



From the Desk  
of the  
**Chief Economist**

**BANK ISLAM**

# **WEEKLY MARKET UPDATES**

**19 JULY 2021**

## **ECONOMIC RESEARCH**

**DR. MOHD AFZANIZAM ABDUL RASHID**

**ADAM MOHAMED RAHIM**

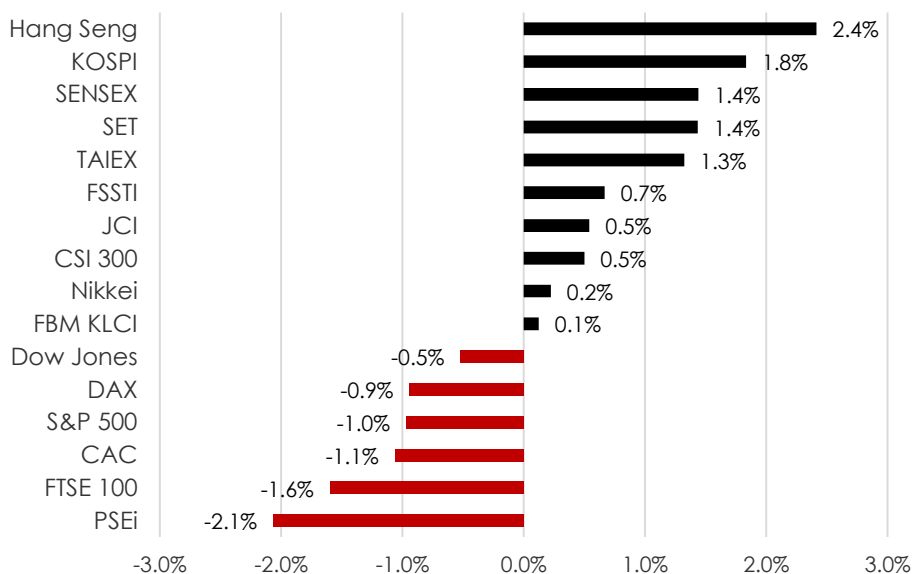
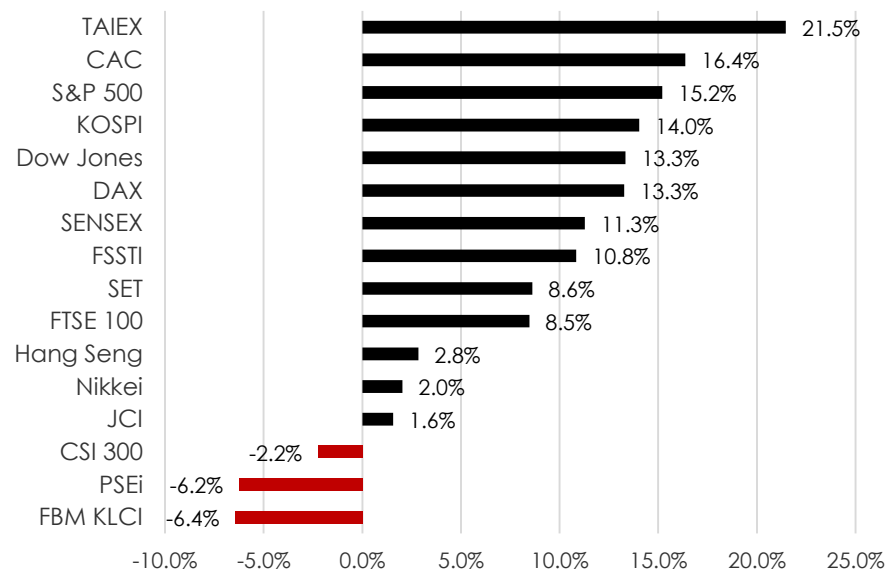
**SHAFIZ BIN JAMALUDDIN**

