



From the Desk
of the
Chief Economist

BANK ISLAM

WEEKLY MARKET UPDATES

20 SEPTEMBER 2021

ECONOMIC RESEARCH

DR. MOHD AFZANIZAM ABDUL RASHID

ADAM MOHAMED RAHIM

SHAFIZ BIN JAMALUDDIN

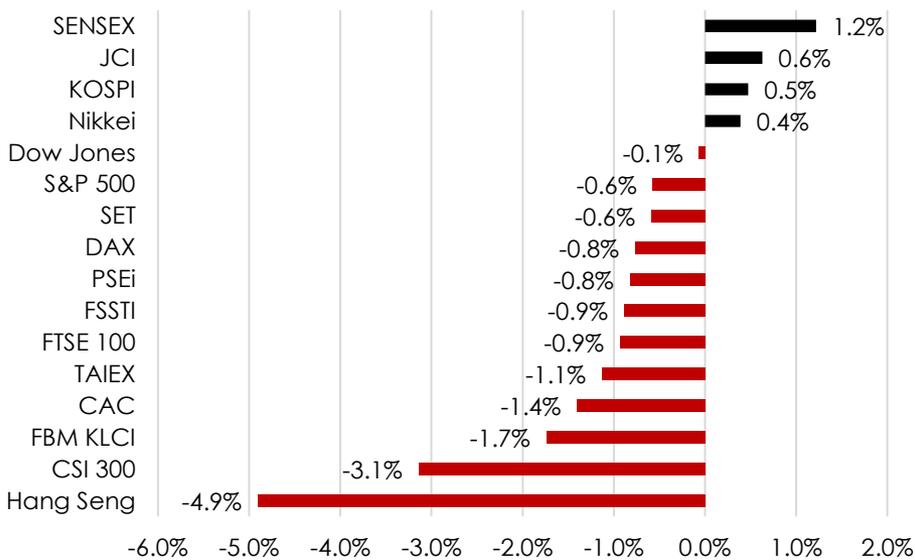
NOR JANNAH ABDULLAH

RAJA ADIBAH RAJA HASNAN

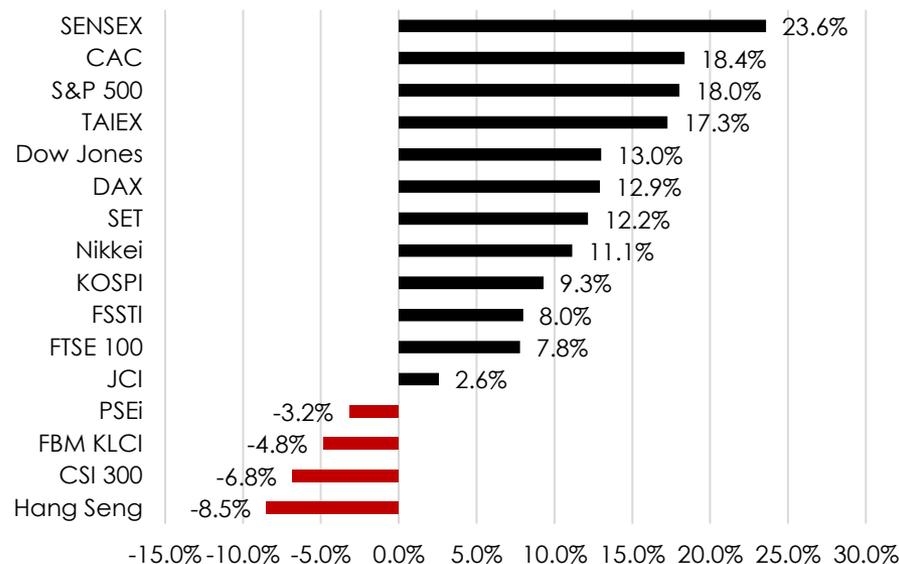
WEEKLY MARKET PERFORMANCE

- ✓ Losers outnumbered gainers among major equity markets last week with Hong Kong's Hang Seng index leading laggards with a 4.9% weekly decline. The major drag on the Hang Seng index during the week came from the 3.4% slump in the share price of China Evergrande Group on Friday amid the group's worrying debt level of USD300.0 billion whereby any potential fallout could have far-reaching implications that could spill beyond borders of Hong Kong and China.
- ✓ Meanwhile, India's SENSEX index led gainers during the week with a 1.2% advance as investor sentiment got a boost from the cabinet's decision to approve a production-linked incentive scheme for the automobile sector and a relief package for the telecommunications industry.
- ✓ On the domestic front, the FBM KLCI index dropped by 1.7% for the week but was the second smallest decliner on a Year-To-Date (YTD) basis amongst major markets with a 4.8% loss.

