



From the Desk  
of the  
**Chief Economist**

**BANK ISLAM**

# **WEEKLY MARKET UPDATES**

**18 JANUARY 2021**

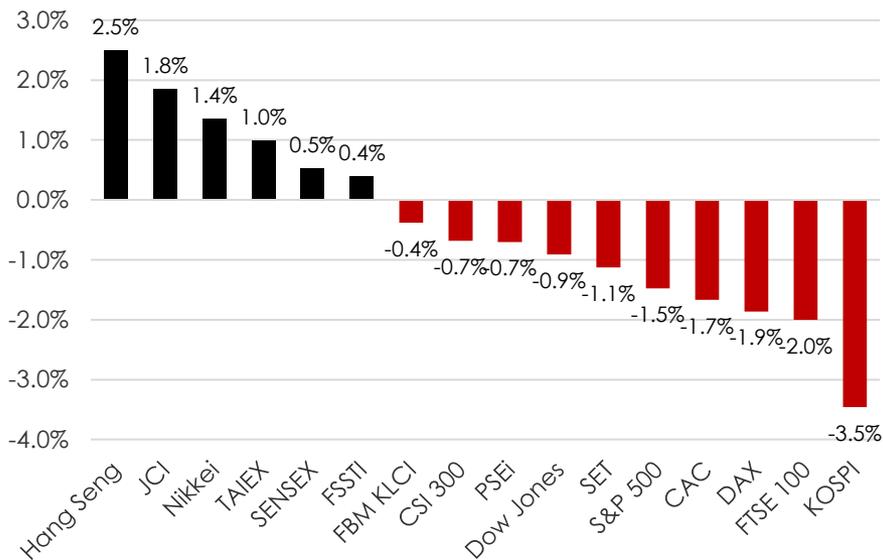
## **ECONOMIC RESEARCH**

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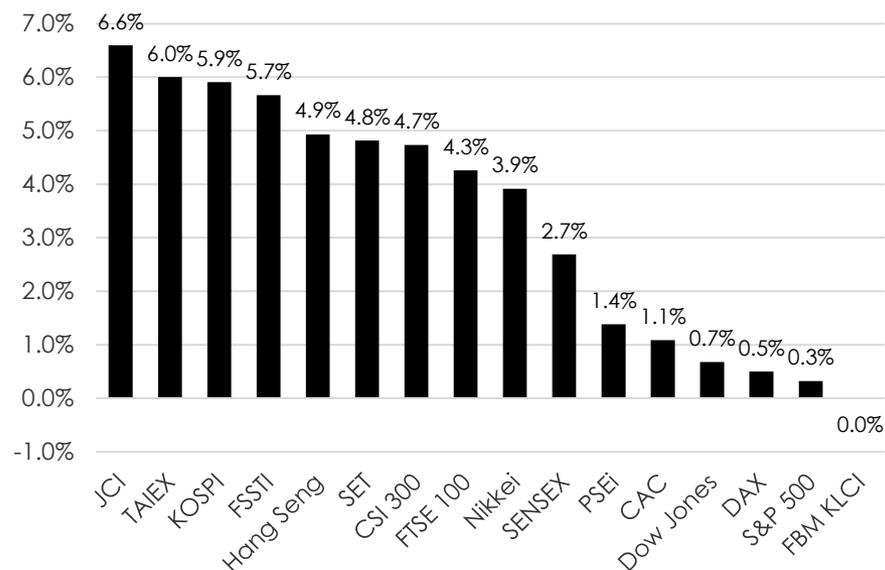
## WEEKLY MARKET PERFORMANCE

- ✓ Equity markets worldwide ended mixed last week with losers exceeding gainers. Korea's KOSPI index was the biggest laggard, losing 3.5% during the week. South Korean shares tumbled the most during the week on Friday by 2.0%, with most heavyweights slumping as profit-taking and foreign selloff offset optimism over a US stimulus proposal worth USD1.9 trillion.
- ✓ Meanwhile, Hong Kong's Hang Seng index was the largest winner after recording a 2.5% weekly increase, marking the third week of gains. Xiaomi, the ninth largest constituent in the Hang Seng index slumped by 10.3 % below Thursday's closing. Nevertheless, the Hang Seng Index has now erased all of the losses since the Wuhan lockdown on January 23 last year. The index's 4.9% gain since 31 December 2020 is the most since a 5.4% advance in the first two weeks of 2011.

