



From the Desk
of the
Chief Economist

BANK ISLAM

WEEKLY MARKET UPDATES

23 MAY 2022

ECONOMIC RESEARCH

DR. MOHD AFZANIZAM ABDUL RASHID

SHAFIZ JAMALUDDIN

NOR JANNAH ABDULLAH

RAJA ADIBAH RAJA HASNAN

International

China- Monetary Policy and Unemployment Rate (UR)

- ✓ The People's Bank of China (PBOC) decided to hold the one-year Loan Prime Rate (LPR) unchanged at 3.70%.
- ✓ Nonetheless, the five-year LPR was trimmed by 15 basis points (bps) to 4.45% amid slowdown in the Chinese economy due to worst Covid-19 outbreak in more than two years alongside weak loan demand in the country.
- ✓ Meanwhile, China's UR increased to 6.1% in April from 5.8% previously. It breached the government's target for the jobless rate of 5.5% this year, amid prolonged Covid-19 related restrictions following widespread outbreaks in some key cities.

Philippines- Monetary Policy

- ✓ The central bank of the Philippines raised its key overnight borrowing rate by 25 basis points (bps) to 2.25% on 19 May 2022, the first increase in borrowing costs since 2018.
- ✓ The decision was made in order to tackle rising inflationary pressures.
- ✓ The central bank noted that inflation could breach the 2.0%-4.0% target this year and elevated pressures could persist.

The U.K.- Consumer Price Index (CPI)

- ✓ The U.K.'s CPI jumped by 9.0% y-o-y in April (March: 7.0%), the highest level since 1982.
- ✓ This was prompted by rising prices for cost of housing and utilities (April: 19.2% vs. March 7.7%).
- ✓ Additionally, the cost of transport also increased by 13.5% in April (March: 13.4%) due to stronger crude oil price.

Malaysia – External Trade

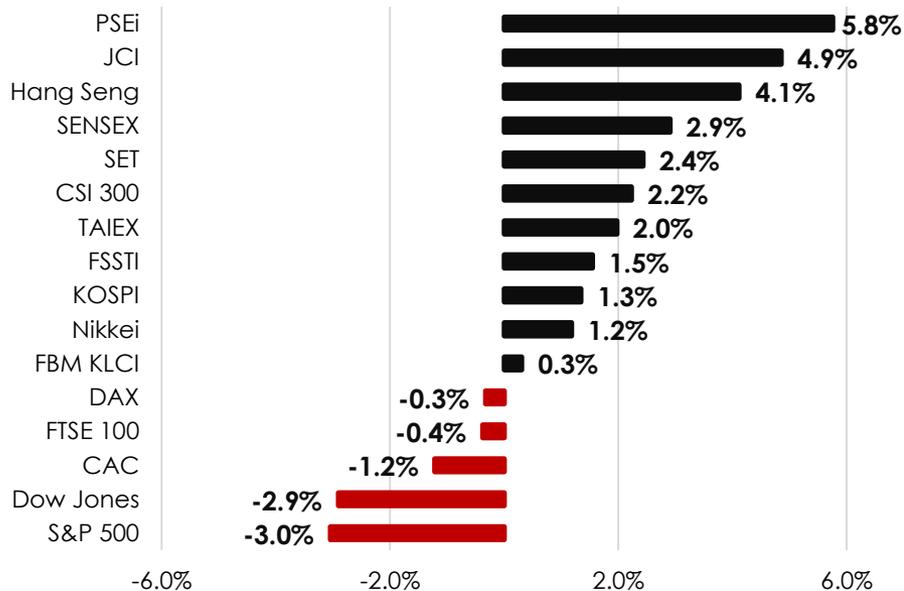
Domestic

- ✓ Malaysia's exports continued to record a double-digit expansion for the ninth straight month. It increased by 20.7% y-o-y in April, though lower than a 25.3% growth in the preceding month.
- ✓ All sectors recorded positive performance despite at a slower pace. Exports of manufactured, agriculture and mining products moderated by 17.2% (March: 19.1%), 29.9% (March: 41.2%) and 64.6% (March: 105.8%) in April respectively.
- ✓ As for imports, it grew by 22.0% in April compared to 29.9% in March.
- ✓ Following this, the trade balance narrowed to RM23.5 billion in April from RM26.6 billion in March.

