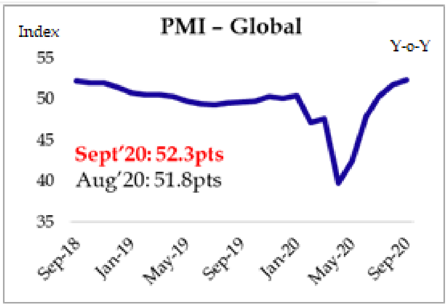
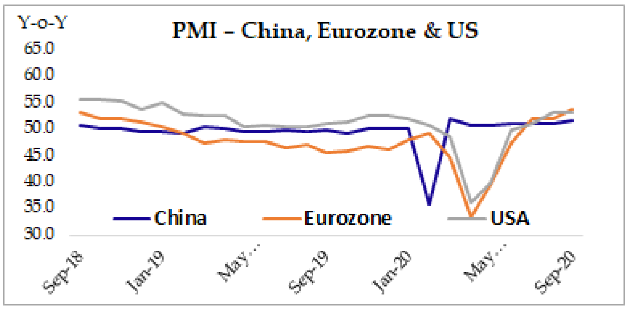
MONTHLY MARKET OUTLOOK
October 2020

GLOBAL MARKET PERFORMANCE

RECENT DEVELOPMENTS

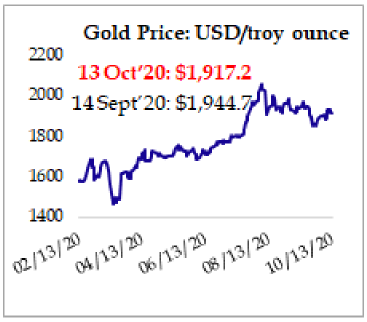
- **PMI:** Upturn in global manufacturing continued in Sept, as output and new orders both rose for third successive month. New export business also expanded for first time in > two years.
- **GOLD:** Price dropped slightly lower as USD regained momentum, while rapid rise in US tech stocks also saw gold losing some shine, as investors increase their buying pressures on riskier assets.
- **CRUDE OIL:** Brent futures posted largest weekly gain since early June on supply disruptions from Hurricane Delta and optimism on US stimulus deal.
- **CRUDE PALM OIL:** Futures contract ended higher in anticipation of higher export demand for Oct, as inventories showed declining pattern on the back of strong export in first 10 days of Oct.
- **USD/MYR:** MYR continued to open lower against USD in line with most of its regional peers.

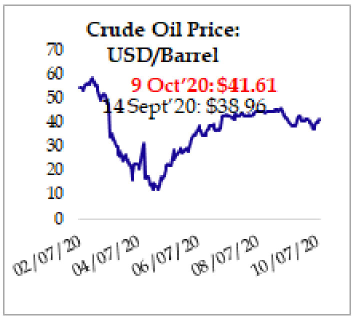


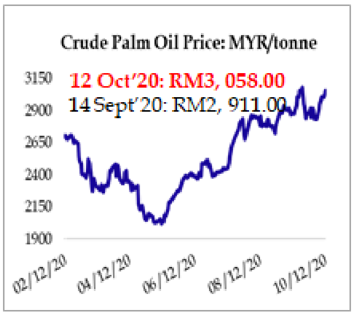


OUTLOOK 2020

- **GOLD PRICE:** Could reach USD2,000/ounce by year end *(RBC Wealth Mgmt)*
- **CRUDE OIL PRICE:** Forecast at USD43/barrel by year end *(RHB Research)*
- **CRUDE PALM OIL PRICE:** Average of RM2,500/tonne *(CGS-CIMB Research)*
- **MYR:** Average trading of 4.30 vs. USD by year end *(Kenanga Research)*





