

# PORTFOLIO MANAGERS' VIEWS



27 June 2022

# MALAYSIA & REGIONAL

**1. THE WEEK IN REVIEW (20-24 June 2022):** The inflation theme continued to permeate across local and global markets. The commodity-driven inflation that has seen the US Fed raise its policy rate by 75 bps recently sparked a rout in commodity prices as the high-inflation and high-rate environment led to recession fears. Since the Fed's announcement on 15 June, commodity prices fell on fears of weaker demand. Crude oil prices fell by 4%, gas prices by -16%, aluminium by -5% and crude palm oil (CPO) by -20%. This negatively impacted Bursa Malaysia as the commodity-heavy KLCI fell by -1.4% WoW.

Additional inflation-related news was Malaysia's decision to raise the poultry ceiling price to restore the supply of broiler chickens. Rising feed cost has caused poultry farmers to be reluctant in breeding new chicken as feedstock costs have risen and selling price of chicken had been capped at RM8.90/kg. The price cap has caused farmers to be loss-making. In a separate news, Malaysia's agricultural sector received some respite as a major plantation company was finally able to receive 37 foreign labours from Indonesia.

**2. STRATEGY & OUTLOOK:** We are of the view that the recession fears are overblown and that the commodity cycle will remain to be the dominant driver of markets that are in a high inflationary environment. Despite fears of recession, private economists have on the contrary upgraded Malaysia's GDP growth forecast for 2022 to 6.2%, from 6.1% previously. Pre- and post-US Fed announcement of the 75 bps rate hike, consensus forecast for global growth for 2022 has maintained at 3.2%. We view the global economy as entering a mid-cycle slowdown at worst, and the falling commodity prices may have priced-in the peak of US Fed hawkishness and going forward, the US Fed may have to downplay their hawkishness to avert a recession. Hence, our portfolios are maintaining investments in companies that will benefit from the higher commodity prices.

## **MALAYSIA & REGIONAL (cont'd)**

As for the upward revision in the poultry price ceiling, we view the move as a positive driver for poultry companies as farmers are now more incentivized to breed chickens. Hence, poultry companies will start receiving more supply for further processing which will help improve their earnings. For consumers, the higher ceiling price will trickle down to downstream poultry products, resulting in higher food costs. We are invested in a poultry company that will benefit from this development.

In plantation, the local palm oil industry has been struggling with foreign labour shortages due to the COVID-19 pandemic. This caused a significant drop in production and inventory levels which led to palm oil prices rising to RM8,000/t in March 2022 (historically, it ranged between RM1,500 to RM3,500/t). Although the admission of new foreign labour is a step in the right direction, the progress is slow and palm oil supply is likely to remain tight as structural issues persists. Notwithstanding the recent decline in CPO price, our analyst's average CPO price target for full-year 2022 is RM5,000-5,500/t. This is still 13-24% higher than the 2021 average of RM4,435/t. Our funds remain invested in plantation companies that are expected to reap bumper profits and deliver above-market dividend yields.

