



From the Desk
of the
Chief Economist

BANK ISLAM

WEEKLY MARKET UPDATES

20 SEPTEMBER 2022
ECONOMIC RESEARCH

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KEY HIGHLIGHTS OF THE WEEK- INFLATION RATES IN THE U.S. AND THE U.K. WERE SLIGHTLY LOWER (Y-O-Y) WHILE THE EURO AREA'S INFLATION REMAINS ELEVATED AMID HIGHER ENERGY PRICES

The U.S.- CPI

- ✓ The U.S. Consumer Price Index (CPI) y-o-y eased for a second straight month by 8.3% in August from 8.5% in July.
- ✓ It was the lowest figure in 4 months as the cost of energy softened by 23.8% in August from 32.9% in July.
- ✓ Additionally, smaller increases were reported for the cost of gasoline (August: 25.6% vs. July: 44.0%) and fuel oil (August: 68.8% vs. July: 75.6%).
- ✓ Nevertheless, inflation for food climbed by 11.4% in August compared to 10.9% in July.
- ✓ The price of natural gas surged by double-digit to 33.0% in August from 30.5% previously, while electricity accelerated by 15.8% (July: 15.2%), which was the highest since August 1981.
- ✓ On m-o-m(sa), CPI edged up by 0.1% in August, suggesting that U.S. inflation may not have peaked yet despite a lower oil prices in the month.

The U.K.- CPI

- ✓ The inflation rate in the U.K. moderated to 9.9% in August after registering 10.1% in July, the highest reading since 1982.
- ✓ The latest print was the first drop in 11 months, underpinned by softer motor fuel prices (August: 32.1% vs. July: 43.7%). In addition, used car prices were slower by 4.6%, down from 8.6% in July.
- ✓ The food price continued to increase at a double-digit pace (August: 13.1% vs. July 12.7%).
- ✓ U.K. consumers are experiencing a living cost crisis amid higher grocery and energy bills.

Euro Area-CPI

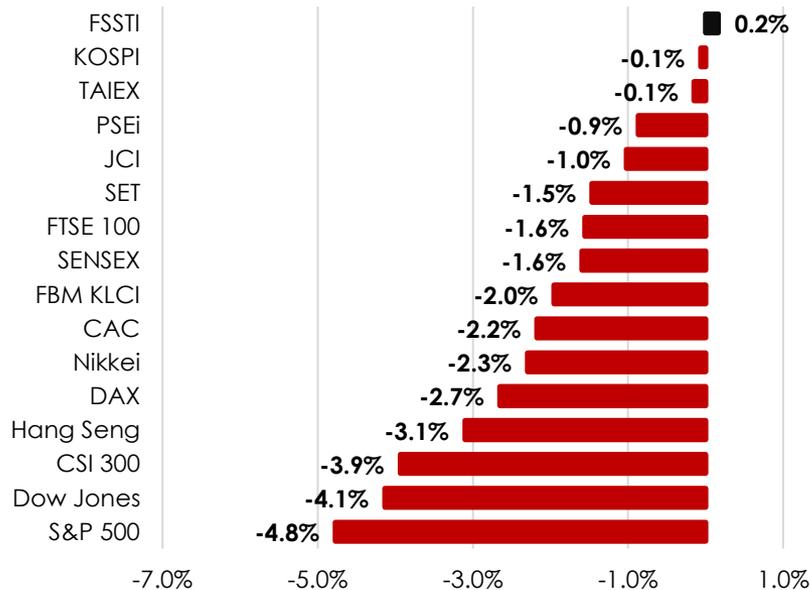
- ✓ The Euro Area's y-o-y inflation rate jumped by 9.1% in August compared to 8.9% in July.
- ✓ The main driver was energy price, which remained double-digit at 38.6% in August (July: 39.6%) on the back of the Russia-Ukraine military conflict.
- ✓ On the other hand, the cost of food, alcohol & tobacco surged by 10.6% in August from 9.8% in the preceding month.
- ✓ Services (August: 3.8% vs. July: 3.7%) and non-energy industrial goods (August: 5.1% vs. July 4.5%) were also higher during August.
- ✓ This scenario could signal that price pressures have already spread through all sectors of the economy.

