



From the Desk
of the
Chief Economist

BANK ISLAM

WEEKLY MARKET UPDATES

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ECONOMIC RESEARCH

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KEY HIGHLIGHTS OF THE WEEK- PBOC HAS SLASHED ITS KEY RATES WHILE INFLATION IN ADVANCED ECONOMIES CONTINUED TO RISE

International

China- Monetary Policy

- ✓ The People's Bank of China (PBOC) has decided to cut its 1-Y Loan Prime Rate (LPR) by 5 basis points (bps) to 3.65% and lower its 5-Y LPR by 15 bps to 4.30% at August fixing.
- ✓ The key rates for corporate and household were reduced in order to revive the ongoing economic recovery in the country which severely affected by Covid-19 outbreaks.
- ✓ The reduction in mortgage rate underlines efforts by the policymakers to stabilize the property sector after a string of defaults among developers.

Japan- Consumer Price Index (CPI)

- ✓ Japanese CPI higher by 2.6% y-o-y in July from 2.4% in June.
- ✓ The upturn was driven by increase in food price (July: 4.4% vs. June: 3.7%) and fuel, light & water charges (July: 14.7% vs. June: 14.0%) amid surge in commodity price due to Russia-Ukraine crisis, as well as weakening yen which have caused the import price become more expensive.
- ✓ Additionally, the Core CPI rose by 2.4% in July (June: 2.2%), higher compared to Bank of Japan's (BoJ) 2.0% target.

The U.K.- CPI

- ✓ The U.K. CPI soared by 10.1% y-o-y in July compared to 9.4% during June.
- ✓ It was the highest reading since 1982 as cost of housing & utilities (July: 20.0% vs. June 19.6%) and food & non-alcoholic beverages (July: 12.6% vs. June: 9.8%) recorded double-digit increases influenced by Russia's invasion of Ukraine.
- ✓ Furthermore, the transportation price remained above 14.0% in July (14.8% vs. June: 14.9%), suggesting the country was badly impacted from firm crude oil price.

Domestic

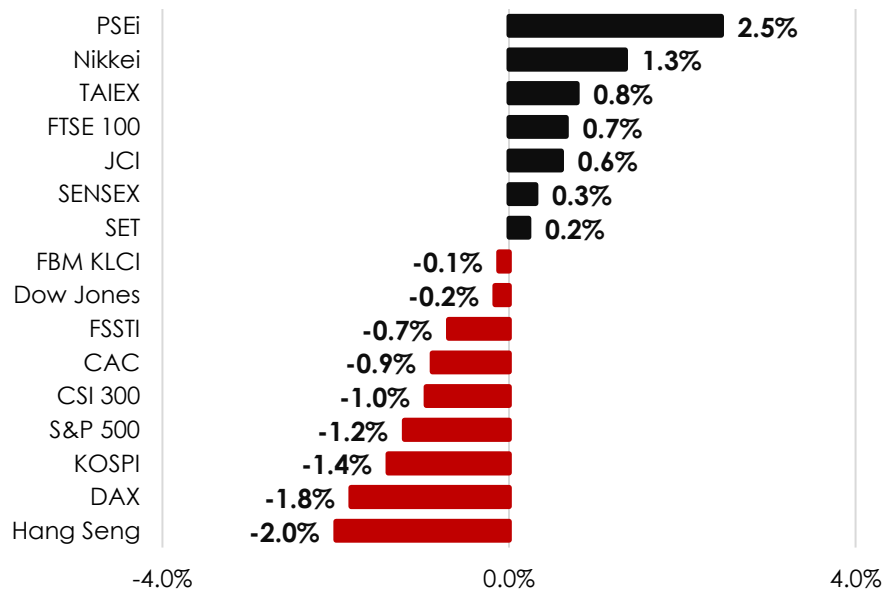
Malaysia – Trade

- ✓ Malaysia's exports remained strong at double-digit of 38.0% in July though slightly softer compared to 38.7% in June.
- ✓ The firm performance was underpinned by Manufacturing which surged by 35.4% in July after rising by 33.7% in June supported by higher exports of Machinery & Equipment & Parts (July: 56.9% vs. June: 33.8%), Manufactures of Metal (July: 35.7% vs. June: 21.5%) and Chemical & Chemical Products (July: 19.1% vs. June: 4.1%).
- ✓ Meanwhile, imports were slightly slower at 41.9% in July from 49.2% in June. Following this, the trade balance narrowed to RM15.5 billion in July from RM21.9 billion in June.

