



From the Desk
of the
Chief Economist

BANK ISLAM

WEEKLY MARKET UPDATES

25 JULY 2022

ECONOMIC RESEARCH

**DR. MOHD AFZANIZAM ABDUL RASHID
SHAFIZ BIN JAMALUDDIN
NOR JANNAH ABDULLAH
RAJA ADIBAH RAJA HASNAN**

KEY HIGHLIGHTS OF THE WEEK- THE ECB HAS RAISED ITS INTEREST RATES BY 50 BPS AMID SOARING INFLATION IN THE BLOC

International

European Central Bank (ECB) – Monetary Policy

- ✓ The ECB decided to hike its 3 main interest rates by 50 basis points (bps) during its meeting on 21 July.
- ✓ It was the first increase in key financing rate since 2016 as inflation risks remain on the upside.
- ✓ The key refinancing rate is now at 0.50% while the marginal lending facility and deposit facility higher at 0.75% and 0.00% respectively.
- ✓ The Governing Council has indicated such move was appropriate to ensure the inflation returns to its 2.0% target over the medium term.

Japan- Monetary Policy

- ✓ The Bank of Japan (BoJ) kept its key short-term interest rate at -0.1% during monetary policy meeting on 21 July.
- ✓ Nevertheless, the Gross Domestic Product (GDP) forecast for 2022 was revised down to 2.4% (previously in April: 2.9%) due to persistent supply chain issues amid prolonged war in Ukraine.
- ✓ The BoJ reiterated that it will not hesitate to take extra easing measures if needed despite remain an outlier among a global wave of central banks tightening cycle.

Indonesia- Monetary Policy

- ✓ The Bank of Indonesia (BI) left its key 7-day Reverse Repurchase Rate unchanged at an all-time low of 3.50% at its 21 July meeting.
- ✓ The decision was in tandem with the BI's projections of manageable core inflation despite the risks posed by external headwinds.
- ✓ All in all, Board of Governors will remain vigilant of rising inflation expectations and core inflation moving forward. Additionally, BI will continue to strengthen the optimal monetary policy mix response necessary through rupiah stabilisation measures while strengthening monetary operations and interest rates.

Malaysia- Consumer Price Index (CPI)