**Weekly Gain of Major Equity Markets (%)**  
(Week Ended 15 January)



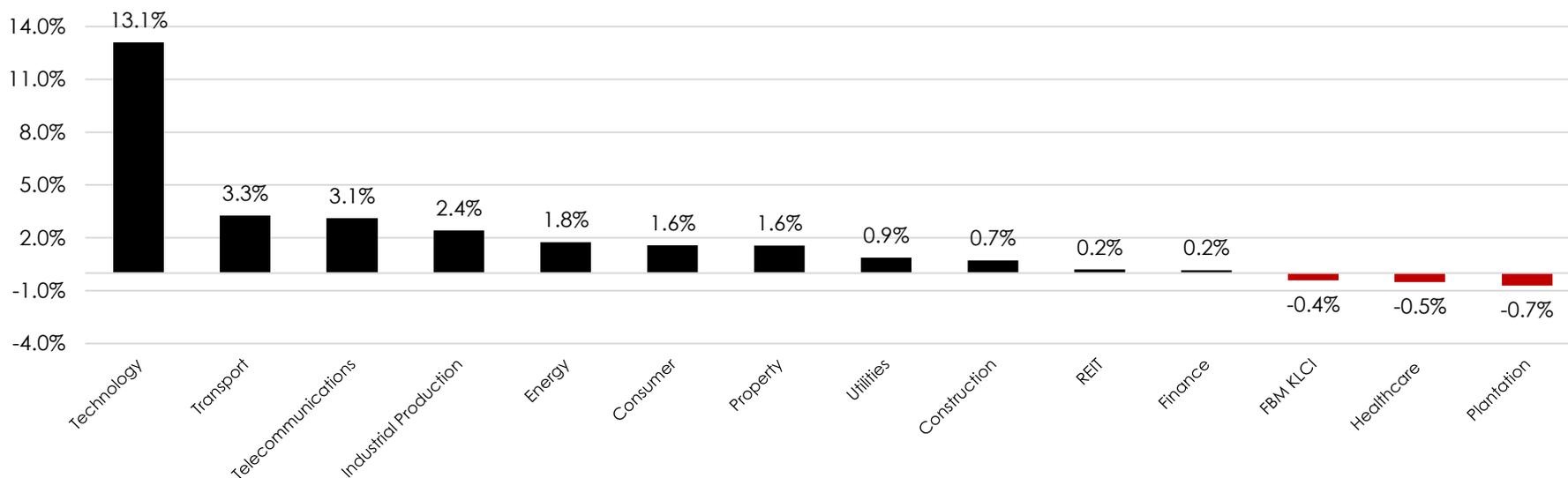
**YTD Gain Of Major Equity Markets (%)**  
(As at 15 January)



## WEEKLY SECTORAL PERFORMANCE

- ✓ The Bursa Malaysia Technology index was the biggest gainer last week with a 13.1% weekly advance. The sector is expected to experience a multi-year earnings growth driven by smartphones, high-performance computing (HPC), Internet of Things (IoT) and automotive sectors. Aside from that, many countries have rushed to develop their semiconductor capabilities, especially in leading edge front-end fabrication, to be self-sufficient on the back of national strategic and security interests.
- ✓ On the other hand, the Bursa Malaysia Plantation Index was the biggest laggard, recording a 0.7% weekly loss. After Malaysia's crude palm oil (CPO) inventory declined to a three-and-a-half-year low of 1.26 million tonnes in December 2020 from 1.56 million tonnes in November 2020, announced by the Malaysian Palm Oil Board on last Monday, a seasonal production uptick coupled with weaker export demand will help replenish stocks and consequently drive prices down.

