



From the Desk
of the
Chief Economist

BANK ISLAM

WEEKLY MARKET UPDATES

24 JANUARY 2022

ECONOMIC RESEARCH

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International

Country	Economic Indicators	Remarks
The U.S.	Labour Market	✓ The number of Americans filing new claims for unemployment benefits rose by 55k to 286k in the week ending 15 January (previous: 231k).
The U.K.	Inflation	<ul style="list-style-type: none"> ✓ The Consumer Price Index (CPI) increased by 5.4% year-on-year (y-o-y) in December 2021 (November 2021: 5.1%). ✓ It was highest reading since March 1992 amid firm energy prices and supply chain disruptions.
China	Policy Rate	<ul style="list-style-type: none"> ✓ The People's Bank of China (PBOC) slashed its 1-Year Loan Prime Rate (LPR) by 10 bps to 3.7%, following a 5 bps cut in December. ✓ The 5-year LPR which influences the pricing of home mortgages was also reduced by 5 bps to 4.60%.
Indonesia	Policy Rate	✓ The Bank of Indonesia held its key 7-day reverse repurchase rate unchanged at 3.5% to support the economic recovery from the health crisis and maintain exchange rate stability amid the low inflation outlook.

Domestic

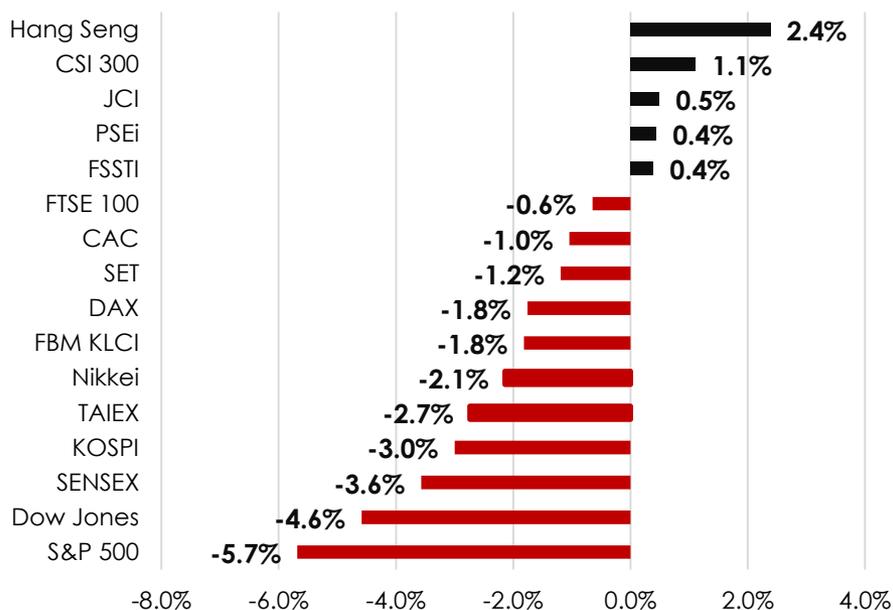
Country	Economic Indicators	Remarks
Malaysia	Inflation	✓ Malaysia's Consumer Price Index (CPI) grew modestly by 3.2% y-o-y in December 2021 (November 2021: 3.3%) due to cost of Transport which softened by 9.5% in December 2021 (November 2021: 12.7%). Nevertheless, Food and Non-Alcoholic Beverages increased further by 3.2% in December 2021 from 2.7% in November 2021.
	Policy Rate	<ul style="list-style-type: none"> ✓ Bank Negara Malaysia (BNM) decided to maintain the Overnight Policy Rate (OPR) at 1.75% during the Monetary Policy Committee (MPC) meeting on 19 and 20 January 2022. ✓ The economy would grow within the projected range of between 3.0% and 4.0% in 2021 and to gain further momentum this year, supported by expansion in global demand and higher private sector expenditure.

