



From the Desk
of the
Chief Economist

BANK ISLAM

WEEKLY MARKET UPDATES

14 DECEMBER 2020

ECONOMIC RESEARCH

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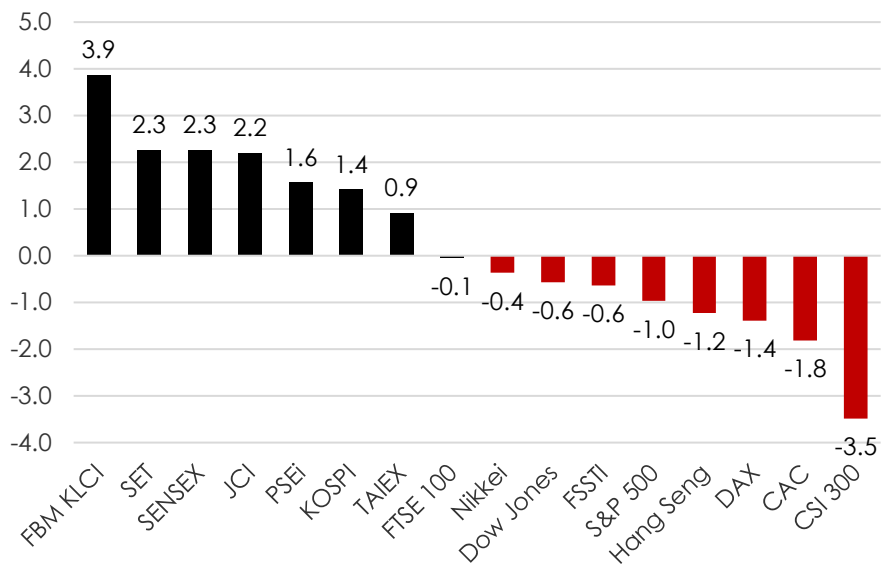
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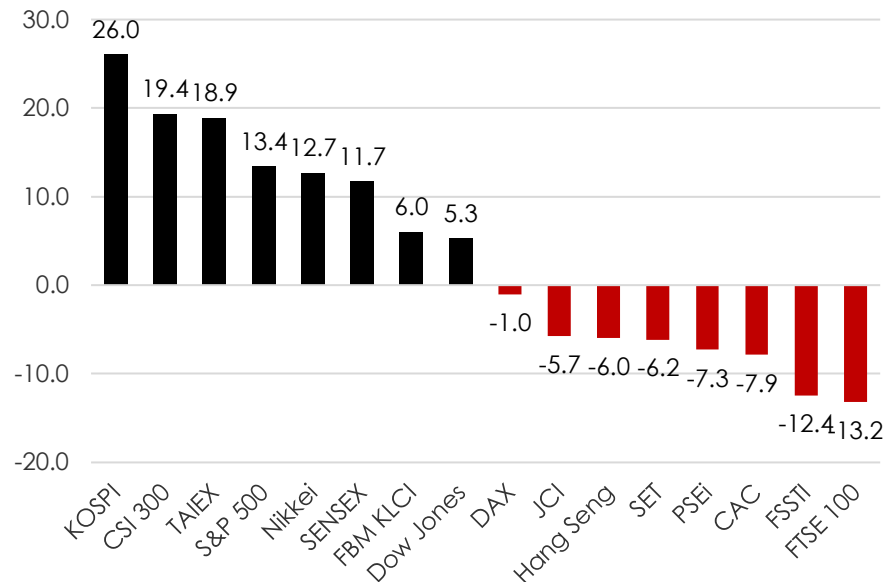
WEEKLY MARKET PERFORMANCE

- ✓ The situation was mixed for major equity markets last week. China's CSI 300 index led laggards with a weekly decline of 3.5%, its worst weekly drop since September this year as concern over high valuations and the tightening supply of cash weighed on the market.
- ✓ Meanwhile, Malaysia's FBM KLCI index emerged as the biggest gainer among major global indexes with a 3.9% weekly gain after closing at an 18-month high of 1,684.6 points on Friday. The rally was supported by the buying-spree among banking heavyweights particularly Public Bank which announced a bonus issue during the week. Interest in banking counters rose amid anticipation of an economic recovery next year.
- ✓ On a year-to-date (YTD) basis, the FBM KLCI was up 6.0% for the week and remained being the only gainer amongst its ASEAN peers.

