



From the Desk
of the
Chief Economist

BANK ISLAM

WEEKLY MARKET UPDATES

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ECONOMIC RESEARCH

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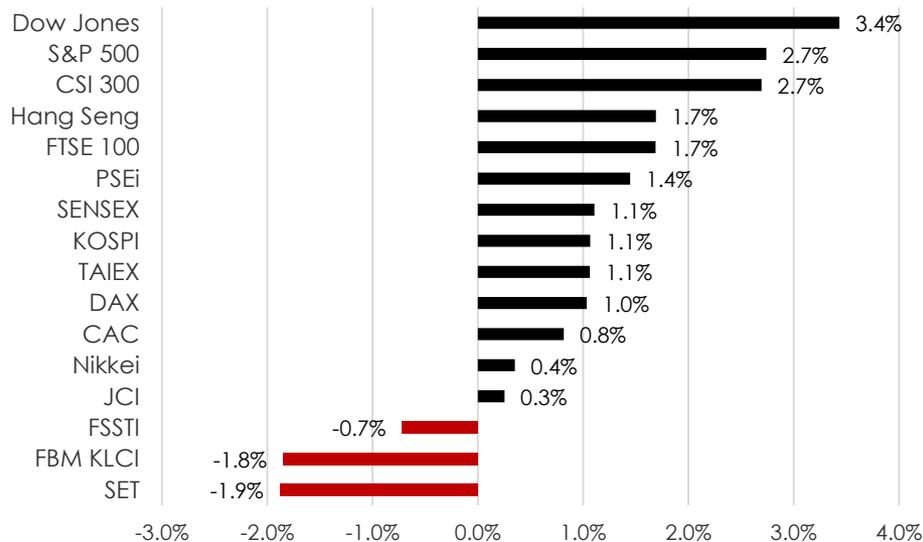
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RAJA ADIBAH RAJA HASNAN

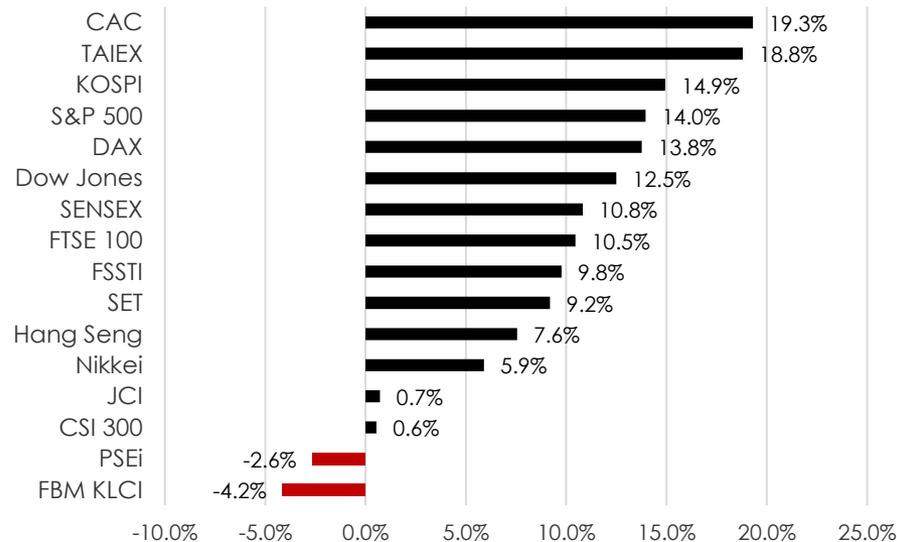
WEEKLY MARKET PERFORMANCE

- Major equity markets rallied last week with Wall Street's Dow Jones index leading gainers with a 3.4% weekly advance. The overall positivity in the index was sparked by Jerome Powell's reassurance that high inflation alone would not be enough to prompt rate rises. Apart from that, markets cheered the USD600.0 billion infrastructure deal that is set to propel the nation's economy.
- Meanwhile, Thailand's SET index was the biggest laggard with a 1.9% weekly decline. Jitters came following news that Thailand's national Covid-19 panel is considering to impose stricter movement curbs in Bangkok amid calls for a lockdown as infections continue to climb and medical facilities reach capacity.
- On a Year-To-Date (YTD) basis, the FBM KLCI index is the largest decliner with a 4.2% drop followed by the Philippines' PSEi index which recorded a 2.6% loss.

