

PORTFOLIO MANAGERS' VIEWS



14 March 2022

MALAYSIA

1. THE WEEK IN REVIEW (7-11 March 2022): The KLCI fell 2.2% week-on-week (WoW), underperforming the MSCI ASEAN index (-0.2% in MYR terms) as plantation stocks fell. The FTSE Bursa Malaysia Palm Oil Plantations index dropped 3.7% WoW as the Russia-Ukraine war entered its third week with no end in sight. Geopolitics weighed on local equities despite palm oil prices rising further by almost 9% last week. In contrast, Brent fell by 5% after the United Arab Emirates (UAE) said it would boost oil supplies and is imploring for OPEC to do the same. The UAE is the 6th largest oil exporter globally. Amidst the external volatility, domestic drivers are emerging. Malaysia announced the reopening of its international borders with effect from 1 April. In the construction sector, the government recently approved megaprojects such as the Sarawak-Sabah Link Road, Trans Borneo Highway Project, improvements on the Pan Borneo Highway and the resumption of the Mass Rail Transit (MRT) 3 project

2. STRATEGY & OUTLOOK: Notwithstanding last week's decline, we believe oil prices will remain elevated as Russia's oil displacement (2nd largest exporter globally) and OPEC's inability to meet current production targets will continue to restrict global oil supply and support high oil prices. With this in mind, selected Malaysian equities stand to benefit from a confluence of drivers. Externally, elevated commodity prices will benefit companies involved in primary industries. Domestically, the leisure sector is expected to benefit from higher consumption as borders reopen, whereas the resumption of construction activities should revive interest in the construction and building material sectors. On valuations, Malaysia remains fair. As at last Friday's close, the KLCI's (1) CY22 PER of 14.8x is below its 5Y average PER of 16.3x (2) CY22 PBR of 1.50x is below its 5Y average level of 1.57x and (3) the market's DY of 4.05% is +1SD above its 5Y average of 3.5% (historically 3.0% to 4.5%).

REGIONAL

1. THE WEEK IN REVIEW (7-11 March 2022): There was a glimmer of hope when Russia and Ukraine representatives met late last week, but in the end, the Russia-Ukraine war entered its third week with no resolution. Unusually, crude oil prices, which rose during the first few weeks of the war, fell 5% week-on-week. This halted the recent bullish stock price returns of energy producers, as least for last week. Overall, geopolitical factors weighed on markets, exacerbated by outflows from the North Asian “growth” markets (see Exhibit: Foreign Net Flows). China concluded its National People’s Congress with emphasis on helping small enterprises via a US\$395bn tax reduction and reimbursement scheme and new urban employment jobs target of 11m annual. This failed to lift sentiment on China, as the MSCI China ended the week as the worst regional performer, losing 9% WoW. Adding to the downturn is China’s zero-COVID policy that led to Shenzhen, China’s “Silicon Valley”, putting its communities under closed management. The Hang Seng Tech Index lost 10% as the rotation out of tech continues.

2. STRATEGY & OUTLOOK: Amidst the gloom, ASEAN continues to shine. Last week, Thailand and Malaysia attracted regional inflows as Malaysia announced the reopening of its international borders with effect from 1 April. This announcement reinforces the ASEAN reopening play that has seen the ASEAN market outperform the broader Asia ex-Japan market by 10%-pts year-to-date. As domestic and international tourism returns to normalcy, the ASEAN region's defensive lustre may turn into the region's "equity growth" area as year 2022 progresses. This is premised on rising consumption and higher commodity prices. The "old economy" ASEAN market is poised to overshadow the "new economy" North Asia market as the region's rotation out of "growth" to "value" continues. Going forward, our regional strategy is expected to focus on consumers, commodities, infrastructure and financials, with a bias towards dividend yields.