EQUITY MARKET – LOSERS OUTNUMBERED GAINERS AS MARKET PARTICIPANTS BRACE FOR ANOTHER AGGRESSIVE U.S. RATE HIKE

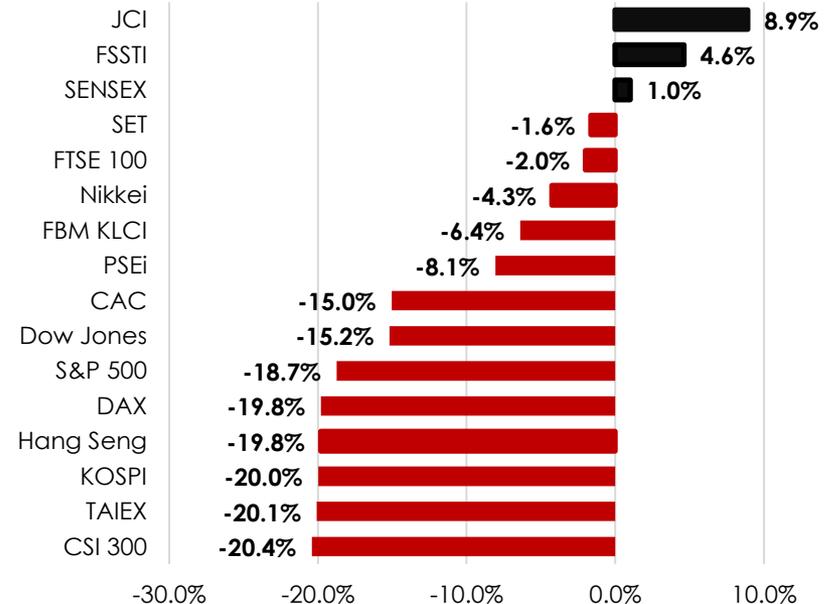
WEEKLY MARKET PERFORMANCE

- ✓ The U.S. S&P 500 dropped by 4.8% last week after previously registering a 3.6% gain. This was mainly contributed by the higher-than-expected U.S. inflation rate (August: 8.3% vs. Consensus: 8.1%), dashing hopes that inflationary pressure might have cooled amid lower energy prices.
- ✓ Meanwhile, Singapore's FSSTI recorded a 0.2% weekly advance despite anticipation of more rate hikes from the U.S. Federal Reserve (Fed) this week.
- ✓ On a Year-To-Date (YTD) basis, global equities were in a sea of red following broadly negative cues from the international market, including aggressive interest rate hikes amid elevated inflation rates globally.

