



From the Desk
of the
Chief Economist

BANK ISLAM

WEEKLY MARKET UPDATES

26 JULY 2021

ECONOMIC RESEARCH

DR. MOHD AFZANIZAM ABDUL RASHID

ADAM MOHAMED RAHIM

SHAFIZ BIN JAMALUDDIN

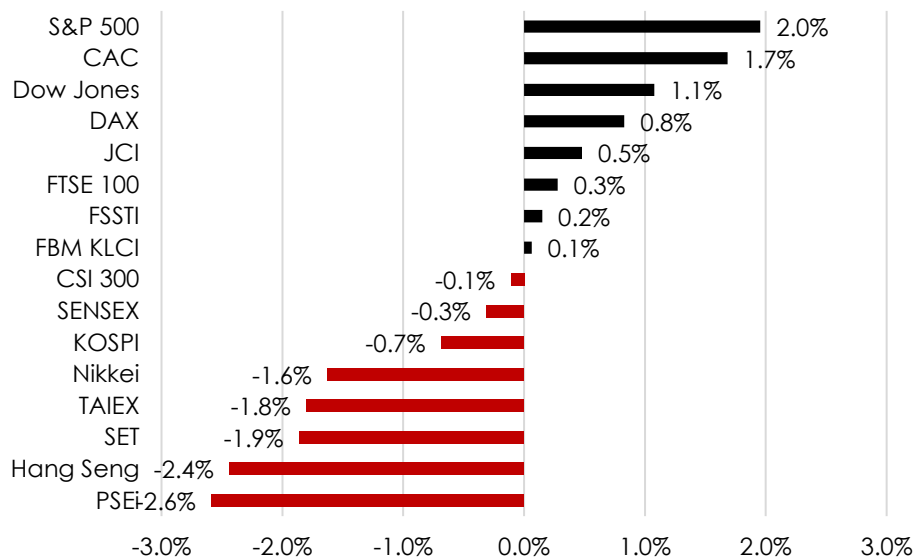
NOR JANNAH ABDULLAH

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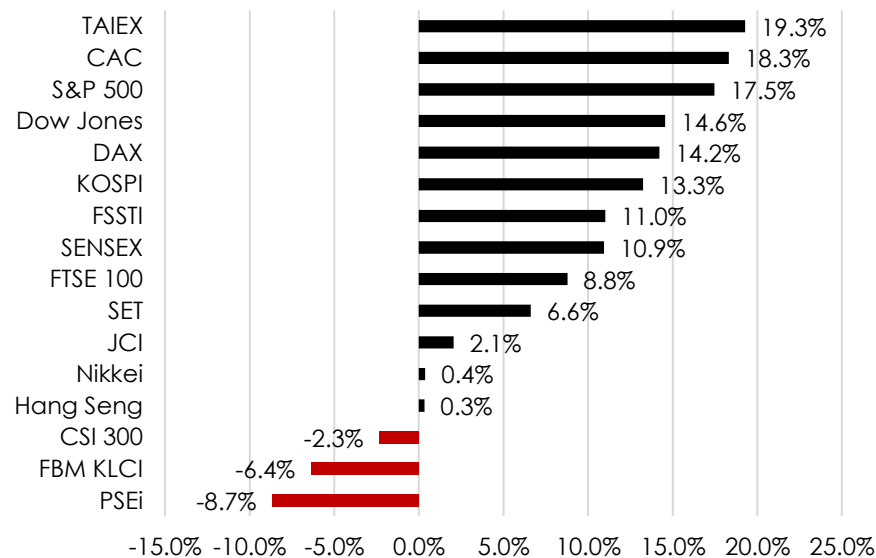
WEEKLY MARKET PERFORMANCE