MALAYSIA

Exhibit 1: FBM KLCI and FBM Shariah Index

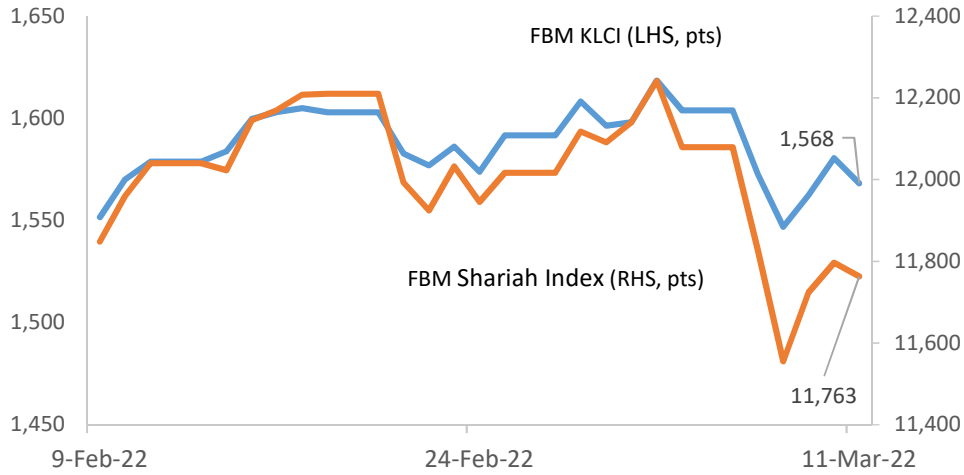


Exhibit 2: USDMYR FX

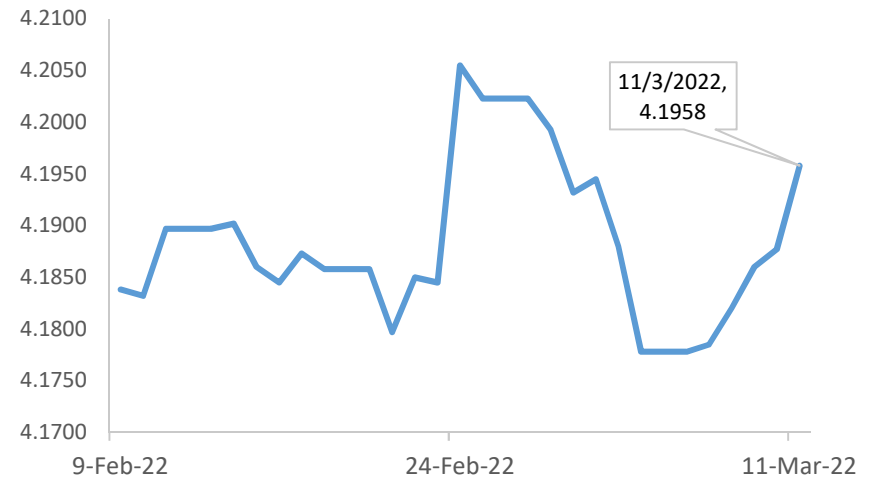


Exhibit 3: Sector Performance Indices (1 Week, %)

