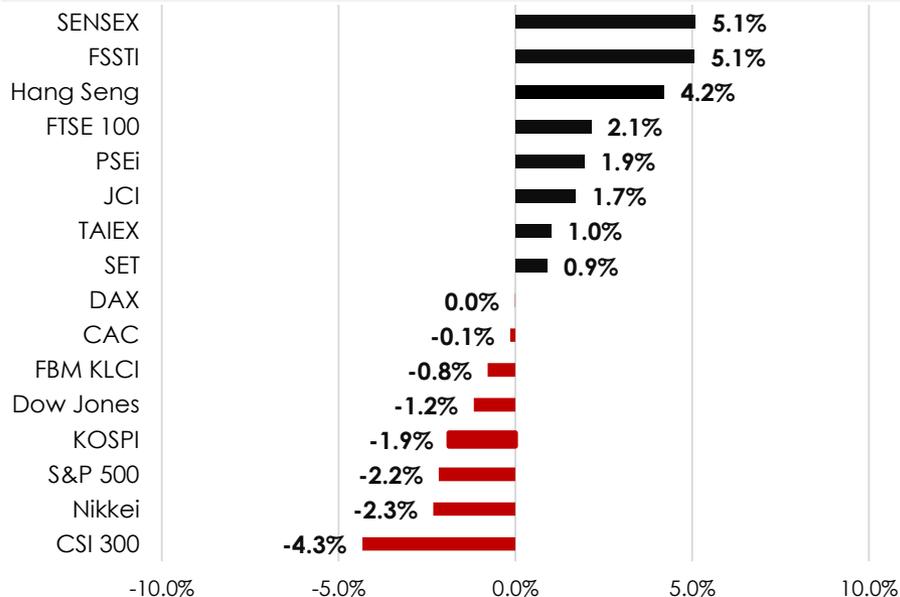
## WEEKLY MARKET PERFORMANCE

- ✓ Hong Kong's Hang Seng led gainers with a 3.8% weekly advance among the major equity markets supported by China's latest Consumer Price Index (CPI) figure, which shows a slowing down of inflation rate from 2.3% year-on-year (y-o-y) in November 2021 to 1.5% in December. This was due to the efforts by the government to secure supply, as well as the reimposition of lockdown measures in some regions as the Omicron strain spread rapidly.
- ✓ Meanwhile, China's CSI 300 dropped by 2.0% last week as real estate sector woes continued to weigh on investor sentiment, while recent Covid-19 outbreaks in the country raised more concerns over the impacts on the economy.
- ✓ On a Year-To-Date (YTD) basis, the FBM KLCI is the third smallest decliner amongst major markets with a 0.8% loss.

