



From the Desk
of the
Chief Economist

BANK ISLAM

WEEKLY MARKET UPDATES

28 DECEMBER 2020

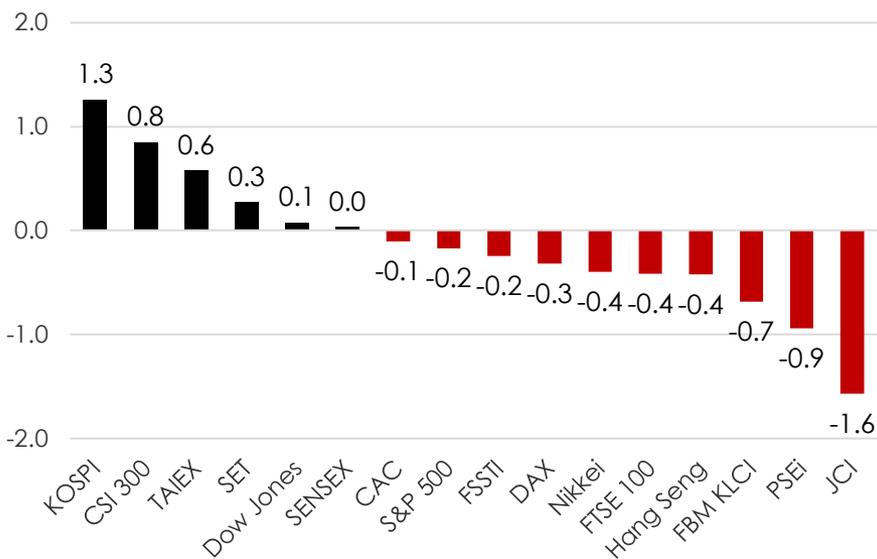
ECONOMIC RESEARCH

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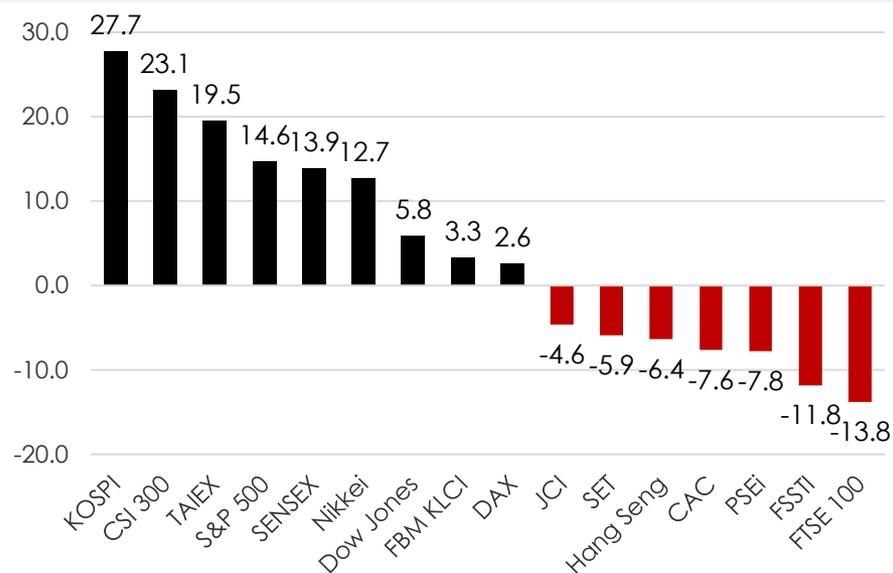
WEEKLY MARKET PERFORMANCE

- ✓ Equity markets worldwide ended mixed last week with losers exceeding gainers. Indonesia's JCI index was the biggest laggard, losing 1.6% during the week. The weekly loss came despite Indonesia's President Joko Widodo announcing new members of his cabinet which ended months of speculation. On a side note, Indonesia recorded its biggest daily rise in Covid-19 deaths on Friday with 258 fatalities, taking the total to 20,847.
- ✓ Meanwhile, Korea's KOSPI index was the biggest gainer during the week with a 1.3% gain. On Thursday, the KOSPI index surpassed the 2,800 mark for the first time, closing at an all-time high of 2,806.86, up 1.7% from the previous day's close. The rally was backed by Korea securing additional Covid-19 vaccine supply deals.
- ✓ On the domestic front, the FBM KLCI slid 0.7% for the week but remained as the only gainer amongst its ASEAN peers on a year-to-date basis.

