



From the Desk  
of the  
**Chief Economist**

**BANK ISLAM**

# **WEEKLY MARKET UPDATES**

**25 JANUARY 2021**

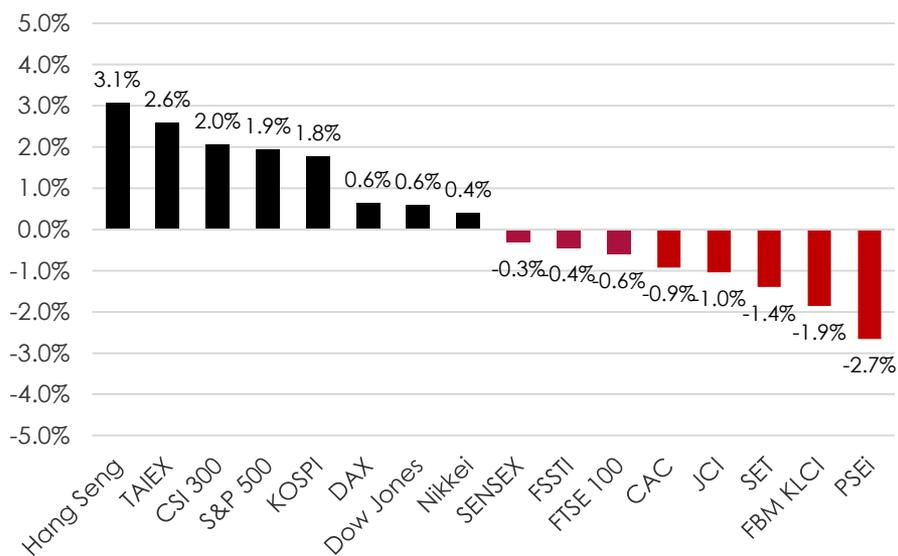
## **ECONOMIC RESEARCH**

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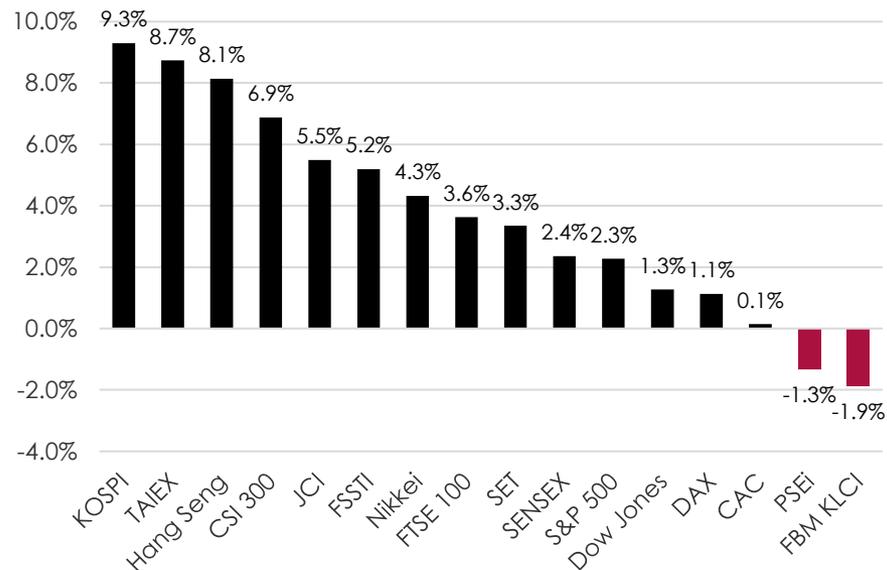
## WEEKLY MARKET PERFORMANCE

- ✓ The number of gainers and losers amongst major equity markets worldwide were equal last week. Hong Kong's Hang Seng led gainers with a 3.1% weekly advance. The rally was driven by Chinese investors who were targeting national firms such as China Mobile Ltd. that had earlier sold off on the imposition of U.S. restrictions.
- ✓ Meanwhile, the Philippines' PSEi index was the biggest laggard during the week with a 2.7% loss. The Philippines saw international investors dumping USD25.7 million worth of local equities on Friday, the highest in a day since November 2020. Optimistic expectations towards the local economy is seen to be waning amid the lack of a catalyst while Covid-19 concerns continue to weigh on sentiment.
- ✓ On the local front, the FBM KLCI index saw a 1.9% year-to-date (YTD) loss, making it the worst performer amongst other regional markets.