**Weekly Gain/Loss of Major Equity Markets (%)
(Week Ended 17 September)**



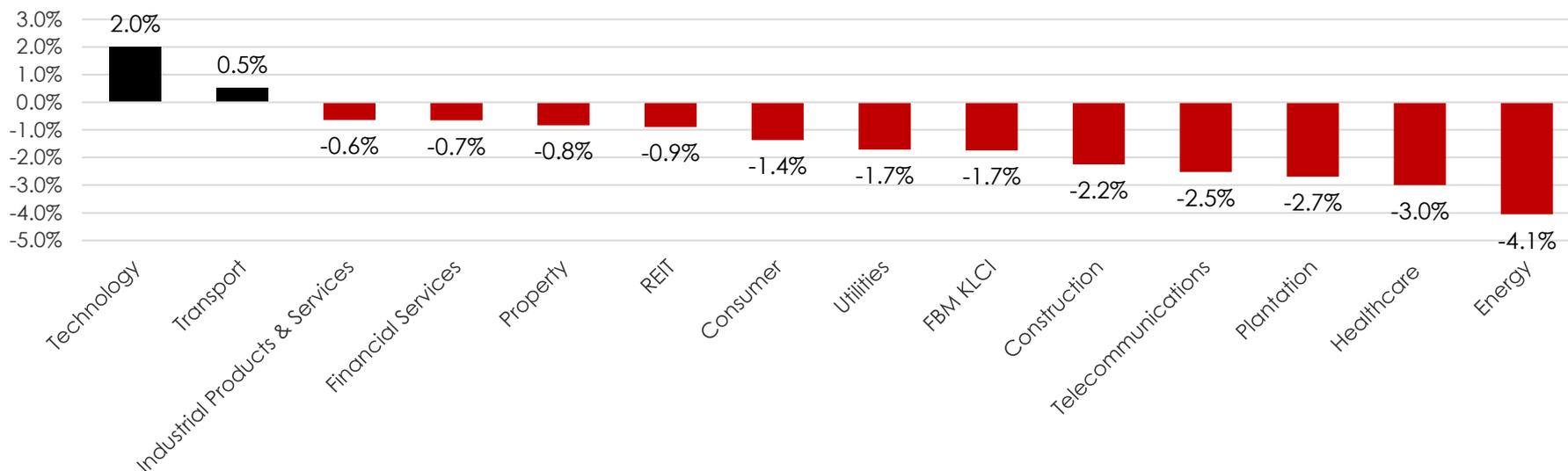
**YTD Gain/Loss Of Major Equity Markets (%)
(As at 17 September)**



WEEKLY SECTORAL PERFORMANCE

- ✓ The Bursa Malaysia Technology Index was again the biggest gainer, ending 2.0% higher during the week. The rally in the index was still driven by the ongoing global chip shortage which is expected to continue until 2023. Nevertheless, positive catalysts for the technology sector such as the increasing application of 5G technology and manufacturing of electric vehicles will ensure that the demand for semiconductor products remains intact in the long run. Moreover, local outsourced semiconductor assembly players have also benefitted from the chip shortage as semiconductor companies rely on them to meet orders.
- ✓ On the other hand, the Bursa Malaysia Energy Index was the biggest loser, ending 4.1% lower for the week despite 72.0% of oil production facilities in the U.S. Gulf of Mexico resuming operations after Hurricane Ida hit the gulf. Perhaps the trend of the Covid-19 cases seem to be putting a lid on investors' optimism in the Oil & Gas sector.