- ✓ The number of gainers were equal to the number of losers among major equity markets last week with the S&P 500 index recording the largest weekly advance of 2.0% after settling at an all-time high of 4,411.8 points on Friday. Investors on Wall Street cheered corporate earnings reports particular for technology stocks such as Twitter and Snap which brushed off worries about the Delta variant of the Covid-19 virus affecting the economic recovery.
- ✓ Meanwhile, the Philippines' PSEi index was the biggest decliner, losing 2.6% for the week. The weekly loss was attributable to the increase in the daily Covid-19 case counts in the National Capital Region caused by the Delta variant which weighed on investor sentiment. This could raise the risk of the National Capital Region being placed in tight quarantine measures again.
- ✓ On the domestic front, the FBM KLCI index gained by 0.1%, making it the smallest gainer during the week but recorded the second largest Year-To-Date (YTD) loss of 6.4% after the Philippine's PSEI index.

Weekly Gain/Loss of Major Equity Markets (%)
(Week Ended 23 July)



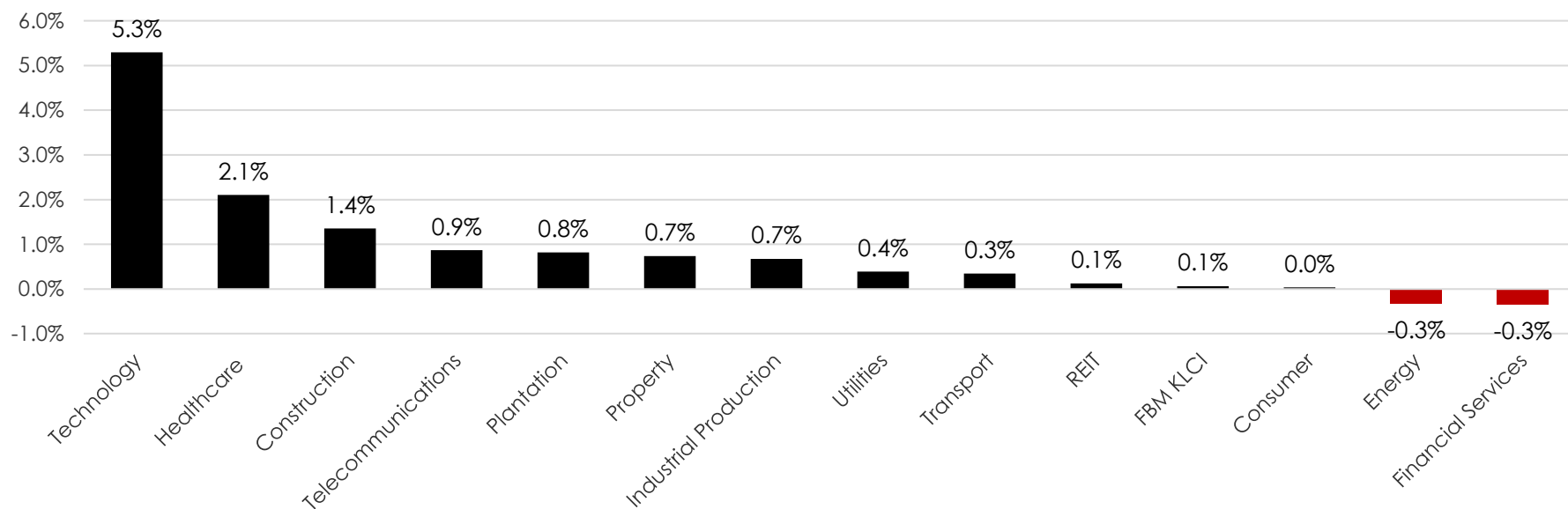
YTD Gain/Loss Of Major Equity Markets (%)
(As at 23 July)



WEEKLY SECTORAL PERFORMANCE

- ✓ The Bursa Malaysia Technology Index was the biggest gainer, ending 5.3% higher during the week, in line with the tech-heavy Nasdaq index which recorded a weekly advance of 2.8%. As the global chip shortage has not shown any signs of easing and is expected to persist throughout 2H2021, demand growth for outsourced semiconductor assembly players such as Inari will be higher. With that, investors will continue to be attracted to the technology sector for the months to come.
- ✓ On the other hand, the Bursa Malaysia Energy Index and the Bursa Malaysia Financial Index were the biggest losers, both declining by 0.3% for the week. Both sectors saw lack of investor interest largely due to the weak trading sentiment on the local bourse amid elevated number of Covid-19 cases in the country. A slowdown in reaching economic recovery will have an impact on oil demand while the financial services sector mainly banking could face risks of higher non-performing loans if business activities cannot gradually reopen.

