



From the Desk
of the
Chief Economist

BANK ISLAM

WEEKLY MARKET UPDATES

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ECONOMIC RESEARCH

DR. MOHD AFZANIZAM ABDUL RASHID

ADAM MOHAMED RAHIM

SHAFIZ BIN JAMALUDDIN

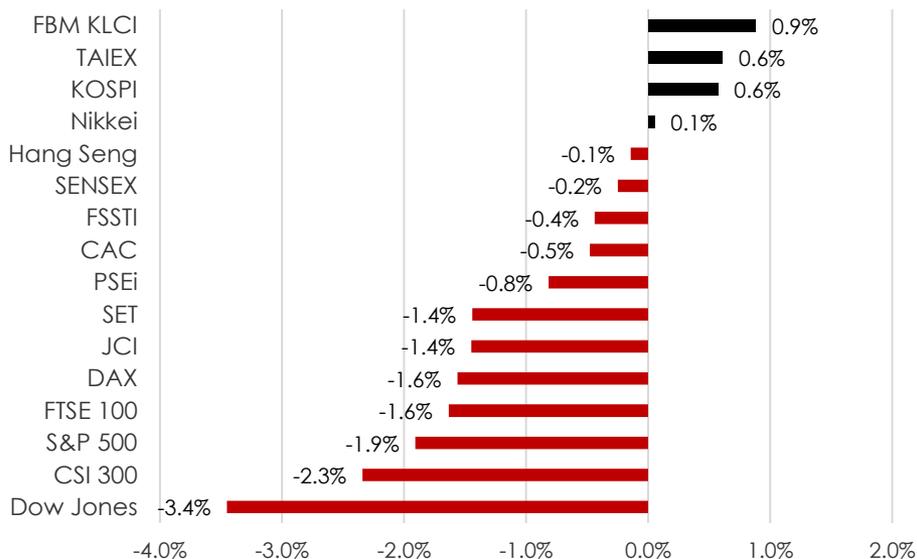
NOR JANNAH ABDULLAH

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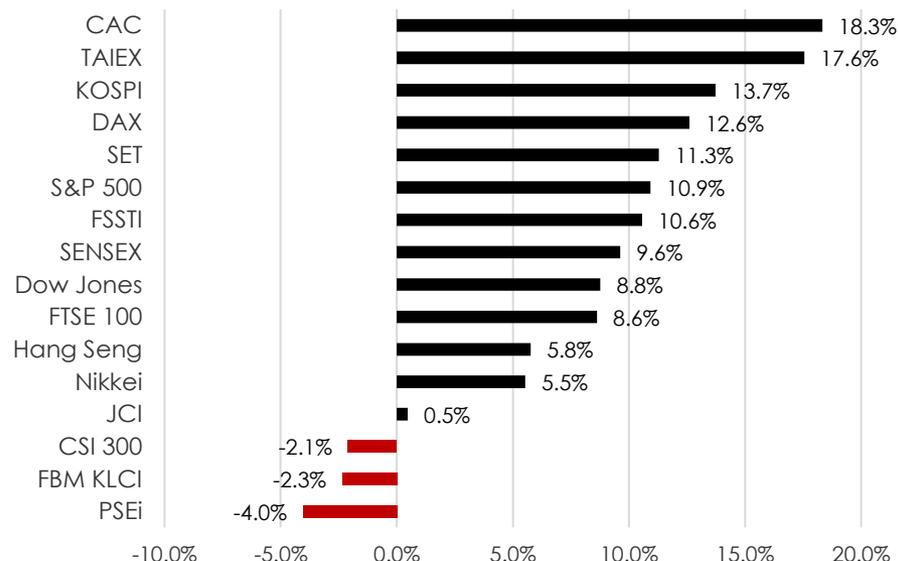
WEEKLY MARKET PERFORMANCE

- ✓ Decliners outnumbered gainers among major equity markets last week with Wall Street's Dow Jones index being the biggest laggard with a 3.4% weekly drop. This was the worst week for the Dow Jones index since October 2020 after the U.S. Federal Reserve (Fed) signalled plans to back away from record-low interest rates sooner than projected. The notably more hawkish stance from the Fed has jolted investors as they assess the markets and given that this shift comes in the wake of record high stock market performance.
- ✓ Meanwhile, Malaysia's FBM KLCI index recorded the largest weekly gain of 0.9%. During the week, the FBM KLCI index jumped the most on Friday to the tune of 1.2% to close at 1,589.1 points, the highest in two weeks underpinned by gains in semiconductor-related companies.
- ✓ However, the FBM KLCI index is 2.3% lower on a Year-To-Date (YTD) basis, making it the second largest decliner after the Philippines' PSEI index which lost 4.0% so far in 2021.

