



From the Desk
of the
Chief Economist

BANK ISLAM

WEEKLY MARKET UPDATES

21 MARCH 2022

ECONOMIC RESEARCH

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International

Country	Economic Indicators	Remarks
The U.S.	Fed Fund Rate (FFR)	<ul style="list-style-type: none"> ✓ During its meeting on 15-16 March, the Federal Open Market Committee (FOMC) voted to increase the FFR target range by 25 basis points (bps) to 0.25% - 0.50%. ✓ The FOMC members revised the 2022 gross domestic product (GDP) forecast from a 4.0% growth to a 2.8% expansion due to the highly uncertain impacts of geopolitical and economic issues on the U.S. economy.
The U.K.	Bank Rate	<ul style="list-style-type: none"> ✓ The Bank of England (BoE) decided to raise its key bank rate by 25 bps to 0.75% during its monetary policy committee (MPC) meeting on 16 March. This is the third consecutive rise in interest rate given the current tightness of the labour market, continuing signs of robust domestic cost and price pressures. ✓ Apart from that, the geopolitical crisis between Russia and Ukraine has led to further large increases in energy and other commodity prices including food. As such, the MPC warned that inflation which is currently at 5.5% in January 2022 (December 2021: 5.4%) could increase to about 8.0% in the 2Q2022 and might go even higher before the end of the year. ✓ The committees are of the view that further modest tightening in monetary policy may be appropriate in the coming months depending on how medium-term prospects for inflation evolve.
China	Industrial Production Index (IPI)	<ul style="list-style-type: none"> ✓ In the first two months of 2022, China's IPI recorded its fastest pace since June 2021 as it expanded by 7.5% y-o-y compared to the 4.3% gain in the previous month. ✓ As the Chinese economy is gradually recovering, both manufacturing (January & February 2022: 7.3% vs. December 2021: 3.8%) and mining outputs (January & February 2022: 9.8% vs. December 2021: 7.3%) expanded substantially while utilities output grew by 6.8% in January and February this year (December 2021: 7.2%).