Weekly Gain of Major Equity Markets (%)
(Week Ended 25 December)



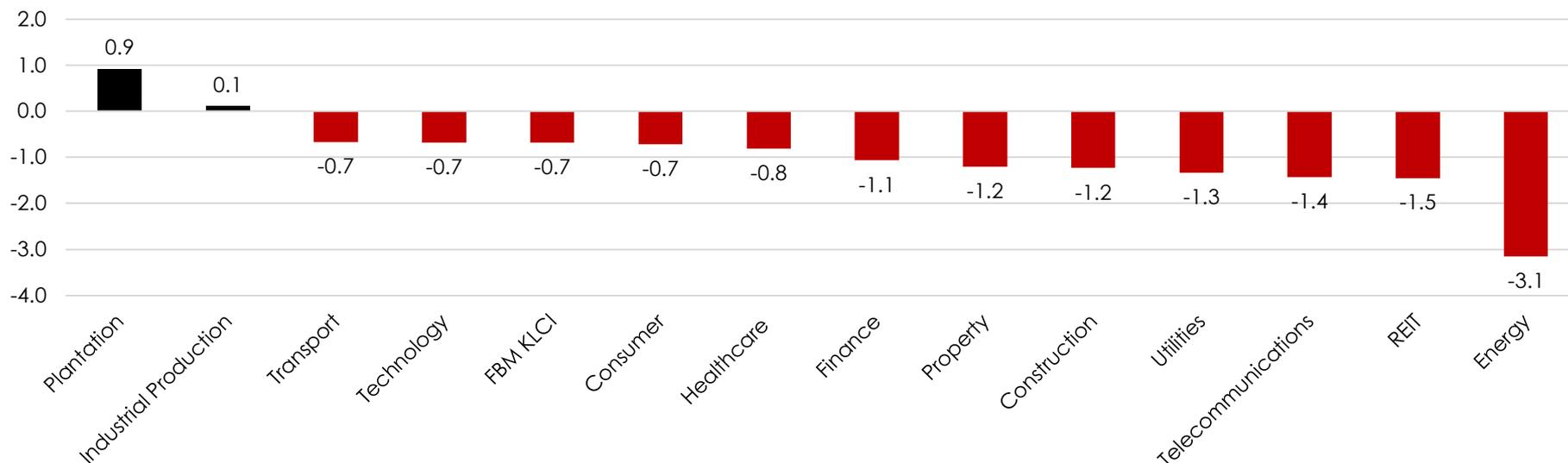
YTD Gain Of Major Equity Markets (%)
(As at 25 December)



WEEKLY SECTORAL PERFORMANCE

- ✓ The Bursa Malaysia Plantation index was the biggest gainer last week with a 0.9% weekly advance. Part of the gain was attributable to some window-dressing activity for stocks of public listed companies which helped to push up the index before the year ends. Aside from that, crude palm oil (CPO) prices may continue its ascent amid lower production and tighter stocks becoming apparent in view of rising December exports.
- ✓ On the other hand, the Bursa Malaysia Energy Index was the biggest laggard, recording a 3.1% weekly loss. New strains of Covid-19, which appear to spread the more quickly have hit the UK, Nigeria, and other countries. Therefore, this has outweighed the positive sides coming from the fall in US crude inventories by 562,000 barrels in the week to 18 December to 499.5 million barrels and the post-Brexit trade deal reached between Britain and the European Union.

Bursa Malaysia Sectoral Weekly Performance (%)