Weekly Gain/Loss of Major Equity Markets (%) (Week Ended 18 June)



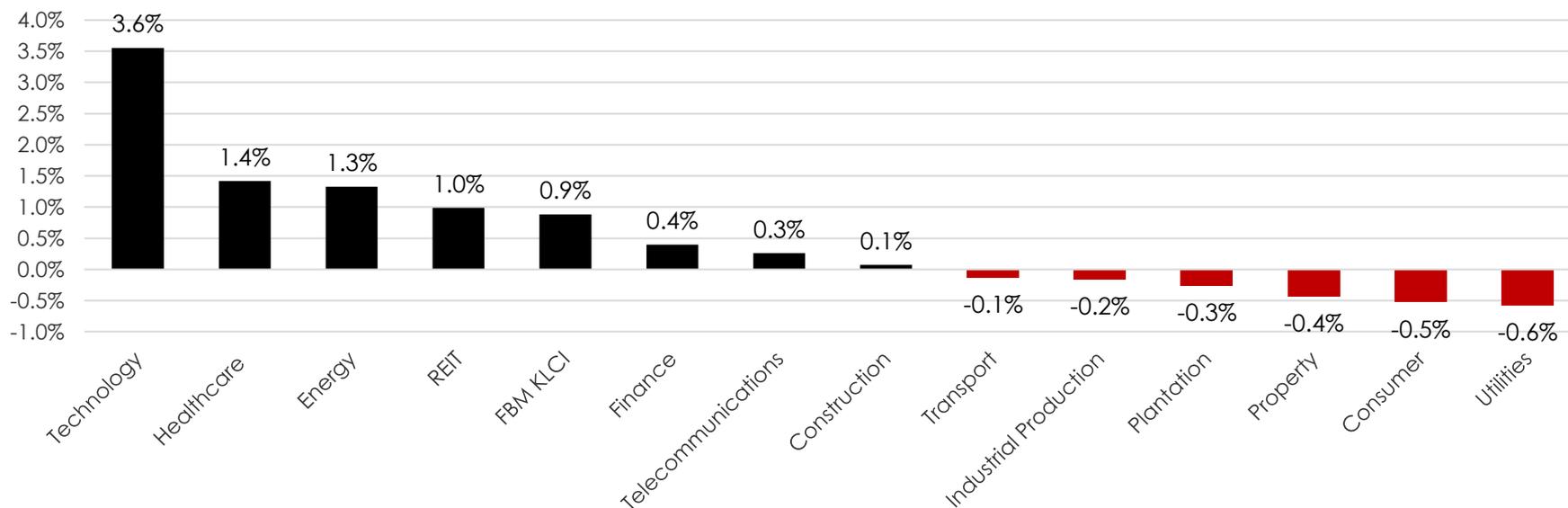
YTD Gain/Loss Of Major Equity Markets (%) (As at 18 June)



WEEKLY SECTORAL PERFORMANCE

- ✓ The Bursa Malaysia Technology Index was the largest gainer for the week after ending 3.6% higher. The sentiment was buoyed by the rally in technology stocks on Wall Street after the White House signalled that direct talks between U.S. President Joe Biden and Chinese President Xi Jinping were on the cards. Technology shares, which generally perform better when interest rates are low continued to rise despite fears of rising inflation would lead the Fed to hike interest rates sooner than expected. The reason for the rise in technology shares is that investors are expecting a steady economic rebound that would boost demand for their products in the long run.
- ✓ On the other hand, the Bursa Malaysia Utilities Index was the biggest loser after ending 0.6% lower for the week. According to a report by Maybank Investment Bank Research, electricity generation in Peninsular Malaysia has contracted by about 8.5% since the latest round of the lockdown which began from 1 June 2021. Annualising the run-rate and assuming demand trended in accordance to electricity generation, every month of the full-scale lockdown would lower 2021 electricity demand by around 0.7% which may impact earnings.

