



From the Desk
of the
Chief Economist

BANK ISLAM

WEEKLY MARKET UPDATES

21 DECEMBER 2020

ECONOMIC RESEARCH

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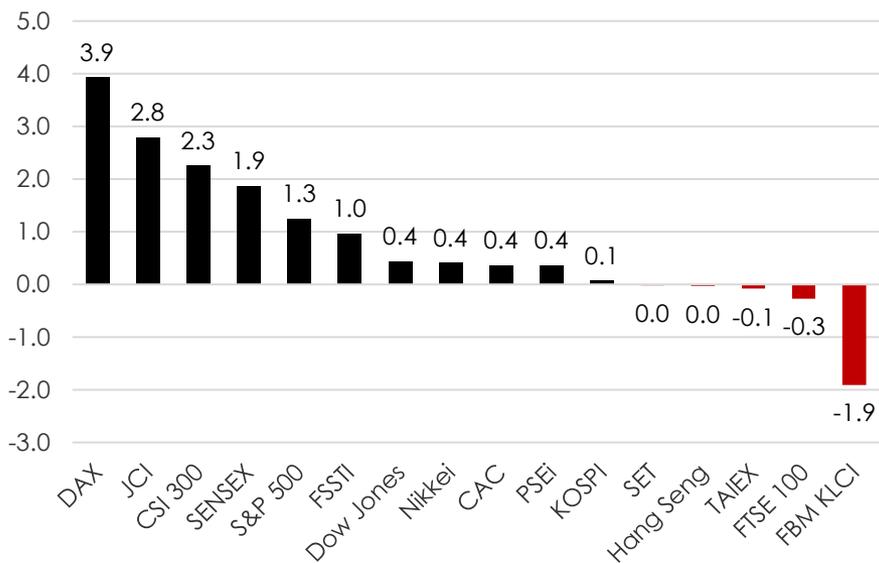
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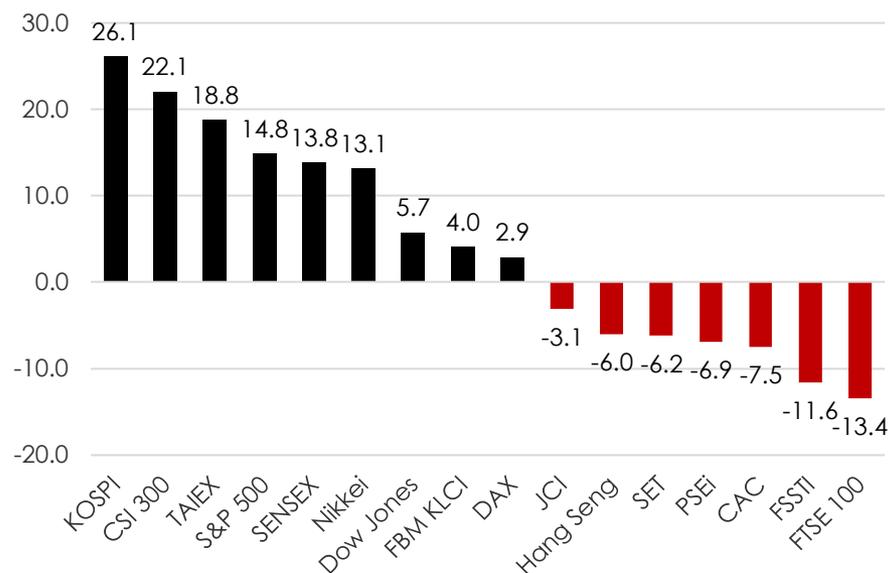
WEEKLY MARKET PERFORMANCE

- ✓ Most equity markets were in the green zone last week. Germany's DAX index led gainers with a weekly advance of 3.9%, following a surprise rise in German business morale as the region gets ready for the mass rollout of Covid-19 vaccines. This outweighed concerns that Britain and the European Union are likely to fail in reaching an agreement for Brexit.
- ✓ Meanwhile, Malaysia's FBM KLCI index emerged as the biggest loser among major global indexes with a 1.9% weekly decline after closing at 1,652.5 points on Friday. The weekly drop in the FBM KLCI index was mainly attributable to Friday's 1.3% drop as investors were locking in gains ahead of the festive season.
- ✓ On a year-to-date (YTD) basis, the FBM KLCI was up 4.0% and remained as the only gainer amongst its ASEAN peers.