Bursa Malaysia Sectoral Weekly Performance (%)

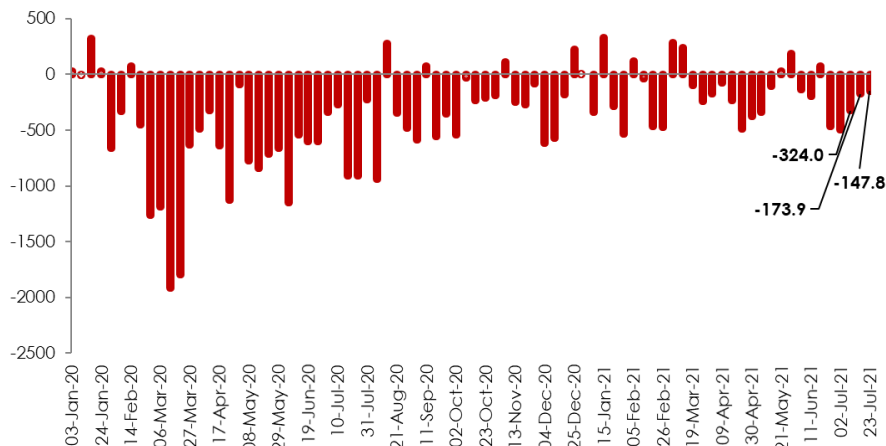


Source: Bursa

WEEKLY FOREIGN FUND FLOW

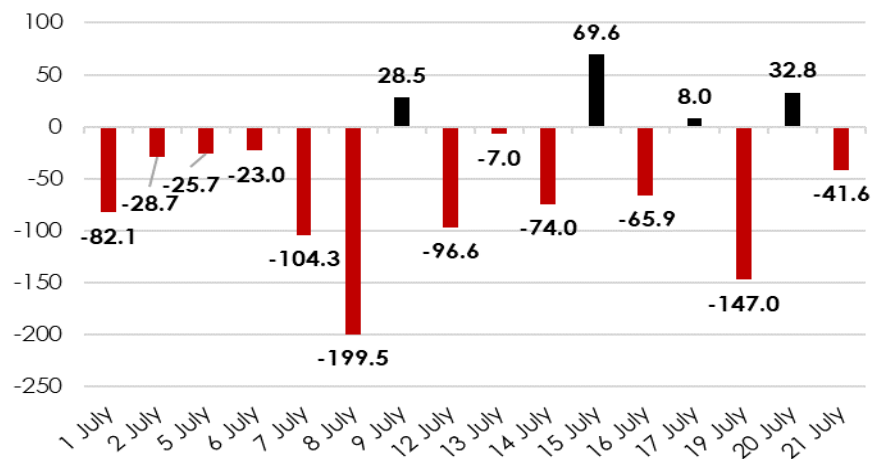
- ✓ Foreign investors withdrew RM147.8 million net of local equities last week compared to the RM173.9 million net disposed in the previous week.
- ✓ Bursa had a pretty good start to the week as foreign investors acquired RM8.0 million net of local equities on Monday despite other investors such as local institutional investors who pared their holdings in the local equity market ahead of the holiday. International investors were largely on a risk-off mode as markets reopened from the Hari Raya Aidil Adha holiday on Wednesday, selling RM147.0 million net of local equities. A spark of optimism was seen on Thursday as foreign funds acquired RM32.8 million net of local equities, coinciding with 0.7% gain in the FBM KLCI index. Friday saw foreign investors selling RM41.6 million net of local equities. Havoc wreaked markets on Friday as the number of daily Covid-19 cases in the country reaching 15,573 cases which was the highest ever recorded at that point of time.
- ✓ On a YTD basis, international investors have so far sold RM5.0 billion net of local equities this year compared to RM18.3 billion net disposed during the same period last year.