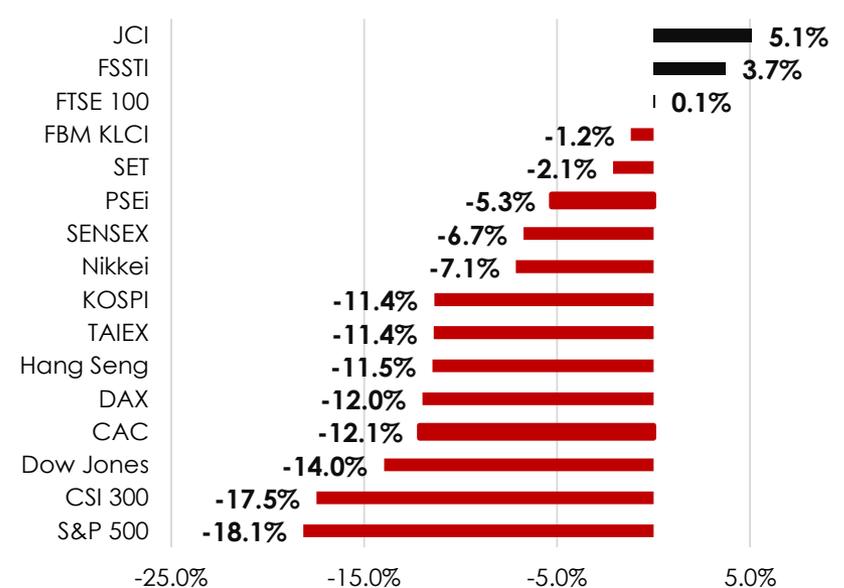
WEEKLY MARKET PERFORMANCE

- ✓ The Philippine's PSEi led gainers with a 5.8% weekly advance among the major equity markets due to bargain hunting activities after the market declining by 5.6% previously.
- ✓ Meanwhile, the S&P 500 extended loss for the seventh straight week, falling by 3.0% last week due to rising concerns over the Federal Reserve (Fed) aggressive rate hikes to contain inflation could spark a recession.
- ✓ On a Year-To-Date (YTD) basis, global equities were mostly in the red as markets eye on the U.S. interest rate hike prospects.

**Weekly Gain/Loss of Major Equity Markets, %
(Week Ending 20 May)**



**YTD Gain/Loss Of Major Equity Markets, %
(As at 20 May)**



U.S. STOCK: WALMART RECORDED LOWER EARNINGS DURING 1QFY2023 AMID HIGHER COSTS PRESSURE AND INVENTORY LEVELS

Walmart Inc.
Condensed Consolidated Statements of Income
(Unaudited)

	Three Months Ended		
	April 30,		
	2022	2021	Percent Change
<i>(Amounts in millions, except per share data)</i>			
Revenues:			
Net sales	\$140,288	\$137,159	2.3 %
Membership and other income	1,281	1,151	11.3 %
Total revenues	141,569	138,310	2.4 %
Costs and expenses:			
Cost of sales	106,847	103,272	3.5 %
Operating, selling, general and administrative expenses	29,404	28,129	4.5 %
Operating income	5,318	6,909	(23.0)%
Interest:			
Debt	372	481	(22.7)%
Finance lease obligations	83	85	(2.4)%
Interest income	(36)	(30)	20.0 %
Interest, net	419	536	(21.8)%
Other (gains) and losses	1,998	2,529	(21.0)%
Income before income taxes	2,901	3,844	(24.5)%
Provision for income taxes	798	1,033	(22.7)%
Consolidated net income	2,103	2,811	(25.2)%
Consolidated net income attributable to noncontrolling interest	(49)	(87)	(38.3)%
Consolidated net income attributable to Walmart	\$ 2,054	\$ 2,730	(24.8)%
Net income per common share:			
Basic net income per common share attributable to Walmart	\$ 0.75	\$ 0.97	(22.7)%
Diluted net income per common share attributable to Walmart	\$ 0.74	\$ 0.97	(23.7)%
Weighted-average common shares outstanding:			
Basic	2,754	2,815	
Diluted	2,765	2,829	
Dividends declared per common share	\$ 2.24	\$ 2.20	

