



From the Desk
of the
Chief Economist

BANK ISLAM

WEEKLY MARKET UPDATES

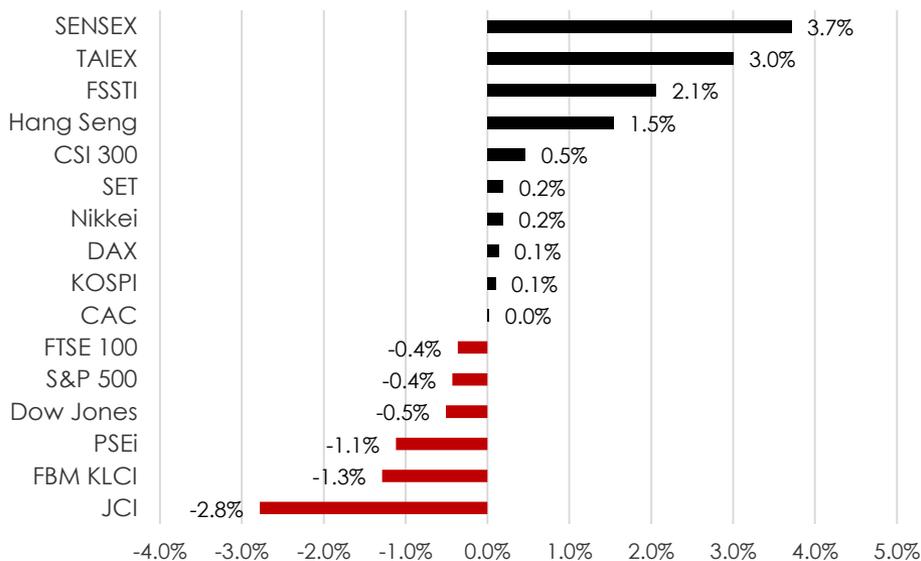
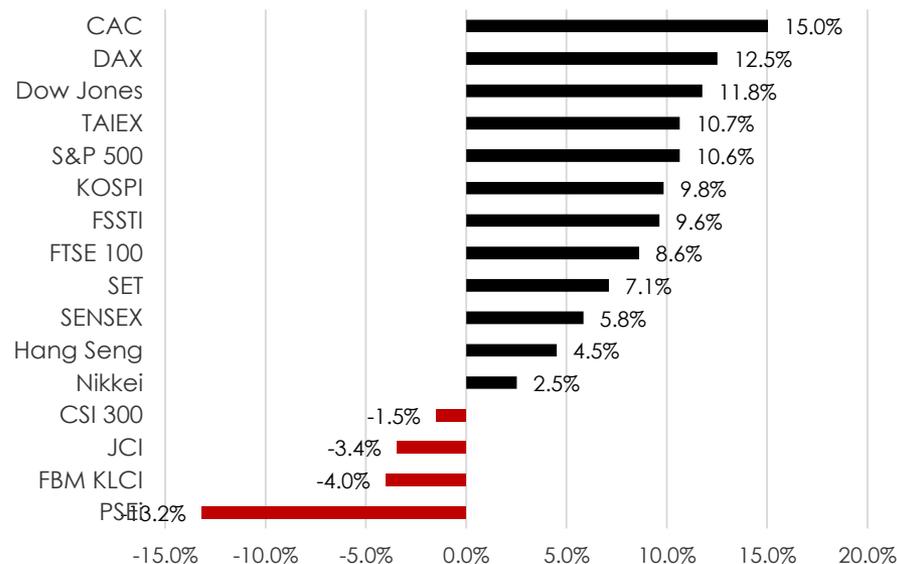
24 MAY 2021

