



From the Desk
of the
Chief Economist

BANK ISLAM

WEEKLY MARKET UPDATES

22 MARCH 2021

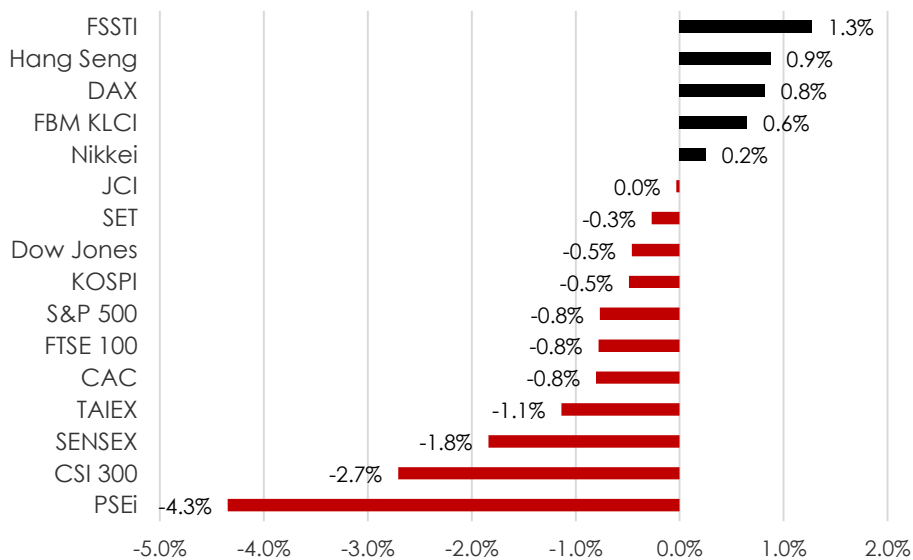
ECONOMIC RESEARCH

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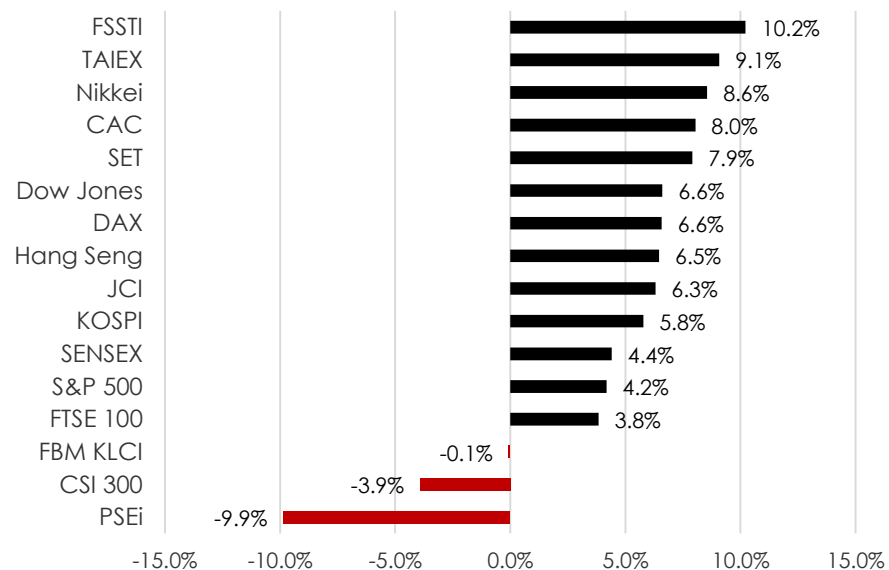
WEEKLY MARKET PERFORMANCE