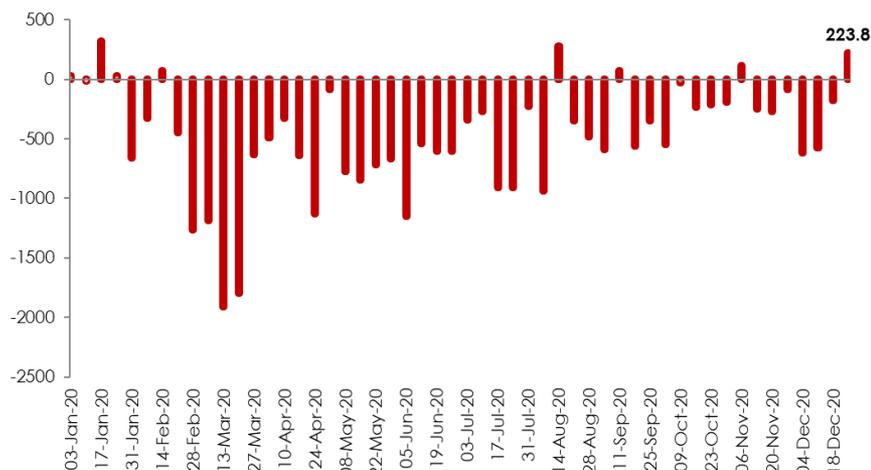


Sources: Bloomberg

WEEKLY FOREIGN FUND FLOW

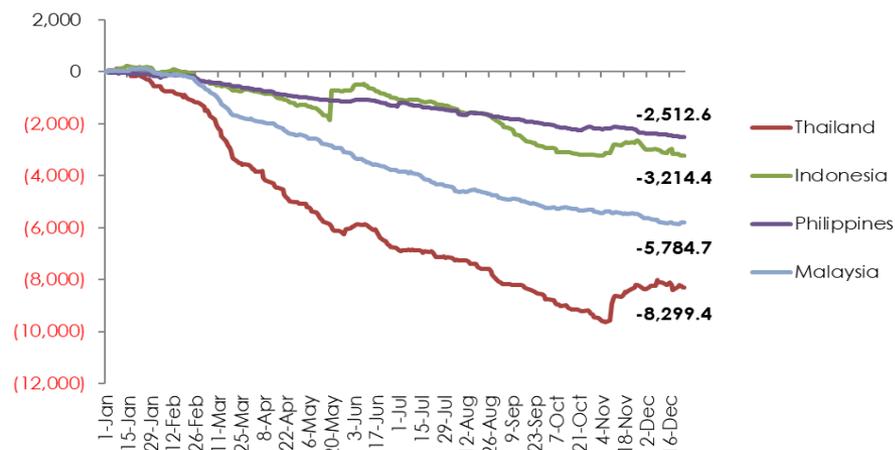
- ✓ Foreign investors acquired RM223.8 million net of local equities during the holiday-shortened week compared to RM178.8 million sold in the whole of the preceding week.
- ✓ Bursa started the week with a measurable pace of foreign net outflow as international investors withdrew only RM32.0 million net on Monday. International investors upped the ante in selling activity on Tuesday to a level of RM68.6 million net as the new strain of Covid-19 found in the UK conquered the overall market sentiment. During Wednesday, offshore investors piled into local equities at a tune of RM265.1 million net. This is the highest foreign net inflow in a day recorded so far in 2020. Foreign net buying continued for the second day on Thursday albeit at a smaller quantum of RM59.3 million ahead of the long weekend. The buying activity on Thursday was likely supported by a development that Brexit negotiators reached an outline of a post-Brexit trade deal.
- ✓ On a year-to-date basis, foreign funds have taken out USD5.8 billion net of local equities from Bursa. In comparison with ASEAN peers namely Thailand, Indonesia and the Philippines, Malaysia has the second largest foreign net outflow on a year-to-date basis.

Weekly Foreign Fund Flow in Malaysia (RM Million)



Sources: Bloomberg

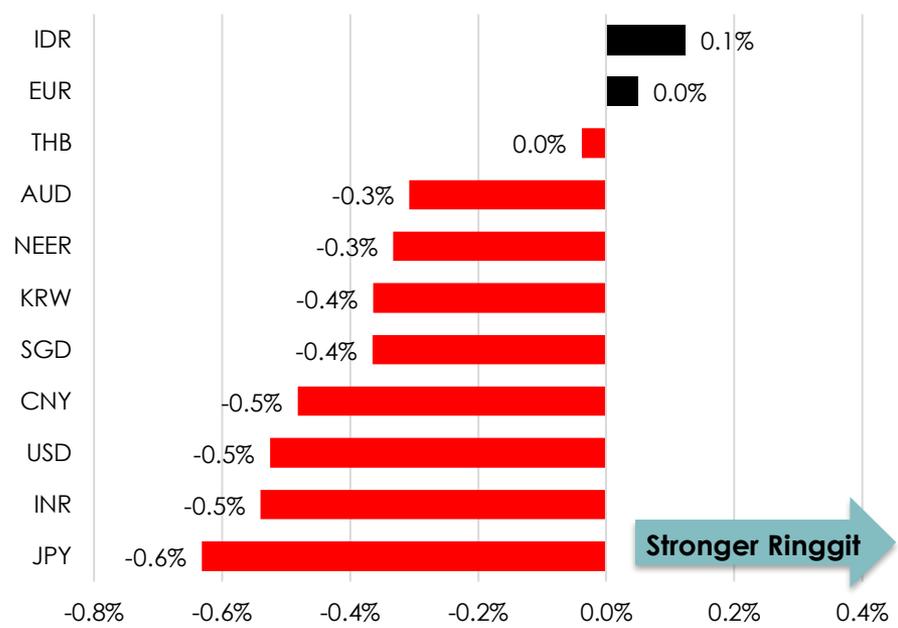
YTD Regional Foreign Fund Flow (USD Million)



