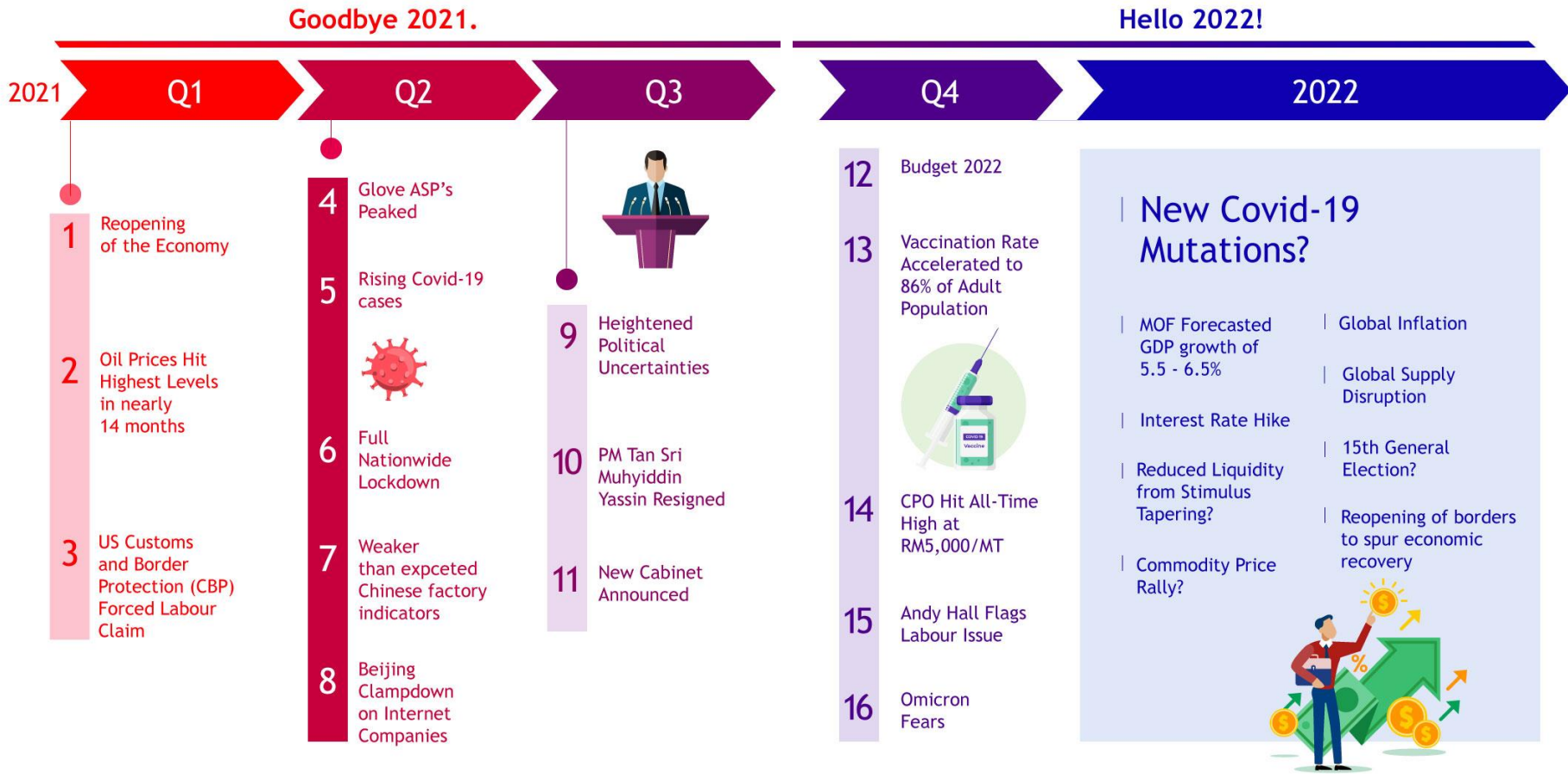


GOODBYE 2021, HELLO 2022! 19 JANUARY 2022

As we celebrate the New Year, let the Bursa Digital Research (BDR) team bring you back to the notable events in 2021 and some of the anticipated events that we look forward to in 2022