Sources: Trading Economics, CEIC

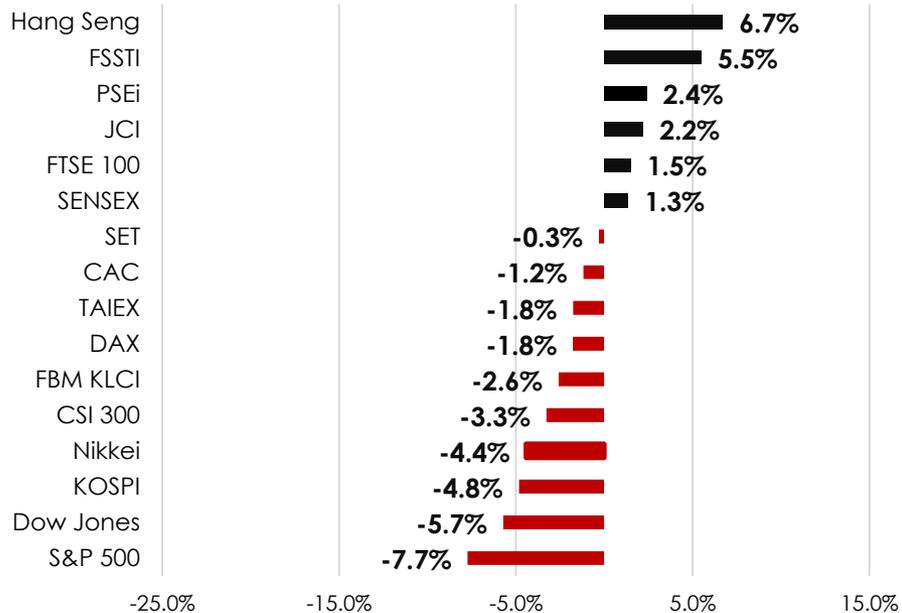
WEEKLY MARKET PERFORMANCE

- ✓ Hong Kong's Hang Seng index led gainers with a 2.4% weekly advance among the major equity markets and completed the fifth weekly gains amid improving sentiment after China's policy maker has injected liquidity, lowered borrowing costs and loosened credit in the housing market amid concerns over an economic slowdown.
- ✓ Meanwhile, the S&P 500 extended losses for the third straight week as investors anticipate a tighter monetary policy moving forward.
- ✓ On a Year-To-Date (YTD) basis, the FBM KLCI is the fifth smallest decliner amongst major markets with a 2.6% loss.

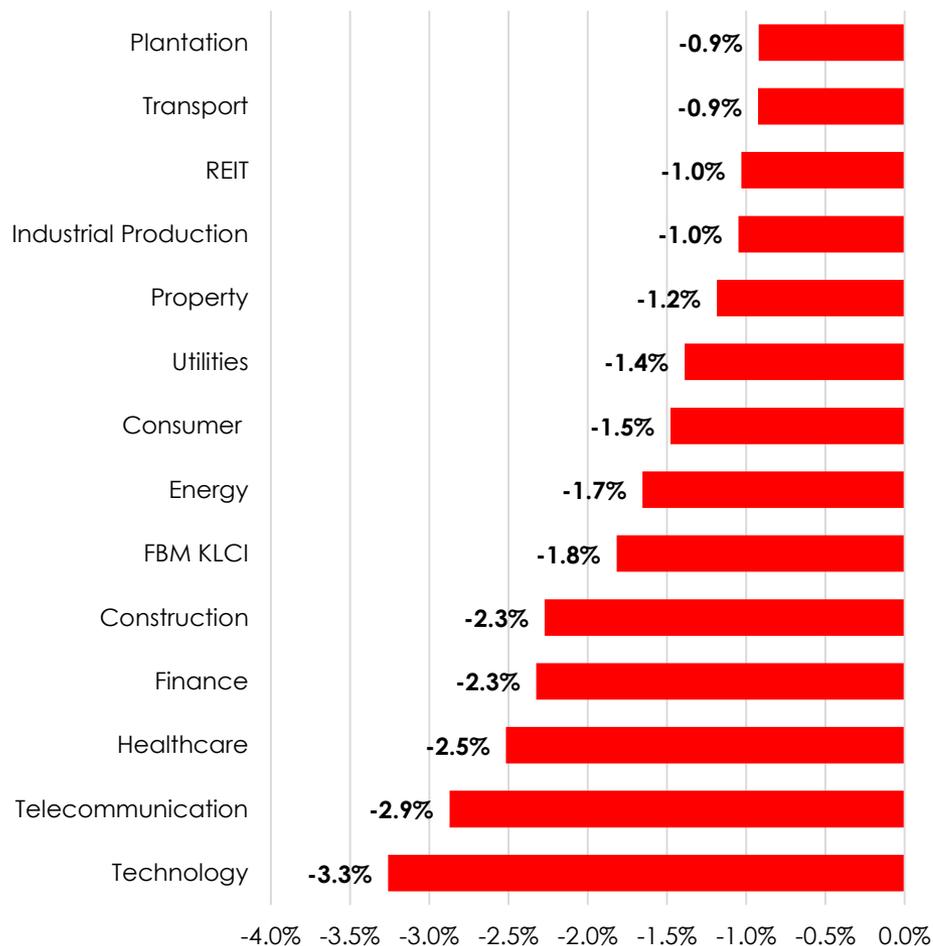
**Weekly Gain/Loss of Major Equity Markets, %
(Week Ended 21 January)**