Weekly Gain/Loss of Major Equity Markets (%)
(Week Ended 25 June)



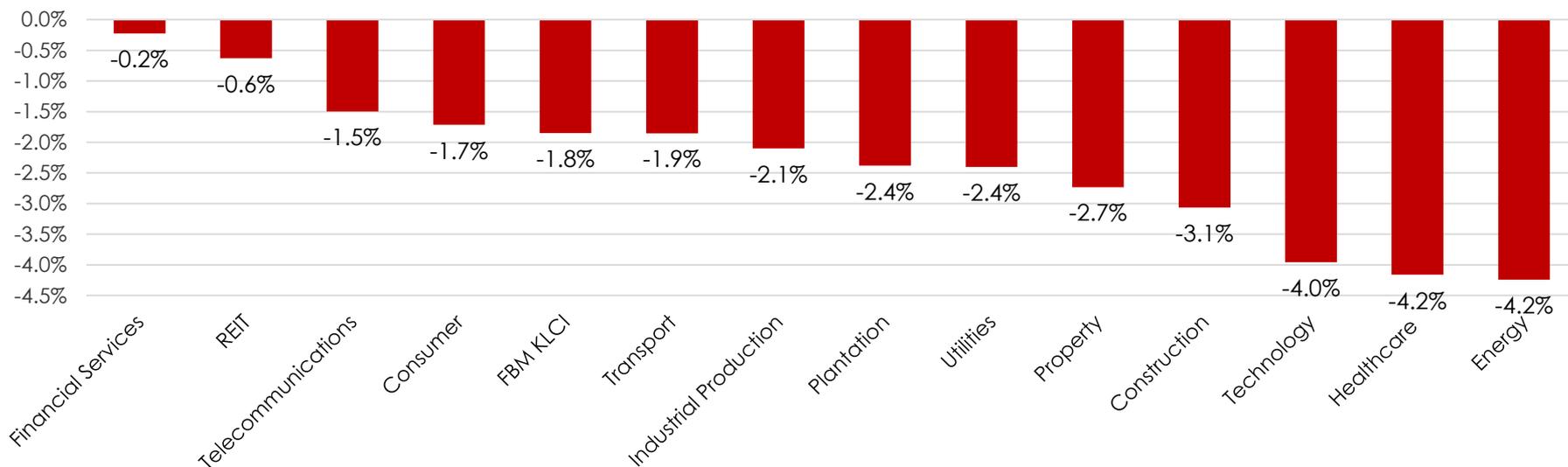
YTD Gain/Loss Of Major Equity Markets (%)
(As at 25 June)



WEEKLY SECTORAL PERFORMANCE

- ✓ All sectoral indexes on Bursa Malaysia were in the red last week led by the Bursa Malaysia Energy Index and the Bursa Malaysia Healthcare Index. Despite a firmer Brent crude oil price during the week amid hopes of higher demand underpinned by the anticipated economic recovery, the Bursa Malaysia Index was dragged by Serba Dinamik Berhad which saw its share price tumble by 34.9% on a weekly basis. The sell-off in Serba Dinamik's shares was due to corporate governance issues faced by the company with four of its directors resigning over the spat with their former auditor, KPMG. As for the Bursa Malaysia Healthcare Index, the index was pressured by rubber glove counters following encouraging vaccination rates in the country.
- ✓ On the other hand, the Bursa Malaysia Financial Services Index was the smallest loser, declining by only 0.2% for the week as investors probably took cue of what is happening in the U.S. whereby president Joe Biden embraced a bipartisan Senate infrastructure deal which could boost economic activities in the country.