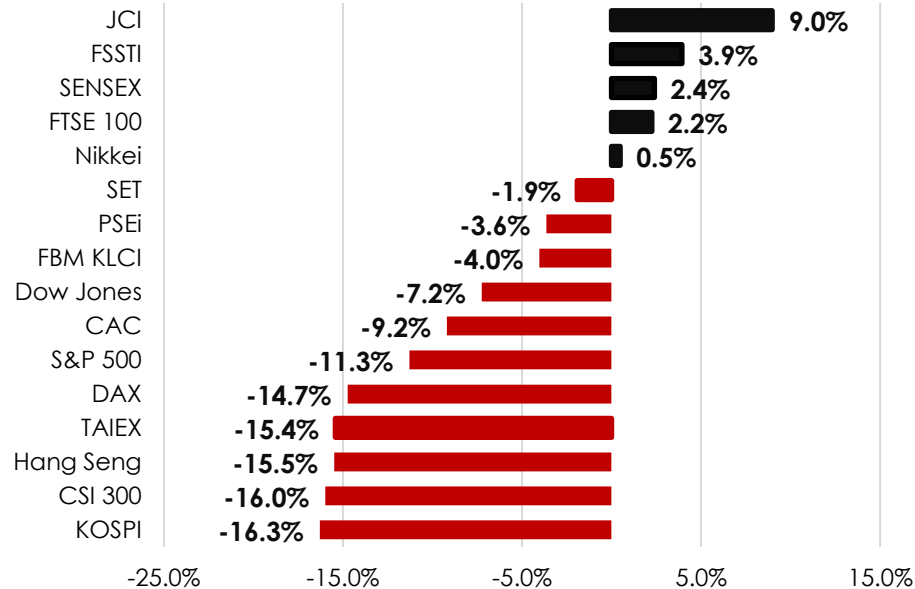
WEEKLY MARKET PERFORMANCE

- ✓ Hong Kong's Hang Seng index dropped for the third straight week as it declined by 2.0% last week. The market was trading lower after the U.S. Federal Open Market Committee (FOMC) pointed to little evidence that the inflation pressures were subsiding at the time of the meeting, suggesting more Federal Fund Rate (FFR) moving forward.
- ✓ Meanwhile, the Philippine's PSEi recorded a 2.5% weekly advance among the major equity markets amid continued optimism among the investors after the Bangko Sentral ng Pilipinas (BSP) confirmed market expectations by raising its benchmark interest rate by 50 basis points to contain inflation.
- ✓ On a Year-To-Date (YTD) basis, global equities were mostly in the red due to growing fears over global economic recession in light of prolonged geopolitical tensions, as well as aggressive move by central banks on monetary policy decision.