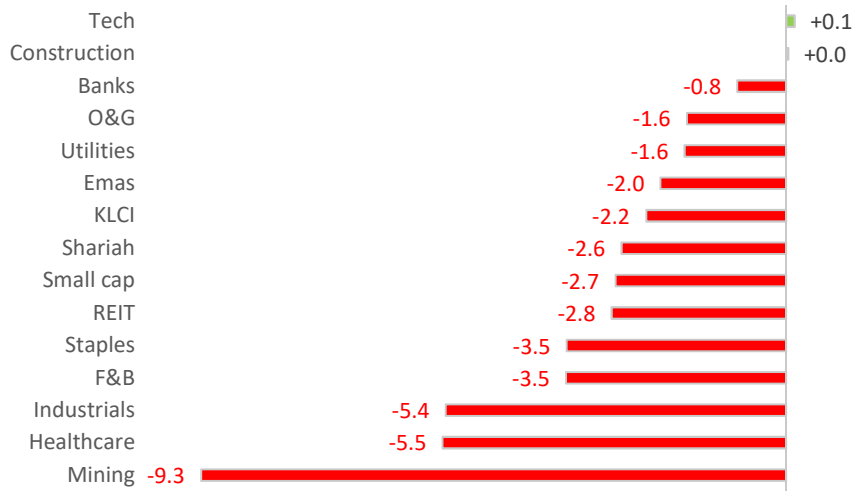
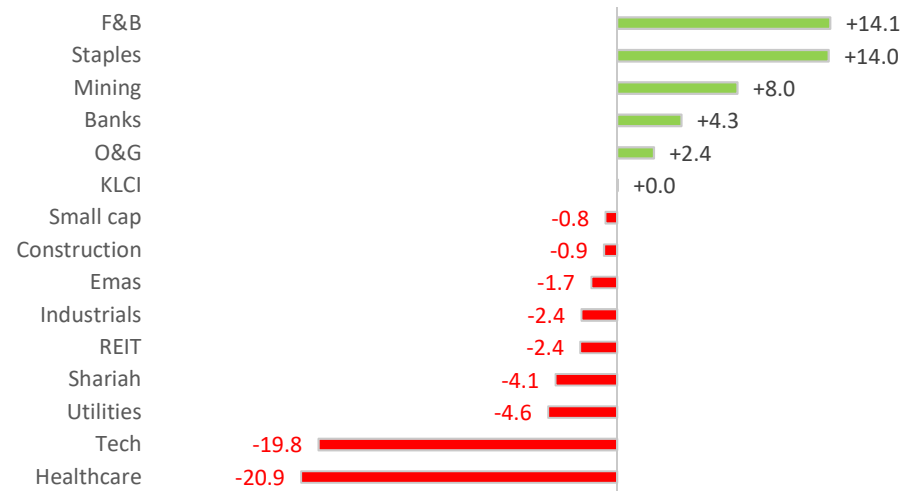


Exhibit 4: Sector Performance Indices (Year-to-Date, %)



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Exhibit 5: Malaysia's Premium/Discount to Asia ex-Japan based on Current PER (%)

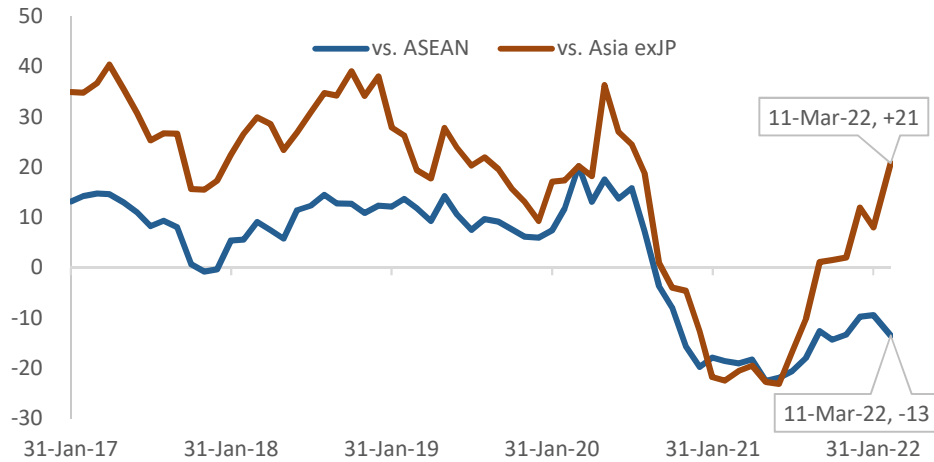


Exhibit 6: KLCI's 2022 Price-Earnings Ratio (PER, x)

