



From the Desk
of the
Chief Economist

BANK ISLAM

WEEKLY MARKET UPDATES

27 DECEMBER 2021

ECONOMIC RESEARCH

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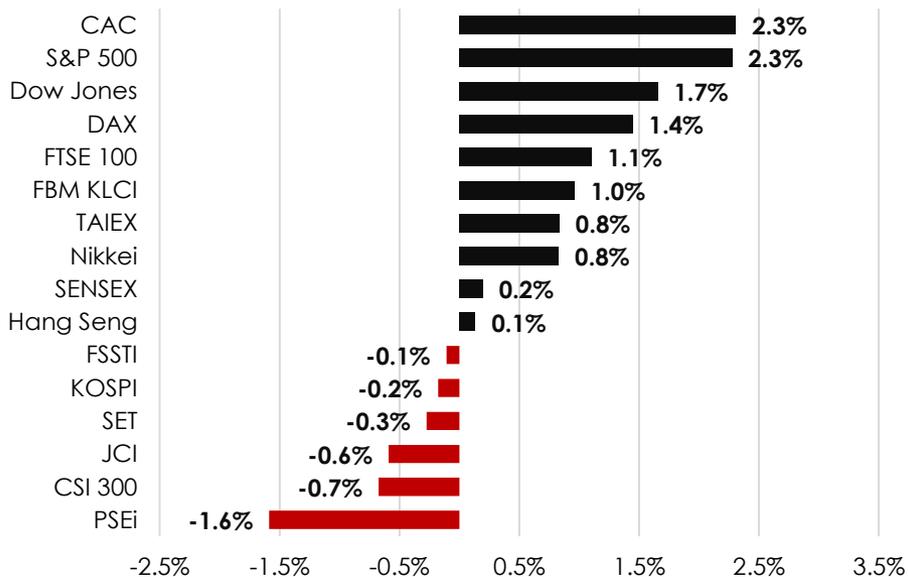
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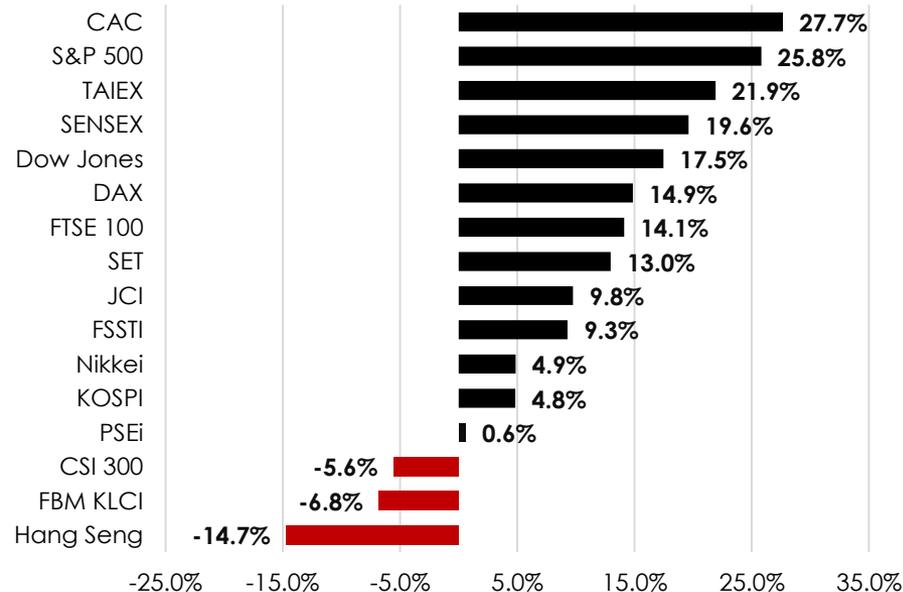
WEEKLY MARKET PERFORMANCE

- ✓ The France's CAC index led gainers with a 2.3% weekly advance among the major equity markets as investors welcomed the encouraging macroeconomic data in the U.S. while pandemic fears gradually waned. On further scrutiny, orders for manufactured durable goods (Nov: 2.5% vs. Oct: 0.1%) beat market forecasts of a 1.6% growth, while initial jobless claims held below pre-pandemic levels. Similarly, the S&P 500 index increased by 2.3% last week as new studies mentioned that Omicron variant is less severe than the previous strains which have boosted market sentiment.
- ✓ Meanwhile, the Philippine Stock Exchange Index (PSEi) dropped by 1.6% last week as investors weighed the impact of Typhoon Odette and the spread of the Omicron variant on the Philippine economy.
- ✓ On a Year-To-Date (YTD) basis, the FBM KLCI index is the second smallest decliner amongst major markets with a 6.8% loss.