# MALAYSIA

Exhibit 1: FBM KLCI and FBM Shariah Index

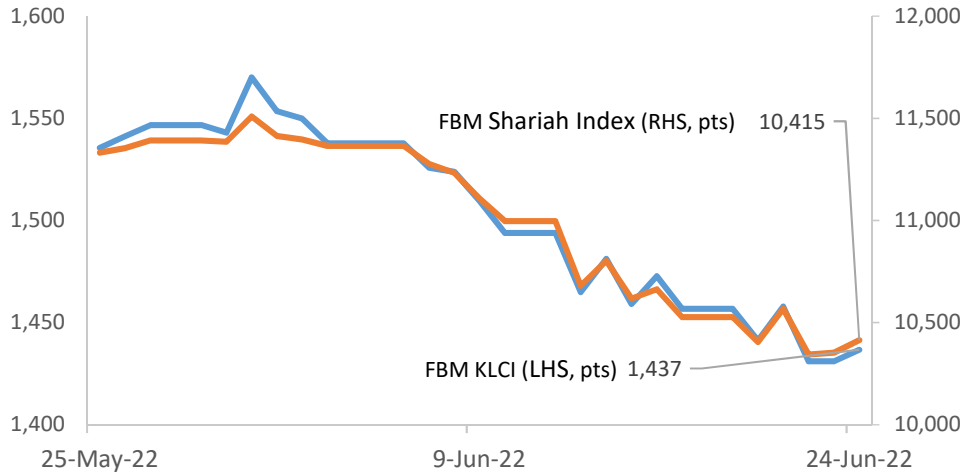


Exhibit 2: USDMYR FX

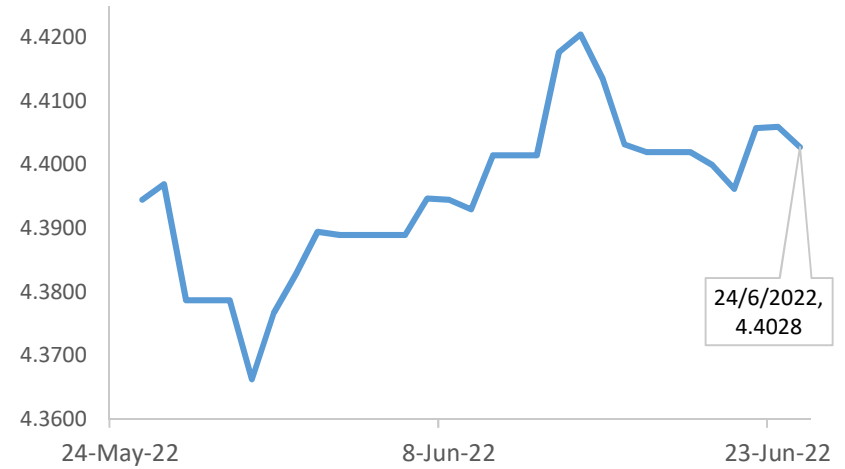


Exhibit 3: Sector Performance Indices (1 Week, %)

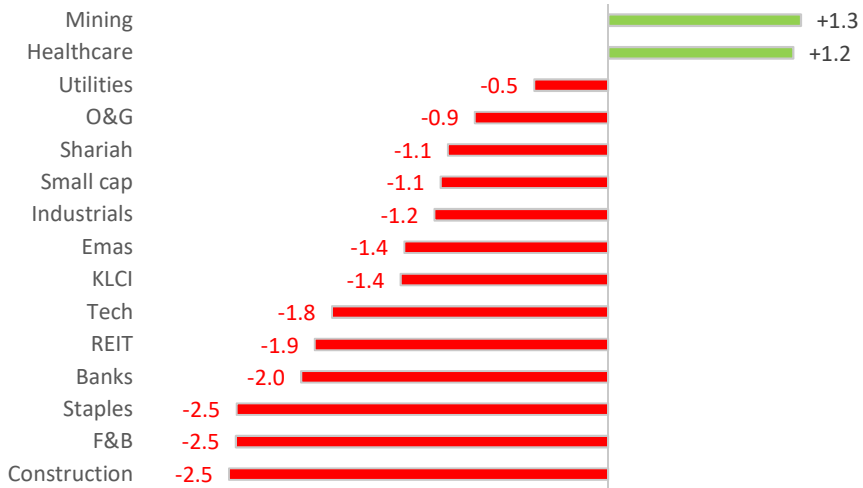
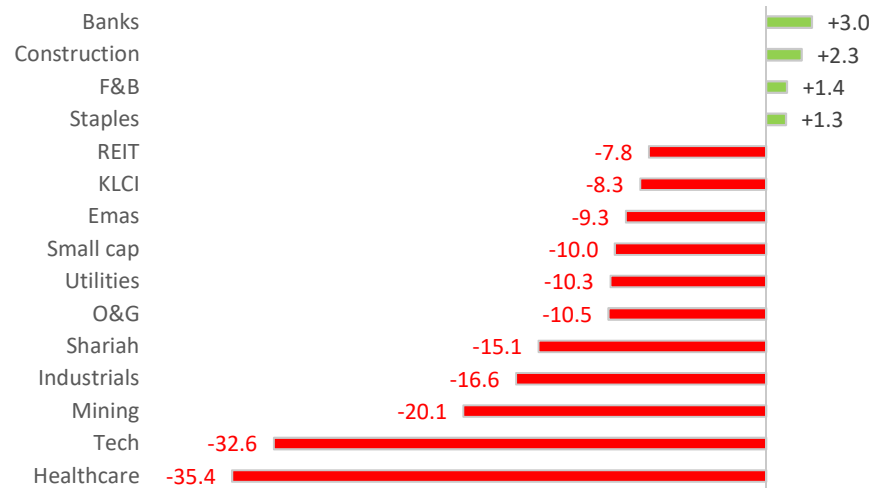