ECONOMIC RESEARCH

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WEEKLY MARKET PERFORMANCE

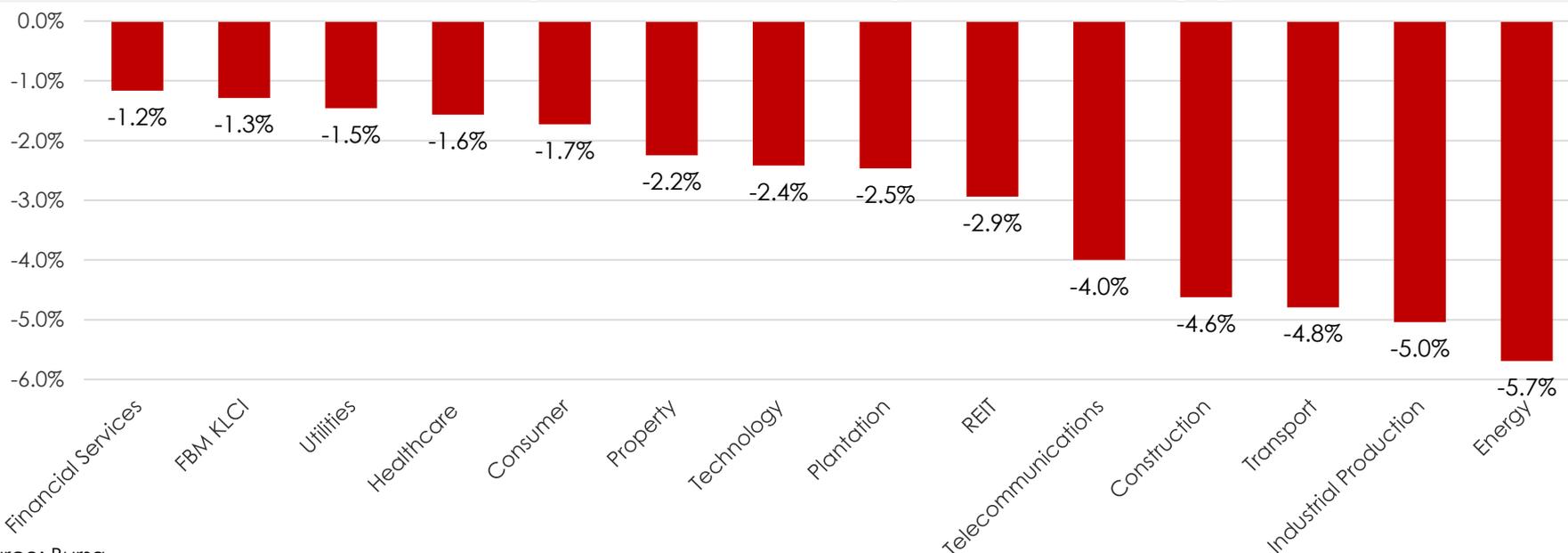
- ✓ Decliners again conquered losers among major equity markets last week with Indonesia's JCI index recording the largest weekly drop of 2.8% amid rising fears that mass gatherings in Indonesia over Eid could trigger a surge of new cases.
- ✓ Meanwhile, India's SENSEX index led gainers with a 3.7% weekly advance, the biggest weekly gain since the national budget for 2021 to 2022 which was announced in February. The rally in the SENSEX index was fuelled by a rally in small and mid-cap stocks on the SENSEX index. There were as many as 61 stocks in the SENSEX index which rose by 10.0% to 40.0% in a week which included names like Gland Pharma, Firstsource Solutions, RBL Bank, SBI and Adani Total Gas. The overall mood was rather calm in India, encouraged by easing Covid-19 concerns.
- ✓ On the domestic front, the FBM KLCI index was lower by 1.3% for the week but recorded a larger loss on a Year-To-Date (YTD) basis of 4.0% amid initial fears of a full-fledged lockdown to curb rising infections in the country.