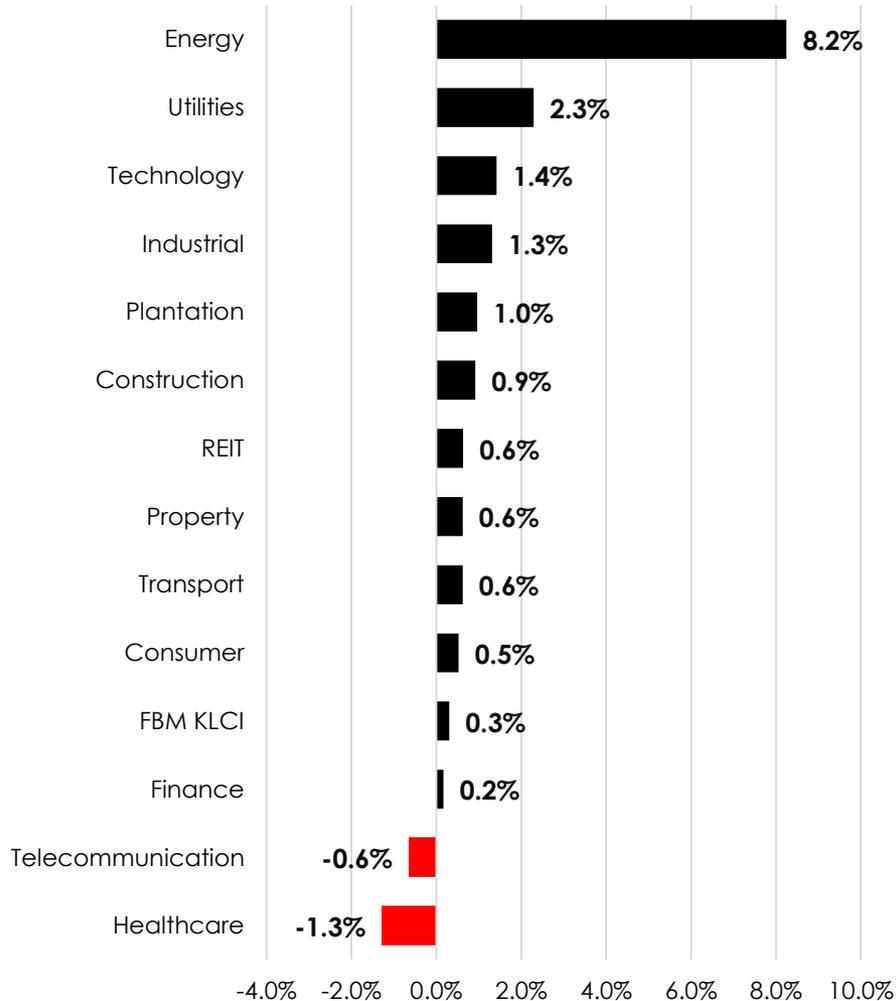
- ✓ Walmart's net income for the 1QFY2023 dropped by 24.8% y-o-y to USD2.05 billion from USD2.73 billion on the same period last year.
- ✓ Significant jump in fuel prices, elevated labor costs and inventory levels have weighed on the company's profits.
- ✓ Apart from that, higher supply chain costs have also taken a bite out of Walmart's earnings.

Source: Walmart Earnings Presentation

Walmart is a much-watched company as investors are looking for clues about how the American consumer is weathering inflation.

EQUITY- BURSA SECTORAL INIDICES REBOUNDED LAST WEEK, LED BY ENERGY INDEX

Bursa Sectoral Performance, w-o-w%



Source: CEIC

WEEKLY SECTORAL PERFORMANCE

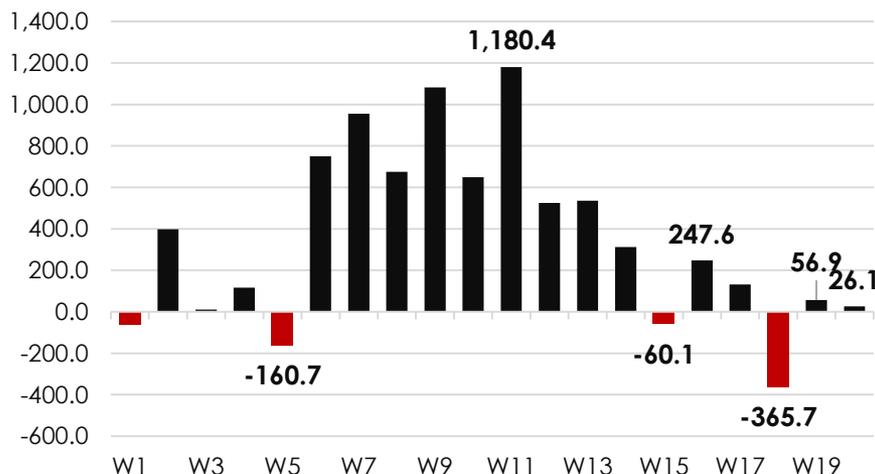
- ✓ Energy sector emerged as top gainer with a 8.2% increase recorded for the week ending 20 May.
- ✓ This was supported by rally in Sapura Energy's share price which rose to RM0.085 on 18 May, the highest in over five months.
- ✓ Additionally, firmer Brent price (20 May: USD112.55 per barrel vs. 13 May: USD111.55 per barrel) has also supported the energy sector.
- ✓ Nevertheless, the healthcare sector posted a 1.3% loss during the week.
- ✓ **Looking forward, the FBM KLCI will be lingering around 1,550.0 points and 1,565.0 this week supported by bargain hunting activities.**
- ✓ However, investors will remain cautious amid rising market volatility due to higher interest rate environment and inflation, as well as prolonged Russia-Ukraine war that would cloud the economic outlook.