Weekly Gain/Loss of Major Equity Markets (%)
(Week Ended 24 December)



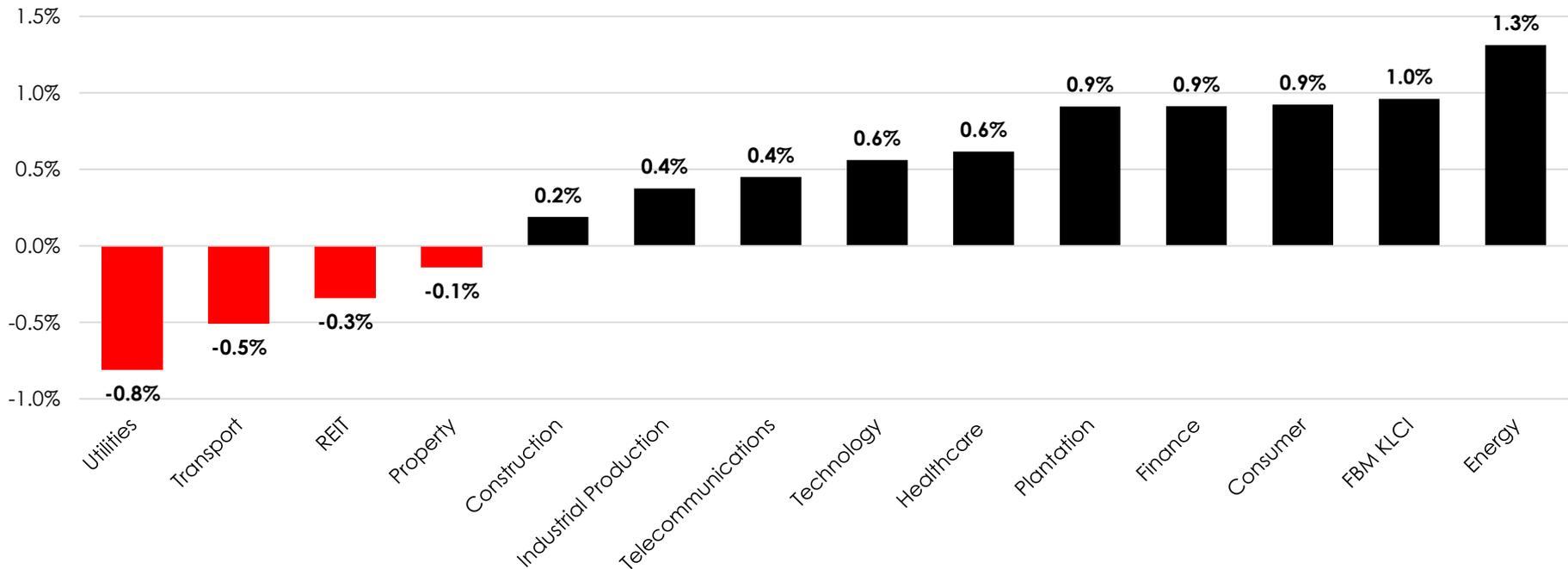
YTD Gain/Loss Of Major Equity Markets (%)
(As at 24 December)



WEEKLY SECTORAL PERFORMANCE

- ✓ The Bursa Malaysia Energy Index was the biggest gainer among sectoral indices, ending by 1.3% higher during the week. This was supported by firmer Brent crude oil price which rose to USD76.14 per barrel on 24 December from USD73.52 per barrel previously.
- ✓ Bursa Malaysia is expected to continue its positive momentum between 1,510.0 points and 1,520.0 points this week, tracking the uptrend in regional markets.
- ✓ Furthermore, bargain hunting will continue while year-end window dressing activities will provide some support to the market.

Bursa Malaysia Sectoral Weekly Performance (w-o-w%)