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



Source: Bursa

FUND FLOWS-EQUITY

WEEKLY FOREIGN FUND FLOW

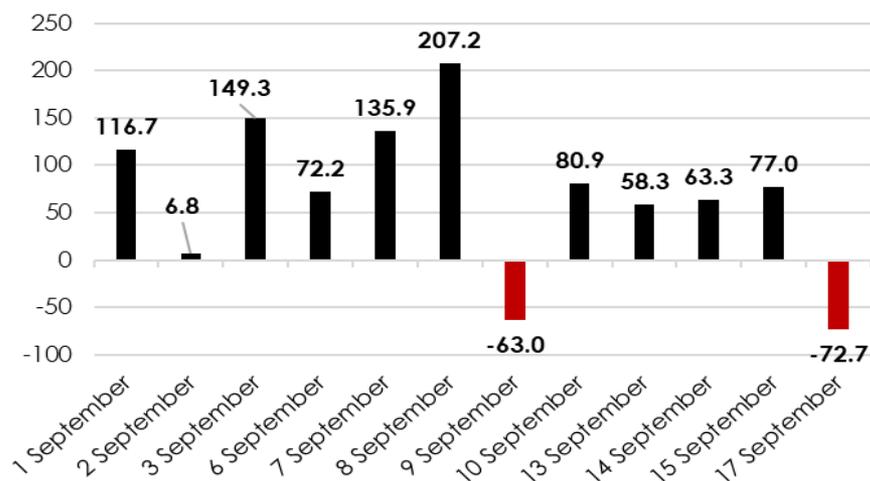
- ✓ Foreign investors acquired RM125.9 million net of local equities last week compared to the RM433.2 million net bought in the previous week, marking the sixth week of foreign net inflow in the equity market.
- ✓ Bursa began the week on the right foot as foreign investors acquired RM58.3 million net of local equities on Monday. Tuesday then saw international funds buying another RM63.3 million net of local equities despite investors gauging the possibility of a windfall tax being levied on corporate Malaysia. The momentum of foreign net buying accelerated on Wednesday to RM77.0 million net before markets were closed on Thursday for the Malaysia Day holiday. However, foreign investors turned net sellers on Friday, disposing RM72.7 million net of local equities which coincided with the sell-off in the FBM KLCI heavyweights, particularly Top Glove which saw its net profit decline by 48.4% during the quarter ended 31 August amid normalising demand and average selling prices.
- ✓ On a YTD basis, international investors have so far sold RM3.7 billion net of local equities this year compared to RM21.4 billion net disposed during the same period last year.

Weekly Foreign Fund Flow in Malaysia (RM Million)



Sources: Bursa

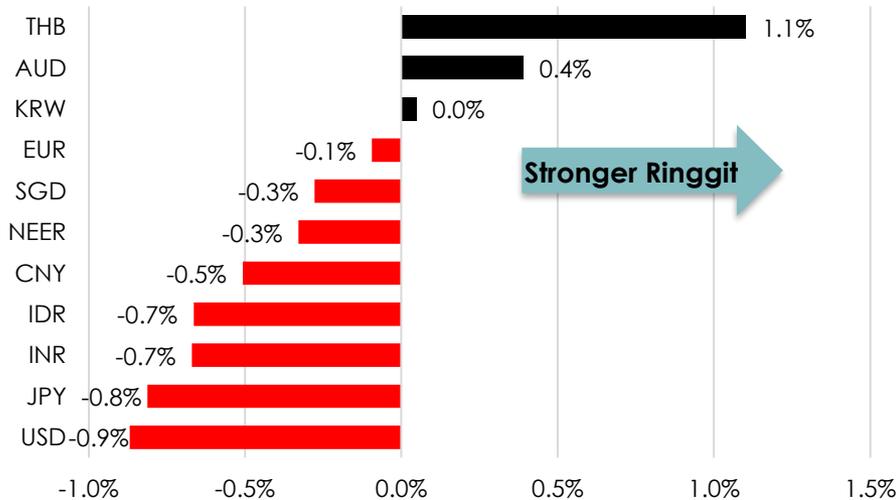
Daily Foreign Net Inflow/Outflow From 1 Sept - 17 Sept 2021 (RM Million)



