



From the Desk
of the
Chief Economist

BANK ISLAM

WEEKLY MARKET UPDATES

21 SEPTEMBER 2020

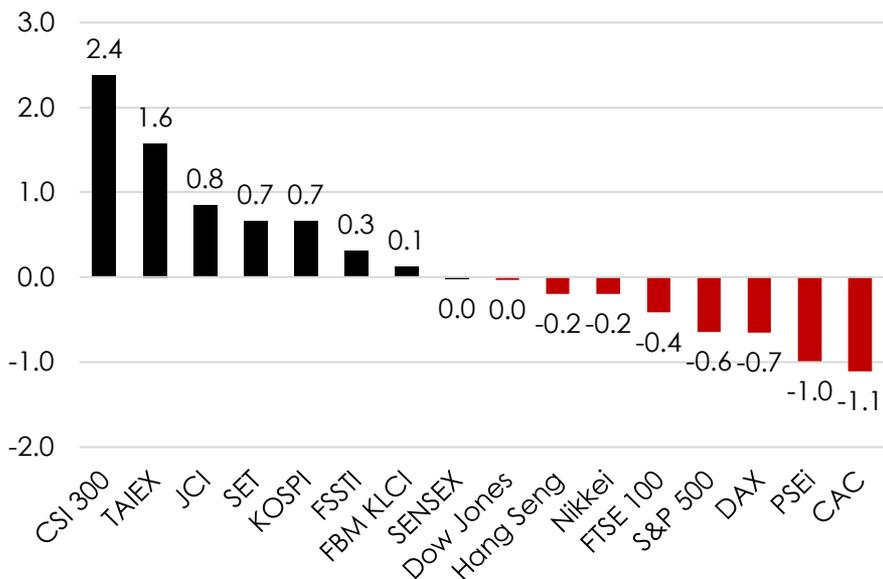
ECONOMIC RESEARCH

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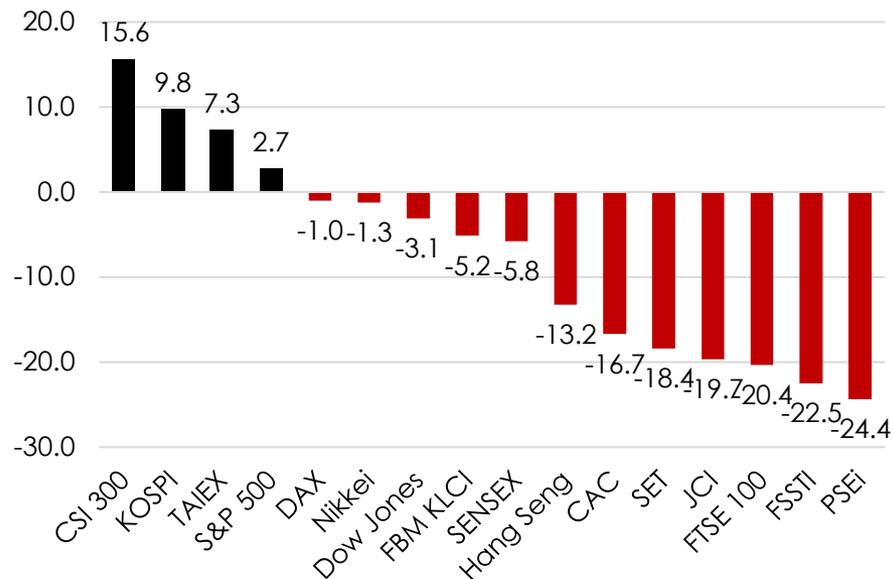
WEEKLY MARKET PERFORMANCE

- ✓ Majority of equity markets worldwide ended mixed last week. Laggards were led by France's CAC which was lower by 1.1% for the week as jitters were caused by a surge in Covid-19 cases especially on Thursday where number of cases rose by more than 10,000 to the highest since the end of the lockdown in May 2020.
- ✓ Meanwhile, China's CSI 300 index ended a period of calm by jumping 2.4% for the week, the most in three weeks before the FTSE Russell rebalances its indexes of the country's shares on 21 September 2020. Aside from that, economic data from China signaled that the recovery is gaining some traction amid gains in industrial production and retail sales which rose 5.6% and 0.5% from a year earlier, respectively despite ongoing tensions with the US.
- ✓ As for the local bourse, the FBM KLCI was not just the smallest laggard on a weekly basis among ASEAN peers but also remained as the smallest decliner on a Year-To-Date (YTD) basis.

