



From the Desk
of the
Chief Economist

BANK ISLAM

WEEKLY MARKET UPDATES

25 APRIL 2022

ECONOMIC RESEARCH

**DR. MOHD AFZANIZAM ABDUL RASHID
SHAFIZ BIN JAMALUDDIN
NOR JANNAH ABDULLAH
RAJA ADIBAH RAJA HASNAN**

KEY HIGHLIGHTS OF THE WEEK – ECONOMIC OUTLOOK IS HIGHLY UNCERTAIN

International

International Monetary Fund (IMF)- GDP Growth Projection

- ✓ Global growth is projected to slow from an estimated 6.1% in 2021 to 3.6% in 2022 and 2023.
- ✓ This was 0.8 and 0.2 percentage points lower for 2022 and 2023 compared to earlier projections made in January. The downward revision mainly due to economic damage from the Ukraine war that will cause a significant slowdown in global growth and higher inflationary pressures in 2022.
- ✓ Already, fuel and food prices have increased rapidly, weighing on the economic growth.

China- Monetary Policy

- ✓ The People's Bank of China (PBOC) kept its benchmark interest rates unchanged for corporate and household loans on 20 April.
- ✓ The 1-Y Loan Prime Rate (LPR) was left unchanged at 3.7% while the 5-Y LPR rate was kept at 4.6%.
- ✓ The PBOC cut its benchmark reserve requirement ratio (RRR) for all banks by 25 basis points (bps) on 15 April.
- ✓ This was an effort to boost the lending activities by the banking institutions.

The U.S.- Manufacturing Purchasing Manager's Index (PMI)

- ✓ The S&P Global Flash U.S. Manufacturing PMI increased to 59.7 points in April from 58.8 points in March.
- ✓ The reading pointed to the strongest growth in factory activity in seven months, mainly due to faster rises in output, new orders and employment.
- ✓ Additionally, production continued to increase amid stronger client demand and the acquisition of new customers, mainly from abroad.

Domestic

Malaysia – Consumer Price Index (CPI)

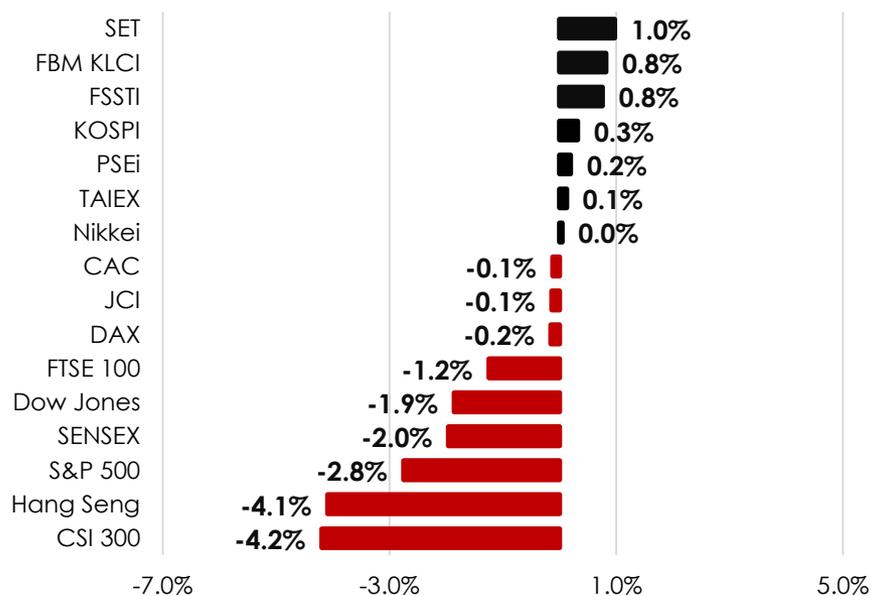
- ✓ Malaysia's Consumer Price Index (CPI) remains unchanged at 2.2% year-on-year (y-o-y) in March.
- ✓ Nonetheless, costs of Food & Non-Alcoholic Beverages (March: 4.0% vs. February: 3.7%), as well as Housing, Water, Electricity, Gas & Other Fuels (March: 0.9% vs. February: 0.8%) increased during March. These sub-indexes accounted for 53.3% of total CPI.
- ✓ The Core CPI which excludes most volatile items of fresh food, as well as administered prices of good and services went up by 2.0 % in March compared to a 1.8% growth in the previous month. This suggests a pass through effects are happening.
- ✓ On a quarterly basis, the inflation rate eased by 2.2% in 1Q2022 (4Q2021: 3.2%) while the core inflation jumped by 1.7% in the same period (4Q2021: 0.8%).