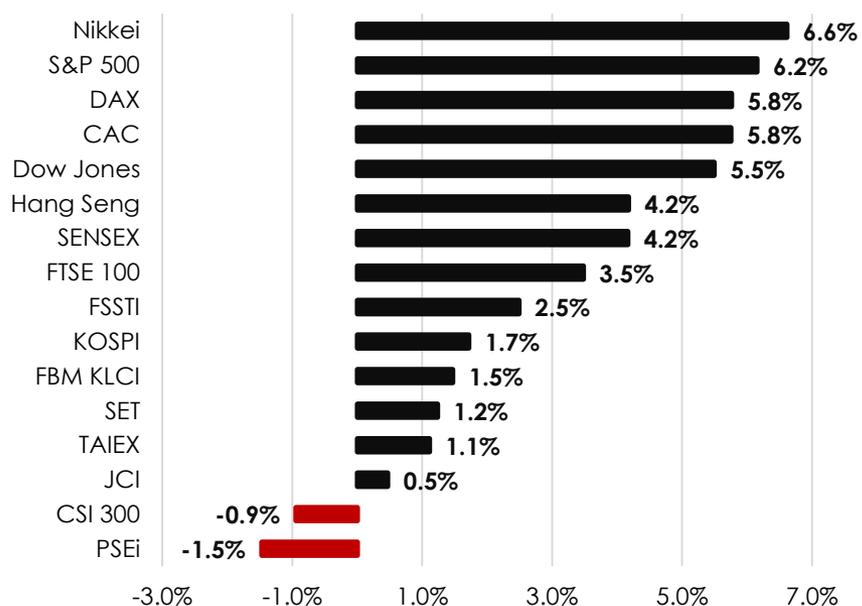
Domestic

Country	Economic Indicators	Remarks
Malaysia	External Trade	<ul style="list-style-type: none"> ✓ Malaysia's exports sustained its double-digit growth as it increased by 16.8% y-o-y in February, though moderating from a 23.5% gain recorded in the preceding month. ✓ Manufacturing sector softened to 14.2% in February from a 19.3% expansion previously. ✓ Similarly, both Agriculture (February: 38.7% vs January: 75.6%) and Mining (February: 30.7% vs January: 38.4%) sectors recorded a modest growth during February.
	Industrial Production Index (IPI)	<ul style="list-style-type: none"> ✓ Malaysia's IPI moderated by 4.3% y-o-y in January 2022 after rising by 5.9% in December 2021. The slower increases was due to the small increment in Manufacturing sector (January 2022: 6.8% vs. December 2021: 8.4%) during the said month. ✓ On the other hand, Electricity sector grew further by 7.7% from 4.7% recorded in the previous month. ✓ Meanwhile, Mining sector continued to experience a downward trend, plummeting by 5.1% (December 2021: -2.6%) in January 2022.

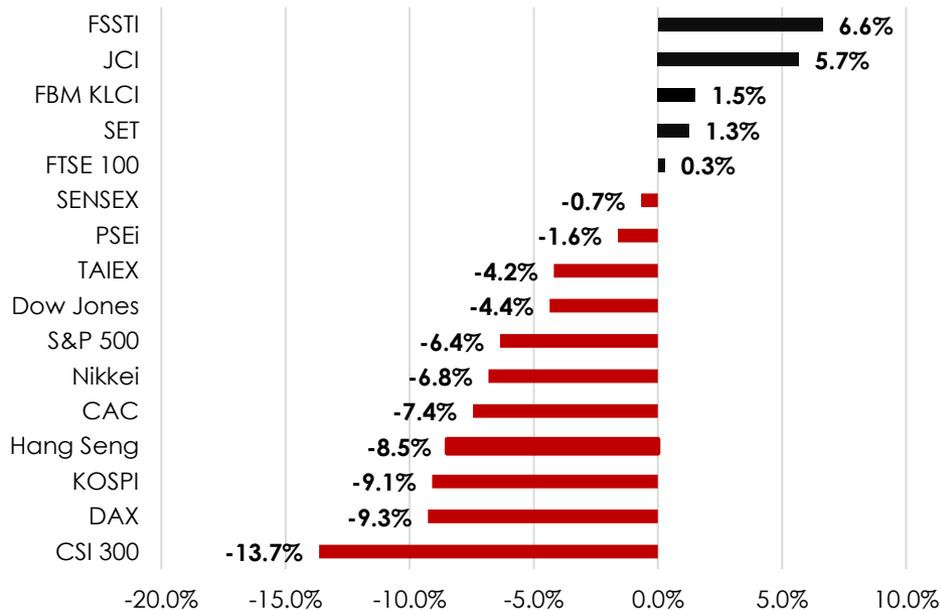
WEEKLY MARKET PERFORMANCE

- ✓ The Japan's Nikkei index led gainers with a 6.6% weekly advance among the major equity markets following global rallies linked to the U.S. Federal Reserve (Fed) rate hike. Apart from that, the ongoing negotiations between Russia and Ukraine which have made a progress towards ceasefire also supported the market last week.
- ✓ Meanwhile, the Philippine's PSEi declined by 1.5% as investors weighed the inflation risks caused by the Russia-Ukraine war and the recent move of the U.S. Fed to raise the FFR for the first time since 2018.
- ✓ On a Year-To-Date (YTD) basis, FBM KLCI was among the top performers due to growing buying interest and bargain-hunting activities.