### Bursa Malaysia Sectoral Weekly Performance (%)

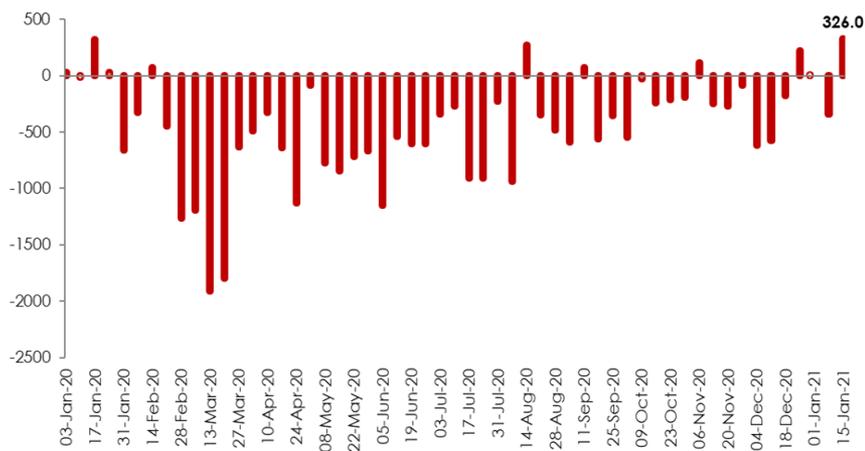


Sources: Bursa

## WEEKLY FOREIGN FUND FLOW

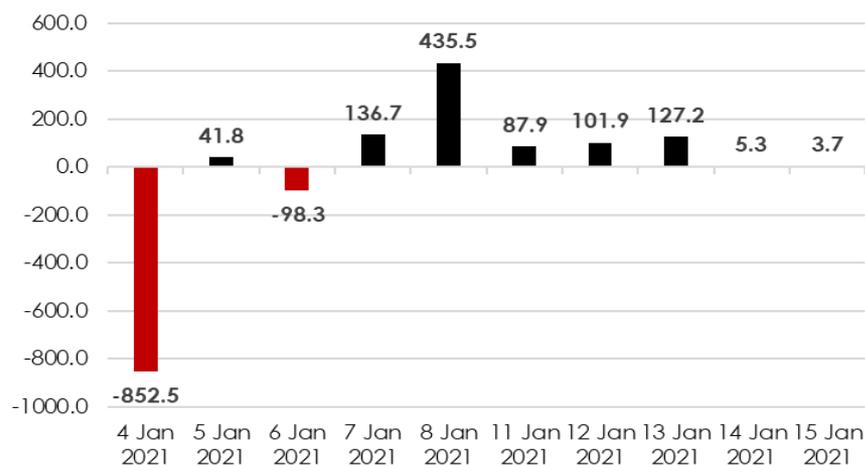
- ✓ Foreign investors acquired RM326.0 million net of local equities during the second week of 2021 compared to the RM336.9 million withdrawn in the preceding week. This was the biggest weekly foreign net inflow recorded on Bursa in 84 weeks.
- ✓ It is important to highlight offshore funds have been net buyers for seven straight trading days, from 7 January 2021 to 15 January 2021. The Prime Minister made the announcement of the movement control order (MCO) at 6pm on Monday, 11 January 2021 and foreign investors still entered Bursa at a tune of RM101.9 million net of local equities on the day after. While the latest bout of foreign net inflows is still too early to gauge whether or not it is sustainable moving forward, the current trend is perhaps a good starting point for foreign funds to slowly stage a return to Bursa Malaysia. The suspension of parliament prohibits any general elections to be held. Therefore, this could ease the current political turbulence that Malaysia is facing. Policy makers will have ample time to redirect their efforts towards ensuring the nation's economic recovery.
- ✓ On a year-to-date basis, foreign funds have taken out RM10.8 million net of local equities from Bursa.