Exhibit 4: Sector Performance Indices (Year-to-Date, %)



# MALAYSIA

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

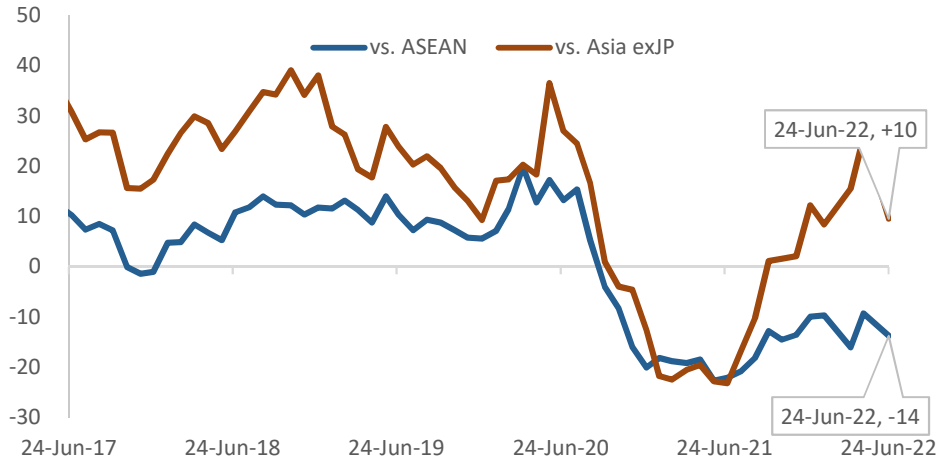


Exhibit 6: KLCI's 2022 Price-Earnings Ratio (PER, x)

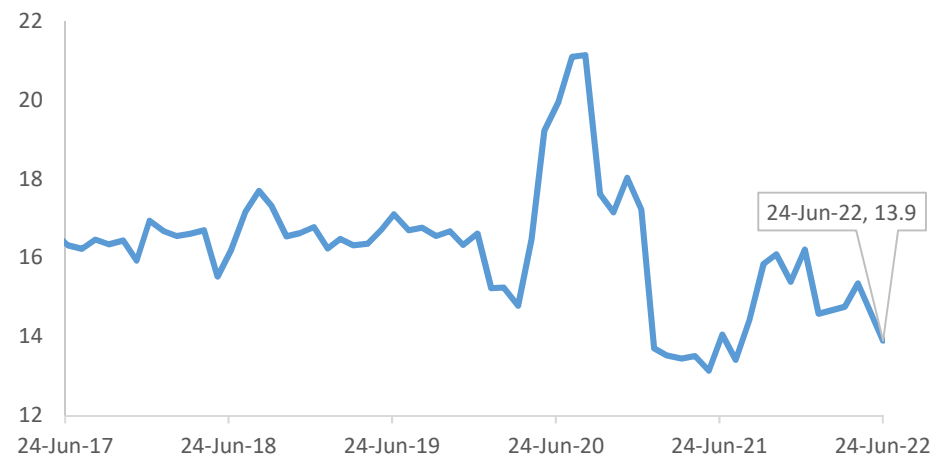


Exhibit 7: KLCI's Price-to-Book Ratio (PBR, x)