### Weekly Gain of Major Equity Markets (%) (Week Ended 22 January)



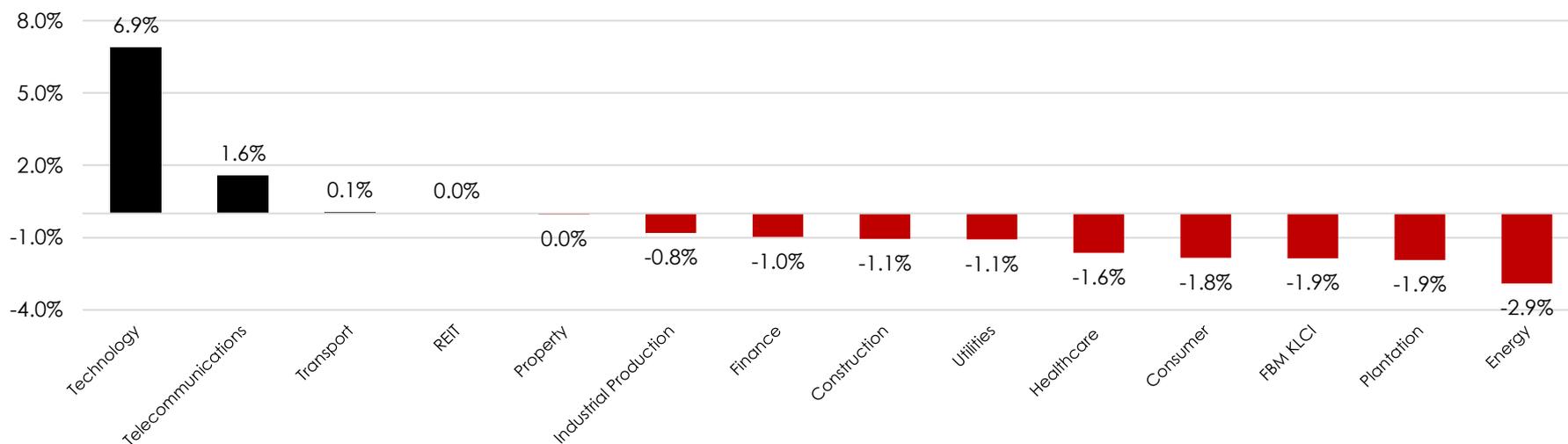
### YTD Gain Of Major Equity Markets (%) (As at 22 January)



## WEEKLY SECTORAL PERFORMANCE

- ✓ The Bursa Malaysia Technology index was the biggest gainer last week with a 6.9% weekly advance. The main driver for the rally is the global chip shortage which has become a boon to local semiconductor players as lockdowns and travel restrictions are prompting consumers to buy more smartphones, computers and laptops. Aside from that, the growth in electric vehicles has increased the automotive demand for semiconductor components.
- ✓ On the other hand, the Bursa Malaysia Energy Index was the biggest laggard, recording a 2.9% weekly loss. The optimism coming from Treasury Secretary nominee Janet Yellen who called on lawmakers to act big on the stimulus package was tempered by the International Energy Agency's (IEA) move to cut forecasts for global oil demand in 1Q2020 by 600,000 barrels per day amid renewed Covid-19 lockdowns in many parts of the world.