EQUITY – DECLINERS OUTPACED THE GAINERS

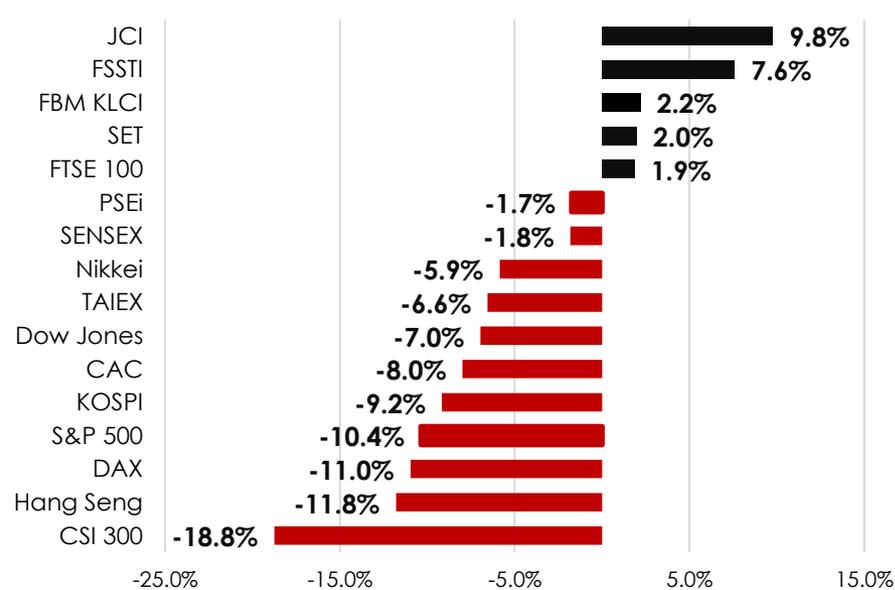
WEEKLY MARKET PERFORMANCE

- ✓ Decliners outnumbered gainers among major equity markets with China's CSI 300 recording the biggest loss of 4.2% last week. This was due to China's Zero-Covid Strategy (ZCS) which has put more downward pressures on growth at a time of mounting geopolitical tensions.
- ✓ Apart from that, rising concern over capital outflows following higher interest rate prospects in the U.S. has also dampened sentiment towards local Chinese shares.
- ✓ Meanwhile, Thailand's SET increased by 1.0%, supported by a better performance from financial sector during 1Q2022.
- ✓ On a Year-To-Date (YTD) basis, the FBM KLCI was among the top performers as foreign funds continued to flow into the domestic market.