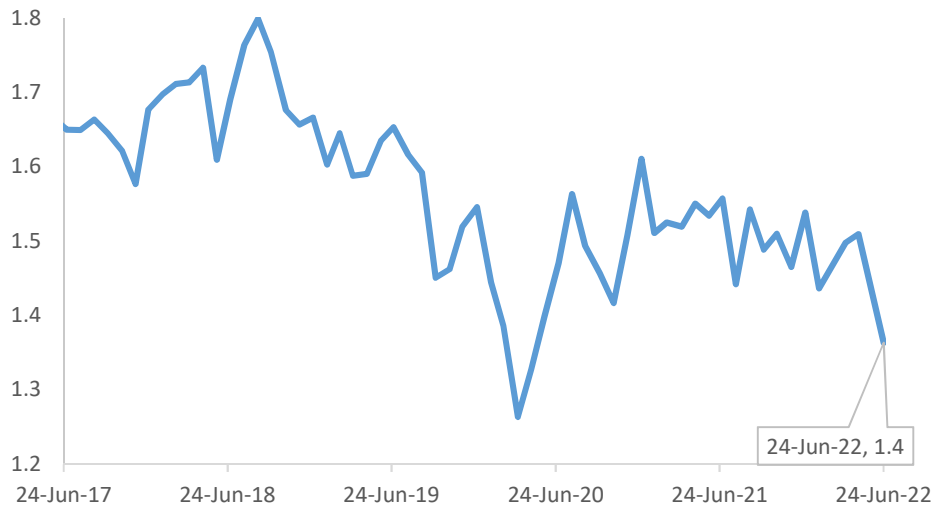


Exhibit 8: KLCI's Dividend Yield (DY, %)



# REGIONAL

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

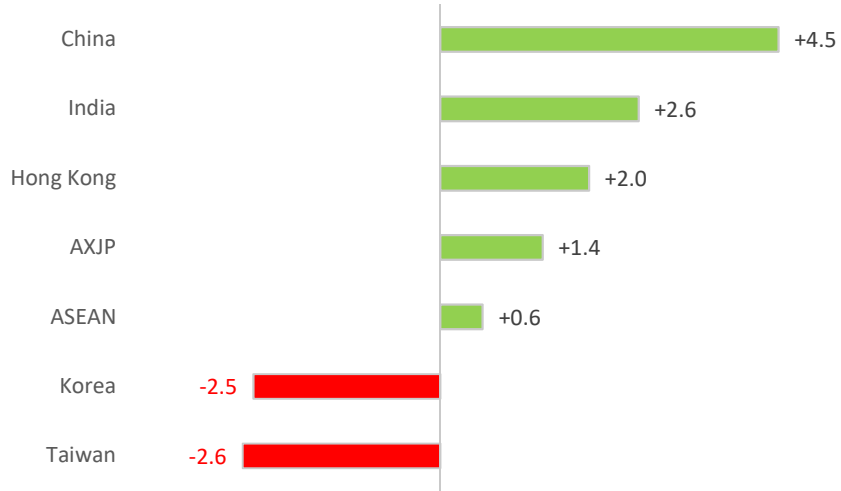


Exhibit 2: MSCI Country Performance Indices (Year-to-Date, %)

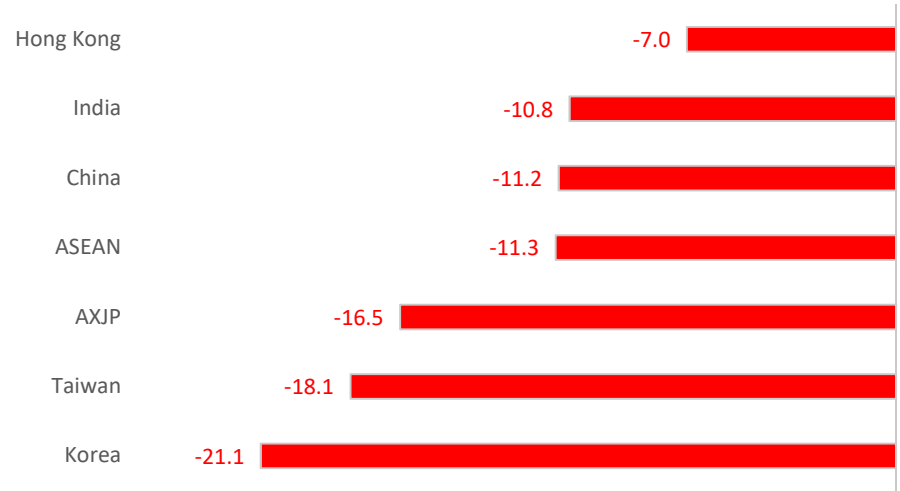


Exhibit 3: MSCI Sector Performance Indices (1 Week, %)