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



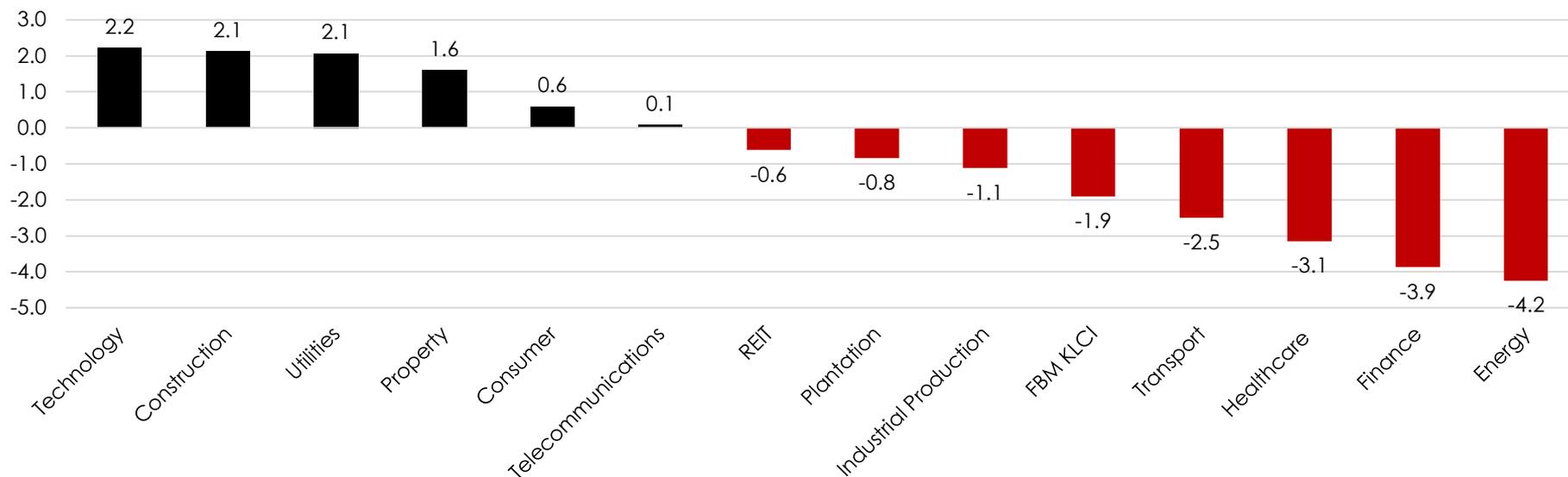
YTD Gain Of Major Equity Markets (%)
(As at 18 December)



WEEKLY SECTORAL PERFORMANCE

- ✓ The Bursa Malaysia Technology index was the biggest gainer last week with a 2.2% weekly advance. Under the Budget 2021, the government has allocated RM500.0 million to ensure internet connectivity of 430 schools nationwide in all states under the National Digital Network (JENDELA). Therefore, the passing of the Budget 2021 last week provided clarity that such initiatives will be under the focus of the government next year and will benefit the technology sector.
- ✓ On the other hand, the Bursa Malaysia Energy Index was the biggest laggard, recording a 4.2% weekly loss. The loss came despite the US government data showing that crude stockpiles fell in the week before and the optimism about a Covid-19 relief package in the US. Nevertheless, there may be a silver lining for the sector as the Organization of the Petroleum Exporting Countries and allies (OPEC+) will react faster to changes and take a more hands-on approach with the help of its accelerated schedule of monthly meetings.

Bursa Malaysia Sectoral Weekly Performance (%)

