



MUAMALAT BEYOND

Presenting Malaysia's First Islamic Premier Banking

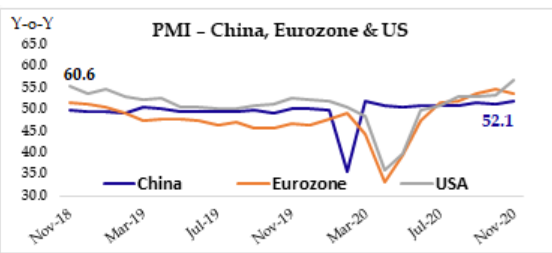
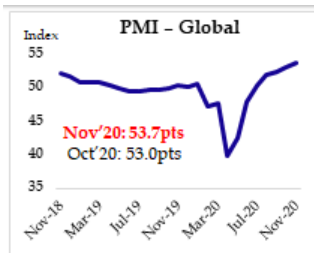
MONTHLY MARKET OUTLOOK

December 2020

GLOBAL MARKET PERFORMANCE

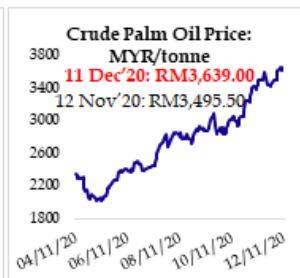
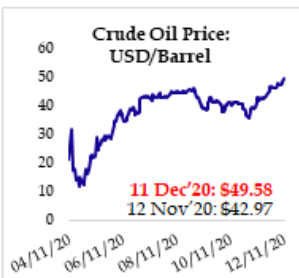
RECENT DEVELOPMENTS

- **PMI:** Nov 2020 global manufacturing output expanded at its fastest pace since Jan 2018, with continued revival of demand and further rebound in international trade flows.
- **GOLD:** Bullish price to focus on prospects of more US liquidity in the marketplace and upbeat economic news from China sparking better consumer demand for gold and also potential for inflation down the road.
- **CRUDE OIL:** Improving market outlook in the near term, with global demand rising to a two-month high on Asian demand, ascertained by recent buying by Chinese and Indian refiners.
- **CRUDE PALM OIL:** Current price rally is premised on lower supply as inventories declined, besides drops in soybean production in South America and sunflower oil in the Black Sea.
- **USD/MYR:** With high Brent crude price, MYR has its upside momentum if local economy continues to foster growth in the near term.



OUTLOOK 2020

- **GOLD PRICE:** Could reach USD2,000/ounce by year end (*RBC Wealth Mgmt*)
- **CRUDE OIL PRICE:** Forecast at USD45/barrel by year end (*TA Securities Research*)
- **CRUDE PALM OIL PRICE:** Average of RM2,600/tonne (*MIDF Research*)
- **MYR:** Average trading of 4.07 vs. USD by year end (*Kenanga Research*)



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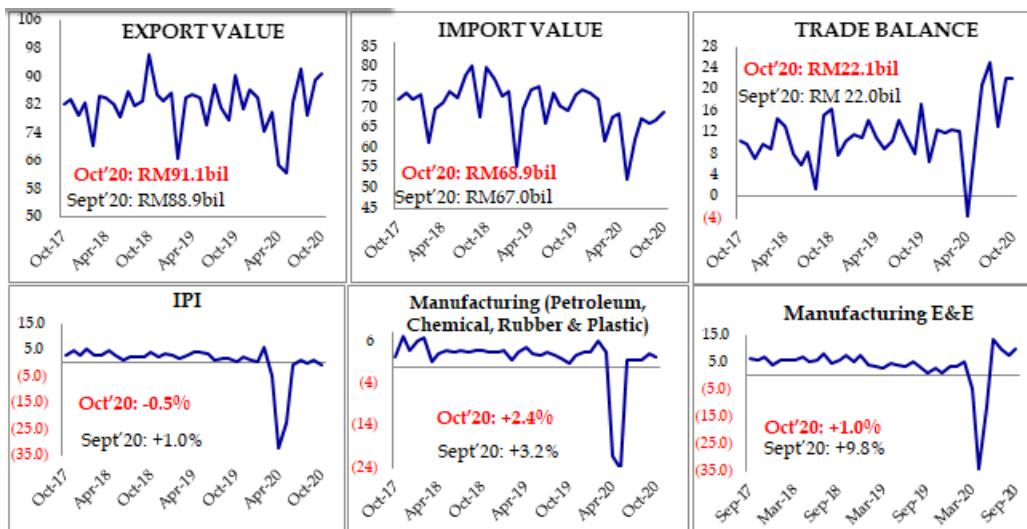
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MALAYSIA'S MARKET PERFORMANCE