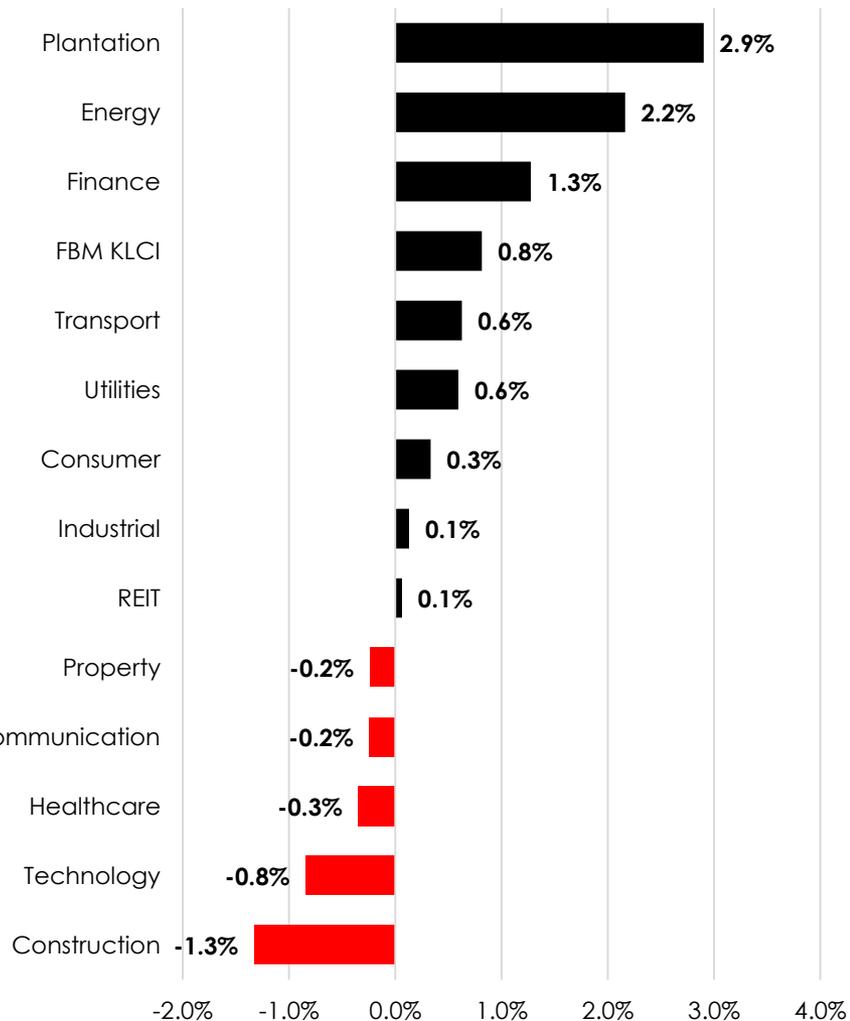
**Weekly Gain/Loss of Major Equity Markets, %
(Week Ending 22 April)**



**YTD Gain/Loss Of Major Equity Markets, %
(As at 22 April)**



Bursa Sectoral Performance, w-o-w%



Source: CEIC

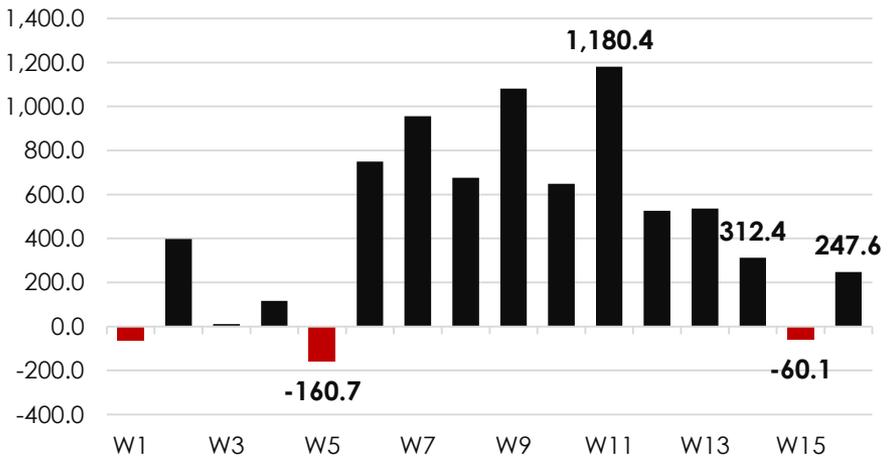
WEEKLY SECTORAL PERFORMANCE

- ✓ **Plantation index** emerged as top gainer with a 2.9% increase for the week ending 22 April 2022.
- ✓ The upturn was supported by stronger CPO future price, rising by 0.7% w-o-w to close at RM6,871.0 per tonne (15 April: RM6,820.0 per tonne).
- ✓ On the contrary, Construction index recorded a 1.3% loss during the week amid profit-taking activities.
- ✓ **Looking forward, the FBM KLCI will be lingering around 1,600.0 points this week supported by sustained inflation growth of 2.2% in March (February: 2.2%).**
- ✓ However, investors will remain cautious following global monetary tightening, unresolved Russia-Ukraine war, as well as prolonged supply-chain disruptions.
- ✓ Despite that, Indonesia government has banned the palm oil exports on concern of rising food prices. This would mean interest in the palm oil related stocks will take a dominant position this week.