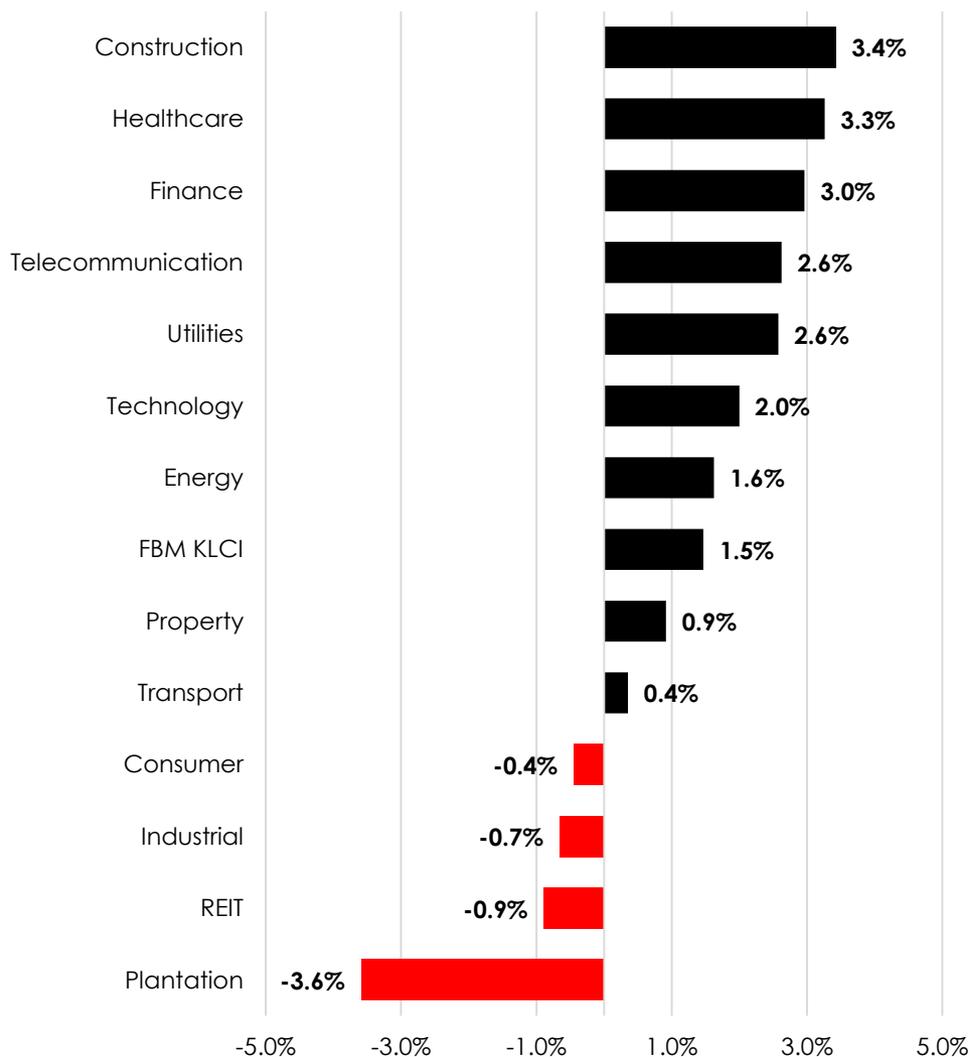
**Weekly Gain/Loss of Major Equity Markets, %
(Week Ending 18 March)**