**NOR JANNAH ABDULLAH**

**RAJA ADIBAH RAJA HASNAN**

## WEEKLY MARKET PERFORMANCE

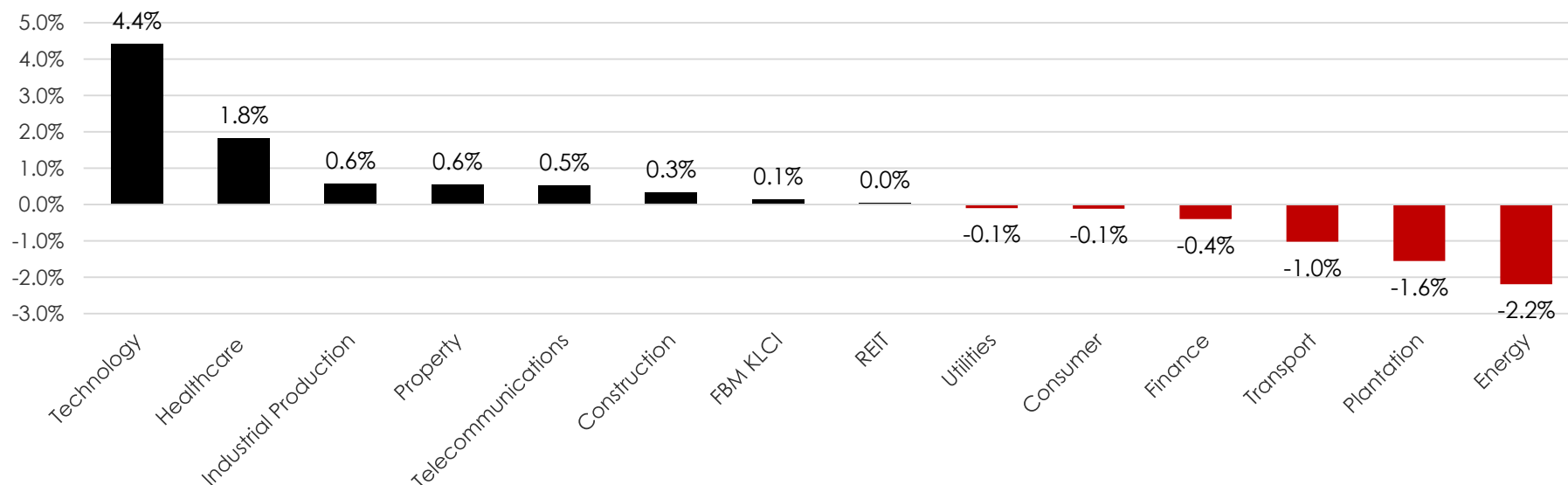
- ✓ Gainers exceeded losers among major equity markets last week with Hong Kong's Hang Seng index recording the largest weekly advance of 2.4% after settling at 28,004.7 points on Friday, the highest close since 6 July. Investors in Hong Kong took cue from the move by the People's Bank of China to inject USD17.0 billion worth of liquidity through open-market operations to support the economy.
- ✓ The Philippines' PSEi index was the biggest decliner, losing 2.1% for the week. The weekly loss was attributable to the 0.5% drop in the PSEi index on Friday to close at 6,693.8 points, a level not seen since 1 June this year following a report that the more contagious Delta Covid-19 variant had been detected in the country.
- ✓ On the domestic front, the FBM KLCI index gained by 0.1%, making it the smallest gainer during the week but recorded the largest Year-To-Date (YTD) loss of 6.4% among other major benchmark indexes.

Weekly Gain/Loss of Major Equity Markets (%)  
(Week Ended 16 July)YTD Gain/Loss Of Major Equity Markets (%)  
(As at 16 July)

## WEEKLY SECTORAL PERFORMANCE

- ✓ The Bursa Malaysia Technology Index was the biggest gainer, ending 4.4% higher during the week. Technology stocks on Bursa received a mid-week boost after Chinese regulators approved Tencent Holdings' plan to acquire search engine Sogou Inc. The news was considered to be positive as it eased concerns among investors about China's recent regulatory crackdown.
- ✓ On the other hand, the Bursa Malaysia Energy Index was the biggest loser, declining by only 2.2% for the week. Latest developments regarding the Organization of the Petroleum Exporting Countries Plus (OPEC+) showed that Saudi Arabia and the United Arab Emirates (UAE) have reached a compromise, paving the way for producers from the cartel to end an uncertainty which had bogged down the market and prices for weeks. However, other producers will undoubtedly try to seek similar treatment and potentially prolong the deliberations heading into the August ministerial meeting, causing more downward pressure towards the Brent crude oil price amid possible excessive supply.