### Bursa Malaysia Sectoral Weekly Performance (%)

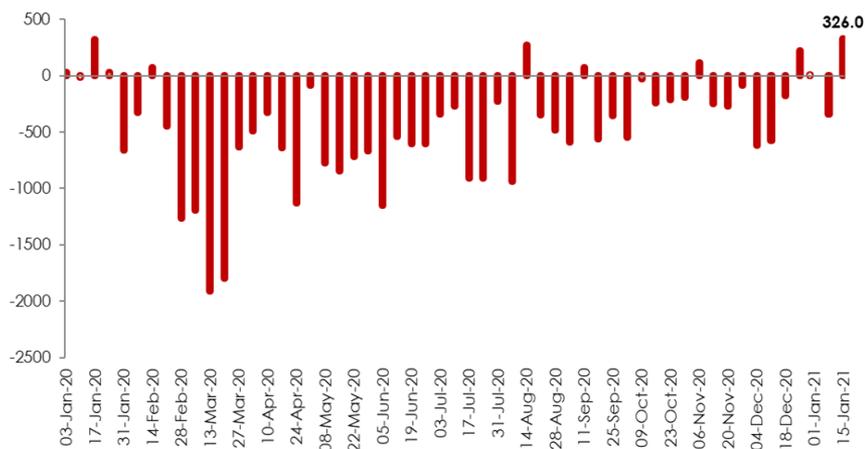


Sources: Bursa

## WEEKLY FOREIGN FUND FLOW

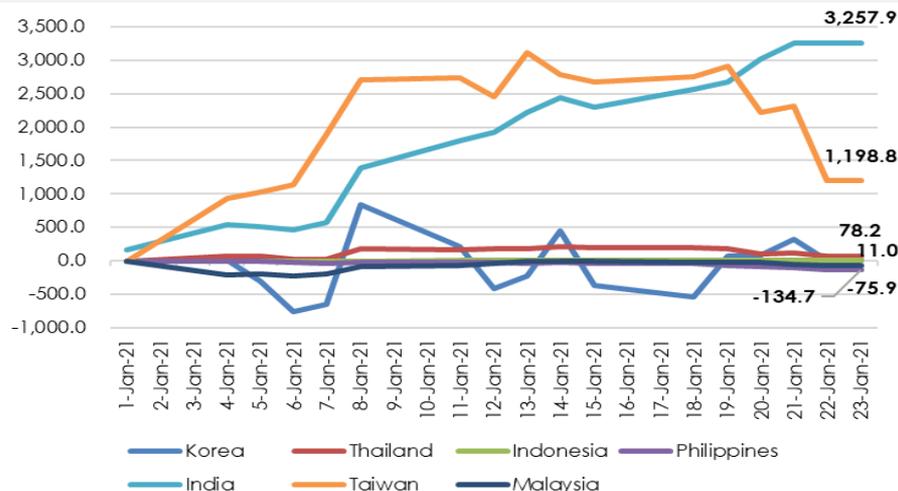
- ✓ Foreign investors withdrew RM288.2 million net of local equities during the third week of 2021 compared to the RM326.1 million acquired in the preceding week.
- ✓ International investors were net sellers on every day of the week with Thursday recording the highest at RM117.7 million amid a selloff in rubber glover counters. The dampened sentiment in rubber glove stocks on Thursday was due to the 0.4% appreciation of Ringgit against the US Dollar which could hurt the revenue of rubber glove makers as their products are exported to other countries. Meanwhile, Wednesday saw the lowest foreign net outflow during the week at RM8.9 million as Bank Negara Malaysia (BNM) kept its benchmark interest rate unchanged at a record-low of 1.75% at its first meeting of the year which prevents the compression of net income margins of banks.
- ✓ On a YTD basis, foreign investors have sold USD75.9 million net of local equities in Malaysia. Amongst the seven Asian markets that we monitor, Malaysia has the second largest cumulative foreign net outflow after the Philippines. Meanwhile, India has the largest foreign net inflow so far in 2021 at USD3.3 billion.

### Weekly Foreign Fund Flow in Malaysia (RM Million)



Sources: Bursa and Bloomberg

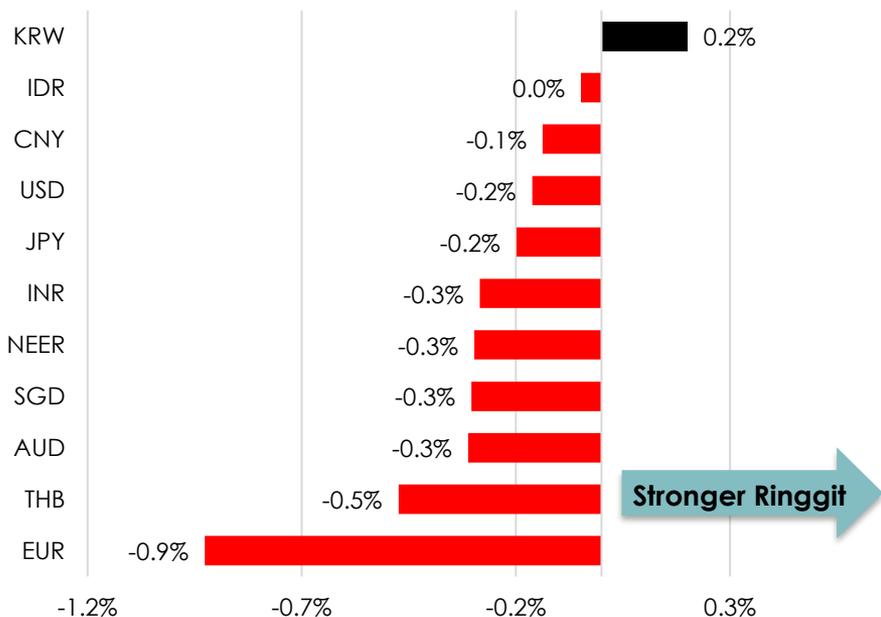
### YTD Regional Fund Flow (USD Million)