**YTD Gain/Loss Of Major Equity Markets, %
(As at 18 March)**



Bursa Sectoral Performance, w-o-w%



Source: Bursa

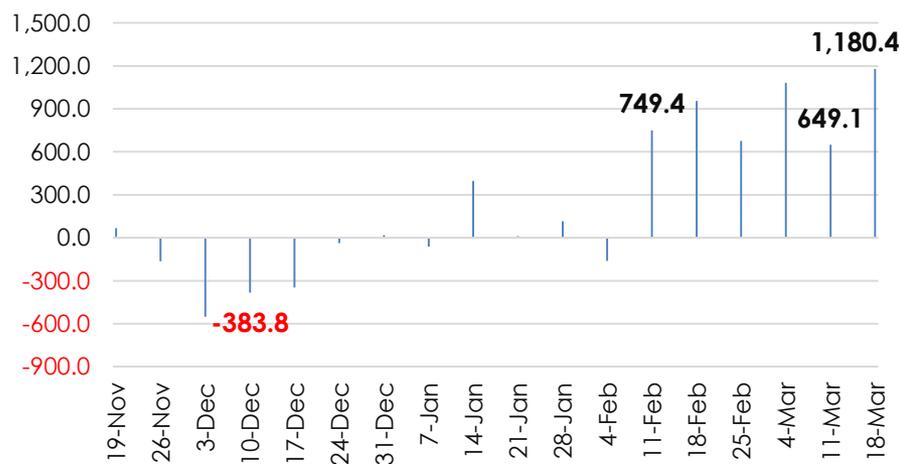
WEEKLY SECTORAL PERFORMANCE

- ✓ The **Construction index** was the top gainer with a 3.4% increase following the announcement of the Mass Rapid Transit 3 (MRT3) line project which has supported buying activities in construction counters.
- ✓ Meanwhile, the **Bursa's Plantation** fell significantly by 3.6% for the week ending on 18 March after its rally for the past two months.
- ✓ **Looking forward, the FBM KLCI will be traded between 1,580.0 points and 1,600.0 points this week amid positive sentiment** after the Fed decided to bump up the FFR by 25 bps to 0.50% last week.
- ✓ However, the conflict between Russia and Ukraine, alongside soaring inflation rate will remain as wildcards that could weigh on global economic recovery momentum this year.

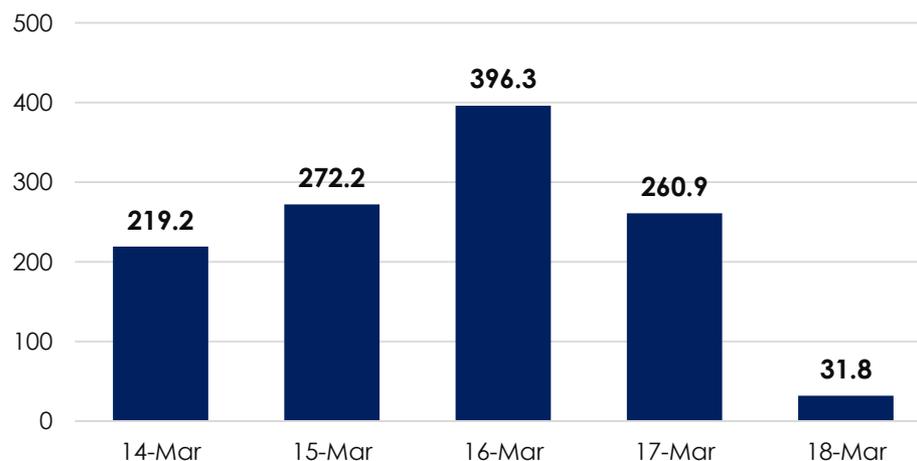
WEEKLY FOREIGN FUND FLOW

- ✓ Foreign investors remained to be net buyers for the sixth straight week as they bought RM1.2 billion net of local equities last week (11 March: RM649.1 million), the highest weekly international net inflows so far this year.
- ✓ On further scrutiny, foreign investors were net buyers on everyday of the week with largest foreign inflow was recorded on Wednesday, 16 March at RM396.3 million.
- ✓ Apart from that, we noted that the international funds have been net buyers for nine out of eleven weeks in 2022, suggesting a strong interest of foreign investors in Malaysian equity market.
- ✓ On a YTD basis, international investors have acquired RM5.3 billion net of local equities in 2022 compared to RM1.1 million net disposed during the same period in 2021.