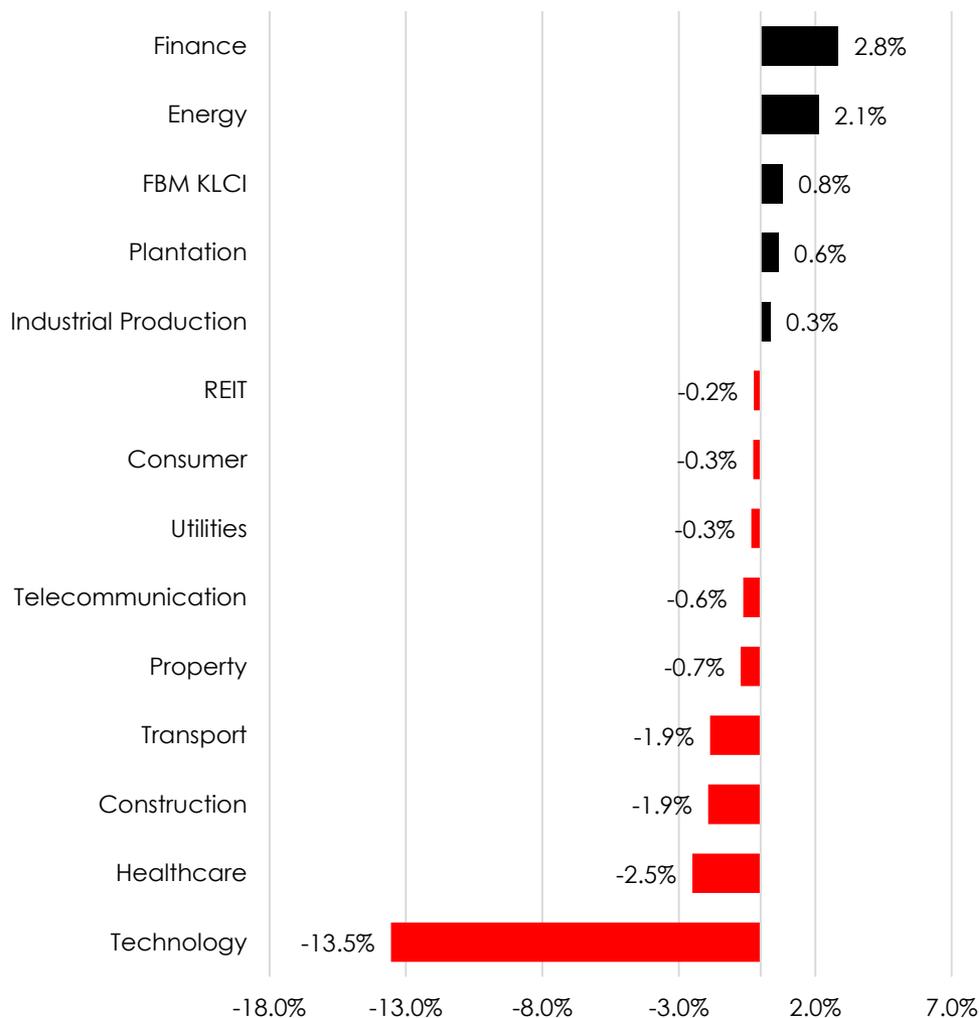
**Weekly Gain/Loss of Major Equity Markets, %  
(Week Ended 14 January)**



**YTD Gain/Loss Of Major Equity Markets, %  
(As at 14 January)**



## Bursa Weekly Sectoral Performance, w-o-w%



Source: Bursa

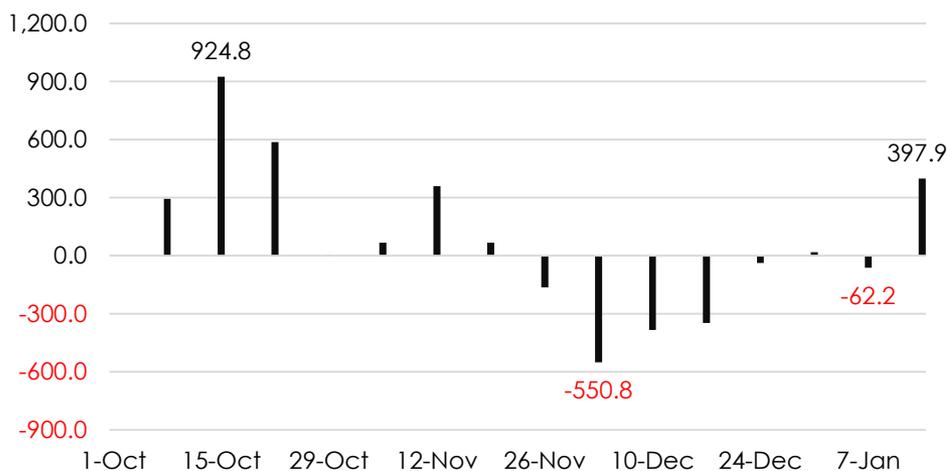
## WEEKLY SECTORAL PERFORMANCE

- ✓ **Finance index** was the largest winner, rising by 2.8% on a weekly basis.
- ✓ This was mainly due to anticipation of interest rate hike by the U.S. Federal Reserve (Fed) that will have positive impacts on the banks' Net Income Margin (NIM).
- ✓ On the other hand, **Technology index** plummeted by 13.5% during the week following a huge sell-off in the U.S. technology stocks amid fears of higher interest rate will imperil heady valuation.
- ✓ Hence, we foresee the FBM KLCI will be traded on a cautious tone this week, ranging between 1,530.0 points and 1,550.0 points on the back of heightened uncertainty from external and domestic front.

