



From the Desk
of the
Chief Economist

BANK ISLAM

WEEKLY MARKET UPDATES

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ECONOMIC RESEARCH

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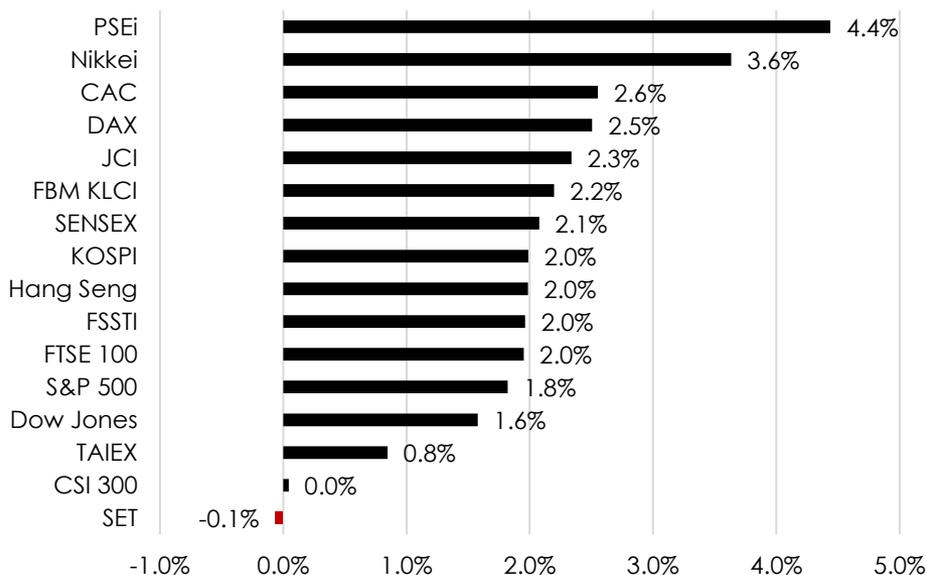
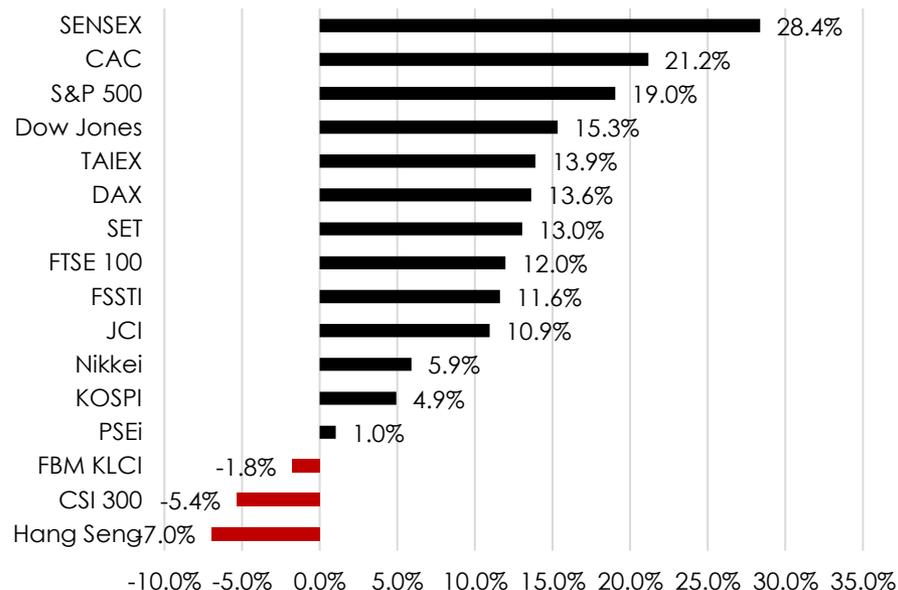
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WEEKLY MARKET PERFORMANCE