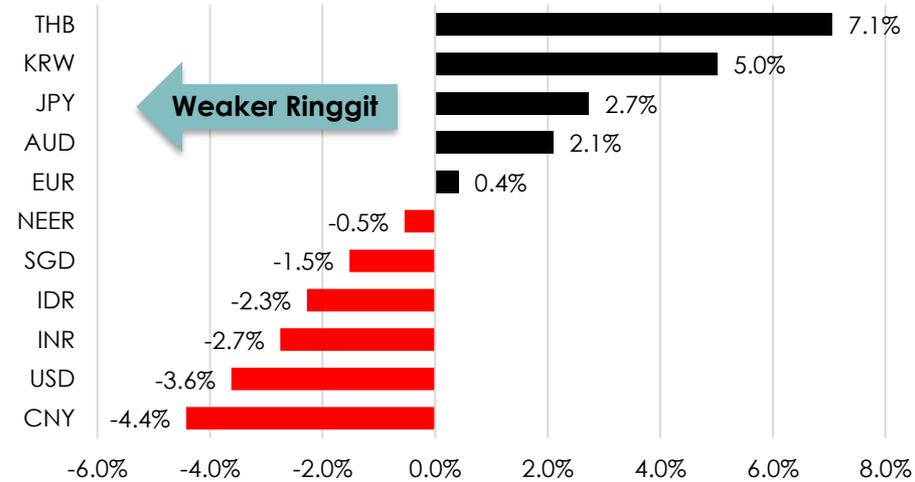
WEEKLY PERFORMANCE

- ✓ The Ringgit declined by 0.8% week-on-week (w-o-w) to close at RM4.1700 against the U.S. Dollar on 17 September from RM4.1350 previously. The weaker Ringgit was weighed by firmer data from the U.S. which saw both of its core retail sales and jobless claims data expand in August.
- ✓ In the near term, the U.S. Federal Reserve (Fed) is expected to announce its tapering of asset purchases during the two-day Federal Open Market Committee (FOMC) meeting starting on 21 September which may heighten the volatility in emerging market currencies including the Ringgit.
- ✓ On the domestic front, Langkawi has been reopened under travel bubble effective from 16 September, mirroring Thailand's Phuket Sandbox for local tourists including visitors under Phase one of National Recovery Plan (NRP) with the exception for those who are currently under the Enhanced Movement Control Order (EMCO) areas. The reopening comes with an effort to rebuild parts of the economy which was badly hit by the pandemic for nearly two years since it first hit the country in early 2020.
- ✓ Taking these matters into account, the Ringgit is expected to trade between RM4.15 and RM4.17 during the week.