**YTD Gain/Loss Of Major Equity Markets, %
(As at 21 January)**



Bursa Weekly Sectoral Performance, w-o-w%



Sources: CEIC, Bursa

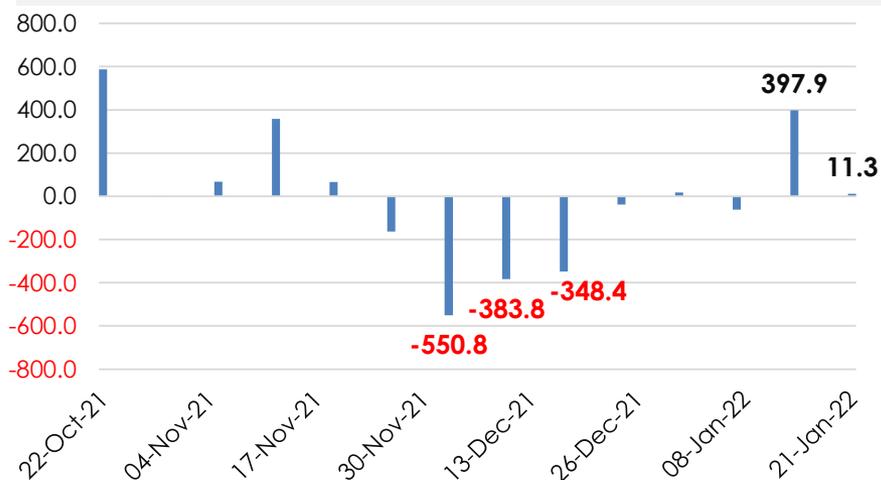
WEEKLY SECTORAL PERFORMANCE

- ✓ Bursa's sector indices were in the red sea last week with **Technology (-3.3%)** and **Telecommunication (-2.9%)** recorded largest negative performance.
- ✓ The technology index was under selling pressure amid concerns over the interest rate hikes in the U.S.
- ✓ Additionally, the overstretched valuations continued to weigh on the sentiment.
- ✓ The FBM KLCI will be traded on a cautious mode this week, ranging between 1,515.0 points and 1,530.0 points on the back of elevating downside risks external and domestic front.

WEEKLY FOREIGN FUND FLOW

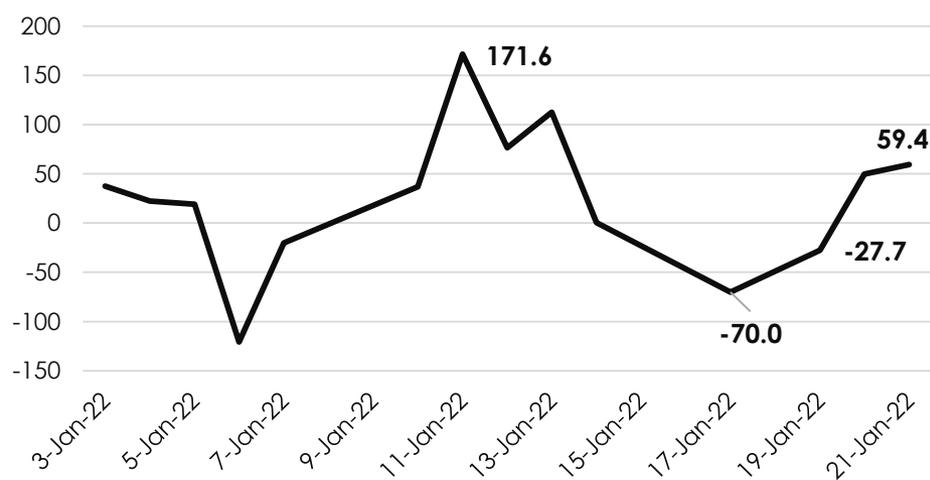
- ✓ Foreign investors continued to be net buyers for the second straight week as they bought RM11.3 million net of local equities last week, though at a slower pace as compared to RM397.9 million net in the preceding week.
- ✓ Bursa started the week on the wrong foot as foreign investors sold a total of RM97.7 million net of local equities on Monday and Wednesday. However, foreign investors turned to be net buyers on Thursday and Friday where largest inflows was recorded on Friday at RM59.4 million.
- ✓ On a YTD basis, international investors have acquired RM347.4 million net of local equities in 2022 compared to RM209.33 million net disposed during the same period in 2021.