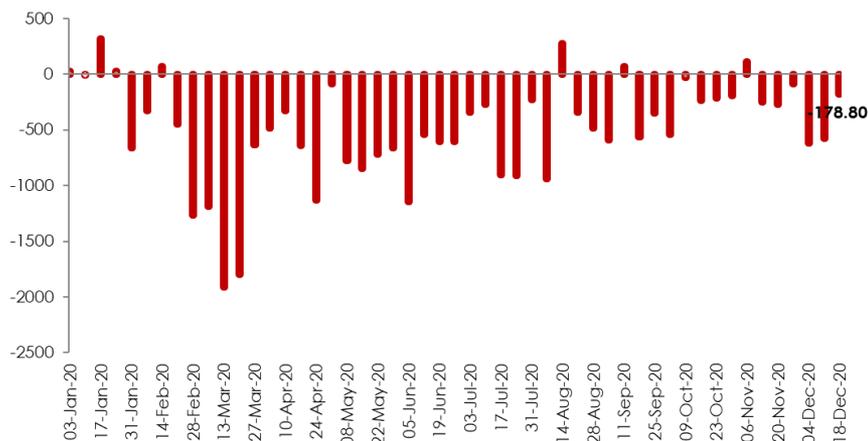


Sources: Bloomberg

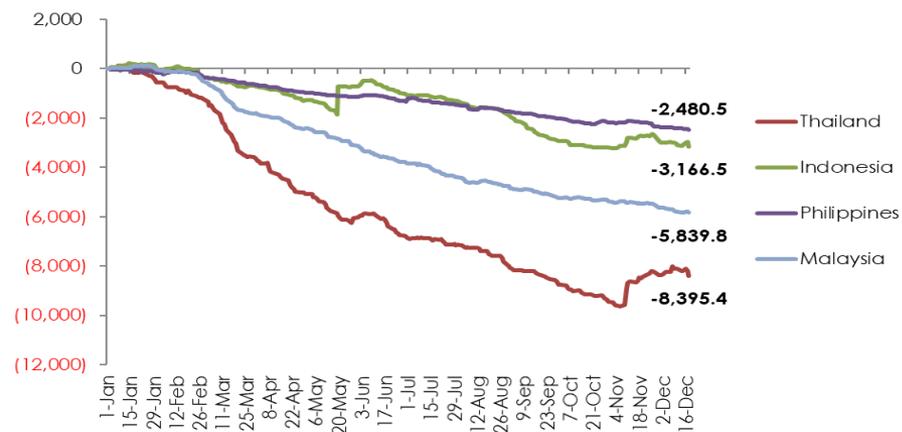
WEEKLY FOREIGN FUND FLOW

- ✓ Foreign investors sold RM178.8 million net of local equities from Monday to Friday last week compared to RM574.3 million withdrawn in the whole of the preceding week.
- ✓ Foreign investors began the week by withdrawing RM81.7 million net of local equities on Monday last week. International funds continued to sell on Tuesday albeit at a slower pace of RM39.0 million net. The slowdown in foreign net selling activity was partly attributable to the approval of the Budget 2021 which signals clarity of upcoming measures for the nation's economy. Offshore investors later made a surprise on Wednesday as they acquired RM142.8 million net of local equities, snapping the eight-day foreign net selling streak seen on Bursa. The level of foreign net buying declined to RM9.6 million on Thursday as the current levels of the FBM KLCI on that day appeared ripe for some profit taking activity which put a lid on foreign net buying activity. Havoc wreaked Bursa on Friday as international investors dumped RM210.5 million net of local equities, dragging the FBM KLCI index by 1.3% to settle at 1,652.5 points.
- ✓ On a year-to-date basis, foreign funds have taken out USD5.8 billion net of local equities from Bursa. In comparison with ASEAN peers namely Thailand, Indonesia and the Philippines, Malaysia has the second largest foreign net outflow on a year-to-date basis.

Weekly Foreign Fund Flow in Malaysia (RM Million)



Regional Foreign Fund Flow (RM Million)