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



Sources: Bursa

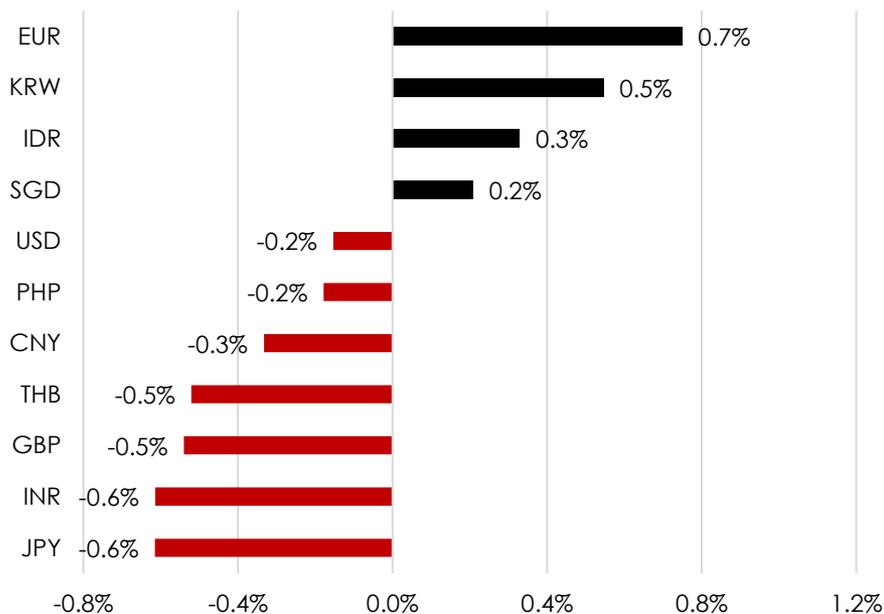
### Daily Foreign Fund Flow in Malaysia (RM Million)