Bursa Malaysia Sectoral Weekly Performance (%)

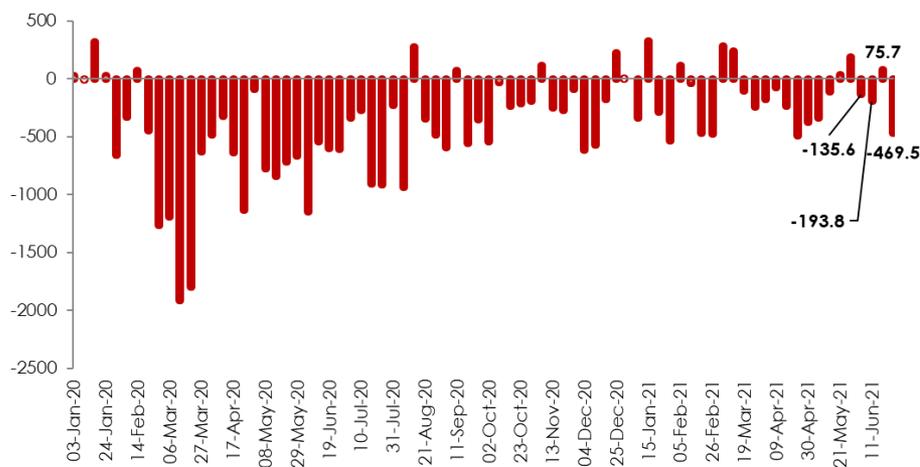


Source: Bursa

WEEKLY FOREIGN FUND FLOW

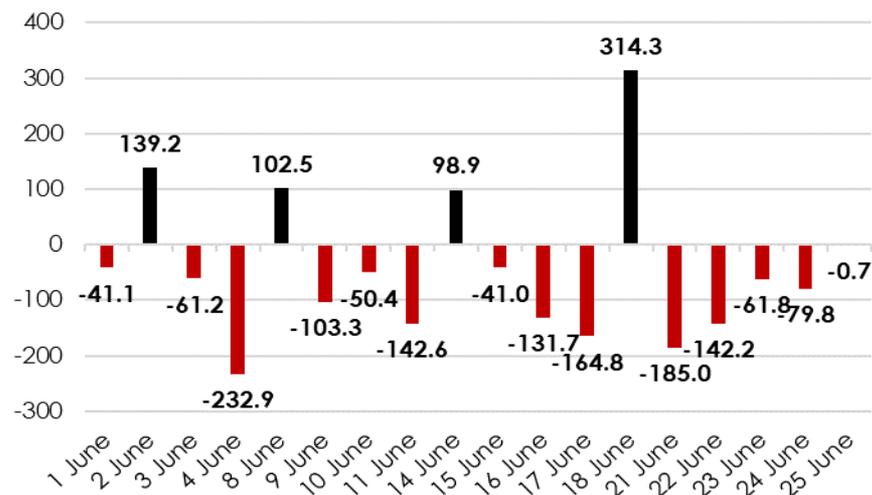
- ✓ Foreign investors withdrew RM469.5 million net of local equities last week compared to the RM75.7 million net bought in the preceding week. This is the largest weekly foreign net outflow in nine weeks.
- ✓ International investors dumped RM185.0 million net on Monday which coincided the 1.1% decline in the FBM KLCI index on the same day, the biggest daily drop seen since 31 March 2021. Foreign net selling on Tuesday declined slightly to the tune of RM142.2 million net as investors remained upbeat on the Celcom-Digi merger. Foreign investors continued to sell local equities for the third consecutive day on Wednesday albeit at a slower pace of RM61.8 million net before selling more on Thursday at RM79.8 million net as the overall sentiment remained suppressed as there seems to be no signs of slowdown in Covid-19 cases which hit 5,841 cases on Thursday, higher than 5,244 cases on the previous day. Friday saw the smallest foreign net outflow during the week at RM0.7 million net amid bottom-fishing activities.
- ✓ So far, the month of June has seen a total foreign net outflow of RM783.6 million while foreign investors have disposed RM3.8 billion net of local equities on a YTD basis.