Weekly Gain of Major Equity Markets (%)
(Week Ended 11 December)



YTD Gain Of Major Equity Markets (%)
(As at 11 December)

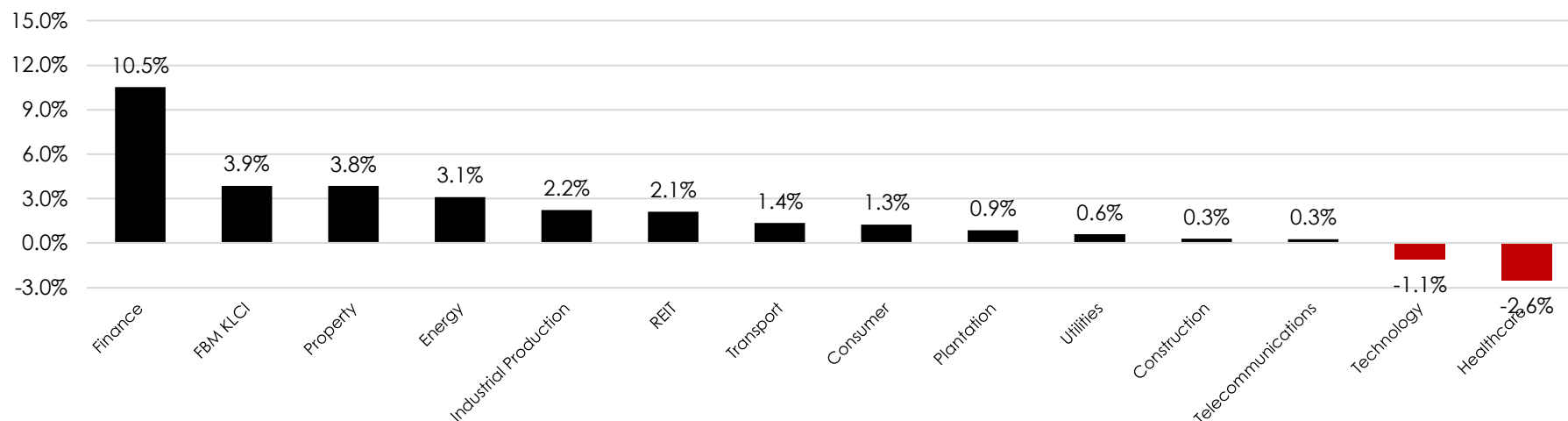


WEEKLY SECTORAL PERFORMANCE

- ✓ The Bursa Malaysia Financial index was the biggest gainer last week with a 10.5% weekly advance. As mentioned earlier, buying interest in banking counters picked up steam last week as investors took the opportunity to accumulate banking stocks in light of the anticipated economic recovery in 2021. Aside from that, the expectation that the overnight policy rate (OPR) would be kept unchanged next year also lifted sentiments as it could help improve banks' net income margins.
- ✓ On the other hand, the Bursa Malaysia Healthcare Index was the biggest laggard, recording a 2.6% weekly loss. New Covid-19 infections remain heightened but at the same time positive news on the vaccine has dented appetite for glove counters which are also part of the index. As such, Top Glove's record-breaking quarterly results for the quarter ended 30 November 2020 did not help in aiding the sentiment in glove counters.

Bursa Malaysia Sectoral Weekly Performance (%)