**Weekly Gain/Loss of Major Equity Markets, %
(Week Ending 16 September)**

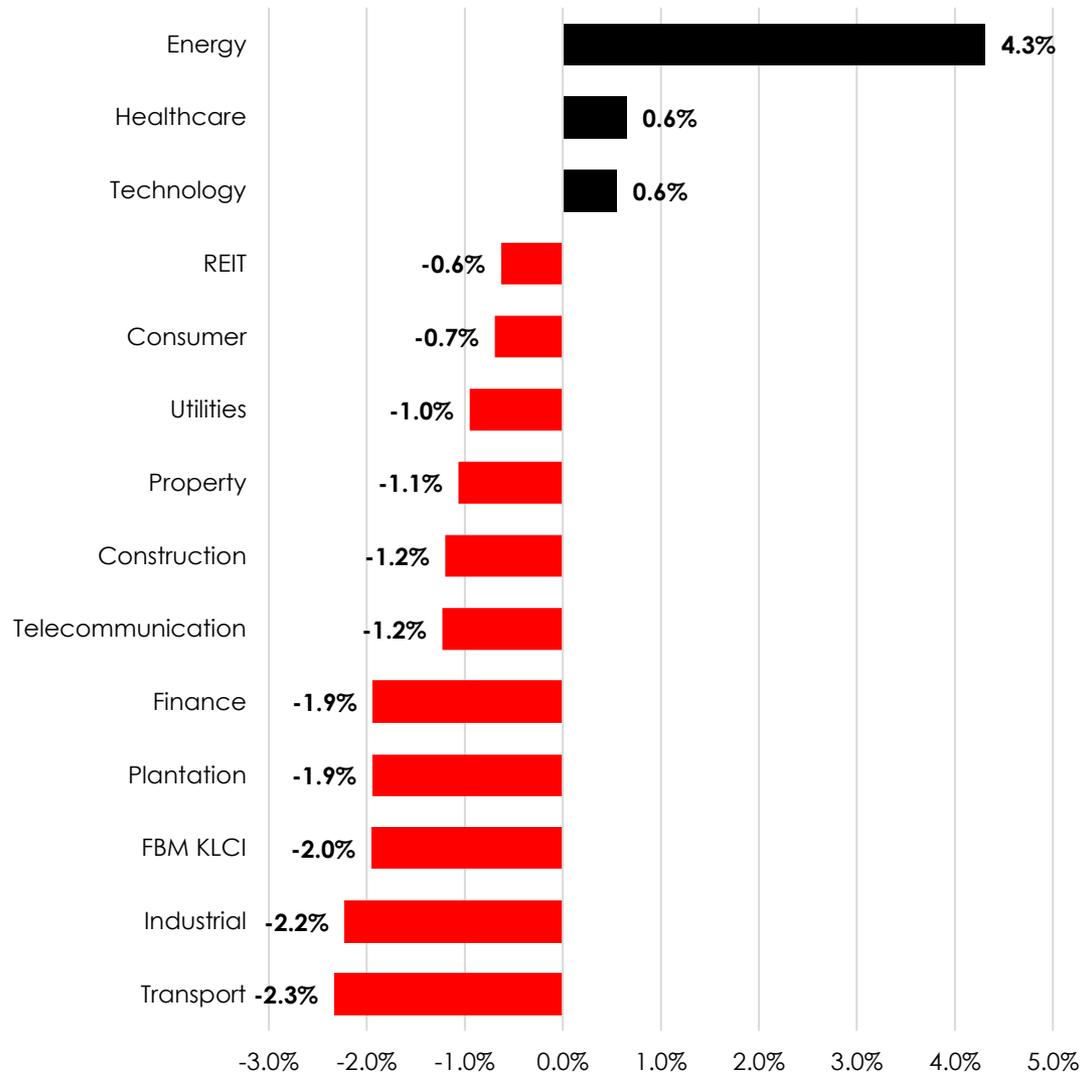


**YTD Gain/Loss Of Major Equity Markets, %
(As of 16 September)**



MOST OF THE BURSA SECTORS WERE IN THE RED SEA AHEAD OF SEPTEMBER FEDERAL OPEN MARKET COMMITTEE (FOMC) MEETING THIS WEEK

Bursa Sectoral Performance, w-o-w%

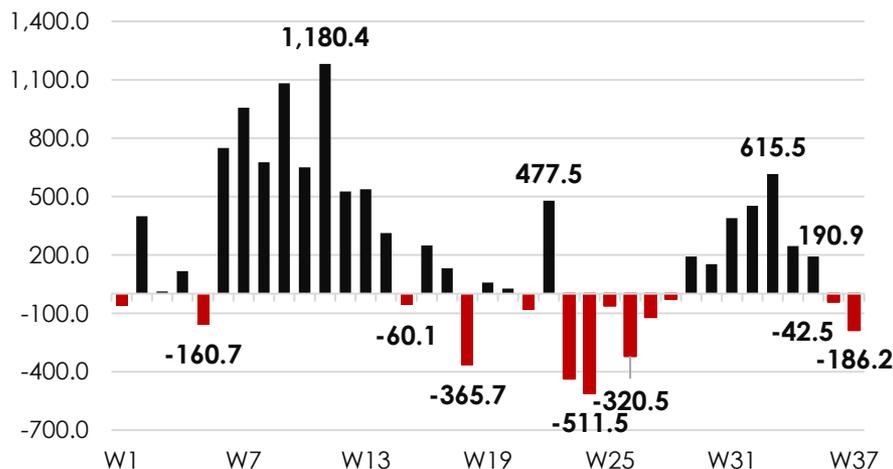


- ✓ The energy index recorded the largest gain, rising by 4.3% week-on-week (w-o-w) for the week ending on 15 September despite weaker Brent crude oil performance (16 September: USD91.35 per barrel vs. 9 September: USD92.84 per barrel).
- ✓ During the week, Transport and Industrial fell by 2.3% and 2.2% respectively.
- ✓ Looking forward, the FBM KLCI will continue to trend sideways and linger around 1,450.0 points as investors prepare for another aggressive interest rate hike by the U.S. Fed.