**MYR against regional currencies, w-o-w%
(Week Ended 17 September)**



**MYR against regional currencies,
YTD Gain% (As at 17 September)**



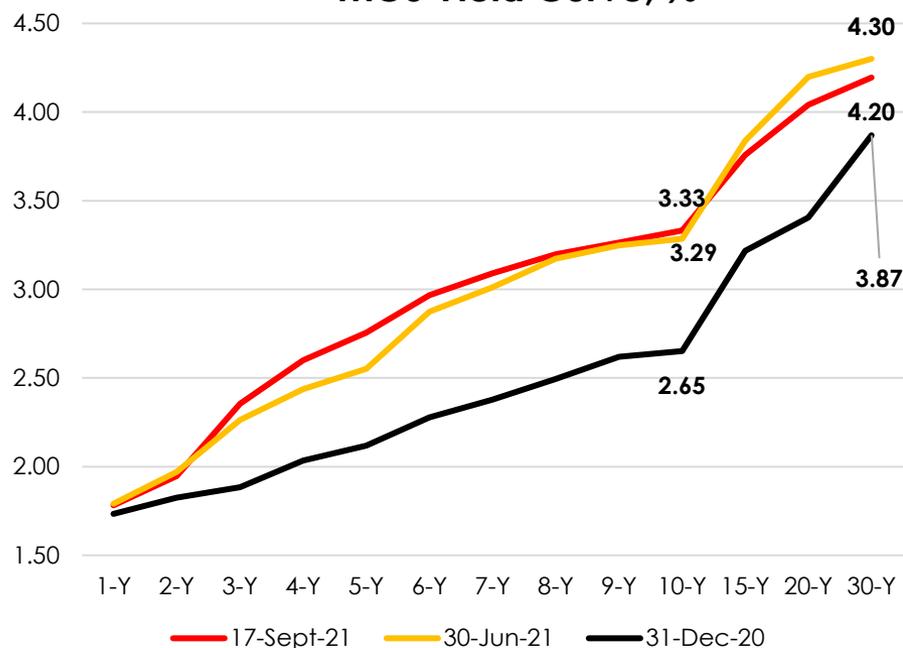
Source: Bloomberg

MGS Benchmark Weekly Change (bps)

MGS Benchmark	Coupon (%)	Yields (%) 10-Sep-21	Yields (%) 17-Sep-21	Change (bps)
3-Y MGS 06/24	3.48%	2.31%	2.36%	5
5-Y MGS 11/26	3.90%	2.69%	2.77%	8
7-Y MGS 06/28	3.73%	3.06%	3.10%	4
10-Y MGS 04/31	2.63%	3.24%	3.32%	8

Source: BNM

MGS Yield Curve, %



Source: CEIC

- ✓ As for the bond market, the MGS benchmark yields continue to increase, ranging between 4 bps and 8 bps last week. The 3-Y MGS 06/24 and 7-Y MGS 06/28 went up by 5 bps and 4 bps to settle at 2.36% and 3.10% while the 5-Y MGS 11/26 and 10-Y MGS 04/31 both rose significantly by 8 bps to close at 2.77% and 3.32% during the week respectively as the domestic economy continues to expand following the relaxation of movement restrictions.
- ✓ On the other hand, the government is expected to raise the statutory debt limit from current level of 60.0% of GDP to 65.0% of GDP to seek additional fiscal room to put the domestic economy back on track. In addition, the ceiling limit of the Covid-19 Fund will be raised from RM65.0 billion to RM110.0 billion, subject to the parliament's approval. However, this could likely spark supply concerns as more bonds may be issued.
- ✓ Nevertheless, we believe that some optimism for longer-term bonds would cushion the worry as the economy is seen picking up in stages due to aggressive vaccine rollouts that boost consumption and business activities.
- ✓ In addition, the front curve of MGS is anticipated to face some upward pressure next year as we foresee the Bank Negara Malaysia's monetary policy to be tightened in 2022.

BRENT

- ✓ Brent crude oil price recorded a 3.3% weekly increase to settle at USD75.34 per barrel on 17 September (10 September: USD72.92/barrel) amid prospects of rising global oil demand. On further scrutiny, the U.S. Energy Information Administration (EIA) mentioned that an acceleration in vaccine roll-outs across the globe will continue to support oil prices and thus has revised up its global oil demand growth forecast for 2022 by 85,000 barrels per day (bpd) to 3.2 million bpd.
- ✓ Apart from that, the bigger drop in crude oil inventory had also supported the oil price movement last week. The U.S. EIA reported that stocks of crude oil fell by 6.4 million barrels to 417.4 million barrels in the week ended 10 September (3 September: 423.9 million barrels), the lowest level since September 2019. Similarly, the American Petroleum Institute (API) report mentioned that crude stockpiles decreased by 5.4 million barrels in the week ended 10 September, extending the draw of 2.9 million barrels in the preceding week.