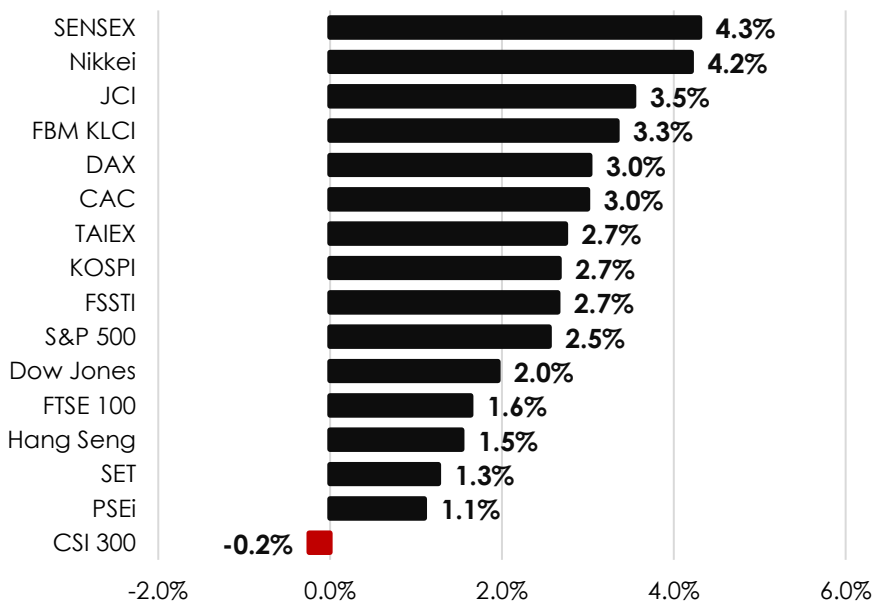
Domestic

- ✓ Malaysia's CPI remained on upward trend, rising by 3.4% year-on-year (y-o-y) in June from 2.8% in May.
- ✓ The overall upturn mainly driven by a higher cost of Food & Non-Alcoholic Beverages which surged by 6.1% during the month (May: 5.2%) amid elevated commodity prices.
- ✓ It was the highest since April 2009 (7.5%) due to surge in cost of meat which jumped by double-digit at 11.9% in June from 9.5% previously. Within the sub-indices, price of chicken meat which made up largest share (46.1%) in the group continued to soar by 17.2% in June from 13.4% in May.
- ✓ Similarly, the cost of Transport climbed by 5.4% in June (May: 3.9%) due to the rise in price of Operation of Personal Transport Equipment (June: 6.6% vs. May: 5.4%).
- ✓ On a quarterly basis, both headline inflation and core inflation rate rose by 2.8% (1Q2022: 2.2%) and 2.5% (1Q2022: 1.7%) respectively in 2Q2022 as compared to the previous quarter.
- ✓ On the same note, the inflation (1H2022: 2.1% vs. 1H2021: 0.7%) and core inflation (1H2022: 2.1% vs. 1H2021: 0.7%) rate showed the increasing trend during the 1H2022.

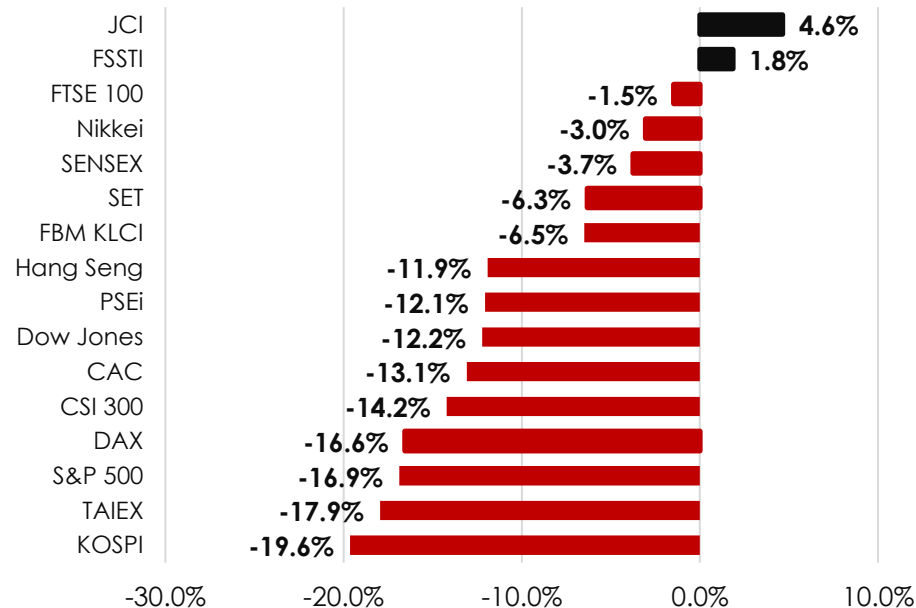
WEEKLY MARKET PERFORMANCE

- ✓ India's SENSEX recorded a 4.3% weekly advance among the major equity markets. This was mainly supported by renewed buying, particularly in banking stocks, as well the return of foreign funds into the Indian market.
- ✓ Meanwhile, China's CSI 300 dropped by 0.2% as rising coronavirus infections and property market crisis have affected market sentiments.
- ✓ On a Year-To-Date (YTD) basis, global equities were mostly in the red due to inflation fears, prospect of further central bank interest rate hikes and concerns over the health of economies worldwide.