Weekly Gain of Major Equity Markets (%)
(Week Ended 18 September)



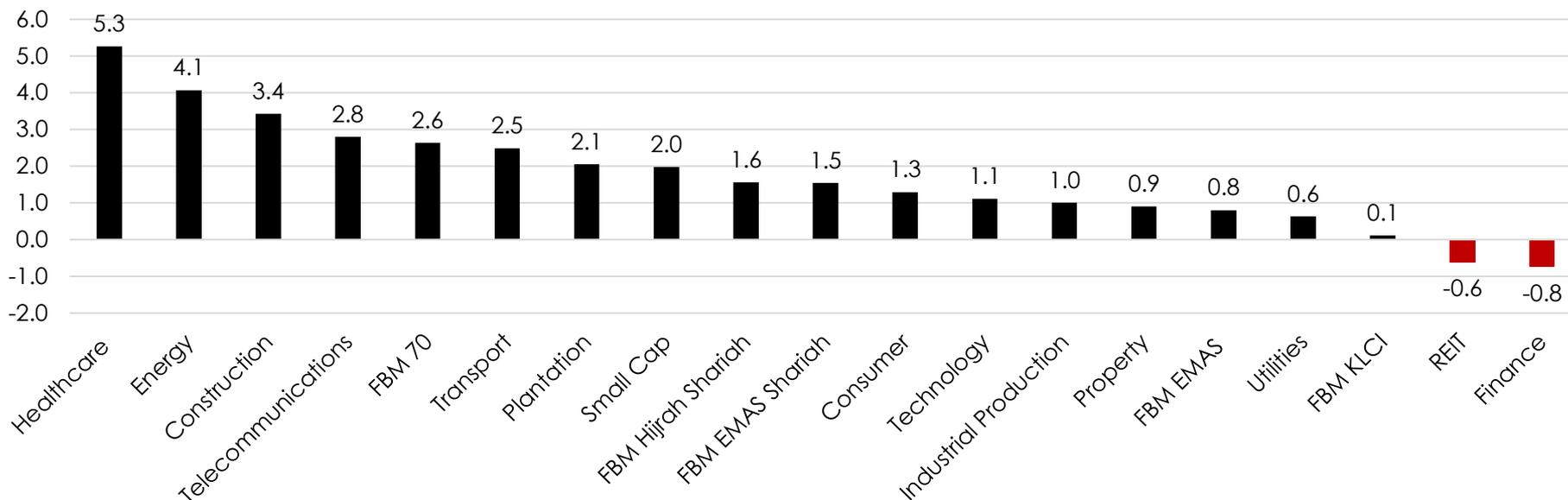
YTD Gain Of Major Equity Markets (%)
(As at 18 September)



WEEKLY SECTORAL PERFORMANCE

- ✓ The Bursa Malaysia Healthcare index was the biggest gainer last week with a 5.3% weekly advance. The weekly gain for the sector was partly due to the Top Glove's best ever quarterly net profit of RM1.29 billion for 4QFY2020. Apart from that, AstraZeneca (AZN) disclosed it has resumed British clinical trials of its Covid-19 vaccine, suspended after a test-patient fell ill. Meanwhile, China state news outlets also reported that "hundreds of thousands" of mainland residents have been given effective COVID-19 vaccines, without related adverse effects.
- ✓ On the other hand, the Bursa Malaysia Finance Index led laggards, recording an 0.8% weekly loss. This was largely due to some profit taking activity after the index reached a two-week high on last Tuesday at 12,826.4 points. Tuesday's rally was partially attributable to the Overnight Policy Rate (OPR) being maintained at 1.75% by Bank Negara Malaysia (BNM).