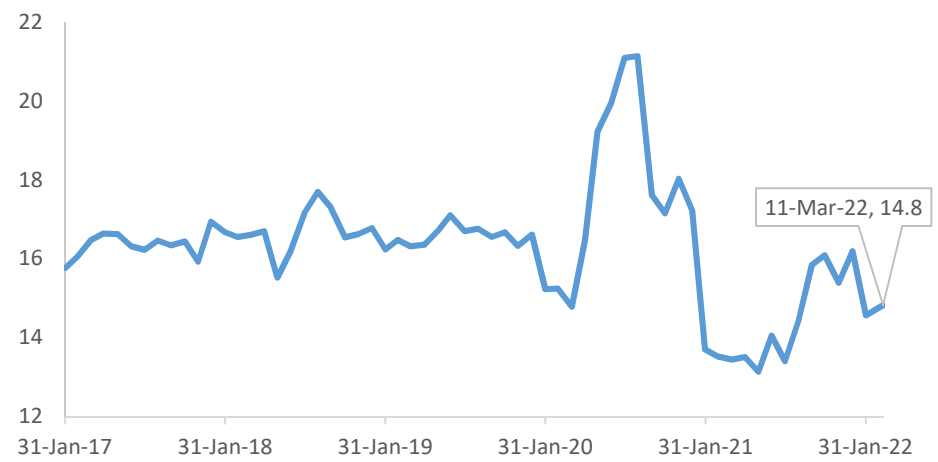


Exhibit 7: KLCI's Price-to-Book Ratio (PBR, x)



Exhibit 8: KLCI's Dividend Yield (DY, %)



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Exhibit 1: Country Performance Indices (1 Week, %)

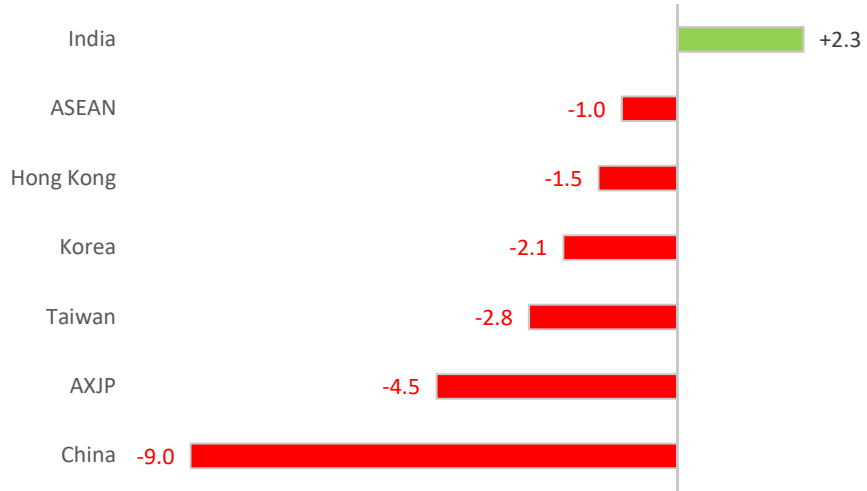


Exhibit 2: Country Performance Indices (Year-to-Date, %)

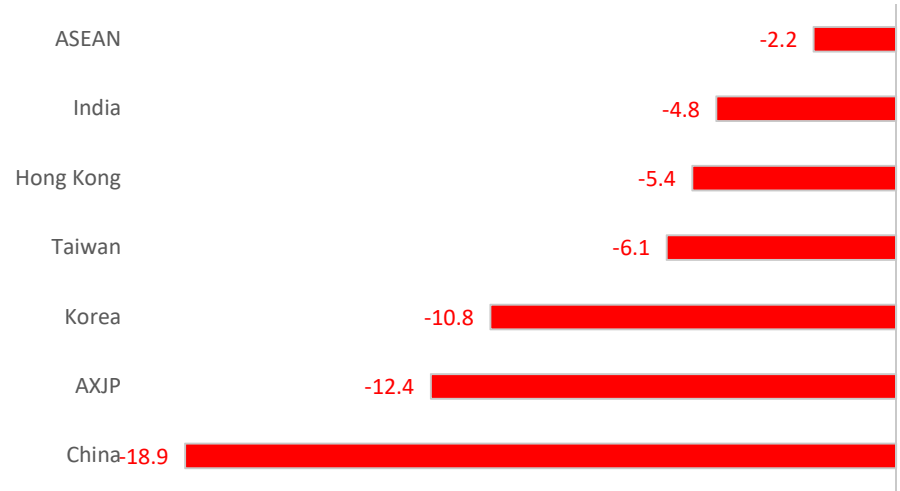


Exhibit 3: Sector Performance Indices (1 Week, %)

