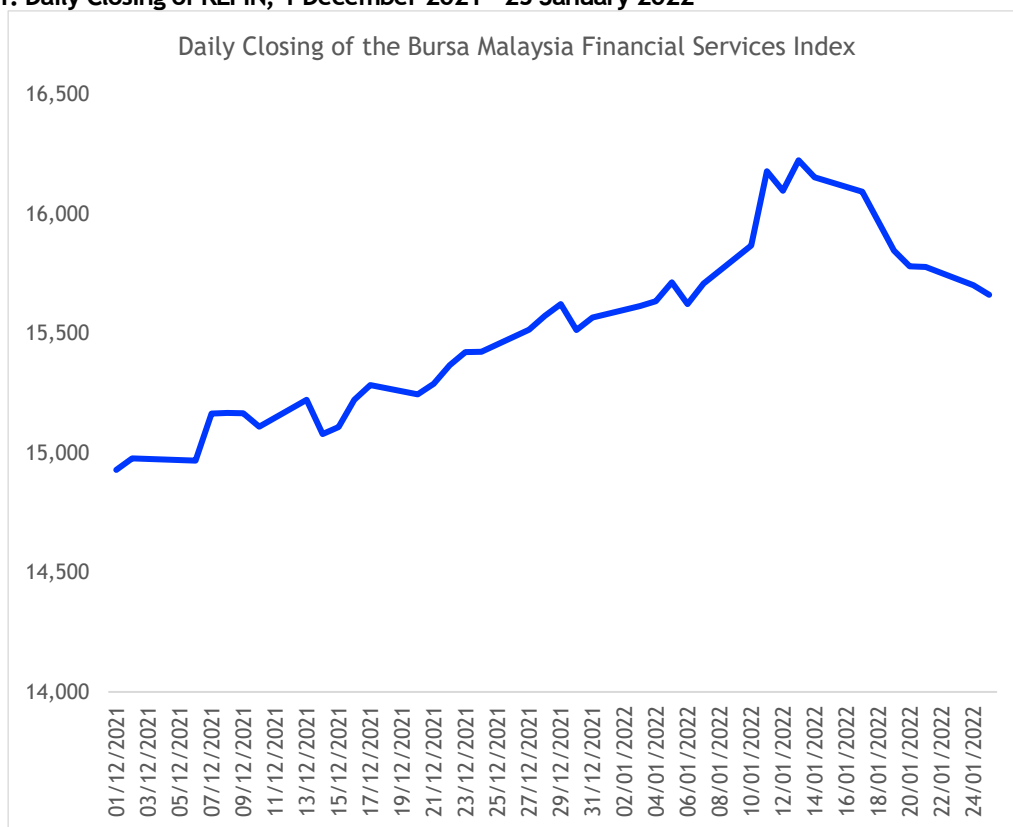


During the first Monetary Policy Committee (MPC) meeting on 20 January, Bank Negara Malaysia (BNM) has decided to maintain the overnight policy rate (OPR) at 1.75%.

Most economists expect tightening of the monetary policy to maintain price stability in view of inflationary pressures. Based on Bloomberg’s economist poll from 22 respondents, 50% of them expect one rate hike while 36% expects two rate hikes this year. 52% of the economists expect the rate hike to happen in the third quarter (3Q) and 64% in expects a rate hike in the fourth quarter (4Q). Year-end OPR mean based on the November 2021 poll is 2.13% while the median is 2.00%.

Interestingly, leading up to the first MPC meeting, the Bursa Malaysia Financial Services Index (KLFIN) had been inching up week-on-week since the beginning of December 2021. **Most notably, the index climbed 2.8% for the week ended 14 January 2022 as the MPC meeting drew closer, compared to 0.9% for the week ended 7 January 2022.**

Figure 1: Daily Closing of KLFIN, 1 December 2021 - 25 January 2022



Notably, **foreign investors are net buyers of KLFIN with an inflow of RM486.05 million as of 25<sup>th</sup> January.** Meanwhile, local retailer and local institutions sold -RM252.37 million and -RM215.08 million respectively.

For the week ended 14 January, financial stocks that saw the highest foreign inflow were: PBBANK (+RM102.36 million), MAYBANK (+RM67.48 million) and CIMB (+RM50.34 million). Share price of Maybank was up by +1.68% while CIMB added 1.47% to its share price for the week ended 14 January.

**Figure 2 : Top Five Net Buy by Foreign Investors, 10 January - 14 January 2022**

Stock	Foreign (RM Mil)	Local Retail (RM Mil)	Local Institutional (RM Mil)
Public Bank Bhd	102.36	(53.77)	(21.13)
Malayan Banking Bhd	67.48	(38.53)	(21.10)
CIMB Group Holdings Bhd	50.34	(16.94)	(25.93)
RHB Bank Bhd	14.35	(9.53)	18.03
Bank Islam Malaysia Bhd	13.95	(1.23)	(11.13)

Note: Based on market transactions only, exclude PDT, IVT and nominees.

Trading volume and value spiked ahead of the MPC meeting on 20 January with the highest volume recorded on 10 January at 818.81 million and highest value on 11 January at RM648.4 million.

**Figure 3: Traded Value and Volume for KLFIN, 3 January - 25 January 2022**



Note: Based on market transactions only

Investors are expected to be looking out for more clues on MPC’s OPR decision in its upcoming monetary policy meeting in early March.

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