Weekly Foreign Fund Flow in Malaysia (RM Million)



Sources: Bursa

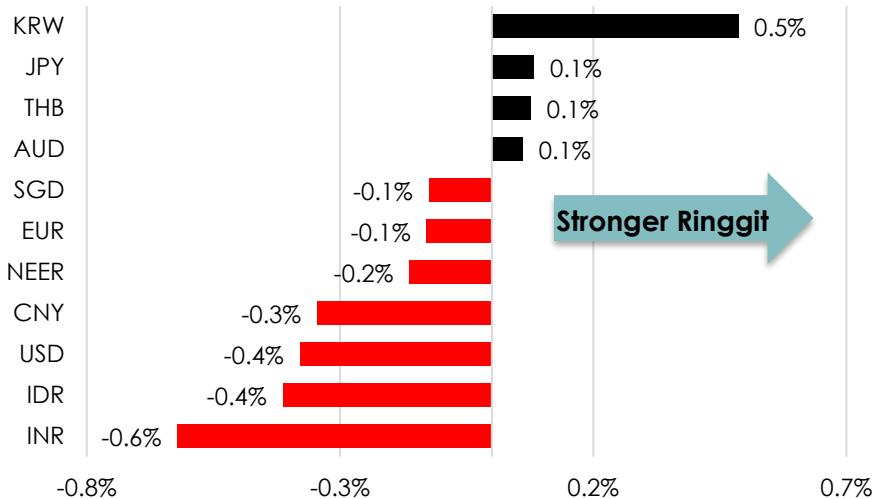
Daily Foreign Net Inflow/Outflow From 1 July 2021 to 23 July 2021 (RM Million)