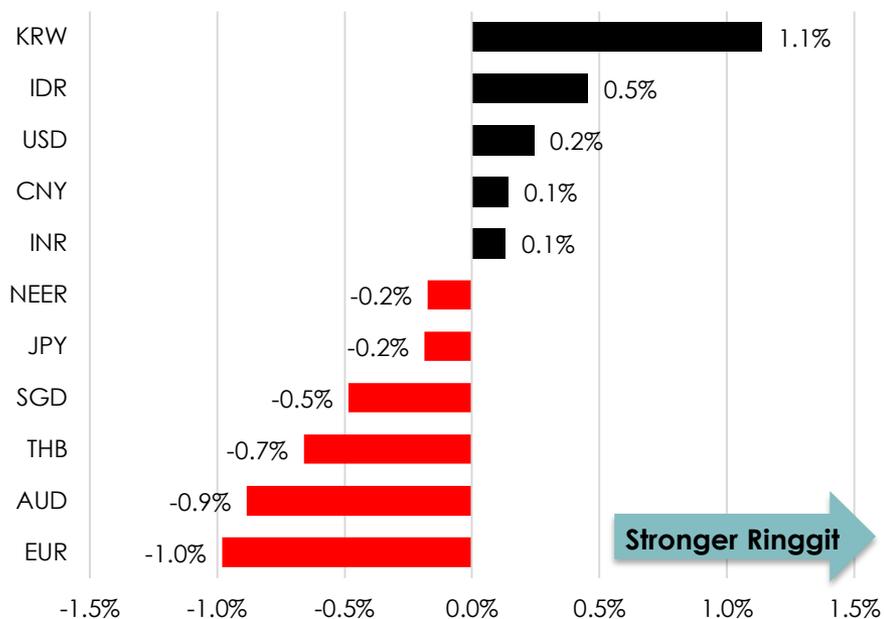


Sources: Bloomberg

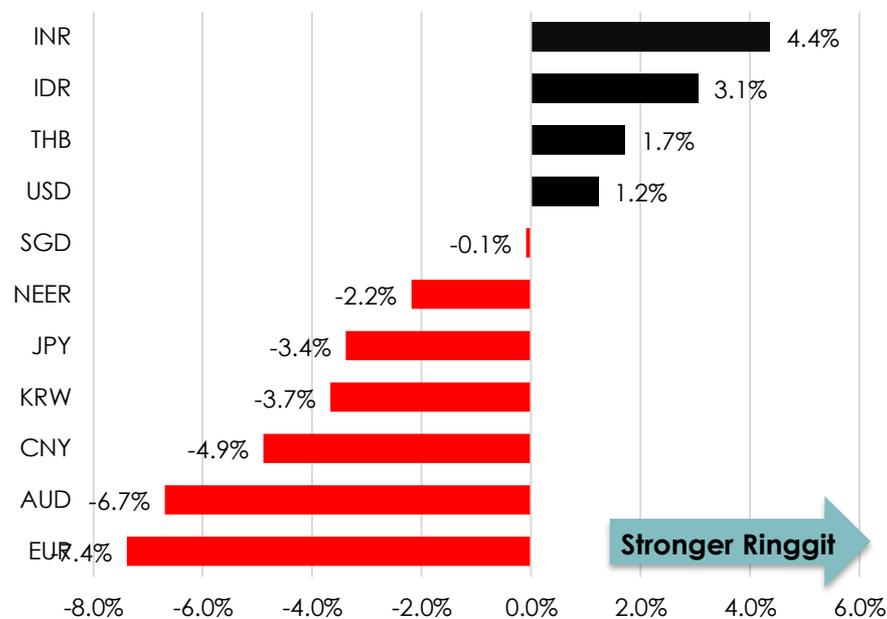
WEEKLY PERFORMANCE

- ✓ The Ringgit gained by 0.2% week-on-week (w-o-w) against US Dollar, closing at RM4.0398 on 18 December from RM4.0495 on 11 December, marking an eighth consecutive weekly gain versus the greenback.
- ✓ This was largely due Covid-19 vaccine rollout that is gathering pace, translating into more risk-taking activities in the market. Market sentiment could get another boost should the European Union approve the Covid-19 vaccine by Pfizer/BioNTech, possibly on Monday.
- ✓ In addition, Brent price is expected to hold up as the OPEC and non-OPEC allies have decided to adjust production by 0.5 million barrel per day (mpbd) from 7.7 mpbd to 7.2 mpbd beginning January next year.
- ✓ In light of this, the Ringgit would remain supportive given the unidirectional causality from Brent crude price to USDMYR.

**W-o-w,%
(Week Ended 18 December)**



**YTD Gain,%
(As at 18 December)**



MGS Yields



Source: CEIC

- ✓ On the local bond market, the 3-Y, 5-Y and 10-Y MGS yields were lower to 1.90% (11 December: 1.92%), 2.12% (11 December: 2.15%) and 2.69% (11 December: 2.74%) on last Friday as risk-off sentiment continued to prevail in the local bond space.
- ✓ All in all, the Ringgit-denominated bonds' yields are likely to remain low following a fast-spreading new strain of Covid-19 in the EU which has forced the government to drop plans to ease restrictions for Christmas.
- ✓ In addition, the US Fed signals the Federal Funds Rate (FFR) would be kept low through 2023 given that economic activities are still well below pre Covid-19 pandemic.
- ✓ Therefore, an effective Covid-19 vaccine for the mass market will remain as the main key to economic recovery next year.

BRENT

- ✓ Brent crude oil price recorded a 4.6% weekly increase to settle at a nine-month high of USD52.26 per barrel last Friday (11 December: USD49.97 per barrel). This marks the seven straight weeks of gains as investors focused on the rollout of Covid-19 vaccines and a decline last week in the US dollar.
- ✓ On the supply side, the US Energy Information Administration (EIA) reported an increase in the US crude inventories. The EIA data showed crude stocks dropped by 3.2 million barrels to 500.1 million barrels in the week ended 11 December from 503.2 million previously. As such, this suggests that oversupply concerns may fade away in the immediate term.
- ✓ Looking ahead, the OPEC+ will be supporting the market by slowing the pace of a planned increase in supplies next year. The OPEC+ plans to add 500,000 barrels per day of supply in January and will meet in early January to decide on next steps.