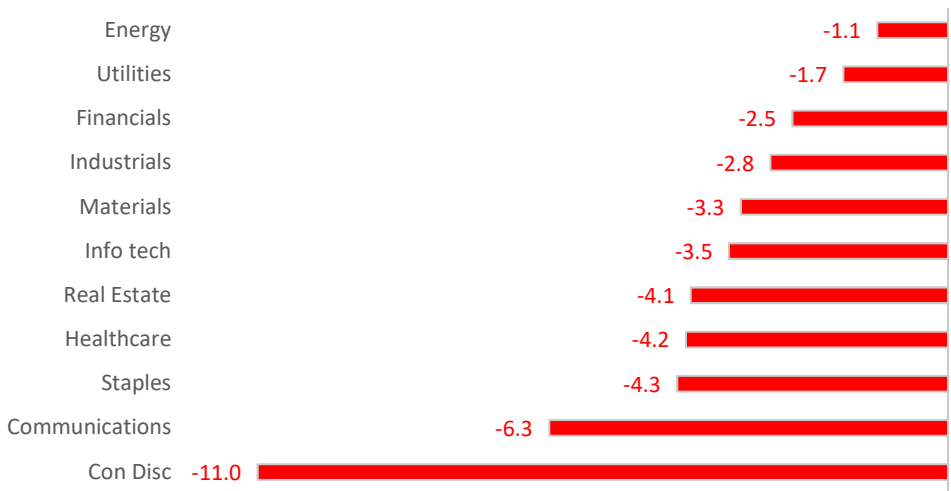
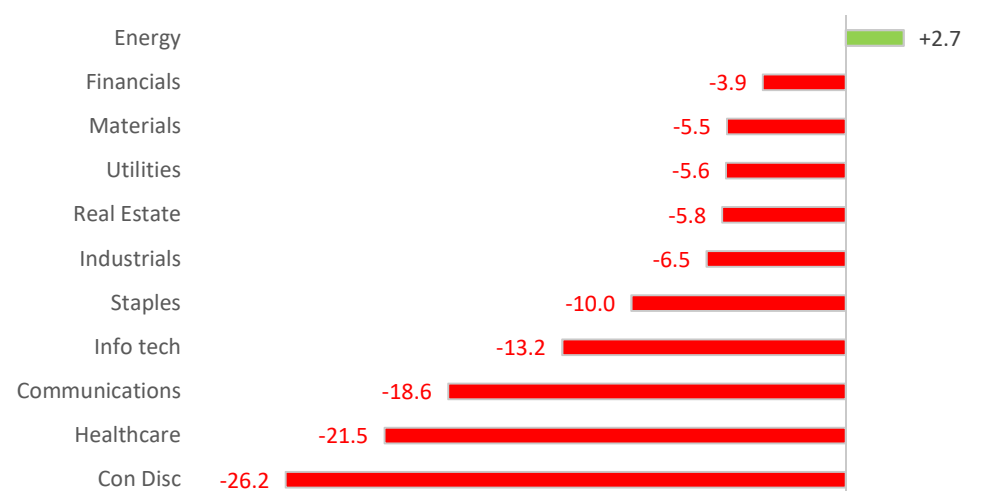