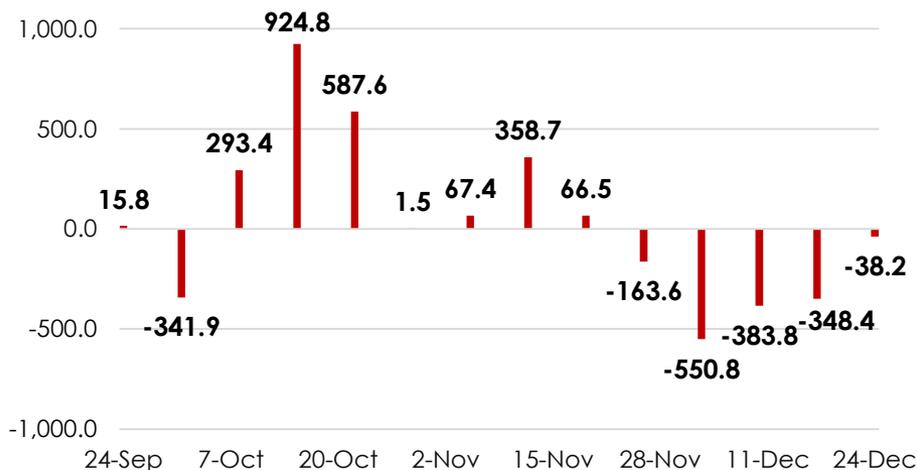


Source: Bursa

WEEKLY FOREIGN FUND FLOW

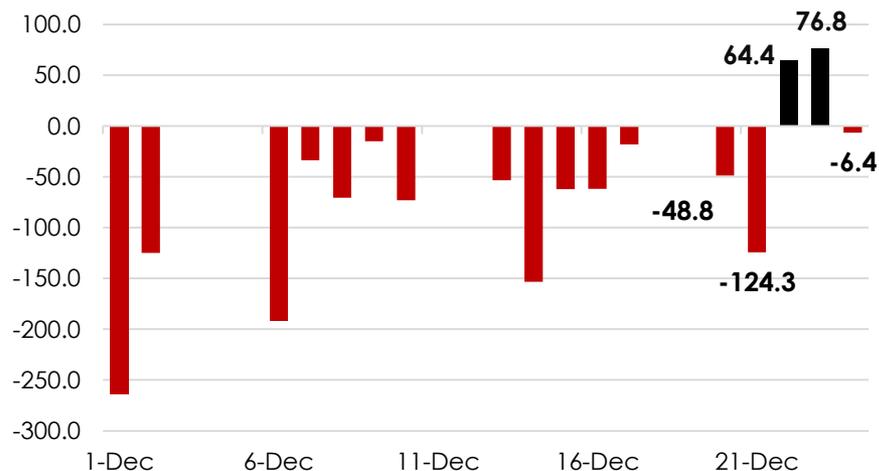
- ✓ Foreign investors remained in selling mode as they disposed RM38.2 million net of local equities last week compared to -RM348.4 million in the previous week. This marks the fifth consecutive week of net outflow, though at a slower pace.
- ✓ Last week, foreign investors were net seller for majority of the day except on Wednesday and Thursday. As the market reopened on Monday, foreign investors sold RM48.8 million net of local equities amid fears over the spread of the Omicron variant. Largest foreign outflow was recorded on Tuesday which stood at RM124.3 million as investors were wary of heavy losses incurred by businesses in light of recent floods in Peninsular Malaysia. However, Friday saw the smallest foreign net outflow during the week at RM6.4 million net as investors shrugged off fear of Omicron spread, supporting market sentiment.
- ✓ On a YTD basis, international investors have so far sold RM3.2 billion net of local equities this year compared to RM24.6 billion net disposed during the same period last year.

Weekly Foreign Fund Flow in Malaysia (RM Million)



Source: Bursa

Daily Foreign Net Inflow/Outflow From 1 December to 24 December 2021 (RM Million)

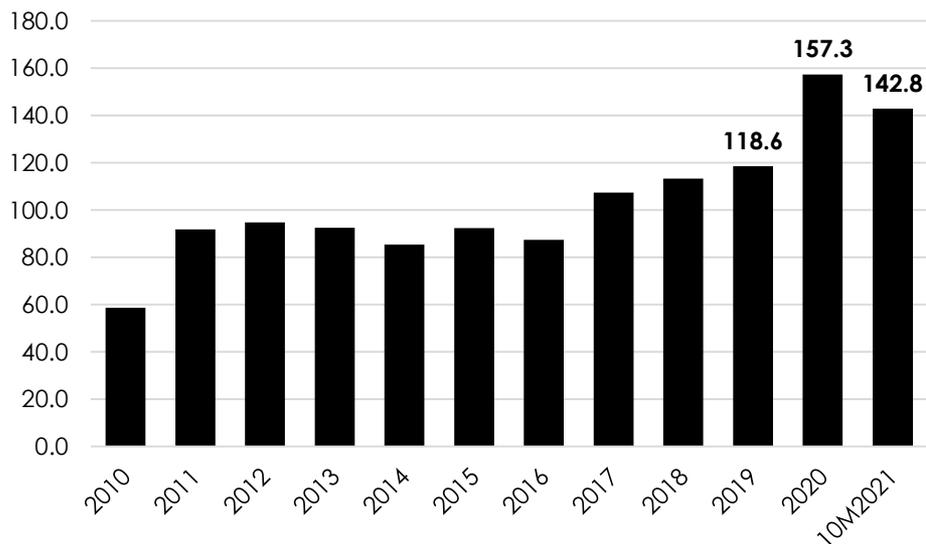


MGS Benchmark Weekly Change (bps)

MGS Benchmark	Coupon (%)	Yields (%) 17-Dec-21	Yields (%) 24-Dec-21	Change (bps)
3-Y MGS 06/24	3.48%	2.83%	2.82%	-1
5-Y MGS 11/26	3.90%	3.17%	3.14%	-3
7-Y MGS 06/28	3.73%	3.41%	3.39%	-2
10-Y MGS 04/31	2.63%	3.55%	3.55%	0

