



From the Desk  
of the  
**Chief Economist**

**BANK ISLAM**

# **WEEKLY MARKET UPDATES**

**18 JULY 2022**

## **ECONOMIC RESEARCH**

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## The Philippines- Monetary Policy

- ✓ Bangko Sentral ng Pilipinas (BSP) decided to raise its key overnight borrowing rate by **75 basis points (bps) to 3.25% in a surprise move on 14 July** from its scheduled policy meeting on 18 August.
- ✓ This signals that they would take further policy action to ward off surging inflation towards a target-consistent path over the medium term while keeping its price stability mandate.
- ✓ The Philippines inflation soared by 6.1% y-o-y in June (May: 5.4%) mainly driven by higher food prices (June: 6.0% vs. May: 4.9%).

## Singapore- Monetary Policy

- ✓ The Monetary Authority of Singapore (MAS) unexpectedly tightened its monetary policy on 14 July to temper rising inflation in the country.
- ✓ The board will re-center the mid-point of its exchange rate policy band to its prevailing level and there will be no change to the slope and width of the band.
- ✓ The MAS has also revised up its 2022 forecast for **core inflation to between 3.0% and 4.0% from 2.5%-3.5% projection made in April.**

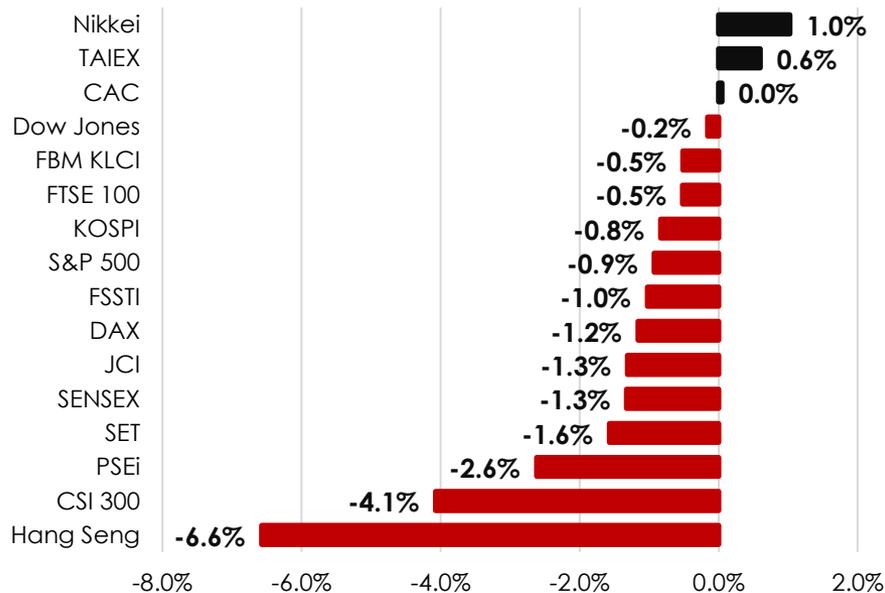
## The U.S.- Consumer Price Index (CPI)

- ✓ The U.S. CPI accelerated by 9.1% y-o-y in June from 8.6% in May which was higher compared to market consensus of 8.8%.
- ✓ It was the highest since November 1981 mainly contributed by jump in fuel oil and gasoline prices, rising by double-digit growth at 98.5% (May: 106.7%) and 59.9% (May: 48.7%) in June.
- ✓ This suggests that the country's inflation was heavily affected by the prolonged Russia-Ukraine war which has caused the global crude oil price to soar.