- ✓ Among major global equity markets, losers exceeded gainers last week with the Philippines' PSEi index leading decliners with a 4.3% weekly drop. Investor sentiment in the Philippines was dampened due to the possibility of stricter lockdowns amid the surge in Covid-19 infections. The Philippines recorded 7,092 Covid-19 cases on last Friday, the highest ever at that point of time, causing the PSEi index to close at the lowest point in 2021 of 6,436.1 points.
- ✓ Meanwhile, Singapore's FTSE Straits Times Index (FSSTI) gained the most by 1.3% last week. Much of the gains in the FSSTI was attributable to the perfect combination of better economic growth projections and lower rates for a longer period by the US Federal Reserve (Fed) which injected confidence into other markets including Singapore.
- ✓ On the domestic front, the FBM KLCI index recorded a 0.6% gain for the week but saw a marginal year-to-date (YTD) loss of 0.1%.

Weekly Gain/Loss of Major Equity Markets (%) (Week Ended 19 March)



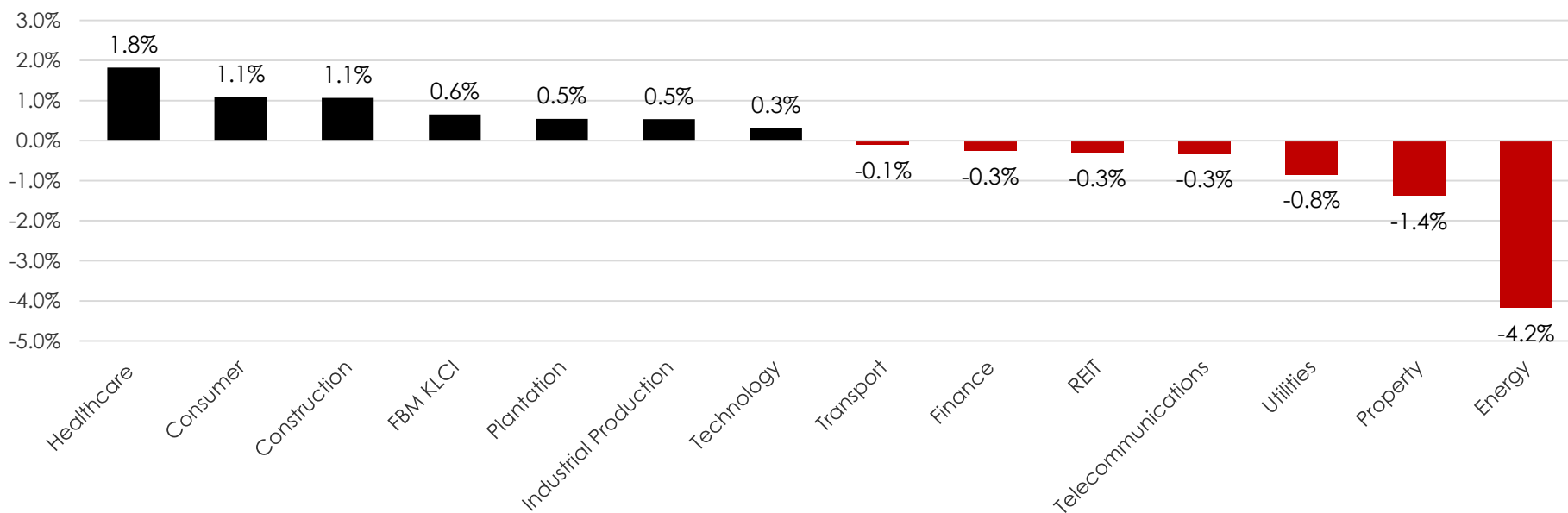
YTD Gain/Loss Of Major Equity Markets (%) (As at 19 March)