WEEKLY FOREIGN FUND FLOW

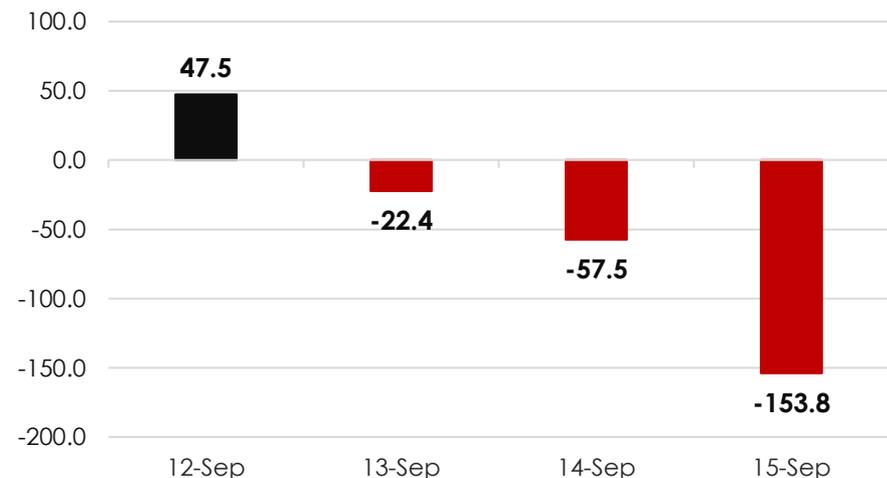
- ✓ Foreign investors continued to be net sellers as they offloaded RM186.2 million of Malaysian equities last week.
- ✓ On Monday, Bursa got off the week on a strong foot as international investors bought RM47.5 million net domestic equities. However, they became net sellers for the remaining days of the week with the highest outflows recorded on Thursday at RM153.8 million.
- ✓ On a YTD basis, international investors have bought RM7.9 billion net of local equities in 2022 and have been net buyers for 24 out of 37 weeks of 2022. Moving forward, we anticipate capital flight will persist, particularly from the emerging markets, as investors weigh global recession, geopolitical tensions, as well as inflation risks against the Fed's aggressive monetary tightening.

Weekly Foreign Fund Flow in 2022 (RM Million)



Source: Bursa
*W = week

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



Bond Yields Weekly Change, bps

UST	Yields (%) 9-Sep-22	Yields (%) 16-Sep-22	Change (bps)
3-M UST	3.08%	3.20%	12
2-Y UST	3.56%	3.85%	29
5-Y UST	3.45%	3.62%	17
10-Y UST	3.33%	3.45%	12

MGS	Yields (%) 9-Sep-22	Yields (%) 15-Sep-22	Change (bps)
3-Y MGS	3.34%	3.36%	2
5-Y MGS	3.75%	3.84%	9
7-Y MGS	3.91%	4.04%	13
10-Y MGS	4.03%	4.13%	10

Sources: CEIC, BNM

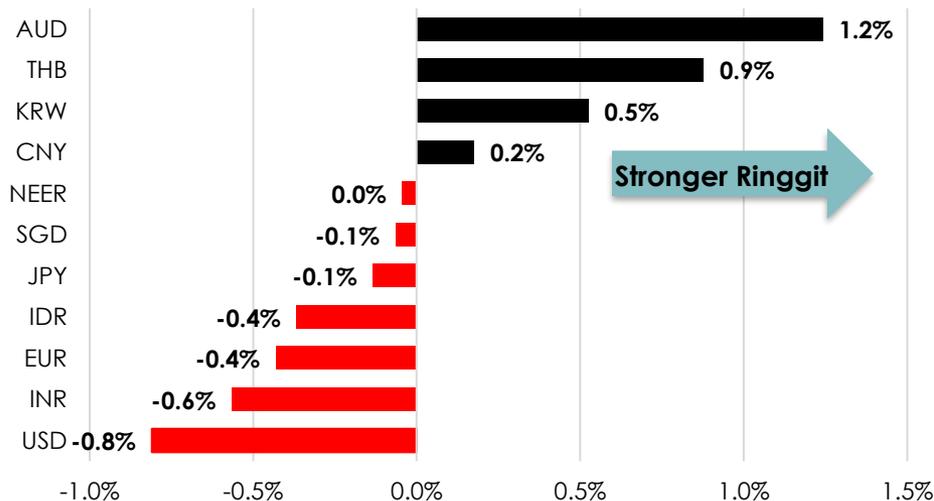
- ✓ The U.S. Treasury (UST) yields surged between 12 basis points (bps) and 29 bps during the week ended on 16 September.
- ✓ The higher yields were mainly driven by rising concerns that the Fed would further accelerate the pace of its monetary tightening as the nation's inflation remained hot.
- ✓ On the domestic front, the Malaysian Government Securities (MGS) yields mirrored a similar move, rising between 2 bps and 13 bps during the week ended on 15 September.
- ✓ In the short term, the bond yields would remain volatile as the Fed could raise interest rates by 100 bps during 20-21 September, given the increasingly hawkish expectation to bring down inflation.