Weekly Foreign Fund Flow in Malaysia (RM Million)



Source: Bursa

Daily Foreign Net Inflow/Outflow From 1 January to 21 January (RM Million)

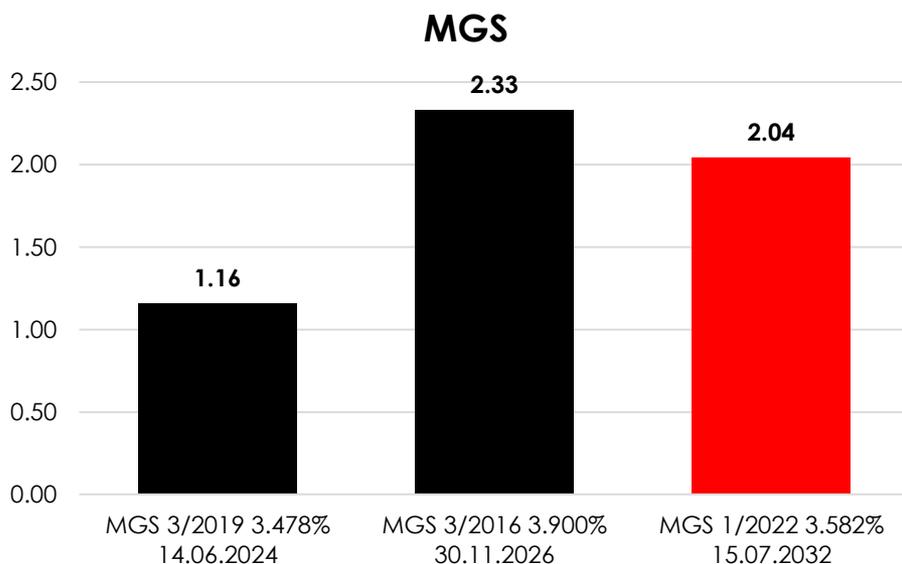


MGS Benchmark Yields Weekly Change, basis points (bps)

MGS Benchmark	Coupon (%)	Yields (%) 14-Jan-22	Yields (%) 21-Jan-22	Change (bps)
3-YMGS 06/24	3.48%	2.79%	2.80%	1
5-YMGS 11/26	3.90%	3.21%	3.27%	6
7-YMGS 06/28	3.73%	3.43%	3.49%	6
10-YMGS 07/32	3.58%	3.59%	3.67%	8