WEEKLY SECTORAL PERFORMANCE

- ✓ The Bursa Malaysia Healthcare index was the biggest gainer last week with an 1.8% weekly advance after recording a 3.7% decline in the preceding week. The rebound in the index was partly attributable to the move of Europe's biggest countries, including Germany and France, to suspend use of AstraZeneca Plc's Covid-19 vaccine amid a growing health scare that created another delay for the European Union's inoculation campaign. Nevertheless, the suspension on the said vaccine was later lifted amid a surge in Covid-19 infections.
- ✓ On the other hand, the Bursa Malaysia Energy Index was the largest decliner with a 4.2% weekly drop which was in conformity with the 6.8% weekly decline in the Brent crude oil price. The sell-off in the index came about as vaccination programmes in Europe were slowed down by distribution issues and concerns about possible side effects, dampening expectations of any imminent recovery in fuel demand. The new wave of Covid-19 infections across Europe which triggered fresh lockdowns also exacerbated pressure on the oil market outlook.

Bursa Malaysia Sectoral Weekly Performance (%)

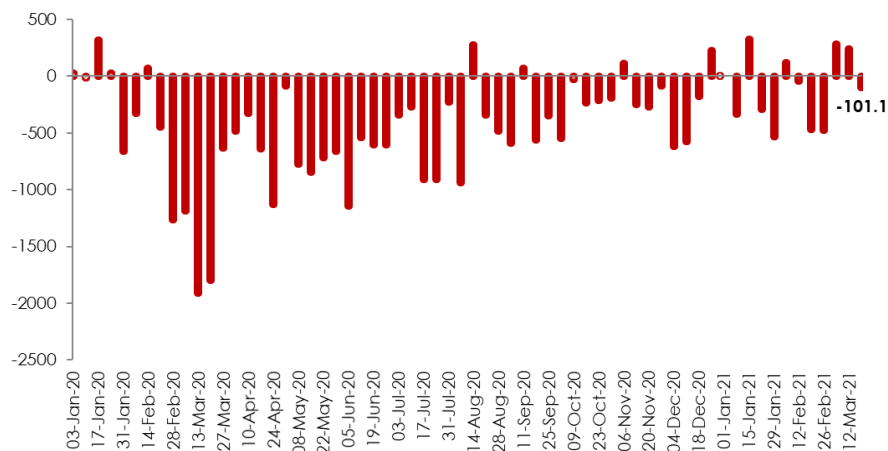


Source: Bursa

WEEKLY FOREIGN FUND FLOW

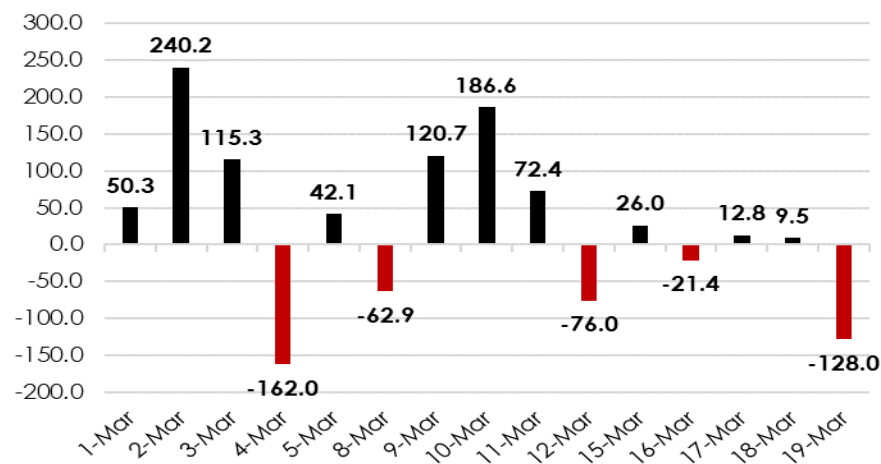
- ✓ Foreign investors sold RM101.1 million net of local equities during the third week of March 2021 compared to the RM240.7 million acquired in the preceding week.
- ✓ Bursa began the week on a positive note as international investors mopped up RM26.0 million net of local equities on Monday before withdrawing RM21.4 million net on Tuesday. Foreign investors returned to Bursa on Wednesday to the tune of RM12.8 million net as glove counters saw some buying interest following the move by European countries to suspend the use of AstraZeneca's Covid-19 vaccine which raised prospects of higher glove usage in that region. Foreign funds continued buying local equities on Thursday albeit at a slower pace of RM9.5 million net following the pledge by the Fed to keep interest rates near for a longer period despite an expected rise in inflation. Friday then wreaked havoc as foreign investors dumped RM128.0 million net of local equities as the first high-level talks between the US and China did not turn out quite well.
- ✓ So far in March 2021, foreign funds have acquired RM425.3 million net of local equities from Malaysia. This brings the cumulative YTD foreign net outflow to RM1.3 billion.