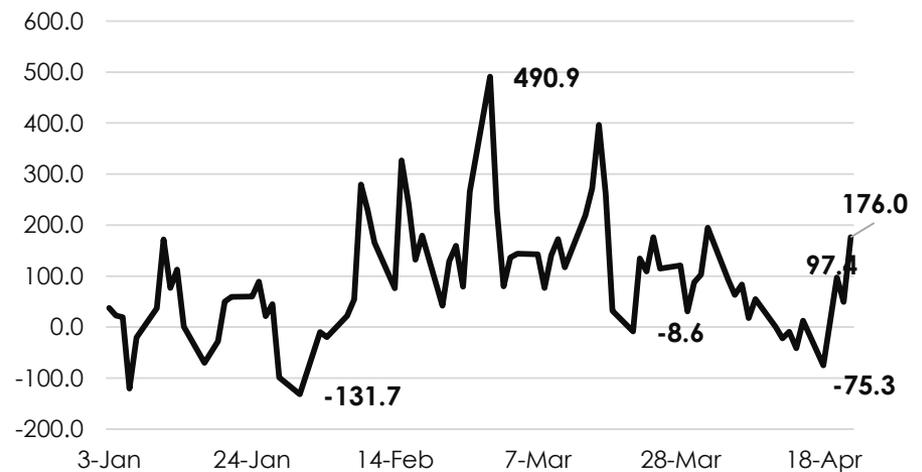
WEEKLY FOREIGN FUND FLOW

- ✓ Foreign investors turned to be net purchasers last week as they acquired RM247.6 million net of Malaysian equities from RM60.1 million net sold in the previous week.
- ✓ On further scrutiny, Bursa started the week with net outflows of RM75.3 million before recording total net inflows of RM322.9 millions for the third straight day from Wednesday to Friday. The largest net inflows were registered on Friday at RM176.0 million.
- ✓ Apart from that, we noticed that international funds have been net buyers for 13 out of 16 weeks of 2022, signifying that foreign investors continued to have a strong interest on Malaysian equity market.
- ✓ On a YTD basis, international investors have bought RM7.2 billion net of local equities in 2022 compared to RM2.4 billion net disposed during the same period in 2021.

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



Daily Foreign Net Inflow/Outflow from 18 to 22 April (RM Million)



FIXED INCOME – BOND YIELDS ARE HEADING NORTH WHILE FOREIGNERS WERE TRIMMING THEIR POSITION IN MARCH

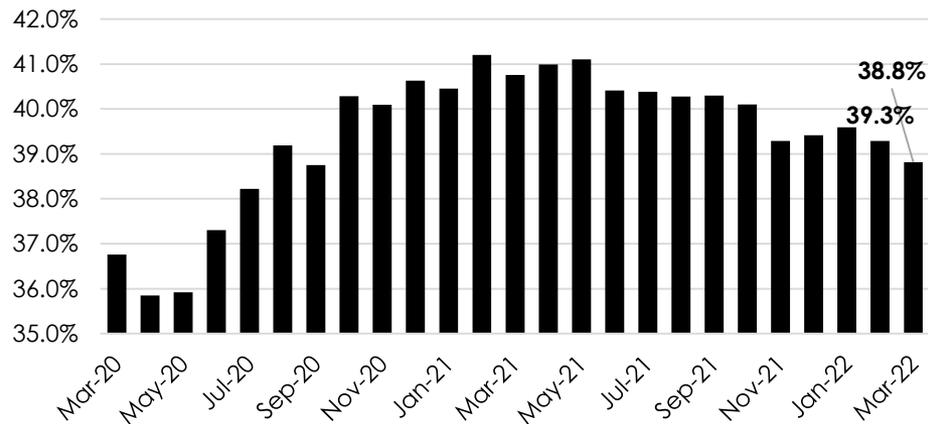
Bond Yields Weekly Change, basis points (bps)

UST	Yields (%) 14-Apr-22	Yields (%) 22-Apr-22	Change (bps)
3-M UST	0.79%	0.83%	4
2-Y UST	2.47%	2.72%	25
5-Y UST	2.79%	2.94%	15
10-Y UST	2.83%	2.90%	7

MGS	Yields (%) 15-Apr-22	Yields (%) 22-Apr-22	Change (bps)
3-Y MGS	3.34%	3.53%	19
5-Y MGS	3.57%	3.83%	26
7-Y MGS	3.95%	4.26%	31
10-Y MGS	4.09%	4.18%	9