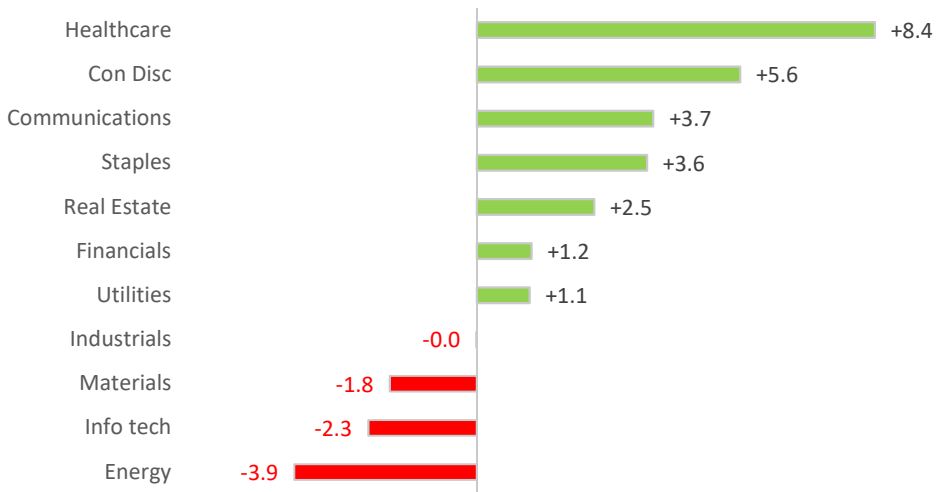
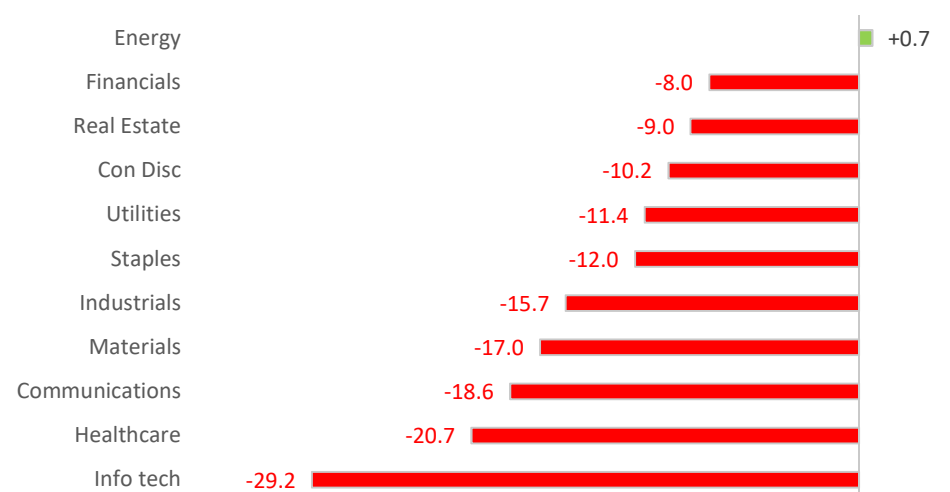