### Bursa Malaysia Sectoral Weekly Performance (%)

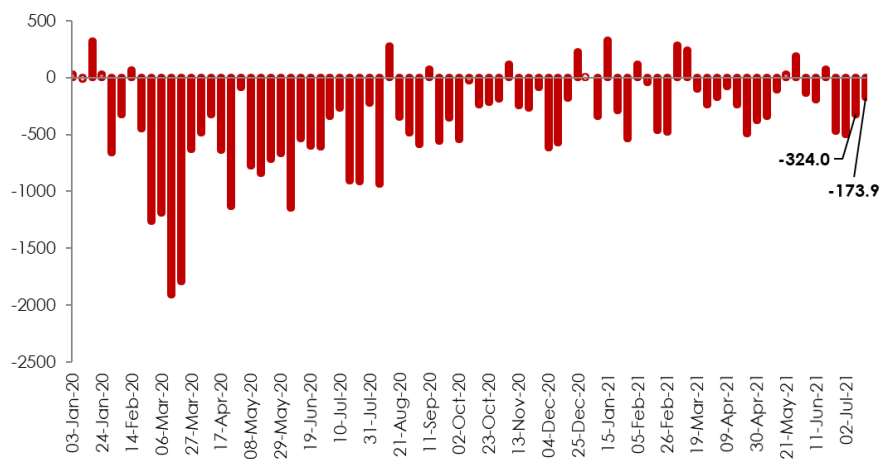


Source: Bursa

## WEEKLY FOREIGN FUND FLOW

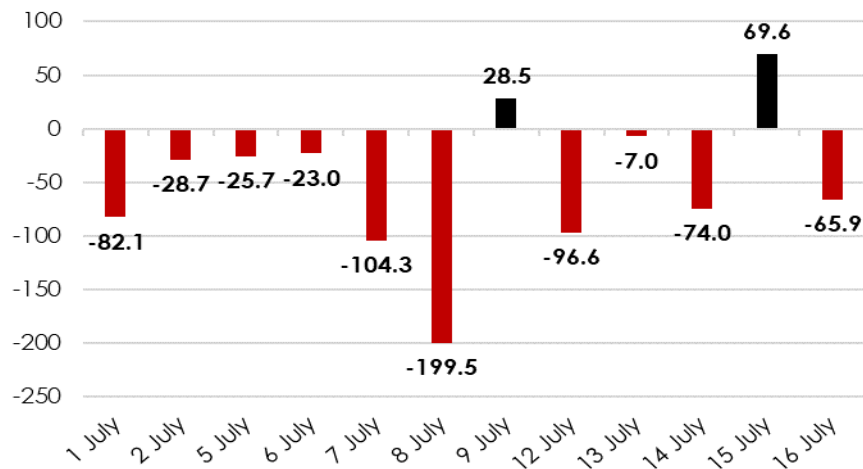
- ✓ Foreign investors withdrew RM173.9 million net of local equities last week compared to the RM324.0 million net disposed in the previous week.
- ✓ Bursa had a rough start to the week as foreign investors withdrew RM96.6 million net of local equities on Monday. The pace of foreign net selling slowed down to RM7.0 million net on Tuesday as sentiment was cushioned by better-than-expected Chinese export data. International investors upped the ante on their selling activity by selling RM74.0 million net of local equities as the biggest hike in US inflation in 13 years of 5.4% y-o-y in June (May: 5.0%) rattled investors who feared that rising interest rates could end a stock market rally. A spark of optimism was seen on Thursday as foreign funds acquired RM69.6 million net of local equities amid the dovish tone struck by the U.S. Federal Reserve (Fed) chief. The foreign net inflow was short-lived as foreign funds sold RM65.9 million net of local equities on Friday.
- ✓ On a YTD basis, international investors have taken out RM4.8 billion from Malaysia's equity market compared to the foreign net outflow RM17.4 million in the same period last year.