Bursa Malaysia Sectoral Weekly Performance (%)

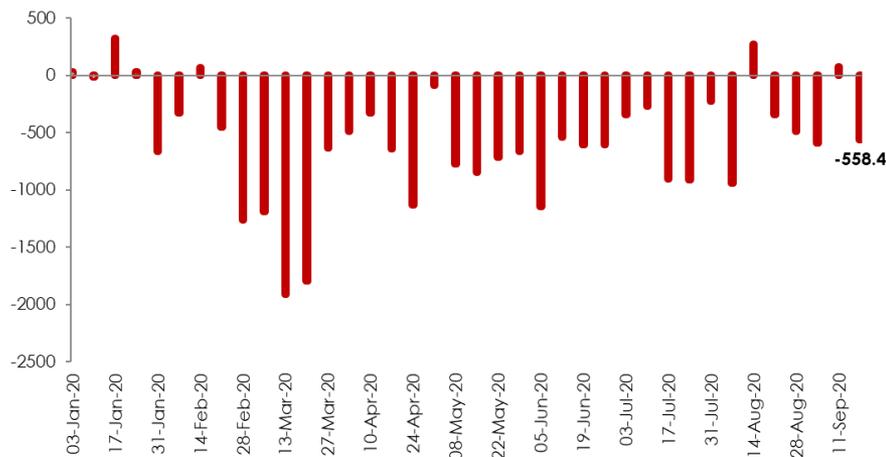


Sources: Bloomberg

WEEKLY FOREIGN FUND FLOW

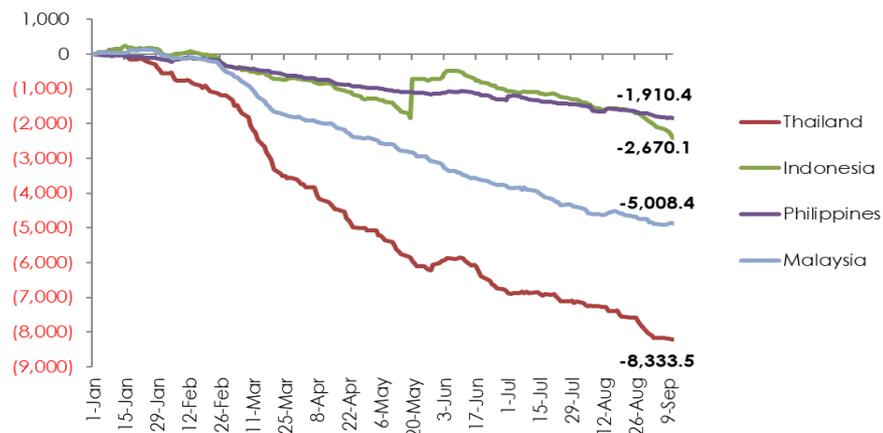
- ✓ From Monday to Friday, foreign funds have sold RM558.4 million net of local equities on Bursa compared to RM71.2 million net acquired during the whole of the previous week.
- ✓ International investors began the week by withdrawing RM187.9 million net of local equities on Monday. Foreign net selling activity then inched higher to RM223.0 million on Tuesday ahead of the Malaysia Day public holiday. This was even after Beijing released its August industrial output and retail sales figures which rose 5.6% and 0.5% from a year earlier respectively. As Bursa reopened from the public holiday on Thursday, the foreign net selling slowed down to RM84.6 million net after the US Federal Reserve said it would keep interest rates low. The momentum of foreign net selling further decelerated to RM63.0 million on Friday tracking the positive data from the US labour market which showed that jobless claims dropped by 33,000 to 860,000 in the preceding week.
- ✓ On a YTD basis, foreign funds have taken out RM21.41 billion net of local equities, exceeding the RM19.49 billion foreign net outflow in 2015. In comparison with Asian peers namely South Korea, Taiwan, Thailand, Indonesia and the Philippines, Malaysia has the third smallest foreign net outflow on a YTD basis.

Weekly Foreign Fund Flow in Malaysia (RM Million)



