



From the Desk
of the
Chief Economist

BANK ISLAM

WEEKLY MARKET UPDATES

22 FEBRUARY 2021

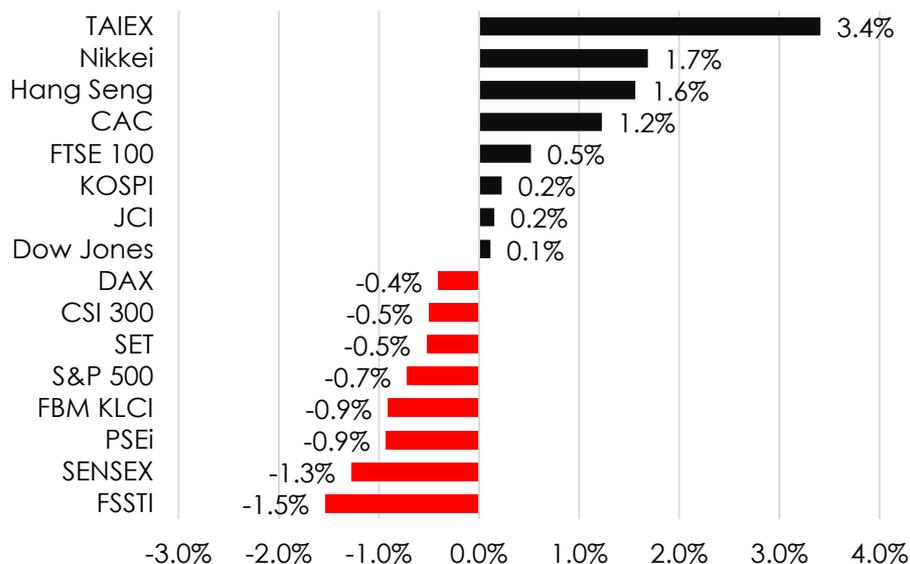
ECONOMIC RESEARCH

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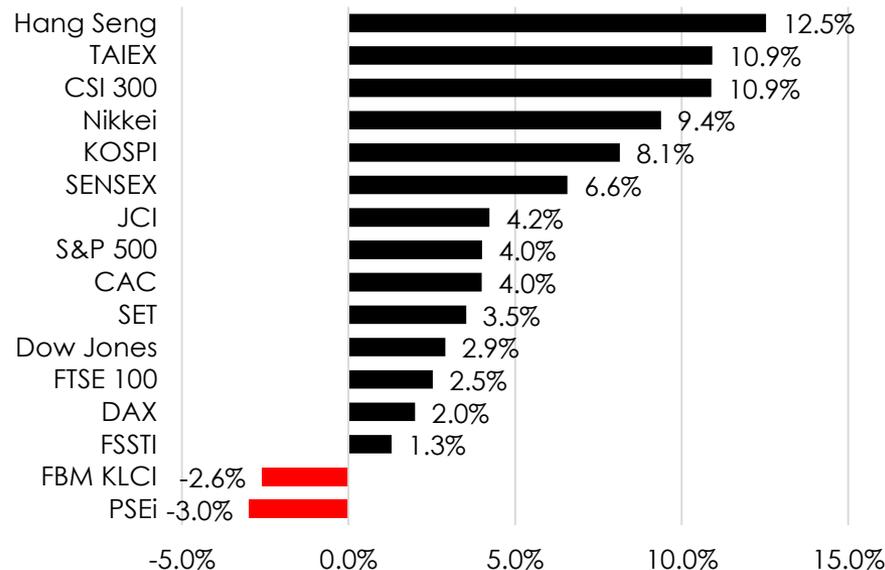
WEEKLY MARKET PERFORMANCE

- ✓ The number of gainers and losers amongst major equity markets worldwide were equal last week. Taiwan's TAIEX led gainer with a 3.4% w-o-w increase. The gain was underpinned by semiconductor related stocks such as Taiwan Semiconductor Manufacturing Co. (TSMC) which recorded higher price last week (19 February: TWD652.0 per share vs. 5 February: TWD632.0 per share) as the company plans to send around 1,000 additional staffs to Tainan plant to boost production amid sturdy demand for chips across the globe.
- ✓ Nonetheless, Singapore's FSSTI was the biggest loser during the week with a 1.5% decline, followed by India's SENSEX which saw a 1.3% drop.
- ✓ On Year-To-Date (YTD) basis, the FBM KLCI index recorded 2.6% decline weighed by prolonged MCO that have restricted business operations.