Weekly Gain/Loss of Major Equity Markets (%)
(Week Ended 21 May)YTD Gain/Loss Of Major Equity Markets (%)
(As at 21 May)

WEEKLY SECTORAL PERFORMANCE

- ✓ All of Bursa Malaysia's sectoral indexes were in a sea of red last week with the Bursa Malaysia Energy Index recording the largest weekly decline of 5.7%. During the week, the Brent crude oil price jumped by 2.0% on Friday, snapping three days of losses following a storm in the Gulf of Mexico. However, this was insufficient to offset the 6.3% drop seen in the Brent crude price after settling at USD65.11 per barrel on Thursday from USD69.46 per barrel on Monday as sentiment was dampened by a possible return of Iranian crude supplies after officials said that Iran and the US made progress on a nuclear deal.
- ✓ On the other hand, the Bursa Malaysia Financial Services Index was the smallest loser after ending 1.2% lower for the week. Investors were probably digesting the latest 4.7% year-on-year (y-o-y) surge in the Consumer Price Index during April this year which signals that the economy is recovering despite concerns that the growth is coming from a low base. The financial services sector is often seen as a proxy to overall economic growth of a country.

Bursa Malaysia Sectoral Weekly Performance (%)

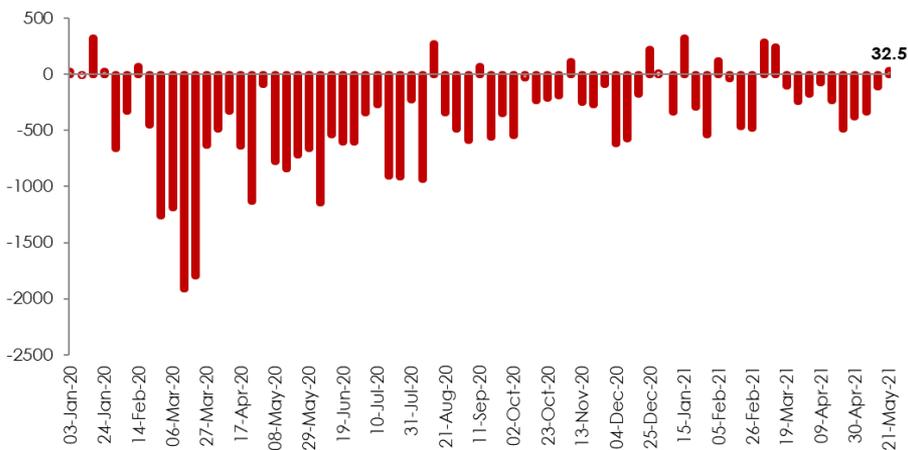


Source: Bursa

WEEKLY FOREIGN FUND FLOW

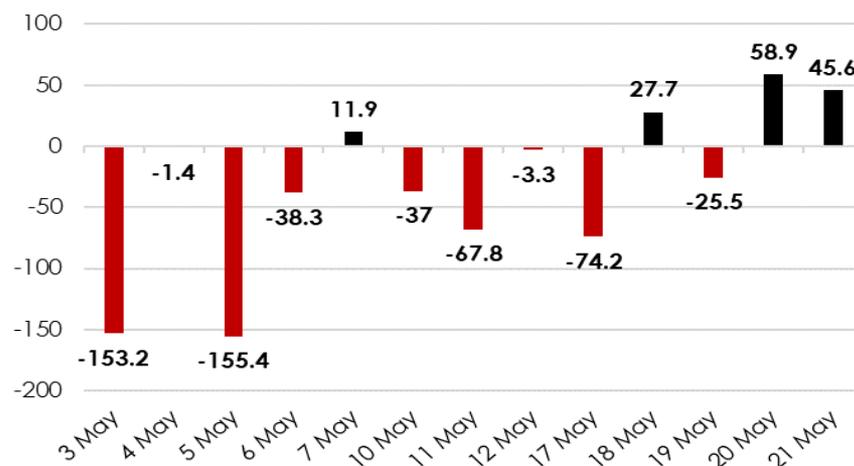
- ✓ Foreign investors acquired RM32.5 million net of local equities last week compared to the RM108.1 million net disposed in the preceding week. This marks the first weekly foreign net inflow after nine straight weeks of selling.
- ✓ International investors withdrew RM74.2 million net of local equities as markets reopened from the Hari Raya Aidilfitri holidays on Monday. Foreign investors then acquired RM27.7 million net of local equities on Tuesday as investors took cue from a firmer Brent crude oil price which supported the market sentiment. Wednesday then saw another round of foreign net outflow worth RM25.5 million, coinciding with the Malaysia's number of daily cases breaching over 6,000 cases for the first time ever. Offshore funds were then back to buying mode on Thursday, snapping up RM58.9 million net of local equities. Foreign net buying continued for the second day on Friday to the tune of RM45.6 million net despite fears of a lockdown which later turned out to be an implementation of tighter measures under the Movement Control Order (MCO) 3.0.
- ✓ So far, the month of May has seen a total foreign net outflow of RM412.0 million while the YTD foreign net outflow from Malaysia stood at RM3.3 billion.