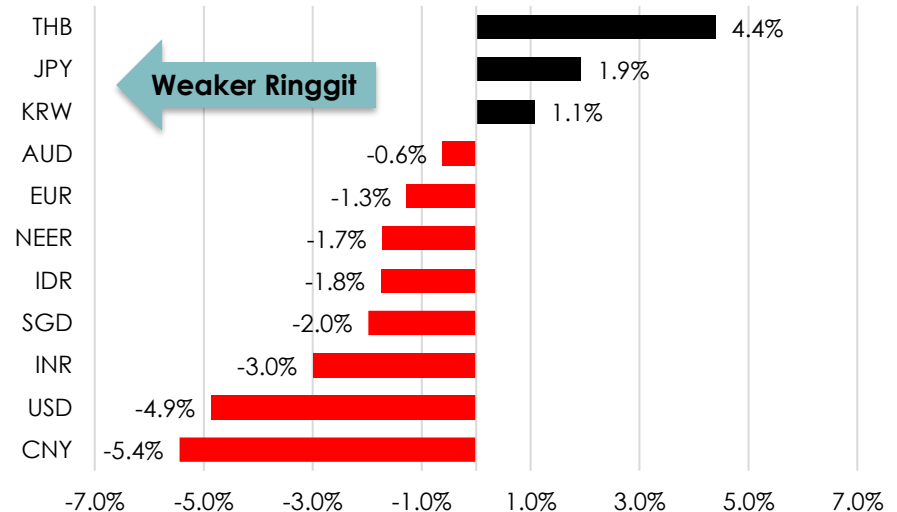
WEEKLY PERFORMANCE

- ✓ The Ringgit declined by 0.4% week-on-week (w-o-w) against U.S. Dollar to close at RM4.2250 on 23 July from RM4.2070 on 16 July. The weaker Ringgit was mainly due to Covid-19 related fears after Malaysia recorded 15,573 cases on 23 July which was the highest since the pandemic outbreak in Malaysia at that point of time.
- ✓ All in all, emerging market currencies including the Malaysian Ringgit are likely to trade within tight range as investors would remain cautious ahead of the U.S. Federal Reserve (Fed) policy meeting this week.
- ✓ Meanwhile, the Fed is expected to have a lengthy discussion about slowing down its monthly asset purchases that are crucial for financial market. The main questions would be the timing of tapering and the pace of any pull back. Nevertheless, worries over a cloudier picture for global economic growth and the spread of the Delta variant of the Covid-19 virus would have taken some pressure off the Fed to be more forthcoming about its tapering plans.

MYR against regional currencies, w-o-w% (Week Ended 23 July)



MYR against regional currencies, YTD Gain% (As at 23 July)

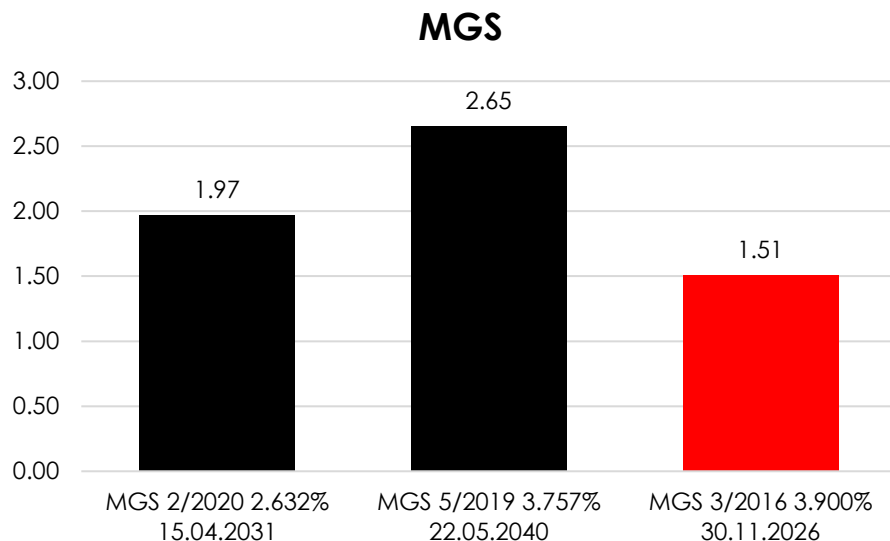


MGS Benchmark Weekly Change (bps)

MGS Benchmark	Coupon (%)	Yields (%) 16-Jul-21	Yields (%) 23-Jul-21	Change (bps)
3-Y MGS 06/24	3.48%	2.22%	2.24%	2
5-Y MGS 09/25	3.96%	2.50%	2.61%	11
7-Y MGS 06/28	3.73%	2.95%	2.93%	-2
10-Y MGS 04/31	2.63%	3.20%	3.12%	-8

Source: BNM

Auction Market



Source: Bond Info Hub

- ✓ The MGS benchmark yields were mixed between the range of -8 bps and 11 bps last week. The yields of shorter-tenure 3-Y MGS 06/24 and 5-Y MGS 09/25 were higher by 2 bps and 11 bps to close at 2.24% and 2.61% respectively. Meanwhile, the yields of 7-Y MGS 06/28 and 10-Y MGS 04/31 fell by 2 bps and 8 bps to close at 2.93% and 3.12% respectively.
- ✓ As for the auction market, the issuance of 5-Y MGS 11/26 drew at Bid-To-Cover (BTC) ratio of 1.51x last week (previous: 2.65x). This was the lowest BTC of all government bond auctions on a YTD basis, suggesting that the demand for local bond was uninspiring after the local govies recorded first foreign net outflow of RM0.5 billion in June (May: RM1.9 billion) after 13 straight months of foreign net inflows.
- ✓ In the medium term, we opine that the fast spread of local Covid-19 cases would continue to weigh on the bond yields as investors are likely shift to other safe haven assets such as precious metals and stocks in defensive sectors.