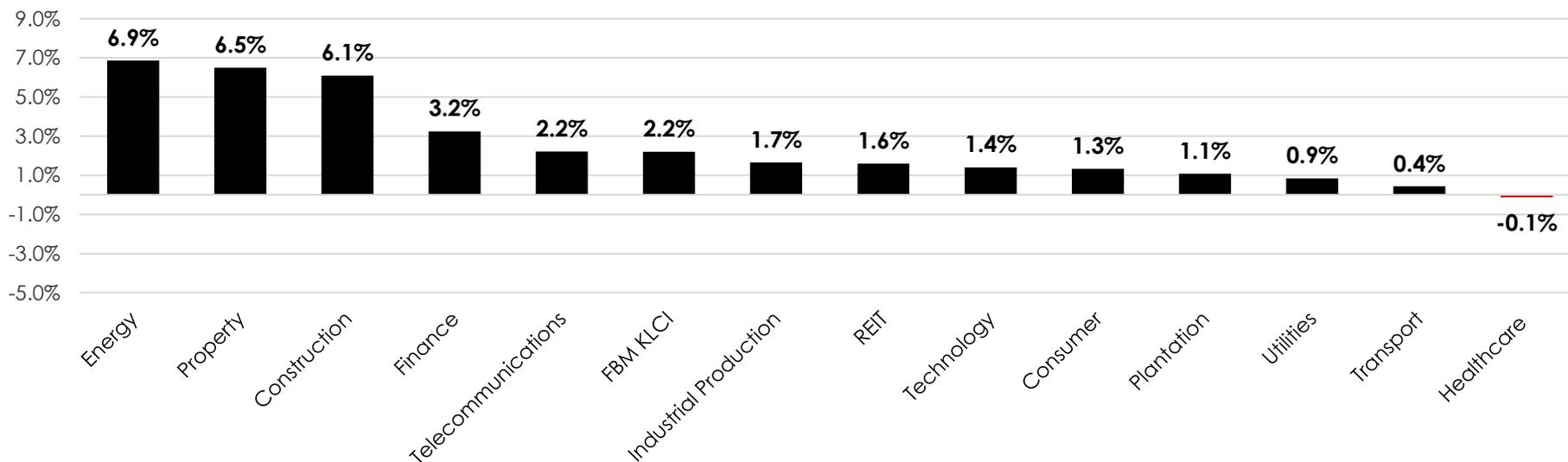
- ✓ Gainers conquered the market last week with the Philippines' PSEi index marking the biggest weekly advance of 4.4% among major equity markets. Market sentiment was likely being shaped by some leads related to the 9 May 2022 presidential elections. In addition, the market is seeing encouraging signs as more businesses and industries have been allowed to resume operations as quarantine restrictions have been eased.
- ✓ Meanwhile, Thailand's SET index was the sole loser among major equity markets, recording a weekly loss of 0.1%. This was despite the nation easing travel requirements for vaccinated visitors whereby visitors from 10 low-risk countries will no longer need to undergo isolation on arrival from 1 November.
- ✓ On the domestic front, the FBM KLCI index increased by 2.2% for the week as markets continued to cheer the lifting of the interstate travel ban but was the smallest decliner on a Year-To-Date (YTD) basis amongst major markets with a 1.8% loss.

Weekly Gain/Loss of Major Equity Markets (%)
(Week Ended 15 October)YTD Gain/Loss Of Major Equity Markets (%)
(As at 15 October)

WEEKLY SECTORAL PERFORMANCE

- ✓ The Bursa Malaysia Energy Index was again the biggest gainer, ending 6.9% higher during the week. The rally in the index was driven by the rise in Brent crude oil price which saw a 3.0% weekly gain boosted by a forecast made by the International Energy Agency (IEA) whereby the energy crunch would leave the global market short of 500,000 barrels per day (bpd) in the next few months. Apart from that, the easing of coronavirus-related travel restrictions brightened the prospects for higher jet fuel demand.
- ✓ On the other hand, the Bursa Malaysia Healthcare Index remained as the biggest loser, ending 0.1% lower for the week as there is no longer any acute demand for gloves as vaccination rates in advanced countries have picked up the pace, leading to a drop in the number of active cases. Instead, only a moderate demand is seen for rubber gloves. The forced labour allegations by the U.S. Customs and Border Protection (CBP) against Top Glove has served to accelerate the declining trend in the average selling price. This is because Top Glove has resorted to selling gloves to other countries at a lower price after it was banned from exporting to the U.S.