Bursa Malaysia Sectoral Performance For The Week Ended 11 December 2020

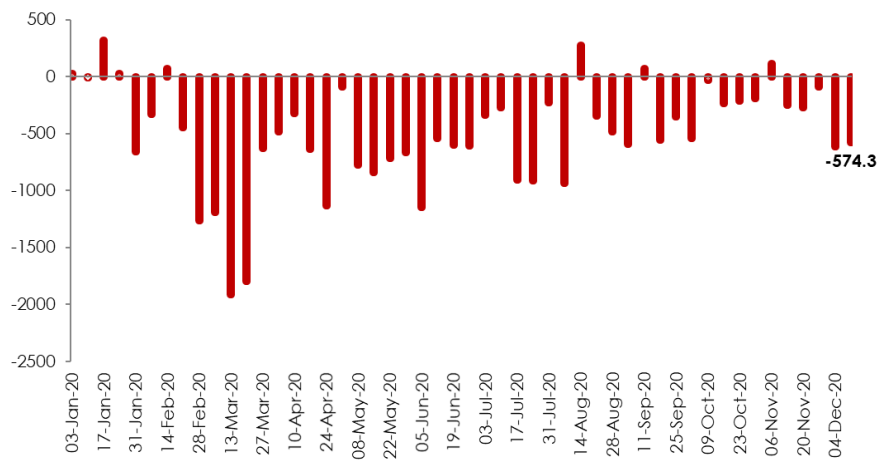


Sources: Bloomberg

WEEKLY FOREIGN FUND FLOW

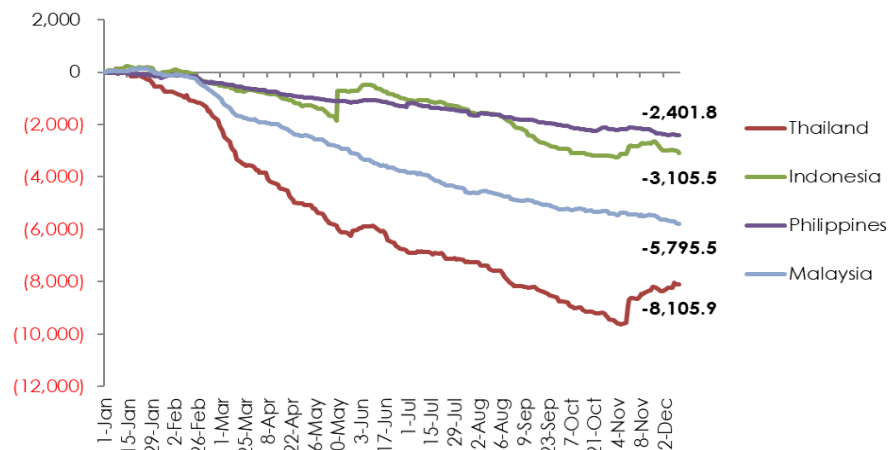
- ✓ Foreign investors withdrew RM574.3 million net of local equities from Monday to Friday last week compared to RM615.4 million sold in the whole of the preceding week.
- ✓ Bursa saw international investors withdrew RM157.5 million net of local equities on Monday as the US was considering to sanction at least a dozen more Chinese officials over their actions in the recent disqualification of Hong Kong legislators. The level of foreign net selling declined to just RM31.7 million on Tuesday as there was an increase in buying interest in rubber glove counters before selling activity regained momentum to a tune of RM178.9 million net on Wednesday. Thursday then saw the level foreign net outflow remain high at RM160.8 million amid dimming prospects for more US fiscal stimulus and after a slump in U.S. tech stocks overnight. The risk-off mood appeared lower on Friday as foreign net selling dipped to RM45.4 million as banking stocks continued to provide support to the local bourse which closed at an 18-month high of 1,684.6 points.
- ✓ 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 YTD basis.

Weekly Foreign Fund Flow in Malaysia (RM Million)

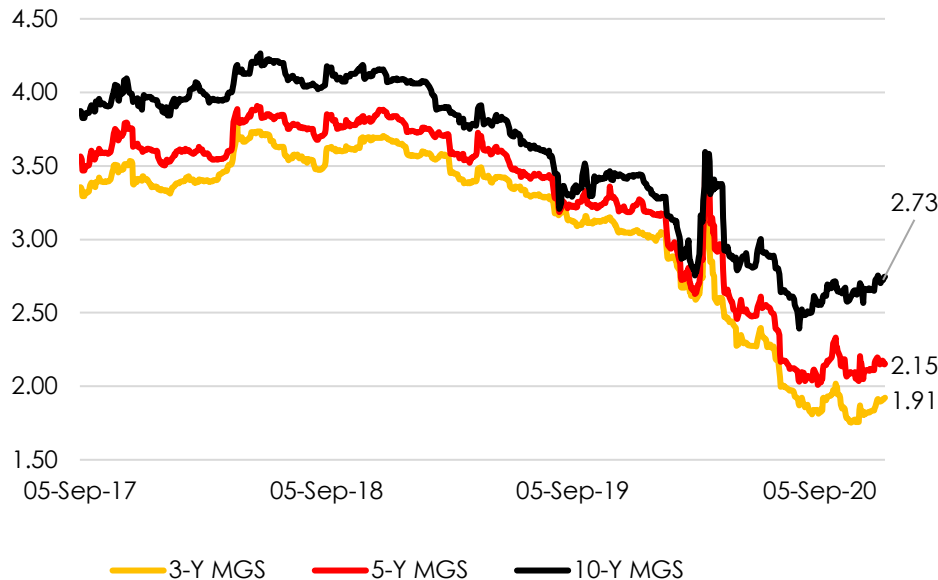


Sources: Bloomberg

Regional YTD Foreign Fund Flow (USD Million)