Bursa Malaysia Sectoral Weekly Performance (%)

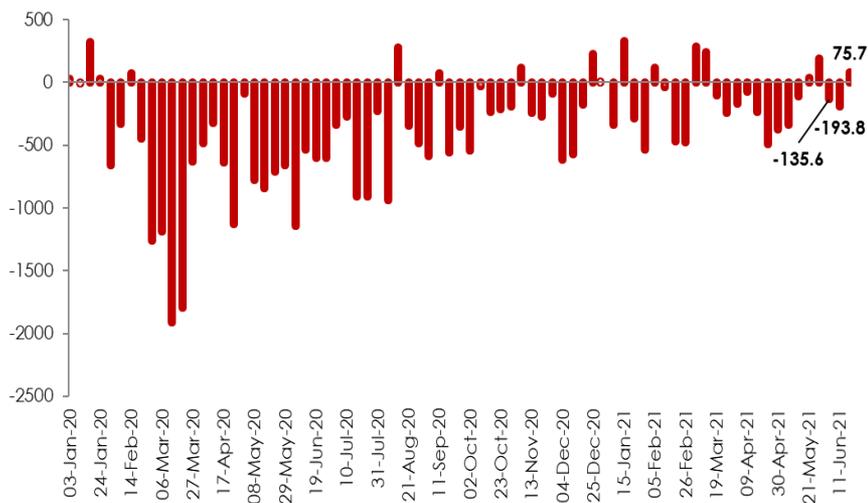


Source: Bursa

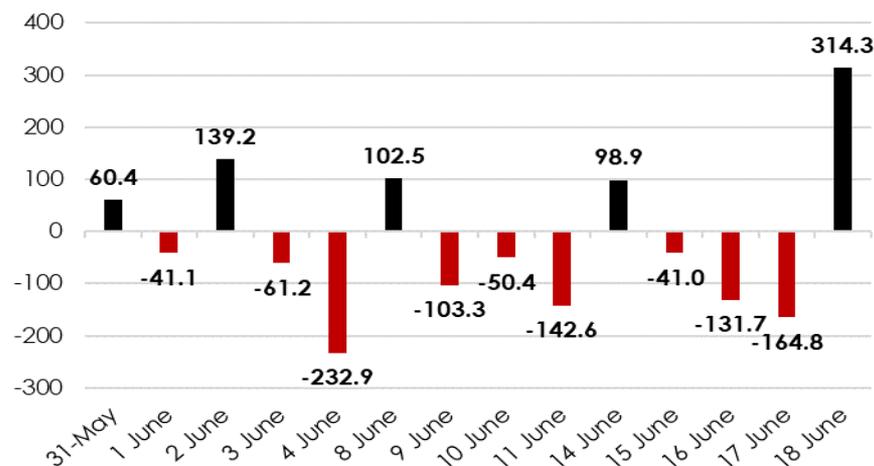
WEEKLY FOREIGN FUND FLOW

- ✓ Foreign investors acquired RM75.7 million net of local equities last week compared to RM193.8 million net being sold in the preceding week.
- ✓ Bursa started the week on a right foot as foreign funds bought RM98.9 million net of local equities on Monday. International investors then sold RM41.0 million net of local equities on Tuesday as investors awaited the announcement regarding the National Recovery Plan while the overall market provided no other source of catalyst. Foreign net outflows were higher on Wednesday at RM131.7 million as the sentiment was tilted towards political developments in Malaysia following the Conference of Rulers that was held on 16 June 2021. Foreign net selling gained further momentum to reach RM164.8 million on Thursday pending more clarity on the country's political developments. Offshore funds made a proverbial bang on Friday as they flocked into local equities to the tune of RM314.3 million net which coincided with the FBM KLCI's index gain of 1.2%.
- ✓ On a month-to-date basis, foreign investors have so far disposed RM314.1 million net of local equities for the month of June. Meanwhile on a YTD basis, foreign investors have taken out RM3.3 billion net from Malaysia.

