PORTFOLIO MANAGERS' VIEWS

20 June 2022

MALAYSIA & REGIONAL

1. THE WEEK IN REVIEW (13-17 June 2022): Key highlight of the week was the US's fight against inflation. In mind-week, the US Federal Reserve ("the Fed") raised the Fed Fund rate by 75 bps. The hike, the highest increase in 28 years, was in response to the recently-announced US consumer price index (CPI) rate of 8.6% for May and was deemed aggressive after smaller increases of 50 bps in May and 25 bps in March. The 75 bps-hike startled markets as the Fed was no longer seen to be modulating economic growth with 50 bps hike. Instead, the markets' concerns are if the US is raising rates too aggressively when already-high inflation are crimping disposal incomes, and risk tilting economic growth into recession. This fear shook financial markets and sent financial asset prices (equities and bonds) lower. Aside from monetary policy, reports over the weekend also indicate that the current US government under Joe Biden is looking into removing some tariffs that were introduced during the Trump administration. Also, the US Energy Secretary indicated that the US is also evaluating a pause on Federal gas tax in order to lower prices and curb inflation.

2. STRATEGY & OUTLOOK: In a week where losers overwhelmed gainers, banking stocks stood out for their relative outperformance. In Malaysia, the Bursa Malaysia bank sector fell by a marginal 0.4% as the KLCI fell 2.5% WoW. Year-to-date, the bank sector has risen 5.2% against the KLCI's decline of 7.1%. The financial sector's relative outperformance against the KLCI and regional markets stemmed from Malaysian bank's ability to distribute excess capital via dividends amidst an improving economic outlook (private economists recently upgraded Malaysia's 2022 GDP outlook by 10 bps to 6.2%). In addition, banks are also beneficiary of higher interest rates going forward. In May, Bank Negara Malaysia started the rate hike cycle by raising overnight policy rate by 25 bps, and Bloomberg's market-implied policy rate hike projections indicate two more hikes of up to 50 bps in total by the end of 2022.

MALAYSIA & REGIONAL ('cont)

On the point on dividends, high-yielding stocks also held up well against market volatility. Price falls have now edged KLCI’s one-year forward yield to 4.2%, just 40 bps short of the 5-year high of 4.6% (last seen in July 2021). Malaysia and regional funds are holders of dividend stocks from the banking, industrial and utility sectors stocks that are relatively more defensive. Notwithstanding the ongoing market volatility, Malaysia and regional funds remain invested in Malaysian positions as the KLCI’s one-year forward price earnings ratio is now more attractive, having fallen below one standard deviation.