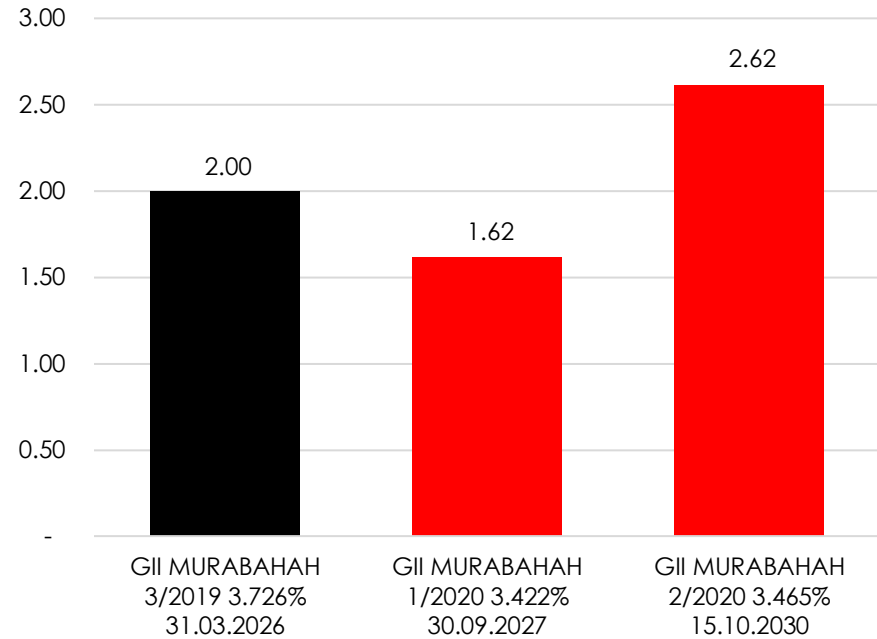


MGS Yields



Source: CEIC

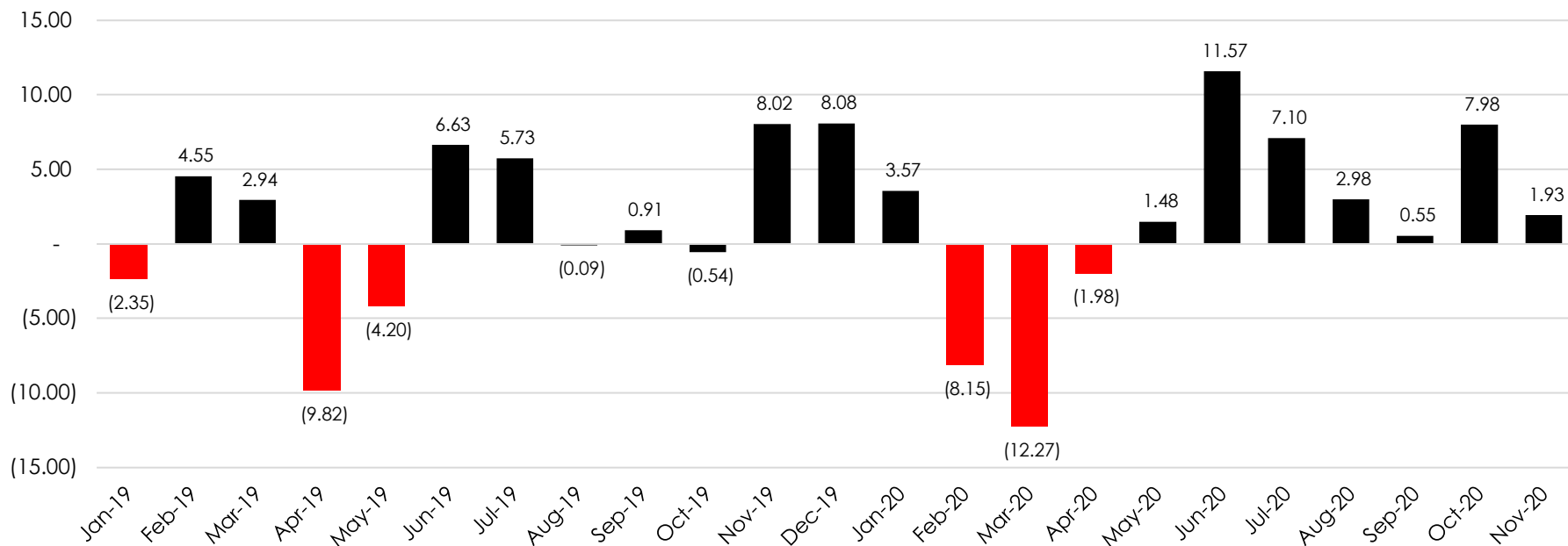
GII



Source: Bond Info Hub

- ✓ On the local bond market, the 5-Y MGS maintained at 2.15% on 11 December (4 December: 2.15%) while the 3-Y and 10-Y MGS yields were higher to close at 1.92% (4 December: 1.90%) and 2.74% (4 December: 2.70%) on 11 December. This was mainly due to the Fitch rating setback on 4 December.
- ✓ However, we believe that the impact was minimal as the demand for latest 10-Y GII remained strong as reflected by high BTC ratio of 2.62x.