Sources: CEIC, BNM

Foreign Ownership in Local Govvies, % of Total Outstanding



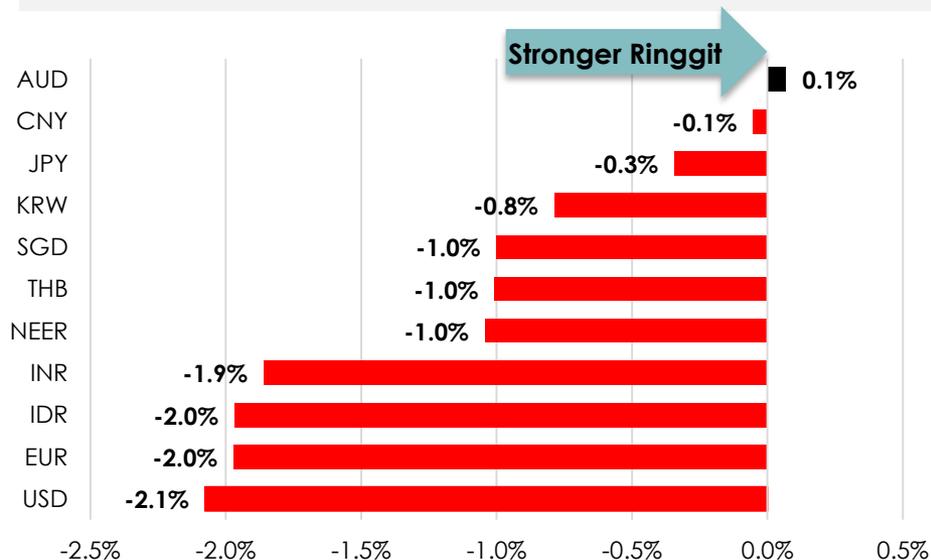
Source: CEIC

- ✓ As for the bond market, the U.S. Treasury (UST) yields saw a **significant jump between 4 bps and 25 bps** for the week ending 22 April amid policy normalization in the U.S. which has triggered a global bond sell-off.
- ✓ On domestic front, the MGS bond yields also surged between 9 bps and 31 bps over the week. This was in tandem with anticipation of aggressive rate hike by the U.S. Federal Reserve (Fed) in the upcoming meeting in May.
- ✓ Additionally, the foreign investors have sold RM4.0 billion (February: RM3.1 billion) of local govvies while foreign ownership have also declined to 38.8% in March (February: 39.3%) mainly affected by the U.S. interest rate hike in March.
- ✓ All in all, MGS yields are anticipated to endure volatility in the immediate term as the Fed Chairman Jerome Powell had indicated that a larger-than-usual interest rate hike is on the table during next Federal Open Market Committee (FOMC) meeting.

WEEKLY PERFORMANCE

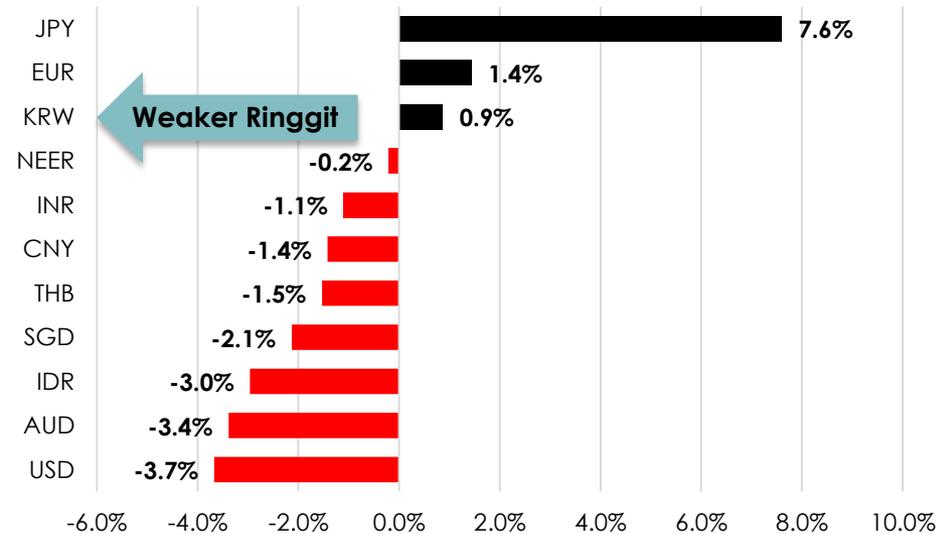
- ✓ The Ringgit depreciated by 2.1% (w-o-w) against U.S. Dollar (USD), closing at RM4.3230 on 22 April from RM4.2330 in the previous week despite a firmer Brent price which continued to hover above USD100.0 per barrel.
- ✓ The weaker Ringgit was attributable to the hawkish remarks by the several Fed officials last week which revealed that they were about to get tough on the inflation which hit another four-decade high last month (March: 8.9% vs. February: 7.9%).
- ✓ For the upcoming FOMC meeting which is due in May, the Fed Chairman Jerome Powell has signaled a half-point rate hike is on the cards to combat the inflation.
- ✓ Additionally, with IMF readjusting its global growth projection below than 4.0%, this has affected most emerging currencies, including the Ringgit.
- ✓ Nevertheless, we foresee that the local note would stabilise against the greenback as the Fed is about to enter a blackout period, a week before the FOMC meeting which is scheduled on 3-4 May.
- ✓ As such, this could lend support to the Ringgit as the Fed officials would refrain from making any comments on monetary policy.