FOREIGN INVESTORS HAVE BEEN NET BUYERS FOR THE SECOND STRAIGHT WEEK AFTER RECORDING THE LARGEST OUTFLOWS IN 2022

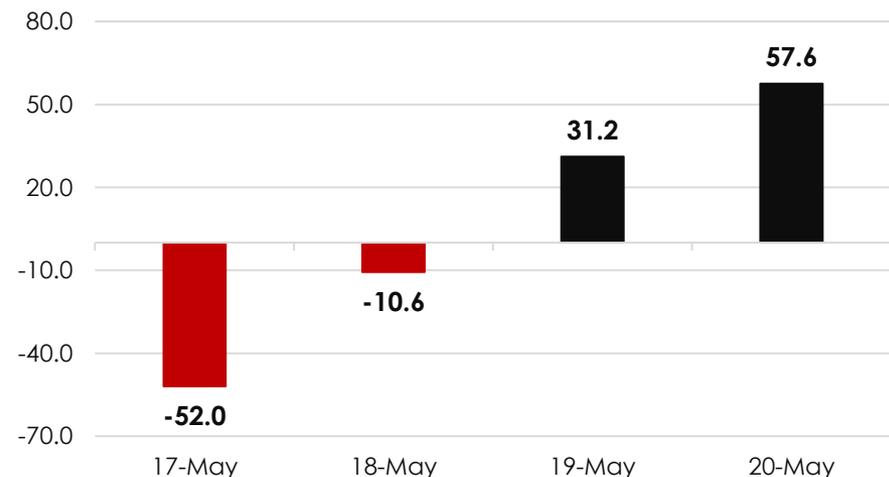
WEEKLY FOREIGN FUND FLOW

- ✓ Foreign investors continued to be net purchasers last week as they acquired RM26.1 million net of Malaysian equities, lower than previous week inflows of RM56.9 million.
- ✓ On further scrutiny, Bursa started the week with a wrong footing as foreign investors sold a total of RM62.6 net equities on Tuesday and Wednesday. The largest net outflows were registered on Tuesday at RM52.0 million. However, net inflows were recorded on Thursday and Friday at RM31.2 million and RM57.6 million respectively.
- ✓ Apart from that, we noticed that international funds have been net buyers for 16 out of 20 weeks of 2022, signifying that foreign investors continued to have a favourable interest on Malaysian equity market.
- ✓ On a YTD basis, international investors have bought RM7.0 billion net of local equities in 2022.

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



Daily Foreign Net Inflow/Outflow from 17 to 20 May (RM Million)



FIXED INCOME- BOND YIELDS ENDED LOWER POST FEDERAL OPEN MARKET COMMITTEE (FOMC) MEETING

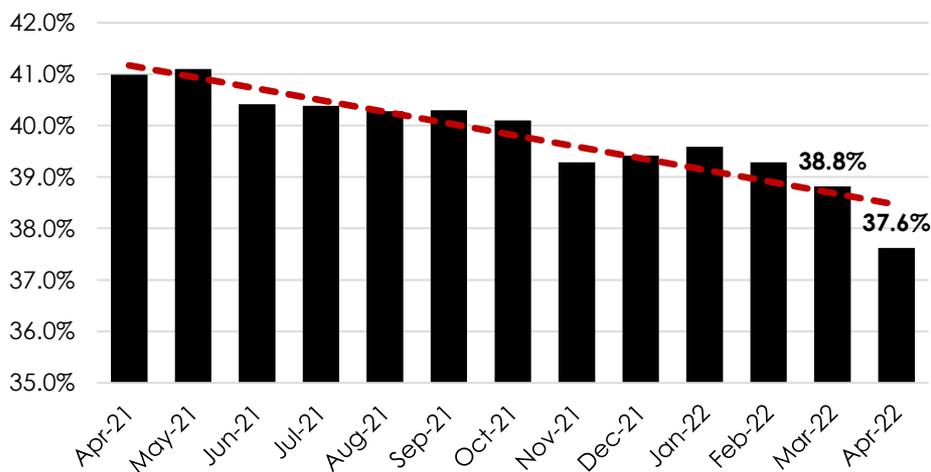
Bond Yields Weekly Change, basis points (bps)

UST	Yields (%) 13-May-22	Yields (%) 20-May-22	Change (bps)
3-M UST	1.03%	1.03%	0
2-Y UST	2.61%	2.60%	-1
5-Y UST	2.89%	2.80%	-9
10-Y UST	2.93%	2.78%	-15