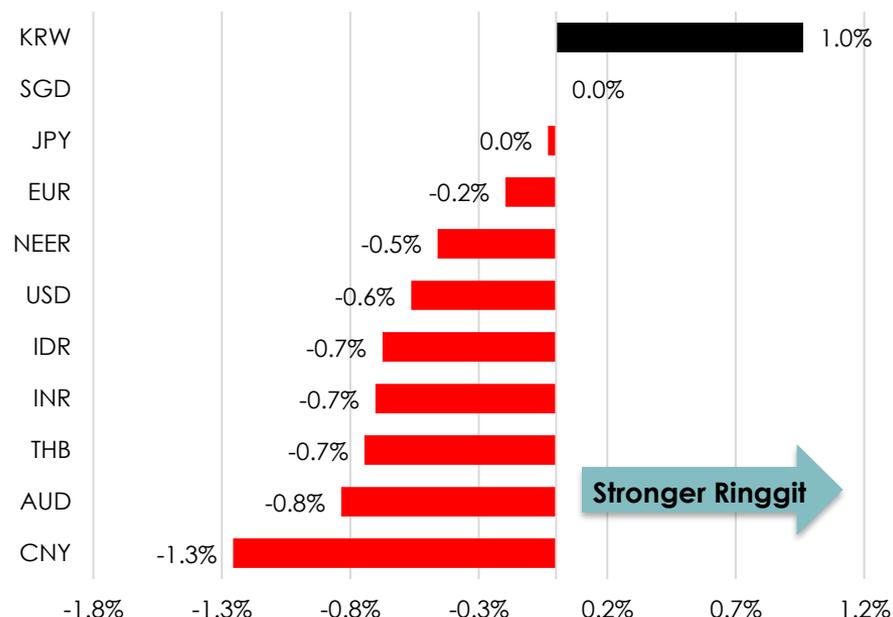
## WEEKLY PERFORMANCE

- ✓ The Ringgit weakened by 0.2% to RM4.0433 against US Dollar on last Friday from RM4.0370 on 15 January. This was largely due to stronger US Dollar amid improving risk-on sentiment following the inauguration of Joe Biden as the US president.
- ✓ In addition, the US economic data showed improvement as the Americans filling for the US's unemployment benefits declined to 900k for the week ended 16 January (Week ended 9 January: 926k). On top of that, the Philadelphia Fed Manufacturing Index has accelerated to 26.5 points in January (December 2020: 9.1 points) mainly driven by higher new orders while manufacturers expect the production to increase in the near term.
- ✓ The Ringgit could remain in the range of RM4.040 to RM4.060 this week due to the extension of MCO 2.0 until 4 February that will exert further downward pressure on Ringgit. In contrast, the Ringgit may gain some ground if the US Dollar returns to its weakening bias should the US Federal Reserve be able to further dampen the tapering talk in the markets and suppress US treasury yields further.

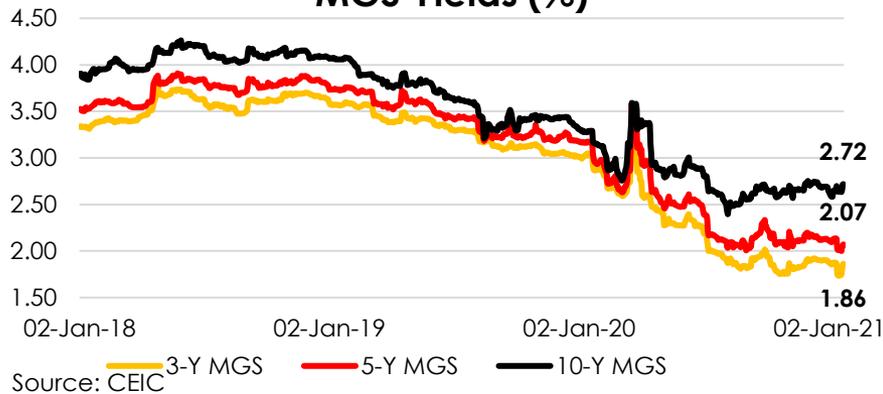
**W-o-w, %  
(Week Ended 22 January)**



**YTD Gain, %  
(As at 22 January)**



### MGS Yields (%)



✓ On the local bond market, the 3-Y, 5-Y MGS and 10-Y MGS yielded higher to close at 1.86% (15 January: 1.73%), 2.07% (15 January: 2.01%) and 2.72% (15 January: 2.64%) on 22 January following BNM's decision to maintain OPR at 1.75%.