Weekly Gain/Loss of Major Equity Markets, % (Week Ending 22 July)

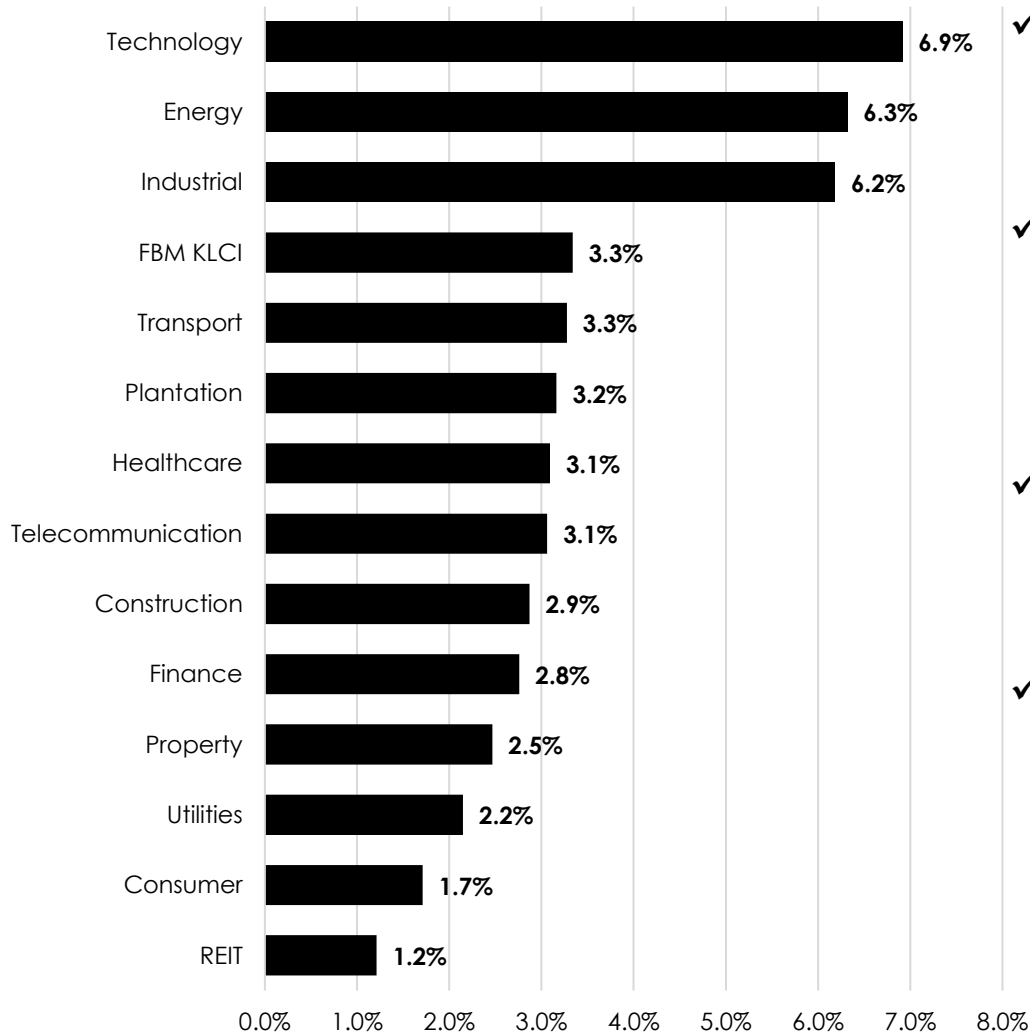


YTD Gain/Loss Of Major Equity Markets, % (As at 22 July)