Weekly Foreign Fund Flow in Malaysia (RM Million)



Sources: Bursa

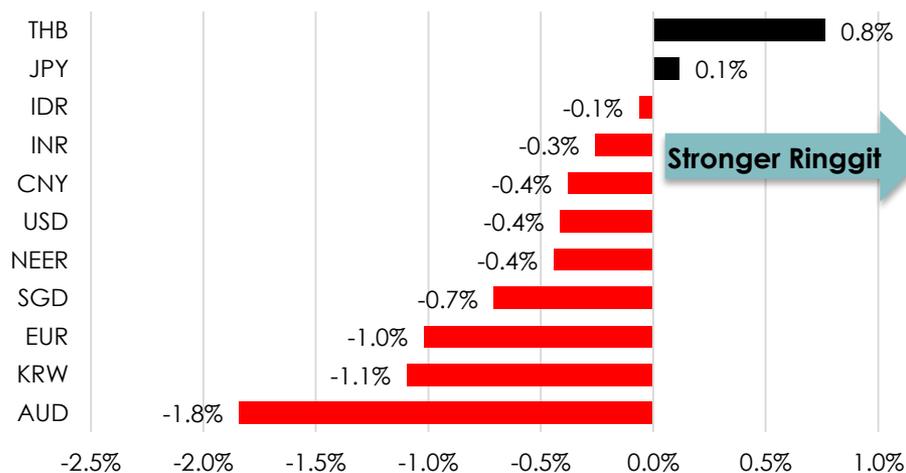
Daily Foreign Net Inflow/Outflow From 1 June 2021 to 25 June 2021 (RM Million)



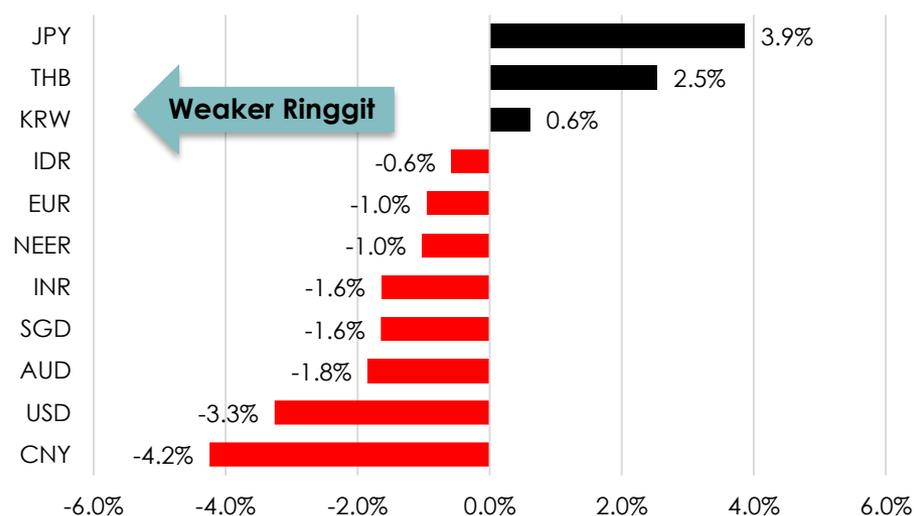
WEEKLY PERFORMANCE

- ✓ The Ringgit depreciated by 0.4% week-on-week (w-o-w) against U.S. Dollar to close at RM4.1540 on 25 June from RM4.1370 on 18 June. This was mainly due to U.S. Dollar which continued to strengthen against Asian currencies post Federal Open Market Committee (FOMC) meeting as the Federal Reserve (Fed) shift to hawkish policy stance.
- ✓ Apart from that, the flash U.S. Manufacturing Purchasing Managers' Index (PMI) shows that the business confidence ticked higher at 62.6 points in June (May: 62.1 points) following better outlook for production activities for the next 12 months.
- ✓ On the domestic front, the rising uncertainty from the political front will continue to weigh on the Ringgit. In addition, the Malaysian government had extended the full scale lockdown which was originally due to end today as local Covid-19 cases remained high with daily cases remaining above 5,000.
- ✓ Nonetheless, the rapid vaccination rate alongside the announcement of larger stimulus package this week are likely to cushion the Ringgit's weakness.