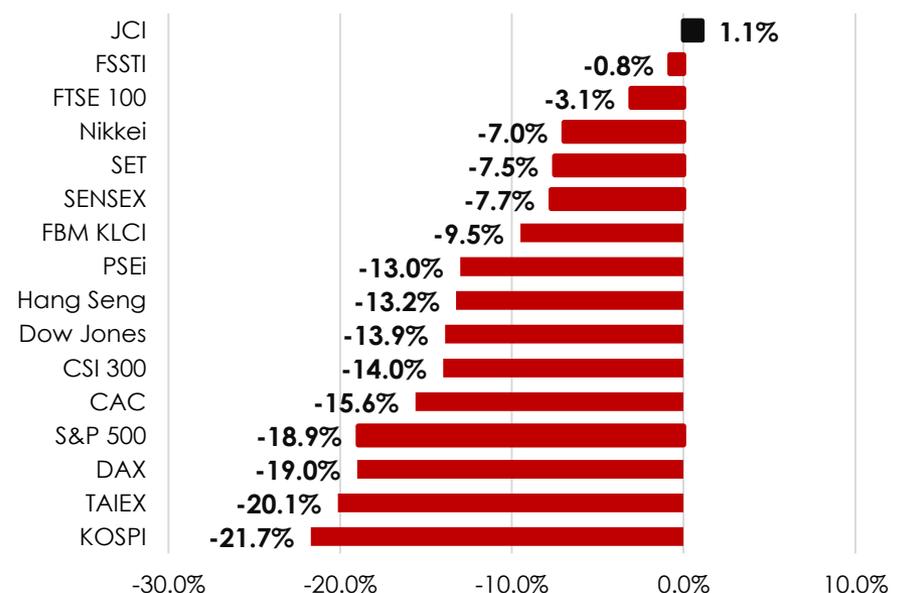
## WEEKLY MARKET PERFORMANCE

- ✓ Japan's Nikkei recorded a 1.0% weekly advance among the major equity markets. This was mainly supported by higher gains from Electrical and Machinery, Precision Instruments, as well as Mining sectors.
- ✓ Meanwhile, Hong Kong's Hang Seng index dropped by 6.6% as rising Covid-19 infections and concerns over policy makers exiting crisis-mode monetary easing have affected market sentiments.
- ✓ On a Year-To-Date (YTD) basis, global equities were mostly on the red as inflation jitters continued to affect market performance alongside with heightened uncertainties on further interest rate hike moving forward.

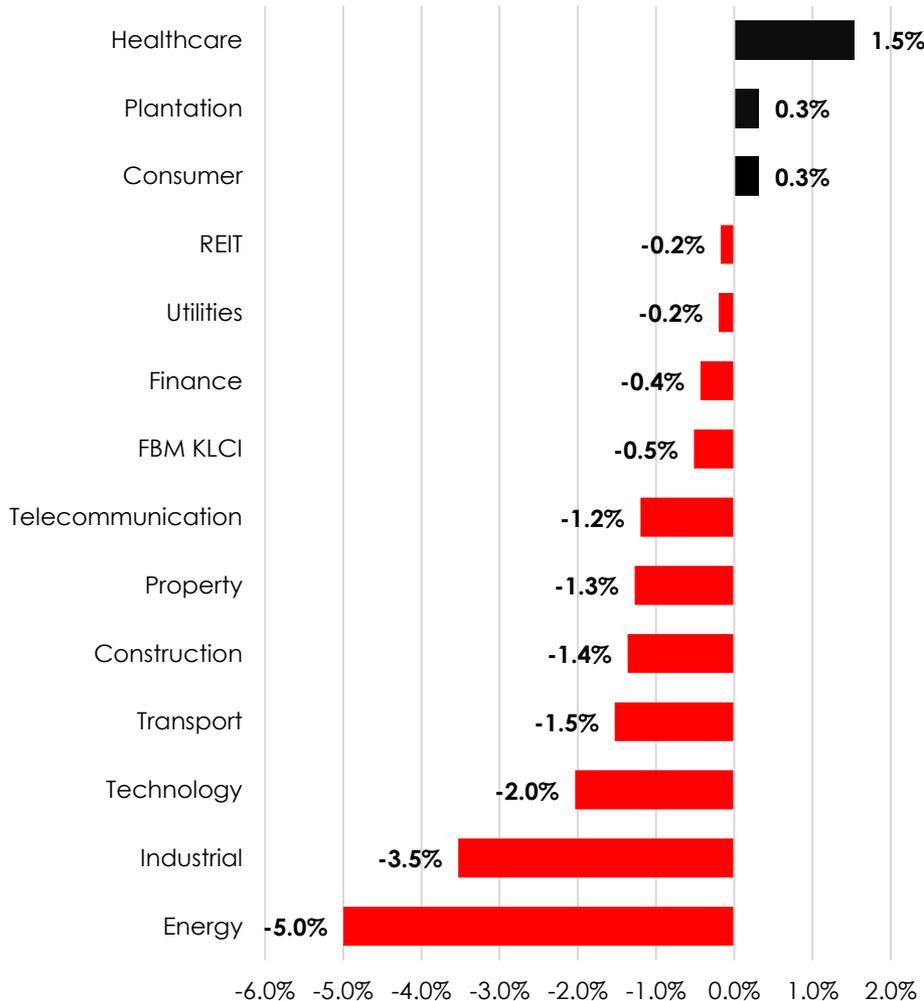
### Weekly Gain/Loss of Major Equity Markets, % (Week Ending 15 July)