## WEEKLY FOREIGN FUND FLOW

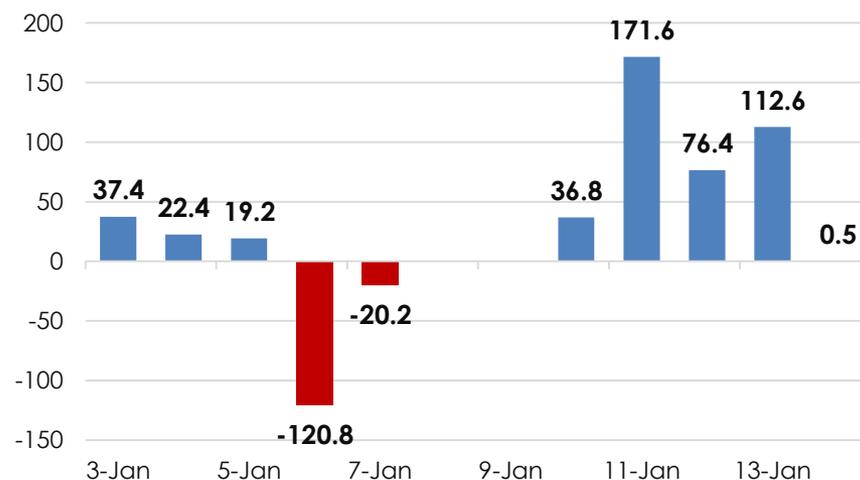
- ✓ Foreign investors turned to be net buyers as they acquired RM397.9 million net of local equities last week compared to RM62.2 million net sold in the previous week.
- ✓ Bursa started the week on the right foot as foreign investors bought RM36.8 million net of local equities on Monday and they were net buyers on everyday of the week. Largest foreign inflow was recorded on Tuesday at RM171.6 million while the smallest inflow was on Friday at RM0.5 million. Higher factory output as it jumped by 9.4% y-o-y in November last year from a 5.5% growth in the previous month amid further relaxation in Covid-19 restrictions, as well as an upturn in the vaccination rate has supported the sentiment last week.
- ✓ On a YTD basis, international investors have bought RM335.9 million net of local equities in the second week of 2022 compared to RM14.6 million net disposed during the same period last year.