Bursa Malaysia Sectoral Weekly Performance (w-o-w%)

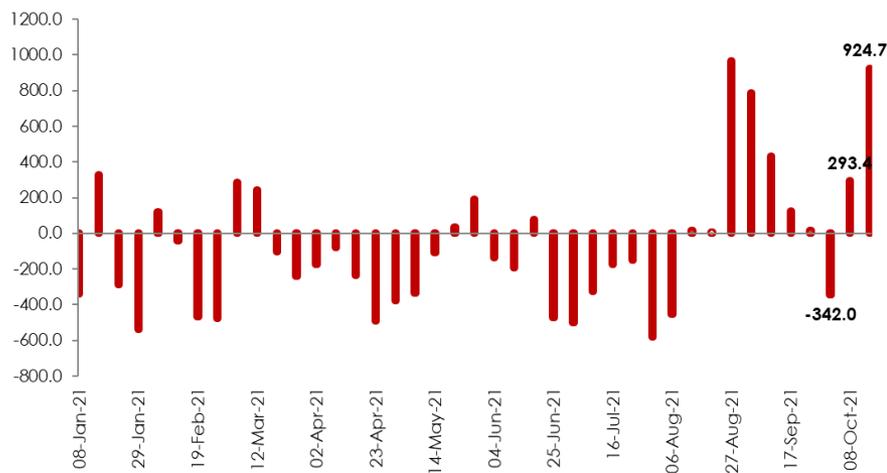


Source: Bursa

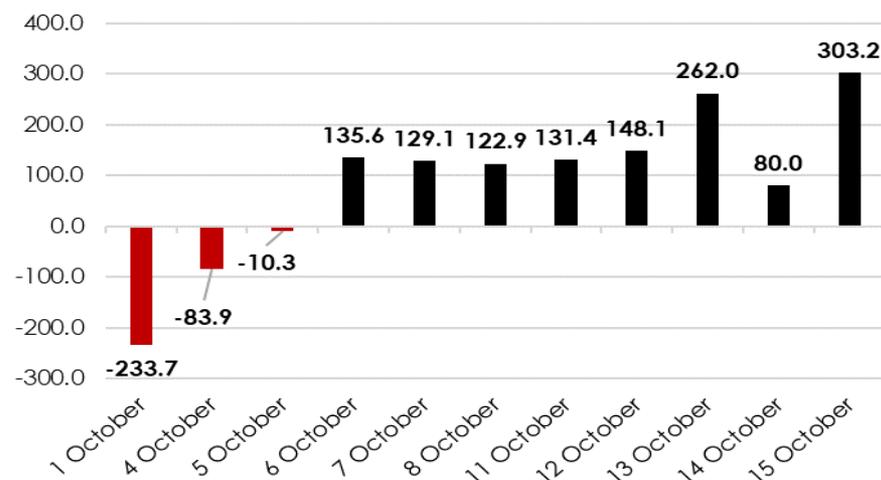
WEEKLY FOREIGN FUND FLOW

- ✓ Foreign investors remained in buying mode as they acquired RM924.7 million net of local equities last week compared to the RM293.4 million net bought in the previous week. This is the second largest weekly foreign net inflow recorded so far on Bursa this year. The highest weekly foreign net buying recorded on Bursa in 2021 so far was seen during the week ended 27 August when investors accumulated RM964.2 million net of local equities.
- ✓ In fact, we observed that foreign investors were net buyers from Monday to Friday last week as investors were generally upbeat on the reopening of state and international borders. Friday recorded the largest daily foreign net inflow during the week at RM303.2 million as investors were optimistic on the U.S. corporate earnings and better-than-expected labour data. Meanwhile, Thursday saw the smallest foreign net inflow during the week at RM80.0 million amid some profit taking activity by other investors after the FBM KLCI closed above 1,600 points on the day before.
- ✓ On a YTD basis, international investors have so far sold RM2.8 billion net of local equities this year compared to RM22.4 billion net disposed during the same period last year.