### YTD Gain/Loss Of Major Equity Markets, % (As at 15 July)



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



Sources: CEIC, Trading View

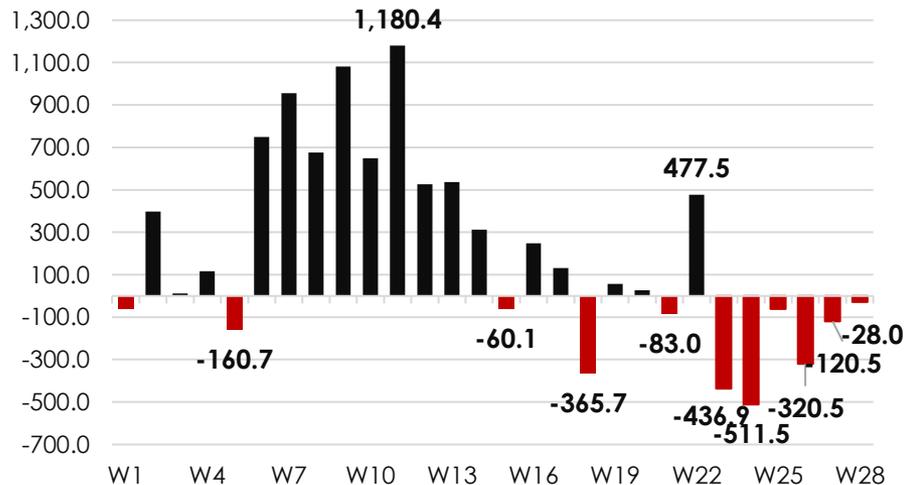
## WEEKLY SECTORAL PERFORMANCE

- ✓ Most of the sectors were in the red except for Healthcare, Plantation and Consumer indices which have gained by 1.5%, 0.3% and 0.3% respectively during the week ending on 15 July.
- ✓ Meanwhile, Energy sector recorded biggest loss at 5.0%, followed by Industrial which fell by 3.5% amid cloudy outlook for demand condition.
- ✓ The decline in Energy also due to lower Brent crude oil price during the week (15 July: USD101.16 per barrel vs. 8 July: USD107.02 per barrel).
- ✓ Apart from that, gloomy global sentiments on the back of inflation jitters in the U.S. have also weighed on the equity market performance.
- ✓ Looking forward, the FBM KLCI is likely to range between **1,410.0 points and 1,430.0 points this week** due to market volatility, as well as cautious sentiment ahead of the Federal Open Market Committee (FOMC) meeting on 26-27 July.