MGS	Yields (%) 13-May-22	Yields (%) 20-May-22	Change (bps)
3-Y MGS	3.64%	3.54%	-10
5-Y MGS	3.95%	3.79%	-16
7-Y MGS	4.45%	4.27%	-18
10-Y MGS	4.45%	4.32%	-13

Sources: CEIC, BNM

Foreign holding ratio in MGS, %



Source: CEIC

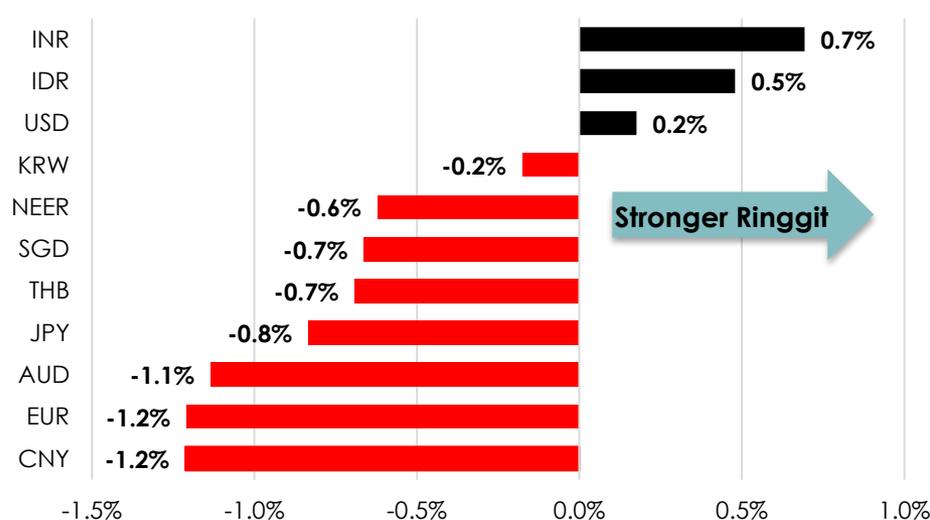
- ✓ As for the bond market, the U.S. Treasury (UST) yields mostly closed lower between -1 and -15 bps for the week ending 20 May after rising significantly in the past few weeks.
- ✓ Following this, the MGS bond yields also declined between -10 bps and -18 bps given that the movement of UST yields do have impacts on the MGS yields.
- ✓ On the other hand, the foreign holdings in MGS bonds have been trending lower to 37.6% in April (March: 38.8%) mainly affected by monetary tightening cycle in the U.S.
- ✓ All in all, the bond yields are likely to range sideways amid company earnings announcement, as well as absence of further surprises on the future rate hike path in the U.S.

RINGGIT TO TRADE BETWEEN RM4.38 AND RM4.39 DURING THE WEEK

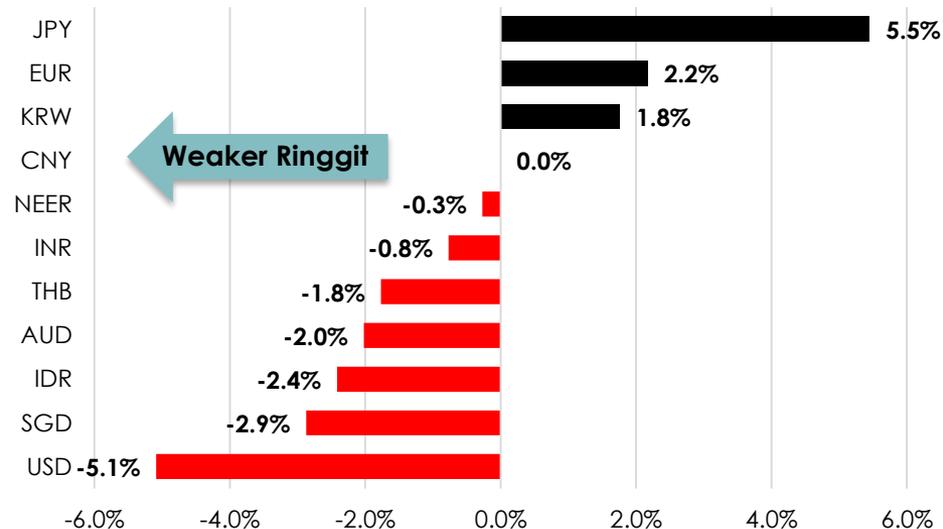
WEEKLY PERFORMANCE

- ✓ The Ringgit appreciated by 0.2% w-o-w against U.S. Dollar (USD), closing at RM4.3870 on 20 May from RM4.3960 in the previous week.
- ✓ This was probably due the worries over a possible global recession which has weakened the USD and benefitting the local note.
- ✓ Apart from that, the move taken by the central bank of China to cut its key rate has signaled that the country is moving closer to reopen its economy. Additionally, a gradual reopening of Shanghai after nearly two months in lockdown since April will see the Ringgit trade on a better tone during the week.
- ✓ As such, we foresee that the Ringgit to trade between a range of RM4.38 and RM4.39 in the near term.