**MYR against regional currencies, w-o-w%
(Week Ending 22 April)**



Source: Investing.com

**MYR against regional currencies,
YTD Gain% (As at 22 April)**



COMMODITIES – BRENT CRUDE REMAINED STEADY ABOVE USD100.0 PER BARREL

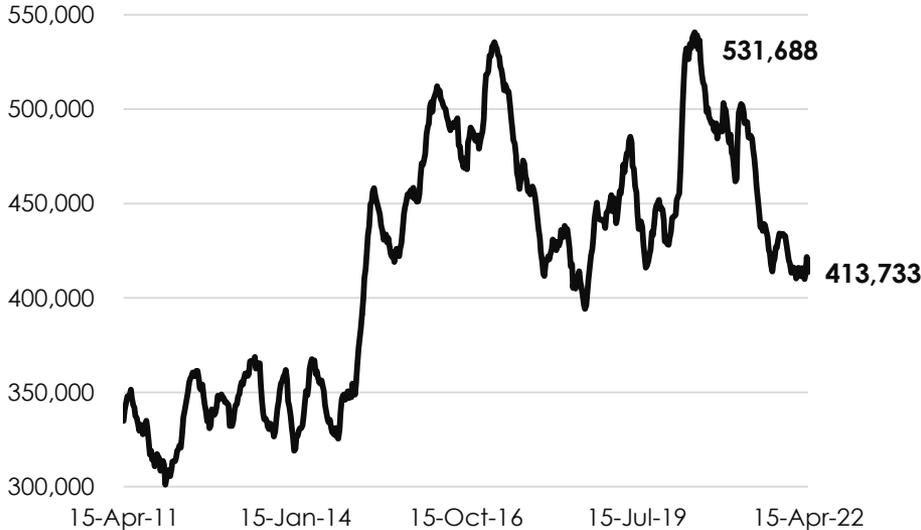
BRENT

- ✓ Brent crude oil price recorded a 4.5% weekly decline to settle at USD106.65 per barrel on 22 April (14 April: USD111.70 per barrel) weighed down by higher interest rate prospects, slower global growth outlook and weaker demand from top importer, China.
- ✓ On the supply side, the U.S. Energy Information Administration (EIA) reported that the crude oil stockpiles dropped by 8.0 million barrels to 413.7 million barrels in the week ending 15 April (8 April: 421.8 million barrels). Similarly, the American Petroleum Institute (API) mentioned that fuel inventories fell by 4.5 million barrels for the week which ended on 15 April from 7.8 million barrels increase in the previous week.
- ✓ This signifies that the oil market would remain tight as major producers are struggling to meet output targets, while the threats of an European Union (EU) ban on Russian oil looms.