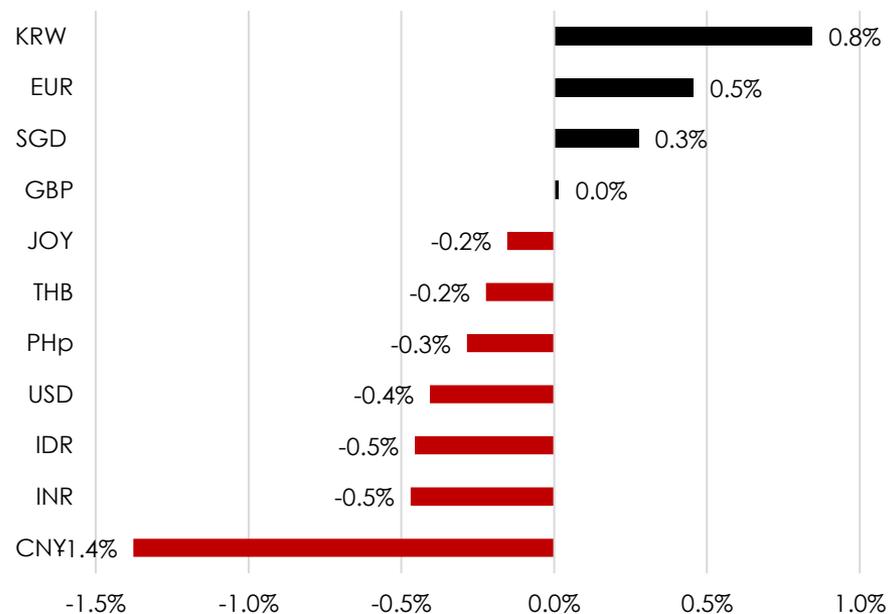
## WEEKLY PERFORMANCE

- ✓ The Ringgit weakened by 0.5% to RM4.051 against USD on last Monday after experiencing a knee-jerk reaction on the lockdown fears as the country's Covid-19 infections continued to surge.
- ✓ However, USDMYR started to rebound by 0.3% on Wednesday as industries and businesses were allowed to operate in areas under the MCO while the proclamation of the state of emergency will not hamper business operations.
- ✓ On a weekly basis, the Ringgit was lower by 0.2% on last Friday to close at RM4.037 from the RM4.031 seen on 8 January.
- ✓ The ringgit could remain in a tight range of RM4.050 to RM4.060 this week especially if Bank Negara Malaysia (BNM) decides to reduce the overnight policy rate (OPR) this week amid economic pressures from the latest round of MCO.
- ✓ The reason being is that another 25 basis point cut is not likely to evoke a major response in the Ringgit given the accommodative stance evident among central banks worldwide.

