Bank Muamalat

MUAMALAT BEYOND

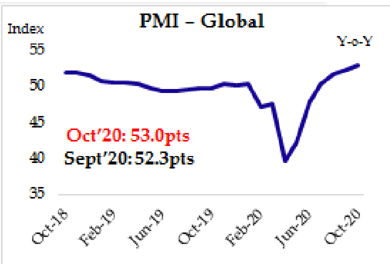
Presenting Malaysia's First Islamic Premier Banking

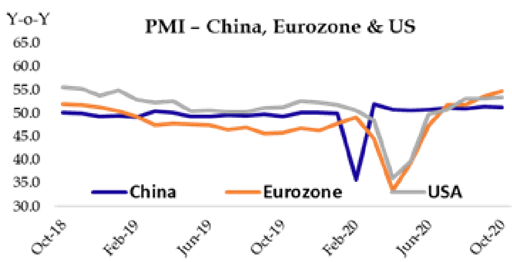
MONTHLY MARKET OUTLOOK
November 2020

GLOBAL MARKET PERFORMANCE

RECENT DEVELOPMENTS

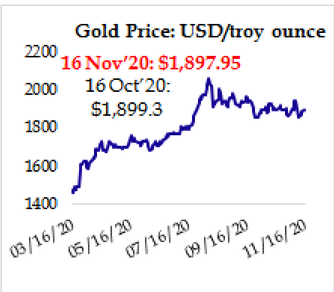
- **PMI:** Global manufacturing output rose at fastest pace in over 2.5 years in Oct, building on return to growth seen during 3Q2020. New order intakes strengthened, assisted by further upturn in international trade, while business optimism also increased.
- **GOLD:** Futures prices are lower in early US trading and lost modest overnight gains on news about another positive outcome of Covid-19 vaccine trial.
- **CRUDE OIL:** Futures settled higher as supply and demand outlooks grew more bullish on positive vaccine progress, as well as signs that OPEC and allies are moving closer to extending output cuts into 2021.
- **CRUDE PALM OIL:** Prices look set to remain high for remainder of 2020, supported by concerns over tight global edible oil supplies and fears of the cyclical La Nina wet-weather pattern impact on output.
- **USD/MYR:** MYR opened higher vs. USD, supported by signing of the Regional Comprehensive Economic Partnership (RCEP) which was favorable for MYR, as well as positive progress of vaccine development.

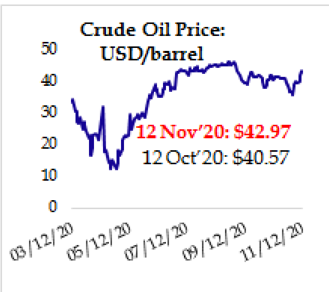


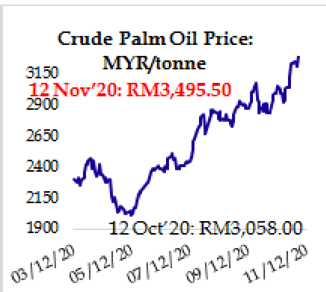


OUTLOOK 2020

- **GOLD PRICE:** Could reach USD2,000/ounce by year end *(RBC Wealth Mgmt)*
- **CRUDE OIL PRICE:** Forecast at USD40/barrel by year end *(Kenanga Research & HLIB Research)*
- **CRUDE PALM OIL PRICE:** Average of RM2,600/tonne *(RHB Research)*
- **MYR:** Average trading of 4.12 vs. USD by year end *(UOB Research)*







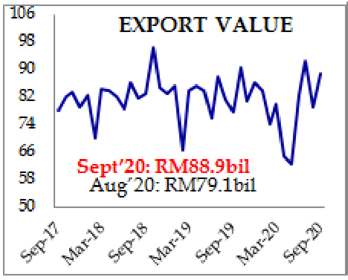
MONTHLY MARKET OUTLOOK
November 2020

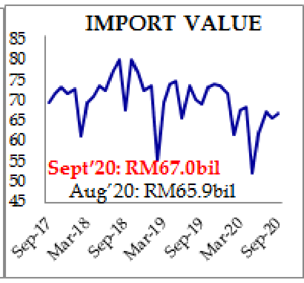
Muamalat Beyond
Presenting Malaysia's First Islamic Premier Banking