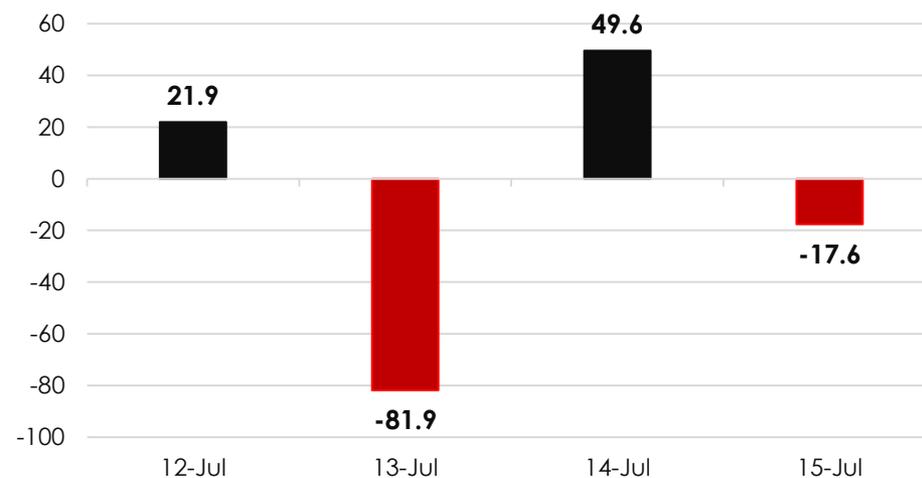
## WEEKLY FOREIGN FUND FLOW

- ✓ Foreign investors remained as net sellers for the sixth straight week as they disposed RM28.0 million net of Malaysian equities. However, this was lower as compared to RM120.5 million net outflows recorded in the preceding week.
- ✓ On further scrutiny, Bursa started the week on the right foot as international investors bought RM21.9 million net of local equities on Tuesday. However, foreign investors took out RM81.9 million net on Wednesday, the biggest outflows of the week before continuing to be net buyers at RM49.6 million net on Thursday. Then, Friday marked the second day of foreign outflows with -RM17.6 million net were registered at the end of the week.
- ✓ On a YTD basis, international investors have bought RM5.9 billion net of local equities in 2022. Nevertheless, we anticipate the international fund outflows from domestic equity market would continue to persist amid higher interest rate prospects globally which could further dent market sentiment.

### Weekly Foreign Fund Flow in 2022 (RM Million)



### Daily Foreign Net Inflow/Outflow from 12 to 15 July (RM Million)



Source: Bursa  
\*W = week

# FIXED INCOME – 3-M UST YIELDS SURGED BY 39 BPS OVER THE WEEK IN ANTICIPATION OF AN AGGRESSIVE RATE HIKE BY THE FED

## Bond Yields Weekly Change, bps

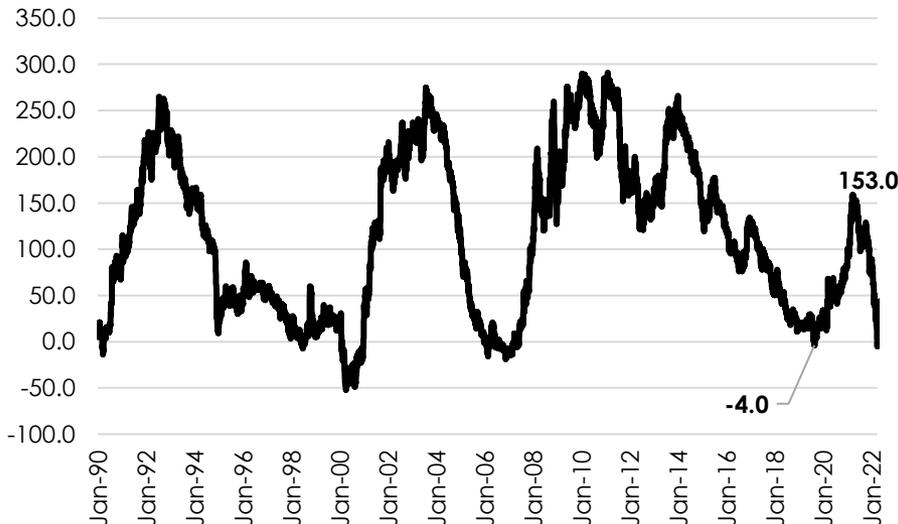
UST	Yields (%) 8-Jul-22	Yields (%) 15-Jul-22	Change (bps)
3-M UST	1.98%	2.37%	39
2-Y UST	3.12%	3.13%	1
5-Y UST	3.13%	3.05%	-8
10-Y UST	3.09%	2.93%	-16