Weekly Foreign Fund Flow in Malaysia (RM Million)



Daily Foreign Net Inflow/Outflow From 1 October to 15 October 2021 (RM Million)



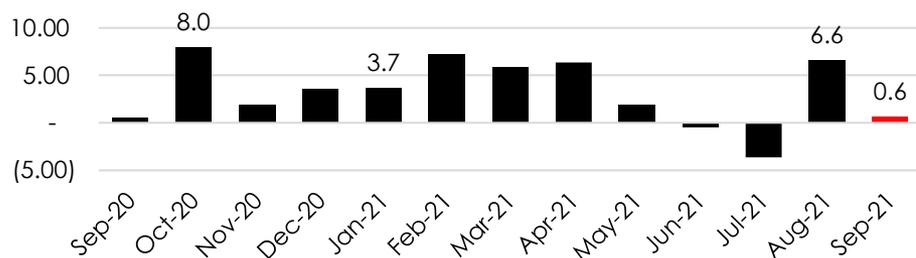
Source: Bursa

MGS Benchmark Weekly Change (bps)

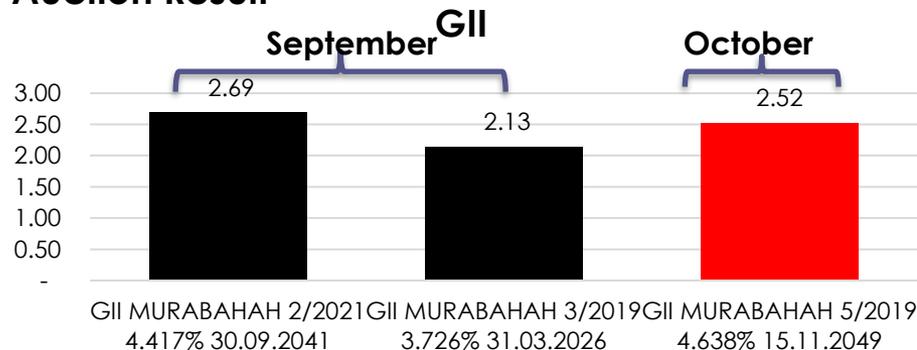
MGS Benchmark	Coupon (%)	Yields (%) 15-Oct-21	Yields (%) 8-Oct-21	Change (bps)
3-Y MGS 06/24	3.48%	2.54%	2.47%	-7
5-Y MGS 11/26	3.90%	3.13%	3.09%	-4
7-Y MGS 06/28	3.73%	3.41%	3.51%	10
10-Y MGS 04/31	2.63%	3.55%	3.63%	8