### Weekly Foreign Fund Flow in Malaysia (RM Million)



Sources: Bursa

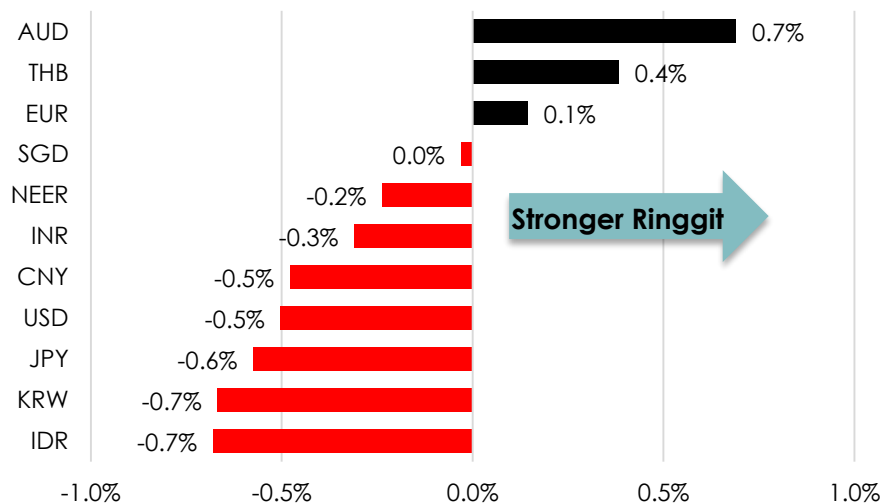
### Daily Foreign Net Inflow/Outflow From 1 July 2021 to 16 July 2021 (RM Million)



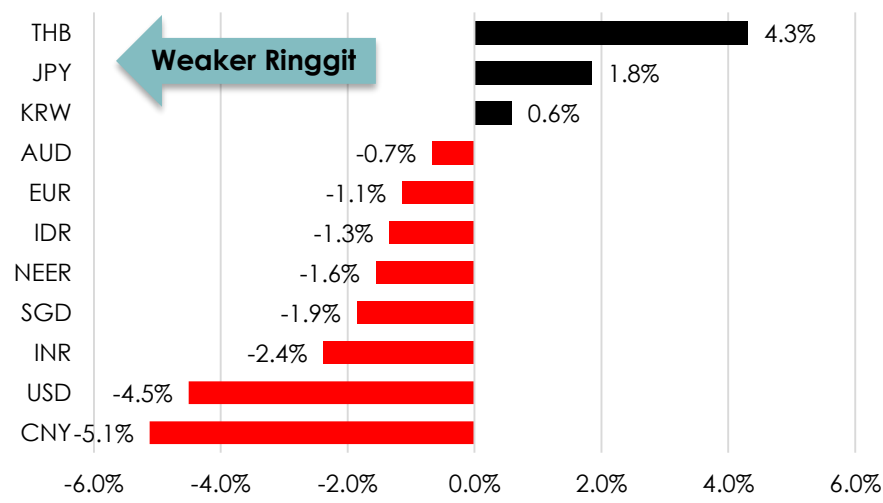
## WEEKLY PERFORMANCE

- ✓ The Ringgit declined by 0.5% week-on-week (w-o-w) against U.S. Dollar to close at RM4.2070 on 16 July from RM4.1890 on 9 July.
- ✓ This was mainly underpinned by weaker Brent price (16 July: USD73.59 per barrel vs. 9 July: USD75.55 per barrel), as well as global concerns on the spreading of Delta Covid-19 variant in many countries which led to tighter restriction measures particularly in Asia.
- ✓ All in all, we anticipate the Ringgit to trade within the range of RM4.1900 to RM4.2000 in light of worries over sudden surge of Covid-19 and a lack of local positive catalyst.
- ✓ Nevertheless, the government's effort to boost the country's vaccination rate up to 400,000 doses per day in August would allow the National Recovery Plan (NRP) to move from Phase 1 to Phase 2, enabling more businesses to operate and ease in lockdown measures. This is likely to support the Ringgit in the longer term.