Brent Crude in USD per barrel



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



Source: Bloomberg

GOLD

- ✓ Gold price dropped by 1.9% to reach USD1,754.34 per ounce on 17 September (10 September: USD1,787.58 per ounce), marking a second weekly dip amid a stronger dollar as investors focused on the Fed's tapering strategy in the FOMC meeting this week. Thus, the U.S. Dollar Index appreciated by 0.7% to 93.20 on 17 September, extending a gain of 0.6% (92.58) seen in the previous week.
- ✓ On the data front, the U.S. gave a mixed picture on its economic performance with the University of Michigan's Consumer Sentiment edging up to 71.0 points in September (August: 70.3 points) but was slightly below expectations, indicating that Americans are still wary about their economic prospects and rising prices. Be that as it may, the retail sales surged by 15.1% year-on-year (y-o-y) in August (July: 15.1%), signaling that U.S. economy is still strong with Americans spending more on services they shunned during the pandemic.
- ✓ Meanwhile, new weekly jobless claims rose to 332k for the week ending 11 September from a 312k previously, signaling that the recovery trend in the U.S. labour market is uneven.

Gold in USD per ounce



U.S. Dollar Index (DXY)



Source: Bloomberg

- ✓ The FBM KLCI index is expected to move between 1,560 points and 1,580 points this week with the influx of foreign participation in the local stock market on the back of economic activities resumption. Moreover, the sell-off in glove stocks may already be overdone, causing some investors to do some bottom fishing.
- ✓ On the economic data front, Malaysia will be releasing **its inflation data for the month of August on Friday** which could likely slowdown as the low base effect from last year wears off combined with the resumption in production activities of certain sectors following the relaxation of movement restrictions for fully vaccinated workers.
- ✓ Investors will also be focusing on the **FOMC meeting on Tuesday and Wednesday** as the Fed may likely provide hints on the timeline to begin tapering asset purchases later this year. Meanwhile, the softer-than-expected U.S. inflation data released on last Tuesday for the month of August which slightly softened to 5.3% y-o-y (July: 5.4%), eased short-term expectations about tapering of asset purchases from the Fed.
- ✓ All in all, the increased human mobility seen through the implementation of the travel bubble for domestic tourists to visit Langkawi together with leisure activities being allowed within the same state will give hope to the tourism and aviation industry which was badly hit by the pandemic.
- ✓ At the same time, we have to be cognizant that the pandemic has psychologically impacted some consumers to be extra cautious and therefore, they might prefer to not participate in tourism activities until the overall situation improves when other groups of the Malaysian population is vaccinated, particularly teenagers and school children below the age of 18.