Figure 1: Timeline of Events



Notable event in 2021

1. The FBMKLCI closed higher on recovery theme play with sectors like Aviation, Tourism, Consumer, Telecommunications & Media, and Industrial Products & Services.
2. In March 2021, the Brent Crude Oil rose by circa 349% to USD71 per barrel from a bottom of circa USD16 per barrel. Bursa Energy Index increased by 2.2% in the first quarter of 2021 (1Q2021).
3. US Customs and Border Protection (CBP) banned glove products from one of the glove companies on labour concerns.
4. Average Selling Price (ASP) for rubber gloves peaked some time in 1Q 2021. At the height, ASP were about five to six times the price compared to the pre-pandemic period.
5. Rising Covid-19 cases in the second quarter of 2021 (2Q2021) and daily cases peaked at 9,020 at the end of May 2021.
6. This led to the announcement of the Full Movement Control (FMCO) on 1 June 2021.
7. The FBMKLCI closed lower, in line with other Emerging Markets (Apr 30) due a fall in China's Purchasing Managers' Index (PMI) to 51.1 in April from 51.9 in March, as supply bottlenecks weighed on production and overseas demand softened.
8. Restrictions imposed by regulators on China's technology giants also weighed on the overall sentiment.
9. Heightened political uncertainties and the eventual resignation of Prime Minister Tan Sri Muhyiddin Yassin on 16 August 2021.
10. The Average Daily Value of On-Market Transactions (ADV-OMT) were thinly traded during this period, down by 20.5% to an average ADV of RM59.7 billion during the third quarter of 2021 (3Q 2021).
11. His resignation and the appointment of the new Cabinet alleviated the political uncertainties which brought the FBMKLCI back to pre-FMCO level of 1,600 level.
12. The announcement of Cukai Makmur and the removal of stamp duty cap and the 5 basis points (bps) hike in Budget 2022. The FBMKLCI was down by 3% month-on-month (MoM) in November 2021, following the Budget 2022 announcement.
13. Vaccination rate accelerated to 86% of adult population has sent some relief rally in selective stocks within the recovery sectors.
14. Crude Palm Oil (CPO) price hit the all-time high at above RM5,000 per tonne in the fourth quarter of 2021 (4Q 2021). KL Plantation Index experienced some rally which moved up by 6% MoM in October 2021.
15. Environmental, Social and Governance (ESG) activist, Andy Hall raised concerns on labour issue in one of the Electronic Manufacturing Services (EMS) players.
16. The emergence of the new Covid-19 variant, Omicron has spooked investors and thin trading were recorded with ADV down by 10.8% in December 2021.

**Sectorial index price changes sourced from Bloomberg and based on period average.*

As we move into 2022, some of the anticipated events that will move the market include:

- New Covid-19 mutation to continue to spook investors as this could mean further lockdowns which may result in supply chain disruption and hamper economic growth.
- Global supply chain disruption and global inflation could be the main theme for the market in 2022.
- Further lockdown and China's Zero Covid policy could cause bottleneck in supply chain resulting in high commodity prices.
- United States Federal Reserve is expected to reduce liquidity from stimulus tapering to tame high inflation rate.

Based on the poll data from Bloomberg, we found that of the economists polled, 48% expect a rate hike in the second quarter of 2022 (2Q22), bringing the median of the interest rate expectation to 0.25%. In the third quarter of 2022 (3Q2022), 39% of the economists polled expect another rate hike of 25 bps.

35% of the economists expect three rate hikes while 38% of the economists expect two rate hikes in 2022. The interest rate hike would impact to the global markets including FBMKLCI Index as global funds tend to shift to less risky assets i.e. fixed income market as yields improve.

Figure 2: Federal Reserve Interest Rates Poll as of 17 December 2021

	1Q22	2Q22	3Q22	4Q22
Low Forecast	0.00	0.00	0.00	0.00
Median Forecast	0.00	0.25	0.25	0.25
High Forecast	0.25	0.50	0.75	1.00
Number of Responses	67	67	66	68

Source: Bloomberg

- Similarly, Bank Negara Malaysia is likely to increase the Overnight Policy Rate (OPR).

Based on the poll data from Bloomberg, only two of the economists expect a rate hike in 2Q22. Meanwhile, 52% of the economists polled expect a rate hike in 3Q22 and 64% of the economists expect a rate hike in the fourth quarter of 2022 (4Q22).

The year-end OPR expected by economists range from 1.75% to 2.50% with the median of 2.00%. Among the 22 economists polled, seven of them expect two rate hikes in 2022.

Figure 3: Overnight Policy Rate Poll as of 19 November 2021

	1Q22	2Q22	3Q22	4Q22
Low Forecast	1.75	1.75	1.75	1.75
Median Forecast	1.75	1.75	2.00	2.00
High Forecast	1.75	2.00	2.25	2.50
Number of Responses	22	22	21	22

Source: Bloomberg

- The Ministry of Finance (MOF) forecasted a Gross Domestic Product (GDP) growth of 5.5% to 6.5% could be a boon to the market driven by the recovery sectors.

- Potential key event for the year would be the 15th General Election (GE). Historically, GE has an impact to the capital market in tandem with political uncertainties.

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