Foreign Holdings in Fixed Income (RM billion)



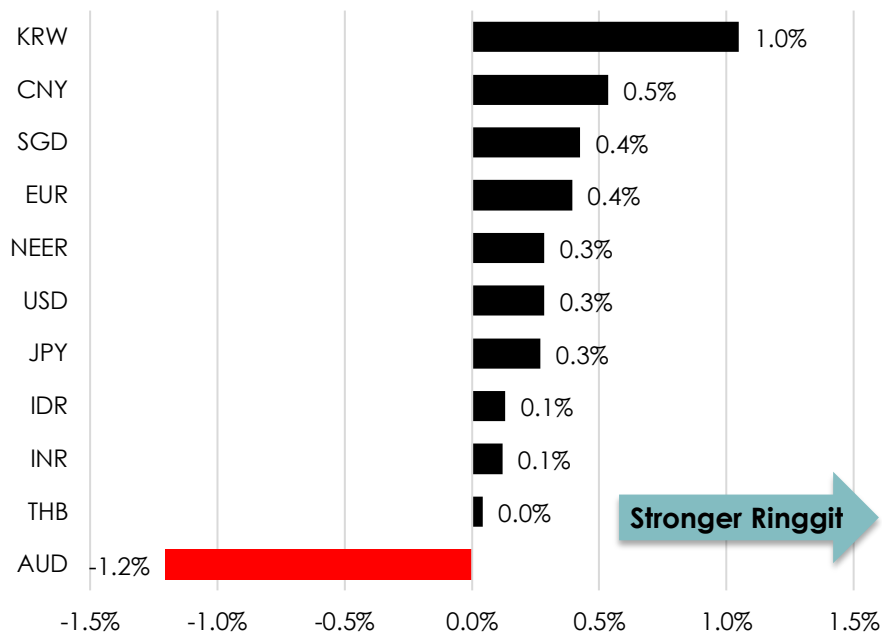
Source: CEIC

- ✓ In addition, the foreign investors continued to purchase local govies despite the slower net inflows in November at RM1.9 billion as compared to RM8.0 billion in October.
- ✓ On a cumulative basis, foreign investors remained as net buyers with inflows of RM14.8 billion in 11M2020 from RM11.8 billion recorded in the same period last year.
- ✓ Therefore, the bond market would remain supportive propelled by series of foreign inflows coupled with the low interest rate environment.