Weekly Foreign Fund Flow in Malaysia (RM Million)



Daily Foreign Net Inflow/Outflow From 14 to 18 March (RM Million)



Source: Bursa

Bond Yields Weekly Change, basis points (bps)

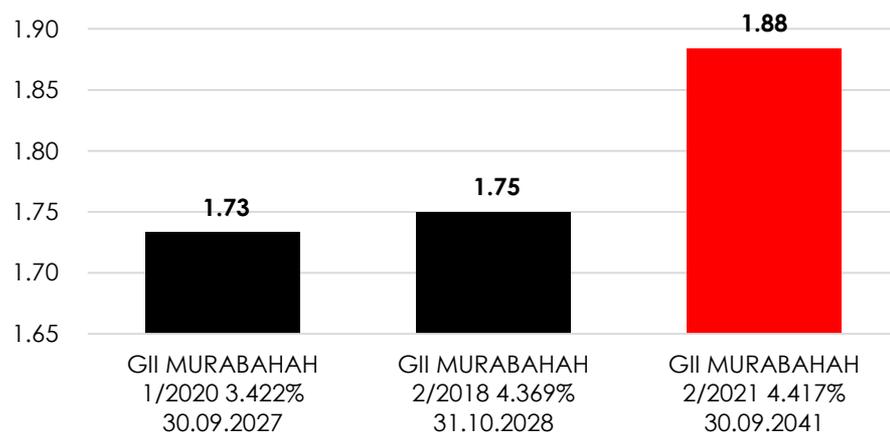
UST	Yields (%) 11-Mar-22	Yields (%) 18-Mar-22	Change (bps)
3-M UST	0.40%	0.42%	2
2-Y UST	1.75%	1.97%	22
5-Y UST	1.96%	2.14%	18
10-Y UST	2.00%	2.14%	14

MGS	Yields (%) 11-Mar-22	Yields (%) 18-Mar-22	Change (bps)
3-Y MGS	2.65%	2.67%	2
5-Y MGS	3.27%	3.30%	3
7-Y MGS	3.54%	3.55%	1
10-Y MGS	3.67%	3.69%	2

Sources: CEIC, BNM

Auction Results

GII



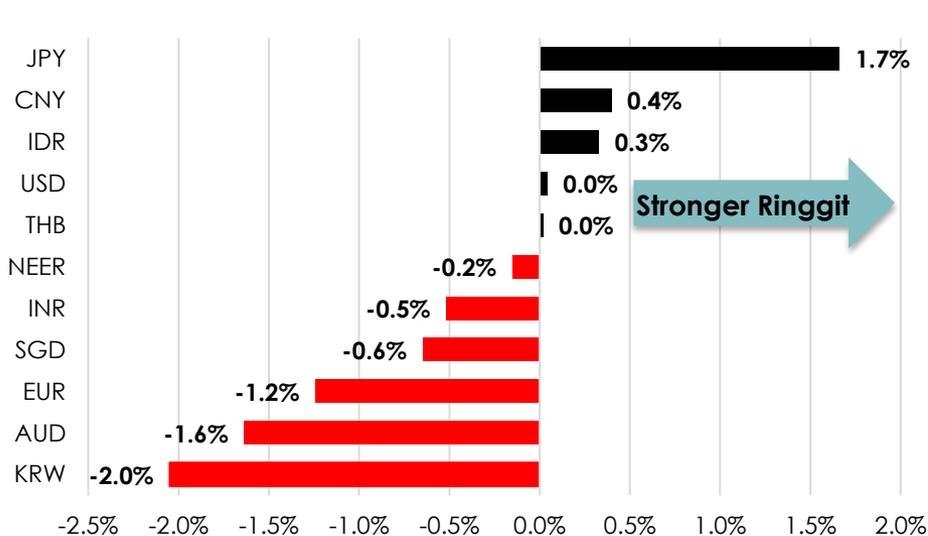
Source: Bond Info Hub

- ✓ As for the bond market, the U.S. Treasury (UST) yields saw a significant increase between 2 bps and 22 bps for the week ended 18 March after the Fed announced the 25 bps hike in FFR, the first increases since 2018.
- ✓ Following this, the MGS bond yields also moved higher between 1 bps and 3 bps on last Friday.
- ✓ As for the primary market, the 20-Y GII 09/41 auction drew a Bid-To-Cover (BTC) ratio of 1.88x which was lower compared to average of 2.33x in 2021, mainly dented by cautious sentiment ahead of the FOMC meeting last week.
- ✓ Looking forward, MGS yields are anticipated to trend higher in the immediate term as the FFR rate hike would set a tone for central banks across the world.
- ✓ Be that as it may, the Bank Negara Malaysia (BNM) may want to consider domestic factors to avoid premature decision that will dampen economic growth this year.