Weekly Foreign Fund Flow in Malaysia (RM Million)



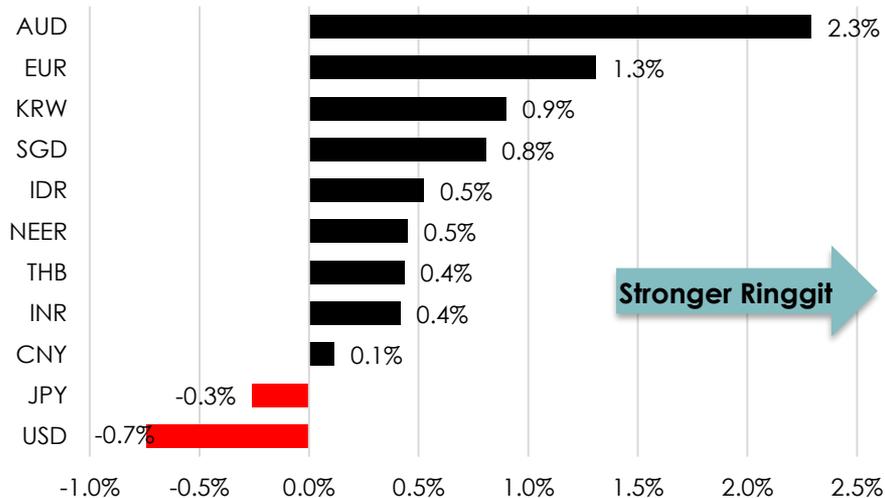
Daily Foreign Net Inflow/Outflow From 1 June 2021 to 18 June 2021 (RM Million)



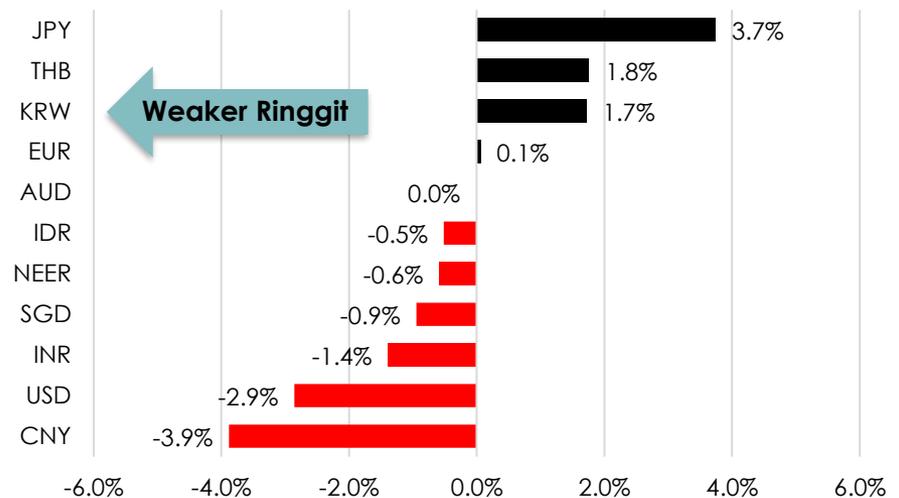
WEEKLY PERFORMANCE

- ✓ The Ringgit depreciated by 0.7% week-on-week (w-o-w) against USD to close at RM4.1370 on 18 June from RM4.1060 on 11 June. The Ringgit lost its ground after the Fed officials took markets by surprise by moving up their projections for interest rates hikes to 2023 from 2024. In addition, the Federal Open Market Committee (FOMC) revised up its 2021 GDP projection to 7.0% from the 6.5% forecast made in March in view of upbeat economic data accompanied with rising vaccination rates which helped to cushion the impacts on public health.
- ✓ Looking forward, The Ringgit is expected to trade between RM4.1300 and RM4.1400 this week mainly weighed by the Fed's hawkish stance on monetary policy. Nevertheless, higher local vaccination rates alongside a firmer Brent price amid reopening of the global economy would limit the downward pressure.

MYR against regional currencies, w-o-w% (Week Ended 18 June)