Weekly Foreign Fund Flow in Malaysia (RM Million)



Sources: Bursa and Bloomberg

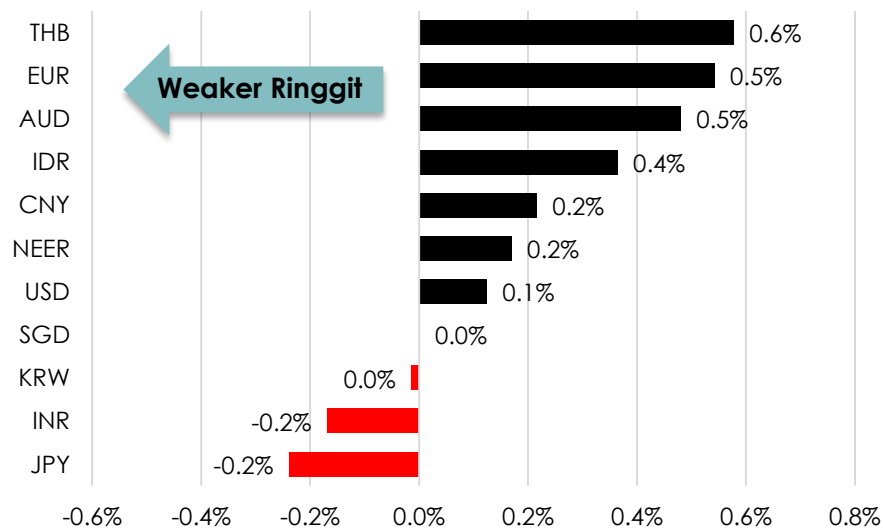
Daily Foreign Fund Flow in Malaysia in March 2021 (RM Million)