Brent Crude in USD per barrel



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



COMMODITIES – GOLD PRICES SAW CORRECTION WHILE U.S. DOLLAR IS GAINING FURTHER TRACTION

GOLD

- ✓ Gold price dropped by 2.4% to USD1,931.60 per ounce on 22 April after recording a gain of 1.6% (USD1,978.24 per ounce) in the previous week amid a stronger USD following signs of policy tightening by the Fed to tamp down the inflation which is currently running at 40-year high (March: 8.5% vs. February: 7.9%). Thus, the USD index rose by 0.7% to 101.22 on 22 April (15 April: 100.50).
- ✓ During his appearance in the meeting hosted by the IMF on 21 April, the Fed Chairman Jerome Powell stated that a half-percentage-point interest rate hike is on the table during upcoming May's meeting. This suggests that the Fed will be taking an aggressive action in order to tame soaring inflation in the country.
- ✓ While a stronger USD could pressure gold, the geopolitical uncertainty might drive the safe-haven demand, subsequently support the price of gold.

Gold in USD per ounce



U.S. Dollar Index (DXY)



Source: Bloomberg

WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- ✓ Aside from the Covid-19 situation in China (lockdown + supply chain disruptions), the Ukraine war remains to be the key factor to watch out for this week as the war entered its second phase. The focus will be on Donbas region in eastern Ukraine where Russia may have better a success rate.
- ✓ Perhaps there could be a period of tranquility as the U.S. Fed officials enter the “blackout period” before the FOMC meeting on 3-4 May. Last week, several Fed officials have delivered a hawkish remarks on the needs to raise the interest rates to rein in the inflation. Notably, Chairman Powell has stated the 50 bps will be on the table during the upcoming meeting in May while James Bullard indicated that the 75 bps rate hike may not be ruled out.
- ✓ Elsewhere, both Bank of Japan (BoJ) and the Central Bank of Russia (CBR) will hold its policy meeting this week. The BoJ is anticipated to keep its policy settings unchanged in April, a decision which is in stark contrast with other central banks in the developed countries. Meanwhile, the CBR is considering to cut further its key interest rate which is currently at 17.0% after the emergency rate hike of 20.0% in late February. The earlier move (benchmark rose to 20.0%) was to stabilise the Rouble and overcome the spike in the inflation.
- ✓ In relation to economic data, a string of preliminary estimates of 1Q2022 Gross Domestic Product (GDP) data will be released across the U.S., Eurozone, South Korea and Taiwan. The U.S. GDP in particular is expected to expand modestly by 1.1% quarter-on-quarter (q-o-q) in 1Q2022 from a 6.9% in 4Q2021 due to the effects of Omicron wave at the start of the year. Other important data includes China’s PMI for the month of April which is expected to reflect a weaker production amid the latest lockdowns.
- ✓ On the other hand, the Department of Statistic Malaysia (DOSM) would publish data on March’s Producer Price Index (PPI), as well as the Leading Index (LI) and Coincident Index (CI) for the month of February during the week.
- ✓ After almost a month into the endemic phase, the Health Ministry is expected to announce the relaxation of several Covid-19 standard operating procedures (SOPs) on 27 April. The three key measures are the wearing of face masks, the need to scan MySejahtera when entering premises, as well as Covid-19 detection tests.
- ✓ All in all, Bursa Malaysia is anticipated to linger around 1,600.0 points this week given that the latest inflation figure sustained at 2.2% for two consecutive months (February and March) after registering at 2.3% in January. The latest inflation print would mean Bank Negara Malaysia (BNM) would have less motivation to raise the overnight policy rate (OPR) in May.