### MYR against regional currencies, w-o-w% (Week Ended 16 July)



### MYR against regional currencies, YTD Gain% (As at 16 July)



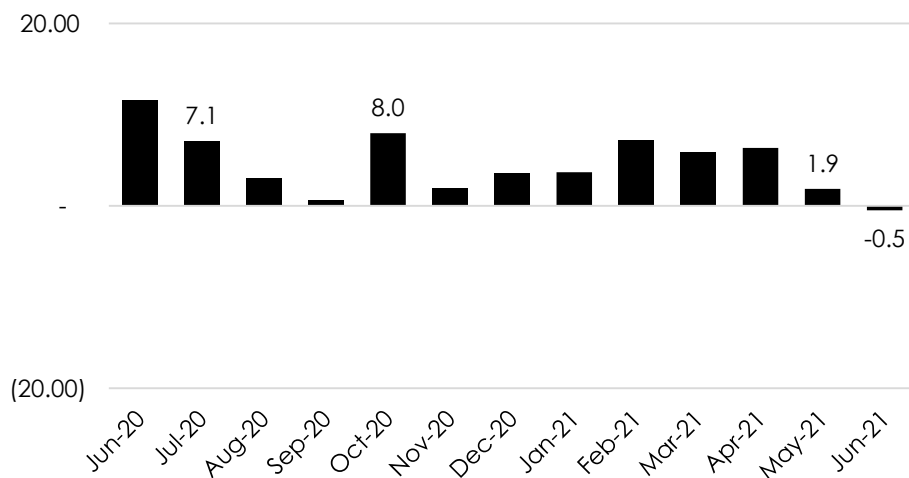
## MGS Benchmark Weekly Change (bps)

MGS Benchmark	Coupon (%)	Yields (%) 9-Jul-21	Yields (%) 16-Jul-21	Change (bps)
3-Y MGS 06/24	3.48%	2.26%	2.22%	-4
5-Y MGS 09/25	3.96%	2.51%	2.50%	-1
7-Y MGS 06/28	3.73%	2.97%	2.95%	-2
10-Y MGS 04/31	2.63%	3.20%	3.20%	0

Source: BNM

## Bond Fund Flows

**Foreign Fund Flows in Bond Market, RM billion**



Source: Bond Info Hub

- ✓ The MGS benchmark yields closed lower between 1 bps and 4 bps on a weekly basis. The 3-Y MGS 06/24, 5-Y MGS 09/25 and 7-Y MGS 06/28 went down by 4 bps, 1 bps and 2 bps to close at 2.22%, 2.50% and 2.95% while the 10-Y MGS 04/31 was unchanged at 3.20% on 16 July.
- ✓ On the other hand, the foreign investor dumped local bonds to the tune of RM0.5 billion in June (May: RM1.9 billion), ending a 13 straight month of foreign net inflow.
- ✓ The bond outflows partly weighed by weaker sentiment amid high local Covid-19 cases alongside series of MCO extension, as well as political uncertainty in the country.
- ✓ Apart from that, a swift economic recovery in the U.S. could drive non-resident investors away from emerging markets that are still grappling with high Covid-19 infections.
- ✓ In light of this, we foresee the uncertainty from the Covid-19 infections in the nation to exert downward pressure on the bond yields in the medium term.

## BRENT

- ✓ Brent crude oil price recorded a 2.6% weekly decline to settle at USD73.59 per barrel last Friday (9 July: USD75.55/barrel), the worst weekly performance since May, amid oversupply concerns and worries that the rapid spread of the Delta variant of Covid-19 particularly in the Asia could affect oil demand recovery.
- ✓ On further scrutiny, Saudi Arabia and the UAE has reached a deal last week, which allowed the OPEC+ to finalize an agreement to raise production by 400,000 barrels per day starting in August on a monthly basis until they are once again operating at pre-pandemic capacity.
- ✓ Meanwhile, the U.S. Energy Information Administration (EIA) reported that stocks of crude oil dropped by 7.9 million barrels to 437.6 million barrels in the week ended 9 July (2 July: 445.5 million barrels), the largest since last week of April this year. Similarly, the American Petroleum Institute (API) report mentioned that crude stockpiles decreased by 4.1 million barrels in the week ended 9 July from a draw of 8.0 million barrels in the preceding week. These had provided some support to the oil price movement last week.