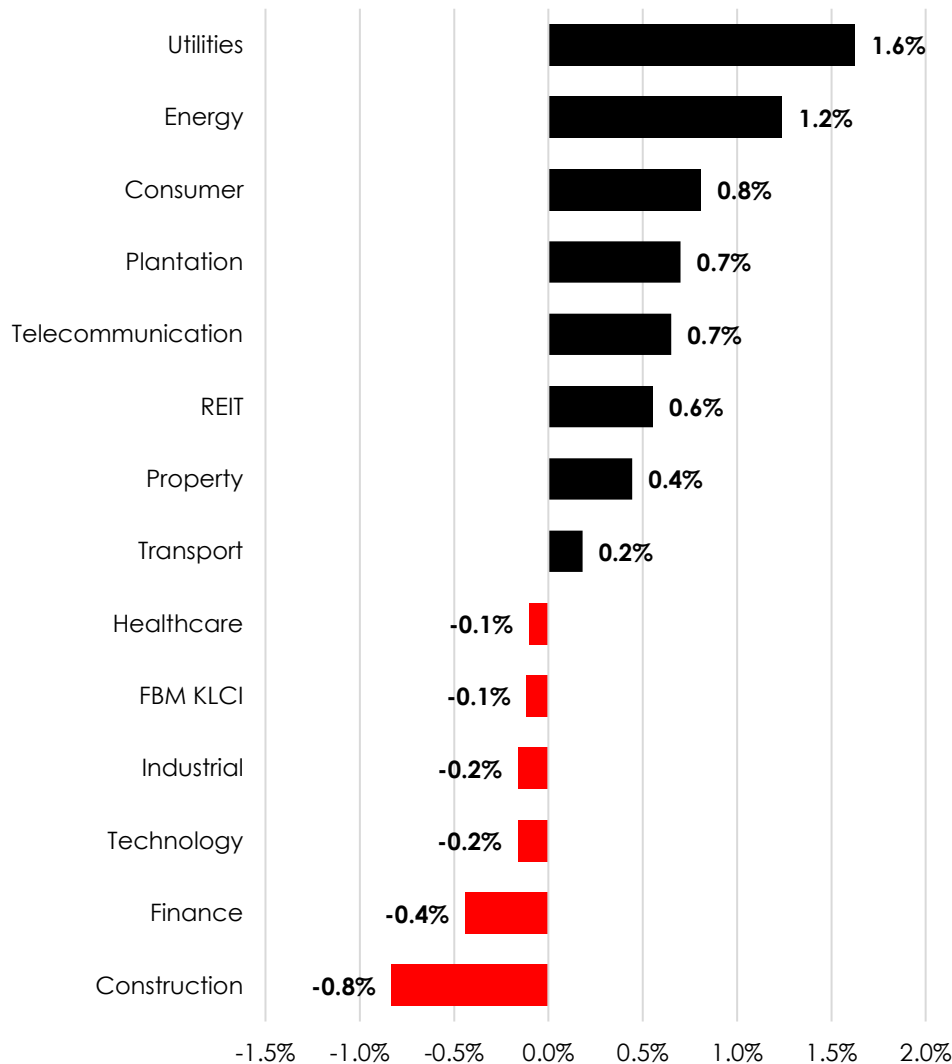
**Weekly Gain/Loss of Major Equity Markets, %
(Week Ending 19 August)**



**YTD Gain/Loss Of Major Equity Markets, %
(As at 19 August)**



Bursa Sectoral Performance, w-o-w%



Sources: CEIC, Trading View

WEEKLY SECTORAL PERFORMANCE

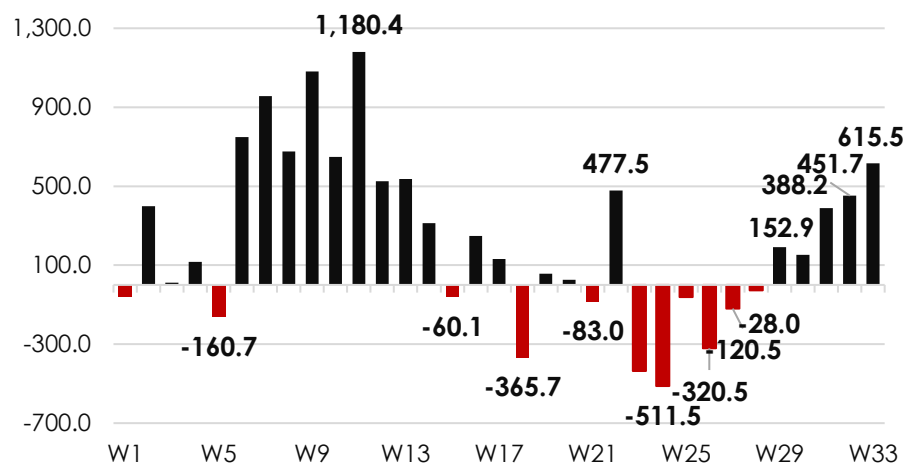
- ✓ Utilities sector recorded largest increase at 1.6% for the week ending on 19 August.
- ✓ The gain mainly driven by Tenaga Nasional Berhad (TNB) as they decided to allocate RM20.0 billion per year over next 28 years as their capital expenditure (Capex). The effort is in line with their commitment to fast-track TNB's Energy Transition Plan in order to reduce its emissions intensity to net zero by 2050.
- ✓ Meanwhile, Construction index recorded biggest loss at 0.8%, followed by Finance which fell by 0.4%.
- ✓ Looking forward, the FBM KLCI is likely to range between **1,490.0 points and 1,510.0 points this week** due to lack of positive catalyst while investors would remain cautious amid hawkish monetary stance the U.S. and European countries to ward off inflation.