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

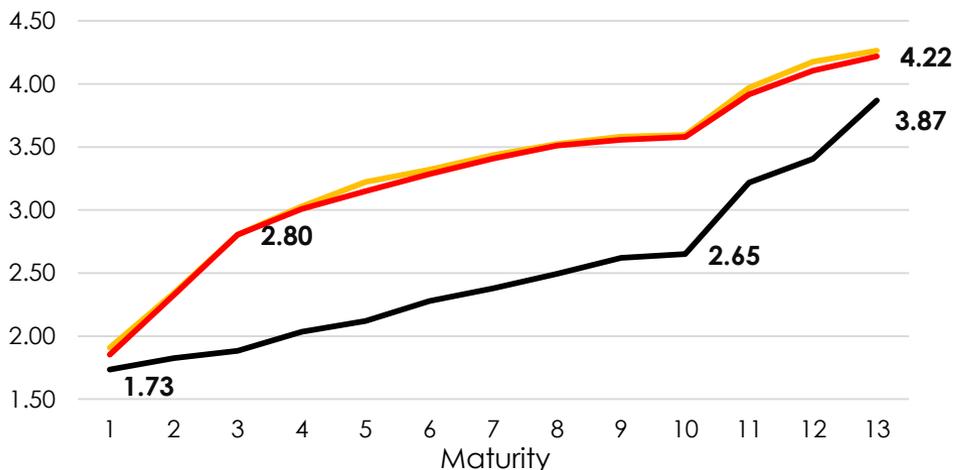


Source: Bursa

### Daily Foreign Net Inflow/Outflow From 3 January to 14 January 2022 (RM Million)



## MGS Indicative Yields, %



Source: BNM — 14-Jan-22 — 31-Dec-21 — 31-Dec-20

## Foreign Fund Flows

Year	RM Million							
	Total	BNM Bills	BNNN/BNMN-I	Tbills	MITB	MGS	PDS & Others	GII
2009	22,304	7,114	644	432	25	12,035	2,032	21
2010	51,742	19,337	363	19	(60)	32,777	(847)	153
2011	43,511	13,440	(70)	258	(23)	28,770	(4,232)	253
2012	60,928	30,768	3,447	(288)	(67)	27,164	(800)	1,331
2013	8,031	(17,048)	15,155	333	110	7,407	166	1,409
2014	(8,313)	(7,601)	(9,127)	(878)	(88)	8,207	(1,764)	1,857
2015	(11,270)	(26,006)	(10,872)	2,495	534	16,834	(425)	6,480
2016	825	(15,557)	(79)	(1,107)	(452)	6,334	1,000	9,899
2017	(7,975)	(3,724)	-	753	802	(4,041)	922	(3,032)
2018	(21,865)	650	-	325	76	(18,287)	(2,517)	(2,603)
2019	19,852	-	-	(1,930)	(291)	17,735	327	5,202
2020	18,303	(3,000)	-	3,837	697	13,442	(784)	3,721
2021	33,575	(2,000)	-	(426)	2,269	12,144	668	19,670

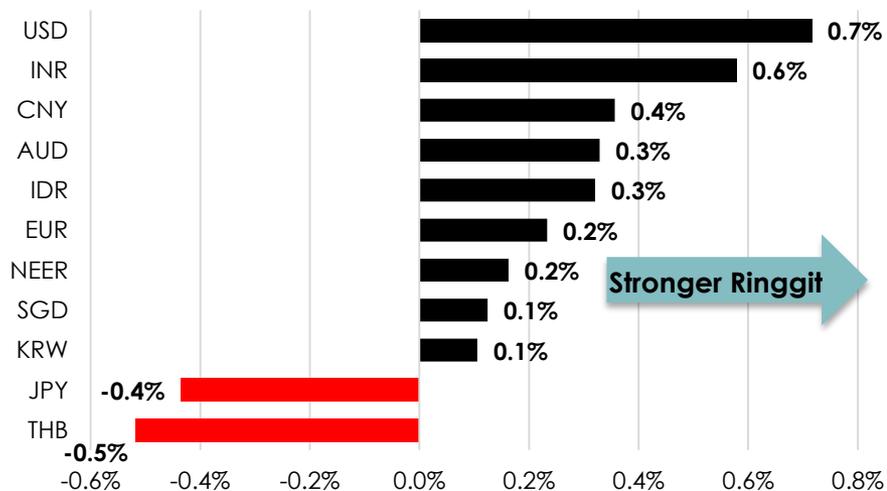
Source: CEIC

- ✓ As for the bond market, the MGS yields ended lower between 3 bps and 7 bps.
- ✓ The short tenure of 3-Y MGS fell by 3 bps to 2.80% while longer tenure of 10-Y MGS slipped by 7 bps to close at 3.60% last week.
- ✓ On the other hand, the new issue of 10.5-Y MGS 07/32 drew a healthy Bid-To-Cover (BTC) ratio of 2.04x and replacing 10-Y MGS 04/31 as the new benchmark which have supported the demand.
- ✓ Looking at the foreign fund flows, foreign investors remained as the net buyer with a total of RM33.6 billion of net inflows were recorded in 2021.
- ✓ This was higher compared to RM18.3 billion in 2020, suggesting that appetite for local govies remained encouraging.
- ✓ All in all, the market participants remain cautious ahead of Monetary Policy Committee (MPC) meeting this week.