Weekly Gain/Loss of Major Equity Markets (%) (Week Ended 19 February)



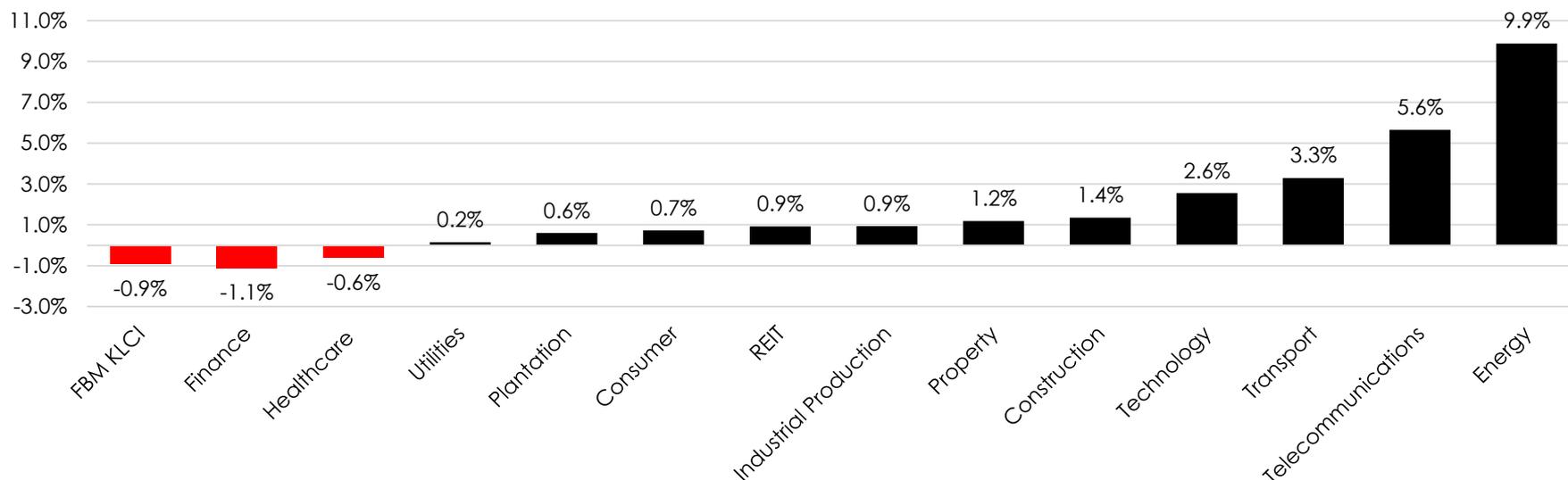
YTD Gain/Loss Of Major Equity Markets (%) (As at 19 February)



WEEKLY SECTORAL PERFORMANCE

- ✓ The Bursa Malaysia Energy index was the biggest gainer last week with a 9.9% weekly advance in light of steady Brent price which recorded 0.8% increase (19 February 2021: USD62.91 per barrel) in the wake of lower US crude stocks coupled with promising vaccination results that raise prospects for swifter global economic recovery.
- ✓ The gain was followed by Telecommunications index which saw a 5.6% advance amid market's positive reaction towards the Digital Economy Blueprint launched on last Friday. On top of that, the deployment of 5G infrastructure by the government definitively has added support to the telco sector.
- ✓ On the other hand, the Bursa Malaysia Finance index and Healthcare Index were the two largest decliners with 1.1% and 0.6% weekly fall. The Healthcare sector face challenges with the arrival of Covid-19 vaccine as retail investors could no longer sustain the buying momentum of the respective stocks.