Source: BNM

Past Auction Results



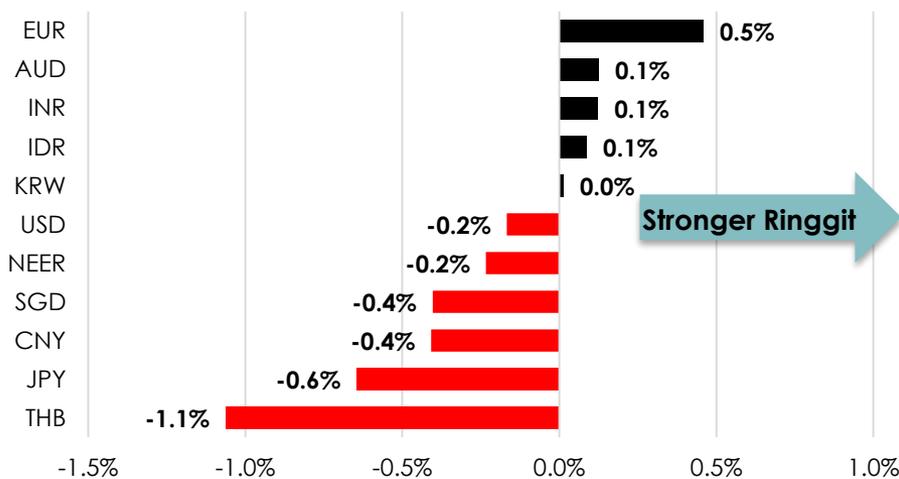
Source: Bond Info Hub

- ✓ As for the bond market, the MGS yields ended higher between 1 bps and 8 bps on a weekly basis, mirroring the movement in the U.S. Treasury (UST) yields.
- ✓ On the other hand, the reopening of 10-Y MGS 07/32 has garnered a healthy Bid-To-Cover (BTC) ratio of 2.04x, suggesting the demand for local govies remained supportive.
- ✓ All in all, the market participants remain cautious ahead of Federal Open Market Committee (FOMC) meeting this week amid expected acceleration of asset tapering by the Federal Reserve (Fed) alongside heighten possibilities of multiple rate hikes this year.
- ✓ All in all, we anticipate BNM to unwind its accommodative policy by increasing the OPR by 25 bps in 2H2022 should the current recovery momentum hold ground.

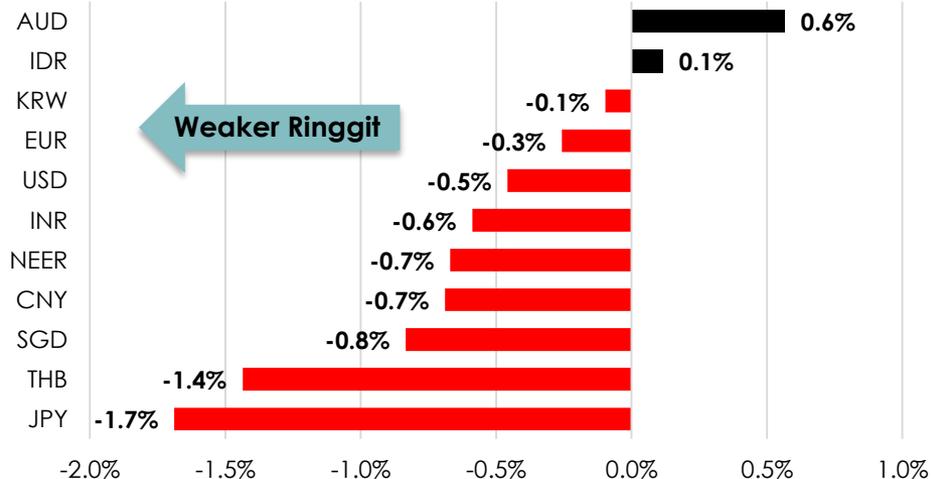
WEEKLY PERFORMANCE

- ✓ The Ringgit fell by 0.2% week on-week (w-o-w), closing at RM4.185 against the U.S. Dollar on 21 January from RM4.1770 on 14 January.
- ✓ The weaker Ringgit was attributable to sell-off in U.S. equities as market participants had become increasingly wary of the prospects of higher interest rate, which in turn benefitted the U.S. Dollar, as well as China's move to lower its interest rates amid the slowing economy in relation to property slump and resurgence virus outbreaks.
- ✓ The main highlight of the week will be the possibility of sooner move on rates by the Fed with a slew of the FOMC members rooting for the removal of monetary policy accommodation.
- ✓ Therefore, the U.S. FOMC which is scheduled to be on 25 and 26 January this week will be the main focus.
- ✓ Taking these matters into account, the local note is expected to linger at the current level RM4.18 against the greenback as investors would be weighing on the outcome of the FOMC meeting.

**MYR against regional currencies, w-o-w%
(Week Ended 21 January)**



**MYR against regional currencies,
YTD Gain% (As at 21 January)**



Source: Bloomberg

BRENT

- ✓ Brent crude oil price recorded a 1.6% weekly increase to settle at USD87.89 per barrel on 21 January (17 January: USD86.06 per barrel) and extended gains for the fifth straight week underpinned by strong demand prospects in light of economic recovery in 2022.
- ✓ Apart from that, concerns over short-term supply disruptions following a fire which temporarily halted flows through an oil pipeline running from Iraq's Kirkuk to the Turkish port of Ceyhan alongside with the consistent shortfall from the Organization of the Petroleum Exporting Countries Plus (OPEC+) members in reaching targeted supply increases have also supported oil price lasts week.
- ✓ On the supply side, the U.S. Energy Information Administration (EIA) reported that the crude oil inventories increased by 0.5 million barrels to 413.8 million barrels in the week ended 14 January (7 January: 413.3 million barrels), rising for the first time since November last year. Similarly, the American Petroleum Institute (API) report mentioned that crude stockpiles rose by 1.4 million barrels in the week ended 14 January from 1.1 million barrels draw in the preceding week.