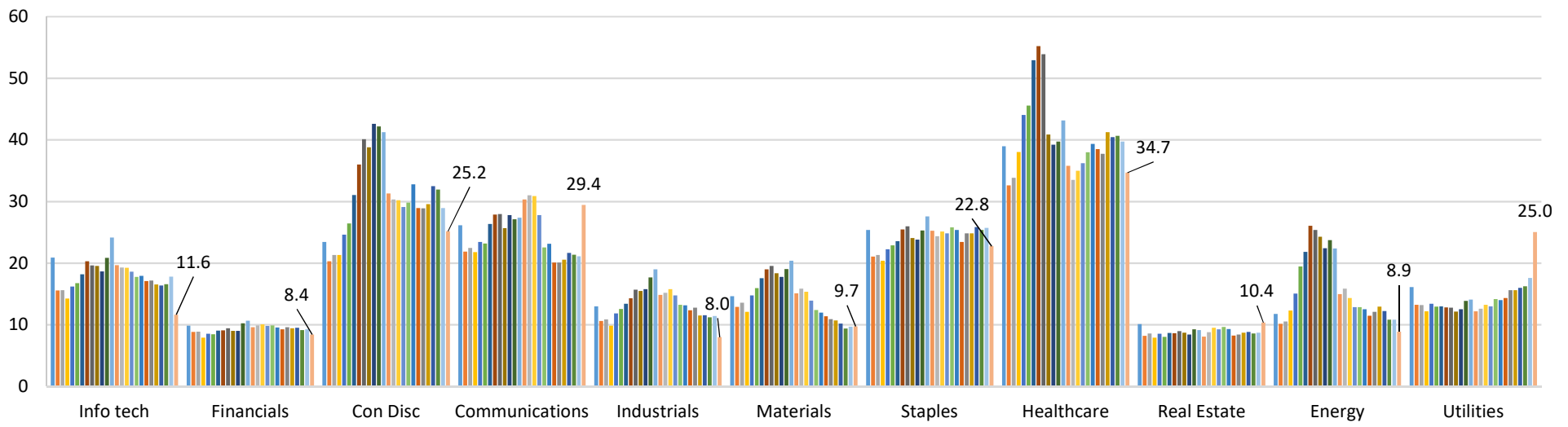
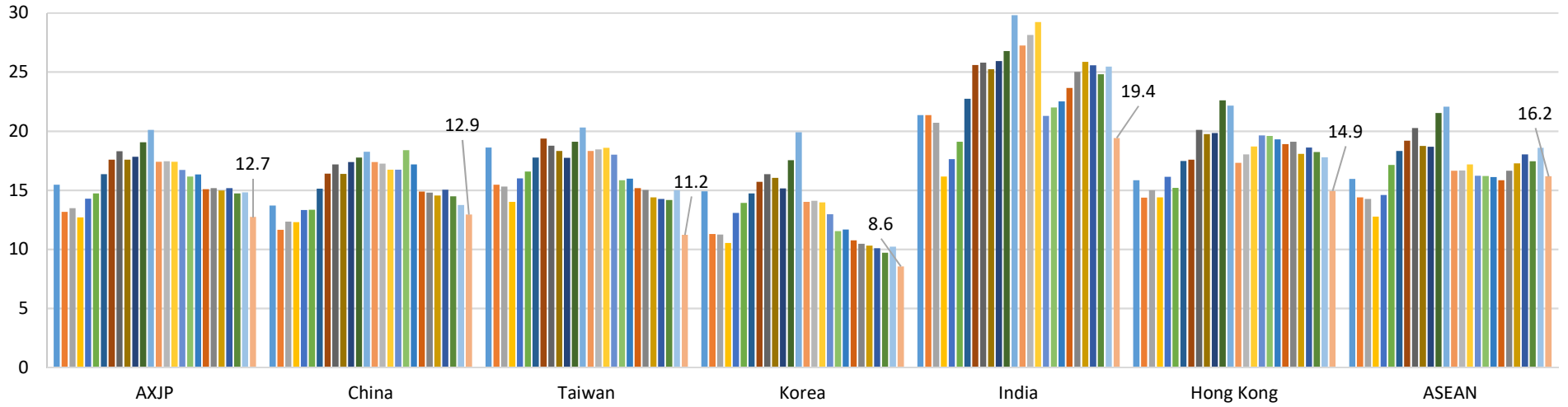