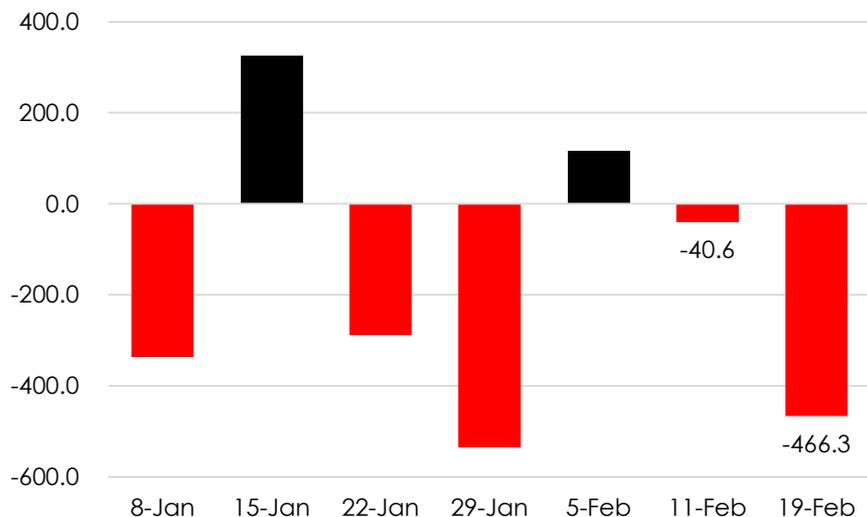
Bursa Malaysia Sectoral Weekly Performance (%)



WEEKLY FOREIGN FUND FLOW

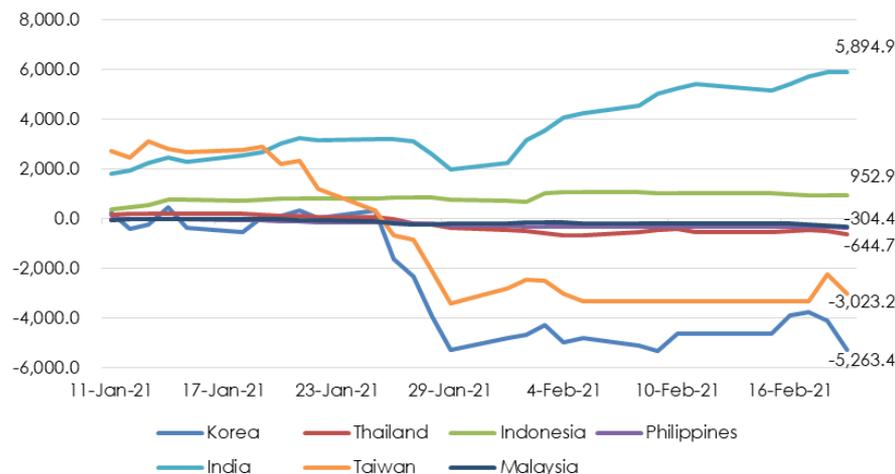
- ✓ Foreign investors disposed RM466.3 million net of local equities during week ended 19 February compared to the -RM40.6 million in the preceding week.
- ✓ Bursa started the week on the positive note as international investors bought RM2.6 million net of local equities on Monday. However, the foreign investors have been selling the equities started on Tuesday, amounting RM66.0 million with highest net outflows seen on Thursday at RM190.0 million.
- ✓ On a cumulative basis, international investors have sold RM1.2 billion net (or USD304.4 million net) of local equities from Bursa. Amongst the seven Asian markets that we monitor, Malaysia has the smallest YTD foreign net outflows compared to Korea's foreign outflows of USD5.3 billion.

Weekly Foreign Fund Flow in Malaysia (RM Million)



Source: Bloomberg

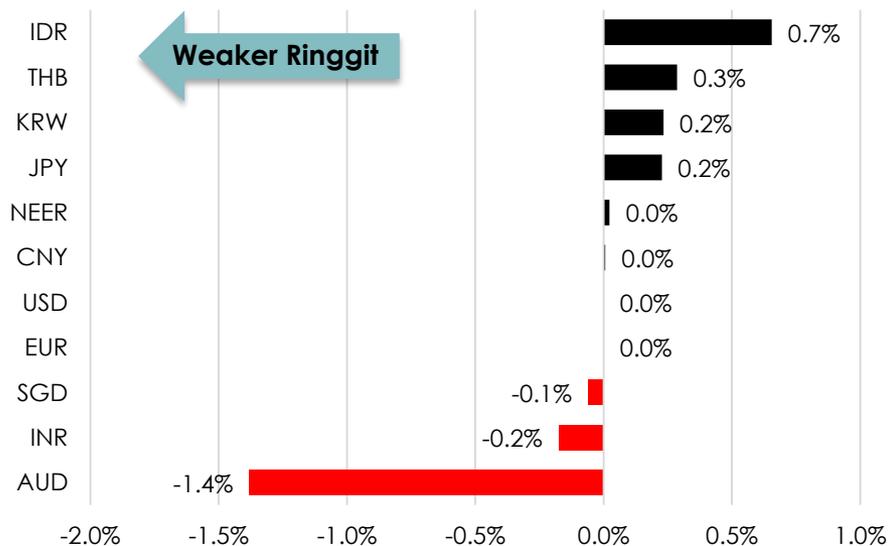
YTD Regional Foreign Fund Flow (USD Million)