✓ Meanwhile, the 7-Y MGS and 15-Y GII auction reopening garnered a BTC ratio of 1.99x and 2.92x, reflecting strong demand for local govies.

✓ We believe that the ongoing MCO 2.0 until 4 February will continue to dampen the growth outlook and limit any upward movement in MYR government bond yields.

✓ Apart from that, the extension of the Statutory Reserve Requirement (SRR) compliance for banks and the attractive real yields will help to garner investors' support moving forward.



Source: Bond Info Hub

## BRENT

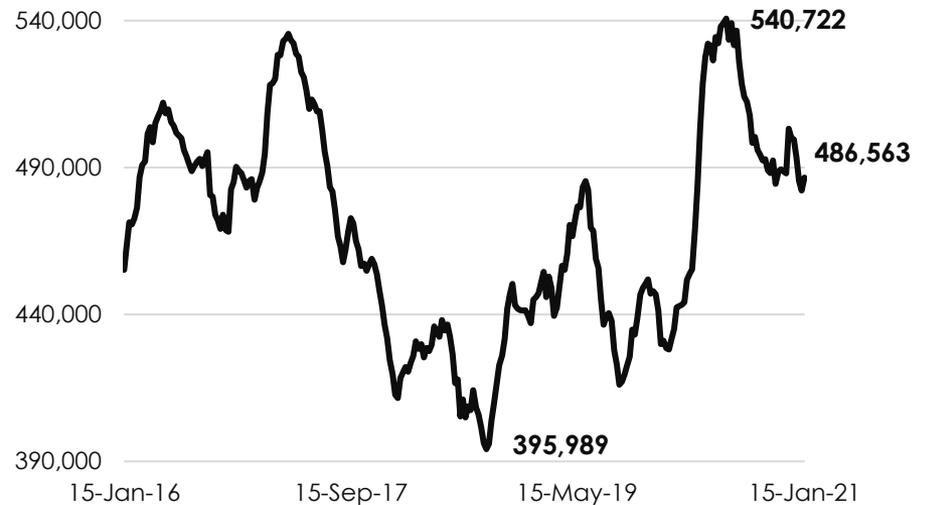
- ✓ Brent crude oil price recorded a 0.6% weekly increase to settle at USD55.41 per barrel last Friday (15 January 2021: USD55.10/barrel). However, it dropped by 1.2% from USD56.10 in the previous day amid persistent concerns over weakening demand in light of a worsening pandemic and surprise crude oil inventory build up in the US.
- ✓ The imposition of fresh lockdowns in Shijiazhuang, the largest city of North China's Hebei Province has clouded the outlook on fuel demand recovery.
- ✓ Pressuring prices further were an increase in the US crude inventories reported by the US Energy Information Administration (EIA) and the American Petroleum Institute (API). The EIA data showed crude stocks unexpectedly rose by 4.4 million barrels in the week ended 15 January, the first increase in six weeks. Similarly, the API report showed crude stockpiles went up by 2.6 million barrels in the week ended 20 January from 5.8 million draw in the preceding week.