THE FIFTH STRAIGHT WEEK OF FOREIGN FUND INFLOWS TO DOMESTIC EQUITY MARKET

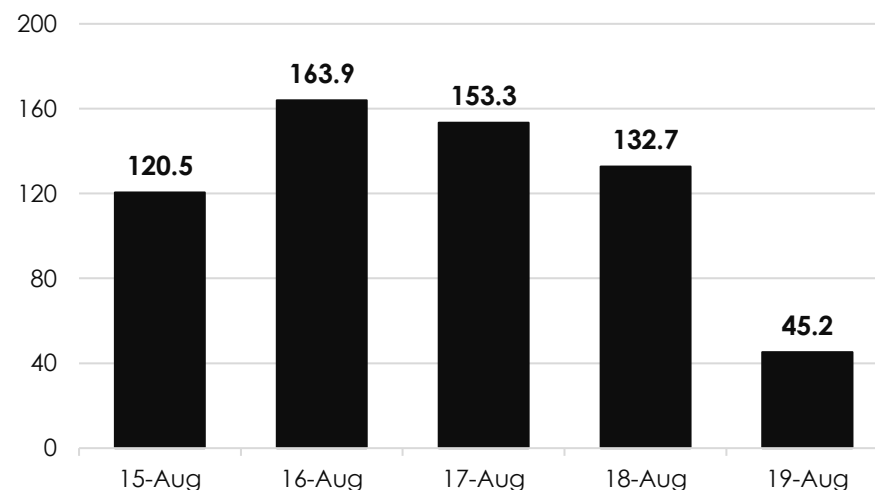
WEEKLY FOREIGN FUND FLOW

- ✓ Foreign investors remained as net purchasers as they acquired RM615.5 million net of Malaysian equities last week. This was higher as compared to RM451.7 million net inflows registered in the previous week, suggesting that foreign investors continued to favour our domestic equity market.
- ✓ On further scrutiny, international investors were net buyers on everyday of the week with largest foreign inflow was recorded on Tuesday, 16 August at RM163.9 million, followed by Wednesday at RM153.3 million and Thursday at RM132.7 million respectively.
- ✓ On a YTD basis, international investors have bought RM7.7 billion net of local equities in 2022 and have been net buyers for 22 out of 33 weeks of 2022.

**Weekly Foreign Fund Flow in 2022
(RM Million)**



Daily Foreign Net Inflow/Outflow from 15 to 19 August (RM Million)



Source: Bursa

*W = week

FIXED INCOME- THE U.S. TREASURY (UST) YIELDS WERE HIGHER IN VIEW OF HAWKISH REMARKS FROM THE FED MEMBERS

Bond Yields Weekly Change, bps

UST	Yields (%) 12-Aug-22	Yields (%) 19-Aug-22	Change (bps)
3-M UST	2.63%	2.74%	11
2-Y UST	3.25%	3.25%	0
5-Y UST	2.97%	3.11%	14
10-Y UST	2.84%	2.98%	14

MGS	Yields (%) 12-Aug-22	Yields (%) 19-Aug-22	Change (bps)
3-Y MGS	3.50%	3.37%	-13
5-Y MGS	3.75%	3.70%	-5
7-Y MGS	3.92%	3.89%	-3
10-Y MGS	3.98%	3.96%	-2

Sources: CEIC, BNM

10-Y UST minus 3-M UST, bps



- ✓ For the bond market, the UST yields have surged between 11 bps and 14 bps over the week amid anticipation of aggressive rate hike in the U.S., leaning towards 75 bps FFR increase during next FOMC meeting in September.
- ✓ The move is needed to push the interest rate to restrictive territory in order to bring the inflation to its 2.0% target.
- ✓ On domestic front, the MGS yields have declined between 2 bps and 13 bps following the BNM's decision to continue withdrawing its accommodative monetary policy for possible economic shocks.
- ✓ Looking forward, we foresee the MGS to linger around current level in the short to medium term weighed by volatility in UST yields.