### Brent Crude in USD per barrel



### US Crude Oil Inventory, '000 barrel - EIA



Source: Bloomberg

## GOLD

- ✓ The weekly gain in gold price moderated to 0.2% to USD1,812.05 per ounce on 16 July (9 July: USD1,808.32 per ounce) compared to the 1.2% increase in the preceding week. Hence, the U.S. Dollar Index appreciated by 0.6% to 92.69 on 16 July from 92.13 in the previous week. Despite Friday's dip, the gold price marked a fourth consecutive weekly gain following pledge by the Fed's chief for the relentless support towards the U.S. economic recovery from Covid-19.
- ✓ Though inflation is likely to remain high in the coming months, he reiterated that it will be transitory due to the low base effect.
- ✓ Recently, the U.S. economy added 850.0k workers in June, marking the strongest month of job growth since last August. However, Powell admitted that the labour market takes time to fully recover from the pandemic and the U.S. economic recovery path still has not progressed enough to begin scaling back the central bank's massive monthly asset purchases.

### Gold in USD per ounce



### U.S. Dollar Index (DXY)





- ✓ The lifting of the enhanced movement control order (EMCO) in certain parts of Kuala Lumpur and Selangor will likely provide impetus to the market. The reason being is that the operation of major rubber glove makers such as Top Glove and Hartalega which were affected during the EMCO will likely be able to resume at a 60.0% working capacity based on the guidelines under the Phase 1 of the National Recovery Plan.
- ✓ The listing of CTOS Digital Berhad on Bursa's Main Market on 19 July should also support trading participation on the broader market. This is the third initial public offering (IPO) on Bursa's Main Market this year. Nevertheless, the shorter trading week due to the Hari Raya Aidil Adha holiday could limit trading activity during the week. Taking this into account, we foresee the **FBM KLCI index to trade between 1,520 points and 1,540 points this week.**
- ✓ On the economic front, investors in Malaysia will be focusing on the **nation's Consumer Price Index (CPI) on Friday** as the trend in inflation is an important factor for Bank Negara Malaysia to consider in determining the country's monetary policy.
- ✓ Elsewhere, flash Purchasing Managers' Index (PMI) surveys for the U.S., the U.K., Eurozone and Australia will be keenly watched while central banks in the Euro Area, China, Indonesia, Russia and South Africa will be deciding on monetary policy this week. On further scrutiny, the European Central Bank (ECB) is expected to garner a huge attention as the ECB embarks on a new policy framework amid growing fears of a third wave of coronavirus infections. The new policy framework gives the ECB justification to announce policy action sooner if the central bank chooses to do so.
- ✓ Looking ahead, investors will be closely monitoring the vaccination progress in the country which has been very encouraging at a 7-day average of 410,453 daily doses administered. Should the current vaccination rate be sustained, Malaysia is set to achieve herd immunity by the end of the year. The number of Covid-19 patients in the intensive care unit (ICU) will be another focal point among investors as the Covid-19 vaccine is likely to reduce symptoms and lower risks of hospitalization.