MALAYSIA

Exhibit 1: FBM KLCI and FBM Shariah Index

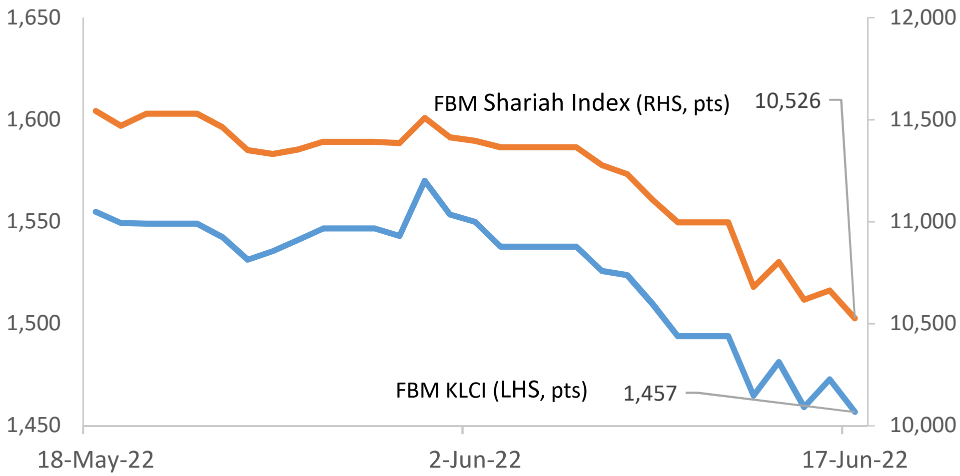


Exhibit 2: USDMYR FX

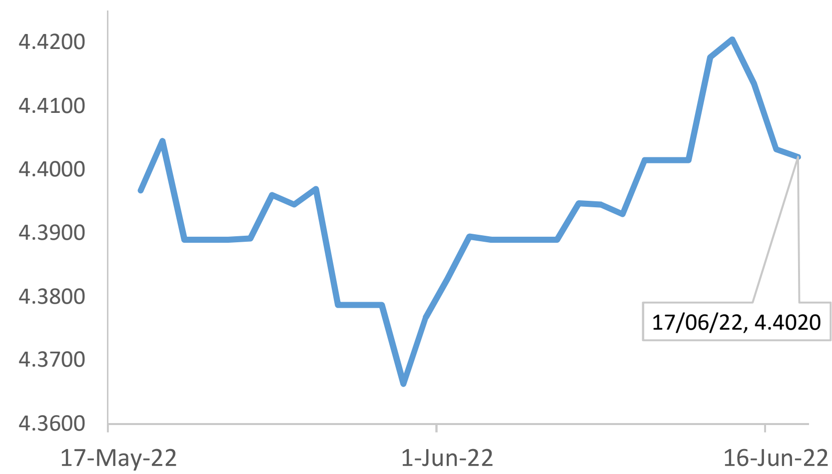


Exhibit 3: Sector Performance Indices (1 Week, %)

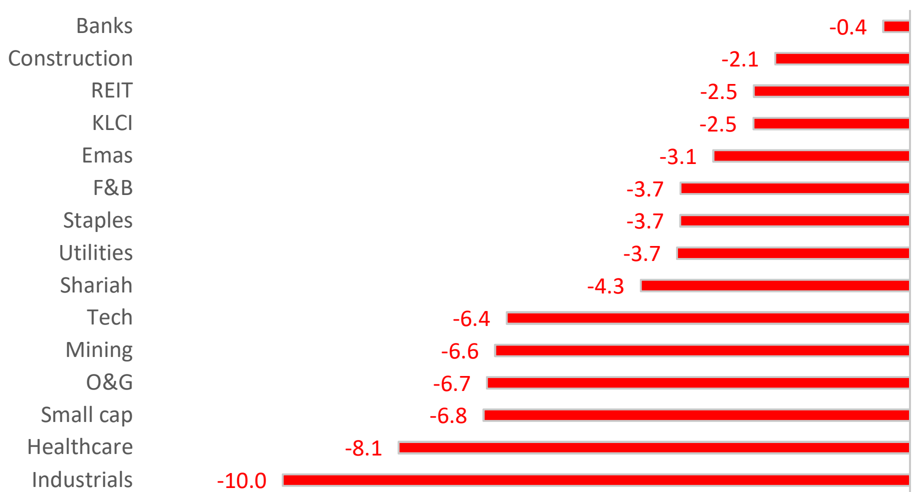
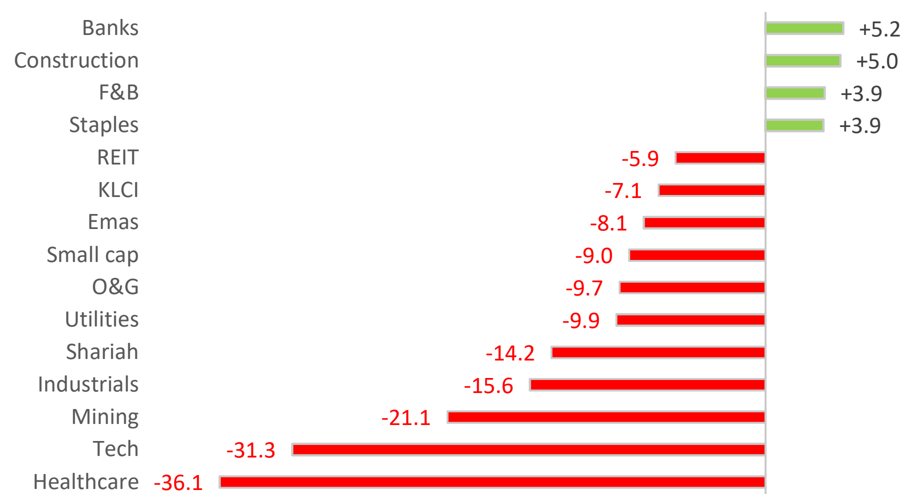