MGS	Yields (%) 8-Jul-22	Yields (%) 15-Jul-22	Change (bps)
3-Y MGS	3.47%	3.48%	1
5-Y MGS	3.82%	3.77%	-5
7-Y MGS	4.06%	3.99%	-7
10-Y MGS	4.14%	4.06%	-8

Sources: CEIC, BNM

## 10-Y UST minus 2-Y UST, bps



Source: CEIC

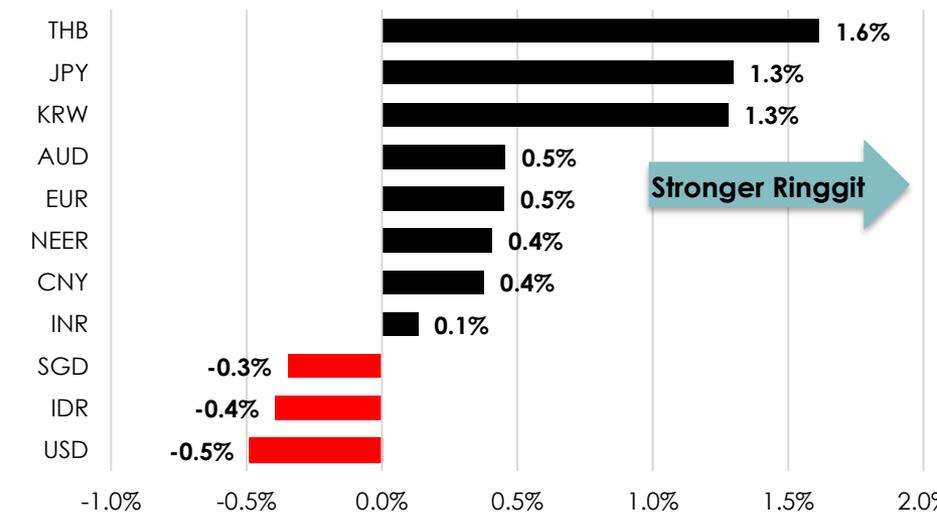
- ✓ For the bond market, the UST yields were mixed with shorter tenure 3-M UST and 2-Y UST yields higher by 39 bps and 1 bps ahead of FOMC meeting on 26-27 July as the market anticipates a 100 bps federal fund rate (FFR) hike could be on the table.
- ✓ Meanwhile, the 5-Y UST and 10-Y UST yields declined by 8 bps and 16 bps respectively to settle at 3.05% and 2.93% on 15 July.
- ✓ Hence, this has caused the inversion of yield curve to widen to -20 bps on 15 July from -8 bps on 8 July.
- ✓ On domestic front, the MGS yields mostly ended lower between 5 bps and 8 bps following the BNM's decision to withdraw its accommodative monetary policy.
- ✓ Looking forward, we foresee the investors would remain guarded as the Fed is likely to prescribe further monetary tightening that has sparked concern over recession in the U.S.