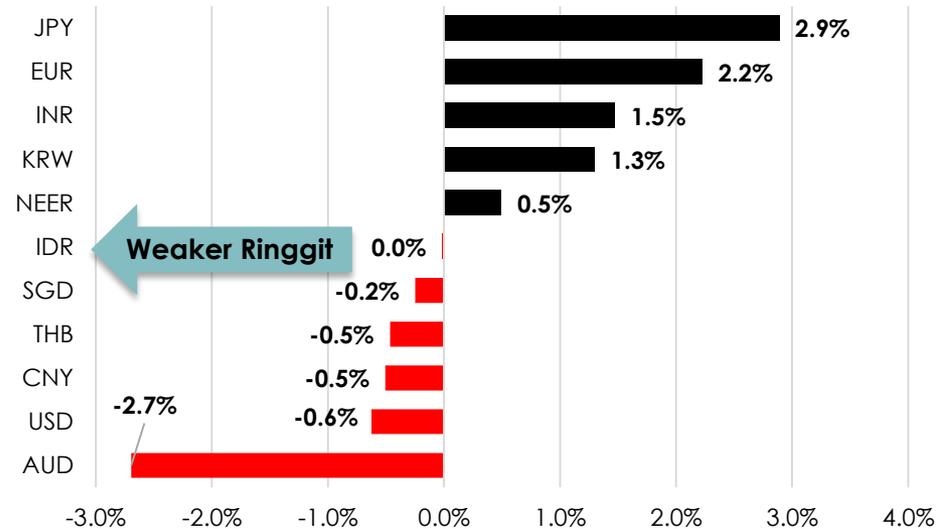
WEEKLY PERFORMANCE

- ✓ The Ringgit was slightly higher at RM4.1910 against U.S. Dollar on last Friday compared to RM4.1920 on 11 March. This was mainly supported by a firmer Brent price which continued to hover above USD100.0 per barrel.
- ✓ Apart from that, the decision by the Fed to raise the interest rate by 25 bps, bringing the rate to 0.50% during the FOMC meeting last week has further supported the greenback, giving a downward pressure to the local note. Such move by the Fed signaled economic recovery has proceeded well and more clarity in respect to the interest rate path throughout the year (6 interest rate hike).
- ✓ The implementation of minimum wage of RM1,500 starting 1 May suggests that the second round effect of inflation is happening. This would bolster the case of higher overnight policy rate (OPR) in 2022.
- ✓ All in all, the Ringgit is expected to trade within a tight range with a downward biased between RM4.19 to RM4.21 against the U.S. Dollar amid the ongoing war between Russia and Ukraine that could potentially impact the market sentiments.

MYR against regional currencies, w-o-w% (Week Ending 18 March)



MYR against regional currencies, YTD Gain% (As at 18 March)



Source: Investing.com

BRENT

- ✓ Brent crude oil price recorded a 4.2% weekly decline to settle at USD107.93 per barrel on 18 March (11 March: USD112.67 per barrel). It fell for the second straight week as market players continue to assess geopolitical and economic uncertainties.
- ✓ Apart from that, the rising of oil stocks in the U.S. has also affected Brent price movement last week.
- ✓ On further scrutiny, the U.S. Energy Information Administration (EIA) reported that the crude oil inventories increased by 4.3 million barrels to 415.9 million barrels in the week ending 11 March (4 March: 411.6 million barrels). Similarly, the American Petroleum Institute (API) mentioned a build in the U.S. crude oil stockpiles of 3.6 million barrels for the week ending 11 March after rising by 2.8 million barrels in the previous week.