Source: BNM

Gross Issuance of MGS and GII, RM Billion

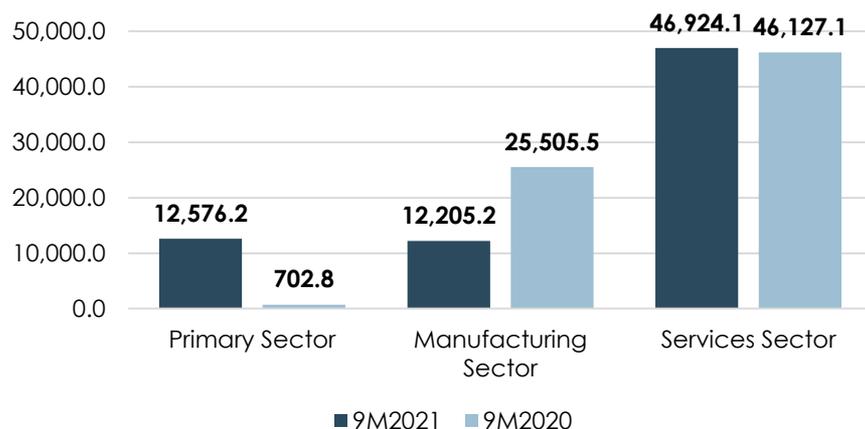


Source: CEIC

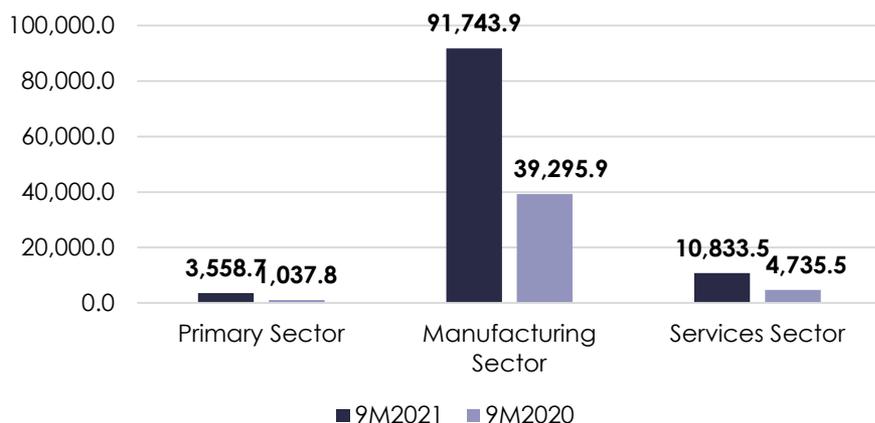
- ✓ As for the bond market, the MGS benchmark yields were mostly lower between 1 basis points (bps) and 3 bps. The 3-Y MGS 06/24, 5-Y MGS 11/26 and 7-Y MGS 06/28 declined by 1 bps, 3 bps and 2 bps to close at 2.82%, 3.14% and 3.39%. Meanwhile, the 10-Y MGS 04/31 maintained at 3.55% on last Friday.
- ✓ The lower yields largely attributed by surging Omicron variant cases in major economies that could pose a threat to global economic recovery next year.
- ✓ Going into 2022, the MGS yields for 3-Y, 5-Y and 10-Y are projected to go up to 3.19%, 3.69% and 4.08% next year respectively supported better risk sentiments as economic conditions are likely to improve, accompanied by higher interest rate environment next year.
- ✓ On the fiscal front, we are forecasting that the issuance of MGS and GII will reach RM175.0 billion in 2022F (9M2021: RM142.8 billion) as the government is set to maintain its expansionary budget to spur post-pandemic recovery in 2022.