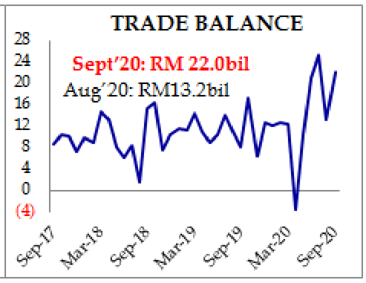
MALAYSIA'S MARKET PERFORMANCE

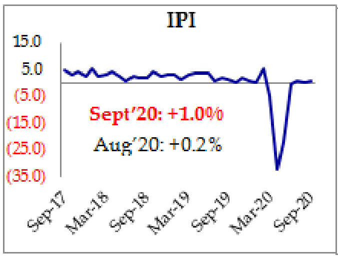
RECENT DEVELOPMENTS

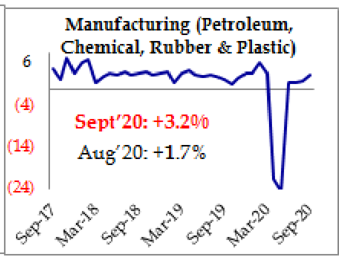
- **EXPORT:** Value increased 12.4% m-o-m in Sept. Manufactured goods (87.7% of total exports) increased by 16.3% y-o-y while agriculture goods (7.4%) expanded by 26.6% y-o-y.
- **IMPORT:** Value increased 1.6% m-o-m. Imports of intermediate goods and capital goods both decreased by -17.8% and -1.8%, respectively. Only imports of consumption goods increased by 11.2% y-o-y.
- **CPI:** Continued in deflationary environment at -1.4% (same as Aug), reflecting sustained -9.9% y-o-y decrease in transport prices.
- **TRADE BALANCE:** Trade surplus surged by 66.3% m-o-m to RM22.0 billion, i.e. second highest monthly trade surplus after July 2020.
- **IPI:** Increased 1.0% y-o-y, spurred by growth in Manufacturing sector (4.3% y-o-y), despite contractions in Mining (-9.6%) and Electricity (-2.1%) sectors.

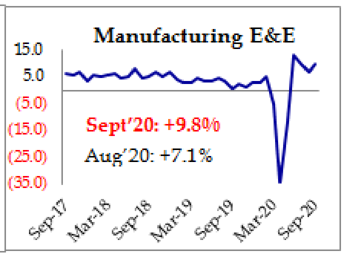










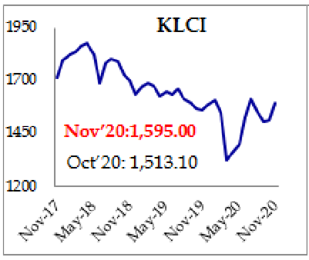


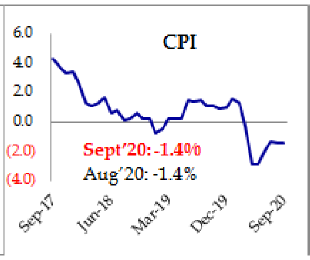
MALAYSIA'S MARKET PERFORMANCE

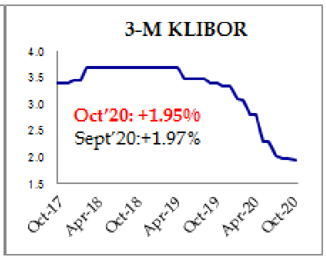
(Continued)

OUTLOOK 2020

- **CPI:** Revised to -0.7%. *(AllianceDBS Research)*
- **GDP:** Revised to -4.5% and -4.9% *(MOF, Bloomberg median)*
- **KLCI:** Revised year-end target of 1,580 pts *(HLIB Research)*







MALAYSIA'S MARKET PERFORMANCE

(continued)

KEY NEWS HIGHLIGHTS

GLOBAL

- **US industrial production rose 1.1% in Oct 2020**

The increase was attributed to slow climb back of output from deep declines last spring due to pandemic-related shutdowns. The 1.1% rise in index of industrial production, i.e. measure of output at factories, mines and utilities, followed a revised -0.4% decline in Sept. Output remains 5.6% below where it was in Feb, before the Covid-19 pandemic hit. Production is expected to continue to make up lost ground in coming months since demand for goods has held up better than demand for services but alarming rise in new virus cases around the country could slow down expansion.

- **German economy stagnating or shrinking amid second wave of virus**

The condition was due to measures taken at home and abroad to contain the second wave of Covid-19 pandemic that has hit leisure activities as well as exports. With schools opening and restrictions mainly affecting the catering and hospitality sectors, Germany has taken a softer approach than some of its neighbours but was still bound to suffer from weaker demand from abroad. However, economic slump like the one in the spring was unlikely, as progress on the development of a vaccine against Covid-19 boosted hopes of finding a balance soon between containing the virus and keeping the economy open.

- **China's factory output grows faster-than-expected in Oct 2020**

China's industrial output climbed 6.9% in Oct from a year earlier, in line with Sept's gain. After the pandemic paralysed huge swathes of the economy this year, the industrial sector has staged an impressive turnaround, helped by resilient exports. Now, with virus largely under control in China, consumers are opening up their wallets again in further boost to economic activity. Retail sales increased by 4.3% y-o-y, i.e. faster than 3.3% increase in Sept. China's auto industry reported a robust 12.5% growth in Oct vehicle sales, thanks to surging demand for electric cars and trucks. Domestic tourism also saw a strong rebound over the Golden Week holiday last month.