WEEKLY SECTORAL PERFORMANCE

Bursa Sectoral Performance, w-o-w%



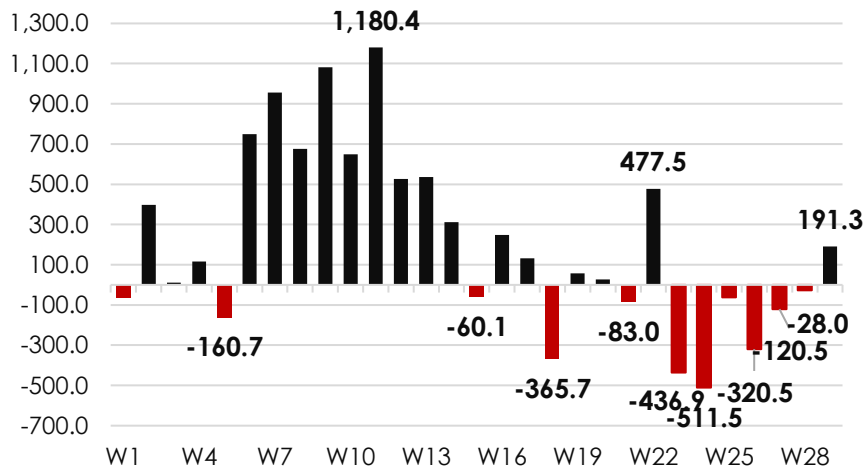
- ✓ All sectors recorded a positive gain with largest increase was seen in Technology sector, rising by 6.9% for the week ending 22 July.
- ✓ This was followed by Energy index which higher by 6.3% amid stronger Brent crude oil price (22 July: USD103.20 per barrel vs. 15 July: USD101.16 per barrel).
- ✓ Apart from that, the overall upturn also supported by bargain hunting activities among local institutions and foreign investors during the week.
- ✓ Looking forward, the FBM KLCI is likely to range between **1,460.0 points and 1,480.0 points this week** amid cautious sentiment ahead of the Federal Open Market Committee (FOMC) meeting on 26-27 July.

FOREIGN INVESTORS HAVE BEEN NET BUYERS AFTER RECORDING THE SIXTH STRAIGHT WEEK OF FUND OUTFLOWS PREVIOUSLY

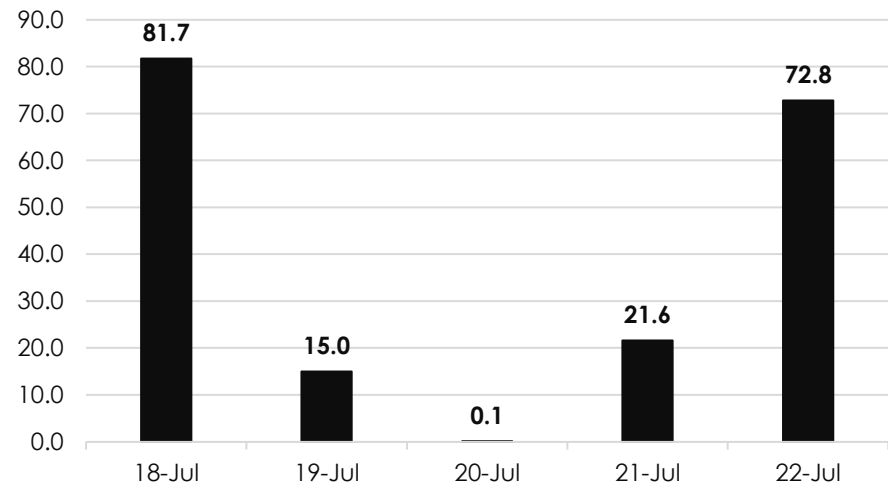
WEEKLY FOREIGN FUND FLOW

- ✓ Foreign investors turned to be net purchasers last week as they acquired RM191.3 million net of Malaysian equities after selling RM28.0 million worth of equities in the previous week.
- ✓ On further scrutiny, international investors were net buyers on everyday of the week with largest foreign inflow was recorded on Monday, 18 July at RM81.7 million, followed by Friday at RM72.8 million and Thursday at RM21.6 million respectively.
- ✓ On a YTD basis, foreign investors have bought RM6.1 billion net of local equities and have been net buyers for 18 out of 29 weeks in 2022.
- ✓ Nevertheless, the risks of fund outflows from domestic equity market persist as investors continued to weight between sentiments on inflation and concerns on economic slowdown moving forward.

**Weekly Foreign Fund Flow in 2022
(RM Million)**



Daily Foreign Net Inflow/Outflow from 18 to 22 July (RM Million)



Source: Bursa
*W = week

FIXED INCOME- 10-Y MINUS 3-M UST YIELD CURVE CONTINUED TO NARROW AMID WORRIES OVER RECESSION IN THE U.S.