MALAYSIAN APPROVED INVESTMENT HAS DRAWN A STELLAR PERFORMANCE

Approved Domestic Investments, RM Million



Approved Foreign Investments, RM Million

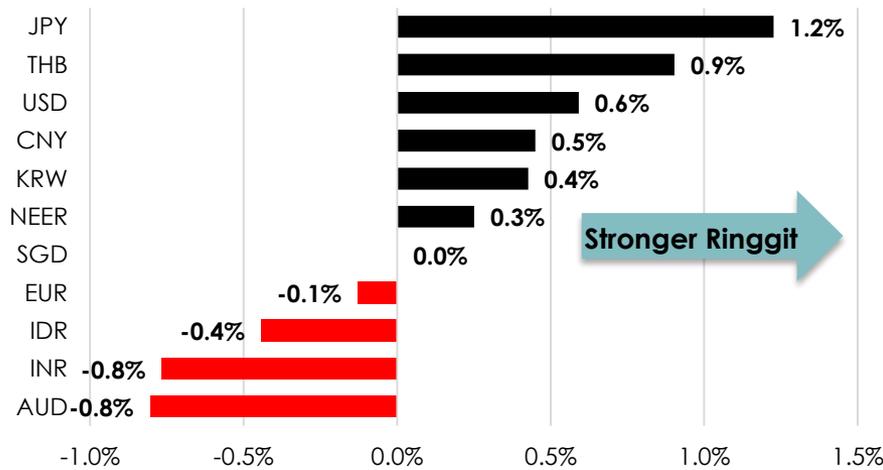


- ✓ Malaysia has gained a total of RM177.8 billion of approved investments which representing a 51.5% y-o-y increase during the first nine months this year (9M2020: RM117.4 billion).
- ✓ Within the economic sector, manufacturing contributed largest share of 58.4%, amounting RM103.9 billion (9M2020: RM64.8 billion) in 9M2021 with RM91.7 billion (9M2020: RM39.3 billion) came from foreign investors while the balance of RM12.2 billion (9M2020: RM25.5 billion) was from domestic investments.
- ✓ This was followed by services sector which formed a sizeable share of 32.5%, amounting RM57.8 billion during 9M2021 (9M2020: RM50.9 billion).
- ✓ These investments are involving 3,037 projects which are expected to generate 79,899 jobs.
- ✓ Looking forward, we foresee the investment to be higher next year supported by capital-intensive projects alongside sustainable development agenda in Twelfth Malaysia Plan (RMK12) that could attract more funds particular from manufacturing industry.

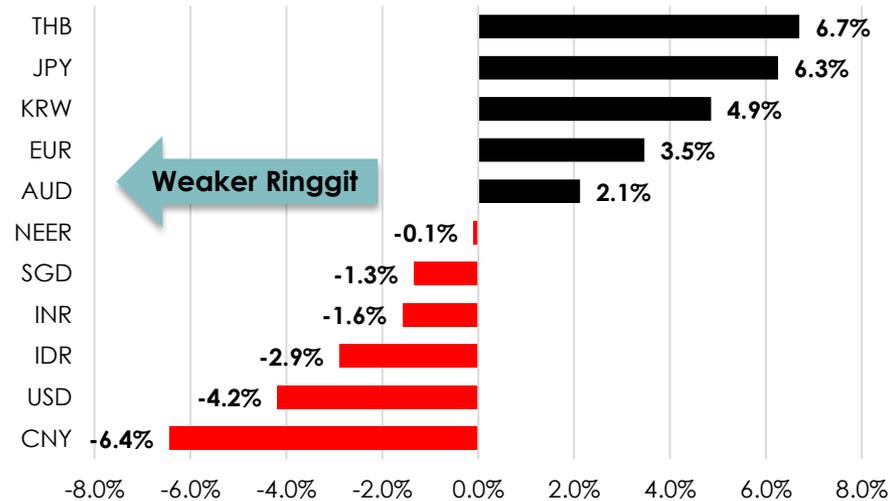
WEEKLY PERFORMANCE

- ✓ The Ringgit gained by 0.6% week-on-week (w-o-w), closing at RM4.1930 against the U.S. Dollar on last Friday as compared to RM4.2170 on 17 December.
- ✓ The appreciation was supported by a firmer Brent price from USD76.14 per barrel on 24 December (17 December: USD73.52 per barrel), rising by 3.6% on a weekly basis.
- ✓ The strengthening of the local note was driven by the improved risk sentiment as fears over the Omicron variant of Covid-19 receded. It was said that the latest variant might be less lethal than its predecessors, suggesting that reopening of the economy would continue to progress well, enabling in more lively economic activities. To some degree, this would open the door to hike interest rates in both Malaysia and U.S. next year.
- ✓ As such, Ringgit is expected to continue its uptrend against the greenback this week.

MYR against regional currencies, w-o-w% (Week Ended 24 December)



MYR against regional currencies, YTD Gain% (As at 24 December)



BRENT

- ✓ Brent crude oil price recorded a 3.6% weekly increase to settle at USD76.14 per barrel on 24 December (17 December: USD73.52 per barrel) as fears arising from the Omicron variant are slowly receded. On further scrutiny, early studies suggest that the variant carries a lower risk of hospitalization and causes a milder illness compared to the Delta variant.
- ✓ Apart from that, the U.S. Energy Information Administration (EIA) reported that the crude oil inventories dropped by 4.7 million barrels to 423.6 million barrels in the week ended 17 December (10 December: 428.3 million barrels). Similarly, the American Petroleum Institute (API) report mentioned that crude stockpiles decreased by 3.7 million barrels in the week ended 17 December, extending the 0.8 million barrels draw in the preceding week. These indicate a continuous improvement in demand conditions which supported oil prices movement last week.