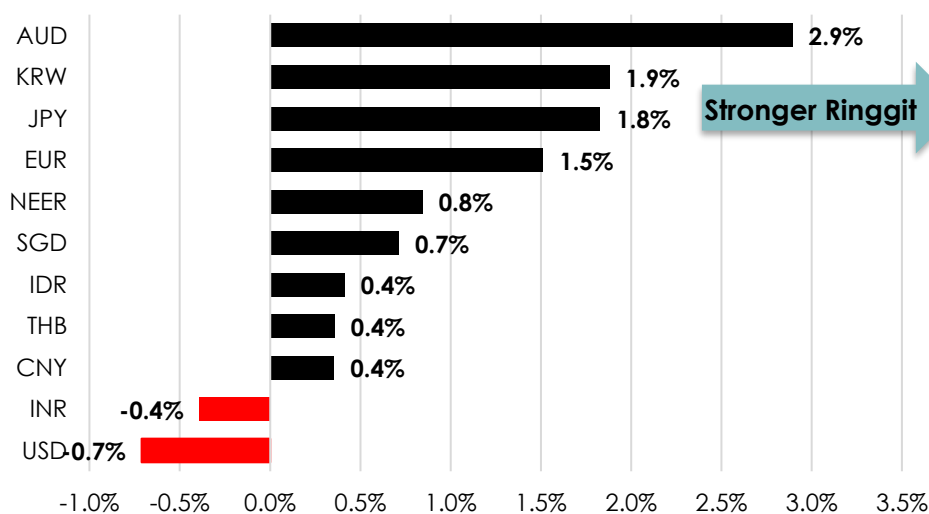
Source: CEIC

A VOLATILE RINGGIT MOVEMENT IS ANTICIPATED FOR THIS WEEK

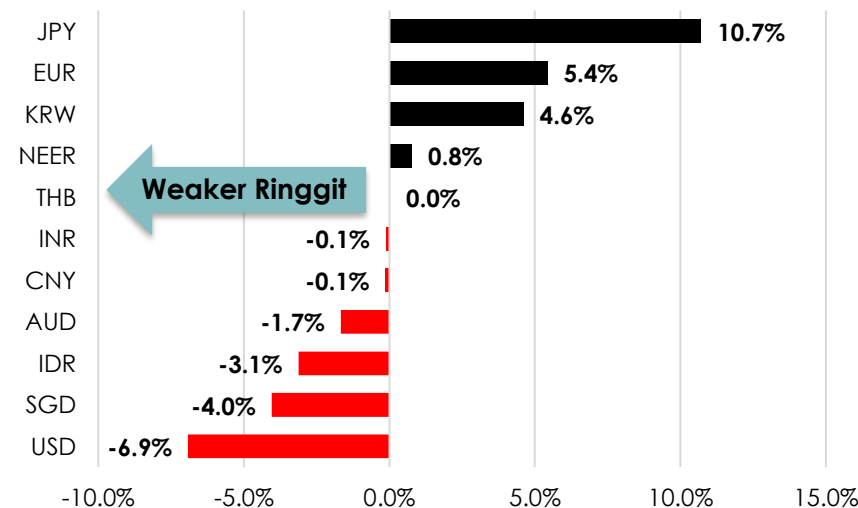
WEEKLY PERFORMANCE

- ✓ The Ringgit declined by 0.7% w-o-w against U.S. Dollar (USD), closing at RM4.4740 on 19 August from RM4.4425 in the previous week.
- ✓ The weaker note was weighed down by the continuous strengthening of the USD since the release of meeting minutes from the Federal Reserve (Fed) showed that they would continue to raise the interest rates to tame the inflation.
- ✓ Apart from that, the Fed Chairman Jerome Powell would be delivering his speech at Jackson Hole Symposium on 26 August. Such remarks would be eyeing by the investors to assess the central bank's direction on rates and inflation which could pose major impacts on the emerging-market currencies.
- ✓ Taking into above matters, we foresee that Ringgit would remain weak against the USD in the near term.