Exhibit 4: Sector Performance Indices (Year-to-Date, %)



MALAYSIA

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

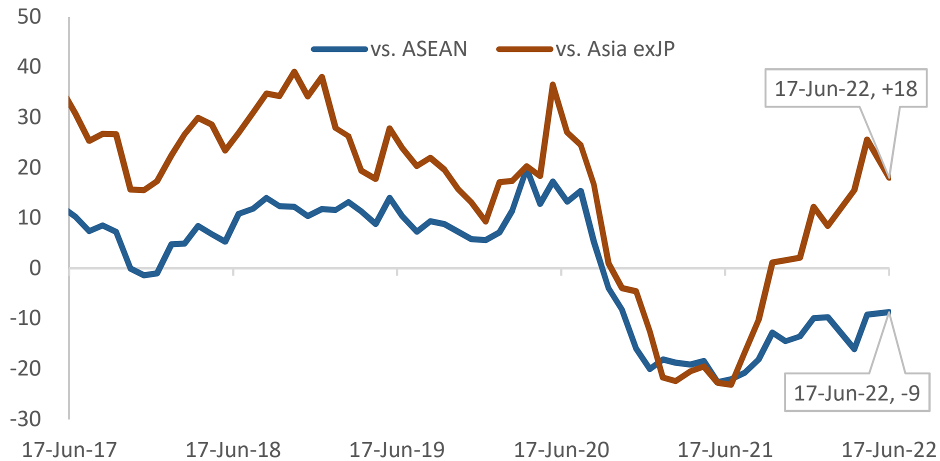


Exhibit 6: KLCI's 2022 Price-Earnings Ratio (PER, x)

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

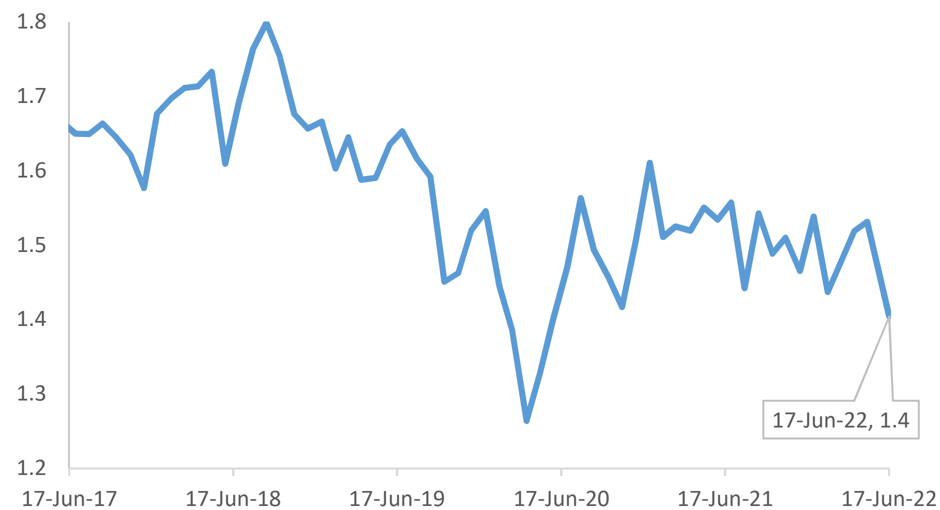


Exhibit 8: KLCI's Dividend Yield (DY, %)