Sources: Bloomberg

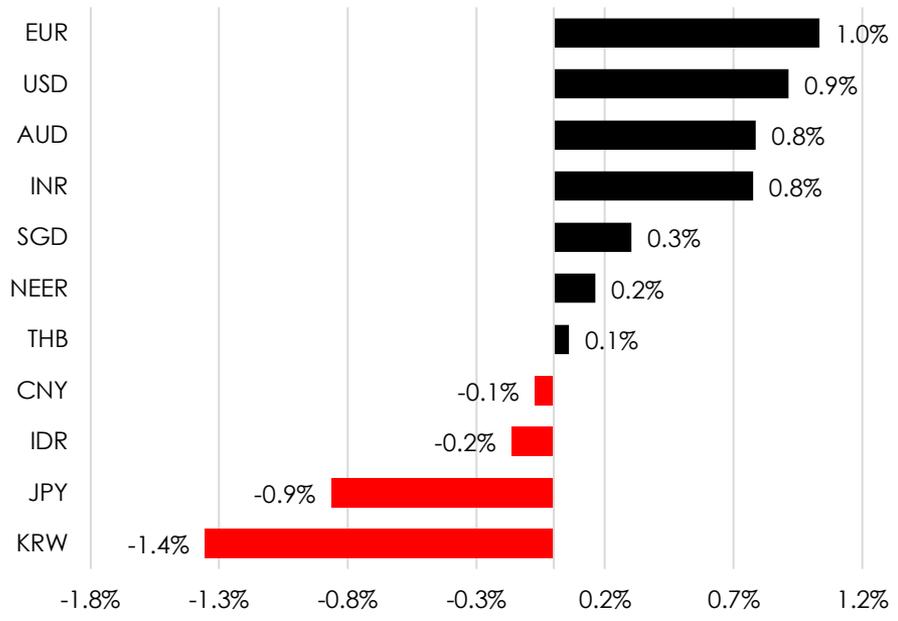
YTD Regional Foreign Fund Flow (USD Million)



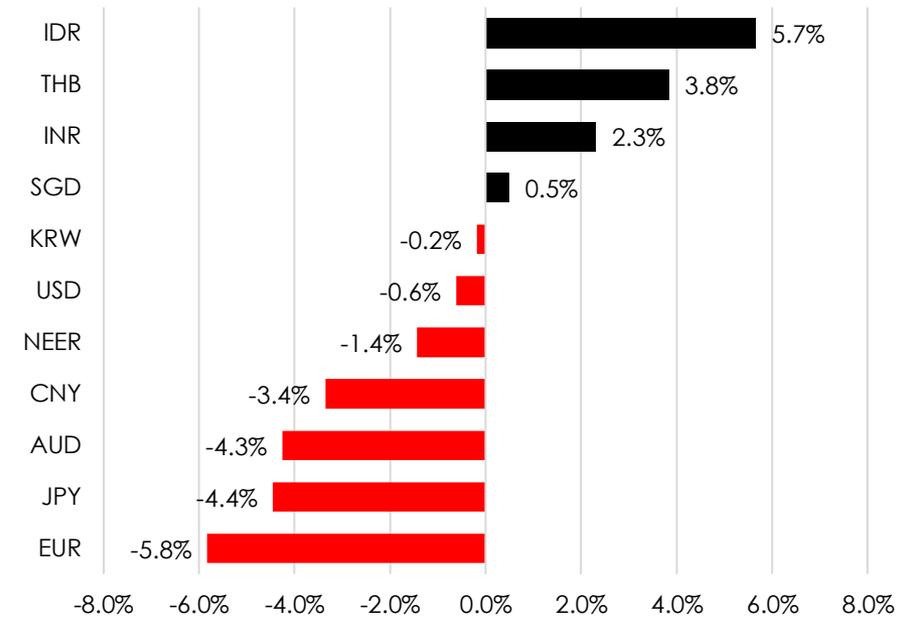
WEEKLY PERFORMANCE

- ✓ The Ringgit traded steadily firmer against a weaker USD, closing at RM4.115 on Friday last week from RM4.152 on 11 September.
- ✓ Meanwhile, the greenback has weakened as the Federal Fund Rate (FFR) is expected at zero-bound for the next few years.

USDMYR (Week Ended 18 September)



YTD Gain (As at 18 September)



Sources: Bloomberg

GOVERNMENT AND CORPORATE BONDS

- ✓ The total trading value of 10 most actively traded issues increased (lower trading breadth) to 63.3% compared to 60.9% of the overall Government Bonds trades in the week before. In absolute terms, the total trading value for 10 most actively traded Government Bonds increased by 2.5% to RM9.8 billion from RM9.5 billion in the preceding week. In addition, 8 out of the 10 most actively traded bonds saw higher yields hence lower prices during the review week.
- ✓ Meanwhile, the total trading value for Corporate Bonds (Conventional & Sukuk) dropped to RM1.7 billion in the review week compared to RM3.3 billion in earlier week. The total trading value of 10 most actively traded issues meanwhile declined (higher trading breadth) to 25.7% compared to 28.7% of the overall Corporate Bonds trades in the week before. Aside from that, 9 out of the 10 most actively traded corporate bonds saw higher yields, hence lower prices during the review week.