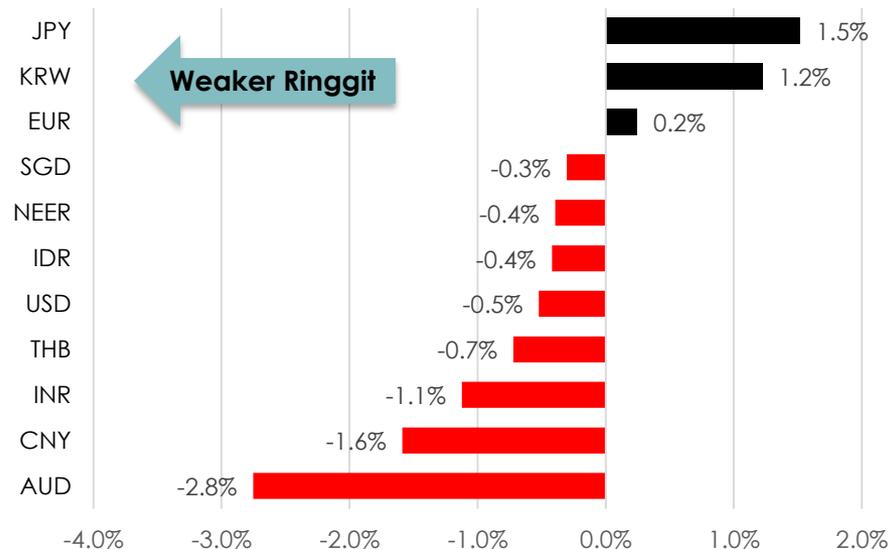
WEEKLY PERFORMANCE

- ✓ The Ringgit was traded higher against US Dollar to close at RM4.0422 on 19 February from RM4.0413 on 11 February. The stronger Ringgit was underpinned by firm oil price last week (0.8% w-o-w to close at USD62.91 per barrel) with the oil production is abating amid winter freeze in Texas.
- ✓ Turning to the US greenback, it was lower during the reviewed week in light of weak US employment report as reflected in US Initial Jobless Claim (IJC) which has increased for two straight week (861k in the week ended 13 February 2021 vs. 848k in the previous week), suggesting the US labour market is a long way from a recovery.
- ✓ Looking forward, the Ringgit is likely to trade higher against the USD this week at between RM4.04 and RM4.00 as oil price climb and Covid-19 related measures were eased coupled with the roll out of Covid-19 vaccination campaign.

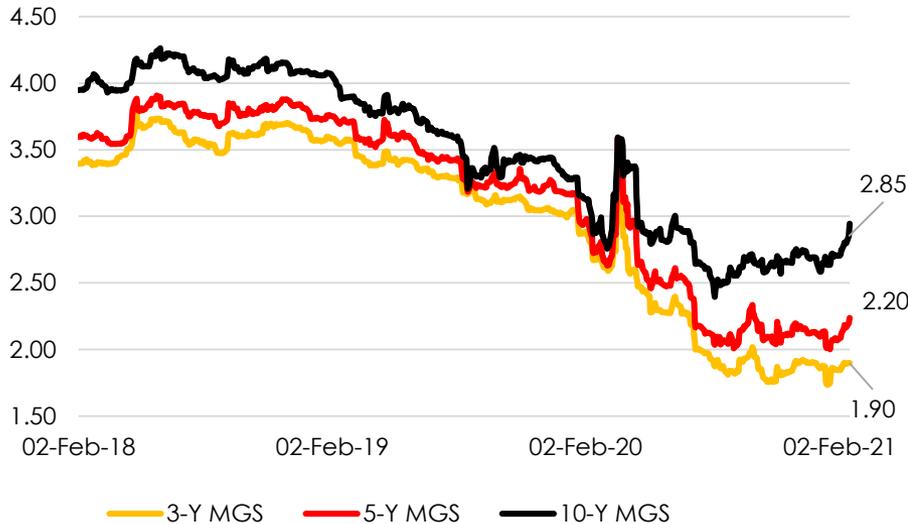
W-o-w,% (Week Ended 19 February)