Brent Crude in USD per barrel



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



GOLD

- ✓ Gold price rose by 1.1% to USD1,817.32 per ounce on 24 December (17 December: USD1,798.11) amid a weakening U.S. Dollar despite a strong U.S. economic data. On further scrutiny, the U.S. Dollar Index weakened by 0.6% to 96.02 on 23 December* (17 December: 95.67) as market sentiments have improved, suggesting that Omicron variant of Covid-19 might be less severe than feared.
- ✓ A South African study proposed that Omicron variant could reduce the risk of hospitalization as compared to Delta variant, subsequently lowering the virus anxiety. Elsewhere on the virus front, a separate report stated U.S. drugmakers Merck and Pfizer's Covid-19 antiviral pills were effective against the variant.
- ✓ These developments have lifted the market sentiment, driving investors to position out of safe-haven dollar into riskier assets. Hence, a softer dollar makes gold to be less expensive for buyers holding non-U.S. currencies, lifting its appeals.

*There was no cash trading of Treasuries on Friday, 24 December 2021.

Gold in USD per ounce



U.S. Dollar Index (DXY)



Source: Bloomberg

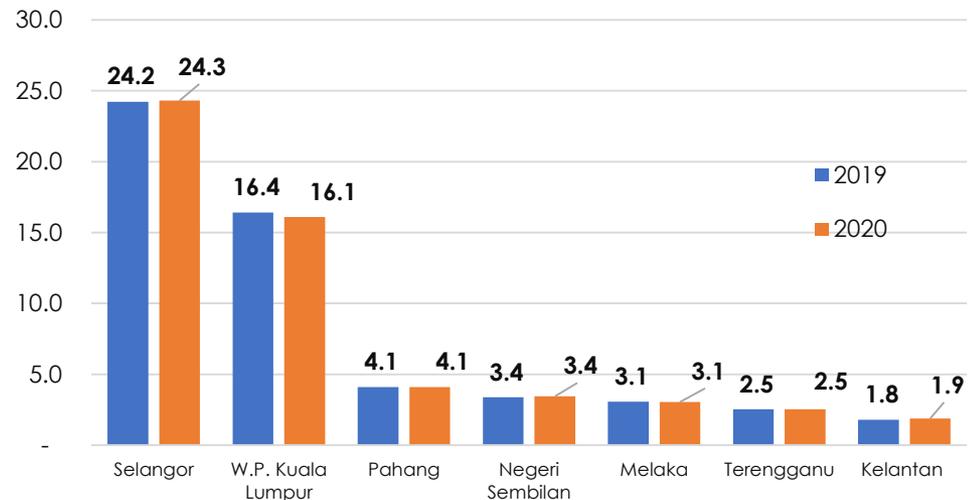
COVID-19 UPDATE: DAILY NUMBER OF CONFIRMED CASES