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

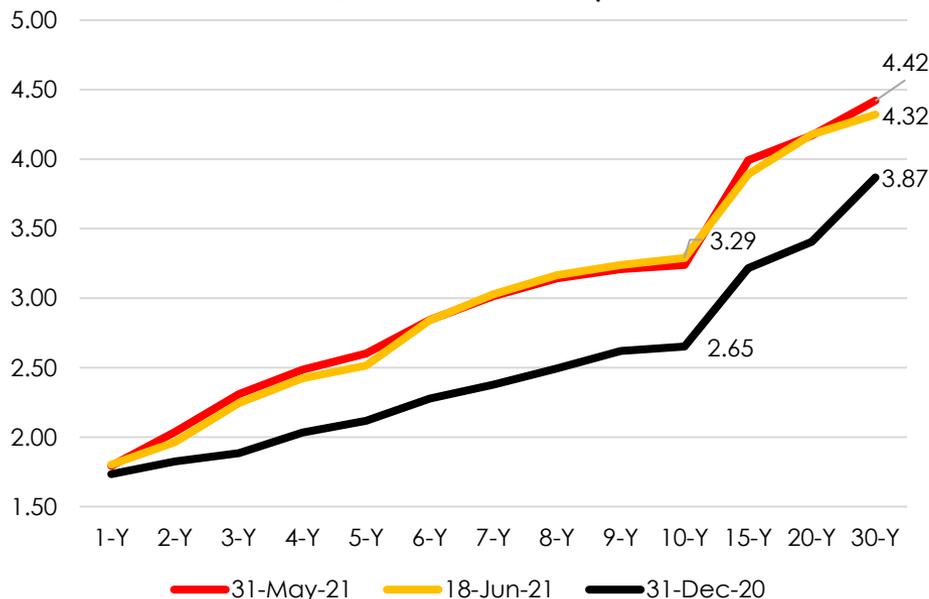


MGS Benchmark Weekly Change (bps)

MGS Benchmark	Coupon (%)	Yields (%) 11-Jun-21	Yields (%) 18-Jun-21	Change (bps)
3-Y MGS 06/24	3.48%	2.24%	2.25%	1
5-Y MGS 09/25	3.96%	2.50%	2.52%	2
7-Y MGS 06/28	3.73%	2.97%	3.01%	4
10-Y MGS 04/31	2.63%	3.24%	3.28%	4

Source: BNM

MGS Yield Curve, %



Source: CEIC

- ✓ The MGS benchmark yields closed higher between 1 bps and 4 bps on weekly basis. The yields of 3-Y MGS 06/24 and 5-Y MGS 09/25 inched up by 1 bps and 2 bps to close at 2.25% and 2.52% respectively while the yields of longer tenures such as 7-Y MGS 06/28 and 10-Y MGS 04/31 both rose by 4 bps to settle at 3.01% and 3.28% respectively on 18 June.
- ✓ The bond yields went up after the FOMC meeting last week whereby the policymakers were increasingly upbeat on economic outlook amid favorable progress in vaccinations. In addition, the Fed's Chief Powell added that inflation has 'notably' risen and will remain elevated which could negatively impact Malaysia's bond market.
- ✓ All in all, the yield of local government bonds which remained linked to the performance US Treasury bonds are likely to rise in the coming months following the hawkish policy shift by the Fed.