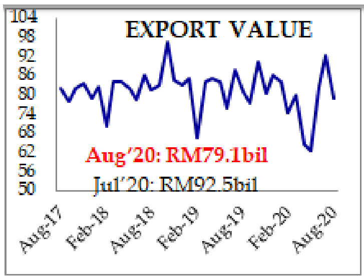


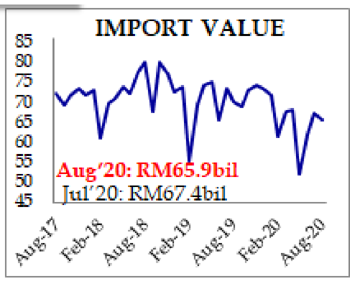
MONTHLY MARKET OUTLOOK
October 2020

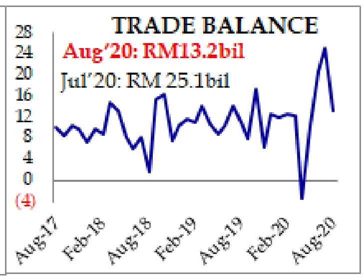
MALAYSIA'S MARKET PERFORMANCE

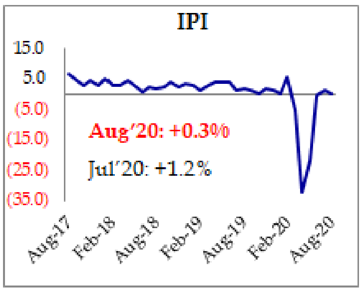
RECENT DEVELOPMENTS

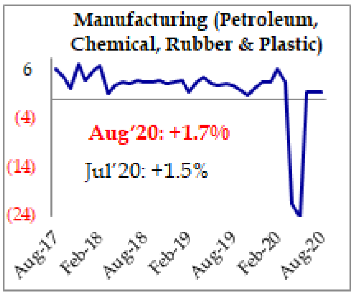
- **EXPORTS:** Value dropped -14.5% m-o-m in Aug, i.e. steepest decline in four months. Exports of manufactured goods (86.6% of total) decreased 0.1% y-o-y agriculture goods (7.2%) declined 4.5%, while mining goods (5.8%) down 25.9%.
- **IMPORTS:** Value dropped -2.2% m-o-m in Aug. Imports of manufactured goods (85.2%) declined 8.6% y-o-y, mining goods (6.4%) decreased 3.9%. However, imports of agriculture goods (5.6%) increased 1.8%.
- **CPI:** Remained in deflationary zone for the sixth straight month at -1.4%. The lower inflation was due to massive contraction in Transport components, together with mild growth in other components.
- **TRADE BALANCE:** Trade surplus narrowed to three-month low as exports declined at much faster pace than imports.
- **IPI:** Growth slowed to 0.3% y-o-y in Aug on the back of drops in mining (-6.7%) and electricity production (-1.2%) but remained supported by manufacturing production (2.4%).

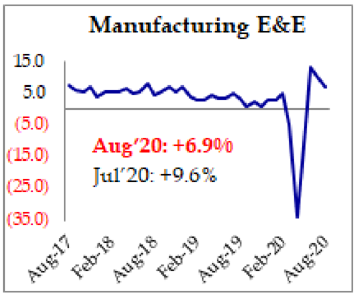












MONTHLY MARKET OUTLOOK
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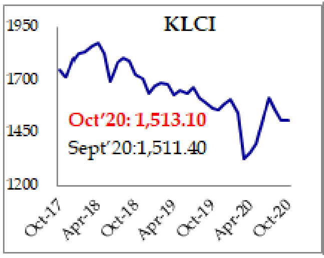
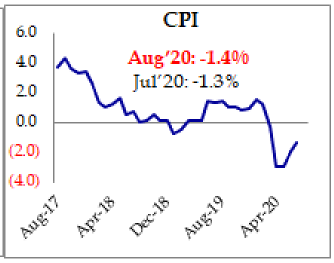
MALAYSIA'S MARKET PERFORMANCE
(Continued)

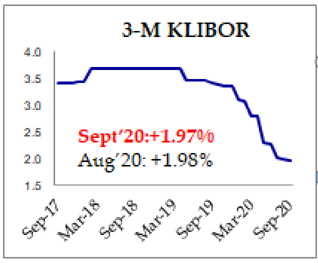
OUTLOOK 2020

- **CPI:** Median of -1.0%. *(Bloomberg)*
- **GDP:** Revised to a range of -3.5% to -5.5%; -4.9%; -6.0%.

  (BNM, World Bank, IMF)
- **KLCI:** Year-end target of 1,600 pts *(RHB Research)*







MALAYSIA'S MARKET PERFORMANCE

(continued)

KEY NEWS HIGHLIGHTS

GLOBAL

- **BOJ to cut growth, inflation forecasts as pandemic pain persists**

Any such downgrade is unlikely to trigger an immediate expansion of monetary stimulus, with Japan's central bank, the Bank of Japan (BOJ) expected to maintain its assumption that the country will post a moderate pickup, albeit weaker than three months ago. The main reason for downward revision is worse-than-expected economic slump in 2Q2020 and soft consumption during the summer. Risks are skewed to the downside, with weak service-sector spending and prospects of deeper cuts in capex clouding the outlook. In its July 2020 projection, BOJ expects the economy to contract -4.7% in current fiscal year ending Mar 2021, i.e. before release of data that showed economy shrank an annualised -28.1% in 2Q2020, i.e. its worst post-war slump. BOJ is also expected to trim its inflation forecast, due largely to the impact of a government campaign offering discounts for domestic travel.

- **China's economy grows 4.9% in 3Q2020**

This gross domestic product (GDP) growth puts the economy back towards its pre-Covid-19 trajectory half a year after the pandemic gutted its economy. It also brings China's trajectory closer in line with forecasts made at the beginning of the year for 2020 growth of between 5.5% and 6.0%, i.e. forecasts made before the pandemic. The 3Q2020 expansion builds on 2Q's 3.2% growth, which follows a historic contraction of -6.8% in 1Q, when authorities locked down the central Chinese city of Wuhan in a bid to curb the fast-spreading virus. The International Monetary Fund (IMF) is projecting China's economy to expand by 1.9% in 2020, putting it on track to be the only major world economy to grow this pandemic-hit year.