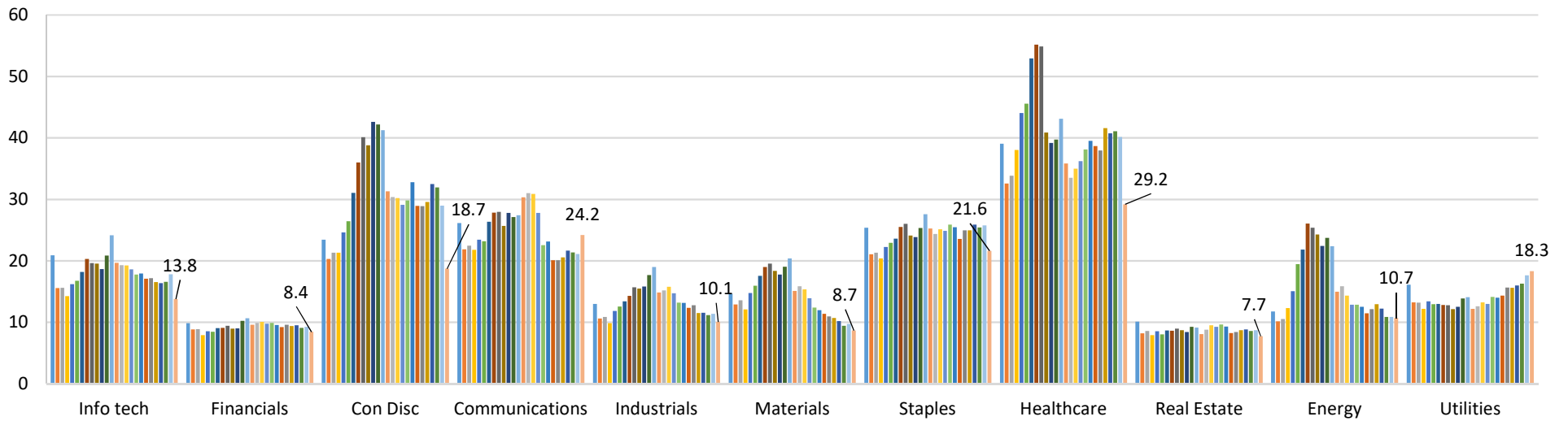
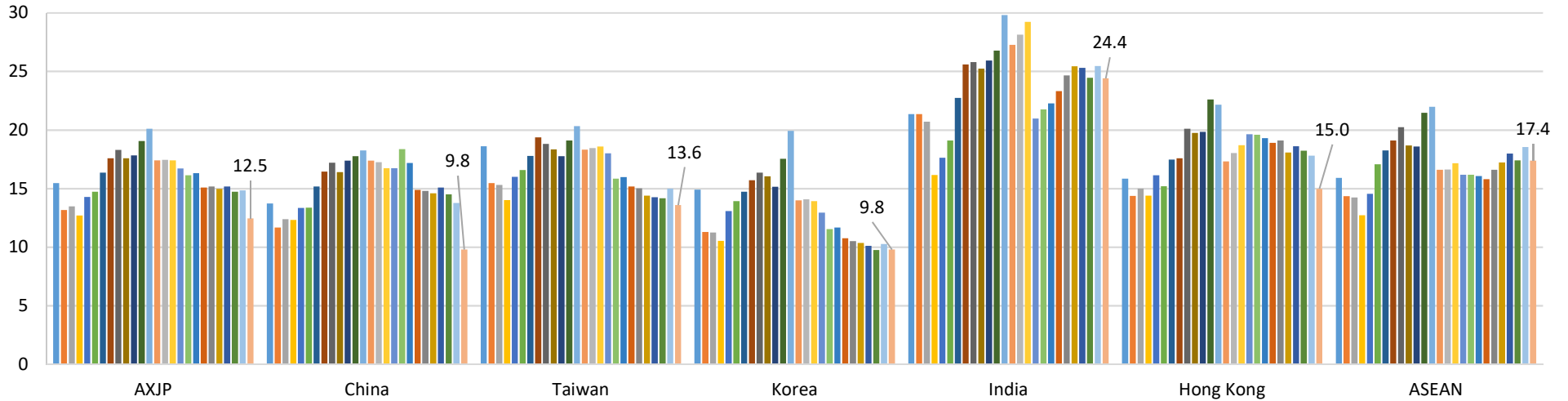