**MYR against regional currencies, w-o-w%
(Week Ending 20 May)**



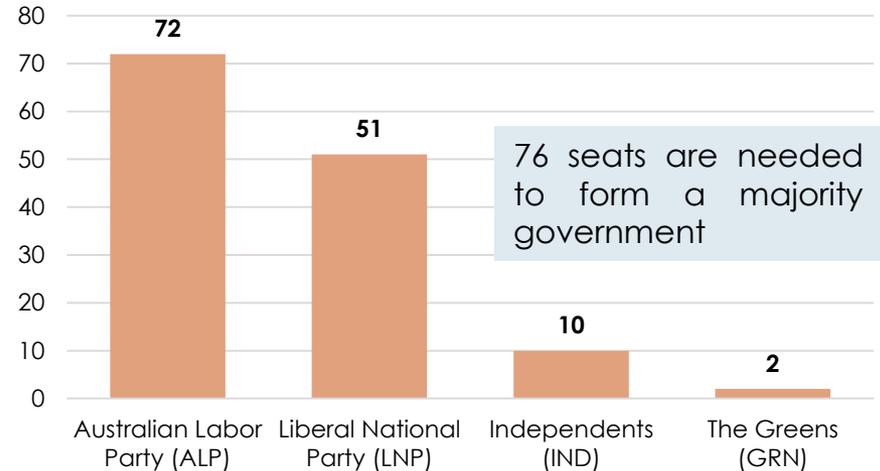
MYR against regional currencies, YTD Gain% (As at 20 May)



ANTHONY ALBANESE LED LABOR TO VICTORY, ENDING THE 9 YEARS OF CONSERVATIVE RULE – WHAT DOES IT MEAN TO AUSSIE DOLLAR?

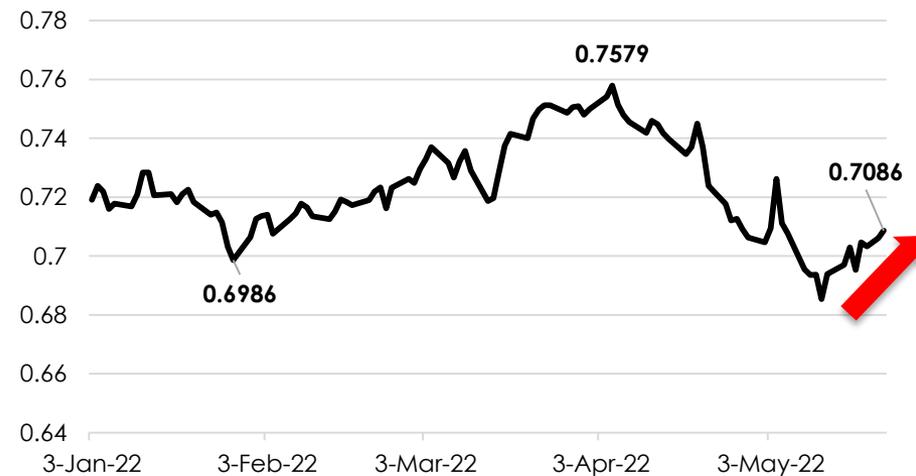
- ✓ Australians voted in a national election on Saturday, which saw Australian Labor Party (ALP) leader, Anthony Albanese claimed victory over Scott Morrison for the first time in almost a decade.
- ✓ However, the Independents and the Greens seemed to be taking votes from the major parties during the election, which increases the likelihood of minority government.
- ✓ The latest election result shows that the Australian voters in favour of centre-left opposition which promised stronger action on climate change.
- ✓ In the victory speech, among other things that he vowed to address were uniting the country, concerns over increasing cost of living in Australia, to tackle the climate change, as well as the age crisis issues.
- ✓ Following the Australian Federal election, the Australian Dollar (AUD) rallied to start the week against the USD, reaching 0.7086 on 23 May as of 11.30am due to a change of government.

Seats won



Source: Various news

AUD/USD



Source: Investing.com

BRENT

- ✓ Brent crude oil price recorded a 0.9% weekly increase to settle at USD112.55 per barrel on 20 May (13 May: USD111.55 per barrel) amid an anticipation of fuel demand recovery in China as the authorities in Shanghai have lifted some Covid-19 curbs.
- ✓ On the supply side, the U.S. Energy Information Administration (EIA) reported that the crude oil stockpiles declined by 3.4 million barrels to 420.8 million barrels in the week ending 13 May (6 May: 424.2 million barrels), suggesting improving demand conditions.
- ✓ Similarly, the American Petroleum Institute (API) mentioned that fuel inventories dropped by 2.5 million barrels for the week which ended on 13 May from 1.6 million barrels increase in the previous week. These have provided support to Brent price movement last week.