REGIONAL

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

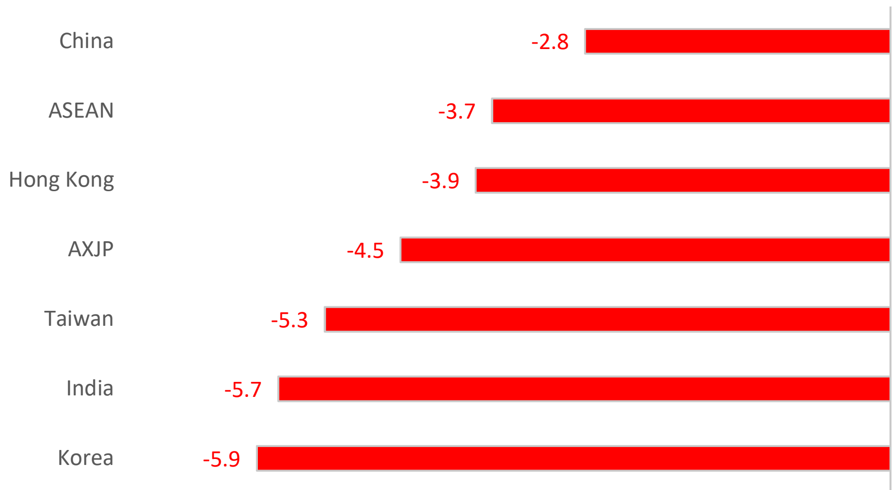


Exhibit 2: MSCI Country Performance Indices (Year-to-Date, %)

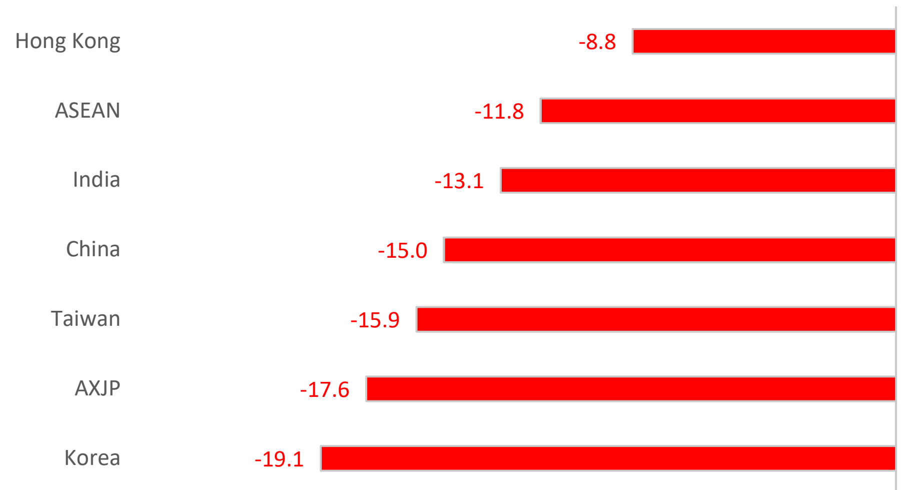


Exhibit 3: MSCI Sector Performance Indices (1 Week, %)