# RINGGIT WAS TRADED LOWER AGAINST THE USD FOLLOWING CAUTIOUS GLOBAL ECONOMIC OUTLOOK

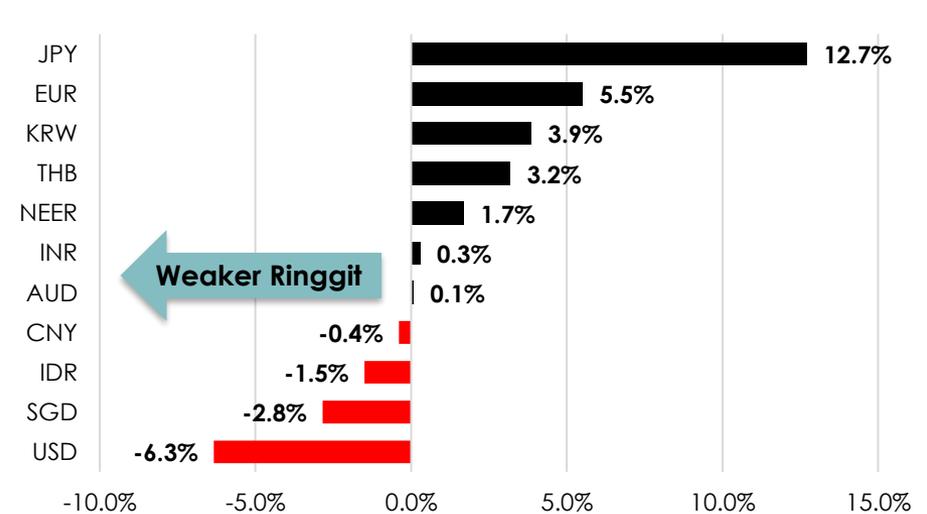
## WEEKLY PERFORMANCE

- ✓ The Ringgit dropped by 0.5% w-o-w against U.S. Dollar (USD), closing at RM4.4470 on 15 July from RM4.4250 in the previous week.
- ✓ The U.S. inflation accelerated by 9.1% in June (May: 8.6%), a pace not seen in more than four decades which could raise the odds of a 100 bps rate hike by the Fed in the July's meeting. As a result, the value of USD index soared to 108.0 level, the highest since 2002, pressuring the local note during the week.
- ✓ Additionally, the Ringgit also partly weighed down by the weaker China's 2Q2022 GDP data of 0.4% (1Q2022: 4.8%) as the economy is struggling to shake off the impact of Covid controls.
- ✓ Looking at the volatile market condition as of now, we foresee that Ringgit will be trading between RM4.44 to RM4.45 in the near term.

**MYR against regional currencies, w-o-w% (Week Ending 15 July)**



**MYR against regional currencies, YTD Gain% (As at 15 July)**



# COMMODITIES – BRENT PRICE DROPPED FOR THE THIRD STRAIGHT WEEK

## BRENT

- ✓ Brent crude oil price declined by 5.5% w-o-w, extending the 4.1% fall in the previous week (15 July: USD101.16 per barrel vs. 8 July: USD107.02 per barrel). This was due to rising concerns over aggressive monetary tightening policy across the globe and persistent coronavirus-induced lockdowns in China which could hit oil demand prospects moving forward.
- ✓ On the supply side, the U.S. Energy Information Administration (EIA) reported that the crude oil stockpiles rose by 3.3 million barrels to 427.1 million barrels in the week ending 8 July (1 July : 423.8 million barrels). It has been increasing for the second consecutive week, suggesting slowing demand conditions. Similarly, the American Petroleum Institute (API) mentioned that fuel inventories went up by 4.8 million barrels for the week which ended on 8 July from 3.8 million barrels increase in the previous week. These have also put floor on the Brent price movement last week.