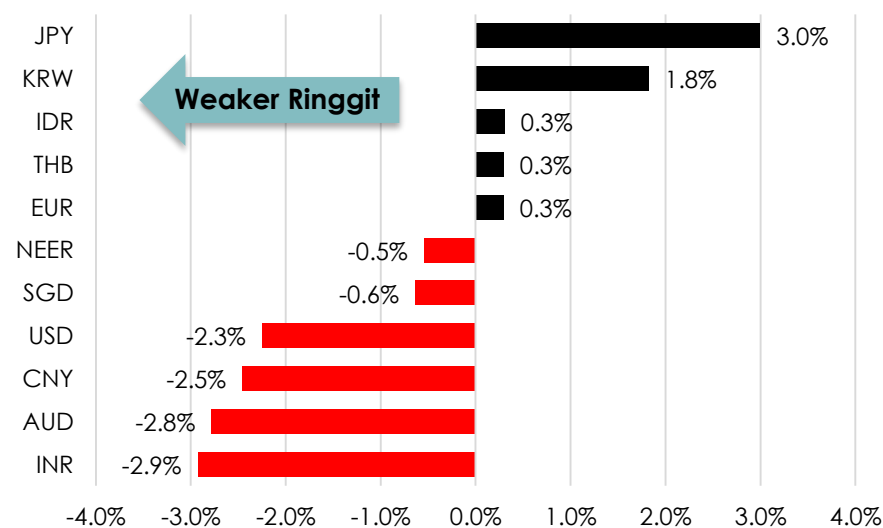
WEEKLY PERFORMANCE

- ✓ The Ringgit was slightly higher by 0.1% against US Dollar to close at RM4.1100 on 19 March (12 March: RM4.1185) as the greenback retreated amid concerns over US Treasury yield after a significant rise particularly the 10-year US Treasury note which jumped by 8.0 bps to close at 1.71% on last Thursday (17 March: 1.63%).
- ✓ In addition, the USD was impinged by increase in the number of Americans filing for unemployment benefits which rose by 770k in the week ended on 12 March (previous week: 725k) as Covid-19 crisis continued to affect the labour market. Nevertheless, the claims are likely to decline in the coming weeks following the approval of President Joe Biden's relief package.
- ✓ All in all, the Malaysian Ringgit is anticipated to trade lower against the USD this week at between RM4.12 and RM4.15 in light of weaker Brent price which has been declining for four consecutive days to USD63.28 per barrel on 18 March before increasing marginally to USD64.53 per barrel on last Friday (12 March: USD69.22 per barrel).
- ✓ On the other hand, Germany is set to extend a lockdown to curb the Covid-19 pandemic into its fifth month following increase in infection rate that would overstretch capacity of hospitals while anticipation of vaccine shortages in European Union due to new wave of Covid-19 could weigh on EUR and cushion the local note's downside risks.

MYR against regional currencies, w-o-w% (Week Ended 19 March)



MYR against regional currencies, YTD Gain% (As at 19 March)

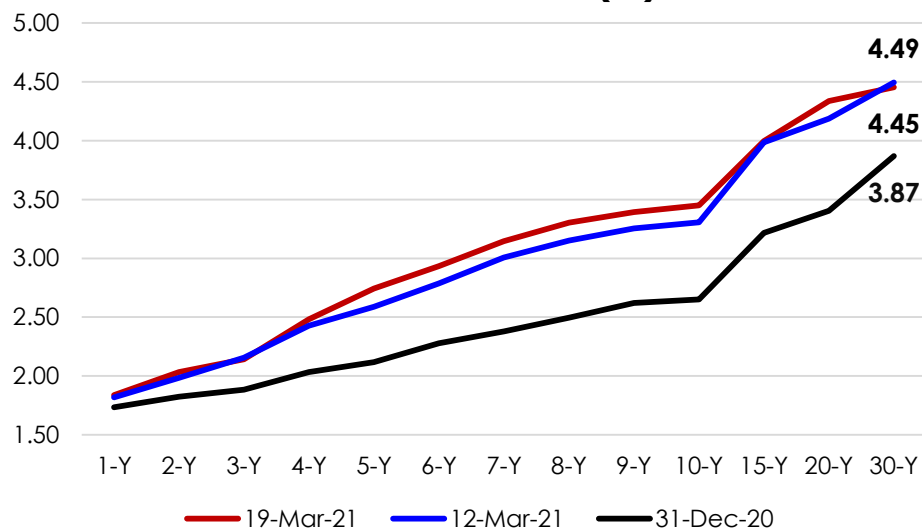


Weekly Movement in MGS Yields

MGS Benchmark	Coupon (%)	Yields (%) 12-Mar-21	Yields (%) 19-Mar-21	Weekly Change (bps)
3-Y 03/23 MGS	3.480%	2.17%	2.13%	-4
5-Y 09/25 MGS	3.955%	2.56%	2.76%	20
7-Y 06/28 MGS	3.733%	3.01%	3.16%	15
10-Y 04/31 MGS	2.632%	3.41%	3.45%	4

Source: BNM

MGS Yield Curve (%)