**MYR against regional currencies, w-o-w%
(Week Ending 19 August)**



**MYR against regional currencies,
YTD Gain% (As at 19 August)**



COMMODITIES – BRENT PRICE DROPPED BELOW THAN USD100.00 PER BARREL FOR THE THIRD STRAIGHT WEEK

BRENT

- ✓ Brent crude oil price fell by 1.5% w-o-w (19 August: USD96.72 per barrel vs. 12 August: USD98.15 per barrel) amid rising concerns over an anticipation of slowing economic activities globally moving forward.
- ✓ Apart from that, recession fears continue to put pressure on energy markets, with the latest Fed minutes signaling a strong commitment to bring down inflation in the U.S.
- ✓ Meanwhile, on the supply side, the U.S. crude oil inventories were seen lower as reported by the U.S. Energy Information Administration (EIA). The crude oil stockpiles dropped by 7.1 million barrels to 425.0 million barrels in the week ending 12 August from 432.0 million barrels in the previous week. Similarly, the American Petroleum Institute (API) mentioned that fuel inventories went down by 0.5 million barrels for the week which ended on 12 August from 2.2 million barrels increase in the previous week.

Brent Crude in USD per barrel



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



COMMODITIES – GOLD PRICE WAS PRESSURED BY THE STRONGER USD AMID FED RATE-HIKE FEARS

GOLD

- ✓ Gold price declined by 3.1% to reach USD1,747.06 per ounce on 19 August after rising by 1.5% (USD1,802.40 per ounce) in the previous week due to a stronger USD. The USD index increased by 2.4% to 108.17 on last Friday from 105.63 on 12 August.
- ✓ The main compelling reason which has been pressuring the bullion was the resurgent of the USD as the Fed is determined to keep raising the interest rates to bring high inflation under control.
- ✓ Additionally, St Louis Fed Bank President James Bullard was currently supporting a third straight 75 bps rate hike for September meeting.
- ✓ The hawkish stance by the Fed has pushed up the USD, thus causing gold to be more expensive for buyers holding other currencies.

Gold in USD per ounce



U.S. Dollar Index (DXY)



- ✓ Following the release of July FOMC meeting minutes which suggested further rate hikes, investors would be paying close attention to the Jackson Hole Symposium which would be held on 25-27 August. In particular, investors would be searching for further guidance on the path of monetary policy taken by the U.S. central bank.
- ✓ Other key important data from the U.S. includes second estimation of 2Q2022 GDP figure, core personal consumption expenditure (PCE) price index, consumer sentiment index (CSI), as well as pending home sales and MBA mortgage application.
- ✓ Apart from that, August's flash Purchasing Manager's Index (PMI) would be released for the Euro, the U.K., as well as the U.S. which updates on the economic condition at the time of weakening global demand and intensifying inflation.
- ✓ Elsewhere, central bank meetings that are set to take place for this week are from the South Korea and Indonesia. Indonesia is likely to keep its interest rates at 3.5%. However, South Korea is expected to hike its policy rate by 25 bps in a bid to control the inflation.
- ✓ Meanwhile, Department of Statistics Malaysia (DOSM) would be releasing the inflation numbers for the month of July. The figure is expected to trend higher amid removal of subsidy on bottled cooking oil on 1 July 2022.
- ✓ Overall, the FBM KLCI is expected to trade between 1,490.0 points and 1,510.0 points as market participants are being cautious on the hawkish stance by the central banks.