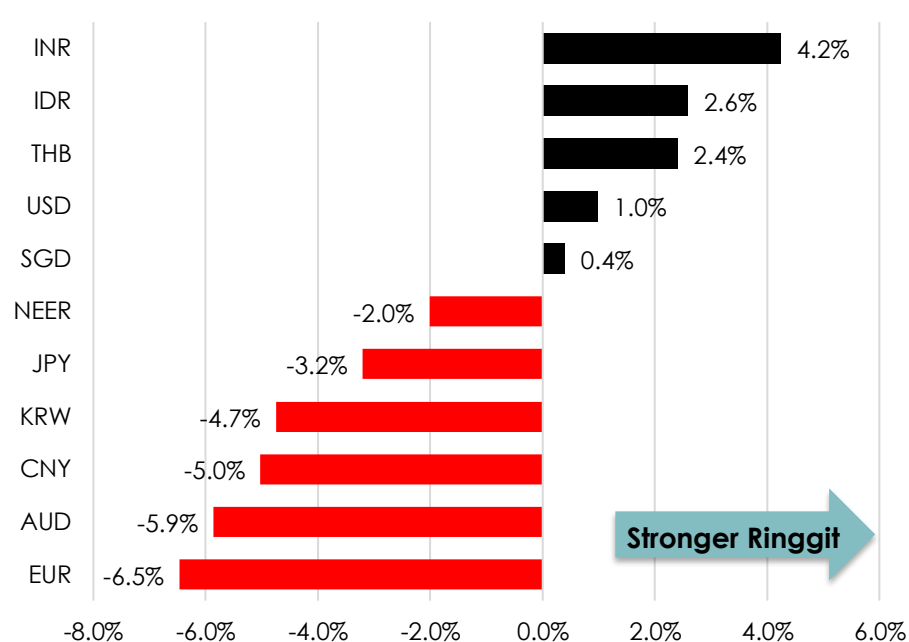
WEEKLY PERFORMANCE

- ✓ Malaysian Ringgit rose by 0.3% week-on-week (w-o-w) against the US Dollar, closing at RM4.0495 on 11 December from RM4.0620 on 4 December.
- ✓ The Ringgit was slightly lower on last Monday at RM4.0715 largely ascribed to the Fitch Ratings downgraded its sovereign credit rating for Malaysia by one notch from 'A-' rating to 'BBB+' with a stable outlook.
- ✓ However, the Ringgit started to gain momentum on the following day in view of the economic recovery as the government has lifted the interstate travel restrictions starting on 7 December. All in all, the Ringgit is expected to trade between the support level at 4.0730 and the resistance level at 4.0450.

W-o-w,% (Week Ended 11 November)



YTD Gain,% (As at 11 December)



BRENT

- ✓ Brent crude oil price recorded a 1.5% weekly increase to settle at USD49.97 per barrel last Friday (4 December: USD49.25/barrel). This was the sixth straight week of gains supported by better prospects for global fuel demand as vaccine rollout intensifies.
- ✓ Circular news mentioned that the US could start vaccinations this week while Canada, Bahrain, Saudi Arabia have approved their first vaccines and the UK has begun distributing the vaccine last week.
- ✓ On the supply side, the US Energy Information Administration (EIA) and the American Petroleum Institute (API) reported an increase in the US crude inventories. The EIA data showed crude stocks rose by 15.2 million barrels to 503.2 million barrels in the week ended 4 December from 488.0 million previously. Similarly, the API report showed crude stockpiles edged up by 1.1 million barrels as at 8 December from 4.1 million barrels increased in the previous week. As such, these continued to raise oversupply concerns moving forward.

Brent Crude in USD per barrel



US Crude Oil Inventory, '000 barrel - EIA



- ✓ Despite surging by 121.9 points in December so far to 1684.5 points last Friday, there is still room for KLCI's upside towards overhead resistances at the 1,700-1,732 territory, underpinned by traditional December window dressing and more funds flowing into recovery/value play themes.
- ✓ Nevertheless, a healthy profit taking consolidation is foreseeable after a stellar run due to; 1) the fragile economic recovery amid spiking Covid-19 cases worldwide, 2) repercussions on our economy and corporate earnings after the CMCO 2.0 as Covid-19 infections remained elevated and 3) concerns of potential sovereign credit rating downgrades by Moody's (next review expected to be in 1Q2021).
- ✓ Markets will also be paying close attention to the outcome of the Federal Reserve's important policy meeting on Wednesday, with market experts split on whether it will tweak its USD80.0 billion monthly bond-buying program.
- ✓ There is also key November retail sales data, as well as the latest batch of Markit Purchase Manager Indexes and regional Fed surveys due in the week ahead.
- ✓ Other external factors which could exert downward pressure on Malaysia's equity and bond market is the possibility of a 'no-deal Brexit'. The UK and EU on Sunday agreed to more talks on an elusive trade agreement, even though they still have a long way to go to avert a turbulent 'no deal' exit for Britain from the European Union's orbit at the end of the month.

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