Source: CEIC

- ✓ Overall benchmark yields for MGS were mixed between -4.0 bps and 20.0 bps for the period between 12 March and 19 March with the 3-Y 03/23 MGS fell by 4 bps to close at 2.13%.
- ✓ However, the 5-Y 09/25 MGS spiked by 20.0 bps to close at 2.76%, followed by the 7-Y 06/28 MGS which rose by 15.0 bps to 3.16% on 19 March. This partly attributable to in sharp rise in 10-Y US Treasury note to 1.71% (17 March: 1.64%) post FOMC meeting on 18 March as the Fed has upgraded the nation's economy growth to 6.5% from 4.2% projection made in December last year.
- ✓ Moving forward, investors are likely to remain cautious in light of the concerns over upcoming supply. Up next this month are scheduled auctions for the 5-Y 09/25 MGS and 20.5-Y 09/41 GII alongside supply from PEMERKASA stimulus package.
- ✓ Additionally, the FTSE Russell's interim review of Malaysia's position on the World Government Bond Index (WGBI) at the end of month would tamper foreign interest in local govies.

BRENT

- ✓ Brent crude oil price recorded a 6.8% weekly decline to settle at USD64.53 per barrel last Friday (12 March: USD69.22 per barrel), the biggest weekly slump since the week ended 23 October 2020. The oncoming of US refinery maintenance season that could raise crude stockpiles in the country and the possibility of higher crude production out of Libya somewhat offset the bullish sentiment delivered by OPEC+ cuts.
- ✓ The weekly decline in Brent crude oil price was in tandem with the total number of active oil and gas rigs in the US which was higher by 9 at 411 compared to the week before and was 361 fewer than the same period last year.
- ✓ Meanwhile, the US Energy Information Administration (EIA) data showed that crude stocks rose by 2.4 million barrels to 500.8 million barrels in the week ended 12 March (5 March: 498.4 million barrels), after refineries in the south of the US were forced to shut due to severe cold weather which knocked out power supplies for millions. Conversely, the American Petroleum Institute (API) report showed that crude stockpiles dropped by 1.0 million barrels in the week ended 12 March, following the increase of 12.8 million barrels in the preceding week.