# 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
16-Jun-21	314,041	156	1,455	62,224	9,944	1,253	1,336	14	545	3,659	2,331	7,587	11,180	1,867	5,150
17-Jun-21	389,143	190	1,330	67,208	12,624	1,400	1,695	24	540	4,084	3,129	8,808	11,954	2,865	5,738
18-Jun-21	416,572	197	1,076	62,480	12,990	1,323	1,560	27	507	4,003	3,058	10,809	11,767	2,775	6,440
19-Jun-21	384,020	219	1,108	60,753	12,906	1,147	1,593	16	482	3,830	3,667	10,270	14,796	2,132	5,911
20-Jun-21	387,604	152	842	58,419	13,737	1,193	1,509	21	429	3,867	3,682	10,075	9,786	2,322	5,293
21-Jun-21	355,240	127	346	53,256	14,536	881	1,287	11	357	2,230	3,175	9,072	7,045	1,815	4,611
22-Jun-21	296,770	101	455	42,640	13,668	484	1,011	16	394	1,649	4,059	10,467	9,839	290	4,743
23-Jun-21	302,828	109	1,016	50,848	15,308	834	1,352	18	645	3,855	3,174	11,481	13,790	978	5,244
24-Jun-21	406,402	121	1,008	54,069	20,574	1,140	1,790	22	610	4,432	4,108	15,882	12,874	2,287	5,841
25-Jun-21	447,871	161	774	51,667	18,872	266	1,642	23	634	4,999	3,644	16,702	14,239	1,796	5,812
26-Jun-21	404,116	105	592	48,698	21,095	751	1,750	20	668	3,792	4,161	15,296	15,239	1,851	5,803
27-Jun-21	403,465	96	538	50,040	21,342	838	1,625	17	614	5,370	3,995	17,943	12,370	1,874	5,586
28-Jun-21	366,711	117	219	46,148	20,694	780	1,299	14	501	3,686	5,406	14,623	8,426	1,459	5,218
29-Jun-21	315,498	81	404	37,566	20,467	387	1,073	9	595	3,058	4,662	22,644	5,558	509	6,437
30-Jun-21	346,502	64	808	45,951	21,807	677	1,330	10	794	7,931	4,786	20,223	18,442	1,104	6,276
1-Jul-21	421,984	69	892	48,786	24,836	776	1,819	16	761	10,597	5,533	25,606	15,199	2,336	6,988
2-Jul-21	417,041	72	649	46,617	25,830	879	1,743	10	826	12,770	6,087	27,556	10,959	2,572	6,982
3-Jul-21	435,695	92	671	44,111	27,913	794	1,771	10	794	13,611	6,230	26,706	18,156	2,581	6,658
4-Jul-21	423,573	96	559	43,071	27,233	929	1,884	7	742	14,423	5,916	24,447	16,123	2,695	6,045
5-Jul-21	384,083	64	212	39,796	29,745	806	1,458	11	711	9,999	6,166	23,818	5,372	2,549	6,387
6-Jul-21	339,473	53	440	34,703	31,189	480	1,117	13	746	7,465	5,420	27,100	3,180	796	7,654
7-Jul-21	382,914	87	985	43,733	34,379	907	1,602	10	1,212	16,253	6,519	28,334	5,614	2,044	7,097
8-Jul-21	500,717	58	970	45,892	38,391	1,010	2,159	12	1,275	19,784	7,058	32,048	36,990	3,996	8,868
9-Jul-21	492,688	47	949	43,393	38,124	1,391	2,264	16	1,316	22,199	9,276	31,977	22,569	4,324	9,180
10-Jul-21	490,055	63	952	42,766	35,094	1,386	2,266	10	1,378	21,784	9,326	35,200	26,570	4,498	9,353
11-Jul-21	483,163	58	745	41,506	36,197	1,394	2,448	6	1,324	23,410	9,539	31,800	28,187	4,102	9,105
12-Jul-21	429,843	59	324	37,154	40,427	1,391	2,025	8	1,100	14,004	8,656	31,352	8,224	4,231	8,574
13-Jul-21	423,089	53	646	32,906	47,899	887	1,565	26	1,150	11,323	8,685	33,998	37,319	1,120	11,079
14-Jul-21	458,930	54	1,548	38,792	54,517	1,530	2,309	26	1,615	23,725	9,317	36,216	20,450	5,367	11,618
15-Jul-21	535,332	57	1,642	41,806	56,757	2,153	3,183	60	1,600	23,518	9,186	41,748	32,107	8,748	13,215
16-Jul-21	491,468	54	1,456	38,949	54,000	2,473	3,421	48	1,535	13,232	9,692	47,891	38,707	3,616	12,541

Source: CEIC

*Produced and issued by BANK ISLAM MALAYSIA BERHAD (Bank Islam) for private circulation only or for distribution under circumstances permitted by applicable laws. All information, opinions and estimates contained herein have been compiled or arrived at based on sources and assumptions believed to be reliable and in good faith at the time of issue of this document. This document is for information purposes only and has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. No representation or warranty, expressed or implied is made as to its adequacy, accuracy, completeness or correctness. All opinions and the content of this document are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or groups of Bank Islam as a result of using different assumptions and criteria. No part of this document may be used, reproduced, distributed or published in any form or for any purpose without Bank Islam's prior written permission.*

BANK ISLAM

Assuring Trust. Delivering Value.

**Thank You**