Brent Crude in USD per barrel



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



Source: Bloomberg

COMMODITIES – GOLD PRICES HEADED TO ITS FIRST WEEKLY GAIN SINCE MID-APRIL AS USD RETREATS

GOLD

- ✓ Gold price rose by 1.9% to USD1,846.50 per ounce last Friday (13 May: USD1,811.79 per ounce) as dollar weakened amid persistent worries over economic growth. Hence, the USD index dropped by 1.4% to 103.15 (13 May: 104.56).
- ✓ Thus far, the Fed has raised its benchmark policy by an aggregate of 75 bps and is on track to increase it again by 50 bps during the next two policy meetings in June and July.
- ✓ The Fed Chair Jerome Powell emphasized that the central bank is determined to curb the worst inflation in 40 years (April: 8.3% vs. March: 8.5%) until there is clear evidence that it falls toward a healthy level though it could cause an eventual recession.
- ✓ Such remark has brought fears of U.S. economic slowdown, dragged the USD and a lower of UST which benefit the safe-haven gold.

Gold in USD per ounce



Source: Bloomberg

U.S. Dollar Index (DXY)



- ✓ Undoubtedly, both inflation and growth concerns remain centre stage this week. This is due to the remarks by the Fed Chair Jerome Powell to tame the inflation in the U.S. which is already hitting four-decade high. As such, markets will be tuning for the May Fed FOMC meeting minutes to get more insights on the central bank's policy response to soaring inflation without tipping the economy into recession.
- ✓ On the other hand, the central bank policy meetings will unfold during the week such as the Bank of Korea (BoK), the Bank Indonesia (BI), the Central Bank of the Republic of Turkey (CBRT) and the Reserve Bank of New Zealand (RBNZ). Investors will keenly watch the interest rate decisions by the central banks on their views based on the latest data, whether a tightening-induced recession can be avoided.
- ✓ Key data to watch also include the 1Q2022 GDP data from the U.S., Germany, Taiwan and Singapore. Also, the U.S. April personal consumption expenditure (PCE) index will be in focus. Should the data points out the ongoing high cost of living, this might lead to deterioration in risk sentiment. Additionally, the data is matter to the Fed since it serves as indicators of consumer spending and inflation.
- ✓ Elsewhere, flash Purchasing Managers' Index (PMI) data for the U.S., the U.K., Eurozone, Japan and Australia will be released this week. The May's PMI data is going to provide further insights to which extent the Ukraine war and China's lockdowns affect the supply chain and subsequently, add to the inflationary pressures.
- ✓ Meanwhile, Malaysians are starting to feel the pinch as food prices hike with some food essential item in short supply. In view of concerns over food security, a cabinet meeting would be held today to address the worrying food supply shortage, including chicken. On the same note, the Department of Statistic Malaysia (DOSM) would be releasing the inflation figure for the month of April on 25 May 2022. We foresee that the figure would increase by 2.4% y-o-y after remain unchanged at 2.2% for two consecutive month previously.
- ✓ All in all, despite the increasing market volatility, Bursa Malaysia is expected to trade within 1,550.0 points and 1,565.0 points during the week. Thus far, the FBM KLCI rose by 4.71 points to end the week at 1,549.12 on 20 May from 1,544.41 in the previous week.