RECENT DEVELOPMENTS

- **EXPORTS:** Value increased 2.4% m-o-m in Oct. Manufactured goods (87.8% of total exports) increased by 2.5% y-o-y while agriculture goods (7.9%) expanded by 28.7% y-o-y.
- **IMPORTS:** Value increased 2.9% m-o-m. Imports of intermediate goods dropped -6.1% y-o-y while capital goods declined -17.1% y-o-y. This was offset by increase of 6.5% y-o-y in consumption goods.
- **CPI:** Remained in deflationary zone at -1.5% with prices continuing to remain under pressure on weaker consumer spending due to CMCO.
- **TRADE BALANCE:** Trade surplus increased marginally by 0.4% m-o-m to RM22.1 billion.
- **IPI:** Down by 0.5% y-o-y in Oct, i.e. first negative growth in 4 months, mainly due to impact of renewed Conditional MCO (CMCO) and surging global cases. Manufacturing index grew lower by 2.3%, while mining still contracted by -10.6% and electricity recovered to grow 1.0%.



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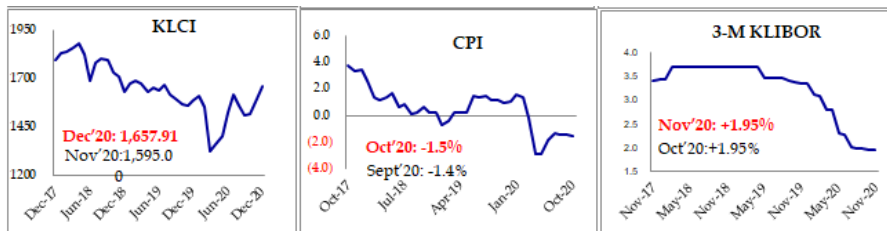
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MALAYSIA'S MARKET PERFORMANCE

(Continued)

OUTLOOK 2020

- **CPI:** Revised further downward to -1.0%. (*Kenanga Research*)
- **GDP:** Revised downward to -4.5% and -4.9%.
- **KLCI:** Revised year-end target of 1,630 pts (*CGS-CIMB Research*)



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MALAYSIA'S MARKET PERFORMANCE

(Continued)

KEY NEWS HIGHLIGHT

GLOBAL

- **Japan's ruling coalition calls for tax breaks on green investments**

The proposed tax breaks on low-emission cars and green investments worth up to USD612 million are in line with the Prime Minister's vow to cut greenhouse gas emissions to zero in 2050, bringing Japan in line with the European Union and ahead of China's pledge to achieve the same goal by 2060. Tax exemptions are proposed for firms that increase carbon-free investment in their tax reform plan that will serve as a platform for the government's tax policies for the year beginning in Apr. The tax code revision will introduce national tax cuts of JPY50 billion-JPY60 billion (USD478 million-USD574.60 million) and local tax cuts of JPY4 billion annually.

- **China to sanction US officials, curb some diplomat travel**

This is in retaliation for measures taken by the Trump administration over Hong Kong. China's Foreign Ministry did not provide specific names of those sanctioned but should include people in the executive and legislative branches and their immediate families, as well as non-government organizations. China would also revoke visa-free entry to Hong Kong and Macau for US diplomatic passport holders. The US earlier announced sanctions against 14 members of China's National People's Congress, i.e. the country's rubber-stamp legislature, as Trump tries to ratchet up pressure on Beijing before President-elect Joe Biden takes office.

- **Germany's exports growth slows more-than-expected**

Germany's exports increased 0.8% m-o-m in Oct 2020, i.e. slower than 2.3% increase in Sept. Shipments were forecast to climb 1.2%. At the same time, imports gained 0.3%, following 0.2% rise in Sept. As a result, the trade surplus rose to a seasonally adjusted EUR18.2 billion from EUR17.6 billion in previous month vs. the expected level of EUR18 billion. On a yearly basis, the decline in exports deepened to -6.5% from -3.8%. Likewise, imports fell -5.9% after falling -4.0% in previous month. The trade surplus totaled an unadjusted EUR19.4 billion compared to EUR21.3 billion surpluses in the same period last year.