Date	Global	China	Germany	India	Indonesia	Italy	Japan	Singapore	South Korea	Spain	Thailand	United Kingdom	United States	France	Malaysia
23-Nov-21	450,436	25	45,326	7,579	394	6,403	48	1,461	2,698	3,145	5,126	44,434	34,419	5,201	5,594
24-Nov-21	718,357	35	66,884	9,283	451	10,044	102	1,782	4,115	8,056	5,857	42,482	154,045	28,255	5,755
25-Nov-21	643,287	30	75,961	9,119	372	12,450	81	2,079	3,936	9,010	6,335	42,435	101,943	32,451	6,144
26-Nov-21	663,819	29	76,414	10,549	453	13,756	118	1,275	3,901	9,536	6,559	46,654	105,226	33,320	5,501
27-Nov-21	587,516	41	67,125	8,318	404	13,681	121	1,090	4,067	9,861	6,073	49,344	70,254	34,251	5,097
28-Nov-21	530,735	38	44,401	8,774	264	12,869	118	1,761	3,923	10,990	5,854	39,567	80,813	37,137	4,239
29-Nov-21	449,201	54	29,364	8,309	176	12,927	81	747	3,307	6,725	4,753	36,507	49,290	31,642	4,087
30-Nov-21	467,746	50	45,753	6,990	297	7,972	78	1,103	3,029	4,496	4,306	42,144	53,369	5,981	4,879
1-Dec-21	627,597	124	67,186	8,954	278	12,757	83	1,239	5,119	11,349	4,886	39,713	100,947	46,975	5,439
2-Dec-21	675,677	84	73,209	9,765	311	15,073	127	1,324	5,265	13,085	4,971	47,235	120,441	49,563	5,806
3-Dec-21	699,952	119	74,352	9,216	245	16,810	129	1,101	4,943	14,069	4,912	53,067	132,722	48,129	5,551
4-Dec-21	684,797	104	64,510	8,603	246	17,015	141	766	5,352	15,204	5,896	50,573	142,862	49,549	4,896
5-Dec-21	618,386	74	42,055	8,895	196	16,627	127	743	5,127	15,711	4,704	41,457	150,661	51,523	4,298
6-Dec-21	471,564	74	27,836	8,306	130	15,010	114	552	4,323	10,831	4,000	43,285	59,553	42,222	4,262
7-Dec-21	454,381	109	36,059	6,822	261	9,494	73	662	4,953	7,557	3,525	50,850	50,221	8,530	4,965
8-Dec-21	730,406	100	69,601	8,439	264	15,742	98	715	7,173	7,864	3,618	45,102	191,134	58,796	5,020
9-Dec-21	691,798	88	70,611	9,419	220	17,946	124	709	7,102	17,732	4,203	50,617	124,714	61,148	5,446
10-Dec-21	663,053	87	61,288	8,503	192	12,516	173	682	7,022	11,741	4,193	50,023	128,950	56,609	5,058
11-Dec-21	661,665	107	53,697	7,992	228	20,490	138	454	6,976	20,038	4,079	58,184	136,450	55,020	4,626
12-Dec-21	600,295	86	32,646	7,774	163	21,035	141	559	6,689	24,863	3,787	52,279	132,249	53,647	3,490
13-Dec-21	475,779	112	21,743	7,350	106	19,212	131	370	5,814	16,080	3,398	48,071	55,925	43,848	3,504
14-Dec-21	445,594	83	30,823	5,784	190	12,704	87	339	5,560	12,544	2,862	53,953	51,727	8,434	4,097
15-Dec-21	736,387	82	51,301	6,984	205	20,665	128	442	7,850	26,128	3,370	59,077	194,175	63,123	3,900
16-Dec-21	699,603	85	56,677	7,974	213	23,190	173	474	7,621	29,725	3,684	77,741	123,546	65,586	4,262
17-Dec-21	739,863	98	50,968	7,447	291	26,104	193	355	7,435	33,675	3,537	87,565	143,891	60,647	4,362
18-Dec-21	711,601	147	42,813	7,145	232	28,615	181	412	7,311	34,533	3,132	92,503	156,592	58,128	4,083
19-Dec-21	672,199	101	29,348	7,081	164	28,057	195	271	6,234	39,109	2,899	89,074	156,735	58,409	3,108
20-Dec-21	522,777	116	16,086	6,563	133	24,303	187	255	5,317	22,941	2,525	81,959	100,241	48,473	2,589
21-Dec-21	527,608	99	23,428	5,326	216	16,205	148	195	5,196	18,771	2,476	91,734	90,596	14,470	3,140
22-Dec-21	857,754	95	45,659	6,317	179	30,783	223	280	7,450	41,065	2,532	89,022	284,979	72,634	3,519
23-Dec-21	822,278	121	44,927	7,495	136	36,326	267	335	6,919	32,515	2,940	105,330	201,750	79,567	3,510

Source: CEIC

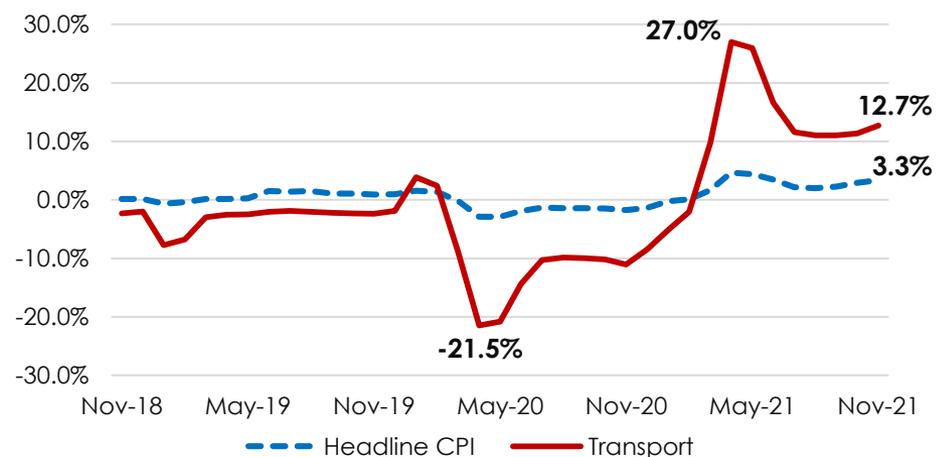
✓ **Lower economic growth** – The natural catastrophic events (the floods) that hit Peninsular Malaysia particularly in Selangor, W.P. Kuala Lumpur, Pahang, Negeri Sembilan, Melaka, Terengganu and Kelantan will definitely have an impact on Malaysia's economic growth in 4Q2021, knowing their contributions to Malaysia's GDP was about 53.5% in 2020. The aftermath of flood will further hamper the economic growth that was already severely affected by the Covid-19 pandemic.