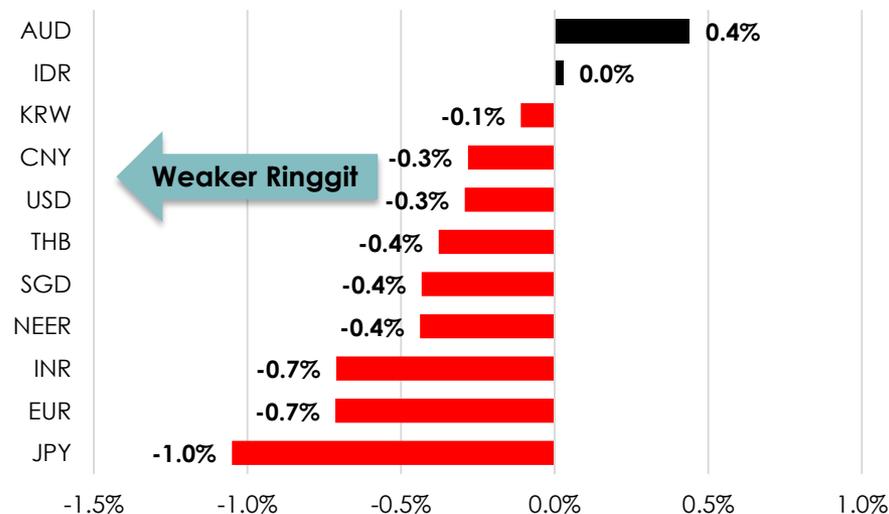
## WEEKLY PERFORMANCE

- ✓ The Ringgit strengthened by 0.7% week-on-week (w-o-w), closing at RM4.1770 on 14 January as compared to RM4.2070 recorded on 7 January.
- ✓ The gain was mainly due to a firmer Brent price from USD86.06 per barrel on 14 January (7 January: USD81.75 per barrel), rising by 5.3% on a weekly basis.
- ✓ Meanwhile, with the U.S. inflation in December (December: 7.0% y-o-y vs. November: 6.8%) that is running well over the U.S. Fed's target of 2.0%, investors will pay even more attention on the next meeting of Federal Open Market Committee (FOMC) next week for its rate setting which could give impact to emerging market currencies including the Ringgit.
- ✓ However, we foresee that the Ringgit will trade between a range of RM4.16 to RM4.17 this week amid a cautious stance ahead of Bank Negara Malaysia (BNM) policy meeting on 19 to 20 January as investors might want digest the latest economic assessment by the BNM.

### MYR against regional currencies, w-o-w% (Week Ended 14 January)



### MYR against regional currencies, YTD Gain% (As at 14 January)



Source: Bloomberg

## BRENT

- ✓ Brent crude oil price recorded a 5.3% weekly increase to settle at USD86.06 per barrel on 14 January (7 January: USD81.75 per barrel) as supply disruptions in Libya and Kazakhstan alongside with the continuous decline in the U.S. crude inventories have offset mobility curbs in China.
- ✓ On further scrutiny, the U.S. Energy Information Administration (EIA) reported that the crude oil inventories dropped by 4.6 million barrels to 413.3 million barrels in the week ended 7 January (31 December 2021: 417.9 million barrels), declining for the seventh straight month since November last year. Similarly, the American Petroleum Institute (API) report mentioned that crude stockpiles decreased by 2.0 million barrels in the week ended 7 January from 3.4 million barrels draw in the preceding week. These suggest that the supply will remain tight for the next few weeks amid higher demand conditions.