Weekly Foreign Fund Flow in Malaysia (RM Million)



Sources: Bursa and Bloomberg

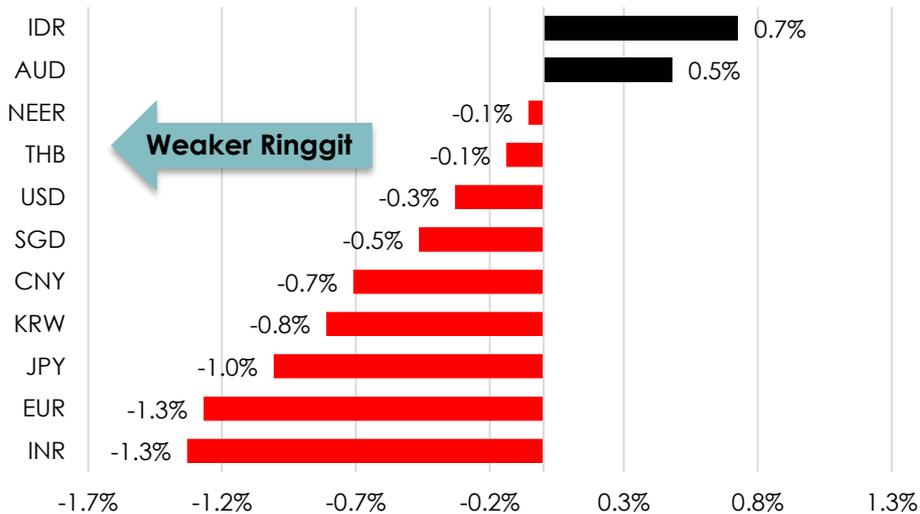
Daily Foreign Net Inflow/Outflow in May 2021 (RM Million)