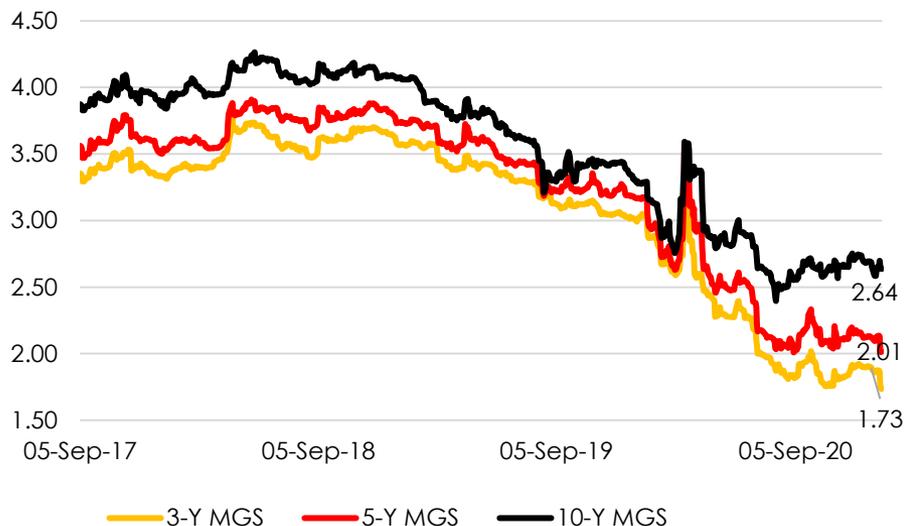
**W-o-w,%  
(Week Ended 15 January)**



**YTD Gain,%  
(As at 15 January)**

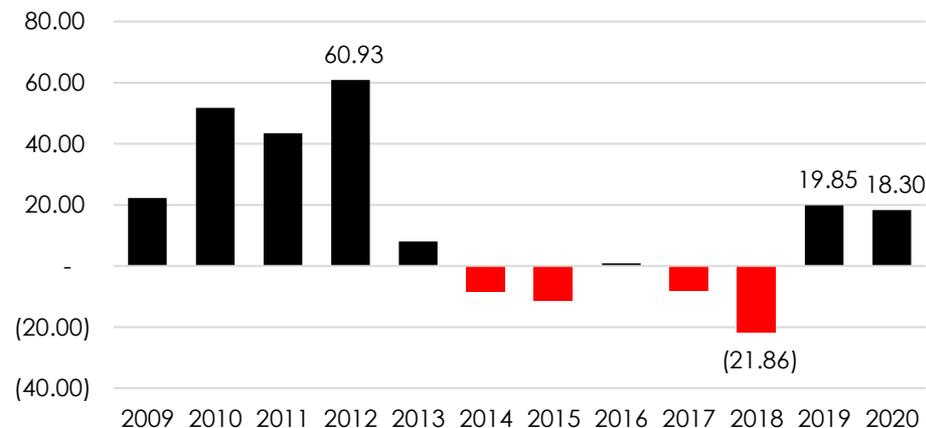


### MGS Yields



Source: CEIC

### Foreign Fund Flows in Bond Market, RM billion



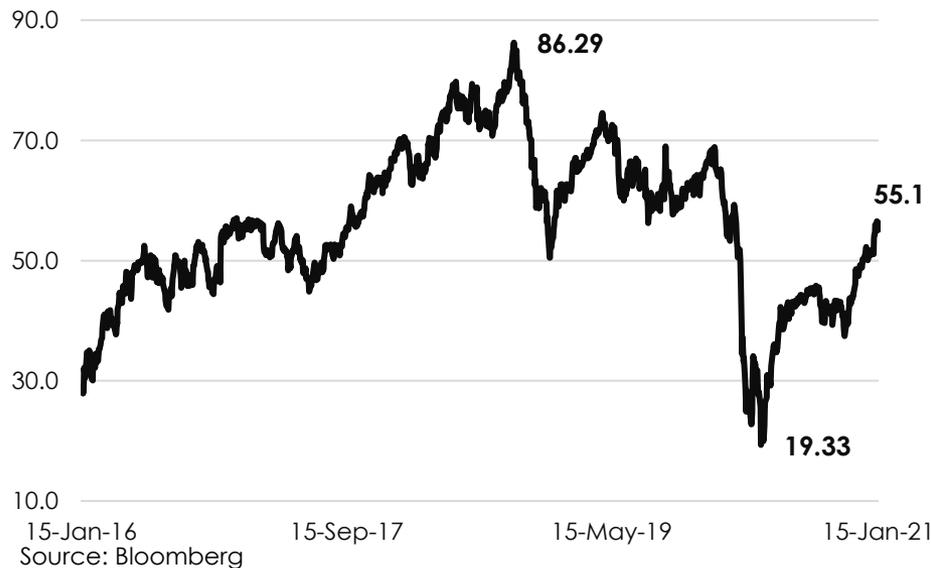
Source: CEIC

- ✓ Turning to the bond market, the 3-Y, 5-Y and 10-Y MGS marched downwards to 1.73% (8 January: 1.88%), 2.01% (8 January 2.13%) and 2.64% (8 January 2.65%) on 15 January. This was partly contributed by anticipation of another rate cut is in the offing, following the government's move to tighten movement restrictions and declare a state of emergency last week.
- ✓ On the other hand, the foreign investors continued to purchase local govies as foreign fund recorded net inflows for eighth straight month with fund inflows increase to RM3.6 billion in December last year (November 2020: RM2.0 billion). In light of this, the foreign holdings ratio went up to 40.6% in December 2020 (November 2020: 40.1%) after hit its lowest at 35.8% in April 2020.
- ✓ Cumulatively, the foreign fund inflows were lower at RM18.3 billion in 2020 from RM19.9 billion in 2019, largely ascribed to Covid-19 pandemic which has heavily impacted the financial market.

## BRENT

- ✓ Brent crude oil price recorded a 1.6% weekly decrease to settle at USD55.10 per barrel last Friday (8 January 2021: USD55.99/barrel) as impositions of fresh lockdowns in Europe and China to combat the spread of coronavirus have clouded the outlook on fuel demand recovery.
- ✓ However, a new USD1.9 trillion coronavirus relief stimulus announced by the US president-elect Joe Biden and Saudi Arabia's pledges to limit supply have prevented further losses.
- ✓ Supporting prices further were a drop in the US crude inventories reported by the US Energy Information Administration (EIA) and the American Petroleum Institute (API). The EIA data showed crude stocks continued to decline for the fifth straight week to 482.2 million barrels in the week ended 8 January 2021 from 485.5 million in the previous week. Similarly, the API report showed crude stockpiles decreased by 5.8 million in the week ended 12 January 2021, extending the 1.7 million draw in the preceding week.