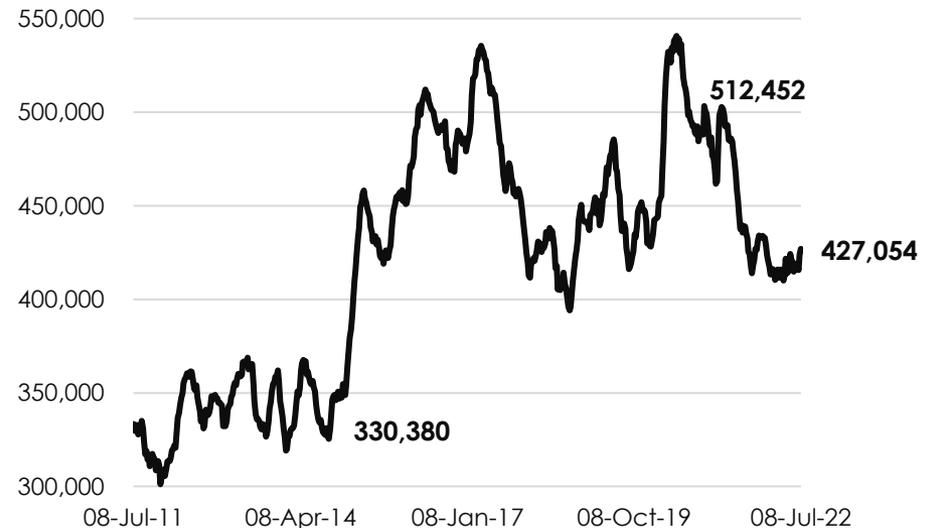
### Brent Crude in USD per barrel



Source: Bloomberg

ECONOMIC RESEARCH

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



# COMMODITIES – GOLD PRICE SLIPPED DURING THE WEEK AMID STRONGER USD AND RATE-HIKE FEARS

## GOLD

- ✓ Gold price declined by 2.0% to reach USD1,708.17 per ounce on 15 July (8 July: USD1,742.48) due to a stronger USD. The USD index continued its upward trend, increasing by 1.0% to 108.06 (8 July: 107.01) during the week.
- ✓ The gold price has been knocked down by the overall strength in USD following prospects of steep rate hikes by the U.S. Fed. The higher-than-expected reading of U.S. inflation (June: 9.1% vs. May: 8.6%) has fueled bets on 100 bps rate hike in the FFR for the upcoming FOMC meeting.
- ✓ As a result, the market is now worrying from inflation to recession as they anticipate the Fed would remain hawkish in an effort to combat runaway inflation.
- ✓ Subsequently, demand for gold also weakened despite escalating recession fears as investors opted for safe-haven dollar as a hedge against economic uncertainties thus, eroding the bullion's appeal.

### Gold in USD per ounce



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



- ✓ After the release of U.S. inflation rate which hit 40-year high, this has prompted markets anxiety as the Fed could front-load aggressive rate hike during the 26-27 July's meeting which will only heighten the risk of recession.
- ✓ Prior to the FOMC meeting, the European Central Bank (ECB), the Bank of Japan (BoJ), the People's Bank of China (PBoC), Bank Indonesia (BI) and the Central Bank of Russia (CBR) will hold monetary policy meetings that will be the centre of economic watchers' attention for this week.
- ✓ Another important data to be released during the week is July's flash Purchasing Manager's Index (PMI) across the U.S., the U.K., Eurozone and Australia. The figures in the previous month have been pointing out a slowdown growth amid elevated inflation. As for the month of July, the PMI figures will not only show how those countries perform at the start of third quarter this year at the times of tightening financial conditions but also providing a timely update on the cost pressures.
- ✓ Apart from that, inflation numbers from the U.K., Canada, Japan and New Zealand which are to be revealed this week are anticipated to be on upward trends in June. Likewise, Department of Statistics Malaysia (DOSM) would be publishing the CPI figure for the said month on 22 July. We foresee the inflation is expected to increase by 3.0% y-o-y in June from 2.8% in the previous month due to prevalent cost pass-through to consumers would be inevitable during 2H2022.
- ✓ All in all, the FBM KLCI is anticipated to trade between 1,410.0 points and 1,430.0 points following increasing market risks and volatility in global equity markets.