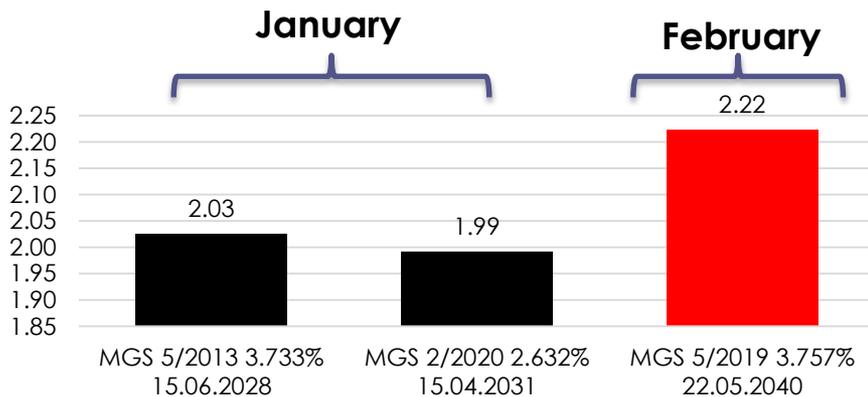
YTD Gain,% (As at 19 February)



MGS Yields (%)



MGS



Source: CEIC

- ✓ Overall benchmark yields for MGS closed higher between 4 bps and 21 for the period between 11 February and 19 February. The 10-Y 04/31 GII saw a significant spike in yield by 21 bps to close at 2.99% on 19 February 2021 while the 7-Y 07/28 MGS increased by 17 bps to close at 2.71%.
- ✓ The recent spill overs from the rise in 10-Y UST yield (19 February: 1.34% vs. 12 February: 1.20%) and higher Brent price have influenced the recent increase in local govies' yields.
- ✓ Despite the increases in MGS yields, demand for 20-Y MGS auction has garnered a sturdy bid-to-cover (BTC) ratio at 2.22x mainly anchored by strong institutional investors' support.
- ✓ All in all, we expect yields on MGS to start falling back ahead of MPC meeting on 4 March 2021 as the BNM is expected to cut the OPR by 25 bps.

BRENT

- ✓ Brent crude oil price recorded a 0.8% weekly increase to settle at USD62.91 per barrel last Friday (12 February 2021: USD62.43/barrel) amid a larger-than-estimated fall in the US crude oil inventories and Covid-19 vaccination campaign globally.
- ✓ On further scrutiny, the US Energy Information Administration (EIA) data showed crude stocks continued to fall for the fourth straight week to 462.0 million barrels in the week ended 12 February from 469.0 million barrels previously. Similarly, the American Petroleum Institute (API) report showed crude stockpiles declined by 5.8 million barrels in the week ended 12 February from 3.5 million draw in the preceding week.
- ✓ Be that as it may, investors have worried about a looming increase in crude oil supplies from the Organization of the Petroleum Exporting Countries Plus (OPEC+) as the cartel is heading into a meeting on 4 March 2021. This could exert some pressure on the crude oil price movement moving forward.