Source: BNM

Foreign Fund Flows in Bond Market, RM billion



Auction Result



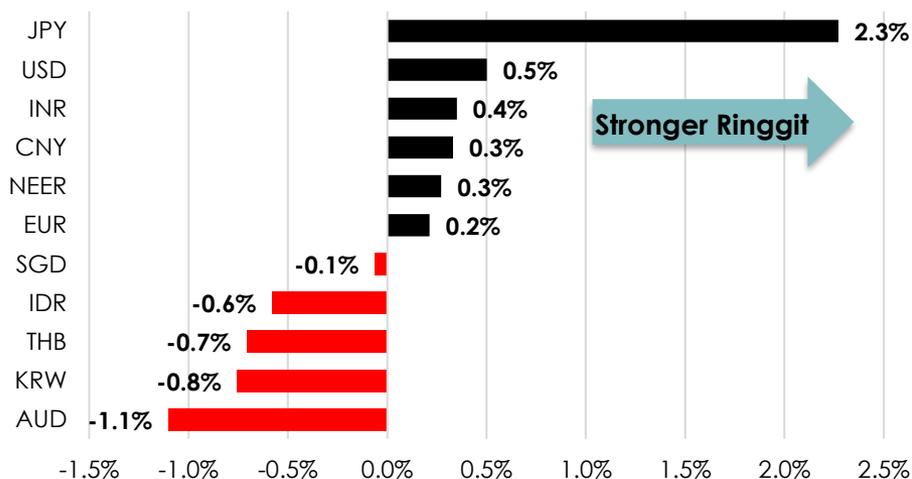
Source: Bond Info Hub

- ✓ As for the bond market, the MGS benchmark yields close mixed between -7 bps and 10 bps on a weekly basis. Bonds with shorter tenures such as the 3-Y MGS 06/24 and 5-Y MGS 11/26 saw their yields fall by 7 bps and 4 bps to 2.47% and 3.09% respectively. Meanwhile, the yields of the 7-Y MGS 06/28 and 10-Y MGS 04/31 increased by 10 bps and 8 bps to settle at 3.51% and 3.63% respectively on 15 October.
- ✓ On the other hand, the reopening of 30-Y GII 11/49 drew a sturdy Bid-To-Cover (BTC) ratio of 2.5x which was higher compared to 2.1x previously. In addition, foreign investors continued to purchase local bonds though the momentum has softened to RM0.6 billion in September (August: RM6.6 billion) with a cumulative amount of RM28.1 billion during 9M2021 (9M2020: RM4.8 billion), indicating that the demand for local bond remained supportive.
- ✓ All in all, the yields local govies are likely to rise gradually, mirroring the movement of U.S. Treasury (UST) yields as the U.S. has been recording positive economic data as of late.
- ✓ Moreover, the U.S. Federal Reserve (Fed) is likely to begin scaling back its asset purchase program either in mid-November or mid-December this year and the process may conclude in the middle of next year.
- ✓ On the domestic front, positive development following interstate travel announcement is going to support Malaysia's economic recovery moving forward. Therefore, these combination of factors are likely to put further upward pressure on the bond yields.

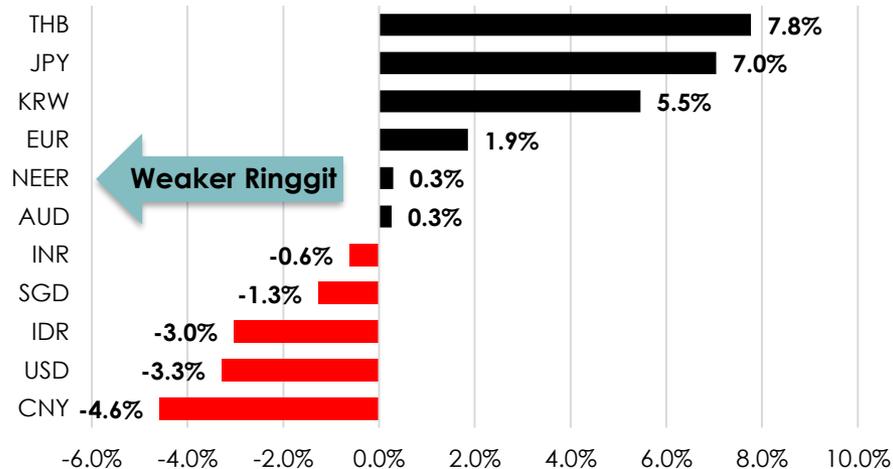
WEEKLY PERFORMANCE

- ✓ The Ringgit strengthened by 0.5% week-on-week (w-o-w) to close at RM4.1560 against the U.S. Dollar on 15 October from RM4.1760 previously.
- ✓ The stronger ringgit was supported by the 3.0% weekly gain in Brent price which rose to USD84.86 per barrel on 15 October from USD82.39 per barrel in the previous week.
- ✓ In addition, the sentiment has been boosted by the lifting of both inter-state and overseas travel ban announcement by the government effective from 11 October. Therefore, the pent-up demand for tourism-related industries such as aviation, hotel, food and beverages, as well as entertainment is expected to be unleashed.
- ✓ During the week, the local note mostly traded higher against the greenback before retreating on Friday following a slew of U.S. economic data such as Consumer Price Index (CPI), Federal Open Market Committee (FOMC) minutes and jobless claims data.
- ✓ All in all, the Ringgit would be experiencing some technical correction, trading within the range of RM4.15 and RM4.16 against the U.S. Dollar during the holiday-shortened week as investors may want to cash in some gains.

MYR against regional currencies, w-o-w% (Week Ended 15 October)



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



Source: Bloomberg

BRENT

- ✓ Brent crude oil price recorded a 3.0% weekly increase to settle at USD84.86 per barrel on 15 October (8 October: USD82.39/barrel), the highest level since October 2018 amid widespread energy shortages of natural gas and coal particularly in Europe and Asia which continued to boost demand for oil.
- ✓ According to the IEA, the energy crisis is expected to push demand for oil up by 500,000 bpd, leading to a supply deficit of 700,000 bpd until January next year.
- ✓ Consequently, the U.S. Energy Information Administration (EIA) reported that crude oil inventories continues to increase for the third straight week, jumping by 6.1 million barrels to 427.0 million barrels in the week ended 8 October (1 October: 420.9 million barrels), following rising trend of oil prices. Similarly, the American Petroleum Institute (API) report mentioned that crude stockpiles rose by 5.2 million barrels in the week ended 8 October, extending the gain of 1.0 million barrels in the preceding week.