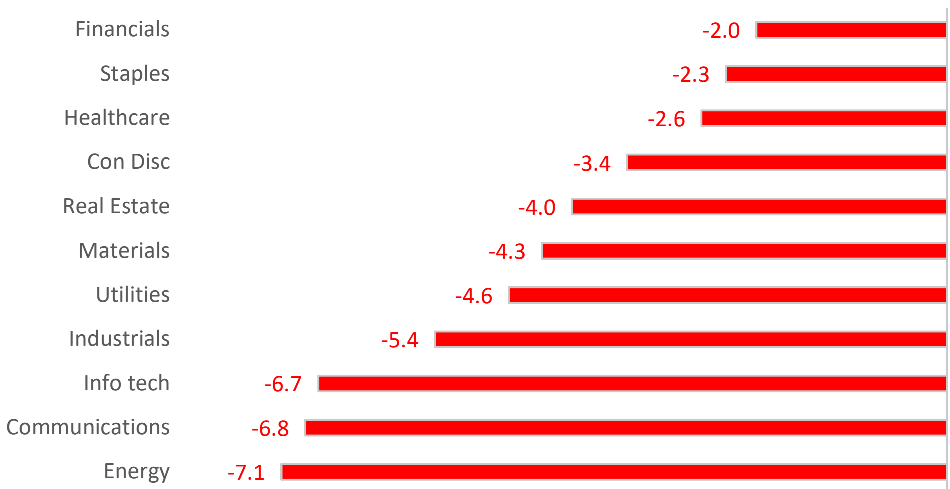
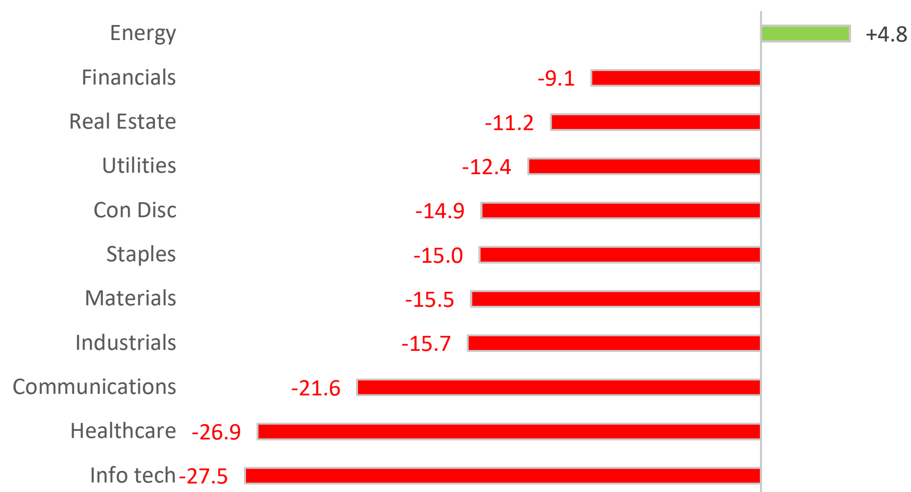


Exhibit 4: MSCI Sector Performance Indices (Year-to-Date, %)