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-Jul-22	700,384	19,637	134,148	15,528	5,085	32,051	79,633	6,227	73,558	-	2,125	17,234	53,366	17,733	3,902
20-Jul-22	1,116,959	28,719	143,210	20,557	5,653	121,103	81,362	13,794	76,341	41,683	2,886	18,705	107,442	134,188	5,685
21-Jul-22	1,092,560	29,052	121,937	21,566	5,410	86,801	135,239	10,293	71,117	-	2,607	16,662	179,006	85,747	4,587
22-Jul-22	1,089,164	27,138	103,546	21,880	4,834	81,535	180,826	9,749	68,632	-	2,424	16,163	159,144	80,624	3,880
23-Jul-22	1,117,183	25,909	89,407	21,411	4,943	71,667	196,297	8,983	68,521	31,980	2,578	14,148	147,608	67,587	4,816
24-Jul-22	1,286,477	24,268	22,116	20,279	4,071	69,174	192,109	7,889	65,433	-	2,390	12,368	205,622	68,532	2,720
25-Jul-22	870,353	23,618	11,813	16,866	4,048	51,875	172,673	6,175	35,824	-	1,740	9,890	49,495	50,032	3,300
26-Jul-22	750,533	18,896	120,213	14,830	6,483	24,117	154,011	5,551	99,224	-	1,828	11,241	51,610	11,195	4,759
27-Jul-22	1,112,588	27,038	118,051	18,313	6,438	88,651	180,226	12,419	100,197	39,089	2,747	13,136	111,260	81,818	4,503
28-Jul-22	1,046,214	27,755	96,059	20,557	6,353	64,400	207,236	8,763	88,339	-	1,902	11,555	168,616	58,638	3,926
29-Jul-22	1,032,932	26,089	75,179	20,409	5,831	60,826	230,055	8,565	85,320	-	2,480	10,387	159,633	50,518	4,860
30-Jul-22	1,037,156	25,285	61,944	20,408	5,398	54,417	221,938	12,999	81,944	26,018	1,962	9,211	144,959	40,224	4,271
31-Jul-22	976,311	23,322	15,565	19,673	4,205	50,297	212,960	1,497	73,589	-	1,664	8,418	258,341	41,278	2,783
1-Aug-22	1,185,082	22,895	7,896	16,464	3,696	37,252	196,812	5,106	44,600	-	2,108	7,281	34,448	31,535	3,213
2-Aug-22	688,977	18,367	83,998	13,734	5,827	19,520	167,678	4,709	111,733	-	1,843	8,405	35,586	7,249	4,204
3-Aug-22	994,344	25,279	84,371	17,135	6,167	65,099	195,801	10,230	119,877	19,417	2,432	9,748	124,034	54,105	5,330
4-Aug-22	977,959	25,929	68,902	19,893	6,527	45,956	231,597	7,231	107,850	-	2,166	9,146	161,090	32,965	4,413
5-Aug-22	1,360,344	25,115	56,177	20,551	5,929	42,959	253,392	6,648	112,901	-	2,253	8,329	150,910	33,799	3,927
6-Aug-22	963,753	23,802	48,598	19,406	5,455	38,215	236,809	0	110,610	20,188	2,381	7,263	133,166	26,466	8,611
7-Aug-22	996,668	21,953	13,335	18,738	4,279	34,997	214,879	11,903	105,507	-	2,250	6,522	151,059	28,518	2,728
8-Aug-22	933,580	24,043	7,046	16,167	4,425	26,656	198,563	4,798	55,214	-	1,842	5,397	28,067	21,209	2,863
9-Aug-22	632,758	17,411	66,041	12,751	6,276	11,975	172,998	3,541	149,839	-	1,955	6,502	29,462	5,090	3,083
10-Aug-22	900,144	25,747	67,545	16,047	5,926	43,078	196,732	7,965	151,747	14,353	2,335	7,931	105,917	38,211	4,896
11-Aug-22	893,347	26,401	55,867	16,299	5,532	31,699	227,828	2,819	137,198	-	2,316	7,221	131,255	26,758	4,831
12-Aug-22	897,538	25,082	47,183	16,561	6,091	28,423	240,205	7,262	128,714	-	2,455	6,579	139,000	19,722	3,943
13-Aug-22	846,701	24,111	43,366	15,815	5,104	26,689	192,364	5,481	124,515	13,582	2,140	5,943	116,117	19,811	4,334
14-Aug-22	718,700	23,901	10,894	14,092	4,442	24,785	166,611	4,403	119,603	-	1,773	5,089	129,835	21,175	3,045
15-Aug-22	744,652	23,581	6,316	14,917	3,588	19,455	169,972	3,023	62,078	-	1,663	4,303	13,609	16,347	2,437
16-Aug-22	492,317	18,103	54,152	8,813	5,869	9,893	159,781	2,665	83,977	-	1,508	5,153	10,045	4,564	3,429
17-Aug-22	812,084	25,733	62,544	9,062	5,253	8,941	178,286	5,202	180,709	12,162	2,461	4,899	127,257	6,331	3,516
18-Aug-22	906,940	27,870	50,713	12,608	4,039	36,261	208,483	3,762	178,503	-	2,143	2,707	148,929	30,652	4,071
19-Aug-22	837,823	26,424	32,345	15,754	5,163	27,291	261,252	3,553	138,812	-	2,110	-	113,520	28,555	3,490

Source: CEIC

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