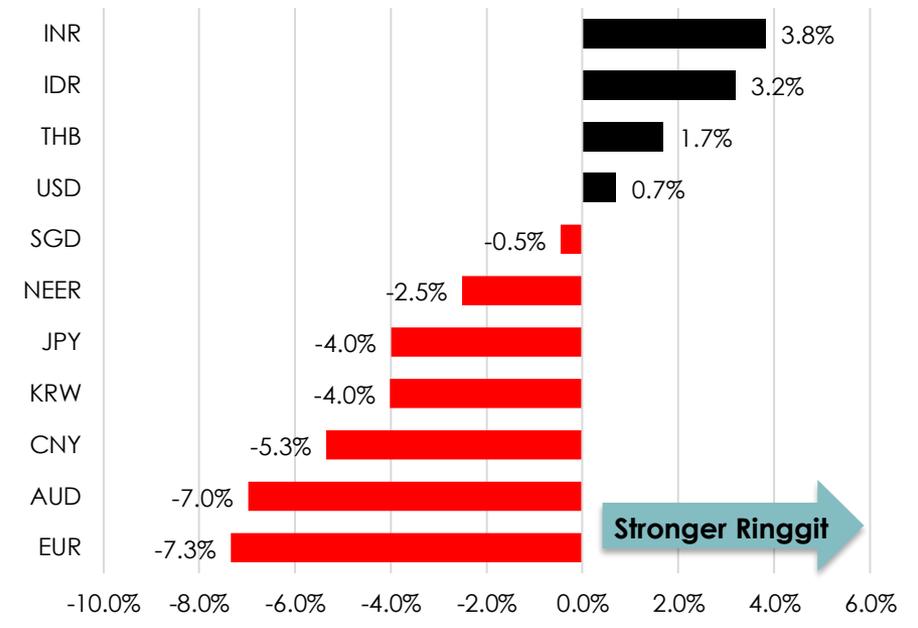
WEEKLY PERFORMANCE

- ✓ The Ringgit was lower by 0.5% week-on-week (w-o-w) against the US Dollar, closing at RM4.0605 on 24 December from RM4.0398 on 18 December.
- ✓ This was on the back of fears over the emergence of a new highly-infectious Covid-19 mutation which was identified in the UK.
- ✓ On the other hand, the UK and EU have signed a trade deal on 24 December which allows the UK and the 27-nation bloc continue to trade in goods without tariffs or quotas. However, we believe the impacts on Ringgit were marginal.
- ✓ All in all, the Ringgit would remain volatile largely due to fast-spreading of new variant of Covid-19 which could lead to another lockdown across the globe and exert pressure on the crude oil price.