BRENT

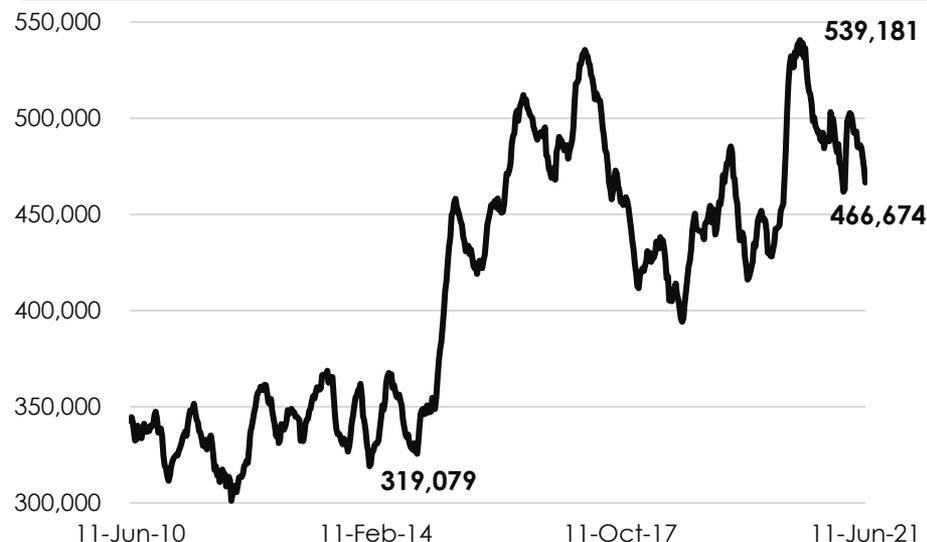
- ✓ Brent crude oil price recorded a 1.1% weekly increase to settle at USD73.51 per barrel last Friday (14 June: USD72.69 per barrel), its fourth consecutive week of gains due to fuel demand recovery as rapid vaccination programmes in Europe and the U.S. have allowed more people to travel.
- ✓ Apart from that, the Organization of the Petroleum Exporting Countries Plus (OPEC+) have agreed to keep their plan to gradually ease supply curbs through July, aiming to balance expectations of a recovery in demand against a possible increase in Iranian supply which has brought positive sentiments into the market.
- ✓ Supporting oil price further was the decline in the U.S. crude stocks reported by the U.S. Energy Information Administration (EIA) and the American Petroleum Institute (API). The U.S. EIA showed that the crude oil inventory dropped by 7.4 million barrels to 466.7 million barrels for the week ended 11 June (4 June: 474.0 million barrels), the most since 30 April 2021. Similarly, the American Petroleum Institute (API) report mentioned that crude stockpiles decreased by 8.5 million barrels for the week ended 11 June compared to a draw of 2.1 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 dropped significantly by 6.0% to USD1,764.16 per ounce on 18 June (11 June: USD1,877.53 per ounce), marking its worst week since March 2020. The metal saw a very bearish reaction upon the decision of the Fed during Wednesday's meeting which was deemed hawkish on the U.S. monetary policy.
- ✓ During the meeting, the FOMC had raised its forecast for inflation sharply this year, coupled with two rate hikes in 2023 based on the so-called dot of projections. As a result, the U.S. Dollar Index appreciated by 1.8% to 92.23 on 18 June from 90.56 in the previous week.
- ✓ Though the post-meeting statement stood by its position that inflation pressures are transitory, the Fed was attuned to the risk that inflation could rise faster and last longer than expected.

Gold in USD per ounce



U.S. Dollar Index (DXY)



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
19-May	563,968	258	11,040	267,334	4,871	4,449	4,877	38	654	5,200	3,394	2,412	23,942	11,514	6,075
20-May	647,282	286	12,298	276,110	5,797	5,500	5,552	38	646	6,006	2,636	2,135	29,792	11,986	6,806
21-May	635,532	319	8,769	259,551	5,746	5,736	5,905	41	561	5,371	3,481	2,694	29,296	4,817	6,493
22-May	632,327	326	7,082	257,299	5,296	5,215	5,368	40	666	5,495	3,052	2,702	28,743	13,447	6,320
23-May	589,023	742	6,714	240,842	5,280	4,714	4,747	29	585	5,641	3,382	2,523	27,921	11,821	6,976
24-May	533,794	474	2,682	222,315	5,907	3,993	4,590	25	538	2,682	2,713	2,092	21,034	9,704	6,509
25-May	447,533	611	1,911	196,427	5,060	2,489	3,048	36	516	2,006	3,226	2,362	13,925	1,908	7,289
26-May	471,162	558	2,626	208,921	5,034	3,220	3,624	30	705	4,593	2,455	2,410	22,239	1,749	7,478
27-May	551,317	654	6,313	211,298	6,278	3,935	4,317	26	629	5,345	3,323	2,987	24,435	12,438	7,857
28-May	553,736	678	7,380	186,364	5,862	4,143	4,034	24	587	5,307	3,759	3,380	24,462	13,704	8,290
29-May	526,952	572	5,426	173,790	6,565	3,737	4,148	30	533	5,024	4,803	4,028	22,401	11,090	9,020
30-May	479,442	504	3,852	165,553	6,115	3,348	3,639	33	480	5,150	4,528	3,240	25,091	10,007	6,999
31-May	457,124	382	1,978	152,734	5,662	2,948	2,813	25	430	2,898	5,485	3,111	12,677	8,541	6,824
1-Jun	371,377	377	1,785	127,510	4,824	1,818	2,226	23	459	1,931	2,230	3,283	9,821	938	7,105
2-Jun	382,912	361	4,917	132,788	5,246	2,483	2,417	18	677	4,885	3,440	3,099	3,678	8,498	7,703
3-Jun	482,427	573	4,640	134,154	5,353	2,896	3,061	31	681	5,127	3,886	4,261	20,641	8,582	8,209
4-Jun	485,085	609	3,165	132,364	6,486	1,963	2,874	45	695	5,123	2,631	5,179	15,989	7,978	7,748
5-Jun	457,309	498	2,294	120,529	6,594	2,556	2,598	13	744	4,467	2,817	6,140	18,568	6,953	7,452
6-Jun	394,544	541	2,440	114,460	5,832	2,434	2,660	18	556	4,495	2,671	5,651	17,729	6,038	6,241
7-Jun	376,883	348	1,117	100,636	6,993	2,275	2,078	20	485	2,434	2,419	5,223	11,608	5,070	5,271
8-Jun	314,894	238	1,204	86,498	6,294	1,270	1,490	14	454	1,694	2,662	5,584	15,410	946	5,566
9-Jun	340,715	237	3,254	92,596	7,725	1,894	1,728	9	602	4,163	2,680	5,966	13,739	4,700	6,239
10-Jun	387,971	289	3,187	94,052	8,892	2,198	2,189	4	610	4,105	2,310	7,312	16,551	5,358	5,671
11-Jun	432,372	281	2,440	91,702	8,083	2,078	2,112	13	556	3,999	2,290	7,232	22,053	4,475	6,849
12-Jun	416,095	317	1,911	84,332	7,465	1,892	1,920	9	565	3,916	3,277	7,958	13,304	3,639	5,793
13-Jun	398,683	288	1,489	80,834	9,868	1,722	1,982	18	452	3,935	2,804	7,550	12,354	3,603	5,304
14-Jun	362,618	198	549	70,421	8,189	1,390	1,409	13	399	2,153	3,355	7,319	11,678	2,850	4,949
15-Jun	290,597	206	652	60,471	8,161	907	1,076	25	373	1,501	3,000	7,606	8,197	407	5,419
16-Jun	313,790	156	1,455	62,224	9,944	1,253	1,336	14	545	3,463	2,331	7,587	11,180	1,867	5,150
17-Jun	387,218	190	1,330	67,208	12,624	1,400	1,695	24	540	3,763	3,129	8,808	11,954	2,865	5,738
18-Jun	408,990	198	1,076	62,480	12,990	1,323	1,560	27	507	1,801	3,058	10,809	11,767	2,775	6,440