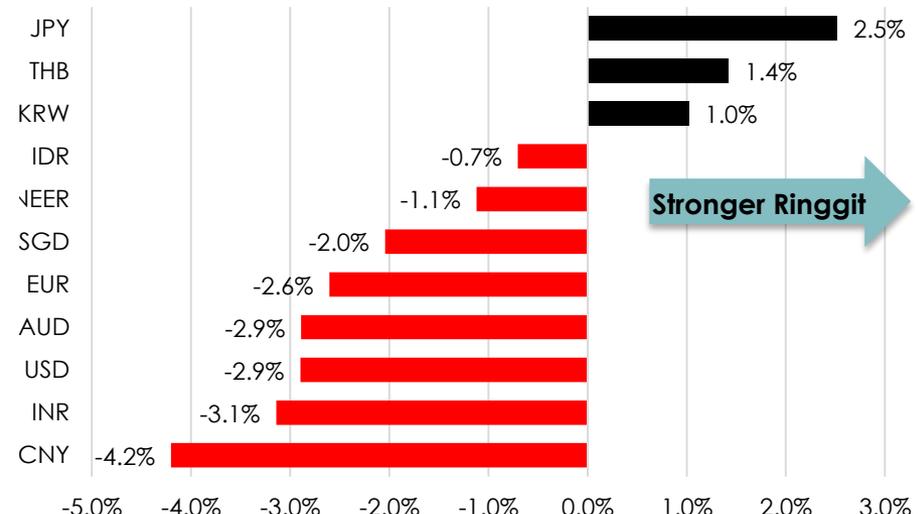
WEEKLY PERFORMANCE

- ✓ The Ringgit fell by 0.3% week-on-week (w-o-w) against US Dollar to close at RM4.1390 on 21 May from RM4.1230 on 12 May. This was weighed by concerns over the resurgence of Covid-19 cases in the nation that led to a tighter MCO. In addition, US Dollar strengthened against the Ringgit amid improving sentiment as the economy continued to reopen from Covid-19 related restrictions. In addition, the US IHS Markit Flash Composite PMI jumped to 68.1 points in May (April: 63.5 points) as private sector firms across the US signalled an unprecedented expansion in business activity.
- ✓ Moving forward, the Ringgit is expected to trade within a tight range against the US Dollar amid uncertainties coming from local Covid-19 cases which recorded nearly 7k cases yesterday alongside weak oil demand outlook in Asia and progress over the US-Iran nuclear talk.

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



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

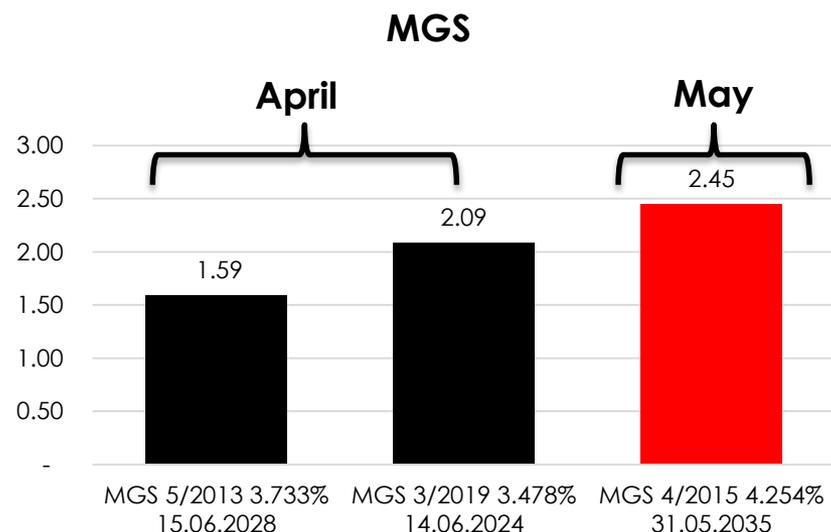


MGS Benchmark Weekly Change (bps)

MGS Benchmark	Coupon (%)	Yields (%) 12-May-21	Yields (%) 21-May-21	Change (bps)
3-Y MGS 06/24	3.48%	2.33%	2.30%	-3
5-Y MGS 09/25	3.96%	2.58%	2.57%	-1
7-Y MGS 06/28	3.73%	2.96%	3.00%	4
10-Y MGS 04/31	2.63%	3.14%	3.21%	7

Source: BNM

Auction Market



Source: Bond Info Hub

- ✓ As for the bond market, the MGS yields were mixed with 3-Y MGS 06/24 and 5-Y MGS 09/25 falling by 3 bps and 1 bps to close at 2.30% and 2.57% respectively during the week. Meanwhile, the yields for 7-Y MGS 06/28 and 10-Y MGS 04/31 were higher by 4 bps and 7 bps to settle at 3.00% and 3.21% on 21 May 2021.
- ✓ Looking at the auction market, the reopening of 15-Y MGS 05/35 has garnered a Bid-To-Cover (BTC) ratio of 2.45x with a total size of RM4.5 billion, suggesting that the demand for bonds remain healthy.
- ✓ All in all, we anticipate that investors would remain cautious and closely monitor the development of Covid-19 infections that would dampen the sentiment in the financial market.