# 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
15-Jun-22	647,793	66,651	93,584	8,822	1,242	39,844	14,030	5,130	9,419	-	2,263	15,264	90,984	65,425	2,320
16-Jun-22	630,121	69,470	81,618	12,213	1,173	32,809	16,555	3,906	7,982	-	2,153	15,137	137,540	51,885	2,033
17-Jun-22	617,362	63,761	36,897	12,847	1,220	37,068	15,802	3,120	7,198	-	1,967	14,830	142,724	53,081	2,130
18-Jun-22	577,043	55,742	77,207	13,216	1,264	36,170	8,905	8,761	6,842	12,257	2,272	14,215	97,795	39,241	2,127
19-Jun-22	526,670	54,218	22,862	12,899	1,167	34,971	12,867	-	6,067	-	1,892	13,916	125,313	50,266	1,690
20-Jun-22	406,564	51,168	12,976	12,781	1,180	34,255	19,638	3,199	3,511	-	1,784	13,617	35,881	40,125	2,093
21-Jun-22	382,339	36,182	104,998	9,923	1,678	16,905	10,207	3,220	9,286	-	1,714	16,983	35,314	10,263	1,921
22-Jun-22	732,572	56,939	124,365	12,249	1,985	63,264	13,998	7,109	8,937	50,235	2,387	19,939	52,044	95,217	2,425
23-Jun-22	790,581	52,951	113,323	13,313	1,907	54,873	17,160	5,862	7,480	-	2,299	20,887	186,221	77,967	2,796
24-Jun-22	750,296	49,053	100,838	17,336	2,069	57,432	16,782	6,606	7,227	-	2,313	20,856	134,290	79,795	2,512
25-Jun-22	801,906	46,513	86,563	15,940	1,831	56,410	16,064	7,987	6,780	68,186	2,236	19,572	101,311	68,601	2,302
26-Jun-22	685,319	41,120	26,535	11,739	1,726	56,873	15,671	4,697	6,246	-	2,378	18,329	162,986	80,926	2,003
27-Jun-22	488,504	40,425	14,381	17,073	1,445	49,325	13,771	5,116	3,404	-	1,735	16,772	43,495	66,301	1,894
28-Jun-22	470,002	29,337	116,475	11,793	2,167	25,019	11,988	5,309	9,870	-	1,761	20,765	43,949	16,101	2,025
29-Jun-22	885,363	45,012	137,592	14,506	2,149	84,161	17,709	11,504	10,453	52,218	2,569	25,082	96,405	147,248	2,605
30-Jun-22	908,218	43,135	124,722	18,819	2,248	95,455	-	9,392	9,583	-	2,695	25,017	154,290	124,724	2,867
1-Jul-22	934,314	39,947	109,725	17,070	2,049	84,234	46,437	9,505	9,528	-	2,354	24,581	148,429	133,265	2,773
2-Jul-22	959,355	36,825	94,556	17,092	1,794	86,900	23,125	9,087	10,695	84,146	2,508	24,204	112,397	115,435	2,527
3-Jul-22	844,383	35,765	23,265	16,103	1,614	85,943	23,327	7,952	10,059	-	2,328	23,605	171,207	122,639	2,536
4-Jul-22	571,505	33,327	13,120	16,135	1,434	72,917	22,154	6,127	6,239	-	1,995	21,929	44,257	96,191	1,918
5-Jul-22	534,782	23,676	120,209	13,086	2,577	36,885	20,774	5,946	18,138	-	1,917	27,739	43,747	24,418	2,932
6-Jul-22	1,051,376	37,114	135,977	16,159	2,743	133,015	32,906	12,784	19,363	71,818	2,428	33,563	49,872	206,554	3,561
7-Jul-22	1,017,288	35,862	126,952	18,930	2,881	110,017	44,845	9,989	18,498	-	2,366	31,194	170,086	151,565	4,020
8-Jul-22	1,023,125	32,694	110,187	18,815	2,472	108,386	47,786	9,985	19,323	-	2,144	29,233	141,821	161,187	3,589
9-Jul-22	1,091,529	31,728	94,722	18,840	2,705	101,863	49,557	9,284	20,263	83,613	2,084	25,931	117,387	131,345	2,799
10-Jul-22	1,024,117	29,514	22,873	18,257	2,576	98,901	51,738	8,659	20,410	59,226	2,004	23,970	155,754	116,405	3,264
11-Jul-22	638,080	29,355	13,514	16,678	1,681	81,563	50,918	6,423	12,656	-	1,811	20,522	34,158	110,589	2,417
12-Jul-22	590,715	20,500	129,078	13,615	3,361	83,761	46,033	4,495	37,342	-	1,679	24,067	40,799	24,343	2,345
13-Jul-22	1,110,651	32,669	140,937	16,906	3,822	144,058	68,191	5,979	40,239	-	2,391	24,229	147,972	182,006	3,934
14-Jul-22	1,062,496	31,582	126,171	20,139	3,584	111,591	92,507	16,870	39,178	-	2,257	15,859	207,675	123,930	4,098
15-Jul-22	911,825	29,430	71,060	20,038	3,331	108,632	97,339	11,772	38,882	-	1,795	-	147,217	122,884	5,230

Source: CEIC

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