- **Fitch: International tourism flows in Asia-Pacific to remain subdued through 2021**

Fitch Ratings said Covid-19 continued to disrupt international services trade, especially tourism, with international tourist arrivals globally declined by -65% y-o-y in 1H2020 (with -72% in APAC). Some APAC sovereigns are more exposed, as inbound tourism receipts account directly for at least 5% of GDP for more than a third of Fitch-rated APAC sovereigns, led by Macau and the Maldives, followed by Thailand and Hong Kong. All four economies are experiencing large economic contractions in 2020, led by Macau and the Maldives where GDP is projected to decline by at least -40% and -16%, respectively. Governments that had succeeded in curbing Covid-19 began to cautiously ease domestic lockdowns and border controls since late in 2Q but recent surge in new cases will impede border reopening and speedy resumption of cross-border travel.

MALAYSIA'S MARKET PERFORMANCE
(continued)

KEY NEWS HIGHLIGHTS *(continued)*

LOCAL

- **Cagamas gets overwhelming response for Malaysia's first ASEAN SRI Sukuk**

The National Mortgage Corporation of Malaysia (Cagamas Bhd) has priced a combined issuance of its maiden ASEAN Sustainability SRI Sukuk and Islamic Medium Term Notes (IMTN) totalling RM450 million. The issuance, conducted via a public book building exercise by RHB Investment Bank, received an overwhelming response from investors and achieved a total order close to RM2 billion at initial price guidance. The issuance comprises a three-year RM100 million SRI Sukuk and RM350 million IMTN, and is based on the Islamic principle of Murabahah under the company's existing RM60 billion IMTN programme.

- **MITI: China remains Malaysia's largest foreign investor in manufacturing sector**

China remains Malaysia's largest foreign investor in the manufacturing sector for four consecutive years since 2016, with 32 foreign direct investments (FDIs) amounting to USD452.43 million approved in the first six months of 2020. In 2019, Ministry of International Trade and Industry (MITI) said Malaysia approved 79 FDIs worth USD3.74 billion from China.

- **Sept 2020 vehicle sales grow 26.3% y-o-y, fastest pace this year so far**

Promotional activities by manufacturers helped lift Malaysia's vehicle sales by 26.37%, i.e. strongest growth registered so far this year. Malaysians bought a total of 56,444 units of vehicles in Sept 2020, compared with 44,666 units in the same month last year, according to the Malaysian Automotive Association (MAA). The Sept 2020 figure was also higher by 7% when compared with Aug's 52,800 units and is the second-highest monthly sales figure recorded so far this year.

- **India imported 393,000 tonnes of palm oil from Malaysia in Sept 2020**

India imported 392,891 tonnes of palm oil from Malaysia in Sept 2020. The imports from Malaysia comprised 381,079 tonnes of crude palm oil (CPO) and 11,812 tonnes of crude palm kernel oil (CPKO). Last month's figures represent a 14% increase on Aug's Indian palm oil imports from Malaysia, data released by the trade group Solvent Extractors' Association (SEA) showed.

MALAYSIA’S MARKET PERFORMANCE
(continued)

KEY NEWS HIGHLIGHTS *(continued)*

LOCAL

- **Top Glove says labour issues in US DOL report resolved, seeks lifting of import ban**

Top Glove Corp Bhd said it has resolved issues highlighted by the US Department of Labour (DOL) in a report that listed rubber gloves among products manufactured through child or forced labour. The world’s biggest glove maker reiterated steps it had taken to improve work conditions, which it has submitted to the US Customs and Border Protection to secure an expeditious resolution and revocation of the ban on exporting its products to the country.

- **Mah Sing to spend up to RM150 million in capex for Phase 1 of rubber glove business**

The first phase of its proposed rubber glove venture will be funded via internal funds, bank borrowings and Sukuk issuance. Further to its latest announcement regarding the diversification of its business, Mah Sing said the capex entails the purchase of 12 new glove production lines and other plant and machinery such as boilers, chillers, compressors and wastewater treatment plant as well as the refurbishment work of a warehouse in Klang.

- **FGV expands bulking facility to cater to market demand**

FGV Holdings Bhd has expanded its bulking facility by adding 6 new vegetable oil storage tanks to cater for increasing market demand and to fulfil the government's B20 biodiesel mandate for the transport sector. FGV said the additional tanks attested to the team’s expertise in handling edible and non-edible vegetable oil products. It complements a fully computerized system, stringent quantity and quality controls, strict security and safety measures, as well as comprehensive receipt-storage-dispatch facilities.