Brent Crude in USD per barrel



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



GOLD

- ✓ Gold price dropped by 3.4% to USD1,921.62 per ounce compared to USD1,988.46 per ounce on 11 March.
- ✓ The spotlight has shifted back to the developments surrounding the Russia-Ukraine war now that the Fed and BoE policy meetings are over. Little progress is seen for peace talks between those two countries to cease fire which lead to risk aversion behaviour among investors.
- ✓ Additionally, gold price faced downward pressure as the demand for the U.S. Dollar picked up.
- ✓ Nevertheless, the U.S. Dollar index declined by 0.9% to 98.23 on 18 March (11 March: 99.12) as investors diverted their attention to bonds amid uncertainty surrounding the markets following the ongoing geopolitical tensions between Russia and Ukraine.

Gold in USD per ounce



U.S. Dollar Index (DXY)



WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- ✓ The war in Ukraine will continue to be in the limelight. The U.S. President Joe Biden will be joining North Atlantic Treaty Organisation (NATO) meeting to discuss the alliances' ongoing defense efforts in response to Russia's war in Ukraine on Thursday. It seems that the military conflict is in for a long haul.
- ✓ The Fed Chair Jerome Powell will be attending the annual conference of National Association for Business Economics (NABE) to speak about the economic outlook today. Next, he is going to participate in a virtual panel discussion at a summit hosted by the Bank for International Settlements (BIS) on Wednesday. Thus far, the possible monetary tightening has been well telegraphed and therefore, it should already been priced by the markets.
- ✓ A slew of Purchasing Managers Index (PMI) will be reported this week. Countries such as Germany, France, the U.K. and the U.S. are expected to record slightly lower reading in March based on consensus estimates. This could be an indication that businesses have become wary on the impact it may have from the military conflict and the persistent increase in the commodity prices.
- ✓ In terms of domestic data, Malaysia's inflation rate for the month of February will be released on Friday. The headline inflation rate is set to rise further by 2.5% y-o-y following a 2.3% increase in the previous month due to higher fuel and food prices. Similarly, other Asian countries such as Singapore, South Korea and Japan will release their inflation figure and shall see similar trajectory.
- ✓ Meanwhile, the domestic politics would also be a closely watched event as talks for a possible early general election has gained momentum. The recently concluded United Malay National Organisation (UMNO) general assembly last week saw the party president and deputy president throwing in support for an early dissolution of parliament. Key policy initiative was also announced such as the implementation of minimum wage of RM1,500.0 commencing 1 May.
- ✓ While the uncertainties have become elevated, the persistent net inflows of foreign funds in the equities space is somewhat perplexing. It may indicates that values have already emerging and/or a seismic shift in terms of political dynamics could also be the contributing factor.
- ✓ Whatever the case maybe, Bursa Malaysia is expected to see a range bound trade this week as investor sentiment is likely to remain cautious. As such, the FBM KLCI would be hovering between 1,580.0 points and 1,600.0 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