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
20-Apr-22	668,908	4,803	158,471	2,067	741	27,326	37,631	4,718	111,277	14,619	20,455	25,178	35,735	25,465	6,968
21-Apr-22	932,244	5,651	179,466	2,380	585	100,440	47,460	3,472	90,819	19,593	21,931	26,772	53,603	155,711	5,899
22-Apr-22	852,143	5,508	155,456	2,451	651	75,995	47,409	3,420	81,058	17,938	21,808	21,429	57,575	89,190	6,342
23-Apr-22	716,048	7,129	119,410	2,527	522	73,744	42,808	3,025	75,414	16,654	20,052	18,443	49,620	85,499	5,624
24-Apr-22	608,207	6,034	54,305	2,593	382	71,028	43,721	2,709	64,725	16,675	17,784	15,689	67,001	80,571	4,006
25-Apr-22	423,264	8,070	26,884	2,541	317	56,848	38,450	2,044	34,310	7,604	14,994	13,203	23,361	58,954	2,478
26-Apr-22	478,953	7,383	118,360	2,483	576	25,282	28,495	2,058	80,335	6,658	13,816	14,713	20,962	13,984	3,361
27-Apr-22	694,081	8,361	139,105	2,927	617	29,984	37,258	3,688	76,762	20,194	14,887	17,105	51,169	84,609	3,471
28-Apr-22	711,901	10,639	115,231	3,303	412	88,431	45,771	2,646	57,447	20,614	14,437	14,553	64,426	67,711	2,935
29-Apr-22	655,302	17,382	94,408	3,377	395	70,034	42,313	2,690	50,544	20,720	14,053	13,037	77,526	57,103	2,579
30-Apr-22	568,944	13,927	77,981	3,688	329	59,395	37,477	0	43,286	19,251	12,888	11,586	61,515	50,365	2,107
1-May-22	494,747	16,227	33,794	3,324	244	54,017	25,182	2,141	37,771	19,277	11,535	9,991	80,938	49,482	1,503
2-May-22	359,346	18,064	15,658	3,157	168	41,591	25,425	4,249	19,973	8,207	9,331	8,353	25,774	36,726	1,352
3-May-22	382,127	18,357	86,374	2,568	107	19,068	23,197	1,336	51,105	6,956	9,721	9,021	26,627	8,737	922
4-May-22	741,711	23,622	106,401	3,205	176	62,409	27,062	1,570	49,045	15,488	9,288	11,881	62,971	56,086	1,054
5-May-22	595,271	28,850	89,464	3,275	250	47,643	26,720	1,638	42,296	22,005	9,790	13,284	72,875	47,925	1,278
6-May-22	569,818	30,628	80,248	3,545	245	48,715	21,368	4,733	26,714	20,828	7,705	11,656	96,752	42,203	1,251
7-May-22	546,502	36,540	66,886	3,805	218	44,364	23,615	3,420	39,552	19,355	8,450	10,188	76,819	37,537	1,372
8-May-22	483,749	44,907	26,721	3,451	227	40,783	34,696	3,162	40,064	15,993	8,081	8,917	92,556	37,958	2,153
9-May-22	404,760	44,817	13,155	3,207	254	31,225	40,942	2,423	20,564	6,054	6,488	7,509	23,801	29,324	2,246
10-May-22	420,431	40,772	84,679	2,288	456	17,421	33,664	2,271	49,907	3,667	6,230	9,036	28,746	7,354	2,605
11-May-22	624,957	51,206	94,685	2,897	400	56,199	39,041	4,831	43,902	-	7,650	10,670	100,088	48,584	3,321
12-May-22	623,723	57,553	77,211	2,827	335	42,683	45,740	3,890	35,864	-	6,019	9,683	97,461	40,287	3,410
13-May-22	649,272	65,881	64,856	2,841	335	39,483	42,378	3,645	32,451	-	9,779	8,664	141,667	31,824	3,029
14-May-22	560,077	65,326	56,622	2,858	308	39,029	38,439	4,291	29,541	41,995	6,736	7,588	102,030	30,100	2,373
15-May-22	558,643	64,346	19,809	2,487	257	36,334	39,416	3,383	25,434	-	6,094	6,836	111,754	30,459	2,239
16-May-22	407,801	68,993	10,272	2,202	182	27,726	34,845	2,651	13,251	-	5,238	6,009	15,180	17,301	1,697
17-May-22	377,553	62,011	65,094	1,569	247	13,776	26,334	2,123	35,080	-	3,893	7,869	36,167	5,936	1,469
18-May-22	685,584	65,965	67,188	1,829	327	44,901	33,734	2,664	31,327	52,112	5,633	9,171	142,209	43,727	2,017
19-May-22	635,861	84,737	51,194	2,364	318	30,927	41,527	6,442	28,113	-	6,305	7,700	202,210	29,995	2,124
20-May-22	361,038	90,687	31,439	2,259	250	30,722	38,812	4,578	25,125	-	6,463	4,882	90,581	22,962	2,063

Source: CEIC

Produced and issued by BANK ISLAM MALAYSIA BERHAD (Bank Islam) for private circulation only or for distribution under circumstances permitted by applicable laws. All information, opinions and estimates contained herein have been compiled or arrived at based on sources and assumptions believed to be reliable and in good faith at the time of issue of this document. This document is for information purposes only and has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. No representation or warranty, expressed or implied is made as to its adequacy, accuracy, completeness or correctness. All opinions and the content of this document are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or groups of Bank Islam as a result of using different assumptions and criteria. No part of this document may be used, reproduced, distributed or published in any form or for any purpose without Bank Islam's prior written permission.

A cityscape at sunset with a pink banner at the bottom. The sky is filled with soft, golden light and scattered clouds. The city buildings are silhouetted against the bright horizon. A multi-lane highway with cars is visible in the foreground. A solid pink banner runs across the bottom of the image.

BANK ISLAM

Assuring Trust. Delivering Value.

Thank You