### Brent Crude in USD per barrel



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



## GOLD

- ✓ Gold price rose by 1.2% to USD1,817.94 per ounce on 14 January from USD1,796.55 per ounce in the previous week. This was due to the weakening in the U.S. Dollar index (14 January: 95.17 vs. 7 January: 95.72), moderating in the U.S. retail sales (December 2021: 16.9% y-o-y vs. November 2021: 18.2%), as well as the falling in consumer sentiments index (January 2022: 68.8 points vs. December 2021: 70.6 points).
- ✓ Meanwhile, the U.S. CPI rose at the fastest pace in nearly four decades by 7.0% y-o-y in December (November: 6.8%) and the Fed governor, Lael Brainard has confirmed that the Fed is getting ready to start raising interest rate in March.
- ✓ Even though the bullion is considered as hedge against inflation, the anticipation of a tighter U.S. monetary policies following the Fed's announcement on interest rate hike could lead to higher opportunity cost of holding gold, making it less appealing for holders of non-U.S. currencies.

### Gold in USD per ounce



Source: Bloomberg

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



# 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-Dec-21	451,832	83	30,823	5,784	190	12,704	87	339	5,560	12,785	2,862	53,953	54,904	8,434	4,097
15-Dec-21	738,084	82	51,301	6,984	205	20,665	128	442	7,850	26,833	3,370	59,077	192,823	63,123	3,900
16-Dec-21	705,858	85	56,677	7,974	213	23,190	173	474	7,621	31,340	3,684	77,741	126,612	65,586	4,262
17-Dec-21	745,822	98	50,968	7,447	291	26,104	193	355	7,435	35,660	3,537	87,565	146,869	60,647	4,362
18-Dec-21	718,995	147	42,813	7,145	232	28,615	181	412	7,311	37,420	3,132	92,503	160,649	58,128	4,083
19-Dec-21	688,410	101	29,348	7,081	164	28,057	195	271	6,234	43,269	2,899	89,074	160,947	58,409	3,108
20-Dec-21	515,359	116	16,086	6,563	133	24,303	187	255	5,317	26,189	2,525	81,959	81,226	48,473	2,589
21-Dec-21	537,374	99	23,428	5,326	216	16,205	148	195	5,196	21,815	2,476	91,734	96,670	14,470	3,140
22-Dec-21	874,170	95	45,659	6,317	179	30,783	223	280	7,450	53,482	2,532	89,022	275,375	72,634	3,519
23-Dec-21	881,481	121	44,927	7,495	136	36,326	267	335	6,917	72,061	2,940	104,397	203,976	79,567	3,510
24-Dec-21	962,780	102	35,431	6,650	204	44,585	303	322	6,226	83,129	2,671	122,448	239,579	91,288	3,528
25-Dec-21	994,182	165	22,214	7,189	255	50,615	294	265	5,842	92,981	2,766	121,371	281,984	93,532	3,160
26-Dec-21	904,782	249	10,100	6,987	92	54,762	316	248	5,419	72,227	2,532	121,861	232,378	104,505	2,778
27-Dec-21	600,106	233	13,908	6,531	120	24,882	274	209	4,204	45,117	2,437	118,945	97,288	27,697	2,757
28-Dec-21	757,962	235	21,080	6,358	278	30,799	218	280	3,862	50,159	2,305	107,699	200,039	29,767	2,897
29-Dec-21	1,502,324	222	40,043	9,195	194	78,300	362	365	5,401	110,886	2,575	138,025	487,648	174,296	3,683
30-Dec-21	1,574,774	233	42,770	13,154	189	98,016	466	341	5,033	131,698	3,037	182,104	392,333	207,692	3,997
31-Dec-21	1,769,825	232	41,240	16,764	180	127,000	490	311	4,872	142,391	3,111	188,124	469,686	204,636	3,573
1-Jan-22	1,918,969	291	26,392	22,775	274	144,255	463	344	4,415	139,411	3,011	189,836	578,418	229,948	3,386
2-Jan-22	1,682,182	230	12,515	27,553	174	141,256	504	456	3,828	98,235	3,112	179,583	452,933	219,126	2,882
3-Jan-22	1,068,898	207	18,518	33,750	265	61,137	516	429	3,124	55,181	2,927	148,962	273,362	58,432	2,690
4-Jan-22	1,325,585	229	30,561	37,379	299	68,034	783	464	3,023	66,067	3,091	156,384	378,567	62,781	2,842
5-Jan-22	2,580,570	164	58,912	58,097	404	170,837	1,256	842	4,441	133,431	3,899	218,705	947,908	261,535	3,270
6-Jan-22	2,632,598	253	64,340	90,928	533	189,088	2,506	805	4,125	153,450	5,775	194,747	710,755	329,539	3,543
7-Jan-22	2,625,227	250	56,335	117,100	518	219,430	4,194	813	3,714	147,451	7,526	179,731	695,004	258,209	3,381
8-Jan-22	2,620,782	252	55,889	141,986	479	108,297	5,983	777	3,510	68,213	8,263	178,163	775,983	323,052	3,251
9-Jan-22	2,765,902	246	36,552	159,632	529	197,535	7,930	811	3,368	133,813	8,511	140,566	840,172	303,655	2,888
10-Jan-22	2,103,465	249	25,255	179,723	454	155,642	8,144	845	3,003	80,327	7,926	141,398	335,493	290,034	2,641
11-Jan-22	1,945,705	248	45,690	168,063	802	117,405	6,394	750	3,094	79,382	7,133	142,122	439,168	88,607	3,175
12-Jan-22	3,536,359	312	80,430	194,720	646	220,519	6,829	846	4,383	146,605	7,681	115,280	1,399,136	337,816	3,198
13-Jan-22	3,072,412	308	81,417	247,417	793	196,205	12,243	882	4,161	123,376	8,167	129,544	794,085	358,006	3,684
14-Jan-22	3,120,435	280	92,223	264,202	850	184,577	17,940	960	4,542	67,610	8,158	105,679	847,054	299,803	3,346