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(continued)

KEY NEWS HIGHLIGHTS (continued)

LOCAL

- **Fitch downgrades Malaysia's sovereign rating to BBB+**

Fitch Ratings has downgraded Malaysia's long-term foreign-currency issuer default rating (IDR) to 'BBB+' from 'A-', with a stable outlook. The downgrade marks the ratings agencies first for the country since the 1997/98 Asian Financial Crisis. Fitch said depth and duration of the Covid-19 crisis have weakened several of Malaysia's key credit metrics. The pandemic's impact on Malaysian economy has been substantial and has added to the country's fiscal burden, which was already high, relative to peers going into the health crisis. Lingering political uncertainty following the change in government last Mar also weighs on the policy outlook, as well as prospects for further improvement in governance standards. Fitch expects Malaysia's gross domestic product (GDP) to contract by -6.1% in 2020, before rebounding to 6.7% in 2021, due to base effects, revival of infrastructure projects and ongoing recovery of exports of manufactured goods and commodities.

- **Export duty exemption worth RM325.2 million utilised by oil palm industry**

The value of export duty exemption that has been successfully utilised by Malaysia's oil palm industry amounted to RM325.2 million as of 27 Nov 2020, said the Finance Minister. Among the benefits of this tax measure is that this will directly help smallholders ease selling of their produce to factories. The government has introduced the export duty exemption of up to 100% on palm oil-based industries to stimulate the growth of the country's commodity sector and export value.

- **New economic sectors to be identified under 12MP**

Focus will be on accelerating the development of high potential industries such as aerospace, advanced electrical and electronics, halal, creative industry, biomass, and smart farming. These industries have been identified based on their prospects in generating high value-added activities and products, advanced technology adoption, research and development and innovation, high-skilled employment, as well as contribution in achieving the green agenda. The unveiling of the 12th Malaysia Plan (12MP) 2021-2025 has been postponed until early next year to allow for more input from stakeholders and to take into consideration policy adjustments and economic reforms needed to rebuild and restructure the economy in post-pandemic period.

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MALAYSIA'S MARKET PERFORMANCE

(Continued)

KEY NEWS HIGHLIGHTS (continued)

LOCAL

- **Government targets 40% digitalisation of end-to-end service delivery by year end**

40% digitalisation of end-to-end (E2E) service delivery is targeted by end of this year compared to 20.2% in 2019. Digitalisation process will continue to be intensified with focus to be given to the development of the digital economy to boost the country's economic growth post Covid-19. Efforts to empower the digitalisation agenda are included in one of the strategic thrusts of the Shared Prosperity Vision 2030. The digitalisation process is also supported by the National Digital Economy and Fourth Industrial Revolution (4IR) Council that will ensure sustainable digital economic development for wholesome benefit.

- **Two more firms join the vaccine distribution club**

My EG Services Bhd (MyEG) and Yong Tai Bhd have become the two latest companies to jump on the vaccine distribution bandwagon. MyEG has signed a memorandum of understanding (MoU) with Anhui Zhifei Longcom Biopharmaceutical Co Ltd (Zhifei) to obtain Malaysian halal certification for the Chinese biopharma company's Covid-19 vaccine and to exclusively distribute the vaccine in Malaysia for a three-year period. Meanwhile, property developer Yong Tai Bhd has entered into a heads of agreement (HoA) with China-based Shenzhen Kangtai Biological Products Co Ltd (SZKT) for proposed collaboration on development and exclusive commercialisation of the latter's Covid-19 vaccine in Malaysia.

- **MyEG gets three-year extension to provide e-government services**

MyEG Services Bhd (MyEG) has secured a three-year extension for the e-government services it provides. The Ministry of Transport (MoT) had granted the extension from 23 May 2020 to 22 May 2023. It said the extension is in the best interest of the company, and expected to contribute positively to earnings and net assets per share of the company for the financial year ending 31 Dec 2020 (FYE2020) and thereafter.

- **KPower bags RM296.0 million hydropower project in Perak**

Kumpulan Powernet Bhd (KPower) has bagged a contract worth RM296.0 million for a mini-hydropower plant in Perak. The group announced that its wholly-owned subsidiary KPower Engineering Sdn Bhd had received and accepted a letter of award day before from Kangsar Hidro Sdn Bhd to undertake the engineering, design, procurement, construction, commissioning and completion of a mini-hydropower plant with a total capacity of 27.3MW in Sungai Singor, Perak.

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