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
16-Aug-21	647,151	61	2,126	32,937	17,384	5,661	16,164	53	1,556	7,967	21,157	26,426	181,433	21,125	19,740
17-Aug-21	529,698	55	3,912	25,166	20,741	3,669	15,399	53	1,371	5,506	20,128	28,176	96,898	5,829	19,631
18-Aug-21	597,415	49	8,324	35,178	15,768	5,268	19,231	56	1,804	9,479	20,515	26,628	113,803	17,104	22,242
19-Aug-21	699,684	60	8,400	36,401	22,053	7,159	22,836	53	2,151	11,941	20,902	33,646	149,314	27,437	22,948
20-Aug-21	731,759	44	9,280	36,571	20,004	7,240	25,328	32	2,052	12,529	19,851	36,273	158,509	23,102	23,564
21-Aug-21	668,688	31	8,092	34,457	16,744	7,220	24,955	40	1,879	11,735	20,571	36,987	134,939	18,918	22,262
22-Aug-21	685,356	45	7,050	30,948	12,408	7,466	25,144	37	1,626	11,679	19,014	31,783	185,176	22,636	19,807
23-Aug-21	591,334	36	3,668	25,072	9,604	5,922	22,914	35	1,414	6,467	17,491	31,976	141,113	17,282	17,672
24-Aug-21	466,457	46	5,747	25,467	19,106	4,166	17,993	98	1,509	4,075	17,165	31,675	42,515	4,758	20,837
25-Aug-21	724,366	33	11,561	37,593	18,671	6,078	20,769	116	2,148	9,780	18,417	30,619	227,282	22,004	22,642
26-Aug-21	725,231	32	12,626	46,164	16,899	7,539	23,698	120	1,882	9,598	18,501	35,547	172,744	22,610	24,599
27-Aug-21	737,400	43	12,029	44,658	12,618	7,215	26,050	116	1,836	8,821	18,702	37,962	189,129	18,812	22,070
28-Aug-21	698,262	45	10,303	46,759	10,050	7,823	22,580	122	1,793	8,149	17,984	37,690	165,231	10,563	22,597
29-Aug-21	481,965	45	8,416	45,083	7,427	6,858	22,927	121	1,618	7,991	16,536	32,087	-	17,381	20,579
30-Aug-21	718,794	53	4,559	42,909	5,436	5,954	19,994	133	1,485	3,989	15,972	32,937	280,846	13,589	19,268
31-Aug-21	574,496	48	5,750	30,941	10,534	4,253	14,963	155	1,371	2,664	14,666	26,227	178,264	2,132	20,897
1-Sep-21	585,393	25	13,531	41,965	10,337	5,492	16,826	161	2,020	6,171	14,802	31,931	134,701	17,441	18,762
2-Sep-21	642,204	35	13,715	47,092	8,955	6,496	21,070	180	1,961	7,121	14,956	35,493	154,059	17,102	20,988
3-Sep-21	736,772	28	14,251	45,352	7,797	6,754	17,456	191	1,709	5,898	14,653	37,830	226,459	15,353	19,378
4-Sep-21	654,681	38	10,835	42,618	6,727	6,729	16,850	219	1,803	5,239	15,942	42,065	165,043	8,708	19,057
5-Sep-21	590,554	30	10,453	42,766	5,403	6,156	15,469	259	1,490	4,809	15,452	36,642	158,027	13,243	20,396
6-Sep-21	501,365	32	4,749	38,948	4,413	5,314	14,374	191	1,374	2,631	13,988	36,515	95,570	10,260	17,352
7-Sep-21	450,242	54	6,726	31,222	7,201	3,347	9,145	241	1,596	1,876	13,821	40,801	58,889	2,310	18,547
8-Sep-21	661,387	37	13,565	37,875	6,731	4,715	10,477	332	2,048	4,195	14,176	37,179	247,820	12,851	19,733
9-Sep-21	600,154	39	15,431	43,263	5,990	5,921	12,118	349	2,049	4,719	16,031	38,486	122,980	12,348	19,307
10-Sep-21	610,511	25	12,969	34,973	5,376	5,518	10,729	457	1,892	3,709	14,403	37,480	174,976	10,649	21,176
11-Sep-21	607,631	37	11,214	33,376	5,001	5,617	9,178	573	1,865	3,689	15,191	36,734	167,880	7,575	19,550
12-Sep-21	583,887	55	7,345	28,591	3,779	5,191	9,072	555	1,755	3,752	14,029	28,856	190,015	9,408	19,198
13-Sep-21	414,894	66	5,511	27,254	2,577	4,664	7,454	520	1,431	1,683	12,583	28,614	67,613	7,653	16,073
14-Sep-21	514,774	98	6,325	25,404	4,128	2,792	4,898	607	1,496	1,246	11,786	30,283	173,664	415	15,669
15-Sep-21	526,826	80	12,455	27,176	3,948	4,009	5,875	837	2,078	3,321	13,798	26,251	146,738	9,944	19,495
16-Sep-21	550,274	86	12,925	30,570	3,145	4,826	6,686	807	1,943	3,098	13,897	29,873	151,802	8,686	18,815
17-Sep-21	571,075	96	11,022	34,403	3,835	5,115	6,020	910	2,008	1,682	14,555	26,326	156,736	7,690	17,577

Source: CEIC

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