Brent Crude in USD per barrel



Source: Bloomberg

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



GOLD

- ✓ Gold price rose by 0.6% to USD1,767.62 per ounce on 15 October (8 October: USD1,757.13 per ounce) amid a weakening U.S. Dollar. On further scrutiny, the U.S. Dollar index (DXY) weakened by 0.1% to 93.94 on 15 October from 94.07 in the preceding week.
- ✓ Minutes from the FOMC was released on last Wednesday, revealing expectations that the Fed will begin to withdraw its crisis-era support as the economy has healed enough from the pandemic.
- ✓ This is further supported by U.S. retail sales unexpectedly went up by 13.9% in September from a year ago (August: 15.4%) suggesting resilient demand for merchandise even as production constraints have limited supply.
- ✓ The precious metal also closed higher during the week amid ongoing stagflation concerns as the inflation rate in the U.S. touched a 13-year high (September: 5.4% vs. August: 5.3%), as well as a lower global growth forecast by International Monetary Fund (IMF). The global economic growth forecast by the IMF was trimmed to 5.9%, down from a 6.0% projected in July, mainly underpinned by the supply chain bottlenecks issues.

Gold in USD per ounce



U.S. Dollar Index (DXY)



- ✓ We observed that the FBM KLCI index marched higher on last Wednesday to close above the 1,600 psychological level amid persistent buying interest from foreign funds into heavyweights fuelled by the reopening of the economy.
- ✓ Taking into account of the short-trading week combined with many investors especially the local ones taking the opportunity to take leave following the resumption of inter-state travel, we foresee that trading activities on Bursa may take a breather this week. As such, the FBM KLCI index is expected to trade within the range of 1,570 points to 1,590 points this week.
- ✓ On the economic data front, Malaysia will be releasing **data on September's CPI this Friday**. Malaysia's CPI for the month of September could likely grow faster than the month before amid the gradual relaxation of movement restrictions that began in mid-August that may have increased demand for goods, pushing higher prices for goods sold.
- ✓ Globally, other countries such as the U.K., Japan and the Eurozone will also be disclosing their inflation data for the month of September during the week. Economists are observing inflation rates closely to see if the impact of supply chain disruptions continues to impact prices of goods.
- ✓ All in all, the month of October has been exhibiting signs of returning to normality at a steady pace so far, be it globally or domestically. For instance, 47 countries been removed from the U.K.'s travel red list, leaving only seven countries on the list which are Colombia, Dominican Republic, Ecuador, Haiti, Panama, Peru and Venezuela effective from 11 October. Domestically, Malaysia has decided to halve the quarantine period for fully vaccinated travellers returning or coming to Malaysia from 14 days to seven, starting from 18 October. Therefore, the aviation industry is heading in the right direction as the global recovery continues and later on contribute to the economy of many countries including Malaysia.