Bond Yields Weekly Change, bps

UST	Yields (%) 15-Jul-22	Yields (%) 22-Jul-22	Change (bps)
3-M UST	2.37%	2.49%	12
2-Y UST	3.13%	2.98%	-15
5-Y UST	3.05%	2.87%	-18
10-Y UST	2.93%	2.77%	-16

MGS	Yields (%) 15-Jul-22	Yields (%) 22-Jul-22	Change (bps)
3-Y MGS	3.48%	3.55%	7
5-Y MGS	3.77%	3.73%	-4
7-Y MGS	3.99%	3.97%	-2
10-Y MGS	4.06%	4.01%	-5

Sources: CEIC, BNM

10-Y UST minus 3-M UST, bps



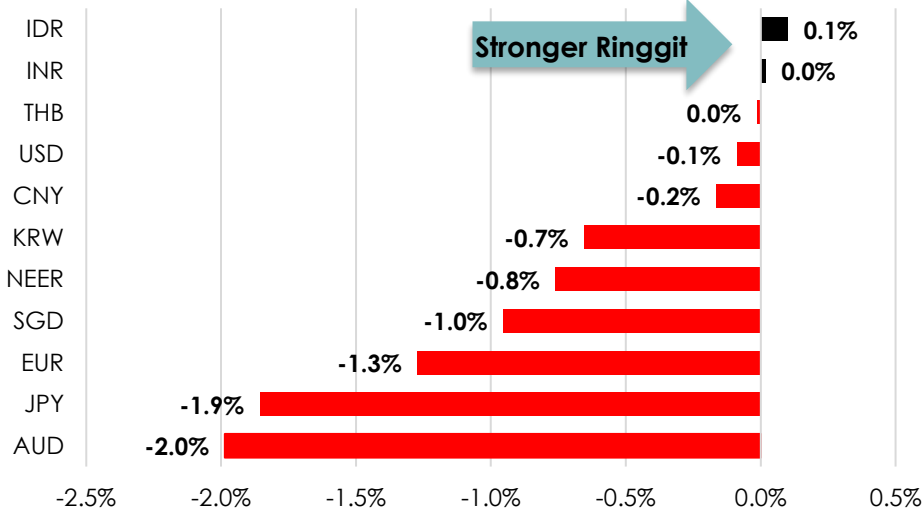
Source: CEIC

- ✓ For the bond market, the U.S. Treasury (UST) yields were mixed with shorter tenure of 3-M UST yield rose by 12 bps to 2.49% ahead of FOMC meeting on 26-27 July.
- ✓ Meanwhile, the 2-Y UST, 5-Y UST and 10-Y UST yields declined by 15 bps, 18 bps and 16 bps to close at 2.98%, 2.87% and 2.77% on 22 July.
- ✓ Hence, this has caused the 10-Y minus 3-M UST yield to narrow significantly from 56 bps on 15 July to only 28 bps on 22 July.
- ✓ On domestic front, the MGS yields also mirrored similar move with the 3-Y MGS yield increased by 7 bps while 5-Y MGS, 7-Y MGS and 10-Y MGS yields went down by 4 bps, 2 bps and 5 bps for the week ending 22 July.
- ✓ This could signal that the investors are seeking for a safe-haven assets as global risks have tilted to the downside.
- ✓ All in all, the bond yields are expected to range bound this week as the U.S. monetary tightening continues.