### Brent Crude in USD per barrel



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



# 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
17-Dec-20	653,244	96	26,923	24,010	6,725	17,568	3,061	12	1,014	12,207	15	25,161	201,468	17,441	1,220
18-Dec-20	737,867	116	33,777	22,890	7,354	18,233	3,035	24	1,064	11,719	20	35,383	235,805	18,025	1,683
19-Dec-20	712,897	89	31,300	25,152	6,689	15,401	2,893	9	1,047	10,911	16	28,507	229,915	15,440	1,153
20-Dec-20	842,413	136	22,771	26,624	7,751	16,305	2,849	17	1,097	12,245	34	27,052	402,270	17,326	1,340
21-Dec-20	593,690	100	16,643	24,337	6,982	15,102	2,643	19	926	6,842	576	35,928	200,257	12,798	2,018
22-Dec-20	539,365	100	19,528	19,556	6,848	10,869	2,135	10	866	4,345	382	33,364	197,199	5,636	2,062
23-Dec-20	579,177	82	24,740	23,950	6,347	13,316	2,455	29	1,090	11,085	473	36,803	182,819	11,670	1,348
24-Dec-20	673,517	76	32,195	24,712	7,514	13,908	3,026	21	985	13,449	67	39,237	195,151	14,836	1,581
25-Dec-20	685,458	85	25,533	23,067	7,199	18,039	3,841	13	1,235	14,350	-	39,036	221,145	21,496	1,247
26-Dec-20	612,833	81	14,455	22,273	7,259	19,037	3,567	14	1,132	9,951	81	32,725	192,095	20,199	2,335
27-Dec-20	452,538	84	13,755	18,732	6,740	10,405	3,765	10	970	4,894	110	34,693	145,489	2,458	1,196
28-Dec-20	465,474	93	10,976	20,021	6,528	8,937	2,924	5	807	6,277	121	32,340	178,311	8,816	1,594
29-Dec-20	460,374	96	12,892	16,432	5,854	8,581	2,884	5	1,045	5,926	299	41,385	145,513	2,757	1,925
30-Dec-20	577,896	79	22,459	20,549	7,903	11,210	3,476	13	1,050	15,331	0	53,135	174,814	11,295	1,870
31-Dec-20	719,889	81	32,552	21,822	8,002	16,202	3,708	27	967	18,556	250	50,023	199,163	26,308	2,525
1-Jan-21	740,795	89	22,924	20,035	8,074	23,477	4,091	30	1,028	19,387	194	55,892	231,427	19,712	2,068
2-Jan-21	647,324	67	12,690	19,079	8,072	22,210	3,617	30	824	12,944	279	53,285	228,437	19,241	2,295
3-Jan-21	527,054	65	10,315	18,177	7,203	11,825	2,942	33	657	6,711	216	57,724	167,759	3,466	1,704
4-Jan-21	606,922	78	9,847	16,504	6,877	14,245	2,893	35	1,020	9,562	1,060	54,990	284,312	12,489	1,741
5-Jan-21	558,740	89	11,897	16,375	6,753	10,798	4,113	24	714	9,066	527	58,784	211,444	3,569	2,027
6-Jan-21	619,377	66	21,237	18,088	7,445	15,375	4,357	28	838	20,172	365	60,916	173,375	20,366	2,593
7-Jan-21	775,779	90	26,391	20,346	8,854	20,326	6,076	31	869	27,984	305	62,322	227,369	25,189	3,027
8-Jan-21	817,795	89	31,849	18,139	9,321	18,416	6,906	33	674	12,899	205	52,618	299,562	21,510	2,643
9-Jan-21	827,814	81	24,694	-	10,617	17,529	7,855	23	641	23,859	-	68,053	277,195	19,408	2,451
10-Jan-21	829,546	131	16,946	36,867	10,046	19,976	7,621	29	657	28,377	457	59,937	313,516	20,034	2,433
11-Jan-21	691,742	134	12,497	16,311	9,640	18,625	5,977	42	451	15,399	249	54,940	248,089	15,809	2,232
12-Jan-21	584,476	102	12,802	12,584	8,692	12,530	5,460	22	537	11,403	287	46,169	220,528	3,155	3,309
13-Jan-21	618,234	179	19,600	15,968	10,047	14,242	5,103	17	561	25,225	157	45,533	198,788	19,603	2,985
14-Jan-21	722,372	184	25,164	16,946	11,278	15,773	5,308	38	524	25,541	271	47,525	217,166	23,649	3,337
15-Jan-21	713,490	173	22,368	15,590	11,557	17,243	6,591	45	512	16,403	188	48,682	225,573	20,872	3,211
16-Jan-21	689,517	169	18,678	15,158	12,818	16,144	6,696	30	580	-	230	55,761	226,608	20,984	4,029
17-Jan-21	683,378	166	13,882	15,144	14,224	16,310	6,386	24	520	-	374	41,342	246,485	21,207	3,339