Exhibit 4: Sector Performance Indices (Year-to-Date, %)



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Exhibit 5: Year 2022 Price-Earnings Ratio (Dec 2019-Current)



FOREIGN NET FLOWS

Exhibit 6: Selected ASEAN Equity Markets (Net USD mil)

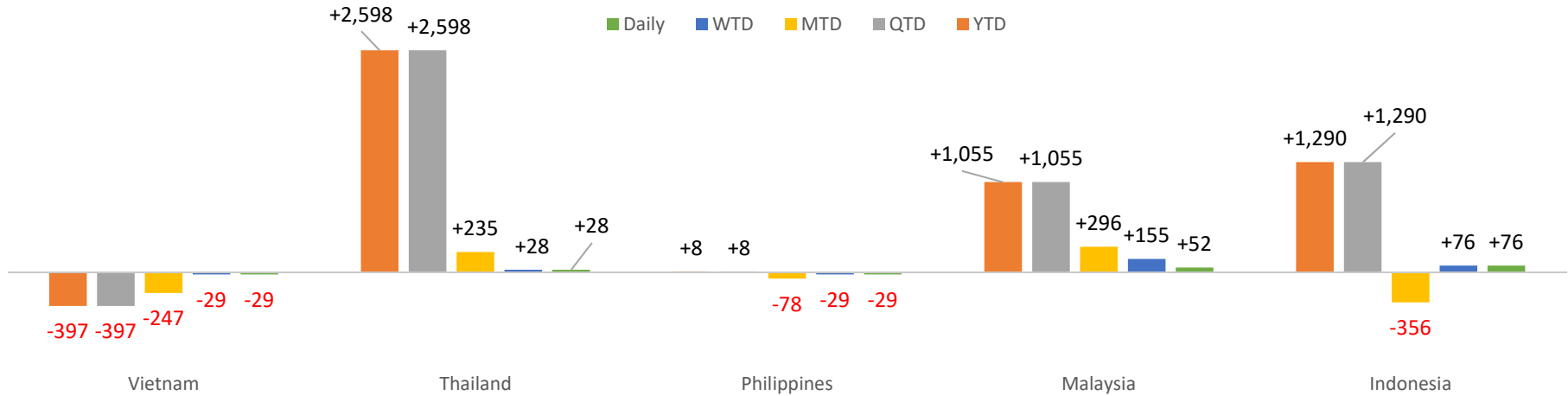
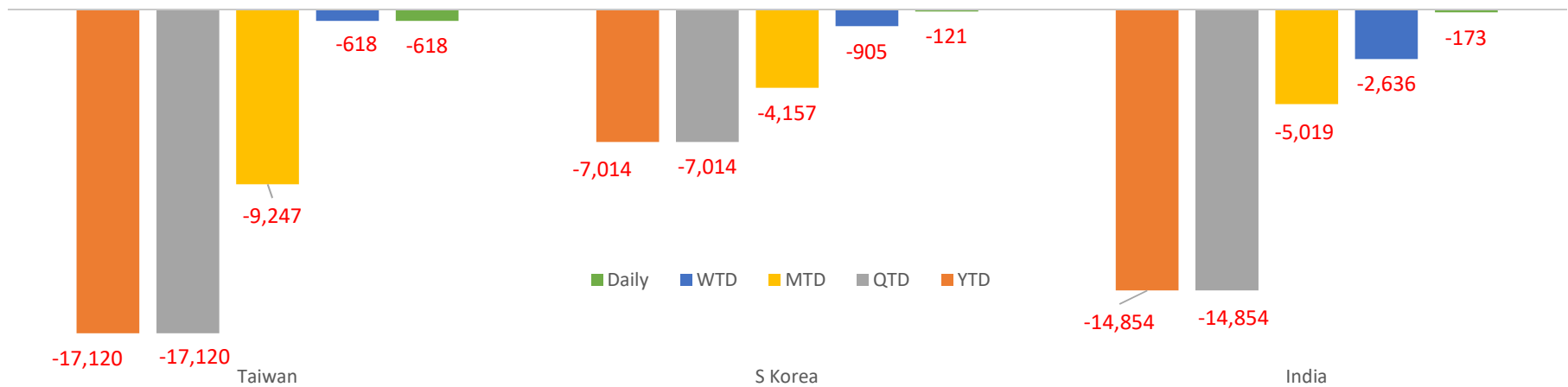


Exhibit 7: Selected North Asian Equity Markets (Net USD mil)



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