BRENT

- ✓ Brent crude oil price recorded a 3.3% weekly decline to settle at USD66.44 per barrel last Friday (14 May: USD68.71/barrel) amid worries over rising Covid-19 infections in Asia and signs of progress in the US-Iran nuclear talks, which is expected to bring more oil into an already oversupplied market.
- ✓ Apart from that, the increase in the US crude stocks has also affected the price. The US Energy Information Administration (EIA) reported a rise in crude oil inventory by 1.3 million barrels to 486.0 million barrels in the week ended 14 May (7 May: 484.7 million barrels), the most in eight weeks since March this year. Similarly, the American Petroleum Institute (API) report showed that crude stockpiles increased by 0.6 million barrels in the week ended 14 May from a draw of 2.5 million barrels in the preceding week.
- ✓ Be that as it may, the oil market is up almost 30.0% so far this year on expectations that the fuel demand would gradually recover with the rollout of Covid-19 vaccines and the reopening of more economies.

Brent Crude in USD per barrel



Source: Bloomberg

US Crude Oil Inventory, '000 barrel - EIA



GOLD

- ✓ Gold price posted a 2.1% weekly increase to USD1,881.25 per ounce on 21 May from USD1,843.43 per ounce in the preceding week. This was the highest level recorded since January this year amid growing inflation concerns, weakening US dollar and falling US Treasury yields .
- ✓ Apart from that, the rise in price comes amid a significant drop in Bitcoin after a fresh warning from Chinese officials over cracking down on cryptocurrencies. Previously, Bitcoin has seen its sharpest declines after Tesla Inc. suspended accepting Bitcoin for transactions, citing concerns over its carbon footprint.
- ✓ Moreover, the precious metal has continued to benefit from safe-haven demand stemming from the ongoing Covid-19 crisis globally.

Gold in USD per ounce



US Dollar Index (DXY)



Source: Bloomberg

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
23-Apr-21	912,286	37	27,543	332,730	6,243	16,046	5,473	24	797	9,577	2,070	2,728	63,523	34,034	2,847
24-Apr-21	873,530	22	23,392	346,786	5,436	14,758	5,101	39	785	9,729	2,839	2,678	65,060	32,192	2,717
25-Apr-21	850,454	23	18,773	349,691	4,544	13,814	5,142	23	644	9,802	2,438	2,061	61,884	30,884	2,690
26-Apr-21	796,255	20	11,907	352,991	4,402	13,157	4,722	40	499	4,905	2,048	1,712	56,630	24,465	2,776
27-Apr-21	681,495	19	10,976	323,144	5,944	8,440	4,177	45	512	3,792	2,179	2,064	40,961	4,914	2,733
28-Apr-21	765,917	26	22,231	360,960	4,656	10,398	4,523	12	769	8,834	2,012	2,685	28,756	29,980	3,142
29-Apr-21	884,861	33	24,736	379,257	5,241	13,382	5,425	23	679	9,639	1,871	2,166	51,594	31,444	3,332
30-Apr-21	892,383	33	24,329	386,452	5,833	14,314	5,794	35	661	9,204	1,583	2,445	54,600	26,373	3,788
1-May-21	889,587	27	18,935	401,993	5,500	13,445	4,820	24	627	8,356	1,891	2,381	59,748	24,120	2,881
2-May-21	829,666	27	16,290	392,488	4,512	12,964	5,623	34	606	8,910	1,940	1,907	53,619	23,986	3,418
3-May-21	742,712	18	9,160	368,147	4,394	9,145	5,637	39	488	3,848	2,041	1,671	50,396	9,888	2,500
4-May-21	661,009	27	7,534	357,229	4,730	5,946	4,764	17	541	2,982	1,763	1,649	37,543	3,606	3,120
5-May-21	727,080	19	18,034	382,315	4,369	9,113	4,734	17	676	5,959	2,112	1,946	32,382	23,116	3,744
6-May-21	860,096	18	21,953	412,262	5,285	10,579	3,763	16	574	7,360	1,911	2,144	44,514	25,764	3,551
7-May-21	853,895	28	18,485	414,188	5,647	11,798	4,871	18	525	7,893	2,044	2,613	44,855	21,564	4,498
8-May-21	834,117	14	15,685	401,078	6,327	10,549	5,528	25	701	6,781	2,419	2,490	44,787	17,804	4,519
9-May-21	814,194	22	12,656	403,738	6,130	10,174	6,505	20	564	7,441	2,101	2,047	45,192	20,745	3,733
10-May-21	702,931	13	6,922	366,161	3,922	8,289	7,017	28	463	3,376	1,630	1,770	38,091	9,128	3,807
11-May-21	619,816	33	6,125	329,942	4,891	5,077	5,773	19	510	2,352	1,919	2,357	27,426	3,014	3,973
12-May-21	655,623	28	14,909	348,421	5,021	6,943	5,885	25	635	5,984	1,983	2,474	22,334	18,323	4,765
13-May-21	756,829	32	17,419	362,727	4,608	7,848	6,927	16	715	5,842	4,887	2,284	34,676	21,269	4,855
14-May-21	734,185	35	11,336	343,144	3,448	8,082	6,918	34	747	5,801	2,256	2,656	35,093	19,134	4,113
15-May-21	690,866	49	7,894	326,098	2,633	7,562	6,294	52	681	5,564	3,095	2,193	37,587	6,993	4,140
16-May-21	671,533	206	8,500	311,170	2,385	6,652	6,147	31	610	5,507	2,302	1,156	40,431	14,778	3,780
17-May-21	601,458	234	5,412	281,386	3,080	5,748	5,187	49	619	2,650	9,635	-	30,732	13,948	4,446
18-May-21	518,119	357	4,209	263,533	4,295	3,454	4,650	28	528	2,110	2,473	-	17,984	2,970	4,865
19-May-21	564,167	258	11,040	267,334	4,185	4,449	4,877	38	654	4,831	3,394	2,412	23,942	16,288	6,075
20-May-21	651,357	286	12,298	276,110	4,871	5,500	5,552	38	646	5,324	2,636	2,135	29,792	18,780	6,806
21-May-21	628,231	320	8,769	259,551	5,797	5,736	5,905	41	561	2,825	3,481	2,694	29,296	-	6,493
22-May-21	612,253	326	7,082	257,299	5,746	5,215	5,368	40	666	-	3,052	2,702	28,743	-	6,320
23-May-21	563,692	743	6,714	240,842	5,296	4,714	4,747	29	585	-	3,382	2,523	27,921	-	6,976