RINGGIT CONTINUED TO BE WEIGHED DOWN BY THE STRONGER USD FOLLOWING THE UPCOMING POLICY DECISION BY THE U.S. THIS WEEK

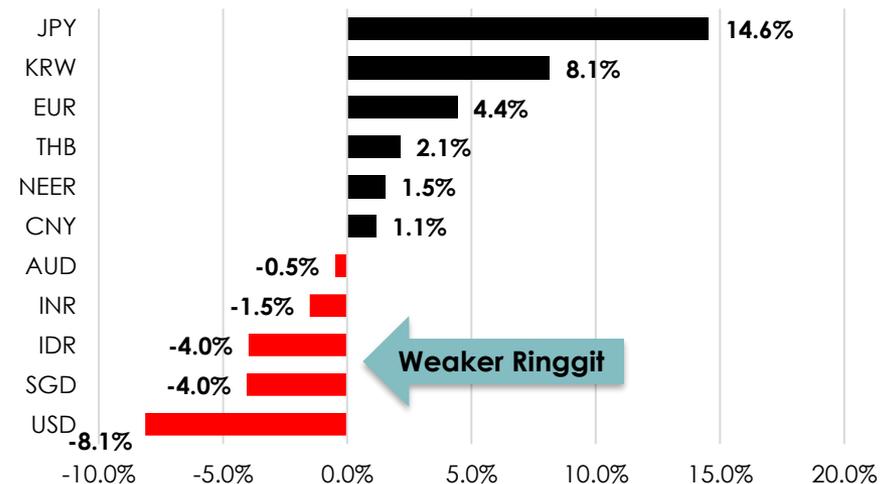
WEEKLY PERFORMANCE

- ✓ The Ringgit depreciated by 0.8% w-o-w against the U.S. Dollar (USD), closing at RM4.5330 on 15 September from RM4.4960 in the previous week.
- ✓ The local note was pressured by the firmer data from the U.S., which saw its retail sales and jobless claim data perform better than expected.
- ✓ This would allow the Fed to increase its interest rates, which could impact emerging currencies, including the Ringgit.
- ✓ While the Ringgit has been trading lower against the USD over the past few weeks, the local note has also been strengthening against other major currencies. The country's economic fundamentals and prospects remain solid amid economic reopening-led growth and gradual labour market recovery.
- ✓ However, the Ringgit will likely remain weak against the USD amid market anticipation of a full percentage point hike, or at least 75bps, during the 20-21 September.
- ✓ We are looking at the weekly trading range between RM4.55 and RM4.57 per USD.