Malaysian Government Bonds

| Name | Coupon | Maturity | 11-Sep | 18-Sep | Change | Weekly Trading Value (RM Million) |
|--------------------------------------|--------|----------|--------|--------|-------------------|--------------------------------------|
| | | | Yield | Yield | (Weekly % change) | |
| Malaysia Government Securities | 3.659 | 10/15/20 | 1.739 | 1.720 | -1.9 | 2,957.7 |
| Malaysia Investment Issue | 4.638 | 11/15/49 | 3.650 | 4.134 | 48.4 | 1,735.7 |
| Malaysia Government Securities | 3.828 | 07/05/34 | 3.093 | 3.110 | 1.7 | 1,267.5 |
| Malaysia Government Securities | 4.160 | 07/15/21 | 1.710 | 1.730 | 2.0 | 666.8 |
| Malaysia Government Securities | 3.882 | 03/10/22 | 1.867 | 1.848 | -1.9 | 592.3 |
| Malaysia Government Securities | 3.885 | 08/15/29 | 2.618 | 2.666 | 4.8 | 578.8 |
| Malaysia Government Securities | 3.502 | 05/31/27 | 2.429 | 2.474 | 4.5 | 573.1 |
| Malaysia Government Securities | 3.441 | 02/15/21 | 1.470 | 1.679 | 20.9 | 497.5 |
| Malaysia Government Securities | 3.480 | 03/15/23 | 1.916 | 1.946 | 3.0 | 483.0 |
| Malaysia Investment Issue | 3.151 | 05/15/23 | 1.951 | 1.985 | 3.4 | 428.8 |
| Total Trading Value (Top 10) | | | | | | 9,781.2 |
| Total Trading Value (Overall) | | | | | | 15,453.2 |

Malaysian Corporate Bonds

| Name | Coupon | Maturity | 11-Sep | 18-Sep | Change | Weekly Trading Value (RM Million) |
|--------------------------------------|--------|----------|--------|--------|-------------------|--------------------------------------|
| | | | Yield | Yield | (Weekly % change) | |
| Danainfra Nasional | 3.530 | 11/27/26 | 2.349 | 2.427 | 7.8 | 100.0 |
| Telekom Malaysia | 4.200 | 09/13/21 | 2.119 | 2.133 | 1.4 | 60.0 |
| Digi Telecommunications | 3.600 | 09/20/29 | 2.813 | 3.030 | 21.7 | 50.0 |
| MaLAYAN Banking | 4.130 | PERP | 3.278 | 3.286 | 0.8 | 40.0 |
| Prasarana Malaysia | 4.150 | 08/04/21 | 1.820 | 1.869 | 4.9 | 35.0 |
| Putrajaya Holdings | 4.400 | 04/11/25 | 2.557 | 2.625 | 6.8 | 30.0 |
| UMW Holdings | 6.350 | PERP | 4.166 | 4.209 | 4.3 | 30.0 |
| Pengurusan Air SPV | 4.150 | 02/06/26 | 2.359 | 2.337 | -2.2 | 30.0 |
| UEM Sunrise | 5.000 | 05/19/23 | 3.498 | 3.550 | 5.2 | 25.0 |
| MaLAYAN Banking | 4.900 | 10/17/25 | 2.250 | 2.250 | 0.0 | 25.0 |
| Total Trading Value (Top 10) | | | | | | 425.0 |
| Total Trading Value (Overall) | | | | | | 1,655.5 |