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-Sep-21	225,798,740	80	12,455	27,176	3,948	4,009	5,875	837	2,078	3,398	13,798	26,251	112,542	9,944	19,495
16-Sep-21	226,361,386	86	12,925	30,570	3,145	4,826	6,686	807	1,943	3,431	13,897	29,873	160,251	8,686	18,815
17-Sep-21	226,947,182	96	11,022	34,403	3,835	5,115	6,020	910	2,008	2,864	14,555	26,326	163,492	7,690	17,577
18-Sep-21	227,518,924	57	8,901	35,662	3,385	4,544	5,112	935	2,084	2,868	14,109	32,292	161,252	5,898	15,549
19-Sep-21	228,020,770	77	7,337	30,773	2,234	4,576	5,008	1,009	1,909	2,972	13,576	29,438	152,108	7,414	14,954
20-Sep-21	228,594,924	64	3,736	30,256	1,932	3,836	3,567	1,012	1,603	1,359	12,709	29,007	117,252	5,814	14,345
21-Sep-21	229,010,808	83	4,664	26,115	3,263	2,405	2,405	917	1,729	894	10,919	35,702	89,723	180	15,759
22-Sep-21	229,455,363	47	10,454	26,964	2,720	3,374	2,004	1,178	1,720	2,367	11,252	31,095	91,429	7,465	14,990
23-Sep-21	229,989,307	51	10,696	31,923	2,881	3,963	2,845	1,457	1,715	2,766	13,256	33,560	130,708	6,400	13,754
24-Sep-21	230,516,866	65	9,727	31,382	2,557	4,053	3,457	1,504	2,434	2,534	12,697	35,764	127,771	6,110	14,554
25-Sep-21	231,019,222	53	7,211	29,616	2,137	3,790	2,477	1,650	3,269	2,336	11,957	35,620	131,176	4,527	13,899
26-Sep-21	231,484,320	43	7,774	28,326	1,760	3,519	2,488	1,443	2,769	2,456	12,371	29,746	130,033	6,012	13,104
27-Sep-21	231,889,864	51	3,022	26,041	1,390	3,099	2,288	1,939	2,383	1,216	10,288	32,997	98,872	4,683	10,959
28-Sep-21	232,279,365	43	4,171	18,795	2,057	1,773	1,386	1,647	2,287	808	9,489	37,485	82,810	1,161	11,332
29-Sep-21	232,705,033	53	11,780	18,870	1,954	2,962	1,570	2,236	2,885	2,537	10,414	34,520	88,623	5,859	12,434
30-Sep-21	233,183,893	38	12,150	23,529	1,690	3,212	2,005	2,268	2,562	2,202	11,646	35,059	112,303	5,479	12,735
1-Oct-21	233,674,552	44	10,118	26,727	1,624	4,094	1,673	2,478	2,485	2,119	11,754	35,742	118,848	4,858	11,889
2-Oct-21	234,152,642	56	8,517	24,354	1,414	3,403	1,510	2,909	2,247	1,824	11,375	34,589	118,553	5,124	10,915
3-Oct-21	234,584,186	43	6,164	22,842	1,142	3,309	1,264	2,356	2,085	1,878	10,828	29,389	119,492	3,948	9,066
4-Oct-21	234,942,289	33	3,088	20,799	922	2,967	963	2,057	1,673	961	9,930	29,666	83,128	3,744	8,075
5-Oct-21	235,307,249	38	4,799	18,346	1,404	1,612	732	2,475	1,574	671	9,869	34,256	73,260	1,138	8,817
6-Oct-21	235,704,763	41	11,547	18,833	1,484	2,463	897	3,486	2,026	1,914	9,866	33,049	73,126	3,875	9,380
7-Oct-21	236,163,059	36	11,644	22,431	1,393	3,232	1,077	3,577	2,423	1,785	11,200	38,675	103,514	4,632	9,890
8-Oct-21	236,629,329	34	10,429	21,257	1,384	2,933	990	3,483	2,176	1,768	11,140	39,730	118,329	4,281	9,751
9-Oct-21	237,072,264	33	8,854	19,740	1,167	3,017	867	3,590	1,949	1,687	10,630	34,910	108,834	4,169	8,743
10-Oct-21	237,475,171	36	7,612	18,166	894	2,747	785	3,703	1,594	1,801	10,817	39,413	93,646	4,734	7,373
11-Oct-21	237,830,950	32	3,111	18,132	620	2,278	579	2,809	1,297	845	10,035	33,593	76,849	3,991	6,709
12-Oct-21	238,176,171	30	4,971	14,313	1,261	1,516	418	2,263	1,342	488	9,445	39,463	54,160	635	7,276
13-Oct-21	238,555,986	30	11,903	15,823	1,233	2,486	544	2,976	1,581	1,907	10,064	37,668	52,209	5,291	7,950
14-Oct-21	239,014,892	28	12,382	18,987	1,053	2,769	714	3,190	1,938	719	11,276	41,446	116,484	5,492	8,084
15-Oct-21	239,437,517	19	11,518	16,862	-	2,666	619	2,932	1,684	979	10,486	44,556	97,320	4,877	7,420

Source: CEIC

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