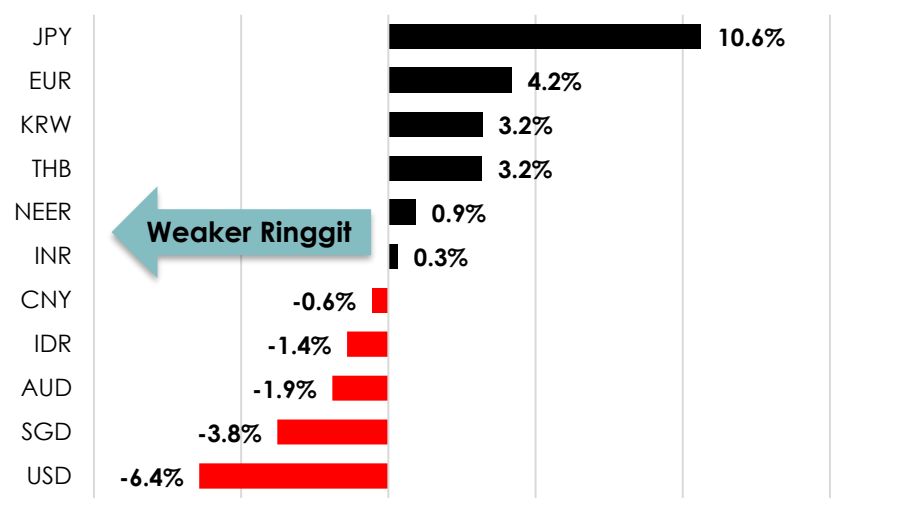
WEEKLY PERFORMANCE

- ✓ The Ringgit fell by 0.2% w-o-w against U.S. Dollar (USD), closing at RM4.4500 on 22 July from RM4.4470 in the previous week.
- ✓ The local note was struggling to hold onto gains as concern over the new Covid-19 cases in China continued to climb due to outbreaks in some region widened. This could affect the Ringgit performance given the country's high trade exposure with the China.
- ✓ Besides, Ringgit would be weighed down by the anticipation of interest rate hike by the Federal Reserve (Fed) in the FOMC meeting on 26-27 July this week as the central bank is committed to combat the stubbornly-high inflation.
- ✓ Therefore, we foresee the Ringgit will be lingering at RM4.45 level against the USD in the near term.

MYR against regional currencies, w-o-w% (Week Ending 22 July)



MYR against regional currencies, YTD Gain% (As at 22 July)



COMMODITIES – BRENT PRICE WENT UP BY 2.0% AFTER ENDURING SERIES OF DECLINING PREVIOUSLY

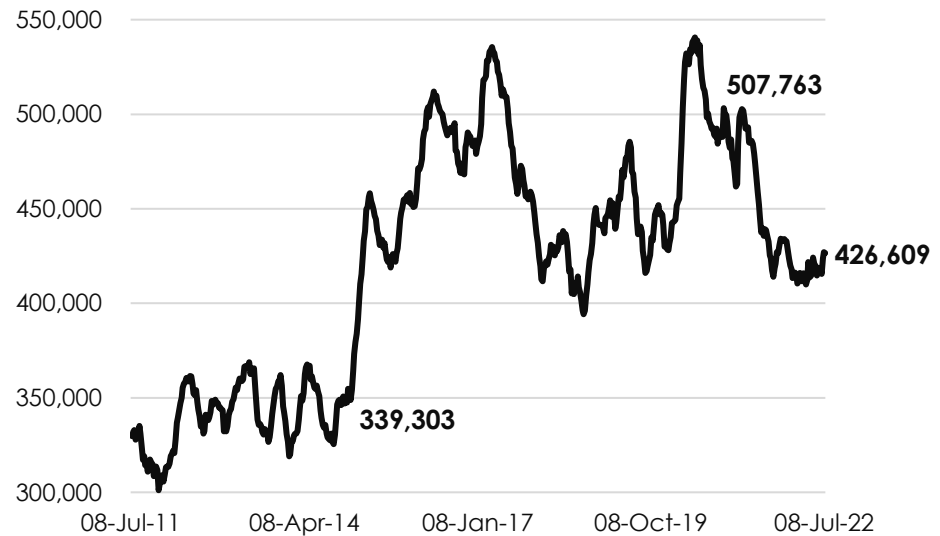
BRENT

- ✓ Brent crude oil price increased by 2.0% w-o-w to USD103.20 per barrel, after falling by 5.5% (15 July: USD101.16 per barrel) in the previous week due to persistent supply-side issues.
- ✓ Recently, President Joe Biden failed to secure a firm pledge from the Organization of the Petroleum Exporting Countries (OPEC) producers to boost oil supply in the near term, signifying a further supply-tight conditions.
- ✓ Meanwhile, the U.S. Energy Information Administration (EIA) reported that the crude oil stockpiles edged down by 0.4 million barrels to 426.6 million barrels in the week ending 15 July (8 July: 427.1 million barrels). However, gasoline inventories posted a larger-than-expected build in the U.S., rising by 3.5 million barrels to 228.4 million barrels for the week ended 15 July (8 July: 224.9 million barrels), signifying a weakening demand despite the peak summer driving season.

