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Low trading values indicate lack of interest from the investors, traders - Manokaran



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The local stock market was consolidating between 1,492 points and 1,505 points throughout the week before ending the week on a higher note at 1,506.19 points (+4.64 points or +0.31%).

This was the fifth consecutive week of gains for the benchmark KLCI Index.

Once again, I have to advocate caution as the gains were achieved on thin trading volumes and values as the average daily traded value remained below RM2.0 billion per day throughout the week.

Low trading values indicate that there is a lack of interest from the investors and traders alike to the equity market which makes the market susceptible to sudden and sharp sell offs as any gains made may not be sustainable especially if there is no follow through buying support.

The bond yields for both the 10-year US Treasuries (UST) and 10-year MGS yields ended higher for the second consecutive week at 2.84% and 3.98% respectively as bond traders took the opportunity to lock in profits as it became clear that the lower-than-expected inflation numbers in the US for July 2022 at 8.5% is still high and the US Federal Reserve remains on track to increase the Federal Funds Rate by another 50 basis points at its upcoming meeting in September 2022.

The latest rise in yields (especially in the MGS) has caused the yield spreads between both countries' 10-year bonds to widen by 4 basis points to 114 basis points.

Meanwhile, the yield curve inversion between the UST 2-year and 10-year notes continues into its 5th week with the UST 2-year notes yield rising to 3.24% from 3.21% last week. This caused the yield inversion to widen to -40 basis points from -38 basis points last week. The long-term average of the yield spread for both UST is +0.92% or +92 basis points.

In summary, I expect both the local stock & bond markets to consolidate in the coming week given the lack of any major market moving developments. Equity investors and traders will be looking forward to the release of 2Q2022 results from listed corporates over the next two weeks.

ECONOMY

Deputy Minister of International Trade and Industry Datuk Lim Ban Hong has encouraged the Small and Medium Enterprise (SME) players and the general business community to take advantage of the various initiatives provided by the federal government to speed up the economic recovery.

He added that they would also need to explore new opportunities especially in the overseas market. Under the 12th Malaysia Plan, SME are expected to contribute up to 45% of Malaysia's GDP and 25% of total exports by 2025. SME comprise 97.2% of the total number of companies registered in Malaysia.

The Communications and Multimedia Ministry said the Malaysian Communications and Multimedia Commission (MCMC), the Personal Data Protection Department and CyberSecurity Malaysia are currently looking into the cyber security incident that affected online payment service provider iPay88 (M) Sdn Bhd that may have compromised consumer credit card data.

The incident is also being investigated by iPay88's vendor - SISA from Singapore. Meanwhile Bank Negara Malaysia has also instructed banks to immediately notify cardholders of additional protective measures that will be taken to further protect them against risks of fraud or unauthorized transactions as it takes a serious view of any incident that can affect the confidence in payment systems.

So far, the breach is confined to iPay88's payment card system and does not involve vulnerabilities in the bank's system.

Malaysia's Gross Domestic Product (GDP) growth for 2nd Quarter 2022 posted a positive 8.9% year-on-year growth which was significantly above consensus expectations of a 7% growth.

Nevertheless, Bank Negara Malaysia maintained its 2022 GDP estimates at between 5.3% to 6.3%. Finance Minister Tengku Datuk Seri Zafrul Abdul Aziz said the federal government remains cautious for the outlook in the second half of 2022 as the risks of slower economic growth in the coming quarters is high due to the Russia-Ukraine conflict, China's strict COVID-19 containment measures and elevated inflationary pressures due to the ongoing global supply chain disruptions.

He added that priorities for the upcoming Budget 2023 would include more sustainable subsidy management, economic reforms and measures to strengthen the country's economic resilience to future shocks.

Science, Technology and Innovation Minister Datuk Seri Dr Adham Baba said the federal government is studying a suitable approach to implement an End-Of-Life Vehicle (ELV) management policy by 2025.

He said Malaysia is looking at Singapore and Japan which have ELV recycling policies to come up with a draft for the policy framework as 70% of the dismantled items from ELV can be exported to other countries with a economic potential worth RM10 billion.

According to the Ministry of Transport, there are 33 million registered vehicles registered in Malaysia as at 31 May 2022 and around 19 million vehicles are at least 10 years old. He added that Malaysia intends to establish 10,000 charging stations for electric vehicles by 2025 from the current 700 stations.

CURRENCY

As expected, the Ringgit remained in a consolidation mode during the week given the lack of near-term catalysts. However, the local currency strengthened slightly against the US Dollar this week at RM4.4425 / USD1.00 (-0.7sen), snapping a two-week losing streak.

I expect the Ringgit to remain range bound against the US Dollar until the next BNM Monetary Policy Committee (MPC) meeting on 7-8 September 2022 within a trading band of between at RM4.42 to RM4.47.

The Ringgit was mixed against the other major currencies for the week. The Ringgit made marginal gains against the British Pound at RM5.3916 / GBP1.00 (+0.8sen) and the Japanese Yen at RM3.3250 / JPY100 (+1.1sen).

Conversely, the Ringgit continue to weaken to another new record low against the Singapore Dollar at RM3.2407 / SGD1.00 (-0.5sen) and a shade lower against the Euro at RM4.5593 / EUR1.00 (-0.8sen).

POLITICS

Barisan Nasional (BN) Deputy Chairman Datuk Seri Mohamad Hasan said BN will be keeping to its decision to go compete on its own in the coming 15th General Elections (GE15) and will aim to win as many seats as possible in the Parliament to form a government by itself.

However, if the results were to come up short, it is prepared to negotiate with other parties to set up a strong and stable government for the people's well-being.

Meanwhile, Malaysian Indian Congress (MIC) President Tan Sri SA Vigneswaran has reminded all of its party members to strengthen its own election machinery and work hard to gain support from the Indian community in order to ensure a victory for BN for the upcoming GE15. – [DagangNews.com](https://www.dagangnews.com)

Manokaran Mottain has been an economist with a number of financial institutions is now managing his own firm, Rising Success Consultancy Sdn Bhd