Source: CEIC

- ✓ Looking ahead, Bursa Malaysia is expected to trade on a cautious tone this week amid bearish market outlook attributable to the external front such as increasing market risks, as well as volatility in global markets following the potential hike by the U.S. Fed. Nevertheless, the bargain hunting activity is expected to set in since the fundamentals of Malaysian companies are improving. As such, the FBM KLCI is expected to trade within a range of 1,530.0 points to 1,550.0 points during the week.
- ✓ The highlight of the week would be **BNM's first MPC meeting which is scheduled from 19 to 20 January, five days ahead from the FOMC meeting.** The overnight policy rate (OPR) is likely to remain unchanged at 1.75%, leaving less pressure for the BNM to raise the rate as the current view monetary setting is seen as appropriate and accommodative. We opine that the OPR is likely to raise by 25 basis point in the second half of 2022, bringing the OPR to 2.0%, unless external economic conditions change drastically in the coming months.
- ✓ Aside from that, Malaysia's CPI will be released on Friday. As for other markets, the Bank Indonesia (BI) and Bank of Japan (BoJ) are also to hold their first meeting of the year with BI to have no changes in terms of their monetary policy setting while BoJ is expected to maintain its ultra-loose policy at its meeting but to revise up its view of inflation risks for the first time since 2014. Meanwhile, China would be releasing its 4Q2021 GDP together with the industrial production and retail sales. The said 4Q2021 GDP is expected to show a gloomy economic outlook pressured by a downturn in the property sector, as well as strict Covid-19 measurements. While in the U.K., there will be a data dump week for the country such as the labour market, inflation and retail sales.
- ✓ As of 15 January, Malaysia's rate of infection ( $R_t$ ) stood at 0.99 with Kuala Lumpur recording the highest infectivity rate at 1.08. Therefore, everyone is advised to adhere to Standard Operating Procedures (SOPs) to prevent another wave of infection since Malaysia has spent a large part of 2021 under lockdown and travel restriction, making 2021 the deadliest year during the pandemic in the country.

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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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