Brent Crude in USD per barrel



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



COMMODITIES – GOLD HEADED FOR ITS FIRST WEEKLY GAIN SINCE EARLY JUNE THIS YEAR AS USD RETREATED LAST WEEK AMID A CLOUDING MARKET OUTLOOK

GOLD

- ✓ Gold price rose by 1.1% to reach USD1,727.64 per ounce on 22 July, marking its first weekly gain after registering a dip of 2.0% (15 July: USD1,708.17 per ounce) in the previous week. This was due to weaker USD as economic risks persisted. Hence, the USD index dropped by 1.2% to 106.73 (15 July: 108.06) during the week.
- ✓ Apart from that, a disappointing U.S. data which saw its business activity contracted in July for the first time since 2020, adding to heightened recession anxieties. This has dampened expectations of a large 100 bps point by the Fed.
- ✓ For this week, investors are now awaiting the FOMC meeting on 26-27 July where it is expected that 75 bps interest rate hike in the federal fund rate (FFR) to combat the soaring inflation in the country.

Gold in USD per ounce



U.S. Dollar Index (DXY)



Source: Bloomberg

- ✓ On the global front, all eyes would be on the Fed where 75 bps rate hike is on the table during the 26-27 July meeting this week. Facing the highest inflation in four decades, the central bank has moved aggressively to raise the interest rate in a bid to tame the inflationary pressures. Investors would be looking for the Fed's view on the country's economic performance as they try to gauge the interest rate move during the September.
- ✓ The day after the FOMC meeting concluded, the advanced estimation of U.S. 2Q2022 GDP data would be on investors' radar as it indicates the country's health of the economy. Many forecasters expected the figure would show a contraction after the 1.6% quarter-on-quarter (q-o-q) decline in the 1Q2022. Should the scenario follows through, it is viewed as the sign of recession.
- ✓ Another data to be released during the week from the U.S. including the price consumption expenditure (PCE) index for the month of June. The PCE data is the Fed's preferred gauge of inflation thus, a strong print could keep the central bank on its toes.
- ✓ Meanwhile in Malaysia, the inflation rate accelerated by 3.4% in June from 2.8% in the previous month driven by higher food prices (June: 6.1% vs. May: 5.2%). We foresee that Bank Negara Malaysia (BNM) could deliver another 25 bps each during the September and November meeting to end the year at 2.75%. The purpose is to remove excess liquidity, as well as building up space for possible economic shocks in future.
- ✓ Overall, we foresee the FBM KLCI to trade between 1,460.0 points and 1,480.0 points as investors would be closely monitoring the FOMC meeting pertaining to the monetary policy decision by the Fed.