Brent Crude in USD per barrel



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



GOLD

- ✓ Gold price grew by 1.0% to USD1,835.38 per ounce on 21 January (14 January: USD1,817.94 per ounce) marking a second week gain amid the market cautious sentiment following the upcoming FOMC meeting on 25 January.
- ✓ To add, factors including geopolitical concerns relating to the Ukraine-Russia war, Omicron variant and inflationary pressure also have directed the market players towards this safe-haven metal.
- ✓ On a further note, the U.S. Dollar index rebounded by 0.5% to 95.64 on 21 January after registering a dip of 0.6% in the previous week.
- ✓ The retracement in dollar reflects the downbeat of U.S. money market in which the 10-year Treasury note fell 7 basis points to 1.75% on 21 January.

Gold in USD per ounce



U.S Dollar Index (DXY)



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
21-Dec-21	539,756	99	23,428	5,326	216	16,205	148	195	5,196	22,044	2,476	91,734	96,680	14,470	3,140
22-Dec-21	873,928	95	45,659	6,317	179	30,783	223	280	7,450	54,354	2,532	89,022	275,362	72,634	3,519
23-Dec-21	883,343	121	44,927	7,495	136	36,326	267	335	6,917	73,383	2,940	105,330	204,047	79,567	3,510
24-Dec-21	964,610	102	35,431	6,650	204	44,585	303	322	6,226	84,947	2,671	122,448	239,702	91,288	3,528
25-Dec-21	995,030	165	22,214	7,189	255	50,615	294	265	5,842	95,009	2,766	121,371	282,501	93,532	3,160
26-Dec-21	906,517	249	10,100	6,987	92	54,762	316	248	5,419	73,270	2,532	121,861	232,752	104,505	2,778
27-Dec-21	602,060	233	13,908	6,531	120	24,882	274	209	4,204	45,829	2,437	118,945	98,078	27,697	2,757
28-Dec-21	761,335	235	21,080	6,358	278	30,799	218	280	3,862	50,963	2,305	107,699	200,082	29,767	2,897
29-Dec-21	1,504,624	222	40,043	9,195	194	78,300	362	365	5,401	113,290	2,575	138,025	488,241	174,296	3,683
30-Dec-21	1,582,607	233	42,770	13,154	189	98,016	466	341	5,033	134,319	3,037	182,104	396,920	207,692	3,997
31-Dec-21	1,778,994	232	41,240	16,764	180	127,000	490	311	4,872	145,878	3,111	188,124	474,961	204,636	3,573
1-Jan-22	1,922,532	291	26,392	22,775	274	144,255	463	344	4,415	143,291	3,011	189,836	578,981	229,948	3,386
2-Jan-22	1,685,963	230	12,515	27,553	174	141,256	504	456	3,828	100,834	3,112	179,583	453,877	219,126	2,882
3-Jan-22	1,074,074	207	18,518	33,750	265	61,137	516	429	3,124	56,520	2,927	148,962	273,332	58,432	2,690
4-Jan-22	1,328,149	229	30,561	37,379	299	68,034	783	464	3,023	67,969	3,091	156,384	375,906	62,781	2,842
5-Jan-22	2,586,080	164	58,912	58,097	404	170,837	1,256	842	4,441	139,733	3,899	218,320	947,067	261,535	3,270
6-Jan-22	2,647,083	253	64,340	90,928	533	189,088	2,506	805	4,125	160,411	5,775	193,814	717,289	329,539	3,543
7-Jan-22	2,644,274	250	56,335	117,100	518	219,430	4,194	813	3,714	156,250	7,526	179,731	696,127	258,209	3,381
8-Jan-22	2,628,726	252	55,889	141,986	479	108,297	5,983	777	3,510	72,099	8,263	178,163	777,470	322,303	3,251
9-Jan-22	2,784,273	246	36,552	159,632	529	197,535	7,930	811	3,368	141,366	8,511	140,566	840,612	303,655	2,888
10-Jan-22	2,184,248	249	25,255	179,723	454	155,642	8,144	845	3,003	85,807	7,926	141,398	404,886	290,034	2,641
11-Jan-22	1,960,759	248	45,690	168,063	802	117,405	6,394	750	3,094	86,279	7,133	142,122	432,014	88,607	3,175
12-Jan-22	3,527,844	312	80,430	194,720	646	220,519	6,829	846	4,383	161,141	7,681	115,280	1,336,733	343,116	3,198
13-Jan-22	3,177,794	308	81,417	247,417	793	196,205	12,243	882	4,161	159,015	8,167	129,544	787,187	358,006	3,684
14-Jan-22	3,184,335	280	92,223	264,202	850	184,577	17,940	960	4,542	147,912	8,158	105,679	839,370	299,610	3,346
15-Jan-22	3,213,866	241	78,022	268,833	1,054	200,869	21,241	945	4,414	136,479	7,793	98,578	886,326	309,020	3,074
16-Jan-22	3,140,545	202	52,504	271,202	855	192,936	22,707	956	4,193	123,082	8,077	80,704	886,147	324,550	3,010
17-Jan-22	2,283,046	285	34,145	258,089	772	157,465	26,881	863	3,857	75,689	6,929	74,267	345,541	278,129	2,342
18-Jan-22	2,063,313	243	74,405	238,018	1,362	83,387	23,351	1,165	4,067	65,853	6,397	84,429	312,662	98,813	3,245
19-Jan-22	3,416,122	171	112,323	282,970	1,745	228,123	29,862	1,448	5,803	133,124	7,122	93,890	848,031	428,429	3,229
20-Jan-22	3,933,319	135	133,536	317,532	2,116	200,966	39,841	1,615	6,600	110,908	8,129	107,450	1,182,465	432,853	3,764
21-Jan-22	3,472,227	124	140,160	347,254	2,604	198,865	44,638	1,472	6,769	54,954	8,640	106,533	762,508	421,807	4,046