GOLD

- ✓ Gold price declined by 0.5% to USD1,802.15 per ounce on 23 July (16 July: USD1,812.05 per ounce) amid the strength in the U.S. Dollar. On further scrutiny, the U.S. Dollar Index appreciated by 0.2% to 92.91 on 23 July from 92.69 in the preceding week.
- ✓ A recovering economic outlook is looming ahead as the U.S. dollar strengthens while the metal posted its first weekly dip in five weeks. With the increasing anxiety about the Delta variant impacting the recovery of economic recovery, the risk appetite in wider financial markets for most of this week was fragile. Therefore, investors decided to take refuge in the U.S. Dollar.
- ✓ During the week, the European Central Bank pledged to keep interest rates at record lows for some time. As an aftermath, the market focus now turns to this week's Fed meeting for more clues on monetary policy.

Gold in USD per ounce



U.S. Dollar Index (DXY)



Source: Bloomberg

BRENT

- ✓ Brent crude oil price recorded a 0.7% weekly advance to settle at USD74.10 per barrel last Friday (16 July: USD73.59 per barrel), after declining for three consecutive weeks. On Monday, the Brent crude oil price dropped by 6.8% as the market reacted to the decision by the Organization of the Petroleum Exporting Countries Plus (OPEC+) to bring more supply back into the markets and concerns over the spread of the Covid-19 Delta variant.
- ✓ Nevertheless, the Brent crude oil price recovered thereafter underpinned by expectations that supply will remain tight throughout the year after investors felt that demand concerns were exaggerated.
- ✓ The weekly rise in Brent crude oil price was despite the U.S. Energy Information Administration (EIA) reporting a decline of 2.1 million barrels of crude stockpile to 439.7 million barrels in the week ended 16 July (9 July: 437.6 million barrels). Similarly, the American Petroleum Institute (API) report mentioned that crude stockpiles increased by 0.8 million barrels in the week ended 16 July compared to a draw of 4.1 million barrels in the preceding week.

Brent Crude in USD per barrel



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



Source: Bloomberg

- ✓ Globally, the Covid-19 case weekly incidence increased to an average of around 486,061 cases reported from Monday to Friday over the past week as compared to 486,883 cases recorded in the same time frame during the preceding week amid the Delta variant. Domestically, Malaysia recorded 17,045 new daily Covid-19 cases on 25 July, a new record high, bringing the cumulative number of cases in the country to reach slightly over 1.0 million cases. Therefore, we opine that the overall investor sentiment in the equity market will remain lacklustre this week. Taking the matters mentioned above into consideration, we expect the FBM KLCI index to trade in a range of 1,515 points to 1,535 points.
- ✓ On the economic data front, Malaysia's exports data for June 2021 will be released on Wednesday which is expected to record a slower year-on-year growth amid a dissipating low-base effect.
- ✓ Another major focus will be the **Fed's two-day policy meeting that wraps up on Thursday**. The last meeting was on June 16 where Fed Officials cited that the Covid-19 pandemic will be a drag on the economy and since then, cases have been rising due to the Delta variant. Notwithstanding this, the market is still expecting the meeting to produce some advancement in the discussions for a tapering of stimulus. The reason being is that the U.S. has had an earlier strong vaccination drive which could perhaps prevent a wider spread of the Delta variant.
- ✓ The **U.S. will also be releasing the first estimate of their 2Q2021 GDP, alongside durable goods orders and personal outlays. Other GDP updates to follow include those from the Eurozone, Sweden, Mexico, South Korea, Taiwan and Hong Kong.**
- ✓ All in all, investors must continue adopting a prudent approach in assessing the overall market landscape which remains volatile. Vaccinations serve to reduce infections rather than eradicating the spread of the virus and henceforth, the world must be prepared to consider it as an endemic. Industries heavily impacted by the pandemic such as travel and leisure will have to formulate strategies to incorporate operate with the endemic.

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