Sources: Bloomberg

| RM Million | | | | | | | | |
|------------|----------|-----------|-------------|---------|-------|----------|--------------|---------|
| Year | Total | BNM Bills | BNNN/BNMN-I | Tbills | MITB | MGS | PDS & Others | GII |
| 2009 | 22,304 | 7,114 | 644 | 432 | 25 | 12,035 | 2,032 | 21 |
| 2010 | 51,742 | 19,337 | 363 | 19 | (60) | 32,777 | (847) | 153 |
| 2011 | 43,511 | 13,440 | (70) | 258 | (23) | 28,770 | (4,232) | 253 |
| 2012 | 60,928 | 30,768 | 3,447 | (288) | (67) | 27,164 | (800) | 1,331 |
| 2013 | 8,031 | (17,048) | 15,155 | 333 | 110 | 7,407 | 166 | 1,409 |
| 2014 | (8,313) | (7,601) | (9,127) | (878) | (88) | 8,207 | (1,764) | 1,857 |
| 2015 | (11,270) | (26,006) | (10,872) | 2,495 | 534 | 16,834 | (425) | 6,480 |
| 2016 | 825 | (15,557) | (79) | (1,107) | (452) | 6,334 | 1,000 | 9,899 |
| 2017 | (7,975) | (3,724) | - | 753 | 802 | (4,041) | 922 | (3,032) |
| 2018 | (21,865) | 650 | - | 325 | 76 | (18,287) | (2,517) | (2,603) |
| 2019 | 19,852 | - | - | (1,930) | (291) | 17,735 | 327 | 5,202 |
| 8M2020 | 4,292 | (1,000) | - | 1,952 | 758 | 3,915 | (1,311) | (584) |

Source: CEIC

- ✓ The foreign investor continued to be the net buyer, recording net inflows of RM3.0 billion in August (July: RM7.1 billion).
- ✓ On a cumulative basis, the net inflows stood at RM4.3 billion in 8M2020 as opposed to RM3.4 billion in the same period last year.
- ✓ As for yields, the 3-Y, 5-Y and 10-Y MGS yielded higher to close at 1.93% (11 September: 1.92%), 2.17% (11 September: 2.14%) and 2.66% (11 September: 2.62%) on 18 September, following the BNM decision to stay pat on the OPR at 1.75%.

BRENT

- ✓ Brent crude oil price recorded a 8.3% weekly increase to settle at USD43.15 per barrel last Friday after Goldman Sachs predicted a market deficit of 3 million barrels per day (mbpd) by 4Q2020 and reiterated its target for Brent to reach USD49 by the end of the year and USD65 by 3Q2021.
- ✓ Apart from that, concerns of further supply disruptions as a new storm builds in the US Gulf of Mexico, coupled with a fall in the US stockpiles (Energy Information Administration: -4.4 mb as at 11 September) and the prospect of the Organization of the Petroleum Exporting Countries Plus (OPEC+) meeting in October have also supported prices.
- ✓ Saudi Arabia pledged full compliance with the production cuts agreed earlier, putting pressure on the alliance's quota violators to extend the compensation period from September until the end of December.