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



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



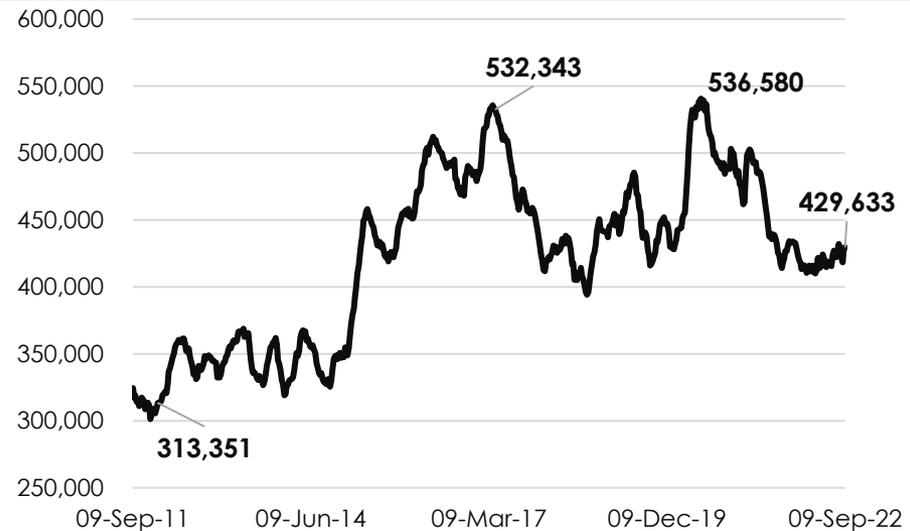
BRENT

- ✓ Brent crude oil price fell by 1.6% w-o-w (16 September: USD91.35 per barrel vs. 9 September: USD92.84 per barrel) as slowing global economic activities, and rising concerns over global recession have dampened the demand prospects.
- ✓ On the supply side, the U.S. crude oil inventories have been building up, as the U.S. Energy Information Administration (EIA) reported. The crude oil stockpiles rose by 2.4 million barrels to 429.6 million barrels in the week ending 9 September from 427.2 million barrels in the previous week. Similarly, the American Petroleum Institute (API) reportedly said that fuel inventories increased by 6.0 million barrels for the week, which ended on 9 September, from a 3.6 million barrels increase in the previous week, suggesting that global oil demand is losing momentum.

Brent Crude in USD per barrel



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



COMMODITIES – GOLD PRICE SLIPPED TO ITS LOWEST SINCE APRIL 2020 AS THE DOLLAR CONTINUED TO RALLY AMID THE FED RATE HIKES

GOLD

- ✓ Gold price declined by 2.4% to reach USD1,675.06 per ounce on 16 September after rising by 0.5% (USD1,716.83 per ounce) in the preceding week following a stronger USD. The USD index increased by 0.7% to 109.76 during the week from 109.00 on 9 September.
- ✓ The sturdy USD was due to the anticipation of impending interest rate hikes by the Fed, given solid data of the U.S. retail sales (August: 0.3% m-o-m vs. July: -0.4%), together with a still-hot inflation figure (August: 8.3% y-o-y vs. July: 9.1%).
- ✓ Additionally, the weekly jobless claim fell to 213k during the week ended 10 September (3 September: 218k), below market expectations of 226k, suggesting a tight labour market situation.
- ✓ Hence, this could give the Fed more leeway in terms of its aggressive interest rate hikes.

Gold in USD per ounce



U.S. Dollar Index (DXY)



- ✓ The 20-21 September FOMC meeting will be the week's highlight. The Fed will **likely** continue to act aggressively after the latest data dispelled a declining inflation projection in August. Traders are pricing in a third consecutive 75 bps hike, although some investors are not discounting **a full percentage** point hike this time.
- ✓ After the decision policy rate was delayed last week, the Bank of England (BoE) meeting would take place on 22 September with policymakers' expectation to raise the rates by another **50 bps**, which would bring the Bank Rate to 2.25%. In contrast, the Bank of Japan (BoJ) will likely **maintain** its ultra-low interest rate despite inflation rising above the 2.0% target (August: 3.0% vs. July: 2.6%).
- ✓ Apart from that, the flash Purchasing Manager's Index (PMI) for the U.K., the U.S., Japan, Eurozone, and Australia would be eagerly awaited as it would provide an insight into the economic performance at the end of 3Q2022 amid growing recession fears. On 15 September, the World Bank warned that the world might be edging toward a global recession following the aggressive tightening by the global central banks to tamper down the inflationary pressures.
- ✓ Meanwhile, countries including Japan and Singapore would be releasing the **August inflation figure** this week, which is likely to **remain elevated** despite lower global oil prices. Similarly, the Department of Statistics Malaysia (DOSM) would publish the said figure on 23 September.
- ✓ Market participants are likely to remain **jittery** considering persisting **worries over inflation and the hawkish stance of most central banks**. Therefore, we foresee the FBM KLCI trading around 1,450.0 points during the week.