18-Feb-22	2,040,686	6,271	220,048	25,920	59,635	58,055	95,603	18,545	109,823	26,733	18,066	51,306	105,747	92,318	27,808
19-Feb-22	1,890,744	3,833	189,105	22,270	59,384	53,700	92,939	18,094	102,210	23,870	18,885	44,533	98,349	78,410	28,825
20-Feb-22	1,635,644	6,331	118,032	19,968	48,484	50,675	77,153	24,836	104,814	22,330	18,953	33,186	106,391	73,008	26,832
21-Feb-22	1,327,612	6,281	73,867	16,051	34,418	42,202	72,861	6,283	95,339	11,384	18,883	34,583	39,577	58,944	25,099
22-Feb-22	1,328,608	7,720	125,902	13,405	57,491	24,484	55,903	13,623	99,569	9,898	18,363	37,649	30,325	3,469	27,179
23-Feb-22	1,718,688	6,460	209,052	15,102	61,488	60,137	66,373	26,032	171,442	23,399	21,232	45,054	47,083	95,944	31,199
24-Feb-22	1,861,275	8,916	216,322	14,148	57,426	49,162	77,810	20,312	170,015	21,729	23,557	39,014	119,336	66,801	32,070
25-Feb-22	1,731,553	9,103	210,743	13,166	49,447	47,493	65,657	18,593	165,890	20,705	24,932	36,287	74,051	66,714	30,644
26-Feb-22	1,617,729	38,163	175,833	11,499	46,643	42,069	65,196	18,597	166,198	17,973	25,615	30,472	75,748	55,715	27,299
27-Feb-22	1,334,169	23,704	107,913	10,273	34,976	39,360	69,661	16,857	163,555	16,127	24,719	27,748	74,348	51,270	24,466
28-Feb-22	1,263,672	26,321	62,349	8,013	25,054	31,878	69,267	14,228	139,626	8,694	22,311	25,050	24,602	42,569	23,100
1-Mar-22	1,191,491	34,722	122,111	6,915	24,728	19,366	51,272	13,544	138,989	7,442	20,420	31,340	17,483	3,447	25,854
2-Mar-22	1,597,918	32,865	186,406	7,554	40,920	47,136	61,843	24,080	219,240	16,868	22,197	44,592	78,024	79,705	27,500
3-Mar-22	1,631,344	55,617	210,673	6,561	37,259	37,946	71,570	19,159	198,788	16,548	23,618	44,716	64,186	56,214	32,467
4-Mar-22	1,714,991	57,192	217,593	6,396	26,347	41,500	70,958	18,162	266,853	20,020	23,834	46,121	54,437	59,935	33,209
5-Mar-22	1,666,609	52,868	192,210	5,921	30,156	38,353	64,333	17,564	254,310	19,339	22,818	43,682	52,300	55,714	33,406
6-Mar-22	1,481,257	37,938	116,889	5,476	24,867	41,364	63,520	16,274	243,625	18,041	21,881	41,331	45,952	52,449	27,435
7-Mar-22	1,295,730	31,378	78,428	4,362	21,380	35,889	55,417	13,158	210,709	9,615	21,162	38,704	13,051	45,328	26,856
8-Mar-22	1,260,986	25,504	156,799	3,993	30,148	22,662	40,575	13,520	202,702	8,312	18,943	48,946	8,026	1,243	31,490
9-Mar-22	1,783,375	28,865	215,854	4,575	26,336	60,753	49,416	22,201	342,429	18,969	22,073	68,421	61,889	89,546	30,246
10-Mar-22	1,882,952	26,596	262,752	4,184	21,311	49,815	62,747	17,051	327,538	18,426	22,984	69,917	32,371	67,257	30,787
11-Mar-22	1,789,076	25,027	252,836	4,194	16,110	55,156	62,825	16,165	282,973	18,072	24,792	73,288	49,251	72,891	32,800
12-Mar-22	1,785,155	19,558	237,086	3,614	14,900	53,961	55,970	15,345	383,651	17,028	24,592	70,237	42,517	68,752	26,250
13-Mar-22	1,826,211	17,788	146,607	3,116	11,585	54,669	55,328	12,632	350,169	16,249	23,584	66,778	47,586	72,443	22,535
14-Mar-22	1,339,637	14,835	92,378	2,503	9,629	50,079	52,002	9,701	309,780	8,902	22,130	61,681	6,907	60,422	22,030
15-Mar-22	1,500,173	15,717	198,888	2,568	14,408	29,698	35,846	9,042	362,322	8,394	19,742	75,310	-	9,986	26,534
16-Mar-22	2,055,592	13,947	262,593	2,876	13,018	86,414	45,649	15,851	400,730	19,450	23,945	98,013	71,241	113,572	28,298
17-Mar-22	2,171,092	15,861	294,931	2,539	11,532	74,147	57,922	11,278	621,328	17,511	25,456	84,601	26,331	107,225	27,004
18-Mar-22	1,931,180	11,180	297,845	2,528	9,528	82,368	55,147	10,713	407,017	12,517	27,071	47,436	40,834	100,380	24,241

Source: CEIC

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