Brent Crude in USD per barrel



Source: Bloomberg

US Crude Oil Inventory, '000 barrel - EIA



| Date | Global | China | Germany | India | Indonesia | Italy | Japan | Singapore | South Korea | Spain | Thailand | United Kingdom | United States | France | Malaysia |
|-----------|---------|-------|---------|--------|-----------|-------|-------|-----------|-------------|--------|----------|----------------|---------------|--------|----------|
| 1/9/2020 | 214,960 | 19 | 1,218 | 69,921 | 2,743 | 996 | 527 | 41 | 235 | 5,023 | 5 | 1,406 | 37,068 | 2,998 | 14 |
| 2/9/2020 | 253,937 | 20 | 1,256 | 78,357 | 2,775 | 975 | 609 | 40 | 267 | 6,444 | 8 | 1,295 | 31,808 | 4,765 | 6 |
| 3/9/2020 | 282,150 | 20 | 1,311 | 83,883 | 3,075 | 1,326 | 598 | 8 | 195 | 10,059 | 2 | 1,508 | 42,662 | 6,748 | 14 |
| 4/9/2020 | 287,496 | 33 | 1,453 | 83,341 | 3,622 | 1,397 | 669 | 48 | 198 | 10,088 | 4 | 1,735 | 39,402 | 6,799 | 11 |
| 5/9/2020 | 295,282 | 23 | 1,378 | 86,432 | 3,269 | 1,732 | 608 | 40 | 168 | 10,232 | 7 | 1,940 | 44,563 | 8,860 | 6 |
| 6/9/2020 | 309,447 | 19 | 988 | 90,632 | 3,128 | 1,694 | 543 | 34 | 167 | 12,281 | 6 | 1,813 | 49,131 | 8,390 | 6 |
| 7/9/2020 | 267,264 | 34 | 814 | 90,802 | 3,444 | 1,296 | 437 | 40 | 119 | 7,435 | 1 | 2,988 | 45,350 | 6,961 | 62 |
| 8/9/2020 | 220,491 | 22 | 1,499 | 75,809 | 2,880 | 1,150 | 378 | 22 | 136 | 5,119 | 1 | 2,948 | 33,486 | 4,111 | 100 |
| 9/9/2020 | 227,421 | 9 | 1,176 | 89,706 | 3,046 | 1,369 | 492 | 47 | 156 | 6,801 | 1 | 2,460 | 26,015 | 5,519 | 24 |
| 10/9/2020 | 257,804 | 13 | 1,892 | 95,735 | 3,307 | 1,700 | 495 | 75 | 155 | 11,253 | 7 | 2,659 | 23,204 | 8,294 | 45 |
| 11/9/2020 | 295,027 | 28 | 1,484 | 96,551 | 3,861 | 1,327 | 680 | 63 | 176 | 11,541 | 7 | 2,919 | 31,988 | 9,685 | 182 |
| 12/9/2020 | 302,958 | 20 | 1,630 | 97,570 | 3,737 | 1,616 | 643 | 86 | 136 | 10,586 | 5 | 3,539 | 37,128 | 9,260 | 58 |
| 13/9/2020 | 306,610 | 23 | 948 | 94,372 | 3,806 | 1,501 | 674 | 42 | 121 | 10,111 | 7 | 3,497 | 45,523 | 9,641 | 47 |
| 14/9/2020 | 276,502 | 29 | 927 | 92,071 | 3,636 | 1,456 | 439 | 49 | 109 | 6,052 | 2 | 3,330 | 40,126 | 7,101 | 31 |
| 15/9/2020 | 240,664 | 23 | 1,407 | 83,809 | 3,141 | 1,008 | 301 | 48 | 106 | 4,749 | 5 | 2,621 | 35,177 | 5,893 | 23 |
| 16/9/2020 | 253,751 | 16 | 1,901 | 90,123 | 3,507 | 1,229 | 490 | 34 | 113 | 3,022 | 10 | 3,103 | 34,111 | 7,720 | 62 |
| 17/9/2020 | 293,961 | 19 | 2,194 | 97,894 | 3,963 | 1,452 | 561 | 26 | 153 | 11,193 | 0 | 3,991 | 34,078 | 9,138 | 21 |
| 18/9/2020 | 316,961 | 44 | 1,916 | 96,424 | 3,635 | 1,583 | 485 | 18 | 126 | 11,291 | 7 | 3,395 | 40,795 | 10,468 | 95 |
| 19/9/2020 | 312,258 | 17 | 2,297 | 93,337 | 3,891 | 1,907 | 579 | 11 | 110 | 14,389 | 3 | 4,322 | 42,618 | 13,084 | 20 |
| 20/9/2020 | 304,800 | 26 | 1,345 | 92,605 | 4,168 | 1,637 | 584 | 15 | 82 | - | 6 | 4,422 | 48,266 | 13,465 | 52 |

Source: CEIC

- ✓ We continue to err on the side of caution in the short term underpinned by local uncertainties of the Sabah state election on 26 September and the dry up in liquidity amid the expiry of the loan repayment moratorium by the end of this month.
- ✓ As for economic data, Malaysia's inflation data for the month of August will be released this Thursday. We expect inflation to record a smaller contraction of 1.0% in August (July: -1.3%) from a year earlier as more economic activities resumed and more Malaysians travelled domestically.
- ✓ On the external front, the review of Malaysia's position in the World Government Bond Index (WGBI) at the end of September is another event that will be on investors' radar. In the event that Malaysia gets excluded from the WGBI, there is a high possibility that total foreign net outflow in the bond market could reach to a tune of up to about RM25.0 billion.
- ✓ Notwithstanding these uncertainties, potential quarter-end window dressing activities may cushion further drops in the local bourse with major supports pegged at 1,490 to 1,500 points while key resistances fall between 1,520 to 1,530 points.

THANK YOU

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