MYR against regional currencies, w-o-w% (Week Ended 25 June)



MYR against regional currencies, YTD Gain% (As at 25 June)

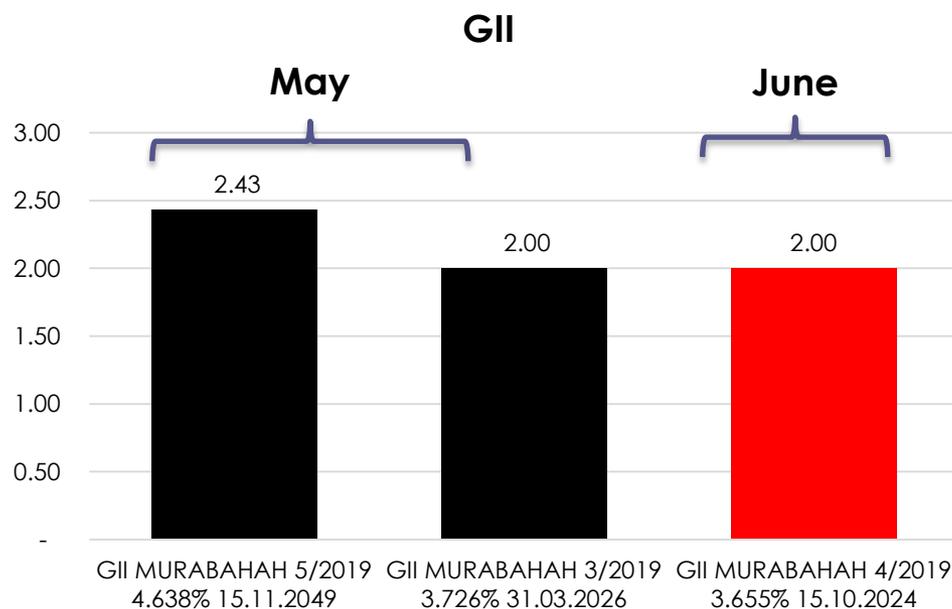


MGS Benchmark Weekly Change (bps)

MGS Benchmark	Coupon (%)	Yields (%) 18-Jun-21	Yields (%) 25-Jun-21	Change (bps)
3-Y MGS 06/24	3.48%	2.25%	2.29%	4
5-Y MGS 09/25	3.96%	2.52%	2.54%	2
7-Y MGS 06/28	3.73%	3.01%	3.03%	2
10-Y MGS 04/31	2.63%	3.28%	3.29%	1

Source: BNM

Auction Market



Source: Bond Info Hub

- ✓ The MGS benchmark yields closed higher between 1 bps and 4 bps on a weekly basis. The yields of 3-Y MGS 06/24 and 10-Y MGS 04/31 rose by 4 bps and 1 bps to settle at 2.29% and 3.29% on 25 June. Meanwhile, the 5-Y MGS 09/25 and 7-Y MGS 06/28 both went up by 2 bps to close at 2.54% and 3.03% last Friday.
- ✓ As for the auction market, there was a reopening of 3-Y GII 10/24 which drew a Bid-To-Cover (BTC) ratio of 2.00x. This was slightly lower compared to average of 2.36x in 2020, suggesting the demand for nation's bonds has soften.
- ✓ On the other hand, S&P Global Ratings has affirmed Malaysia's foreign currency and local currency long-term issuer ratings at A- and A respectively, with a negative outlook. In addition, S&P Global Ratings had also lowered its real GDP forecast in 2021 for Malaysia to 4.1% from 6.2% in view of the tightening of the Movement Control Order (MCO) since 1 June.
- ✓ All in all, we anticipate the bond yields to remain range bound in the medium term, pending more clarity from the domestic political development.

BRENT

- ✓ Brent crude oil price recorded a 3.6% weekly increase to settle at USD76.18 per barrel last Friday (18 June: USD73.51/barrel), the highest since October 2018, buoyed by an expectation of fuel demand recovery amid reopening of economies globally and a continuous drop in the U.S. crude oil inventories.
- ✓ On further scrutiny, the U.S. Energy Information Administration (EIA) reported that stocks of crude oil dropped by 7.6 million barrels to 459.1 million barrels in the week ended 18 June (11 June: 466.7 million barrels), the largest since the last week of April this year. Similarly, the American Petroleum Institute (API) report mentioned that crude stockpiles decreased by 7.2 million barrels in the week ended 18 June from the draw of 8.5 million barrels in the preceding week.
- ✓ Apart from that, talks between world powers and Iran to revive a nuclear deal ended without an agreement had also supported the movement of oil prices.