- **Singapore home sales fall after rules to deter market distortion**

Singapore home purchases fell in Oct 2020 after the government curbed a market practice seen to be inflating sales figures and to discourage speculation in the property market. Apartment sales declined -51% to 642 last month vs. Sept sales that reached the highest in > two years. The drop comes after the government tightened a market practice in Sept involving what is termed as "options-to-purchase", i.e. an agreement where buyers reserve a residential property they intend to buy, with the rights expiring three weeks later. If no purchase is made in that time, the seller has to pay fees to forfeit the reservation. However, developers can re-issue the options and the time given to buy the property can run for more than a year.

MALAYSIA'S MARKET PERFORMANCE
(continued)

KEY NEWS HIGHLIGHTS *(continued)*

LOCAL

- **Malaysia's 3Q2020 GDP contraction of -2.7% better than expected but risks remain**

Malaysia's economic contraction of -2.7% in 3Q2020 is better than consensus expectations and shows a momentum that bodes well for the country's economic recovery. The improvement, said BNM, largely reflected the impact of the economy's reopening after the Movement Control Order, and better external demand conditions. However, risks linger ahead with the resurgence of Covid-19 cases and the re-imposition of containment measures such as the conditional movement control order (CMCO). As such, most economists are keeping their projections of a contraction of between -3.5% and -5.5% for 2020, in line with the Ministry of Finance's forecast.

- **Malaysia's headline inflation sees smaller contraction of 1.4% in 3Q2020**

Headline inflation recorded a smaller contraction of -1.4% in 3Q2020 vs. -2.6% contractions in 2Q, mainly due to higher domestic retail fuel prices, in line with the recovery in global oil prices. In line with earlier assessments, headline inflation is likely to average negative this year, given the substantially lower global oil prices. Going forward, BNM is projecting that headline inflation will average higher at between 1% to 3% in 2021, primarily reflecting the higher projected global oil prices and the impact lapse from the tiered electricity tariff rebate in 2020.

- **Pharmaniaga sees 200% gain in 3Q2020 profit amid lower OPEX during MCO**

Pharmaniaga Bhd recorded 200% gain in its net profit to RM1.44 million for its 3Q2020 ended 30 Sept 2020, from RM481, 000 a year earlier, due to lower operating expenditure (OPEX) during the enforcement of the Movement Control Order (MCO). This was achieved despite its revenue for the quarter declining -13% to RM624.8 million from RM716.85 million in the previous year's corresponding quarter, due to lower demand from both its concession business and Indonesian operations amid the Covid-19 pandemic.

- **Perak Transit books highest quarterly result since listing**

Perak Transit Bhd reported its best quarterly revenue and profit for its 3Q2020 ended 30 Sept 2020. The bus-terminal operator saw its net profit for 3Q2020 jump 32.34% to RM11.96 million from RM9.04 million a year ago while its quarterly revenue increased by 8.05% to RM35.02 million from RM32.41 million.

MALAYSIA'S MARKET PERFORMANCE
(continued)

KEY NEWS HIGHLIGHTS *(continued)*

LOCAL

- **Malaysia in deal with China for Covid-19 vaccine development**

Malaysia has signed an agreement with China to cooperate on the development of a safe and efficacious vaccine, as part of efforts to combat the Covid-19 pandemic. Under the agreement, in force for an initial period of five years, Malaysia will be given priority access to Covid-19 vaccines developed by China. Both will share knowledge and expertise and facilitate scientific and technological capabilities to advance vaccine development in their countries.

- **FGV leaps into 3Q2020 profit on higher CPO price and lower loss at sugar segment**

FGV Holdings Bhd reported 3Q2020 net profit of RM136.89 million vs. net loss of RM262.41 million a year earlier as the group's financial performance improved largely due to higher crude palm oil (CPO) price and lower loss at the company's sugar segment.

- **IOI's 1Q2021 profit jumps 87% amid stronger CPO prices**

Higher crude palm oil (CPO) and palm kernel (PK) prices and Forex gains boosted IOI Corp Bhd's earnings in its 1Q2021 ended 30 Sept 2020. Its net profit soared by 86.5% to RM277.9 million from RM149 million in the previous corresponding quarter. Quarterly revenue grew by 39.5% at RM2.48 billion from RM1.78 billion a year prior.

- **SP Setia reports RM263.4 million loss in 3Q2020 due to Battersea Project JV's impairment**

SP Setia Bhd reported wider net loss of RM263.4 million for its 3Q2020 ended 30 Sept 2020 compared with a net loss of RM131.5 million in 2Q2020, due to its share of impairment of RM336.3 million from the group's 40%-owned joint venture company, Battersea Project Holding Company Ltd (BPHC), in the UK. Revenue for the quarter, however, surged 226% to RM1.08 billion from RM331.3 million in the preceding quarter, as the property developer saw overall better sales in Malaysia after the MCO, and higher take-up at its Daintree Residence project in Singapore.