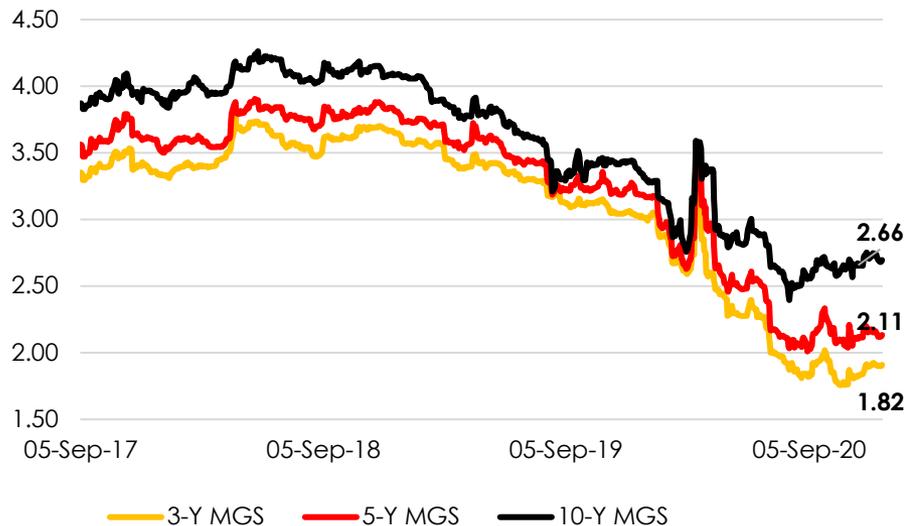
**W-o-w,%
(Week Ended 25 December)**



**YTD Gain,%
(As at 25 December)**



MGS Yields



Source: CEIC

Issuance	Target Month
7-Y Reopening of MGS 06/28 3.733%	Jan-21
15.5-Y New Issue of MGII (Mat on 07/36)	Jan-21
10-Y Reopening of MGS 04/31 2.632%	Jan-21
5-Y Reopening of MGII 03/26 3.726%	Feb-21
20-Y Reopening of MGS 05/40 3.757%	Feb-21
7-Y Reopening of MGII 09/27 3.422%	Feb-21
30-Y Reopening of MGS 06/50 4.065%	Mar-21
10-Y Reopening of MGII 10/30 3.465%	Mar-21
5-Y Reopening of MGS 09/25 3.955%	Mar-21
20.5-Y New Issue of MGII (Mat on 09/41)	Mar-21

Source: Bond Info Hub

- ✓ Turning to the local bond market, the 10-Y MGS was sustained at 2.69% on last Thursday while the 3-Y and 5-Y MGS yielded higher to close at 1.91% (18 December: 1.90%) and 2.13% (18 December: 2.12%). The bond market saw muted reaction ahead of the long weekend.
- ✓ On the other hand, the bond supply in 2021 will increase in order to support the government's fiscal stimulus. The number of auction is higher at 37 in 2021 as compared to 34 this year, alleviating pressure on the yields.
- ✓ Be that as it may, the demand for local govies remain supportive as reflected by foreign fund inflows which were higher at RM14.8 billion in 11M2020 compared to the RM11.8 billion recorded in 11M2019.
- ✓ As such, we foresee the bond yields to remain low in the medium term.

BRENT

- ✓ Brent crude oil price recorded a 1.9% weekly decline to settle at USD51.29 per barrel last Thursday compared to USD52.26 per barrel in the preceding week despite news that Britain and the European Union reached a post-trade Brexit deal.
- ✓ Overall, the oil market has rallied sharply since late October as vaccines progressed to approval in numerous countries. Worldwide infections however are still growing, and investors' outlook will be clouded by the pandemic for several months especially with the new strain of the Covid-19 found in UK which is more transmissible.
- ✓ On a positive note, the US Energy Information and Administration (EIA) and the American Petroleum Institute (API) reported a drop in the US crude inventories. EIA data showed crude stocks decreased by 0.6 million barrels to 499.5 million barrels in the week ended 18 December from 500.1 million previously. The current inventory levels are about 11.0% above the five-year average for this time of year. Similarly, the API reported on Tuesday a build in crude oil inventories of 2.7 million barrels for the week ending 18 December.