Brent Crude in USD per barrel



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



Source: Bloomberg

GOLD

- ✓ Gold price rose by 1.0% to USD1,781.44 per ounce on 25 June (18 June: USD1,764.16 per ounce) as investors digested mixed signals from the U.S. Fed officials on interest rate hikes while waiting for more economic data to gauge inflationary pressures. Following this, the U.S. Dollar Index depreciated by 0.4% to 91.85 on 25 June from 92.23 in the preceding week.
- ✓ Moreover, the initial jobless claims dropped to 411k for the week ending on 19 June, a decline from 418k in the previous week. Be that as it may, this signified a slow recovery in the labour market as the initial claims remained higher than the expected amount of 380k.
- ✓ Fed Chairman, Jerome Powell also offered assurance that the U.S. central bank intends to stimulate the recovery of a "broad and inclusive" job market while reiterating that interest rates will not be raised too quickly based only on the fear of incoming inflation.

Gold in USD per ounce



U.S. Dollar Index (DXY)



Source: Bloomberg

- ✓ A major event that will be on investors' radar this week is the meeting of the Organisation of the Petroleum Exporting Countries (OPEC) members which will be held on 1 July this Thursday whereby members will discuss to further ease output cuts in anticipation of higher demand for oil in the coming months. The possibility of lesser production cuts became higher as Indian Oil Minister Dharmendra Pradhan on Thursday urged the OPEC to phase out crude output cuts as high prices will stoke inflation.
- ✓ With that, oil and gas counters will be under the limelight this week. Aside from that, there seems to be no other catalyst from the external front. This leaves investors to observe the daily vaccination doses administered in Malaysia which dropped to 187,877 on 26 June 2021 down from the record high of 268,604 doses on 24 June 2021. At the same time, Covid-19 cases which remain high at above 5,000 cases is something that will be looked upon by investors. Taking such matters into consideration, the FBM KLCI index may trade within a range of 1,560 to 1,580 points given the lack of major catalysts.
- ✓ On the economic front, investors in Malaysia will be focusing on the **nation's exports data for May on Monday** which is expected to record another double-digit year-on-year growth underpinned by robust external demand and a low base effect. **Malaysia's producer price index (PPI) data for May will also be released later on Wednesday** whereby the growth in the PPI will follow the trend of China's PPI given the strong correlation between the growth of PPI for both countries.
- ✓ Other major economic data releases from other countries include the **consumer price index (CPI) data for Thailand, South Korea and Germany for the month of May** whereby a stronger inflation rate is expected to be seen amid the recent global commodity price rally.
- ✓ Looking ahead, news regarding a larger Covid-19 stimulus package to be announced this week warrants investors to question on how the additional government spending would affect the country's sovereign ratings and in turn, hurt investor sentiment. Henceforth, it would be a tough balancing act as Malaysia could not afford a rating downgrade, considering the potential impact on fund flows and the Ringgit.