REGIONAL

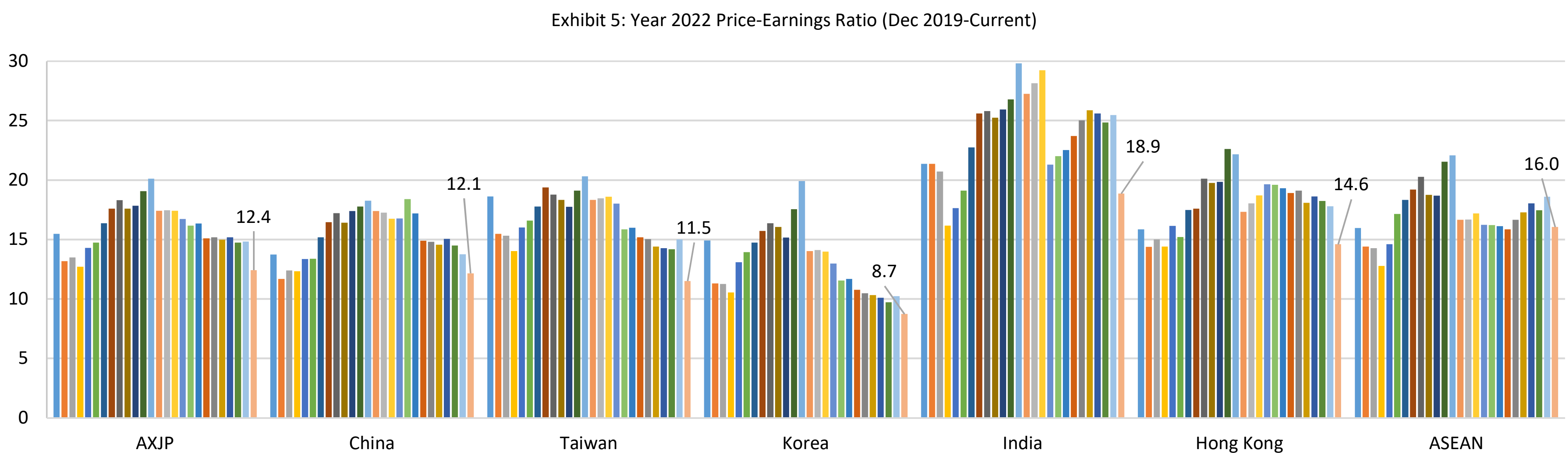
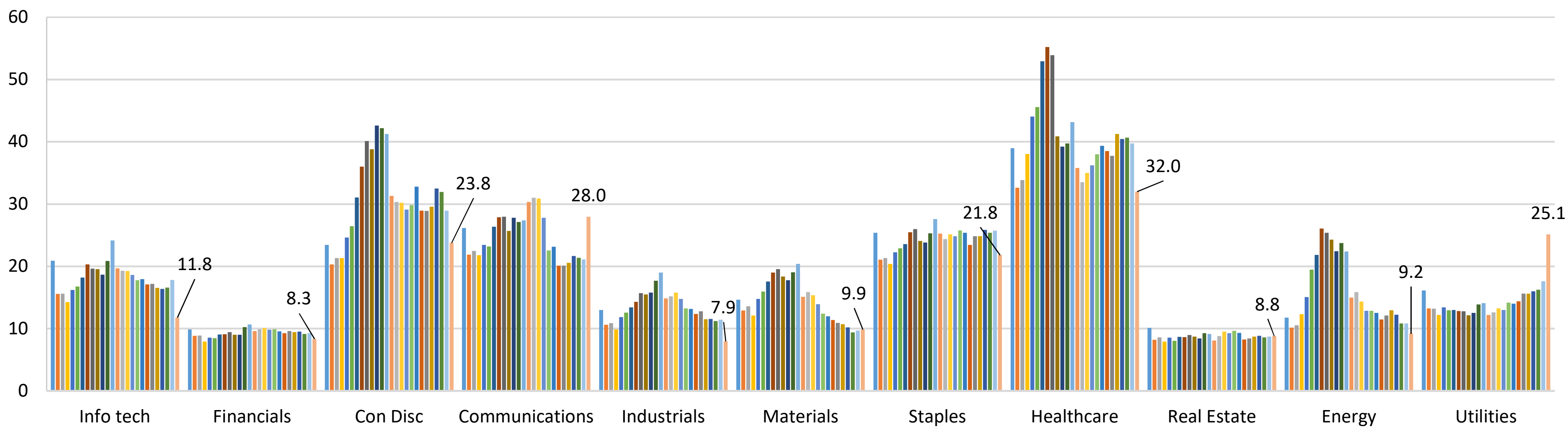


Exhibit 5: Year 2022 Price-Earnings Ratio (Dec 2019-Current)
0
5
10
15
20
25
30
12.4
12.1
11.5
8.7
18.9
14.6
16.0
AXJP
China
Taiwan
Korea
India
Hong Kong
ASEAN


0
10
20
30
40
50
60
11.8
8.3
23.8
28.0
7.9
9.9
21.8
32.0
8.8
9.2
25.1
Info tech
Financials
Con Disc
Communications
Industrials
Materials
Staples
Healthcare
Real Estate
Energy
Utilities