Brent Crude in USD per barrel



US Crude Oil Inventory, '000 barrel - EIA



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
21-Feb-21	379,018	23	7,676	14,264	8,054	14,914	1,196	12	416	7,750	92	10,406	73,240	21,944	3,297
22-Feb-21	349,660	31	4,369	14,199	7,300	13,450	1,090	11	332	3,894	89	9,834	70,973	22,046	2,192
23-Feb-21	292,806	26	3,883	10,584	10,180	9,617	859	10	357	2,547	95	10,641	55,323	3,760	2,468
24-Feb-21	340,294	24	8,007	13,742	9,775	13,299	1,011	4	439	6,610	93	8,489	55,190	19,775	3,545
25-Feb-21	430,160	28	11,869	16,738	7,533	16,402	1,086	7	395	7,167	72	9,938	71,778	30,665	1,924
26-Feb-21	438,352	24	9,997	16,577	8,493	19,871	919	10	387	6,297	45	9,985	73,477	25,180	2,253
27-Feb-21	436,385	34	9,762	16,488	8,232	20,488	1,067	13	415	5,976	72	8,523	73,351	24,537	2,364
28-Feb-21	402,877	42	7,890	16,752	6,208	18,902	1,201	12	355	6,269	70	7,434	72,812	23,996	2,437
1-Mar-21	360,950	42	4,732	15,510	5,560	17,440	1,033	11	355	3,099	80	6,035	69,613	19,213	1,828
2-Mar-21	291,625	25	3,943	12,286	6,680	13,106	731	12	344	2,123	42	5,455	50,218	4,703	1,555
3-Mar-21	357,444	23	9,019	14,989	5,712	17,063	852	8	444	5,105	35	6,391	50,776	22,148	1,745
4-Mar-21	429,822	27	11,912	17,407	6,808	20,840	1,192	23	424	5,692	54	6,385	57,831	26,788	2,063
5-Mar-21	439,342	20	10,580	16,838	7,264	22,845	1,180	19	398	5,764	79	6,573	65,320	24,739	2,154
6-Mar-21	369,154	21	9,557	18,327	6,971	24,010	1,164	9	418	5,424	64	5,946	-	22,725	1,680
7-Mar-21	509,792	28	8,103	18,711	5,767	23,633	1,064	13	416	5,525	65	6,039	133,475	23,306	1,683
8-Mar-21	366,060	37	5,011	18,599	5,826	20,724	1,036	13	346	2,756	71	5,177	57,269	21,650	1,529
9-Mar-21	345,323	24	4,252	15,388	6,894	13,882	679	13	446	1,933	60	4,712	41,486	5,229	1,280
10-Mar-21	446,392	27	9,146	17,921	6,389	19,725	1,058	6	470	4,901	39	5,766	126,229	22,626	1,448
11-Mar-21	458,451	20	14,356	22,854	5,633	22,275	1,272	10	465	5,493	58	5,926	52,732	30,112	1,647
12-Mar-21	479,672	31	12,834	23,285	5,144	25,649	1,288	8	488	5,310	81	6,753	60,322	27,166	1,575
13-Mar-21	483,644	73	12,674	24,882	6,412	26,790	1,296	10	490	5,145	78	6,609	60,312	25,120	1,470
14-Mar-21	470,352	57	10,790	25,320	4,607	26,031	1,288	8	459	5,518	170	5,534	62,840	29,256	1,354
15-Mar-21	401,717	30	6,604	26,291	4,714	21,304	1,033	17	382	2,658	78	4,618	52,261	26,140	1,208
16-Mar-21	338,122	48	5,480	24,492	5,589	15,252	782	12	363	1,820	149	5,089	40,230	6,471	1,063
17-Mar-21	425,522	22	13,435	28,903	5,414	20,376	1,025	11	469	4,839	248	5,294	52,998	29,145	1,219
18-Mar-21	522,476	17	17,504	35,871	6,825	23,040	1,473	9	445	3,064	92	5,758	51,882	38,424	1,213
19-Mar-21	541,398	29	17,482	39,726	6,570	24,901	1,516	15	463	-	100	6,303	56,790	34,936	1,576
20-Mar-21	535,858	23	16,033	40,953	6,279	25,707	1,456	15	452	-	119	4,802	58,826	35,066	1,671
21-Mar-21	513,797	21	13,733	43,846	5,656	23,913	1,480	17	456	-	90	5,587	61,382	34,658	1,327

Source: CEIC

- ✓ The FBM KLCI index is likely to continue trading in a cautious mode with the benchmark index hovering within a range of 1,605 to 1,625 points amid a confluence of external factors.
- ✓ On the global front, the People's Bank of China's (PBOC) meeting this week will be monitored closely by investors to see if the central bank will implement monetary policy tightening as the economy improves. The nation could face huge economic losses if it tries curbing asset bubbles through the removal of accommodative policies. Instead, it should carry out closer market supervision to reduce speculation in financial assets according to Sheng Songcheng, a former director at the PBOC.
- ✓ Over in the US, investors are turning their attention to prospects that higher taxes could threaten the rally in US stocks as President Joe Biden's administration moves forward with its agenda and seeks ways to pay for its spending plans. An increase in corporate taxes could bite into company profits, which are expected to soar this year as businesses rebound from the pandemic.
- ✓ The situations in foreign markets mentioned above could definitely have a bearing on Malaysia's equity market. Even from a business point of view, tighter monetary policies in China and also higher corporate taxes will impact the global value chain in which Malaysia is a part of. As a result, Malaysian businesses too will eventually be affected in terms of lower overseas demand.
- ✓ All in all, a balance between economic growth and preventing asset inflation is key for governments and central banks across the world at this point of time to ensure that the pathway to economic recovery is smooth.

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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 buildings are silhouetted against the bright horizon. The pink bar at the bottom is a solid, vibrant color.

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