Exhibit 4: MSCI Sector Performance Indices (Year-to-Date, %)



# REGIONAL

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



# FOREIGN NET FLOWS

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

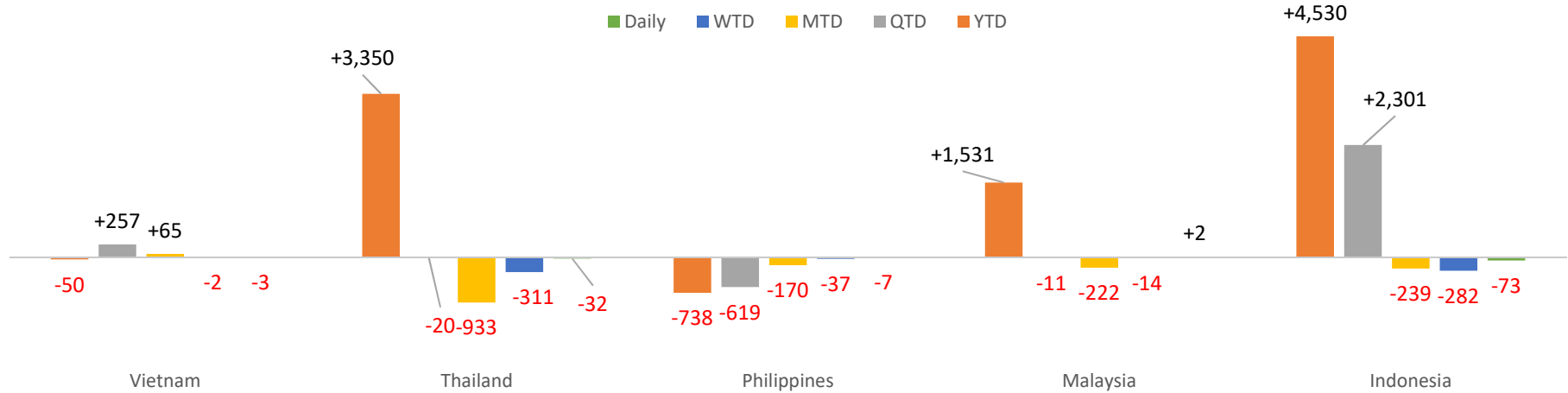
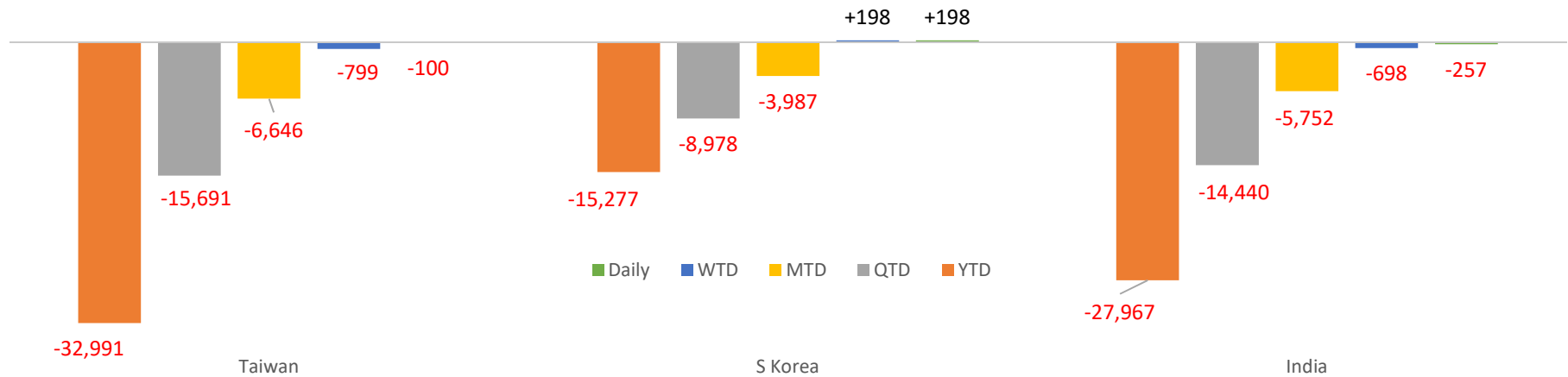


Exhibit 7: Selected North Asian Equity Markets (Net USD mil)





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