Percentage Share to GDP by States



✓ **Higher prices of goods** - The recent floods in Malaysia may cause the prices of goods to rise further (November: 3.3% vs. October: 2.9%), especially when businesses are transferring their increasing production costs to consumers. The greater pass-through of business costs to consumers might due to growing demand conditions amid improving economic activities. Apart from that, sustained supply chain disruptions, delivery delays together with higher transportation costs might as well contribute to the increase in goods prices.

Consumer Price Index (CPI), y-o-y%



Sources: DOSM, CEIC

Industries	Remarks
<p>Semiconductor</p>	<ul style="list-style-type: none"> ✓ Malaysia is a major chip testing and electronics hub, and delays in shipments could add to the supply-chain snarls that have battered the world economy. ✓ Dutch chipmaking equipment supplier lowered its fourth-quarter revenue outlook due to flooding affecting its main production facility in Shah Alam. The company said revenue may drop 15.0% to 20.0% sequentially, exceeding the previous guidance for a 5.0% to 15.0% decrease.
<p>Electrical & Electronics (E&E)</p>	<ul style="list-style-type: none"> ✓ Malaysia's Notion VTEC Bhd. said its plant that makes computer numerical control machining has been affected. ✓ Panasonic Manufacturing Malaysia Bhd. mentioned its facility that makes fans and vacuum cleaners sustained damage. The company will need a week to assess the conditions of the machines and equipment that were affected by the flood waters.

Source: Various media

INDUSTRIES THAT HAVE BEEN AFFECTED BY THE RECENT FLOODS (CONT'D)

Industries	Remarks
Logistic	<ul style="list-style-type: none"> ✓ The movement of containers and Cargo at Port Klang's three terminal is expected to be adversely affected due to heavy downpour and flood in Klang and Port Klang. ✓ Apart from that, workers have not been able to go to work due to travel difficulties. ✓ Blocked roads had also severely affected warehouse and logistics operations and shipment delays can be expected. ✓ Pos Malaysia: major floods caused by heavy rain may affect counter, delivery and pick up services in areas impacted, including closures of affected outlets. ✓ Shopee, J&T Express, Ninjavan had took to their official social media accounts to seek for their customers' apology due to the delay in delivering their parcels.
Carpet Maker	<ul style="list-style-type: none"> ✓ Paragon Union Bhd announced that two of its main factories in Balakong, Cheras have been badly affected by the flood caused by continuous heavy rain over the weekend. The group said the estimated downtime of the factories will be approximately two weeks and thus, production and delivery to customers will be delayed accordingly.
Other sectors	<ul style="list-style-type: none"> ✓ Notion VTec Bhd's factory in Klang has been affected by the flood due to the continuous heavy rain. Notion said the factory is for the production of gloves and computer numerical control machining under the automotive segment. The company said it is unable to ascertain the full financial and operational impacts at this juncture due to current inaccessibility to the factory.

- ✓ The FBM KLCI index ended last week to close at 1,516.45 points on 24 December from a 1,502.01 previously, representing a 14.44 points increased on a weekly basis. Some bargain-hunting activities to continue given the cheap valuations of the local market compared to the regional peers while window-dressing activities would provide some support to the market should any sell down occurred.
- ✓ As such, the Bursa Malaysia's outlook is expected to continue its positive momentum this week, tracking the uptrend in the regional markets amid the holiday season with the benchmark index hovering within the range of 1,510.0 points to 1,520.0 points throughout the week. From the technical point of view, we see the immediate support level at 1,500.0 points while resistance is at 1,530.0 points.
- ✓ On the economic data front, Malaysia will be releasing its November's exports data on Tuesday which is expected to be higher for the said month, maintaining its double-digit growth following recovery in the domestic economy with increased production capacity to cater the higher demand. Hence, this would be leading to a better performance in the trading activities. Malaysia's producer price index (PPI) data for November will also be released later on Thursday, estimated to grow by 12.0% during the month.
- ✓ Meanwhile, China will be releasing its December official manufacturing and non-manufacturing purchasing manager index (PMI) on Friday, expected by the analysts to expand by 50.5 points and 52.0 points respectively in the said month. As for Vietnam, the nation is expected to release figures on its 4Q2021 gross domestic product (GDP) data, December trade data, inflation, industrial production, as well as retail sales this week.
- ✓ Overall, Malaysian government has formed a special task force for post-flood recovery activities and in preparation for the second wave of floods following continuous rain in certain parts of the country from 27 December, according to Prime Minister, Datuk Seri Ismail Sabri Yaakob. The task force would be on the coordination in the implementation of processes such as the cleaning of affected houses and buildings and on the mechanism to be used to ensure the quick dispensation of flood aid, Bantuan Wang Ihsan (BWI) to the victims.
- ✓ As of 26 December, the death toll from Malaysia's worst flood in years rose to 47 as more bodies were recovered with the majority of fatalities in Selangor and Pahang states.

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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 sky, and a highway with traffic is visible in the foreground. The overall mood is warm and appreciative.

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