Source: CEIC

- ✓ Bursa Malaysia is expected to be in range-bound this week as investor sentiment is likely to remain cautious though bargain hunting may prevail. As such, the FBM KLCI is anticipated to trade within 1,515.0 points and 1,530.0 points during the week. Meanwhile, on Friday-to-Friday basis, the FBM KLCI fell by 28.27 points to end the week at 1,527.06 on 21 January from 1,555.33 in the previous week.
- ✓ Looking ahead for this week, Department of Statistics Malaysia (DOSM) will be releasing its December exports data this Friday for year 2021 alongside with leading index (LI) and producer price index (PPI). According to Trading Economics (TE) global and analysts expectations, balance of trade is expected to be at RM24.2 billion by the end of 2021 quarter.
- ✓ On the global front, the first Fed FOMC meeting of the year that is scheduled on this week will be closely watched by the investors for signals of an imminent hike, expected as early as March. The Fed meeting, together with a likely solid U.S. 4Q2021 gross domestic product (GDP) will also be of interest as both are key market drivers during the week. Moreover, we will be getting January's flash purchasing manager index (PMI) across developed economies including the U.S., U.K., Eurozone, Japan and Australia. Such data is expected to provide a broad insight of Covid-19 Omicron variant that continued to impact the global economy into the start of the year. Apart from that, there will be inflation data from both Australia and Singapore, as well as 4Q2021 GDP readings from Hong Kong, Philippines, South Korea and Taiwan.
- ✓ All in all, Malaysia's recovery from the pandemic has been bumpy as the country rides out a rocky start to 2022. During the first meeting of MPC last week, BNM has decided to keep the OPR at 1.75%, suggesting that BNM appears to be comfortable with the state of the economy as activities continue to be reopened amidst effective vaccination rollout. With Malaysia already grappling with community transmission of the Omicron, BNM is expected to focus more on ensuring the economic recovery of the Covid-19 health crisis is sustainable this year before adjusting to the higher OPR later on.

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An aerial photograph of a city skyline at sunset, with a prominent pink bar at the bottom. The sky is filled with soft, golden light and scattered clouds. The city features numerous high-rise buildings, with a particularly tall, slender skyscraper on the left. A highway with traffic is visible in the foreground, winding through the city. The overall mood is warm and serene.

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