Source: CEIC

- ✓ The FBM KLCI index is expected to trade within a range of 1,585 to 1,600 points this week. Sentiment will likely be supported by the vaccination progress in the country whereby the number of daily vaccination doses administered remained above 150,000 doses from Tuesday to Saturday, giving hope that 80.0% of Malaysia's population will be vaccinated by the end of 2021.
- ✓ At the same time, investors will continue to reevaluate shares of banks, energy firms and other companies that tend to be sensitive to the economy's fluctuations which have tumbled following the Fed's meeting on last Wednesday, when the Fed surprised investors by anticipating two quarter-percentage-point rate increases in 2023 amid a recent surge in inflation.
- ✓ With regard to economic data, Malaysia will be releasing data **on inflation for the month of May** which may continue to rise on a year-on-year basis due to a low base effect from last year. Other events on investors' radar would be **policy meetings of central banks of Thailand and the Philippines** which are likely to continue with their accommodative stance given the uneven path of recovery from the Covid-19 pandemic.
- ✓ Overall, the situation in Malaysia appears to be improving as seen by the utilisation rate of intensive care unit (ICU) beds at hospitals which has dropped to 94.0% as at 15 June 2021 compared to a record high of 108.0% on 2 June 2021. Notwithstanding this, the Delta variant of Covid-19 is becoming globally dominant as the said variant is 40.0% more transmissible than the Alpha variant. Furthermore, the Alpha variant itself is 50.0% more infectious than the original Covid-19 strain. Based on latest available data, there have been 4 cases in Malaysia relating to the Delta variant recorded in Putrajaya and Kuala Lumpur.
- ✓ Therefore, investors must continuously assess their exposure to defensive and cyclical stocks to ensure that diversification effects are maximized in the wake of the uneven situation that is highly volatile.

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An aerial photograph of a city skyline at sunset, with a prominent pink bar at the bottom. The sky is filled with soft, golden light and scattered clouds. The city features numerous high-rise buildings, with a particularly tall, slender skyscraper on the left. A highway with traffic is visible in the foreground, winding through the city. The overall mood is warm and serene.

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