Brent Crude in USD per barrel



US Crude Oil Inventory, '000 barrel - EIA



Source: Bloomberg

Date	Global	China	Germany	India	Indonesia	Italy	Japan	Singapore	South Korea	Spain	Thailand	United Kingdom	United States	France	Malaysia
02/12/2020	525,893	91	17,270	36,604	5,092	19,347	1,692	10	511	7,105	10	13,429	151,204	7,999	1,581
03/12/2020	626,303	129	22,046	35,551	5,533	20,709	2,441	2	540	9,216	18	16,170	177,976	13,938	1,075
04/12/2020	663,750	108	23,448	36,595	8,369	23,219	2,405	9	629	8,524	13	14,878	195,769	12,661	1,141
05/12/2020	681,024	133	23,318	36,652	5,803	24,110	2,442	3	583	7,824	14	16,298	218,671	11,107	1,123
06/12/2020	652,246	122	17,767	36,011	6,027	21,052	2,424	13	631	8,116	19	15,539	213,127	12,850	1,335
07/12/2020	591,122	133	12,332	32,981	6,089	18,887	1,969	5	615	4,778	14	17,271	205,837	11,022	1,600
08/12/2020	506,515	90	14,055	26,567	5,754	13,679	1,862	13	585	3,135	21	14,718	173,388	3,103	1,012
09/12/2020	559,256	117	20,815	32,080	5,292	14,837	1,911	12	670	4,984	19	12,281	185,473	13,713	959
10/12/2020	656,181	118	23,679	31,521	6,058	12,755	2,733	6	681	3,873	25	16,578	216,360	14,084	2,234
11/12/2020	697,058	131	29,875	29,398	6,033	16,998	2,969	6	689	8,097	18	20,964	230,852	13,673	1,810
12/12/2020	669,602	100	28,438	30,006	6,310	18,726	2,757	8	950	10,315	11	21,672	201,681	13,276	1,937
13/12/2020	682,846	101	20,200	30,254	6,388	19,902	2,988	8	1,030	10,906	12	21,501	243,209	13,902	1,229
14/12/2020	596,027	114	16,362	27,071	6,189	17,937	2,366	7	718	6,287	17	18,447	212,577	11,533	1,371
15/12/2020	507,278	103	14,432	22,065	5,489	12,025	2,217	5	880	4,071	28	20,263	180,420	2,590	1,772
16/12/2020	598,129	112	27,728	26,382	6,120	14,839	2,172	16	1,075	9,366	9	18,450	204,281	11,481	1,295
17/12/2020	652,689	96	26,923	24,010	6,725	17,568	3,061	12	1,014	11,606	15	25,161	201,468	17,441	1,220
18/12/2020	736,514	116	33,777	22,890	7,354	18,233	3,035	24	1,064	11,096	20	35,383	235,805	18,025	1,683
19/12/2020	711,587	89	31,300	25,152	6,689	15,401	2,893	9	1,047	10,236	16	28,507	229,915	15,440	1,153
20/12/2020	842,423	136	22,771	26,624	7,751	16,305	2,849	17	1,097	11,442	34	27,052	402,270	17,326	1,340
21/12/2020	592,924	100	16,643	24,337	6,982	15,102	2,643	19	926	6,326	576	35,928	200,257	12,798	2,018
22/12/2020	538,558	100	19,528	19,556	6,848	10,869	2,135	10	867	3,948	382	33,364	197,199	5,636	2,062
23/12/2020	577,411	82	24,740	23,950	6,347	13,316	2,455	29	1,090	9,566	473	36,803	182,819	11,670	1,348
24/12/2020	667,763	76	32,195	24,712	7,514	13,908	3,026	21	985	10,015	67	39,237	195,151	14,836	1,581
25/12/2020	655,041	85	25,533	23,067	7,199	18,039	3,841	13	1,241	6,581	0	39,036	221,145	21,496	1,247

Source: CEIC

- ✓ Due to the latest scare from the new Covid-19 strain which emerged in the UK, overall investor sentiment has been hit badly including Malaysia whereby the FBM KLCI index retreated to settle below 1,650 points last week compared to levels near 1,700 in the week before.
- ✓ The UK and European Union delivered an early Christmas present on Thursday last week when Brexit negotiators announced they had finally agreed to a trade deal that would allow Britain to leave the EU without tariffs on goods originating in the UK or the EU. Markets will closely watch the House of Commons vote on 30 December when ministers will vote on the 1,250 page Brexit deal a day before the transition period ends.
- ✓ Over in the US, Donald Trump has threatened to veto the plan of allowing for USD600 per person in direct aid as he wants USD2000 per person in direct aid. The original bill now is waiting for Trump's signature. If he vetoes the bill, the current USD300 in extra unemployment aid (from the original CARES act) will end.
- ✓ The closely watched initial jobless claims figures that are due out on Thursday. Other stats including housing sector and trade data that will not have much impact on the dollar.
- ✓ Meanwhile in Asia, it's a relatively busy week for the China amid the release of December's private sector PMI numbers due on Thursday and Friday.
- ✓ All in all, we believe that both equity and bond markets experience thin trading as many investors will be on holiday. The only factor to boost markets especially the equity market is on the last trading day of 2020 whereby fund managers will carry out some window-dressing activity.

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