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-22	507,435	18,103	54,444	8,813	5,869	9,893	159,781	2,665	83,977	-	1,508	5,359	19,213	4,564	3,429
17-Aug-22	802,881	25,733	63,121	9,062	5,253	8,941	178,286	5,202	180,709	12,162	2,461	6,408	103,792	6,325	3,516
18-Aug-22	889,938	27,870	52,355	12,608	4,039	36,261	208,483	3,762	178,503	-	2,143	5,541	126,105	30,652	4,071
19-Aug-22	871,666	26,424	42,855	15,754	5,163	27,291	261,252	3,553	138,812	-	2,110	4,988	119,491	23,271	3,490
20-Aug-22	861,140	25,756	35,630	13,272	4,922	24,689	255,810	-	129,350	8,463	1,902	4,432	113,290	18,260	2,798
21-Aug-22	771,013	24,957	9,675	11,539	3,949	24,392	242,790	5,666	110,944	-	1,968	3,831	132,049	19,870	2,464
22-Aug-22	688,750	25,251	5,070	9,531	3,300	19,470	217,875	1,951	58,886	-	1,531	3,268	25,221	14,811	2,078
23-Aug-22	594,961	19,693	50,378	8,586	4,858	10,417	185,497	1,692	150,084	-	1,488	4,070	25,576	4,012	2,722
24-Aug-22	764,711	29,168	51,951	10,649	5,428	35,357	194,223	3,627	139,249	9,020	2,062	5,151	85,812	28,988	2,636
25-Aug-22	794,477	32,027	44,119	10,725	5,214	25,388	237,410	2,645	113,295	-	2,002	4,716	114,908	21,289	3,206
26-Aug-22	773,789	30,805	35,822	10,256	4,549	23,435	227,139	2,397	101,140	-	1,749	4,531	129,613	13,851	3,118
27-Aug-22	714,473	29,364	32,332	9,520	4,170	21,995	196,628	-	95,538	9,192	1,631	3,776	109,048	16,317	2,491
28-Aug-22	457,392	28,156	8,068	9,436	3,228	21,802	-	4,103	85,295	-	1,769	3,439	111,873	17,833	2,191
29-Aug-22	724,205	30,209	4,872	7,591	2,871	17,647	326,090	1,448	43,023	-	1,273	3,089	25,621	14,098	1,946
30-Aug-22	476,546	23,517	46,128	5,439	5,070	8,347	125,907	1,410	115,596	-	994	3,436	24,892	3,806	2,144
31-Aug-22	666,070	34,704	47,451	7,231	4,563	31,087	139,582	2,900	103,887	9,554	2,240	4,655	85,098	27,358	2,340
1-Sep-22	664,271	38,197	36,823	7,946	4,094	21,814	167,340	2,154	81,515	-	2,004	5,222	114,445	19,240	2,356
2-Sep-22	645,208	37,797	30,335	6,168	3,616	20,498	153,313	2,044	89,586	-	2,046	4,601	120,585	11,392	2,328
3-Sep-22	606,729	37,264	28,605	7,211	3,260	19,158	135,425	1,948	79,623	9,489	1,942	4,345	102,667	16,399	2,244
4-Sep-22	551,103	36,356	7,863	6,817	2,764	17,660	117,130	1,549	72,144	-	1,631	3,796	104,755	15,597	1,904
5-Sep-22	422,992	37,783	4,087	5,910	2,340	13,196	105,010	1,309	37,448	-	1,360	3,410	19,850	12,886	1,486
6-Sep-22	411,694	27,188	42,803	4,417	3,607	6,608	84,295	1,176	99,781	-	1,062	4,282	21,635	3,443	2,067
7-Sep-22	500,645	39,627	45,803	5,379	3,513	24,848	100,729	2,745	85,493	7,212	1,605	5,106	24,216	26,918	2,428
8-Sep-22	613,907	44,567	39,323	6,395	3,138	17,570	126,487	2,271	72,625	-	1,587	4,544	121,281	15,481	2,226
9-Sep-22	532,935	38,417	33,562	6,093	2,804	17,317	120,660	2,169	69,410	-	1,191	4,199	86,500	19,800	1,990
10-Sep-22	410,029	37,255	30,157	5,554	2,609	15,542	-	-	42,724	8,416	1,106	3,712	82,072	15,038	1,971
11-Sep-22	383,100	38,451	7,478	5,076	1,939	15,563	-	4,042	28,214	-	1,093	3,483	74,494	19,517	1,483
12-Sep-22	523,303	34,676	4,266	5,221	1,848	12,315	274,599	1,440	36,938	-	698	3,181	9,720	16,422	1,847
13-Sep-22	350,207	27,790	46,651	4,369	2,896	6,411	64,694	1,453	57,309	-	619	4,226	12,181	4,579	1,942
14-Sep-22	568,911	49,311	50,953	5,108	2,799	23,158	78,701	3,352	93,865	6,469	1,321	4,523	74,852	41,850	2,431
15-Sep-22	547,992	52,089	41,193	6,422	2,651	18,849	99,546	2,426	71,429	-	1,125	4,167	76,462	31,003	2,375
16-Sep-22	499,868	48,102	27,376	6,298	2,358	17,973	88,379	2,423	51,874	-	837	2,753	84,687	33,175	1,977

Source: CEIC

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