Source: CEIC

- ✓ As this week will be the last full trading week of May, a majority of public listed companies will release their corporate earnings for the quarter ended 31 March 2021. However, even if many companies record a positive growth in corporate earnings for the said quarter, investors may not likely take a drastic move to increase their exposure in the equity market as there seems to be no slowdown in the number of daily Covid-19 cases which breached 6,000 cases on 19 May 2021.
- ✓ Moreover, this week will be another holiday-shortened week with the local bourse being closed on Wednesday in conjunction with the Wesak Day holiday. Henceforth, trading activities may also be muted or slow this week. With that in mind, we foresee that the **FBM KLCI index will trade in a range of 1,550 to 1,570 points next week with a downward bias** amid the highly volatile landscape.
- ✓ During the week, **investors in Malaysia will be focusing on April's exports data on this Friday** which is expected to record another y-o-y double-digit growth amid a low base effect from last year. On the global front, **the US** will be releasing the **second estimate of 1Q2021 GDP**, while **President Biden's FY2022 budget** is also highly anticipated to be revealed. Elsewhere, other **1Q2021 GDP updates will include those from Germany, France, Mexico and Singapore**. Meanwhile, **central banks in South Korea, Indonesia and New Zealand** will be deciding on their monetary policy, which will likely remain accommodative in the medium term.
- ✓ The government of Malaysia has decided to implement tighter measures under the MCO 3.0 effective from 25 May 2021 rather than a full-fledged lockdown which was highly anticipated. While this may help calm nerves of further downside risks towards the nation's economy growth, investors will be assessing if the benefits of allowing certain economic sectors to operate will outweigh the costs of the country to handle the country's rising Covid-19 cases. As at 21 May 2021, the number of daily Covid-19 cases per 1.0 million people stood at 200.6 cases, surpassing India which was at 186.5 cases.

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