Brent Crude in USD per barrel



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
01/12/2020	491,196	112	13,604	31,118	4,617	16,376	1,934	5	451	3,260	21	12,330	151,674	3,794	869
02/12/2020	525,887	91	17,270	36,604	5,092	19,347	1,692	10	511	7,097	10	13,429	151,204	7,999	19
03/12/2020	626,287	129	22,046	35,551	5,533	20,709	2,441	2	540	9,200	18	16,170	177,976	13,938	919
04/12/2020	663,756	108	23,448	36,595	8,369	23,219	2,405	9	629	8,529	13	14,878	195,769	12,661	1,141
05/12/2020	681,039	133	23,318	36,652	5,803	24,110	2,442	3	583	7,837	14	16,298	218,671	11,107	1,123
06/12/2020	652,247	122	17,767	36,011	6,027	21,052	2,424	13	631	8,116	19	15,539	213,127	12,850	1,335
07/12/2020	591,117	133	12,332	32,981	6,089	18,887	1,969	5	615	4,773	14	17,271	205,837	11,022	1,600
08/12/2020	506,503	90	14,055	26,567	5,754	13,679	1,862	13	585	3,123	21	14,718	173,388	3,103	1,012
09/12/2020	559,249	117	20,815	32,080	5,292	14,837	1,911	12	670	4,978	19	12,281	185,473	13,713	959
10/12/2020	656,170	118	23,679	31,521	6,058	12,755	2,733	6	681	3,862	25	16,578	216,360	14,084	2,234
11/12/2020	697,029	131	29,875	29,398	6,033	16,998	2,969	6	689	8,072	18	20,964	230,852	13,673	1,810
12/12/2020	669,561	100	28,438	30,006	6,310	18,726	2,757	8	950	10,279	11	21,672	201,681	13,276	1,937
13/12/2020	682,706	101	20,200	30,254	6,388	19,902	2,988	8	1,030	10,779	12	21,501	243,209	13,902	1,229
14/12/2020	595,937	114	16,362	27,071	6,189	17,937	2,366	7	718	6,198	17	18,447	212,577	11,533	1,371
15/12/2020	507,183	103	14,432	22,065	5,489	12,025	2,217	5	880	3,986	28	20,263	180,420	2,590	1,772
16/12/2020	597,201	112	27,728	26,382	6,120	14,839	2,172	16	1,075	9,041	9	18,450	204,281	11,481	1,295
17/12/2020	652,014	96	26,923	24,010	6,725	17,568	3,061	12	1,014	10,963	15	25,161	201,468	17,441	1,220
18/12/2020	731,264	116	33,777	22,890	7,354	18,233	3,035	24	1,064	9,036	20	35,383	235,805	18,025	1,683
19/12/2020	702,314	89	31,300	25,152	6,689	15,401	2,893	9	1,051	5,671	16	28,507	229,915	15,440	1,153
20/12/2020	795,942	136	22,771	26,624	7,751	16,305	2,849	17	1,097	0	34	27,052	402,270	17,326	1,340

Source: CEIC

- ✓ The bulls on Bursa may continue to control as long as the benchmark is able to maintain its posture near the 1,640 uptrend line support. Perhaps Bursa's current level after dropping by more than 1.0% last Friday may prompt some bottom-fishing activities among investors.
- ✓ Probably the only headwind from the domestic front would be the announcement to uplift the temporary suspension of regulated short selling on 1 January 2021 which may create some volatility in the market.
- ✓ On the global front, the approval of Moderna's Covid-19 vaccine for emergency use by the US Food and Drug Administration (FDA) will spur optimism in Bursa this week.
- ✓ Aside from that, the US Congress reached a deal on Sunday for a USD900.0 billion Covid-19 relief package after months of failed negotiations. The stimulus package will send new federal assistance to households, small businesses and health-care providers for the first time in months.
- ✓ Be that is may, the new variant of the Covid-19 identified in the UK which can spread more easily between people could lead to more lockdown measures. This is in addition to the existing concerns surrounding the Brexit talks with no agreement in sight. As such, these matters will likely put a lid on any rally in the markets.
- ✓ All in all, risk-on sentiment in the equity market is expected to be boosted in the earlier part of the week due to the aforementioned US stimulus news before investors decide to shift towards safe haven assets such as bonds later in the week before the festive season kicks in.

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