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
22-Jun-22	734,895	56,939	124,368	12,249	1,985	63,264	13,998	7,109	8,937	50,235	2,387	19,942	52,057	95,217	2,425
23-Jun-22	792,423	52,951	113,321	13,313	1,907	54,873	17,160	5,862	7,480	-	2,299	20,890	186,247	77,967	2,796
24-Jun-22	752,272	49,053	100,865	17,336	2,069	57,432	16,782	6,606	7,227	-	2,313	20,860	134,306	79,795	2,512
25-Jun-22	804,189	46,513	86,605	15,940	1,831	56,410	16,064	7,987	6,780	68,186	2,236	19,572	101,373	68,601	2,302
26-Jun-22	687,632	41,120	26,613	11,739	1,726	56,873	15,671	4,697	6,246	-	2,378	18,337	163,027	80,926	2,003
27-Jun-22	490,430	40,425	14,502	17,073	1,445	49,325	13,771	5,116	3,404	-	1,735	16,777	43,609	66,301	1,894
28-Jun-22	488,071	29,337	116,619	11,793	2,167	25,019	11,988	5,309	9,870	-	1,761	20,770	43,968	16,101	2,025
29-Jun-22	889,709	45,012	137,695	14,506	2,149	84,161	17,709	11,504	10,453	52,218	2,569	25,089	96,415	147,248	2,605
30-Jun-22	911,628	43,135	124,828	18,819	2,248	95,455	-	9,392	9,583	-	2,695	25,031	154,317	124,724	2,867
1-Jul-22	937,798	39,947	109,756	17,070	2,049	84,234	46,437	9,505	9,528	-	2,354	24,588	148,522	133,265	2,773
2-Jul-22	962,773	36,825	94,447	17,092	1,794	86,900	23,125	9,087	10,695	84,146	2,508	24,216	112,401	115,435	2,527
3-Jul-22	848,382	35,765	23,529	16,103	1,614	85,943	23,327	7,952	10,059	-	2,328	23,637	171,367	122,639	2,536
4-Jul-22	574,645	33,327	13,343	16,135	1,434	72,917	22,154	6,127	6,239	-	1,995	21,944	44,726	96,191	1,918
5-Jul-22	557,766	23,676	120,472	13,086	2,577	36,885	20,774	5,946	18,138	-	1,917	27,770	43,633	24,418	2,932
6-Jul-22	1,058,926	37,114	136,129	16,159	2,743	133,015	32,906	12,784	19,363	71,818	2,428	33,675	49,827	206,554	3,561
7-Jul-22	1,025,020	35,862	127,068	18,930	2,881	110,017	44,845	9,989	18,498	-	2,366	31,385	169,821	151,565	4,020
8-Jul-22	1,036,016	32,694	110,435	18,815	2,472	108,386	47,786	9,985	19,323	-	2,144	29,606	145,650	161,187	3,589
9-Jul-22	1,103,308	31,728	95,205	18,840	2,705	101,863	49,557	9,284	20,263	83,613	2,084	26,414	120,182	131,345	2,799
10-Jul-22	969,905	29,514	23,276	18,257	2,576	98,901	51,738	8,659	20,410	-	2,004	24,564	163,473	116,405	3,264
11-Jul-22	659,304	29,355	13,930	16,678	1,681	81,563	50,918	6,423	12,656	-	1,811	21,213	49,751	110,589	2,417
12-Jul-22	626,779	20,500	130,646	13,615	3,361	83,761	46,033	4,495	37,342	-	1,679	25,038	53,077	24,343	2,345
13-Jul-22	1,176,368	32,669	144,422	16,906	3,822	144,058	68,191	5,979	40,239	59,226	2,391	29,744	125,298	182,006	3,934
14-Jul-22	1,093,647	31,582	135,138	20,139	3,584	111,591	92,507	16,870	39,178	-	2,257	26,768	184,377	127,529	4,098
15-Jul-22	1,045,175	29,359	116,196	20,038	3,331	108,632	97,339	11,772	38,845	-	1,795	23,525	147,403	115,686	5,210
16-Jul-22	952,421	27,035	107,519	20,044	4,329	97,936	99,291	12,996	41,310	57,635	2,025	20,747	131,567	16,053	5,047
17-Jul-22	1,167,864	27,055	24,554	20,528	3,540	91,384	104,832	6,683	40,342	-	2,028	17,831	175,006	124,009	3,956
18-Jul-22	845,412	25,967	12,562	16,935	3,393	68,996	103,602	6,947	26,254	-	1,814	14,488	36,478	73,668	3,080
19-Jul-22	653,334	19,637	132,662	15,528	5,085	32,051	79,633	6,227	73,558	-	2,125	16,529	40,278	17,733	3,902
20-Jul-22	1,073,954	28,719	140,704	20,557	5,653	121,103	81,362	13,794	76,341	41,683	2,886	15,141	133,265	133,919	5,685
21-Jul-22	1,089,746	29,052	115,840	21,566	5,410	86,801	135,239	10,293	71,117	-	2,607	9,285	203,150	89,737	4,587
22-Jul-22	989,766	27,138	72,899	-	-	81,535	180,826	9,749	68,632	-	-	-	173,054	80,869	3,880

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, curving through the city. The overall mood is warm and serene.

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