Brent Crude in USD per barrel



US Crude Oil Inventory, '000 barrel - EIA



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
01/02/2021	474,927	97	5,608	11,427	12,001	11,249	2,776	29	305	18,014	836	21,088	141,327	19,235	4,214
02/02/2021	367,341	65	6,114	8,635	10,994	7,925	2,108	29	336	11,469	836	18,607	112,129	3,669	3,455
03/02/2021	431,371	53	9,705	11,039	10,379	9,651	2,210	19	467	22,206	795	16,840	125,444	22,871	4,284
04/02/2021	493,909	51	14,211	12,899	11,984	13,182	2,593	18	451	25,597	809	19,202	116,762	25,904	4,571
05/02/2021	499,175	44	12,908	12,408	11,434	13,656	2,619	22	370	23,515	586	20,634	120,876	23,148	3,391
06/02/2021	494,895	54	10,485	11,713	11,749	14,213	2,307	25	393	20,781	490	19,114	124,866	20,741	3,847
07/02/2021	467,190	31	8,616	12,059	12,156	13,439	2,080	26	372	19,812	237	18,262	129,961	20,586	3,731
08/02/2021	396,486	44	4,535	11,831	10,827	11,640	1,555	24	288	10,189	186	15,845	106,988	19,715	3,100
09/02/2021	316,383	47	3,379	9,110	8,242	7,969	1,776	22	302	5,920	189	14,104	91,412	3,566	2,764
10/02/2021	354,049	45	8,072	11,067	8,700	10,612	1,420	11	444	13,516	157	12,364	86,449	18,570	3,288
11/02/2021	424,310	21	10,237	12,923	8,776	12,947	1,826	15	504	15,084	201	13,013	90,930	24,631	3,384
12/02/2021	432,808	34	9,860	9,309	8,435	15,137	1,739	12	403	13,048	175	13,494	97,134	20,406	3,318
13/02/2021	431,856	33	8,354	12,143	9,869	13,893	1,403	18	362	11,475	126	15,144	101,693	20,279	3,499
14/02/2021	410,472	19	6,114	12,194	8,844	13,523	1,318	9	326	11,276	166	13,307	99,024	20,398	2,464
15/02/2021	345,503	21	4,426	11,649	13,227	11,060	1,310	14	343	5,452	143	10,972	87,896	16,546	2,186
16/02/2021	229,257	25	3,856	9,121	0	7,344	1,983	9	457	3,330	72	9,765	28,313	4,099	2,710
17/02/2021	358,993	15	7,556	11,610	10,029	10,368	1,250	1	621	8,215	175	10,625	95,902	19,011	2,998
18/02/2021	375,345	28	10,207	12,881	9,687	12,066	1,393	11	621	8,444	150	12,717	57,856	23,919	2,712
19/02/2021	389,697	20	9,113	13,193	9,039	13,755	1,559	11	561	4,323	130	12,057	69,069	22,490	2,936
20/02/2021	384,017	22	9,164	13,993	10,614	15,470	1,344	14	446	0	82	12,027	68,191	23,170	2,461
21/02/2021	359,488	23	7,676	14,264	8,054	14,914	1,196	12	418	0	92	10,406	73,240	21,944	3,297

Source: CEIC

- ✓ The FBM KLCI index is expected to trade higher within 1,580.0 to 1,600.0 points this week mainly supported by firmer crude oil price which has been traded above USD60.0 per barrel since 8 February (19 February 2021: USD62.91 per barrel). Furthermore, the government is throttling up its preparation to inoculate the majority of Malaysian commencing 26 February that would result in stronger consumer demand moving forward.
- ✓ In addition, the local Covid-19 infection is more controlled with the enforcement of MCO 2.0. The daily cases have been moderating to 2,461 cases on 20 February from above 3,000 cases a day in the preceding week. On a similar note, the infection rate has been slowing down as the estimated R-naught has lower to 0.90 as at 21 February from 1.10 (4 January) before the MCO 2.0 implementation.
- ✓ On the external front, the US stocks edge lower with the S&P 500 declined by 0.7% to close at 3,906.7 points whilst the US Treasury yields climbed to the highest level (19 February 2020: 1.34% vs. 31 December 2020: 0.93%) on 19 February. The UST bond is expected to see an uptrend this week in view of a pick-up in economic activity after being restrained by a fresh wave of Covid-19 infection. The US retail sales rebounded significantly by 7.4% in January (December 2020: 2.5%), strongest gain since September 2011 after household received pandemic relief money.
- ✓ All in all, the equity market is anticipated to gain its momentum on the back of improved riskier asset demand amid abating local Covid-19 cases accompanied by National Covid-19 Immunisation Programme which will kick off by end of February that could lift the market sentiment. Nevertheless, the extension of MCO 2.0 in Malaysia's major states (Selangor, KL, Penang & Johor) until 4 March 2021 would remain as the main downside risk.

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