Source: CEIC

Company	Business	Remarks
<b>Top Glove</b>	<b>Rubber glove maker</b>	<ul style="list-style-type: none"> <li>- In its 16 January 2021 press statement, Top Glove said that some employees working in four of its factories have been tested positive for COVID-19. All of its employees at the Port Dickson facilities have undergone health screening with the Ministry of Health, and affected workers are now under quarantine. Mass screening and contract tracing is ongoing for the other three factories located at Sungai Puloh in Klang, Kulim and Shah Alam.</li> </ul>
<b>SKP Resources</b>	<b>Electronics manufacturing services</b>	<ul style="list-style-type: none"> <li>- The company is temporarily closing its Johor Bahru operations from 16 January to 29 January 2021 to facilitate Covid-19 screening of its employees. This is carried out as five of their employees were tested positive last week, The temporary closure is expected to result in a capacity loss of 3.0% of its annual output.</li> </ul>

Source: Various media sources

- ✓ We expect the FBM KLCI's movement to be range bound this week with the support level at 1,600 points while the resistance level is at 1,640 points as investors continue to weigh on the economic impact of the MCO 2.0 and the state of emergency declaration.
- ✓ Investors will stay tuned for the upcoming BNM meeting on Wednesday, 20 January 2021 to see if the OPR is maintained or adjusted by BNM. Based on our analysis, we opine that BNM will cut the OPR by another 25 basis points from the current 1.75% to 1.50% during Wednesday's meeting as the latest round of MCO could potentially trim the overall GDP growth in 2021 by about 1.0 percentage points to 4.0% from 5.0% previously.
- ✓ While the overall 2021 recovery thesis remains intact, opposing news flow between vaccine deployments and a still rising Covid-19 count will bring about much volatility to the markets. An additional hazard is the rapidly spreading mutated strain of the Covid-19 that's appeared in a variety of locations worldwide.
- ✓ On the external front, Joe Biden will be inaugurated as the 46th US president this Wednesday, taking over the leadership of a country ravaged by the pandemic and facing deep socio-economic divisions. Biden has announced a USD1.9 trillion stimulus package, which includes USD1,400 stimulus checks but this may prove a double-edged sword for investors, bolstering optimism over the outlook for the economic recovery while raising worries over how the US will afford it.
- ✓ All in all, we foresee local and regional equity markets to trade within a tight range ahead of Joe Biden's inauguration ceremony. Turning to the bond market, we expect MGS yields to see little movement ahead of the BNM monetary policy committee meeting on Wednesday. A reduction in the OPR by BNM will push MGS yields lower, enabling bond investors to record mark-to-market gains in their bond holdings.

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Assuring Trust. Delivering Value