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
22-Mar-22	1,354,594	6,958	235,305	1,581	7,464	33,445	27,701	7,538	353,806	9,137	21,382	80,992	10,017	23,602	21,483
23-Mar-22	2,029,972	7,052	301,756	1,778	6,376	96,904	21,420	13,166	490,872	22,826	25,164	109,211	38,567	168,907	22,491
24-Mar-22	1,808,767	6,401	304,999	1,938	5,808	78,358	36,605	8,940	395,480	22,896	27,024	98,983	25,061	144,951	24,316
25-Mar-22	1,713,696	7,237	283,939	1,685	4,857	82,648	49,063	8,478	339,514	21,105	26,050	94,089	45,094	148,243	21,839
26-Mar-22	1,621,113	6,049	241,755	1,660	4,189	76,397	48,228	7,584	335,479	17,195	26,234	82,788	36,203	139,188	20,923
27-Mar-22	1,394,981	5,241	136,118	1,421	3,077	74,616	47,047	6,434	318,130	15,327	25,821	72,381	28,564	139,000	16,863
28-Mar-22	987,020	5,033	69,168	1,270	2,798	60,612	43,565	4,848	187,033	7,813	24,635	61,416	12,433	110,174	13,336
29-Mar-22	1,405,211	4,647	205,076	1,259	3,895	31,560	32,916	4,925	347,441	5,853	21,678	68,278	9,731	19,699	15,215
30-Mar-22	1,734,152	4,889	272,279	1,233	3,840	100,296	41,473	8,164	424,573	7,601	25,389	92,712	32,487	216,341	15,941
31-Mar-22	1,537,506	4,995	258,038	1,225	3,332	71,411	52,765	5,729	320,657	9,793	27,560	80,011	23,956	169,024	18,560
1-Apr-22	1,446,193	4,925	230,467	1,335	2,930	74,364	48,047	5,605	280,273	10,258	28,379	73,548	48,202	167,812	17,476
2-Apr-22	1,300,971	5,108	180,348	1,260	2,300	77,040	53,544	5,010	264,097	9,676	28,029	54,679	40,099	143,972	14,692
3-Apr-22	1,047,499	4,195	92,128	1,096	1,933	71,412	47,377	4,563	234,301	8,292	26,840	47,396	27,410	132,114	12,380
4-Apr-22	811,273	3,517	46,078	913	1,661	55,009	48,245	3,743	127,050	8,522	24,892	37,534	11,658	102,266	10,002
5-Apr-22	909,855	3,097	154,119	795	2,282	31,329	33,834	3,334	266,084	9,676	21,088	42,096	10,536	16,652	12,017
6-Apr-22	1,314,179	3,354	209,830	1,086	2,400	88,914	42,315	6,341	286,235	9,784	24,252	53,659	27,064	201,995	12,105
7-Apr-22	1,211,182	3,171	187,738	1,033	2,089	69,885	54,142	4,467	224,776	12,595	26,081	49,022	33,192	161,950	11,994
8-Apr-22	1,169,849	3,475	167,297	1,109	1,755	70,123	55,044	4,269	205,333	11,221	25,140	44,663	42,129	157,666	14,944
9-Apr-22	1,050,005	3,079	141,623	1,150	1,468	67,641	52,104	4,014	185,495	11,424	25,298	38,594	33,095	145,117	10,177
10-Apr-22	885,994	2,826	75,050	1,054	1,071	64,421	52,162	3,259	164,481	9,877	25,139	32,827	40,411	141,375	8,112
11-Apr-22	653,004	2,646	41,944	861	1,196	53,920	47,876	2,573	90,849	9,905	22,387	27,810	12,906	107,654	7,739
12-Apr-22	770,714	2,600	138,884	796	1,455	28,705	33,136	2,568	210,706	10,052	19,982	30,841	16,282	25,492	9,002
13-Apr-22	1,065,174	2,868	181,403	1,088	1,551	84,056	51,331	4,552	195,393	9,351	23,015	37,244	34,367	177,974	10,052
14-Apr-22	947,284	4,687	157,543	1,007	833	62,586	56,704	3,535	148,405	10,695	24,134	33,605	28,106	146,307	10,413
15-Apr-22	848,924	5,046	148,551	949	922	65,617	-	3,521	125,846	9,321	20,289	31,519	50,306	136,424	9,673
16-Apr-22	852,300	5,650	58,859	975	602	62,290	106,609	3,404	107,882	9,524	18,892	26,452	62,729	122,231	9,705
17-Apr-22	636,740	5,326	50,275	1,150	607	64,533	47,009	1,670	93,001	7,977	17,775	21,469	40,898	111,268	6,623
18-Apr-22	465,975	4,490	32,796	2,183	559	52,253	39,899	3,049	47,684	8,005	16,994	19,780	10,521	86,650	7,140
19-Apr-22	471,905	5,108	34,838	1,247	837	18,588	28,282	2,480	118,465	8,152	16,891	19,967	14,564	19,810	6,069
20-Apr-22	662,348	4,803	153,898	2,067	741	27,326	37,631	4,718	111,277	7,705	20,455	24,584	48,510	25,465	6,968
21-Apr-22	903,305	5,651	171,099	2,380	585	100,440	47,460	3,472	90,819	-	21,931	22,415	62,005	155,711	5,899
22-Apr-22	700,097	5,508	108,133	2,451	-	75,995	47,409	3,420	81,058	-	21,808	11,408	-	89,190	6,342

Source: CEIC

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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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