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
25-May-21	447,523	611	1,911	196,427	5,060	2,489	3,048	36	516	2,003	3,226	2,362	13,925	1,908	7,289
26-May-21	471,167	558	2,626	208,921	5,034	3,220	3,624	30	705	4,601	2,455	2,410	22,239	1,749	7,478
27-May-21	551,328	654	6,313	211,298	6,278	3,935	4,317	26	629	5,349	3,323	2,987	24,435	12,438	7,857
28-May-21	553,748	678	7,380	186,364	5,862	4,143	4,034	24	587	5,310	3,759	3,380	24,462	13,704	8,290
29-May-21	526,981	572	5,426	173,790	6,565	3,737	4,148	30	533	5,055	4,803	4,028	22,401	11,090	9,020
30-May-21	479,464	504	3,852	165,553	6,115	3,348	3,639	33	480	5,179	4,528	3,240	25,091	10,007	6,999
31-May-21	457,137	382	1,978	152,734	5,662	2,948	2,813	25	430	2,899	5,485	3,111	12,677	8,541	6,824
1-Jun-21	371,403	377	1,785	127,510	4,824	1,818	2,226	23	459	1,931	2,230	3,283	9,821	938	7,105
2-Jun-21	382,906	361	4,917	132,788	5,246	2,483	2,417	18	677	4,891	3,440	3,099	3,678	8,498	7,703
3-Jun-21	482,447	573	4,640	134,154	5,353	2,896	3,061	31	681	5,143	3,886	4,261	20,641	8,582	8,209
4-Jun-21	485,145	609	3,165	132,364	6,486	1,963	2,874	45	695	5,156	2,631	5,179	15,989	7,978	7,748
5-Jun-21	457,320	498	2,294	120,529	6,594	2,556	2,598	13	744	4,491	2,817	6,140	18,568	6,953	7,452
6-Jun-21	394,586	541	2,440	114,460	5,832	2,434	2,660	18	556	4,532	2,671	5,651	17,729	6,038	6,241
7-Jun-21	376,894	348	1,117	100,636	6,993	2,275	2,078	20	485	2,438	2,419	5,223	11,608	5,070	5,271
8-Jun-21	314,931	238	1,204	86,498	6,294	1,270	1,490	14	454	1,704	2,662	5,584	15,410	946	5,566
9-Jun-21	340,754	237	3,254	92,596	7,725	1,894	1,728	9	602	4,205	2,680	5,966	13,739	4,700	6,239
10-Jun-21	387,998	289	3,187	94,052	8,892	2,198	2,189	4	610	4,122	2,310	7,312	16,551	5,358	5,671
11-Jun-21	432,427	281	2,440	91,702	8,083	2,078	2,112	13	556	4,047	2,290	7,232	22,053	4,475	6,849
12-Jun-21	416,156	317	1,911	84,332	7,465	1,892	1,920	9	565	3,989	3,277	7,958	13,304	3,639	5,793
13-Jun-21	398,719	288	1,489	80,834	9,868	1,722	1,982	18	452	4,003	2,804	7,550	12,354	3,603	5,304
14-Jun-21	362,695	198	549	70,421	8,189	1,390	1,409	13	399	2,188	3,355	7,319	11,678	2,850	4,949
15-Jun-21	290,623	206	652	60,471	8,161	907	1,076	25	373	1,529	3,000	7,606	8,197	407	5,419
16-Jun-21	313,976	156	1,455	62,224	9,944	1,253	1,336	14	545	3,654	2,331	7,587	11,180	1,867	5,150
17-Jun-21	389,136	190	1,330	67,208	12,624	1,400	1,695	24	540	4,069	3,129	8,808	11,954	2,865	5,738
18-Jun-21	416,554	197	1,076	62,480	12,990	1,323	1,560	27	507	3,969	3,058	10,809	11,767	2,775	6,440
19-Jun-21	383,833	219	1,108	60,753	12,906	1,147	1,593	16	482	3,694	3,667	10,270	14,796	2,132	5,911
20-Jun-21	387,492	152	842	58,419	13,737	1,193	1,509	21	429	3,730	3,682	10,075	9,786	2,322	5,293
21-Jun-21	355,151	127	346	53,256	14,536	881	1,287	11	357	2,158	3,175	9,072	7,045	1,815	4,611
22-Jun-21	296,678	101	455	42,640	13,668	484	1,011	16	394	1,600	4,059	10,467	9,839	290	4,743
23-Jun-21	300,861	109	1,016	50,848	15,308	834	1,352	18	645	3,673	3,174	11,481	13,790	978	5,244
24-Jun-21	403,966	121	1,008	54,069	20,574	1,140	1,790	22	610	3,796	4,108	15,882	12,874	2,287	5,841
25-Jun-21	437,764	161	774	51,667	18,872	266	1,642	23	634	2,162	3,644	16,702	14,239	1,796	5,812

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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