### Brent Crude in USD per barrel



Source: Bloomberg

### US Crude Oil Inventory, '000 barrel - EIA



Date	Global	China	Germany	India	Indonesia	Italy	Japan	Singapore	South Korea	Spain	Thailand	United Kingdom	United States	France	Malaysia
01/01/2021	741,351	89	22,924	20,035	8,074	23,477	4,091	30	1,028	19,944	194	55,892	231,427	19,712	2,068
02/01/2021	647,878	67	12,690	19,079	8,072	22,210	3,617	30	824	13,346	279	53,285	228,437	19,241	2,295
03/01/2021	527,381	65	10,315	18,177	7,203	11,825	2,942	33	657	6,885	216	57,724	167,759	3,466	1,704
04/01/2021	607,296	78	9,847	16,504	6,877	14,245	2,893	35	1,020	9,698	1,060	54,990	284,312	12,489	1,741
05/01/2021	558,912	89	11,897	16,375	6,753	10,798	4,113	24	714	9,239	527	58,784	211,444	3,569	2,027
06/01/2021	619,888	66	21,237	18,088	7,445	15,375	4,357	28	838	20,684	365	60,916	173,375	20,366	2,593
07/01/2021	776,730	90	26,391	20,346	8,854	20,326	6,076	31	869	28,938	305	62,322	227,369	25,189	3,027
08/01/2021	818,571	89	31,849	18,139	9,321	18,416	6,906	33	674	13,680	205	52,618	299,562	21,510	2,643
09/01/2021	829,089	81	24,694	0	10,617	17,529	7,855	23	641	25,132	0	68,053	277,195	19,408	2,451
10/01/2021	833,020	131	16,946	36,867	10,046	19,976	7,621	29	657	30,633	457	59,937	313,516	20,034	2,433
11/01/2021	694,089	134	12,497	16,311	9,640	18,625	5,977	42	451	17,622	249	54,940	248,089	15,809	2,232
12/01/2021	586,040	102	12,802	12,584	8,692	12,530	5,460	22	537	12,814	287	46,169	220,528	3,155	3,309
13/01/2021	622,519	179	19,600	15,968	10,047	14,242	5,103	17	561	29,444	157	45,533	198,788	19,603	2,985
14/01/2021	730,807	184	25,164	16,946	11,278	15,773	5,308	38	524	33,835	271	47,525	217,166	23,649	3,337
15/01/2021	733,015	173	22,368	15,590	11,557	17,243	6,591	45	512	35,765	188	48,682	225,573	20,872	3,211
16/01/2021	735,658	169	18,678	15,158	12,818	16,144	6,696	30	580	34,330	230	55,761	226,608	20,984	4,029
17/01/2021	738,326	166	13,882	15,144	14,224	16,310	6,386	24	520	38,066	374	41,342	246,485	21,207	3,339
18/01/2021	619,571	169	7,141	13,788	11,287	12,544	5,998	30	389	21,466	369	38,598	212,253	16,642	3,306
19/01/2021	518,734	232	11,369	10,064	9,086	8,825	6,034	14	386	15,455	171	37,535	185,383	3,052	3,631
20/01/2021	523,613	165	15,974	13,823	10,365	10,496	5,446	30	404	28,660	59	33,355	142,240	23,347	4,008
21/01/2021	622,871	223	20,398	15,223	12,568	13,568	5,447	40	401	25,996	142	38,905	152,937	26,565	3,170
22/01/2021	634,985	175	17,862	14,545	11,703	14,055	5,799	38	345	17,423	309	37,892	187,919	22,551	3,631
23/01/2021	605,454	178	16,417	14,256	13,632	13,633	5,054	15	431	0	198	40,261	188,176	22,609	4,275
24/01/2021	577,301	164	12,257	14,849	12,191	13,331	4,587	10	392	0	198	33,552	190,994	23,522	3,346

Source: CEIC

- ✓ The FBM KLCI index is expected to engage in further consolidation with the support range from 1,570 to 1,585 points and resistance range from 1,600 to 1,610 points this week amid the slew of extended holidays (Thaipusam on 28 January and Federal Territory Day on 1 February) as investors continue to weigh on the downside risks to the economy and corporate earnings growth from MCO 2.0 coupled with the start of the upcoming 4Q2020 results season.
- ✓ Sentiment is also dampened by worries that in the wake of the reported Covid-19 cases stay protractedly high and with various bodies expressing concerns that manufacturing, aside from construction, is the sector that contributed to the surging cases and clusters. Henceforth, the threat of the lockdown to be extended beyond 4 February is intensifying.
- ✓ Looking ahead for this week, Malaysia's December and full year 2020 exports data will be released this Friday. From here, investors might get a sense of how Malaysia's GDP grew in 2020. We are projecting a 2.3% year-on-year growth in Malaysia's exports for December partly underpinned by China's imports from Malaysia which grew by 15.5% in December 2020 (November: 7.0%).
- ✓ On the external front, the US Federal Reserve will hold its policy meeting on from 26 to 27 January. While no policy changes are likely to be announced, we will get an update from Jerome Powell on how the US Federal Reserve sees the outlook for the economy in the wake of new fiscal stimulus and the vaccine roll-out. A more positive assessment could bring forward expectations of quantitative easing tapering and eventual rate hikes.
- ✓ All in all, we foresee local and regional equity markets to trade thinly during the holiday-shortened week. Foreign net selling may continue on Bursa due to the sluggish sentiment amid speculations of an extended lockdown while MGS yields may see downward movement as investors increase their exposure in safe have assets before the long weekend.

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