FOREIGN NET FLOWS

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

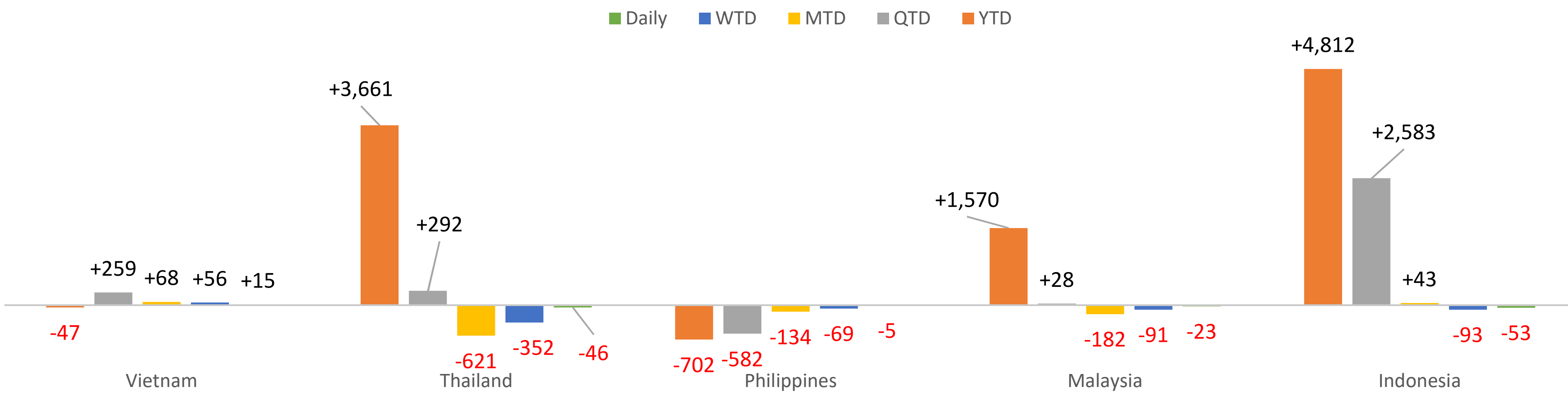
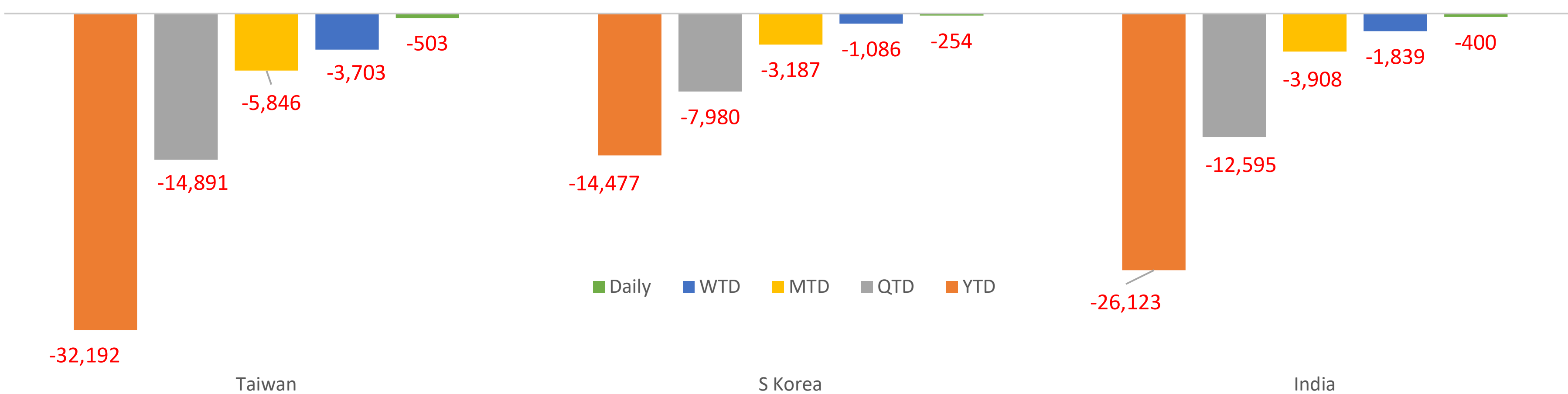


Exhibit 7: Selected North Asian Equity Markets (Net USD mil)



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